Oleksandr SAVCHENKO,
Deputy Governor, National bank of Ukraine

Presentation at the briefing "Banking on Ukraine" organized by Financial Times Business

London Stock Exchange
21 February 2006

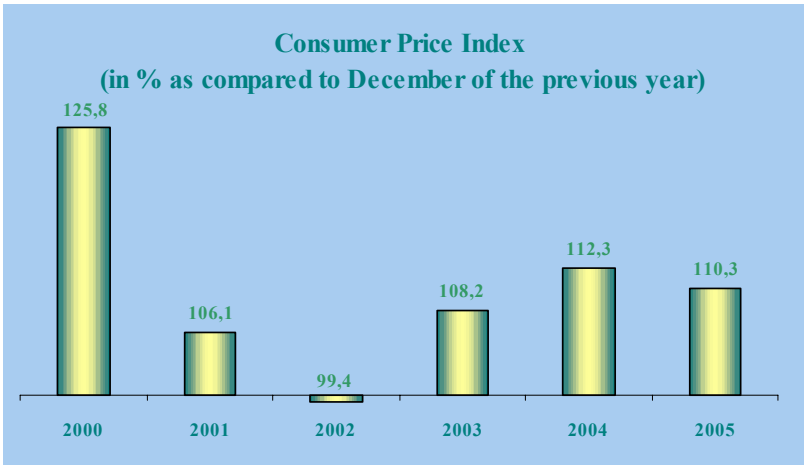
Indicators of Economic Dynamics

	2001	2002	2003	2004	2005
GDP	9,2	5,2	9,6	12,1	2.4
Industrial output	14,2	7,0	15,8	12,5	3,1
Fixed capital investments	20,8	8,9	31,3	28,0	3,4*
Retail turnover	13,7	15,0	20,5	21,9	23,0
Exports of goods and services	9,5	10,7	24,0	37,2	6,7
Imports of goods and services	14,1	5,0	28,7	26,0	20,8
Real income of individuals	10,0	18,0	9,1	19,6	20,1
Index of real salary (versus previous year)	19,3	18,2	15,2	23,8	20,3
Consumer price index, *% versus December of previous year*	6,1	-0,6	8,2	12,3	10,3
BoP Current account, balance, % of GDP	3,7	7,5	5,8	10,5	2,8**
International reserves in months of future period import	1,7	1,9	2,4	2,7	5,0
Consolidated balance surplus, % of GDP	-0,3	0,7	-0,2	-3,2	-1,9

Source: State Statistics Committee of Ukraine, NBU

'/ Data for 9 months
''/ Estimated data

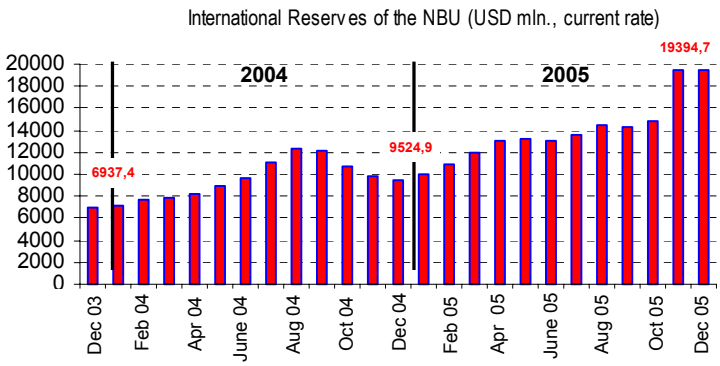
Inflation expectations for 2006 are still high notwithstanding some relief



The NBU Exercised Decisive Actions Aimed at Inflation Restraining

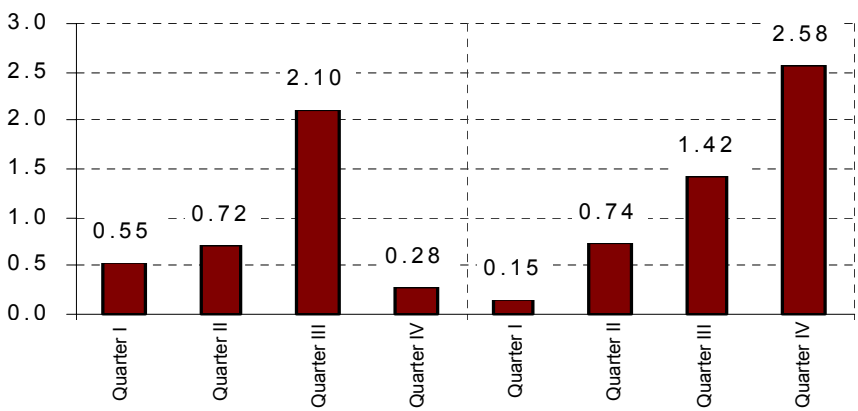
- Obligatory provisioning requirements has been toughened
- Fund raising operations has been maintained on a continuing basis
- Adequate interest rate policy has been pursued through the rate establishment for active and passive NBU operations
- Hryvnia to US dollar exchange rate has been revalued

International Reserves of the NBU Inceased Significantly

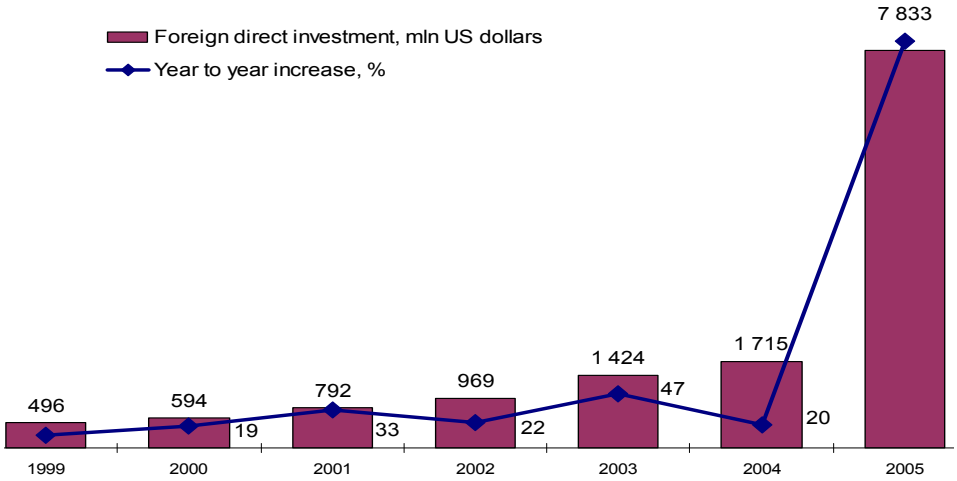


- ✓ International reserves amounted to USD 19.4 billions as of January 1, 2005 or almost 5 months of future period import
- ✓ The NBU proceeded with foreign exchange operation liberalisation which resulted in reduction of its immediate interference in the mechanism of functioning of the interbank foreign exchange market

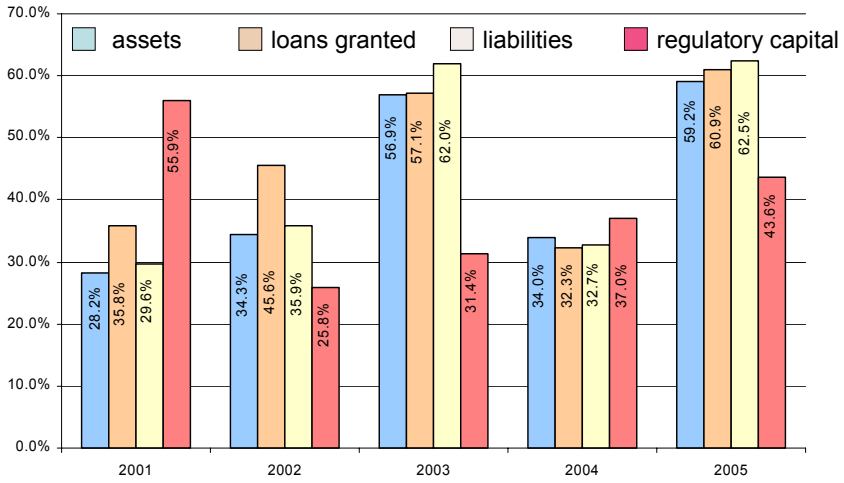
Net funds attracted by Ukraine in the foreign markets through Eurobonds and non-guaranteed mid and long term loans, USD bln



Foreign direct investment inflow to Ukraine grew significantly



Growth rates of key indicators of Ukrainian banks activity

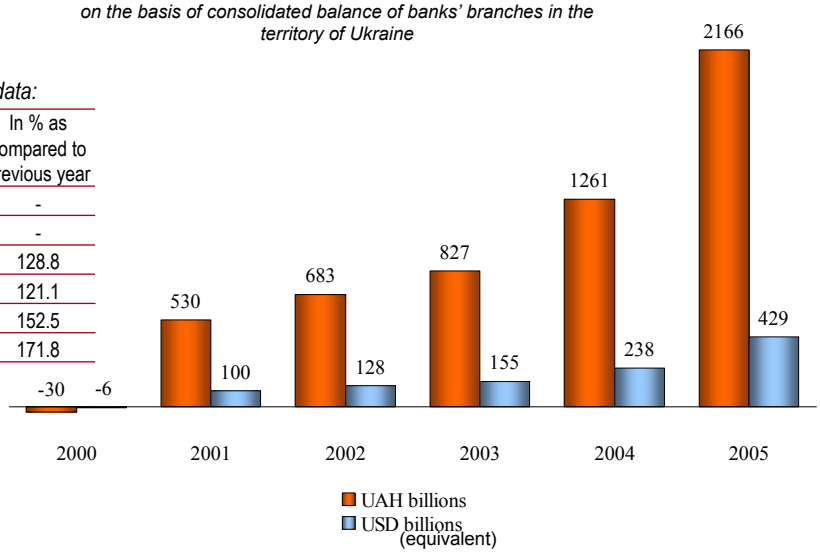


Revenues of Banks in Ukraine

on the basis of consolidated balance of banks' branches in the territory of Ukraine

Supplementary data:

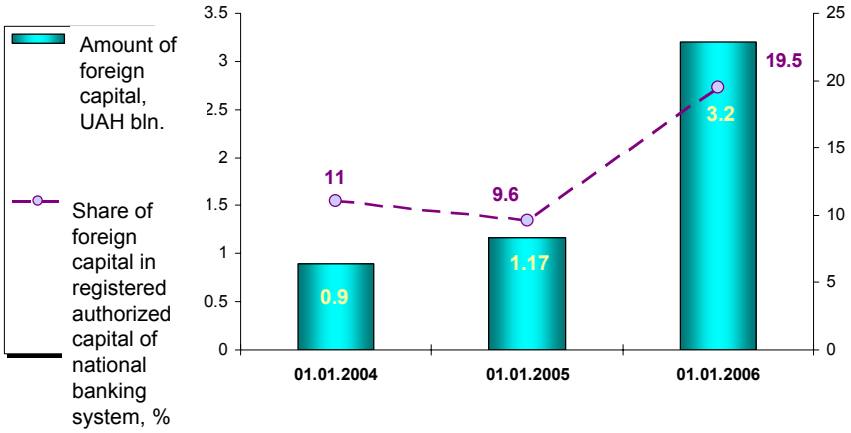
Year	UAH mln.	In % as compared to previous year
2000	-30	-
2001	530	-
2002	683	128.8
2003	827	121.1
2004	1261	152.5
2005	2166	171.8



Foreign capital in the banking system of Ukraine

- Ukrainian banks became more attractive for the foreign capital
  - *in 2005, 3 new banks were registered, 4 repoffices opened, almost 100% of shares of two Ukrainian banks were acquired by foreign investors*
- Today 23 banks with foreign capital operate in Ukraine, 9 whereof are with 100% foreign capital.
- The share of foreign capital within the total registered authorised capital of the operating banks of Ukraine made 9,8% as of January 1, 2005.

The Role of Foreign Capital in Banking Sector of Ukraine Increases



Targets and Directions of the NBU Activity in the Monetary Area for the Support of the Economic Growth and Provision of Price Stability

- Gradual transition to the establishment of midterm targets for price stability.
- Signing Memorandum between the NBU and the Government
- Support of the stabilising trend in Hryvnia to Dollar exchange rate dynamics, with relative increase in flexibility and broader band of daily fluctuations by means of decrease in the NBU involvement in the foreign exchange market.
- Extension of the successive liberalisation of the foreign exchange market.
- The enhancement of the efficiency and operability of the percent policy in the regulation of the monetary market.

Measures planned for 2006 in the area of investment climate improvement in Ukraine

- To introduce amendments to the Decree of the Cabinet of Ministers of Ukraine “On the System of Foreign Exchange Regulation and Control” in order to broaden the mandate of the NBU in the area of regulation of the financial capital export and import, and to simplify selected operations with capital.
- To accomplish the development of the Regulation On Capital Flows for the purpose of refinement of the key directions and instruments of regulation of the financial capital export and import.
- To proceed with gradual liberalisation of the foreign exchange regulation system.

Thank you for your attention!