

2001 РІЧНИЙ ЗВІТ
ANNUAL REPORT



До 2002 року - АТ "Західно Український Комерційний Банк"

A Bank that Creates
Tradinions

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ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD OF THE JSC “KREDYT BANK (UKRAINE)”

Dear Shareholders, Clients and Partners,

It is my honour to present you the report on results of the activities carried by the Bank in 2001.

The recent year was an important stage both for Ukraine and the JSC “West Ukrainian Commercial Bank” in the progress towards improving the banking system of Ukraine.

The considerable steps were taken to enhance the co-operation with the long-term investors such as the European Bank for Reconstruction and Development, the Polish financial group headed by the KREDYT BANK S.A., which is part of the international banking grouping led by KBC Bank N.V. (Belgium). During the years 1999-2001 the Kredyt Bank Group has invested into WUCB to an amount of UAH 95,677 million (or EUR 21,257 million). In accordance with the results of the 15th share issue the paid-in authorised capital of the Bank reached UAH 143,549 million, which enabled WUCB to be ranked, in terms of the authorised capital, among the Ukraine’s top five banking institutions.

A logical step in maintaining our co-operation was the decision of the General Meetings to change in 2002 the Bank’s name into the JSC “Kredyt Bank (Ukraine)”. Such a name change emphasised the outcome of specific actions aimed at establishing in Ukraine of a European type modern bank. The new name will enable the Bank to increase its reputation as in Europe the KREDYT BANK S.A. is known as a large and reliable banking institution. The representation in Ukraine of such Europe-known brand will provide the customers with additional opportunities for enhancing their businesses.

Competing for the new customer the Bank continued to be active in extending and improving the range of financial services, establishing the long-term and mutually profitable business relations, implementation of the European quality standards for customer services, and new banking technologies, as well as in expanding its own branch network. Throughout 2001 a substantial share of funds was invested into purchasing, reconstruction and modernisation of the Bank’s premises, providing its branches with modern equipment and computer hardware. It allowed applying the most advanced schemes and methods of servicing. For the accounting year the Bank has opened two branches in Donetsk and Dnipropetrovsk and six off-balance operational units in Lviv, Rivne, Uzhorod, Yavoriv, Kamianets-Podilskiy, Sevastopol. Currently, the Bank’s network comprises 18 branches and 25 operational units. Establishment of the new banking units helps the Bank to get closer to the customers.

The Bank continues to promote itself as the dynamically growing structure, which expands its financial activity and at the same time remains safe, reliable, transparent financial institution. The Bank enjoys high confidence of its customers and partners, carries out activities in compliance with the current legislation and supports the economic development of Ukraine.

Throughout 2001 the main direction of the Bank's operation were: SME lending, servicing export-import transactions, securities transactions, expansion of the deposit and credit bases, introduction of the most recent technologies and products such as payment cards, consumer credits, fast money transfers.

A prudent and target-oriented policy pursued by the investors, the Bank's management and the employees ensures good incentives for active co-operation with Ukrainian and foreign business operators and raise confidence in WUCB. Thus, the Bank gained high growth rates out of the range of its performance indices.

For the accounting year the total assets doubled and as of the end of 2002 amounted to UAH 642.821 million; the registered authorised capital — UAH 75.087 million, the credit and investment portfolio — UAH 452.716 million, current accounts of clients — UAH 90.566 million; and term deposits — UAH 326.846 million.

The bank has been successfully implementing the strategy of co-operation with the banks of industrially developed countries, widely known in the business world such as: National Westminster Bank (UK), Canadian Imperial Bank of Commerce (Canada), Kredyt Bank S.A. (Poland), Bank of New York (USA), CSOB (Czech Republic). Also, it maintained and developed contacts with the banks from CIS countries.

The past year 2001 became famous for the Bank due to the numerous awards. At the regional contest "The City Face-2001" WUCB received a special nominal reward "Galician Perspective". In the nomination "The Best Bank-2001" the Bank was awarded with diploma "The Bank of the Year" for its conscientious work for the benefit of the Lviv City. According to the result of 2001, the municipality of Lviv awarded the Bank with Gratitude and a Medal for its contribution to the erection of the Monument to the King Danylo Halytsky in Lviv. In the accounting year the Kredyt Bank S.A. and WUCB for the second time became the winners of the competition "Investor of the Year 2001" in the nomination "For mobilisation of the largest bank's investment into the banking system and for the active investment performance in Ukraine".

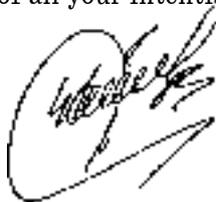
Dear Clients, Partners and Friends!

Summing up, I think that the results achieved by WUCB in 2001 became the next stage in the realisation of the strategy, adopted by the shareholders and the Management Board. The rightfulness of this strategy and the expediency of its continuation in 2002 were confirmed once again.

I am sure that all our achievements and big potential of WUCB, "Kredyt Bank (Ukraine)" since 2002, will make strong foundation for the future growth of the Bank and for its enhancement as a modern and stable financial institution, is open to co-operation.

We wish you good health and fulfilment of all your intentions!

Chairman of the Management Board
JSC "Kredyt Bank (Ukraine)"



Stepan Kubiv

A STEP FROM THE JSC “WUCB” TO THE “KREDYT BANK (UKRAINE)” OPENS A NEW STAGE IN GLOBALISING THE BANKING CAPITAL

The co-operation between WUCB and the major shareholders of the Bank such as Kredyt Bank S.A. and EBRD always played a crucial role in implementing the strategic plans of the Bank’s development.

Throughout 1999-2001 the Kredyt Bank group has invested to the total amount of UAH 95.677 million (or EUR 21.257 million); EBRD to the amount of UAH 40.551 million (or EUR 8.418 million), respectively. All this allowed WUCB to place itself among the top 5 domestic banks by the amount of paid-in authorised capital. This is particularly important in the context of capital increase, which becomes obvious in the banking sector of Ukraine.

The foreign investments has ensured not only reliable and stable growth of the Bank but opened the path to co-operation with leading European banking structures, created new opportunities for extension the range of the financial operations. The investments opened access to financial resources, experience and technologies of European banks and strengthened the Bank’s standing in the Ukrainian and global financial markets.

Due to the Bank’s main strategic shareholder, the Polish group Kredyt Bank S.A., the West Ukrainian Commercial Bank has become a part of the world wide multinational financial structure. It integrates powerful banking institutions of Belgium, Italy, Portugal, headed by the KBC Bank N.V. (with a turnover exceeding USD 60 billion and a well-established branch network in Europe and America) reflecting a unique standing among the banks of Ukraine.

The end of 2001 was marked by a new phase in the Bank development: on 26 October 2001, an Extraordinary General Meeting approved an increase in the authorised capital of up to UAH 143.5 million and the change of the Bank’s name into the **JSC“KredytBank(Ukraine)”**. It witnessed its joining the international banking grouping as a global financial market participant.

The name change into the **JSC“KredytBank(Ukraine)”** reflected another regular step in the Bank’s development – its transformation it into a European financial institution with comprehensive banking technologies and guarantee of protection and stability for the clients.

In 2001 the Bank gained good positions in the rate of development and has been intensifying its activity on a systematic basis. A deep confidence is being placed to it by its clients and partners both in Ukraine and abroad and it gives all grounds for strengthening the image of the **JSC“KredytBank (Ukraine)”** as a modern, reliable and dynamically growing Bank.

GOVERNING BODIES OF THE BANK

MANAGEMENT BOARD OF THE BANK



Stepan Kubiv
Chairman



Vitaliy Lomakovych
epu ty Chairman



Alojzy-Zbysław Łastowski
epu ty Chairman



Jerzy Władysław Hawajski
epu ty Chairman



Roman Oleynyuk
epu ty Chairman



Taras Khoma
*epu ty Chairman,
Chief Accountant*

MEMBERS OF THE SUPERVISORY COUNCIL

Marek Królak - Chairman of the Supervisory Council

Malgorzata Rosiecka - Member of the Supervisory Council

Ewa Chojecka - Member of the Supervisory Council

Tanya Okolie Bourbak - Member of the Supervisory Council

Oleksandr Krush - Member of the Supervisory Council



Changes in the composition of the Management Board over 2001

August 2001

Pursuant to the decision of the Supervisory Council Mr. Roman Oleynyuk has been elected to the Management Board membership and approved as a Deputy Chairman.

FINANCIAL RESULTS OF THE BANK

Year 2001 became an important stage in the Bank's development. It was a period of intensive work aimed to strengthen WUCB standing and to rank it among the best financial institutions within the Ukrainian banking sector.

Year 2001 proved that WUCB is a banking structure, which extends its financial activity, and at the same time remains safe, reliable and transparent financial institution. The Bank enjoys high confidence of its customers and partners, carries out activities in compliance with the current legislation and contributes to the economic development of Ukraine.

Throughout 2001 the main direction of the Bank's operation were: increased lending, servicing export-import transactions, transaction with the securities, increase in the authorised capital, expansion of the deposit and credit bases, introduction of the most recent technologies and products.

This primarily resulted in:

- the increase of the total assets by 98.1%, or by UAH 318,355 thousand, from UAH 324,466 thousand as of January 1st 2001 to UAH 642,821 thousand as of January 1st 2002;
- the dynamic growth of the Bank's credit portfolio by 117.4%, or by UAH 197,833 thousand to total UAH 366,289 thousand as of January 1st 2002;
- the rapid growth of clients' investments (current and term deposits) by 83.8% from UAH 230,177 thousand to UAH 423,025 thousand as of January 1st 2002;
- the increase of operating income by 75.81% (from UAH 26,952 thousand as of 1 January 2001 to UAH 47,385 thousand as of January 1st 2002);

In 2001, the Bank's profit totalled UAH 308 thousand.

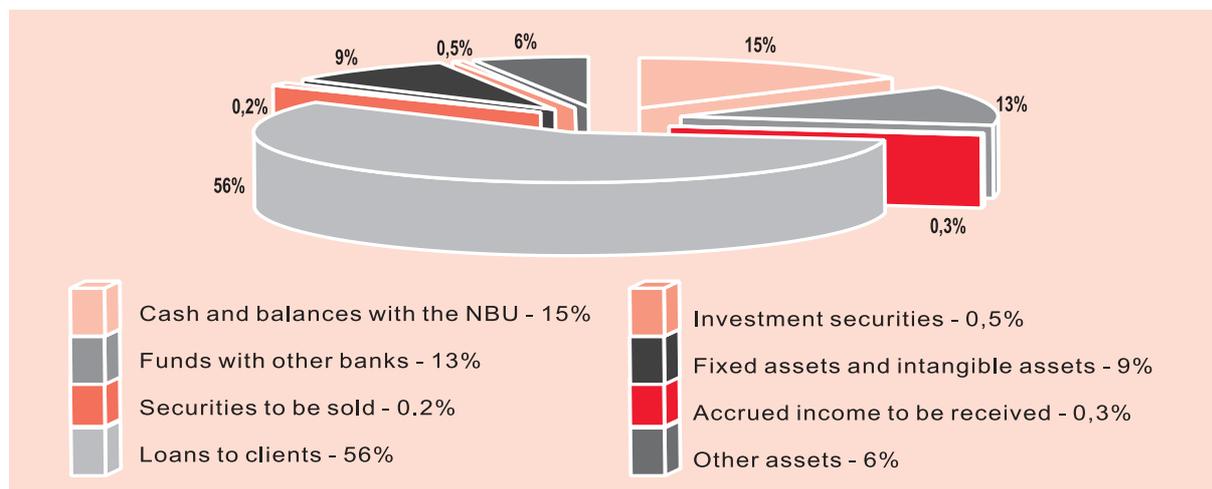
ASSETS

An increase of the Bank's assets by 98,1% resulted primarily from lending volume growth. As of January 1st 2002 the share of loans in the general composition of assets represented 56%.

In spite of an intensive expansion of the credit portfolio, the qualitative indicators of indebtedness have not deteriorated as compared to the beginning of 2001. This could be demonstrated by the fact that the share of non-standard loans in the WUCB's portfolio reduced from 12,5% as of January 1st 2001 to 9,9% as of January 1st 2002.

ASSETS STRUCTURE (UAH, thousand)

1	Cash and due from the NBU	94,729	15%
2	Funds with other banks	84,266	13%
3	Securities to be sold	712	0.2%
4	Loans to clients	366,289	56%
5	Investment securities	1,449	0,5%
6	Fixed assets and intangible assets	57,569	9%
7	Accrued income to be received	1,103	0,3%
8	Other assets	36,704	6%
9	Total assets	642,821	100%



The assets structure has improved in terms of both liquidity and profitability, which favoured the Bank's financial stability.

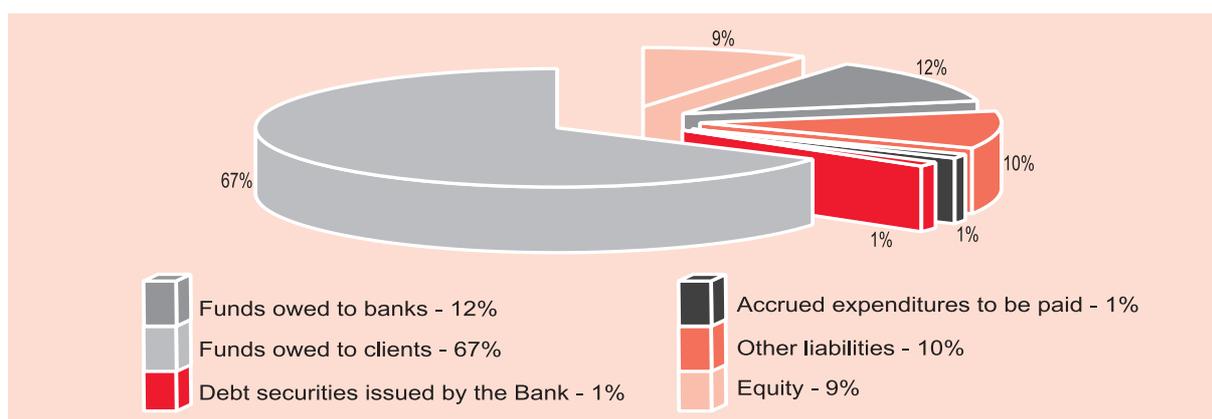
LIABILITIES

As at January 1st 2002 the major sources of financing the Bank activity were the clients' funds (current and term deposits) which, together with the banks' funds, represented 79% of the total amount of liabilities.

The annual increase in current and term deposits in 2001 totalled UAH 192,848 thousand, or a 83.78% rise, which shows the growth of the confidence towards the Bank and strengthening of its image.

LIABILITIES STRUCTURE (UAH, thousand)

1	Liabilities due to banks	80,272	12%
2	Liabilities due to clients	423,025	67%
3	Debt securities issued by the Bank	8,499	1%
4	Accrued expenditures to be paid	7,250	1%
5	Other liabilities, total	66,214	10%
	Incl.: not registered authorised capital	65,374	
6	Equity	57,561	9%
7	Total liabilities	642,821	100%



PROFIT AND LOSS DESCRIPTION

The amount of operational income the Bank received in 2001 represented UAH 47,385 thousand, which exceeds the operational income of the previous year by UAH 20,435 thousand, or by 43.1%. To compare with 2000, the net interest income saw an increase of UAH 12,567 thousand, the net commission income – increase of UAH 3,994 thousand, the trading income – an increase of UAH 3,377 thousand, respectively. The general administrative expenses in 2001 did not exceed the amounts provided for in the Bank's financial plan.

The general administrative expenses in 2001 did not exceed the amounts provided for in the Bank's financial plan.

For the accounting year the Bank was pursuing itself the policy of severe economy in relation to operating expenses, which became possible to have such expenses saved at a level of 4.2%, as compared to the planned financial targets.

The operating profit of WUCB, gained in 2001 totalled UAH 14,187 thousand, out of which UAH 13,879 thousand were allocated to form reserves.

In 2001 the Bank fulfilled completely the NBU requirements for establishing reserves for debtor indebtedness and doubtful indebtedness under the accrued incomes.

BALANCE SHEET

No	Itemdescription	Yearreported, UAH,thous.	Previousyear, UAH,thous.	Growthrate 2001/2000, %
ASSETS				
1	Cash and due from the NBU	94729	49741	190,44
2	Funds with other banks	84266	44170	190,78
3	Securities to be sold	712	278	256,12
4	Loans extended to clients	366289	168456	217,44
5	Investment securities	1449	259	559,46
6	Fixed assets and intangible assets	57569	40346	142,69
7	Accrued income to be received	1103	1731	63,72
8	Other assets	36704	19485	188,37
9	Total assets	642821	324 466	198,12
LIABILITIES				
10.	Liabilities due to banks	80272	33522	239,46
11.	Liabilities due to clients	423025	230177	183,78
12.	Debt securities issued by the Bank	8499	47	18082,98
13.	Accrued expenditures to be paid	7250	2652	273,38
14.	Other liabilities	66214	776	8532,73
15.	Total liabilities	585260	267174	219,06

EQUITY

16.	Authorised capital	75087	75087	0
17.	Shares repurchased from shareholders	- 44	0	
18.	Issue differences	2034	2029	100,25
19.	Reserves	1165	1166	99,91
20.	Revaluation results	0	0	0
21.	Retained profit	- 20681	- 20990	
22.	Total equity	57561	57292	100,47
23.	Total liabilities	642821	324 466	198,12

PROFIT AND LOSS STATEMENT

No	Itemdescription	Yearreported, UAH,thous.	Previousyear, UAH,thous.	Growthrate 2001/2000, %
1.1	Interest income	66746	35983	185,49
1.2	Interest expenses	- 42936	- 24740	
1.	NET INTEREST INCOME	23810	11243	211,78
2.1	Fees and Commissions earned	21059	16555	127,21
2.2	Fees and Commissions paid	- 2770	- 2260	
2.	NET FEES and COMMISSION EARNINGS	18289	14295	127,94
3.	Income on dividend	0	3	0
4.	Net trade income	4953	1576	314,28
5.	Profit/loss on investment securities	0	-462	0
6.	Other operating income	333	297	112,12
7.	OPERATING INCOME	47385	26952	175,81
8.	General administrative expenses	-21180	-16144	
9.	Personnel expenses	-12018	-7187	
10.	INCOME FROM TRANSACTIONS	14187	3620	391,90
11	Costs: problem and bad debts	- 13879	- 21785	
12.	PROFIT BEFORE TAXATION	308	- 18164	
13.	Income tax	0	0	0
14.	PROFIT AFTER TAXATION	308	- 18164	
15.	Incidental income/expenses	0	0	0
16.	NET PROFIT/LOSS	308	-18164	

BANK'S POSITION IN THE BANKING MARKET OF UKRAINE

In the accounting year WUCB managed to ensure its basic growth rates indicators to be higher than those in the banking system are on the whole. The Bank strengthened its primary positions in the banking market of Ukraine by ranking itself among the top 20 leading domestic banks and demonstrated its high reliability through building up a reputation of a modern and dynamically developing bank.

Indicator	Growth rates за 2001/2000, %	Rating place within the banking system	
		Ukraine's banking system	JSC "WUCB"
Assets	146,79	198,12	11
Liabilities	151,81	219,06	11
Credit-investment portfolio:	168,2	218,84	14
Inter-bank loans	110,25	232,05	
Loans to entrepreneurs	170,87	217,42	
Securities	295,91	400,00	
Retail Deposits	192,74	183,60	7
Institutional deposits	146,08	294,82	14

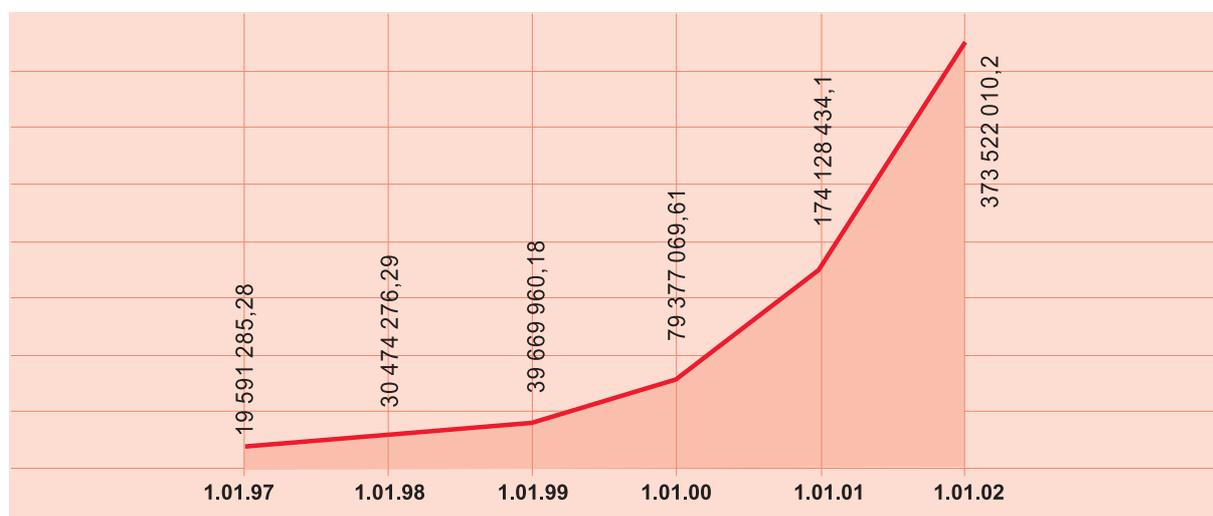
BANK CORPORATE BUSINESS DEVELOPMENT

CREDIT ACTIVITY

Throughout 2001 the Bank has been increasing the value of its credit portfolio. The Bank continued to finance the highly profitable branches and projects directed towards the development of national commodity market and toward building up the market infrastructure.

Throughout 2001 the Bank's credit portfolio expanded from UAH 174,128.43 thousand at the beginning of the year to UAH 373,522.01 thousand as of January 1st 2002 (growth by 114.51%). (See Picture 1).

Picture 1. MOVEMENTS IN THE WUCB'S CREDIT PORTFOLIO IN 1997-2001 (UAH)



In the year 2001 the number of loans grew significantly: from 1,142 as of January 1st 2001 to 1,806 as of January 1st 2002.

Table 1. DYNAMICS OF THE NUMBER OF LOANS IN 2001

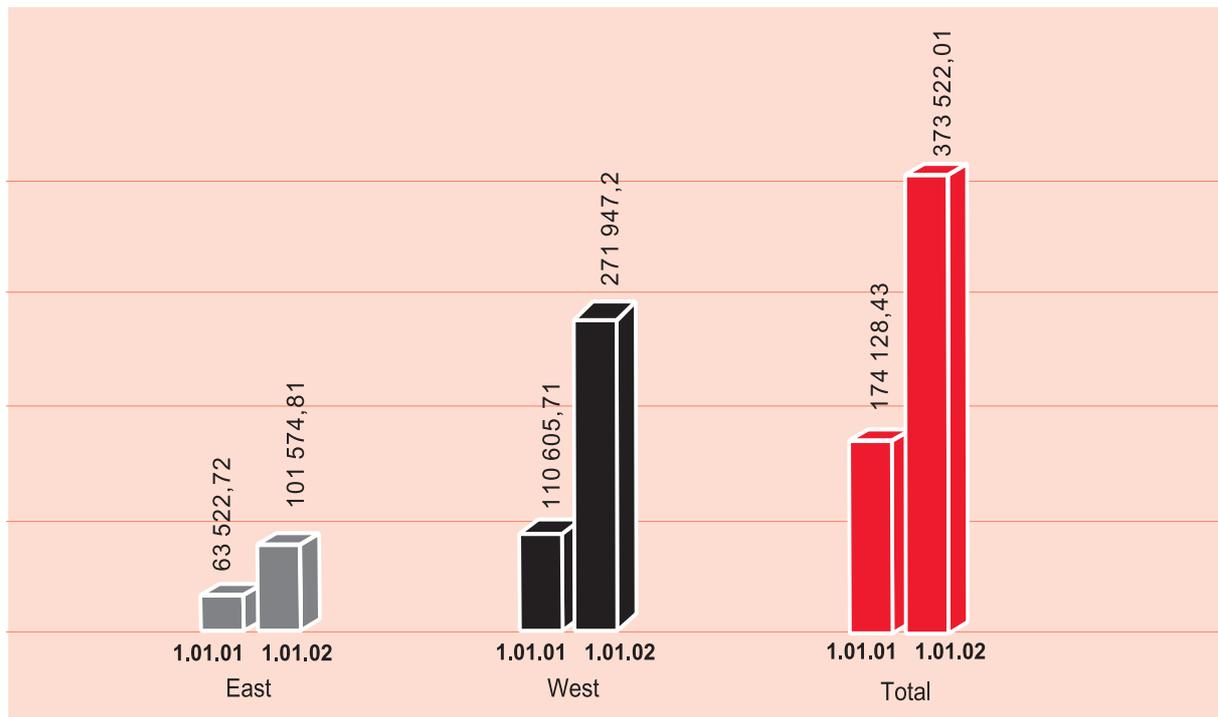
	01.01.2001		01.01.2002		2001's change	
	Number of loans	Amount (thous.)	Number of loans	Amount (thous.)	Number of loans	Amount (thous.)
TOTAL, incl.:	1142	174 128,4	1808	373 522,0	666	199 393,6
Loan of individual clients, UAH.	575	1 683,1	966	2 028,6	391	345,6
Loan of institutional clients, incl.:	567	172 445,4	842	371 493,4	275	199 048,0
Ukrainian Hryvnya	430	72 875,6	647	153 790,5	217	80 914,9
US dollar	105	12 699,0	165	36 223,8	60	23 524,7
Euro	29	5 956,6	30	5 519,0	1	-437,6
Deutsche mark	3	168,4			-3	-168,4

Picture 2 shows dynamics of growth of the credit portfolio throughout 2001 and Picture 3 presents the distribution of the credit portfolio by regions.

Picture 2. DYNAMICS IN THE CREDIT PORTFOLIO THROUGHOUT 2001 (UAH)



Picture 3. DISTRIBUTION OF THE CREDIT PORTFOLIO BY REGIONS (UAH, thousand)



Funds invested into financing economic activities in national and foreign currencies were distributed by branches of economy as follows. (Table 2):

Table 2. DISTRIBUTION OF BANK LOANS BY BRANCHES OF ECONOMY

	01.01.2001		01.01.2002	
	Amoun, UAH,thous.	%	Amount, UAH,thous.	%
Industries and production	49 811,2	28,6	120 160,5	32,2
Agriculture	7 885,7	4,5	30 860,7	8,3
Forestry	242,6	0,1	849,6	0,2
Trade and public catering	73 681,5	42,3	164 598,5	44,1
Financing, lending, insurance, pensions	8 703,7	5,0	13 567,8	3,6
Construction	2 892,7	1,7	2 741,8	0,7
Transport and communications	5 888,8	3,4	9 240,7	2,5
General commercial activities	1 523,3	0,9	8 211,8	2,2
Logistics and sales	955,6	0,5	357,4	0,1
Other	22 543,2	12,9	22 933,1	6,1
Total	174 128,4	100,0	373 522,0	100,0

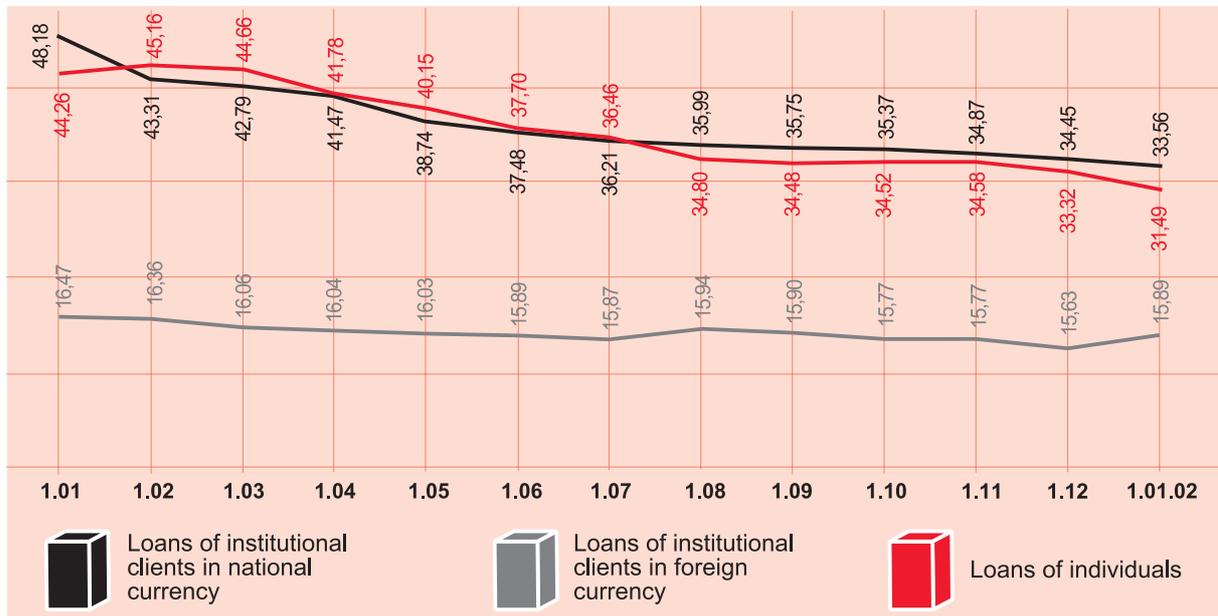
The growth of the credit portfolio did not deteriorate the qualitative indicators of indebtedness as compared with the beginning of 2001: a standard indebtedness ratio increased from 87.47% to 90.10% (Table 3).

Table 3. DYNAMICS IN THE CREDIT PORTFOLIO QUALITY IN 2001 (UAH, thousand)

	01.01.2002		01.10.2001		01.07.2001		01.04.2001		01.01.2001	
	Indebtedness	Share in the credit portfolio								
Credit portfolio	373522,01	100	334188,03	100	274406,63	100	228580,89	100	174128,43	100
inc. standard	336550,47	90,1	286042,67	85,59	254270,50	92,66	207720,78	90,87	152301,88	87,47
under control	22153,69	5,93	32643,03	9,77	12683,40	4,62	12883,51	5,64	13083,14	7,51
sub-standard	6970,09	1,87	7441,83	2,23	166,33	0,06	508,45	0,22	1040,31	0,60
doubtful	2387,67	0,64	1924,68	0,58	3897,70	1,42	3925,68	1,72	4015,11	2,31
bad	5460,10	1,46	6135,82	1,84	3388,70	1,23	3542,47	1,55	3688,00	2,12

Reduction in the interest rate on loans during 2001 resulted out of the objective process going on in the credit market of Ukraine (Picture 4).

Picture 4. MOVEMENT OF THE INTEREST RATE THROUGHOUT 2001 (%)



The planned targets of the Bank's credit activity for 2002 are set out in accordance with its strategic goal to enter the top the commercial banks of Ukraine by all basic financial indicators. The implementation of this task has to be made, first of all, at expense of services extended to small and medium enterprises and improved branches' performance in the Central and Eastern regions.

Lending in the foreign currency shall be effected by using the Kredyt Bank S.A. credit line, which is a new type of the Bank service, incorporated into the existing spectrum of credit products (crediting for the floating funds replenishment, investment crediting, credit lines, overdrafts, bills acceptance, issuing bank guarantees, etc.).

The **KREYTBANKS.A.creditline** is designed to finance small and medium-sized businesses involved in trade, transport, and consumer goods manufacture, woodworking and paper-and-pulp industries, printing. Loans are granted in Euros and US dollars for floating funds replenishment (for up to 1 year, to an amount not exceeding USD/EUR 250 thousand) and for encouraging investment activities (up to 3 years, to the amount not exceeding USD/EUR 350 thousand).

The Bank's crediting policy provides appropriate measures to ensure its security and transparency, i.e. enabling credit activities to be carried out in accordance with current legislation, and providing the services only to clients who meet its relevant provisions.

OPERATIONS IN THE INTERBANK MARKET

Throughout the past year WUCB continued to hold its regional leadership position and gained a worthy place among the major operators in the interbank foreign exchange and resource markets of Ukraine.

Due to an increasing confidence of public in the powerful financial institution, as well as attraction of the new clients and increase in funds invested by the European strategic partners, the Bank continued to be a permanent seller of both Hryvnya and currency resources. In particular, over the reported year, a monthly average placement in the interbank market constituted UAH 429 million, USD 138 million and EUR 2.9 million.

Incorporation into the multinational group KBC (Belgium) allowed WUCB to conduct directly transactions with first-class European banks and to use new financial instruments, thereby providing its clients with maximum market rates. Risk hedging and currencies purchase/sale in the international market enable to increase the volumes of client-related conversion operations to an amount of up to DEM 9.6 million and EUR 83.5 million.

The Bank was extremely effective in meeting the needs of both exporter clients and importer clients in terms of currency purchases and sales for Hryvnya, while remaining a traditional purchaser of foreign currencies.

A noteworthy is the Bank's active work on satisfying the clients' demands for East European currencies, in particular for Polish Zloty and Czech Koruna. The interest in the small and medium-sized businesses in making settlements with partners in their national currencies creates a permanent demand of its own clients and other banks, which is satisfied timely and fully. It is stipulated by the reduced conversion cost and the absence of binding procedures from the part of State Tax Inspection at currency purchase.

Regarding ensuring currency cash, WUCB is one of the largest operators in the region. During 2001, the Bank conducted transactions in all main European currencies, Australian and Canadian dollars. Over the reviewed period the Bank imported USD 40 million and DEM 5 million.

SECURITIES TRANSACTIONS

The WUCB, being a professional participant of the securities market, member of the First Capital Trading System, the Kyiv International Stock Exchange, has strengthened its positions and became the major financial institution of the western region of Ukraine in this segment of the financial market. In spite of the total substantial decrease in the Ukrainian capital market, the Bank managed not only to maintain the volumes of its securities transactions, but also kept growth dynamics.

Throughout the accounting year securities transactions were conducted as follows:

- selling the products to private individuals and institutional clients (commission, consulting and other products);
- ensuring efficient investments of the banking establishment;
- providing quality services to the Bank's shareholders.

In 2001, the WUCB offered its clients assistance in conducting any transactions, which are performed in the securities market of Ukraine.

The total volume of banking business with the promissory notes constituted UAH 49,046,047 over the reported year, namely:

- lending, using promissory notes;
- discounting promissory notes (purchase) by the Bank prior to the term of payment under them;
- backing promissory notes, including tax bills, on the advantageous for the Bank's clients conditions;
- domicile of promissory notes ;
- expert appraisal of promissory notes ;
- advising on matters related to bill turnover etc.

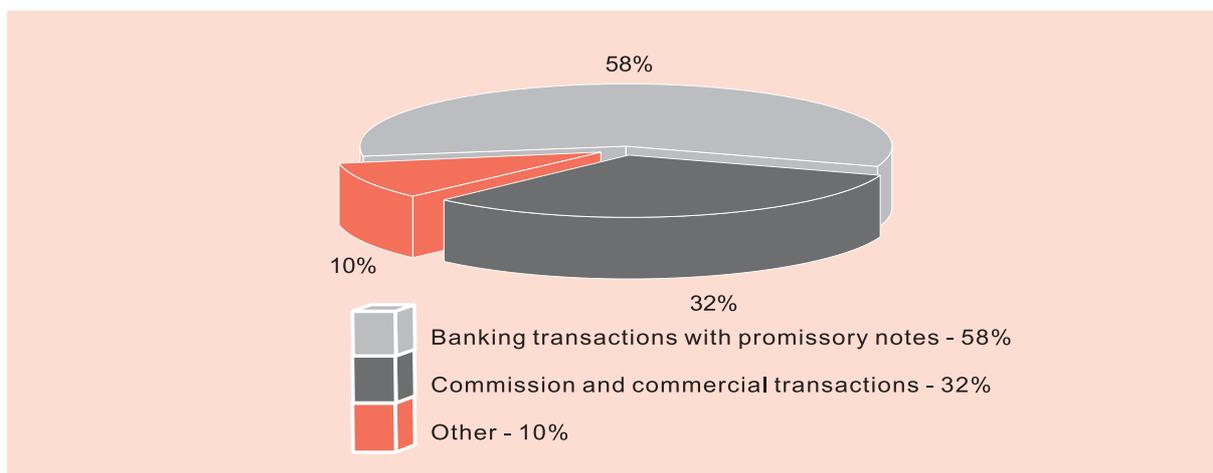
The WUCB continued to be active in conducting commission and commercial transactions with securities such as:

- buying shares both in the primary and secondary markets with the aim of making the package of shares as requested by the clients;
- representing the clients' interests in the stock exchange bidding and in the trading information systems;
- selling the packages of shares on the client's request.

During the reported period the Bank completed commission and commercial transactions to an amount of UAH 27,055,735 which represents 32% of the securities transactions structure.

Each transaction was subject to the in-depth analysis for conformity with the current legislation and the Bank's internal regulations and procedures. The Bank's portfolio did not experience the accumulation of unmarketable securities.

VOLUME AND STRUCTURE OF SECURITIES TRANSACTIONS IN 2001



In 2001 WUCB, among the first Ukrainian banks, carried out its own bonds issue to an amount of UAH 12 million. Bonds were issued in the non-documentary form in three series of UAH 4 million each. The period of bonds' turnover constitutes 6, 9, 12 months; the nominal yield under bonds amounts to 20%, 21%, and 22% annually, respectively. Bonds were issued in order to increase the Bank's resource base enabling to finance the projects of the Bank's clients. As a result of the issue, the WUCB strengthened its positions of dynamic growth not only in the western but also in the central and eastern regions of Ukraine.

RETAIL BUSINESS DEVELOPMENT

SERVICES FOR INDIVIDUAL CLIENTS

In the accounting year the Bank's operations were reoriented toward the volume of transactions and became a priority direction in the Bank activity for the nearest future.

The client's policy of the Bank is based on the principles of ensuring the highest possible satisfaction of client's requirements and providing professional services for clients in accordance with the European standards.

In the accounting period the Bank has been proposing to the individual clients packages of comprehensive financial services with new products and services being introduced.

In the year 2001 the Bank completed two experimental projects: consumer lending and loans for purchasing cars and housing. The outcome of the project has demonstrated high demand for the products offered. The volume of loans extended to individuals over 2001 increased twofold and constituted UAH 2,029 thousand as of January 1st 2002. The number of loans extended by the Bank to individual clients totalled 966.

Throughout the accounting year WUCB developed and implemented a new type of bank's product with a high servicing standard – the deposit "Extra", which became the first step toward the integrated package-type servicing of individual clients in 2002.

Soaring of the services regarding monetary transfers under Western Union, Money Express, Meest Corp marked the year 2001. Also, there was an increase of operations with cheques and payment cards.

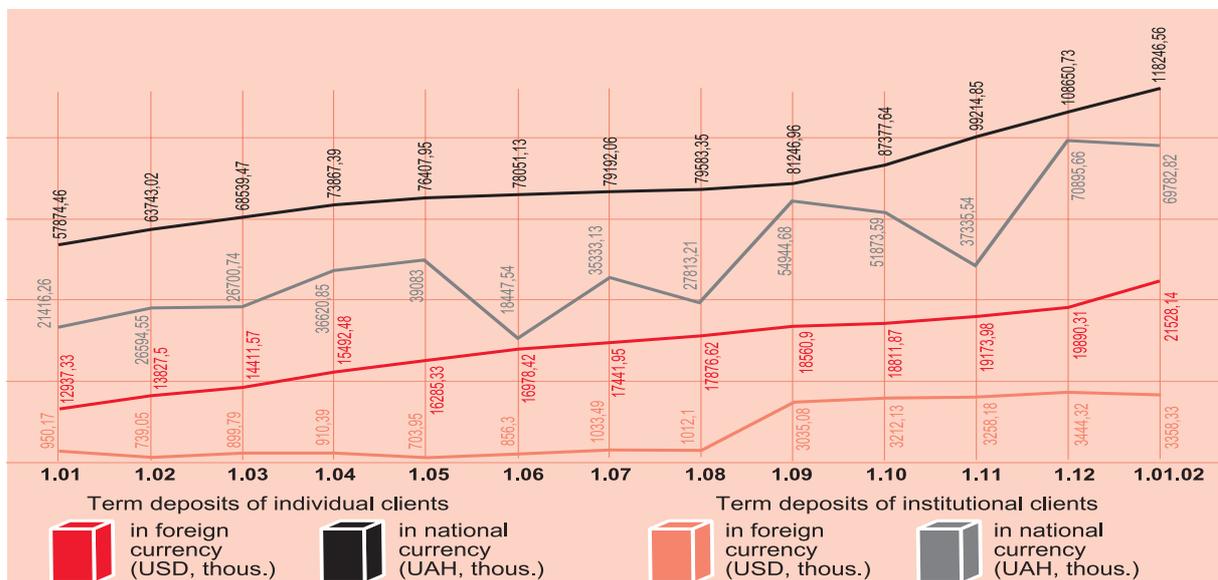
The Bank took the strongest positions in the retail deposits market, placing itself by this index on the 7-8th place among the major banks of Ukraine, which proves the high level of confidence in the Bank amongst the clients, supported by high image of western capital, by high rating and style of the Bank's work.

Throughout 2001 WUCB was active in mobilising individuals' funds through offering to its client a broad range of deposit products: by type of currencies, by length of deposits, by interest rates and ways of calculating and payment of interest.

There are over 20,000 individual depositors among the Bank's clients.

For the accounting period the term deposits of individual clients increased by 81%, out of which in national currency by 104% and in foreign currency by 66%, respectively.

CHANGES IN THE DEPOSIT BASE IN NATIONAL AND FOREIGN CURRENCIES (INDIVIDUALS AND INSTITUTIONAL CLIENTS)



The overall amount of deposits mobilised from individual clients in 2001 increased twofold and totalled UAH 232,312 thousand as of January 1st 2002, which proves a stabilisation of the Bank's deposit base.

Fast growth in the deposit base, at expense of mobilising retail and institutional deposits was favoured due to advertising with mass media participation, being one of the major facilitators.

INCREASE IN THE DEPOSIT BASE

	01.01.01	01.01.02	Growth rates, %
Institutional clients			
In national currency, UAH, thous.	72 845,19	135 065,7	185,4
In foreign currency, USD, thous.	2 136,6	5 023,67	235,12
Individual clients			
National currency, UAH, thous.	58 264,4	121 639,89	208,7
Foreign currency, USD, thous.	14 234,49	24 036,45	168,8

The share of deposits with the term of more than one year has been increasing, which has a positive impact on Bank's financial standing and creates more favourable conditions for the credit transactions.

CHANGES IN THE STRUCTURE OF THE RETAIL DEPOSIT BASE IN NATIONAL CURRENCY BY TERMS

	01.01.01	01.01.02	Change dynamics, %
1 month	3%	0.84%	-2.16%
3 months	23%	21%	-2%
6 months	25%	19%	-6%
1 year	37%	26%	-11%
More than 1 year	12%	33%	21%
Total	100%	100%	

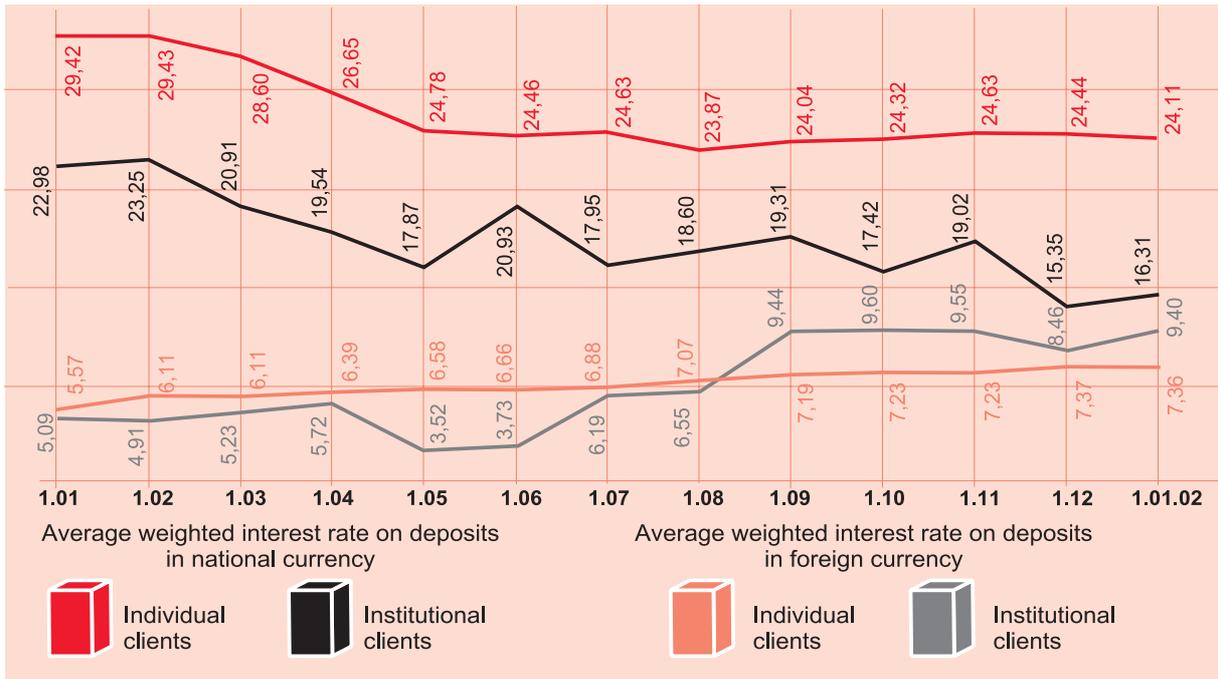
Success of the Bank in the deposit market is largely built upon continuous marketing research and deposit monitoring, analyses of the competitors' interest rates' policies and their marketing strategy, thorough studying of clients' demands as well as providing fast response to the market situation.

With the aim of meeting clients' requirements needs and attracting clients in a best possible way, a number of new deposit products have been designed and introduced, such as "Cumulative", "Advance", "Maestro plus", and "Christmas".

In order to protect the depositors' interests, WUCB has been paying fees to the Retail Deposit Guaranty Fund on a regular basis. The requirements with regard to reserving funds in the NBU correspondent accounts were fully met.

WUCB became one of the leading operators in conducting individuals' remittances from the USA, Canada, Australia and European countries. Throughout the accounting period the Bank has been carrying out the transfers of funds in any country of the world and executed cash payments against remittances pursuant to the requests of individuals all over Ukraine.

CHANGE IN THE AVERAGE WEIGHTED INTEREST RATE OF THE BANK



In 2001 WUCB gained the first place among the banks, sub-agents of Ukrainian Financial Group regarding execution of payments under Western Union, with the number of transfers increased twofold as compared to the previous year. At the end of the year 2001 there were 37 Western Union agencies in the system of the Bank. The number of monetary transfers, internal and external, in USD and UAH is increasing.

In accordance with the agreement reached with Polish Government, the Bank continued to pay pensions to retired veterans of the Polish Army.

Another important aspect of Bank's in servicing the individual clients was selling and collecting cheques in foreign currency. A positive gain in development of such type of services was signing the agreement between American Express company for selling travellers' cheques under this payment system and expansion the co-operation with the Banks of the region on collecting travellers' and bank's cheques accepted by them. For 2001 the Bank conducted transactions on selling travellers' cheques Thomas Cook, Master Card to the amount of around USD 0.5 million. The volume of cheques' collection exceeded USD 1.2 million.

PAYMENT CARDS

In May 2001 WUCB started issuing its own payment cards under Europay International payment system. Basing on four types of cards of this system (Cirrus/Maestro, EuroCard/MasterCard Standard, EuroCard/MasterCard Business and EuroCard/MasterCard Gold), the Bank has offered to its Clients a range of new products designed for both individual clients and institutional clients. During the first seven months and as a result of implementation of the program, the Bank issued six thousand payment cards in national currency and US dollars. As compared this figure with a corresponding indicator of most Ukrainian banks, issuing payment cards, it is worth to say that WUCB has made a successful start in the Ukrainian market of payment cards products.

While issuing payment cards the Bank started establishing its own acquiring network. All branches and non-balance units began to deliver cash against payment cards. The bank's first ten ATMs have been successfully installed in the various cities of Ukraine. That Bank's clients, who are marketing goods and services within their own network, have the opportunity to accept, as a means of payment, the payment cards EuroCard/MasterCard and VISA.

To improve the quality of services offered, the Bank is carrying out work on establishing lending schemes to serve the holders of payment cards. The program has been designed of utility payments and a number of other projects via payment cards. In the accounting Bank prepares to enter the international payment system VISA International, which will allow extending the range of card-specific products offered.

INTERNATIONAL BUSINESS DEVELOPMENT

INTERNATIONAL SETTLEMENTS AND CORRESPONDENT RELATIONS

In 2001 the Bank continued a dynamic increase in the total volume of its external economic operations. The expansion and strengthening of the co-operation with the Kredyt Bank S.A. (Warsaw), KBC Bank (Brussels), EBRD (London) and other correspondent banks enabled WUCB to set the appropriate limits against documentary and other interbank operations. It shows a constantly increasing confidence of the leading foreign financial institutions towards the Bank. In the accounting year the amount of foreign banks' credit lines and limits totalled over USD 33 million. New financial opportunities and potential allowed the Bank to offer its clients beneficial and up-to-date banking services with respect to servicing and financing of their export-import operations, thus considerably reducing the risk of conducting such operations.

The volumes of export-import operations conducted through the WUCB in 2001 totalled USD 286,000 thousand, and the growth rate equalled 203% as compared to 46% in 2000. A substantial share in servicing the export-import operations belongs to foreign trade operations with Poland.

An important factor in WUCB's activities occupies successfully selected network of foreign correspondent banks, It enabled the efficient distribution of money flows in the international settlements, conducted both by the clients and the Ukrainian banks that had opened their correspondent accounts with the Bank. The overall amount and quantity of the operations through the main correspondent accounts opened with the Kredyt Bank S.A. (Poland), Bank of New York (USA), KBC Bank (Belgium) and the CB "Sobinbank" have been sharply increasing. In 2001 WUCB continued to maintain correspondent relations with more than 100 Ukrainian and foreign banks in 14 countries of the world.

As at December 31 2001 the Bank has opened 114 correspondent accounts, including 68 loro accounts and 48 nostro accounts. There were opened 26 correspondent accounts for US dollars, 19 account for EUR and 14 accounts for PLN.

The daily average nostro account's turnover equalled around USD 9.5 million.

While serving the international operations, the Bank has been paying a considerable attention on improving and upgrading services supplied to private individuals.

MAIN CORRESPONDENT BANKS

NOSTRO-ACCOUNTS

Bank	Currency	City	Country
BANK OF NEW YORK	USD	New York	USA
KREDYT BANK S.A.	USD, PLN, EUR, CHF	Warsaw	Poland
NATIONAL WESTMINSTER BANK Plc.	GBP	London	England
CANADIAN IMPERIAL BANK OF COMMERCE	USD, CAD	Toronto, Ontario	Canada
ING BANK N.V.	EUR	Amsterdam	Netherland
ING BANK N.V., Vienna Branch	USD, GBP, CAD, AUD, JPY, DKK, CHF, EUR	Vienna	Austria
KBC BANK N.V.	EUR	Brussel	Belgium
BANK AUSTRIA AG	EUR	Vienna	Austria
Ceskoslovenska Obchodni Banka	CZK	Prague	Czech Republic
Ceskoslovenska Obchodni Banka (Slovak Republic Division)	SKK	Bratislava	Slovakia
SOBINBANK	RUR	Moscow	Russian Federation
PRIORBANK	BYR	Minsk	Republic of Belarus
KAZKOMMERC BANK	KZT	Almaty	Kazakhstan

LORO-ACCOUNTS

KREDYT BANK S.A.	USD, EUR	Warsaw	Poland
BISE	USD, EUR	Warsaw	Poland
INDEXBANK	USD, EUR, GBP, CHF, RUR, PLN, CAD	Kyiv	Ukraine
ELEKTRON-BANK	USD, PLN, CAD	Lviv	Ukraine
REGIONAL DEVELOPMENT BANK	USD, EUR, GBP, PLN, CHF, BYR, RUR	Kyiv	Ukraine
JSCB ZAKHIDBUDGAZBANK	USD, RUR, EUR, GBP, PLN, CAD	Ivano-Frankivsk	Ukraine
JSCB PRIKARPATTJA	USD, EUR, PLN, DKK, AUD, CHF, CAD, RUR, BYR, CZK	Ivano-Frankivsk	Ukraine
KOOPINVESTBANK	USD, RUR, GBP, BYR, JPY, CHF	Uzhgorod	Ukraine
AVTOKRAZBANK	USD, PLN	Kremenchuk	Ukraine
TAVRICA	PLN, USD, EUR	Sevastopol	Ukraine
BANK UNIVERSALNYY	USD, RUR, GBP, CAD, PLN, AUD, EUR	Lviv	Ukraine
JSCB "Ukrainian Credit-Trade Bank"	PLN	Kyiv	Ukraine
"Nadra"	PLN	Kyiv	Ukraine
"LVIV"	USD, CAD, EUR, GBP	Lviv	Ukraine
"Ekspres-Bank"	PLN	Kyiv	Ukraine

BRANCH AND OPERATIONAL UNIT NETWORK DEVELOPMENT

In 2001 WUCB continued expansion of its branch network and work on improving performance. Opening the new branches and operational units was carried out pursuant to the strategy of the Bank's network development approved for 2000-2003. The extension of the Bank's network of branches and operational units in the regions is aimed at approaching of the bank's services to the potential customers, creating convenient servicing conditions for existing clients, entering new regional markets, thus and enabling the Bank to outstrip its major competitors.

Throughout the year 2001 the Bank's system was expanded by two new branches (Dnipropetrovsk and Donetsk branches), and six new operational units (Frankivsk and Yavoriv units of the First Branch, Rivne unit of the Ternopil branch, Kamianets-Podilskyi unit of the Khmelnytskyi branch, Sevastopol unit of the Crimean branch, First unit of the Uzhorod branch).

Together with expansion of branch network the Bank has paid a considerable attention to assuring the high quality of banking servicing within all its establishments, standardising the appearance and interior of the Bank's branches and operational units in various regions of Ukraine. The Bank has also paid attention to widening the range of banking products and services offered to its clients, establishing the maximum beneficial conditions for servicing clients within WUCB system. Thus, in 2001 the Bank started works on building new and renovating existing office premises of Crimean, Khmelnytskyi and Kharkiv branches.

The results of the year 2001 proved improvement of Bank's competitive positions. It transformed into the commercial bank with universal spectrum of services and ramified branch network. As of January 1st 2002 WUCB system included 18 branches and 23 non-balance units, established in 15 regions of Ukraine and in the Autonomous Republic of Crimea.

For the year 2002 it is scheduled to open a number of new structural units in various regions of Ukraine. One of the priorities defined by the Bank is expanding its network of non-balance units. This structural form proves to be most efficient for the Bank and convenient for its clients in entering the new regional markets.

The basic principle of the branch network management within WUCB system in 2001 was to ensure the best interrelation between the branches' independence and their responsiveness in decision-making process; while maintaining a permanent effective control of the Head Office over their operations. It was successfully implemented due to:

- establishment within the WUCB system of individual limits enabling the branches to take an autonomous credit decisions according to their performance, quality of the credit portfolio, qualification and experience of senior management and specialists;
- application of multi-criterion rating system for assessing the performance of WUCB's branches (based on the experience of Kredyt Bank S.A.), which allows to determine the bonus fund size for the personnel of the Bank's branches;
- establishment by the Bank of the branches' quarterly plans for basic financial and economic indicators, their analysis and control;
- budget planning for branch expenditures and controls over them;

- introduction of an ongoing severe control over all payments made by the branches;
- preparation of the business-plans for all new and renovated (new premises) branches and operational units with monthly control over the investment recoupment schedule.

The overall branch performance of WUCB in the accounting year has featured a dynamical grown of the total assets, expansion of the credit and deposit portfolios, an improved quality of credit deposits, and a considerably increased client's base at expense of both institutional clients and private individuals. The size of the credit portfolio in 2001 increased by UAH 205,017.5 thousand, balances on the current accounts - by UAH 33,921.1 thousand, the amount of term deposits – by UAH 158,875.1 thousand. The operating profit of the Bank's branch network in the recent year totalled UAH 29,120.1 thousand, which exceeds by 57.5% the indicator of the year 2000.

The following units to be the proved most efficient in 2001: for the branches - First (Lviv), Ternopil, Mykolaiv, Khmelnytskyi branches; for the operational units - Frankivsk Operational unit of the First branch, Second Operational unit of the Wolyn branch, Kovel Operational unit of the Volyn branch, Sambir Operational unit of the Sambir branch.

ESTABLISHING THE BANK'S CORPORATE INFORMATION SYSTEM

The year 2001 marked the beginning of re-valuation of the place of E-technologies, new highly technological bank's products in the strategy of the commercial banks of Ukraine. Introduction of E-services has become one of the prioritised directions in the development for every bank. Although lack of legal base, insufficient level of security and protection impede this process, banks have started making long-term investments into E-technologies: Internet- banking, T-banking, IP-banking, M-banking.

The accounting year was the period of fundamental and global changes, intensive development of IT systems and IT equipment in WUCB.

Throughout the year the policy on introducing new technologies and of enhancing the existing ones, oriented towards the improvement of the speed of the structural units has been implemented on a broad scale. The systems of banking operations automation were enhanced. The latest technologies regarding information processing/ protection as well high-tech E-services were introduced.

The development of the Bank's corporate information system in the year 2001 was mainly focused on the following:

- introduction of the new automated banking system "B2";
- technical re-equipment;
- expansion of the Bank's corporate network;
- enhancing telecommunications.

With the aim of improving technological processes for information processing and developing new software products a new automated banking system "B2" has been established. It enabled the Bank to provide a broader range of the banking services.

Implementation of B-2 system in the Bank was followed by total modernisation of the computer hardware (workstations, servers, printers, etc.).

The ABS "B2" system provided the clients with access to the on-line distant servicing of their accounts from the office through the Bank's On-line system.

The Client of the Bank has the option to chose between the two systems:

- Bank On-line;
- conventional system "Bank-Client" designed for the clients who do not have the powerful computer hardware.

Works with respect to developing telecommunication network of the Bank and enhancing the existing ones have been in progress, which resulted in the extension of the scale of development of the corporate IT system throughout Ukraine.

A corporate network based upon the Frame Relay technology has been put into operation within the framework of implementation of this strategy. The JSC "Ukrtelecom" has been selected as the main partner.

Throughout 2001 the Bank completed ten connections to the corporate network and plans to complete connecting all Bank's separate units to the corporate network in 2002.

Development of the Bank's telecommunications system was carried out through introduction of the digital ATSS, and installation of mini-ATSS in the Bank's branches.

For the accounting year the Bank carried out modernisation of the existing and built the new structured cable systems based using advanced technical solutions and technologies.

The Bank has put many efforts to improve its own Internet-Server at the address (<http://www.kredytbank.com.ua>), which simplifies the access to the information about the Bank's activities and services for its partners and clients.

The Bank's internal port has been also upgraded; the main function of which is to provide the Bank's personnel with the necessary information to perform their duties.

The developing of programme-technical means of the Bank is being conducted in close link with solving the Bank's tasks, technological solutions, designing relevant procedures, optimising business processes and launching the new bank products.

INTERNAL AUDIT AND CONTROL

The basic directions of the audit in 2001 were:

- enhancing assets' quality;
- improving internal control in the Bank's branches and Head Office Departments ;
- analysing all types of risks and improvement of capital protection system;
- enhancing the Bank's efficiency
- securing its steady development under the conditions of considerable assets' growth.

Throughout the accounting year the audits of the Treasury Department, Credit and Guarantees Department, Operational Division of the Head Office, Accounting Department, as well as the comprehensive audits of Wolyn, Drohobych, Crimean, Mykolaiv, Kherson, Ternopil and Sambir bank's branches were conducted.

The audit division performed a series of comprehensive inspections, participated in the work of the Auditing Committee of WUCB within Kyiv, Sambir, Ternopil and Khmelnytskyi, Drohobych and Ivano-Frankivsk branches; monitored the execution of audit-based recommendations for the First Branch of the Bank; audited the operational and lending activities of Kyiv branch, and conducted comprehensive audit of the International Department and the Risk Management Division of the Head Office.

Audit Division continued to provide practical assistance in monitoring the fulfilment of the Bank's Financial Plan by the structural units, developing recommendations for improving the management of the Bank's assets and liabilities, in drafting regulations and procedures for all banking areas, including audit-related regulations and procedures.

The Audit Division actively participated in the work of Auditing Committee of WUCB, in the work of international auditors "Arthur Andersen" and the Audit Control Division of the NBU.

The audit of the Bank's structural units was focused on the following questions:

1. Evaluation of the adequacy and effectiveness of the internal control system used within the Bank's structural units.
2. Control over compliance with the requirements set forth by the active legislation of Ukraine, NBU's regulations, the Articles of Association and the internal regulations of the Bank regarding cash and settlement, credit, currency and other transactions within the limits specified by the NBU's licenses.
3. Assessment of the risk of active operations, lending activity, management, passive transactions in working out recommendations regarding risks mitigation, enhancing financial results, securing adequacy of accounting and cash transactions.
4. Compliance with the NBU's requirements and the Bank's internal regulations with regard to the accounting of receivables and losses; fixed assets accounting and correctness in making the inventories.

5. Monitoring the compliance with the requirements regarding banking risk management; developing recommendations with respect to risk management systems.
6. Forwarding conclusions to the Management Board made on the basis of the audit, conducted in the structural units, as well as the proposals aimed at remedying the faults revealed, mitigating risks inherent in active-passive transaction, and enhancing the efficiency of the Bank's operation.

The Report of the Audit Division, based on the results of the audit conducted in 2001 and approved by the Management Board, was submitted to the Bank's Supervisory Council. It revealed the risks identified in the course of auditing for the Bank's structural units and the ways of eliminating them, listed the actions taken by the Bank's structural units following the audit output and basic decisions the Management Board had approved on proposals and recommendations made by the Audit Division.

Throughout the accounting year considerable attention was paid to strengthening the staff performance potential and to enhancing the proficiency of internal audit personnel through maintaining continuous co-operation with independent international and Ukrainian auditors, team work in the Auditing Committee of WUCB, participation in the training programmes, conferences and seminars held with the help of the NBU's officers, and top managers from the international auditors companies. The aforementioned resulted in the improved quality and efficiency of the internal audit of the Bank.

The personnel of the Division together with the NBU's Audit Control Division and the Association of the Banks of Ukraine has substantially contributed to the process of setting up of the international organisation named "The Institute of Internal Auditors" in the western region of Ukraine. Participation in programmes offered by this international organisation will create further favourable conditions for improvement, on an ongoing basis, the proficiency of the Bank's auditors as members of such a world-wide professional organisation. It will be delivered by allowing the auditors to have access to information resources, training programmes, methodological publications, and international specialised data banks.

AUTHORISED CAPITAL OF THE BANK

The JSC “West Ukrainian Commercial Bank” is an open joint stock company, formed by share purchases made by private sector Ukrainian legal entities, Ukrainian citizens and by foreign investors.

The Bank’s authorised capital is made of dematerialised ordinary nominal shares, with a face value of UAH 0.01. The shareholders are identified on the basis of their accounts’ register kept by a registrar selected by a shareholder or by the Management Board of the Bank.

At the beginning of 2001 registered and fully paid-in authorised capital of WUCB totalled UAH 75,086,669.16, and was formed out of:

- Share purchases made by private sector Ukrainian legal entities and by Ukrainian citizens during eleven share issues carried out by the Bank in the years 1990-1998, to the total amount of UAH 7,321,568.83,
- As the result of the 12th, 13th, 14th share issues, completed during the years 1998-2000, for the amount of UAH 67,765,100.33.

The structure of the authorised capital as of January 1st 2001

- Kredyt Bank S.A. (Poland) – 34.960%
- European Bank for Reconstruction and Development – 27.954%
- Bankowy Fundusz Inwestycyjny (Poland) – 24.951 %
- Kredyt-Trade (Poland) – 2.384%
- Ukrainian shareholders (private sector legal entities and Ukrainian citizens) – 9.751%

The additional issue of the Bank’s shares was completed in the year 2001:

Term of share issue: October 9th-25th 2001

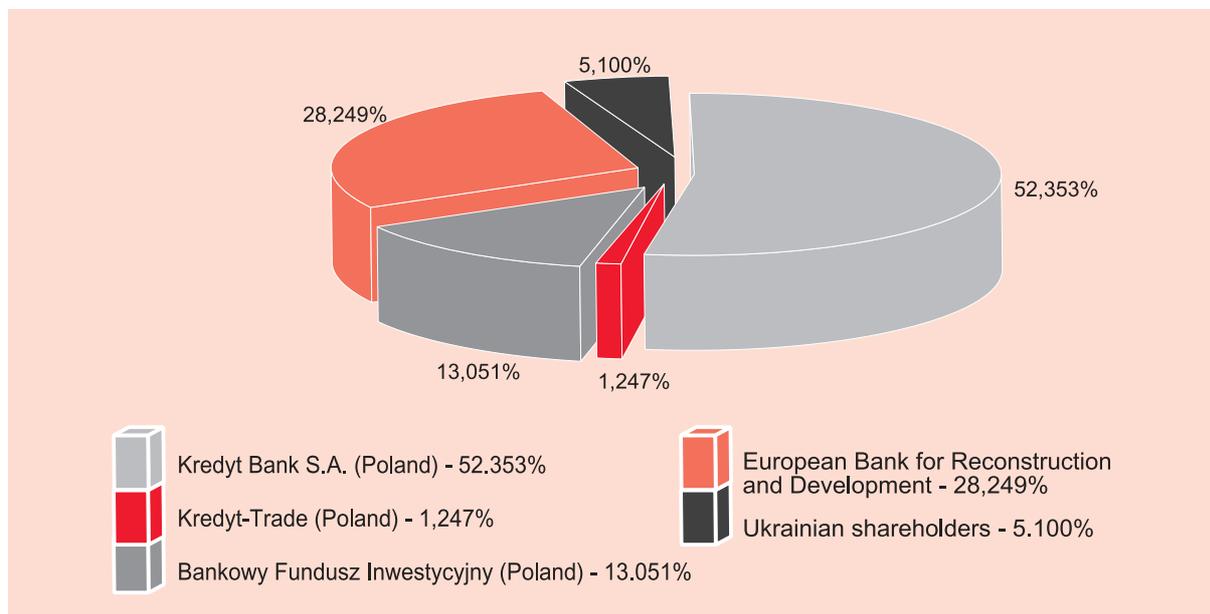
Number of shares issued: 6,846,280.000

Nominal value of the issued shares: UAH 68,462,800.00

Sum contributed in foreign currency: EUR 14,000,000.00

The results of the share issue were summarised at the Extraordinary General Meeting of the Bank, held on October 26th 2001.

STRUCTURE OF THE AUTHORISED CAPITAL OF THE BANK BY THE RESULTS OF THE 15TH SHARE



PROSPECTS FOR THE BANK DEVELOPMENT

The future years are expected to be the years of further development of the Bank. It which became one of the most powerful financial institutions in Ukraine aimed at close co-operation with Kredyt Bank S.A (Warsaw) and KBC Group (Belgium).

The main tasks of the Bank for the nearest future comprise reinforcement of the market positions within central and eastern regions of Ukraine through opening new structural units and re-organising its existing ones.

The Bank continues to maintain its status of a universal institution, offering the clients financial products and services adapted to their financial requirements. The range of services for the clients will be extended with account of the current tendencies and trends of development in the Ukrainian financial market and based on the European principles for servicing clients.

Forthcoming years forecast further economic growth, which will result in an increased demand for credit products for developing companies. Consequently, the Bank will mainly focus its attention on creating a deposit base of the structure and size corresponding to the purposes and amounts of credit deposits; while developing and improving the credit risk management.

Successful development of the retail business in 2001 enables the Bank to consider this market sector as an important source for further increase of deposit base. In the forthcoming years the deposit base will be expanded as through opening new operational units so by increasing services to the bigger number of small and medium enterprises.

The Bank continues to collaborate with international organisations in order to mobilise credit resources for SME lending and also for institutional clients' lending.

The marketing policy of the Bank will be targeted at creating the efficient system of selling the bank's products through direct sales, providing an active participation in sector-specific exhibitions and fairs through informing potential and existing clients about the Bank's service package, its expansion or other changes within the tariff policy.

In order to improve the product sales it is planned to establish an active co-operation between the Bank and the financial institutions to deal with integrated services, including non-traditional ones, "know-how", providing advising on various business issues.

Competing for the top place in the market of banking product, "Kredyt Bank (Ukraine)" will be active in implementing up-to-date banking and information technologies. This primarily includes upgrading of existing software products and introduction of the advanced products to ensure the most comprehensive automation of the banking operations. The Bank is planning to expand existing systems of distant clients' services by implementation of E-banking, in particular by offering banking products such as Internet banking, mobile-banking, etc.

THE BANK - A PATRON OF CULTURE

SOCIAL INITIATIVES

Conducting its financial activity, the JSC “Kredyt Bank (Ukraine)”-JSC “WUCB” is also contributing to the culture support, participating in solving of the urgent social problems faced by the nation. Its charitable activity is primarily focused on helping orphans and supporting culture, arts and sports.

Every year the Bank initiates and arranges charitable actions in support of children’s houses.

The Bank became the initiator of the charitable action “Banks of Ukraine for Children’s Houses” that has been conducted during 2000-2001.

In 2001 the Bank arranged the action “Let’s make children enjoying festive mood” timed to the Saint Nicholas’ Day and the New Year. Under this action, presents were given to a number of boarding schools, children’s houses, education-and-rehabilitation centres, and children from many Ukrainian cities could see the children’s film “In the desert and in the jungle” (“W pustyni i w puszczy”), producer Gavin Hood.

WUCB also continues to support the traditions of the Kredyt Bank S.A. (Warsaw) in promoting the cultural achievements and supporting ideas of a unique artistic value; meanwhile remaining concerned about safeguarding the nation’s cultural treasure.

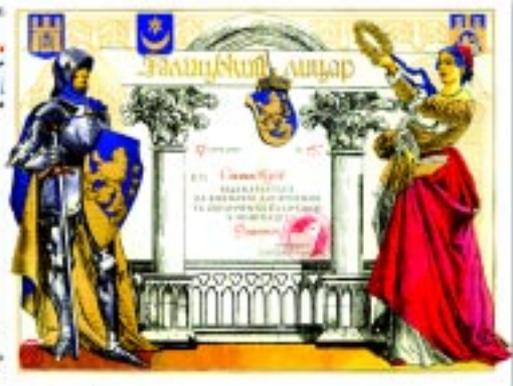
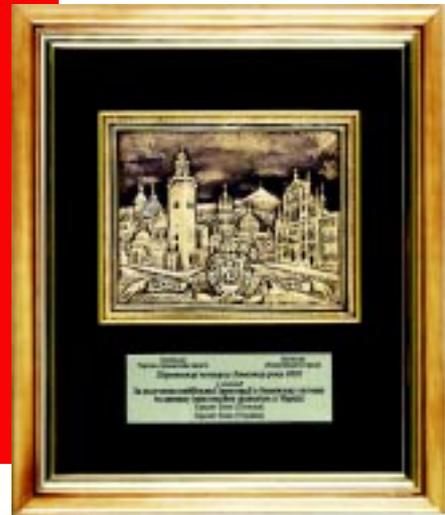
WUCB acted as the general sponsor for concert tours in Ukraine of a Soloist of Staats opera of Vienna, the people’s artist of Ukraine Victoria Lukianets.

WUCB becomes the cofounder of the “Moses” Opera Project by M. Skoryk, the Ukrainian opera, which was blessed by the Holy Father John Paul II and performed in the Lviv Opera House named after Solomija Krushelnytska.

In 2001 the Bank contributed to joint efforts enabling the film “Quo vadis” directed by Jerzy Kawalerowicz, to be shown in Lviv and Kyiv. The film won spectators’ sympathy not only in Poland but also in many European countries.

The Bank considers its mission, with respect to future generations, in promoting the cultural achievements. It always emphasises that culture and arts are the source and the carrier of the most important values of the social life, testifying its stability and independence.

BANK'S AWARDS



The Bank's dynamic growth, its intensive investment activity and contribution to the national economy raise was acknowledged through awarding the Bank with:

- A Gratitude and the Danylo Halytsky Gold Medal (award granted by the Lviv municipality, based on the results of the year 2001).
- The Diploma "Bank of the Year", in the nomination "The Best Bank of 2001", thus distinguishing WUCB among all city banks for its diligent work for the benefit of the city.
- A special inscription award "Galician Prospective" within the regional contest "The City Face 2001".

The award "Investor of the year 2001" presented by Lviv oblast administration and the Chamber of Commerce and Industry for having won the contest "Investor of the year 2001" in the nomination "For the most significant investment into the banking system and intensive investment activity in Ukraine".

INDEPENDENT AUDITORS' REPORT



To the shareholders and directors of West Ukrainian Commercial Bank JSC

We have audited the accompanying balance sheets of West Ukrainian Commercial Bank JSC (the "Bank"), a Ukrainian open joint stock company, as at 31 December 2001 and 2000, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements, on pages 3 to 40, are the responsibility of the Bank's management. Our responsibility is to express an opinion on these Financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2001 and 2000, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Without qualifying our opinion, we draw attention to Note 23 to the Financial statements, which describes the situation regarding a dispute with Dresdner bank. As at 31 December 2000, the Bank believed it had reached agreement to settle this dispute and a provision of Euro 1,020 thousand was created. As at 31 December 2001, the provision was released as the Bank no longer believes that it will be required to settle this amount. The outcome of this matter is uncertain at this time.

A handwritten signature in black ink, appearing to read "Andersen Co. Ltd.", written in a cursive style.

Andersen Co. Ltd

Kyiv, Ukraine March 28, 2002

West Ukrainian Commercial Bank

Financial Statements

In accordance with International Financial Reporting Standards As at 31 December 2001 and 2000 Together with independent auditors' report

Income statements

for the years ended 31 December 2001 and 2000 (thousands of Euro)

	Notes	2001	2000
Interest income		13 727	7 625
Interest expense		(8 868)	(5 330)
Net interest income	4	4 859	2 295
Provisions for impairment on interest generating assets	5	1 234	(1 723)
Net interest income after provisions for impairment		3 625	572
Fee and commission income		4 377	3 522
Fee and commission expenses		(576)	(494)
Fees and commissions, net	6	3 801	3 028
Dealing in foreign currencies, net		437	1 211
Dealing in securities, net	3	(15)	1
Exchange differences, net	3	465	511
Other operating income		70	72
Non interest income, net		957	1 795
Loss on net monetary position		-	(587)
Depreciation and amortisation	16	(848)	(615)
General administrative and operating expenses:	7		
Salaries and salary related expenses		(2 498)	(1 537)
Other operating and administrative expenses		(3 566)	(2 962)
Provisions for other losses	5	(1 008)	(2 224)
Non interest expense		(7 920)	(7 925)
Income/(loss) before taxation		463	(2 530)
Taxation	8	-	-
Net income/(loss) for the year		463	(2 530)

West Ukrainian Commercial Bank

Financial Statements

In accordance with International Financial Reporting Standards As at 31 December 2001 and 2000 Together with independent auditors' report

Balancesheets

as at 31 December 2001 and 2000 (thousands of Euro)

	Notes	2001	2000
Assets			
Cash and due from the National Bank of Ukraine	9	20 286	9 836
Trading securities	10	172	55
Amounts due from other banks	11	19 478	7 917
Loans and advances to customers	12	76 012	31 724
Investment securities	13	291	57
Current tax assets	8	63	43
Accrued income	14	236	202
Other assets	15	2 227	2 268
Property, equipment and computer software	16	15 493	9 536
Total assets		134 258	61 638
Liabilities			
Amounts due to the National Bank of Ukraine	17	511	1 332
Amounts due to other banks	18	16 680	5 297
Amounts due to customers	19	90 491	45 528
Debt securities issued	20	1 788	-
Accrued expenses	21	1 647	639
Other liabilities	22	145	151
Provisions for contingent liabilities	23	-	1 229
Total liabilities		111 262	54 176
Equity			
Share capital		42 307	25 986
Treasury shares		(9)	-
Accumulated deficit		(19 302)	(18 524)
Total equity	24	22 996	7 462
Total liabilities and equity		134 258	61 638
Financial commitments and contingencies	31		

Signed and authorised for release on behalf of the Board of the Bank

Stepan Kubiv

Chairman of the Board

Taras Khoma

Chief Accountant

March 28, 2002

The accompanying notes are an integral part of these financial statements

West Ukrainian Commercial Bank

Financial Statements

In accordance with International Financial Reporting Standards as at 31 December 2001 and 2000 together with independent auditors' report

Statement of changes in equity for the years ended 31 December 2001 and 2000 (thousands of Euro)

	Share capital	Treasury shares	Accumulated deficit	Equity
1 January 2000 (as previously reported)	15 933	(1)	(10 992)	4 940
Effect of adopting IAS 29 "Financial accounting in hyperinflationary economies", net of tax (Note 3)	5 894		(4 603)	1 291
1 January 2000 (as restated)	21 827	(1)	(15 595)	6 231
Translation difference	577		(399)	178
Issue of share capital	3 582			3 582
Sale of treasury shares		1		1
Net loss for the year as previously reported			(2 585)	(2 585)
Effect of adopting IAS 29			55	55
1 January 2001	25 986	-	(18 524)	7 462
Translation difference	2 154		(1 500)	654
Effect of adopting IAS 39 "Financial instruments: recognition and measurement", net of tax			259	259
Issue of share capital	14 167			14 167
Purchase of treasury shares		(9)		(9)
Net income for the year			463	463
31 December 2001	42 307	(9)	(19 302)	22 996

BANKING SERVICES

- Opening and maintaining current accounts in national and foreign currencies;
- Cash servicing of clients;
- E-banking payment system Client-Bank;
- Opening and maintaining accounts with the correspondent banks in national and foreign currencies;
- Loans to institutional clients (loans for floating funds replenishment, investment crediting, credit lines, overdraft, backing the bills, issuing bank guarantees, financing through the Kredyt Bank S.A. credit lines);
- Securities transactions (discounting, backing, collecting, domiciling, safe custody, lending against the collateral of the promissory notes, using promissory notes in the indebtedness, settlements using the promissory notes, buying, selling and exchange the securities by the clients' orders);
- International settlements (foreign currency transfers, purchase/sale of foreign currency, conversion operations);
- Documentary transactions: issuing orders, guarantees, other instruments on behalf of the 3rd parties; the execution thereof in the monetary form is stipulated;
- Mobilising institutional deposits;
- Issuing securities;
- Salary and corporate cards;
- Exclusive services: settlements in PLN;
- Insurance commercial services (insurance of mortgaged and rented property, voluntary insurance of the corporate property, insurance of motor vehicles (auto-casco) and cargo);
- Mobilising retail deposits;
- Consumer retail lending for purchasing articles of long-term usage;
- Securities operations;
- Foreign currency operations (foreign currency transfers via international payment systems, cheques, exchange transactions);
- Issuing and servicing international payment cards;
- Insurance services (medical insurance, household property insurance, accident insurance, a mandatory insurance of the civil liability of motor vehicle owners, insurance of motor vehicles (auto-casco) , "Green card");
- Cash and settlements retailed servicing (integrated services through making utilities payments, permanent, single and other payments);
- Arranging the social payments, opening and maintaining of pension accounts.

BRANCHES AND OPERATIONAL UNITS OF THE BANK

Head office	78, Sakharova Str., Lviv, 79026 E-mail: office@wucb.lviv.net	tel.: (0322) 97-23-20, 97-23-02 http://www.kredybank.com.net
Kyiv Regional department	91/14, Horkoho (Antonovycha) Str., Kyiv, 03150	tel. (044) 230-12-09 fax: (044) 230-12-06
First Lviv Branch	67, Levytskoho Str, Lviv, 79017	tel. (0322) 97-20-41, fax (0322) 97-20-77
Frankivsky operational Unit	7a, Naukova Str., Lviv, 79060	tel. (0322) 63-10-69, fax (0322) 65-97-96
Zaliznychny operational Unit	9, Ryashivska Str., Lviv, 79040	tel.: (0322) 95-31-80, 95-31-81
operational Unit in Zolochiv	2, S.Bandery Str., Zolochiv, 80700	tel. (03265) 4-25-11
operational Unit in Kamianka Buzka	9, Havatovycha Str., Kamianka Buzka, 80400	tel. (03254) 5-17-07
operational Unit in Yavoriv	62, Makoveya Str., Yavoriv, 8100	tel. (03259) 2-83-53
Volyn Branch	38, Kremenetska Str., Lutsk, 43005	tel. (0332) 72-94-91, fax (0332) 72-97-07
operational Unit No 1 in Lutsk	30, Hrushevskoho Ave., Lutsk, 43005	tel. (0332) 77-29-19
operational Unit No 2 in Lutsk	18a, Koniakina Str., Lutsk, 43005	tel. (0332) 72-86-00
operational Unit No 3 in Lutsk	5, Makarova Str., Lutsk, 43005	tel. (0332) 78-74-55
operational Unit in Novovolynsk	7, Bulvar Shevchenka, Novovolynsk, 45400	tel. (03344) 3-02-74
operational Unit in Kovel	5, S.Bandery Str, Kovel, 45000	tel. (03352) 2-35-33
Horlivka Branch	76, Peremohy Ave., Horlivka, 84646, Donetsk Oblast	tel. (06242) 2-10-05 tel./fax (06242) 4-20-47
Dnipropetrovsk Branch	12, Chkalova Str., Dnipropetrovsk, 49030	tel. (0562) 36-54-60 fax (0562) 36-54-56
Donetsk Branch	3, Illicha Ave., Donetsk, 83000	tel./fax (062) 332-33-30
Drohobych Branch	8, Boryslavska Str., Drohobych, 82100	tel./fax (03244) 3-93-98
operational Unit in Stebnyk	2, Melnyka Str., Stebnyk, 82120	tel. (03244) 4-22-57
operational Unit in Truskavets	1, Shevchenka Str., Truskavets, 82200	tel. (03247) 6-70-27
Zhytomyr Branch	7, Peremohy Str., Zhytomir, 10000	tel. (0322) 97-23-44
Ivano-Frankivsk Branch	27 Halytska Str., Ivano-Frankivsk, 76000	tel. (03422) 7-60-81 fax (03422) 7-60-80
Kyiv Branch	91/14, Horkoho (Antonovycha) Str., Kyiv, 03150	tel. (044) 230-12-31 fax (044) 230-12-32

<i>perationalUnitNo1 inKyiv</i>	131a, Saksahanskoho Str., Kyiv, 01032	tel. (044) 234-83-48
Crimean Regional Branch	21, Dekabrystiv Str., Simferopol, 95000	tel./fax (0652) 25-44-70
<i>perationalUnitinYalta</i>	22, Hoholya Str, Yalta, 98600	tel. (0654) 32-21-88
<i>perationalUnit inFeodosiia</i>	179, Chkalova Str, Feodosiia, 98100	• tel. (06562) 7-45-30
<i>perationalUnit inYevpatoriia</i>	100, Demisheva Str, Yevpatoriia, 97412	tel. (06569) 2-84-90
<i>perationalUnit inSevastopol</i>	56, Novorosiyska Str., Sevastopol, 99011	tel. (0692) 54-59-21
Mykolaiv Branch	1, Sadova Str, Mykolaiv, 54001	tel. (0512)50-05-93 fax (0512) 50-06-81
Sambir Branch	38, Shevchenka Str., Sambir, 81400	tel. (03236) 3-43-14, fax (03236) 3-43-47
<i>perationalUnitinSambir</i>	2/2, Sahaidachnoho Str., Sambir, 81400	tel. (03236) 3-28-72
<i>perationalUnit inStaryiSambir</i>	98, D.Halytskoho Str., Staryi Sambir, 82000	tel. (03238) 2-13-53
<i>perationalUnit inMostyska</i>	16, Hrushevskoho Str, Mostyska, 81300	tel. (03234) 4-55-11
<i>perationalUnitinRudky</i>	2/3, S.Bandery Str, Rudky, 81440	tel. (03234) 4-54-55
Ternopil Branch	17, Ruska Str., Ternopil, 46001	tel. (0352) 43-00-43, fax (0352) 22-34-72
<i>perationalUnitinRivne</i>	2, Kavkazka Str., Rivne, 33028	tel. (0362) 62-32-60
Zakarpatska Branch	2, Dukhnovycha Str., Uzhhorod, 88000	• tel. (03122) 3-45-07, fax (03130) 61-20-57
<i>perationalUnitNo1 inonokivtsi</i>	55, Holovna Str., Onokivtsi, Uzhhorodskiy Rayon, 88000	
Kharkiv Branch	27, Petrovskoho Str., Kharkiv, 61002	tel. (0572) 58-61-62 fax (0572) 58-61-61
Kherson Branch	175, Perekopska Str., Kherson, 73036	tel. (0552) 51-08-33 fax (0552) 51-97-93
Khmelnyskyi Branch	81/1, Proskurivskoho Pidpillia Str., Khmelnyskyi, 29000	tel. (0382) 70-09-91 fax (0382) 70-09-94
<i>perationalUnitNo1 inKhmelnyskyi</i>	1, Proskurivska Str., Khmelnyskyi, 29025	tel. (0382) 70-09-63
<i>perationalUnit inKamianets-Podilskyi</i>	42, Prospect Hrushevskoho, Kamianets-Podilskyi, 32300	tel. (03849) 3-73-84 fax (03849) 3-94-68
Cherkasy Branch	25, Pasterivska Str., Cherkasy, 18005	tel. (0472) 35-10-27 fax (0472) 54-06-86

**ATMS' NETWORK OF THE JSC
"KREDYT BANK (UKRAINE)" - JSC "WUCB"**

rohobych, Rynok Square, 31

Ivano-Frankivsk, Halytska Str., 27

Kamianets-Podilskiy, Hrushevskoho Ave., 42

Kyiv, Horkyi Str., 91/14

Kyiv, M.Dontcia, 29

Lviv, Sakharova Str., 78

Lviv, Shevchenko Ave., 18

Lviv, Svetsytsky Str., 2

Lviv, Petrushevycha Square, 3

Sambir, Sahaidachnoho Str., 2/2

Truskavets, Shevchenko Str., 1

Uzhorod, Dukhnovycha Str., 2

