

Financial Statements
Closed Joint - Stock Company
“West Finance and Credit Bank”
As of 31 December 2007

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the
Closed Joint - Stock Company
“West Finance and Credit Bank”

Report on financial statements

We, the independent Audit Firm Grant Thornton Ukraine – Ukrainian member firm of Grant Thornton International, have audited the financial statements of Closed Joint - Stock Company “West Finance and Credit Bank, including the Balance Sheet as of 31 December 2007, Income Statement, Cash Flow Statement, Statement of Changes in Equity for the period then ended, and Notes to the financial statements.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements due to error or fraud; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of financial statements, whether due to fraud or error. In making

those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Bank, and the reasonableness of accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Closed Joint - Stock Company "West Finance and Credit Bank" as of 31 December 2007, and of its financial performance and its cash flows for the year that ended in accordance with the International Financial Reporting Standards.

Grant Thornton Ukraine

Audit Firm Grant Thornton Ukraine


I.L. Konstantinov
Audit partner

Kyiv, March 4, 2008

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Balance Sheet

	Note	31 December 2007 UAH'000	31 December 2006 UAH'000
Assets			
Cash, precious metals and accounts with the National Bank of Ukraine	6	4 349	58 478
Loans, funds and advances to banks less allowance for loan losses	7	31 732	-
Loans to clients less allowance for loan losses	8	79 109	-
PP&E and intangible assets less accumulated depreciation	9	2 696	465
Other assets less allowance for losses	10	308	273
Total assets		118 195	59 216
Liabilities			
Amounts due to other banks	11	22 700	-
Clients' money	12	20 045	-
Current tax liabilities		27	-
Deferred tax liability	20	61	-
Other liabilities	13	12	7 007
Total liabilities		42 845	7 007
Equity			
Authorised capital		72 175	48 000
Share premium		2 902	2 968
Retained earnings		272	1 240
Total equity		75 350	52 209
Total liabilities and equity		118 195	59 216

Approved for issue by the Board and signed on their behalf 20 February 2008.

Michael Dobrov
Vice-President of the Board

Natalya Bochkovska
Chief Accountant

Income Statement

	Note	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Interest income	15	7 486	-
Interest expense	16	-688	-
<hr/>			
Net interest income		6 798	-
Allowances for loan impairments losses	17	-2 393	-
<hr/>			
Net interest income after deductions to the allowances for loan impairments losses		4 405	-
Gains less losses from foreign currency transactions		314	1 586
Commission earnings	18	1 476	-
Commission expenses	18	-64	-3
Other operating profits		36	
<hr/>			
Operating income		6 167	1 583
Operating expenses	19	-6 874	-343
Operating profit		-706	1 240
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Profit/loss before taxes		-706	1 240
Income tax	20	-261	-
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Net profit		-968	1 240

Approved for issue by the Board and signed on their behalf 20 February 2008.

Michael Dobrov
Vice-President of the Board

Natalya Bochkovska
Chief Accountant

Statement of Changes in Equity

	Share equity UAH'000	Share premium UAH'000	Accumulated surplus (deficit) UAH'000	Total equity UAH'000
Balance at 31 December 2005	-	-	-	-
Balance at 31 December 2006	48000	2968	1240	52209
Share capital	72 175	-	-	72 175
Share premium	-	2 902	-	2 902
Net profit	-	-	-968	272
Balance at 31 December 2007	72 175	2 902	272	75 350

Approved for issue by the Board and signed on their behalf 20 February 2008.

Michael Dobrov
Vice-President of the Board

Natalya Bochkovska
Chief Accountant

Cash Flow Statement

	Note	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		-706	1 240
Adjustments for:			
Provision for loan losses and other assets		2 393	-
Depreciation and amortization expenses		195	2
Net change in interest accruals		-12	-
Operating income before changes in operating assets and liabilities		1 870	1 243
Changes in operating assets and liabilities			
Increase/(decrease) in operating assets:			
Provision in NBU		-361	
Loans and advances to banks		-31 958	-
Loans and advances to clients		-80 997	-
Other assets		-35	-273
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		22 700	-
Clients accounts		19 734	-
Other liabilities		-6 908	7 007
Net cash provided by operating activities before income taxes		-75 956	7 977
Income tax paid		-201	-
Net cash provided by operating activities		-76 157	7 977
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets		-2 442	-467
Net outflow of cash from investing activities		-2 442	-467
FINANCING ACTIVITIES			
Own shares purchased/sold		24 109	50 968
Net inflow of cash from financing activities		24 109	50 968
Net increase (decrease) in cash and cash equivalents		-54 490	58 478
Cash and cash equivalents at the year beginning		58 478	-
Cash and cash equivalents at the year end	6	3 988	58 478

Approved for issue by the Board and signed on their behalf 20 February 2008.

Michael Dobrov
Vice-President of the Board

Natalya Bochkovska
Chief Accountant

Notes to the Financial Statements

1. General information about the Bank

Closed Joint - Stock Company "West Finance and Credit Bank" was registered by the National Bank of Ukraine on 4 October 2006.

Legal address of the Bank is: 17, Kovpaka Street, Kyiv 03150, Ukraine.

The Bank is a part of the united banking system of Ukraine. The primary activities of the Bank are lending and deposit activities, investing activities, securities custody and servicing securities circulation, and other activities that may be performed by a banking institution in accordance with active Ukrainian legislation.

As of 31 December 2007 the Bank provides services to 379 clients.

The number of Bank's employees at the end of the reporting period is 49.

During 2007 the Bank performed operations under the License received. General accounting principles are stated in the Accounting policies of Closed Joint - Stock Company "West Finance and Credit Bank".

As of 31 December 2007 the Bank's shares were owned by:

	31 December 2007	31 December 2006
	%	%
JSC "Altinbas Holding Anonim Sirketi"	45	45
JSC "Creditwest Factoring Hizmetleri Anonim Sirketi"	50	50
JSC "Altinbas Muchevherat Imalati ve Dis Ticaret Anonim Shirketi"	5	5
Total	100.0	100.0

2. Bank's operating environment

The banking system of Ukraine in 2007 was oriented to the international capital markets. Its further integration in the international capital markets, significant influence of foreign capital on the banking system of Ukraine are two components that will bring to the Ukrainian markets not only the cheaper credit resources, but also new technologies of client service and other principles of management. However, this situation can adversely affect the banks, which have no access to the international markets. Because of the shallow financial and capital markets in Ukraine, bank is avoiding to sale and purchase financial instruments (like bonds, stocks and derivatives). For this reason `available for sale` and `held to maturity` portfolio definitions and related procedures had not been established in accounting policy yet.

In addition, a positive factor is that the Ukrainian economy is integrating more and more with the world markets of goods, works, services (joining the WTO and adjustment of the national laws), and this factor is beneficially impacted by the recognition of Ukraine as market economy. However, the factors are still inherent to the economy of Ukraine, specific of the transition economy. These negative factors include the lack of a single approach to interpretations of tax and customs legislation of Ukraine, amendments to be made to the currency legislation, other matters.

These financial statements reflect the management's estimates regarding the effects of operating environment in Ukraine on transactions and financial position of the Bank. Future conditions of operations may differ from the management's estimates. Impact of such differences on transactions and financial position can be material.

3. Basis of presentation

Accounting basis - The financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Bank maintains accounting records under the instructions and provisions regulating the banking activity in Ukraine (the main regulator is the National Bank of Ukraine). These financial statements have been prepared based on such accounting records and appropriately adjusted to make them compliant with IFRS.

Use of estimates - The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Due to the inherent uncertainty in making those estimates actual results reported in the future periods might be based upon amounts that differ from those estimates.

Measurement currency - Measuring and presentation currency of the above financial statements is Hryvnya (UAH), the national currency of Ukraine.

The main differences between the Ukrainian and international accounting principles used to prepare the statements are:

- recognition and measurement of the financial instruments;
- measurement of tangible assets;
- measurement and recognition of impairment of assets;
- format of statements presentation.

4. Underlying principles of the Bank's accounting policies

Completeness - all banking transaction should be recorded on accounts without any exceptions. The financial statements should include all information on actual and expected results of the Bank's transactions, which can influence decision-making based on it.

Trade date - the transactions should be recorded on accounts on the date when they are made, that is, on the date when the rights (assets) or obligations (liabilities) arise regardless of the date of cash or cash equivalents flows on those transactions.

Substance over form - the transactions are accounted for and disclosed in the reporting in accordance with their substance and economic reality and not merely their legal form.

Self-sufficiency - assets and liabilities of the Bank should be separated from the assets and liabilities of other banks (entities) and from those of the Bank's owners.

Separate presentation of assets and liabilities - all accounts of assets and liabilities are measured and disclosed separately. All accounts are assets and liabilities, except current account of the clients (which may have positive and negative balances), clearing accounts, transit accounts or support accounts.

Measurement – assets and liabilities are carried primarily at acquisition cost or origin cost (by earlier of the events). Assets and liabilities in foreign currency, except non-monetary items, should be subject to revaluation when the official exchange rate is changed at the reporting date.

Prudence – use of accounting estimates such that assets or income are not overstated and liabilities or/and expenses are not understated.

Going concern – the Bank's assets are measured under the assumption that it will continue in operation for the foreseeable future. If the Bank has the intention to curtail the scale of its operations, this fact should be disclosed in the financial statements.

Accrual basis and matching costs with revenues – to evaluate the results of the reporting period, the revenues of the reporting period should match with expenses incurred to earn the revenues. In doing this, revenues and expenses are recorded and reported when they occur and not as cash is received or paid.

Materiality – the financial statements should provide all material information that is useful in making decisions. Information is material, if its omission or misstatement could influence the economic decisions of users.

Transparency – financial statement should be readily understandable and complete to avoid any ambiguity, must represent faithfully the transactions of the Bank with required explanations and notes about the procedures for measuring assets and total assets. The transactions should meet the information in the financial statements. The reporting should be stated clearly and understandable to the users.

Consistency – the methods chosen should be applied consistently by the Bank from one year to the next.

5. Measurement principles for individual assets and liabilities

Cash and cash equivalents. Cash and cash equivalents include the Bank's cash on hand, balances on the correspondent account with the National Bank of Ukraine. Statutory reserves of the Bank cannot be used for funding daily transactions of the Bank and are not treated as components of cash and cash equivalents for the purposes of preparation of the Cash Flow Statement.

Loans, funds and advances to banks. In the normal course of business the Bank maintains advances or deposits for various periods of time with other banks. According to IFRS, loans to banks which have no fixed maturity terms are measured at cost.

Loans to clients. The loans issued by the Bank are financial assets, created by the Bank by granting funds directly to the borrower.

The Bank carries out credit operations in accordance with the Lending Policies of the Bank based on the Ukrainian laws in force.

The Bank issues credits to the entities and individuals in national and foreign currency.

The credits are granted for a term of one year (short-term), from one year and more (long-term) on diverse lines of earmarked uses of funds. The credits are given as a lump sum and as tranches in accordance with the open credit lines.

All loans and advances are recorded when liabilities on lending arise and cash is issued to the borrowers. Loans issued are carried at initial value at inception which is fair value of the funds given and subsequently at amortized cost net of allowance for impairment losses on loans.

Allowance for loan losses. Allowance for loan losses is established when it is probable that the Bank will not be able to collect the outstanding principal or interests in accordance with terms of loan agreement.

Based on previous experience of the Bank with regard to losses from loans, the Management periodically reviews adequacy of created allowances for portfolio risks, unfavorable situations that can affect the borrower's ability to repay credit.

Reserves set aside during the current period are allocated to the expenses of the period.

As far as the bank did not have retail loan portfolio (groups of loans with the same characteristics) all the loans are evaluating and analyzing on individual basis

According to the regulations of National Bank of Ukraine all commercial clients financials has to be evaluated quarterly. Taking in consideration clients rating, their financial condition and debt servicing, Bank reevaluates created allowance for loan losses on monthly basis.

Property, plant and equipment and intangible assets. Property, plant and equipment (PP&E) and intangible assets are carried at initial cost less accumulated depreciation/amortization.

Repair and maintenance expenses are allocated to the appropriate period expenses.

Depreciation is charged as to write-off the cost of assets, except the assets not placed in service.

Depreciation is computed using straight-line method during the following estimated useful life of assets:

- office equipment - 5 years;
- motor vehicles - 15 years;
- intangible assets - 3 years.

Operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the term of the lease agreement.

Amounts due to other banks and clients' money. Loans and advances from other banks and clients are stated at cost.

Authorised capital. Authorised capital of the Bank is recognized at nominal cost. Profits and losses, arising when own shares are sold, are allocated to share premium (loss).

Taxation. Income tax expense represents the amount of the current income tax which is charged to the amount of taxable profit computed in accordance with the Ukrainian legislation.

During the reporting period income tax rate was 25%.

All other taxes, except income tax, are included in the operating expenses of the Bank.

Recognition of income and expenses. Earnings of the Bank are increases in economic benefits during the reporting period in the form of inflows of assets or decreases of liabilities that influences increases in the Bank's equity other than those relating to contributions from shareholders (participants) of the Bank.

Expenses of the Bank are decreases in economic benefits during the reporting period in the form of outflows or uses of assets or increases in liabilities that result in reduction in the Bank's equity other than those relating to contributions from shareholders (participants) of the Bank.

Bank's income can be: interest on use of assets; commission on provision of services; trading (gain) from trading securities, foreign currency and precious metals, others gains on disposal of inventories or non-current assets at surplus.

Interest income results from use of the Bank's assets by other entities and individuals and is determined proportionately to the amount and period of the use of assets using effective interest rate method. Interest income and expense are recognized on an accrual basis.

Commission earnings arise on provision of services by the Bank and are determined in accordance with the terms of related agreements, based on the specific features of the corresponding services.

Trading income results from surplus on trading securities, foreign currency and precious metals and is determined as the difference between the carrying amount of the assets sold and revenue from their sale.

Other gains arise:

- from sale, at surplus, of the property accepted into the Bank's ownership as a holder of pledges, non-current assets of the Bank, excluding indirect taxes and other payments to be paid in relation with such sale;
- in accounting for excess cash on hand or automated teller machines of the Bank or excess property;
- in other cases.

Expenses of the Bank arise from payment of fees for use of assets by the Bank attracted from clients, payment for services received by the Bank, purchase of inventories to secure the Bank's activities, payment of taxes and other requisite payments, amortisation accrued to non-current assets of the Bank, setting allowance for impairment losses on assets, etc. and are accordingly classified in the Statement of Financial Results.

Bank's expenses can be the following: interest expenses, from use of the assets attracted from individuals, legal entities and other banks; commission expenses, from services received by the Bank; trading losses; from trading securities, foreign currency and precious metals, etc.

Operating expenses arise also when:

- the Bank pays for services and inventories required to secure the Bank's activities and are calculated in accordance with the terms of agreement concluded;
- depreciation is accrued to the non-current assets;
- salaries, taxes and other requisite payments are accrued;
- property, which was acquired into ownership through pledges, is sold, when non-current assets of the Bank are sold at deficit, excluding indirect taxes and other payment, related to such sale.

Expenses for setting aside allowances for impairment losses on assets are incurred to recover the possible losses on credit operations of the Bank.

Income and expenses, accrued, received or incurred in foreign currency are stated in income and expense accounts in national currency at the official exchange rate of the National Bank of Ukraine for corresponding foreign currency to the national currency at the date of recognition of the related revenues and expenses, as well as on currency position accounts of the Bank at par of the related foreign currency.

Foreign currency restatement. Foreign currency transactions are recorded at a rate, which existed at the transaction date. Translation differences, which result from settlements on foreign currency transactions, are included in the Income Statement at the rate existed to date.

Monetary assets and total assets, denominated in foreign currency, are translated in Ukrainian Hryvnya at the official exchange rate of the National Bank of Ukraine at the balance sheet date.

As of 31 September 2007 the basic exchange rates used to translate balances in foreign currency were the following:

	31 December 2007 (UAH)	31 December 2006 (UAH)
USD 1	5.05	5.05
Euro 1	7.4194	6.6509

Allowance for losses. Establishing of provisions means mobilization of the internal funds of the Bank to be used, if necessary, for coverage of risk assets.

Allowance to cover possible losses on the Bank's loan operations is set aside on the monthly basis and depends on the quality of the Bank's loan portfolio.

Allowance is set aside in the currency of the related assets.

Allowance for losses is recognized when the Bank has obligations resulted from past events and it is possible that to settle such liability an outflow of resources will be required, that provide economic benefits, and the amount of such liability can be measured reliably.

Off-balance sheet activities. Off - balance sheet activities include different types of guarantees and warrants, which were issued or received by the Bank. These items are carried in the off-balance sheet accounts and stated at par value.

6. Cash, precious metals and accounts with the National Bank of Ukraine

	31 December 2007 UAH'000	31 December 2006 UAH'000
Cash on hand	1 045	-
Balances on accounts with NBU	3 304	58 478
Total cash and cash equivalents	4 349	58 478

Analysis of cash, cash equivalents by geographic regions, currencies and interest rates is presented in Note 21.

Cash and cash equivalents included in the Bank's Cash Flow Statement are the following:

	31 December 2007 UAH'000	31 December 2006 UAH'000
Cash and cash balances with National Bank of Ukraine	4 349	58 478
Statutory minimal reserve	-361	0
Total cash and cash equivalents	3 988	58 478

7. Loans, funds and advances to banks, less allowance for loan losses

	31 December 2007 UAH'000	31 December 2006 UAH'000
Loans ,funds and advances to banks	31 958	-
Allowance for loan losses	-225	-
Total loans and funds issued to the banks, net	31 732	-

8. Loans to clients less allowances for loan losses

	31 December 2007 UAH'000	31 December 2006 UAH'000
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Closed Joint - Stock Company
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Loans to clients	80 954	-
Interest income accrued on loans to clients	323	-
Allowance for loan losses	-2 168	-
Total loans issued to the clients, net	79 109	-

Bank started its statutory activity in the year that ended 31 December 2007. In relation with this reason Bank did not have loan portfolio, created allowance for loan losses and did not obtained any collateral to secure loans as of 31 December 2006.

Bank performed analysis of loan portfolio as of 31 December 2007 and recognized amount of allowance for loan losses, which could be presented below:

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	Loans before provision deduction UAH'000	Provision UAH'000	Net loans UAH'000	provision / loans before provision deduction %
Commercial loans				
Standart unimpaired loan	73 660	1 699	71 961	2,31%
Past-due loans	-	-	-	-
Unrecoverable loans	-	-	-	-
Accrued interest	169	-	169	0,00%
Total commercial loans	73 828	1 699	72 129	2,30%
Loans to individuals				
Mortgage loans	-	-	-	-
Auto loans	2 808	14	2 794	0,49%
Credit cards and overdrafts	-	-	-	-
Other loans to individuals	4 487	455	4 032	10,14%
Accrued interest	154	0	154	0,00%
Total loans to individuals	7 449	469	6 980	6,29%
Net investment in financial lease	-	-	-	-
Total loans to customers	81 277	2 168	79 109	

The movements in allowance for impairment losses on loans were as follows:

	Commercial loans UAH'000	Individuals UAH'000	Accrued interest UAH'000	Financial lease UAH'000	Total UAH'000
31 December 2005	-	-	-	-	-
Write-off loans	-	-	-	-	-
Provision	-	-	-	-	-
31 December 2006	-	-	-	-	-
Write-off loans	-	-	-	-	-
Provision	1 699,03	468,62	-	-	2 167,65
31 December 2007	1 699,03	468,62	0,00	0,00	2 167,65

Information regarding non-interest-earning loans to customers can be presented in the table below:

	31 December 2007 UAH'000	31 December 2006 UAH'000
Commercial loans	-	-
Loans to individuals	-	-
Other loans	-	-
Total non-interest earning loans	-	-

The financial statements should be read with consideration of notes to the financial statements, which are stated on pages 7 to 24 and are an integral part of these interim statements

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Amount of loans secured by collateral rather than fair value of collateral itself as of 31 December 2007 disclosed in table below:

	Shares and other securities UAH'000	Real estate or rights thereon UAH'000	Motor vehicles UAH'000	Other collateral UAH'000	Unsecured loans UAH'000	Total UAH'000
Commercial loans	0	40 041	11 771	16 417	5 431	73 660
Loans to individuals	0	627	2 808	2 833	1 026	7 295
Net investments in financial lease	0	0	0	0	0	0
Total loans to customers	0	40 668	14 579	19 250	6 457	80 954

Structure of Bank's loan portfolio as of 31 December 2007, which discloses risk of concentration by industries, is the following:

	Loans before provision deduction UAH'000	Provision UAH'000	Net loans UAH'000	reserves / loans before provision deduction %
Trade and services	32 889	426	32 463	1,30%
Construction	11 968	235	11 733	1,96%
Transport and telecommunication services	-	-	-	-
Engineering	-	-	-	-
Agricultural and food processing	18 754	239	18 515	1,27%
Other manufacturing	7 549	800	6 749	10,59%
Raw materials industry	-	-	-	-
Energy industry	-	-	-	-
Individuals	7 295	468	6 827	6,42%
Others	2 500	0	2 500	0,00%
Accrued interest income	323	0	323	0,00%
Total loans to customers	81 278	2 168	79 109	2,67%

Analysis of loans to clients by geographic regions, currencies, maturity dates and interest rates is presented in Note 21.

9. Property, plant and equipment and intangible assets less accumulated depreciation

	Leasehold improvements UAH'000	Fixtures and fittings UAH'000	Motor vehicles UAH'000	Intangible assets UAH'000	Total UAH'000
At cost					
At 31 December 2006	-	45	422	-	467
Additions	349	969	650	474	2 442
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2007	349	1 014	1 072	474	2 909
Accumulated depreciation					
At 31 December 2006	-	-	2	-	2
Depreciation charged for the period	-	104	43	65	211
Disposals	-	-	-	-	-
At 31 December 2007	0	104	45	65	214
Net book value					
At 31 December 2006	0	45	420	-	467
At 31 December 2007	349	910	1 026	410	2 696

10. Other assets

	31 December 2007 UAH'000	31 December 2006 UAH'000
Prepayments and other accounts receivable	96	269
Deferred expenses	197	4
Commodity and material valuables	16	0
Total other assets	308	273

11. Amounts due to other banks

	31 December 2007 UAH'000	31 December 2006 UAH'000
Loans and deposits received from other banks	22 700	-
Total amounts due to other banks	22 700	-

Analysis of other assets by geographic regions, currencies and maturity terms is presented in Note 21.

12. Clients' money

	31 December 2007 UAH'000	31 December 2006 UAH'000
Corporate clients		
– Current/clearing accounts	4 352	-
– Term deposits	3 231	-
Individuals		
– Current/demand accounts	5 325	-
– Term deposits	6 826	-
Interest expense accrued on clients accounts	311	-
Total clients' money	20 045	-

Analysis of clients' money by geographic regions, currencies, maturity terms and interest rates is presented in Note 21.

13. Other liabilities

	31 December 2007 UAH'000	31 December 2006 UAH'000
Tax provision	1	
Other accounts payable	11	
Not registered contributions to the share capital	0	7,007
Total other liabilities	12	7,007

14. Authorised capital

As of 31 December 2007 declared, issued and completely paid authorised capital comprised 72,175,000 ordinary shares, each of UAH 1 par value. As of 31 December 2006 declared, issued and completely paid authorised capital comprised 48,000,000 ordinary shares, each of UAH 1 par value.

15. Interest income

Interest income, received by the Bank during the year that ended 31 December 2007 and 2006 can be presented as follows:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Interest income		
Interest on loans and funds, issued to the clients	5 948	-
Interest on loans and funds issued to the banks	1 538	-
Total interest income	7 486	-

16. Interest expense

Interest expense incurred by the Bank during the year that ended 31 December 2007 and 2006 can be presented as follows:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Interest expense		
Interest expense on clients' accounts	380	-
Interest expense on banks' funds	309	-
Total interest expense	688	-

Net interest profit for the year that ended 31 December 2007 is UAH'000 6 798.

17. Allowances for loan impairments losses

The amount of provisions for loan impairment was changed as follows:

	Loans, funds and advances to banks UAH'000	Loans to clients UAH'000	Total UAH'000
31 December 2005	-	-	-
Provision setting/recovery	-	-	-
Assets writing-off	-	-	-
31 December 2006	-	-	-
Provision setting/recovery	225	2 168	2 393
Assets writing-off	-	-	-
31 December 2007	225	2 168	2 393

Provisions for covering loan losses to clients and banks are deducted from the corresponding assets.

18. Commission earnings and expenses

Structure of commission earnings and expenses for the years that ended 31 December 2007 and 2006 can be presented as follows:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Commission earnings		
Commission earnings on loans operations	858	-
Commission earnings on settlement and cash service	250	-
Commission earnings on foreign exchange operations	114	-
Other commission earnings	254	-
Total earnings on payments and commission	1 476	0
Commission expenses		
Commission expenses for securities transactions	-6	-
Commission expenses for settlement and cash service	-52	-3
Commission expenses for foreign exchange operations	-6	-
Other commission expenses	0	-
Total commission expenses	-64	-3
Net commission earnings	1 412	-3

19. Operating expenses

Structure of operating expenses for the years that ended 31 December 2007 and 2006 can be presented as follows:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Salaries, other staff expenses	-3 311	-274
Operating lease	-1 719	0
Communication services	-300	-8
Professional services	-39	0
Equipment repair and maintenance	-236	-14
Deduction to individuals deposit guarantee fund	-482	0
Amortization	-195	-2
Guard	-103	-14
Municipal service	-69	0
Other operating expenses	-419	-31
Total operating expenses	-6 874	-343

20. Income tax

Expenses on income tax for the years that ended 31 December 2007 and 2006 consist of the following components:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Income tax: current	201	-
Changes in deferred tax assets	60	-
Total income tax for the year	261	-

Revenues of the Bank are subject to income tax at a rate of 25%. Reconciliation of expected and actual tax expenses is given below:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Loss / profit before taxes under IFRS	-706	-
Estimated amount of tax at 25% rate	0	-
Adjustments to non-taxable income or expenses not reducing the tax base:		
Expenses not reducing the tax base	129	-
Non-taxable income	18	-
Other	54	-
Credit / expenses on income tax for the year	201	-

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Deferred tax assets		
Unamortised discount on loans	15	-
Other	3	-
Valuation reserve	-	-
Amount of deferred tax asset, net	18	-
Deferred tax liabilities		
Tangible and intangible assets	-12	-
Amortisation	-56	-
Other	-10	-
Total amount of deferred tax liabilities	-78	-
Total deferred tax liabilities/assets	-60	-

The management of the Bank believes that information about tax liabilities is adequately presented in the tax returns, but the risk exists that the Tax Administration can treat some or other regulatory acts in other way, and this, in turn, can influence the financial statements of the Bank, increasing current income tax.

21. Financial risk management

As all financial institutions, the Bank comes under the influence of credit and market risks, liquidity and operational risks. Risk acceptance is the main condition of banking activity. Bank's goal is to achieve balance between risk and earning, received for accepted risk, and also decreasing negative influence of accepted risk on Bank's financial condition. The risks are managed in accordance with the strategy accepted by the Bank. To be protected from the future losses, the Bank carries out researches of development trends and regulation of diverse risks inherent to the banking system and economy of Ukraine in the whole.

Credit risk is the risk of changes in value associated with unexpected changes in credit quality. Credit risks are monitored by the Credit Committee, Risk Management Department.

Market risk is the risk of changing Bank's revenues or cost of its portfolios in a result of changing market prices, including currency exchange rates, interest rates, market price of trading securities. Market risk comprised of currency exchange risk, interest rate risk and other price risks. Market risk inherent to open positions related to interest, currency and equity instruments, sensitive to specific changes in market and fluctuations of market prices.

Management of currency risks, liquidity risks, interest rate risks and cash flow risks is carried out by Asset and Liability Management Committee (ALMC), Risk Management Department.

Currency risk is the risk of changing Bank's revenues or cost of its portfolios in a result of changing currency exchange rates. The Currency exchange risk is calculated overall all balance sheet items. According to regulations the currency position is limited by National bank of Ukraine and internal currency position limits set by ALMC. The limits of currency position is reviewed regularly by Bank's Risk management department and ALMC .

Interest rate risk is the risk of changing Bank’s revenues or cost of its portfolios in a result of changing interest rates. The interest rate risk in banking book is also evaluating by bank management through ALMC committee. ALMC measures and monitors interest rate risk closely.

Liquidity risk is the risk of not having sufficient funds to meet withdrawals and other financial commitments when due.

Because of the shallow financial and capital markets in Ukraine, bank is avoiding to sale and purchase financial instruments (like bonds, stocks and derivatives). According to this reason bank has not any `available for sale` and `held to maturity` item in investment portfolio. Means no definition of these portfolios had been made in accounting policy yet.

Having no financial instruments like bonds, stocks and derivatives, Bank’s the management does not see any necessity for advanced methods of measuring market and liquidity risks. Liquidity and Interest Risk is calculated and managed through gap, interest rate gap and liquidity gap analysis by ALMC.

Analysis of assets and liabilities of the Bank by geographic regions as of 31 December 2007 is as follows (in UAH thousand):

	Ukraine	OECD countries	Not OECD countries	Total
Assets				
Cash, precious metals and accounts with the National Bank of Ukraine	4 349			4 349
Loans, funds and advances to banks less allowance for loan losses	31 732			31 732
Loans to clients less allowance for loan losses	59 259	19 822	29	79 110
PP&E and intangible assets less accumulated depreciation	2 696			2 696
Other assets less allowances for losses	308			308
Total assets	98 345	19 822	29	118 195
Liabilities				
Amounts due to other banks	22 700			22 700
Clients’ money	13 332	6 713		20 045
Current tax liabilities	27			27
Deferred tax liability	61			61
Other liabilities	12			12
Total liabilities	36 132	6 713		42 845
Net balancing position	62 213	13 109	29	75 350

Analysis of assets and total assets of the Bank by geographic regions as of 31 December 2006 is as follows (in UAH thousands):

Closed Joint - Stock Company**"West Finance and Credit Bank"****22****Financial Statements as of 31 December 2007**

	Ukraine	OECD countries	Not OECD countries	Total
Assets				
Cash, precious metals and accounts with the National Bank of Ukraine	58,478			58,478
Loans, funds and advances to banks less allowance for loan losses				
Loans to clients less allowance for loan losses				
PP&E and intangible assets less accumulated depreciation	465			465
Other assets less allowances for losses	273			273
Total assets	59,216			59,216
Liabilities				
Amounts due to other banks				
Clients' money				
Other liabilities		7,007		7,007
Total liabilities		7,007		7,007
Net balancing position	59,216	(7,007)		52,209

Currency risk. Currency risk management during the reporting period comprised managing foreign exchange exposure of the Bank and diversification of its assets.

As of 31 December 2007 the Bank had following currency positions (in UAH thousand):

	Hryvnya	US dollar	Euro	Other currency	Total
Assets					
Cash, precious metals and accounts with the National Bank of Ukraine	3 551	712	86	-	4 349
Loans, funds and advances to banks less allowance for loan losses	17 931	13 760	42	0	31 732
Loans to clients less allowance for loan losses	70 848	7 784	478	-	79 110
PP&E and intangible assets less accumulated depreciation	2 696	-	-	-	2 696
Other assets less allowances for losses	303	5	-	-	308
Total assets	95 329	22 261	605	0	118 195
Liabilities					
Amounts due to other banks	12 600	10 100	-	-	22 700
Clients' money	9 858	10 142	45	-	20 045
Current tax liabilities	27	-	-	-	27
Deferred tax liability	61	-	-	-	61
Other liabilities	12	0	-	-	12
Total liabilities	22 558	20 242	45	0	42 845
Open balance sheet position	72 771	2 019	560	0	75 350

As of 31 December 2006, the Bank had following currency positions (in UAH thousand):

Financial Statements as of 31 December 2007

	Hryvnya	US dollar	Euro	Other currency	Total
Assets					
Cash, precious metals and accounts with the National Bank of Ukraine	175	-	58,303	-	58,478
Loans, funds and advances to banks less allowance for loan losses	-	-	-	-	-
Loans to clients less allowance for loan losses	-	-	-	-	-
PP&E and intangible assets less accumulated depreciation	465	-	-	-	465
Other assets less allowances for losses	273	-	-	-	273
Total assets	913		58,303		59,216
Liabilities					
Amounts due to other banks	-	-	-	-	
Clients' money	-	-	-	-	
Other liabilities	-	-	7,007	-	7,007
Total liabilities	-	-	7,007	-	7,007
Open balance sheet position	913		51,296	-	52,209

Liquidity risk. The main goal in liquidity risk management is to maintain liquidity risk within the ratios established. The Bank is daily exposed to risk related to demands on use of its idle funds for 'overnight' deposits, current accounts, deposits with short-term maturing, extension of credit and guarantees.

Liquidity position of the Bank as of 31 December 2007 is the following (in UAH thousand):

Closed Joint - Stock Company**"West Finance and Credit Bank"****24****Financial Statements as of 31 December 2007**

	Less than 1 month	More than 1 but less than 3 months	More than 3 months but less than 1 year	More than 1 but less than 5 years	More than 5 years	Total
Assets						
Cash, precious metals and accounts with the National Bank of Ukraine	4 349	-	-	-	-	4 349
Loans, funds and advances to banks less allowance for loan losses	31 732	-	-	-	-	31 732
Loans to clients less allowance for loan losses	196	487	37 935	40 492	-	79 109
PP&E and intangible assets less accumulated depreciation	-	-	-	1 669	1 028	2 696
Other assets less allowances for losses	137	5	16	150	-	308
Total assets	36 401	492	37 951	42 323	1 028	118 195
Liabilities						
Amounts due to other banks	22 700	-	-	-	-	22 700
Clients' money	10 213	1 688	6 844	100	1 200	20 045
Current tax liabilities	27	-	-	-	-	27
Deferred tax liability	61	-	-	-	-	61
Other liabilities	12	-	-	-	-	12
Total liabilities	33 013	1 688	6 844	100	1 200	42 845
Liquidity difference	3 389	-1 196	31 107	42 223	-172	75 351
Cumulative liquidity difference between assets and liabilities	3 389	2 192	33 299	75 523	75 351	

The financial statements should be read with consideration of notes to the financial statements, which are stated on pages 7 to 24 and are an integral part of these interim statements

Liquidity position of the Bank as of 31 December 2006 is the following (in UAH thousand):

	Less than 1 month	More than 1 but less than 3 months	More than 3 months but less than 1 year	More than 1 but less than 5 years	More than 5 years	Total
Assets						
Cash, precious metals and accounts with the National Bank of Ukraine	58,478	-	-	-	-	58,478
Loans, funds and advances to banks less allowance for loan losses	-	-	-	-	-	-
Loans to clients less allowance for loan losses	-	-	-	-	-	-
PP&E and intangible assets less accumulated depreciation	-	-	-	43	422	465
Other assets less allowances for losses	-	273	-	-	-	273
Total assets	58,478	273		43	422	59,216
Liabilities						
Amounts due to other banks	-	-	-	-	-	-
Clients' money	-	-	-	-	-	-
Other liabilities	-	-	7,007	-	-	7,007
Total liabilities	-	-	7,007	-	-	7,007
Liquidity difference	58,478	273	(7,007)	43	422	52,209
Cumulative liquidity difference between assets and liabilities	58,478	58,751	51,744	51,787	52,209	

Interest rate risk. Interest rate risk management is aimed at maintaining interest margin within the specified range, based on prospective and current plans of the Bank. Interest rate on credits and deposits are set in accordance with market trends and projected changes in assets and liabilities.

Weighted average interest rates on related interest sensitive assets and liabilities for the year ended 31 December 2007 are as follows:

	Hryvnya	US dollars	Euro	Other currencies
Assets				
Loans, funds and advances to banks	3,52	6,70	4,42	-
Loans to clients	17,77	11,88	11,87	-
Liabilities				
Amounts due to other banks	3,67	5,77	0,00	-
Clients' money	13,73	8,35	6,18	-

Weighted average interest rates on related interest sensitive assets and liabilities for the year ended 31 December 2006 are as follows:

	Hryvnya	US dollars	Euro	Other currencies
Assets				
Loans, funds and advances to banks	-	-	-	-
Loans to clients	-	-	-	-
Liabilities				
Amounts due to other banks	-	-	-	-
Clients' money	-	-	-	-

22. Contingent and other liabilities and derivatives

Legal proceedings. As of 31 December 2007 the Bank has no legal matters handled.

Liabilities on operating lease. The future minimal lease payments of the Bank on irrevocable operating lease agreement of building as of 31 December 2007 and 2006 are as follows:

	31 December 2007 UAH'000	31 December 2006 UAH'000
Less than 1 year	2 329	1 595
Less than 1 year but not more than 5 years	5 373	5 449
More than 5 years	-	-
Total liabilities on operating lease	7 702	7 044

Lender liabilities. In the course of its activity to meet the needs of the clients the Bank uses financial instruments that are exposed to credit risks not presented in the Balance Sheet. The contingent liabilities on such financial instruments are as follows:

	31 December 2007 UAH'000	31 December 2006 UAH'000
Guarantees issued	8 030	-
Unused credit lines	9 452	-
Total lender liabilities	17 482	-

23. Fair value of financial instruments

The fair value of the Bank's financial instruments is presented in compliance with IAS 32, *Financial Instruments: Disclosure and Presentation* and IAS 39, *Financial Instruments: Recognition and Measurement*.

Fair value is the amount for which a financial instrument could be exchanged between willing parties as a result of current transaction, except its forced sale or liquidation.

Estimated fair value of financial instruments was calculated by the Bank based on factual information regarding corresponding markets using relevant valuation techniques (if any) acceptable for use at the year end.

24. Related party transactions

For the purposes of preparation of these financial statements, the parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and managerial decisions, as it is stated in IAS 24, *Related Party Disclosures*. In analysing every case of relationships which could be related party relationships, attention is paid to the substance of the relationships, not their legal form.

In the course of the ordinary activity, the Bank performs transactions with the shareholders (participants), directors, other companies, owned by the Bank’s shareholders (participants), and with other related parties. These transactions include settlements, extension of credits, raising deposits, guarantees, funding of commercial activity, securities and foreign currency transactions.

Transactions with related parties for the year ended 31 December 2007 and 2006 are as follows:

	Year ended 31 December 2007 UAH'000	Year ended 31 December 2006 UAH'000
Loans issued to the clients:		
- <i>shareholders</i>	-	-
- <i>key management</i>	285	-
- <i>other related parties</i>	-	-
Allowances for impairments losses on loans issued to:		
- <i>shareholders</i>	-	-
- <i>key management</i>	1	-
- <i>other related parties</i>	-	-
Clients' accounts:		
- <i>shareholders</i>	5	-
- <i>key management</i>	3	-
- <i>other related parties</i>	-	-
Deposits raised from:		
- <i>shareholders</i>	-	-
- <i>key management</i>	145	-
- <i>other related parties</i>	-	-
Interest income:		
- <i>shareholders</i>	-	-
- <i>key management</i>	10	-
- <i>other related parties</i>	-	-
Interest expense:		
- <i>shareholders</i>	-	-
- <i>key management</i>	3	-
- <i>other related parties</i>	-	-
Remuneration to key management (salaries, bonuses, other)	575	56

25. Post balance sheet events

There were no any significant events which may cause changes in the Bank’s financial position or affect its ability to act under the going concern basis.

