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**FINANCIAL RESTRUCTURING TECHNICAL
ASSISTANCE TO THE NATIONAL BANK
OF THE REPUBLIC OF KAZAKHSTAN &
THE CENTRAL BANK OF UZBEKISTAN**

FINAL REPORT

Submitted to

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Financial Restructuring Technical Assistance

Kazakhstan Bank Supervision Reform

Final Report

Contractor International Business & Technical Consultants Inc

Contract # EPE-0005-100-5056-00

Reporting Period January 1, 1997 to December 31, 1997

A CONTRACTOR'S REPORT

1 Background

USAID, in support of financial sector reform in Kazakhstan, is providing long-term technical assistance to both the National Bank of the Republic of Kazakhstan ("NBRK") and to Kazak commercial banks. The Financial Restructuring Technical Assistance provided to the central bank is aimed at strengthening the NBRK's supervisory and regulatory process.

Initial phases of the USAID assistance focused on the introduction of a rational regulatory process and the adoption of some critical policies and procedures. The current project seeks to build upon the previous work by developing the infrastructure and training mechanisms so that the existing personnel within the NBRK can effectively perform the supervisory function on an ongoing basis.

2 Introduction

This report documents IBTCI's accomplishments on Bank Supervision, Reform, and Restructuring Project conducted for the National Bank of Kazakhstan in 1997 under USAID Contract No. EPE-0005-100-5056-00.

The project provided technical assistance in the development of policies and procedures to implement on and off-site prudential bank supervision at the National Bank of Kazakhstan (NBRK). As already stated, it was undertaken with the ultimate goal of developing the infrastructure and training mechanisms necessary to allow the

existing personnel within the NBRK to perform the supervisory function thoroughly on an ongoing basis

The basic goal of the project was to modernize and improve the supervisory capacity of the Bank Supervision Department (BSD) and to formalize the establishment of the new processes. The Resident Advisors (RA) provided input in several areas including policies and procedures for on-site inspection and off-site surveillance, several banking regulations, training issues, accounting issues, bank licensing issues, enforcement alternatives, rehabilitation and liquidation issues, and on a number of miscellaneous subjects

3 Sub-Activities

A summary of the project's components is as follows

- 3 1) Integration of On-Site/Off-Site Operations
- 3 2) On-Going Bank Supervision Training
- 3 3) Financial Surveillance
- 3 4) Regulatory Enhancements
- 3 5) Licensing Procedures
- 3 6) Enforcement Alternatives and Procedures
- 3 7) Supervision Department Operations

3 1 Integration of On-Site/Off-Site Operations

A Objective and Overview

- Assist in the selection of banks potentially needing restructuring efforts
- Assist in the examination of targeted banks
- Assist in the restructuring effort as necessary of targeted banks
- Provide assistance to targeted banks in adopting standards of operation
- Review Bank Rating System and draft recommended revisions, as needed

B Background

In the past, off-site surveillance and on-site inspections were performed by NBRK with little interaction. In addition to losing synergy that could be gained through information sharing and interaction, it encouraged supervision based on rule compliance rather than organic risk assessment. Prior to March 1997, only a very limited number of USAID or World Bank advisors was permitted to participate in on-site examinations.

Under this task order, target banks were selected using off-site and other appropriate inputs. They were examined on-site and a plan for restructuring, if needed, was designed and implemented.

C Work Performed

Tangible Results/Benchmarks

- Assist with five on-site inspections of targeted intermediate sized or larger banks ACHIEVED
- Provide recommendations with respect to potential target banks for restructuring efforts and methods of resolution ACHIEVED
- Provide organizational assistance to the banks targeted for restructuring in the adoption of internationally recognized standards of operation ACHIEVED
- Advise on the restructuring effort of five (5) target banks ACHIEVED
- Finalize recommendations with respect to potential target banks for restructuring
- Advise on the inspection of six (6) banks ACHIEVED
- Review the newly adopted bank rating system and draft recommended revisions as necessary ACHIEVED

D Assessment of Subactivity

Under the NBRK Bank Supervision leadership that existed prior to March 1997 only a very limited number of USAID or World Bank advisors was permitted to participate in on-site examinations. Therefore, during the first quarter of 1997, USAID / IBTCI advisors assisted examiners in pre-examination preparations and post-examination report preparations on six commercial banks in lieu of on-site participation. This variation in tasks in comparison to terms of reference of the task order was conveyed to and approved by USAID/ALMATY. This attitude was due to the vacuum created by the resignation of the Bank Supervision Director.

With the appointment of a new Bank Supervision Director, USAID advisors, under the guidance of Almaty-based USAID officials Paul Davis and Gary Linden, discussed the limitations imposed by not allowing participation in on-site examinations with the new NBRK management. At her installation in late March, the new Bank Supervision Director, N. Abdulina, provided her full support for IBTCI advisors to participate in on-site bank examinations. The Director acknowledged the prior problem and offered to rectify it. Thereafter, IBTCI has been regularly participating in on-site examinations. Advisors began regular on-site advisory duties at that time, starting with the participation in April in the inspection of Interinvest Bank in Almaty.

In early June IBTCI advisors participated in pre-examination work on Agroprombank and joined the ensuing on-site examination.

During August, IBTCI advisors met with BSD examination officials and staff, despite the August examination hiatus, to insure that a firm schedule of examinations for September and the fourth quarter was finalized and that IBTCI advisors would fully participate in the pre-examination, on-site inspection and post exam report preparation and briefings. In late August the wisdom of such preparation was realized as IBTCI

advisors were requested to begin pre-examination analysis and scope setting with BSD officials for the September examination of Temir Bank

In September, the examination of Temir bank commenced Full time on-site participation by advisors both in Almaty and in the remote Zhambul branch, and post exam report preparation and follow-up were requested by BSD and provided by the advisors IBTCI advisors accompanied the examiner -in-charge on his Taraz (Zhambul) and head office Almaty exams, consisting of nearly five weeks of intensive advisor on-site participation

In November IBTCI advisors assisted BSD in the area of accounting for risk capital computations of open f/x positions Such participation included direct meetings with, and participation of an on-site visitation of ABN Amro Kazakhstan, a major initiator of f/x innovation in Kazakhstan Advisors followed up with telephone conferences with ABN Amro senior treasury officials from Amsterdam

With regard to restructuring efforts, in the first quarter the IBTCI team assisted in the evaluation of three Kazak banks, in preparation for their acceptance into the World Bank twinning program Beginning in late January, Acting Director Zhumagulov selected the targeted banks and appointed a department counterpart for the IBTCI advisors IBTCI advisors collaborated with PIU and World Bank advisors Hauting and Nihoff to review strategic plans Approval by NBRK of such plans is a prerequisite of World Bank funding for the twinning The advisors subsequently reviewed current examinations, strategic plans and other internal documents of Nefti, Tsessna and Narodny banks Meetings were held with Zhumagulov and section Chief Zhoria Tolobeyeva to discuss the conclusions of these analyses The advisors provided suggestions for additional areas of investigation and advised on the criteria to be used to assess the for suitability of the candidates

The twinning program would match Kazak banks that meet certain size, financial soundness and managerial criteria with western banks that can further the Kazak banks' development Under this arrangement, a western bank is twinned with the partner Kazak bank Consultation is then delivered on many fronts operational, administrative, risk monitoring and strategy, offering integrated advice and preparation of a western style template Financing for the twinning is provided by the western bank's government and the World Bank World Bank funds are dispersed through the NBRK IBTCI advisors counseled the International Relations Division on criteria for evaluating twinning candidates The IBTCI advisors were also appointed as advisors to the International Relations Division/Bank Supervision Department joint committee on twinning

Off-site follow-up surveillance was discussed both with BSD and the International Relations Division, as twinning banks are monitored by both Additionally, IBTCI advisors and the BSD used BOSS (Bank Off-site Surveillance System) data to compile a list of commercial banks that could benefit from short-term assistance available

through ACDI, an AID contractor That list of commercial banks was provided to the USAID/Almaty

Subsequent to the review of Tsessna Bank's documentation and strategic plan (for which an IBTCI advisor served as a principal), the bank received a no objection recommendation from the NBRK This followed the IBTCI advisor's collaboration with PIU and World Bank advisor Hauting to arrange a short-term technical assistance for Tsessna from ACDI, an AID contractor

As a result of the approval by NBRK, funds of up to \$1.3 million will be provided to Tsessna and its twinning partner Three western commercial banks are presently competing to qualify for the twinning partnership Initial tasks of the western twinning partner will include transferring the western bank's internal systems for integrated accounting and financial and managerial information, developing technology for international correspondent relationships and foreign exchange management, and providing comprehensive loan documentation and approval systems IBTCI advisors have held on-going meetings with Willem Nihoff (contractor to World Bank), Paul Davis and Gary Linden of USAID and NBRK officials to insure continuity and coordination in the twinning process Similar programs were pursued with Neftibank, Norodny Bank, Temir Bank and Kazagroprom Bank

IBTCI advisors also met with EBRD twinning advisors of Kazcommerce Bank, advising them on Kazak banking issues and providing them English language translations of regulatory documents IBTCI advisors have also aided NBRK's International Relations Division in its evaluation of candidate banks for the EBRD's small and medium enterprise lending program

Alternative enforcement procedures were discussed with BSD in the event that the twinning program proved unsuccessful or insufficient to remedy the bank weaknesses IBTCI advisors have provided BSD with extensive materials for implementing enforcement actions IBTCI advisors also met with the manager of the Liquidation Division and discussed liquidation alternatives and procedures Assistance was offered in the event a liquidation became necessary

The advisors have reviewed the bank rating system and the newly adopted loan classification normative utilized by the Bank Supervision Department Formal recommendations were made for the classification system consisting of two parts (1) modification to the system to conform to international standards and (2) addition of rules concerning other assets and off balance sheet assets IBTCI advisors also supplied insights to make the evaluations less mechanical and to introduce a degree of examiner discretion and subjective judgment in component ratings

3 2 Ongoing Bank Supervision Training

A Objective and Overview

- Develop training courses identified as needed for Certification Program
- Provide training to staff to meet Certification Program requirements
- Provide On-The-Job (OJT) training in various subjects as needed
- Assist in identifying potential trainers from the Supervision staff
- Work with potential trainers and have them participate in training activity
- Coordinate bringing outside trainers to perform specialized training as appropriate

B Background

In 1996, USAID advisors instituted a certification program mandating universal formal classroom instruction for NBRK bank supervisors. The four courses that comprise the core of the program are "Methods of Bank Supervision", "Financial Institution Analysis Using BOSS", "Credit Analysis and Underwriting", and "Bank Strategic Planning and International Banking". Provisions were additionally made for significant On-The-Job-Training incident to on-site inspections and off-site surveillance.

C Work Performed

Tangible Results/Benchmarks

- Develop and present seven (7) training course sessions included in the training certification program EXCEEDED
- Identify a cadre of Kazakhstan trainers and have them participate in training activities ACHIEVED
- Develop and present four (4) short course (half day/four hours) in an area targeted for OJT EXCEEDED

D Assessment of Sub-activity

The four courses that comprise the core of the bank supervision certification program, ("Methods of Bank Supervision", "Financial Institution Analysis Using BOSS", "Credit Analysis and Underwriting", and "Bank Strategic Planning and International Banking") were developed by USAID / IBTCI advisors during 1997. Three of the four classes were taught in multiple sessions. The final class was arranged for 1998, consistent with the two-year implementation plan, as all three prior classes are prerequisite to the fourth. All classes concluded with examinations, with further remedial classes provided for staff who did not meet test minimums. NBRK bank supervision actively participated in the review of the classes. Further, NBRK bank supervision staff began assuming instructor responsibilities in the introductory class, freeing advisors to focus on development and

instruction of the more advanced classes. The NBRK assumption of training also enhances the likelihood of continuity of the curriculum long after the advisory mission is complete.

The training component of the project began in the initial planning sessions with Acting Director Zhumagulov. The advisors discussed at length the elements that made up each class. Given the large time demands the classes would impose on BSD staff and operations, the details of each class, and their usefulness, was highly scrutinized by BSD management. The curriculum was subsequently approved by Zhumagulov in late February. After meetings with training director R. Beissetova, it was determined that the advisors should begin with classes with "Methods of Bank Supervision" in March.

In order to tailor the classes to the existing skill level of BSD staff, the advisors, in concert with training director Beissetova, developed and distributed a questionnaire to the staff. The questionnaire sought information on staff education and previous banker training, language proficiency and areas of bank supervision where they felt training was most needed. Accounting and foreign exchange operations were the most commonly cited areas. The introductory class outline was altered to reflect these needs.

Advisors Satterfield and Gregorash also alternately attended the BOSS training classes conducted by Barents staff (prior USAID advisors) in February. This served both to enhance the advisors' detailed understanding of the tool they would later integrate into supervisory procedure, while also affording an opportunity to assess NBRK bank supervision staff competency and receptivity in a classroom setting.

The two-week course "Methods of Bank Supervision" was conducted in mid-March and included teaching participation by advisors Gregorash and Satterfield as well as World Bank advisors. The class concluded with a 75-question test. All attending students received passing scores on the final examination. The second session of the two-week course "Methods of Bank Supervision" was completed in early May and included teaching participation by advisors Gregorash and Satterfield as well as World Bank advisor Stirewalt. The class also concluded with a 75-question test. One outstanding student was identified in the class and was approved by A. D. Zhumagulov as a trainer for the next class session to be conducted in June. The class results were discussed with BSD management. At the request of Director Abdulina, a one-week remedial class was offered to students who did not pass the earlier class.

The third session of the two week course "Methods of Bank Supervision" was completed in mid-June and included teaching participation by advisors Gregorash, Satterfield, Stirewalt and, as envisioned as part of the continuity process, an outstanding NBRK student from a prior class. In addition to BSD students, the class included two representatives of the Information Technology Department, continuing the initiative of bringing related divisions into the training program. The class concluded with a 75-question test. Another outstanding student was identified in the class and was

approved by A D Zhumagulov as an additional trainer for the next class session to be conducted in July

The formal classroom training of staff provided by IBTCI advisors achieved prominence through the direct interest and support of Director Abdulina. At her request, all students failing the class' final examination were required to retest after a one-week remedial session. With the Director's consent, staff of related departments (Information Technology and Project Implementation) were permitted to attend the classes. This cross-training has aided the bank supervision department and IBTCI advisors as projects do require participation from these related areas (IT with BOSS, PIU with examination integration). Director Abdulina also required that BSD department heads attend selected classes to show their support, participate in discussions and monitor the participation of their staffs. Continuity of the training certification program after the departure of the advisors, has been strengthened with the participation of two BSD staff who would serve as full-time instructors.

IBTCI advisors identified the need to develop the second and third courses of the certification program and selected a short-term advisor to assist in the curriculum development in July. The fourth session of the two week course "Methods of Bank Supervision" was completed in mid-July and included teaching participation by IBTCI advisors Gregorash and Satterfield, World Bank advisor Strewalt and, as envisioned as part of the continuity process, two outstanding NBRK students from prior classes. The class concluded with a 75-question test. Subsequent discussions were held with BSD management to transfer all teaching responsibility for this class to BSD. IBTCI advisors would observe the next class to complete the transition. Thereafter BSD would be fully competent to hold future training courses.

IBTCI short-term advisor Duane Stuker arrived in mid-July. During his one month stay he completed the design and class materials for Certification Class 2, Credit Analysis. After the class was approved by BSD the introductory pilot teaching session was held September 22-25, with IBTCI advisors providing instruction. Twelve students attended the class, including two senior section leaders. The evolution of the class would follow that of "Methods of Bank Supervision", where all teaching responsibility for this class would also be transferred to BSD after a transition train-the-trainer period.

Positive responses to the class far exceeded the expectations of Director Abdulina, who as a result, requested that two additional sessions be conducted, including one session for the most senior managers and staff members. Arrangements were made to hold the classes, which at the request of students and the Director, were expanded from one week to two weeks, beginning in mid- October.

During early August, Advisor Stuker commenced work on Certification Class 3, "Analysis of Financial Statements Using BOSS". The outline, design and preparatory materials were completed and submitted for approval by BSD. BSD approved the class in September and arrangements were completed to conduct the pilot class in early

October The ambitious training agenda, including one session on "Analysis of Financial Statements Using BOSS" and two expanded (two week) sessions of "Credit Analysis" were administered during the month by the IBTCI advisors

In order to maximize the value of the three certification programs developed for NBRK and USAID, IBTCI advisors have shared the training materials and provided advice to USAID bank supervision advisors in Tajikistan and Uzbekistan

Recognizing the need to institutionalize the program well past the period of consultant participation, IBTCI advisors also presented BSD a paper on the continuation of the Training Certification Program in 1998 Also prepared was a continuation of the Training Certification Program in 1998 Senior and specialized training needs of BSD beyond the basic certification classes were addressed, along with a plan to continue transferring teaching and class revision responsibilities to BSD Appropriate specialized training outside Kazakhstan was then outlined in anticipation of World Bank financed external training proposals

BSD's enthusiastic approval of the certification program, including the adoption of pre-certification orientation and post-certification specialized senior training, reflect its high regard for and confidence in the program and the advisors The desire to accelerate the timeline, increase the frequency and expand the duration of certification classes was highly complimentary of the advisors' efforts However, the extent of this participation clearly underscored the need of an advisor staffing commitment in 1998 well above present levels

In addition to exceeding the number of training sessions anticipated, IBTCI advisors worked to institutionalize the on-going training culture in the Bank Supervision Department IBTCI advisors discussed the September training courses and teaching participation by BSD with the Methodology Department, in anticipation of its eventual transition to BSD administration Reflecting BSD's acceptance of the certification and formal training concept, the Methodology Department, with IBTCI concurrence, initiated its own novice orientation session for new employees to precede and screen employees for participation in the formal certification program

On the job training had been similarly emphasized by the advisors IBTCI advisors lectured the off-site surveillance division on data verification and quality edit techniques as regards BOSS data set creation On-site modules were presented on analyzing earnings streams by product line and measuring risk capital via the Basle technique IBTCI advisors lectured the off-site surveillance division on alternate peer grouping techniques in connection with BOSS analysis and configuration

As noted previously, IBTCI advisors worked closely with the World Bank on-site bank supervision mission Much effort was made to foster collaboration and avoid duplication of technical assistance In that regard, the advisors worked with a World Bank Advisor

on an on-the-job training module and prepared a checklist for off-balance sheet examination issues

To enhance BSD's understanding of trading risks, IBTCI advisors worked with FSVC (Financial Services Volunteer Corps) to tailor their seminars on payment systems and custodial risks to address supervision issues

Further recognizing the necessity for future alteration to BOSS (Bank Off-site Surveillance System - see below), advisors arranged for computer specialists in POWERBUILDER to hold a two week seminar for BSD and other NBRK technical specialists. The class commenced in early September and was highly regarded by BSD. Advisors also lectured a group of economic educators on Kazak banking issues, a program which was sponsored by the US Peace Corps

3.3 Financial Surveillance

A Objective and Overview

- Revise or amend financial reports as needed
- Develop procedures to utilize BOSS (Bank Off-Site Surveillance System)
- Develop a subjective risk assessment system for early warning analysis
- Integrate BOSS automated early warning system
- Introduce failure prediction and systemic risk monitors

B Background

A former USAID contractor developed BOSS (Bank Off-site Surveillance System) in 1996 to assist in the off-site analysis of commercial banks. Implementation of the system and training of NBRK staff in its use was conducted by their personnel in the first quarter of 1997. After its introduction, the BOSS program proved to be an area of significant difficulty. Program calculation errors and bugs encountered after its introduction forestalled BOSS' use and necessitated significant intervention on the part of the USAID/IBTCI advisors. USAID/IBTCI advisors spent a large portion of the spring and summer quarters to rehabilitate the program and to regain NBRK's confidence in the system. As BOSS is the core data source for early warning surveillance, pre-examination analysis and macro banking studies, the maintenance and integration of this system into department operations was and remains to be critical. Additional training and use of BOSS for establishing an early warning system to detect problem banks or problem situations that develop in the banking system was devised, albeit late in the mission.

C Work Performed

Tangible Results/Benchmarks

- Observe BOSS installation and testing by the software vendor ACHIEVED
- Advise International Department on bank monitoring methods ACHIEVED
- Advise on microanalysis using BOSS ACHIEVED
- Develop a risk assessment system for early warning using subjective components ACHIEVED
- Expand use of BOSS to all microanalysis functions (licensing, applications, inspection reports, off site analyses, liquidity packages) ACHIEVED
- Transition "first cut" of early warning system to automated environment ACHIEVED
- Revise or amend financial reports as needed ACHIEVED

D Assessment of Subactivity

As noted in the training section above, IBTCI advisors attended all of the vendor led BOSS classes in the first quarter to acquaint themselves with the specific form and content of the tool. Several discussions took place between advisor Gregorash and the vendor's personnel regarding use, availability and training of BSD staff for alteration and offshoots of the system.

In anticipation of the availability of BOSS outputs, IBTCI advisors implemented procedures using BOSS into BSD operations. Licensing procedures developed in the first quarter included a spreadsheet for analyzing pro-forma bank financials that directly compared, and required reference to BOSS peer averages. Similarly, IBTCI advisors introduced and discussed quarterly surveillance procedures that used BOSS as a central element for analysis.

Further to the initial difficulties encountered with BOSS, the assumption of responsibility of the surveillance area by the new deputy director resulted in the need for IBTCI advisors to invest considerable time in reeducation and confidence building in the program.

The IBTCI advisors remained in close contact with USAID-Almaty and the software vendor in Washington, D C during the ensuing month to try to remotely rectify difficulties and provide for the implementation, adoption and integration of BOSS into BSD operations. IBTCI advisors communicated with the vendor's staff by telephone and e-mail to identify and resolve software installation problems in order to make BOSS functional.

For a number of months the reputation of BOSS with the NBRK had become progressively worse. The performance of the program continually fell short of expectations while key BSD deadlines for use were missed. Support within BSD

lessened with each computational error or operational problem. Despite the best efforts of the advisors, remote rehabilitation of BOSS through the vendor proved frustrating to BSD and ultimately ineffective. In late July, IBTCI advisors and BSD officials met with senior Washington-based officials of the software vendor at the NBRK in Almaty. The vendor committed to immediately return the senior programmer responsible for BOSS to Almaty to remedy any deficiencies. Throughout August IBTCI advisors worked with BSD, the vendor personnel and USAID to rehabilitate this essential system.

The efforts culminated in a demonstration of the program to senior NBRK and USAID officials in early September. Following the demonstration, the client (NBRK) formally accepted the product as meeting the NBRK's expectations. Follow up training (POWERBUILDER) was then provided by IBTCI to insure NBRK's ability to independently maintain the system in the future as the vendor has been released from any future role or responsibility in this matter.

E Rehabilitation Chronology

As was noted previously, BOSS (Bank Offsite Surveillance System), a product of the former USAID Bank Supervision contractor, has proven to be an area of difficulty.

After its installation in March 1997, BOSS was used for limited microanalysis of banks under the advice of IBTCI. Following the receipt of first quarter 1997 bank data (May 1997) significant difficulties were noted with the system.

Significant program calculation and data loading errors occurred. BOSS problems basically resulted as (1) BOSS calculations (mappings) were created before the financial report required from banks (from which BOSS derives its calculations) was finalized (2) some output and print commands were in error. Data loading was time consuming and in some cases resulted in an unstable data set. Direct contact between IBTCI and the contractor responsible for BOSS creation to rectify the problem was aggressively pursued with the guidance of USAID.

Despite recurrent contact between IBTCI and the software vendor, remote alteration of BOSS failed to meet the expectations of BSD and USAID. On August 1, IBTCI advisors met with senior Barents officials from Washington at the NBRK in Almaty. In a meeting with IBTCI advisors and BSD officials (Moskalylova, Zhumagulov) the software vendor officials committed to the immediate return of the senior programmer responsible for BOSS, to Almaty to remedy any deficiencies.

The senior programmer arrived in Almaty August 4, 1997. He commenced installation and debugging of a revised version of BOSS with BSD technical staff.

In the week prior to ending his consulting mission at NBRK (July 31), the software vendor's bank supervision advisor transferred to IBTCI selected history, records and workpapers related to BOSS. Using these records, IBTCI advisors performed mapping checks on BOSS algorithms at the request of D. D. Moskalylova and corrected

numerous computational errors. This was necessary as, although the software vendor's provided an experienced programmer, the finance and banking knowledge needed to evaluate the utility and accuracy of BOSS calculations was outside his area of expertise. IBTCI advisors also discussed BOSS peer group alterations with the programmer and D. D. Moskalylova, reflecting the same expertise dynamics. In tandem with computational revisions, the workgroup completed the loading of all historical bank financial data (all bank data for YE96, 1Q97, 2Q97) which is the basis upon which BOSS calculations rely.

The assumption of responsibility of the surveillance area by a new deputy director (D. D. Moskalylova), one who had no role in the initial BOSS configuration resulted in the need for IBTCI advisors to invest considerable time in re-education and confidence building in the program. This was compounded by the computational errors, delays and debugging process. As no formal sign off on data outputs of BOSS was previously obtained, the new deputy director felt no obligation to accept the analytical measures previously selected. IBTCI advisors explained the methodology of BOSS outputs and peer comparative analysis to support the value of BOSS.

IBTCI advisors also worked to re-educate BSD as to the theory and use of BOSS, as no institutional memory survived the management changes of 1Q97 and no formal record of BOSS concept, design or deliverable requirements was agreed between the software vendor and BSD. Advisors used Federal Reserve articles and documents as examples of BOSS type usage by central banks for macro-analytic purposes. Advisors discussed the IBTCI paper on financial ratio peer groups in comparative bank surveillance with the Methodology Department to further explain the value of BOSS. Finally, IBTCI advisors used live BOSS outputs to analyze six prominent Kazakh banks for a presentation to Director Abdulina and staff. The analyses included specific instructions on where and in what order to review BOSS tables, an analysis of the banks using the tables and final surveillance reports on the banks formatted in a consistent and recommended style.

Following the presentation, Director Abdulina raised a number of issues and suggested BOSS revisions. Although the programmer was instructed by his firm to leave Almaty, IBTCI advisors continued installation and debugging of the revised BOSS with BSD staff at the NBRK and with the programmer via email and telephone.

The programmer was permitted by his firm to return to Almaty one week later, under stipulation that this was to be his last week on the project and that the vendor then wished to be released from any future responsibility with regard to BOSS. IBTCI advisors discussed BOSS issues, principally the requirements for the vendor to end its BOSS responsibilities, with the vendor's senior Almaty representative and the vendor's original banking consultant to BSD. It was agreed that subsequent to the acceptance by BSD of the operating BOSS system and upon release of BOSS source code to NBRK by the vendor (to afford NBRK the ability to revise BOSS independently) the vendor

would be released from future responsibility Following the agreement, IBTCI arranged Powerbuilder (BOSS source code) training for BSD beginning in September 1997

The BOSS demonstration for IBTCI (Satterfield, Gregorash), BSD (Deputy Governor Saidenov, Abdulina, Moskalyova, staff), USAID (Linden), and the software vendor, was held on September 5, 1997 Following the successful demonstration, Director Abdulina signed a letter formally accepting BOSS

NBRK students of Powerbuilder demonstrated their skills by creating six additional output tables using BOSS and BOSS-type data sets

Throughout the rehabilitation, IBTCI advisors have provided weekly written BOSS briefings for USAID (P Davis), and discussed BOSS issues regularly with G Linden (USAID) IBTCI advisors have additionally provided detailed information to USAID on the applicability of surveillance systems (BOSS type) and their use in other central Asian contexts

IBTCI advisors have successfully met their TOR objective of integrating BOSS into BSD operations despite the shortcomings of the original program delivered by the vendor Significant additional time, effort and cost have been expended by IBTCI to attain this goal

Despite the above stated complications, none negate the value of BOSS as a supervisory tool Not unlike its introduction in the United States in the late 1970's, analytical data constructs such as BOSS gather value as the data becomes more accurate and has longer time series, the computational errors are discovered and removed, and the end users integrate the tool increasingly deeply into their operations All participants including Director Abdulina have come to recognize this As noted in prior reports, BOSS will be phased into the process of BSD operations With only two quarters of data presently available, computational errors present and integration into operations only recently approved, BOSS (or BOSS type ratio analysis and comparatives) immediate utility is somewhat limited but increasing

Recognizing the need for future NBRK alterations to BOSS after the hand over to NBRK of the BOSS source code by Barents Group and Barents removal from future participation in BOSS, IBTCI advisors arranged for computer specialists to hold a two week seminar on POWERBUILDER for BSD and other NBRK technical specialists The class commenced in early September and was highly regarded by BSD

This proved prescient as significant revisions in the financial reporting tables, necessitating BOSS alterations, were proposed by NBRK in October Although the changes are not effective until December 31, 1997 and therefore will not affect BOSS outputs of third quarter data they will have significant impact in 1998 IBTCI advisors established a working group in BSD to minimize the disruptions of the financial report changes and to alter BOSS

During November, IBTCI advisors participated in both the BSD working group, which recast the computational algorithms, and with the Information Technology work group, which reprogrammed BOSS data reading fields and outputs. Weekly updates were provided to USAID on progress.

Advisors also prepared an instructional paper for USAID on recommendations for selection and elements of automated bank surveillance systems envisioned for other central Asian countries.

In the month of December significant effort was devoted to continuing testing of the alterations to BOSS to reflect the changes in the financial reports, recently enacted. During the last six weeks of 1997, IBTCI advisors participated in both the BSD working group, which recast the computational algorithms, and with the Information Technology work group, which reprogrammed BOSS data reading fields and outputs. Test data sets were applied to BOSS prior to the next reporting period (February 15, 1998) to debug the revisions.

IBTCI advisors also worked with the BSD division responsible for off-site surveillance to develop the data entry and quality review aspects of BSD's conversion of bank financial reports to the BOSS system. In addition to computational difficulties, BOSS accuracy is dependent upon accurate data inputs from the financial statements of commercial banks. With major conversion of the chart of accounts and new accounting norms, this is no inconsequential task. IBTCI advisors worked with the BSD division responsible for off-site surveillance and the IBTCI Commercial Bank Accounting Reform advisors to develop the data entry and quality review aspects of BSD's conversion of bank financial reports to the BOSS system.

F Use Of Boss

While BOSS continues to be refined according to evolving BSD desires, the basic program has been accepted and put into use. IBTCI advisors have forcefully met their TOR objective of integrating BOSS into BSD operations. Present departmental procedures for monthly and quarterly off-site monitoring require the use of BOSS. Templates and instruction guides on how to use BOSS have been developed by IBTCI. Second quarter analyses of the six largest Kazak banks were performed with the oversight of IBTCI advisors using BOSS outputs. These analyses were distributed to staff to use as templates for system-wide BOSS use. Similarly, licensing procedures implemented under IBTCI guidance require BOSS analysis. BOSS remains the basis for early warning screening. BOSS outputs were also used in the pre-examination preparation for bank inspections.

The IBTCI advisor collaborated with the BSD division responsible for off-site surveillance, developing procedures to formalize BOSS as a part of quarterly early warning screening. BSD accepted the advisors' suggestions for an early warning

surveillance and monitoring system replacing hand calculations with BOSS outputs. This was codified in a bank supervision department document that stated in detail the analytical and documentary requirements for monthly and quarterly off-site analyses and what levels of review were required given the level of severity of a bank's problems. The requirements include extensive use of BOSS data panels.

On-going surveillance of twinning banks is a two-part responsibility. Bank supervision monitors twinning banks as a normal part of its on-going surveillance of all banks and the banking system. However, because a portion of the funding for the twinning program flows through the NBRK, NBRK also monitors the twinning banks and administers the loan program through the Project Implementation Unit (PIU) of the International Relations Division.

IBTCI advisors have served as a bridge between PIU and bank supervision. Historically, bank supervision has been reluctant to share information with PIU. In part this stemmed from the legitimate desire to maintain separation between the bank supervisory function and the client-like arrangement the twinning program represents.

IBTCI advisors addressed the PIU/bank supervision relationship in a number of ways. First, the advisors aided International Relations in strengthening its stand-alone analytic capability. An IBTCI advisor met on numerous occasions with Dr. B. Majenova, head of International Relations, regarding the reluctance of bank supervision to provide access to BOSS, or BOSS' underlying data. As an alternate data source for analysis, the advisor obtained data schedules of publicly available bank information through discussions with the IBTCI and Barents bank accounting groups. Meetings were also held with Willem Nihoff of the World Bank Twinning Program reviewing criteria for twinning participation. Additional surveillance data was obtained via meetings with NBRK Research Department (A. Seitenova).

The advisors also worked to facilitate a standing forum between PIU and bank supervision where appropriate information sharing could occur. An IBTCI advisor was chosen as advisor to this committee. In appropriate cases, the advisor worked with BSD to perform financial analyses on twinning bank data supplied by BSD.

Finally, with the concurrence of A. D. Zhumagulov, PIU staff will be afforded opportunities to attend BSD training classes as availability warrants.

NBRK has initiated successive financial reporting changes reflecting the banking system's conversion to a new chart of accounts, the increasing array of financial instruments on offer and the additional information requirements necessitated by new financial legislation. Although the alterations are necessary to reflect the dynamic financial and legislative environment, the recurrent changes have not been without cost. Repeated changes in financial information have consumed a large part of the efforts of the banks' and NBRK's available accounting talent. The changes have also reduced the comparability, and hence utility, of recent historical data.

IBTCI advisors have cautioned BSD regarding cavalier changes to reporting panels due to their impact on bank data accuracy and operational considerations, not least of which is the computational difficulties created for BOSS. Never the less, with the introduction of the new chart of accounts and impending arrival of Second Tier Bank qualification under international standards of operation some alterations to the financial reports were inevitable. IBTCI advisors continue to advise and monitor suggested changes, grouping them for future introduction. Significant alterations to the financial reports were suggested by BSD late in the third quarter. Such changes were approved by NBRK senior management. Significant retrofit of BOSS was begun in late 1997. Powerbuilder training for BSD programmers will facilitate this alteration.

3.4 Regulatory Enhancements

A Objective and Overview

- Provide assessment to legal advisor regarding amendments to Banking Decree, Bank Licensing and Credit Partnership Law
- Advise on regulations expanding and defining NBRK corrective action and safety and soundness authority
- Advise on other legal and regulatory issues as identified by NBRK

B Background

Short-term legal and regulatory assistance was provided to the BSD by USAID / IBTCI utilizing a former senior US regulatory attorney. The resident advisors assisted BSD by prospectively identifying legal and regulatory issues through their on-going supervisory consulting, and helping frame the legal or regulatory tasks prior to engaging the short-term advisor's visit.

C Work Performed

Tangible Results/Benchmarks

- Advise BSD on Banking Decree, Bank Licensing and Credit Partnership Law as requested ACHIEVED
- Advise BSD on draft regulations re corrective action and safety and soundness ACHIEVED
- Advise BSD on regulations as requested ACHIEVED

D Assessment of Subactivity

Comprehensive safety and soundness regulation was instituted in 1996 and 1997. This included prudential (safety and soundness) normatives on capital adequacy, loan loss classification and provisioning. Exposure limits to one borrower and to insiders were

developed in 1997, along with regulations on loan participations, guarantees and warrantees

Regulatory enhancements also included regulations on bank structure and powers Resident advisors assisted in drafting proposals on the Law on Banks and Banking Activities, as well as permissibility of leasing, trust and other nonbank activities, branch activities, and specialized exemptions for government-owned special purpose banks Investment banking activities, including brokerage and securities dealing (in separately capitalized subsidiaries) and direct investment in equities were also granted to banks in 1997, subject to individual prior approval of the NBRK

In anticipation of the arrival of the IBTCI legal advisor, informal meetings were held with Mr Tuimebai Pernebaev of the Legal department to help pre-identify issues

BSD's major interest is in creating and refining normatives (regulations) that elaborate on elements of banking law BSD feels strongly that normatives should be extremely explicit Although they recognize that such an approach limits central bank supervisory discretion, it is felt that at this juncture in banking evolution in the country, discretion must be sacrificed in order to convey standards to banks with extreme clarity At the initial meeting D D Zhumagulov identified corrective action regulation as a first priority Just prior to the arrival of Advisor Ross Kendall (who replaced R Boylan as advisor due to medical necessity) D D Zhumagulov introduced 19 other normatives for which he requested assistance He identified prudential norms on investment banking, bank asset classification (including securities and other non-loan assets), syndicated loans by banks and nonbank licenses as first priorities

The arrival of Advisor R Kendall in April and the addition of his participation in the legal and regulatory area provided for IBTCI commentary and proposed language for numerous pending laws and normatives IBTCI resident advisors had previously worked with BSD to identify key issues Ensuing discussions with BSD led to the drafting by IBTCI of numerous documents including proposals on the Law on Banks and Banking Activities, Normative on Loan Participations and Normative on Asset Classifications

IBTCI advisors also collaborated with the USAID capital markets advisors and the NBRK World Bank advisor to provide commentary and proposed language for the Law on Investment Banking

During May, the advisors responded to a barrage of discussions and rebuttals to those proposals Explanation and commentary was provided on all the above documents along with proposed normatives on leasing, trust activities, reserve requirements, nonbank activities and redress for supervisory actions Both Kazcommertce and Narodny Bank requested clarifications on a number of elements in the prudential standards regulation

In June, Advisors Satterfield and Gregorash provided further written recommendations on normatives concerning Securities Activities, Reserve Requirements, Nonbank Financial Institutions, Branch Activities, Leasing, Trust Activities, BSD Organization, Guarantees and Warrantees, and Specialized Exemptions for Government-Owned Special Purpose Banks

The advisors received unprecedented access and influence in the formulation of normatives (regulations) and proposed changes in banking law. Discussion forums, including senior BSD policy makers, were held with the advisors following the submission of the advisors written commentaries. Formal written explanations from BSD staff followed the forums, detailing the recommendations accepted or reasons for their alteration.

Regulatory Advisor Ross Kendall returned in late July to review recent normative initiatives undertaken by resident advisors and further aid in normative creation. Kendall opined on normative suggestions previously undertaken by resident advisors such as on guarantees and warrantees, branch operations and state-owned banks. He also composed reviews of normatives on insider lending, use of rating agencies, bank management of pension funds and micro-lending licensing.

In late September, IBTCI / USAID advisors were requested to comment on the effectiveness and modalities of bank privatization in Hungary and other post socialist countries. Although no formal request for analysis was made, BSD has also informally queried IBTCI / USAID advisors on various deposit insurance regimes practiced in post socialist countries. These introductory explorations could signal the advent of major bank policy initiatives from NBRK.

Resident advisors continued to provide support for BSD reviewing normatives regarding accounting for and risk capital computations of open f/x positions, including direct meetings with ABN Amro, a major initiator of f/x innovation in Kazakhstan. In November, advisors formally submitted recommendations for a 2 tiered foreign exchange certification regime, which will afford maximum flexibility to well run banks while restricting f/x risks of banks with more primitive internal risk controls.

Work continued on accounting for and risks of trust activities and pension fund management as the pension law came into effect. Advisors also opined on control and inspection of banks in accordance with international standards, minimum reserve requirements, offshore zones, off balance sheet classifications, rating agencies and interest sensitivity measures and GAP analysis.

In the area of micro-lending, IBTCI advisors continued to support the efforts of other USAID funded projects. Advisors met with VOCA representatives regarding micro-lending licensing efforts at NBRK. As a result, NBRK issued the license in early November.

Finally, with regard to 1998 assistance planning, advisors provided USAID (Davis, Linden) with compilation of all regulatory advice provided to BSD from IBTCI in 1997 and an analysis of degree of inclusion in NBRK law and regulation

Work continued on transcribing all BSD regulations into English and maintaining a legal/enforcement library

December regulatory work focused on normatives devoted to bank loan syndications, eurobonds, liquidations and foreign exchange risk. Papers on international practice as it applies to loan syndications and eurobond and euronote issues were provided by advisors and discussed with deputy directors and relevant staff

Liquidation issues have been pursued by the advisors throughout the fourth quarter. In October, IBTCI advisors reviewed recent amendments to the Banking Law including penalty provisions and met with IRIS staff to reintroduce the idea of NBRK responsibility for bank liquidations. In November, IBTCI advisors and IRIS finalized an amendment to the laws which, although leaving liquidations to the bankruptcy courts, will provide NBRK the authority to compel expedited modified-payouts to depositor classes to forestall deposit runs and bank panics. Such efforts extended into December under the wider topic of increasing deposits in Kazak banks. In November, IBTCI advisors finalized a proposed amendment to the laws which, although leaving liquidations to the bankruptcy courts, will provide NBRK the authority to compel expedited modified-payouts to depositor classes to forestall deposit runs and bank panics and provide more timely access to depositors' funds. In December, advisors were requested to assemble materials on various countries approach to deposit insurance. IBTCI advisors, along with consultation from USAID staff, will participate in this project.

3.5 Licensing Procedures

A Objective and Overview

- Enhance licensing procedures to fully utilize integrated supervision approach
- Produce licensing procedures manual

B Background

The bank licensing process as of 1996 was comprised of references to multiple laws and regulations of the State which overlapped each other and at times were contradictory. No formal licensing procedures reconciling these disparate requirements existed at the NBRK. A licensing process that rationalized these requirements and utilized both the empirical integrative capacities of BOSS and non-empirical factors was envisioned. The objective of the procedure was to require the necessary information in order for BSD to license only firms that have a high probability of success, while minimizing the time and bureaucratic cost to the firms.

C Work Performed

Tangible Results/Benchmarks

- Enhance licensing procedures ACHIEVED
- Produce licensing manual ACHIEVED BUT SUBJECT TO REVISION

D Assessment of Subactivity

A licensing process that utilizes both empirical and non-empirical factors was created and refined

In the first quarter, IBTCI advisors in concert with BSD staff created clearly defined operating procedures streamlining licensing within the context of the existing law. These procedures minimize time delays and attribute accountability for the timeliness and comprehensiveness of analysis throughout the sufficiency, analysis and recommendation phases of the process. The procedures afford consistent treatment of applicants for banking licenses, mergers and changes of control without requiring the creation of a separate operating unit in BSD. This is especially beneficial as work demands in this area are highly variable but also time sensitive.

The procedures insure compliance with the voluminous non-empirical data requirements of the law through the use of multiple checklists, while analytical rigor is afforded through group presentation and review. Analytically, the advisors created a spreadsheet template that converts required proforma data and applicant financial projections into ratios comparable to BOSS peer averages. The procedures require testing of the projections against BOSS for financial feasibility.

The standardized sufficiency, acceptance approval and denial orders speed the process and reduce time requirements of senior central bank officials. Delegated criteria and conditional approval instructions are also included, however, the NBRK board members have not authorized delegation of approval as yet.

During the second quarter, BSD tested the licensing procedures. As a result of the use of the procedures, the licensing supervisor, in concert with the IBTCI advisor, revised the procedures to expand the analysis to cover foreign ownership, leasing, trust and investment banking. Truncated procedures for the licensing of specialized nonbanks (micro-enterprise projects) were discussed in June.

More fundamental recommendations for changes in licensing rules, removing inconsistencies in the laws, were discussed with Deputy Director Baurzan Zhumagulov. These changes required alterations to the Rules on Granting Licenses approved by the NBRK Board (29 Feb 1996). IBTCI advisors reviewed the proposal on licensing law changes proposed by the former advisor (Gegenheimer) and added additional proposed revisions.

In part as a result of the amendments to the banking law and the procedures testing mentioned above, BSD decided to revise the licensing normative. Drafts of the revised normative on licensing were submitted to IBTCI advisors for review September 21, 1997. Such comments were submitted in October.

A draft of the formalized licensing manual incorporating the proposed changes was submitted for review to BSD September 30, 1997. BSD has decided to revise the licensing normative. IBTCI / USAID advisors have reviewed and informally discussed aspects of the proposal. Implications of the proposal on the draft licensing procedures created by the advisors earlier in the year, have likewise been evaluated. The revision of the formalized licensing manual, reflecting the outcome of the changes, will follow the approval of this normative.

3.6 Enforcement Alternatives and Procedures

A Objective and Overview

- Assist in implementing Bank Improvement Plan monitoring and enforcement
- Draft prototype "Enforcement Action" library
- Draft recommended charter for an Enforcement Committee
- Consult with Enforcement Committee on issues and enforcement alternatives
- Integrate target bank activity into regulations, policy, procedures and training
- Assist in finalizing resolution and/or liquidation of target banks

B Background

Lacking sufficient analytical information and in some cases, legal jurisdiction, NBRK has been severely constrained in its ability to alter bank behavior prior to the finding of insolvency. Primarily, NBRK has used the granting of expanded powers as incentive to promote bank behavior. In the absence of reaction to such positive incentives, the NBRK has removed licenses from those firms found insolvent. Advisors have aided NBRK bank supervision through proposals to enhance the enforcement powers of the NBRK in the Banking Law amendments, the introduction of certain standard types of enforcement tools and through departmental organization of an enforcement committee.

As noted above, in 1996 the bank liquidation responsibility of the NBRK was segregated from the bank supervision department. The 1997 amendments to the banking law removed future bank liquidation responsibilities from the NBRK altogether. NBRK, though not the bank supervision department, now holds as trustee assets of approximately 83 banks closed prior to the 1997 amendments. Little, if any, progress in identifying borrowers or creditors, seizing collateral or valuing assets has occurred. Lengthy and ambiguous procedures in bankruptcy court have brought into question the very viability of the closures.

C Work Performed

Tangible Results/Benchmarks

- Assist in the implementation of bank improvement plan monitoring and enforcement ACHIEVED
- Draft a prototype enforcement action library ACHIEVED
- Draft recommended charter of enforcement committee to regularize corrective actions ACHIEVED
- Consult with Enforcement Committee on issues and alternative courses ACHIEVED
- Assist in the resolution of target banks for either restructure, sale or liquidation of each institution as determined ACHIEVED
- Assist in the final resolution and/or liquidation of target banks ACHIEVED

D Assessment of Subactivity

In the first quarter, the advisors held lengthy discussions with D D Zhumagulov regarding enforcement actions, including the organization of supervisory action unit. Further, enforcement actions of the NBRK and its role in liquidations were addressed by IBTCI advisors in their proposed amendments to the Banking Law.

On July 30, 1997, IBTCI advisors presented to BSD a formal document outlining the formation of a Regulatory and Enforcement Review Committee. This is a critical element of a bank improvement plan, monitoring and enforcement. The document was approved in September 1997. IBTCI advisors submitted additional detail in October to follow-up proposals for a BSD Enforcement committee. These were discussed with Director Abdulina and the Methodology Division. In November, IBTCI advisors devoted a significant portion of time instructing BSD on alternate penalty methods used in bank enforcement. Such suggestions and proposals were used in submitting alterations to banking law elements.

Similarly, BSD requested refinements and elaboration in the scope and formation of the Bank Advisory Committee.

Advisor Satterfield supplied a library of prototype enforcement actions, which were delivered to Deputy Director Mekeshev in March 1997.

Enforcement assistance was provided in two areas. IBTCI advisors worked with the Bank Supervision Department and the Legal Department to outline the proposed role of the Central Bank in bankruptcies and liquidations of financial institutions. Similar discussions were held with G Linden of USAID. An advisor along with a World Bank colleague lectured prosecutors at the Procurate Ministry on the issues of bank closure, liquidation and fraud investigation.

IBTCI advisors advised a recently restructured bank in privatization issues and preparation. The bank is a state-owned bank that acquired, through forced merger, an insolvent but dynamically managed private bank. In December IBTCI advisors met with the enforcement area of the Bank Supervision Department to aid in the implementation of strategies for banks that do not meet the \$4 million dollar minimum for capitalization that becomes effective in July, 1998. Plans requiring mergers with larger banks or conversions of charters to credit unions (with attendant restrictions on growth and limitations to affinity members) were devised. This policy has been adopted consistent with NBRK's decision to concentrate the banking system into a smaller number of larger more diversified firms prior to the introduction of a deposit insurance regime.

Although NBRK's Banking Supervision Department is presently performing no resolution of target banks to either restructure, sale or liquidate, USAID advisors met with senior BSD officials and the head of the Liquidations to discuss assistance in resolving the 83 banks taken into liquidation by NBRK prior to the amendments to the Banking Law that removed this responsibility from NBRK. Assistance in liquidation or liquidation oversight was requested of advisors beginning in late 1997 - early 1998.

Quantitative information on bank closures and liquidations in Kazakhstan was conveyed to USAID in support of the bilateral US/Kazakhstan meetings held late in the month in Washington.

3.7 Supervision Department Operations

A Objective and Overview

- Introduce and assist in implementing a risk based supervisory approach
- Evaluate existing committee structure and recommend enhancement revisions
- Assist in documenting policy/procedural changes in supervision manuals
- Review Department supervisory quality and internal controls and recommend enhancements as appropriate
- Assist in the development and implementation of a Bank Advisory Council to institutionalize a dialog process between the banks
- Assist in further designing and implementing a career development and competitive promotion program for the Supervision staff

B Background

Previously, bank supervision department operations were highly segmented and compliance-based. Although large quantities of data were gathered, little was done to assess their information value or prioritize actions based on relative systemic risk. Little interaction with outside publics was pursued, while staff promotion and compensation was based primarily on tenure.

C Work Performed

Tangible Results/Benchmarks

- Introduce concept of a risk-based supervisory approach ACHIEVED
- Study existing committee structures to determine effectiveness and reveal possible enhancements to the new organizational structure ACHIEVED
- Document all evolving issues, policy changes or additions in the manual of supervisory policies to effect the integrated supervision system ACHIEVED
- Present recommended committee structure changes to senior officials for implementation ACHIEVED
- Review quality and internal control mechanisms in the overall supervisory process ACHIEVED
- Integrate all activities with respect to target banks into regulations, policy and procedures manuals, and training programs ACHIEVED
- Make appropriate recommendations to senior officials to enhance the quality and internal controls ACHIEVED
- Further design and develop career tracks and specialist development for the overall institutional development of the NBRK and staff ACHIEVED
- Finalize integration of all activities with respect to target banks into NBRK regulations, policy and procedure manuals, and training programs ACHIEVED
- Complete implementation of the risk-based supervision system ACHIEVED
- Assist in the implementation of a competitive promotion program based on a career development program concept through personnel policy enhancement ACHIEVED
- Assist in the implementation of the bank advisory council concept and structure ACHIEVED

D Assessment of Subactivity

Using off-site data, a risk-based supervisory approach was implemented whereby examination and monitoring are concentrated more heavily on banks or types of transactions that contain the greatest risk to the banking system. Numerous committees are in existence that act on findings of the monitoring. Also, a Bank Advisory Council with representatives from numerous banks and regulatory authorities was developed to promote dialog that will be beneficial to the banking system and the Republic of Kazakhstan. These along with assisting in enhancing the BSD internal controls and staff career development program were a major focus by advisors.

The concept of a risk-based supervisory approach has been accepted by the Bank Supervision Department. New normative, inspection procedures and off-site surveillance are predicated on determining, measuring and controlling bank risk, rather than merely complying with law. BOSS implementation has likewise factored into the evolution of the risk-based supervisory approach.

Following the appointment of a new director of Bank Supervision in late March 1997, the bank supervision department, with the assistance of IBTCI advisors, formalized an organization structure that clearly defined the roles of all deputy directors and their staffs. Specific goals and deliverables were outlined for each functional area. IBTCI advisors participated in the refinement of the BSD organization plan in June. In addition to outlining the responsibilities of each deputy director, it details the tasks of each operating function and committee. The document was presented and discussed with Director Abdulina.

The three deputy director areas consist of (1) On-site examination and individual bank off-site monitoring, utilizing a portfolio manager approach, (2) Financial reporting, statistics, macro, banking analysis and maintenance of the BOSS system and (3) Regulatory and policy formulation, licensing and methodology.

Committee structures have been implemented to insure consistency and quality through peer review and oversight in the licensing area. IBTCI advisors also reviewed and discussed with BSD senior management the BSD's 1997 review of performance and 1998 activities plan. Integration of off-site surveillance and on-site inspection has been attained through the implementation of BOSS and the requirement for standardized quarterly off-site BOSS analysis and BOSS-based pre-exam analysis. Creation of an overview Enforcement Committee prioritizes bank risks. Normatives and laws reflect licensing, oversight and enforcement powers. These elements compose a risk-based supervision system.

IBTCI advisors have worked with BSD management on other strategic issues. These include technology needs, training policy, particularly as it relates to employee turnover and inter and intradepartmental committees.

Documentation, in Russian and English, on all significant items is maintained by BSD and IBTCI / USAID. Weekly and monthly reports chronicle all relevant developments while a library of normative documents is maintained by IBTCI / Almaty. IBTCI advisors contributed additions to the manual of supervisory policies including additions to the English language compendium of all normatives approved by BSD in 1997, reflecting changes, among others, in NBRK capital adequacy and loan provisioning requirements. IBTCI advisors have translated and conveyed critical BIS internal and confidential documents to BSD, highlighting key supervisory issues from an international perspective.

All activities with respect to target banks have been integrated into regulations, policy and procedures manuals, and training programs. See legal and training sections above.

Following the July 30, 1997 amendments to the Banking Law, IBTCI advisors presented a formal document outlining the formation of a Regulatory and Enforcement Review Committee to BSD. A critical element of a bank improvement plan, monitoring and enforcement was integrated into policy, procedures manuals and training programs.

In July, IBTCI advisors prepared a detailed quality control proposal as part of the Regulatory and Enforcement Review Committee document

Previously, IBTCI advisors presented recommendations to senior officials to enhance the quality and scope of departmental internal controls. This proposal was accepted by BSD in September and combined with the prior IBTCI proposal for the formation of a Bank Advisory Council. Advisors continue to work with BSD to refine, and segregate the public and internal functions of this group. A further paper describing the specific functions of a Bank Advisory Council and separating it from an internal Enforcement Committee was submitted and discussed in mid-September. Similarly, BSD requested refinements and elaboration in the scope and formation of the Bank Advisory Committee in October.

To further develop career tracks and specialist development in BSD, IBTCI advisors prepared a proposal outlining senior and specialized training needs of BSD for 1998, in anticipation of an upcoming World Bank training financing proposal, while expanding and refining the classes that make up the internal certification program.

The formal certification process is well underway with approximately one half of all the staff already completing some portion of the certification. BSD staff has assumed a modest portion of the training burden, institutionalizing the process. To further develop career tracks and specialist development in BSD, IBTCI advisors prepared a proposal outlining senior and specialized training needs of BSD for 1998, while expanding and refining the classes that make up the internal certification program.

IBTCI advisors also provided issues and supporting documentation to USAID to include in the upcoming 1998 Memorandum of Understanding with the government of Kazakhstan.

Additional Accomplishments

- Assisted US interdisciplinary team (US Treasury, Federal Reserve, OCC, FBI, US Customs, Secret Service) in meetings with Kazak officials regarding money laundering
- Assisted Advisor T. Stroud on Uzbekistan bank supervision mission
- Assisted Advisor R. Geoffrey Young on Tajikistan bank supervision mission
- Advised D. Fitzpatrick (IRIS) on bankruptcy and bank debt/equity conversions in Kazakhstan
- Advised B. Steinberg (VOCA) regarding licensing for USAID sponsored micro-enterprise lending in Kazakhstan
- Assisted USAID by performing inventory and effectuating transfer of Barents Group equipment from three projects to IBTCI
- Translated and interpreted a large volume of confidential and internal BIS documents for BSD
- Speech to Ministry of the Procurate regarding bank closure

- Speech to International School of Management on purposes of the central bank
- Speech to economic educators sponsored by the US Peace Corps

4 Conclusions

With the assistance of the IBTCI/USAID advisors, the NBRK has established the basic necessities of a bank supervision department. It has created an information flow from the banks that provides it with transparent and meaningful information bases on which it can analyze banks' condition and performance. It has promoted legislation and regulation that lay down general standards to which banks must adhere to and authority, albeit imperfect, to act when banks do not.

The bank supervision department is staffed and organized to perform full bank oversight functions while focusing its attention on those issues that most forcefully raise systemic risk. The department utilizes automated tools to increase efficiency and respond to difficulties in a timely fashion. It has an integrated training program to upgrade skills and continuity of its human resources management.

The department has endorsed legislation that recognizes the need for a more assertive financial system to meet the needs of the Kazale economy, while remaining cognizant of the associated risks. It has used positive incentives to promote desired bank behavior and retain power to cancel licenses to rectify unchecked expansion.

Such expansion and failures remain checked, but unresolved, however. Limited on-site examinations leave problems to be discovered late and uncertain legal resolution results in banks, borrowers and creditors moored interminably in financial limbo.

The ultimate resolution of the above cited difficulty contains elements of both finality and reprieve. Future improvements in bank supervision demand more timely recognition of bank problems, more forceful enforcement and resolution and/or closure. Although liquidation will continue to be an element in the supervisory arsenal, forced mergers combined with some form of external capital augmentation is likely to be a more predominant form of resolution going forward, as the number of remaining banks declines, as envisioned by the government. Twinning programs with multilateral agency funded capital enhancements are then likely to provide the reprieve. Private foreign minority ownership or outright foreign purchases of Kazak banks are progressively less likely alternatives. A major government financed bank recapitalization and rehabilitation is also a possibility (often employed in other developing countries with mixed success). With positive capital attained and forced merger consolidation evident, banks can focus on operating rationalization and efficiency measures to enhance profitability and financially justify their new found equity enhancements.

Following one, or a combination of the above cited banking system rehabilitation measures, some form of universal deposit insurance is feasible. Absent such indemnity, bank deposits will remain the inconsequential portion of available savings that they

presently represent The deposit insurer, whether the NBRK or not, will logically become the liquidator for future failed banks so deemed

5 Suggested 1998 Initiatives

5 1 Organization of Banking Supervision Department

Banking supervision's present organization and task assignments are satisfactory, with clear lines of authority and accountability The 1998 initiatives should be devoted to outreach, establishing linkages within the department and from the department to useful publics

Although bank supervision's organization maximizes performance within its areas, the possibility of sub-optimization through individual area maximization holds issue To date this has not presented a problem as the bank supervision director maintains a weekly oversight session and remains directly involved in key issues As the department and its mission grow such focused oversight may become impossible High levels of employee turnover likewise demand cooperation between deputy directors to fill staff voids optimally regardless of which area is temporarily negatively impacted Advisors should advocate the creation and nurturing of intradepartmental committees such as the enforcement committee (already organized), a training committee and a technology committee to address issues of shared importance Strategic planning must also be organized, as planning now tends to be reaction and or issue driven Compensation for managers and deputy directors needs to reflect both attainment of objectives within their scope of authority, but also departmental success

Likewise, formal mechanisms to bridge communication gulfs within the NBRK must be built Relations between the bank supervision department and the legal department are openly antagonistic, despite the obvious interrelationship of their tasks Relations with the economic research department, the international relations department and the liquidation division are intermittent or nonexistent

In 1997, USAID advisors proposed the creation of a bankers roundtable group to meet with the NBRK bank supervision department to discuss issue of mutual interest Early overtures have provided useful input on regulations and policy changes contemplated by the NBRK Such activity should be strongly encouraged

5 2 Regulation

After the massive amount of new banking legislation and regulation introduced in 1997, no apparent weaknesses presently exist in this area Rather, 1998 should be a period of assimilation and, given the recent institution of a regulation producing methodology area in bank supervision, advocating restraint may be the greatest benefit advisors can offer bank supervision Adjustments and interpretations of regulations can be expected, though, particularly in the areas of securities activities and enforcement statutes

In the larger policy sphere, the abandonment of liquidation responsibilities by the NBRK can only serve to further complicate any serious attempts at supervisory action. It remains to be seen what policy response the NBRK will take when this becomes clear. Advisor input may also be needed if comprehensive bank rehabilitation and/or deposit insurance legislation is introduced.

5.3 On-Site Examination

The large investments in BOSS, staff training and departmental organization in 1997 were necessary precursors to a well-informed, well-trained and well-directed examination force. In 1998 that force must increase its frequency, scope and depth of on-site examinations. Participation by advisors is crucial to bring skills used in the classroom to be used in real life situations. The political risks of such participation are sizable, particularly in a period of mass bank structural change initiated by government, and in an environment of uncertain legal recourse. This risk is recognized by bank supervision management. It will take sensitivity and USAID support to facilitate maximum participation by advisors in this environment, but it is fundamental to future progress.

5.4 Off-Site Supervision

True implementation of BOSS data reports in bank supervision department operations was clearly a major accomplishment in 1997. With access to BOSS sourcecode and requisite training, the bank supervision department has a powerful and flexible tool to analyze and communicate findings. 1998 activities should focus on necessary financial data request alterations, advanced data quality-editing techniques and macro-banking statistical analysis.

5.5 Training

Like BOSS, the training curriculum established in 1996 and developed in 1997 should stand with little necessary alteration. Continued transfer of teaching responsibilities from advisors to bank supervision staff should be accomplished. Further, consistent with the 1997 plan, specialized training (principally employing World Bank financed out-of-bank training) can augment bank supervision skill sets in areas such as foreign exchange transactions, securities valuation and processes and specialized accounting issues. Mandatory teaching after return to the NBRK by attendees of these specialties will insure good value for money. Other specialized sessions will be taught by advisors at the NBRK as needs arise.

5.6 Enforcement

Enforcement issues will be pursued and will develop in tandem with increased on-site examinations. Both resident advisor and short term legal advisor talents will be used to instruct on the proper procedure and documentation necessary to successfully pursue a

legally enforceable action. Again, extreme political sensitivity will be required to be forceful but unobtrusive in the NBRK's external relations.

If forced merger is used as an enforcement tool to remove poor or failing banks, it should be noted that the percentage of banks with substandard capital ratios could increase rather than decrease as banks consolidate and absorb weaker members.

5.7 Liquidation

To the extent that NBRK is responsible for bank liquidations (as of this date it is responsible only for those firms taken into liquidation prior to the 1997 amendments to the banking law) advisors can serve to educate the liquidation department personnel in verification of assets, identifying borrowers and creditors, seizing collateral, pursuing recovery strategies, valuing assets for sale and creating alternate disposition plans that facilitate sale. Due to the long period over which seized banks have been held and the undeveloped nature of asset sales markets, a high degree of innovative thinking will be called for.

Financial Restructuring Technical Assistance
Kazakhstan Financial Sector Accounting Reform

Final Report

Contractor International Business & Technical Consultants Inc

Contract # EPE-0005-100-5056-00

Reporting Period January 1, 1997 to December 31, 1997

A CONTRACTOR'S REPORT

1 Background

USAID, in support of financial sector reform in Kazakhstan, is providing long-term technical assistance to both the National Bank of the Republic of Kazakhstan ("NBRK") and to Kazakh commercial banks. The Financial Sector Accounting Reform project is aimed at improving the financial management capabilities of the central bank and at promoting new accounting, operations and practices within both the NBRK and at individual banks.

Commercial bank reporting requirements enacted in 1995 require the application of internationally accepted accounting practices to assure that bank financial statements present a fair picture of bank performance, solvency, profitability and liquidity and that they satisfy the information needs of the central bank, depositors, shareholders, correspondent institutions and third parties. Four phases of implementation to achieve the goal of accurate financial reporting were originally summarized as follows:

- 1) Design and issue of a new chart of accounts
- 2) Design and implement a bridging (mapping) table from the old Russian GOSBANK chart of accounts to the new chart of accounts issued in 1996
- 3) Design and creation of subsidiary ledgers at the largest banks
- 4) Development of an automated interface from the subsidiary ledgers to the general ledger

2 Sub-Activities

The presentation of objectives, deliverables and other aspects of this report are organized by the five major segments identified in the Work Plan. While the work plan has been the basis of the work, refinements have taken place in the strategy of how to get “buy in” from both the NBRK and the commercial banks.

A summary of the projects work components are as follows:

- 2.1) Accounting software system implementation
- 2.2) Implement subsidiary ledgers at five commercial banks
- 2.3) Produce a product accounting manual
- 2.4) NBRK accounting support
- 2.5) Training

2.1 Accounting Software System Implementation

A Objective and overview

- Train the commercial banks in the System Development Life Cycle process to enable them to evaluate, select and implement accounting software. For this purpose, IBTCI was required to produce a generic system implementation guide. This guide was to ensure that commercial banks have the necessary IT documentation available in Russian that explains the process of how to approach and implement new bank accounting systems.
- Provide expert advice to assist five commercial banks to evaluate and select accounting software packages.
- Assist the selected banks to implement accounting software packages.

B Background

C Work performed

Accounting Software System Implementation

IBTCI systems consultants met many times with the commercial banks IT and accounting departments to discuss the process the banks would need to go through to

define their system requirements, evaluate the software, choose a software vendor, and then implement the software within their bank

The Systems Development Life Cycle (SDLC) approach was chosen as the core guidance for system implementation projects at the commercial banks. The SDLC method stresses a logical ten step progression to assure the proper selection and implementation of suitable accounting software. The SDLC method is suitable for any software conversion or system design change envisioned in the future and was tailored to the Kazakhstani banking environment by including accounting software systems

The training was concentrated on the following ten SDLC steps

- 1 Define user requirements
- 2 Perform a feasibility study
- 3 Review system designs and requirements
- 4 Detail system specifications
- 5 Purchase or develop software
- 6 Perform unit testing on the software
- 7 Perform integration testing
- 8 Perform acceptance testing
- 9 Convert/Implement
- 10 Post conversion evaluation

The SDLC method provides reasonable assurance that a conversion will be successful and that significant errors or failures will be avoided

The following banks participated in SDLC training

- Turan-Alem Bank
- CenterCredit Bank
- Narodny Bank
- Alfa Bank
- Temir Bank
- Agroprom Bank
- Kazkommerts Bank
- Kasdor Bank
- Exim Bank
- Merchant Bank

The Accounting Software System Implementation Guide, including the accounting component was completed in English and Russian. The guide was distributed to seminar program participants during the two information technologies (IT) workshop described below

Workshops were held introducing and discussing the key points of the implementation process. Over thirty participants attended. Workshop I presented the implementation

guide and described its practical application within the banks. Workshop II covered the SDLC in greater detail, the “Conceptual Design” phase of systems design, the value of an MIS function within the IT department, and the importance to executive management of accurate and timely information. As part of the courses sample management information reports were presented to the participants.

The guide was also distributed in English and Russian to both the IT and Finance Directors of the top ten banks.

Training and assistance was also provided to cover the following areas:

- User interview techniques
- Data collection forms
- List of bank accounting software vendors
- IT MIS Project Control
- Sample MIS reports
- Defining MIS needs through identification of critical success factors

The five banks selected for particular help in selecting and implementing software packages were:

- Halyk(Narodny)
- CenterCredit
- Kazkcommerts
- Turan-Alem
- Kazagroprom

IBTCI advisors met with all of the selected banks on a regular basis to discuss software packages and their evaluation. During the first quarter, the banks made little progress, mainly because the IT departments were very busy with the year-end work and the introduction of the new chart of accounts. The banks began to review banking software in the second quarter although for many banks the introduction of the single settlement account absorbed considerable IT resources. The banks reviewed many different software packages and demonstrated interest in western integrated banking software packages, but due to financial constraints no western banking packages were purchased during the year.

Workshops were held at the selected banks on the subject defining MIS needs through the identification of Critical Success Factors analysis. These workshops also covered the areas of user interview techniques and systems development data collection and documentation forms.

The IBTCI IT advisor developed and delivered a presentation on the subject of the Key Characteristics of Current Banking Application Systems. The presentation was targeted

for IT staff and presented an overview of current applications and alternative approaches to systems design

IBTCI consultants assisted Financial Information Technology (FIT), a vendor of an integrated banking package to make presentations to four banks and the Bankers association. The banks were CenterCredit, Turan-Alem, Alfa, and the NBRK.

In addition to providing assistance to the banks above, vendors lists, user requirements documents and subsidiary ledger guidance materials were prepared and presented to the chosen commercial banks.

Assistance was also provided to Temir Bank and Caspytsı Bank IT departments to review their software and operating systems. Temir bank was very interested in buying software developed by the Novosibirsk group but decided at year end to defer any software purchase and has begun to review different software vendors.

A short summary of the IT development during 1997 is as follows:

Halyk(Narodny)

Halyk Bank personnel attended detailed workshops in all aspects of general and subsidiary ledgers. IBTCI assisted Halyk to prepare subsidiary ledger development materials that included detailed vendor requirements, general technical requirements, and functional banking system requirements.

Halyk Bank contracted Deloitte & Touche to assist them to prepare the very detailed specifications for a new accounting system.

Halyk are in the process of transitioning from old Clipper-based accounting programs to new Oracle based technology, which they are also planning to use to develop their set of total banking system requirements. Halyk evaluated the current software available in the market place and the Novosibirsk banking software company was selected. This software has been used by Kazcommerts bank for the last three years.

Halyk have now contracted with the Novosibirsk software vendor for new bankwide systems to include loans, securities, foreign exchange and settlements. Novosibirsk have a preliminary agreement to develop a new general ledger system for the bank.

Implementation of the settlement module and securities module has begun and is expected to continue until at least 1999. The progress at the bank is behind schedule.

Centercredit

After reviewing and evaluating several proprietary packages the bank decided to develop the bank's own application software internally. The main reason for internal development is that there are substantial cost savings through developing in-house programs over buying packages. In addition the bank found that the packages reviewed

did not meet the banks' specific needs and believes that that non-Kazakhstan based software vendors do not appear capable or committed to supplying the quality of on-going support needed by the bank

The bank implemented the new Chart of Accounts, based on the Oracle 7 Data Base tools and this was introduced to all the branches by December 31, 1997

The bank also installed a full scale communication system, uploading data from the branches on a daily basis with on-line connection to the SWIFT payments network

The bank decided to continue to find in-house programmers to build its operating systems and is concentrating on building a new deposit system and improving linkages with the branch network. The bank has approximately ten programmers and three support staff. The IT budget is being increased to take account of the very heavy workload at the bank. The bank is currently working with its twinning partners to develop an IT plan for 1998/1999. In view of the merger with Zhilstroy bank, the IT resources at the bank remain scarce.

Kazkommertsbank

Existing computer systems include Novell Betrieve for the data base, with client-side application systems developed using the Clipper programming language

The relative inflexibility of the Clipper programming language was cited by the bank as one of the factors that delayed the completion of the accounting conversion to the new chart of accounts

The IT Department has already started investigation of modern, proprietary core bank operations software systems, having collected literature from Prologic of Canada, Midas-Kapity and Microbank Software, Inc of the U S. The bank is also interested in improving the bank's support of other functions such as Treasury, A/L Management, and profitability analysis. IBTCI coordinated with Sendero to demonstrate Asset/liability software to the bank. Descriptive literature of additional proprietary software has been provided to the IT Director

The IT Department is using the Novosibirsk technology group for assistance in preparing systems requirements for use in acquiring the bank's future automation system

The IBTCI advisors sat in on the bank's departmental meetings on how IT and the various user departments can work together to plan a successful migration to modern IT systems. A major focus of the meetings was to improve communications between the accounting and IT departments

The Deputy Director of IT was concerned about the structure of the present data base, consisting of some 200 to 300 Betrieve files, covering bookkeeping, general ledger,

transactions and customer accounts, and is considering breaking out the bookkeeping portion into a separate file maintained on a separate server

The Deputy Chief's expressed interest in learning more about international banking and the modern IT systems required to support the bank's present and future operations

Turan-Alem Bank

Turan-Alem bank technical staff met with many vendors and reviewed their packages. The reviews were from vendor published literature on their company and software systems. The bank was furnished by IBTCI with an additional list of potential suppliers of modern integrated banking software and a list of specialized vendors of special functional software in the areas of Treasury, Asset/Liability Management and also profitability analysis.

The IT Department moved forward with research and development of conceptual specifications for their functional banking system, utilizing the CASE/Object Oriented requirements definition approach as constructed for Kazakhstan banks by the Novosibirsk group. Turan-Alem Bank developed a full set of functional requirements and specifications for requesting tenders for vendors of proprietary banking software.

Following the evaluation of software packages, the bank considered the packages to be very expensive and that most packages would require considerable customization. The bank then decided to develop their own modules in-house. The bank began to develop a new system to include general ledger accounting, a customer information file and a centralized credit file system.

After several months of trying to build these systems, the bank began to question the potential cost effectiveness of using Oracle data base software for the development of the bank's overall system and the bank is once again looking at vendor literature. It is particularly interested in a package offered by a Baltic firm that is based on "Progress" software. Progress was developed by a US company and apparently the Baltic firm has installed a Russian language version.

The bank has not set a formal project plan and time table for purchasing software. The bank is in the process of being privatized and until the buyer is known no major decisions can be taken on purchasing new software.

Kazagroprom Bank

The bank's IT groups has spent several years studying proprietary software for the bank's needs. The investigation included both data base products such as Oracle and Sybase, and full banking applications including the Barkley's, Kirchman and Kindle systems. The bank concluded that the application systems reviewed were too costly and has contracted to purchase the Va-Bank System. This system is based on software originally developed in Singapore.

The bank attended the IBTCI workshops and courses but has shown minimal interest in receiving assistance. The bank has been reluctant to volunteer information on the progress of its conversion. There is no detailed conversion plan and there was no evidence of a detailed systems specification before the software was bid, evaluated or selected. The only information we have seen is sales literature. The first deputy chairman of the bank confirmed the bank intends to implement the new operating system at the head office and branches within four to five months, by March of 1998. This is very unrealistic. This particular bank continues to underestimate the time, commitment and resources necessary to successfully implement a conversion.

Tangible Results/Benchmarks

Train banks in SDLC process in order to enable them to evaluate, select and implement accounting software – **ACHIEVED**

Draft and issue implementation guide to include accounting example – **ACHIEVED**

Assist 5 banks to implement software - **SEE ASSESSMENT BELOW**

Assessment of Subactivities

Senior IT officials at the large banks were in regular contact with the IBTCI IT consultants. The counterparts at Kazkommertsbank, Turan-Alem and CenterCredit appeared knowledgeable and had regular exposure to IT issues, both through outside training and training/ exposure to consultants arranged by USAID.

IBTCI consultants assisted the banks where they were unfamiliar with the technology available and the types of systems architecture in use in the marketplace. The IBTCI consultants explained the features of different systems including integrated modular banking packages.

The training workshops on the Systems Development Life Cycle were well attended by senior IT directors. The workshops identified that one of the most common reasons for the failure of IT projects was the lack of communication between IT and functional management. As a result, further work was done to provide both materials and hold a workshop on the subject of user interview techniques.

The System Development Life Cycle Implementation Guide is a very good tool for banks who want to implement new software systems. In addition to the guide the IT directors of the top banks also received many materials on the following practical topics:

- IT and Management Information Systems
- IT and management communications
- User interview techniques
- Critical factors to the success of IT projects
- Data collection documentation
- Sample MIS reports

IBTCI provided practical assistance to the banks to select and evaluate software. Most of the literature available to IT directors has been sales literature and they have needed training in specific techniques for interviewing functional users, documenting their requirements and developing an understanding as to how computer technology must be applied in order to meet the banks' management planning, control and reporting needs. In addition to providing lists of software vendors, IBTCI assisted western vendors to come to Kazakhstan and demonstrate their systems to the commercial banks.

Although all the banks are investigating major software purchases Narodny is the only bank that began a large scale implementation. Progress at even Narodny is very slow.

The commercial banks found the accounting software very costly and all of the banks are trying to avoid additional expense by either developing their own software or purchasing "Russified" banking packages.

In the case of Turan-Alem and CenterCredit banks the banks are in the process of tremendous change. These banks will have to review their strategic plans and determine their information technology requirements needed to support the accomplishment of management's strategic goals and objectives.

A number of banks were visited to establish the general ledger capability of the accounting software at Kazakh banks. The reports conclusion was that none of the banks have a general ledger. The report is dealt with in more detail in the next section.

From the current experience, we can conclude that

- The banks need to develop and implement general ledger accounting systems that meet international standards.
- The banks need to determine their IT needs within the overall strategic goals and objectives of bank management. This involves executive management planning, budgeting and functional controls as well as daily transaction processing. Decisions on computer hardware and software made before the general ledger accounting systems are implemented will only result in wasted time and money—and eventual disappointment in IT performance by both the executive and functional management.
- All of the banks began their initial software selection process in 1996. From the feedback received at the workshops, except for Halyk bank, it is doubtful that the original specifications will be adequate to form an informed decision on selection and implementation of the IT systems needed to support their business in the future.

- The banks need to perform internal research to define its documentation and additional MIS and transactional processing needs of the bank

The IT departments at the banks will be fully challenged to meet the requirements of general ledger and subsidiary ledger accounting. The software implementation guide and training will prove to be very useful for the banks and will help them avoid many pitfalls in their implementation.

2.2 Implement Subsidiary Ledgers at Five Banks

A Objectives and Overview

Assist the banks to design and implement subsidiary ledgers in order to ensure that commercial banks capture, record and process their financial commitments accurately and completely in a timely manner.

Produce and issue an accounting conversion manual/materials and provide guidance in the areas of general ledger balancing, internal controls and reporting structure changes. From this guidance, the banks will put in place organizational, administrative and accounting controls to provide integrity to the accounting records so that the information in the ledgers can be relied upon.

B Background

C Work Performed

Joint and individual meetings of the IT and the Accounting Departments were held at each of the five(5) selected banks:

- 1 Turan-Alem
- 2 Centercredit
- 3 Kazkcommerts
- 4 Kazagroprom
- 5 Halyk(Narodny)

Written materials on subsidiary ledgers for securities, loans, deposits were distributed to the five banks. Extensive sessions were held with the banks and progress was very slow. None of the banks were capable to proceed at a pace to meet the conversion timetable envisioned in the original task order.

IBTCI reviewed voluminous conversion materials prepared by Halyk bank and noted that Halyk had the most organized effort of any of the selected banks. In April, Halyk estimated that developing their subsidiary ledgers would take at least until the end of 1997. The Finance Director thought this timetable was very ambitious and that more

time would probably be necessary. Halyk requested continuous consulting assistance in general accounting matters.

IBTCI consultants, with the assistance of Banking Advisory Services, developed a foreign exchange subsidiary ledger demonstration model. The model was used in a presentation to over thirty banks.

In order to provide momentum to bank accounting reform, IBTCI proposed that the NBRK be used as a model for the commercial banks. The proposal was to develop subsidiary ledgers for foreign exchange and securities at the NBRK and roll the work out to the commercial banks. This would put the NBRK in a leadership role in bank accounting reform. Discussions took place with Mr. Akhanov, Deputy Chairman of the Economics and FX departments at the NBRK re future collaboration in the area of foreign exchange. Mr. Akhanov showed minimal interest.

In July 1997, USAID, IBTCI and the NBRK met for a progress meeting. There was a general consensus that the commercial banks were not making progress and it was considered that for the banks to build momentum to create subsidiary ledgers the NBRK would have to take a more visible and active role in bank accounting reform in a new collaborative initiative. The proposed initiative was to develop conversion training courses to be delivered at the NBRK for the commercial banks with on-site follow-up visits to ensure that the progress is being made. The Director of Banking Supervision Department was to make this proposal to the Governor of the NBRK.

IBTCI were requested to make proposals on the roles and formation of work groups at the NBRK and the commercial banks. IBTCI made the recommendations in August and in October the NBRK agreed to form a committee for commercial bank accounting reform.

Prior to the formation of the committee, the NBRK and USAID agreed that IBTCI would visit five banks to review the status of general ledger development at the banks and the operation of the new chart of accounts.

The IBTCI consultants visited five banks, on three visits the IBTCI consultants were accompanied by Mrs. Abdulina. The purpose of the visits was to review their accounting systems – particularly from both an information technology (IT) and accounting perspective.

The banks visited were

- Halyk
- Kazkommerts
- Kazagroprom
- Temir
- CenterCredit

Discussions were held with management and representatives of the Accounting and IT departments at each of the banks. Although the number of banks visited was small, there was a consistency in the findings which allowed IBTCI and the NBRK to conclude that the banks visited were representative of the majority of the banks in Kazakhstan.

The following conclusions were drawn from the visits:

- The banks had created a chart of accounts report - not a General Ledger. The systems produce the Form 700N daily but when judged against international bank accounting practices there was no General Ledger functionality.
- There was concern that the courses adopted by banks - the purchase of new software or the amendment of existing software - would not deliver the required General Ledger features. This would result in double conversion exercises. Additionally, those banks who have prepared a timetable for computer implementations/conversions would have underestimated the scope of work to be performed.
- The visits highlighted that as part of the conversion task, the banks needed education and guidance on the mechanics of how to design, operate and maintain General and Subsidiary Ledgers. Assistance would have to be provided to the banks through conversion teams formed at both the NBRK and commercial banks. The NBRK teams would have to be assisted by USAID advisors to provide specialized advice on conversion, accounting and internal control issues at the banks.
- Bank management continues to manage its business by relying on the reports required by the NBRK. They also rely on the old GOSBANK trial balance. This was not an appropriate tool to use when measuring a commercial bank's performance as the GOSBANK chart of accounts evolved primarily to meet the needs of the old centralized command style economy.
- Without the introduction of General Ledgers and Subsidiary Ledgers, the banks had not adopted internationally accepted banking practices. They did not have a full understanding of the scope and impact of the changes a conversion to subsidiary ledgers would have upon their organizations. Because of this, management lacked the incentive to convert fully.

IT factors leading to the conclusion drawn from the visits were:

The banks proposed to install new systems and then convert to a general ledger later. They would then create specifications for the vendor to modify the system to create a General Ledger/Subledger system. Upon completion of the modifications, the banks

would then install the newly designed GL/Subledger module. Several concerns arose from this approach:

- The banks would be involved in a double conversion, the first to the new system and the second to the enhanced system.

Conversions are labor intensive, time consuming projects. Data must be organized, collected, input into the new system, verified, corrected and run in parallel with the old system before dropping the old system. A double conversion not only drains the bank's resources but also doubles the possibilities of errors.

- The banks need to create detailed specifications for a GL/Subledger module and the banks have had little if any experience with General Ledger/Subledger processing systems. To design a processing system with which one is unfamiliar is at least an arduous task. The bank will be learning about GL systems processing as it designs it. The results would be less than optimal.
- The vendor is unlikely to have had prior experience with GL/Subledger processing capabilities and therefore the vendor also is unlikely to have had much if any experience with General Ledger/Subledger processing systems. Complete reliance will be placed upon the specifications provided by the bank. If the specifications are inaccurate or incomplete the resulting GL/Subledger system will also be inaccurate or incomplete. The vendor would be unable to provide much, if any, quality control over the design accuracy.
- The banks that plan on modifying their current systems would also need to understand completely General Ledger/Subledger processing concepts before they can effectively design and complete their system enhancements.

Other conclusions drawn from the visits were:

- Management of the banks surveyed did not have a complete understanding of the objectives of the 'Conversion'. Nor is it apparent that they realize the full impact and scope of the project in terms of both organizational changes and time involved.
- The new chart of accounts was being implemented in that the Form 700N report was generated on a daily basis. The usage of this report being used by the banks for their own purposes was negligible. The Form 700N report was perceived as being required for regulatory purposes rather than for management purposes.
- When judged according to international accounting practices, the accounting systems in place at the banks did not have true General Ledger and Subledger functionality. The current systems posted their entries solely at the contract

account level (e.g. loan, deposit, nostro etc.) The GL updates by summing the contract accounts that relate to a particular GL and merely replacing the current balance of that GL. In a true GL system, the movements would be posted as actual debits and credits across the GL account.

- Within the banks visited, the accounting function was decentralized and failed to identify the 'owner' of the information input into the processing system. This results in the absence of real responsibility for the continuing integrity of that information. There are many checks to ensure that at a very detailed level transactions have been input correctly. There are very few checks, however, to ensure that all transactions have been processed accurately, completely and correctly. Current practice is that the responsibility for the integrity of the processing will be assumed by IT Division rather than the user department.

The NBRK, USAID and IBTCI agreed that to convert from the GOSBANK system to a general ledgers / subsidiary ledger system the conversion would involve

- Design of a suitable (computer) processing system
- Design and composition of the information to be held in each Subsidiary Ledger
- Redesign of manual processes and work flows
- Data cleansing
- Introduction of operating and management controls and reporting to ensure the integrity of the information
- Education and training
- Time
- Dedicated manpower resources

Based on the experience gained in the first nine months of the year, the banks would require considerable long-term assistance to plan and convert to formal General Ledger and Subsidiary Ledger systems.

The visits confirmed that the banks were having significant problems with their conversions and had neither the knowledge nor experience to build General Ledgers or Subsidiary Ledgers by themselves. They did not have the detailed understanding required to design the mechanics to operate the Ledgers smoothly and efficiently. The Russian software vendors do not have this knowledge either.

It was deemed unrealistic for the NBRK and USAID advisors to participate directly in all the stages of the conversions at all of the commercial banks. Rather, they would assist the banks by developing project control mechanisms, by providing guidance in the management of the conversion process and by offering assistance on specific conversion and accounting issues.

Proposals were made by IBTCI for the establishment of Steering Committees (SC) and Working Parties. The NBRK was to take the lead in this and establish its own steering

committee to work with working groups at the commercial banks. The NBRK teams would be assisted by USAID advisors to provide specialized advice on conversion, accounting and internal control issues at the banks.

In November, the NBRK board approved the establishment of the NBRK coordination committee for subsidiary ledger conversion and general ledger maintenance at the second tier banks.

The coordination committee is comprised of members of the following NBRK departments:

- Banking Supervision
- IT
- Accounting
- Foreign Operations
- Computer processing
- Payment systems
- Internal Operations

The NBRK coordination committee recommended that the commercial banks form working groups and required the commercial banks to submit a conversion plan by mid-December.

Twenty two banks submitted work plans by the end of December and the deadline was then extended to February for the remaining banks.

Produce and issue an accounting conversion manual/materials including guidance for general ledger balancing, internal controls and reporting structure changes

Guidance was provided to the commercial banks on how to plan and execute a conversion. The selected banks were provided with advice and materials on how to structure and manage projects, form steering committees and work groups, set benchmarks and the steps and processes to achieve a conversion. In addition to this, all the banks received a bound text with examples of general ledger and subsidiary ledger extracts for loans, deposits and investments. The materials also contained examples of journal entries and accrual accounting.

Specific presentations on subsidiary ledgers were made in-house to the following banks:

- NBRK
- Halyk
- Turan-Alem
- Kazagroprom
- CenterCredit

- Temir
- Rehabilitation Bank

IBTCI made presentations to the banks on Internal Controls for Banks. The presentations covered the components of control and the policies, procedures, practices and organizational structures designed to protect and safeguard the assets of a bank. Specific advice was given to the following banks on their organization structure:

- NBRK
- Halyk
- Turan-Alem
- Kazagroprom
- CenterCredit
- Temir
- Sennim
- Al Raun

A presentation on Accounting Information Systems (AIS) was made in October to sixty participants from more than thirty banks. The presentation covered general ledgers and subsidiary ledgers and systems. The objective was to help the banks better understand the operations and balancing procedures of general and subsidiary ledgers.

Further presentations on the subject of subsidiary ledgers were made in house at the end of year to Kazkommerts bank and Turan-Alem bank.

D Tangible Results/Benchmarks

Design and implement subsidiary ledger at five banks - **SEE ASSESSMENT BELOW**
Produce and issue an accounting conversion guide/materials - **ACHIEVED BUT SEE ASSESSMENT BELOW**

Provide guidance on general ledger balancing, internal controls and reporting structure changes - **ACHIEVED BUT SEE ASSESSMENT BELOW**

E Assessment of Subactivities

Assist the banks design and implement subsidiary ledgers

There has been very little progress made in this area. The banks have shown no willingness to progress in this area of conversion to general ledgers and subsidiary ledgers. The banks have taken the path of performing the minimal amount of work and in the case of the implementation of the chart of accounts this was only brought about by the mandate of the NBRK. While there have been improvements in the transparency of financial statements, the implementation of the chart of accounts was very cosmetic and the full benefits of implementation were foregone.

Following the implementation of the chart of accounts, the NBRK has played a relatively passive role in the area of accounting reform. It took five months from the progress meeting with the NBRK in July to the end of the year to form the work groups at the commercial banks and most of the banks had not prepared their conversion plans. The NBRK coordination committee has proved to be a very slow vehicle as an instrument of change.

USAID and IBTCI can provide assistance and guidance but has no control over whether a commercial bank will actively implement general or subsidiary ledgers. The project has been providing assistance beyond the original five banks and the NBRK coordination committee has set an objective of assisting all the banks.

Because of this, the project is to change strategy and deliver primary attention to three pilot banks and reduced support to the other banks. While USAID and IBTCI will still not have control the pilot banks chosen will all have to want to be pilots and want to implement general ledgers and subsidiary ledgers.

A draft workplan has been agreed between IBTCI, USAID and the NBRK. Extensive discussions and meetings took place between IBTCI advisors and Mrs. Abdulina to agree upon the definitions of a general ledger and subsidiary ledgers. The essential elements of the workplan are as follows:

1 Non-pilot banks

The objective of the work with the non-pilot banks will be to ensure all banks have established a general ledger, new accounting policies and procedures and are operating from the new chart of accounts by 31 December 1998.

IBTCI will assist them reach their goals by the assistance and guidance provided to the coordination committee of the NBRK. The committee will be responsible for the non-pilot banks achieving the objective set out above.

First priority will be on general ledger creation, development of procedures and internal controls and subsidiary ledgers. IBTCI will assist the NBRK in training bank staff in project management skills, internal controls, subsidiary ledgers and the conversion/implementation process.

2 Pilot banks

It was agreed in January with the Governor of the NBRK and USAID to adopt a pilot bank approach to convert the commercial banks. The NBRK nominated Narodny Bank, Centercredit Bank and Tsesnabank as the pilot banks.

The objective is to assist three pilot banks to establish general ledgers and for those banks to be utilizing subsidiary ledgers as part of their daily accounting and reporting by 31 December.

The scope of work will be to concentrate on the major banking areas of

- Loans
- Deposits
- Foreign exchange
- Securities
- Fixed assets

The assumption will have to be made that by covering the main departments in each bank will meet the requirements of the scope of work, on the belief that the new policies, procedures and practices in these departments will be adopted in the other branches of the bank

IBTCI will investigate current operating procedures and practices to determine the weaknesses of the institution where the pilot clearly does not meet international standards. The concentration of work will then be to make recommendations to the pilot to implement the necessary changes to attain international standards.

There will be a focus of reviewing functional activities and improved internal controls rather than individual detailed processes or workflow re-engineering.

The work in the field may broadly be separated between work to create general ledger and work to support subsidiary ledgers. The accounting department of the bank will determine the level of information required in the general ledger but the development work will primarily be carried out by the IT department. IBTCI IT advisor will not design new systems but will review the system logic for deficiencies, note sub-optimal design, review alternative solutions and provide assistance in designing high level reports. The IBTCI IT advisor will review the systems aspects of the new general ledgers and make recommendations to develop exception reports that will improve the integrity of sub-ledgers.

3 Roles

IBTCI will be providing advice, assistance and training to counterparts at the NBRK and the pilot commercial banks. The IBTCI advisors will focus primarily on the pilot banks. The IBTCI advisors will provide advice and training on how to approach conversion issues and alternative solutions to the problems. The solution chosen will be made by the commercial banks.

The main role of the NBRK will be to provide impetus for bank accounting reform through the newly formed coordination committee. The committee will arrange regular meetings with the commercial banks senior management to monitor progress and provide any necessary assistance the banks may need to fulfill their work plans.

Also, NBRK staff should assist the IBTCI advisors to deliver training courses and seminars to the pilot banks on practical implementation issues arising from the

conversion. The NBRK staff should then be able to provide the training, without assistance, to the non-pilot banks.

The role of the pilot commercial banks will be to ensure that they have the necessary financial and human resources to carry out their work plans. Where new systems implementations are taking place or major re-writes of existing systems, the implementation must be completed by mid-year. The pilot banks will have to ensure the work group members are available for training and meetings with the IBTCI advisors. The bank work groups will implement the general ledger and subsidiary ledgers.

- Produce and issue an accounting conversion guide/materials

As stated in the work performed section, guidance was provided to the commercial banks on how to plan and execute a conversion. The selected banks were provided with advice and materials on how to structure and manage projects, form steering committees and workgroups, set benchmarks and the steps and processes to achieve a conversion.

Taken as a whole, the materials form a considerable body of knowledge from which the banks can complete a conversion. There is, and always will be, a continuous need from the commercial banks for assistance in this area. The banks will receive additional practical assistance in 1998 from both the USAID advisors and through working with the coordination committee of the NBRK.

- Provide guidance on general ledger balancing, internal controls and reporting structure changes

As stated in the work performed section, the banks have received specific guidance on the components of control and the policies, procedures, practices and organisational structures designed to protect and safeguard the assets of a bank. Specific advice was given on strategic planning, organisation structure, accounting information systems, (including general ledger balancing,) and general and subsidiary ledgers.

There is a continuous need from the commercial banks for assistance in this area. The banks will receive additional practical assistance in 1998 from both the USAID advisors and through working with the coordination committee of the NBRK.

2.3 Produce a Product Accounting Manual

A Objectives and overview

- Produce and issue a product accounting manual that provides guidance on how to account for banking products. The manual will provide guidance on whether a product generates to an asset or liability, income or expense and whether

contingent assets or liabilities will arise. The manual will not provide absolutes for the accounting treatment of all transactions or events that can occur.

B Background

C Work Performed

A comprehensive listing of banking products was produced and agreed with the NBRK. Policies were written for the following products:

Investment Products

- Securities Held to Maturity
- Securities Held for Resale
- Securities Held for Funding Purposes

Lending Products

- Loans and Leases
- Factoring
- Forfeiting
- Bankers' Acceptances and Bills of Exchange

Funding Products

- Repurchase Agreements
- Reverse Repurchase Agreements

Commitments

- Guarantees
- Letters of Credit

Deposit Products

- Capital Market Products
- Derivatives
- Option Contracts
- Forward Rate Agreements
- Interest Rate Swaps
- Foreign Exchange

Fee Based Products

- Trust Services
- Other Fee Based Products

D Tangible results/Benchmarks

Produce and issue a product accounting manual - **PARTIALLY ACHIEVED, SEE ASSESSMENT BELOW**

E Assessment of Subactivities

The draft of the product accounting manual was translated to Russian in October and presented to the NBRK

The main counterpart who would perform the review left the NBRK in October and the first review by the NBRK was not completed until March 1998. Revisions are currently being made to the manual in order for it to be issued in the second quarter.

Additional work

IBTCI assisted the Banking Supervision Department to prepare a recommendation to the commercial banks. In it, the NBRK recommended to the commercial banks to draft their own accounting policies and that the accounting policies adopted are approved by the supervisory board. There is a regulation in place that accounting policies are reviewed and approved by the NBRK. The main advantage of this recommendation is that the NBRK does not have to initiate writing the accounting policies of banks and that banks do have the power to write accounting policies for the new activities they engage in. The recommendation was issued in June.

2.4 NBRK Accounting Support

The objective of this component is to assist the NBRK address bank accounting issues and provide guidance on international accounting standards and practices.

Continuing support for the NBRK Accounting Department was provided throughout the year. The NBRK requested additional support beyond what was included in the original TOR and this work has been completed.

Tangible Results/Benchmarks

Assist the NBRK in the following areas:

Securities accounting – **ACHIEVED**

A securities normative was prepared and forwarded after discussion to the National Accounting Commission for consideration. The normative closely follows the American Institute of Certified Public Accountants' Generally Accepted Accounting Principles. Specifically, securities are divided into three categories: Held to Maturity, Available for sale, and Trading securities.

Design of accounting and internal controls for custodial depositories - **ACHIEVED**

Advised Mrs Abdulina on specific transactions relating to trust activities and the principles of on and off balance sheet transactions. Advised the Accounting Department and Banking Supervision Department the applicability of the Second Tier Bank's chart of accounts to the newly formed private pension funds. Provided AICPA/MicroMash instructional diskette materials to the NBRK Accounting Department on the subject of pension accounting. Provided advice to Banking Supervision Department on pension accounting (IAS29), custodial activities and the issuance of eurobonds.

There will be a continuous need to address specific issues and practices in the area of investment and trust banking.

Settlement of NBRK inter branch accounts. Advise on clearing exchange role of the NBRK accounting function – **ACHIEVED**

This advice was provided in March and the NBRK centralized this function.

Consolidation of and accounting for self supporting enterprises - **ACHIEVED**

Meetings were held with the NBRK to determine the existing accounting methodology of the nine Self Supporting Enterprises, (SSE's), belonging to the NBRK, and also to identify the SSE's relationship with the NBRK. It was agreed with the NBRK that there are distinct categories of SSE - recommendations of accounting policy being given for each class, i.e.,

- 1 The three subsidiaries owned by the NBRK, but not controlled, should be accounted as investments in accordance with IAS 25. Income to be included in the NBRK profit and loss as Investment income, arising from dividend payments (Method currently adopted by the NBRK.)
- 2 The two SSE's that provide no service to the NBRK should be transferred.
- 3 The four fully funded operations of the NBRK should be included 100% within the General Ledger of the NBRK - separate subsidiary ledgers to be created for each.

The recommendations were reviewed by the NBRK and of the 2 SSE's that provide no service to the NBRK, one will be transferred to the Ministry of Finance and the other will be combined with an operation fully funded by the NBRK.

Assist in drafting regulations requiring the commercial banks adopt their own accounting policies and procedures - **ACHIEVED**

Assisted the NBRK to prepare and issue a regulation that required the commercial banks to write their own accounting policies and procedures

Review and revise internal controls for financial accounting and reporting – **ACHIEVED**

Reviewed the NBRK management reports and made recommendations for improvement These were made in June

General Ledger balancing procedures - **ACHIEVED**

Advice was provided to the NBRK on an as-needed basis

Additional Accomplishments

Reviewed the Halyk/Narodny Bank treasury operations guidelines at the request of the NBRK

Reviewed accounting for various gold and foreign exchange transactions at Centercredit Bank

Reviewed the NBRK's organizational structure per NBRK management's request

Prepared and discussed accounting consolidation examples for commercial and investment banks with the Banking Supervision department of the NBRK

A Russian language version of the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing were obtained and provided to the NBRK Additional materials were provided on Board Audit Committees and the Purpose of Internal Audit

Translated the new NBRK operating and accounting policies for all transactions in foreign currencies This includes foreign exchange, precious metals, securities, futures and options (108 page document) Draft comments were presented to the NBRK

Met with Narodny Bank to discuss accounting for investments acquired on behalf of trust clients

Met with Lariba Bank, Al Raun Bank and Sennim Banks on the subject of subsidiary ledgers and organization structures

Advised on the accounting treatment of investment and deposit banking subsidiaries for reporting purposes Prepared accounting consolidation examples for commercial and investment banks for discussion with BSD Worked through the examples with the relevant heads of division

Provided advice to Banking Supervision Department (BSD) on the treatment of the issue costs of eurobonds. Researched the accounting standards and concept papers to provide BSD with a summary of the issues to address when determining the accounting treatment of the discount on issuance of eurobonds.

2.5 Training

There was no formal certification training within the original task order. Continuous on the job training is given both at the NBRK and when visiting the commercial banks. This included advising on the application of accounting policies, accounting procedures, International Accounting Standards and internal controls. The main classroom and seminar training took place within the other components of the task order.

Tangible Results/Benchmarks

Within the work plan the following areas were identified where additional assistance would be required. As no extra resources were made available it was agreed that IBTCI would attempt on a best efforts basis to provide assistance in the following areas:

Commercial bank training needs assessment – **ACHIEVED**

The advisor performed a commercial bank training needs assessment.

Held three meetings with the NBRK and discussed training needs of the commercial banks. Based on input from the NBRK and corroborated at two banks, two memoranda were prepared and forwarded to USAID for consideration in February 1997.

The training needs assessment for the NBRK and the commercial banks was completed. The areas of training identified were:

- a Accounting policies for banks
- b International Accounting Standards (IAS) related to banking
- c Detailed accounting procedures for banks
- d Internal control and practice in banking

The NBRK requested that training by western accounting experts be provided to both the National Bank accounting personnel and the commercial bank accounting personnel. Additionally, training was to be provided on site at United States banks for accountants from the ten largest banks in Kazakhstan. The latter request was referred to USAID for possible NET training as this could not be accommodated in the IBTCI Task Order and as no funding was made available, this request was declined.

Accounting policies – **ACHIEVED**

As part of the work completed in components 2.3 and 2.4 training and assistance was provided in this area. Continuous assistance will be required in this area throughout the duration of the task order.

International Accounting Standards – **ACHIEVED**

As part of the work completed in component 2 4 training and assistance was provided in this area to the NBRK Continuous assistance will be required in this area throughout the duration of the task order

Detailed accounting procedures - **PARTIALLY ACHIEVED**

Accounting procedures were included in the product accounting manual The procedures were more detailed than originally envisaged in the task order but less detailed than the NBRK would ideally want

Internal control and practices – **ACHIEVED**

IBTCI provided guidance, materials, assistance and training to the NBRK and the commercial banks on a continuous basis which included internal audit, internal controls, organisational structure and segregation of duties

A presentation on the subject of Accounting Information Systems was presented to the top twenty-five banks There were approximately sixty attendees

Financial Restructuring Technical Assistance

Kazakhstan External Debt

Final Report

Contractor International Business & Technical Consultants Inc
Contract # EPE-0005-100-5056-00
Reporting Period January 1, 1997 to December 31, 1997

A CONTRACTOR'S REPORT

1 Background

In 1996, a computerized database system called Debt Management and Financial Analysis System (DMFAS) was installed at the Ministry of Finance (MinFin). This database includes all the external debt loans of the country. In the first instances the project called for the installation of one database at the MinFin that would be used and updated by the two other financial institutions administering external debt issues (the Export-Import Bank and the National Bank of Kazakhstan). However, in the interest of security as well as to avoid network congestion caused by the simultaneous use of the database by the three institutions involved in debt management, it was decided that DMFAS would be installed onto three different servers such that the government would possess three distinct databases for external debt each replicating the data maintained on the other machines.

This introduced a number of problems. The government needs to be able to work not only at the institutional level (monitoring function) but also at the level of the entire debt, particularly at the MinFin and the National Bank of Kazakhstan (NBRK). To cope with this requirement, the Local Area Networks (LAN) at each institution would have to be linked by way of a Wide Area Network (WAN) in order to replicate the data of all three institutions accurately and in real time. WAN would enable the MinFin and the NBRK to work on the entire debt by using the replication function. The replication function enables Minfin and NBK to access the information monitored by the other institutions dealing with external debt. This replication function had to be installed at MinFin to give it direct links between NBRK and the EXIMBANK which will be possible with the purchase of telecommunication hardware.

At the beginning, implementation of the system was not a problem. However, bottlenecks occurred when the different institutions began feeding the system with data. This was due to the poor information flows within the different departments that deal with external debt at each institution - the Departments of Disbursement, Treasury, and Budget to name a few. This problem was concentrated at the MinFin and the EXIMBANK.

In order to ensure effective use of the DMFAS automated debt tracking and management features, the staff of the three institutions charged with managing Kazakhstan's public and publicly guaranteed external debt required additional training.

USAID recommended a Resident Adviser on External Debt with a deep knowledge of DMFAS be hired for a one year period. The Advisor would be responsible for additional training requirements, monitoring of database updating procedures at each institution, implementation of the replication environment that would allow the MinFin and the NBRK to produce user-defined reports on global external debt, and train staff at the MinFin and NBRK working within the replication environment.

2 Sub-Activities

2.1 Ministry of Finance

The Ministry of Finance manages public debt that is paid by the Republican budget and monitors some loans guaranteed by the government that are managed by banks other than EXIMBANK.

2.1 a Objectives and Overview of Accomplishments

Objectives

Train the staff of the State Debt Office to update the DMFAS database (updating refers to the introduction of new signed loans, maintenance of ongoing loans in the database, adjustments for real disbursements, forecasting of future disbursements, calculating amortization tables with new real facts, and validating all actual payments - commission, interest and principal).

Following the complete updating of the database, further training of State Debt Office staff was required in the area of user-defined reports. The DMFAS system includes an advanced feature that allows the user to define reporting needs. This is accomplished by introducing parameters such as starting dates, ending dates, periodicity, units, currency values, and other user-defined fields for customized reporting.

DMFAS enables the production of the projection reports on future payments, future disbursements, status reports on payments on principal, interest, commissions arrears and disbursements received (real)

The above objectives are focused on the database for which the institution is responsible

The third objective is to implement the replication environment in order to incorporate the data of all three databases (MinFin NBRK and EXIMBANK) providing the Ministry of Finance with the ability to produce reports on the country's global external debt

The fourth objective is to install a Russian version of DMFAS and to make necessary checks and adjustments to the replication environment

Overview of Accomplishments

The training, both, in updating procedures and in the production of user-defined reports has been accomplished successfully and the State Debt Office staff are using DMFAS on a daily basis

Through its use of DMFAS, the Ministry of Finance has improved information flows within the institution and brought about one centralized and accurate database for debt monitored by the institution

The implementation of the replication environment linking the other two databases (NBRK and EXIMBANK) allowed the Ministry of Finance to share all external debt information including debt monitored by other agencies. This sharing process improved the efficiency of information gathering and data quality allowing the Debt State Office to view the EXIMBANK database. This has reduced response to queries time from one week to several minutes. The DMFAS system has eased on-line control of individual loan monitoring within the three databases

Finally, the reporting system at the Ministry of Finance has been rationalized. Data used from the three institutions is replicated once a day at the Ministry of Finance and at the National Bank in one centralized replication environment at each institution and thus the Ministry of Finance and the National Bank produce reports utilizing the same data sets

2 1 b Agency Background

On the first day of the assignment, January 8, 1997, the status of the DMFAS system was as follows

A Telecommunications the WAN links between the MinFin, the NBRK and the EXIMBANK were working and the replication environment at the Ministry of Finance was functioning. This telecommunication system was installed the 1st of November

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1996 and consisted of dedicated lines from the Ministry of Finance to the other two institutions. The speed of data transfer is 64 kilobytes per second.

(The link between the National Bank and Eximbank was not functional because a dedicated telephone line linking these two institutions was not installed. Technically the Ministry of Finance had to install a router at the Ministry of Finance and a bridge in the other two institutions in order to link the National Bank to Eximbank through the Ministry of Finance.)

B Status of the database: the database was updated through August 1996. After this date, new loans and the real disbursement of existing loans were not registered due to an internal problem at the State Debt Office - DMFAS was competing with a system developed (but not completed) by the local personnel.

C The evolution from this initial status is described below.

The Resident Adviser had to demonstrate and convince local staff that the DMFAS system offered a more robust alternative to the locally developed system. The main problem was the difference in the reporting systems. After several months, the managers at the Ministry of Finance understood the problem and started to rely on DMFAS.

April 1, 1997, the Debt Department moved to another building at the MinFin. After restructuring the Debt Department was renamed State Debt Office and was located at the Treasury. This restructuring eased the information flows within the Treasury dealing with all money transfers and thus made good sense. However, the move itself created a big problem as the new offices lacked the dedicated lines needed to connect the National Bank and Eximbank to the Ministry of Finance. The result was that the replication was no longer viable.

It took several months of negotiation between the MinFin and the Telephone company to install the dedicated telephone lines at the new premises. Finally on August 20, 1997, new telecommunication hardware was installed and the WAN links between the three institutions were re-established. This hardware consisted of a router placed at the MinFin and two bridges, each placed at the other institutions. This sophisticated hardware allows the link between the three institutions (particularly it solved the problem of the link from the National Bank to the Eximbank through the Ministry of Finance) and permits satellite connectivity in case the Ministry of Finance moves again to Akmola (the new capital).

The replication system was re-established on September 30, 1997. The system was tweaked with the help of ORACLE and the DMFAS Central Team in Geneva.

During negotiations to reestablish the telecommunications link, a technical assistance project was launched that was funded by a World Bank loan. This project calls for the

creation of an interface between the Ministry of Finance reporting system and DMFAS database, and several DMFAS maintenance missions from the Central Team in Geneva and provides for software upgrades, additional support licenses and equipment upgrades

2 1 c Work Performed Details

Improving Information Flows

- Letter drafted to creditors in order to centralize information at the State Debt Office (signed by the Minister),
- Discussions held with the Deputy Head of the Debt State Office concerning the restructuring of Ministry of Finance and the relocation of the State Debt Office at the Treasury,
- The connection links established in November 1996 between MinFin and EXIMBANK, and NBRK verified,
- Information flows within the institution reviewed and recommendations provided,

Improving Data Quality

- Updated DMFAS with all loan disbursements in 1996 for loans monitored at Ministry of Finance,
- Audited disbursements against creditor balances,
- Updated the estimation of future disbursements,
- Updated real payments to date,
- Updated DMFAS with all 1997 disbursements for the loans monitored at the Ministry of Finance,
- Incorporated Domestic Debt - in particular Treasury Bills and new loans signed during the year,

Reporting System Improvements

- Prepared data on disbursements for IMF mission visiting Kazakhstan beginning of February 5th, 1997,
- Prepared data for World Bank reporting,

- Trained State Debt Office staff in the use of user-defined feature of DMFAS to produce reports on transactions related to external debt (disbursements, payments, arrears creation and payments of arrears),
- Prepared data on disbursements for IMF mission visiting Kazakhstan in July 1997,
- Trained Internal Debt Department staff in reporting,
- Produced Domestic Debt report,
- Prepared data on disbursements for IMF mission visiting Kazakhstan in October 1997,
- Produced report on the status of global debt (internal and external) and produced a series of managerial reports as a consultant-supervised exercise
- Implementation of the replication environment
- Installed router at MinFin and bridges at EXIMBANK and NBRK in order to establish an automated connection between the three database,
- Trained MinFin staff on implementation and daily maintenance of replication environment,
- Upgraded ORACLE database to version 7 3 3 0 0, SQLNET v 2 0,
- Trained State Debt Office staff on global debt reporting, including replication from EXIMBANK and NBRK,
- In order to prepare the move to Akmola, and to reduce the cost of the use of satellite transit (having the router at Ministry of Finance in Akmola, the system needs two satellite channels) installed router at National Bank and bridges at EXIMBANK and Ministry of Finance In this way the system uses only one satellite channel between Ministry of Finance and National Bank and a normal dedicated line linking National Bank and Eximbank,

2 1 d Assessment of Subactivity

Benchmarks Met

- The staff of the State Debt Office is updating the database daily, controlling the results of payment calculations against the creditor's advice,

- The staff of the State Debt Office can now produce reports on public debt and on the country's total external debt using DMFAS,
- The staff of the State Debt Office has produced a set of projections through December 2000

Deliverables Completed

- Trained State Debt Office staff in use of the DMFAS,
- Installation and implementation of replication environment completed,

Quality

- The Ministry of Finance possess a state-of-the-art tool (DMFAS + WAN) which allows it to monitor, manage, and analyze the whole debt of the country

Response

- The authorities at the Debt State Office are most satisfied with the system. Although they use the system on a daily basis, DMFAS will remain a secondary tool until an interface between DMFAS and the existing reporting system is developed. This interface will be contracted with the collaboration of the DMFAS Central Team and will be funded by World Bank through a technical assistance loan. The response to the system will be re-enforced when the Russian version of DMFAS is fully functional.

Current and Future Effects

- The implementation of DMFAS made possible a centralized relational database for monitoring of external debt. This forced the staff to revise information flows allowing them to control and manage the database at one point in the process.

Hurdles Overcome

- This biggest obstacle was the lack of confidence in DMFAS by Ministry of Finance authorities. This stemmed mainly from the fact that for many months connectivity between the three institutions was not available and thus analysts at each institution were unable to work with the entire country debt,
- Also, it was not possible to meet with counterparts of the three institutions at one time such that they could coordinate their work, specially concerning common issues like exchange rates, participants, and variable interest rates.

Recommendations

- The most important recommendation is that the staff of the State Debt Office continue to update the database on a permanent and regular basis. External debt evolves daily. If database maintenance is not updated daily the data will become outdated and reports produced will be dated and of limited value.
- The Ministry of Finance has to imagine a procedure to oblige the Eximbank to keep the DMFAS up-to-date. Until today due to the endless restructuring of Eximbank, the State Debt Office had not been able to force the staff dealing with DMFAS at the Eximbank to update DMFAS on a daily basis.
- In order to overcome the problem of updating the database by Eximbank staff, it is recommended that the publicly guaranteed debt should be monitored by the Ministry of Finance at the State Debt Office in a special newly created department. This is the way publicly guaranteed debt is monitored in all the countries except in CIS.
- After the move to Akmola of the Ministry of Finance a last check, at the Ministry of Finance, of the actual version (English) should be made, in order to verify the good functionality of the system in transferring the data and in terms of compatibilities of satellite lines and normal telephone lines and the speed of transfer.
- The Russian version should be installed once the Ministry of Finance moves to Akmola and the connections between the three sites are established.

Unmet expectations

- Installation of the Russian version. The Russian version was to be installed by UNCTAD, DMFAS Central Team, Geneva, by the end of October. This was not done for three reasons: first the release of the version is due in January 1998, second this mission is to be paid by the External Debt Information Systems project which was signed on the 20th of August and the disbursement was only made by the end of November, third the Ministry of Finance moved to Akmola on December 6 and the connection was not in place to check the Russian version. In order to implement and check the Russian version the connection between the three sites must be operational.

2.2 National Bank of Kazakhstan

The National Bank of Kazakhstan manages the debt granted by IMF, one EBRD loan which is a guaranteed debt, and the private non-guaranteed debt.

2 2 a Objectives and Overview of Accomplishments

Objectives

Train the staff of the Balance of Payments Division to update the DMFAS database (updating refers to the introduction of new signed loans, maintenance of ongoing loans in the database, adjustments for real disbursements, forecasting of future disbursements, calculating amortization tables with new real facts, and validating all actual payments - commission, interest and principal)

Following the complete updating of the database, further training of Balance of Payments Division staff was required in the area of user-defined reports. The DMFAS system includes an advanced feature that allows the user to define reporting needs. This is accomplished by introducing parameters such as starting dates, ending dates, periodicity, units, currency values, and other user-defined fields for customized reporting.

DMFAS enables the production of the following projection reports on future payments, future disbursements, status reports on payments on principal, interest, commissions arrears and disbursements received (real).

The above objectives are focused on the database for which the institution is responsible.

The third objective is to implement the replication environment in order to incorporate the data of all three databases (Ministry of Finance, National Bank and EXIMBANK) providing the National Bank with the ability to produce reports on the country's global external debt.

The fourth objective is to install a Russian version of DMFAS and to make necessary checks and adjustments to the replication environment.

Overview of Accomplishments

The training, both, in updating procedures and in the production of user-defined reports has been accomplished successfully and the Balance of Payments Division staff are using DMFAS on a daily basis.

Through its use of DMFAS, the National Bank of Kazakhstan has improved information flows within the institution and has established one centralized and accurate database for debt monitored by the institution.

The implementation of the replication environment linking the other two databases (Minfin and EXIMBANK) allowed the National Bank to share all external debt.

information including debt not monitored by themselves. This sharing process improved the efficiency of information gathering.

The creation of a split database to incorporate the private non-guaranteed loans allowed the National Bank to register such loans and built in security precautions so that the data is used only by the National Bank staff.

Finally, the reporting system at the National Bank of Kazakhstan has been rationalized. Data used from the three institutions is replicated in one centralized replication environment and thus the Ministry of Finance and the National Bank produce reports utilizing the same data sets.

2.2 b Agency Background

On the first day of the assignment, January 8, 1997, the status of the DMFAS system was as follows:

A. Telecommunications: the WAN link between the Ministry of Finance, the National Bank, and the Eximbank was not in place because the telecommunication hardware to enable this link was not purchased. For this reason, the replication environment was not implemented at the National Bank.

B. Status of the database: the database was updated through September 1996. After this date, new loans and the real disbursement of existing loans were not registered because the Balance of Payments Division received the reports every end of quarter from the Operation Unit.

C. The evolution from this initial status is described below:

The Resident Adviser had to control and audit the update of the database first to the end of year 1996 and then regular controls over his stay.

April 1, 1997, the Debt Department moved to another building at the MinFin. After restructuring, the Debt Department was renamed State Debt Office and was located at the Treasury. However, the move itself created a big problem as the new offices lacked the dedicated lines needed to connect the Ministry of Finance, EXIMBANK to the National Bank.

It took several months of negotiation between the Ministry of Finance and the Telephone company to install the dedicated telephone lines at the new premises. Finally, on August 20, 1997, new telecommunication hardware was installed and the WAN links between the three institutions were re-established. This hardware consisted in a router placed at the Ministry of Finance and two bridges, each placed at the other institutions. This sophisticated hardware allows the link between the three institutions,

ie a direct link between National Bank and Ministry of Finance and a link through the Ministry of Finance, using the router, to link National Bank to Eximbank

The replication system was re-established on September 30, 1997 the system was tweaked with the help of ORACLE and the DMFAS Central Team in Geneva

Meanwhile the re-establishment of the dedicated telephone lines, a split database was created to register the private non-guaranteed loans

2 2 c Work Performed Details

Improving Information Flows

- The connection links established in November 1996 between National Bank and Ministry of Finance were verified,
- Information flows within the institution were reviewed and recommendations provided,
- The connection links were re-established in September 1997 between National Bank, EXIMBANK, and Ministry of Finance,

Improving Data Quality

- DMFAS was updated with all loan disbursements in 1996 for loans monitored at National Bank,
- Audited disbursements against creditor balances,
- Updated the estimation of future disbursements,
- Updated real payments to date,
- Updated DMFAS with all 1997 disbursements for the loans monitored at the National Bank,
- Recorded Private non-guaranteed Debt,

Reporting System Improvements

- Prepared data on disbursements for IMF mission visiting Kazakhstan beginning of February 5th, 1997,
- Prepared data for World Bank reporting,

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- Trained Balance of Payments Division staff in the use of user-defined feature of DMFAS to produce reports on transactions related to external debt (disbursements, payments, arrears creation and payments of arrears),
- Prepared data on disbursements for IMF mission visiting Kazakhstan in July 1997,
- Produced reports on the database monitored by the National Bank,
- Prepared data on disbursements for IMF mission visiting Kazakhstan in October 1997,
- Produced report on the status of global debt (internal and external) and produced a series of managerial reports as a consultant-supervised exercise

Implementation of the Replication Environment

- Installed router at Ministry of Finance and bridges at EXIMBANK and National Bank in order to establish an automated connection between the three database,
- Trained National Bank on implementation and daily maintenance of replication environment,
- Upgraded ORACLE database to version 7 3 3 0 0, SQLNET v 2 0,
- Trained Balance of Payments Division staff on global debt reporting, including replicated data from EXIMBANK and Ministry of Finance,
- In order to prepare the move to Akmola, and to reduce the cost of the use of satellite transit (having the router at Ministry of Finance in Akmola, the system needs two satellite channels) installed router at National Bank and bridges at EXIMBANK and Ministry of Finance In this way the system uses only one satellite channel between Ministry of Finance and National Bank and a normal dedicated line linking National Bank and Eximbank,

2 2 d Assessment of Subactivity

Benchmarks Met

- The staff of the Balance of Payments Division is updating the database daily, controlling the results of payment calculations against the creditor's advice,
- The staff of the Balance of Payments Division can now produce reports on public debt and on the country's total external debt and private non-guaranteed debt,

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- The staff of the State Debt Office has produced a set of projections through December 2000

Deliverables Completed

- Trained Balance of Payments Division staff in use of the DMFAS,
- Installation and implementation of replication environment completed,
- Creation of an environment to register private non-guaranteed debt completed,

Quality

- The National Bank possesses a state-of-the-art tool (DMFAS + WAN) which allows it to monitor, manage, and analyze the whole debt of the country

Response

- The authorities at the National Bank very much liked the system and they would like to expand the system to all the departments dealing with debt at the Operation Department, to have a better control of the payments and disbursements, at the Securities Department to register all the notes from the Bank, at the International Department to monitor the loans from International Organizations For this purpose, the Vice-Chairman of the National Bank requested USAID to grant them funds to proceed with the expansion and the training involved The answer of the USAID was that they should look to other international agencies, like World Bank for example for such funding

Current and Future Effects

- The implementation of DMFAS made possible a centralized relational database for monitoring of external debt This helped the staff to revise information flows allowing them to control and manage the database at one point in the process

Hurdles Overcome

- It was not possible to meet with counterparts of the three institutions at one time such that they could coordinate their work, specially concerning common issues like exchange rates, participants, and variable interest rates

Recommendations

- The most important recommendation is that the staff of the Balance of Payments Division continue to update the database on a permanent and regular basis External debt evolves daily If database maintenance is not undertaken daily the

data will become outdated and reports produced will be dated and of limited value

- After the move to Akmola of the Ministry of Finance a last check, at the National Bank, of the actual version (English) should be made, in order to verify the good functionality of the system in transferring the data and in terms of compatibilities of satellite lines and normal telephone lines and the speed of transfer
- The Russian version should be installed once the Ministry of Finance moves to Akmola and the connections between the three sites enabled

Unmet Expectations

- Installation of the Russian version The Russian version must be installed by UNCTAD, DMFAS Central Team, Geneva, since end of October This was not done for three reasons first the release of the version was due on January 1998, second this mission was to be paid by the External Debt Information Systems project which was signed only on the 20th of August and the disbursement was only made by the end of November, third the Ministry of Finance moved to Akmola on December 6 and the connection were not ready to check the Russian version In order to implement and check the Russian version the connectivity between the three sites must be in operation

2 3 Export Import Bank of Kazakhstan

Export Import Bank (EXIMBANK) has the role of an agent of the Government and manages almost all the debt which is guaranteed by the Government, including payments falling due by the beneficiaries, and in the case of impeachment of payment by the beneficiary starting the guarantee procedures to make the Government pay on their behalf

2 3 a Objectives and Overview of Accomplishments

Objectives

Train the staff of the Strategy and Planing Division and the managers of the loans to update the DMFAS database (updating refers to the introduction of new signed loans, maintenance of ongoing loans in the database, adjustments for real disbursements, forecasting of future disbursements, calculating amortization tables with new facts, and validating all actual payments - commission, interest and principal)

Following the complete updating of the database, further training of Strategy and Planing Division staff and the managers of the loans was undertaken in the area of user-defined reports The DMFAS system includes an advanced feature that allows the user to define reporting needs This is accomplished by introducing parameters such

as starting dates, ending dates, periodicity, units, currency values, and other user-defined fields for customized reporting

DMFAS enables the production of projection reports on future payments, future disbursements, status reports on payments on principal, interest, commissions arrears and disbursements received (real)

The above objectives are focused on the database for which the institution is responsible

The third objective is to install a Russian version of DMFAS

Overview of Accomplishments

The training, both, in updating procedures and in the production of user-defined reports has been accomplished successfully and the Strategy and Planning Division staff and the managers of the loans are using DMFAS

Through its use of DMFAS, the Eximbank has partially improved the information flows within the institution and brought about a centralized and accurate database for debt monitored by the institution

Finally, the reporting system at the Eximbank has been rationalized. Data introduced in this institution can be used by the Ministry of Finance and the National Bank to produce reports. Eximbank uses the reporting system for their own needs, and updates the database acting as data entry point for the Ministry of Finance and National Bank

2.3 b Agency Background

Before the implementation of DMFAS at the Eximbank, the institution was using a self developed system based on Excel worksheets. This system is still running in parallel to DMFAS

On the first day of the assignment, January 8, 1997, the status of the DMFAS system was as follows

A Telecommunications the WAN links between the Ministry of Finance and the EXIMBANK were working. This telecommunication system was installed on 1st of November 1996 and consisted of dedicated lines from the Ministry of Finance and Eximbank

B Status of the database the database was updated through September 1996. After this date, new loans and the real disbursement of existing loans were not registered because there was no commitment from the authorities of Eximbank to work with DMFAS

C The evolution from this initial status is described below

The Resident Adviser had to control and audit the update of the database to the end of year 1996

In first place, it was very difficult to work in an environment where the authorities were not committed to work with DMFAS. In second place the year was dedicated to restructure the bank, for privatization purposes, meaning that the staff was not sure if they will retain their jobs. Restructuration in Kazakhstan means mainly firing of staff and not reallocation of staff for better productivity. The result was that the staff was more interested in seeking a new job than update the DMFAS system.

During the first six months, the resident adviser was encouraging on a daily basis to encourage people to work. By the end of July the database was completed and updated with all projected and real transactions.

2.3 c Work Performed Details

Improving Information Flows

- The connection links were established in November 1996 between Ministry of Finance and EXIMBANK verified,
- Information flows within the institution were reviewed and recommendations provided,
- The connection links were re-established in September 1997 between National Bank, EXIMBANK, and Ministry of Finance,
- Installation of one station was completed in the managers office in order to give them direct access to DMFAS

Improving Data Quality

- DMFAS was updated with all loan disbursements in 1996 for loans monitored at Eximbank,
- Audited disbursements against creditor balances,
- Updated the estimation of future disbursements,
- Updated real payments to date,
- Updated DMFAS with all 1997 disbursements for the loans monitored at Eximbank,

Reporting System Improvements

- Prepared data on disbursements for IMF mission visiting Kazakhstan beginning of February 5th, 1997,
- Prepared data for World Bank reporting,
- Trained EXIMBANK staff in the use of user-defined feature of DMFAS to produce reports on transactions related to external guaranteed debt (disbursements, payments, arrears creation and payments of arrears),
- Prepared data on disbursements for IMF mission visiting Kazakhstan in of July 1997,
- Produced reports on the database monitored by the Eximbank,
- Prepared data on disbursements for IMF mission visiting Kazakhstan in October 1997,

Implementation of the replication environment

- Installed router at MinFin and bridges at EXIMBANK and NBRK in order to establish an automated connection between the three database,
- Upgraded ORACLE database to version 7 3 3 0 0, SQLNET v 2 0,

2 3 d Assessment of Subactivity

Benchmarks Met

- The staff of the Strategy and Planning Division and the loan managers are partially updating the database, controlling the results of payment calculations against the creditor's advice,
- The staff of the Strategy and Planning Division and the loan managers can now produce reports on public guaranteed debt,

Deliverables Completed

- Trained the Strategy and Planning Division staff and the managers staff in use of the DMFAS,

Quality

- The Eximbank possess a state-of-the-art tool (DMFAS) which allows it to monitor, manage, and analyze the debt they monitor,

Response

- The authorities at the Eximbank Bank are very satisfied with the system the managers who are working on daily basis with the system are extremely supportive to DMFAS because this has become a real management tool for them, they can extract any data from the database within minutes. The staff who is working from time to time with DMFAS are updating the database by bulk (this can be once every month or two) and they find it very cumbersome. It has been impossible to make a kind of procedure to impose on them the daily update of the database,

Current and Future Effects

- The implementation of DMFAS made possible a centralized relational database for monitoring of external debt. This enabled the staff to revise information flows allowing them to control and manage the database at one point in the process,
- If the staff at Eximbank do not update the DMFAS on regular basis, the future effect of this will be that the Ministry of Finance and the National Bank will not be able to have correct data on Guaranteed Debt as these institutions have to rely in Eximbank data entry,

Hurdles Overcome

- It was not possible to meet with counterparts of the three institutions at one time such that they could coordinate their work, specially concerning common issues like exchange rates, participants, and variable interest rates
- It was impossible to meet with the counterpart of the bank (The Chairman) to acquainted him with the DMFAS staffing and commitment problems. The only way he has been informed was through memorandum which were never answered

Recommendations

- The most important recommendation is that the staff of the Strategy and Planning Division staff and the loan managers continue to update the database on a permanent and regular basis. External debt evolves daily. If database maintenance is not undertaken daily the data will become outdated and reports produced will be dated and of limited value

- The Russian version should be installed once the Ministry of Finance moves to Akmola and the connections between the three sites enabled

Unmet expectations

- Installation of the Russian version The Russian version must be installed by UNCTAD, DMFAS Central Team, Geneva, since end of October This was not done for three reasons first the release of the version was due on January 1998, second this mission was to be paid by the External Debt Information Systems project which was signed only on the 20th of August and the disbursement was made only by the end of November, third the Ministry of Finance moved to Akmola on December 6 and the connection were not ready to check the Russian version In order to implement and check the Russian version the connectivity between the three sites must be operational

CONCLUSION

1 The Republic of Kazakhstan possesses a state-of-the-art system to monitor their external debt DMFAS is installed and fully operational at the Ministry of Finance, the National Bank and the Eximbank

2 This installation meets with all the security requirements sought by the authorities of the three institutions

3 The end users of each of these institutions have been trained, and are able to update and produce reports on their owned database They can report on disbursements, projection of payments, actual payments and arrears

4 The staff of the Ministry of Finance and the National Bank have been trained and are able to produce standard reports on the whole debt of the country, using the replication environment

5 In order to meet with the reporting requirements of the Ministry of Finance (Republic of Kazakhstan standards), the Ministry of Finance under the guidance of the DMFAS Central Team in Geneva will build an interface using DMFAS database as a core

6 The Russian version of DMFAS has not yet been installed

7 The Ministry of Finance should implement an internal procedure to oblige the Eximbank to update on a regular basis the database they are responsible for

8 The move of the Ministry of Finance to Akmola (December 10, 1997) has had an impact in the use of the system If the installation of the satellite line is not accelerated to make a last check of the system, to train the new staff which will be hired locally, to

supervise the implementation of the Russian version, all the investment in time and money could be lost

APPENDIX

REPLICATION ENVIRONMENT AND SECURITY

The replication environment consist of two main features the physical link between the servers of the three institutions and the replication environment

1 Physical Links

1 1 Links with Ministry of Finance in Almaty

The three institutions Local Area Network (LAN) are linked through two dedicated telephone lines (channels) which are connected to a telecommunication network (Dianet Line) One line links the server of the Ministry of Finance and the server of the National Bank and the second one links the server of National Bank to the server of Eximbank

A very sophisticated Telecommunication Hardware, consisting of a router placed at the National Bank and of bridge at the Ministry of Finance and a second one at Eximbank, allows the DMFAS to work in a Wide Area Network (WAN) The Ministry of Finance can connect directly to the National Bank and through the National Bank (using the router) to Eximbank The National Bank can connect directly to Ministry of Finance and Eximbank

The speed of data transfer is 64K per minute

1 2 Future Connection (when Ministry of Finance moves to Akmola)

When the server at the Ministry of Finance is moved to Akmola a satellite line will be connected from the Ministry of Finance through the knot (Dianet Line) to National Bank The speed of transmission is also 64k per minute This will allow the three institution to have the same performance they have today

1 3 Security

The Eximbank only can update its database and cannot access the database either at the Ministry of Finance or National Bank The National Bank cannot access database of either the Ministry of Finance or the Eximbank The Ministry of Finance cannot access the database of National Bank but can access the database of Eximbank in a read only feature

To stress the security, the servers at the National Bank and Eximbank are closed from Friday 19 00 hr to Monday 9 00 hr This does not allow any connection during the week ends

This security system will remain in place when the Ministry of Finance moves to Akmola

2 The Replication Environment

Replication is a features of ORACLE and allows to merge different databases with the same structure

2 1 The Architecture

The architecture of the replication environment is explained below

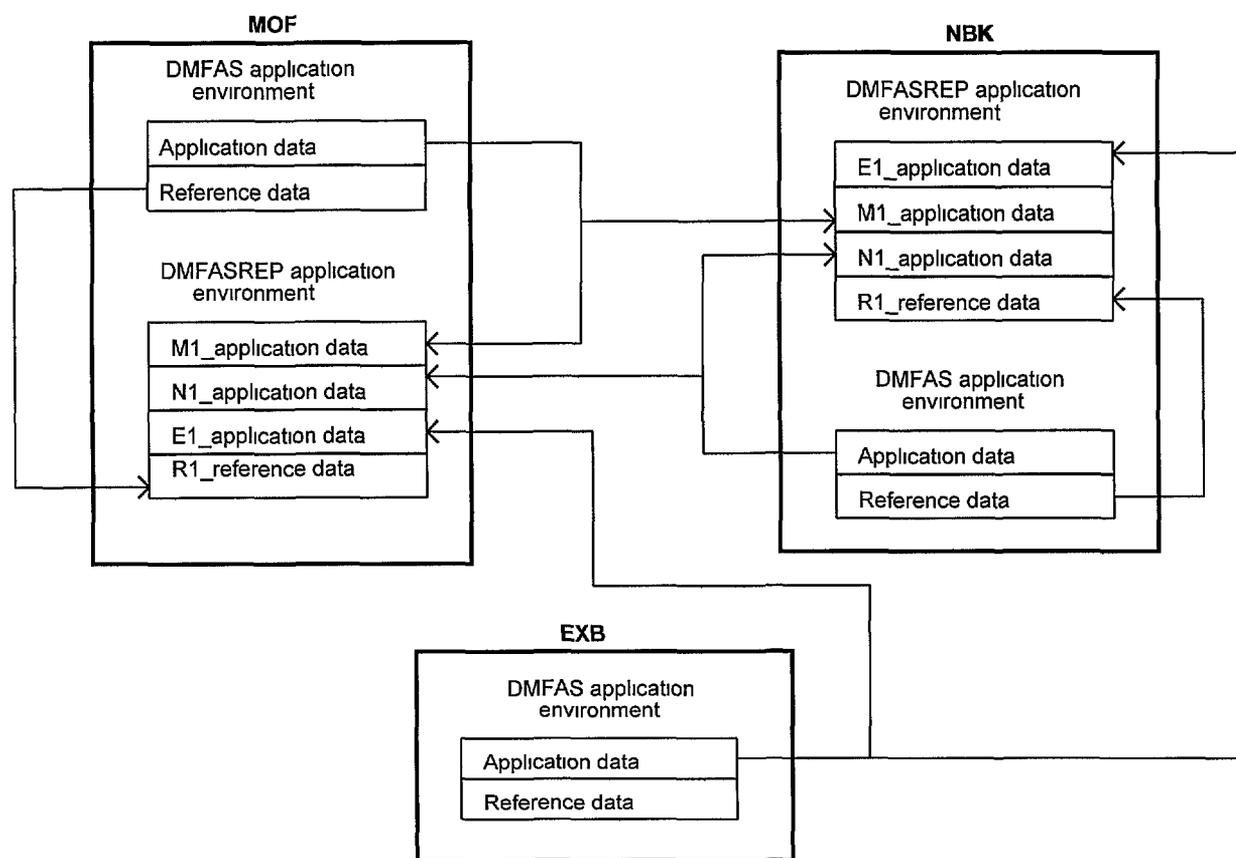


Figure 1 Technical solution to case study on replication

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Each institution works locally with its own database environment (DMFAS) In this environment, they can introduce new loans, and update old once At both National Bank and at Ministry of Finance, a replication environment has been established The replication environment contains all the files from the other institutions, is updated every day at 18 00, and can only be read, no changes or updates can be performed under the replication environment The replication environment allows the National Bank and the Ministry of Finance to produce reports on the whole debt of the country

2 2 Security

The replication environment contains all the files from the other institutions, is updated every day at 18 00, and can only be read, no changes or updates can be performed on the replication environment by either the National Bank or the Ministry of Finance This is a powerful security system that imposes the responsibility to each institution of the update of the data they are monitoring If adjustments to the database must be performed, these can only be done at the 'source' institution

2 3 Move of the Ministry of Finance to Akmola

The move of the Ministry of Finance to Akmola, in principal, will not have any implication in the replication environment, unless the connection between the Ministry of Finance and the National Bank is not available

Financial Restructuring Technical Assistance

To The Central Bank of Uzbekistan

Final Report

Contractor International Business & Technical Consultants, Inc

Contract # EPE-0005-100-5056-00

Reporting Period January 1, 1997 to December 31, 1997

A CONTRACTOR'S REPORT

1 Background

The requirements the United States Agency for International Development ("USAID") funded Task Order No 4018 states that IBTCI will provide technical assistance to the Central Bank of Uzbekistan ("CBU") through December 31, 1997. During the term of this project, a follow on task order was awarded for continuing technical assistance from January 1, 1998 through December 31, 1998. In total, the original Technical Assistance Agreement was intended to provide support in the following areas of bank supervision:

- On-site supervision
- Off-site Supervision
- Resolution of Problem Banks
- Legal infrastructure and enforcement program

The IBTCI banking supervision program in Uzbekistan began in April 1997 with the arrival of one long-term advisor, Terry L. Stroud. Mr. Stroud began this one-person assignment with the preparation of a work plan covering a twelve-month period beginning in April 1997 and continuing through March 1998. The Work Plan addressed the four areas discussed above. The Technical Assistance Agreement recognized and required the need for close interaction with the senior staff of the CBU. At the time of the arrival of the resident advisor (RA), the senior management of the banking supervision department were not totally clear as to what was expected from this task order. As a result, the involvement of senior management in the supervision department was very limited in helping the RA identify areas where immediate help was needed or warranted. This was not totally unexpected since the officials of the CBU had only limited experience in operating in an open and transparent banking environment. Therefore, the inception

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phase of the project was used to develop and foster a relationship needed to identify the current supervisory practices, assess the capabilities of management, and review the types of information being received by the supervisory department

The On-Site assistance program was essentially designed to train the inspection staff of the CBU to identify and measure risk in the commercial banking system. This training program provides practical training to the staff on how to review and assess the following

- The management structure of a commercial bank,
Policies and procedures for all major functional areas of a commercial bank, including lending,
- Management information systems used by the banks

The training initiatives have been provided to the staff through both a formal classroom setting and on the job training sessions and will continue throughout 1998

The banking supervision program also intended to ensure that a structured legal system, which consists of laws, regulations, and policy statements, was in place. Adequate authority to administer and monitor the banking sector should be supported by an adequate legal framework. Adequate authority includes the ability to prepare regulations, to conduct examinations, and to enforce compliance with prudential economic standards. This authority must also extend to the ability to revoke the license of a bank that has become insolvent and to conduct its liquidation in accordance with prudent business practices based on creditors and depositors rights

As planned, the legal section of the program began in June 1997, with the arrival of a short-term Legal Advisor. As such, the primary objective of the initial legal review was to assess the legal environment, including an evaluation of the existing laws and regulations. In addition, the Legal Advisor has sought to gain an understanding of the organizational and functional structure of the legal department within the Central Bank, in order to develop a judgment about how best to provide legal advice and assistance. Suggested changes for improvement in the structural organization could not occur until a full understanding of the current legal system was obtained. Part of this effort entails the continued development of relationships with the counterparts within the Supervision and Methodology Departments. Upon this foundation, the work of providing comments, advice, and suggestions for improvement in existing regulations, as well as the development of new regulations and entire operational programs to address important areas could proceed.

The Off-Site Surveillance Program, as per the continuation of this task order, commenced in mid-October 1997 with the arrival of Resident Advisor David Hawkins. The main goals and objectives of the off-site program are to ensure the timely and accurate submission of financial information to the CBU. In addition, it is intended to provide the CBU with information, which its employees can use to assess a bank's financial condition on an ongoing basis, in between inspections. The primary off-site project will be developed utilizing data and information submitted from commercial banks. The information

8.

received from the banks will allow the CBU, as the primary user of the system, to analyze and manipulate the data received to calculate the ratios and other financial information needed to properly supervise the banks. Through this, the CBU will detect financial trends, both positive and negative, within each bank to make a determination as to which banks are in need of increased supervision by the CBU. This analysis will allow the CBU to take a proactive, rather than a reactive, position in dealing with problems at the commercial banks.

The off-site portion of the project will consist of two separate and distinct stages, and will transcend the current project and will continue into the next phase, which begins January 1, 1998. The first stage involves the identification of data to be collected by the CBU in a standardized report format ("Call Report"). The second stage will have as its end result the development of a Uniform Bank Performance Report ("UBPR"). The UBPR will identify key performance indicators for the current period and for prior periods, thus allowing the CBU to compare a bank's current performance with its past performance. It will also allow the CBU to make comparisons between a particular bank's performance and that of its peers. This project will substantially improve the quality and integrity of the data received by the CBU.

In early December 1997, in following the continuation of the task order, Ms. Susan Thetford arrived to begin work assisting in the bank accounting area. Ms. Thetford's work will continue into the next year (pursuant to the new contract beginning January 1, 1998) and will focus on providing assistance to the commercial banks in the implementation and correct usage of the new International Chart of Accounts, which was introduced in April 1997. In addition, Ms. Thetford will be providing direct assistance to the commercial banks in the development of internal controls, internal audit programs, proper recordkeeping, and the use of International Accounting Standards. Ms. Thetford will also assist the CBU in developing guidelines and/or terms of reference with regard to auditing the commercial banks. Current plans call for each bank to receive a full scope audit for 1997. It is anticipated that the auditors will express an unbiased opinion concerning the integrity and accuracy of bank's financial statements. During her short tenure working with the commercial banks, Ms. Thetford has been directly involved in assisting one commercial bank during an on-site inspection.

• 2 Objectives and Goals of the Bank Supervision Program

As stated previously, the objectives of the Technical Assistance Program included helping the CBU transform the supervisory process from a centrally planned banking system to one that is responsive to a market economy. Upon commencement of the current project, it was discovered that the CBU had established, with the help of foreign advisors, the legal framework for a modern banking supervision department. However, it was also quickly discovered that the legal and supervisory staff had little or no experience on how to implement or utilize the new authorities and/or powers provided by these laws and regulations. It was also discovered that the inspection staff had no formal policies and procedures on how to conduct an on-site inspection of a commercial bank. The CBU's current objectives and procedures were based on outdated economic normatives. These

normatives had little or no correlation in helping assess the risk in the commercial banking sector

The resident advisor also discovered that the Central Bank had adopted a new International Chart of Accounts. An international accounting firm under the funding of the World Bank developed this accounting system. Preliminary reviews and discussions with the banking supervision staff revealed that the inspection staff did not possess the basic understanding of international accounting principles. Due to the lack of experience and understanding of this critical area, the inspection of the banks using the new CAMEL format has been slower and more tedious than originally planned. Significant training has been provided on this and will continue in 1998.

As a result of these findings, the resident advisor began the process of developing a standardized inspection report based on an internationally accepted system of inspecting banks. This process also included the development of a formalized set of inspection procedures. Prior to the initiation of the current USAID funded program, the Central Bank's supervisory staff had no standardized method of analyzing and/or formalized reporting system for detailing the financial condition of the commercial banks.

The original technical assistance also stated that significant time and effort would be devoted to a review of the CBU's licensing, liquidation, and regulations, however, due to the fact that the World Bank has hired a contractor to work on these specific areas our work in these areas will be minimal. Exceptions to this will be to confer with and provide opinions where requested in these areas by the World Bank contractor and/or the CBU.

3 Accomplishments Completed During 1997

On-Site Inspection Program

As stated, the on-site program began with the development of a Work Plan which was intended to serve as a "blueprint" for the work to be developed and implemented over a twelve month period beginning in April 1997. The Work Plan was submitted and approved by the Vice-Chairman in May 1997 and as a result this document served as a reference point in implementing the goals and objectives of the banking supervision program. A copy of the original Work Plan is attached as Exhibit 1.

As a result of the lack of understanding of the new inspection process that was about to be implemented, the resident advisor developed and provided a course regarding the purpose and objectives of a Prudential Banking Supervision Program. This program was intended for the senior managers of the BSD and the staff. The training occurred in two sessions and took place in June and July 1997. The participants included the headquarters staff of both the on-site and off-site departments and staff of the various regional offices. Approximately 50 staff members attended this training, however, only a few of the senior managers actually attended each session.

The development of a standardized inspection report, based on the CAMEL system has been completed and the staff has conducted two inspections using the new format.

Presently a great deal of on the job training is required for the staff to complete the new inspection format. This is due to the lack of the staff's understanding of basic accounting principles. A standardized report is critical to ensure consistency among the various regional offices of the Central Bank. The report is designed to reflect all major activities and functions of the bank and has resulted in an internationally accepted rating system for the subject bank. The new report format is intended to measure and comment on compliance with all applicable laws and regulations and to measure the bank's compliance with safety and soundness issues. The bank will also be assigned a numerical rating, which is intended to reflect its financial condition and compliance with laws and regulations. A copy of the standardized report is attached as Exhibit 2.

In addition to the new inspection format, a set of detailed on-site inspection procedures and internal control questionnaires (on the CAMEL system) have been developed and are now being used by the on-site inspection staff. On the job training has been and will continue to be provided to the inspection staff on each of the various components. A copy of these procedures is attached as Exhibit 3.

A training/accreditation program consisting of 4 or 5 core courses has been discussed with the Vice-Chairman of the CBU. Based on these discussions the accreditation program will consist of the following:

- Basics in Banking Supervision,
- Accounting and Financial Analysis,
- Credit Analysis,
- Basics in Foreign Exchange, and
- A course to be determined at a later date (possibly auditing standards)

Two of the courses, Basics in Banking Supervision and Accounting and Financial Analysis, have been provided to date to the staff. It is anticipated that the remaining courses will be developed and provided to the staff during 1998. It is anticipated that the Basics in Foreign Exchange will be presented in March/April and the Credit Analysis will occur in June/July 1998. It is also anticipated that a second session of the Accounting and Financial Analysis will be presented to the remaining inspectors who were not able to attend the first session provided in December 1997.

Off-Site Surveillance

A comprehensive Work Plan has been developed which outlines steps that will be accomplished throughout the term of the project in order to achieve success in the Off-Site Surveillance program. The Revised Work Plan has been approved by the CBU and has been attached as Exhibit 4.

In addition, the resident advisor has, in conjunction with the Vice-Chairman, identified a counterpart for the off-site surveillance program. In the initial stages of the program, the resident advisor and the CBU counterpart were meeting on a daily basis to discuss project goals and objectives. Currently the meetings are being held on a weekly basis.

The resident advisor has also spent a great deal of time reviewing the reports currently being received by the CBU to ascertain what additional information must be submitted by the commercial banks. This information will be utilized where appropriate in the Call Report. In addition, a review of previous work performed by consultants, the IDMAG Group, has also been reviewed and incorporated in the current analysis.

A draft copy of the Call Report, including supplementary schedules (a balance sheet, income statement, and 22 reports were initially proposed, but will probably be reduced to approximately 16 additional schedules in the final version), has been developed in conjunction with the staff of the CBU. This task included the preparation of written instructions (as necessary) for the balance sheet, income statement, and all supplementary schedules. Preliminary discussions with the staff of the CBU indicate general concurrence with the recommendation. However, there is still some reluctance to discontinue utilizing the daily trial balance as a source of information for off-site analysis.

The resident advisor believes that as time progresses he can overcome these objections. In addition, the resident advisor will be making a recommendation to obtain information on a monthly or quarterly basis rather than daily. The Director of the Off-Site Department has stated his desire to continue to receive information daily so that the problems in the commercial banks can be ascertained "immediately." The resident advisor has attempted to overcome this objection by explaining that the information for the off-site system will be too voluminous to lend itself to a daily analysis. Although not immediately able to overcome this objection, the resident advisor expects, over the next few weeks, to be able to overcome the rationale of wanting daily information. Based on preliminary discussions, only minor changes are expected with regard to the recommendations.

Accounting

A draft copy of the Work Plan has been developed and includes specific steps to be taken over the course of the accounting project to achieve the goals and objectives of the commercial bank accounting project. A copy of the Accounting Work Plan is attached as Exhibit 5.

Since the arrival of the accounting resident advisor, a majority of the advisor's time has been spent in a commercial bank participating in an on-site inspection. Specific areas of review included a review of the bank's accounting controls, financial record keeping and internal reporting procedures. This analysis resulted in the preparation of written comments and analysis for inclusion in the inspection report that will be forwarded to the bank's Board of Directors.

4 Work in Process Not Completed in 1997

On-Site

An inspection manual developed by IBTCI under the USAID Banking Supervision Task Order Project in Kazakhstan for the CBU will be updated to reflect the specific procedures, regulations and laws currently in effect in Uzbekistan. After a thorough review and update of the manual, selected sections will be presented in formal training sessions detailing the requirements of how to conduct and write an actual inspection report. It is anticipated that these revisions and up-dates will take place in the second quarter of 1998.

In addition to the aforementioned training initiatives, the resident advisor is currently working with the inspection staff on how to present the findings of an inspection report to the subject bank's Board of Directors and Management. This training will include the drafting of a "Supervisory Letter" which is intended to summarize the findings of an inspection report and what actions, if any, are required of the subject bank's Board of Directors. The remaining primary goals are to complete an inspection on the 10 largest banks and to take the appropriate supervisory remedial action, where necessary, on troubled banks.

Off-Site Surveillance

The goals and objectives as detailed in the Work Plan were accomplished within the predetermined timeframes. In October 1997 a counterpart was named to work directly with the Resident Advisor on the Off-Site project. The Resident Advisor has met on a regular basis with the counterpart to gain a better understanding of the current reporting process and to provide a better understanding of the goals and objectives of an Off-Site Surveillance Department and system in a developing country. Further, the Resident Advisor and the counterpart assisted in the evaluation of earnings and capital at an on-site inspection which helped both gain knowledge about a bank's reporting process and provided a forum to begin initial training for financial ratio analysis.

Also, the Resident Advisor has met periodically with the Director of Off-Site Supervision to discuss the goals and objectives of the program, and to answer any questions that he might have. It should be noted that there have been two different directors in the relatively short amount of time that the Resident Advisor has been consulting with the CBU. The main objection of the current Director is that he wants to receive off-site information on a daily basis. This thought process is typical of CIS countries and the Resident Advisor believes that this objection will be overcome during the term of the project. The director understands the need for the off-site system and has provided his support for this task order in meetings with the Resident Advisor.

A final report issued by IDMAG, a Canadian consulting firm, was reviewed and provided insight into the current level of off-site surveillance. Although IDMAG provided many

useful recommendations for the CBU in the area of off-site surveillance, the CBU failed to implement most, if not all, of the recommendations

A review was also performed to ascertain what information is being received by the CBU at the current time for off-site analysis. Although on the surface, this appears to be an easy task, in actuality, it was difficult attempting to determine the current reporting requirements. A significant reason for this difficulty is that although the CBU receives a large quantity of information from the commercial banks, not all departments have access to such information. It is not clear why this is occurring, but may just simply be a matter of "controlling information." It is clear that in some cases the CBU may be receiving information, which is useful for bank supervision but is not allowed to be viewed by that department or used in off-site analysis. This will be an ongoing area of concern and an objective of this project will be to narrow or eliminate this communication gap between the Bank Supervision Department and the other departments. It is our intent to ensure that the Supervisory Department receives all pertinent information for the staff to properly monitor the commercial banks. Whether this happens as a result of changing the internal access to information at the CBU or developing separate reports for bank supervision is unknown at this time.

As a result of this review, the Resident Advisor prepared comments and recommendations regarding the quality and quantity of information being received by the Bank Supervision Department. As a result of this review, a determination was made that the information for the Call Report should consist of reports currently coming into the CBU, either in modified version or current format, and in addition, several reports will need to be developed. A summary of the recommendations for the Call Report is included in Exhibit 6.

The recommendation is currently being translated into Russian for review and concurrence by the CBU. Once concurrence has been achieved, the reports will be mapped to the current chart of accounts where possible (some schedules will not be mapped directly but will require that the commercial bank maintain supplementary schedules internally). According to the Work Plan, this will be completed by the end of January 1998. There is no reason to expect that this timeframe cannot be achieved. After that date, an automated version of the Call Report schedules will be developed.

Accounting

An initial draft of a Work Plan has been prepared and has been reviewed by the CBU counterpart. It is anticipated that the Plan will be finalized and agreed to by all parties in January 1998. The accounting resident advisor has also spent some time on an actual inspection of a commercial bank. This participation has provided the information necessary to complete the Work Plan and has also provided a basic understanding of what type of accounting assistance is needed in the commercial banks.

5 Changes in the Requirements of the Technical Assistance Agreement

On-Site

As a result the World Bank's recent involvement in the banking supervision area, certain provisions of the Technical Assistance Agreement were modified and/or deleted. These provisions were discussed in detail with the USAID staff located in Almaty. Consequently, the following items were not addressed in 1997. Obviously the intent of this was to avoid any duplication of work between the two donors, USAID and the World Bank. The World Bank consultants are now addressing the following items, originally detailed in the technical assistance agreement:

An Organizational Study

Legal Issues, including enforcement options

Licensing

Restructuring of Troubled Banks and Liquidation Procedures

Off-Site

None

Accounting

The involvement and utilization of the accounting advisors was not detailed in the original technical assistance agreement.

6 Changes Necessary to Accomplish Project Goals

On-Site

As described previously, the work completed to date has been for the most part in compliance with the terms of the Technical Assistance Agreement with the exception of the work that is now being performed by the consultants hired under the World Bank Project. These areas have been clearly communicated and coordinated with all pertinent parties. However, it must be concluded that the timeframes on the remaining work are greater than originally anticipated or expected. This is primarily due to the initial lack of understanding, by the officials of the CBU, on what this project was to cover. This lack of understanding resulted in a minimal participation of the CBU staff in the initial stages of the project.

Another critical factor has been the lack of understanding and the necessary skills of the staff in fundamental accounting and financial analysis concepts. Sound financial and analytical skills are elements of an effective banking supervision program and these essential skills simply do not exist at this time. This lack of knowledge has delayed the progress in conducting the on-site inspections of banks using the CAMEL system. A major effort is being made and will continue in 1998 to provide training in international

accounting practices, financial and credit analysis, and prudent asset/liability management techniques. These skills are absolutely necessary due to the conversion to a modern accounting system that is being utilized by the commercial banks. An effective on-site program is of paramount importance due to the lack of quality data being submitted by the commercial banks to the CBU. The usefulness of any financial analysis depends on the integrity of the data being submitted by the commercial banks. It is probably two more years until the banks fully implement and completely understand the new chart of accounts. The conclusion to date is that the banks themselves do not have a fundamental understanding of international accounting concepts. Therefore, the only logical result is that the data being submitted to the CBU is misleading and flawed, at best.

In addition, the CBU has divided the primary responsibilities of the banking supervision department using the on-site and off-site organizational model. There is nothing wrong with this approach and in fact it is quite common in more developed countries, however, for this structure to be truly effective there must be a clear line of communication between the two departments to ensure the timely flow and exchange of information. This is not the case that exists today at the CBU. In addition, there has been a problem concerning the continuity of management in the on-site department. During the previous nine months, there have been three different department heads of the on-site supervision department. For the most part the changes were needed due to the lack of a quality and motivated manager.

In addition, the CBU continues to place too much emphasis on outdated economic norms that have little correlation to measuring or monitoring risk in a modern, market driven economy. The current emphasis is to control the banking system rather than supervise it. The attitude of the senior management in the bank supervision department is slowly being changed in this regard with the introduction of prudential banking supervision. The members of this project and the consultants of the World Bank are continually stressing this concept.

Off-Site

For the most part, the work of the off-site surveillance has proceeded in a timely manner, however, there have been delays in receiving critical information in a timely manner. For example, it took approximately 6 to 8 weeks to receive basic financial information on commercial banks. As a result of these concerns, meetings were held with the Vice Governor overseeing Bank Supervision and with the Director of Off-Site Supervision. In response to the concerns, CBU officials indicated that the problems were eliminated and would not occur in the future. The Resident Advisor will continue to keep USAID advised if there are any problems in obtaining necessary information in the future.

The off-site surveillance project has also been plagued by the numerous turnovers in managers. The off-site department has had three different managers over the last few months. It appears to be adequately staffed at this point in time. As discussed previously, there is some reluctance to eliminate the need for information to be provided on a daily

basis. This is not expected to have much of a negative impact on the overall goals of the project.

7 Future Initiatives

Training

In addition to the aforementioned accreditation program, training will be provided throughout our future work with the CBU. Formal training will emphasize the following:

Completion of the Call Report Training should be provided to the commercial bank personnel responsible for the completion of the Call Report. The focus will be on how to complete each schedule of the report, which will enable the CBU to ensure the accuracy of information to be utilized for Off-Site analysis. In addition, off-site personnel of the CBU should attend this training so that they can become familiar with the information to be used to derive financial ratios for off-site analysis.

Ratio Analysis General training should be provided to the CBU personnel (both off-site and on-site) on principles of financial ratio analysis. Specific emphasis should be placed on the ratios to be derived from the Income Statement as expertise in this area is lacking due to the recent transition to International Accounting Standards (cash vs accrual accounting has a more pronounced effect on the Income Statement than on any other report).

Use of the Bank Performance Report General training should be provided to both the on-site and off-site staff of the CBU to impart general training as to how to utilize the Bank Performance Report (to be developed) for financial analysis of the commercial banks. Emphasis should be placed on the identification of risk and the use of the report as an Early Warning System to note problems prior to becoming very severe.

External Audit Process Training should be provided to the commercial bank personnel and CBU staff regarding the purpose, responsibility, scope, usefulness and limitations of an external audit. A primary objective should be to enhance the understanding of the auditors' opinions and content of the audited financial statements and related footnotes.

Internal Audit Process At the suggestion of the CBU audit manager, training should be provided for Internal Auditors of the commercial banks, as well as selected CBU personnel, regarding internal audit procedures. This training will be developed in conjunction with a proposed certification program for Internal Auditors.

International Accounting Standards General training should be provided to both the on-site and off-site staff of the CBU and to the accounting and internal audit staff of the commercial banks. Emphasis should be placed on utilization of the International Chart of Accounts and addressing problems encountered to date. This training may be incorporated, in whole or in part, with the Call Report training discussed above.

In addition, informal training should be provided to the commercial banks and CBU personnel on an on-going basis. On-the-job training should be provided to the three pilot banks, which will participate in the completion of the Call Report on a trial basis. On-the-job training should also be provided to CBU personnel as needed to apply the principles of off-site analysis learned in the formal classroom training.

Utilization of Short-Term Advisors

Short-term advisors will be utilized in the future to supplement the work to be done by the long-term advisors. These advisors are expected to be utilized in the development of the off-site system, for providing formal classroom training in the area of foreign exchange, and for developing the training materials on the credit analysis and the classes on internal and external auditing standards.

Conclusion

As described in the previous sections of this report, there have been many issues brought to the attention of the CBU. There have been some problems and there have been some successes. The areas in which additional work is needed includes the following:

- An improved management structure and organization is needed as the current structure is absent of any clear delegation of authority and accountabilities.
- An improvement in management skills as it pertains to time management and professional work habits
 - An improvement in understanding international accounting principles and fundamental financial analysis techniques

These and other shortcomings have contributed to the low productivity of the supervisory staff of the CBU. However, notwithstanding these problems, there have been numerous successes and other positive events. The CBU is now committed to accounting reform and such reforms will be increased with the help of additional foreign advisors at the commercial banks and the CBU. In addition, the CBU has adopted a new on-site inspection process, including some basis inspection procedures. These procedures will be significantly expanded during the coming year.

Another positive aspect is that the CBU has several young outstanding junior managers who have demonstrated the ability to grasp the new supervisory techniques being stressed. However, a key component of continuing this positive trend is the commitment and training of the senior managers of the supervisory department. These managers can not be expected to provide the leadership and direction necessary when many of the new techniques and processes are unfamiliar to them. With the exception of one or two senior managers, the desire to learn by the senior management has been minimal. The success of our future work will be largely decided on changing this lack of desire and interest on the part of management.

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This report has been our best attempt to be forthcoming and candid about the work accomplished to date. We acknowledge the cooperation and assistance provided to us by the managers and staff of the CBU and look forward to the continued progress and success of implementing this much needed reform in the banking sector.

EXHIBIT 1

APRIL 1997 WORK PLAN

The Central Bank of Uzbekistan
Banking Supervision Department
Proposed Work Plan for Banking Supervision

Prepared by Terry L. Stroud

Senior Resident Advisor

International Business & Technical Consultants, Inc.

April 1997

Purpose of the Work Plan

This Work Plan ("Plan") is intended to help the Central Bank of Uzbekistan carry out its responsibility for ensuring and administering the safety and stability of the banking system in Uzbekistan. This Plan includes the development of a Banking Supervisory Program designed to protect the interest of the depositors, creditors and investors in the banking system. It is intended to cover a twelve-month period beginning in April 1997.

The Plan encompasses four basic areas of banking supervision. These areas include

- ◆ On-site Supervision
- ◆ Legal - Enforcement Requirements
- ◆ Off-site Supervision
- ◆ Bank Resolution Unit

The program as envisioned in this Plan is set to be implemented in two separate and distinct stages. The first stage will include the review and implementation of an on-site inspection program and a review and development of a legal system. The second stage will consist of enhancing the expertise of the existing Bank Resolution Unit and a continuation of the development and implementation of the off-site program. It is noted that some work in the off-site area has been conducted by IDMAG, a Canadian Company. This work appears to be funded by the World Bank. A careful review of their program will be conducted to ensure any duplication will be minimized. It is currently contemplated that the second phase of this program will not begin prior to the fall of 1997.

This program is intended to serve as a gradual one in which the successful completion of one section will lead to the development and implementation of the next logical sequence of events. To fully implement this program will require more than a 12 month period, however, additional time will only be considered after some initial successes have been completed and demonstrated by the various parties involved in this project.

This Plan makes the assumption that the Central Bank will provide adequate office facilities for the advisor to carry out his duties and responsibilities. It also assumes that the staff will cooperate in providing information as requested by the resident advisor on the banking system. It is noted for the record that all such material will remain in the strictest confidence of the resident advisor and is the property of the Central Bank. It is also noted that the work detailed in this Plan can only be addressed and implemented in

the times frames provided if adequate support, cooperation, and participation is provided by the employees of the Banking Supervision Department (“BSD”)

The plan provides for formal classroom training on certain topics that will continue and supplemented with on-the-job training in all vital areas. Certain of these courses are defined in the various sections of the Plan. Additional courses will be developed at a later date.

The Central Bank of Uzbekistan, by the adaptation of this Plan, has indicated its intention to promote and ensure the existence of a safe and sound banking system in the Republic of Uzbekistan. To help ensure the success of this program, a modern and efficient BSD is an absolute necessity. Finally, it is important to note that the need for an effective prudential bank supervision program actually increases when a banking sector is being deregulated and market forces are being developed.

On-Site Supervision

Mission Statement: A comprehensive on-site inspection process should serve as the cornerstone for ensuring the banking system remains financially viable. The Banking Supervision Program proposed is based on the prudential supervisory goals of safety and soundness and not the concept of achieving certain social goals. The on-site inspection process is intended to serve as a direct verification of the financial data being reported by the owner and managers of the commercial banks. This system of supervision is organized and structured to allow the Central Bank to take the appropriate response(s) to problems as they are uncovered or recognized. The early identification of risk is essential to the success of a bank supervisory program.

Goals and Objectives The development and implementation of a rating system will allow the Central Bank’s supervisors to evaluate a bank uniformly by using a common methodology. This rating system will need to take into account all the major financial areas that are critical to a commercial bank’s financial condition. An inspection report will emphasize the following: capital, quality of assets, quality of management, quality of earnings, and liquidity. The inspection report should comment on and recommend actions to improve and strengthen the bank’s corporate governance and the management information system being utilized. The development and retention of a qualified inspection staff on these concepts is absolutely necessary to properly supervise and regulate the commercial banks.

The following steps and/or actions will be taken to accomplish these goals:

- An analysis and review of the Banking Supervision Department organizational structure is necessary to understand its workings and to ensure the optimal structure is in place. The ideal structure will eliminate unnecessary duplications of work and

create a communication process that is consistent throughout the department. A proposed organization structure will be developed with the assistance of the BSD.

TimeFrame for Implementation May - June 1997

- A general training session regarding the purpose and objective of a Prudential Banking Supervision Program will be developed. This program will be provided to the senior managers of the BSD and the staff. The training will be provided in a series of classes.

Timeframe for Implementation May - June 1997

- The development of a standardized inspection report is necessary to ensure consistency. The report will be designed to reflect all major activities and functions of the bank and will result in an internationally accepted rating system for the subject bank. The report is intended to measure and comment on compliance with all applicable laws and regulations and to measure the bank's compliance with safety and soundness issues.

Timeframe for Implementation June - August 1997

- The development of an examination schedule which details the time period during which banks will be examined for the upcoming quarter. The schedule will also provide for flexibility for specialized examinations or other unusual circumstances that arise periodically.

Timeframe for Implementation June- July 1997

- A Supervisory Profile for each commercial bank will be developed and implemented. This profile is intended to provide certain background information on the bank and the ownership and management structure. It will be used to help determine the scope for the upcoming inspection of each bank and will comment on areas of risk being undertaken by the bank's management. The profile is intended to be updated each quarter.

Timeframe for Implementation July-September 1997

- An inspection manual as been developed by the USAID Banking Supervision Project in Kazakstan. Limited training on the contents of the manual has been provided to the BSD's staff. After a thorough review of the manual, selected sections will be presented in formal training sessions detailing the requirements of how to perform an on-site inspection and how to write an inspection report. Detailed examination

procedures will be developed and subsequent training provided to the staff This training will be conducted on the actual inspections of at least three banks

Timeframe for Implementation July - December 1997

- Training on how to present the findings of an inspection report to the subject bank's Board of Directors and Management will be provided to the on-site inspection staff This training will include the drafting of a "Supervisory Letter" which is intended to summarize the findings of an inspection report and what actions, if any, are required of the subject bank's Board of Directors

Timeframe for Implementation November - December 1997

Legal and Enforcement Requirements

Mission Statement An effective Bank Supervision Program requires a sound legal framework and infrastructure Clear and specific laws and regulations are needed to allow the supervisors and the commercial bankers to be aware of the "rules" of the game The primary intent for this program is to ensure that the Central Bank has the necessary laws and regulations to initiate and implement a timely and effective approach to properly monitor and control certain activities of the commercial banking system A proper set of laws and regulation will address issues and activities that range from relatively minor problems to others that may have a major impact on the bank's future viability

Goal and Objectives To aid in the drafting and implementation of the laws and regulations necessary to allow the Central Bank the authority and power to properly supervise the commercial banking system This includes a complete review of all laws and regulations currently in effect to determine their applicability and effectiveness in supervising the banking system The legal framework should include the following levels at a minimum

- ◆ First level - **Laws**
- ◆ Second level - **Regulations**
- ◆ Third level - **Policy Statements**

The following steps and/or actions will be taken to implement these goals

- A review of the Law on the Central Bank to determine its effectiveness will be made This review is intended to make recommendation to increase its

effectiveness The legal review will also include the Law on Banks and Banking Activity

Timeframe for Implementation June 1997

- A review of all applicable regulations will be made to determine their applicability and effectiveness This review will include a thorough analysis to determine if additional regulations and/or laws are needed Revisions to existing laws will be recommended where required and necessary The regulations for review will include asset classification and provisioning, transactions with affiliates and insiders, large credits and loans to one borrower, and capital compliance

Timeframe for Implementation Commence in June 1997

- The development of a program for implementing enforcement actions will be initiated and implemented This review will include, at a minimum, the development of enforcement procedures and the recommendation to establish an enforcement committee to ensure consistency in applying sanctions and penalties

Timeframe for Implementation October - December 1997

Off-Site Supervision

Mission Statement. The primary focus for the off-site supervision system is to develop an information network, utilizing data and information submitted by the commercial banks This network of information allows the user to analyze and manipulate the data to gain a better and more complete understanding of the financial condition of each bank A primary purpose of the analysis is to detect trends, both positive and negative, and to take appropriate action(s) in a timely manner

The data is intended to be submitted in a standardized report ("Call Report") and will be submitted to the Central Bank on a quarterly (monthly) basis An end result of this information is to produce a Uniform Bank Performance Report These two reports are intended to substantially improve the quality and integrity of the data received by the Central Bank and provides the basis for an early warning or detection system

Goals and Objectives There are two primary goals in implementing this program These include

- Ensure the timely and accurate submission of financial information to the Central Bank's Banking Supervision Department,
- Improve the process of identifying problems in the banking sector prior to them becoming so severe that a remedial plan of action can not be implemented or initiated by the supervisory staff of the Central Bank

The following steps and/or actions will be taken to accomplish these goals

- Prepare a draft copy of the Call Report, including all supporting schedules This task also includes the preparation of written instructions for the balance sheet, income statement and all supporting schedules

Timeframe for Implementation October - December 1997

- In conjunction with the staff of the Central Bank, develop an automated version of the Call Report, complete with all supporting schedules This process will require the development of certain proprietary software It is anticipated that the Call Report and all schedules will be accessible by personal computers

Timeframe for Implementation January -March 1998

- Design and implement a training program for the Central Bank staff on the use of the Call Report This training will consist of a one-week formal classroom training and will be followed up with periodic on-the-job training This training will focus on verifying the integrity of the data submitted by the commercial banks

Timeframe for Implementation January - March 1998

- Identify 3 banks for inclusion in a pilot program to implement the Call Reports This effort includes training the employees of the commercial banks This training will involve close collaboration with the employees of the banks and obtaining feedback on the results of the implementation of the Call Reports and the supporting schedules

Timeframe for Implementation January – March 1998

Problem Bank Resolution

Mission Statement The Bank Resolution Unit's primary focus is to identify, analyze, and monitor all commercial banks that are not in substantial compliance with applicable laws and regulations and/or those that have substantial financial problems which threaten the bank's capital position These problems, at a minimum, may include banks that are not in substantial compliance with the applicable capital requirements, operating policies

and procedures that are non-existent or inadequate. It also includes all banks, which have received an unsatisfactory examination rating.

Goals and Objectives The objective in dealing with a problem bank is for the regulatory authorities to take a firm and appropriate response to the bank's problems in a timely manner. In order to take an appropriate response, the problems have to be accurately identified. Once the problems are identified, the regulatory action plan should attempt to 1) stabilize the bank's and contain the problems, 2) make a determination as to the depth and magnitude of the problems, 3) implement the most appropriate solution from a legal and practical perspective.

The following steps and/or actions will be taken to achieve these goals:

- Identify each bank not meeting the minimum capital requirement and determine the shortage of capital in monetary terms.

Timeframe for Implementation June 1997

- Review each of the undercapitalized bank's financial performance and determine some type of preliminary action plan to address the bank's financial problems. During this review, some type of preliminary analysis should be conducted to determine if the bank's problems can be resolved or if some other type of final resolution, (liquidation, and merger) is warranted.

Timeframe for Implementation September - November 1997

- Initiate the development and implementation of training procedures for the adequate supervision of problem banks. A program to ensure that corrective action plans are directly tied to each bank's specific problems will be developed. This includes a formal classroom training session on supervisory techniques to deal with problem banks including the use of enforcement measures and techniques to minimize and contain the problems.

Timeframe for Implementation October - December 1997

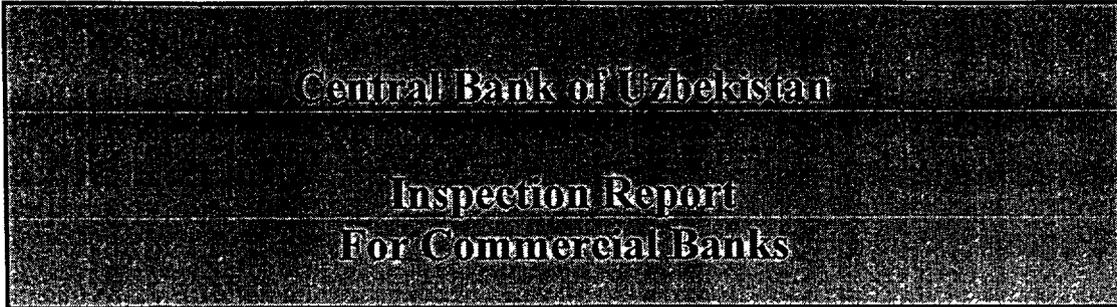
- Develop and implement a Liquidation Manual. This manual will include detailed procedures on how to take over and perform the actual liquidation process for an insolvent bank. A formal weeklong training session on this topic will be provided. This training will be supplemented by on-the-job training that will occur on the actual liquidation of an insolvent bank.

Timeframe for Implementation January - March 1998

EXHIBIT 2

STANDARDIZED INSPECTION REPORT

Report Cover Page



Name of Bank _____

Inspection Date _____

Financial Data as of _____

Inspection Commenced _____

Inspection Completed _____

Inspector in Charge _____

THIS INSPECTION REPORT IS STRICTLY CONFIDENTIAL

An inspector appointed by the Central Bank of Uzbekistan ("CBU") has prepared this report of inspection as authorized by Article 51 of the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" The information contained in this report is based upon the books and records of the bank, upon statements presented to the inspector by the directors, officers, and employees of the bank

It is recommended that each board member and executive officer in accordance with his/her duties and fiduciary responsibilities review this report and become fully informed on the contents and recommendations This report is furnished to the bank for its confidential use

This report is the property of the CBU Under no circumstances shall the bank or any of its management officials disclose its contents or make public in any manner the report or any portion thereof In conducting their review, the management officials of the bank should keep in mind that this inspection report is not an audit, and therefore should not be considered an audit report This report does not in any way relieve the duty of the management officials of the bank to obtain an independent audit report

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Overall Conclusions

The inspector should provide a summary (no more than 2 pages) in which each component of the CAMEL system is briefly commented on. The inspector should briefly describe the overall condition of the bank and reference the major problems and concerns noted during the inspection along with any major recommendations.

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Capital Adequacy

Capital adequacy is evaluated in relation to the capital guidelines as per the minimum requirements, the ability of the bank to generate adequate earnings, past and future plans with regard to dividends, the level and trend of non-performing and classified assets, the composition of the balance sheet, the past trend of asset growth and ability of management for maintaining capital and correcting noted deficiencies.

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Asset Quality

Asset quality is evaluated in relation to the level of non-performing assets and the level and severity of classified assets, the level of past due loans, non-accrual assets, and restructured loans, the adequacy of valuation reserves, and management's demonstrated ability to identify and administer problem assets. Consideration should also be given to any undue concentration of credits, investments or other assets, including loans to affiliated parties. The effectiveness of lending policies and credit administration should be reviewed along with management's ability to administer a prudent lending portfolio.

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Management/Administration

The Board and Management are evaluated in relation to all factors necessary to operate the bank in a safe and sound manner in accordance with prudent banking practices. Strong emphasis should be given to the following: technical competence, leadership, and administrative ability; ability to comply with applicable laws and regulations; ability to prepare a operating forecast and budget of resources; the ability to respond to changing conditions; and a review and depth of the current management structure. In addition, management is evaluated by their susceptibility to undue influence, a concentration of authority, and/or questionable practices regarding credit extended to insiders, including major shareholders, directors, and executive officers.

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Earnings

Quality and quantity of earnings are evaluated in relation to the ability to support present and future operations; provide for adequate capital; and composition, level and trend of earnings. Consideration should also be given to the adequacy of provisions for loan losses, dividend payout, and management's ability to accurately forecast earnings. Consideration should be given to any unusual fluctuations in earnings and a review of the accounting practices relating to income and expenses.

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Liquidity

Liquidity is evaluated in relationship to the bank's composition and stability of its balance sheet. This area is reviewed in conjunction with minimum requirements as set by the law. In addition, consideration is given to the nature of the bank's deposit structure, its ability to raise and/or borrow funds, the volume and timing of commitments, and compliance to written internal funding policies.

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Documentation, Record Keeping, and Internal Controls

Internal Controls are concerned with the safeguarding of the bank's assets and the reliability of the bank's financial records. This system should be reviewed in the context of evaluating management to ensure procedures are in place that assure the bank's financial information is prepared in a timely manner and submitted in an accurate format. Internal controls should be evaluated to ensure that no one person is in a position to make significant errors or perpetrate significant irregularities without timely detection. The inspector should comment on the accuracy and reliability of the bank's accounting systems to ensure all transactions are recorded and prepared in conformance with International Accounting Standards.

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Other Significant Matters

The inspector should prepare a written comment on all questions that are answered in a negative manner.

- 1 Are all monthly and quarterly reports submitted to the CBU in a timely and accurate manner? Y____N____
- 2 Does the Board of Directors approve adequate policies and procedures in the areas of lending, investments, deposits, liquidity and capital? Y____ N____
- 3 Is compliance with the internal policies considered satisfactory? Y____N____
- 4 Does the Board of Directors meet on a regular basis and are the meetings well attended by all Directors? Y____N____
- 5 Does the Board receive adequate information to determine a true and accurate financial condition of the bank? Y____N____
- 6 Does the bank have an internal audit function? Y____N____
- 7 If so, is the internal audit function effective in terms of scope, frequency, and independence? Y____N____
- 8 Are internal controls regarding the banks accounting methods and systems adequate? Y____N____
- 9 Does management prepare an operational budget for the next fiscal year? Y____N____
- 10 Does the budget contain realistic assumptions? Y____N____
- 10 Has the management of the bank reported all defalcations to the proper authorities? Y____N____
- 12 If the bank has any affiliate relationships, are such relationships free of adverse effects to the bank's overall financial condition? Y____N____
- 13 Has the bank properly reported all frauds and thefts to the proper authorities? Y____N____
- 14 If the bank has any affiliate relationships, are such relationships free of adverse effects to the bank's overall financial condition? Y____ N____

Appendix

This section is designed to offer detailed support for the narrative comment sections and the letter to the directors and management

Comparative Balance Sheet

	Current Period	Prior Period
Assets		
Cash		
Due from Commercial Banks		
Due from Central Bank of Uzbekistan		
Bills Purchased		
Securities		
Investment Securities		
Securities – Trading		
Loans and Finance Lease Receivables		
Loans		
Finance Lease Receivables		
Less Reserves for loan losses		
Net Loans		
Premises and Equipment, net		
Other Real Estate Owned		
Accrued Interest Receivable		
Other Assets		
Total Assets		
Liabilities		
Deposits		
Demand		
Savings		
Time		
Government		
Total Deposits		
Due to Central Bank		
Due to Other Banks		
Due to Head Office and Branches		
Loans Payable		
Accrued Interest Payable		
Subordinated Debentures		
Other borrowings		
Other Liabilities		
Total Liabilities		
Stockholders Equity		
Common Stock		
Preferred Stock		
Paid –in Surplus		
Revaluation Reserves		
Retained Earnings		
Year to Date Earnings		
Appraisal Values Over Cost		
Total Stockholders Equity		
Total Liabilities and Shareholders Equity		

Comparative Statement of Income

Current Period

Previous Period

Interest Income		
Interest on Loans		
Interest on Deposits		
Interest on Securities		
Other interest income		
Total Interest Income		
Interest Expense		
Interest on Loans		
Interest on Individual Accounts		
Interest on Enterprise Accounts		
Interest on Government Accounts		
Other Interest Expenses		
Total Interest Expenses		
Less – Provision for Loan Losses		
Net Interest Income after Provision for Loan Losses		
Non Interest Income		
Non Interest Expense (Operating expenses)		
Net Income Before Taxes and Extraordinary Items		
Extraordinary Gains (losses)		
Net Income		

1:4

Capital Structure

Monetary Amount

Tier 1 Capital	
Fully paid up shares – Common Stock	
Capital Surplus	
Preferred Stock	
Retained Profits from Prior Periods	
Year to date earnings	
Other (specify)	
Less Intangible Assets	
Less Investment in Other Banks and Affiliates	
Total Tier 1 Capital	
Tier 2 Capital	
Subordinated Debentures	
Asset Revaluation Reserves	
Allowance for Loan Losses	
Other (specify)	
Total Tier 2 Capital	
TOTAL TIER 1 AND TIER 2 CAPITAL	

Capital Structure Adjusted for Inspection Results

Classification	Balance	Percentage	Weighted Total
Non – Satisfactory		10%	
Substandard		25%	
Doubtful		50%	
Bad (Loss)		100%	
Weighted Total			
Less General Provisions			
Adjustments to Capital			

Summary of Adversely Classified Assets

Name of Borrower	Non - Satisfactory	Substandard	Doubtful	Loss
Total Detailed Classified Assets				
Total Assets not detailed				
Total Classified Assets				

Assets Subject to Classification Individual Summary Write-Ups

Borrower

Nature of Business

Financial Information on Borrower

Origination Date

Origination Amount

Original Maturity Date

Repayment Terms

Interest Rate

Purpose of Loan

Collateral

Value of Collateral

Renewals

**Renewal
Date**

**Maturity
Date**

**Monetary
Amount**

**Interest
Rate**

Total Amount Outstanding

Uncollected Interest

Reason for Classification

Examiners Classification

Bank's Internal Classification

Extension of Credit to Affiliated Persons

Listed below are extensions of credit to insiders. Insiders are defined as major shareholders (10% or more of voting stock), directors, executive officers, and any entities these person control

Name	Original Loan Amount	Amount Outstanding	Comments

Violation of Banking Laws and Regulations

Statistical Data Sheet

Name of Bank
Date of Inspection
Inspector in Charge
Inspector's Rating

**Current
Inspection**

**Previous
Inspection**

BALANCE SHEET		
Total Assets		
Total Liabilities		
Total Deposits		
Household Deposits		
ASSETS		
Gross Loans		
Less Reserve for Loan Loss		
Net Loans		
Classified Assets		
Non-satisfactory		
Substandard		
Doubtful		
Loss		
Total Classified Assets (TCA)		
Loans to Insiders		
TCA/TRC		
Past Due Loans (PDL)		
PDL/TRC		
CAPITAL		
Tier 1 Capital		
Tier 2 Capital		
Total Regulatory Capital (TRC)		
EARNINGS		
Total Income		
Total Expenses		
Net Income		
Less Dividends		
Retained Earnings		
ECONOMIC NORMATIVES		
N1 Capital Adequacy		
N2 Capital/Liabilities >5%		
N3 Liquidity > 25%		
N4 Liquidity > 30%		
N5 Liquidity = 100%		
N6 Loans to one borrower		
N7 Big Credits (can not exceed 5x capital)		
N8 Loan to one Borrower <35%		
N9 Purchase of non-state securities		
N10 Other investments <20%		

Signature of Directors

We the undersigned directors have personally reviewed the contents of the Inspection Report dated _____

Name of Bank _____

Inspection Date _____

Signature of Directors

Date

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EXHIBIT 3

ON-SITE INSPECTION PROCEDURES

The Central Bank of Uzbekistan

Department of Bank Supervision

Examination Procedures

Prepared by Terry L. Stroud
International Business and Technical Consultants, Inc

Introduction

The Central Bank is responsible for monitoring the safety and soundness of the commercial banking system in Uzbekistan. To help achieve this goal, the staff of the Central Bank has adopted the CAMEL Inspection Process. CAMEL provides a framework for evaluating all significant operational areas of a commercial bank. The evaluations are made on Capital, Assets, Management, Earnings and Liquidity.

The CAMEL system is based on the concept of risk identification and it uses a top down approach in evaluating and monitoring risks. The Board of Directors and Management of commercial banks are expected to identify and manage risk in their own banks. They are responsible for controlling risk by operating the bank according to sound banking principles. Sound banking principles start with an assessment of the bank's policies, procedures, management information systems, the quality of the management team and the various internal controls that management uses to make decisions. The staff of the Central Bank is responsible for assessing how well a bank manages this risk over time. A simplistic approach of assessing risk is how any given activity impacts earnings and capital. From a regulatory perspective, risk is the potential that certain activities may have an adverse impact on the bank's earnings and capital.

Commencement of the Inspection

At the start of the inspection, the inspector-in-charge will

- ◆ Obtain all written policies for the bank's operations,
- ◆ Obtain a copy of the bank's business plan,
- ◆ Obtain copies of all minutes of the shareholders council meetings and the board of directors meetings since the previous inspection, In addition, copies of the types of reports that are submitted to the Council and Directors should be obtained and reviewed,
- ◆ Obtain a list of all operating committees and their members,
- ◆ Determine if any one person(s) or group of people appears to control or dominate the Council or Board Meetings. If so, is this having a detrimental effect on the bank?

The following procedures should be reviewed, at a minimum, at each inspection

Capital – One of the most important objectives for the regulatory process is to evaluate the adequacy of a bank's capital position. The following are items that will be reviewed during the inspection process

- ◆ Identify and comment on the ownership and control of the commercial bank
 - ◆ Review the bank's latest shareholders list
 - ◆ Did a change in ownership occur?

- ◆ If so, did it require prior notification and/or approval of the Central Bank?
(Refer to Article 51 of the Law on the Central bank)
- ◆ Determine and comment on the bank's efforts to meet its minimum capital requirement Please refer to Order of Activity of Commercial Bank's N 10, paragraphs 17 and 18
- ◆ Determine and comment if earnings will continue to be a positive enhancement to capital
- ◆ Determine and comment on the bank's present or future plans are with regards to dividends
 - ◆ Is the policy on dividends reasonable?
- ◆ Review and comment on the bank's plans for growth
 - ◆ Determine if capital will continue to be sufficient if the bank has aggressive plans for growth
- ◆ Evaluate the bank's capital position in light of the current inspection results regarding the quality of the bank's assets
- ◆ Does the bank have a business plan that addresses the bank's current and future capital needs?
- ◆ Assign preliminary rating for capital and prepare written comment for report

Asset Quality

Loans – The loan portfolio is generally the single largest and most important revenue-producing asset in commercial banks. Therefore, it is extremely important the quality of these assets be reviewed and analyzed. The inspectors' job is to determine the overall quality of the loan portfolio and identify the source or cause of any problems or potential problems. The main emphasis in the analysis of asset quality is based on the collectibility of the loans.

- ◆ The inspectors should ascertain if management has a formal written policy regarding the bank's lending program
- ◆ Upon receipt (if available), the inspector should review the policy to see if it addresses the following items at a minimum
 - ◆ Distribution of loans by category,
 - industry concentrations,
 - ◆ loan pricing,

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- ◆ maximum maturities,
- ◆ types of acceptable collateral,
- ◆ guidelines on loans to affiliated persons or insiders
- ◆ any prohibited types of loans

- ◆ Does the bank have a loan committee?
 - ◆ If so, how often does it meet?
 - ◆ Who are the members of the committee and what are their qualifications?

- ◆ Obtain a listing of all loans including past due loans, non-accrual loans, loans to insiders, loans internally classified by management, and all “big” loans See paragraph 24 of N10

- ◆ Does management maintain a list of problem loans? If so, obtain a copy and determine its adequacy Does management submit reports to the Central Bank as required by Reg? No 242

- ◆ Review a sample of the loan portfolio to determine credit quality
 - ◆ At a minimum all loans to insiders and affiliates,
 - ◆ all past due loans,
 - ◆ all “big” loans
 - ◆ The total of reviewed loans should be greater than 50% of the loan portfolio
 - ◆ Prepare loan write-ups as required in the inspection report and assign appropriate classification where warranted

- ◆ Does the bank have an internal loan review process?
 - ◆ Is so, does it adequately identify problem loans?

- ◆ Reconcile the list of adversely classified assets with the reports submitted to the Central Bank

- ◆ After the review and classification of all assets, determine the adequacy of the reserve for loan losses Determine if the bank has established specific and general reserves

- ◆ Determine if the bank has any other real estate owned If yes, then classify other real estate appropriately

- ◆ Prepare written comments on all adversely classified assets

Securities – The purpose of the review is to determine the overall quality of the bank’s investments and to evaluate any trading activities, which may have an adverse effect on the bank’s financial condition

- ◆ Does the bank have a written investment policy?
 - ◆ Is so, does it adequately address the objectives of all investment activities?
- ◆ Obtain a listing of all investment securities!
 - ◆ Does the trial balance or schedules agree with the total on the bank's balance sheet?
- ◆ Does management segregate the portfolio into held-for-maturity and trading accounts?
- ◆ Where are securities being held?
 - ◆ Are securities held by third parties?
 - ◆ Does management maintain safekeeping receipts?
- ◆ Review the yield on securities and the effectiveness of the investment strategies
- ◆ Prepare written comment for inspection report (generally the comment will appear in the earnings section of the report)

Due from Banks

- ◆ Does the bank maintain a listing of all due from Banks?
 - ◆ Do the statements prepared by the correspondent bank agree with the statements prepared by the subject bank?

Cash

- ◆ Obtain all cash recap sheets or similar documents and reconcile back to the bank's balance sheet. This includes all cash held in the bank's vaults
- ◆ Are foreign currencies maintained separately on the bank's balance sheet?
 - ◆ Is each currency revalued periodically?
 - ◆ If so, how often?

Fixed Assets

- ◆ Does the bank own or lease its premises?
- ◆ Does the bank maintain a listing of all fixed assets?
 - ◆ If so, review depreciation methods to determine validity and accuracy of the recorded value of the assets

- ◆ Analyze and comment on the bank's fixed assets to determine if they are reasonable as it pertains to the capital structure of the bank and its level of operations

Prepare written comment on all major categories of assets regarding quality Assign preliminary rating

Management – The inspector is to assess whether the board of directors and executive management has the experience and technical ability to properly ensure the bank is operated in a safe and sound manner

- ◆ Determine and comment on the number of board members
 - ◆ Have there been any changes in number and composition of the board since the last inspection?
 - ◆ Do the board members meet on a regular basis?
 - ◆ How often?
 - ◆ Are minutes of the meetings maintained?
 - ◆ Do the minutes contain sufficient detail in describing the events that transpired?
- ◆ Do the directors, as a whole, have sufficient expertise and experience to properly oversee the bank's operations?
 - ◆ Review their background and resumes
- ◆ Does management prepare reports for the board of directors to review?
 - ◆ If so, comment on the adequacy and accuracy of the information presented to the board members
- ◆ Does the bank's management possess the experience and technical ability to prudently operate the bank?
 - ◆ Review their background and resumes to make this assessment
- ◆ Determine and comment on the number of operating committees and the frequency of the meetings of each committee
 - ◆ Are these committees serving a useful purpose?
- ◆ Does management prepare business plan and/or a strategic plan?
 - ◆ If, so how often?
 - ◆ Are the plans based on realistic assumptions?
 - ◆ Who approves the plan?
 - ◆ How often is the plan reviewed?
 - ◆ Are large variances reviewed and explained?
- ◆ Prepare written comment for report

Earnings – The ability of a bank to earn a profit is a standard measurement of overall performance. Banks with a high earnings ratio are considered to be well managed, however it is extremely important to understand the correlation between earnings and asset quality. A bank with asset quality problems will need to recognize that the value of its assets is impaired. This correction in value will result in a charge against its earnings and ultimately result in a reduction in profits. The inspector should maintain a sense of materiality on reviewing the bank's revenues and expenses. The inspector should avoid spending undue or excessive time on immaterial amounts.

- ◆ Perform a careful review of the bank's financial statements, including balance sheet, income statement, and cash flow statement
 - ◆ Analyze and comment on the trends, both positive and negative
- ◆ Conduct a review of the bank's business plan to compare budgeted results to actual
 - ◆ Determine if the business plan is reasonable
 - ◆ Identify and explain all major variances
- ◆ Identify and explain all major positive and negative income and expense trends
 - ◆ This includes calculating return on assets, return on equity, net interest margin and the growth in major assets and liabilities categories
- ◆ Are earnings static or is the trend upward/downward?
- ◆ Review and comment on the trend between interest earned on assets and interest paid on liabilities
- ◆ Review and comment on the current dividend policy and its potential impact on capital
- ◆ Prepare written comment for report

Liquidity – Liquidity refers to the process by which a bank obtains, prices, and allocates its funding. This process is mainly reflected in its balance sheet. Interest provides a major source of income and is a major expense for the bank. The difference between these two items is the net interest margin. Therefore it is extremely important to the bank on how these items are managed. How a bank manages its structure of assets and liabilities is important in meeting its cash requirements.

- ◆ Does management prepare a Sources and Uses Statement?
 - ◆ If so, is it realistic?
- ◆ Review and calculate the bank's compliance with the three economic normative established by the Central Bank

- ◆ Please refer to paragraphs 20, 21, and 22 of Regulation N 10
- ◆ Is this bank in compliance with all three requirements?

- ◆ How does management adequately plan for the bank's liquidity needs?

- ◆ Review and comment on the bank's current asset/liability mix
 - ◆ How does management price its assets and liabilities?

- ◆ Review and comment on all internal reconcilements and internal control procedures with regard to the bank's deposits, both local and hard currency accounts

- ◆ Obtain and review a listing and reconciliation of all deposit accounts
 - ◆ Do they appear reasonable?

- ◆ Review the bank's method of soliciting public funds

- ◆ Prepare liquidity comment for report and assign preliminary rating

Other Areas of Interest

Audit – External

- ◆ Obtain and review a copy of the most recent external audit

- ◆ Determine and comment on the scope and purpose of the audit

- ◆ Determine and comment on the independence of the auditor

- ◆ Determine and comment on the type of opinion rendered

- ◆ Review and comment on any weaknesses in the bank's internal controls noted by the auditor

Audit – Internal

- ◆ Does the bank have an internal audit function?
 - ◆ If so, determine the experience and professional training of the person responsible for the audit

- ◆ Review and comment on the scope and timeliness of work performed by the auditor

- ◆ Does the auditor report his/her findings to the board of directors?
- ◆ Is the internal audit function considered independent?

Litigation

- ◆ Obtain and review a listing of all pending or threatened litigation
- ◆ Review the listing to determine the possible effect of litigation on the bank's capital or earnings

Internal Controls

A primary objective of internal controls is to analyze the bank's policies and procedures and its accounting system to determine if certain financial information (balance sheet and income statement) are submitted in a timely manner and accurate format to the Central Bank

There are basically two main areas of internal controls. One is administrative and the second is accounting controls. Administrative control deals with the bank's policies and procedures for all major functional areas of the bank. Accounting controls pertain to the bank's safeguarding of assets and the reliability of the accounting process.

It is the inspector's role to evaluate the controls that have been established by management and determine if changes or improvements are needed.

EXHIBIT 4

REVISED WORK PLAN

The Central Bank of Uzbekistan
Banking Supervision Department
Work Plan for Banking Supervision

**Prepared by Messrs. Terry L. Stroud, Project Manager
and David Hawkins, Senior Resident Advisor**

International Business & Technical Consultants, Inc

Revised November 1997

Central Bank of Uzbekistan Work Plan- November 1997

Purpose of the Work Plan

This Work Plan ("Plan") is intended to help the Central Bank of Uzbekistan carry out its responsibility for ensuring and administering the safety and stability of the banking system in Uzbekistan. This Plan includes the development of a Banking Supervisory Program designed to protect the interest of the depositors, creditors and investors in the banking system. It is intended to cover a twenty one-month period beginning in April 1997 and ending in December 1998.

This part of the Plan encompasses two basic areas of banking supervision. These areas include

- ◆ On-site Supervision
- ◆ Off-site Supervision

The work plan will be updated to reflect the accounting projects that will be funded by USAID. It is anticipated that this work will begin in December 1997. The accounting project will consist of two full time advisors. One advisor will concentrate his/her efforts on working with the staff of the Central Bank to help implement and train the staff on the new international chart of accounts. The second advisor will concentrate his/her activities on implementing and training the commercial bank's staff on the international chart of accounts. In addition, the second advisor will work closely with a World Bank funded counter part in helping implement the accounting conversion with the commercial banks.

The program as envisioned in this Plan is set to be implemented in various stages. The first stage involves the implementation of an on-site inspection program. The second stage will consist of the continuation of the development and implementation of the aforementioned off-site surveillance and accounting programs. It is noted that some work in the off-site surveillance program has been conducted by IDMAG, a Canadian Company. A careful review and analysis of the work completed in this area will be conducted to ensure any duplication will be minimized. The off-site surveillance program began in October 1997 with the arrival of Resident Advisor David Hawkins.

This banking supervision program is intended to serve as a gradual process in which the successful completion of one section will lead to the development and implementation of the next logical sequence of events. To fully implement this program will require at least a twenty four month period, however, additional time will only be considered after some initial successes have been completed and demonstrated by the various parties involved in this project.

This Plan makes the assumption that the Central Bank will provide adequate office facilities for the advisors to carry out their duties and responsibilities. It also assumes that the staff will cooperate in providing information as requested by the resident advisors. It is noted for the record that all such material will remain in the strictest confidence of the advisors and is the property of the Central Bank. It is also noted that the work detailed in this Plan can only be addressed and implemented in the time

Central Bank of Uzbekistan Work Plan- November 1997

frames provided if the employees of the Banking Supervision Department ("BSD") provide adequate support, cooperation, and participation. In addition, the work performed by International and Technical Business Consultants will reflect any changes in laws and/or regulations as developed by the Parents Group. It is our intention to cooperate fully with the work being funded by the World Bank.

The plan provides for formal classroom training on certain topics that will continue and be supplemented with on-the-job training in all vital areas. Certain of these courses are defined in the various sections of the Plan. Additional courses will be developed at a later date.

The Central Bank of Uzbekistan, by the adaptation of this Plan, has indicated its intention to promote and ensure the existence of a safe and sound banking system in the Republic of Uzbekistan. To help ensure the success of this program, a modern and efficient BSD is an absolute necessity in a newly formed market driven economy.

On-Site Supervision

Mission Statement: A comprehensive on-site inspection process should serve as the cornerstone for ensuring the banking system remains financially viable. The Banking Supervision Program proposed is based on the prudential supervisory goals of safety and soundness and not the concept of achieving certain social goals. The on-site inspection process is intended to serve as a direct verification of the financial data being reported by the owners and managers of the commercial banks. This system of supervision is organized and structured to allow the Central Bank to take the appropriate response(s) to problems as they are uncovered or recognized. The early identification of risk is essential to the success of a bank supervisory program.

Goals and Objectives The development and implementation of a rating system will allow the Central Bank's supervisors to evaluate a bank uniformly by using a common methodology. This rating system will need to take into account all major financial areas that are critical to a commercial bank's financial condition. An inspection report will emphasize the following: capital, quality of assets, quality of management, quality of earnings, and liquidity. The inspection report should comment on and recommend actions to improve and strengthen the bank's corporate governance and the management information system being utilized. The development and retention of a qualified inspection staff on these concepts is absolutely necessary to properly supervise and regulate the commercial banks.

The following steps and/or actions will be taken to accomplish these goals:

- A general training session regarding the purpose and objective of a Prudential Banking Supervision Program has been developed. This program was provided to the senior managers of the BSD and the staff. The training was provided in two sessions, which included the central office staff, and the various regional offices.

Timeframe for Implementation June - July 1997

Central Bank of Uzbekistan Work Plan- November 1997

- The development of a standardized inspection report, based on the CAMEL system, has been completed. A standardized report is necessary to ensure consistency among the various regional offices of the Central Bank. The report will be designed to reflect all major activities and functions of the bank and will result in an internationally accepted rating system for the subject bank. The report is intended to measure and comment on compliance with all applicable laws and regulations and to measure the bank's compliance with safety and soundness issues.

Timeframe for Implementation July 1997

- The development of an examination schedule which details the time period which details the banks that will be examined for the upcoming quarter. The scheduling process is intended to provide flexibility for specialized examinations or other unusual circumstances that arise periodically.

Timeframe for Implementation Starting in October 1997

- Detailed on-site inspection procedures and internal control questionnaires on the CAMEL system will be developed and subsequent training provided to the staff on each component. The training will be conducted on the actual inspections of at least three banks prior to the end of 1997.

Timeframe for Implementation October – March 1998

- A Supervisory Profile for each commercial bank will be developed and implemented. This profile is intended to provide certain background information on the bank and the ownership and management structure. It will be used to help determine the scope for the upcoming inspection of each bank and will comment on risky activities discovered during an on-site inspection and/or off-site monitoring. The profile is intended to be updated each quarter.

Timeframe for Implementation January – March 1998

- An inspection manual developed by the USAID Banking Supervision Project in Kazakhstan will be updated to reflect the specific procedures, regulations and laws currently in effect in Uzbekistan. After a thorough review and update of the manual, selected sections will be presented in formal training sessions detailing the requirements of how to conduct and write an actual inspection report.

Timeframe for Implementation October 1997 - March 1998

Central Bank of Uzbekistan Work Plan- November 1997

- A training program consisting of 4 to 6 core courses will be developed and implemented for the staff of the banking supervision department. The courses will encompass the accreditation program and will consist of the following
 - Basics in Banking Supervision,
 - Accounting and Financial Analysis,
 - Credit Analysis,
 - Basics in Foreign Exchange,
 - And a course to be designated at a later date

Timeframe for Implementation January – March 1998

- Training on how to present the findings of an inspection report to the subject bank's Board of Directors and Management will be provided to the on-site inspection staff. This training will include the drafting of a "Supervisory Letter" which is intended to summarize the findings of an inspection report and what actions, if any, are required of the subject bank's Board of Directors

Timeframe for Implementation November 1997 - March 1998

Off-Site Supervision/Surveillance

Mission Statement The primary focus of the Off-Site Supervision project will be to develop an information network, utilizing data and information submitted by the commercial banks. This network of information will allow the Central Bank of Uzbekistan (CBU), as the primary user of the system, to analyze and manipulate the data received to calculate ratios and other financial information and thus gain a better and more complete understanding of the financial condition of each commercial bank and of the banking system in general. The primary purpose of the analysis is to detect financial trends, both positive and negative, within each bank. This analysis will identify potential problem areas and will allow the CBU to take a proactive, rather than a reactive, position in dealing with potential problems at a commercial bank.

The Off-Site Surveillance program will consist of two separate and distinct stages. The first stage involves the identification of data to be collected by the CBU in a standardized report format ("Call Report") and which will be submitted to the CBU on at least a quarterly basis. Some information may be more appropriately submitted on a monthly basis. The second stage will have as its end result a Uniform Bank Performance Report ("UBPR"), which will identify key performance indicators for the current period and compare them with a bank's peers and with the past performance of the bank itself. The development of these two reports will substantially improve the quality and integrity of the data received by the CBU.

It should be noted that the success of this project is also directly dependent upon the implementation of International Accounting Standards and a new Chart of Accounts. Therefore, the timing of the implementation of the tasks presented in this Work Plan will likewise be dependent upon the development of a modern accounting system in Uzbekistan.

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Goals and Objectives There are two primary goals in implementing this program These include

- 1 Ensuring the timely and accurate submission of financial information to the Central Bank's Banking Supervision Department,
- 2 Improving the process of identifying problems in the banking sector prior to their becoming so severe that a remedial plan of action can not be implemented or initiated by the supervisory staff of the Central Bank, thus, resulting in closure or liquidation of the commercial bank

The following steps and or/actions will be taken to accomplish these goals

- A Project Counterpart(s) of the CBU must be identified and a meeting with the Director of the Off-Site Department must be held to ascertain who will work directly with the Resident Advisor on this project Initial meeting(s) with the counterpart to discuss project goals and objectives will be conducted

Timeframe for Implementation October 1997

- A review of reports currently being received by the CBU must be made to ascertain what additional information must be captured in the Call Report and what information should be reformatted for inclusion in the Call Report A review of previous work performed by consultants on Off-Site Supervision will also be made

Timeframe for Implementation November 1997

- A draft copy of the Call Report, including supplementary schedules, will be developed in conjunction with staff of the CBU This task also includes the preparation of written instructions and/or mapping for the balance sheet, income statement, and, if possible, supplementary schedules

Timeframe for Implementation November 1997 to January 1998

- In conjunction with the staff of the Central Bank, an automated version of the Call Report, complete with all supplementary schedules, will be developed This process may eventually require the development of proprietary software, however, at the beginning the reports may simply be submitted in an automated format It is anticipated that the Call Report and all schedules will ultimately be accessible to personal computers of users that need access to the information This access will require the development of an internal computer network and will require the approval of the CBU and the expertise of its data processing department

Timeframe for Implementation January to March 1998

- In conjunction with the staff of the Central Bank, a training program for the CBU staff will be developed to provide information regarding the general use of the Call Report, its instructions, and its new terminology The training will consist of formal classroom training for both the staff of the headquarters and the staff of the

Central Bank of Uzbekistan Work Plan- November 1997

Regional Offices and will be followed up with periodic on-the-job training. This is considered to be essential, as the information received by the CBU is pertinent for the Off-Site Surveillance System. All pertinent information must be verified for accuracy and clearly understood by all users. If needed, information on Accrual versus Cash Accounting, and Accounting for Loan Losses will be included, as well as any other topics considered germane to the understanding of the Call Report.

Timeframe for Implementation March to June 1998

- In conjunction with the staff of the Central Bank, a draft template for the Uniform Bank Performance Report will be developed. Emphasis should be placed on the inclusion of universal bank supervision ratios and those that are specific for Uzbekistan.

Timeframe for Implementation March to June 1998

- Meet with staff of CBU to determine level of data processing expertise and to assess the need for short-term consultant to assist in the development of a system for Off-Site Monitoring. A determination will be made as to the amount of time needed for outside expertise. Discuss general goals of system and receive "buy-in" from staff of CBU to ensure success.

Timeframe for Implementation March to April 1998

- In conjunction with the staff of the Central Bank and utilizing outside technical assistance as necessary, design a system that will be used for the calculation of ratios and other financial information of the Uniform Bank Performance Report ("UBPR"). Interface with data processing personnel of CBU to ensure they are informed as to the requirements of the system.

Timeframe for Implementation April to June 1998

- Develop and implement UBPR system based on information that will be submitted to CBU. Host periodic meetings with CBU staff to discuss system development and to resolve problems identified in the development process.

Timeframe for Implementation May to July 1998

- In order to check the accuracy of both the Call Report Instructions and the ability of the banks to complete the Call Report, three banks will be identified as pilot banks (in conjunction with the administration of the CBU) to test the Call Report procedures and to provide feedback to the CBU regarding the format. The Resident Advisor will work with the CBU staff to assist the banks in the implementation of the Call Report in the pilot banks utilizing First Quarter 1998.

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data Based on the feedback provided, the Resident Advisor and the CBU can work together to make changes to the format as necessary, and/or to provide additional training as needed

Timeframe for Implementation April to July 1998

- Finalize Call Report and Instructions and receive approval from CBU to transmit to commercial banks Transmit Call Report and Instructions to the commercial banks and request submission of the information to the CBU in the prescribed format Provide training to commercial banks as needed

Timeframe for Transmission of Instructions June to July 1998

Timeframe for Submission of Call Report to CBU Final Quarter 1998

- Using information from Pilot Banks, test UBPR system and determine any changes which need to be made to the system based on the test run Verify accuracy of formulae and, if in error, correct formulae

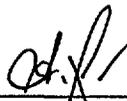
Timeframe for Implementation August to September 1998

- Commence training on Ratio Analysis and Off-Site Monitoring for employees of CBU Off-Site Group Supplement training with information on Accrual Accounting, Allowance for Loan Losses, Securities Valuation, Interest Rate Risk and other information as needed Use real data from Pilot Banks for training purposes

Timeframe for Implementation October to November 1998

- Develop internal report format to be used by CBU staff to denote problems recognized as a result of Off-Site Analysis and to make recommendations for solving problems Train staff as to how Off-Site and On-Site Groups should interface with each other to enhance inspection scoping and to develop inspection scheduling and/or rescheduling based on conclusions reached through Off-Site Surveillance

Timeframe for Implementation November to December 1998



Mr Alikouf Erdonaev
Vice Chairman
Central Bank of Uzbekistan



Mr Terry L Stroud
Project Manager

EXHIBIT 5

ACCOUNTING WORK PLAN

The Central Bank of Uzbekistan
Work Plan for Accounting Assistance

Prepared by Susan Thetford, Bank Accounting Advisor

International Business & Technical Consultants, Inc.

January 1998

Implementation of International Chart of Accounts – Commercial Banks

Mission Statement Reliable and consistent financial reporting is essential to the overall effectiveness of a banking supervisory program. The development of a new chart of accounts based on International Accounting Standards has been completed. This was the first step toward achieving an effective financial reporting system for the country's commercial banks. However, accurate, timely and comprehensive implementation of the new chart of accounts is essential to the successful conversion of the reporting process. Adoption of the new chart, when fully and properly implemented, will provide meaningful financial information to allow the Central Bank's supervisors to monitor the financial condition and earnings of the commercial banks in a consistent and reliable manner.

Goals and Objectives The primary goal is to facilitate the full implementation of International Accounting Standards by Uzbekistan commercial banks. This effort encompasses the following objectives:

- Enhance internal and external financial reporting of the commercial banks to allow the Board of Directors and management to accurately assess and monitor the financial condition and operations of the banks,
- Ensure that the accountants of the commercial banks have an adequate level of understanding of international accounting standards,
- Ensure that the commercial banks understand and utilize the chart of accounts to prepare financial reports to the Central Bank in a consistent and appropriate manner, and
- Ensure that the Central Bank inspectors have a working knowledge of international accounting standards and the chart of accounts in order to review the accounting and reporting functions of the commercial banks.

The following steps and/or actions will be taken to accomplish these goals:

- Identify a counterpart at the Central Bank and arrange a meeting with him/her and with the Chief Accountant, or other appropriate personnel, of the Central Bank. The purpose of the meeting will be to communicate the project goals and objectives and to obtain a preliminary assessment of the accounting needs of the commercial banks and Central Bank inspectors.

Timeframe for Implementation January 1998

- Working with the Central Bank counterpart, assess the needs for technical accounting assistance of the accountants at the commercial banks. This may be accomplished through communications, both written and oral, with the Chief Accountants at the banks.

Timeframe for Implementation January – April 1998

- In conjunction with on-site inspection department personnel and on-site USAID advisor, develop a schedule, on at least a quarterly basis, of banks to be inspected in the near future. Provide these banks with notification that accounting assistance will be forthcoming so that management may prioritize needs and to minimize downtime upon arrival.

Timeframe for Implementation December 1997 and on-going

- At least one week prior to the commencement of on-site inspections of commercial banks, a preliminary review of the banks' accounting and financial reporting and internal controls will be performed. Policies and procedures for the internal audit function will also be reviewed, as well as the procedures for preparing consolidated financial statements for the main branch and all subsidiary branches. This will help accelerate the inspection process. During the inspections, provide on-the-job training to Central Bank inspectors in the review of these areas and in the development of related inspection report comments.

Timeframe for Implementation January 1998 and on-going

- At the completion of the inspection field work, remain at the subject banks as needed to assist the banks' Chief Accountants with reporting and accounting questions. (This information will be utilized to continually update the needs assessments noted above.) Specific areas in which assistance will be provided will vary, depending upon the needs of the various banks. Based on work performed to date, it is expected that questions will arise regarding multi-currency reporting, the propriety of amounts included in other assets and other liabilities, and the consolidation of branch financial statements. In addition, assistance will be provided, as warranted, to correct the accounting and reporting deficiencies noted during the inspection.

Timeframe for Implementation December 1997 and on-going

- Accounting research has been performed regarding the accounting for intangible assets. As requested and warranted, provide additional written opinions regarding accounting issues, both to the Central Bank staff and the staff of the commercial banks. Train counterpart regarding this process, including (a) research techniques, (b) structure of written opinions, and (c) maintenance of adequate filing system and documentation for future reference.

Timeframe for Implementation January 1998 and on-going

- Preliminary discussions with the Vice Chairman of the Central Bank have been held regarding audits of the commercial banks. In conjunction with Central Bank counterpart and the World Bank consultants, discuss and provide assistance on the development of the scope of the audits for the commercial banks for the 1997 calendar year. Discuss this issue with various "Big 6" accounting firms, as applicable. Discuss the auditing needs further with Central Bank personnel and provide assistance in this regard as requested.

Timeframe for Implementation January - February 1998

- In conjunction with Central Bank counterpart, develop training course regarding the audit process, audited financial statements and auditors' reports. This course will be presented to Central Bank staff and the commercial banks. The purpose is, among other things, to enhance the understanding of (a) the purpose of an independent audit vs a Central Bank inspection, (b) the types of audit opinions that may be rendered by the auditor, (c) the responsibility of the board of directors to engage a qualified auditor, (d) the responsibility of management to prepare the financial statements upon which the auditor will opine, and (e) how to read and analyze the basic financial statements and related footnote disclosures.

Timeframe for Implementation February – April 1998

- In conjunction with the consultants in inspection and supervision, determine the additional training needs of the Central Bank personnel regarding technical accounting and financial reporting issues. Develop an outline for such training and prepare written materials as needed.

Timeframe for Implementation February 1998 and on-going

- Determine the additional training needs of the accountants at the commercial banks regarding technical accounting and financial reporting issues. Develop an outline for such training and prepare written materials as needed.

Timeframe for Implementation February 1998 and on-going

- Provide formal training to Central Bank personnel and commercial bank accountants in the area of commercial bank accounting. Building upon the feedback from the class conducted in December 1997, expand course materials to include additional examples, case studies, journal entries, and more details regarding actual debits and credits for particular transactions. As applicable, incorporate this training into the accreditation program for Central Bank inspectors and off-site personnel. Based on feedback received from class participants, further refine future training materials to make it relevant and applicable with regard to the needs of the attendees.

Timeframe for Implementation February / March 1998

- Assist the commercial banks in the design and implementation of internal audit policies and procedures, as warranted. Assist the Central Bank inspectors in guidelines for reviewing the internal audit function during the inspections.

Timeframe for Implementation April 1998

EXHIBIT 6

RECOMMENDATIONS FOR THE CALL REPORT/
OFF-SITE SURVEILLANCE SYSTEM

Comments Regarding the Initial Review of Information Needed
by the Central Bank of Uzbekistan for Off-Site Surveillance

Prepared for the Central Bank of Uzbekistan
Off-Site Surveillance Department

David Hawkins
Resident Advisor to the Central Bank of Uzbekistan

December 1997

Comments Regarding the Initial Review of Information Needed by the Central Bank
of Uzbekistan for Off-Sight Surveillance

An initial review was performed to make an assessment as to what information is needed by the Central Bank of Uzbekistan (CBU) for an effective Off-Site Surveillance system. Once a determination was made as to the type of information needed, a review of information currently being received by the CBU (both in Bank Supervision and other departments) was performed. A comparison between the two resulted in the identification of deficiencies in the current reporting process with regard to Bank Supervision/Off-Site Surveillance. Initial conclusions were reached as to what new schedules are needed and what schedules currently being received by the CBU can be utilized as source data for Off-Site Surveillance. In some cases, the CBU may already be receiving useful data for Off-Site analysis, however, due to the unwillingness of other departments to share this information with Bank Supervision, commercial banks would actually have to submit the same information twice (if this information flow remains impeded). Although redundant, this may be the only way that Bank Supervision can obtain the information needed for Off-Site Surveillance. However, the Bank Supervision Department has recognized this problem with information access and will be working to correct it in the future. A summary of the initial review is as follows

Balance Sheet

The balance sheet currently received by the CBU is adequate. The only changes recommended are the following

- ◆ A breakout of trading account assets should be made to distinguish between trading account securities, trading account precious metals and trading account "other" commodities
- ◆ Subordinated debentures should be segregated into a separate line item on the Liability side as some subordinated debt may be included in Tier Two capital pursuant to the regulations

Based on these minor changes, and given the fact that this information can be collected through a separate schedule, I recommend using the current balance sheet for data collection for off-site surveillance rather than revising the current schedule

Income Statement

The income statement currently received by the CBU has sufficient information for off-site surveillance. However, a line should be added for extraordinary items and other adjustments (changes in accounting principles, etc)

General Loan Information

Information is currently being received on loans within the accounting department but is not shared with Bank Supervision. It is my understanding that the following reports are received at this time:

- ◆ 1514LES- Loans Receivable by Economic Sector- this report breaks down information for loans based on maturity (Short, Medium, or Long Term), and by sector. Sectors are divided in the following manner:
 - ◆ Industrial Sector
 - ◆ Agricultural Sector
 - ◆ Forestry Sector
 - ◆ Transport and Communications Sector
 - ◆ Construction and Civil Works Sector
 - ◆ Trade and Public Catering Sector
 - ◆ Logistics Supply and Sale Sector
 - ◆ Housing and Community Service Sector
 - ◆ Other Sectors

- ◆ 1524LCT- Loans Receivable by Client Type- this report is similar, but instead of economic sector as in 1514LES, this breaks down information based on client type. It also breaks down loans by maturity. Client types are divided in the following manner:
 - ◆ Other Banks
 - ◆ Government
 - ◆ Individuals
 - ◆ Private Enterprises
 - ◆ State Enterprises
 - ◆ Joint Ventures
 - ◆ Partnerships and Corporations

- ◆ 1534LPL- Loans Receivable by Purpose of Loan- this report also breaks down loans by maturity, but also provides information as to the purpose of loans, as follows:
 - ◆ Working Capital
 - ◆ Export/Import
 - ◆ Fixed Assets
 - ◆ Government Directed
 - ◆ Others

There have also been some schedules previously developed for loans, but not being used by the CBU. Information from two of the reports may be useful. They are as follows:

- ◆ 1584LSC- Loans Receivable by Loan Term and Security Coverage- this report provides information on maturity and on type of collateral, as follows
 - ◆ Deposit
 - ◆ Motor Vehicles, etc
 - ◆ Inventory
 - ◆ Real Estate
 - ◆ Equipment
 - ◆ Bonds
 - ◆ Shares of Stock
 - ◆ Third-Party Guarantee

- ◆ 1594LIR- Loans Receivable by Maturity and Weighted Interest Rate-this report provides information on Loan Maturity and Weighted Interest Rate The information in this format (i.e. specific information for maturity of loans) is not crucial as we can capture the same information in a separate report for Maturity and Repricing Analysis of Assets and Liabilities (in other words, for all assets, not just loans)

All of these general loan reports have information that is useful, but consideration should be provided to developing a report format which combines a lot of the information received from these second reports onto one report. In other words, one report that can provide information on economic sector, client type, purpose, collateral and maturity would be more beneficial from an analysis standpoint in that it can help provide much more specific information. For example, we could see how much exposure the bank has in the transport sector to private companies, for the purchase of fixed assets and secured by equipment with an original maturity of 3 months. This more detailed information can give insight into a bank's loan underwriting practices. However, a report which breaks down information too much may be tedious to complete and may require a very voluminous report.

Delinquent Loan Reports

The CBU receives a report that identifies overdue loans

- ◆ 1604LOA- Aging Analysis of Overdue Loans Receivable- this report identifies, separately, overdue loans by client type and economic sector. It provides information on the number of overdue accounts in each sector or client field and ages the overdue loans in seven different possible buckets. The buckets are
 - ◆ 1-30 days
 - ◆ 31-60 days
 - ◆ 61-90 days
 - ◆ 91-180 days
 - ◆ 181 to 365 days
 - ◆ 365 days to 2 years
 - ◆ Over 2 years

It is my understanding that the CBU receives this report, but that the Bank Supervision Department does not have access to it. The report can be used for off-site surveillance. Information regarding accrual/non-accrual of interest on loans is also useful and should be added in.

Information on Loan Charge-Offs and Recoveries

This information is useful so that the analysis can pinpoint which category of loans (either by sector or client type) is creating the largest amount of charge-offs within a bank. In addition, information on recoveries provides the analyst with net charge-offs for a particular loan category. The CBU currently receives data which can be used for this type of analysis.

Asset Classification and Provisioning

The CBU currently receives information identical to what is recommended and thus, no modifications are required. We must, however, make sure that Bank Supervision has access to this report.

Changes in Equity Capital, Risk Based Capital, and Calculation of Total Regulatory Capital

The Bank Supervision Department currently has access to information regarding a bank's capital. The following reports are being received:

- ◆ 3004CAR- Capital Adequacy Ratio- this report shows a risk weighting of assets and shows whether a bank is in compliance with the Risk Weighted Capital requirement (N1). It is identical to information which is recommended for off-site surveillance.
- ◆ 3104CSA- Capital Stock Account- this report shows a detailed breakdown of common and preferred stock, and may be used for our analysis. However, it only provides information on share capital and has no information for Retained Earnings and other components of Balance Sheet capital.

In addition, the CBU receives information, pursuant to Normative 10 (Schedule 3) which provides a calculation of both Tier One and Tier Two Capital to show compliance with the Normative. This information is useful and is what is recommended for use in off-site analysis.

It is recommended that a schedule be developed which reconciles the Balance Sheet Equity Account. A format like the following is recommended:

Total Equity Capital Originally Reported at Previous Year End
Plus or minus Equity Capital Adjustments
Equals Amended Balance of Previous Calendar Year-End
Plus or minus Net Income or Loss Year to Date
Plus or minus Effects from the sale, conversion, acquisition, retirement of stock
Plus or minus Adjustments to General Fund
Plus or minus Adjustments to Appraisal Values over Cost Account
Minus Cash Dividends on Common Stock
Minus Cash Dividends on Preferred Stock
Plus or Minus Any other adjustments effecting Equity Capital
Equals Total Equity Capital at Current Period

A reconciliation of Retained Earnings schedule should also be developed. This will provide information on dividends paid, and other changes in retained earnings.

Information on Deposits

The CBU is receiving information regarding deposits, however, bank supervision may not have access to all of the reports. Bank supervision does have access to the following reports:

- ◆ Schedule 1 of Normative 10- Calculation of Compulsory Reserve Fund- this schedule provides information on deposit balances as of a report date and is used to calculate a Reserve Requirement for a bank. Line items are broken down into Demand, Time, and Savings, with Time Deposits split into two maturity categories. Other adjustments used for the calculation of the Reserve Requirement are also included in this schedule.
- ◆ Schedule 5 of Normative 10- Bank Liabilities Analysis- this schedule provides information not only on deposits but on other liabilities, and the main purpose of this schedule is to provide maturity information. Used in conjunction with Schedule 4- Bank Assets Analysis- it is helpful for a very primitive asset and liability management analysis.

It is recommended that a schedule be developed which provides a breakdown of deposits by client type. This information would be useful to provide a measurement of a bank's deposit volatility. There are also two reports which have been developed for the CBU which would provide a good analysis of deposits. However, at this time, I am unsure as to whether this information is being received by any department at the CBU. I am only certain that the Bank Supervision Department does not obtain this information at this time. These reports are as follows:

- ◆ 2104DMC- Deposit Liabilities by Deposit Term- this report provides useful information regarding demand, savings, and time deposits. There is information regarding the maturity of time deposits (original term, not

remaining maturity), and all deposit amounts are provided in both soums and foreign currency

- ◆ 2114DAR- Deposit Liabilities by Amount Range- this report, though not crucial, provides information regarding the amount of each deposit For example, a bank would provide information as to the number of accounts and total amount of deposit accounts 500 soum or less, 501 to 2,000 soum, and so forth, up to a category for accounts over 500,000 soum This information could be useful in analyzing a bank's deposits for volatility For example, larger interest bearing accounts are usually more volatile, as the depositor is usually more sophisticated and the difference in total interest received on a large deposit might make it worth the while of the depositor to move the deposit to a different bank

Information on Large Credits and on Loans to Affiliates

The CBU currently receives information, pursuant to Normative 10, on large credits and loans to affiliates (sometimes called connected loans) It is comprehensive and can be used for off-site analysis The only modification to be recommended is for the classification of the credit to be included

Off Balance Sheet Items

The Balance Sheet provides some information regarding Contingent Liabilities and at this time, it is sufficient for an analysis by Bank Supervision Some Off-Balance Sheet Items are also included in Schedule 2 of the Normative 10 schedules Until Bank Supervision becomes more sophisticated at analyzing off-balance sheet risk, this information will be adequate It should be noted that it is my understanding that the CBU has a department which specifically analyzes off-balance sheet risk at this time

Analysis of Income and Expense

This information is useful for the analysis of a bank's income and expenses and is not being received at this time It is recommended that a form be developed so those yields can be calculated for interest earning assets and that the cost of certain interest bearing liabilities can be ascertained Through this analysis, we can help pinpoint where a bank can cut expenses or which assets are the highest yielding for them, thus improving operations

Liquidity

The CBU requires that a bank report its liquidity ratios on a periodic basis, but no detail is provided There are three liquidity ratios provided on a monthly basis at this time I recommend that a simple form be developed which details Cash/Average Assets and Total Liquid Assets/Average Assets and how they were computed In addition, this schedule could request the N3, N4, and N5 liquidity ratios

Investment Securities and Trading Account Assets

A schedule should be developed which indicates the Book and Market values for all Securities (both for trade and for investment), Trading Account Precious Metals and Other Trading Account Commodities. This information is useful for the analysis of a bank's realized or unrealized gain or loss on investments (Securities to be held to maturity and Securities, Precious Metals and Other Commodities to be traded)

Asset and Liability Management Reports

The bank currently receives a report on maturity of financial assets and liabilities, but this report needs to include the repricing of assets and liabilities to be useful for Gap analysis or any other simple analysis of assets and liabilities. I recommend developing such a report.

Miscellaneous Information

I recommend that a schedule be developed which asks general questions about the bank. This information is not financial in nature but more qualitative. For example, information on changes in ownership or management, the number of branches, etc could be requested. In addition, the number of branches that the bank has can be useful information for calculating efficiency ratios.

A summary of the recommendations is as follows:

Reports to be used in Current Form

- ◆ Balance Sheet
- ◆ Income Statement
- ◆ Delinquent Loan Report (1604LOA, but can be modified for Accrual/Non-Accrual)- can develop schedule for Bank Supervision Department if Loan Department will not provide access
- ◆ Asset Classification and Provisioning (Appendix 2 of N242)
- ◆ Risk Weighted Capital Calculation (3004CAR)
- ◆ Bank Capital Calculation (Schedule 3 of Normative 10)
- ◆ Schedule 1 of Normative 10-Calculation of Reserve Requirement (only because Off-Site wants to retain this function)
- ◆ Report on Large Credits
- ◆ Report on Loans to Affiliates
- ◆ Report Information on Off-Balance Sheet Items (2 Reports- Information on Balance Sheet and on Risk-Based Capital Schedule)
- ◆ Loan Charge-Off and Recovery Report
- ◆ Economical Normative Indicators Calculation (Schedule 8 or Normative 10)- this is a calculation of economic normatives by commercial banks

Reports which may be used but not Crucial

- ◆ Deposit Liabilities by Deposit Term (2104DMC)

- ◆ Deposit Liabilities by Amount Range (2114DAR)
- ◆ Share Capital Report (3104CSA)-not crucial, but shows changes in share capital which can be captured in less detail on a Changes in Equity Capital Report

Reports which should be revised before Use

- ◆ All General Loan Reports should be combined into one or two reports to provide more specific detail (1514LES, 1524LCT, 1534LPL, 1584LSC (currently not in use), and perhaps 1594LIR)
- ◆ Asset and Liability Maturity Reports- should be revised to include repricing and maturity

Reports Needing Development

- ◆ Reconciliation of Retained Earnings
- ◆ Changes in Equity Capital Report (reconciliation of equity capital)
- ◆ Deposits Report by Client Type
- ◆ Analysis of Income and Expense Report
- ◆ Liquidity Report
- ◆ Report on Investment Securities and Other Trading Assets
- ◆ Miscellaneous Information

Balance Sheet
0104BS

Balance Sheet
As of 31 December 1995 & 1994

Code	Formula	Account Title/Item Description (A)	This Year (B)	Last Year (C)
010	10000 (Description)	ASSETS		
020	10100	Cash and Other Cash Items	X,XXX,XXX	X,XXX,XXX
030	10300	Due from Central Bank of Uzbekistan	X,XXX,XXX	X,XXX,XXX
040	10600	Due from Other Banks	X,XXX,XXX	X,XXX,XXX
060	10700-11100 except nnn99	Trading Account Assets	X,XXX,XXX	X,XXX,XXX
070	10799-11199	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
080	060 - 070	Trading Account Assets - Net	X,XXX,XXX	X,XXX,XXX
100	11300 except nnn99	Bills Purchased	X,XXX,XXX	X,XXX,XXX
110	11399	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
120	11300(110-120)	Bills Purchased - Net	X,XXX,XXX	X,XXX,XXX
140	11500 - 11599	Customers' Liability on Drafts under Letters of Credit or Trust Receipts-Net	X,XXX,XXX	X,XXX,XXX
150	11700	Customers' Liability for this Bank's Acceptances Outstanding	X,XXX,XXX	X,XXX,XXX
170	11900	Loans Receivable - Central Bank of Uzbekistan	X,XXX,XXX	X,XXX,XXX
190	Description	Loans Receivable (except CBU)		
200	12100 to 13100 except all nnn99	Short Term	X,XXX,XXX	X,XXX,XXX
210	13300 to 14300 except all nnn99	Medium Term	X,XXX,XXX	X,XXX,XXX
220	14500 to 15500 except all nnn99	Long Term	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
230	200 to 220	Total Loans Receivable (except CBU)	X,XXX,XXX	X,XXX,XXX
240	12199 to 15799	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
250	230 - 240	Loans Receivable - Net	X,XXX,XXX	X,XXX,XXX
270	15700 except 15799	Loans and Advances under Litigation	X,XXX,XXX	X,XXX,XXX
280	15799	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
290	15700	Loans and Advances under Litigation - Net	X,XXX,XXX	X,XXX,XXX
310	15900 except 15999	Investments	X,XXX,XXX	X,XXX,XXX
320	15999	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
330	15900 (310-320)	Investments - Net	X,XXX,XXX	X,XXX,XXX
340	16100	Due from Head Office/Branches/Agencies	X,XXX,XXX	X,XXX,XXX
350	16300 except 16399	Accrued Interest Receivable	X,XXX,XXX	X,XXX,XXX
360	16399	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
370	16300	Accrued Interest Receivable - Net	X,XXX,XXX	X,XXX,XXX
390	16500 except all Acc Depr Accts	Bank Premises, Furniture and Equipment	X,XXX,XXX	X,XXX,XXX
400	16500 but only Acc. Depr. Accts.	Less Accumulated Depreciation	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
410	16500	Bank Premises Furniture and Equipment - Net	X,XXX,XXX	X,XXX,XXX
430	16700 except 16799	Real and Other Properties Owned or Acquired	X,XXX,XXX	X,XXX,XXX
440	16799	Less Allowance for Probable Losses	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
450	16700(430-440)	Real and Other Properties Owned or Acquired - Net	X,XXX,XXX	X,XXX,XXX
470	16900	Unrealized Gain from Revaluation of Forward Trading Account	X,XXX,XXX	X,XXX,XXX
475	show line only if 17100 is not equal to	Currency Trading Position Accounts	X,XXX,XXX	X,XXX,XXX

Balance Sheet
As of 31 December 1995 & 1994

Code	Formula	Account Title/Item Description (A)	This Year (B)	Last Year (C)
490	17500	Government Account - Net Debit Balance	X,XXX,XXX	X,XXX,XXX
500	19900	Other Assets	X,XXX,XXX	X,XXX,XXX
520	(020-040)+090+ 120+140+150+170+ 250+290+320+370+ 410+450+(470-500)	TOTAL ASSETS	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
540	Description	LIABILITIES AND CAPITAL		
550	20000 (Description)	LIABILITIES		
550	Description	Deposits		
570	20200	Demand	X,XXX,XXX	X,XXX,XXX
580	20400	Savings	X,XXX,XXX	X,XXX,XXX
590	20600	Time	X,XXX,XXX	X,XXX,XXX
600	570+580+590	Total Deposits	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
620	20800	Due to Central Bank of Uzbekistan	X,XXX,XXX	X,XXX,XXX
630	21000	Due to Other Banks	X,XXX,XXX	X,XXX,XXX
640	21200	Manager's Checks Payable	X,XXX,XXX	X,XXX,XXX
650	21400	Outstanding Acceptances Executed by or for Accounts of this Bank	X,XXX,XXX	X,XXX,XXX
670	Description	Loans Payable		
680	21600	Short Term	X,XXX,XXX	X,XXX,XXX
690	21800	Medium Term	X,XXX,XXX	X,XXX,XXX
700	22000	Long Term	X,XXX,XXX	X,XXX,XXX
710	680+690+700	Total Loans Payable	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
720	22200	Due to Head Office/Branches/Agencies	X,XXX,XXX	X,XXX,XXX
730	22400	Accrued Expenses Payable	X,XXX,XXX	X,XXX,XXX
740	22600	Other Customers' Deposits	X,XXX,XXX	X,XXX,XXX
750	22800	Unrealized Loss on Revaluation of Forward Trading Accounts and Other Deferred Credits	X,XXX,XXX	X,XXX,XXX
770	23200	Settlement and Clearing Accounts - Credit Balance	X,XXX,XXX	X,XXX,XXX
780	23400	Government Accounts - Net Credit Balance	X,XXX,XXX	X,XXX,XXX
790	29600	Other Liabilities	X,XXX,XXX	X,XXX,XXX
810	600+(620-650)+710 +(720-790)	Total Liabilities	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
830	30000 (Description)	Capital		
840	30300 (Description)	Capital Stock		
850	30303+30306+ 30315+30321	Preferred	X,XXX,XXX	X,XXX,XXX
860	30304+30312+ 30318+30324	Common	X,XXX,XXX	X,XXX,XXX
870	850+860	Total Capital Stock	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
890	30603	Paid-in Surplus	X,XXX,XXX	X,XXX,XXX
910	30900	Surplus Reserves		
920	30903	General Fund	V V V V V	V V V V V

Balance Sheet
As of 31 December 1995 & 1994

Code	Formula	Account Title/Item Description (A)	This Year (B)	Last Year (C)
940	820+830	Total Surplus Reserves	X,XXX,XXX	X,XXX,XXX
990	31200 (Description)	Retained Earnings		
970	31203	Balance - Beginning of Year	X,XXX,XXX	X,XXX,XXX
980	31206	Net Income (Loss) for the Period	X,XXX,XXX	X,XXX,XXX
990	970 - 980	Balance - End	X,XXX,XXX	X,XXX,XXX
1010	31500	Appraisal Values Over Cost	X,XXX,XXX	X,XXX,XXX
1030	870+890+940+990+1010	Total Capital	X,XXX,XXX	X,XXX,XXX
1060	810+1030	TOTAL LIABILITIES AND CAPITAL	X,XXX,XXX	X,XXX,XXX
1060	90000	CONTINGENT ACCOUNTS		
1070	90303	Government Securities Form	X,XXX,XXX	X,XXX,XXX
1080	90317	Securities Form - Others	X,XXX,XXX	X,XXX,XXX
1090	90909	Sight Import Letters of Credit Outstanding	X,XXX,XXX	X,XXX,XXX
1100	90916	Usance Import Letters of Credit Outstanding	X,XXX,XXX	X,XXX,XXX
1110	90923	Deferred Letters of Credit - Foreign	X,XXX,XXX	X,XXX,XXX
1120	90930	Deferred Letters of Credit - Domestic	X,XXX,XXX	X,XXX,XXX
1130	90937	Revolving Letters of Credit - Foreign	X,XXX,XXX	X,XXX,XXX
1140	90944	Stand-by Letters of Credit - Foreign	X,XXX,XXX	X,XXX,XXX
1150	90951	Stand-by letters of Credit - Domestic	X,XXX,XXX	X,XXX,XXX
1160	90958	Confirmed Export Letter of Credit	X,XXX,XXX	X,XXX,XXX
1170	90961	Informed letters of credit for export	X,XXX,XXX	X,XXX,XXX
1180	90963	Settlement documents not paid in time	X,XXX,XXX	X,XXX,XXX
1190	90965	Inward Bills for Collection - Domestic	X,XXX,XXX	X,XXX,XXX
1200	90967	Accrued Interest on overdue Loans Receivable	X,XXX,XXX	X,XXX,XXX
1210	90969	Barter Contracts	X,XXX,XXX	X,XXX,XXX
1220	90972	Inward Bills for Collection - Foreign	X,XXX,XXX	X,XXX,XXX
1230	90979	Outward Bills of Collection - Domestic	X,XXX,XXX	X,XXX,XXX
1240	90986	Outward Bills for Collection - Foreign	X,XXX,XXX	X,XXX,XXX
1250	90993	Guarantees	X,XXX,XXX	X,XXX,XXX
1260	91509	Commitment to Grant Loans	X,XXX,XXX	X,XXX,XXX
1270	91818	Commitments to Borrow	X,XXX,XXX	X,XXX,XXX
1280	92709	Forward Valued Sales	X,XXX,XXX	X,XXX,XXX
1290	92716	Forward Valued Purchases	X,XXX,XXX	X,XXX,XXX
1300	93609	Items Held for Safekeeping	X,XXX,XXX	X,XXX,XXX
1310	93818	Government Bonds and Securities Held for Custodianship	X,XXX,XXX	X,XXX,XXX
1320	93823	Private Securities/Commercial Papers Held for Custodianship	X,XXX,XXX	X,XXX,XXX
1330	94501	Securities Held as Collateral	X,XXX,XXX	X,XXX,XXX
1340	95402	Properties and property rights(claims) Held as Collateral	X,XXX,XXX	X,XXX,XXX
1380	95409	Deficiency Claims Receivable	X,XXX,XXX	X,XXX,XXX
1410	95487	Other Contingent Accounts	X,XXX,XXX	X,XXX,XXX
1420	1070-1430	Total Off Balance Sheet Accounts	X,XXX,XXX	X,XXX,XXX

Income Statement
0204IS

Income Statement
Year-to-Date 31 December 1995 & 1994

Code	Formula	Account Title/Item Description (A)	This Year (B)	Last Year (C)
10	Description	Interest Income		
20	40200	Interest Income on Accounts with CBU	X,XXX,XXX	X,XXX,XXX
30	40400	Interest Income on Accounts with Other Banks	X,XXX,XXX	X,XXX,XXX
40	40600	Interest Income on Trading Account Securities	X,XXX,XXX	X,XXX,XXX
50	40800	Interest Income on Bills Purchased	X,XXX,XXX	X,XXX,XXX
60	41000	Interest Income on Customers' Liability on Draft under Letters of Credit and/or Trust Receipts	X,XXX,XXX	X,XXX,XXX
70	41200	Interest Income on Customers' Liability for this Bank's Acceptances Outstanding	X,XXX,XXX	X,XXX,XXX
80	41400-41600	Interest Income on Loans Receivable	X,XXX,XXX	X,XXX,XXX
90	44700	Interest Income on Loans and Advances under Litigation	X,XXX,XXX	X,XXX,XXX
100	44800	Interest Income on Investments	X,XXX,XXX	X,XXX,XXX
110	44900	Other Interest Income	X,XXX,XXX	X,XXX,XXX
120	20-110	Total Interest Income	X,XXX,XXX	X,XXX,XXX
140	Description	Interest Expense		
150	50100-51100	Interest Expense on Deposits	X,XXX,XXX	X,XXX,XXX
160	51600	Interest Expense on Accounts Due to CBU	X,XXX,XXX	X,XXX,XXX
170	52100	Interest Expense on Accounts Due to Other Banks	X,XXX,XXX	X,XXX,XXX
180	52600	Interest Expense on Outstanding Acceptances Executed by or for Account of this Bank	X,XXX,XXX	X,XXX,XXX
190	53100-54100	Interest Expense on Loans Payable	X,XXX,XXX	X,XXX,XXX
200	54900	Other Interest Expense	X,XXX,XXX	X,XXX,XXX
210	150-200	Total Interest Expense	X,XXX,XXX	X,XXX,XXX
230	120-210	Net Interest Income	X,XXX,XXX	X,XXX,XXX
240	56802	Less Provision for Probable Losses - Loans and Advances	X,XXX,XXX	X,XXX,XXX
250	230-240	Net Interest Income After Provision for Loan Losses	X,XXX,XXX	X,XXX,XXX
270	Description	Non-Interest Income		
280	45200	Commission and Fee Income	X,XXX,XXX	X,XXX,XXX
290	45400	Foreign Exchange Gain	X,XXX,XXX	X,XXX,XXX
300	45600	Profit on Trading Accounts	X,XXX,XXX	X,XXX,XXX
310	45800	Gain and Dividends on Investments	X,XXX,XXX	X,XXX,XXX
320	45900	Other Non-Interest Income	X,XXX,XXX	X,XXX,XXX
330	280-320	Total Non-Interest Income	X,XXX,XXX	X,XXX,XXX
350	250+330	Total Income	X,XXX,XXX	X,XXX,XXX
370	Description	Non-Interest Expenses		
380	55100	Commission and Fee Expenses	X,XXX,XXX	X,XXX,XXX
390	55200	Foreign Exchange Loss	X,XXX,XXX	X,XXX,XXX
400	55600	Loss on Trading Accounts	X,XXX,XXX	X,XXX,XXX
410	55800	Loss on Investments	X,XXX,XXX	X,XXX,XXX
420	55900	Other Non-Interest Expenses	X,XXX,XXX	X,XXX,XXX
430	380-420	Total Non-Interest Expenses	X,XXX,XXX	X,XXX,XXX
450	350-430	Net Income Before Operating Expenses	X,XXX,XXX	X,XXX,XXX

Income Statement
Year-to-Date 31 December 1995 & 1994

Code	Formula	Account Title/Item Description (A)	This Year (B)	Last Year (C)
470	Description	Operating Expenses		
480	56100	Salaries and Other Staff Costs	x,xxx,xxx	x,xxx,xxx
490	56200	Office Rent and Maintenance	x xxx,xxx	x,xxx,xxx
500	56300	Travel and Transport Expenses	x xxx,xxx	x xxx,xxx
510	56400	Administration Costs	x,xxx,xxx	x,xxx,xxx
520	56500	Representation and Contribution	x,xxx,xxx	x,xxx,xxx
530	56600	Depreciation Expense	x xxx,xxx	x,xxx,xxx
540	56700	Insurance, Taxes and Others	x,xxx,xxx	x,xxx,xxx
550	56800-except 56802	Provisions for Probable Losses	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
560	480-550	Total Operating Expenses	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
580	450 560	Net Income Before Provision for Income Tax	x,xxx,xxx	x,xxx,xxx
600	56900	Less Provision for Income Tax	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
620	580-600	Net Income (Loss) for the Period	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>

Delinquent Loan Report
1604LOA

Aging Analysis of Overdue¹ Loans Receivable
As of 31 December 1995

Line	Formula	Particulars (A)	Accounts		Overdue		Aging Analysis					
			# (B)	% (C)	Amount (D)	% (E)	1-30 Days (F)	31-60 Days (G)	61-90 Days (H)	91-180 Days (I)	181-365 Days (J)	366 Days-2 Years (K)
10	Description	By Client Type										
20	Client Type	Other Banks	XX XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
30	Client Type	Government	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
40	Client Type	Individuals	XX XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
50	Client Type	Private Enterprises	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
50	Client Type	State Enterprises	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
70	Client Type	Joint Ventures	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
80	Client Type	Partnerships & Corporations	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
90	020-080	Total All Loans	XXX,XX	100 00	XX,XXX,XX	100 00	XX XXX,XX	XX,XXX,XX	XX,XXX,XX	XX XXX,XX	XX XXX,XX	XX XXX,XX
			X		X		X	X	X	X	X	X
10	Description	By Economic Sector										
20	Economic Sector	Industrial Sector	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
30	Economic Sector	Agricultural Sector	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
40	Economic Sector	Forestry Sector	XX XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
50	Economic Sector	Transport and Communications Sector	XX XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
50	Economic Sector	Construction & Civil Works Sector	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
70	Economic Sector	Trade and Public Catering Sector	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
90	Economic Sector	Logistics Supply and Sale Sector	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
90	Economic Sector	Housing and Community Service	XX,XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
10	Economic Sector	Other Sectors	XX XXX	XX XX	X,XXX,XXX	XX XX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
90	020-080	Total All Loans	XXX,XX	100 00	XX,XXX,XX	100 00	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX
			X		X		X	X	X	X	X	X

Overdue Medium and Long Term Loans are classified under Short Term Loans

Asset Classification and Provisioning
Appendix 2 of N242

Name of The Bank _____

Loan Classification According to Their Risk Rate

As of _____ 199__

Items of the Balance	Total Assets	Good	Reserves	Satisfactory	Reserves	Substandard	Reserves	Doubtful	Reserves	Loss	Reserve	Total Reserves
		1	2	3	4	5	6	7	8	9	10	
1 Loans and Credits to Clients												
2 Credits to Other Banks												
Total												

Leader of the Organization (Position)

Name

Chief Accountant

Name

Risk Weighted Capital Calculation
Schedule 2 of Normative 10

Schedule # 2

Risk Weighted Assets Calculation

As of " " _____ 199

#	Characteristics	0% Risk	20% Risk	50% Risk	100% Risk
	A	B	C	D	E
Assets					
1	Cash and other cash documents	X,XXX,XXX			
2	Due from correspondent account of CBU - Nostro	X,XXX,XXX			
3	Due from correspondent account of CBU - Vostro	X,XXX,XXX			
4	Due from Compulsory Reserve Fund of CBU	X,XXX,XXX			
5		X,XXX,XXX			
6	Due from other accounts of CBU		X,XXX,XXX		
	Due from other Banks Correspondent Account - Nostro		X,XXX,XXX		
7	Due from other Banks Correspondent Account - Vostro			X,XXX,XXX	
8	Due from other Banks, other deposits				
9	Treasure Bills	X,XXX,XXX			
10	Government Bonds				
11	CBU Securities and Bonds				
12	Eurobonds		X,XXX,XXX		
13	Other Security Trade Accounts - Net				X,XXX,XXX
14	Precious Metals				
15	Other Goods Trade Accounts				X,XXX,XXX
16	Purchased Bills - Net				X,XXX,XXX
17	Clients' Liabilities on Bills of Exchange under Letters of credit or Trust Documents				X,XXX,XXX
18	Clients' Liabilities on Not Paid-Off Accepts of given Bank				X,XXX,XXX
19	Credits Granted to CBU				
20	Credits Granted to Other Banks		X,XXX,XXX		
21	First Class Credits			X,XXX,XXX	
22	Loans Receivable - Net		X,XXX,XXX		
23	Loans and Advances in process of Court Precedence - Net				X,XXX,XXX
24	Investments - Net				X,XXX,XXX
25	Bank Premises and Equipment				X,XXX,XXX
26	Other Assets				X,XXX,XXX
27	Total Assets	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Off-Balance Accounts					
28	Issued Guarantees and Vouches			X,XXX,XXX	
29	Letters of credit				X,XXX,XXX
30	Foreword Trading, Agreements and Assets, sold with Source				X,XXX,XXX
31	Documents and Values, sent to Encashment		X,XXX,XXX		
32	Total Off-Balance Accounts		X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
33	Total Assets	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
34	Total Risk Assets		XX,XXX	XX,XXX	XX,XXX
35	Total Risk Weighted Assets			ZZ,ZZZ,ZZZ	

Calculation of Reserve Requirement
Schedule 1 of Normative 10

Code and Name of Bank

Calculation of Compulsory Reserve Fund

Bank _____ As of '____' _____ 199__

#	Contents	Balance	Deduction %	Deduction Amount
	A	B	C	D
1	Demand Deposits	XXX	25	XXX
2	Saving Deposits	XXX	25	XXX
3	Time Deposits			
3 1	Up to 3 Year Maturity	XXX	25	XXX
3 2	Over 3 Year Maturity	XXX	10	XXX
3 3	Total Time Deposits	XXX		XXX
4	Total Deposits	XXX		XXX
5	Other articles of Reserve Requirements Local Khokimiyat's (Mayor) account-local budget	XXX	25	XXX
6	Other articles of Reserve Requirements			
6 1	Managerial Checks	XXX	25	XXX
6 2	Deposits of Clients- on Letter of Credits	XXX	25	XXX
6 3	Clients' deposits - Liabilities on Bills of Exchange under bill for import and/or under trust documents	XXX	25	XXX
6 4	Fund for Special Purposes	XXX	25	XXX
6 5	Financial Investments from Local Budget	XXX	25	XXX
6 6	Account Payable	XXX	25	XXX
6 7	Deposits Liabilities - Sleeping	XXX	25	XXX
6 8	Other Credits - Not Demanded	XXX	25	XXX
6 9	Various Circumstances	XXX	25	XXX
6 10	Total Other Articles of Reserve Requirements	XXX	25	XXX
7	Total Related to Reserve Requirements	XXX		XXX
8	Cash			XXX
8 1	Balance on Separate Personal Accounts			XXX
8 2	Cash Deducted from Reserve Requirements			XXX
9	Total Reserve Requirements			XXX
10	Amount of Balance, transferred to Reserve Requirements as of Reporting day			XXX
11	Shortage (-) or Excess (+)			()XXX
12	Balance in Balance Account 10309 on the date of data submission			XXX
13	Adjustment Date			XX,XX,XX

Bank Capital Calculation
Schedule 3 of Normative 10

Report on Large Credits
Schedule 6 of Normative 10

Schedule # 6

Loans Receivable – 20 Biggest Loan Borrowers

As of “__” _____ 199

Client's name	Date Granted	Maturity Date	Principle	Loan payments	Renewal	Past Due	Total	Interest Rate	Loan Purpose	Type	Price
A	B	C	D	E	F	G	H	I	J	K	L
Short Term Loans											
Borrower # 1											
Interest to Capital Ratio											
Borrower # 2											
Interest to Capital Ratio											
Borrower # n											
Interest to Capital Ratio											
Total Short Term Loans											
Medium Term Loans											
Borrower # 1											
Interest to Capital Ratio											
Borrower # 2											
Interest to Capital Ratio											
Borrower # n											
Interest to Capital Ratio											
Total Medium Term Loans											
Long Term Loans											
Borrower # 1											
Interest to Capital Ratio											
Borrower # 2											
Interest to Capital Ratio											
Borrower # n											
Interest to Capital Ratio											
Total Long Term Loans											
TOTAL BIGGEST LOANS											
THE BIGGEST LOAN GRANTED BY BANK											

Report on Loans to Affiliates
Schedule 7 of Normative 10

Schedule # 7

Loans to Affiliated Persons (Insiders)

As of "___" _____ 199

Client's name	Date Granted	Maturity Date	Principle	Loan payments	Renewal	Past Due	Total	Interest Rate	Loan Purpose	Type	Price
A	B	C	D	E	F	G	H	I	J	K	L
Short Term Loans											
Borrower # 1											
Interest to Capital Ratio											
Borrower # 2											
Interest to Capital Ratio											
Borrower # n											
Interest to Capital Ratio											
Total Short Term Loans											
Medium Term Loans											
Borrower # 1											
Interest to Capital Ratio											
Borrower # 2											
Interest to Capital Ratio											
Borrower # n											
Interest to Capital Ratio											
Total Medium Term Loans											
Long Term Loans											
Borrower # 1											
Interest to Capital Ratio											
Borrower # 2											
Interest to Capital Ratio											
Borrower # n											
Interest to Capital Ratio											
Total Long Term Loans											
TOTAL LOANS TO INSIDERS											
THE BIGGEST LOAN TO ONE INSIDER											

11

Economic Normative Indicators Calculation
Schedule 8 of Normative 10

Schedule # 8

Economical Normative Indicators Calculation

As of ' _____ 199

#	Name of Economical Normative	Formula	Actual	Normative	Deviation
	A	B	C	D	E
1	Capital Adequacy Ratio				
1 1	Capital Adequacy Ratio (N1)	Bank Capital		Min	
		Risk Weighted Assets		0 25	
1 2	Bank Capital to Bank Liabilities Ratio (N2)	Bank Capital		Min	
		Bank Liabilities		0 25	
2	Liquidity Normative				
2 1	Immediate Liquidity Indicator (N3)	Liquid Assets			
		Demand Liabilities		Min	
2 2	Current Liquidity Indicator (N4)	Liquid Assets and 30 day maturity Assets		0 25	
		Demand Liabilities and Liabilities with 30 day Maturity		Min	
				0 25	
2 3	Short Term Liquidity Indicator (N5)	Liquid Assets with 30-365 day Maturity		Max	
		Deposits and Attracted Funds with 30-365 Maturity Date		1 0	
3	Normative on Operation with Borrower				
3 1	Maximum Risk Rate for One Borrower (N6)	Max Loan Amount for One Borrower			
		Bank Capital			
3 2	Maximum Risk Rate for All Big Loans (N7)	Total Amount of Big Loans			
		Bank Capital			
4	Maximum Risk Rate Normative for One Depositor (Creditor)				
4 1	Maximum Risk Rate for One Creditor (N8)	Maximum Size of Deposit for One Creditor Can Make		Max	
		Bank Capital		1 0	
5	Normative on Operations with Securities				
5 1	Bank Investment Normative in Commercial Securities (N9)	Investment in Non-Government Securities		Max	
				0 25	
5 2	Normative on Bank's Investment of capital (N10)	Shareholders' Capital Investments		Max	
		Shareholders Capital		0 5	
6	Insiders Normative				
6 1	Amount of Granted Loan to One Insider or Group of Insiders (N11)	The Biggest Loan to One Insider		Max	
		Shareholders' Equity		0 15	
6 2	Total Amount of Loans Granted to All Insiders (N12)	Total Amount of Loans to All Insiders		Max	
		Shareholders Equity		1 0	

Loan Charge-Off and Recovery Report
Appendix 4 of N242

Name of the Bank _____

**Schedule of Payments, Charged-Off the Reserve Fund to cover Probable Loan Losses
and Returned Back to Reserve Fund to cover Probable Loan Losses (Charged Earlier)**

As of _____ 199_____

	Charged-Off – A		Recovered- B	
	Total	Foreign Currency	Total	Foreign Currency
1	2	3	4	5
1 Loans to Chents, Total				
A) Industry				
B) Agriculture				
C) Transport				
D) Communication				
E) Trade				
F) Samplings and Reprocessing				
G) Construction and Real Estate Purchase, in the list				
H) Mortgage				
I) Individuals				
J) Others				
2 Loans to Financial Organization				
3 Other Loans				
Total				

Changes in Probable Loan Losses Reserve (million sum)-----

Balance as of beginning of the current year-----

Plus Recovered Payments-----

Minus Charged-Off Loans-----

Amount to be transferred to Reserve Funds-----

Adjustments-----

Balance as of the end of reported period-----

Leader of the Organization (Position) Name

Chief Accountant Name



Reports which may be used but not Crucial

Deposit Liabilities by Deposit Term
2104DMC

Deposits Liabilities by Deposit Term
As of 31 December 1995

Code	Formula	Particulars (A)	Deposits in Soms		Deposits in Foreign Currency		Total Deposits in Soms	
			Accts (#) (B)	Amount (C)	Accts (#) (D)	In US Dollars (E)	Amount in Soms (F)	Accts (#) (G)
DEPOSITS								
030	Desc	Demand Deposits						
040	Deposit Status	Active	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
050	Deposit Status	Dormant	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
060	Deposit Status	Opened This Month	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
070	Deposit Status	Less Closed This Month	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
080	040+050+060-070	Total Demand Deposits	XX,XXX	XX,XXX,XX	XX,XXX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX
				X		X		X
100		Savings Deposits						
110	Deposit Status	Active	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
120	Deposit Status	Dormant	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
130	Deposit Status	Opened This Month	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
140	Deposit Status	Less Closed This Month	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
150	110+120+130-140	Total Savings Deposits	XX,XXX	XX,XXX,XX	XX,XXX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX
				X		X		X
170	Desc	Time Deposits						
180	Deposit Term	30 days or less	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
190	Deposit Term	31 - 60 days	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
200	Deposit Term	61 - 90 days	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
210	Deposit Term	91 - 120 days	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
220	Deposit Term	121 - 150 days	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
230	Deposit Term	151 - 180 days	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
240	Deposit Term	181 - 1 year	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
250	Deposit Term	Over 1 year	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
260	180-250	Total Time Deposits	XX,XXX	XX,XXX,XX	XX,XXX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX
				X		X		X
280	040-100	TOTAL DEPOSITS	XX,XXX	XX,XXX,XX	XX,XXX	XX,XXX,XX	XX,XXX,XX	XX,XXX,XX
				X		X		X

Deposits Liabilities by Amount Range
2114DAR

Deposits Liabilities by Amount Range
As of 31 December 1995

Code	Formula Desc	Deposit Type Amount Range (A) (B)	Deposits in Soums		Deposits in Foreign Currency			Total Deposits in Soums	
			Accts (#) (C)	Amount (D)	Accts (#) (E)	In US Dollars (F)	Amount in Soums (G)	Accts (#) (H)	Amount in Soums (I)
DEPOSITS									
030	Desc	Demand Deposits							
040	Deposit Amt.	500 Or Less	X,XXX	X,XXX XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
050	Deposit Amt.	501 - 2,000	X,XXX	X XXX,XXX	X,XXX	X XXX XXX	X,XXX XXX	X,XXX	X,XXX,XXX
060	Deposit Amt.	2,001 - 5,000	X XXX	X XXX,XXX	X XXX	X XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
070	Deposit Amt.	5,001 - 10,000	X,XXX	X XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
080	Deposit Amt.	10,001 - 20,000	X,XXX	X,XXX XXX	X XXX	X XXX,XXX	X,XXX XXX	X,XXX	X,XXX,XXX
090	Deposit Amt.	20 001 - 50,000	X,XXX	X XXX,XXX	X,XXX	X,XXX XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
100	Deposit Amt.	50 001 -100,000	X XXX	X,XXX,XXX	X,XXX	X,XXX XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
110	Deposit Amt.	100,001 - 500,000	X XXX	X XXX XXX	X XXX	X XXX,XXX	X,XXX XXX	X,XXX	X,XXX,XXX
120	Deposit Amt.	Over 500 000	X,XXX	X,XXX XXX	X,XXX	X,XXX XXX	X,XXX XXX	X,XXX	X,XXX,XXX
130	040-120	Total Demand Deposits	XX XXX	XX XXX XX	XX XXX	XX XXX,XX	XX XXX,XX	XX,XXX	XX,XXX,XX
				X		X	X		X
150		Savings Deposits							
160	Deposit Amt.	500 Or Less	X XXX	X,XXX XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
170	Deposit Amt.	501 - 2,000	X,XXX	X,XXX XXX	X XXX	X,XXX,XXX	X XXX,XXX	X,XXX	X,XXX,XXX
180	Deposit Amt.	2,001 - 5 000	X XXX	X XXX XXX	X,XXX	X,XXX XXX	X XXX,XXX	X,XXX	X,XXX,XXX
190	Deposit Amt.	5,001 - 10,000	X XXX	X,XXX,XXX	X,XXX	X XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
200	Deposit Amt.	10,001 - 20,000	X XXX	X,XXX,XXX	X,XXX	X XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
210	Deposit Amt.	20,001 - 50,000	X,XXX	X,XXX XXX	X,XXX	X XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
220	Deposit Amt.	50 001 -100,000	X,XXX	X XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
230	Deposit Amt.	100,001 - 500,000	X XXX	X XXX,XXX	X XXX	X XXX XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
240	Deposit Amt.	Over 500,000	X,XXX	X XXX,XXX	X,XXX	X,XXX XXX	X,XXX XXX	X,XXX	X,XXX,XXX
250	160-240	Total Savings Deposits	XX,XXX	XX,XXX,XX	XX,XXX	XX,XXX XX	XX,XXX XX	XX,XXX	XX,XXX,XX
				X		X	X		X
270	Desc	Time Deposits							
280	Deposit Amt.	500 Or Less	X XXX	X XXX XXX	X XXX	X XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
290	Deposit Amt.	501 - 2,000	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
300	Deposit Amt.	2,001 - 5,000	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
310	Deposit Amt.	5,001 - 10,000	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
320	Deposit Amt.	10,001 - 20,000	X XXX	X XXX,XXX	X XXX	X XXX XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
330	Deposit Amt.	20,001 - 50,000	X,XXX	X,XXX,XXX	X,XXX	X,XXX XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
340	Deposit Amt.	50,001 -100,000	X XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
350	Deposit Amt.	100,001 - 500,000	X,XXX	X,XXX XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
360	Deposit Amt.	Over 500 000	X,XXX	X XXX XXX	X XXX	X XXX XXX	X XXX XXX	X,XXX	X,XXX,XXX
370	280-360	Total Time Deposits	XX XXX	XX,XXX XX	XX XXX	XX,XXX,XX	XX XXX XX	XX,XXX	XX,XXX,XX
				X		X	X		X
390	Desc	ALL Deposits							
400	040+160+280	500 Or Less	X XXX	X XXX XXX	X XXX	X XXX,XXX	X XXX,XXX	X,XXX	X,XXX,XXX
410	050+170+290	501 - 2 000	X,XXX	X XXX XXX	X,XXX	X XXX,XXX	X XXX XXX	X,XXX	X,XXX,XXX
420	060+180+300	2 001 - 5,000	X XXX	X,XXX XXX	X XXX	X XXX,XXX	X,XXX XXX	X,XXX	X,XXX,XXX
430	070+190+310	5,001 - 10 000	X XXX	X,XXX,XXX	X,XXX	X XXX,XXX	X XXX,XXX	X,XXX	X,XXX,XXX
440	080+200+320	10,001 - 20,000	X XXX	X,XXX XXX	X XXX	X XXX XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
450	090+210+330	20,001 - 50,000	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
460	100+220+340	50,001 -100,000	X,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX	X,XXX,XXX
470	110+230+350	100 001 - 500 000	X XXX	X XXX XXX	X XXX	X XXX XXX	X XXX XXX	X XXX	X,XXX XXX

Bank ID/Bank Name
2114DAR

Deposits Liabilities by Amount Range
As of 31 December 1995

400	400-490	Total ALL Deposits	xx,xxx	xx,xxx,xx	xx,xxx	xx,xxx,xx	xx,xxx,xx	xx,xxx	xx,xxx,xx
.....	x		x	x	x

Share Capital Report
3104CSA

Capital Stock Account
As of 31 December 1995

Authorized Shares of Stocks							
Particulars	Shares	Preferred		Shares	Common		Total Amount Authorized
		Par Value	Soum Value		Par Value	Soum Value	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Authorized Capital							
1st Auth dd, Month Yr	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx
	X		X	X		X	X
2nd Auth dd, Month Yr	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx
	X		X	X		X	X
3rd Auth dd, Month Yr	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx
	X		X	X		X	X
nth Auth dd, Month Yr	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx
	X		X	X		X	X
Total Authorized Capital	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx
	X		X	X		X	X
Subscription Receivable							
Particulars	Shares	Price /Share	Subscription Amount	Subscribed Capital Stock	Subscription Payments	Subscription Receivable	Paid-In Surplus
(I)	(J)	(K)	(L) = J X K	(M) = J X G or F	(N)	(O) = L - N	(P) = L - M
BegBal PREFERRED	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx	xxx,xxx,xxx	xxxxx,xxx,xx	xxx,xxx,xxx
	X		X	X		X	
Add Subscriptions TM	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx			xxx,xxx,xxx
	X		X	X			
Subs Payments TM					xxx,xxx,xxx	xxxxx,xxx,xx	
						X	
Less Fully Paid Subs	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx			
	X		X	X			
EndBal PREFERRED	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx	xxx,xxx,xxx	xxxxx,xxx,xx	xxx,xxx,xxx
	X		X	X		X	
Common Shares							
BegBal Common Shares	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx	xxx,xxx,xxx	xxxxx,xxx,xx	xxx,xxx,xxx
	X		X	X		X	
Add Subscriptions TM	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx			xxx,xxx,xxx
	X		X	X			
Downpayments TM					xxx,xxx,xxx	xxxxx,xxx,xx	
						X	
Less Fully Paid Subs	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx			
	X		X	X			
EndBal Common Shares	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx	xxxxx,xxx,xx	xxx,xxx,xxx	xxxxx,xxx,xx	xxx,xxx,xxx
	X		X	X		X	
Total Subscribed Shares	xxx,xxx,xx		xxxxx,xxx,xx	xxxxx,xxx,xx	xxx,xxx,xxx	xxxxx,xxx,xx	xxx,xxx,xxx
	X		X	X		X	
Issued Shares of Stocks							
Particulars	Shares	Par Value	Issued Capital Stock				
(Q)	(R)	(S)	(T)				
BegBal PREFERRED	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx				
	X		X				
Add Fully Paid Subs TM	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx				
	X		X				
EndBal PREFERRED	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx				
	X		X				

Bank to Bank Transfer
3104CSA

Capital Stock Account
As of 31 December 1995

Add Fully Paid Subs	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx
TM		x	x
EndBal Common Shares	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx
		x	x
Total Issued Shares	xxx,xxx,xx		xxxxx,xxx,xx
		x	x

Treasury Stocks

Particulars	Shares	Price /Share	Treasury Stock
(u)	(v)	(w)	(x)
PREFERRED Shares	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx
		x	x
Common Shares	xxx,xxx,xx	xx,xxx	xxxxx,xxx,xx
		x	x
Total Treasury Stock			xxxxx,xxx,xx
			x

Reports which should be revised before Use

General Loan Reports

Loans Receivable by Economic Sector
1514LES

Loans Receivable by Client Type
1524LCT

Loans Receivable by Purpose of Loan
1534LPL

Loans Receivable by Loan Term and Security Coverage
1584LSC

Loans Receivable by Maturity and Weighted Interest Rate
1594LIR

Loans Receivable by Economic Sector
As of 31 December 1995

Code	Formula	Loan Term	Economic Sector	Current	Restructured	Overdue ¹	Total	%
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
010	Loan Term	Short Term Loans						
020	Economic Sector	Industrial Sector						
030	Economic Sector	Agricultural Sector						
040	Economic Sector	Forestry Sector						
050	Economic Sector	Transport and Communications Sector						
060	Economic Sector	Construction & Civil Works Sector						
070	Economic Sector	Trade and Public Catering Sector						
080	Economic Sector	Logistics Supply and Sale Sector						
090	Economic Sector	Housing and Community Service						
100	Economic Sector	Other Sectors						
110	020-100	Total Short Term Loans						
120	12199-13199	Less Allow for Probable Losses						
130	110-120	Net Short Term Loans						
150	Loan Term	Medium Term Loans						
160	Economic Sector	Industrial Sector						
170	Economic Sector	Agricultural Sector						
180	Economic Sector	Forestry Sector						
190	Economic Sector	Transport and Communications Sector						
200	Economic Sector	Construction & Civil Works Sector						
210	Economic Sector	Trade and Public Catering Sector						
220	Economic Sector	Logistics Supply and Sale Sector						
230	Economic Sector	Housing and Community Service						
240	Economic Sector	Other Sectors						
250	160-240	Total Medium Term Loans						
260	13399-14399	Less Allow for Probable Losses						
270	250-260	Net Medium Term Loans						
290	Loan Term	Long Term Loans						
300	Economic Sector	Industrial Sector						
310	Economic Sector	Agricultural Sector						
320	Economic Sector	Forestry Sector						
330	Economic Sector	Transport and Communications Sector						
340	Economic Sector	Construction & Civil Works Sector						
350	Economic Sector	Trade and Public Catering Sector						
360	Economic Sector	Logistics Supply and Sale Sector						
370	Economic Sector	Housing and Community Service						
380	Economic Sector	Other Sectors						
390	300-380	Total Long Term Loans						
400	14599-15799	Less Allow for Probable Losses						
410	390-400	Net Long Term Loans						
430	Loan Term	All Loans						
440	020+160+300	Industrial Sector						
450	030+170+310	Agricultural Sector						
460	040+180+320	Forestry Sector						
470	050+190+330	Transport and Communications Sector						
480	060+200+340	Construction & Civil Works Sector						
490	070+210+350	Trade and Public Catering Sector						
500	080+220+360	Logistics Supply and Sale Sector						
510	090+230+370	Housing and Community Service						
520	100+240+380	Other Sectors						
530	440-520	Total All Loans						
540	120+260+400	Less Allow for Probable Losses						
550	530-540	Net All Loans						

¹ All Overdue Medium and Long Term Loans are classified under Short Term Loans

Loans Receivable by Client Type
As of 31 December 1995

Code	Formula	Loan Term / Client Type (A)	Current (B)	Restructured (C)	Overdue ¹ (D)	Total (E)	% (F)	Allow for Losses (G)	Net Totz (H)
010	Loan Term	Short Term Loans							
020	Client Type	Other Banks	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
030	Client Type	Government	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
040	Client Type	Individuals	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
050	Client Type	Private Enterprises	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
060	Client Type	State Enterprises	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
070	Client Type	Joint Ventures	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
080	Client Type	Partnerships & Corporations	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
090	020-080	Total Short Term Loans	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XX	XX,XXX,XXX	XX,XXX
110	Loan Term	Medium Term Loans							
120	Client Type	Other Banks	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
130	Client Type	Government	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
140	Client Type	Individuals	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
150	Client Type	Private Enterprises	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
160	Client Type	State Enterprises	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
170	Client Type	Joint Ventures	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
180	Client Type	Partnerships & Corporations	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
190	120-180	Total Medium Term Loans	XX,XXX,XXX	XX,XXX,XXX		XX,XXX,XXX	XX,XX	XX,XXX,XXX	XX,XXX
210	Loan Term	Long Term Loans							
220	Client Type	Other Banks	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
230	Client Type	Government	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
240	Client Type	Individuals	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
250	Client Type	Private Enterprises	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
260	Client Type	State Enterprises	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
270	Client Type	Joint Ventures	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
280	Client Type	Partnerships & Corporations	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
290	220-280	Total Long Term Loans	XX,XXX,XXX	XX,XXX,XXX		XX,XXX,XXX	XX,XX	XX,XXX,XXX	XX,XXX
310	Loan Term	All Loans							
320	020+120+220	Other Banks	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
330	030+130+230	Government	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
340	040+140+240	Individuals	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
350	050+150+250	Private Enterprises	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
360	060+160+260	State Enterprises	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
370	070+170+270	Joint Ventures	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
380	080+180+280	Partnerships & Corporations	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XX	X,XXX,XXX	X,XXX
390	320-390	Total All Loans	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XX	XX,XXX,XXX	XX,XXX

¹ All Overdue Medium and Long Term Loans are classified under Short Term Loans

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Loans Receivable by Purpose of Loan
As of 31 December 1995

Code	Formula	Loan Term (A) (B)	Current (C)	Restructured (D)	Overdue ¹ (E)	Total (F)	% (G)
010	Loan Term	Short Term Loans					
020	Purpose of Loan	Working Capital	X,XXX,XXX	X,XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
030	Purpose of Loan	Export/Import	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XXX
040	Purpose of Loan	Fixed Assets	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX,XXX
060	Purpose of Loan	Government Directed	X,XXX,XXX	X,XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
070	Purpose of Loan	Others	X XXX,XXX	X,XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
080	020-070	Total Short Term Loans	XX XXX XXX	XX XXX,XXX	XX XXX XXX	XX,XXX,XXX	XX,XXX
090	12199-13199	Less Allow for Probable Losses				XXX,XXX	
100	080-090	Net Short Term Loans				XX,XXX,XXX	
120	Loan Term	Medium Term Loans					
130	Purpose of Loan	Working Capital	X XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XXX
140	Purpose of Loan	Export/Import	X,XXX,XXX	X XXX,XXX		X,XXX,XXX	XX,XXX
150	Purpose of Loan	Fixed Assets	X,XXX,XXX	X XXX,XXX		X,XXX,XXX	XX,XXX
170	Purpose of Loan	Government Directed	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XXX
180	Purpose of Loan	Others	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XXX
190	130-180	Total Medium Term Loans	XX XXX XXX	XX XXX,XXX		XX,XXX,XXX	XX,XXX
200	13399-14399	Less Allow for Probable Losses				XXX,XXX	
210	190-200	Net Medium Term Loans				XX,XXX,XXX	
230	Loan Term	Long Term Loans					
240	Purpose of Loan	Working Capital	X XXX,XXX	X XXX,XXX		X,XXX,XXX	XX,XXX
250	Purpose of Loan	Export/Import	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XXX
260	Purpose of Loan	Fixed Assets	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XXX
280	Purpose of Loan	Government Directed	X,XXX,XXX	X XXX,XXX		X,XXX,XXX	XX,XXX
290	Purpose of Loan	Others	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX,XXX
300	300-380	Total Long Term Loans	XX,XXX,XXX	XX,XXX,XXX		XX,XXX,XXX	XX,XXX
310	14599-15799	Less Allow for Probable Losses				XXX,XXX	
320	390-400	Net Long Term Loans				XX,XXX,XXX	
340	Loan Term	All Loans					
350	020+130+240	Working Capital	X XXX,XXX	X XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
360	030+140+250	Export/Import	X,XXX,XXX	X,XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
370	040+150+260	Fixed Assets	X,XXX,XXX	X,XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
390	060+170+280	Government Directed	X XXX,XXX	X XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
400	070+180+290	Others	X,XXX,XXX	X,XXX,XXX	X XXX XXX	X,XXX,XXX	XX,XXX
410	350-400	Total All Loans	XX,XXX,XXX	XX,XXX,XXX	XX XXX XXX	XX,XXX,XXX	XX,XXX
420	090+200+310	Less Allow for Probable Losses				XXX,XXX	
430	530-540	Net All Loans				XX,XXX,XXX	

¹ All Overdue Medium and Long Term Loans are classified under Short Term Loans

Loans Receivable by Loan Term and Security Coverage
As of 31 December 1995

Code	Formula	Loan Term / Security Type (A)	Current (B)	Re-structured (C)	Overdue ¹ (D)	Total (E)	% (F)	Value of Security (I)
010	Loan Term	Short Term Loans						
030	Security Coverage	Deposit	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
040	Security Coverage	Motor Vehicles etc	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
050	Security Coverage	Inventory	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
060	Security Coverage	Real Estate	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
070	Security Coverage	Equipment	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
080	Security Coverage	Bonds	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
090	Security Coverage	Shares of Stocks	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
100	Security Coverage	Third-Party Guarantee						
110	030-100	Total Short Term Loans	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX XX	XX,XXX,XXX
120	12199-13199	Less Allow for Prob Losses				XXX,XXX		
130	110-120	Net Total Short Term Loans				XX,XXX,XXX		
150	Loan Term	Medium Term Loans						
170	Security Coverage	Deposit	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
180	Security Coverage	Motor Vehicles etc	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
190	Security Coverage	Inventory	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
200	Security Coverage	Real Estate	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
210	Security Coverage	Equipment	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
220	Security Coverage	Bonds	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
230	Security Coverage	Shares of Stocks	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
240	Security Coverage	Third-Party Guarantee						
250	1700-240	Total Medium Term Loans	XX,XXX,XXX	XX,XXX,XXX		XX,XXX,XXX	XX XX	XX,XXX,XXX
260	13399-14199	Less Allow for Prob Losses				XXX,XXX		
270	250-260	Net Total Medium Term Loans				XX,XXX,XXX		
290	Loan Term	Long Term Loans						
310	Security Coverage	Deposit	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
320	Security Coverage	Motor Vehicles, etc	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
330	Security Coverage	Inventory	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
340	Security Coverage	Real Estate	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
350	Security Coverage	Equipment	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
360	Security Coverage	Bonds	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
370	Security Coverage	Shares of Stocks	X,XXX,XXX	X,XXX,XXX		X,XXX,XXX	XX XX	X,XXX,XXX
380	Security Coverage	Third-Party Guarantee						
390	290-390	Total Long Term Loans	XX,XXX,XXX	XX,XXX,XXX		XX,XXX,XXX	XX XX	XX,XXX,XXX
400	15199-15599	Less Allow for Prob Losses				XXX,XXX		
410	390-400	Net Total Long Term Loans				XX,XXX,XXX		
430	Loan Term	All Loans						
450	030+170+310	Deposit	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
460	040+180+320	Motor Vehicles, etc	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
470	050+190+330	Inventory	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
480	060+200+340	Real Estate	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
490	070+210+350	Equipment	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
500	080+220+360	Bonds	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
510	090+230+370	Shares of Stocks	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	XX XX	X,XXX,XXX
520	Security Coverage	Third-Party Guarantee						
530	320-390	Total All Loans	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX XX	XX,XXX,XXX
540	120+260+400	Less Allow for Prob Losses				XXX,XXX		
550	530-540	Net Total All Loans				XX,XXX,XXX		

Loans Receivable by Maturity and Weighted Interest Rate
As of 31 December 1995

Code	Formula	Loan Term / Status (A)	BegBal This Month (B)	Payments This Month (C)	EndBal This Month (D)	Weighted Interest Rate ¹		
						Short Term (E)	Medium Term (F)	Long Term (G)
10	Desc	Current Loans						
30	Desc	Short Term						
40	Loan Term	1 - 30 days	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx		
50	Loan Term	31 - 60 days	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx		
60	Loan Term	61 - 90 days	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx		
70	Loan Term	91 - 180 days	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx		
80	Loan Term	181 days - 1 year	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx		
90	40-80	Total Short Term	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx			
110	Desc	Medium Term						
120	Loan Term	Over 1 to 2 years	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx		xxx,xxx	
130	Loan Term	Over 2 to 3 years	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx		xxx,xxx	
140	Loan Term	Over 3 to 4 years	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx		xxx,xxx	
150	Loan Term	Over 4 to 5 years	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx		xxx,xxx	
160	120-150	Total Medium Term	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx			
180	Desc	Long Term						
190	Loan Term	Over 5 to 10 years	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx			xxx,xxx
200	Loan Term	Over 10 years	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx			xxx,xxx
210	190-200	Total Long Term	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx			
230	90 + 160 + 210	Total of Current Loans	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx			
250	Desc	Overdue & Under Litigation						
260	Loan Status	Overdue	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
270	Loan Status	Under Litigation	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
280	260-270	Total Overdue & Under Lit	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx			
300	230 + 280	Total of All Loans	x,xxx,xxx,xxx	x,xxx,xxx,xxx	x,xxx,xxx,xxx			

¹ Computed as Total Loan Interest divided by Total Loan Principal multiplied by 100

Asset and Liability Analysis Schedules
(Based on Original Maturity)

Bank Assets Analysis
Schedule 4 of Normative 10

Bank Liabilities Analysis
Schedule 5 of Normative 10

Schedule # 4

Bank Assets Analysis

As of " " _____ 199

	Characteristics	Terms categories (Days)					Total
		Not time d	1-30	31- 180	181- 365	Over 365	
Code	A	B	C	D	E	F	G

ASSETS							
1	Cash and other Cash Documents						
2	Due from CBU						
3	Due from other Banks						
4	Trade Accounts - Net						
5	Bills Purchased - Net						
6	Clients' Liabilities on Bills of Exchange under Letters of credit or Trust Documents						
7	Clients' Liabilities on Not Paid-Off						
8	Loans Granted to CBU						
9	Loans Granted to other Banks - Net						
10	Loans Receivable						
10 1	Short Term						
10 2	Medium Term						
10 3	Long Term						
10 4	Total Loans Receivable						
10 5	Minus Probable Loan Losses Reserve						
10 6	Loans Receivable - Net						
11	Loans and Advances in the process of Court Precedence						
12	Investments - Net						
13	Due from Headquarters/Affiliates						
14	Accrued Interest Receivable - Net						
15	Bank Premises, Furniture, Equipment - Net						
16	Real Estate and Other Private Properties						
17	Unrealized gain on revaluation of foreword transaction						
18	Currency Trade Account and Currency Position						
19	Settlement & clearing accounts						
20	Government Account						
21	Other Assets						
22	TOTAL ASSETS						

Schedule # 5

Bank Liabilities Analysis

As of "___" _____ 199

Code	Characteristics	Maturity (days)					Total
		Not Time d	1-30	31-180	181-365	Over 365	
	A	B	C	D	E	F	G

LIABILITIES							
1	Deposits						
1 1	Demand Deposits						
1 2	Saving Deposits						
1 3	Time Deposits						
1.4	Total Deposits						
2	Due To CBU						
3	Due To Other Banks						
4	Managerial Checks						
5	Outstanding Acceptance - Foreign						
6	Loans Payable						
6 1	Short Term						
6 2	Medium Term						
6 3	Long Term						
6 4	Total Loans Payable						
7	Due To Headquarters / Affiliates						
8	Accrued Interests Payable						
9	Other Deposits of Clients						
10	Unrealized losses on revaluation forward accounts & other prolonged credits						
11	Settlement & clearing accounts - Credit balance						
12	Government Accounts - Net Loan Balance						
13	Other Liabilities						
14	TOTAL LIABILITIES						
EXTRAORDINARY CIRCUMSTANCES ACCOUNT							
15	Financial Trade						
16	Guarantees						
17	Other Extraordinary Circumstances Account						
18	Total Accounts of Extraordinary Circumstances						

Reports Needing Development

Draft
Reconciliation of Retained Earnings

RECONCILIATION OF RETAINED EARNINGS

SUOM

1	Retained Earnings, as Reported at the end of Previous Calendar Year	
2	Plus or Minus Prior Period Adjustments Not Reflected as of that Year End	
3	Equals Adjusted Retained Earnings	
4	Plus or Minus Cumulative Net Income or Losses for the Current Year	
5	Less Cash Dividends Declared- Common Stock	
6	Less Cash Dividends Declared- Preferred Stock	
7	Less Stock Dividends Declared- Common Stock	
8	Less Stock Dividends Declared- Preferred Stock	
9	Equals Current Balance, Retained Earnings	

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Investment Securities and Trading Account Assets

Investment Securities and Trading Account Assets		
Part 1- Investment Securities	Book Value	Market Value
1 Investment in Government Bonds		
2 Investment in CBU Bonds and Securities		
3 Investment in Private Bonds		
4 Investment in Eurobonds		
5 Equity Investment- State-Owned Enterprises		
6 Equity Investment- Private Enterprises		
7 Investment in Other Securities		
8 Total Investment Securities		
Part 2 - Trading Account Securities	Book Value	Market Value
1 Government Treasury Bills		
2 Government Bonds		
3 CBU Bonds and Securities		
4 Government Corporation Securities		
5 Eurobonds		
6 Private Securities		
7 Other Securities		
8 Total Trading Account Securities		
Part 3 - Trading Account Precious Metals and Other Commodities		
1 Precious Metals		
2 Precious Stones		
3 Precious Coins		
4 Other Commodities		
5 Total Precious Metals and Other Commodities		
Memo Item		
Total Securities pledged for public deposits		
Investment Securities Portfolio		
Appreciation (Depreciation)		
Trading Account Securities		
Appreciation (Depreciation)		
Trading Account Precious Metals and Other Com		
Appreciation (Depreciation)		

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Liquidity Analysis

Liquidity Analysis

Part 1 Liquid Assets	
Category	Soum
1 Cash	
2 Due from banks	
3 Government Securities One Year or Less Maturity	
4 Government Securities with Greater than One Year Maturity	
5 Loan repayments due within 90 days	
6 Other Readily Marketable Securities	
7 Total liquid assets	
Part 2 Cash and Liquidity Ratios	
	Percentage
1 Cash Ratio	
a Total cash divided by average assets of the current quarter	
2 Liquidity Ratio	
a Total liquid assets divided by average assets of the current quarter	
Part 3 Economic Normatives- Liquidity	
	Percentage
1 Calculation of N3 Ratio	
2 Calculation of N4 Ratio	
3 Calculation of N5 Ratio	
Memo Item	
Average assets equals the month end total assets of the previous three months divided by three	

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Analysis of Income and Expense

Analysis of Interest Income and Interest Expense

Category	Soum
1 INTEREST INCOME ON LOANS	
a. Loans to CBU	
b Loans to Other Banks	
c Loans to Government	
d Loans to Individuals	
e Loans to State Enterprises	
f Loans to Joint Ventures	
g Loans to Private Partnerships and Corporations	
h Other Loans	
i TOTAL INTEREST INCOME ON LOANS	
2 INTEREST INCOME ON CORRESPONDENT ACCOUNTS	
a Due from CBU	
b Due from Other Banks	
c TOTAL INTEREST INCOME ON CORRESPONDENT ACCOUNTS	
3 INTEREST INCOME ON TRADING ACCOUNT SECURITIES	
a. Government Treasury Securities	
b CBU Bonds and Securities	
c Government Corporation Securities	
d Eurobonds	
e Private Securities	
f Other Securities	
g TOTAL INTEREST INCOME ON TRADING ACCOUNT SECURITIES	
4 INTEREST INCOME ON INVESTMENT SECURITIES	
a Government Bonds	
b CBU Bonds and Securities	
c Private Bonds	
d Eurobonds	
e Other Securities	
f TOTAL INTEREST INCOME ON INVESTMENT SECURITIES	
5 OTHER INTEREST INCOME	
a Other Interest Income	
6 TOTAL INTEREST INCOME	
7 INTEREST EXPENSE ON DEPOSITS	
A. Demand Deposits	
a Other Banks	
b Government	
c Individuals	
d Private Enterprises	
e State Enterprises	
f Joint Ventures	
g Partnerships and Corporations	
h Other Demand Deposits	
i. Total Interest Expense on Demand Deposits	
B Savings Deposits	
a Other Banks	
b Government	
c Individuals	
d Private Enterprises	
e State Enterprises	
f Joint Ventures	
g Partnerships and Corporations	
h Other Savings Deposits	
i. Total Interest Expense on Savings Deposits	
C Time Deposits	
a Other Banks	
b Government	
c Individuals	
d Private Enterprises	
e State Enterprises	
f Joint Ventures	
g Partnerships and Corporations	
h Other Time Deposits	
i. Total Interest Expense on Time Deposits	
D TOTAL INTEREST EXPENSE ON DEPOSITS	
8 INTEREST EXPENSE ON OTHER LIABILITIES	
a Interest Expense on Outstanding Acceptances	
b Interest Expense on Loans Payable	
c Other Interest Expense	
d TOTAL INTEREST EXPENSE ON OTHER LIABILITIES	
9 TOTAL INTEREST EXPENSE	

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Changes in Equity Capital

Changes in Equity Capital	
Category	Soum
1 Total equity capital originally reported in the previous year	
2 Equity capital adjustments from amended Reports of Income net	
3 Amended balance end of previous calendar year (sum of items 1 and 2)	
4 Net income (loss) year to-date	
5 Sale conversion acquisition, or retirement of capital stock (net proceeds)	
6 Surplus Reserves	
7 Adjustments to Appraisal Values over Cost	
8 LESS Cash dividends declared on preferred stock	
9 LESS Cash dividends declared on common stock	
10 Other items effecting equity capital Net	
11 Total equity capital end of current period (sum of items 3 through 10)	

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Deposits by Client Type

Deposits by Client Type	
Category	Soum
1 Demand Deposits	
a. Other Banks	
b. Government	
c. Individuals	
d. Private Enterprises	
e. State Enterprises	
f. Joint Ventures	
g. Partnerships and Corporations	
h. Other Demand Deposits	
i. Total Demand Deposits	
2 Savings Deposits	
a. Other Banks	
b. Government	
c. Individuals	
d. Private Enterprises	
e. State Enterprises	
f. Joint Ventures	
g. Partnerships and Corporations	
h. Other Savings Deposits	
i. Total Savings Deposits	
3 Time Deposits	
a. Other Banks	
b. Government	
c. Individuals	
d. Private Enterprises	
e. State Enterprises	
f. Joint Ventures	
g. Partnerships and Corporations	
h. Other Time Deposits	
i. Total Time Deposits	
4 Total Deposits	
Memorandum Item	
1 Has the bank failed to pay any depositor either interest or principal when requested to do so during the quarter?	

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Miscellaneous Information

MISCELLANEOUS INFORMATION	
	YES/NO
1 Has the bank appointed any new administrators (executive officers, directors, or audit committee members) during the quarter?	
2 Have any natural or juridical persons or groups of natural or juridical persons purchased new or additional shares of stock so that the percent of ownership in the institution is greater than or equal to 10 percent?	
3 Has the bank acquired any ownership in any other financial institution as a result of acquiring an equity interest in a financial institution in lieu of repayment?	
4 Has the bank engaged in any significant new financial activities during the quarter?	
5 Has the bank failed to comply with any of its economic normatives at any time during the reporting period?	
	AMOUNT
6 What is the total number of employees in all offices, including administrative offices branches, agencies and subagencies?	
7 What is the total number of offices of your bank, including administrative offices, branches, agencies, and subagencies?	

Financial Sector Reform in Kazakhstan/Uzbekistan

Final Financial Report

ADMINISTRATIVE INFORMATION

International Business & Technical Consultants, Inc
Contract # EPE-0005-100-5056-00
Task Order # 10-00140-IBTCI-09
January - December, 1997

Total level of effort	2,195
Level of effort (Jan - Dec, 1997)	0
Cumulative level of effort	0
Unused level of effort	2,195

Total budget	\$2,853,718
Expenditure (Jan - Dec, 1997)	0
Cumulative expenditure todate	0
Balance	2,853,718