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# **Financial Infrastructure Development: Implementation of International Accounting Standards, National Bank of Ukraine**

## **Final Report**

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Submitted to

**US Agency for International Development**  
Laurie Landy, Banking Advisor USAID/Kiev

and

**US Agency for International Development**  
Jean Lange, USAID COTR  
US Agency for International Development  
ENI/PER, SA-15 Rm 3236 Washington, DC 20523 USA

Pursuant to

Contract # EPE-I-00-95-00056-00  
Task Order # EPE-I-07-95-00056-00

Submitted by

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**Financial Infrastructure Development:  
Implementation of International Accounting Standards  
For The**

**NATIONAL BANK OF UKRAINE**

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**FINAL REPORT**

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**FINANCIAL INFRASTRUCTURE DEVELOPMENT:  
IMPLEMENTATION OF INTERNATIONAL ACCOUNTING  
STANDARDS, NATIONAL BANK OF UKRAINE**

**TASK ORDER FINAL REPORT**  
(June 23,1997 to September 30, 1998)

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**Final Report  
For  
International Business & Technical Consultants, Inc.  
Contract # EPE-1-00-95-0056-00  
Period: June 23, 1997 to September 30, 1998**

**I. BACKGROUND**

This contract represents the continuation of USAID work to support the development of the financial infrastructure of bank supervision and accounting at the National Bank of Ukraine (NBU)

USAID has been providing technical assistance to the National Bank of Ukraine (NBU) since April 1995, to help strengthen its capacity to regulate and supervise the banking sector. The primary focus of the program has been to help the Bank Supervision Department (BSD) build up the primary components of prudential regulation, on and off-site examination, problem bank resolution, and legal underpinnings. This program, however, will reach an impasse unless the Ukrainian banking system converts to international accounting standards (IAS). There is no possible way that either the National Bank of Ukraine or the general public can get an accurate picture of the financial conditions of the banks unless the IAS system is adopted. The Gosplan accounting system currently in use was designed for a time when the so-called banks served not as allocators of financial resources to the most efficient uses based upon price, but were a funnel of centrally planned financial allocations. In such a system, risk and credit analysis had no role and the accounting system reflected this. Therefore, it is critical that this conversion to IAS be made as soon as possible.

The Governor of the NBU has asked that USAID broaden its program to include particular emphasis on the implementation stage of the development of international accounting standards in the commercial banks. Bank supervision and internationally accepted accounting conventions are interrelated priorities in building a market-oriented private banking sector. Conversion to IAS is one of the most important conditions in the World Bank's Financial Sector Adjustment Loan, which was implemented in 1997. It also forms part of the conditionality in the IMF program. The implementation of IAS in the Ukrainian commercial banks is a large undertaking and AID will be joined by EU TACIS and the British Know How Fund in this program.

The National Bank of Ukraine issued a draft accounting chart for commercial banks and instructions on the new accounts, based on IAS and existing requirements set up by the supervision and statistics sections of the NBU, in the first half of 1997. These documents will be used as guidelines by commercial banks during the implementation phase, which was planned to begin in April 1997.

The project began in June 1997. There were three resident foreign advisors: two accounting specialists and one specialist in information technology (IT) for a total level of effort of 924 person days. The resident advisors were supplemented by a team of five local professional hires: four accountants and one IT specialist, and local support personnel: two translators and one administrator. Total local hire level of effort was approximately 2500 days. Benchmarks were set out for each quarter of the project. However, the major implementation “event” was the installation of the new chart of accounts (COA) and revised reporting system in the NBU, the same that became effective on January 1, 1998.

The project was conducted in two components. The first component provided technical assistance to a group of pilot banks (PIBs) so that they could accomplish a rapid and correct transition from the Soviet-based accounting system to the new accounting system, which would be in substantial compliance with International Accounting Standards (IAS). In addition, the technical assistance was directed to ensure that PIB management understood and used correctly the IAS data produced from the new system. This component of the project was conducted throughout the term of the project, June 1997 to September 30, 1998.

The second component was to assist as many Ukrainian banks as possible, the participating bank group (PABs), with an analysis and approval of their conversion keys from the existing system to an IAS-based system, to advise them on the use of IAS valuation and recognition rules for implementation beginning January 1, 1998, and assist them in the development of possible management information systems which could be prepared from the new system. This component began during the 2<sup>nd</sup> quarter of the project, which quarter ended December 31, 1997, and continued to September 30, 1998.

## **II. PROJECT OBJECTIVES**

The Task Order helps to fulfill the ENI Bureau’s strategic objective to develop a more competitive and market-responsive private financial sector, and most specifically to develop the financial infrastructure. The specific objective of the task order is to support the intensive transformation of a group of pilot banks to facilitate their use of the contemplated IAS-based accounting system. At the end of the project, it is expected that the group of pilot banks will have received technical assistance necessary to

- Ensure a rapid and correct transition from the existing to the contemplated IAS-based accounting system,
- Ensure a comprehensive and correct use by bank management of the IAS data to be produced under the contemplated system.

In addition, under the participating bank component, as many other Ukrainian banks as possible will receive expert approvals of their conversion keys (“bridge programs”) from the existing to the contemplated accounting system, advice on the practical use of IAS valuation and recognition rules starting from January 1, 1998, and guidelines on the possible management information systems that can be built on the new standards.

### **III. COMPONENT I PILOT BANK PHASE**

#### **A ACTIONS AND ACCOMPLISHMENTS**

##### **Quarter 1 Benchmarks (ending September 30, 1997)**

- *Selection of a small number of pilot banks for the project*

The NBU's Commercial Bank Accounting and Reporting Unit (CBARU) prior to commencement of the project had completed the preliminary selecting of PIB candidates

- *Diagnostic studies of candidate banks*

Since the initial group of PIBs subject to the diagnostic studies had been pre-selected by the NBU's CBARU, the scope of the diagnostic studies focused on confirming and updating the data used in the pre-screening process. The diagnostics were conducted using a team effort with an overall business evaluation, scope of technical assistance and recommendation completed by the assigned accounting consultant. This report was further supported by a financial analysis prepared by KPMG or Arthur Andersen & Co (two PIBs each), a report on the credit portfolio prepared by John Gritzek, Treasury Advisor, and a report of the MIS capabilities of the PIBs prepared by the project's MIS consultant.

During August the PIB diagnostic reports and conversion level recommendations were presented to the NBU/CBARU. The four PIBs studied were recommended and the scope of our technical assistance was approved as submitted in the report. This permitted us to begin actual IAS conversion field work at the four PIBs.

- *Preparation of implementation plans, including issues raised as recommendations to management in the diagnostic reports*

The project work plan was submitted to USAID in August 1997 based, initially, on the NBU's CBARU time line for IAS implementation. This time line attempted a significant acceleration of the benchmarks set forth in the terms of reference (TOR). It was our opinion at the time that the ability to perform on the NBU time line was dependent to a large extent on the NBU/CBARU issuing timely and complete instructions. See Exhibit I.

##### **Quarter 2 Benchmarks (ending December 31, 1997)**

- *Preliminary reformatting of the existing accounts to the new IAS accounts prescribed by the National Bank will be completed*

With the assistance of the on-site technical advisors, all PIBs were able to reformat their old Chart of Accounts (COA) to the new IAS-based COA using a bridge program developed by their respective accounting software providers (Mobieus and Unicorn). From the new COA "bridge table", all the PIBs produced the initial set of data files requested by the NBU starting as of

October 1, 1997 While this represented significant progress towards the objective of an IAS conversion, the following points need to be emphasized

- 1 The bridging tables at all the PIBs only accomplished an account level “reshuffling” of financial data No attempt was made at any of the PIBs to implement a transaction level conversion and financial data reported is still based primarily on the Soviet system since, with the exception of the USAID PIBs as discussed in paragraph 3 below, IAS adjustments are not being made to the financial records With regard to the progress on transaction level conversion, there was no time to address this effort during the quarter since all technical advisory services and in-house resources at the PIBs were devoted to designing and redesigning bridge tables and data files in response to a multitude of changes required by the NBU (i.e. the “final” revised COA was not issued until November 21)
- 2 The banking sector began submitting financial information to the NBU in more than 20 data files (not all of these data files were “formatted” by the NBU by the end of the quarter) Based on the information in these data files, the NBU is supposed to be able to produce more than 80 regulatory reports However, by quarter-end the banks were not furnished the software to produce the reports so, under the new reporting system, hard copy reports can not be generated at the bank level and reviewed for accuracy We urged the NBU to provide this software to the banks
- 3 In November, based on our recommendation, the NBU instructed the four, USAID PIBs to report based on IAS-adjusted balances as “recommended by the technical advisors” We thought it important that this begin early in the conversion process so that the procedures can be incorporated into the accounting systems and the PIB staff trained We also recognized that formalization of this process and production of accurate IAS-based financial reports on a regular basis would take a significant amount of time and effort Based on the NBU “go-ahead”, we prepared the IAS Adjustment checklist to assist the PIB accounting staff in the adjustment analysis **Exhibit II (1)**

Notwithstanding the above limitations, the TA teams at the PIBs made significant progress in generating, verifying and reporting IAS-based financial information We developed a “bridge validation” software program to identify “account pairings” in the PIB bridge tables, which were not in compliance with the NBU bridge table **Exhibit II (2)** This validation program was used at the PIBs for both home office and branch reporting We also prepared IAS-formatted financial reports from the basic monthly data file (“File 02”) and met with senior management at each PIB to discuss the financial information and conversion issues

- ***Feedback given to the NBU’s Commercial Bank Accounting and Reporting Unit (CBARU) concerning necessary modifications to the chart of accounts and reporting forms***

Our feedback to the CBARU was structured in two general areas

- 1 Weekly, our TA teams met and, as part of each meeting, accumulated a list of “NBU Issues” with center largely on suggestions to improve the structure of the COA, correct instructions on the classification of transactions within the COA, and revise account pairings which are

- inconsistent between the NBU and PIB bridge tables. The most pertinent of these are e-mailed to CBARU with copies to the BSD and USAID. Many of our suggestions were adopted in the final COA revision issued in late November.
2. During the quarter the CBARU issued drafts and final versions of directives covering accounting procedures for selected areas. These directives are not really “Accounting Standards” but in describing the accounting methodology required, they often incorporate principles that need to be compared to IAS. We compared the instructions in the drafts with IAS and sent the CBARU our comments, pointing out any deviations from IAS. An example of this process is the directive on accounting for investment securities. By the end of the quarter, this directive had not been issued on a final basis but a forth draft was issued in December. We had communicated serious concerns to the CBARU on the first versions because the instructions contradicted IAS. However, substantially all our recommendations were incorporated into the final version and this very important directive was in substantial compliance with IAS.

### **Quarter 3 Benchmarks (ending March 31, 1998)**

- ***Final reformatting of existing accounts at pilot banks to new IAS accounts will be completed using CBARU modifications***

All general ledger accounts in the old system were reformatted at the PIBs to the new COA. The “ending” account balances (12/31/97) were “bridged” to the “beginning” account balances (1/1/98) under the new COA. The year-end bridge validation program was used to ensure its compliance with current CBARU modifications. Starting with the first business day of 1998, 1/5/98, all transactions were coded directly into the new COA, eliminating the need for further bridging. The recording of transactions directly into the new COA (effectively a “transaction level” conversion) was significant progress towards the objective of an IAS conversion. However, the PIBs could not prepare IAS-based internal financial reports from the new COA and, since they complied with NBU reporting, were not willing to reprogram the in-house systems to do so. In order to expedite this process and further train PIB accounting staff in modern accounting period closings and statement preparation procedures, we enhanced the statement preparation program, Barracuda (see Exhibit II (4)), and focused PIB TA on the process required to prepare timely and accurate IAS-based internal financial reports.

- ***At least one training class will be presented to each pilot bank in the preparation of regulatory reports and the concepts of management information***

The training at the PIBs focused on the preparation of IAS-based internal financial reports and the analysis of these reports to assess the performance of the bank and identify major financial issues requiring management attention. As stated above, regulatory reporting is accomplished through electronic submission of data files, not reports. As of the end of this quarter, there still were no practical means to review the substance of this reporting at the bank level other than as the data in these files is extracted into IAS-formatted financial statements using Barracuda.

During the quarter, training sessions were conducted with the chief accountant and senior management (Board Chairman and President) of three of the four PIBs (the situation with VA Bank is discussed below). At these sessions, the format and content of the preliminary 12/31/97 financial statements were reviewed. In addition, key balance sheet and performance ratios were calculated and compared to two other Ukrainian banks that issued IAS financial reports. We focused the formal training meetings on senior management covering the content and use of the internal reports being prepared under IAS in order to encourage using bank resources to sustain and enhance the new reporting systems. Informal but intensive training is provided the accounting staff at the PIBs on an ongoing basis. (See Exhibit III for financial reports)

At VA Bank, we identified some major problems in balances being reported in the Miscellaneous Asset and Clearing Accounts. These problems had been “masked” under the old system but became obvious when we prepared some of the early IAS-formatted reports. We advised senior management of this issue in December 1997 and they referred the investigative process to their auditors, Arthur Andersen & Co. Initially, VA Bank management was reluctant to address this problem with the TA team. However, after a series of meetings with management at the highest levels, we reconfirmed their commitment to the timely resolution of the reporting problems and for the remainder of the quarter were able to proceed with TA to support system development and preparation of 1998 internal reports.

#### **Quarter 4 Benchmarks (ending June 30, 1998)**

- *The pilot banks will prepare a preliminary year-end 1997 balance sheet of the regulatory report (including detail schedules on the loan portfolio, interbank funds and deposits). Income and expense will be recorded in accordance with IAS.*

As discussed previously, all regulatory reports to NBU are submitted in electronic data files. As of December 31, 1997, commercial banks were limited in their programming capability to produce “hard copies” of these reports and their preparation was not required by the NBU. Therefore, PIB staff were unwilling to devote resources to preparation of NBU hard copy reports. However, using the Financial Statement Preparation Program, Barracuda, the IAS-based December 31, 1997, financial statements were completed, including Balance Sheet, Income Statement, Cash Flow Statement, and footnotes, for all PIBs with the exception of VA Bank (see the discussion of VA Bank below). The database used for the preparation of these statements was the same data file submitted to NBU, with additional IAS adjustments. Footnote information contained the details of loans, fixed assets, and deposits. The English versions of the complete statements are attached hereto as Exhibit III. In addition, condensed December 31, 1997 balance sheets based on IAS were provided to NBU for inclusion in the Commercial Bank Directory which was prepared for the May, 1998 annual EBRD Conference in Kiev.

At VA Bank, the major problems in certain balance sheet accounts remained unresolved at the end of June. Discussions with senior management in April seemed to indicate a willingness on their part to provide the consulting team with access to information from the outside auditors, and assistance with streamlining the information gathering process to eliminate barriers which were impeding our advisory efforts. After several delays on resolving these issues, the technical

assistance program was suspended in early May and NBU was advised accordingly. In mid-June, after a meeting with the USAID project officer and the project team leader, VA Bank agreed to the two conditions and advisory work was resumed.

VA Bank was substantially behind the other PIBs in preparing internal IAS financial reports, in part because of the disruption to the accounting organization resulting from the year end reporting problems (three senior managers, including the chief accountant, were suspended). Accordingly, with the concurrence of USAID, we focused our advisory work on 1998 interim reporting, starting with the 1<sup>st</sup> Quarter, so training in that important process could be completed before September 30, 1998, and applied to future internal reporting. We believe this was more important than going back to reconstruct December 31, 1997, as the bank's outside auditors, Arthur Andersen & Co., had already issued the financial report as of that date.

- ***Models of appropriate internal management reports will be presented to pilot banks and a strategy developed with each bank that customizes the system.***

A "menu" of thirteen basic management reports was presented and discussed with the Chief Accountants of the PIBs as the first step in preparing a development strategy for the production of these reports. This development effort needs to be preceded by first, reprogramming systems to produce the data files required by NBU, and second, developing procedures for the preparation of reasonably accurate interim financial statements upon which to base the information in the management reports. The strategy agreed upon was to select those reports which can be created from information already assembled in the NBU data files. We concluded that three of the thirteen reports could be created from extracting information from the NBU data files. As a demonstration of this process, we developed a daily Foreign Currency Position Report from the daily "File 01" report submitted to NBU. This is a key risk assessment report not currently available in the PIBs. Reference is made to the Management Reports section of the exhibits, (Exhibit III - 1).

We believe the core set of reports developed using this strategy, together with training in their use, provided the PIBs and PABs with a "taste" of the benefits of timely management reporting. Further, the programs developed are readily adaptable to other banks, again as an interim measure, until in-house systems can be reprogrammed to provide information customized to the bank.

#### **Quarter 5 Benchmarks (ending September 30, 1998)**

- ***The first batch of regulatory reports using available 1998 data will be submitted to NBU so that the NBU can run basic automated edit checks on these reports.***

Data for 1998 has been submitted on a regular basis to NBU in electronic data files since January 1998. Because NBU requires only data file submissions, no "regulatory reports" are available. As previously stated, we used the key data files (Files 01 and 02) as the source to produce internal financial reports using software programs developed by the project team. Accordingly,

we were able to perform reasonability tests on the data submitted. The “automated edit checks”, if any, performed on the data files at NBU was beyond the scope of our technical assistance.

- ***The pilot banks will prepare a final year-end 1997 balance sheet based on IAS***

Final year-end balance sheets, income statements, cash flow statements and footnotes thereto were completed in Quarter 4 at each of the PIBs with the exception of VA Bank as explained above.

- ***Each pilot bank will prepare a final profit and loss statement, and a balance sheet for completed 1998 quarters***

As explained above, 1st quarter (March 31, 1998) financial reports were completed at each PIB in Quarter 4 with the extensive “hands-on” training from the in-bank accounting consultants. These reports were prepared using Barracuda.

During Quarter 5, senior management of each PIB agreed that the internal accounting staff should complete the initial balance sheet and income statement for the second quarter (June 30, 1998) again using Barracuda in order to confirm their capability to sustain this reporting after termination of the technical assistance program. The initial balance sheets and income statements were completed with a minimum of technical assistance.

Phase Two of the statement preparation process followed, which required PIB staff to identify key accounts for analysis and verification in order to prepare “post-closing” adjustments. The PIB staff were again trained in the use of the IAS Adjustment Checklist and given Excel templates with formats to document the phase two process. However, significant hands-on training was still required for its completion on a reasonable basis. Once the correcting adjustments were made, financial statements, including cash flow statements, were prepared at all the PIBs. (See Exhibit IV)

- ***The balance sheet and profit and loss statement will be published in a special mid-year edition of the Directory of Ukrainian Banks***

As set forth above, during Quarter 4 condensed December 31, 1997 balance sheets based on IAS for the PIBs were provided to NBU for inclusion in the Commercial Bank Directory which was prepared for the May, 1998 annual EBRD Conference in Kiev.

- ***At least one training session with each pilot bank will be held to finalize the customization of the internal management reports***

The following management reports were completed during Quarter 5. All of these are in Ukrainian and extract data from the banks’ NBU data files.

- 1 Daily Foreign Currency Position
- 2 Daily Funds Flow and Funds Management

### 3 Monthly Branch Performance

Each of the reports was installed in the PIBs' designated computer and the staff responsible for its preparation was trained on a one-on-one basis. In addition, as part of the "wrap-up" work session with senior management, the content and use of the reports was explained.

As discussed below in the results of the PAB component, the management reports were also presented in the Senior Executive Seminar conducted on August 28, 1998.

#### **B PROBLEMS**

- 1 During the course of the project, we urged NBU to issue a comprehensive set of standards to guide the banks in adopting IAS. As of the end of the project, however, only the COA and four major accounting directives were issued on a final basis. The directives are basically instructions and covered accounting for income and expense (accrual method), investment securities, fixed assets, and loan loss provision. Missing are instructions covering key standards such as income tax accounting, consolidation, reporting changes in accounting, financial derivatives, cash flow statement, and IAS 30 which specifically covers disclosure requirements for banks.

The banks will not adopt any change in accounting unless specifically instructed to do so by NBU. Even reference to the framework of the accounting system, which is set forth in the instructions to the COA and conforms to the IAS framework, is not an acceptable authority to adopt an IAS compliant practice without specific NBU instructions. We were informed that the CBARU would form a new Accounting Standards Advisory Committee in Fall 1998 to expedite the development and issuance of accounting instructions.

- 2 During the last quarter of 1997 and the first half of the 1<sup>st</sup> quarter 1998, the PIBs devoted the majority of their accounting and IT resources to reprogramming their systems to accommodate the new COA and prepare the data files required by NBU. Upon completion of this work, there seemed to emerge an overall complacency at both the NBU and within the bank accounting staff that the IAS conversion was completed. In reality, the PIBs were still not applying IAS principles in recording many of their transactions and had not developed the in-house capability to prepare internal financial reports from the new COA. Similarly, their ability to print out hard copy regulatory reports was limited as the program provided by NBU for this purpose lacked account descriptions and was based on regulatory reporting issues, not adherence to IAS.

As stated above, Barracuda was designed to be an interim solution to compensate for the lack of in-bank software to prepare internal IAS-compliant financial reports. Long term, the individual bank software must be reprogrammed to produce financial and management reports since Barracuda does not "reach down" to the analytical account detail needed by bank management. However, as of the end of the project, we noticed no efforts in the PIBs or PABs to develop customized software for this purpose. In fact, based on meetings with several banks and advisors with the BSD, Barracuda remains the only software program available to prepare IAS compliant reports. This demonstrates the

- continued lack of understanding by senior management of the importance of accurate financial information
- 3 Modern post-closing review and adjustment procedures were introduced at the PIBs and utilized in the preparation of 1<sup>st</sup> and 2<sup>nd</sup> quarter financial reports. However, these procedures, which are required to provide adequate internal control and reliable financial records within the new system, have not been made part of a normal accounting cycle. As a result, the procedures used to apply the accrual principles and other directives of the NBU consist of a “patchwork” of new assignments with no coordination or control. Again, all banks are waiting for the NBU directive on the “Accounting Function” which was projected for issuance in May 1998 to begin reorganization efforts on the accounting operation. As of the close of this project, that directive had not yet been issued so PIBs were unwilling to reorganize their in-house accounting operations without NBU approval.
  - 4 A major part of the problem in training the accountants to use “post-closing” procedures is that the law in Ukraine prohibits retroactive adjustments to the financial records. The accountants are therefore reluctant to spend time on this effort. However, we had been urging NBU to require post-closing procedures for their reporting since accurate IAS financial reports can not be expected unless there is a period of time after close to make correcting adjustments. Significantly, in September, 1998, NBU issued a directive that required banks to reflect post-closing adjustments in their monthly File 02 submission (due ten days after month-end) starting October 1, 1998. We are therefore optimistic that the basic procedure we used in training both PIB and PAB staff will become part of the future NBU reporting requirements.

## **C RESULTS VS EXPECTED OUTCOMES AS PER SOW**

The project results at the PIBs meet substantially all expected outcomes in the SOW with the exception of the one PIB, VA Bank, which did not complete the December 31, 1997 financial report for inclusion in the Commercial Bank Directory. At the same time, we are not optimistic that the financial reporting tools and procedures put into place at the PIBs during the technical assistance program will be sustained. Every attempt was made during the course of the project to involve senior management in the financial reporting process and in the development and review of the resulting reports. Meetings were held at least quarterly for this purpose. At the end of the project, however, there was no evidence of a commitment by senior management to sustain and further enhance this process. For example, as indicated above, in-house resources were not allocated to software development for improved internal reporting. National accounting firms audited only two of the PIBs. However, the audit adjustments, as well as many of the IAS adjustments included in the quarterly reports prepared with our assistance were never entered into the bank’s financial records. Accordingly, the reporting to NBU was still not accurate.

## IV. COMPONENT II.. PARTICIPATING BANK (PAB) PROGRAM•

With the approval of USAID, the structure of the advisory services to be provided for the PAB component was changed from the limited, on-site advisory program set forth in the original benchmarks to a series of training workshops. The purpose in making this change was to more efficiently deliver the combined technical resources of the USAID and EU/TACIS teams to the PAB group as a whole. The memo setting forth the revised program is attached as **Exhibit V**.

### A ACTIONS AND ACCOMPLISHMENTS

#### Quarter 2 Benchmarks (ending December 31, 1997)

- *Participating banks will be selected and each will be provided with at least one 1-day introductory visit*

The PAB component got off to a late start. NBU did not solicit for PAB candidates until the first week in December and the PAB group that responded to the solicitation was not approved by BSD until December 24. Accordingly, an introductory visit was not made during the quarter. However, to launch the PAB component, IBTCI developed and organized a technical presentation for the PAB group. This presentation was delivered on December 26 and consisted of two technical areas:

1. Demonstration and training in the bridge validation program. The program, developed by IBTCI, was modified so that all banks could use it. Each of the PABs in attendance was provided a disk copy of the program with installation instructions.
2. Review of the IAS Adjustment Checklist and training in how to develop a similar tool in the PAB.

#### Quarter 3 Benchmarks (ending March 31, 1998)

- *For the PABs, completion of the review of the mapping the banks have prepared of their existing accounts to the new IAS system, including at least one day visit to each bank. Training sessions given to these banks on how to prepare the new regulatory reports*

As discussed above, the structure of the advisory services to be provided for the PAB component was changed to a series of workshops in order to more efficiently deliver the combined technical resources of the USAID and EU/TACIS teams to the PAB group as a whole.

The PABs were trained in the bridge validation program that verified their mapping procedures to arrive at the opening January 1998 balance sheet. Following the creation of the opening balance sheet in the new COA, the PABs were coding transactions directly to the new account structure. Accordingly, mapping was no longer required. Regulatory reports were also not prepared, since, as previously stated, under the new system regulatory information is submitted to NBU via data files.

In order to adjust the advisory work for the PABs to the current environment, a series of workshops was developed which trained the PAB representatives in the procedures and implementation tools used at the PIBs. These were interactive workshops which required the participants to use the tools in their banks and report on the results during workgroup sessions scheduled for the beginning of each succeeding workshop. As scheduled, three such workshops were delivered during the quarter.

#### **Quarter 4 Benchmarks (June 30, 1998)**

- *For the PABs, at least one-day site visit will be made to each bank to discuss any on-going problems for the IAS conversion and strategies developed which address these problems*

In keeping with the revised PAB program, working jointly with the EU/TACIS team, we developed and delivered seven workshops to the PABs, completing the formal training portion of the program. All the implementation tools used in the PIBs were presented at these sessions and the PABs were given program disks to use in their banks. The sessions normally began by organizing the participants into four small work groups (one for each IBTCI local hire accounting consultant). During the work group sessions, the results of using the implementation tools in the banks were discussed and any questions were answered on a one-on-one basis. The technical workshop session followed the work group period.

Of the PAB group (approximately 15 banks in total), six were active participants and very responsive to the implementation tools introduced. Accordingly, we concluded there is a basis for limited in-bank technical assistance to this group to complete the preparation of the 1<sup>st</sup> quarter financial reports begun during the workshops. With USAID's concurrence, we expanded the scope of the PAB assistance to these "star banks" during the following quarter using the assistance of volunteer consultants from FSVC and IESC.

#### **Quarter 5 Benchmarks (ending September 30, 1998)**

- *For the PAB's at least one 1-day site visit will be made to review financial statements prepared in accordance with IAS*
- *A final site visit will be made to each PAB to review implementation of IAS and ensure its smooth operation*

Under the revised USAID/EU/TACIS PAB program described above, technical assistance to the PABs was scheduled to end with the June 1998 completion of the workshop series. However, during this quarter plans were finalized to expand the technical assistance program to the six "star" PABs identified in the workshop series. Two senior technical advisors, Hans Jacobsthal from IESC and Dick Thorsen from FSVC, were provided on a volunteer basis to complete the training of the star PAB accounting staffs in the use of the IAS implementation tools for preparation of both 1<sup>st</sup> Quarter and 2<sup>nd</sup> Quarter financial reports. Senior management at the PABs actively participated in the process through introductory meetings and "wrap-up" working

sessions to discuss the financial results. The participation of the volunteers in the project enabled us to expand TA to these PABs beyond that originally contemplated in the benchmarks.

Early in the month, the decision was made to expand on the opportunity provided by the additional volunteer resources and we developed a seminar program specifically directed to senior management of the PIBs and selected PABs. The focus of the program was to demonstrate for senior management the specific tools implemented in their banks to prepare IAS-based financial and management reporting and how this reporting should be analyzed to assess risk and evaluate performance. The message was straightforward, when the TA with this group of banks phased out in September, it was senior management's responsibility to require the preparation of these reports if the IAS internal reporting process was to be sustained. The seminar was held on August 28, 1998, and, despite vacation conflicts, there were a total of 35 participants from the PIB/PAB group as well as representatives from the new EU/TACIS PIBs, NBU and Bank Supervision. Both volunteer executives delivered presentations at the seminar. A copy of the seminar invitation and schedule are attached as **Exhibit VII**.

## **B PROBLEMS**

There were no problems specific to the PAB component of the project. However, those problems set forth as part of the PIB component are relevant to IAS bank accounting reform for the entire banking sector.

## **C RESULTS VS EXPECTED OUTCOMES AS PER SOW**

The actual results exceeded expectations because of the extra level of effort that was made available to the select PABs through the volunteers from IESC and FSVC. Combined, these senior professionals added 35 days of technical assistance which included both intensive in-bank assistance and high-level seminar presentations.

## **V ROLE OF AND COORDINATION WITH OTHER DONORS OR INTERNATIONAL FINANCIAL ORGANIZATIONS.**

In addition to the efforts represented by the benchmarks set forth in sections II and III above, the project maintained a close and continued coordination with other projects in the banking sector such as Bank Supervision, Bank Training Institute, EU/TACIS and the British Know How Fund. In addition, project team members were called upon to advise other international financial organizations. Examples of this coordination follow:

- In October and November of 1997, briefings on bank accounting reform were conducted with the visiting World Bank mission.
- The project goals and initiatives in bank accounting reform were discussed with representatives of USAID and other advisory teams involved with commercial accounting reform and capital markets. In October 1997 and, again, in February 1998, the IBTCI team met with Greg Hemphil and John Glover of USAID to discuss the PIB experience and its relevance to enterprise accounting. We also participated in several joint meetings of project

leaders from the enterprise accounting reform and Securities Commission teams to coordinate efforts in this area

- In February 1998, we met with an IMF team that was in Kiev to evaluate NBU's bank supervision department. We updated the team on the status of the accounting reform in the commercial banking sector.
- Diana Slobodian, project accounting consultant, attended the April 1998 USAID sponsored regional accounting reform conference in Almaty, Kazakhstan and participated in the panel on bank accounting reform. Upon her return to Kiev, she prepared and delivered a summary on the conference to all USAID contractors involved with accounting reform in Ukraine. See **Exhibit VI – 2**.
- Meetings were held with Michael Borish, USAID Consultant in Bank Sector Evaluation, and members of the project team as well as with senior management of OL Bank, a PIB, to assist Mr. Borish in his sector evaluation.
- Gary Fechtmeyer, project team leader, delivered a presentation on Bank Accounting Reform in Ukraine at the May 1998 Bank Supervision Conference in Budapest. A Power Point outline of his presentation is attached as **Exhibit VI - 1**.

## VI. OTHER RELEVANT ISSUES

Section V of the Task Order makes a general reference to a requirement for the consultants to “overhaul” the existing accounting systems, including the “design of new subledgers” to carry transaction level data. Our experience at both the PIBs and PABs and, by extension, most of the other banks in the Gosbank system is that subsystems in the context of Western accounting practice are just not used except in very limited instances (i.e., fixed assets). Instead, “analytical” accounts, which are an integral part of the general ledger, are used to provide detail for control (“synthetic”) accounts. We learned that it is both practical and feasible to achieve a transaction level conversion and IAS-based reporting using the existing system of synthetic and analytical accounts, provided a new COA and accrual basis procedures are adopted.

The design and implementation of subsystems that function similar to a modern, integrated bank accounting system is a major undertaking which, time wise, is beyond the scope of the typical project team and beyond the financial resources of most Ukrainian banks. If subsystem design and implementation had been considered a prerequisite to achieving IAS accounting reform, NBU's success in accomplishing the sector-wide implementation of IAS-based reporting would not have been realized. Long-term, accounting efficiencies and comprehensive management reporting do require modernization of the underlying accounting systems. However, this process should not detract from the practical goal of achieving IAS-based reporting on a wide scale basis.

## VIII CONCLUSIONS

Despite the problems identified above in the PIB component of the project, the NBU was highly successful in achieving a substantial conversion to IAS-compliant methodology in the banking sector. Although in the first year, the new reporting was still largely a “mechanical” process, the

theoretical framework is in place to build sound accounting practices and accurate financial reporting throughout the system

The transition was not perfect but there were a number of factors that made it successful despite some of our initial concerns. First, the COA, while not in the standard Anglo-American structure, was a significant improvement over the Gosbank chart and was workable within an IAS reporting system. Further, NBU required that a fairly rigid analytical account structure be incorporated into the new general COA so that banks could settle through Ukraine's central payment system. This rigidity is again not typical of a Western system. However, it mandated that a sector-wide transaction level conversion be accomplished on the first banking day of January 1998. This occurred with a minimum of disruption, eliminating the need to continue an unwieldy "bridging" system.

The NBU required that reporting be done only in electronic data files. This resulted in an immediate void of internal reporting in the banks. However, it provided the opportunity for the IBTCI team to develop practical software programs to prepare IAS-compliant reports from the data files. These programs were adaptable sector-wide and the reports contained financial and management information addressing bank performance rather than regulatory data. This provided an excellent opportunity to train senior management and accounting staff in the use of IAS-based financial reports.

As of the end of the project, the accounting practices and procedures followed in the banks were still very mechanical and the internal controls necessary to produce accurate financial reports consistently have not been implemented. The need continues for extensive advisory efforts in the following areas:

- Adopting accounting and verification procedures, including an internal audit function, which insure the production of timely and accurate financial reports
- Training senior management to interpret and use the financial data to assess performance and manage risk, and make informed management decisions
- Developing accounting systems which enhance internal control and improve the efficiency of the accounting function

# **Exhibits**

# **Exhibit I**

## **Summary Project Work Plan**

**Financial Infrastructure Development Project**  
**PROJECT PLAN**  
**8 August 1997**

**International Business & Technical Consultants, Inc**

**US Agency for International Development**  
**Financial Infrastructure Development Project**

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## Introduction

The Financial Infrastructure Development Project plan is a constraint based plan of the schedule, tasks, and responsibilities of the IBTCI project team and all the agencies and organizations whose activities impact on the project. The plan will be updated monthly to coincide with the submission of monthly project reports. Computer Associates CA-SuperProject for Windows, version 3.0 was used to develop the plan.

The plan is structured in two dimensions, vertical, by task, and horizontal, in time. The first pages of the plan printout contain the task ID number, a short description of header and detail tasks, the project bar chart, with constraints, and scheduled and actual start and finish dates of the activities. The following pages contain the Task ID number, a longer description of the task or header, and the actual duration of completed tasks. Additional data fields can be added if needed.

## Plan Structure

- The plan uses an hierarchical task structure with headings for major categories and detailed tasks indented under the headings. Detailed tasks themselves may be headings for finer levels of detail, or links to sub-plans (e.g. individual pilot bank implementation plans). Detailed tasks often constrain performance of subsequent or parallel tasks under the same or different headings (see bar chart, below). It should be noted that tasks are identified by Task Name, not by Task ID number<sup>1</sup>. The major task categories are
  - **NBU Tasks** tasks which are NBU responsibility, and which constrain overall IAS conversion, per Addendum No. 1 to NBU Decision No. 237 of 21 July 1997. A key constraining task under this heading is Report file formats. Develop standard reporting file formats (13) which is a primary constraint on final modifications to the bank's accounting and reporting systems.
  - **Commercial Bank Tasks** are the responsibility of commercial banks per Addendum No. 1 to NBU Decision No. 237 of 21 July 1997. Although the NBU has exempted the pilot banks from some schedule and reporting requirements under this heading, they too must carry out the activities prescribed to implement IAS. Most of these tasks will constrain, or be constrained by, the detailed tasks in the individual pilot bank work plan.
  - **Pilot Bank Diagnostic** covers the candidate pilot bank diagnostics carried out in July, 1997, and which are completed. A key task is *Pilot bank approval NBU approval of pilot bank acceptance recommendations* which constrains providing implementation support to the pilot banks.
  - **Convert pilot banks** covers pilot bank IAS conversion. A separate, subsidiary detailed plan will be developed for each pilot bank and linked to this master plan. The plans for each pilot banks will have essentially the same structure, but will differ in details of task duration, sequence, and internal constraints depending on the specific circumstances in each bank.

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<sup>1</sup> Task ID numbers are assigned by the project management system, and may change from time to time as the plan is expanded or updated. Task *names* are generally permanent.

- **Post conversion** includes tasks for assisting the pilot banks in finalizing their accounting procedures, developing management information reports, and delivering training. We anticipate that this heading will be expanded to identify tasks specific to each pilot bank.
- **Participating banks** covers technical assistance to participating banks after the pilot bank implementation. We have arbitrarily made this category dependent on completion of the pilot bank conversion, but if pilot bank resources and progress permit, work with participating banks can probably start well before the end of 1997.
- **Project activities** covers project management, planning and reporting activities. The *Project Plan* task covers development of this general project plan. *Project reports* includes tasks which detail the schedule of each monthly and quarterly report to AID, NBU, and IBTCI through the term of the project, ending with the final project report in September, 1998.

### **Task Duration and Constraint Relationships**

Each detail task is assigned a duration and if appropriate, linkages to earlier and later tasks. In addition, responsibility (not shown on the plan printout for brevity) is assigned for each task. Insofar as possible, assignments will be made by individual responsible for the task regardless of his or her organizational position so that absences at critical times (e.g. vacations) can be accommodated.

Duration is estimated in calendar days<sup>2</sup> in two ways,

- assigned duration, per the NBU plan cited above, and
- estimated duration based on the consultants' and/or responsible individuals' experience. Estimated duration can change based on performance in the pilot banks and by the software suppliers.

When a task is completed the actual duration is recorded for future reference.

Identification of constraint relationships between tasks are critical for planning. There are three types of task links used in the plan:

- **Finish to Start (FS)** constraints indicate that a task cannot begin until its predecessor(s) are completed. For example, pilot bank implementation support cannot start until the NBU approves the project team's pilot bank recommendations.
- **Start to Start (SS)** constraints indicate that a task cannot begin until a parallel task has begun. For example, NBU monitoring of regulatory reports cannot begin until the pilot banks begin producing the reports.
- **Finish to Finish (FF)** constraints indicate that a task cannot be completed until a parallel task is completed. For example, accounting system changes cannot be completed until the NBU has issued its final, definitive definition of synthetic and analytical account coding.

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<sup>2</sup> This will be changed to work days when the Ukrainian holiday schedule is incorporated into the project calendar.

The type of task link is shown on the bar chart by the position of the linking arrows. The significance of constraints is their effect on the overall plan when tasks are completed early or later than scheduled. A task which is completed later than scheduled (or committed, for example by the NBU) will affect all subsequent tasks which it constrains and, if the task is on the critical path, the overall completion date of the project or one of its major parts. Therefore monitoring actual start and completion dates of tasks under the responsibility of all the project participants is essential for project management.

## ***Reading the Plan***

### **Page Heading**

- **Date** (upper left corner) the date the plan was printed
- **Revision** number of the plan, to be used when referring to items on a specific plan report. Revision numbers will always increase, but will not necessarily be consecutive.

### **Column Headings**

- **Task ID** a numbered identification of each task used by the project management system (PMS) to organize its data base. Task IDs can change from version to version of the plan.
- **Heading/Task** the heading or task name, indented according to its place in the overall plan hierarchy. The task name is the primary identification of the task. Note that only detailed tasks have duration. The duration of heading tasks is calculated based on the duration and start and finish dates of the tasks under the heading. When resource assignments are shown on the plan the column will be headed **Heading/Task/Assignment** and the resource assignments listed under each task.
- **Bar Chart** Covers the entire span of the project. The scale can be expanded to individual days if necessary.
  - *Black bars* are critical path tasks. Completion of the project will be delayed if a critical task is finished later than scheduled, and no compensating action is taken to reschedule or reorganize dependent tasks. There may be more than one critical path.
  - *Shaded bars* are normal, non-critical tasks which can slip in time without affecting the project completion date.
  - *Cross-hatched* sections of bars indicate schedule anomalies, such as missing a specified start or end date, which affect the overall schedule.
  - *Arrows* indicate constraining task links.
- **Status** **The current status of each task**
  - *Schd* Scheduled
  - *Prog* in progress
  - *Done* finished
  - *Crit* on a critical path

- **Scheduled Start and Finish** The date the task is scheduled to start or finish This date can change if earlier constraining tasks take place at times different than scheduled The symbols after some dates are

= Must start on date                      > Must start after date                      < Must start before date

- **Actual Start and Finish** The actual start and finish dates of the task
- **Description.** Task description The number in parentheses in NBU and Commercial Bank task descriptions indicates the activity number in the *IAS Implementation Plan for the Second Half of 1997*, per Addendum No 1 to NBU Decision No 237 of 21 July 1997
- **Est Dur** The estimated duration of the task, either pre-specified (e.g. NBU planned tasks) or calculated by the PMS Header task do not have estimated durations because their duration is calculated from the detailed tasks under the header
- **Actual Dur** The actual duration of the task when finished
- **Task Type** The type of schedule or duration assigned to each task
  - *ASAP* As soon as possible Schedule calculated by the PMS based on predecessor and successor task relationships
  - *Start Before, On or After* the preset finish date of the task
  - *Finish Before, On or After* the preset finish date of the task

\* \* \* \* \*

Task ID	Heading/Task 4 Days Per Column	1997						1998									Status
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
P1	BANK IAS PJ	[Gantt chart bars]															Prog/
001	NBU tasks	[Gantt chart bars]															Done/Cnt
002	NBU plan	[Gantt chart bars]															Done/Cnt
003	COA conversion table	[Gantt chart bars]															Done/Crit
004	Confirm report forms	[Gantt chart bars]															Prog/Cnt
005	IAS instructions	[Gantt chart bars]															Schd
006	Automation reqts	[Gantt chart bars]															Prog/
007	Regional training	[Gantt chart bars]															Schd
008	Account parameters	[Gantt chart bars]															Schd
009	Report file formats	[Gantt chart bars]															Schd/
010	CB staff training	[Gantt chart bars]															Schd/
011	Analytical changes	[Gantt chart bars]															Schd/Cnt
012	Problem bank reports	[Gantt chart bars]															Schd/
013	Monitor pilot reports	[Gantt chart bars]															Schd/
014	Confirm IAS transit	[Gantt chart bars]															Schd/
015	Report analysis	[Gantt chart bars]															Schd/
016	Comment response	[Gantt chart bars]															Schd/
017	Finalize COA	[Gantt chart bars]															Schd/
018	Instruction 10 change	[Gantt chart bars]															Schd/Cnt
019	Finalize reporting	[Gantt chart bars]															Schd/Cnt
020	Software changes	[Gantt chart bars]															Schd
021	Software controls	[Gantt chart bars]															Schd/Cnt
022	Commercial Bank Tasks	[Gantt chart bars]															Prog/
023	Form IAS work groups	[Gantt chart bars]															Prog
024	IAS plans	[Gantt chart bars]															Prog/Cnt
025	COA & report study	[Gantt chart bars]															Schd/
026	Propose changes	[Gantt chart bars]															Schd/
027	Bndging tables	[Gantt chart bars]															Schd/Crit
028	Analytical account #s	[Gantt chart bars]															Schd/Cnt
029	Agreement inventory	[Gantt chart bars]															Schd/
030	Reporting comments	[Gantt chart bars]															Schd/
031	Re register clients	[Gantt chart bars]															Schd/
032	Inform clients new #s	[Gantt chart bars]															Schd/
033	Off balance sheet act	[Gantt chart bars]															Schd/
034	IAS software changes	[Gantt chart bars]															Schd/Cnt
035	Pilot Balance sheets	[Gantt chart bars]															Schd/Cnt
036	Rpt software changes	[Gantt chart bars]															Schd/
037	Pilot bank reports	[Gantt chart bars]															Schd/Cnt
038	CB balance sheets	[Gantt chart bars]															Schd/Cnt
039	CB reports	[Gantt chart bars]															Schd/Cnt
040	Legal entity reports	[Gantt chart bars]															Schd/Cnt
041	Entity reporting	[Gantt chart bars]															Schd/
042	Monthly reports	[Gantt chart bars]															Prog/
043	Pilot bank diagnostic	[Gantt chart bars]															Prog/Cnt
044	Initial meetings	[Gantt chart bars]															Done/Cnt
045	VABank	[Gantt chart bars]															Done/Cnt
046	Forum Bank	[Gantt chart bars]															Done/Cnt
047	Olbank	[Gantt chart bars]															Done/Cnt
048	Slavutich	[Gantt chart bars]															Done/Cnt
049	Bank MIS	[Gantt chart bars]															Done/Cnt
050	Credit	[Gantt chart bars]															Done/Cnt
051	Diagnostic Report	[Gantt chart bars]															Done/Cnt
052	Pilot bank approval	[Gantt chart bars]															Prog/Crit
053	Convert pilot banks	[Gantt chart bars]															Schd/
054	VABank conversion	[Gantt chart bars]															Schd/Cnt
055	OlBank conversion	[Gantt chart bars]															Schd/Cnt
056	Forum conversion	[Gantt chart bars]															Schd/Cnt

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Financial Infrastructure Development Project

Revision 8

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Task ID	Heading/Task 4 Days Per Column	1997				1998									Status		
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul		Aug	Sep
057	Slavutich conversion		[Bar]														Schd/Cnt
058	NBU Coordination		[Bar]														Schd/
059	Post conversion		[Bar]														Schd/Cnt
060	Procedures		[Bar]														Schd/
061	Procedure Training		[Bar]														Schd/
062	Management Info		[Bar]														Schd/
063	MI Training		[Bar]														Schd/
064	Participating banks		[Bar]														Schd/
065	Develop PAB program		[Bar]														Schd/
066	Select banks		[Bar]														Schd/
067	TA planning		[Bar]														Schd/
068	PAB support		[Bar]														Prog/Cnt
069	Project activities		[Bar]														Done/Cnt
070	Project Plan		[Bar]														Schd/Crit
071	Project reports		[Bar]														Schd/
072	July 1997																Schd/
073	August 1997		■														Schd/Cnt
074	September 1997			■													Schd/
075	3rd quarter 1997				■												Schd/
076	October 1997					■											Schd/
077	November 1997						■										Schd/
078	December 1997							■									Schd/
079	4th quarter 1997								■								Schd/
080	January 1998									■							Schd/
081	February 1998										■						Schd/
082	March 1998											■					Schd/
083	1st quarter 1998												■				Schd/
084	April 1998													■			Schd/
085	May 1998														■		Schd/
086	June 1998															■	Schd/
087	2nd quarter 1998																Schd/
088	July 1998																Schd/
089	August 1998																Schd/Cnt
090	Final project report																Schd/Cnt

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07/08/97

Task ID	Scheduled Start	Actual Start	Scheduled Finish	Actual Finish	Description	Est Dur	Actual Dur	Task Type
P1	24/ 06/ 97>	24/ 06/ 97	28/ 09/ 98		Ukraine Financial Infrastructure Development Project		44dy	
001	30/ 06/ 97	30/ 06/ 97	13/ 02/ 98		NBU tasks which constrain overall IAS conversion		22dy	ASAP
002	01/ 07/ 97	01/ 07/ 97	21/ 07/ 97	21/ 07/ 97	issue IAS implementation plan for non pilot banks (0)	10dy	21dy	ASAP
003	30/ 06/ 97	30/ 06/ 97	21/ 07/ 97	21/ 07/ 97	Prepare & distribute draft COA conversion tables (2)	20dy	22dy	ASAP
004	01/ 07/ 97	01/ 07/ 97	21/ 07/ 97	21/ 07/ 97	Confirm report forms and due dates (4)	24dy	21dy	Finish On
005	01/ 07/ 97	01/ 07/ 97	22/ 09/ 97		Complete IAS methodology instructions (6)	60dy	0dy	ASAP
006	27/ 06/ 97		31/ 07/ 97=		Develop automation requirements outline (8)	25dy	0dy	Finish On
007	15/ 07/ 97	15/ 07/ 97	17/ 09/ 97		Conduct regional training & seminars re IAS (5)	47dy	0dy	ASAP
008	21/ 07/ 97		29/ 08/ 97=		Analyze analytical account parameters (12)	30dy	0dy	Finish On
009	04/ 08/ 97		29/ 08/ 97=		Develop standard reporting file formats (13)	20dy	0dy	Finish On
010	17/ 09/ 97		10/ 12/ 97		Organize CB personnel training re NBU methods (17)	60dy	0dy	ASAP
011	20/ 08/ 97		30/ 09/ 97=		Amend analytical accounting parameters (18)	30dy	0dy	Finish On
012	01/ 10/ 97=		11/ 11/ 97		Decide on IAS problem bank reporting (21)	30dy	0dy	Start On
013	28/ 07/ 97		28/ 11/ 97=		Monitor new pilot bank financial reporting (23)	90dy	0dy	Finish On
014	28/ 11/ 97		19/ 12/ 97<		Confirm CB transition to IAS (35)	15dy	0dy	Finish Before
015	07/ 10/ 97		30/ 12/ 97		Financial and statistical report analysis (26)	60dy	0dy	ASAP
016	14/ 10/ 97		25/ 11/ 97		Modifications in response to bank comments (27)	30dy	0dy	ASAP
017	03/ 11/ 97		28/ 11/ 97=		Prepare final version of COA (28)	20dy	0dy	Finish On
018	04/ 11/ 97		01/ 12/ 97=		Propose changes to Instruction 10 (29)	20dy	0dy	Finish On
019	02/ 12/ 97		15/ 12/ 97=		Finalize financial and statistical reporting (30)	10dy	0dy	Finish On
020	11/ 12/ 97		31/ 12/ 97=		Modify NBU software re new reporting results (31)	15dy	0dy	Finish On
021	01/ 09/ 97=		13/ 02/ 98		Controls for data collection software compliance (32)	120dy	0dy	Start On
022	01/ 07/ 97	01/ 07/ 97	22/ 09/ 98		Commercial bank activities required by NBU work plan	31dy	31dy	ASAP
023	01/ 07/ 97	01/ 07/ 97	11/ 08/ 97		Form IAS work groups & designate managers (1)	30dy	0dy	ASAP
024	03/ 07/ 97	03/ 07/ 97	01/ 08/ 97<		Develop IAS conversion plan for NBU regions (3)	22dy	0dy	Finish Before
025	21/ 07/ 97	21/ 07/ 97	10/ 10/ 97=		Organize study of approved COA & reporting (14)	60dy	0dy	Finish On
026	21/ 07/ 97		08/ 12/ 97		Propose changes to COA and report forms (7)	100dy	0dy	ASAP
027	21/ 07/ 97		15/ 09/ 97		Prepare analytical / synthetic account bridging table (9)	40dy	0dy	ASAP
028	30/ 07/ 97		10/ 09/ 97		New analytical account numbering scheme (10)	30dy	0dy	ASAP
029	30/ 07/ 97		10/ 09/ 97		Create new agreement inventory data base (11)	30dy	0dy	ASAP
030	23/ 07/ 97		14/ 10/ 97=		Analyze and commend on reporting forms (22)	60dy	0dy	Finish On
031	20/ 08/ 97		30/ 09/ 97=		Re-register and recode clients (19)	30dy	0dy	Finish On
032	08/ 09/ 97		28/ 11/ 97<		Inform clients of new numbering system (33)	60dy	0dy	Finish Before
033	19/ 08/ 97		29/ 09/ 97<		Develop off balance sheet account numbering (15)	30dy	0dy	Finish Before
034	31/ 07/ 97		23/ 10/ 97		Modify accounting & subsystems for IAS (34)	60dy	0dy	ASAP
035	01/ 10/ 97=		06/ 01/ 98		Pilot bank balance sheets to oblast NBU (24)	70dy	0dy	Start On
036	29/ 08/ 97		10/ 10/ 97<		Reporting software modifications (34)	30dy	0dy	Finish Before
037	15/ 10/ 97=		06/ 01/ 98		IAS financial and statistical reports to oblast NBU (25)	60dy	0dy	Start On
038	01/ 11/ 97=		09/ 01/ 98		IAS balance sheets to oblast NBU (24)	50dy	0dy	Start On
039	15/ 11/ 97=		09/ 01/ 98		IAS financial and statistical reports to oblast NBU (25)	40dy	0dy	Start On
040	02/ 09/ 97		31/ 12/ 97=		Prepare and deliver initial legal entity reports (20)	120dy	0dy	Finish On
041	31/ 12/ 97		22/ 09/ 98		Delivery of standard entity reports to Oblast NBU (36)	190dy	0dy	ASAP
042	01/ 08/ 97=	01/ 08/ 97	28/ 01/ 98		Monthly implementation reports to Oblast NBU (16)	180dy	0dy	Start On
043	24/ 06/ 97	24/ 06/ 97	07/ 08/ 97		Candidate pilot bank diagnostics	29dy	29dy	ASAP
044	24/ 06/ 97	24/ 06/ 97	27/ 06/ 97	27/ 06/ 97	Initial meetings with candidate pilot bank management	3dy	4dy	ASAP
045	06/ 07/ 97	06/ 07/ 97	31/ 07/ 97	31/ 07/ 97	VaBank diagnostic	16dy	19dy	ASAP
046	08/ 07/ 97	08/ 07/ 97	21/ 07/ 97	21/ 07/ 97	Forum bank diagnostic	12dy	10dy	ASAP
047	07/ 07/ 97	07/ 07/ 97	24/ 07/ 97	24/ 07/ 97	Olbank diagnostic	15dy	14dy	ASAP
048	13/ 07/ 97	13/ 07/ 97	25/ 07/ 97	25/ 07/ 97	Slavutich bank diagnostic	5dy	10dy	ASAP
049	01/ 07/ 97	01/ 07/ 97	25/ 07/ 97	25/ 07/ 97	Diagnostic of candidate pilot bank systems	16dy	19dy	ASAP
050	01/ 07/ 97	01/ 07/ 97	30/ 07/ 97	30/ 07/ 97	Diagnosos if pilot bank credit positions	16dy	22dy	ASAP
051	30/ 07/ 97	30/ 07/ 97	01/ 08/ 97	01/ 08/ 97	Develop and deliver diagnostic report(s)	3dy	3dy	ASAP
052	01/ 08/ 97	01/ 08/ 97	07/ 08/ 97		NBU approval of pilot bank acceptance recommendations	5dy	0dy	ASAP
053	07/ 08/ 97		26/ 03/ 98		Pilot bank IAS conversion		0dy	ASAP
054	08/ 08/ 97		25/ 12/ 97		VABank IAS conversion	100dy	0dy	ASAP
055	08/ 08/ 97		25/ 12/ 97		OLBank IAS conversion	100dy	0dy	ASAP
056	08/ 08/ 97		25/ 12/ 97		Forum Bank IAS conversion	100dy	0dy	ASAP

Task ID	Scheduled Start	Actual Start	Scheduled Finish	Actual Finish	Description	Est Dur	Actual Dur	Task Type
057	08/08/97		25/12/97		Slavutich Bank IAS conversion	100dy	0dy	ASAP
058	07/08/97		28/03/98		Coordination of reporting with NBU Bank Supervision	165dy	0dy	ASAP
059	01/12/97		14/07/98		Post conversion support for pilot banks		0dy	ASAP
060	01/12/97=		03/04/98		Assist in finalizing pilot bank accounting procedures	90dy	0dy	Start On
061	03/04/98		26/06/98		Deliver regulatory and accounting training to PIBs	60dy	0dy	ASAP
062	09/01/98		15/05/98		Assist in developing management information reports	90dy	0dy	ASAP
063	15/05/98		14/07/98			60dy	0dy	ASAP
064	30/10/97		07/09/98		Support for participating banks		0dy	ASAP
065	30/10/97		27/11/97		Develop support program for participating banks	20dy	0dy	ASAP
066	30/10/97		13/11/97		Select participating banks for technical assistance	10dy	0dy	ASAP
067	13/11/97		01/12/97		Develop technical assistance plans for selected banks	12dy	0dy	ASAP
068	01/12/97		07/09/98		Deliver TA to participating banks (to be detailed)	200dy	0dy	ASAP
069	01/08/97	01/08/97	28/09/98		General project activities planning and reporting		6dy	ASAP
070	01/08/97	01/08/97	06/08/97	06/08/97	Develop general project plan	2dy	4dy	ASAP
071	01/08/97		28/09/98		Reports to AID NBU IBTCI		0dy	ASAP
072	01/08/97>		05/08/97		Monthly report to AID	3dy	0dy	Start After
073	01/09/97>		04/09/97		Monthly report to AID	3dy	0dy	Start After
074	01/10/97=		05/10/97		Monthly report to AID	3dy	0dy	Start On
075	01/10/97>		07/10/97		Quarterly report to AID	5dy	0dy	Start After
076	01/11/97>		05/11/97		Monthly report to AID	3dy	0dy	Start After
077	01/12/97>		04/12/97		Monthly report to AID	3dy	0dy	Start After
078	01/01/98>		05/01/98		Monthly report to AID	3dy	0dy	Start After
079	01/01/98>		07/01/98		Quarterly report to AID	5dy	0dy	Start After
080	01/02/98>		04/02/98		Monthly report to AID	3dy	0dy	Start After
081	01/03/98>		04/03/98		Monthly report to AID	3dy	0dy	Start After
082	01/04/98>		05/04/98		Monthly report to AID	3dy	0dy	Start After
083	01/04/98>		07/04/98		Quarterly report to AID	5dy	0dy	Start After
084	01/05/98>		05/05/98		Monthly report to AID	3dy	0dy	Start After
085	01/06/98>		04/06/98		Monthly report to AID	3dy	0dy	Start After
086	01/07/98>		05/07/98		Monthly report to AID	3dy	0dy	Start After
087	01/07/98>		07/07/98		Quarterly report to AID	5dy	0dy	Start After
088	01/08/98>		05/08/98		Monthly report to AID	3dy	0dy	Start After
089	01/09/98>		04/09/98		Monthly report to AID	3dy	0dy	Start After
090	15/09/98>		28/09/98		Final project report to AID	10dy	0dy	Start After

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# **Exhibit II**

## **Implementation Tools for IAS Conversion and Financial Reporting**

**IAS Adjustment Checklist  
Handout for Participating Banks  
Updated May 1998**

	Subject areas / Adjustment Details	Res- ponsible Person	Done (✓)
1	<u>Securities</u> a Interest accrual and/or amortization of discount/premium b Selection of amorization method (straight-line/interest method) c Categorization of trading and investment portfolios d Calculation of market values e Market adjustments based on IAS 25 f Restatement of treasury stock to cost and reclass to contra-capital g Investment in affiliates (Equity method vs Consolidation per IAS 22, 25, 27, 31)		
2	<u>Loans</u> a Interest, commission and fee accruals b Loan loss reserve calculations c Disclosure of non-accrual loan policy d Disclosure of related party loans and loans to employees (IAS 24, 30)		
3	<u>Fixed Assets and Intangibles</u> a Reclass of indexation adjustments to separate capital account (5100 and 5101) b Classification of operating/nonoperating assets c Adjustment of depreciation/amortization d Determination of depreciation on indexation/revaluation, cumulative and period amount e Review of operating leases and capitalization of those considered financing leases by IAS f Other per IAS 4, 11, 16, 17		
4	<u>Deposits and borrowings</u> a Interest accruals b Disclosure of related party and employee deposits c Review of trust agreements - (Exclusion of bona fide trust accounts from BS and Proper reclassification of directed investment / deposit accounts) d Review of terms/conditions of borrowings and appropriate classifications and disclosures		
5	<u>Clearing accounts, interbranch lending/borrowing, and technical adjustments</u> a Analyze content and reclassify according to substance b Eliminate interbranch balances in consolidation c Eliminate foreign currency technical accounts (3800-3801)		

6	<p><u>Capital (other than adjustments and reclasses related to loans and fixed assets, above)</u></p> <ul style="list-style-type: none"> <li>a Proof of account 5900 to sum of 6000 and 7000 series accounts</li> <li>b Division of statutory capital into par capital and capital in excess of par</li> <li>c Prepare statement of changes in capital accounts</li> <li>d Loan reserves (see 2d above) plus review general reserve (5020)</li> <li>e Indexation (see 3b above)</li> <li>f Treasury stock (see 1e above)</li> </ul>		
7	<p><u>Income and Expense accruals</u></p> <ul style="list-style-type: none"> <li>a Administrative expenses <ul style="list-style-type: none"> <li>1 Accrued payroll, vacations, financial assistance and related taxes</li> <li>2 Operating expense accruals for rent, telephone and other utilities</li> </ul> </li> <li>a Misc Other income accruals not covered in loan area (e g safekeeping, registrar agreements)</li> <li>b Income tax expense, including current and deferred portions and related assets/liabilities (IAS 12, 30)</li> </ul>		
8	<p><u>Off-balance sheet activities and accounts</u></p> <ul style="list-style-type: none"> <li>a Trusts (see additional technical guidance)</li> <li>b Letters of credit and other forms of guarantees</li> <li>c Repos and reverse repos</li> <li>d Other commitments</li> <li>e Foreign exchange and derivatives</li> <li>f Off-balance sheet risk reserve (acct 3690)</li> </ul>		
9	<p><u>Other disclosures</u></p> <ul style="list-style-type: none"> <li>a Basis of accounting (IAS 1)</li> <li>b Non-accrual loan policy (see 2c above)</li> <li>c IAS 25 policies re valuation and affiliates (1)</li> <li>d Related parties (2b, 4b)</li> <li>e Asset lives, depreciation method, indexation adjustments (3)</li> <li>f Calculation of effect of accounting changes (IAS 8)</li> <li>g Other per IAS 1, 5, 10, 13, 14, 15, 18, 19, 20, 21, 22, 23, 24, 30</li> </ul>		
10	<p><u>Cash flow statement gathering (preliminary list for 1 January reporting – IAS 7)</u></p> <ul style="list-style-type: none"> <li>a Must have beginning and ending balance sheets</li> <li>b Must have corrected income statement</li> <li>c Must have statement of changes in capital accounts</li> <li>d Brutto analysis of securities purchases and disposals</li> <li>e Brutto analysis of fixed and intangible asset purchases and disposals</li> <li>f Brutto analysis of activity in all income tax accounts (7900 and 3520/3521, 3620/3621)</li> <li>g Prepare CFS following IAS 7 guidance</li> </ul>		

Invalid Bridge Table Account Pairs for OLBank

xxxx = number in NBU table    --- = number NOT in NBU table

Ø = pair not in NBU table

Account Number		Match NBU?	Pattern	Bank	Pairs	Comment	English/Ukraine Description
Old	New						
160	0000	N	----Ø----	0	7	Not in NBU table	
195	0000	N	xxxxØ----	0	1	Not in NBU table	
273	0000	N	xxxxØ----	0	2	Not in NBU table	
321	0000	N	----Ø----	0	1	Not in NBU table	
614	0000	N	xxxxØ----	0	1	Not in NBU table	
620	0000	N	xxxxØ----	0	1	Not in NBU table	
623	0000	N	xxxxØ----	0	2	Not in NBU table	
683	0000	N	xxxxØ----	0	4	Not in NBU table	
685	0000	N	xxxxØ----	0	6	Not in NBU table	
716	0000	N	xxxxØ----	0	10	Not in NBU table	
720	0000	N	xxxxØ----	0	1	Not in NBU table	
725	0000	N	xxxxØ----	0	1	Not in NBU table	
76	0000	N	xxxxØ----	0	2	Not in NBU table	
871	0000	N	xxxxØ----	0	1	Not in NBU table	
903	0000	N	xxxxØ----	0	2	Not in NBU table	
907	0000	N	xxxxØ----	0	1	Not in NBU table	
908	0000	N	xxxxØ----	0	1	Not in NBU table	
909	0000	N	xxxxØ----	0	1	Not in NBU table	
951	0000	N	xxxxØ----	0	1	Not in NBU table	
960	0000	N	xxxxØ----	0	1	Not in NBU table	
970	0000	N	xxxxØ----	0	1	Not in NBU table	

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Account Number		Match	Bank	Pairs	Comment	English/Ukraine Description
Old	New	NBU? Pattern				
976	0000	N xxxxx0----	0	3	Not in NBU table	
979	0000	N xxxxx0----	0	1	Not in NBU table	
999	0000	N xxxxx0----	0	1	Not in NBU table	
76	1003	N xxxxx0xxxx	0	3	validated 26/11/1997	Bank notes and coins at currency exchange sites
76	1013	N xxxxx0xxxx	0	10	validated 26/11/1997	Банкноти та монета в обмінних пунктах Travel checks and other checks at currency exchange sites
323	1312	N xxxxx0xxxx	0	2	validated 26/11/1997	Дорожні чеки в обмінних пунктах Short term loans, obtained from the National Bank of Ukraine through auction
194	1426	N xxxxx0xxxx	0	34	validated 26/11/1997	Короткострокові кредити, які отримані через аукціон від Національного банку України (contra asset account) Non amortized discount from debt securities refinanced by the National Bank of Ukraine in bank (контрактивний рахунок) Неамортизований дисконт за борговими цінними паперами, що рефінансуються
76	1911	N xxxxx0xxxx	0	20	added 26/11/1997	Accounts payable on cash transactions
716	2204	N xxxxx0xxxx	0	3	added 26/11/1997	Кредиторська заборгованість за операціями з готівкою Long term loans for current needs extended to individuals
716	2214	N xxxxx0xxxx	0	5	added 26/11/1997	Довгострокові кредити, які надані фізичним особам на поточні потреби Long term loans for acquisition of buildings constructions equipment and land extended to individuals
263	2604	N xxxxx0xxxx	0	2	validated 26/11/1997	Довгострокові кредити, які надані фізичним особам на купівлю будівель, споруд обладнання та землі Targeted demand funds of business entities
084	2610	N xxxxx0xxxx	0	1	validated 26/11/1997	Цільові кошти до запитання суб'єктів господарської діяльності Short term deposits of business entities
086	2610	N xxxxx0xxxx	0	1	validated 26/11/1997	Короткострокові депозити суб'єктів господарської діяльності Short term deposits of business entities
719	2610	N xxxxx0xxxx	0	2	validated 26/11/1997	Короткострокові депозити суб'єктів господарської діяльності Short term deposits of business entities
139	2903	N xxxxx0xxxx	0	6	added 26/11/1997	Короткострокові депозити суб'єктів господарської діяльності Accounts payable on inactive accounts of clients
180	2903	N xxxxx0xxxx	0	7	added 26/11/1997	Кредиторська заборгованість клієнтів за недіючими рахунками Accounts payable on inactive accounts of clients
185	2903	N xxxxx0xxxx	0	3	added 26/11/1997	Кредиторська заборгованість клієнтів за недіючими рахунками Accounts payable on inactive accounts of clients
64	2903	N xxxxx0xxxx	0	21	added 26/11/1997	Кредиторська заборгованість клієнтів за недіючими рахунками Accounts payable on inactive accounts of clients
320	2909	N xxxxx0xxxx	0	2	validated 26/11/1997	Кредиторська заборгованість клієнтів за недіючими рахунками Other accounts payable on transactions with clients
321	2909	N xxxxx0xxxx	0	1	validated 26/11/1997	Інша кредиторська заборгованість за операціями з клієнтами банку Other accounts payable on transactions with clients
193	3103	N xxxxx0xxxx	0	1	validated 26/11/1997	Інша кредиторська заборгованість за операціями з клієнтами банку Financial entities (not bank) issued shares and other investments with variable profit in the bank portfolio for sale
191	3105	N xxxxx0xxxx	0	4	validated 26/11/1997	Акції та інші цінні папери з нефіксованим прибутком у портфелі банку на продаж які випущені Other shares and securities with variable profit in bank portfolio for sale
12	3410	N xxxxx0xxxx	0	1	added fo 12/12/1997	Інші акції та цінні папери з нефіксованим прибутком у портфелі банку на продаж Stored low value items
						Малоцінні та швидкозношувані предмети на складі

12/12/1997

ACC - FRV T PRN

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Account Number		Match	Bank	Pairs	Cont	Date	English/Ukraine Description
Old	New	NBU? Pattern					
76	3540	<i>права</i> NBU? xxxxx0xxxx	0	3	validated	26/11/1997	Accounts receivable on purchase of foreign currency and bank metals for bank's own account Дебіторська заборгованість з придбання іноземної валюти та банківських металів за рахунок банку
76	3640	<i>права</i> N xxxxx0xxxx	0	2	validated	26/11/1997	Accounts payable on purchase of foreign currency and bank metals for bank's own account Кредиторська заборгованість з придбання іноземної валюти та банківських металів за рахунок банку
904	3700	<i>права</i> N xxxxx0xxxx	0	1	validated	26/11/1997	AL Clearing accounts on settlements in transactions with securities
903	3720	<i>права</i> N xxxxx0xxxx	0	1	added fo	12/12/1997	АП Клирингові рахунки за розрахунками за операціями з цінними паперами Credit amounts under investigation
908	3720	<i>права</i> N xxxxx0xxxx	0	2	added fo	12/12/1997	Кредитові суми до з'ясування Credit amounts under investigation
808	3900	<i>права</i> N ----0xxxx	0	5	validated	26/11/1997	Кредитові суми до з'ясування Accounts opened in bank establishments located in Ukraine
76	3902	<i>права</i> N xxxxx0xxxx	0	2	validated	26/11/1997	Рахунки, що відкриті в установах банку, які розташовані в Україні Settlements on credit resources extended to bank establishments located in Ukraine
937	4430	<i>права</i> N xxxxx0xxxx	0	2	validated	26/11/1997	Розрахунки за коштами, наданими установам банку, які розташовані в Україні Investments in construction in progress and in operating fixed assets prior to start up
941	4438	<i>права</i> N xxxxx0xxxx	0	1	validated	26/11/1997	Капітальні вкладення за незавершеним будівництвом і за невведеними в експлуатацію операційними Complete capital investments in leased operating fixed assets
12	5020	<i>права</i> N xxxxx0xxxx	0	3	added	26/11/1997	Завершені капітальні вкладення за операційними основними засобами прийнятими в оперативний лізинг General provisions
13	5020	<i>права</i> N xxxxx0xxxx	0	1	added	26/11/1997	Загальні резерви General provisions
16	5020	<i>права</i> N xxxxx0xxxx	0	2	added	26/11/1997	Загальні резерви General provisions
936	5020	<i>права</i> N xxxxx0xxxx	0	1	added	26/11/1997	Загальні резерви General provisions
76	6204	<i>права</i> N xxxxx0xxxx	0	7	added fo	12/12/1997	Загальні резерви To be translated
904	7399	<i>права</i> N xxxxx0xxxx	0	1	added	26/11/1997	АП Результат від торгівлі іноземною валютою та банківськими металами To be translated
970	7419	<i>права</i> N xxxxx0xxxx	0	6	added	26/11/1997	Інші банківські операційні витрати To be translated
970	7441	<i>права</i> N xxxxx0xxxx	0	1	added	26/11/1997	Сплата інших податків та обов'язкових платежів, крім податку на прибуток To be translated
							Витрати на інші системи банківського зв'язку

**Инструкция по использованию программы "ИНВЕСТ"**

Последовательность действий	КОД ТАБЛИЦЫ	КОД ПРИСВОЕННЫЕ ЯЧЕЙКЕ ВВОДА	Содержание действий произведенных пользователем или программой
1			Перейти на лист "МVM" ВВЕСТИ ДАННЫЕ НА ЛИСТЕ "МVM"
2	MVM		ШАПКА ТАБЛИЦЫ:
3	MVM	НД	начало отчетного периода (готово с 31.12.97 - 30.09.98)
3	MVM	КД	конец отчетного периода (готово с 31.12.97 - 30.09.98)
4	MVM	АО	НАЧАЛЬНЫЙ БАЛАНС (остаток ОБГЗ за 31.12.97г., т.е. по сост. на 1.01.98г.)
4	MVM	А	номер аукциона
5	MVM	А	дата приобретения (действительная)
6	MVM	В	стоимость приобретения
6	MVM	С	номинальная стоимость
7	MVM		ПРИБРЕТЕНИЯ В ТЕЧЕНИЕ ПЕРИОДА (т.е. за 9 - ть месяцев)
8	MVM	D	дата приобретения
9	MVM	E1	стоимость приобретения
9	MVM	F1	номинальная стоимость
10	MVM		ПРОДАЖИ (только на протяжении за 9 - ти месяцев)
11	MVM	G	дата продажи (др. или гол банку, филиалу, или перемещение между портфелями)
12	MVM	H	сумма продажи (в ценах фактических продаж)
13	MVM	E2	стоимость приобретения
14	MVM	F2	номинал
15			Перейти на лист "БАЗА"
15			ВВЕСТИ ДАННЫЕ НА ЛИСТЕ БАЗА
16	БАЗА	К	Вводится только - дата погашения аукциона.

Расчет автома- тический	аморт_прям опер_аморт опер_аморт TRD	НА ОСНОВЕ ВВЕДЕННЫХ ДАННЫХ ПРОГРАММА ПРОИЗВОДИТ РАСЧЕТ амортизации дисконта прямым методом $=((C+F1 \cdot E1) \cdot (KД \cdot HД)) / (K \cdot AД)) \cdot ((F2 \cdot E2) / (KД \cdot G)) / (K \cdot AД))$ расчет начисления амортизации на основе прямолинейного метода Расчет учетной стоимости Расчет торгового дохода
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ВНИМАНИЕ!
1) ВСЕ ДАННЫЕ НА ЗЕЛЕННОМ (лист MVM) И СЕРОМ (лист БАЗА) ПОЛЯХ ВВОДЯТСЯ ПОЛЬЗОВАТЕЛЕМ
2) ДАННЫЕ НА ОСТАЛЬНЫХ ПОЛЯХ (белых) И ЛИСТАХ ПОДЛЕЖАТ КОНТРОЛЮ И ОТРАЖЕНИЮ В УЧЕТЕ ПО МСБО
3) ЕСЛИ ПРОИСХОДИЛО ПЕРЕМЕЩЕНИЕ ОБГЗ МЕЖДУ ПОРТФЕЛЯМИ (т.е. из портф на продажу в портф на инвестиц и наоборот) ТО В КОНЦЕ ТАБЛИЦЫ (на листа MVM напротив каждого аукциона) НЕОБХ УКАЗАТЬ - "ПЕРЕМЕЩЕНИЕ" И ИЗ КАКОГО ПОРТФЕЛЯ
4) ЕСЛИ ОДИН И ТОТ ЖЕ АУКЦИОН ПОКУПАЕТСЯ (ПРОДАЕТСЯ) ПО ЧАСТЯМ ТО НЕОБХОДИМО ОТРАЖАТЬ КАЖДУЮ ПРОДАВАЕМУЮ (ПРИБРЕТЕННУЮ) ЧАСТЬ (см аукц № 303 317 из портфеля на продажу)

Аналітичний облік руху ОВДП протягом звітного періоду

															727 554 90		1 041 500 00			
															Зміни вартості пакетів цінних паперів про утримання їх у портфелі		31.12.97		30.09.98	
															НД		КД			
№	Показники на початок періоду				Придбання						Продаж			Погашення			Кінцева вартість придбання пакету внаслідок руху ЦП	Кінцева номінальна вартість пакету внаслідок руху цінних паперів		
	Дата придбання (А)	Первісна грн (В)	Номінальна (С)	Дата здійснення операції (D)	Первісна грн	Номінальна	Дата здійснення операції	Первісна грн	Номінальна	Сума продажу	Дата здійснення операції	Первісна грн	Номінальна	Сумма дисконту						
А0	А	В	С	Д	Е1	Е1	Г	Е2	Е2	Н							Дт 1410			
247	27 05 97	448 335,11	593 900								27 05 98	448 335	593 900	145 565			*			
250	29 05 97	53 193,00	70 000								29 05 98	53 193	70 000	16 807			*			
256	06 06 97	152 940,00	200 000								05 06 98	152 940	200 000	47 060			*			
259	10 06 97	174 871,05	228 500								10 06 98	174 871	228 500	53 629			*			
268	20 06 97	191 750,00	250 000								19 06 98	191 750	250 000	58 250			*			
271	25 06 97	306 800,00	400 000								24 06 98	306 800	400 000	93 200			*			
275	26 06 97	268 625,00	350 000								25 06 98	268 625	350 000	81 375			*			
290	09 07 97	307 080,00	400 000								08 07 98	307 080	400 000	92 920			*			
272	03 08 97	199 942,90	281 500												199 943	281 500	*			
276	26 06 97	235 900,00	350 000												235 900	350 000	*			
271				27 05 98	291 712,00	430 000									291 712	430 000	*			
277				29 05 98	202 446,00	230 000					26 06 98	202 446	230 000	27 554			*			
170				20 04 98	7 834,60	8 600	30 04 98	7 834,60	8 600	8 006,60	24 06 98						*			
303				12 06 98	17 740,00	20 000					19 08 98	17 740	20 000	2 260			*			
303				12 06 98	44 425,00	50 000					19 08 98	44 425	50 000	5 575			*			
303				12 06 98	800,10	900	18 06 98	800,10	900	810,54	19 08 98						*			
317				19 06 98	43 810,00	50 000	26 06 98	43 810,00	50 000	44 429,00	28 08 98						*			
317				19 06 98	8 780,00	10 000	26 06 98	8 780,00	10 000	8 902,00	28 08 98						*			
317				19 06 98	8 782,00	10 000	25 06 98	8 782,00	10 000	8 886,40	28 08 98						*			
317				19 06 98	8 775,00	10 000	26 06 98	8 775,00	10 000	8 897,50	28 08 98						*			
317				19 06 98	8 778,00	10 000	26 06 98	8 778,00	10 000	8 900,20	28 08 98						*			
317				19 06 98	8 785,00	10 000	25 06 98	8 785,00	10 000	8 889,14	28 08 98						*			
303				12 06 98	43 649,90	49 100					19 08 98	43 650	49 100	5 450			*			
											00 01 00						*			
		2 339 437 06	3 103 900		696 317 60	888 600		96 344,70	109 500	97 721,38		2 211 855	2 841 500	629 645	727 555	1 041 500				

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Аналітичні відомості по облигаціях прийнятих до обліку протягом періоду							
Аукцион №	Кількість облигаці прийнятих до обліку протягом періоду	Дата придбання	Дата погашення	Номинальна вартість грн	Вартість придбання грн	Сума дисконту первісна грн	Сума премії первісна грн
		Ж	К				

247	5 939	27 05 97	<b>27 05 98</b>	593 900 00	448 335 11	145 564 89	-
250	700	29 05 97	<b>29 05 98</b>	70 000 00	53 193 00	16 807 00	-
256	2 000	06 06 97	<b>05 06 98</b>	200 000 00	152 940 00	47 060 00	-
259	2 285	10 06 97	<b>10 06 98</b>	228 500 00	174 871 05	53 628 95	-
268	2 500	20 06 97	<b>19 06 98</b>	250 000 00	191 750 00	58 250 00	-
271	4 000	25 06 97	<b>24 06 98</b>	400 000 00	306 800 00	93 200 00	-
275	3 500	26 06 97	<b>25 06 98</b>	350 000 00	268 625 00	81 375 00	-
290	4 000	09 07 97	<b>08 07 98</b>	400 000 00	307 080 00	92 920 00	-
272	2 615	03 09 97	<b>23 12 98</b>	261 500 00	199 942 90	61 557 10	-
276	3 500	26 06 97	<b>24 12 98</b>	350 000 00	235 900 00	114 100 00	-
271	4 300	27 05 98	<b>17 03 99</b>	430 000 00	291 712 00	138 288 00	-
277	2 300	29 05 98	<b>26 08 98</b>	230 000 00	202 446 00	27 554 00	-
170	86	20 04 98	<b>24 06 98</b>	8 600 00	7 834 60	765 40	-
303	200	12 06 98	<b>19 08 98</b>	20 000 00	17 740 00	2 260 00	-
303	500	12 06 98	<b>19 08 98</b>	50 000 00	44 425 00	5 575 00	-
303	9	12 06 98	<b>19 08 98</b>	900 00	800 10	99 90	-
317	500	19 06 98	<b>28 08 98</b>	50 000 00	43 810 00	6 190 00	-
317	100	19 06 98	<b>28 08 98</b>	10 000 00	8 780 00	1 220 00	-
317	100	19 06 98	<b>28 08 98</b>	10 000 00	8 782,00	1 218 00	-
317	100	19 06 98	<b>28 08 98</b>	10 000 00	8 775 00	1 225 00	-
317	100	19 06 98	<b>28 08 98</b>	10 000 00	8 778 00	1 222 00	-
317	100	19 06 98	<b>28 08 98</b>	10 000 00	8 785 00	1 215 00	-
303	491	12 06 98	<b>19 08 98</b>	49 100 00	43 649 90	5 450 10	-
0	-	00 01 00		-	-	-	-
0		00 01 00		-	-	-	-
				3 992 500,00	3 035 754,66	956 745,34	-

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"Опер. аморти."

Transactions During the Period-Accumulated Discount							Справка		
Відображення дисконту в обліку протягом періоду							Дата погашен	Дневная амортиз	
№	Початкове сальдо	Первісна сума дисконту по ЦП придбаних протягом періоду	Погашення	Амортизований дисконт до звітного періоду	Амортизований дисконт протягом періоду	Кінцевий залишок неамортизованого дисконту внаслідок амортизації	Облікова вартість ЦП на кінець періоду (ст. балансу по МСБО "Чисті інвестиції в ОВДП")		
				VO	V	W			

247	145 564 89	0 00	145 564,89	86 940,13	58 624,76	0	(0)	27 05 98	398 81
250	16 807 00	0 00	16 807 00	9 946,06	6 860,94	0	(0)	29 05 98	46 05
256	47 060 00	0 00	47 060,00	26 891,43	20 168,57	0	(0)	05 06 98	129 29
259	53 628 95	0 00	53 628,95	29 973,44	23 655,51	0	(0)	10 06 98	146 93
268	58 250 00	0 00	58 250,00	31 045,33	27 204,67	-	-	19 06 98	160 03
271	93 200 00	0 00	93 200 00	48 392,31	44 807,69	0	(0)	24 06 98	256 04
275	81 375 00	0,00	81 375 00	42 028,85	39 346,15	(0)	0	25 06 98	223 56
290	92 920 00	0 00	92 920 00	44 673,08	48 246,92	-	-	08 07 98	255 27
272	61 557 10	0 00	-	15 389,28	35 304,81	10 863	250 637	23 12 98	129 32
276	114 100,00	0,00	-	39 287 18	57 050,00	17 763	332 237	24 12 98	208 97
271	0 00	138 288,00	-	-	59 266,29	79 022	350 978	17 03 99	470,37
277	0 00	27 554,00	27 554,00	-	27 554,00	(0)	0	26 08 98	309 60
170	0 00	765,40	-	-	117,50	0	(0)	24 06 98	11,78
303	0 00	2 260,00	2 260 00	-	2 260,00	-	-	19 08 98	33,24
303	0 00	5 575 00	5 575,00	-	5 575,00	-	-	19 08 98	81,99
303	0 00	99 90	-	-	8,76	0	(0)	19 08 98	1,47
317	0 00	6 190 00	-	-	618,91	0	(0)	28 08 98	88 43
317	0 00	1 220 00	-	-	121,91	(0)	0	28 08 98	17 43
317	0 00	1 218 00	-	-	104,40	(0)	0	28 08 98	17 40
317	0,00	1 225 00	-	-	122,50	-	-	28 08 98	17 50
317	0,00	1 222,00	-	-	122,02	0	(0)	28 08 98	17,46
317	0 00	1 215,00	-	-	103,96	(0)	0	28 08 98	17 36
303	0 00	5 450 10	5 450 10	-	5 450,10	-	-	19 08 98	80 15
0	0 00	0 00	-	-	-	-	-	00 01 00	0 00
0	0 00	0 00	-	-	-	-	-	00 01 00	0 00
	764 463	192 282	629 645	374 567,07	462 695,38	107 648	933 852		

9/2

"амортиз\_прям"  
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Амортизация дисконту прямолінійним методом

Базовий пакет							Розрахунки по проданих ЦП		
Аукц	Повний період амортизац (дн)	Денна амортизація грн	Кількість днів амортизації у звітньому періоді	Амортизований дисконт до звітнього періоду	Амортизація за звітній період	Дата початку амортизац	Кількість днів що не приймаються до розрахунку амортизації у звіт /періоді	Денна амортизація по проданих ЦП	Сума неамортиз дисконту по проданих ЦП
№									
	K-J	N	M		O	L	P	Q	R
247	365	398 81	147	86 940 13	58 624 76	27 05 97	-	-	-
250	365	46 05	149	9 946 06	6 860 94	29 05 97	-	-	-
256	364	129 29	156	26 891 43	20 168 57	06 06 97	-	-	-
259	365	146 93	161	29 973 44	23 655,51	10 06 97	-	-	-
268	364	160 03	170	31 045 33	27 204 67	20 06 97	-	-	-
271	364	256 04	175	48 392 31	44 807 69	25 06 97	-	-	-
275	364	223 56	176	42 028 85	39 346 15	26 06 97	-	-	-
290	364	255 27	189	44 673 08	48 246 92	09 07 97	-	-	-
272	476	129 32	273	15 389 28	35 304 81	03 09 97	-	-	-
276	546	208 97	273	39 287 18	57 050 00	26 06 97	-	-	-
271	294	470 37	126	-	59 266 29	27 05 98	-	-	-
277	89	309 60	89	-	27 554 00	29 05 98	-	-	-
170	65	11 78	65	-	117 50	20 04 98	55	11 78	647 90
303	68	33 24	68	-	2 260 00	12 06 98	-	-	-
303	68	81 99	68	-	5 575 00	12 06 98	-	-	-
303	68	1 47	68	-	8 76	12 06 98	62	1 47	91 14
317	70	88 43	70	-	618 91	19 06 98	63	88 43	5 571 09
317	70	17 43	70	-	121,91	19 06 98	63	17 43	1 098 09
317	70	17 40	70	-	104 40	19 06 98	64	17 40	1 113 60
317	70	17 50	70	-	122,50	19 06 98	63	17 50	1 102 50
317	70	17 46	70	-	122 02	19 06 98	63	17 46	1 099 98
317	70	17 36	70	-	103 96	19 06 98	64	17 36	1 111 04
303	68	80 15	68	-	5 450 10	12 06 98	-	-	-
0	-	-	(35 795)	-	-	00 01 00	-	-	-
0	-	-	(35 795)	-	-	00 01 00	-	-	-
				374 667,07	462 695,38				

Market

**ПЕРЕОЦІНКА ПОРТФЕЛЯ ОВДП**

Розрахунки щодо визначення поправок до ринкової вартості ЦП						
№ аукц	Річна дохідність по даних аукциону	Днів до погашення	Ринкова вартість	Облікова вартість ЦП на кінець періоду (ст. балансу по МСБО "Чисті інвестиції в ОВДП")	Вартість після переоцінки	Збитки від переоцінки (торговий портфель)
Issue #	Annualized market yield	Days to maturity	Market Value at current rate	Net book value	Lower of cost or market	Unrealized loss
A	B	C	D	E	F	G
						Дт7703 Кт1490
247	75 53%	0	0	0	0	0
250	75 53%	0	0	-0	-0	0
256	75 53%	0	0	0	0	0
259	75 53%	0	0	-0	-0	0
268	75 53%	0	0	0	0	0
271	75 53%	0	0	-0	-0	0
275	75 53%	0	0	0	0	0
290	75 53%	0	0	0	0	0
272	75 53%	84	229 741	250 637	229 741	20 896
276	75 53%	85	307 019	332 237	307 019	25 218
271	62 52%	168	343 871	350 978	343 871	7 108
277	75 53%	0	0	0	0	0
170	75 53%	0	0	-0	0	0
303	75 53%	0	0	0	0	0
303	75 53%	0	0	0	0	0
303	75 53%	0	0	-0	0	0
317	75 53%	0	0	-0	-0	0
317	75 53%	0	0	0	0	0
317	75 53%	0	0	0	0	0
317	75 53%	0	0	0	0	0
317	75 53%	0	0	-0	-0	0
317	75 53%	0	0	0	0	0
303	75 53%	0	0	0	0	0
0	75 53%	0	0	0	0	0
0	75 53%	0	0	0	0	0
		337	880 631	933 852	880 631	53 221

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Rate

	01.07.98	28.08.98	06.01.99	14.04.99	30.06.99
Період обігу		70	196	287	364
Кількість проданих облігацій		560 328	35 380	275 500	295 692
Сума залучення від ОВДП		48 943 488,34	2 571 418,40	18 333 525,00	18 252 617,16
Ставка доходності (NBU)		75,53%	70,00%	63,93%	62,17%

-0,001689413

-0,001462357

-0,000733122

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**Аналитичний облік ОВДП проданих протягом дев'яти місяців 1998 р**

	Первісна (грн)	Номинальна вартість проданих ЦП	Залишок незаморти- зованого дисконту по проданих ЦП	Облікова вартість поданих ЦП	Сума продаж	Дохід від торгівлі ЦП	Загальний прибуток касовим (податковим) обліком
Кт (Дт) 6203							
A	B	C	D	E	F	G	H
C - D				F - E		F - B	
247	0	0	0	0	0	0,00	0
250	0	0	0	0	0	0,00	0
256	0	0	0	0	0	0,00	0
259	0	0	0	0	0	0,00	0
268	0	0	0	0	0	0,00	0
271	0	0	0	0	0	0,00	0
275	0	0	0	0	0	0,00	0
290	0	0	0	0	0	0,00	0
272	0	0	0	0	0	0,00	0
276	0	0	0	0	0	0,00	0
271	0	0	0	0	0	0,00	0
277	0	0	0	0	0	0,00	0
170	7 835	8 600	648	7 952	8 007	54,50	172
303	0	0	0	0	0	0,00	0
303	0	0	0	0	0	0,00	0
303	800	900	91	809	811	1,68	10
317	43 810	50 000	5 571	44 429	44 429	0,09	619
317	8 780	10 000	1 098	8 902	8 902	0,09	122
317	8 782	10 000	1 114	8 886	8 886	0,00	104
317	8 775	10 000	1 103	8 898	8 898	0,00	123
317	8 778	10 000	1 100	8 900	8 900	0,18	122
317	8 785	10 000	1 111	8 889	8 889	0,18	104
303	0	0	0	0	0	0,00	0
0	0	0	0	0	0	0,00	0
0	0	0	0	0	0	0,00	0
	96 345	109 500	11 835	97 665	97 721	56,72	1 377

**Exhibit II - 4**

**Sample Monthly Balance Sheet from Barracuda dated 01-04 1998**

		TEST BANK				#02XXX22 YYY	
Line	C Articles	Primary Table	Corrections	Balance with Corrections	Companson Table	Difference	Percent
1000A	ASSETS						
1050A	⊙ Cash on Hand	548 290 96	50 000 00	598 290 96	0	0	0 00%
1100A	⊙ Travelers Checks	3 513 15	35 000 56	38 513 71	0	0	0 00%
1150A	Banks Metals	0	0	0	0	0	0 00%
1200A	Funds at NBU	3 310 489 27	0	3 310 489 27	0	0	0 00%
1250A	Securities held for sale						
1300A	State Bonds Nominal Value	2 987 400 00	0	2 987 400 00	0	0	0 00%
1350A	Less Unamortized Discount / Premium	856 428 30	0	856 428 30	0	0	0 00%
1400A	Net Investment in State Bonds	0	0	0	0	0	0 00%
1450A	Equity Securities	0	0	0	0	0	0 00%
1500A	Debt Securities	0	0	0	0	0	0 00%
1550A	Total Securities held for sale	2 130 971 70	0	2 130 971 70	0	0	0 00%
1600A	Market Adjustment	0	0	0	0	0	0 00%
1650A	Net Securities held for sale	2 130 971 70	0	2 130 971 70	0	0	0 00%
1700A	Due From Banks	1 050 902 19	0	1 050 902 19	0	0	0 00%
1750A	Interbank Loans	4 949 600 00	0	4 949 600 00	0	0	0 00%
1800A	Less Bad Debt reserve	0	0	0	0	0	0 00%
1850A	Net Interbank Loans	4 949 600 00	0	4 949 600 00	0	0	0 00%
1900A	Securities Purchased under Agreement to resel	0 00	0	0	0	0	0 00%
1950A	Loans to						
2000A	Business entities	3 258 756 00	0	3 258 756 00	0	0	0 00%
2050A	State agencies	0	0	0	0	0	0 00%
2100A	Individuals	307 779 00	0	307 779 00	0	0	0 00%
2150A	Employees	0	0	0	0	0	0 00%
2200A	Total Loans	3 566 535 00	0	3 566 535 00	0	0	0 00%
2250A	Less Bad Debt Reserve	74 607 00	0	74 607 00	0	0	0 00%
2300A	Net Loans	3 491 928 00	0	3 491 928 00	0	0	0 00%
2350A	Securities held for investment						
2400A	State Bonds Nominal Value	1 780 000 00	0	1 780 000 00	0	0	0 00%
2450A	Less Unamortized Discount / Premium	346 503 00	0	346 503 00	0	0	0 00%
2500A	Net Investment in State Bonds	1 433 497 00	0	1 433 497 00	0	0	0 00%
2550A	Equity Securities	0	0	0	0	0	0 00%
2600A	Debt Securities	0	0	0	0	0	0 00%
2650A	Total Securities held for investment	1 433 497 00	0	1 433 497 00	0	0	0 00%
2700A	Market Adjustments	0	0	0	0	0	0 00%
2750A	Net Securities held for Investment	1 433 497 00	0	1 433 497 00	0	0	0 00%
2800A	Investments in affiliates	0	0	0	0	0	0 00%
2850A	⊙ Low Value Items and Supplies Invetones	36 505 63	50 000 00	13 494 37	0	0	0 00%
2900A	Prepaid Expenses	1 290 40	0	1 290 40	0	0	0 00%
2950A	Misc Accounts Receivable etc	218 686 78	0	218 686 78	0	0	0 00%
3000A	Less Allowance for Bad Debt	0	0	0	0	0	0 00%
3050A	Net Accounts Receivalbe	218 686 78	0	218 686 78	0	0	0 00%
3100A	Cleaing accounts	0	0	0	0	0	0 00%
3150A	Advances to Branches	0	0	0	0	0	0 00%

*[Handwritten initials]*

Line	C	Articles	Primary Table	Corrections	Balance with Corrections	Comparison Table	Difference	Percent
3200A		Accrued Interest Receivable	14 602 73	0	14 602 73	0	0	0 00%
3250A		Prepaid Taxes						
3300A		Current	33 376 40	0	33 376 40	0	0	0 00%
3350A		Deferred	0	0	0	0	0	0 00%
3400A		Operating Fixed Assets						
3450A		Owned	755 144 34	0	755 144 34	0	0	0 00%
3500A		Leased	30 969 69	0	30 969 69	0	0	0 00%
3550A		Construction in Progress	0	0	0	0	0	0 00%
3600A		Less Accumulated Depreciation	101 352 07	0	101 352 07	0	0	0 00%
3650A		Net Fixed assets	684 761 96	0	684 761 96	0	0	0 00%
3700A		Foreclosed and other inactive fixed assets	7 862 46	0	7 862 46	0	0	0 00%
3750A		Intangible Assets	16 733 45	0	16 733 45	0	0	0 00%
3800A		Less Accumulated Amortization	6 537 77	0	-6 537 77	0	0	0 00%
3850A		Net Intangible Assets	10 195 68	0	10 195 68	0	0	0 00%
3900A		Total Assets	17 926 474 31	35 000 56	17 961 474 87	0	0	0 00%
3950A								
4000A								
4050L		LIABILITIES						
4100L		Demand Deposits						
4150L		State Budget	0	0	0	0	0	0 00%
4200L	⊙	Business entities	7 185 696 18	35 000 56	7 220 696 74	0	0	0 00%
4250L		Individuals	-49 939 88	0	-49 939 88	0	0	0 00%
4300L		Time Deposits						
4350L		State Budget	0	0	0	0	0	0 00%
4400L		Business entities	238 318 00	0	238 318 00	0	0	0 00%
4450L		Individuals	1 007 285 89	0	1 007 285 89	0	0	0 00%
4500L		Certificate of Deposits	380	0	380	0	0	0 00%
4550L		Total Deposits	-8 481 619 95	35 000 56	8 516 620 51	0	0	0 00%
4600L		Due to banks	-674 298 77	0	674 298 77	0	0	0 00%
4650L		Loans Due NBU						
4700L		Short Term	0	0	0	0	0	0 00%
4750L		Long Term	0	0	0	0	0	0 00%
4800L		Interbank Loans	305 970 00	0	305 970 00	0	0	0 00%
4850L		Securities sold under Agreement to Repurchase	0	0	0	0	0	0 00%
4900L		Debt Securities issued						
4950L		Term and revolving	0	0	0	0	0	0 00%
5000L		Less Unamortized Discnt / Premium	0	0	0	0	0	0 00%
5050L		Net Term and Revolving	0	0	0	0	0	0 00%
5100L		Subordinated Debt	0	0	0	0	0	0 00%
5150L		Total Debt Securities Issued	0	0	0	0	0	0 00%
5200L		Accrued Interest Payable	-40 885 59	0	-40 885 59	0	0	0 00%
5250L		Misc Accounts payable and accruals	878 239 81	0	-878 239 81	0	0	0 00%
5300L		Cleang Accounts	0	0	0	0	0	0 00%
5350L		Advances from Branches	0	0	0	0	0	0 00%
5400L		Deferred Income	0	0	0	0	0	0 00%
5450L		Stockholder's investment pending registra tion	0 00	0	0	0	0	0 00%
5500L		Accrued Income Taxes						
5550L		Current	85 486 72	0	-85 486 72	0	0	0 00%
5600L		Deferred	0	0	0	0	0	0 00%
5650L		Total Liabilities	10 466 500 84	35 000 56	10 501 501 40	0	0	0 00%
5700L								
5750C		CAPITAL						
5800C		Statutory Capital						

Line	C	Articles	Primary Table	Corrections	Balance with Corrections	Companson Table	Difference	Percent
5850C		Statutory Par Value	6 000 000 00	0	6 000 000 00	0	0	0 00%
5900C		Capital Paid in excess of par value	0	0	0	0	0	0 00%
5950C		Total statutory Capital	6 000 000 00	0	6 000 000 00	0	0	0 00%
6000C		Less stock subscribtion receivable	0	0	0	0	0	0 00%
6050C		Net Statutory Capital	6 000 000 00	0	6 000 000 00	0	0	0 00%
6100C	Ⓞ	Current Period Net Income	780 639 51	0	780 639 51	0	0	0 00%
6150C		Retained earnings appropriated	345 225 08	0	345 225 08	0	0	0 00%
6200C		Retained earnings unappropriated	262 380 65	0	262 380 65	0	0	0 00%
6250C		Revaluation Indexation	71 728 23	0	71 728 23	0	0	0 00%
6300C		Accumulated IAS adjustments	0	0	0	0	0	0 00%
6350C		Subtotal	7 459 973 47	0	7 459 973 47	0	0	0 00%
6400C		Less Treasury Stock	0	0	0	0	0	0 00%
6450C		Total Capital	7 459 973 47	0	7 459 973 47	0	0	0 00%
6500C		Total Capital and Liabilities	17 926 474 31	35 000 56	17 961 474 87	0	0	0 00%
6550C								
6600C								
6650T		BALANCE	0	0	0	0	0	0 00%
6700C								
6750C		Not Found Accounts*						
6800P		Positive	0	0	0	0	0	0 00%
6850N		Negative	0	0	0	0	0	0 00%
6900D		Difference	0	0	0	0	0	0 00%
6950C								
7000C		For more info on Rejected Accounts refer to Error Log						

# **Exhibit III**

## **Management Reporting Tools**

Exhibit III - 1

Run Date 18/11/1998

Sample Bank Foreign Exchange Position from #01 File dated 29/05/1998

Line	Description	Hrvnia/1 000													
		US\$		DM		UKL		RR		Other		Total			
		Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
A100	Currency	221	0	30	0	1	0	29	0	5	0			286	0
A110	State securities held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A120	Other securities held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A130	Funds in NBU accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A140	Funds in other banks	2 823	0	48	0	0	0	52	0	70	0			2 994	0
A160	Interbank loans & REPOs	6 614	6	0	0	0	0	0	0	0	0			6 614	6
A170	Loans to businesses	103	262	0	0	0	0	0	0	0	0			103	262
A180	Loans to government	0	0	0	0	0	0	0	0	0	0			0	0
A190	Loans to individuals	0	0	0	0	0	0	0	0	0	0			0	0
A200	Securities held for investment	0	0	0	0	0	0	0	0	0	0			0	0
A210	Other investments	0	0	0	0	0	0	0	0	0	0			0	0
A495	Misc Accounts Receivable & clearing	31	0	17	0	0	0	0	0	0	0			48	0
A499	Total Forex assets	9 793	268	94	0	1	0	81	0	76	0			10 044	268
L500	Demand Deposits	6 212	-75	17	0	0	0	-23	0	57	0			6 309	75
L510	Time deposits	-52	0	0	0	0	0	0	0	0	0			52	0
L520	Due to banks	2 172	0	0	0	0	0	0	0	0	0			2 172	0
L530	NBU loans & REPOs	0	0	0	0	0	0	0	0	0	0			0	0
L540	Loans & REPOS from other banks	0	0	0	0	0	0	0	0	0	0			0	0
L550	Debt securities issued by bank	0	0	0	0	0	0	0	0	0	0			0	0
L995	Misc Accounts payable & clearing	0	0	0	0	-1	0	0	0	9	0			10	0
L999	Total forex liabilities	8 436	75	17	0	-1	0	-23	0	66	0			8 543	75
X100	Long(Short) position	1 356	193	77	0	0	0	58	0	10	0			1 501	193
Z200	3800 AL Position in forex & metals	1 549	0	-77	0	0	0	58	0	-10	0			1 694	0
Z300	Off balance sheet long position	0	0	0	0	0	0	0	0	0	0			0	0
Z400	Off balance sheet short position	0	0	0	0	0	0	0	0	0	0			0	0
Z500	Other off balance sheet contingent	403	0	0	0	0	0	0	0	0	0			403	0

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Sample Bank Foreign Exchange Detail from #01 file dated 29/05/1998

Account	Branch	Currency Code	Amount	Short/Long Term	Asset/Liability		
Forex Report Line L500							
2600	13	112	56 475 00	S	L	Current accounts of business entities	
	18	112	450 66	S	L		
	18	280	3 258 00	S	L		
	26	280	2 179 48	S	L		
	18	398	-168 60	S	L		
	13	810	0 50	S	L		
	18	810	7 202 71	S	L		
	26	810	-1 558 33	S	L		
	13	840	-1 67	S	L		
	18	840	-72 529 17	S	L		
	24	840	75 02	S	L		
	26	840	4 832 240 43	S	L		
2603	13	280	11 512 86	S	L		Distributive accounts of business entities
	18	810	13 551 25	S	L		
	18	840	136 66	S	L		
2620	13	280	0 88	S	L	Current account of individuals	
	18	280	1 44	S	L		
	24	280	12 70	S	L		
	26	280	-239 91	S	L		
	26	280	-38 17	S	L		
	26	826	-33 89	S	L		
	12	840	1 366 19	S	L		
	13	840	792 77	S	L		
	18	840	363 15	S	L		
	26	840	357 158 72	S	L		
	26	840	89 430 95	S	L		
2630	12	840	-11 460 28	S	L		Short-term deposits of individuals
	18	840	219 683 40	S	L		
	24	840	17 077 25	S	L		
	26	840	558 938 12	S	L		
	26	840	-720 13	S	L		
2635	24	840	18 311 75	L	L	Long term deposits of individuals	
	26	840	56 957 77	L	L		
2638	12	840	510 73	S	L	Accumulated expenses on term deposits of individuals	
	18	840	8 221 44	S	L		
	26	840	35 570 45	S	L		
2903	26	280	13 16	S	L	Accounts payable on inactive accounts of clients	
	26	810	244 98	S	L		
	26	840	6 221 74	S	L		
Line L500 Total			6 384 710 31				

Account	Branch	Currency Code	Amount	Short/ Long Term	Asset/ Liability	
<b>Forex Report Line L510</b>						
2610	26	840	51 437 50	S	L	Short-term deposits of business entities
2618	26	840	-704 59	S	L	Accumulated expenses on term deposits of business entities
<b>Line L510 Total</b>			<b>52,142 09</b>			
<b>Forex Report Line L520</b>						
1600	26	280	225 13	S	L	Correspondent accounts of other banks
	26	840	-2 424 56	S	L	
	26	840	17 49	S	L	
1919	26	810	0 29	S	L	Other accounts payable on transactions with banks
	26	840	2 169 331 01	S	L	
<b>Line L520 Total</b>			<b>-2 171,998 48</b>			
<b>Forex Report Line L995</b>						
3640	26	250	2 191 82	S	L	Accounts payable on purchase of foreign currency and bank metals
	26	826	835 60	S	L	
3720	26	112	6 701 77	S	L	Credit amounts under investigation
<b>Line L995 Total</b>			<b>9,729 19</b>			
<b>Grand Total</b>			<b>8,618 580 07</b>			

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**Test Bank**  
**FUNDS FLOW REPORT**

<b>Previous Period</b>	#01XXX88 VVV	22 08 1998
<b>Current Period</b>	#01XXX88 WWW	23 08 1998
<b>For Branch / Region</b> Consolidated		
Funds Were Obtained From (Used For)		
Increase (Decrease) in deposits		
Demand		-2,471 36
Time		677 62
Due to banks		6,528 99
Total Increase (Decrease)		4,735 26
Increase (Decrease) in Loans due NBU		1,143 72
(Increase) Decrease in interbank Loans and Repos		-52 95
Increase (Decrease) in Interbank / Repo Borrowings		-6,821 09
(Increase) Decrease in Loans to		
Business entities		-1,264 79
Individuals and other		-9 87
Total (Increase) Decrease in Loans		-1,274 65
(Increase) Decrease in Securities held for sale		39,595 70
(Increase) Decrease in securities held for invst		-40,232 45
(Purchase) Sale of premise, eqipm, & intang Ass		-124 17
Advances (To) From Branches		5 00
Increase (Decrease) in Debt Securities Issued		20 00
Increase (Decrease) in Capital		335 93
Increase (Decrease) in Clearing Accounts		-102 66
Other increases (Decreases) in funds, net		11,261 85
Total increase (Decrease) in funds		8,489 47
Funds beginning of day		17,592 31
Funds end of the day consists of		
Currency and metals		4,806 43
Due from NBU		790 88
Due from Banks		20,484 48
Total		26,081 79
Balance		0 00
Funds (Required) Provided overnight		
Daily operating currency		20 00
Statutory Reserve		6,000 00
Interbank Loans / Repos		0 00
Interbank Borrowings / Repos		0 00
Transactions with securities		0 00
Credit Operations		0 00
Other		0 00
Total		6,020 00
Funds (Required) Provided day 2-8		
Interbank Loans / Repos		0 00
Interbank Borrowings / Repos		0 00
Transactions with securities		0 00
Credit Operations		0 00
Other		0 00
Total		0 00
Excess (Deficient) Funds		32,101 79

Date 12/11/1998

BANK BRANCH PERFORMANCE REPORT

Hryvnia/1 000

Line	Title	January	February	March	April	May	June	July	August	September	October	November	December
<b>Branch 03 Performance</b>													
010	Net interest income	4	2	28	14	12	7	11	0	0	0	0	0
020	% of total assets	0.5	0.2	2.0	1.0	1.1	0.3	0.5	0.0	0.0	0.0	0.0	0.0
030	Net other bank income	43	46	25	43	37	41	41	0	0	0	0	0
040	Salaries & benefits	11	10	11	9	11	11	9	0	0	0	0	0
050	Operating expenses	39	44	46	49	-45	45	39	0	0	0	0	0
060	% of total assets	4.5	3.5	3.3	3.7	3.9	1.8	1.6	0.0	0.0	0.0	0.0	0.0
070	Profit(Loss) before tax	0	0	7	8	5	4	14	0	0	0	0	0
080	Interbranch income	5	6	2	6	2	10	19	0	0	0	0	0
090	Interbranch expense	6	6	9	7	6	6	19	0	0	0	0	0
100	Total assets	874	1 239	1 388	1 318	1 153	2 523	2 459	0	0	0	0	0
110	Total earning assets	487	522	644	782	595	1 679	1 850	0	0	0	0	0
120	% of total assets	55.8	42.1	46.4	59.3	51.6	66.5	75.2	0.0	0.0	0.0	0.0	0.0
130	Customer deposits	160	184	199	185	192	201	237	0	0	0	0	0
140	Interbranch receivables	514	269	303	229	189	316	43	0	0	0	0	0
150	Interbranch payables	95	95	95	218	75	1 151	1 134	0	0	0	0	0
160	Net interbranch	419	174	208	11	114	835	1 091	0	0	0	0	0
<b>Branch 08 Performance</b>													
010	Net interest income	6	1	8	6	3	4	2	0	0	0	0	0
020	% of total assets	3.4	0.5	3.3	3.1	1.1	1.5	0.8	0.0	0.0	0.0	0.0	0.0
030	Net other bank income	2	2	2	3	3	4	6	0	0	0	0	0
040	Salaries & benefits	5	0	5	6	6	6	6	0	0	0	0	0
050	Operating expenses	8	3	10	9	7	10	8	0	0	0	0	0
060	% of total assets	4.6	2.0	4.4	4.3	2.1	3.1	3.2	0.0	0.0	0.0	0.0	0.0
070	Profit(Loss) before tax	0	0	0	0	0	1	0	0	0	0	0	0
080	Interbranch income	6	1	8	7	4	5	2	0	0	0	0	0
090	Interbranch expense	6	1	8	7	4	5	2	0	0	0	0	0
100	Total assets	167	165	229	210	317	306	249	0	0	0	0	0
110	Total earning assets	14	12	15	39	53	107	31	0	0	0	0	0
120	% of total assets	8.5	7.4	6.6	18.4	16.8	35.2	12.4	0.0	0.0	0.0	0.0	0.0
130	Customer deposits	-45	58	106	142	198	184	181	0	0	0	0	0
140	Interbranch receivables	113	146	188	260	227	130	193	0	0	0	0	0
150	Interbranch payables	133	132	103	126	124	119	116	0	0	0	0	0
160	Net interbranch	20	14	85	134	102	11	77	0	0	0	0	0

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Line	Title	January	February	March	April	May	June	July	August	September	October	November	December
<b>Branch 13 Performance</b>													
010	Net interest income	21	26	29	3	18	0	1	0	0	0	0	0
020	% of total assets	13	17	18	02	07	00	00	00	00	00	00	00
030	Net other bank income	13	25	7	19	9	16	30	0	0	0	0	0
040	Salaries & benefits	7	8	11	7	7	7	8	0	0	0	0	0
050	Operating expenses	22	25	35	20	28	52	31	0	0	0	0	0
060	% of total assets	14	17	21	11	10	17	10	00	00	00	00	00
070	Profit(Loss) before tax	12	25	0	3	1	36	0	0	0	0	0	0
080	Interbranch income	32	16	54	46	50	68	17	0	0	0	0	0
090	Interbranch expense	43	41	55	47	50	35	18	0	0	0	0	0
100	Total assets	1 641	1 516	1 643	1 759	2 651	3 115	3 074	0	0	0	0	0
110	Total earning assets	1 028	954	952	996	1 350	1 877	2 397	0	0	0	0	0
120	% of total assets	62.6	63.0	57.9	56.6	50.9	60.2	78.0	00	00	00	00	00
130	Customer deposits	2 727	2 931	3 052	3 053	3 137	-3 011	2 995	0	0	0	0	0
140	Interbranch receivables	2 709	3 057	2 799	3 053	3 050	2 512	2 725	0	0	0	0	0
150	Interbranch payables	72	135	71	61	191	781	1 204	0	0	0	0	0
160	Net interbranch	2 636	2 922	2 728	2 992	2 859	1 731	1 521	0	0	0	0	0
<b>Branch 14 Performance</b>													
010	Net interest income	12	17	2	9	15	13	13	0	0	0	0	0
020	% of total assets	08	09	01	04	07	06	07	00	00	00	00	00
030	Net other bank income	23	25	56	7	20	26	23	0	0	0	0	0
040	Salaries & benefits	6	6	7	7	6	5	7	0	0	0	0	0
050	Operating expenses	30	35	34	12	25	26	26	0	0	0	0	0
060	% of total assets	20	18	14	05	11	11	13	00	00	00	00	00
070	Profit(Loss) before tax	6	7	24	5	11	14	11	0	0	0	0	0
080	Interbranch income	12	9	26	9	11	14	3	0	0	0	0	0
090	Interbranch expense	6	3	7	3	0	2	8	0	0	0	0	0
100	Total assets	1 526	1 920	2 456	2 221	2 341	2 258	2 074	0	0	0	0	0
110	Total earning assets	848	823	669	750	739	648	579	0	0	0	0	0
120	% of total assets	55.6	42.9	27.3	33.8	31.6	28.7	27.9	00	00	00	00	00
130	Customer deposits	284	286	373	-417	-455	481	522	0	0	0	0	0
140	Interbranch receivables	21	102	82	198	262	377	512	0	0	0	0	0
150	Interbranch payables	694	724	860	775	875	776	748	0	0	0	0	0
160	Net interbranch	674	623	778	577	613	399	237	0	0	0	0	0

Line	Title	January	February	March	April	May	June	July	August	September	October	November	December
<b>Branch 19 Performance</b>													
010	Net interest income	4	5	5	3	6	6	8	0	0	0	0	0
020	% of total assets	0.9	1.1	0.8	0.5	0.8	0.7	0.9	0.0	0.0	0.0	0.0	0.0
030	Net other bank income	3	2	4	2	3	2	3	0	0	0	0	0
040	Salaries & benefits	3	3	3	3	3	3	3	0	0	0	0	0
050	Operating expenses	7	7	9	5	9	8	11	0	0	0	0	0
060	% of total assets	1.5	1.5	1.4	0.8	1.1	1.0	1.3	0.0	0.0	0.0	0.0	0.0
070	Profit(Loss) before tax	0	0	0	0	0	0	0	0	0	0	0	0
080	Interbranch income	4	3	17	10	11	13	5	0	0	0	0	0
090	Interbranch expense	4	3	17	10	11	13	5	0	0	0	0	0
100	Total assets	452	465	668	691	797	791	855	0	0	0	0	0
110	Total earning assets	334	296	521	515	571	551	550	0	0	0	0	0
120	% of total assets	73.9	63.6	78.0	74.5	71.7	69.7	64.3	0.0	0.0	0.0	0.0	0.0
130	Customer deposits	234	257	249	296	312	311	364	0	0	0	0	0
140	Interbranch receivables	209	204	204	252	262	394	692	0	0	0	0	0
150	Interbranch payables	115	102	323	332	357	467	62	0	0	0	0	0
160	Net interbranch	94	102	119	80	94	72	630	0	0	0	0	0
<b>Branch 26 Performance</b>													
010	Net interest income	422	485	255	793	405	595	717	0	0	0	0	0
020	% of total assets	0.3	0.4	0.2	0.6	0.3	0.5	0.5	0.0	0.0	0.0	0.0	0.0
030	Net other bank income	305	131	374	130	603	100	314	0	0	0	0	0
040	Salaries & benefits	117	115	128	127	173	127	125	0	0	0	0	0
050	Operating expenses	651	582	657	808	695	566	845	0	0	0	0	0
060	% of total assets	0.5	0.5	0.5	0.6	0.5	0.4	0.6	0.0	0.0	0.0	0.0	0.0
070	Profit(Loss) before tax	76	34	27	115	313	129	187	0	0	0	0	0
080	Interbranch income	119	65	32	84	351	207	188	0	0	0	0	0
090	Interbranch expense	43	47	-45	63	50	22	14	0	0	0	0	0
100	Total assets	130 846	130 210	131 951	135 751	138 571	130 089	144 864	0	0	0	0	0
110	Total earning assets	83 465	85 281	80 926	89 355	87 291	79 272	86 472	0	0	0	0	0
120	% of total assets	63.8	65.5	61.3	65.8	63.0	60.9	59.7	0.0	0.0	0.0	0.0	0.0
130	Customer deposits	10 226	10 784	11 397	11 369	11 430	11 187	11 803	0	0	0	0	0
140	Interbranch receivables	13 910	13 410	13 162	14 027	14 319	16 076	13 720	0	0	0	0	0
150	Interbranch payables	16 605	16 205	15 486	16 704	16 884	16 756	14 921	0	0	0	0	0
160	Net interbranch	2 695	2 796	2 324	2 676	2 565	680	1 201	0	0	0	0	0

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## **Exhibit IV**

### **IAS-Based Financial Reports as of December 31, 1997, and the Quarters ended March 31, 1998 and June 30, 1998**



*International Business & Technical Consultants, Inc*

**U S Agency for International Development  
Financial Infrastructure Development Project**

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**FORUM BANK  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
December 31, 1997**



**International Business & Technical Consultants, Inc**

**U S Agency for International Development  
Financial Infrastructure Development Project**

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These financial statements have been prepared in connection with the Financial Infrastructure Development Project, Pilot Bank Program, promoted by the National Bank of Ukraine (NBU) and funded by the United States Agency for International Development (USAID) These financial statements are submitted to NBU and USAID to illustrate results of the above mentioned project and should not be used for any other purpose

The Bank adopted various changes in financial accounting policy during the fourth quarter 1997 in order to comply with NBU directives, which guided a phased transition to the adoption of International Accounting Standards (IAS) For this reason, the financial records of the Bank as of and for the quarter ended December 31, 1997 reflect only partial adoption of IAS principles The financial statements presented here do not agree with the accounting records of the bank because certain additional fourth quarter adjustments were made in order to present financial statements, which were in substantial compliance with IAS

These financial statements are not audited and certain additional IAS adjustments and disclosures could be required by independent auditors performing an examination in accordance with International Standards on Auditing (ISA)

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Exhibit IV - 1

**Forum Bank**

Balance Sheet as of December 31, 1997

Assets	(thousand UAH)
Cash on Hand	548
Travelers Checks	19
Funds at NBU	<u>3,310</u>
Securities held for sale	
State Bonds - Nominal Value	2,987
Less Unamortized Discount / Premium	<u>(592)</u>
Net Investment in State Bonds	2,395
Market Adjustment	<u>(308)</u>
Net Securities held for sale	<u>2,088</u>
Due From Banks	1,051
Interbank Loans	<u>4,950</u>
Loans to	
Business entities	3,259
Individuals	<u>308</u>
Total Loans	3,567
Less Bad Debt Reserve	<u>(75)</u>
Net Loans	<u>3,492</u>
Securities held for investment	
State Bonds - Nominal Value	1,780
Less Unamortized Discount / Premium	<u>(95)</u>
Net Investment in State Bonds	1,685
Market Adjustments	<u>(23)</u>
Net Securities held for Investment	<u>1,661</u>
Prepaid Expenses	38
Misc Accounts Receivable, etc	203
Accrued Interest Receivable	15
Prepaid Taxes	
Current	33
Deferred	100
Operating Fixed Assets	
Owned	755
Leased	31
Less Accumulated Depreciation	<u>(101)</u>
Net Fixed assets	<u>685</u>
Foreclosed and net intangible assets	<u>18</u>
<b>Total Assets</b>	<b><u><u>18,211</u></u></b>

## Liabilities and Shareholders' Equity

### LIABILITIES

Demand Deposits	
Business entities	7,972
Individuals	50
Time Deposits	
Business entities	238
Individuals	1,007
Total Deposits	<u>9,268</u>
Due to banks	674
Interbank Loans	306
Accrued Interest Payable	41
Misc Accounts payable and accruals	105
Accrued Income Taxes	
Current	85
Deferred	43
<b>Total Liabilities</b>	<u><u>10,523</u></u>

### SHAREHOLDERS' EQUITY

Capital stock, 10 hrivna parvalue, 600,000 shares auto	6,000
Appropriated retained earnings	
Reserve for loan losses	45
Other	300
Unappropriated retained earnings	1,271
Revaluation Indexation	72
Shareholders' Equity	<u>7,688</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u><u>18,211</u></u>

\* The notes are an integral part of these financial statements

**Forum Bank**  
**Statement of Income**  
For the Quarter Ended December 31, 1997

(thousand UAH)

Interest Income	
Interbank Loans	911
Customer Loans	265
Securities	330
Total Interest Income	1506
Interest Expense	
Interbank Borrowings	52
Deposits	433
Total Interest Expense	486
Net Interest Income	1020
Other banking Income and Expenses	
Fee and Commission Income	410
Fee and Commission Expense	98
Gain (loss) from FX trade operation	66
Gain (loss) from Trading Securities	(331)
Other banking income	1
Total other banking Income and expenses	49
<b>Total Banking Income</b>	<b>1069</b>
<b>Operating Expenses</b>	
Salaries and Employee benefits	201
Advertising, Audit and professional fees	23
Travel and Entertainment	4
Amortization of Fixed Assets and Intangibles	29
Utilities	17
Rent	59
Telephone	45
Security	26
Repairs	2
Charitable contributions	6
Other taxes and penalties	27
Other Operating Expenses	163
<b>Total Operating Expenses</b>	<b>604</b>
Income before provision for Income Taxes and cumulative effect of IAS Adjustments	465
Income Taxes	
Current	180
Deferred Benefit	(100)
Total Income Taxes	80
Net Income before cumulative effect of IAS Adjustment	385
Cummulative effect of IAS Adjustments	
Income accrued on loans and state securities	473
Expenses accrued	57
<b>Total cummulative effect of IAS Adjustments</b>	<b>416</b>
<b>Net Income</b>	<b>801</b>

\* The notes are an integral part of these financial statements

# Forum Bank

## Statement of Cash Flow For the Quarter Ended December 31, 1997 (thousand UAH)

### Cash Flow From Operating Activities

Net Income from operations	385
<i>Adjustments to reconcile net income to net cash flow provided from operating activities</i>	
Depreciation and amortization	29
Market value adjustment on securities	331
Amortization of discount on securities	(330)
Deferred tax benefit on market value adjust	(100)
Increase (Decrease) in prepaids and other assets	(161)
(Increase) Decrease in other liabilities	(85)
Net cash provided by operating activities	<u>70</u>

### Cash provided from Investing Activities

(Increase) Decrease in Interbank loans and REPOs	4,164
(Increase) Decrease in Loans to	
Business entities	(1,054)
Individuals and other	(63)
Purchase of state bonds held for investment	(350)
Redemption and sale of securities	
State bonds held for investment redeemed	1,533
Equity securities sold	12
State bonds sold	929
Purchase of premise and equipment, net of retirements	(104)
Purchase of intangible assets	(4)
Net cash (used) provided from investing activities	<u>5,063</u>

### Cash provided from financing activities

Increase (Decrease) in Deposits	
Demand	(3,539)
Time	409
Due to Banks	542
Increase (Decrease) in interbank borrowings and REPOs	(494)
Net cash (used) provided from financing activities	<u>(3,082)</u>

Net increase in cash and equivalents	2,051
Cash and equivalents at beginning of period	2,878
Cash and equivalents at end of year	<u><u>4,929</u></u>

\* The notes are an integral part of these financial statements

**FORUM BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1997**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**Background**

Joint Stock Commercial Bank "Forum" was registered with the National Bank of Ukraine (NBU) on January 31, 1994 as Joint Stock Bank "Lad-Credit" and renamed to Joint Stock Commercial Bank "Forum" according to Protocol # 7 on December 26, 1996. The Bank operates on the basis of NBU License # 62 offering banking services to residents and non-residents, including transactions with foreign currency and investment securities.

In June 1997 the securities and stock market state commission gave permission to Forum bank to register owners of nominative shares, as well as permission to realize depository activities. The bank was admitted to the Professional Registrar and Depository Association.

**Basis of Preparation**

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for estimated loan losses and the fair value of financial instruments.

The Bank adopted various changes in financial accounting policy during the fourth quarter 1997 in order to comply with NBU directives, which guided a phased transition to the adoption of International Accounting Standards (IAS). For this reason, the financial records of the Bank as of and for the quarter ended December 31, 1997 reflect only partial adoption of IAS principles. The financial statements presented here do not agree with the accounting records of the bank because certain additional fourth quarter adjustments were made in order to present financial statements, which were in substantive compliance with all IAS. These financial statements are not audited and certain additional IAS adjustments and disclosures could be required by independent auditors performing an examination in accordance with International Standards on Auditing (ISA).

**Foreign currency**

The Bank's reporting currency in the financial statements is the Ukrainian Hryvna (UAH). Transactions denominated in foreign currencies are translated into UAH at the NBU official rate of exchange on the transaction date. Monetary assets and liabilities are translated at the balance sheet date exchange rate. All gains and losses resulting from the changes in the exchange rate are reported in the Income Statement.

The official exchange rates for the major currencies as of December 31, 1997 were the following:

	UAH
100 United States Dollars (USD)	189.90
100 German Marks (DEM)	105.97
10 000 Russian Rubles (RUR)	3.19

### Cash and Cash Equivalents

In order to prepare the statement of cash flow, cash and cash equivalents, including cash on hand, traveler's checks, due from NBU and due from banks

### Loan Loss Reserve

The loan loss reserve is provided based on the analysis of the probable losses in loan portfolio (except interest and commissions) for all types of loans in national and foreign currency. Specific provisions are made as a result of a detailed appraisal of risk on the bases of the borrower's payment history, unusual situations, which may affect borrower's repayment ability to return a loan, the value of the collateral and current economic conditions. Increases to the specific reserve are charged to expense in the period the estimate is made. A general reserve is provided on the entire loan portfolio to cover overall risks and is reported as an appropriation of retained earnings.

### Securities

Securities held for sale are stated at the lower of cost or market value. Investment securities held for investment are acquired for yield or capital growth purposes and it is management's intention to hold them until maturity. In accordance with NBU directives, securities held for investment are stated at the lower of cost or market on year-end market valuation.

### Fixed assets

Fixed assets are stated at historical cost, adjusted for statutory revaluations. Depreciation is provided on a straight-line basis over estimated useful lives of the assets. The useful lives of the assets are estimated as

---

<i>Buildings</i>	<i>50 years</i>
<i>Furniture, fittings and equipment</i>	<i>5 years</i>
<i>Motor vehicles</i>	<i>5 years</i>

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### Interest and Commissions

Interest and commissions are recognized in the period in which they are earned or incurred. Fee and commission income primarily relates to transaction processing services performed for customers.

### Taxation

Income tax expense was determined on the basis of the "Law on the Enterprise Profit Tax" introduced on 01/01/97. During 1997 the base tax rate in Ukraine for banks was 30%.

### Note 2 CASH AND DUE FROM BANKS

As of December 31, 1997  
(in thousands UAH)

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Cash on hand	548
Travel checks	19
Due from NBU	3 311
<b>Total Cash</b>	<b>3 878</b>

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The Bank is required to maintain obligatory minimum cash reserves with the NBU. The reserve as of December 31, 1997 was computed based on deposit balances in accordance with NBU requirements. Of the total cash balance as of December 31, 1997, 363 000 UAH is restricted.

**Note 3 LOANS AND ADVANCES TO CUSTOMERS**

The loan portfolio by industry group as of December 31, 1997  
(in thousands UAH)

Manufacturing	105
Trading	2 932
Loans and advances disbursed to banks	4 950
Other	455
<b>Total loans and advances</b>	<b>8 442</b>

The average interest rates on loans to business entities and other clients as of December 31, 1997

- Legal entities – 34%,
- Individuals – 55%

Interbank loans with collateral (state bonds) comprise 60% of the total loan portfolio. All loans were short-term with maturity less than one month. The average annual interest rate approximated 38%.

Reference is made to Note 9 for disclosure of average loan maturities

**Note 4. LOAN LOSS RESERVE PROVISION**

As of December 31, 1997  
(in thousands UAH)

	Specific Reserve	General Reserve appropriated from Retained Earnings
Beginning Balance	55	0
Provision for the period charged to expense	0	0
Appropriation of Retained Earnings	20	45
Less Recovery	0	0
Ending Balance	75	45

**Note 5 FIXED AND INTANGIBLE ASSETS**

(in thousands UAH)

Description	1 October 1997	Additions	Disposals	December 31, 1997
Buildings	9	44	0	53
Transportation means	125	13	6	132
Computers and equipment	503	38	0	541
Furniture	49	19	0	68
Intangible assets	13	4	0	17
<b>Total</b>	<b>699</b>	<b>118</b>	<b>6</b>	<b>811</b>
Accumulated depreciation	-76	-32	0	-108

Fixed assets are revaluated in accordance with Ministry of Finance regulation, which define revaluation indexes pertinent to the category and life of a fixed asset item.

## Note 6 INCOME TAX

For the accounting period the Bank reports current income tax expense of 180,000 UAH. Income tax expense is based on taxable net income calculated in accordance with Ukrainian tax rules and regulations.

In addition a future tax benefit of 100 000 UAH was recorded on the market value reserve provided for state bonds.

## Note 7 CAPITAL REQUIREMENTS

The NBU regulates Ukrainian banks through monthly reporting of capital adequacy ratios. Capital adequacy is computed as the ratio between equity and risk weighted assets and must be minimum of 8%. As of December 31, 1997, the Bank's reported capital adequacy ratio was 43,5%.

## Note 8 MATURITIES AND AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES

As of December 31, 1997

(in thousands UAH)

<b>Assets</b>	<b>Less than 1 month</b>	<b>Less than 3 months</b>	<b>More than 3 months</b>	<b>More than 12 months</b>	<b>Total</b>
Cash on hand and balance with the NBU	3 878				3 878
State bonds for sale		357	88	1 642	2 087
Due from banks	6 001				6 001
Loans to					
Business entities	1 215	280	1 689		3 184
Individuals	19	256	33		308
State bonds for investment	488	1 028	145		1 661
Fixed assets				703	703
Other assets	48		341		389
<b>Total assets</b>	<b>11 649</b>	<b>1 921</b>	<b>2 296</b>	<b>2 345</b>	<b>18 211</b>
<b>Liabilities and Equity</b>					
Due to banks	980				980
Demand Deposits					
Business entities	7 972				7 972
Individuals	50				50
Time Deposits					
Business entities	239				239
Individuals		9	998		1 007
Other liabilities	85	190			275
<b>Total liabilities</b>	<b>9 326</b>	<b>199</b>	<b>998</b>		<b>10 523</b>
Equity				7 688	7 688
<b>Total liabilities and equity</b>					<b>18 211</b>

According to the bank's policy preference is given to short-term loans for a period from 1 month up to 3 months.

Average interest rates on deposits of business entities are as follows

- Less than 1 month - 8%
- Less than 3 months - 13%
- More than 3 months - 18%
- More than a year - 20%

Average interest rates on deposits of individuals are as follows

- Less than 1 month - 5%
- Less than 3 months - 9%
- More than 3 months - 13%
- More than a year - 15%

#### **Note 9 RELATED PARTY TRANSACTIONS**

The NBU has defined insiders as key Bank managers and, among others, individuals or corporations, which own directly or indirectly 10% or more of Bank's shares of Capital Stock

As of December 31, 1997, 982 000 UAH inloans were outstanding to insiders at an average interest rate of 35%. In addition the Bank rented its building from a major shareholder at an annual rental cost of 241 121 UAH

#### **Note 10 NET FOREIGN CURRENCY POSITIONS**

As of December 31, 1997  
(in thousands)

<b>Assets</b>	<b>USDollars</b>	<b>DEM</b>	<b>RUR</b>
Cash	28	4	4
Accounts with banks	809	199	43
Bank's debtors	62	3	0
Loans to clients	348	742	0
Accrued interest	950	0	0
Due from banks	760	0	0
<b>Total assets</b>	<b>2 008</b>	<b>947</b>	<b>47</b>
<b>Liabilities</b>	<b>USDollars</b>	<b>DEM</b>	<b>RUR</b>
Customer accounts	1 114	647	23
Bank's creditors	0	86	0
Accrued expenses	980	3	0
Time deposits	902	0	0
Due to banks	0	106	0
<b>Total liabilities</b>	<b>2 030</b>	<b>842</b>	<b>23</b>
<b>Net long (short) foreign currency position</b>	<b>(22)</b>	<b>105</b>	<b>24</b>

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**BANK FORUM  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
March 31, 1998**

**Forum Bank**  
**Balance Sheet**  
**(thousand UAH)**

ASSETS	March 31, 1998	December 31, 1997
Cash on Hand	745	548
Travelers Checks	57	4
Funds at NBU	905	3 310
Securities held for sale		
State Bonds - Nominal Value	2 885	2 987
Less Unamortized Discount	(406)	(856)
Net Investment in State Bonds	2 479	2 131
Equity Securities	1 020	0
Total Securities held for sale	3 499	2 131
Market Adjustment	(250)	0
Net Securities held for sale	3 249	2 131
Due From Banks	1 379	1 051
Interbank Loans	4 202	4 950
Loans to		
Business entities	8 418	3 259
Individuals	148	308
Total Loans	8 566	3 567
Less Reserve for Loan Losses	(75)	(75)
Net Loans	8 491	3 492
Securities held for investment		
State Bonds - Nominal Value	667	1 780
Less Unamortized Discount	(73)	(347)
Net Investment in State Bonds	595	1 433
Low Value Items and Supplies Inventories	54	37
Misc Accounts Receivable etc	3	220
Accrued Interest Receivable	53	15
Prepaid Taxes		
Current	29	33
Deferred	75	0
Operating Fixed Assets		
Owned	1 333	755
Leased	31	31
Less Accumulated Depreciation	(131)	(101)
Net Fixed assets	1 233	685
Intangible and Inactive Assets	22	25
Less Accumulated Amortization	(8)	(7)
Net Intangible Assets	15	18
Total Assets	21 084	17 926
<b>LIABILITIES</b>		
Demand Deposits		
Business entities	3 970	7 186
Individuals	960	50
Time Deposits		
Business entities	208	238
Individuals	1 156	1 007
Certificate of Deposits	31	0
Total Deposits	6 325	8 481
Due to banks	617	674
Interbank Loans	3 956	306
Securities sold under Agreement to Repurchase	505	0
Accrued Interest Payable	106	41
Misc Accounts payable and accruals	209	878
Accrued Income Taxes		
Current	169	85
Deferred	71	0
Total Liabilities	11 958	10 465
<b>Shareholders' Equity</b>		
Capital Stock	6 694	6 000
Appropriated Retained Earnings		
Loan Loss Reserve	77	45
Other	300	300
Unappropriated Retained Earning	1 983	1 043
Revaluation Indexation	72	72
Total Shareholders Equity	9 126	7 460
Total Liabilities and Shareholders' Equity	21 084	17 925

**Forum Bank**  
**Statement of Income**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

Interest Income	
Interbank Loans	407
Customer Loans	1 202
Securities	267
Total Interest Income	<u>1 876</u>
Interest Expense	
Interbank Borrowings	222
Deposits	181
Total Interest Expense	<u>403</u>
Net Interest Income	<u>1 473</u>
Other banking Income and Expenses	
Fee and Commission Income	313
Fee and Commission Expense	143
(Gain)/loss from FX trade operation	(182)
(Gain)/loss from Trading Securities	334
Other banking income	8
Total other banking Income and Expenses	<u>26</u>
<b>Total Banking Income</b>	<u><b>1 499</b></u>
<b>Operating Expenses</b>	
Salaries and Employee benefits	268
Advertising, Audit and professional fees	54
Travel and Entertainment	2
Amortization of Fixed Assets and Intangibles	31
Utilities	55
Rent	63
Telephone	62
Security	24
Repairs	7
Charitable contributions	1
Other taxes and penalties	63
Other Operating Expenses	126
<b>Total Operating Expenses</b>	<u><b>756</b></u>
<b>Income before provision for Income Taxes and IAS adjustment</b>	<u><b>(743)</b></u>
Income Taxes	
Current	361
Deferred Benefit	(75)
Total Income Taxes	<u>286</u>
<b>Net Income before cumulative effect of IAS Adjustment</b>	<u><b>(457)</b></u>
Cummulative Effect at January 1, 1998 of IAS Adjustment to record amortization of Dscount on State Bonds	<u>(514)</u>
<b>Net Income</b>	<u><u><b>971</b></u></u>

**Forum Bank**  
**Statement of Cash Flow**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

<b>Cash Flow From Operating Activities</b>	
Net Income from operations	743
<i>Adjustments to reconcile net income to net cash flow provided from operating activities</i>	
Depreciation and amortization	31
Market value adjustment on securities	250
Amortization of discount on securities	(267)
Net decrease (increase) in trading securities	(917)
(Increase) Decrease in Loans to	
Business entities	(5 160)
Individuals and other	160
(Increase)/decrease in accrued interest receivable	(39)
Increase (Decrease) in Deposits	
Demand	(2 305)
Time	148
Due to Banks	(57)
Increase/(decrease) in accrued interest payable	65
(Increase) decrease in prepaids and other assets	208
Increase (decrease) in other liabilities	(655)
Cash paid for income taxes	(202)
<b>Net cash provided by (used in) operating activities</b>	<u>(7 995)</u>
<b>Cash (used) provided in (from) Investing Activities</b>	
Increase (Decrease) in interbank borrowings and REPOs	748
Purchase of state bonds held for investment	(957)
Redemption and sale of securities	
State bonds held for investment	1 951
Transfer to securities for sale	161
Purchase of premise and equipment, net of retirements	(579)
Purchase of intangible assets	(4)
<b>Net cash (used) provided in investing activities</b>	<u>1 320</u>
Increase (decrease) in interbank borrowings and REPOs	4 155
Capital contribution from Shareholders	694
<b>Net cash (used) provided by financing activities</b>	<u>4 849</u>
Net increase (decrease) in cash and equivalents	(1 827)
Cash and equivalents at beginning of period	4 913
<b>Cash and equivalents at end of year</b>	<u><u>3 086</u></u>

**Forum Bank**  
**Statement of changes in Shareholders' Equity**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

	Capital Stock	Appropriated Retained Earnings Loan Loss Reserve	Other	Unappro- priated Retained Earnings	Revalua- tion Indexation
Balance as of December 31, 1997	6 000	45	300	1 043	72
Stock Subscriptions received	694	0	0	0	0
Increase in General Loan Loss Reserve	0	32	0	(32)	0
Current Period Net Income	0	0	0	972	0
Balance as of March 31, 1998	<u>6 694</u>	<u>77</u>	<u>300</u>	<u>1 983</u>	<u>72</u>



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**FORUM BANK  
FINANCIAL REPORTS (UNAUDITED)  
As of and for the quarter ended  
June 31, 1998**

**Balance Sheet**

ASSETS	(thousand UAH)		Difference (+/-)
	01 07 1998	01 04 1998	
Cash on Hand	1 008	745	262
Travelers Checks	79	57	22
Funds at NBU	2 453	905	1 547
Securities held for sale			
State Bonds - Nominal Value	0	2 885	-2 885
Less Unamortized Discount / Premium	0	-406	406
Net Investment in State Bonds	0	2 479	-2 479
Equity Securities	238	1 020	-782
Total Securities held for sale	238	3 499	-3 261
Market Adjustment	0	-250	250
<b>Net Securities held for sale</b>	<b>238</b>	<b>3 249</b>	<b>-3 011</b>
Due From Banks	1 925	1 379	546
Interbank Loans	7 610	4 202	3 409
Loans to			
Business entities	14 969	8 418	6 550
Individuals	476	148	328
Total Loans	15 444	8 566	6 878
Less Bad Debt Reserve	-148	-75	-73
<b>Net Loans</b>	<b>15 296</b>	<b>8 491</b>	<b>6 805</b>
Securities held for investment			
State Bonds - Nominal Value	6 699	667	6 032
Less Unamortized Discount / Premium	-646	-73	-573
Net Investment in State Bonds	<b>6 053</b>	<b>595</b>	<b>5 459</b>
Prepaid Expenses	45	56	-11
Misc Accounts Receivable, etc	19	1	18
Accrued Interest Receivable	21	53	-32
Prepaid Taxes			
Current	32	29	3
Deferred	0	75	-75
Operating Fixed Assets and Intangible Assets			
Owned	3 864	1 356	2 509
Leased	0	31	-31
Less Amortization of Fixed Assets and Intangibles	-184	-139	-45
<b>Net Fixed assets and Intangible Assets</b>	<b>3 680</b>	<b>1 247</b>	<b>2 433</b>
<b>Total Assets</b>	<b>38 459</b>	<b>21 084</b>	<b>17 376</b>

## Balance Sheet

(thousand UAH)

### LIABILITIES

Demand Deposits			
Business entities	-13 132	-3 970	-9 162
Individuals	-1 304	-960	-343
Time Deposits			
Business entities	-547	-239	-309
Individuals	-2 255	-1 156	-1 099
<b>Total Deposits</b>	<b>-17 238</b>	<b>-6 325</b>	<b>-10 913</b>
Due to banks	-656	-617	-39
Interbank Loans	-638	-3 956	3 318
Securities sold under Agreement to Repurchase	0	-505	505
Accrued Interest Payable	-98	-106	8
Misc Accounts payable and accruals	-177	-209	32
Accrued Income Taxes			
Current	-264	-169	-95
Deferred	-175	-71	-104
<b>Total Liabilities</b>	<b>-19 245</b>	<b>-11 958</b>	<b>-7 288</b>

### CAPITAL

Statutory Capital	-15 500	-6 694	-8 806
Retained earnings - appropriated			
General reserve	-111	-77	-34
Other reserve	-300	-300	0
Retained earnings - unappropriated	-3 231	-1 983	-1 248
Revaluation Indexation	-72	-72	0
<b>Total Capital</b>	<b>-19 214</b>	<b>-9 126</b>	<b>-10 088</b>
<b>Total Capital and Liabilities</b>	<b>-38 459</b>	<b>-21 084</b>	<b>-17 376</b>

## Statement of Income

(thousand UAH)

	<i>for 6 months</i>	<i>For quarter ended</i>	
	<i>1998</i>	<i>March 31</i>	<i>June 31</i>
Interest Income			
Interbank Loans	1 054	407	646
Customer Loans	3 111	1 207	1 912
Securities	705	267	456
Other	2	0	2
<b>Total Interest Income</b>	<b>-4 873</b>	<b>1 876</b>	<b>2 996</b>
Interest Expense			
Borrowings from NBU	14	0	14
Interbank Borrowings	465	222	244
Deposits	563	181	382
<b>Total Interest Expense</b>	<b>1 043</b>	<b>403</b>	<b>640</b>
<b>Net Interest Income</b>	<b>3 830</b>	<b>1 474</b>	<b>-2 356</b>
Fee and Commission Income	700	315	587
Fee and Commission Expense	295	143	152
Gain (loss) from FX trade operation	-395	-182	-215
Gain (loss) from Trading Securities	399	334	65
Other banking income	7	8	1
<b>Total non-interest Income</b>	<b>-408</b>	<b>26</b>	<b>-382</b>
Less Provision for loan losses	73	0	73
<b>Total Banking Income</b>	<b>-4 165</b>	<b>-1 500</b>	<b>-2 665</b>
<b>Operating Expenses</b>			
Salaries and Employee benefits	527	268	259
Advertising, Audit and professional fees	100	54	46
Travel and Entertainment	3	2	1
Amortization of Fixed Assets and Intangibles	80	31	49
Utilities	111	55	55
Rent	65	63	1
Telephone	133	62	71
Security	49	24	25
Repairs	12	7	5
Charitable contributions	2	1	1
Other taxes and penalties	136	63	73
Other Operating Expenses	178	126	52
<b>Total Operating Expenses</b>	<b>1 395</b>	<b>757</b>	<b>639</b>
<b>Income before provision for Income Taxes and prior period adj</b>	<b>-2 770</b>	<b>-743</b>	<b>-2 026</b>
Income Taxes			
Current	1 031	361	671
Deferred	0	75	75
<b>Total Income Taxes</b>	<b>1 031</b>	<b>286</b>	<b>746</b>
<b>Net Income before prior period Adjustment</b>	<b>1 738</b>	<b>458</b>	<b>-1 281</b>
Effect of prior Period Adjustment to			
Income	516	516	0
Expense	0	1	1
<b>Total prior period Adjustments</b>	<b>516</b>	<b>-515</b>	<b>1</b>
<b>Net Income after prior Period Adjustment</b>	<b>-2 254</b>	<b>-972</b>	<b>1 282</b>

## Statement of Cash Flow

(thousand UAH)

	For 6 months 1998 - "	For quarter ended	
	1998 - "	March 31	June 31
<b>Cash Flow From Operating Activities</b>			
Net Income from operations	2 770	743	2 026
<i>Adjustments to reconcile net income to net cash Flow provided from operating activities</i>			
Depreciation and amortization	80	31	49
Provision for credit losses	73	0	73
Market value adjustment on securities	0	250	250
Amortization of discount on securities	-680	267	414
Net decrease (increase) in trading securities	60	-917	977
(Increase) decrease in Loans (net of write-offs) to Business entities	-11 710	-5 160	-6 550
Individuals and other	-168	160	-328
(Increase) decrease in accrued interest receivable	-7	-39	32
Increase (decrease) in Deposits			
Demand	7 200	-2 305	9 505
Time	1 556	148	1 408
Due to Banks	-18	-57	39
Increase (decrease) in accrued interest payable	57	65	-8
(Increase) decrease in prepaids and other assets	201	208	7
Increase (decrease) in other liabilities	-674	-655	-19
<i>Cash paid for income taxes</i>	-676	-202	-175
<b>Net cash provided by (used in) operating Activities</b>	<b>-1 937</b>	<b>-7 995</b>	<b>6 058</b>
<b>Cash (used in) provided by Investing Activities</b>			
(Increase) decrease in Interbank Loans	-2 661	748	3 409
Purchase of Securities			
State bonds held for investment	-4 123	-957	3 165
Redemption of securities			
State bonds held for investment	2 344	1 951	392
Sale of securities, net of gain or loss	161	161	0
Purchases of premise and equipment, net of retirements	3 062	-579	2 482
Purchases of premise intangible assets	-4	-4	0
<b>Net cash (used in) provided by investing activities</b>	<b>-7 344</b>	<b>1 320</b>	<b>-8 664</b>
<b>Cash (used) provided (from) financing activities</b>			
Increase (decrease) in NBU and interbank borrowings and repos	332	4 155	3 823
Treasury stock (acquired) reissued	0	0	0
Capital Contribution from Shareholders	9 500	694	8 806
<b>Net cash (used in) provided by financing activities</b>	<b>9 832</b>	<b>4 849</b>	<b>4 983</b>
Net increase (decrease) in cash and equivalents	551	1 827	2 378
Cash and equivalents at beginning of period	8 000	4 913	3 086
Cash and equivalents at end of year	8 551	3 086	5 464

**Forum Bank**

**Statement of changes in Shareholders' Equity**

(thousand UAH)

	Capital Stock	Appropriated Retained Earnings		Current period Net income	Unappropriated Retained Earnings	Revaluation Indexation
		Loan Loss Reserve	Other			
Balance as of December 31, 1997	<b>6 000</b>	<b>45</b>	<b>300</b>	<b>781</b>	<b>262</b>	<b>72</b>
Increase in the Statutory Capital	694	32		515	749	
Decrease in the Statutory Capital				-323		
Balance as of March 31, 1998	<b>6 694</b>	<b>77</b>	<b>300</b>	<b>973</b>	<b>1 011</b>	<b>72</b>
Increase in the Statutory Capital	8 806	34		1 282		
Decrease in the Statutory Capital					-34	
Balance as of June 30, 1998	<b>15 500</b>	<b>111</b>	<b>300</b>	<b>2 255</b>	<b>977</b>	<b>72</b>



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**OLBANK – HEAD OFFICE  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
December 31, 1997**

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These financial statements have been prepared in connection with the Financial Infrastructure Development Project, Pilot Bank Program, promoted by the National Bank of Ukraine (NBU) and funded by the United States Agency for International Development (USAID). These financial statements are submitted to NBU and USAID to illustrate results of the above mentioned project and should not be used for any other purpose.

The Bank adopted various changes in financial accounting policy during the fourth quarter 1997 in order to comply with NBU directives which guided a phased transition to the adoption of International Accounting Standards (IAS). For this reason, the financial records of the Bank as of and for the quarter ended December 31, 1997 reflect only partial adoption of IAS principles. The financial statements presented here do not agree with the accounting records of the bank because certain additional fourth quarter adjustments were made in order to present financial statements which were in substantial compliance with IAS.

These financial statements are not audited and certain additional IAS adjustments and disclosures could be required by independent auditors performing an examination in accordance with International Standards on Auditing (ISA).

**OLBANK – HEAD OFFICE**  
**BALANCE SHEET**  
**As of December 31, 1997**

<b>ASSETS</b>	<b>Notes</b>	<b>Hryvna (000)</b>
Cash and balances with the National Bank of Ukraine	2	5,629
Securities held for dealing purposes	6	227
Placements with, and loans and advances to, other banks		
	3, 5	4,893
Loans and advances to customers, less provision	4, 5, 16	12,103
Government and other securities held for investment	6	4,814
Fixed and intangible assets, net of accumulated depreciation and amortization	7	3,217
Loans and advances to branches	19	901
Prepaid income taxes	13	303
Other assets		561
		<u>32,648</u>
<i>Total Assets</i>		<u><u>32,648</u></u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Liabilities**

Loans from the National Bank of Ukraine	9	4,492
Deposits of other banks	9	572
Customer deposits	8	12,374
Loans and advances from branches	19	1,822
Other liabilities		210
		<u>19,470</u>

*Total liabilities* 19,470

**Commitments and contingencies** 15

**Shareholders' equity**

Statutory capital	10, 14, 15	7,784
Reserves and retained earnings	10	6,784
		<u>14,568</u>
Less treasury stock		<u>1,390</u>

*Total shareholders equity* 13,178

*Total liabilities and shareholders equity* 32,648

*The notes are an integral part of these financial statements*

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**OLBANK - HEAD OFFICE**  
**INCOME STATEMENT**  
For the quarter ended December 31, 1997

	Notes	<u>Hryvna</u> <u>(000 )</u>
Interest income	11	2,162
Interest expense	12	<u>613</u>
<b>NET INTEREST INCOME</b>		<u>1,549</u>
Commission income, net		211
Currency trading gains (losses), net		152
Other income (expense)		<u>70</u>
<b>Total non-interest income</b>		<u>433</u>
<b>TOTAL INCOME</b>		1,982
Operating expenses	13	1,572
Loan loss provision	5, 10	<u>898</u>
<b>NET INCOME (LOSS) BEFORE AND AFTER INCOME TAXATION</b>	10	<u><u>(488)</u></u>

*The notes are an integral part of these financial statements*

**OLBANK - HEAD OFFICE**  
**STATEMENT OF CASH FLOWS**  
For the quarter ended December 31, 1997

	Notes	Hryvna (000 )
<b>OPERATING ACTIVITIES</b>		
Net Loss before income taxation		(488)
<i>Adjustments to reconcile net loss to net cash provided by operating activities</i>		
Depreciation and amortization		171
Provisions for credit and other risks		898
Amortization of discount on government securities		(389)
(Increase) decrease in accrued interest receivable		127
Increase (decrease) in accrued interest payable		(14)
(Increase) decrease in miscellaneous assets		1,233
Increase (decrease) in miscellaneous liabilities		(2,712)
Cash payments for income taxes		(303)
		(1,477)
Net repayments of loans and advances to banks		2,378
Net repayments of customer loans and advances		4,794
Net repayments of borrowings from the National Bank of Ukraine		(460)
Net decrease in current accounts and deposits of other banks		(2,536)
Net increase in customer current accounts and deposits		1,588
		4,287
<b>Net Cash provided by (used in) operating activities</b>		
<b>INVESTING ACTIVITIES</b>		
Purchases of government discount and other securities		(2,257)
Proceeds of matured securities		2,945
Acquisitions of fixed and intangible assets		(710)
Proceeds from sales of fixed assets		460
Net (increase) decrease in branch investments	19	(206)
		232
<b>Net cash provided by (used in) investing activities</b>		
<b>FINANCING ACTIVITIES</b>		
Treasury shares purchased from shareholders		(1,390)
		(1,390)
<b>Net cash provided by (used in) financing activities</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the period		3,129
		2,500
Cash and cash equivalents at the end of the period		5,629

*The notes are an integral part of these financial statements*



**OLBANK - HEAD OFFICE**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the quarter ended December 31, 1997**

	<b>Hryvnia (000)</b>					<b>Total</b>
	Statutory Capital	Retained Earnings	General Reserves	Other Reserves	Treasury Stock	
Balance as of September 30, 1997	7,784	7,225	47	-	-	15,056
Changes in accounting policy		(135)		135		
Restated balance	7,784	7,090	47	135	-	15,056
Changes in loan provision		(34)	34			
Net loss for the period		(488)				(488)
Shares repurchased					(1,390)	(1,390)
Balance as of December 31, 1997	7,784	6,568	81	135	(1,390)	13,178

*The notes are an integral part of these financial statements*

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**OLBANK - HEAD OFFICE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the quarter ended December 31, 1997**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**Background**

OLBank (the Bank) was legally established as Joint Stock Company of closed type on January 26, 1994. The Bank's primary activities are the provision of banking and financial services to commercial and private customers primarily located in Ukraine.

**Basis of Preparation**

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for estimated loan losses and the fair value of financial instruments.

Generally, formal financial statements are issued for a consolidated entity. These financial statements, however, reflect the statement of position and results of operations of the Kyiv head office of OLBANK. In addition to the main office, OLBANK has five branches throughout Ukraine, the financial position and results of operations of which are not reflected in these statements.

The Bank adopted various changes in financial accounting policy during the fourth quarter 1997 in order to comply with directives of the National Bank of Ukraine (NBU), which guided a phased transition to the adoption of International Accounting Standards (IAS). For this reason, the financial records of the Bank as of and for the quarter ended December 31, 1997 reflect only partial adoption of IAS principles. The financial statements presented here do not agree with the accounting records of the bank because certain additional fourth quarter adjustments were made in order to present financial statements which were in substantive compliance with IAS. These financial statements are not audited and certain additional adjustments and disclosures could be required by independent auditors performing an examination in accordance with International Standards on Auditing (ISA).

**Foreign currencies**

The Bank's reporting currency in preparing its financial statements is the Ukrainian Hryvna (UAH). Transactions denominated in foreign currencies are translated into UAH at the official rate of exchange of NBU on the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. All resulting gains and losses are recorded in the respective profit and loss account.

The official rates of exchange for major currencies as of December 31, 1997 were

	<u>UAH</u>
100 United States Dollars (USD)	189.90
100 German Marks (DEM)	105.97
10 000 Russian Roubles (RUR)	3.19

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### **Cash and Cash Equivalents**

For purposes of these financial statements, reported cash and cash equivalents are comprised of cash on hand, travelers' checks and deposits in correspondent account with the NBU. Cash on deposit at foreign and domestic banks is classified with other interbank placements.

### **Allowances for Loan Losses**

Allowances for loan losses reflect an amount which is judged by management to be adequate to provide for specifically identified risks of loss in the loan portfolio (excluding accrued interest and commissions receivable). Management's evaluation of the allowance is based on the Bank's past experience, known and inherent risks in the loan portfolio, adverse situations that may affect borrowers' ability to repay, the estimated market value of any underlying collateral and current economic conditions.

The total of the allowance for loan losses is deducted from the corresponding balance sheet figures of balances due from banks and loans and advances to banks and customers, respectively, and the portion representing an impairment which occurred during the reporting period is deducted as a provision in the income statement.

In addition to the specific reserves described above, the Bank is required by the NBU to form a general reserve as an appropriation of retained earnings.

### **Non-accrual Loans**

Loans are placed on non-accrual status when interest or principal is delinquent in excess of thirty days, except when all amounts due are fully secured by cash and collection proceedings are in progress. After an additional thirty days' delinquency, previously accrued interest income relating to non-accrual loans is reversed.

### **Securities**

Securities held for sale are stated at the lower of cost or market value. Investment securities are acquired for yield or capital growth purposes and usually held to maturity. Temporary declines in market value of investment securities are therefore not recognized in the financial statements.

### **Fixed assets**

Fixed assets are stated at historical cost, adjusted for statutory re-indexations. Depreciation is provided on a straight-line basis over estimated useful lives of the assets. The useful lives of the assets are estimated as

Buildings	50 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

### **Interest and Commissions**

Interest and commissions are recognized in the period in which they are earned or incurred. Fee and commission income primarily relate to transaction processing services performed for customers.

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**Taxation**

Income tax expense was determined on the basis of the "Law on the Enterprise Profit Tax" introduced on 01 01 97. During 1997 the base tax rate in Ukraine for banks was 30%.

**Note 2 CASH**

Cash as of December 31, 1997 was

	Thousand UAH
Cash on hand	610
Travelers' checks	62
Balances with the NBU	<u>4,957</u>
Total cash	<u><u>5,629</u></u>

The Bank is required to maintain obligatory minimum cash reserves with the NBU. The reserve as of December 31, 1997 was computed based on deposit balances in accordance with NBU requirements. Of the total cash balance as of December 31, 1997, \_\_\_\_\_ is restricted.

**Note 3 PLACEMENTS WITH AND LOANS AND ADVANCES TO BANKS**

	December 31, 1997 Thousand UAH
Correspondent accounts with banks	854
Placements with foreign banks	-
Placements with Ukrainian banks	<u>4,039</u>
Total	4,893
Specific allowance for potential losses Recognized as a reduction of current Period income	<u>-</u>
Total interbank loans and advances	<u><u>4,893</u></u>
General allowance for potential losses Recognized as an appropriation of Retained earnings	<u><u>81</u></u>

Correspondent accounts with banks are Nostro accounts comprised of interest and non-interest bearing accounts with Ukrainian and foreign banks.

As of December 31, 1997, loans to banks were comprised of UAH and foreign currency placements with maturities of less than one month. The average annual interest rates at December 31, 1997 were approximately 18% for foreign currencies and 35% for local currency.

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**Note 4 LOANS AND ADVANCES TO CUSTOMERS**

Loans and advances to customers as of December 31, 1997 were

	Thousand UAH
Business entities	12,630
Individuals	346
Total	<u>12,976</u>
Specific allowance for potential losses Recognized as a reduction of current Period income	<u>(873)</u>
Total loans and advances to customers	<u><u>12,103</u></u>
General allowance for potential losses Recognized as an appropriation of Retained earnings	<u><u>-</u></u>

The customer loan portfolios as of December 31, 1997 were distributed as follows

	Thousand UAH
Manufacturing	1,700
Trading	5,116
Energy	4,459
Other	<u>1,701</u>
Total current accounts	<u><u>12,976</u></u>

**Note 5 ALLOWANCES FOR LOAN LOSSES**

The *specific loan loss reserves* as of December 31, 1997, and changes in reserves for the quarter then ended were as follows

	Thousand UAH	
	Loans and advances to	
	Banks	Customers
Balance as of September 30, 1997	-	422
Provision for estimated losses of current period	-	898
Loans charged off during current period	-	<u>(447)</u>
Balance as of December 31, 1997	<u>-</u>	<u><u>873</u></u>

The *general loan loss reserves* as of December 31, 1997, and changes in reserves for the quarter then ended were as follows

	Thousand UAH	
	Loans and advances to	
	Banks	Customers
Balance as of September 30, 1997	47	-
Net change in general reserves	34	-
Balance as of December 31, 1997	81	-

**Note 6 SECURITIES**

The composition of trading and investment portfolios of securities as of December 31, 1997 was as follows

	Thousand UAH	
<i>Securities held for sale</i>		<u>227</u>
<i>Securities held for investment</i>		
Ukrainian government treasury bills		
Nominal value	5,201	
Less unamortized discount	<u>(467)</u>	
		4,734
Equity investments		<u>80</u>
Total securities held for investment		<u>4,814</u>

There is no active market for the equity securities in the above portfolio, therefore no reasonable estimate of current fair value can be made. Accordingly they are stated at cost.

**Note 7 FIXED ASSETS AND INTANGIBLES**

	(Thousand UAH)			December 31, 1997
	September 30, 1997	Additions	Disposals	
Buildings	-	600	-	600
Vehicles	1,230	4	19	1,215
Equipment	353	486	365	474
Furniture	856	68	-	924
Leasehold improvements	214			214
Intangible assets	55	242	83	214
<b>Total</b>	<b>2,708</b>	<b>1,400</b>	<b>467</b>	<b>3,641</b>
Accumulated depreciation	260	171	7	424
<b>Net book value</b>	<b>2,448</b>	<b>1,229</b>	<b>460</b>	<b>3,217</b>

**Note 8 CURRENT AND TERM DEPOSIT ACCOUNTS**

Current and term deposit accounts as of December 31, 1997

	Thousand UAH
<i>Current accounts</i>	
State enterprises	3,284
Limited liability and joint stock companies	7,763
Individuals and other	90
<b>Total current accounts</b>	<b>11,137</b>
<i>Term deposits</i>	
Limited liability and joint stock companies	197
Individuals and other	1,040
<b>Total term deposits</b>	<b>1,237</b>
<b>Total current and term deposit accounts</b>	<b>12,374</b>

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**Note 9 DUE TO NBU AND OTHER BANKS**

Due to NBU and other banks as of December 31, 1997

	<u>Thousand UAH</u>
Due to NBU	<u>4,492</u>
Correspondent accounts	2
Borrowings from banks	<u>570</u>
Total due to banks	<u><u>572</u></u>

As of December 31, 1997, borrowings from banks were at an average annual interest rate of 20% and matured within one month

**Note 10 MOVEMENTS IN CAPITAL**

In the original books of entry of the Bank, numerous fluctuations in retained earnings during the fourth quarter of 1997 resulted from drawing on reserves and allocation to reserves based on tax accounting rules which differed from financial accounting during this transitional period

Due to the lack of detail and resources available to compile accurate beginning balances of capital accounts (as of September 30, 1997) and the related cumulative effect of IAS changes as of this date, the focus of these statements was to confirm those IAS differences only at December 31, 1997. The only cumulative effect change shown in the accompanying Statement of Changes in Equity is to reflect the transfer of cumulative asset re-indexations out of retained earnings to a separate component of capital.

One significant adjustment to the balance of reported retained earnings as of September 30, 1997 which was not made is the recognition of the prior period effect of the 898,000 loan loss provision made in the fourth quarter 1997. According to IAS, asset impairments should be recognized in the period in which they occurred. It is possible that a significant portion of the loss recognized in the fourth quarter 1997 should have been recognized in the performance statements of prior quarters.

**Note 11 INTEREST INCOME**

	<u>Thousand UAH</u>
Loans and advances to individuals	1,384
Loans and advances to banks	372
Investment activities	389
Other	<u>17</u>
Total interest income	<u><u>2,162</u></u>

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**Note 12 INTEREST EXPENSE**

	<u>Thousand UAH</u>
Current and term deposit accounts	194
Deposits and borrowings from banks	320
Other	<u>99</u>
Total interest expense	<u><u>613</u></u>

**Note 13 OPERATING EXPENSES**

	<u>Thousand UAH</u>
Salary and related expenses	578
General administrative expenses	823
Depreciation	<u>171</u>
Total operating expenses	<u><u>1,572</u></u>

**Note 14. CAPITAL REQUIREMENTS**

The NBU regulates Ukrainian banks through monthly reporting of capital adequacy ratios. Capital adequacy is computed as the ratio between equity and risk weighted assets and must be minimum of 8%. Proportion of capital and assets indicates capital adequacy of the Bank for active transactions with allowance for risks incident to different types of banking activities. As of December 31, 1997, the Bank's reported capital adequacy ratio was 55%.

**Note 15 COMMITMENTS AND CONTINGENCIES**

As of December 31, 1997, the Bank has outstanding guarantees and export letters of credit amounting to UAH 2,001,600.

**Note 16 RELATED PARTY TRANSACTIONS**

As of December 31, 1997, the Bank had outstanding loans to related parties as follows:

	<u>Thousand UAH</u>
Shareholders	4,258
Other related parties	<u>302</u>
Gross loans to related parties	4,560
Specific allowances for losses	<u>(858)</u>
Net loans to related parties	<u><u>3,702</u></u>

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**Note 17 MATURITIES OF ASSETS AND LIABILITIES**

	Thousand UAH				<i>Total</i>
	<i>Under 1 month</i>	<i>Under 3 months</i>	<i>3 to 12 months</i>	<i>Over 12 months</i>	
<b>ASSETS</b>					
Cash	5,629				5,629
Trading securities			227		227
Loans to banks and customers	4,893	12,103			16,996
Investments			4,814		4,814
Fixed Assets				3,217	3,217
Advances to branches			901		901
Other assets			561	303	864
<i>Total assets</i>	<u>10,522</u>	<u>12,103</u>	<u>6,503</u>	<u>3,520</u>	<u>32,648</u>
<b>LIABILITIES AND EQUITY</b>					
Loans from NBU	4,492				4,492
Interbank deposits	572				572
Deposits from legal entities	9,818		1,934		11,752
Deposits from individuals		622			622
Interbranch borrowing				1,822	1,822
Other liabilities				210	210
Shareholders' equity				13,178	13,178
<i>Total liabilities and equity</i>	<u>14,882</u>	<u>622</u>	<u>1,934</u>	<u>15,210</u>	<u>32,648</u>

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**Note 18 FOREIGN CURRENCY POSITION**

Significant foreign currency positions of the Bank as of December 31, 1997 are as follows

Assets	Thousand UAH		
	US Dollars	Deutsch marks	Russian Roubles
Cash	61	59	5
Accounts with banks	460	96	280
Debtors	68	10	
Loans to clients	3,338		
Accumulated revenue	18		
Loans to banks	1,139		
<b>Total Assets</b>	<b>5,084</b>	<b>165</b>	<b>285</b>
<b>Liabilities</b>			
Customer accounts	2,391	2	5
Creditors	6	6	200
Interbranch settlements	348	78	61
Accrued expenses	29		
Term deposits	569		
Borrowings from banks	570		
<b>Total Liabilities</b>	<b>3,913</b>	<b>86</b>	<b>266</b>
<b>Net long (short) foreign currency position</b>	<b>1,171</b>	<b>79</b>	<b>19</b>

**Note 19 INTERBRANCH BALANCES**

The accompanying balance sheet reflects receivables from and payables to branches of 901,000 and 1,822,000 hryvna, respectively. These balances would be eliminated in a consolidated balance sheet. Analogous interbranch eliminations would be made for income and expense accounts in the income statement. The accompanying income statement includes interest income and interest expenses of 17,000 and 110,000 hryvna, respectively.



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**OLBANK  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
March 31, 1998**

Balance Sheet on 01-04-1998

02IXV43 C42

	OLB	ANK	
Articles	Primary Table	Correctons	Balance with Correctons
<b>ASSETS</b>			
Cash on Hand	558 392,26	0	558 392,26
Travelers Checks	32 545,53	0	32 545,53
Banks Metals	0	0	0
Funds at NBU	479 894,45	0	479 894,45
Securities held for sale			
State Bonds - Nominal Value	0	0	0
Less Unamortized Discount / Premium	0	0	0
Net Investment in State Bonds	0	0	0
Equity Securities	112 601,20	0	112 601,20
Debt Securrties	0	0	0
<b>Total Securities held for sale</b>	<b>112 601,20</b>	<b>0</b>	<b>112 601,20</b>
Market Adjustment	0	0	0
<b>Net Securities held for sale</b>	<b>112 601,20</b>	<b>0</b>	<b>112 601,20</b>
Due From Banks	3 015 918,27	-500 560,42	2 515 357,85
Interbank Loans	5 865 110,00	0	5 865 110,00
Less Bad Debt reserve	0	0	0
<b>Net Interbank Loans</b>	<b>5 865 110,00</b>	<b>0</b>	<b>5 865 110,00</b>
Securities Purchased under Agreement to res I	0,00	0	0
Loans to			
Business entities	9 606 187,85	0	9 606 187,85
State agencies	0	0	0
Individuals	256 980,10	0	256 980,10
Employees	0	0	0
<b>Total Loans</b>	<b>9 863 167,95</b>	<b>0</b>	<b>9 863 167,95</b>
Less Bad Debt Reserve	-915 295,93	0	-915 295,93
<b>Net Loans</b>	<b>8 947 872,02</b>	<b>0</b>	<b>8 947 872,02</b>
Securities held for investment			
State Bonds - Nominal Value	5 648 600,00	0	5 648 600,00
Less Unamortized Discount / Premium	-522 835,79	0	-522 835,79
<b>Net Investment in State Bonds</b>	<b>5 125 764,21</b>	<b>0</b>	<b>5 125 764,21</b>
Equity Securities	0	0	0
Debt Securrties	0	0	0
<b>Total Securities held for investment</b>	<b>5 125 764,21</b>	<b>0</b>	<b>5 125 764,21</b>
Market Adjustments	0	0	0
<b>Net Securrties held for Investment</b>	<b>5 125 764,21</b>	<b>0</b>	<b>5 125 764,21</b>

Investments in affiliates	80 073,92	0	80 073,92
Low Value Items and Supplies Inventories	262 828,22	0	262 828,22
Prepaid Expenses	15 504,57	0	15 504,57
Misc Accounts Receivable, etc	229 690,87	-61 100,00	168 590,87
Less Allowance for Bad Debt	0	0	0
<b>Net Accounts Receivable</b>	<b>229 690 87</b>	<b>-61 100 00</b>	<b>168 590,87</b>
Clearing accounts	1 732 555,00	-1 732 555 00	0
Advances to Branches	428 015,07	0	428 015 07
Accrued Interest Receivable	59 802 24	0	59 802,24
Prepaid Taxes			
Current	35 304,08	0	35 304 08
Deferred	68 033,12	0	68 033 12
Operating Fixed Assets			
Owned	3 259 101,30	0	3 259 101,30
Leased	214 734,43	0	214 734,43
Construction in Progress	2 486,78	0	2 486,78
Less Accumulated Depreciation	-519 944,06	0	-519 944,06
<b>Net Fixed assets</b>	<b>2 956 378,45</b>	<b>0</b>	<b>2 956 378,45</b>
Foreclosed and other inactive fixed assets	0	0	0
Intangible Assets	215 438,60	0	215 438,60
Less Accumulated Amortization	-33 009,83	0	-33 009,83
<b>Net Intangible Assets</b>	<b>182 428,77</b>	<b>0</b>	<b>182 428,77</b>
<b>Total Assets</b>	<b>30 188 712,25</b>	<b>-2 294 215,42</b>	<b>27 894 496,83</b>

#### LIABILITIES

Demand Deposits			
State Budget	-1 485 115,06	0	-1 485 115,06
Business entities	-6 964 345,50	-25 505,42	-6 989 850,92
Individuals	-472 260,64	0	-472 260,64
Time Deposits			
State Budget	0	0	0
Business entities	-1 726 457,50	0	-1 726 457,50
Individuals	-862 992,94	0	-862 992,94
Certificate of Deposits	0	0	0
<b>Total Deposits</b>	<b>-11 511 171,64</b>	<b>-25 505,42</b>	<b>-11 536 677,06</b>
Due to banks	-2 015 52	0	-2 015 52
Loans Due NBU			
Short Term	-952 250 00	0	-952 250 00
Long Term	0	0	0
Interbank Loans	-1 000 000 00	0	-1 000 000 00
Securities sold under Agreement to Repurchase	0	0	0
Debt Securities issued			
Term and revolving	0	0	0
Less Unamortized Discout / Premium	0	0	0
<b>Net Term and Revolving</b>	<b>0</b>	<b>0</b>	<b>0</b>

Subordinated Debt	0	0	0
<b>Total Debt Securities Issued</b>	<b>0</b>	<b>0</b>	<b>0</b>
Accrued Interest Payable	-56 765,12	0	-56 765,12
Misc Accounts payable and accruals	-159 863,48	25 505,42	-134 358,06
Clearing Accounts	-2 276 933,42	2 233 115,42	-43 818,00
Advances from Branches	-1 276 324,88	0	-1 276 324,88
Deferred Income	0	0	0
Stockholder's investment pending registration	0,00	0	0
Accrued Income Taxes			
Current	-94 134,24	0	-94 134,24
Deferred	0	0	0
<b>Total Liabilities</b>	<b>-17 329 458,30</b>	<b>2 233 115,42</b>	<b>-15 096 342,88</b>
<b>CAPITAL</b>			
<b>Statutory Capital</b>			
Statutory Par Value	-7 783 600,00	0	-7 783 600,00
Capital Paid-in excess of par value	0	0	0
<b>Total statutory Capital</b>	<b>-7 783 600,00</b>	<b>0</b>	<b>-7 783 600,00</b>
Less stock subscription receivable	0	0	0
<b>Net Statutory Capital</b>	<b>-7 783 600,00</b>	<b>0</b>	<b>-7 783 600,00</b>
Current Period Net Income	-244 044,68	61 100,00	-182 944,68
Retained earnings - appropriated	-618 102,04	0	-618 102,04
Retained earnings - unappropriated	-5 481 591,17	0	-5 481 591,17
Revaluation Indexation	-118 548,52	0	-118 548,52
Accumulated IAS adjustments	-3 267,54	0	-3 267,54
<b>Subtotal</b>	<b>-14 249 153,95</b>	<b>61 100,00</b>	<b>-14 188 053,95</b>
Less Treasury Stock	1 389 900,00	0	1 389 900,00
<b>Total Capital</b>	<b>-12 859 253,95</b>	<b>61 100,00</b>	<b>-12 798 153,95</b>
<b>Total Capital and Liabilities</b>	<b>-30 188 712,25</b>	<b>2 294 215,42</b>	<b>-27 894 496,83</b>
<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Not Found Accounts*</b>			
Positive	0	0	0
Negative	0	0	0
<b>Difference</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* For more info on Rejected Accounts refer to Error Lo

## Income Statement on 01-04-1998

02IXV43 C42

Articles	OLB	ANK	
	Primary Table	Corrections	Income with C Corrections
Interest Income			
Interbank Loans	-402 750 13	0	-402 750 13
Customer Loans	1 054 208 40	0	1 054 208 40
Securities	261 439 53	0	261 439 53
Other	1 313 97	0	1 313 97
Total Interest Income	1 719 712 03	0	1 719 712 03
Interest Expense			
Borrowings from NBU	31 643 28	0	31 643 28
Interbank Borrowings	37 723 67	0	37 723 67
Deposits	147 211 28	0	147 211 28
Bank-issued securities	0	0	0
Other	127 194 91	0	127 194 91
Total Interest Expense	343 773 14	0	343 773 14
Net Interest Income	1 375 938 89	0	1 375 938 89
Fee and Commission Income	146 160 23	0	146 160 23
Fee and Commission Expense	11 406 55	0	11 406 55
Gain (loss) from FX trade operation	-305 868 10	0	-305 868 10
Gain (loss) from Trading Securities	-5 600 00	0	-5 600 00
Divident Income	-8 167 50	0	-8 167 50
Penalties	0	0	0
Other banking income	24 756 19	0	24 756 19
Total non-interest Income	-479 145 47	0	-479 145 47
Less Provision for loan losses	0	0	0
Total Banking Income	1 855 084 36	0	1 855 084 36
Operating Expenses			
Salaries and Employee benefits	567 146 48	0	567 146 48
Advertising Audit and professional fees	130 540 00	37 000 00	167 540 00
Travel and Entertainment	40 279 92	5 600 00	45 879 92
Amortization of Fixed Assets and Intangibles	194 293 70	0	194 293 70
Utilities	53 985 84	0	53 985 84
Rent	100 585 00	0	100 585 00
Telephone	74 090 89	13 910 00	88 000 89
Security	43 895 72	0	43 895 72
Repairs	48 325 59	4 590 00	52 915 59
Charitable contributions	161 400 00	0	161 400 00
Other taxes and penalties	58 013 18	0	58 013 18
Other Operating Expenses	14 083 36	0	14 083 36
Total Operating Expenses	1 486 639 68	61 100 00	1 547 739 68
Income before provision for Income Taxes and prior p	368 444 68	61 100 00	-307 344 68
Income Taxes			
Current	124 400 00	0	124 400 00
Deferred	0	0	0
Total Income Taxes	124 400 00	0	124 400 00
Net Income before prior period Adjustme nt	244 044 68	61 100 00	182 944 68
Effect of prior Period Adjustment to Income	3 267 54	0	-3 267 54
Expense	0	0	0
Total prior period Adjustments	3 267 54	0	3 267 54
Net Income after prior Period Adjustmen t	247 312 22	61 100 00	186 212 22

# Cash Flow Statement

## OLBank - head office

Quarter ended March 31, 1998

<b>Cash Flow From Operating Activities</b>	
Net Income (loss) from operations before income Tax	307 345
<i>Adjustments to reconcile net income to net cash flow provided from operating activities</i>	
Depreciation and amortization	194 294
Provision for credit losses	0
Market value adjustment on securities	0
Amortization of discount on securities	261 440
Net decrease (increase) in trading securities	114 400
(Increase) decrease in Loans to Total portfolio	3 023 854
	88 595
(Increase) decrease in accrued interest receivable	48 274
Increase (decrease) in Deposits	
Demand	-2 200 719
Time	1 352 495
Due to Banks	177
Increase (decrease) in accrued interest payable	365
(Increase) decrease in prepaids and other assets	91 237
Increase (decrease) in other liabilities	70 373
<b>cash paid for income taxes</b>	<b>0</b>
<b>Net cash provided by (used in) operating activities</b>	<b>2 829 250</b>
<b>Cash (used) provided in (from) Investing Activities</b>	
(Increase) decrease in Interbank Loans and Repos	-1 825 710
(Increase) decrease in Interbranch Loans	-30 505
Purchase of Securities	
State bonds held for investment	2 284 790
Equity and other debt securities	0
Net Sale/Redemption (Purchase) of securities	
State bonds held for investment	2 154 500
Equity and other debt securities	0
Sale of securities net of gain	0
Net (Purchases)/retirements/sales of premise and equipment and intangible assets	-132 126
	15 543
<b>Net cash (used) provided in Investing activities</b>	<b>-2 103 088</b>
<b>Cash (used) provided (from) financing activities</b>	
Increase (decrease) in NBU and interbank borrowings and repos	-3 109 700
Increase (decrease) in Interbranch Loans	-512 815
Treasury stock (acquired) reissued	0
Net Capital contribution from (return to) Shareholders	0
Dividends Declared	0
	0
<b>Net cash (used) provided by financing activities</b>	<b>-3 622 615</b>
Net increase (decrease) in cash and equivalents	2 896 353
Cash and equivalents at beginning of period	6 482 543
Cash and equivalents at end of year	3 586 190

**Statement of Changes in Equity by Account**  
**OLBank Head Office**  
**1st quarter 1998**

	Total Shareholders Equity	6000	6020	6021	6030	6040	6900	6100	3120	6800 7800
Balances 01 01 98	12 612 353	7 783 600	86 692	470 702	4 382 554	1 278 704	0	0	1 389 900	0
Fixed asset indexation reclass	0				-118 549			118 549		
General reserve for 4q97 reclass	0			60 707		-60 707				
Prior year earnings transfer	0				1 153 441	1 153 441				
Correction in compliance with NBU memo of 5 March 1998	64 145				64 145					
Income tax adjustment for 4Q97	-58 071					-58 071				
Prior year earnings correction	9 192					9 192				
Prior year earnings correction	-15 520					15 520				
Prior year earnings correction	-157					-157				
other adjustments	3 268									3 268
First quarter 1998 earnings	244 045						244 045			
Ending Balance per OLBank books 01 04 98	12 859 254	7 783 600	86 692	531 410	5 481 591	0	244 045	118 549	-1 389 900	3 268
review adjustments	-61 100						-61 100			
Adjusted ending balance	12 798 154	7 783 600	86 692	531 410	5 481 591	0	182 945	118 549	-1 389 900	3 268



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**OLBANK  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
June 30, 1998**

## Balance Sheet on 01-07-1998

02IXV72 G26

Articles	OLBANK		Balance Sheet with adjustments
	Initial Table	Adjustments	
<b>ASSETS</b>			
Cash on Hand	568 281 61	0	568 281 61
Travelers Checks	3 673 03	0	3 673 03
Funds at NBU	286 977 50	0	286 977,50
Securities held for sale			
State Bonds	0	0	0
Equity Securities	19 601,20	0	19 601,20
<b>Total Securities held for sale</b>	<b>19 601 20</b>	<b>0</b>	<b>19 601 20</b>
Due From Banks	3 557 747 32	-789 947,00	2 767 800 32
Interbank Loans	10 348 447,50	0	10 348 447 50
Loans to			
Business entities	5 460 442,23	0	5 460 442 23
Individuals	254 999,52	0	254 999,52
<b>Total Loans</b>	<b>5 715 441,75</b>	<b>0</b>	<b>5 715 441,75</b>
Less Bad Debt Reserve	-677 612,50	0	-677 612,50
<b>Net Loans</b>	<b>5 037 829 25</b>	<b>0</b>	<b>5 037 829 25</b>
Securities held for investment			
State Bonds - Nominal Value	8 730 000,00	0	8 730 000,00
Less Unamortized Discount / Premium	-1 179 950,38	0	-1 179 950,38
<b>Net Investment in State Bonds</b>	<b>7 550 049,62</b>	<b>0</b>	<b>7 550 049,62</b>
<b>Total Securities held for investment</b>	<b>7 550 049,62</b>	<b>0</b>	<b>7 550 049,62</b>
Market Adjustments	0	0	0
<b>Net Securities held for Investment</b>	<b>7 550 049,62</b>	<b>0</b>	<b>7 550 049,62</b>
Investments in affiliates	80 073,92	0	80 073,92
Low Value Items and Supplies Inventories	232 377,85	0	232 377,85
Prepaid Expenses	15 463,89	0	15 463 89
Misc Accounts Receivable, etc	85 618 46	-40 686 00	44 932 46
Less Allowance for Bad Debt	0	0	0
<b>Net Accounts Receivable</b>	<b>85 618 46</b>	<b>-40 686,00</b>	<b>44 932,46</b>
Clearing accounts	1 888 102,50	-1 888 103,00	-0,5
Advances to Branches	603 057,50	0	603 057,50
Accrued Interest Receivable	244 579,84	0	244 579,84
Prepaid Taxes			
Current	7 292 88	0	7 292 88
Deferred	41 333 12	0	41 333 12
Operating Fixed Assets			
Owned	3 084 784 07	0	3 084 784,07
Leased	214 378 13	0	214 378 13
Less Accumulated Depreciation	-628 167 55	0	-628 167 55
<b>Net Fixed assets</b>	<b>2 670 994 65</b>	<b>0</b>	<b>2 670 994 65</b>
Intangible Assets	56 272 98	0	56 272 98
Less Accumulated Amortization	-12 982 14	0	-12 982 14
<b>Net Intangible Assets</b>	<b>43 290 84</b>	<b>0</b>	<b>43 290 84</b>
<b>Total Assets</b>	<b>33 284 792,48</b>	<b>-2 718 736,00</b>	<b>30 566 056,48</b>

Balance Sheet on 01-07-1998

02IXV72 G26

Articles	OLBANK		Balance Sheet with adjustments
	Initial Table	Adjustments	
<b>LIABILITIES</b>			
Demand Deposits			
State Budget	-186 986 26	0	-186 986 26
Business entities	-12 001 177,53	0	-12 001 177 53
Individuals	-845 375,32	0	-845 375,32
Time Deposits			
Business entities	-1 512 087 50	0	-1 512 087,50
Individuals	-982 808,16	0	-982 808 16
<b>Total Deposits</b>	<b>-15 528 434 77</b>	<b>0</b>	<b>-15 528 434 77</b>
Due to banks	-3 091,13	0	-3 091,13
Accrued Interest Payable	-63 212,95	0	-63 212,95
Misc Accounts payable and accruals	-33 904,80	-13 395,00	-47 299,80
Clearing Accounts	-2 754 398 87	2 682 550,00	-71 848,87
Advances from Branches	-1 651 460,83	0	-1 651 460,83
Accrued Income Taxes			
Current	-57 347,05	0	-57 347,05
<b>Total Liabilities</b>	<b>-20 091 850,40</b>	<b>2 669 155,00</b>	<b>-17 422 695,40</b>
<b>CAPITAL</b>			
Statutory Capital			
Statutory Par Value	-7 783 600,00	0	-7 783 600,00
<b>Total statutory Capital</b>	<b>-7 783 600 00</b>	<b>0</b>	<b>-7 783 600,00</b>
<b>Net Statutory Capital</b>	<b>-7 783 600,00</b>	<b>0</b>	<b>-7 783 600,00</b>
Current Period Net Income	-568 099 93	49 581,00	-518 518,93
Retained earnings - appropriated	-759 528,04	0	-759 528,04
Retained earnings - unappropriated	-5 348 992,42	0	-5 348 992,42
Revaluation Indexation	-118 548,52	0	-118 548,52
Accumulated IAS adjustments	-4 073,17	0	-4 073,17
<b>Subtotal</b>	<b>-14 582 842,08</b>	<b>49 581 00</b>	<b>-14 533 261 08</b>
Less Treasury Stock	1 389 900,00	0	1 389 900,00
<b>Total Capital</b>	<b>-13 192 942 08</b>	<b>49 581 00</b>	<b>-13 143 361 08</b>
<b>Total Capital and Liabilities</b>	<b>-33 284 792,48</b>	<b>2 718 736,00</b>	<b>-30 566 056,48</b>

## Income Statement on 01-07 1998

Articles	OLBANK		02IXV72 G26
	Initial Table	Adjustments	Balance Sheet with adjustments for 6 months
<b>Interest Income</b>			
Interbank Loans	-801 198 35	0	-801 198 35
Customer Loans	1 858 880 62	0	1 858 880 62
Securities	956 997 54	0	956 997 54
Other	29 253 73	0	29 253 73
<b>Total Interest Income</b>	<b>3 646 330 24</b>	<b>0</b>	<b>3 646 330 24</b>
<b>Interest Expense</b>			
Borrowings from NBU	77 742 61	0	77 742 61
Interbank Borrowings	94 803 32	0	94 803 32
Deposits	380 791 87	0	380 791 87
Bank issued securities	0	0	0
Other	288 135 76	0	288 135 76
<b>Total Interest Expense</b>	<b>841 473 56</b>	<b>0</b>	<b>841 473 56</b>
<b>Net Interest Income</b>	<b>2 804 856 68</b>	<b>0</b>	<b>2 804 856 68</b>
<b>1750S</b>			
Fee and Commission Income	-309 545 80	0	-309 545 80
Fee and Commission Expense	27 263 43	0	27 263 43
<b>1900S</b>			
Gain (loss) from FX trade operation	-433 168 17	3 103 00	-436 271 17
Gain (loss) from Trading Securities	9 607 02	0	9 607 02
<b>2050S</b>			
Divident Income	-8 167 50	0	-8 167 50
Penalties	0	0	0
Other banking Income	-52 536 11	0	-52 536 11
<b>Total non-interest Income</b>	<b>785 761 17</b>	<b>-3 103 00</b>	<b>788 864 17</b>
Less Provision for loan losses	225 041 51	0	-225 041 51
<b>Total Banking Income</b>	<b>-3 815 659 36</b>	<b>-3 103 00</b>	<b>-3 818 762 36</b>
<b>2400S</b>			
<b>Operating Expenses</b>			
Salaries and Employee benefits	1 133 141 68	0	1 133 141 68
Advertising Audit and professional fees	321 488 64	21 152 00	342 640 64
Travel and Entertainment	52 956 64	0	52 956 64
Amortization of Fixed Assets and Intangib	354 323 06	0	354 323 06
Utilities	116 701 14	8 293 00	124 994 14
Rent	221 599 83	0	221 599 83
Telephone	145 415 30	18 635 00	164 050 30
Security	83 507 05	0	83 507 05
Repairs	124 784 70	3 531 00	128 315 70
Charitable contributions	239 900 00	0	239 900 00
Other taxes and penalties	105 946 12	0	105 946 12
Other Operating Expenses	59 156 30	1 073 00	60 229 30
<b>Total Operating Expenses</b>	<b>2 958 920 46</b>	<b>52 684 00</b>	<b>3 011 604 46</b>
<b>Income before provision for Income Taxes</b>	<b>-856 738 90</b>	<b>49 581 00</b>	<b>-807 157 90</b>
<b>3100S</b>			
<b>Income Taxes</b>			
Current	288 638 97	0	288 638 97
Deferred	0	0	0
<b>Total Income Taxes</b>	<b>288 638 97</b>	<b>0</b>	<b>288 638 97</b>
<b>Net Income before prior period Adjustme</b>	<b>nepl 568 09</b>	<b>49 581 00</b>	<b>-518 518 93</b>
<b>3400S</b>			
<b>Effect of prior Period Adjustment to</b>			
Income	-4 073 17	0	-4 073 17
Expense	0	0	0
<b>Total prior period Adjustments</b>	<b>-4 073 17</b>	<b>0</b>	<b>-4 073 17</b>
<b>Net Income after prior Period Adjustmen</b>	<b>572 173 10</b>	<b>49 581 00</b>	<b>-522 592 10</b>

## Statement of Cash Flow

For the quarter ended June 31, 1998

(thousand UHA)

<b>Cash Flow From Operating Activities</b>	
Net Income (loss) from operations before income Tax	807 157 90
Adjustments to reconcile net income to net cash flow provided from operating activities	
Depreciation and amortization	354 323 06
Provision for credit losses	-225 041,51
Market value adjustment on securities	0 000 00
Amortization of discount on securities	-136 000 00
Net decrease (increase) in trading securities	-93 000 00
(Increase) decrease in Loans to	
Business entities	-1 145 745,62
Individuals and other	-1 980 58
(Inc)/dec in acc Int Receivable	-184 762,53
Adjustment for write-offs	
Increase (decrease) in Deposits	
Demand	4 086 312,49
Time	-94 554,78
Due to Banks	1 075 61
Inc/(dec) in acc Int Payable	6 441,67
(Increase) decrease in prepaids and other assets	154 149,96
Increase (decrease) in other liabilities	-59 027,39
<b>cash paid for income taxes</b>	<b>-146 314,96</b>
<b>Net cash provided by (used in) operating activities</b>	<b>8 568 485,72</b>
<b>Cash (used) provided in (from) Investing Activities</b>	
(Increase) decrease in Interbank Loans and Repos	-1 483 337,50
(Increase) decrease in Interbranch Loans	-175 057,50
Purchase of Securities	
State bonds held for investment	0 000 00
Equity and other debt securities	0 000 00
Redemption of securities	
State bonds held for investment	0 000 00
Equity and other debt securities	0 000 00
Sale of securities, net of gain	0 000 00
Purchases of premise and equipment net of retrem'ts	125 354,44
Purchase of intangible assets	-139 137,93
<b>Net cash (used) provided in investing activities</b>	<b>-4 672 178,49</b>
<b>Cash (used) provided (from) financing activities</b>	
Increase (decrease) in NBU and interbank borrowings and repos	-1 952 250,00
Increase (decrease) in Interbranch Loans	0 000 00
Treasury stock (acquired) reissued	0 00
Capital Contribution from Shareholders	0 000 00
Dividends Declared	0 000 00
<b>Net cash (used) provided by financing activities</b>	<b>-1 577 107,89</b>
Net increase (decrease) in cash and equivalents	2 319 199 34
Cash and equivalents at beginning of period	3 586 190 09
Cash and equivalents at end of year	3 626 732,46
	40 542,37
<b>Balance</b>	<b>2 278 656,97</b>

OIBank  
Statement of changes in Shareholders Equity  
for the quarter ended June 31, 1998  
Head Office

	Total Equity	5000	5020	5021	5030	5040	5900	5100	3120	6800 7800
Balances 01 01 98	12 798 154	7 783 600	86 692	531 410	5 481 591	0	182 945	118 549	1 389 900	3 268
General reserve for 1q98	0		97 392		97 392	0				
General reserve for 2q98	0		80 724		-80 724					
correction of reserve for 3q98	548		548							
reduction of reserve for 1q98	37 238		-37 238							
transfer of branch funds on liquidation					45 517					
Second quarter 1998 earnings	385 961						385 155			806
Ending Balance per OIBank books 01 04 98	13 192 943	7 783 600	228 118	531 410	5 348 992	0	568 100	118 549	-1 389 900	4 074
review adjustments	-49 581						-49 581			
Adjusted ending balance	13 143 362	7 783 600	228 118	531 410	5 348 992	0	518 519	118 549	-1 389 900	4 074



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**BANK SLAVUTICH  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
December 31, 1997**



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These financial statements have been prepared in connection with the Financial Infrastructure Development Project, Pilot Bank Program, promoted by the National Bank of Ukraine (NBU) and funded by the United States Agency for International Development (USAID). These financial statements are submitted to NBU and USAID to illustrate results of the above mentioned project and should not be used for any other purpose.

The Bank adopted various changes in financial accounting policy during the fourth quarter 1997 in order to comply with NBU directives, which guided a phased transition to the adoption of International Accounting Standards (IAS). For this reason, the financial records of the Bank as of and for the quarter ended December 31, 1997 reflect only partial adoption of IAS principles. The financial statements presented here do not agree with the accounting records of the bank because certain additional fourth quarter adjustments were made in order to present financial statements which were in substantial compliance with IAS.

These financial statements are not audited and certain additional IAS adjustments and disclosures could be required by independent auditors performing an examination in accordance with International Standards on Auditing (ISA).

**BANK SLAVUTICH  
BALANCE SHEET**

As of December 31 and September 30, 1997

ASSETS	Notes	Dec 31, 1997 Thousand UAH	Sept 30, 1997 Thousand UAH
Cash and balances with the National Bank of Ukraine	2	358	1,201
Cash in other banks	3	201	370
Loans and advances to customers	4,5	8,541	8,675
Investments	6	5,196	4,950
Fixed and intangible assets, net	7	725	738
Prepaid income taxes	14	29	-
Other assets		29	90
<i>Total assets</i>		<u>14,989</u>	<u>16,024</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Current and term deposit accounts	8	4,904	5,248
Due to the National Bank of Ukraine and other banks	9	2,100	3,600
Accrued income taxes payable	14	27	31
Other liabilities		503	170
<i>Total Liabilities</i>		<u>7,534</u>	<u>9,049</u>
<b>Commitments and contingencies</b>	16		
<b>Shareholders' equity</b>			
Statutory capital		4,461	4,461
Reserves and retained earnings	10, 15	3,039	2,594
Less treasury stock		7,500 (45)	7,055 (80)
<i>Total shareholders' equity</i>		<u>7,455</u>	<u>6,975</u>
<i>Total liabilities and shareholders' equity</i>		<u>14,989</u>	<u>16,024</u>

*The notes are an integral part of these financial statements*

**BANK SLAVUTICH**  
**INCOME STATEMENT**  
For the quarter ended December 31, 1997

	Notes	<u>Thousand UAH</u>
Interest income	11	1,370
Interest expense	12	<u>(589)</u>
<b>NET INTEREST INCOME</b>		<b>781</b>
Commission income, net		49
Currency trading gains (losses), net		17
Other income (expenses)		<u>103</u>
<b>Total non-interest income</b>		<b>169</b>
<b>TOTAL INCOME</b>		<b>950</b>
Operating expenses	13	(377)
Loan loss provision		<u>(195)</u>
<b>NET INCOME BEFORE INCOME TAXATION</b>		<b>378</b>
Income taxation	14	<u>(25)</u>
<b>NET INCOME</b>	<b>10</b>	<b><u>353</u></b>

*The notes are an integral part of these financial statements*

**BANK SLAVUTICH**  
**STATEMENT OF CASH FLOWS**  
For the quarter ended December 31, 1997

Thousand UAH

**OPERATING ACTIVITIES**

Net Income before income taxation	378
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>	
Depreciation and amortization	34
Amortization of discount on state bonds	(319)
Provisions for credit and other risks	195
	<b>288</b>

Decrease (increase) in loans to customers	29
Increase (decrease) in current accounts and deposits	(344)
Decrease (increase) in other assets	61
Increase (decrease) in other liabilities	270
Cash payments for income taxes	(58)

*Net cash provided by (used in) operating activities* (42)

**INVESTING ACTIVITIES**

Decrease (increase) in loans to banks	169
Purchase of government and other securities	(230)
Proceeds of matured securities	728
Net acquisitions of fixed assets	(21)

*Net cash provided by (used in) investing activities* (646)

**FINANCING ACTIVITIES**

Net repayment of loans from NBU and other banks	(1,500)
Reissuance of treasury stock	35
Dividends paid to shareholders	(270)

*Net cash provided by (used in) financing activities* (1,735)

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	(843)
Cash and cash equivalents at the beginning of the period	1,201
Cash and cash equivalents at the end of the period	358

*The notes are an integral part of these financial statements*

**BANK SLAVUTICH**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the quarter ended December 31, 1997**

	Thousand Hryvna						Total
	Statutory Capital	Retained Earnings	General Reserves	Other Reserves	Revaluation Reserve	Treasury Stock	
Balance as of September 30, 1997	4,461	1,480	899	215	-	(80)	6,975
Changes in accounting policy		(351) 361			351		361
Restated balance	4,461	1,490	899	215	351	(80)	7,336
Changes in loan provision		(60)	60				
Net income (loss) for the period	353						353
Treasury shares (purchased) reissued						35	35
Payment of dividends		(269)					(269)
Balance as of December 31, 1997	4,461	1,514	959	215	351	(45)	7,455

*The notes are an integral part of these financial statements*

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**BANK SLAVUTICH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 4<sup>th</sup> quarter ended December 31, 1997**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background**

Bank Slavutich (the Bank) was legally established as Joint Stock Company on May 16, 1992. The Bank was registered with the National Bank of Ukraine (NBU) on May 16, 1992, License No. 110. The Bank's primary activities are the provision of banking and financial services to commercial and private customers primarily located in Ukraine.

**Basis of Preparation**

The Bank maintains its accounting records in accordance with the NBU Chart of Accounts and other NBU regulations. The financial statements have been prepared from those accounting records in compliance with International Accounting Standards (IAS), except as described below.

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses recorded in the financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for estimated loan losses and the fair value of financial instruments.

The financial statements have been prepared on the historical cost basis of accounting, as modified by the periodic revaluation of certain property and equipment in accordance with Ukrainian Ministry of Finance (MOF) directives.

**Comparability**

Separate balances as at the end of 3<sup>rd</sup> quarter 1997 are reclassified in compliance with the statement form as at the end of 1997.

**Foreign currencies**

The Bank's reporting currency in preparing its financial statements is the Ukrainian Hryvna (UAH). Transactions denominated in foreign currencies are translated into UAH at the official rate of exchange of NBU on the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. All resulting gains and losses are recorded in the respective profit and loss account.

The official rates of exchange for major currencies as at December 31 and September 30, 1997 were

	<u>UAH</u>	
	Dec 31	Sept 30
1 United States Dollar (USD)	1 899	1 8680
1 German Mark (DEM)	1 0597	1 0581
1 000 Russian Ruble (RUR)	0 319	0 319

### **Cash and Cash Equivalents**

For purposes of these financial statements, cash and cash equivalents are comprised of cash on hand, and deposits in correspondent account with the NBU

Cash placed with other banks is grouped with other interbank loans and advances

### **Allowances for Loan Losses**

The allowances for loan losses are based on an analysis of the loan portfolio, and reflects the amount which, in the judgement of management, is adequate to provide for losses inherent in the loan portfolio (excluding accrued interest and commission receivable) Specific provisions are made as a result of a detailed appraisal of risk assets Management's evaluation of the allowance is based on the Bank's past experience, known and inherent risks in the loan portfolio, adverse situation that may affect borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions The total amount of loans, shown in balance sheet, is reduced by the amount of specific reserve

In addition, general provisions are recorded to cover risks, which, although not specifically identified, are present in any portfolio of banking assets In accordance with NBU regulations, the general reserve is accounted for in bank capital The specific reserves are charged to expenses, while the general reserve is formed as an appropriation of retained earnings

### **Non-accrual Loans**

Loans are placed on non-accrual status when interest or principal is delinquent in excess of 30 days at least for one agreement with a given client or financial circumstances of the client became worse to the extent, that bank management takes the decision to consider him as a doubtful debtor (formalized by minutes of the loan committee)

Interest income relating to non-accrual loans is not recorded in the profit and loss account when recovery is doubtful Further accounting for accrued interest receivable is carried out in off-balance sheet accounts until loan limitation expires

### **Investments**

Securities in portfolio for sale are stated at the lower of cost or market value Investment securities are acquired for yield or capital growth purposes and usually held to maturity Temporary declines in market value of investment securities are therefore not recognized in the financial statements

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## Fixed assets

Fixed assets are stated at historical cost, as periodically revalued for the effects of the diminution in value of the UAH in accordance with MOF directives and accounted for in the fixed assets revaluation reserve. Depreciation is provided in accordance with acting tax legislation of Ukraine on the basis of residual cost over the estimated life of fixed assets depending on appurtenance to one of three distinguishing groups. The useful lives of the assets are estimated as

Buildings	50 years
Furniture, fittings and equipment	4 years
Motor vehicles	4 years

## Interest and Commissions

Interest and commissions are recognised in the period they are earned or incurred. Fee and commission income primarily relate to operations for customer transactions. Interest on non-accrual loans is not recognized in the profit and loss account.

## Note 2. CASH

	<b>December 31, 1997</b>	<b>September 30, 1997</b>
	<b>Thousand UAH</b>	<b>Thousand UAH</b>
Cash on hand	138	243
Balance with the NBU	220	958
Cash and due from banks, net	358	1,201

The Bank is required to maintain obligatory minimum cash reserves with the NBU. The reserve as at December 31, 1997 and September 30, 1997 was computed based on deposit account balances in accordance with NBU requirements.

## Note 3. DUE FROM BANKS

	<b>December 31, 1997</b>	<b>September 30, 1997</b>
	<b>Thousand UAH</b>	<b>Thousand UAH</b>
Correspondent accounts with banks	201	370

Correspondent accounts with banks are nostro accounts comprised of interest and non-interest bearing accounts with Ukrainian and foreign banks.

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**Note 4 LOANS AND ADVANCES TO CUSTOMERS**

Loans and advances to customers were

	<b>December 31, 1997</b>	<b>September 30, 1997</b>
	<b>Thousand UAH</b>	<b>Thousand UAH</b>
Business entities	8,596	8,708
Individuals and other	88	220
Total	8,864	8,928
Allowances for losses	(233)	(253)
Total loans and advances to customers, net	8,451	8,675

The loan portfolio as at December 31, 1997 was distributed as follows

	<b>Total</b>	<b>Including overdue</b>
	<b>Thousand UAH</b>	<b>Thousand UAH</b>
Manufacturing	-	-
Trading	1,260	84
Other current activities	7,424	379
Total	8,684	463

**Note 5 ALLOWANCES FOR LOAN LOSSES**

	<b>General reserve</b>	<b>Specific reserve</b>
	<b>Thousand UAH</b>	<b>Thousand UAH</b>
Balance as at September 30, 1997	899	253
Net change in reserves	60	(20)
Balance as at December 31, 1997	959	233

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**Note 6 INVESTMENTS**

	<b>December 31, 1997</b>	<b>September 30, 1997</b>
	<b>Thousand UAH</b>	<b>Thousand UAH</b>
Ukrainian government treasury bills	5,036	4,820
Other	160	130
<b>Total investments</b>	<b>5,196</b>	<b>4,950</b>

The net value of Ukrainian government treasury bills is shown nominal value less unamortized discount. The bills mature within one year and were purchased at yields between 21% and 38% yearly.

**Note 7 FIXED AND INTANGIBLE ASSETS**

	<b>Thousand UAH</b>			
	<b>Sep 30, 1997</b>	<b>Additions</b>	<b>Disposals</b>	<b>Dec 31, 1997</b>
Buildings	-	-	-	-
Furniture, equipment	940	6	(7)	949
Capital improvement of leased premises	-	10	-	10
Intangible assets	16	2	-	18
<b>Total</b>	<b>956</b>	<b>28</b>	<b>(7)</b>	<b>977</b>
Accumulated depreciation	(218)	(34)	0	(252)
<b>Fixed assets, net</b>	<b>738</b>	<b>(6)</b>	<b>(7)</b>	<b>725</b>

Revaluation of fixed assets amounts 351 thousand UAH. Revaluation is performed in accordance with MOF directives which specify various valuation indexes to be applied based on the type and age of the asset.

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**Note 8 CURRENT AND TERM DEPOSIT ACCOUNTS**

	December 31, 1997 Thousand UAH	September 30, 1997 Thousand UAH
<i>Current accounts</i>		
Limited liability and joint stock companies	3,763	3,707
Individuals and other	276	320
Total current accounts	4,039	4,027
<i>Term deposits</i>		
Limited liability and joint stock companies	51	335
Individuals and other	814	886
Total term deposits	865	1,221
Total current and term deposit accounts	4,904	5,248

**Note 9. DUE TO BANKS**

	December 31, 1997 Thousand UAH	September 30, 1997 Thousand UAH
Borrowing from NBU	500	1 000
Borrowings from other banks	1,600	2,600
Total due to banks	2,100	3,600

As at September 30 and December 31, 1997, borrowings from banks were at an average annual interest rate of 37%

**Note 10 MOVEMENTS IN CAPITAL**

In the original books of entry of the Bank, numerous fluctuations in retained earnings during the fourth quarter of 1997 resulted from drawing on reserves and allocation to reserves based on tax accounting rules, which differed from financial accounting during this transitional period

Due to the lack of detail and resources available to compile accurate beginning balances of capital accounts (as of September 30, 1997) and the related cumulative effect of IAS changes as of this date, the focus of these statements was to confirm those IAS differences only at December

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31, 1997 The significant cumulative effect changes shown in the accompanying Statement of Changes in Equity were

- 1 Amortization of discount on government securities,
- 2 Transfer of cumulative asset re-indexation out of retained earnings to a separate component of capital, and
- 3 Reclassification of certain fund (capital) accounts as liabilities

One significant adjustment to the balance of reported retained earnings as of September 30, 1997 which was not made is the recognition of the prior period effect of the 195,000 loan loss provision made in the fourth quarter 1997. According to IAS, asset impairments should be recognized in the period in which they occurred. It is possible that a significant portion of the loss recognized in fourth quarter 1997 should have been recognized in the performance statements of prior quarters.

#### **Note 11 INTEREST INCOME**

	<u>4<sup>th</sup> quarter 1997</u> <u>Thousand UAH</u>
Loans and advances to legal entities	1,008
Loans and advances to banks	26
Loans and advances to individuals	16
Investment activities	<u>320</u>
Total interest income	<u>1,370</u>

#### **Note 12 INTEREST EXPENSE**

	<u>4<sup>th</sup> quarter 1997</u> <u>Thousand UAH</u>
Current and term deposit accounts of legal entities	210
Deposits and borrowings from banks	260
Current and term deposits of individuals	<u>119</u>
Total interest expense	<u>589</u>

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**Note 13 OPERATING EXPENSES**

	<u>4<sup>th</sup> quarter 1997</u> <u>Thousand UAH</u>
Salary and related expenses	188
General administrative expenses	155
Depreciation	<u>34</u>
Total operating expenses	<u>377</u>

**Note 14 INCOME TAX**

For the quarter ended December 31, 1997, the Bank made income tax payments of 58 thousand UAH of which 25 thousand UAH represented income tax expense for the 4<sup>th</sup> quarter 1997. Income taxes are calculated in accordance with Ukrainian tax rules and regulations.

**Note 15. CAPITAL REQUIREMENTS**

The NBU regulates Ukrainian banks through monthly reporting of capital adequacy ratios. Capital adequacy is computed as the ratio between equity and risk weighted assets and must be minimum of 8%. As at December 31, 1997, the Bank's reported capital adequacy ratio was 68%.

**Note 16 COMMITMENTS AND CONTINGENCIES**

As at December 31, 1997, the Bank has no outstanding guarantees or letters of credit.

**Note 17 MATURITIES OF ASSETS AND LIABILITIES**

<b>ASSETS</b>	<b>Thousand UAH</b>				<b>Total</b>
	<b>Under 1 month</b>	<b>Under 3 months</b>	<b>3 to 12 months</b>	<b>Over 12 months</b>	
Cash and account with NBU	358				358
Loans to banks	201				201
Loans to clients		8,451			8,451
Investments			2,032	3,164	5,196
Fixed and intangible assets				725	725
Other assets			29	29	58
<i>Total assets</i>	<b>559</b>	<b>8,451</b>	<b>2,061</b>	<b>3,918</b>	<b>14,989</b>
<b>LIABILITIES</b>					
Loans from NBU	500				500
Interbank deposits	1,600				1,600
Deposits from legal entities	3,714			54	3,768
Deposits from individuals	276	850		10	1,136
Other liabilities		27		503	530
Shareholders' equity				7,455	7,455
<i>Total Liabilities</i>	<b>6,000</b>	<b>877</b>		<b>8,022</b>	<b>14,989</b>

## Note 18 MEANINGFUL FOREIGN CURRENCY POSITION

Significant foreign currency positions of the Bank as of December 31, 1997 are as follows

Assets	□□□ □□□		
	US Dollars	Deutsch Marks	Russian Roubles
Cash	33 0	4 3	0
Accounts with banks	128 0	45 5	27 8
Debtors	-	-	-
Loans to clients	-	-	-
Accrued revenue	-	-	-
Loans to banks	-	-	-
<i>Total assets</i>	<b>161 0</b>	<b>49 8</b>	<b>27 8</b>
<b>Liabilities</b>			
Customer accounts	96 2	32 8	1 4
Creditors	-	-	-
Other settlements	-	7 9	-
Accrued expenses	-	-	-
Term deposits	-	-	-
Borrowings from banks	-	-	-
<i>Total liabilities</i>	<b>96 2</b>	<b>40 7</b>	<b>1 4</b>
Net long (short) foreign currency position	<b>64 8</b>	<b>9 1</b>	<b>26 4</b>

## Note 19 RELATED PARTY TRANSACTIONS

As of December 31, 1997, the Bank had outstanding loans to related parties as follows

	Thousand UAH
Shareholders	
Other related parties	
Gross loans to related parties	
Specific allowances for losses	
Net loans to related parties	



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**BANK SLAVUTICH  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
March 31, 1998**

Monthly Balance Sheet on 01-04-1998

Line	C Articles	SLAVUTICH		02IWD41 G42
		Primary Table	Corrections	Balance with Corrections
1000A	ASSETS			
1050A	Cash on Hand	262 464 68	0	262 464 68
1100A	Travelers Checks	0	0	0
1150A	Banks Metals	0	0	0
1200A	Funds at NBU	232 769 05	0	232 769 05
1250A	Securities held for sale			
1300A	State Bonds Nominal Value	0	0	0
1350A	Less Unamortized Discount / Premium	0	0	0
1400A	Net Investment in State Bonds	0	0	0
1450A	Equity Securities	0	0	0
1500A	Ⓞ Debt Securities	0	352 584 19	352 584 19
1550A	Total Securities held for sale		0 352 584 19	352 584 19
1600A	Market Adjustment	0	0	0
1650A	Net Securities held for sale	0	352 584 19	352 584 19
1700A	Ⓞ Due From Banks	164 906 93	20 383 00	144 523 93
1750A	Interbank Loans	180 000 00	0	180 000 00
1800A	Less Bad Debt reserve	0	0	0
1850A	Net Interbank Loans	180 000 00	0	180 000 00
1900A	Securities Purchased under Agreement to re l	0 00	0	0
1950A	Loans to			
2000A	Ⓞ Business entities	6 979 335 43	350 000 00	6 629 335 43
2050A	State agencies	0	0	0
2100A	Individuals	117 077 08	0	117 077 08
2150A	Employees	0	0	0
2200A	Total Loans	7 096 412 51	350 000 00	6 746 412 51
2250A	Less Bad Debt Reserve	233 091 46	0	233 091 46
2300A	Net Loans	6 863 321 05	-350 000 00	6 513 321 05
2350A	Securities held for investment			
2400A	State Bonds Nominal Value	4 026 900 00	0	4 026 900 00
2450A	Less Unamortized Discount / Premium	190 848 47	0	190 848 47
2500A	Net Investment in State Bonds	3 836 051 53	0	3 836 051 53
2550A	Equity Securities	160 170 34	0	160 170 34
2600A	Debt Securities	0	0	0
2650A	Total Securities held for investment	3 996 221 87	0	3 996 221 87
2700A	Market Adjustments	0	0	0
2750A	Net Securities held for Investment	3 996 221 87	0	3 996 221 87
2800A	Investments in affiliates	0	0	0
2850A	Low Value Items and Supplies Inventories	20 529 70	0	20 529 70
2900A	Prepaid Expenses	3 882 94	0	3 882 94
2950A	Misc Accounts Receivable etc	25 940 16	0	25 940 16
3000A	Less Allowance for Bad Debt	0	0	0
3050A	Net Accounts Receivable	25 940 16	0	25 940 16
3100A	Cleaning accounts	0	0	0
3150A	Ⓞ Advances to Branches	472 238 79	-472 238 79	0
3200A	Accrued Interest Receivable	359 741 91	0	359 741 91
3250A	Prepaid Taxes			
3300A	Ⓞ Current	1 368 79	116 210 00	117 578 79
3350A	Ⓞ Deferred	44 410 83	-44 410 00	0 83
3400A	Operating Fixed Assets			
3450A	Owned	947 071 36	0	947 071 36
3500A	Leased	9 635 08	0	9 635 08
3550A	Construction in Progress	0	0	0
3600A	Less Accumulated Depreciation	291 401 55	0	291 401 55
3650A	Net Fixed assets	665 304 89	0	665 304 89
3700A	Foreclosed and other inactive fixed assets	15 162 61	0	15 162 61
3750A	Intangible Assets	19 295 19	0	19 295 19
3800A	Less Accumulated Amortization	2 437 71	0	2 437 71
3850A	Net Intangible Assets	16 857 48	0	16 857 48
3900A	Total Assets	13 325 121 68	-418 237 60	12 906 884 08

3950A				
4000A				
4050L	LIABILITIES			
4100L	Demand Deposits			
4150L	State Budget	0	0	0
4200L	Ⓢ Business entities	2 156 037 83	188 459 96	2 344 497 79
4250L	Individuals	365 375 68	0	365 375 68
4300L	Time Deposits			
4350L	State Budget	0	0	0
4400L	Business entities	21 000 00	0	21 000 00
4450L	Individuals	756 198 77	0	756 198 77
4500L	Certificate of Deposits	0	0	0
4550L	Total Deposits	3 298 612 28	188 459 96	3 487 072 24
4600L	Due to banks	0	0	0
4650L	Loans Due NBU			
4700L	Short Term	0	0	0
4750L	Long Term	0	0	0
4800L	Interbank Loans	1 200 000 00	0	1 200 000 00
4850L	Securities sold under Agreement to Repurch	0	0	0
4900L	Debt Securities issued			
4950L	Term and revolving	0	0	0
5000L	Less Unamortized Discout / Premium	0	0	0
5050L	Net Term and Revolving	0	0	0
5100L	Subordinated Debt	0	0	0
5150L	Total Debt Securities Issued	0	0	0
5200L	Accrued Interest Payable	26 034 48	0	26 034 48
5250L	Ⓢ Misc Accounts payable and accruals	-636 045 56	178 005 87	-458 039 69
5300L	Ⓢ Clearing Accounts	23 798 86	23 798 86	0
5350L	Ⓢ Advances from Branches	-472 238 79	472 238 79	0
5400L	Deferred Income	0	0	0
5450L	Stockholder's investment pending registra tion	0 00	0	0
5500L	Accrued Income Taxes			
5550L	Current	11 720 70	0	11 720 70
5600L	Deferred	0	0	0
5650L	Total Liabilities	5 668 450 67	485 583 56	5 182 867 11
5700L				
5750C	CAPITAL			
5800C	Statutory Capital			
5850C	Statutory Par Value	-4 460 672 00	0	-4 460 672 00
5900C	Capital Paid-in excess of par value	0	0	0
5950C	Total statutory Capital	-4 460 672 00	0	-4 460 672 00
6000C	Less stock subscnbtion receivable	0	0	0
6050C	Net Statutory Capital	-4 460 672 00	0	-4 460 672 00
6100C	Ⓢ Current Period Net Income	95 596 42	74 384 19	169 980 61
6150C	Retained earnings appropnated	1 181 512 56	0	1 181 512 56
6200C	Ⓢ Retained earnings unappropriated	1 601 835 63	7 038 23	1 594 797 40
6250C	Revaluation Indexation	351 010 40	0	351 010 40
6300C	Accumulated IAS adjustments	0	0	0
6350C	Subtotal	7 690 627 01	-67 345 96	7 757 972 97
6400C	Less Treasury Stock	33 956 00	0	33 956 00
6450C	Total Capital	7 656 671 01	-67 345 96	7 724 016 97
6500C	Total Capital and Liabilities	13 325 121 68	418 237 60	12 906 884 08
6550C				
6600C				
6650T	BALANCE	0	0	0
6700C				
6750C	Not Found Accounts			
6800P	Positive	0	0	0
6850N	Negative	0	0	0
6900D	Difference	0	0	0
6950C				
7000C	For more info on Rejected Accounts refer t Error Lo			

Month **Income Statement on 01-04-1998**

Line	Articles	SLAVUTICH		02IWD41 G42
		Primary Table	Corrections	Income with Corrections
1050S	Interest Income			
1100S	Interbank Loans	-45 943 20	0	-45 943 20
1150S	Customer Loans	751 978 49	0	751 978 49
1200S	Securities	321 367 84	2 584 19	-323 952 03
1250S	Other	13 572 50	13 572 50	0
1300S	Total Interest Income	1 132 862 03	10 988 31	1 121 873 72
1350S	Interest Expense			
1400S	Borrowings from NBU	0	0	0
1450S	Interbank Borrowings	235 504 22	0	235 504 22
1500S	Deposits	360 617 89	0	360 617 89
1550S	Bank issued securities	0	0	0
1600S	Other	9 781 55	13 572 50	3 790 95
1650S	Total Interest Expense	605 903 66	13 572 50	592 331 16
1700S	Net Interest Income	526 958 37	2 584 19	529 542 56
1750S				
1800S	Fee and Commission Income	-39 351 32	0	39 351 32
1850S	Fee and Commission Expense	5 784 36	0	5 784 36
1900S				
1950S	Gain (loss) from FX trade operation	11 374 48	0	11 374 48
2000S	Gain (loss) from Trading Securities	-4 227 31	0	-4 227 31
2050S				
2100S	Divident Income	0	0	0
2150S	Penalties	0	0	0
2200S	Other banking income	-81 009 41	40 300 00	-40 709 41
2250S	Total non-interest Income	130 178 16	40 300 00	-89 878 16
2300S	Less Provision for loan losses	0	0	0
2350S	Total Banking Income	-657 136 53	37 715 81	-619 420 72
2400S				
2450S	Operating Expenses			
2500S	Salaries and Employee benefits	182 966 68	0	182 966 68
2550S	Advertising, Audit and professional fees	11 081 14	0	11 081 14
2600S	Travel and Entertainment	2 487 30	0	2 487 30
2650S	Amortization of Fixed Assets and Intangibles	43 458 04	0	43 458 04
2700S	Utilities	20 238 51	0	20 238 51
2750S	Rent	16 567 49	0	16 567 49
2800S	Telephone	29 096 89	0	29 096 89
2850S	Security	23 549 66	0	23 549 66
2900S	Repairs	4 569 81	0	4 569 81
2912S	Charitable contributions	0	0	0
2925S	Other taxes and penalties	28 945 50	0	28 945 50
2950S	Other Operating Expenses	126 779 09	-40 300 00	86 479 09
3000S	Total Operating Expenses	489 740 11	-40 300 00	449 440 11
3050S	Income before provision for Income Taxes	167 396 42	2 584 19	169 980 61
3100S				
3150S	Income Taxes			
3200S	Current	71 800 00	71 800 00	0
3250S	Deferred	0	0	0
3300S	Total Income Taxes	71 800 00	71 800 00	0
3350S	Net Income before prior period Adjustme	95 596 42	74 384 19	169 980 61
3400S				
3450S	Effect of prior Period Adjustment to			
3500S	Income	0	0	0
3550S	Expense	0	0	0
3600S	Total prior period Adjustments	0	0	0
3650S	Net Income after prior Period Adjustmen	95 596 42	74 384 19	169 980 61

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XYZ Bank

**Statement of Cash Flow**

For the Month DD YYYY

<b>Cash Flow From Operating Activities</b>	
Net Income (loss) from operations before income Tax	169 981
<i>Adjustments to reconcile net income to net cash flow provided from operating activities</i>	
Depreciation and amortization	43 458
Provision for credit losses	0
Market value adjustment on securities	
Amortization of discount on securities	-323 952
Net decrease (increase) in trading securities	350 000
(Increase) decrease in Loans to Business entities	1 708 042
Individuals and other	-28 655
(Increase) decrease in accrued interest receivable	-181 561
Increase (decrease) in Deposits	
Demand	1 279 795
Time	-88 232
Due to Banks	0
Increase (decrease) in accrued interest payable	22 514
(Increase) decrease in prepaids and other assets	20 770
Increase (decrease) in other liabilities	47 535
<b>cash paid for income taxes</b>	<b>103 431</b>
<b>Net cash provided by (used in) operating activities</b>	<b>-349 894</b>
<b>Cash (used) provided in (from) Investing Activities</b>	
(Increase) decrease in Interbank Loans and Repos	100 000
(Increase) decrease in Interbranch Loans	
Purchase of Securities	
State bonds held for investment	
Equity and other debt securities	
Redemption of securities	
State bonds held for investment	
Equity and other debt securities	
Sale of securities net of gain	
Purchases of premise and equipment net of retiremnts	16 958
Purchase of intangible assets	167
<b>Net cash (used) provided in Investing activities</b>	<b>1 324 485</b>
<b>Cash (used) provided (from) financing activities</b>	
Increase (decrease) in NBU and interbank borrowings and repos	900 000
Increase (decrease) in Interbranch Loans	
Treasury stock (acquired) reissued	10 857
Capital Contribution from Shareholders	
Dividends Declared	
<b>Net cash (used) provided by financing activities</b>	<b>-894 425</b>
Net increase (decrease) in cash and equivalents	80 166
Cash and equivalents at beginning of period	559 592
Cash and equivalents at end of year	639 758
<b>Balance</b>	<b>0</b>

10/25/20

Bank Slavutich  
Statement of Changes in Shareholders equity  
First quarter 1998

	Statutory capital	Retained earnings	General reserves	Other reserves	Treasury stock	Indexation reserve	Total capital
(account number)	5000	5030	5020	5021	3120	5100	
Beginning balance 31 12 97	4 460 672	1 514 890	958 746	214 947	-44 813	351 010	7 455 452
Changes in accounting principle and 1997 correctons		50 000	-958 746	958 746			50 000
		35 189	214 947	-214 947			35 189
				7 820			7 820
Adjusted beginning balance	4 460 672	1 600 079	214 947	966 566	-44 813	351 010	7 548 461
Changes in reserves							
Net income		169 981					169 981
Treasury shares reissued					10 857		10 857
Dividends paid		-5 282					5 282
Ending balance на 31 03 98	4 460 672	1 764 779	214 947	966 566	-33 956	351 010	7 724 018



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**BANK SLAVUTICH  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
June 30, 1998**

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Balance Sheet on 01-07 1998

# 02IWD71 G72

Articles	SLAVU	TICH			Difference	Percent
	Primary Table 6 mon to 6/98	Corrections	Balance sheet with Corrections 6 mon to 6/98	Companson Table 3 mon to 3/98		
<b>ASSETS</b>						
Cash on Hand	234 198 41	0	234 198 41	262 464 68	28 266 27	12 07%
Travelers Checks	0	0	0	0	0	0 00 %
Banks Metals	0	0	0	0	0	0 00%
Funds at NBU	94 108 40	0	94 108 40	232 769 05	138 660 65	147 34%
Securities held for sale						
State Bonds Nominal Value	0	0	0	0	0	0 00%
Less Unamortized Discount / Premium	0	0	0	0	0	0 00%
Net Investment in State Bonds	0	0	0	0	0	0 00%
Equity Securities	0	0	0	0	0	0 00%
Debt Securities	0	27 763 60	27 763 60	352 584 19	324 820 59	1169 95%
<b>Total Securities held for sale</b>	<b>0</b>	<b>27 763 60</b>	<b>27 763 60</b>	<b>352 584 19</b>	<b>324 820 59</b>	<b>1169 95%</b>
Market Adjustment	0	0	0	0	0	0 00%
<b>Net Securities held for sale</b>	<b>0</b>	<b>27 763 60</b>	<b>27 763 60</b>	<b>352 584 19</b>	<b>324 820 59</b>	<b>1169 95%</b>
Due From Banks	88 166 55	0	88 166 55	144 523 93	56 357 38	-63 92%
Interbank Loans	350 000 00	0	350 000 00	180 000 00	170 000 00	94 44 %
Less Bad Debt reserve	0	0	0	0	0	0 00%
<b>Net Interbank Loans</b>	<b>350 000 00</b>	<b>0</b>	<b>350 000 00</b>	<b>180 000 00</b>	<b>170 000 00</b>	<b>94 44 %</b>
Securities Purchased under Agreement to resel Loans to	0	0	0	0	0	0 00%
Business entities	6 191 940 38	27 763 60	6 164 176 78	6 629 335 43	-465 158 65	7 55%
State agencies	0	0	0	0	0	0 00%
Individuals	422 959 53	0	422 959 53	117 077 08	305 882 45	281 27%
Employees	0	0	0	0	0	0 00%
<b>Total Loans</b>	<b>6 614 899 91</b>	<b>27 763 60</b>	<b>6 587 136 31</b>	<b>6 746 412 51</b>	<b>159 276 20</b>	<b>2 42%</b>
<b>Less Bad Debt Reserve</b>	<b>510 052 86</b>	<b>0</b>	<b>510 052 86</b>	<b>-233 091 46</b>	<b>276 961 40</b>	<b>54 30%</b>
<b>Net Loans</b>	<b>6 104 847 05</b>	<b>27 763 60</b>	<b>6 077 083 45</b>	<b>6 513 321 05</b>	<b>-436 237 60</b>	<b>7 18%</b>
Securities held for investment						
State Bonds Nominal Value	3 553 100 00	0	3 553 100 00	4 026 900 00	-473 800 00	13 33%
Less Unamortized Discount / Premium	-661 991 80	-83 259 00	745 250 80	190 848 47	554 402 33	74 39%
<b>Net Investment in State Bonds</b>	<b>2 891 108 20</b>	<b>83 259 00</b>	<b>2 807 849 20</b>	<b>3 836 051 53</b>	<b>1 028 202 33</b>	<b>-36 62%</b>
Equity Securities	124 170 34	0	124 170 34	160 170 34	36 000 00	28 99%
Debt Securities	0	0	0	0	0	0 00%
<b>Total Securities held for investment</b>	<b>3 015 278 54</b>	<b>-83 259 00</b>	<b>2 932 019 54</b>	<b>3 996 221 87</b>	<b>1 064 202 33</b>	<b>36 30%</b>
Market Adjustments	0	0	0	0	0	0 00%
<b>Net Securities held for Investment</b>	<b>3 015 278 54</b>	<b>-83 259 00</b>	<b>2 932 019 54</b>	<b>3 996 221 87</b>	<b>1 064 202 33</b>	<b>36 30%</b>
Investments in affiliates	0	0	0	0	0	0 00%
Low Value Items and Supplies Invetones	17 876 86	0	17 876 86	20 529 70	2 652 84	14 84%
Prepaid Expenses	6 120 80	0	6 120 80	3 882 94	2 237 86	57 63%
Misc Accounts Receivable etc	61 976 18	0	61 976 18	25 940 16	36 036 02	138 92%
Less Allowance for Bad Debt	0	0	0	0	0	0 00%
<b>Net Accounts Receivalbe</b>	<b>61 976 18</b>	<b>0</b>	<b>61 976 18</b>	<b>25 940 16</b>	<b>36 036 02</b>	<b>138 92%</b>
Clearing accounts	0	0	0	0	0	19 53%
Advances to Branches	278 914 68	278 914 68	0	0	0	0 00%
Accrued Interest Receivable	522 158 67	0	522 158 67	359 741 91	162 416 76	45 15%
Prepaid Taxes						
Current	127 920 25	0	127 920 25	117 578 79	10 341 46	8 80%
Deferred	20 312 76	0	20 312 76	0 83	20 311 93	2447220 48%
Operating Fixed Assets						
Owned	914 960 20	0	914 960 20	947 071 36	32 111 16	3 51 /
Leased	9 635 08	0	9 635 08	9 635 08	0	0 00%
Construction in Progress	0	0	0	0	0	0 00%
Less Accumulated Depreciation	350 004 04	0	350 004 04	291 401 55	58 602 49	16 74%
<b>Net Fixed assets</b>	<b>574 591 24</b>	<b>0</b>	<b>574 591 24</b>	<b>665 304 89</b>	<b>90 713 65</b>	<b>15 79%</b>
Foreclosed and other inactive fixed assets	12 476 09	0	12 476 09	15 162 61	2 686 52	21 53%
Intangible Assets	48 275 19	0	48 275 19	19 295 19	28 980 00	150 19 /
Less Accumulated Amortization	3 521 86	0	3 521 86	2 437 71	1 084 15	30 78 /
<b>Net Intangible Assets</b>	<b>44 753 33</b>	<b>0</b>	<b>44 753 33</b>	<b>16 857 48</b>	<b>27 895 85</b>	<b>165 48 /</b>
<b>Total Assets</b>	<b>11 553 699 81</b>	<b>362 173 68</b>	<b>11 191 526 13</b>	<b>12 906 884 08</b>	<b>1 715 357 95</b>	<b>15 33 /</b>

LIABILITIES

Demand Deposits						
State Budget	0	0	0	0	0	0 00%
Business entities	1 564 985 49	-4 753 70	1 569 739 19	2 344 497 79	774 758 60	33 05%
Individuals	341 062 07	0	341 062 07	365 375 68	24 313 61	-6 65%
Time Deposits						
State Budget	0	0	0	0	0	0 00%
Business entities	21 000 00	0	21 000 00	21 000 00	0	0 00%
Individuals	1 023 628 44	0	1 023 628 44	756 198 77	267 429 67	26 13%
Certificate of Deposits	0	0	0	0	0	0 00%

<b>Total Deposits</b>	<b>2 950 676 00</b>	<b>-4 753 70</b>	<b>2 955 429 70</b>	<b>3 487 072 24</b>	<b>531 642 54</b>	<b>15 25%</b>
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Due to banks	0	0	0	0	0	0 00%
Loans Due NBU						
Short Term	0	0	0	0	0	0 00%
Long Term	0	0	0	0	0	0 00%
Interbank Loans	200 000 00	0	200 000 00	1 200 000 00	1 000 000 00	83 33%
Securities sold under Agreement to Repurchase	0	0	0	0	0	0 00%
Debt Securities issued						
Term and revolving	0	0	0	0	0	0 00%
Less Unamortized Discount / Premium	0	0	0	0	0	0 00%

<b>Net Term and Revolving</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 00%</b>
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Subordinated Debt	0	0	0	0	0	0 00%
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<b>Total Debt Securities Issued</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 00%</b>
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Accrued Interest Payable	19 861 97	0	19 861 97	26 034 48	6 172 51	23 71%
Misc Accounts payable and accruals	-465 821 60	4 753 70	-461 067 90	-458 039 69	3 028 21	0 66%
Cleaning Accounts	0	0	0	0	0	0 00%
Advances from Branches	278 914 68	278 914 68	0	0	0	0 00%
Deferred Income	0	0	0	0	0	0 00%
Stockholder's investment pending registra	0	0	0	0	0	0 00%
Accrued Income Taxes						
Current	7 820 68	0	7 820 68	11 720 70	3 900 02	33 27%
Deferred	0	0	0	0	0	0 00%

<b>Total Liabilities</b>	<b>3 923 094 93</b>	<b>278 914 68</b>	<b>3 644 180 25</b>	<b>5 182 867 11</b>	<b>1 538 686 86</b>	<b>29 69%</b>
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CAPITAL

Statutory Capital						
Statutory Par Value	-4 460 672 00	0	-4 460 672 00	-4 460 672 00	0	0 00%
Capital Paid-in excess of par value	0	0	0	0	0	0 00%

<b>Total statutory Capital</b>	<b>-4 460 672 00</b>	<b>0</b>	<b>-4 460 672 00</b>	<b>-4 460 672 00</b>	<b>0</b>	<b>0 00%</b>
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Less stock subscription receivable	0	0	0	0	0	0 00%
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<b>Net Statutory Capital</b>	<b>-4 460 672 00</b>	<b>0</b>	<b>-4 460 672 00</b>	<b>-4 460 672 00</b>	<b>0</b>	<b>0 00%</b>
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Current Period Net Income	-82 926 43	85 843 17	2 916 74	169 980 61	172 897 35	-101 72%
Retained earnings appropriated	1 181 512 56	0	1 181 512 56	1 181 512 56	0	0 00%
Retained earnings unappropriated	1 594 797 74	2 584 17	1 597 381 91	1 594 797 40	2 584 51	0 16%
Revaluation Indexation	351 010 40	0	351 010 40	351 010 40	0	0 00%
Accumulated IAS adjustments	0	0	0	0	0	0 00%

<b>Subtotal</b>	<b>7 670 919 13</b>	<b>83 259 00</b>	<b>7 587 660 13</b>	<b>7 757 972 97</b>	<b>170 312 84</b>	<b>2 20%</b>
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Less Treasury Stock	40 314 25	0	40 314 25	33 956 00	6 358 25	18 72%
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<b>Total Capital</b>	<b>7 630 604 88</b>	<b>83 259 00</b>	<b>7 547 345 88</b>	<b>7 724 016 97</b>	<b>176 671 09</b>	<b>2 29%</b>
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<b>Total Capital and Liabilities</b>	<b>11 553 699 81</b>	<b>362 173 68</b>	<b>11 191 526 13</b>	<b>12 906 884 08</b>	<b>1 715 357 95</b>	<b>13 29%</b>
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<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50 00%</b>
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Not Found Accounts						
Positive	0	0	0	0	0	0 00%
Negative	0	0	0	0	0	0 00%

<b>Difference</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 00%</b>
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INCOME

Income Statement on 01-07 1998

Articles	SLAVU	TICH	
	Primary Table	Corrections	Income with Corrections
<b>Interest Income</b>			
Interbank Loans	-48 356 31	0	-48 356 31
Customer Loans	1 222 601 43	0	1 222 601 43
Securities	-669 478 37	44 038 53	-625 439 84
Other	-47 344 36	47 344 36	0
<b>Total Interest Income</b>	<b>1 987 780 47</b>	<b>91 382 89</b>	<b>1 896 397 58</b>
<b>Interest Expense</b>			
Borrowings from NBU	0	0	0
Interbank Borrowings	333 537 32	0	333 537 32
Deposits	736 094 25	0	736 094 25
Bank issued securities	0	0	0
Other	47 344 36	-47 344 36	0
<b>Total Interest Expense</b>	<b>1 116 975 93</b>	<b>-47 344 36</b>	<b>1 069 631 57</b>
<b>Net Interest Income</b>	<b>-870 804 54</b>	<b>44 038 53</b>	<b>826 766 01</b>
<b>Fee and Commission Income</b>	<b>130 232 55</b>	<b>31 925 64</b>	<b>98 306 91</b>
<b>Fee and Commission Expense</b>	<b>19 568 21</b>	<b>0</b>	<b>19 568 21</b>
<b>Gain (loss) from FX trade operation</b>	<b>o 18 622 17</b>	<b>0</b>	<b>18 622 17</b>
<b>Gain (loss) from Trading Securities</b>	<b>-4 227 31</b>	<b>0</b>	<b>-4 227 31</b>
<b>Divident Income</b>	<b>-236 08</b>	<b>0</b>	<b>236 08</b>
<b>Penalties</b>	<b>-82 756 39</b>	<b>0</b>	<b>-82 756 39</b>
<b>Other banking income</b>	<b>51 317 01</b>	<b>40 300 00</b>	<b>11 017 01</b>
<b>Total non-interest Income</b>	<b>267 823 30</b>	<b>72 225 64</b>	<b>195 597 66</b>
<b>Less Provision for loan losses</b>	<b>276 961 40</b>	<b>0</b>	<b>276 961 40</b>
<b>Total Banking Income</b>	<b>-861 666 44</b>	<b>116 264 17</b>	<b>745 402,27</b>
<b>Operating Expenses</b>			
Salaries and Employee benefits	228 663 81	0	228 663 81
Advertising Audit and professional fees	y 21 585 38	0	21 585 38
Travel and Entertainment	3 551 70	0	3 551 70
Amortization of Fixed Assets and Intangib	b 104 607 93	0	104 607 93
Utilities	82 818 68	0	82 818 68
Rent	81 799 58	0	81 799 58
Telephone	43 030 98	0	43 030 98
Security	47 611 63	0	47 611 63
Repairs	9 303 67	0	9 303 67
Charitable contributions	0	0	0
Other taxes and penalties	36 252 10	0	36 252 10
Other Operating Expenses	119 514 55	30 421 00	89 093 55
<b>Total Operating Expenses</b>	<b>778 740 01</b>	<b>30 421 00</b>	<b>748 319 01</b>
<b>Income before provision for Income Taxes</b>	<b>-82 926 43</b>	<b>85 843 17</b>	<b>2 916 74</b>
<b>Income Taxes</b>			
Current	0	0	0
Deferred	0	0	0
<b>Total Income Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Income before prior period Adjustme</b>	<b>i 82 926 43</b>	<b>85 843 17</b>	<b>2 916 74</b>
<b>Effect of prior Period Adjustment to</b>			
Income	0	0	0
Expense	0	0	0
<b>Total prior period Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Income after prior Period Adjustmen</b>	<b>-82 926 43</b>	<b>85 843 17</b>	<b>2 916 74</b>

**Statement of Cash Flow**

For the 2 qv 1998'

<b>Cash Flow From Operating Activities</b>	
Net Income (loss) from operations before income Tax	(172 897)
Adjustments to reconcile net income to net cash flow provided from operating activities	
Depreciation and amortization	61 150
Provision for credit losses	276 961
Market value adjustment on securities	0
Amortization of discount on securities	(274 233)
Loss on sale of securities	9 918
Net decrease (increase) in trading securities	324 821
(Increase) decrease in Loans to	
Business entities	465 159
Individuals and other	(305 882)
(Inc)/dec in acc Int Receivable	(159 833)
Adjustment for write-offs	
Increase (decrease) in Deposits	
Demand	(799 072)
Time	267 430
Due to Banks	0
Inc/(dec) in acc Int Payable	(6 173)
(Increase) decrease in prepaids and other assets	(32 935)
Increase (decrease) in other liabilities	3 028
cash paid for income taxes	(34 553)
<b>Net cash provided by (used in) operating activities</b>	<b>(377 112)</b>
<b>Cash (used) provided in (from) Investing Activities</b>	
(Increase) decrease in Interbank Loans and Repos	(170 000)
(Increase) decrease in Interbranch Loans	0
Purchase of Securities	
State bonds held for investment	(3 132 595)
Equity and other debt securities	36 000
Redemption of securities	
State bonds held for investment	4 425 113
Equity and other debt securities	0
Sale of securities net of gain	0
Purchases of premise and equipment net of retrem ts	29 564
Purchase of intangible assets	(27 896)
<b>Net cash (used) provided in investing activities</b>	<b>1 160 186</b>
<b>Cash (used) provided (from) financing activities</b>	
Increase (decrease) in NBU and interbank borrowings and repos	(1 000 000)
Increase (decrease) in Interbranch Loans	0
Treasury stock (acquired) reissued	(6 358)
Capital Contribution from Shareholders	0
Dividends Declared	
<b>Net cash (used) provided by financing activities</b>	<b>(1 006 358)</b>
Net increase (decrease) in cash and equivalents	(223 284)
Cash and equivalents at beginning of period	639 758
Cash and equivalents at end of year	416 473
	416 474
<b>Balance</b>	<b>(0)</b>

## Changes in Shareholders' Equity 2nd Quarter 1998

		5000	5030	5020	5021	3120	5100	
		Statutory capital	Retained earnings	General reserves	Other reserves	Treasury stock	Fixed asset indexation	Total capital
Залишок на 31 03 98	Beginning balance 31 03 98	4 460 672	1 764 778	214 947	966 566	-33 956	351 010	7 724 017
Зміни у резерві на кредитні ризики	Changes in reserves							0
Чистий прибуток за період	Net income (loss)		-87 054					-87 054
Корекції згідно МСБО	effect of IAS adjustments		-85 843					-85 843
			2 584					2 584
Викуплені акції	Treasury shares (purchased) or reissued					-6 358		-6 358
Виплата дивідендів	Dividends paid							0
Залишок на 30 06 98	Ending balance 30 06 98	4 460 672	1 594 465	214 947	966 566	-40 314	351 010	7 547 346



**International Business & Technical Consultants, Inc**

**Exhibit IV - 4**

**U S Agency for International Development  
Financial Infrastructure Development Project**

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**VABANK  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
March 31, 1998**

**VaBank**  
**Balance Sheet**  
(thousand UAH)

ASSETS	March 31, 1998	January 12, 1998
Cash on Hand	5 421	7 121
Travelers Checks	533	834
Funds at NBU	2 621	785
Securities held for sale		
State Bonds - Nominal Value	6 702	47 823
Less Unamortized Discount	(408)	(4 787)
Net Investments in State Bonds	6 294	43 036
Equity Securities	129	1 298
Total Securities held for sale	6 423	44 334
Market Adjustment	(324)	0
Net Securities held for sale	6 099	44 334
Due From Banks	16 647	14 455
Interbank Loans	0	1 110
Loans to		
Business entities	42 370	33 387
Individuals	2 869	2 357
Total Loans	45 240	35 745
Less Reserve for Loan Losses	(365)	(296)
Net Loans	44 874	35 449
Securities held for investment		
State Bonds - Nominal Value	31 131	350
Less Unamortized Discount	(1 689)	(40)
Net Investment in State Bonds	29 442	310
Investment securities	3 699	884
Total securities held for investment	33 141	1 194
Investments in affiliates and subsidiaries	0	1
Low Value Items and Supplies Inventories	134	133
Prepaid Expenses	538	105
Misc Accounts Receivable, etc	1 058	1 776
Accrued Interest Receivable	940	195
Prepaid Taxes	297	282
Operating Fixed Assets		
Owned	6 881	6 178
Leased	1 878	1 838
Construction in progress	1 577	1 020
Less Accumulated Depreciation	(1 063)	(1 016)
Net Fixed assets	9 273	8 020
Intangible and Inactive Assets	286	18
Total Assets	121 876	116 160

**VaBank**  
**Balance Sheet**  
(thousand UAH)

<b>LIABILITIES</b>	<b>March 31, 1998</b>	<b>January 12, 1998</b>
Demand Deposits		
State Agencies	0	25
Business entities	25 838	16 949
Individuals	1 016	1 339
Time Deposits		
Business entities	2 174	1 713
Individuals	15 376	13 137
Certificate of Deposits	895	213
Total Deposits	<u>45 298</u>	<u>8 481</u>
Due to banks	7 380	343
Due to NBU		
Short-term	991	5 991
Long-term	18 751	13 496
Interbank Loans	35 442	29 363
Securities sold under Agreement to Repurchase	0	17 000
Accrued Interest Payable	547	560
Misc Accounts payable and accruals	905	693
Accrued Income Taxes	201	575
Total Liabilities	<u>109 516</u>	<u>101 397</u>
<b>Shareholders' Equity</b>		
Capital Stock		
Statutory Par Value	11 251	11 251
Capital paid-in excess of par value	6	6
Total Statutory Capital	<u>11 257</u>	<u>11 257</u>
Appropriated Retained Earnings		
Loan Loss Reserve	78	96
Other	2 814	2 814
Unappropriated Retained Earnings (Deficit)	<u>(1 775)</u>	<u>599</u>
Subtotal	12 374	14 766
Less Treasury Stock	(14)	(3)
Total Shareholders' Equity	<u>12 360</u>	<u>14 763</u>
Total Liabilities and Shareholders' Equity	<u>121 876</u>	<u>116 160</u>

**VaBank**  
**Statement of Income**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

<b>Interest Income</b>	
Interbank Loan	276
Customer Loans	3 036
Securities	3 027
<b>Total Interest Income</b>	<u>6 338</u>
<b>Interest Expense</b>	
Borrowings from NBU	1 945
Interbank Borrowings	1 403
Deposits	1 884
Bank-issued securities	7
Other	3
<b>Total Interest Expense</b>	<u>5 242</u>
<b>Net Interest Income</b>	<u>1 096</u>
<b>Other banking Income (Expenses)</b>	
Fee and Commission Income	882
Fee and Commission Expense	(379)
Gain (loss) from FX trade operation	(1 866)
Gain (loss) from Trading Securities	(324)
Other banking income	190
Loan Loss Reserve Provision	(69)
<b>Total other banking Income (Expenses)</b>	<u>1 562</u>
<b>Total Banking Income</b>	<u>(466)</u>
<b>Operating Expenses</b>	
Salaries and Employee benefits	456
Advertising, Audit and professional fees	136
Travel and Entertainment	67
Amortization of Fixed Assets and Intangibles	51
Utilities	380
Rent	199
Telephone	191
Security	139
Repairs	75
Charitable contributions	197
Other taxes and penalties	265
Other Operating Expenses	100
<b>Total Operating Expenses</b>	<u>2 255</u>
<b>Income before provision for Income Taxes</b>	(2 721)
Income Taxes	1
<b>Net Loss</b>	<u><u>(2 722)</u></u>

**VaBank**  
**Statement of Cash Flow**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

<b>Cash Flow From Operating Activities</b>	
Net Income (loss) from operations	(2 722)
<i>Adjustments to reconcile net income to net cash flow provided from operating activities</i>	
Depreciation and amortization	51
Provision for Credit losses	69
Market value adjustment on securities	324
Amortization of discount on securities	(2 746)
Net decrease (increase) in trading securities	1 256
(Increase) Decrease in Loans to Business entities	(8 983)
Individuals and other	(512)
(Increase)/decrease in accrued interest receivable	(745)
Increase (Decrease) in Deposits	
Demand	8 540
Time	3 382
Due to Banks	7 037
Increase/(decrease) in accrued interest payable	(12)
(Increase) decrease in prepaids and other assets	358
Increase (decrease) in other liabilities	(996)
Cash paid for income taxes	(391)
<b>Net cash provided by (used in) operating activities</b>	<u><u>3 908</u></u>
<b>Cash (used) provided from Investing Activities</b>	
Increase (Decrease) in interbank borrowings and REPOs	1 110
Purchase of equity and other debt securities	(2 814)
Redemption of state bonds for investment	10 276
Purchase of premise and equipment, net of retirements	(1 304)
Purchase of intangible assets	(66)
<b>Net cash (used) provided in investing activities</b>	<u><u>7 201</u></u>
<b>Cash (used) provided from financing activities</b>	
Increase (decrease) in NBU borrowings	255
Increase (decrease) in interbank borrowings and REPOs	(10 921)
Increase (decrease) in financing leases	1 264
Treasury stock (purchased) sold	(11)
Increase (decrease) in unappropriated retained earnings	330
<b>Net cash (used) provided by financing activities</b>	<u><u>(9 082)</u></u>
Net increase (decrease) in cash and equivalents	2 027
Cash and equivalents at beginning of period	<u>23 194</u>
<b>Cash and equivalents at end of year</b>	<u><u>25 221</u></u>

**Va Bank**  
**Statement of changes in Shareholders' Equity**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

	Statutory Capital		Appropriated Retained Earnings		Retained Earnings (Deficit)	Treasury Stock
	Par Value	Paid in excess of par value	Loan Loss Reserve	Other		
Balance as of January 12, 1998	11 251	6	96	2814	599	3
1997 Corrections, net	0	0	0	0	330	0
Net Loss for the Quarter	0	0	0	0	(2 722)	0
Transfer from General Loan Loss Reserve	0	0	(18)	0	18	0
Treasury Stock Purchased	0	0	0	0	0	11
Balance as of March 31, 1998	11 251	6	78	2814	(1 775)	14



**International Business & Technical Consultants, Inc**

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Financial Infrastructure Development Project**

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**VABANK  
FINANCIAL STATEMENTS (UNAUDITED)  
As of and for the Quarter ended  
June 30, 1998**

VaBank  
Balance Sheet  
UAH

	01 07 98	01 04 98	Difference
<b>ASSETS</b>			
Cash on Hand	9 221	5 421	3 801
Travelers Checks	338	533	(195)
Funds at NBU	2 363	2 621	(258)
<b>Securities held for sale</b>			
State Bonds - Nominal Value	7 331	6 702	629
Less Unamortized Discount / Premium	(814)	(408)	(406)
Net Investment in State Bonds	6 517	6 294	223
Equity Securities	0	129	(129)
<b>Total Securities held for sale</b>	<b>6 517</b>	<b>6 423</b>	<b>94</b>
Market Adjustment	(340)	(324)	(16)
<b>Net Securities held for sale</b>	<b>6 176</b>	<b>6 099</b>	<b>78</b>
Due From Banks	6 288	16 647	(10 358)
Interbank Loans	9 215	0	9 215
<b>Loans to</b>			
Business entities	50 090	42 370	7 720
Individuals	2 824	2 869	(46)
<b>Total Loans</b>	<b>52 914</b>	<b>45 240</b>	<b>7 674</b>
Less Bad Debt Reserve	(329)	(365)	36
<b>Net Loans</b>	<b>52 585</b>	<b>44 874</b>	<b>7 710</b>
<b>Securities held for investment</b>			
State Bonds - Nominal Value	13 201	31 131	(17 929)
Less Unamortized Discount / Premium	(1 584)	(1 689)	105
Net Investment in State Bonds	11 618	29 442	(17 824)
Equity Securities	5 606	3 699	1 908
<b>Net Securities held for Investment</b>	<b>17 224</b>	<b>33 141</b>	<b>(15 917)</b>
Low Value Items and Supplies Inventories	215	134	81
Prepaid Expenses	690	538	152
Misc Accounts Receivable, etc	662	1 058	(396)
Accrued Interest Receivable	770	940	(170)
<b>Prepaid Taxes</b>			
Current	319	297	22
<b>Operating Fixed Assets</b>			
Owned	8 218	6 881	1 336
Leased	3 110	1 878	1 233
Construction in Progress	0	1 577	(1 577)
Less Accumulated Depreciation	(1 136)	(1 063)	(73)
<b>Net Fixed assets</b>	<b>10 192</b>	<b>9 273</b>	<b>919</b>
Foreclosed and other inactive fixed assets	0	15	-15
Intangible Assets	478	307	171
Less Accumulated Amortization	(27)	(21)	(5)
<b>Net Intangible Assets</b>	<b>451</b>	<b>286</b>	<b>166</b>
<b>Total Assets</b>	<b>116 711</b>	<b>121 876</b>	<b>(5 165)</b>

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VaBank  
Balance Sheet  
UAH

**LIABILITIES**

<b>Demand Deposits</b>			
Business entities	-15 621	-25 838	10 216
Individuals	-1 606	-1 016	-590
<b>Time Deposits</b>			
Business entities	-2 284	-2 174	-110
Individuals	-15 376	-15 376	0
Certificate of Deposits	-2 033	-895	-1 138
<b>Total Deposits</b>	<u>-36 919</u>	<u>-45 298</u>	<u>8 379</u>
Due to banks	-11 263	-7 380	-3 884
<b>Loans Due NBU</b>			
Short Term	-991	-991	0
Long Term	-26 529	-18 751	-7 778
Interbank Loans	-20 841	-35 442	14 602
Accrued Interest Payable	-395	-547	152
Misc Accounts payable and accruals	-1 487	-550	-938
Clearing Accounts	-120	-355	235
<b>Accrued Income Taxes</b>			
Current	-244	-201	-43
<b>Total Liabilities</b>	<u><b>-98 791</b></u>	<u><b>-109 516</b></u>	<u><b>10 725</b></u>

**CAPITAL**

<b>Statutory Capital</b>			
Statutory Par Value	-16 757	-11 251	-5 507
Capital Paid-in excess of par value	-407	-6	-401
<b>Net Statutory Capital</b>	<u><b>-17 165</b></u>	<u><b>-11 257</b></u>	<u><b>-5 907</b></u>
<b>Retained earnings - appropriated</b>			
General reserve	-371	-78	-293
Other reserves	-8 564	-2 814	-5 750
<b>Retained earnings - unappropriated</b>	<u><b>8 152</b></u>	<u><b>1 775</b></u>	<u><b>6 377</b></u>
<b>Subtotal</b>	<u><b>-17 948</b></u>	<u><b>-12 374</b></u>	<u><b>-5 574</b></u>
Less Treasury Stock	27	14	14
<b>Total Capital</b>	<u><b>-17 921</b></u>	<u><b>-12 360</b></u>	<u><b>-5 560</b></u>
<b>Total Capital and Liabilities</b>	<u><u><b>-116 711</b></u></u>	<u><u><b>-121 876</b></u></u>	<u><u><b>5 165</b></u></u>

VaBank  
Income Statement  
UAH

	six months 1998p	Quarter	
		first	second
<b>Interest Income</b>			
Interbank Loans	-742	-276	-466
Customer Loans	-6 527	-3 036	-3 491
Securities	-5 099	-3 027	-2 072
<b>Total Interest Income</b>	<b>-12 368</b>	<b>-6 338</b>	<b>-6 030</b>
<b>Interest Expense</b>			
Borrowings from NBU	2 253	1 945	308
Interbank Borrowings	3 049	1 403	1 646
Deposits	3 592	1 884	1 707
Bank-issued securities	38	7	32
Other	4	3	1
<b>Total Interest Expense</b>	<b>8 936</b>	<b>5 242</b>	<b>3 694</b>
<b>Net Interest Income</b>	<b>-3 432</b>	<b>-1 096</b>	<b>-2 336</b>
Fee and Commission Income	-1 774	-882	-891
Fee and Commission Expense	855	379	477
Gain (loss) from FX trade operation	1 658	1 866	-208
Gain (loss) from Trading Securities	334	324	10
Divident Income	-4	-4	0
Penalties	0	0	0
Other banking income	-150	-190	40
<b>Total non-interest Income</b>	<b>920</b>	<b>1 493</b>	<b>-573</b>
Less Provision for loan losses	33	69	-36
<b>Total Banking Income</b>	<b>-2 480</b>	<b>466</b>	<b>-2 945</b>
<b>Operating Expenses</b>			
Salaries and Employee benefits	991	456	535
Advertising, Audit and professional fees	723	136	587
Travel and Entertainment	107	67	40
Amortization of Fixed Assets and Intangibles	146	51	95
Utilities	614	380	234
Rent	452	233	219
Telephone	590	191	399
Security	296	139	157
Repairs	144	75	69
Charitable contributions	226	197	29
Other taxes and penalties	547	266	281
Other Operating Expenses	207	67	140
<b>Total Operating Expenses</b>	<b>5 044</b>	<b>2 256</b>	<b>2 788</b>
<b>Income before provision for Income Taxes</b>	<b>2 564</b>	<b>2 721</b>	<b>-158</b>
<b>Income Taxes</b>			
Current	82	1	81
<b>Total Income Taxes</b>	<b>82</b>	<b>1</b>	<b>81</b>
<b>Net Income before prior period Adjustment</b>	<b>2 646</b>	<b>2 722</b>	<b>-77</b>
<b>Effect of prior Period Adjustment to</b>			
Income	-1	-0	-0
<b>Total prior period Adjustments</b>	<b>-1</b>	<b>-0</b>	<b>-0</b>
<b>Net Income after prior Period Adjustment</b>	<b>2 646</b>	<b>2 722</b>	<b>-77</b>

**VaBank**  
**Cash Flow Statement**  
*For the second quarter*  
*(thousand hryvna)*

<b>Cash Flow From Operating Activities</b>	
Net Income (loss) from operations before income Tax	158
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	95
Provision for credit losses	36
Market value adjustment on securities	16
Amortization of discount on securities	-2 072
Net decrease (increase) in trading securities	305
(Increase) decrease in Loans (net of write-offs) to	
Business entities	-7 720
Individuals and other	46
(Increase) decrease in accrued interest receivable	170
Increase (decrease) in Deposits	
Demand	-9 626
Time	1 247
Due to Banks	3 884
Increase (decrease) in accrued interest payable	-152
(Increase) decrease in prepaids and other assets	99
Increase (decrease) in other liabilities	703
<i>cash paid for income taxes</i>	-60
<b>Net cash provided by (used in) operating activities</b>	<b>-12 871</b>
<b>Cash (used in) provided by Investing Activities</b>	
(Increase) decrease in Interbank Loans	-9 215
(Increase) decrease in Interbranch borrowing	0
Purchase of Securities	
State bonds held for investment	-5 644
Equity and other debt securities	-1 908
Redemption of securities	
State bonds held for investment	24 180
Equity and other debt securities	0
Sale of securities net of gain or loss	959
Purchases of premise and equipment net of retirem'ts	-1 014
Purchases of premise intangible assets	-166
<b>Net cash (used in) provided by investing activities</b>	<b>7 192</b>
<b>Cash (used) provided (from) financing activities</b>	
Increase (decrease) in NBU and interbank borrowings and repos	-6 824
Increase (decrease) in Interbranch Loans	0
Treasury stock (acquired) reissued	-14
Capital Contribution from Shareholders	5 507
Dividends paid	0
<b>Net cash (used in) provided by financing activities</b>	<b>-1 331</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>-7 010</b>
Cash and equivalents at beginning of period	25 221
Cash and equivalents at end of year	18 212

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**Va Bank**  
**Statement of changes in Shareholders' Equity**  
**For the Quarter Ended March 31, 1998**  
**(thousand UAH)**

	Statutory Capital		Appropriated Retained Earnings		Retained Earnings (Deficit)	Treasury Stock
	Par Value	Paid in excess of par value	Loan Loss Reserve	Other		
Balance as of January 12, 1998	11 251	6	96	2814	599	3
1997 Corrections, net	0	0	0	0	330	0
Net Loss for the Quarter	0	0	0	0	(2 722)	0
Transfer from General Loan Loss Reserve	0	0	(18)	0	18	0
Treasury Stock Purchased	0	0	0	0	0	11
Balance as of March 31, 1998	<u>11 251</u>	<u>6</u>	<u>78</u>	<u>2814</u>	<u>(1 775)</u>	<u>14</u>

## **Exhibit V**

### **Scope of Participating Bank (PAB) Assistance and Workshop Program**

**International Business & Technical Consultants, Inc**U S Agency for International Development  
Financial Infrastructure Development ProjectVulitsa Lysenko 4 Apartment 13  
Kyiv 252034, UkraineTelephone 380-44-229-6525  
Fax 380-44-246-4953

**Date** February 23, 1998

**To** Laurie Landy, USAID  
Victor Verhun

**From** Gary P Fechtmeyer  
Team Leader

**Subject** Focus of PAB component and modification of benchmarks

Attached please find a preliminary schedule of accounting/conversion workshops which the two advisory teams are proposing to offer jointly to the PAB group. The use of a "workshop approach" to advise the PAB group is, I believe, significantly different from the general approach outlined in the original project TOR and related benchmarks. Therefore, I want to set forth the reasons for the change in approach and the resulting change to the benchmarks for your review and approval. The revised approach has been recommended to NBU by Remi and it is my understanding that NBU supports the change.

The original approach for the PAB component provided for limited TA consisting of reviewing the mapping chart from the old chart of accounts to the new chart of accounts at the basic account level and advising on the application of the new accounting standards. This TA was to be delivered to assigned PABs through a series of site visits, basically a one day visit per PAB each quarter.

The progress made in the IAS conversion has changed the TA needs for the PABs. Specifically, the majority of the banking sector is no longer mapping from the old to new chart of accounts but are coding transactions directly into the new accounts, thereby eliminating the need to review mapping procedures. This represents a major achievement in the reform effort, but the commercial banks still need significant TA in the more complicated process of developing the procedures which need to be adopted to conform their financial records to IAS and in preparing IAS-formatted financial reports.

Our experience with the PIBs is that one day site visits would not provide sufficient time to adequately train bank accounting staff in the technical aspects of determining IAS adjustments and to introduce them to IAS reporting. The advantage of the workshop approach is that the combined resources of both USAID and EUTACIS teams are used to deliver specific technical subjects based on actual experience with the PIBs. The participants would be trained to use conversion implementation tools already tested in the PIBs (i.e. valuation model for investment securities). At the beginning of the following session, time is allocated for a review of the results achieved by using the implementation tool. This "hands on" evaluation process is conducted either on a one-on-one basis or in small groups directed by the project's Accounting Consultants and selected PIB staff.

By combining the project resources, we are proposing to deliver a series of ten, one day workshops to representatives of 22 PABs during a four month period, March through June. Participation will be strictly controlled by the NBU to insure continuity. This approach should provide training in a broader range of technical subjects than the original approach as well as allowing for some opportunity for individual TA. This revised program, however, will not measure whether the implementation tools are being used effectively in the individual PABs in order to achieve sustained IAS-based financial reporting. But, limited site visits as originally contemplated would also not achieve that objective. It would take a more extensive program of frequent site visits and follow up to develop sustainable IAS-based accounting systems with a PAB group.

Based on the above factors, I am recommending we modify the original benchmarks for the PAB component and replace them with the condensed work shop series outlined above. If you concur with this recommendation, please indicate your approval below. I am available at your convenience to discuss any questions and/or suggestions you may have on the above issue.

Approved by

<u>Laurie Landy</u>	<u>Feb 23, 1998</u>
Laurie Landy, USAID	Date
(Excellent - I fully agree)	

**International Business & Technical Consultants, Inc**

U S Agency for International Development  
Financial Infrastructure Development Project

Vulitsa Lysenko 4, Apartment 13  
Kyiv 252034 Ukraine  
e-mail ibtcua@adam kiev com

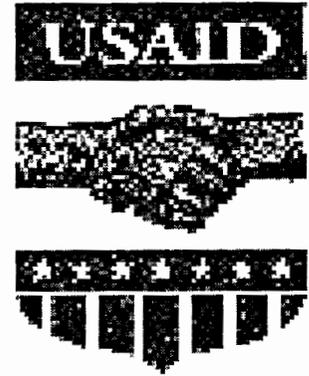
Telephone 380-44-246-4952  
225-7517  
Fax 380-44-246-4953

**Participating Bank Workshop Schedule  
Condensed Draft For Discussion and Amendment**

When		What	Who	IAS Guidance Manual (Chapter Reference)
13 03 98	1	Intro to Process and Participants	Remi Duflot	
		Implementation Process	Bernhard Kopp	Chapter 2
		Main accounting concepts <i>Tool IAS adjustment checklist</i>	Gary Fechtmeyer	Chapter 3
		NBU perspectives – Supervision and MIS	(Taskey, Nichol ?)	
20 03 98	2	Follow-up checklist responses Monthly closings adjusting, correcting, post-closing entries	IBTCI team	Ch 7 1, 8 4
		Introduction to IAS-formatted statements <i>Tool Financial Statement Template Tool (FiSTT) v 1</i>	IBTCI team Johnston/Savytski	
27 03 98	3	Follow-up use of FiSTT on 28 02 98 file 02	IBTCI team	
		Fixed Assets	PW team	Ch 7 5
		Leases	IBTCI team	Ch 7 6
10 04 98	4	Follow-up use of FiSTT on 31 03 98 file 02	IBTCI team	
		Securities <i>Tool securities valuation model (SVM)</i>	IBTCI team	Ch 7 4
		Foreign Exchange	PW team	Ch 7 3
17 04 98	5	Follow up securities valuation using SVM	IBTCI team	
		Loan loss Provision <i>Tool NBU credit evaluation matrix</i>	PW (and GT?)	Ch 7 2
24 04 98	6	Follow-up loan loss provision	PW	
		Contingencies, Commitments, Post-balance sheet events	IBTCI team	Ch 7 7-7 8
		Off-balance sheet accounts	PW team	
15 05 98	7	Follow-up use of FiSTT on 31 03 98 file 02	IBTCI team	
		Quarterly Financial statement adjustments <i>Tool FiSTT – v 2 (with adjustment capability)</i>	TBA Johnston/Savytski	Ch 8 4
22 05 98	8	Follow-up use of FiSTT v 2 on 31 03 98 file 02	IBTCI team	
		Accounting Policies and Procedures and/or Colin Sutherland s greatest hits – volume 1	Colin Sutherland	
29 05 98	9	Cash Flow Statement (CFS) <i>Tool CFS template or FiSTT v 3</i>	TBA	
		IAS 30, Footnotes	TBA	Chapter 4 Ch 8 1
		Using outside auditors vs doing your own IAS	(UFPAA guests?)	
12 06 98	10	Introduction to Management Accounting	TBA	
		Converting NBU reporting database into useful information	TBA	Ch 7 9-7 10

# **Exhibit VI**

## **Conference Material**



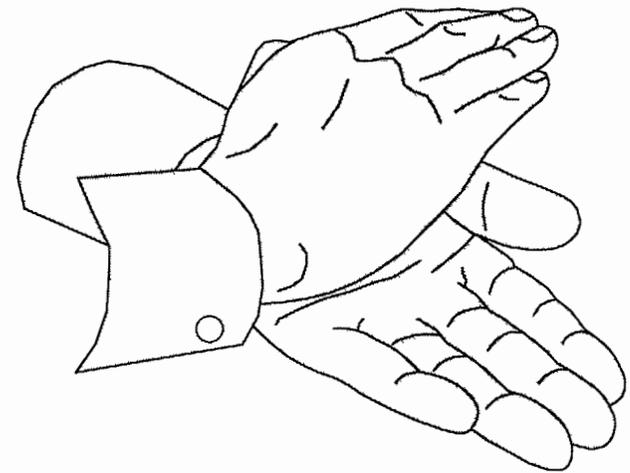
# "Fast Track to IAS"

## Bank Accounting Reform in Ukraine

# What has been achieved in Ukraine

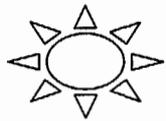
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- System wide adoption of IAS-compatible Chart of Accounts (COA)
- Transaction level conversion to new COA
- Full accrual accounting
- Revised system of regulatory/statistical reporting to NBU



# **“Fast Track” to IAS-the reform process in Ukraine**

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• **June 17, 1997-**

**IAS compatible COA and Underlying Assumptions approved**

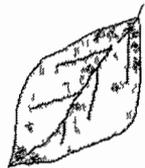


• **July 7, 1997-**

**Directive on Foreign Exchange**

• **July 21, 1997-**

**Finalized Analytical Account Structure / Bridge Table**



• **September 25, 1997-**

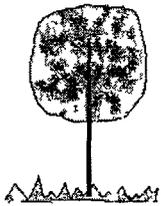
**Directive on Accounting for Income and Expenses (Accrual)**

• **September 29, 1997-**

**Directive on Loan Loss Reserve Provision**

# **“Fast Track” to IAS-the reform process in Ukraine**

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- **October 1, 1997-** Banks submit first NBU reports, Bridging used



- **December 1997-** Directive on fixed assets and leases and Investment Securities
- **December 31, 1997-** Instruction 10, Prudential Regulations



- **January 1, 1998-** COA implemented
  - **January 5, 1998-** Opening Balances in new COA submitted to NBU
-

# Significance of Bank Accounting Reform for Ukrainian Enterprises

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**A. Current accounting environment in Ukrainian Commercial Banks**

**B. What this means to Ukrainian Enterprises**

**C. The Commercial Banker's Responsibility**

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# Factors contributing to Ukrainian Success

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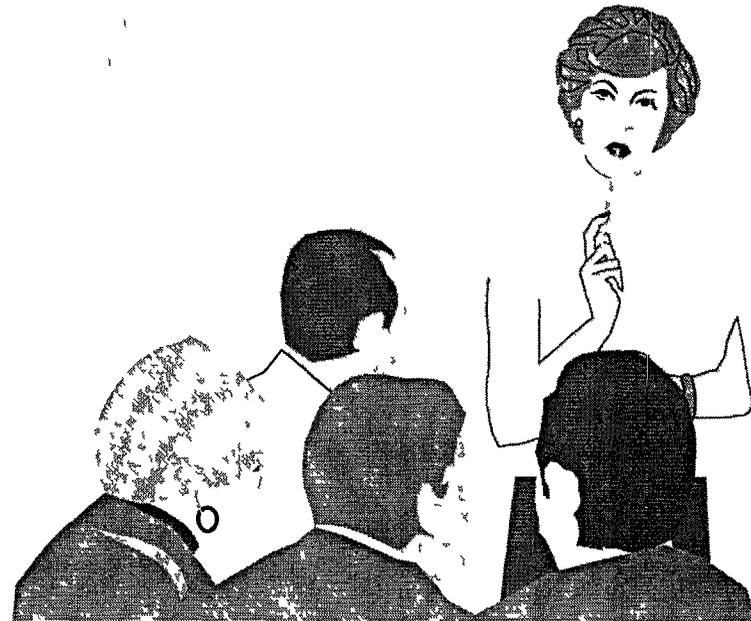
- **USAID/Bank Supervision built solid foundation for reform**
- **NBU with political strength to implement IAS reform independent of MINFIN**
- **NBU/CBARU work teams dedicated to the process**
- **Sophisticated Central Payment System supporting transaction level conversion**
- **Common understanding of conversion level objectives**



# Multiple donor agency resources committed with coordinated focus on implementation

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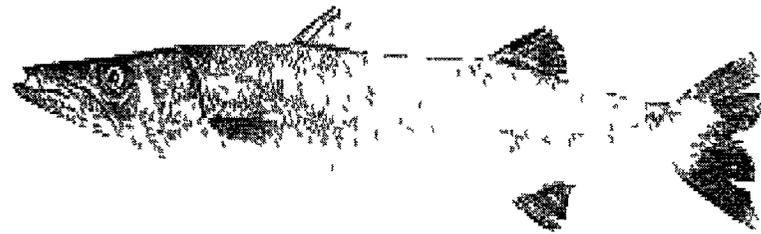
- **Joint USAID, EUTACIS, British Know How Fund effort**
- **Project Components:**
  - Pilot Banks - extensive on-site technical assistance*
  - Participating Banks - workshops to train in use of implementation tools developed in Pilots*
  - Sector-wide IAS training*



# Development of Implementation tools with sector wide application

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- **Bridge Validation Program**
- **IAS Adjustment Checklist**
- **IAS Financial Statement Preparation Program**  
**(«Barracuda»)**
- **INVEST Program for State Bonds**



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225 7517  
Fax 380-44-246 4953

**USAID NIS Accounting Reform Conference  
Almaty, Kazakstan  
Discussion Outline on Ukraine Commercial Bank IAS Implementation  
Wednesday 22 April 1998**

**Sector Infrastructure** *(Slide – Discussion bullets)*

National Bank of Ukraine (NBU) has been the primary government entity overseeing banks. The NBU Law and the Law on Banks and Banking were developed under NBU initiative. Although Banks are also required to comply with the Accounting Law, the NBU has been able to write and implement its own accounting directives without Ministry of Finance intervention. Accordingly, despite the fact that enterprise accounting reforms in Ukraine lag, the banking sector has been able to proceed on a relatively fast-track to IAS adoption.

“In collaboration with the International Monetary Fund, a matrix of donor assistance was put in place early on to develop basic central bank functions – different aspects of bank supervision, development of the electronic funds payment system, development of an IAS-based chart of accounts, development of a primary market in government securities.” The successful introduction in early 1996 of the new national currency, the hryvnia, and a significant reduction in the inflation rate further improved the backdrop against which an orderly and focused accounting reform process could be carried out. (Reference and handout Laurie Landy’s *Developing Sound Banks in Transitional Economies*)

**Project Context** *(Slide – NBU/AID/TACIS Project Structure)*

USAID has been funding technical assistance programs to develop NBU bank supervision since 1995. Later, training programs within NBU were developed, and concurrently, USAID funding was provided to academic programs such as the Center for the Training of Bank Personnel (KPMG/Barents, USAID Contractor). Also within the NBU, development of the IAS-based Chart of Accounts (COA) began, with consultation from British Know-How Fund and other donor agencies.

The Commercial Bank IAS Accounting Reform Project began in June 1997, as a joint technical advisory program of USAID and EUTACIS to assist the NBU with implementation of IAS, using the already-drafted COA as an “anchor”, and a pre-selected group of fifteen Pilot Banks (PIBs) as the preliminary testing “fleet.” *(Slide – NBU/AID/TACIS Project Structure)* While IBTCI and most PW effort focus on the commercial banks, other consultants work within the NBU – all independent NBU advisors and consulting groups interface and coordinate efforts, with AID and TACIS facilitating the planned joint effort.

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### Project Activity July 1997 to date

This program component of the Financial Infrastructure Development Project launched as a fifteen month effort in June 1997. It consists of two components – the Pilot Bank (PIB) component and the Participating Bank (PAB) component. International Business & Technical Consultants, Inc (IBTCI) is the USAID contractor providing technical assistance. During 1997, substantially all project resources were devoted to the PIB component with the objective of sharing these pilot experiences with PABs in 1998. During the first quarter of 1998 we delivered three seminars of a ten seminar series planned for PABs and being conducted jointly by the USAID-IBTCI and EUTACIS-Price Waterhouse project teams. General project structure and approach are as follows:

- The IBTCI team consists of three resident foreign advisors. Two advisors are accounting specialists (American CPA's) and the third is a specialist in information technology. The team also includes five national consultants – four accountants and one IT specialist.
- IAS conversion teams at the four project PIBs consist of one (IBTCI) national accounting consultant working with PIB accounting and IT personnel. Each foreign accounting advisor has primary responsibility for two of the PIB teams. The foreign IT advisor and his local counterpart work as a team to provide IT consultation and software development for all four PIB groups.
- Work began in June/July with a Diagnostic phase at the four pre-selected PIBs. The pre-selection process itself (of all fifteen PIBs) was a significant technical effort involving USAID and its contractors already working in the bank supervision area. The diagnostic phase allowed an updated analysis of bank management and the financials, and resulted in confirmation of PIB selection and PIB resource commitments.
- During the PIB implementation, the USAID-IBTCI teams have spent considerable resources on the particular accounting and reporting systems of their respective PIBs. However, we have also focused as a Project Team on developing basic Implementation Tools which could be used throughout the banking sector. These include a Bridge Validation Program, IAS Adjustment Checklist, Market Valuation Model and a Program that prepares IAS formatted Financial Statements from NBU-required reporting files.

### The Methodology (Slide – Conversion Levels)

As of year-end 1997 PIBs were preparing “roughly” IAS statements based on the old (Gosplan-based) accounting systems and bridging of month-end balances accompanied by account analyses and “quick and dirty” transformation adjustments. These bridging exercises, however, were planned only as experimentation with and refinement of the new COA.

Very early on in our process, the NBU and all advisors had been agreed that a bridging-based system (we called it a “Level 1” approach) could not be easily sustained. (*Slide – Conversion Levels*) The sustainable conversion would require a cutover to the new IAS-compatible COA in order to work – meaning that all transactions would need to be put into a substantively correct account from the get-go - we called this a ‘Level 2’ conversion. In an ideal world in which a PIB committed to full sub-system redesign (i.e., incorporating international-style subsidiary ledgers instead of keeping all account details in the general ledger (GL)) we could even accomplish a Level 3 conversion.

Methodology met with reality in December 1997, when, after conducting critical tests of the electronic payments system, (and possibly due to not being able to change a World Bank conditionality date?) the NBU committed us to a minimum Level 2 Conversion – in the last week of December, they announced that the new IAS-based COA would be required for daily regulatory reporting effective 1 January 1998.

### Key Accomplishments the Implementation Tools

*Demonstration Segment tool by tool with hard copies to be handed out*

- 1) The Bridge Validation Program A Foxpro-based model created by the IBTCI resident IT advisor that allowed us in the early experimental phases to test accuracy of old to new account conversions (*Demo only on laptop*)
- 2) The IAS Adjustment Checklist A short-form month-end review checklist compiled by the accounting team and used in PIBs to ensure that all significant IAS adjustments had been made (*Hard-copy handout*)
- 3) We went through several releases of the Microsoft Access-based Financial Statement Generator at PIBs during fourth quarter 1997, before a beta version of 'Barracuda' was released to PIBs and PABs in the first quarter of 1998
  - This tool initially filled an immediate need – because NBU required their new monthly balance sheet and income statement data to be submitted in “data string” format electronically, the PIBs (and all CB’s) were left to deal with the problem of how to print these data strings in recognizable forms so that Chief Accountants could understand the numbers they were “signing off” on We as consultants were also interested in “seeing the numbers”
  - The tool then evolved from a statement printing tool into an accountants’ review and write-up tool It enables booking worksheet entries, reformatting report lines on balance sheet and income statement, and importing prior period numbers for on-screen analysis capability
  - Current modifications are being made to add a “draft Cash Flow Statement” module that will greatly simplify the preparation of a full set of IAS financials (*Demo on laptop with hard copy handout of English language 'Barracuda' instructions*)
- 4) The Market Valuation Model called “Invest\_A” was developed principally by one of the team’s national accounting consultants, and is essentially a “mini-sub-system” for a bank’s portfolio of Government Discount Securities (called OVDP) Given data entry of a simple database including purchase date and amount and maturity date and amount of OVDP acquisitions, it provides calculations of the effective yield of the security, discount amortization (straight-line and effective interest method), and an estimated market value based on current auction yields (*Demo on laptop*)

**Surprises and Obstacles Coping and Solving**

**Surprises**

December NBU Decision to cutover to new COA on January 1<sup>st</sup> (As late as end-November 1997, the World Bank was considering deferring the “cutover date” to 1 April 1998 ) In retrospect the same sector infrastructure that gave us a good start was probably the main reason for the last minute NBU decision – the very well developed electronic payments system Key to the new COA decision was whether the new account codes (synthetic AND ANALYTICAL) could be accommodated by the system and by the banks internally Probably the latter was the main concern, and apparently the December test results upheld the choice to ‘ go ’

Late fall 1997 NBU announcement that regulatory filing would be done in electronic data files instead of via printable/readable text files in established formats, as in the past This came after the banking system had gotten a draft 200 page volume of printed, ‘picture perfect’ new regulatory reporting forms to go along with the new COA, all in June and July This decision of course created the need for our IT advisors to help us convert the data into understandable balance sheets and income statements – and a major project accomplishment evolved as a result

## Obstacles

*Catch 22* – Accountants could not independently adopt policies and procedures based on IAS without the imprimatur of an NBU directive (like all NIS countries) But then NBU-issued draft instructions were either confusing or vague or conflict with the tax code and require interpretation anyway

*COA vs IAS* – Accountants at CBs, and even some NBU people think that now that they have adopted the new COA, their work is done But old redundant bookkeeping entries continue, despite the fact that eventually an economic event lands in the right account We have been working with PIB (and now PAB) staff on differentiating between ground-level bookkeeping entries (that of course comply with NBU instructions) from the month-end adjusting, reclassifying and correcting entries that are needed in order to prepare materially accurate IAS statements

*Book VS Tax* – Accountants here are having a difficult time understanding that IAS-based financial accounting is THE basis for a consistent, meaningful set of books, whereas tax rules result in inconsistent, non-comparable accounting records At every step they fear violation of the tax rules and the results of any tax exam – especially now that there are distinct RAP-TAX differences We are training them to classify the differences (permanent vs temporary) and track them (manually so far – until the IT functions have time to focus on developing some reporting aids) in the context of calculating and booking an IAS tax provision and liability (current and deferred, and/or deferred tax assets)

The Book vs tax issue is much larger than the project itself, however, and this is where coordination of project funding for revision of the tax code, training of bank-specialized tax inspectors and development of ‘schedule-M-type’ models for the NBU, CBs and the tax inspectorate is important as progress toward transferable/sustainable preparation of IAS financials continues And here is where perhaps the NBU needs to move in lockstep with the enterprise sector – trying to rush too far ahead of overall accounting and tax reform could potentially threaten the latter, or erase reform gains made to date in the banking sector

## **Conclusion Lessons to Learn (i e Things to Copy) from the Ukraine Experience**

### **Macro**

The payments system Ukraine’s electronic payments system has been cited as exceptionally good for an NIS country This was in part attributable to over \$2 million specifically for hardware granted by USAID in summer 1995 Of course in any banking system, anywhere, moving money efficiently is the first thing it needs to do If operations go smoothly, the central bank obviously has more time to spend on writing a COA and IAS-based directives since it spends less time chasing mis-routed money Clearly a key strategy-level issue

### **Middle (Project Planning and Design)**

The degree of coordination between USAID and EUTACIS in delivering related advisory services to NBU and commercial banks during co-scheduled projects could be unique in this bank accounting reform effort While our respective TORs will always include overlap, there is a great deal of cooperation going on between the IBTCI and PW teams that reduces unnecessary duplication of work and gets all involved donors a better ‘bank for the buck’ (Besides delivering joint seminars, we share our tools with their consultants and PIBs they developed an Implementation Manual and shared with us, and have an expanded team to call on for more PIB experience – it really is as if we are all working with all 15 PIBs on some level, even though we only focus individually on one or two) It is never easy to plan and facilitate a consortium effort, but we have realized true efficiencies in this experience that we consider worth emulating

### **Micro**

The keep-it-simple ("KIS") success formally can be stated as SKILLS PLUS TOOLS Well, you as well as we have the skills, and we know a large part of any USAID project is to transfer those skills to our counterparts and country clients that's not new But what could be new is a real dedication to developing [mostly simple] accessible, portable tools (like the validation program , the checklist, Barracuda and Invest\_A) Training and dissemination of well designed and executed tools is like being in more than one place at the same time That's effective time management, a great cost-benefit trade-off and anything else you want to call it in management accounting terms (you can buy more than a few boxes of diskettes for the price of an additional consultant)

## **Exhibit VII**

### **Invitation and Program for August 1998, “Wrap-up”, Senior Executive Seminar**

International Business & Technical Consultants, Inc

U S Agency for International Development  
Financial Infrastructure Development Project

Vulitsa Lysenko 4, Apartment 13  
Kyiv 252034, Ukraine  
Gary P Fechtmeyer, Team Leader

Telephone 380-44-229-6525  
Fax 380-44 246-4953

Dear

You are cordially invited to a Senior Executive Seminar to be held on Friday, August 28, 1998, from 10 00 AM to 3 00 PM in the \_\_\_\_\_ Conference Hall As set forth in the attached invitation, this seminar is specifically directed to Senior Management of the Pilot Banks and selected Participating Banks who have received on-site technical assistance during 1998 through the USAID project to implement IAS compliant financial reporting in the commercial banking sector The seminar will be conducted by seasoned financial executives from the United States who have recently been in Ukraine to assist in finalizing the implementation process for Phase One of the technical assistance program

The presentations will summarize the IAS-based reporting which is currently being prepared in your banks using software tools designed by the USAID technical assistance team The focus of the presentations is how you can use these reports to

- Evaluate the performance of your bank
- Manage key elements of risk in your bank operations and the economic environment
- Value your bank based on the standards used by the Western investor

The topics to be discussed are of interest to Senior Management We therefore urge each of you to attend and also ask that you designate up to three members of your Senior Management Team to participate

Please call \_\_\_\_\_ by \_\_\_\_\_ with the designated participants so we can arrange for entrance into the Conference Hall

Sincerely Yours,

Gary P Fechtmeyer  
Team Leader

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**International Business & Technical Consultants, Inc**

**U S Agency for International Development  
Financial Infrastructure Development Project**

Vulitsa Lysenko 4, Apartment 13  
Kyiv 252034, Ukraine

Telephone 380-44-229-6525  
Fax 380-44-246-4953

**Invitation to Senior Management  
USAID Pilot Banks and Selected Participating Banks  
Overview of IAS Implementation and Internal Financial Reporting**

**August 28, 1998**

**Agenda**

❖ **Focus of IAS Technical Assistance in 1998**

- Implement process of account analysis and verification
- Implement system of Performance-based financial reporting
- Initiate development of management reporting

❖ **Specific tools utilized- Account Analysis, Statement Preparation, and Valuation**

- Balance Sheet
- Income Statement
- Cash Flow
- Performance and Western standards for bank valuation

❖ **Specific tools utilized-- Risk Management and Decision Making**

- Risk Analysis
- Management Analysis, operating efficiencies and branch profitability

❖ **Technical Assistance Focus, 1998 and 1999—Overview and Discussion**

**Seminar Leaders** Hans Jacobsthal, CPA and Senior Partner (Rt ), Deloitte and Touche,  
Richard D Thorsen, CPA and Member, Board of Directors, Citizens Independent Bank, USA

**Seminar Moderators** USAID Project Team, IAS Implementation in Commercial Banks-  
Gary P Fechtmeyer, CPA, Team Leader

Diana Slobodian, CPA, Bank Accounting Specialist

Bruce Johnston, DPMA, Information Technology Specialist

**Time and Place**

**Note** Please call or Fax with names of attendees by August 26 to \_\_\_\_\_ -



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(380 44) 225 7515  
(380 44) 229 6525  
Fax (380 44) 246 4953

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**Seminar for Senior Management of  
USAID Pilot Banks and Selected Participating Banks  
Overview of IAS Implementation and Internal Financial Reporting**

**August 28, 1998  
Agenda**

10 00 – 10 10	Introduction	Gary P Fechtmeyer
10 10 – 11 00	Preparation and Analysis of IAS Financial Statements	Hans Jacobsthal
11 00 – 11 15	Adjustments to banks' data	Richard Thorsen
11 15 – 11 30	Coffee break	
11 30 – 12 00	Trident Bank – New stock issue and dilution	Hans Jacobsthal
12 00 – 12 30	Trident Bank- Investor Valuation	Gary P Fechtmeyer
12 30 – 1 00	Reports for risk management and decision making	Richard Thorsen
1 00 – 1 15	Daily Funds Flow	Gary P Fechtmeyer
1 15 – 2 00	Lunch break	
2 00 - 2 15	Branch Performance	Gary P Fechtmeyer
2 15 – 2 30	Market cost valuation of securities	Diana Slobodian
2 30 – 2 45	Foreign Exchange reporting issues	Gary P Fechtmeyer
2 45 – 3 00	IT Development issues	Bruce Johnston
3 00 – 3 30	Conclusion and discussion	

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