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ACCESS TO CREDIT INITIATIVE

UKRAINE & MOLDOVA

SIXTEENTH QUARTERLY REPORT – UKRAINE

EIGHTH QUARTERLY REPORT - MOLDOVA

July 1, 2008 – September 30, 2008

October 20, 2008
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ACCESS TO CREDIT INITIATIVE
UKRAINE & MOLDOVA

SIXTEENTH QUARTERLY REPORT - UKRAINE

July 1, 2008 – September 30, 2008

Contract Number: 121-C-00-04-00713

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DISCLAIMER

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UKRAINE (Sixteenth Quarterly)

A. PROJECT OVERVIEW - Ukraine

I. PROJECT DESCRIPTION – EXECUTIVE SUMMARY UKRAINE

ATCI is tasked with developing the primary and secondary mortgage market with its associated infrastructure; increased capacity for the leasing industry including the development of certified leasing professionals; the ability for municipalities and utilities to use debt instruments to modernize vital infrastructure, and a credit bureau to facilitate the growth of credit for mortgages and other retail lending. While the credit bureau/credit rating component is subordinated to the mortgage component, it is being treated as a stand alone for purposes of implementation. The preliminary work plan was presented and accepted by USAID in November 2004. In October 2006, the ATCI contract was amended to include development of fixed-income operations in Ukraine. Additionally, ATCI activities were expanded to include Moldova.

During the 16h quarter, USAID informed ATCI that it was considering extending ATCI/Moldova for an additional year without, however, an increase in the project's budgetary ceiling. Such consideration was possible due to early completion of ATCI's deliverables in certain areas - such as pilot municipal bond issues.

To fully understand its options, USAID requested ATCI/Pragma to submit a technical proposal backed with budgetary outlays for continuation of work in Moldova that included a modified ATCI/Ukraine work plan with fewer activities for implementation. Based on its review of each revised and proposed work plan, USAID agreed to modify ATCI's contract to include continuation of ATCI' s activity in Moldova through February 2009 along with reduced activity in Ukraine.

ATCI is cooperating with numerous counterparts and may sign formal protocols in addition to those already signed. These Protocols are expected to govern mutual activity as well as manage expectations during the course of the project.

The priorities of the Project for this period are noted by component in the boxes below.

The project update for this quarterly report will correspond to the activities set forth in the action plan described below and reported by component.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – EXECUTIVE SUMMARY UKRAINE

- RUSSIA - GEORGIA CONFLICT CAUSES RE -THINK OF REGIONAL SECURITY
- UKRAINE'S CREDIT DEFAULT SWAPS REACH RECORD HIGHS (2800 BASIS POINTS)
- ATCI CONTINUES HOSTING REGULAR SATURDAY MEETINGS WITH DEPUTY MINISTER OF FINANCE

- TWO ADDITIONAL FINANCIAL INSTITUTIONS, STATE MORTGAGE INSTITUTION AND KHRESCHATYK BANK, REGISTER COVERED BONDS WORTH UAH 270 MILLION AT THE SSMSC

- THE COMMITTEE ON FINANCE AND BANKING SUBMITTED DRAFT RESOLUTION ADOPTING ATCI DRAFT AMENDMENTS TO THE MORTGAGE BOND LAW IN THE FIRST READING TO VERKHOVNA RADA.

- DECISION OF THE CONSTITUTIONAL COURT FOR THE MINISTRY OF FINANCE TO RESUME OVERSIGHT OF SMI
- LUHANSK CITY ISSUES 5-YEAR UAH 50 MLN BOND
- TOTAL NUMBER OF CERTIFIED LEASING SPECIALISTS IS NOW 83; THE TOTAL NUMBER OF LEASING PERSONNEL TRAINED SINCE LAUNCHING CLS PROGRAM IN 2006 NOW 206 PERSONS, OR ABOUT 12% OF ALL EMPLOYED IN THE INDUSTRY
- INTERNATIONAL CREDIT BUREAU EXPERIAN NEGOTIATES WITH UKRAINIAN BUREAU OF THE CREDIT HISTORIES (UBCH) ABOUT IMPLEMENTATION OF ITS SCORING SYSTEM
- CREDIT BUREAU, DATA MINING GROUP, REGISTERS WITH MINISTRY OF JUSTICE AS NEW BUREAU
- TO DATE 196 PROFESSIONALS CERTIFIED AS CML AND CLS; 95 (48.5%) ARE WOMEN

- ATCI COMPLETES CONTRACT MODIFICATION TO INCLUDE AN EXTENSION OF MOLDOVA

III. PROJECT EXECUTIVE SUMMARY – EXECUTIVE SUMMARY UKRAINE

Mortgage

Primary

To date, CML trained personnel now comprise one hundred thirteen certificate holders: fifty-four of whom (48%) are women. The number of banks whose personnel have been trained totals forty-one. Mortgages outstanding are estimated at thirteen billion dollars by the end of the second quarter 2008.

Secondary Market

SMI registered a mortgage covered bond issue of UAH 200 million in series A,B,C,D,E,F,G at the SSMSC and published the prospectus for the issue. . The mortgage covered bonds of series A and G worth UAH 50 million were placed ahead of schedule and listed on PFTS Stock Exchange in the second tier.

Ukrainian Interbank Currency Exchange admitted SMI corporate bonds for its test trading using Delivery Versus Payment technology based on NASDAQ-QMX system.

The SMI also formally requested that ATCI provide an expert to advise on establishing back-up servicing capacity for SMI's mortgage portfolio; ATCI /USAID agreed to the request. ATCI has asked SMI for the SOW that can be used in sourcing the appropriate advisor.

SMI's Supervisory Board approved an UAH 200 million Mortgage Bond issue earlier in the year. SMI signed a Bond Manager's Agreement with Oschadbank. In accordance with the 2008 Budget law, SMI placed and listed on PFTS Stock Exchange UAH 300 million worth of corporate bonds guaranteed by the Cabinet of Ministers of Ukraine and invited banks to submit bids for the remaining UAH 700 million. Another 1 UAH billion of Cab Min guarantees for SMI bonds was drafted in the 2009 Budget Law.

The Constitutional Court of Ukraine deemed unconstitutional the Presidential Decree that had suspended a Cab Min Resolution re-subordinating SMI under the Ministry of Finance. Consequently, SAII no longer has jurisdiction over SMI. SMI is once again under the jurisdiction of the Ministry of Finance. The President abolished the Decree abiding to the Decision of the Constitutional Court of Ukraine.

Pilot Issues

ATCI continued its advisory assistance to Khreschatyk bank on its first mortgage covered bond issue. ATCI continued to provide assistance on establishing the form of register for cover assets, the calculations involved, and scrubbing the register of non-qualified mortgages. ATCI worked with the bank in preparation for registration of its first mortgage bond issue at the SSMSC. Specifically, ATCI reviewed the registration document for accuracy and compliance with SSMSC regulations. ATCI also advised the bank to obtain a rating. Consequently, the bank approached international rating agencies in order to rate (a first in Ukraine) this domestic covered bond transaction. The selected rating agency was Fitch. ATCI continued to provide the necessary advisory help on both legal and financial sides and to meet with the Fitch analysts (as requested by the bank) and answer questions about the portfolio. Khreschatyk Bank's Board of Directors approved the UAH 70 million mortgage bond Issue. Fitch assigned Khreschatyk bank mortgage bond issue final 'B+' Rating, which translates into National Rating of 'A (Ukr)'.

Khreschatyk registered the UAH 70 million mortgage bond issue at the SSMSC, published the Prospectus (Attachment III), and started placement of the bond.

ATCI continued its work on draft amendments to the Mortgage Bond Law. Jointly with the Audit Task Force under the SSMSC, ATCI submitted draft amendments regarding agreed upon procedures to the SSMSC's 1528 Regulation on Audit Reports. The draft amendments to the Mortgage Bond Law were introduced to Verkhovna Rada and forwarded for consideration of the Committee on Finance and Banking. The Committee on Finance and Banking submitted a draft Resolution on adopting the draft amendments to the Mortgage Bond Law in the first reading to Verkhovna Rada.

Associated Market Infrastructure

Life Insurance Products

In order to determine the effectiveness of these Term-Life Insurance policies, ATCI analyzed specific policies to determine the benefits as well as exclusions related to the insured's mortgage. During jointly sponsored ATCI/UNIA Round-Table "Life Insurance: Its Place and Role in Mortgage Market Development in Ukraine" ATCI presented the conclusions drawn from analysis of the Term-Life survey. The Round-Table also included a general discussion relating to other kinds of mortgage related insurance. Financial institutions and mortgage companies, if not already offering mortgage-related (life) insurance products, were encouraged to offer these products to their clients seeking mortgages. Market participants highlighted the lack of banks' legal ability to charge cash premiums paid to insurants to gross expenses and it was proposed to create a working group to draft appropriate changes to applicable tax legislation of Ukraine.

Appraisals and Real Estate Associations

During the last reporting quarter, the Association of Ukrainian Realtors (URA) held their annual real estate conference in Yalta. The Board has authorized Mr. Bondarenko, Executive Director, to draft amendments to the URA Charter to reflect the merger between the URA and the Ukrainian Union of Real Estate Companies (UUREC). Both entities have formed a working group and will introduce the amendments for consideration of the Board in September with the target merger date of October 12 during the General Assembly of URA.

Major issues now appear to be economic rather than personal with the UUREC of the belief that their organization would be contributing more in fees than the URA. Consequently, in their view, the merger would be unequal from an economic standpoint. Therefore, the UUREC should have increased representation at the board level. Norm Flynn will be in Kiev early next quarter in an effort to try and resolve outstanding issues between the two organizations.

Fixed Income

During the quarter, the MOF tried to place $500 million in Eurobonds offshore but refused to accept the market pricing offered, At the beginning of October, Credit Defaults swaps, the price to insure debt against default demanded by market participants, had surpassed 28%. The regional conflict that resulted in Russia occupying separatist enclaves previously regarded as Georgian also unsettled markets because of Ukraine's unique geopolitical position. Given these events and economic fragility globally, it is likely market conditions will worsen considerably - highlighting Ukraine's need to have a domestic government securities market to rely on to fund its budgetary needs.

ATCI continued regular Saturday meetings with Mr. Lytvyn, Deputy Minister of Finance and invited guests to discuss the importance of developing the government securities market and concrete steps to be taken for issuance of treasury securities at market.

At issue has been how to lower the cost of borrowing when borrowing is not a necessity to fund the budget but necessary to develop the government securities market. Meeting participants all agreed on the importance of involving the NBU in any deliberations that involve the MOF engaging in reverse repos that would put money back into the banking system-typically the preserve of the NBU which is tasked with conducting monetary policy. The MOF has specifically asked ATCI for technical assistance in developing primary dealers and for development of the mechanics of conducting reverse repos. The MOF also asked that ATCI consider using AKK, the Hungarian Debt Management Agency for such expertise. All efforts to develop the government securities market fall under the aegis of the Pragmatic Technical Assistance Partnership (PTAP) that USAID has with the World Bank.

Much discussion in these meetings has centered on how to reduce the cost of issuing at market when the Government is running a budgetary surplus and does not need the money. Any money raised is subsequently deposited in the Single Treasury Account (STA) administered by the NBU. However, by law, the NBU is not allowed to pay interest on money held in the STA in the name of the MOF. Therefore, if government securities are issued at market, the MOF has no offsetting income to show that blunts the cost of market issuance. In developed economies this is not a problem for two reasons: first, issuance of government securities is always conducted at market and second, since the government is all one pocket, interest earned by the central bank offsets its cost of issuance. In Ukraine, however, the issue is a political one. Currently, issuance is conducted using a pre-set issuance rate that is substantially below market. Any move to market

rates would be expensive for the MOF and the present minister is not inclined to move to market unless there is some way for the MOF to show income that significantly reduces to cost of issuance to 1% or less.

The way to show income is for the MOF to conduct reverse repo transactions by putting the money it raises at market prices back into the banking system. Unfortunately, this encroaches on the NBU's mandate to conduct monetary policy and interferes with NBU liquidity management. Consequently, the Saturday Committee members suggested a meeting with the NBU to discuss the situation and to explore if there might be a way to circumvent the legislative restriction of paying interest income. The meeting did not yield specific results but the NBU leadership did acknowledge that something might be done. During one of the Saturday sessions after the NBU - MOF meeting, one of the members floated the idea of a liquidity facility managed by the NBU that could pay fees to the MOF as one way to show income against the costs of borrowing at market. The idea was subsequently run by the NBU and informally agreed to, but implementation of the agreement is to be determined. Another scenario under consideration is one in which the Ministry of Finance places its excess balance within the State Treasury Account with banks that, in turn, pledge Treasury securities with the NBU. In case of a failure to repay, the treasuries would be sold to repay the MOF. This procedure would be a preliminary step for the MOF to earn interest income that can be used to offset the cost of selling treasuries at market. This is also driven by a need to smooth the large seasonal spike in excess balances that the MOF receives for corporate income tax payments (draining liquidity form the banking system) allowing money to be put back into the banking system. The MOF supports the need for coordination with the NBU since such actions could adversely impact the NBU's ability to conduct monetary policy.

Meanwhile, ATCI has agreed in principle with the Debt Management Agency of Hungary (AKK) to advise the Ministry of Finance in its transition to market based issuance. The SOW was approved by the MOF and involves consultation on establishing the primary market and the use of reverse repos for development of the secondary market. Given that AKK is a government-owned entity and is outside of the authorized geographic codes that can be used by ATCI, the project has requested that USAID waive this requirement in order to retain AKK.

All of the above has occurred within the context of the Programmatic Technical Assistance Partnership or PTAP *D*uring the quarter, the WB representative Michel Noel met with ATCI/USAID, counterparts and market participants to ascertain the timing for moving to market issuance of treasury securities and the likely timetable WB Treasury could expect to provide its part of technical assistance within the context of PTAP.

At the request of the MOF, ATCI also prepared an analysis that described how the MOF could conduct auctions in lieu of using an Exchange for auction price discovery to minimize counterparty risk in response to a Cabinet of Minister's resolution authorizing such activity. The matter referred to excess balances being held in the State Treasury Account (STA) at the NBU for placement with financial institutions at competitive rates to help the Ministry manage its liquidity. ATCI's interest stems from the MOF's position that such interest income will facilitate its being able to pay market prices for treasury securities. The issue is expected to continue into the next quarter.

Municipal Finance

ATCI completed study of municipal creditworthiness for the period 2004-2007. The aim of the study was to determine whether creditworthiness had increased for Ukrainian cities since ATCI began its screening and

pilot issues. The research was extensively based on Association of Ukrainian Cities / Association of Financiers of Ukraine publication "Financial Performance of Cities". The analysis of the sample of 73 cities for the period 2004 – 2007 based on recently published 2007 data from the AUC showed that the general trend in cities' creditworthiness was positive (Attachment I).

During this reporting period, ATCI continued to promote the enabling environment for successful establishment of the MFF and obtained from the Association of Ukrainian Cities feedback on ATCI's draft "Law on Local Borrowings and Local Guarantees" which also included section on establishment and functioning of a Municipal Finance Facility. In response to the AUC request, ATCI prepared a draft Explanatory Note (Attachment III) to the Draft Law on Local Borrowings and Local Guarantees which is an integral part of the package of documents for submission of the draft Law to Verkhovna Rada. The draft Law is supposed to eliminate existing legal obstacles for making local borrowings and guarantees as well as to ensure creation of MFF and its effective activities.

Workshops and public education

ATCI updated its presentation on *Municipal Borrowings as An Important Means for Financing City Development* to be delivered to the IV Ukrainian Municipal Forum in Artek (Crimea), 2-4 October, 2008.

Leasing

ATCI established, using data provided by the State Commission for Regulation of Financial Services Markets in Ukraine as well as State Statistics Committee of Ukraine, that the "penetration rate," (defined as the rate at which financial leasing is used as a method of acquiring capital equipment) has reached 7.5% in the 1st Quarter of 2008 compared to 3.8% for the same period in 2007. The penetration rate is a major indicator of the success of ATCI's Financial Leasing Component, because it measures the increased use of leasing as a means to modernize plant and equipment in Ukraine.

On July, 31, ATCI held an awards ceremony for 16 individuals who took CLS training in February and March, 2008, and who passed all 3 exams given in April, 2008. Thus, the total number of Certified Lease Specialists is 83 people (41 women, 42 men). In conjunction with the awards ceremony, the 3rd General Meeting of the Certified Lease Specialists Union was held. Focus was placed on the presentation of the CLSU Web-site www.leasepro.org.ua developed by ATCI. This site provides comprehensive information about the CLS Program and the Union as well as all aspects of leasing business in Ukraine. The web site can be used as a gathering place for all the Certified Specialists where they could share their experience and continue their professional development thus contributing to the overall growth and improvement of the leasing market in Ukraine. Also, presented at the general meeting was the first issue of the CLSU newsletter which was distributed not only among the CLS holders but also to everyone participating in the training as well as among all leasing companies on a quarterly basis.

On September, 26, another CLS training session started with 40 trainees participating. Thus, the total number of leasing personnel trained since launching of the Program in 2006 has reached 206 persons, or about 12% of all employed in the industry including 155 people being prepared for the certification exams by the official training provider Kompas Company.

ATCI provided advisory assistance to the Chairman of Verkhovna Rada Committee on Taxation and Customs, Mr. Sergiy Teryokhin, through its former Senior Advisor Mr. Robert Homans. In particular, information on the following issues was provided by ATCI: current rules of depreciation accounting in Ukraine; legislation on accelerated depreciation for tax purposes; current leasing and capital spending

statistics. The objective of such assistance was to contribute to the improvement of the climate for capital spending in Ukraine.

Credit Bureau/Credit Rating

Credit Bureau

ATCI continued to provide on-going consultancy to ensure compliance with international standards of best practice during the development phase of a credit reporting system, and to provide advice to the overall market with respect to data sharing and the reduction of data fragmentation. ATCI's area of focus remained in two basic areas: a) overall coordination of the market given the likelihood of data fragmentation and b) drafting regulations. ATCI continues to interface on a regular basis with FNBCH, IBCH, and other interested parties, including foreign credit bureau operators.

The 5th credit bureau «Bureau of the credit histories «Data Mining Group» was registered by the ministry of Justice on the 10th of July 2008.One of the leading International credit bureaus, Experian, refused to buy shares in authorized capital of the Ukrainian Bureau of the Credit Histories (UBCH) that belongs to Privatbank after long period of negotiations. Experian has broken off negotiations on this question until the middle of 2009. Experian however, had agreed to provide software to UBCH. ATCI conducted a meeting with a director UBCH. The credit bureau is ready to make comments on future drafts of the amendments to legislation which will be made by ATCI. The main issue for UBCH is to establish mandatory requirements of supplying the credit bureaus with negative information about consumers by the creditors.

International Bureau of the Credit Histories (IBCH) expects to begin selling insurance histories to insurance companies soon.

To promote public education of credit bureaus, ATCI drafted a FAQ brochure about the activities of credit bureaus as related to current legislation as well as current Ukrainian and international best practices. The brochure will help consumers become more aware of all positive aspects of credit bureaus' activities, including receiving faster and lower cost credit by having better credit histories and higher credit scores. ATCI plans to have the FAQ brochure ready for distribution later in the next quarter.

Credit Rating

ATCI jointly with UAIB organized a teleconference with Mr. Novikov to get S&P's experience in dealing internationally with national scales and mandated credit ratings. A working group composed of ATCI and UAIB representatives prepared a draft regulation for the National Defense and Security Council to eliminate a draft law on credit ratings and submit it to the Rada. It is significant to note that reference to mandatory credit ratings was eliminated. ATCI has made a list of legislative recommendations including separate provisions concerning mandatory credit rating in Ukraine at request of Deputy Minister of Finance Lytvyn.

Gender

ATCI conducted training activities in its leasing and mortgage components achieving nearly fifty per cent balance.

IV. PROJECT STAFFING – EXECUTIVE SUMMARY UKRAINE

The following personnel were engaged in project activities this quarter:

- David C. M. Lucterhand, Chief of Party
- Rick Dvorin, Deputy Chief of Party/Senior Advisor
- Norman Flynn, IRPF consultant

V. ADMINISTRATIVE ISSUES – EXECUTIVE SUMMARY UKRAINE

ATCI has requested a waiver from USAID to use AKK as an advisor to the MOF. ATCI is waiting for a response.

ATCI is waiting for resolution of ATCI contract modifications related to Moldova before submitting specific requests for additional salary increases for Victoria Buchynska and Alina Chernomaz whose current daily rates are significantly below market.

VI. OTHER

The ATCI Chief of Party was interviewed in Cover, a subscription only electronic publication of *Euromoney* magazine, on development of the covered bond market in Ukraine - referencing Ukraine's first covered bond issue. *(See Attachment 1)*

LIST OF ATTACHMENTS – Executive Summary Ukraine

ATTACHMENT 1 Article on Ukraine's covered bond issue in "Cover"

B. MORTGAGE - Ukraine

I. COMPONENT DESCRIPTION – MORTGAGE UKRAINE

This Report provides details on the events and activities relating to the Mortgage Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from July 1 through September 30, 2008.

The primary purpose of the ATCI mortgage component is to develop the primary and secondary mortgage market with its associated infrastructure. Primary market development involves legal review and addressing legislative deficiencies, the use of standardized documentation for underwriting and loan servicing, certification of personnel for mortgage lenders that results in a CML designation; technical assistance to financial institutions engaged in mortgage lending, and assessment of titling and all related processes. Development of the secondary market involves assistance to the newly formed State Mortgage Institution to become operational, development of national mortgage insurance as well as private, term life, and the structuring of mortgage-backed bonds with the appropriate legal environment for issuance. Associated market infrastructure involves appraisers, registration centers, real estate sales practitioners, and appropriate regulation.

While the credit bureau component is subordinated to the mortgage component, it is being treated as a stand alone for purposes of implementation.

II. SIGNIFICANT EVENTS – MORTGAGE UKRAINE

- THE COMMITTEE ON FINANCE AND BANKING SUBMITTED DRAFT RESOLUTION ON ADOPTING THE DRAFT AMENDMENTS TO THE MORTGAGE BOND LAW IN THE FIRST READING TO VERKHOVNA RADA.

- KHRESCHATYK BANK REGISTERED THE UAH 70 MILLION MORTGAGE COVERED BOND ISSUE AT THE SSMSC, PUBLISHED THE PROSPECTUS AND STARTED PLACEMENT OF THE BOND; FITCH ASSIGNED KHRESCHATYK BANK MORTGAGE COVERED BOND ISSUE FINAL 'B+' RATING AND AFFIRMED KHRESCHATYK BANK LONG-TERM ISSUER DEFAULT AT 'B-'; OUTLOOK STABLE

- SMI REGISTERED A MORTGAGE COVERED BOND ISSUE WORTH OF UAH 200 MLN IN SERIES A,B,C,D,E,F,G AT THE SSMSC AND PUBLISHED THE PROSPECTUS FOR THE ISSUE; SMI MORTGAGE BONDS LISTED ON THE PFTS STOCK EXCHANGE IN THE SECOND TIER

- DECISION OF THE CONSTITUTIONAL COURT FOR THE MINISTRY OF FINANCE TO RESUME OVERSIGHT OF SMI

III. EXECUTIVE SUMMARY – MORTGAGE UKRAINE

Primary Mortgage Market

To date, CML-trained personnel now comprise one hundred thirteen certificate holders, fifty-four of whom (48%) are women. The number of banks whose personnel have been trained totals forty-four. During the 16th Quarter, ATCI met with both SMI and UNIA to determine how best to deliver the future courses. UNIA is revising the basic CML curriculum to include risk management for banks. ATCI and UNIA are planning for CML training to become sustainable as a program both technically and financially through UNIA. Consequently, the most recent training was offered to UNIA membership on a fee-paid basis.

All the participants came from banks. In order to make the CML designation more appealing, UNIA asked ATCI/IUE to prepare three additional lectures on risk management. Consequently, ATCI tasked IUE with the assignment adding an additional 16 days of LOE to their contract. CML lecturers from IUE monitored the training to ensure compliance with ATCI standards and to ensure the CML body of knowledge was conveyed properly. CML-certified trainers from UNIA and the State Mortgage Institution (SMI) delivered the lectures. The CML course consists of three modules. In evaluating delivery of the first module, IUE trainers were somewhat critical of the organization for the seminar including punctuality of some of the lecturers. These observations were passed on to UNIA and SMI. Consequently, IUE gave high marks to UNIA's organization and technical content for the second and third modules and determined that UNIA was technically ready to deliver the CML course without further monitoring.

During jointly sponsored ATCI/UNIA Workshop on "The Role of Mortgage Brokers in Mortgage Origination" and European experiences in offering mortgage counsel to potential borrowers and introduction of borrowers to potential lenders were presented including the issues of using mortgage brokers. *(See Attachment 2)*

Also during the quarter, according to Article 33.39 and 6.28 of the Draft Budget Law 2009 were introduced: 90% of proceeds from sale of non-residential land plots allowed for privatization should be forwarded to state banks' statutory capital intended to increase their mortgage lending primarily to education, culture, health and other budget sector employees.

Secondary Mortgage Market

State Mortgage Institution (SMI)
SMI carries on preparation work for issuing mortgage bonds that is complicated by continuous organizational transformations of the Institution itself. SMI conducted negotiations with prospective bond managers and required constant advisory support in the issues that are complex for perception in the Ukrainian market. In particular, they needed help in resolving problematic issues of bond manager access to primary information on mortgage cover and using for this purpose audit agreed procedure.

SMI registered a mortgage covered bond issue of UAH 200 million in series A,B,C,D,E,F,G at the SSMSC and published the prospectus for the issue *(See Attachment 3)*. The mortgage covered bonds of series A and G worth UAH 50 million were placed ahead of schedule and listed on PFTS Stock Exchange in the second tier.

Ukrainian Interbank Currency Exchange admitted SMI corporate bonds for its test trading using Delivery Versus Payment technology based on NASDAQ-QMX system.

The SMI also formally requested that ATCI provide an expert to advise on establishing back-up servicing capacity for SMI's mortgage portfolio; ATCI /USAID agreed to the request. ATCI has asked SMI for the SOW that can be used in sourcing the appropriate advisor.

SMI's Supervisory Board approved an UAH 200 million Mortgage Bond issue earlier in the year. SMI signed a Bond Manager's Agreement with Oschadbank. In accordance with the 2008 Budget law, SMI placed and listed on PFTS Stock Exchange UAH 300 million worth of corporate bonds guaranteed by the Cabinet of Ministers of Ukraine and invited banks to submit bids for the remaining UAH 700 million. Another 1 UAH billion of Cab Min guarantees for SMI bonds was drafted in the 2009 Budget Law.

ATCI discussed with SMI management the notion of using a pricing index that could provide Ukrainian mortgage market statistics for determining whether LTV ratios were in compliance with SMI guidelines as well as those LTV requirements stipulated in the covered bond law. Additionally, ATCI provided SMI material on the origins of the US mortgage lending crises as per their request. (*See Attachment 4)*

The Constitutional Court of Ukraine deemed unconstitutional the Presidential Decree that had suspended a Cab Min Resolution re-subordinating SMI under the Ministry of Finance. Consequently, SAII no longer has jurisdiction over SMI. SMI is once again under the jurisdiction of the Ministry of Finance. The President abolished the Decree abiding to the Decision of the Constitutional Court of Ukraine.

Pilot Issues

ATCI continued its advisory assistance to Khreschatyk bank on its first mortgage covered bond issue. ATCI continued to provide assistance on establishing the form of register for cover assets, the calculations involved, and scrubbing the register of non-qualified mortgages. ATCI worked with the bank in preparation for registration of its first mortgage bond issue at the SSMSC. Specifically, ATCI reviewed the registration document for accuracy and compliance with SSMSC regulations.

ATCI also advised the bank to obtain a rating. Consequently, the bank approached international rating agencies in order to rate (a first in Ukraine) this domestic covered bond transaction. The selected rating agency was Fitch. ATCI continued to provide the necessary advisory help on both legal and financial sides and to meet with the Fitch analysts (as requested by the bank) and answer questions about the portfolio. Khreschatyk Bank's Board of Directors approved the UAH 70 million mortgage bond Issue. Fitch assigned Khreschatyk bank mortgage bond issue final 'B+' Rating, which translates into National Rating of 'A (Ukr)' *(See Attachment 5)*

Khreschatyk registered the UAH 70 million mortgage bond issue at the SSMSC, published the Prospectus (Attachment 6), and started placement of the bond.

ATCI also approached Bank Raiffeisen Aval after the bank publically announced its interest in issuing a $150 – 200 million RMBS ATCI met with bank management and discussed the possibility of issuing a covered bond *(see Attachment 7).*The bank currently is considering both options and is developing software for keeping the mortgage cover register. The software can be utilized both for RMBS and for covered bond issues. ATCI provided the bank with mortgage cover register forms required by the SSMSC.

ATCI continued its work on draft amendments to the Mortgage Bond Law. Jointly with the Audit Task Force under the SSMSC, ATCI submitted draft amendments regarding agreed upon procedures to the SSMSC's 1528 Regulation on Audit Reports. The draft amendments to the Mortgage Bond Law were introduced to Verkhovna Rada and forwarded for consideration of the Committee on Finance and Banking. The Committee on Finance and Banking submitted a draft Resolution on adopting the draft amendments to the Mortgage Bond Law in the first reading to Verkhovna Rada.

Associated Market Infrastructure

Life Insurance Products

ATCI conducted a survey and analyzed mortgage-related life insurance within the associated infrastructure for goals to protect and to aid (prospective) homeowners. ATCI conducted research polling 20 of the largest mortgage lending banks in order to determine what type (if any) of term life insurance they use. The analysis showed that term-life insurance is offered in 8 banks of the 20 banks polled. Based on this analysis, ATCI concluded that term-Life Insurance is already developed in the market, but is not yet fully offered through the mortgage companies.

In order to determine the effectiveness of these Term-Life Insurance policies, ATCI analyzed specific policies to determine the benefits as well as exclusions related to the insured's mortgage. During jointly sponsored ATCI/UNIA Round-Table "Life Insurance: Its Place and Role in Mortgage Market Development in Ukraine" ATCI presented the conclusions drawn from analysis of the Term-Life survey *(See attachment 8).* The Round-Table also included a general discussion relating to other kinds of mortgage related insurance. Financial institutions and mortgage companies, if not already offering mortgage-related (life) insurance products, were encouraged to offer these products to their clients seeking mortgages. Market participants highlighted the lack of banks' legal ability to charge cash premiums paid to insurants to gross expenses and it was proposed to create a working group to draft appropriate changes to applicable tax legislation of Ukraine.

Appraisal and Real estate Associations

ATCI was finally able to get the text book on international standards of appraisal released by customs (after a hiatus of nearly three months) and into translation. Completion of the translation is expected early in the next quarter.

During the last reporting quarter, the Association of Ukrainian Realtors (URA) held their annual real estate conference in Yalta. The Board has authorized Mr. Bondarenko, Executive Director, to draft amendments to the URA Charter to reflect the merger between the URA and the Ukrainian Union of Real Estate Companies (UUREC). Both entities have formed a working group and will introduce the amendments for consideration of the Board in September with the target merger date of October 12 during the General Assembly of URA.

Mr. Rubanov is concerned about the future of this effort and wants involvement of a third party as a mediator. Based on these developments, ATCI has briefed Norm Flynn, Executive Director of the International Real Property foundation (IRPF) about possible intervention to keep negotiations on track. ATCI also met with both organizations during the quarter to assess progress and facilitate dialogue for merger (*see Attachment 9*). Major issues now appear to be economic rather than personal with the UUREC of the belief that their organization would be contributing more in fees than the URA. Consequently, in their view, the merger would be unequal from an economic standpoint. Therefore, the UUREC should have increased representation at the board level. Norm Flynn will be in Kiev early next quarter in an effort to try and resolve outstanding issues between the two organizations.

IV. ADMINISTRATIVE ISSUES – MORTGAGE UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – MORTGAGE UKRAINE

A. Certified Mortgage Lender Program

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. IUE review of CML training materials and methodology for applicability to Ukraine	• COMPLETED IN EARLIER QUARTER
2. Select candidates from banks and financial institutions engaged in mortgage lending	• COMPLETED IN EARLIER QUARTER
3. Develop and administer formal training program to financial institutions engaged in mortgage lending	• COMPLETED IN EARLIER QUARTER
4. Deliver a series of five CML courses (two regional)	• COMPLETED IN EARLIER QUARTER
5. Deliver one CML Train the Trainer course	• COMPLETED IN EARLIER QUARTER
6. Assessment of rural lending; titling, title registration, appraisal, and of basic element of profitable agricultural production units	• COMPLETED IN EARLIER QUARTER
7. Deliver one SMI course.	• COMPLETED IN EARLIER QUARTER
8. Deliver three regional CML courses for SSMSC	• COMPLETED IN EARLIER QUARTER
9. Select training provider	• CML TRAINING PROVIDER IS UNIA (UKRAINIAN NATIONAL MORTGAGE ASSOCIATION)
10. Monitor training provider	• NO ACTIVITY ON THIS ISSUE UNTIL UNIA BEGINS TRAINING (NEXT QUARTER)
11. Conduct CML courses through training provider	• CML COURSES CONDUCTED ON FEE BASIS THROUGH TRAINING PROVIDER
12. Assist UNIA to become sustainable	• ATCI AND UNIA DISCUSS BUDGET; UNIA BUDGET SUBMITTED TO ATCI FOR CONSIDERATION; ATCI TO COMMIT TO FINANCIAL SUPPORT FOR UNIA (NEXT QUARTER) THROUGH END 2008 AND PARTIAL SUPPORT UNTIL MID-2009
13. Assist SMI to become an operational liquidity facility	• SMI INCREASED REFINANCING RATE FROM 9.9% TO 13.5% ON MAY 21, 2008. • SMI TRUSTEES COUNCIL APPROVED UAH 200 MLN MORTGAGE BOND ISSUE IN 2008 AND SIGNED BOND MANAGER AGREEMENT WITH OSCHADBANK. • SMI PLACED UAH 300 MLN WORTH OF BONDS GUARANTEED BY THE CABINET OF MINISTERS OF UKRAINE. • THE CONSTITUTIONAL COURT OF UKRAINE ACKNOWLEDGED AS UNCONSTITUTIONAL PRESIDENTIAL DECREE THAT SUSPENDED RESOLUTION OF THE CABINET OF MINISTERS THAT RE-SUBORDINATED SMI UNDER THE MINISTRY OF FINANCE. • SMI REGISTERED MORTGAGE COVERED BOND ISSUE WORTH OF UAH 200 MLN IN SERIES A,B,C,D,E,F,G AT THE SSMSC AND PUBLISHED THE PROSPECTUS FOR THE ISSUE • SMI MORTGAGE BONDS OF SERIES A AND G

	LISTED ON THE PFTS STOCK EXCHANGE IN THE SECOND TIER • PRESIDENT ABIDED TO THE CONSTITUTIONAL COURT DECISION FOR THE MINISTRY OF FINANCE TO RESUME OVERSIGHT OF SMI • THE FSR MADE AMENDMENTS TO THE "REGULATION ON CRITERIA AND FINANCIAL NORMATIVES OF CAPITAL ADEQUACY OF CREDIT INSTITUTIONS" THAT CHANGED WEIGHT OF MORTGAGES ON ITS BALANCE SHEET FROM 100% TO 20% WHEN CALCULATING RISK WEIGHTED ASSETS FOR THE PURPOSE OF CAPITAL ADEQUACY RATIO CALCULATION

B. Assistance to banks

1. Standardize rules and procedures for retail mortgage lending in Ukraine	• COMPLETED IN EARLIER QUARTER
2. Select candidate banks and financial institutions for on-site assistance	• COMPLETED IN EARLIER QUARTER
3. Provide on-site technical assistance	• ADVISED KHRESCHATYK BANK ON FILLING IN MORTGAGE COVER REPORT REQUIRED BY THE SSMSC, THE DECISION OF THE BANK SUPERVISORY BOARD ON ISSUING THE MORTGAGE BOND, AND ON THE PROSPECTUS OF THE ISSUE. • KHRESCHATYK BANK BOARD OF DIRECTORS APPROVED THE UAH 70 MILLION MORTGAGE BOND ISSUE. • FITCH ASSIGNED KHRESCHATYK BANK MORTGAGED BOND ISSUE FINAL 'B+' RATING. • KHRESCHATYK REGISTERED THE UAH 70 MILLION MORTGAGE BOND ISSUE AT THE SSMSC, PUBLISHED THE ISSUE PROSPECTUS AND BEGAN PLACEMENT OF THE BOND. • BRIEFED AND TRANSFERRED TO RAIFFEISENBANK AVAL /UKRAINE ATCI MATERIALS ON MORTGAGE BOND ISSUANCE. MET WITH THE BANK SENIOR MANAGEMENT ON THE SUBJECT. • UKRGASBANK MORTGAGE BONDS WERE INCLUDED IN THE SECOND TIER OF THE PFTS STOCK EXCHANGE. • EBRD APPROVED REFINANCING OF UKRSOTSBANK AND RAIFFEISENBANK AVAL MORTGAGE LOAN PROGRAMS IN TOTAL OF USD190 MLN

C. Home Loan Guarantee

1. Analyze market for existing mortgage insurance practice	• NO ACTIVITY ON THIS ISSUE.
2. Sources government sponsor	• NO ACTIVITY ON THIS ISSUE.
3. Assess legal and regulatory framework	• NO ACTIVITY ON THIS ISSUE.

4. Complete feasibility study	• NO ACTIVITY ON THIS ISSUE.
5. Complete business plan	• NO ACTIVITY ON THIS ISSUE.
6. Assist in operational set-up of guarantee facility	• NO ACTIVITY ON THIS ISSUE.
a) Draft master policy	• NO ACTIVITY ON THIS ISSUE.
b) Determine actuarially sound rates and draft rate table	• NO ACTIVITY ON THIS ISSUE.
c) Complete operational forms	• NO ACTIVITY ON THIS ISSUE.
d) Complete organizational planning	• NO ACTIVITY ON THIS ISSUE.
7. Provide on-site technical assistance to facility	• NO ACTIVITY ON THIS ISSUE.
8. Promote the use of private mortgage insurance	• NO ACTIVITY ON THIS ISSUE.

D. Life Insurance Products

1. Analyze insurance and mortgage markets for existing products/practices	• ANALYZED MORTGAGE MARKET FOR EXISTING TERM-LIFE INSURANCE PRODUCTS/PRACTICES
2. Assess legal and regulatory framework	• EXISTING LEGAL AND REGULATORY FRAMEWORK FOR INSURANCE PRODUCTS IS ACCEPTABLE
3. Analyze insurance products related to mortgages to determine necessity for certain activities below, 4-9 (NOTE: based on existing products in the marketplace, activities 4-9 below are N/A)	• CONDUCTED RESEARCH (POLLING) OF 20 LARGEST MORTGAGE LENDING BANKS IN ORDER TO FIND OUT WHAT TYPE OF INSURANCE (IF ANY) THEY USE • MORE DETAILED ANALYSIS WAS CONDUCTED; ATCI CO-SPONSORED A ROUND TABLE WITH UNIA, PRESENTING RESULTS TO ENCOURAGE MORTGAGE COMPANIES TO REQUIRE OR AT LEAST OFFER MORTGAGE-RELATED LIFE INSURANCE
4. Assess existing actuarial data (mortality tables)	• THE STATE STATISTICS COMMITTEE OF UKRAINE PUBLISHED ITS UPDATE OF MORTALITY TABLES FOR 2006-2007 AT THE END OF JUNE. THE STATE STATISTICS COMMITTEE OF UKRAINE AGREED TO PROVIDE THE DATA ON THE OFFICIAL REQUEST FROM ATCI.
5. Select candidate insurers	N/A
6. Develop term sheet and rate structure	N/A
7. Draft product policy	N/A
8. Conduct road show with mortgage lending banks and financial institutions	N/A
9. Launch product	N/A

E. Appraisers/Brokers Associations

1. Needs assessment of UAR and appraisal organizations	• COMPLETED IN EARLIER QUARTER
2. Facilitate development and use of unified methodology for certification of real estate practitioners between UAREP and Union of Real Estate Companies (UARC)	• N/A THIS QUARTER

3. Work with UAREP and UARC on adapting Russian Guild of Realtors' training or other appropriate standards	• N/A THIS QUARTER
4. Adapt and implement IVSC standards for appraisers through Ukrainian Association of Appraisers (UTO)	• IDENTIFIED THE DEPARTMENT IN THE MINISTRY OF FINANCE RESPONSIBLE FOR DRAFTING REAL ESTATE APPRAISING STANDARDS AND PROVIDED UTO WITH THE CONTACTS FOR FURTHER COLLABORATION
5. Organize study tours if appropriate	• NO ACTIVITY ON THIS ISSUE.
6. Price transaction database - establish multiple listing service (MLS)	• NO ACTIVITY THIS QUARTER

F. Mortgage-backed Securities

1. Establish Legal Working Group to assess legal basis and regulatory framework	• ESTABLISHED LEGAL WORKING GROUP JOINTLY WITH THE AUDIT TASK FORCE UNDER THE SSMSC AND ATCI
a) Pledge Law--multiple pledgees	COMPLETED
b) Bankruptcy Statutes--pledge excluded from bankruptcy estate	COMPLETED
c) Trust Law--bondholder representative	• SUBMITTED DRAFT AMENDMENTS REGARDING AGREED UPON PROCEDURES TO THE SSMSC 1528 REGULATION ON AUDIT REPORTS
2. Select candidate issuer(s)	• COMPLETED IN EARLIER QUARTER
3. Draft and introduce new amendments to covered bond law	• THE COMMITTEE ON FINANCE AND BANKING SUBMITTED DRAFT RESOLUTION ON ADOPTING THE DRAFT AMENDMENTS TO THE MORTGAGE BOND LAW IN THE FIRST READING TO VERKHOVNA RADA
4. Conduct educational seminars on covered bonds and adoption of amendments	• ATCI PRESENTED ESSENTIAL DIFFERENCES BETWEEN MORTGAGE-BACKED SECURITIES AND COVERED BONDS FOR UAIB
6. Develop standardized indenture	• N/A
7. Draft investment memorandum	• N/A
8. Registration and Listing	• N/A
9. Identify potential investors	• ATCI CONTINUED TO IDENTIFY POTENTIAL INVESTORS
10. Conduct "road show"	• N/A
11. Price and place issue	• ADVISED KHRESCHATYK BANK TO INCREASE THE BOND COUPON SIZE FOR THEIR MORTGAGE BOND ISSUE
12. Convey issuance technology through educational seminars / articles / media event	• N/A

LIST OF ATTACHMENTS

ATTACHMENT 2: UNIA Presentation "Alternative Channels of Distribution"by Mr. Martin Damaske

ATTACHMENT 3: State Mortgage Institution Mortgage Bond Prospectus (Original in Ukrainian)

ATTACHMENT 4: SMI Housing Index

ATTACHMENT 5: Fitch Assigns Final Rating to Khreschatyk's Mortgage Covered Bonds, Fitch Khreschatyk Presale Report

ATTACHMENT 6: Khreschatyk Mortgage Covered Bond Prospectus

ATTACHMENT 7: Formal CTO Approval to support covered bonds of Khreschatik and Aval

ATTACHMENT 8: ATCI/UNIA Round-Table "Life Insurance: Its Place and Role in Mortgage Market Development in Ukraine", Press Release

ATTACHMENT 9: Meeting with Mr. Bondarenko and Mr. Rubanov

C. FIXED INCOME – Ukraine

I. COMPONENT DESCRIPTION – FIXED INCOME UKRAINE

This Report provides details on the events and activities relating to the Fixed Income Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from July 1 through September 30, 2008.

The objective of the fixed income component is to expand the availability of capital to borrowers as an alternative to bank financing. Experience in developing such markets in other countries has demonstrated that corporate bonds and other fixed income instruments can offer borrower's longer-term financing at lower cost when compared to the lending practices of most banks. In fact, most banking systems rely on short-term deposits to fund loans and are comfortable with only lending working capital to businesses. While the universe of fixed-income instruments is vast, ATCI is concentrating on identifying corporations with sufficient means and inclination to issue corporate bonds. Municipal bonds, mortgage-backed bonds, and the securitization of other asset pools are expected once enabling legislation is passed. Specific objectives include issuing at least one pilot for each type of bond. Since most government securities are viewed by investors as being the least risky and frequently are used as a benchmark for pricing other debt securities issued in the market, related objectives include working with the GOU and GOM to develop longer-term Treasury securities for construction of a long-term Government yield curve.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – FIXED INCOME UKRAINE

- ATCI COP CONTINUES WEEKLY MEETINGS WITH DEPUTY MINISTER OF FINANCE AND HEAD OF DEPARTMENT OF PUBLIC DEBT AND OTHER ADVISORS TO THE MOF (IMF, U.S. TREASURY) TO DEVELOP DOMESTIC GOVERNMENT BOND MARKET

- MOF AND NBU AGREE IN PRINCIPLE TO HAVE THE MOF MANAGE ITS EXCESS STATE TREASURY BALANCES IN COORDINATION WITH TH NBU

- MOF UNABLE TO PLACE $500 MILLION EUROBONDS DUE TO DETERIORATING MARKET CONDITIONS

- PTAP ANNUAL RESULTS RE: DEVELOPMENT OF GOVERNMENT DEBT PRESENTED TO COUNTERPARTS

III. EXECUTIVE SUMMARY – FIXED INCOME UKRAINE

ATCI began to concentrate on developing a long-term government yield curve for Ukraine in winter 2006 when trying to price the pilot Ukrgasbank covered bond issue without pricing reference (government yield curve). ATCI approached the MOF to gauge their interest in cooperating with ATCI to host a high level debt management forum for senior leadership. Specifically, ATCI met with Mr. V. Vysotskyi, Head of the Public Debt Department at the Ministry of Finance who indicated his support for such an idea. The Forum was designed to explore what steps the Government of Ukraine should take to manage its debt requirements efficiently; to examine the role *domestic* government debt markets play in efficient capital allocation; to analyze the institutional framework requisite for market development such as the role of primary dealers, use of pre-announced auction calendars; development of a debt management strategy; mitigation of risk in debt management, establishing a debt management office (DMO) and comparisons to

how debt management offices (DMOs) are organized and work in other countries. To analyze what has worked in other countries facing similar circumstances and what has not. Subsequently, the Forum took place in March 2007 and explored the practical aspects of formulating a debt management strategy and necessary elements for successful development of the primary and secondary market in government securities; the use and role of re-purchase agreements in contributing to market liquidity; and what changes to the legal framework might be necessary for use by senior leadership when framing policy choices for adopting a plan of action that leads toward development of a liquid domestic Government securities market in Ukraine. However, a few months after the Forum took place, the government changed at the ministerial and deputy level but not at the departmental level. Mr. Vysotskyi brought to the attention of the new government and the new Deputy Minister (V. Lytvyn) what efforts were in train in order to enlist the new government's support. Deputy Minister Lytvyn supported the idea and the move towards market pricing. Subsequently, he suggested meeting informally on Saturdays (meditation sessions) to explore more fully the issues related to development of the treasury market and how best to proceed. The sessions first began February 2, 2008 and continued during the quarter.

Much discussion in these meetings has centered on how to reduce the cost of issuing at market when the Government is running a budgetary surplus and does not need the money. Any money raised is subsequently deposited in the Single Treasury Account (STA) administered by the NBU. However, by law, the NBU is not allowed to pay interest on money held in the STA in the name of the MOF. Therefore, if government securities are issued at market, the MOF has no offsetting income to show that blunts the cost of market issuance. In developed economies this is not a problem for two reasons: first, issuance of government securities is always conducted at market and second, since the government is all one pocket, interest earned by the central bank offsets its cost of issuance. In Ukraine, however, the issue is a political one. Currently, issuance is conducted using a pre-set issuance rate that is substantially below market. Any move to market rates would be expensive for the MOF and the present minister is not inclined to move to market unless there is some way for the MOF to show income that significantly reduces to cost of issuance to 1% or less.

The way to show income is for the MOF to conduct reverse repo transactions by putting the money it raises at market prices back into the banking system. Unfortunately, this encroaches on the NBU's mandate to conduct monetary policy and interferes with NBU liquidity management. Consequently, the Saturday Committee members suggested a meeting with the NBU to discuss the situation and to explore if there might be a way to circumvent the legislative restriction of paying interest income. The meeting did not yield specific results but the NBU leadership did acknowledge that something might be done. During one of the Saturday sessions after the NBU - MOF meeting, one of the members floated the idea of a liquidity facility managed by the NBU that could pay fees to the MOF as one way to show income against the costs of borrowing at market. The idea was subsequently run by the NBU and informally agreed to but implementation of the agreement is to be determined. Another scenario under consideration is one in which the Ministry of Finance places its excess balance within the State Treasury Account with banks that, in turn, pledge Treasury securities with the NBU. In case of a failure to repay, the treasuries would be sold to repay the MOF. This procedure would be a preliminary step for the MOF to earn interest income that can be used to offset the cost of selling treasuries at market. This is also driven by a need to smooth the large seasonal spike in excess balances that the MOF receives for corporate income tax payments (draining liquidity form the banking system) allowing money to be put back into the banking system. The MOF supports the need for coordination with the NBU since such actions could adversely impact the NBU's ability to conduct monetary policy *(see Attachment 10)*.

Meanwhile, ATCI has agreed in principle with the Debt Management Agency of Hungary (AKK) to advise the Ministry of Finance in its transition to market based issuance. The SOW was approved by the MOF and involves consultation on establishing the primary market and the use of reverse repos for development of the secondary market. Given that AKK is outside country codes that can be used by USAID contractors, ATCI has requested that USAID waive this requirement in order to retain AKK.

All of the above has occurred within the context of the Programmatic Technical Assistance Partnership or PTAP *(see Attachment 11)* conducted a review of activities to date. During the quarter the WB representative Michel Noel met with ATCI/USAID, counterparts and market participants to ascertain the timing for moving to market issuance of treasury securities and the likely timetable WB Treasury could expect to provide its part of technical assistance within the context of PTAP.

The Accounting Chamber of Ukraine also has promoted the use of a separate debt management office similar to that used in many European countries for managing Ukraine's public. Frequently, countries will set up a debt management agency that is not part of the Ministry of Finance in order to pay higher salaries to staff in order to retain them.

IV. ADMINISTRATIVE ISSUES – FIXED INCOME UKRAINE

ATCI is waiting for USAID to take action on a request for a waiver that will enable the project to retain the Debt Management Agency of Hungary (AKK) as Advisor to the MOF on essential aspects for establishment of domestic government securities market.

V. DESCRIPTION AND STATUS OF TASKS – FIXED INCOME UKRAINE

A. Regulatory reform

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Focus on transparency and disclosure regulations at SSMSC	• PFTS INDEX COMMITTEE DECIDED TO CALCULATE PFTS INDEX BASED ONLY ON TRANSACTIONS EXECUTED INSIDE BEST BID/BEST ASK QUOTES AT THE MOMENT OF SALE
2. Present round table with Association of Investment Businesses to eliminate mandatory ratings	• ATCI AND AIB HAD PLANNED TO HOLD ROUNDTABLE AFTER A SERIES OF MEETINGS FOR DISCUSSIONS AND DRAFTING OF NEW RATINGS LAW BUT AFTER NUMEROUS ATTEMPTS TO ENGAGE THE AUIB, NOTHING HAPPENED
3. Draft regulations on rating agencies	• ATCI, TOGETHER WITH UAIB, ORGANIZED TELECONFERENCE WITH STANDARD AND POORS, CIS, TO DISCUSS INTERNATIONAL STANDARDS OF BEST PRACTICE. • NO DRAFTING OCCURRED DURING THIS QUARTER
4. Participate in the working groups to amend pledge and bankruptcy laws / draft legislation to enable the use of trust	• NO ACTIVITY ON THIS ISSUE.

B. Assist GOU and NBU in constructing a long-term government yield curve in Ukraine

1. Asses status of Treasury debt market and impediment to development	• MONITORED VOLUMES, BID/ASK SPREADS AND YIELDS IN PRIMARY AND SECONDARY TREASURY DEBT MARKET • MONITORED CHANGES IN THE GOVERNMENT POLICY AND COMMITMENTS REGARDING THE TREASURY DEBT MARKET (PUBLICATION OF ISSUANCE SCHEDULE (ATTACHMENT 1), ANNOUNCEMENTS ON YIELD AND DURATION POLICIES, DEBT MANAGEMENT STRATEGY, INTRODUCTION OF THE PRIMARY DEALER SYSTEM). • THE MINISTRY OF FINANCE UNABLE TO SELL FIVE-YEAR $500 MLN EUROBOND ISSUE DUE TO DETERIORATING MARKET CONDITIONS GLOBALLY • STANDARD AND POOR'S DECREASED UKRAINE'S LONG-TERM FOREIGN CURRENCY OBLIGATIONS RATING FROM BB- TO B+.
a) Propose structure for development of Government Securities market	• CONTINUED MONITORING GOVERNMENT AND NBU POLICIES AND REGULATIONS ON CHANGES IN THE POLICY OF DEVELOPING FINANCIAL MARKETS. • ATCI CONTINUED TO HOST REGULAR MEETINGS WITH DEPUTY MINISTER OF FINANCE RE: ESTABLISHMENT OF A YIELD CURVE, REGULAR ISSUANCES AT MARKET, ISSUANCE OF BENCHMARK GOVERNMENT DEBT SECURITIES, DEVELOPMENT OF REPO/REVERSE REPO MARKET ALONG WITH PRIMARY DEALERS
b) Propose benchmark issues for construction of medium and long term Yield Curve	• CONTINUED MONITORING VOLUMES AND TERM STRUCTURE OF OUTSTANDING STOCK EXCHANGE-LISTED ISSUES OF THE GOVERNMENT SECURITIES • CONTINUED MONITORING LISTING STATUS OF THE GOVERNMENT SECURITIES IN CIRCULATION. • BENCHMARK ISSUES PROPOSED, AT MARKET, DURING INFORMAL WEEKLY MEETINGS WITH DEPUTY MINISTER OF FINANCE; OVERTURE TO NBU UNDERWAY TO MANAGE STA BALANCES TO SMOOTH LIQUIDITY IN THE BANKING SYSTEM. THIS WILL ALLOW THE MOF TO EARN INTEREST THAT FACILITATES ISSUANCE OF TREASURY SECURITIES AT MARKET
c) Expand investor base in Government Securities	• MONITORED CHANGES IN LEGISLATION THAT ALLOW INSTITUTIONAL INVESTORS, I.E., STATE DEPOSIT INSURANCE FUND, TO INVEST MORE IN GOVERNMENT SECURITIES AND ESTABLISHING OF NEW PROSPECTIVE INSTITUTIONAL INVESTORS IN GOVERNMENT SECURITIES (PENSION ACCUMULATION FUND, INVESTOR'S GUARANTEE FUND) • THE MINISTRY OF FINANCE SUGGESTED TO INCREASE ANNUAL CONTRIBUTIONS TO THE STATE DEPOSIT GUARANTEE FUND

2. Assist in design of a functioning primary dealer and repo market	• ATCI COP CONTINUES REGULAR MEETINGS WITH DEPUTY MINISTER OF FINANCE PLUS OTHER DONOR CONSULTANTS RE ESTABLISHMENT OF A YIELD CURVE, REGULAR ISSUANCES, ISSUANCE OF BENCHMARK GOVERNMENT DEBT SECURITIES, DEVELOPMENT OF REPO/REVERSE REPO MARKET ALONG WITH PRIMARY DEALERS
a) Prepare standard rules for repo market activities including standardized repo agreement	• ATCI COMPLETED NEGOTIATIONS WITH HUNGARIAN DEBT MANAGEMENT AGENCY (AKK) TO UTILIZE STTA EXPERT IN DEVELOPMENT OF REPO/REVERSE REPO MARKET AND ESTABLISHMENT OF PRIMARY DEALERS NEXT QUARTER; A WAIVER TO RETAIN A NON-U. S. ENTITY (AKK) HAS BEEN REQUESTED FROM USAID.
b) Design REPO and reverse REPO market	• SEE ABOVE
c) Define activities of Primary Dealers	• STUDIED AND DISCUSSED IN WEEKLY MEETINGS WITH MINISTRY OF FINANCE INTERNATIONAL PRACTICES OF DEFINING ACTIVITIES OF PRIMARY DEALERS AND DEVELOPMENT OF RESPECTIVE INSTITUTIONAL FRAMEWORK (IMF WORKING PAPER "PRIMARY DEALERS IN GOVERNMENT SECURITIES: POLICY ISSUES AND SELECTED COUNTRIES' EXPERIENCE", 2003) • ATCI CONTINUES REGULAR MEETINGS WITH DEPUTY MINISTER OF FINANCE RE: ESTABLISHMENT OF A YIELD CURVE, REGULAR ISSUANCES, ISSUANCE OF BENCHMARK GOVERNMENT DEBT SECURITIES, DEVELOPMENT OF REPO/REVERSE REPO MARKET ALONG WITH PRIMARY DEALERS. WHEN A WAIVER IS ISSUED ALLOWING AKK TO ASSIST THE MOF, ESTABLISHING PRIMARY DEALERS WILL BE THE FIRST PRIORITY.
d) Development of dealer institutional framework	• MONITORED LIQUIDITY AND STATUS OF ORGANIZED TRADING MARKETS MAINLY BANKS AND THE PROCESS OF EMERGENCE AND DEVELOPMENT OF NEW EXCHANGES (REGISTRATION OF NEW STOCK EXCHANGES, REORGANIZATION OF INFORMATION AND TRADING SYSTEMS INTO STOCK EXCHANGES, CHANGES IN OWNERSHIP OF STOCK EXCHANGES AND LEGAL FORMAT, PROSPECTS OF INTERNATIONAL EXCHANGES TO ENTER THE MARKET)

LIST OF ATTACHMENTS – FIXED INCOME UKRAINE

ATTACHMENT 10: Procedure of Placement of Funds of the Unified Treasury Account; ATCI comments to Procedure for Placing Government Securities Using an Exchange Platform

ATTACHMENT 11: Roundtable on the Programmatic Technical Assistance Partnership: Agenda and Presentation

D. MUNICIPAL - Ukraine

I. COMPONENT DESCRIPTION – MUNICIPAL UKRAINE

This Report provides details on the events and activities relating to the Municipal Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from July 1 through September 30, 2008.

The municipal finance program of the Access to Credit Initiative helps cities and communal service enterprises issue long-term bonds for essential infrastructure. The program has also been promoting the development of a municipal finance facility in Ukraine.

Technical assistance from the program's team of Ukrainian and international experts in finance, accounting, and law will enable at least three municipalities or communal enterprises to issue bonds. The pilot bonds will demonstrate practices that creditworthy issuers employ to win investor confidence, such as transparent accounts, full disclosure, and financing capital projects that "pay for themselves" with cost savings.

Pilot bonds will disclose legal and regulatory obstacles to bond issuance. The bond program will develop solutions and advocate for their enactment. Legal goals include promotion of stable, predictable central government transfers to municipalities, greater fiscal autonomy for cities, and full-cost recovery tariffs for utility companies.

Creditworthiness assessments and legal preparations for pilot bonds will inform the development of a viable, self-sustaining municipal finance facility that raises funds in the capital markets and on-lends them to creditworthy cities and utilities.

Key counterpart organizations supporting the bond program are the Association of Ukrainian Cities, the Ministry of Housing and Communal Economy, Ministry of Finance, Ministry of Economy, Ministry of Construction and Regional Development.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – MUNICIPAL UKRAINE

- ATCI RECEIVED FEEDBACK FROM AUC ON ATCI'S DRAFT 'LAW ON LOCAL BORROWINGS AND LOCAL GUARANTEES', WHICH INCLUDES A SECTION ON ESTABLISHMENT AND FUNCTIONING OF MUNICIPAL FINANCE FACILITY; ATCI PREPARED DRAFT EXPLANATORY NOTE IN RESPONSE TO AUC REQUEST AS REQUIRED BY THE PROCEDURE OF SUBMITTING DRAFT LAWS TO THE VERKHOVNA RADA

- ASSISTED THE CITY OF LVIV IN PREPARING COMPETITION DOCUMENTATION FOR A REPEATED UNDERWRITER SELECTION COMPETITION

- ATCI MET WITH POTENTIAL PRIVATE INVESTORS (E.G., IFC, KfW) AND STATE AGENCY (SAII) RE: ESTABLISHMENT OF MFF

- FIVE UKRAINIAN CITIES TOOK ADVANTAGE OF "SUMMER WINDOW" AND CONDUCTED SEVEN PLACEMENTS OF BONDS WORTH OF UAH 109 MLN

- FOLLOWING THE ATCI-ASSISTED PILOT ISSUE WORTH UAH 29 MLN IN 2007, LUHANSK CITY ISSUED 5-YEAR UAH 50 MLN BOND

- MR PITTSYK, AUC VICE-PRESIDENT, APPOINTED AS ADVISER TO PRESIDENT OF UKRAINE

III. EXECUTIVE SUMMARY – MUNICIPAL UKRAINE

ATCI completed study of municipal creditworthiness for the period 2004-2007. The aim of the study was to determine whether creditworthiness had increased for Ukrainian cities since ATCI began its screening and pilot issues. The research was extensively based on Association of Ukrainian Cities / Association of Financiers of Ukraine publication "Financial Performance of Cities". The analysis of the sample of 73 cities for the period 2004 – 2007 based on recently published 2007 data from the AUC showed that the general trend in cities' creditworthiness was positive (*see Attachment 12*).

After receiving no bids during previous competition the City of Lviv was preparing for repeated announcement of a competition for underwriting of its UAH 200 million bond with a maximum coupon rate of 12%. The City was not able to follow ATCI's advice to increase the interest rate (given the market situation and examples of larger and smaller cities) because of the political disagreements (between the City Council and the City Executive Committee) but changed underwriting condition from full commitment to best efforts. ATCI assisted the city in amending competition documents and monitoring current situation in the market regarding interest rates and other cities' current and prospective placements (*see Attachment 13*).

ATCI agreed with the AUC to coordinate joint efforts for promoting real estate tax legislation. ATCI initiated a meeting with Mr Teryohin, Chairman of the Verkhovna Rada Committee on Tax and Customs Policy, to discuss official position of the Committee on real estate tax and the format of its introduction

MFF

During this reporting period, ATCI continued to promote the enabling environment for successful establishment of the MFF and obtained from the Association of Ukrainian Cities feedback on ATCI's draft 'Law on Local Borrowings and Local Guarantees' which also included section on establishment and functioning of a Municipal Finance Facility. In response to the AUC request ATCI prepared a draft Explanatory Note (*see Attachment 14*) to the Draft Law on Local Borrowings and Local Guarantees, which is an integral part of the package of documents for submission of the draft Law to Verkhovna Rada. The draft Law is supposed to eliminate existing legal obstacles for making local borrowings and guarantees as well as to ensure creation of MFF and its effective activities.

During this period, a new version of the Budget Code was voted by the Verkhovna Rada in the first reading. Since the draft Law is supposed to amend the current Budget Code's provisions on local borrowings and guarantees, some corrections to the draft Law's text might be needed, given possible adoption of new version of the Budget Code.

During drafting of the Law, ATCI identified that adequate bankruptcy procedures were not in place to assist municipalities in assist municipalities in reorganizing to regain solvency. This issue was also addressed by some international investors (in particular, GMO, NWI management) interested in investing in Ukrainian municipal bonds. AUC supported ATCI that development of legislation on municipal solvency recovery is needed.

ATCI also met with the International Finance Corporation (Mr. Lubec, Senior Investment Officer, Ms. Ponomoriova, Principal Investment Officer), where the possibility of IMC investing in MFF was discussed. ATCI delivered a revised MFF presentation for private investors *(Attachment 15),* and, later on, an overview of MFF-type activities in other emerging markets (*see Attachment 16*). ATCI also presented the NBU's treatment of bonds for the purpose of banks' refinancing, regulatory capital adequacy calculation and formation of reserves *(see Attachment 17)*

IFC later referred ATCI to the KfW development bank and EBRD possible interest. ATCI then conducted a meeting with Mr. Tust, Project Manager of KfW development bank, and discussed the possibility of KfW investing in MFF.

In addition, ATCI had a meeting with USAID and the State Agency for Investments and Innovations (SAII). SAII informed about us about their National Program "Creation of Innovation Infrastructure in Ukraine in 2009-20013" approved by the Cabinet of Ministers Decree No 447 of May 14, 2008, which provides for creation of regional communal special non-banking innovative finance and credit institutions (i.e., regional MFF-like institutions), at the expense of local budgets. No central budget investments are available. USAID and ATCI recommended SAII to discuss this issue with the Association of Ukrainian Cities and then come back to us for developing possible further joint efforts.

Workshops and public education

ATCI updated its presentation on *Municipal Borrowings as An Important Means for Financing City Development* to be delivered to the IV Ukrainian Municipal Forum in Artek (Crimea), 2-4 October, 2008.

Plan of Action

1. Promote draft legislation, which would eliminate obstacles and ensure MFF creation and effective activities.
2. Collaborate with other donors, IFIs, and private investors on establishment of the MFF in Ukraine.
3. Continue advisory help on bond issuance to other Ukrainian municipalities, in particular the city of Lviv, at their requests.
4. Collaborate with the World Bank on a set of reforms to further develop Ukraine's sub national debt market.
5. Run workshops on debt issuance and associated issues, in particular in collaboration with the AUC.

IV. ADMINISTRATIVE ISSUES – MUNICIPAL UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – MUNICIPAL UKRAINE

A. Constraints to Bond Issuance

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Monitor GOU intergov't finance practices for credit risks	• COMPLETED A STUDY OF CITIES' CREDITWORTHINESS FOR 2004-2007 (UPDATED WITH 2007 DATA) TO CONCLUDE WHETHER OR NOT CREDITWORTHINESS HAD INCREASED FOR UKRAINIAN CITIES SINCE ATCI BEGAN ITS SCREENING AND PILOT ISSUES; CONCLUDED FROM THIS STUDY THAT THE GENERAL TREND IN CITIES' CREDITWORTHINESS WAS POSITIVE • AGREED WITH AUC TO COORDINATE EFFORTS FOR PROMOTING REAL ESTATE TAX LEGISLATION • INITIATED MEETING WITH MR TERYOHIN, CHAIRMAN OF THE VERKHOVNA RADA COMMITTEE ON TAX AND CUSTOMS POLICY, TO DISCUSS OFFICIAL POSITION OF THE COMMITTEE ON REAL ESTATE TAX AND THE FORMAT OF ITS INTRODUCTION
2. Participate in Drafting on Law on Local Borrowing	COMPLETED
3. Assemble Legal Task Force for Municipal Issuance	COMPLETED
4. Develop a roadmap for bond issuance by municipalities	COMPLETED
5. A ST Advisor will investigate other legal and economic issues	COMPLETED

B. Prepare and Issue Pilot Bonds

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Initiation of pilot	COMPLETED
2. Implementation	COMPLETED
3. Berdyansk--Pilot Bond Development	COMPLETED
4. Korasten-Pilot Bond Development	COMPLETED
5. Cherkasy--Re-evaluate for Pilot Bond	COMPLETED
6. Select, evaluate, prepare 2 new Pilot Bond Cities/Utilities	COMPLETED

7. Luhansk	COMPLETED
8. L'viv	COMPLETED
9. Assist other municipalities upon request	• ASSISTED THE CITY OF LVIV IN AMENDING COMPETITION DOCUMENTS FOR A REPEAT COMPETITION OF UNDERWRITER SELECTION • MONITORED CURRENT SITUATION IN THE MARKET REGARDING INTEREST RATES AND OTHER CITIES' ENGAGEMENT IN ONGOING AND PROSPECTIVE PLACEMENTS IN SUPPORT OF LVIV 's DECISION OF WHEN TO GO TO MARKET

C. Pooled Finance Facility (Municipal Finance Facility)

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Pooled Finance Conference and Development	N/A
2. Develop legislative basis for establishment of MFF	• RECEIVED FEEDBACK FROM AUC ON ATCI'S DRAFT ON *LAW ON LOCAL BORROWINGS AND LOCAL GUARANTEES* WHICH INCLUDES SECTIONS ON ESTABLISHMENT AND FUNCTIONING OF A MUNICIPAL FINANCE FACILITY; PREPARED DRAFT EXPLANATORY NOTE IN RESPONSE TO AUC REQUEST AS REQUIRED BY THE PROCEDURE FOR SUBMITTING DRAFT LAWS TO THE VERKHOVNA RADA
3. Cooperate with IBSER and AUC to present round tables on Laws on Local Borrowing and MFF	NO ACTIVITY ON THIS ISSUE.
4. Secure GOU/private financing for MFF	• HELD MEETINGS REGARDING MFF ESTABLISHMENT WITH POTENTIAL PRIVATE INVESTORS (IFC, KfW) AND STATE AGENCY (SAII)
5. Development of business plan	N/A
a) Development of implementing regulations	N/A
b) Development of legal and operating documents	N/A
6. Develop operational policies	N/A
7. Financial product development	N/A
8. Develop credit enhancements	N/A
9. Provide technical support for operational start-up and pilot issue	N/A

D. Training and Dissemination

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Present workshop with AUC on bond issuance for cities <800k pop; transfer of methodology to cities through AUC	• UPDATED PRESENTATION "MUNICIPAL BORROWINGS AS AN IMPORTANT MEANS OF CITY DEVELOPMENT FINANCING" FOR UKRAINIAN MUNICIPAL FORUM OCTOBER 2008

LIST OF ATTACHMENTS

ATTACHMENT 12: Trends In Ukrainian Cities' Creditworthiness between 2004 And 2007

ATTACHMENT 13: Outstanding And Prospective Municipal Bond Issues as of September 30, 2008

ATTACHMENT 14: Draft Explanatory Note To the Draft Law On Local Borrowings And Local Guarantees

ATTACHMENT 15: MFF Presentation To The International Finance Corporation

ATTACHMENT 16: Municipal Finance Facilities: Examples from Other Emerging Markets

ATTACHMENT 17: NBU Treatment of Bonds For The Purpose Of Banks' Refinancing, Regulatory Capital Adequacy Calculation, And Formation of Reserves

E. LEASING - Ukraine

I. COMPONENT DESCRIPTION – LEASING UKRAINE

This report details events and activities relating to the Leasing Component of the USAID Access to Credit Initiative, implemented by the Pragma Corporation, during the period from July 1 through September 30, 2008.

The primary purpose of the Leasing Component is not only to create a supportive environment for modern financial leasing but to provide specific technical, advisory, and training assistance in order to increase access to credit throughout Ukraine. Leasing can be an efficient alternative to bank credit for financing acquisition of fixed assets, and can often complement bank credit allowing a company to increase its access to needed credit availability.

ATCI will aim to strengthen existing leasing companies. Capacity building will consist of training and consulting for lessors, lessees, farmers, regulators, and other interested parties, such as equipment vendors and banks. ATCI will seek potential foreign and local investors, interested in investing in Ukraine's leasing industry, and assist them in their evaluation of specific opportunities. ATCI will continue to conduct public awareness efforts, alone and in conjunction with local business groups and other international donor agencies, directed at potential lessees and equipment vendors as well as the media, in order to help familiarize Ukraine's business community with how leasing works, as well as how businesses and farmers can successfully use leasing.

The Leasing Component will facilitate the increase the number of professionals available to work in Ukraine's leasing industry, as well as increase their professional knowledge and standing, by introducing the Certified Leasing Specialist (CLS) Program, a designation for market participants so that they may attain world standards of practice.

ATCI will continue to promote reform of the legislative and regulatory framework for leasing, as well as tax incentives to promote capital spending and plant modernization, to facilitate industry development and entry of foreign capital into the market.

II. SIGNIFICANT EVENTS – LEASING UKRAINE

- THE "PENETRATION RATE," DEFINED AS THE PERCENTAGE OF CAPITAL EQUIPMENT FINANCED THROUGH LEASING, FOR THE 1ST QUARTER OF 2008 REACHED 7.5%, COMPARED TO 3.8% FOR THE SAME PERIOD IN 2007.

- IN JULY, ATCI HELD AN AWARDS CEREMONY FOR 16 INDIVIDUALS; TOTAL NUMBER OF CLS IS 83, OF WHICH 41 ARE WOMEN

- IN JULY, THE 3RD GENERAL MEETING OF THE CERTIFIED LEASE SPECIALISTS UNION TOOK PLACE AIMED AT ADMITTING NEW MEMBERS; ATCI PRESENTED THE UNION'S WEB-SITE WWW.LEASEPRO.ORG.UA AND NEWSLETTER, AND DISCUSSED WAYS OF MAINTAINING THE NGO'S SUSTAINABILITY

- ATCI CONTINUED ITS COOPERATION WITH ALL-UKRAINIAN UNION OF LESSORS ON PREPARATION OF AND DEVELOPING A COMPREHENSIVE QUESTIONNAIRE FOR LEASING COMPANIES TO BE COMPLETED AND SUBMITTED ON A QUARTERLY BASIS

- IN AUGUST, ATCI WAS INVITED TO BECOME A PERMANENT MEMBER OF THE LEASING COMMISSION WITHIN THE UKRAINIAN LEAGUE OF INDUSTRIALISTS AND ENTREPRENEURS

- IN SEPTEMBER, ATCI AND THE NGO MEMBERS PARTICIPATED IN THE SEMINAR ORGANIZED BY UNIVERSAL EXAMINATION NETWORK (CIPA-EN) ON VARIOUS ASPECTS OF PROFESSIONAL CERTIFICATIONS, IN PARTICULAR, ON PREPARING AND SCORING EXAM QUESTIONS; THIS PARTICIPATION WILL RESULT IN ASSISTING THE SUSTAINABILITY OF THE CLS PROGRAM IN UKRAINE

- IN SEPTEMBER, ANOTHER CLS TRAINING SESSION BEGAN WITH 40 TRAINEES PARTICIPATING. THUS, THE TOTAL NUMBER OF LEASING PERSONNEL TRAINED SINCE LAUNCHING OF THE PROGRAM IN 2006 HAS REACHED 206 PERSONS, OR ABOUT 12% OF ALL EMPLOYED IN THE INDUSTRY INCLUDING 155 PEOPLE BEING PREPARED FOR THE CERTIFICATION EXAMS BY THE OFFICIAL TRAINING PROVIDER "KOMPAS" COMPANY

- WORK ON DRAFTING OF THE LEASING MANUAL CONTINUED AS AUTHORS SUBMITTED 100% OF THEIR CONTRIBUTIONS, 80% OF WHICH WERE REVIEWED; MANUAL IS NOW SCHEDULED TO BE READY FOR DISTRIBUTION NEXT QUARTER

III. EXECUTIVE SUMMARY – LEASING UKRAINE

ATCI established, using data provided by the State Commission for Regulation of Financial Services Markets in Ukraine as well as State Statistics Committee of Ukraine, that the "penetration rate," (defined as the rate at which financial leasing is used as a method of acquiring capital equipment) has reached 7.5% in the 1st Quarter of 2008 compared to 3.8% for the same period in 2007. The penetration rate is a major indicator of the success of ATCI's Financial Leasing Component, because it measures the increased use of leasing as a means to modernize plant and equipment in Ukraine.

On July, 31, ATCI held an awards ceremony for 16 individuals who took CLS training in February and March, 2008, and who passed all 3 exams given in April, 2008. Thus, the total number of Certified Lease Specialists is 83 people (41 women, 42 men). In conjunction with the awards ceremony, the 3rd General Meeting of the Certified Lease Specialists Union was held. Focus was placed on the presentation of the CLSU Web-site www.leasepro.org.ua developed by ATCI. This site provides comprehensive information about the CLS Program and the Union as well as all aspects of leasing business in Ukraine. The web site can be used as a gathering place for all the Certified Specialists where they could share their experience and continue their professional development thus contributing to the overall growth and improvement of the leasing market in Ukraine. Also, presented at the general meeting was the first issue of the CLSU newsletter which was distributed not only among the CLS holders but also to everyone participating in the training as well as among all leasing companies on a quarterly basis *(See Attachment 18)*. The meeting also addressed the issues of maintaining the sustainability of the NGO, in particular, possibilities of obtaining grants from international organizations. It was decided to set up a working group within the Union which would look into the matter and prepare a business plan for the NGO. ATCI committed to assist the Union in its efforts to reach such

organizations. The issue of cooperation between the CLSU and Moldova Association of Certified Lease Specialists was also discussed and short-term work plans were defined.

In the context of promotion of the CLS designation, ATCI arranged for publishing of two articles in on-line media. The first article covers the overall situation in the leasing industry, with a focus placed on specialists employed in the industry and the role of the CLS Program in their training. The second article gives opinions of 3 Certified Lease Specialists about the CLS Program. The persons are 1) Dmitry Bogodukhov, LeaseIT, managing director, 2) Nikolay Soroka, AIS Leasing, leading expert on leasing operations, and 3) Polina Bankova, Euro-Leasing, LLC, regional representative, (*See Attachment 19).* The web portal that hosts the publications http://prostobiz.com.ua/ targets both large companies and SMEs as well as banks.

ATCI continued its cooperation with All-Ukrainian Union of Lessors on preparing for the leasing market research to be carried out for 2008. Previously, there were two such surveys: one carried out by the State Commission for Regulation of Financial Services Markets based on the compulsory questionnaires sent out to all leasing companies and the other was performed by the IFC Leasing Project on a voluntary basis. This year, it has been decided to merge the two surveys in order to have a more comprehensive picture of situation in the leasing market quarterly. In August, ATCI participated in the meeting of the Working Group, consisting of members of the Association as well as the Commission's representatives, which decided on the questions to be included in the survey and prepared a draft questionnaire which was yet to be approved by the Commission's management *(See Attachment 20).*

In August, ATCI was invited to become a permanent member of the Leasing Commission that was being set up within the Ukrainian League of Industrialists and Entrepreneurs. The scope of work of the Commission was set as follows: review of leasing-related legislation; preparation of legal documents aimed at improving the leasing environment in Ukraine; resolving conflicts which involve members of the League working in leasing; review and examination of governmental programs and projects in the field of leasing; improvement of professional training of leasing specialists.

On September, 20-21, ATCI and the NGO members took part in the seminar held by Universal Examination Network (CIPA-EN) entitled "Professional Certifications and Licensing: Exam Structure and Techniques". In particular, the seminar addressed the issues of preparing and scoring exam questions which was very essential in terms of ensuring smooth transition of CLS Program under the auspices of the NGO and maintaining its high professional level.

On September, 26, another CLS training session started with 40 trainees participating. Thus, the total number of leasing personnel trained since launching of the Program in 2006 has reached 206 persons, or about 12% of all employed in the industry including 155 people being prepared for the certification exams by the official training provider Kompas Company.

ATCI provided advisory assistance to the Chairman of Verkhovna Rada Committee on Taxation and Customs, Mr. Sergiy Teryokhin, through its former Senior Advisor Mr. Robert Homans. In particular, information on the following issues was provided by ATCI: current rules of depreciation accounting in Ukraine; legislation on accelerated depreciation for tax purposes; current leasing and capital spending statistics. The objective of such assistance was to contribute to the improvement of the climate for capital spending in Ukraine.

ATCI continued its work on drafting of the Leasing Manual. As of September 30, 2008, authors submitted 100% of their portions with 80% of them already reviewed and appropriate comments made to be taken by authors into consideration. It is planned to have the Manual published by the end of October, 2008.

IV. ADMINISTRATIVE ISSUES – LEASING UKRAINE

ATCI started the procedure of registration of Leasepro.org trademark with the State Enterprise "Ukrainian Institute of Industrial Property" and concluded a contract with the patent agent who would perform all the procedures required.

V. DESCRIPTION AND STATUS OF TASKS

Task 1. Financial Leasing – Building Participant Capacity

Defined activity	Progress Made During Quarter/Proposed Future Actions
1. Polling the financial community for interest in leasing courses from which successful participants will graduate as certified financial lessors	▪ COMPLETED
2. Design and launch 1-3 day leasing seminar	▪ COMPLETED
3. Deliver seminars for other industry participants	▪ COMPLETED
4. Prepare and launch seminars for potential lessees and CLS trainees in the regions	▪ N/A
5. Develop strategy for CLS program for Ukraine	
a) Development of content/study-guide	▪ COMPLETED
b) Develop training modules	▪ COMPLETED
c) Develop examination	▪ COMPLETED
d) Establish local training providers	▪ N/A.
e) Begin program	▪ COMPLETED
f) Establishment of NGO	▪ COMPLETED
g) Expand the CLS training regionally	▪ N/A
h) Maintain the relevance of the CLS body of knowledge and examination questions	▪ N/A
i) Establish the sustainability of NGO	▪ WITHIN THE STRATEGY OF PROMOTION OF THE CLS PROGRAM AND UNION, ATCI PRESENTED THE CLSU WEB-SITE. THE SITE PROVIDES COMPREHENSIVE INFORMATION AND THE LATEST UPDATES ON THE PROGRAM AND THE NGO AS WELL AS USEFUL INFORMATION ON DOING LEASING BUSINESS IN UKRAINE. ALSO, IT IS CONCEIVED AS A GATHERING PLACE FOR ALL CERTIFIED SPECIALISTS WERE THEY CAN SHARE THEIR EXPERIENCE AND

j) Ensure the transition of the CLS program under the auspices of NGO	CONTINUE THEIR PROFESSIONAL DEVELOPMENT. ▪ THE FIRST ISSUE OF THE NGO'S QUARTERLY NEWSLETTER WAS PUBLISHED AND DISTRIBUTED AMONG ALL PARTICIPANTS OF THE CLS PROGRAM AS WELL AS ALL LEASING COMPANIES. ▪ ATCI ARRANGED FOR PUBLISHING OF TWO ARTICLES ABOUT THE CLS PROGRAM AND THE NGO IN ON-LINE MEDIA. THE ARTICLES COVER THE OVERALL SITUATION IN THE LEASING INDUSTRY WITH THE FOCUS PLACED ON THE ROLE OF CLS PROGRAM IN PROFESSIONAL TRAINING OF LEASING PERSONNEL. ▪ ATCI ARRANGED FOR PARTICIPATION OF THE NGO MEMBERS IN THE SEMINAR "PROFESSIONAL CERTIFICATIONS AND LICENSING: EXAM STRUCTURE AND TECHNIQUES" HELD BY UNIVERSAL EXAMINATION NETWORK (CIPA-EN). IN PARTICULAR, THE SEMINAR TOUCHED UPON THE ISSUES OF PREPARING AND SCORING EXAM QUESTIONS.

Task 2. Financial Leasing – Information Network

Defined activity	Progress Made During Quarter/Proposed Future Actions
1. Initiation	▪ COMPLETED
2. Hold / participate in conf/roundtables on state of leasing industry for gov't officials, media and industry participants	▪ N/A
3. Prepare and distribute educational materials on various aspects of international best practice and practice in Ukraine	▪ N/A
4. Prepare and distribute manual on 'leasing in Ukraine'	▪ AS OF SEPTEMBER 30, 2008, AUTHORS SUBMITTED 100% OF THEIR MATERIALS AND 80% OF THEM WERE REVIEWED. IT IS PLANNED TO HAVE THE MANUAL PUBLISHED BY THE END OF OCTOBER.

Task 3. Financial Leasing – Market Research

Defined activity	Progress Made During Quarter/Proposed Future Actions
1. Design and track a system of indicators reflecting the macro situation on the leasing market	▪ USING DATA PROVIDED BY THE GOVERNMENT OF UKRAINE, ATCI ESTABLISHED THAT PENETRATION RATE (RATE AT WHICH FINANCIAL LEASING IS USED AS A METHOD OF ACQUIRING CAPITAL EQUIPMENT) FOR THE 1ST QUARTER OF 2008 WAS 7.5% COMPARED TO 3.8% FOR THE SAME PERIOD IN 2007
2. Prepare and carry out a survey covering main leasing macro indicators	▪ ATCI CONTINUED ITS COOPERATION WITH ALL-UKRAINIAN UNION OF LESSORS ON PREPARATION FOR CARRYING-OUT OF THE LEASING MARKET RESEARCH FOR 2008. A MEETING OF THE WORKING GROUP WAS HELD WHICH PREPARED THE DRAFT QUESTIONNAIRE TO BE APPROVED BY THE STATE COMMISSION FOR REGULATION OF FINANCIAL SERVICES MARKETS IN UKRAINE.
3. Monitor leasing activities of major foreign banks in Ukraine	▪ N/A

Task 4. Financial Leasing - Consulting Services

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. **Initiation of assistance services**	▪ COMPLETED
2. **Translation-based advisory services**	▪ ATCI PROVIDED TRANSLATION-BASED ADVISORY SERVICES TO MR. ROBERT HOMANS, IT FORMER SENIOR ADVISOR, IN RELATION TO HIS MEETINGS WITH THE CHAIRMAN OF VERKHOVNA RADA COMMITTEE ON TAXATION AND CUSTOMS. IN PARTICULAR, IT CONCERNED THE EXISTING AND PROPOSED DEPRECIATION FACTORS AND CLASSIFICATION OF ASSETS FOR TAX PURPOSES.
3. **Provide advisory services on selected basis to lessors and other market participants**	▪ ATCI PROVIDED ADVISORY ASSISTANCE TO THE CHAIRMAN OF VERKHOVNA RADA COMMITTEE ON TAXATION AND CUSTOMS, MR. SERGIY TERYOKHIN, THROUGH ITS FORMER SENIOR ADVISOR, ROBERT HOMANS, ON DECREASING ALLOWABLE DEPRECIATION ON CAPITAL EQUIPMENT AND INSTITUTING ACCELERATED DEPRECIATION FOR TAX PURPOSES IN UKRAINE
4. **Assist new market entry on selected basis**	▪ N/A
5. **Provide consulting on organizational and management Issues**	▪ N/A
6. **Assistance in securing financial sources**	▪ N/A

LIST OF ATTACHMENTS – LEASING UKRAINE

ATTACHMENT 18 : CLSU Newsletter

ATTACHMENT 19: Article on New Professional Standards of Leasing, Prostobiz.com.ua

ATTACHMENT 20: Draft Leasing Questionnaire

F. CREDIT BUREAU/CREDIT RATING AGENCY – Ukraine

This report provides details on events and activities relating to the Credit Bureau/Credit Rating component of the USAID Access to Credit Initiative, as implemented by the Pragma Corporation, during the period from July 1, 2008 through September 30, 2008.

I. COMPONENT DESCRIPTION - CREDIT BUREAU UKRAINE

The objective of this activity is to establish and develop a Credit Bureau in Ukraine, which is a key piece of financial infrastructure. A Credit Bureau serves as a financial intermediary between the lender and the borrower in order to stimulate, in the first instance, the SME and retail markets within a free market competitive economic system.

The practical definition of a Credit Bureau, for design and implementation purposes in Ukraine, is one of an impartial entity that will store all past and present credit transactions entered into by a particular legal or physical person and one that will indicate the manner in which the subject of the credit profile repaid the obligation to the respective creditors. The Credit Bureau would contain gender-neutral demographic information on a consumer to ensure proper identification, information that is pertinent to their creditworthiness, and an indication of the overall risk relating to an applicant. The Credit Bureau will provide an avenue for the verification or validation of any information that may be questioned or disputed by the subject of the credit profile. A Credit Bureau serves both parties in a credit transaction and is an excellent tool to reduce risk and facilitate and accelerate the approval process.

II. SIGNIFICANT EVENTS - CREDIT BUREAU UKRAINE

- INTERNATIONAL CREDIT BUREAU EXPERIAN NEGOTIATES WITH UKRAINIAN BUREAU OF THE CREDIT HISTORIES (UBCH) ABOUT IMPLEMENTATION ITS SCORING SYSTEM.
- FIFTH CREDIT BUREAU, DATA MINING GROUP, REGISTERS WITH MINISTRY OF JUSTICE

III. EXECUTIVE SUMMARY – CREDIT BUREAU UKRAINE

ATCI continued to provide on-going consultancy to ensure compliance with international standards of best practice during the development phase of a credit reporting system, and to provide advice to the overall market with respect to data sharing and the reduction of data fragmentation.

ATCI's area of focus remained in two basic areas: a) overall coordination of the market given the likelihood of data fragmentation and b) drafting regulations.

ATCI continues to interface on a regular basis with FNBCH, IBCH, and other interested parties, including foreign credit bureau operators. Major highlights and accomplishments over the past quarter follow:

The Ministry of Justice as the state regulator of credit bureau activities conducts its planned inspections, authorized through regulation of credit bureaus. The preparation for the inspections is accompanied by ongoing improvement in the regulations. The staff of the Department of Legalizing and Regulating Credit Bureau Activities at the Ministry of Justice of Ukraine prepared plans and schedules of inspections that are discussed with top managers of credit bureaus to take into consideration their comments and proposals. First corrections have already been made. Following the request by the General Manager of the "First All-Ukrainian Bureau of Credit Histories," Vice President of the Association of Ukrainian Banks, its inspection has been postponed for later in autumn due to the occurring change of bureaus' organization and legal forms. It is anticipated that ATCI will provide input as to the inspections process.

ATCI participated in a meeting of the working group in the Ministry of Justice. The discussions centered on the Cabinet of Ministers' regulation «About approval criteria, which are considered for estimating risks in commercial activity concerning the collection, processing, preservation, protection, utilization of information that constitute a credit history».

The 5th credit bureau «Bureau of the credit histories «Data Mining Group» was registered by the ministry of Justice on the 10th of July 2008.

One of the leading International credit bureaus, Experian, has refused to buy shares in authorized capital of the Ukrainian Bureau of the Credit Histories (UBCH) that belongs to Privatbank after long period of negotiations. Experian has broken off negotiations on this question until the middle of 2009. Experian however, had agreed to provide software to UBCH.

ATCI conducted a meeting with a director UBCH. The credit bureau is ready to make comments on future drafts of the amendments to legislation which will be made by ATCI. The main issue for UBCH is to establish mandatory requirements of supplying the credit bureaus with negative information about consumers by the creditors.

International Bureau of the Credit Histories (IBCH) expects to begin selling insurance histories to insurance companies soon.

ATCI drafted a FAQ brochure about credit bureaus' activities related to current legislation as well as current Ukrainian and international best practices. The brochure will help consumers become more aware of all positive aspects of credit bureaus' activities, including receiving faster and lower cost credit by having better credit histories and higher credit scores. ATCI plans to have the FAQ brochure ready for distribution later in the next quarter *(see Attachment 21)*.

The Draft Law N2507 «Amendments to the Law of Ukraine «About organization of formation and circulation of credit histories »» was registered in in the Parliament last quarter. During this reporting quarter, The Committee on Finance and Banking has approved the Draft Law and registered a Draft Resolution on its adoption in the first reading in the Verkhovna Rada.

IV. COMPONENT DESCRIPTION - CREDIT RATING UKRAINE

ATCI Credit Rating component is aimed at promoting the development of competitive, fair, and effective credit rating industry in Ukraine.

Ukraine faces great challenges in fostering further development of capital markets that enable efficient mobilization of domestic and foreign capital to support sustainable economic growth. Credit ratings offer significant benefits for investors. It is true that ratings do not constitute investment or financial

advice. Ratings are not recommendations to purchase, sell, or hold particular securities. However, ratings do serve as an important tool for the adoption of sound and informed investment decisions based on a professional opinion for payment of debt.

Ratings represent additional information content and quality framework for the market. They facilitate investor comparison and selection of investment alternatives. A rating agency, with its fundamental approach and access to information, provides ratings that validly compare and contrast the strengths of different organizations and represent opinions regarding relative future creditworthiness of entities or instruments.

Being at a nascent stage, Ukrainian ratings industry has a long way to go, and an ATCI objective is to make sure that it develops according to international standards of best practice. To achieve this objective and in active cooperation with market participants and government agencies, ATCI focuses its efforts on establishing policy dialogue aimed at both the development of fair and effective regulatory framework and implementation of best international practices on operational level.

V. SIGNIFICANT EVENTS - CREDIT RATING UKRAINE

- A WORKING GROUP COMPOSED OF ATCI AND UAIB FEPRESENTATIVES PREPARED A DRAFT OF A REGULATION FOR THE COUNCIL OF NATIONAL SECURITY AND DEFENSE (CNSD). IT OBLIGES THE CABMIN AND SSMSC TO ELABORATE A DRAFT LAW ABOUT CREDIT RATING AND TO SUBMIT IT TO PARLIAMENT. OF SIGNIFIGANT IMPORTANCE IS THE DELETION OF MANDATORY CREDIT RATINGS

VI. EXECUTIVE SUMMARY - CREDIT RATING UKRAINE

Brief Historic Note

The mandatory rating requirement came into existence in late 2004. This required those companies wanting to issue ratings in Ukraine to be selected by tender conducted by the SSMSC. One key requirement was that the ratings company be a Ukrainian legal entity. This requirement limited participants to only a few ratings and kept the internationally recognized rating agencies out all together. Only Credit Rating received authority from the SSMSC to offer ratings to Ukrainian issuers. Effectively, any company or municipality that wanted to issue securities had to use them. The mandatory requirement remains in effect to this day and accounts for the exceptional growth of CR.

Current Situation

Adoption of the Law of Ukraine # 3201 dated Dec. 15, 2005 expands and legislates mandatory ratings. This Law specifies the issuers and types of securities[1] subject to mandatory rating. In response to Law #3201, the SSMSC developed and adopted the resolution that allows Ukrainian companies to use Fitch, Moody's and Standard & Poor's ratings for the domestic market. In other words, these three

[1] All types of issuable securities (which are not allocated among the founders or among the preliminary determined persons) are subject to mandatory rating, except the following types of securities: *government securities, shares, securities of non-diversified joint investment institutions, securities issued by State Mortgage Institution*

international rating agencies are allowed by the law to assign ratings (still mandatory) to Ukrainian issuers and their securities.

Pursuant to the Law # 3201 mandatory ratings can be assigned by:

Authorized Ukrainian rating agencies certified by the SSMSC;
International rating agencies recognized by the SSMSC.

Additionally, the National scale approved by the Cabinet of Ministers must be used only by authorized Ukrainian rating agencies; International ratings agencies can use their own scales.

In May 2007, the Cabinet of Ministers of Ukraine approved the revised National Rating Scale. As mentioned above authorized Ukrainian rating agencies (so far "Credit-Rating" only) must use this scale. The National Scale includes long-term credit ratings (more than one year) and short-term ratings (up to one year). Ratings are subdivided into two grades: investment grade and speculative grade. Definitions of different ratings used in the National Scale are similar to those used in Ukraine-specific national scales used by international rating agencies.

On the one hand, the market could accept this National Scale as long it is just the set of definitions specifying different rating grades that do not entail "prescribed methodology" for assigning ratings. In this respect, the good news for international rating agencies is that the National scale (as mentioned before) resembles their Ukraine-specific scales. This makes it easier to match ratings assigned by international rating agencies to specific rating grades under the National Scale. But overall, the entire concept of National Scale runs contrary to the best international practice, since the Government should not tell rating agencies what scale they should use in their operations. Mandatory ratings are in themselves contrary to international best practices.

Furthermore, currently the SSMSC is drafting the regulation on correspondence of international rating agencies' ratings to the ratings under the Cabinet of Ministers' National Scale.

Events in the Market

Rating agencies "Expert-Rating" and "IBI-Rating," since April 2007, have been challenging in Ukrainian courts, the status of authorized rating agency awarded to the "Credit-Rating" company by Resolution 378 of August 31, 2004, of the Securities and Stock Market State Commission.

Court actions continue because there were procedural violations when court decisions were approved and also because of the fact that "Expert-Rating" and "IBI-Rating" as plaintiffs did not submit to the court any evidence that their legitimate interests were infringed, in particular, "Expert-Rating" was not registered in the territory of Ukraine as of the moment the challenged decisions were rendered by court.
Any changes in status and activity of Credit Rating as regards determining credit ratings, obligatory in accordance with current legislation, are possible only if the decision of the last-instance court takes legal effect.

On the official website of the state regulator, they published a draft decision "On Strengthening the Role of Authorized Rating Agencies in Protecting Rights of Target Bond Holders," which envisions stricter requirements both to issuers and issues of securities aiming to reduce risks in this market segment.
In 2006-2007, the nominal volume of rated issues of target bonds was UAH 16.3 billion, out of which UAH 1.2 billion were submitted for redemption in 2007 and UAH 1.3 billion are planned to redeem in

the current year. It is also worth taking into consideration that, to finance housing construction, land developers over the past two years issued interest-bearing and discount bonds with par value of UAH 0.7 billion and UAH 6.3 billion respectively.

ATCI had earlier met with its counterpart the Ukrainian Association of Investment Businesses. During the discussion, the problems in the ratings market were noted: no competition, the market is not transparent, and there is an acute need to change the legal requirement for mandatory ratings of issuers and issues of securities. Draft normative acts proposed earlier do not solve these problems effectively enough. All of this calls for the need to elaborate a new draft law. As a result, ATCI and UAIB agreed to pursue drafting a new law. First steps call for establishing a working group with participation of ATCI, involving specialists from S&P as outside consultants. IUB will inform ATCI as to who will be participating from UAIB. This was, however, one note of discord in arriving at a common position: ATCI and the major rating agencies do not agree on the use of a national scale mandated by the Cabinet of Ministers. To buttress ATCI's position and in order for UAIB to hear the arguments from a rating agency, both parties together made a conference call to S&P (Moscow) to discuss the issue.

Proposals for creation of the international body exercising control over rating agencies put forward by European regulators during this quarter are becoming increasingly popular - receiving greater support on the background of the credit crunch. International Organization of Securities Commissions (IOSCO) endorsed this idea; IOSCO is going to publish its own recommendations to rating agencies.The proposals put forward by the Committee of European Securities Regulators (CESR) suggest immediate formation of the international body which could make determinations on rating agencies standards. If international regulators refuse to employ such standards, the CESR plans to act on its own. Standard & Poor's as well as Moody's claimed that they support the CESR ideas.

SSMSC imposed more stringent requirements on rating bonds that are used when constructing residential real estate.

ATCI has made a list of legislative recommendations including separate provisions concerning mandatory credit rating in Ukraine at request of Deputy Minister of Finance Lytvyn.

At the national level, the credit rating of Ukraine was lowered by the international rating agencies. Fitch Ratings has revised Ukraine's Outlook to Negative from Stable. Its ratings are affirmed at long-term foreign and local Issuer Default (IDRs) 'BB-' (BB minus) and at Short-term foreign currency IDR 'B'. The agency has also affirmed the Country Ceiling at 'BB-' (BB minus).

VII. ADMINISTRATIVE MATTERS – CB/CR UKRAINE

NONE

VIII. DESCRIPTION AND STATUS OF TASKS – CB/CR UKRAINE

Task 1. Credit Bureau: Assessment of Credit Bureau Status and Establishment of Credit Bureau System in Ukraine--COMPLETED

Defined Activity	Progress made during quarter/proposed future actions
1. Develop and establish linkages with primary international credit bureau operators	• COMPLETED - CREDITINFO WINS FNBCH TENDER
2. **Secure buy-in of local data providers and users**	• MARKET REMAINS SPLIT – DATA FRAGMENTATION CONTINUES AS FOUR CREDIT BUREAUS HAVE BEEN ESTABLISHED IN UKRAINE. • THE BUREAU OF INSURANCE HISTORIES STARTS ITS OPERATIONS IN UKRAINE.
3. Sponsor visits to potential foreign CB partners	• COMPLETED - FINANCIAL ASSISTANCE HAS NOT BEEN REQUESTED AND IS NO LONGER REQUIRED.
4. Determine and review CIC development strategy with government and counterparts	• FNBCH REQUESTS FURTHER ATCI ASSISTANCE • CONTINUED DISCUSSIONS WITH AUB AND OTHER CIC REPRESENTATIVES FURTHER IMPLEMENTATION STRATEGY FOR THE DEVELOPMENT OF CB.
5. Market best approach for structuring, establishing and operating CIC	• PUBLIC RELATIONS STRATEGY CONTINUED AND INCLUDED VISITS TO INDIVIDUAL MARKET PARTICIPANTS. • FNBCH AND ICB CONTINUE NEGOTIATIONS ON CONCLUSION OF AGREEMENTS WITH TELECOMMUNICATIONS AND INSURANCE SECTOR. • IBCH CONDUCTS A TEST SALE OF CREDIT REPORT • IBCH ACCUMULATED OVER 1 200 000 CREDIT HISTORIES IN ITS DATABASE • FNBCH ACCUMULATED OVER 400 000 CREDIT HISTORIES IN ITS DATABASE • UBCH ACCUMULATED OVER 12 500 000 CREDIT HISTORIES IN ITS DATABASE • THREE NEW SHAREHOLDERS JOIN IBCH. NBCH COMPLETED SIGNING OF AGREEMENTS ON PROVISION OF DATA WITH ITS SHAREHOLDER-BANKS
6. Analyse and Coordinate passage of law	• MARKET PARTICIPANTS RECOGNIZE THE NEED FOR AMENDMENTS TO THE CREDIT BUREAU LAW. HOWEVER, GIVEN THE STATE OF MARKET DEVELOPMENT, IMMEDIATE AMENDMENTS ARE DEEMED

	PREMATURE.
7. Define Business and Operations Plan	• COMPLETED
8. Outline Package of Technical Requirements	• COMPLETED
9. Discussions with Government Data Providers	• DIFFICULTY IN FINDING THE "PERSON" IN CHARGE OF PUBLIC REGISTRIES STILL CONTINUES

Task 2. Credit Bureau: Development and Promotion of Credit Bureau System in Ukraine

• **Secure Buy-in of Foreign Investors and Banks**	COMPLETED: • CREDITINFO (ICELAND) NOW OPERATES A COMMON PLATFORM FOR THE TWO LARGEST BUREAUS. • THE MINISTRY OF JUSTICE OF UKRAINE ISSUED THE LICENSE TO THE FOURTH BUREAU OF CREDIT HISTORIES – "RUSSKIY STANDART". • BRITISH COMPANY "PROVIDENT FINACIAL" ENTERS UKRAINIAN RETAIL LENDING MARKET • FNBCH HAS AGREEMENTS WITH 42 BANKS. ACTUAL PROVISION OF CREDIT REPORTS HAS STARTED WITH 17 BANKS. • IBCH HAS 35 PARTNERS, ONE MILLION CREDIT HISTORIES IN ITS DATABASE, AND STARTED COMMERCIAL SALE OF CREDIT REPORTS.
• **Develop and Deliver Package of Training Programs (banks, leasing, credit unions)**	• AUB AND ATCI TO CARRY OUT A SERIES OF PRESENTATIONS FOR REGIONAL BANKS. THIS JOINT ACTIVITY, TO HAVE BEEN ORGANIZED BY AUB AND UNDERTAKEN JOINTLY WITH AUB, HAS BEEN POSTPONED UNTIL NOVEMBER 2008. • ATCI INDEPENDENTLY HELD A SEMINAR IN SIMFEROPOL ON CREDIT BUREAU/LEASING ISSUES UPON THE REQUEST OF UKRAINIAN LEAGUE OF INDUSTRIALISTS AND ENTREPRENEURS.
• **Assist the Ministry of Justice in drafting regulations governing CB operations**	• ATCI ASSISTS MINJUST IN THE DRAFTING REGULATIONS GOVERNING CREDIT BUREAU OPERATIONS. • COMPLETED - TASK FORCE (ATCI, ICB, FNBCH, MINISTRY OF JUSTICE) FINALISES THE REGULATION ON LICENSING REQUIREMENTS.AND MINISTRY OF JUSTICE OF UKRAINE ADOPTS LICENSING REGULATION FOR CREDIT BUREAUS. • TASK FORCE AGREES TO DRAFT TWO MORE REGULATIONS: ON UNIFIED REGISTRY OF CREDIT BUREAUS, AND ON INSPECTION OF CREDIT BUREAUS. • FNBCH, IBCH, AND UBCH (PRIVATBANK) RECEIVED THE LICENSE FOR CREDIT BUREAU • ATCI ASSISTS UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE IN ADDRESSING

	PRACTICAL PROBLEMS RESULTING FROM THE ADOPTED LICENSING REGULATION • ATCI, UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE CONTINUE THE DEVELOPMENT OF REGULATION ON INSPECTION OF CREDIT BUREAUS. • ATCI PARTICIPATES IN WORKING GROUP TO ENSURE IMPLEMENTATION OF THE LAW OF UKRAINE "ON ORGANIZING THE FORMATION AND CIRCULATION FOR CREDIT HISTORIES" • THE MINISTRY OF JUSTICE PUBLISHED DRAFT REGULATION ON INSPECTION OF CREDIT BUREAUS ON ITS WEB PAGE. ATCI SUBMITTED ITS COMMENTS TO THE DRAFT REGULATION TO THE MINISTRY OF JUSTICE. • MINJUST INITIATES INSPECTIONS OF CREDIT BUREAUS • ATCI PARTICIPATES IN A MEETING OF THE WORKING GROUP IN THE MINISTRY OF JUSTICE. THE DISCUSSING WAS ABOUT PROJECT OF THE KABMIN'S REGULATION CONCERNING CRITERIA'S, WHICH ARE CONSIDERED FOR ESTIMATING RISKS IN COMMERCIAL ACTIVITY OF CREDIT BUREAUS.
• **Deliver educational workshops for the specialists of the Ministry of Justice and other state agencies**	• ATCI HOLDS 2 MINI WORK SHOPS FOR THE SPECIALISTS FROM THE MINISTRY OF JUSTICE • MINISTRY OF JUSTICE EXPRESSED INTEREST IN FURTHER SEMINARS. ATCI WILL ASSESS JUSTICE RESPONSIVENESS TO DRAFT REGULATIONS PRIOR TO COMMITMENT • ATCI HOLDS A SEMINAR ON MORTGAGE AND CREDIT BUREAU ISSUES FOR THE SPECIALISTS FROM CENTRAL AND REGIONAL OFFICES OF THE SECURITIES COMMISSION.
• **Discuss participation in international credit bureau conference to be held in Kyiv/Ukraine**	• ATCI CO-SPONSORED AND PARTICIPATED IN INTERNATIONAL CREDIT BUREAU CONFERENCE.

CREDIT RATING COMPONENT	
• **Assist in the development of competitive and fair ratings industry**	• INTERNATIONAL CREDIT RATINGS EXPERT PREPARED A WHITE PAPER ON THE DEVELOPMENT OF A COMPETITIVE DOMESTIC RATINGS INDUSTRY IN UKRAINE AND RECOMMENDATIONS FOR THE UKRAINIAN RATING INDUSTRY. ATCI DISSEMINATED THE WHITE PAPER TO MARKET PARTICIPANTS, THE SECURITIES COMMISSION AND OTHER INTERESTED PARTIES.

	• ATCI TAKES PART IN THE CONFERENCE ORGANIZED BY UKRAINIAN INVESTMENT BUSINESS ASSOCIATION TO REPEATEDLY DISSEMINATE THE WHITE PAPER AND PRESENT ATCI/USAID VISION OF UKRAINIAN RATING INDUSTRY • ATCI AGREES WITH UAIB AND ASSISTS IN DRAFTING A SPECIAL RATINGS LAW TO SECURE THE DEVELOPMENT OF COMPETITIVE AND FAIR RATING INDUSTRY. • ATCI PARTICIPATED IN THE CONFERENCE OF UAIB WHICH WAS HELD IN YALTA ON THE 12-15 OF JUNE. THE CUTTING EDGES OF CREDIT RATING WERE DISCUSSED. • ATCI ORGANIZED A MEETING OF THE WORKING GROUP CONCERNING A DRAFTING LAW ABOUT CREDIT RATING. ATCI SUPPORTED ALL MEMBERS OF THE WORKING GROUP WITH THE ANALYTICAL MATERIALS.
• **Analyze existing Regulatory framework**	• ATCI CONTINUES TO ANALYSE AND MONITOR EXISTING LEGISLATION AND REGULATORY FRAMEWORK • EXSITING LAWS AND REGULATIONS CONTAIN A NUMBER OF PROVISIONS, WHICH ARE DETRIMENTAL FOR FURTHER DEVELOPMENT OF FAIR AND COMPETITIVE RATINGS INDUSTRY, PARTICULARLY THE MANDATORY RATINGS PROVISION FOR ISSUANCE • SSMSC ADOPTED THE RESOLUTION #1040 "ON APPROVING THE REGULATION ON TENDER FOR SELECTION OF AUTHORIZED RATING AGENCIES" (REGISTERED BY THE MINISTRY OF JUSTICE NOVEMBER 24, 2006) • TENDER FOR SELECTION OF AUTHORIZED RATING AGENCIES TOOK PLACE. ONLY DOMESTIC "CREDIT RATINGS" AND INTERNATIONAL CREDIT RATINGS AGENCIES ARE AUTHORIZED • SSMSC ISSUED DRAFT RESOLUTION "ON APPROVING THE RULES FOR ASSIGNING RATINGS UNDER THE NATIONAL SCALE BY THE AUTHORIZED RATING AGENCIES" • FINANCIAL SERVICES REGULATOR (FSR) INTENDS TO ESTABLISH FINANCIAL STABILITY RATING RESTRICTIONS FOR NON-RESIDENT INSURANCE COMPANIES • SSMSC INTENDS TO IMPOSE MORE STRINGENT REQUIREMENTS TO RATING ISSUING COMPANIES OF BONDS USED IN CONSTRUCTING RESIDENTIAL REAL ESTATE
• **Market participants**	• RATING AGENCY "EXPERT-RATING" ENTERED THE UKRAINIAN MARKET • "KREDIT-RATING" ASSIGNS THE FIRST CORPORATE GOVERNANCE

	RATING IN UKRAINE. • TAC GROUP WINS A LAW SUIT AGAINST THE FSR • DOMESTIC "CREDIT RATING" REMAINS ONLY DOMESTIC AUTHORIZED RATINGS AGENCY

LIST OF ATTACHMENTS – CB/CR Ukraine

ATTACHMENT 21: Draft Credit Bureau Brochure

G. GENDER – Ukraine

I. COMPONENT DESCRIPTION – GENDER UKRAINE

This report details events and activities relating to Gender of the USAID Access to Credit Initiative, implemented by the Pragma Corporation, during the period from July 1 through September 30, 2008

Programs related to gender have political and cultural implications that should be considered in any approach. ATCI is seeking opportunities for increased income and empowerment for both women and men.

ATCI management recognizes the importance of carrying out gender sensitivity training for the staff in order to have a solid basis for the monitoring work.

With respect to monitoring participation in training programs and events by gender, the following activities will be undertaken to the extent feasible and possible:

Examine the program to ascertain whether if there are any provisions that could differentially discourage persons of one sex or another from participating;
Inquire about how program outreach is conducted to understand whether if these procedures may be differentially affecting participation by gender;

Examine the actual patterns of participation by gender in selected programs, to the extent permitted by the data;

Where differential participation by gender is identified, try to understand its causes and make appropriate changes.
With respect to the representation of women in higher positions in government agencies, the ATCI will work to balance the composition by gender of groups being trained by the project.

Pragma continues to partner with local organizations managed by women or consisting mostly of women. Three good examples are the Association of Ukrainian Banks and the Commercial Law Center as well as the PFTS securities trading system.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – GENDER UKRAINE

- TO DATE, 83 CLS CERTIFICATES HAVE BEEN AWARDED TO 41 WOMEN, ALMOST EXACTLY 50% FOR WOMEN OF THE TOTAL AWARDS GIVEN
- TO DATE, 113 CML CERTIFICATES HAVE BEEN AWARDED TO 54 WOMEN (48%)

III. EXECUTIVE SUMMARY – GENDER UKRAINE

All ATCI tasks present opportunities to identify and address gender bias, and to actively promote gender equality in Ukraine's financial sector. For example, ATCI is working closely with the Ukrainian National Mortgage Association, the Association of Ukrainian Banks, the Commercial Law Center and other organizations that understand the importance of gender sensitivity with respect to product and services development. These issues have not only been discussed but plans are underway to draft material and articles which point out important opportunities in this area.

In Leasing, a number of participants in CLS training included women. All ATCI training and professional development strives for gender balance during the invitation process as well as in delivery of content. Post - event analysis is conducted to understand the reasons for underweighting when it occurs.

The Project's full-time staff includes 13 women out of 23, some of whom have professional and technical skills in finance and law.

IV. ADMINISTRATIVE ISSUES – GENDER UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – GENDER UKRAINE

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Partner with Woman – run organizations (CLC & UAB)	• ATCI IS WORKING CLOSELY WITH THE ASSOCIATION OF UKRAINIAN BANKS, THE COMMERCIAL LAW CENTER, IBSER AND OTHER ORGANIZATIONS WHICH UNDERSTAND THE IMPORTANCE OF GENDER SENSITIVITY RELATED TO PRODUCT AND THE DEVELOPMENT OF SERVICES.
2. Increasing the role of women in the financial sector through training and /or other initiatives	• THE STAFF OF ATCI INCLUDES WOMEN AND MEN WITH PROFESSIONAL AND TECHNICAL SKILLS IN FINANCE AND LAW. • ALL PROJECT TRAINING STRIVES FOR AN EVEN BALANCE OF MEN AND WOMEN. • TO DATE, CERTIFIED MORTGAGE (CML) AND LEASING (CLS) PROFESSIONALS TOTAL 48.5% WOMEN
3. Gender and cultural sensitization training	• GENDER SENSITIVITY IS PRACTICED DAILY BY ALL ATCI STAFF DURING EVERY STAFF MEETING AND HIGHLIGHTED AT THE ANNUAL STAFF RETREAT

- END UKRAINE-

ACCESS TO CREDIT INITIATIVE MOLDOVA

EIGHTH QUARTERLY REPORT

July 1, 2008 – September 30, 2008
Contract Number: 121-C-00-04-00713

CTO USAID/Ukraine:	Natalia Berezhna
Project Manager:	Mohammad Fatoorechie
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MOLDOVA (Eighth Quarterly)

A. PROJECT OVERVIEW - Moldova

I. PROJECT DESCRIPTION - EXECUTIVE SUMMARY MOLDOVA

ATCI/Moldova (the "Project") is established under the supervision of ATCI/Ukraine, with a separate Country Director in Moldova reporting to the Chief of Party in Ukraine. The scope of ATCI/Moldova is similar to that of ATCI/Ukraine, yet narrower and more focused regarding the major components and tasks.

The three (3) major components of the ATCI/Moldova project are:

- Mortgage Lending Component;
- Financial Leasing Component; and
- Fixed Income Component.

A fourth component was added in the second quarter, "Development Credit Authority (DCA) Monitoring" Component.

A summary of all components and related activities is presented as **Attachment 1**, *The Access to Credit Initiative/Moldova Work Plan*, *up-dated as of September 30, 2008*. USAID granted a 5-month extension of ATCI Moldova until February 28, 2009. The attached Work Plan has been approved (as of this writing) by USAID and encompasses the final 5 months. It is also worth noting that some originally proposed activities, particularly those in the Mortgage Lending Component, are notated "as possible in Moldova" or "as appropriate in Moldova", relating to the macro environment and developments in Moldova which are beyond the scope of the ATCI/Moldova Project. Some of these activities relating to infrastructural items related to mortgage lending, e.g., appraisal assessment relating to mortgage lending, in fact have been deleted from the Work Plan, but (partially) added back for the upcoming final months.

The objective of the Mortgage Lending Component is to establish a viable, effective and efficient mortgage lending sector in Moldova. This will be accomplished by providing technical, advisory, and training assistance to the National Bank of Moldova and to commercial banks and other financial institutions. A Certified Mortgage Lender (CML) Training Program has been adapted for Moldova and presented in order build the capacity of commercial banks and other financial institutions to undertake mortgage lending using standardized, transparent procedures for both borrowers and lenders. Additionally, technical assistance has been provided to commercial banks and financial institutions to lower the risks associated with mortgage lending and improve the transparency of mortgage lending practices. Other tasks and sub-tasks are described in the "Mortgage Lending" section of this Report, under "Description and Status of Tasks".

The objective of the Financial Leasing Component is to create a supportive environment for modern financial leasing. This will be achieved by building the capacity of leasing companies through training and consulting; provision of training for potential lessees, farmers, regulators, and other interested parties, such as vendors, banks; consulting potential foreign investors in the sector; and conducting public awareness efforts. A Certified Leasing Specialist (CLS) Training Program has been adapted for the Moldovan environment presented to leasing professionals, potential leasing professionals, and to training providers for their subsequent delivery of the CLS training program in Moldova.

It is most important that activities of this Project have a viable and beneficial impact on activities directly and even indirectly related to those described in the Work Plan. A key goal for both of the components mentioned above is to ensure continuity of the training programs after this Project ends via the "train the trainer" methodology. In this regard, ATCI/Moldova has selected or will be selecting local training providers to carry on the training and certification programs according to international standards. The training provider for the CLS program has been selected, along with a back up provider; trainers from these providers have attended the CLS courses.

The objective of the Fixed Income Component is to expand the availability of capital to corporate borrowers through the issuance of corporate bonds. Beginning in 2002, there have been only a few corporate bond issuances. A total of 11 companies have issued 13 bonds (two companies conducted 2 bond issuances) for a total of 38 million Lei, or about $3.8 million at current exchange rates. In fact, except for one bond issuance, all issuances were initiated with convertible (to equity) features, to facilitate the takeover and merger of the company.

The project has continued to work with the National Commission of Financial Market (NCFM), i.e., the newly transformed Mega Regulator, to ease the legislative and regulatory burdens on bond issuance. At the same time, the project has helped build the capacity of and provide action plans for the National Securities Commission in its transformation as Mega Regulator for Non-Bank Financial Institutions, which took place in July 2007, after the Law on the National Commission of Financial Market was adopted. Concerns such as transparency and disclosures of issuers will be the main focuses for bond development while the capacity building elements will focus on legislative reform and regulatory and enforcement activities of the Mega Regulator.

The component of the Development Credit Authority Monitoring activities, which was suggested to be added by USAID as a follow up to a previous (BIZPRO) USAID project, was in fact added in late February 2007. The DCA provides partial loan guarantees for private sector investments/loans in Moldova, through 6 commercial banks and the Rural Finance Corporation. The DCA-related activities of the Project are "on-going" for the most part, and include (1) monitoring how the financial institutions are utilizing the partial guarantees; (2) monitoring how these institutions are submitting claims; (3) assisting the institutions in completing surveys; (4) helping the financial institutions to prepare semi-annual reports for USAID; and (5) verifying the reports of the financial institutions that are submitted through the credit monitoring system.

II. SIGNIGICANT EVENTS AND ACHIEVEMENTS - EXECUTIVE SUMMARY MOLDOVA

- MOLDOVAN PARLIAMENT ADOPTS LAW 'ON MORTGAGE'; ATCI PARTICIPATES IN EBRD ROUNDTABLE TO DISCUSS THE NEW LAW
- ATCI COMPLETES SEMIANNUAL MOLDOVAN MORTGAGE LENDING SURVEY
- ATCI IDENTIFIES TRAINING PROVIDER FOR SUSTAINABILITY OF CERTIFIED MORTGAGE LENDER PROGRAM ON A COMMERCIAL BASIS
- ATCI DISCUSSES BONDHOLDER REPRESENTATIVE WITH MOLDOVA AGROINDBANK
- ATCI COMPLETES FIRST DRAFT OF PROSPECTUS FOR MAIB MORTGAGE COVERED BOND ISSUE
- ATCI ASSESSES MORTGAGE LIFE INSURANCE PRODUCTS IN MOLDOVA

- FIRST COMMERCIALLY PRESENTED CLS COURSE BEGINS
- BROCHURE ON MOLDOVAN LEASING MARKET PUBLISHED
- ATCI COMPLETES DRAFT OF NEW REGULATION ON THE REGISTRATION AND ISSUANCE OF CORPORATE BONDS FOR NCFM
- ATCI COUNTRY DIRECTOR MEETS MINISTER OF FINANCE TO DISCUSS REFINANCE OF NATIONAL BANK GENERAL FUND

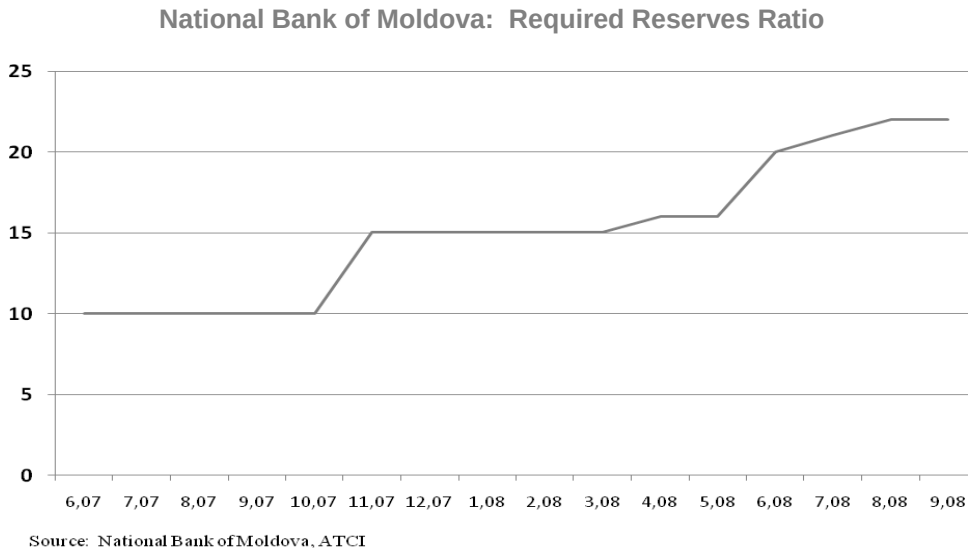
III. EXECUTIVE SUMMARY OF PROJECT ACTIVITIES AND EVENTS DURING THE QUARTER UNDER REVIEW – EXECUTIVE SUMMARY MOLDOVA

This section summarizes project activities and events which occurred during the quarter under review. The activities and events are described in greater detail in the Component Reports which follow the Executive Summary. The status of each Task and Defined Activity in the Work Plan is set forth in the Tables accompanying the Component Reports.

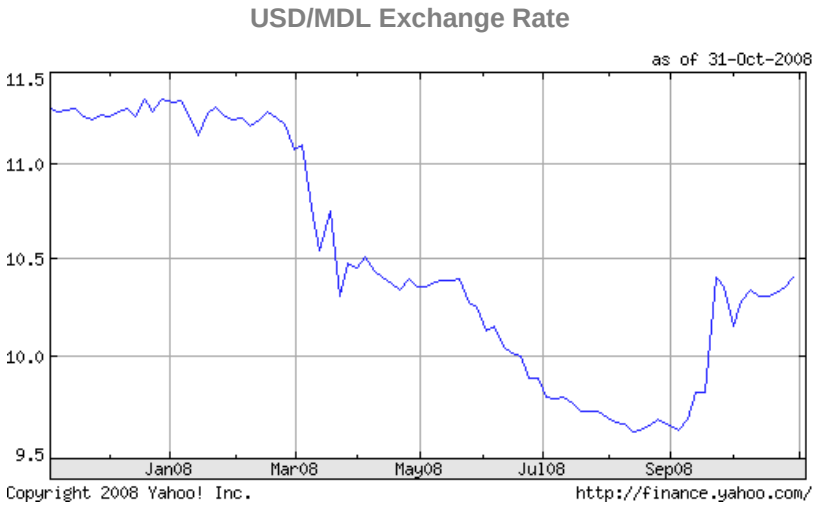
Mortgage Lending

During the quarter under review, the Moldovan banking sector suffered a series of seemingly unrelated blows that, anecdotally at least, shut down mortgage lending for the quarter and probably for a longer period.

First, the **National Bank of Moldova** continued tightening its stranglehold on commercial bank lending, raising **required reserves** from 20 percent in June to 21 percent in July and again to 22 percent in August. At the same time, NBM raised the **refinance rate** from 16 to 18 percent. Both measures were designed to bring inflation, which climbed to 17.5 percent in June, under control. NBM may indeed bring the inflation rate down, but it will also take the growth rate of mortgage lending down with it.



Second, the precipitous slide in the exchange value of the **US dollar** that began in late May continued—even accelerated—during the quarter, reversing only in mid-September after particularly gruesome developments in the **global financial crisis**. The plunging value of the USD against the Moldovan lei (MDL) made it almost impossible for local banks to attract USD deposits. Roughly 50 percent of Moldovan bank assets are denominated in foreign currency, of which about 80 percent is USD. The local banks, therefore, were forced to raise rates on USD deposits and to curtail USD lending in order to remain within **currency open position limits** mandated by NBM. Some portion of mortgage lending is denominated in USD and EUR. Whatever percentage of total mortgage lending hard currency loans represent was adversely impacted by the summertime shortage of USD. And summer is the time of year most real estate transactions are concluded.



Last, as if banks needed yet more incentive to stop writing mortgages, Parliament passed a law **"On Mortgage"** that includes two provisions banks vigorously oppose: the new law requires 1) that banks use independent—as opposed to in-house—property **appraisers** and 2) that property securing a mortgage loan be **insured** against loss or damage in the amount of appraised **replacement value.**

Banks oppose independent appraisers on the grounds that appraisers in Moldova are, in general, incompetent and untrustworthy; reports they generate are not adequate for the banks' lending needs. There is a relatively simple solution to this problem; the banks will probably come to it on their own once they settle down and begin cooperating with one another.

The banks' opposition to property and indemnity (P&I) insurance based on the appraised replacement value of the real estate is somewhat more complex. First, the banks are not opposed to P&I insurance per se; they are opposed to calculating P&I insurance on replacement value, which is higher than loan value, on which P&I is currently calculated in Moldova. Calculating insurance on replacement value, the banks argue, increases the cost of the mortgage to the borrower and will significantly dampen demand for their mortgage products.

Cleary, anything—be it new legislation or higher required reserves—that has a negative impact on mortgage lending in Moldova also puts in jeopardy certain tasks set forth in ATCI's Mortgage Component Work Plan. In the report that follows, ATCI will identify tasks whose outcomes may have been compromised as a result of the expected downturn in mortgage lending.

Primary Market

Semiannual Mortgage Market Survey

ATCI's *Mortgage Market Survey* puts it in a unique position to gauge the impact of the above-mentioned events on mortgage lending. The current survey questionnaires (See *Attachment 2*) were sent to the nine participating banks in July but failed to get even one response. July and August are the high season for prolonged vacations, but ATCI suspected there might be other reasons for the lack-luster interest. The survey was sent a second time to the same nine banks, and to-date ATCI has received four responses and the promise of a fifth. The four responding lenders nonetheless represent about 90 percent of Moldova's mortgage market.

Delay in receiving responses pushes thorough analysis of survey results to the next quarter. However, we can report conclusively that mortgage lending is down sharply from last year's pace: outstanding mortgages on 30 June 2008 stood at MDL 1.627 billion, an 8.75% increase over outstanding mortgages at the end of 2007. Full results of the survey questionnaires will be disseminated in the next quarterly report.

Certified Mortgage Lender Training

One of ATCI's objectives is to make certain market support functions self-sustaining. It is, therefore, in the best interest of the local primary market to identify a local market participant which will continue the training on a commercial or semi-commercial basis after ATCI closes. The market participant ATCI chose, with USAID approval, to continue CML training in Moldova is **ABM Consulting**, the commercial affiliate of the **Moldovan Association of Banks.** IUE trainers worked with the local trainers before the courses began and monitored the courses themselves, critiquing local trainers after each day's session.

The first commercial CML course is planned for the next quarter. It remains to be seen if, in the current environment, banks will show an interest in training their personnel.

Mortgage Life Insurance

During the quarter under review, ATCI interviewed mortgage bankers and insurance companies to determine what life products insurers offer in support of mortgage lending in Moldova.

When a bank or a mortgage company writes a mortgage, it takes on risks which banks and mortgage companies are not equipped to manage and for which they typically do not establish reserves. Banks are in the business of extending credit and they establish reserves for **credit risk.** Since banks and mortgage companies are not in the insurance business, it is recommended they insure the ancillary risks of mortgage lending—**loss or damage to property** or **death of a borrower—**with an insurer which, as a matter of course, does establish reserves when insuring against these contingencies.

Unfortunately, all Moldovan bankers don't see it that way. In fact, most Moldovan bankers see the additional costs of insurance—either term-life or property insurance—as either making their mortgages more expensive for borrowers or cutting into their gross credit margins. What they don't see, of course, is that if one doesn't insure with an insurance company, one self-insures *without reserves*.

From its interviews, ATCI will develop an SOW for an insurance specialist who will visit Moldova during the next quarter.

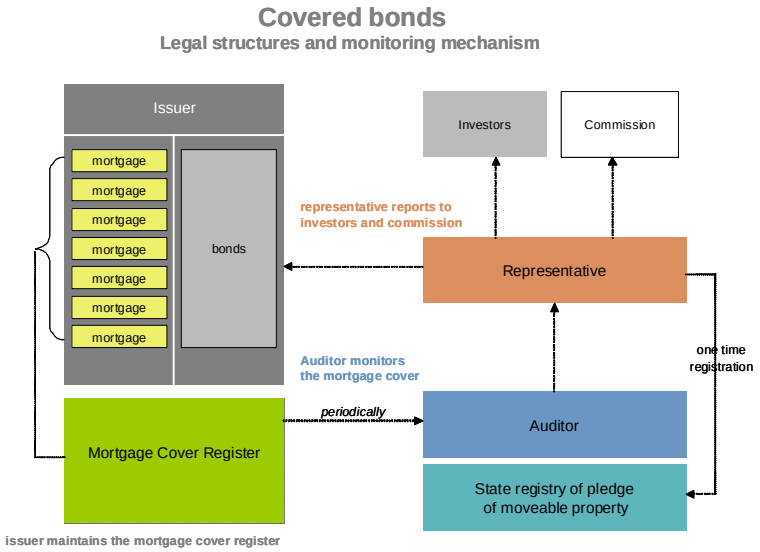
Secondary Market

Pilot Covered Bond Issue

Off and on since February 2007, ATCI has been working with **Moldova Agroindbank** to structure and issue Moldova's first mortgage **covered bond**. Covered bonds are bonds secured by a pledge of claims on the future cash flows from a bank's mortgages. The German *Pfandbriefe*, the largest class of covered bonds in Europe, can be traced back to mortgage bonds issued in Prussia as early as 1769. Currently, the value of covered bonds in circulation in the main European markets exceeds €2.1 trillion.

Recent market developments in Moldova clearly put the covered bond project with MAIB in jeopardy. MAIB will certainly not be able to issue this year. There are two reasons.

First, the absolute level of interest rates is high: MAIB would have to target a rate of about 18% (the current rate on MDL deposits) in order to place the bond. The interest rate on the bond would, of course, be a floating rate, and eventually rates would go down. So the absolutely high rate, while daunting, is not itself a serious impediment. However, in the circumstance, the rate would also be high relative to the mortgages in the pool that secures the bond. When NBM pushed required reserves and the refinance rate higher, MAIB took the decision to keep interest rates on outstanding mortgages unchanged and to refrain from writing new mortgages. Hiking rates five or six percentage points on outstanding mortgages and writing new mortgages at higher rates risked making the entire portfolio more susceptible to delinquency and default. Under these conditions, were MAIB to issue a bond at current rates, the coupon rate on the bond would be higher than the average rate on the underlying mortgages.



Second, the decision not to write new mortgages means that the mortgage pool becomes static; that is, there will be no new mortgages to replenish the pool after ordinary defaults and prepayments. One of the requirements of a covered bond is that the issuer maintain a minimum level of standard (i.e., performing) loans in the pool.

In spite of unpromising prospects for issuance any time soon, MAIB has agreed to continue working on the bond so the bank will be prepared to issue at the earliest opportunity.

Bond Prospectus

During the quarter under review, ATCI completed a first draft of the prospectus that describes the financial and legal structure MAIB's bond issue for investors. A bond prospectus is as much a selling tool as it is a legal requirement for issuance. The English-language draft appears as **Attachment 3.**

Depending on the outcome of discussion with NCFM concerning the draft bond regulation (see **Fixed Income**, below), parts of the prospectus may change.

Bondholder Representative

During the quarter under review, ATCI also met with MAIB senior management to discuss the issue of **bondholder representative** for its covered bond. The issue is somewhat conflicted.

In both Kazakhstan and Ukraine, we successfully secured other banks as bondholder representatives. In both case, the other bank was (1) the local subsidiary of a large foreign bank and (2) not directly involved in retail mortgage lending. Unfortunately, in Moldova, there are no banks which meet those requirements, and MAIB is very reluctant to have either a competitor or a much smaller bank act as its bondholder representative.

It is not essential that MAIB's bondholder representative be a bank. In the covered bond universe, practice varies. For German *Pfandbriefe,* for example, the bondholder representative need not even be a legal entity. In Spain, the bondholder representative is appointed by the equivalent of NCFM. Probably the most important factor is that MAIB is comfortable with the unaffiliated entity it engages as bondholder representative.

During the next quarter, ATCI will assist MAIB in finalizing its decision on bondholder representative.

Financial Leasing

Commercial Certified Leasing Specialist Training Course

During the quarter under review, ATCI/Moldova cooperated with the Association of Certified Professional Auditors and Accountants (ACAP) to launch the first commercial CLS training course. The first Module of the course was delivered during September.

ACAP together with ATCI/Moldova developed a sustainability plan that presumes launching the CLS program on commercial basis. Thorough budgeting and break-even analysis resulted in an effective plan of CLS commercial implementation that managed to meet the market realities and contributed to successful implementation of partially-sponsored CLS program.

Leasing Market Brochure

During the quarter, ATCI published the results of its Leasing Market Survey in brochure format for distribution to leasing companies, ministries, academe and the media. The survey results attracted widespread attention when they were released during the previous quarter. Further dissemination of the information will help attract investors to the sector

The brochure appears as **Attachment 4.** Results and trends have been discussed and published on the web site, www.atci.com.md Please note that this brochure will be translated into English for attachment into the next quarterly report.

Fixed Income

NCFM Bond Regulation

ATCI has completed drafting regulations on the issuance, circulation and redemption of corporate bonds in accordance with procedures and rules established in the Law "On the Securities Market."

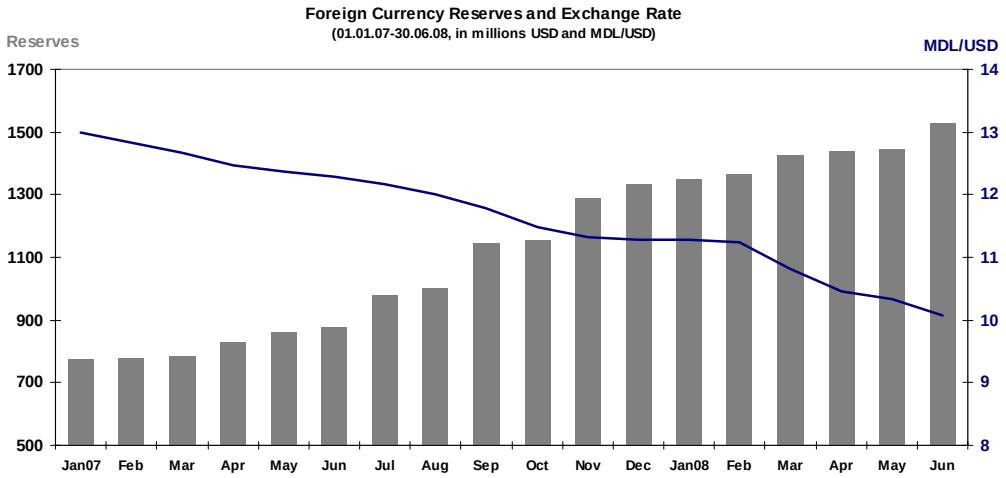
The Draft consists of ten sections, each addressing a distinct procedure, calculation or rule governing the various stages of bond placement, payment of periodic interest and retirement of the debt. In all, there are thirty-five paragraphs of regulation and four Annexes containing sample forms, prospectuses and reports. Definitions and procedures draw heavily on regulation and practice in economies with active bond markets: i.e., Romania, Kazakhstan and Bulgaria.

The regulation introduces **asset-backed securities**—an innovation for Moldova—and a new market participant is defined: the **bondholder representative**, whose specific functions and responsibilities are detailed in the draft.

Once the draft has been agreed with **NCFM** and posted on the Commission's website for comment and discussion, the current version will be translated into English. The draft will appear as an attachment when agreed and translated.

Ministry of Finance

During the quarter under review, ATCI met with the newly appointed Minister of Finance, Ms. Mariana Durlesteanu. The Minister raised the issue of losses in the National Bank, whose General Reserve Fund the Ministry of Finance might have to replenished as a result. The Minister asked for assistance from ATCI should the ministry have to issue bonds to replenish the National Bank's General Reserve Fund.



Source: National Bank of Moldova, ATCI

The losses to which the Minister referred are revaluation losses on the National Bank's foreign currency reserves. About 80 percent of NBM's reserves are in USD and, as mentioned above, the USD devalued more than 10 percent against the Moldovan lei between February through the end of July. The euro also devalued sharply against the MDL.

In accordance with International Accounting Standards, the National Bank is required to mark its assets, including foreign currency reserves, to market at the end of each reporting period. At the end of June, losses in the National Bank as a result of devaluation of foreign currency reserves and other sterilization-related expenses totaled approximately USD 150.0 million. These losses are offset to some degree by profits on ordinary income in the bank during the course of the year.

ATCI's estimate of sterilization-related expenses at the end of June 2008 appears as **Attachment 5**.

Development Credit Authority Monitoring

THERE WERE NO DCA RELATED ACTIVITIES DURING THE QUARTER.

IV. PROJECT STAFFING – EXECUTIVE SUMMARY MOLDOVA

The following are personnel of ATCI/Moldova engaged in Project activities this quarter:

- Steve Moody, Country Director
- Mariana Botezatu, Mortgage Advisor
- Tamara Burca, Translator/Interpreter
- Olga Captilova, Office Manager/Financial Controller
- Mihail Gherghircic, Financial Analyst
- Dorin Sorbala, Leasing advisor
- Alex Levit, Driver

- Stanislav Shapa, Senior Attorney
- Alexandru Savva, Senior Attorney
- Alisa Savva, Administrative Assistant/Receptionist

Country Director Steve Moody was absent during September 15-29.

During the quarter, Rick Dvorin, Deputy Chief of Party for ATCI Ukraine, visited ATCI Moldova on 2 occasions to (1) discuss work activities and plans for a possible extension beyond the initial 2 year project period (see Section V below) and (2) conduct meetings with and make a presentation to the NCFM regarding best practices for disclosure and reporting needs of debt instrument issuers.

V. ADMINISTRATIVE ISSUES – EXECUTIVE SUMMARY MOLDOVA

ATCI/Moldova Project Extension

The ATCI/Moldova Project was originally designed to terminate at the end of the quarter under review. During the quarter, however, the Pragma Corporation and USAID began discussions with a view toward extending the project into 2009 to accomplish certain predetermined goals. The result of the discussion was that ATCI/Moldova was extended till the end of February 2009.

LIST OF ATTACHMENTS

ATTACHMENT 1: *Access to Credit Initiative/Moldova (2nd and 3rd Year) Work Plan, updated as of September 2008*

ATTACHMENT 2: *ATCI Semiannual Mortgage Market Survey Questionnaires*

ATTACHMENT 3: *MAIB Covered Bond Prospectus (Draft)*

ATTACHMENT 4: *ATCI Leasing Market Survey Brochure*

ATTACHMENT 5: *Estimates of sterilization-related expenses in the National Bank of Moldova during FH 2008.*

B. COMPONENT REPORT - MORTGAGE LENDING MOLDOVA

I. COMPONENT DESCRIPTION – MORTGAGE LENDING MOLDOVA

The primary purpose of the ATCI/Moldova Mortgage Lending component is to develop the primary and secondary mortgage markets with their associated infrastructure, as far as possible and as appropriate in Moldova. Primary market development involves legislative review and addressing legislative deficiencies; the use of standardized documentation for underwriting and loan servicing; certification of personnel for mortgage lenders that results in a CML designation; technical assistance to financial institutions engaged in mortgage lending; and assessment of titling and all related processes. Development of the secondary market involves the structuring of mortgage-backed bonds with the appropriate legal environment for issuance.

A secondary goal of the Project related to Mortgage development is assisting in the development of a Credit Information Company, i.e., Credit Bureau. The Project intends to participate in this endeavor only after a Credit Bureau Law that is acceptable to USAID is adopted, as stated in the Project's SOW. To date, this law recently was adopted by the Parliament (May 29, 2008 (122-XVI)) and finally was published in the Official Monitor on July 29, 2008.

II. SIGNIFICANT EVENTS - MORTGAGE LENDING MOLDOVA

- MOLDOVAN PARLIAMENT ADOPTS LAW 'ON MORTGAGE'; ATCI PARTICIPATES IN EBRD ROUNDTABLE TO DISCUSS THE NEW LAW
- ATCI COMPLETES SEMIANNUAL MOLDOVAN MORTGAGE LENDING SURVEY
- ATCI IDENTIFIES TRAINING PROVIDER FOR SUSTAINABILITY OF CERTIFIED MORTGAGE LENDER PROGRAM ON A COMMERCIAL BASIS
- ATCI DISCUSSES BONDHOLDER REPRESENTATIVE WITH MOLDOVA AGROINDBANK
- ATCI ASSESSES MORTGAGE LIFE INSURANCE PRODUCTS IN MOLDOVA

III. TECHNICAL SUMMARY - MORTGAGE LENDING MOLDOVA

Primary Mortgage Market

The law "On Mortgage"

The law "On Mortgage" was signed by the President on 2 September 2008. Banks have given the law less than a warm reception; some have even suspending mortgage lending operations in response to perceived deficiencies in the law.

There are two issues.

First, the law requires the use of real estate appraisers independent of the lender to establish both the market value and the replacement value of the property. Banks, who have long used in-house appraisers, question the competence and integrity of third party appraisers.

Second, the law makes property insurance in the amount of appraised replacement value mandatory. Most banks have long required insurance on mortgaged property, but only in the amount of the mortgage itself. At the end of 2007, average LTV (loan-to-value) in Moldova was 57%, but LTV is usually calculated against market value. Replacement value can be substantially lower than market value, but insuring replacement value still represents a significant increase over the cost of insuring mortgage credit value. The banks argue, therefore, that making replacement value insurance mandatory increases the cost of mortgage, reducing the pool of potential borrowers. Furthermore, the law is not clear on the meaning of 'replacement value,' which may be interpreted as meaning replacement value at any time in the future. No one can predict future construction costs, of course, and insurers will certainly not insure it.

On the first issue, ATCI has adopted the position that market pressures will quickly remedy the problems of incompetent and untrustworthy appraisers. Additional training to up-grade the skills and methodologies of appraisers can be provided by the Moldovan Bankers' Association, with donor assistance if necessary.

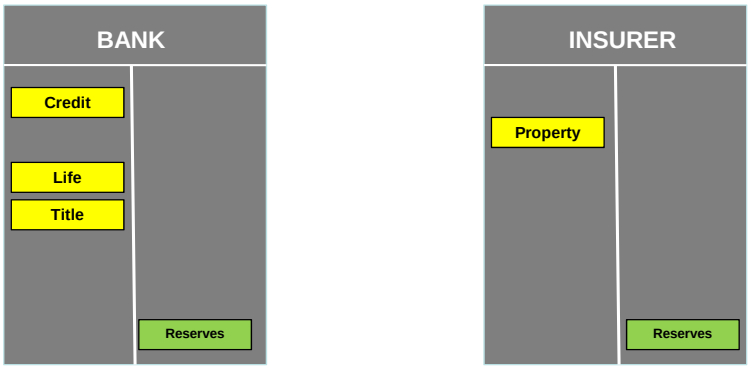
The second issue is thornier. ATCI nevertheless favors insurance of appraised replacement value. Insuring current replacement value is international practice. The law may eventually require amendment to eliminate the potential misinterpretation of 'replacement cost at any time.' Meanwhile, however, industry participants—both banks and insurers—should be able to agree on the operative interpretation and get on with their business.

Mortgage Life Insurance Products in Moldova

From the original draft law 'On Mortgage,' Parliament struck a provision making borrower life insurance mandatory. Striking the provision was a compromise forced on Parliament by the banking lobby which argued, again, that mandatory borrower life insurance added to the cost of mortgage, reducing the pool of potential borrowers. That is no doubt true, but there are better arguments. First, it is not evident that, at this stage in the development of the Moldovan mortgage market, it is actuarially worth the additional cost of insuring against death of the borrower. Second, it is likewise not evident that Moldovan insurance companies can actually reinsure a mortgage life insurance product that covers death by any cause; currently, companies offer only an accidental death product.

The first argument is actuarial. At the end of 2007, there were some 19,000 mortgages outstanding in Moldova. Seven thousand households with mortgages is probably too small a sample of the total population to be actuarially valid for mortality. (Estimated 2008 total population is 4.128 million.) Further, the individuals represented by outstanding mortgages suffer from a selection bias: namely, individuals in households with mortgages are probably better educated, healthier and wealthier than individuals in the population at large.

Mortgage Lending Risks



Self-insured without reserves

If this is true, then implications for mortgage lenders are two. First, the incidence of death from any cause in the mortgage household population will be less—and perhaps significantly less—than that in the population at large. Second, since the stock of outstanding mortgages is relatively small, insurers (and reinsurers) will have to charge a relatively high price for mortality products in order to cover their selling and administrative expenses, regardless of the actual risks of mortality incidence in the insured population. If that is the case, in the short term, it is probably best for mortgage lenders to self-insure against mortality risk (even without reserves) than to insure the risk with local insurers.

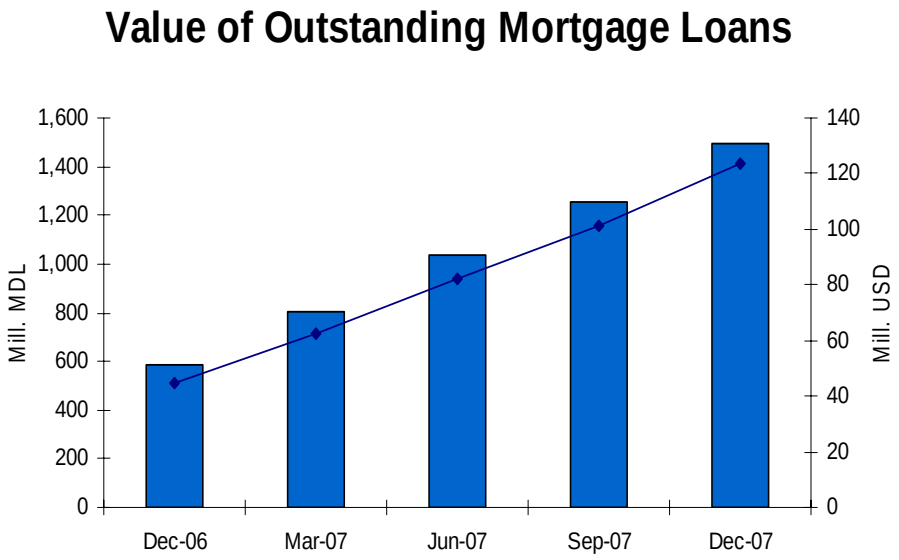
During the quarter under review, the Country Director met with representatives of local insurance companies offering 'mortgage life insurance products.' Typically, the products insure the outstanding balance of the mortgage against accidental death of the borrower (head of household) for the term of the mortgage on a one-year renewable basis. The insurers writing these policies classify them as 'general risk insurance;' that is, the companies are not carrying the policies as life insurance, and the reserves established against them are not calculated by actuaries.

During the next quarter, ATCI will secure the services of an insurance expert to give greater definition to the problems in the mortgage life insurance area.

Moldovan Mortgage Lending Survey

During the quarter under review, ATCI sent its market survey to the nine active mortgage lenders in Moldova to determine the structure of the mortgage market at the end of June. By the end of the quarter, ATCI had received only four responses.

Lackluster response to the survey reflects not only the vacation season but, more importantly, the fact that banks have significantly reduced mortgage lending as a result, first, of the higher reserve requirements and refinance rate installed by the National Bank in early June and, second, the uncertainties in mortgage lending that the new law 'On Mortgage' has created. ATCI anticipates that the rate of growth in mortgage lending evidenced by its survey at the end of last year will slow significantly in the current quarter and probably during the remainder of the year.



Respondents to the current survey nonetheless represent about ninety percent of mortgage lending in Moldova. Analysis of survey results will be available in the next quarter.

Sustainable CML Training Courses

The downturn in mortgage lending is also likely to affect ATCI's planned transfer of CML training to ABM Consulting, the commercial affiliate of the Moldovan Bankers' Association.

During the quarter, ATCI worked with ABM on scheduling and budgeting the first commercially presented CML training courses in Moldova, using trainers trained by the Institute for Urban Economics in Moscow during earlier ATCI-sponsored courses.

No.	No.	Cost item	Number	Cost per unit, LEI / 1 day	Total cost, LEI
1	1	Premises	1	800	3 200
2	2	Projector+PC	1	0	0
3	3	Folders	20	30	600
4	4	Paper (A4)	10	55	550
5	5	Pens	20	3	60
6	6	Badges	20	5	100
7	7	Notepads	20	10	200
8	8	Certificates	20	20	400
9	9	Cartridge refill	1	200	200
		Total:			5 310
10	1	Coffee break (2 coffee breaks)	21	50	4 200
11	2	Mineral Water 0.5	40	5	800
		Total:			5 000
12	1	Lecturers' fees for training	2	750	6 000
13	2	for updating	2	750	6 000
14	3	Bank (accounts, commissions, etc.)	1	200	200
15	4	Taxes	2	700.00	5 600
16	5	Project manager's salary	1	250	1 000
		Total:			18 800
	Total:				29 110

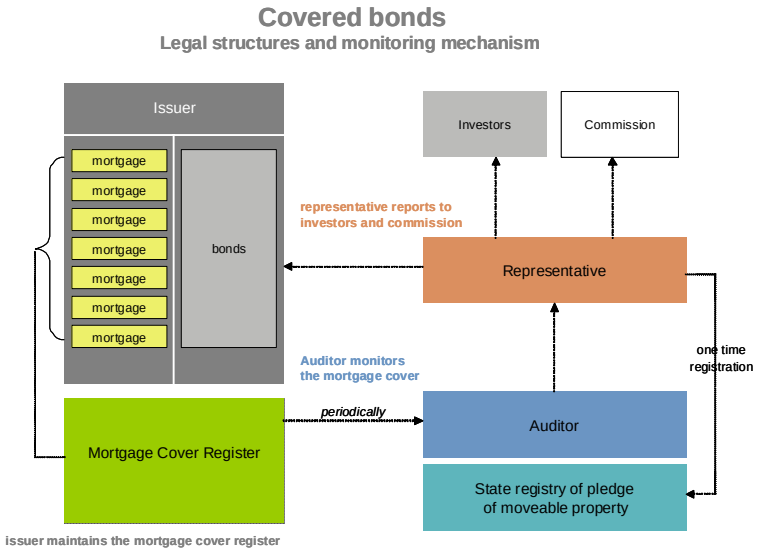
The first training course is scheduled to begin early next quarter.

Secondary Market

Pilot Issue

The major focus of work with Moldova Agroindbank for the past quarters has been technical (development of its IT capacity to calculate average monthly prepayment, duration and duration with prepayment on its entire mortgage portfolio). MAIB is now technically ready to issue a 'covered' bond.

Therefore, this quarter ATCI and MAIB have concentrated their efforts to select a partner to serve as Bondholder Representative for the Mortgage Covered Bond Pilot Issue.



Bondholder Representative in Moldova

Bondholder Representative plays a key role in a covered bond. He is actually the trustee of the issue, acting in the interest of the bondholders by overseeing the process of monitoring the mortgage pool and intervening on behalf of the bondholders to remedy technical defaults. In the case of payment default or bankruptcy of the issuer, the bondholder representative should be in a position to quickly place the mortgage pool with a backup servicer or sell it to another bank.

Ideally, the bondholder representative is another bank. Given the small size of the Moldovan banking sector, however, there is strong resistance to the ideal. There is always resistance to the notion of another (competitor) bank having access to one's mortgage portfolio. The monitoring procedures are structured precisely so that the bondholder representative never has direct access to the issuer bank's mortgage portfolio data, but that in itself is not enough to convince MAIB to allow another Moldovan bank serve as its bondholder representative.

The bondholder representative does not have to be a bank. German *Pfandbriefe* do not require that the bondholder representative be a bank, and often it is not even a legal entity. Among the possibilities are an unaffiliated asset management company and a legal firm. MAIB will take a decision on the bondholder representative in the next quarter.

IV. ADMINISTRATIVE ISSUES – MORTGAGE LENDING MOLDOVA

As noted in the Work Plan, some activities relating to the development of mortgage-related insurance and the development of the Real Estate and Appraisal Associations had been deleted. However, due to opportunities that have arisen, it was agreed that ATCI Moldova *beginning next quarter* would perform a cursory assessment of the mortgage-related insurance products offered in the market as well as an assessment of realtors' certification programs and appraisal standards utilized in Moldova, to ascertain next steps needed to fill gaps in order to meet world standards. See Attachment I, Work Plan, for these specifications.

V. DESCRIPTION AND STATUS OF TASKS (RELEVANT TO WORK PLAN THIS QUARTER) – MORTGAGE LENDING MOLDOVA

MORTGAGE LENDING COMPONENT

Task A: Implement Certified Mortgage Lender Program

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. IUE review of CML training materials and methodology for applicability to Moldova: Assess mortgage activity	• WORK COMMENCED IN PREVIOUS QUARTERS, CONTINUED IN THIS QUARTER WITH ASSISTANCE FROM MORTGAGE ADVISOR AND LEGAL TEAM OF PROJECT, IN PREPARATION FOR CML PROGRAM IV (CHISINAU)
2. Select candidates from banks and financial institutions engaged in mortgage lending	• COMPLETED PREVIOUS QUARTERS
3. a. Deliver a series of two CML courses in Chisinau during the first year	• COMPLETED LAST YEAR
3.b. Deliver a complete CML program in Tiraspol, as approved by US Ambassador	• COMPLETED PREVIOUS QUARTERS
4. For second year, the third program implemented by training providers which is supervised by STTA-IUE CML trainers	• MEETINGS WITH THE EXECUTIVE DIRECTOR OF FTBCC ABM CONSULTING. DISCUSSED AND ASSESSED THEIR WILLINGNESS AND READINESS TO DELIVER THE NEXT CMLP IV TRAINING COURSE (OCTOBER – DECEMBER 2008) ON COMMERCIAL BASE. • MEETINGS WITH THE TEAM OF LOCAL TRAINERS IN ORDER TO COORDINATE THE PREPARATORY WORK FOR CMLP IV.
5. Conduct assessment of current mortgage activity and impact assessment of Certified Mortgage Lender Program (CMLP) on the mortgage lenders and on their lending practice	• SURVEY QUESTIONNAIRE ON MORTGAGE LENDING ACTIVITIES AS OF JUNE 30, 2008 HAS BEEN SUBMITTED TO THE ACTIVE MORTGAGE LENDING COMPANIES FOR UPDATED MORTGAGE LENDING STATISTICS; THE RESULTS WILL BE RECEIVED BY ATCI/MOLDOVA EARLY NEXT QUARTER
7. Deliver specialized mortgage trainings related to above and legal framework, if applicable and as needed.	• PLAN TO ORGANIZE WITH EBRD A SERIES OF ROUND TABLES/SEMINARS FOR DIFFERENT TARGET AUDIENCES FROM FINANCIAL COMMUNITY (LAWYERS, MID MANAGEMENT LEVEL, LENDER OFFICERS, ETC.) IN ORDER TO PROMOTE THE NEW MORTGAGE LAW (PROMULGATED BY THE PRESIDENT AND ENTERED INTO FORCE ON SEPTEMBER 2ND, 2008), AND ENCOURAGE THE BANKING COMMUNITY TO TAKE MAXIMUM ADVANTAGE OF IT.

Task B: Assist Banks in Undertaking Mortgage Lending

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Promote standardized rules, procedures, documentation for retail mortgage lending in Moldova	• THESE ACTIVITIES CONTINUED IN THIS QUARTER. • MEETINGS HELD WITH: THE NATIONAL BANK OF MOLDOVA: MR. PRODAN – VICE-GOVERNOR MRS. SAVIN – DIRECTOR OF MARKET OPERATIONS DEPARTMENT MINISTRY OF FINANCE MRS DURLESTEANU - MINISTER MOLDOVAN BANKS ASSOCIATIONS NATIONAL COMMISSION FOR FINANCIAL MARKET MOLDOVA – AGROINDBANK MRS. GHEORGHIU – FIRST VICE-PRESIDENT MRS. POLUSTANOVA – HEAD OF DEVELOPMENT AND ADMINISTRATION RETAIL PROSUCT DEPARTMENT MR. LUNGU – HEAD OF INVESTMENT DEPARTMENT DONARIS GROUP MR. UNGUREANU – GENERAL MANAGER MOLDASIG MR. HUTA – HEAD OF INSURANCE DEPARTMENT VICTORIA-ASIGURARI MR. LUNGU – GENERAL MANAGER PRIME CAPITAL MRS. VICOL – GENERAL MANAGER DISCUSSING AND PROMOTING STANDARDIZED RULES, PROCEDURES AND DOCUMENTATION
2. Select candidate banks and financial institutions for on-site assistance (On-going), and as requested.	• DELIVERY OF TA; SEE POINT 1 ABOVE, AS REQUESTED
3. Provide on-site technical assistance (On-going)	• ON-SITE CONSULTANCY FOR REGULATORY BODIES: VICE GOVERNOR AND TEAM OF NATIONAL BANK OF MOLDOVA; NATIONAL COMMISSION FOR FINANCIAL MARKET. • DEEP ANALYSIS OF REAL RATE OF RETURN OF DEPOSITS (IN NATIONAL AND FOREIGN CURRENCIES) FOR 2003-2008 (QII) • AD HOC TA VIA EMAIL AND TELEPHONE • INTERVIEW FOR EU TV. SPEAK ABOUT THE MOLDOVAN MORTGAGE MARKET (JULY 31, 2008)

	• INTERVIEW FOR LOGOS PRESS (ECONOMIC NEWSPAPER) (PUBLISHED ON AUGUST, 2008)

Task E Develop a Mortgage-Backed Securities Capability (see Fixed Income Component below) "as possible in Moldova"

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Establish Legal Working Group to assess legal basis and regulatory framework	• WORK COMMENCED IN PREVIOUS QUARTERS, CONTINUED THIS QUARTER • MORTGAGE ADVISOR PARTICIPATED IN THE SESSION OF THE LEGAL WORKING GROUP OF THE MOLDOVAN BANKS ASSOCIATION. SUBJECT OF DISCUSSION – RECENTLY PUBLISHED AND ENTERED INTO FORCE MORTGAGE LAW (SEPTEMBER 11, 2008)
2. Draft legal provisions as needed	• WORK COMMENCED IN PREVIOUS QUARTERS, CONTINUED THIS QUARTER • DRAFTING THE PROVISIONS RELATED TO MORTGAGE SECURITIES TO BE INCLUDED IN NCFM REGULATION ON CIRCULATION AND REGISTRATION OF BONDS
3. Promote legal provisions to professionals, regulators, Ministries, etc.	• WORK COMMENCED IN PREVIOUS QUARTERS, CONTINUED THIS QUARTER • CONTINUE DISCUSSION WITH THE NATIONAL BANK OF MOLDOVA, NATIONAL COMMISSION FOR FINANCIAL MARKET ON COVERED MORTGAGE BONDS. ALL THE ABOVE MENTIONED BODIES OFFERED FULL SUPPORT TO THE PROJECT.
4. Select candidate issuer(s)	• COMPLETED PREVIOUS QUARTERS • REGULAR MEETINGS WITH TOP LEVEL MANAGEMENT AND INTERNAL WORKING GROUP OF MOLDOVA - AGROINDBANK.
5. Conduct portfolio analysis	• COMPLETED PREVIOUS QUARTERS
6. Develop standardized indenture	• PRELIMINARY DISCUSSION WITH MAIB REPRESENTATIVES ON BONDHOLDERS REPRESENTATIVE
7. Draft investment memorandum	• TO BE DONE WHEN THE ISSUER HAS THE FINAL DECISION ON MORTGAGE BONDS ISSUANCE
8. Registration and Listing	• TO BE DONE WHEN THE ISSUER HAS THE FINAL DECISION ON MORTGAGE BONDS ISSUANCE
9. Identify potential investors	• PROJECT HELD ON AND OFF-SITE MEETINGS WITH POTENTIAL INVESTORS AND OTHER FINANCIAL INSTITUTIONS
10. Conduct "road show"	• TO BE DONE WHEN THE ISSUER HAS THE FINAL DECISION ON MORTGAGE BONDS ISSUANCE
11. Price and place issue	• TO BE DONE WHEN THE ISSUER HAS THE FINAL DECISION ON MORTGAGE BONDS ISSUANCE

Task F. Facilitate Establishment of a Commercial Credit Information Company (i.e., Credit Bureau) "as appropriate in Moldova"

Assessment of credit bureau status and feasibility of establishment of credit bureau system in Moldova Phase I: Review current status of development of a CIC	**NOTES FOR ACTIVITIES F, G, AND H, ALL RELATING TO ESTABLISHMENT OF COMMERCIAL CREDIT INFORMATION COMPANY, I.E., CREDIT BUREAU:** • THE DRAFT LAW WAS APPROVED BY THE GOVERNMENT ON AUGUST 24, 2007. THE LAW WAS SUBMITTED IN PARLIAMENT ON SEPTEMBER 20, 2007, WAS ADOPTED BY THE PARLIAMENT ON MAY 29, 2008 (122-XVI) AND FINALLY PUBLISHED IN THE OFFICIAL MONITOR ON JULY 29, 2008; WILL ENTER INTO FORCE – ON MARCH 1st, 2009. • THE REGULATORY BODY HAS BEEN ESTABLISHED AS OF JULY 2007, THROUGH THE ADOPTION OF THE MEGA REGULATOR LAW • PROJECT IS IN CONSTANT AND ONGOING COMMUNICATION WITH WORLD BANK OFFICERS AND DIRECTOR OF THE COMPETITIVENESS ENHANCEMENT PROJECT IMPLEMENTATION UNIT (PIU) AND MOLDOVAN BANKS ASSOCIATION; WORLD BANK STARTED WORK IN DEVELOPING CREDIT BUREAU OVER TWO YEARS AGO • THE MAIN ACTIVITIES OF TASKS F, G, AND H WERE POSTPONED UNTIL THE LAW ON CREDIT INFORMATION BUREAUS ENTERS INTO FORCE
1. Coordinate disparate groups (providers, users, government) and consolidate interests—overall project coordination	• MEETINGS WITH THE WORLD BANK REPRESENTATIVE TO COORDINATE THE EFFORTS OF DONOR ORGANIZATIONS.
a) Develop and establish linkages with primary international credit bureau operators	• COMPLETED PREVIOUS QUARTERS
b) Execute plan for participation of all banks	• N/A
c) Sponsor visits to potential foreign CB partners	• N/A
d) Secure final buy-in of local data providers and users	• N/A
2. Determine and review CIB development strategy with government and counterparts: review availability, activity, and accessibility of (a) credit info.; (b) other pertinent borrower data; (c) credit data used by financial intermediaries; and (d) credit reporting	• MEETING WITH THE TOP LEVEL MANAGEMENT OF MOLDOVA - AGROINDBANK, THE MAIN DATA PROVIDER, WAS HELD TO DISCUSS THE CURRENT STATUS OF CREDIT BUREAU ESTABLISHMENT IN MOLDOVA AND REVIEW CIB DEVELOPMENT STRATEGY
3. Market best approach for	• N/A

structuring, establishing and operating CIB	
4. Analyze and coordinate passage of Law	• THE DRAFT LAW WAS APPROVED BY THE GOVERNMENT ON AUGUST 24, 2007. THE LAW WAS SUBMITTED IN PARLIAMENT ON SEPTEMBER 20, 2007, WAS ADOPTED BY THE PARLIAMENT IN MAY 29, 2008 (122-XVI) AND FINALLY PUBLISHED IN THE OFFICIAL MONITOR ON JULY 29, 2008. IT WILL ENTER INTO FORCE ON MARCH 1ST, 2009.
a) Seminars with key government ministries (data providers) and public (articles)	• N/A
5. Review and shape regulatory framework; draft and monitor legislation and regulations	• DRAFT LAW ON CREDIT BUREAU WAS EXAMINED IN THE SECOND QUARTER AND A MEMO REGARDING LEGAL TEAM'S OPINION WAS ELABORATED, ADDITIONAL EXAMINATION WAS MADE DURING THE V QUARTER IN ORDER TO SUGGEST INCLUDING SOME SOLUTIONS TO THE PROBLEMS OF LEASING COMPANIES IN THE DRAFT LAW ON CREDIT BUREAUS.

Task G. Build Capacity of Participating Banks to Maximize Benefits of CIC "in Moldova as appropriate"

Phase II: Work with market participants. Overall coordination of activities aimed at the promotion and development of credit bureau	• N/A (SEE NOTES ABOVE, IN TASK F)
a) Consent clause—convince the market, draft the wording of consent clause, recommend consent clause placement in the application form	• N/A
b) Advise on RFP responses and selection process of successful bidder from among CB operators as appropriate	• N/A
c) Reciprocity and access rights (data suppliers and data users)	• N/A
d) Data sharing (positive and negative data, scope of data, data masking, possible payment/data sharing arrangements)	• N/A
e) Work with public record holders (CBs will have to conclude separate agreement with each public record holder)	• N/A
f) Securing involvement of mobile phone operators,	• N/A

insurance companies, credit unions, etc.	
Phase III: Work with regulators, market education and public awareness efforts	• N/A
a) Shape regulatory debate and assist in drafting CB regulations and licensing requirements	• N/A
b) Market education and public awareness campaign (publication of articles, etc.)	• N/A
c) Regional workshops (to promote CBs and effective use of CB products)	• N/A

Task H. Develop and Prepare Business Plan for CIC "as appropriate in Moldova"

1. Define business and operations plan for CIB	• N/A (SEE NOTES ABOVE IN TASK F)
2. Outline package of technical requirements	• N/A
3. Discussions with government data providers	• N/A
4. Prepare and deliver RFP	• N/A
i) Review business plan with domestic banks and other local investors	• N/A
ii) Review business plan with Bankers' Association and other business groups	• N/A
5. Secure Buy-in to business plan of foreign investors and banks	• N/A

LIST OF ATTACHMENTS

ATTACHMENT 1: *Access to Credit Initiative/Moldova (2nd Year) Work Plan, updated as of September 2008*

ATTACHMENT 2: *ATCI Semiannual Mortgage Market Survey Questionnaires*

ATTACHMENT 3: *MAIB Covered Bond Prospectus (Draft)*

C. COMPONENT REPORT - FINANCIAL LEASING MOLDOVA

I. COMPONENT DESCRIPTION - FINANCIAL LEASING MOLDOVA

This report details events and activities relating to the Financial Leasing Component of the USAID Access to Credit Initiative/Moldova, implemented by the Pragma Corporation, during the period from July 1 through September 30, 2008.

The primary purpose of the Financial Leasing Component is to create a supportive environment for development of modern financial leasing in Moldova. As ATCI/Moldova will provide specific technical, advisory, and training assistance in order to increase access to credit throughout Moldova, whereas Financial Leasing is an efficient alternative to bank financing.

ATCI/Moldova aims to strengthen existing leasing companies. Capacity building consists of training and consulting for lessors, lessees, regulators, and other interested parties, such as vendors, banks, consulting and insurance companies. In addition, ATCI/Moldova will be conducting public awareness efforts and seeking new domestic financial resources for the leasing companies. Besides that ATCI/Moldova is permanently assisting the potential new market entrants by providing them with required information for running feasibility studies and supports them with professional advice.

Moreover, the Financial Leasing Component will be building the capacity of leasing professionals by introducing the Certified Leasing Specialist (CLS) Certification program, a designation for market participants so that they may attain world standards of practice. Consulting by ATCI/Moldova will be provided on an ad hoc basis as well as when determined to meet the needs of the financial leasing companies and industry as a whole.

ATCI/Moldova will support and/or develop the proper legislative and regulatory framework to support the leasing industry and facilitate the entry of foreign capital into the leasing sector.

II. SIGNIFICANT EVENTS - FINANCIAL LEASING MOLDOVA

- FIRST COMMERCIALLY PRESENTED CLS COURSE BEGINS; GOAL MOVING TOWARD SUSTAINABILITY OF CLS PROGRAM
- BROCHURE ON MOLDOVAN LEASING MARKET DEVELOPED AND DISTRIBUTED

III. EXECUTIVE SUMMARY - FINANCIAL LEASING MOLDOVA

Commercially Presented CLS Course

The CLS training course was derived from training courses offered by ATCI/Ukraine, with significant adaptations to current local market needs and conditions. CLS was mainly adapted to fiscal, accounting and legal frameworks of Moldova and constitutes the first local training course focused on leasing industry that combines the analysis of all the activities undertaken within a leasing company and outside factors that have an impact on it.

Establishing an efficient leasing sector is one of the major objectives to be reached by the financial community of Moldova, including by formation of professionals in leasing area based on international experience and world best practices. Facilitation of access to financing through

leasing will accelerate the renovation of equipment/machinery and transportation fleet, worn out physically and morally, of the enterprises from the majority of branches of the Moldovan economy, which in their turn, will contribute to the enhancement of economic activity, generation of new jobs and finally improvement of living conditions in Moldova. All of these can be achieved only in conditions when the leasing industry has highly qualified personnel with a clear view of the market and full understanding of customers' needs.

Preparing this kind of personnel (Certified Leasing Specialists) and CLS trainers represents the forecasted contribution of the ATCI/Moldova Project to the establishment of qualitative international standards for financial professionals in the Republic of Moldova. Since the beginning of the Project activity, ATCI/Moldova is permanently looking for local partners for collaboration, which, later – after the closing of the Project – could takeover the management and administration, on a commercial basis, of the Certified Leasing Specialist program. Presently, ATCI Moldova is looking at ACAP as training provider as well as exam controller. While selecting the partner for CLS, ATCI/Moldova took the following into account: the major contribution of the ACAP to the development of training and consultancy market of Moldova; qualifications and professionalism of persons proposed by ACAP as CLS trainers; as well as the contribution which CLS could add to the strengthening of the ACAP position within the financial community of Moldova.

ATCI/Moldova together with ACAP has developed a sustainability plan that presumes launching the CLS program on a commercial basis. Thorough budgeting and break-even analysis resulted in an effective plan of CLS commercial implementation that managed to meet the market realities and contributed to successful implementation of a partially-sponsored CLS program.

CLS program, Module 1

On September 26-28, ATCI/Moldova together with ACAP launched the third CLS course on a commercial basis (partially-sponsored). The participation fee was established at $40 per module ($120 per full course) per trainee. Break-even level was ensured by attendance of 17 participants; due to the fact that we managed to form a group of 23 participants, ACAP covered additional administrative expenses and registered a profit that would serve as a financial incentive in continuing to run this CLS training program. The group of trainees was formed of 23 participants representing 7 local financial institutions.

Throughout the first module ACAP utilized local training exclusively, ATCI/Moldova staff and ACAP trainers, avoiding expenses related to foreign consultants' visits. The second and third modules of the CLS course are planned to take place in early next quarter, while certification exam sessions are scheduled for mid-quarter.

Course structure:

The CLS course is made up of three modules as follows:

I. Leasing: business environment.
II. Leasing transactions: stages and procedures.
III. Leasing company: development strategy and operational activity.

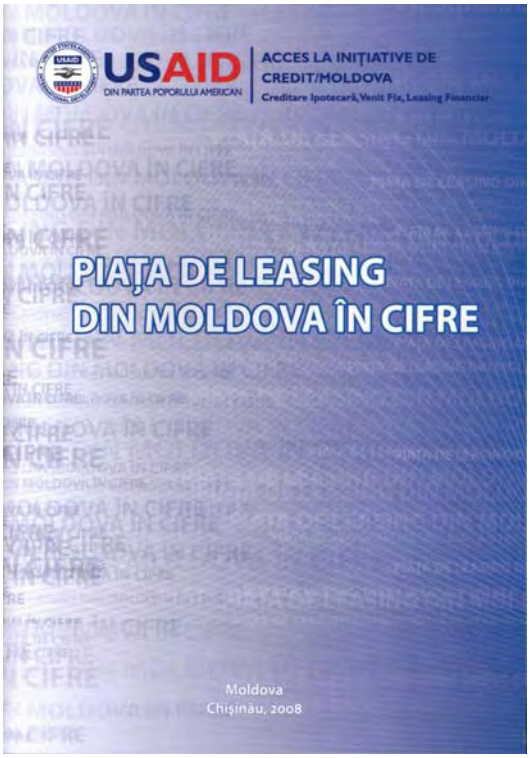
The first module consists of 12 sessions (80 minutes each). During these sessions the following subjects were discussed:

1. Introduction to CLS Program. The appearance and early ages of leasing of development. The modern history of leasing. Leasing: present situation and current global tendencies. Leasing sector in the Republic of Moldova.
2. The legislative framework of leasing in Moldova. Legal definitions, types and forms of leasing. Difficulties in law application. *Inception questions*.
3. The leasing contract. Form, characteristics and clauses. Conclusion, registration and guarantee.
4. Modification and cease of the leasing contract. Claiming the assets financed in leasing. Disputes. Advanced norms of other countries.
5. General aspects of leasing operations' accounting in Moldova. The role of financial accounting in the information – financial system of the economic entity. *Resume questions*.
6. Basic normative acts regulating leasing operations' accounting. Main accounting entries on leasing operations. *Case studies.*
7. Basic notions of IAS 17 and GAAP 13. Comparative analysis of fixed assets obtaining alternatives: procurement, lending and leasing.
8. Criteria of quantitative evaluation of leasing operations efficiency. Net present value method general notions and approaches. Discounting techniques. Net present value rule. Important notes. *Case studies.*
9. Fiscal aspects of leasing transactions in Moldova. Fiscal legislation, income tax and other taxes. Calculation of depreciation with taxation purposes.
10. Deduction of expenses for property repairing. Income tax at the source of payment. Taxation of non residents. Customs regulations. *Case studies*.
11. Basic notions on VAT and specific relations of VAT application. VAT calculation and payment procedures. VAT exempted supplies.
12. Tax liability terms. Paper work on supply of goods representing leasing objects. *Case studies.*

In order to make the CLS course closer to the leasing business reality, ATCI/Moldova staff together with ACAP trainers developed several case studies that required participants' active involvement, mainly in performing specific calculations and analysis during the course.

Leasing Market Survey Brochure

During the quarter under review, ATCI published the results of its leasing market survey in brochure format and distributed it to leasing companies, ministries and other interested parties. The brochure appears as **Attachment 4.**



IV. ADMINISTRATIVE ISSUES - FINANCIAL LEASING MOLDOVA

NONE

V. DESCRIPTION AND STATUS OF TASKS - FINANCIAL LEASING MOLDOVA

Task A: Build Capacity of Market Participants

Defined Activity	Progress Made During Quarter/Proposed Future Actions
A. Build Capacity of Market Participants	
1. Polling the financial community for interest in leasing courses from which successful participants will graduate as Certified Leasing Specialists (CLS).	• ATTRACTED LOCAL BANKS AND MICRO-FINANCIAL INSTITUTIONS TO TAKE PART IN THE CLS COURSE IN ADDITION TO THE LEASING COMMUNITY THAT IS WELL AWARE ABOUT THIS TRAINING PROGRAM
2. Assess the Moldovan leasing market and activities and adapt the CLS Program for Moldova	• PROCESSED THE RESULTS OF THE LEASING MARKET SURVEY IN ORDER TO INTRODUCE RELEVANT ADJUSTMENTS INTO RESPECTIVE MODULES OF THE CLS COURSE • ATCI TOGETHER WITH THE TRAINING PROVIDER (ACAP)

	DEVELOPED AND INTRODUCED IN THE CLS CURRICULUM PRACTICAL CASE-STUDIES.
3. Identify local potential Training Providers to provide Trainers to attend and to eventually administer CLS training program	• COMPLETED IN PRIOR QUARTERS
4. Identify potential members for setting up NGO/Int'l Leasing Association	• DUE TO DIFFICULTY OF SUSTAINABILITY ISSUES FOR A NEWLY CREATED NGO IN MOLDOVA AND A RELATIVELY LIMITED NUMBER OF CLS GRADUATES, ATCI IS PURSUING OTHER AVENUES FOR CLS CONTINUITY – LOOKING AT ACAP AS CLS ADMINISTRATOR: ACTING AS TRAINING PROVIDER AND EXAM CONTROLLER. ANOTHER SOLUTION CONSIDERED BY ATCI IS TO SUPPORT AND ASSIST THE CREATION OF THE MOLDAVIAN LEASING ASSOCIATION THAT COULD ENSURE THE DESIRED SUSTAINABILITY.
5. Short term expert to visit Chisinau meeting with potential Training Providers and to assist with adapting CLS training course and assisting with setting up Leasing Assn/NGO.	• N/A FOR THIS QUARTER.
6. Initiate process of setting up Moldovan Leasing Assn./NGO	• N/A FOR THIS QUARTER.
7. Develop Strategy for CLS Program for Moldova for Training of Trainers **a) Development of Content/Study-Guide** **b) Develop Training Modules** **c) Develop Examination** **d) Establish Local Training Providers**	• ATCI/MOLDOVA AND ACAP DEVELOPED A SUSTAINABILITY PLAN THAT INCLUDES LAUNCHING THE CLS PROGRAM ON A COMMERCIAL BASIS; THOROUGH BUDGETING AND BREAK-EVEN ANALYSIS RESULTED IN AN EFFECTIVE PLAN OF CLS COMMERCIAL IMPLEMENTATION THAT MANAGED TO MEET THE MARKET REALITIES AND CONTRIBUTED TO A SUCCESSFUL IMPLEMENTATION OF PARTIALLY-SPONSORED CLS PROGRAM.
8. Design and launch leasing training course seminars mainly for professionals but also for Trainers from potential Training Providers.	• ON SEPTEMBER 26 ATCI/MOLDOVA TOGETHER WITH ACAP LAUNCHED THE THIRD CLS COURSE ON COMMERCIAL BASIS (PARTIALLY-SPONSORED). THE GROUP OF TRAINEES WAS FORMED OF 23 PARTICIPANTS REPRESENTING 7 LOCAL FINANCIAL INSTITUTIONS • DURING THIS QUARTER (SEPTEMBER 26-28) THE FIRST MODULE OF THE CLS PROGRAM WAS COMPLETED. THROUGHOUT THE FIRST MODULE LOCAL TRAINERS WERE USED EXCLUSIVELY

	• SECOND AND THIRD MODULES OF THE CLS COURSE ALONG WITH CERTIFICATION EXAM SESSIONS ARE SCHEDULED FOR NEXT QUARTER
9. Implement Outreach Network and Provide Consulting Services	• FINALIZED AND DISTRIBUTED A DETAILED MOLDOVAN LEASING MARKET RESEARCH/SURVEY FOR THE PERIOD 2006-2007.
a) Hold/Participate in conferences/roundtables on state of leasing industry for government officials, media, and industry participants	• PROVIDED INTERVIEWS FOR A LOCAL ECONOMIC PERIODICAL ("CAPITAL MARKET") AND A TV STATION ("EU TV"); DISCLOSED SOME OF THE LEASING MARKET RESEARCH FINDINGS IN ORDER TO INCREASE THE PUBLIC AWARENESS ABOUT LEASING
b)Prepare and distribute educational materials on various aspects of international best practices	• BASED ON THE INFORMATION OBTAINED FROM THE LEASING MARKET RESEARCH, ATCI/MOLDOVA PUBLISHED AND DISTRIBUTED A BROCHURE IN THE FORM OF A NON-TECHNICAL MATERIAL, TARGETING THE LEASING COMPANIES, BANKS, AND OTHER PROFESSIONAL NON-LEASING INSTITUTIONS • REVIEWED AND UPDATED THE "LEASING GLOSSARY"; PRESENTED ITS FINAL VERSION TO THE LEASING INDUSTRY PROFESSIONALS THAT PARTICIPATED IN ALL THE COURSES OF THE CLS PROGRAM • UPDATED THE ATCI/MOLDOVA WEB-SITE WITH SPECIFIC LEGISLATIVE EXTRACTS AND OTHER RELEVANT INFORMATION RELATED TO THE LEASING COMPONENT
c)Provide consulting on organizational and marketing issues	• WILL BE PRESENTED DURING THE THIRD MODULE OF THE CLS TRAINING COURSE NEXT QUARTER
10. Deliver Seminars for Other Industry Participants **a) Vendors** **b) Potential Lessees** **c) Banks** **d) Government Officials**	• N/A FOR THIS QUARTER

LIST OF ATTACHMENTS

ATTACHMENT 4: ATCI Moldova Leasing Market Survey Brochure, ROM

D. COMPONENT REPORT - FIXED INCOME MOLDOVA

I. COMPONENT DESCRIPTION - FIXED INCOME MOLDOVA

This report provides details on events and activities relating to the Fixed Income component of the USAID Access to Credit Initiative/Moldova, as implemented by The Pragma Corporation, during the period from July 1 through September 30, 2008.

The objective of this activity is to expand the availability of capital to corporate borrowers as an alternative to bank financing, through the issuance of corporate bonds. Additionally, this component includes the activities assisting the development of the National Commission of Financial Market ('NCFM' or the Mega Regulator) as not only a regulator of the capital markets but a Mega Regulator, i.e., regulator of the Non-Bank Financial Institutions. It should be noted that early, in July 2007, the National Securities Commission has formally been transformed into the National Commission of Financial Markets ('NCFM') with the publication of the *Law on the National Commission of Financial Market* in the official monitor.

Besides seeking and assisting companies in the issuance of corporate bonds, tasks will be focused on disclosure and transparency issues and systems related to the bond regulations and enforcement capabilities of the NCFM. Tasks will also include the capacity building of the NCFM in accordance with international best practices of regulators.

II. SIGNIFICANT EVENTS - FIXED INCOME MOLDOVA

- ATCI COMPLETES DRAFT OF NEW REGULATION ON THE REGISTRATION AND ISSUANCE OF CORPORATE BONDS FOR NCFM
- ATCI COMPLETES DRAFT PROSPECTUS FOR MAIB MORTGAGE COVERED BOND ISSUE (ONLY IN RUSSIAN; TRANSLATED DRAFT PROSPECTUS TO BE INCLUDED IN NEXT QUARTERLY REPORT)
- ATCI COUNTRY DIRECTOR MEETS MINISTER OF FINANCE TO DISCUSS REFINANCE OF NATIONAL BANK GENERAL RESERVE FUND

III. EXECUTIVE SUMMARY - FIXED INCOME MOLDOVA

Regulatory Reform and Capacity Building

Draft Bond Regulation

ATCI is working on drafting the regulation on issue, circulation and redemption of bonds that is reflecting the procedures and rules arising from the Law on securities market. The current draft is a document that brings more light in procedures related to the bonds.

The Draft of the regulation has 10 sections with each section being split into paragraphs (35 Paragraphs). In addition to the sections, 4 Annexes will be drafted, of which one annex is drafted by ATCI, in accordance with current legislation and best international practices.

A series of new definitions were introduced and more transparency was added to procedures related to convertible bonds, default of the issuer, bondholders right protection, information disclosure, secured and unsecured debt. An important and innovative for Moldova part related to asset-backed securities was introduced. In addition to that a new market participant was introduced – Commercial Representative of bondholders that has specific functions and responsibilities described in the draft.

ATCI drafted the requirements for prospectus of public offering, were some procedures were simplified and written in compliance with current legislation, European Prospectus Directive, Kazakhstan Regulation on Bond registration.

General Reserve Fund of the National Bank of Moldova

At end June 2008, NBM had accumulated MDL 1070.5 million (USD 107.0 million) of losses in its Undistributed P/L account. According to our estimates, the loss consisted of MDL 1519.44 million (USD 151.9 million) of devaluation losses on its foreign currency reserves *less* MDL 443.34 million (USD 44.3 million) of profits from ordinary operations during the first half of the year. These are **estimates**. We have access to the NBM Balance Sheet but not to its Income Statements, so we do not know the exact amounts in each component. The Balance Sheet at end June is the last published.

At the end of Q2, NBM's Balance Sheet showed Statutory Capital of MDL 609.2 million (USD 60.9 million). Statutory Capital consists of 1/3 Authorized Capital (MDL 200.0) and 2/3 General Reserve Fund (MDL 409.2), thus:

Authorized Capital	200.0
General Reserve Fund	409.2
Other Reserves	13.6
Undistributed Profit (Loss)	(1070.5)

Assuming no further losses from MDL revaluation, at the end of December, undistributed losses will decrease by the amount of undistributed profit from Ordinary Operations during the second half of the year, which we estimate will be about MDL 450.0 million (USD 45.0 million), roughly equivalent to profit from Ordinary Operations during the first half of the year.

Authorized Capital	200.0
General Reserve Fund	409.2
Other Reserves	13.6
Undistributed Profit (Loss)	(620.5)

According to the law "On the National Bank of Moldova," Article 19, Paragraph 5, the General Reserve Fund shall be used exclusively to cover registered losses at the end of the financial year. Thus, at end December, undistributed losses of approximately USD 62.0 million will be transferred to the General Reserve Fund, where it will create a deficit of approximately USD 21.0 million. (MDL 620.5 – 409.2 = 211.3/10 = USD 21.13.)

Authorized Capital	200.0
General Reserve Fund	(211.3)
Other Reserves	13.6
Undistributed Profit (Loss)	0.0

According to Article 19, Paragraph 6, Ministry of Finance is required to cover debit balances in the General Reserve Fund within 60 days of receipt of NBM's audited financial statements. Thus, on or about 1 June 2009, the Ministry of Finance will have to issue government securities in the MDL equivalent of about USD 21.0 million and transfer those securities to the National Bank of Moldova. The bills do not go into circulation; they remain in the National Bank till maturity.

Given that the deficit in the General Reserve Fund will be relatively small, representing about 90 days of profit from ordinary operations of the bank, we would advise the Ministry to issue short term bills (a maturity of six months or, maximum, one year).

USD vs MDL, Oct 06-Oct 08

Obviously, other outcomes are possible. The extreme volatility of the foreign exchange markets during the past month takes the education out of educated guesses about the direction the USD/MDL exchange rate will take. Clearly, however, there was a sharp reversal of the two-year trend of a weakening dollar, so the "no additional losses" scenario may be the best guess. Smaller losses are, of course, possible, in which case the amount MinFin transfers to NBM will less than USD 21.0 million and possibly even zero. The less likely possibility at this point appears to be the "additional losses" scenario, in which case MinFin will have to transfer more than USD 21.0 million. In any event, **it is the outstanding debit on 31 December 2008** that determines the amount of the transfer, if any. The transfer itself is probably a May-June 2009 event.

Issuing any debt at all to finance the National Bank is perceived to be fraught with political risk. Few Moldovan politicians may not understand the purpose and functions of a national bank, whose very existence in Moldova is viewed with suspicion. Understandably, then, MinFin is unnerved by the prospect of having to fund any deficit in NBM and is actively searching for alternative means of accomplishing the task which might be politically more palatable. One alternative gaining support is using NBM foreign currency reserves to retire all or a portion of the national foreign debt—currently, about USD 225.0 million.

NBM and the government have separate and distinct balance sheets: foreign currency reserves are on NBM's balance sheet, while foreign debt is on GOM's. In order to retire any amount of foreign debt, MinFin would first have to buy foreign currency reserves from NBM, which it would do by transferring government bonds to the National Bank in the MDL amount of the purchase. The transaction would be essentially the same as funding the deficit in the General Reserve Fund with the additional advantage of reducing the amount of foreign currency reserves in the NBM subject to forex fluctuations. Reducing foreign currency reserves could become a disadvantage, of course, should Moldova face a banking or currency crisis as a result of recent international financial events.

Neither a currency nor a banking crisis appears likely at this point; in fact, in this respect, Moldova's economy appears somewhat countercyclical. However, should Europe, Eastern Europe and Russia follow the US into recession—an event that looks ever more likely—Moldova and NBM will suffer consequences. The first of these is likely to be a reduction in the inflow of remittances from Moldovan workers abroad. Similarly, both Foreign Direct Investment and export income will fall. Last, there could be in influx of workers who've lost jobs abroad; they will not easily find employment or income in Moldova.

Before MinFin funds the current deficit in NBM, all of these issues will have to be taken into consideration.

Now, the last possibility is that MinFin refuses to fund the 2008 deficit, if any, in NBM. MinFin cannot legally refuse without first amending the law "On the National Bank of Moldova." The IMF is not aware of any plans to amend the law, though it's not inconceivable that amendments have been prepared. First, however, IMF would vigorously defend the current law against any amendments, were they to be proposed. IMF wrote the law in support of its current agreement with GOM, with which IMF clearly has suasion. Second, in an election year, any attempt to change the law on the National Bank would be viewed with suspicion, since no one understands the National Bank anyway. Thus, it appears unlikely MinFin will attempt to amend current law before elections next year. Should there be an attempt after elections, USAID should side with the IMF in support of current legislation.

At the request of the Minister of Finance, ATCI Moldova will assist MinFin in its recapitalization of the NBM, which in turn may give rise to the development of a mid to long term yield curve. See **Attachment 5**, *Estimates of Sterilization-related Expenses in the National Bank of Moldova during FH 2008.*

Disclosure

In September, ATCI Ukraine's Deputy Chief of Party Rick Dvorin visited the ATCI Moldova office to meet with staff attorney Alexandru Savva and the NCFM in order to determine the needs for the NCFM in the areas of disclosure and reporting requirements for bond issuers. Originally stated in the ATCI Moldova Work Plan was the "installation of an automated disclosure system". However, due to EBRD's recent agreement with and project for the NCFM to develop and install a Disclosure System, ATCI dropped this; instead, ATCI determined, with USAID's approval, to provide guidance to the NCFM in disclosure and reporting requirements regarding debt instruments.

After determining the needs for the NCFM, ACTI met with the NCFM's commissioners to discuss and present the best practices for issuers of debt instruments. A summary of the

presentation is attached as **Attachment 6**, suggested *Disclosure and Reporting Regulation for Bond Issues.*

IV. ADMINISTRATIVE ISSUES - FIXED INCOME MOLDOVA

NONE

VI. DESCRIPTION AND STATUS OF TASKS – FIXED INCOME MOLDOVA

Fixed Income Component

Defined Activity	Progress Made During Quarter/Proposed Future Actions
A.1. Review and assess legislation (e.g., pledge law, bankruptcy law, trust law, securities market law) for gaps and needs re: issuance of corporate and mortgage bonds	• ANALYZED THE LEGAL ASPECTS OF INSOLVENCY LAW RELATED TO BANKS.
A.2. Work with the National Securities Commission (or its evolved role as Mega Regulator, "MR") building capacity for understanding and implementing issuance of bonds and regulating the markets	• CONTINUED THE WORK ON DRAFTING THE REGULATION ON ISSUANCE AND CIRCULATION OF BONDS.
A.3. Analyze financials of potential issuers for issuance of corporate bonds (see Task B below)	• N/A FOR THIS QUARTER
A.4. Work with the NSC/Mega Regulator in capacity building regarding transparency and disclosure issues in bond related regulation	• ATCI UKRAINE DEPUTY CHIEF OF PARTY AND ATCI MOLDOVA STAFF ATTORNEY MET WITH NCFM DISCUSSING BEST PRACTICES FOR DISCLOSURE AND REPORTING BY ISSUERS OF DEBT INSTRUMENTS; DOCUMENT DISTRIBUTED SUMMARIZING PRESENTATION OF BEST INTERNATIONAL PRACTICES FOR DISCLOSURE AND REPORTING, SUGGESTING TO NCFM AMENDMENTS TO LAW AND REGULATIONS (SEE ATTACHMENT 6)
A.5. Review and provide recommendations on regulations re: investment advisors and ratings agencies	• N/A FOR THIS QUARTER

A.6. Analyze authority of MR re: investigative powers and enforcement abilities; make recommendations for strengthening capabilities	• N/A FOR THIS QUARTER
A.7. Work with CNVM in helping them develop into a Mega Regualtor; provide time bound action plan for activities necessary for implementation	• COMPLETED AND PRESENTED DRAFT BOND REGULATION
A.8. Analyze laws, regulations, and practices for compliance with int'l. standards, making recommendations for activities	• N/A FOR THIS QUARTER
A.9. Analyze and assess private pension fund law and system (legal and institutional framework) in Moldova (added Jan 2008)	• N/A FOR THIS QUARTER
B.1. a Select top 10 candidates for issuance, including those companies which have already issued corp. bonds.	• N/A FOR THIS QUARTER
B.1. b Meet with executives of these companies for their understanding and desire to issue bonds	• N/A FOR THIS QUARTER
B.1. c Presentation of bond workshops aimed at potential issuers as well as potential buyers of bonds, for higher education, discussing possible benefits and potential risks	• ASSESSMENT OF THE FOREIGN INFLOWS IN MOLDOVA AND THE IMPACT ON THE LOCAL CURRENCY. COMPARISON WITH OTHER HIGH REMITTANCES INFLOW COUNTRIES.

B.1.d. Organize and hold International Bond Conference (added Sept.2007)	• COMPLETED
B.2 Assist companies (at least 3) in issuance of corporate bonds	• COMPLETED DRAFTING THE COVERED BOND PROSPECTUS, PARTS RELATED TO AUDITOR, REPRESENTATIVE AND MORTGAGE COVERAGE.
C. Assist GOM and NBM in constructing Long-Term Yield Curve in Moldova	**(Note: added back for final months in 3rd year extension)**
3. Assist in process to construct L/T yield curve	• TO BEGIN NEXT QUARTER WITH MINFIN'S CALL FOR ASSISTANCE IN RECAPITALIZING NBM (SEE BELOW)
4. Respond to Ministry of Finance request for assistance in recapitalizing National Bank of Moldova	• ESTIMATED STERILIZATION-RELATED EXPENSES IN NBM DURING FIRST HALF 2008; SEE ATTACHMENT 5

LIST OF ATTACHMENTS

ATTACHMENT 5: *Estimates of sterilization-related expenses in the National Bank of Moldova during FH 2008.*

ATTACHMENT 6: *Disclosure and Reporting Regulation for Bond Issues*

E. DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING MOLDOVA

NOTE: This Task was not originally included in the Statement of Work for ATCI/Moldova. However, due to desires of the local USAID officials along with discussions with this Project, this was included and approved as an additional component. The Component is comprised of monitoring activities over the seven partner financial institutions of the DCA, six commercial banks and the Rural Financial Corporation.

I. COMPONENT DESCRIPTION - DCA MONITORING MOLDOVA

This report provides details on events and activities relating to the Development Credit Authority Monitoring component of the USAID Access to Credit Initiative/Moldova, as implemented by the Pragma Corporation, during the period from July 1 through September 30, 2008.

The objective of this activity is to monitor the activities of the six commercial banks and the Rural Financial Corporation (RFC) regarding their loans that have qualified to be (partially) guaranteed by the Development Credit Authority. The activities of the Project require ongoing monitoring activities, which include answering partner institutions' relevant questions, conducting meetings to help prepare reports and to verify claims and reports, preparing reports for USAID, and verifying reports and claims of partner financial institutions.

The Project believes that loan guarantees through DCA can be utilized to develop institutions' activities relating to the other components of ATCI/Moldova, i.e., guaranteeing loans for mortgages (either as a portfolio or on an individual basis), guaranteeing loans for leasing (either as a portfolio or on an individual basis), and guaranteeing (up to 50%) the performance on bond issuances. The Project determined that if a specific use with a specific partner institution can be identified for the loan guarantee program, the Project will then pursue its utilization.

A report has been developed showing how the DCA guarantees can benefit activities of counterparts in the three major component areas of the Project.

II. SIGNIFICANT EVENTS - DCA MONITORING MOLDOVA

THERE WERE NO DCA RELATED SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

III. EXECUTIVE SUMMARY - DCA MONITORING MOLDOVA

N/A

IV. ADMINISTRATIVE ISSUES - DCA MONITORING MOLDOVA

NONE

V. DESCRIPTION AND STATUS OF TASKS – DCA MONITORING MOLDOVA

NOTE: all activities on an ongoing/as needed basis, as requested from DCA and/or the partner financial institutions

Task A. Monitor Activities of Financial Institutions Working with the DCA

DCA Component

Defined Activity	Progress Made During Quarter/Proposed Future Actions
A.1. Monitor how Financial Institutions are utilizing guarantees and submitting claims	• CONTACTED MOBIASBANCA FOR RECENT INFORMATION REGARDING THE CHANGE IN SHAREHOLDERS STRUCTURE
A.2. Act as contact person for Financial Institutions and USAID to answer relevant questions	• ASSISTED FINCOMBANK UNDERSTANDING THE CALCULATION OF NOTICE OF PAYMENT DUE
A.3. Assist Financial Institutions to complete questionnaires and surveys, where necessary	• N/A FOR THIS QUARTER
A.4. Conduct meetings with Financial Institutions as needed and prepare semi-annual monitoring reports for USAID	• N/A FOR THIS QUARTER
A.5. Verify partner Financial Institutions' semi-annual reports submitted through the Credit Monitoring System	• N/A FOR THIS QUARTER

LIST OF ATTACHMENTS

NONE

--END ATCI MOLDOVA--

UKRAINE
ATTACHMENTS

ATTACHMENT 1

The Cover

Ukraine builds carefully after hastily passing law

Wednesday, August 6, 2008

When the Federal Deposit Insurance Corporation's and US Treasury's covered bond announcements came out, David Lucterhand, chief of party at Access to Credit Initiative (ATCI) in Kiev, reacted by writing to colleagues: "Finally, somebody understands what we've been talking about for years!"

Lucterhand has been chief of party on two projects in the CIS in which covered bonds have played a central role: ATCI, a five year project funded by USAID and implemented by The Pragma Corporation, that working in Ukraine since January 2005 to develop the domestic primary and secondary mortgage markets; and the Financial Sector Initiative, also funded by USAID, that successfully achieved the development of a fixed income market and a primary and secondary mortgage market in Kazakhstan.

Khreschatyk Bank recently made plans to launch the second covered bond from Ukraine, but some observers expect the market to reach Eu4bn in the coming years.

Law a rushed job, but does the trick

Ukraine's covered bond legislation, the Law of Ukraine on Mortgage Bonds, was adopted in December 2005 and paved the way for the first domestic issue by Ukrgasbank in March 2007. A second issue, by Khreschatyk Bank, is in the pipeline.

According to Oleksiy Pylypets, chief executive of the Ukrainian National Mortgage Association (UNIA), the pilot issue by Ukrgasbank threw up some legislative and technical problems.

This prompted UNIA, together with ATCI and the State Securities & Stock Market Commission (SSSMC), to propose amendments to the mortgage bond law. These are now awaiting their first reading, with ATCI hopeful that they will be approved by the autumn.

"Covered bonds' attractiveness suffers as a result of the legislation," says Pylypets.

Oleksiy Pylypets

Steve Moody, senior adviser who works with Lucterhand at ATCI, only partially shares this view. He says that the legislative flaws are not that serious and that the law remains workable.

He nevertheless acknowledges that as a result of being rushed in, the law is weak, not terribly well-written and deficient in certain aspects.

For example, the law is unclear on whether issuing institutions need to have periodic auditors' reviews of the mortgage cover or less intensive agreed-upon procedures. The law uses the word 'review', which in Ukrainian as in English can have a general meaning as well as a very specific meaning in accounting.

"That can't work," says Moody. "It's a bad pun. And of course everyone interprets it to mean a review in the specific sense, which is 10 times more expensive than agreed-upon procedures.

"But it's in the law so they can get away with it".

The amendments put forward by ATCI, UNIA and SSSMC aim to eliminate this confusion, and thereby reduce the non-interest costs of issuance.

M oody also points out that the existing law "is psychologically self-defeating in that it inadvertently establishes the trustee as a legal entity, which means that the role falls under greater scrutiny than it really deserves. People are afraid because it implies that there are legal liabilities, liabilities that need not exist."

However, these greater burdens on issuers could be a source of comfort to investors.

Economy and dollarisation pose challenges

Economic conditions in Ukraine, characterised by high interest and inflation rates, represent another challenge for the development of the covered bond market, as mortgage lending has slowed.

“This is an issue all around the world, though, and it’s only a near term impediment that I believe will be overcome in the not too distant future,” says Lucterhand.

According to UNIA’s analytical review of the first quarter of 2008, despite economic instability in the country, “the Ukrainian mortgage market was not characterized by an abrupt change in dynamics and ... continued developing mechanically following last year’s trends, i.e. it was growing.”

The pronounced though decreasing dollarisation of the mortgage market in Ukraine is another issue that causes market participants some concern. According to UNIA’s first quarter review, more than 80% of outstanding mortgage debt is denominated in a foreign currency, predominantly dollars. As all covered bond issues in Ukraine are hryvnia denominated, a currency mismatch exists to the degree that the assets underlying the bonds are dollar denominated.

According to Fitch’s rating report on the covered bonds to be issued by Khreschatyk Bank, 39.2% of their cover pool was dollar denominated as at

18 March 2008. The rating agency said that an appreciation of the dollar against the Ukrainian currency could have a negative impact on the payment ability of borrowers and on recoveries from pledged collateral expressed in dollars.

David Lucterhand

“I’m not that happy about this situation, but I’m also not that worried about it” says Lucterhand. “Bankers and borrowers are sensitive to this, as is clearly the government.”

Piggybacking on pension reform

On a more positive note, Lucterhand expects the implementation of Ukraine’s pension reform to dramatically boost the covered bond market.

“We have pillar two pension funds coming into existence soon, and the bottom line is that they represent a tremendous institutional resource for investment,” he says.

In anticipation of this increase in domestic capital, ATCI has been busy marketing the covered bond product to institutional investors and pension funds in particular.

“We want investors - pension funds and insurance companies - to know that covered bonds are a very conservative instrument that will pay them interest at a predetermined time, that they would receive a bullet payment at the end that they could count on, and that they wouldn’t have to deal with any of the issues that typically travel with RMBS,” says Lucterhand.

The size of the Ukrainian covered bond market is tiny at the moment, with the Ukrgasbank issue just Eu7m equivalent and Khreschatyk Bank set to be around Eu10m. However, Lucterhand and Pylypets are confident that covered bonds will become increasingly attractive to banks and investors.

Based on his experience in Kazakhstan, where the covered bond market grew from zero to Eu1bn in six years, and the growth in primary lending in Ukraine since the ATCI arrived in Kiev in early 2005, Lucterhand expects that by the end of 2012 there will be Eu4bn (Hr30bn) worth of covered bonds circulating in the marketplace.

This is the first of several reports on emerging covered bond markets that The Cover will be publishing in the coming weeks.

What do you think? Please comment. All feedback is anonymous.

ATTACHMENT 2

Семінар: Канали продаж іпотеки

Мартін Дамаске, Керівник підрозділу “Інституційні клієнти”

м. Київ, 29 вересня 2008 року

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6. Висновки – найкраща модель дистрибуції
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Компанія "Hypoport“ надає фінансові послуги мережею Інтернет

Дві компанії і чотири структурних підрозділи

HYPOPORT
THE FINANCE INTEGRATOR

Дистрибуція усіх фінансових продуктів	Платформи для корпоративних клієнтів (B2B)
DR. KLEIN — DIE PARTNER FÜR IHRE FINANZEN	EUROPACE
Роздрібні клієнти	Посередники
Клієнти, що працюють у галузі комерційної нерухомості	Інституційні клієнти

Фінанси
Інтернет

Компанія "Dr. Klein & Hypoport": втілення спільної концепції

Етапи становлення компанії

- 1954 — Заснування компанії "Dr. Klein"
- 1999 — Започаткування роздрібного бізнесу та МВО
- 1999 — Заснування компанії "HYPOPORT AG"
- 2001 — Злиття "HYPOPORT“ та "Dr. Klein" та створення групи "HYPOPORT"
- 2002 — Створення платформи для операцій на фінансовому ринку EUROPACE; Започаткування мережі дистрибуції
- 2003 — Початок створення пакетних рішень
- 2004 — Залучення усіх фінансових продуктів
- 2006 — Розширення платформи EUROPACE на усі продукти, пов'язані з цінними паперами, забезпеченими активами
- 11/2006 — Компанія "Hypoport" придбаває "Prommise B. V.“ (Нідерланди)
- 12/2006 — Заснування разом із компанією “Starter B.V.” СП "Hypoport Stater B. V."
- 10/2007 — Компанія Hypoport пройшла лістінг на Німецькій фондові біржі
- 8/2008 — Заснування Genopace - платформа для корпоративного сектору

Досвід в галузі іпотечного кредитування у Німеччині

Резюме

Мартін Дамаске (40 років)

1988 – 1998	Диплом з фізики / диплом з економіки
1998 - 2000	Керівник проектів, Інститут менеджменту послуг (IFDM), м. Берлін
2000 - 2001	Приватний підприємець – консультант з менеджменту
2001	Керівник проектів, компанія “Freie Hypo AG", м. Берлін (перейменована у “Hypoport AG”)
2001- 2008	Член Виконавчого комітету Групи “Hypoport AG", м. Берлін

- Відповідає за структурний підрозділ “Інституційні клієнти”
  основний напрямок: програмне забезпечення для сек'юритизації, сек'юритизація, структуроване фінансування
- член Правління, компанія "Hypoport Capital Market AG", м. Берлін
  розробка веб-платформи для здійснення сек юритизації з інформацією про угоди з цінними паперами, забезпеченими активами, та функціональними можливостями аналізу
- член Правління компанії "Dr. Klein & Co. Capital AG", м. Берлін
  впровадження платформи для роботи з іпотечним покриттям іпотечних цінних паперів, забезпечених комерційною нерухомістю

2009 - … ???

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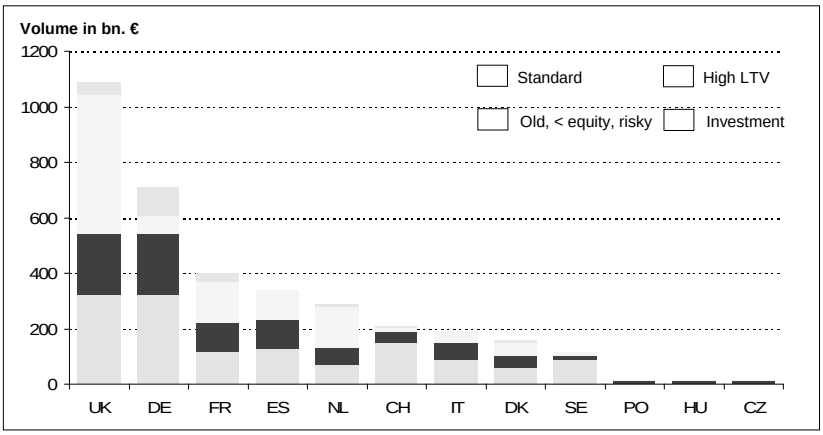
Mature markets have highly diversified products

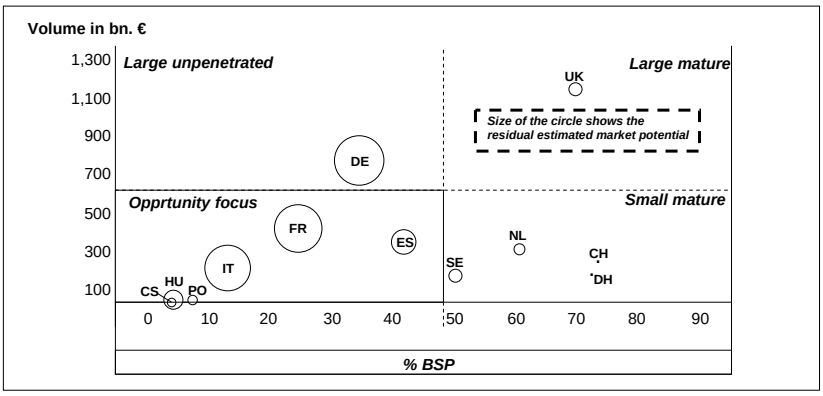
Estimated volume of mortgages separated by risk classes in 2003



% BIP	**70**	**35**	**25**	**42**	**61**	**74**	**13**	**73**	**50**	**5**	**8**	**4**

In the medium term Germany, France & Italy shall be the growth drivers

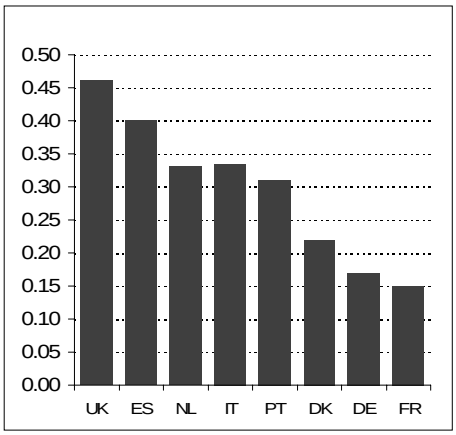
European markets and their development trends



source ECRI, EMF, Central Banks

Everything below 30 bp doesn't make any sense

Average margins across Europe in 2003



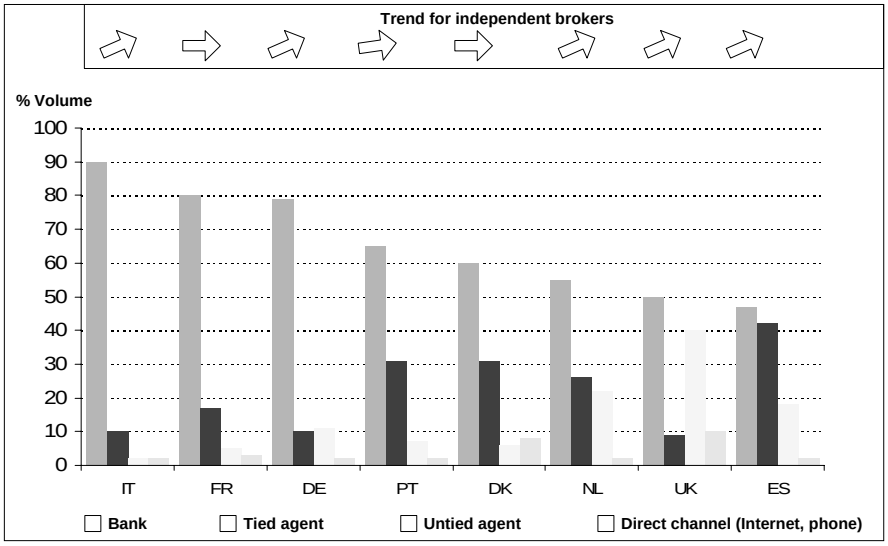
Reasons for margins

- **Market structure**
- **Subventioning of products**
- **Productportfolio**
- **Use of „economies of scale" by concentration or outsourcing**
- **Variable sales costs**
- **Usage of specialists across the value generation chain**

Quelle EMF Hypostat, Merrill Lynch, CML,Bundesbank, Banque de France, Insee, Gemi Report, DNB,SNB, Mercer

Untied agents will win in any country

Distribution channels in Europe



source Mercer Oliver Wyman

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Кейс ВБ

Кейс Німеччина

Кейс Іспанія

Кейс Нідерланди

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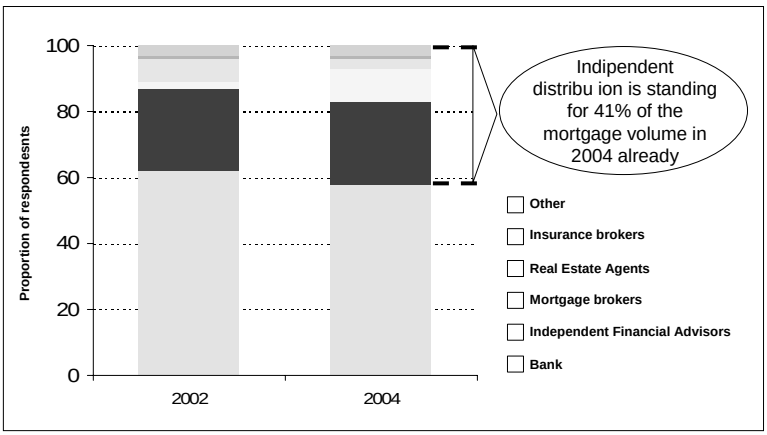
The specialists still grow successfully

Percentage of distribution channels in UK 2002-2004

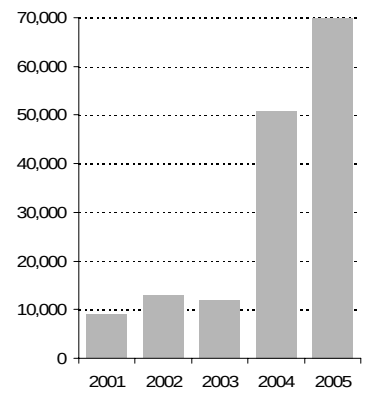


source Datamonitor, Ipsos MORI Data

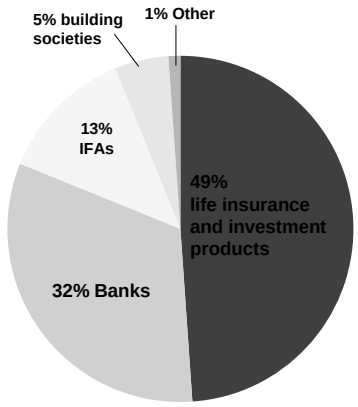
Complexity confuses clients – or are agents better advisors?

Complains regaring mortgages

Number of complains regarding mortgages



Distribution by institution

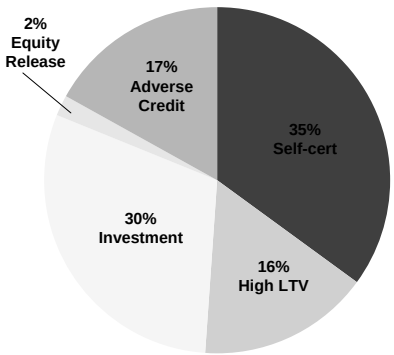


Source Financial Ombudsman Service

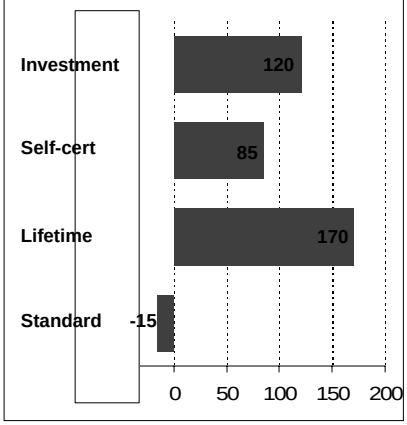
You only earn on non-standard products

Structure of special products in UK

Distribution of „special-"products 2003



Bradford Bingley productmargin (bp)



Source ODPM, CML, Bradford & Bingley Annual Report 2005

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4. Управління посередницьким каналом

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Структура німецького ринку розвиватиметься аналогічно США і Великобританії

Ринкові тенденції

Обсяг ринку приблизно 180 млрд. € в 2007 (новий бізнес 100 млрд., оновлення 65 млрд., торгівля портфелями 15 млрд.) – легкий спад в 2008 на 5-10%

Брокерський бізнес збільшиться з 20-25% (у 2006 році) до 50-60% упродовж наступних років, а дистрибуція банківських продуктів втратить свою частку на ринку.

З огляду на витрати і якість продовжуватиметься розмежування збуту та виробництва/управління кредитами.

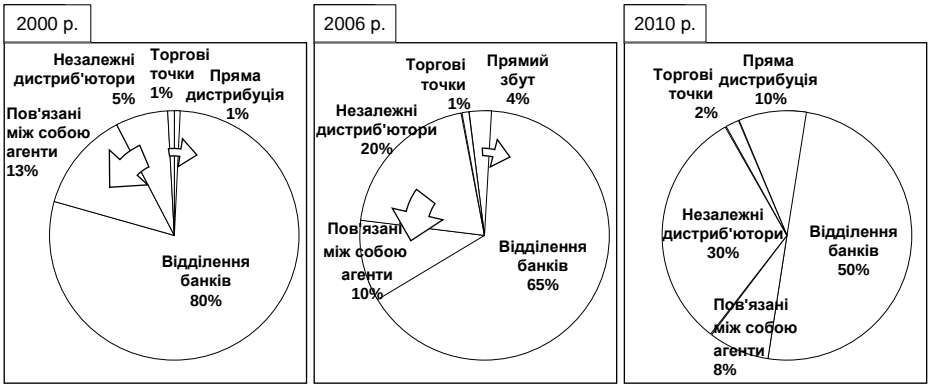
Провайдери послуг ще не скоро завоюють німецький ринок (після дуже важкого старту у минулі роки).

Маржі продовжуватимуть зменшуватися, а цінова політика з урахуванням ризиків дедалі ставатиме загальноприйнятою.

Рефінансування та сучасні інструменти ринку капіталу набуватимуть більшого значення.

Заміна класичної схеми дистрибуції з однією кредитною установою

Ринкові тенденції



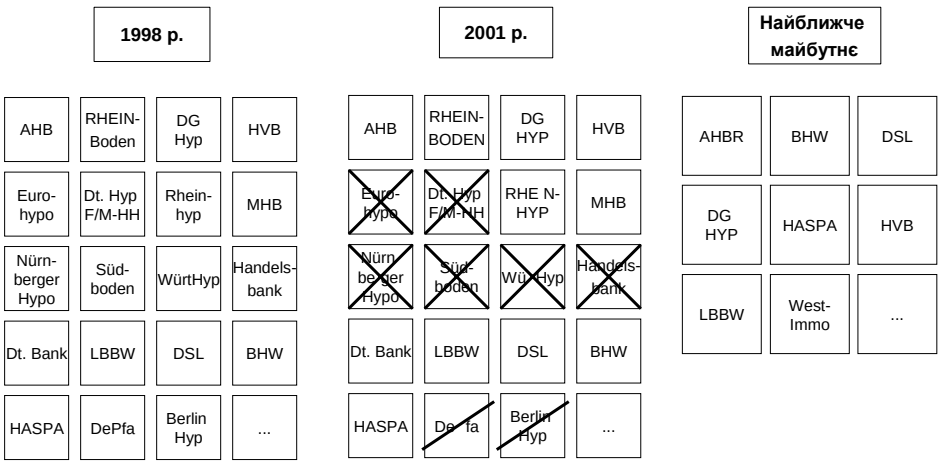
6 причин стрімкого розвитку незалежної дистрибуції

- Широкий асортимент продуктів
- Високий ступінь захисту від ризиків
- Система ціноутворення з урахування можливих ризиків
- Постійний процес дистрибуції за рахунок широкого асортименту продукції кредитних установ, що працюють на ринку
- В результаті внутрішньої конкуренції:
  - Більша ефективність
  - Зменшення цін

Джерело проф. д-р К. Фляйшер, "Нуроорт"

Процес злиття банків активізувався вже у 2001 році

Банки, які активно діяли на іпотечному ринку Німеччини (станом на 2001 рік)



Процес злиття дедалі пришвидшувався… Долучилися міжнародні банки

Банки, які активно діяли на іпотечному ринку Німеччини (станом на 2007 рік).

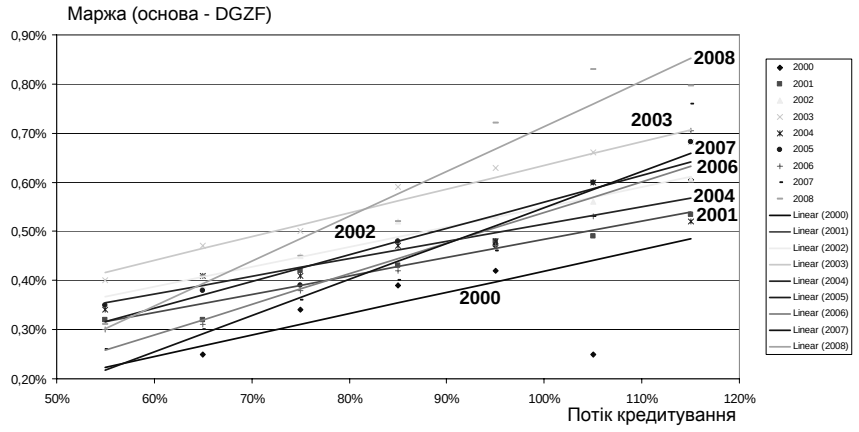
1998 р.			
AHB	RHEIN-Boden	DG Hyp	HVB
Euro-hypo	Dt. Hyp F/M-HH	Rhein-hyp	MHB
Nürn-berger Hypo	Süd-boden	WürtHyp	Handels-bank
Dt. Bank	LBBW	DSL	BHW
HASPA	DePfa	Berlin Hyp	...

2001 р.			
AHB	RHEIN-BODEN	DG HYP	HVB
~~Euro-hypo~~	~~Dt. Hyp F/M-HH~~	RHE N-HYP	MHB
~~Nürn-berger Hypo~~	~~Süd-boden~~	~~WürtHyp~~	~~Handels-bank~~
Dt. Bank	LBBW	DSL	BHW
HASPA	~~DePfa~~	~~Berlin Hyp~~	...

2007 р.		
~~AHBR~~	DSL / BHW	NG Diba
DG HYP	HASPA	~~HVB~~
LBBW / Westimmo	Dt. Bank TopImmo	ABN Amro
GMAC	N BC	SEB

Більшість угод про злиття вже реалізована

Маржа залежно від LTV (співвідношення розміру кредиту до суми забезпечення) (2001 – 2008 рр.)



Джерело: EUROPACE

На німецькому ринку вже більше немає ніш

Пропозиція продуктів

Існуюча пропозиція здатна покрити будь-який попит (незважаючи на недостатність запитів на інформацію про кредитування).

Процес прийняття рішень та кредитна політика фінансових компаній значно змінилися в останні роки. Зміна загальної кон'юнктури змусила кредитні установи приймати більші ризики (див. діаграму нижче).

Кредитні рішення вже більше не ґрунтуються на освіті, професії, статусі чи фінансовому становищі позичальників, а спираються на розмір їхніх доходів та платоспроможність, а також на вартість майна та показник LTV (співвідношення розміру кредиту до суми забезпечення) (див. діаграми нижче).

Якість забезпечення та вторинний ринок нерухомого майна вже більше не розглядаються як окремі критерії, а є елементами загальної оцінки майна.

Зміст

1. Вступне слово

2. Іпотечний ринок та дистрибуція іпотеки у Європі

Кейс ВБ

Кейс Німеччина

Кейс Іспанія

Кейс Нідерланди

3. Пояснення функціонування ринку дистрибуції

4. Управління посередницьким каналом

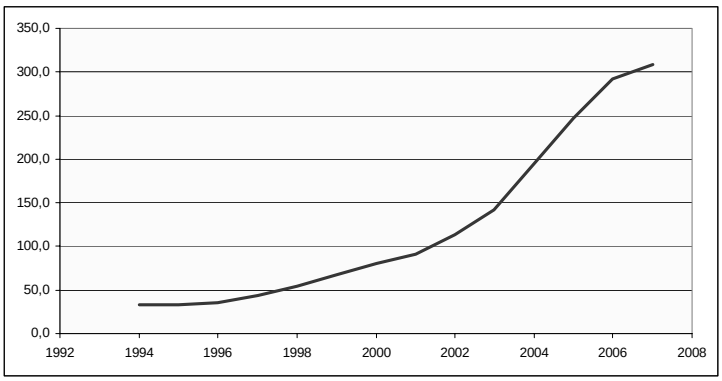
5. Ціноутворення

6. Висновки – Найкраща модель дистрибуції

7. Контактні дані

Ten times more mortgages within 13 years

Development of mortgage busines in Spain 1994 – 2007 (bn. €)

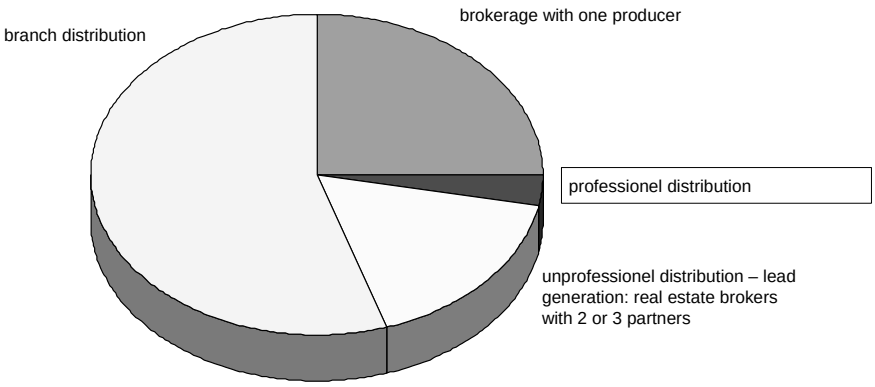


- New business 2007 bis 31.10.: 260 bn. €
- Estimation beginning 2007: rd. 310 bn. €
- Total outstanding mortgagesfor 10/2007: 1.030 bn. €

Source: INE (spanish statisti-institute); Data for Nov-Dez. 2007 estimated

Independent distribution only within a niche

Comparison branch distribution versus independent financial advisors



A risky market similar to UK and US – or still other credit culture?

Trends in Spain

- Property ownership of 80%, small investment market
- Real estate bubble since beginning of the 90ies (tripling of real estate prices within last 15 years, average price per m^2 ~2 200 €) (in Madrid, Barcelona, San Sebastián etc… ~5.500 €)
- High dept position of households (appr. 50% of net-income is used for credit payments)
- mostly variable products => high risks for interst rate rises
- Mortgage terms of more than 40 years, average volume ~170.000 €
- Outstanding mortgages of appr. 1 bn € is appr. 90% of GDP
- Near- and subprime products have been granted
- Historical low delinquency ration (beginning 2007 ~0,4%)
- Second half of 2007 becomes more difficult (increase of delinquencies up to 0,65% / 14% of all borrowers have payed at least one rate too late)

(soft) or hard landing?????

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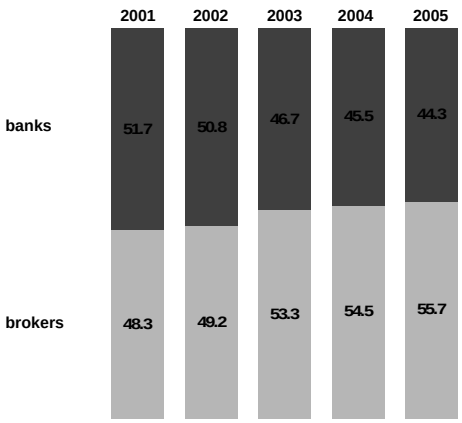
7. Контактні дані

Distribution specialists continuously gain market shares

20% of the brokers are responsible for more than 80% of distribution

Distribution in sales channels (in %)



Distribution independent brokers

Real estate agents:	5%
Financial brokers:	5%
(Franchise)-chains:	40%
Life insurance brokers:	15%
All financial product brokers:	14%
other:	21%

Top 5 distributiors in NL (in bn. €)

	2003	2004
Rabobank	16,1	16,0
De Hypotheker	5,4	5,5
ABN Amro	4,0	4,3
Postbank	2,0	3,0
ING	2,4	2,7

Quelle IGH Management Consultants, Hypoport AG

New player speed up quickly

Trends in mortgage distribution in NL

- Packager as new players have quickly stepped into the market
- Cost efficiency, speed and process reliability are key drivers for packagers. They expand their offering besides new business processing into underwriting
- Foreign product providers such as Argenta, GMAC, RBS and UCB are using packers as distribution channel
- Currently appr. 10 relevant players such as

Quarré Hypotheken en Verzekeringen · NIA · welke FINANCIËLE DIENSTEN · Financium

source Hypoport AG

Зміст

1. Вступне слово

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7. Контактні дані

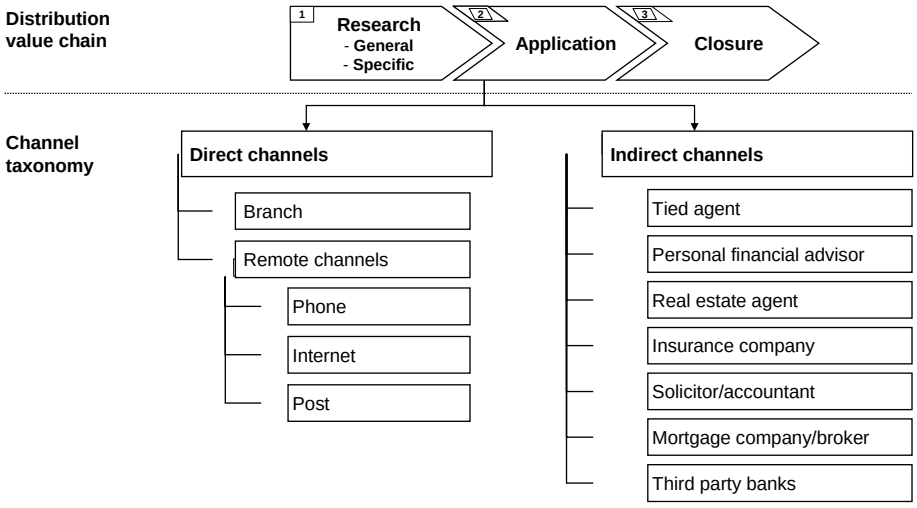
Indirect channels have grown their market-share at the expense of branches

Trends in mortgage distribution in Europe

- The traditional bank branch is losing ground
  - Alternative distribution channels have gained significant share in some of the European markets
  - Third party distribution now accounts for over 40% of lending (over €500 BN pa)
  - Further growth and increasing consolidation of intermediary market expected
- Trend towards remote distribution
  - Phone and internet distribution has established a small share of applications among more sophisticated consumers
  - Longer-term trend towards remote distribution in particular online
  - Remote channel share driven by financial sophistication, IT access and security, technological advancement and lender appetite
- Banks forced to react
  - Increased focus on serving intermediaries
  - Greater investment in remote distribution as part of a multi-channel strategy

The important question is: who cares for the application

Direct channels versus indirect channels



Tied versus independent intermediaries

Definitions I

- **Tied agents**: advisors who are contractually or through other incentives permanently linked to one specific financial institution.
  - In Spain, many tied agents are operating under a branch franchise model of the large Spanish banks but are classified as 'indirect'
- **Independent agents**: offer advice on mortgages to a number of different institutions.
  - *Loan brokers* - focus on mortgages/retail lending, often combined with insurance.
  - *Personal financial advisors*: provide financial advice to – typically – affluent customers; mortgages are typically side-product
  - *Real estate agents*: often work together with real estate developers to provide mortgage advice to buyers of new property; oldest indirect channel, but fraught with conflicts of interest
  - *Insurance companies*: sell mortgages due to the close link with life insurance products
  - *Banks*: banks may decide to cease to produce loans or both distribute and produce depending on the product and/or customer segment.
  - *Other*: such as solicitors / accountants or mortgage companies

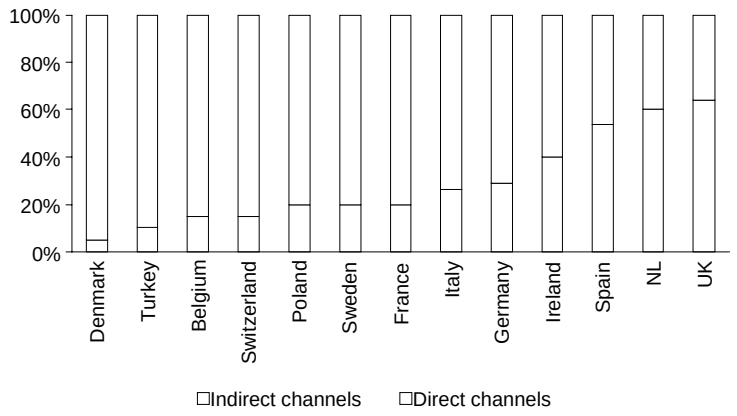
Intermediaries can take over many roles

Definitions II

- With regard to **services for lenders** one a traditional taxonomy distinguishes:
  - '*Introducers'* who merely establish contact between consumer and lender
  - '*Packagers'* who provide lenders wi h additional support, e.g. ranging from customer application and documentation collection to full application processing.
- With regard to **consumer services**, it would be appropriate to distinguish between:
  - '*Advisors'*, who focus on providing the consumer wi h an (individually) optimum choice for his product and lender selection problem
  - '*Wholesalers'*, a class of intermediaries whose model consists of pre-selecting a range of different lenders in order to minimize rates while establishing a reasonably wide product choice for the typical, rather than an individual, consumer.

Indirect channels now account for over 40% of European mortgage distribution

Mix of application distribution channel by country, 2006



The mature broker market

Case: UK Distribution Market

- 70% of all UK mortgages are going through intermediary channels
  - 7,147 firms (from small firms to networks)
  - 25,000 individual practitioners
- Different types of firms
  - Sole practitioner intermediary firms
  - Network: Appointed Representative
  - Mortgage clubs: service and commission clubs on a “as and when” basis
  - Mortgage packagers: present themselves as distributors rather than a 3rd party administrators. They focus more and more on negotiating products (enhances service levels, enhanced proc fees)
- Main advantages for lenders
  - Scale of distribution: intermediaries provide national distribution reach
  - Cost effectiveness: only paying for success
  - White labelling: product don’t have to be offered under own name brand

The fast growing broker market

Case: German Distribution Market

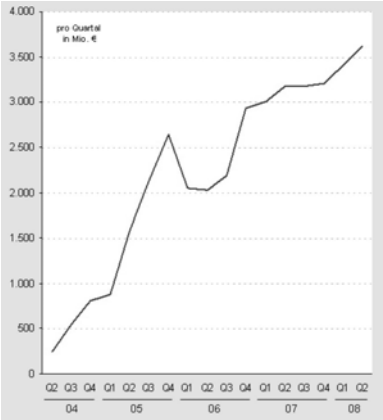
- B2C
- Mortgage loan brokerage:
  - late 1990s and early 2000s. Two independent brokers - Interhyp and Dr. Klein.
  - Bank-owned broker Planethome and CreditWeb.
- Personal finance advisors (PFA) aim at serving upper middle class clients:
  - developed in Germany in the 1970s, with MLP (Marschallek, Lautenschläger & Partners) pioneering the market. Today, MLP, DVAG, AWD, OVB and MPC Capital (not active in consumer finance) are the largest PFA.
- Fee origination by banks:
  - 1500 cooperative banks that operate in an estimated 50% of mortgage originations as points of sales in their networks for the mortgage banks, Bausparkassen and consumer finance banks that they jointly own.
  - Intra-network agreements between different lender types (Bausparkasse, Hypothekenbank, Genossenschaftsbank or Sparkasse) to originate for each other.
  - Mortgage banks as capital market specialists without own branch networks used to work with developers systematically in the 1980s and 90s. But the model ceased to exist due to risk reasons and decreasing competitiveness of mortgage banks in the retail market.
  - “Direct banks” (call center banks) owned by banks.
- Real estate agents, developers and other non-financial firms play a decreasing role.

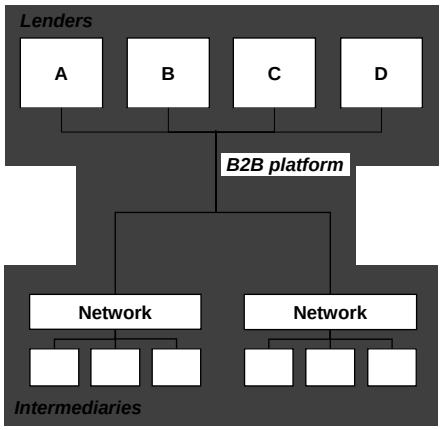
B2B:

- Matching platforms such as Europace (see text box below) today also enable traditional lenders to become fee originators for other lenders.

Linking lenders and intermediaries together and providing an efficient process

Key features of the B2B-platform EUROPACE



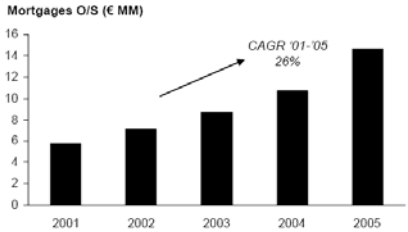


Functions:
- Matching (B2C)
- Lender-intermediary negotiation
- Other services for lenders/intermediaries
- Documentation standards

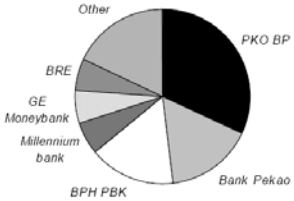
Polands market has grown strongly from a similar starting point to Ukraine

Case study Poland

Strong growth observed in Polish housing market . . .



. . . however the market remains unconcentrated



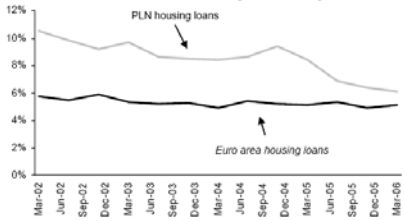
- Polish mortgage market has experienced rapid growth of approximately 26%. Primary causes:
  - Growing national income
  - Reasonable legal framework
  - Strong demand for housing
  - Decrease in interest rates due to increased competition and falling interest rates
- Lending boom has led to an industry shake-out
  - Incumbent bank, PKO BP has dropped market share from mid 80% in the 1990s to mid 30% by 2006
    - Subsequently, the market has been substantially less consolidated (top 6 account for 80% of market share)
  - Significant entry by foreign players
- Significant further upside in mortgages:
  - Only 5% of GDP
  - Constitutes only 40% of all consumer loans

However margins have declined steadily

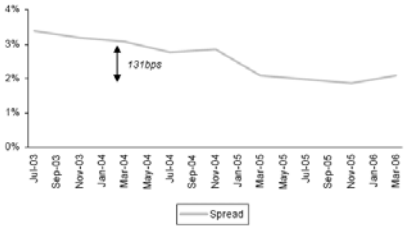
Case study Poland

- Spreads in CEE have historically converged faster than in Western Europe
  - Despite the apparent youth of the Polish mortgage market, margins are approaching those of W. Europe
- Reasons for this trend include
  - Euro convergence
  - High competition for market share
    - Banks targeting refinanced loans from other banks cut origination fees
    - Entry of foreign banks where margins are still high relative to home markets
  - Reduction in government subsidies

Interest rates on Polish mortgage loans have decreased dramatically in recent years . . .[1]



. . . with spreads decreasing steadily since 2003[1]

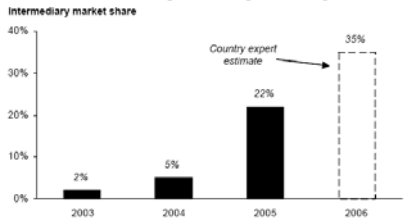


[1]Source: Poland Mortgage Market FINAL
[2]Source: WIBOR rates

Independent brokers have grown share significantly in recent years

Case study Poland

Intermediary market share has growth significantly[1]



Polish distribution market participants[2]

Market position

Independent	Tied
▪ Open Finance (20 branches) – Market leader amongst independent brokers and 2nd after tied intermediary Expander ▪ Dom Kredytowy NOTUS (8 branches) – Strategy aggressively going for market growth ▪ GOLDENEGG (8 branches) – Aims to double loan intermediation in 2006 ▪ Money Expert (7 branches)	▪ Expander (tied to PKO BP) – Largest distribution market share ▪ Xelion (tied to Pekao SA/Unicredito) ▪ FIOLET (tied to Getin Bank)

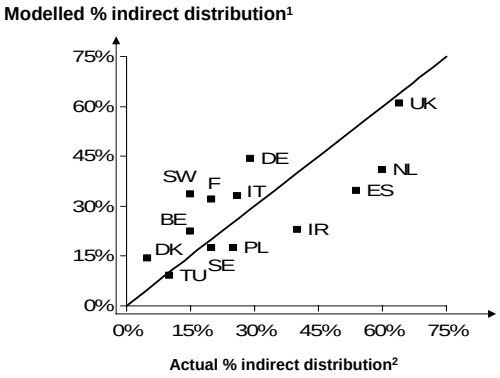
[1]Source: Poland – How independent is an independent advisor
[2]Source: Poland

Summary

- The Polish mortgage market has witnessed strong recent growth in the intermediary channel
  - Intermediary penetration growth rate was double the housing loan growth rate
  - As a result an estimated 35% of mortgages are currently distributed through intermediary channels
- Poland's nascent mortgage market – with outstandings representing ~5% of GDP – is still relatively undeveloped
  - Meanwhile intermediary market shares of this size are generally observed in more mature markets
  - This is largely attributed to the nature of the intermediary business in Poland
- The Polish intermediary market consists of internet portals and so-called 'doradcy' (advisors) which often claim to be independent ('niezależny doradcy')

We find that we can predict share of indirect distribution using four main factors

Actual vs. predicted share of indirect distribution



Lender-related

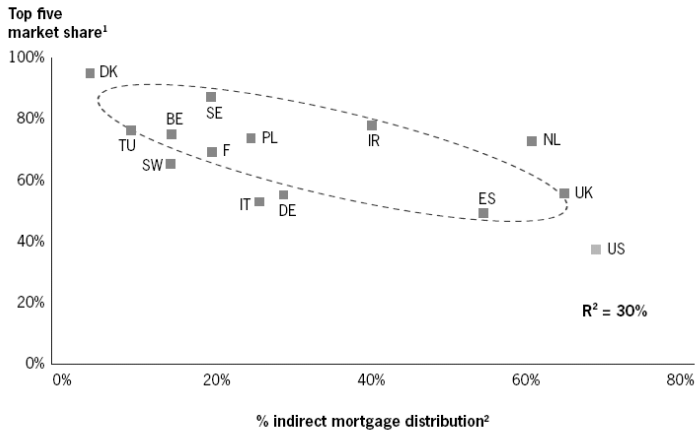
- Competition and market structure
- Bank branch density, cost factors

Consumer-related

- Product complexity
- Financial sophistication

Competition and market structure

Residential mortgage market concentration versus distribution mix

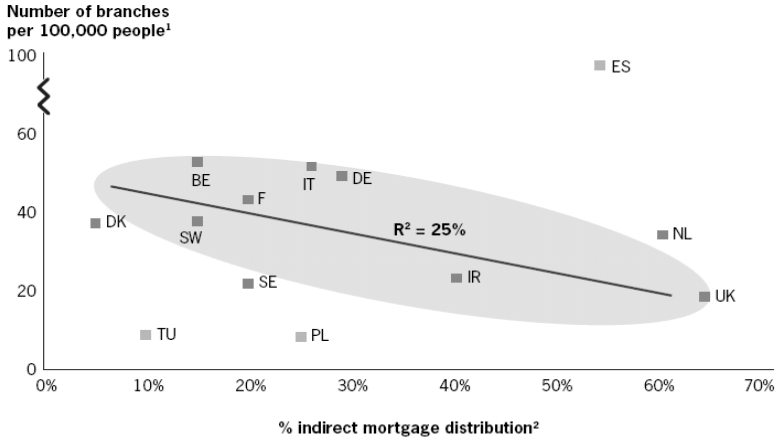


1 Source: EMF Hypostat, CML, Merrill Lynch, Datamonitor, Swiss National Bank, Bundesbank, Realkreditrådet, annual reports

2 Source: Mercer Oliver Wyman analysis based on lender survey responses, CML, Datamonitor, Consart, Mortgage Strategy

Bank branch density and cost pressure

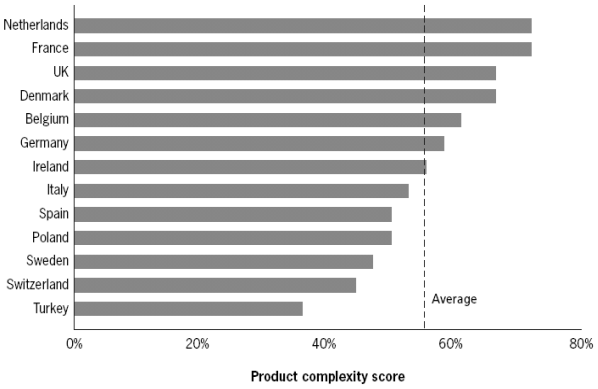
Physical presence of mortgage banks



1 Source: World Bank 2005
2 Source: Mercer Oliver Wyman analysis based on lender survey responses, CML, Datamonitor, Consart, Mortgage Strategy

Product complexity drives demand for transparency

Product complexity by country



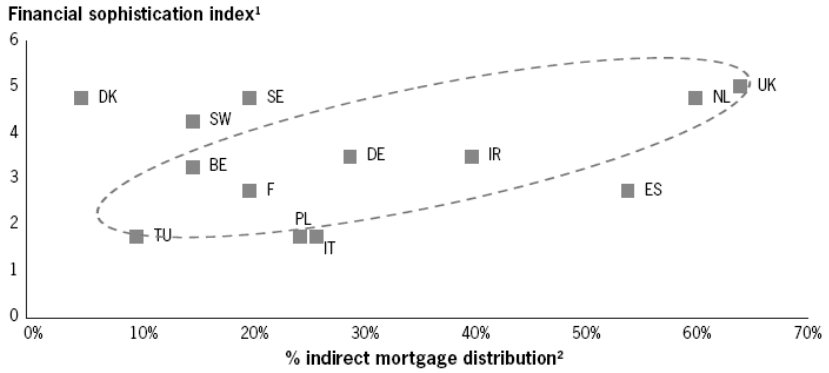
Source: Mercer Oliver Wyman analysis

Issues

- Rate structure
- Repayment structure
- Price/fee structures

Financial sophistication varies significantlyand drives distribution

Correlation between financial sophis ication and % indirect distribution



1 Source: Mercer Oliver Wyman analysis
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4. Управління посередницьким каналом

Вовлечения заемщика

Розвиток іпотечного посередника: Dr. Klein & Co. AG

Розвиток B2B іпотечної платформи: EUROPACE

5. Ціноутворення

6. Висновки – Найкраща модель дистрибуції

7. Контактні дані

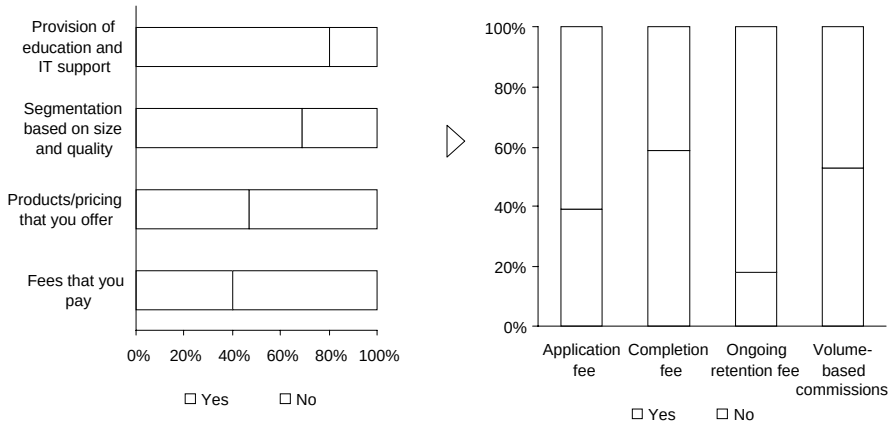
Lenders have to think about their strengths and positioning

New challenges for lenders

- How can banks ensure that the branch is effective in mortgage and cross-sales?
- What can be learnt from intermediary markets such as the UK and the Netherlands?
- Which models are most effective in managing the relationship with intermediaries?
- How can the use of remote channels be optimised in sales or lead generation?
- What tools and processes can help retain customers in a more aggressive environment?
- How can lenders maintain price control in a more transparent, more intermediated market?
- What strategies are available to defend pricing against downward pressure?
- How can mortgage operations be leveraged into new markets, and what restrictions does distribution place on expansion?
- What business models will be successful in the future?

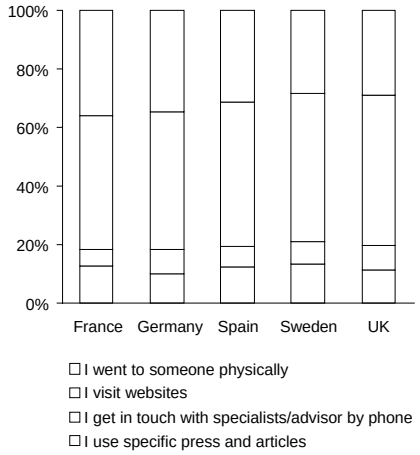
Business models to maximise intermediary share

How to manage the growing intermediaries



Extend the use of remote channels for search purposes into the sales part of the process

Use of remote channels in mortgage distribution



- **Lead generation with face-to-face closure**
  - Combines the strengths of technological advancement and the need for face-to-face mortgage advice
  - Cost management and pipeline management e.g. diary management critical
- **Integrated fulfilment**
  - Lowest cost model
  - Branding and pricing critical
  - Attractiveness and feasibility dependent on regulation and technology access

Customer retention is receiving much greater focus among mortgage lenders

Proportion of customers shopping around and switching mortgage provider

- Greater tendency for customers to shop around
  - Increased financial sophistication and awareness
  - Growth of intermediary segment
  - Greater price transparency
- Significant investment in customer retention by lenders
  - Better pricing
  - Reactive retention teams
  - Customer tracking and proactive reten ion offers
  - Prepayment modelling

Зміст

1. Вступне слово

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3. Пояснення функціонування ринку дистрибуції

4. Управління посередницьким каналом

Розвиток іпотечного посередника: Dr. Klein & Co. AG

Розвиток B2B іпотечної платформи: EUROPACE

5. Ціноутворення

6. Висновки – Найкраща модель дистрибуції

7. Контактні дані

Компанія "Dr. Klein“ використовує найефективніші канали для забезпечення відвідуваності власного веб-сайту

Онлайн-маркетинг: шість каналів для формування потенційних клієнтів

Пошукові системи		Інтеграція з іншими веб-сайтами			Існуючі клієнти
Оптимізація пошукових систем	**Використання ключових слів**	**Банери**	**Афілійований маркетинг**	**Управління співпрацею**	**Бюлетені/ (e-mail-маркетинг)**
Методика оптимізації розміщення ресурсів у пошукових системах	Платна контекстуальна реклама у пошукових системах	Розміщення банерів на інших веб-сайтах	Стандартизована програма партнерства з дрібними та середніми веб-сайтами	Індивідуальна індексація – співпраця з великими веб-сайтами	Активізація існуючих клієнтів і зацікавлених сторін шляхом розсилки бюлетенів

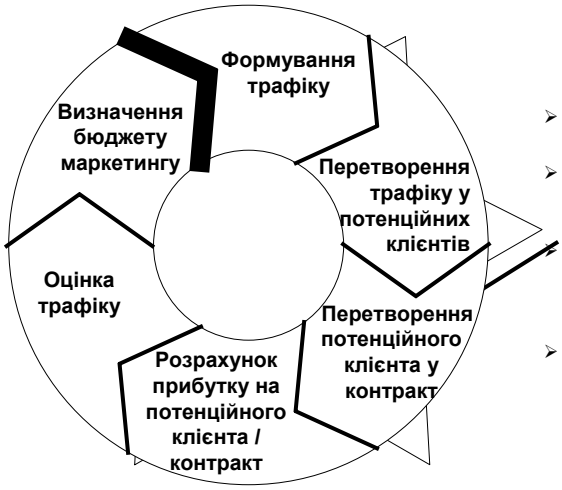
www.drklein.de
www.vergleich.de

Потенційні клієнти

(сторона, зацікавлена у фінансовому продукті)

Оптимізація кількості потенційних клієнтів за рахунок потужного електронного маркетингу

Процес оптимізації кількості потенційних клієнтів у компанії “Dr. Klein”



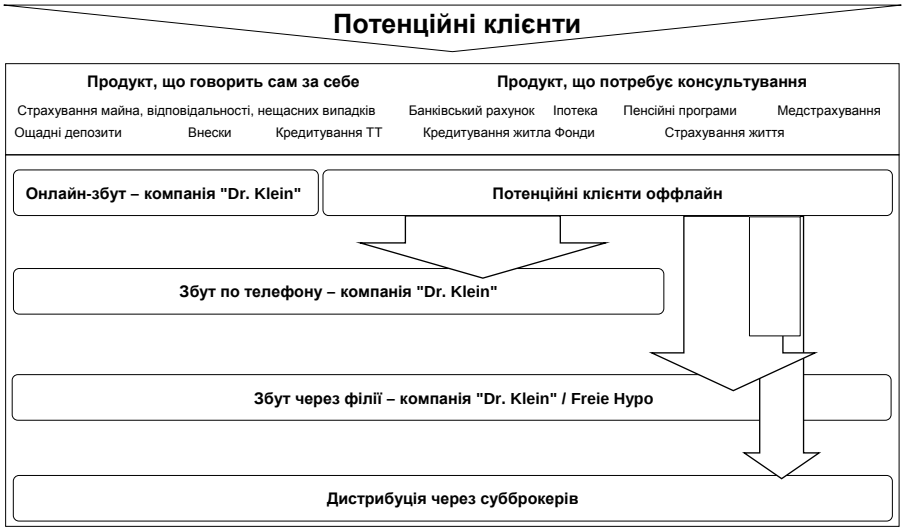
- Багаторічний досвід у формуванні потенційних клієнтів
- Економіка формування потенційних клієнтів має найвищий пріоритет
- Оптимізація показника збільшення кількості клієнтів за рахунок різноманітних заходів пошуку нових клієнтів
- Більша прибутковість з розрахунку на кожного потенційного клієнта дозволяє приділяти більше уваги пошуку клієнтів (наприклад, у пошуковій системі google)

Ефективне використання трафіку у пошуку потенційних клієнтів

Формування потенційних клієнтів у компанії “Dr. Klein”

Робота з потенційними клієнтами через різні канали збуту

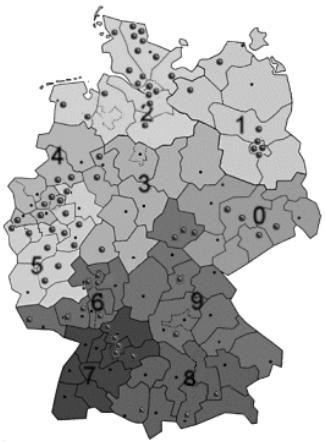
Перехресне використання каналів



Freie Hypo: спеціалізована регіональна мережа дистрибуції іпотечних кредитів, яка контактує з клієнтами

Основні принципи регіонального каналу збуту компанії “Dr. Klein”: Freie Hypo

- Регіональна мережа дистрибуції,
  75 користувачів франшизи у Німеччині
- Акцент та увага:
  Freie Hypo – компетентність. економічність. регіональність.
- Спеціальна пропозиція кредитування
- Партнер з франчайзингу: приватні підприємці з досвідом іпотечного кредитування та потребою у надійному бренді
- 2006 р.: близько 100 відділень у Німеччині
- 2007 р.: близько 150 відділень у Німеччині



FREIE HYPO
Kompetent. Günstig. Vor Ort.

Централізоване управління усіма каналами збуту

Внутрішня організація

Управління продуктами / Розвиток бізнесу

Централізований маркетинг (онлайн/оффлайн/PR)

Обробка через EUROPACE

Прямий збут	Спеціалізований збут	Збут через партнерів	Збут онлайн
DR. KLEIN	FREIE HYPO	qualitypool	vergleiche.de

ОПЕРАЦІЇ

- Обробка
- Забезпечення якості
- Підтримка збуту
- Центр обслуговування клієнтів

Підтримка збуту

Централізована підтримка забезпечує зростання компанії “Dr. Klein'"

Підтримка збуту

Загальна підтримка	Вхідні повідомлення	Попередня перевірка	Збір даних	Підтримка збуту	Вихідні повідомлення	Діалог з банками
Питання про вхід у Europace	Обробка вхідних повідомлень (онлайн)	Правдивість даних	Формування файлу	Друк та надання пропозицій	Пакування та штампування пошти	До оформлення кредиту
Підтримка параметрів кредитора	Обробка вхідних повідомлень (онлайн)	Перевірка повноти	Введення даних у систему управління стосунками з клієнтами	Друк та доставка кредитних договорів	Post	Завершення діалогу до виплати
Попередні документи	Статистика вхідних запитів		Запит на додаткові документи (при потребі)	Подальший контроль	Поштова служба United Parcel Service	Розрахунок резервів
Статуси Europace (z.Zt. B.O.)	Сортування		Збір даних у Europace			
Архів документації	Розподіл		Фіксація умов			
			Розподіл серед команд			

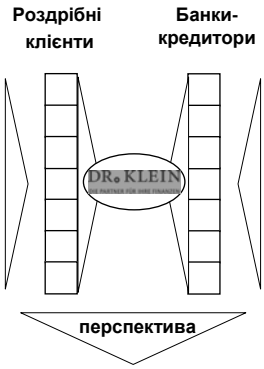
Документація стосовно збуту
(за допомогою Nautilus 4 від Gedilan)

Компанія "Dr. Klein" пропонує широкий асортимент продуктів та послуг

Збільшення вартості підприємства “Dr. Klein"

Компанія "Dr. Klein" пропонує роздрібним клієнтам

- асортимент продуктів і послуг
- розробка індивідуальних фінансових рішень
- високоякісні консультації і висока маржа
- доступ до різноманітних кредитних установ



Компанія "Dr. Klein" пропонує кредитним установам

- зменшення управління збутом та відносинами з клієнтами
- відбір заяв на ринку з огляду на пропозицію продуктів окремої кредитної установи
- прозорий огляд заявки для швидкого та ефективного кредитного рішення
- заяви, по яких не оформлені кредити, не сплачуються

- Збільшення трафіку та потенційних клієнтів за рахунок ширшого використання мережі Інтернет
- Збільшення вартості бізнесу за рахунок розширення власних дистриб'юторських підрозділів та мережі франчайзингу
- Розвиток німецького ринку вже створив передумови для базового зростання

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7. Контактні дані

EUROPACE – визнане ринкове середовище

Широка мережа дистриб'юторів та кредиторів

Дистриб'ютори

>30 великих дистриб'юторських організацій з близько 7000 підрозділів та понад 10 000 агентів, які користуються EUROPACE для консультування при здійсненні операцій з житловою нерухомістю та фінансовими продуктами.

Кредитори

>20 кредиторів пропонують дистриб'юторам асортимент у 11 продуктів через цю платформу.

- Іпотечні брокери
- Незалежні консультанти
- Пакетні рішення
- Пов'язані агенти
- Дистриб'ютори кредиторів
- Страхові компанії
- Будівельні спілки

EUROPACE® ДЛЯ КОНСУЛЬТАНТІВ

EUROPACE® ДЛЯ КРЕДТОРІВ

- Комерційні банки
- Спеціалізовані банки
- Страхові компанії
- Іпотечні банки
- Будівельні спілки

Результати

На сьогоднішній день обсяг фінансових операцій перевищує 1 млрд. євро на місяць, а кількість двосторонніх бізнес-зв'язків – 200. Бізнес-відносини можуть бути ефективними лише тоді, коли дистриб'ютор і кредитор уклали взаємну угоду у системі EUROPACE.

EUROPACE охоплює усі бізнес-процеси наших партнерів

Послуги платформи EUROPACE для кредитних продуктів

EUROPACE®

Дистрибуція

- Структури організацій збуту
- Консультування та підбір продукту
- Попередній рейтинг, автоматична оцінка та визначення умов
- Оформлення угоди онлайн та друк контракту
- Розрахунок комісії
- Комунікація та документація
- Управління процесом

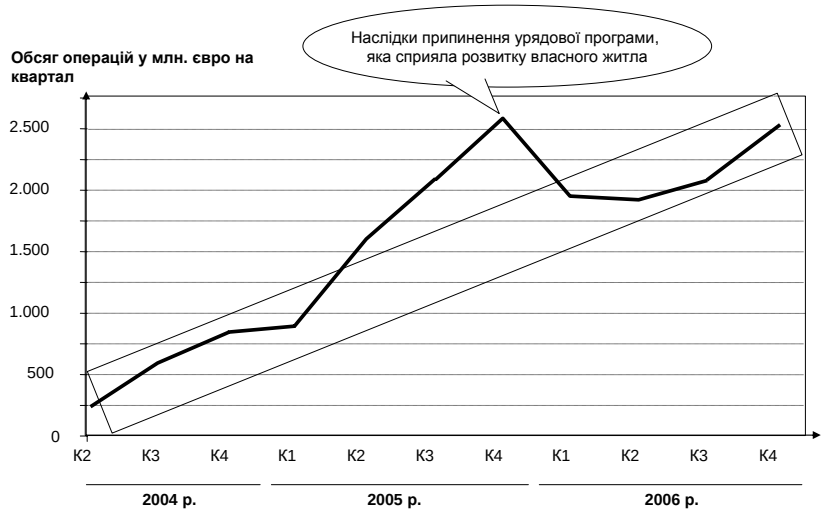
Кредитори

- Підбір дистриб'юторів
- Пропозиції продуктів
- Критерії кредитування
- Передумови виплати кредиту
- Текстові модулі для контрактів
- Система Schufa та рейтинг
- Кредитне рішення
- Комунікація та документація
- Управління процесом

Серйозні перепони заважають конкурентам потрапити на ринок завдяки ефективності цього середовища, найкращим технологіям та інтеграції у банківські системи

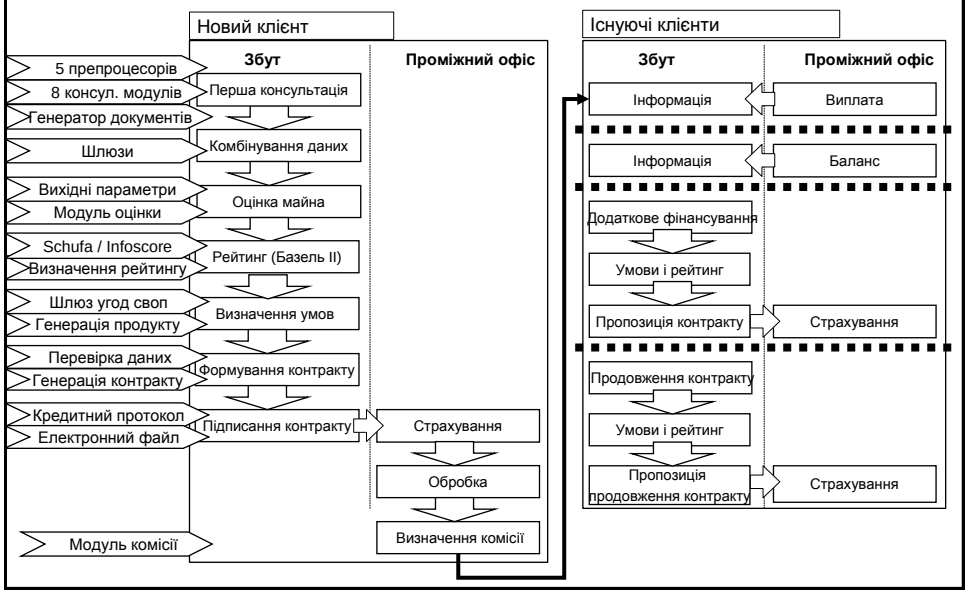
Близько 10 млрд. на рік приватної нерухомості фінансується через EUROPACE

Фінансування приватної нерухомості через EUROPACE – обсяг у млн. євро



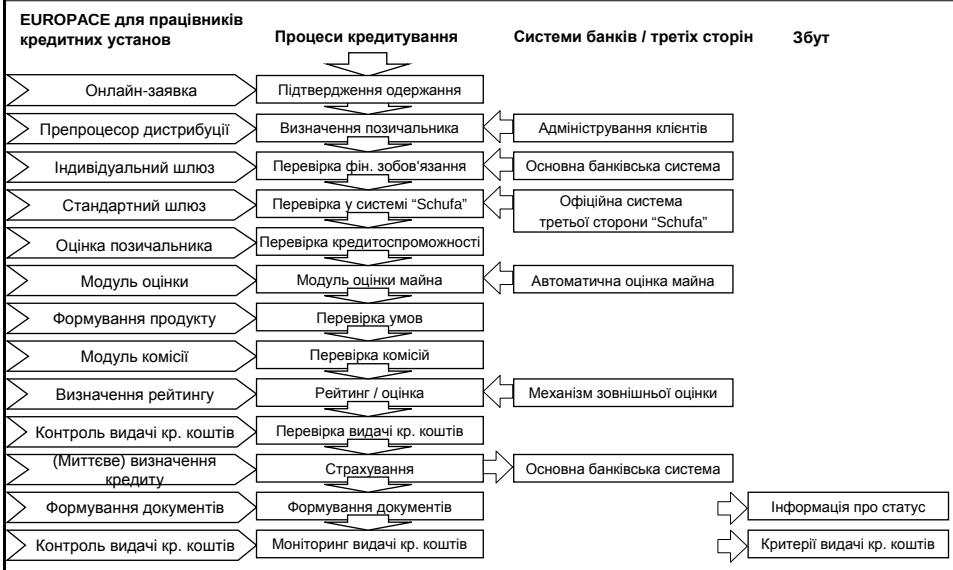
Автоматизація – ключ до ефективності

Процес збуту за допомогою системи EUROPACE для консультантів



Автоматизація у новому бізнесі

EUROPACE для працівників кредитних установ та стандартні процеси



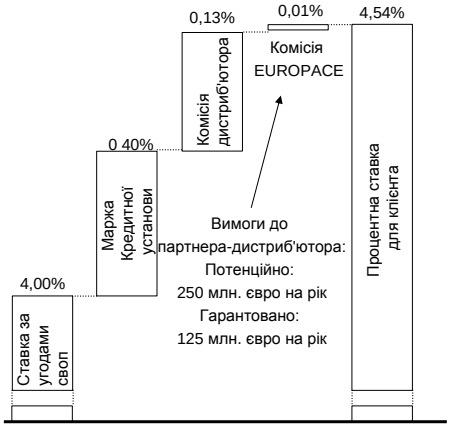
Абсолютно інші витрати на інформаційні технології

Модель нарахування витрат залежно від операції

Уявіть ...

... виробник автомашин гарантує Вам постійний автотранспортний парк для Ваших торгових агентів, і Ви сплачуєте лише у тому випадку, якщо торгові агенти, скориставшись цим автотранспортом, уклали угоду ...

Неймовірно? ... Зовсім ні! ...



У системі EUROPACE плата нараховується тільки, якщо Ви досягли успіху!!!

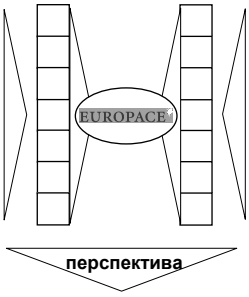
EUROPACE – платформа іпотечного кредитування у Німеччині

Збільшення вартості для посередників та кредитних установ

Посередники **Кредитори**

EUROPACE пропонує посередникам

- Доступ до багатьох кредитних установ через одну платформу
- Комплексна та швидка обробка від заявки до кредитної угоди
- Усі кредитори / умови на одному екрані / порівняльний аналіз продуктів
- Управління організацією збуту за рахунок індивідуальної настройки параметрів / умов роботи платформи



EUROPACE пропонує кредиторам

- Доступ до багатьох посередників через одну платформу
- Попередня обробка: дані повністю зібрані та перевірені
- Можливість керування вхідними запитами за рахунок щоденної індивідуальної настройки параметрів / рейтингу / умов / цін
- І навіть управління виробництвом у випадку інтеграції із банківською інформаційною системою

- Інтеграція більшої кількості продуктів
- Поширення в Європі
- Розширення мережі наших партнерів

Поєднання ресурсів для обслуговування та створення повноцінної мережі у Нідерландах

Компетенція партнерів спільного підприємства “Hypoport Stater B.V.”

STATER

"Stater" – постійне надання послуг операційного відділу та послуги проміжного офісу, а також забезпечення підтримки платформи.

HYPOPORT

"Hypoport – Europace" – провайдер відкритої платформи для головного та проміжного офісів (не надає послуги).

З одного боку, дві компанії доповнюють одна одну, з іншого, - Їхня діяльність співпадає.

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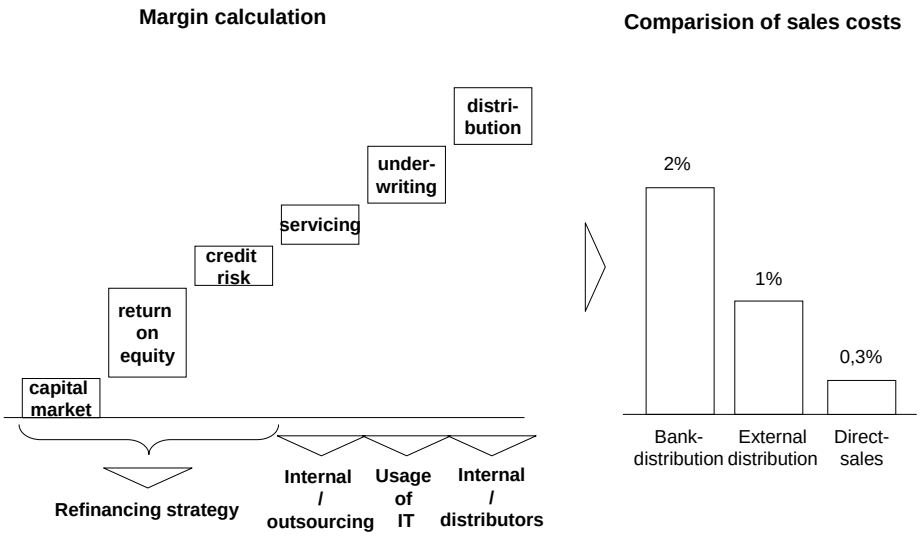
A competitive mortgage pricing is the result of the enitre business model

Mortgage pricing



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7. Контактні дані

We see six models that will be successful going forward

Future business models within he mortgage insustry and future trends

- **Branch-focussed lender:** Leverage advantaged local distribution and customer rela ionships to get increased cross-sell and improve economics
- **Scale originator:** Focus on mortgage origination, leveraging intermediary distribution to get scale benefits
- **Direct lender:** Exclusive use of remote channel distribution to deliver a customer segment specific proposition and achieve aggressive management of the cost base
- **Giant all-channel lender:** Deliver scale across all channels (technically a combination of the above)
- **Branded distributor:** Focus on winning customers via advice, best product and price
- **B2B Platform:** Service providers adding value to the mortgage value chain

- Grow h of third party distribution provides a turn-key distribu ion channel
- Remote distribution provides a direct alternative to the branch for a niche customer segment
- Outsourced servicing and mortgage systems providers increasing coverage and service quality
- EU regulatory pressure driving better access to credit information
  - e.g. access to bureau data
- Secondary funding options provide capacity for balance sheet or capital constrained lenders

Майбутнє – за дистриб'юторськими платформами

Розвиток ринку посередників

- Обмежена кількість, але стрімке зростання посередників
- Багато посередників, які працюють разом лише з одним банком
- Відсутність технологічної підтримки

- Організація посередників у мережі
- Багато незалежних сторін
- Часткове залучення кредитними установами зовнішніх ресурсів до операцій обробки
- Об'єднання сторін, зацікавлених навколо системи залучення сторонніх ресурсів

- Реалізація в одній платформі усіх послуг, що збільшують вартість у ланцюгу формування вартості фінансового продукту.
- Платформа є технологічною платформою для усіх учасників ринку.

Джерело Мерсер Оолівер Вімен Європейська дистриб'юторська мережа іпотечного кредитування, 2007

Наприкінці дня: хто забезпечив максимальний збут і найбільш ефективні процеси

Типовий розвиток ринку

Зміст

1. Вступне слово

2. Іпотечний ринок та дистрибуція іпотеки у Європі

3. Пояснення функціонування ринку дистрибуції

4. Управління посередницьким каналом

Розвиток іпотечного посередника: Dr. Klein & Co. AG

Розвиток B2B іпотечної платформи: EUROPACE

5. Ціноутворення

6. Висновки – Найкраща модель дистрибуції

7. Контактні дані

Контактна інформація у компанії "Hypoport"

Контактні дані

HYPOPORT
THE FINANCE INTEGRATOR

Дипл. фізик, дипл. фахівець з торгівлі
Мартін Дамаске
Керуючий директор
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Факс: +49 (0) 30 / 420 86-1499
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ATTACHMENT 3

ПРОСПЕКТ

ЕМІСІЇ ЗВИЧАЙНИХ ІПОТЕЧНИХ ОБЛІГАЦІЙ

СЕРІЙ “A”, “B”, “C”, “D”, “E”, “F”, “G”

ДЕРЖАВНОЇ ІПОТЕЧНОЇ УСТАНОВИ

200 000 000 ГРИВЕНЬ

2008

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1. Інформація про емітента:

1.1. Найменування емітента:

Державна іпотечна установа (далі - Установа)

1.2. Місцезнаходження, номери телефонів, факсу, електронної пошти емітента:

юридична адреса: 04071, м. Київ, вул. Межигірська, 11,
фактична адреса: 04116, м. Київ, вул. Шолуденка, 1-б,
тел. (380 44) 483-44-71, факс (380 44) 483-44-80,
електронна пошта: contacts@ipoteka.gov.ua

1.3. Код ЄДРПОУ Установи – 33304730

1.4. Місце та дата проведення державної реєстрації емітента:

Установа зареєстрована Подільською районною у місті Києві державною адміністрацією 28.12.2004 р. за № запису про державну реєстрацію 1 071 102 0000 001349 (Свідоцтво серія АОО № 041297).

1.5. Дата заснування, зміни організаційно-правової форми емітента:

Установа утворена постановою Кабінету Міністрів України від 8 жовтня 2004 р. N 1330 “Деякі питання Державної іпотечної установи” (зі змінами та доповненнями). Змін організаційно-правової форми не було.

1.6. Перелік засновників:

Засновником Установи є держава в особі Кабінету Міністрів України.

1.7. Предмет діяльності:

Предметом діяльності Установи є:

придбання, отримання у заставу, відчуження та здійснення інших операцій з іпотечними активами (правами вимоги за іпотечними кредитами);

надання іпотечним кредиторам кредитів, виконання зобов'язань за якими забезпечене іпотечними активами;

управління іпотечними активами;

випуск цінних паперів;

надання послуг з обслуговування міжнародних кредитних ліній, кошти яких спрямовуються у сферу іпотечного кредитування.

Установа здійснює рефінансування іпотечних кредиторів з дотриманням умов та економічних нормативів діяльності Установи, встановлених наглядовою радою. Установа не має права безпосередньо здійснювати іпотечне кредитування позичальників (іпотекодавців), а також здійснювати незабезпечене іпотечними активами рефінансування іпотечних кредиторів.

Установа має право придбавати чи отримувати у заставу тільки ті іпотечні активи, що відповідають вимогам до іпотечних кредитів, які затверджуються наглядовою радою.

Обов'язковою умовою придбання або отримання у заставу іпотечних активів є зобов'язання іпотечного кредитора щодо заміни або зворотного викупу окремих іпотечних активів, які перестали відповідати вимогам до іпотечних кредитів або за якими позичальники (іпотекодавці) порушили свої зобов'язання.

Установа має право на договірних засадах доручати іншим особам виконувати функції з управління та/або обслуговування придбаних або переданих у заставу іпотечних активів.

1.8. Відомості про внесення емітента відповідним державним органом до Державного реєстру фінансових установ або Державного реєстру банків:

Свідоцтво про реєстрацію фінансової установи: як фінансову установу Установу зареєстровано Розпорядженням Державної комісії з регулювання ринків фінансових послуг України (рішення від 29.03.2005 р. № 3802, реєстраційний номер 16101513, серія та номер ІК № 2), Розпорядження Державної комісії з регулювання ринків фінансових послуг України (рішення від 12.09.2006 р. № 6206, Ліцензія Державної комісії з регулювання ринків фінансових послуг України від 02.10.2006 р. № 316.

Види фінансових послуг, які має право здійснювати фінансова компанія:

1) надання фінансових кредитів за рахунок власних коштів;

2) надання фінансових кредитів за рахунок залучених коштів.

1.9. Розмір власного капіталу емітента на дату прийняття рішення про випуск звичайних іпотечних облігацій:

За станом на 24 липня 2008 року розмір власного капіталу Установи складав 120 369,9 тис. гривень.

1.10. Розмір статутного капіталу емітента на дату прийняття рішення про випуск іпотечних облігацій, відомості щодо його сплати:

За станом на 24 липня 2008 року розмір статутного капіталу Установи складав 200 млн. гривень. Статутний капітал сплачено у розмірі 100 млн. гривень. Рішень про зміну розміру статутного капіталу на момент подання документів на реєстрацію випуску звичайних іпотечних облігацій до ДКЦПФР не має.

1.11. Відомості про посадових осіб емітента:

Прізвище, ім'я по батькові	Посада в Установі та посада на основному місці роботи. Посада на попередніх місцях роботи за останні 5 років	Рік народ ження	Освіта	Кваліфіка-ція	Виробни чий стаж (років)	Стаж роботи на посаді в Установі (років)
Шевченко Кирило Євгенович	**Голова Правління** Перший заступник Голови правління ТОВ Банк «Фінанси та кредит»	1972	Повна вища	Економіст	14,6	1,6
Москаленко Сергій Іванович	**Перший заступник Голови Правління** Заступник начальника оперативного управління по роботі з великими платниками податків (банків) ДПА України, Заступник начальника управління по боротьбі з корупцією в органах ДПС ДПА України	1958	Повна вища	Економіст, менеджер банку	26,6	3,1
Конопльов В'ячеслав Федорович	**Заступник Голови правління** Завідувач сектора інспектування відділу банківського нагляду Управління Національного банку України в Харківській області; Директор департаменту планування та аналізу, Директор департаменту ризик - менеджменту банку «Фінанси та кредит»; Президент страхової компанії «Омега»	1960	Повна вища	Економіст	20,6	1,2

Волков Сергій Сергійович	**Заступник Голови правління** Заступник Голови правління ВАТ «Державний ощадний банк України»; Координатор проектів, виконавчий директор АЮО «Українська Національна Іпотечна Асоціація»; Президент ТОВ «Фінансова компанія «БТА-Іпотека Україна»	1961	Повна вища	Економіст	21,6	0,6
Пудрик Валерій Юрійович	**Заступник Голови правління** Голова Державної податкової адміністрації у Харківській області; Заступник Генерального директора з питань взаємовідносин з теплопостачальними організаціями; Генеральний директор ДП «Газ-тепло» НАК «Нафтогаз України»; Директор Київської філії ВАТ «Мегабанк»; Радник Голови Правління ТОВ Універсальний комерційний банк «Камбіо»; Начальник Департаменту по роботі з енергогенеруючими підприємствами; В.о. Генерального директора ДП «Газ-тепло»; Головний радник Служби Голови правління НАК «Нафтогаз України»; Директор департаменту фінансів державних підприємств та відносин власності Міністерства	1953	Повна вища	Гірничий інженер; спеціаліст з обліку та аудиту	34,1	0,6

1.12. Дані про розміщення раніше випущених іпотечних облігацій:

Раніше іпотечні облігації Установою не розміщувались.

Емітентом було здійснено два випуски іменних процентних облігацій з додатковим забезпеченням у формі державної гарантії за зобов’язаннями

Емітента, що видана Кабінетом Міністрів України в особі Міністра фінансів України:

Перший випуск від 19 грудня 2006 року, на загальну номінальну вартість 1 млрд. гривень, в тому числі:

серія "A" – 30 000 000 (тридцять мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 786/2/06, дата реєстрації 19.12.2006 р., дата видачі 05.06.2007 р.);

серія "B" – 45 000 000 (сорок п'ять мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 787/2/06, дата реєстрації 19.12.2006 р., дата видачі 05.06.2007 р.);

серія "C" – 50 000 000 (п'ятдесят мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 788/2/06, дата реєстрації 19.12.2006 р., дата видачі 05.06.2007 р.);

серія "D" – 65 000 000 (шістдесят п'ять мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 789/2/06, дата реєстрації 19.12.2006 р., дата видачі 05.06.2007 р.);

серія "E" – 85 000 000 (вісімдесят п'ять мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 790/2/06, дата реєстрації 19.12.2006 р., дата видачі 05.06.2007 р.);

серія "F"– 95 000 000 (дев'яносто п'ять мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 791/2/06, дата реєстрації 19.12.2006 р., дата видачі 23.10.2007 р.);

серія "G" – 100 000 000 (сто мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 792/2/06, дата реєстрації 19.12.2006 р., дата видачі 25.09.2007 р.);

серія "H" – 150 000 000 (сто п'ятдесят мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 793/2/06, дата реєстрації 19.12.2006 р., дата видачі 23.10.2007 р.);

серія "I" – 180 000 000 (сто вісімдесят мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 794/2/06, дата реєстрації 19.12.2006 р., дата видачі 25.09.2007 р.);

серія "J" – 200 000 000 (двісті мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 795/2/06, дата реєстрації 19.12.2006 р., дата видачі 23.10.2007 р.).

Строк обігу облігацій:

серія "A" – з 05 червня 2007 року до 13 грудня 2011 року;
серія "B" – з 05 червня 2007 року до 14 грудня 2011 року;
серія "C" – з 05 червня 2007 року до 15 грудня 2011 року;
серія "D" – з 05 червня 2007 року до 16 грудня 2011 року;
серія "E" – з 05 червня 2007 року до 17 грудня 2011 року;
серія "F" – з 23 жовтня 2007 року до 18 грудня 2011 року;
серія "G" – з 25 вересня 2007 року до 19 грудня 2011 року;
серія "H" – з 23 жовтня 2007 року до 20 грудня 2011 року;
серія "I" – з 25 вересня 2007 року до 21 грудня 2011 року;
серія "J" – з 23 жовтня 2007 року до 22 грудня 2011 року.

На момент подання документів для реєстрації випуску облігацій, облігації серій “A”, “B”, “C”, “D”, “E”, “F”, “G”, H”, “I”, “J” Установи знаходяться в обігу.
Погашення облігацій здійснюється протягом одного банківського дня:
серія “A” – 14 грудня 2011 року;
серія “B” – 15 грудня 2011 року;
серія “C” – 16 грудня 2011 року;
серія “D” – 17 грудня 2011 року;
серія “E” – 18 грудня 2011 року;
серія “F” – 19 грудня 2011 року;
серія “G” – 20 грудня 2011 року;
серія “H” – 21 грудня 2011 року;
серія “I” – 22 грудня 2011 року;
серія “J” – 23 грудня 2011 року.

Другий випуск 11 грудня 2006 року, на загальну номінальну вартість 1 млрд. гривень, в тому числі:
серія “K” – 100 000 000 (сто мільйонів) гривень; Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р., дата видачі 26.06.2008 р.);
серія “L” – 100 000 000 (сто мільйонів) гривень; 100 000 000 (сто мільйонів) гривень; Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р., дата видачі 26.06.2008 р.);
серія “M” – 100 000 000 (сто мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “N” – 75 000 000 (сімдесят п’ять мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “O” – 75 000 000 (сімдесят п’ять мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “P” – 75 000 000 (сімдесят п’ять мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “Q” – 75 000 000 (сімдесят п’ять мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “R” –50 000 000 (п’ятдесят мільйонів) гривень, 100 000 000 (сто мільйонів) гривень; Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 26.12.2007 р., дата видачі 26.06.2008 р.);
серія “S” – 50 000 000 (п’ятдесят мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “T” – 50 000 000 (п’ятдесят мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);

серія “U” – 50 000 000 (п’ятдесят мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “V” – 50 000 000 (п’ятдесят мільйонів) гривень, Свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р., дата видачі 26.06.2008 р.);
серія “W”– 50 000 000 (п’ятдесят мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “X”– 50 000 000 (п’ятдесят мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.);
серія “Y”– 50 000 000 (п’ятдесят мільйонів) гривень, Тимчасове свідоцтво про реєстрацію ДКЦПФР (реєстраційний № 758/2/07-Т, дата реєстрації 11.12.2007 р.).
Строк обігу облігацій:
серія “K” – з 26 червня 2008 року до 06 грудня 2012 року;
серія “L” – з 26 червня 2008 року до 07 грудня 2012 року;
серія “M”– з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 08 грудня 2012 року;
серія “N” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 09 грудня 2012 року;
серія “O” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 10 грудня 2012 року;
серія “P” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 11 грудня 2012 року;
серія “Q” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 12 грудня 2012 року;
серія “R” – з 26 червня 2008 року до 13 грудня 2012 року;
серія “S”– з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 14 грудня 2012 року;
серія “T” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 15 грудня 2012 року;
серія “U”–з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 16 грудня 2012 року;
серія “V” –з 26 червня 2008 року до 11 грудня 2014 року;

серія “W” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 12 грудня 2014 року;
серія “X” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 13 грудня 2014 року;
серія “Y” – з дати реєстрації Державною комісією з цінних паперів та фондового ринку звіту про результати розміщення облігацій та отримання свідоцтва про реєстрацію випуску облігацій до 14 грудня 2014 року.
На момент подання документів для реєстрації випуску облігацій, облігації серій “K”,“L”, “R”, “V” Установи знаходяться в обігу.

Погашення облігацій здійснюється протягом одного банківського дня:
серія “K” – 07 грудня 2012 року;
серія “L” – 08 грудня 2012 року;
серія “M” – 09 грудня 2012 року;
серія “N” – 10 грудня 2012 року;
серія “O” – 11 грудня 2012 року;
серія “P” – 12 грудня 2012 року;
серія “Q” – 13 грудня 2012 року;
серія “R” – 14 грудня 2012 року;
серія “S” – 15 грудня 2012 року;
серія “T” – 16 грудня 2012 року;
серія “U” – 17 грудня 2012 року;
серія “V” – 12 грудня 2014 року;
серія “W” – 13 грудня 2014 року;
серія “X” – 14 грудня 2014 року;
серія “Y” – 15 грудня 2014 року.

1.13. Відомості про провадження у справі про банкрутство або про застосовування санації щодо управителя та емітента чи попереднього суб'єкта господарювання, у результаті реорганізації якого утворився управитель чи емітент, протягом трьох років, що передували року проведення випуску іпотечних облігацій:

Провадження у справі про банкрутство або застосовування санації у відношенні управителя та емітента не було.

2. Інформація про фінансово-господарський стан емітента:

2.1. Перелік ліцензій (дозволів) емітента на провадження певних видів діяльності на ринку цінних паперів, виданих відповідно до законів України, із зазначенням дати видачі та строку закінчення їх дії:

Установа не має ліцензій (дозволів) на провадження певних видів діяльності на ринку цінних паперів.

2.2. Опис діяльності емітента:

Стандартами Установи визначені сукупні критерії відбору іпотечних кредиторів-банків для прийняття рішень щодо їх участі та здійснення операцій з їх рефінансування Установою.

Відповідно встановлених критеріїв відбору банків станом на 30.06.2008 року загальна кількість іпотечних кредиторів-банків, з якими укладені генеральні договори про рефінансування та обслуговування іпотечних кредитів, складає 74 банки. Із них, згідно з класифікацією Національного банку України за активами, співпрацюють з Установою банки:

- 1-ї групи – 16 (із 17) банків цієї групи;
- 2-ї групи – 11 (із 17) банків цієї групи
- 3-ї групи – 15 (із 34) банків цієї групи
- 4-ї групи – 34 (із 108) банків цієї групи

Установа здійснює операції з рефінансування іпотечних кредиторів (виключно банків) із застосуванням таких загальних правил:

– сума рефінансування кожного іпотечного кредиту повинна відповідати сумі залишку основного боргу позичальника за таким кредитом;

– права вимоги за іпотечними кредитами набуваються Установою на повний строк дії договорів про іпотечний кредит з урахуванням обмежень, встановлених постановою Кабінету Міністрів України від 03.08.2006 р. № 1094;

– Установа має повне право регресу (вимоги щодо зворотного відступлення) по відношенню до іпотечного кредитора за чітко визначеними відповідними договорами відступлення прав вимоги обставинами такого зворотного відступлення. При цьому іпотечний кредитор зобов’язаний здійснити зворотне набуття прав вимоги за іпотечним кредитом, які перестав відповідати вимогам Стандартів Установи або провести його заміну;

– Установа періодично інформує іпотечних кредиторів про параметри рефінансування та встановлює ліміти на операції з рефінансування на кожного іпотечного кредитора;

– одночасно із здійсненням рефінансування іпотечних кредитів, Установа передає їх на обслуговування тим іпотечним кредиторам, які здійснили їх видачу.

Основним джерелом здійснення операцій по рефінансуванню іпотечних кредиторів-банків є виключно власні кошти (кошти статутного та додаткового капіталу Установи) та залучені кошти, отримані від розміщення цінних паперів Установи (корпоративних облігацій, забезпечених державною гарантією).

З початку цього року кредитні правочини щодо залучення коштів Установою та направлення їх на здійснення рефінансування первинних кредиторів не вчинялися.

Станом на 30.06.2008 року обсяги рефінансування (кредитний портфель) Установи складає понад 1,419 млрд. гривень.

Ставка рефінансування іпотечних кредиторів-банків при набутті прав вимоги за іпотечними кредитами, за якою здійснено рефінансування іпотечних кредитів на початок року становила 9,9% річних.

Враховуючи макроекономічною ситуацією, що склалася в країні, зокрема рівень інфляції та підвищення облікової ставки Національного банку України Наглядовою радою було прийнято рішення про затвердження ставки рефінансування іпотечних кредитів на рівні 13,5% річних. Встановлена ставка діє з 21 травня поточного року.

В загальному обсязі рефінансованих Установою іпотечних кредитів переважна частина припадає на регіони з активним розвитком первинного та активним вторинним ринком житла. Так, на м. Київ, Київську, Донецьку, Дніпропетровську, Полтавську, Запорізьку, Луганську та Харківську області припадає понад 64% рефінансованого обсягу іпотечних кредитів.

Згідно даних фінансової звітності, станом на 30.06.2008 року власний капітал Установи склав 120 369,9 тис. грн., у т.ч. сплачений статутний капітал Установи - 100 000,0 тис. грн. інший додатковий капітал – 63,9 тис.грн., резервний капітал 1 302,7 тис.грн. та нерозподілений прибуток – 19 003,3 тис. грн. Чистий прибуток за результатами діяльності першого півріччя 2008 року склав 7 046,3 тис. гривень.

2.3. Обсяги та напрями інвестиційної діяльності емітента:

Обсяги та напрямки інвестиційної діяльності емітента наведені у таблиці.

Капітальні інвестиції	
	Факт 1 півріччя 2008 р.
Капітальні інвестиції, усього	**3 120,4**
придбання (виготовлення) основних засобів	582,6
придбання (виготовлення) інших необоротних матеріальних активів	16,7
придбання (створення) нематеріальних активів	2 502,9
модернізація, модифікація (добудова, дообладнання, реконструкція) основних засобів	18,2

Протягом першого півріччя 2008 року Установою було освоєно 3 120,4 тис. грн. капітальних вкладень.

80,2% капітальних вкладень складають нематеріальні активи, до складу яких входить об’єкт права інтелектуальної власності – корпоративний портал Установи на базі комп’ютерної програми «Бізнес-портал «ПРЕЗИДЕНТ», що призначена для забезпечення єдиного інформаційного середовища роботи з внутрішніми та зовнішніми інформаційними ресурсами Установи, забезпечення персоніфікованого доступу до даних, інформаційної взаємодії між

структурними підрозділами Установи та автоматизації існуючих бізнес-процесів у відповідності із нормативними документами та правилами.

18,7% капітальних інвестицій освоєних у першому півріччі 2008 року припадає на придбання основних засобів, до складу яких входить придбання автомобілів, комп'ютерної та офісної техніки, меблів.

2.4. Відомості про юридичних осіб, у яких емітент володіє часткою більше ніж 10 % статутного капіталу:

Установа не володіє частками у статутному капіталі інших юридичних осіб.

2.5. Відомості про дочірні підприємства, філії, представництва та інші відокремлені підрозділи емітента:

Установа не має дочірніх підприємств, філій, представництв та інших відокремлених підрозділів.

2.6. Відомості про участь емітента в холдингових компаніях, концернах, асоціаціях тощо:

Установа є дійсним членом Української національної іпотечної асоціації.

2.7. Перспективи діяльності емітента на поточний та наступний роки:

Згідно положень Статуту, головною метою діяльності Установи є сприяння подальшому розвитку ринку іпотечного кредитування в Україні, зокрема шляхом рефінансування іпотечних кредиторів (банків і небанківських фінансових установ, які провадять діяльність з надання забезпечених іпотекою кредитів) за рахунок коштів, отриманих від розміщення цінних паперів, та запровадження ефективних механізмів підвищення рівня їх ліквідності.

Діяльність Установи спрямована на забезпечення створення ефективних механізмів та моделей рефінансування первинних іпотечних кредиторів, створення чітких та прозорих умов рефінансування, створення дієвих та уніфікованих вимог до іпотечних житлових кредитів, а також вимог до основних учасників іпотечного ринку-банківських установ та позичальників, що в цілому сприятиме розширенню доступу громадян України до іпотечних житлових кредитів та зниженню вартості іпотечних житлових кредитів для кінцевих позичальників.

Основна діяльність Установи передбачає рефінансування іпотечних кредиторів та випуск боргових зобов'язань для рефінансування даної діяльності.

Перспективи діяльності емітента на поточний рік передбачені фінансово-інвестиційним планом Установи на 2008 рік затверджений наказом Державного агентства України з інвестицій та інновацій від 25 жовтня 2007 року № 114. Фінансово-інвестиційний план передбачає розрахунки фінансових показників які здійснені з урахуванням рекомендацій Світового банку, Європейського банку реконструкції та розвитку, Державної комісії з

регулювання ринку фінансових послуг щодо складу та методик розрахунку інтегральних показників.

В плані поточного року показники плануються з урахуванням фінансових ресурсів поточного року, запозичення коштів шляхом випуску гарантованих державою облігацій Установи та іпотечних цінних паперів відповідно до чинного законодавства, номінованих в національній валюті.

Установа в 2008 році планує розмістити іпотечні облігації Установи на суму 500 000 тис. грн. з виплатою купонів щоквартально.

Забезпеченням облігацій, що обертаються, будуть високонадійні та прибуткові іпотечні активи, що обліковуватимуться на балансі Установи.

Відповідно до Закону України «Про Державний бюджет України на 2008 рік та внесення змін до деяких законодавчих актів України» затверджені бюджетні призначення по бюджетній програмі 6241080 «Збільшення статутного капіталу Державної іпотечної установи» у розмірі 100 млн. гривень.

Враховуючи збільшення ресурсної бази фінансово-інвестиційним планом передбачено обсяги іпотечних активів за операціями з рефінансування визначені з урахуванням прогнозних строків надходження коштів, залучених на ринку з використанням державних гарантій в якості забезпечення, та сформованого «іпотечного покриття» у відповідності до Закону України «Про іпотечні облігації».

Протягом 2008 року Установа буде здійснювати операції з рефінансування первинних кредиторів із застосуванням наступних інструментів рефінансування:

- набуття у первинних кредиторів прав вимоги за договорами про іпотечний кредит на весь строк встановлений таким договором;
- надання фінансових кредитів первинним кредиторам на строк до 180 днів та отримання у заставу майнових прав за договорами про іпотечний кредит, які надані у відповідності вимогам Установи до іпотечних кредитів.

Стратегічним завданням Програми діяльності Установи на 2008-2011 роки є забезпечення ринкової частки Установи на ринку іпотечного кредитування із застосуванням інструментів рефінансування та встановлення її у кінці 2011 року у розмірі 8% від загального обсягу заборгованості за іпотечними кредитами.

Приймаючи до уваги особливості та специфіку інституціональної структури фінансового сектору країни, а також об'єктивні умови здійснення операцій на ринку житлового іпотечного кредитування, Установа при визначенні напрямів своєї діяльності орієнтуватиметься, в першу чергу, на ефективну співпрацю з банками як первинними кредиторами, які здатні забезпечити належний рівень моніторингу і контролю за наданням та супроводженням іпотечних кредитів.

Протягом реалізації запозичень під державні гарантії у 2008-2011 роках Установа буде здійснювати операції з рефінансування первинних кредиторів відповідно до Стандартів Установи та її внутрішніх нормативних документів.

Іпотечні житлові кредити, які надаються первинними кредиторами та операції з їх рефінансування повинні відповідати діючим Стандартам Установи з урахуванням вимог, встановлених постановою Кабінету Міністрів України від 03.08.2006 р. № 1094 (із змінами та доповненнями).

Для забезпечення здійснення операцій з рефінансування первинних кредиторів-банків Установа буде розміщувати кошти від здійснення гарантованих запозичень у кредити іпотечним кредиторам - банкам, виконання зобов'язань за якими забезпечене іпотечними активами та іншими активами, види та вимоги до яких встановлені Національним банком:

- на строк до 180 днів з метою формування банками портфелю іпотечних кредитів;
- на строк до 2,5 (двох з половиною) років для здійснення первинними кредиторами-банками кредитування фізичних осіб - довірителів фондів фінансування будівництва з метою придбання у власність об'єктів інвестування (житла) відповідно до Закону України "Про фінансово-кредитні механізми і управління майном при будівництві житла та операціях з нерухомістю";
- операції з рефінансування шляхом відступлення прав вимоги за іпотечними кредитами за рахунок залучених коштів за державною гарантією здійснюються на весь строк дії договору про іпотечний кредит. При цьому Установа залишає за собою право вимагати повернення коштів рефінансування за місяць до настання строку повернення запозичень, залежно від достатності коштів Установи для повернення запозичень.

Установа щоквартально інформує первинних кредиторів про параметри рефінансування (ставки рефінансування, які встановлюються Установою на весь строк рефінансування первинного кредитора; розмір лімітів на здійснення операцій з рефінансування; строки рефінансування).

За коштами, які залучені Установою під державну гарантію ставка рефінансування погоджується з Міністерством фінансів України.

З урахуванням ставки рефінансування первинний кредитор встановлює відсоткову ставку для позичальників за користування іпотечними кредитами, виданими за Стандартами Установи. Така відсоткова ставка за користуванням іпотечними кредитом встановлюється у відповідності до внутрішніх методик та процедур первинного кредитора.

Розмір винагороди, яку отримує первинний кредитор за здійснення обслуговування іпотечних кредитів, визначається як різниця між ставкою рефінансування Установою первинного кредитора та відсотковою ставкою за користування іпотечним кредитом.

Зважаючи на наявний потенціал та можливості Установа, утверджуючи статус низькоризикової та високонадійної фінансової інституції, має стати основою розвитку іпотечного ринку (як первинного, так і вторинного) та ефективної системи рефінансування.

Значний потенціал Установи, як одного з провідних учасників ринку житлової іпотеки, може бути належним чином використаний в рамках створення ефективних механізмів вирішення проблеми забезпечення житлом окремих категорій громадян, створення системи соціальних переваг та стимулів для підвищення рівня соціального захисту українських громадян.

Унікальна позиція Установи на ринку іпотечного кредитування, її державний статус можуть стати запорукою та додатковими факторами успіху, стрімкого і динамічного розвитку.

2.8. Можливі фактори ризику в господарській діяльності емітента:

Ризик, з точки зору Установи, визначається як можливість несприятливого впливу очікуваних або непередбачених подій на доходи і капітал Установи.

Карта кредитних ризиків

Категорія ризиків	Під категорія	Вид ризику / Коментар
Ризики, пов'язані з окремою трансакцією (індивідуальний ризик)	**Ризик дефолту**	**Ризик позичальника**
		Ризик контрагента
Портфельні ризики (ризики концентрації)	**Концентрація за групами контрагентів**	**Кредити в інших банках** **Кредити фізичним особам**
	Концентрація за видами забезпечення	
	Концентрація за сумами	
Ризик країни	**Політичний ризик**	
	Економічний ризик	
	Ризик розрахунків	

Дефолт – неможливість або небажання контрагента виконати своєчасно і в повному обсязі свої зобов'язання.

Кредитний ризик

Кредитні ризики – ризики, що загрожують доходам і капіталу Установи внаслідок можливого невиконання контрагентом або групою контрагентів прийнятих на себе зобов'язань перед Установою.

Установа використовує такі інструменти управління кредитним ризиком:

- встановлення та регулярний перегляд лімітів;
- прийняття забезпечення та регулярного моніторингу його стану;
- формування резервів, достатніх для покриття потенціальних збитків від активних операцій.

Установа встановлює такі етапи загальної процедури управління кредитним ризиком:

Етап 1. Оцінка кредитного ризику;
Етап 2. Затвердження лімітів;
Етап 3. Контроль за лімітами;
Етап 4. Оцінка адекватності кредитних моделей.

Розрахунок лімітів на здійснення операцій з банками – первинними кредиторами здійснюється з метою забезпечення прийнятного рівня ризиків при здійсненні операцій рефінансування банків – первинних кредиторів шляхом набуття прав вимоги за іпотечними кредитами та / або рефінансування банків – первинних кредиторів шляхом надання кредитів під заставу майнових прав за іпотечними житловими кредитами у короткостроковому періоді та максимізації прибутку за операціями рефінансування у середньостроковому та довгостроковому періоді з урахуванням встановлених обмежень та критеріїв. Розрахунок та встановлення лімітів на здійснення операцій з банками – первинними кредиторами здійснюється один раз на квартал станом на звітну дату.

Кредитний ризик характеризується можливістю невиконання зобов'язань позичальниками відповідно до умов укладених угод про іпотечний кредит. З метою зменшення рівня кредитного ризику Установа застосовує механізми забезпечення банками виконання угод позичальниками шляхом прийняття на себе зобов'язань щодо зворотного викупу іпотечних кредитів. З метою зменшення рівня кредитного ризику внаслідок невиконання позичальником зобов'язань оцінка платоспроможності позичальника здійснюється з урахуванням затверджених значень коефіцієнтів (OTI та PTI), а також вимогам щодо забезпеченості зобов'язань позичальника. шляхом встановлення коефіцієнту покриття (LTV).

Ризик ліквідності

Управління ризиком ліквідності здійснюватиметься шляхом запровадження ефективних процедур управління активами і пасивами, які спрямовані на забезпечення підтримки відповідного рівня ліквідності у короткостроковому періоді та максимізацію прибутку в середньо- та довгостроковому періоді відповідно до встановлених внутрішніх нормативів і обмежень, а також забезпечення ефективного та надійного процесу управління ліквідністю, який полягає у створенні та використанні систем моніторингу та аналізу ліквідності, оцінки стану та прогнозу ліквідності, оцінки та моніторингу активів і зобов'язань, встановлені кількісних та якісних цілей.

В Установі діє норматив короткострокової ліквідності.

Норматив короткострокової ліквідності встановлюється для контролю за здатністю кредитної установи виконувати прийняті нею короткострокові зобов'язання за рахунок ліквідних активів.

Норматив короткострокової ліквідності визначається як відношення ліквідних активів (строк погашення до одного року) кредитної установи до її короткострокових зобов'язань із строком погашення до одного року.

Показник нормативу короткострокової ліквідності повинен бути не менше ніж 20 відсотків.

Разом з тим, зважаючи на загальну економічну ситуацію в країні, а також умови ведення бізнесу та його особливості, на діяльність Установи будуть впливати наступні види ризиків.

Ринковий ризик

Ринковий ризик - ризик, який виникає внаслідок негативного впливу змін ринкових факторів, таких як процентні ставки, валютні курси, котирування цінних паперів, підвищення рівня конкуренції на ринку іпотечного кредитування, різкі зміни цінових умов на ринку нерухомості, на доходи й капітал установи або на його здатність досягати своїх завдань.

Категорії ринкових ризиків: валютний ризик; процентний ризик.

Валютний ризик характеризується можливістю значної девальвації національної валюти та, як наслідок, зниженням фінансової спроможності Установи виконувати прийняті на себе зобов'язання, які номіновані в іноземній валюті (у разі здійснення запозичень у іноземній валюті).

При здійсненні рефінансування первинних кредиторів валютні ризики не впливають на діяльність Установи.

Ризик зміни процентної ставки - це наявний або потенційний ризик для надходжень або капіталу, який виникає внаслідок несприятливих змін процентних ставок. Цей ризик справляє вплив як на прибутковість, так і на економічну вартість активів та зобов'язань Установи. З метою зниження рівня ризику зміни вартості ресурсів, який виникає через різницю в

строках погашення та переоцінки відсоткових ставок Установа оптимізуватиме структуру активів та зобов'язань за строками.

Ризик репутації

Ризик репутації - наявний або потенційний ризик для доходу й капіталу, який виникає внаслідок несприятливого сприйняття іміджу фінансової установи клієнтами, контрагентами, засновниками або органами нагляду.

Управління ризиком репутації:

- керівництво Установи має чітке бачення свого майбутнього й своєї позиції на ринку;
- аналіз виконання запланованого показника частки ринку, дає можливість вчасно прийняти відповідні рішення;
- аналіз фінансових і гуманітарних причин падіння частки ринку;
- дотримання Кодексу корпоративної етики;
- управління основними ризиками;
- існує PR-служба по зв'язках із громадськістю;
- інформаційна відкритість (публікація звітності);
- використання PR- методів (інтерв'ю, коментарі, статті, проведення опитування клієнтів, проведення брифінгів і прес-конференцій, і культурно-освітніх заходів, надання інформаційних послуг);
- використання Інтернет - ресурсів.

Операційний ризик

Операційний ризик – це потенційний ризик для довгострокового існування установи, який виникає внаслідок недоліків корпоративного керування, систем внутрішнього контролю, неадекватністю інформаційних технологій і процесів обробки інформації з погляду керованості, універсальності, надійності й безперервності роботи.

Щоденне управління операційним ризиком здійснюється підрозділами банку, шляхом застосування належних механізмів внутрішнього контролю й розробкою належних процедур.

Управління операційним ризиком:

- існування спеціалізованого підрозділу, відповідального за координацію й централізацію управління операційним ризиком;
- існування адекватної, ефективної, доведеної до виконавців внутрішньої нормативної бази;
- кількість і складність обробки операцій у порівнянні з рівнем розвитку й потужністю операційних і контрольних систем, з огляду на моральне старіння операційних систем, статистику збоїв і перспективи її наступного вдосконалювання;
- наявність інформації про кількість, причини й характер порушень процедур адміністративного й облікового контролю;
- адекватність стратегії щодо інформаційних технологій.

2.9. Інформація про грошові зобов'язання емітента (кредитна історія емітента), які існують на дату прийняття рішення про розміщення облігацій чи не були виконані:

На дату прийняття рішення про розміщення звичайних іпотечних облігацій (24 липня 2008 року) Установа не має існуючих або не виконаних грошових зобов'язань.

2.10. Фінансова звітність емітента:

Додаток 1 – **фінансова звітність за станом на 31 грудня 2005 р.**

Додаток 2 – **фінансова звітність за станом на 31 грудня 2006 р.**

Додаток 3 – **фінансова звітність за станом на 31 грудня 2007 р.**

Додаток 4 – **фінансова звітність за станом на 30 червня 2008 р.**

3. Інформація про звичайні іпотечні облігації:

3.1. Дата і номер рішення (протоколу) про розміщення звичайних іпотечних облігацій та найменування органу, який прийняв рішення:

Рішення Правління Установи від 24 липня № 193/5 та Рішення Правління Установи від 24 липня № 193/6. У складі Правління Установи 5 членів Правління. На засіданні 24.07.2008 року були присутні 4 членів Правління Установи. Відповідно до норм Положення про Правління Установи, засідання було правомочним. Рішення було прийнято одноголосно.

Рішення прийнято Правлінням Установи на підставі параметрів, затверджених Наглядовою радою Установи (Протокол засідання Наглядової ради Установи від 15.05.2008 р. № 30).

3.2. Мета емісії звичайних іпотечних облігацій:

Метою використання фінансових ресурсів, залучених від емісії звичайних іпотечних облігацій, є рефінансування іпотечних кредиторів. Джерелами погашення та виплати доходу за звичайними іпотечними облігаціями будуть виступати кошти, отримані Емітентом в результаті статутної діяльності Установи після розрахунків з бюджетом та сплати інших обов'язкових платежів. Установа зобов'язується не використовувати кошти, залучені від випуску звичайних іпотечних облігацій, для формування і поповнення статутного капіталу Установи та покриття її збитків від господарської діяльності.

3.3. Параметри випуску звичайних іпотечних облігацій:

3.3.1. Загальна сума випуску звичайних іпотечних облігацій - 200 000 000 грн. (двісті мільйонів гривень), в тому числі:

серія “A” – 30 000 000 (тридцять мільйонів) гривень;
серія “B” – 30 000 000 (тридцять мільйонів) гривень;
серія “C” – 30 000 000 (тридцять мільйонів) гривень;
серія “D” – 30 000 000 (тридцять мільйонів) гривень;
серія “E” – 30 000 000 (тридцять мільйонів) гривень;
серія “F” – 30 000 000 (тридцять мільйонів) гривень;
серія “G” – 20 000 000 (двадцять мільйонів) гривень.

3.3.2. Кількість звичайних іпотечних облігацій - 2 000 (дві тисячі) штук, в тому числі:

серія “A” – 300 (триста) штук;
серія “B” – 300 (триста) штук
серія “C” – 300 (триста) штук;
серія “D” – 300 (триста) штук;
серія “E” – 300 (триста) штук;
серія “F” – 300 (триста) штук;
серія “G” – 200 (двісті) штук.

3.3.3. Номінальна вартість однієї звичайної іпотечної облігації кожної серії - 100 000 (сто тисяч) гривень.

3.3.4 Розмір іпотечного покриття, що забезпечує випуск іпотечних облігацій кожної серії (станом на кінець дня 04.08.08***) :***

серія “A” – 38 201 782,78 грн.;

серія “B” – 40 019 022,21 грн.;

серія “C” – 40 334 625,42 грн.;

серія “D” – 39 767 320,54 грн.;

серія “E” – 42 062 214,91 грн.;

серія “F” – 38 123 806,32 грн.;

серія “G” – 25 142 530,91 грн.;

3.3.5. Ціна розміщення:

Запланований курс у перший день продажу складає 100% від номінальної вартості облігацій.

Ціна продажу облігацій при їх розміщенні в подальшому встановлюється в процесі переговорів між Емітентом та Інвестором, виходячи з кон'юнктури ринку на дату розміщення.

Емітент може здійснювати розміщення облігацій на біржах, у позабіржових торговельно-інформаційних системах та на позабіржовому ринку.

Випуск вважається таким, що відбувся, за умови продажу хоча б однієї облігації.

3.3.6. Серія та порядкові номери звичайних іпотечних облігацій - звичайні іпотечні облігації випускаються семи серіями "A", "B", "C", "D", "E", "F", "G". Звичайні іпотечні облігації випускаються у бездокументарній формі.

3.3.7. Права, що надаються власникам звичайних іпотечних облігацій:

Власники облігацій мають права, передбачені чинним законодавством, зокрема:

- отримати номінальну вартість облігацій при настанні строку їх погашення;
- отримувати відсоткові доходи у вигляді нарахованих відсотків на номінальну вартість облігацій, що йому належать, після закінчення кожного відсоткового періоду;
- придбавати і продавати облігації на вторинному біржовому і позабіржовому ринках;
- самостійно визначати зберігача облігацій;
- надавати облігації для викупу відповідно до умов їх розміщення;
- отримувати витяги з реєстру іпотечного покриття, аудиторські висновки та іншу інформацію щодо відповідного випуску звичайних іпотечних облігацій та їх іпотечного покриття;
- вимагати від емітента дострокового виконання грошових зобов'язань за звичайними іпотечними облігаціями , у разі невиконання Установою своїх зобов'язань за звичайними іпотечними облігаціями, відповідно до чинного законодавства ;
- мають вищий пріоритет перед правами чи вимогами інших осіб щодо іпотечного покриття;
- звертати стягнення на іпотечне покриття та інші активи Установи через управителя, у разі невиконання Установою своїх зобов'язань за звичайними іпотечними облігаціями, відповідно до чинного законодавства ;
- права на здійснення інших операцій, що не суперечать чинному законодавству та умовам випуску.

3.3.8. Дохід за звичайними іпотечними облігаціями – по звичайних іпотечних облігаціях серій "A", "B", "C", "D", "E", "F", "G" встановлюється фіксована ставка доходності.

3.3.9. Умови дострокового виконання грошових зобов'язань за іпотечними облігаціями:

Власники звичайних іпотечних облігацій мають право вимагати від емітента дострокового виконання грошових зобов’язань за такими облігаціями у разі:

- невиконання або неналежного виконання емітентом грошових зобов'язань за звичайними іпотечними облігаціями у строки, визначені у цьому проспекті емісії;
- порушення щодо емітента провадження у справі про банкрутство або призначення тимчасового адміністратора чи ліквідатора;
- непроведення заміни іпотечних активів або невключення нових іпотечних активів до складу іпотечного покриття у випадках передбачених законодавством;
- учинення емітентом щодо іпотечного покриття дій, які суперечать вимогам законодавства, якщо такі дії ставлять під загрозу належне виконання емітентом зобов'язань за іпотечними облігаціями.

3.3.10. Дії емітента в разі його припинення або в разі порушення зобов'язань за іпотечними облігаціями:

У разі призначення тимчасової адміністрації, порушення справи про банкрутство, прийняття рішення про ліквідацію емітента або порушення емітентом зобов’язань за звичайними іпотечними облігаціями перед їх власниками емітент зобов’язаний після надходження письмової вимоги від управителя передати іпотечне покриття до управителя або до визначеної ним обслуговуючої установи. Емітент має право у будь-який час до продажу іпотечного покриття або передачі іншій особі в повному обсязі виконати свої зобов'язання за звичайними іпотечними облігаціями, а власники звичайних іпотечних облігацій зобов'язані прийняти таке виконання. У такому разі емітент зобов'язаний відшкодувати управителю всі витрати, пов'язані з проведенням процедури звернення стягнення.

4. Інформація про іпотечні активи:

4.1. Опис іпотечних активів, що включені до складу іпотечного покриття:

4.1.1. Значення коефіцієнта іпотечного покриття на дату подання документів для реєстрації випуску звичайних іпотечних облігацій:

Коефіцієнт іпотечного покриття на дату подання документів для реєстрації випуску звичайних облігацій не перевищує 0,76 (нуль цілих сімдесят шість десятих). Випуск звичайних іпотечних облігацій не гарантовано державою.

4.1.2. Початковий розмір іпотечного покриття та розмір іпотечного покриття на дату подання документів для реєстрації випуску іпотечних облігацій:

Початковий розмір іпотечного покриття (станом на кінець дня 22.07.08.) становить 264 095 164,41 грн. (двісті шістдесят чотири мільйони дев’яносто п’ять тисяч сто шістдесят чотири гривні 41 копійок).

Розмір іпотечного покриття на дату подання документів для реєстрації випуску звичайних іпотечних облігацій (станом на кінець дня 04.08.08) 263 651 303,09 грн. (двісті шістдесят три мільйони шістсот п'ятдесят одна тисяча триста три гривень 09 копійок).

4.1.3. Кількість іпотечних кредитів у пулі:

В пулі налічується 736 (сімсот тридцять шість) іпотечних кредитів.

4.1.4. Середньозважений строк іпотечних активів в складі іпотечного покриття:

Середньозважений строк іпотечних активів в складі іпотечного покриття 256 місяців (двісті п'ятдесят шість місяців).

4.1.5. Середньозважений розмір процентів за іпотечними активами у складі іпотечного покриття:

Середньозважений розмір процентів іпотечних активів в складі іпотечного покриття 11,63 % (одинадцять цілих шістдесят три сотих відсотків) .

4.1.6. Сукупний розмір процентних платежів за іпотечними активами протягом процентного періоду за іпотечними облігаціями:

Сукупний розмір процентних платежів за іпотечними активами протягом процентного періоду за іпотечними облігаціями становить – 6 537 598,44 грн. (шість мільйонів п'ятсот тридцять сім тисяч п'ятсот дев'яносто вісім гривень, 44 копійки)

4.1.7. Сукупний розмір процентних платежів за іпотечними облігаціями протягом процентного періоду за іпотечними облігаціями:

Сукупний розмір процентних платежів за іпотечними облігаціями протягом процентного періоду за іпотечними облігаціями становить - 5 734 240 грн. (п'ять мільйонів сімсот тридцять чотири тисячі двісті сорок гривень.)

4.1.8. Розмір іпотечних активів, зобов'язання боржників за якими забезпечені іпотекою житлових будинків або квартир, від сукупного розміру всіх іпотечних активів, уключених до складу іпотечного покриття:

Розмір іпотечних активів, зобов'язання боржників за якими забезпечені іпотекою житлових будинків або квартир, від сукупного розміру усіх іпотечних активів, уключених до складу іпотечного покриття – становить 100 (сто) відсотків.

4.1.9. Цільове призначення предмета іпотеки:

Майно житлового призначення: квартири або житлові будинки.

4.1.10. Співвідношення суми основного боргу боржників і оцінної вартості предмета іпотеки (іпотека нерухомості житлового призначення; іпотека нерухомості нежитлового призначення):

Іпотечне покриття на 100 відсотків складається з іпотечних активів, зобов'язання боржників за якими забезпечені іпотекою нерухомого майна жилого призначення.

Співвідношення суми основного боргу боржників і оціночної вартості предмета іпотеки не перевищує 75 відсотків оціночної вартості предмета іпотеки жилого призначення.

4.1.11. Порядок обслуговування іпотечного покриття і розподіл коштів від іпотечного покриття в разі звернення стягнення на іпотечне покриття:

Функції з обслуговування іпотечних активів у складі іпотечного покриття іпотечних облігацій покладаються на первинного кредитора відповідно до Положення про рефінансування первинних кредиторів шляхом набуття прав вимоги за іпотечними кредитами (Розділ 3. Обслуговування іпотечних кредитів), затвердженого рішенням Правління Установи (протокол № 29 від 16.12.2005 р.).

Обслуговування іпотечних кредитів здійснюється первинним кредитором на підставі Договору про обслуговування іпотечних кредитів, права вимоги за якими набуті Установою.

Контроль за виконанням функцій первинних кредиторів з обслуговування іпотечних активів у складі іпотечного покриття здійснюється структурними підрозділами Установи в межах відповідної компетенції кожного з підрозділів.

Обслуговуванням іпотечних активів у складі іпотечного покриття є заходи первинного кредитора, спрямовані на забезпечення належної реалізації функцій Установи у взаємовідносинах з боржниками за відповідними іпотечними активами.

Обслуговування іпотечних активів первинним кредитором включає:

- приймання від боржників платежів за забезпеченими іпотекою зобов’язаннями та їх облік (ведення реєстру платежів);
- контроль за додержанням боржниками умов кредитних та іпотечних договорів;
- контроль за станом предметів іпотеки та їх збереженням;
- пред'явлення боржникам вимог щодо виконання ними забезпечених іпотекою зобов'язань та вживання заходів у разі їх порушення;
- реалізація інших прав та виконання обов'язків іпотекодержателя відповідно до кредитних та іпотечних договорів.

Іпотечне покриття відокремлюється від іншого майна Установи відповідно до вимог чинного законодавства. Іпотечне покриття не включається до ліквідаційної маси емітента. Іпотечне покриття та грошові доходи від нього не можуть бути предметом податкової застави до повного виконання зобов'язань за відповідним випуском звичайних іпотечних облігацій.

Іпотечне покриття та операції з ним обліковуються Установою відокремлено відповідно до вимог чинного законодавства України.

Звернення стягнення на іпотечне покриття може здійснюватися лише на вимогу власників звичайних іпотечних облігацій Установи у порядку, встановленому законодавством. Інші особи, включаючи кредиторів Установи, кредиторів управителя чи кредиторів власника звичайних іпотечних облігацій Установи, не мають права пред'являти вимоги на іпотечне покриття, звертати стягнення чи іншим способом обтяжувати іпотечне покриття до повного виконання зобов’язання за відповідним випуском звичайних іпотечних облігацій, що забезпечується відповідним іпотечним покриттям.

Підставою звернення стягнення на іпотечне покриття є факт порушення Установою зобов’язань за звичайними іпотечними облігаціями, а саме:

- у разі невиконання або неналежного виконання грошових зобов'язань за звичайними іпотечними облігаціями у строки, визначені у цьому проспекті емісії таких облігацій Установи;
- у разі порушення щодо Установи провадження у справі про банкрутство або призначення тимчасового адміністратора чи ліквідатора;
- у разі непроведення заміни іпотечних активів або невключення нових іпотечних активів до складу іпотечного покриття відповідно до законодавства;
- у разі вчинення Установою щодо іпотечного покриття дій, які суперечать вимогам законодавства, якщо такі дії ставлять під загрозу належне виконання Установою зобов'язань за звичайними іпотечними облігаціями.

У разі звернення стягнення на іпотечне покриття обслуговування іпотечного покриття і розподіл коштів від іпотечного покриття забезпечує управитель іпотечного покриття. Обслуговування іпотечного покриття управитель іпотечного покриття здійснює самостійно або на підставі договору з обслуговуючою установою.

У разі виникнення підстав звернення стягнення на іпотечне покриття управитель, здійснюючи права власників облігацій, залежно від обраного способу задоволення вимог власників облігацій за рахунок іпотечного покриття має право здійснити продаж іпотечного покриття іншій особі (особам) з наступним розподілом доходу від такого продажу відповідно до укладених договорів, законодавства України та цього проспекту емісії.

У разі призначення тимчасової адміністрації Установи або порушення щодо неї справи про банкрутство управитель іпотечного покриття вимагає передачі іпотечного покриття до визначеної ним обслуговуючої установи на обслуговування, а також здійснює розпорядження коштами від іпотечного покриття в інтересах власників звичайних іпотечних облігацій відповідно до укладених договорів, законодавства України та цього проспекту емісії.

У разі прийняття рішення про ліквідацію емітента управитель відчужує іпотечне покриття самостійно або спільно з ліквідатором з наступним розподілом доходу від такого продажу відповідно до укладених договорів, законодавства України та цього проспекту емісії.

Виручка від продажу іпотечного покриття спрямовується на рахунок управителя.

Після відшкодування всіх витрат, пов’язаних із зверненням стягнення на іпотечне покриття, управлінням та обслуговуванням відповідних іпотечних активів, управитель розподіляє виручку від продажу іпотечного покриття між

власниками звичайних іпотечних облігацій пропорційно до належних їм облігацій.

У разі коли виручка від продажу іпотечного покриття перевищує розмір зобов'язань за звичайними іпотечними облігаціями та витрат, пов'язаних із зверненням стягнення на іпотечне покриття, управлінням та обслуговуванням відповідних іпотечних активів, її надлишок повертається Установі.

4.1.12. Умови і строки заміни іпотечних активів у складі іпотечного покриття та включення нових іпотечних активів до складу іпотечного покриття:

Заміна іпотечних активів у складі іпотечного покриття та/або включення нових іпотечних активів до складу іпотечного покриття здійснюється у таких випадках:

1 виявлення невідповідності окремих іпотечних активів у складі іпотечного покриття таким вимогам:

1.1. іпотечні активи мають належати емітенту на праві власності і можуть бути відчужені у разі невиконання емітентом зобов'язань за звичайними іпотечними облігаціями. Емітент звичайних іпотечних облігацій зобов'язаний:

- на момент включення іпотечних активів до іпотечного покриття, а також протягом усього строку знаходження цих активів у складі іпотечного покриття, мати права кредитора за відповідним іпотечним активом. Права емітента на іпотечний актив не обумовлені чи обтяжені правами будь-яких інших осіб, крім власників звичайних іпотечних облігацій. До складу іпотечного покриття не можуть включатися іпотечні активи, відносно яких емітент не є іпотекодержателем;
- на момент включення іпотечних активів до складу іпотечного покриття, а також протягом усього строку знаходження цих активів у складі іпотечного покриття, не обтяжувати власні права на відступлення прав за відповідним іпотечним активом на користь іншої особи з метою виконання зобов'язань перед власниками звичайних іпотечних облігацій. Можливість відступлення прав емітента як кредитора за відповідним іпотечним активом не повинна обмежуватися у договірному чи позадоговірному порядку за виключенням обмежень, прямо встановлених Законом та проспектом емісії;
- не обмежувати чи обтяжувати у договірному чи позадоговірному порядку право власників звичайних іпотечних облігацій звернути стягнення на іпотечні активи у складі іпотечного покриття, за виключенням обмежень, прямо встановлених Законом та проспектом емісії звичайних іпотечних облігацій.

1.2. забезпечені іпотекою зобов'язання боржників підлягають виконанню виключно у грошовій формі. Не дозволяється включати до складу іпотечного покриття іпотечні активи, договірні умови виникнення яких передбачають виконання зобов'язань боржників в натуральній формі, шляхом заліку або в інший спосіб, який не передбачає повну сплату емітенту основної суми боргу та процентів у грошовій формі.

1.3. відомості про те, що емітент є іпотекодержателем за відповідним іпотечним договором, мають бути внесені до відповідного державного реєстру в установленому законодавством порядку. Відомості про обтяження нерухомого майна іпотекою на користь емітента документально підтверджуються витягом (довідкою або іншим документом відповідно до законодавства) з Державного реєстру іпотек або з Державного реєстру прав на нерухоме майно, залежно від того, в якому з цих реєстрів відповідно до законодавства реєструються іпотеки.

1.4. іпотечні активи не перебувають у заставі чи не обтяжені іншим чином для забезпечення виконання емітентом інших зобов'язань, крім зобов'язань за відповідним випуском звичайних іпотечних облігацій. На момент включення іпотечних активів до іпотечного покриття, а також протягом усього строку знаходження цих активів у складі іпотечного покриття, права емітента як кредитора за відповідними іпотечними активами не можуть бути предметом договірних чи позадоговірних обмежень чи обтяжень, які передбачають виникнення в інших осіб, крім власників звичайних іпотечних облігацій, прав на отримання задоволення їх вимог до емітента за рахунок таких іпотечних активів.

1.5. за іпотечним чи кредитним договором, виконання зобов‘язань за яким забезпечено іпотечним активом, що включено до складу іпотечного покриття, не прийнято рішення про звернення стягнення на відповідний іпотечний актив. Щодо боржника за таким іпотечним чи кредитним договором не порушено провадження у справі про банкрутство. Іпотечні активи не можуть бути включені до складу іпотечного покриття у разі:

- наявності вимоги емітента про дострокове виконання боржником зобов’язань за відповідним іпотечним чи кредитним договором або судового провадження щодо стягнення з боржника заборгованості за таким договором;
- звернення стягнення на нерухоме майно, що є предметом іпотеки, у примусовому чи позасудовому порядку;
- порушення щодо боржника провадження у справі про відновлення його платоспроможності або визнання банкрутом.

1.6. умови іпотечного договору не передбачають можливості заміни чи відчуження іпотекодавцем предмета іпотеки без згоди іпотекодержателя. З метою забезпечення контролю емітента за правом власності боржника на нерухоме майно, що є предметом іпотеки за відповідним іпотечним активом, емітент вносить відповідні відомості до Єдиного реєстру заборон на відчуження нерухомого майна або до іншого державного реєстру, в якому відповідно до законодавства підлягає реєстрації інформація щодо заборон на відчуження нерухомості.

1.7. предмет іпотеки знаходитися на території України і застрахований на його повну вартість від ризиків випадкового знищення, пошкодження або псування. На момент включення іпотечних активів до складу іпотечного покриття, а також протягом усього строку знаходження цих активів у складі іпотечного покриття, страхування предмета іпотеки на його повну вартість підтверджується відповідним договором майнового страхування або страховим

полісом. При цьому страховиком має бути страхова компанія, з моменту внесення якої до Державного реєстру фінансових установ пройшло не менше одного року та щодо якої не застосовувалися заходи впливу у вигляді призначення тимчасової адміністрації.

1.8. іпотечні активи не повинні бути включені до складу іпотечного покриття (іпотечного пулу) іншого випуску іпотечних цінних паперів. На момент включення іпотечних активів до іпотечного покриття, а також протягом усього строку знаходження цих активів у складі іпотечного покриття, вони не можуть забезпечувати виконання зобов’язань емітента за іншим випуском іпотечних облігацій або іпотечних сертифікатів, крім того випуску звичайних іпотечних облігацій, для якого відповідне іпотечне покриття було сформоване.

1.9. основна сума боргу боржника за забезпеченим іпотекою зобов'язанням не перевищує 75 відсотків оціночної вартості предмета іпотеки житлового призначення, визначеної суб'єктом оціночної діяльності, або 60 відсотків оціночної вартості предмета іпотеки нежитлового призначення, визначеної суб'єктом оціночної діяльності. Дана вимога застосовується як на момент включення відповідних іпотечних активів до іпотечного покриття, так і протягом усього строку знаходження цих активів у складі іпотечного покриття.

1.10. зобов'язання боржника не забезпечені наступною іпотекою. Правомочність боржника передати предмет іпотеки за іпотечним активом, включеним до складу іпотечного покриття, наступною іпотекою повинна бути обумовлена наявністю згоди емітента згідно з умовами відповідного іпотечного договору.

1.11. до складу іпотечного покриття не можуть включатися іпотечні активи, які є субстандартними, сумнівними або безнадійними.

1.12. до складу іпотечного покриття не можуть включатися іпотечні активи, зобов’язання боржників за якими забезпечені іпотекою об’єктів незавершеного будівництва або іпотекою майнових прав, у тому числі прав на об’єкти нерухомості, будівництво яких не завершено, або прав користування нерухомим майном. Предметом іпотеки за іпотечними активами, що включаються до іпотечного покриття, може бути виключно існуюче нерухоме майно, право власності боржника на яке зареєстроване у встановленому законодавством порядку. Документом, що підтверджує право власності боржника на предмет іпотеки, є довідка (витяг або інший документ відповідно до законодавства) органів бюро технічної інвентаризації, Державного реєстру прав власності на нерухоме майно, Державного реєстру земель, Державного реєстру прав на нерухоме майно або іншого органу (реєстру), на який відповідно до законодавства покладені функції щодо державної реєстрації прав власності на об’єкти нерухомості.

1.13. до складу іпотечного покриття не можуть включатися іпотечні активи, зобов’язання боржників за якими забезпечені іпотекою таких об’єктів нерухомості житлового призначення:

- гуртожитків;
- фондів житла для тимчасового проживання громадян;
- житлових квартир і будинків, що є об’єктами права державної чи комунальної власності.

1.14. до складу іпотечного покриття не можуть включатися іпотечні активи, зобов'язання боржників за якими забезпечені іпотекою таких об'єктів нерухомості нежитлового призначення:

- земель сільськогосподарського призначення;
- земель, будівель та споруд, які є об'єктами права державної чи комунальної власності;
- єдиних майнових комплексів підприємств;
- майна, на яке законом поширено правовий режим нерухомості, включаючи повітряні та морські судна, судна внутрішнього плавання, космічні об'єкти.

2. емітентом або іншою особою ініційоване звернення стягнення на предмет іпотеки, що забезпечує виконання зобов'язань боржника за відповідним іпотечним активом, або іпотека достроково припиняється з будь-яких інших підстав.

3. боржник за іпотечним активом прострочив строк сплати чергових платежів відповідно до умов кредитного договору більш ніж на три місяці.

4. стосовно боржника за іпотечним активом порушено провадження у справі про банкрутство або інше судове провадження, яке загрожує зверненню стягнення на все його майно.

5. емітентом порушені принципи збалансованості іпотечного покриття із заборгованістю за звичайними іпотечними облігаціями.

Додаткове включення до складу іпотечного покриття нових іпотечних активів може здійснюватись емітентом за власною ініціативою у будь-який момент часу до повного погашення випуску звичайних іпотечних облігацій.

Заміна іпотечних активів у складі іпотечного покриття або включення до складу іпотечного покриття нових іпотечних активів здійснюється емітентом самостійно протягом не більше 5 (п'яти) робочих днів з моменту настання однієї з обставин, що викладені у вищезазначених пунктах 1-5. Також заміна іпотечних активів або включення до складу іпотечного покриття нових іпотечних активів здійснюється емітентом на вимогу управителя, яка обґрунтована наявністю обставин, що викладені у вищезазначених пунктах 1-5, протягом не більше 5 (п'яти) робочих днів з дня пред'явлення відповідної вимоги управителя. При цьому заміною вважається виключення іпотечного активу зі складу іпотечного покриття з одночасним включенням іншого іпотечного активу або активу-замінника до складу іпотечного покриття.

Заміна іпотечних активів у складі іпотечного покриття вважається такою, що набрала чинності, з моменту внесення відомостей про це до реєстру іпотечного покриття.

Якщо при настанні обставин, що викладені у вищезазначених пунктах 1-5, в розпорядженні емітента не має нових іпотечних активів, емітент має право включити до складу іпотечного покриття активи-замінники. Активами-замінниками можуть бути лише:

- державні цінні папери або цінні папери, повністю гарантовані державою;
- грошові кошти, розміщені емітентом на окремому депозитному рахунку в банку, щодо якого протягом останніх дванадцяти місяців Національним

банком України не були застосовані заходи впливу у вигляді тимчасової адміністрації або заборони на залучення депозитів. Умови такого депозиту повинні передбачати можливість дострокового повернення емітенту суми депозиту на його першу вимогу.

Розмір активів-замінників не може перевищувати 25 відсотків від розміру іпотечного покриття.

Сумарна вартість державних цінних паперів або цінних паперів, повністю гарантованими державою, визначається як несплачена сукупна номінальна вартість усіх цінних паперів, включених до складу іпотечного покриття без урахування процентів (дивідендів) за такими цінними паперами. Якщо такі цінні папери є дисконтними, їх розмір визначається на аналогічних засадах, але за мінусом сукупної суми дисконту, визначеного умовами випуску таких цінних паперів, та з урахуванням амортизації.

Розмір грошових коштів, розміщених емітентом на окремому депозитному рахунку в банку, визначається як загальна сума депозиту без врахування нарахованих процентів.

Іпотечні активи та активи-замінники включаються до складу іпотечного покриття з моменту внесення відомостей про них до реєстру іпотечного покриття. На ці активи поширюється правовий режим застави іпотечного покриття на користь власників звичайних іпотечних облігацій.

4.1.13. Дії емітента в разі прийняття рішення про звернення стягнення на іпотечне покриття:

Звернення стягнення на іпотечне покриття може здійснюватися лише на вимогу власників іпотечних облігацій. Інші особи, включаючи кредиторів емітента, кредиторів управителя чи кредиторів власника іпотечних облігацій, не мають права пред'являти вимоги на іпотечне покриття, звертати стягнення чи іншим чином обтяжувати іпотечне покриття до повного виконання зобов'язання за відповідним випуском іпотечних облігацій, що забезпечується відповідним іпотечним покриттям.

У разі звернення стягнення на іпотечне покриття емітент на вимогу управителя здійснює усі дії, які передбаченні чинним законодавством, щодо передачі обслуговування іпотечного покриття управителю або призначеної ним обслуговуючої установи.

Емітент має право у будь-який час після прийняття рішення про звернення стягнення на іпотечне покриття і до його продажу або передачі іншій особі в повному обсязі виконати свої зобов'язання за іпотечними облігаціями, а власники іпотечних облігацій зобов'язані прийняти таке виконання. У такому разі емітент зобов'язаний відшкодувати управителю всі витрати, пов'язані з проведенням процедури звернення стягнення.

4.1.14. Умови та періодичність проведення аудиторських перевірок іпотечного покриття:

З метою організації контролю за станом іпотечного покриття, що є забезпеченням виконання зобов'язань за звичайними іпотечними облігаціями, веденням реєстру іпотечного покриття та реєстраційного журналу аудиторська компанія, яка відповідно до вимог законодавства України має право на проведення аудиторської діяльності та має відповідний сертифікат на право здійснення аудиторських перевірок, діє відповідно до договору між аудитором та Установою за погодженням з управителем, що передбачає умови здійснення контролю аудитором за станом іпотечного покриття.

Безпосередню перевірку даних реєстру іпотечного покриття та реєстраційного журналу здійснює аудитор або Державна комісія з цінних паперів та фондового ринку. Право представників управителя здійснювати перевірку реєстру іпотечного покриття та реєстраційного журналу обмежується випадками та в межах, прямо передбачених договором про управління іпотечним покриттям.

Аудитор здійснює планову перевірку реєстру іпотечного покриття по завершенню кожного процентного періоду за звичайними іпотечними облігаціями один раз на квартал. Аудиторська перевірка реєстру іпотечного покриття також здійснюється до реєстрації відповідного випуску звичайних іпотечних облігацій. Позапланові аудиторські перевірки можуть проводитися на вимогу управителя або Державної комісії з цінних паперів та фондового ринку у разі загрози невиконання емітентом зобов'язань за звичайними іпотечними облігаціями.

Під час проведення планового аудиту аудитор виконує наступні аудиторські процедури:

Виконати перевірку реєстру іпотечного покриття стосовно записів у базі даних для всіх компонентів в сукупності станом на кінець процентного періоду. Розмір вибірки буде становити 100% компонентів бази даних.

Для кожної позиції вибірки станом на кінець процентного періоду перевірити, щоб записи для наступних компонентів кожного іпотечного файлу у зразку в точності відповідали записам для тих самих компонентів, як вони відображені у реєстрі іпотечного покриття. Перевірка записів здійснюється шляхом порівняння та співставлення наступних показників:

- визначення платіжного статусу кредитної операції (стандартний або непрацюючий) у відповідності з методикою Національного банку України.

- непогашений дебетовий залишок на відповідному кредитному рахунку станом на кінець процентного періоду, відображений у реєстрі іпотечного покриття, з інформацією, яка міститься у виписці за кредитним рахунком станом на кінець процентного періоду в автоматизованій системі бухгалтерського обліку Установи.

- відношення кредиту до вартості забезпечення (LTV), відображене у реєстрі іпотечного покриття, з відповідною величиною, розрахованою як відношення первісної суми кредиту до суми оцінки нерухомості (по договору застави) станом на дату надання кредиту.

- поточну відсоткову ставку, відображену у реєстрі іпотечного покриття, зі ставкою, зазначеною у оригіналі кредитної угоди (з додатками).

- статус кредиту (житловий або комерційний), відображеного у реєстрі іпотечного покриття, з умовами кредитної угоди (з додатками).

Виконати перевірку звіту емітента про стан іпотечного покриття.

Перевірити наступні обчислені компоненти звіту про стан іпотечного покриття шляхом повторного розрахунку компонентів або перевірки формул, які використовувалися в електронній таблиці для розрахунку різних розрахованих компонентів, якщо реєстр був переданий у форматі електронної таблиці:

- непогашений залишок за всіма кредитами в пулі, що означає дебетовий залишок станом на кінець процентного періоду за кредитами в пулі;
- непогашений залишок за всіма кредитами та іншими активами у пулі, що означає дебетовий залишок станом на кінець процентного періоду за кредитами та іншими активами в пулі;
- середньозважений термін кредитів та інших активів в пулі;
- середньозважена відсоткова ставка за кредитами та іншими активами в пулі;
- середньозважене початкове відношення кредиту до вартості забезпечення, зазначеної у реєстрі;
- житлові кредити як відсоток іпотечного покриття.

Для виконання визначеної аудиторської процедури середньозважені значення розраховуються відповідно до наступної математичної формули:

$$\bar{x} = \frac{\sum_{i=1}^{n} w_i x_i}{\sum_{i=1}^{n} w_i}$$

де w – це вага окремого елемента, x, - набір даних, зокрема строк, відсоткова ставка або LTV. Вага окремого елемента розраховується як відношення величини цього елемента до суми величин усіх відповідних елементів.

Якщо будь-який з компонентів, розрахованих або перевірених, не співпадає точно з відповідним значенням, вказаним у звіті емітента, недійсним вважається лише цей розрахований компонент.

За результатами перевірки реєстру іпотечного покриття складається аудиторський висновок. В аудиторському висновку зазначається інформація про: відповідність або невідповідність розміру, стану та характеристик іпотечного покриття вимогам, встановленим законодавством, за результатами перевірки реєстру іпотечного покриття; відповідність або невідповідність характеристик окремих іпотечних активів та активів-замінників у складі іпотечного покриття вимогам, встановленим законодавством, за результатами перевірки реєстру іпотечного покриття; відповідність або невідповідність даних реєстру іпотечного покриття щодо іпотечного покриття та окремих іпотечних активів і активів-замінників у складі іпотечного покриття даним бухгалтерського обліку і фінансової звітності емітента за результатами перевірки реєстру іпотечного покриття.

До аудиторського висновку додається витяг з реєстру іпотечного покриття, складений на дату проведення аудиторської перевірки.

У разі виявлення будь-яких невідповідностей, в аудиторському висновку мають бути викладені застереження аудитора щодо порушення емітентом окремих вимог, встановлених актами законодавства.

Аудиторський висновок передається емітенту та управителю. Емітент або управитель надає аудиторський висновок до Державної комісії з цінних паперів та фондового ринку у строки та порядку, встановленому Державною комісією з цінних паперів та фондового ринку, і власникам звичайних іпотечних облігацій на їх вимогу.

4.1.15. Порядок ведення реєстру іпотечного покриття:

Реєстр іпотечного покриття звичайних іпотечних облігацій – це база даних у форматі Microsoft Excel, що ведеться емітентом звичайних іпотечних облігацій, в якій відображаються відомості про іпотечне покриття, яке сформоване емітентом щодо окремого випуску звичайних іпотечних облігацій. Ведення реєстру іпотечного покриття здійснюється з використанням електронних носіїв інформації та можливістю формування документу, що відображає дані реєстру іпотечного покриття, на паперовому носії.

Ведення реєстру іпотечного покриття включає такі дії емітента:

внесення записів до реєстру іпотечного покриття та виключення записів з реєстру іпотечного покриття;

оновлення (зміни) відомостей, що містяться в реєстрі іпотечного покриття;

утримання системи реєстру іпотечного покриття в операційному стані протягом усього строку обігу звичайних іпотечних облігацій;

надання інформації (витягів) з реєстру на вимогу аудитора, управителя, власників звичайних іпотечних облігацій або Державної комісії з цінних паперів та фондового ринку;

зберігання документів, що є підставою для внесення записів до реєстру іпотечного покриття, зміни або виключення таких записів.

Реєстр іпотечного покриття складається з трьох розділів:

розділ I – “Загальні відомості про іпотечне покриття”;

розділ II – “Відомості про іпотечні активи у складі іпотечного покриття”;

розділ III – “Відомості про активи-замінники у складі іпотечного покриття”;

Розділи реєстру іпотечного покриття оформляються у вигляді таблиць.

Внесення записів до реєстру іпотечного покриття здійснюється у порядку, визначеному Державною комісією з цінних паперів та фондового ринку. Створення та зберігання Дублікату реєстру іпотечного покриття у форматі інформаційної бази даних виконується в автоматичному режимі автоматизованими системами створення резервних копій програмних комплексів, на платформі яких працює модуль формування Реєстру іпотечного покриття, а саме: клієнт-серверний інформаційно-обчислювальний комплекс «1С:Підприємство 8.0» та інформаційне сховище даних на платформі серверної системи обслуговування баз даних «Microsoft SQL Server».

4.2. Опис умов щодо включення іпотечних активів до складу іпотечного покриття:

Іпотечні активи включаються до складу іпотечного покриття за таких умов:

- іпотечні активи належать емітенту на праві власності;
- забезпечені іпотекою зобов'язання боржників підлягають виконанню у грошовій формі;
- емітент є іпотекодержателем за відповідним іпотечним договором, унесений до відповідного державного реєстру в установленому законодавством України порядку;
- іпотечні активи не перебувають у заставі чи не обтяжені іншим чином для забезпечення виконання емітентом зобов'язань інших ніж його зобов'язання за іпотечними облігаціями;
- за відповідним іпотечним чи кредитним договором не прийнято рішення про звернення стягнення і щодо боржника не порушено провадження у справі про банкрутство:
- умови відповідного іпотечного договору не передбачають можливості заміни чи відчуження іпотекодавцем предмета іпотеки без згоди іпотекодержателя:
- предмет іпотеки перебуває на території України, застрахований на його повну вартість від ризиків випадкового знищення, випадкового пошкодження або псування;
- іпотечні активи не включені до складу іпотечного покриття (іпотечного пулу) іншого випуску іпотечних цінних паперів;
- основна сума боргу боржника за забезпеченим іпотекою зобов'язанням не перевищує 75 відсотків оціночної вартості предмета іпотеки, визначеної суб'єктом оціночної діяльності;
- зобов'язання боржника не забезпечується наступною іпотекою.

5. Порядок розміщення звичайних іпотечних облігацій:

5.1. Адреси місць, дати початку та закінчення розміщення звичайних іпотечних облігацій:

Звичайні іпотечні облігації розміщуються шляхом відкритого (публічного) розміщення серед заздалегідь не визначеної кількості осіб. Розміщення звичайних іпотечних облігацій серій "A", "B", "C", "D", "E", "F", "G" здійснюється емітентом самостійно за адресою: Україна, 04119, м. Київ, вул. Шолуденка, 1-б, тел.: (38 044) 483-4471, 483-4418, факс: (38 044) 483-4480.

Дата початку первинного розміщення звичайних іпотечних облігацій серій "A", "B", "C", "D", "E", "F", "G" 25 серпня 2008 року. Дата закінчення розміщення звичайних іпотечних облігацій серій "A", "B", "C", "D", "E", "F", "G" – 24 серпня 2009 року.

Під час розміщення облігацій можливо залучення андеррайтеру.

5.2. Запланована ціна розміщення звичайних іпотечних облігацій:

Запланований курс у перший день продажу складає 100% від номінальної вартості звичайних іпотечних облігацій.

Ціна продажу облігацій при їх розміщенні в подальшому встановлюється в процесі переговорів між емітентом та інвестором, виходячи з кон'юнктури ринку на дату розміщення.

Розміщення звичайних іпотечних облігацій може здійснюватися на біржах, у позабіржових торговельно-інформаційних системах та на позабіржовому ринку.

Випуск вважається таким, що відбувся, за умови продажу хоча б однієї облігації відповідної серії.

5.3. Найменування фінансової установи та номер поточного рахунку, на який вноситиметься оплата за звичайні іпотечні облігації:

При розміщенні звичайних іпотечних облігацій серій "A", "B", "C", "D", "E", "F", "G" їх оплата здійснюється інвестором (покупцем) відповідно до умов договору купівлі–продажу цінних паперів, укладеного з Емітентом та інвестором, на рахунок емітента № 26506301869 в ВАТ «Державний ощадний банк України», МФО 300465, код ЄДРПОУ 33304730.

Оплата по звичайних іпотечних облігаціях серій "A", "B", "C", "D", "E", "F", "G" здійснюється у гривнях шляхом перерахування грошових коштів у розмірі повної вартості інвесторами за рахунок власних коштів.

Для придбання звичайних іпотечних облігацій інвестор повинен мати рахунок у цінних паперах у ліцензованого Державною комісією з цінних паперів та фондового ринку зберігача, який має рахунок відкритий у депозитарії ВАТ "Національний депозитарій України». У випадку, якщо у встановлений договором купівлі-продажу цінних паперів строк, кошти від покупця не надійдуть емітент має право реалізувати ці облігації іншому покупцю. Після сплати покупцем повної вартості звичайних іпотечних облігацій відповідно до умов договору купівлі–продажу цінних паперів емітент перераховує цінні папери на рахунок у цінних паперах покупця, відкритий у обраного ним зберігача. Право власності на придбані звичайні іпотечні облігації власник набуває з моменту їх зарахування на його рахунок у цінних паперах у зберігача. Власниками звичайних іпотечних облігацій можуть бути фізичні та юридичні особи, резиденти та нерезиденти.

5.4. Строк оплати звичайних іпотечних облігацій:

Строк оплати звичайних іпотечних облігацій серій "A", "B", "C", "D", "E", "F", "G" зазначається у договорі купівлі-продажу цінних паперів і не може бути пізніше дати закінчення розміщення звичайних іпотечних облігацій.

5.5. Можливість дострокового закінчення розміщення звичайних іпотечних облігацій:

У разі, якщо запланований обсяг звичайних іпотечних облігацій по кожній із серій "A", "B", "C", "D", "E", "F", "G" буде достроково розміщено та повністю сплачено, Правління Установи приймає рішення про дострокове

закінчення розміщення, результатів розміщення та затвердження звіту про результати розміщення кожної серії звичайних іпотечних облігацій.

6. Умови та дата закінчення обігу іпотечних облігацій, можливість викупу емітентом іпотечних облігацій у власників на їх вимогу із зазначенням випадків, у яких емітент здійснює викуп іпотечних облігацій, порядок повідомлення власників облігацій про здійснення викупу облігацій, порядок установлення ціни викупу іпотечних облігацій і строк, у який облігації можуть бути пред'явлені їх власниками для викупу:

6.1 Умови та дата закінчення обігу іпотечних облігацій:

Дата початку обігу кожної із серій “A”, “B”, “C”, “D”, “E”, “F”, “G” звичайних іпотечних облігацій починається після реєстрації ДКЦПФР звіту про результати розміщення та видачі свідоцтва про реєстрацію випуску кожної серії звичайних іпотечних облігацій.

Дата закінчення обігу звичайних іпотечних облігацій:
серії “A” – 15 серпня 2011 року;
серії “B” – 16 серпня 2011 року;
серії “C” – 17 серпня 2011 року;
серії “D” – 18 серпня 2011 року;
серії “E” – 19 серпня 2011 року;
серії “F” – 20 серпня 2011 року;
серії “G” – 21 серпня 2011 року.

Звичайні іпотечні облігації серій “A”, “B”, “C”, “D”, “E”, “F”, “G” можуть обертатися вільно протягом усього терміну обігу на території України відповідно до чинного законодавства України.

Протягом строку обігу звичайних іпотечних облігацій сукупний розмір іпотечних активів, зобов'язання боржників за якими забезпечені іпотекою жилих будинків або квартир, становитиме не менше ніж 85 відсотків від сукупного розміру усіх іпотечних активів, включених до складу іпотечного покриття звичайних іпотечних облігацій.

Протягом строку обігу звичайних іпотечних облігацій серій значення коефіцієнта їх іпотечного покриття не перевищуватиме 0,9.

У разі, коли протягом строку обігу звичайних іпотечних облігацій коефіцієнт іпотечного покриття перевищить вищезазначений показник, Установа здійснюватиме включення нових іпотечних активів до складу іпотечного покриття для приведення його розміру у відповідність із встановленим значенням коефіцієнта іпотечного покриття.

Протягом строку обігу звичайних іпотечних облігацій характеристики іпотечного покриття стосовно строків, дохідності і порядку погашення збалансовуватимуться Установою з відповідними характеристиками звичайних іпотечних облігацій щодо:

- перевищення середньозваженого строку іпотечних та інших активів у складі іпотечного покриття над строком повного виконання зобов'язань за звичайними іпотечними облігаціями;

- перевищення середньозваженого розміру процентів (доходу) за іпотечними та іншими активами у складі іпотечного покриття над розміром процентів (доходу) за звичайними іпотечними облігаціями;
- відповідності регулярності та розміру періодичних платежів у рахунок сплати процентів за іпотечними та іншими активами у складі іпотечного покриття регулярності та розміру періодичних платежів емітента у рахунок сплати процентів за звичайними іпотечними облігаціями.

Для розрахунку розміру іпотечного покриття звичайних іпотечних облігацій, коефіцієнта іпотечного покриття та контролю за дотриманням емітентом вимог збалансованості характеристик іпотечного покриття відповідним характеристикам звичайних іпотечних облігацій Установою не враховуватимуться іпотечні та інші активи у складі іпотечного покриття, які відповідно до правил, встановлених Національним банком України, визнані як субстандартні або безнадійні.

6.2. Викуп звичайних іпотечних облігацій при здійсненні права вимог власників звичайних іпотечних облігацій по достроковому виконанню грошових зобов’язань за такими облігаціями:

Власники звичайних іпотечних облігацій мають право вимагати від емітента дострокового виконання грошових зобов’язань за такими облігаціями у разі:

- невиконання або неналежного виконання емітентом грошових зобов'язань за звичайними іпотечними облігаціями у строки, визначені у цьому проспекті емісії;
- порушення щодо емітента провадження у справі про банкрутство або призначення тимчасового адміністратора чи ліквідатора;
- непроведення заміни іпотечних активів або невключення нових іпотечних активів до складу іпотечного покриття у випадках передбачених законодавством;
- учинення емітентом щодо іпотечного покриття дій, які суперечать вимогам законодавства, якщо такі дії ставлять під загрозу належне виконання емітентом зобов'язань за іпотечними облігаціями.

Власники звичайних іпотечних облігацій здійснюють право вимоги облігацій дострокового виконання грошових зобов’язань за такими облігаціями через управителя іпотечних активів.

Для забезпечення вимог власників звичайних іпотечних облігацій щодо дострокового виконання грошових зобов'язань за такими облігаціями Емітент спільно з управителем здійснює заходи по викупу звичайних іпотечних облігацій та встановлює строки їх викупу. Викуп по забезпеченню вимог власників звичайних іпотечних облігацій щодо дострокового виконання грошових зобов'язань за такими облігаціями здійснюється Емітентом за ціною, що складається з номінальної вартості облігації та накопленого купонного доходу за період з дати останньої виплати купонного доходу, що здійснив Емітент до дати викупу облігацій.

6.3. Достроковий викуп звичайних іпотечних облігацій при встановленні нового рівня процентних ставок:

Власники звичайних іпотечних облігацій, яких не влаштовує встановлений новий рівень процентної ставки, мають право пред'явити свої облігації для викупу Емітенту, який зобов'язується здійснити достроковий викуп звичайних іпотечних облігацій на вимогу їх власників після закінчення: четвертого, шостого, восьмого, десятого відсоткового періоду в наступні строки:

Відсотковий період	Дата дострокового викупу
4	24.08.2009 р.
6	22.02.2010 р.
8	23.08.2010 р.
10	21.02.2011 р.

Достроковий викуп здійснюється Емітентом за номінальною вартістю звичайних іпотечних облігацій – 100000,00 (сто тисяч) гривень.

Якщо дата дострокового викупу припадає на неробочий день, достроковий викуп здійснюється у перший робочий день за відповідною датою.

Для використання права дострокового викупу звичайних іпотечних облігацій власник таких облігацій або належним чином уповноважена ним особа (далі Продавець) має подати Емітенту заяву про намір здійснити такий викуп. Така заява має містити назву Продавця, П.І.Б. уповноваженої особи та вказівку на документ, що підтверджує повноваження особи надавати дане повідомлення (Статут підприємства, довіреність тощо), кількість звичайних іпотечних облігацій та номери звичайних іпотечних облігацій запропонованих до викупу, згоду з умовами викупу, які викладені в зареєстрованому ДКЦПФР проспекті емісії облігацій, адресу та телефон Продавця, бути засвідчене уповноваженою особою.

Подання заяв здійснюється за місцезнаходженням Емітента.

Дата початку подання заяв за 10 календарних днів до дати дострокового викупу облігацій.

Дата закінчення подання заяв за 5 календарних днів до дати дострокового викупу облігацій.

Заяви, які були надані до або після вказаних строків, вважаються не дійсними.

Для подання заяв про достроковий викуп звичайних іпотечних облігацій власниками цих облігацій можуть використовуватись такі засоби доставки:

- подання заяви Емітенту безпосередньо власником або представником власника звичайних іпотечних облігацій;
- поштової (рекомендованим листом) або кур'єрської доставки;
- телеграфного та факсимільного засобів зв'язку.

Датою подання заяви з використанням поштової (рекомендованим листом) або кур'єрської доставки, телеграфного та факсимільного засобів зв'язку вважається дата отримання заяви Емітентом. Заяви, подані в інші строки, Емітентом не розглядаються.

При використанні власником телеграфного та факсимільного засобів зв'язку власники мають подати оригінали заяв та додатки до заяв, оформлені у порядку, визначеному Проспектом емісії, до дня укладання договору щодо викупу звичайних іпотечних облігацій.

Достроковий викуп звичайних іпотечних облігацій здійснюється на підставі договорів купівлі-продажу звичайних іпотечних облігацій, які укладаються між Емітентом та власником облігацій-заявником. Договори укладаються за два дні до дати дострокового викупу звичайних іпотечних облігацій.

Власник звичайних іпотечних облігацій на підставі договору переказує облігації на рахунок Емітента в депозитарії ВАТ "Національний депозитарій України" з 9-00 до 12-00 години до встановленої дати дострокового викупу звичайних іпотечних облігацій. Власникам звичайних іпотечних облігацій, які здійснили переказ звичайних іпотечних облігацій своєчасно, Емітент перераховує грошові кошти не пізніше встановленої дати дострокового викупу.

У разі, якщо власник звичайних іпотечних облігацій не здійснив переказ облігацій на рахунок Емітента до зазначеного часу, договір купівлі-продажу звичайних іпотечних облігацій, укладений між Емітентом та власником звичайних іпотечних облігацій, може бути припинений Емітентом в односторонньому порядку.

Виплата грошових коштів за звичайні іпотечні облігації, що викуповуються достроково, власникам звичайних іпотечних облігацій, які здійснили переказ звичайних іпотечних облігацій на рахунок Емітента в депозитарії ВАТ "Національний депозитарій України" до зазначеного часу, здійснюється на підставі зведеного облікового реєстру, складеного депозитарієм ВАТ "Національний депозитарій України" станом на кінець робочого дня напередодні дати дострокового викупу, встановленої для відповідної серії звичайних іпотечних облігацій.

У разі відсутності у зведеному обліковому реєстрі реквізитів рахунків для перерахування грошових коштів або, якщо ці реквізити зазначені невірно, грошові кошти депонуються на рахунку Емітента № 26506301869 у банку ВАТ "Державний ощадний банк України" (код банку 300465), код ЄДРПОУ 33304730, і виплачуються при зверненні власника до Емітента з відповідною заявою. Відсотки на депоновані кошти не нараховуються і не виплачуються.

Виплати номінальної вартості здійснюються у національній валюті України шляхом перерахування грошових коштів на рахунки власників (зберігачів), зазначені у зведеному обліковому реєстрі, та/або готівкою через касу Емітента – для фізичних осіб.

6.4. Достроковий викуп звичайних іпотечних облігацій за згодою сторін:

За згодою обох сторін, власник звичайних іпотечних облігацій може надати такі облігації для їх викупу Емітенту. Викуп може здійснюватися Емітентом на протязі всього строку обігу звичайних іпотечних облігацій.

Емітент здійснює викуп звичайних іпотечних облігацій серій у власника таких облігацій за ціною, яка визначається за згодою обох сторін. Про свій

намір надати звичайні іпотечні облігації для їх викупу власник таких облігацій повідомляє про це у письмовій формі Емітента. На наступний робочий день після отримання Емітентом такого письмового повідомлення Емітент проводить переговори з власником звичайних іпотечних облігацій щодо строку та ціни викупу. У разі досягнення згоди обох сторін Емітент здійснює викуп звичайних іпотечних облігацій серій та укладає з власником таких облігацій договір купівлі-продажу у строки та за ціною визначеною сторонами.

Емітент має право через обраного ним торговця цінними паперами здійснювати подальшу реалізацію викуплених звичайних іпотечних облігацій, укладати цивільно-правові угоди відносно викуплених облігацій, зберігати звичайні іпотечні облігації на рахунку у цінних паперах до погашення випуску та здійснювати по відношенню до таких облігацій інші дії, що відповідають чинному законодавству України.

7. Порядок виплати доходу за іпотечними облігаціями:

7.1. Адреса місць, дата початку і закінчення виплати доходу за іпотечними облігаціями:

Виплати процентного доходу за звичайними іпотечними облігаціями серій “A”, “B”, “C”, “D”, “E”, “F”, “G” здійснюються в національній валюті України (гривні) на підставі зведеного облікового реєстру за адресою: 04116, м. Київ, вул. Шолуденка, 1Б, тел. (380 44) 483-44-71, факс (380 44) 483-44-80.

Для звичайних іпотечних облігацій серій “A”, “B”, “C”, “D”, “E”, “F”, “G” з першого по одинадцятий відсотковий періоди Емітент встановлює такі параметри:

Порядковий номер процентного періоду	**Дата початку процентного періоду**	**Дата закінчення процентного періоду**	**Кількість днів у процентному періоді**	**Дата виплати проценту**	**Процентна ставка для виплати процентного доходу, (% річних)**	**Сума процентної виплати на одну облігацію, (грн.)**
1	**25.08.2008**	**23.11.2008**	91	**24.11.2008**	11,5	2867,12
2	**24.11.2008**	**22.02.2009**	91	**23.02.2009**	11,5	2867,12
3	**23.02.2009**	**24.05.2009**	91	**25.05.2009**	11,5	2867,12
4	**25.05.2009**	**23.08.2009**	91	**24.08.2009**	11,5	2867,12
5	**24.08.2009**	**22.11.2009**	91	**23.11.2009**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки
6	**23.11.2009**	**21.02.2010**	91	**22.02.2010**		
7	**22.02.2010**	**23.05.2010**	91	**24.05.2010**		
8	**24.05.2010**	**22.08.2010**	91	**23.08.2010**		
9	**23.08.2010**	**21.11.2010**	91	**22.11.2010**		
10	**22.11.2010**	**20.02.2011**	91	**21.02.2011**		
11	**21.02.2011**	**22.05.2011**	91	**23.05.2011**		

Останній відсотковий період для облігацій встановлено:

серія “A”:

12	**23.05.2011**	**15.08.2011**	85	**16.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки

серія “B”:

12	**23.05.2011**	**16.08.2011**	86	**17.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки

серія “C”:

12	**23.05.2011**	**17.08.2011**	87	**18.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки

серія “D”:

12	**23.05.2011**	**18.08.2011**	88	**19.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки

серія “E”:

12	**23.05.2011**	**19.08.2011**	89	**20.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних	Розраховується виходячи із встановленої процентної ставки

					облігаціях і не може бути меншою 5% річних	

серія “F”:

12	**23.05.2011**	**20.08.2011**	90	**21.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки

серія “G”:

12	**23.05.2011**	**21.08.2011**	91	**22.08.2001**	Встановлюється Емітентом відповідно до порядку виплати доходу по звичайних іпотечних облігаціях і не може бути меншою 5% річних	Розраховується виходячи із встановленої процентної ставки

7.2. Запланований процент, метод розрахунку та порядок виплати доходу, валюта, у якій здійснюється виплата доходу:

По звичайних іпотечних облігаціях серій “A”, “B”, “C”, “D”, “E”, “F”, “G” встановлюється фіксована ставка доходності у розмірі **11,5 %** річних у гривні на перші 4 (чотири) купонних періоди. Процентна ставка на кожні наступні 2 (два) процентні періоди встановлюється Правлінням Емітента не пізніше, ніж за 20 (двадцять) календарних днів, до дня початку відповідного процентного періоду, виходячи з кон’юнктури ринку, і не може бути меншою 5% річних. Розмір процентної ставки за звичайними іпотечними, що встановлюється не може перевищувати середньозваженої процентної ставки за іпотечними та іншими активами у складі іпотечного покриття.

Процентна ставка оголошується Емітентом не пізніше, ніж за 14 (чотирнадцять) календарних днів, до дня початку відповідного процентного періоду шляхом опублікування оголошення у офіційному друкованому виданні Державної комісії з цінних паперів.

При цьому інвестори, яких не влаштовує встановлений новий рівень процентної ставки, мають право пред’явити свої облігації для викупу Емітенту.

Виплата відсоткового доходу за звичайними іпотечними облігаціями здійснюється власникам таких облігацій з урахуванням чинного законодавства України. Якщо дата виплати у відсотковому періоді припадає на вихідний, святковий або неробочий дні за законодавством України, виплата відсоткового

доходу здійснюється у перший робочий день після такого вихідного, святкового або неробочого дня.

Відсотки виплачуються з періодичністю один раз на три місяці.

Виплата доходу за останнім відсотковим періодом здійснюється одночасно з погашенням облігацій.

Сума процентів, що підлягає виплаті власнику звичайної іпотечної облігації за черговим процентним періодом, розраховується за формулою:

$$Kj = (N \times Cj \times Tj) / (T \times 100)$$

де

j - порядковий номер процентного періоду;
Kj – сума процентів за кожною облігацією в j – му процентному періоді;
N – номінальна вартість звичайної іпотечної облігації;
Cj – процентна ставка j-го процентного періоду;
Tj – кількість днів у j-му процентному періоді;
T – кількість днів у році (365 днів).

Сума процентів визначається на одну звичайну іпотечну облігацію з точністю до 1 копійки за правилами математичного округлення.

Виплата процентів здійснюється у національній валюті України – гривнях.

Процедура проведення виплати процентного доходу:

Виплата процентів здійснюється власникам звичайних іпотечних облігацій, які зазначені у зведеному обліковому реєстрі, складеному депозитарієм ВАТ «Національний депозитарій», на кінець робочого дня, що передує даті виплати процентного доходу по таких облігаціях. На підставі зведеного облікового реєстру депозитарію Емітент здійснює виплату процентів кожному власнику звичайних іпотечних облігацій на їх поточні рахунки, згідно з вимогами діючого законодавства.

У разі відсутності в зведеному обліковому реєстрі звичайних іпотечних облігацій даних щодо грошових рахунків власника таких облігацій, належна сума депонується на рахунку емітента № 26506301869 в ВАТ «Державний ощадний банк України», МФО 300465, код ЄДРПОУ 33304730 до особистого письмового звернення власників. Проценти на депоновані кошти не нараховуються. Строк позовної давності по виплаті процентів визначається чинним законодавством України.

8. Порядок погашення звичайних іпотечних облігацій:

8.1. Адреси місць, дати початку і закінчення погашення звичайних іпотечних облігацій:

Погашення звичайних іпотечних облігацій серій “A”, “B”, “C”, “D”, “E”, “F”, “G” здійснюється Емітентом в національній валюті України (гривні) на підставі зведеного облікового реєстру, складеного депозитарієм ВАТ "Національний депозитарій України" на кінець робочого дня, що передує даті

погашення звичайних іпотечних облігацій серій “A”, “B”, “C”, “D”, “E”, “F”, “G” за адресою: 04116, м. Київ, вул. Шолуденка, 1Б, тел. (380 44) 483-44-71, факс (380 44) 483-44-80.

Погашення звичайних іпотечних облігацій серій здійснюється протягом одного банківського дня:

серії “A” – 16 серпня 2011 року;
серії “B” – 17 серпня 2011 року;
серії “C” – 18 серпня 2011 року;
серії “D” – 19 серпня 2011 року;
серії “E” – 20 серпня 2011 року;
серії “F” – 21 серпня 2011 року;
серії “G” – 22 серпня 2011 року.

8.2. Порядок виплати номінальної вартості та доходу за звичайними іпотечними облігаціями із зазначенням валюти, у якій здійснюється погашення:

При погашенні звичайних іпотечних облігацій її власникам сплачується номінальна вартість облігацій разом з сумою відсоткових виплат за останній відсотковий період (сума погашення).

Погашення облігацій здійснюється власникам звичайних іпотечних облігацій серій з урахуванням діючого законодавства України. Якщо дата погашення припадає на вихідний, святковий або неробочий день за законодавством України, погашення здійснюється у перший робочий день після такого вихідного, святкового або неробочого дня.

Для пред’явлення звичайних іпотечних облігацій до погашення власники таких облігацій переводять належні їм облігації з особистих рахунків у цінних паперах на рахунок Емітента в депозитарії ВАТ "Національний депозитарій України" з 9 години до 13 години дня, що передує дню погашення звичайних іпотечних облігацій.

Емітент виплачує власникам звичайних іпотечних облігацій, які своєчасно подали такі облігації для погашення, суму погашення юридичним особам на їх поточні рахунки, фізичним особам через касу Емітента згідно з вимогами діючого законодавства. Сума погашення виплачується у національній валюті України – гривні.

Виплата коштів за звичайними іпотечними облігаціями, власником яких є нерезидент здійснюється Емітентом за вирахуванням податку на прибуток, відповідно чинного законодавства України. Для визначення суми прибутку від здійснення операцій з іпотечними облігаціями, нерезидент одночасно із заявою про достроковий викуп облігацій надає Емітенту нотаріально засвідчені документи, на підставі яких облігації надійшли у власність нерезидента та документів необхідних для утримання податку. Виплата коштів за звичайними іпотечними облігаціями проводиться на користь нерезидента виключено при наданні вищезазначених документів. Прибуток від здійснення операцій з звичайними іпотечними облігаціями визначається Емітентом відповідно норм Закону України «Про оподаткування прибутку підприємств».

У разі відсутності в зведеному обліковому реєстрі звичайних іпотечних облігацій даних щодо реквізитів поточного рахунку власника таких облігацій, або реквізити є помилковими, належна до виплати сума депонується на рахунку № 26506301869 ВАТ "Державний ощадний банк України" (код банку 300465), код ЄДРПОУ 33304730, до особистого письмового звернення власника. Відсотки на депоновані кошти не нараховуються.

8.3. Можливість дострокового погашення звичайних іпотечних облігацій:

Дострокове погашення звичайних іпотечних облігацій відповідної серії може бути здійснене за рішенням Емітентом у разі дострокового викупу 100% облігацій цієї серії. Рішення про дострокове погашення звичайних іпотечних облігацій приймається Правлінням Державної іпотечної установи.

8.4. Дії, які провадяться у разі несвоєчасного подання звичайних іпотечних облігацій для погашення (дострокового погашення) випуску (серії):

У випадку, якщо власник звичайних іпотечних облігацій не перерахував на дату погашення належні йому звичайні іпотечні облігації зі свого рахунку у цінних паперах на рахунок Емітента в депозитарії ВАТ "Національний депозитарій України" або якщо наданий депозитарієм зведений обліковий реєстр не містить даних про реквізити, за якими повинна бути проведена виплата номінальної вартості цінних паперів, належна до виплати сума депонується протягом строку позовної давності до особистого звернення власників на рахунку № 26506301869 ВАТ "Державний ощадний банк України" МФО 300465, код ЄДРПОУ 33304730. Відсотки на депоновані кошти не нараховуються.

За звичайними іпотечними облігаціями, які подані для погашення несвоєчасно, розрахунки здійснюються Установою за письмовим зверненням власників таких облігацій.

9. Порядок повідомлення про розміщення звичайних іпотечних облігацій:

Повідомлення про розміщення звичайних іпотечних облігацій здійснюється Емітентом шляхом опублікування зареєстрованого проспекту емісії звичайних іпотечних облігацій в офіційному друкованому виданні Державної комісії з цінних паперів та фондового ринку не менш як за 10 днів до початку відкритого (публічного) розміщення цінних паперів.

10. Інформація про управителя іпотечним покриттям:

10.1. Найменування управителя:

Відкрите акціонерне товариство “Державний ощадний банк України”.

10.2. Місцезнаходження, номери телефонів, факсу управителя:

01023, м. Київ, вул. Госпітальна, 12 г
тел. (380 44) 247-85-67, факс (380 44) 247-85-68

10.3. Код ЄДРПОУ управителя - 00032129

10.4. Предмет діяльності:

Здійснення банківських та інших операцій і угод згідно з наданими Національним банком України ліцензіями і дозволами, провадження іншої діяльності, не забороненої для банків, у порядку, передбаченому законодавством.

10.5. Розмір статутного капіталу, відомості щодо його сплати:

922 000 000,00 грн. (дев’ятсот двадцять два мільйони гривень), повністю сплачений.

10.6. Умови сплати витрат та винагород управителя, а також максимальний розмір цих витрат і винагород:

Винагорода управителя сплачується за кожний квартал обігу звичайних іпотечних облігацій на підставі рахунку, виписаного до 20 числа останнього місяцю звітного кварталу обігу облігацій. Оплата проводиться Емітентом протягом 5 днів з дня надання управителем Емітенту відповідного рахунку Максимальний розмір витрат на квартал складає 12 499,75 грн., в тому числі ПДВ. У разі, якщо обіг всього випуску звичайних іпотечних облігацій припинено з будь-яких причин (дострокове погашення, реструктуризація та інше) винагорода управителя здійснюється в розмірі фактично наданих послуг. Якщо Емітент не виконує його зобов'язань здійснити оплату будь-яких винагород, витрат управителя, Управитель має право одержати ці винагороди або відшкодування витрат безпосередньо за рахунок процентного доходу від іпотечного покриття та із сум доходів, отриманих від продажу (в тому числі шляхом утримання), задоволення вимог чи обслуговування іпотечного покриття Емітента.

Вимога управителя щодо сплати його витрат і винагород має першочерговий пріоритет над вимогами власників звичайних іпотечних облігацій

10.7. Дата видачі та строк дії ліцензії

Дозвіл від 29.04.2002 № 148-2 на довірче управління коштами та цінними паперами за договорами з юридичними та фізичними особами, виданий Національним банком України на підставі банківської ліцензії від 16.01.2002 № 148.

10.8. Номер та дата договору про здійснення управління іпотечним покриттям:

Договір від 5 травня 2008 року № 1.

11. Інформація про обслуговуючу установу

11.1.

№ п/п	**Найменування обслуговуючої установи**	**Місце знаходження**		**Номери телефонів, факсу, електронної пошти та інших засобів зв'язку обслуговуючої установи**	**Номер та дата договору про здійснення обслуговування іпотечних активів**
		фактична адреса	адреса для листування		
1	Товариство з обмеженою відповідальністю Комерційний банк "АРМА"	01033 м.Київ, вул.Жилянська, 41-а	01033 м.Київ, вул.Жилянська, 41-а	тел. +38(044)494-15-46 факс +38(044)494-15-46 Emal. www.arma-bank.com.ua	№2 від 23.08.2006
2	Акціонерний банк "Діамант"	04070 м.Київ, Контрактова площа 10-а	04070 м.Київ, Контрактова площа 10-а	тел. +38(044)490-83-95 Emal. tlv@diamantbank.ua	№3 від 30.08.2006
3	ВАТ "Банк "Фінанси та Кредит"	04050 м.Київ, вул.Артема, 60	04050 м.Київ, вул.Артема, 60	тел. +38(044)457-10-50 Emal. liudmila.guseva@fcbank.com.ua elena.obshtadt@fcbank.com.ua	№5 від 12.09.2006
4	ВАТ "Родовід Банк"	04070 м.Київ, вул.П.Сагайдачного, 17	04070 м.Київ, вул.П.Сагайдачного, 17	тел. +38(044)255-86-93, +38(044)596-62-77 Emal. KZhakin@rodovidbank.com TSapegina@rodovidbank.com	№6 від 28.09.2006

5	Товариство з обмеженою відповідальністю "Універсальний комерційний Банк "Камбіо"	01001 м.Київ, вул.Занькове цької / Станіславсь кого,3/1	01001 м.Київ, вул.Занькове цької / Станіславсь кого,3/1	тел. +38(044)459-75-22 факс +38(044)459-75-18 Emal. okazimiriv@cambio.com.ua agolovaty@cambio.com.ua	№7 від 04.10.2006
6	Акціонерний банк "Південний"	65014 м.Одеса, провул. Сабанський, 2	65014 м.Одеса, провул. Сабанський, 2	тел. +38(048) 784-74-72 факс +38(048) 738-57-12 Emal. gno@pivdenny.odessa.ua liw@pivdenny.odessa.ua	№8 від 19.10.2006
7	Акціонерний комерційний інноваційний банк "УкрСиббанк"	м.Харків,про спект Московськи й,60	м.Київ, вул.Андріївс ька,2/12	тел. +38(044)537-50-54 Emal. Nadezhda.Beloborodova@ukrsibbank.com	№11 від 23.11.2006
8	Акціонерний банк "Таврика"	м.Київ, вул.Глибочи цька, 17Д	м.Київ, вул.Глибочи цька, 17Д	тел. +38(044)205-59-86 Emal. ulichka_zh@tavrika.kiev.ua	№13 від 25.12.2006
9	ВАТ КБ "НАДРА"	04053 м.Київ, вул.Артема, 15	04053 м.Київ, вул.Артема, 15	тел. +38(044)481-09-19 Emal. Darya.Porozova@nadrabank.kiev.ua	1 від 09.01.2007
10	АКБ "Меркурій"	61064 м.Харків, вул. Полтавський шлях,123	61064 м.Харків, вул. Полтавський шлях,123	тел. +38(057)758-1-888, +38(057)758-5-888 факс +38(057)700-16-30 Emal. ipoteka@mercury-bank.com vik@mercury-bank.com	№2 від 22.02.2007
11	АКБ "Форум"	02100 м.Київ, б-р Верховної Ради,7	02100 м.Київ, б-р Верховної Ради,7	тел. +38 (044) 205-35-15 факс +38 (044) 200-01-56 Emal. gashenko@forum.com.ua	№3 від 19.03.2007
12	ВАТ "Селянський комерційний банк "Дністер"	79017 м.Львів, вул. Переяславсь ка, 6а	79017 м.Львів, вул. Переяславсь ка, 6а	тел. +388(032)240-99-19, +8(032)240-98-18 Emal. molodtsov.dmytro@dnister.ua RVB@dnister.com	№4 від 05.04.2007
13	Товариство з обмеженою відповідальністю "Український промисловий банк"	01133 м.Київ, б-р Лесі Українки,26	01133 м.Київ, б-р Лесі Українки,26	тел. +38(044)537-47-23 Emal. o.shvets@ukrprombank.ua	№5 від 17.04.2007
14	ВАТ "Плюс Банк"	м.Івано-Франківськ, вул. Галицька,7	м.Івано-Франківськ, вул. Галицька,7	тел. +38 (0342)55-87-29 факс +38 (0342)55-87-29 Emal. NSavchyn@pbank.if.ua	№6 від 23.04.2007

15	ЗАТ "Міжнародний Іпотечний банк"	м.Київ, вул.Пімоненка, 13, корпус 4	м.Київ, вул.Пімоненка, 13, корпус 4	тел. +38(044)492-90-92 +38(044) 492-90-96 Emal. Vrublevsky@imb.com.ua Pravdyva@ipoteka.com.ua	№8 від 14.05.2007
16	АБ "Факторіал"	м.Харків, вул. Римарська,32	м.Харків, вул. Римарська,32	тел. +38(057)754-56-36 факс +38(057)754-56-36 Emal. IKicha@factorial.ua	№9 від 02.08.2007
17	ЗАТ АКБ "Львів"	79008 м.Львів, вул. Сербська, 1	79008 м.Львів, вул. Сербська, 1	тел. +38(032)245-64-24 Emal. skyba@bank.lviv.ua	№11 від 20.09.2007
18	ВАТ комерційний банк "Хрещатик"	м.Київ, вул.Хрещатик, 8-а	м.Київ, вул.Хрещатик, 8-а	тел. +38(044)536-97-37, +38(044)536-97-37 Emal. petrozhitska@xbank.com.ua Vlasova@xbank.com.ua	№12 від 11.10.2007
19	Акціонерний банк "Кліринговий Дім"	04070 м.Київ, вул.Борисоглібська,5-а	04070 м.Київ, вул.Борисоглібська,5-а	тел. +38(044)593-10-24, +38(044)593-10-24 Emal. sadovaya@clhs.kiev.ua ratushna@clhs.kiev.ua	№13 від 16.10.2007
20	ЗАТ "ОТП Банк"	01033 м.Київ, вул.Жилянська,43	01033 м.Київ, вул.Жилянська,43	тел. +38 (044) 490-05-00 факс +38(044) 247-45-62 Emal. polina.dvoretska@otpbank.com.ua	№14 від 16.10.2007
21	ТОВ "Комерційний банк АКТИВ - БАНК"	м.Київ, вул. Борисоглібська, 3	м.Київ, пр-т. 40-річчя Жовтня,93	тел. +38(044)258-26-10, +38(044)258-23-31 Emal. khominsky@abank.com.ua	№15 від 22.10.2007
22	ВАТ ВТБ Банк	м.Київ, вул.Гоголівська,22/24	м.Київ, вул.Гоголівська,22/24	тел. +38(044)593-64-70 Emal. Inna.Gurets@vtb.com.ua	№17 від 30.11.2007
23	Акціонерний банк "Український Бізнес Банк"	83055 м.Донецьк, вул.Артема, 125	83055 м.Донецьк, вул.Артема, 125	тел. +38 (062) 345-10-44 Emal. Nikolaenkova_iv@sab.donetsk.ua	№20 від 26.12.2007
24	Акціонерно-комерційний банк "Золоті Ворота"	61200 м.Харків, пр-т Леніна,36	61200 м.Харків, пр-т Леніна,36	тел. +38 (057) 757-46-34 факс +38(057)757-46-34 Emal. bank@goldengate.kharkov.ua	№21 від 27.12.2007
25	Акціонерний банк "Енергобанк"	01025 м.Київ, вул.Воздвиженська, 56	01025 м.Київ, вул.Воздвиженська, 56	тел. +38(044)201-69-77 Emal. yahnovsky@energobank.com.ua	№23 від 12.02.2008

26	Товариство з обмеженою відповідальністю комерційний банк "Західінкомбанк"	43005 м.Луцьк, пр. Перемоги,15	43005 м.Луцьк, пр. Перемоги,15	тел. +38(0332)780254, +38(0332)780207 факс +38(0332)780218 Emal. tamara@inkom.lutsk.ua	№24 від 21.02.2008
27	Товариство з обмеженою відповідальністю "Український фінансовий світ"	83053 м.Донецьк, пр-т Миру,5Б	83053 м.Донецьк, пр-т Миру,5Б	тел. +38(062)348-18-45 Emal. L.Chaban@ufwbank.com	№26 від 07.03.2008

11.2. Предмет діяльності обслуговуючих установ:
Здійснення банківських та інших операцій і угод згідно з наданими Національним банком України ліцензіями і дозволами, провадження іншої діяльності, не забороненої для банків, у порядку, передбаченому законодавством.

11.3. Розмір винагороди обслуговуючих установ:
Визначається як різниця між відсотковою ставкою за кредитом, встановленою Банком у договорі про іпотечний кредит та ставкою рефінансування Установою Банку

11.4. Порядок повідомлення установою боржників за іпотечними активами:
Відповідно до договору відступлення прав вимоги обслуговуючий банк передає Позичальнику письмове повідомлення про відступлення прав вимоги за договорами, в яких зазначено, що порядок виконання грошових зобов'язань, встановлених в Договорі про іпотечний кредит, залишається незмінним.

12. Інформація про андерайтера:

У випадку залучення емітентом до розміщення облігацій андеррайтеру інформація про нього буде надана додатково.

13. Інформація про депозитарій

13.1. Найменування депозитарію:
Відкрите акціонерне товариство "Національний депозитарій України".

13.2. Місцезнаходження, номери телефонів, факсу, електронної пошти депозитарію:

Місцезнаходження товариства: 01001, м. Київ, вул. Б.Грінченка, 3.
тел./факс: (38 044) 279-1078, 279-1338, 279-1332. р/р 260040131323 в ЗАТ «Банк НРБ», МФО 320627.

13.3. Код ЄДРПОУ депозитарію – 30370711

134. Дата видачі та строк дії ліцензії депозитарію:
Дозвіл на депозитарну діяльність депозитарію цінних паперів № 823, який виданий ДКЦПФР 19.09.2006 року.

14. Інформація про аудитора:

14.1. Найменування аудитора:
Аудиторська компанія – ТОВ "УПК-Аудит Лтд"

14.2. Місцезнаходження, номери телефонів, факсу аудитора:
01601, м. Київ, провулок Музейний, 2-в
тел. (380 44) 278-14-42, факс (380 44) 278-66-68

14.3. Код ЄДРПОУ аудитора – 30674018

14.4. Дата видачі та строк дії ліцензії аудитора:
Внесений до реєстру суб'єктів аудиторської діяльності рішенням Аудиторської палати України від 26.01.2001 р. № 98, що підтверджено свідоцтвом № 2228 (дія свідоцтва подовжена до 15.12.2010 р. рішенням АПУ від 15.12.2005 р. № 156/6). Відповідно до рішення Державної комісії з цінних паперів та фондового ринку від 13.02.2007 р. № 313, що підтверджено свідоцтвом № 71, аудитор може проводити аудиторські перевірки фінансових установ, що здійснюють діяльність на ринку цінних паперів.

15. Застереження

Реєстрація випуску звичайних іпотечних облігацій та проспекту емісії звичайних іпотечних облігацій, що проводиться Державною комісією з цінних паперів та фондового ринку, не може розглядатися як гарантія вартості цих звичайних іпотечних облігацій. Комісія відповідає лише за повноту інформації, що міститься у зареєстрованих нею документах, та за її відповідність вимогам законодавства. Відповідальність за достовірність відомостей, наведених у документах, що подаються для реєстрації випуску звичайних іпотечних облігацій, несуть особи, що підписали ці документи.

16. Дані про осіб, відповідальних за інформацію, яка міститься у проспекті емісії

Я, *В.О. Голови Правління Державної іпотечної установи, Москаленко Сергій Іванович* підтверджую достовірність наведених в цьому проспекті відомостей.

Голова Правління _____

Москаленко С. І.

Я, *Головний бухгалтер Державної іпотечної установи, Лисенко Тетяна Анатоліївна,* підтверджую достовірність наведених в цьому проспекті відомостей.

Головний бухгалтер _____

Лисенко Т.А.

Я, *Генеральний директор ТОВ "АФ" Київська аудиторська група" Ігумнова І.О.*, підтверджую достовірність фінансових даних, що містяться у цьому проспекті (в частині підтвердження достовірності даних фінансової звітності Державної іпотечної установи станом на 31.12.2005р.).

Генеральний директор
ТОВ "АФ" Київська аудиторська група" _____

Ігумнова І.О.

Я, *Заступник Голови правління ЗАТ АФ "Де Візу" Іващенко В.П.,* підтверджую достовірність фінансових даних, що містяться у цій інформації (в частині підтвердження достовірності даних фінансової звітності Державної іпотечної установи станом на 31.12.2006р.).

Заступник Голови Правління
ЗАТ АФ "Де Візу" _____

Іващенко В.П.

Я, Директор з аудиту ТОВ "УПК-Аудит Лтд" *ЛавреноваТ.І.,* підтверджую достовірність фінансових даних, що містяться у цій інформації (в частині підтвердження достовірності даних фінансової звітності Державної іпотечної установи станом на 31.12.2007р. та 30.06.2008р.).

Директор з аудиту
ТОВ "УПК-Аудит Лтд" _____

Лавренова Т.І.

Додаток 1

Баланс на 31 грудня 2005 р.

форма № 1 за ДКУД 1801001

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Необоротні активи			
Нематеріальні активи:			
залишкова вартість	010	-	31,2
первісна вартість	011	-	32,3
накопичена амортизація	012	-	1,1
Незавершене будівництво	020	-	0,8
Основні засоби:		-	-
залишкова вартість	030	-	407,0
первісна вартість	031	-	468,8
Знос	032	-	61,8
Довгострокові фінансові інвестиції:		-	-
які обліковуються за методом участі в капіталі інших підприємств	040	-	-
інші фінансові інвестиції	045	-	-
Довгострокова дебіторська заборгованість	050	-	842,6
Відстрочені податкові активи	060	-	-
Гудвіл	065	-	-
Інші необоротні активи	070	-	-
Усього за розділом I	**080**	**-**	**1 281,6**
II. Оборотні активи			
Запаси:			
виробничі запаси	100	-	13,7
тварини на вирощуванні та відгодівлі	110	-	-
незавершене виробництво	120	-	-
готова продукція	130	-	-
Товари	140	-	-
Векселі одержані	150	-	-
Дебіторська заборгованість за товари, роботи, послуги:			
чиста реалізаційна вартість	160	-	-
первісна вартість	161	-	-
резерв сумнівних боргів	162	-	-
Дебіторська заборгованість за розрахунками:			
з бюджетом	170	-	1,9
за виданими авансами	180	-	6,2
із нарахованих доходів	190	-	104,9
із внутрішніх розрахунків	200	-	-
Інша поточна дебіторська заборгованість	210	-	21,4
Поточні фінансові інвестиції	220	-	-
Грошові кошти та їх еквіваленти:			
в національній валюті	230	10 000,0	18 677,4
в іноземній валюті	240	-	-
Інші оборотні активи	250	-	-
Усього за розділом II	**260**	**10 000,0**	**18 825,5**
III. Витрати майбутніх періодів	**270**	**-**	**3,2**
Баланс	**280**	**10 000,0**	**20 110,3**
Пасив	**Код рядка**	**На початок звітного періоду**	**На кінець звітного періоду**
1	2	3	4
I. Власний капітал			
Статутний капітал	300	50 000,0	20 000,0
Пайовий капітал	310	-	-
Додатковий вкладений капітал	320	-	-
Інший додатковий капітал	330	-	98,7
Резервний капітал	340	-	-
Нерозподілений прибуток (непокритий збиток)	350	-	2,3
Неоплачений капітал	360	40 000,0	-
Вилучений капітал	370	-	-
Усього за розділом I	**380**	**10 000,0**	**20 101,0**
II. Забезпечення наступних витрат і платежів			
Забезпечення виплат персоналу	400	-	-
Інші забезпечення	410	-	-
Цільове фінансування	420	-	-
Усього за розділом II	**430**	**-**	**-**
III. Довгострокові зобов'язання			
Довгострокові кредити банків	440	-	-
Інші довгострокові фінансові зобов'язання	450	-	-
Відстрочені податкові зобов'язання	460	-	-
Інші довгострокові зобов'язання	470	-	-
Усього за розділом III	**480**	**-**	**-**
IV. Поточні зобов'язання			

Короткострокові кредити банків	500	-	-
Поточна заборгованість за довгостроковими зобов'язаннями	510	-	-
Векселі видані	520	-	-
Кредиторська заборгованість за товари, роботи, послуги	530	-	6,5
Поточні зобов'язання за розрахунками:			
з одержаних авансів	540	-	-
з бюджетом	550	-	1,4
з позабюджетних платежів	560	-	-
зі страхування	570	-	-
з оплати праці	580	-	1,3
з учасниками	590	-	-
із внутрішніх розрахунків	600	-	-
Інші поточні зобов'язання	610	-	0,1
Усього за розділом IV	**620**	**-**	**9,3**
V. Доходи майбутніх періодів	**630**	**-**	**-**
Баланс	**640**	**10 000,0**	**20 110,3**

Звіт про фінансові результати за 2005 р.

форма № 2 Код за ДКУД 1801003

І. ФІНАНСОВІ РЕЗУЛЬТАТИ

Стаття	Код рядка	За звітний період	За попередній період
1	2	3	4
Доход (виручка) від реалізації продукції (товарів, робіт, послуг)	010	-	-
Податок на додану вартість	015	-	-
Акцизний збір	020	-	-
	025	-	-
Інші вирахування з доходу	030	-	-
Чистий доход (виручка) від реалізації продукції (товарів, робіт, послуг)	035	-	-
Собівартість реалізованої продукції (товарів, робіт, послуг)	040	-	-
Валовий:			
Прибуток	050	-	-
Збиток	055	-	-
Інші операційні доходи	060	54,1	-
Адміністративні витрати	070	1 564,3	-
Витрати на збут	080	0,1	-
Інші операційні витрати	090	62,2	-
Фінансові результати від операційної діяльності:			
Прибуток	100	-	-
Збиток	105	(1 572,5)	-
Доход від участі в капіталі	110	-	-
Інші фінансові доходи	120	1 582,8	-
Інші доходи	130	11,3	-
Фінансові витрати	140	-	-
Втрати від участі в капіталі	150	-	-
Інші витрати	160	-	-
Фінансові результати від звичайної діяльності до оподаткування:			
Прибуток	170	21,6	-
Збиток	175	-	-
Податок на прибуток від звичайної діяльності	180	18,7	-
Фінансові результати від звичайної діяльності:			
Прибуток	190	2,9	-
Збиток	195	-	-
Надзвичайні:			
Доходи	200	1,7	-
Витрати	205	-	-
Податки з надзвичайного прибутку	210	-	-
Чистий:			
Прибуток	220	4,6	-
Збиток	225	-	-

ІІ. ЕЛЕМЕНТИ ОПЕРАЦІЙНИХ ВИТРАТ

Найменування показника	Код рядка	За звітний період	За попередній період
1	2	3	4
Матеріальні затрати	230	72,0	-
Витрати на оплату праці	240	907,0	-
Відрахування на соціальні заходи	250	278,7	-
Амортизація	260	62,9	-
Інші операційні витрати	270	306,0	-
Разом	280	1 626,6	-

ІІІ. РОЗРАХУНОК ПОКАЗНИКІВ ПРИБУТКОВОСТІ АКЦІЙ

Назва статті	Код рядка	За звітний період	За попередній період
1	2	3	4
Середньорічна кількість простих акцій	300	-	-
Скоригована середньорічна кількість простих акцій	310	-	-
Чистий прибуток (збиток) на одну просту акцію	320	-	-
Скоригований чистий прибуток (збиток) на одну просту акцію	330	-	-
Дивіденди на одну просту акцію	340	-	-

Звіт про рух грошових коштів за 2005 р.

форма № 3 Код за ДКУД 1801004

Стаття	Код	За звітний період		За попередній період	
		Надходження	Видаток	Надходження	Видаток
1	2	3	4	5	6
I. Рух коштів у результаті операційної діяльності					
Прибуток (збиток) від звичайної діяльності до оподаткування	010	21,6	-	-	-
Коригування на:					
амортизацію необоротних активів	020	62,9	x	-	x
збільшення (зменшення) забезпечень					
збиток (прибуток) від нереалізованих курсових різниць	030	-	-	-	-
збиток (прибуток) від неопераційної діяльності	040	0,2	-	-	-
	050	-	1 594,1	-	-
Витрати на сплату відсотків	060	-	X	-	X
Прибуток (збиток) від операційної діяльності до зміни в чистих оборотних активах	070	-	1 509,4	-	-
Зменшення (збільшення):					
оборотних активів	080	-	46,4	-	-
витрат майбутніх періодів	090	-	-	-	-
Збільшення (зменшення):					
поточних зобов'язань	100	9,3	-	-	-
доходів майбутніх періодів	110	-	-	-	-
Грошові кошти від операційної діяльності	120	-	1 546,5	-	-
Сплачені:					
відсотки	130	x	-	x	-
податки на прибутки	140	x	18,7	x	-
Чистий рух коштів до надзвичайних подій	150	-	1 565,2	-	-
Рух коштів від надзвичайних подій	160	1,7	-	-	-
Чистий рух коштів від операційної діяльності	170	-	1 563,5	-	-
II. Рух коштів у результаті інвестиційної діяльності					
Реалізація:					
фінансових інвестицій	180	-	x	-	x
необоротних активів	190	2,9	x	-	x
майнових комплексів	200	-	-	-	-
Отримані:					
відсотки	210	1 475,8	x	-	x
дивіденди	220	-	x	-	x
Інші надходження	230	-	x	-	x
Придбання:					
фінансових інвестицій	240	x	-	x	-
необоротних активів	250	x	396,9	x	-
майнових комплексів	260	x	-	x	-
Інші платежі	270	X	-	x	-
Чистий рух коштів до надзвичайних подій	280	1 081,8	-	-	-
Рух коштів від надзвичайних подій	290	1,7	-	-	-
Чистий рух коштів від інвестиційної діяльності	300	1 083,5	-	-	-
III. Рух коштів у результаті фінансової діяльності					
Надходження власного капіталу	310	10 000,0	x	10 000,0	x
Отримані позики	320	-	x	-	x
Інші надходження	330	-	x	-	x
Погашення позик	340	X	-	x	-
Сплачені дивіденди	350	X	-	x	-
Інші платежі	360	X	842,6	x	-
Чистий рух коштів до надзвичайних подій	370	9 157,4	-	-	-
Рух коштів від надзвичайних подій	380	-	-	-	-
Чистий рух коштів від фінансової діяльності	390	9 157,4	-	-	-
Чистий рух коштів за звітний період	400	8 677,4	-	-	-
Залишок коштів на початок року	410	10 000,0	x	-	x
Вплив зміни валютних курсів на залишок коштів	420	-	-	-	-
Залишок коштів на кінець року	430	18 677,4	x	10 000,0	x

Звіт про власний капітал за 2005 р.

форма № 4 Код за ДКУД 1801005

Стаття	Код	Статутний капітал	Пайовий капітал	Додатковий вкладений капітал	Інший додатковий капітал	Резервний капітал	Нерозподілений прибуток	Неоплачений капітал	Вилучений капітал	Разом
1	2	3	4	5	6	7	8	9	10	11
Залишок на початок року	010	50 000,0	-	-	-	-	-	40 000,0	-	10 000,0
Коригування:										
Зміна облікової політики	020	-	-	-	-	-	-	-	-	-
Виправлення помилок	030	-	-	-	-	-	-	-	-	-
Інші зміни	040	-	-	-	-	-	-	-	-	-
Скоригований залишок на початок року	050	50 000,0	-	-	-	-	-	40 000,0	-	10 000,0
Переоцінка активів:										
Дооцінка основних засобів	060	-	-	-	-	-	-	-	-	-
Уцінка основних засобів	070	-	-	-	-	-	-	-	-	-
Дооцінка незавершеного будівництва	080	-	-	-	-	-	-	-	-	-
Уцінка незавершеного будівництва	090	-	-	-	-	-	-	-	-	-
Дооцінка нематеріальних активів	100	-	-	-	-	-	-	-	-	-
Уцінка нематеріальних активів	110	-	-	-	-	-	-	-	-	-
	120	-	-	-	-	-	-	-	-	-
Чистий прибуток (збиток) за звітний період	130	-	-	-	-	-	4,6	-	-	4,6
Розподіл прибутку:										
Виплати власникам (дивіденди)	140	-	-	-	-	-	(2,3)	-	-	(2,3)
Спрямування прибутку до статутного капіталу	150	-	-	-	-	-	-	-	-	-
Відрахування до резервного капіталу	160	-	-	-	-	-	-	-	-	-
	170	-	-	-	-	-	-	-	-	-
Внески учасників:										
Внески до капіталу	180	(30 000,0)	-	-	-	-	-	(30 000,0)	-	-
Погашення заборгованості з капіталу	190	-	-	-	-	-	-	(10 000,0)	-	10 000,0
	200	-	-	-	-	-	-	-	-	-
Вилучення капіталу:										
Викуп акцій (часток)	210	-	-	-	-	-	-	-	-	-
Перепродаж викуплених акцій (часток)	220	-	-	-	-	-	-	-	-	-
Анулювання викуплених акцій (часток)	230	-	-	-	-	-	-	-	-	-
Вилучення частки в капіталі	240	-	-	-	-	-	-	-	-	-
Зменшення номінальної вартості акцій	250	-	-	-	-	-	-	-	-	-
Інші зміни в капіталі:										
Списання невідшкодованих збитків	260	-	-	-	-	-	-	-	-	-
Безкоштовно отримані активи	270	-	-	-	98,7	-	-	-	-	-
	280	-	-	-	-	-	-	-	-	-
Разом змін в капіталі	290	(30 000,0)	-	-	98,7	-	2,3	(40 000,0)	-	10 101,0
Залишок на кінець року	300	20 000,0	-	-	98,7	-	2,3	-	-	20 101,0

Примітки
до річної фінансової звітності за 2005 р.

форма № 5 Код за ДКУД 1801008

I. Нематеріальні активи

Групи нематеріальних активіі	Код рядка	Залишок на початок року		Надійшло за рік	Переоцінка (дооцінка+, уцінка -)		Вибуло за рік		Нараховано амортизації за рік	Втрати від зменшення корисності за рік	Інші зміни за рік		Залишок на кінець року	
		первісна (переоцінена) вартість	накопичена амортизація		первісної (переоціненої) вартості	накопиченої амортизації	первісна (переоцінена) вартість	накопичена амортизація			первісної (переоціненої) вартості	накопиченої амортизації	первісна (переоцінена) вартість	накопичена амортизація
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Права користування природними ресурсами	10	-	-	-	-	-	-	-	-	-	-	-	-	-
Права користування майном	20	-	-	-	-	-	-	-	-	-	-	-	-	-
Права на знаки для товарів і послуг	30	-	-	-	-	-	-	-	-	-	-	-	-	-
Права на об'єкти промислової власності	40	-	-	-	-	-	-	-	-	-	-	-	-	-
Авторські та суміжні з ними права	50			-	-	-				-	-	-		
	60	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші нематеріальні активи	70			32.3	-	-	-	-	1.1	-	-	-	32.3	1.1
Разом	80			32.3	-	-			1.1	-	-	-	32.3	1 1

Із рядка 080 графа 14	вартість нематеріальних активів, щодо яких існує обмеження права власності	(081) _____-_____
	вартість оформлених у заставу нематеріальних активів	(082) _____-_____
	вартість створених підприємством нематеріальних активів	(083) _____-_____
Із рядка 080 графа 5	вартість нематеріальних активів, отриманих за рахунок цільових асигнувань	(084) _____-_____
Із рядка 080 графа 15	накопичена амортизація нематеріальних активів, щодо яких існує обмеження права власності	(085) _____-_____

II. Основні засоби

Групи основних засобів	Код рядка	Залишок на початок року		Надійшло за рік	Переоцінка (дооцінка+, уцінка-)		Вибуло за рік			Втрати від зменшення корисності	Інші зміни за рік		Залишок на кінець року		у тому числі			
		первісна (переоцінена) вартість	знос		первісної (переоціненої) вартості	зносу	первісна (переоцінена) вартість	знос	Нараховано амортизації за рік		первісної (переоціненої) вартості	зносу	первісна (переоцінена) вартість	знос	одержані за фінансовою орендою		передані в оперативну оренду	
															первісна (переоцінена) вартість	знос	первісна (переоцінена) вартість	знос
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Земельні ділянки	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Капітальні витрати на поліпшення земель	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Будинки, споруди та передавальні пристрої	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Машини та обладнання	130	-	-	141.2	-	-			13.9	-	-	-	141.2	13.9	-	-	-	-
Транспортні засоби	140	-	-	268.0	-	-	-	-	22.3	-		-	268.0	22.3	-	-	-	-
Інструменти, прилади, інвентар (меблі)	150	-	-	5.8	-	-	-	-	0.7	-	-	-	5.8	0.7	-	-	-	-
Робоча і продуктивна худоба	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Багаторічні насадження	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші основні засоби	180			33.0	-	-	2.3	0.4	1.8	-	-	-	30.7	1.8	-	-	-	-
Бібліотечні фонди	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Малоцінні необоротні матеріальні активи	200	-	-	-	-	-	--	-	-	-	-	-	-	-	-	-	-	-
Тимчасові (□е титульні) споруди	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Природні ресурси	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інвентарна тара	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Предмети прокату	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші необоротні матеріальні активи	250	-	-	23.1	-	-	-	-	23.1	-	-	-	23.1	23.1	-	-	-	-
Разом	260	-	-	471.1	-	-	2.3	0.4	61.8	-	-	-	468.8	61.8	-	-	-	-

Із рядка 260 графа 14	вартість основних засобів, щодо яких існують передбачені чинним законодавством обмеження права власності	(261) _____-_____
	вартість оформлених у заставу основних засобів	(262) _____-_____
	залишкова вартість основних засобів, що тимчасово не використовуються (консервація, реконструкція тощо)	(263)_____-_____
	залишкова вартість основних засобів, вилучених з експлуатації для продажу	(264) _____-_____
	первісна (переоцінена) вартість повністю амортизованих основних засобів	(265) _____-_____
Із рядка 260 графа 5	вартість основних засобів, придбаних за рахунок цільового фінансування	(266) _____-_____
	вартість основних засобів, що взяті в операційну оренду	(267) _____1020.2_____
Із рядка 260 графа 15	знос основних засобів, щодо яких існують обмеження права власності	(268) _____-_____

III. Капітальні інвестиції

Найменування показника	Код рядка	За рік	На кінець року
1	2	3	4
Капітальне будівництво	280	-	-
Придбання (виготовлення) основних засобів	290	445.7	-
Придбання (виготовлення) інших необоротних матеріальних активів	300	23.9	0.8
Придбання (створення) нематеріальних активів	310	32.3	-
Формування основного стада	320	-	-
Інші	330	-	-
Разом	340	501.9	0.8

IV. Фінансові інвестиції

Найменування показника	Код рядка	За рік	На кінець року	
			довгострокові	поточні
1	2	3	4	5
А. Фінансові інвестиції за методом участі в капіталі в:				
асоційовані підприємства	350	-	-	-
дочірні підприємства	360	-	-	-
спільну діяльність	370	-	-	-
Б. Інші фінансові інвестиції в:				
частки і паї у статутному капіталі інших підприємств	380	-	-	-
акції	390	-	-	-
облігації	400	-	-	-
інші	410	-	-	-
Разом (роз. А + розд. Б)	420	-	-	-

Із рядка 045 гр. 4 Балансу інші довгострокові фінансові інвестиції відображені:
за собівартістю (421) _____-_____
за справедливою вартістю (422) _____-_____
за амортизованою собівартістю (423) _____-_____

Із рядка 220 гр. 4 Балансу поточні фінансові інвестиції відображені:
за собівартістю (424) _____-_____
за справедливою вартістю (425) _____-_____
за амортизованою собівартістю (426)_____-_____

V. Доходи і витрати

Найменування показника	Код рядка	Доходи	Витрати
1	2	3	4
А. Інші операційні доходи і витрати			
Операційна оренда активів	440	-	-
Операційна курсова різниця	450	30.0	34.9
Реалізація інших оборотних активів	460	-	-
Штрафи, пені, неустойки	470	-	-
Утримання об'єктів житлово-комунального і соціально-культурного призначення	480	-	-
Інші операційні доходи і витрати	490	-	62.2
у тому числі: відрахування до резерву сумнівних боргів	491	X	-
непродуктивні витрати і втрати	492	X	-
Б. Доходи і втрати від участі в капіталі за інвестиціями в:			
асоційовані підприємства	500	-	-
дочірні підприємства	510	-	-
спільну діяльність	520	-	-
В. Інші фінансові доходи і витрати			
Дивіденди	530		X
Проценти	540	X	-
Фінансова оренда активів	550	-	-
Інші фінансові доходи і витрати	560	1582.8	-
Г. Інші доходи і витрати			
Реалізація фінансових інвестицій	570	-	-
Реалізація необоротних активів	580	-	-
Реалізація майнових комплексів	590	-	-
Не операційна курсова різниця	600	-	-
Безоплатно одержані активи	610	-	X
Списання необоротних активів	620	X	-
Інші доходи і витрати	630	11.3	-

Товарообмінні (бартерні) операції з продукцією (товарами, роботами, послугами) (631) _____-_____

Частка доходу від реалізації продукції (товарів, робіт, послуг) за товарообмінними (бартерними) контрактами з пов'язаними сторонами (632) _____-_____%

VI. Грошові кошти

Найменування показника	Код рядка	На кінець року
1	2	3
Каса	640	-
Поточний рахунок банку	650	18677.4
Інші рахунки в банку (акредитиви, чекові книжки)	660	-
Грошові кошти в дорозі	670	-
Еквіваленти грошових коштів	680	-
Разом	690	18677.4

Із рядка 070 гр. 4 Балансу Грошові кошти, використання яких обмежено (691) _____-_____

VII. Забезпечення і резерви

Види забезпечень і резервів	Код рядка	Залишок на початок року	Збільшення за звітний рік		Використано у звітному році	Сторновано невикористану суму у звітному році	Сума очікуваного відшкодування витрат іншою стороною, що врахована при оцінці забезпечення	Залишок на кінець року
			нараховано (створено)	додаткові відрахування				
1	2	3	4	5	6	7	8	9
Забезпечення на виплату відпусток працівникам	710	-	-	-	-	-	-	-
Забезпечення наступних витрат на додаткове пенсійне забезпечення	720	-	-	-	-	-	-	-
Забезпечення наступних витрат на виконання гарантійних зобов'язань	730	-	-	-	-	-	-	-
Забезпечення наступних витрат на реструктуризацію	740	-	-	-	-	-	-	-
Забезпечення наступних витрат на виконання зобов'язань щодо обтяжливих контрактів	750	-	-	-	-	-	-	-
	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Резерв сумнівних боргів	775	-	-	-	-	-	-	-
Разом	780	-	-	-	-	-	-	-

VIII. Запаси

Найменування показника	Код рядка	Балансова вартість на кінець року	Переоцінка за рік	
			збільшення чистої вартості реалізації	уцінка
1	2	3	4	5
Сировина і матеріали	800	5.9	-	-
Купівельні напівфабрикати та комплектуючі вироби	810	-	-	-
Паливо	820	5.0	-	-
Тара і тарні матеріали	830	-	-	-
Будівельні матеріали	840	-	-	-
Запасні частини	850	-	-	-
Матеріали сільськогосподарського призначення	860	-	-	-
Тварини на вирощуванні та відгодівлі	870	-	-	-
Малоцінні та швидкозношувані предмети	880	2.8	-	-
Незавершене виробництво	890	-	-	-
Готова продукція	900	-	-	-
Товари	910	-	-	-
Разом	920	13.7	-	-

Із рядка 920 графа 3 Балансова вартість запасів:

відображених за чистою вартістю реалізації (921) _____13.7____

переданих у переробку (922) _____-_____

оформлених в заставу (923) _____-_____

переданих на комісію (924) _____-_____

Активи на відповідальному зберіганні – рахунок 02 (925) _____-_____

- визначається за п. 28 Положення (стандарту) бухгалтерського обліку 9 «Запаси»

IX. Дебіторська заборгованість

Найменування показника	Код рядка	Всього на кінець року	в т.ч. за строками непогашення		
			до 3 місяців	від 3 до 6 місяців	від 6 до 12 місяців
1	2	3	4	5	6
Дебіторська заборгованість за товари, роботи, послуги	940	-	-	-	-
Інша поточна дебіторська заборгованість	950	21.4	21.4	-	-

Списано у звітному році безнадійної дебіторської заборгованості (951) _____-_____

Із рядків 940 і 950 графа 3 заборгованість з пов'язаними сторонами (952) _____-_____

X. Нестачі і втрати від псування цінностей

Найменування показника	Код рядка	Сума
1	2	3
Виявлено (списано) за рік нестач і втрат	960	-
Визнано заборгованістю винних осіб у звітному році	970	-
Сума нестач і втрат, остаточне рішення щодо винуватців за якими на кінець року не прийнято (позабалансовий рахунок 072)	980	-

XI. Будівельні контракти

Найменування показника	Код рядка	Сума
1	2	3
Дохід за будівельними контрактами за звітний рік	1110	-
Заборгованість на кінець звітного року:		-
валова замовників	1120	-
валова замовникам	1130	-
з авансів отриманих	1140	-
Сума затриманих коштів на кінець року	1150	-
Вартість виконаних субпідрядниками робіт за незавершеними будівельними контрактами	1160	-

XII. Податок на прибуток

Найменування показника	Код рядка	Сума
1	2	3
Поточний податок на прибуток	1210	18.7
Відстрочені податкові активи: на початок звітного року	1220	-
на кінець звітного року	1225	-
Відстрочені податкові зобов'язання: на початок звітного року	1230	-
на кінець звітного року	1235	-
Включено до звіту про фінансові результати-усього	1240	18.7
у тому числі: поточний податок на прибуток	1241	18.7
зменшення (збільшення) відстрочених податкових активіі	1242	-
Збільшення (зменшення) відстрочених податкових зобов'язань	1243	-
Відображено у складі власного капіталу – усього	1250	-
у тому числі: поточний податок на прибуток	1251	-
зменшення (збільшення) відстрочених податкових активів	1252	-
збільшення (зменшення) відстрочених податкових зобов'язань	1253	-

XIII. Використання амортизаційних відрахувань

Найменування показника	Код рядка	Сума
1	2	3
Нараховано за звітний місяць	1300	62.9
Використано за рік – усього	1310	-
в тому числі на: будівництво об’яктів	1311	-
придбання (виготовлення) та поліпшення основних засобів	1312	-
з них машини та обладнання	1313	-
придбання (створення) нематеріальних активів	1314	-
погашення отриманих на капітальні інвестиції позик	1315	-
	1316	-
	1317	-

Додаток 2

Баланс на 31 грудня 2006 р.

форма № 1 за ДКУД 1801001

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Необоротні активи			
Нематеріальні активи:			
залишкова вартість	010	31,2	58,2
первісна вартість	011	32,3	63,6
накопичена амортизація	012	(1,1)	(5,4)
Незавершене будівництво	020	0,8	54,1
Основні засоби:		-	-
залишкова вартість	030	407,0	425,0
первісна вартість	031	468,8	589,8
Знос	032	(61,8)	(164,8)
Довгострокові фінансові інвестиції:		-	-
які обліковуються за методом участі в капіталі інших підприємств	040	-	-
інші фінансові інвестиції	045	-	-
Довгострокова дебіторська заборгованість	050	842,6	21292,4
Відстрочені податкові активи	060	-	-
Гудвіл	065	-	-
Інші необоротні активи	070	-	-
Усього за розділом I	**080**	**1 281,6**	**21829,7**
II. Оборотні активи			
Запаси:			
виробничі запаси	100	13,7	43,4
тварини на вирощуванні та відгодівлі	110	-	-
незавершене виробництво	120	-	-
готова продукція	130	-	-
Товари	140	-	-
Векселі одержані	150	-	-
Дебіторська заборгованість за товари, роботи, послуги:			
чиста реалізаційна вартість	160	-	-
первісна вартість	161	-	-
резерв сумнівних боргів	162	-	-
Дебіторська заборгованість за розрахунками:			
з бюджетом	170	1,9	190,2
за виданими авансами	180	6,2	146,0
із нарахованих доходів	190	104,9	127,3
із внутрішніх розрахунків	200	-	-
Інша поточна дебіторська заборгованість	210	21,4	78811,0
Поточні фінансові інвестиції	220	-	-
Грошові кошти та їх еквіваленти:			
в національній валюті	230	18 677,4	689,0
в іноземній валюті	240	-	-
Інші оборотні активи	250	-	-
Усього за розділом II	**260**	**18 825,5**	**80006,9**
III. Витрати майбутніх періодів	**270**	**3,2**	**2,3**
Баланс	**280**	**20 110,3**	**101 838,9**
Пасив	**Код рядка**	**На початок звітного періоду**	**На кінець звітного періоду**
1	2	3	4
I. Власний капітал			
Статутний капітал	300	20 000,0	100 000,0
Пайовий капітал	310	-	-
Додатковий вкладений капітал	320	-	-
Інший додатковий капітал	330	98,7	84,8
Резервний капітал	340	-	-
Нерозподілений прибуток (непокритий збиток)	350	2,3	833,2
Неоплачений капітал	360	-	-
Вилучений капітал	370	-	-
Усього за розділом I	**380**	**20 101,0**	**100 918,0**
II. Забезпечення наступних витрат і платежів			
Забезпечення виплат персоналу	400	-	41,0
Інші забезпечення	410	-	-
Цільове фінансування	420	-	-
Усього за розділом II	**430**	**-**	**41,0**
III. Довгострокові зобов'язання			
Довгострокові кредити банків	440	-	-
Інші довгострокові фінансові зобов'язання	450	-	-
Відстрочені податкові зобов'язання	460	-	75,6
Інші довгострокові зобов'язання	470	-	-
Усього за розділом III	**480**	**-**	**75,6**

IV. Поточні зобов'язання			
Короткострокові кредити банків	500	-	-
Поточна заборгованість за довгостроковими зобов'язаннями	510	-	-
Векселі видані	520	-	-
Кредиторська заборгованість за товари, роботи, послуги	530	6,5	3,3
Поточні зобов'язання за розрахунками:			
з одержаних авансів	540	-	-
з бюджетом	550	1,4	797,8
з позабюджетних платежів	560	-	-
зі страхування	570	-	-
з оплати праці	580	1,3	2,9
з учасниками	590	-	-
із внутрішніх розрахунків	600	-	-
Інші поточні зобов'язання	610	0,1	0,3
Усього за розділом IV	**620**	**9,3**	**804,3**
V. Доходи майбутніх періодів	**630**	**-**	**-**
Баланс	**640**	**20 110,3**	**101 838,9**

Звіт про фінансові результати

за 2006 р.

форма № 2 Код за ДКУД 1801003

І. ФІНАНСОВІ РЕЗУЛЬТАТИ

Стаття	Код рядка	За звітний період	За попередній період
1	2	3	4
Доход (виручка) від реалізації продукції (товарів, робіт, послуг)	010	2,5	-
Податок на додану вартість	015	-	-
Акцизний збір	020	-	-
	025	-	-
Інші вирахування з доходу	030	-	-
Чистий доход (виручка) від реалізації продукції (товарів, робіт, послуг)	035	2,5	-
Собівартість реалізованої продукції (товарів, робіт, послуг)	040	-	-
Валовий:			
Прибуток	050	2,5	-
Збиток	055	-	-
Інші операційні доходи	060	8060,4	54,1
Адміністративні витрати	070	(4830,4)	(1564,8)
Витрати на збут	080	-	(0,1)
Інші операційні витрати	090	(954,4)	(62,2)
Фінансові результати від операційної діяльності:			
Прибуток	100	2278,1	-
Збиток	105	-	(1572,5)
Доход від участі в капіталі	110	-	-
Інші фінансові доходи	120	-	1582,8
Інші доходи	130	13,9	11,3
Фінансові витрати	140	-	-
Втрати від участі в капіталі	150	-	-
Інші витрати	160	(3,2)	-
Фінансові результати від звичайної діяльності до оподаткування:			
Прибуток	170	2288,8	21,6
Збиток	175	-	-
Податок на прибуток від звичайної діяльності	180	(612,4)	(18,7)
Фінансові результати від звичайної діяльності:			
Прибуток	190	1676,4	2,9
Збиток	195	-	-
Надзвичайні:			
Доходи	200	5,4	1,7
Витрати	205	(5,4)	-
Податки з надзвичайного прибутку	210	-	-
Чистий:			
Прибуток	220	1676,4	4,6
Збиток	225	-	-

ІІ. ЕЛЕМЕНТИ ОПЕРАЦІЙНИХ ВИТРАТ

Найменування показника	Код рядка	За звітний період	За попередній період
1	2	3	4
Матеріальні затрати	230	134,6	72,0
Витрати на оплату праці	240	2495,2	907,0
Відрахування на соціальні заходи	250	538,8	278,7
Амортизація	260	108,4	62,9
Інші операційні витрати	270	2507,8	306,0
Разом	**280**	**5784,8**	**1626,6**

ІІІ. РОЗРАХУНОК ПОКАЗНИКІВ ПРИБУТКОВОСТІ АКЦІЙ

Назва статті	Код рядка	За звітний період	За попередній період
1	2	3	4
Середньорічна кількість простих акцій	300	-	-
Скоригована середньорічна кількість простих акцій	310	-	-
Чистий прибуток (збиток) на одну просту акцію	320	-	-
Скоригований чистий прибуток (збиток) на одну просту акцію	330	-	-
Дивіденди на одну просту акцію	340	-	-

Звіт про рух грошових коштів за 2006 рік

форма № 3 Код за ДКУД 1801004

Стаття	Код	За звітний період		За попередній період	
		Надходження	Видаток	Надходження	Видаток
1	2	3	4	5	6
I. Рух коштів у результаті операційної діяльності					
Прибуток (збиток) від звичайної діяльності до оподаткування	010	2288.8	-	21.6	-
Коригування на:					
амортизацію необоротних активів	020	108.4	x	62.9	x
збільшення (зменшення) забезпечень	030	41.0	-	-	-
збиток (прибуток) від нереалізованих курсових різниць	040	-	-	0.2	-
збиток (прибуток) від неопераційної діяльності	050	-	10.7	-	1594.1
Витрати на сплату відсотків	060	-	X	-	X
Прибуток (збиток) від операційної діяльності до зміни в чистих оборотних активах	070	2427.5	-	-	1509.4
Зменшення (збільшення):					
оборотних активів	080	-	78445.7	-	46.4
витрат майбутніх періодів	090	0.9	-	-	-
Збільшення (зменшення):					
поточних зобов'язань	100	-	1.7	9.3	-
доходів майбутніх періодів	110	-	-	-	-
Грошові кошти від операційної діяльності	120	-	76019.0	-	1546.5
Сплачені:					
відсотки	130	x	-	x	-
податки на прибутки	140	x	733.0	x	18.7
Чистий рух коштів до надзвичайних подій	150	-	76752.0	-	1565.2
Рух коштів від надзвичайних подій	160	-	-	1.7	-
Чистий рух коштів від операційної діяльності	170	-	76752.0	-	1563.5
II. Рух коштів у результаті інвестиційної діяльності					
Реалізація:					
фінансових інвестицій	180	-	x	-	x
необоротних активів	190	-	x	2.9	x
майнових комплексів	200	-	-	-	-
Отримані:					
відсотки	210	-	x	1475.8	x
дивіденди	220	-	x	-	x
Інші надходження	230	336.8	x	-	x
Придбання:					
фінансових інвестицій	240	x	-	x	-
необоротних активів	250	x	21530.5	x	396.9
майнових комплексів	260	x	-	x	-
Інші платежі	270	X	-	x	-
Чистий рух коштів до надзвичайних подій	280	-	21193.7	1081.8	-
Рух коштів від надзвичайних подій	290	-	-	1.7	-
Чистий рух коштів від інвестиційної діяльності	300	-	21193.7	1083.5	-
III. Рух коштів у результаті фінансової діяльності					
Надходження власного капіталу	310	80000,0	x	10000,0	x
Отримані позики	320	-	x	-	x
Інші надходження	330	-	x	-	x
Погашення позик	340	X	-	x	-
Сплачені дивіденди	350	X	42.7	x	-
Інші платежі	360	X	-	x	842.6
Чистий рух коштів до надзвичайних подій	370	79957.3	-	9157.4	-
Рух коштів від надзвичайних подій	380	-	-	-	-
Чистий рух коштів від фінансової діяльності	390	79957.3	-	9157.4	-
Чистий рух коштів за звітний період	400	-	17988.4	8677.4	-
Залишок коштів на початок року	410	18677.4	x	10000.0	x
Вплив зміни валютних курсів на залишок коштів	420	-	-	-	-
Залишок коштів на кінець року	430	689.0	x	18677.4	X

Звіт про власний капітал за 2006 р.

форма № 4 Код за ДКУД 1801005

Стаття	Код	Статутний капітал	Пайовий капітал	Додатковий вкладений капітал	Інший додатковий капітал	Резервний капітал	Нерозподілений прибуток	Неоплачений капітал	Вилучений капітал	Разом
1	2	3	4	5	6	7	8	9	10	11
Залишок на початок року	010	20 000,0	-	-	98.7	-	2.3	-	-	20101.0
Коригування:										
Зміна облікової політики	020	-	-	-	-	-	-	-	-	-
Виправлення помилок	030	-	-	-	-	-	-7.3	-	-	-7.3
Інші зміни	040	-	-	-	-	-	-	-	-	-
Скоригований залишок на початок року	050	20 000,0	-	-	98.7	-	-5.0	-	-	20093.7
Переоцінка активів:										
Дооцінка основних засобів	060	-	-	-	-	-	-	-	-	-
Уцінка основних засобів	070	-	-	-	-	-	-	-	-	-
Дооцінка незавершеного будівництва	080	-	-	-	-	-	-	-	-	-
Уцінка незавершеного будівництва	090	-	-	-	-	-	-	-	-	-
Дооцінка нематеріальних активів	100	-	-	-	-	-	-	-	-	-
Уцінка нематеріальних активів	110	-	-	-	-	-	-	-	-	-
	120	-	-	-	-	-	-	-	-	-
Чистий прибуток (збиток) за звітний період	130	-	-	-	-	-	1676.4	-	-	1676.4
Розподіл прибутку:										
Виплати власникам (дивіденди)	140	-	-	-	-	-	-838.2	-	-	-838.2
Спрямування прибутку до статутного капіталу	150	-	-	-	-	-	-	-	-	-
Відрахування до резервного капіталу	160	-	-	-	-	-	-	-	-	-
	170	-	-	-	-	-	-	-	-	-
Внески учасників:										
Внески до капіталу	180	80000.0	-	-	-	-	-	80 000.0	-	-
Погашення заборгованості з капіталу	190	-	-	-	-	-	-	-80 000.0	-	80 000,0
	200	-	-	-	-	-	-	-	-	-
Вилучення капіталу:										
Викуп акцій (часток)	210	-	-	-	-	-	-	-	-	-
Перепродаж викуплених акцій (часток)	220	-	-	-	-	-	-	-	-	-
Анулювання викуплених акцій (часток)	230	-	-	-	-	-	-	-	-	-
Вилучення частки в капіталі	240	-	-	-	-	-	-	-	-	-
Зменшення номінальної вартості акцій	250	-	-	-	-	-	-	-	-	-
Інші зміни в капіталі:										
Списання невідшкодованих збитків	260	-	-	-	-	-	-	-	-	-
Безкоштовно отримані активи	270	-	-	-	-	-	-	-	-	-
	280	-	-	-	-13.9	-	-	-	-	-13.9
Разом змін в капіталі	290	80000.0	-	-	-13.9	-	838.2	-	-	80824.3
Залишок на кінець року	300	100 000,0	-	-	84.8	-	833.2	-	-	100918.0

Примітки
до річної фінансової звітності за 2006 р.

форма № 5 Код за ДКУД 1801008

I. Нематеріальні активи

Групи нематеріальних активіі	Код рядка	Залишок на початок року		Надійшло за рік	Переоцінка (дооцінка+, уцінка -)		Вибуло за рік		Нараховано амортизації за рік	Втрати від зменшення корисності за рік	Інші зміни за рік		Залишок на кінець року	
		первісна (переоцінена) вартість	накопичена амортизація		первісної (переоціненої) вартості	накопиченої амортизації	первісна (переоцінена) вартість	накопичена амортизація			первісної (переоціненої) вартості	накопиченої амортизації	первісна (переоцінена) вартість	накопичена амортизація
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Права користування природними ресурсами	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Права користування майном	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Права на знаки для товарів і послуг	030	-	-	-	-	-	-	-	-	-	-	-	-	-
Права на об'єкти промислової власності	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Авторські та суміжні з ними права	050	6.5	0.5	-	-	-	1.6	0.1	0.5	-	-	-	4.9	0.9
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші нематеріальні активи	070	25.8	0.6	32.9	-	-	-	-	3.9	-	-	-	58.7	4.5
Разом	080	32.3	1.1	32.9	-	-	1.6	0.1	4.4	-	-	-	63.6	5.4

Із рядка 080 графа 14	вартість нематеріальних активів, щодо яких існує обмеження права власності	(081) _____-_____
	вартість оформлених у заставу нематеріальних активів	(082) _____-_____
	вартість створених підприємством нематеріальних активів	(083) _____-_____
Із рядка 080 графа 5	вартість нематеріальних активів, отриманих за рахунок цільових асигнувань	(084) _____-_____
Із рядка 080 графа 15	накопичена амортизація нематеріальних активів, щодо яких існує обмеження права власності	(085) _____-_____

II. Основні засоби

Групи основних засобів	Код рядка	Залишок на початок року		Надійшло за рік	Переоцінка (дооцінка+, уцінка-)		Вибуло за рік			Втрати від зменшення корисності	Інші зміни за рік		Залишок на кінець року		у тому числі			
															одержані за фінансовою орендою		передані в оперативну оренду	
		первісна (переоцінена) вартість	знос		первісної (переоціненої) вартості	зносу	первісна (переоцінена) вартість	знос	Нараховано амортизації за рік		первісної (переоціненої) вартості	зносу	первісна (переоцінена) вартість	знос	первісна (переоцінена) вартість	знос	первісна (переоцінена) вартість	знос
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Земельні ділянки	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Капітальні витрати на поліпшення земель	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Будинки, споруди та передавальні пристрої	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Машини та обладнання	130	151.5	14.2	95.2	-	-	2.8	1.1	33.4	-	-	-	243.9	46.5	-	-	-	-
Транспортні засоби	140	268.0	22.3	-	-	-	-	-	33.6	-	0.1	-	268.1	55.9	-	-	-	-
Інструменти, прилади, інвентар (меблі)	150	5.8	0.7	-	-	-	-	-	1.8	-	-	-	5.8	2.5	-	-	-	-
Робоча і продуктивна худоба	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Багаторічні насадження	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші основні засоби	180	20.4	1.5	-	-	-	-	-	6.8	-	-	-	20.4	8.3	-	-	-	-
Бібліотечні фонди	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Малоцінні необоротні матеріальні активи	200	-	-	28.5	-	-	--	-	28.5	-	-	-	28.5	28.5	-	-	-	-
Тимчасові (нетитульні) споруди	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Природні ресурси	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інвентарна тара	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Предмети прокату	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші необоротні матеріальні активи	250	23.1	23.1	-	-	-	-	-	-	-	-	-	23.1	23.1	-	-	-	-
Разом	260	468.8	61.8	123.7	-	-	2.8	1.1	104.1	-	0.1	-	589.8	164.8				

Із рядка 260 графа 14 вартість основних засобів, щодо яких існують передбачені чинним законодавством обмеження права власності (261) _____-_____

вартість оформлених у заставу основних засобів (262) _____-_____

залишкова вартість основних засобів, що тимчасово не використовуються (консервація, реконструкція тощо) (263)_____-_____

залишкова вартість основних засобів, вилучених з експлуатації для продажу (264) _____-_____

первісна (переоцінена) вартість повністю амортизованих основних засобів (265) _____-_____

Із рядка 260 графа 5 вартість основних засобів, придбаних за рахунок цільового фінансування (266) _____-_____

вартість основних засобів, що взяті в операційну оренду (267) _____-_____

Із рядка 260 графа 15 знос основних засобів, щодо яких існують обмеження права власності (268) _____-_____

III. Капітальні інвестиції

Найменування показника	Код рядка	За рік	На кінець року
1	2	3	4
Капітальне будівництво	280	-	-
Придбання (виготовлення) основних засобів	290	108.3	10.8
Придбання (виготовлення) інших необоротних матеріальних активів	300	28.9	1.1
Придбання (створення) нематеріальних активів	310	75.1	42.2
Формування основного стада	320	-	-
Інші	330	-	-
Разом	340	212.3	54.1

IV. Фінансові інвестиції

Найменування показника	Код рядка	За рік	На кінець року	
			довгострокові	поточні
1	2	3	4	5
А. Фінансові інвестиції за методом участі в капіталі в:				
асоційовані підприємства	350	-	-	-
дочірні підприємства	360	-	-	-
спільну діяльність	370	-	-	-
Б. Інші фінансові інвестиції в:				
частки і паї у статутному капіталі інших підприємств	380	-	-	-
акції	390	-	-	-
облігації	400	-	-	-
інші	410	-	-	-
Разом (роз. А + розд. Б)	420	-	-	-

Із рядка 045 гр. 4 Балансу інші довгострокові фінансові інвестиції відображені:
за собівартістю (421) _____-_____
за справедливою вартістю (422) _____-_____
за амортизованою собівартістю (423) _____-_____

Із рядка 220 гр. 4 Балансу поточні фінансові інвестиції відображені:
за собівартістю (424) _____-_____
за справедливою вартістю (425) _____-_____
за амортизованою собівартістю (426)_____-_____

V. Доходи і витрати.

Найменування показника	Код рядка	Доходи	Витрати
1	2	3	4
А. Інші операційні доходи і витрати			
Операційна оренда активів	440	-	-
Операційна курсова різниця	450	-	-
Реалізація інших оборотних активів	460	-	-
Штрафи, пені, неустойки	470	-	1.8
Утримання об'єктів житлово-комунального і соціально-культурного призначення	480	-	-
Інші операційні доходи і витрати	490	8060.4	952.6
у тому числі: відрахування до резерву сумнівних боргів	491	X	-
непродуктивні витрати і втрати	492	X	-
Б. Доходи і втрати від участі в капіталі за інвестиціями в:			
асоційовані підприємства	500	-	-
дочірні підприємства	510	-	-
спільну діяльність	520	-	-
В. Інші фінансові доходи і витрати			
Дивіденди	530		X
Проценти	540	X	-
Фінансова оренда активів	550	-	-
Інші фінансові доходи і витрати	560	-	-
Г. Інші доходи і витрати			
Реалізація фінансових інвестицій	570	-	-
Реалізація необоротних активів	580	-	-
Реалізація майнових комплексів	590	-	-
Не операційна курсова різниця	600	-	-
Безоплатно одержані активи	610	13.9	X
Списання необоротних активів	620	X	3.2
Інші доходи і витрати	630	-	-

Товарообмінні (бартерні) операції з продукцією (товарами, роботами, послугами) (631) _____-_____

Частка доходу від реалізації продукції (товарів, робіт, послуг) за товарообмінними (бартерними) контрактами з пов'язаними сторонами (632) _____-_____%

VI. Грошові кошти

Найменування показника	Код рядка	На кінець року
1	2	3
Каса	640	-
Поточний рахунок банку	650	689.0
Інші рахунки в банку (акредитиви, чекові книжки)	660	-
Грошові кошти в дорозі	670	-
Еквіваленти грошових коштів	680	-
Разом	690	689.0

Із рядка 070 гр. 4 Балансу Грошові кошти, використання яких обмежено (691) _____-_____

VII. Забезпечення і резерви

Види забезпечень і резервів	Код рядка	Залишок на початок року	Збільшення за звітний рік		Використано у звітному році	Сторновано невикористану суму у звітному році	Сума очікуваного відшкодування витрат іншою стороною, що врахована при оцінці забезпечення	Залишок на кінець року
			нараховано (створено)	додаткові відрахування				
1	2	3	4	5	6	7	8	9
Забезпечення на виплату відпусток працівникам	710	-	163.5	-	122.5	-	-	41.0
Забезпечення наступних витрат на додаткове пенсійне забезпечення	720	-	-	-	-	-	-	-
Забезпечення наступних витрат на виконання гарантійних зобов'язань	730	-	-	-	-	-	-	-
Забезпечення наступних витрат на реструктуризацію	740	-	-	-	-	-	-	-
Забезпечення наступних витрат на виконання зобов'язань щодо обтяжливих контрактів	750	-	-	-	-	-	-	-
	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Резерв сумнівних боргів	775	-	-	-	-	-	-	-
Разом	780	-	163.5	-	122.5	-	-	41.0

VIII. Запаси

Найменування показника	Код рядка	Балансова вартість на кінець року	Переоцінка за рік	
			збільшення чистої вартості реалізації	уцінка
1	2	3	4	5
Сировина і матеріали	800	0.3	-	-
Купівельні напівфабрикати та комплектуючі вироби	810	-	-	-
Паливо	820	22.8	-	-
Тара і тарні матеріали	830	-	-	-
Будівельні матеріали	840	-	-	-
Запасні частини	850	17.6	-	-
Матеріали сільськогосподарського призначення	860	-	-	-
Тварини на вирощуванні та відгодівлі	870	-	-	-
Малоцінні та швидкозношувані предмети	880	2.7	-	-
Незавершене виробництво	890	-	-	-
Готова продукція	900	-	-	-
Товари	910	-	-	-
Разом	920	43.4	-	-

Із рядка 920 графа 3 Балансова вартість запасів:

відображених за чистою вартістю реалізації (921) _____-_____

переданих у переробку (922) _____-_____

оформлених в заставу (923) _____-_____

переданих на комісію (924) _____-_____

Активи на відповідальному зберіганні – рахунок 02 (925) _____-_____

- визначається за п. 28 Положення (стандарту) бухгалтерського обліку 9 «Запаси»

IX. Дебіторська заборгованість

Найменування показника	Код рядка	Всього на кінець року	в т.ч. за строками непогашення		
			до 3 місяців	від 3 до 6 місяців	від 6 до 12 місяців
1	2	3	4	5	6
Дебіторська заборгованість за товари, роботи, послуги	940	-	-	-	-
Інша поточна дебіторська заборгованість	950	78811.0	-	-	-

Списано у звітному році безнадійної дебіторської заборгованості (951) _____-_____

Із рядків 940 і 950 графа 3 заборгованість з пов'язаними сторонами (952) _____-_____

X. Нестачі і втрати від псування цінностей

Найменування показника	Код рядка	Сума
1	2	3
Виявлено (списано) за рік нестач і втрат	960	-
Визнано заборгованістю винних осіб у звітному році	970	-
Сума нестач і втрат, остаточне рішення щодо винуватців за якими на кінець року не прийнято (позабалансовий рахунок 072)	980	-

XI. Будівельні контракти

Найменування показника	Код рядка	Сума
1	2	3
Дохід за будівельними контрактами за звітний рік	1110	-
Заборгованість на кінець звітного року:		-
валова замовників	1120	-
валова замовникам	1130	-
з авансів отриманих	1140	-
Сума затриманих коштів на кінець року	1150	-
Вартість виконаних субпідрядниками робіт за незавершеними будівельними контрактами	1160	-

XII. Податок на прибуток

Найменування показника	Код рядка	Сума
1	2	3
Поточний податок на прибуток	1210	536.8
Відстрочені податкові активи: на початок звітного року	1220	-
на кінець звітного року	1225	-
Відстрочені податкові зобов'язання: на початок звітного року	1230	-
на кінець звітного року	1235	75.6
Включено до звіту про фінансові результати-усього	1240	612.4
у тому числі: поточний податок на прибуток	1241	536.8
зменшення (збільшення) відстрочених податкових активіі	1242	-
Збільшення (зменшення) відстрочених податкових зобов'язань	1243	75.6
Відображено у складі власного капіталу – усього	1250	-
у тому числі: поточний податок на прибуток	1251	-
зменшення (збільшення) відстрочених податкових активів	1252	-
збільшення (зменшення) відстрочених податкових зобов'язань	1253	-

XIII. Використання амортизаційних відрахувань

Найменування показника	Код рядка	Сума
1	2	3
Нараховано за звітний місяць	1300	108.4
Використано за рік – усього	1310	-
в тому числі на: будівництво об’яктів	1311	-
придбання (виготовлення) та поліпшення основних засобів	1312	-
з них машини та обладнання	1313	-
придбання (створення) нематеріальних активів	1314	-
погашення отриманих на капітальні інвестиції позик	1315	-
	1316	-
	1317	-

Додаток 3

Баланс на 31 грудня 2007 р.

форма № 1 за ДКУД 1801001

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Необоротні активи			
Нематеріальні активи:			
залишкова вартість	010	58,2	320,7
первісна вартість	011	63,6	349,5
накопичена амортизація	012	(5,4)	(28,8)
Незавершене будівництво	020	54,1	110,0
Основні засоби:		-	-
залишкова вартість	030	425,0	1842,3
первісна вартість	031	589,8	2323,2
Знос	032	(164,8)	(480,9)
Довгострокові фінансові інвестиції:		-	-
які обліковуються за методом участі в капіталі інших підприємств	040	-	-
інші фінансові інвестиції	045	-	-
Довгострокова дебіторська заборгованість	050	21 292,4	286 222,7
Відстрочені податкові активи	060	-	174,2
Гудвіл	065	-	-
Інші необоротні активи	070	-	-
Усього за розділом I	**080**	**21 829,7**	**288 669,9**
II. Оборотні активи			
Запаси:			
виробничі запаси	100	43,4	62,2
тварини на вирощуванні та відгодівлі	110	-	-
незавершене виробництво	120	-	-
готова продукція	130	-	-
Товари	140	-	0,5
Векселі одержані	150	-	-
Дебіторська заборгованість за товари, роботи, послуги:			
чиста реалізаційна вартість	160	-	-
первісна вартість	161	-	-
резерв сумнівних боргів	162	-	-
Дебіторська заборгованість за розрахунками:			
з бюджетом	170	190,2	578,6
за виданими авансами	180	146,0	-
із нарахованих доходів	190	127,3	252,8
із внутрішніх розрахунків	200	-	-
Інша поточна дебіторська заборгованість	210	78 811,0	825 763,1
Поточні фінансові інвестиції	220	-	-
Грошові кошти та їх еквіваленти:			
в національній валюті	230	689,0	656,5
в іноземній валюті	240	-	-
Інші оборотні активи	250	-	-
Усього за розділом II	**260**	**80 006,9**	**827 313,8**
III. Витрати майбутніх періодів	**270**	**2,3**	**7,0**
Баланс	**280**	**101 838,9**	**1 115 990,8**

Пасив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Власний капітал			
Статутний капітал	300	100 000,0	100 000,0
Пайовий капітал	310	-	-
Додатковий вкладений капітал	320	-	-
Інший додатковий капітал	330	84,8	70,9
Резервний капітал	340	-	1 302,7
Нерозподілений прибуток (непокритий збиток)	350	833,2	12 471,0
Неоплачений капітал	360	-	-
Вилучений капітал	370	-	-
Усього за розділом I	**380**	**100 918,0**	**113 844,6**
II. Забезпечення наступних витрат і платежів			
Забезпечення виплат персоналу	400	41,0	976,8
Інші забезпечення	410	-	-
Цільове фінансування	420	-	-
Усього за розділом II	**430**	**41,0**	**976,8**
III. Довгострокові зобов'язання			
Довгострокові кредити банків	440	-	-
Інші довгострокові фінансові зобов'язання	450	-	1 000 000,0
Відстрочені податкові зобов'язання	460	75,6	-

Інші довгострокові зобов'язання	470	-	-
Усього за розділом III	**480**	**75,6**	**1 000 000,0**
IV. Поточні зобов'язання			
Короткострокові кредити банків	500	-	-
Поточна заборгованість за довгостроковими зобов'язаннями	510	-	-
Векселі видані	520	-	-
Кредиторська заборгованість за товари, роботи, послуги	530	3,3	3,3
Поточні зобов'язання за розрахунками:			
з одержаних авансів	540	-	58,1
з бюджетом	550	797,8	1 060,2
з позабюджетних платежів	560	-	-
зі страхування	570	-	-
з оплати праці	580	2,9	-
з учасниками	590	-	-
із внутрішніх розрахунків	600	-	-
Інші поточні зобов'язання	610	0,3	47,8
Усього за розділом IV	**620**	**804,3**	**1 169,4**
V. Доходи майбутніх періодів	**630**	**-**	**-**
Баланс	**640**	**101 838,9**	**1 115 990,8**

Звіт про фінансові результати

за 2007 р.

форма № 2 Код за ДКУД 1801003

І. ФІНАНСОВІ РЕЗУЛЬТАТИ

Стаття	Код рядка	За звітний період	За попередній період
1	2	3	4
Доход (виручка) від реалізації продукції (товарів, робіт, послуг)	010	76 635,9	5 762,3
Податок на додану вартість	015	-	-
Акцизний збір	020	-	-
	025	-	-
Інші вирахування з доходу	030	-	-
Чистий доход (виручка) від реалізації продукції (товарів, робіт, послуг)	035	76 635,9	5 762,3
Собівартість реалізованої продукції (товарів, робіт, послуг)	040	(46 129,9)	(75,1)
Валовий:			
Прибуток	050	30 506,0	5 687,2
Збиток	055	-	-
Інші операційні доходи	060	3 283,3	2 300,6
Адміністративні витрати	070	(12 540,7)	(4 830,4)
Витрати на збут	080	-	-
Інші операційні витрати	090	(352,2)	(879,3)
Фінансові результати від операційної діяльності:			
Прибуток	100	20 896,4	2 278,1
Збиток	105	-	-
Доход від участі в капіталі	110	-	-
Інші фінансові доходи	120	-	
Інші доходи	130	13,9	13,9
Фінансові витрати	140	(1,0)	-
Втрати від участі в капіталі	150	-	-
Інші витрати	160	(8,5)	(3,2)
Фінансові результати від звичайної діяльності до оподаткування:			
Прибуток	170	20 900,8	2 288,8
Збиток	175	-	-
Податок на прибуток від звичайної діяльності	180	(5 313,8)	(612,4)
Фінансові результати від звичайної діяльності:			
Прибуток	190	15 587,0	1 676,4
Збиток	195	-	-
Надзвичайні:			
Доходи	200	7,9	5,4
Витрати	205	(7,5)	(5,4)
Податки з надзвичайного прибутку	210	(0,1)	-
Чистий:			
Прибуток	220	15 587,3	1 676,4
Збиток	225	-	-

ІІ. ЕЛЕМЕНТИ ОПЕРАЦІЙНИХ ВИТРАТ

Найменування показника	Код рядка	За звітний період	За попередній період
1	2	3	4
Матеріальні затрати	230	259,7	134,6
Витрати на оплату праці	240	6 918,5	2 495,2
Відрахування на соціальні заходи	250	1 194,9	538,8
Амортизація	260	341,4	108,4
Інші операційні витрати	270	4 178,4	5 709,7
Разом	**280**	**12 892,9**	**8 986,7**

ІІІ. РОЗРАХУНОК ПОКАЗНИКІВ ПРИБУТКОВОСТІ АКЦІЙ

Назва статті	Код рядка	За звітний період	За попередній період
1	2	3	4
Середньорічна кількість простих акцій	300	-	-
Скоригована середньорічна кількість простих акцій	310	-	-
Чистий прибуток (збиток) на одну просту акцію	320	-	-
Скоригований чистий прибуток (збиток) на одну просту акцію	330	-	-
Дивіденди на одну просту акцію	340	-	-

Звіт про рух грошових коштів за 2007 рік

форма № 3 Код за ДКУД 1801004

Стаття	Код	За звітний період		За попередній період	
		Надходження	Видаток	Надходження	Видаток
1	2	3	4	5	6
I. Рух коштів у результаті операційної діяльності					
Прибуток (збиток) від звичайної діяльності до оподаткування	010	20 900.8	-	2 288.8	-
Коригування на:					
амортизацію необоротних активів	020	341.4	x	108.4	x
збільшення (зменшення) забезпечень	030	935.8	-	41.0	-
збиток (прибуток) від нереалізованих курсових різниць	040	-	-	-	-
збиток (прибуток) від неопераційної діяльності	050	-	4.4	-	10.7
Витрати на сплату відсотків	060	**1.0**	**X**	-	**X**
Прибуток (збиток) від операційної діяльності до зміни в чистих оборотних активах	070	22 174.6	-	2 427.5	-
Зменшення (збільшення):					
оборотних активів	080	-	746 526.2	-	78 445.7
витрат майбутніх періодів	090	-	4.7	0.9	-
Збільшення (зменшення):					
поточних зобов'язань	100	365.1	-	-	1.7
доходів майбутніх періодів	110	-	-	-	-
Грошові кошти від операційної діяльності	120	-	723 991.2	-	76 019.0
Сплачені:					
відсотки	130	x	1.0	x	-
податки на прибутки	140	x	5 953.8	x	733.0
Чистий рух коштів до надзвичайних подій	150	-	729 946.0	-	76 752.0
Рух коштів від надзвичайних подій	160	0.4	-	-	-
Чистий рух коштів від операційної діяльності	170	-	729 945.6	-	76 752.0
II. Рух коштів у результаті інвестиційної діяльності					
Реалізація:					
фінансових інвестицій	180	-	x	-	x
необоротних активів	190	-	x	-	x
майнових комплексів	200	-	-	-	-
Отримані:					
відсотки	210	-	x	-	x
дивіденди	220	-	x	-	x
Інші надходження	230	-	x	336.8	x
Придбання:					
фінансових інвестицій	240	x	-	x	-
необоротних активів	250	x	267 005.5	x	21 530.5
майнових комплексів	260	x	-	x	-
Інші платежі	270	**X**	-	x	-
Чистий рух коштів до надзвичайних подій	280	-	267 005.5	-	21 193.7
Рух коштів від надзвичайних подій	290	-	-	-	-
Чистий рух коштів від інвестиційної діяльності	300	-	267 005.5	-	21 193.7
III. Рух коштів у результаті фінансової діяльності					
Надходження власного капіталу	310	-	x	80 000.0	**X**
Отримані позики	320	1 004 500.0	x	-	**X**
Інші надходження	330	-	x	-	x
Погашення позик	340	**X**	4 500.0	x	-
Сплачені дивіденди	350	**X**	2 074.8	x	42.7
Інші платежі	360	**X**	1 006.5	x	-
Чистий рух коштів до надзвичайних подій	370	996 918.7	-	79 957.3	-
Рух коштів від надзвичайних подій	380	-	-	-	-
Чистий рух коштів від фінансової діяльності	390	996 918.7	-	79 957.3	-
Чистий рух коштів за звітний період	400	-	32.4	-	17 988.4
Залишок коштів на початок року	410	689.0	x	18 677.4	x
Вплив зміни валютних курсів на залишок коштів	420	-	-	-	-
Залишок коштів на кінець року	430	656.6	x	689.0	**X**

Звіт про власний капітал за 2007 р.

форма № 4 Код за ДКУД 1801005

Стаття	Код	Статутний капітал	Пайовий капітал	Додатковий вкладений капітал	Інший додатковий капітал	Резервний капітал	Нерозподілений прибуток	Неоплачений капітал	Вилучений капітал	Разом
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Залишок на початок року	010	100 000.0	-	-	84.8	-	833.2	-	-	100918.0
Коригування:										
Зміна облікової політики	020	-	-	-	-	-	-	-	-	-
Виправлення помилок	030	-	-	-	-	-	-	-	-	-
Інші зміни	040	-	-	-	-	-	-	-	-	-
Скоригований залишок на початок року	050	100 000.0	-	-	84.8	-	833.2	-	-	100918.0
Переоцінка активів:										
Дооцінка основних засобів	060	-	-	-	-	-	-	-	-	-
Уцінка основних засобів	070	-	-	-	-	-	-	-	-	-
Дооцінка незавершеного будівництва	080	-	-	-	-	-	-	-	-	-
Уцінка незавершеного будівництва	090	-	-	-	-	-	-	-	-	-
Дооцінка нематеріальних активів	100	-	-	-	-	-	-	-	-	-
Уцінка нематеріальних активів	110	-	-	-	-	-	-	-	-	-
	120	-	-	-	-	-	-	-	-	-
Чистий прибуток (збиток) за звітний період	130	-	-	-	-	-	15 587.3	-	-	15 587.3
Розподіл прибутку:										
Виплати власникам (дивіденди)	140	-	-	-	-	-	-2 338.1	-	-	-2 338.1
Спрямування прибутку до статутного капіталу	150	-	-	-	-	-	-	-	-	-
Відрахування до резервного капіталу	160	-	-	-	-	1 302.7	-1 611.4	-	-	-308.7
	170	-	-	-	-	-	-	-	-	-
Внески учасників:										
Внески до капіталу	180	-	-	-	-	-	-	-	-	-
Погашення заборгованості з капіталу	190	-	-	-	-	-	-	-	-	-
	200	-	-	-	-	-	-	-	-	-
Вилучення капіталу:										
Викуп акцій (часток)	210	-	-	-	-	-	-	-	-	-
Перепродаж викуплених акцій (часток)	220	-	-	-	-	-	-	-	-	-
Анулювання викуплених акцій (часток)	230	-	-	-	-	-	-	-	-	-
Вилучення частки в капіталі	240	-	-	-	-	-	-	-	-	-
Зменшення номінальної вартості акцій	250	-	-	-	-	-	-	-	-	-
Інші зміни в капіталі:										
Списання невідшкодованих збитків	260	-	-	-	-	-	-	-	-	-
Безкоштовно отримані активи	270	-	-	-	-13.9	-	-	-	-	-13.9
	280	-	-	-	-	-	-	-	-	-
Разом змін в капіталі	290	-	-	-	-13.9	1 302.7	11 637.8	-	-	12 926.6
Залишок на кінець року	300	100 000.0	-	-	70.9	1 302.7	12 471.0	-	-	113844.6

Примітки
до річної фінансової звітності за 2007 р.

форма № 5 Код за ДКУД 1801008

I. Нематеріальні активи

Групи нематеріальних активіі	Код рядка	Залишок на початок року		Надійшло за рік	Переоцінка (дооцінка+, уцінка -)		Вибуло за рік		Нараховано амортизації за рік	Втрати від зменшення корисності за рік	Інші зміни за рік		Залишок на кінець року	
		первісна (переоцінена) вартість	накопичена амортизація		первісної (переоціненої) вартості	накопиченої амортизації	первісна (переоцінена) вартість	накопичена амортизація			первісної (переоціненої) вартості	накопиченої амортизації	первісна (переоцінена) вартість	накопичена амортизація
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Права користування природними ресурсами	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Права користування майном	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Права на знаки для товарів і послуг	030	-	-	-	-	-	-	-	-	-	-	-	-	-
Права на об'єкти промислової власності	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Авторські та суміжні з ними права	050	4.9	0.9	41.1	-	-	-	-	2.5	-	-	-	46.0	3.4
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші нематеріальні активи	070	58.7	4.5	244.8	-	-	-	-	20.9	-	-	-	303.5	25.4
Разом	080	63.6	5.4	285.9	-	-	-	-	23.4	-	-	-	349 5	28.8

Із рядка 080 графа 14	вартість нематеріальних активів, щодо яких існує обмеження права власності	(081) _____-_____
	вартість оформлених у заставу нематеріальних активів	(082) _____-_____
	вартість створених підприємством нематеріальних активів	(083) _____41.0_____
Із рядка 080 графа 5	вартість нематеріальних активів, отриманих за рахунок цільових асигнувань	(084) _____-_____
Із рядка 080 графа 15	накопичена амортизація нематеріальних активів, щодо яких існує обмеження права власності	(085) _____-_____

II. Основні засоби

Групи основних засобів	Код рядка	Залишок на початок року		Надійшло за рік	Переоцінка (дооцінка+, уцінка-)		Вибуло за рік			Втрати від зменшення корисності	Інші зміни за рік		Залишок на кінець року		у тому числі			
		первісна (переоцінена) вартість	знос		первісної (переоціненої) вартості	зносу	первісна (переоцінена) вартість	знос	Нараховано амортизації за рік		первісної (переоціненої) вартості	зносу	первісна (переоцінена) вартість	знос	одержані за фінансовою орендою		передані в оперативну оренду	
															первісна (переоцінена) вартість	знос	первісна (переоцінена) вартість	знос
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Земельні ділянки	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Капітальні витрати на поліпшення земель	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Будинки, споруди та передавальні пристрої	120	-	-	550.2	-	-	-	-	7.0	-	-	-	550 2	7.0	-	-	-	-
Машини та обладнання	130	243.9	46.5	268.4	-	-	10.3	1.8	69.1	-	-	-	502.0	113.8	-	-	-	-
Транспортні засоби	140	268.1	55.9	771.4	-	-	-	-	79.6	-	-	-	1 039.5	135.5	-	-	-	-
Інструменти, прилади, інвентар (меблі)	150	5.8	2.5	-	-	-	-	-	1.7	-	-	-	5.8	4.2	-	-	-	-
Робоча і продуктивна худоба	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Багаторічні насадження	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші основні засоби	180	20.4	8.3	-	-	-	-	-	6.8	-	-	-	20.4	15.1	-	-	-	-
Бібліотечні фонди	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Малоцінні необоротні матеріальні активи	200	28.5	28.5	153.7	-	-	--	-	153.7	-	-	-	182.2	182.2	-	-	-	-
Тимчасові (нетитульні) споруди	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Природні ресурси	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інвентарна тара	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Предмети прокату	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Інші необоротні матеріальні активи	250	23.1	23.1	-	-	-	-	-	-	-	-	-	23.1	23.1	-	-	-	-
Разом	260	589.8	164.8	1743.7	-	-	10.3	1.8	317.9	-	-	-	2323.2	480.9				

Із рядка 260 графа 14	вартість основних засобів, щодо яких існують передбачені чинним законодавством обмеження права власності	(261)	-_____
	вартість оформлених у заставу основних засобів	(262)	-_____
	залишкова вартість основних засобів, що тимчасово не використовуються (консервація, реконструкція тощо)	(263)	-_____
	залишкова вартість основних засобів, вилучених з експлуатації для продажу	(264)	-_____
	первісна (переоцінена) вартість повністю амортизованих основних засобів	(265)	-_____
Із рядка 260 графа 5	вартість основних засобів, придбаних за рахунок цільового фінансування	(266)	-_____
	вартість основних засобів, що взяті в операційну оренду	(267)	7844.7
Із рядка 260 графа 15	знос основних засобів, щодо яких існують обмеження права власності	(268)	-_____

III. Капітальні інвестиції

Найменування показника	Код рядка	За рік	На кінець року
1	2	3	4
Капітальне будівництво	280	-	-
Придбання (виготовлення) основних засобів	290	1579.2	-
Придбання (виготовлення) інших необоротних матеріальних активів	300	152.6	-
Придбання (створення) нематеріальних активів	310	353.6	110.0
Формування основного стада	320	-	-
Інші	330	-	-
Разом	340	2085.4	110.0

IV. Фінансові інвестиції

Найменування показника	Код рядка	За рік	На кінець року	
			довгострокові	поточні
1	2	3	4	5
А. Фінансові інвестиції за методом участі в капіталі в:				
асоційовані підприємства	350	-	-	-
дочірні підприємства	360	-	-	-
спільну діяльність	370	-	-	-
Б. Інші фінансові інвестиції в:				
частки і паї у статутному капіталі інших підприємств	380	-	-	-
акції	390	-	-	-
облігації	400	-	-	-
інші	410	-	-	-
Разом (роз. А + розд. Б)	420	-	-	-

Із рядка 045 гр. 4 Балансу інші довгострокові фінансові інвестиції відображені:
за собівартістю (421) _____-_____
за справедливою вартістю (422) _____-_____
за амортизованою собівартістю (423) _____-_____

Із рядка 220 гр. 4 Балансу поточні фінансові інвестиції відображені:
за собівартістю (424) _____-_____
за справедливою вартістю (425) _____-_____
за амортизованою собівартістю (426)_____-_____

V. Доходи і витрати.

Найменування показника	Код рядка	Доходи	Витрати
1	2	3	4
А. Інші операційні доходи і витрати			
Операційна оренда активів	440	-	-
Операційна курсова різниця	450	-	-
Реалізація інших оборотних активів	460	-	-
Штрафи, пені, неустойки	470	55.8	2.6
Утримання об'єктів житлово-комунального і соціально-культурного призначення	480	-	-
Інші операційні доходи і витрати	490	3227.5	349.6
у тому числі: відрахування до резерву сумнівних боргів	491	X	-
непродуктивні витрати і втрати	492	X	-
Б. Доходи і втрати від участі в капіталі за інвестиціями в:			
асоційовані підприємства	500	-	-
дочірні підприємства	510	-	-
спільну діяльність	520	-	-
В. Інші фінансові доходи і витрати			
Дивіденди	530		X
Проценти	540	X	1.0
Фінансова оренда активів	550	-	-
Інші фінансові доходи і витрати	560	-	-
Г. Інші доходи і витрати			
Реалізація фінансових інвестицій	570	-	-
Реалізація необоротних активів	580	-	-
Реалізація майнових комплексів	590	-	-
Не операційна курсова різниця	600	-	-
Безоплатно одержані активи	610	13.9	X
Списання необоротних активів	620	X	8.5
Інші доходи і витрати	630	-	-

Товарообмінні (бартерні) операції з продукцією (товарами, роботами, послугами) (631) _____-_____

Частка доходу від реалізації продукції (товарів, робіт, послуг) за товарообмінними (бартерними) контрактами з пов'язаними сторонами (632) _____-_____%

VI. Грошові кошти

Найменування показника	Код рядка	На кінець року
1	2	3
Каса	640	-
Поточний рахунок банку	650	656.6
Інші рахунки в банку (акредитиви, чекові книжки)	660	-
Грошові кошти в дорозі	670	-
Еквіваленти грошових коштів	680	-
Разом	690	656.6

Із рядка 070 гр. 4 Балансу Грошові кошти, використання яких обмежено (691) _____-_____

VII. Забезпечення і резерви

Види забезпечень і резервів	Код рядка	Залишок на початок року	Збільшення за звітний рік		Використано у звітному році	Сторновано невикористану суму у звітному році	Сума очікуваного відшкодування витрат іншою стороною, що врахована при оцінці забезпечення	Залишок на кінець року
			нараховано (створено)	додаткові відрахування				
1	2	3	4	5	6	7	8	9
Забезпечення на виплату відпусток працівникам	710	41.0	-	-	-	-	-	41.0
Забезпечення наступних витрат на додаткове пенсійне забезпечення	720	-	-	-	-	-	-	-
Забезпечення наступних витрат на виконання гарантійних зобов'язань	730	-	-	-	-	-	-	-
Забезпечення наступних витрат на реструктуризацію	740	-	-	-	-	-	-	-
Забезпечення наступних витрат на виконання зобов'язань щодо обтяжливих контрактів	750	-	-	-	-	-	-	-
	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Резерв сумнівних боргів	775	-	-	-	-	-	-	-
Разом	780	41.0	-	-	-	-	-	41.0

VIII. Запаси

Найменування показника	Код рядка	Балансова вартість на кінець року	Переоцінка за рік	
			збільшення чистої вартості реалізації	уцінка
1	2	3	4	5
Сировина і матеріали	800	18.8	-	-
Купівельні напівфабрикати та комплектуючі вироби	810	-	-	-
Паливо	820	17.6	-	-
Тара і тарні матеріали	830	-	-	-
Будівельні матеріали	840	-	-	-
Запасні частини	850	25.8	-	-
Матеріали сільськогосподарського призначення	860	-	-	-
Тварини на вирощуванні та відгодівлі	870	-	-	-
Малоцінні та швидкозношувані предмети	880	-	-	-
Незавершене виробництво	890	-	-	-
Готова продукція	900	-	-	-
Товари	910	0.5	-	-
Разом	920	62.7	-	-

Із рядка 920 графа 3 Балансова вартість запасів:

відображених за чистою вартістю реалізації (921) _____-_____

переданих у переробку (922) _____-_____

оформлених в заставу (923) _____-_____

переданих на комісію (924) _____-_____

Активи на відповідальному зберіганні – рахунок 02 (925) _____-_____

- визначається за п. 28 Положення (стандарту) бухгалтерського обліку 9 «Запаси»

IX. Дебіторська заборгованість

Найменування показника	Код рядка	Всього на кінець року	в т.ч. за строками непогашення		
			до 3 місяців	від 3 до 6 місяців	від 6 до 12 місяців
1	2	3	4	5	6
Дебіторська заборгованість за товари, роботи, послуги	940	-	-	-	-
Інша поточна дебіторська заборгованість	950	825763.1	-	-	-

Списано у звітному році безнадійної дебіторської заборгованості (951) _____-_____

Із рядків 940 і 950 графа 3 заборгованість з пов'язаними сторонами (952) _____-_____

X. Нестачі і втрати від псування цінностей

Найменування показника	Код рядка	Сума
1	2	3
Виявлено (списано) за рік нестач і втрат	960	-
Визнано заборгованістю винних осіб у звітному році	970	-
Сума нестач і втрат, остаточне рішення щодо винуватців за якими на кінець року не прийнято (позабалансовий рахунок 072)	980	-

XI. Будівельні контракти

Найменування показника	Код рядка	Сума
1	2	3
Дохід за будівельними контрактами за звітний рік	1110	-
Заборгованість на кінець звітного року:		-
валова замовників	1120	-
валова замовникам	1130	-
з авансів отриманих	1140	-
Сума затриманих коштів на кінець року	1150	-
Вартість виконаних субпідрядниками робіт за незавершеними будівельними контрактами	1160	-

XII. Податок на прибуток

Найменування показника	Код рядка	Сума
1	2	3
Поточний податок на прибуток	1210	5565.6
Відстрочені податкові активи: на початок звітного року	1220	-
на кінець звітного року	1225	174.2
Відстрочені податкові зобов'язання: на початок звітного року	1230	75.6
на кінець звітного року	1235	-
Включено до звіту про фінансові результати-усього	1240	5313.8
у тому числі: поточний податок на прибуток	1241	5565.6
зменшення (збільшення) відстрочених податкових активіі	1242	(174.2)
Збільшення (зменшення) відстрочених податкових зобов'язань	1243	(75.6)
Відображено у складі власного капіталу – усього	1250	-
у тому числі:		

поточний податок на прибуток	1251	-
зменшення (збільшення) відстрочених податкових активів	1252	-
збільшення (зменшення) відстрочених податкових зобов’язань	1253	-

XIII. Використання амортизаційних відрахувань

Найменування показника	Код рядка	Сума
1	2	3
Нараховано за звітний місяць	1300	341.4
Використано за рік – усього	1310	-
в тому числі на: будівництво об’яктів	1311	-
придбання (виготовлення) та поліпшення основних засобів	1312	-
з них машини та обладнання	1313	-
придбання (створення) нематеріальних активів	1314	-
погашення отриманих на капітальні інвестиції позик	1315	-
	1316	-
	1317	-

Додаток 4

Баланс на 30 червня 2008 р.

форма № 1 за ДКУД 1801001

АКТИВ	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Необоротні активи			
Нематеріальні активи:			
залишкова вартість	010	320,7	2 738,4
первісна вартість	011	349,5	2 849,5
накопичена амортизація	012	(28.8)	(111.1)
Незавершене будівництво	020	110,0	112,9
Основні засоби:			
залишкова вартість	030	1 842,3	2 280,9
первісна вартість	031	2 323,2	2 911,9
знос	032	(480.9)	(631.0)
Довгострокові біологічні активи:			
справедлива (залишкова) вартість	035	-	-
первісна вартість	036	-	-
накопичена амортизація	037	-	-
Довгострокові фінансові інвестиції:			
які обліковуються за методом участі в капіталі інших підприємств	040	-	-
інші фінансові інвестиції	045	-	-
Довгострокова дебіторська заборгованість	050	286 222,7	822 188,8
Відстрочені податкові активи	060	174,2	174,2
Гудвіл	065	-	-
Інші необоротні активи	070	-	-
Усього за розділом I	**080**	**288 669,9**	**827 495,2**
II. Оборотні активи			
Виробничі запаси	100	62,2	303,9
Поточні біологічні активи	110	-	-
Незавершене виробництво	120	-	-
Готова продукція	130	-	-
Товари	140	0,5	0,5
Векселі одержані	150	-	-
Дебіторська заборгованість за товари, роботи, послуги :			
чиста реалізаційна вартість	160	824 001,3	596 677,8
первісна вартість	161	824 001,3	596 677,8
резерв сумнівних боргів	162	-	-
Дебіторська заборгованість за розрахунками			
з бюджетом	170	578,6	9,3
за виданими авансами	180	-	-
із нарахованих доходів	190	252,8	1 083,4
із внутрішніх розрахунків	200	-	-
Інша поточна дебіторська заборгованість	210	1761,9	116,4
Поточні фінансові інвестиції	220	-	-
Грошові кошти та їх еквіваленти:			
в національній валюті	230	656,6	1 079,6
в іноземній валюті	240	-	-
Інші оборотні активи	250	-	-
Усього за розділом II	**260**	**827 313,9**	**599 270,9**
III.Витрати майбутніх періодів	**270**	**7,0**	**120,9**
БАЛАНС	**280**	**1 115 990,8**	**1 426 887,0**

ПАСИВ	**Код рядка**	**На початок звітного періоду**	**На кінець звітного періоду**
1	2	3	4
I. Власний капітал			
Статутний капітал	300	100 000,0	200 000,0
Пайовий капітал	310	-	-
Додатковий вкладений капітал	320	-	-
Інший додатковий капітал	330	70,9	63,9
Резервний капітал	340	1 302,7	1 302,7
Нерозподілений прибуток (непокритий збиток)	350	12 471,0	19 003,3
Неоплачений капітал	360	-	(100 000)
Вилучений капітал	370	-	-
Усього за розділом I	**380**	**113 844,6**	**120 369,9**
II. Забезпечення наступних витрат і платежів			
Забезпечення виплат персоналу	400	976,8	281,2
Інші забезпечення	410	-	-
	415	-	-
	416	-	-
Цільове фінансування	420	-	-
Усього за розділом II	**430**	**976,8**	**281,2**
III. Довгострокові забов'язання			
Довгострокові кредити банків	440	-	-
Інші довгострокові фінансові зобов'язання	450	1 000 000,0	1 300 000,0
Відстрочені податкові зобов'язання	460	-	-
Інші довгострокові зобов'язання	470	-	-
Усього за розділом III	**480**	**1 000 000,0**	**1 300 000,0**
IV. Поточні зобов'язання			
Короткострокові кредити банків	500	-	-
Поточна заборгованість за довгостроковими зобов'язаннями	510	-	-
Векселі видані	520	-	-
Кредиторська заборгованість за товари, роботи, послуги	530	3,3	116,2
Поточні зобов'язання за розрахунками:			
з одержаних авансів	540	58,1	135,0
з бюджетом	550	1 060,2	829,8
з позабюджетних платежів	560	-	-
зі страхування	570	-	-
з оплати праці	580	-	-
з учасниками	590	-	-
із внутрішніх розрахунків	600	-	-
Інші поточні зобов'язання	610	47,8	5 154,9
Усього за розділом IV	**620**	**1 169,4**	**6 235,9**
V. Доходи майбутніх періодів	**630**	**-**	**-**
БАЛАНС	**640**	**1 115 990,8**	**1 426 887,0**

Звіт про фінансові результати
за І півріччя 2008 р.

форма № 2 Код за ДКУД 1801003

І. Фінансові результати

Стаття	Код рядка	За звітний період	За попередній період
1	2	3	4
Доход (виручка) від реалізації продукції (товарів, робіт, послуг)	010	72 496,6	16 467,1
Податок на додану вартість	015	-	-
Акцизний збір	020	-	-
	025	-	-
Інші вирахування з доходу	030	-	-
Чистий доход (виручка) від реалізації продукції (товарів, робіт, послуг)	035	72 496,6	16 467,1
Собівартість реалізованої продукції (товарів, робіт, послуг)	040	(55 279,0)	(6 517,8)
Валовий :			
Прибуток	050	17 217,6	9 949,3
Збиток	055	-	-
Інші операційні доходи	060	154,7	7,6
Адміністративні витрати	070	(7 747,6)	(4 438,9)
Витрати на збут	080	-	-
Інші операційні витрати	090	(3,6)	(2,4)
Фінансові результати від операційної діяльності :			
Прибуток	100	9 621,1	5 515,6
Збиток	105	-	-
Доход від участі в капіталі	110	-	-
Інші фінансові доходи	120	-	-
Інші доходи	130	7,0	7,0
Фінансові витрати	140	-	-
Втрати від участі в капіталі	150	-	-
Інші витрати	160	(0.2)	-
Фінансові результати від звичайної діяльності до оподаткування:			
прибуток	170	9 627,9	5 522,6
Збиток	175	-	-
Податок на прибуток від звичайної діяльності	180	(2 580,9)	(1 438,4)
Фінансові результати від звичайної діяльності :			
прибуток	190	7 047,0	4 084,2
Збиток	195	-	-
Надзвичайні :			
Доходи	200	18,9	-
Витрати	205	(19,6)	-
Податки з надзвичайного прибутку	210	-	-
Чистий :			
прибуток	220	7 046,3	4 084,2
Збиток	225	-	-

ІІ. Елементи операційних витрат

Найменування показника	Код рядка	За звітний період	За попередній період
1	2	3	4
Матеріальні затрати	230	192,1	91,6
Витрати на оплату праці	240	4 627,5	2 281,2
Відрахування на соціальні заходи	250	1 020,4	419,1
Амортизація	260	232,4	72,5
Інші операційні витрати	270	1 678,8	637,5
Разом	**280**	7 751,2	4 438,9

ІІІ. Розрахунок показників прибутковості акцій

Назва статті	Код рядка	За звітний період	За попередній період
1	2	3	4
Середньорічна кількість простих акцій	300	-	-
Скоригована середньорічна кількість простих акцій	310	-	-
Чистий прибуток (збиток) на одну просту акцію	320	-	-
Скоригований чистий прибуток (збиток) на одну просту акцію	330	-	-
Дивіденди на одну просту акцію	340	-	-

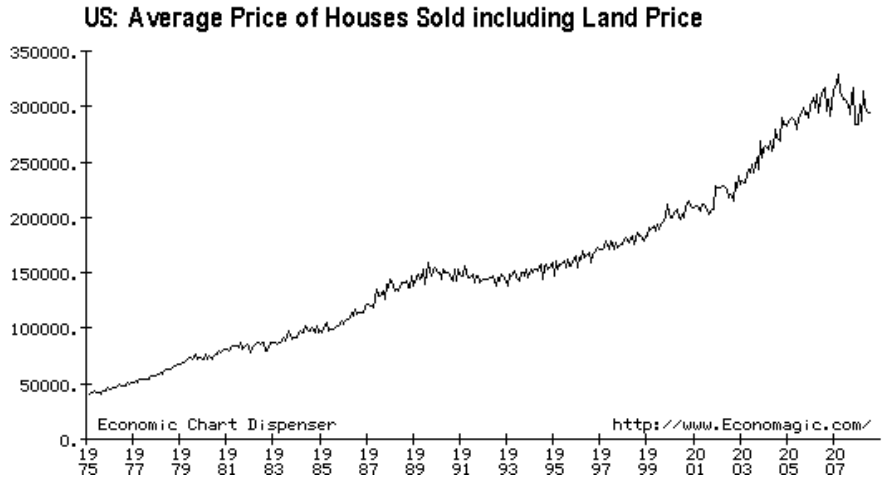
ATTACHMENT 4

Attachment: ATCI Response

In response to your letter of August 13, ATCI believes that the SSMSC should establish two important principles:

First, it is not common practice anywhere to re-appraise property to determine current LTV. Re-appraisal is costly and time-consuming and, even when conducted under the strictest of international standards, incorporates a subjective bias which obviously varies from one appraiser to the next. Instead, current LTV is estimated using one or more housing price indices developed and maintained by both government agencies and private research companies using a variety of methodologies. In the US, for example, the Census Bureau maintains and publishes monthly the "Average Price of Houses Sold" by geographical regions of the country and for the US as a whole.

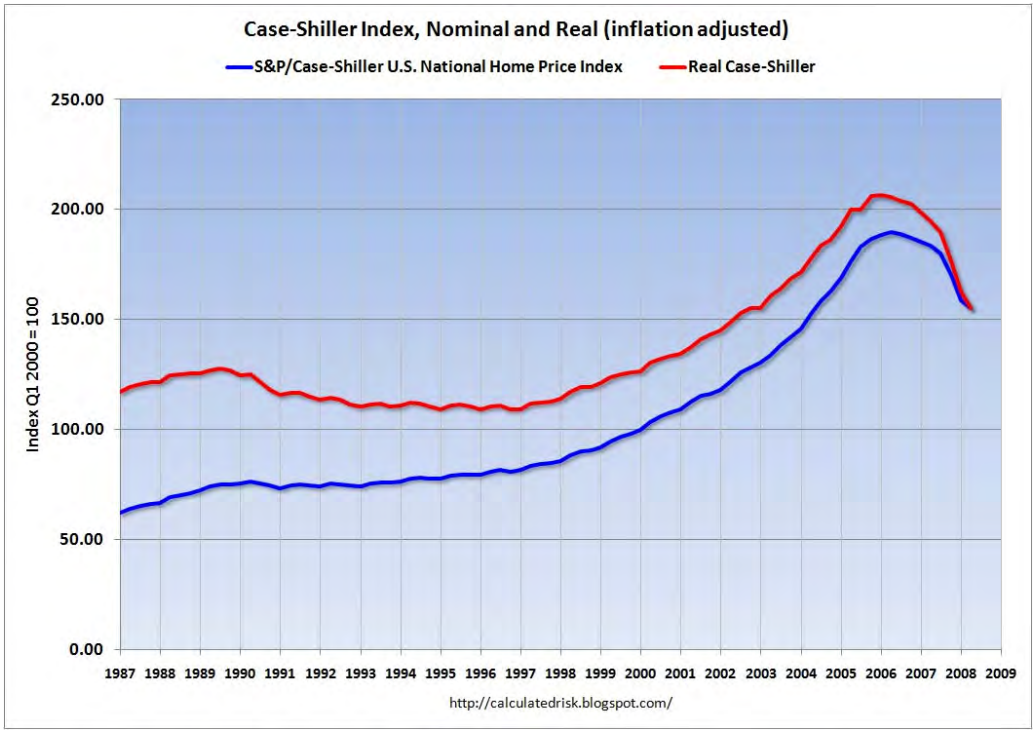
Figure 1



The rating agency Standard and Poor's maintains and publishes quarterly the Case/Schiller Housing Price Index. (See Figure 2, below.) There are many other indices in the US.

Second, regardless of how it is determined, current LTV is an important mortgage market statistic and it should be monitored regularly by mortgage lenders, the State Mortgage Institute and other government agencies as well. However, *current LTV should never be used as a pretext to decrease the amount of mortgage cover securing an outstanding mortgage covered bond.* On this issue we consulted Dr. Otmar Stoecker, Managing Director of the Association of German Pfandbrief Banks. The Pfandbrief banks monitor current LTV and a number of other statistics associated with the mortgage market and outstanding mortgage pools. Dr. Stoecker said certain banks had argued that, because the current LTV of a certain pool was significantly lower than the initial LTV of the same pool, the amount of bonds secured by the pool should be increased. The argument is false. Weighted average LTV is a characteristic of a mortgage pool and, typically, mortgages with an initial LTV higher than an established norm may not be included in mortgage pools. However, there is no direct correlation between the weighted average current LTV of a given pool and the face value of the bond it secures. That relationship is governed by law, and in Ukraine the law "On Mortgage Bonds" states that the face value of the bond may not exceed 90 percent of the value of the mortgage pool.

Figure 2



Now, no one currently publishes a housing price index in Ukraine—neither a government agency nor, as far as we know, a private company or realtors' association. However, at least two state agencies collect the data required to produce such an index: the Ministry of Justice, which registers transfer of title (including un-mortgaged property), and the State Mortgage Institute, which buys mortgages from banks all over the country. Among the indicators of the mortgages that SMI buys are 1) amount of the loan and 2) initial LTV. Dividing the amount of the loan by initial LTV, of course, yields the appraised value of the property in question; in most cases, the appraised value will be within two to three percent of the actual sales price. That alone is sufficient to construct an index like that published by the Census Bureau in the US—Average Appraised Value of Housing Sold in Ukraine—based not on all sales, but on those mortgages purchased by SMI which is probably a valid statistical sample of all sales. It is not particularly sophisticated, but it's better than nothing.

But sophistication in housing price indices is not expensive and, again, SMI already collects the data. SMI could further refine their index by making it city-specific: Average Price of Housing Sold in Kiev, Odessa, Lvov, Kharkov, etc. (The Case/Schiller Index is specific to twenty major metropolitan areas in the US.) The index can be made even more specific by averaging sales by postal code and price range (e.g., 100,000 to 199,999 UHR, 200,000 to 249,999 UHR, etc.).

Should SMI decide to proceed with generating an index, ATCI could offer it technical assistance in indexing methodologies.

ATTACHMENT 5

FitchRatings
KNOW YOUR RISK

FITCH ASSIGNS BANK KHRESCHATYK'S COVERED BONDS ISSUE FINAL 'B+' RATING

Fitch Ratings-London/Frankfurt-01 September 2008: Fitch Ratings has today assigned a final rating of 'B+' to Bank Khreschatyk's (Khreschatyk) UAH70m 3-year mortgage covered bonds issue, which is regulated under the Ukrainian mortgage bonds law. Khreschatyk has a Long-Term Issuer Default Rating (IDR) of 'B-' (B minus) with Stable Outlook.

Fitch considers the covered bonds' probability of default to be equal to that of Khreschatyk, as expressed by a discontinuity factor (D-Factor) of 100%. A recovery uplift of two notches is given on the basis of stressed recoveries from the cover pool of at least 71% of covered bonds assumed to default. In its calculations, Fitch took into account overcollateralisation (OC) up to the legal minimum of 11.1%.

The covered bonds' 'B+' rating translates into a National Rating of 'A(ukr)', based on Khreschatyk's National Long-Term Rating of 'BBB-(ukr)' and on a recovery uplift of four notches.

Fitch's D-Factors are a measure of the likelihood of interruption of payments on the covered bonds in the immediate aftermath of an issuer default, and are assigned on a scale of 0%, which stands for perfect continuity, to 100%, for interruption of payment upon issuer insolvency. Khreschatyk's mortgage covered bonds have been assigned a D-Factor of 100%, as cash flow mismatches between the amortising cover assets and the bullet-maturity covered bonds are not compensated for by the availability of liquid assets or by any other mechanism. Under Ukrainian legislation, the cover pool cannot include liquid substitute assets as long as sufficient eligible mortgage loans are available to the bank.

In case of an insolvency of the issuer, the covered bond holders will have a preferential claim on a pool of collateralised assets. At 1 August 2008, the cover pool consisted of 403 loans with a total outstanding balance of UAH80.6m, resulting in nominal OC of 15.1%. Residential mortgage loans represented around 86.6% of total cover assets, the remaining loans being secured on privately-owned land (9.4%) and commercial properties (4.0%). The pool's weighted-average (WA) current loan-to-value (LTV) stood at 53.3% and the WA original LTV was 63.9%.

While the covered bonds carry a three-year bullet maturity, most cover assets amortise more rapidly, with around 60% of the mortgage loan amount at 1 August 2008 amortising within the first three years. In view of the limited amount of eligible mortgage loans on Khreschatyk's loan book, Fitch believes it can not be taken for granted that OC above the legal minimum will be maintained in future.

The WA interest rate on the analysed cover assets is 15.7%, around 3% higher than the fixed interest rate on the covered bonds (12.5%). All covered bonds are denominated in Hryvnia (UAH), whereas 40.5% of total outstanding mortgage loans have been granted in USD and 0.1% in EUR.

A new issue report on Khreschatyk's covered bonds will shortly be available on Fitch's website, www.fitchratings.com.

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section of this site.

Ukraine
Mortgage
Presale Report

Bank Khreschatyk — Mortgage Covered Bonds

Expected Rating

Covered Bonds	Amount (UAHm)	Maturity	Expected Rating*
Series 1	70	Aug 2011	B+/A(ukr)

* Expected ratings do not reflect final ratings. This report is based on information provided by the issuer as at 18 March 2008.

Sovereign Risk	
Foreign Long-Term IDR	BB-
Local Long-Term IDR	BB-
Country Ceiling	BB-
Outlook Long-Term IDRs	Stable

Key Data

	18 Mar 08
Cover assets (UAHm)	83.4
Covered bonds (UAHm)	70.0
Nominal overcollateralisation (%)	19.1
Weighted-average asset maturity (years)	4.0
Weighted-average liability maturity (years)	3.0
D-Factor (%)	100

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Related Research

- *Press Release Fitch Launches New Covered Bonds Rating Methodology", 19 February 2007*
- *Covered Bonds Rating Criteria - Stop or Continue?*
- *Credit Analysis on Bank Khreschatyk*
- *Credit Analysis on Ukraine*
- *Press Release " Fitch Revises Ukraine's Outlook to Stable", 14 May 2008*
- *New Issue Report on Ukraine Mortgage Loan Finance No.1 plc*
- *Existing Asset Securitisation in Emerging Markets - Sovereign Constraints*

Rating Rationale

- Fitch Ratings has assigned an expected rating of 'B+' to the mortgage covered bonds to be issued by Bank Khreschatyk (Khreschatyk).The issuer has a Long-Term Issuer Default Rating (IDR) of 'B-'/Stable Outlook. Fitch deems the covered bonds' probability of default (PD) to be equal to that of Khreschatyk, as expressed by a discontinuity factor (D-Factor) of 100%. A recovery uplift of two notches is given on the basis of stressed recoveries from the cover pool of at least 71% of covered bonds assumed to default. In its calculations, Fitch took into account overcollateralisation (OC) up to the legal minimum of 11%.

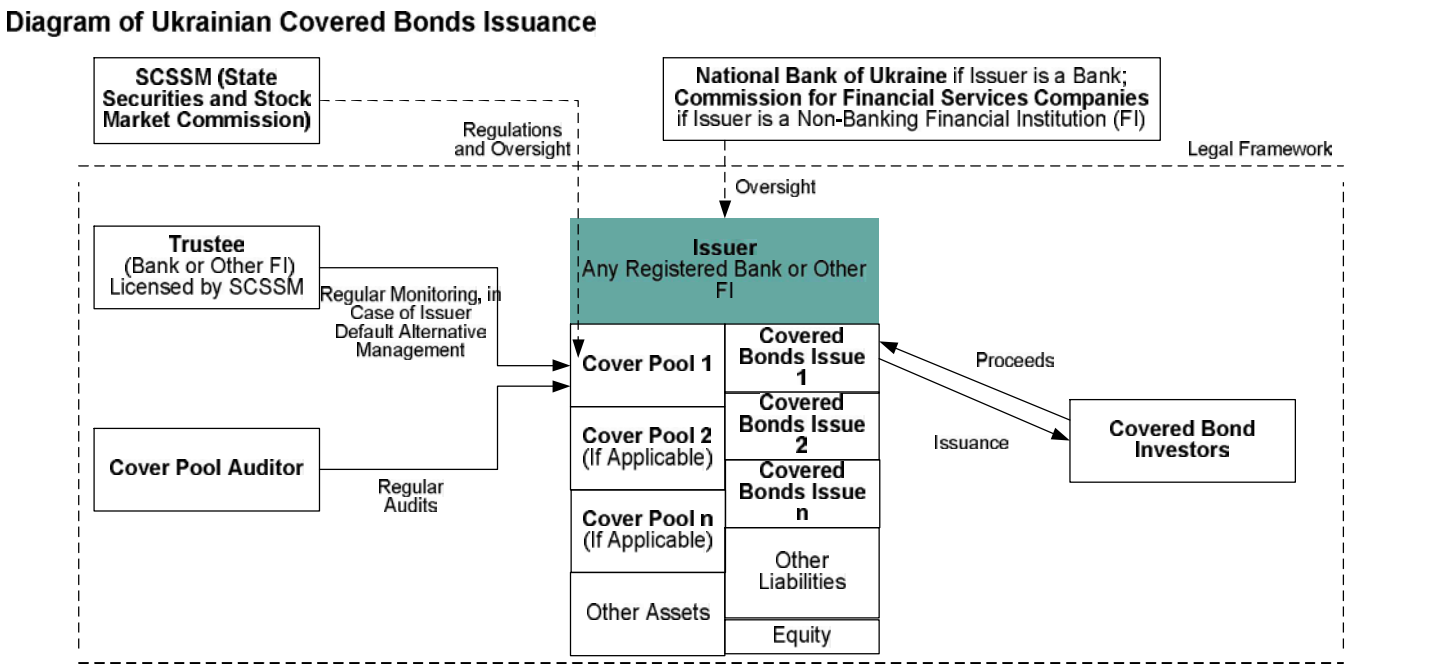
- The expected rating on the covered bonds translates into a National Rating of 'A(ukr)', based on Khreschatyk's National Long-Term Rating of 'BBB-(ukr)' and on a recovery uplift of four notches.

- Fitch's D-Factors are a measure of the likelihood of interruption of payments on the covered bonds in the immediate aftermath of an issuer default, and are assigned on a scale of 0%, which stands for perfect continuity, to 100%, for interruption of payment upon issuer insolvency. Khreschatyk's mortgage covered bonds have been assigned a D-Factor of 100%, as liquidity gaps arising after issuer default from mismatches between the amortising cover assets and the bullet-maturity covered bonds are not compensated for by the availability of liquid assets or by any other mechanism.

- In case of an insolvency of the issuer, the covered bond holders will have a preferential claim on the pool of collateralised assets. Khreschatyk's cover pool is made up only of first-lien Ukrainian mortgage loans. At 18 March 2008, it consisted of 442 loans with a total outstanding balance of UAH83.4m. Residential mortgage loans represent around 85.8% of the portfolio, the remaining loans being secured on privately-owned land (9.0%) and commercial properties (5.2%). The Ukrainian covered bonds law states that only residential mortgage loans with a maximum current loan-to-value (CLTV) ratio of 75% and non-residential mortgage loans with a maximum CLTV of 60% can be included in the cover pool, the latter up to a limit of 15% of total mortgage loans. As at 18 March 2008, the pool's weighted-average (WA) CLTV stood at 53.3%, and the WA original loan-to-value (OLTV) was estimated at 62.8%.

- While the covered bonds carry a three-year bullet maturity, the cover pool shows a rapid amortisation, with more than 57% of the mortgage loan amount at 18 March 2008 amortising over the first three years. The WA interest rate on the cover assets is 15.5%, around 3% higher than the planned interest rate on the covered bonds (12.5%). All covered bonds are denominated in Hryvnia (UAH), whereas 39.2% of total outstanding mortgage loans have been granted in USD. OC stood at 19.1% at the pool cut-off date.

- The rating of the covered bonds on a PD basis is credit-linked to Khreschatyk's Long-Term IDR. Depending on the outcome of stress testing, the final covered bonds rating can incorporate a recovery uplift of up to three notches. The programme may also be vulnerable to event risks such as a systemic banking crisis or government intervention. These risks become imminent when rating above the sovereign's country ceiling and foreign currency rating, which currently stand at 'BB-' for Ukraine, and therefore do not restrain the expected rating assigned to Khreschatyk´s covered bonds.



Source: Fitch

Highlights

- The Ukrainian legislative framework requires the issuer to secure each covered bonds series on a separate cover pool. In case of multiple cover pools, there is no cross-default between the respective liabilities. Mortgage loans forming the cover assets are recorded on a separate register.
- Under Ukrainian legislation, the cover pool cannot include liquid substitute assets (such as cash and government securities) as long as sufficient eligible mortgage loans are available to the bank. There are also no other mechanisms in place to mitigate cash flow mismatches between cover assets and the covered bonds.
- As the cover pool is characterised by a rapid amortisation of assets and Khreschatyk's loan book currently only contains a limited amount of eligible mortgage loans, it cannot be taken for granted that OC above the legal minimum of 11% will be maintained in future. Between the pool cut-off date and 6 June 2008, the number of outstanding loans has already decreased to 407, amounting to UAH81.6m, which results in a current nominal OC of 16.6%. In its calculations, Fitch therefore only gave credit to OC up to 11%.
- The UAH had been officially pegged to the USD at a rate of 5.05 UAH per USD since April 2005. On 22 May 2008, however, the National Bank of Ukraine (NBU) has revalued the UAH to 4.85. Existing macroeconomic pressures could lead to further significant movements in the exchange rate over the next few years. This has been taken into account in the agency's cash flow analysis.

Issuer Background

Founded in 1993, Khreschatyk was Ukraine's 22nd-largest bank by assets at end-2007 with total assets amounting to UAH5bn. The bank had 28 branches and 106 outlets nationwide at end-2007. At that time, over 70% of its loans were to borrowers from Kiev, but concentration on the capital city is decreasing as the bank continues its rapid network expansion. Corporate and municipal clients have traditionally represented the bulk of business (79% of total loans at end-2007).

Residential mortgage lending has only played a secondary role for the bank until recently, although it began granting the first mortgage loans to individuals in 2003, just like its competitors. Since 2006, however, Khreschatyk's strategic focus includes retail and over the next few years the bank plans to significantly expand its retail mortgage lending business. Currently residential mortgage loans make up 6% of total assets.

The bank's rating reflects its small size, modest profitability, concentrated balance sheet and risks associated with a rapid growth strategy, as well as certain weaknesses in the operating environment. However, they also consider the bank's satisfactory asset quality and adequate capitalisation. Khreschatyk's major shareholders are Ukrfinkom (37.7%) and the City of Kiev (23.7%).

Funding has in the past been mainly short-term and highly concentrated, but reflecting the expansion of retail business, the bank has broadened its investor basis and is reducing maturity mismatches on the balance sheet. The planned covered bonds issue of UAH70m is based on Ukraine's mortgage bonds legislation and may serve as a test for further longer-term bond issues backed by mortgage loans.

Continuity Analysis

Covered bonds rated by Fitch are assigned a D-Factor between 0% (best) and 100% (worst), which expresses the likelihood of the covered bonds defaulting in the immediate aftermath of a default by the issuer. The D-Factor has four weighted elements: asset segregation (50%), liquidity gaps (30%), alternative management (15%) and covered bonds oversight (5%).

Continuity Analysis
D-Factor Components
- Asset segregation (50%)
- Liquidity gaps (30%)
- Alternative management (15%)
- Covered bonds oversight (5%)

Three overriding rules automatically bring the D-Factor up to 100%:

- the Asset Segregation section does not attract a sufficiently high score; or
- within the Alternative Management section, the issuer's organisation is deemed inadequate to ensure a safe takeover of the cover pool by a third party administrator; or
- under the Liquidity Gaps section, lack of tradability of the cover assets and/or legislative or contractual provisions prevent the redemption of covered bonds in a timely fashion.

The four components of the D-Factor are analysed below in the context of the systemic aspects of the Ukrainian mortgage bonds legislation and the specific aspects of Khreschatyk's covered bonds.

Asset Segregation (50% Weight)

The issuance of covered bonds is regulated by the "Law of Ukraine On Mortgage Bonds" (the law), dating from December 2005, and by additional regulations issued by the State Securities and Stock Market Commission (SCSSM). The Ukrainian law on mortgage bonds is summarised in *Appendix 1*.

Each covered bonds series is secured on a separate pool of assets that is on the issuer's balance sheet as long as the issuer is not insolvent. No subsequent covered bonds may be issued against the same cover pool. In order to preserve OC levels (the legal minimum being 11% of outstanding covered bonds), new assets will have to be included into the pool to replace maturing loans and loans that have become ineligible under the terms of the law. The mortgage loans forming the cover assets are recorded on a separate register, which contains very detailed information on each borrower, the loan and the corresponding collateral. In case of issuer insolvency, the cover pool is isolated from the general insolvency estate and is reserved for the claims of the covered bond holders.

Although some minor risks were identified as described below, in the agency's view the law and its regulations ensure that the assets recorded on the dedicated cover

register will be available for covered bond investors in the event of their issuer's insolvency.

Validity of Cover Register Entries

The responsibility for the maintenance of the cover register lies with the issuer. An update of the register has to be carried out at least monthly, and the cover register is submitted each month to the independent cover pool trustee, which must be a bank or other financial institution with a special cover pool management licence granted by the SCSSM. As long as Khreschatyk is not insolvent, the trustee has the task to check if the cool composition and cover register entries comply with legal provisions. On request, the trustee can, at any time, ask for loan documentation to be directly made available to him or alternatively, order an unscheduled audit of the cover register by an independent auditor. In case of violation of legal or contractual provisions, the trustee has to notify the SCSSM.

Khreschatyk has mandated Ukrgasbank (rated 'B-'/'B', Stable) to take over the role as trustee. It should be noted that Ukrgasbank is a direct competitor to Khreschatyk. Although the trustee has the right to ask for specific loan documents at any time, the monitoring activity could in practice be complicated due to the fact that Ukrgasbank could get hold of commercial information. However, the trustee has the option to order unscheduled audits of the cover pool, as provided in the contract with Khreschatyk. The costs of unscheduled audits will be borne by the issuer.

According to the law, an independent cover pool auditor appointed by the bank must conduct detailed examinations of the information contained in the cover register before registration of the covered bonds and afterwards at least once a year. Khreschatyk has entered into a contract with the Ukrainian auditor APiK, which will conduct quarterly audits of the cover pool. Audit reports are then forwarded to the trustee, whose duty it is to make them available to the SCSSM. According to contractual provisions, APiK will also carry out unscheduled audits as requested by the trustee.

Set-Off Risk

The Ukrainian covered bonds regulations explicitly state that seizure against registered cover assets can only be instigated if there are claims arising from the related covered bonds, and exclude any set-off rights by borrowers in the cover pool. This view has been confirmed in a legal memorandum received by Fitch.

The likelihood of set-off claims is further reduced by the fact that less than 1% of borrowers in the cover pool also have deposits at the bank and that in case of issuer insolvency they would benefit from the deposit insurance scheme in Ukraine, which guarantees up to UAH50,000 of deposits.

Existence of Other Privileged Creditors

Pursuant to the law, covered bond holders have the highest priority rights on the cover assets and no super-privileged creditors, such as tax authorities or employees, would have a right to enforce cover assets until the complete repayment of the covered bonds. This also holds true for OC which exceeds the legal minimum.

Fees due to the substitute cover pool administrator and substitute loan servicer will be paid out of pool revenues and rank higher than payments on the covered bonds. Fitch took this into account in its cash flow analysis.

Commingling Risk

Borrowers' payments are made on specifically set up accounts held at the bank, and according to the bank, accounts of borrowers, whose mortgage loan is part of the cover pool, are earmarked so that the collections from these loans can be correctly identified as belonging to the cover pool at any time.

The law does not set forth how cash flows from the cover pool will be handled shortly after an assumed issuer insolvency, but the trustee has the duty to take the necessary measures to ensure that cash flows from the cover assets are timely redistributed to the covered bond holders. Khreschatyk´s clients would be notified as soon as loan servicing has been transferred to the trustee or a third-party servicer, and in the meanwhile, the trustee is entitled to directly access the cash flows from the cover assets.

D-Factor Drivers

- **Liquidity Gaps:** D-Factor set at 100% since no mechanisms are in place to compensate for cash flow mismatches between cover assets and covered bonds after issuer default

Liquidity Gaps (30% Weight)

The amortising profile of the cover assets does not match the three-year bullet maturity of the covered bonds series. This can create a need for liquidity, especially if the issuer were to default just before the maturity of the covered bonds. The substitute administrator may not have time to raise enough cash from the disposal of cover assets to make payments on the covered bonds on a timely basis. This is a particular concern if the assets in the cover pool are not regularly traded. Fitch does not expect Ukrainian mortgage loans to find buyers under stressed market conditions.

Khreschatyk's covered bonds do not benefit from any mechanism to compensate for cash flow mismatches between assets and liabilities arising shortly after an assumed issuer default. This is principally due to legal constraints, since under the terms of the Ukrainian covered bonds legislation, the following apply:

- the cover pool is not allowed to include liquid substitute assets such as cash or government securities, as long as sufficient eligible mortgage loans are available on the issuer's balance sheet;
- it is doubtful whether the substitute administrator could take out a loan secured on cover assets to fulfil the issuer's obligations to the covered bond holders.

A possible scenario could be that the cover pool trustee takes the cover assets and obligations from the covered bonds onto its balance sheet upon Khreschatyk´s default. However, such a scenario cannot be relied upon.

Furthermore, the fact that a majority of investors could demand an acceleration of the covered bonds from the issuer in an event of its default increases the risk that payments on the bonds will not be made in a timely fashion. Legal and contractual provisions are not clear on how a demand to accelerate the bonds would be dealt with in practice.

In a worst-case scenario, the maturity mismatches between cover assets and covered bonds therefore are assumed to lead to an interruption of payments on the covered bonds in the immediate aftermath of a possible issuer default. Pursuant to the agency's covered bonds ratings methodology, this results in a D-Factor of 100%.

Alternative Management (15% Weight)

This section addresses the risk that the transition to an alternative manager does not occur sufficiently smoothly to ensure that all payments are made in the periods directly following the issuer's insolvency. This could happen if the alternative manager were appointed too late or if the processes, level of organisation or IT systems of the issuer made it too difficult for the new manager to isolate the cover pool and covered bonds from the other assets and liabilities of the bank.

The Ukrainian mortgage bonds law states that the cover pool trustee automatically becomes substitute administrator for the cover pool upon the insolvency of the issuer, which provides comfort that the pool will be managed without significant delay. Upon its appointment, the substitute administrator must transfer servicing of the mortgage loans to a substitute servicer, which could be itself.

As mentioned above, Khreschatyk has appointed Ukrgasbank as trustee. Ukrgasbank is the only bank to have issued covered bonds out of Ukraine so far. As Ukrgasbank has a comparable risk profile with that of Khreschatyk, default correlation tends to be high between both banks. Yet the Ukrainian covered bonds regulations do not address the procedures to be taken in the event of a substitute administrator's default. Most probably, a defaulting substitute administrator would be replaced by the SCSSM. It can also be assumed that the SCSSM would take responsibility for the cover pool until a new administrator is found. In the past, the SCSSM has shown a high propensity to intervene if banks run into trouble.

In practice, a smooth transition to an alternative manager is also dependent on the quality of the issuer's systems. To manage its covered bonds business, Khreschatyk will rely on standard IT systems used for the lending business, which have been acquired externally. Cover assets and the relating collateral are flagged in the systems, also meaning that they are blocked for other transactions. Furthermore, the cover register can be automatically extracted from the bank's IT systems.

Khreschatyk's preliminary cover pool at the pool cut-off date consists of only 442 mortgage loans and does not include any derivatives. These factors would further simplify the cover pool management for the substitute administrator. Nevertheless, some doubts remain about the ability of an alternative manager to handle the mortgage loan book if loan default rates were to increase significantly because of a deteriorating economy.

Overall, Fitch believes that the legal framework, Khreschatyk's systems and the characteristics of the cover pool ensure that the substitute administrator could potentially take over the cover pool's asset and covered bonds management within a short timeframe should the issuer default.

Covered Bonds Oversight (5% Weight)

The SCSSM conducts specific supervision of the covered bonds issuers in addition to the usual banking supervision performed by the NBU to which credit institutions in Ukraine are already subject. The role of the SCSSM contributes to investors' protection, as it has to register the cover pool and covered bonds and receives regular audit reports — on a quarterly basis in the case of Khreschatyk's covered bonds. However, the Ukrainian covered bonds market is tiny, so that it will probably not be tightly monitored by the SCSSM.

Overall, Khreschatyk has been assigned a D-Factor of 100% for its mortgage covered bonds, which equates the international covered bonds rating on a PD basis to Khreschatyk's IDR of 'B-' (see *Appendix 2*). Fitch has assigned an expected rating to Khreschatyk's covered bonds on the basis of stressed recoveries from the cover pool in case of default of the covered bonds. The minimum mandatory OC of 11% enables stressed recoveries of over 71%, which Fitch reflects through an uplift of two notches at the sub-investment grade range (see *Appendix 2*), leading to a 'B+' rating for the bonds. The rating has been translated into a National Rating of 'A(ukr)'.

Cover Pool

Origination and Servicing

Khreschatyk originates mortgage loans denominated in UAH, USD and to a minor extend EUR. Most loans carry fixed interest rates. Loans in foreign currencies are intended to be only granted to borrowers whose income is in the same currency or linked to that currency (eg, expatriates). However, no formal restrictions exist in terms of the relationship between income currency and loan currency.

When applying for a housing loan, borrowers are requested to provide the bank with documents relating to their revenues, such as tax declarations and employer certifications, for at least the previous six months. Khreschatyk's loan approval

decisions are based on an in-house credit-scoring model that takes into account a series of data on the borrower's personal status, financial situation, employment characteristics and credit history, amongst other factors. The results are consolidated into five classes (class A being the best and class E the worst). If a borrower is assigned class C or lower, a careful credit assessment is required.

The scoring model gives a heavy weighting to income-to-debt ratios, which are determined according to four different methods. Fitch has been provided with the most conservatively calculated income-to-debt ratio on a loan-by-loan basis. This has a minimum acceptable level of one and is calculated as follows:

- income is defined as monthly net income after taxes, including income from rents and investments. Income will only be taken into consideration in the calculation if a tax declaration is provided by the borrower;
- the debt component includes the higher of declared and internally estimated minimum living expenses as well as payments on loans from Khreschatyk and other banks.

Table 1: Main Underwriting Criteria*

	Full Points	No Points
Age	23-45 years	<23 and >55 years
Employment status	>3 years of constant employment	<1 year of constant employment
Work experience	>5 years	No experience
Insurance contracts	Property, life and medical insurance	No insurance
Payment history	Past loans paid back on time	Significant arrears in past loans, no loan history
LTV ratio	<50%	>100%
Income-to-debt ratios	Depending on calculation method	<1

* The table does not include all factors taken into account in Khreschatyk's scoring model.

Source: Fitch/Khreschatyk

After the loan has been granted, the borrower's income is checked at least once a year. Outstanding mortgage loans are internally classified into five categories depending on the scoring class of the borrower and loan performance. The highest category is reserved for loans with arrears up to seven days and the highest scoring level. The cover pool can only include loans in the first three categories; under the condition that arrears are not above 90 days (see *Eligibility Criteria*). At the pool cut-off date, around three quarters of the mortgage loans in the cover pool fell into the highest category, one quarter into the second highest and nearly no loans into the third category.

Properties are valued by an independent assessor who must hold a special licence. All property values calculated by assessors are estimated market valuations. A haircut of at least 20% and up to 30% is applied by Khreschatyk to arrive at the property value shown in the cover register.

As the market values of properties have been growing strongly in the last couple of years, the bank sees so far no need to conduct detailed, regular revaluations for single properties after the loan has been granted. However, to ensure that properties are not systematically overvalued, the risk and portfolio monitoring departments follow trends in the real estate market. If necessary, the bank would revalue individual loans in cooperation with an auditor.

Credit inspectors at Khreschatyk review loans quarterly, and also visit the buildings/apartments to check for deterioration and damage. This process could lead to a revaluation. Each credit inspector is responsible for around 30 mortgage loans.

An individual property revaluation would also be conducted if a borrower wanted to draw a new loan out of an existing mortgage. If a property included in the cover pool is revalued, the cover register will be updated accordingly.

Table 2: Cover Pool Summary

Pool characteristics	18 Mar 08
Outstanding principal balance (UAHm)	83.4
Number of loans	442
Number of borrowers	440
Average current loan (UAH)	188,683
Average original loan (UAH)	237,513
WA OLTV (%)	62.8
WA CLTV (%)	53.3
WA seasoning (months)	12.0
WA remaining maturity (years)	4.0
WA interest rate (%)	15.5
Interest rate type (%)	
Fixed-rate	100.0
Payment frequency (%)	
Monthly	74.5
Quarterly	7.5
Interest-only and irregular	18.0
Loan currency (%)	
UAH	60.8
USD	39.2
Property type (%)	
Residential	85.8
Commercial and land	14.2
Regional concentration (%)	
Kiev region	55.5
Vinnytsia region	6.7
Lviv region	6.1
Lien position (%)	
First ranking	100.0

Source: Fitch/Khreschatyk

Table 3: Property Types

At 18 March 2008	(%)
Apartments	66.8
Houses without plot	9.8
Houses with plot	9.2
Residential properties	**85.8**
Privately-owned land	**9.0**
Commercial properties	**5.2**

Source: Fitch/Khreschatyk

Eligibility Criteria

Under the law, the cover pool composition is restricted as follows:

- each loan must be secured on a first-ranking mortgage;
- all mortgaged properties must be located in the territory of Ukraine;
- the cover pool can comprise mortgage loans secured on residential, land and commercial properties; commercial loans and loans secured on land cannot exceed 15% of total mortgage cover assets;
- mortgage loans cannot be secured on buildings that are still under construction;
- the CLTV cannot be higher than 75% in the case of residential properties and 60% in the case of commercial and land properties;
- loans with arrears of more than 90 days are not permitted to be part of the cover pool;
- all properties are fully insured against accidental destruction, accidental damage or spoiling for the entire term of the loan. After an assumed issuer insolvency, the cover pool is entitled to claim the payments made under the insurance policies.

In the event of non-compliance, the issuer will be required to replace the respective loan or include new assets within five working days after the breach being detected.

All mortgage loans included in the cover pool will be originated by Khreschatyk.

Substitute Assets

No substitute assets will be included in the cover pool at issuance. Liquid substitute assets (cash and government securities) are only allowed to be part of the cover pool if the issuer has not enough eligible mortgage loans available to meet minimum coverage requirements. The regulatory limit for substitute assets in that case would be 25% of total mortgage loans in the cover pool.

Portfolio Description

As at 18 March 2008, the portfolio analysed by Fitch consisted of 442 loans granted by Khreschatyk with an aggregate outstanding balance of UAH83.4m (loans in USD converted at the official exchange rate of 5.05 UAH per USD at pool cut-off-date). The pool shows a low WA seasoning of one year and a WA residual maturity of four years.

Geographical Breakdown

At 47.8%, the cover pool shows the highest concentration in the city of Kiev, where Khreschatyk's headquarters is established. 55.5% of loans are secured on properties located in the Kiev region. The remainder is spread across the country. About three-quarters of properties are in cities with more than 100.000 residents.

Property Types

The cover pool is dominated by residential mortgage loans secured on flats and single family houses (85.8%). A total of 9.2% of residential loans are backed by a house and the accompanying plot, while 9.8% of loans are secured on a residential property, but not on the plot on which it is built. There are many examples of these because in Ukraine land and buildings are recorded in different registers. In cities, land is often owned by local authorities.

At loan origination date, all residential properties serving as loan collateral were owner-occupied. However, in the foreseeable future, residential loans secured on investment properties could be part of the cover pool.

Loans backed by privately-owned land represent 9% of cover assets. The underlying lots are for residential purposes. The pool also includes ten mortgage loans with an average outstanding balance of around UAH431,000 that are secured on commercial

Table 4: Jumbo- and Small-Hits for High Value Areas

Category	Property Value (Tsd. UAH)	MVD Increase
Small	50	10%
Jumbo 1	1,010	10%
Jumbo 2	1,490	20%
Jumbo 3	2,005	25%

Source: Fitch

Table 5: Jumbo- and Small-Hits for Low Value Areas

Category	Property Value (Tsd. UAH)	MVD Increase
Small	30	10%
Jumbo 1	380	10%
Jumbo 2	605	20%
Jumbo 3	760	25%

Source: Fitch

properties. Loans backed by land and commercial properties are assumed to have higher default probabilities and would be expected to suffer from higher market value declines (MVD) should market conditions deteriorate.

Illiquid Properties

As at 18 March 2008, 43.6% of the pool represented loans secured on particularly large or particularly small properties. The agency assumes that such properties would experience difficulties in achieving a fair open market value in a stressed situation characterised by reduced market turnover. It therefore increased the standard MVD assumptions for properties exceeding certain values (jumbo-hits) or below a certain value (small-hits). As price levels vary significantly from one region to the next in Ukraine, the hits were calculated separately for high-value areas (including Kiev) and low-value areas (see *Table 4* and *Table 5*).

Borrower Profile

The issuer has not provided Fitch with data about the employment status of non-commercial borrowers. According to the bank, the proportion of borrowers without a fixed source of income is very low.

Borrower Concentration

Due to the very low number of loans in the cover pool, the concentration on single borrowers is significant when compared to other mortgage cover pools analysed by the agency. The largest loan represents 3% of total assets, while the largest ten loans account for 14.1%. All but one of these loans are backed by flats located in the city of Kiev — the other loan is a commercial loan. The agency has reflected the additional risk resulting from the high borrower concentration in its default probability assumptions.

Payment Frequency

Most loans carry monthly (74.5%) or quarterly (7.5%) repayment schedules. Around 18% of mortgage loans, however, are interest-only or do not have regular redemption dates. Fitch views such loans as more likely to default.

Foreign Currency Loans

While all covered bonds are denominated in UAH, around 39.2% of the total outstanding loan amount was in USD as at 18 March 2008. At this date, the pool included no EUR loans.

An appreciation of the USD against the UAH could have a negative impact on the payment ability of borrowers and on recoveries from pledged collateral expressed in USD. In the agency's credit analysis these effects have been taken into account by increasing the default probabilities and MVDs for this exchange rate scenario.

No adjustment has been done on default and MVD assumptions for a UAH revaluation scenario, since an increase of the UAH per USD rate would tend to improve the affordability of existing USD-denominated loans and raise recoveries of properties expressed in USD. In Fitch´s cash flow analysis the UAH revaluation scenario gave the more conservative results and thus has been concentrated on.

Credit Analysis

Default Probabilities

The weighted average cumulative frequency of foreclosure (WAFF) of residential mortgage loans is calculated based on the interaction of debt-to-income (DTI), representing the borrower's ability to pay, and OLTV, reflecting the borrower's willingness to pay.

Fitch views the degree of equity as a key indicator of the likelihood to default; lower OLTV loans are expected to have lower default rates. The DTI indicates the total debt service amount in relation to the borrower's net income. Lower DTIs theoretically allow the borrower to absorb financial shocks, such as unemployment, divorce or other economic factors. The base default rates for different

Table 6: Fitch Default Model Output (%)

Rating level	WAFF	WARR	WA MVD	EL
B+	43.26	67.71	58.45	13.97

WAFF = Weighted average frequency of foreclosure
WARR = Weighted average recovery rate
WA MVD = Weighted average market-value decline
EL = Expected loss
Source: Fitch

Table 7: OLTV distribution

At 18 March 2008	(%)
0-40%	4.53
>40-50%	11.23
>50-60%	29.38
>60-70%	28.68
>70-80%	16.26
>80-90%	6.14
>90-100%	2.46
>100%	1.31

Source: Fitch/Khreschatyk

Table 8: CLTV distribution

At 18 March 2008	(%)
0-40%	16.42
>40-50%	22.02
>50-60%	26.62
>60-70%	26.24
>70-75%	8.70

Source: Fitch/Khreschatyk

combinations of DTI and OLTV are reached by applying stress multipliers to the estimated base-case default probability for a standard mortgage loan over its whole lifetime.

As Khreschatyk only has a short track record in the residential mortgage loan market, no representative historic issuer data was available to derive base default probabilities. Fitch therefore calculated the base-case PD by starting with available arrears data for Ukraine. These covered arrears at various stages of delinquency, split by annual vintages. Based on this data, Fitch extrapolated ultimate cumulative arrears rates and corresponding default rates based on conservative assumptions regarding the timing of arrears and defaults. The outcome was adapted to take into account a possible adverse selection of borrowers due to Khreschatyk's growth strategy and rather junior market position in the residential mortgage business.

The estimated base-case PD for Khreschatyk has been associated with an assumed representative Ukrainian residential mortgage loan (eg, in terms of DTI and OLTV). Fitch estimated the current economic environment in Ukraine to be benign and applied emerging market scaling factors to arrive at default assumptions for the 'B+' rating scenario.

Additional hits have been applied to the base default rates in order to reflect specific risk-increasing loan and portfolio characteristics (see *Portfolio Description*). This includes commercial mortgage loans, which have been analysed together with the residential loans due to their small share in the pool.

As at pool cut-off date, the WA OLTV was 62.8%. The borrowers' WA DTI stood at around 68% based on Khreschatyk's conservative calculations. This leads to a cumulative WAFF of 43.26% in a 'B+' stress scenario (see *Table 6*).

Recovery Rates

Fitch calculated the expected recovery rates on defaulted mortgage loans based on the property value as of the loan origination date, the MVDs derived from property price trends in Ukraine and estimated foreclosure costs.

MVDs are based on an examination of the degree of residential property appreciation in Ukraine since end-2002, when house prices started to rise in a sustained manner after a period of cyclical price movements. Extreme house price appreciation has occurred over a relatively short time period of some five years (see *Appendix 3*). As Ukraine's economic development is fairly immature, the expectation is that downturn movements will eradicate a certain degree of wealth and thus depress prices to levels similar to those seen near the start of the appreciation phase. The stronger the stress scenario the more prices are expected to revert to previous low levels. For the 'B+' rating level, the base MVD has been set at 53%. In the agency's view there is no need to split MVDs across regions, since the relative house price changes have developed according to similar trends between cities. Hits on the base MVD have been applied to commercial properties and land as well as to jumbo and small properties.

Foreclosure costs in Ukraine consist of court services of up to 10% and a state duty of 1% of the collateral sale value. In its analysis, Fitch set the total foreclosure costs at 11%. Based on the provisions of the Ukrainian legislation, foreclosure timing has been set at 14 months from the moment a loan is declared in default in a 'B+' rating scenario.

The WA CLTV of Khreschatyk's cover pool standing at 53.3% as at 18 March 2008, these assumptions result in a WA recovery rate (WARR) of 67.7% (see *Table 6*).

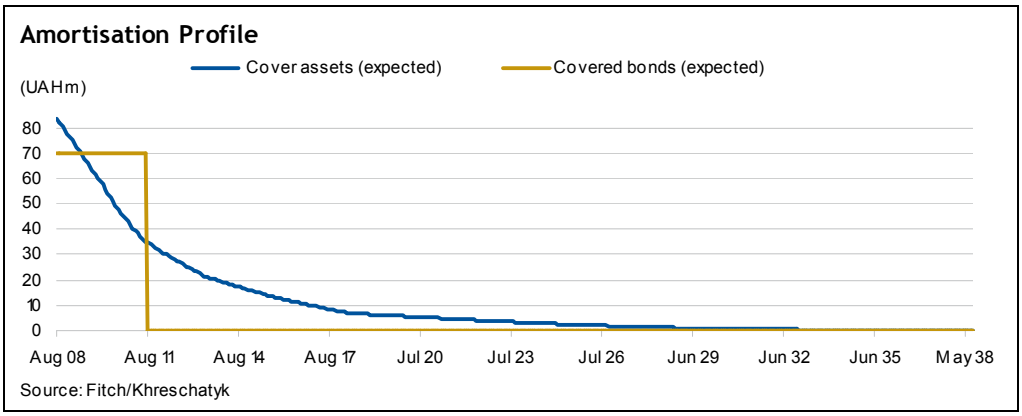
Cash Flow Analysis

In Fitch's view, Khreschatyk's covered bonds are likely to suffer from an interruption of payments as a consequence of an issuer default, as evidenced by a D-Factor of 100%. Therefore, any uplift above the issuer Long-Term IDR of Khreschatyk is justified only by the extent of stressed recoveries from the cover pool upon an assumed default of the covered bonds.

Recovery prospects have been assessed by calculating the net present value (NPV) of the cash flows expected from the cover pool in a stressed scenario corresponding to the highest achievable rating for the covered bonds and comparing it with outstanding covered bonds. The cash flows expected from the assets were modified to reflect prepayment, delinquency, default and recovery assumptions. In addition, the cost of an alternative manager of the cover pool was considered. Furthermore, market risks arising from the different profiles of the stressed assets and privileged liabilities were simulated as described below. Based on the legal minimum OC of 11%, Khreschatyk's covered bonds would benefit from stressed recoveries of over 71% in a 'B+' rating scenario, reflected by Fitch through an uplift of two notches above the Long-Term IDR.

Maturity Mismatches

As can be seen from the chart below, the redemption profile of the planned covered bonds series does not match the amortisation of the cover assets.



While the covered bonds carry a three-year hard bullet maturity, the cover assets have an amortising profile with a WA residual maturity of four years. Loan amortisation is rapid during the term of the bonds, which results in the need to constantly include new mortgage loans in the cover pool in order to maintain OC levels. Between 18 March and 6 June 2008, nominal OC has already fallen from 19.1% to 16.6%. OC levels may further decrease; also due to the fact that Khreschatyk's loan book currently only contains a very limited amount of eligible mortgage loans. In its calculations, Fitch therefore gave no credit to OC above the legal minimum of 11%. Furthermore, asset quality could deteriorate as a consequence of replenishment.

Interest Rate Risk

Fitch tests the cash flows by simulating both increasing and decreasing interest rate environments. Khreschatyk's pool only contains fixed rate mortgage loans with a WA interest rate of 15.5% representing a gross excess spread of 3% above the planned fixed rate of 12.5% payable on the covered bonds. Fitch calculated a stressed NPV of the cover assets by assuming an increase in the prevailing market rates.

Foreign Currency Risk

A significant currency mismatch exists between assets and liabilities. Loans in the cover pool are denominated either in UAH (60.8%) or in USD (39.2%) at pool cut-off-date, whereas the covered bonds are all denominated in UAH.

The UAH is officially pegged to the USD at 4.85 since 22 May 2008. Before that, it had been pegged to the USD at 5.05 since April 2005. Strong unsterilised capital inflows coupled with a high inflation rate have been exerting an upward pressure on the UAH, which has lead to the recent exchange rate revision. Fitch estimates that existing macroeconomic pressures could lead to further significant movements in the exchange rate in the foreseeable future.

A revaluation of the UAH against the USD reduces the notional amount of the cover pool expressed in UAH and is the worst-case scenario in a recovery analysis following a covered bonds default. In a 'B+' rating scenario, Fitch modelled the UAH to appreciate by around 20% against the USD within 12 months after an assumed default of the issuer.

An increase in the proportion of USD assets in the cover pool would negatively impact the stressed recoveries on the covered bonds. Although the bank intends to maintain the current proportion of UAH loans in the pool, some doubts remain if this will be possible in future. Ukrainian banks' foreign currency mortgage lending currently averages around 60% of total mortgage lending.

Conclusion

The Ukrainian covered bond law provides a framework in which the segregation of assets and the priority claim of covered bond holders are sufficiently strong. In particular, the proceeds from the pool will be segregated from the issuer's other cash flows. However, the law does not allow liquid substitute assets (such as cash and government securities) to be included in the cover pool if sufficient eligible mortgage loans are available at the bank. In the absence of other mechanisms in place to mitigate the significant cash flow mismatches between cover assets and covered bonds, the substitute manager may, in theory, dispose of cover assets to repay the covered bonds. However, in practice, the absence of a developed market for Ukrainian mortgage loans means it is unlikely to occur on a timely basis, particularly if the issuer defaults just before the maturity of the bonds.

Based on the above, Fitch has assigned a D-Factor to Khreschatyk's mortgage covered bonds of 100%. This equates the covered bonds rating on a PD basis to Khreschatyk's IDR of 'B-'. Fitch modelled recoveries in a 'B+' stress scenario. This led to stressed recoveries of above 71% that are sufficient for an uplift of two notches (see *Appendix* 2). Hence, Fitch has assigned an expected rating of 'B+' to Khreschatyk's mortgage covered bonds.

Based on Khreschatyk's National Long-Term Rating of 'BBB-(ukr)', the expected rating for the covered bonds has been translated into a National Rating of 'A(ukr)'. The two notches uplift of the international rating scale translate into a four notches uplift on the national rating scale, which is consistent with the fact that the Ukrainian national scale contains twice as many steps.

As the cover pool composition will change over time, Fitch will monitor the key characteristics of the cover assets and will periodically check whether OC provides protection against identified risks commensurate with the rating assigned to the mortgage covered bonds issued by Khreschatyk.

Appendix 1

Main characteristics of Ukrainian Covered Bonds

Covered bonds type	Legislation-based.
Legal background	Law of Ukraine on Mortgage Bonds, enacted on 25 December 2005. This law regulates covered bonds, the so-called "common mortgage bonds" (zvychaini ipotechni obligaciyi) and the "structured mortgage bonds". Further details are regulated by the State Securities and Stock Market Commission (SCSSM).
Issuer	No specialist bank status is required; all registered banks and financial institutions are allowed to issue covered bonds.
Supervision	The SCSSM has to register all covered bond issues and supervises the cover pool composition as well as the activities of the cover pool monitor or substitute manager (after issuer default). The SCSSM has the right to order the replacement of the cover pool monitor/substitute manager.
Asset segregation and cover register	The assets allocated to the covered bonds, including interest and capital redemption, form a separate pool and cannot be used to cover the issuer's other debt until the covered bonds are repaid in full. The assets forming the segregated pool will be recorded by the issuer on a dedicated register, which includes detailed data on all mortgage loans, the underlying properties and the borrower. The register is updated each month and submitted to the cover pool monitor.
One cover pool per covered bonds issue	Each covered bonds series is secured on a separate cover pool. In order to preserve at least the legal minimum OC level, new assets may have to be included in the pool to replace maturing loans and loans that have become ineligible under the terms of the law.
Eligibility criteria	• Each loan is secured on a first-ranking mortgage on the relevant property; • underlying properties are located in the territory of Ukraine; • the cover pool can consist of mortgage loans secured on residential, land and commercial properties—commercial loans and loans secured on land properties cannot exceed 15% of total mortgage cover assets; • mortgage loans cannot be secured on buildings under construction; • the current LTV ratio cannot exceed 75% in the case of residential properties and 60% in the case of commercial and land properties; • loans with arrears of more than 90 days are not allowed to be part of the cover pool; • all loans have to be fully insured against accidental destruction, accidental damage or spoiling. In the event of non compliance, the issuer will be required to replace the respective loan or include new assets within five working days after the breach has been detected.
Mandatory Overcollateralisation (OC)	Within the whole life of the covered bonds, the ratio of the nominal value of the outstanding covered bonds to the nominal value of cover pool assets must not exceed 90%. This corresponds to a minimum OC of 11%.
Protection against mismatching	Interest rate and maturity matching: • the average weighted legal maturity of the covered bonds can not exceed that of the cover assets; • the interest amounts payable on the covered bonds can not exceed the interest to be received from the cover pool. No matching requirements are in place regarding foreign currency risk.
Access to liquidity	• Liquid substitute assets (cash and government securities) are only allowed to be included in the cover pool in the case the issuer has not enough eligible mortgage loans available to meet minimum coverage requirements. The regulatory limit for substitute assets in that case would be 25% of total mortgage loans in the cover pool. • Borrowing on behalf of the cover pool cannot be backed by cover pool assets. • A sale of cover assets upon issuer default is possible.
Acceleration	The default of an issuer does not trigger the acceleration of the covered bonds. However, a majority of bond holders could possibly demand early redemption of the covered bonds from the issuer upon its default. The bondholders' rights are exercised through the substitute administrator. An early redemption of the covered bonds by the issuer would prevent the enforcement of cover assets.
Cover pool monitoring	Cover pool monitoring is done by a third-party trustee, which is appointed by the issuer and must be an independent bank or other financial institution with a special cover pool management licence granted by the SCSSM. The trustee is responsible for protecting the interests of bond holders and ensuring the issuer's compliance with the applicable laws, regulations and contractual arrangements. It must have access to all the information needed to fulfil its task and is required to notify the SCSSM within 10 days in case of violation of legal or contractual provisions by the issuer. In addition, an independent auditor has to check at least once a year the information contained in the cover register and the adherence of the cover pool composition to legal provisions. Audit reports are given to the trustee, who has to send them to the SCSSM. In order to register a new covered bonds issue with the SCSSM, the auditor must examine the information contained in the initial cover register and provide the SCSSM with the corresponding audit report.
Alternative management	The trustee becomes substitute administrator of the cover assets and outstanding liabilities in the case of issuer insolvency. The substitute administrator represents the interests of the covered bonds investors. Fees to the substitute administrator will be paid from the cover pool.

Source: Fitch

Appendix 2

Summary of Fitch Covered Bonds Rating Criteria

Fitch Ratings began applying its new rating methodology for covered bonds in February 2007. The ratings are based on probabilities of default and recovery expectations.

Fitch introduced a new concept, the D-Factor, as a measure of the likelihood that the covered bonds would suffer a default as a direct result of the default of their ultimate debtor. D-Factors range from 0% (standing for a perfect continuity of payments) to 100% (default probability of the covered bonds is equated to that of the issuer). The D-Factor is a weighted score of the following system- and issuer specific elements: segregation of the cover pool (50%); solutions to overcome liquidity gaps upon an issuer default (30%); feasibility of the transition to an alternative cover pool management (15%); and the role of the supervisory authority (5%).

The combination of the IDR and the D-Factor translates into a maximum rating that the covered bonds can achieve on a probability of default basis, provided over-collateralisation between the cover assets and the covered bonds can sustain the corresponding stress scenario. This is tested in Fitch´s cash flows model, which compares the stressed assets and liabilities profiles in a wind-down scenario. Stresses includes credit losses on the assets, the cost of bridging maturity mismatches by disposing of the assets or investing excess cash, the adverse variation of interest and currency rates, and the expenses of a third party manager.

Discontinuity Factor Matrix

Maximum Achievable Rating of Covered Bonds on a Probability of Default Basis

Issuer default rating	5 years PD (%)	D-factor 100%	90%	50%	30%	20%	10%	5%	0%
AAA	0.030	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
AA+	0.094	AA+	AA+	AAA	AAA	AAA	AAA	AAA	AAA
AA	0.203	AA	AA	AA+	AAA	AAA	AAA	AAA	AAA
AA-	0.255	AA-	AA-	AA+	AA+	AAA	AAA	AAA	AAA
A+	0.501	A+	A+	AA-	AA	AA+	AAA	AAA	AAA
A	0.561	A	A+	AA-	AA	AA+	AAA	AAA	AAA
A-	0.787	A-	A-	A+	AA-	AA	AA+	AAA	AAA
BBB+	1.016	BBB+	BBB+	A+	AA-	AA	AA+	AAA	AAA
BBB	1.582	BBB	BBB	A-	A+	AA-	AA	AA+	AAA
BBB-	3.361	BBB-	BBB-	BBB	BBB+	A	AA-	AA	AAA
BB+	5.355	BB+	BB+	BBB-	BBB	BBB+	A	AA-	AAA
BB	7.477	BB	BB	BBB-	BBB	BBB	A-	AA-	AAA
BB-	11.007	BB-	BB-	BB+	BBB-	BBB	BBB+	A	AAA
B+	15.370	B+	B+	BB	BB+	BBB-	BBB	A-	AAA
B	19.616	B	B	BB-	BB+	BBB-	BBB	BBB+	AAA
B-	25.538	B-	B-	BB-	BB	BB+	BBB-	BBB+	AAA
CCC+/CCC	32.475	CCC+/CCC	CCC	B+	BB-	BB	BBB-	BBB	AAA

PD = Probability of Default
Source: Fitch

The assigned rating will further incorporate the effect of stressed recoveries from the cover pool in an event of the covered bonds default. Depending on the assumed recovery percentage, an uplift of up to three notches at non-investment grade level can be assigned.

Benefit for Recoveries

	Maximum notching	
Recovery range (%)	Investment grade Covered Bond rating	Non-investment grade Covered Bond rating
91-100	+2	+3
71-90	+1	+2
51-70	+1	+1
31-50	-	-
11-30	-1	-1
0-10	-1/-2	-2/-3

Source: Fitch

Appendix 3

Real Estate Trends

Ukraine's residential property market is relatively underdeveloped. The collapse of the Soviet Union led to a sharp decline in construction, which has yet to recover to its pre-1991 levels, although construction activity has escalated in the past few years. Privatisation of the housing stock was launched in 1992, and as a result, 80%-90% of the residential housing stock is now privately-owned.

Since 2001, real estate construction has risen by around 50%, driven by solid economic growth, rising personal incomes and the increased availability of mortgage finance. While the Ukrainian economy is vulnerable to shocks, demand for housing construction should remain solid for the foreseeable future.

Housing supply has not kept pace with the swift growth in demand. Old housing stock, especially apartment blocks that were built in the Soviet Union era, are rapidly becoming dilapidated, fuelling demand for new or renovated apartments and houses. The construction boom of the past three to four years has resulted in a more buoyant supply of new housing stock, helping meet at least part of the new demand. However, given the legacy of poor-quality Soviet-era housing stock, supply-demand imbalances are likely to persist for the foreseeable future, which places continued upward pressure on property prices. Prices have also been kept high by relatively low competition among property developers and the difficulty of establishing property companies. Price information and transparency is generally low in Ukraine.

The largest increase in supply and demand has occurred in Kiev, which is the capital and by far the largest city in Ukraine. Over the last ten years, Kiev's share in total residential construction has been above 70%. House prices there rose rapidly in the mid 1990s, but fell by around 30%-40% in 1998 because of oversupply and the Russian financial crisis. After a period of some stability the situation changed at end-2002, since when house prices have shown a continuous strong increase with annual price inflation averaging some 40%. Price growth reached its peaks in 2005 and in 2006 at around 60%, respectively, and moderated in 2007. These figures compare to an average consumer price inflation of about 10% between 2003 and 2007.

Although there is considerable variation in house prices and price volatility across the country, the relative house price changes have developed according to similar trends. Since 2002, substantial appreciation has occurred in all areas of the country.

Residential Mortgage Market

Housing finance has only been widely available in Ukraine for the past few years. At end-2006, the mortgage lending stock represented just 5.1% of GDP. However, mortgage debt has grown rapidly, increasing by around 150% between end-2005 and end-2006. Residential mortgage loans in Ukraine are granted by banks and credit unions, yet the latter only account for a very small market share. Although in 2007 90 banks provided mortgage finance in Ukraine, pointing to growing competition, the market still is relatively concentrated, as ten banks account for some 85% of activity.

The majority of mortgage loans in Ukraine are denominated in USD (around 60%) as USD interest rates are lower than local currency rates. In 2007, interest rates fell in the range of 14%-20% in UAH, and 10%-15% in USD. Rates may be fixed or floating, and the loan tenor is generally shorter in foreign currency. Real bank lending rates have been turning strongly negative since mid-2007 due to the accelerating inflation. Ukraine's year-on-year consumer price inflation was 16.6% in December 2007 and even reached 30% in April 2008.

In the past, banks in Ukraine typically financed themselves via short-term deposits. As mortgage finance is becoming more widespread, Ukrainian banks are increasingly active in the capital markets to secure longer term funding. In January 2007, OJSC Ukrgasbank issued the first Ukrainian legislation-based mortgage covered bonds series with a total volume of UAH50m (USD9.9m) and a maturity of three years. In February 2007, the first Ukrainian RMBS transaction totalling around USD180m took place (Ukraine Mortgage Loan Finance No. 1plc, see separate Fitch report). The securitised assets (residential mortgage loans) had been originated by CJSC Privatbank, Ukraine's largest credit institution.

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ATTACHMENT 6

ORDINARY MORTGAGE FIXED-RETURN BONDS ISSUE PROSPECTUS

OPEN JOINT-STOCK COMPANY COMMERCIAL BANK “KHRESCHATYK”

Information on the Issuer

Full name: Відкрите акціонерне товариство Комерційний банк „Хрещатик"
Открытое акционерное общество Коммерческий банк «Крещатик»
Open Joint-Stock Company Commercial Bank "Khreschatyk"

Short name: ВАТ КБ „Хрещатик"
ОАО КБ «Крещатик»
Commercial Bank "Khreschatyk"

Address: 8-a Khreschatyk Street, Kyiv 01001, Ukraine
Tel./fax: (044) 536-97-18, 490-52-30;
E-mail: Bank@XBANK.com.ua;
S.W.I.F.T.: KHRCUAUK; TELEX: 631349 ZGODA UX; REUTERS: KRES; http.www.xcitybank.com.ua
Identification code 19364259
Place and date of the state registration:
Shevchenkivskyi District State Administration of Kyiv, May 19, 1993

Date of foundation, changes of the organizational and legal form

The Bank was registered with the National Bank of Ukraine on May 19, 1993 under No. 172 as Commercial Bank for Business Development Promotion "Zgoda". It was created by virtue of a resolution of the Constituent Assembly (Minutes No. 1 of January 4, 1993) as a limited liability company.

By virtue of a resolution of the Meeting of Members (Minutes No. 1 of February 21, 1998) on August 12, 1998, the National Bank of Ukraine registered amendments to the Bank's Articles of Association connected with a change of the Bank's name from Commercial Bank for Business Development Promotion "Zgoda" to Commercial Bank for City Economy and Business Development Promotion "Khreschatyk". Commercial Bank for City Economy and Business Development Promotion "Khreschatyk" was a successor of Commercial Bank for Business Development Promotion "Zgoda".

The Meeting of Members (Minutes No. 4 dated August 8, 2000) resolved to change the name of the Bank. Amendments to the Bank's Articles of Association connected with the change of the Bank's name from Commercial Bank for City Economy and Business Development Promotion "Khreschatyk" to Commercial Bank "Khreschatyk" were registered by the national Bank of Ukraine on October 18, 2000. Commercial Bank "Khreschatyk" was the successor of all rights and obligations of Commercial Bank for City Economy and Business Development Promotion "Khreschatyk".

By virtue of a resolution of the Meeting of Members (Minutes No. 2 of August 10, 2001) the National Bank of Ukraine registered amendments to the Bank's Articles of Association connected with a change of the Bank's name from Commercial Bank "Khreschatyk" to Limited Liability Company Commercial Bank "Khreschatyk". Limited Liability Company Commercial Bank "Khreschatyk" acted a successor of Commercial Bank "Khreschatyk".

Open Joint-Stock Company Commercial Bank "Khreschatyk" (hereinafter referred to as "the Issuer") is a successor of Limited Liability Company Commercial Bank "Khreschatyk". A new edition of the Bank's Articles of Association is connected with its reorganization and is registered with the National Bank of Ukraine on December 26, 2001.

The Issuer's organizational and legal form: Open Joint Stock Company.

List of the Founders of Commercial Bank "Khreschatyk" (as of the date of the resolution to place ordinary mortgage fixed-return bonds):

The following legal entities and individuals were the Founders of Commercial Bank "Khreschatyk" and the Shareholders of the Bank as of the date of the resolution to place the bonds:

The Chief Financial Office of the Executive Body of the Kyiv City Council (the Kyiv City State Administration), Limited Liability Company "KF "Ukrfincom", Open Joint-Stock Company "Kyivspetstrans", Kyiv Public Utility Company for Outdoor Lighting "Kyivmisksvitlo", Kyiv Public Utility Company for Bridges and Roads Repairs and Maintenance "Kyivavtoshliakhmist", Public Utility Company "Farmatsiya", Public Utility Company "Kyiv City Technical Inventory and Real Estate Ownership Registration", Open Joint-Stock Company "Ukrainian Research and Engineering Medical Equipment and Industrial Technologies Center "Tekhnomed Ukraine", State-Owned Enterprise of the

Defense Ministry of Ukraine "Central Engineering Institute", D.M. Grydzhuk, A.I. Gorbunov, A.G. Ivanenko, M.S. Matukhno, V.P. Pylypyshyn, O.M. Pozhyvotko, O.Y. Ratushniak, A.P. Stepaniuk.

Activities subject

The main directions of the Bank's activities are as follows:

- rendering complex services to small and middle-sized businesses, institutions and organizations of various ownership patters;
- granting credits to enterprises and organizations engaged in the accomplishment of programs of the Kyiv City State Administration and local governments;
- support of investment programs of the city of Kyiv.

The subject of the Issuer's activities is to conduct bank transactions permitted by the current legislation on the financial, money, stock and other markets in accordance with the given licenses and permits.

Data on the registration of the Issuer in the State Register of Banks:
Commercial Bank "Khreschatyk" was registered by the National Bank of Ukraine in the State Register of Banks under registration No. 172 on May 19, 1993.

Amount of the Issuer's equity as of the date of the resolution to place the ordinary mortgage fixed-return bonds:
As of May 15, 2008, the equity amounted to UAH 717,981 thousand.

Amount of the Issuer's Authorized Capital as of the date of the resolution to place the ordinary mortgage fixed-return bonds:
As of May 15, 2008, the bank's Authorized Capital was fully paid up and amounted to UAH 540 million.
The Bank has made six issues of shares to the total amount of UAH 540,000,000 (five hundred and forty million). On the whole 540 thousand ordinary registered shares having the par value of UAH 1,000 each were issued. No preference shares were issued. The Bank's shares are included in the off-listing list of the PGTS Stock Exchange.

The General Meeting of Shareholders held on May 17, 2008, resolved to increase the Authorized Capital by UAH 43,200,000.00 (hryvnias forty-three million two hundred thousand only) to UAH 583,200,000.00 (hryvnias five hundred and eighty-three million two hundred thousand only) by means of dividend reinvestment by way of an increase in the par value of the shares. The new par value of a share shall be UAH 1,080.00 (hryvnias one thousand and eighty).

Data on the Issuer's officials

The Bank's management bodies are as follows:

The General Meeting of Shareholders;

The Supervisory Board;

The Board.

The Bank's controlling body is the Auditing Committee.

The General Meeting of Shareholders is the supreme management body of the Bank. All Shareholders are entitled to attend the Bank's General Meeting of Shareholders irrespective of the number and type of the shares held by them. The General Meeting of Shareholders shall be entitled to adopt resolutions concerning all matters related to the Bank's activities.

The exclusive competence of the General Meeting of Shareholders of the Bank includes the adoption of resolutions in the following maters:

- approval of the main directions of the Bank's activities and reports on the fulfillment thereof;
- making amendments and additions to the Articles of Association;
- changes of the amount of the Bank's Authorized Capital;
- election and recall of the Chairman and Members of the Bank's Supervisory Board and the Chairman and Members of the Bank's Auditing Committee;
- approval of the annual financial statements, the annual performance of the Bank including its subsidiaries and reports and opinions of the Auditing Committee as well as those of the independent auditor;
- distribution of the profits and coverage of the losses of the Bank;
- reorganization, termination of the Bank's activities, appointment of a liquidator and approval of the liquidation balance sheet;
- approval of the Corporate Management Policy of the Bank, Corporate Management Code of the Bank, regulations of the General Meeting of Shareholders of the Bank, Regulations of the Supervisory Board of the Bank, Regulations of the Board of the Bank, and regulations of the Auditing Committee of the Bank and making amendments thereto;
- approval of the Bank's deed concerning merges or integration;
- transfer of the duty to keep the register of registered securities holders;
- issue of the Bank's shares;
- the Bank's purchase of own shares, determination of the procedure and conditions of redemption and a subsequent resale thereof;
- creation, reorganization and liquidation of subsidiary banks, subsidiary companies, branches and representative offices of the Bank in the territory of other countries; approval of their articles of association and regulations;
- alienation of the Bank's property in the amount being equal or exceeding fifty percent of the Bank's property;
- settlement of matters concerning the disciplinary and property responsibility of the Bank's officials;
- adoption of resolutions concerning the election of shareholders' proxies for the purpose of representation of the shareholders' interests in cases provided for in the laws.

By virtue of resolutions of the General Meeting of Shareholders of the Bank the fulfillment of individual functions belonging to the competence thereof may be delegated to the Supervisory Board of the Bank or the Board of the Bank except the matters belonging to the exclusive competence of the General Meeting.

The Supervisory Board of the Bank is the Bank's management body that reports to the General Meeting of Shareholders, represents the interests of the Shareholders between the General Meetings, controls the activities of the Board and protects the rights of all Shareholders of the Bank.

The Supervisory Board of the Bank is elected by the general Meeting of Shareholders of the bank from among the Shareholders or their proxies and consists of not more than 9 persons.

The Members of the Supervisory Board of the Bank cannot be members of the Board of the Bank and the Auditing Committee of the Bank.

The competence of the Supervisory Board shall include:

- appointment (election) and discharge of the Chairman of the Board of the Bank, Deputy Chairmen of the Board of the Bank, Members of the Board of the Bank, approval of the membership of the Board of the Bank.

- appointment (election) of Acting Chairman of the Board of the Bank in case of discharge of the Chairman of the Board of the Bank or in another case of termination of his/her powers till the appointment (election) of a new Chairman of the Board of the Bank, receiving a written consent thereto from the National Bank of Ukraine and making an appropriate labor contract with him/her.

- control of the activities of the Bank's Board;

- determination of an independent auditor;

- determination of the procedure of audits and control of the financial and economic activities of the Bank;

- adoption of a resolution concerning the creation, reorganization and liquidation of subsidiaries, branches and representative offices of the Bank in the territory of Ukraine, approval of articles of associations of such subsidiaries, branches and representative offices of the Bank and making amendments and additions thereto;

- determination and approval of conditions of the remuneration of labor and incentives payable to the officials of the executive body and the Chairman of the Auditing Committee, the Bank's subsidiaries created both in the territory of Ukraine and the territory of other countries, branches and representative offices of the Bank created in the territory of other countries;

- a preliminary consideration of all items on the agenda of the General Meeting of Shareholders of the Bank;

- preparation of suggestions concerning the matters to be considered by the General Meeting of Shareholders of the Bank (in particular those concerning changes in the amount of the Bank's Authorized Capital, amendments and additions to the Bank's Articles of Association, the profit distribution procedure, the dividend payment forms, etc.);

- approval of resolutions concerning the property responsibility of the officials of the Bank's executive body;

- determination of the Bank's organizational structure except the Bank's manning table, approval of procedure rules in cases provided for in the Articles of Association and the current laws of Ukraine, and approval of the Bank's internal documents (Regulations) as well as amendments and additions thereto concerning:

  - the Board of the Bank

  - the shares to be issued by the Bank

  - the bank's payment of dividends

  - the Bank's Internal Audit Service;

- determination of the manning tables of the Bank's branches and representative offices to be created in the territory of other countries;

- hearing of reports of the Chairman of the Board of the Bank on the activities of the Bank's Board;

- hearing of reports of the Auditing Committee of the Bank on the financial and economic position of the Bank;

- control of the fulfillment of the resolutions adopted by the general Meeting of Shareholders of the Bank;

- approval of the budget connected with the Bank's current activities;

- approval of the strategy of the Bank's development, plans of the Bank's activities as well as a plan (schedule) of audits to be conducted by the Bank's Internal Audit Service in the current year;

- adoption of resolutions concerning the use of the Bank's reserves and writing off bad assets of the Bank;

- adoption of a resolution concerning the Bank's joining non-profit-making unions and other profit-making and non-profit-making associations;
- adoption of a resolution concerning the Bank's investments in authorized capitals of legal entities (in the form of shares, stocks or participation interests) and termination of its membership in such legal entities;
- consideration and adoption of resolutions on the basis of results of audits, opinions and suggestions of the Bank's Internal Audit Service;
- approval of the terms and conditions of a contract of keeping the register of registered securities holders;
- formation of a Risk Management Committee and other committees of the Supervisory Board from among the members of the Supervisory Board and approval of provisions concerning them;
- creation of permanent committees of the Board of the Bank in accordance with the requirements of the current laws, appointment and discharge of their members at the suggestion of the Board of the Bank and approval of regulations thereof including:
  a) a Credit Committee;
  b) an Assets and Liabilities Management Committee;
  c) a Tariff Committee;
  d) a Budget Committee.
- adoption of resolutions concerning any other matters pursuant to the Articles of Association or the current laws of Ukraine;
- adoption of resolutions concerning any matters delegated to the Supervisory Board of the Bank by the General Meeting of Shareholders of the Bank;
- determination of the period of office of the members of the Board of the Bank, approval of the contents of a fixed-time labor contract with the Chairman of the Board of the Bank;
- approval of the general terms and conditions and limits of credits that may be granted to the Bank's employees;
- exercise of other powers provided for in the current laws of Ukraine and these Articles of Association;
- the Supervisory Board of the Bank shall give its consent to:
  - candidacies for the Members and the Chairman of the Auditing Committee to be elected by the General Meeting of Members of the Bank;
  - the Bank's annual account, annual balance sheet and the opinion expressed by the Auditing Committee;
  - deeds (contracts) of alienation of the Bank's corporate rights and real estate owned by the Bank before they are made except trade transactions concerning available-for-trade and available-for-sale shares.

As of the moment of adoption of the resolution to place ordinary mortgage fixed-return bonds of Commercial Bank "Khreschatyk", Andriy Anatoliyovych Ivanov was Acting Chairman of the Supervisory Board of the Bank.

By virtue of the resolution of the General Meeting of Shareholders of the Bank dated May 17, 2008, the following membership of the Supervisory Board was approved:

Andriy Leonidovych Gerasymenko, Chairman of the Supervisory Board, born in 1975, higher education, Master of Financial Management. The total work experience is more than 10 years. Office at the principal place of business – Chairman of the Supervisory Board of Commercial Bank "Khreschatyk". Experience in the current office – more than 1 month.

- Member of the Supervisory Board of Joint-Stock Commercial Bank "Industrialbank";
- Member of the Supervisory Board of Joint-Stock Bank "Express-Bank"

Positions occupied in the recent five years:

- Deputy Chairman of the Supervisory Board of Commercial Bank "Khreschatyk";
- Deputy Chairman of the Board of Open Joint-Stock Company "Swedbank";
- advisor to the Chairman of the National Bank of Ukraine of the Group of Advisors to the Chairman;
- advisor to the Chairman of the National Bank of Ukraine, Banking Development Department – Group of Economic Advisors to the Chairman of the National Bank of Ukraine;
- Deputy Head of the Banking Development Department – Group of Economic Advisors to the Chairman of the National Bank of Ukraine.

Artem Vasyliovych Laznia, First Deputy Chairman of the Supervisory Board, born in 1974, higher education, engineer-economist. The total work experience is more than 14 years. Office at the principal place of business – Deputy Chairman of the Supervisory Board of Joint-Stock Commercial Bank "Industrialbank". Experience in the office of First Deputy Chairman of the Supervisory Board of Commercial Bank "Khreschatyk" is approximately 6 months.

- Deputy Chairman of the Supervisory Board of Joint-Stock Commercial Bank “Industrialbank”;
- Chairman of the Supervisory Board of Open Joint-Stock Company “Zaporizhia Confectionery”;
- Member of the Supervisory Board of Joint-Stock Bank "Express-Bank”.

Positions occupied in the recent five years:

- Chairman of the Board of Joint-Stock Commercial Bank “Industrialbank”;
- Acting Chairman of the Board of Joint-Stock Commercial Bank “Industrialbank”;
- First Deputy Chairman of the Board of Joint-Stock Commercial Bank “Industrialbank”.

Andriy Volodymyrovych Semenov, Deputy Chairman of the Supervisory Board, born in 1972, higher education, Master. The total work experience is 16 years. Office at the principal place of business – Deputy Chairman of the Supervisory Board of Commercial Bank "Khreschatyk". Experience in the current office is more than 1 month.

Positions occupied in the recent five years:

- Deputy Head of the Factoring Office of Open Joint-Stock Company “Ukreximbank”;
- Member of the Board, Deputy Chairman of the Board of Joint-Stock Commercial Bank “TAS-Kommerzbank”;
- Acting Chairman of the Board of Joint-Stock Bank “Munitsipalnyi”;
- First Deputy Chairman of the Board of Joint-Stock Bank “Munitsipalnyi” (a part-time job).

Members of the Supervisory Board:

Limited Liability Company “KF” Ukrincom” represented by Yevgen Volodymyrovych Voitko, born in 1977, higher education, Master. The total work experience is more than 8 years. Office at the principal place of business – Deputy Director of the Financial Department of Limited Liability Company “Kyiv Investment Group”. He has acted as the representative of Limited Liability Company “KF” Ukrincom” in the Supervisory Board of Commercial Bank "Khreschatyk" since March 12, 2008 (Limited Liability Company “KF” Ukrincom” was elected Member of the Supervisory Board of the Bank on December 21, 2007).

- Member of the Supervisory Board of Open Joint-Stock Company “Kyiv Soft Drinks Factory "Rosynka”.

Positions occupied in the recent five years:

- Director of Limited Liability Company “Assets Management Company “Akers Invest”;
- Deputy Director General of Limited Liability Company “Regioninvest”;
- Finance Director of Close Joint-Stock Company “Formula Motor Ukraine”.

Ruslan Gabibullakhovych Gamzatov, born in 1971, higher education, economist. The total work experience is more than 15 years. Office at the principal place of business – Head of the Finance Department of Limited Liability Company “Kyiv Investment Group”. Experience in the office of Member of the Supervisory Board of Commercial Bank "Khreschatyk" – more than 3 years.

- Member of the Supervisory Board of Commercial Bank "Khreschatyk".

Positions occupied in the recent five years:

- Deputy Director of Limited Liability Company “Invest-Finance”;
- Deputy Director of Limited Liability Company “Auditing Company “Multi-Audit”.

Vitaliy Ivanovych Lavrynenko, born in 1970, higher education, Master of Business Administration. The total work experience is more than 18 years. Office at the principal place of business – Advisor to the Kyiv City Mayor. Experience in the office of Member of the Supervisory Board of Commercial Bank "Khreschatyk" is approximately 6 months.

He was elected Member of the Supervisory Board of the Bank on June 16, 2006.

Positions occupied in the recent five years:

- Director of Limited Liability Company “Megon”;
- Deputy Director of Limited Liability Company “Miradem”;
- Deputy Director of Limited Liability Company “Rentex”.

Artur Tazakhanovych Abdinov, born in 1959, higher education, lawyer. The total work experience is 27 years. Office at the principal place of business – Assistant to the Chairman of the Board of Joint-Stock Commercial Bank “Industrialbank”. Experience in the office of Member of the Supervisory Board of Commercial Bank "Khreschatyk" is approximately 6 months.

- Member of the Supervisory Board of Joint-Stock Commercial Bank “Industrialbank”;
- Member of the Supervisory Board of Open Joint-Stock Company “Zaporizhstal”;
- First Deputy Chairman of the Supervisory Board of Joint-Stock Bank “Express-Bank”;
- Member of the Supervisory Board of Open Joint-Stock Company “Zaporizhkoks”;
- Chairman of the Council of Non-Government organization Football Club “Metalurg”.

Positions occupied in the recent five years:

- Assistant to the Chairman of the Board of Joint-Stock Commercial Bank “Industrialbank”.

Igor Volodymyrovych Dvoretskyi, born in 1963, higher education, industrial heat power engineer. The total work experience is 28 years. Office at the principal place of business – Auditor at Limited Liability Company Auditing Firm “Partner”. Experience in the office of Member of the Supervisory Board of Commercial Bank "Khreschatyk" is approximately 6 months.

- Member of the Supervisory Board of Joint-Stock Commercial Bank “Industrialbank”;
- Deputy Chairman of the Supervisory Board of Open Joint-Stock Company “Zaporizhstal”;
- Member of the Council of Non-Government organization Football Club “Metalurg”.

Positions occupied in the recent five years:

- Auditor at Limited Liability Company Auditing Firm “Partner”.

Nataliya Sergiivna Prudka, born in 1978, higher education, lawyer, land manager. The total work experience is more than 7 years. Office at the principal place of business – Legal Advisor at Close Joint-Stock Company “Zap-ecoresource”. Experience in the office of Member of the Supervisory Board of Commercial Bank "Khreschatyk" is more than 1 month.

- Director of Limited Liability Company “Expressinvest”;
- Member of the Auditing Committee of Joint-Stock Bank “Express-Bank”;
- Member of the Auditing Committee of Close Joint-Stock Company “Zap-ecoresource”.

Positions occupied in the recent five years:

- Director of “Zaporizhstal-reserve”;
- Head of the Legal Support Department of the Ordzhonikidzevskyi District State Tax Office of Zaporizhia.

The Board of the Bank is the executive authority and a collective body of the Bank that manages the current (operating) activities of the Bank and the formation of funds necessary for the Bank’s statutory activities and is responsible for the efficiency of its operation in accordance with the principles and the procedure fixed in the Bank’s Articles of Association and resolutions of the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank.

The Board of the Bank settles all matters concerning the Bank’s activities except those belonging to the competence of the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank. The General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank may resolve to delegate their powers (authorities) to the competence of the Board of the Bank.

Within the scope of its competence the Board of the Bank acts on behalf of the Bank, reports to the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank and organizes the fulfillment of their resolutions.

The Board of the Bank acts by virtue of the Resolution approved by the Supervisory Board of the Bank.

The period of office of the Members of the Board of the Bank is determined by the Supervisory Board of the Bank. The Board of the Bank may include the following Members: the Chairman of the Board of the Bank, the Bank’s employee being responsible for the financial monitoring, other Members of the Board of the Bank appointed (elected) by the Supervisory Board of the Bank.

Persons having employment relations with the Bank may be Members of the Board of the Bank including Deputy Chairmen of the Board of the Bank, the chief accountant of the bank and other employees of the Bank. The number of Members of the Board of Bank is determined in the Regulations of the Board of the Bank.

The competence of the Board of the Bank includes all matters concerning the Bank’s activities except those belonging to the competence of other bodies of the Bank, namely

- development and submission of draft strategies, long-term business plans and budgets of the Bank to the Supervisory Board for the purpose of approval;

- development and approval of shirt-term plans and ensuring of the fulfilment thereof;

- risks control and management, development and submission of internal standard risk management documents to the Supervisory Board for the purpose of consideration and approval within its competence;

- Approval of procedure rules including the approval of the rules of the procedure of a certain type of bank transactions, approval of internal documents (regulations) of the Bank, amendments and additions thereto except those to be approved by the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank including:

    - Regulations of offices, departments and divisions of the Bank;
    - Regulations concerning the procedure of formation of the Bank’s reserves;
    - other internal bank policies, instructions, regulations, internal standard and methodical documents, etc.

- Granting of permits to the Bank’s branches and divisions to conduct bank transactions.

- Approval of the manning table of the Bank, its branches, representative offices and divisions created in the territory of Ukraine in accordance with the approved structure of the Bank and within the budget related to the current activities of the Bank and approved by the Supervisory Board of the Bank.

- Suggestion of matters to be considered and settled by the Supervisory Board of the Bank and the General Meeting of Shareholders of the Bank.

- Organization and ensuring of the fulfillment of the resolutions of the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank.

- Determination and approval of the boundary interest rates and commissions related to the active, passive and other transactions of the Bank.

- Organization and convocation of the General Meeting of Shareholders of the Bank.

- Consideration of the annual balance sheet and performance of the Bank.

- Planning of the Bank's activities.

- Submission of suggestions concerning the matters belonging to the competence of the Supervisory Board of the Bank and those to be considered at the General Meeting of Shareholders of the Bank to the Supervisory Board of the Bank for the purpose of consideration.

- Organization of the development of projects and approval of the internal methodology of conducting bank transactions in accordance with the bank license and well as a written permit of other regulations and instructions provided for by the Bank's activities fixed in its Articles of Association.

- Ensuring the fulfillment of plans and programs of the Bank's development.

- Adoption of a resolution to place bonds and other securities (except the Bank's shares, determination of the procedure and conditions of the placement thereof subject to the consent given by the Chairman of the Supervisory Board or the First Deputy Chairman of the Supervisory Board of the Bank.

- Determination of the labor relations forms provided for in the Laws of Ukraine as well as the salaries of the Bank's employees in accordance with the approved structure and manning table.

- Determination of the matters related to the selection, training and allotment of the personnel.

- Organization of the Bank's activities, accounting and reporting, the internal bank control and bank transactions automation.

- Organization of the preparation of reports (statistical statements) on the results of the Bank's operation.

- Development and approval of technology standards in accordance with a standard procedure.

- Adoption of a resolution to form insurance reserves in accordance with a standard procedure and in conformity with the current laws of Ukraine and the statutory acts of the National Bank of Ukraine.

- Consideration of matters concerning the operating activities of the Bank, the activities of its divisions, branches, departments, representative offices, subsidiaries, etc.

- Adoption of resolutions concerning the organization and coordination of the operation of branches, representative offices and divisions of the Bank, subsidiaries, etc. and control of the fulfillment of their tasks.

- Consideration and a due approval of the terms and conditions of standard contracts used in the Bank's current activities.

- Preparation of suggestions concerning the creation and liquidation of the Bank's subsidiaries, branches and representative offices, consideration of draft articles of association and regulations of such subsidiaries, branches and representative offices of the Bank, draft amendments and additions thereto and a subsequent submission thereof to the Supervisory Board of the Bank and/or the General Meeting of Shareholders of the Bank for the purpose of approval.

- Preparation of suggestions concerning changes of the amount of the Bank's Authorized Capital.

- Adoption of resolutions to write off fixed assets and other non-current assets unfit for the further use, morally obsolete, physically worn out or damaged because of an accident or a natural disaster, missing because of thefts or according to the results of inventories conducted in accordance with the laws of Ukraine from the balance sheets of the principal Bank, the branches, representative offices and divisions.

- Adoption of resolutions concerning any pledged property that was recorded in the Bank's balance sheet as the repayment of debts under credits and other active transactions, within the scope and in accordance with the procedure provided for in the Articles of Association.

- Creation of permanent bodies except the bodies to be created by other management bodies of the Bank (committees, commissions, groups, etc.) and appointment of their members to whom individual powers of the Bank's Board may be delegated including the adoption of resolutions to conduct bank transactions.

- Settlement of any other matters concerning the Bank's activities (except those belonging to the competence of the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank) including those delegated to the Bank's Board by the General Meeting of Shareholders of the Bank and the Supervisory Board of the Bank and suggested to the Bank's Board by the Chairman of the Board of the Bank as well as Deputy Chairmen of the Board of the Bank or Members of the Board of the Bank, manages of the Bank's divisions, etc.

- Development and a due approval of the Bank's Accounting Policy Regulations.

- Adoption of a resolution to create, reorganize and liquidate the Bank's divisions in the territory of Ukraine;

- Any deeds of alienation of the Bank's corporate rights and the real estate owned by the Bank may be signed by the Chairman of the Board of the Bank subject to a preliminary consent thereto given by the Supervisory Board of the Bank. Deeds that due to their type and/or contents, and/or amount and other criteria will be defined by the Supervisory Board of the Bank as "material" will be made and signed on behalf of the Bank by the Chairman of the Board and a person whom the Supervisory Board of the Bank will authorize to adopt such a resolution.

The Board includes the following persons:

Dmytro Mykolayovych Grydzhuk, Chairman of the Board, born in 1959, higher economic education (economist), Degree of the Candidate of Economic Sciences. Honored Economist of Ukraine.

The total work experience is more than 32 years; the managerial work experience is 16 years. He has been employed as the Chairman of the Board of the Bank for more than 7 years.

Positions occupied in the recent five years:

- Chairman of the Board of Commercial Bank "Khreschatyk".

Yuliya Leonidivna Tur, First Deputy Chairman of the Board, born in 1972, higher economic education (economist). The total work experience is 17 years; the managerial work experience is 7 years. She has been in the office of First Deputy Chairman of the Board of the Bank for approximately 1 year.

Positions occupied in the recent five years:

- Acting First Deputy Chairman of the Board of Commercial Bank “Khreschatyk”;
- Deputy Chairman of the Board – Director of the Central Direction of Joint-Stock Commercial Bank “Forum”;
- Deputy Chairman of the Board for Corporate Business of Joint-Stock Commercial Bank “Forum”;
- Deputy Chairman of the Board – Head of the Branch Network Department of Joint-Stock Bank “Ukrgazbank”;
- Deputy Chairman of the Board for Branches Joint-Stock Bank “Ukrgazbank”.

Olga Stepanivna Brodovych, Deputy Chairman of the Board, born in 1961, higher economic education (economist). The total work experience is 28 years; the managerial work experience is 13 years. She has held the office of Deputy Chairman of the Board of the Bank for more than 1 year.

Positions occupied in the recent five years:

- Acting Deputy Chairman of the Board of Commercial Bank “Khreschatyk”;
- Deputy Chief accountant – Head of the Internal Bank Transactions Department of Commercial Bank “Khreschatyk”.

Volodymyr Mykhailovych Gorodetskyi, Deputy Chairman of the Board – Head of the Financial Monitoring Department, born in 1970, higher economic education (economist). The total work experience is 19 years; the managerial work experience is 6.5 years. He has held the office of the Head of the Financial Monitoring Department for more than 4 years and the office of Deputy Chairman of the Board of the Bank for more than 1 year.

Positions occupied in the recent five years:

- Member of the Board - Head of the Financial Monitoring Department of Commercial Bank “Khreschatyk”;
- Head of the Financial Monitoring Department of Commercial Bank “Khreschatyk”;
- Head of the Audit Department of Commercial Bank “Khreschatyk”.

Olga Yakivna Ratushniak, Deputy Chairman of the Board, born in 1959, higher economic education (economist). The total work experience is 26 years; the managerial work experience is 14 years. She has held the office of Deputy Chairman of the Board of the Bank for 7 years.

Positions occupied in the recent five years:

- Deputy Chairman of the Board of Commercial Bank “Khreschatyk”.

Viktor Vasyliovych Fuklev, Deputy Chairman of the Board, born in 1953, higher economic education (economist). The total work experience is 35 years; the managerial work experience is 10 years. He has held the office of Deputy Chairman of the Board of the Bank for approximately 2 years.

Positions occupied in the recent five years:

- Acting Deputy Chairman of the Board of Commercial Bank “Khreschatyk”;
- Deputy Chairman of the Board of Commercial Bank “Khreschatyk”.

Oleg Mykolayovych Khodachuk, Deputy Chairman of the Board, born in 1975, higher economic education (economist-mathematician). The total work experience is 9 years; the managerial work experience is 5 years. He has held the office of Deputy Chairman of the Board of the Bank for more than 3.5 years.

Positions occupied in the recent five years:

- Deputy Head of the Commercial Debt Obligations Office – Head of the Internal Commercial Obligations Division of the State Debt Department of the Ministry of Finance of Ukraine;
- Deputy Head of the Capital Markets Division of the State Debt Department of the Ministry of Finance of Ukraine.

Iryna Ivanivna Skyrchuk, Deputy Chairman of the Board, born in 1965, higher economic education (economist). The total work experience is 22 years; the managerial work experience is over 5 years. She has held the office of Deputy Chairman of the Board of the Bank since June 17, 2008.

Positions occupied in the recent five years:

- Acting Deputy Chairman of the Board of Commercial Bank "Khreschatyk";
- Director of a department – Head of the Solomianskyi District Network;
- Director of the Retail Sales Organization Department of Tas-Kommerzbank;
- Deputy Director of the Donetsk Branch of Joint-Stock Company "Credit Bank (Ukraine)";
- Head of the Individual Business Department of Joint-Stock Bank "Donechchyna";
- Head of the Individuals Credit and Deposit Transactions Division of Joint-Stock Bank "Donechchyna";
- Head of the Control Department of Joint-Stock Bank "Donechchyna".

Andriy Viktorovych Ostapenko, Deputy Chairman of the Board, born in 1973, higher education (economist). The total work experience is 18 years; the managerial work experience is over 6 years. He has held the office of Deputy Chairman of the Board of the Bank since June 17, 2008.

Positions occupied in the recent five years:

- Manager of the Audit Division of Deloitte & Touche USK";
- Head of the Market and Operating Risks Department of The First Ukrainian International Bank;
- Head of the Market Risks Assessment Division of the Central Risks Assessment Department of The First Ukrainian International Bank.

Valentyna Mykolaivna Yur, Chief Accountant, born in 1964, higher economic education (economist). The total work experience is 25 years; the managerial work experience is 6.5 years. She has held the office of Chief Accountant of the Bank for more than 6 years.

Positions occupied in the recent five years:

- Chief Accountant of Commercial Bank "Khreschatyk".

Andriy Stepanovych Grytsiv, Member of the Board – Director of the Kyiv Regional Branch, born in 1966, higher education (economist). The total work experience is 23 years; the managerial work experience is 5 years. He has held the office of Member of the Board – Director of the Kyiv Regional Branch of the Bank for more than 5 years.

Positions occupied in the recent five years:

- Director of the Kyiv Regional Branch of Commercial Bank "Khreschatyk";
- Deputy Regional Authorized Receiver of the Kyiv Direction of Bank "Ukraine".

The Auditing Committee controls the financial and economic activities of the Bank. The Auditing Committee is elected by the General Meeting of Shareholders of the Bank from among the Shareholders or their proxies and consists of 3 persons.

The Members of the Supervisory Board of the Bank and the Board of the Bank and the Bank's employees cannot be elected Members of the Auditing Committee:

The Auditing Committee:

- controls the Bank's compliance with the laws of Ukraine and the statutory acts of the National Bank of Ukraine;
- considers reports of internal and external audits and prepares appropriate suggestions to the General Meeting of Shareholders;
- draws up opinions concerning the annual financial statements and the annual results of activities. The General Meeting of Shareholders cannot approve the Bank's annual financial statements and annual results of activities without the opinion of the Auditing Committee;
- make suggestions concerning any matters belonging to the competence of the Auditing Committee and related to the financial safety and stability of the Bank and the protection of

the customer's interests to the General Meeting of Shareholders of the Bank or the Supervisory Board of the Bank.

Viktor Mykhailovych Padalka – Chairman of the Auditing Committee, Deputy Chairman of the Kyiv City Administration, born in 1952, higher education (economist). The total work experience is 33 years; He was elected Chairman of the Auditing Committee on June 16, 2006.

Positions occupied in the recent five years:

- Deputy Head of the executive body of the Kyiv City Council (Kyiv City State Administration) – Head of the Chief Financial Office.

Data on the placement of previously issued ordinary mortgage fixed-return bonds:

Commercial Bank "Khreschatyk" has not issued any ordinary mortgage fixed-return bonds before.

Data on any bankruptcy proceedings

No cases concerning bankruptcy or reorganization were initiated against the Issuer during the three years preceding the year of issue of the ordinary mortgage bonds.

No cases concerning bankruptcy or reorganization were initiated against the Administrator during the three years preceding the year of issue of the ordinary mortgage bonds.

Information on the financial and economic situation of the issuer

1. List of licenses (permits) held by the issuer:

At present, Commercial Bank "Khreschatyk" is a universal financial institution operating in the whole territory of Ukraine, dynamically developing and rendering complex services to the customers including residents and non-residents of Ukraine, legal entities and individuals by virtue of the following licenses and permits:

- License No. 158 to conduct all bank transactions issued by the National Bank of Ukraine on December 29, 2001. The period of validity of the License is unlimited;

- Permit No. 158-4 to conduct transactions specified in Paragraphs 1-4 of the second Part and in the fourth Part of Article 47 of the Banks and Banking Law issued by the National Bank of Ukraine on July 25, 2005. The period of validity of the Permit is unlimited;

- License No. 893 to trade precious metal products and precious stones held as a pledge issued by the Ministry of Finance of Ukraine on September 13, 2006. The period of validity terminates on September 13, 2011;

- License AB No. 189868 to engage in professional activities on the stock market – depositary activities of a securities custodian issued by the State Commission for Securities and Stock Market on December 29, 2006. The License will expire on December 30, 2011;

- License AB No. 189869 to engage in professional activities on the stock market – activities related to the trade in securities, dealer's activities issued by the State Commission for Securities and Stock Market on December 29, 2006. The License will expire on December 30, 2011;

- License AB No. 189870 to engage in professional activities on the stock market – activities related to the trade in securities, underwriting issued by the State Commission for Securities and Stock Market on December 29, 2006. The License will expire on December 30, 2011;

- License AB No. 189871 to engage in professional activities on the stock market – activities related to the trade in securities, broker's activities issued by the State Commission for Securities and Stock Market on December 29, 2006. The License will expire on December 30, 2011;

2. Description of the Issuer's activities as of April 1, 2008

General tendencies and peculiarities of development of the industry

In the 1st quarter of 2008, the rate of the economic development remained rather high. However signs of slowdown and acceleration of inflation processes were obvious.

A reserved monetary policy of the National Bank of Ukraine was aimed at balancing the demand for money and the offer and at preventing inflation risks. Transactions related to the mobilization of banks' funds and the maintenance of the bank's liquidity were conducted in a prompt and flexible manner. On January 1, 2008, the discount rate of the National Bank of Ukraine increased from 8% to 10% and on April 30 it was increased from 10% to 12%.

The banking system showed high crediting rates under the conditions of a high demand for credit on the part of both legal entities and individuals. The amount of credit deposits grew by 13% (11.2% in the preceding year) up to UAH 484 billion. Credits granted to legal entities increased by 12% up to UAH 309 billion and credits granted to natural persons grew by 14% up to UAH 176 billion.

The high rates of crediting had a limited influence on the inflation processes. However the active credit activities of banks (especially on the consumer credits market) mean future risks related with the accumulation of financial disbalances and the impairment of the credit portfolio quality.

The time structure of credits in the 1st quarter was characterized by a rather high (approximately 68%) specific weight of long-term credits in their total amount. The amount of the long-term credits has increased by 12.4% up to UAH 322.9 billion since the beginning of the year.

At the same time there were positive changes in the currency structure of credits. Thus the amount of foreign currency credits increased only by 11.7% while the amount of the national currency credits increased by 13.5%. On the contrary in 2007, the rate of growth of foreign currency credits was higher.

The considerable changes in the currency structure of credits were caused by crises on external markets which reduced the ability of the domestic banks to raise funds abroad.

As a result banks actively raised funds on the domestic market. In the first quarter, the total deposits of individuals and legal entities grew by 7.7% up to UAH 301.6 billion. Deposits of legal entities individuals increased by 4.9% up to UAH 121.3 billion and deposits of individuals grew by 9.6% up to UAH 180.3 billion. The specific weight of long-term deposits was equal to 46.4% in the total amount thereof which was equal to the relevant level as of the beginning of the year.

The reserved monetary policy reflected in a certain increase in the value of cash. On the interbank market, the average weighted rate increased up to 11.7% in March as compared with 7.6% in February and 2.5% in January 2008. The rate of the national currency credits granted to the economic sector increased up to 15.2% from 14.6% and the foreign currency credit rate increased up to 10.8% from 10.7%.

Under the conditions of a limited access to external sources of borrowings banks will have to raise funds on the internal market for the purpose of a further active development which will result in a more acute competition and a further growth of the credit rates and decrease in the profitability of the banking system.

Scope of sale of the main services, markets and the main consumers of the Bank's services

In the first quarter, the Bank continued to grow and increased its assets up to UAH 5.9 billion, credit portfolio – up to UAH 3.5 billion, and individual's deposits – by 11% up to UAH 1.4 billion. As compared with the similar period of the preceding year, its incomes increased by 64% and amounted to UAH 200 million as of April 1, 2008. The profit grew 2 times and amounted to UAH 20.2 million.

The credit activities are the most significant source of the Bank's incomes. In accordance with the results of the operation in the first quarter of 2008, the incomes derived from these activities were equal to 82.1% in the incomes structure. Granting credits to legal entities representing different industries remains the main crediting direction. The share of credits granted to legal entities was equal

to 78.6% of the customers' credit portfolio. The retail crediting developed simultaneously with the corporate crediting. Credits on mortgage were equal to 43.6%, car credits were equal to 8.9% and consumer credits were equal to 47.5% of the credit portfolio structure (taking into account credit lines and taking into account card accounts).

In 2007, the Bank increased the s**cope of securities transactions** two times and conducted own securities transactions and transactions for its customers to the total amount of **UAH 1,808.95 million**.

The Bank's incomes derived from securities transactions increased accordingly. The Bank's activities in 2007 resulted in total incomes derived from securities transactions that amounted to UAH 38,516 thousand which was 1.5 times as big as the results of the preceding year.

In the structure of **the Bank's incomes** the incomes derived from securities transactions were equal to **6.4%**.

The share of **interest incomes** on securities is the biggest and is equal to 92%.

The quality of the Bank's products and services was noticed by the international community: the Bank is the only Ukrainian bank that was awarded a golden sign of the International Club of Trade Leaders "Global Quality Management".

The Bank's high level of management, its highly efficient employees, a balanced strategy and policies matching the challenges of the modern level of the banking system development, a wide range of competitive products and services, a high level of equipment, a ramified network of branches and divisions that is constantly growing, and a focus on meeting all needs of the Bank's customers allow to retain the existing leading positions and to make plans concerning the competition with the biggest banks of the country and the winning of new markets.

The main competitors on the market

On the basis of the Bank's development strategy, namely the strengthening of the its positions among the leading Ukrainian banks the Bank deems the following banks belonging to the first and second groups: Open Joint-Stock Company Joint-Stock Bank "UkrGazbank", Open Joint-Stock Company "Swedbank", Open Joint-Stock Company "RODOVID BAK", Open Joint-Stock Company Joint-Stock Bank "Pivdennyi", Open Joint-Stock Company All-Ukrainian Joint-Stock Bank, Open Joint-Stock Company "Erste Bank", Joint-Stock Commercial Bank "Pravex-Bank", Limited Liability Company UniCredit Bank, Joint-Stock Bank "ING Bank Ukraine", Close Joint-Stock Company "Dongorbank", Limited Liability Company Commercial Bank "Financial Initiative".

3. Scope and directions of the investment activities:

The main directions of the Bank's investment activities are investments in securities (mainly debt ones) that are equal to 99.9% of the portfolio and include:

- state securities – 67.7%;

- municipal securities – 10.7%;

- corporate securities – 21.5%;

The Bank has a prudent approach to the investment of funds in securities and follows the principles of risks diversification and minimization and investment of funds in the most profitable assets. As of April 1, 2008, the Bank's securities portfolio amounted to UAH 368.9 million.

The Bank is one of the leaders on the market of services related to the issue and placement local bonds. The Bank began these activities with a pilot issue of bonds for Kyiv in the amount of UAH 100 million in 2003. Since that time the Bank has organized and placed 8 issues of bonds for 5 cities of Ukraine in the total amount of UAH 200 million including such cities as Donetsk, Vinnytsia, Ivano-Frankivsk and Komsomolsk.

On the whole the Bank has organized issues of bonds in the amount of UAH 990 million including those intended for funding customers in the amount of UAH 415 million and those intended for its own finding in the amount of UAH 575 million.

4. Data on the legal entities in which the Bank holds more than 10% of the authorized capital:

The Bank does not hold a share exceeding 10% of the Authorized Capital of another legal entity.

5. Data on the issuer's subsidiaries, branches and other detached divisions:

The Bank has not opened own representative offices and has no subsidiaries.

The development of the Bank's infrastructure and the creation of its institutions are first of all aimed at rendering complex services to legal entities and individuals and bringing banking services closer to the customers. As of April 1, 2008, the network of Commercial Bank "Khreschatyk" consisted of 151 institutions:

- the Principal Bank, 27 balance sheet branches: 3 branches in Kyiv and 24 branches in each region center of Ukraine and the Autonomous Republic of Crimea, and 123 divisions.

Plan of development of the network of Commercial bank "Khreschatyk":

Taking into account the fact that opening of the Bank's branches in all region centers of Ukraine was completed in 2007, the expansion of the Bank's network will be effected by opening divisions recorded in the balance sheet of the branches.

According to a long-range network development plan for the years of 2007 to 2012 the Bank's network will consist of 414 institutions at the end of 2012 which on the average will mean that 56 institutions will be opened during one year.

According to the bank's budget for 2008, it is planned that as of January 1, 2009, the Bank's network will include 200 institutions. Thus it is planned to open 75 divisions in 2008.

Preference will be given to the opening of universal institutions that will provide the whole range of banking services. The opening of <u>self-service centers</u> is now being considered. The following services will be rendered by means of them:

- repayment of credits with a possibility of conversion into the necessary currency (UAH, USD, EUR);
- replenishment of card accounts with cash;
- transfer of funds from one card account to another one;
- payment of cellular communication services;
- purchase of electronic vouchers (of the cellular communication);
- receipt of an statement of card account;
- receipt of cash;
- replenishment of a deposit account.

The first self-service center was opened in the territory of the Retail Products Center of the principal Office.

It is planned to prepare the opening of <u>10 foreign exchange points</u> of the European type (1-cashier workstation) in 2009.

<u>Addresses of the Bank' branches:</u>
Zaliznychnyi Branch: 5-a Narodnogo opolchennia Street, Kyiv;
Podilskyi Branch: 83 Mezhygirska Street, Kyiv;
Kyiv Regional Branch: 11 Prorizna Street, Kyiv;
Ternopil Branch: 23 Ivana Franka Street, Ternopil;
Odesa Branch: 44 Bazarna Street, Prymorskyi district, Odesa;
Lviv Branch: 5 Shevchenka Avenue, Lviv;
Vinnytsia Branch: 158 1-go Travnia Street, Vinnytsia;
Kharkiv Branch: 1 Karazina Street, Kharkiv;
Kherson Branch: 18 Petrenka Street, Kherson;
Mykolaiv Branch: 42/3 Admirala Makarova Street, Mykolaiv;
Sumy Branch: 3 Chervonogvardiyska Street, Sumy;
Ivano-Frankivsk Branch: 15 Grushevskogo Street, Ivano-Frankivsk;
Crimean Branch: 125-a Kyivska Street, Simferopol;
Zakarpatskyi Branch: 27-a L. Tolstogo Street, Uzhgorod;
Lugansk Branch: 7-e Khersonska Street, Lugansk;

Donetsk Branch: 48-b R. Luxembourg Street, Donetsk;
Poltava Branch: 7/22 Artema Street, Poltava;
Kirovograd Branch: 86-a Dzerzhynskogo Street, Kirovograd;
Dnipropetrovsk Branch: 98 Kirova Avenue, Dnipropetrovsk;
Rivne Branch: 10-b Kyivska Street, Rivne;
Khmelnytskyi Branch: 48 Teatralna Street, Khmelnytskyi;
Chernihiv Branch: 43 Rokosovskogo Street, Chernihiv;
Zaporizhia Branch: 5 Lermontova Street, Zaporizhia;
Chernivtsi Branch: 178 Golovna Street, Chernivtsi;
Zhytomyr Branch: 54 Kyivska Street, Zhytomyr;
Cherkasy Branch: 47 Baidy Vyshnevetskogo Street, Cherkasy;
Volyn Branch: 11 Kafedralna Street, Lutsk.

6. Data on the membership in holding companies, concerns and associations:

As of the date of adoption of the resolution to issue ordinary mortgage fixed-return bonds, the Bank was a member of the Ukrainian Banks Association, the First Stock Trade System Association, the Ukrainian Association of Banks being Members of the EMA Payment Systems, the Association "Ukrainian Credit & Banking Union", and the Ukrainian National Group of SWIFT Members and Users "UkrSWIFT".

The Bank is a member of the Individual's Deposits Guarantee Fund, a member of the Stock Exchange "PFTS", a member of the Ukrainian Interbank Currency Exchange. The Bank is also a member of the International Payment Systems Master Card Worldwide, MoneyGram, VISA International, the Society for Worldwide Interbank Financial Telecommunications, and the National System of Mass Electronic Payments.

7. Prospects of the Issuer's activities in the current and next years

The following main principles underlie the strategy of Commercial Bank "Khreschatyk":

- a stable profitability;

- universality;

- a leading position in serving the economy;

- the highest quality of the banking products;

- a full confidence of the customers;

- reliability;

- increase in the value of the Bank as a financial institution due to increase in the equity capital.

The Bank has approved a strategy of its development till 2012 in accordance with which the Bank plans to remain a universal banking institution, to strengthen its position among the leading Ukrainian banks and to retain a market share of 1-1.5%.

On the basis of the Bank's strategy and the particular economic conditions in which the Bank engages in its activities the Bank plans to reach the following indices of its development in 2008:

The Bank must increase its assets almost up to UAH 8 billion till the end of the year. The resource base will increase both due to a further capitalization and an increase in the customers' funds. It is planned that the main sources of the capital growth will be an additional issue of shares and the Bank's profit that will be used for increasing the capital. It is planned to increase the Authorized Capital of the Bank up to UAH 750 million. Funds of business entities and funds of individuals will remain the main sources of obtaining funds. It is planned to increase the funds on current accounts by UAH 610 million or almost two times and to reach the amount of UAH 1,230 million. According to the plan deposits of legal entities will grow from UAH 992 million by UAH 1800 million at the end of the year, or 1.8 times. Contributions of a population will increase by 875 million or 1.7 times and will reach UAH 2,125 million at the end of the year. It is planned to obtain funds due to international borrowings. In particular it is planned to receive a new syndicated credit from foreign banks in the amount of UAH 300 million and to issue Eurobonds to the amount of UAH 505 million. It is planned that the increase in the amount of active investments will correspond to the growth of the resource base. The amount of corporate credits will grow 1.5 times up to UAH 3.8 billion. At the same time, taking into account a headlong development of the retail business the Bank will continue to grant

credits to individuals in an active manner both offering existing retail products and introducing new ones being more attractive for a customer. Due to this it is planned to increase the amount of the retail crediting 2.3 times up to UAH 1.63 billion. In addition to the crediting the Bank plans an active development of factoring and documentary transactions and strengthening of its positions of a big gold and other precious metals operator on the domestic market. The development of brisk commission and trade activities will increase the Bank's incomes by more than UAH 400 million or 1.7 times as compared with 2007. The Bank has created a network of balance-sheet institutions and will use them as a basis for a further opening of non-balance divisions as universal outlets intended for selling banking products. The budget costs for the year 2008 were formed taking into account the tasks related to the increase of the necessary resource base, putting all the regional branches into operation and functioning of a processing center. The Bank plans that as a result of achieving the planed indices it will make a profit of UAH 80 million which is 1.6 times as big as that of the current year and will ensure a high level of efficiency indices.

8. Possible risk factors in the Issuer's economic activities:

The activities of any banking institution are connected with risks. The number and scope of risks depends upon the range and scope of transactions conducted by the bank. Banks mainly face the following risks: a credit risk, an interest rate risk, a foreign exchange risk, an operation process risk, an information technologies risk, a reputation risk, a legal risk and a strategic risk. In this connection the task of every bank is to create a risk management system that would match the complexity of its transactions and ensure the protection of the funds of the customers, depositors and shareholders of the bank.

Commercial Bank "Khreschatyk" has an efficient risk management system which is proved by the Bank's profitable activities, its liquidity and solvency, a high quality of assets, an active creation of branches and divisions, an increase in the amount of granted credits, the assets, and the capital including the authorized one. The active development of the Bank testifies to an efficient management of banking risks at Commercial Bank "Khreschatyk"

The risks management system of Commercial Bank "Khreschatyk" is constantly improving and is aimed at the meeting the requirements and recommendations of the National Bank of Ukraine, the independent auditors, international rating agencies and the Basel Banking Supervision Committee and at taking preventive measures in order to prevent the Bank's loss of assets, incomes, the capital, solvency and liquidity as well as at a considered treatment of the customers' funds and a guaranteed fulfillment of all obligations to the bank's customers.

The risk management system of Commercial Bank "Khreschatyk" has the following main levels:

- the Supervisory Board represented by the Risk Management Committee to which the rights and duties concerning the risk management policy and the compliance therewith are delegated;

- the Board of the Bank that delegates a part of its functions to special collective executive bodies of the Bank that is permanent committees. The relevant regulations and members of these committees are approved;

- the risks management is a permanent division of th Bank whose main tasks are as follows: identification, measurement, assessment, control, monitoring and analysis of bank risks, finding their reasons, suggestion of ways to minimize them and improvement of the existing methods of the risk management taking into account statutory and standard acts as well as the external and internal factors affecting the Bank's activities;

- the branches: the branch managers are responsible for an efficient risk management in the Bank's institutions headed by them within the scope of the powers determined by the Board of the Bank and their individual limits.

The risk management system of Commercial Bank "Khreschatyk" includes a system of limits and restrictions, an informational and analytical support system, a system of price formation for active and passive transactions and a methodological support. The risk management is consolidated.

The Board of the bank has approved the Risk Management Policy that defines the main principles of and practical approaches to the acceptance, control and minimization of bank risks and is considered as the most important component of the Bank's general policy aimed at the fulfillment of its strategic tasks and achievement of its strategic goals. The Risk Management Policy covers all the Bank's transactions connected with risks that under certain circumstances may result in undesirable changes in the profitability/value and structure of the assets/liabilities.

In order to achieve its goals and for the purpose of functioning of a wholesome risk management system and ensuring its sufficient development Commercial Bank "Khreschatyk" works at the introduction of new and the improvement of the existing banking and software products, a relevant methodological basis, the improvement of he Bank's information technologies and takes measures to improve the professional skills of its employees.

Other risks that the Bank may meet are the unstable economic and political situation and a possibility of a financial and political crisis.

It is worth noting that the Bank's everyday activities are aimed at the prevention of a negative influence of the said factors and includes granting credits to financially stable borrowers for a liquid security and on condition that its market value is professionally determined and the risks related to keeping the pledged property are insured; the limitation of transactions; the creation of a stable customers base (taking the necessary measures in order to prevent an outflow of the funds of the Bank's customers (legal entities and individuals)); meeting the requirements of the credit and interest policy, the liquidity management policy and other internal provisions of the Bank by the Bank's divisions. The Bank has also developed a plan of measures to be taken for the purpose of achieving the necessary level of liquidity in case of a crisis, a long-term Bank capitalization plan, etc.

8. The Issuer's financial statements for 2005, 2006, 2007 and the 1st quarter of 2008

Balance Sheet
as of the end of December 31, 2005

(UAH, thousand)

Line	Item	Notes	2005	2004
1	2	3	4	5
	ASSETS			
1	Funds placed with the National Bank of Ukraine and the Bank's cash		334,012	136,565
2	Treasury and other securities that are refunded by the National Bank of Ukraine and securities issued by the National Bank of Ukraine	2	5,601	5,604
3	Funds with other banks	3	1,243,746	875,435
4	The Bank's securities held for trade	4	0	0
5	The Bank's securities held for sale	5	119,849	35,001
6	Credits and debts of customers	6	1,322,484	760,209
7	The Bank's securities held till redemption	7	0	0
8	Investments in associated companies and subsidiaries	8	0	0
9	Fixed assets and intangible assets	9	93,446	49,487
10	Charged receivable income	10	14,960	5,674
11	Deferred tax assets		388	155
12	Other assets	11	10,162	5,726
13	**Total assets**		**3,144,648**	**1,873,856**
	LIABILITIES			
14	Funds of banks:		281,841	102,745
14.1	Including credits received from the National Bank of Ukraine		0	0
15	Customers' funds	12	2,481,365	1,552,929
16	Savings (deposit) certificates issued by the Bank		78	140
17	Debt securities issued by the Bank	13	115,390	25,017
18	Charged payable costs	14	12,176	6,363
19	Other liabilities	15	7,961	6,193
20	Deferred tax liabilities		5,772	1,492
21	**Total liabilities**		**2,904,583**	**1,694,879**
	EQUITY CAPITAL			
22	Authorized capital	16	172,000	140,000
23	Capitalized dividends		0	0
24	Own shares (participation interests) redeemed from shareholders (members)		0	0
25	Issue margin		0	0
26	Reserves and other funds of the Bank		9,929	9,301
27	Revaluation reserves including:		27,976	13,247
27.1	Fixed assets revaluation reserves		27,976	13,247
27.2	Securities revaluation reserves		0	0
28	Retained profit (uncovered loss) of the preceding years		9,780	4,800
29	Profit/loss of the current year pending approval		20,380	11,629
30	**Total equity capital**		**240,065**	**178,977**
31	**Total liabilities**		**3,144,648**	**1,873,856**

Profit and Loss Statement
as of the end of December 31, 2005

(UAH, thousand)

Line	Item	Note	2005	2004
1	**2**	**3**	**4**	**5**
1	Net interest income		67,887	42,282
1.1	Interest income	18	212,812	109,830
1.2	Interest expenses	19	(144,925)	(67,548)
2	Net commission income		30,717	22,474
2.1	Commission income		34,019	24,374
2.2	Commission expenses		(3,302)	(1,900)
3	Trade income	20	10,118	10,603
4	Dividend income	21	0	0
5	Shareholding income		0	0
6	Other income		733	3,410
7	**Total income**		**109,455**	**78,769**
8	General administrative expenses	22	(27,180)	(22,662)
9	Personnel costs	23	(40,647)	(26,705)
10	Shareholding costs		0	0
11	Other costs		(9,877)	(7,207)
12	**Profit from transactions**		**31,751**	**22,195**
13	Net reserves formation costs	24	(4,902)	(6,070)
14	**Profit before taxes**		**26,849**	**16,125**
15	Profit tax costs	25	(6,469)	(6,496)
16	**Profit after taxes**		**20,380**	**11,629**
17	Net profit per one ordinary share	26	143.34	111.13
18	Adjusted net profit per one ordinary share (UAH)	26	127.87	98.84

Cash Flow Statement
as of the end of December 31, 2005
(indirect method)

(UAH, thousand)

Line	Item	Note	2005	2004
1	**2**	**3**	**4**	**5**
	I. OPERATING ACTIVITIES			
1	Net profit (loss) for the current period		20,380	11,629
	Adjustment of the net profit			
2	Charged costs		5,813	3,734
3	Accrued incomes		(9,286)	(4,342)
4	Fixed assets depreciation		6,859	4,865
5	Bad debts and assets depreciation reserves		4,902	6,070
6	Trade results		0	0
7	Charged and deferred tax		4,244	1,339
8	Profit (loss) from sale of investments		(36)	(13)
9	Profit from investments in associated companies		0	0
10	Discount and securities premium depreciation		(329)	(1,420)
11	Other non-monetary funds flow		3,331	3,369
12	**Net cash profit from the Bank's current transactions**		**35,878**	**25,231**
13	Decrease (increase) in the cash placed with other banks, credits and prepayments to other banks		(111,571)	12,895
14	Decrease (increase) in credits granted to customers		(586,711)	(353,218)
15	Decrease (increase) in other assets		(6,435)	(6,098)
16	Increase (decrease) in cash received from the National Bank of Ukraine		0	(12,250)
17	Increase (decrease) in funds of other banks		179,096	10,122
18	Increase (decrease) in cash on current and deposit accounts		928,436	839,915
19	Increase (decrease) in cash obtained for savings (deposit) certificates		(62)	(3,202)
20	Increase (decrease) in other liabilities		1,768	(565)
21	Sale (purchase) of the Bank's securities held for trade and those held for sale		(89,848)	(20,660)
22	Net increase (decrease) in assets and liabilities due to operating activities		332,673	466,939
23	**Net inflow (outflow) of cash due to operating activities**		**368,551**	**492,170**
	II. INVESTMENT ACTIVITIES			
24	Redemption (purchase) of the Bank's securities held till redemption		5,000	(4,967)
25	Decrease (increase) in investments in associated companies		0	0
26	Decrease (increase) in investments in subsidiaries		0	0
27	Decrease (increase) in fixed assets and intangibles		(35,887)	(15,544)
28	**Net outflow of cash due to investment activities**		**(30,887)**	**(20,511)**
	III. FINANCIAL ACTIVITIES			
29	Increase (decrease) in own debt securities		90,370	15,950
30	Increase (decrease) in subordinated liabilities		0	0
31	Increase (decrease) in paid up share capital		32,000	40,000
32	Dividends paid during the accounting period		(6,020)	(3,500)
33	**Net inflow of cash due to financial activities**		**116,350**	**52,450**
34	Net increase (decrease) in cash and its equivalents		454,014	524,109
35	**Cash and its equivalents as of the beginning of the year**		**871,788**	**347,679**
36	**Cash and its equivalents as of the end of the year**		**1,325,802**	**871,788**

Balance Sheet
as of the end of December 31, 2006

(UAH, thousand)

Line	Item	Notes	2006	2005
1	**2**	**3**	**4**	**5**
	ASSETS			
1	Funds placed with the National Bank of Ukraine and the Bank's cash	32	197,285	334,012
2	Treasury and other securities that are refunded by he National Bank of Ukraine and securities issued by the National Bank of Ukraine	2,32	169,226	5,601
3	Funds with other banks	3,32	843,231	1,243,746
4	The Bank's securities held for trade	4,32	0	0
5	The Bank's securities held for sale	5,32	176,335	119,849
6	Credits and debts of customers	6,32	2,018,081	1,322,484
7	The Bank's securities held till redemption	7,32	0	0
8	Investments in associated companies and subsidiaries	8,32	0	0
9	Fixed assets and intangible assets	9,32	185,377	93,446
10	Charged receivable income	10,32	5,784	14,960
11	Deferred tax assets	26,32	1,919	388
12	Other assets	11,32	26.792	10,162
13	Long-term assets held for sale	12,32	0	0
14	**Total assets**	32	**3,624,030**	**3,144,648**
	LIABILITIES			
15	Funds of banks:	32	433,235	281,841
15.1	Including credits received from the National Bank of Ukraine	32	0	0
16	Customers' funds	13,32	2,416,703	2,481,365
17	Savings (deposit) certificates issued by the Bank	32	5	78
18	Debt securities issued by the Bank	14,32	100,000	115,390
19	Charged payable costs	15,32	10,486	12,176
20	Other liabilities	26,32	11,051	5,772
21	Deferred tax liabilities	16,32	300,409	7,961
22	**Total liabilities**	32	**3,271,889**	**2,904,583**
	EQUITY CAPITAL			
23	Authorized capital	17	250,000	172,000
24	Capitalized dividends		0	0
25	Own shares (participation interests) redeemed from shareholders (members)		0	0
26	Issue margin		0	0
27	Reserves and other funds of the Bank		28,205	9,929
28	Revaluation reserves including:		39,932	27,976
28.1	Fixed assets revalua ion reserves		38,689	27,976
28.2	Securities revaluation reserves		1,243	0
29	Retained profit (uncovered loss) of the preceding years		1,564	9,780
30	Profit/loss of the current year pending approval		32,440	20,380
31	**Total equity capital**		**352,141**	**240,065**
32	**Total liabilities**		**3,624,030**	**3,144,648**

Profit and Loss Statement
as of the end of December 31, 2006

(UAH, thousand)

Line	Item	Note	2006	2005
1	**2**	**3**	**4**	**5**
1	Net interest income		110,403	67,887
1.1	Interest income	19	352,002	212,812
1.2	Interest expenses	20	(241,599)	(144,925)
2	Net commission income		47,335	30,717
2.1	Commission income		49,841	34,019
2.2	Commission expenses		(2,506)	(3,302)
3	Trade income	21	12,696	10,118
4	Dividend income	22	0	0
5	Shareholding income		0	0
6	Other income		1,244	733
7	**Total income**		**171,678**	**109,455**
8	General administra ive expenses	23	(39,100)	(27,180)
9	Personnel costs	24	(67,497)	(40,647)
10	Shareholding costs		0	0
11	Other costs		(14,640)	(9,877)
12	**Profit from transactions**		**50,441**	**31,751**
13	Net reserves formation costs	25	(5,060)	(4,902)
14	Gain/loss from long-term assets held for sale		0	0
15	**Profit before taxes**	26	**45,381**	**26,849**
16	Profit tax costs	26	(12,941)	(6,469)
17	**Profit after taxes**		**32,440**	**20,380**
18	Net profit/loss from sale of long-term assets held for sale	27	0	0
19	**Net profit/loss of the Bank**	28	**32,440**	**20,380**
20	Net profit per one ordinary share (UAH)	28	161.52	143.34
21	Adjusted net profit per one ordinary share (UAH)	28	136.95	127.87

Cash Flow Statement
as of the end of December 31, 2006
(indirect method)

(UAH, thousand)

Line	Item	Note	2006	2005
1	**2**	**3**	**4**	**5**
	I. OPERATING ACTIVITIES			
1	Net profit (loss) for the current period		32,440	20,380
	Adjustment of the net profit			
2	Charged costs	15	(1,690)	5,813
3	Accrued incomes	10	9,176	(9,286)
4	Fixed assets depreciation	9,23	9,589	6,859
5	Bad debts and assets depreciation reserves	25	5,060	4,902
6	Trade results		0	0
7	Charged and deferred tax		3,108	4,244
8	Profit (loss) from sale of investments		5	(36)
9	Profit from investments in associated companies		0	0
10	Discount and securities premium depreciation		(29)	(329)
11	Other non-monetary funds flow		3,447	3,331
12	**Net cash profit from the Bank's current transactions**		**61,106**	**35,878**
13	Decrease (increase) in the cash placed with other banks, credits and prepayments to other banks		(89,428)	(111,571)
14	Decrease (increase) in credits granted to customers	6	(701,048)	(568,711)
15	Decrease (increase) in other assets		(15,828)	(6,435)
16	Increase (decrease) in cash received from the National Bank of Ukraine		0	0
17	Increase (decrease) in funds of other banks	32	151,394	179,096
18	Increase (decrease) in cash on current and deposit accounts	13,32	(64,662)	928,436
19	Increase (decrease) in cash obtained for savings (deposit) certificates	32	(73)	(62)
20	Increase (decrease) in other liabilities		291,870	1,768
21	Sale (purchase) of the Bank's securities held for trade and those held for sale		(220,087)	(89,848)
22	**Net increase (decrease) in assets and liabilities due to operating activities**		**(647,862)**	**332,673**
23	**Net inflow (outflow) of cash due to operating activities**		**(586,756)**	**368,551**
	II. INVESTMENT ACTIVITIES			
24	Redemption (purchase) of the Bank's securities held till redemption		0	5,000
25	Decrease (increase) in investments in associated companies		0	0
26	Decrease (increase) in investments in subsidiaries		0	0
27	Decrease (increase) in fixed assets and intangibles		(90,811)	(35,887)
28	**Net outflow of cash due to investment activities**		**(90,811)**	**(30,887)**
	III. FINANCIAL ACTIVITIES			
29	Increase (decrease) in own debt securities		(14,833)	90,370
30	Increase (decrease) in subordinated liabilities	16	0	0
31	Increase (decrease) in paid up share capital	17	78,000	32,000
32	Dividends paid during the accounting period	18	(10,320)	(6,020)
33	**Net inflow of cash due to financial activities**		**52,847**	**116,350**
34	**Net increase (decrease) in cash and its equivalents**		**(624,720)**	**454,014**
35	Cash and its equivalents as of the beginning of the year		1,325,802	871,788
36	Cash and its equivalents as of the end of the year		701,082	1,325,802

Balance Sheet
as of December 31, 2007

(UAH, thousand)

Line	Item	Notes	2007	2006
1	2	3	4	5
	ASSETS			
1	Funds placed with the National Bank of Ukraine and the Bank's cash	31.32	306,572	197,285
2	Treasury and other securities that are refunded by the National Bank of Ukraine and securities issued by the National Bank of Ukraine	2.31,32, 33	313,019	169,226
3	Funds with other banks	3,31,32	1,436,040	843,231
4	The Bank's securities held for trade	4,31,32	0	0
5	The Bank's securities held for sale	5,31,32	121,516	176,335
6	Credits and debts of customers	6,31,32	3,411,437	2,018,081
7	The Bank's securities held till redemption	7,31,32	0	0
8	Investments in associated companies and subsidiaries	8,31,32	0	0
9	Fixed assets and intang ble assets	9,31,32	234,690	185,377
10	Charged receivable income	10,31,32	9,265	5,784
11	Deferred tax assets	26,31,32	510	1,919
12	Other assets	11,31,32	48,513	26.792
13	Long-term assets held for sale	12,31,32	0	0
14	**Total assets**	29,31,32	**5,881,562**	**3,624,030**
	LIABILITIES			
15	Funds of banks:	31,32	860,550	433,235
15.1	Including credits received from the National Bank of Ukraine	31,32	0	0
16	Customers' funds	13,31,32	4,145,936	2,416,703
17	Savings (deposit) certificates issued by the Bank	31,32	3	5
18	Debt securities issued by the Bank	14,31,32	126,996	100,000
19	Charged payable costs	15,31,32	15,075	10,486
20	Other liabilities	26,31,32	9,158	11,051
21	Deferred tax liabilities	16,31,32	34,261	300,409
22	**Total liabilities**	29,31,32	**5,191,979**	**3,271,889**
	EQUITY CAPITAL			
23	Authorized capital	17	540,000	250,000
24	Capitalized dividends		0	0
25	Own shares (participation interests) redeemed from shareholders (members)		0	0
26	Issue margin		0	0
27	Reserves and other funds of the Bank		77,892	28,205
28	Revaluation reserves including:		21,642	39,932
28.1	Fixed assets revaluation reserves		17,601	38,689
28.2	Securities revaluation reserves		4,041	1,243
29	Retained profit (uncovered loss) of the preceding years		0	1,564
30	Profit/loss of the current year pending approval		50,049	32,440
31	**Total equity capital**		**689,583**	**352,141**
32	**Total liabilities**		**5,881,562**	**3,624,030**

Profit and Loss Statement
as of December 31, 2006

(UAH, thousand)

Line	Item	Note	2007	2006
1	2	3	4	5
1	Net interest income		174,686	110,403
1.1	Interest income	19,29	487,837	352,002
1.2	Interest expenses	20,29	(313,151)	(241,599)
2	Net commission income		71,319	47,335
2.1	Commission income	29	78,919	49,841
2.2	Commission expenses	29	(7,600)	(2,506)
3	Trade income	21,29	13,264	12,696
4	Dividend income	22,29	0	0
5	Shareholding income	29	0	0
6	Other income	29	17,615	1,244
7	**Total income**		**276,884**	**171,678**
8	General administrative expenses	23,29	(53,216)	(39,100)
9	Personnel costs	24,29	(108,136)	(67,497)
10	Shareholding costs	29	0	0
11	Other costs	29	(28,201)	(14,640)
12	**Profit from transactions**		**87,331**	**50,441**
13	Net reserves formation costs	25	(8,483)	(5,060)
14	Gain/loss from long-term assets held for sale	27	0	0
15	**Profit before taxes**	26,29	**78,848**	**45,381**
16	Profit tax costs	26,29	(28,799)	(12,941)
17	**Profit after taxes**		**50,049**	**32,440**
18	Net profit/loss from sale of long-term assets held for sale	27	0	0
19	**Net profit/loss of the Bank**	28,29	**50,049**	**32,440**
20	Net profit per one ordinary share (UAH)	28	104,70	161.52
21	Adjusted net profit per one ordinary share (UAH)	28	92,68	136.95

Cash Flow Statement
as of December 31, 2007
(indirect method)

(UAH, thousand)

Line	Item	Note	2007	2006
1	**2**	**3**	**4**	**5**
	I. OPERATING ACTIVITIES			
1	Net profit (loss) for the current period	28,29	50,049	32,440
	Adjustment of the net profit			
2	Charged costs		4,581	(1,690)
3	Accrued incomes	10	(3,481)	9,176
4	Fixed assets depreciation	9,23,29	13,710	9,589
5	Bad debts and assets depreciation reserves	25	8,453	5,060
6	Trade results		0	0
7	Charged and deferred tax		27,233	3,108
8	Profit (loss) from sale of investments		(11,724)	5
9	Profit from investments in associated companies		0	0
10	Discount and securities premium depreciation		1,180	(29)
11	Other non-monetary funds flow		3,934	3,447
12	**Net cash profit from the Bank's current transactions**		**93,965**	**61,106**
13	Decrease (increase) in the cash placed with other banks, credits and prepayments to other banks		(452,373)	(89,428)
14	Decrease (increase) in credits granted to customers	6	(1,393,356)	(701,048)
15	Decrease (increase) in other assets		(22,894)	(15,828)
16	Increase (decrease) in cash received from the National Bank of Ukraine		0	0
17	Increase (decrease) in funds of other banks		426,314	151,394
18	Increase (decrease) in cash on current and deposit accounts	13,31,32	1,729,233	(64,662)
19	Increase (decrease) in cash obtained for savings (deposit) certificates	31,32	(2)	(73)
20	Increase (decrease) in other liabilities		(267,149)	291,870
21	Sale (purchase) of the Bank's securities held for trade and those held for sale		(91,279)	(220,087)
22	**Net increase (decrease) in assets and liabilities due to operating activities**		**(71,506)**	**(647,862)**
23	**Net inflow (outflow) of cash due to operating activities**		**22,459**	**(586,756)**
	II. INVESTMENT ACTIVITIES			
24	Redemption (purchase) of the Bank's securities held till redemption		0	0
25	Decrease (increase) in investments in associated companies		0	0
26	Decrease (increase) in investments in subsidiaries		0	0
27	Decrease (increase) in fixed assets and intangibles		(72,387)	(90,811)
28	**Net outflow of cash due to investment activities**		**(72,387)**	**(90,811)**
	III. FINANCIAL ACTIVITIES			
29	Increase (decrease) in own debt securities		27,626	(14,833)
30	Increase (decrease) in subordinated liabilities	16	0	0
31	Increase (decrease) in paid up share capital	17	290,000	78,000
32	Dividends paid during the accounting period	18	(13,448)	(10,320)
33	**Net inflow of cash due to financial activities**		**304,178**	**52,847**
34	**Net increase (decrease) in cash and its equivalents**		**254,250**	**(624,720)**
35	Cash and its equivalents as of the beginning of the year		701,082	1,325,802
36	Cash and its equivalents as of the end of the year		955,332	701,082

Balance Sheet
for the 1st quarter of the year 2008

(UAH, thousand)

Line	Item	As of the accounting date of the current quarter	As of the end of the preceding fiscal year
1	2	3	4
	ASSETS		
1	Funds with the National Bank of Ukraine and the Bank's cash	303,632	306,572
2	Securities refunded by the National Bank of Ukraine	260,433	313,019
2.1	Reserves covering depreciation of debt securities refunded by the National Bank of Ukraine	0	0
2.2	Reserves in terms of percentage of the assets	0	0
3	Funds with other banks	1,482,737	1,437,040
3.1	Reserves covering debts of other banks	(1,063)	(1,000)
3.2	Reserves in terms of percentage of the assets	0	0
4	The Bank's securities held for trade	0	0
5	The Bank's securities held for sale	118,001	121,541
5.1	Reserves covering depreciation of the Bank's securities held for sale	(25)	(25)
5.2	Reserves in terms of percentage of the assets	0	0
6	Credits granted to:	3,492,929	3,439,147
6.1	Legal entities	2,746,651	2,676,940
6.2	Individuals	746,278	762,207
6.3	Reserves covering credit debts	(29,896)	(27,710)
6.4	Reserves in terms of percentage of the assets	1	1
7	Securities held till redemption	0	0
7.1	Reserves covering depreciation of securities held till redemption	0	0
7.2	Reserves in terms of percentage of the assets	0	0
8	Investments in associated companies and subsidiaries	0	0
9	Fixed assets	242,014	227,506
10	Intangible assets	7,776	7,184
11	Charged receivable income	9,523	9,980
11.1	Including overdue charged income	362	168
11.2	Including doubtful charged income	837	675
11.3	Reserves covering debts related to charged income	(918)	(715)
11.4	Reserves in terms of percentage of the assets	77	85
12	Deferred tax assets	1,547	510
13	Other assets	45,570	51,556
13.1	Reserves covering other assets	(3,034)	(3,043)
13.2	Reserves in terms of percentage of the assets	42	47
14	Long-term assets held for sale	0	0
14.1	Reserves covering reduction of utility of investments in associated companies and subsidiaries held for sale	0	0
14.2	Reserves in terms of percentage of the assets	0	0
15	Total assets	5,929,226	5,881,562
	LIABILITIES		
16	Funds of banks	919,924	860,550
17	Funds of legal entities	2,676,437	2,899,354
18	Funds of individuals	1,413,746	1,246,582
19	Savings (deposit) certificates issued by the Bank	3	3
20	Debt securities issued by the bank	159,703	126,996
21	Charged payable costs	25,114	15,075
22	Deferred tax liabilities	9,875	9,158
23	Other liabilities	16,243	34,261
24	Total liabilities	5,221,045	5,191,979
	OWNERSHIP CAPITAL		
25	Authorized capital	540,000	540,000
26	Own shares (participation interests) redeemed from shareholders (members)	0	0
27	Issue margin	0	0
28	Reserves, capitalized dividends and other funds of the Bank	77,892	77,892
29	Fixed assets revaluation reserves including:	17,601	17,601
29.1	Real estate revaluation reserves	17,601	17,601
29.2	Intangible assets revaluation reserves	0	0
30	Securities revaluation reserves	2,410	4,041
31	Profit/loss of the preceding years	50,049	0
32	Profit/loss of the current year	20,229	50,049
33	Total ownership capital	708,181	689,583
34	Total liabilities	5,929,226	5,881,562

Profit and Loss Statement
for the 1st quarter of 2008

(UAH, thousand)

Line	Item	As of the accounting date of the quarter	
		As of the end of June 30, 2007	As of the end of December 31, 2007
1	2	3	4
1	Net interest income:	72,259	37,980
1.1.	Interest income	171,826	103,225
1.2	Interest expenses	(99,567)	(65,245)
2	Net commission income:	19,698	13,580
2.1	Commission income	21,491	14,574
2.2	Commission expenses	(1,793)	(994)
3	Trade income	5,699	2,564
4	Dividend income	0	0
5	Shareholding income	0	0
6	Other income	1,122	1,402
7	Total income	98,778	55,526
8	General administrative expenses	(17,294)	(11,534)
9	Personnel costs	38,993	21,833
10	Shareholding costs	0	0
11	Other costs	(10,541)	(5,459)
12	Profit from transactions	31,950	16,700
13	Net reserves formation costs	(2,165)	(1,686)
14	Income/loss from long-term assets held for sale	0	0
15	Profit before taxes	29,785	15,014
16	Profit tax costs	(9,556)	(5,003)
17	Profit after taxes	20,229	10,011
18	Net profit/loss from the sale of long-term assets held for sale	0	0
19.	Net profit/loss of the Bank	20,229	10,011

Information on the ordinary mortgage fixed-return bonds

1. Date and number of the resolution (minutes) to place the ordinary mortgage fixed-return bonds and the name of the body that passed such a resolution:

In accordance with the Articles of Association the resolution concerning the open (public) placement of the ordinary mortgage fixed-return bonds of Commercial Bank "Khreschatyk" was adopted by the Bank's Board on May 15, 2008 (Minutes No. 28 (Decree No. 854)) and approved by A.A. Ivanov, Chairman of the Supervisory Board, who held the said office as of the moment of passing the said resolution.

2. The purpose of the use of the financial resources obtained due to the sale of the ordinary mortgage fixed-return bonds:

The purpose of the use of the financial resources obtained from the sale of ordinary mortgage bonds having the total par value of UAH 70,000,000 (hryvnias seventy million) is the refinancing of credits on mortgage.

The sources of redemption of the ordinary mortgage fixed-return bonds and payment of incomes on them are the Issuer's funds that are obtained as a result of the activities provided for in the Articles of Association and remaining after the settlements with the Budget and after making other compulsory payments.

The Issuer shall not use the funds obtained due to the placement of the ordinary mortgage fixed-return bonds for the purpose of formation or replenishment of the Authorized Capital and coverage of the Bank's losses. As of March 31, 2008, the Bank's profit amounted to UAH 20,229 thousand.

3. Parameters of the issue of the ordinary mortgage fixed-return bonds:

Securities type: ordinary mortgage bonds.

Form of existence of the ordinary mortgage fixed-return bonds: non-documentary.

Form of issue of the ordinary mortgage fixed-return bonds: registered.

Total amount of the issue of the ordinary mortgage fixed-return bonds: **UAH 70,000,000 (seventy million)**.

Number of the ordinary mortgage bonds: **70,000 (seventy thousand)** ordinary mortgage fixed-return bonds.

Par value of an ordinary mortgage fixed-return bond: **UAH 1,000 (one thousand)**.

Series and numbers: ordinary mortgage fixed-return bonds will be issued as one series **"I"**.

On June 17, 2008, the international rating agency Fitch Ratings-London/Frankfurt gave the expected rating of the ordinary mortgage bonds issue: **"B+"**.

The Issuer's long-term issuer default rating is "B-" (B minus) with a stable forecast. Fitch deems that the possibility of default is equal to that of the bank "Khreschatyk". The increase by 2 points is based on a stress-test accompanied with a withdrawal of at least 71% of bonds connected with an assumption of default from the pool. On the basis of calculations Fitch took into account an excessive security (ES) up to the level of a statutory maximum (11%).

The expected rating of the ordinary mortgage bonds transfers into **"A(ukr)** according to the National Scale based on the long-term rating of "Khreschatyk" according to the National Scale "BBB-(ukr)" (BBB minus(ukr)) and on an increase by 4 levels.

Rights of the holders of the ordinary mortgage fixed-return bonds:

The holders of the ordinary mortgage fixed-return bonds of series "I" have the rights provided for in the current laws of Ukraine, namely

a) to receive income on the ordinary mortgage fixed-return bonds within the amounts and the time determined in the regulations of the payment of income on ordinary mortgage fixed-return bonds;
b) repayment of the par value of the ordinary mortgage fixed-return bonds at the bonds maturity date;
c) a free disposal of the ordinary mortgage fixed-return bonds including the sale, exchange, donation, bequeathing, etc.;
d) other rights determined in the current laws of Ukraine;
e) the rights of the holders of the ordinary mortgage fixed-return bonds that arise in case of any reasons for taking recourse upon the mortgage security are specified in the section entitled "Information on the mortgage assets".

Persons being holders of the ordinary mortgage fixed-return bonds will acquire the aforesaid rights in accordance with the procedure fixed in the current Ukrainian laws.
The title to the ordinary mortgage fixed-return bonds will appear at the moment they are placed on the holder's securities account opened with a securities custodian.
The circulation of the ordinary mortgage fixed-return bonds will be permitted after a report on the results of the obligations placement is registered by the State Commission for Securities and Stock Market and after the Ordinary Mortgage Fixed-Return Bonds Issue Registration Certificate is issued.
The income on the ordinary mortgage fixed-return bonds will be **fixed** and will amount to **12.5% (twelve point five percent) per annum**.

4. Acts of the Issuer in case of liquidation thereof or in case of violation of the obligations under the ordinary mortgage fixed-return bonds.

The Issuer will be deemed to have violated its obligations under the ordinary mortgage fixed-return bonds in case of:

a) non-fulfillment or improper fulfillment of the monetary obligations under the ordinary mortgage fixed-return bonds within the time fixed in the issue prospectus.

b) any bankruptcy proceedings instituted against the Issuer or in case of appointment of a temporary administrator or receiver;

c) failure to replace the mortgage assets or to include new mortgage assets in the mortgage security in defiance of Article 14 of the Mortgage Bonds Law of Ukraine (hereinafter referred to as "the Law");

d) the Issuer's performance of acts with regard to the mortgage security being contrary to the requirements of the Law if such acts endanger the Issuer's due fulfillment of the obligations under the ordinary mortgage fixed-return bonds;

e) in other cases determined in the issue prospectus.

In case of one of the aforesaid circumstances the holders of the ordinary mortgage fixed-return bonds will acquire the following rights:

a) to demand that the Issuer should fulfill its monetary obligations under the ordinary mortgage fixed-return bonds ahead of time;

b) to take measures aimed at a forced collection of the Issuer's debt under the ordinary mortgage fixed-return bonds in accordance with the laws;

c) to take recourse upon the mortgage security;

d) to have their claims settled at the expense of other assets of the Issuer if the funds received after taking recourse prove to be insufficient.

The holders of the said ordinary mortgage fixed-return bonds will have their claims met through the Manager.

Information on the mortgage assets:

1. Description of the mortgage assets included in the mortgage security:

Value of the mortgage coverage index as of the date of submission of documents for the purpose of registration of the issue of the ordinary mortgage fixed-return bonds:

The mortgage coverage index is **0.86 (nought point eight six)**.

Initial mortgage security amount and the mortgage security amount as of the date of submission of documents for the purpose of registration of the issue of the ordinary mortgage fixed-return bonds:

The initial mortgage security amount is UAH **81,758,903.97 (hryvnias eighty-one million, seven hundred and fifty-eight thousand, nine hundred and three ninety-seven kopecks).**

The mortgage security register is formed in accordance with the requirements of the Mortgage Bonds Law of Ukraine.

Number of credits on mortgage in the pool: **403** (four hundred and three) credits.

Average weighted term of the mortgage assets included in the mortgage security: **91.28** (ninety-one point two eight) months.

Average weighted interest on the mortgage assets included in the mortgage security: **15.62%** (fifteen point six two percent) per annum.

Total amount of the interest payments on the mortgage assets during the interest period: UAH **3,122,256.79** (hryvnias three million, one hundred and twenty-two thousand, two hundred and fifty-six seventy-nine kopecks).

Total amount of the interest payments on the ordinary mortgage fixed-return bonds during the interest period: UAH **2,181,506.85** (hryvnias two million, one hundred and eighty-one thousand, five hundred and six eighty-five kopecks).

Amount of the mortgage assets debtors' obligations under which are secured by the mortgage of dwelling houses or apartments: **85.24%** (eighty-five point two four percent) of the total amount of all mortgage assets included in the mortgage security.

Target purpose of the mortgage subject:

- mortgage assets the debtor's obligations under which are secured by mortgaged dwelling real estate: 85.24% (eighty-five point twenty-four percent);
- mortgage assets the debtor's obligations under which are secured by mortgaged nonresidential real estate: 14.76% (fourteen point seventy-six percent);

Correlation between the debtors' principal debt amount and the assessed value of the mortgage subject::

- in case of mortgage of the dwelling real estate it does not exceed 75% (seventy-five percent);
- in case of mortgage of the commercial real estate it does not exceed 60% (sixty percent)

Procedure of serving the mortgage security and distribution of funds received for the mortgage security if recourse is taken upon the mortgage security

The service of the mortgage assets included in the mortgage security

The service of the mortgage assets included in the mortgage security is measures taken in order to ensure a due fulfillment of the Issuer's functions in the relations with debtors under the relevant mortgage assets. The service of the mortgage assets includes:

1. acceptance of payments from debtors under the obligations secured by the mortgage and recording thereof (keeping of a payments register);

2. control of the debtors' fulfillment of the terms and conditions of the credit and mortgage contracts;

3. control of the condition and storage of the subjects of mortgage;

4. lodging claims against the debtors in connection with their fulfillment of the obligations secured by the mortgage;

5. taking measures and recourse upon the subject of mortgage in case of the debtor's violation of the terms and conditions of the obligations secured by the mortgage;

6. exercise of other rights and fulfillment of a mortgage holder's duties in accordance with the credit and mortgage contracts and the mortgage security service contract.

The issuer is charged with the fulfillment of functions related to serving the mortgage assets included in the mortgage security for the ordinary mortgage fixed-return bonds and in cases provided for in the mortgage security management contract these functions will be fulfilled by a Manager.

Reasons for taking recourse upon the mortgage security

Recourse may be taken upon the mortgage security only at the request of the holders of the ordinary mortgage bonds in accordance with the procedure determined in the Mortgage Bonds Law of Ukraine and specified in the issue prospectus. Other persons including the Issuer's creditors, the Manager's creditors or creditors of a holder of the ordinary mortgage fixed-return bonds are not entitled to lodge claims to the mortgage security, to take recourse upon or to burden otherwise the mortgage security until a complete fulfillment of the

obligations under the relevant issue of the ordinary mortgage fixed-return bonds secured by the relevant mortgage security.

A reason for taking recourse upon the mortgage security will be the Issuer's violation of the obligation/ obligations under the ordinary mortgage fixed-return bonds, namely

1) a non-fulfillment or an improper fulfillment of the monetary obligations under ordinary mortgage fixed-return bonds within the time specified in the issue prospectus;

2) institution of bankruptcy proceedings against the Issuer or appointment of a temporary administrator or receiver;

3) a failure to carry out a replacement of the mortgage assets or a failure to include new mortgage assets in the mortgage security in accordance with the requirements of the Mortgage Bonds Law of Ukraine;

4) the Issuer's performance of acts with regard to the mortgage security which are contrary to the Mortgage Bonds Law of Ukraine if such acts endanger the Issuer's due fulfillment of the obligations under the ordinary mortgage fixed-return bonds.

Rights of the holders of ordinary mortgage fixed-return bonds in case of any reasons for taking recourse upon the mortgage security

In case of the Issuer's violation of the obligation/obligations under the ordinary mortgage fixed-return bonds the holders of the ordinary mortgage bonds will be entitled to exercise the following rights:

1) to demand that the Issuer should fulfill the monetary obligations under the ordinary mortgage fixed-return bonds ahead of time;
2) to take measures related to a forced collection of the Issuer's debt under the ordinary mortgage fixed-return bonds in accordance with the laws;
3) to take recourse upon the mortgage security;
4) to have their claims met at the expense of the other assets the Issuer should the funds received after taking recourse upon the mortgage security prove to be insufficient.

Holders of the ordinary mortgage fixed-return bonds will exercise their rights through the Manager.
Exercise of the rights of the holders of the ordinary mortgage fixed-return bonds through the Manager and distribution of the proceeds of the sale of the mortgage security.

In case of violation of the rights of the holders of the ordinary mortgage fixed-return bonds the Manager will notify the State Commission for Securities and Stock Market of the violation of the requirements provided for in the Mortgage Bonds Law of Ukraine and the issue prospectus committed by the Issuer of the ordinary mortgage fixed-return bonds within 10 days after detecting such a violation.

In case of any reasons for taking recourse upon the mortgage security the manager will be entitled to perform the following acts when exercising the rights of the holders of the ordinary mortgage fixed-return bonds subject to the chosen way of meeting the claims of the holders of the ordinary mortgage fixed-return bonds at the expense of the mortgage security:

1) to sell the mortgage security or to transfer it in full to another entity followed by a further distribution of the proceeds of such sale in accordance with made contracts, the laws of Ukraine and the issue prospectus;

2) to sell the mortgage security independently or in conjunction with a receiver followed by a further distribution of the proceeds of such sale in accordance with made contracts, the laws of Ukraine and the issue prospectus in case of decision to liquidate the Issuer;

3) to take measures in order to meet claims of the holders of the ordinary mortgage fixed-return bonds at the expense of the other property of the Issuer;

4) to ensure the service of the mortgage assets or substitutive assets included in the mortgage security independently or by virtue of a contract with a service institution and to distribute the funds received from the mortgage security in accordance with made contracts, the laws of Ukraine and the issue prospectus;

5) to demand a transfer of the mortgage security to the service institution for the purpose of service and to command the funds received from the mortgage security in the interests of the holders of the ordinary mortgage fixed-return bonds in accordance with made contracts, the laws of Ukraine and the issue prospectus in case of appointment of a temporary administration of the Issuer or institution of bankruptcy proceedings against it.
The proceeds of the sale of the mortgage security will be transferred to the Manager's account.

After the compensation for all costs related to taking recourse upon the mortgage security and the management and service of the relevant mortgage assets the Manager will distribute the proceeds of the sale of the mortgage security among the holders of the ordinary mortgage fixed-return bonds in proportion to the bonds held by them.

If the proceeds of the sale of the mortgage security exceeds the amount of the obligations under the ordinary mortgage fixed-return bonds and the costs related to taking recourse upon the mortgage security, the management and service of the relevant mortgage assets the excessive amount will be returned to the Issuer.

The terms and conditions and the time of replacement of the mortgage assets included in the mortgage security and inclusion of new mortgage assets in the mortgage security:

The replacement of separate or inclusion of new mortgage assets in the mortgage security will take place in case of:

1) detecting discrepancies between separate mortgage assets included in the mortgage security and the requirements of the issue prospectus;

2) initiating taking recourse upon the subject of the mortgage or in case of an early termination of the mortgage for any reason;

3) violation of the time of making payments under the obligations secured by the mortgage on the part of the debtor (the borrower under the credit contract) more than three months;

4) initiating bankruptcy proceedings against the debtor under a mortgage asset;

5) the Issuer's violation of the requirements concerning the coordination between the time, profitability and repayment procedure parameters of the mortgage security and the relevant characteristics of the ordinary mortgage fixed-return bonds.

6) excess of the value of the mortgage security index fixed in this issue prospectus and the Mortgage Bonds Law of Ukraine;

The replacement of the mortgage assets included in the mortgage security or inclusion of new mortgage assets in the mortgage security will be effected by the Issuer within 5 (five) working days from the date of a relevant request of the Manager or from the moment of setting in of one of the above circumstances.

The replacement of the mortgage assets included in the mortgage security will be deemed valid as from the moment of entering the data on it in a mortgage security register.

Separate mortgage assets will be excluded from the mortgage security of the ordinary mortgage fixed-return bonds only in connection with the replacement thereof.

The Issuer reserves the right to replace (renew) the mortgage and other assets included in the mortgage security if such replacement does not reduce the amount of the mortgage security or worsen the indices regulated by the Law.

If the Issuer does not have new mortgage assets that have to be included in the mortgage security of the ordinary mortgage fixed-return bonds the Issuer will be entitled to include the following items in the mortgage security:

1) government securities or securities fully guaranteed by the State;

2) funds placed by the Issuer on a separate deposit account of the Bank.

The amount of such assets cannot exceed 25 percent of the amount of the mortgage security. These assets will be covered with the mortgage security legal regime. Data on the amount of these assets and their identification data will be entered in the mortgage security register.

The Issuer's acts in case of adoption of a resolution to take recourse upon the mortgage security

The Issuer will be entitled to fulfill its obligations under the ordinary mortgage fixed-return bonds in full and the holders of the ordinary mortgage fixed-return bonds will have to accept such fulfillment at any time after the adoption of a resolution to take recourse upon the mortgage security and before it is sold or transferred to another person. In such a case the Issuer will have to compensate the Manager for all costs related to the procedure of taking recourse.

The terms and conditions and the periodicity of conducting audits of the mortgage security

During the time of circulation of the ordinary mortgage fixed-return bonds, the Issuer shall ensure conducting audits for its own account in terms of correspondence between the condition of the mortgage security and the data of the mortgage security register and the requirements of the Mortgage Bonds Law of Ukraine.

The audits will be conducted at least once a year. Unscheduled audits may be conducted at the request of the Manager or the State Commission for Securities and Stock Market.

The Manager will provide the State Commission for Securities and Stock Market and a holder of the ordinary mortgage fixed-return bonds with an auditor's opinion at their request.

Procedure of keeping the mortgage security register

The mortgage security register will be kept by the issuer in accordance with the requirements of the Mortgage Bonds Law of Ukraine and the acts of the State Commission for Securities and Stock Market.

The formation and keeping of the Mortgage Security Register will be carried on in a separate program module styled Mortgage Register on the basis of a Depository. A limited circle of users have access to the Register data. The register includes information on credits and the related mortgaged property, the correlation between the balance and the security, the dwelling and nonresidential property, etc.

The Mortgage Register Program Module provides for the formation of a duplicate register (a backup copy for the date) in accordance with the requirements of the Regulations Concerning the Mortgage Security for

Ordinary Mortgage Bonds, the Procedure of Keeping the Mortgage Security Register and the Management of the Mortgage Security for Ordinary Mortgage Bonds for the purpose of prevention of a loss or damage of the information.

A backup copy of the Register reports is made on optical carriers for the purpose of preservation of the Register data.

The Issuer will form an extract from the Mortgage Security Register and issue it to the Manager on a monthly basis within 10 (ten) working days after the end of the month.

The Issuer will update the Register data concerning the current condition of the mortgage security at least once a month and will provide the Manager with extracts from it at the request of the latter within 2 (two) working days after receiving such a request.

The Issuer will provide the State Commission for Securities and Stock Market with extracts from the Mortgage Security Register within the time and in accordance with the form provided for in the acts of the State Commission for Securities and Stock Market.

2. Description of conditions concerning the inclusion of mortgage assets in the mortgage security:

The mortgage assets included in the mortgage security have to meet the following requirements:

- the mortgage assets are owned by the Issuer and may be alienated in case of non-fulfillment of obligations under the ordinary mortgage fixed-return bonds;
- the Issuer is a mortgage holder under a relevant mortgage contract registered in the appropriate state register in accordance with a due procedure;
- the mortgage assets are not pledged or encumbered otherwise for the purpose of the Issuer's fulfillment of obligations different from its obligations under the ordinary mortgage fixed-return bonds;
- no resolution is adopted to take recourse under the relevant mortgage or credit contract and no bankruptcy proceedings are instituted against the debtor;
- the terms and conditions of the relevant mortgage contract do not provide for a possibility for the mortgager to replace or alienate the subject of the mortgage without the mortgage holder's consent;
- the subject of the mortgage is located in the territory of Ukraine; it is insured for its full value against the risks related to a casual destruction, damage or spoilage;
- the mortgage assets are not in the mortgage security for a different issue of mortgage securities;
- the principal amount of the debtor's debt under an obligation secured by the mortgage does not exceed 75 percent of the assessed value of a dwelling subject of the mortgage or 60 percent of the assessed value of a nonresidential subject of mortgage determined by an entity engaging in assessment.

The mortgage assets the debtors' obligations under which are secured by the mortgage of facilities under construction or the mortgage of property interests including a title to real estate facilities under construction or the rights to use real estate will not be included in the mortgage security.

The mortgage assets the debtors' obligations under which are secured by the dwelling real estate facilities specified below will not be included in the mortgage security:

- Dwelling facilities intended for a temporary residence.
- Dwelling apartments or houses belonging to the government or municipal property.

Mortgage assets the debtors' obligations under which are secured by the nonresidential real estate facilities specified below will not be included in the mortgage security:

- Agricultural lands.
- Lands, buildings and structures belonging to the government or municipal property.
- Integral property complexes of enterprises belonging to the government or municipal property.
- Air and sea vessels, inland navigation vessels and space objects.

Procedure of placement of the ordinary mortgage fixed-return bonds

Addresses of the places and dates of the commencement and termination of the placement of the ordinary mortgage fixed-return bonds

The Issuer will carry out an open (public) placement of the ordinary mortgage fixed-return bonds.

The ordinary mortgage fixed-return bonds will be placed according to the location of the Issuer:

8-a Khreschatyk Street, Kyiv 01001, Ukraine, tel./fax: (044) 536-97-18, 490-52-30;

The Issuer fixes the following dates of commencement and termination of the placement of the ordinary mortgage fixed-return bonds:

The date of commencement of the placement of the ordinary mortgage fixed-return bonds: **September 1, 2008**.

The date of termination of the placement of the ordinary mortgage fixed-return bonds: **August 31, 2009**.

The Issue may place the ordinary mortgage bonds on the stock and over-the-counter market.

The Issuer may place the ordinary mortgage fixed-return bonds on PFTS Stock Exchange DP, the trade organizer.

The information on PFTS Stock Exchange DP (the trade organizer): it was registered with the Pecherskyi District State Administration of Kyiv on March 20, 1997, identification code 21672206, address: 31 Schorsa Street, Kyiv 01133; tel.: (380 44) 522-88-08; license to engage in professional activities on the securities market – activities related to the trade on the stock market AB No. 115254 was issued by virtue of a resolution of the State Commission for Securities and Stock Market dated June 10, 2004.

The Issuer will not use the services of underwriters in the process of placement of the ordinary mortgage fixed-return bonds.

The Issuer will place the ordinary mortgage fixed-return bonds by virtue of bonds purchase and sale contracts made by the Issuer and the buyer of the ordinary mortgage fixed-return bonds (hereinafter referred to as "the Investor").

The ordinary mortgage fixed-return bonds will be allocated to the Investors being resident and non-resident legal entities and individuals.

The payment for the ordinary mortgage fixed-return bonds will be made by the Investors in accordance with the procedure, on the terms and conditions and within the time determined in the contract however it must be made on or before the day of termination of the placement of bonds.

After the Investor makes a full payment for the ordinary mortgage fixed-return bonds the Issuer will instruct the depository Interregional Stock Union Open Joint-Stock Company (hereinafter referred to as "ISU OJSC") to transfer the ordinary mortgage fixed-return bonds to the securities accounts of the Investors. The ordinary mortgage fixed-return bonds will be transferred from the Issuer to the investor by depositing the said bonds to the Investor's securities account with the custodian. The Investor will acquire the title to the purchased mortgage fixed-return bonds at the moment they are deposited on his/her/its securities account with the custodian which will be proved by an statement of the said account to be issued by the custodian. The holders of the ordinary mortgage fixed-return bonds may be resident and nonresident individuals and legal entities.

The Bank will be entitled to identify the persons showing intention to purchase the ordinary mortgage fixed-return bonds and the holders of the ordinary mortgage fixed-return bonds who are entitled to the payment of the interest income and to the redemption of the bonds and may ask them to produce their identity documents. The identification will meet the current laws of Ukraine and the standard acts of the National Bank of Ukraine concerning the prevention of illegal incomes legalization. In case of failure to produce the said documents the Bank will be entitled to deposit the payable funds till the documents are produced. No interest will be charged or paid on the deposited funds.

Planned price of the placement of the ordinary mortgage fixed-return bonds:

In the process of the placement the selling price of the ordinary mortgage fixed-return bonds will be fixed in a bonds purchase and sale contract taking into account the market conditions. However it may not be less than the par value of the ordinary mortgage fixed-return bonds.

Name of the financial institution and the number of the current account to which the payment for the ordinary mortgage fixed-return bonds will be made:

The Investors will make the payment for the ordinary mortgage fixed-return bonds by transferring and/or depositing their full value to the Issuer's account No. 290150004 with Commercial Bank "Khreschatyk", Kyiv, (bank code 300670, identification code 19364259) through the Bank's cash office by virtue of the bonds purchase and sale contract.

Time of payment for the ordinary mortgage fixed-return bonds:

The payment for the ordinary mortgage fixed-return bonds will be made by the Investors in accordance with a procedure, on the terms and conditions and within the time fixed in the contract; however it must be made before the date of termination of the bonds placement.

The payment for the ordinary mortgage fixed-return bonds will be made in the national currency of Ukraine. The form of payment for the ordinary mortgage fixed-return bonds will be non-cash for legal entities and non-cash and cash for individuals.

A possibility of an early termination of the ordinary mortgage fixed-return bonds

In case of an early placement of the planned scope of issue of the ordinary mortgage fixed-return bonds of series "I" and on condition of the investor's payment for the last bond of the said series the placement of bonds of the said series will be terminated.

A resolution concerning the early termination of placement of the ordinary mortgage fixed-return bonds will be passed and approved by the Board of Commercial Bank "Khreschatyk".

The conditions and the date of termination of the circulation of the ordinary mortgage fixed-return bonds

The circulation of the ordinary mortgage fixed-return bonds will be permitted after the registration of the report on the results of placement of the ordinary mortgage fixed-return bonds by the State Commission for Securities and Stock Market and the issue of an ordinary mortgage fixed-return bonds issue registration certificate. The results of placement of the ordinary mortgage fixed-return bonds and reports on the placement of the ordinary mortgage fixed-return bonds will be approved by the Board of Commercial Bank "Khreschatyk".

The Issuer does not provide for a possibility of an early redemption of the ordinary mortgage fixed-return bonds from the holders at the request of the latter.

The date of termination of the circulation of the ordinary mortgage fixed-return bonds: **August 28, 2011**.

The date of payment of the income on the ordinary mortgage fixed-return bonds: August 29, 2011.

The ordinary mortgage fixed-return bonds will freely circulate in the territory of Ukraine during the whole period of their circulation in accordance with the current laws of Ukraine.

The ordinary mortgage fixed-return bonds will circulate on securities accounts opened with custodians and ISU OJSC (the depository) in accordance with the requirements of the current laws of Ukraine. The title to the ordinary mortgage fixed-return bonds will arise at the moment they are deposited on the securities accounts of the holders which will be proved by a statement of the securities account.

Procedure of the payment of the income on the ordinary mortgage fixed-return bonds

The Issuer will ensure a timely payment of the income on the ordinary mortgage fixed-return bonds and a timely redemption of the ordinary mortgage fixed-return bonds on the terms and conditions and within the time fixed in the issue prospectus.

Addresses of the places of payment of the income on the ordinary mortgage fixed-return bonds

The Issuer will pay the interest income in the national currency of Ukraine (hryvnia) at 8-a Khreschatyk Street, Kyiv 01001, Ukraine, by virtue of a consolidated register drawn up as of the end of the working (operational) day preceding the date of the payment and provided at the date of such payment by ISU OJSC (the depository).

The planned interest, the method of calculation and the procedure of payment of the income, currency of the income payment

The interest rate under the ordinary mortgage fixed-return bonds will be **12.5% (twelve point five percent) per annum** in UAH for the 1st to 12th interest periods.

The interest income on the ordinary mortgage fixed-return bonds will be calculated in accordance with the interest periods. Each interest period will consist of **91 (ninety-one) calendar days**.

The amount of the interest income payable on the ordinary mortgage fixed-return bonds will be calculated by means of the following formula:

$$\text{Income}_i = 1000 \times \frac{\text{interest rate}_i}{100\%} \times \frac{91}{365}$$

in which

Income_i is the amount of the interest income on one ordinary mortgage fixed-return bond in the relevant interest period (UAH), I = 1 …12;

Interest rate_i is the interest rate (per annum) in the i interest period;

1000 is the par value of one ordinary mortgage fixed-return bond (UAH);

91 is the duration of the interest period (days);

365 is the conventional number of days in the year (days).

The amount of the interest income on one ordinary mortgage fixed-return bond will be determined with the accuracy of UAH 0.01 (1 kopeck) according to the mathematical rounding-off rules.

Dates of commencement and termination of the payment of the income on the ordinary mortgage fixed-return bonds

Interest period	Commencement of the period	End of the period	Date of payment of the income	Period duration, days	Interest rate for the payment of the interest income (% per annum)	Amount of the interest income on one bond (UAH)
1	September 1, 2008	November 30, 2008	December 1, 2008	91	12.5	31.16
2	December 1, 2008	March 1, 2009	March 2, 2009	91	12.5	31.16
3	March 2, 2009	May 31, 2009	June 1, 2009	91	12.5	31.16
4	June 1, 2009	August 30, 2009	August 31, 2009	91	12.5	31.16
5	August 31, 2009	November 29, 2009	November 30, 2009	91	12.5	31.16
6	November 30, 2009	February 28, 2010	March 1, 2010	91	12.5	31.16
7	March 1, 2010	May 30, 2010	May 31, 2010	91	12.5	31.16
8	May 31, 2010	August 29, 2010	August 30, 2010	91	12.5	31.16
9	August 30, 2010	November 28, 2010	November 29, 2010	91	12.5	31.16
10	November 29, 2010	February 27, 2011	February 28, 2011	91	12.5	31.16
11	February 28, 2011	May 29, 2011	May 30, 2011	91	12.5	31.16
12	May 30, 2011	August 28, 2011	August 29, 2011	91	12.5	31.16

Procedure of payment of the interest income and depositing of the funds:

The periodicity of payment of the interest income will be 91 days (once every three months). The last payment of the interest income will be made simultaneously with the redemption of the ordinary mortgage fixed-return bonds.

If the date of payment of the interest income falls on a day off (weekend) provided for in the current laws of Ukraine the payment of the interest income will commence on the working day following the day off (weekend). No interest will be accrued or paid on the amount of the interest income on the ordinary mortgage fixed-return bonds for the said days off (weekend).

The interest income will be paid to the holders of the ordinary mortgage fixed-return bonds by virtue of the consolidated register drawn up by ISU OKSC (the depository) as of the end of the working day preceding the date of payment of the interest and given to the Issuer on the day of payment of the income.

The interest income will be paid in the national currency of Ukraine.

The interest income will be paid by transferring funds to accounts of the holders (or their custodians) specified in the consolidated register and/or in the form of a cash payment through the cash office of the Bank in case of individuals by virtue of a relevant application and the identity documents. Should the consolidate register contain no details of the account intended for the transfer of the interest income or if the specified details are wrong the funds payable to the holder of the ordinary mortgage fixed-return bonds will be deposited on an account with Commercial Bank "Khreschatyk" and will be paid when the holders of the said bonds submit an appropriate application to the Issuer. No interest will be accrued and paid on the deposited funds.

The interest income will be paid to individuals net of the taxes on incomes of individuals in accordance with the current laws of Ukraine.

The interest income will be paid to nonresident legal entities net of the profit tax in accordance with the current laws of Ukraine.

Procedure of redemption of the ordinary mortgage fixed-return bonds

Addresses of the places and dates of the redemption of the ordinary mortgage fixed-return bonds

The redemption of the ordinary mortgage fixed-return bonds will be carried out by the Issuer at the par value by paying funds to the holders of the ordinary mortgage fixed-return bonds.

The ordinary mortgage fixed-return bonds will be redeemed by the Issuer in the national currency of Ukraine (UAH) at 8-a Khreschatyk Street, Kyiv 01001.

Date of redemption of the ordinary mortgage fixed-return bonds: **August 29, 2011**.

Procedure of the payment of the par value of and the income on the ordinary mortgage fixed-return bonds

A transfer of the ordinary mortgage fixed-return bonds to the Issuer's account with ISU OKSC (the depository) between 9:00 a.m. and 12:00 at the date of redemption of the ordinary mortgage fixed-return bonds will be considered the submission of the bonds for the purpose of redemption. The holders of the ordinary mortgage fixed-return bonds who will have transferred the bonds in a timely manner will be paid the funds by the Issuer at the date of redemption of the ordinary mortgage fixed-return bonds. The payment of the funds related to the redemption of the ordinary mortgage fixed-return bonds will be made to the holders of the said bonds by virtue of the consolidated register drawn up by ISU OKSC (the depository) as of the end of the working day preceding the date of redemption.

If the date of redemption falls on a day off (weekend) provided for in the current laws of Ukraine the redemption will commence on the working day following the day off (weekend). No interest will be accrued or paid on the amount of the redemption of the ordinary mortgage fixed-return bonds for the said days off (weekend).

Should the consolidate register contain no details of the accounts intended for the transfer of the funds or if the specified details are wrong the funds will be deposited on the Issuer's account with Commercial Bank "Khreschatyk" and will be paid when the holder submit an appropriate application to the Issuer. No interest will be accrued and paid on the deposited funds.

The funds for the redeemed ordinary mortgage fixed-return bonds will be paid in the national currency of Ukraine by transferring them to the accounts of the holders (custodians) specified in the consolidated register and/or they may be paid in cash through the cash office of the Bank in case of individuals by virtue of a relevant application and the identity documents.

The funds for the redeemed ordinary mortgage fixed-return bonds will be paid to nonresident legal entities net of the profit tax in accordance with the current laws of Ukraine. The nonresident legal entity will provide the Issuer with notarized documents by virtue of which the nonresident holds the ordinary mortgage fixed-return bonds at least 2 (two) working days before the fixed date of redemption of the said bonds for the purpose of determination of the amount of the profit from ordinary mortgage fixed-return bonds transactions. The profit from securities trade transactions will be determined by the Issuer in accordance with the Companies profit Tax Law of Ukraine.

Possibility of an early redemption of the ordinary mortgage fixed-return bonds

The Issuer provided for no possibility for the holders to submit the ordinary mortgage fixed-return bonds for the purpose of an early redemption thereof.

The Issuer is entitled to purchase the ordinary mortgage fixed-return bonds on the secondary market at a contractual price at any other date during the period of circulation of the ordinary mortgage fixed-return bonds if the holders of the ordinary mortgage fixed-return bonds apply to the Issuer. It will also be entitled to sell the purchased ordinary mortgage fixed-return bonds, to make civil contracts concerning the bought out ordinary mortgage fixed-return bonds, to hold the ordinary mortgage fixed-return bonds on a securities account till the redemption of the issue and to perform other acts with regard to the ordinary mortgage bonds of this issue in accordance with the current laws of Ukraine.

In case of buy-out of the whole issue of the ordinary mortgage fixed-return bonds of Commercial Bank "Khreschatyk" of series "I" having the par value of UAH 70,000,000 (seventy million) the Issuer may adopt a resolution to redeem the ordinary mortgage bonds of this issue ahead of time. The resolution concerning the early redemption of the ordinary mortgage fixed-return bonds will be adopted by the Board of Commercial Bank "Khreschatyk".

Acts to be performed in case of a late submission of the ordinary mortgage fixed-return bonds for the purpose of redemption (an early redemption) of the issue

In case of a late submission of the ordinary mortgage fixed-return bonds for the purpose of redemption the funds intended for the redemption of the ordinary mortgage fixed-return bonds will be deposited on the Issuer's account with Commercial Bank "Khreschatyk" and paid within two working days from the day following the placement of the ordinary mortgage fixed-return bonds on the Issuer's securities account with ISU OKSC (the depository). No interest will be accrued or paid on the deposited funds.

Procedure of notifying of the placement of the ordinary mortgage fixed-return bonds

The Issuer will publish the whole registered Ordinary Mortgage Fixed-Return Bonds Issue Prospectus in the official periodical of the State Commission for Securities and Stock Market of Ukraine at least 10 calendar days before the date of commencement of the placement of the ordinary mortgage fixed-return bonds.

Information on the Manager of the mortgage security

Name: Open Joint-Stock Company Joint-Stock Bank "Ukrgazbank".

Location: 1 Yerevanska Street, Kyiv 03087, Ukraine.

Postal address: 39 Chervonoarmiyska street, Kyiv 01004, Ukraine.

Identification code: 23697280

Telephone: (044) 594-11-30, 594-11-31

Fax: (044) 594-11-31

E-mail: office@ukrgazbank.com

Subject of activities of Joint-stock Bank "Ukrgazbank": conducting banking transactions provided for in the current laws on the financial, money, stock and other markets in accordance with obtained licenses and permits.

Amount of the authorized capital and data on teh payment thereof:

The authorized capital of Joint-stock Bank "Ukrgazbank" amounts to UAH 600,000,000. The authorized capital is fully paid up in cash.

Terms and conditions of the payment of the Manager's costs and remuneration, the maximum amount of such costs and remuneration:

The Manager's remuneration payable by the Issuer will be determined as follows:

1. The total remuneration will be UAH 5,000.00 (hryvnias five thousand) inclusive of teh VAT for each month of existence of the ordinary mortgage fixed-return bonds that is the remuneration for 36 months from September 1, 2008 to August 28, 2011 will be UAH 180,000.00 (one hundred and eighty thousand) inclusive of the VAT. The remuneration will not be paid if the circulation of the whole issue of the ordinary mortgage fixed-return bonds is terminated for any reason (an early redemption, restructuring, etc.).
2. Additional remuneration *(for the Manager's performance/fulfillment of any acts/functions (operations, services, etc.) under this Contracts in connection with a detected violation and in connection with the Issuer's violation of the obligations under the ordinary mortgage fixed-return bonds)* – a one-time remuneration for every case of the Issuer's violation of the obligations under the ordinary mortgage fixed-return bonds: 1.0% of the amount of the overdue debt of the Issuer under the ordinary mortgage fixed-return bonds in case of the Issuer's violation of the obligations under the ordinary mortgage fixed-return bonds (inclusive of the VAT). In this case the remuneration will be paid by the Issuer immediately after the receipt of a request to pay such remuneration from the Manager.

The remuneration will be paid on a monthly basis by virtue of an invoice issued by the Manager to the Issuer before the 25th day of the accounting month as from the first month after the commencement of the placement of the ordinary mortgage fixed-return bonds.

The Issuer will may the payment within 10 days after the Manager issues the relevant invoice to the Issuer.

Date of issue and validity period of the license

License to conduct all banking transactions No. 123 issued by the National Bank of Ukraine on November 19, 2001. The period of validity of the license is unlimited;

Permit to conduct the transactions determined in Paragraphs 1 to 4 of the second part and the fourth part of Article 47 of the Banks and Banking Law of Ukraine of the National Bank of Ukraine No. 123-3 issued by the National Bank of Ukraine on July 5, 2007. The period of validity of the permit is unlimited.

Number and date of the mortgage security management contract:

Mortgage Security Management Contract No. 28-1 was made by the Issuer and the Manager on June 12, 2008.

The Manager is not party related to the Issuer of the ordinary mortgage fixed-return bonds.

Information on the rating agency

Fitch Ratings international rating agency.
Fitch Deutschland GmbH
Junghofstr. 24
D-60311 Frankfurt am Main
Phone: +49 (0)69 768076 114
Fax: +49 (0)69 768076 100

Sitz der Gesellschaft:	Handelsregister: Amtsgericht	Geschäftsführer:
Frankfurt am Main	Frankfurt am Main HRB 52256	Jens Schmidt-Bürgel

Information on the depository

Open Joint-Stock Company "Interregional Stock Union"
Identification code 24917996
address: 7B Vetrova Street, Kyiv 01032, telephone: (044) 238-61-92, 238-61-94, 238-61-95.

License to engage in professional activities on the securities market: depository activities of a securities depositor series AB No. 1897728 issued by the State Commission for Securities and Stock Market on November 7, 2006.

The Issuer's account with the Depository: No. 300743.

Information on the auditor

Limited Liability Company Auditing Firm "APiK".
Identification code 21500646
Postal address: 37/19 Donetska Street, Kyiv 03151, telephone (044) 501-59-34.
Legal address: 47 Nyzhnioyurkivska Street, Kyiv 04080.

Certificate of registration in the Auditors Register No. 0084 issued by the Auditors' Chamber of Ukraine on January 28, 2001.

Expiry date of the Certificate: December 15, 2010.

Reservation

"The registration of the mortgage obligations issue conducted by the State Commission for Securities and Stock Market cannot be considered a guarantee of the value of the said mortgage obligations. State Commission for Securities and Stock Market is only responsible for the completeness of the information contained in the documents registered by it and for its compliance with the requirements of the law. The signatories to these documents are responsible for the reliability of the data specified in the documents submitted for the purpose of registration of the mortgage bonds issue."

Data on the persons responsible for the information contained in the issue prospectus:

Dmytro Mykolayovych Grydzhuk, Ukrainian resident, Chairman of the Board of Commercial Bank "Khreschatyk".
Valentyna Mykolayivna Yur, Ukrainian resident, Chief Accountant of Commercial Bank "Khreschatyk".

Auditing firm:
Limited Liability Company Auditing Firm "APiK".
Identification code 21500646
Place and date of the state registration:
Podilskyi District State Administration of Kyiv, February 22, 1994
Postal address: 37/19 Donetska Street, Kyiv 03151, telephone (044) 501-59-34.
Certificate of registration in the Auditors Register No. 0084 issued by the Auditors' Chamber of Ukraine on January 28, 2001.

I, Dmytro Mykolayovych Grydzhuk, Chairman of the Board of Commercial Bank “Khreschatyk”, confirm the reliability of the data set forth in this issue prospectus.

Chairman of the Board
Commercial Bank “Khreschatyk” **D.M. Grydzhuk**

I, Valentyna Mykolayivna Yur, Chief Accountant of Commercial Bank “Khreschatyk”, confirm the reliability of the data set forth in this issue prospectus.

Chief Accountant
Commercial Bank “Khreschatyk” **V.M. Yur**

I, Tetiana Oleksandrivna Bernatovych, President of Limited Liability Company Auditing Firm “APiK”, confirm the reliability of the financial data specified in this issue prospectus.

President
Limited Liability Company Auditing Firm “APiK” **T.O. Bernatovych**

Manager:
Deputy Chairman of the Board
Open Joint-Stock Company Joint-Stock Bank “Ukrgazbank” **S.G. Mamedov**

ATTACHMENT 7

From: Berezhna, Natalia (KIEV/OEG) [mailto:nberezhna@usaid.gov]
Sent: Thursday, July 31, 2008 9:23 AM
To: David Lucterhand
Cc: Lisyuchenko, Darya (KIEV/OEG); atci@pragmacorp.com; Rick Dvorin
Subject: Formal CTO Approval to support covered bonds of Khreschatik and Aval

Dear David:

Thank you very much for the information and exhaustive explanation. Having sufficient background information on the issue, I hereby provide my formal CTO approval on the selection of the two commercial banks, namely Bank Khrashatyk and RZB Aval, for covered bond pilot issues.

Best regards,
Natalia Berezhna.
CTO.

From: David Lucterhand [mailto:chief@pragmacorp.kiev.ua]
Sent: Wednesday, July 30, 2008 12:36 PM
To: Berezhna, Natalia (KIEV/OEG)
Cc: Lisyuchenko, Darya (KIEV/OEG); atci@pragmacorp.com; Rick Dvorin
Subject: RE: CTO Approval to support covered bonds?

Dear Natalia:

As it is said, the devil is in the details. Neither of us focused on this. Of course, verbally, Rick approved the selection of UkragasBank but never in writing partially because it was the only bank ATCI could find willing to go along with the ardor of doing a pilot. And, at present, Bank Khrashatyk is the only other bank willing to pursue a second pilot.

I used to ask CTO approval for every seminar expenditure - including those related to the pilot bond issue. Rick's written approval implied that he approved the selection of Khrashatyk, otherwise, he would not have approved the expenditure. However, Rick asked me to stop making these written approval requests stating that as long as the seminars supported what was in the approved work plan, he didn't need to approve separate expenditures. So, I discontinued this practice.

Notwithstanding all of the above, I would like to request your formal approval for working with Bank Khrashatyk and Bank Aval to issue a pilot mortgage covered bond.

The PMP targets do not include Moldova.

Best regards,

David

From: Berezhna, Natalia (KIEV/OEG) [mailto:nberezhna@usaid.gov]
Sent: Wednesday, July 30, 2008 11:55 AM
To: David Lucterhand
Cc: Lisyuchenko, Darya (KIEV/OEG)
Subject: CTO Approval to support covered bonds?

Dear David:

Have Rick or I provided a formal CTO approval for supporting pilot issues of Khrescatik Bank and Aval Bank? A sheer formality - I am reading Section C of the contract (SOW) – Task E "Selection of the commercial bank/s for mortgage backed security pilot issues will be subject to the written approval of the project CTO". The PMP has an indicator "Number of financial institutions issuing mortgage–backed bonds" – with 2 as plan for 2008. Does this include Moldova as well?

The scale of Aval issue and its demonstrative effect will be huge for the market. If that goes forward, I fully agree will spur the primary and secondary mortgage market development in Ukraine. Promotion of covered bonds in Europe and in the US serves a good example to follow.

Again, prior to any assistance I need to approve your request of selection of Aval as the one to support.

Best regards,
Natalia Berezhna.
CTO.

From: David Lucterhand [mailto:chief@pragmacorp.kiev.ua]
Sent: Wednesday, July 30, 2008 10:38 AM
To: Berezhna, Natalia (KIEV/OEG)
Cc: atci@pragmacorp.com; Serhiy Yurhelevych; Rick Dvorin
Subject: RE: Confidentiality Agreements

Dear Natalia:

Yes, ATCI did and, no, USAID was not a party to the agreement. Of course, ATCI references that it is financed by USAID and that the technical assistance being rendered falls within the project's scope of work.

Best regards,

David

From: Berezhna, Natalia (KIEV/OEG) [mailto:nberezhna@usaid.gov]
Sent: Wednesday, July 30, 2008 10:20 AM
To: David Lucterhand
Subject: Confidentiality Agreements

Dear David:
Did you sign a confidentiality agreement with UkrGasBank – sure you did. Was USAID/Ukraine a party to the confidentiality agreement as well?
Thank you,
Natalia.

ATTACHMENT 8

July 22, 2008, Kyiv

PRESS RELEASE

LIFE INSURANCE AND MORTGAGE MARKET DEVELOPMENT IN UKRAINE

Successful development of mortgage is related to a high degree of protection against risks that are intrinsic in lending. As is shown by the crisis in the world mortgage market, disregard at a certain stage to even some individual aspects of managing these risks may bring about serious consequences. Since mortgage contracts are, mostly, long-term, a certain protection in contingent situations of borrower's loss of life or capability is provided by life insurance for a term no less than the term of the mortgage. Borrower's life insurance is important both to the bank and to the borrowers themselves or members of their families.

In the I Quarter 2008 (*according to UNIA*) the dynamics in the mortgage market of Ukraine did not experience any abrupt changes and, apart from the introduction of stricter lending conditions, continued their development trend of the last year, namely, it grew. In the I Quarter 2008, only 37.5% of mortgage loans were consumer loans secured by available real estate. The rest were loans to finance construction of cottages secured by construction in progress – 2.3%, purchase of land plots – 1.7%, and loans to the population to finance their commercial activities secured by pledge of housing – 1.5%.

Based on results of the survey of mortgage products offered by 20 banks – the largest mortgage lenders (accounting for 90% of the mortgage lending market, *according to UNIA),* conducted in May 2008 by Access to Credit Initiative, only seven banks offer borrower's life insurance. These banks' share in the mortgage lending market is approximately 23%. As of the moment of the survey, another seven banks did not require any other types of insurance, apart from the obligatory insurance of mortgaged property. Their market share is approximately 25%. This is given the fact that even those cases were taken into consideration where voluntary insurance in banks was offered either on a selective basis or depending on certain factors (borrower's age, their choice of the insurance company, etc.).

Some banks cooperate with their related insurance companies or offer services of some insurance companies, including their use of methods of insurance company accreditation.

This issue – borrower's life insurance and the establishment of effective cooperation between insurance companies and banks – was the topic of the round table **"Life Insurance: Its Place and Role in Mortgage Market Development in Ukraine"** that was held in Kyiv on **July 22**.

The round table was attended by approximately 40 representatives from banks (including the International Mortgage Bank, Ukrsotsbank, Ukrsibbank, Raiffeisen Bank Aval, Finance and Credit, Ukrgazbank, Swedbank, Khreschatic, ING Bank Ukraine), insurance companies (including General Guarant, ASKA-Life, Veksel, Universalna, PZU Ukraine, TAS Insurance), professional associations (including the League of Insurance Organizations, Association of Ukrainian Banks and other organizations), the State Commission for Regulation of Financial Services Markets of Ukraine, and the IFC Mortgage Development Project, etc.

The round table "**Life Insurance: Its Place and Role in Mortgage Market Development in Ukraine**" was initiated by the Ukrainian National Mortgage Association (UNIA) and the Access to Credit Initiative financed by the USAID.

ATTACHMENT 9

From: Irina Bass [mailto:ip8@yandex.ru]
Sent: Thursday, September 11, 2008 9:32 AM
To: norm_flynn@yahoo.com; David Lucterhand
Subject: Meeting with Rubanov and Bondarenko

Dear Norm,

On September, 9th, David and I had a two-hour meeting with Olexander Bondarenko, Olexander Rubanov and the President of Kyiv Union of Real Estate Practitioners, Yuri Odnopozov.

The major purpose of the meeting was for Bondarenko and Rubanov to brief David on the progress of merger of the two associations as well as to see how we can facilitate the process at this point.

As long as Rubanov had been traditionally late, Bondarenko took this opportunity to raise a few points on the First Ukrainian Real Estate Congress, scheduled for October, 9-12th: the URA will not be able to get as big audience as they had initially planned. Instead of 300 participants they barely expect 150. They explain this by the current crisis on the local real estate market, and realtors mostly focusing on their survival rather than spending money for professional development. Also, because Turkey is hosting CEREAN conference on the dates very close to the Congress, they cannot attract international audience to the extent desired. On top of that the insurance company which was supposed to be the sponsor of the event and cover the rental costs for venue, refused from these plans because of its management and policy changes. Now URA want to split these costs among three cosponsors and David said Pragma may consider such cosponsorship provided that sufficient attention is paid to common certification and standardization issue during this Congress. Bondarenko also asked if Pragma can give a speech at the Congress and David agreed, offering the topic of "Origins of subprime crisis in the US".

As fas as the merger is concerned, the following issue appears to be the major obstacle: there is a conflict between Kyiv Union and Kyiv URA subdivision. Considering, that 70% of Rubanov's Union consists of representatives of Kyiv companies, the Union naturally wants to get good representation in this region, whilst Kyiv URA subdivision don't want to loose their influence within URA and let the "strangers" in. Thus, Kyiv Regoin is the main opponent of the merger. There is also some opposition within the Union because some members just don't want to dissolve themselves among the others within the new structure.

According to the survey the Union has recently held among its members regarding their vision of the new structure and the role of themselves within it, half of those questioned believed that the Union should undertake the function of Kyiv subdivision of the URA and the other half agreed to dismiss the Union and create a brand new nationwide association instead. Neither of the options is acceptable to URA, because they just as much value the history and reputation of their association as the Union value theirs.

Thus, both leaders aknowledge, that it is their personal perception, specificity of this particular region and the competition of local leaders, which prevents them from moving forward towards the merger. They also confirm that inspite of all those obstacles they will continue to cooperate on common standards of practice and certification of real estate practitioners.

I sense that bulk of this conflict lies within revenues area. The plan was to create "two-chamber" structure under the merged Association. One would be the "chamber of agents",

focusing on certification and training of individuals, code of ethics and keeping registry. The other, "chamber of brokers or companies", would undertake the most profit-generating activities, such as MLS, setting up conferences and trade shows, certification of companies, etc. The Union claims that part of the business, explaining this by the fact that they traditionally represent companies. URA, although nominally representing individuals (agents), in fact also represent the owners of businesses (80% of all the members for sure) and want to be at the table as well. In fact, as you well know, this has been the drama of URA: they declare to be the biggest organization of real estate practitioners, they announce about their plans for extention, enrolling more agents, becoming a mass association. At the same time they are not interested in it at all (at least the current management is not), because it will be more difficult to manage such organization and current members, the managers of businesses, do not really want to sit at one table with their agents. They are happy to remain an exclusive club. And in this respect they are no different in essence from Rubanov's Union. Both the Union and URA know how to make money within this "chamber of owners" and are eager to be there, fighting for influence and none of them know how to benefit from the "chamber of agents". According to URA, for now part of the solution may be 50%-50% representation of URA and the UNIOn within the chamber of owners and common budget for the two chambers in order to provide inflow of resources to the chamber of agents. But still the role and the legal status of the Kyiv UNion within the new structure remains unclear.

It is everybody's impression that the merger is still possible if the parties manage to come up with the structure which is satisfactory to everybody. I wonder if we can help them in this respect.

I look forward to your reply,

Take care,
Irina

ATTACHMENT 10

CABINET OF MINISTERS OF UKRAINE

RESOLUTION

 # _____ dated _____
Kyiv

On Approval of the Procedure for Placement of Funds of the Unified Treasury Account on the Terms of Agreements on Temporary Purchase of Government Securities

Pursuant to Article 17 of the Law of Ukraine "On State Budget of Ukraine for 2008 and Introduction of Amendments to Some Legislative Acts of Ukraine", the Cabinet of Ministers of Ukraine hereby **resolves**:

To approve the Procedure for Placement of Funds of the Unified Treasury Account on the Terms of Agreements on Temporary Purchase of Government Securities.

Yu. Tymoshenko
Prime Minister of Ukraine

PROCEDURE
for Placement of Funds of the Unified Treasury Account on the Terms of Agreements on Temporary Purchase of Government Securities

1. This Procedure shall define the conditions for placement by the Ministry of Finance of funds of the unified treasury account (hereinafter – UTA) through use of the mechanism of temporary purchase of government securities with further return of UTA funds by the end of the year.

2. The terms shall be used in this Procedure in the following meaning:

counteragent – a legal entity identified by the Ministry of Finance according to the results of tender on placement of UTA funds with whom the Ministry of Finance concluded the relevant agreement;

agreement on temporary purchase of government securities – a contract according to which the counteragent purchases domestic government bonds with UTA funds for a certain period, but not longer than through the end of the budget period in which such agreement was concluded, with obligation of reverse sale of such domestic government bonds within the defined period of time or on request of one of the parties at the price pre-defined by the agreement but not longer than the end of the budget period. Obligations under agreement on temporary purchase of government securities shall be ensured through pledge of domestic government bonds which are the object of this agreement; and

trade organizer – an exchange which has the relevant software and hardware for conducting instant DVP transactions, as well as the capital of not less than UAH 40 million.

3. The Ministry of Finance shall define boundary amounts for balance of UTA funds which may be placed temporarily and returned by the end of the budget period but not later than 25 December, as well as the terms for such placement.

4. The Ministry of Finance, on the basis of tender, shall identify counteragents with whom UTA funds will be placed on the terms of depositary agreement, with taking this Procedure into account.

5. Deposited funds shall be accounted for by the counteragent in relevant accounts that are opened based on the concluded deposit agreement. The counteragent shall use these funds only to purchase domestic government bonds at a trading platform for a specific term no longer than till the end of the budget period, in which the agreement was entered into with an obligation of a reverse sale of these domestic government bonds within the term determined by the agreement or upon request by one of the parties at the price stipulated by the agreement in advance, the fee of the trading platform not to exceed 0.04 per cent of the amount of concluded agreements.

6. The domestic government bonds that were the subject of the agreement on temporary purchase of government securities shall be blocked in relevant accounts of counteragents by the principle "shipment against payment" by the National Bank of Ukraine as the depositary of government securities based on deposit instructions by counteragents.

7. On the day of the reverse sale of domestic government bonds, the counteragent shall issue to the National Bank of Ukraine, appropriate depositary instructions. The domestic government bonds that were pledged under the agreement on temporary purchase of government securities shall be unblocked by the principle "shipment against payment" in appropriate accounts of counteragents.

8. In case a third party does not fulfill the obligation of reverse sale domestic government bonds that were the subject of the agreement on temporary purchase of government securities, the counteragent shall be entitled to sell such domestic government bonds or retain them till their maturity and satisfy its claims from the received funds.

9. Upon expiry of the deposit term, but no later than on December 25, funds from the deposit account with due regard to interest shall be transferred by the counteragent to the unified treasury account irrespective of third parties' fulfilling their obligations to the counteragent regarding reverse sale of domestic government bonds.

10. Interest on the deposit account shall be 95 per cent of income received by the counteragent from transactions in domestic government bonds.

ATCI Comments to Procedure for Placing Government Securities Using an Exchange Platform:

Scenario

As part of its liquidity management, the MOF has entered into agreement with the NBU to place some money on deposit in the State Treasury Account with banks. This will enable the MOF to earn interest and to encourage banks to use government securities for management of their own liquidity. The interest received by the MOF will be used to mitigate the cost of issuing treasury securities at market. The NUB and MOF will cooperate on the amount of deposits to be placed and on timing.

At issue: the process the MOF should employ to select the banks that would receive such funds.

Option 1.

MOF conducts an auction to select most favorable rates for placement of its funds. The funds are collateralized by existing treasury securities but not exchanged as in a repo. If default occurs, the MOF takes the collateral for settlement.

Comments: Option 1.

- MOF has control of collateral.
- MOF retains control of determining counterparty risks.
- The process is simple, secure, and proven.
- It is normal and customary in OECD countries for the MOF to conduct auctions.
- Treasury auctions are efficient for price discovery and transparency[1].

Option 2.

The MoF deposits funds with two state owned banks. Because they are state owned, no treasury securities are posted as collateral. The banks, in turn, organize an auction on an exchange that meets minimum requirements for capital and settlement. The winner/s are selected and funds placed. Treasury collateral is then deposited with the state owned institutions,

Comments: Option 2.

- The MoF receives no collateral. This constitutes <u>unacceptable</u> risk.
- The process introduces unnecessary cost[2], complexity and is non - competitive[3]
- Trust amongst banks is virtually non-existent.
- International banks are risk adverse and will refuse to deal with an unrated and untested exchange as an intermediary.
- At this stage of market development, use of an intermediary deviates from world standards of practice.
- <u>**No**</u> OECD member country has ever used an exchange platform for price discovery in the absence of a developed primary market in government securities.

<u>Recommendation:</u>

Implement the original resolution as agreed with the NBU that has the MOF conducting auctions for placement of STA deposits.

Notes:

---

[1] Ukraine's government securities market is just now transitioning to price discovery using market issuance. The MOF needs systems for primary trade and development of the repo / reverse - repo market that its front and back office can test before market trade can begin.

[2] Banks/dealers are extremely price sensitive. Government securities markets, one established, are very efficient and just one basis point can make the difference between a profitable and unprofitable trade. Having exchange fees for the start – up of government securities trade will introduces unnecessary costs at this stage of market development. For example, short term repos (seven day) using the fee schedule described in the resolution become prohibitively expensive.

[3] Lack of competition: banks /dealers need market choice – an inter-bank dealer marker or an exchange platform which delivers better execution at less cost makes sense once there are marketable government securities to trade. The proposal as written precludes development of an inter-bank dealer market forcing banks/dealers to use an exchange that is too costly. Delay in market development will result.

ATTACHMENT 11

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FROM THE AMERICAN PEOPLE

Roundtable on the Programmatic Technical Assistance Partnership: Capital Market Development and Pension Reform

World Bank Office, 1 Dniprovsky Uzviz, room 2-174

September 23, 2008
14:00 – 17:00

Roundtable Agenda

1. Introduction by Martin Raiser, World Bank, Director, Ukraine, Belarus and Moldova, Europe and Central Asia.

2. Introduction by Sarah Wines, Deputy Mission Director, USAID Regional Mission to Ukraine, Belarus and Moldova.

3. Report on the PTAP Implementation: "A Year in Review & Priorities for the Year Ahead", presentation by Natalia Berezhna, Project Management Specialist, USAID – Ukraine.

4. Challenges and Opportunities of EU-Ukraine Free Trade Agreement for the Development of Securities Markets and NBFIs in Ukraine, presentation by Michel Noel, Lead Financial Specialist, World Bank.

5. General Discussion and Comments:

    a. GOU representatives (20 minutes).
    b. Financial Sector Regulators and Agencies (20 minutes)
    c. Market participant (20 minutes).

6. Options and Further Actions (15 minutes).

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Programmatic Technical Assistance Partnership (PTAP)
Capital Market Development and Pension Reform

"A Year in Review & Priorities for the Year Ahead"
Report on the PTAP Implementation

World Bank/USAID

September 2008

Kyiv, Ukraine

THE WORLD BANK
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ACRONYMS AND ABBREVIATIONS

AA	Association Agreement
AFSP	World Bank Access to Financial Services Project
AKK	The Hungarian Debt Management Agency
ATCI	USAID Access To Credit Initiative
AUSD	All-Ukrainian Securities Depository
CLC	Commercial Law Center
CMP	USAID Capital Markets Project
CPI	Consumer Price Index
DPL	Development Policy Loan
DVP	Delivery vs Payment
ECSHD	World Bank Europe and Central Asia Human Development Sector Unit
ECSPE	World Bank Europe and Central Asia Poverty Reduction and Economic Management Sector Unit
ECSPF	World Bank Europe and Central Asia Finance and Private Sector Development Sector Unit
EU	European Union
FIRST	World Bank Financial Sector Reform and Strengthening Program
FOP	Free of Payment
FSAP	Financial Sector Assessment Program (FSAP)
FTA	Free Trade Agreement
FX	Foreign Exchange
G-30	The Group of Thirty
GDP	Gross Domestic Product
IAIS	International Association of Insurance Supervisors
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOPS	The International Organization of Pension Supervisors
IORP	Institutions for Occupational Retirement Provision
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
JII	Joint Investment Institutions (similar to mutual funds)
JSC	Joint Stock Company
LTV	Loan-to-value
MFS	The Interregional Depository and Clearing/Settlement Organization, Mizhregionalny Fondovy Sojuz
MiFID	Markets in Financial Instruments Directives

MLSP	Ministry of Labor and Social Policy
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NBFI	Non-Bank Financial Institutions
NBU	The National Bank of Ukraine
NDU	National Depository of Ukraine
NSPF	Non-state pension funds
OTC	Over-the-Counter
PAYGO	pay-as-you-go pension system
PFTS	PFTS Stock Exchange, Persha Fondova Torgova Systema (First Securities Trading System)
PFU	Pension Fund of Ukraine
PTAP	Programmatic Technical Assistance Partnership
Repo	Repurchase Agreement
SCRFSM	State Commission for Regulation of Financial Services Market
SCSSM	State Commission for Securities and Stock Market
SDMD	the Financial Policy and Debt Management Department of the Ministry of Finance
SMI	State Mortgage Institution
SNG	Sub-National Government
SSC	Single Social Contribution
STA	Single Treasury Account
TRS	Trade Reporting System
UAH	Ukrainian Currency – Hryvnia
UC	Ultimate Controllers
UCITS III	Undertakings of Collective Investment in Transferable Securities Directives
UICE	Ukraine Inter-Currency Exchange
UIT	Unit Investment Trusts
USAID	U.S. Agency for International Development

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ACKNOWLEDGEMENTS

This Report has been prepared by Natalia Berezhna (Project Management Specialist, USAID/Ukraine), Michel Noel (Lead Financial Specialist, World Bank), and Vitaliy Bigdai (Consultant, World Bank Country Office – Kyiv), with contributions from Zoran Anusic (Senior Economist, ECSHD, World Bank), Katerina Petrina (Senior Social Protection Specialist – ECSHD, World Bank), Ruslan Piontkivsky (Economist, ECSPE, World Bank), Pablo Saavedra (Senior Country Economist, ECSPE, World Bank), Yulia Smoliar (ETC Consultant, ECSHD – Kyiv, World Bank); Barry Pitts (Chief of Party, USAID/CMP), David Lucterhand (Chief of Party, USAID/ATCI), Gary Hendricks (Senior Pension Reform Expert, USAID/CMP) and Victor Stetsenko (Senior Capital Markets Expert, USAID/CMP).

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The team would like to thank the Ukrainian counterparts for the time, assistance, information made available to the team as well as for their highly valuable advice and contribution to the implementation of the Partnership.

Any remaining errors and omissions are the sole responsibility of the authors. The authors' views expressed in this publication do not necessarily reflect the views of the USAID or the United States Government.

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EXECUTIVE SUMMARY

1. This Report reviews the results of the Joint USAID/World Bank Programmatic Technical Assistance Partnership (PTAP) from its beginning in June 2007 up to date, and presents the priorities of the Partnership for the year ahead. The objective of the Partnership is to help the Government, the NBU, market regulatory agencies and market participants to develop Ukrainian capital markets in the perspective of their future integration in the EU single market in financial services, and in particular to create conditions for the successful introduction and development of second pillar pensions.

2. Part I presents the rationale and background for the Partnership. Part II provides an overview of key findings and challenges in each of the four Partnership components. Part III presents an action plan for the year ahead.

3. A separate Report entitled "Challenges and Opportunities of EU-Ukraine FTA for the Development of Securities Markets and NBFIs in Ukraine" (PTAP FTA Report, September 2008) has been prepared by the PTAP team and circulated separately.

4. In June 2007, the World Bank and USAID agreed to join forces in a Programmatic Technical Assistance Partnership (PTAP) to support the Government in implementing this reform agenda. On the Bank side, the Partnership brings together experts from the Human Development Sector Unit (ECSHD), the Poverty Reduction and Economic Management Sector Unit (ECSPE) and the Finance and Private Sector Development Sector Unit (ECSPF) of the Europe and Central Asia Region. On the USAID side, the Partnership brings together experts from the USAID/Ukraine Office, the USAID Capital Market Project (CMP), and the USAID Access to Credit Initiative (ATCI).

5. Over the past year, the PTAP has delivered advice and support to the Government and regulatory agencies to develop security markets and NBFIs, in particular in preparation for introduction of second pillar pensions. The work of the Partnership has focused on four main components: (i) Pension reform; (ii) Strengthening of the legal, regulatory and supervisory framework for securities markets and NBFIs; (iii) Strengthening securities market infrastructure; and (iv) Developing the supply of domestic securities, focusing on the government bond market.

6. Going forward, the capital market policy reform agenda will be shaped by the Free Trade Agreement (FTA) currently being negotiated between the Ukrainian Government and the European Commission. Specifically, Ukraine will face three fundamental challenges in integrating its securities market and NBFIs in the EU single market in financial services: (i) Approximation of Ukrainian legislation with EU securities market and NBFI Directives (Level 1) and Implementing Measures (Level 2); (ii) Mutual recognition between Ukrainian securities market and NBFI regulatory agencies and their counterparts in EU Member States; and (iii) Adaptation of Ukrainian securities market professional participants, NBFIs, and securities issuers to the EU single market in financial services.

7. The USAID and the World Bank stand ready to support the Government to design and implement the proposed policy reform agenda and action plan through a broad range of instruments, including Development Policy Loans, the PTAP, the AFSP (including TA component to SCRFSM and SCSSM), and ongoing USAID projects (CMP, ATCI and CLC Projects), working in close collaboration with the European Commission and the European Commission Delegation in Kyiv.

MAIN TEXT

I. RATIONALE AND BACKGROUND

I.1 Rationale for the Partnership

1. Due to adverse demographic trends and budgetary constraints, Ukraine's current Solidarity Pension System (Pillar I) is becoming increasingly unsustainable. To address this urgent problem, in February 2007, the Cabinet of Ministers adopted a draft law "On implementation of the Mandatory State Pension Insurance Accumulation System." In April 2007, the Ukrainian Parliament (Verkhovna Rada) passed the draft law in its first reading. Further review of the draft law has been delayed following recent political developments. The successful implementation of the Pillar II system is critical to the social protection of Ukraine's work force. Equally critical is the adequacy of Ukraine's capital markets to accommodate productive investment of the substantial assets Pillar II will generate. However, the capital markets are unprepared and will require far-reaching legal, regulatory, supervisory and infrastructure reforms to ensure the successful launch of the mandatory accumulation system.

2. More broadly, the development of a well-regulated, broad, deep and transparent securities market and sound NBFI sector is critical for Ukraine to sustain rapid growth and to ensure its successful integration into the EU single market in financial services, as envisaged under the Free Trade Agreement (FTA) currently being negotiated between the European Commission and the Government. In this perspective, Ukraine faces three fundamental challenges: (i) Approximation of Ukrainian legislation with EU securities market and NBFI Directives (Level 1) and Implementing Measures (Level 2); (ii) Mutual recognition between Ukrainian securities market and NBFI regulatory agencies and their counterparts in EU Member States; and (iii) Adaptation of Ukrainian securities market professional participants, NBFIs and securities issuers to the EU single market in financial services. These challenges are examined in detail in a separate Report prepared by the PTAP Team entitled: "Opportunities and Challenges of the EU-Ukraine FTA for the Development of Securities Markets and NBFIs in Ukraine" (PTAP FTA Report, September 2008).

3. The rationale for the Partnership was formulated in a June 2007 World Bank Concept Note on the financial conditions that are required to ensure the successful introduction and development of second pillar pensions, in a Technical Note on Capital Market Development prepared as part of the joint IMF/World Bank FSAP Update in June-July 2007, and in the CMP/USAID's Strategy on Capital Markets Development. The objectives and findings of these Reports were further articulated in a joint USAID/World Bank Position Paper entitled "Developing Securities Markets and Non-Bank Financial Institutions in Ukraine: Key Impediments and Policy Reform Priorities Ahead", presented in September 2007 at the 10th International Forum of Capital Market Participants.

4. The original World Bank *Concept Note* identified the conditions that are critical to successful introduction and development of second pillar reforms. These conditions pertain to four main areas:

- (i) Macro-financial stability and a balanced strategy for financing the transition cost to the second pillar system;

- (ii) A strong legal, regulatory and supervisory framework for securities markets, non-state pension funds (NSPFs) and insurance companies offering retirement products;

- (iii) An efficient financial market infrastructure including payment and securities settlement system, securities trading platform, custodian and depository institutions, and proper accounting, auditing and valuation systems; and

- (iv) A diversified supply of domestic securities in which pension funds will be able to invest, including government securities, municipal bonds and corporate bonds, asset-backed securities and equities.

5. The *joint USAID/World Bank Position Paper* presented a ten-point action plan to remove impediments to securities market and NBFI development, in particular to create the conditions for the introduction of second pillar pensions:

- *(i) First*, the authorities should strengthen the market regulatory and supervisory framework by (i) empowering the regulators to trace the ultimate controllers of financial market entities and carry out economic, fiscal and criminal background checks; (ii) transforming the current regulatory agencies into specialized agencies with the same status as the National Bank of Ukraine (NBU), or integrating them into NBU; and (iii) establishing multi-year twinning programs with counterpart regulatory agencies in European Union (EU) countries using donor support.

- *(ii) Second*, the authorities should implement a well-crafted action plan to strengthen government debt management and develop a government debt market. Donors could support implementation.

- *(iii) Third*, the authorities should undertake a comprehensive reform of the legal and regulatory framework for the sub-national debt market, focusing on (i) increasing sub-national government (SNG) fiscal autonomy, (ii) improving the framework for SNG borrowing, (iii) removing distortions in market incentives, (iv) improving market transparency, (v) establishing a bankruptcy framework for SNGs, and (vi) strictly monitoring connected party lending between banks and SNGs.

- *(iv) Fourth*, the authorities should support development of the equities market through the adoption of the Joint Stock Company (JSC) Law and associated regulations that ensure effective business and financial disclosure of listed companies and their controllers, protection of minority shareholders, and accountability of supervisory and management boards.

- *(v) Fifth*, the authorities should support the development of the market for asset-backed securities through reviewing NBU regulations for risk management of foreign currency and high loan-to-value (LTV) mortgages by banks, adopting a revised legal and regulatory framework for mortgage bonds, privatizing the State Mortgage Institution (SMI), pricing State guarantees of SMI bonds at market, and adopting a Law on Securitization.

- *(vi) Sixth*, the authorities should strengthen securities market infrastructure by (i) tightening information disclosure requirements for first-tier securities; (ii) requiring stock exchanges to establish independent compliance departments reporting to their supervisory boards, (iii) re-licensing all stock exchanges that do not meet minimum activity requirements and (iv) requiring that all off-exchange trades be reported electronically to stock exchanges. Further, the authorities should strengthen clearing and settlement by (i) adopting legislation on multilateral netting, central securities depository, and stock lending and borrowing procedures, (ii) adopting regulations to prohibit acquiring (directly or indirectly) more than 5% of shares in any securities depository and clearing and settlement company, and to allow MFS Depository to open correspondent accounts with depositories abroad. The authorities should streamline the registrar and custodian system, strengthen the accounting and auditing framework, issue regulations for the valuation of infrequently traded stocks, and simplify NBU and Government controls on foreign currency transactions for securities market participants.

- *(vii) Seventh*, the authorities should support development of investment funds through (i) revising the Law on Joint Investment Institutions (JIIs) to allow the establishment of investment funds with compartments and funds-of-funds and the participation of retail investors in Unit Investment Trusts (UITs), (ii) ensuring the political independence and financial autonomy of SSMSC (iii) re-licensing investment funds focusing on tracing and checking their ultimate controllers; (iv) developing risk-based supervision of JIIs, and (vi) exercising oversight over the corporate governance of JIIs.

- *(viii) Eight*, the authorities should support development of voluntary non-state pension funds (NSPFs) by (i) ensuring the political independence of the regulators; (ii) re-licensing NSPFs focusing on tracing and checking ultimate controllers; (iii) developing risk-based supervision of NSPFs, and (iv) exercising oversight over the corporate governance of NSPFs.

- *(ix) Ninth*, the authorities should create the essential capital market conditions for the successful introduction of second pillar pensions, including (i) conducting a detailed assessment of the benefits, costs and risks of alternative financing strategies of the cost of transition to the second pillar; (ii) strengthening the governance framework for the second pillar to ensure that technical criteria prevail in the selection of asset managers and the definition of investment policies, under the supervision of the regulator; (iii) implementing the reforms required to ensure the political independence of the regulators; (iv) implementing the reforms required to strengthen market infrastructure; (v) establishing clear limitations on use of pension fund assets and establishing incentives to attract international

asset managers; and (vi) implementing a comprehensive strategy and action plan to develop the government debt market.

- *(x) Tenth*, the authorities should support development of the insurance sector through laws and regulation meeting international standards, re-licensing insurance companies focusing on ultimate controllers; reforming applicable tax laws, and implementing a re-insurance policy based on prudential rules, corporate governance requirements and supervision.

I.2 Joining Forces and Creating Synergies

6. In June 2007, the World Bank and USAID agreed to join forces in a Programmatic Technical Assistance Partnership (PTAP) to support the Government in implementing this policy reform agenda. On the Bank side, the Partnership brings together experts from the Human Development Sector Unit (ECSHD), the Poverty Reduction and Economic Management Sector Unit (ECSPE) and the Finance and Private Sector Development Unit (ECSPF) of the Europe and Central Asia Region. On the USAID side, the Partnership brings together experts from the USAID/Ukraine Office and its projects: (i) Capital Markets Project (CMP), (ii) Access to Credit Initiative (ATCI); and (iii) some involvement from the Commercial Law Center (CLC) supported by USAID.

7. The PTAP launch visit that took place in September 2007 agreed with the Government to implement an action plan structured around four components, i.e.:

- (i) Supporting pension policy reform, in particular strengthening the fiscal framework for implementation of second pillar and designing a balanced financing strategy for the cost of transition to second pillar;

- (ii) Strengthening the legal, regulatory and supervisory framework for securities markets and NBFIs;

- (iii) Strengthening securities market infrastructure, in particular improvement in transparency and efficiency of stock exchanges and strengthening of the depository system; and

- (iv) Developing the supply of domestic securities, focusing on government bonds.

I.3 Follow-Up Visits and Objectives

8. Over the past year, PTAP follow-up visits were organized every three months with two fundamental objectives. *First*, to carry out in-depth discussions with the Government, NBU, market regulators and market participants on the progress achieved in each area of the PTAP action plan.

Second, to agree with the Government and market regulators on a detailed action plan in the area of capital markets and pension reforms going forward, and on support to be provided by the Partnership for the implementation of this action plan, in close coordination with the European Commission Delegation in Kyiv.

9. The implementation of PTAP is anchored by specific policy reforms in the legal and regulatory environment of capital markets and pension reform, that are included in the Development Policy Loan (DPL II) as future benchmarks. Specifically, DPL-II contains four future benchmarks that are of critical importance for the implementation of PTAP:

- (i) Amendments to the Law on Financial Services and the Law on Banking submitted to the Verkhovna Rada to enable consolidated supervision in the financial sector;

- (ii) Amendments to the Law on Financial Services submitted to the Verkhovna Rada empowering SCSSM and SCRFSM to trace the ultimate controllers of securities market participants and NBFIs and to carry out economic, fiscal and criminal background checks of these ultimate controllers;

- (iii) Government strategy adopted to strengthen the political and financial independence of the SCSSM and SCRFSM, in accordance with international standards; and

- (iv) SCSSM to issue regulation prohibiting any entity (legal or physical) from acquiring (directly or indirectly) more than 5% of shares of any clearing and settlement company.

II. OBSERVATIONS OF THE TEAM: KEY HIGHLIGHTS

10. The PTAP operates in a dynamic political and economic environment. National elections in late 2007 changed the political landscape. In particular,, major progress was achieved in drafting key provisions for the Amendments to the Law on Financial Services, the Depository Law and the Joint Stock Company Law. However, the legislative process in Verkhovna Rada has remained slow. Several laws and amendments expected to be considered before the summer break have not moved forward and while they remain on the Agenda, may face further delays.

11. During the first year, USAID and the World Bank held four joint follow-up visits. This Section presents key findings, achievements and challenges in each of the four PTAP components: (i) Pension reform; (ii) Strengthening the legal, regulatory and supervisory framework for securities markets and NBFIs; (iii) Strengthening securities market infrastructure; and (iv) Developing the supply of domestic securities, focusing on the government bond market.

II.1 Pension reform

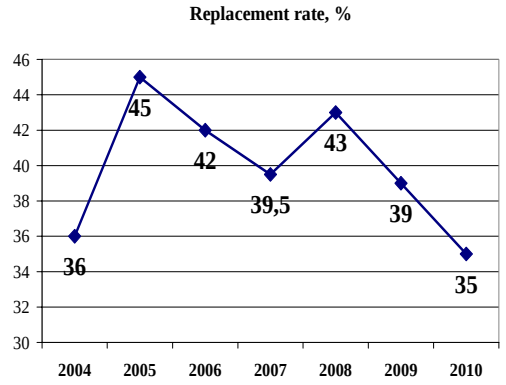
12. The Team organized a series of Roundtables with Government, NBU, market regulatory agencies and market participants to discuss key findings and policy recommendations on pension reform.

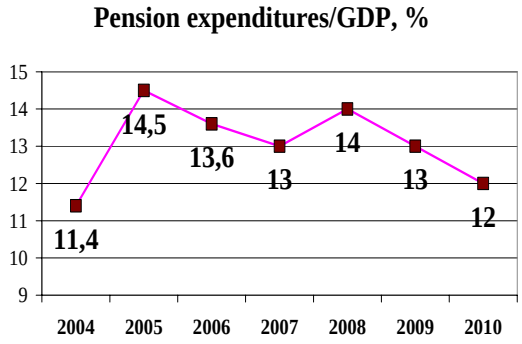
13. Key Analysis and Findings Presented at Roundtables: Under current law, the 2008 parametric changes in the PAYGO system will cause an imbalance in system through mid-2009. Although balance will be restored in the short-term, instability in PAYGO costs will persist. Introducing clear, transparent, and stable indexation rules is a priority to stop the continued swings in replacement rates experienced in the PAYGO system since 2004. At the same time, parametric changes to create savings and restore fiscal soundness to this system are urgently needed.

14. The implementation of the second pillar should be conditional upon achieving long-run fiscal sustainability of the first pillar, establishing the operational systems required for the administration of the second pillar, and establishing a transparent capital market regulated broadly in accordance with international standards. Sustainable Pillar I (PAYGO) finance is one of the most important factors determining the timing, size and tempo of mandatory funded pension pillar development. Furthermore, a balanced PAYGO budget is one of the legal requirements for its introduction. Simulations of PAYGO financial flows should provide answers to policymakers as to whether the setting is right or more has to be done to sustain the multi-pillar pension reform. Based on the results of the fiscal analysis carried out by the Team and on the extent of the capital market reforms required, the implementation of the second pillar will not be feasible by 2009 as planned in the Draft Second Pillar Law, and will need to be postponed to 2010 at the earliest.

15. The PTAP team presented the results based on the pension model, developed and maintained by the local consultants. Results indicate that implementation of the suggested changes would result in a PAYGO deficit of 2% in 2008, replacement rates raising to 45%, and pensions as a share of GDP increasing above 15%.

16. Since 2004, the parameters of the pension system in Ukraine have been changed constantly, resulting in strong swings in the ratio of pensions to GDP and in replacement rates. Following the hikes in pension benefits, balance has been restored or improved mainly by indexing benefits at a rate below inflation so that the real value of pensions fall.





17. The 2008 parametric changes make the pensioners better-off in comparison to 2007. However, pensioners will be worse-off in 2010 as well as and in the longer run. A sharp decline in replacement rates after 2008 may provoke another round of changes to pension parameters, perpetuating the destabilizing cycle of increasing and decreasing real pensions.

18. Introducing clear and transparent indexation rules would stop perpetual swings in PAYGO system parameters. The introduction of full price indexation of pensions in 2009 would preserve the purchasing power of benefits and provide a slower decline in replacement rates. Indexing would yield less fiscal savings than the status-quo option, but could in theory allow for second pillar introduction assuming that the necessary administrative systems are in place and that a transparent capital market regulated broadly in accordance with international standards is firmly established. Fixing the indexation pattern would ensure stability for a second pillar contribution rate that would increase from 2% in the first year to 7% in the fifth year after introduction, as envisaged by the draft legislation awaiting adoption in Verkhovna Rada.

19. Nevertheless, the Government should strengthen the fiscal framework for introduction of the second pillar by implementing parametric changes to the PAYGO system that not only to ensure a manageable transition but also to assure long run sustainability of the first pillar. Moreover, additional savings measures would be needed if the Government decides to launch a stronger second pillar with contribution rate above 2% in the first year. A list of suggested measures is presented below.

20. The Team discussed with the authorities the status and next steps of policy dialogue and analytical work on macro-fiscal-financial scenarios for pension reform. The Team will also continue analyzing pension system developments in the context of the draft second pillar legislation in Verkhovna Rada and provide comments to the counterparts. The Team will help the Government

design a new system of early and privileged pensions in the context of the new multi-pillar pension system.

21. The pension system policy implemented in 2008 temporarily closed the door for second pillar introduction. Recommended policy actions to restore the fiscal space required for the second pillar include:

(i) In 2009 introduce full price indexation of pension benefits;

(ii) In 2009 implement additional parametric changes that generate savings in the PAYGO system. The list of measures include: (i) Gradual increase of retirement age for women to 60 years, starting in 2009; (ii) delaying pension benefit for working pensioners until the pensioner quits working; (iii) elimination of 1% increase of pension benefit for service above 20/25 years for women/men; (iv) revision of pension benefits under special regimes (early retirement, privileged and military).

22. Applying additional policy measures that generate savings in the PAYGO would allow introduction of the second pillar with an initial contribution rate above the currently envisaged 2%. If all proposed measures were implemented, the Pillar II contribution rate could be set at 7% immediately in the first year of implementation. Immediate launch of a stronger second pillar, instead of gradual increase of its contribution rate, would eliminate the political risk underlying raising the second pillar contribution rate and the potential issue of insufficient multi-pillar replacement rates for the oldest second pillar participants.

23. A pension policy should not yield strong swings in replacement rates and pension system parameters should not be revised every two years. Introduction of second pillar absolutely requires as a first step that the indexation rules be fixed to prevent ad hoc politically motivated pension hikes. The team presented an alternative policy based on setting a firm indexation pattern which gives less in the short run but more in the medium run, while preserving the fiscal opportunity for second pillar introduction in 2009. The new indexation rule allows keeping the replacement rate in 2008 at the level of 2007 and results in a slower decline in replacement rates in the long run. While providing more meaningful replacement rates in the future, it allows for second pillar introduction in 2009, depending on technical and administrative readiness.

24. As with Pillar I, Pillar III reforms are also needed. There are indications of problems in all segments of NSPF's operations, including individual accounting and disclosure, asset valuation and unit accounting, custody, portfolio structure, eligible investment, and reporting and supervision practice. There is a general lack of data on the industry performance and practices. For the purpose of PTAP, the team will hire external consultants to screen the current state of the voluntary pension funds industry, identify and analyze the problems, and propose recommendations for improvement.

25. The system seems to be particularly weak along the whole value chain of transparency. There are difficulties in valuation of assets. The role of custodians is very passive. Accounting practices are uneven and there are still doubts as to whether profits and losses should be distributed

to the accounts of members and at what frequency (which translates into the problem of how often should pension unit value be calculated and by what measures). Public disclosure is also very weak.

26. A major weakness is related to prevention of conflicts of interest. Ukrainian pension funds are legal hybrids between common law and civil law models where founders play an important role in initiating a fund and in appointing its Board. Pension funds can invest in securities issued by persons affiliated to founders. Information about relationships between persons surrounding the fund (founders, board members, asset managers, administrators, custodians, their affiliated entities and their ultimate controllers) are not transparent. Regulators' abilities to prevent conflicts of interest are limited and should be substantially extended immediately.

27. Another major weakness is the ability of a large pool of persons (spouse, siblings, parents, etc…) in addition to the participant and the employer to contribute to the participant's account and the lack of a limit on the amount that may be contributed, which caneven exceed the amount of age compensation

28. Even if the whole array of aforementioned problems could be resolved immediately, the limited development of the Ukrainian capital market would still represent a serious obstacle to future growth of pillar III pensions. The lack of transparency of issuers in general; the small number of share issues listed in the 1st and the 2nd tiers, the absence of a government bond market, the large number of illiquid corporate bonds which constitute almost half of pillar III funds' portfolios, and a de facto ban on investment in high quality foreign securities represent major problems.

29. Without rapid improvement of Ukrainian capital markets, it will not be possible to grow the value of assets under management and reach standards of valuation and transparency required under international standards of regulation and supervision for pension funds. In particular, the development of a market for government debt is required not only to develop a meaningful yield curve that can be used as a benchmark for pricing of non-government debt instruments, but also to provide a safe haven investment to be used by pension funds. This is particularly worrisome in an environment where investment abroad is practically non-existent. The absence of foreign investment and government bond investment forces pension funds towards exposures that they would not otherwise prefer.

30. The development of equity markets through promoting IPOs and SPOs is required as well. In addition, regulators should focus on decreasing operational risks by promoting the establishment of a Central Depositary for securities' clearing and settlement of securities.

31. Highlights of Key Meetings: The following are pension reform highlights by pillar:

(i) First pillar. The team discussed with the Ministry of Labor and Social Policy (MLSP) introduction of a fixed CPI indexation rule and further parametric PAYGO reforms in 2009 to stabilize pension finance, prevent random pension hikes, and support the introduction of the second pillar in the future. The team was informed that the options for the PAYGO parametric changes that will accompany the indexation rule are still being considered and evaluated by the modeling team in

the Institute for Demography and Social Studies. The PTAP team will continue to work with the modeling team on simulating alternative scenarios.

(ii) Second pillar. The team also discussed with MLSP the introduction of a second pension pillar and a single social contribution as a vehicle for the establishment of the needed administrative framework for second pillar operations. The Law on Single Social Contribution (SSC) has been submitted to the second reading in September 2007, and has not been discussed since. Among other aspects that the SSC Law regulates, it sets the PFU's responsibility for collection of contribution reports, individual record keeping and establishment of centralized databases, all being the prerequisites for establishment of centralized clearing and individual accounts system in the PFU, as stipulated in the legislation. The Law on Second Pension Pillar has been pending second reading in Verkhovna Rada. The key three parameters the Law should set, i.e. the implementation date, the cutoff age and the contribution rate, have been discussed at the Rada's working group established for this purpose. The team was informed that a postponement of the second pillar implementation date to January 2010 has been considered for fiscal and administrative preparedness reasons. The team agrees that postponement of the second pillar implementation by one calendar year is needed. Indeed, even if the SSC law was passed expediently, we estimate it would need at least one calendar year to be implemented.[1] Regarding second pillar key parameters, the current draft envisages a cutoff age of 40 and a contribution rate of 2% steadily growing to 7% in five years. The team believes there is a public choice to be made between a larger contribution rate for a smaller number of participants and a smaller initial contribution rate for a larger number of participants in the second pillar. There are pro and cons with both and a rich international experience and the team will continue discussing them with the working group and MLSP, with the objective to inform Ukrainian decision makers.

(iii) Third pillar. The team participated in a round table on voluntary pension system, organized by the SCRFSM, with participation of the financial industry, the Government, and donors, to discuss open issues in voluntary pension system, proposed changes in the Non-State Pension Funds law and the supervision practice to improve its implementation. The key document referenced at the round table was the Report on Voluntary Pension Funds, produced by the team and presented to the counterparts in December 2007. During the workshop, the team reiterated the key conclusions from the report, including the need to clearly define unit valuation procedures, improve system transparency and strengthen supplementary regulations and supervision procedures. The team also stated that USAID and the Bank will continue to provide support to the SCRFSM and the Government in that respect.

II.2 Reform of legal, regulatory and supervisory framework for securities markets and NBFIs

[1] Anticipating the passage of the SSC Law, the PFU has taken steps to shorten the time for its implementation, such as starting the work to create a system of electronic signatures infrastructure, needed for electronic submission of reports. PFU's view is that the administrative system in the PFU to support second pension pillar could be within 6 months of enactment of the SSC Law.

32. Over the past year, several factors significantly improved the overall policy and institutional environment for capital market reforms. *First*, the proposed inclusion of financial services under a deep Free Trade Agreement (FTA+) between Ukraine and the European Union would create major opportunities and challenges for the development of the Ukrainian capital market over the medium to long-term: (i) approximation with EU capital market Directives, (ii) mutual recognition of Ukrainian financial sector regulators with their EU counterparts; and (iii) adaptation of market participants to the new competitive environment.

33. *Second*, the inter-agency Task Force organized by the Office of the President to develop a Presidential Decree on Emergency Measures for Securities Market Development produced a comprehensive set of policy and institutional reform proposals implementation of which would have a major impact on developing modern transparent securities markets and setting the course for integration with the EU single market over the medium-term.

34. At the request of the Office of the President, the Team reviewed the Draft Decree and provided detailed comments. This paper has attempted to identify and focus attention on the most critical impediments to development of a transparent and fair capital market in Ukraine. It is hoped this will lead to further discussion, and eventually to agreement on priorities for removal of these impediments. However, it is not clear at this point whether such a Decree will be issued.

35. The authorities are pursuing the reform of the legal, regulatory and supervisory framework for securities markets and NBFIs under the overall umbrella of the Association Agreement (AA) and of the deep Free Trade Agreement (FTA+) currently being negotiated between the Government and the European Commission. Specifically, the FTA+ will require approximation of Ukrainian legislation with EU securities market and NBFI Directives (Level 1) and Implementing Measures (Level 2) (See PTAP FTA Report, September 2008)).

36. The European Delegation in Kyiv is supporting a legal gap analysis of Ukrainian legislation vs. EU Capital Market Directives under the EUROPEAID/119860/C/SV/multi Grant. This analysis is structured around two studies. The first study consists of a legal gap analysis vs. all EU securities market Directives with the exception of MiFID. The study has just started and will be completed by early 2009. The second study will consist of a legal gap analysis vs. the MiFID Directive. It will start in the second half of 2008 and is scheduled to be completed in mid-2009.

37. As for the progress achieved in specific policy reforms, the PTAP team extensively commented on the following:

(i) *Amendments to the Law on Financial Services* to empower financial sector regulators to trace the ultimate controllers (UCs) of regulated entities and to carry out economic, fiscal and criminal background checks of UCs. SCRFSM explained that a revised Draft Law has been prepared integrating comments received from NBU as well as several comments received from the Bank. However, the revised Draft Law maintains the threshold for sufficient participation at 10%. The team's solid position is that the threshold for sufficient participation should be set at 5% in accordance with the best international practice.

(ii) *Preparation of strategies to increase political independence and financial autonomy of SCRFSM and SCSSM*. SCRFSM is currently preparing a strategy paper to increase political independence and financial autonomy of SCRFSM and that the strategy paper was planned to be produced by July 2008. SCSSM explained that the recent decision of the Constitutional Court nullifying the Presidential Decree on SCSSM places it in a position of legal uncertainty, and therefore that it does not plan to prepare a similar strategy paper at this stage. Both SCRFSM and SCSSM recognized that the requirement for political independence of regulators, including financial sector regulators in the Association Agreement between Ukraine and the European Commission will require the authorities to bring Ukrainian legislation in conformity with the requirements of the AA and specifically to prepare new Laws for SCRFSM and SCSSM that establish the political independence of the two regulators. Both SCRFSM and SCSSM management requested that the Bank support the preparation of these two Laws in accordance with international standards under the TA component of the IBRD Access to Financial Services Project (AFSP). The team indicated that such request would need to be submitted to MOF for review and approval.

(iii) *Preparation of a new Law on Depositories, including limitation of maximum direct or indirect ownership share by a physical or legal entity in any depository to a maximum of 5%*. SCSSM indicated that the Draft Law has been circulated among relevant Government ministries and agencies for comments and that it will prepare a revised draft Law integrating comments received by mid-July 2008. The Economic Policy Committee of the Cabinet of Ministers approved a draft Depository Law. . A depository law that establishes a Central Depository will allow the AUSD with assistance from NASDAQ/OMX, to assume the role of the sole central clearing and settlement depository. This will be a groundbreaking event for Ukraine's Capital Markets.

38. SCSSM Senior Management indicated that the Commission issued a regulation requiring that all on-exchange trades be settled by the depository using DVP settlement starting November 24, 2007 (See SCSSM Decision #1001 of 10/17/2006 registered with Ministry of Justice on 11/13/06 and effective as of 11/23/07). SCSSM further indicated that they intend to conduct inspections of stock exchanges, trading systems and depositories to verify their compliance with the regulation, and intend to impose sanctions, including revocation of licenses in case of non-compliance with the regulation. The Team took good note of this positive development and encouraged SCSSM to enforce the new regulation vigorously.

39. The team further recommended that SCSSM adopt three additional regulations to improve market efficiency and transparency: the trade concentration rule, OTC trade processing and reporting regulation, and mandatory trade reporting regulation.

(i) Trade concentration rule. This regulation would require all trades in securities of listed corporations to be executed through the exchange where they are listed. CMP Senior Staff have drafted this amendment for the proposed Joint Stock Company Law currently in the Verkhovna Rada. The SCSSM requested the CMP prepare recommendations for amendments to Regulation #1449 on Rules for Traders. The proposed amendments were drafted to require traders to report trades of listed companies to the exchange on which they are traded (concentration rule) and off-

exchange (Over-The-Counter or OTC) trades to a licensed exchange furthering the objectives of PTAP. Given the slowness with which the Rada is passing legislation, the team believes that additional efforts should be focused on the implementing regulations which can be modernized more efficiently to accomplish the necessary change in the legal/regulatory framework. The concentration rule does appear in proposed amendments to the Joint Stock Company law draft which was sent by the SCSSM to the Economic Policy Committee of the Verkhovna Rada and considered on Wednesday, June 4, 2008. The Committee unanimously approved the draft and sent it to the Rada for the second reading. Unfortunately, political events in the Rada prevented the law from being considered by the full Rada in the summer prior to Rada's vacation. Passage of this law would bring Ukraine closer to international standards on such issues as transparency, disclosure, corporate governance, shareholder rights and improving liquidity of Ukraine stock exchanges. It remains a priority issue for the PTAP team, but the team will also work to achieve important goals embodied in the legislation via regulations, decrees and other methods as possible.

(ii) OTC trade processing and reporting regulation. This regulation would require that (i) all brokers adopt the Transaction Reporting System (TRS) in operation in the EU within one year of regulation issuance. Failure to meet this deadline would lead to sanctions, including suspension of license; (ii) all OTC securities trades be executed through a TRS-enabled broker; and (iii) brokers report all OTC trades to a TRS-enabled exchange at T+3 minutes (see (iii) below). CMP Senior Staff have drafted amendments to the Law on Securities and the Stock Market to accomplish these goals and submitted them to the SCSSM for consideration and recommendation to the Cabinet of Ministers.

(iii) Mandatory trade reporting regulation. This regulation would require that (i) all exchanges adopt TRS within one year of regulation issuance. Failure to meet this deadline would lead to sanctions including suspension of license; and (ii) all exchanges report on-exchange and OTC trades to SCSSM through TRS on-line. SCSSM Senior Management indicated that they would welcome the support of the PTAP Team to prepare regulations to require trade reporting through TRS and to implement TRS at SCSSM in the framework of the planned twinning program. The Team indicated the full readiness of the PTAP Team to do so. In this context, SCSSM management indicated to the team that a proposed Law requiring that trades of shares of large "strategic" corporations take place on exchanges was submitted by SCSSM to the Cabinet of Ministers (COM), adopted by COM and sent to the Verkhovna Rada in 2007. However, the proposed Law did not pass the first reading before the elections and will be resubmitted to the Verkhovna Rada.

40. Opening of correspondent accounts with foreign depositories. SCSSM has established a working group on the opening of correspondent accounts with foreign depositories. The working group consists of SCSSM, NBU, NDU, MFS and CMP. The working group was preparing a model contract and a list of amendments to the laws and regulations that impede the establishment and operations of correspondent accounts. The working group was also preparing new regulations that may be necessary. In parallel, at the request of its members, MFS is in discussions with several foreign depositories that have expressed interest in establishing correspondent relationship with MFS.

41. Development and implementation of guarantee fund. MFS has explored options for the development of a guarantee fund with the support of the USAID CMP. The objective of the guarantee fund is to provide for the payment of an indemnity against default with respect to payment for, or delivery of securities by participants and of obligations of participants towards the depository. A CMP Consultant worked in Kyiv to analyze design options and make recommendations on guarantee fund development and implementation in early 2008.

42. DVP capability. MFS indicated that it has achieved full DVP capability, and is ready to serve the move to DVP by all exchanges. PFTS Senior Management indicated that the order-driven system is ready to process trades on a DVP basis, but that all trades are still processed through the quote-driven system and settled FOP.

43. The following remains key priorities for regulatory and supervisory reform of securities markets and NBFIs:

(i) Approximation of Ukrainian securities market and NBFI legislation and regulations with EU Directives. In light of the requirements of the planned deep Free Trade Agreement (FTA+) with the European Union, SCSSM and SCRFSM will need to approximate Ukrainian securities market and NBFI legislation with EU Directives. This includes approximation of Ukrainian securities markets and NBFI Laws with EU Level 1 Directives, as well as approximation of Ukrainian securities markets and NBFI regulations with EU Level 2 Directives. (See PTAP FTA Report September 2008);

(ii) Strengthening of licensing procedures. Following the adoption of the revised Law on Financial Services, SCSSM and SCRFSM will need to strengthen their licensing procedures, specifically to trace the ultimate controllers of securities market professional participants and NBFIs and to carry out economic, fiscal and criminal background checks on these controllers. As stipulated in the revised Law on Financial Services, all existing professional market participants and NBFIs will be required to disclose their ultimate controllers to SCSSM and SCRFSM within a specific deadline following the adoption of the Law. As a result, the regulatory agencies will need to build their capacity to investigate the ultimate controllers of licensed entities in anticipation of the coming into force of the new legislation, both domestically and abroad, and be equipped to enforce sanctions, including fines, suspension of licenses, and/or revocation of licenses to entities that do not fully and accurately disclose their ultimate controllers, or whose ultimate controllers do not pass the economic, fiscal and/or criminal background checks.

a. SCSSM and SCRFSM will need to prepare enhanced licensing procedures for professional market participants and NBFIs compatible with EU Level 2 Directives. These should cover enhanced governance and conduct of business procedures for financial brokerages, exchanges, depositories, custodians, registrars, investment fund and pension fund asset managers and administrators, and insurance companies. These should include in-depth regulations for the segregation of client accounts at custodians and the protection of customers accounts in case of bankruptcy of custodians, in-depth regulations for the calculation of net asset value by investment funds and pension funds and for the calculation of pension units by pension funds, methodologies

for the valuation of infrequently traded assets by investment funds and pension funds, and increasing the responsibility of custodians for checking the valuation of pension fund and investment fund assets. This should be supported by a roundtable with EU regulators to share best practice in licensing procedures for professional securities market participants and NBFIs. This roundtable would cover best-practices in licensing and regulation of custodians.

b. SCSSM and SCRFSM will need to establish systems for tracing ultimate controllers of professional securities market participants and NBFIs. These systems will need to enable tracing the affiliation of founders of investment funds and pension funds, other entities related to investment funds and pension funds and affiliated persons.

c. Finally, SCSSM and SCRFSM will also need to strengthen their cooperation with domestic law enforcement and tax authorities, and to develop detailed MOUs with regulators in major OECD countries, in particular with regulators in EU and EEA Member States to share economic, fiscal and criminal information about ultimate controllers of professional securities market participants and NBFIs residing abroad.

(iii) Strengthening supervision procedures. SCSSM and SCRFSM will need to strengthen on-site and off-site supervision procedures of professional securities market participants and NBFIs by the regulators. This will require building their capacity to exercise effective risk-based supervision of professional securities market participants and NBFIs based on the EU Capital Requirement Directive.

a. Regulations will need to be developed to enhance the intervention powers of the regulators in case of liquidation and/or mergers of pension funds. Specific regulations will need to define the extreme conditions under which the regulators can step in place of the Board of the pension fund and/or administrator in order to protect members' interests, based on best international practice.

b. SCSSM and SCRFSM will also need to enhance their tax due diligence capacity for securities market professional participants and NBFIs, in particular for pension funds and insurance companies that are suspected of being used as vehicles for tax evasion. They will need to review existing regulations to ensure that the regulators have enhanced powers to detect and prosecute cases of tax evasion by these entities, in collaboration with tax authorities and law enforcement agencies. This applies to pension funds during the accumulation and pay-out phase.

c. The regulators will need to revise NSPF regulations on segregation of funds reserved for finance-defined term withdrawals and funds held on individual account during the accumulation phase.

d. Finally, the regulators will need to revise NSPF regulations on the distribution of gains and losses on invested assets to provide for daily distribution of the full value of pension fund assets.

(iv) Strengthening market surveillance. SCSSM will need to strengthen its market surveillance capacity. As a matter of priority, SCSSM will need to acquire a Trade Reporting System (TRS)

compatible with TRS systems used by EU market regulators and analytical software to detect suspicious transactions. Commission staff will need to be trained in the detection and investigation of suspicious transactions using this analytical software.

(v) Strengthening enforcement. The regulators will need to strengthen their capacity for enforcement, including investigation, prosecution of cases with law enforcement agencies and in the courts, and application of sanctions.

a. SCSSM and SCRFSM will require significant support to strengthen their institutional capacity in order to implement these priority reforms. Twinning programs between the two regulators and an EU regulator would contribute significantly to achieving this objective; as such programs would help raise the capacity of the two regulators closer to their EU counterparts over time.

b. The World Bank stands ready to finance twinning programs between SCSSM and SCRFSM and EU regulators in the framework of the technical assistance component of the IBRD Access to Financial Services Project (AFSP). The objective of the twinning programs will be to support the two Commissions' convergence with IOSCO, IAIS and IOPS international standards of regulation and supervision and thereby making progress toward eventual mutual recognition with EU regulatory agencies. The twinning programs will include support to SCSSM and SCRFSM to approximate Ukrainian securities market and NBFI legislation with EU Capital Market Directives, based on the results of the legal gap analysis being supported by the EC Delegation. The twinning programs will also support the strengthening of SCSSM and SCRFSM across all their functions, including licensing, risk-based supervision, market surveillance, and enforcement . The PTAP team together with SCSSM and SCRFSM has finalized the TORs for potential twinning partners and submitted the draft ToR for review to MOF. It is anticipated that this program will run three-four years and include: training programs consisting of seminars, workshops, roundtables and other events in both countries; secondment of senior SCSSM and SCRFSM staff to the staff of the twinning partner in its central regulatory office; secondment of a senior staff member from the twinning partner to work with his/her counterpart and provide day-to-day guidance and coaching; assistance by the twinning partner in evaluating, recommending and commenting on existing regulations and in preparing new regulations; and educational and study tours for the Ukrainian regulators to selected countries to participate in relevant training activities.

c. USAID has been supporting a training program for SCSSM staff by US SEC, consisting of (i) participation of SCSSM staff to US SEC Institute in Washington DC (April 2008), and (ii) delivery of specific training modules on site for SCSSM staff. As part of this program, a first group of 12 SCSSM staff participated in the US SEC Institute training course held in Washington DC in April 2008, and the US SEC provided one week of training to the SCSSM in Kyiv in June 2008. The US SEC team plans to return to Kyiv for a follow-up training at six months intervals. The training on international standards and practices covers virtually every aspect of securities markets regulation and includes speakers from both the SEC and private industry. The recently established training initiative for Ukrainian regulators in cooperation with the U.S. SEC is designed to gain critical understanding on the development, operation, and regulation of securities markets.

II.3 Securities market infrastructure

44. The team discussed with the authorities and with key market participants the latest developments in the transformation of Ukrainian securities market infrastructure and the actions undertaken under PTAP in support of this effort.

45. Technology Transfer in the Stock Exchanges and Depository: During this year, discussions have intensified between several Ukrainian exchanges and EU/US exchanges on modernizing their technology. On June 5, 2008, the PFTS Exchange announced a strategic alliance with the Moscow Inter-Currency Stock Exchange (MICEX) to adopt a version of the NASDAQ/OMX trading platform. On June 9, 2008, the Ukraine Inter-Currency Exchange (UICE) announced a Memorandum of Intent to bring the NASDAQ/OMX trading platform to Ukraine, while the NBU announced an agreement with NASDAQ/OMX to provide guidance on the post-trading platform to create an international trading hub with correspondent relationships globally. The latter represents another step toward the anticipated merger of the MFS and the AUSD into a Central Depository which the National Bank would own 25% and current MFS shareholders approximately 60%. The merger would position the AUSD to become Ukraine's Central Depository, thus meeting key G-30 international criteria for depositories while also enabling AUSD to be recognized by other EU country depositories. The NASDAQ/OMX technology will help create a seamless flow of information to assist in efficient operations of clearing and settlement for the market. Two competing stock exchanges have now acquired technology to improve operations of their trading platforms and it is anticipated this will further increase healthy competition for shares in the Ukrainian market.

46. *Central Depository*: A long standing issue in the local Capital Market was finally settled on February 14, 2008, with the establishment of the All Ukraine Securities Depository (AUSD) by 21 private market participants and the National Bank of Ukraine. The private membership includes 2 stock exchanges (PFTS and UICE) and 19 prominent, mostly international, banks. This clears the way for an AUSD and MFS merger, forming a modern Central Depository which brings Ukraine into conformity with G-30 international standards. Approximately 60% of the statutory capital will come from current MFS owners. The Senior Management of AUSD and MFS confirmed to the team their plans to proceed with a merger of the two entities. Outstanding progress has been made in the establishment of a Central Securities Depository with the anticipated merger of MFS and the newly established AUSD. However, key to this relationship becoming cemented is the continued support of the NBU, SSMSC and the successful completion of the proposed merger.

47. NASDAQ/OMX's agreements to bring its state of the art trading platforms to Ukraine this year and the joint initiatives to establish a world class central depository, which will facilitate international trading and settlement of securities, is a major accomplishment for Ukraine.

48. PFTS Members to Report Trades Executed Off-Exchange: On May 26, the PFTS Exchange Board approved a decision to make it obligatory for PFTS members to file, on a continuing basis, reports on off-exchange trades (hereinafter referred to as 'reported trades') with securities listed on PFTS. PFTS members will file information on reported trades with PFTS listed

securities via a PFTS trade terminal no later than on the next day following the trade execution date. This information will be posted on the official PFTS site, in the "Reporting" section. It is essential to note that these are not settled trades, simply contracts that may or may not be settled at a future date. However, the new requirement includes previously unreported contracts thus giving the regulator and market participants more information than previously available. This is an important step in promoting transparency.

49. These developments constitute potential breakthroughs for Ukrainian securities market infrastructure. For example, the adoption of the cutting edge trading and post-trading technology of NASDAQ/OMX by stock exchanges and AUSD could attract considerable liquidity from financial brokerages seeking best execution, and could contribute handsomely to the integration of the Ukrainian securities market in the EU single market and in the transatlantic securities market, thereby providing access to a massive liquidity pool for Ukrainian issuers.

50. The team supported the SCSSM in drafting of a new regulation that will enable all existing depositories to establish correspondent agreements with other international CSD organization and will help the formation of a Central Depository.

51. At the same time, these developments have direct implications for market surveillance. As the Ukrainian securities market infrastructure adopts cutting edge trading and post-trading technology, the SCSSM will need to implement a modern market surveillance technology at par with the technology implemented by EU regulators. In particular, SCSSM will need to acquire, test, and implement the Trade Reporting System (TRS) used by securities market regulators in EU Member countries, and overlay some modern market surveillance software to detect fraudulent market practices. SCSSM requested support from the IBRD Access to Financial Services Project (AFSP) for the acquisition, testing, installation and maintenance of the TRS system. The team indicated that this request would need to be submitted to MOF for review and approval.

52. The team is concerned with the status of preparation of the new regulation on trade concentration, and the status of enforcement of the regulation regarding DVP settlement of on-exchange trades. SCSSM indicated that it is proceeding with the issuance of the trade concentration rule shortly, and that it intends to enforce the DVP settlement rule forcefully on all exchanges. SCSSM shared their concern that based on the most recent examinations of all stock exchanges, none implement DVP, and only two stock exchanges have electronic signatures necessary for DVP settlement.

II.4 Government bond market development

53. In March 2007, the USAID's Access to Credit Initiative (ATCI) in cooperation with the World Bank, the OECD, and the IMF, co-sponsored a debt management forum with the Ministry of Finance (MOF). This forum for senior policy makers focused on the need to develop the domestic treasury market and construction of a long - term treasury yield curve for reference pricing. The forum produced a summary note with a plan of action and recommendations for implementation.

54. Since an aspect of PTAP includes development of the domestic treasury market and long-term yield curve, ATCI and WB Treasury (Team) are cooperating to facilitate this development.

55. The Team presented the MOF with a detailed set of reforms that would enable the government to meet its objectives for improving the structure of its government debt portfolio while promoting formation of an active and liquid market in government securities. To address requisite changes in portfolio structure, reforms were directed at building institutional capacity through development of a debt management office that could design and implement a debt management strategy. To increase the appetite of institutional investors for government securities in Hryvnyas and to reduce the cost of funding in local currency, recommendations included formation of primary dealers and moving to market pricing when conducting auctions.

56. The scope of the Draft Plan was limited to the priorities set in the DMO policy note and was to be complemented by upgrading the legal framework and strengthening the internal organization of the DMO. Consolidation of primary and secondary legislation in line with EU best practices was to be done in parallel with implementation of the present Reform Plan in order to enhance the probability of successful outcomes and permanence of reform.

57. This joint effort has resulted in the Ministry preparing a Debt Management Concept Note. ATCI/WB treasury response to the Concept Note has resulted in a Reform Plan of Action that generally divides activities between debt management (WB treasury) and debt market development (ATCI).

58. In this context, the Ministry of Finance of Ukraine has publically announced its intentions to increase domestic borrowing (in UAH) to fund its budgetary needs using benchmark issues 2, 5, 7, and 10 years.

59. To begin, the Ministry is looking for ways to improve primary market conditions that would allow it to increase its access to funding at minimal cost. Although rates on treasuries set at auction have been increasing, the use of market pricing has yet to occur. However, auction volume and an issuance calendar have been announced. Once auctions are conducted at market and, based on market response, MOF plans on inviting participating banks that meet selection criteria to become primary dealers. Additionally, the MOF would like to develop the capacity to conduct repo - reverse repo transactions in order to minimize the costs associated with such issuance. Recently, the MOF has acknowledged the importance of coordinating repo – reverse repo activities with the National Bank of Ukraine.

60. The Team has discussed at length the impediments to MOF issuance at market. One stumbling block to market issuance remains the inability of the MOF to earn interest on its balances in the Single Treasury Account (STA) at the NBU to offset the perceived cost to the Ministry of Finance of issuing debt at market. (Financial flows between two public sector institutions do not have any significant effect on a country's budgetary position.) By engaging in reverse repos, the MOF would be in a position to earn interest on the money borrowed to minimize the cost of going to market pricing. However, this approach provides the Ministry of Finance with the ability to initiate

secondary market transactions that directly affect bank liquidity - traditionally an activity within the purview of monetary policy and the NBU. ATCI team members along with the IMF representative, U.S. Treasury advisors and market participants have been working on developing an alternative approach that would encourage issuance of domestic government debt at market interest rates without the MOF using reverse repos. This approach does require some cooperation (fee or interest rebates) from the NBU to be effective.

61. Separately, ATCI is negotiating with AKK, the Hungarian Debt Management Agency to send a senior executive to the MOF in order to advise on building reverse - repo capacity and requirements for primary dealers. These activities are expected to last through June of 2009 after which, WB Treasury would begin technical assistance in cash management with emphasis on risk controls, risk management, and risk optimization.

62. The team learned that mandatory credit ratings and use of the Cabinet of Ministers' national scale continue to have a detrimental effect to issuers of bonds. Frequently, companies use private placements to avoid the mandatory credit rating and its associated cost. On average, it takes the domestic rating agency 60 days to rate a company, while international rating agencies do it within a week. Market participants commented that domestic credit ratings were of little use to assess investment risk. The team recommends that the GOU makes credit ratings voluntary and market driven and eliminate the use of a national scale introduced by the Cabinet of Ministers.

III. PRIORITIES AHEAD: A POLICY REFORM ACTION PLAN

63. Politics remain a key variable as the policy intentions and stability of the government will have an important influence on the achievement of capital markets and pension reform. The willingness of the government to continue support for essential new legislation like the new draft Joint Stock Company Law and the Pillar II (Mandatory Accumulation) Pension Law is critical. Both these laws have been submitted for next readings, but to date a lack of Rada consideration of a vote has posed challenges to economic reform and to the achievement of PTAP objectives.

64. The GOU needs to take action to eliminate present restrictive policies on currency flow and broaden the scope of its privatization program to include listing and initial public offerings (IPOs) of state-owned enterprises on the regulated securities markets. The development of a government bond yield curve is important for both financial markets and pension reform. This appears to be gaining traction but the lack of work by the Rada continues to jeopardize success.

65. Major reform challenges remain ahead on the road to the development of a transparent and well-regulated securities market. First, the political independence, financial autonomy, investigation powers, market surveillance, risk-based supervision and enforcement capacity of SCSSM and SCRFSM need to be strengthened considerably in order to bring them closer to international standards of regulation and supervision. In particular, we recommend that both regulators implement without delay comprehensive, multi-year twinning programs with an EU regulator. Second, stock exchanges should move to full DVP settlement in collaboration with MFS without further delay, and

they need to further enhance strategic alliances with major international exchanges. MFS needs to be merged with AUSD to form a reliable single central clearing and settlement depository as soon as practicable. Third, the Sovereign Debt Department at the Ministry of Finance needs to implement its domestic government bond market development plan in close coordination with NBU. And fourth, the GOU should make credit ratings voluntary and market driven and eliminate the use of a national scale introduced by the Cabinet of Ministers.

66. Going forward , the capital market policy reform environment may be shaped by the planned Free Trade Agreement (FTA) between the European Union and Ukraine. The FTA would imply (i) approximation of financial sector laws and regulations with EU Directives adopted under the EU Financial Sector Action Plan (the "Lamfalussy Plan"), both during the negotiation period ahead of FTA ratification for a first set of Directives, and during a transition period following FTA ratification for a second set of Directives; and (ii) mutual recognition between Ukrainian financial sector regulatory agencies and their counterparts in the EU Member States at some stage in the FTA process. With respect to securities markets and NBFIs, the FTA will imply approximation with several EU Directives including the Market Abuse Directive, the Prospectus Directive, the Takeover Bid Directive, the Markets in Financial Instruments Directive (MiFID), the Transparency Directive, the Capital Requirement Directive, the Undertakings of Collective Investment in Transferable Securities Directives (UCITS III), the Solvency II Directive Proposal, the Institutions for Occupational Retirement Provision (IORPs Directive), the Directive on Acquisition and Increase of Holdings in the Financial Sector, the Directive on Supplementary Supervision of Financial Conglomerates, and the Directive on Combating Money Laundering and Terrorism Financing (See PTAP FTA Paper, September 2008).

67. Addressing this policy reform agenda will require careful prioritization and sequencing of actions over the short, medium and long-term. The below action matrix below outlines PTAP support for the next year to implement the reform agenda.

68. The USAID and the World Bank stand ready to support the Government to design and implement the proposed policy reform agenda and action plan through a broad range of instruments, including Development Policy Loans, the proposed PTAP, the AFSP (incl TA component to SCRFSM), ongoing USAID projects including CMP, ATCI and CLC Projects, and possible additional TA grants through the FIRST Program managed by the World Bank. The PTAP team acknowledges the importance of coordination with the EU programs.

Table I: PTAP Action Matrix for the 2nd Year of PTAP Implementation

Reform Action (Counterparts)	June 08	December 08	June 09	Partnership Support
1. Support pension policy reform				
Establish fiscal conditions for	Monitor implementation	-Update simulations and	-Update simulations and	ECSHD/ECSPE 1/

Reform Action (Counterparts)	June 08	December 08	June 09	Partnership Support
introduction of second pillar pensions (MLSP/MOF)	of follow-up mission policy recommendations	policy recommendations -Monitor implementation of follow-up mission policy recommendations	policy recommendations -Monitor implementation of follow-up mission policy recommendations	
Finalize necessary amendments to pension reform legislation		-Monitor developments in the Rada	-Monitor developments in the Rada	ECSHD/ECSPE 1/CMP
Design financing strategy for cost of transition to second pillar (MLSP/MOF)			-Prepare simulations and policy recommendations -Organize roundtable with stakeholders	ECSHD/ECSPE 1/
2. Reform legal framework for securities markets and NBFIs				
Implement ongoing securities market policy reform package (SCRFSM,SCSSM, NBU)	-Promulgate Presidential Decree on Securities Markets -Submit amendments to Law on Financial Services to Rada -Prepare strategies for increased political independence and financial autonomy of SCSSM and SCRFSM -Draft new Depository Law	Follow-up implementation of policy reform package	Follow-up implementation of policy reform package	ECSPF/CMP 1/

Reform Action (Counterparts)	June 08	December 08	June 09	Partnership Support
Approximate legislation with EU capital market Directives (ex MiFID) (SCSSM)		-Complete gap analysis, -Prepare paper on "Challenges and Opportunities of EU-Ukraine FTA for the Development of Securities Markets and NBFIs in Ukraine"	-Carry-out approximation (ongoing)	ECSPF (EU grant) 1/
Approximate legislation with EU insurance Directive (SCRFSM)		-Complete gap analysis -Prepare paper on "Challenges and Opportunities of EU-Ukraine FTA for the Development of Securities Markets and NBFIs in Ukraine"	Carry out approximation (ongoing)	ECSPF (EU grant) 1/
Approximate legislation with EU MiFID Directive (SCSSM)		-Prepare paper on "Challenges and Opportunities of EU-Ukraine FTA for the Development of Securities Markets and NBFIs in Ukraine"	Launch gap analysis	ECSPF (EU grant) 1/
Implement twinning program between SCSSM and SCRFSM	Prepare Terms of References	Implement twinning program Phase I	Implement twinning program Phase II (ongoing)	ECSPF/CMP 1/
Support US SEC Training Program for SSMSC	-Implement module 1 in Kyiv -Support participation in	-Implement module 2 in Kyiv	-Implement module 3 in Kyiv -Support participation in	CMP 1/ ECSPF

Reform Action (Counterparts)	June 08	December 08	June 09	Partnership Support
	April 08 US SEC Institute		April 09 US SEC Institute	
3. Strengthen market infrastructure				
Identify strategic alliance between Ukrainian exchange and EU/US exchange (SCSSM, Stock Exchanges)	Facilitate market assessment by EU/US exchange	Complete market assessment by EU/US exchange	Facilitate the identification of Ukrainian target for strategic alliance with EU/US exchange	CMP1/ECSPF
Explore modern Trade Reporting System (SCSSM, Stock Exchanges)	Request made to the team	Support identification of appropriate TRS for purchasing	TRS purchased and Installation of TRS at the SSMSC and exchanges started	ECSPF/CMP/
Assist in merger of MFS into AUSD (AUSD, MFS, NBU)	Assist in the merger (valuation and legal analysis)	Merger plan developed and approved	Merger of MFS into AUSD occurred	CMP 1/
4. Support development of domestic bond market				
Implement government bond market development strategy (MOF)	Design strategy implementation plan	Implement strategy –	Implement strategy (ongoing)	ATCI/BDM 1/
Develop and implement government debt management strategy (MOF)		Develop strategy- AKK advises on reverse repos and primary dealer	Design strategy implementation plan	BDM/ECSPE/ECSPF 1/
Develop SNG debt market (MOF)		Design reform of SNG borrowing framework	Implement reform of SNG borrowing framework (ongoing)	ECSPE/ECSPF/ ATCI 1/

1/ Legend

ATCI: USAID Access to Credit Initiative

BDM: World Bank Banking and Debt Management Unit
CMP: USAID Capital Market Project
ECSHD: World Bank Europe and Central Asia Human Development Sector Unit
ECSPE: World Bank Europe and Central Asia Poverty Reduction and Economic Management Sector Unit
ECSPF: World Bank Europe and Central Asia Finance and Private Sector Development Sector Unit

The PTAP team looks forward to work in close collaboration with the Government in further developing and implementing this Partnership in support of the development of capital markets and pension reform in Ukraine.

Table II: The joint team of World Bank/USAID experts (current composition)

Team Coordinators	Position
Mr. Michel Noel	Lead Financial Specialist, Co-team Chief, TTL, ECSPF
Ms. Natalia Berezhna	Project Management Specialist, Co-team Chief, USAID/Ukraine
Mr. Pablo Saavedra	Senior Country Economist, ECSPE, Senior Advisor to the Team
Mr. Zoran Anusic	Senior Economist, ECSHD
Mr. David Lucterhand	Chief of Party, USAID Access to Credit Initiative (ATCI)
Mr. Barry Pitts	Chief of Party, USAID Capital Market Project (CMP)

Team Members	Position
Mr. Vitaliy Bigdai	Financial Sector Consultant, ECSPF-Kyiv
Mr. Victor Stetsenko	Senior Capital Market Advisor, USAID – CMP
Mr. Gary Hendricks	Senior Pension Expert, USAID – CMP
Ms. Natasha Lozitskaya	Communications Specialist, USAID – CMP
Ms. Katerina Petrina	Senior Social Protection Specialist – ECSHD
Mr. Ruslan Piontkivsky	Economist, ECSPE
Ms. Julia Smolyar	ETC Consultant, ECSHD – Kyiv
Ms. Larisa Piskunova	Activity Manager/Portfolio Analyst, USAID/Ukraine
Ms. Darya Lisyuchenko	Activity Manager, USAID/Ukraine

ATTACHMENT 12

Executive Summary:

TRENDS IN UKRAINIAN CITIES' CREDITWORTHINESS BETWEEN 2004 AND 2007

Date: September 25, 2008

Objective

The objective of the analysis is to estimate how Ukrainian cities' creditworthiness changed between 2004 and 2007.

Source of Data

The only publicly available source of comprehensive statistics on a number of Ukrainian cities on the cities' financial performance is AUC/AFU[1] publication "Financial Performance of Cities". Approximately 125 City-Members of the AUC submit their selected financials on a voluntary basis for the publication in a questionnaire format developed by the AUC. The items of the questionnaire correspond to the official state budget classification. Then AUC aggregates the financial data provided by the cities in the following tables:

Revenues	**Expenditures**
• Total Revenues, including Official Transfers, and Total Expenditures, including Equalization Tax	
• Revenues of General Fund, Special Fund, including Development Budget • *First and Second Basket of Revenues* • *Personal Income Tax* • *Payments for Trade Patent* • *Small Entrepreneurs' Tax* • *State Duty* • *Communal Enterprises' Profit Tax* • *Vehicle Owners' Tax* • *Land Tax* • *Local Taxes* • *Budget Institution's Revenues* • *Communal Property Sale* • *Land Sale* • *Subventions to Local Budgets*	• Expenditures of General Fund, Special Fund, including Development Budget • Operating Expenditures and Capital Expenditures • *Running the Local Government* • *Education* • *Health* • *Social Protection and Provision* • *Housing and Communal Economy* • *Culture and Arts* • *Mass Media* • *Sport* • *Construction* • *Transport and Telecommunications* • *Arrears*

The tables with the names in italic above represent individual revenue or expenditure items.

The four other tables show breakdown of revenues and expenditures according to different criteria.

As it is explained in the AUC cover note to the publication "Financial Performance of Cities" the individual items do not sum up to the totals because only major income/expenditure items are gathered from the cities and less important items are not included in the questionnaire.

[1] Association of Ukrainian Cities / Association of Financiers of Ukraine.

Technique

Recurring operating surplus of the cities was chosen as an indicator of the creditworthiness.

The proxy for the recurring operating surplus was calculated as follows:

(1) Proxy for Recurring Operating Surplus (PROS) = Recurring Operating Revenues – Operating Expenditures

where:

(2) Recurring Operating Revenues = Total Revenues – Land Sale – Communal Property Sale

Finally:

(3) Recurring Operating Surplus =

+ Total Revenues

- Land Sale

- Communal Property Sale

- Operating Expenditures

Calculation

Of 125 cities mentioned in the AUC publication the complete set of data needed for calculation of the PROS is available for 73 cities.

PROS is calculated for 2004 and 2007 and cities are sorted in ascending order of PROS absolute increase in real terms (please, see the chart below). 2004 figures are inflated to 2007 price level by 1.55 calculated as the ratio of 2007 to 2004 nominal GDPs divided by growth rates of real GDP between 2007 and 2004:

$$1.55 = \frac{709.445}{345.113} / (1 + 2.7\%) / (1 + 7.3\%) / (1 + 7.3\%)$$

For the period under consideration PROS increased for 59 cities by UAH 2,331 mln and decreased only for 14 cities by UAH 223 mln. Therefore creditworthiness improved for 81% of the cities and the overall absolute increase of PROS was 10 times more than the overall decrease for the rest of the cities.

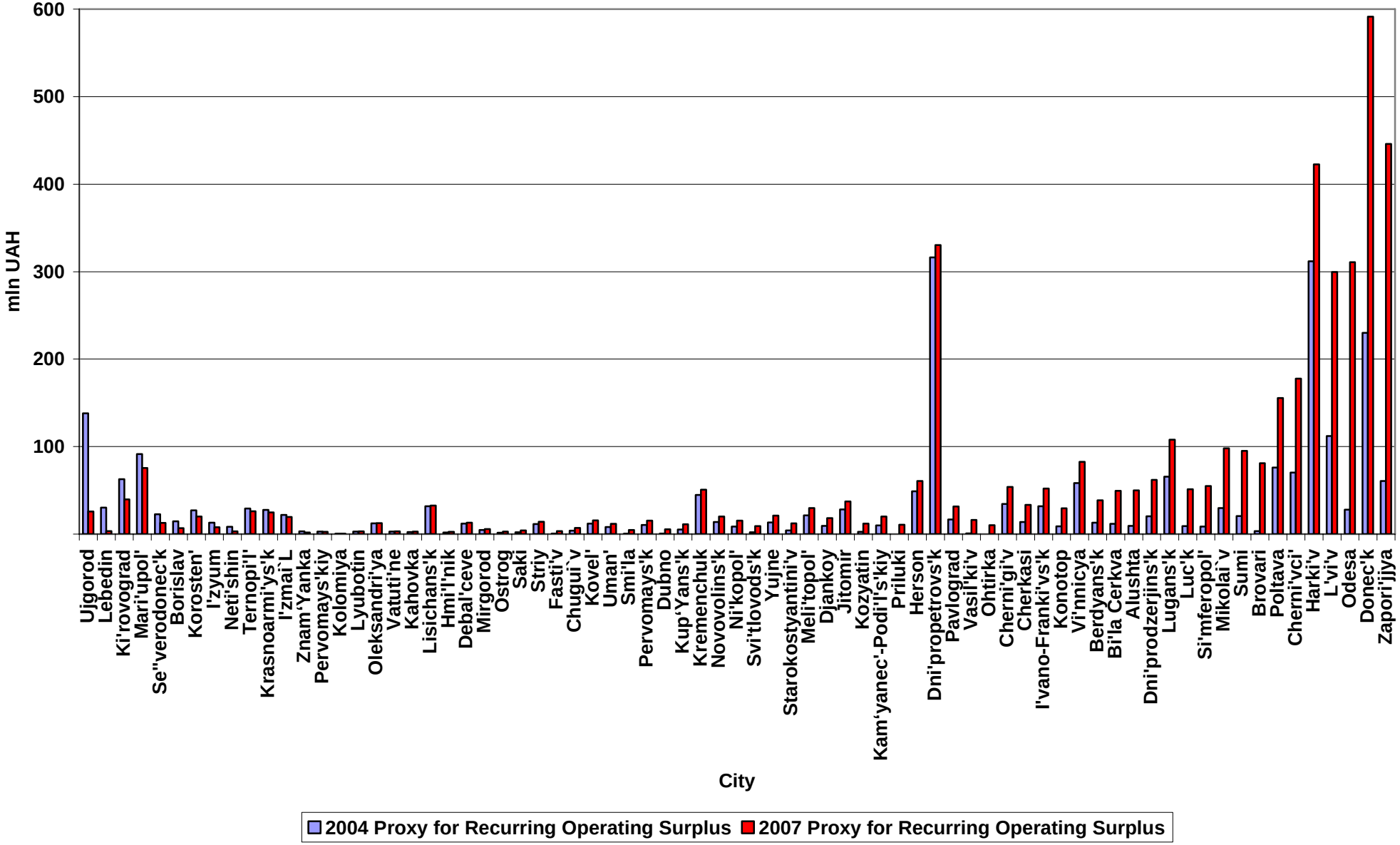
Conclusion

Of the 20 cities for which creditworthiness improved the most 9 already have municipal bonds issued[2].

The analysis of the sample of 73 cities for the period 2004 - 2007 showed that the general trend in cities' creditworthiness is positive.

[2] Zaporizhzhya, Donetsk, Odesa, L'viv, Harkiv, Luc'k, Luhansk, Berdyansk, Vinnicya, Ivano-Frankivsk have significantly improved their creditworthiness and issued bonds.

Absolute Real Change in Creditworthiness of 73 Ukrainian Cities between 2004 and 2007 (2007 = base year).



ATTACHMENT 13

Outstanding and Prospective 2008 Municipal Bond Issues of Cities with Population of less than 800 thousand as of September 30, 2008.

##	Issuer / Series	Amount mln UAH	Coupon	Fr	Par, ths	ER	Start Placm	d	Maturity	T	Stage
1	Zaporizhya D	20	11 .5 %	Jul, Dec	1		12-Jul-05	1	07-Jul-09	4	Outstanding
2	Zaporizhya E	10	12 %	H	1		12-Jul-05	1	06-Jul-10	5	Outstanding
3	Cherkasy A	5	12 %	Q	100		26-Dec-05	3	27-Dec-10	5	Outstanding
4	Ivano-Frankivsk A	5 .5	12 %	Q	1		28-Feb-06	2	28-Feb-11	5	Outstanding
5	Komsomolsk A	8	12 %	Q	1		03-Aug-06	2	03-Aug-09	3	Outstanding
6	Vinnytsya B	8	12 %	Q	1		15-Aug-06	1	30-Dec-08	2	Outstanding
7	Vinnytsya C	4	12 %	Q	1		15-Nov-06	1	30-May-09	3	Outstanding
8	Lviv A	50	9 .45 %	Q	10	ER	20-Jul-07	2	20-Jul-12	5	Outstanding
9	Vinnytsya D	6	10 .55 %	Q	1		01-Aug-07	2	30-Dec-09	2	Outstanding
10	Lutsk A	10	12 %	A	10		30-Aug-07	2	17-Dec-09	2	Outstanding
11	Vinnytsya E	9	10 .55 %	Q	1		01-Oct-07	2	30-Dec-10	3	Outstanding
12	Luhansk A	10	10 .4 %	Q	1	ER	05-Nov-07	3	29-Oct-12	5	Outstanding
13	Luhansk B	19 .3	10 .4 %	Q	1		05-Nov-07	3	29-Oct-12	5	Outstanding
14	Lviv B	42	9 .95 %	Q	10		26-Dec-07	4	19-Dec-12	5	Outstanding
15	Berdyansk A	10	11 .5 %	Q	1	ER	27-Dec-07	2	27-Aug-12	5	Outstanding
16	Boryspil A	9	13 .5 %	Q	1		22-Jul-08	4	16-Jul-13	5	Outstanding
17	Vinnytsya F	10	17 .88 %	Q	1		01-Aug-08	2	29-Dec-11	3	Outstanding
18	Lutsk B	10	13 .9 %	Q	1		30-Jul-08	3	27-Apr-11	3	Outstanding
19	Lutsk C	10	13 .9 %	Q	1		30-Jul-08	3	25-Apr-12	4	Outstanding
20	Lutsk D	10	13 .9 %	Q	1		30-Jul-08	3	24-Apr-13	5	Outstanding
21	Zaporizhya F	10	12 %	Q	1		01-Sep-08	5	01-Sep-10	2	Outstanding
22	Luhansk C	50	15 .89 %	Q	1		19-Sep-08	4	13-Sep-13	5	Outstanding
23	Severodonetsk A	20	14 %	Q	1		24-Jun-08	190	18-Jun-13	5	Being placed
24	Zaporizhya G	25	12 %	Q	1		01-Oct-08	7	21-Sep-11	3	Underwriter
25	Zaporizhya H	25	12 %	Q	1		01-Oct-08	92	26-Sep-12	4	Underwriter
26	**Lviv C**	**200**	**12 %**	**Q**	**10**	**n.a.**	**2008**	**n.a.**	**2013**	**5**	**MinFin Appr.**
27	**Mykolayiv A**	**10**	**13 %**	**n.a.**	**n.a.**	**n.a.**	**2008**	**n.a.**	**2010**	**2**	**MinFin Appr.**
28	**Mykolayiv B**	**20**	**13 %**	**n.a.**	**n.a.**	**n.a.**	**2008**	**n.a.**	**2011**	**3**	**MinFin Appr.**
29	**Mykolayiv C**	**20**	**13 %**	**n.a.**	**n.a.**	**n.a.**	**2008**	**n.a.**	**2013**	**5**	**MinFin Appr.**
30	**Kramatorsk A**	**15**	**18 %**	**n.a.**	**n.a.**	**n.a.**	**2008**	**n.a.**	**2010**	**2**	**MinFin Appr.**
31	Zhytomyr A	20	n.a. %	n.a.	n.a.	n.a.	2008	n.a.	2011	3	Rated by auth. C.R
32	Simferopol A	20	n.a. %	n.a.	n.a.	n.a.	2008	n.a.	2013	5	Rated by auth. C.R
33	Rubizhne A	10	n.a. %	n.a.	n.a.	n.a.	2008	n.a.	2013	5	Rated by auth. C.R
34	Ternopil A	20	n.a. %	n.a.	n.a.	n.a.	2008	n.a.	2012	4	Rated by auth. C.R
35	Energodar A	10	n.a. %	n.a.	n.a.	n.a.	2008	n.a.	2013	5	Rated by auth. C.R
36	Ivano-Frankivsk B	16	10 %	Q	n.a.	n.a.	2008	n.a.	2013	5	City Council Press
37	Dniprodzershinsk A	20	n.a. %	n.a.	n.a.	n.a.	2008	n.a.	n.a.	n.a.	City Council Press

Notes:
- ATCI pilot issues
- The cities that were involved in ATCI pilots
- **Maximum allowed coupon as Coupon is indicated for issues approved by MinFin**

Issues in Circulation: 346 ml (9 cities, of which 3 cities are ATCI pilots)
2008 Prospective Issues: 431 ml (12 cities, of which 8 cities are debutants)
Total: 777 mln UAH

Fr	Frequency of Coupon Payments
ER	Early Redemption Option
d	Duration of Placement in Days
T	Initial Time to Maturity in Years
H	Half Year
A	Annually

ATTACHMENT 14

EXPLANATORY NOTE
To the Draft Law of Ukraine "On Local Borrowings and Local Guarantees"

1. Justification of the necessity of passing the act

The Draft Law is aimed at resolving existing challenges in the sphere of local borrowings and providing local guarantees to local self-governments.

The sources of legislation that qualify local self-governments to make local borrowings shall be the Law "On Local Self-Governments in Ukraine", the Law "On Securities and Stock Market" and the Budget Code. The Law "On Local Self-Governments in Ukraine" and the Budget Code shall be applicable to all forms of borrowings, while the Law "On Securities and Stock Market" shall be applicable only to the borrowings in the form of issuing securities, i.e. bonds. Moreover, the Resolution of the Cabinet of Ministers of Ukraine No. 207 "On Approving the Procedure for Making Borrowings to Local Budgets" shall be fundamental procedural act. The existence of separate or additional requirements to making borrowings in different levels of the legislative base may create doubtful or inconsistent regulations.

Consequently, there is a strong need to comprehensively and exhaustively regulate the procedure for making local borrowings and providing local guarantees in one single draft law. Such approach enables evading potentially doubtful regulations in various draft laws, resolutions, regulations, decrees as well as impact of different state authorities when executing intergovernmental supervision over local borrowings.

Since Ukraine is moving towards closer European integration in the middle- and long-term perspective, the country has significant investment needs in rebuilding the existing infrastructure which has been in a very poor condition since Ukraine gained its independence as well as the country requires to extend infrastructure services and gradually increase the quality of infrastructure and put it in compliance with European standards. In order to resolve this issue, the Draft Law initiates establishment of the specialized financial institution - Municipal Finance Facility (hereinafter - the Facility).

The Facility is principally aimed at issuing loans and guarantees to utilities and cities on a financially stable business basis in order to promote infrastructure development. The Facility shall borrow funds in capital markets on its behalf without sovereign guarantees.

Principal objective and ways of its achieving

The Draft Law is aimed at overcoming existing constraints and drawbacks of Ukrainian legislation which impede development of local borrowings and providing guarantees.

For example, item 16, part 1, article 2 of the effective Budget Code of Ukraine provides imprecise definition of the government debt, which provides grounds to ambiguously interpret local debt as part of the government debt, though item 3, part 1, article 7 of the effective Budget Code of Ukraine, postulated the principle of independence of state and local budgets. The Draft Law accurately determines and separates local and government debt by way of introducing amendments to the Budget Code of Ukraine.

The Draft Law overcomes impediments and extends the number of cities qualified to make local borrowings. Pursuant to item 2, article 16 of the effective Budget Code of Ukraine, only municipal councils of the cities with population exceeding eight hundred thousand may borrow. However, following more reasonable approach, the Draft Law provides municipal councils with a possibility to borrow in case the level of assigned credit rating is not lower than "B" at the international scale.

The Draft Law determines types and conditions, specific features and procedure for making borrowings and providing guarantees.

2. Legal issues

The Draft Law envisages introduction of novelties promoting more favorable investment environment.

For example, the Draft Law entitles the borrowers to use future income of the local budgets as way of ensuring performance of their obligations.

Moreover, the Draft Law envisages introduction of additional provisions to the Budget Code of Ukraine enabling local self-governments to deposit funds of the local budgets with a bank.

The Draft Law also envisages cancelation of the burdensome and expensive mandatory credit rating of municipal bonds and bonds issued by the Municipal Finance Facility by way of introducing amendments to the Law of Ukraine "On State Regulation of the Securities Market of Ukraine".

3. Feasibility study

Implementation of the Draft Law does not require any additional costs from the State Budget of Ukraine.

4. Results forecast

The Draft Law establishes comprehensive, precise and coherent legislative base for making borrowings by local self-governments by way of introducing changes and amendments to other laws and having accurate and well thought-out norms. Moreover, launching of the Municipal Finance Facility pursuant to the best international practice will form the basis for development of the local borrowings market.

Passing of the given Draft Law will enable increasing creditworthiness of the cities resulting in decline in prices for loans and streamlining the procedure of borrowing.

It will also contribute greatly to responsible use of local guarantees by utilities owned by the cities and enhance applicability of such guarantees.

People's Deputy of Ukraine

ATTACHMENT 15

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Municipal Finance Facility

Market-Based Infrastructure Finance
for Ukraine

INTERNATIONAL FINANCE CORPORATION
September 3, 2008

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Why Municipal Finance Facility?

- Tremendous need for infrastructure investments: $14B for water and heat alone
- State subventions and local resources are inadequate

Solution: **MFF uses limited financing to leverage capital market funds**

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Municipal Finance Facility

What is it?

A new, specialized financial institution that borrows in the capital markets to provide infrastructure loans to creditworthy cities at the lowest possible market interest rate.

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Municipal Finance Raises Loan Funds

- MFF borrows in Ukraine's capital markets
- It borrows based on its own financial strength, without sovereign guarantee
- Strong initial capitalization (example: UAH 100M)
- Conservative, 1:1 financial leverage at the beginning
- After building track record: 3:1 to 10:1 financial leverage

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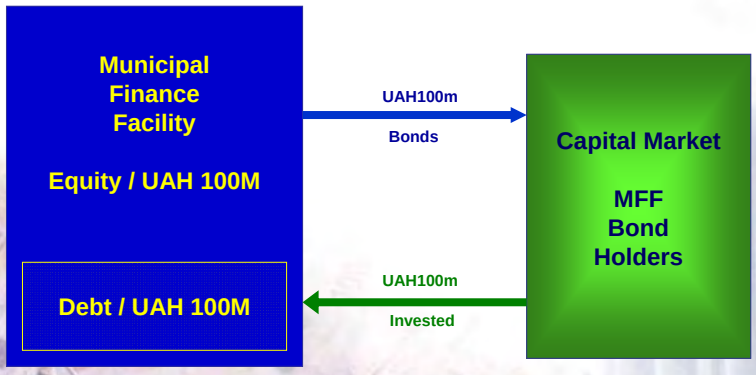
Municipal Finance Facility: How it Works



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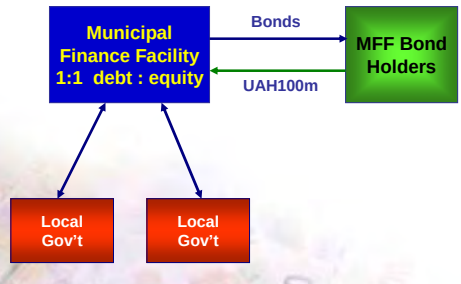
MFF Lends to Cities



- MFF lends to *creditworthy* cities and communal enterprises
- Loan interest rates must cover MFF's operating costs plus borrowing costs

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How MFF Benefits Cities

- Access to credit
- Low transaction costs from pooling
- MFF financial structure reduces cost of capital for individual cities
- Low *market* interest rates
- Faster and cheaper than individual bonds

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MFF Returns to the Capital Market to Raise Additional Loan Funds

- Timely loan repayments by cities build MFF credibility
- Over time, MFF financial strength and track record
  - reduce its borrowing costs
  - enable MFF to increase leverage of equity capital
- MFF debt-to-equity ratio could soon reach approx. 3:1
- Leverage grows funds available for loans to cities

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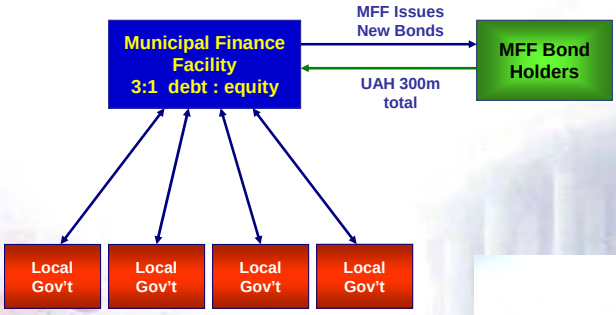
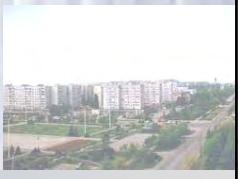
MFF Leverage Generates Funds for New Loans





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How does MFF generate low interest rates on loans to cities?

- A few large MFF borrowings fund many small loans to cities, creating *economies of scale*
- MFF's expert knowledge of municipal finance *reduces credit risk*
- *Credit enhancements* cut MFF borrowing costs
- MFF earns a *high credit rating*
- MFF minimizes its *operating expense*

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Optional Feature: Credit Enhancement

Credit enhancement is a financial arrangement that increases MFF investors' assurance of timely repayment.

Examples:

- standby line of credit
- collateral
- guarantee
- intercept

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Additional Enhancement: Trustee

Trustee

- MFF hires a trustee to administer and enforce agreements between MFF and its investors
- Trustee gives investors confidence that agreements will be kept
- A respected commercial bank could act as trustee
- Investor confidence = cheaper money for MFF

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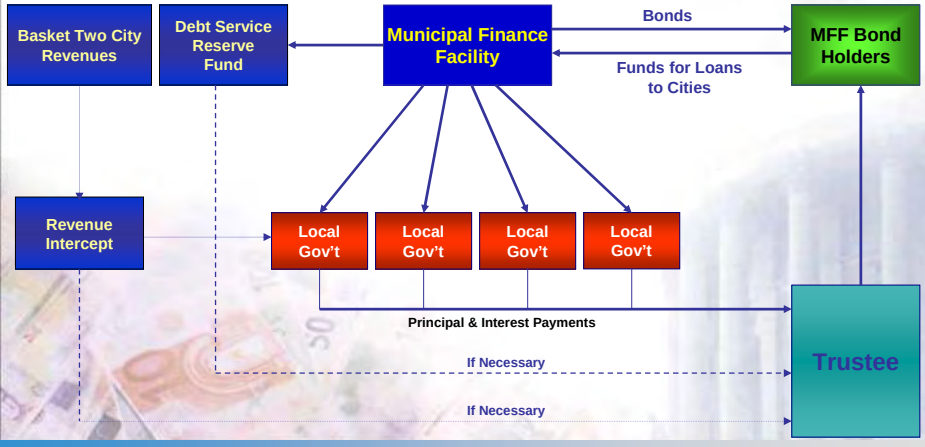
Fully-Developed Municipal Finance Facility



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Optional MFF Activities

- Provide loan guarantees
- Vehicle for State subsidy to bring loan rates down
- Advocate for policy reforms to improve creditworthiness in communal sector
- Provide technical assistance to potential borrowers

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Resolution of Legal Obstacles:
Draft Law On Local Borrowings and Guarantees

- No mandatory credit rating for domestic municipal borrowings
- MinFin's "suspensive veto" for municipal borrowings
- Extended MFF customers (+ villages, rayons and oblasts)
- Basket Two: pledging future revenues/ intercept
- Reserve fund for debt servicing
- Debt refinancing is allowed as purpose of borrowing
- Debt servicing and principal repayment – protected items
- State contribution to capital of MFF joint stock company
- MFF debt-to-equity ratio 10:1
- Introduction of amortizing bonds

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Examples of Successful Municipal Finance Facilities

- Western Europe (Netherlands, Norway, Finland, Sweden, Denmark, Belgium, France)
- India
- Philippines
- South Africa
- Canada
- United States

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International Examples

Name	Ownership	Loans	Leverage
INCA-South Africa	100% private	$838 M	12.5 : 1
Tamil Nadu India	49% private 51% state	$29 M	3.7 :1
MUFIS Czech Republic	49% private 49% state 2% municipal	$44 M	3:1

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Municipal Finance Facility

Options for Capitalization

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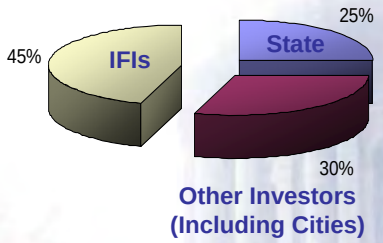
Attracting Equity Capital

- Recommended initial investment: UAH 100 million
- Participation of international financial institutions (IFIs) and other investors
- State share e.g. up to 25%
  - -- Initial State investment would:
    - demonstrate commitment
    - enable rapid start-up
    - help to attract other investors



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Next Steps

1. Investors make decision to proceed and commit initial capital
2. Develop detailed business plan for potential investors: e.g., IFIs, Commercial banks, Cities
3. MFF begins operation as an open joint stock company
4. Adopt enabling legislation

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Conclusion

The MFF concept has four key requirements:

1. Initial capitalization from (private) investors.
2. It must lend only to creditworthy borrowers.
3. It must be apolitical and professionally run.
4. Could be started under existing legislation but requires legal changes to attract private investors

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ATTACHMENT 16

MUNICIPAL FINANCE FACILITIES: EXAMPLES FROM OTHER EMERGING MARKETS

INCA (SOUTH AFRICA)

Infrastructure Finance Corporation Limited, trading as INCA, was established in 1996 as a response to the South African government's call for increased private sector involvement in infrastructure funding. Since its establishment INCA has built itself as a brand that is synonymous with municipal finance. INCA is today the primary private sector investor in socio economic infrastructure in South Africa. As a result of its unique position INCA has become a primary mobiliser of funds for lending to infrastructure providers. The main funding sources it draws on are local and international market funds, raised through a series of INCA bond issues and long-term loans extended to the corporation by international financial institutions. Another source of funding available to INCA is shareholders' capital.

The infrastructure providers to which INCA has already lent funds include municipalities, water boards and other statutory institutions in South Africa whose main business is the establishment of social and economic infrastructure.

Because INCA has a singular focus on its core business it is in a unique position to not only understand and price the risks involved in infrastructure lending, but also to attract investor funding. As a result it is spearheading the private sector's involvement in a vital component of the economic rehabilitation and growth of South Africa's infrastructure debt funding.

In 2007 the board extended INCA's mandate, resulting in the company now also being active in rental and lease discounting, funding of Public Private Partnerships and project finance transactions and asset backed finance transactions. Within its extended mandate, special focus is placed on partnering key players in the education and health sectors to play a constructive role in these strategically important sectors.

INCA is continually looking for opportunities to work with international funding sources to ensure the effective application of international investment flows to enhance the development process in South Africa.

OBJECTIVES

On-balance sheet financing for infrastructure spending:

- Financing the public sector via bonds and loans over maturities of up to 20 years on a fixed or variable rate basis, financial engineering, debt structuring advisory, credit enhancement, interlinking of financing and funding, credit quality and financial planning and fundraising.
- The provision of bridge finance and financing of infrastructure repair and maintenance.

Infrastructure Financing:

- Financing of and advising on structuring and the procurement of essential public infrastructure.

The funding of moveable assets over 3 to 10 years by way of:

- On and off balance sheet finance
- Purchase
- Operational leases
- Financing leases
- Rentals

Project finance and limited recourse funding and PPP's:

- Senior debt and subordinated debt
- Debt restructuring
- Syndication

Public Sector Investment Banking:

- Money market products, credit and interest rate derivatives, origination, underwriting and placement of public sector assets and advisory business.

Treasury solutions:

- Debt origination
- Underwriting and placement of public sector assets (listed or private)
- Advisory function on debt consolidation, restructuring and funding strategy
- Grant funding
  - Technical assistance
  - Capacity building

OWNERSHIP

Chanson Investment Holdings (Proprietary)	2,00 %
Dexia Credit Local	4,42 %
FirstRand Bank Limited	17,68 %
INCA Share Incentive Trust	4,95 %
Momentum Group Limited (Futuregrowth Portfolio)	26,98 %
Proparco	0,01 %
Kagiso Financial Services Limited	43,96 %

BORROWINGS

Being a primary mobiliser of investor funds for lending to infrastructure providers, INCA's main source of funding is the South African capital market. INCA's Board of Directors have authorised the issue of R10 billion INCA Bonds. The bonds are issued in terms of INCA's Medium Term Note Program. Currently, INCA has three longer dated bonds in issue, which are listed on the Bond Exchange of South Africa. Moody's assigned an A1.za/Prime -1.za national scale issuer rating to INCA. The details of the bonds are as follows:

Bond	Coupon	Maturity	Amount in Issue	Bench Mark
INO3	14,0%	30 June 2011	R2 515M	R153

INO4	8, 9%	15 March 2015	R 250M	R157
INO7	9,00%	16 May 2013	R 110M	R201
INJ01	10,96%	21 September 2011	R 100M	R153

In addition, INCA has issued one-year floating rate notes (IN06 series) and a subordinated issue (INJ01).

The INCA Bonds are issued in accordance with the rules of the Bond Exchange. Settlement takes place through electronic settlement.

LENDING

INCA's mandate allows it to fund fixed and movable assets of all entities within the statutory sector as well as private initiatives focused on augmenting services normally provided by the statutory sector. INCA's focus however remains on balance sheet funding to the municipal sector and its appraisal and lending process was tailored to the needs of municipalities, water boards and other utilities.

The appraisal process in INCA is underpinned by a credit model which focuses on all the major components impacting on the ability of the borrower to meet its commitments towards INCA. As part of the credit evaluation process, specific attention is given to:

- Financial viability;
- Management capacity;
- Economic sustainability;
- Socio-political conditions; and
- Environmental awareness

After specifically assessing the management capacity, economic future, current financial position and future prospects, with an emphasis on reliable free cash flows generated by the borrower, INCA provides a shadow rating to a borrower.

Based on the shadow rating of the borrower and the pure size of the free cash flows generated by the borrower, INCA approves a long-term and short-term credit facility available to borrowers. These facilities are annually reviewed and adjusted.

The INCA Credit Committee meets every second week to consider new applications for credit limits and to review existing limits. This enables INCA to maintain an average turn around time on funding requests of 21 days.

INCA provides fixed and/or floating rate finance for terms from 1 to 20 years. Transactions are concluded by way of standardised loan agreements.

INCA supports clients with advice and technical assistance to improve financial planning, budgeting and control, while the grant funding for capacity building is available from the INCA Capacity Building Fund.

TAMIL NADU URBAN DEVELOPMENT FUND (INDIA)

TNUDF was established on November 29, 1996, as a trust under The Indian Trust Act 1882, for development of urban infrastructure in the state of Tamilnadu. TNUDF was formed by conversion of Municipal Urban Development Fund (MUDF), with contribution from Government of Tamil Nadu along with all India financial institutions viz., ICICI Bank Limited (formerly ICICI Ltd), Housing Development Finance Corporation Limited and Infrastructure Leasing and Financial Services Limited. TNUDF is the first public-private partnership providing long term debt for civic infrastructure on a non-guarantee mode. TNUDF is managed by a Corporate Trustee viz., Tamil Nadu Urban Infrastructure Trustee Company Limited (TNUITCL). The Board of Trustees periodically review the lending policies and procedures.

Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) is the Fund Manager of TNUDF.

Since 1988, Government of Tamil Nadu has been implementing the Tamil Nadu Urban Development Project (TNUDP) which was financed by International Development Agency (IDA) of World Bank, of which one of the components was the Municipal Urban Development Fund (MUDF).

The successful track record of MUDF encouraged Government of Tamil Nadu to broaden the scope of the Fund, with a view to attracting private capital into urban infrastructure and facilitate better performing Urban Local Bodies (ULBs) to access capital markets.

OBJECTIVES

- Fund Urban Infrastructure projects, which improve the living standards of the urban population
- Facilitate private sector participation in infrastructure through joint venture and public-private partnership
- Operate a complementary window, the Grant Fund, to assist in addressing the problems of the urban poor
- Improve the financial management of urban local bodies enabling them to access debt finance from markets

Eligible borrowers of TNUDF include Urban Local bodies (Corporations, Municipalities & Town Panchayats) as well as any Private Institutions who creates urban infrastructures.

RESOURCES

Unit Capital

The unit capital is contributed by Government of Tamil Nadu and three Financial Institutions. The contribution towards the Unit Capital is Rs.142.92 Crores (71.6%) by GoTN, Rs.23.32 Crores (11.6%) by ICICI, Rs.16.64 Crores (8.3%) by IL & FS and Rs.16.72 Crores (8.4%) by HDFC.

IBRD Line of Credit

TNUDF has successfully implemented TNUDP II for the period from 1999-2004 under IBRD Line of credit. During the TNUDP-II project period TNUDF has mobilized additional funds from other sources such as issue of bond, user contribution etc., and blended it this with IBRD line of credit. The outstanding loan balance due to GOTN under TNUDP – II as on 31.03.2007 is Rs.185 crores.

Under TNUDP-III, the IBRD line of credit is Rs.495 crores (equivalent to US $ 110 million) for the project period of 5 years. During the financial year 2005-2006 & 2006-07 (up to 31.03.2007), a sum of Rs.56.80 crores has been drawn from this line of credit. During the financial year 2007-2008, a sum of Rs.125.00 crores has been drawn from this line of credit. The outstanding loan balance under TNUDP – III as on 31.03.2008 is Rs.181.82 crores.

Market Borrowings

There is obviously a need to raise low cost resources to bridge the huge backlog of civic amenity requirements. In this context, TNUDF has successfully raised of Rs.110.05 Crores from the Capital markets by way of issue of bonds. The rating initially given to the bond was LAA+(SO) and subsequently upgraded to LAAA(SO). It was the first step towards linking Capital market and small city financing needs. This issue was linked to the covenant under TNUDP-II agreement with the World Bank which required that USD 25 Million should be raised from the market by the time USD 40 Million Bank Loan has been disbursed. TNUDF has also blended its loan with Government grants to facilitate investments by ULBs with incentives in poorer areas of the city.

MONITORING & RECOVERY

As for monitoring and recovery, efforts are made to assess the credit risk and concentration of credit. Wherever undue delay is noticed in repayment of dues, constant follow-up action is being pursued. Provision is made in loan agreement to escrow the collections of ULBs in respect of loans sanctioned by TNUDF. In respect of Government guaranteed loans, a recovery mechanism has been established whereby the arrears would be met out of the Grant Fund on a monthly basis. Periodical reviews of defaults on the arrears portfolio are also undertaken by TNUIFSL.

ATTACHMENT 17

NBU treatment of bonds for the purpose of banks' refinancing, regulatory capital adequacy calculation and formation of reserves.

Type of Bonds	Weight for bond value (1) for the purpose of refinancing, %	Weight for weighting assets when calculating capital adequacy ratio, %	Risk weight for making reserves, % (6)
Government Bonds	100	0	0
Municipal Bonds	70	(4) 20	20
Corporate Bonds	70	100	(5) 0-100
SMI Cabmin guaranteed bonds	90	(7) 0	0
Mortgage Bonds	(2) (3) 70	100	(5) 0-100
SMI mortgage bonds	70	(7) 50	(5) 0-100

NBU governing Regulation Number	**434, 378**	**368**	**31**

Notes:

(1) Bond value = min(book; par); bonds should be on bank's books at least 1 for month

(2) Bonds should be freely circulating in the market (Reg 31 says that stock exchange listing may be a source of information regarding circulation of a security)

(3) 60% for loans for the term of more than 14 days

(4) Loans to local governments have 50% weight

(5) Determined by the procedure described in the Regulation 31 and depends on issuer class per NBU classification from Regulation 279

(6) Reserve ratios for Loans are determined by the procedure described in the NBU Regulation No 279

(7) Described in ATCI Success Story at http://www.atci.com.ua/SStories/SStories/Mar2008_Revised%20Bank%20Capital%20Adequacy%20Ratios.pdf

ATTACHMENT 18

ВИПУСК 1

ФАХІВЦЯМ ПРО ЛІЗИНГ

Вісник ГО «Союз «Сертифіковані спеціалісти лізингу»

У ВИПУСКУ:

ПРОФЕСІЙНЕ ОБ'ЄДНАННЯ ДЛЯ СЕРТИФІКОВАНИХ СПЕЦІАЛІСТІВ ЛІЗИНГУ.....стор. 1

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ПРОФЕСІЙНЕ ОБ'ЄДНАННЯ ДЛЯ СЕРТИФІКОВАНИХ СПЕЦІАЛІСТІВ ЛІЗИНГУ

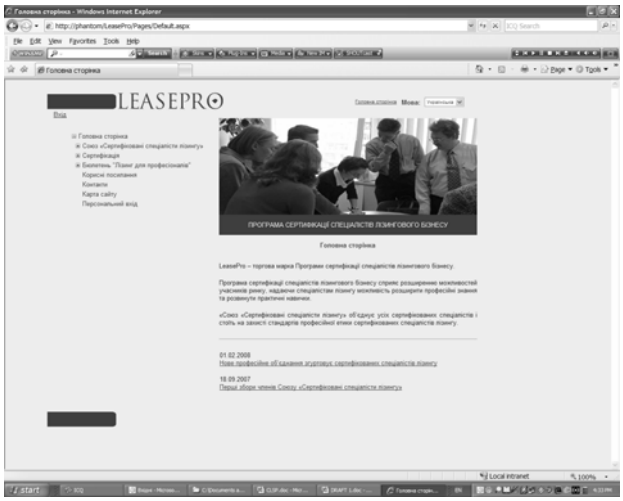
З 2007 р. ГО «Союз «Сертифіковані спеціалісти лізингу» об'єднує сертифікованих спеціалістів лізингу, сприяє їхньому професійному розвитку, захищає їхні інтереси та працює над просуванням та популяризацією Програми сертифікації спеціалістів лізингового бізнесу. На сьогодні членами Союзу є 35 осіб, серед яких директори, топ-менеджери, провідні спеціалісти, бухгалтери та юристи лізингових компаній.

На перших зборах Союзу у вересні 2007 р. 11 спеціалістів лізингу одержали Сертифікати спеціалістів лізингу та стали новими членами Союзу, було обрано Президента Союзу – Д. Богодухова, Генерального директора лізингової компанії «Лізинг інформаційних технологій», та членів Ради Союзу – Ларису Шкурку, Управляючого партнера Аудиторсько-консалтингової групи «Компас», та Надію Рязанову, аналітика Міжнародної фінансової корпорації, затверджено Статут Союзу і Стандарти професійної етики сертифікованих спеціалістів лізингу.

На других зборах у лютому 2008 р. ще 16 сертифікованих спеціалістів лізингу приєдналися до Союзу, було прийняте рішення про розробку та просування веб-сайту Союзу, який стане джерелом цінної спеціалізованої інформації для всіх членів Союзу та фахівців галузі, й сприятиме популяризації Програми сертифікації спеціалістів лізингового бізнесу серед учасників лізингового ринку України.

НОВИНИ СОЮЗУ:

- ➔ У вересні розпочинаються заняття за Програмою сертифікації спеціалістів лізингового бізнесу. Розклад занять - на сайті тренінг-провайдера - групи «Компас» (www.kompas.com.ua).
- ➔ Восени буде видано **«Підручник з лізингу»**.
- ➔ Восени відбудеться реліз **веб-сайту Союзу** (www.leasepro.org).



НАЛОГООБЛОЖЕНИЕ ОПЕРАЦИИ ВОЗВРАТА ПРЕДМЕТА ФИНАНСОВОГО ЛИЗИНГА ПРИ ДОСРОЧНОМ РАСТОРЖЕНИИ ДОГОВОРА

На рынке Украины все чаще возникают нестандартные операции взаимодействия лизингодателей и лизингополучателей. Одной из них является возврат предмета лизинга при *досрочном расторжении договора финансового лизинга*, которое может происходить: а) по обоюдному решению сторон, б) по инициативе лизингодателя (лизингополучателя), в) по решению суда. Во всех указанных случаях для отражения подобной операции в налоговом учете следует, прежде всего, руководствоваться нормами налогового законодательства Украины, которые содержат четкие правила и определяют последовательность действий налогоплательщика по формированию налогооблагаемой базы для расчета налога на прибыль и НДС. Рассмотрим подробнее методику формирования базы налогообложения при различных условиях расторжения договора.

Если договор расторгается по решению сторон, то, согласно законодательным нормам, эта операция приравнивается к обратной продаже предмета лизинга лизингополучателем лизингодателю. При этом законодательно установлены критерии формирования цены продажи для целей налогообложения (продавцом в этом случае выступает лизингополучатель; он же несет ответственность за формирование цены продажи).

> **Если *договор расторгается по решению сторон*, то, согласно законодательству, эта операция приравнивается к обратной продаже предмета лизинга лизингополучателем лизингодателю.**

Основной критерий формирования такой цены – она должна быть справедливой. Для *определения справедливой цены предмета лизинга* лизингополучатель может воспользоваться услугами профессионального оценщика, провести собственные маркетинговые исследования либо другие соответствующие мероприятия. Кроме того, необходимо рассчитать балансовую стоимость предмета лизинга (разницу между его первоначальной стоимостью и начисленной за период эксплуатации, до момента расторжения лизингового договора, налоговой амортизации, исходя из норм, предусмотренных Законом Украины «О налогообложении прибыли предприятий» для группы основных фондов, к которой относится возвращаемый предмет лизинга).

После того, как предприятие получило обе стоимости объекта: справедливую и балансовую, ему следует сравнить эти две величины, и производить налогообложение сделки по наибольшей из них. При этом не обязательно, что такая цена будет совпадать с суммой задолженности лизингополучателя перед лизинговой компанией.

Если стоимость продажи у лизингополучателя при проведении вышеуказанных расчетов получилась меньше, чем дебиторская задолженность по данной лизинговой операции на балансе у лизингодателя, то при проведении взаимозачета задолженностей у лизингополучателя увеличатся валовые доходы на разницу между такой задолженностью и стоимостью продажи. Такое увеличение обусловлено тем, что при финансовой аренде передача имущества приравнена к его продаже. Арендатор при этом в налоговом учете увеличил соответствующую группу ОС на стоимость приобретенного объекта лизинга и, соответственно, при обратной продаже уменьшит данную группу ОС на цену реализации.

> **Если цена возврата ОС у лизингополучателя при проведении расчетов стоимости объекта лизинга получилась меньше, чем дебиторская задолженность по данной лизинговой операции на балансе у лизингодателя, то при проведении взаимозачета задолженностей у лизингополучателя увеличатся валовые доходы на разницу между такой задолженностью и стоимостью продажи.**

Сумма же оставшейся неоплаченной кредиторской задолженности перед лизингодателем так и останется неоплаченной, ведь о ней в налоговом законодательстве относительно финансового лизинга ничего не сказано. Даже если лизингополучатель не включит указанную сумму в состав валовых доходов сразу при осуществлении возврата (обратной продажи), согласно действующему законодательству он обязан будет сделать это при списании такой задолженности по истечении срока исковой давности. При этом в состав валового дохода попадет вся сумма задолженности вместе с НДС.

НДС при списании кредиторской задолженности не корректируется. У лизингодателя сумма непогашенной дебиторской задолженности попадет в разряд долгосрочной, сомнительной задолженности и будет списана на счет убытков предприятия. В налоговом законодательстве корректировка такой задолженности без вынесения судебного решения о признании ее безнадежной не предусмотрена.

> **Если лизингополучатель не включит сумму неоплаченной кредиторской задолженности в состав валовых доходов сразу при осуществлении возврата (обратной продажи), согласно действующему законодательству он обязан будет сделать это при списании такой задолженности по истечении срока исковой давности. При этом в состав валового дохода попадет вся сумма задолженности вместе с НДС.**

При этом лизингодатель и лизингополучатель смогут произвести взаимозачет задолженностей и обязательств без налоговых последствий. У лизингополучателя при этом группа соответствующих ОС уменьшится на увеличенную до размеров кредиторской задолженности цену продажи, лизингодатель отразит валовые расходы на эту же сумму.

НДС в этом случае будет начислен в части налоговых обязательств лизингополучателя на всю цену обратной продажи, а у лизингодателя на эту сумму сформируется налоговый кредит. Такой поход к осуществлению сделки по возврату предмета лизинга (обратная продажа) при условии, что цена продажи ниже кредиторской задолженности, более выгоден для лизингодателя.

Рассмотрим *вариант, когда сформированная согласно требованиям налогового законодательства цена возврата предмета лизинга (обратной продажи) больше суммы дебиторской задолженности*, отраженной в балансе лизингодателя и, соответственно, суммы кредиторской задолженности, числящейся на балансе лизингополучателя.

Договорной ценой возврата предмета лизинга (обратной продажи) в этом случае будет величина кредиторской задолженности лизингополучателя на момент расторжения договора лизинга. Все бремя налогообложения будет нести лизингополучатель: согласно требованиям законодательства он формирует базу налогообложения, исходя из рассчитанной цены продажи, и отражает ее в декларации по НДС, уменьшая на эту сумму группу ОС, выделенную в налоговом учете для определения величины амортизационных отчислений.

При этом лизингополучатель выпишет две налоговые накладные: одну - на договорную цену, которую передаст лизингодателю для формирования налогового кредита, вторую - с пометкой «ЦЗ», на разницу между ценой продажи и договорной ценой, будет хранить у себя для формирования налоговых обязательств. У лизингополучателя при этом налоговый кредит будет сформирован на сумму договорной цены и будет равняться сумме кредиторской задолженности по операции финансового лизинга. Валовые затраты тоже будут в пределах договорной цены. Такой подход позволит, не нарушая требований налогового законодательства, закрыть по протоколу взаиморасчетов дебиторскую и кредиторскую задолженность сторон без каких либо налоговых последствий.

> **У лизингополучателя налоговый кредит будет сформирован на сумму договорной цены и будет равняться сумме кредиторской задолженности по операции финансового лизинга. Валовые затраты тоже будут в пределах договорной цены.**

Если лизингополучатель формирует расходные документы на полную стоимость объекта и уменьшает соответствующую группу ОС на цену продажи, то и лизингодатель отражает в своем налоговом учете эту сумму в полном объеме. При этом разница превышения цены продажи над суммой кредиторской задолженности будет отнесена к валовым доходам лизингодателя, как бесплатно полученные товары (услуги) или как списанная просроченная кредиторская задолженность, определенная согласно законодательству.

Если стороны не приходят к обоюдному согласию или инициатором расторжения договора лизинга выступает одна из сторон, то цена возврата (обратной продажи) предмета лизинга должна формироваться согласно нормам и критериям налогового законодательства. Участие эксперта-оценщика необходимо во избежание споров о справедливой стоимости возвращаемого предмета лизинга. Такой подход необходимо применять и при изъятии объекта лизинга судебным исполнителем. Расчет балансовой стоимости возвращаемого предмета лизинга можно поручить независимым экспертам аудиторам. Большая из двух оценок будет базой налогообложения для лизингополучателя, она же будет отражена в налоговом учете лизингодателя. Формирование цены возврата (обратной продажи) предмета лизинга, исходя из остатка задолженности лизингополучателя за ОС на момент расторжения договора лизинга, налоговым законодательством не предусмотрено. Использовать такой подход для целей налогообложения операции возврата предмета финансового лизинга при досрочном расторжении договора не следует.

В декларации по прибыли лизингополучателя возврат (обратная продажа) предмета финансового лизинга будет отражен в приложении К1\1 в виде уменьшения балансовой стоимости соответствующей группы ОС на сумму цены продажи (без НДС) в периоде, следующем за периодом совершения такой сделки. В декларации по НДС будут отражены налоговые обязательства исходя из цены продажи, сформированной согласно требованиям налогового законодательства.

В декларации по прибыли лизингодателя в разделе «Валовые расходы» в подпункте «Расходы на приобретение товаров, работ, услуг для использования в хозяйственной деятельности налогоплательщика» будет отображена цена возвращенного предмета финансового лизинга, сформированная в переданных первичных расходных документах лизингополучателя. Если таковых нет, и отчуждение происходит по решению суда, то цена возвращенного предмета лизинга отражается по стоимости, определенной согласно нормам налогового законодательства привлеченными судом независимыми экспертами. В приложении К1\1 декларации по прибыли лизингодатель произведет перерасчет балансовой стоимости товаров на конец налогового периода согласно требованиям Закона Украины «О налогообложении прибыли» (стоимость вновь приобретенного объекта лизинга будет участвовать в таком перерасчете). В декларации по НДС будет отражен налоговый кредит в размере, указанном в предоставленной лизингополучателем налоговой накладной.

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УВАГА! У вересні 2008 року вийде «Підручник з лізингу»!

«Підручник з лізингу» охоплює практичні аспекти лізингу, включаючи організацію діяльності лізингової компанії, фінансування лізингових операцій, ціноутворення, доходність, стратегічне та маркетингове планування, технології продажу, бухгалтерський та податковий облік лізингових операцій, розробку лізингових продуктів, процедури зниження ризиків тощо.

ПРОГРАМА СЕРТИФІКАЦІЇ СПЕЦІАЛІСТІВ ЛІЗИНГУ – ЄДИНА СПЕЦІАЛІЗОВАНА ПРОГРАМА В УКРАЇНІ

На сьогодні лізинг є одним з найбільш ефективних фінансових інструментів для придбання основних фондів та оновлення виробничих потужностей. Зростання ринку суттєве і, за експертними оцінками, така динаміка зберігатиметься, що, призведе до збільшення потреби у залученні висококваліфікованих спеціалістів, нестача котрих у галузі відчувається вже зараз. Після дослідження пропозицій освітнього ринку можна виділити, як спеціальну, тільки *Програму сертифікації спеціалістів лізингового бізнесу*.

Програму було розроблено у 2006 р. проектом USAID «Ініціатива сприяння кредитуванню» та Фондом сертифікованих спеціалістів лізингу США, виходячи з потреб лізингової галузі України. Зміст Програми охоплює питання законодавчого регулювання лізингової діяльності в Україні, бухгалтерського та податкового обліку лізингових операцій, їх документального оформлення та моніторингу, аналізу ризиків лізингової діяльності, джерел фінансування лізингових угод, маркетингу і технологій продажу лізингових послуг, побудови організаційної структури лізингової компанії, міжнародний досвід розвитку лізингових операцій тощо.

Учасники Програми прослуховують основні тематичні курси по напрямках: «*Лізинг: основні поняття та бізнес-середовище*» (3 дні), «*Лізингові операції*» (3 дні), «*Стратегія розвитку лізингової компанії та поточна оперативна діяльність*» (3 дні). Заняття проводяться у п'ятницю та вихідні дні, що дозволяє слухачам мінімально відволікатися від виробничого процесу. Три кваліфікаційні іспити по кожному тематичному курсу завершують навчання за Програмою.

Слухачі, які успішно складають усі три іспити, отримують *Сертифікат спеціаліста лізингового бізнесу*. Сертифікат видається ГО «Союз «Сертифіковані спеціалісти лізингу» та Фондом сертифікованих спеціалістів лізингу США.

У 2007 р. першим офіційним тренінг-провайдером Програми стала аудиторсько-консалтингова група «Компас». На початок II кварталу 2008 р. Програму прослухали більш, ніж 170 спеціалістів, 83 з яких отримали сертифікати. Це близько 10% від персоналу, зайнятого в лізинговій галузі України.

Оцінки учасників Програми щодо рівня інформації та отриманих знань досить високі.

- **Чірьєв Дмитро, лізингова компанія «Матриця»:** «*Хочу відзначити, що програма навчання вигідно відрізнялася від інших подібних продуктів своєю орієнтованістю на міжнародний досвід розвитку лізингу, завдяки участі в ній Агентства США з міжнародного розвитку (USAID). Також організатори Програми надали учасникам можливість спілкування з компетентними лекторами та цікавими колегами*».
- **Омельчук Раїса, ЗАТ «Лізинг ІТ»:** «*Програма сертифікації спеціалістів лізингового бізнесу нам, як фінансистам лізингової компанії, відкрила нові перспективи у сфері лізингу та надала можливість підвищити наш професійний рівень, на що без Програми це б потребувало більше часу і сил*».
- **Іваненко Юлія, Лізинговий Центр «Енерго-Транзит»:** «*Дуже цінними в умовах українських реалій були курси з питань бухгалтерського та податкового обліку лізингових операцій, в ході яких фахівці аудиторсько-консалтингової групи «Компас» надали вичерпні професійні відповіді на усі болючі питання слухачів. Після цього в нашій компанії було переглянуто деякі принципи ведення бізнесу, а я, як безпосередній представник лізингодавця, набула абсолютної чіткості та впевненості у своїй діях в процесі реалізації багатьох проектів*».
- **Ларькін Станіслав, «VAB Лизинг»:** «*Після навчання та здачі кваліфікаційних іспитів на «Сертифікованого спеціаліста лізингового бізнесу» список моїх посадових обов'язків розширився навчанням персоналу відділу продажів (із використанням знань, отриманих за Програмою), а також керівництво передбачило моє підвищення на посаду керівника напрямку методології та розвитку бізнесу «VAB Лізинг*».
- **Богодухов Дмитро, ЗАТ «Лізинг інформаційних технологій»:** «*Ця Програма в Україні має повне право стати обов'язковим курсом навчання для усіх, хто прагне професійно надавати фінансові послуги, а Сертифікат – обов'язковим підтвердженням високого рівня професіоналізму*».
- **Ринда Ярослав, ТОВ «Лізингова компанія «Універсальна»:** «*Програма справила на мене неабияке враження. Інформація та дані, які я використовував інтуїтивно, отримали своє підтвердження в ході занять. Це дуже корисна Програма, яка дає системне розуміння та розвиває навички та методики. Отримання Сертифікату дає віру у власні знання*».
- **Швед Мирослава, ТОВ «Компанія «Лізинговий дім»:** «*Беручи до уваги відсутність навчальних програм для спеціалістів лізингу на ринку освітніх послуг, важко переоцінити значимість цієї Програми. Тут важливі не тільки питання, що розглядаються, та рівень викладачів, а й особливо цікавий обмін досвідом та знаннями серед учасників Програми*».
- **Юхно Тетяна, «ILTA»:** «*Для мене особливо цікавими були теми – законодавче поле, бухгалтерський та податковий облік лізингових операцій, кредитний аналіз лізингоотримувачів та методики розрахунків лізингових платежів, оскільки ці теми мали, як на мене, найбільшу практичну направленість*».

Додаткова інформація про Програму сертифікації спеціалістів лізингового бізнесу та ГО «Союз «Сертифіковані спеціалісти лізингу»:
Проект «Ініціатива сприяння кредитуванню»: (044) 537-0966, Лілія Снігір, радник з лізингу
Група «Компас»: (044) 428-8893, Лариса Шкурка, заступник директора

ATTACHMENT 19

July 15, 2008
Prostobiz.com.ua, Internet project of the Prostobank Consulting Company
http://www.prostobiz.com.ua/kredity/mneniya/daesh_novye_professionalnye_standarty_lizinga

by Tatiana Matychak

New Professional Standards of Leasing in the Pipeline

Prostobank Consulting carried out a survey and polled participants of the Certified Leasing Specialists Program launched by the Ukrleasing All-Ukrainian Leasing Association, the U.S. Foundation of Certified Leasing Professionals and the Access to Credit Initiative Project, USAID. The polled participants were one of the first to complete their CLS Programs.

Dmitry Bogodukhov, 30 years, Director General of the CJSC Leasing of Information Technologies, President of the NGO Certified Lease Specialists Union.

Seven employees of your company are certified leasing specialists and you are holding the first certificate. What made you complete the training and encourage your employees to do so?

First and foremost this is the first non-compulsory program in Ukraine, nevertheless it is in great demand with representatives of an ever growing leasing sector in contrast to other compulsory certification programs. Secondly, it differs greatly from the programs proposed by higher educational establishments in terms of knowledge acquisition process - the course is lectured by practitioners, people who work in real leasing business as well as in terms of knowledge assessment procedure: serious exams (conducted on each of the three modules) and unbiased attitude. The examples are not far to see. The program comprises aspects of financial mathematics ensuring fundamental approach towards increasing effectiveness of a leasing company. The certificate in turn proves high level of professionalism.

Leasing business is one of the most complex and embraces many fields of knowledge such as of economic and technical nature. Ukraine's accession to the WTO and foreign companies entering the market will most certainly increase competition in the sector. Ultimately, we will require highly qualified employees.

I am always very attentive when choosing professional personnel, since it is professionalism of employees that becomes one of the key components in successful development of a leasing company. The employees of our company participated in a great number of trainings and seminars however these programs do not provide full and comprehensive coverage of all the nuances of leasing business. Ukraine lacked a comprehensive program which could successfully combine Ukrainian and foreign experience as well as make use of new technologies and develop brand new vision.

Do you take practical advantage of knowledge acquired through the program in everyday company management?

The practice of using knowledge acquired through the program proves its applicability and topicality. We started employing new methods of calculating lease payments and assessing leasing transactions. We have also learned how to effectively cooperate with different types of investors depending on their strategies as well as propose specialized leasing products to vendors - our partners thus contributing greatly to sales volume increase.

To be holder of the certificate No. 1 is a great honor and responsibility, since it is we, the program alumni, who must promote high professional and ethic standards in the leasing sector. I am glad to mention that the certificates receive only real professionals who make every effort to reach these objectives. I am sure, many program colleagues contribute greatly to leasing development in Ukraine and in the long-run will remain its major driving forces.

Nikolay Soroka, 54 years, Leading Leasing Projects Specialist, OJSC AIS-Leasing

Mr. Soroka, you have over 10 years experience under your belt, however you were among the first to complete the program.

Yes, that is right. It is quite understandable that the program was not polished enough; there were a lot of proposals how to improve it.

We advantaged significantly from the program by receiving invaluable knowledge and skills within a comparatively short period of time. The whole body of knowledge consists of 3 courses followed by 3 written exams (multiple choice questions).

Since I have being working in this sector, the legislation changed repeatedly and it aroused considerable confusion with the specialists. In these instances round tables were extremely helpful thus forming an understanding how to move on.

As is know, we do not have a specialized leasing education in Ukraine, this is a comparatively young business and we do not have enough tutorials and work-books. Therefore it was very interesting to get such important information. The whole body of the program was carefully selected by the best specialists-trainers by and large dwelling on their own experience. Legal and financial units present great interest. From my standpoint, such topics as discounting and brokerage were the most informative. I believe every leasing company will realize the importance of applying these instruments.

What changed in terms of your personal and professional growth since you became a certified specialist?

I am not going to stop at what I achieved. Now I lecture small part of the program and teach young specialists. I have also developed the methodology for preparing specialists in the OJSC AIS-Leasing. I work for the company over a year and participate in various training programs conducted by our company and our partners from the AIS Corporation.

It is a great pleasure that our employees start working independently. Undoubtedly, one can not become a pro within 2-3 months, one should work hard trying to attain perfection and acquire practical skills.

Several specialists of our company received the certificates. I can firmly state, they are the backbone of our company and others are trying to attain their level. We will be always glad to consider the candidacies of the certified leasing specialists as our employees-to-be.

Polina Bankova, 29 years, Regional Representative, OJSC Euro-Leasing

How did you personally benefit from the Certified Leasing Specialists Program?

The program provided basic knowledge about leasing. It was extremely important to me, since I recently returned to Ukraine and I had to try to grasp all the architecture of legislative and economic

changes in this sphere. Ultimately, the program enabled me to understand specific features of all the spheres of leasing business. It formed a so-called skeleton of my knowledge.

From my standpoint, this is a very successful education model. The Certified Leasing Specialists Program lived up to all my expectations. I especially liked how the modules were selected and logically lectured.

Additional education is vitally important, since it streamlines the development of a personality as well as a company. Another significant detail is communication with the colleagues, I consider it invaluable experience.

How does the status of the Certified Leasing Specialist influence (if influenced) your career?

Firstly, it gave me confidence. Those who passed the Program exams will surely understand me. Secondly, when I was looking for a new job (particularly in the sphere of leasing) this confidence in my knowledge played a significant role. For the time being, I am working for a leasing company which is one of the top in leasing of transportation vehicles. I have an opportunity to professionally develop and earn good money.

What knowledge do you use in your work on a daily basis?

Almost every day I tell about the difference of credit vs leasing and advantages of leasing if compared to other instruments of financing - even direct purchase of transportation vehicles. The information regarding accounting of lease transactions, legal issues of leasing also came in handy. To sum it up, practically all the lectured material is extremely useful and applicable.

ATTACHMENT 20

I. General Information about the Company

1. Full Company Name

……

……

2. Mailing Address

……

……

3. Telephone

(…….)……

4. Fax

(…….)……

5. e-mail

……..……@……

6. Web-page

……

7. Director General/President

……

8. Contact Person

……

……

9. Your Company's foundation date *(month / year)*

10. Company's ownership *(% in authorized capital)*	
· banks	
· other financial institutions	
· equipment producers	
· other legal entities	
· state	
· individuals	
Total	**0%**

11. Your Company's capital structure *(% in authorized capital)*	
· foreign capital	
· Ukrainian capital	
Total	**0%**

12. Number of employees of your Company		
13. Does your Company have any branch offices in other regions of Ukraine and abroad?	☐ **Yes**	☐ **No**
If "Yes", please indicate in what regions or countries:		

14. What is the type of your Company?	
· Universal	
· Specializing in:	
car leasing	
production, commercial and banking equipment leasing	
agricultural equipment leasing	
construction equipment leasing	
real estate leasing	
· other	

II. Information about Lease Agreements

1. NEW LEASE AGREEMENTS

	Financial Leasing	**Operating Leasing**
1.1. Number of lease applications received *(for the reporting period)*		
1.2. Number of lease agreements concluded *(for the reporting period)*		
1.3. Number of contracts executed *(for the reporting period)*		
1.4. Number of lessees with whom you concluded lease agreements, *customers* *(for the reporting period)*		
1.5. Average term of lease agreements, *months*		

1.6. Total value of assets that were subject of lease agreements concluded, *thousands, UAH* *(value of leased assets with VAT)* *(for the reporting period)*		
1.7. Value of <u>assets</u> that were subject of lease agreements concluded <u>by types</u>, *thousands, UAH* *(value of leased assets with VAT)* *(for the reporting period)*	**0,00**	**0,00**
· production equipment (except for food processing and construction equipment)		
· construction equipment		
· food processing equipment		
· agricultural equipment		
· medical equipment		
· printing equipment		
· telecommunication equipment		
· IT equipment		
· banking and commercial equipment		
· passenger cars *(with up to 4 passenger seats)*		
· vehicles for passengers transportation *(with over 4 passenger seats)*		
· vehicles for cargo transportation		
· water transport		
· railway transport		
· airplanes		
· buildings		
· other *(please specify)*		
1.8. Value of <u>assets</u> that were subject of lease agreements concluded <u>by industries</u>, *thousands, UAH* *(value of leased assets with VAT)* *(for the reporting period)*	**0,00**	**0,00**
· construction		
· extractive industry		
· agriculture		
· consumer industry		
· engineering		
· metallurgic engineering		
· service sector		
· transport		
· food processing industry		
· chemical industry		
· other *(please specify)*		
1.9. Total <u>cost of lease agreements concluded</u>, *thousands, UAH* *(value of leased assets with VAT+all lease payments)* *(for the reporting period)*		
2. LEASING PORTFOLIO		
	Financial Leasing	**Operating Leasing**
2.1. Number of outstanding lease agreements *(as of the end of the reporting period)*		
2.2. Number of lessees with whom you concluded lease agreements, *customers* *(as of the end of the reporting period)*		
2.3. Customers of your Company are: *(as of the end of the reporting period)*	**In % of the portfolio value**	**In % of the total number of customers**
· individuals	%	%
· small companies (gross income is less than UAH 3.2 million)	%	%
· medium companies (gross income is from UAH 3.2 million to UAH 32 million)	%	%
· large companies (gross income is over UAH 32 million)	%	%

Total	**0%**	**0%**
2.4. Total cost of outstanding lease agreements (Leasing Portfolio), *thousands, UAH* *(value of leased assets, fees and other components of a lease payment)* *(as of the end of the reporting period)*		
2.5. Leasing portfolio by types of assets, *thousands, UAH* *(as of the end of the reporting period)*	**0,00**	**0,00**
· production equipment (except for food processing and construction equipment)		
· construction equipment		
· food processing equipment		
· agricultural equipment		
· medical equipment		
· printing equipment		
· telecommunication equipment		
· IT equipment		
· banking and commercial equipment		
· passenger cars *(with up to 4 passenger seats)*		
· vehicles for passengers transportation *(with over 4 passenger seats)*		
· vehicles for cargo transportation		
· water transport		
· railway transport		
· airplanes		
· buildings		
· other *(please specify)*		
2.6. Leasing portfolio by industries, *thousands, UAH* *(as of the end of the reporting period)*	**0,00**	**0,00**
· construction		
· extractive industry		
· agriculture		
· consumer industry		
· engineering		
· metallurgic engineering		
· service sector		
· transport		
· food processing industry		
· chemical industry		
· other *(please specify)*		
2.7. Depreciated cost of outstanding lease agreements (without lease payments, fees, etc)**, *thousands, UAH*** *(as of the end of the reporting period)*		
III. Financial and Economic Aspects of Leasing		
	Financial Leasing	**Operating Leasing**
1. Value of leased assets purchased for leasing purposes by groups of capital assets, *thousands, UAH* *(without VAT)*		
Group I		
Group II		
Group III		
Group IV		
2. What sources does your Company use for financing lease agreements? *(as percentage of the total volume of financial resources)*		
· own capital of your Company		
· loans of domestic banks		
· loans of foreign banks		
· commercial loans of suppliers		
· bonds issue		
· funds of international financial organizations		

· other (*please specify*)		
Total	**0%**	**0%**
3. Value of cross-border lease agreements, thousands, UAH *(as of the end of the reporting period)*	**0**	**0**
· export contracts		
· import contracts		
4. What is the average downpayment on lease agreements? *(as percentage of the total value of a leased asset)*		
IV. Market Information (filled in for 6 months)		
	Financial Leasing	**Operating Leasing**
1. Competition		
1.1. Source of competition: *Please rank from 1 to 4* *(1- the most important; 4 - the least important)*		
· Independent leasing companies		
· Captive leasing companies		
· Leasing companies owned by banks		
· Leasing companies with banking status or banks		
1.2. Your response to competition		
· New product development		
· Specialization		
· Cost cutting		
· Diversification in other markets		
2. Sources of major risks for your Company *Please rank from 1 to 4* *(1- the most important; 4 - the least important)*		
· Legal framework		
· Tax legislation		
· Regulatory policies		
· Accounting standards		
3. Do you expect the demand for leasing products to:		
· increase significantly		
· increase slightly		
· remain the same		
· decrease		
4. Do you expect the number of leasing companies operating in the market to:		
· increase significantly		
· increase slightly		
· remain the same		
· decrease		
V. Additional Questions		
1. Do you agree for your Company to be rated:		
· based on the volume of leasing portfolio for the reporting period	☐ **Yes**	☐ **No**
· based on the value of agreements concluded during the year	☐ **Yes**	☐ **No**

MOLDOVA
ATTACHMENTS

ATTACHMENT 1

USAID FROM THE AMERICAN PEOPLE

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

October 2008

Activity Description	Staff	2006-2007 -												2007-2008											
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
		1st Quarter		2nd Quarter			3rd Quarter			4th Quarter			5th Quarter			6th Quarter			7th Quarter			8th Quarter		
NOTE: Changes shall be indicated in RED for deletions; PINK for additions.		NOTE: GREEN indicates "completed"; LIME indicates "to be completed".																							
Contract Management																									
A: Work Plans																									
1. Draft Mobilization Plan	RD																								
2. Draft Work Plan/1st Year and 2nd Year	RD, DL																								
3. Agree Work Plan with USAID	SSM, RD, DL																								
B: Mobilization																									
1. Establish Reporting Relationships	RD																								
2. Identify possible ST and Timeframes	RD, DL																								
3. Rent and equip office space, hire local staff, open bank accounts, rent apartmer	RD																								
4. Meet Key Individuals, Client, Counterparts, Participants, GOM	RD																								
C: Project Administration																									
1. Quarterly Reports	RD/SSM																								
2. Develop Performance Monitoring Plan	MF, RD, DL																								
3. ATCI Senior Staff Meeting, weekly with advisors	SSM																								
4. ATCI Staff Meeting, monthly for all staff	SSM																								
5. ATCI Staff Retreat or Team Building Activities	All																								
MORTGAGE LENDING COMPONENT																									
A Implement Certified Mortgage Lender Program																									
1. IUE review of CML training materials and methodology for applicability to Moldova : Assess mortgage activity; understand practices and policies of participants/regulators, etc.	AK, NR, MB																								
2. Select candidates from banks and financial institutions engaged in mortgage lending	MB, RD																								
3. a. Deliver a series of three CML courses in Chisinau, 2 programs during the first year: first program for mortgage professionals and second program for training providers	AK, NR																								
3.b. Deliver a complete CML program in Tiraspol, as approved by US Ambassador, to 6-8 commercial banks; 24 trainees	AK, NR																								
4. For second year, the third program implemented by training providers which is supervised by STTA-IUE CML trainers	AK, NR																								
5.Conduct assessment of current mortgage activity and impact assessment of Certified Mortgage Lender Program (CMLP) on the mortgage lenders and on their lending practice	MB																								
6. Assist ABM in conducting one full CML training course on a commercial basis.	MB																								
6. Assessment of rural lending; titling, title registration, appraisal, and of basic element of profitable agricultural production units.	MB																								
7. Deliver specialized mortgage trainings related to above and legal framework, if applicable and as needed.	MB, ST, SA. AB																								
8. Conduct seminars on risk management of mortgage portfolios; distribute Average Monthly Prepayment template	SSM/MB																								
B. Assist Banks in Undertaking Mortgage Lending																									
1. Promote standardized rules, procedures, documentation for retail mortgage lending in Moldova	MB,																								
2. Select candidate banks and financial institutions for on-site assistance (On-going), and as requested.	MB																								
3. Provide on-site technical assistance (On-going)	MB, ST																								
C. Develop Mortgage-Related Life Insurance Products "as possible in Moldova"																									
1. Analyze insurance and mortgage markets for existing products/practices	STTA																								
2. Assess legal and regulatory framework	STTA																								

USAID FROM THE AMERICAN PEOPLE

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

October 2008

Activity Description	Staff	2006-2007 -												2007-2008											
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
		1st Quarter		2nd Quarter			3rd Quarter			4th Quarter			5th Quarter			6th Quarter			7th Quarter			8th Quarter		
3. Assess existing actuarial data (mortality tables)	STTA																								
4. Identify candidate insurers	SSM																								
5. Develop term sheet and rate structure	STTA/SSM																								
6. Assist in drafting policy	SSM/STTA																								
7. Conduct roundtables with mortgage lending banks and financial institutions	SSM/STTA																								
8. Launch product	SSM																								
D. Develop the Capacity of the Real Estate Appraisal and Brokers' Associations "as possible in Moldova"																									
1. Needs assessment of appraisal and real estate association or organizations	MB, SA, AB																								
2. Facilitate development and use of unified methodology for appraisals	MB, TBD																								
3. Design training and capacity building programs for associations to comply with int'l. norms	MB, TBD																								
4. Facilitate associations' membership /participation in brokerage and appraisal associations.; organize study tours to the US	MB, RD, TBD																								
5. Assessment of Realtors' certification (program) and appraisal standards, IRPF	SSM, MB, NF																								
E. Develop a Mortgage-Backed Securities Capability (see Fixed Income Component below) "as possible in Moldova"																									
1. Establish Legal Working Group to assess legal basis and regulatory framework	RD, SA, AB, MB																								
a) Pledge Law--multiple pledgees	SA, AB, MB																								
b) Bankruptcy Statutes--pledge excluded from bankruptcy estate	SA, AB, MB																								
c) Trust Law--bondholder representative	SA, AB, MB																								
d) Other Laws as applicable	SA, AB, MB																								
2. Draft legal provisions as needed	SA, AB																								
3. Promote legal provisions to professionals, regulators, Ministries, etc.	MB, SA, AB																								
4. Select candidate issuer(s)	MB, MG																								
5. Conduct portfolio analysis	RD, MG																								
6. Develop standardized indenture	SSM																								
a. Perform cost/benefit analysis of credit enhancements	MB, MG																								
7. Draft investment memorandum	SSM, MG																								
8. Registration and Listing	SSM,MG																								
9. Identify potential investors	SSM,MG																								
10. Conduct "road show"	SSM,MG																								
11. Price and place issue	SSM,MG																								
12, Deliver Road Map/Guide to "Preparing for Covered Bond Issuance in Moldova"	SSM, MG																								
13. Conduct two seminars on the legal structure of the Moldovan covered bond.	SSM/MG/SS/AS																								
F. Facilitate Establishment of a Commercial Credit Information Company (Included in Mortgage Lending Component) "as appropriate in Moldova"																									
Assessment of Credit Bureau Status and Feasibility of Establishment of Credit Bureau System in Moldova	RD, JP, MG, MB																								
Phase I -Review current status of development of CIC	RD,JP, MB, MG																								
1) Coordinate Disparate Groups (Providers, Users, Government) and Consolidate Interests - Overall Project Coordination	JP or OK																								
a) Develop and Establish linkages with Primary International Credit Bueau Operators	JP																								
b) Develop plan for banks to participate as providers of info for CB	JP																								
c) Sponsor visits to potential foreign CB partners (Experian, CR F and/or Schufa), if applicable.	JP																								
d) Secure Final buy-in of local data providers and users	JP																								
2) Determine and review CIB development strategy with government and counterparts: Review availability, activity, and accessibility of (a) credit info; (b) other pertinent borrower data; (c) credit data used by financial intermediaries; and (d) credit reporting	JP, MB, OK																								
3) Market best approach for structuring, establishing and operating CIB	JP, MB, OK																								
4) Analyze and Coordinate Passage of Law	JP, SA, AB																								

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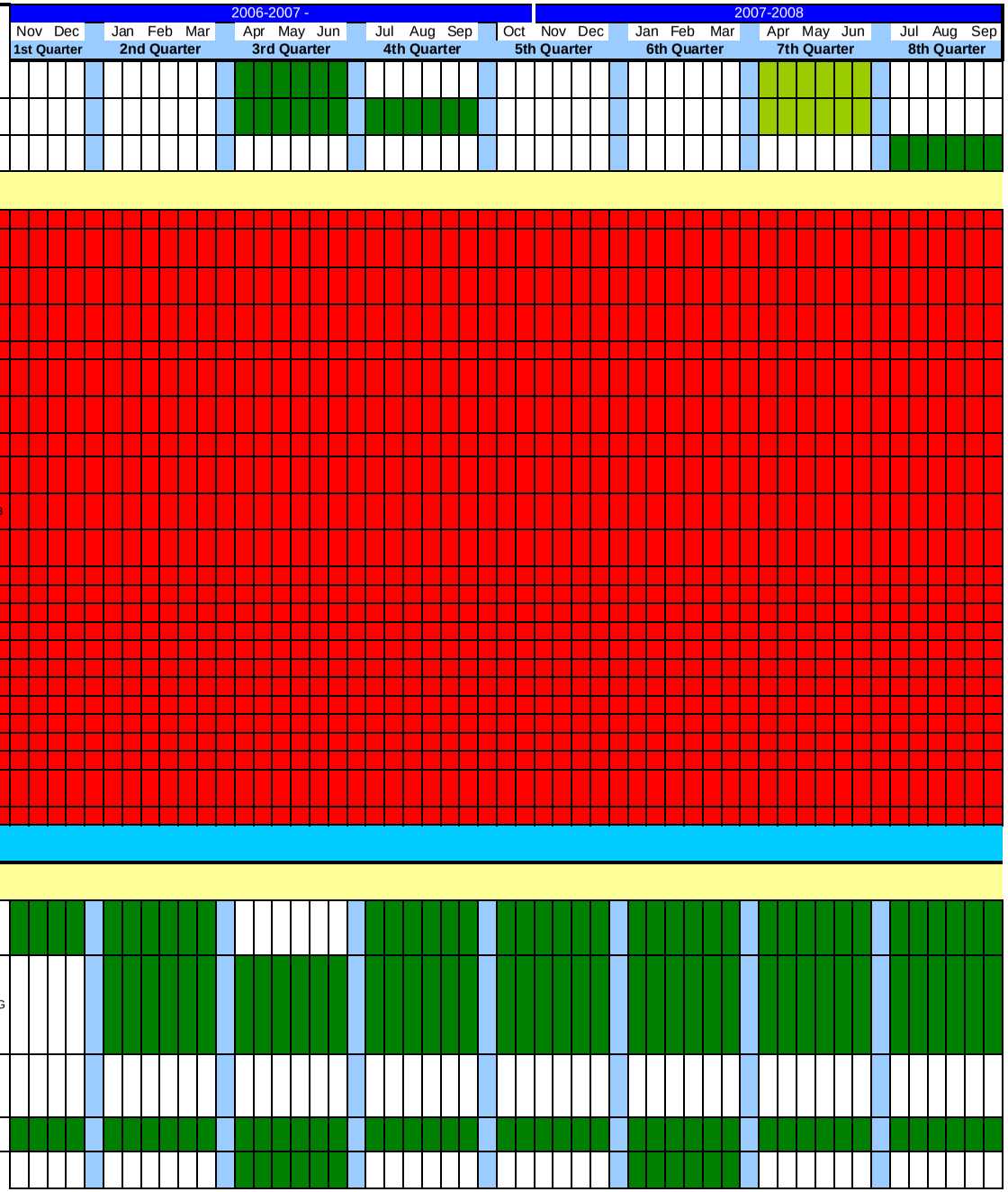
The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

October 2008

Activity Description	Staff
a) Seminars with key government ministries (data providers) and public (articles)	JP, SA, AB
5) Review and shape Regulatory Framework; Draft and Monitor Legislation and Regulations	JP, SA, AB
Promote single Crediit Bureau for Moldova	MB
G. Build Capacity of Participating Banks to Maximize Benefits of CIC in Moldova as appropriate.	
Phase II. Work with market participants	JP, MB, OK
Overall coordination of activities aimed at the promotion and development of credit bureau system	MB, OK
a) Consent clause - convince the market, draft the wording of consent clause, recommend consent clause placement in the appliaction form	JP
b) Advise on RFP responses and selection process of successful bidder from among CB operators as appropriate	JP
c) Reciprocity and access rights (data suppliers and data users)	JP
d) Data sharing (positive and negative data, scope of data, data masking, possible payment/data sharing arrangements)	JP
e) Work with public record holders (CBs will have to conclude separate agreement with each public record holder)	JP
f) Securing involvement of mobile phone operators, insurance companies,	JP
Phase III. Work with regulators, market education and public awareness efforts	JP, MB, SA
a) Shape regulatory debate and assist in drafting CB regulations and licensing requirements	JP, MB, SA, AB
b) Market education and public awareness campaign (publication of articles, etc.)	JP, MB
c) Regional workshops (to promote CBs and effedtive use of CB products)	JP, MB
d) Develop and deliver package of training programs	JP, MB
i) Banking Sector training	JP, MB
ii) Agricultural Sector Training	JP, MB
iii) Leasing Sector Training	JP, MB
H. Develop and Prepare Business Plan for CIC	
1) Define business and operations plan for Credit Information Bureau	JP, MB, OK
2) Outline Package of Technical Requirements	JP
3) Discussions with Government Data Providers	JP
4) Prepare and deliver RFP	
i) Review Business Plan with domestic banks and other local investors	JP, MB
ii) Review Business Plan with Bankers' Association and other Business Groups	JP, MB
5) Secure Buy-in to Business Plan of Foreign Investors and Banks	JP, MB
FIXED INCOME COMPONENT	
A. Assess and Implement Regulatory Reform in Moldova	
1. Review and assess legislation (e.g., pledge law, bankruptcy law, trust law, securities market law) for gaps and needs re: issuance of corporate and mortgage bonds	AS, SS,MG
2. Work with the National Securities Commission (or its evolved role as Mega Regulator, "MR", as of 7.2007, the National Commission of Financial Market, NCFM) building capacity for understanding and implementing issuance of bonds and regulating the markets	SA, AB, RD, MG
2.a. Assist Ministry of Justice with software changes to registry of moveable property.	MG,SSM,MB
3. Analyze financials of potential issuers for issuance of corporate bonds (see Task B below)	MG
4. Work with the NCFM in capacity building regarding transparency and disclosure issues in bond related regulation	RD, MG



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The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

October 2008

Activity Description	Staff	2006-2007 -																								2007-2008											
		Nov	Dec		Jan	Feb	Mar		Apr	May	Jun		Jul	Aug	Sep		Oct	Nov	Dec		Jan	Feb	Mar		Apr	May	Jun		Jul	Aug	Sep
		1st Quarter			2nd Quarter				3rd Quarter				4th Quarter				5th Quarter				6th Quarter				7th Quarter				8th Quarter		
a. Ensure NCFM is continuing in easing bond related legislative and regulatory requirements	RD, MG																														
b. Install Automated Disclosure System at NCFM NOTE: due to EBRD's proposal to develop and install a Disclosure System, this activity is dropped; instead, ATCI will provide guidance to the NCFM in disclosure requirements and best practices regarding debt instruments	RD,ST																														
5. Review and provide recommendations on regulations re: investment advisors and ratings agencies	RD, MG																														
6. Analyze authority of NCFM re: investigative powers and enforcment abilities; make recommendations for strengthening capabilitites	RD, SA, AB, OM																														
7. Work with NSC in helping them develop into a Mega Regualtor; provide time bound action plan for activities necessary for implementation	OM, RD																														
8. Analyze laws, regulations, and practices for compliance with int'l. standards, making recommendations for activities	MG, RD, SA, AB																														
9. Analyze and assess private pension fund law and system (legal and institutional framework) in Molodva (added Jan 2008)																															
B. Develop Pilot Corporate Bonds in Moldova																															
1. Analyze companies' financials for possible candidates for bond issuance, focusing on creditworthiness, needs, and attractiveness for investors	MG, ST																														
a. Select top 10 candidates for issuance, including those companies which have already issued corp. bonds.	MG, RD																														
b. Meet with executives of these companies for their understanding and desire to issue bonds	RD, MG, ST																														
c. Presentation of bond workshops aimed at potential issuers as well as potential buyers of bonds, for higher education, discussing possible benefits and potential risks	RD, MG, ST																														
d. Organize and hold Bond Conference (added 09.2007)	RD																														
2. Assist companies in issuance of corporate bonds. (See electric comment as to types of assistance.)	SSM, MG																														
C. Assist GOM and NBM in Constructing Long-Term Gov't Yield Curve in Moldova																															
1. Assess Status of GOM debt market including impediments to development	MG, ST																														
2. Assist in the design of a functioning repurchase market	MG, RD																														
3. Assist in process to construct L/T Yield Curve	MG, SSM, MB																														
4. Respond to Ministry of Finance request for assistance in recapitalizing National Bank of Moldova	SSM,, MG,MB																														
FINANCIAL LEASING COMPONENT																															
A. Build Capacity of Market Participants																															
1. Polling the financial community for interest in leasing courses from which successful particpants will graduate as Certified Leasing Specialists.	RH, LA																														
2. Assess the Moldovan leasing market and activities and adapt the CLS Program for Moldova	LA, LS, SK																														
3. Identify local potential Training Providers to provide Trainers to attend and to eventually administer CLS training program	LA, LS																														
4. Identify potential members for setting up NGO/Int'l Leasing Association	LA, LS, SK, BH																														
5. Short term expert to visit Chisinau meeting with potential Training Providers and to assist with adapting CLS training course and assisting with setting up Leasing Assn/NGO.	LA, LS																														
6. Initiate process of setting up Moldovan Leasing Assn./NGO (with CEED?)	LA, LS, SK, BH																														
7. Develop Strategy for CLS Program for Moldova for Training of Trainers	LA																														
a) Development of Content/Study-Guide																															
b) Develop Training Modules																															
c) Develop Examination																															
d) Establish Local Training Providers																															
8. Design and launch leasing training course seminars mainly for professionals but also for Trainers from potential Training Providers.	LA, ST																														

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The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

October 2008

Activity Description	Staff	2006-2007 - Nov Dec (1st Quarter)	Jan Feb Mar (2nd Quarter)	Apr May Jun (3rd Quarter)	Jul Aug Sep (4th Quarter)	2007-2008 Oct Nov Dec (5th Quarter)	Jan Feb Mar (6th Quarter)	Apr May Jun (7th Quarter)	Jul Aug Sep (8th Quarter)
9. Implement Outreach Network and Provide Consulting Services									
a) Hold/Participate in conferences/roundtables on state of leasing industry for government officials, media, and industry participants									
b)Prepare and distribute educational materials on various aspects of international best practices									
c)Provide consulting on organizational and marketing issues	DS								
10. Deliver Seminars for Other Industry Participants	LA, ST								
a) Vendors									
b) Potential Lessees									
c) Banks									
d) Government Officials									
11. Assist ACAP in conducting on full CLS traing course on a commercial basis.	DS,SS								
12.. Assist leasing companies in formation and registration of an association of lessors.	SSM,DM,SS								
13. Perform quarterly assessment of Moldovan leasing market and publish results.	DS								
B. Implement Outreach/Information Network									
1. Initiation	LA								
2. Hold / participate in conferences/roundtables on state of leasing industry for gov't officials, media and industry participants **(added as 9.a) above)**	LA								
3. Prepare and distribute educational materials on various aspects of international best practices and practices in Moldova **(added as 9.b) above)**	LA								
4. Prepare and distribute brochures relevant to "Leasing in Moldova", e.g., recent legislative developments FAQs etc.	LA								
C. Facilitate Import Capital and Know-How to Leasing Industries of Moldova									
1. Identify domestic and international lessors, investors, and suppliers for entry into Moldovan market	LA								
2. Analyze tax and legal environment in Moldova for foreign companies entering Moldovan market	SA, AB								
3. Contact foreign lessors, investors, and suppliers, providing information about the leasing activities and needs in Moldova, highlighting business opportunities	LA, ST								
D. Provide Consulting Services to Market Participants (added as 9.c) above)									
1. Conduct transaction-based (ad hoc) Advisory Services	LA								
2. Advisory Services to Lessors and Other Market Participants	LA								
3. Assist New Market Entry of Lessors	LA, ST								
4. Provide Consulting on Organizational and Management Issues	LA								
5. Assistance in Securing Financial Sources	LA, ST								
DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING COMPONENT									
A. Monitor Activities of Financial Institutions Working with the DCA									
1. Monitor how Financial Institutions are utilizing guarantees and submitting claims	MG								
2. Act as contact person for Financial Institutions and USAID to answer relevant questions	MG								
3. Assist Financial Institutions to complete questionnaires and surveys, where necessary	MG								
4. Conduct meetings with Financial Institutions as needed and prepare semi-annual monitoring reports for USAID	MG								
5. Verify partner Financial Institutions' semi-annual reports submitted through the Credit Monitoring System	MG								

MF=Mohammed Fatoorechie DL=David Lucterhand, RD=Rick Dvorin, SSM=Steve Moody, DS=Dorin Sorbala, AS=Alex Savva, MB=Mariana Botezatu, MG=Mihail Gherghircic, SS= Stanislav Shapa, JP=Javier Piedra, OK=Oleg Kalchenko, RH=Robert Homans, AK=Alexander Kopeykin, NR=Natalia Rogozhina, LS=Liliya Snigir, SK=Sergiy Kysil, OM=Oonagh McDonald, MA=Mads Andenas, NF= Norm Flynn, LT=Local Team, TBD=to be determined, STTA=OTHER SHORT TERM TECHNICAL ASSISTANCE; IUE=Institute of Urban Economics. NOTE: as there is a change in key personnel of Country Director from Rick Dvorin to Steve Moody, as of Jan. 2008, RD may be replaced by SSM

ATTACHMENT 2

FINANCIAL INSTITUTION: _____

MORTGAGE LENDING INDICATORS

as of *March 31, 2008*

#	*Indicators*	*Unit of Measure*	*Value*
1.	Value of outstanding mortgages	000 MDL	
2.	Value of mortgages written in January - March 2008	000 MDL	
3.	Number of outstanding mortgages		
4.	Number of mortgages written in January - March 2008		
5.	Average value of an outstanding mortgage loan	000 MDL	
6.	Average value of a mortgages written in January - March 2008	000 MDL	
7.	Average maturity of outstanding mortgages	years	
8.	Average interest rate of mortgages	%	
9.	Mortgages with fixed interest rate as percent of mortgage portfolio (value)	%	
10.	Average cost of financial resources (funds)	%	
11.	Financial resources with fixed interest rate as percent of total funds	%	
12.	Structure of funds for mortgages: - equity - deposits - international loans or credit lines - other	100 % % % % %	
13.	Average LTV	%	
14.	Mortgages for buying real estate on primary market (new houses) as percent of total (at least, estimates)	%	
15.	Delinquency rate (> 30 days)	%	
16.	Prepayment rate (at least, estimates)	%	
17.	Position on the mortgage market (at least, estimates)	%	
18.	Number of offered mortgage products		
19.	Number of mortgage products launched in January - March 2008		
20.	Mortgages as percent of loan portfolio	%	
21.	Number of staff involved in mortgage lending (front office)		

FINANCIAL INSTITUTION: _____

MORTGAGE LENDING INDICATORS

as of June *30, 2008*

No	*Indicators*	*Measure unit*	*Value*
1.	Outstanding mortgage loans value	Th.MDL	
2.	Mortgage loans value granted from the beginning of 2008 (through June 30, 2008)	Th.MDL	
3.	Outstanding mortgage loans number		
4	Number of mortgage loans granted from the beginning of 2008 (through June 30, 2008)		
5.	*Average* maturity (de facto) of a mortgage loan (period of granting)	years	
6.	Average value of an outstanding mortgage loan	Th. MDL	
7	Average value of an mortgage loan granted from the beginning of 2008 (through June 30, 2008)	Th. MDL	
8.	*Average* value (de facto) of LTV coefficient a (loan sum to real estate value)	%	
9	Delinquency rate - > 30 days - > 60 days	 % %	
10	Estimated rate on the mortgage lending market	%	
11	No. of offered mortgage products		
12	No. launched mortgage products in 2008 (through June 30, 2008)		
13	Mortgage lending weight in the total of credit portfolio of the company	%	
14	Number of staff directly involved in mortgage lending.		

ATTACHMENT 3

I. DEFINIȚII

În interesul prezentului Prospect termenii de mai jos au următoarele semnificații:

Emitentul, Societatea, Compania	**SA MoldovaAgroindbank**
Agentul de Plată	
Auditor Independent	
Reprezentant Comercial al deținătorilor de obligațiuni, Reprezentantul Comercial BVM	Bursa de Valori a Moldovei
CNPF	Comisia Națională a Pieței Financiare
„USD" sau „Dolar SUA"	moneda națională a Statelor Unite ale Americii
„LEU" sau „MDL"	LEU – moneda națională a Republicii Moldova
Garantarea emisiunii de Obligațiuni	Obligațiunile sunt garantate prin gaj
Contract de Subscriere	Contract de solicitare a cumpărării de Obligațiuni din prezenta Oferta. Subscriitorul este persoana fizică sau juridică ce face subscrierea.
Contractul de ținere a Registrului deținătorilor de obligațiuni	Contract încheiat între Emitent şi Registrator cu privire la ținerea Registrului Deținătorilor de Obligațiuni
Banca	Agentul de Plată
Obligațiuni	Cele _____ Obligațiuni cu valoare nominală de _____ lei fiecare, care fac obiectul acestei oferte publice. Obligațiunile sunt instrumente de investiții cu venit fix.
Principal	Valoarea emisiunii de obligațiuni subscrise sau valoarea nominala a unei Obligațiuni, aşa cum rezulta din context
Cupon, Rata Cuponului	Dobânda, respectiv rata dobânzii plătita pentru Obligațiunile emise in prezenta oferta publica

Calculul Cuponului	Cuponul se calculează înmulțind valoarea in USD a principalului la data fixării primului cupon cu rata cuponului stabilită pentru semestrul respectiv şi cu cursul de schimb leu/US$ al BNM valabil pentru ultima (a 5) zi a semestrului respectiv.
Cazurile de neplată (defolt)	reprezintă oricare din următoarele evenimente: - **"Insolvabilitatea"** reprezintă declararea procedurii insolvabilității SA MoldovaAgroindbank potrivit dispozițiilor Legii nr. _____ sau dispozițiilor legale in vigoare la data respectiva - "**Neplata la Scadentă**" reprezintă situația in care SA MoldovaAgroindbank nu îşi onorează in tot sau in parte obligația asumata către detonatorii de obligațiuni de a plăți la scadenta prin intermediul _____ Dobînda si /sau Principalul, exceptând Cazurile de Eroare. - **"Neplata in Cazul Anularii Prezentei Oferte"** reprezintă situația in care SA MoldovaAgroindbank nu restituie deținătorilor de Obligațiuni contravaloarea Principalului in termen de 30 de zile de la data rămânerii definitive a deciziei de anulare a prezentei oferte, exceptând Cazurile de Eroare
Cazurile de Eroare	reprezintă acele situații in care neplata de către SA MoldovaAgroindbank a Dobânzii si/sau a Principalului nu se datorează inexistentei sau insuficientei fondurilor necesare plații Dobânzii si/sau a Principalului, ci unor alte cauze precum eroare umana sau Forță Majora.
Forță Majoră	Acea împrejurare de fapt, imprevizibila si de neînlaturat care împiedica in mod obiectiv si fără culpă executarea de către SA MoldovaAgroindbank a obligației de plata a Dobânzii si / sau Principalului sau care împiedica in mod obiectiv si fără culpa Agentului de Plată sa procedeze la executarea plaților ordonate de către SA MoldovaAgroindbank către deținătorii de Obligațiuni.
Data de referință	Data de referință este reprezentata de ultima zi a semestrului, deținătorii de obligațiuni înregistrați in registrul obligațiunilor la aceasta data fiind îndreptățiți la plata cuponului sau principalului, după caz. Daca

	ultima zi a semestrului este o zi nelucratoare se va lua in considerare următoarea zi lucratoare
Data fixării primului cupon	data aprobării de către CNPF a dării de seamă privind rezultatele ofertei publice de Obligațiuni
Investitorul	Orice persoana fizică sau juridică, rezidentă sau nerezidentă care subscrie in mod valid Obligațiunile în cadrul ofertei
Eroare umană	reprezintă acea situație in care deşi in contul deschis de SA MoldovaAgroindbank la _____ in vederea efectuării plaților potrivit prezentului Prospect existau sumele necesare plătii Dobânzii si/sau Principalului, acestea nu au fost plătite in tot sau in parte datorita unor cauze precum: omisiunea completării unuia sau mai multor ordine de plata; erori in completarea ordinelor de plata; omisiunea efectuării uneia sau mai multor viramente; erori in efectuarea viramentelor, etc.
Închiderea ofertei publice de Obligațiuni	Data la care se încheie oferta publica de obligațiuni, respectiv fie data expirării perioadei de valabilitate a prezentei ofertei, fie data închiderii anticipate, după caz
Maturitatea Obligațiunilor	_____ zile de la data fixării primului cupon
Prospectul de Ofertă	Acest Prospect de Ofertă Publică
Rambursare principal	Rambursarea principalului se face in zece zile lucratoare din ziua maturității emisiunii de Obligațiuni sau din ziua răscumpărării Obligațiunilor, după caz, la valoarea inițiala subscrisa ajustata cu variația cursului de schimb leu/USD survenită între data fixării primului cupon si data maturității emisiunii sau a răscumpărării Obligațiunilor, după caz. In situația declarării „Cazului de neplată”, rambursarea principalului se va face in termen de 10 zile lucratoare de la declararea „Cazului de neplată” la valoarea inițială subscrisa ajustată cu variația cursului de schimb leu/USD survenită intre data fixării primului cupon si „Data de Referința Corespunzătoare Cazului de Neplată”

Valabilitatea ofertei	Perioada de timp in care oferta este deschisă
LTV	Raportul sumei inițiale a creditelor acoperirii ipotecare față de valoarea estimativă a imobilului procurat

Characteristics of initial mortgage cover

The initial mortgage cover amount (as of _____) is MDL _____(____ Lei).

The amount of mortgage cover as of the date of submission of documents for registration of mortgage Bond issue (as of _____) is MDL _____(____ Lei).

Mortgage cover ratio is 0.9 (zero point nine).

As of the date of registration of the mortgage Bond issue and during the whole period of Bond circulation the value of mortgage cover ratio shall not exceed 0.9 (zero point nine).

The number of mortgage loans in the pool is _____ (_____).

The weighted average period of mortgaged assets in the mortgage cover is ____ months (_____ months).

The weighted average interest rate on mortgaged assets in the mortgage cover is ____% (_____percent) annual.

The aggregate amount of interest payments on mortgaged assets during the interest period of mortgage Bonds is _____(____ LEI) (_____LEI).

The aggregate amount of interest payments on mortgage Bonds during the interest period of mortgage Bonds is _____USD/EUR/LEI (_____USD/EUR/LEI).

The rate of mortgaged assets with borrowers' obligations secured by mortgage of apartment houses or apartments is ___% (____ percent) of the aggregate amount of all mortgaged assets in the structure of mortgage cover.

Regularity of borrowers' payments under mortgaged assets shall be once a month, according to schedule, at the end of the term.

MORTGAGE COVER AUDIT

The details of the Auditor

Name: _____

Address: _____

Telephone: _____

Certificate of entering in the Registry of Audit Entities issued by Ministry of Finance No.___ dated _____.

The Certificate expires on _____.

The details of the Bondholders Representative

Name_____

Address____,

Telephone:

Basic functions of the Bondholders Representative are as follows:

1) carries out supervision above execution of payment obligations of the issuer in relation to holders of the bonds stipulated by the decision of the issuer and the prospectus, and also requirements of the legislation on information disclosure.

2) represents the bondholders in relation to the issuer, the National Commission, judicial instance and other persons.

3) informs the National Commission in cases when the issuer does not comply with the requirements other than payment obligations stipulated by the legislation, the decision of the issuer and the prospectus of the public offering, if the issuer has not eliminated them within no more than 30 days from the date of commercial representative request.

4) receives results of the Agreed-Upon procedure of the auditor for observance of the requirements stipulated by the decision of the issuer and the prospectus of the public offering, related to mortgage cover and the credit assets of the issuer included in it.

5) is the nominal holder of the mortgage cover, signs the pledge agreement in favour of bondholders and registers the pledge in the State Register of Moveable Property.

6) informs the National Commission and bondholders over the condition of mortgage cover and the credit assets of the issuer included in it

7) ensuring storage of the document that prove the right of the Issuer to mortgaged assets in the mortgage cover structure in conformity with the procedure stipulated by the offering prospectus;

8) exercising control over observation of terms of replacement of mortgaged assets or inclusion of new mortgage cover in the mortgage cover structure;

9) exercising control over timely and full payments on Bonds by the Issuer;

10) making claims on the Issuer for fulfillment of its money obligations on Bonds, other obligations according to the applicable legislation of Moldova, under offering prospectus and tripartite agreement between Issuer, Auditor and Bondholders Representative;

11) in case of mortgage cover recovery it shall ensure mortgage cover service and distribution of funds received from the mortgage cover in conformity with the applicable legislation of Moldova and offering prospectus;

12) in case of appointment of a temporary administration of the Issuer, or initiation of a insolvency procedure against the Issuer, it shall require transfer of the mortgage cover to the service entity determined by it, as well as shall dispose of the mortgage cover funds in the interest of owners of Bonds;

13) in case of passing a resolution on liquidation of the Issuer, it shall alienate the mortgage cover independently or jointly with the liquidator, as well as shall take actions aimed at receipt of funds by the owners of Bonds at the expense of other property of the Issuer;

14) shall take other actions stipulated by the applicable legislation of Moldova, offering prospectus, and contract of mortgage cover management.

In case of violation by the Issuer of payment obligations, the Representative shall notify of it the NCFM in writing within 2 days from the date of revealing such violation.

The Bondholders Representative shall exercise its powers on the grounds of tripartite agreement between Issuer, Auditor and Bondholders Representative.

List of Agreed-Upon Procedures

I. Confirmation of mortgage cover Register

In respect of entries in the "Database" (the Issuer's report on the state of mortgage cover of mortgage Bonds, mortgage cover Register) for all aggregate data as of _____, the Auditor shall make a sampling of the entries contained in the database. The amount of such sampling will represent 100% of the "Database". By each item of the sampling, as of _____, the Auditor shall check that the entries of the items specified below of each mortgage file in the sampling should comply with the entries of the same items recorded in the mortgage cover Register:

1. Payment status (standard or non performing), the standard loan definition shall correspond to the definition by the methodology of the National Bank of Ukraine.

2. Outstanding balance as of _____, recorded in the mortgage cover Register, with the information presented by the bank on the Issuer's computer display (statement of loan

account as of _____) as the information on non repaid debit balance on respective loan account in "Banking day" computerized system, as of _____.

Terms and frequency of the mortgage cover Agreed-Upon Procedures

During the period of Bond circulation, the Issuer shall undertake to ensure conduction at its cost of Agreed-Upon procedures for checking compliance of the mortgage cover condition with the data of mortgage Cover Register and requirements of the present prospectus – see *Financial Matching Criteria for the Pool and Covered Bonds*

Such procedures shall be conducted twice a year. Any extraordinary audits may be conducted on requirement of the Manager following receipt by it of the information on the event of violation by the Issuer of its obligations.

Auditor's reports shall be submitted by the Manager to NCFM and to owners of Bonds on their requirement.

The Auditor shall check the mortgage cover Register in the following way:

- By performing scheduled Agreed-Upon procedures of the mortgage cover Register upon expiration of each mortgage Bond interest period, at intervals and within the dates stipulated by Tripartite Agreement between Issuer, Bondholders Representative and Auditor, but not less than once a year.
- By extraordinary audits of the mortgage cover Register on requirement of the Manager if any threat arises on non fulfillment by the Issuer of its obligations under the mortgage Bonds.

The Auditor shall check the mortgage cover Register for:

compliance of amount, state, and characteristics of the mortgage cover with the requirements established by the prospectus – see *Requirements for mortgaged assets in the structure of mortgage cover*;

- compliance of characteristics of separate assets within the mortgage cover structure with the requirements established by the prospectus – see *Categories of Assets that may be Included in the Pool – Substitution Assets* ;
- compliance of the data of the mortgage cover Register on mortgage cover and separate mortgaged and other assets in the mortgage cover structure with the data of accounting and financial reports of the Issuer.

OVERCOLLATERALISATION OF THE POOL

The Terms and Conditions applicable to the bonds require the Issuer to maintain Overcollateralisation of the Pool with respect to the bonds at a minimum level of twelve per cent. The Commercial representative (Trustee), has agreed in the tripartite Agreement between Issuer, Auditor and commercial representative of bondholders to confirm Auditor's report on compliance by the Issuer with its undertaking regarding the level of Overcollateralisation and Financial Matching Criteria for the Pool and Covered Bonds – see *Cover assets pool - Financial Matching Criteria for the Pool and Covered Bonds* .

In this context, **Overcollateralisation** of the Pool with respect to Mortgage Cover Securities means the amount by which the market value of the Pool exceeds the total outstanding principal amount of the Covered bonds issued by the relevant Institution.

Since the Commercial Representative must have regard to contractual undertakings with respect to Overcollateralisation when performing its functions, the Commercial Representative could not agree to the removal or substitution of assets from the Pool if the result of such removal or substitution was that the required level of Overcollateralisation would not be satisfied. In addition, the Commercial Representative is required to take reasonable steps to verify complaints by the Issuer with contractual undertakings in respect of Overcollateralization before the issue of any Covered bonds.

COVER ASSETS POOL

Requirements for mortgaged assets in the structure of mortgage cover

The mortgaged assets in the structure of mortgage cover shall meet the following requirements:

- the mortgaged assets shall belong to the Issuer by the right of property and may be alienated in case of failure to fulfill obligations under Bonds;
- the obligations secured by mortgage shall be subject to substitution in form indicated in *Substitution Assets*;
- the Issuer shall be deemed the mortgagee under an appropriate mortgage contract entered in a relevant state registry in conformity with the procedure established by the laws.

- the mortgaged assets shall be neither pledged nor encumbered in other way for ensuring fulfillment by the issuer of the obligations other than its obligations under Bonds;
- no resolution was passed on recovery and no bankruptcy procedure was initiated against the borrower under a respective mortgage or loan agreement;
- the terms of a respective mortgage contract shall not envisage the possibility of replacement or alienation of the mortgaged property by the mortgagor without the mortgagee's consent;
- the mortgaged property shall be located in the territory of Moldova;
- the mortgaged assets shall not be included in the structure of mortgage cover of other mortgage securities issue
- principal debt amount of the borrower under mortgaged obligations shall not exceed 75% of assessed value of the mortgaged property determined by an appraising entity;
- the borrower's obligations shall not be secured by the next mortgage;

A mortgage cover shall not include the mortgaged assets with borrowers' obligations secured by mortgage of construction in progress or mortgage of property rights, including the rights to real estate in the process of construction, or rights to use real estate.

A mortgage cover shall not include the mortgaged assets with borrowers' obligations secured by mortgage of such real estate of residential purpose:

- housing for temporary residence;
- residential apartments and housing being the state or municipal property.

During the whole Bond circulation period, the aggregate amount of mortgaged assets with borrowers' obligations secured by mortgage of housing or apartments shall be at least 85 percent of the aggregate amount of all mortgaged assets in the structure of mortgage cover of mortgage Bonds.

During the Bond circulation period, the rate of their mortgage cover shall not exceed 0.9. If during the Bond circulation period the rate of mortgage cover exceeds the established values, the Issuer shall include new mortgaged assets in the mortgage Bond structure in order to adjust its value in conformity with the established mortgage cover ratio.

The mortgaged and other assets included in the structure of Bond mortgage cover, shall be deemed put in pledge that secures fulfillment of the Issuer's obligations to owners of Bonds.

The pledge of a mortgage cover will require execution of a pledge contract and arises from the date of state registration of the pledge in the State Registry of Moveable Property. The mortgaged and other assets that are included in the structure of mortgage cover after state registration of Bond issue shall be deemed put in pledge from the date of entering the data on including such assets in the structure of mortgage cover in the mortgage cover Register.

The data on encumbrance of mortgage cover shall be entered by the Commercial Representative in the State Registry of Moveable Property within five days following state registration of Bond issue in conformity with the procedure established by the legislation.

The next pledge of mortgage cover shall not be allowed.

Categories of Assets that may be Included in the Pool

A Pool maintained by an Institution may include only certain credit assets, substitution assets as described below.

Credit Assets

Credit asset is defined as property or an asset held by an Institution that comprises one or more mortgage loans.

A **mortgage loan** is a secured financial obligation in respect of money borrowed, with the purpose of acquiring residential real estate.

Substitution Assets

Substitution assets included in the Cover Assets Pool include:

(a) deposits with any credit institution which is authorized in Moldova or any other European Economic Area country;

(b) outstanding Securities issued by the Ministry of Finance

Financial Matching Criteria for the Pool and Covered Bonds

Certain financial matching requirements must be met by an Institution in respect of its Pool and Covered bonds. These criteria are that:

(a) the Pool maintained by an Institution has a weighted average maturity of not less than the Covered Bonds;

(b) the market value of the Pool is greater than the total of the principal amount of those Covered Bonds;

(c) the total amount of cash flow payments in a given period of 12 months in respect of the Pool is during that 12 month period not less than the total amount of cash flow payments in respect of that period on those Covered Bonds;

(d) the weighted average interest rate (yield) on mortgaged and other assets shall exceed the interest rate (yield) on Covered Bonds;

(d) the currency in which each mortgage loan and each substitution asset included in the Pool is denominated is the same as the currency in which those Covered Bonds are denominated.

(e)The mortgaged assets and other assets in the structure of mortgage cover that in conformity with the rules established by the National Bank of Moldova are recognized as "substandard", "doubtful", or "bad" shall not be taken into account at calculation of Bond mortgage cover and mortgage cover ratio.

(f) The LTV of mortgages included in the Pool cannot exceed 75%

INSOLVENCY OF INSTITUTIONS

With respect to Institutions, Part IX of the Insolvency Law supersedes the usual provisions of law that address insolvency of Moldovan companies.

Effect of Insolvency or Potential Insolvency on Certain Obligations

The fact that an Institution or its parent entity or any company related to the Institution has become insolvent or potentially insolvent does not affect:

(a) the claims and rights of holders of Covered Bonds issued by the Institution;

(b) the appointment of a manager in respect of the Institution and the relevant claims and rights of such manager in so far as those claims and rights relate to the appointment or arise under the Insolvency Law.

Treatment of Overcollateralisation Undertakings

Where an Institution enters into a contractual undertaking with the Bondholders Representative (Trustee) appointed to it that it will check that specified levels of Overcollateralisation are not breached, then:

(a) prior to the occurrence of an insolvency process with respect to the Institution, the Bondholders Representative cannot agree to the removal from the Pool of public credit assets or substitution assets that represent Overcollateralisation if that removal would result in specified Overcollateralisation levels being breached; and

(b) on the occurrence of an insolvency process with respect to the Institution, the Bondholders Representative cannot agree to the removal from the Pool of public credit assets or substitution assets that represent Overcollateralisation (so as to make them available to creditors of the Institution other than secured creditors) prior to all claims of secured creditors being satisfied in full (see *Secured Creditors*) if that removal would result in the specified Overcollateralisation levels being breached.

Secured and Unsecured Creditors

Where an Institution, or its parent entity or any company related to the Institution becomes subject to an insolvency process, secured creditors are, for the purpose of satisfying their claims and rights, entitled to have recourse to the Cover Assets that are included in the Pool maintained by the Institution ahead of members of, and contributors to, the Institution and all other creditors of the Institution, its parent entity or company related to the Institution. This provision applies irrespective of whether the claims of creditors other than secured creditors are preferred under any other enactment or any rule of law and whether those claims are secured or unsecured.

Secured creditors are defined in the Insolvency Law as class of creditors whose claims on debtor appeared before the initiation of insolvency procedure and are secured by real guarantees (pledge).

The claims of unsecured creditors are satisfied after the claims of other creditors are satisfied but ahead of shareholders.

According to the Enforcement Code the pledgee (creditor that has a lien on assets or goods) has the right to claim the pledged goods and has a priority ahead of other creditors also creditors that hold a right on conventional or legal pledge, on goods or

assets from the total debtor's liabilities have the prioritized right to be repaid for the principal, interest and other payments from the pledge.

Claims guaranteed by pledge over sold property are paid in prioritized order from the sum received, ahead of other claims.

Significant indebtedness is defined in the Insolvency Law as financial state of the debtor, whose liabilities are limited to the value of its assets so that the value of assets doesn't cover its liabilities.

In case of insolvency, significant indebtedness of the bank or exists the risk (threat) of insolvency or indebtedness, the general manager of the bank (CEO) is obliged to inform immediately the National Bank of Moldova. In this case the responsibility to inform the NBM substitutes the debtor's insolvency filing.

The insolvency Law states that the insolvency process can be initiated only by the National Bank of Moldova.

In the event that an Issuer or its parent or a related company becomes subject to an insolvency process, the powers of the Court with respect to the appointment of a manager, continue to have effect until the claims of all secured creditors have been fully satisfied.

Status of Cover Assets

Cover Assets that are included in the Pool are included in the forming part of the assets of an Institution, its parent or a related company, for the purposes of any insolvency process.

Cover Assets that are included in the Pool are not liable to attachment, sequestration or other form of seizure, or to set-off by any persons, that would otherwise be permitted by law so long as claims secured remain unsatisfied.

The Issuer may not create a security interest in respect of any Cover Assets in the Pool if Covered Bonds are outstanding and if such security interest would, adversely affect the priority conferred by the Law on secured creditors. If the Issuer creates any such security interest, the interest is void and any money secured by it is repayable immediately. If a Cover Asset included in a Pool is subject to a security interest which would contravene this requirement, the relevant Issuer is required to replace such Cover Asset.

To the extent that the claims of all preferred creditors are not fully satisfied from the proceeds of the disposal of the Cover Assets included in the Pool maintained by the relevant Issuer, such creditors become unsecured creditors in the insolvency process.

relating to the Institution, the claims of the super-preferred creditors ranking above those of the other preferred creditors in this regard.

Dissolution of an Institution

According to Insolvency Law the Banks involved in the insolvency procedure will be liquidated.

ATTACHMENT 4

USAID
DIN PARTEA POPORULUI AMERICAN

ACCES LA INIȚIATIVE DE CREDIT/MOLDOVA

Creditare Ipotecară, Venit Fix, Leasing Financiar

PIAȚA DE LEASING DIN MOLDOVA ÎN CIFRE

Moldova
Chișinău, 2008

PIAȚA DE LEASING DIN MOLDOVA ÎN CIFRE

Proiectul USAID – Access la Inițiative de Credit (ATCI/Moldova) a efectuat recent un studiu pe piața de leasing din Moldova în bază de sondaj (perioada analizată: 2006-2007). Un astfel de studiu de piață este primul de genul său în industria leasingului şi a dezvăluit multe detalii interesante.

Piața de leasing din Moldova este în plină formare iar principalele tendințe pe parcursul ultimilor doi ani pot fi catalogate în 3 aspecte inter-conexe: facilitarea condițiilor de finanțare oferite de către operatorii de leasing, intensificarea gradului de concurență şi creşterea semnificativă a acestei piețe, care însă nu şi-a atins potențialul deplin. Obiectivele de bază ale acestui studiu de piață sunt de a determina adevăratul potențial a acestei piețe şi a identifica oportunitățile de dezvoltare.

1. SCOPUL SONDAJULUI

Principalele obiective ale acestui sondaj sunt:

- identificarea situației reale de pe piața de leasing şi evaluarea ei în dinamică;
- segmentarea pieții şi evidențierea sectoarelor cu un ritm de creştere sporit;
- calcularea indicatorilor de bază a industriei;
- determinarea oportunităților de pe piața de leasing;
- identificarea obstacolelor principale în dezvoltarea leasingului din Moldova.

Acest studiu de piață se doreşte a fi o unealtă de auto-evaluare pentru investitorii şi managementul companiilor de leasing. În acelaşi timp, fiind primul sondaj oficial de acest gen din Republica Moldova, rezultatele sale agregate vor stabili reperele de bază în această industrie pentru a monitoriza evoluția ulterioară a pieții de leasing.

Noi sperăm ca prin astfel de activități să contribuim la dezvoltarea şi consolidarea pieții de leasing, pe care o considerăm crucială în creşterea economică a Moldovei, în special a sectorului real. Cu această ocazie ATCI/Moldova mulțumeşte tuturor companiilor de leasing care au participat la acest sondaj.

2. METODOLOGIA

Din cauza faptului că activitatea de leasing în Moldova nu necesită licențiere, practic orice agent economic poate efectua tranzacții de leasing în calitate de locator. Astfel este dificil de a stabili numărul exact de companii ce au efectuat tranzacții de leasing pe parcursul anului trecut. ATCI/Moldova a identificat 19 companii ce practică regulat finanțarea în leasing ca activitate operațională de bază (urmează în ordine alfabetică):

Alfa Fin Grup	MAIB-Leasing
ATB-Leasing & Co	MoldComLeasing
BS-Leasing Grup	Raiffeisen Leasing
Eelectrosistem	Status Leasing
Eurobus Leasing	Tehagroleasing
Euroleasing	Top Leasing
Excelent-Leasing	Total Leasing
Galas-Leasing	Transleasing-Grup
IMC Leasing	XML Leasing
Leasing-Profit	

Dintre companiile sus-menționate, 6 – cele mai active, ce dețineau la 31 decembrie 2007 o cotă de piață de circa 70%, au participat la acest sondaj, răspunzînd exhaustiv la întrebările din chestionar. Pe lîngă aceasta, alte 3 companii cu cota de piață de 18% (la 31 decembrie 2007) au răspuns la chestionarele remise de ATCI/Moldova anul trecut, astfel s-a făcut doar estimarea actualizării datelor prezentate. Cota celorlalte companii de pe piață, a fost estimată la 12% din totalul portofoliului de leasing din Moldova.

Chestionarele remise către companii conțineau 39 de întrebări, structurate în 6 capitole, precum urmează:

1. Profilul companiei.
2. Structura capitalului.
3. Relațiile cu furnizorii/vînzătorii de utilaj/echipament
4. Condițiile de finanțare.
5. Tipuri de risc.
6. Standarde de calitate.

În cazul răspunsurilor incomplete la unele întrebări, colaboratorii ATCI/Moldova intervievau personalul competent a companiilor de leasing pentru a deduce imaginea completă a pieții.

3. IMPORTANȚA LEASINGULUI ÎN MOLDOVA

Leasingul, ca instrument financiar, a avut un rol important în stimularea investițiilor în activele de producție din întreaga lume. În țările membre OSCE, leasingul reprezintă de la 15% la 30% din totalul investițiilor în capital fix. În țările în dezvoltare, acest indicator oscilează între 1% şi 15% (7% în Moldova – la sfîrşitul anului 2007). Însă adevărata valoare a acestui instrument financiar se face simțită anume în țările în dezvoltare, deoarece majoritatea companiilor din aceste țări nu au resursele necesare pentru a procura mijloace fixe intensive în capital, iar finanțarea bancară nu le este accesibilă.

După cum arată şi sondajul efectuat de ATCI/Moldova, întreprinderile mici şi cele mijlocii din Moldova beneficiază cel mai mult de acest instrument financiar accesibil şi flexibil, deoarece majoritatea lor nu au acces la finanțarea bancară pe termen lung pentru a procura mijloacele fixe necesare pentru dezvoltarea afacerii.

Practica Europeană demonstrează că facilitarea accesului la finanțarea prin leasing a accelerat renovarea echipamentului/utilajului şi a flotelor de transport, uzate atît fizic cît şi moral, în întreprinderile din majoritatea ramurilor economice. Aceste evenimente, la rîndul lor au contribuit la eficientizarea activităților economice, generarea locurilor noi de muncă şi într-un final la îmbunătățirea condițiilor de viață. Sperăm că acelaşi lucru se va întîmpla şi în Republica Moldova.

4. GLOSAR DE LEASING

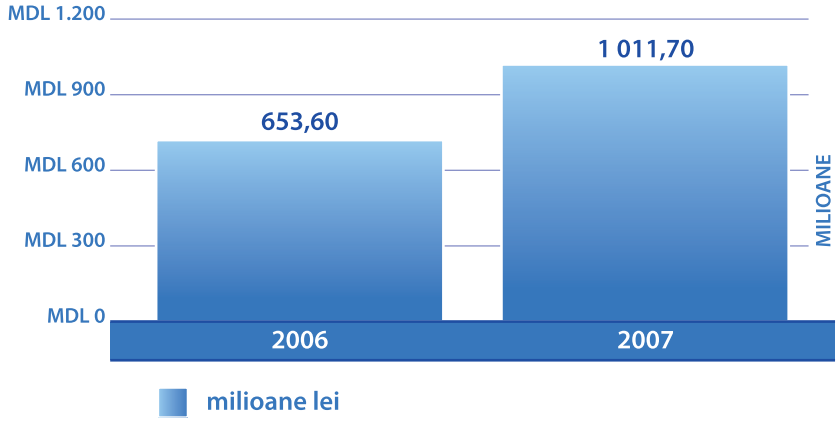
Pentru a familiariza cititorul cu termenii specifici profesionali şi a armoniza noțiunile operate de către profesioniştii din domeniul leasingului din Moldova, proiectul ATCI/Moldova a elaborat „Glosarul de Leasing". Acest glosar bi-lingvistic (termenii sunt definiți atît în Română cît şi în Rusă) cuprinde peste 150 de noțiuni din uzanța profesională a specialiştilor în leasing. Glosarul poate fi găsit pe pagina de internet a proiectului ATCI/Moldova, la adresa: http://www.atci.com.md/Leasing/Glossary.aspx?cl=ro-RO

5. PROIECTUL ACCES LA INIȚIATIVE DE CREDIT/MOLDOVA

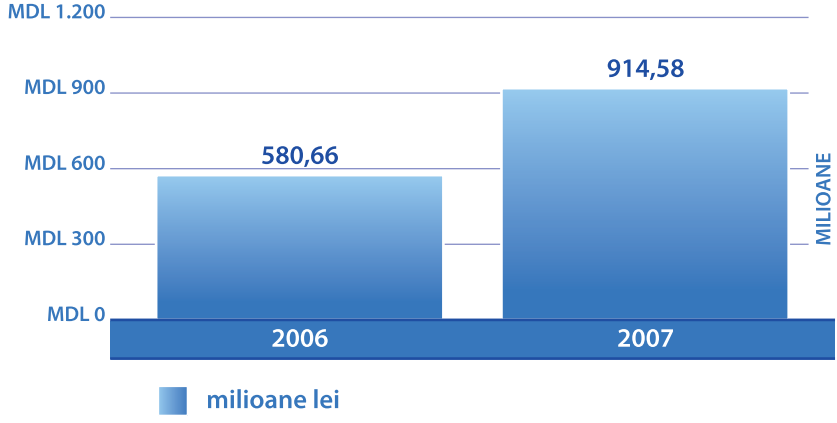
Proiectul Acces la Inițiative de Credit, care a realizat acest studiu al pieții de leasing în bază de sondaj, reprezintă un program de doi ani implementat de Corporația Pragma şi finanțat de USAID. Programul proiectului se axează pe consolidarea sectorului financiar din Moldova prin dezvoltarea domeniilor asociate de împrumuturile ipotecare, leasingul financiar şi dezvoltarea

instrumentelor de venit fix. USAID este principala agenție de asistență străină a S.U.A. acordînd asistență în mai mult de 100 de țări ale lumii, USAID tinde să asigure o dezvoltare ce ar genera progres economic, social şi democratic astfel ca ulterior țările să-şi poată susține mersul înainte.

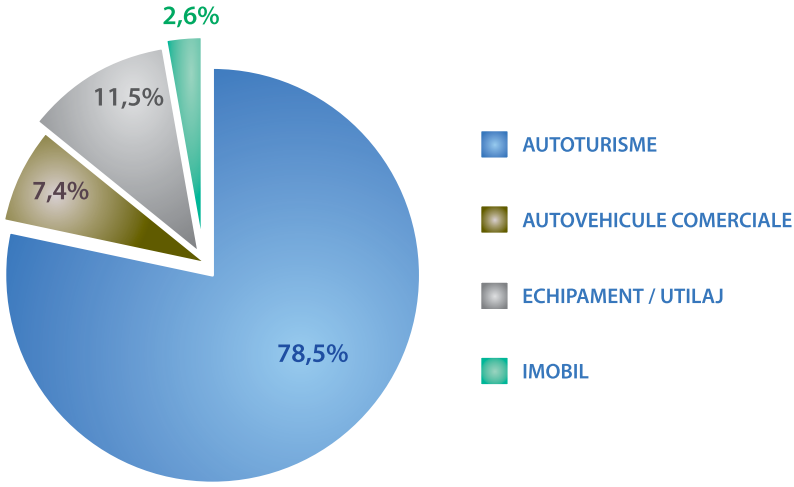
EVOLUȚIA VALORII TOTALE A OBIECTELOR FINANȚATE ÎN LEASING (TOTAL VÎNZĂRI) – ÎN LEI



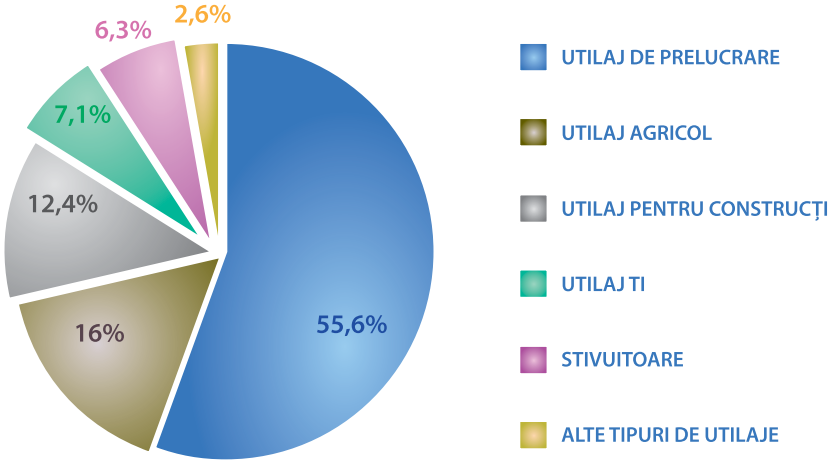
EVOLUȚIA VALORII TOTALE A PORTOFOLIULUI DE LEASING ÎN MOLDOVA – ÎN LEI



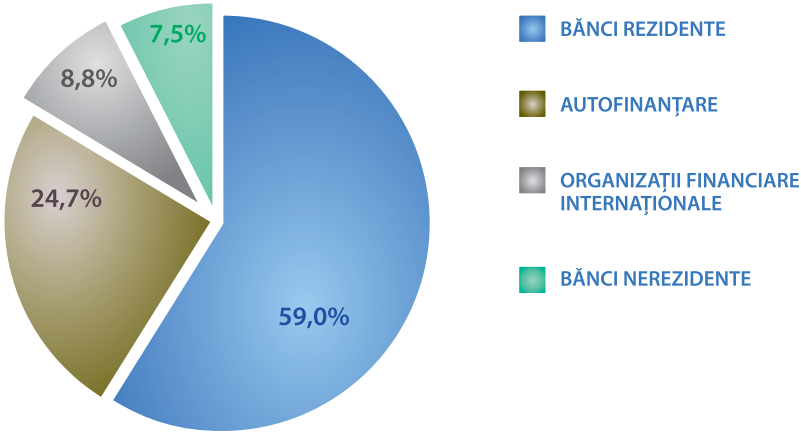
STRUCTURA PONDERATĂ A PORTOFOLIULUI DE LEASING ÎN MOLDOVA LA 31 DECEMBRIE, 2007



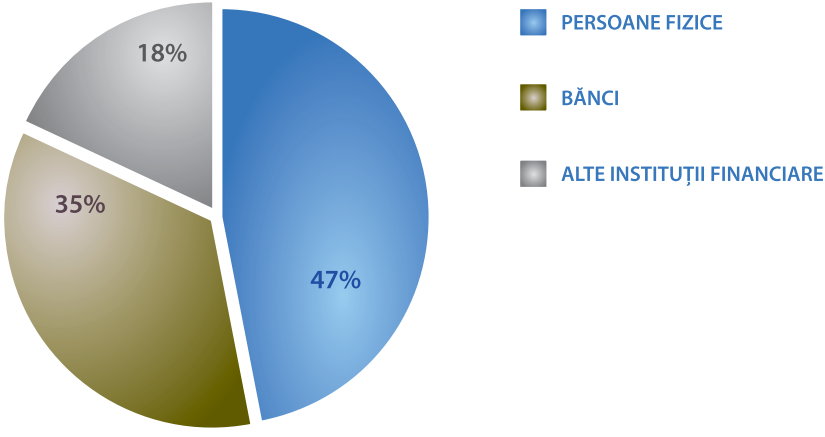
TIPURILE ECHIPAMENTULUI/UTILAJULUI FINANȚAT ÎN LEASING ÎN MOLDOVA, LA 31 DECEMBRIE 2007



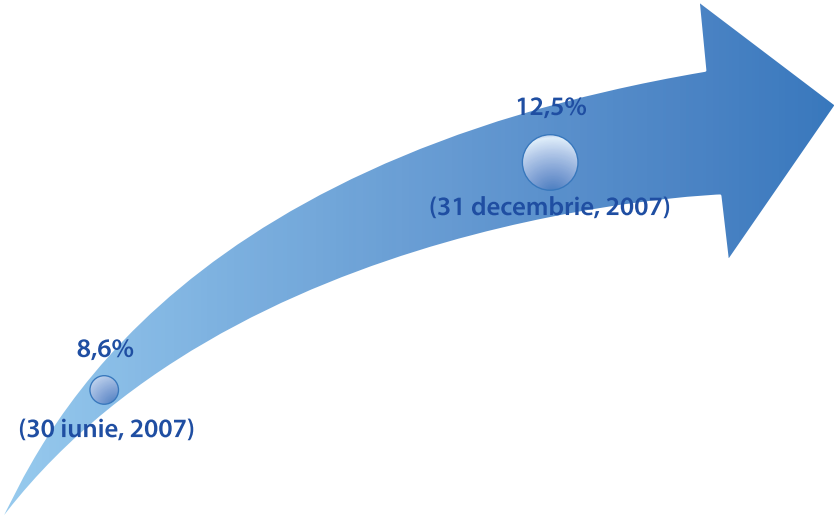
MEDIA PONDERATĂ A SURSELOR DE FINANȚARE A OPERAȚIUNILOR DE LEASING, LA 31 DECEMBRIE, 2007



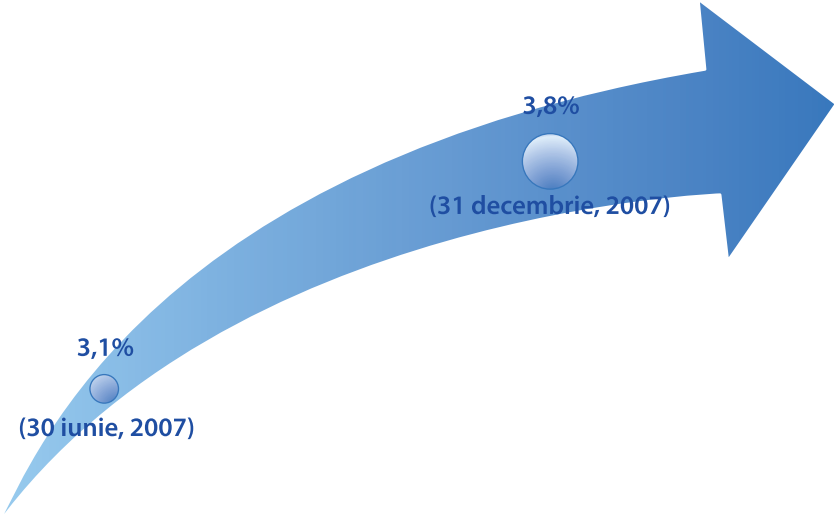
STRUCTURA PONDERATĂ A CAPITALULUI COMPANIILOR DE LEASING ÎN MOLDOVA, LA 31 DECEMBRIE 2007 (PROPRIETARII COMPANIILOR DE LEASING)



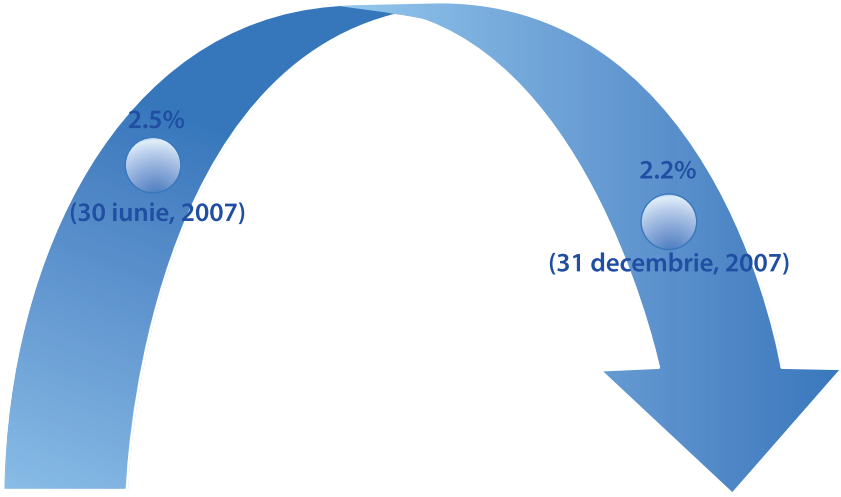
COTA RĂSCUMPĂRĂRILOR ANTICIPATE DIN PORTOFOLIUL DE LEASING ÎN MOLDOVA, ÎN 2007



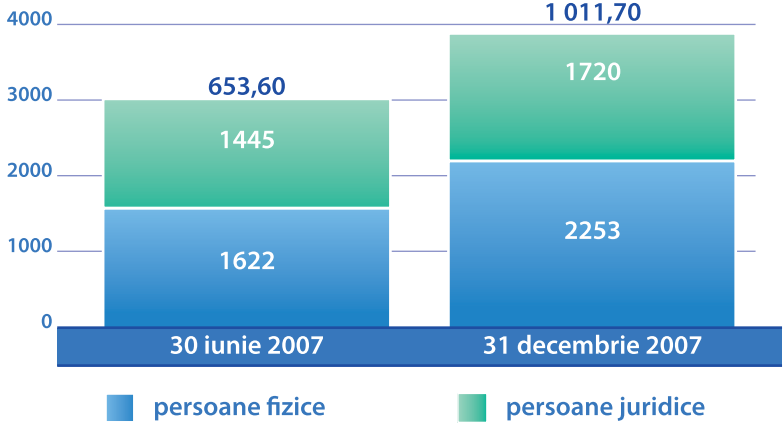
COTA PROCEDURILOR DE RE-POSEDARE DIN PORTOFOLIUL DE LEASING ÎN MOLDOVA, INIȚIATE ÎN 2007



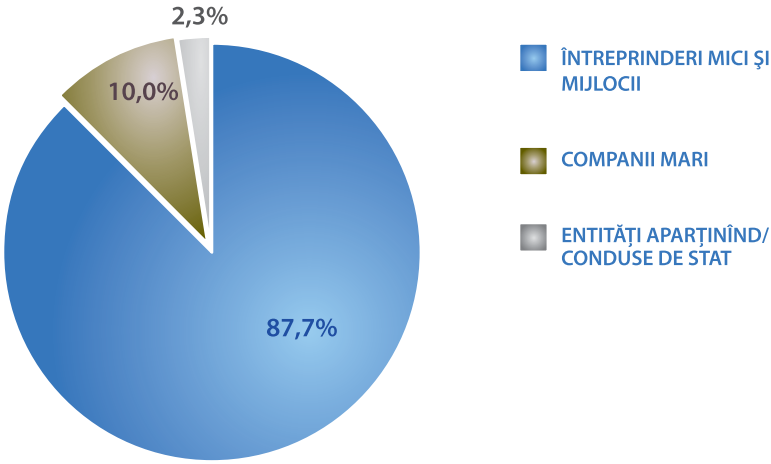
COTA CONTRACTELOR EŞUATE DIN PORTOFOLIUL DE LEASING ÎN MOLDOVA, ÎN 2007



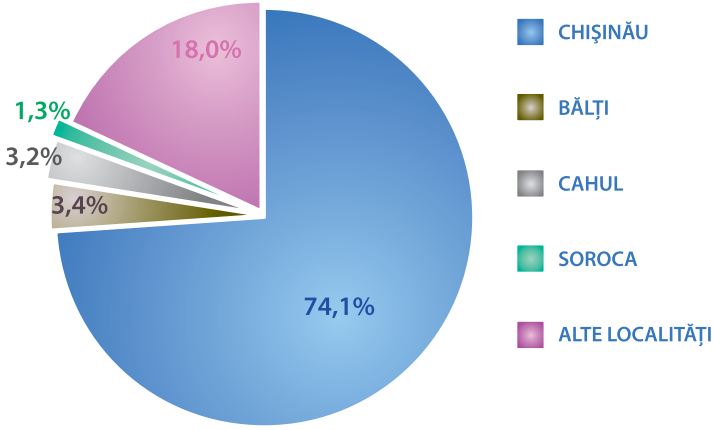
EVOLUȚIA STRUCTURII CLIENȚILOR COMPANIILOR DE LEASING DIN MOLDOVA ÎN 2007



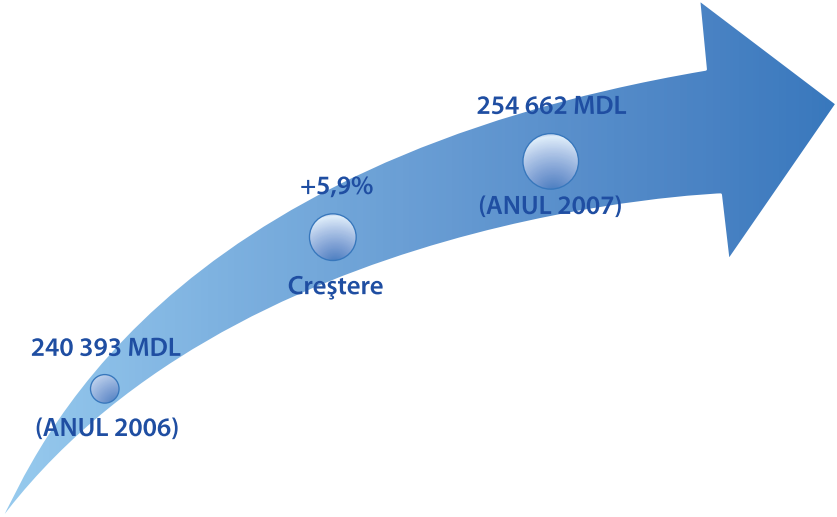
STRUCTURA LOCATARILOR "PERSOANE JURIDICE" LA 31 DECEMBRIE 2007



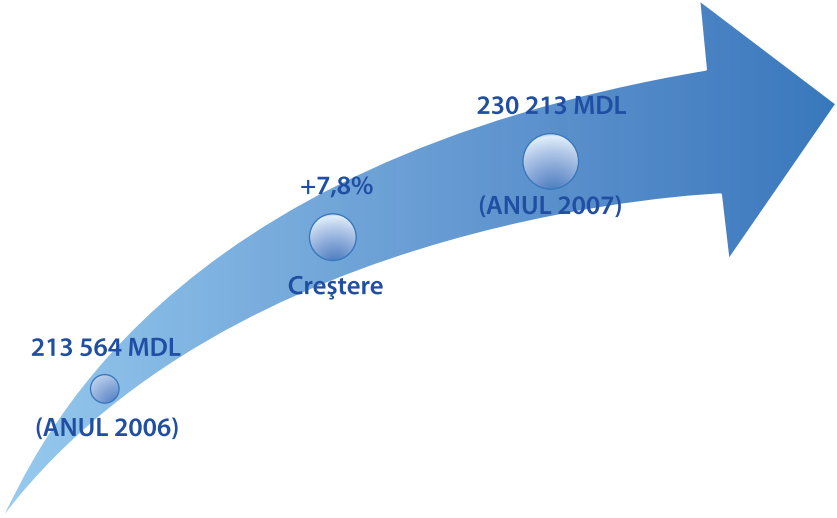
DISTRIBUŢIA GEOGRAFICĂ A CLIENŢILOR COMPANIILOR DE LEASING DIN MOLDOVA, LA 31 DECEMBRIE, 2007



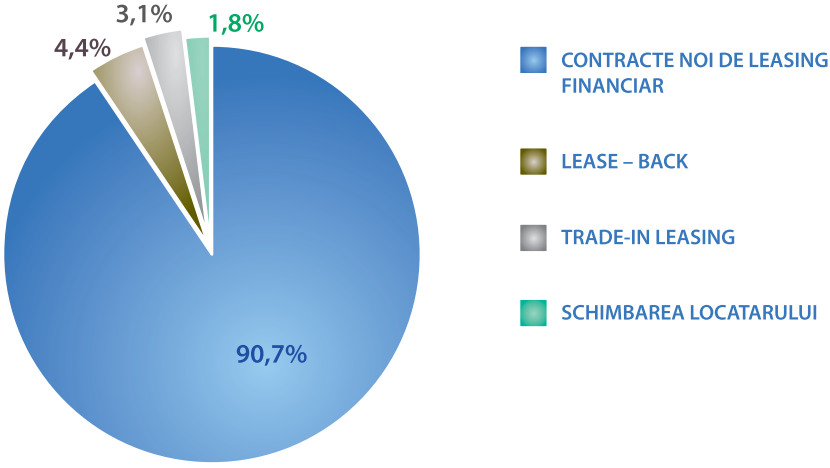
VALOAREA MEDIE (PER LOCATAR) A BUNURILOR FINANȚATE ÎN LEASING, PERIOADA: 2006-2007



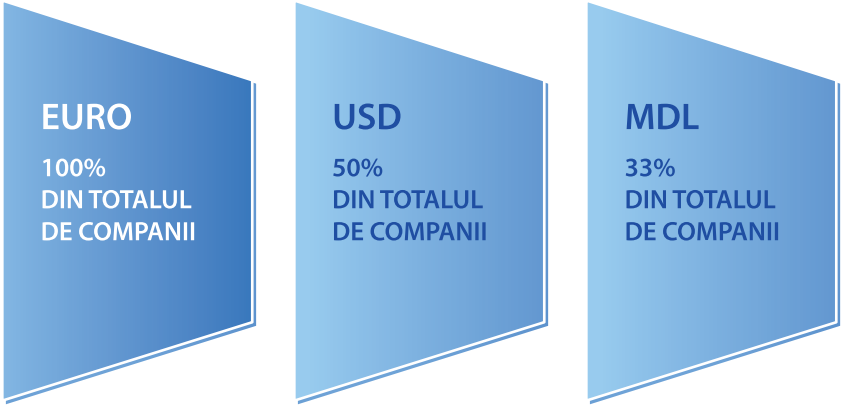
VALOAREA MEDIE A SUMEI FINANȚĂRII PER LOCATAR, PERIOADA: 2006-2007



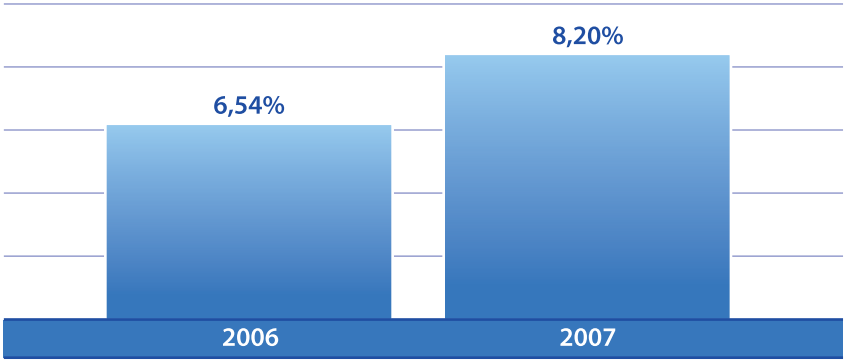
TIPURILE TRANZACȚIILOR DE LEASING ÎNCHEIATE ÎN MOLDOVA: MEDIE PONDERATĂ LA 31 DECEMBRIE 2007



VALUTELE FINANȚĂRII TRANZACȚIILOR DE LEASING

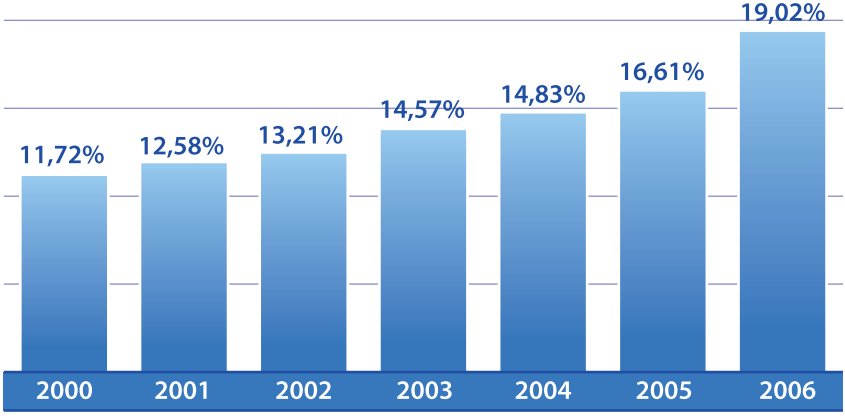


RATA DE PENETRARE A LEASINGULUI* ÎN ECONOMIA REPUBLICII MOLDOVA



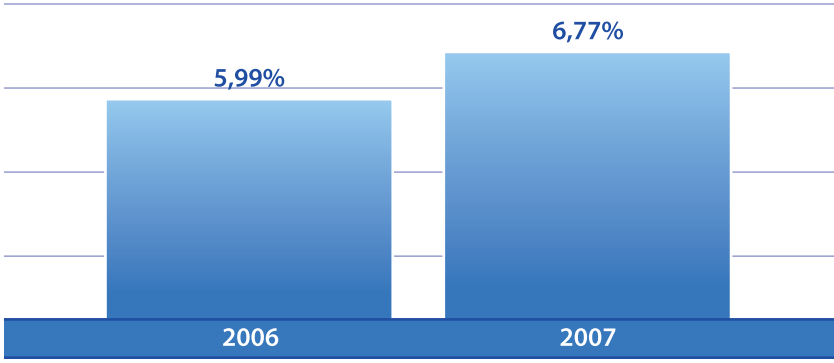
* Calculată după metoda LEASEUROPE: Raportul dintre valoarea totală a bunurilor finanțate în leasing şi formarea brută de capital fix din care se scad investițiile private în locuințe.

RATA MEDIE DE PENETRARE A LEASINGULUI ÎN ȚĂRILE EUROPENE*

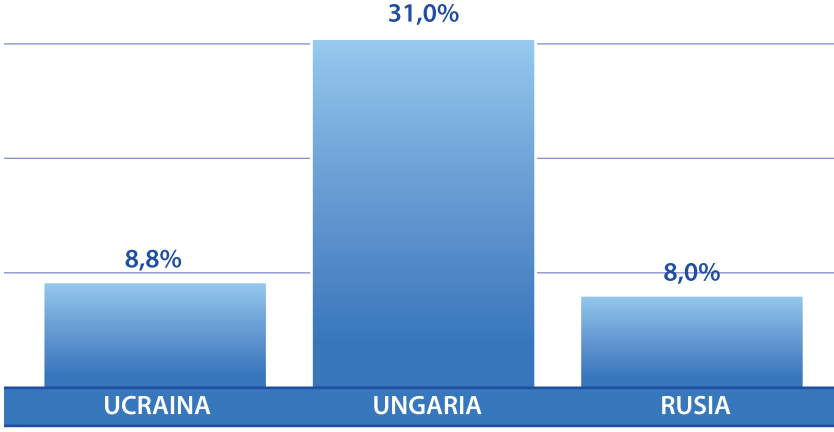


* Conform datelor LEASEUROPE.

PONDEREA OPERAȚIUNILOR DE LEASING ÎN INVESTIȚIILE ÎN CAPITAL FIX DIN MOLDOVA

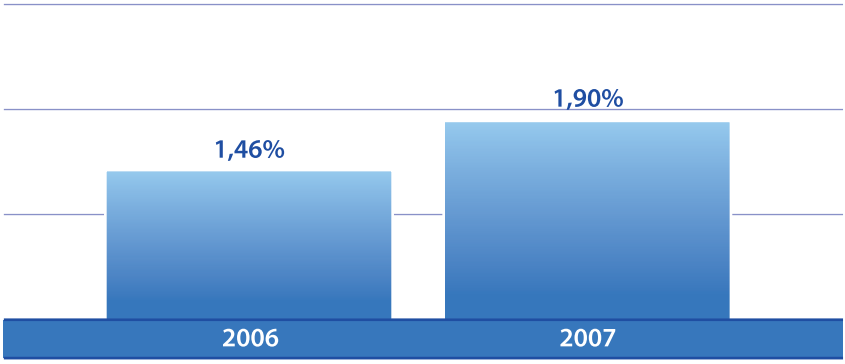


PONDEREA OPERAȚIUNILOR DE LEASING ÎN INVESTIȚIILE ÎN CAPITAL FIX ÎN ANUL 2007 *

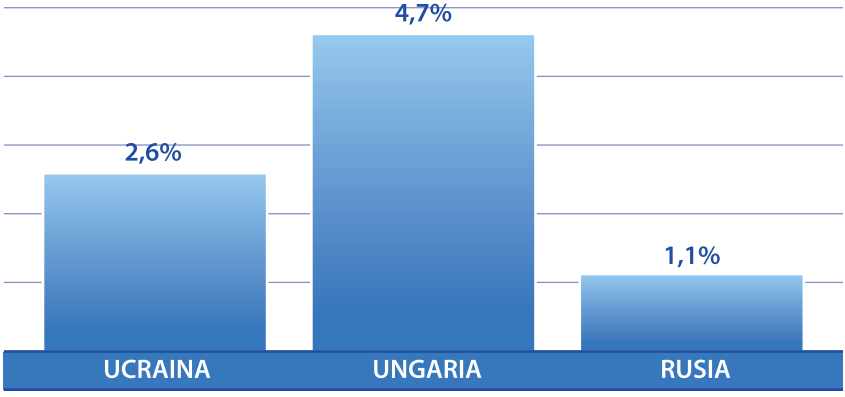


* Conform datelor International Finance Corporation.

PONDEREA OPERAȚIUNILOR DE LEASING ÎN PIB, REPUBLICA MOLDOVA



PONDEREA OPERAȚIUNILOR DE LEASING ÎN PIB ÎN ANUL 2007 *



* Conform datelor International Finance Corporation.

PROBLEMELE MAJORE ÎN DEZVOLTAREA LEASINGULUI DIN PERSPECTIVA ACTORILOR PRINCIPALI AI ACESTEI PIEȚE

- Legislație imperfectă;
- Lipsa unei piețe secundare puternice pentru anumite tipuri de active finanțate (în special utilaj/echipament);
- Lipsa transparenței/informației veridice pe piața de leasing;
- Dificultăți în atragerea resurselor ieftine.

NOTE

PROIECTUL ACCES LA INIȚIATIVE DE CREDIT MOLDOVA

Republica Moldova, 2009,
Chișinău, strada N. Iorga Nr. 8/4

Tel: +373 (22) 23-20-08; +373 (22) 23-29-71
Fax: +373 (22) 23-80-39

http://www.atci.com.md

Această broşură a fost întocmită datorită susţinerii din partea Poporului American prin intermediul Agenţiei Statelor Unite pentru Dezvoltare Internaţională (USAID). Conţinutul acestei broşuri reprezintă, în exclusivitate, responsabilitatea Corporaţiei Pragma, care implementează proiectul ATCI în Moldova şi nu neapărat reflectă punctul de vedere al USAID sau al Guvernului Statelor Unite.

ATTACHMENT 5

Memorandum

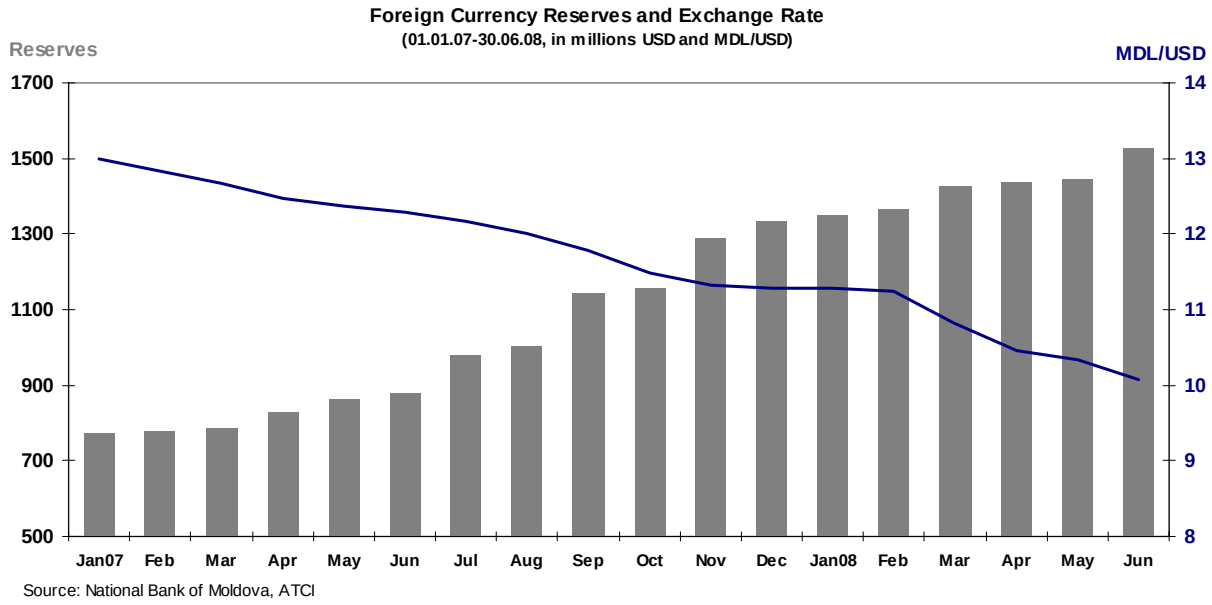
Date: 27 July 2008

To: Gary Linden, Corneliu Rusnac; USAID Moldova

From: Steve Moody, ATCI Moldova Country Director

Re: Sterilization-related expenses in NBM

I have refined the estimate of sterilization-related expenses in the National Bank of Moldova: USD 141.95 million in the current year to June 30, compared to USD 121.13 million for all of 2007. Estimated total sterilization expense since 1 Jan 2007 is USD 263.07 million. In the current year, dollar devaluation accounts for about 94 percent of losses. (See the attached Excel file.)

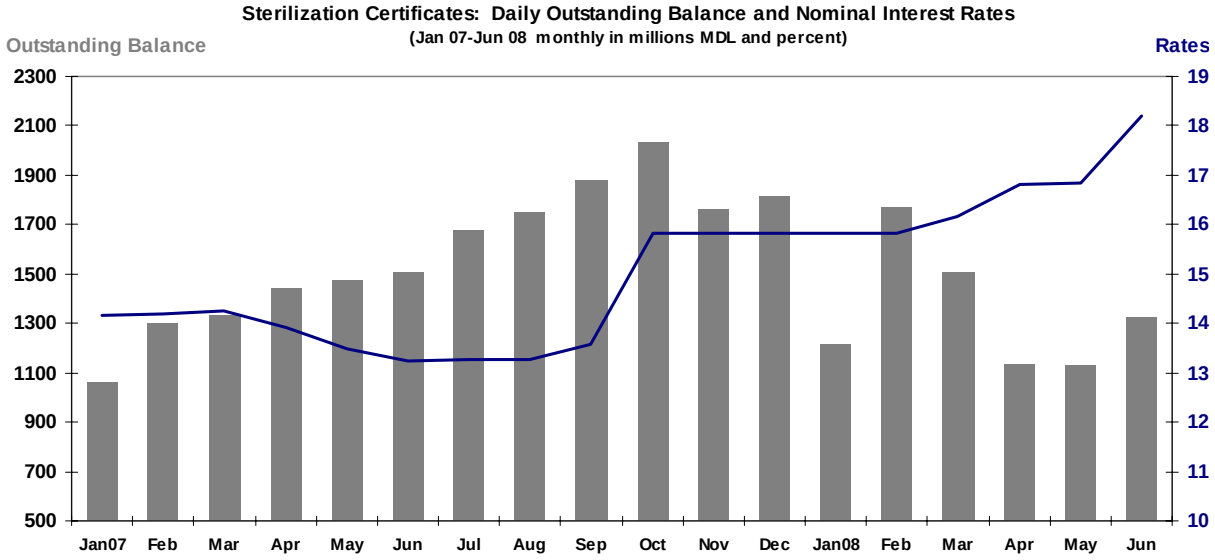


Sterilization-related expense has three components:

1. Interest paid on sterilization certificates. NBM reports the average daily outstanding balance of securitization certificates and the average yield monthly. In the current year, NBM has paid an estimated MDL 111.66 million in interest on SC, compared to MDL 226.82 million during all of 2007. These estimates are probably accurate.

2. Valuation of Foreign Currency Reserves. NBM reports end-of-month balances of foreign currency reserves in USD and MDL equivalent. However, it does not reveal the exact composition of reserves by currency. The estimate assumes USD account for one hundred percent of reserves, and the losses accrued to devaluation—USD 160.02 million in the current year—are therefore probably overstated.

3. Interest earned on foreign currency reserves. NBM does not report earnings on foreign currency reserves, which are held as securities and deposits in accounts of offshore banks. The estimate assumes 4.0 percent per annum, which is the average yield of the US Treasury Ten-year Note during the period.



Source: National Bank of Moldova, ATCI

ATTACHMENT 6

Disclosure and Reporting Regulation for Bond Issues in Moldova
Presented to the National Commission of Financial Markets, Chisinau, Moldova
September 12, 2008

1. Why is Disclosure and Reporting Important? *INFORMATION is the key for making investment decisions, to buy…to sell…to hold.*
   - **IOSCO Principle 14, There should be full, timely and accurate disclosure of financial results and other information that is material to investors' decisions.**
     - This Principle requires consideration of the adequacy, accuracy and timeliness of both financial and non-financial disclosures that are material to investors' decisions. These disclosures may pertain to specified transactions, periodic reports and ongoing disclosure of and reporting of material developments. The disclosure of current and reliable information necessary to make informed investment decisions is directly related to investor protection and to fair, efficient and transparent markets.
     - According to IOSCO Principles, *Full Disclosure* includes:
       1. The regulatory framework should ensure full, timely and accurate disclosure of financial results and other information that is material to investors making informed investment decisions on an ongoing basis.
       2. Disclosure rules should extend to:
          a) The conditions applicable to an offering of securities for public sale.
          b) The content and distribution of prospectuses, listing particulars documents or other offering documents.
          c) Supplementary documents prepared in the offering.
          d) Advertising in connection with the offering of securities.
          e) Information about those who have a significant interest in a listed company.
          f) Information about those who seek control of a company.
          g) Information material to the price, or value, of a listed security.
          h) Periodic reports.
          i) Shareholder voting decisions.

       Sufficiency, Accuracy, Timeliness and Accountability for Disclosure
       3. Disclosure should be comprehensive, clear, reasonably specific, accurate and timely. (ACT-UP Principle)
       4. Regulation should ensure that proper responsibility is taken for the content of information and, depending on the circumstances, those liable for such disclosures may include the issuers, underwriters, promoters, directors, authorizing officers, and experts and advisers who consent to be named in the document.

2. **a. EU DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.**

- ***The aim of this Directive and its implementing measures is to ensure investor protection and market efficiency, in accordance with high regulatory standards.***
- ***Non-equity securities*** *are not covered by this Directive and thus remain unaffected by this Directive; the above-mentioned issuers of such securities may, however, if they so choose, draw up a prospectus in accordance with this Directive.*
- *One of the objectives of this Directive is to protect investors.* ***It is therefore appropriate to take account of the different requirements for protection of the various categories of investors and their level of expertise. Disclosure provided by the prospectus is not required for offers limited to qualified investors.*** *In contrast, any resale to the public or public trading through admission to trading on a regulated market requires the publication of a prospectus.*
- *Investment in securities, like any other form of investment involves risk. Safeguards for the protection of the interests of actual and potential investors are required in order to enable them to make an informed assessment of such risks and thus to take investment decisions in full knowledge of the facts.*
- *Best practices have been adopted at international level in order to allow cross-border offers to be made using a single set of disclosure standards established by the International Organisation of Securities Commissions (IOSCO); the IOSCO disclosure standards (1) will upgrade information available for the markets and investors and at the same time will simplify the procedure for issuers wishing to raise capital in third countries.* ***The Directive also calls for tailored disclosure standards to be adopted for other types of securities and issuers.***
- *Investors should be protected by ensuring publication of reliable information...****To avoid excessive burdens for certain issuers, issuers of non-equity securities with high minimum denomination should not be required to meet this obligation…more on possible exemptions later…***

2. b… EU DIRECTIVE 2004/109/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

- ***…The disclosure of accurate, comprehensive and timely information about security issuers builds sustained investor confidence and allows an informed assessment of their business performance and assets. This enhances both investor protection and market efficiency.***

3. **OECD (Organization of Economic Co-Operation and Development) Principles of Corporate Governance:** One of the key principles is *Disclosure and Transparency*, whereas the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the

corporation, including the financial situation, performance, ownership, and governance of the company.

4. Reporting of Material Events Important for Bond Investors and Potential Investors:

   Continuing disclosure must require a Bond Issuer to give timely notice of the following events with respect to the Bonds being offered, if material:

   - Principal and interest payment delinquencies;
   - Nonpayment-related defaults;
   - Unscheduled draws on debt service reserves reflecting financial difficulties;
   - Unscheduled draws on credit enhancements reflecting financial difficulties;
   - Substitution of credit or liquidity providers, or their failure to perform;
   - Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
   - Modifications to rights of bondholders;
   - Bond calls;
   - Defeasances (debt negation without repayments);
   - Release, substitution or sale of property securing repayment of the Bonds;
   - Rating changes.

5. Possible exemptions or reduced requirements from disclosure (therefore, lessening the costs and fees for issuance as well as perhaps reducing the time for issuance) could include those offerings:

   - Placed with a financial institution or investor that is not underwriting the Bonds. This type of financing is commonly known as a "private placement."...would need changes to legislation.
   - As limited offerings sold to no more than (35) persons, generally qualified/institutional investors, who have knowledge and experience in financial and business matters and that is capable of evaluating the merits and risks of the investment and is not purchasing for more than one account or with a view to distributing the Bonds;
   - Of the Bonds have a maturity of nine months or less;
   - As Shelf Registrations (or Authorization), simply *A registration of a new issue which can be prepared up to two years in advance, so that the issue can be offered quickly as soon as funds are needed or market conditions are favorable;* and
   - Those bond offerings to "small issues", e.g., less than MDL 500,000...or
   - Those bond offerings that have denominations of more than MDL 500,000 each, i.e., bought by large (institutional) investors.

6. Remember that those laws and regulations need to be enforced, through off site and on site reviews and inspections. I am sure that the World Bank will provide guidance and training in these areas.
7. Regarding the Drafted Bonds Instruction: We can review some of the key features; Alex Savva will make the presentation. Let's discuss where there are questions or concerns.