

NATIONAL BANK OF UKRAINE

Annual Report

2001

Ladies and Gentlemen:

In 2001, the policy of the National Bank of Ukraine was aimed at the creation of monetary conditions to ensure further economic growth and achieve the macroeconomic indicators envisaged by the National Programme of Economic and Social Development of Ukraine.

In 2001, to this end, the National Bank of Ukraine reduced the discount rate, decreased rates of obligatory provisions and introduced new mechanisms of refinancing of banks. The exchange rate policy that resulted in the maintenance of the external stability of hryvnia was pursued in accordance with the changes in external and internal factors. The activity of the bank facilitated an increase in the savings of households and economic entities, credit relations development, as well as strengthening of economic interests in raising management efficiency.

As previously, the personnel of the National Bank of Ukraine showed a high level of professional skills that had always been their nature. I am grateful to the Members of the Council and Board of the National Bank of Ukraine and to all the officials for their effective cooperation.



A handwritten signature in black ink, consisting of stylized initials 'V.S.' followed by a long horizontal line and a vertical stroke.

V.S. Stelmakh,

Governor of the National
Bank of Ukraine

COUNCIL OF THE NATIONAL BANK OF UKRAINE
(as of 1 January 2002)



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Vice-president of the joint-stock
commercial innovation bank
"UkrSybbank"
E. E. Haliev

Advisor of the Minister of
Finance of Ukraine
I. O. Mitiukov

Advisor of the president of Ukraine
S. H. Osyka

Member of Parliament
V. I. Khoroshkovskiy

Member of Parliament
I. F. Sharov

Head of the Chernihiv Regional
State Administration
M. P. Butko

Governor of the National Bank
of Ukraine
V. S. Stelmakh

Head of the Subcommittee of
the Finance and Banking
Committee of the Supreme
Soviet of Ukraine, Deputy
Chairman of the Council of the NBU
P. O. Poroshenko

Head of the Finance and
Banking Committee of the
Supreme Soviet of Ukraine
V. B. Alioshyn

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Banking Committee of the
Supreme Soviet of Ukraine
S. V. Buriak

Member of the Budget
Committee of the Supreme
Soviet of Ukraine
I. O. Pluzhnykov

Minister of Finance of Ukraine
I. O. Yushko

Head of the Subcommittee of
the Finance and Banking Committee of
the Supreme Soviet of Ukraine
F. I. Shpyh

Head of the Ukrainian Union
"Batkivschyna"
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(as of 1 January 2002)



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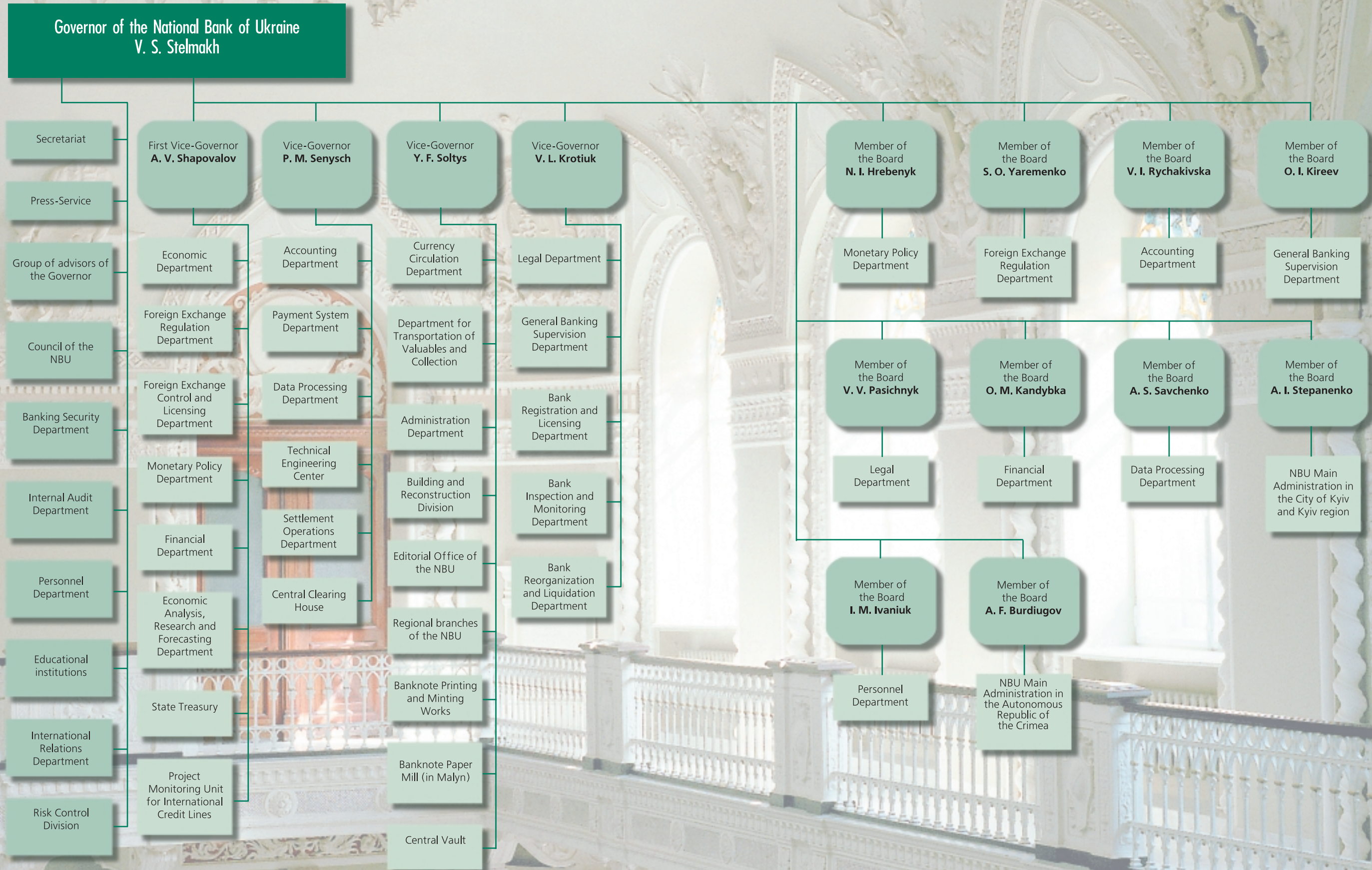
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A. S. Savchenko

Head of the NBU Main
Administration in the City
of Kyiv and Kyiv region
A. I. Stepanenko

Director of the Personnel
Department
I. M. Ivaniuk

Head of the NBU Main
Administration in the
Autonomous Republic of
the Crimea
A. F. Burdiugov

STRUCTURE OF THE NATIONAL BANK OF UKRAINE
(as of 1 January 2002)



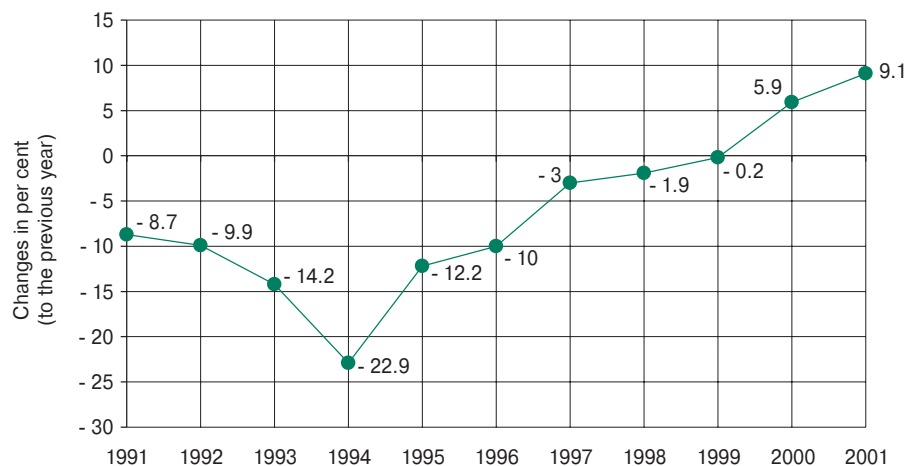
Part 1.
GENERAL ECONOMIC
SITUATION

1.1. REAL SECTOR OF THE ECONOMY

The year 2001 in Ukraine was the year when positive economic changes started in the previous year were fastened. Improvement of the economic situation was characterized by the balanced macroeconomic policy of the government and the National Bank of Ukraine which was aimed at the fulfilment of the tasks determined in the Message of the President of Ukraine to the Supreme Soviet of Ukraine "Ukraine: step in the 21st century. Strategy of economic and social development in 2000-2004".

According to the official data of the State Statistics Committee of Ukraine real gross domestic product (GDP) in 2001 grew by 9.1% which was by 3.2 percentage points more than in 2000. This index in Ukraine was the highest among the countries of the Central and Eastern Europe. In terms of nominal value, the volume of GDP amounted to UAH 202 billion¹.

Real Gross Domestic Product of Ukraine in 1991-2001



High rates of the economic growth were kept due to the increase in both external and domestic demand. At that, if in the first half-year 2001 the economic growth was based on the expansion of industrial export branches in future due to improvement of competitive capacity and expansion of sales markets of the Ukrainian export, than in the second half-year it was based on the increase of domestic demand and growing import substitution.

A growth in GDP in the year under review was achieved due to increase of gross value added by all kinds of economic activities with the exception of health protection and social assistance, wherein it fell by 1.2%. The highest growth rates of gross value added were observed in wholesale and retail trade, trade in means of transportation, rendered repair services (25%) and in manufacturing industry (16.5%). It was caused by the revival of domestic demand for final products due to the growth of the real money income of the population.

During 2001, positive structural proportions of the economic increase were kept - the growth of the gross value added in manufacturing industry (16.5%) exceeded 5 times that in extractive industry (3.3%) and almost 2 times that of GDP. The growth rates of net taxes on food products (10.6%) exceeded those of GDP, which resulted from the abolishment of ungrounded tax privileges and stimulated strengthening of the economic base of the budgetary system.

Within the structure of the GDP accounted in accordance with the industrial method the largest portion of gross value added was formed in manufacturing industry oriented to final production - 20.6% of the total GDP. The share of the value added in agriculture, hunting and forestry made 14.7% while that in transport was 11.3%.

¹ According to the tentative data of the State Statistics Committee.

The tendency of 2000 towards a reduction in the share of net taxes on products was strengthened. In 2001, the share of net taxes on products (excluding subsidies) decreased by 3.5 percentage points compared with the previous year and made 11.7%. It had a positive influence on the rise of business activity, since the tax burden on economic entities was weakened.

The analysis of the data given in the table on the ratio between goods and service output or gross value added and intermediate consumption signifies to the growth of expense capacity. The overcoming of negative tendency towards a reduction in gross value added will promote economic results of production activity.

Structure of Goods and Service Output

Indexes	1998	1999	2000	2001*
Goods and service output				
UAH billion	236	298	400	475
in %	100	100	100	100
Intermediate consumption				
UAH billion	134	168	230	273
in %	56.6	56.3	57.4	57.5
Gross value added				
UAH billion	102	130	170	202
in %	43.4	43.7	42.6	42.5

In 2001, within the structure of GDP by use the share of final consumption expenditures made 77.9% or increased by 2.1 percentage points compared with 2000. The largest share of final consumption expenditures fell on household expenditures - 55.4%, that was by 1.1 percentage points more than in 2000. The final consumption expenditures of the general public administration sector grew more than in the previous year (by 1.3 percentage points) and totaled 20.5%.

Structure of GDP by Consumption Categories

(at actual prices)

Indexes	2000		2001	
	total volume, UAH million	share, in per cent to the total	total volume, UAH million	share, in per cent to the total
Gross domestic product	170070	100.0	201927	100.0
including:				
final consumption expenditures	128901	75.8	157411	77.9
gross accumulation	33531	19.7	41154	20.4
net export of goods and services	7638	4.5	3362	1.7

There were positive changes within the structure of final use, as a result whereof the share of the gross accumulation of the fixed capital went up from 19.7% in 2000 to 20.4% in 2001. It signifies to the animation of investment activity as a strategically important condition for economic growth. In 2001 compared with 2000, capital investment (one of the weighty components of the gross accumulation of the fixed capital) increased by 17.2%. It promoted the growth of the gross accumulation of the fixed capital by 8.3%.

In 2001, within the structure of GDP by final consumption categories the share of net export made 1.7%, it decreased by 2.7 percentage points as compared with the previous year. It was caused by the decrease of the balance of goods and services (two times) as compared with the previous year, which amounted to USD 613 million in comparison with USD 1301 million in 2000, as well as by the higher growth rates of import (by 14%) as compared with those of export (by 10.8%).

Structure of GDP by Income Categories**(in per cent to the total)**

Indexes	1998	1999	2000	2001
GDP	100	100	100	100
including:				
labour remuneration of persons employed	48.1	44.3	42.3	43
gross income, mixed income	32.7	38.1	40.9	44.1
net taxes on production and import	19.2	17.6	16.8	12.9

As the analysis of the structure of GDP by income categories shows, the share of labour remuneration of the persons employed went up from 42.3% in 2000 to 43% in 2001. The share of the gross and mixed income of GDP made 44.1%, or increased by 3.2 percentage points, and characterized the growth of financial possibilities with respect to the ensurance of reproductive economy processes.

The share of the net taxes on production and import went down from 16.8% in 2000 to 12.9% in the year under review, which also stimulated business activity.

In 2001, GDP deflator made 108.8% as compared with 123.1% in 2000.

1.2. INFLATION

In 2001, in Ukraine the inflation rate was 6.1%. The growth rates of consumer prices reduced almost 4.2 times as compared with the previous year. During the year, prices forming indices had a different influence on the dynamics of prices. Thus, the maintenance of industrial and investment activity, the growth of real money income of the population, and as a result, the growth of consumption demand led to the strengthening of price pressure on the economy. However, the weighted monetary and credit and foreign exchange policy of the National Bank of Ukraine, satisfactory situation of state finances, maintenance of the balance of payments current account surplus and increase in labor productivity led to a decrease of the inflation potential.

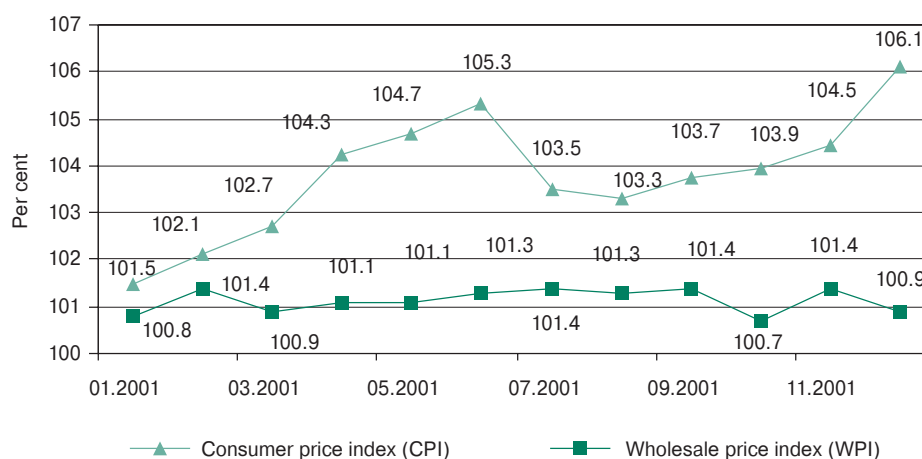
During 2001, the prices for foodstuffs grew faster within the structural components of the total increase in consumer prices. During the year, the cost of foodstuffs increased by 7.9% (the similar index was 28.4% in 2000). The negative influence of price growth on some fruit and vegetable products which belong to the most volatile prices increased. Particularly, prices for fruits increased by 27.7% as compared with 17.2% in 2000. Increase in prices for foodstuffs was, to some extent, caused by high growth rates of prices for the output of animal husbandry, which led to rise in prices for food products. During the year, prices for meat and poultry increased by 29.7%, while those for sausage grew by 19%. A rise in prices for meat was also caused by restriction of import of cattle meat. It expanded the possibilities for rise in prices for products of domestic manufacturers under conditions of growing demand.

In 2001, a rise in prices for the paid services rendered to the population influenced the dynamics of consumer prices, although the growth rates slowed down. Prices (tariffs) for services grew by 5.3% as compared with 31.2% in 2000, those for services of financial institutions grew most of all (by 39.8%).

During the year, nonfoods rose in price by 0.2% as compared with 8.9% in 2000. Prices for printing increased most of all (by 9%). A considerable increase in output of domestic petroleum processing plants and a slump of import of ready mineral oils led to reduction in petrol prices by 33% (in 2000 they grew by 24.3%). Hryvnia revaluation tendencies in the foreign exchange market were one of the main reasons for a slow growth in prices for nonfoods in 2001, since the share of import remained quite high in this commodity group.

By the quarter, consumer market prices grew quite evenly except for the third quarter, during which deflation was observed.

Consumer and Wholesale Price Indices as Progressive Total



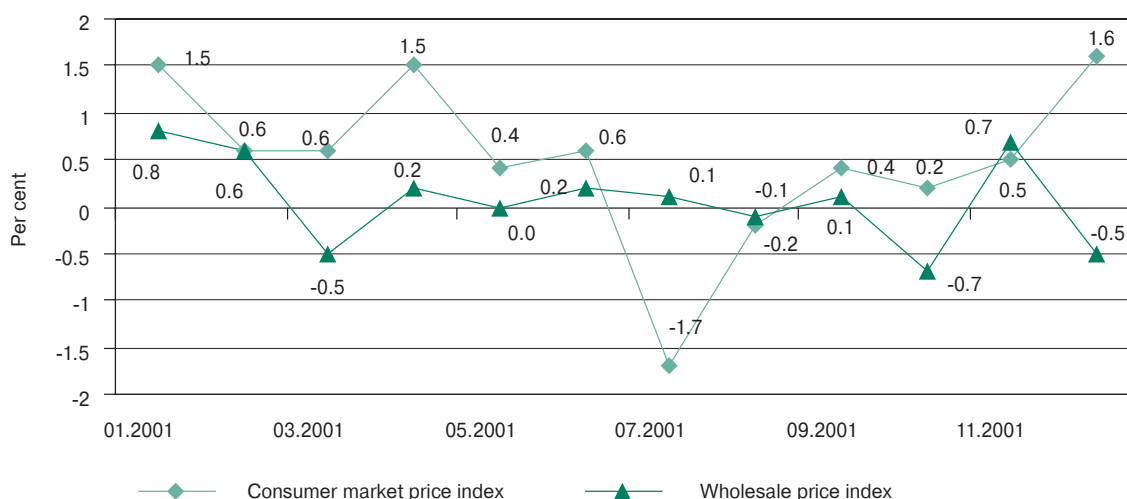
In the first quarter, the growth of consumer prices by 2.7% was primarily caused by a seasonal rise in prices for food products (by 3.6%). Prices for vegetables, meat and poultry grew most of all (by 13.8% and 11.4% respectively). The growth of sugar price (by 7.7%) was caused by the exceeding of demand over supply and by the growth of its minimum price. At the same time, in January - March, eggs went down in price markedly (by 21%) due to increase in supply by the private sector. Prices for nonfoods grew slower (by 0.3%). A decrease in prices for petrol by 7.5% should be noted. Paid services rose in price by 1.6%, which is accounted for by the growth of tariffs for housing and personal services.

In the second quarter of 2001, consumer price index grew by 2.5%. During this period, a considerable increase in money supply did not influence inflation acceleration, since the National Bank of Ukraine using corresponding instruments of monetary accommodation kept monetary indexes in the balance with macroeconomic ones. In April - June, the main component which influenced the change in the general consumer price index remained a change in prices for foodstuffs which was primarily caused by the seasonal factors and consumer demand growth due to Easter. Prices for vegetables (21.3%), meat and poultry (12.6%) and fruits (10.7%) increased most of all. Sunflower-seed oil prices increased by 8.1% owing to a growth of domestic and external demand for sunflower-seed oil (the latter was promoted by a decrease of export duty) and owing to reduction in its output due to a shortage of raw materials for its production. In the third quarter, nonfood price index did not change, while paid services rendered to the population rose in prices by 1.1%.

In the third quarter, the consumer price index went down by 1.5%. This was mainly caused by a seasonal fall in prices for foodstuffs (by 2.6%), which came to almost two thirds within the consumption structure of the population. Prices for potatoes (45%) and fruits (17.9%) decreased most of all. Persistence of the tendency towards the strengthening of hryvnia remained the main reason for a slow growth (by 0.3%) in prices for nonfoods. During the quarter, prices for services grew by 1.1%. Prices for sanatorium and health resort and tourist services increased most of all, which was connected with the beginning of the holiday season.

In the fourth quarter of 2001, increase in the consumer price index by 2.4% took place mainly due to a rise in prices for foodstuffs, increase in the population effective demand (owing to payment of arrears of wages and social payments) and due to demand growth as a result of Christmas and New Year holidays.

Dynamics of Price Indexes (growth rates to the previous month, per cent)



In 2001, the average monthly inflation made 0.5% as compared with 1.9% in the previous year. Calculated on average per year consumer prices grew by 12% as compared with 28.2% in 2000.

In 2001, the growth rates of producers' prices slowed down considerably. During the year, they increased by 0.9% as compared with 20.8% in the previous year. The main reasons for a considerable deceleration of producers' prices were the fluent revaluation of hryvnia (since the share of import components remained considerable in the net cost of industrial goods) and an increase in labor productivity. Average monthly level of the producers' price growth made 0.1% as compared with 1.6% in 2000.

Structural factors and rather volatile prices considerably determined the general dynamics of inflation process development. On the whole, long-term factors that comprise consumer demand, production capacity, monetary policy and dynamics of industrial producers' prices determined a slowdown of inflation in 2001 as compared with 2000.

1.3. INVESTMENT

Securing of macroeconomic stability and adoption of legislative acts concerning structural economic reforms led to a formation of the favorable investment climate and a further increase of domestic investment resources, while new approaches in the state investment policy were confirmed by the Decrees of the President of Ukraine "On Additional Measures Concerning Increase in Investment in the Economy of Ukraine, On Conception of the Amortization Policy and On Measures Concerning Improvement of the Investment Climate in Ukraine".

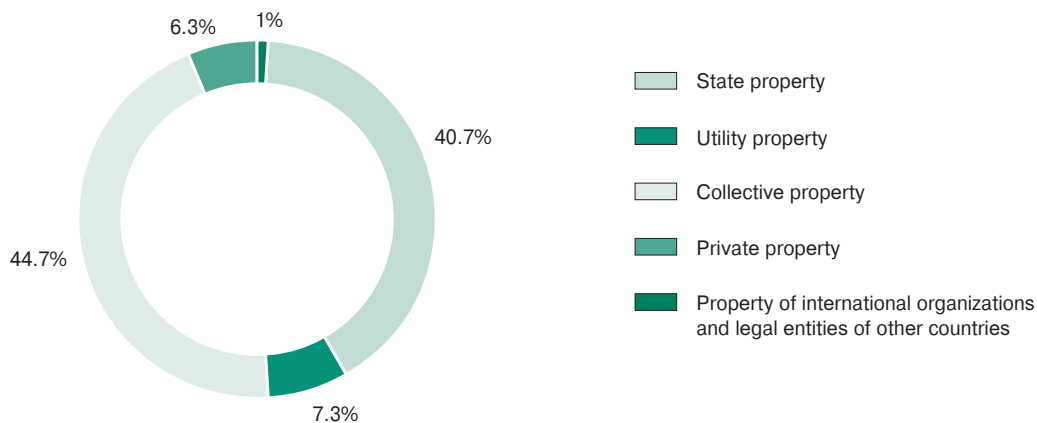
Adoption of the foregoing documents will promote a further improvement in the investment climate, a growth of investments in the Ukrainian economy, an increase in the financial interest of economic entities in the investment in the fixed capital, including at the expense of amortization funds, creation of equal conditions for all the entities of investment activity and increase in the attraction of foreign investments to the economy of Ukraine.

In 2001, the positive tendency to the exceeding of growth rates of investment into the fixed capital (17.2%) over GDP growth rates (9.1%) and over those of industrial products (14.2%) remained. In 2001, the used capital investments at the expense of all the sources of financing amounted to UAH 26.7 billion, while the real cost of the fixed capital put into operation amounted to UAH 22.9 billion (in 2000 - UAH 21.8 billion).

Investment in the fixed capital grew in almost every region of Ukraine as compared with the previous year (except Poltava Region, Zaporizhzhia Region and the City of Sevastopol). The highest investment activity was observed in Volyn Region, where the capital investment increased by 69.9% due to construction of projects and carrying out work on railway electrification on the division of a railway Kivertsi - Kovel - Lutsk and to reservoir engineering in Lokachinsk Region as well. Capital investment in Chernivtsi Region increased by 57.7% owing to the Dnister hydroelectric power station construction. Capital investment in Sumy Region grew by 43.3% due to purchase of equipment for Kachanov gas-processing plant and construction of objects for social sphere. In Odesa Region, capital investment increased by 37.1% due to construction of the forth stage of the overpass and hotel complex at the Odesa seaport.

The internal funds of enterprises and organizations which were used at the amount of UAH 17.7 billion in 2001, or 66.3% of the total investments (67.6% in 2000) remained the main sources of financing the investments in the fixed capital. The state investments in the fixed capital remained insignificant and amounted to UAH 1.7 billion, or 6.4% (6.1% in 2000). Capital investments to the amount of UAH 1.1 billion, or 4.1% (4.5% in 2000) were used at the expense of local budgets. Foreign investments amounted to UAH 1.2 billion, or 4.5%. UAH 0.7 billion (2.6%) were used at the expense of bank credits, and UAH 2.9 billion (10.9%) were used at the expense of other financial sources (private funds, investment funds as well). UAH 1.4 billion (5.2%) were used at the expense of construction of private apartment houses for the population.

Investments in the Fixed Capital by Forms of Ownership in 2001 (per cent)



The largest share (44.7%) of the total investments in the fixed capital was used by collectively owned enterprises, still the share of investment of these enterprises decreased by 2 percentage points as compared with 2000. On the contrary, the share of capital investments of state enterprises increased by 1.3 percentage points and made 40.7% of the total investments. Utility owned enterprises used 7.3% of the total investments, or by 0.8 percentage points more than in the previous year. The private sector used 6.3% of the total investments, 80.7% of which were household funds used for individual house-building. Investments of enterprises owned by the international organizations or legal entities of other countries made 1%.

From the total volume of capital investments 46% and 46% respectively went for building and assembly work and for purchase of machinery and equipment for newly-built objects and technical re-equipment of operating enterprises (43% and 49% respectively in 2000).

In 2001, by kinds of economic activities, the largest share of the total investments in the fixed capital was used by transport, post and communication enterprises (23%, or UAH 6.1 billion), manufacturing industry (19.8%) and extractive industry (15%). At that, food industry and agricultural products processing were of priority for investments in manufacturing industry (6.1%), and extraction of energy resources (coal, oil and gas) was of priority for investments in extractive industry (12.8%). Electric power, gas and water production used 9.2% of the total investments.

Investments in agriculture, hunting and services connected with them grew by 1.1 percentage points and made 4.4% of the total in the year under review.

In 2001, such kinds of economic activities as trade, hotels and restaurants received doubled investments as compared with 2000. Nevertheless, the nominal amount remained insignificant for the Ukrainian market (UAH 0.9 billion).

Revival of economic activity, adoption of the Agrarian Code and the Customs Code of Ukraine stimulated the increase of the foreign investors' confidence in the Ukrainian economy.

By estimates of the international experts, economic risk of the Ukrainian investment market considerably increased, which had a positive influence on the estimate of Ukraine by the leading international rating agencies. In particular, in November 2001, the Moody's Agency increased Ukraine's rating under liabilities in the foreign currency from Caa3 to Caa1. In December 2001, Standart & Poor's gave Ukraine the sovereign credit rating at "B" level with the "stable" prediction under long-term ratings.

In 2001, a growth of direct foreign investments amounted to USD 792 billion (2% of GDP, 1.9% in 2000), USD 246 million of which were the funds received from the privatization from a number of entities of the Ukrainian economy. Such countries as Slovakia (35% of the total privatization returns), the USA (32%), Russia (27%), Great Britain (6%) showed the interest in privatization. The investments in energy-producing companies were of priority - 60% of the total privatization, non-ferrous metallurgy and extractive industry received 29% and 11% respectively.

Direct investments came into Ukraine mainly in a form of the financial contributions (77.5%) as well as movables and immovables (21.8%).

At the end of 2001, the total direct foreign investment in Ukraine amounted to USD 4.7 billion with returns from privatization taken into account, or increased by 20% during the previous year. Nonresident contributions from other world countries made its greater part - 91%, and only 9% belonged to investors from the Commonwealth of Independent States (CIS) and Baltic countries.

The total direct foreign investment per Ukrainian citizen amounted to USD 95, which was one of the lowest indexes among the CIS and East European countries.

In 2001, the foreign investments in Ukraine's economy amounted only to USD 546 million, which was by 8% less than investments in 2000 (USD 595 million) without returns from privatization taken into account.

At the end of 2001, there were 8.2 thousand foreign investments enterprises in Ukraine. The priority of investments by kinds of economic activities belonged to food industry and agricultural products processing - USD 796 million (17% of the total), wholesale trade and trade mediation - USD 648 million (14%), financial activity - USD 361 million (8%) and mechanical engineering - USD 346 million (7%).

At the end of 2001, investments from Ukraine amounted to USD 158 million including USD 88 million (57% of the total) to the CIS and Baltic countries, USD 70 million (43%) to other countries of the world.

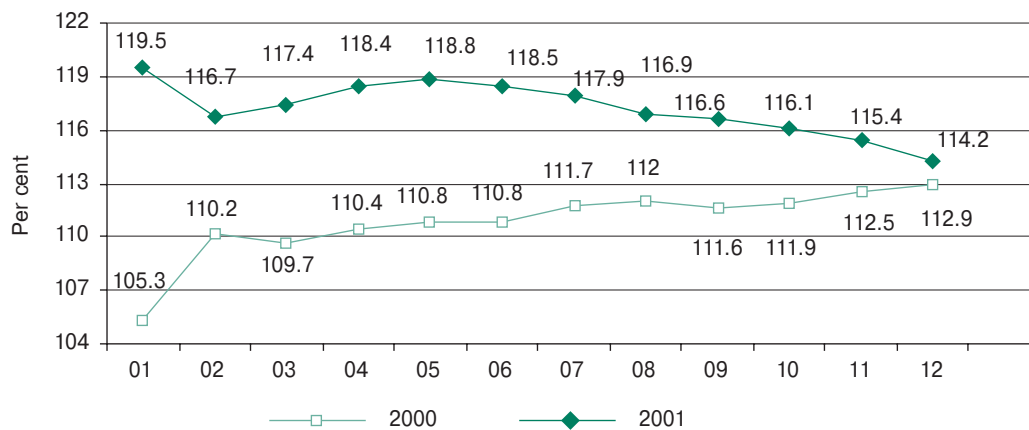
Domestic legislation instability, tax pressure unevenness, lack of development of the stock

market and low paying capacity of the population remained the factors that hindered attraction of investments including foreign investments. Therefore, an increase of investment potential and a creation of favorable investment climate demand stimulation of increase of the main sources of investments (of population, state, enterprises and financial institutions) by means of working out and introduction of economic incentives for increase of investment motivation of investors, improvement of infrastructure of investment attraction, ensurance of rights and interests of investors, growth of innovation direction of investment activity.

1.4. INDUSTRIAL PRODUCTION

Over the year under review, a steady tendency towards a production growth remained. During 2001, industrial enterprises of Ukraine turned out products (rendered services) at the amount of UAH 155.9 billion, which is by 14.2% more than in 2000 (12.9%).

Growth Rates of Industrial Production in Comparative Prices (as progressive total, in per cent as to corresponding period of the previous year)



The most positive dynamics of production development was observed in the first half-year 2001. In the first and second quarters its growth made 17.8% and 19.7% respectively as compared with corresponding period of the previous year. During the second half-year 2001, production growth rates slightly slowed down and in the third and fourth quarters made 13% and 7.8% respectively.

In manufacturing industry, on which almost three fourth of the whole industrial production fall, production output increased by 17.2% as compared with 2000. Industrial production growth rates of the economic activities oriented to the satisfaction of investment demand of enterprises (machine-building, repair and installation of machinery and equipment - by 18.8%) and consumer demand of the Ukrainian population (production of timber and woodwork - by 28%, light industry - by 13.8%) were the highest as compared with the previous year.

Machine-building grew faster due to the technical re-equipment of industry. Investment increase led to increase of growth rate by 3.5 percentage points in this branch as compared with 2000, while export of goods increased by 42%, and its share in the total export of industrial products grew by 21% as compared with 16% in 2000.

A rise of production quality and a growth of labor productivity influenced the growth rate of food industry production and agricultural products processing, pulp and paper industry and printing industry, which made 18.2% in each.

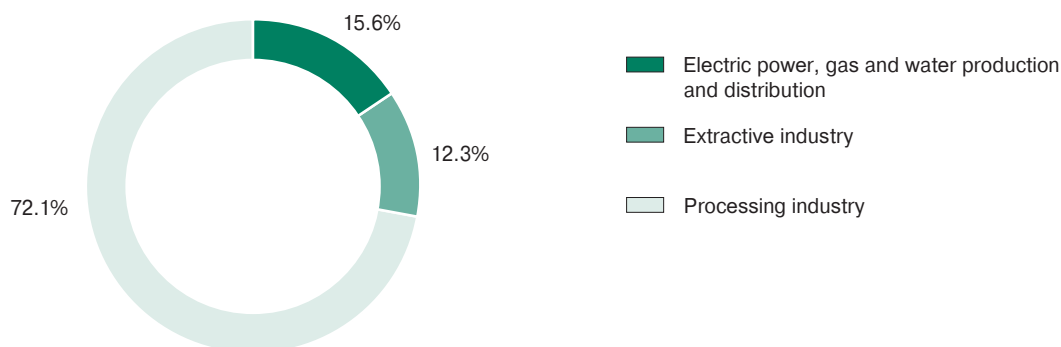
In 2001, unfavorable conditions for export branches of industry arose due to a change in the situation of the market (for metallurgy industry first of all), setting of the quota on steel pipe delivery by the Russian Federation from 1 May 2001, carrying out a number of antidumping investigations in respect to the Ukrainian production. However, the main export kinds of industrial activity ensured the increase of production output as compared with the previous year.

In chemical and petrochemical industry the production growth made 10.6% (8.8% in the previous year), which was caused by the growth of the main chemical production (by 7.9%) and that of rubber products and plastic goods (by 24.7%).

An introduction of economic experiment at mining and smelting complex enterprises promoted the increase of circulation medium, the maintenance of price competition and the reduction of barter calculation share owing to granting privileges concerning profit tax, tax debt restructuring as well. At the same time, from August 2001, monthly decrease of production as compared with the previous year was observed in metallurgy and metal working (in the third quarter it fell by 1.5%, in the fourth quarter it fell by 7.9%), although, on the whole, over the year, the production growth in this brunch made 4.9% (21.3% in the previous year).

An increase of competitive capacity of production at the expense of decrease of material input per unit of production and power-consuming, improvement of consumer qualities, development of marketing which led to the expansion of domestic market influenced the change in the industrial production structure towards the increase of final production. In the total volume of industrial production, the share of manufacturing industry grew from 65.1% in January 2001 to 72.1% in December, and the introduction of resource-saving technologies influenced the reduction of extractive industry share from 13.6% to 12.3%, while the share of electric power, gas and water production and distribution reduced from 21.3% to 15.6%.

Structure of Industrial Production of Ukraine



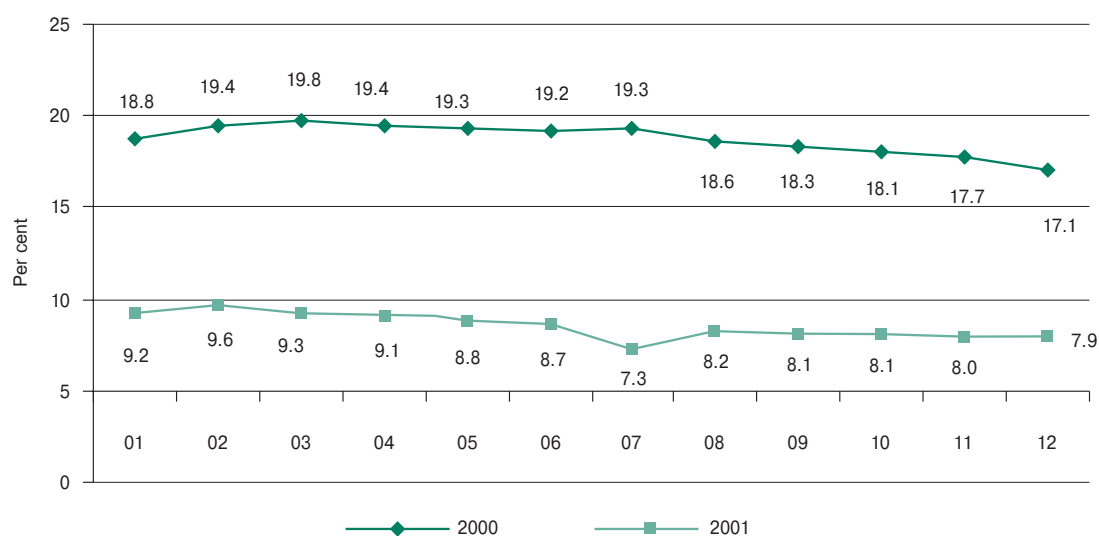
The share of financial payment in the sold products increased 1.1 times as compared with 2000, which had a considerable positive influence on the industrial sector. At that, the share of products sold under barter conditions decreased 2.2 times and made 7.9% of the shipped products.

At the same time, creditor and debtor indebtedness had a negative influence on the financial situation of industrial enterprises (during the year, the total creditor and debtor indebtedness increased by 9.3% and 18.9% accordingly and as of 1 January 2002 made UAH 282 billion and 220 billion accordingly).

During 2001, a steady increase of production of consumer goods was observed. On the whole, over the year, they were produced to the amount of UAH 33.5 billion (in real wholesale

prices), which was by 17.7% more than in 2000. An increase of domestic consumption testifies to the recovery of consumers' trust in domestic products. In fact, in 2001, the share of domestic food products in the total consumer goods sold grew by 0.3 percentage points and made 93.7%, while the share of nonfoods increased by 3.6 percentage points and made 62.2%. From the total food products sold in the Ukrainian markets, 96% of goods were domestic made ones.

Changes in the Share of Products Shipped on Barter Basis (as progressive total, from the beginning of the year)



1.5. AGRICULTURAL PRODUCTION

In 2001, a process of agriculture reformation continued. The realization of demands of the Decree of the President of Ukraine "On the Urgent Measures concerning the Acceleration of the Reformation of the Agrarian Sector of the Economy" led to higher rates of carrying out a land reform and to changes in the property relations in agriculture, which made it possible to create new conditions for further development of the market relations in agriculture.

The activity of the Ukrainian Government made for further transition from the policy of direct support of agriculture at the expense of budgetary funds to the policy of creation of favorable legal and administrative conditions for operation and development of this branch, viz. the incentive tax system which gave the opportunity to pay the fixed agriculture tax instead of 12 kinds of taxes and duties was created. During 2000 - 2001, tax liabilities and budget debts of the previous years at the amount of UAH 9 billion were partly wrote off and restructured for the reorganized agricultural enterprises.

In 2001, the rates on bank credits were partly compensated for agricultural products' producers, packer shippers and other enterprises at the amount of 70% and 50% of the discount rate of the National Bank of Ukraine. According to the Law of Ukraine "On the State Budget of Ukraine for 2001", UAH 150 million were allocated for a partial recovery of the interest on credits given. A considerable increase (3 times) in commercial banks' credits for the financing of agriculture due to improvement in the mechanism of cheapening of the credit resources made it possible for the agroindustrial complex enterprises to increase their production.

A role of the state in the regulation of agrarian sector changed: the state passed from the direct administration of agricultural enterprises and their material support to the regulation by

economic instruments. It was confirmed by the changes carried out in the legislative and normative-legal basis of 2001, viz.:

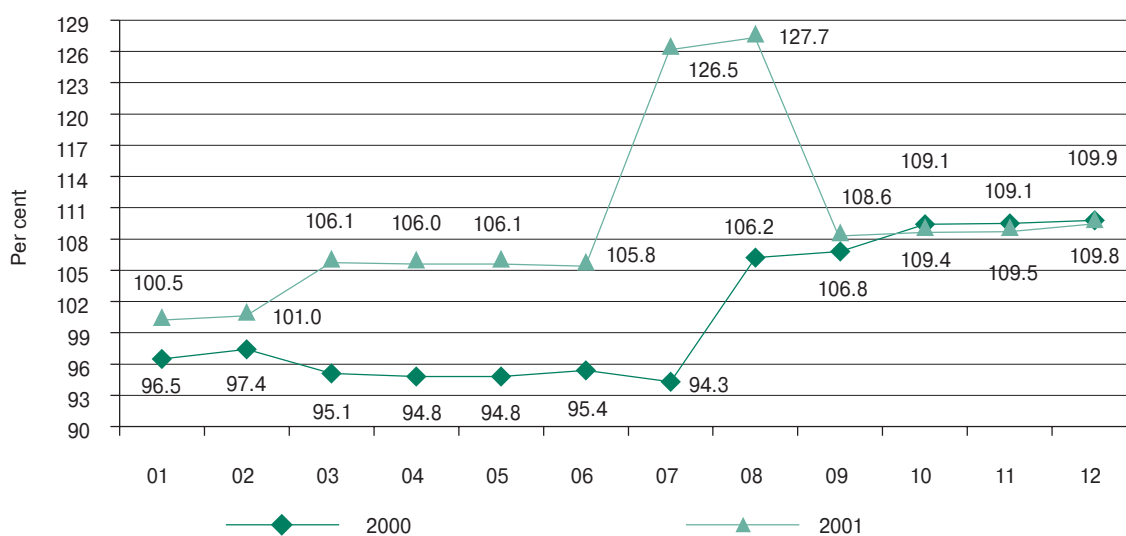
- an approval by the Decree of the President of Ukraine of the Main directions of the land reforms in Ukraine for 2001-2005;
- determination by the Law of Ukraine "On Stimulation of the Development of Agriculture for 2001-2004" of the main principles of the state policy for agriculture reformation period during 2001-2004 as a priority household branch;
- carrying out the organizational measures to bring into effect the Decree of the President of Ukraine "On Measures concerning the Protection of Property Rights of Village People during the Reformation of the Agrarian Sector of the Economy" etc.

The Land Code of Ukraine adopted in October 2001 became a new stimulus for further reformation of agriculture.

In 2001, the sweeping changes connected with the reformation of the agrarian sector of economy led to a preservation of positive tendencies of the previous year, viz.:

- growth of agricultural gross production by 9.9% (by 9.8% in 2000) including at agricultural enterprises - by 19.9%, in households - by 3.7%;

Changes in Agricultural Output (as progressive total, in per cent as to corresponding period of the previous year)



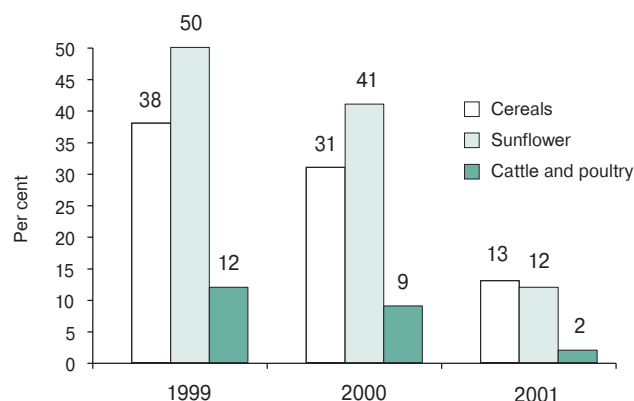
- decrease of the share of barter transactions with agricultural products by 11.1 percentage points, or to 7.6%. The share of barter contracts during the sales of cereals reduced from 28% (during January-November 2000) to 13% (in the corresponding period of the previous year), sunflower seeds - from 39% to 12% respectively;

- growth of the profitability of plant growing products from 30.6% in 2000 to 36.2% in 2001 and reduction of the unprofitableness of animal husbandry ones from -33.8% to -9%;

- increase of the plant growing production by 13% (by 21.9% in 2000) at the expense of its considerable growth (by 24.4%) at agricultural enterprises;

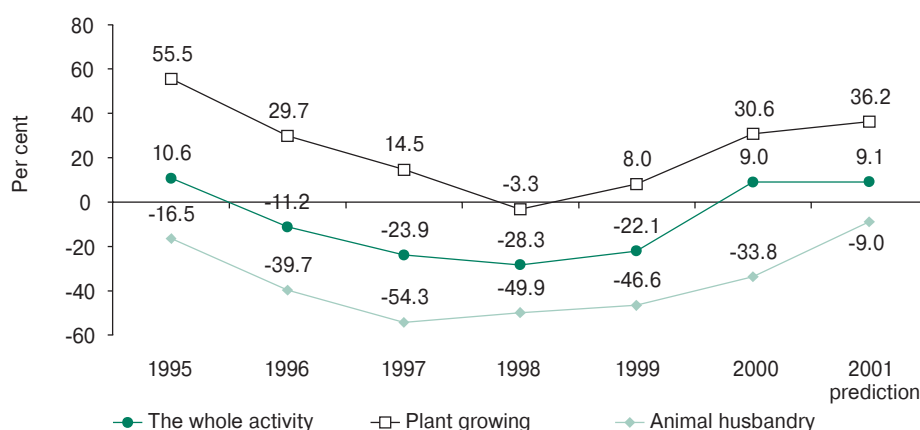
- policy of the country aimed to intensification of agriculture, efficient use of agricultural lands, introduction of intensive technologies of growing of agricultural crops in 2001 led to increase of the total cereals production level, on the whole, by 62% as compared with the previous year. In 2001, the highest crop capacity of cereals over the last seven years was obtained - 27.1 centner per hectare;

Dynamics of Barter Transactions



- increase in the gross production of animal husbandry by 5.3% (in the previous year it reduced by 4.8%), including at agricultural enterprises - by 8.6%, and in households - by 4.1%. The total number of pigs in all kinds of households grew by 20.1%, poultry - by 37.5%, milk output - by 6.1%, eggs output - by 9.6%;

Level of Profitability and Unprofitableness (-) of Agricultural Enterprises, in per cent



Source: State Statistics Committee of Ukraine.

- carrying out the reformation of collective agricultural enterprises based on private ownership. By the end of 2001, 17.8 thousand of new agricultural units of the market type were created. Over the year, the number of households grew by 8.3% and numbered 41.6 thousand of juridical persons, which had almost 2.6 million hectares of agricultural lands in their own use, which averages 62 hectares per household as compared with 56 hectares at the beginning of the year;

- widening of the network of the agrarian market infrastructure. As of 26 December 2001, in Ukraine 35 accredited commodity exchanges worked; as from June 2000 the number of agrarian trade houses increased from 94 to 368 at regional and district levels, and the number of procurement agencies grew 3.8 times.

1.6. FINANCES OF ENTERPRISES

According to the tentative data, the number of enterprises and organizations which received profits (UAH 33.8 billion) in 2001 reduced by 4.3 percentage points and made 58% from the total number of enterprises as compared with 2000 (without small enterprises and budgetary establishments taken into account). The number of enterprises which suffered losses at the end of the

year (UAH 14.5 billion) increased by 4.3 percentage points and made 42% as compared with 2000. There were 57% of unprofitable enterprises in the sphere of transportation (47.7% in 2000), 49% - in industry (42.2% in 2000), 48% - in construction (40% in 2000).

During 2001, industrial enterprises shipped products (rendered services) to the amount of UAH 153.1 billion. The share of money income for shipped products in the industry of Ukraine made 79% (UAH 121 billion) and grew 1.1 times in comparison with 2000. 7.9% (UAH 12.2 billion) of industrial products were sold on a barter basis, which was 2.2 times less than in the previous year. The reduction in commodity exchanges led to a decrease in the non-equivalent exchange and a slow down of the growth rates of enterprise indebtedness.

A tendency to an increase in money receipts and a reduction in barter transactions was observed by almost every main kind of industrial activity. The highest level of money settlements in the total shipped products was observed in pulp and paper industry, printing industry and publishing (95.1%), food industry (90.1%), light industry (84.4%), chemical and petrochemical industry (83%). The share of money income for the shipped products considerably increased in comparison with 2000 in Ivano-Frankivsk Region (by 22.6 percentage points), Lviv Region (by 18.9 percentage points), Kyiv Region (by 18 percentage points).

Payables and receivables continued to grow, still their rates were slow. Over 2001, the total payables of all the economic entities (excepting small enterprises and budgetary establishments) grew by 9.3% (by UAH 24 billion) and as of 1 January 2002 amounted to UAH 282.4 billion, while the total receivables increased by 18.9% (UAH 35 billion) and amounted to UAH 220.3 billion. As of 1 January 2002, the payables exceeded the nominal GDP in 2001 by 39.7%, while the receivables exceeded the nominal GDP by 9%.

As in the previous years, the largest share in the structure of payables and receivables fell on indebtedness under domestic settlements between enterprises of Ukraine - 85.9% and 95.1% respectively, with trading partners of the counties-republics of the former USSR - 6.6% and 2.6% respectively, under settlements with economic entities of other countries of the world - 7.5% and 2.3% respectively.

By the kinds of economic activities, the largest share in the total payables fell on industry - 52.3% (UAH 148 billion), 40.8% (UAH 60.2 billion) of it fell on electric power, gas and water production and distribution, 31.9% (UAH 47.2 billion) - on manufacturing industry, 27.3% (UAH 40.3 billion) - on extracting industry. 28.4% of the total payables fell on wholesale and retail trade, trade in means of transportation and repair services.

The share of overdue indebtedness in the total payables as of 1 January 2002 made 39.1%, while in the total receivables - 40.8%. It decreased by 5.9 and 3.1 percentage points respectively as compared with the beginning of the year under review.

Within the structure of settlements among the enterprises of Ukraine the total indebtedness for goods, works and services was the largest - UAH 134 billion, or 55.2% of the total payables, and UAH 127.5 billion, or 60.8% of the total receivables. The outstanding payments made almost a half of these payments.

As of 1 January 2002, the total non-payments of economic entities under budgetary payments amounted to UAH 12.7 billion (5.2% of domestic indebtedness), 63.4% of which was the overdue indebtedness. Nevertheless, as compared with 1 January 2001, indebtedness to the budget reduced by 40%.

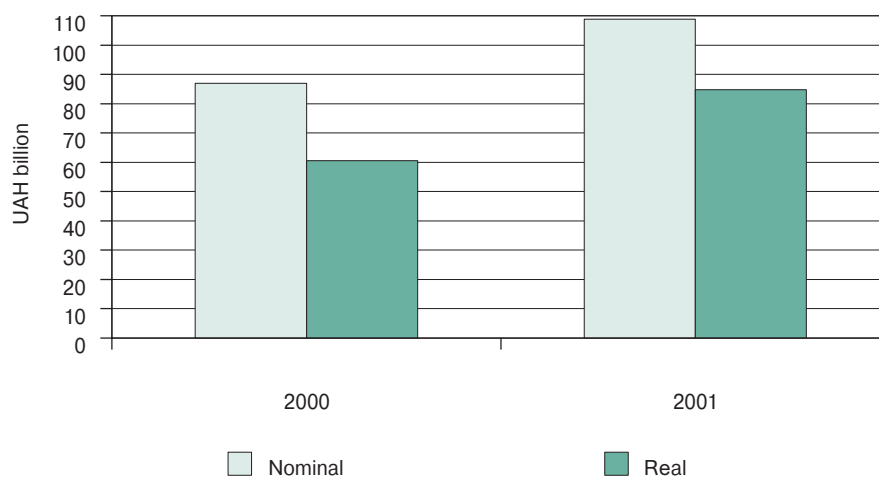
The largest payables in the total indebtedness before economic entities of the countries-republics of the previous USSR Ukraine had with the Russian Federation - UAH 15.5 billion (82.6%) and Turkmenistan - UAH 2.64 billion (14.1%).

1.7. INCOME AND EXPENDITURES OF THE POPULATION

During 2001, both nominal income of the population and real money income increased. The total nominal money income of the population grew by 25.2% (by 40.5% in 2000) and amount-

ed to UAH 108.8 billion in comparison with the previous year. The real money income of the population calculated with the exception of compulsory payments, voluntary contributions and with the inflation rate taken into account continued to grow. During 2001, the real money income of the population increased by 9% (by 9.9% in 2000).

Nominal and Real Income of the Population



Rise of the population well-being was caused by the improvement of the economic situation in the country. The share of the money income in GDP grew by 2.8 percentage points and made 53.9% as compared with the previous year.

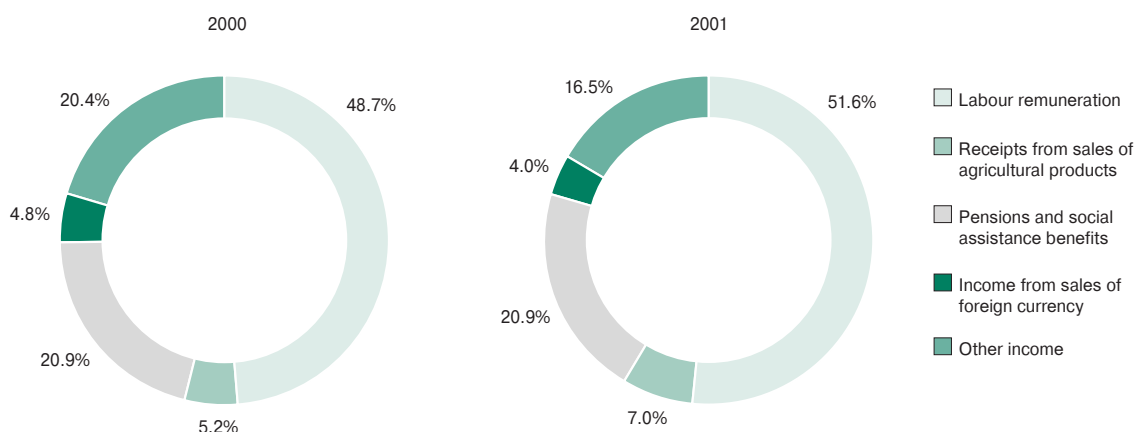
In the year under review, in comparison with the previous year, an increase of the money income of the population of Ukraine resulted from the growth of pay for work by 32.7%, income from sales of agricultural products - by 67.8% and social payments - by 24.9%. In 2001, it was caused by the rise in salaries of the persons employed in the budgetary establishments, pensions, scholarships, social assistance benefits, other social payments as well as repayment of debts under them.

In 2001, according to the tentative data of the State Statistics Committee of Ukraine, the dynamics of the nominal money income of the population under their main kinds was characterized by the following data:

Kinds of Money Income	2000	2001	Growth rates to the corresponding period of the previous year, in per cent				
			over the year	I	II	III	IV
Nominal money income of the population (UAH billion), total	86.9	108.8	125.2	128.9	123.7	122.0	127.0
including:							
– labour remuneration	42.3	56.2	132.7	150.3	137.9	128.7	121.2
– receipts from sales of agricultural products	4.5	7.6	167.8	179.3	189.4	160.9	158.0
– pensions, social assistance benefits and scholarships	18.2	22.7	124.9	126.4	122.6	113.3	139.3
– income from sales of foreign currency	4.2	4.3	104.4	82.6	90.5	113.8	129.4
– other receipts	17.7	18.0	101.9	83.3	89.0	106.5	120.6
For reference: real money income	60.6	84.7	109.0	104.3	120.4	115.7	121.5

Over 2001, in comparison with 2000, an increase in the share of pay for work by 2.9 percentage points and a growth of receipts from sales of agricultural products by 1.8 percentage points became the characteristic features in the structure of the money income of the population. The share of social payments in the total income of the population remained at the level of the previous year (20.9%).

Structure of Money Income of the Population



In 2001, average monthly money income per capita amounted to UAH 184.6 as compared with UAH 146.3 in 2000, or increased by 26.2%.

Wages/salaries were the main source of income of the population. Macroeconomic stability in the country led to the growth of the level of wages/salaries which had a tendency towards the increase in terms of nominal and real value in the year under review. In 2001, the average monthly nominal wage/salary per employee amounted to UAH 311.08, or was by 35% more than in the previous year.

During 2001, the positive tendency towards the increase in real wages/salaries which grew by 19.3% over the year (decreased by 0.9% over 2000) persisted.

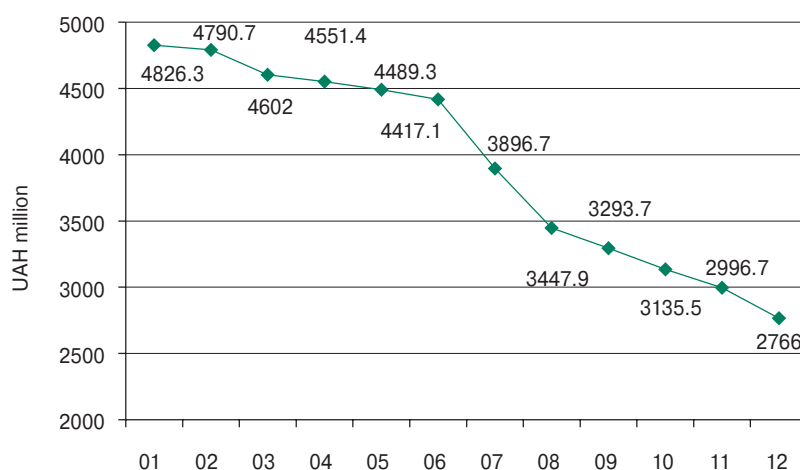
Unevenness in the development of branches of the economy and infrastructure of industrial production reflected in wages/salaries differentiation. The highest rates of growth of average monthly wage/salary were observed in separate industries: instrument engineering (158.7%), microbiological industry (157.8%), metallurgical machine-building (146.5%), railway transport (151.8%), financing, crediting, insurance (147.6%), data-processing service (147%), building (140.2%). Salaries of the persons employed in the budgetary sphere with the growth rates of the average monthly salary being within the limits of 31 to 43% increased step by step.

The persons employed in oil-refining, oil-producing and gas industry, atomic power stations as well as in sea and air transport had the highest wage, whose rate exceeded the average indicator 2.5 - 3.3 times. The persons employed in social security, public catering, culture, health protection, agriculture and fish industry had the lowest wages/salaries, which made 48 - 65% from the average indicator in the economy.

In 2001, in comparison with the previous year, the average monthly wage/salary increased in all the regions of Ukraine, although, according to the pay level, the lowest wages/salaries were observed in Ternopil, Volyn, Khmelnytskyi, Vinnytsia, Chernivtsi and Zhytomyr Regions, where it amounted to UAH 311.08, or 61 - 71% from the average level on the whole in the country. In the regions with high employment level, in fuel and energy complex (Dnipropetrovsk, Donetsk, Zaporizhzhia Regions) wages/salaries level exceeded the

average level by 19-23%. During 2001, the highest wages/salaries level was observed in the City of Kyiv - UAH 548.67.

Dynamics of Arrears of Wages in 2001



In 2001, as a result of positive changes in the economy, the arrears of wages decreased considerably. As of 10 January 2002 (according to the data of the State Statistics Committee of Ukraine), the arrears of wages amounted to UAH 2.8 billion, it was by UAH 2.2 billion, or by 43.9% less than as of 10 January 2001.

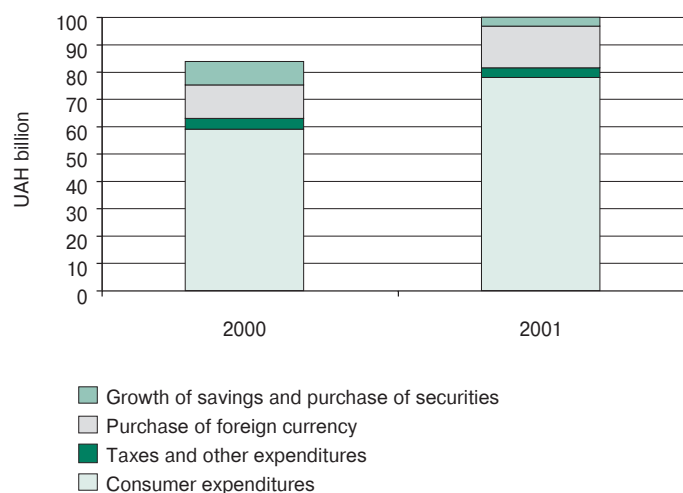
The foregoing indebtedness reduced in business activity as well as in the budgetary establishments by 58.2% and 79.9% respectively.

Dynamics of Money Expenditures of the Population by their Main Directions

Kinds of Money expenditures	2000	2001	Growth rates to the corresponding period of the previous year, in per cent				
			over the year	including by quarters			
				I	II	III	IV
Money expenditures – total	83.8	102.3	122.1	128.5	123.7	118.5	119.6
including:							
Purchase of goods and payment for services	59.0	78.0	132.2	134.9	132.3	131.6	130.7
Compulsory payments and voluntary contributions	9.2	14.0	151.4	168.1	148.5	148.6	146.1
Growth of savings and purchase of securities	8.6	5.5	63.3	51.3	73.7	46.3	77.5
Purchase of foreign currency	4.0	3.5	89.0	102.8	88.0	86.1	81.0
Other expenditures ¹	3.0	1.3	44.1	185.0	50.6	–	–

In 2001, money expenditures and savings of the population increased by 22.1% and amounted to UAH 102.3 billion in comparison with the previous year.

¹In accordance with the approval of the State Statistics Committee of Ukraine the resolution of the Board of Governors of the NBU as of 19 February 2001 № 69 "On approval of the instruction on organization of work in cash circulation by banks of Ukraine" cancelled the respective symbols of May 2000.

Dynamics of Money Expenditures and Savings of the Population of Ukraine

During 2001, as compared with 2000, the main expense item - purchase of goods and payment for services - increased by 32.2%. Over this period, compulsory payments and voluntary contributions grew above all - by 51.4%. At the same time, the amount spent on savings and purchase of foreign currency was respectively by 36.7 and 11% less than in the previous year.

During 2001, consumer expenditures of the population made 71.6% from the total money income (67.9% in 2000), compulsory payments and voluntary contributions - 12.8% (10.6% in the previous year). By the end of the year under review, the share of income directed to the growth of savings in the form of deposits and purchase of securities as well as foreign currency reduced by 4.9 and 1.4 percentage points and made 5.0 and 3.2% respectively.

Structure of Nominal Money Expenditures by their Major Kinds

Kinds of money expenditures	2000	2001	Including by quarters			
			I	II	III	IV
T o t a l	100	100	100	100	100	100
Purchase of goods and payment for services	70.5	76.3	73.8	76.3	79.0	75.6
Compulsory payments and voluntary contributions	11.0	13.7	13.2	13.4	13.8	14.1
Growth of savings in deposits and purchase of securities	10.3	5.3	4.5	5.4	3.6	7.5
Purchase of foreign currency	4.7	3.4	4.2	3.4	3.6	2.8
Others	3.5	1.3	4.3	1.5	-	-

On the whole, over 2001, income of the population exceeded expenditures by 6.4%, or by UAH 6.6 billion.

In 2001, the share of consumer expenditures in net money income (money income with the exception of compulsory payments and voluntary contributions) increased to 82.2% in comparison with 76% in 2000.

1.8. LABOUR MARKET

During 2000-2001, steady development of industrial production, revival of business activity and improvement of the total economic environment in Ukraine led to positive changes in the labour market of Ukraine.

On the whole, over 2001, nearly 156.2 thousand of new vacancies were created in branches of economy including 10.1 thousand in agriculture. During the year, the registered unemployment rate decreased from 4.2 to 3.7%. A reduction of the level of unemployment which made from 2.7 to 0.1% was observed in almost every region of Ukraine.

During the previous year, a number of citizens registered by the State Service of Employment reduced by 151.2 thousand persons and as of 1 January 2002 made 1028.8 thousand persons in comparison with 1180.0 thousand persons in 2001. The status of unemployed persons received 98% of the citizens registered by the Service of Employment.

645.6 thousand women (64.0%), 311.4 thousand persons which live in the countryside (30.9%) as well as 258.3 thousand young people under 28 (25.6%) made the largest number of the unemployed persons.

During 2001, the growth of the number of unemployed persons in the countryside from 4.5 to 4.8% took place in December. It is explained by the seasonal type of works in agroindustrial branch. Over the year, the registered unemployment rate among townsmen remained at the level of 3.3%.

From every 100 unemployed persons, which were registered by the State Service of Employment as of the beginning of 2002, every second person was a blue-collar worker, every third person was a white-collar worker and the rest were persons without profession or those who occupied positions where special training was not needed.

The highest unemployment rate was observed in Rivne Region (7.0%), Ternopil Region (6.5%), Volyn Region (6.0%), while the lowest rate - in the City of Kyiv (0.6%), in the City of Sevastopol (0.9%) and in Odesa Region (1.4%).

As of 1 January 2002, the number of vacancies amounted to 96.9 thousand persons, or increased by 42% as compared with the corresponding date in 2001.

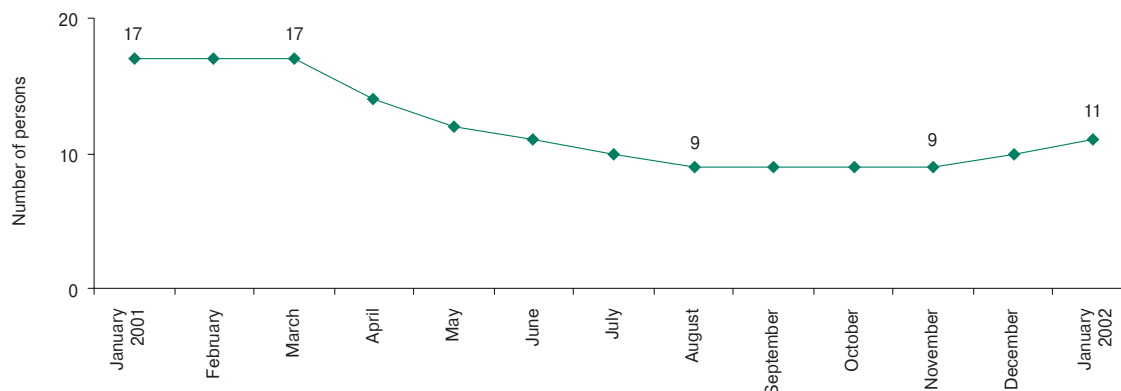
Vacancies in the Registered Labour Market

Indexes	Number of unemployed persons			Number of vacancies		
	As of 1 January 2002, thousand persons	in per cent to 1 January 2001	1 December 2001	As of 1 January 2002, thousand persons	in per cent to 1 January 2001	1 December 2001
Total	1028.8	86.6	101.0	96.9	142.0	90.6
including:						
Blue-collar workers	514.3	83.7	101.1	66.0	138.7	89.4
White-collar workers	309.8	82.3	98.6	24.2	146.4	95.9
Persons without profession	204.7	103.9	104.6	6.7	161.8	84.4
Persons employed in agriculture	155.9	123.7	107.7	5.0	138.9	94.3

Labour supply and demand led to changes in the number of unemployed citizens per vacancies. During 2001, an increase in the number of vacancies resulted in the reduction of the number of citizens per vacancy - from 17 to 11 persons.

As of 1 January 2002, the minimum number of applicants per vacancy was observed in the City of Kyiv (1 person), City of Sevastopol (1 person) and Donetsk Region (4 persons), while the maximum number - in Rivne Region (44 persons), Ternopil Region (41 persons), Zhytomyr Region (34 persons) and Volyn Region (31 persons).

During 2001, nearly 780 thousand unemployed citizens were placed in a job, which was by 31 % more than in the previous year.

Number of applicants per vacancy in 2001-2002**(as of the beginning of month)**

This process became possible due to stimulation of activity of the state services of employment towards an increase of competitive capacity of unemployed persons in the labour market. As of the beginning of 2002, 43.6 thousand unemployed persons, 66.1% whereof were women, were trained in the educational institutions of all the types to acquire new professions (specialities). Besides, young persons under 28 made 59.3% of the total number of the trained unemployed persons.

Public works were the important measure of temporary placing in a job of the unemployed citizens. In 2001 their volumes increased, and more than 299 thousand unemployed citizens were engaged in them.

In December 2001, UAH 56.7 million were paid from the Fund of Obligatory State Insurance of Unemployment. The average amount of unemployment relief made UAH 85.23, it was by 43.5% more than in December of the previous year.

In spite of positive changes, which took place in the previous year, quite serious problems still remain in the labour market of Ukraine. Particularly, the number of citizens employed in branches of the economy reduces owing to the deterioration of the demographic situation in the country (decrease in the number of population, increase in the number of pensioners) and overflow of the labour force to other spheres of economic activity.

To other problems one can add:

- social tension in the labour markets in monofunctional cities and mining regions;
- placing in a job of socially vulnerable groups of the population, first of all invalids and graduates;
- high level of unemployment in the countryside due to the reforming of agroindustrial complex;
- growth of unemployment etc.

Besides, the absence of appropriate legislative as well as normative and legal base which regulated the operation of the labour market, hindered the effective pursuit of the state policy of assistance of employment of the population, prevention of mass unemployment under conditions of structural reorganization of the economy and putting into effect the social protection of the unemployed persons.

During 2001, the Supreme Soviet of Ukraine worked out and presented the draft of the Law of Ukraine "On Approval of the State Programme of Employment of Population for 2001-2004". The

working out of the plan of actions for 2002 on realization of this programme goes on. The regional programmes of employment were approved, the draft of the Law of Ukraine "On Peculiarities of Regulation of Employment and Social Protection of Landholders" was worked out. The work on the draft of new wording of the Law of Ukraine "On Employment of Population" began.

1.9. STATE FINANCES

The Law of Ukraine "On the State Budget for 2001" adopted the balanced budget which had a considerable influence on the macroeconomic situation and financial steadiness in the state.

The adoption of the Budgetary Code of Ukraine by the Supreme Soviet of Ukraine was an important event.

The decision of the Government in respect to limitation of non-monetary forms of the budgetary payments as well as the prohibition of tax payments in non-monetary form led to replenishing the budget with money. The number of main managers of the budget reduced, the work on taking under the state control all the budgetary and off-budget funds through the system of the State Treasury was executed.

In 2001, the problem of compensating by the state exporters for the value added tax (VAT) remained vital. On the one hand, tax liabilities before the budget continued to grow (as of 1 December 2001, this total debt amounted to UAH 3.61 billion), on the other hand, the volumes of VAT presented for compensation increased by very high rates (during January - November 2001 they grew by 31.3% as compared with the corresponding period of 2000). Although the state tried to compensate for VAT, the debt remained rather big and amounted to UAH 2.0 billion as of the beginning of the year.

During 2001, the Government of Ukraine succeeded in keeping the balanced budget, though the plan indicators of its fulfilment were not implemented. The balance of the budget was achieved due to the insufficient financing of expenditures including social spending.

The main reason of deterioration of the situation concerning the replenishing the budget became non-fulfilment of plan indicators of the fund attraction from the state property privatization in 2001. Non-fulfilment of the Programme of Privatization caused losses in the budget which amounted to UAH 3.69 billion. Granting of tax privileges and making a decision to increase wages/salaries and social payments had a negative influence on the revenues.

Fulfilment of the Consolidated Budget of Ukraine

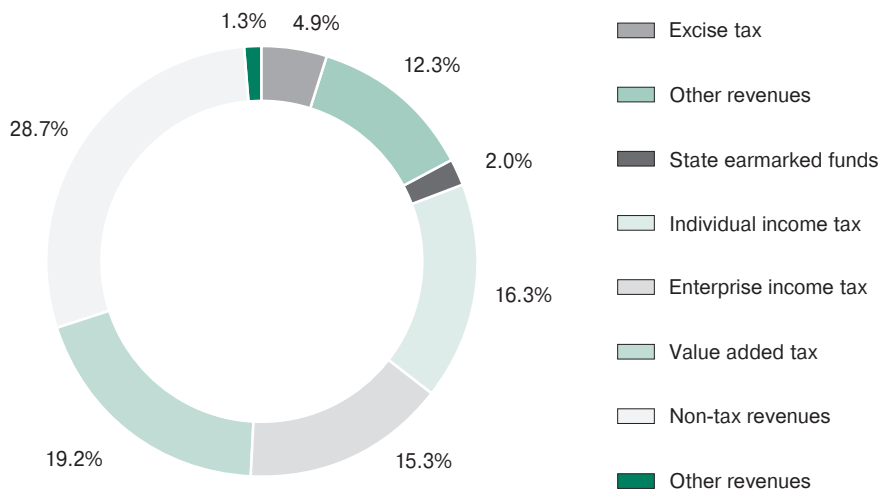
The Law of Ukraine "On the State Budget of Ukraine for 2001" provided for revenues of the Consolidated Budget at the amount of UAH 52.91 billion and expenditures - at the amount of UAH 52.91 billion, which made 26.6% of GDP (25.5% in 2000).

Despite the steady macroeconomic situation in 2001, the Consolidated Budget of Ukraine in 2001 was fulfilled with the deficit at the amount of UAH 1.26 billion. During 2001, the real revenues of the Consolidated Budget decreased by 3.3% as compared with 2000.

The revenues of the Consolidated Budget amounted to UAH 54 billion (102% from the planned volume). Tax revenues in the income part of the Consolidated Budget amounted to UAH 36.7 billion (68% of the total revenues), including value added tax - UAH 10.4 billion (19.2%), individual income tax - UAH 8.8 billion (16.3%), enterprise income tax - UAH 8.3 billion (15.3%).

The non-tax revenues amounted to UAH 15.5 billion (28.7% of the total), out of which the revenues from the property privatization - UAH 2.6 billion (4.7%), payments for transit of natural gas through the territory of Ukraine - UAH 1.94 billion (3.6%). The other revenues amounted to UAH 1.78 billion (3.3% of the total).

Structure of Revenues of the Consolidated Budget of Ukraine in 2001

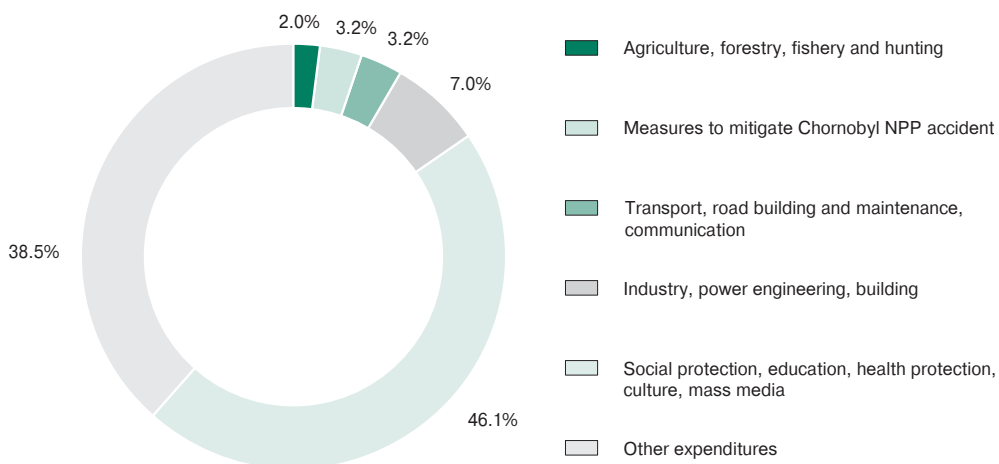


The revenues of the Consolidated Budget of Ukraine from VAT amounted to UAH 10.4 billion, or 89.0% of the planned level, while the revenues from the excise tax were fulfilled by 93%, which amounted to UAH 2.7 billion. Plan targets for the tax revenues were fulfilled by 102.9%, for the non-tax revenues - by 94%.

During 2001, expenditures of the Consolidated Budget amounted to UAH 55.3 billion, which was by UAH 2.4 billion more than annual assignments. The approved plan was fulfilled by 104.4%.

In the year under review, UAH 25.5 billion, or 46.1%, were spent on the social and cultural purposes in the structure of expenditures of the Consolidated Budget of Ukraine (39.2% in 2000). At that, UAH 8.5 billion were spent on the social protection and social security of the population, which was by UAH 0.7 billion less, than it was planned. Expenditures for education, health protection, culture, art, mass media, physical training and sport exceeded the plan targets by UAH 2.3 billion and as of 1 January 2002 amounted to UAH 16.9 billion.

Structure of Expenditures of the Consolidated Budget of Ukraine in 2001



UAH 8.3 billion, or 15.0% of the total, were spent on the support of economic branches of Ukraine including UAH 3.9 billion - on industry, power engineering, building (UAH 3.4 billion in

2000), UAH 1.9 billion - on measures to mitigate Chernobyl NPP accident and social protection of the population (UAH 1.8 billion in 2000), UAH 1.8 billion - on transport, road building and maintenance, telecommunications and information technology (UAH 1.8 billion in 2000), UAH 1.1 billion - on the development of agriculture, forestry, fishery and hunting (UAH 0.9 billion in 2000).

Expenses which exceeded the planned level were financed at the expense of the expenditures of the Consolidated Budget and went for:

- education, health protection, culture, art, mass media, physical training and sport - 115.4%;
- transport, road building and maintenance, communication, telecommunications and information technology - 113.5%;
- industry, power engineering, building - 104.1%;
- other expenditures - 102.2%.

The less amount of the planned volume of funds of the Consolidated Budget went for social protection and social security of the population - 92.7%, for agriculture, forestry, fishery and hunting - 95.9%, for measures to mitigate Chernobyl NPP accident and social protection of the population - 97.4%.

Considerable exceeding of the financing of the separate expense items of the Consolidated Budget from their planned level led to its deficit at the amount of UAH 1263.3 million, which made 0.6% of GDP (in 2000 the budget of Ukraine was compiled with the surplus at the amount of UAH 917.5 million, or about 0.5% of GDP).

1.10. BALANCE OF PAYMENTS OF UKRAINE

In 2001, the balance of payments current account surplus amounted to USD 1.4 billion (3.7% of GDP), which exceeded the figure of the previous year by 16.2% (excluding the cost of the aircraft complexes handed over to Russia at the beginning of 2000 to redeem the debt). Though the trade account surplus almost halved, considerable inflows of private transfers and a decrease in the volume of long-term debt servicing resulted in the above dynamics.

In 2001, the balance of trade was compiled with the surplus of USD 613 million as compared with USD 1301 million in 2000 (excluding the cost of the aircraft complexes). Both balance of trade and services decreased (2.6 and 1.9 times respectively). By the year results, export of goods and services increased by 9.5% to USD 21.1 billion, import increased by 14.1% to USD 20.5 billion.

In 2001, exports of goods amounted to USD 17.1 billion and exceeded the rate of the last year by 10.6%. It should be noted, that trade with the rest-of-the-world countries developed faster (113.8%), than with the CIS and Baltic countries (104.8%). Exports to the rest-of-the-world countries constituted two-thirds of the overall exports.

Products of metallurgical industry (39%) continued to dominate in the export structure. However, its growth rates were rather slow (3.9% per year), whereas export of food products increased by one-third and the share of these products in the total grew by 10.7% compared with 8.9% in the previous year. The growth rates of machinery and equipment export deliveries were high (26%). The share of these products increased from 12% in 2000 to 13.7% in 2001. Positive tendencies were also observed in external trade in products of light industry, namely, exports of clothes and accessories increased almost by 19% in the year under review.

Export of products of fuel and energy complex noticeably increased (by 26.8%). Such an increase accounts for the fact that Ukrainian petroleum refineries enlarged their share in the oil products market and greatly pushed importers out of it. In 2001, exports of oil increased 2.2 times.

The Russian Federation - 21.5% of the total export volume, Turkey - 5.9%, Italy - 4.9%, Germany - 4.2%, the USA - 3.3% and China - 3.2% remained the main trade partners of Ukraine.

During 2001, the dynamics of import deliveries significantly varied from that of export deliveries and had quite different tendencies: a reduction in imports in the first quarter by 3.6% was followed by their steady rising.

In 2001, an increase in import deliveries took place mainly due to a growth in non-energy imports (by almost 19%). Imports of machine building products grew significantly (by 28.7%), their share in the total import volumes made 20% compared with 17.6% in 2000. Import deliveries of chemical products increased (by 18.9%) at the expense of pharmaceutical products, plastic and items made of it and volatile oils. Import of timber and paper grew drastically (1.4 times). The volume of products of metallurgical industry imported mainly from the CIS countries increased by 20.6%.

The stability of hryvnia pertaining to foreign currencies and a considerable slowdown of inflation in 2001 caused a rise in the purchasing power of the population and made for an increase in the import of consumer goods. By some items of consumer goods, such as cloths, footwear, some products of food industry, imports increased from 30 to 40%.

As for the import of energy resources, it should be mentioned, that against a background of growth of crude oil exports, the import of mineral oils slumped (from USD 1.3 billion to USD 0.5 billion). A growth in oil import took place exclusively at the expense of an increase in physical volumes (more than twice).

In 2001, in comparison with 2000, Ukraine reduced the import of natural gas by 3.9% - from 59.2 to 56.9 billion m³. The amount of natural gas imported during the year totaled USD 3.3 billion, which was almost equal to the indicators of 2000. In 2001, the geographical structure of natural gas suppliers to Ukraine underwent great changes. While in previous years Russia was a leading gas supplier, in the year under review almost 50% of the gas came from the Mid Asia countries.

In 2001, the balance of services was traditionally compiled with the surplus amounted to USD 415 million, which reduced 1.9 times in comparison with 2000. It is accounted for by less rapid growth rates of the export of services (105.1%) compared with the rapid growth of import (119.2%).

In 2001, the negative balance in the Income item of USD 667 million was compiled mainly at the expense of external debt servicing under long-term guaranteed and non-guaranteed credits. In the accounting year, according to the schedule, USD 691 million were to be paid to cover the external debt servicing, and the main pressure under the current liability services fell on the public administration sector (USD 526 million). The schedule of the external debt servicing was less intense in 2001 than in the previous year, the indicator of the interest added from the external debt concerning the export of goods and services made 3.3% compared with 2000.

Improvements in the current account state were substantially determined by a considerable inflow of current transfers mainly due to a gradual increase in the amount of private transfers and funds that came from Germany and Austria to compensate for victims of the Nazi regime. In 2001, Ukraine received funds to be paid to the Ostarbeiters, which amounted to USD 112 million. On the whole, over the year, no-changed transfers at the amount of USD 1.5 billion were received, 70% of which constituted currency receipts.

In 2001, the negative balance under the capital and financial transactions item was USD 1.2 billion. It theoretically shows either the accumulation of assets or decrease in liabilities. In the year under review, the negative balance was compiled, on the one hand, due to the accumulation of assets in the country in the form of international funds, and on the other hand, due to a decrease in external economy indebtedness under portfolio investments.

Nowadays, payments related to external long-term debt repayment and servicing are the main cause for the balance of payments deficit. As of the end of 2001, the external long-term debt of the country amounted to USD 12.1 billion, or 32.3% of GDP compared with 38% in 2000. In 2001, new credits were attracted by the public administration sector under the international credit lines. Last September, in order to implement the Extended Fund Facility in accordance with the next tranche, the IMF and the World Bank provided funds at the amount of USD 375 million and USD 310 million respectively.

The positive tendency towards an increase of long-term loans by the real economy sector of the country has preserved. In 2001, the total amount of non-guaranteed credits at the amount of USD 1.3 billion was attracted, which was by 44.5% more than in the previous year.

At the beginning of 2000 and in the middle of 2001, Ukraine realized long-term mechanisms of debt settlements by restructuring the debts before private creditors and the Paris Club of Creditors. It helped take the peak pressure off the payments regarding debt servicing and repayment in 2000 and 2001. In 2001, expenditures for the external long-term debt servicing and repayment amounted to USD 3.1 billion, of which USD 1.8 billion were repaid on the credits granted by international financial organizations and guaranteed to be repaid by the government taking into account planned payment schedule of 2002 included into the total amount of the part of the external debt restructuring as well as USD 1.3 billion repaid on non-guaranteed credits.

Outstanding payments on the external economic transactions by economic entities remain a risk factor in the Ukrainian economy. In 2001, payables increased by USD 764 million, which made 3.7% of the volume of import of goods and services (in 2000 this indicator made 2%). One third of this indebtedness was overdue. The total volume of payables (USD 7.5 billion) exceeded that of receivables 3.7 times and hindered the normal development of external economic relations.

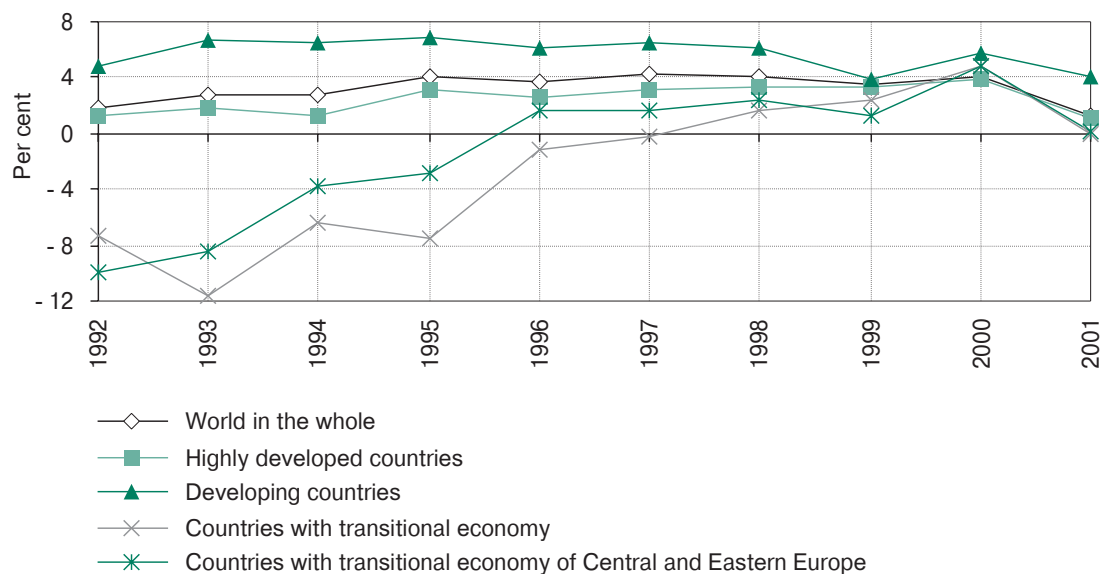
The currency inflow under current operations, funds received from privatization and external debt restructuring provided for a steady exceeding of foreign currency supply over demand. To prevent excessive revaluation of hryvnia the National Bank of Ukraine intervened by buying the excessive foreign currency supply. Such measures made it possible to increase the foreign currency reserves of the country in 2001 by USD 1.6 billion and provided for the financing of the import of goods and services for 7.8 weeks (at the end of 2000 this indicator constituted 4.4). It was the highest indicator since Ukraine gained independence.

1.11. TENDENCIES OF THE DEVELOPMENT OF THE WORLD ECONOMY

WORLD ECONOMY

The analysis of the world economic situation in 2001 indicates a considerable slowdown of economic growth in the world after the peak of cyclical upswing in 2000. In 2001, the world direct foreign investments decreased by 40% in comparison with the previous year and amounted to USD 760 billion. In the previous year, the direct investments in the developed countries reduced almost twice.

Rates of Changes of the Real GDP



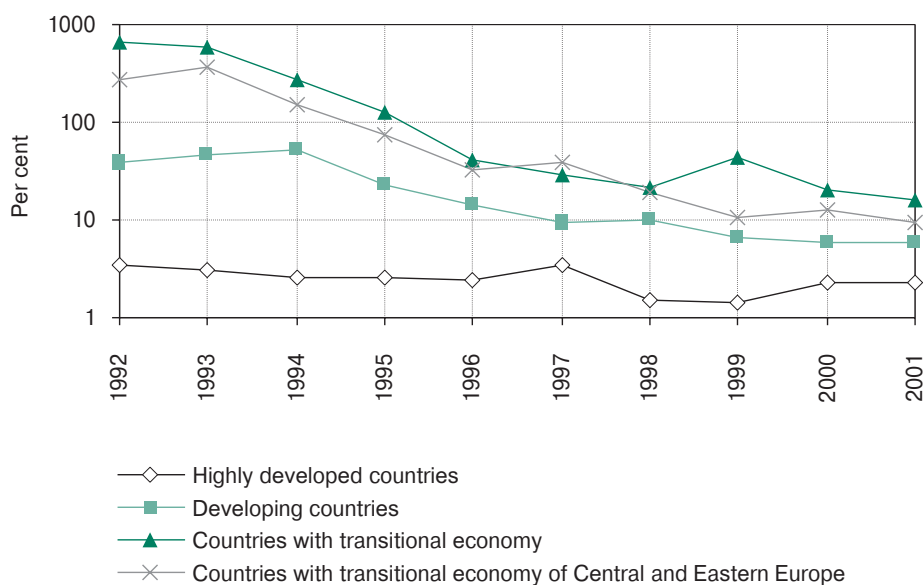
According to the tentative data, growth rate of the world GDP made 1.3% as compared with 4% in 2000. A considerable decrease of production of GDP by industrialized countries to 1.1% of the world volume of GDP in comparison with 3.9% in 2000 became its main factor.

Inflation index remained moderate and, according to the tentative data, in 2001 it made about 4% in comparison with 4.6% in 2000.

In 2001, the economy of the USA, the share of which made one third of the world GDP, influenced greatly the formation of the world economic situation. The mighty economic rise in the USA, which was observed for the last 10 years, facilitated the overcoming of the global consequences of the financial crisis in the countries of South-Eastern Asia.

The tendency towards economic recession grew stronger due to the deterioration of the economic situation in Japan.

Inflation (change rates of consumer prices)



In 2001, considerable fluctuations of exchange rates took place also in the sphere of international currency and financial relations. Indefiniteness of the situation in the main international capital markets increased. Fall in stocks of the leading transnational corporations accelerated.

SOME ASPECTS OF THE ECONOMIC DEVELOPMENT OF THE ADVANCED COUNTRIES OF THE WORLD

THE UNITED STATES OF AMERICA. 2001 began with a considerable weakening of the American economy. The overaccumulation of the capital in consequence of the prolonged investment boom was the main factor of the economic recession in the USA. As is well known, from 1992 to 2000, the average annual rates of gross investments in the USA exceeded 10%. At the end of 2000, production capacity fell to the lowest level for the last 8 years. At the same time, considerable accumulation of commodity stocks became the main bar for the revival of the economic situation in the country. The reduction of investments was inevitable in such conditions and led to further deterioration of the economic situation.

The first evidence of recovery of the economic situation in the country was observed at the end of August - at the beginning of September 2001, still the act of terrorism on 11 September 2001 and psychological shock provoked by it led to the fact that a considerable part of population temporary lost those guidelines which made for labour and consumer activity of the country.

In 2001, the economy of the USA was characterized by such chief economic indicators: GDP growth rates made 1.2% in 2001 in comparison with 4.1 % in 1999 and 2000, an increase of the unemployment rate to 4.8%, fall in stocks of the majority of the high-technology corporations, an increase of the foreign trade deficit, a considerable increase of bankruptcies as well. In 2001, inflation made 1.6%, this was the minimum value of this indicator since 1998. The largest reduction of consumer market price index was caused by the decrease in prices for energy carriers which became cheaper by 3.2% in December. A flexible policy in conditions of price steadiness played a considerable role in the improvement of the situation. The resolute actions of the government and the Federal Reserve System convinced investors, that a recession would not be lingering. Therefore, at the end of September, exchange indexes reached the marks prior to crisis.

JAPAN. A tendency to the recession in the world economy intensified owing to a deterioration of the unstable economic situation in Japan. A sharpening of the economic problems in this country was caused by the reduction of investments as well as deterioration of prospects for the export of goods because of the weakening of consumer demand in the USA. An increase of the world economic recession after 11 September 2001 led to the decrease of demand for Japanese goods in the external markets and to new problems of Japanese corporations as well as banking establishments connected with them. Over the previous year, according to the tentative data, GDP of Japan reduced by 0.2% as compared with 2.4% in 2000.

During 1999-2001, in Japan a deflation rate made -0.7% in 2000 and 2001, -0.3% in 1999, therefore the consumer demand for goods decreased that led to the reduction in prices and increase in real amount of promissory notes in yen. It made it difficult for companies to effect the settlements under promissory notes at the expense of funds received from sales of goods and services. The national debt of Japan exceeded GDP (130%), while the state budget deficit of GDP made 6.3% in 2001.

Consumer expenditures, the share of which made more than a half of the total demand, practically did not increase. An increase of the unemployment (5.0% in 2001 as compared to 4.7% in 1999-2000) and a reduction of the population income in consequence of the growth of bankruptcies and the fall in stocks in the stock market hindered the growth of effective demand of the population.

The banking system suffered great losses. The sum of losses of the biggest 13 banks of the country expected in the current financial year (it ended 31 March 2002) amounted to JPY 7.5 billion (more than USD 57 billion), which was by JPY 1 billion more than in the previous financial year.

Therefore, the capital leaves the country. Japan gradually changes from the producer country into the investor country. In 2001, the "net" investment of Japan to other countries amounted to JPY 8.8 billion (USD 66.4 billion), which was by 42% more than in 2000. In 2001, for the first time in the history of Japan, foreign investment surplus increased trade balance surplus.

The main tasks of the Japanese government for today are:

- a return of consumer confidence and stabilization of domestic demand;
- an organization of the flexible labour market;
- a solution of problem of the hopeless credits given to the Japanese banks, because owing to this fact it is possible to return the confidence of foreign as well as Japanese investors.

THE EUROPEAN UNION. In 2001, a deceleration of economic growth was observed in Western European countries. According to the tentative data, in the European Union countries GDP growth rates made 1.5% in comparison with 3.4% in 2000. The following indexes of the national GDP growth were registered in Western European countries: in Germany - 0.6% as compared with 3.0%, in France - 2.0% as compared with 3.6%, in Italy - 1.8% as compared with 2.9%, in Great Britain - 2.4% as compared with 3.0%.

Inflation rates in the European Union countries made 2.5% in comparison with 2.3% in 2000. In the previous year, the same inflation rate was recorded in the Euro-zone countries - 2.5% as compared with 2.3% in 2000, while in Germany - 2.4% as compared with 2.1%, in France - 1.4% as compared with 1.7%, in Italy - 2.4% as compared with 2.5%, in Great Britain - 1.2% as compared with 0.8%.

In December 2001, industrial production in the European Union countries decreased by 4.4% in comparison with the corresponding period of the previous year.

In December 2001, in 12 Euro-zone countries industrial production decreased by 4.1% in the annual calculation, and respectively to the previous month - by 0.8%. The industrial production decreased most of all in Italy (by 8.2% to December 2000), in Spain - by 6.4%, in Great Britain - by 6.7%. An increase of production was observed in Ireland and Denmark (1.5% in each).

An unemployment rate in the countries decreased a little and as of the end of 2001 made 8.3% as compared with 8.8% in 2000 and 9.7% in 1999.

In 2001, the largest reduction of the unemployment rate was observed in the Netherlands (from 2.8 to 2.2%) and Denmark (from 4.7 to 4.4%). The smallest number of unemployed persons was registered in the Netherlands, the second place concerning this indicator took Luxembourg (2.5%), the third and the fourth places took respectively Ireland and Austria (4.2%). The situation in the labour market of Spain remains intense - 12.9% of the economic active population is unemployed. The average unemployment rate among the persons under 25 made 15.7% in the mentioned countries, in Spain - 24.8%.

DEVELOPING COUNTRIES

On the whole, in 2001, the economic situation of developing countries improved a little. The consequences of the financial crisis in 1997-1998 observed in the countries of the South-Eastern Asia were almost overcome.

Today, the share of developing countries in the total world GDP made about one fourth. According to the tentative data, in 2001, the average growth rates of GDP of these countries made 4% as compared with 5.8% in 2000. The inflation rate made 6.0% as compared with 5.9% in 2000.

The highest indicators of the economic growth were observed in China, where GDP growth rates made 7.3% as compared with 8% in 2000. In contrast to other economies of developing countries, over the previous years, the economy of China did not experience a recession.

In 2001, a deceleration of GDP growth rates was registered in some countries of the South-Eastern Asiatic region. In Korea, for instance, - 2.6% as compared with 8.8%, in India - 4.4% as compared with 6%, in Indonesia - 3.2% as compared with 4.8% in 2000. The economy of India remains one of those which have the most dynamic development.

A deceleration of GDP growth rates from 4.0% in 2000 to 1.0% in the previous year was observed also in the countries of Latin America. At the same time, inflation rates slowed down from 8.1% in 2000 to 6.3% in the previous year. In 2001, in Brazil and Chile GDP grew by 1.8 and 3.3% respectively as compared with 4.4 and 5.4% in the previous year.

At the same time, in Argentina the sharpening of economic problems connected with orientation of the national economy towards the development of some export branches and a strong dependence of the national currency on the US dollar continued, which led to a default and a high social tension. In the previous year, GDP of Argentina decreased by 2.7% as compared with 0.5% in 2000. A deflation which made 1.0% in comparison with 0.6% in 2000 was observed in the country.

Countries of Africa, in contrast to other developing countries, accelerated GDP growth rates, which made 3.5% as compared with 2.8% in 2000. A reduction of the inflation rate from 13.5% in 2000 to 12.8% of the previous year was registered as well.

At the same time, in the South African Republic GDP growth rates reduced from 3.2% in 2000 to 2.2% in 2001. As everybody knows, this country is the most economically developed country on the African continent. Its economy is considerably integrated to the world economic space, and a reduction of GDP was the consequence of the world economic recession. The inflation rate made 4.8% as compared with 5.4% in 2000.

COUNTRIES WITH TRANSITIONAL ECONOMY

COUNTRIES OF EASTERN AND CENTRAL EUROPE. Over the last years, Poland, Hungary, Croatia, Slovakia, Slovenia and Czechia achieved better indicators of economic development among the countries with transitional economy.

In 2001, in Poland GDP growth rates slowed down and made 1.5% as compared with 4.1% in 2000, which was caused by a reduction (by 2.0%) in demand for goods and services in the domestic market in comparison with its growth by 2.8% in 2000. A decrease in demand was connected with a considerable reduction (by 10.2%) in the corporate investment and recompensed at the expense of the export growth.

A growth of GDP production was observed also in the countries of Eastern and Central Europe (in Bulgaria - by 4.5%, in Romania - by 4.8%, in Slovakia - by 3.3%, in Hungary - by 3.8%, in Croatia - by 4.1%, in Czechia - by 3.3%). A reduction of GDP production by 3.6% was observed only in Macedonia.

According to the tentative data, GDP growth was also observed in the Baltic countries (in Latvia - by 7.0%, in Estonia - by 5.4%, in Lithuania - by 4.5%).

In 2001, industrial production grew in such countries of Eastern and Central Europe as Rumania - 8.5%, Slovakia - 6.7%, Slovenia - 2.9%, Hungary - 4.1% and Croatia - 6.0%.

In 2001, a considerable increase in industrial production was also observed in the Baltic countries (in Estonia - by 6.9%, in Latvia - by 8.4%, in Lithuania - by 15.7%).

In 2001, a reduction in growth rates of the consumer price index became a characteristic feature of all the countries of Eastern and Central Europe in comparison with 2000 (in Bulgaria - 4.8% as compared with 9.9%, in Poland - 3.6% as compared with 8.5%, in Rumania - 34.5% as compared with 45.7%, in Slovakia - 6.5% as compared with 12.1%, in Slovenia - 8.4% as compared with 8.9%, in Hungary - 9.2% as compared with 9.8%). Inflation increased only in Czechia and made 4.7% as compared with 3.9%.

In 2001, the consumer price index increased in the Baltic countries (in Estonia - 5.8% as compared with 4%, in Lithuania - 2% as compared with 1.4%, in Latvia - decreased a little to 2.5% as compared with 2.6%).

At the same time, at the end of 2001, in the Baltic countries and countries of Eastern and Central Europe the unemployment rate made: in Estonia - 12.6%, in Latvia - 7.7%, in Lithuania - 12.5%, in Poland - 17.4%, in Slovakia - 18.6%, in Slovenia - 11.6%, in Hungary - 5.6%, in Croatia - 23.1%, in Czechia - 8.7%.

COUNTRIES OF THE COMMONWEALTH OF INDEPENDENT STATES

Russia. During 2001, the macroeconomic situation in Russia remained rather steady and was characterized by increase in production output, investment activity, increase in the real money income of the population, rather low inflation rate in the consumer market and in industry as well.

In 2001, growth rates of production output almost in all branches of the economy exceeded the predicted levels. In 2001, according to the tentative data, GDP increased by 5.0% as compared with 9.0% in 2000. GDP growth rates in Russia exceeded not only expected growth rates of the world economy on the whole (1.3%) and growth rates of industrially developed countries (1.1%), but also production growth rates in the countries with transitional economy on the whole (4.9%) and in the developing countries (4.0%) as well.

In 2001, production and services output of the basic branches of the economy increased by 5.7%, industrial production grew by 4.9% as compared with 2000. In 2001, works in building and trade increased by rather high rates, production of agricultural products grew.

In 2001, growth rates of the consumer prices reduced to 18.6% as compared with 20.2% in 2000. The successful monetary and credit policy pursued by the Central Bank of Russia led to a consecutive decrease of the inflation rates, which was observed during the last three years, against a background of the economic growth.

In 2001, a growth of the consumer domestic demand and that of the investment domestic demand became the main factor of the economic development under conditions of deceleration of the external demand growth. The steadiness of the macroeconomic situation and the state economic policy were directed to the improvement of the investment climate and the creation of conditions for the stimulation of the investment activity of the Russian enterprises and organizations in 2001. Over the year, investment to the fixed capital grew by 8.7%.

In 2001, an increase of the real money income of the population led to the consumer demand growth. Over the year, the consumer spending of the population increased by 8.1%. The turnover of retail trade grew by 10.8% as compared with 2000, paid services furnished to the population - by 0.8%.

In 2001, a positive tendency formed at the end of 1999 due to the rise in the economy remained in the labour market of Russia. In 2001, the number of the employed persons increased by 1.0% as compared with the previous year. By the end of 2001, the unemployment rate reduced to 9% in comparison with 10.2% in 2000.

In 2001, such factors as growth of demand for the domestic products which stimulated the increase of production, rather steady financial state of enterprises, the positive dynamics of the real money income of the population, decrease in the price growth rates positively influenced the investment processes. In 2001, the investment increased by 8.7% as compared with 2000.

A growth of production, an improvement of the state financing of social branches and quite low inflation level led to the increase in the real money income of the population. In 2001, an increase in the real wages/salaries and social transfers, a reduction in arrears of wages, a decrease in the differentiation of the population under income were the main tendencies in the social sphere.

In 2001, the nominal income of the population increased by 30.2% as compared with 35.0% in 2000.

In 2001, the consumer spending of the population in real terms grew by 8.2%.

OTHER COUNTRIES OF THE COMMONWEALTH OF INDEPENDENT STATES

In 2001, a tendency to the relative steadiness of the economy remained in the CIS countries, which is confirmed by the increase of the main macroeconomic indicators such as gross domestic product, output of industrial and agricultural products, retail commodity exchange, transportation of goods, investment in the fixed capital, increase of the foreign trade turnover. The financial state of the CIS countries was characterized by the sufficient steadiness, which was caused by the moderate inflation and the relatively stable exchange rates of the national currencies. Positive tendencies in the economic development were accompanied by some increase in the real money income of the population, growth in demand for labour force in the labour markets.

By estimates, on average, gross domestic products in the CIS countries grew by 6.0% in 2001 (by 8.0 in 2000).

The largest growth was reached in Kazakhstan - 13.2% as well as in Tajikistan - 10.2%. In Azerbaijan GDP increased by 9.9% as compared with 2000, in Armenia - by 9.6%, in Belarus - by 4.1%, in Georgia - by 4.5%, in Kirgizstan - by 5.3%, in Moldova - by 6.1%, in Russia - by 5.0% and in Uzbekistan - by 4.5%.

However, during the second part of 2001, in some countries economic growth rates slightly decreased as compared with the corresponding period of 2000. Besides, an increase of the main macroeconomic indicators observed in the previous years was insufficient to compensate for their fall at the beginning of the 90th.

In spite of the fact that the real money income increased in almost every country, the living standard of the main part of the population did not drastically change.

In 2001, in the CIS countries, industrial production increased on average by 7.0% as compared with the previous year (by 11.0% in 2000), including in Tajikistan - by 14.8%, in Ukraine and Moldova - by 14.2%, in Kazakhstan - by 13.5%, in Belarus and Kirgizstan - by 5.4%, in Azerbaijan - by 5.1%, in Russia - by 4.9%, in Armenia - by 3.8%. A decrease in industrial production by 1.1% was observed only in Georgia.

In 2001 compared with 2000, in the CIS countries industrial producers' prices increased on average 1.2 times (1.5 times in 2000).

Industrial producers' price index considerably increased in Belarus (71.9%), in Tajikistan (26.8%), in Kirgizstan (11.2%) and in Russia (10.7%). An inessential increase in industrial producers' price index was observed in other countries except Armenia. Industrial producers' prices in Armenia reduced by 0.4%.

In the year under review, an increase in consumer goods production was observed in many countries of the CIS.

In 2001, according to the tentative data, agricultural production in the CIS countries on average increased by 8.0% as compared with the previous year (by 7.0% in 2000). An increase of agricultural production was observed in all the countries, including in Kazakhstan - by 17.0%, in Armenia - by 12.0%, in Azerbaijan and Tajikistan - by 12.0%, in Ukraine - by 10.0%, in Russia and Kirgizstan - by 7.0%, in Georgia - by 6.0%, in Moldova - by 4.0%, in Belarus - by 2.0%.

In 2001, in the CIS countries investments in the fixed capital increased on average by 10.0% as compared with the previous year (by 18% in 2000). Investment growth was observed in the majority of countries including in Kazakhstan - by 21.0%, in Azerbaijan and Ukraine - by 17.0%, in Armenia and Georgia - by 14.0%, in Russia - by 9.0%. At the same time, investment reduced in Moldova - by 2.0%, in Belarus - by 6.0% and in Kirgizstan - by 16.0%.

During 2001, a stable situation was observed in the consumer market of the CIS countries, the retail turnover increased by relatively high rates. In 2001, in the CIS countries sales of consumer goods and services (at constant prices) grew on average by 9.6%.

Inflation processes continued in the consumer sector of the economy. Belarus, where consumer price index increased by 161.1%, became the leader again. However, for the first time during the last years, a deceleration of consumer price growth rates was observed in almost every country of the CIS.

In 2001, the number of the economic active population (employed and unemployed persons) in the CIS countries on average amounted to 131 million persons, which is a shade less than a half of the populations of these countries, including in the Russian Federation - 71.4 million persons (about 50%), in Ukraine - 22.7 million persons (46%), in Kazakhstan - 7.1 million persons (48%), in Belarus - 4.5 million person (45%).

The share of the economic active population in the majority of countries exceeded 90%.

According to the methodology of the International Labour Organization, by the end of 2001, the unemployment rate made 2.5% in Belarus, 9.9% in Armenia, 11.4% in Georgia (in September 2001), 2.8% in Kazakhstan, 3.2% in Kirgizstan, 9.0% in the Russian Federation, 3.68% in Ukraine.

In 2001, the dynamics of export-import transactions in the CIS countries reflected the tendencies of the world markets. A deterioration of the situation in the energy resources world market led to deceleration of trade transactions growth rates, mainly of export. If in 2000, as

compared with 1999, the cost volume of export increased on average by 39% while that of import - by 15%, than in January-November 2001, in comparison with the corresponding period of the previous year, the increase of these indicators made 1.0% and 16.0% respectively.

Table 1

Main indicators of the world economy development

(in per cent to the previous year)

Regions, groups of countries and countries	GDP			Inflation		
	1999	2000	2001 ¹	1999	2000	2001 ¹
World	3.6	4.0	1.3	3.5	4.6	4.0
Industrially developed countries	3.3	3.9	1.1	1.4	2.3	2.3
"Group of Seven" countries	3.0	3.5	1.0	1.4	2.3	2.2
USA	4.1	4.1	1.2	2.2	3.4	1.6
Japan	0.7	2.4	-0.2	-0.3	-0.7	-0.7
Germany	1.8	3.0	0.6	0.6	2.1	2.4
France	3.0	3.6	2.0	0.5	1.7	1.4
Italy	1.6	2.9	1.8	1.7	2.5	2.4
Great Britain	2.1	3.0	2.4	1.3	0.8	1.2
Canada	5.1	4.4	1.4	1.7	2.7	2.6
Other developed countries	4.9	5.2	1.5	1.3	2.4	2.9
European Union countries	2.6	3.4	1.5	1.1	2.3	2.5
Euro-zone countries	2.6	3.4	1.5	1.1	2.3	2.5
Developing countries	3.9	5.8	4.0	6.8	5.9	6.0
Asia	6.2	6.8	5.6	2.5	1.9	3.0
Korea	10.9	8.8	2.6	0.8	2.4	3.2
China	7.1	8.0	7.3	-1.4	0.4	1.0
India	6.8	6.0	4.4	4.7	4.0	3.9
Indonesia	0.8	4.8	3.2	20.7	3.8	12.5
Africa	2.5	2.8	3.5	11.6	13.5	12.8
South Africa	1.9	3.1	2.2	5.2	5.4	4.8
Countries of the Middle East	3.0	5.5	4.5	12.1	9.2	9.4
Countries of Latin America	0.1	4.1	1.0	8.8	8.1	6.3
Argentina	-3.4	-0.5	-2.7	-1.2	-0.6	-1.0
Brazil	0.5	4.4	1.8	4.9	6.3	7.7
Chile	-1.1	5.4	3.3	3.3	3.8	3.7
Mexico	3.7	6.9	...	15.9	16.6	4.4
Australia	4.7	3.3	2.3	1.5	4.6	3.1

Table 1
(continued)

(in per cent to the previous year)

Regions, groups of countries and countries	GDP			Inflation		
	1999	2000	2001 ¹	1999	2000	2001 ¹
Countries with transitional economy	3.6	6.3	4.9	43.9	20.1	16.0
Countries of Central and Eastern Europe	2.0	3.8	3.0	10.9	12.8	9.3
Bulgaria	2.4	4.1	4.5	6.2	9.9	4.8
Latvia	1.1	6.8	7.0	2.4	2.6	2.5
Lithuania	-3.9	3.9	4.5	0.3	1.4	2.0
Poland	4.1	4.1	1.5	9.8	8.5	3.6
Rumania	-3.9	1.6	4.8	54.8	45.7	34.5
Slovakia	1.9	2.2	3.3	10.6	12.1	6.5
Slovenia	5.2	4.6	3.0	6.1	8.9	8.4
Hungary	4.4	5.3	3.8	10.0	9.8	9.2
Czechia	-0.2	3.1	3.3	2.1	3.9	4.7
Estonia	-0.7	6.9	5.4	3.3	4.0	5.8
CIS countries	4.6	7.9	6.1	70.4	25.0	20.6
Azerbaijan	7.4	11.5	9.9	-9.3	1.8	1.5
Belarus	3.4	5.8	4.1	251.2	107.5	61.1
Armenia	3.3	6.0	9.6	2.0	0.4	3.1
Georgia	3.0	1.9	4.5	10.9	4.6	4.7
Kazakhstan	1.7	9.6	13.2	8.3	9.8	4.7
Kirgizstan	3.6	5.0	5.3	39.9	18.7	6.9
Moldova	-3.4	2.1	6.1	43.7	18.5	9.6
Russia	5.4	9.0	5.0	36.5	20.2	18.6
Tajikistan	3.7	8.3	10.2	26.0	60.6	36.5
Turkmenistan	16.0	22.9	...	23.5	7.4	...
Uzbekistan	4.4	4.2	4.5 ²	26.0	26.2	21.6
Ukraine	-0.2	5.9	9.1	19.2	25.8	6.1

¹ Preliminary estimate.

² January-September.

Table 2

Separate social and economic indicators of the Commonwealth and Baltic countries and some other countries of the world

Countries	In per cent to the previous year				Deficit (-), surplus (+) of the state budget (in per cent to GDP)	Unemployment rate (in per cent by the end of period)	National currency rates against the US dollar (by the end of period)
	Indices of gross domes- tic product (in compara- ble prices)	Indices of the volume of industrial production (in comparable prices)	Industrial producers' price indices	Consumer price indices			
Highly developed countries							
USA							
1999	104.1	104.2	100.9	102.2	0.8	4.2	—
2000	104.1	104.7	...	103.4	1.7	4.0	—
2001	101.2	95.7	...	101.6	1.0	4.8	—
Japan							
1999	100.7	100.8	96.7	99.7	-10.4	4.7	102.20
2000	102.4	105.9	100.4	99.3	-8.2	4.7	114.90
2001	99.8	92.1	...	99.3	-6.3	5.0	131.80
Euro-zone countries							
1999	102.6	101.9	99.6	101.1	-1.3	9.7	0.99542
2000	103.4	105.0	105.5	102.3	-0.8	8.8	1.07469
2001	101.5	99.7	102.2	102.5	...	8.3	1.13469
Great Britain							
1999	102.1	100.8	101.2	101.3	1.3	6.0	1.6164
2000	103.0	101.7	...	100.8	1.9	5.6	1.4922
2001	102.4	97.8	...	101.2	0.6	5.2	1.4504
Germany							
1999	101.8	101.5	99.0	100.6	-1.6	8.6	0.9954
2000	103.0	106.2	103.4	102.1	1.2	7.9	1.0747
2001	100.6	100.5	...	102.4	-1.4	7.9	1.1347
Countries of Eastern and Central Europe							
Bulgaria							
1999	102.4	95.6	102.9	106.2	1.8	16.0	1.9469
2000	104.1	102.3	...	109.9	...	17.9	2.1019
2001	104.5	...	...	104.8	...	...	2.2193
Macedonia							
1999	104.3	107.9	104.5	102.3	-0.1	...	60.339
2000	104.3	...	107.9	106.1	3.5	...	65.300
2001	95.4	...	...	103.7	...	...	69.200
Poland							
1999	104.1	104.4	108.0	109.8	-2.0	13.1	4.1483
2000	104.1	104.3	105.6	108.5	-2.7	15.1	4.1432
2001	101.5	95.2	101.6	103.6	...	17.4	3.9863

Continued

Countries	In per cent to the previous year				Deficit (-), surplus (+) of the state budget (in per cent to GDP)	Unemployment rate (in per cent by the end of period)	National currency rates against the US dollar (by the end of period)
	Indices of gross domes- tic product (in compara- ble prices)	Indices of the volume of industrial production (in comparable prices)	Industrial producers' price indices	Consumer price indices			
Romania							
1999	96.1	92.0	162.9	154.8	-2.6	11.5	18255
2000	101.6	108.7	153.4	145.7	-3.6	10.5	25926
2001	104.8	108.5	141.0	134.5	...	...	31597
Slovakia							
1999	101.9	95.0	107.7	110.6	-1.9	19.2	42.266
2000	102.2	109.1	...	112.1	...	17.9	47.389
2001	103.3	106.7	106.5	106.5	...	18.6	...
Slovenia							
1999	105.2	99.5	102.1	106.1	-0.7	13.6	196.77
2000	104.6	106.2	107.6	108.9	-1.4	12.2	227.38
2001	103.0	102.9	109.0	108.4	-1.3	11.6	250.95
Hungary							
1999	104.4	110.4	105.1	110.0	-3.8	9.6	252.52
2000	105.3	118.2	111.6	109.8	-3.5	8.7	284.73
2001	103.8	104.1	105.2	109.2	...	5.6	279.03
Croatia							
1999	99.1	98.6	102.6	104.4	-2.0	20.8	7.648
2000	103.7	101.7	109.7	107.4	-5.1	22.6	8.155
2001	104.1	106.0	103.6	104.9	...	23.1	8.356
Czechia							
1999	99.8	97.0	101.0	102.1	-1.6	9.4	35.979
2000	103.1	105.7	104.9	103.9	-2.3	8.4	37.813
2001	103.3	...	102.9	104.7	...	8.7	36.259
Baltic countries							
Estonia							
1999	99.3	98.3	98.8	103.3	-3.0	12.3	15.562
2000	106.9	112.8	104.9	104.0	-2.8	13.7	16.820
2001	105.4	106.9	104.4	105.8	0.4	12.6	17.692
Latvia							
1999	101.1	91.2	98.9	102.4	-4.0	9.1	0.583
2000	106.8	103.2	101.0	102.6	-2.8	7.8	0.613
2001	107.0	108.4	101.7	102.5	...	7.7	0.638
Lithuania							
1999	96.1	90.1	103.0	100.3	-0.3	8.4	4.0
2000	103.9	110.0	118.0	101.4	-1.6	11.5	4.0
2001	104.5	115.7	98.7	102.0	...	12.5	4.0

Continued

Countries	In per cent to the previous year				Deficit (-), surplus (+) of the state budget (in per cent to GDP)	Unemployment rate (in per cent by the end of period)	National currency rates against the US dollar (by the end of period)
	Indices of gross domes- tic product (in compara- ble prices)	Indices of the volume of industrial production (in comparable prices)	Industrial producers' price indices	Consumer price indices			
Commonwealth of Independent States							
Azerbaijan							
1999	107.4	103.5	91.0	90.7	-2.5	1.2	4378
2000	111.5	106.9	125.0	101.8	...	1.16	4565
2001	109.9	105.1	101.8	101.5	...	...	4775
Belarus							
1999	103.4	110.3	455.0	351.2 ⁵	-2.9	2.1	320
2000	105.8	107.8	268.1	207.5 ⁵	0.2	2.1	1180
2001	104.1	105.4	171.9	161.1 ⁵	...	2.5	1580
Armenia							
1999	103.3	105.2	102.3	102.0 ⁵	-5.2	11.9	523.77
2000	106.0	106.4	100.8	100.4 ⁵	-5.0	10.9	522.18
2001	109.6	103.8	99.6	103.1 ⁵	...	9.9	561.81
Georgia							
1999	103.0	104.8	115.7	110.9	-4.5	4.8	1.930
2000	101.9	106.1	102.4	104.6	-3.3	8.4	1.975
2001	104.5	98.9	103.6	104.7	...	11.4 ⁴	2.060
Kazakhstan							
1999	101.7	102.2	118.8	108.3	-3.5	3.9	138.2
2000	109.6	114.6	119.4	109.8	0.1	3.7	144.5
2001	113.2	113.5	100.3	104.7	-0.2	2.8	150.2
Kirgizstan							
1999	103.6	98.3	143.6	139.9	-2.5	3.0	45.429
2000	105.0	106.0	123.3	118.7	-2.0	3.1	48.304
2001	105.3	105.4	111.2	106.9	1.5 ²	3.2	47.719
Moldova							
1999	96.6	88.4	144.0	143.7	-3.0	11.1	11.5902
2000	102.1	107.7	128.5	118.5	-1.0	8.5	12.3833
2001	106.1	114.2	105.7	109.6	0.0	...	13.0909
Russia							
1999	105.4	108.1	159.1	136.5	-1.1	11.7	28.55
2000	109.0	109.0	131.6	120.2	1.4	10.2	28.16
2001	105.0	104.9	110.7 ⁵	118.6 ⁵	2.9	9.0	30.14
Tajikistan							
1999	103.7	105.0	144.0	126.0	-1.8	...	1436.0
2000	108.3	110.3	134.0	160.6	-0.1	...	2.2 ^{3,4}
2001	110.2	114.8	126.8	136.5	...	...	...

The end

Countries	In per cent to the previous year				Deficit (-), surplus (+) of the state budget (in per cent to GDP)	Unemployment rate (in per cent by the end of period)	National currency rates against the US dollar (by the end of period)
	Indices of gross domes- tic product (in compara- ble prices)	Indices of the volume of industrial production (in comparable prices)	Industrial producers' price indices	Consumer price indices			
Turkmenistan							
1999	116.0	116.0	110.4	123.5	-4.0	...	5200
2000	122.9	129.0	102.0	107.4	...	...	5200
2001	...	...	...	...	...	...	...
Uzbekistan							
1999	104.4	106.1	138.0	126.0	-3.8	0.4	...
2000	104.2	104.4	157.0	126.2	...	0.4	...
2001	104.5 ²	...	...	121.6	...	0.4	...
Ukraine							
1999	99.8	104.0	115.7	119.2	-1.5	4.30	5.2163
2000	105.9	112.4	120.8	125.8	0.6	4.22	5.4345
2001	109.1	114.2	100.9	106.1	-0.6	3.68	5.2985

¹ Sources of information - data of the CIS countries, IMF collection "International Financial Statistics", March 2002, Internet network.

² January-September.

³ Denominated units of the national currencies.

⁴ As of the end of September.

⁵ To December of the previous year.

Part 2.

ACTIVITIES OF THE NATIONAL BANK OF UKRAINE

2.1. MONETARY POLICY

In 2001, the main task of the monetary policy of the National Bank of Ukraine was the maintenance of the national monetary unit stability.

In 2001, the monetary policy was pursued to stabilize domestic prices, maintain the determined guiding lines of the exchange rate of hryvnia against foreign currencies, to create favourable conditions for investment attraction into the economy of the country in compliance with the Main Principles approved by the Board of the National Bank of Ukraine.

The monetary policy was pursued by the National Bank of Ukraine in accordance with the development of economic processes. With taking into consideration the positive tendency of macroeconomic indicators, the monetary scheme indicators at the end of the year were adjusted towards a growth in the monetary base up to 38-40%, money supply - up to 41-43%. In 2001, the monetary base increased by 37.4%, while the money supply grew by 42%.

Increase in the issue of means of payment in money form caused the monetization level to go up from 15.92 to 19.23%. However, despite considerable volumes of the money issued into circulation their amount corresponded to the economy needs. Deceleration of the velocity of money in circulation from 6.28 to 5.20 cycles shows that the issued means of payment did not put any pressure on the consumer market. Velocity deceleration of money in circulation held back the development of the inflationary processes that could take place due to the monetary indicator in case of inconsistency between money supply and demand.

Actions of the National Bank of Ukraine were also aimed at the stability maintenance of the exchange rate of hryvnia with a gradual and permissible revaluation of hryvnia that in 2001 made 2.5% (in 2000 the devaluation made 4.2%).

The monetary policy pursued by the National Bank of Ukraine in 2001 provided for the stability of the national currency and made for creation of favourable conditions for economic growth, increase in the confidence of households and economic entities in the national monetary unit which is confirmed by a considerable decrease in the economy dollarization level from 23.24 to 18.67% during the year.

MONETARY MARKET REGULATION

Regulation of the monetary market was performed according to the economic situation using such monetary instruments as:

- obligatory provisions;
- interest rates;
- National Bank of Ukraine certificate of deposit;
- bank refinancing;
- transactions in the open market;
- transactions in the foreign exchange market.

Obligatory provisions

In order to stimulate banks to attract funds and channel them for financing the real economy sector, the National Bank of Ukraine liberalized requirements to the obligatory provisions formed by banks with regard to attracted funds. Over the year, provision requirements reduced 3 times (from 15 to 12.4% on the average) at their differentiation (from 6 to 14%) depending on the kind of funds attraction, viz.:

- for funds of legal entities in the national and foreign currency and those of natural persons in the foreign currency attracted on a short-term basis from 14 to 12%;
- for short-term funds of natural persons in the national currency from 12 to 10%;
- for funds of legal entities and natural persons in the national currency attracted on a long-term basis from 13 to 8% and from 11 to 6% respectively and from 13 to 10% in the foreign currency;
- for other attracted funds from 15 to 14%.

The mandatory provisioning instrument caused the volume of deposits in the banking system and balances of funds on correspondent accounts to increase by UAH 1.3 billion or 37.3%.

Interest rates

In 2001, with taking into account positive tendencies of the general economic development and the situation in the monetary market of Ukraine, the National Bank of Ukraine considerably reduced the discount rate from 27 to 12.5% per annum, viz. from 10 March to 25%, from 7 April to 21%, from 11 June to 19%, from 9 August to 17%, from 10 September to 15% and from 10 December to 12.5% per annum.

Supporting the liquidity of banks through granting them overnight credits by tenders' results, the National Bank of Ukraine also reduced interest rates and kept them at the level that was not lower than the refinancing rate. Over the year, the average weighted interest rate under overnight credits decreased by 9.9 percentage points to 14.7% per annum and exceeded the discount rate only by 1-1.5 percentage points. The average cost of the credits purchased by banks through tenders fell by 5.9 percentage points and in December 2001 it made 15.1% per annum.

In June 2001, the National Bank of Ukraine supported the liquidity of banks through REPO operations at the average weighted rate of 22% per annum.

The average weighted interest rate under the certificates of deposit floated into issue by the National Bank of Ukraine came to 8.9 % per annum.

Decrease in the discount rate and increase in the banking system resources promoted a reduction in the average interest rates under the bank credits granted to the real sector in the national currency from 37.3% per annum in December 2000 to 29.6% per annum in December 2001.

National Bank of Ukraine Certificate of Deposit

During some periods of 2001, in order to balance money supply and demand, the National Bank of Ukraine allocated the certificates of deposit. 19 auctions on certificate of deposit allocation were held. By results of the auctions, the National Bank of Ukraine attracted and withdrew from circulation banks' funds to the total amount of UAH 3.2 billion.

The yield level under the certificates of deposit fluctuated within the lines of 4-18% per annum and was established with taking into account the interest rates under credits and deposits in the interbank market of credit resources.

Bank Refinancing

In 2001, the total credits granted for bank refinancing amounted to UAH 2.5 billion which was by UAH 2.4 billion more than in 2000. Crediting was carried out through the mechanism of "direct" REPO operations and the constantly operating refinancing line with regard to granting overnight credits, as well as through holding tenders of mid- and long-term bank refinancing.

Operations in the Open and Foreign Exchange Market

In 2001, the National Bank of Ukraine used "reverse" REPO operations to "neutralize" excessive money supply through selling interest T-bills to banks with the obligation to repurchase them after a specified time. As a result, in the year under review, funds worth UAH 506 million were withdrawn from circulation, the average weighted interest rate under these operations making 12% per annum.

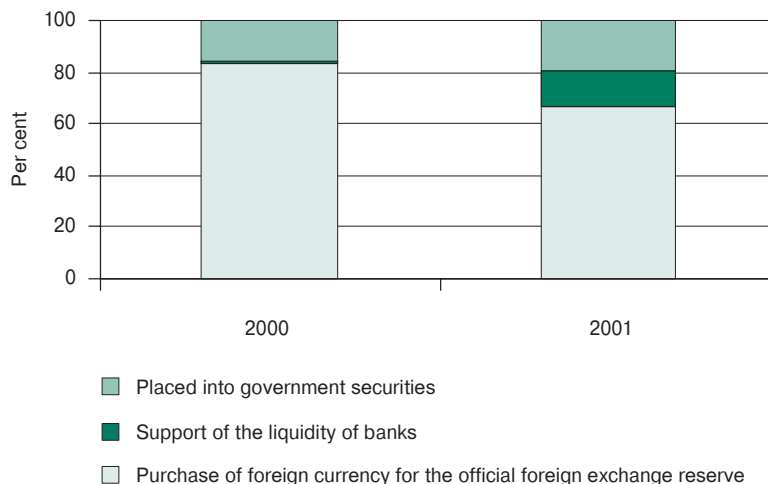
In the foreign exchange market, the National Bank of Ukraine performed operations mainly with purchase of foreign currency using this instrument to ensure a stable exchange rate of hryvnia.

2.2. CREDIT EMISSION OF THE NATIONAL BANK OF UKRAINE

In 2001, the National Bank of Ukraine through different channels put into circulation means of payment to the total amount of UAH 17.6 billion which was 68.8% more than in 2000, including:

- for purchase of foreign currency to replenish the international gold and exchange currency reserves - UAH 11.7 billion or 66.5% of the total means of payment put into circulation;
- through operations with T-bills in the open market - UAH 3.4 billion or 19.4%;
- for support of the liquidity of banks through different refinancing mechanisms - UAH 2.5 billion or 14.1%.

Structure of putting into circulation means of payment in 2000-2001



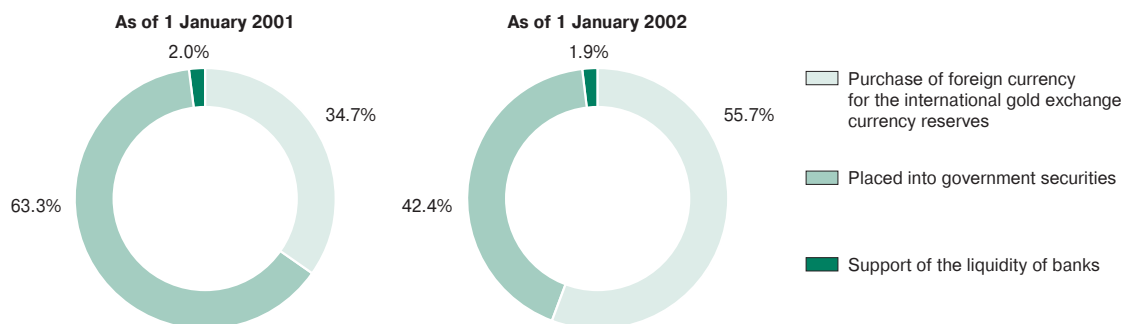
Compared with the previous year, the structure of the means of payment put into circulation changed, in particular, their share directed to support the liquidity of banks grew by 13.3 percentage points. The share of the means of payment through operations with government securities increased by 3.2 percentage points, whereas that for purchase of foreign currency declined by 16.5 percentage points.

In the total means of payment put into circulation, the share of returned funds came to UAH 9.13 billion or 51.8% (42.3% last year) which was 2.1 times more than the volume withdrawn in the previous year. Issued funds were withdrawn from circulation through operations with government securities in the open market (UAH 4.21 billion or 46.1% of the total amount), through foreign exchange interventions of the National Bank of Ukraine (UAH 2.56 billion or 28.1%), through repayment of the credits granted by the National Bank of Ukraine by banks (to the amount of UAH 2.36 billion or 25.8%).

In 2001, issue (the difference between means of payment put into circulation and withdrawn from circulation) amounted to UAH 8.47 billion (UAH 6.02 billion in 2000) or was 41% more than in the previous year.

As of 1 January 2002, the total means of payment put into circulation by the National Bank of Ukraine equaled UAH 29.5 billion and versus 1 January 2001 grew by UAH 8.5 billion or by 40%.

Structure of the means of payment in circulation



In comparison with 1 January 2001, within the structure of the means of payment put into circulation, their share channeled for purchase of foreign currency increased by 21 percentage points, whereas the share channeled for operations with government securities reduced by 20.9 percentage points.

2.3. MONEY TURNOVER

In 2001, money supply in circulation (M3) grew by 42% (by 45.4% in 2000) and as of 1 January 2002 came to UAH 45.6 billion, while the monetary base increased by 37.4% (by 39.9% in 2000) and as of 1 January 2002 totaled UAH 23.1 billion. Within the structure of the monetary base, the portion of cash outside banks grew 8.1 percentage points and made 84.4%.

Growth rates of money supply by aggregates

In percent to the previous period

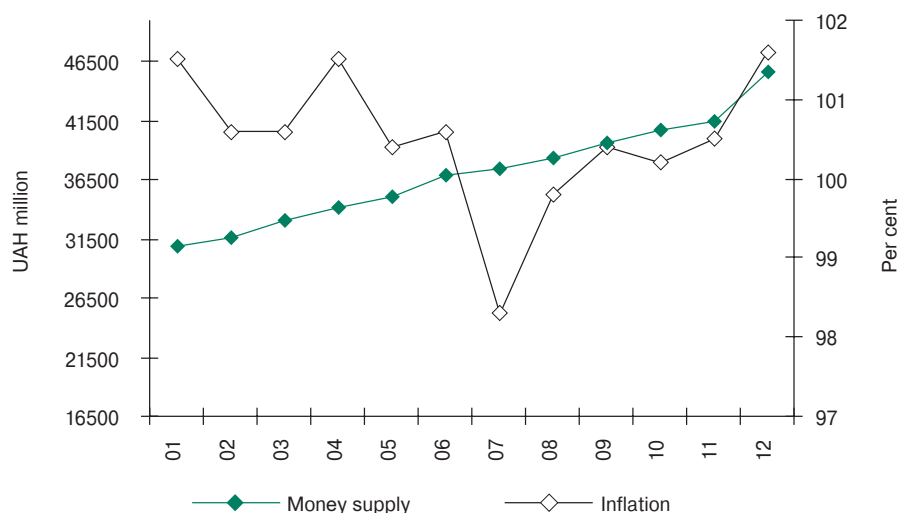
Indicators	2001	Including by quarters			
		I	II	III	IV
Money outside banks					
Cash (M0)	152.1	99.5	113.7	111.9	120.1
Money supply (M1)	143.6	102.1	112.6	108.7	115.0
Money supply (M2)	143.4	103.2	112.4	107.5	115.0
Money supply (M3)	142.0	102.9	111.9	107.3	114.9
For reference: monetary base	137.4	99.8	99.8	107.6	112.8

Note:

- M1-M0 funds on current accounts in the national currency
- M2-M1 time funds in the national currency and foreign exchange funds
- M3-M2 clients' funds on trust operations of banks and securities of banks' own liabilities

Increase in the money supply and animation of the credit activity of banks led to the acceleration of the money multiplication process. As a result, the money multiplier went up from 1.91 in 2001 to 1.98 as of 1 January 2002. At the same time, the velocity of money circulation gradually declined from 6.28 to 5.20, which caused the monetization level to increase and in its turn led to replenishing of economy with means of payment.

Dynamics of money supply and inflation in 2001



In 2001, in the money market, all the monetary aggregates were expanded (by volumes) under conditions of price stability retainment. The money supply in circulation grew mainly in the second half of 2001, its growth amounting to 23.3% against 15.2% in the first half of the year.

Dynamics of the money supply components reveals a considerable growth of the cash share (M0) in 2001, which over the year, increased by 52.1% and as of 1 January 2002 came

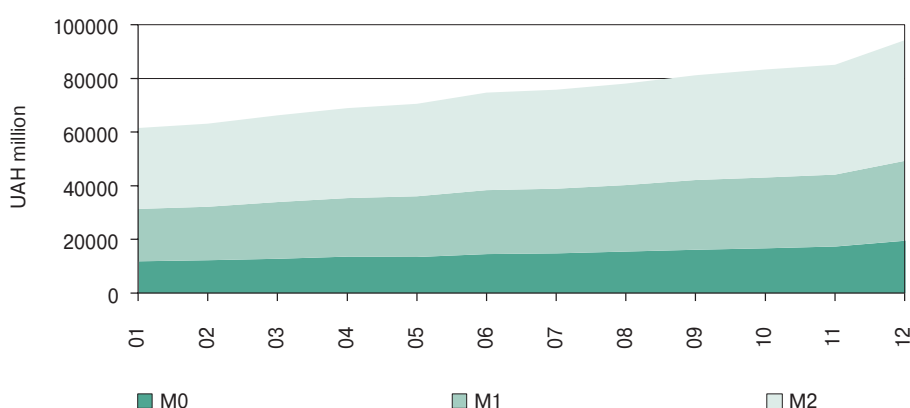
to UAH 19.5 billion. During the year, the share of the money outside banks in the total volume of M3 went up from 39.9 to 42.7% as of 1 January 2002.

Growing production output that was accompanied by a decrease in the share of barter in settlements between economic entities caused the balance of funds on current accounts in the national currency (component of the monetary aggregate M1) to increase by 29.9% in 2001.

In 2001, a tendency towards a growth in the third aggregate component of the money supply (M2) - time funds in the national currency and foreign exchange funds whose volume over the year grew by 42.9% primarily due to 2 times increase in the time deposits in the national currency was observed.

In 2001, the volume of the clients' funds invested in trust operations of banks and in purchase of bank securities reduced by 19.9% and as of 1 January 2002 equaled UAH 0.6 billion.

Dynamics of monetary aggregates in 2001



In 2001, the structure of money supply by currencies changed. As a result of 45.2% growth of the money supply in the national currency, the share of this indicator within the structure of M3 went up from 77.2 to 81.3%. It displays a decrease in the monetization level and increase in the confidence in the national currency.

Structure of money supply in circulation in 2000-2001

(as of the end of period)

Indicators	2000	2001 Including by quarters			
		I	II	III	IV
Total	100	100	100	100	100
Cash (M0)	39.9	38.6	39.2	40.9	42.7
Funds on current accounts in the national currency	24.7	25.5	25.3	24.4	22.7
Time funds in the national currency and foreign exchange funds	33.2	34.0	34.0	33.4	33.4
Clients' funds on trust operations of banks and securities of banks' own liabilities	2.2	1.9	1.5	1.3	1.2

During the year, within the structure of money supply allocation, the share of funds of natural persons (including funds on trust operations and for purchase of bank securities) grew by 5.7 percentage points and as of 1 January 2002 made 68.3%, the rest being the funds of economic entities.

Over the year, the funds of economic entities increased by 20.3% and as of 1 January 2002 equaled UAH 14.4 billion.

In 2001, a strong tendency towards an increase in the funds of natural persons (including purchase of bank securities) was observed. Over the accounting year, their volume increased by 55% and as of 1 January 2002 amounted to UAH 31.1 billion. Deposits in the national currency whose volume during the year increased by 79.6% grew faster. The positive tendency of the previous year towards an increase in the volumes of time deposits of natural persons in the banking system of Ukraine, which in 2001 grew by 76.5% (including by 104% in the national currency) persisted. Their share in the total funds of natural persons increased by 3.1 percentage points and as of 1 January 2002 made 25.8%.

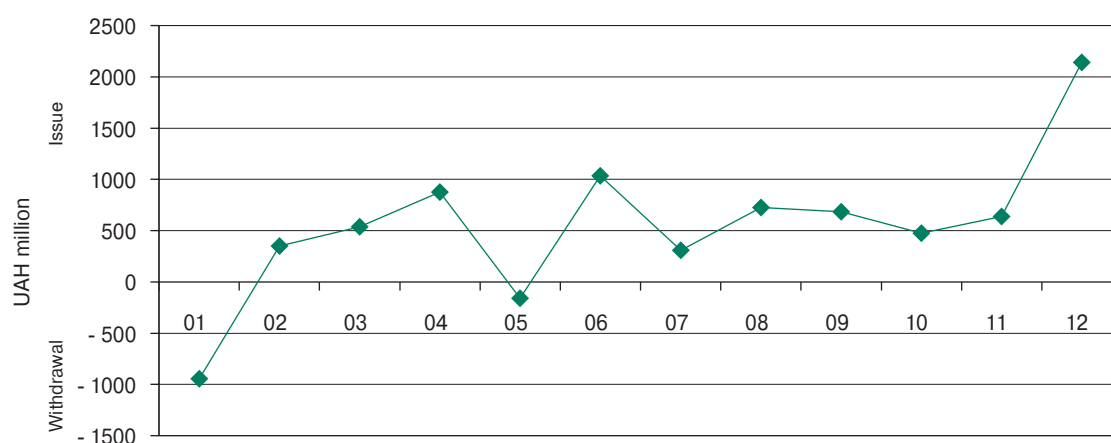
2.4. CASH TURNOVER

At the end of 2001, the amount of cash off bank pay desks came to UAH 19.5 billion, which was 1.5 times more than at the beginning of the year. In 2001, growth of the extrabank cash turnover was caused by pay rise in the budgetary sphere and the minimum amount of retirement pensions and further reduction in arrears of wages, which was accompanied by positive tendencies of the economic development. Over the year, 6.1% of all the payments from bank pay desks were covered by cash issue vis-à-vis 3.7% in 2000.

The highest level of cash issue was seen in Dnipropetrovsk, Donetsk, Kirovohrad, Mykolaiv and Luhansk regions, where the percentage of cash accumulation outside bank pay desks was within the lines of 24.1 to 42.4%. At the same time, over the year, regional departments of the National Bank of Ukraine in Volyn, Zakarpattia, Lviv, Odesa, Kharkiv and Chernivtsi regions, in the Autonomous Republic of the Crimea and in the City of Kyiv withdrew cash to the amount of UAH 6.1 billion from circulation.

In comparison with the previous year, cash disbursement increased by 26.5%. Along with it, money receipts to bank pay desks grew by 23.4%. Receipts from trade that against the previous year grew by 31.9% remained the main source of cash receipts (54.6% of their total volume). In 2001, receipts from paid services increased by 30%, their share amounting to 17.8%.

Dynamics of cash issue (withdrawal) in 2001



Increase in funds disbursement from deposit accounts of natural persons had considerable influence on the dynamics of cash turnover. Over the year, cash disbursement for the foregoing purposes exceeded receipts 4 times which was connected with 68.2% growth of receipts on household deposits in the non-cash form. Within the structure of non-cash settlements, transfers for sold agricultural products grew most of all (2.1 times), closely followed by wage payments (by 83.3%), transfers under sales of immovable property by households and those under operations with securities and insurance money (by 77.3%).

In 2001, increase in supply of foreign currency on the part of households led to exceeding of sales of foreign currency by households. As a result, the additional amount of cash of UAH 0.8 billion was put into circulation (UAH 0.2 billion in 2000).

In 2001 compared with the previous year, growth of household money income led to 20.5% increase in the cash disbursement from bank pay desks for wage payment. During the year, the cash disbursement for payment of pensions, allowances and insurance money grew by 17.4%.

In 2001, the National Bank of Ukraine satisfied the economy need in cash money supply in necessary volumes with the optimum denomination composition of banknotes and coins. To this end, the volume of high face value banknotes (50 and 100 hryvnia denomination) was increased, their share making 56.9% of the total amount of banknotes. The issue of 200 hryvnia denomination banknotes from August 2001 made for improvement in the cash settlements of the population in the sphere of trade and services and ensurance of savings on costs of the manufacture of banknotes.

In order to support in due condition the banknotes issued into circulation, worn ones were withdrawn from circulation. In 2001, the worn banknotes to the amount of UAH 4.5 billion (0.7 billion pieces) were withdrawn from circulation which made 4.7% of the total cash receipts to bank pay desks. The number of the worn banknotes withdrawn from circulation was 11.9% less than in the previous year.

In 2001, in order to increase the effectiveness of cash processing, to support in due condition the cash in circulation, to timely withdraw worn banknotes from circulation and to prevent the accumulation of the balance of unprocessed cash in 8 regional departments and in the Central Vault of the National Bank of Ukraine, new computer-aided engineering procedures of banknote processing with the introduction of the computerized centralized control system that allowed to unite all the computer-aided systems into one data processing network and to ensure daily remote monitoring of the engineering procedures of banknote processing in pay desks were fully worked out.

In the accounting year, Ukrainian banking institutions detected 9.4 thousand of counterfeit banknotes in the national currency to the total amount of UAH 136.7 thou, the major portion whereof were banknotes in denominations of 10 and 20 hryvnia (46.6 and 42% respectively).

In 2001, the volume of sales of commemorative coins came to 135.5 thousand pieces to the total amount of UAH 8.5 million or 29% more than in 2000. Over the year, commemorative worth UAH 0.6 million were sold to the foreign distributors of the National Bank of Ukraine.

During the year under review, a number of measures to further improve the organization of cash turnover, legislative and normative provision of performance of cash operations was taken. In order to release banks from the unusual for them control functions over cash discipline observance by economic entities, the National Bank of Ukraine initiated corresponding amendments to the Decree of the President of Ukraine "On Imposition of Penalty Provisions for Violation of the Cash Turnover Regulating Norms".

In order to improve the normative provision of the activity of banking institutions in the sphere of cash circulation and performance of cash operations in the national currency by economic entities and to bring it in conformity with the existing legislation of Ukraine Instruction on organization of work with cash circulation by Ukrainian banks and Provision on performance of cash operations in the national currency of Ukraine were adopted in new wording.

High emphasis was placed on the working out the problem concerning money supply withdrawal from "shadow" circulation to support mutual settlements between economic entities, to normalize the situation with payments and to prevent setting up and functioning of dummy firms and laundering the money obtained in a criminal way.

2.5. EXCHANGE RATE POLICY

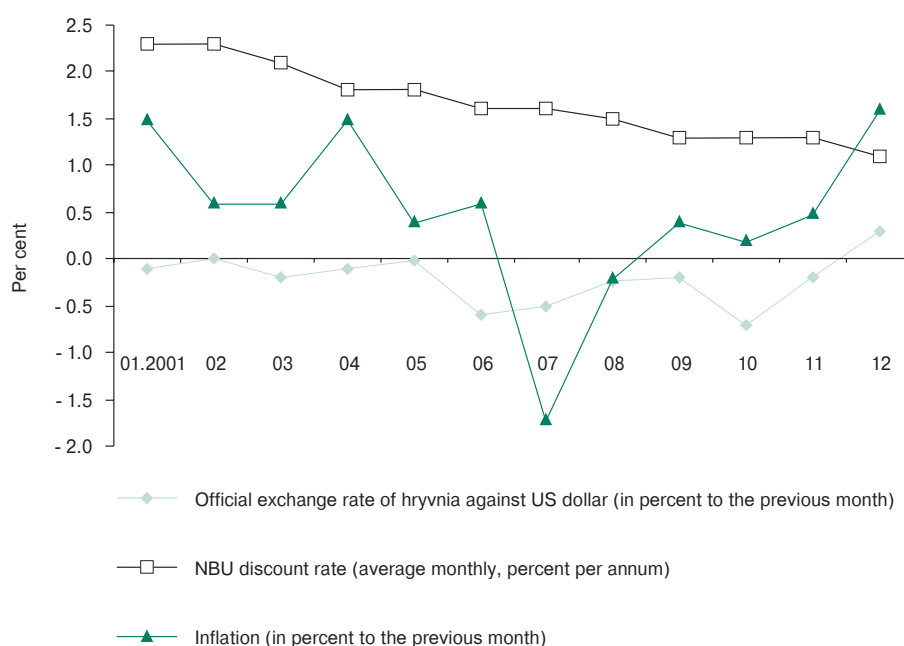
When determining the exchange rate policy of the National Bank of Ukraine interests of both entities of foreign economic activity and of the state in general were considered in order to support macroeconomic conditions of the economic development. The exchange rate policy was aimed at the support of financial stability, economic growth, increase in export effective-

ness, improvement in the foreign trade structure, substitution of import for home made goods, creation of favourable conditions for foreign investment attraction and decrease in the economy dollarization level.

In 2001, the development of the foreign exchange market was characterized by the increase in the inflows of foreign currency due to the growth in transfer receipts, direct foreign investment and funds received from privatization, etc.

Interventions on currency purchase/sales in the interbank market were the major instruments of the regulation of the exchange rate of hryvnia. Improvement of the currency regulation system made for stability.

Dynamics of the official exchange rate of hryvnia against US dollar, discount rate and inflation in 2001



In 2001, the nominal official exchange rate of hryvnia against US dollar increased by 2.5% and at the end of the year equaled UAH 5.2985 per USD 1. With taking into account 6.1% growth in the consumer market prices in 2001, the real increase in the exchange rate of hryvnia made 8.1% (17.2% in the previous year with the level of inflation of 25.8%). The real effective exchange rate (that considered the purchase power of the national currencies and changes in the domestic prices of the main trade partners of Ukraine) was stable and its fluctuations did not exceed plus-minus 3.5%. In 2001, the average weighted official exchange rate of hryvnia against US dollar increased by 1.3% and amounted to UAH 5.37 per USD 1.

In 2001 versus 2000, the official exchange rate of hryvnia against Russian ruble grew by 8.8% and as of 1 January 2002 became UAH 1.76 per RUR 10.

In 2001, the official exchange rate of hryvnia against Euro increased by 7.7% and as of 1 January 2002 amounted to UAH 466.96 per EUR 100.

2.6. FOREIGN EXCHANGE REGULATION

In 2001, the National Bank of Ukraine continued to improve the foreign exchange regulation system directed at ensurance of exchange rate stability and further liberalization of the foreign exchange market, as well as transparency guaranteeing and improvement of the control over foreign exchange transactions. To this end:

- restrictions on attraction of foreign creditors' funds by residents at the interest rates that

exceed the average weighted interest rates under credits in the foreign currency in the domestic market were placed;

- the procedure of granting individual licenses to natural persons to move foreign currency abroad and granting those and special permissions to natural and juridical persons to transport Ukrainian currency, foreign currency, payment documents and banking metals through the customs border of Ukraine was determined;

- under purchase/sales operations of the cash foreign currency of group I of the currency classifier of the NBU, restrictions with regard to exchange rate deviations from the official exchange rate of hryvnia established by the National Bank of Ukraine at the level of 5% were imposed;

- the order of transforming accounts opened by authorized banks' clients in the national currencies of the European Foreign Exchange Union member countries into Euro accounts was established;

- amendments to the order of trade in foreign currencies which allowed authorized banks to purchase and sell foreign currencies for other currencies in the international foreign exchange markets within the limits of the open foreign exchange position without commitments in these currencies were made, etc.

At the suggestion of the National Bank of Ukraine amendments were made to the Law of Ukraine "On State Property Privatization" according to which foreign investors are allowed to pay for the state property purchased during privatization in the freely convertible currency.

In order to control the purpose use of the funds assigned for compensation payment (at the expense of the funds provided by the Federal Republic of Germany) and of sundry financial assistance (at the expense of the funds provided by Austria) to Ukrainian citizens - victims of the Nazi regime the following accounts were opened in the Settlement Operations Department of the National Bank of Ukraine:

- of the Ukrainian National Fund "Mutual Understanding and Reconciliation" for the accumulation of funds for the foregoing payments;

- of authorized banks that made the foregoing payments.

Issues on foreign exchange regulation and supervision were elaborated by the National Bank of Ukraine together with other executive bodies when preparing drafts of the Customs and Criminal Codes and drafts laws "On Circulation of Bills of Exchange in Ukraine", "On Amendments to the Law of Ukraine "On the Procedure of Settlements in the Foreign Currency", "On Regulation on Performing by Residents of Ukraine External Economic Operations with Non-residents from Off Shore Zones", "On Financial Services and State Regulation of Financial Markets", "On Prevention and Counteraction to Legalization and Laundering of the Gains Obtained in a Criminal Way", etc.

Transactions in the Foreign Exchange Market of Ukraine

(on sales, USD billion)

Market segments	2000	2001	Growth	
			(+,-)	%
Non-cash market (interbank and international markets)	14.87	17.85	+ 2.98	120.1
Foreign exchange market	0.73	0.66	- 0.7	90.4
Total	15.60	18.51	+ 2.91	118.7

In 2001, currency sales in the non-cash market amounted to USD 17.85 billion and compared with 2000 grew by 20.1%, whereas those in the foreign exchange market came to USD 0.66 billion or decreased by 9.6%.

Structure of the Foreign Exchange Market of Ukraine (by segments)

(on sales, in dollar equivalent, %)

Market segments	1999	2000	2001
Non-cash market (interbank and international markets)	90.9	95.3	96.4
Foreign exchange market	9.1	4.7	3.6
Total	100.0	100.0	100.0

In comparison with the previous year, within the structure of the foreign exchange market by its segments, the share of cash operations went down from 4.7 to 3.6% of the total volume with the corresponding increase in the share of the interbank market from 95.3 to 96.4%.

Structure of the Foreign Exchange Market of Ukraine (by currencies)

(on sales, in dollar equivalent, %)

Currency types	1999	2000	2001
US dollar	75.4	74.2	73.2
DM	3.0	1.7	1.4
Russian ruble	15.0	20.6	20.2
Euro	1.3	1.7	4.1
Others	5.3	1.8	1.1
Total	100.0	100.0	100.0

The structure of transactions in the foreign exchange market by currencies was characterized by a reduction in the share of into circulation operations with US dollar and an increase in those with Euro due to putting Euro into circulation from 2002 and making this currency the uniform legal means of payment within 12 European Foreign Exchange Union countries.

2.7. MANAGEMENT OF THE INTERNATIONAL GOLD AND FOREIGN EXCHANGE RESERVES

Considerable exceeding of foreign currency supply over demand in the foreign exchange market made for replenishing of the gold and foreign exchange reserves, as well as secured payments of the Ukrainian Government and repayment of the external debt under the credits granted by international financial organizations, including the International Monetary Fund, The World Bank, etc.

In 2001, the gold and foreign exchange reserves of the National Bank of Ukraine grew 2 times and at the end of the year came to more than USD 3 billion. The main source for replenishing of the international reserves were the funds purchased by the National Bank of Ukraine in the interbank foreign exchange market as a result of foreign exchange interventions, as a rule, with US dollar, Euro, Swiss frank, English pound sterling, DM, Russian ruble and French frank. Moreover, the international gold and foreign exchange reserves were formed at the expense of the earnings from allocation of foreign currency and gold on deposit accounts with foreign banks, etc.

The National Bank of Ukraine pursued the active policy concerning the improvement of the management of the international gold and foreign exchange reserves. In 2001, the main directions in the management of the gold and foreign exchange reserves aimed at their efficient earmarked use, their optimal allocation and minimum risk under operations, etc. were worked out.

2.8. SYSTEM OF FOREIGN EXCHANGE CONTROL AND LICENSING

In 2001, the National Bank of Ukraine executed considerable work to prevent unlawful foreign exchange transactions in the sphere of foreign economic activity and to avert outflows of foreign exchange valuables from Ukraine.

Over the period under review, the National Bank of Ukraine granted 1228 individual licenses for:

- extending legislatively determined terms of settlements under export/import operations of the residents of Ukraine -259;
- making investment abroad - 80;
- opening accounts with foreign banks -256;
- using cash foreign currency as means of payment on the territory of Ukraine - 144;
- performing sundry foreign exchange transactions (excluding use of foreign currency as means of payment on the territory of Ukraine) - 386;
- others - 103.

Besides, 159 special permissions to import banking metals, banknotes of foreign countries and circular check forms were given.

Foreign exchange transactions of residents were controlled through checking authorized banks with regard to their complying with the norms of the foreign exchange legislation. By results of the checks, the National Bank of Ukraine adopted 547 resolutions on making 99 banking institutions answerable for violating requirements of the foreign exchange legislation and imposed penalties to the total amount of UAH 70.6 million which was UAH 107.3 million less than in 2000.

Suggestion concerning penalties to be imposed on economic entities for the effective laws infringement in accordance with Article 37 of the Law of Ukraine "On Foreign Economic Activity" was channeled to the Ministry of Economy and Ukraine's European Integration.

In 2001, in order to improve the foreign exchange control system, the National Bank of Ukraine worked out and approved Rules of Inspection of Currency Exchange Offices on the Territory of Ukraine and made changes and amendments to the Provision on Foreign Exchange Control.

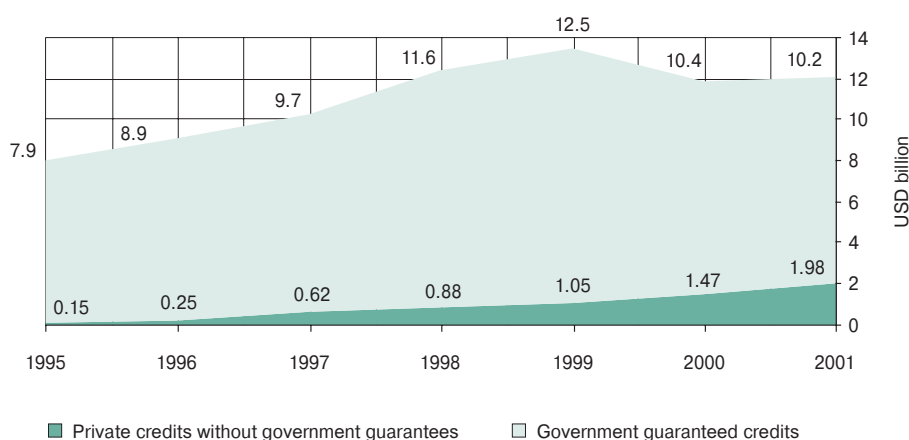
In 2001, in order to increase foreign exchange control effectiveness and to improve information cooperation between different foreign exchange control bodies, the work on update of the information exchange system went on. Together with the State Customs House of Ukraine the elaboration of the system of the handing over cargo customs declaration registers from the State Customs House of Ukraine to the National Bank of Ukraine and from the National Bank to other banks was completed. In 2001, in order to provide banks with an effective instrument to control clients' foreign economic activity, the system of information receipt from the Ministry of Economy and European Integration with regard to imposing special sanctions on entities of foreign economic activity in accordance with Article 37 of the Law of Ukraine " On Foreign Economic Activity" was improved.

2.9. EXTERNAL DEBT OF UKRAINE AND ITS STRUCTURE

In 2001, the total external (government and private) long-term debt of Ukraine grew by USD 0.2 billion or 2% and at the end of the year came to USD 12.1 billion.

Within the structure of the external long-term debt, 84% of the total volume fell on **the government debt** that during the year diminished by USD 0.2 billion or by 2% and amounted to USD 10.2 billion. Over the year, the portion of **the private debt** grew by 4 percentage points and at the end of the year its volume came to USD 1.98 billion or increased by 26% in 2001.

**Dynamics of debts under foreign long-term credits
(as of the end of the year)**



In 2001, the volume and structure of the external debt were influenced by:

- 5% decrease in the portion of the Ukrainian government debt before the Russian Federation¹ due to writing off mutual debts between Ukraine and Russia to the amount of USD 97.8 million;
- compared with the previous year, 2 times increase in the foreign credits attracted by the state or government guaranteed;
- reduction in the amount of liabilities to the IMF;
- restructuring of external debt liabilities to private creditors through additional T-bills issue denominated in Euro and US dollar;
- renewal from July 2001 of payments (interest payment) on servicing the external government and government guaranteed debt to official creditors within the framework of the agreements reached with the Paris Club of Creditors.

Within the structure of the external long-term government debt (by creditors), the major portion fell on the debts:

- on loans of the EU and international financial organizations (the IMF, WB, EBRD) - 38.9% of the total external long-term debt of Ukraine;
- to private creditors on the T-bills issued in 1995 and 2000 - 18.5% (USD 2.2 billion);
- to the governments of the Russian Federation - 15% (USD 1.87 billion) and Turkmenistan - 2.9% (USD 0.3 billion);
- on credits of the countries - world financial donors (Germany, the USA and Japan together) - 8.4% (USD 0.9 billion).

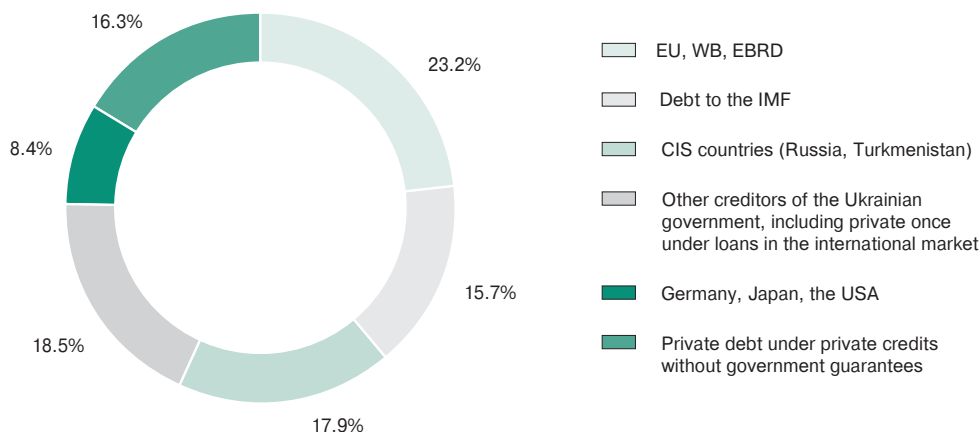
The share of the private debt within the structure of the external long-term debt made 16.3% (USD 1.98 billion).

In 2001, credits attracted to Ukraine by private borrowers totaled USD 2.14 billion, including USD 1.3 billion (61% of the total credit funds received). Over this period, credits worth USD 1.57 billion were repaid, including USD 0.77 billion under the external government debt, while the rest credits were repaid under the private debt. In 2001, the balance under drawings and repayments of the external long-term debt was positive and came to USD 0.57 billion.

Over the past several years, the currency composition of the Ukrainian external debt has remained almost unchanged: the share of debts in US dollar and SDR made 83.1% of the total external debt, the rest being in Euro and yen.

¹ According to the agreement as of 28 May 1997 between the governments Ukraine and the Russian Federation on reciprocal payments proceeded from the division of the Black Sea Fleet and its basing on the territory of Ukraine.

Structure of the external long-term debt of Ukraine (by creditors) as of 31 December 2001



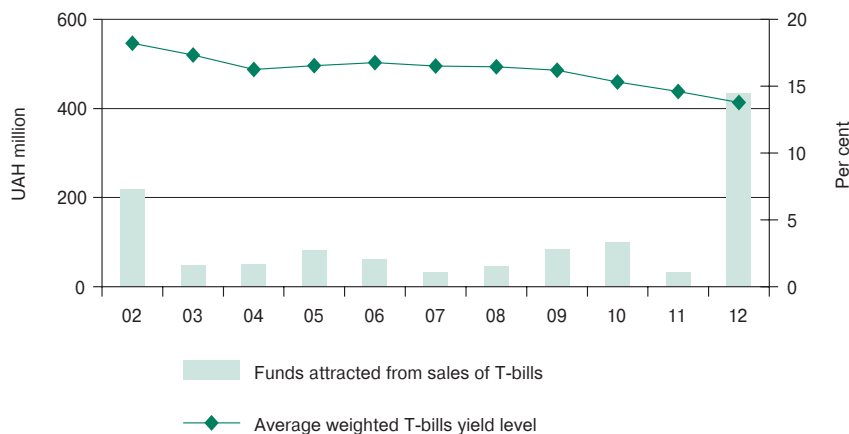
At the end of 2001, **the external private debt** amounted to USD 2.3 billion and was formed at the expense of the foreign credits without government guarantees, which were attracted by private borrowers - Ukrainian residents on a short- and long-term basis. Within the structure of the external private debt, 19% fell on debts of Ukrainian banking institutions, 81% being enterprise debts. In 2001, the short-term credits' without government guarantees were attracted to the amount of almost USD 318 million as well as USD 191 million were repaid or restructured for repayment of credits. At the end of the year, debts under the short-term private credits totaled USD 151 million.

In 2001, Ukrainian residents registered over a thousand credit projects financed by non-residents to the total amount of almost USD 3.2 billion, out of them the share of those financed on a long-term basis made 84% or USD 2.7 billion. 61% out of the total attracted funds were concentrated in the City of Kyiv and Kyiv region.

2.10. ACTIVITY OF THE NATIONAL BANK OF UKRAINE AND COMMERCIAL BANKS IN THE SECURITIES MARKET

In 2001, in accordance with the existing legislation the National Bank of Ukraine performed operations on government debt servicing connected with the primary allocation of government securities, their repayment and interest payment under them.

Dynamics of attracted funds and yield level under T-bills



¹ Excluding short-term interbank credits.

In the accounting year, in order to allocate T-bills, 120 auctions were held (87 auctions in 2000), 42 of them were considered invalid due to lack of demand for T-bills.

Discount T-bills to the total amount of UAH 1.3 billion or by 37.7% less than the number of the T-bills placed last year were allocated through the auctions. As a result, monetary funds to the amount of UAH 1.2 billion or by 63% less than in 2000 came to the State Budget.

During the year, the T-bills yield was kept within the lines of 13-19% per annum with a tendency towards a gradual decrease. In 2001, the average weighted yield of the placed T-bills made 15.68% vis-à-vis 20.49% in 2000.

Within the total volume of the T-bills sold in 2001, the largest share fell on T-bills with maturity from 91 to 182 days (67% of the total volume). Those with maturity from 273 days to 1 year made less than 0.1%.

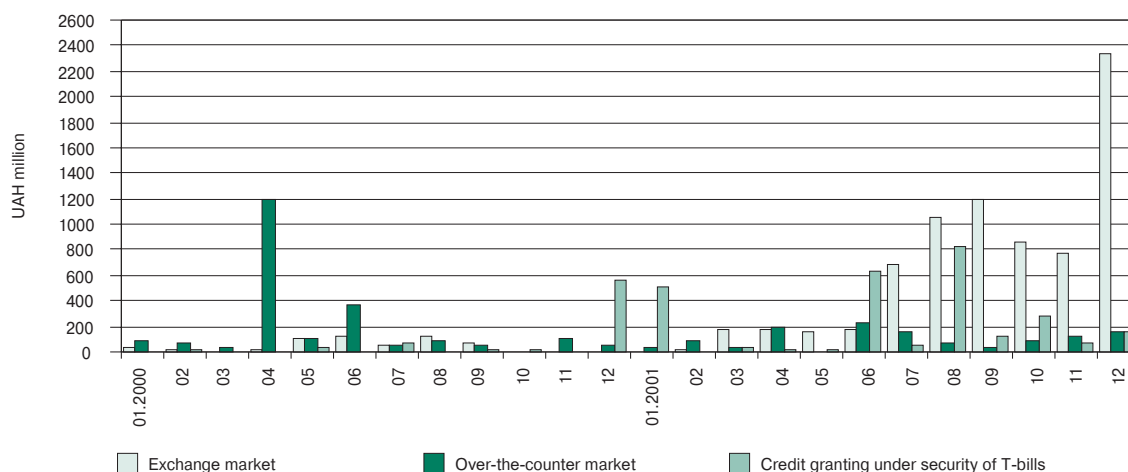
In the accounting year, the Ministry of Finance of Ukraine redeemed T-bills and paid interest to their holders worth UAH 2.4 billion (UAH 0.8 billion went for redemption, while UAH 1.6 billion - for interest payment), including UAH 1.4 billion paid to the National Bank of Ukraine (UAH 0.01 billion for redemption and UAH 1.4 billion for interest payment).

In 2001, in the secondary market, T-bills operations, including credit operations with collateral in government bonds and REPO operations amounted to UAH 11.9 billion and compared with 2000 increased 3.4 times.

Contracts on sales of government bonds to the amount of UAH 7.6 billion or 13.6 times more than in 2001 were concluded through T-bills exchange tenders that took place in the accounting year at the Ukrainian Interbank Currency Exchange. However, compared with the previous year, contracts with government securities in the over-the-counter secondary market declined almost 2 times (by 47.6%) and amounted to UAH 1.2 billion.

In 2001 against the previous year, the credits granted with collateral in government securities including refinancing operations of the National Bank of Ukraine and interbank crediting increased 4.3 times and equaled UAH 3.1 billion.

Dynamics of T-bills operations in the secondary market



SERVICING OF THE INTERNAL DEBT OF UKRAINE

By the Law of Ukraine "On the State Budget of Ukraine for 2001" the margin of the government internal debt as of 1 January 2002 was determined to the amount of UAH 14.1 billion and USD 1.3 billion.

Debts of the government of Ukraine under credits in the national and foreign currency totaled UAH 3.6 billion and USD 1.6 billion respectively, including interest that in terms of the national currency as of 1 January 2002 came to UAH 8.3 billion.

The Law of Ukraine "On Restructuring Liabilities of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" as of 20 April 2000 # 1697-III stipulated repayment of these debts through attributing them to the internal government debt with repayment of the part of the debt in the national currency from 2010 to 2035, in the foreign currency from 2002 to 2009. Since the foregoing Law did not stipulate the amount to be paid for servicing the debts of the government of Ukraine under the credits in the national currency attributed to the internal government debt as well as sources of interest repayment for using credits in the foreign currency (as of 1 January 2002 they came to USD 244 million or UAH 1.3 billion). The National Bank of Ukraine worked out and submitted the draft Law of Ukraine "On Addenda to the Law of Ukraine" On Restructuring Debt Liabilities of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" for approval to the Supreme Soviet. However, the foregoing problems have not been regulated by the legislation until now.

As of 1 January 2002, the debts of the government of Ukraine to the National Bank of Ukraine under T-bills amounted to UAH 9.2 billion (at par).

As of the end of 2001, the total debts of the government of Ukraine under T-bills (to all their holders) equaled UAH 10.6 billion (at face value) or were 4% more than at the beginning of 2000. The slight increase in the indebtedness under T-bills was explained by the extension of the average maturity of the government bonds allocated at the primary auctions in 2001, as well as by the imitation of more than 36% of the total T-bills issued in 2001 to be matured in the next year.

2.11. CASH PERFORMANCE OF THE STATE BUDGET OF UKRAINE

In 2001, banking institutions continued to service State Budget funds by income and expenditures, as well as to transmit certain functions to the bodies of the State Treasury of Ukraine to ensure the requirements to the treasury form of the State Budget of Ukraine servicing.

In May 2001, in order to increase the effectiveness of the State budget funds management, the National Bank of Ukraine and the State Treasury of Ukraine concluded a treaty on servicing the State Budget funds through current and unified treasury accounts of the State Treasury of Ukraine.

In respect with clients' preparedness, the uniform treasury accounts were opened by the regional departments of the National Bank of Ukraine for the regional branches of the State Treasury to ensure the cash performance of the State Budget by income and expenditures through the internal payment system of the State Treasury and payment execution through the CEP of the National Bank of Ukraine.

Prior to closing of current budget accounts, banking institutions took the following steps:

- entered resources to the general and special funds of the State Budget;
- made reports on the performance of the State Budget of Ukraine by income and provided them to the bodies of the State Treasury and State Tax Administration;
- redrew, opened and closed accounts;
- transferred budgetary funds to the current accounts of economic entities in payment for the services rendered by them, work done and the goods sold by the agents managing such funds;
- disbursed cash for wage payment and other monetary payments;
- provided information on the balance of the budgetary funds under respective balance accounts.

In 2001, cooperation of the National Bank of Ukraine with the International Monetary Fund and the State Treasury of Ukraine with regard to the acceleration of the State Treasury transition to servicing through the Uniform Treasury Account opened with the National Bank of Ukraine promoted the work done.

2.12. PAYMENT SYSTEM OF UKRAINE

The accounting year was the eighth year of industrial operation of the System of Electronic Interbank Payments (SEP) of the National Bank of Ukraine. Like in the previous years, SEP

operated successfully as a national system of interbank settlements and its main components (carrying capacity, speed of settlements, level of security) fully met the needs of Ukrainian banks in settlements.

As of the end of 2001, the total number of establishments-SEP participants came to 1562 entities (including the National Bank of Ukraine and its structural subdivisions, the State Treasury of Ukraine and 156 banks-legal entities), out of them 613 entities were direct SEP participants, the rest of the participants having access through the interbank payment system of the main bank. Increase in the number of SEP participants, the number bank participants being almost unchanged, was caused by the connection of the State Treasury bodies with SEP. The total number of the correspondent accounts of the bodies of the National Bank of Ukraine, State Treasury and banks, under which payments through SEP are made, amounted to 348 entities.

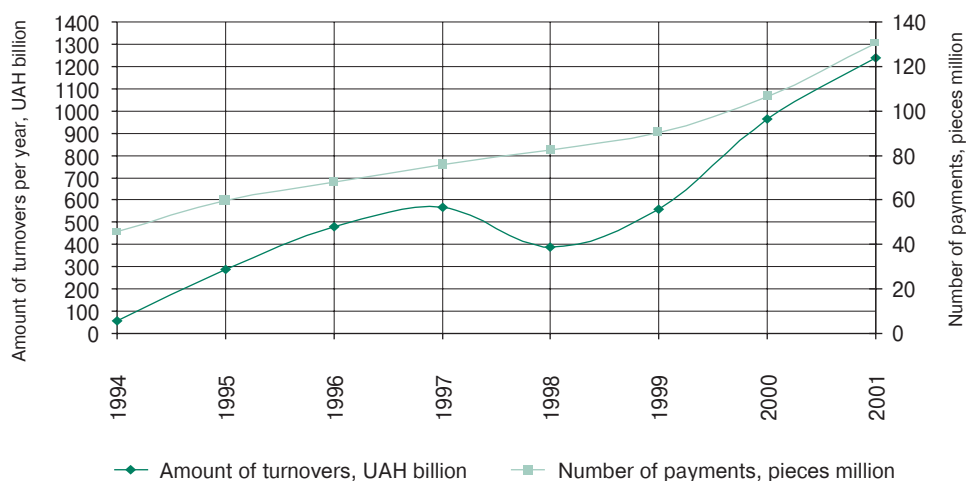
In 2001, the tendency towards an increase in the average daily number of payment transactions and turnovers both in national and foreign currency persisted. As a result, compared with the previous period, the largest number of payment documents was processed:

- 130.4 million payments to the total amount of over UAH 1236 billion which was 24 and 28% more than in 2000 were processed;

- the average daily number of the SEP processed payment documents amounted to 550 thousand (450 thousand in 2000).

In the accounting year, average terms for the payment order passing from the payer to the recipient remained at the level of 2000 and were from 10 minutes to 2 hours.

Dynamics of payments

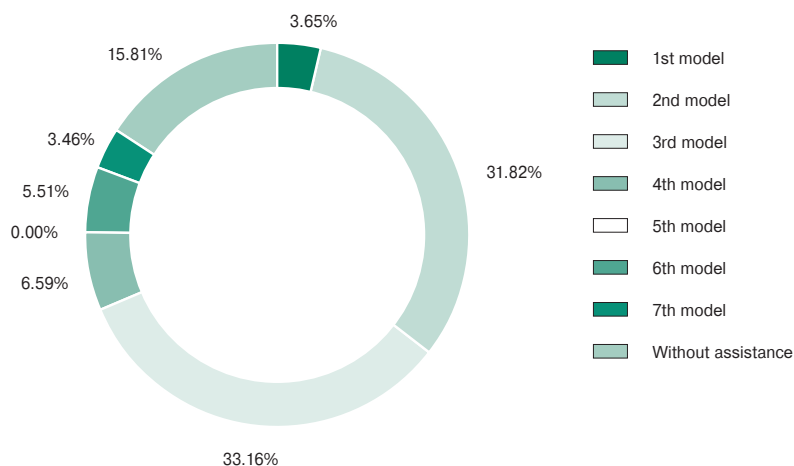


The majority of banks continued to operate under the correspondent account servicing models chosen by themselves, that is why there were no cardinal changes in the distribution of banking institutions by consolidated correspondent account servicing models.

In 2001, with the help of the information storage and retrieval system of SEP (using connections with interbank settlement systems of commercial banks) 8918 input requests from 325 banks and their institutions and 4499 requests from the regional departments of the National Bank of Ukraine were processed.

Moreover, with the help of the system "Statistics and Analytics of the System of Electronic Payments" more than 50 users (officials of the Central Office, Central Clearing House and regional departments of the National Bank of Ukraine) have access to the aggregated information on interbank electronic settlements in the on-line mode. With the use of the system, statistical information on SEP participants and load, turnovers under banks' correspondent accounts, interregional funds turnovers and exchange rates was accumulated, stored and updated. During one working day, the system, on the average, processed over 30 requests.

Distribution of banks by work models under the consolidated correspondent account as of 1 January 2002



In 2001, the main trends of the SEP development and improvement were:

- constant increase in SEP efficiency and carrying capacity;
- connection of the State Treasury bodies as direct SEP participants;
- revision of the software and technology connected with the exclusion of the bank "Ukraina" from the number of banks-SEP participants and inclusion of its liquidator with taking into account the specific character of its work;
- creation of a new subsystem of the system of electronic interbank settlements - The Urgent Transfer System.

An important trend in the development of the electronic interbank settlements was the introduction of the Urgent Transfer System (UTS) that allowed to transfer funds between Ukrainian banks in the real time mode with immediate entering of funds to the recipient-bank account. In 2001, such banks as JSCB "Narodnyi Bank", OJSC "Vseukrainskyi Kapital", CB "Ukrainskyi Kapital" executed 1,383 payments to the amount of UAH 52.5 million through the above mentioned system. First test payments were executed by the Joint Stock Eastern Ukrainian Bank "Grant" (the City of Kharkiv) and the First Ukrainian International Bank (the City of Donetsk). Research system maintenance went on. A number of banking institutions elaborated their own automation system software to support the interface with UTS.

During the year, basic hard and software solutions and banks' working procedure were elaborated, the relevant normative basis was created. With taking into consideration the first months' experience, changes and amendments to data structures and UTS work technique granted to banks for further joint discussion and taking relevant measures were determined. Wide use of UTS by banks made it possible to introduce principally new non-cash settlement mechanisms directed at funds transfers between banks in the real time.

One of the important tasks of the National Bank of Ukraine was the introduction and servicing of the Uniform Treasury Account. In 2001, all the budgetary accounts were transformed for servicing to the State Treasury of Ukraine with connection of its institutions as direct members with SEP. Besides, the National Bank developed and introduced the special-purpose protection system in all the complexes of the State Treasury of Ukraine Automation System and granted methodological and advisory aid in developing and introducing its own internal payment system. Over seven months of 2001, the National Bank of Ukraine ensured stand functioning to make it possible for the State Treasury of Ukraine to work out its own software and work technique.

In 2001, with the help of SEP, the bodies of the State Treasury of Ukraine executed 3.5 million payments to the amount of over UAH 52.5 billion having received 12.9 million payments to the amount of over UAH 53.2 billion through SEP. In the total payments in SEP, payments of the State Treasury of Ukraine made almost 10-15%.

2.13. SETTLEMENTS IN UKRAINE

With coming into force of the Law of Ukraine "On the Procedure of Repayment of Taxpayers' Liabilities to Budgets and State Earmarked Funds", banking institutions ceased to account outstanding clients' debts (card index # 2) which made it possible to release clients' blocked accounts and execute payments within the lines of the amount of funds on their accounts. It, to some extent, made for improvement in the situation with payments between economic entities.

The National Bank of Ukraine constantly controlled settlement execution by banks by clients' order and used corresponding enforcement to eliminate infringements of the normative period of clients' payments passing. It had positive results. Thus, in 2001, events of infringement reduced almost 4 times, while the amount of fines paid by banks decreased 50 times. However, due to low solvency, there were 173 events of infringement of the normative period of payment passing by 21 banks (14% of the total number of operating banks - legal entities). The volume of the paid fines amounted to UAH 30.6 thousand, UAH 4.2 thousand whereof went for the benefit of clients and UAH 26.4 thousand went to the State Budget.

In 2001, in order to fulfil the requirements of the Law of Ukraine "On Power Industry", the National Bank of Ukraine monitored and analyzed funds receipts on the separating account of the agent managing the resources of the electric energy wholesale market within Oblenergo (regional organization distributing electric power in a region specified). In the accounting year, the receipts to the "Energorynok" separating accounts for the consumed electric energy went up from UAH 34.5 million in January to UAH 61.6 million in December and came to UAH 43.2 million monthly.

In 2001, order to shake payment crisis, increase revenues to budgets of all the levels, as well as to improve the situation with settlements, the National Bank of Ukraine elaborated respective normative and legal acts.

Participating in the struggle against laundering of the gains obtained in a criminal way and to ensure a complex control system over identification of persons that open accounts with banking institutions and carry out business activity, the Board of Directors of the National Bank of Ukraine adopted the Decision "On Strengthening Control over the Identification of Persons with whom Banks Establish Contractual Relationships".

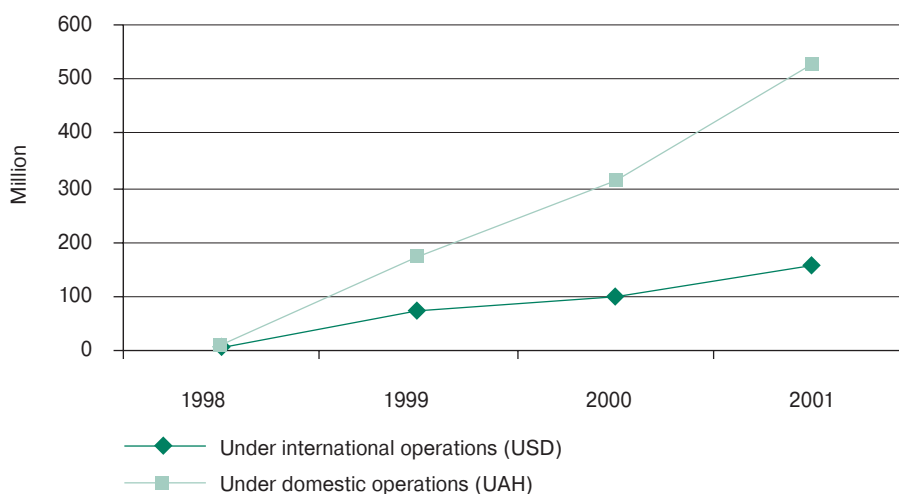
In order to implement measures to reduce the amount of cash in circulation, the National Bank of Ukraine realized the projects of the Interbank Pressing Center (IBPC) and the National System of Mass Electronic Payments (NSMEP). In 2001, the Central Interbank Pressing Center of the National Bank of Ukraine processed over 3 million transactions by routing and authorization and over 3.6 million transactions by clearing. In 2001, the total operations under international transactions amounted to over USD 158 million, and over UAH 525 million under domestic ones with the average monthly growth of over UAH 14 million. At the end of 2001, the center performed operations with plastic cards of 14 banks, 2 banks were rendered pressing services and 18 cash dispensers and 250 POS terminals were monitored day and night.

As of 1 January 2002, 58 banks (around 38% of the total number of operating banks) issued plastic cards and were members of domestic and international payment systems. The number of the cards issued by Ukrainian banks totaled over 3.2 million, 1 million whereof being domestic cards and 2.2 million being international ones. In 2001, their users performed over 75 million transactions to the total amount of over UAH 8.2 million, including over 7.7 million on the territory of Ukraine. The cards were serviced with the help of 1646 cash dispensers, nearly 13,000 payment terminals and over 25,000 imprinters.

In 2001, the National Bank of Ukraine continues to introduce the pilot project of the National System of Mass Electronic Payments (NSMEP) to allow natural and juridical persons to widely use smart cards when carrying out banking and non-cash transactions in the sphere of trade and services. Within the framework of the foregoing project, the National Bank of Ukraine prepared over 51 thousand cards for issue. The work on the NSMEP introduction was carried out along the lines of information organizing, normative and legal, hardware and software NSMEP support, development and introduction of the perspective projects. In 2001, the National Bank of Ukraine as a NSMEP payment organization was given a certificate of the brand for the goods and services of the National System of Mass Electronic Payments.

In 2001, JSCB "Imeksbank", JSB "Andriivskiy", JSCB "Rostok Bank" and OJSC Bank "Big Energia" became members of the NSMEP. By results of the check of the interbank operating mode, carried out by the NSMEP along with the Eastern-Ukrainian Power Bank "Megabank", Joint Stock Eastern-Ukrainian Exchange Bank "Grant", OJSC "Creditprombank" and JSB "Express Bank" the foregoing banks were allowed to operate in the NSMEP in the interbank interaction mode which in its turn enabled the clients of these banks to use the infrastructure of other banks when making payments. In general, at the end of 2001, 12 banks participated in the NSMEP pilote project. The number of the issued NSMEP plastic cards totaled over 16 thousand, the number of cash dispensers and payment terminals being 19 and 116 thousand respectively.

Dynamics of operations with plastic cards



In the accounting year, the hard and software for the NSMEP were developed and tested, two pressing centers with the in-house design software (the main center being located in Kyiv and the regional one in Kharkiv) and centers generating key information were put into operation. Moreover, in order to polish the technolog, two test operating systems were created (one of them being located in Kyiv and the other one comprising the main and regional pressing centers and banking complexes of the banks "Grant" and "Megabank" with the corresponding infrastructure).

In 2001, in order to increase the efficiency of payment systems functioning and with the adoption of the Laws of Ukraine "On Banks and Banking", "On the Order of Repayment of Taxpayers' Liabilities to Budgets and State Earmarked Funds", "On Payment Systems and Money Transfers in Ukraine", "On Circulation of Bills of Exchange in Ukraine", the National Bank of Ukraine elaborated and approved:

- new wording of the Instruction on Non-cash Payments Executed in Ukraine in the National Currency;
- Regulation on Clearing Houses for Presentation of Bills of Exchange for Payment;
- Regulation on the Order of Issue of Plastic Card and Transactions in which they are Used;
- Amendments to the Temporary Regulation "On the National System of Mass Electronic Payments".

Besides, the work on the elaboration of the Regulation "On a Clearing Bank" continued and the elaboration of the Regulation "On Executing Interbank Payments through the UTS" began.

In the year under review, the National Bank of Ukraine together with the UNEMC (Ukrainian National Enterprise of Mail Communication) "Ukrposhta" developed the programme for introduction of the NSMEP in the UNEMC "Ukrposhta" based on service payment using NSMEP payment instruments, disbursement and reception of cash, money orders, payment of pensions and assistance.

In 2001, the work on the introduction of the NSMEP in the National Bank of Ukraine with regard to servicing officials of the Central Office, Main Departments of the National Bank of Ukraine in the Autonomous Republic of the Crimea, in the City of Kyiv and Kyiv region, in the Regional Departments of the National Bank of Ukraine in Donetsk, Zaporizhzhia, Odesa, Poltava, Sumy, Kharkiv, Cherkasy and Chernihiv regions began.

The automated system of complex servicing the entities of the government securities market and NBU deposit certificates (developed by the National Bank of Ukraine) which united the National Bank of Ukraine, 128 banks and 2 exchanges continued to function.

In 2001, the electronic depository of the National Bank of Ukraine processed over 3.5 thousand deposit orders (2.5 thousand orders in 2000). The total number of the processed government securities came to 28.4 million pieces (535 million pieces in 2000). By results of 118 auctions, over 1.27 million bonds with the face value of UAH 1.27 billion were allocated. The depository also reregistered the right of possession of 19.5 million bonds worth UAH 1.9 billion - under over-the-counter agreements and 7.6 million bonds worth UAH 0.75 billion - under exchange agreements. Near 3 thousand certificates were prepared at the instance of the depository clients.

In 2001, by results of 29 auctions, UAH 3.064 billion were attracted to deposit accounts from banks. In 2001, the National Bank of Ukraine concluded 16 contracts on depository and information servicing of banks when performing operations with deposit certificates and 10 agreements on information and depository servicing.

In 2001, in order to automate accounting, the National Bank of Ukraine developed and introduced the hard and software and systems of:

- holding auctions on middle- and long-term T-bills allocation;
- depository and "Depo-Oblik" work stations of the First Exchange Trading System;
- "Depo-Oblik" work stations of banks concerning reports on the necessity of funds transferring;
- functioning of the programme complex "VTORYN" with regard to formation and transition of the registers of checked orders;
- software for drawing up and presenting to the National Bank of Ukraine payment orders to transfer funds to clients under the contracts concluded at exchanges;
- "Depo-Oblik" work stations of the Central Office of the National Bank of Ukraine pertaining to drawing up and transferring the registers of evened and approved orders to the National Bank of Ukraine depository.

The development of the hard and software support of the new computer-aided depository system of the National Bank of Ukraine "T-bills online" that corresponds to the requirements of the Law of Ukraine "On the National Depository System and Peculiarities of Electronic Circulation of Securities in Ukraine" and the Depository Accounting Standard # 1 was completed. Moreover, the software "ZVIRKA" that allows to check the amounts of the funds that came to the National Bank of Ukraine under exchange agreements from T-bills buyers and draw up the registers of the checked and approved by the National Bank of Ukraine documents was introduced.

2.14. BANKING SYSTEM

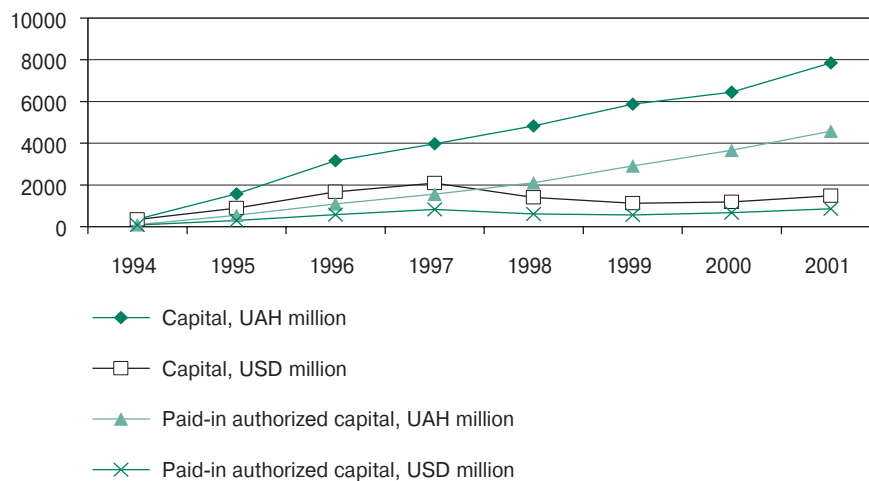
In 2001, the major trends of the banking sector development were: ensurance of its financial stability, animation of the operations connected with crediting the real economy sector, as well as expansion of the sphere of banking services.

As of 1 January 2002, 189 banks were registered in the State Register of Banks. In 2001, 3 banks were registered and 9 banks excluded from the register, 3 banks whereof were excluded due to liquidation and 6 banks - as a result of their reorganization.

By legal form of organization, 164 banks belonged to joint-stock companies, while 25 banks - to limited liability ones.

During the year, the number of banks with participation of foreign capital reduced from 31 to 28 entities, while that of banks with 100% foreign capital decreased from 7 to 6 entities. The share of the foreign capital in the banking system of Ukraine went down from 14.5% in 2000 to 13.5% in the accounting year.

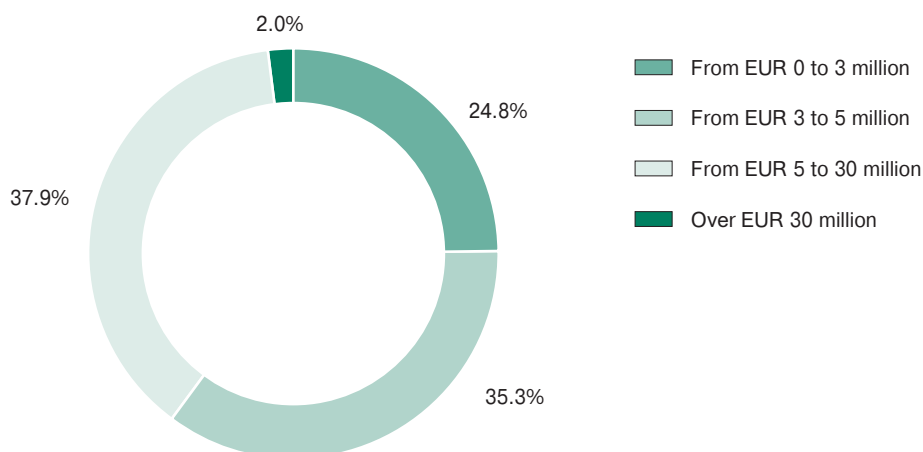
Dynamics of banks' capital in 1994-2001



152 banks (80.4% of the total number of banks) had the license of the National Bank of Ukraine to perform bank operations, 149 banks whereof had the license to carry out foreign exchange transactions.

As of 1 January 2002, 35 banks were at the stage of liquidation, which was by 3 banks less than as of 1 January 2001. 17 banks out of them were being liquidated in accordance with the decision of the National Bank of Ukraine, 15 banks in accordance with the decision of the economic court and 3 banks in accordance with the decision of the assembly of shareholders.

Structure of banks by paid-in authorized capital as of 1 January 2002



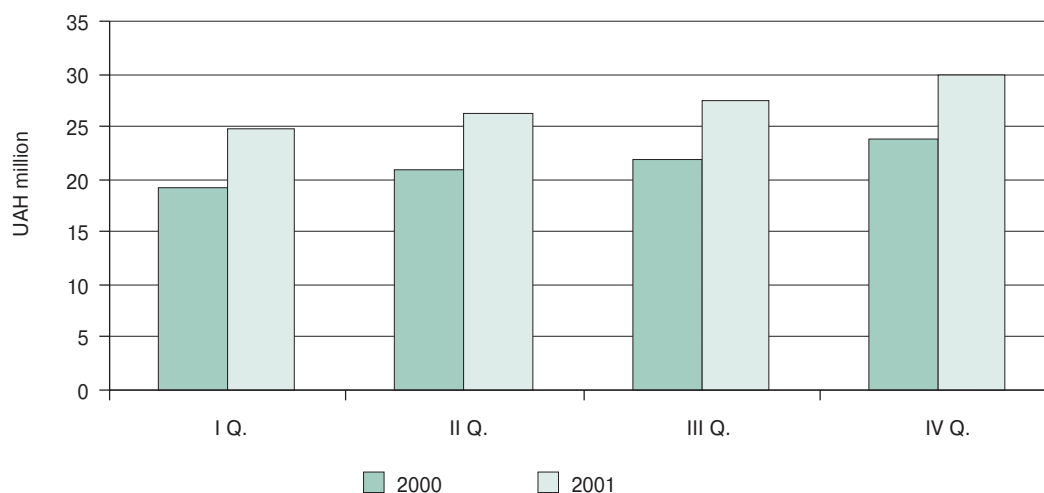
Low capitalization level was one of the factors that markedly influenced the financial situation of banks and held back their development. In 2001, the total banks' capital grew by UAH 1.4 billion or 21.8% and as of 1 January 2002 amounted to UAH 7.9 billion. The growth took place pri-

marily due to the increase in the paid-in authorized capital, reserve fund and financial result of the current year. More than a half (58%) of the banks' capital was formed owing to the paid-in authorized capital whose volume since the beginning of the year has increased by 24.8% and as of 1 January 2002 came to UAH 4.6 billion.

As of the end of 2001, there were 3 commercial banks with the paid-in authorized capital over EUR 30 million. In 2001, the number of banks with the paid-in authorized capital from EUR 5 to 30 million grew by 21 entities and came to 58 entities. The number of banks with the paid-in authorized capital from EUR 3 to 5 million went up from 44 to 54 entities. The rest of the banks (24.8% of the number of operating ones) had the paid-in authorized capital less than EUR 3 million.

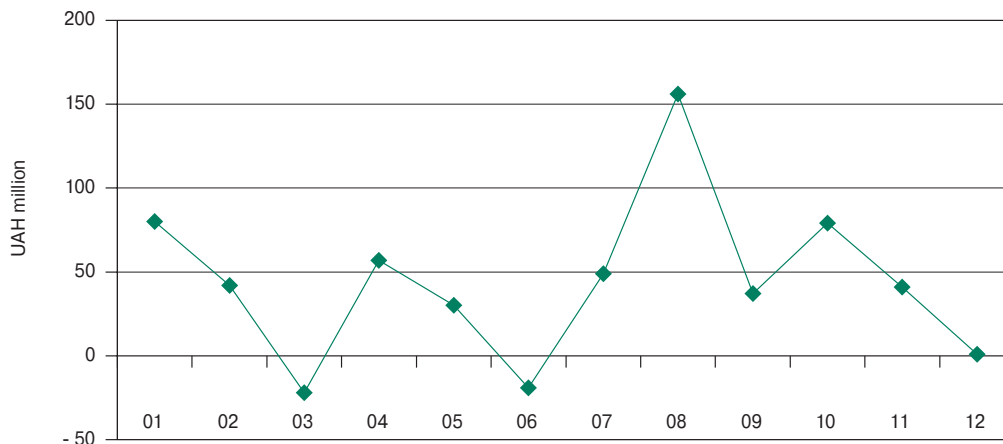
The tendency towards the growth in the average paid-in authorized capital per 1 operating bank which as of 1 January 2002 totaled UAH 29.9 million, which was 25.6% more than at the beginning of 2001, persisted. The average paid-in authorized capital of banks in the City of Kyiv had the highest growth rates (5.3 times).

Dynamics of the average paid-in authorized capital per 1 operating bank (quarterly)



Banks' own capital was the basis for increase in the banks' resource base and the indispensable condition for expanding active operations according to the objective market strategy concerning business activity profitability ensurance. In 2001, the aggregate bank assets increased by 27.4% and equaled UAH 50.4 billion (25% of GDP). The structure and quality of the bank assets improved which is shown by the increase in the credits granted to the real economy sector and decrease in the overdue indebtedness. Growth of the capital base under favourable macroeconomic conditions caused the investment portfolio of banks to increase almost two times.

In 2001, financial results of the banking activity improved markedly. Income to the amount of UAH 8.5 billion was received which was by UAH 1 billion or 14% more than in the previous year. Interest income under credits of economic entities constituted the major part of the banks' income (53.6%). In 2001, expenses of Ukrainian banks totaled UAH 8 billion and versus 2000 grew by UAH 470 million or 6.3%. The largest share (73.5%) of the banks' expenses fell on other non-bank operational expenses and interest expenses. Administrative expenses of banks grew almost one half. Compared with the previous year, deductions to reserves under active operations reduced by UAH 389 million or 27%. It is accounted for by the fact that in the accounting year, the majority of banks depending upon the risk level of the active operations being performed only adjusted their reserves formed in 2000. The net profit of banks to the amount of UAH 530 million (UAH 30 million losses in 2000) made for profitability of banks (the ratio of net profit to gross expenses) at the level of 6.6%.

Dynamics of net profit (losses) of commercial banks in 2001

However, despite the positive dynamics of the major indicators of banks, high risk levels of the banking activity, especially those of the credit market under loans to the real sector remained a considerable problem. The capital base of banks was insufficient, the imbalance between long-term assets and liabilities of banks remained which increased the possibility of liquidity loss. In spite of the improvement in the credit portfolio of banks, the level of their credit activity remained insufficient. Crediting animation was held back by the problem of the formation of the resource base of commercial banks on a long-term basis since the majority of the funds attracted by banks belonged to the category of short-term ones. Slow rates of structural transformations in the economy, low productivity of a considerable number of enterprises, as well as defects of the normative and legal base with regard to ensuring of creditors' rights also hindered banks' credit activity and at the same time revealed the heightened vulnerability of the banks that credited the real economy sector.

The National Bank of Ukraine monitored the observance of the banking legislation and normative and legal acts of the National Bank of Ukraine by commercial banks. As of 1 January 2002 3171 events of banking legislation infringement were registered.

Enforcement was used with regard to banks for the following infringements:

- non-observance of the maximum risk index per borrower (1901 infringements);
- untimely submittal of reports on foreign exchange transactions to the National Bank of Ukraine (223 infringements);
- non-compliance with the requirements of the National Bank of Ukraine at a stated time (58 infringements);
- infringement of the execution of the functions of a foreign exchange control agent (56 infringements);
- other infringements (590 events).

Among the total enforcement used with regard to banks for non-observance of the banking legislation penalty provisions took a special place. As of 1 January 2002, banks paid fines to the amount of UAH 1.9 million.

Apart from the penalty provisions for infringements, such unforced measures as warnings in writing and letters with liabilities were imposed on banks.

In July 2001, due to the solvency loss of the JSB AIB "Ukraine" (one of the system banks), the Board of Governors of the National Bank of Ukraine adopted a decision to cancel the bank's license for performing banking transactions with the introduction of the bank liquidation procedure. The State Self-sustained Organization "Agency on Liquidation Matters" was appointed the bank liquidator. From the beginning of the liquidation of the JSB AIB "Ukraine", the National Bank of Ukraine constantly controlled the liquidation procedure in accordance with the legislation in force and the elaborated liquidation plan. In 2001, 104 explanations and recommendations concerning the observance of the legislation in force when liquidating a bank were given to the bank liquidator.

2.15. BANKING ACTIVITY REGULATION

In 2001, the banking supervision policy of the National Bank of Ukraine was complex, coordinated, balanced and consistent, which made it possible to forecast the situation and timely react to the changes that took place in the banks of the country. Restructuring of the banking supervision service which took place in accordance with the "Main Directions in the Banking Supervision Restructuring in 2001-2002" approved by the Decree of the Board of Governors of the National Bank of Ukraine as of 15 December 2000 #491 promoted improvements in supervisory responsibilities.

As a result of restructuring, the off-site and on-site supervision considerably approximated integration (Basle principle 16); principles of collection and assessment of financial reports and statistic information (principle 18) were improved; ability of the supervisory bodies to assess supervisory information with the help of on-site checks-up and external auditors (principle 19) increased.

The work on the elaboration of new normative acts and making amendments to the existing ones continued pertaining to the establishment, registration, licensing of activity and restructuring of banks; regulation of their activity; use of enforcement; procedure of the banking activity supervision and the rules of its functioning; regulation of the licensing order and supervision over the activity of non-banking financial institutions; system of the supervision over big and problem banks; determination of characteristics of problem banks and working out methods of their early disclosure.

In 2001, the National Bank of Ukraine elaborated 16 new normative and legal acts that stipulated such basic directions in banking regulation as:

- increase in requirements to the minimum authorized capital for bank state registration and obtaining a banking license, as well as to the regulatory capital to receive a permission in writing of the National Bank of Ukraine to perform transactions;
- aiming the system of economic norms at control and management of risks and limitation of their concentration;
- additional requirements to the capital when performing the most risky transactions, limiting transactions with the persons involved;
- giving permission to a bank participant to hold the substantial participating share in the banking capital, supervision over the holders of the substantial share and using enforcement with regard to them;
- requirements to the stainless business reputation of bank founders that hold the substantial participating share in the authorized capital, to the governor, members of the bank executive office, chief accountant, as well as control over the business reputation of those persons;
- using stricter enforcement with regard to banks for banking legislation violation.

With the coming into force from 1 September 2001 of the Regulation "On the Procedure of Granting Banking Licenses, Permissions in Writing and Licenses to Perform Certain Transactions to Banks " approved by the Decree of the Board of Governors of the National Bank of Ukraine as of 17 July 2001 #275 the order of licensing of banks changed considerably. Banks are granted a banking license and permission to perform transactions rather than a license to perform banking transactions. In 2001, the National Bank of Ukraine granted licenses and permissions to perform transactions to four newly opened banks and cancelled the licenses to perform banking transactions for five banks.

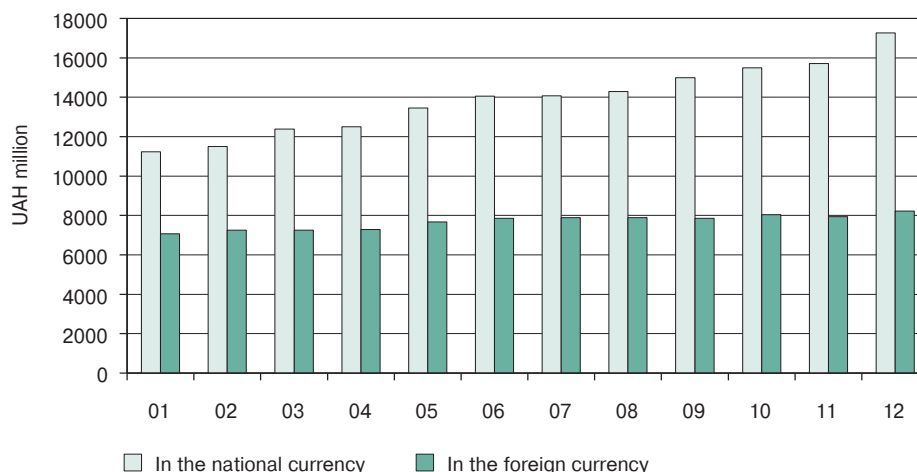
In 2001, the National Bank of Ukraine and its regional departments continuously controlled the observance of the mandatory economic indicators. 741 inspections of banks and banking institutions were performed, as well as 374 special inspections on the instructions and orders of the law machinery. In order to implement the programme of the National Bank of Ukraine with regard to inspections of the biggest and big banks, 16 complex inspections of the foregoing banks were performed. By results of the inspections, bank rating was determined in accordance with the CAMEL system, which altogether made for financial strengthening of the banking system of the country.

2.16. DEPOSIT MARKET

Pursue of the balanced macroeconomic policy of the government and that of the weighted monetary policy of the National Bank of Ukraine promoted further funds attraction on deposit

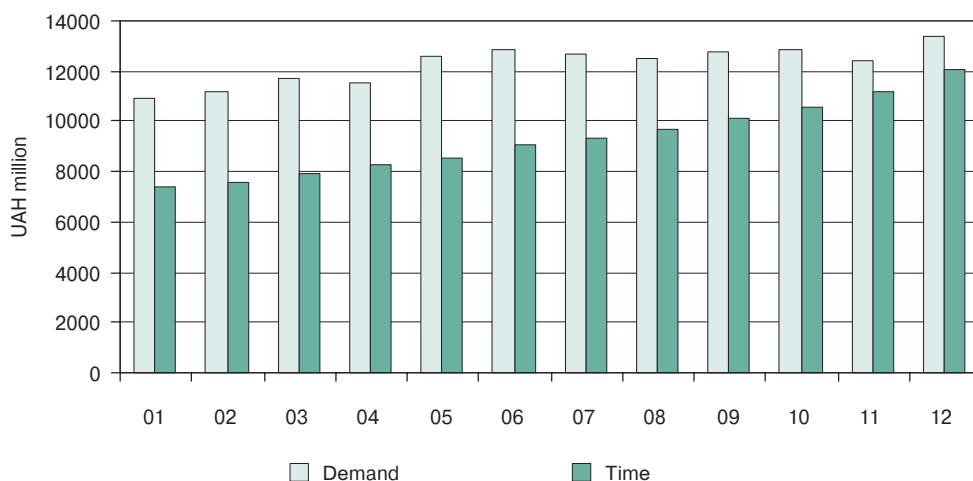
accounts by banks. In 2001, the funds on accounts of enterprises, organizations and households with Ukrainian banks grew by 37.1% and as of 1 January 2002 amounted to UAH 25.5 billion.

Dynamics of funds on accounts of enterprises, organizations and households with Ukrainian banks



The funds attracted in the national currency had higher growth rates, which had positive influence on the changes in the structure of deposit investments by types of currency. Along with 51% increase in deposits in the national currency, their share in the total balance of funds on accounts with Ukrainian banks grew by 6.2 percentage points and made 67.7%. In 2001, the balance of funds on accounts of enterprises, organizations and households in the foreign currency increased by 14.9%.

Dynamics of funds on accounts of enterprises, organizations and households with Ukrainian banks



Within the structure of deposits, the share of demand ones made 52.7% or decreased by 8.4 percentage points.

As of 1 January 2002, the balance of the funds of legal entities and natural persons on *current (demand) accounts* totaled UAH 13.4 billion or increased versus 2000 by 18.3%, including by 29.9% in the national currency.

In 2001, the balance of the funds of economic entities on demand accounts grew by 11% and as of 1 January 2002 came to UAH 10.3 billion. The funds grew due to their 22.7% increase in the national currency whose share in the total volume made 80.6%.

The funds of natural persons on current accounts with banks made 23.3% of their total volume and in 2001 grew by 50%, including by 69% in the national currency and by 22.6% in the foreign one.

In 2001 compared with the previous year, *time deposits* grew faster. As of 1 January 2002, funds on time accounts with banks amounted to UAH 12.1 billion or increased by 66.8% in the accounting year, including 2 times in the national currency. Within the total time deposits, the share of long-term ones totaled 29.1%.

As of 1 January 2002, the balance of the funds on time accounts of legal entities equaled UAH 4.1 billion and against 2000 grew by 50%, including 1.9 times in the national currency.

The Law of Ukraine "On Physical Persons Deposits Guarantee Fund" passed in September 2001 facilitated in some way the growth of the household funds mobilized by banks. According to the foregoing law, bank depositors - Fund's participants are guaranteed to be compensated when their funds under deposits and interest become unavailable. The amount of the funds to be repaid to a depositor amounted to about UAH 1.2 thousand or increased 2.4 times.

In 2001, the total balance of the funds of natural persons increased by 76.5%, including by 2 times in the national currency and as of 1 January 2002 equaled UAH 8 billion. At the end of the year, the share of the deposits of natural persons within the total time deposits made 66.6%, including that of long-term ones - 74.5%.

In 2001 against the previous year, the deposit market, by forms of ownership, was characterized by 64.2% increase in the balance of the funds of enterprises, organizations and households on accounts with Ukrainian banks with private form of ownership (including individuals), of those with collective form of ownership - by 22.4%, of those with state form of ownership - by 11.3% and of those of international organizations and legal entities of other countries - by 36.8%.

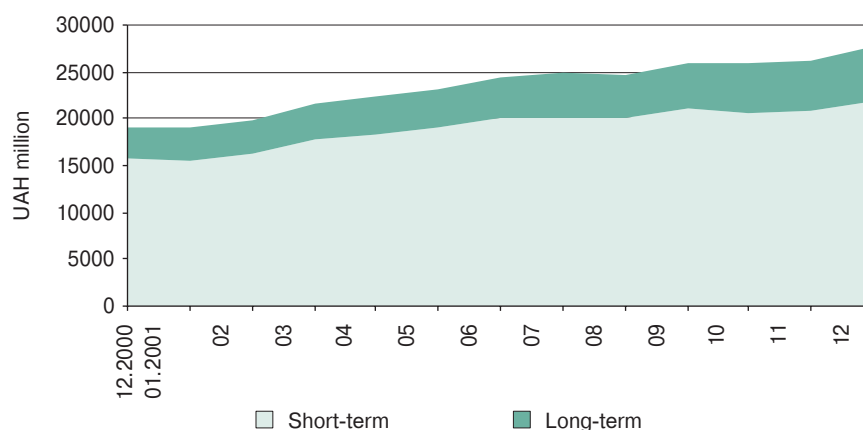
2.17. CREDITING THE REAL SECTOR BY BANKS

The year 2001 was characterized by the positive dynamics of credit investments of Ukrainian banks. Over the year, the total debts under the credits granted by banks to economic entities and households increased by 45.3% and as of 1 January 2002 totaled UAH 27.8 billion.

Demand for credits in the national currency was higher than for those in the foreign one. In 2001, indebtedness under the credits in the national currency grew by 51%, while that under the credits in the foreign one increased by 38.8% and their share within the total debts made 55.5 and 44.5% respectively.

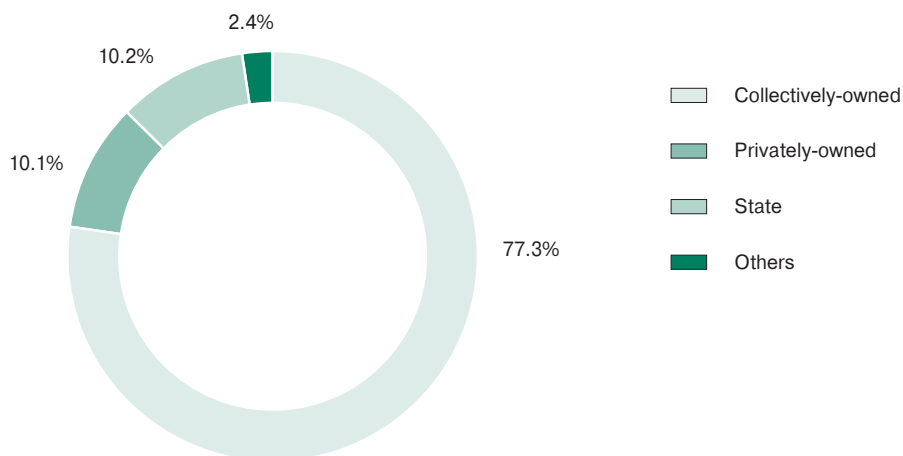
Within the structure of indebtedness under credits, short-term loans (78.3% or UAH 21.8 billion) prevailed. The indebtedness under them grew by 38.6%, including by 47.6% in the national currency and by 27.8% in the foreign one.

Dynamics of debts of economic entities under bank credits



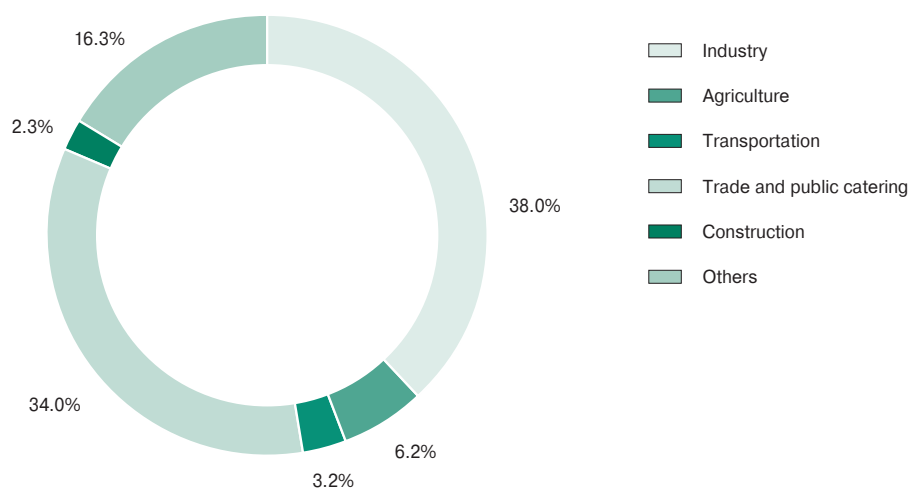
The tendency towards an increase in long-term credit investments persisted. Over the year under review, indebtedness under the long-term loans grew by 76.1% (by 29.3% in 2000) and as of 1 January 2002 totaled UAH 6 billion. Within the total indebtedness, the share of debts under the long-term loans of banks increased by 3.8 percentage points and as of 1 January 2002 made 21.7%. The balance of debts under the long-term credits in the foreign currency grew more (by 82%) than under those in the national currency (by 69.4%).

Structure of indebtedness under credits (by borrowers' kind of ownership) as of 1 January 2002



Within the total credit investments in the economy, the loans granted to collective farms whose share at the end of the accounting year made 77.3% prevailed. The share of indebtedness under the credits granted to entities with private form of ownership and state enterprises totaled 10.1 and 10.2% respectively, while that under the credits granted to international organizations and legal entities of other countries amounted to 2.4%.

Structure of indebtedness under credits (by economic branches) as of 1 January 2002



Within the total debts, the share of indebtedness under the credits granted for the current activity (95.3%) dominated. During the year, the share of the credits channeled by banks to the investment activity reduced by 0.9 percentage points and made 4.7%.

Among economic branches, considerable volumes of credit investments went for crediting industry (38%), trade and public catering (34%).

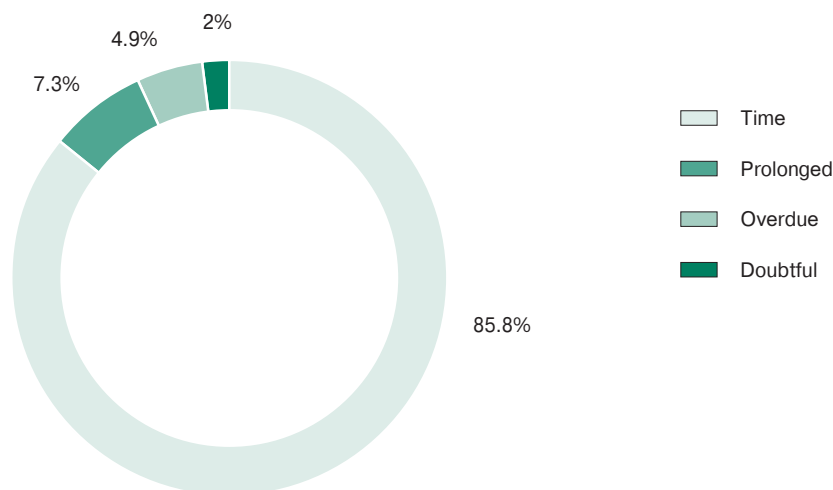
In 2001, indebtedness under the loans granted to power engineering grew 2 times, indebtedness under those granted to fuel industry - by 91.5%, indebtedness under those granted to food industry - by 58.9%, while indebtedness under those granted to machine building and metal working - by 41.4%.

The tendency towards an increase in the credit investments into agriculture, the balance of debts under which over the year grew 2.2 times and came to UAH 1.7 billion persisted. However, their share within the total volume was still inconsiderable and at the year of the accounting year, made only 6.2% of the total debts. Decisions of the government of Ukraine with regard to the stimulation termination of trade and banking crediting of agricultural producers through partial compensation of the interest rate under credits at the expense of the budgetary funds led to the animation of credit relations between banks and agricultural producers.

As of the end of 2001, the share of the credits channeled to transportation and construction remained inconsiderable (3.2 and 2.3% respectively).

In 2001, the quality of the credit portfolio of banks slightly improved which is displayed by the decrease from 14.2 to 6.9% of the share of the problem credits (overdue and doubtful). At the end of the year under review, the overdue debts under loans diminished by 37.3% and came to UAH 1.41 billion or 4.9% of their total volume.

Structure of indebtedness under credits granted to economic entities as of 1 January 2002



During the year, the doubtful debts under bank loans reduced by 0.8 percentage points and at the end of 2001 made 2%.

In order to ensure the financial stability of banks, the work on the formation of resources to cover possible losses from active operations continued. In the accounting year, the situation with formation of resources for the specified purposes improved. The total resources formed under active operations increased by UAH 455.4 million or by 16.7% and as of 1 January 2002 totaled UAH 3.2 billion. The amount of the actually formed resources made 84.2% of the estimated volume (61.5% in 2000). Out of them the actually formed resources under credit operations equaled 91.9% of the estimated volume, those from receivables - 41.8%, those from transactions with securities - 63.7%, those under the funds allocated on correspondent accounts with other banks - 7.0%.

2.18. INTERNATIONAL ACTIVITY

Cooperation with the International Monetary Fund

In 2001, the cooperation of the National Bank of Ukraine with the International Monetary Fund (IMF) under the Extended Fund Facility (EFF) directed to support wide-ranging macroeconomic and structural stabilization in 1998-2001 continued.

In 2001, 5 missions and separate experts of the IMF worked in the National Bank of Ukraine. By results of their work, a number of issues with regard to further cooperation, implementation of the monetary programme and plan of measures within the framework of the foregoing programme, foreign exchange and monetary policy concepts, prediction of the Balance of Payments of Ukraine, etc were discussed.

The National Bank of Ukraine sticking to the efficiency criteria envisaged by the Extended Fund Facility ensured the implementation of the measures concerning structural reformation as a result of which the fifth and sixth review of the Extended Fund Facility was completed and its financing renewed.

In September 2001, the next credit tranche worth SDR 290.8 million (USD 365.1 million) was received. Timely servicing of the IMF credits ("STF", "Stand-by", "EFF") was ensured, for whose repayment SDR 430.9 million (USD 541 million) were spent. At the end of 2001, debts under the credits extended by the International Monetary Fund amounted to SDR 1520.7 million (USD 1909.5 million).

Cooperation with the World Bank

In 2001, the National Bank of Ukraine participated in the implementation of the joint project with the World Bank "Programme System Loan" within whose framework Ukraine received USD 250 million. These funds went for financing the expenditures of the State Budget of Ukraine.

The implementation of the project of the financial sector structural reconstruction worth USD 300 million according to which the loan to the amount of USD 260 million was received (including USD 60 million in 2000) was completed. The project allowed to create the legislative basis for the banking sector development.

The National Bank of Ukraine continued to give reports on the external long-term guaranteed and non-guaranteed debt of the country, on whose basis the World Bank assessed the ability of Ukraine to borrow and ensure timely repayment of the borrowed funds.

In 2001, the programme to reform the financial sector, including the banking sector financed by the World Bank at the expense of the Grant funds of the Dutch government was launched. In November 2001, the Grant funds to the amount of USD 0.3 million were transferred to the special account of the National Bank of Ukraine.

Cooperation with the International Bank of Reconstruction and Development

In accordance with the project of the International Bank of Reconstruction and Development (IBRD), the National Bank of Ukraine serviced the credits granted to micro-, small- and medium-size enterprises in the regions where mines were closed down and to the executive power bodies on whose balance sheet the objects of the social assistance of the mines were transferred. In 2001, within the framework of the foregoing programme, 7 credit projects to the amount of USD 3.8 million were approved.

Cooperation with the European Bank of Reconstruction and Development

In 2001, the introduction of the first and second credit lines (SME-I and SME-II) of the EBRD to support small and medium-size entrepreneurship to the total amount of USD 209.5 million continued.

In 2001, within the framework of the foregoing credit lines, credits to the amount of USD 11.5 million were extended. As of the end of the year, the outstanding debt amounted to more than USD 61 million. The largest share of the debts fell on food industry (27%), trade services (10%), transportation, chemical, light and wood industry (8% each) and agriculture (6.5%).

In order to stimulate demand for the resources of the credit line, the EBRD and the National Bank of Ukraine introduced a competition for the best business-project that was of interest to Ukrainian entrepreneurs.

Cooperation with Central Banks of Countries of the World

In view of the introduction of Euro, the National Bank of Ukraine together with the representatives of the Deutsche Bundesbank held a conference on the procedure of putting into circulation the new European currency.

In order to expand cooperation with the National Bank of Byelorussia Agreements "On Creation of the Advisory Council and Cooperation in the Sphere of Supervision over the Activity of Credit Organizations" were signed.

Cooperation with the German-Ukrainian Fund

In the previous year, the formation of the Authorized Fund of the German-Ukrainian Fund (GUF) and its re-registration as an unprofitable organization were completed.

During the GUF operation within the framework of the Grant Treaty, banks-participants extended 3453 credits to the total amount of over DM 59.5 million, including 1479 credits (credit amount being up to DM 15 thousand) to micro-size enterprises and private entrepreneurs, 1941 credits (up to DM 50 thousand) to small-size enterprises, 33 credits (up to DM 0.5 million) to medium-size enterprises.

2.19. INFORMATION BASE. MAIN TRENDS OF THE ECONOMIC WORK. RESEARCH AND PREDICTION

In order to further strengthen the banking system and to increase its role in the economic growth of the country, the National Bank of Ukraine intensively worked on the organization of economic work.

In 2001, the economic work of the National Bank of Ukraine had the following trends:

- participation in the formation and implementation of the State Programme of the Economic and Social Development in Ukraine;
- development of measures to implement the State Programme of the Economic and Social Development in Ukraine;
- monitoring of the implementation of the measures stipulated by the Decrees and Orders of the President of Ukraine, State Programme of the Economic and Social Development in Ukraine, Decrees of the Supreme Soviet of Ukraine;
- monitoring and analysis of the macroeconomic indicators of the development of the real economy sector and state finances;
- information on the implementation of the Decrees and Orders of the President of Ukraine, State Programme of the Economic and Social Development in Ukraine, Decrees of the Supreme Soviet of Ukraine in accordance with the established procedure;
- analysis of the development of monetary, foreign exchange and stock markets;
- analysis of the deposit market;
- Balance of Payments prediction and compilation;
- compilation of the international investment position;
- analysis of the external indebtedness of the country;
- preparation of the information-analytical materials on the situation and development tendencies of the banking economy sector;
- compilation of the monetary and banking statistics;
- compilation of the Balance of Payments statistics.

In cooperation with the Cabinet of Ministers of Ukraine, Ministry of Economy and Ukraine's European Integration, Ministry of Finance of Ukraine and other central executive bodies, the National Bank of Ukraine elaborated projects of the national economic and social development programmes with regard to banking system decriminalization and material preparation for the annual Message of the President of Ukraine to the Supreme Soviet of Ukraine, Memorandums of the Ukrainian government, orders and decrees of the President of Ukraine, etc.

Economic work of the regional departments of the National Bank of Ukraine had the following trends:

- collection and processing of the data used for compiling financial and statistic reporting on the activity of the regional department of the National Bank of Ukraine;
- organization of financial and statistical reporting submission by banks for compiling monetary and banking statistics and economic analysis;
- analysis of the situation and development of the economy, banking system, monetary, stock and foreign exchange markets of the region;
- preparation of the analytical material on the development of the monetary, stock and foreign exchange markets of the region for the local public authorities;
- analysis of credit portfolios and securities of the banks of the region;
- preparation of the analytical material on the banking economy sector development for holding round table meetings, conferences, meetings, seminars, etc.

At the law machinery request, information on the situation and development of the economy, banking system, monetary, stock and foreign exchange markets, as well as on the activity of banking institutions was provided.

In 2001, in order to study and analyze the processes that took place both in the banking area and in the economy, at large, the National Bank of Ukraine placed high emphasis on carrying out economic research in the following directions:

- current macroeconomic analysis of the situation and development of the Ukrainian economy and its separate branches;
- research of the macroeconomic aspects of the external economic situation development;
- analysis of the current monetary tendencies in Ukraine, as well as of the influence of the monetary policy on the real economy sector;
- research of the dynamics of the monetary aggregates and changes in the money supply structure;
- analysis of influence of monetary factors on inflationary processes;
- analysis of the efficiency of the real economy sector crediting;
- monitoring of the dynamics of the real exchange rate of hryvnia in conjunction with the indicators of the real and external sectors of the Ukrainian economy;
- comparative analysis of some main macroeconomic indicators in Ukraine and other world countries;
- research of the experience of the central banks of the leading world countries and the European Central Bank and its use in Ukraine;
- research of the main tendencies of the international economic and monetary development, situation on the world markets from the point of their possible influence on the economic development in Ukraine.

In 2001, the main trends of the economic forecasting were:

- econometric modeling of the dependence between main macroeconomic variables to build forecasting models;
- development of short- and middle-term forecasting scenarios of the economic and social development in Ukraine in 2002-2004;
- modeling of economic processes and forecasting the main macroeconomic indicators in Ukraine, inflation, in particular;
- forecasting the Balance of Payments of the country;
- forecasting and development of perspectives of the monetary and exchange rate policy of the National Bank of Ukraine in accordance with the main forecasting macroeconomic indicators stipulated by the programme documents of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine.

The foregoing economic researches and forecasting allowed to take more grounded decisions with regard to the monetary and foreign exchange policy and were reflected when elaborating the monetary policy of the National Bank of Ukraine, State Programme of the Economic and Social Development

of Ukraine in 2002-2004, Programme of the Investment Activity Development in 2002-2010, Draft Programme of the Activity of the Cabinet of Ministers of Ukraine etc.

The National Bank of Ukraine constantly kept in touch with the respective institutions that were engaged in carrying out researches, modeling and forecasting, analyzed macroeconomic models developed by leading domestic and foreign scientific research centers, studied the possibilities of their use and introduction in the banking system practice.

The monetary and banking statistics that in 2001 was directed at the information support of analytical subdivisions and bank management, provision of the state authorities with different and reliable statistical information on the activity of the National Bank of Ukraine and the banking system on the whole continued to develop.

The main information sources when preparing statistical information were the balance sheet of the National Bank of Ukraine and consolidated balance sheet of banks, financial and statistic reporting of the banking system, information of the State Statistics Committee of Ukraine, Ministry of Finance of Ukraine, bulletines of central banks of other countries, statistic collections of international financial organizations, as well as information from the Internet. Created by the National Bank of Ukraine powerful technical base of the payment system and electronic mail with the wide use of computer technologies allowed to efficiently obtain the necessary information, quickly process it, which increased the quality of the preparation of the statistic indicators of the banking system activity.

In 2001, the existing reporting forms were improved and new ones were introduced according to the changes incorporated to the Charts of Accounts for the National Bank of Ukraine and Ukrainian banks and changes in the economic situation of the country. During the year, 3 amendments were made to "The Rules of Organization of Financial and Statistic Reporting of Ukrainian Banks" which made changes to the 63 existing reporting forms and instructions on their completion; 11 new reporting forms were introduced and 16 forms were cancelled.

New statistics and accounting methodology in accordance with the international standards, in particular, the new Monetary and Financial Statistics Instruction of the International Monetary Fund enabled the National Bank of Ukraine to make international comparisons by many statistical parameters of the activity of the banking system of the country.

The information base of the Balance of Payments was formed in accordance with the Decree of the National Bank of Ukraine and the Cabinet of Ministers of Ukraine of 17 March 2000 # 517 "On Balance of Payments Compilation" which stipulated the system of information collection under international transactions. The system of the Balance of Payments information support was based on the banks that declare performed during the month transactions with non-residents on behalf of clients and on their own. In 2001, the issue with regard to amendments to the monthly banking reporting (f. #1-ПБ) was worked out. It facilitated more thorough preparation of the preliminary data for the Balance of Payments compilation.

The Balance of Payments is compiled quarterly on the 75th day after the accounting period and is published on the site of the National Bank of Ukraine and in the official publication of the National Bank of Ukraine "Balance of Payments of Ukraine".

The National Bank of Ukraine continues to issue such official editions as :

- "Bulletin of the National Bank of Ukraine" (since 2000 published in 3 languages - Ukrainian, Russian and English);
- "Balance of Payments of Ukraine" (published in Ukrainian, Russian and English);
- "Annual Report of the National Bank of Ukraine" (published in Ukrainian and English);
- "Herald of the National Bank of Ukraine".

The constantly updated site of the National Bank of Ukraine attracts considerable attention of lay members and specialists both in Ukraine and abroad. In 2001, there were 350 thousand references to the materials published on the site which was considerably more than in the two previous years (250 thousand references). The site address can be found in many reference books of international financial organizations.

2.20. LEGAL SUPPORT

In 2001, the National Bank of Ukraine continued to form the legal field for further development of the banking system.

By way of initiative, the National Bank of Ukraine submitted 7 draft laws regulating banking activities for consideration of the Supreme Soviet.

In 2001, the Supreme Soviet of Ukraine passed 3 Laws of Ukraine, viz. "On Payment Systems and Money Transfers in Ukraine", "On Amendments to the Code of Ukraine On Administrative Infringements with Regard to Establishing Responsibility for Banking Legislation Violation", "On Amendments to the Code of Ukraine On Administrative Infringements Proceeded from the Adoption of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

2 draft laws elaborated by the National Bank of Ukraine viz. "On Organization and Procedure of the Work of the Banking System over the Period Specified", "On Amendments to the Law of Ukraine "On Exemption from Duty on the Items that are Moved through the Border of Ukraine" are considered at the committees of the Supreme Soviet of Ukraine.

In order to strengthen the legislative base with regard to the financial economy sector development, drafts of other legal subjects of initiative were worked through.

In 2001, the National Bank of Ukraine worked out more than 100 drafts of other legal subjects of initiative concerning functions of the National Bank of Ukraine, including drafts of the Tax, Civil, Economic and Customs Codes of Ukraine. With the assistance of the National Bank of Ukraine, the Supreme Soviet of Ukraine elaborated and passed the Laws of Ukraine "On Physical Persons Deposits Guarantee Fund", "On Financial Services and State Regulation of Financial Service Markets" that at the legislative level regulated the matter concerning refunding individual savings in case of banks' liquidation and establishment of legal fundamentals in the sphere of financial services.

The work on the elaboration of Regulations, Instructions and Rules of the NBU regulating the banking sector functioning went on. In 2001, 211 normative and legal acts of the NBU, 120 acts whereof were registered by the state in the Department of Justice of Ukraine were adopted viz.:

Regulation on:

- the order of refunding depositors' funds in case of banks' liquidation by the Physical Persons Deposits Guarantee Fund;

- performing cash operations in the national currency;

- the order of performing REPO operations with other banks by the National Bank of Ukraine;

- planning and order of performing inspections;

- use of enforcement by the National Bank of Ukraine for banking legislation violation;

- the order of plastic cards issue and performing operations with their use and others, as well as

Rules of:

- inspection of currency control offices on the territory of Ukraine;

- registration of correspondent accounts of other banks by the National Bank of Ukraine.

- Instructions relative to:

- the order of regulating banking activity in Ukraine;

- the organization of work in currency circulation by banking institutions of Ukraine;

- the requirements to the organization of protection of banking institutions of Ukraine, etc.

In 2001, the work on the adaptation of the Legislation of Ukraine to that of the European Union continued. In particular, explanatory translation of a number of the EU directives was done. The second part of the collection "Legislation of the European Union with Regard to Banking Activity" was published on its basis.

The National Bank of Ukraine also worked on meeting the requirements of the Ukrainian legislation in force, decisions of the President of Ukraine, Anti-Corruption and Anti-Organized Crime Coordinating Board under the President of Ukraine directed at the struggle against corruption and criminal activity prevention in the banking sphere. The President of Ukraine, the Anti-Corruption and Anti-

Organized Crime Coordinating Board under the President of Ukraine and the Cabinet of Ministers of Ukraine were systematically informed on the work done in this direction.

In order to meet the requirements of the legislation regulating prevention of organized crime, including terrorism, the National Bank of Ukraine put in order the system of providing the corresponding law machinery with the information on the formal requests that came from legal entities and natural persons with regard to granting them with licenses to perform transactions with currency values.

In 2001, within the structure of the National Bank of Ukraine, the Anti Money Laundering Department and working group to prevent the legalization of the gains obtained in a criminal way whose task was to work out an anti money laundering strategy were established.

Analysis of the work with claims and suits carried out in 2001 shows that compared with 2000 the number of claims and suits against the National Bank of Ukraine increased by 45.1%. 27 claims to the amount of UAH 6.7 million and 253 suits to the amount of UAH 286.8 million were brought against the National Bank of Ukraine, out of which 18 claims worth UAH 0.3 million and 62 suits worth UAH 0.4 million were admitted.

In 2001, the considerable increase in the number of the suits brought against the National Bank of Ukraine was connected with the decision concerning the liquidation of CJSB "Slovianskyi", JSB AIB "Ukraina", JSB "Yuneks" and appointment of the provisional management of the JSB "Pivdenkombank". It caused their depositors (natural persons and bank shareholders) to go to the law, including the liquidator of the bank "Ukraina".

In 2001 compared with the previous year, the number of the claims and suits brought by the National Bank of Ukraine decreased by 47.5%. In the year under review, the National Bank of Ukraine brought 958 claims to the amount of UAH 47.5 million and 181 suits to the amount of UAH 128.1 million, out of which 867 claims worth UAH 34.7 million and 108 suits worth UAH 29.2 million were admitted.

The considerable decrease in the number of the claims brought by the National Bank of Ukraine is accounted for by the fact that the Regulations of the Economic Code of Practice of Ukraine excluded pre-trial adjustment of disputes concerning penalty recovery by the National Bank of Ukraine, as well as by the practice of the National Bank of Ukraine to use not only penalties but also other enforcement stipulated by Article 73 of the Law of Ukraine "On Banks and Banking Activity".

2.21. INTERNAL AUDITING AND INSPECTION ACTIVITY

In 2001, internal auditing was aimed at the organization of auditing of the structural subdivisions of the Central Office of the National Bank of Ukraine and its regional departments and institutions.

In the accounting year there were 513 auditing, out of which 30 auditing being complex ones, 406 auditing being subject ones and 52 auditing being cash and vault revisions. Moreover, there were 12 auditing in the structural subdivisions of the Bank Central Office.

In 2001, transition to the international auditing standards of the structural subdivisions of the Bank Central Office, regional departments and institutions with an allowance for approximate classification of the main risks of the National Bank of Ukraine began.

In 2001, when auditing, high emphasis was placed on the procedures of internal control over banking operations in the areas under control and on disclosure and assessment of possible risks. By auditing results, 212 recommendations with regard to internal control and normative base improvement were given, out of which 184 recommendations were implemented. While implementing the above mentioned recommendations, a range of normative and legal acts regulating the activity of the structural subdivisions of the Central Office and institutions of the National Bank of Ukraine was elaborated.

In order to introduce the internal auditing international standards, a plan of measures of the National Bank of Ukraine to improve internal control procedures in 2001-2003 with taking into consideration the recommendations of the IMF mission was elaborated. The long-term plan based on risk assessment covering all the auditing trends was prepared and approved. Instruction on the procedure of internal auditing of the regional departments of the NBU was approved by the Decree of the Board of Governors of the National Bank of Ukraine as of 6 September 2001 # 382.

2.22. FINANCIAL ACTIVITY

In the consolidated report of the National Bank of Ukraine on financial results in 2001, income and expenditures were given in accordance with the accrual concept.

The total income received by the National Bank of Ukraine in 2001 amounted to UAH 2229.6 million or grew by 5.3% against 2000.

Within the income structure, a considerable portion (87.4%) fell on interest one, including 64.3% under operations with government securities.

Other income made 12.6% of the total income, out of which 6.5 and 4.6% respectively fell on commission and operational income.

In 2001, the total current expenditures of the National Bank of Ukraine totaled UAH 1387.5 million or reduced by 2% versus 2000.

Within the total expenditures, 35.8% accounted for the interest expenditures of the National Bank of Ukraine, 89% or UAH 440 million whereof being paid interest for the credits received by the government of Ukraine from the IMF.

Other expenditures of the National Bank of Ukraine came to UAH 891.2 million or 64.2% of the total expenditures, UAH 375 million or 42% whereof went for formation of reserves under doubtful assets and accrued income.

In 2001, income from the current activity of the National Bank of Ukraine amounted to UAH 842 million.

2.23. ACTIVITIES OF THE BANKNOTE PRINTING AND MINTING WORKS

In 2001, the Banknote Printing and Minting Works ensured the implementation of the tasks of the National Bank of Ukraine with regard to money production and manufacturing contracts concluded with other establishments and organizations.

In 2001, the output and rendered services came to UAH 119 million i.e. 70% more than in 2000. By request of the National Bank of Ukraine, the Banknote Printing and Minting Works turned out products and rendered services worth UAH 71.4 million.

The Banknote Printing and Minting Works manufactured 705.6 million banknotes and 385 million coins in different denominations, 789 thousand commemorative coins, more than 4 billion excise tax stamps (including 23 million pieces for Moldova), almost 3.5 million pieces of securities, 896.7 thousand pieces of rewards, as well as memorable signs etc.

Having modern production tools, high production organization level and highly skilled staff, the Banknote Printing and Minting Works rightly belongs to the leading world mints. In 2001, the commemorative coin "Rizdvo Khrystove" (Christmas) designed by Chaikovskii was found the best in the "World Most Inspiring Coin" nomination at the competition organized by the American Numismatic Association.

Using modern technologies the combined bicolour coins "Kyiv Rus" and "Skithia" of the "Monuments of the Ancient Cultures of Ukraine" series were minted from precious metals. The commemorative coins "On the Verge of Milleniums" and "10th Anniversary of the Armed Forces of Ukraine" were minted from copper-nickel alloys. 1000 pieces of the silver commemorative coin with holographic display dedicated to the 10th anniversary of Ukraine's independence were minted for the first time. Higher quality coins in different denominations and coins in denomination of 1 hryvnia for souvenir sets "Coins of Ukraine" were also minted.

In 2001, celebration of the 10th anniversary of Ukraine's independence caused the demand for awards to increase. The State Office for Administration of the Affairs to the Office of the President of Ukraine" was the main customer of awards (about 238 thousand government awards). By request of the Supreme Soviet of Ukraine, the Mint manufactured a number of distinctions from precious metals in honour of the 10th anniversary of Ukraine's independence.

Compared with 2000, production output growth promoted increase from 25 to 42% in the use of the productive capacity of the Banknote Printing and Minting Works by different kinds of equipment.

In 2001, production effectiveness of the Banknote Printing and Minting Works grew, whereas the expense index per 1 hryvnia of the ready products decreased by 11.4%, which had positive influence on the financial activity results. In comparison with 2000, proceeds from sales of products increased by 66.5%, which ensured financing of administrative expenditures and other social measures.

2.24. STAFFING AND PERSONNEL TRAINING

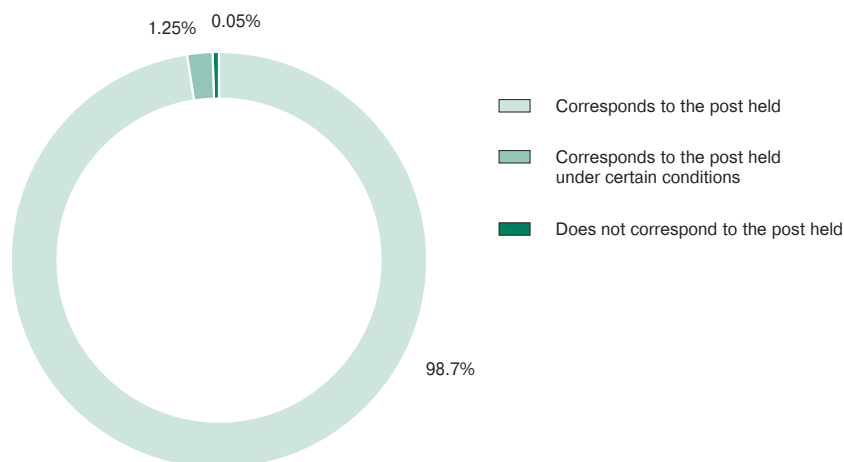
In 2001, the work on the optimization of the organization structure of the National Bank of Ukraine accordingly to its functions; public service introduction - selection on a competitive basis, certification, reserve forming; improvement of labour motivation, professional training, upgrading qualifications of bank employees, etc. went on.

In 2001, the tendency towards an improvement in the qualitative composition of the personnel of the National Bank of Ukraine persisted. The number of specialists with higher education grew by 5.7% and came to 5.2 thousand persons, of those with an academic degree - by 21% and became 236 persons. The share of specialists with record of service of 5 years and more increased by 3.2 percentage points and made 72.5%.

In April - July 2001, 4135 state employees of the National Bank of Ukraine i.e. 64% of their total number were certified. Among the employees, who were not liable to certification, 90% fell on those who occupied their positions less than one year.

During the certification, apart from the evaluation of the work activity of civil servants and establishment of their correspondence to the posts they hold, high emphasis was placed on establishing their professional skills and perspectives of personnel professional improvement. The certification commissions gave 283 additional recommendations aimed at work improvement and further career planning to the employees who were acknowledged as those who corresponded to the posts they held. The commissions also designated 688 persons to be included in the staff reserve.

Results of the certification of the state employees of the National Bank of Ukraine that took place in 2001



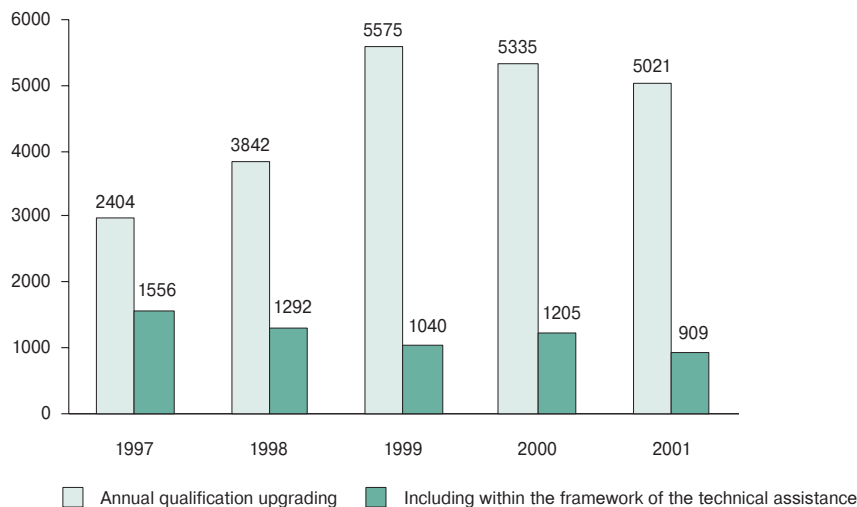
In 2001, according to the training programme of the employees of the National Bank of Ukraine system, 326 educational measures were taken.

Information technologies, monetary policy, business and fiscal accounting, foreign exchange regulation, payment systems and banking supervision were the main directions of the training of specialists.

In general, the educational measures covered more than 5 thousand banking specialists, more than a half (55.7%) whereof being from the National Bank of Ukraine system.

To upgrade qualifications of the specialists, seminars, conferences, courses, probation periods, work meetings, consultations, round table meetings, etc. were held.

The training took place at the Training Unit of the NBU, in the Scientific Center of the Ukrainian Banking Academy, in regional centers for raising the level of personnel skill of the banking officials in the Kharkiv and Cherkasy branches of the Ukrainian Banking Academy, in the Lviv Banking Institute, in the regional departments and institutions of the National Bank of Ukraine, in other organizations and institutions of Ukraine, as well as abroad.

Dynamics of qualification upgrading in 1997-2001

In 2001, a new trend in personnel training was worked out - upgrading qualifications of the specialists in the regional departments by special training programmes on the basis of the well-known educational institutions of the NBU.

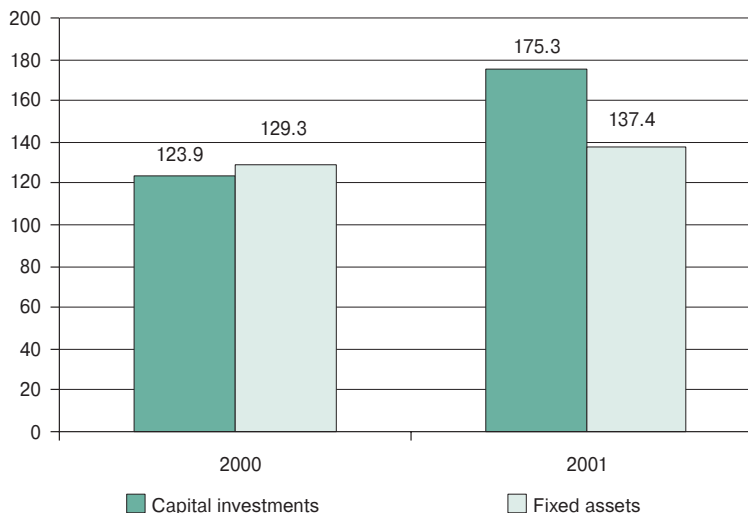
During the academic year, the Ukrainian Banking Academy and its Kharkiv and Cherkasy branches, as well as the Lviv Banking Institute trained 1,622 specialists at different levels of skills and education for the Ukrainian banking system, including 103 specialists for the National Bank of Ukraine.

In 2001, with the assistance of the teachers from the well-known educational institutions and top level specialists of the NBU, 4 textbooks and a booklet dedicated to the Ukrainian Banking Academy activity with the total run of 10,000 copies were published.

In 2001, the NBU Central Library Funds were replenished with more than 5,000 books. The work on further automation of the major library processes went on. In particular, the new software version according to which books and magazines are given out with the help of bar codes has been introduced.

2.25. MATERIAL AND TECHNICAL BASE DEVELOPMENT

In 2001, the total capital investments channeled into construction, reconstruction and major repairs of sites within the NBU system at whose expense implementation of the fixed assets to the amount of UAH 137.4 million was ensured amounted to UAH 175.3 million.

Dynamics of work execution on capital investments in 2000-2001

In 2001, the educational building and garage of the Ukrainian Banking Academy in the City of Sumy were put into operation together with the first stage of the construction of the building of the NBU regional department in Poltava region, sports ground and rooms in the educational building of the Lviv Banking Institute and the NBU Central Vault site on the Banknote Factory and Mint territory.

During the accounting year, the following works were executed at the expense of capital investments:

- construction of the Computer Center in the regional department of the NBU in Donetsk region, administrative house of the NBU in the City of Kyiv (11-b Instytutska str.) and garage complex in the regional department of the NBU in Odesa region;

- reconstruction of the administrative houses of the Central Office of the National Bank of Ukraine in the Autonomous Republic of the Crimea, regional departments of the NBU in Dnipropetrovsk, Luhansk and Chernivtsi regions, operating production base of the NBU with regard to valuable cargo transportation at the station Kyiv-Passazhyrskyi;

- major repairs and reconstruction of the houses of the regional departments of the NBU in Lviv, Ternopil and Kharkiv regions, educational buildings and hostels of the Sumy Ukrainian Banking Academy and its Kharkiv and Cherkasy branches.

During the year, works on the improvement of the complex security arrangement of banking institutions were executed together with the organization of the ventilation and fire extinguishing systems, cash storage and engineering method automation for banknote processing.

**Governor
of the National Bank of Ukraine**



Volodymyr S. Stelmakh

30 April 2002

CALENDAR OF EVENTS IN 2001

- January**
- Approval of the Amendments to the Rules of organization of financial and statistic reporting of banks of Ukraine (Addendum # 24).
 - Introduction from 16 January of differential rates of obligatory provisions (from 15 to 11%) depending on the terms of deposit attraction.
 - Approval of the Amendments to the Regulations on the procedure of bookkeeping and depositary accounting, placement, circulation, payment of interest and redemption of T-bills in banking institutions.
 - Approval of the Regulations on the procedure of recovery of the funds of bank depositors by the Physical Persons Deposits Guarantee Fund in case of banks' liquidation.
 - Approval of the Rules of transferring foreign currency abroad on the instructions of natural persons and receipt of the foreign currency transferred from abroad by natural persons in Ukraine.
 - Bringing into circulation of a commemorative coin "Ice-dancing" of 10 hryvnia denomination (silver) and that of 2 hryvnia denomination (German silver).
- February**
- Approval of the Rules of organization of cash servicing of clients by commercial banks and mutual relations in the national currency concerning this matter between regional departments of the National Bank of Ukraine and commercial banks.
 - Bringing into circulation of commemorative coins "Yaroslav the Wise" and "Ivan Mazepa" of 10 hryvnia denomination (silver).
 - Approval of the Regulations on the procedure of establishment of the official (discount) rates of banking metals.
 - Approval of the Instruction on organization of work in cash circulation by banking institutions of Ukraine.
 - Approval of the Regulation on performance of cash transactions in the national currency in Ukraine.
- March**
- Closing of the coded accounts of natural persons (residents and non-residents) in the foreign and national currency of Ukraine.
 - Approval of the Regulations on establishment and use of the official exchange rate of hryvnia against foreign currencies.
 - Decrease in the discount rate of the National Bank of Ukraine from 27 to 25% per annum.
 - Approval of the Regulations on the procedure of returning accounting documents concerning the indebtedness calculated by commercial banks and regional departments of the National Bank of Ukraine in accordance with the legislation in force by the above mentioned institutions.
 - Bringing into circulation of a commemorative coin "On the Verge of Milleniums" of 5 hryvnia denomination (bimetallic made from non-precious metals) and a commemorative coin "10th Annivarsary of the National Bank of Ukraine" of 10 hryvnia denomination (silver) and that of 5 hryvnia denomination (German silver).
 - Cancellation of keeping the consolidated electronic register of account holders by the National Bank of Ukraine.
 - Approval of the Instruction on non-cash settlements in Ukraine in the national currency.
- April**
- Adoption of the Law of Ukraine "On Circulation of Bills of Exchange in Ukraine".
 - Decrease in the discount rate of the National Bank of Ukraine from 25 to 21% per annum.
 - Introduction from 1 May of control over the mandatory provisions formed by commercial banks once a month rather than 2 times a month.
 - Bringing into circulation of a commemorative coin "Ostroh Academy" of 5 hryvnia denomination (German silver) and of a commemorative coin "Lynx" of 10 hryvnia denomination (silver) and of 2 hryvnia denomination (German silver).

- May**
- Approval of the Provisional regulations on interest rates establishment by the National Bank of Ukraine under its transactions.
 - Bringing into circulation of a commemorative coin "Kindness to children" of 2 hryvnia denomination (German silver).
- June**
- Approval of the Regulations on the procedure of carrying out REPO operations with banks by the National Bank of Ukraine.
 - Decrease in the discount rate of the National Bank of Ukraine from 21 to 19% per annum.
 - Approval of the Regulations on the procedure of forming of mandatory provisions for banks of Ukraine.
 - Bringing into circulation of a commemorative coin "5th Anniversary of the Constitution of Ukraine" of 2 hryvnia denomination (German silver).
 - Approval of the Regulations on the order of training and certification of specialists on dealing operations in the foreign exchange market.
- July**
- Building of a uniform information system of borrower (debtor) accounting.
 - Approval of the Rules of performing inspections of foreign exchange agencies on the territory of Ukraine.
 - Approval of the Rules of bookkeeping with regard to formation and use of reserves with banks of Ukraine.
 - Approval of the Regulations on the Board of Experts of the National Bank of Ukraine with regard to certification of auditors, temporary managers and liquidators of banking institutions.
 - Approval of the Regulations on planning and order of inspections performance.
 - Bringing into circulation of a commemorative coin "Hockey" of 10 hryvnia denomination (silver) and that of 2 hryvnia denomination (German silver) and of a commemorative coin "10th Anniversary of Ukraine's Independence" of 5 hryvnia denomination (German silver).
 - Amendments to the Rules of organization of financial and statistic reporting of banks of Ukraine (Addenda # 25,26).
 - Approval of the Rules of bookkeeping of the credits granted by the National Bank of Ukraine in the national currency.
 - Approval of the Rules of granting individual licenses and special permissions to transfer the currency of Ukraine, foreign currency, payment documents (nominal, circular checks), banking metals through the customs border of Ukraine to natural and juridical persons-residents (with the exception of authorized banks of Ukraine) and to non-residents.
- August**
- Decrease in the discount rate of the National Bank of Ukraine from 19 to 17% per annum.
 - Approval of the Instruction on organization of emission and cash work in the regional departments of the National Bank of Ukraine.
 - Bringing into circulation of commemorative coins "10th Anniversary of Ukraine's Independence" of 10 hryvnia denomination (gold) and that of 20 hryvnia denomination (silver), "100th Anniversary of the Mykolaiv Zoo" and "Mykhailo Ostrohradskyi" of 2 hryvnia denomination (German silver), "1100th Anniversary of the City of Poltava" of 5 hryvnia denomination (German silver).
 - Approval of the Regulations on the procedure of forming and use of the reserve fund by banks.
 - Approval of the Rules of registration of correspondent accounts of banks by the National Bank of Ukraine.
 - Approval of the Regulations on the procedure of granting licenses for separate banking operations by non-bank institutions.
 - Approval of the Regulations on the order of issue of plastic cards and transactions in which they are used.

- Approval of the Instruction on the procedure of regulation of the activity of banks of Ukraine.
- Approval of the Regulations on the use of enforcement for the violation of the banking legislation by the National Bank of Ukraine.
- Approval of the Regulations on the order of setting up and state registration of banks, their branches, representations, departments.
- Approval of the Regulations on the procedure of formation and state registration of bank mergers.
- September** Bringing into circulation of commemorative coins "Mykhailo Drahomanov" of 2 hryvnia denomination (German silver) and "40th Anniversary of Krolivets" of 5 hryvnia denomination (German silver).
- Decrease in the discount rate of the National Bank of Ukraine from 17 to 15% per annum.
- Approval of the Regulation on the order of domestic auditing of the branches (regional departments) of the National Bank of Ukraine by the domestic auditing service of the National Bank of Ukraine.
- Approval of the Rules of bookkeeping of operations with precious and banking metals carried out by the institutions of the National Bank of Ukraine.
- Approval of the Regulations on clearing houses for presenting bills of exchange for payment.
- October** Approval of the Regulation on forced writing-off (collection) and contractual writing-off of the funds in the foreign currency from payers' accounts (excluding banks) on the territory of Ukraine.
- Approval of the Instruction on consolidation of financial reporting of banks of Ukraine.
- Approval of the Regulation on formation of the corrective entries carried out by banks of Ukraine.
- Bringing into circulation of commemorative coins "Scythia" of 20 hryvnia denomination (bimetallic made from precious metals) and "Khan Palace in Bakhchysarai" of 10 hryvnia denomination (silver).
- November** Bringing into circulation of commemorative coins "200th Birthday of Volodymyr Dal" of 2 hryvnia denomination (German silver) and "10th Anniversary of the Armed Forces of Ukraine" of 5 hryvnia denomination (bimetallic made from non-precious metals) as well as of a commemorative coin "Larch" of 10 hryvnia denomination (silver) and that of 2 hryvnia denomination (German silver).
- December** Approval of the Rules of bookkeeping of operations with checks in the foreign currency by banks of Ukraine.
- Decrease from 10 December in the differential rates of the reserve requirements from 14 to 6% depending on the term of deposit attraction.
- Decrease in the discount rate of the National Bank of Ukraine from 15 to 12.5% per annum.
- Approval of the Provisional regulations on exchange of national currencies of the countries - members of the European Foreign Exchange Union for Euro.
- Bringing into circulation of a commemorative coin "Kyiv Rus" of 20 hryvnia denomination (bimetallic made from precious metals).
- Informing the special anti-organized crime bodies on the receipt of requests concerning granting licenses to perform foreign exchange transactions.

METHODOLOGICAL COMMENTS TO THE ANNUAL REPORT

Gross domestic product (GDP) that characterizes the final result of production activity of economic entities over the period under review is one of the most important macroeconomic indicators. It is calculated by three methods: by the production method, under the profits received and under use.

By the production method, GDP is calculated as a difference between output and intermediate consumption, or as a sum of gross value added of economic branches and taxes on food products with the exception of subsidies for them.

GDP under the received profits is characterized by such indicators as: remuneration of labour of the persons employed, other taxes connected with production, other subsidies connected with production and gross (net) profit.

GDP under use is calculated as a sum of expenses of the economy sectors for the final consumption of goods and services, gross accumulation, net export of goods and services.

Nominal GDP is given at current prices and means that production and immediate consumption are estimated at actual prices for the time of production.

Real GDP is calculated in comparable prices with respect to the specified (basic) period and shows the market value of production at real prices.

Foreign exchange position of a bank is a ratio (difference) between requirements and liabilities of a bank in the foreign currency.

Open foreign exchange position is inequality between requirements and liabilities of a bank in the foreign currency. The open position is short if the liabilities with regard to the sold currency exceed the requirements, and is long if the requirements with regard to the purchased currency exceed the liabilities. The open foreign exchange position runs additional risks in case of a change in the foreign exchange rate.

Monetary base is the source of formation of the money supply in circulation. It grows due to the operations with government securities, operations in the foreign exchange market as well as bank refinancing carried out by the National Bank of Ukraine. Increase in the monetary base should be controlled in order to avoid spontaneous growth in the money in circulation and inflationary pressure.

Money supply (M3) is a whole of monetary funds both in cash and non-cash form in the national and foreign currency being in circulation as of a specified date. The aggregate M3 includes funds outside banks, demand deposits in the national currency, time funds in the national currency and foreign exchange funds, funds under trust operations of banks and securities of own liabilities.

Devaluation is decrease in the national currency against foreign currencies.

Deposits are funds in the cash or non-cash form in the national or foreign currency allocated by clients on their nominal accounts with a bank on a contractual basis for a specified term or without specification. These funds should be paid to the depositor in accordance with the legislation of Ukraine and terms of the contract.

Time deposits are the deposits allocated for a fixed term and withdrawn after the preliminary notice envisaged by the contract between a depositor and a bank.

Demand deposits are the deposits that can be withdrawn by a depositor or transferred to another person in portions or in full at any moment without preliminary notice.

Budget deficit is exceeding of budget expenditures over revenues.

GDP deflator is an indicator that reflects a general tendency towards price changes in the economy. It is calculated as a ratio of the GDP at actual prices to that in comparable prices.

Consumer price index (CPI) is one of the indicators characterizing inflation rate or changes in the general level of prices and tariffs for the goods and services purchased by the population for non-productive consumption. The CPI is calculated on the basis of two information flows:

- data on price changes obtained through monthly registration of the prices and tariffs in the consumer market;

- data on the structure of actual consumer spending of the population obtained through the data on sampling observation of living conditions of households.

Industrial producers' price index is an indicator of price changes in the sphere of industrial production. It is calculated monthly on the basis of the prices for products (excluding value added tax and excise tax) at chosen enterprises. Calculations are made on the basis of the data on industrial output in value terms.

Consolidated Budget of Ukraine is a whole of the State Budget of Ukraine, republican budget of the Autonomous Republic of the Crimea and local budgets.

Overall bank liquidity is an economic norm of bank activity defined as a ratio of overall assets to overall liabilities of a bank.

T-bills conversion is changes in the conditions of government loan repayment with regard to the term and (or) level of bonds yield.

Credit Emission is exceeding of the means of payment issued into circulation by the NBU over those withdrawn from circulation.

Bank liquidity is the ability of a bank to ensure timely fulfilment of money liabilities to clients-creditors.

International liquidity is the ability of a country to fulfil its international liabilities and repay debts.

International reserves (reserve assets) are highly liquid financial assets that are controlled by the NBU and can be used for direct financing of the Balance of Payments deficit or indirect influence on the amount of this deficit. The international reserves consist of monetary gold, reserve position of Ukraine in the IMF, SDRs that belong to Ukraine and foreign currency.

Monetary gold is highly pure gold in the shape of coins, bullions and bars with the fineness not lower than 995 owned and controlled by the NBU. The weight of gold is measured in troy ounce. One troy ounce is equal to 31.103480 gram.

Reserve position in the IMF is claims of a member country to the IMF calculated on the basis of a ratio between Fund assets in the currency of a given country and its quota in the Fund as a difference between the quota and the IMF assets in the currency of the member country with the deduction of the Fund monetary assets obtained by the member country as the IMF credits and balances on the IMF account #2 which do not exceed one tenth percent of the member country quota. The reserve position in the Fund is a part of the member country international reserves.

SDRs are assets of Ukraine in special drawing rights which are located in the IMF and are a part of its international reserves. SDRs are international reserve assets created by the Fund, as well as its payment unit. Before 1 January 1999, the cost of the SDR unit was determined daily by the Fund by adding up the market cost a certain amount of 5 leading currencies denominated in US dollar that are included in the SDR "basket": US dollar, DM, Japanese yen, French franc and English pound sterling. To determine the SDRs, the "basket" is reviewed every 5 years. From 1 January 2001, the basket has consisted of the following currencies: US dollar - 45%, Euro - 29%, Japanese yen - 15%, pound sterling - 11%.

Foreign currency comprises cash in freely convertible currency and claims of the NBU to non-residents in the form of short-term deposits in gold and freely convertible currency, treasury bills, short- and long-term securities of foreign countries and other claims used to meet the needs of the Balance of Payments. The data (excluding the gold and SDR) are denominated in US dollar on the basis of cross exchange rates of foreign currencies against US dollar calculated on the basis of the official exchange rate of hryvnia against foreign currencies established by the NBU at the end of a period.

Bank momentary liquidity is an economic norm of bank activity defined as a ratio of the amount of funds on a correspondent account and in a bank pay desk to current accounts of clients.

Official exchange rate of hryvnia against US dollar is established by the NBU as average weighted one between rates under transactions of authorized banks in the interbank foreign exchange market. According to the function of stability ensurance of the national currency, the NBU can influence establishment of the official exchange rate by buying and selling foreign currency in the foreign exchange market.

Revaluation is raising of the exchange rate of the national monetary unit against foreign currencies.

Economy dollarization level is a ratio of the deposits in the foreign currency in the banking system to the total amount of the available money supply (M3).

Economy monetization level is a ratio of the available money supply (M3) to the nominal GDP.

Interest rates. The system of indicators under interest rates comprises the main kinds of the rates that are used in the Ukrainian economy. In Ukraine, interest rates are calculated year-on-year. Monthly indicators are calculated in accordance with the compound interest scheme (on the basis of the data on the volumes of extended credits or attracted deposits). Quarterly and annual values are calculated as an equidistributed value of the monthly values. The interest rates are given under credits and deposits in the national currency excluding interbank ones according to the statistic reporting of all the operating banks in Ukraine.

Lombard rate is a rate at which the NBU grants credits to banks under security of highly liquid assets (government securities). The lombard credit, as a rule, is used to cover unforeseen needs in bank resources.

Discount rate is the payment expressed as percentage charged by the NBU for refinancing of banks by buying bills until they are matured and is withheld from the nominal amount of the bill. The discount rate is the lowest among the refinancing rates and is a money price guideline.

Part 3.

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2001**

NATIONAL BANK OF UKRAINE
BALANCE SHEET AS AT 31 DECEMBER 2001

(in millions of Ukrainian hryvnia)

	Note	2001	2000
ASSETS			
Foreign currency funds and deposits	4	14,966	6,827
SDR holdings		1,330	1,354
Monetary gold		711	672
Government securities	5	9,343	10,126
Loans to Government	6	10,478	10,657
Loans to banks and other borrowers	7	472	684
Accrued income	8	47	42
Quota contributions	9	9,136	9,714
Fixed assets and intangible assets	10	1,235	1,138
Other assets	11	1,273	1,491
Total assets		48,991	42,705
LIABILITIES			
Banknotes and coins in circulation	12	20,224	13,364
Accounts of banks	13	2,989	4,232
Accounts of Government and other clients	14	1,503	979
Profits payable to the budget	20	192	—
Own debt securities	15	1,850	2
Loans received	16	321	448
Liability to IMF	17	19,262	20,981
Accrued expenses	18	55	98
Other liabilities	19	862	892
Total liabilities		47,258	40,996
CAPITAL EMPLOYED			
Statutory capital		10	5
Funds and other reserves		1,357	1,212
Revaluation reserve for foreign currency and bank metals		299	425
Revaluation reserve for fixed assets		67	67
Total capital employed		1,733	1,709
Total liabilities and capital employed		48,991	42,705

Signed on behalf of the Board of the National Bank of Ukraine on 26 April 2002.

Governor



V.S. Stelmakh

Chief Accountant



V.I. Rychakivska

NATIONAL BANK OF UKRAINE
STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2001

(in millions of Ukrainian hryvnia)

	Note	2001	2000
Interest income	22	1,960	1,495
Interest expense	22	(496)	(698)
Net interest income	22	1,464	797
Fee and commission income	23	134	121
Fee and commission expense	23	(13)	(13)
Net fee and commission income	23	121	108
Gains less losses from securities trading	5	—	(28)
Other income	24	127	164
Total net income		1,712	1,041
Staff costs	25	(198)	(165)
Expenses for production of banknotes, coins and other products		(145)	(86)
Administrative, household and other expenses	26	(160)	(140)
Net provisioning expense	27	(367)	53
Profit available for distribution	20	842	703

Signed on behalf of the Board of the National Bank of Ukraine on 26 April 2002.

Governor



V.S. Stelmakh

Chief Accountant



V.I. Rychakivska

**Director of Finance
Department**



O.M. Kandybka

NATIONAL BANK OF UKRAINE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2001

(in millions of Ukrainian hryvnia)

	Note	2001
Operating activities		
Net profit for the year		842
Adjustments to reconcile net profit to cash provided by operations		
Depreciation		91
Increase in provisions		367
Accrued income		(43)
Accrued expenses		(42)
Other non-cash movements		(22)
Net cash inflow before changes in operating assets and liabilities		1,193
Net increase in loans to banks and other borrowers		(231)
Net decrease in other assets		338
Net decrease in other liabilities		(19)
Transfer of profit to the budget		(500)
Net cash from operating activities		781
Investing activities		
Net increase in term deposits		(223)
Net decrease in Government securities		774
Purchase of monetary gold		(48)
Investments in affiliated companies		(19)
Purchase of fixed assets and intangible assets		(210)
Proceeds from sale of fixed assets and intangible assets		22
Net cash from investing activities		296
Financing activities		
Issue of banknotes and coins in circulation		6,860
Repayment of IMF credit		(2,525)
Receipt of IMF credit		1,993
Net change in term deposits received		(648)
Issue of own debt securities		1,848
Other loans repaid		(6)
Net cash from financing activities		7,522
Effect of exchange rate changes on cash and cash equivalents		(358)
Net increase in cash and cash equivalents		8,241
Cash and cash equivalents at the beginning of the year		2,747
Cash and cash equivalents at the end of the year	21	10,988

Due to the changes in approach to preparation of the Statement of Cash Flows, no comparative figures are provided for the year ended 31 December 2000.

Governor




V.S. Stelmakh

Chief Accountant

V.I. Rychakivska

NATIONAL BANK OF UKRAINE
STATEMENT OF CHANGES IN CAPITAL EMPLOYED
FOR THE YEAR ENDED 31 DECEMBER 2001

(in millions of Ukrainian hryvnia)

	Statutory capital	Revaluation reserve for foreign currency and bank metals	Revaluation reserves for fixed assets	Funds and other reserves	Total capital employed
Balance as at 1 January 2000	5	(387)	66	991	675
Revaluation of foreign currency and bank metals	—	812	—	—	812
Net profit	—	—	—	703	703
Transfers to the budget	—	—	—	(500)	(500)
Addition of the Ukrainian Banking Academy	—	—	1	18	19
Balance as at 1 January 2001	5	425	67	1,212	1,709
Revaluation of foreign currency and bank metals	—	(126)	—	—	(126)
Contributions into statutory capital	5	—	—	(5)	—
Net profit	—	—	—	842	842
Transfers to the budget (Note 20)	—	—	—	(692)	(692)
Balance as at 31 December 2001	10	299	67	1,357	1,733

Governor



V. S. Stelmakh

Chief Accountant



V. I. Rychakivska

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (in millions of Ukrainian hryvnia)

Note 1. **PRINCIPAL ACTIVITIES**

The National Bank of Ukraine is 100% owned by the State.

The National Bank of Ukraine ("the NBU") is the central bank of Ukraine and operates in accordance with the Constitution of Ukraine, the Law of Ukraine "On the National Bank of Ukraine" and other applicable laws of Ukraine. In accordance with the Constitution of Ukraine and the Law of Ukraine "On the National Bank of Ukraine", the primary function of the NBU is ensuring the stability of the national currency of Ukraine. The NBU objectives are also to ensure the stability of the banking system and, within the scope of its power, price stability.

Additionally, in accordance with the Law of Ukraine "On the National Bank of Ukraine" the NBU carries out other functions designed to enable the NBU to fulfil its principal objectives summarised above, which include the following:

- in accordance with the main principles of monetary policy developed by the NBU Council, to develop and carry out monetary policy;
- in a monopoly capacity, to carry out the issue of national currency of Ukraine and to organise its circulation;
- to be a lender of the last resort for banks and to organise a system of refinancing;
- to establish the rules of carrying out banking operations, accounting and reporting, safeguarding information, funds and assets for banks;
- to organise and provide methodological support for the system of monetary, credit and banking statistical information and balance of payments statistics;
- to determine the system, procedures and forms of payments, including payments between banks;
- to determine directions of developing modern electronic banking technologies, to establish, co-ordinate and control development of electronic payment facilities, payment systems, automation of banking activities and means of protection of banking information;
- to exercise banking regulation and supervision;
- to maintain the State Register of Banks and to issue and withdraw licences for banking activities and operations in accordance with the law;
- to compile the balance of payments, perform its analysis and projections;
- to represent Ukraine in other central banks, international banks and other credit institutions where co-operation is maintained between the central banks;
- to carry out foreign exchange regulation under the authority determined by a special law, to determine procedures for foreign exchange operations, to organise and exercise foreign exchange control over banks and other financial institutions licensed by the NBU to perform foreign exchange operations;
- to ensure accumulation and maintenance of foreign exchange and gold reserves and perform operations with foreign exchange and gold reserves and bank metals;
- to organise collection and transportation of banknotes and coins and other valuables; to issue licences for cash collection and transportation of banknotes, coins and other valuables;
- to take part in training personnel for the banking system of Ukraine;
- to perform other functions in financial and credit areas within the competence defined by the Law.

According to the Law, the NBU provides loans to banks to support their liquidity, performs discount operations with bills of exchange and cheques, buys and sells securities and foreign currency valuables, bank and precious metals and jewellery, conducts deposit operations, issues guarantees and warranties, conducts operations with financial instruments; opens accounts with other banks and has a right to conduct other operations necessary for the performance of the functions listed above.

The NBU has 25 regional offices throughout Ukraine. Additionally, the NBU's structure includes the Central Vault, the State Treasure-House, the Central Clearing House, Printing and Minting Works, Banknote Paper Mill, banking educational establishments and other institutions necessary for the NBU activities. The NBU's central office is located at the following address: 9, Institutaska St., 01009, Kyiv, Ukraine. The number of NBU employees as at 31 December 2001 was 11,832 (2000: 11,639).

Note 2.
BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The NBU's accounting policies are defined according to the Law of Ukraine "On accounting and financial reporting in Ukraine", the Law of Ukraine "On the National Bank of Ukraine", the requirements of the National Accounting Regulations (Standards) and regulatory acts of Ukraine and are based on International Accounting Standards, except for the cases when the NBU applied its own accounting policies to comply with the requirements of the current Ukrainian legislation and to take into account its activities as a central bank, namely:

- Gains and losses from the revaluation of foreign currency and bank metals are credited or charged directly to revaluation reserve in the capital employed section and are not taken into account in determining the financial results of the NBU's activities;
- Provisions against loans to Government are raised in accordance with the requirements of the current Ukrainian legislation. However, the carrying value of loans to Government net of provisions do not correspond to estimated recoverable amount;
- In 1999 the NBU adopted a policy of raising provisions against overdue balances outstanding from commercial banks over the subsequent three-year period. The provisioning process is to be completed in May 2002. Therefore the net provisioning expense in the statement of income includes expenses that relate to prior periods;
- Prior to 2001 Ukraine experienced relatively high levels of inflation. As described in Note 3, developments in the Ukrainian economy in 2000 and 2001 suggest that Ukraine ceased to be hyperinflationary. Therefore IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applicable in 2001. However, in accordance with IAS 29, those non-monetary items that arise in the periods of hyperinflation need to be restated in terms of the purchasing power of national currency at the end of the previous reporting period. The NBU's financial statements have not been adjusted to reflect the effects of the change in the purchasing power of the Ukrainian hryvnia, as required by IAS 29;

- The NBU does not apply IAS 39 "Financial Instruments: Recognition and Measurement" since the NBU has not implemented detailed procedures for accounting in accordance with IAS 39.

The NBU's accounting records are maintained in the national currency of Ukraine, the Ukrainian hryvnia ("UAH"). All transactions are recorded in accounts according to procedures set out by the NBU in accordance with their economic substance.

The financial statements of the NBU are prepared in millions of Ukrainian hryvnia.

Basis of accounting. The financial statements have been prepared on a historical cost basis of accounting, modified to include the revaluation of certain fixed assets and revaluation of monetary gold and bank metals, which are recorded at their market values.

Accounting date. Transactions are recognised in accounting records on the date of the

transaction, i.e. on the day the rights (assets) or obligations (liabilities) arise, irrespective of the date of the respective cash flows.

Consolidation. Subsidiary undertakings owned by the NBU, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the NBU and are removed from consolidation from the date of disposal. All intercompany transactions and balances have been eliminated. Accounting policies for subsidiaries are consistent with the policies adopted by the NBU.

Foreign currency. Monetary assets and liabilities denominated in foreign currency are recorded at the official exchange rates of hryvnia to foreign currencies at the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currency are recorded at historical cost (at official exchange rate at the date of transaction).

Non-monetary assets and liabilities denominated in foreign currency include:

- Foreign currency investments in affiliated companies;
- Prepaid expenses, amounts payable for purchase of fixed assets, intangible assets and inventory;
- Creditors in respect of sales of fixed assets, intangible assets and inventory.

Transactions denominated in foreign currency are recorded at the official exchange rate ruling at the transaction date. Foreign currency gains and losses arising from changes in the official exchange rate of hryvnia to foreign currencies are posted directly to the revaluation reserve for foreign currency and bank metals in the capital employed section. The revaluation of foreign exchange assets and liabilities is performed on a daily basis by currency.

The principal rates of exchange used for translating monetary balance sheet items were:

	31 December 2001 (UAH)	31 December 2000 (UAH)
1 USD	5.298500	5.434500
1 SDR	6.658784	7.080653
1 Euro	4.669568	5.056800

Operations with IMF. The NBU acts as the depository and fiscal agent of Ukraine in its relationship with the International Monetary Fund (IMF). As such, all claims on and liabilities to the IMF are recorded in the financial statements of the NBU. The IMF asset balances include holdings of Special Drawing Rights (SDR) and quota contributions. The IMF liability includes securities issued to the IMF by the Ministry of Finance of Ukraine and the NBU on behalf of Ukraine and balances on IMF accounts No 1 and No 2.

Gains and losses from revaluation of assets and liabilities relating to membership in the IMF, resulting from changes in exchange rate of hryvnia to SDR are posted directly to revaluation reserve for foreign currency and bank metals in the capital employed section.

Interest received in respect of SDR holdings is disclosed as interest income and charges paid in respect of use of the IMF credit are disclosed as interest expense in the statement of income.

Monetary gold. Monetary gold consists of the stocks of gold bars of international standard held in the State Treasury-House of the NBU. Monetary gold is recorded in physical weight in troy ounces and is valued at the official (accounting) exchange rate at the balance sheet date. The official exchange rate is calculated based on the fixing of the London Bullion Market in US dollars ("USD") translated into UAH at the NBU official UAH/USD exchange rate.

Gains and losses from revaluation of monetary gold arising as a result of changes in official (accounting) exchange rate, are credited or charged directly to the revaluation reserve for foreign currency and bank metals in the capital employed section.

Interest-bearing gold placements with foreign banks are included in foreign currency funds and deposits.

The official exchange rate of gold to UAH as at 31 December 2001 was UAH 1,470.864 per troy ounce of gold (2000: UAH 1,481.716 per troy ounce).

Government securities. In accordance with the current legislation, the NBU acts as a general agent of the Government of Ukraine in placements and redemptions of domestic government bonds (OVDP) and performs the role of depository in registering transactions with Government securities. Government securities include coupon bonds, interest-bearing Government bonds and promissory notes issued by the Ministry of Finance on behalf of the Government of Ukraine. In accordance with the Law of Ukraine "On the National Bank of Ukraine" the NBU conducted operations with Government securities on the secondary market only.

Government securities are stated at cost adjusted for amortised discount.

Income earned on interest-bearing Government bonds and coupon bonds is recorded in the statement of income under the accrual method.

Any trading gains or losses on these securities are reflected as gains less losses from securities trading in the statement of income.

Agreements for sale and repurchase of securities. Securities purchased under agreements to resell are recorded as loans to commercial banks. The differences between the sale and repurchase prices are treated as interest income and accrued evenly over the life of the repo agreement.

Funds received under sale and repurchase agreements are included in accounts of banks. Securities sold under sale and repurchase agreements are retained as the assets of the bank. The differences between the sale and repurchase prices are treated as interest expense and accrued evenly over the life of the repo agreement.

Loans to Government. Loans to Government in UAH are stated at principal amounts outstanding less provision raised against these loans. Loans to Government in US dollars are stated at the official exchange rate at the balance sheet date. Gains and losses from revaluation of loans to Government in foreign currency are credited or charged directly to the revaluation reserve for foreign currency and bank metals in the capital employed section.

Provisions against loans to Government are raised in accordance with the requirements of the current Ukrainian legislation as described in Note 6.

Although the Law of Ukraine "On the restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" of 20 April 2000 provides for the service charge on loans to Government in national currency, the Law does not clearly specify the period for the accrual of this charge. Therefore due to the uncertainty of accrual period, interest income on loans to Government in UAH is not accrued. Additionally, the Law does not contain any provision in respect of service charge on loans to Government in foreign currency. Therefore no interest income is accrued on loans to Government in foreign currency.

Loans to banks and other borrowers. Loans to banks and other borrowers are stated at the principal amounts outstanding net of provisions for impairment of loans.

Provisions for impairment of loans are based on the evaluation by the NBU of the collectibility of those loans. Provisions are raised against debts whose recovery has been identified as doubtful. The principal factors considered in determining the loan loss provision are the growth, composition and quality of the loan portfolio, ability of the individual borrowers to repay the loans and accrued interest, past performance history of the individual loans, level of past due loans and current economic conditions.

Loans that cannot be recovered are written off and charged against the provision raised after all the necessary legal procedures have been completed. Recoveries of amounts previously written off are treated as income by reducing the provision for losses on loans for the year. The net aggregate provisions raised or reversed during the year are recognised in the statement of income.

Other credit related commitments. In the normal course of business, the NBU enters into other credit related commitments including loan commitments, letters of credit and guarantees. No provisions are raised against these exposures.

Fixed assets and intangible assets. Fixed assets and intangible assets are stated at cost, or revalued amounts, less accumulated depreciation. The amounts of revaluation are included in the revaluation reserve for fixed assets in the capital employed section.

Construction in progress is carried at cost. Depreciation of respective asset commences after the asset is put into use.

Depreciation. Depreciation of fixed assets and intangible assets is calculated based on the straight-line method over the estimated useful lives of the assets.

Annual depreciation rates are as follows:

Buildings and constructions	2 – 5 %;
Plant and machinery	2.5 – 15 %;
Furniture and equipment	7 – 25 %.

Gains and losses on disposal of fixed assets and intangible assets are determined by reference to their carrying amount and are taken into account in determining net income.

Expenses that improve the condition of the asset which result in increased future economic benefits are capitalised. Repairs and maintenance are charged to expense as incurred.

Investments in affiliated companies. Investments in affiliated companies in UAH and foreign currency are stated at historical cost and included in Other assets item in the financial statements. Associated entities are not accounted for on an equity accounting basis, as such a treatment would have an immaterial effect on the financial position and results of operations of the NBU.

Bank metals and other precious metals. Bank metals include silver, platinum and palladium bars held in the State Treasury-House of the NBU. Bank metals are recorded in physical weight in troy ounces and are valued at the official (accounting) exchange rate. The NBU exchange rate is calculated based on price of the London Bullion Market in USD translated into UAH at the NBU official UAH/USD exchange rate.

Gains and losses from revaluation of bank metals arising as a result of changes in official (accounting) exchange rate, are credited or charged directly to the revaluation reserve for foreign currency and bank metals in the capital employed section. Bank metals are included in "Other assets" item.

The official exchange rates of bank metals to UAH at which bank metals are stated in the balance sheet were as follows:

	31 December 2001 (UAH)	31 December 2000 (UAH)
1 troy ounce of silver	23.843	24.863
1 troy ounce of platinum	2,527.385	3,320.480
1 troy ounce of palladium	2,310.146	5,184.513

Interest-bearing placements in bank metals with foreign banks are included in foreign currency funds and deposits.

Other precious metals are carried at historical cost and are disclosed in Other assets item. They include gold and other scrap metal and bars which are not of a recognised standard.

Banknotes and coins in circulation. The NBU acts in a monopoly capacity when issuing Ukrainian hryvnia and organising cash circulation. Cash issued in circulation includes banknotes and circulating coins. Banknotes and coins issued in circulation are recorded at their nominal value. UAH cash held in the NBU's vaults and cash offices is not included in cash in circulation.

Income and expense recognition. Interest income and expense are recognised in the statement of income on an accrual basis, except for interest on demand deposits and SDR holdings, which is accounted for on a cash basis in the statement of income.

Provision is raised against accrued income receivable where recoverability has been identified as doubtful. Accruing of interest income is suspended when the receipt of interest becomes doubtful. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognised at the time the products are received or the service is provided.

Foreign currency revaluation reserve. Gains and losses of the NBU arising as a result of changes in the valuation of assets and liabilities denominated in foreign currency and bank metals due to changes in foreign currency and bank metals exchange rates, are charged or credited to the revaluation reserve for foreign currency and bank metals in the capital employed section of the balance sheet and are not taken into account when calculating the net income.

Pension costs. The NBU contributes to the state pension scheme, obligatory social insurance and employment funds in respect of its employees. The NBU's pension scheme contributions amount to 32% of employees' gross salaries up to a maximum of UAH 512 per employee per month, and are expensed as incurred. The NBU also operates an unfunded internal pension scheme which is financed primarily from the NBU employees' voluntary contributions. The amount receivable by the employee cannot exceed contributions made to the scheme. The pension scheme liability is included in other liabilities item.

Expenses for money issuance. The NBU produces banknotes and circulating (small change and commemorative disposed at nominal) coins, as well as commemorative coins made of precious and other metals sold at prices set out by the NBU Board. All expenses associated with the banknotes and circulating coins production, including depreciation of plant and machinery, wages, salaries and social assistance to main employees, other production costs, costs for transportation of banknotes and circulating coins to the Central Vault are charged to expenses for production of banknotes and coins when the finished products are received by the Central Vault. Expenses associated with the production of commemorative coins made of precious metals and other numismatic products are charged to expenses on realisation.

Commemorative coins made of precious and other metals are recorded in the balance sheet as an asset (at production cost) and included in other assets. Expenses for production of these coins are recognised in the period when they are realised.

Cash and cash equivalents. For the purposes of reporting cash flows reflecting changes in both foreign and domestic liquidity, cash and cash equivalents include financial assets which are on demand or maturing within three months and liabilities which are on demand. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Offsetting. Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Corresponding figures. To ensure consistency with the current year, comparative figures have been restated where appropriate. The changes to corresponding figures are as follows:

- long-term deposit with a resident bank is included in "Other assets" (2000: disclosed as a separate balance sheet item "Long-term deposit with a resident bank");
- promissory notes issued by the NBU are included in "Other liabilities" balance sheet item (2000: included in "Debt securities issued by the NBU");
- the balance for cash and cash equivalents has been restated. Short-term deposits maturing within three months (except for deposits in gold and bank metals) are included in cash and cash equivalents (2000: included in "Net increase in term deposits" item in investment activities section of the Statement of Cash Flows).

Changes in Accounting Policies. There has been no significant changes in the NBU's accounting policies for the year ended 31 December 2001.

Note 3.
EFFECT OF ECONOMIC CONDITIONS IN UKRAINE
ON THE FINANCIAL STATEMENTS OF THE NBU

The economy of Ukraine continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity in the public and private debt and equity markets. Additionally, the banking sector in Ukraine is particularly impacted by currency fluctuations and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in Ukraine.

However, in 2001 Ukraine continued its positive growth trend initiated in 1999 and achieved GDP growth of 9.0% and industrial output growth of 14.2%. In 2001 Ukraine was able to maintain a stable local currency and low level of inflation. In 2001 the level of inflation was 6.1% (2000: 25.8%), which was the lowest recorded in Ukraine for the last 10 years. During 2001 the Ukrainian hryvnia appreciated relative to the US Dollar from an official rate of UAH 5.4345 as at 31 December 2000 to UAH 5.2985 as at 31 December 2001. The NBU discount rate decreased from 27% as at 31 December 2000 to 12.5% as at 31 December 2001.

There remains uncertainty as to the ability of Ukraine to maintain the positive trend for the longer term. The prospects for future economic stability in Ukraine are largely dependent upon the effectiveness of economic measures undertaken by the Government, decisions of international lending organisations, and other factors, including legal, regulatory and political developments.

The main effect on the NBU's financial statements of the developments in the Ukrainian economy in 2001 has been the increased ability of the Government to service its debt securities owned by the NBU. Interest income earned on Government securities represents a major part of the NBU's income for the year.

However, the ability of the Government to repay principal and interest owed on loans from the NBU is principally restricted due to budgetary constraints. In accordance with the Law of Ukraine "On restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" dated 20 April 2000 the repayment of loans to Government in foreign currency should start in 2002. However, the Law of Ukraine "On the State Budget of Ukraine for 2002" does not provide for the allocation of budget funds for the repayment of Government loans to the NBU.

The Government-related balance sheet and off-balance sheet items are summarised below. In addition, an estimated range of fair values of Government-related balances is presented in Note 34. No provisions have been raised against the carrying amount of Government securities, loans to Government in foreign currency or the respective off-balance sheet exposures in the form of guarantees issued on behalf of the Government.

	Note	2001	2000
Government securities	5	9,343	10,126
Loans to Government	6	10,478	10,657
Guarantees issued on behalf of Government	33	1,131	1,225

Note 4.
FOREIGN CURRENCY FUNDS AND DEPOSITS

	2001	2000
Foreign currency cash	18	14
Demand deposits:		
With OECD banks	1,048	909
With CIS banks	–	10
With resident banks	1	8

	Note	2001	2000
Term deposits with OECD banks:			
in foreign currency		13,225	5,125
in gold		284	376
in bank metals		390	395
Provision against foreign currency funds and deposits		–	(10)
Total foreign currency funds and deposits		14,966	6,827

The amount of demand deposits with OECD (Organisation for Economic Co-operation and Development) banks includes UAH 10 million (2000: UAH 15 million) pledged as cash collateral in respect of guarantees and letters of credit and the amount of term deposits with OECD banks includes UAH 10 million (2000: UAH 60 million) pledged under performance guarantee for a foreign contract. In addition, demand deposits with OECD banks include balances on special use accounts totalling UAH 51 million (2000: UAH 38 million included in demand deposits and UAH 108 million included in term deposits) maintained by the NBU for the purposes of credit lines received from international financial institutions (Note 16) and accounts maintained on behalf of other financial institutions. The use of these accounts is regulated by the provisions of Loan Agreements entered into with the international financial institutions and Funds Management Agreements entered into with other financial institutions.

The amount of demand deposits and term deposits with OECD banks also includes UAH 13,344 million (2000: UAH 6,078 million) of funds held with Bank for International Settlements, an international financial institution established in Basel, Switzerland, to promote co-operation between Central banks.

The term deposits denominated in bank metals include deposits of platinum and palladium. These deposits and deposits of gold earn interest paid in USD.

Movements in the provision against foreign currency funds and deposits are as follows:

	2001	2000
Provision against foreign currency funds and deposits at the beginning of the year	10	10
Amounts written off against provision	(9)	–
Reduction in provision	(1)	–
Provision against foreign currency funds and deposits at the end of the year	–	10

The provision against foreign currency funds and deposits relates specifically to demand deposits with banks that have been liquidated or are insolvent. During 2001 the respective bad debt was written off against the provision.

The geographical analysis of foreign currency funds and deposits is disclosed in Note 29, currency analysis is disclosed in Note 30, interest rate analysis is presented in Note 31 and maturity analysis is disclosed in Note 32.

Note 5. **GOVERNMENT SECURITIES**

	2001	2000
Government debt securities denominated in national currency:		
Interest bearing domestic Government bonds issued in 2000	8,809	9,562
Conversion coupon bonds	–	14

	2001	2000
Promissory notes	395	395
Government debt securities denominated in foreign currency:		
External state debt securities issued in 1995	25	24
External state debt securities issued in 2000	114	131
Total Government securities	9,343	10,126

Government securities are issued by the Ministry of Finance of Ukraine and, accordingly, carry the guarantee of the Ukrainian Government.

Government debt securities denominated in national currency consist of the following securities:

(a) Interest bearing domestic Government bonds (POVDP), which were acquired by the NBU as a result of a restructuring of the NBU's portfolio of UAH denominated discount treasury bills in October 2000 and POVDP purchased from Ukrainian banks for monetary policy purposes. The POVDP have a nominal value of UAH 1,000 per bond and earn interest at the rates determined in accordance with the Cabinet of Ministers' decree. The rates are set by the Ministry of Finance annually based on the projected inflation rate adjusted for a portion of the difference between the projected and the actual inflation rate for the preceding year. The interest is payable on a monthly basis. During 2001 the interest was paid at 1.318% per month. In 2002 the interest will be paid at the rate of 0.422% per month. POVDP have maturity dates from 2002 to 2010 and are to be redeemed in monthly instalments starting from January 2002.

(b) Conversion coupon bonds purchased in 2000 from Ukrainian banks for monetary policy purposes, have been redeemed in August 2001. During 2001 the coupon on these bonds was paid at the interest rate of 25% per annum (during the period 28 August 2000 to 27 February 2001) and 20% per annum (during the period 28 February 2001 to 27 August 2001).

(c) Promissory notes received by the NBU in September 2000 from the Ministry of Finance as part of the restructuring programme with a nominal value of UAH 395 million and maturity in 2009–2010. The promissory notes were issued in lieu of the coupon interest income and amortised discount. Promissory notes of UAH 196 million are repayable in October–November 2009 with the balancing payment of UAH 199 million at the end of 2010.

Government debt securities denominated in foreign currency consist of the following securities:

(a) External state debt securities issued in 1995, denominated in USD. These are bonds issued by the Ministry of Finance of Ukraine on behalf of the Ukrainian Government to the Russian Joint Stock Company "Gazprom" in 1995. The bonds have been purchased in 2000 from a Ukrainian bank. They carry coupon interest of 8.5% and mature in September 2003.

(b) External state debt securities issued in 2000, denominated in EUR. In accordance with the Decree No 360 of the Cabinet of Ministers of Ukraine dated 11 February 2000 the external state bonds of 1995, denominated in USD and carrying coupon interest of 8.5% per annum, held by the NBU, were restructured into bonds denominated in Euro and carrying coupon interest of 10% per annum. According to the terms of restructuring, the securities were exchanged based on the coefficient stated in the Decree of the Cabinet of Ministers, which varied from 68% to 98% of the original nominal value. The difference between carrying value of securities subject to restructuring and the value of securities received on restructuring amounted to UAH 28 million and was charged to the statement of income as losses from securities trading. The new securities have nominal value EUR 1,000, mature in March 2007 and pay coupon interest on a quarterly basis starting from 15 June 2000. During 2001 there were two redemptions of Euro denominated external state bonds totalling UAH 7 million (EUR 2 million).

At 31 December 2001 the total nominal value of the NBU's portfolio of Government securities denominated in foreign currency was UAH 141 million (2000: UAH 159 million).

The maturity analysis of Government bonds is disclosed in Note 32 and the interest rate analysis is presented in Note 31. Note 34 provides an estimate of the fair values of Government securities, based on available market information.

Note 6.
LOANS TO GOVERNMENT

	2001	2000
Loans granted in national currency:		
1992	18	18
1993	111	111
1994	1,321	1,321
1995	1,694	1,694
1996	424	424
Total loans in national currency	3,568	3,568
Loans granted in foreign currency:		
1995	3,688	3,782
1996	2,585	2,652
Total loans in foreign currency	6,273	6,434
Accrued interest on loans to Government in foreign currency	706	724
Provision against loans to Government	(69)	(69)
Total loans to Government	10,478	10,657

Loans in national currency and foreign currency were granted in 1992–1996 for financing State budget deficits.

On 20 April 2000 the Law of Ukraine "On the restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" was passed. In accordance with this Law, loans outstanding in national currency totalling UAH 3,439 million, loans outstanding in foreign currency totalling USD 1,184 million (UAH 6,273 million at year-end exchange rate) and accrued income on loans in foreign currency totalling USD 133 million (UAH 706 million at year-end exchange rate), were restructured and included into the internal state debt.

The amount of the internal state debt of the Government of Ukraine in the national currency is due to be repaid by equal quarterly instalments with charge of 5% per annum for debt servicing from 2010 to 2035. However, the Law does not clearly state when the accrual of interest should start.

The internal state debt of the Government of Ukraine in USD is due to be repaid by equal quarterly instalments starting from 2002 up to 2009. Accrued interest on loans to Government in foreign currency in the amount of USD 133 million (UAH 706 million), which was included in the internal state debt, is disclosed in the balance sheet as deferred income (Note 19) and will only be recognised in the statement of income at the time of repayment of the internal state debt. However, the Law of Ukraine "On the State Budget of Ukraine for 2002" does not contain provision on allocation of funds for repayment of this debt.

In accordance with the Law of Ukraine "On the restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" in 2000 the NBU raised a provision of 2% of the principal amount outstanding against loans to Government in national currency granted in 1994–1996. The Law of Ukraine "On the State Budget of Ukraine for 2001" suspended this provision of the Law of Ukraine "On the restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine". As such, no further provision was raised in 2001 against loans to Government.

The current Ukrainian legislation does not envisage raising provisions against loans to Government in foreign currency.

The currency analysis of loans to Government is disclosed in Note 30, the maturity analysis is presented in Note 32. Note 34 provides an estimate of the fair values of loans to Government based on the above maturities and other available market information.

Note 7.**LOANS TO BANKS AND OTHER BORROWERS**

	2001	2000
Current/rescheduled loans	544	725
Overdue loans	552	264
Provision against loans to banks and other borrowers	(624)	(305)
Total loans to banks and other borrowers	472	684

Loans to banks and other borrowers include USD loans granted under the line of credit for small and medium enterprises (SME) received from the EBRD totalling UAH 363 million (2000: UAH 392 million). The interest rate on these loans is LIBOR+3% (2000: LIBOR + 3%). The funds received by the NBU from the EBRD are included in Note 16.

The interest rate on loans granted by the NBU in national currency changes in line with changes in the NBU discount rate.

As at 31 December 2001 the aggregate amount of non-performing loans on which interest income is not being accrued amounted to UAH 526 million (2000: UAH 184 million)

Movements in provision against loans to banks and other borrowers are as follows:

	2001	2000
Provisions against loans to banks and other borrowers at the beginning of the year	305	136
Increase in provisions	329	167
Revaluation of provisions raised in foreign currency	(1)	2
Amounts written off against provisions	(9)	-
Provisions against loans to banks and other borrowers at the end of the year	624	305

In 1999 the NBU adopted a policy of raising provisions against overdue balances outstanding from commercial banks over the subsequent three-year period. The provisioning process is to be completed in May 2002. Therefore the net increase in provisions for the year ended 31 December 2001 includes UAH 316 million that relates to prior periods.

The geographical analysis of loans to banks and other borrowers is disclosed in Note 29, the currency analysis is presented in Note 30, the interest rate analysis is provided in Note 31 and the maturity analysis is presented in Note 32.

Note 8.**ACCRUED INCOME**

	2001	2000
Accrued income on foreign currency funds and deposits	18	15
Accrued income on Government securities	9	2
Accrued income on loans to banks and other borrowers	125	97

Other accrued income	5	3
Provision against accrued income on loans to banks and other borrowers	(110)	(75)
Total accrued income	47	42

Movements in provision against accrued income are as follows:

	2001	2000
Provisions against accrued income at the beginning of the year	75	–
Increase in provisions	36	76
Revaluation of provisions raised in foreign currency	–	(1)
Amounts written off against provisions	(1)	–
Provisions against accrued income at the end of the year	110	75

The geographical analysis of accrued income is disclosed in Note 29, the currency analysis is provided in Note 30 and the maturity analysis is presented in Note 32.

Note 9. **QUOTA CONTRIBUTIONS**

The quota balance represents Ukraine's subscription as a member of the International Monetary Fund (IMF). Quotas vary based on the economic size and circumstances of each member and are determined by the Board of Governors of the IMF. The quota determines a member's voting power in the Fund, the limits of access to the financial resources of the Fund and a participant's share in the allocation of SDRs, the Fund's unit of account. The major part of Ukraine's quota was paid in the form of non-interest-bearing promissory notes, the remainder being credited to the IMF account No 1 (Note 17). As at 31 December 2001 Ukraine's quota in the IMF amounted to SDR 1,372 million (2000: SDR 1,372 million). The quota does not earn interest.

Note 10. **FIXED ASSETS AND INTANGIBLE ASSETS**

	Intangible assets	Buildings and constructions	Motor vehicles	Equipment and machinery	Furniture and fixtures	Other	Uncompleted capital investments	Total
Net book value at the beginning of the year	18	580	23	300	61	84	72	1,138
Cost or valuation at the beginning of the year	23	666	47	413	81	113	72	1,415
Accumulated depreciation at the beginning of the year	5	86	24	113	20	29	–	277
Additions	4	35	4	43	13	36	75	210
Disposals (at net book value)	–	(4)	(1)	(1)	(1)	(13)	(2)	(22)
Cost	(1)	(4)	(5)	(2)	(1)	(18)	(2)	(33)
Accumulated depreciation	(1)	–	(4)	(1)	–	(5)	–	(11)
Transfer from/ (to) another category	–	28	–	1	1	–	(30)	–
Depreciation charge for the year	4	16	5	39	10	17	–	91
Cost or valuation at the end of the year	26	725	46	455	94	131	115	1,592
Accumulated depreciation at the end of the year	8	102	25	151	30	41	–	357
Net book value at the end of the year	18	623	21	304	64	90	115	1,235

Included in plant and machinery are assets totalling UAH 6 million (2000: UAH 31 million) which are currently under reconstruction or not in use and as such they are not depreciated.

Note 11.
OTHER ASSETS

	2001	2000
Long-term deposit with a resident bank	591	657
Investments in affiliated companies	231	212
Bank metals	193	374
Current tangible assets	84	84
Precious metals and jewellery	37	43
Commemorative coins and other numismatic products	26	23
Deferred expenses	1	3
Other debtors	113	95
Provision against other assets	(3)	-
Total other assets	1,273	1,491

The long-term deposit with a resident bank represents USD funds accumulated on the NBU's correspondent account with a state-owned Ukrainian bank during the period 1994–1995 from the amounts of obligatory sales of foreign currency receipts in favour of resident clients. In 1999 this balance was rearranged as a long-term deposit repayable on a quarterly basis during the period 2000 to 2004. The effective interest rate on this deposit is disclosed in Note 31.

Investments in affiliated companies consist of:

Name	Amount	Country of registration	Type of company	Share (%)
Black Sea Trade and Development Bank	206	Greece	Joint stock bank	13.50
German-Ukrainian Fund	24	Ukraine	Special type financial institution	31.25
Inter-State Bank	1	Russia	Financial institution	20.70
Total	231			

The amount of investments in affiliated companies relates principally to an amount of UAH 206 million (2000: UAH 206 million) representing an investment on behalf of Ukraine in Black Sea Trade and Development Bank (BSTDB) of SDR 41 million (2000: SDR 41 million). As at 31 December 2001 the NBU had paid in total SDR 24 million. The remaining SDR 17 million of the investment (UAH 112 million at year-end exchange rate) is covered by a non-interest bearing promissory note, which is included in "other liabilities" in Note 19. During 2001 no payments were made in respect of the promissory note. In accordance with the Decree of the President of Ukraine No 181/2002 of 26 February 2002, further payments in respect of Ukraine's share in the BSTDB will be made from the State budget. In April 2002 the amount of SDR 3 million (UAH 22 million at year-end exchange rate) was paid from the State budget in favour of BSTDB.

During 2001 the NBU has completed the investment commitments in respect of its share in German-Ukrainian Fund.

The geographical analysis of other assets is disclosed in Note 29, the currency analysis is presented in Note 30 and the maturity analysis is provided in Note 32. Note 34 provides an estimate of the fair value of long-term deposit with a resident bank.

Note 12.
BANKNOTES AND COINS IN CIRCULATION

	2001	2000
Cash in issue	20,315	13,413
Cash held in the NBU cashiers' offices	(91)	(49)
Total banknotes and coins in circulation	20,224	13,364

Banknotes and coins in circulation include banknotes and coins issued by the NBU since the introduction of the national currency, the hryvnia, in September 1996.

UAH replaced the karbovanets (KBV) as the official currency of Ukraine in September 1996. In 1998 the NBU wrote-off to income KBV banknotes and coins which had not been exchanged into UAH. The exchange of KBV into UAH was completed on 29 December 2000. After 29 December 2000 there has been no decision in respect of extension of the exchange period. In accordance with the Decree of the President of Ukraine of 26 April 1997 No 375/97 "Issues of extension of the period for exchange of Ukrainian karbovanets into hryvnia" the NBU has the right to define the procedures and take decisions on extension of exchange period of Ukrainian karbovanets into hryvnia for those citizens who were not able to complete the exchange due to valid reasons. The amount of UAH paid on exchange is charged to the statement of income after the transaction is completed. As at 31 December 2001 the amount of KBV not exchanged into UAH totalled UAH 63 million (2000: UAH 63 million).

During 2001 the total amount of cash issued was UAH 6,902 million (2000: UAH 3,441 million) as follows:

banknotes	UAH 6,865 million (2000: UAH 3,409 million)
circulating coins	UAH 36 million (2000: UAH 31 million)
commemorative coins	UAH 1 million (2000: UAH 1 million).

Note 13.
ACCOUNTS OF BANKS

	2001	2000
Demand deposits:		
in UAH	2,802	3,401
in foreign currency	18	19
Funds received under REPO transactions	–	552
Term deposits in foreign currency	109	205
Demand deposits of banks in the process of liquidation and registration:		
in UAH	55	28
in foreign currency	5	27
Total accounts of banks	2,989	4,232

Demand deposits in UAH include the Ukrainian banks' statutory reserve deposits with the NBU, held on the banks' non-interest bearing correspondent accounts with the NBU.

During 2001 the NBU took steps to neutralise the excess of money in circulation through repo transactions aimed at attraction of funds from Ukrainian banks by placement of Government securities held by the NBU. The total amount of interest expense on repo transactions for 2001 was UAH 12 million (2000: UAH 6 million).

The currency analysis of accounts of banks is disclosed in Note 30, the interest rate analysis is presented in Note 31 and the maturity analysis is provided in Note 32.

Note 14.
ACCOUNTS OF GOVERNMENT AND OTHER CLIENTS

	2001	2000
Budget accounts	1,362	898
Accounts of non-budgetary funds	18	17
Other	123	64
Total accounts of Government and other clients	1,503	979

The increase of UAH 464 million in the balance of budget accounts in 2001 compared to 2000 is mainly due to the transfer of accounts of the State and local budgets and off-budgetary funds from authorised banks to the NBU and consolidation of these funds in the single treasury account with the NBU. The balance on account of State Treasury as at 31 December 2001 amounted to UAH 926 million (2000: UAH 27 million).

In accordance with the Law of Ukraine "On the National Bank of Ukraine" all budget accounts with the NBU are non-interest bearing.

The geographical analysis of accounts of Government and other clients is disclosed in Note 29, the currency analysis is presented in Note 30 and the maturity analysis is provided in Note 32.

Note 15.
OWN DEBT SECURITIES

In 2001 the NBU regulated the necessary amount of money in circulation using monetary instruments in order to balance demand and supply of money. The regulation instruments included placement of deposit certificates with Ukrainian banks. The face value of deposit certificates is UAH 1 million each. The interest rates on deposit certificates were set based on interest rates on loans and deposits in the interbank market. Expenses related to deposit certificates issued by the NBU are included in interest expense item in the statement of income.

Note 16.
LOANS RECEIVED

	2001	2000
Loans received from EBRD	321	437
Other loans received from non-residents	–	11
Total loans received	321	448

The amount of UAH 321 million (2000: UAH 437 million) represents long-term loans in USD received under the EBRD line of credit for small and medium enterprises (SME), including UAH 254 million (2000: UAH 437 million) received under SME-1 credit line started in 1995 and UAH 70 million (2000: UAH 4 million) received under SME-2 credit line started in 2000. The amount outstanding under the EBRD credit lines is stated net of unamortised portion of front-end fee totalling UAH 3 million (2000: UAH 4 million). Under the NBU's accounting policy the front-end fee is amortised over the term of the credit line. The interest rate on these loans is LIBOR+1%.

The balance for other loans received from non-residents as at 31 December 2000 included a loan for equipment of UAH 5 million received from the World Bank within the framework of the Institutional Loan to the Ukrainian Government. In March 2001, after clarification of the status of the liability with the Government, this loan was treated as a non-repayable grant and written off to income.

The geographical analysis of loans received is disclosed in Note 29, the currency analysis is presented in Note 30, the interest rate analysis is provided in Note 31 and the maturity analysis is disclosed in Note 32.

Note 17.
LIABILITY TO IMF

	2001	2000
IMF accounts No 1 and No 2	24	9
Securities issued to the IMF in settlement of Quota	9,112	9,705
Securities issued to the IMF in respect of purchases made under credit facilities:		
Stand-by Facility	384	2,378
Systemic Transformation Facility	1,798	2,501
Extended Fund Facility	7,944	6,388
Total liability to IMF	19,262	20,981

During 2001 the NBU received UAH 1,993 million (SDR 291 million) as part of the Extended Fund Facility programme (2000: SDR 190 million) and repaid credits in respect of Stand-by Facility and Systemic Transformation Facility totalling UAH 2,525 million (SDR 361 million).

Charges in respect of use of the Fund credit are accrued at a floating interest rate. As at 31 December 2001 the interest rate was 2.62% per annum (2000: 5.03% per annum). Accrued charges in respect of use of the Fund credit are included in accrued expense in Note 18. The maturity analysis of the liability to IMF is presented in Note 32, which discloses that UAH 910 million of the total liability is due to be repaid within one year.

During 2001 the amount of securities issued to the IMF decreased due to the appreciation of the Ukrainian hryvnia against the SDR, resulting in a revaluation gain of UAH 713 million. The securities issued in respect of purchases made were decreased by UAH 367 million and the securities issued in settlement of Quota were decreased by UAH 346 million.

Note 18.
ACCRUED EXPENSES

	2001	2000
Accrued expense on operations with the IMF	47	78
Accrued expense on loans received	5	13
Other accrued expenses	3	7
Total accrued expenses	55	98

The geographical analysis of accrued expenses is disclosed in Note 29, the currency analysis is presented in Note 30 and the maturity analysis is disclosed in Note 32.

Note 19.
OTHER LIABILITIES

	2001	2000
Deferred income on loans to Government in foreign currency (Note 6)	706	724
Promissory notes issued by the NBU (Note 11)	112	120
Current accounts of employees	18	11
Other deferred income	2	1
Other creditors	24	36
Total other liabilities	862	892

The geographical analysis of other liabilities is disclosed in Note 29, the currency analysis is presented in Note 30 and the maturity analysis is disclosed in Note 32.

Note 20.
TRANSFERS TO THE STATE BUDGET

In accordance with the Law of Ukraine "On the National Bank Ukraine", the NBU is obliged to distribute the excess of budgeted income over budgeted expenditure to the state budget of Ukraine based on the results for the preceding year. The Law of Ukraine "On the State Budget of Ukraine for 2001" provided for the transfer of profits to be made by the NBU in 2001 of UAH 500 million. This amount was transferred to the state budget during 2001 in advance of the profit for the year actually earned and recorded in the statement of changes of capital employed.

The actual excess of income over expenditure for the year ended 31 December 2001 amounted to UAH 692 million, based on the method of calculation for the budget. Therefore, as at 31 December 2001 the NBU recorded the amount payable to the budget in respect of transfer of 2001 profit of UAH 192 million being the excess of income over expenditure for 2001, less the amount of UAH 500 million already transferred to the budget in 2001. This amount was paid to the state budget in February 2002.

The reconciliation of the profit available for distribution as disclosed in the financial statements to the excess of budgeted income over budgeted expenditure is presented below:

	2001	2000
Profit available for distribution per statement of income	842	703
Increase in share capital from profits (to comply with the requirements of the Law "On the National Bank of Ukraine")	–	(5)
Less: Capital investments included in budgeted expenditure, but excluded from net profit calculation		
– budgeted purchase of fixed assets and investments in capital construction net of depreciation charge	(123)	(144)
– investment in German-Ukrainian Fund (Note 11)	(19)	–
– budgeted distribution to the NBU funds (loan fund and coin production development fund)	(8)	(19)
Excess of income over expenditure for the year	692	535

In 2001 under the approval of the Council the NBU performed distribution of profits for 2000. In addition to budgeted distribution to funds for capital investments, loan fund and coin production development fund, the NBU Council approved allocation of further UAH 35 million of profits earned to general reserves of the NBU.

Note 21.
CASH AND CASH EQUIVALENTS

	Note	2001	2000
Foreign currency cash	4	18	14
Demand deposits (other than restricted funds)	4	1,017	896
Short-term deposits placed maturing within three months (other than gold, bank metals and restricted funds)	4	13,048	4,957
SDR holdings		1,330	1,354
IMF accounts No 1 and No 2	17	(24)	(9)
Demand deposits of banks	13	(2,880)	(3,475)
Accounts of Government and other clients	14	(1,503)	(979)
Current accounts of employees	19	(18)	(11)
Total cash and cash equivalents		10,988	2,747

As disclosed in Note 2, to ensure consistency with the current year presentation in the financial statements, comparative figures have been restated where appropriate. In particular, this relates to the composition of cash and cash equivalents:

- cash and cash equivalents include short-term deposits maturing within three months (other than gold and bank metals) that are readily convertible to known amounts of cash and which are subject to a low risk of changes in value;

- cash and cash equivalents include pension scheme demand deposits; and

- cash and cash equivalents exclude special purpose accounts that are of a restricted nature.

These changes resulted in the net increase in the amount of cash and cash equivalents as at 31 December 2000 of UAH 4,949 million.

Note 22.
INTEREST INCOME AND EXPENSE

	2001	2000
Interest income		
Income on Government securities	1,433	1,020
Income on foreign currency funds and deposits	386	331
Income on loans to banks and other borrowers	101	130
Income on SDR holdings	36	9
Other	4	5
Total interest income	1,960	1,495
Interest expense		
Expenses on operations with IMF	(440)	(629)
Expenses on accounts of banks	(20)	(19)
Expenses on loans received	(19)	(41)
Expenses on own debt securities	(15)	(7)
Other	(2)	(2)
Total interest expense	(496)	(698)
Net interest income	1,464	797

Note 23.
FEE AND COMMISSION INCOME AND EXPENSE

	2001	2000
Fee and commission income		
Income from cash collection services	58	62
Income for services of electronic payment system and electronic mail	50	35
Income from cash and settlement services	25	24
Other	1	-
Total fee and commission income	134	121
Fee and commission expense		
Expenses for operations with IMF	(10)	(7)
Other	(3)	(6)
Total fee and commission expense	(13)	(13)
Net fee and commission income	121	108

Note 24.
OTHER INCOME

	2001	2000
Income from sale of banknote paper, commemorative coins and other products	83	70
Gains less losses from disposal of inventory, fixed assets and intangible assets	16	56
Other	28	38
Total other income	127	164

Income from the sale of other products includes excise stamps, blanks for securities and documents and other products sold by the NBU to State organisations and local and foreign counterparties.

Other income includes study fees earned by the NBU educational institutions of UAH 8 million (2000: UAH 6 million). In addition, other income includes UAH 5 million representing the write-off of an amount due under the loan for equipment received from the World Bank within the framework of the Institutional Loan to the Ukrainian Government and subsequently treated as a non-repayable grant (refer Note 16).

Note 25.
STAFF COSTS

	2001	2000
Wages and salaries	102	89
Contributions for state social insurance	44	35
Social payments	40	32
Other	12	9
Total staff costs	198	165

As indicated in Note 2, staff costs associated with production of banknote paper, banknotes, coins and other products are included in expenses for production of banknotes, coins and other products.

Note 26.
ADMINISTRATIVE, HOUSEHOLD AND OTHER EXPENSES

	2001	2000
Depreciation charge	57	43
Occupancy costs	36	29
Expenses for maintenance of fixed assets and intangible assets	25	14
Telecommunication services and maintenance	7	7
Business trip expenses	3	3
Other	32	44
Total administrative, household and other expenses	160	140

The depreciation charge for 2001 excludes depreciation of UAH 34 million (2000: UAH 31 million) in respect of plant and machinery used in the production of banknote paper, banknotes, coins and other products. This part of the depreciation charge in Note 10 is included in expenses for production of banknotes, coins and other products.

Other expenses include financial assistance of UAH 11.5 million to an organisation financed from the State budget.

Note 27.
NET PROVISIONING EXPENSE

	Note	2001	2000
Increase/ (reduction) in provisions:			
Foreign currency funds and deposits	4	(1)	–
Loans to Government	6	–	69
Loans to banks and other borrowers	7	329	167
Accrued income	8	36	76
Other assets	11	3	(366)
Amounts written off directly		–	1
Total net provisioning expense		367	(53)

Note 28.
MANAGEMENT OF FINANCIAL RISKS

Principal types of financial risks inherent in the NBU's activities are credit, currency, interest rate and liquidity risk. These risks are controlled by management of operational departments, Internal Audit Department and Risk Control Division.

Credit risk is controlled through compliance with rules established by the NBU internal regulations:

- in the area of gold and foreign currency reserves: for placements by the NBU, the counterparties should have ratings (per Fitch IBCA and Moody's) not lower than those set by the NBU Board decision;
- in the area of supporting banking system liquidity: commercial banks requesting liquidity support through the NBU refinancing operations, should comply with the requirements set by the Regulation on refinancing mechanisms for Ukrainian banks, approved by the NBU Board;
- in the area of lending through the EBRD credit lines: participating banks should comply with the eligibility criteria defined by the credit agreements between the NBU and EBRD.

Currency risk is controlled by compliance with the standard structure of the NBU's foreign currency reserves defined by the decision of the NBU Board. It also takes into account the gold and foreign currency portfolio risk level and currency position calculated under the value-at-risk method (VAR).

The major technique of **interest rate risk control** is calculation and analysis of changes in weighted average interest margin (spread) between interest rates on assets and liabilities of the NBU.

Liquidity risk is controlled using the methods of comparative analysis of assets and liabilities by maturity and through calculation of the sufficient level of funds on demand deposits at the time of payments to be made in respect of the NBU's liabilities.

Detailed analysis of the above risks is presented in Notes 29 to 32.

Note 29.
GEOGRAPHICAL ANALYSIS OF ASSETS AND LIABILITIES

The geographical analysis of the NBU's assets and liabilities as at 31 December 2001 is set out below:

	Ukraine	OECD countries	IMF	Other	Total
Assets					
Foreign currency funds and deposits	19	14,947	–	–	14,966
SDR holdings	–	–	1,330	–	1,330
Monetary gold	711	–	–	–	711
Government securities	9,343	–	–	–	9,343
Loans to Government	10,478	–	–	–	10,478
Loans to banks and other borrowers	472	–	–	–	472

Accrued income	29	18	–	–	47
Quota contributions	–	–	9,136	–	9,136
Fixed assets and intangible assets	1,235	–	–	–	1,235
Other assets	1,041	212	19	1	1,273
Total assets	23,328	15,177	10,485	1	48,991
Liabilities					
Banknotes and coins					
in circulation	20,224	–	–	–	20,224
Accounts of banks	2,989	–	–	–	2,989
Accounts of Government and other clients	1,501	2	–	–	1,503
Profits payable to the budget	192	–	–	–	192
Own debt securities	1,850	–	–	–	1,850
Loans received	–	321	–	–	321
Liability to IMF	–	–	19,262	–	19,262
Accrued expenses	3	5	47	–	55
Other liabilities	749	113	–	–	862
Total liabilities	27,508	441	19,309	–	47,258
Net balance sheet position	(4,180)	14,736	(8,824)	1	1,733

Included in the balances with OECD countries (members of the Organisation for Economic Co-operation and Development), balance sheet item "Foreign currency funds and deposits" are demand and term deposits with the Bank for International Settlements totalling UAH 13,344 million, or 89% of the total OECD assets. Liabilities to OECD countries (balance sheet item "Loans received") include loans received from the European Bank for Reconstruction and Development (EBRD) totalling UAH 321 million.

Note 30. CURRENCY RISK

Currency risk is the risk of incurring losses as a result of unfavourable changes in foreign currency exchange rates. As at 31 December 2001, the NBU had the following positions in currencies:

	UAH	USD	SDR	EUR	Other	Total
ASSETS						
Foreign currency funds and deposits	–	9,857	–	2,778	2,331	14,966
SDR holdings	–	–	1,330	–	–	1,330
Monetary gold	–	–	–	–	711	711
Government securities	9,204	25	–	114	–	9,343
Loans to Government	3,499	6,979	–	–	–	10,478
Loans to banks and other borrowers	73	399	–	–	–	472
Accrued income	15	26	–	4	2	47
Quota contributions	–	–	9,136	–	–	9,136
Fixed assets and intangible assets	1,235	–	–	–	–	1,235
Other assets	228	592	225	33	195	1,273
Total assets	14,254	17,878	10,691	2,929	3,239	48,991
LIABILITIES						
Banknotes and coins						
in circulation	20,224	–	–	–	–	20,224
Accounts of banks	2,857	74	–	58	–	2,989
Accounts of Government and other clients	1,019	385	–	98	1	1,503
Profits payable to the budget	192	–	–	–	–	192
Own debt securities	1,850	–	–	–	–	1,850
Loans received	–	321	–	–	–	321

Liability to IMF	–	–	19,262	–	–	19,262
Accrued expenses	2	6	47	–	–	55
Other liabilities	40	707	112	3	–	862
Total liabilities	26,184	1,493	19,421	159	1	47,258
Net balance sheet position	(11,930)	16,385	(8,730)	2,770	3,238	1,733
Off-balance sheet position						
Guarantees	–	7	–	1,131	–	1,138
Loan commitments	–	29	–	–	–	29
Letters of credit	23	–	–	3	–	26

Assets and liabilities in other currencies mainly consist of gold, Swiss francs, British pounds and bank metals denominated balances.

Note 31.
INTEREST RATE RISK

Interest rate risk is the risk of incurring losses as a result of unfavourable changes in interest rates. The interest rate risk arises, principally as a result of investing in financial instruments or attracting funds at variable interest rates. Specifically important is balance sheet interest rate risk which arises in the event when the average interest rate on liabilities exceeds the average interest rate on assets.

The interest rate analysis does not include those financial assets and liabilities where interest is not accrued. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using year-end contractual rates.

The table below summarises the weighted average interest rates, by major currencies, for interest bearing monetary financial instruments outstanding as at 31 December 2001:

	UAH	USD	SDR	EUR	Other	Total (%)
ASSETS						
Term deposits with OECD banks	–	1.74	–	3.18	3.03	2.20
SDR holdings	–	–	2.23	–	–	2.23
Government securities	5.06	8.50	–	10.00	–	5.25
Loans to banks and other borrowers	15.14	5.29	–	–	–	8.72
Long-term deposit with a resident bank	–	1.14	–	–	–	1.14
LIABILITIES						
Term deposits of banks	–	0.92	–	2.41	–	1.45
Own debt securities	8.00	–	–	–	–	8.00
Loans received	–	4.24	–	–	–	4.24
IMF credit	–	–	2.62	–	–	2.62

Interest is accrued at floating rates on the following assets and liabilities: on SDR holdings, interest changes on a weekly basis; on Government securities denominated in national currency, the interest rate is revised on an annual basis in line with changes in inflation rate; on loans to banks and other borrowers granted under EBRD credit line and loans received from EBRD, the interest rate is LIBOR +3% and LIBOR +1% respectively and on the liability to the IMF interest is revised on a weekly basis.

Note 32.
LIQUIDITY RISK

Liquidity risk is defined as the risk when the entity does not have usable funds for servicing current liabilities.

For the purposes of liquidity risk calculation assets and liabilities are analysed by remaining contractual maturity. The liquidity position of the NBU as at 31 December 2001 is set out below.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity/ Overdue	Total
ASSETS						
Foreign currency funds and deposits	12,543	2,247	169	–	7	14,966
SDR holdings	1,330	–	–	–	–	1,330
Monetary gold	711	–	–	–	–	711
Government securities	4	30	507	8,802	–	9,343
Loans to Government	–	–	–	10,478	–	10,478
Loans to banks and other borrowers	–	155	96	119	102	472
Accrued income	19	8	2	8	10	47
Quota contributions	–	–	–	–	9,136	9,136
Fixed assets and intangible assets	–	–	–	–	1,235	1,235
Other assets	222	–	157	414	480	1,273
Total assets	14,829	2,440	931	19,821	10,970	48,991
LIABILITIES						
Banknotes and coins in circulation	–	–	–	–	20,224	20,224
Accounts of banks	2,985	4	–	–	–	2,989
Accounts of Government and other clients	1,503	–	–	–	–	1,503
Profits payable to the budget	–	192	–	–	–	192
Own debt securities	1,850	–	–	–	–	1,850
Loans received	–	36	36	249	–	321
Liability to IMF	24	138	771	9,217	9,112	19,262
Accrued expenses	3	52	–	–	–	55
Other liabilities	31	11	2	706	112	862
Total liabilities	6,396	433	809	10,172	29,448	47,258
Net liquidity gap	8,433	2,007	122	9,649	(18,478)	1,733
Cumulative liquidity gap	8,433	10,440	10,562	20,211	1,733	–

Note 33.

COMMITMENTS, CONTINGENCIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Credit related commitments. Credit related commitments comprise the following items:

	2001	2000
Guarantees issued	1,138	1,233
Loan commitments	29	61
Letters of credit	26	15
Total credit related commitments	1,193	1,309

Guarantees totalling UAH 1,131 million (2000: UAH 1,225 million) were issued in 1992 in accordance with a decree of the Parliament of Ukraine which gave the NBU authority to issue guarantees on behalf of the Government of Ukraine. The NBU's authority to issue guarantees

on behalf of the State was revoked in March 1993. The outstanding guarantees issued during 1992 with a total value of UAH 1,131 million (EUR 242 million) have contractual expiry dates from 2000 to 2003. These guarantees are not covered by guarantee deposits and no provisions have been raised to recognise the fact that the NBU may be required to meet the commitments of the borrowers in the event that the borrowers default on their obligations. Four individual credit facilities covered by the NBU guarantees totalling UAH 203 million (EUR 47 million) expired before 31 December 2001 and the borrowers defaulted on their obligations, however, the NBU was not required to meet the commitments as the underlying credit facilities are being rescheduled.

In accordance with the agreed protocol on restructuring of Ukraine's debt signed on 13 July 2001 at the meeting of Paris Club of Creditors, Ukraine's external debt including the amount described in the paragraph above, which originated prior to 31 December 1998, are subject to restructuring. The restructuring includes amounts of principal and interest due for repayment from 19 December 2000 to 3 September 2002. The credit facilities provided by the Consortium of German Banks AKA and covered by the guarantees issued by the NBU, are subject to this restructuring. The rescheduling is structured on the following terms: credits are to be repaid over 9 years commencing on 30 April 2005, in 18 equal semi-annual payments.

Guarantees issued include guarantee of UAH 7 million (USD 1 million) which is a performance guarantee issued in respect of the supply of banknote paper to another central bank. The guarantee was issued in July 1998 and has contractual expiry date in June 2001. At the time of this report the NBU has not received any document from the counterparty confirming discharge of respective obligations. Consequently, the guarantee was deemed to be still valid as at 31 December 2001. The guarantee is covered by a deposit blocked at a correspondent bank (refer to Note 4).

Commitments to extend credit include revocable credit commitments on undrawn credit lines of UAH 29 million (2000: UAH 17 million) under the SME line of credit provided to the NBU by the EBRD and disbursed by the NBU to Ukrainian commercial banks.

The majority of letters of credit are issued on behalf of the NBU and are covered by pledge deposits with foreign banks (refer to Note 4).

Assets pledged. As disclosed in Note 4, at 31 December 2001 the NBU had assets totalling UAH 20 million (2000: UAH 75 million) pledged as cash collateral for the performance of foreign contracts, guarantees and letters of credit.

Derivatives. In 2001 the NBU was not engaged in any material transactions with derivative financial instruments including forward foreign exchange and options contracts for the purchase and sale of foreign currencies.

Capital commitments. As at 31 December 2001 the NBU had capital commitments in respect of fixed asset purchases, construction and repairs totalling UAH 71 million (2000: UAH 78 million). The NBU's budget for 2002 includes allocation of resources in respect of these commitments.

Note 34. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the NBU using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While the NBU has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

The NBU has estimated that the fair value of certain balance sheet instruments is not materially different from their carrying values. These balance sheet instruments include cash, demand accounts and term deposits, loans to banks and other borrowers, deposits from banks,

accounts of Government and other clients and other short-term assets and liabilities which are of a contractual nature. The NBU believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. The fair value of the money issued in circulation is considered to be its face value as reported in the financial statements.

The following methods and assumptions were used to estimate the fair value of the NBU's other financial instruments.

FINANCIAL ASSETS

Taking into account the fact that currently there is no active market in Ukraine for Government securities in national currency and loans to Government in UAH and USD are not traded on financial markets, the estimated fair value for these instruments has been determined using a model based on discounted cash flows. This model takes into consideration the repayment period, interest rate and the estimated discount factor. As the determination of the discount factor is subjective, the NBU has used a range of discount factors which resulted in a range of fair values calculated for the same category of assets. The following methods and assumptions were used for the purposes of discounted cash flow calculations:

The estimated range of fair values of UAH denominated Government securities were based on a discounted cash flow model. To estimate the upper fair value the NBU used as a discount factor 9% per annum, i.e. the interest rate at which the Monetary Policy Department is allowed to sell these securities during 2002, when necessary. The NBU discount rate as at 31 December 2001 (12.5% per annum) was used to estimate the lower fair value. The cash flows for interest bearing securities have been estimated based on the assumption that the average coupon rate remains at 5.064% per annum, which is the actual coupon rate determined for 2002.

The estimated fair values of UAH denominated loans to Government were calculated for the amount of UAH 3,439 million which were included in the internal state debt in accordance with the Law of Ukraine "On the restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine". The fair value calculations were based on discounted cash flow model using as a discount factors the interest rates on those instruments used by the NBU during 2001 to absorb the excess liquidity. On this basis, to calculate the upper fair value of loans to Government in UAH the NBU used 8% per annum which was the interest rate on deposit certificates at the reporting date. The interest rate on the UAH coupon bonds for 2001 (17%) was used to estimate the lower fair value. The cash flows subject to discounting include interest of 5% payable on UAH loans starting from 2010.

The estimated fair value for loans granted for financing the State Budget deficit in 1992–1993 in the amount of UAH 129 million was not calculated due to the uncertainty of the issue, namely there is no clarity about repayment terms and interest payable.

The estimated fair value of loans to Government in foreign currency (USD) is based on discounted cash flows using the following assumptions:

A discount rate of 4.56% being the average annual interest rate on IMF credit in the period 1995–1996 (as loans to Government in 1995–1996 were provided from funds of IMF credit) was used to estimate the upper fair value.

A discount rate of 12.383% being the average price for external state debt of Ukraine as at 31 December 2001 was used to estimate the lower fair value.

The cash flows subject to discounting were estimated starting from 2003. These cash flows do not include interest on loans to Government in foreign currency as currently it is uncertain whether any interest will be paid on those loans.

The estimated fair value of long-term deposit with a resident bank (included in other assets in Note 11) was also calculated using discounted cash flow method and applying the same discount rates as for loans to Government in foreign currency.

The fair values of Government securities denominated in foreign currencies have been estimated using quoted market prices for Ukrainian external debt in the same currency, with similar maturity and yield characteristics.

The following table summarises the carrying amounts and estimated fair values of those financial assets not presented on the NBU's balance sheet at their fair value.

	Maturity	Carrying value	Estimated fair value	
			Market valuation Upper	Lower
Government securities in foreign currency				
EUR denominated	March 2007	114	109	108
USD denominated	September 2003	25	23	23
Total Government securities in foreign currency		139	132	131
		Carrying value	Discounted cash flow valuation	
			Upper	Lower
Government securities in national currency				
Interest bearing domestic bonds	2002–2010	8,809	7,610	6,723
Promissory notes	2009–2010	395	190	146
Total Government securities in national currency		9,204	7,800	6,869
Loans to Government				
USD denominated	2002–2009	6,979	5,685	4,153
UAH denominated	2010–2035	3,370	1,463	454
Total loans to Government		10,349	7,148	4,607
Long-term deposit with a resident bank				
	October 2004	591	558	506

The impact of restating these balances to fair value would result in a decrease in the carrying value of Government securities denominated in foreign currency by approximately UAH 7–8 million, decrease in the carrying value of Government securities in national currency by approximately UAH 1,404–2,335 million, decrease in the carrying value of loans to Government in USD and UAH by approximately UAH 3,201 - 5,742 million and decrease in the carrying value of long-term deposit with a resident bank by approximately UAH 33–85 million. As stated above the calculations of the estimated fair value are based on assumptions and therefore may not be fully reflective of the value that could be realised.

Note 35.
RELATED PARTY TRANSACTIONS

In accordance with the National Accounting Regulations (Standards) no disclosure of related party transactions is required in financial statements of state-controlled organisations of transactions with other state-controlled enterprises. As the NBU is controlled by the State, these financial statements do not include disclosure of transactions with related parties which

are also controlled by the State. Balances with related parties, other than the amounts outstanding from the Government of Ukraine disclosed in Note 3 and balances with other state-controlled organisations, are not material to these financial statements.

Note 36.

CONCENTRATION OF ASSETS AND LIABILITIES

After adjusting for the IMF quota of UAH 9,128 million (2000: UAH 9,714 million), as at 31 December 2001 approximately 50% (2000: 63%) of the NBU's total assets consisted of receivables from and securities issued by the Government of Ukraine and approximately 33% (2000: 18%) consisted of deposits placed with Bank for International Settlements. Approximately 53% (2000: 43%) of the NBU's total liabilities as at 31 December 2001, excluding quota, represented banknotes and coins in circulation and approximately 27% (2000: 36%) represented liabilities to the IMF.

Note 37.

POST BALANCE SHEET EVENTS

As disclosed in Note 20, in February 2002 the NBU transferred UAH 192 million to the state budget in respect of excess of budgeted income over budgeted expenditure for 2001.



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AUDITOR'S REPORT

To the Members of the Council and the Board of the National Bank of Ukraine:

RESPECTIVE RESPONSIBILITIES OF THE MEMBERS OF THE BOARD AND THE AUDITORS

1. We have audited the accompanying balance sheet of the National Bank of Ukraine (the "NBU") as at 31 December 2001, and the related statements of income, of cash flows and of changes in capital employed for the year then ended. These financial statements, set out on pages 1 to 35, are the responsibility of the NBU's management and have been prepared in accordance with accounting policies adopted by the Board of the NBU as prescribed by the Law of Ukraine "On the National Bank of Ukraine" and set out in Note 2 to the financial statements.
2. The Members of the Board are responsible for the preparation and presentation of the financial statements of the NBU. The Members of the Board are also responsible for maintaining accounting records in accordance with Ukrainian legislation, from which these financial statements are derived. They are also responsible for safeguarding the assets of the NBU, and hence for taking reasonable steps for the prevention of fraud and for breaches of law and accounting regulations. Our responsibility is to express an opinion on these financial statements based on our audit.

BASIS OF AUDIT OPINION

3. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Members of the Board in preparation of the financial statements and whether the accounting policies are appropriate to the NBU's circumstances, consistently applied and adequately disclosed.
4. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of the financial statements, the basis of which is described in Note 2 to the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

5. As described in Note 2, in 1999 the Board of the NBU adopted a policy of creating provisions against overdue balances outstanding from commercial banks. Provisions were created over a three-year period, to be completed in May 2002. Net provisioning expense in the statement of income for 2001 totals UAH 367 million, of which UAH 316 million relate to periods prior to the year ended 31 December 2001. The effect of provisioning against balances outstanding



from commercial banks had it been recognised in the relevant period would be to reduce the opening balance of capital employed as at 1 January 2001 by UAH 316 million and to increase the profit available for distribution for the year ended 31 December 2001 by UAH 316 million.

6. In 2001 the NBU changed the method of preparation of the statement of cash flows by eliminating the impact of exchange rate changes on the components of the statement of cash flows and by changing the composition of cash and cash equivalents. The respective figures for the year ended 31 December 2000 have not been restated except for the amount of cash and cash equivalents. Consequently, the statement of cash flows on page 4 does not include corresponding information for the prior year.
7. In our opinion, except for the effect on the financial statements of the matters referred to in paragraphs 5 and 6 above, the accompanying financial statements have been properly prepared in all material respects to present the financial position of the NBU at 31 December 2001, and the results of its operations for the year then ended, in accordance with the accounting policies adopted by the Board of the NBU as prescribed by the Law of Ukraine "On the National Bank of Ukraine" and set out in Note 2 to the financial statements.
8. Without qualifying our opinion we wish to draw attention to Note 3, which describes the fact that a significant part of the NBU's assets consists of amounts receivable from the Government of Ukraine. For the purposes of these financial statements the NBU created provisions in 2000 against loans to the Government in accordance with the requirements of the relevant legislation, however the provisions are not sufficient to write-down these balances to their estimated recoverable amounts. Furthermore, no provisions have been raised to reflect any impairment in value of Government securities. As such, not all adjustments have been made against Government related asset balances to reduce their carrying value to the recoverable amount.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers".

PricewaterhouseCoopers

Kyiv, Ukraine
26 April 2002

Auditor L. Pakhucha
Audit certificate Б № 000222

Part 4.
TABLES

**MAIN INDICATORS OF THE ECONOMIC AND
SOCIAL SITUATION IN UKRAINE**

Indicators	1991	1992	1993	1994	1995
Gross domestic product	0.3	5	148	1204	5452
Growth rates over previous year, %					
in comparable prices	91.3	90.1	85.8	77.1	87.8
at current prices	1.8 t.	16.8 t.	29.5 t.	8.1 t.	4.5 t.
Fixed assets	0.5	6	225	376	10865
Growth rates over previous year, %					
in comparable prices	103.2	102.5	102.5	100.1	99.0
at current prices	104.2	12.2 t.	37.4 t.	1.7 t.	28.9 t.
Industrial output	0.33	6	177	1310	5882
Growth rates over previous year, %					
in comparable prices	95.2	93.6	92.0	72.7	88.0
at current prices	1.9 t.	18.5 t.	29.1 t.	7.4 t.	4.5 t.
Volume of agricultural output	0.1	1.4	55	359	1697
Growth rates over previous year, %					
in comparable prices	86.8	91.7	101.5	83.5	96.4
at current prices	...	14.0 t.	39.2 t.	6.5 t.	4.7 t.
Consumer goods production ²	0.2	2	76	445	1938
Growth rates over previous year, %					
in comparable prices	94.9	90.6	84.1	75.0	82.2
Investment to the fixed capital (capital investment)	0.05	0.9	29	228	938
Growth rates over previous year, %					
in comparable prices	92.9	63.1	89.7	77.5	71.5
at current prices	...	17.4 t.	33.8 t.	7.8 t.	4.1 t.
Retail turnover	0.1	1.5	44	337	1196
Growth rates over previous year, %					
in comparable prices	90.3	82.0	65.0	86.4	86.1
at current prices	1.7 t.	11.0 t.	29.2 t.	7.7 t.	3.6 t.

(at actual prices, from 1991 to 1995 - Ukr. KRB billion, from 1996 - UAH million)

1996	1997	1998	1999	2000	2001	Indicators
81519	93365	102593	130442	170070	201927 ¹	Gross domestic product
90.0	97.0	98.1	99.8	105.9	109.1	Growth rates over previous year, % in comparable prices
149.5	114.5	109.9	127.1	130.4	118.7	at current prices
843471	866439	823610	837446	828822	...	Fixed assets
99.6	100.2	100.8	101.3	101.0	...	Growth rates over previous year, % in comparable prices
7.8 t.	102.7	95.1	101.7	99.0	...	at current prices
73321	75061	82889	107537	144483	155891	Industrial output
94.9	99.7	99.0	104.0	112.4	114.2	Growth rates over previous year, % in comparable prices
124.6	102.4	110.4	129.7	134.4	107.9	at current prices
26746	30032	32800	37240	52550	65100	Agricultural output
90.5	98.1	90.2	93.1	109.8	109.9	Growth rates over previous year, % in comparable prices
157.6	112.3	109.2	113.5	141.1	123.9	at current prices
22939	22669	17538	20996	29762	33524	Consumer goods production ²
82.2	88.1	100.0	107.2	124.5	117.7	Growth rates over previous year, % in comparable prices
12557	12401	13958	17552	23629	26744	Investment to the fixed capital (capital investment)
78.0	91.2	106.1	100.4	114.4	120.8	Growth rates over previous year, % in comparable prices
133.9	98.8	112.6	125.7	134.6	113.2	at current prices
17344	18933	19317	22151	28757	34050	Retail turnover
94.9	100.2	93.4	92.9	108.1	112.6	Growth rates over previous year, % in comparable prices
145.0	109.2	102.0	114.7	129.8	119.3	at current prices

¹ Tentative data.² Over 1991–1997 – at selling prices, from 1998 – at ruling prices.

Indicators	1991	1992	1993	1994	1995
Paid services to the population	0.02	0.1	4	56	370
Growth rates over previous year, % in comparable prices at current prices	73.4 130.3	78.0 6.9 t.	77.1 35.5 t.	96.7 13.5 t.	67.7 6.6 t.
Income	0.1	3	93	515	1881
Growth rates over previous year, % at current prices	2.1 t.	23.2 t.	36.5 t.	5.5 t.	4 t.
Share of unprofitable enterprises,%	...	9.5	8.3	11.4	22.2
Average monthly nominal wages\salaries of the employed persons, Ukr. KRB thousand	0.5	6.5	162.8	1427.7	7342.0
Growth rates over previous year, % to average monthly nominal wages\salaries over the previous year against December of the previous year ⁴	... ...	13.6 t. ...	25.0 t. ...	8.8 t. 4.2 t.	5.2 t. 3.7 t.
Index of real average monthly wages\salaries of the employed persons, % against December of the previous year ⁴	...	61.3	48.5	85.4	128.1
Money income of the population	0.2	2	63	539	2650
Growth rates over previous year, %	1.9 t.	11.6 t.	26.5 t.	8.6 t.	4.9 t.
Money expenditures and savings of the population	0.19	2	51	475	2478
Growth rates over previous year, %	1.8 t.	9.9 t.	27.0 t.	9.3 t.	5.2 t.
Consumer price index, % against December of the previous year ⁴	3.9 t.	21.0 t.	102.6 t.	5.0 t.	2.8 t.
Industrial producers` price index, % against December of the previous year ⁴	2.6 t.	42.3 t.	97.7 t.	8.7 t.	2.7 t.
Unemployment rate (as of the end of the period), %	...	0.03	0.25	0.3	0.29

Continued

1996	1997	1998	1999	2000	2001	Indicators
7635	9279	9845	11625	15766 ¹	30517 ²	Paid services to the population
85.8	94.9	96.2	93.8	107.7	...	Growth rates over previous year, %
2.1 t.	121.5	106.1	118.1	135.6	115.2	in comparable prices at current prices
14418	13868	3419	7427	13933 ³	19299 ³	Income
76.7	96.2	24.7	2.2 t.	187.6	138.5	Growth rates over previous year, % at current prices
43.0	45.0	54.5	55.7	37.7	42.0	Share of unprofitable enterprises,%
125.84	143.13	153.49	177.52	230.13	311.08	Average monthly nominal wages\salaries of the employed persons, Ukr. KRB thousand
171.4	113.7	107.2	115.7	129.6	135.2	Growth rates over previous year, % to average monthly nominal wages\salaries over the previous year
121.8	108.9	105.6	124.3	135.4	127.7	against December of the previous year ⁴
86.2	97.6	87.1	103.4	103.6	120.4	Index of real average monthly wages\salaries of the employed persons, % against December of the previous year ⁴
40311	50069	54379	61865	86911	108835	Money income of the population
152.1	124.2	108.6	113.8	140.5	125.2	Growth rates over previous year, %
38961	47933	53376	59518	83777	102279	Money expenditures and savings of the population
157.2	123.0	111.4	111.5	140.8	122.1	Growth rates over previous year, %
139.7	110.1	120.0	119.2	125.8	106.1	Consumer price index, % against December of the previous year ⁴
117.3	105.0	135.3	115.7	120.8	100.9	Industrial producers` price index, % against December of the previous year ⁴
1.27	2.33	3.69	4.30	4.22	3.68	Unemployment rate (as of the end of the period), %

¹ Data are given on enterprises that give reports, excluding individuals and additional calculations.

² Volume of rendered services.

³ Financial result from usual activity before taxation.

⁴ December to December of the previous year.

Indicators	1991	1992	1993	1994	1995
Number of unemployed persons registered by the State Centre of Employment, thousand persons	...	618.4	557.5	569.2	640.1
Number of registered unemployed persons, thousand persons	...	128.0	180.9	216.0	257.7
Minimum wages\salaries of the population as of the end of the period, Ukr. KRB	...	967	13642	60000	60000
Subsistence level for unable-bodied population, Ukr. KRB thousand ³	—	—	359	2258.7	6809.5
Export of goods and services, USD million	...	8045	7817	16641	17090
Growth rates over previous year, %	97.2	2.1 t.	102.6
Import of goods and services, USD million	...	7099	9533	18007	18280
Growth rates over previous year, %	134.3	1.9 t.	101.5
Long-term external debt service ratio, % ⁶	—	—	—	11.2	8.0
Gross international reserves, weeks of import	—	—	—	1.9	3.2
in % to GDP:					
Consolidated Budget revenues	...	24.4	33.5	43.5	38.0
Consolidated Budget expenditures	...	38.1	38.6	52.4	44.6
Consolidated Budget deficit	...	13.8	5.1	8.9	6.6
Current account balance	—	—	—	- 2.4	- 3.2

The end

1996	1997	1998	1999	2000	2001	Indicators
982.6	1455.2	2036.7	2475.9	2744.1	2760.2	Number of unemployed persons registered by the State Centre of Employment, thousand persons
558.5	1027.8	1588.8	2056.3	2272.1	2229.4	Number of registered unemployed persons, thousand persons
15.0	15.0	55.0 ¹	74.0 ¹	118.0 ²	118.0	Minimum wages\salaries of the population as of the end of the period, UAH
95.0	76.10	84.99	128.17	156.42	177.19	Subsistence level for unable-bodied population, UAH ³
20346	20355	17621	16332 ⁴	19248 ⁵	21086	Export of goods and services, USD million
119.1	100.0	86.6	92.7	117.9	109.5	Growth rates over previous year, %
21468	21891	18828	15237	18116	20473	Import of goods and services, USD million
117.4	102.0	86.0	80.9	118.9	114.1	Growth rates over previous year, %
6.6	7.5	12.5	15.4	14.3	14.5	Long-term external debt service ratio, % ⁷
4.9	5.6	2.2	3.7	4.3	7.8	Gross international reserves, weeks of import
						in % to GDP:
37.1	30.1	28.2	25.2	28.9	26.7 ⁷	Consolidated Budget revenues
41.9	36.8	30.4	26.7	28.3	27.4 ⁷	Consolidated Budget expenditures
4.9	6.6	2.2	1.5	0.6 ⁸	0.6 ⁷	Consolidated Budget deficit
- 2.7	- 2.7	- 3.0	5.4	4.7	3.7	Current account balance

¹ Since 1 January 1999.

² Since 1 July 2000.

³ Annual data in average prices of December, since 1997 - with housing subsidies taken into account.

⁴ Excluding reciprocal payments with Russia proceeded from the division of the Black Sea Fleet.

⁵ Excluding the cost of the goods handed over to Russia for payment of debts to Gazprom.

⁶ External debt service costs (according to schedule) pertaining to export of goods and services.

⁷ According to on-line data.

⁸ Surplus.

According to the State Statistics Committee data, except for the data on export\import of goods and services, current account surplus, external debt service ratio, gross international reserves calculated by the NBU since 1994, and data on the number of population, unemployment, social guarantees calculated by the State Service of Employment and the Ministry of Education and Social Policy of Ukraine.

BALANCE OF PAYMENTS OF UKRAINE IN 2001

(USD million)

Balance of Payments items	Consolidated	CIS and Baltic countries	Other countries of the world
CURRENT ACCOUNT	1402	-2601	4003
BALANCE OF GOODS AND SERVICES	613	-2761	3374
EXPORT OF GOODS AND SERVICES	21086	8151	12935
IMPORT OF GOODS AND SERVICES	-20473	-10912	-9561
BALANCE OF GOODS	198	-3753	3951
EXPORT OF GOODS	17091	5748	11343
IMPORT OF GOODS	-16893	-9501	-7392
BALANCE OF SERVICES	415	992	-577
EXPORT OF SERVICES	3995	2403	1592
IMPORT OF SERVICES	-3580	-1411	-2169
INCOME (balance)	-667	-23	-644
drawings	167	11	156
repayments	-834	-34	-800
CURRENT TRANSFERS (balance)	1456	183	1273
drawings	1516	194	1322
repayments	-60	-11	-49
CAPITAL AND FINANCIAL ACCOUNT	-1171	-83	-1088
FINANCIAL ACCOUNT	-1174	-84	-1090
DIRECT INVESTMENT	769	72	697
PORTFOLIO INVESTMENT	-866	4	-870
OTHER INVESTMENT	529	-160	689
Middle-term and long-term credits	169	-273	442
<i>drawings</i>	2416	3	2413
<i>repayments (diagram)</i>	-2247	-276	-1971
Short-term capital	360	113	247
Assets	-1015	-525	-490
Liabilities¹	1375	638	737
RESERVE ASSETS	-1606	0	-1606
Net errors and omissions	-231	-	-
BALANCE	0	-	-

¹ Including the restructuring of the part of the external debt to the Paris Club of Creditors in the fourth quarter of 2001 in accordance with the treaty between the governments of the Federal Republic of Germany and Ukraine.

DYNAMICS OF THE BALANCE OF PAYMENTS OF UKRAINE

(USD million)

Balance of Payments items	1995	1996	1997	1998	1999	2000	2001
CURRENT ACCOUNT	-1152	-1185	-1335	-1296	1658	1481	1402
BALANCE OF GOODS AND SERVICES	-1190	-1122	-1536	-1207	1821	1575	613
EXPORT OF GOODS AND SERVICES	17090	20346	20355	17621	17058	19522	21086
IMPORT OF GOODS AND SERVICES	-18280	-21468	-21891	-18828	-15237	-17947	-20473
BALANCE OF GOODS	-2702	-4296	-4205	-2584	244	779	198
EXPORT OF GOODS	14244	15547	15418	13699	13189	15722	17091
IMPORT OF GOODS	-16946	-19843	-19623	-16283	-12945	-14943	-16893
BALANCE OF SERVICES	1512	3174	2669	1377	1577	796	415
EXPORT OF SERVICES	2846	4799	4937	3922	3869	3800	3995
IMPORT OF SERVICES	-1334	-1625	-2268	-2545	-2292	-3004	-3580
INCOME (balance)	-434	-572	-644	-871	-869	-942	-667
CURRENT TRANSFERS (balance)	472	509	845	782	706	848	1456
CAPITAL AND FINANCIAL ACCOUNT	878	946	2120	2106	-704	-1331	-1171
CAPITAL ACCOUNT	6	5	0	-3	-10	-8	3
Capital transfers	6	5	0	-3	-10	-8	3
FINANCIAL ACCOUNT	872	941	2120	2109	-694	-1323	-1174
DIRECT INVESTMENT	257	526	581	747	489	594	769
PORTFOLIO INVESTMENT	4	198	1603	47	-86	-201	-866
OTHER INVESTMENT	1099	1090	319	-9	-814	-1318	529
Middle-term and long-term credits	3506	1140	1025	130	5	-1690	169
drawings	4561	1951	1950	1791	1805	1339	2416
repayments (diagram)	-1055	-811	-925	-1661	-1800	-3029	-2247
Short-term capital	-2407	-50	-706	-139	-819	372	360
Assets	-1574	-821	-1583	-1321	-2264	-449	-1015
Liabilities	-833	771	877	1182	1445	821	1375
RESERVE ASSETS	-488	-873	-383	1324	-283	-398	-1606
Net errors and omissions	274	239	-785	-810	-954	-150	-231
BALANCE	0	0	0	0	0	0	0

Note:

1. Export in 1999 includes the cost of ships and split materials to the sum of USD 726 million handed over to the Russian Federation for payment of Ukrainian government external debt in accordance with the treaty of May 28, 1997 on reciprocal payments proceeded from the division of the Black Sea Fleet and from the basing of the Black Sea Fleet of the Russian Federation on the Ukrainian territory.

2. Export in 2000 includes the cost of the goods to the sum of USD 274 million handed over to the Russian Federation for repayment of Ukrainian Naftogas to Gazprom in accordance with the agreement between the government of the Russian Federation and the Cabinet of Ministers of Ukraine of October 8, 1999.

AVAILABLE MONEY SUPPLY IN CIRCULATION IN UKRAINE AND ITS DISTRIBUTION IN 1991-1997

(as of the end of period, UAH million)

Indicators	1991 ¹	1992	1993	1994	1995	1996	1997
Available money supply in circulation							
Cash	0.3	5	128	793	2623	4041	6132
Money outside banks (M0)	0.3	5	128	793	2623	4041	6132
Money on settlement and current accounts in domestic currency	1.4	16	206	1067	2059	2275	2918
Money supply (M1)	1.7	21	334	1860	4682	6315	9050
Time funds in domestic currency and foreign exchange funds	0.7	4	148	1356	2164	2708	3398
Money supply (M2)	2.4	25	482	3216	6846	9023	12448
Clients' funds from bank trust transactions	—	—	—	—	84	341	93
Money supply (M3)	—	—	—	—	6930	9364	12541
Money supply distribution							
Held by enterprises and organizations	0.8	15	223	1173	2117	2257	2946
of which:							
<i>time deposits</i>	0.1	2	40	207	327	322	522
<i>demand deposits</i>	0.7	13	183	966	1789	1868	2309
<i>other funds</i>	—	—	—	—	—	67	115
Held by households	1.5	8	159	1021	3153	5049	7830
including savings	1.2	3	31	228	529	1008	1698
of which:							
<i>time deposits</i>	0.5	1	8	127	260	601	1088
<i>demand deposits</i>	0.7	2	23	101	269	407	609
Foreign exchange savings	—	2	99	1021	1577	1718	1672
Clients' funds from bank trust transactions	—	—	—	—	84	341	93
of which:							
<i>of juridical persons</i>	—	—	—	—	83	337	85
<i>of individuals</i>	—	—	—	—	1	4	8
For reference							
Monetary base	0.4	6	269	1523	3538	4882	7058

¹ IMF calculations.

The end

(against the previous period)

Indicators	1992	1993 times	1994	1995	1996 per cent	1997
Available money supply in circulation						
Cash	16	26	6	331	154	152
Money outside banks (M0)	16	26	6	331	154	152
Money on settlement and current accounts in domestic currency	11	13	5	193	110	128
Money supply (M1)	12	16	6	252	135	143
Time funds in domestic currency and foreign exchange funds	7	33	9	160	125	125
Money supply (M2)	11	19	7	213	132	138
Clients' funds from bank trust transactions	—	—	—	—	406	27
Money supply (M3)	—	—	—	—	135	134
Money supply distribution						
Held by enterprises and organizations	19	14	5	180	107	131
of which:						
<i>time deposits</i>	17	17	5	158	98	162
<i>demand deposits</i>	19	14	5	185	104	124
<i>other funds</i>	—	—	—	—	—	171
Held by households	5	21	6	309	160	155
including savings	211%	12	7	232	191	168
of which:						
<i>time deposits</i>	119%	13	16	204	231	181
<i>demand deposits</i>	3	12	4	267	151	150
Foreign exchange savings	—	46	10	154	109	97
Clients' funds from bank trust transactions	—	—	—	—	406	27
of which:						
<i>of juridical persons</i>	—	—	—	—	406	25
<i>of individuals</i>	—	—	—	—	667	207
For reference						
Monetary base	14	45	6	232	138	145

AVAILABLE MONEY SUPPLY IN CIRCULATION IN UKRAINE AND ITS DISTRIBUTION IN 1998-2001

(as of the end of period, UAH million)

Indicators	1998	1999	2000	2001
Available money supply in circulation				
Cash	7158	9583	12799	19465
Money outside banks (M0)	7158	9583	12799	19465
Money on current accounts in domestic currency	3174	4511	7936	10309
Money supply (M1)	10331	14094	20735	29773
Time funds in domestic currency and foreign exchange funds	5100	7620	10655	15224
Money supply (M2)	15432	21714	31390	44997
Clients' funds from bank trust transactions and securities of banks' own liabilities	274	355	697	558
Money supply (M3)	15705	22070	32087	45555
Distribution of money supply				
Funds of economic entities	5213	7869	12002	14434
of which:				
<i>time funds:</i>	1039	1534	2685	4030
in domestic currency	600	850	1303	2522
in foreign currency	439	685	1382	1508
<i>demand funds</i>	4146	6314	9312	10398
in domestic currency	2593	3767	6751	8291
in foreign currency	1553	2546	2561	2108
<i>funds on trust operations</i>	28	21	6	5
in domestic currency	23	19	6	5
in foreign currency	5	3	0	-
Funds of individuals	10276	13903	19454	30656
including savings	3119	4319	6655	11191
of which:				
<i>time funds:</i>	2255	3032	4552	8033
in domestic currency	1243	1423	2143	4371
in foreign currency	1012	1608	2408	3662
<i>demand funds:</i>	834	1251	2043	3071
in domestic currency	581	744	1185	2018
in foreign currency	253	507	858	1052
<i>funds on trust operations</i>	30	37	60	88
in domestic currency	30	36	60	88
in foreign currency	-	0	0	-
Securities of banks' own liabilities:	216	298	631	466
of which:				
in domestic currency	138	110	383	292
in foreign currency	78	188	248	174
For reference				
Monetary base	8625	11988	16780	23055
Multiplier	1.82	1.84	1.91	1.98
Rate of circulation	7.26	6.91	6.28	5.20

Continued

(in % to the previous year)

Indicators	1998	1999	2000	2001
Available money supply in circulation				
Cash	117	134	134	152
Money outside banks (M0)	117	134	134	152
Money on current accounts in domestic currency	109	142	176	130
Money supply (M1)	114	136	147	144
Time funds in domestic currency and foreign exchange funds	150	149	140	143
Money supply (M2)	124	141	145	143
Clients' funds from bank trust transactions and securities of banks' own liabilities	294	130	196	80
Money supply (M3)	125	141	145	142
Distribution of money supply				
Funds of economic entities	133	151	153	120
of which:				
<i>time funds:</i>	109	148	175	150
in domestic currency	191	142	153	194
in foreign currency	140	156	202	109
<i>demand funds</i>	139	152	147	112
in domestic currency	112	145	179	123
in foreign currency	231	164	101	82
<i>funds on trust operations</i>	33	75	28	80
in domestic currency	27	83	32	81
in foreign currency	–	60	3	–
Funds of individuals	121	135	140	158
including savings	131	138	154	168
of which:				
<i>time funds:</i>	140	134	150	176
in domestic currency	114	114	151	204
in foreign currency	195	159	150	152
<i>demand funds:</i>	108	150	163	150
in domestic currency	95	128	159	170
in foreign currency	153	200	169	123
<i>funds on trust operations</i>	356	123	165	145
in domestic currency	375	120	165	145
in foreign currency	–	355	119	–
Securities of banks' own liabilities:	–	138	212	74
of which:				
in domestic currency	–	80	348	76
in foreign currency	–	241	132	70
For reference				
Monetary base	122	139	140	137
Multiplier	102	101	104	104
Rate of circulation	85	95	91	83

The end

(share in the total money supply, %)

Indicators	1998	1999	2000	2001
Available money supply in circulation				
Cash	46	43	40	43
Money outside banks (M0)	46	43	40	43
Money on current accounts in domestic currency	20	20	25	23
Money supply (M1)	66	64	65	65
Time funds in domestic currency and foreign exchange funds	32	35	33	33
Money supply (M2)	98	98	98	99
Clients' funds from bank trust transactions and securities of banks' own liabilities	2	2	2	1
Money supply (M3)	100	100	100	100
Distribution of money supply				
Funds of economic entities	33	36	37	32
of which:				
<i>time funds:</i>	7	7	8	9
in domestic currency	4	4	4	6
in foreign currency	3	3	4	3
<i>demand funds</i>	26	29	29	23
in domestic currency	17	17	21	18
in foreign currency	10	12	8	5
<i>funds on trust operations</i>	0	0	0	0
in domestic currency	0	0	0	0
in foreign currency	0	0	0	–
Funds of individuals	65	63	61	67
including savings	20	20	21	25
of which:				
<i>time funds:</i>	14	14	14	18
in domestic currency	8	6	7	10
in foreign currency	6	7	8	8
<i>demand funds:</i>	5	6	6	7
in domestic currency	4	3	4	4
in foreign currency	2	2	3	2
<i>funds on trust operations</i>	0	0	0	0
in domestic currency	0	0	0	0
in foreign currency	–	0	0	–
Securities of banks' own liabilities:	1	1	2	1
of which:				
in domestic currency	1	0	1	1
in foreign currency	0	1	1	0

For reference
Monetary base

AVAILABLE MONEY SUPPLY IN CIRCULATION IN UKRAINE AND ITS DISTRIBUTION IN 2001

(as of the end of period, UAH million)

Indicators	I quar- ter	I half year	9 months	year	Growth rates against the beginning of the year, %			
					I quarter	I half year	9 months	year
Available money supply in circulation								
Cash	12736	14487	16208	19465	100	113	127	152
Money outside banks (M0)	12736	14487	16208	19465	100	113	127	152
Money on current accounts in domestic currency	8427	9337	9675	10309	106	118	122	130
Money supply (M1)	21162	23824	25884	29773	102	115	125	144
Time funds in domestic currency and foreign exchange funds	11223	12580	13230	15224	105	118	124	143
Money supply (M2)	32385	36404	39113	44997	103	116	125	143
Clients' funds from bank trust transactions and securities of banks' own liabilities	644	553	530	558	92	79	76	80
Money supply (M3)	33029	36956	39643	45555	103	115	124	142
Distribution of money supply								
Funds of economic entities	12344	13541	13764	14434	103	113	115	120
of which:								
<i>time funds:</i>	2810	3314	3588	4030	105	123	134	150
in domestic currency	1391	1834	2120	2522	107	141	163	194
in foreign currency	1418	1479	1468	1508	103	107	106	109
<i>demand funds</i>	9527	10211	10167	10398	102	110	109	112
in domestic currency	7111	7697	8019	8291	105	114	119	123
in foreign currency	2415	2514	2148	2108	94	98	84	82
<i>funds on trust operations</i>	8	17	9	5	134	280	152	80
in domestic currency	8	17	9	5	134	282	152	81
in foreign currency	0	0	0	-	100	99	98	-
Funds of individuals	20103	22933	25412	30656	103	118	131	158
including savings	7368	8446	9204	11191	111	127	138	168
of which:								
<i>time funds:</i>	5087	5774	6497	8033	112	127	143	176
in domestic currency	2525	2833	3215	4371	118	132	150	204
in foreign currency	2562	2941	3281	3662	106	122	136	152
<i>demand funds:</i>	2226	2618	2653	3071	109	128	130	150
in domestic currency	1315	1640	1656	2018	111	138	140	170
in foreign currency	910	978	997	1052	106	114	116	123
<i>funds on trust operations</i>	55	54	54	88	91	90	89	145
in domestic currency	55	54	54	88	91	90	89	145
in foreign currency	0	0	0	-	100	98	53	-
Securities of banks' own liabilities:	581	482	467	466	92	76	74	74
of which:								
in domestic currency	369	285	289	292	96	75	76	76
in foreign currency	213	197	178	174	86	79	72	70
For reference								
Monetary base	16746	18998	20434	23055	100	113	122	137

**INTEREST RATES OF REFINANCING OF COMMERCIAL BANKS
BY THE NATIONAL BANK OF UKRAINE**

(average weighted annual interest rate, %)

Period	Established discount rate	Total	Actual rate by instruments					
			Credit auctions	Over-night	Lombard credits	Credits acquired by commercial banks through tenders	REPO trans-actions	Other mechanisms
1992	80.0 ¹	...	—	—	—	—	—	...
1993	190.0	68.5	—	—	—	—	—	68.5
1994	225.9	124.9	264.0	—	—	—	—	115.2
1995	131.0	82.1	83.0	—	110.0	—	—	60.4
1996	62.3	51.8	52.6	—	64.4	—	—	41.0
1997	24.6	25.2	21.7	—	31.4	—	21.8	19.7
1998	61.6	52.7	—	—	54.4	—	54.1	47.8
1999	50.0	44.0	—	—	61.1	—	59.7	33.0
2000	30.6	29.6	—	—	30.9	—	28.0	—
2001	19.7	20.2	—	20.4	—	16.5	22.0	21.0
January	27.0	—	—	—	—	—	—	—
February	27.0	—	—	—	—	—	—	—
March	25.6	—	—	—	—	—	—	—
from 10.03	25.0	—	—	—	—	—	—	—
1 st quarter	26.5	—	—	—	—	—	—	—
April	21.8	24.58	—	24.6	—	21.0	—	—
from 7.04	21.0	—	—	—	—	—	—	—
May	21.0	21.0	—	—	—	21.0	—	—
June	19.7	23.3	—	23.6	—	—	22.0	—
from 11.06	19.0	—	—	—	—	—	—	—
2 nd quarter	20.8	23.8	—	24.0	—	21.0	22.0	—
1 st half year	23.7	23.8	—	24.0	—	21.0	22.0	—
July	19.0	22.6	—	22.6	—	—	—	—
August	17.5	19.6	—	19.5	—	18.2	—	21.0
from 9.08	17.0	—	—	—	—	—	—	—
September	15.6	16.1	—	16.8	—	15.2	—	—
from 10.09	15.0	—	—	—	—	—	—	—
3 rd quarter	17.4	19.0	—	19.2	—	15.7	—	21.0
9 months	21.5	21.1	—	21.5	—	16.0	22.0	21.0
October	15.0	17.6	—	17.7	—	17.0	—	—
November	15.0	17.4	—	17.0	—	18.0	—	—
December	13.2	14.7	—	14.7	—	15.1	—	—
from 10.12	12.5	—	—	—	—	—	—	—
4 th quarter	14.4	16.7	—	16.7	—	17.3	—	—

¹ By the end of the year.

**CREDITS GRANTED BY THE NATIONAL BANK OF UKRAINE
TO THE UKRAINIAN GOVERNMENT**

Period	Total	Including		of which
		in domestic currency	in foreign currency	attributed to the internal state debt
Amount outstanding as of the end of period, UAH mln				
1991	0.5	0.5	—	—
1992	18	18	—	9
1993	129	129	—	9
1994	1411	1411	—	18
1995	4393	3144	1249	129
1996	5804	3568	2236	129
1997	5816	3568	2248	129
1998	7625	3568	4057	129
1999	9743	3568	6176	129
2000	10726	3568	7158	10726
2001	10547	3568	6979	10547
In per cent against the previous year				
1992	34 t.	34 t.	—	—
1993	7 t.	7 t.	—	107
1994	11 t.	11 t.	—	193
1995	311	223	—	713
1996	132	113	179	100
1997	100	100	101	100
1998	131	100	180	100
1999	128	100	152	100
2000	110	100	116	8300
2001	98	100	97	98
Share in the total volume, %				
1991	100.0	100.0	—	—
1992	100.0	100.0	—	50.2
1993	100.0	100.0	—	7.3
1994	100.0	100.0	—	1.3
1995	100.0	71.6	28.4	2.9
1996	100.0	61.5	38.5	2.2
1997	100.0	61.3	38.7	2.2
1998	100.0	46.8	53.2	1.7
1999	100.0	36.6	63.4	1.3
2000	100.0	33.3	66.7	100.0
2001	100.0	33.8	66.2	100.0

**CREDITS GRANTED BY BANKS
TO THE ECONOMY OF UKRAINE¹**

(Amount outstanding as of the end of period, UAH mln)

Period	Including by types of								
	Total	Currencies		Total	Credits		Total	Long-term	
		Domestic currency	Foreign currency		Short-term in domestic currency	in foreign currency		in domestic currency	in foreign currency

Amount outstanding as of the end of period, UAH mln

1991	0.97	0.97	—	0.85	0.85	—	0.12	0.12	—
1992	27	24	3	26	23	3	1	1	—
1993	406	385	21	396	374	21	11	11	—
1994	1558	1199	359	1381	1022	359	176	176	—
1995	4078	3029	1049	3643	2664	980	434	365	69
1996	5452	4102	1350	4845	3653	1192	607	449	158
1997	7295	5195	2100	6522	4682	1840	773	513	260
1998	8873	5117	3756	7240	4438	2801	1633	679	954
1999	11787	5716	6071	9142	4714	4428	2645	1002	1643
2000	19121	10222	8899	15700	8617	7083	3421	1605	1816
2001	27792	15436	12357	21767	12717	9050	6025	2719	3306

In per cent against the previous year

1992	28 t.	25 t.	—	30 t.	27 t.	—	10 t.	10 t.	—
1993	15 t.	16 t.	8 t.	15 t.	16 t.	8 t.	9 t.	9 t.	—
1994	4 t.	3 t.	17 t.	3 t.	3 t.	17 t.	16 t.	16 t.	—
1995	262	253	292	264	261	273	246	207	—
1996	134	135	129	133	137	122	140	123	228
1997	134	127	156	135	128	154	127	114	165
1998	122	99	179	111	95	152	211	132	366
1999	133	112	162	126	106	158	162	148	172
2000	162	179	147	172	183	160	129	160	111
2001	145	151	139	139	148	128	176	169	182

Share in the total volume, %

1991	100	100.0	—	87.2	87.2	—	12.8	12.8	—
1992	100	90.6	9.4	95.4	86.1	9.4	4.6	4.6	—
1993	100	94.8	5.2	97.4	92.2	5.2	2.6	2.6	—
1994	100	77.0	23.0	88.7	65.6	23.0	11.3	11.3	—
1995	100	74.3	25.7	89.3	65.3	24.0	10.7	8.9	1.7
1996	100	75.2	24.8	88.9	67.0	21.9	11.1	8.2	2.9
1997	100	71.2	28.8	89.4	64.2	25.2	10.6	7.0	3.6
1998	100	57.7	42.3	81.6	50.0	31.6	18.4	7.7	10.8
1999	100	48.5	51.5	77.6	40.0	37.6	22.4	8.5	13.9
2000	100	53.5	46.5	82.1	45.1	37.0	17.9	8.4	9.5
2001	100	55.5	44.5	78.3	45.8	32.6	21.7	9.8	11.9

¹ Excluding credits granted by banks which are at the stage of liquidation .

For reference. Credits granted to the economy of Ukraine (by banks which are at the stage of liquidation as of 1 January 2002, amount outstanding with accrued income taken into consideration) – UAH 1110.9 mln to juridical persons, UAH 14.6 mln to individuals.

**AVERAGE WEIGHTED INTEREST RATES OF BANKS OF UKRAINE
IN DOMESTIC CURRENCY**

(average weighted annual, %)

Period	C r e d i t s								
	1993	1994	1995	1996	1997	1998	1999	2000	2001
January	76.6	310.2	205.3	110.5	63.6	43.8	55.3	56.2	37.4
February	88.2	383.4	198.8	110.9	62.6	48.7	58.4	49.4	35.6
March	87.1	389.8	182.6	102.5	53.2	48.9	68.0	42.5	33.8
April	110.5	327.9	136.1	91.2	52.4	47.7	66.9	41.9	33.0
May	144.3	299.4	117.0	85.7	53.7	47.1	54.5	39.8	31.7
June	231.3	254.7	86.1	73.4	50.3	48.0	47.4	39.7	32.1
July	223.3	192.5	78.8	66.2	47.0	53.0	46.5	39.0	31.1
August	204.4	151.3	73.6	63.6	42.2	57.4	50.7	35.6	31.7
September	224.2	141.6	78.5	63.2	41.6	63.8	54.3	39.7	30.6
October	246.3	141.4	93.4	63.7	38.2	71.5	50.8	39.0	30.5
November	279.2	201.4	116.4	66.3	42.0	63.7	54.7	38.3	30.2
December	295.1	204.7	105.8	61.4	42.7	60.4	51.9	37.3	29.6
Average over the year	221.1	201.7	107.1	77.0	49.1	55.4	53.6	40.1	31.9

Period	D e p o s i t s								
	1993	1994	1995	1996	1997	1998	1999	2000	2001
January	62.1	224.0	158.8	56.8	23.7	19.6	22.8	21.4	11.7
February	84.9	284.8	129.4	45.1	22.5	18.4	21.3	16.7	9.3
March	70.2	328.5	118.7	44.2	20.6	18.9	27.2	13.7	8.2
April	83.4	329.1	95.8	32.5	19.1	19.9	22.3	12.3	11.3
May	107.6	276.2	68.1	35.8	19.3	19.8	18.5	11.9	8.6
June	162.5	220.6	44.9	32.3	17.8	22.1	20.5	11.6	13.0
July	225.8	179.7	36.7	25.4	17.9	22.7	15.9	11.3	11.3
August	170.1	140.2	30.4	27.4	13.5	23.1	20.1	10.1	14.2
September	186.5	126.8	30.6	26.4	14.8	27.2	17.4	17.9	10.4
October	183.0	108.1	33.4	27.5	15.5	28.5	20.0	17.6	12.7
November	231.7	146.0	42.2	26.0	15.0	27.0	21.7	10.9	10.2
December	215.8	139.5	50.9	24.2	18.9	23.6	20.7	9.2	10.8
Average over the year	187.3	171.0	61.2	34.3	18.2	22.9	20.8	13.4	11.2

**CHANGES IN THE CONSUMER MARKET PRICES, INDUSTRIAL PRODUCERS' PRICES,
INTEREST RATES OF BANKS AND THE NBU DISCOUNT RATE IN 2001**

(in per cent)

Period	Changes in prices against the previous month		Monthly average weighted interest rates ¹		
	Consumer market prices	Industrial producers' prices	Discount rate established by the NBU	on credits of commercial banks	on deposits of commercial banks
January	1.5	0.8	2.3	3.1	1.0
February	0.6	0.6	2.3	3.0	0.8
March	0.6	-0.5	2.1	2.8	0.7
April	1.5	0.2	1.8	2.8	0.9
May	0.4	0.0	1.8	2.6	0.7
June	0.6	0.2	1.6	2.7	1.1
July	-1.7	0.1	1.6	2.6	0.9
August	-0.2	-0.1	1.5	2.6	1.2
September	0.4	0.1	1.3	2.5	0.8
October	0.2	-0.7	1.3	2.5	1.1
November	0.5	0.7	1.3	2.5	0.9
December	1.6	-0.5	1.1	2.5	0.9

¹ Interest rates of commercial banks are given on credits and deposits in domestic currency excluding the interbank market.

OFFICIAL EXCHANGE RATE OF UKRAINIAN KARBOVANETS AGAINST FOREIGN CURRENCIES ESTABLISHED BY THE NATIONAL BANK OF UKRAINE (period average)

(Ukr. KRB)

Currencies	1992	1993	1994	1995
I group				
1 Australian Dollar	138	2 872	23 684	109 268
1 Austrian Shilling	20	388	2 851	14 641
1 Pound Sterling	346	6 834	49 356	232 150
10 Belgium Franc	65	1 467	9 745	50 017
1 Deutsche Mark	135	2 731	20 250	102 886
1 Netherlandish Guilder	120	2 433	17 886	91 858
1 Danish Krone	35	691	5 118	26 336
100 Italian Lira	16	287	1 979	9 057
1 Canadian Dollar	168	3 479	23 158	107 551
1 Norwegian Krone	33	633	4 601	23 271
1 US Dollar	208	4 539	31 700	147 307
1 Finnish Markka	44	793	6 378	33 854
1 French Franc	40	795	5 852	29 564
1 Swedish Krona	35	571	4 197	20 777
1 Swiss Franc	150	3 096	23 833	124 999
10 Japanese Yen	17	420	3 145	15 663
1 ECU	267	5 270	38 487	192 790
10 Spanish Peseta	20	347	2 413	11 853
10 Greek Drachma	8	158	1 318	6 352
1 Irish Pound	345	6 571	48 477	236 271
1 Iceland Krona	3	53	460	2 279
10 Portuguese Escudo	15	275	1 960	9 828
1 SDR	—	5 259	45 929	223 233
II group				
100 Russian Ruble	—	456	1 257	3 244
1 Azerbaijan Manat	—	—	39	34
1000 Belarus Ruble	—	—	3 903	12 745
1 Armenian Dram	—	—	215	363
1 Estonian Kroon	15	341	2 531	12 861
1 Kazakhstan Tenge	—	—	834	2 390
1 Kirghiz Som	—	—	2 980	13 689
1 Latvian Lats	—	5 657	57 384	277 690
1 Lithuanian Litas	—	863	7 924	36 828
1 Moldavian Leu	—	—	7 635	32 850
1 Turkmen Manat	—	—	4 124	5 360
1 Uzbek Soum	—	—	1 208	5 040
1 Georgian Lari	—	—	—	—

**OFFICIAL EXCHANGE RATE OF HRYVNYIA AGAINST FOREIGN CURRENCIES ESTABLISHED
BY THE NATIONAL BANK OF UKRAINE (period average)**

(UAH)

Currencies	1996	1997	1998	1999	2000	2001	2 0 0 1			
							01	02	03	I Q
100 Australian Dollar	143.14	138.17	153.82	266.50	316.89	278.16	302.38	290.87	273.87	289.04
100 Austrian Shilling	17.29	15.29	20.00	31.93	36.55	34.98	37.09	36.36	35.89	36.45
100 Pound Sterling	285.64	305.08	406.89	668.45	824.99	773.94	804.41	789.78	784.06	792.75
10000 Azerbaijan Manat	4.11	4.66	6.33	10.04	12.19	11.56	11.89	11.86	11.81	11.85
1000 Belgium Franc	59.11	52.15	68.20	108.91	124.66	119.33	126.53	124.02	122.44	124.33
10 Belarus Ruble	1.18	0.55	0.39	0.13	0.06	0.04	0.04	0.04	0.04	0.04
1000 Greek Drachma	7.60	6.83	8.36	13.48	14.95	14.13	14.98	14.68	14.49	14.72
100 Danish Krone	31.56	28.25	36.95	59.09	67.47	64.59	68.38	67.04	66.17	67.20
100 US Dollar	182.95	186.17	244.95	413.04	544.02	537.21	543.31	542.96	542.14	542.80
100 Estonian Kroon	15.20	13.45	17.59	28.08	32.14	30.76	32.62	31.98	31.57	32.05
100 Iceland Krona	2.75	2.63	3.46	5.71	6.94	5.54	6.39	6.31	6.20	6.30
100 Irish Pound	292.76	282.72	352.14	557.85	638.53	611.20	648.08	635.26	627.13	636.82
1000 Spanish Peseta	14.45	12.74	16.57	26.40	30.22	28.93	30.68	30.07	29.68	30.14
10000 Italian Lira	11.85	10.95	14.25	22.69	25.97	24.86	26.36	25.84	25.51	25.90
100 Canadian Dollar	134.13	134.50	164.34	278.21	366.48	347.12	361.59	357.23	348.34	355.72
100 Kazakhstan Tenge	2.71	2.46	3.10	3.54	3.83	3.66	3.75	3.74	3.73	3.74
100 Latvian Lats	332.82	320.65	416.80	706.54	898.66	855.96	886.70	878.48	870.52	878.57
100 Lithuanian Litas	45.73	46.54	61.24	103.26	136.01	134.30	135.83	135.74	135.53	135.70
100 Moldavian Leu	39.84	40.26	45.94	39.43	43.77	41.80	43.18	43.00	42.56	42.91
100 Netherlandish Guilder	108.56	95.62	124.81	199.37	228.20	218.43	231.61	227.03	224.12	227.59
100 Deutsche Mark	121.64	107.61	140.69	224.63	257.12	246.11	260.96	255.80	252.53	256.43
100 Norwegian Krone	28.33	26.38	32.49	52.90	61.97	59.78	61.98	60.94	60.48	61.14
100 Polish Zloty	68.02	57.18	70.13	104.42	125.53	131.24	132.14	132.74	133.64	132.84
100 Portuguese Escudo	1.19	1.07	1.37	2.19	2.51	2.40	2.55	2.50	2.46	2.50
10 Russian Ruble	3.58	3.22	2.87	1.67	1.94	1.84	1.92	1.90	1.89	1.90
100 Singapore Dollar	129.43	126.22	146.94	243.99	315.98	300.00	312.74	311.56	306.39	310.23
100 Slovak Koruna	5.97	5.54	6.93	10.01	11.86	11.11	11.68	11.45	11.30	11.48
10000 Turkish Lira	0.23	0.13	0.09	0.10	0.09	0.05	0.08	0.07	0.06	0.07
10000 Turkmen Manat	5.58	4.49	5.00	7.94	10.46	10.33	10.45	10.44	10.43	10.44
1000 Hungarian Forint	12.29	10.06	11.42	17.43	19.43	18.75	19.26	18.83	18.54	18.88
100 Uzbek Soum	4.64	2.86	2.57	3.31	2.59	1.35	1.66	1.64	1.61	1.64
100 Finnish Markka	39.84	35.95	46.30	73.89	84.58	80.96	85.84	84.15	83.07	84.35
100 French Franc	35.80	31.96	41.96	66.98	76.67	73.38	77.81	76.27	75.29	76.46
100 Czech Koruna	6.73	5.92	7.71	11.99	14.16	14.13	14.52	14.44	14.27	14.41
100 Swedish Krona	27.27	24.43	30.83	49.92	59.57	52.09	57.35	55.81	54.17	55.77
100 Swiss Franc	148.25	128.45	171.01	274.53	322.46	318.71	333.75	325.86	321.62	327.08
1000 Japanese Yen	16.84	15.41	19.03	36.61	50.52	44.27	46.53	46.76	44.76	46.02
100 Euro (ECU up to '99)	232.19	211.29	276.76	439.33	502.89	481.36	510.40	500.31	493.90	501.54
100 SDR	265.58	256.19	333.90	564.43	717.59	684.20	708.07	702.26	694.48	701.61

Continued

Currencies	2 0 0 1						
	04	05	06	II quarter	I half year	07	08
100 Australian Dollar	271.50	281.71	279.89	277.70	283.37	273.47	280.10
100 Austrian Shilling	35.12	34.55	33.49	34.39	35.42	33.55	34.93
100 Pound Sterling	777.29	772.95	757.86	769.37	781.06	759.30	767.56
10000 Azerbaijan Manat	11.74	11.71	11.66	11.70	11.78	11.56	11.44
1000 Belgium Franc	119.79	117.84	114.25	117.29	120.81	114.45	119.15
10 Belarus Ruble	0.04	0.04	0.04	0.04	0.04	0.04	0.04
1000 Greek Drachma	14.18	13.95	13.53	13.89	14.30	13.55	14.11
100 Danish Krone	64.75	63.71	61.83	63.43	65.31	62.02	64.56
100 US Dollar	541.82	541.37	540.12	541.10	541.95	537.11	534.67
100 Estonian Kroon	30.88	30.38	29.46	30.24	31.15	29.51	30.72
100 Iceland Krona	5.82	5.41	5.16	5.46	5.88	5.25	5.43
100 Irish Pound	613.59	603.57	585.21	600.79	618.81	586.25	610.32
1000 Spanish Peseta	29.04	28.57	27.70	28.44	29.29	27.75	28.89
10000 Italian Lira	24.96	24.55	23.80	24.44	25.17	23.85	24.82
100 Canadian Dollar	347.49	351.39	353.86	350.91	353.32	351.44	347.48
100 Kazakhstan Tenge	3.72	3.71	3.69	3.71	3.72	3.66	3.64
100 Latvian Lats	858.63	856.40	845.67	853.57	866.07	839.93	850.47
100 Lithuanian Litas	135.45	135.34	135.03	135.28	135.49	134.28	133.67
100 Moldavian Leu	42.10	41.53	41.79	41.81	42.36	41.63	41.49
100 Netherlandish Guilder	219.29	215.71	209.14	214.71	221.15	209.51	218.12
100 Deutsche Mark	247.08	243.04	235.65	241.92	249.18	236.07	245.76
100 Norwegian Krone	59.58	59.36	58.05	59.00	60.07	57.96	59.68
100 Polish Zloty	134.62	136.00	135.99	135.54	134.19	128.26	125.90
100 Portuguese Escudo	2.41	2.37	2.30	2.36	2.43	2.30	2.40
10 Russian Ruble	1.88	1.87	1.86	1.87	1.88	1.84	1.82
100 Singapore Dollar	299.25	298.38	297.59	298.41	304.32	294.58	303.23
100 Slovak Koruna	11.12	11.01	10.77	10.96	11.22	10.84	11.15
10000 Turkish Lira	0.04	0.05	0.04	0.05	0.06	0.04	0.04
10000 Turkmen Manat	10.42	10.41	10.39	10.41	10.42	10.33	10.28
1000 Hungarian Forint	18.10	18.35	18.60	18.35	18.61	18.55	19.17
100 Uzbek Soum	1.57	1.54	1.48	1.53	1.58	1.39	1.30
100 Finnish Markka	81.28	79.95	77.52	79.58	81.97	77.65	80.84
100 French Franc	73.67	72.47	70.26	72.13	74.30	70.39	73.28
100 Czech Koruna	13.99	13.81	13.56	13.79	14.10	13.64	14.12
100 Swedish Krona	53.10	52.50	50.08	51.89	53.83	49.87	51.71
100 Swiss Franc	316.33	309.77	302.78	309.63	318.35	304.99	317.44
1000 Japanese Yen	43.78	44.33	44.36	44.16	45.09	43.14	43.93
100 Euro (ECU up to '99)	483.24	475.35	460.89	473.16	487.35	461.71	480.67
100 SDR	686.86	683.85	675.63	682.11	691.86	671.91	681.15

The end

Currencies	2001							
	09	III quarter	9 months	10	11	12	IV quarter	Year
100 Australian Dollar	271.18	274.92	280.55	267.68	272.99	272.27	270.98	278.16
100 Austrian Shilling	35.38	34.62	35.15	34.95	34.18	34.29	34.47	34.98
100 Pound Sterling	780.72	769.19	777.10	770.86	760.74	761.76	764.45	773.94
10000 Azerbaijan Manat	11.40	11.47	11.67	11.30	11.19	11.14	11.21	11.56
1000 Belgium Franc	120.69	118.10	119.91	119.20	116.58	116.97	117.58	119.33
10 Belarus Ruble	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.04
1000 Greek Drachma	14.29	13.98	14.20	14.11	13.80	13.85	13.92	14.13
100 Danish Krone	65.42	64.00	64.87	64.66	63.16	63.40	63.74	64.59
100 US Dollar	533.90	535.23	539.71	531.03	528.73	529.43	529.73	537.21
100 Estonian Kroon	31.12	30.45	30.91	30.73	30.06	30.16	30.31	30.76
100 Iceland Krona	5.35	5.34	5.70	5.19	4.94	5.06	5.06	5.54
100 Irish Pound	618.18	604.92	614.18	610.57	597.11	599.12	602.27	611.20
1000 Spanish Peseta	29.26	28.63	29.07	28.90	28.26	28.36	28.51	28.93
10000 Italian Lira	25.14	24.60	24.98	24.83	24.29	24.37	24.50	24.86
100 Canadian Dollar	341.54	346.82	351.15	338.25	331.64	335.15	335.01	347.12
100 Kazakhstan Tenge	3.62	3.64	3.70	3.59	3.56	3.54	3.56	3.66
100 Latvian Lats	857.79	849.40	860.51	850.04	839.55	837.37	842.32	855.96
100 Lithuanian Litas	133.47	133.81	134.93	132.76	132.18	132.36	132.43	134.30
100 Moldavian Leu	41.50	41.54	42.09	41.30	41.10	40.45	40.95	41.80
100 Netherlandish Guilder	220.92	216.19	219.50	218.20	213.40	214.11	215.24	218.43
100 Deutsche Mark	248.92	243.58	247.31	245.86	240.44	241.25	242.52	246.11
100 Norwegian Krone	60.82	59.49	59.87	60.12	59.34	59.09	59.52	59.78
100 Polish Zloty	126.52	126.90	131.76	128.37	129.08	131.64	129.70	131.24
100 Portuguese Escudo	2.43	2.38	2.41	2.40	2.35	2.35	2.37	2.40
10 Russian Ruble	1.81	1.82	1.86	1.80	1.77	1.76	1.78	1.84
100 Singapore Dollar	305.61	301.14	303.26	293.54	288.91	288.24	290.23	300.00
100 Slovak Koruna	11.19	11.06	11.17	11.03	10.90	10.95	10.96	11.11
10000 Turkish Lira	0.04	0.04	0.05	0.03	0.03	0.04	0.03	0.05
10000 Turkmen Manat	10.27	10.29	10.38	10.21	10.17	10.18	10.19	10.33
1000 Hungarian Forint	19.03	18.92	18.71	18.84	18.68	19.06	18.86	18.75
100 Uzbek Soum	1.26	1.32	1.50	1.23	0.79	0.77	0.93	1.35
100 Finnish Markka	81.88	80.13	81.35	80.87	79.09	79.36	79.78	80.96
100 French Franc	74.22	72.63	73.74	73.31	71.69	71.93	72.31	73.38
100 Czech Koruna	14.25	14.00	14.07	14.32	14.11	14.50	14.31	14.13
100 Swedish Krona	50.39	50.65	52.77	50.24	49.91	50.00	50.05	52.09
100 Swiss Franc	326.39	316.27	317.66	324.94	320.67	320.01	321.87	318.71
1000 Japanese Yen	44.99	44.02	44.73	43.82	43.26	41.63	42.90	44.27
100 Euro (ECU up to '99)	486.85	476.41	483.70	480.86	470.26	471.84	474.32	481.36
100 SDR	686.79	679.95	687.89	679.05	671.17	669.23	673.15	684.20

OFFICIAL EXCHANGE RATE OF UKRAINIAN KARBOVANETS AGAINST FOREIGN CURRENCIES ESTABLISHED BY THE NATIONAL BANK OF UKRAINE (end of period)

(Ukr. KRB)

Currencies	1992	1993	1994	1995
I group				
1 Australian Dollar	440	8 588	81 040	133 330
1 Austrian Shilling	56	1 052	9 400	17 790
1 Pound Sterling	961	18 797	161 210	277 020
10 Belgium Franc	192	3 563	32 190	60 930
1 Deutsche Mark	394	7 398	66 130	125 150
1 Netherlandish Guilder	350	6 607	59 080	111 800
1 Danish Krone	102	1 893	16 860	32 310
100 Italian Lira	43	756	6 350	11 320
1 Canadian Dollar	503	9 375	74 460	131 230
1 Norwegian Krone	93	1 705	15 150	28 360
1 US Dollar	638	12 610	104 200	179 400
1 Finnish Markka	121	2 207	21 790	41 200
1 French Franc	116	2 172	19 130	36 610
1 Swedish Krona	90	1 514	13 910	26 900
1 Swiss Franc	435	8 706	78 330	155 860
10 Japanese Yen	51	1 132	10 390	17 410
1 ECU	771	14 309	126 230	235 820
10 Spanish Peseta	56	902	7 830	14 760
10 Greek Drachma	30	516	4 280	7 560
1 Irish Pound	1 040	17 969	159 130	286 530
1 Iceland Krona	—	175	1 510	2 760
10 Portuguese Escudo	44	724	6 430	12 000
1 SDR	—	17 476	151 140	266 740
II group				
100 Russian Ruble	—	456	2 940	3 870
1 Azerbaijan Manat	—	1	50	40
1000 Belarus Ruble	—	4	9 160	15 080
1 Armenian Dram	—	1	250	450
1 Estonian Kroon	49	925	8 270	15 640
1 Kazakhstan Tenge	—	1 796	1 720	2 830
1 Kirghiz Som	—	1 566	9 740	16 380
1 Latvian Lats	—	21 158	190 490	335 330
1 Lithuanian Litas	—	3 231	26 050	44 850
1 Moldavian Leu	—	3 417	24 360	39 520
1 Turkmen Manat	—	—	10 420	70
1 Uzbek Soum	—	2	4 170	5 180
1 Georgian Lari	—	—	—	—

**OFFICIAL EXCHANGE RATE OF HRYVNYIA AGAINST FOREIGN CURRENCIES ESTABLISHED
BY THE NATIONAL BANK OF UKRAINE (end of period¹)**

(UAH)

Currencies	1996	1997	1998	1999	2000	2001	2 0 0 1			
							01	02	03	04
100 Australian Dollar	150.71	124.18	209.45	339.79	301.54	270.23	295.85	285.43	263.59	277.16
100 Austrian Shilling	17.27	15.06	29.12	38.08	36.75	33.94	36.30	36.15	34.78	35.51
100 Pound Sterling	319.13	315.99	573.15	842.90	810.26	767.39	793.03	783.50	772.97	781.37
10000 Azerbaijan Manat	4.61	4.88	8.84	11.93	11.91	11.12	11.87	11.83	11.77	11.72
1000 Belgium Franc	58.97	51.37	99.31	129.90	125.35	115.76	123.81	123.31	118.65	121.14
10 Belarus Ruble	0.82	0.46	-	0.06	0.04	0.03	0.04	0.04	0.04	0.04
1000 Greek Drachma	7.64	6.72	12.17	15.87	14.84	13.70	14.66	14.60	14.05	14.34
100 Danish Krone	31.76	27.81	53.79	70.40	67.76	62.79	66.94	66.65	64.14	65.47
100 US Dollar	188.90	189.90	342.70	521.63	543.45	529.85	543.06	542.88	541.92	541.58
100 Estonian Kroon	15.19	13.25	25.60	33.49	32.32	29.84	31.92	31.79	30.59	31.23
100 Iceland Krona	2.83	2.65	4.94	7.26	6.42	5.10	6.29	6.27	5.92	5.75
100 Irish Pound	316.06	273.23	508.72	665.38	642.08	592.91	634.17	631.62	607.73	620.48
1000 Spanish Peseta	14.42	12.52	24.08	31.49	30.39	28.06	30.02	29.90	28.77	29.37
10000 Italian Lira	12.36	10.78	20.69	27.06	26.12	24.12	25.79	25.69	24.72	25.24
100 Canadian Dollar	137.97	131.87	220.61	358.73	362.11	331.72	361.69	355.01	344.23	350.83
100 Kazakhstan Tenge	2.56	2.50	4.09	3.77	3.76	3.53	3.74	3.74	3.73	3.72
100 Latvian Lats	337.32	321.86	602.28	894.73	879.37	830.49	884.46	874.20	861.56	861.02
100 Lithuanian Litas	47.23	47.48	85.68	130.41	135.86	132.46	135.77	135.72	135.48	135.40
100 Moldavian Leu	40.62	40.75	41.18	45.01	43.89	40.47	42.81	42.87	42.18	41.99
100 Netherlandish Guilder	108.23	94.03	181.80	237.79	229.47	211.90	226.64	225.73	217.19	221.75
100 Deutsche Mark	121.49	105.97	204.84	267.93	258.55	238.75	255.37	254.34	244.72	249.85
100 Norwegian Krone	29.30	25.81	45.33	64.88	61.42	58.73	61.01	60.45	59.40	59.92
100 Polish Zloty	66.08	54.30	98.46	126.46	131.35	133.60	131.70	132.63	132.72	136.76
100 Portuguese Escudo	12.07	10.36	2.00	2.61	2.52	2.33	2.49	2.48	2.39	2.44
10 Russian Ruble	3.40	3.19	1.66	1.93	1.93	1.76	1.91	1.89	1.89	1.88
100 Singapore Dollar	134.97	113.61	207.07	312.73	313.58	286.37	310.72	311.72	300.47	297.66
100 Slovak Koruna	5.94	5.50	9.39	12.32	11.51	10.92	11.43	11.38	10.96	11.21
10000 Turkish Lira	0.18	0.09	0.11	0.10	0.08	0.04	0.08	0.05	0.05	0.05
10000 Turkmen Manat	4.64	4.56	6.59	10.03	10.45	10.19	10.44	10.44	10.42	10.42
1000 Hungarian Forint	11.74	9.39	15.85	20.70	19.08	19.05	18.84	18.68	17.94	18.28
100 Uzbek Soum	3.45	2.37	3.12	3.73	1.67	0.77	1.65	1.62	1.59	1.56
100 Finnish Markka	40.65	35.02	67.38	88.14	85.05	78.54	84.00	83.66	80.50	82.19
100 French Franc	36.01	31.67	61.08	79.89	77.09	71.19	76.14	75.83	72.97	74.50
100 Czech Koruna	6.90	5.55	11.38	14.60	14.43	14.61	14.41	14.37	13.85	14.11
100 Swedish Krona	27.50	24.03	42.41	61.20	57.26	50.20	56.49	55.05	52.27	53.58
100 Swiss Franc	139.72	130.60	250.32	326.48	331.99	314.89	328.50	323.69	313.42	317.77
1000 Japanese Yen	16.29	14.66	29.71	51.01	47.30	40.49	46.51	46.75	43.22	43.63
100 Euro (ECU up to '99)	236.26	209.59	401.33	524.03	505.68	466.96	499.45	497.44	478.62	488.67
100 SDR	271.66	255.10	481.62	714.55	708.07	665.29	704.78	701.66	686.53	685.53

¹ Established at the last calendar day.

The end

Currencies	2001								
	05	06	07	08	09	10	11	12	
100 Australian Dollar	277.95	272.76	270.58	283.39	264.27	269.32	274.17	270.23	
100 Austrian Shilling	33.68	33.17	34.05	35.30	35.38	34.87	34.12	33.94	
100 Pound Sterling	769.31	756.86	763.50	776.27	782.61	769.93	752.90	767.39	
10000 Azerbaijan Manat	11.71	11.59	11.47	11.42	11.37	11.23	11.13	11.12	
1000 Belgium Franc	114.88	113.15	116.13	120.40	120.67	118.94	116.39	115.76	
10 Belarus Ruble	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	
1000 Greek Drachma	13.60	13.40	13.75	14.25	14.29	14.08	13.78	13.70	
100 Danish Krone	62.15	61.32	62.92	65.25	65.46	64.49	63.10	62.79	
100 US Dollar	541.52	538.28	535.35	534.04	533.11	529.37	528.31	529.85	
100 Estonian Kroon	29.62	29.17	29.94	31.04	31.11	30.67	30.01	29.84	
100 Iceland Krona	5.19	5.13	5.33	5.40	5.27	5.10	4.85	5.10	
100 Irish Pound	588.44	579.59	594.85	616.72	618.09	609.25	596.15	592.91	
1000 Spanish Peseta	27.85	27.43	28.16	29.19	29.26	28.84	28.22	28.06	
10000 Italian Lira	23.93	23.57	24.20	25.08	25.14	24.78	24.25	24.12	
100 Canadian Dollar	351.25	353.11	349.43	345.77	337.62	335.99	333.91	331.72	
100 Kazakhstan Tenge	3.71	3.67	3.65	3.63	3.61	3.57	3.56	3.53	
100 Latvian Lats	850.11	842.38	844.40	857.21	861.24	841.61	833.30	830.49	
100 Lithuanian Litas	135.38	134.57	133.84	133.51	133.28	132.34	132.08	132.46	
100 Moldavian Leu	41.72	41.69	41.50	41.51	41.45	41.18	40.99	40.47	
100 Netherlandish Guilder	210.30	207.13	212.59	220.41	220.89	217.73	213.05	211.90	
100 Deutsche Mark	236.95	233.39	239.53	248.34	248.89	245.33	240.06	238.75	
100 Norwegian Krone	58.60	57.88	58.71	60.35	60.02	60.17	59.07	58.73	
100 Polish Zloty	135.21	135.46	126.82	125.95	126.12	128.96	129.60	133.60	
100 Portuguese Escudo	2.31	2.28	2.34	2.42	2.43	2.39	2.34	2.33	
10 Russian Ruble	1.86	1.85	1.83	1.82	1.81	1.78	1.77	1.76	
100 Singapore Dollar	299.30	295.43	297.02	305.17	301.92	290.52	288.84	286.37	
100 Slovak Koruna	10.81	10.80	10.85	11.20	11.16	10.97	10.83	10.92	
10000 Turkish Lira	0.05	0.04	0.04	0.04	0.03	0.03	0.04	0.04	
10000 Turkmen Manat	10.41	10.35	10.30	10.27	10.25	10.18	10.16	10.19	
1000 Hungarian Forint	18.27	18.74	18.96	19.24	18.92	18.72	18.73	19.05	
100 Uzbek Soum	1.52	1.43	1.33	1.28	1.25	1.22	0.77	0.77	
100 Finnish Markka	77.94	76.77	78.79	81.69	81.87	80.70	78.97	78.54	
100 French Franc	70.65	69.59	71.42	74.05	74.21	73.15	71.58	71.19	
100 Czech Koruna	13.58	13.51	13.83	14.18	14.35	14.27	14.11	14.61	
100 Swedish Krona	51.04	49.55	50.61	51.31	50.02	50.07	49.59	50.20	
100 Swiss Franc	303.85	299.75	309.97	320.16	329.78	326.34	320.81	314.89	
1000 Japanese Yen	45.09	43.32	42.80	44.58	44.65	43.45	42.98	40.49	
100 Euro (ECU up to '99)	463.43	456.46	468.48	485.71	486.78	479.82	469.51	466.96	
100 SDR	679.19	670.51	673.87	687.96	687.22	676.58	668.88	665.29	

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The Annual Report is compiled by the NBU Economic Department		
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