

NATIONAL BANK OF UKRAINE

Annual Report

2002

**Ladies and Gentlemen!
My Esteemed Colleagues!**

In 2002, the NBU continued to pursue its policy developed during 11 years of its existence. The Bank persistently worked in all the areas, strengthening the banking system of Ukraine and thus its macroeconomic stability.

The actions taken by the NBU yielded positive results, which we are proud of and which give hopes for the future. After all, the hryvnia retained its internal and external stability and inflation remained suppressed. I would like to note that those two factors alone animated the investment activity of enterprises and afforded opportunities for internal lending.

The banking system itself expanded: banks enlarged the scope of their activities, augmented their capital, diversified operations, and enhanced the range of their services. In short, in 2002, Ukrainian banks became more reliable.


That is why it is safe to say that the economic growth in Ukraine is chiefly attributable to the positive development of the banking system.

It is a pleasure for me to note that in the first half of 2003 all the positive trends of the previous year were markedly intensified. Consequently, the economic growth in Ukraine will certainly persist, which will advance the state system of Ukraine and improve the well-being of its people.

We are sanguine about the future since today the NBU has the necessary organizational, intellectual and technical potential for further development and successful performance of the banking sector.

Best regards,

**Governor of the
National Bank of Ukraine**



Sergiy Tigipko



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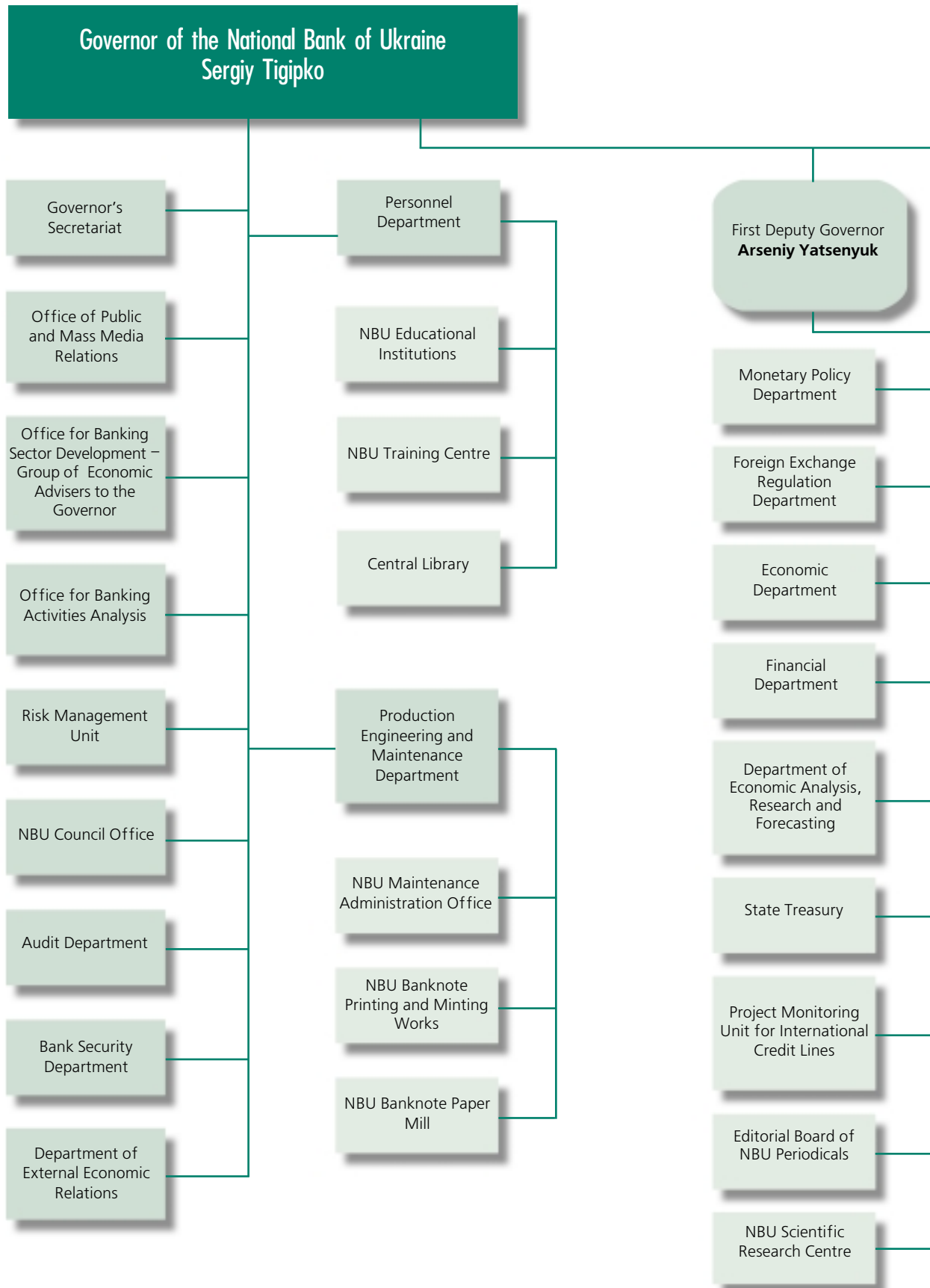
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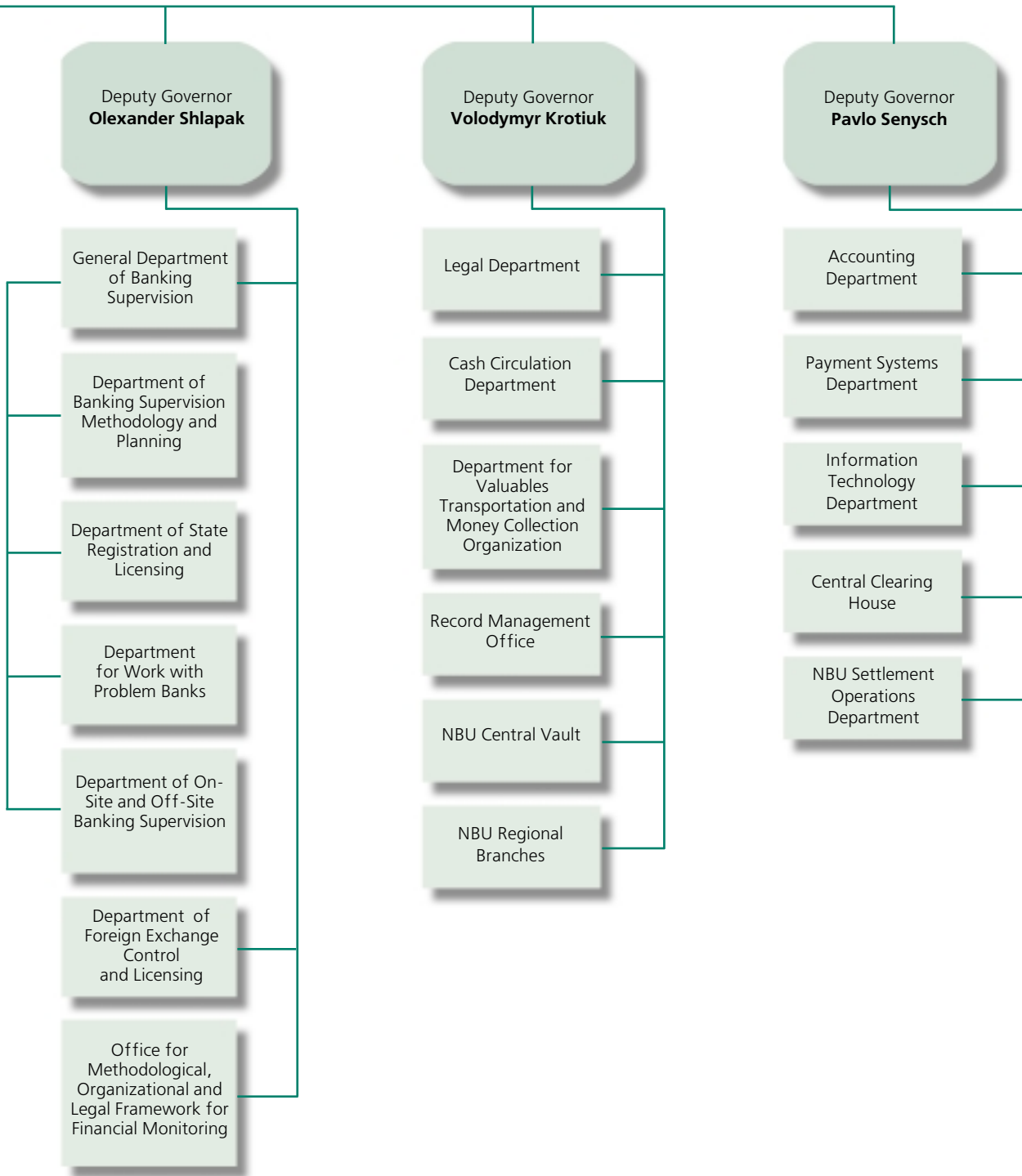
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STRUCTURE OF THE NATIONAL BANK OF UKRAINE





Part 1.
**GENERAL ECONOMIC
SITUATION**

1.1. REAL SECTOR OF THE ECONOMY

Started in 2000, the tendency towards economic growth has been preserving. The main macroeconomic indices show growth of GDP, industrial output and services, as well as augmentation of real available income of individuals.

In 2002, the dynamics of economic growth slowed down: the real GDP estimated 4.8% against 9.2% in 2001, the rates of industrial production made 7% against 14.2% in 2001 while those of agriculture made 1.9% against 10.2% in 2001. One of the factors slowing the growth was a deterioration of the external economic situation for the export-oriented industries.

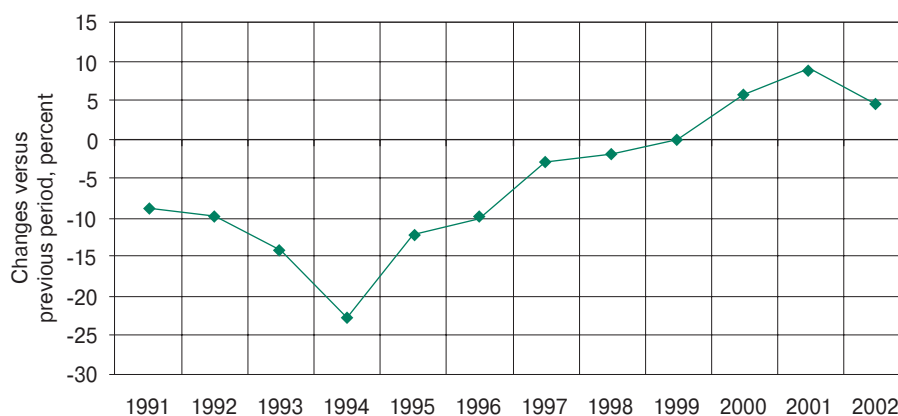
In nominal terms, in 2002, the GDP amounted to UAH 220,932 million, or UAH 4,583 per capita, which was UAH 388 as much as in 2001.

In the year under report, GDP grew due to an increase in the GVA in all the economic activities except construction where it fell by 1.4%. Following the revival of domestic demand for finished goods, the highest GVA growth rates were observed in manufacturing industry (8.9%), as well as in wholesale and retail trade, trade in modes of transportation and repair services (8.1%).

Within the structure of GDP calculated with the manufacturing method, the largest portion of GVA (20.3%) was obtained in final production-oriented manufacturing industry, 13.4% - in agriculture, hunting and forestry and 11.7% - in transportation.

The share of net taxes on products was 12.3%, i.e. it grew by 0.7 percentage points compared with the previous year due to the piling tax pressure imposed on economic entities, which by no means stimulated business activity.

Real Gross Domestic Product of Ukraine in 1991 – 2002



The share of interim consumption within the total output of goods and services made 57%, i.e. it dropped by 0.8 percentage points versus 2001, which meant no crucial movement towards a reduction of production expenses and little improvement in industrial production.

The most expensive businesses with a large share of interim consumption in the composition of goods and services output remained manufacturing industry (75.5%), extractive industry (64.4%) and construction (59.8%).

Structure of Goods and Services Output

Items	2000	2001	2002
Output of goods and services			
UAH billion	400	484.2	513.9
%	100	100	100
Interim consumption			
UAH billion	230	280	293
%	57.5	57.8	57.0
Gross value added with net taxes on food products			
UAH billion	170	204.2	220.9
%	42.5	42.2	43.0

GDP Structure by Categories of Use

(in actual prices)

Indicators	2001		2002	
	Total volume, UAH billion	Share, % of total	Total volume, UAH billion	Share, % of total
Gross domestic product	204.2	100.0	220.9	100.0
including:				
Final consumer expenses	156.3	76.6	168.9	76.5
Gross accumulation	44.4	21.8	42.1	19.0
Net export of goods and services	3.3	1.6	9.9	4.5

As the analysis of GDP structure by use shows, the share of final consumer expenses in 2002 went down compared with the previous year by 0.1 percentage points to 76.5%. The largest part in the final consumer expenses was formed of household expenses that reached 54.3%, which was 0.7 percentage points as little as in the previous year. The share of consumer expenses in the sector of public administration grew by 0.8 percentage points comparing with 2001 and made 20.4%.

Negative in the GDP structure by categories of final use (in the view of creating investment prerequisites for economic growth) was reduction of the capital stock gross accumulation share from 21.8% in 2001 to 19.0% in the year under report that was absolutely insufficient taking into account the high (about 50%) depreciation rate of capital assets and need for restructuring of enterprises. Deterioration of the financial performance of enterprises caused a slowdown in the growth rates of fixed assets gross accumulation compared with the previous year: in the year under report the rates made 104.9% (in 2000 - 112.4%, in 2001 - 106.2%).

In the GDP structure by categories of final consumption the share of net export grew by 2.9 percentage points against 2001 and reached 4.5%. This dynamics was conditioned by 3-time increase of the surplus of goods and services compared with the previous year.

Analysis of the GDP structure by income shows shifts of trends in transfer of income between the sectors of the economy compared with 2001. Thus, the share of gross return and mixed income went down from 44.3% in 2001 to 42.7% in 2002, whereas the shares of labour remuneration and net taxes on production and import grew by 1.4 and 0.2 percentage points respectively. Demand was formed according to transfer of income: consumer expenses of households grew faster than investments in the real sector.

In 2002, the GDP deflator was 103.2% against 109.9% in 2001.

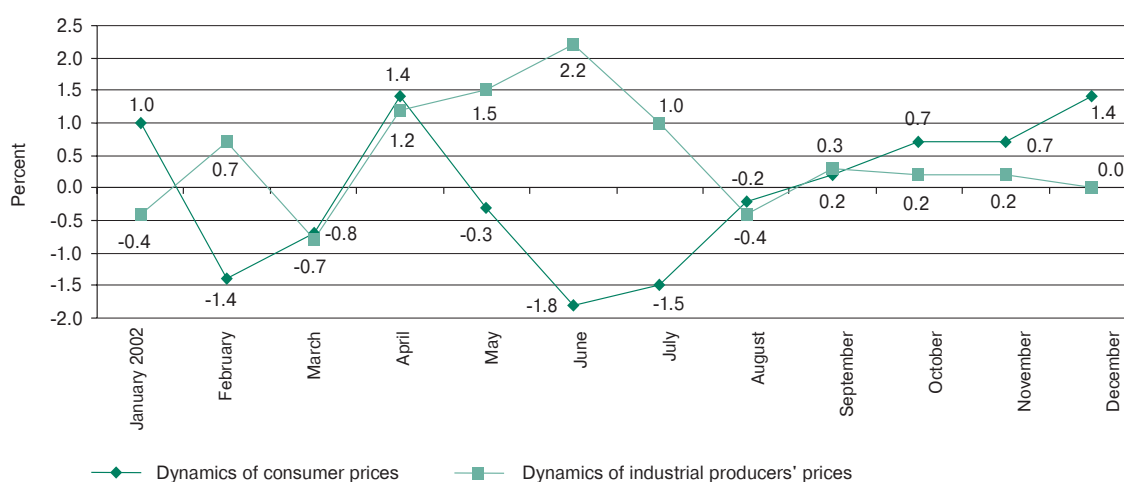
GDP Structure by Income Categories

(% of total)

Indicators	2000	2001	2002
GDP	100	100	100
including:			
labour remuneration	42.3	42.2	43.7
Gross income, mixed income	40.9	44.3	42.7
Net taxes on production and import	16.8	13.4	13.6

1.2. DYNAMICS OF PRICES

In considering inflationary developments, it should be noted that 2002 was an exceptional and unpredictable year in the context of dynamics of inflationary developments. Mostly, the consumer market showed a tendency towards price decrease. For the first time Ukraine had deflation of 0.6%.

Dynamics of Consumer Prices and Industrial Producers' Prices (growth rates versus previous month, percent)

Drop in consumer prices was stipulated by a considerable reduction of food prices resulting from rich harvest, stable foreign exchange rate and, accordingly, decrease in inflationary expectations, as well as tighter fiscal policy and surplus of the consolidated budget.

Reduction of consumer prices in 2002 was pushed by expanding consumer goods supply, that was achieved primarily due to a significant growth of industrial output (growth of production in manufacturing industry was 8.9%), increase of agricultural production volume (by 1.9%) resulted from speed-up of structural reforms in the agrarian sector, decrease of barterization (the share of barter went down by 3.8 percentage points). It should be noted that despite a significant growth of real income of population over the last three years, the purchasing power of the major part of population remained rather low and a large share of income received was spent by this part of population in the consumer market.

By quarters of the year, the consumer price index was 98.9% in the first quarter, 99.3% in the second quarter, 98.5% in the third quarter and 102.8% in the fourth one.

Development of deflationary processes was stimulated by administrative intrusion into the process of forming prices for basic groups of foods, in particular, by strengthening control over the procedure of forming prices for basic food products and over the level of trade mark-ups by regional administrative bodies and local offices of the Anti-Monopoly Committee according to the Ukrainian President Mandate of January 29, 2002.

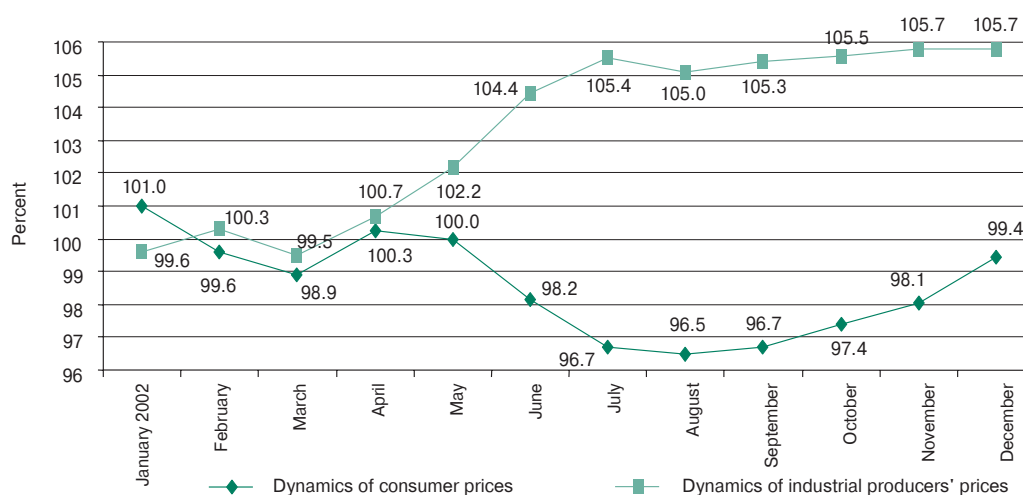
In analyzing the inflation rate dynamics over the year, it should be noted that deflation was observed in February, March, May and June, whereas in the previous years the above months were marked with inflation.

In summer months, reduction of consumer prices was caused by seasonal cheapening of fruit and vegetables: in June - by 1.8%, in July - by 1.5% and in August - by 0.2%.

In September, deflation was replaced by 0.2% inflation; in October and November, inflation reached 0.7%, that was attributable to a seasonal rise of prices for dairy produce, eggs, fruit and vegetables.

In December, seasonal rise of prices for foods and increase of solvent demand of population stimulated by significant social payments for New-Year celebration led the CPI up to 101.4%.

Dynamics of Consumer Prices and Industrial Producers' Prices (growth rates versus December of previous year, percent)



In 2002, within the groups of goods, consumer prices for foods went down by 2.3%, prices for non-foods went up by 1.6%, and cost of services increased by 3.4% due to rise of tariffs for connection (by 9.5%), municipal transport costs (by 1.5%) and public utility services (by 1.5%). Taking into account that the CPI depends largely on movements of prices for foods, since the share of foods within the consumer basket is almost 64%, rise of prices for non-foods and services failed to offset the drop of CPI caused by growth of food prices.

Producers' prices unlike CPI grew by 5.7% in 2002 against 0.9% growth in 2001. The largest rise in producers' prices was observed in the period from April to July (namely, by 6.0%), and by months, accordingly - by 1.2%, 1.5%, 2.2%, 1.0%. Within that period, prices grew significantly for products of extractive industry, in production of coke, oil refinery products, electricity, gas and water. This caused rise of producers' prices for electric power and tariffs of some distributor companies for transmitting electric power. Besides, growth of the world oil prices and of the export oil custom duty in Russia led to the price growth of oil products. Reduction of output in the said period or its insignificant growth in the above industries contributed to producers' price rises.

1.3. INVESTMENTS

One of the objectives of the macroeconomic policy is ensuring of the transition to the investment model of economic growth.

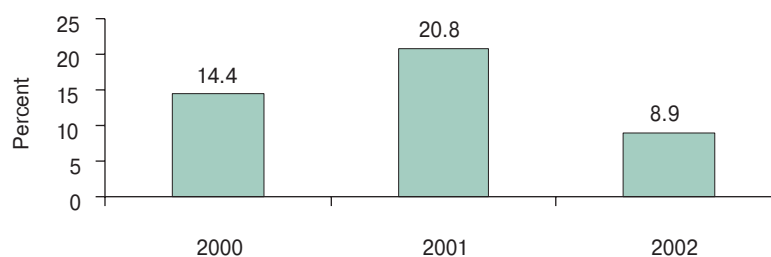
In 2002, capital investments for establishing and recovering fixed assets amounted to UAH 46.6 billion, of which capital input – UAH 37.2 billion. Value of the fixed assets, put into use within the year, was UAH 34.5 billion, which was 1.5 times as much as in 2001.

The highest investment activity was observed in the city of Sevastopol and Zhytomyr region, where capital investments went up by 76.7% and 54.9%.

In the structure of sources financing the investments into the fixed assets, the largest share fell on the equities of enterprises and organizations, which ensured development of 65.8% of the total investments in 2002 (in 2001 – 66.3%). The share of public investments in equities made 5% (in 2001 – 6.4%), the share of local budgets – 4%, investments from funds of foreign investors – 5.6% (in 2001 – 4.5%). Of the total investment in the equities, 5.3% was developed at the expense of bank credits and other loans, as well as other loans from other sources (10.1%) (investment funds, private money etc.). Within the total investment, the share of individuals' funds channeled to individual house building was 4.2% (in 2001 – 5.2%).

By economic activities, in 2002, the largest share (40.7% or UAH 15.1 billion) of the total investment in equity was used by industrial enterprises, of which 55.8% – by enterprises of manufacturing industry. Attractive for investments remained enterprises of food industry and agricultural products processing, which used 8.3% of the total fixed capital investment. Enterprises producing electricity, gas and water used 7.7% of the total investment. The share of investments in development of agricultural enterprises, hunting and related services remained small (5% of the total).

Growth Rates of Investment in Fixed Capital



In 2002, enterprises of most types of economic activity were characterized by a positive dynamics of fixed capital investment growth. Capital investment rate growth augmented in aviation transport (by 72.8%), financial activity (by 62.5%), construction (by 56.6%), and trade (51.3%). Attractive for investors remained enterprises of telecommunications, which received investment 16.9% as much as in 2001. Capital investment in education grew by 30.8% and those in healthcare – by 12%.

Net growth of direct investment in the economy of Ukraine in 2002 (excluding returns from privatization in 2001) summed to USD 0.7 billion that was 26.9% as much as in the previous year.

By the end of 2002, total investment attracted in joint stock (including privatization) amounted to USD 5.6 billion, or made 13.5% of GDP.

The highest interest in Ukraine was demonstrated by the USA investors who, as of 2002 year-end, invested in authorized funds of Ukrainian enterprises USD 1 billion, while in enterprises of Cyprus – USD 0.6 billion, of the United Kingdom – USD 0.5 billion, of the Russian Federation – USD 0.4 billion.

In 2002, foreign investors gave priority to the following economic activities: wholesale trade and trade brokerage (27.3% of the total return), financial activities (9.9%), operations with real estate, leasing and services to legal entities (9.2%), machine building (5.9%), food industry and agricultural products processing (5.6%).

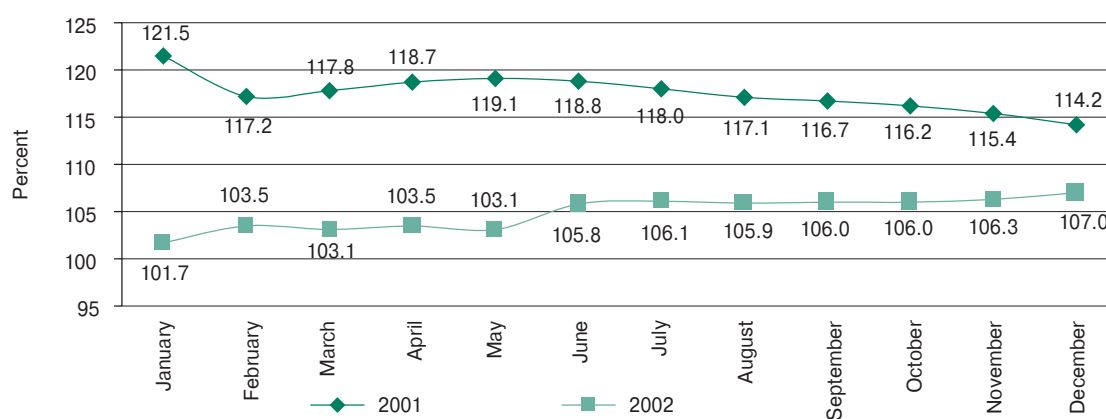
1.4. INDUSTRIAL PRODUCTION

On the whole in 2002, industry in Ukraine produced goods and provided services to the amount of UAH 171.2 billion, that was 7% more than in 2001. Output growth was achieved in all the main types of industrial activity.

In manufacturing, which had 73.7% of the total industrial production, growth of output compared with 2001 was 8.9%. After production decline, covering August 2001 to April 2002 the basic industries showed growth of monthly output. In 2002 output growth was achieved in production of coke and petroleum refinery products – by 25.5%, in chemical and petrochemical industry – by 6.5%, metallurgy and metal working – by 3.9%. In 2002 versus 2001, output in machine building grew by 11.3% (last year – by 18.8%). Significant growth of output was registered in science intensive industries of transport machine building, where output growth was 29.6%. Output increased by 64.1% in railway machine building and by 23.3% in automobile machine building. However, output fell in agricultural machine building (by 8.9%), metallurgy equipment production (by 6.4%) and in making machines for agricultural products processing (by 6%).

Steady growing dynamics of production was seen in industries producing goods put directly into the consumer market, namely, in production of wood and woodwork – by 23.4%, food industry and agricultural products processing – by 8.4%, pulp and paper industry and publishing – by 8.4%.

Growth Rates of Industrial Output in Comparable Prices (as progressive total, in percent versus respective period of previous year)



In the extractive industry, which accounts for 11.6% of the total industrial production, output growth in 2002 compared with 2001 was 2.3% (in 2001 – 3.3%). Output reduced by 1 percentage point due to decrease of extraction of fuel and energy resources (by 0.8%).

In enterprises producing and distributing energy, gas and water, growth made 1.1% in 2002 versus 2001 (in 2001 – 2.6%). In 2002, electricity produced equaled to 172.8 billion kWh, that was 0.4% as much as in 2001. Growth of electricity output was achieved in nuclear power plants (2.4%) and thermoelectric power stations (1.6%). Electricity output by the hydroelectric power stations fell by 20.1%.

By regions, in 2002 compared with 2001, industrial output reduced only in the Autonomous Republic of the Crimea (by 6.5%).

1.5. AGRICULTURE

In 2002, further reforms in the agricultural and industrial complex allowed to preserve positive developments of the previous two years.

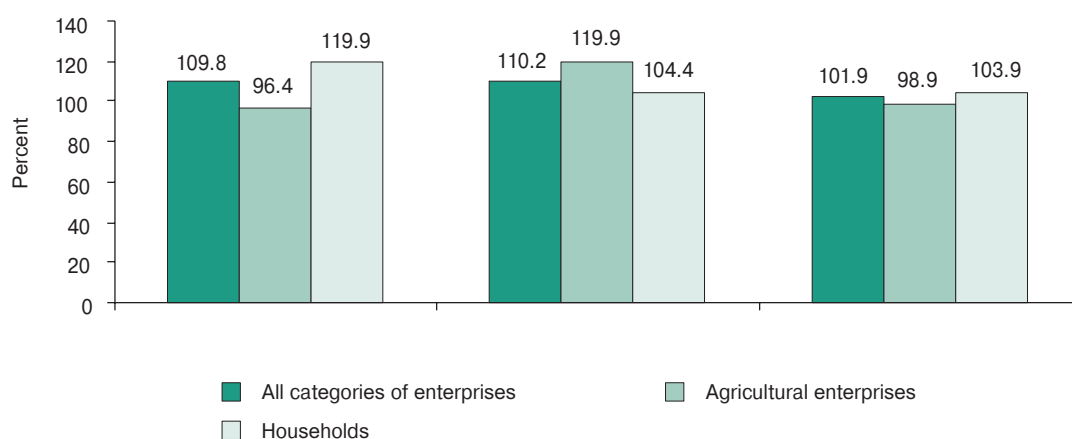
Gross agricultural output in nominal terms summed to USD 64.4 billion and comparing with 2001 it grew by 1.9%, the figures including a 1.1% fall in output of agricultural enterprises of all patterns of ownership and a 3.9% growth of households' output.

In the year under report, the number of farms grew by 1.4 thousand farms and amounted to 43 thousand farms as of January 1, 2003. Nevertheless, lacking the updated machines and techniques, farming enterprises did little contribution to agricultural sector development. Their share in gross agricultural output was only 5%, though farmers' potential was much higher. Most farms were not provided with loans by banks because they had no liquid collateral.

The barter share within the total agricultural output sale fell from 7.6% in 2001 to 4.4% in 2002.

Use of privileged loans and slump of barter operations stimulated some improvements in financial strength of agricultural enterprises. Profitability of farming in 2002 was 5.3% (estimated) compared with 6.1% in the previous year.

Changes in Agricultural Output (in percent versus previous year)



In 2002 compared with 2001, gross output of plant cultivation fell by 1.5% due to its reduction by 5.5% in agricultural enterprises with output of households increased by 2.5%. The harvest of cereal crops made 38.8 million metric tons, 58% (22.5 million tons) whereof being food grain and the rest being fodder one. Compared with 2001, output of all cereal crops fell by 2.3% due to 2.8% decrease in the area under cereals (0.4 million hectares), though their yield rate (27.2 metric centner per 1 hectare from the harvested area) exceeded the rate of 2001 by 0.1 metric centner and was the highest out of the previous 8 years. Thus, compared with the previous year, the yield of millet went down by 58.1%, that of buckwheat – by 45.7%, that of rye – by 17.2%, that of oats – by 15.6%, and that of wheat – by 3.7%. However, sunflower seed crops grew by 14.6%, barley crops – by 1.7%, and rice crops – by 9.4%.

For 2003 harvest, all categories of agricultural enterprises sowed 8.4 million hectares with winter crops for grain and green fodder, which made 93.9% of the predicted level and 92.2% of the 2001 level.

According to outcomes of 2002, plant cultivation was profitable, and its profitability was 27.8% (in 2001 – 35.8%).

In 2002 comparing with 2001, the gross output of animal husbandry grew by 7.2%, including by 11.8% at agricultural enterprises and by 5.4% in households. Over the year, all categories of enterprises increased output of eggs (by 16.8%), meat (by 7.6%), milk (by 5.2%) and wool (by 3.8%). In all categories of enterprises, livestock of pigs grew by 7.9%, sheep and goats – by 3%), and poultry – by 8%. Livestock of cattle fell by 2.5%, including that of cows – by 3.8%.

According to outcomes of 2002, animal husbandry remained unprofitable and its profitability was minus 12.6% (in 2001 – minus 6.6%). To support this sector, state authorities granted UAH 307.7 million subsidies and additional payments to agricultural enterprises.

In 2002 compared with 2001, the total sales of agricultural products grew by 11% due to growth of sales of eggs by 33.6%, cattle and poultry – by 16.3%, and grain crops – by 4.8%.

In the year under report versus the previous one, average sale prices of agricultural products fell by 13%, including by 12% for plant cultivation products and by 14% for animal husbandry products.

1.6. FINANCE OF ENTERPRISES

In 2002, financial status of enterprises and organizations continued to be unsatisfactory. Financial results of the usual activity before taxation decreased during 2002 by 13.4 per cent and reached UAH 14.8 billion (total amount of profit and loss was UAH 31.5 billion and 16.7 billion respectively).

In 2002, 43% of enterprises were unprofitable, which by 4.8 percentage points exceeded the figure of 2001. The highest number of unprofitable enterprises was in transport (57%), industry (52%) and construction (50%). Enterprise financial status worsening came out from growing expenses for production as a result of substantial rise in the cost of power materials, wage raise etc.

In 2002, cash settlements among enterprises increased, while barter operations decreased accordingly. Over this period, 4.1% (UAH 7.4 billion) of industrial output were sold on barter terms, which is 3.8 percentage points less than in 2001. The share of cash settlements among enterprises for delivered products amounted to 86% (UAH 155.8 billion), or increased by 7 percentage points as compared with the previous year.

Positive dynamics of the barter share reduction and an increase in receipts for the delivered goods was observed in all areas of economic activities. The share of receipts has substantially grown at enterprises producing and distributing electric power, gas and water (by 17.7 percentage points), coke and oil refinery products (by 11.4 percentage points), wood and wood products (by 9.8 percentage points). The receipts for the delivered goods were 96.1% in pulp and paper industry, 93% in production of wood and its manufacture, 92.8% in metallurgy and metal working, 91.5% in light industry.

Above 90% of the delivered industrial products were paid in cash in the regions of Odesa, Chernihiv, Volyn, Ternopil, Dnipropetrovsk, Cherkasy, Zhytomyr, Kirovohrad and in the City of Kyiv.

An increase in cash settlements caused non-equivalent barter curtailment and promoted suspension of accumulating the mutual indebtedness of enterprises.

In 2002, total payables of all economic entities (excluding small enterprises and budgetary institutions) increased by 7.1% (in 2001 by 9.3%) and as of January 1, 2003, amounted to UAH 302.7 billion, while total receivables augmented by 8.8% (in 2001 by 18.9%) and totaled UAH 239.8 billion. As of January 1, 2003, total payables exceeded the nominal GDP of 2002 by 37.2%, and receivables – by 8.7% (in 2002, by 39.7 and 8% respectively).

Within the structure of payables and receivables, the biggest share – 86.3% and 95.5% respectively – like in the previous year fell on debts under domestic settlements among enter-

prises, with trade partners (former USSR republics) – 6.1% and 1.3%, and under settlements with economic entities of other countries – 7.6 and 3.1% respectively.

Within the structure of settlements among Ukrainian enterprises the biggest debts were for goods, work and services, i.e. UAH 142.5 billion, or 47.1% of total payables, and UAH 133.2 billion, or 55.6% of receivables; in settlements with the budget they were respectively UAH 17.9 billion, or 5.9% of payables and UAH 9.8 billion (4.1%) of receivables; in labor remuneration – UAH 4.8 billion, or 1.6% of total payables.

Within the structure of payables by types of economic activities the biggest share of payables fell on industrial economic entities, i.e. 43.6% (UAH 131.9 billion) of the total amount. The largest non-payments in industry fell on the production and distribution of electricity, gas and water – UAH 61.4 billion (46.5%) and on manufacturing industry – UAH 53.4 billion (40.4%).

The share of outstanding debts remained substantial, it amounted to 38.3% of total payables and 37.9% of total receivables. In 2002, outstanding payables increased by 4.9%, while outstanding receivables – by 1%. Within the structure of outstanding debts the main share fell on settlements for goods (work and services) among enterprises, i.e. 51.6% of outstanding payables and 58.4% of outstanding receivables.

As of January 1, 2003, non-payments by economic entities to the budget equaled UAH 17.9 billion, of which 72.1% being outstanding payments.

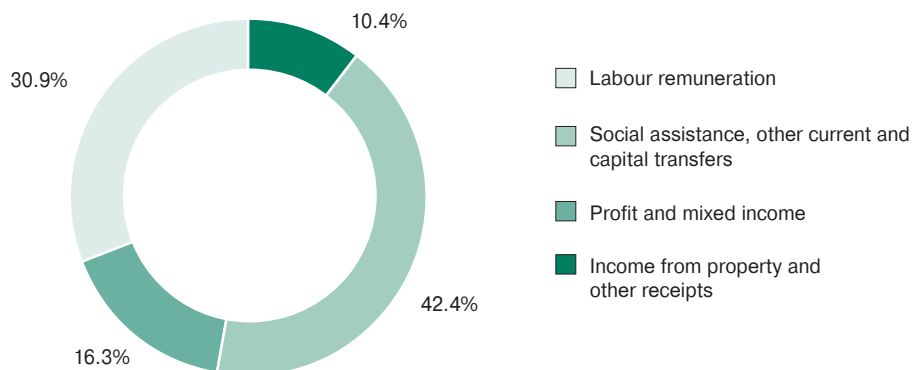
1.7. INCOME AND EXPENDITURES OF POPULATION

In 2002, income and expenditures of population were calculated in compliance with the international standards of composing the system of national settlements.

Stirring up of economic activities and raising of pension and wage payments had a positive effect on the growth of the population nominal income in 2002, which increased by 20.7% versus the previous year and equaled UAH 191.9 billion, of which UAH 163.3 billion was cash income, which grew by 23.3%. Available income used by population to acquire consumer goods and to pay for services grew by 22.1% during the year, and real available income grew by 21.2%.

In 2002, the average monthly money per capita income amounted to UAH 282.4, or increased by 50.8% against 2001.

Structure of Income of Ukrainian Population in 2002

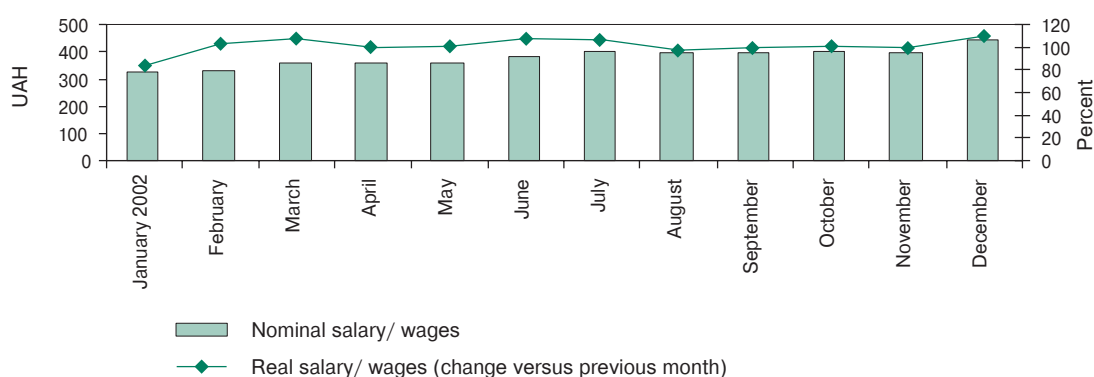


In 2002, salaries and wages were the main source of forming the income of population, their share in the structure of income of population being 42.4%. The share of social assistance and other current and capital transfers made up 30.9% (including 49.8% of social assistance), the income from profit and mixed income amounted to 16.3%, the income from property and other financial revenues equaled 10.4% (24.9% of them from foreign currency sale).

In 2002, the tendency of the previous year towards an increase in salaries/ wages of population persisted. For instance, in 2002, the nominal average monthly salary/ wages calculated for a permanent employee increased by 21% against 2001, and amounted to UAH 376.38 due to raising the minimum salary/ wages by 17.9% (from UAH 140 to UAH 165).

In 2002, the average real salary/ wages exceeded the respective last year index by 18.2%.

Dynamics of Nominal and Real Average Monthly Salary/ Wages in 2002



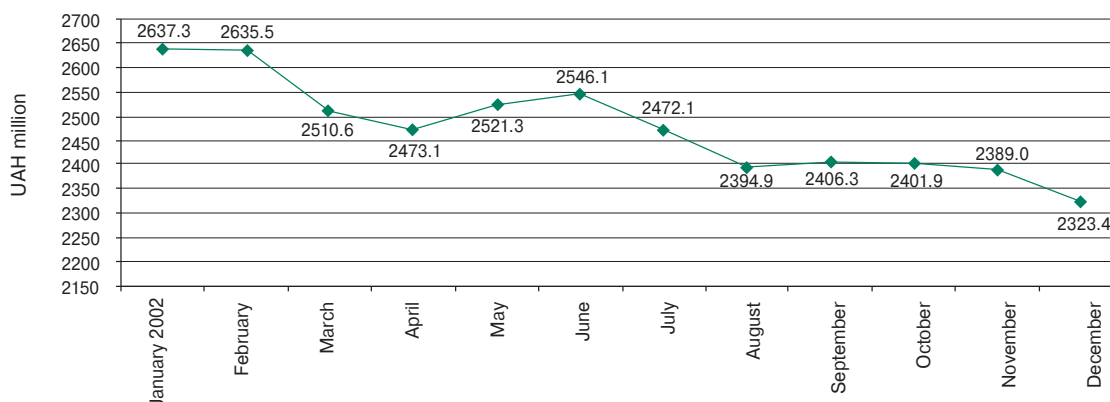
In 2002, the average monthly salary/ wages increased against the previous year at the enterprises of all kinds of activities. The highest rates of a salary/ wages increase were observed in state management bodies (by 24.9%), transport (by 24.5%), public health and social assistance (by 22.3%), forestry (by 21.1%), industry (by 19.5%) and education (by 19.3%).

By kinds of industrial activities, salaries/ wages of employees of air transport and additional transport services, engaged in coke production and petroleum processing, as well as of employees of financial institutions exceeded 1.9–2.6 times the average level in the economy. Like in 2001, the lowest salaries/ wages were observed in agriculture and fish industry, institutions of public health and social assistance, culture and sports, as well as in textile industry, leather and leather footwear production, their level being 47.2–72.1% of the average index in the economy.

Within the Regions, the highest salaries/ wages were observed in the City of Kyiv, Central and Southern Regions. The difference between the maximum and minimum salaries/ wages in Ukraine made up 2.7 times. The average monthly salary/ wages in the regions with a high employment rate in agriculture (the Regions of Volyn, Zhytomyr, Khmelnytskyi, Vinnytsia and Chernivtsi) were almost one-third lower than the average salary/ wages in the country. In the Regions of Dnipropetrovsk, Zaporizhzhia and Donetsk the level of salary/ wages exceeded the average one by 16.3–20%.

The analysis of the tendencies in salary/ wage payments in 2002 shows deceleration in paying the arrears of wages as against 2001. During 2002, total arrears of wages diminished by 6.5% (in 2001 by 43.9%), totaling UAH 2.3 billion as of January 1, 2003.

Dynamics of Arrears of Wages in 2002



During 2002, the amount of arrears incurred as a result of insufficient financing from all the budgets declined by 12.7% and as of January 1, 2003 equaled UAH 42 million.

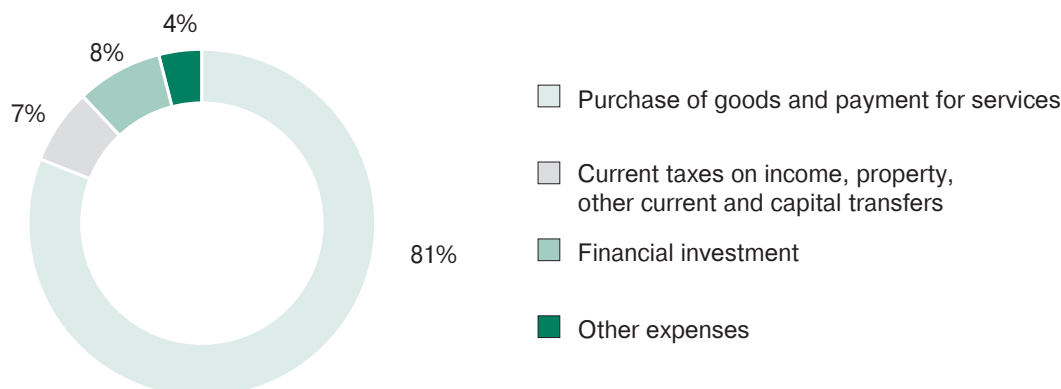
As of January 1, 2003, the arrears of wages to the persons engaged in the non-budgetary sphere came to UAH 2281.4 million, or diminished by 6.4% during the year.

In 2002, the expenditures and savings of population came to UAH 196.7 billion. Versus 2001, the expenditures and savings of population increased by 14.6%, which brought about an increase in the aggregate domestic demand. In 2002, the retail trade turnover equaled UAH 65.6 billion, or exceeded the index of 2001 by 16.4%. Within the retail trade turnover structure 33.6% fell on formal and informal markets.

During 2002, the biggest share of funds of population (81.1%) was channeled to the consumer expenditures related to buying goods and services.

In 2002, as a whole, the expenditures of population exceeded the income by UAH 4.8 billion.

Structure of Expenditures and Savings of Population



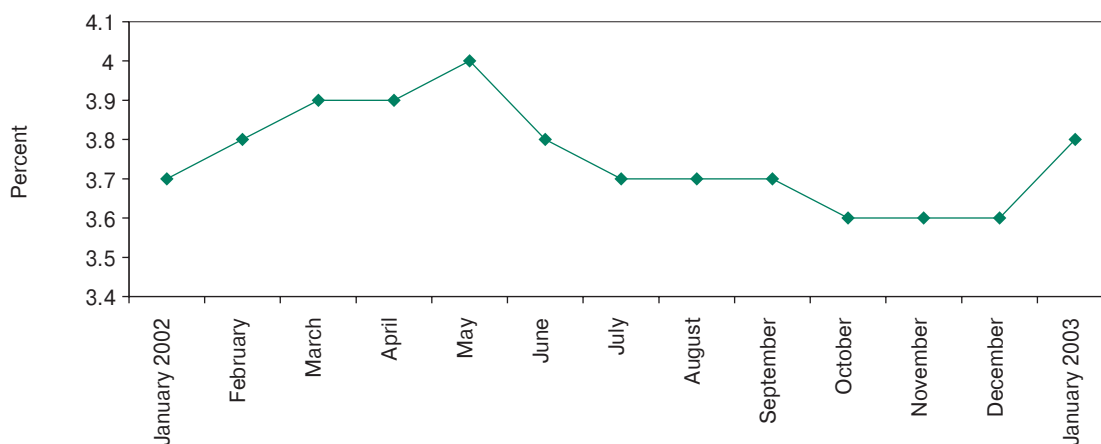
1.8. LABOUR MARKET

In 2002, the formal labour market was characterized by the decreased number of disengaged workers, the decreased unemployment rate in towns and cities with its simultaneous increase in the rural area, the decreased number of applicants per vacancy and increased job placements of unoccupied population.

Under the data of enterprises, institutions and organizations, in the accounting period versus 2001, the number of dismissed persons decreased by 20.5%, including the decrease by 24.5% at the enterprises and organizations of state form of property, and the increase by 36.3% at the enterprises of private form of property.

During the year, 1.8 million citizens applied to the State Employment Service, which was more by 12.6% than in 2001. During the year the number of unemployed citizens registered by the State Employment Service increased by 2.6% and as of January 1, 2003, amounted to 1 million persons, 98% of whom got an official unemployment status.

Dynamics of Registered Unemployment Rate in 2002 (in percent at beginning of a month)



Of each 100 unemployed persons registered by January 1, 2003, 48 were previous workers and only 28 occupied posts of employees.

As of January 1, 2003, the registered unemployment rate made 3.8%, including 6.5% in the rural area and 2.9% in the urban area. The number of unemployed persons in the rural area increased by 36.1%, whereas that in the urban area decreased by 12.4%.

There was a considerable differentiation of unemployment rate in the Regions – from 6.9% in Rivne and Ternopil Regions to 0.5% in the City of Kyiv. In addition, during the year the unemployment rate was affected by seasonal fluctuations and other factors, which resulted in the highest unemployment rate at the beginning of May (4%) and the lowest – at the beginning of November (3.6%).

The average unemployment length during the year decreased by 1 month and as of January 1, 2003, equaled 8 months.

The analysis of the dynamics of vacancies shows that their number during the year increased by 27.9%, and made 123.9 thousand at the beginning of January 2003. As a result, the number of applicants per vacancy decreased from 11 to 9 persons. The number of applicants per vacancy of respective categories in the above period also diminished: from 8 to 6 persons for the vacancies for workers, from 13 to 9 persons for the vacancies for employees and from 31 to 28 persons for jobs requiring no special training. The number of applicants per vacancy in agriculture increased from 31 to 33 persons.

The biggest number of applicants on average per vacancy was in the Regions of Rivne and Ternopil (33 persons in each) and in Ivano-Frankivsk Region (25 persons).

In 2002, with the State Employment Service assistance, 0.8 million persons were employed, which was more than in 2001 by 7.6%. To provide temporary employment and social security for unemployed population, the employment services during the year sent to public work 345.2 thousand persons, which exceeded the previous year figure by 14.3%. In order to acquire new specialties 119.8 thousand persons (by 16.8% more than in 2001) were sent to professional training.

In 2002, UAH 0.8 billion was paid from the Fund of Obligatory State Social Insurance of Unemployment. The average amount of unemployment relief received in December equaled UAH 105.98, which made 64.2% of the minimum salary/ wage legally established at that time.

1.9. STATE FINANCE

The Law of Ukraine "On the State Budget of Ukraine for 2002" adopted by the Verkhovna Rada of Ukraine on December 20, 2001, No. 2905-III (with alterations and amendments), approved the revenues of the Consolidated Budget to the amount of UAH 61.1 billion (24.8% of GDP), the expenditures to the amount of UAH 65.2 billion (24.6% of GDP) and the limit of deficit to the amount of UAH 4.1 billion (1.9% of GDP).

Despite favorable macroeconomic situation, the planned State Budget indicators were not fulfilled. Among the reasons that caused the budget non-fulfillment were extension of the favourable taxation period for enterprises, reduction of profitable enterprises, non-fulfillment of the planned revenues from state property privatization, incomplete payments for natural gas transit through the territory of Ukraine and increase in tax liabilities.

Fulfillment of the Consolidated Budget of Ukraine

During 2002, the Consolidated budget received UAH 60.8 billion (27.6% of GDP) which made 95% of the determined revenues. Expenses of the Consolidated budget amounted to UAH 59.1 billion, or 90.6% of the planned figure, which made 26.8% of GDP. Under the results of 2002, the Consolidated budget profit made UAH 1.7 billion, or 0.8% of GDP.

Indicators of the Fulfillment of the Consolidated Budget of Ukraine in 2002

(UAH billion)

Indicators	2001	Consolidated budget		
		planned	actually fulfilled	fulfillment (%)
<i>Income</i>	52.3	61.1	60.8	99.5
% of GDP	25.6	24.8	27.6	111.3
Including:				
tax revenues	36.7	46.1	45.4	98.2
<i>Expenses</i>	55.5	65.2	59.1	90.6
% of GDP	27.2	26.4	26.8	101.5

The analysis of the Consolidated budget revenues shows that the budget was formed primarily due to tax revenues, which made 74.7% of the total revenues. Tax revenues to the Consolidated budget increased by UAH 8.7 billion, or by 23.6% versus 2001, and amounted to UAH 45.4 billion. The fulfillment of tax revenues made 98.2%.

The main sources of tax revenues were value added tax (UAH 13.4 billion, or 22.2%), individual income tax (UAH 10.8 billion, or 17.8%), and tax on profits of enterprises (UAH 9.4 billion, or 15.5%).

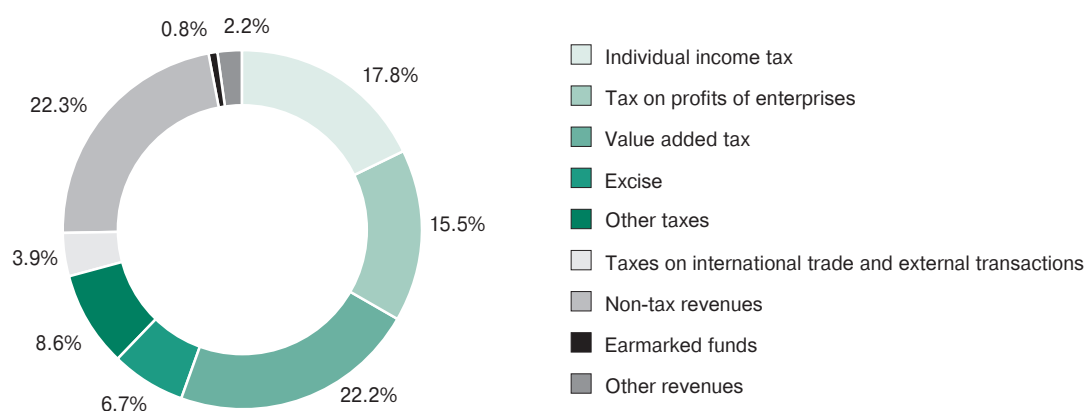
Non-tax revenues made UAH 13.5 billion (22.3% of total amount), the majority of which, i.e. UAH 10.6 billion (78.5%) were other non-tax revenues. Within the structure of non-tax revenues, the income from property and entrepreneurship totaled UAH 1.8 billion (13.3%), while administrative charges and payments, income from non-commercial and auxiliary sales amounted to UAH 1.0 billion (7.4%), revenues from penalties and financial sanctions equaled UAH 0.1 billion (0.7%).

In 2002, non-tax revenues to the Consolidated budget slightly diminished, the fulfillment of its planned annual revenues making 81.4%.

The annual task in mobilizing the revenues from excise was fulfilled by 109.8% and the Consolidated budget received UAH 4.1 billion. The share of these revenues in the total amount was insufficient, making 6.7%.

The Consolidated budget received UAH 1.9 billion, or 3.1% of total revenues from the earmarked funds and other revenues.

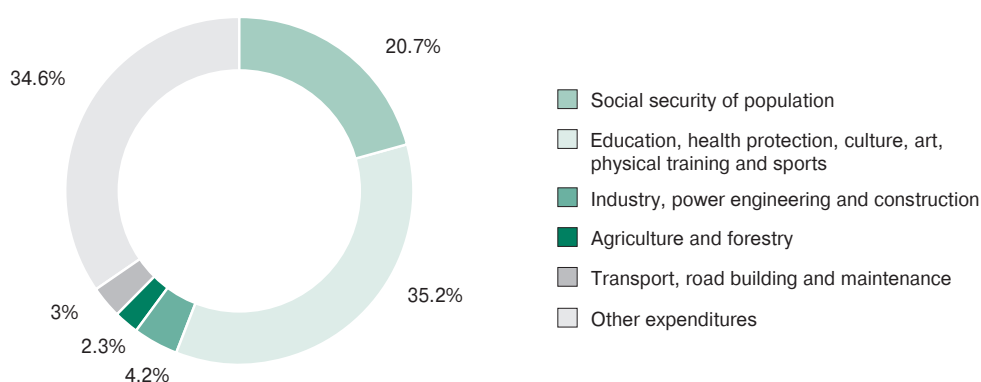
Structure of Revenues to the Consolidated Budget of Ukraine in 2002



The Consolidated budget expenses in 2002 increased by UAH 3.8 billion and equaled UAH 59.1 billion, having been fulfilled by 90.6%.

In compliance with the Law of Ukraine "On the State Budget of Ukraine in 2002" expenditures for payment of salaries, wages, pensions, scholarships and other social payments were given first priority. Payments for social security of population, for education, health protection, culture and art amounted to UAH 33 billion (55.9% of total amount) and increased versus 2001 by 9.9 percentage points.

Structure of Expenditures of the Consolidated Budget of Ukraine in 2002



The expenses to finance the economy of Ukraine equaled UAH 5.7 billion (9.5%), including UAH 2.4 billion (4.2%) to finance industry, power engineering and construction, UAH 1.4 billion (2.3%) to finance agriculture, forestry, fish industry and hunting, and UAH 1.8 billion (3%) to finance transport, road building and maintenance, communication and information science. The share of the above expenses within the total structure of the Consolidated budget expenses for 2002 decreased by 2.6 percentage points. Other expenses made 34.6% of the total amount. None of the planned expense items of the Consolidated budget for 2002 was fulfilled completely.

1.10. BALANCE OF PAYMENTS OF UKRAINE

A characteristic feature of the situation in the external sector of the economy in 2002 was an essential increase in the current account surplus up to 7.7% of GDP compared with 3.7% in 2001.

In 2002, the current account surplus amounted to USD 3.2 billion, or exceeded 2.3 times the level of the previous year. Such dynamics was due to 3 times increase in the surplus of goods and services and 1.3 times increase in the net revenues in the Current Transfers item.

The trade balance was compiled with the surplus of USD 1.86 billion versus USD 613 million in 2001. The foreign trade balance improved at the expense of 3.6 times increase in the balance of goods and 2.8 times increase in the balance of services.

During 2002, exports of goods and services totaled USD 23.35 billion and grew by 10.7% in comparison with the previous year (by 8% in 2001). Imports of goods and services amounted to USD 21.49 billion and augmented by 5% versus the previous year (by 14.1% in 2001).

A diminution in demand for Ukrainian goods at the beginning of the year associated with a deterioration in the external situation and with protective actions carried out by trading partners resulted in a considerable reduction of the export growth rates. Nevertheless, this tendency was overcome in the second half of the year due to a growth in deliveries of grain and machine building products and to improvement of the situation in the metal product markets. In the second half of the year, export deliveries of goods grew by 17.8% compared with the corresponding period of the previous year, while in the first half of the year – only by 0.4%. On the whole, during the year, the growth rates of the export of goods (9.2%) exceeded those of the imports (6.3%).

In 2002, the exports augmented mainly at the expense of an increase in deliveries of foodstuffs, products of fuel and energy complex (1.3 times) and metallurgical products (by 6%). Over the year, due to these groups of products alone, the exports grew by almost USD 1.4 billion.

Rich grain—crops in Ukraine against a background of adverse weather and flood in Europe resulted in 2 times increase in the exports of grain in 2002 versus 2001. During 2002, 12.2 million tons of cereals at the amount of USD 1 billion were exported.

Fuel and energy complex products were the next group of goods which influenced the exports. In 2002, the share of these products within the total exports grew up to 11.2% versus 9.4% in 2001. The exports of oil products multiplied 1.5 times and totaled USD 1.13 billion.

The improvement in the situation in the external metallurgical products markets, particularly in the ferrous metals markets made it possible to overcome a negative trend towards the exports fall within this group observed at the beginning of the year. On the whole over the year, the export deliveries of the products of metallurgy industry that dominated within the Ukrainian export structure (38.2% of the total volume) increased by 6%.

The analysis shows that the structure of Ukrainian export consisted mainly of raw materials, among which the share of raw materials, semi-manufactured goods and materials with a low level of the value added amounted to over 70% of the total export. Such situation along with non-market methods of pricing and indirect state financing of production provoked antidumping and other prohibiting measures to restrict the access of Ukrainian goods to the markets of other countries. By the end of the period under review, 25 antidumping investigations in 13 countries were held against exporters of Ukraine. More than a half of them were held with respect to exporters of metallurgy and chemical industry products.

The last year was a peak one by the number of investigations and restricting sanctions for Ukrainian manufacturers of chemical products. In 2002, exports of chemical products shortened by 2.8%, and the share of this group within the total exports reduced from 10.9% in 2001 to 9.7% in 2002.

Gradual increase during the year in deliveries of machine building products considerably influenced the dynamics of exports. On the whole, during the year, the dynamics grew by 12.4%, its share within the total volume being more than 14%. Noted should be the acceleration in the growth rates of exports in this group, which was seen during the last months of the year. In particular, in the fourth quarter, the exports of machine building products augmented 1.5 times against the respective period of the previous year. The machine building products exported to Russia continued to have the largest share – 42% of the exports in this group.

In 2002, the growth rates of imports considerably reduced versus the previous year. During the year, imports of goods grew by 6.3% compared with 13% in 2001. Such dynamics was caused by a decrease in the energy output ratio of the Ukrainian economy and by changes within the domestic demand structure. In 2002, domestic demand enlarged due to an increase in household expenditures. At the same time, a deceleration in the growth rate of investments into the fixed assets was observed, which shows the consumer nature of the country's economic development. The increase in consumer demand stimulated imports much less than the increase in investment demand. Therefore, in 2002, the growth rates of non-energy imports were much lower (6.3%) than in 2001 (18.9%).

During 2002, imports of energy resources, in terms of value, grew by 6.4% compared with the corresponding period of the previous year at the expense of an augmentation in imports of crude oil to Ukraine, whose deliveries multiplied 1.4 times versus 2001 and amounted to 18.9 million tons (in 2001, 13.1 million tons were imported). At the beginning of the year, imports of energy resources, in terms of value, grew only by 17% due to lower prices. Imports of natural gas almost did not change compared with the corresponding period of the previous year.

Imports of surface transport means grew 1.5 times, paper and paper pulp products – 1,3 times, pharmaceutical products – by 25%, fertilizers – 1.7 times. After a considerable increase in imports of agroindustrial complex products in 2001 (by 24%), imports of this group of goods in 2002 dropped by 1.1% mainly at the expense of a reduction in imports of meat, sugar, wheat and flour-milling industry products. Imports of metallurgy industry products diminished by 1.2%.

In 2002, marked changes were noted in the geographical structure of external trade in goods. Trade with the CIS and Baltic countries continued to reduce: during 2002, export deliveries to these countries decreased by 5.6%, whereas imports remained at the level of the previous year. Within the total goods turnover, the share of the countries of this group shortened from 44.9 to 40.9%. Such dynamics is explained by a deterioration of trade relations with Russia that remains the main trading partner of Ukraine. Export deliveries to Russia dropped by 13.3%. The share of Russia within the total exports diminished from 21.5 to 17.1%.

The trade with the rest of the world developed by higher rates. Thus, exports to these countries rose by 16.8% compared with the previous year, while imports grew by 13.5%. At present, exports to the rest of the world amounts 71% of the total exports.

Export deliveries to the countries of Asia grew by 27.7%, to EU countries – by 18.4%, to the countries of Africa – by 20.3%. Exports of Ukrainian goods to Turkey grew by 22.5%, by 29% to China, 1.6 times to Egypt, 1.5 times to Spain and Thailand, 1.9 times to Taiwan.

During 2002, the service balance surplus multiplied 2.8 times and amounted to USD 1.15 billion compared with USD 415 million in 2001. The surplus grew at the expense of 17.2% increase in the exports of services against a background of 1.3% reduction in the imports.

In comparison with the previous year, the negative balance in the Income item decreased by 9% and totaled USD 606 million. The indicator of the accrued interest on the external debt with respect to exports of goods and services diminished to 2.7% versus 3.3% in the previous year.

In 2002, the trend towards an increase in current transfers persisted. An increase in private money transfers and the funds received from Germany and Austria as compensation for the victims of the Nazi regime were the main factors that caused larger receipts in this item. In the accounting period, USD 289 million to be paid to Ostarbeiters were received.

Over 2002, the net increase in direct investments into the economy of Ukraine amounted to USD 0.7 billion, which was 26.9% superior to the level of the previous year (excluding the receipts from privatization in 2001). In 2002, wholesale and intermediate trade (27.3% of the total receipts), financial activities (9.9%), real estate activities, leasing and services to legal entities (9.2%), machine building (5.9%), food industry and agricultural product processing (5.6%) were the priority areas of economic activities for foreign investors.

In 2002, credits attracted under government's guarantees remained unsubstantial and amounted to USD 118 million. The credits were received from the World Bank, EBRD and international credit lines. In 2002, the restructuring of the debt of Ukraine to the Paris Club of Creditors was completed. Moreover, some debt instruments were substituted for 2000 T-bills to the total amount of USD 55 million.

In 2002, the penetration of Ukraine into external loan markets made possible an additional attraction of USD 0.5 billion, of which USD 0.4 billion were attracted by the government and USD 0.1 billion – by Ukrainian companies that entered this market for the first time.

Foreign exchange inflow under current transactions, proceeds from sales of government securities in international markets and moderate payments on redemption and servicing of the long-term external debt enabled the accumulation of gold and foreign exchange reserves of the country. At the end of 2002, the reserve assets amounted to USD 4.4 billion and covered the financing of imports of goods and services for 10.7 weeks.

Given a considerable increase (more than twice) in the current account surplus, on the whole over 2002, the NBU interventions on currency purchase in the interbank market amounted to USD 1.7 billion versus USD 2.1 billion in 2001. As regards the balance of payments, a growth of capital outflow, including that in the Portfolio Investment item, is one of the factors of this phenomenon.

In 2002, the reverse repurchase of shares of Ukrainian enterprises owned by non-residents was more active. Over the year, USD 2.2 billion (including USD 1.1 billion in the fourth quarter)

were paid to non-residents for these securities which was 2.5 times more versus the previous year. At the same time, in the reporting year, the receipts from non-residents totaled only USD 0.3 billion (USD 0.2 billion in 2001).

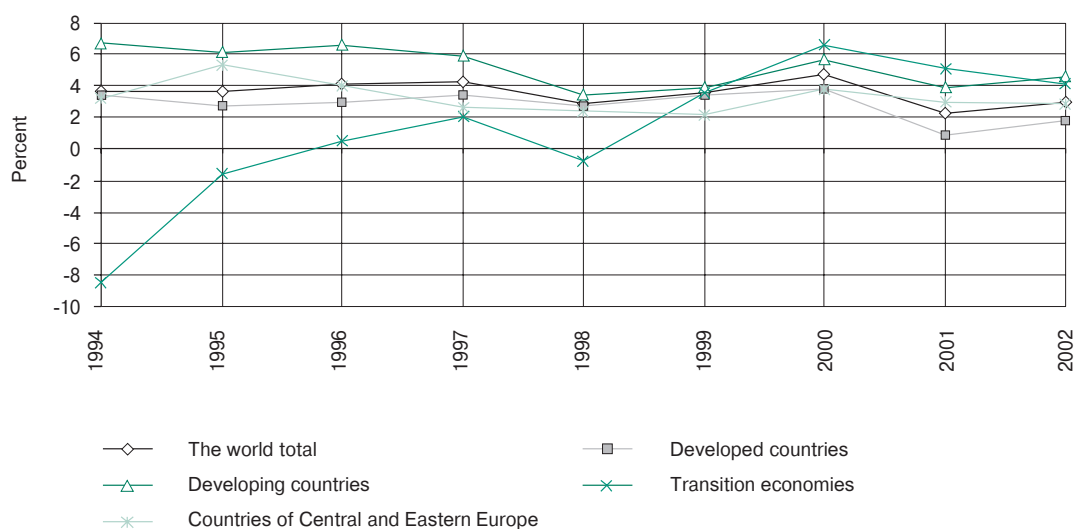
The persistent negative balance of the Net Errors and Omissions item in the balance of payments of Ukraine, recorded every year, was also an evidence of the available permanent capital outflow from the country which was not taken into account in other balance of payments items. In 2002, the negative balance in this item amounted to USD 885 million compared with USD 231 million in 2001, which shows the trend to an increase in the latent capital outflow.

1.11. DEVELOPMENT OF THE WORLD ECONOMY

WORLD ECONOMY

In 2002, development of the world economy was characterized by different rates of the economic growth of separate countries. According to the preliminary data, the global GDP growth rate for 2002 amounted to 3.0% compared with 2.3% in 2001 due to the growth of the economy of developed countries, namely, economies of the USA, Canada, Australia, Korea, and developing countries, first of all, China and India. On the contrary, in the transition economies, after the maximum economic growth of 2000 (6.6%), the growth rate deceleration persisted and, according to the preliminary data, totaled 4.1%.

Real GDP Change Rates

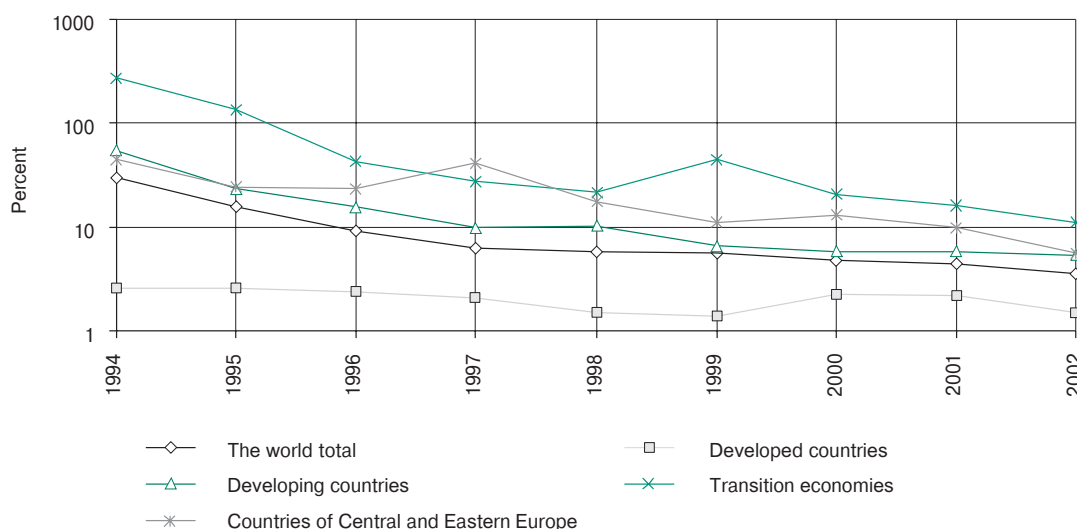


The inflation indicator continued to decline steadily, and, by preliminary data, in 2002 it was 3.6% compared with 4.3% in 2001.

The world economic development is tightly related to the world trade. In 2002, the world trade growth amounted to 2.0% due to the growth of the economy of the USA and South Eastern Asia. In 2001, in line with 2.3% global GDP drop, the world trade reduced by 1.5% for the first time since 1982.

During 2002, the discount rates in the leading countries remained low. The policy of the gradual official reduction of the level of rates in 2001 resulted in the fact that the economic growth rates continued to be positive. However, the economic and financial situation was still complicated, and by the end of 2002, the features of the economic situation deterioration appeared which caused the continuation of the policy of interest rates reduction.

Inflation (consumer price change rates)



Discount Rates of Central Banks of the USA, Japan, and Euro Zone Countries

(percent per annum, by a quarter end)

	2001				2002			
	I	II	III	IV	I	II	III	IV
USA	5.00	3.25	2.50	1.75	1.75	1.75	1.75	1.25
Japan	0.25	0.25	0.10	0.10	0.10	0.10	0.10	0.10
Euro zone countries	4.75	4.50	3.75	3.25	3.25	3.25	3.25	2.75

It should be noted, that under conditions of the economic uncertainty of further world economic growth, on the one hand, the demand for investment and credit resources decreased, on the other hand, banks limited provision of credits trying to minimize credit risks.

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

THE UNITED STATES OF AMERICA. In the middle of 2002, the annual analysis of the official statistic figures of the USA showed that the major economic indicators considerably declined. In 2000, the real GDP growth index declined from 4.1% to 3.8%, and in 2001 – from 1.2% to 0.3%.

In the first quarter of 2002, the growth rate of the real GDP was 5%. In the second quarter, after the collapse of share prices at the stock exchanges and a number of corruption scandals, the GDP growth rate lowered to 1.1%. In the third and fourth quarters, the rate increased correspondingly by 4% and 2.6%. By preliminary data, the growth rate of the real GDP for 2002 made up 2.4%.

The household consumer demand, which is a base for the American economic development, gained a new quality, namely: it was the main base for economic growth and stability and simultaneously the main factor of risk and uncertainty, and the economic growth rate and prospects for development as a whole depended not only on the economic actions of the government but also on the state shares yield with provisioning the internal security and on success in anti-terrorist policy and specific measures in this respect.

Economic difficulties and a slowdown of development of the countries – main trade partners of the USA on a par with a strong dollar had an impact on maintaining a high level of the current account deficit amounting to 4.5% of the GDP. The state budget deficit also grew up to 2.6% in 2002 compared with 0.2% in 2001, the unemployment rate mounted up to 5.9% against 4.8% in 2001.

A number of indices of economic conjuncture (rates of shares, profitability levels, consumer expectations, investment activity, situation in the labour market etc.) underwent considerable fluctuations.

JAPAN. The structural problems, which Japan encountered at the end of XX century, were impossible to solve during the last 2–3 years. External economic relations were a single factor of the growth of its economy. Private investments into the fixed assets and the portfolio of orders in machine building have been continuously decreasing since the middle of 2001. The expected growth rate of investments in 2002 amounted to 12.3%. During the previous year, the real GDP of Japan, according to the preliminary data, rose by 0.3% compared with 0.4% in 2001.

Since 1996, Japan has carried on large-scale economic reforms, but the problems of debt load on corporations, as well as of non-repaid credits to banks have not been solved yet. In 2002, the total amount of arrears exceeded 22% of the total credits given by banks, or 27% of the GDP (in current prices).

During the last time, the central bank of Japan has declined the reserve requirement for commercial banks in their accounts and has enlarged the money supply by 3.5–3.7% annually. The discount rate decreased to 0.1% but banks continue to reduce credits for the real sector which shortened by 4.0–4.2%, in an attempt to minimize credit risks related to non-repayments. Due to the profits gained, the banks repay debts but there was a danger of non-compliance with 8% capital adequacy ratio adopted by the law. Therefore, starting from the mid-nineties, the economy of the country could not get rid of deflation: by the end of 2002, the consumer price index was 99.1% compared with 99.3% in 2001. During the period of deflation, both companies and households have less stimuli to invest (new housing construction declines by 1.4% monthly).

In 2002, the state debt of Japan exceeded the GDP by 142%, and the state budget deficit against GDP amounted to 7.2%. The unemployment rate gradually grew and totaled 5.4% in 2002 compared with 5.2% in 2001.

THE EUROPEAN UNION. In 2002, a slowdown of the economic growth rate persisted in the countries of Western Europe. According to the preliminary data, in the EU countries the GDP growth rate was 1.0% compared with 1.6% in 2001. The GDP growth rate in 12 countries of the Euro zone made up 0.8% compared with 1.4% in 2001. The following figures of the real GDP growth rate have been registered in the most developed countries of Western Europe: 0.2% against 0.6% in Germany, 1.2% against 1.8% in France, 0.4% against 1.8% in Italy, 1.6% against 2.0% in Great Britain. Among the EU countries as a whole, the GDP growth rate was fixed only in three countries: Sweden, Finland and Denmark.

In the EU countries the inflation was at the level of 2.3% compared with 2.5% in 2001. In the previous year, in the Euro zone countries 2.3% inflation was stated against 2.6% in 2001; in Germany 1.3% versus 2.4%, in France 1.9% versus 1.8%, in Italy 2.6% versus 2.7%, in Great Britain 2.2% versus 2.1%.

In the countries of the Economic and Monetary Union (EMU) the state of the government finances became worse. Almost in all countries there was an increase in the state budget deficit (only in Finland and in Luxembourg the profit was achieved) and in the state debt (the ratio of the total debt of EMU countries to their total GDP increased from 69.2% in 2001 to 69.8% in 2002).

The rate of unemployment in the countries of the European Union has increased a little, and made up 7.7% compared with 7.4% in 2001. In the countries of the Euro zone the level of

unemployment made up 8.4% compared with 8.0% in 2001. The highest rate of unemployment was measured in Spain – 10.7%, compared with 10.5% in 2001, in Greece – 10.2%, compared with 10.4% in 2001. The highest growth of unemployment rate was stated in the Netherlands – 2.9%, compared with 2.0% in 2001, in Austria – 4.3%, compared with 3.6% in 2001, in Portugal – 4.7%, compared with 4.1% in 2001 and in Ireland – 4.5%, compared with 3.9% in 2001. The decrease of the rate of unemployment was stated only in two countries: in Italy – 9.3% compared with 9.5% and in Greece – 10.2% compared with 10.4% in 2001.

Unfavourable conjuncture in 2002 was a consequence of the simultaneous action of two negative factors: a small growth of exports and stagnation of internal consumption. The economic growth acceleration should be expected from internal consumption expansion rather than from exports in GDP.

DEVELOPING COUNTRIES

Currently, the share of developing countries in the global GDP totals about 43%. According to the preliminary data, GDP growth rates of these countries amounted to 4.6% in 2002 against 3.9% in 2001. Inflation level was 5.4% compared to 5.8% in 2001.

The highest indicators of economic growth were marked in China, where rates of GDP growth amounted to 8.0% against 7.3% in 2001. In 2002, China attracted US \$ 52.7 billion of foreign direct investments which was by 12.5% more than in 2001.

The GDP of China amounts to US \$ 1.3 trillion, external trade turnover exceeded US \$ 470 billion which ranked this country to the 7th place in the world trade (following the USA, Canada, Germany, Japan, France and Great Britain). Such result has a considerable potential for further industrial development. This is testified by the available factors of rising external and internal demand. Both factors, on the whole, favoured growth of the Chinese economy under conditions of active globalization since the time China joined the World Trade Organization.

After slowing down in 2001, the rates of GDP growth in the countries of the South–East Asia region tended to restore. Dynamics of the economy of India remains one of the highest. According to the preliminary data, the rates of GDP growth were 4.9% versus 4.2% in 2001.

The economic crisis in Argentina, in view of its long period, appeared to be the main reason of slowing down in the rates of economic development in the countries of Latin America. According to the preliminary data, the GDP reduced by 0.1% versus 0.6% rise in 2001. In Latin American countries the inflation grew from 6.4% in 2001 to 8.7% last year. Major indicators related to Argentina were fixed at the following level: the real GDP fell by 11% compared to 4.4% in 2001; inflation amounted to 25.9% compared to 1.1% deflation in 2001. In Brazil, the growth rates of real GDP were 1.5% against 1.4% in 2001; inflation level was fixed at 8.4% compared to 6.8% in 2001, and exchange rate of Brazilian real against US dollar fell by 35%.

Political confrontation in Venezuela has paralyzed the extraction of oil, the major export product of the country, and also resulted in a general drop of production volume. According to the preliminary data, GDP decrease of the country last year was 8.9% versus 2.8% rise in 2001.

According to the preliminary data, slowing down in the rates of GDP growth to 3.4% was noted in the countries of Africa (compared to 3.6% in 2001), while inflation fell to 9.3% versus 13% in 2001. At the same time, in the Republic of South Africa the rates of GDP growth amounted to 3.0% versus 2.8% in 2001. Inflation was equal to 10.0% compared to 5.7% in 2001.

TRANSITION ECONOMIES

Generally, in transition economies, specifically in Central and Eastern Europe, CIS countries and Mongolia, according to the preliminary data, slowing down in the rates of GDP growth to 4.1% against 5.1% in 2001 was marked. Inflation amounted to 11.1% versus 16.3% in 2001.

CENTRAL AND EASTERN EUROPE COUNTRIES

According to the preliminary data, slowing down in the rates of GDP growth to 2.9% versus 3.0% in 2001 was noted in the Central and Eastern Europe countries. Inflation was equal to 5.6% versus 9.7% in 2001.

Rise in the rates of GDP growth in the Central and Eastern Europe countries was marked, according to the preliminary data, in Poland, Croatia, Macedonia and Slovakia by 1.3%, 5.0%, 0.1% and 4.4%, respectively. Rates of GDP growth similar to those in 2001 were fixed only in Bulgaria, amounting to 4.0%. In the rest of the countries, deceleration in the rates of GDP growth was noted.

In 2001, in the Baltic countries, the rates of GDP growth were the highest ones among the Central and Eastern Europe countries, amounting to 6.1% in Latvia, 5.0% in Estonia and 5.9% in Lithuania.

Similar to 2001, in 2002 a deceleration in the rates of consumer price index growth was characteristic of all the Central and Eastern Europe countries (5.8% versus 7.5% in Bulgaria, 1.9% versus 5.5% in Poland, 22.5% versus 34.5% in Romania, 3.3% versus 7.3% in Slovakia, 1.8% versus 4.7% in Czech Republic). In Albania, inflation rose and amounted to 5.3% versus 3.1% in the previous year.

The consumer price index in the Baltic countries amounted to 4.3% in Estonia (versus 5.8% in 2001), 0.3% in Lithuania (versus 1.3% in 2001) and 1.9% in Latvia (versus 2.5% in 2001).

In 2002, in all the Baltic countries, Central and Eastern Europe countries the revaluation of the national currency to US dollar was fixed as compared to the previous year. The highest revaluation was marked in Hungary (19.3%), Slovakia (17.4%), Lithuania (17.2%), Estonia (15.6%) and Bulgaria (15.1%). Only in Romania, the exchange rate of leu to US dollar fell by 6% as compared to 2001.

The unemployment rate in the Central and Eastern Europe countries remained rather high and in 2002 it amounted to 18.1% in Poland, 17.8% in Bulgaria, 11.1% in Slovenia and 10.2% in Romania.

CIS COUNTRIES

RUSSIA. Growth of the global economy and more favourable than expected external economic situation have contributed to the persistence of the positive general economic trends. Domestic demand despite a reduction of investments has provided for rather high economic activity. Therefore, GDP increase in 2002 as compared to 2001 was estimated 4.1%–4.3% versus 5% in 2001.

Industrial production in 2002 grew by 3.7% versus 4.9% in 2001. Increase of output by export-oriented manufactures remained a major factor of the economy growth. State of affairs and progress of the export-oriented manufactures define the direction for both internal and external capital investments and also for foreign investments. On the whole, this contributed to the retainment of the orientation of the economy to raw materials and to the dependence of the price dynamics in the internal market on the external economic conjuncture.

Inflation has decelerated as compared to the previous year. In 2002, the consumer price index was 16.0% versus 20.7% in 2001. Ruble strengthening in real terms amounted to 6.2% (as of December to December of the previous year) which was essentially less than in 2001. Therefore, by means of the monetary and exchange rate policies the prerequisites have been established both for the performance of inflation target and conditions for maintenance and support of the stable economic growth.

Continued economy growth tended to increase a number of the employed in the economy and reduce the unemployment. According to the preliminary data, economically active people in 2002 amounted to 71.9 million including 66.4 million (92.4%) of those employed in the economy. Unemployment level was 5.5 million (7.6%) people. In 2001, economically active people numbered 70.9 million, those employed in the economy were 64.5 million (91%), the unemployed totaled 6.4 million (9%).

Dynamics of labour-market indicators was determined primarily by the progress of production activities of enterprises. In 2002, production volumes grew in all basic industries of the economy: industry, construction, agriculture and transport; retail and wholesale trading also considerably enlarged. Volumes of production and services in the basic industries grew by 3.9% as compared to 2001.

During 2002, the investment activity of enterprises was not very high. By results of 2002 versus 2001, fixed capital investments increased by 2.6% which was much less than in 2001 (in 2001 versus 2000, the investments grew by 8.7%). The major factor which constrained the growth of the investment activity resulted from a deterioration of the financial situation of enterprises and organizations as compared to the previous year mainly because of income and profitability decline due to an excess of expenditures over production volume.

Continued economic growth, slowing down of the inflation rates in 2002 contributed to an increase of the real money income of population. By results of 2002 versus 2001, the real money income of population grew by 9.2%. Wages and salaries in 2002 on the whole rose by 35%, in real terms by 16.6%.

OTHER CIS COUNTRIES

In 2002, the CIS countries tended to relative stabilization of the economy that was testified by an increase of major macroeconomic indicators such as: real gross domestic product, industrial and agricultural output, retail goods turnover and fixed capital investments. Financial situation of the CIS countries featured a sufficient stability that resulted from moderate inflation and relatively stable exchange rate of national currencies.

By estimate, the real gross domestic product in the CIS countries in 2002 grew by 4.8% (versus 6.3% in 2001).

The highest increase was obtained in Armenia (12.9%), Azerbaijan (10.6%) and Kazakhstan (9.5%). In Belarus, the real GDP as compared to 2001 rose by 4.7%, in Georgia – by 5.4%, in Moldova – by 7.2%, in Russia – by 4.3% and in Uzbekistan – by 2.8%. In Kyrgyz Republic, 0.5% slowing down in the rates of real GDP growth was fixed as compared to 5.3% growth in 2001.

In 2002 versus the previous year, the rates of industrial production growth decelerated and amounted to 10.6% in Moldova (versus 13.7%), 9.8% in Kazakhstan (versus 13.5%), 9.0% in Armenia (versus 3.8%), 6.0% in Uzbekistan (versus 8.1%), 4.3% in Belarus (versus 5.9%), 3.9% in Russia (versus 5.7%) and 3.6% in Azerbaijan (versus 5.1%). Only in Kyrgyz Republic 15.0% fall of industrial production was fixed.

The price index of manufacturers in the CIS countries in 2002 as compared to the previous year increased and made up 42.7% in Belarus (December to December of the previous year), 17.1% in Russia, 11.9% in Kazakhstan, 6.7% in Moldova, 5.4% in Georgia and 4.8% in Kyrgyz Republic. In Azerbaijan, the prices of industrial manufacturers decreased by 2.3%.

The slowing down in the rates of consumer price growth went on. Inflation level in the CIS countries amounted to 14.5% versus 20.4% in 2001 and Belarus again was a leader. The consumer price index in Belarus rose by 42.6% versus 61.1% in 2001. In 2002, the consumer price index in the CIS countries amounted to 38.8% in Uzbekistan (versus 48.9%), 16.0% in Russia (versus 20.7%), 12.2% in Tajikistan (versus 38.6%), 5.9% in Kazakhstan (versus 8.3%), 5.6% in Georgia (versus 4.7%), 5.3% in Moldova (versus 9.8%), 2.1% in Kyrgyz Republic (versus 7.0%), 1.1% in Armenia (versus 3.1%) and 2.8% in Azerbaijan (versus 1.5%). Only in Ukraine 0.6% deflation was fixed as compared to 6.1% inflation in 2001.

In 2002 in all CIS countries the devaluation of the national currency against US dollar was fixed as compared with 2001. The highest level of the national currency devaluation was marked in Uzbekistan (38.3%), Belarus (21.5%), and in Moldova, Russia and Armenia (5.6%, 5.4% and 4.1%, respectively). Only in Kyrgyz Republic, the revaluation of Kyrgyz som against US dollar was equal to 3.4%.

Table 1

Main Indicators of World Economic Development

(in percent versus previous period)

Regions, groups of countries and countries	GDP			Inflation		
	2000	2001	2002 ¹	2000	2001	2002 ¹
World	4.7	2.3	3.0	4.7	4.3	3.6
Developed countries	3.8	0.9	1.8	2.3	2.2	1.5
Group of Seven	3.5	0.7	1.6	2.3	2.1	1.3
USA	3.8	0.3	2.4	3.4	2.8	1.6
Japan	2.8	0.4	0.3	-0.9	-0.7	-0.9
Germany	2.9	0.6	0.2	2.1	2.4	1.3
France	4.2	1.8	1.2	1.8	1.8	1.9
Italy	3.1	1.8	0.4	2.6	2.7	2.6
Great Britain	3.1	2.0	1.6	2.1	2.1	2.2
Canada	4.5	1.5	3.4	2.7	2.5	2.0
Other developed countries	5.0	1.5	2.9	2.4	2.8	2.4
Countries of the European Union	3.5	1.6	1.0	2.3	2.5	2.3
Countries of the Euro zone	3.5	1.4	0.8	2.3	2.6	2.3
Australia	2.8	2.7	3.8	4.5	4.4	2.8
Developing countries	5.7	3.9	4.6	5.8	5.8	5.4
Asia	6.8	5.7	6.5	1.8	2.7	1.9
Korea	9.3	3.0	6.1	2.3	4.1	2.7
China	8.0	7.3	8.0	0.4	0.7	-0.8
India	5.4	4.2	4.9	4.0	3.8	4.3
Indonesia	4.9	3.4	3.7	3.8	11.5	11.9
Africa	2.8	3.6	3.4	14.2	13.0	9.3
South Africa	3.5	2.8	3.0	5.4	5.7	10.0
Countries of the Middle East	5.8	1.4	4.5	19.5	17.1	16.4
Countries of Latin America	4.0	0.6	-0.1	6.8	6.4	8.7
Argentina	-0.8	-4.4	-11.0	-0.9	-1.1	25.9
Brazil	4.4	1.4	1.5	7.1	6.8	8.4
Chile	4.4	2.8	2.0	3.8	3.6	2.5
Venezuela	3.2	2.8	-8.9	16.2	12.5	22.4
Mexico	6.6	-0.3	0.9	9.5	6.4	5.0
Countries with transition economy	6.6	5.1	4.1	20.7	16.3	11.1
Countries of Central and Eastern Europe	3.8	3.0	2.9	12.9	9.7	5.6
Bulgaria	5.4	4.0	4.0	10.4	7.5	5.8
Estonia	7.1	5.0	5.0	4.0	5.8	4.3
Latvia	6.8	7.9	6.1	2.6	2.5	1.9
Lithuania	3.8	5.9	5.9	1.0	1.3	0.3
Poland	4.0	1.0	1.3	10.1	5.5	1.9
Rumania	2.1	5.7	4.9	45.7	34.5	22.5
Slovakia	2.2	3.3	4.4	12.0	7.3	3.3
Slovenia	4.6	3.0	2.9	8.9	8.4	7.5
Hungary	5.2	3.8	3.3	9.8	9.2	5.3
Czech Republic	3.3	3.1	2.0	3.9	4.7	1.8
CIS countries	8.4	6.3	4.8	25.8	20.4	14.5
Azerbaijan	11.1	9.9	10.6	1.8	1.5	2.8
Belarus	5.8	4.7	4.7	168.6	61.1	42.6
Armenia	6.0	9.6	12.9	-0.8	3.1	1.1
Georgia	1.9	4.5	5.4	4.0	4.7	5.6
Kazakhstan	9.8	13.2	9.5	13.3	8.3	5.9
Kyrgyz Republic	5.4	5.3	-0.5	18.7	7.0	2.1
Moldova	2.1	6.1	7.2	31.3	9.8	5.3
Russia	9.0	5.0	4.3	20.8	20.7	16.0
Tajikistan	8.3	10.2	7.5	32.9	38.6	12.2
Turkmenistan	18.0	20.5	...	8.0	11.6	...
Uzbekistan	3.3	3.8	2.8	50.7	48.9	38.8
Ukraine	5.9	9.2	4.6	25.8	6.1	-0.6

¹ By estimate.

Table 2

Some Social and Economic Indicators of the CIS and Baltic Countries and Other Countries¹

Countries	In percent versus previous year				Deficit (-), surplus (+) of the state budget (in percent of GDP)	Unemployment rate (in per- cent by end of period)	National currency exchange rates against US dollar (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			
Developed countries							
USA							
2000	103.8	104.7	105.8	103.4	1.5	4.0	—
2001	100.3	95.7	101.1	102.8	-0.2	4.8	—
2002	102.4	99.3	97.7	101.6	-2.6	5.9	—
Japan							
2000	102.8	105.9	100.4	99.1	-7.3	4.7	114.90
2001	100.4	89.8	97.6	99.3	-7.1	5.2	131.80
2002	100.3	103.1	98.3	99.1	-7.2	5.4	119.90
Countries of the Euro zone							
2000	103.5	105.0	105.5	102.3	0.1	8.8	1.07469
2001	101.4	101.7	102.2	102.6	-1.6	8.0	1.13469
2002	100.8	99.5	99.6	102.3	-1.9	8.4	0.95356
Great Britain							
2000	103.1	101.7	102.5	102.1	4.0	5.6	0.6702
2001	102.0	97.8	100.2	102.1	0.2	5.2	0.6895
2002	101.6	96.5	100.3	102.2	-0.8	5.2	0.6204
Germany							
2000	102.9	106.2	103.4	102.1	1.1	7.9	1.07469
2001	100.6	100.5	103.0	102.4	-2.8	7.9	1.13469
2002	100.2	98.7	99.6	101.3	-2.9	8.3	0.95356
Countries of Eastern and Central Europe							
Bulgaria							
2000	105.4	102.0	117.2	110.4	-0.4	18.0	2.1019
2001	104.0	100.7	104.5	107.5	-0.8	17.5	2.2193
2002	104.0	102.2	108.0	105.8	-1.3	17.8	1.8850
Macedonia							
2000	104.5	103.5	107.9	106.2	0.1	...	66.3281
2001	95.9	91.5	...	105.3	-6.0	...	69.1718
2002	100.1	95.0	...	102.4	-4.1	...	58.5980
Poland							
2000	104.0	107.1	107.8	110.1	-2.2	15.1	4.1432
2001	101.0	99.8	101.6	105.5	-4.6	17.5	3.9863
2002	101.3	101.5	101.0	101.9	-5.6	18.1	3.8388
Romania							
2000	102.1	108.7	153.4	145.7	-3.6	10.5	25926
2001	105.7	108.5	141.0	134.5	-3.3	8.6	31597
2002	104.9	106.0	124.6	122.5	-3.1	10.2	33500
Slovakia							
2000	102.2	108.6	109.8	112.0	-3.1	17.9	47.389
2001	103.3	106.9	106.5	107.3	-4.6	18.6	48.467
2002	104.4	106.0	102.0	103.3	-3.0	18.5	40.036

Continued

Countries	In percent versus previous year				Deficit (-), surplus (+) of the state budget (in percent of GDP)	Unemployment rate (in per cent by end of period)	National currency exchange rates against US dollar (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			
Slovenia							
2000	104.6	106.2	107.6	108.9	-1.4	13.8	227.38
2001	103.0	100.2	109.0	108.4	-2.0	11.8	250.95
2002	102.9	103.5	105.2	107.5	-2.7	11.1	221.07
Hungary							
2000	105.2	118.3	111.6	109.8	-2.9	8.7	284.73
2001	103.8	104.1	105.2	109.2	-2.8	5.6	279.03
2002	103.3	104.5	98.6	105.3	-4.5	5.8	225.16
Croatia							
2000	102.9	101.7	109.7	106.2	-5.1	22.6	8.155
2001	103.8	106.0	103.6	106.2	-2.3	23.1	8.356
2002	105.0	105.5	99.6	102.2	...	...	7.146
Czech Republic							
2000	103.3	105.7	104.9	103.9	-2.3	8.4	37.813
2001	103.1	106.8	102.9	104.7	-3.1	8.7	36.259
2002	102.0	98.9	99.5	101.8	-2.2	9.8	30.141
Baltic countries							
Estonia							
2000	107.1	112.8	104.9	104.0	-0.7	13.7	16.820
2001	105.0	107.6	104.4	105.8	1.0	12.7	17.692
2002	105.0	108.0	100.4	104.3	2.4	...	14.936
Latvia							
2000	106.8	103.2	101.0	102.6	-2.8	7.8	0.613
2001	107.9	108.4	101.8	102.5	-1.8	7.7	0.638
2002	106.1	105.0	102.0	101.9	-2.0	...	0.594
Lithuania							
2000	103.8	110.0	118.0	101.0	-2.8	11.5	4.000
2001	105.9	115.7	98.7	101.3	-1.9	12.5	4.000
2002	105.9	107.0	98.9	100.3	-1.6	...	3.311
Commonwealth of Independent States							
Azerbaijan							
2000	111.1	106.9	127.4	101.8	-1.0	1.2	4565
2001	109.9	105.1	101.8	101.5	-0.4	...	4775
2002	110.6	103.6	97.7	102.8	-1.5	...	4893
Belarus							
2000	105.8	107.8	268.0 ³	207.5 ³	0.2	2.1	1180
2001	104.7	105.9	139.1 ³	146.1 ³	...	2.3	1580
2002	104.7	104.3	142.7 ³	134.8 ³	...	2.5	1920
Armenia							
2000	106.0	106.4	100.8	99.2	-4.9	10.9	522.18
2001	109.6	103.8	99.6	103.1	-4.6	9.9	561.81
2002	112.9	109.0	103.5	101.1	-4.0	...	584.89
Georgia							
2000	101.9	106.1	104.6	104.0	-3.2	10.3	1.975
2001	104.5	98.9	103.4	104.7	-2.5	5.5	2.060
2002	105.4	101.0	105.4	105.6	-3.1	...	2.090

Concluded

Countries	In percent versus previous year				Deficit (-), surplus (+) of the state budget (in percent of GDP)	Unemployment rate (in per cent by end of period)	National currency exchange rates against US dollar (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			
Kazakhstan							
2000	109.8	114.6	119.4 ³	109.8 ³	-0.6	3.7	144.5
2001	113.2	113.5	85.9 ³	106.4 ³	-0.4	2.9	150.2
2002	109.5	109.8	111.9 ³	106.6 ³	0.2	2.6	154.6
Kyrgyz Republic							
2000	105.4	106.0	123.3	118.7	-1.9	3.1	48.304
2001	105.3	105.4	111.2	107.0	0.4	3.2	47.719
2002	99.5	85.0	104.8	102.1	-1.0	...	46.095
Moldova							
2000	102.1	108.0	128.5	131.3	-1.0	8.5	12.3833
2001	106.1	113.7	112.0	109.8	0.0	7.3	13.0909
2002	107.2	110.6	106.7	105.3	0.5	6.7	13.8220
Russia							
2000	109.0	110.2	131.6	120.8	1.4	10.2	28.16
2001	105.0	105.7	110.7	120.7	3.0	9.0	30.14
2002	104.3	103.9	117.1	116.0	1.4	7.6	31.78
Tajikistan							
2000	108.3	110.3	134.0	132.9	-0.1	...	2.2 ²
2001	110.2	114.8	126.8	138.6	...	...	2.55
2002	107.5	...	...	112.2	...	...	3.00
Turkmenistan							
2000	118.0	129.0	102.0	108.0	...	...	5200
2001	120.5	...	...	111.6	...	...	...
2002	...	...	...	...	...	...	...
Uzbekistan							
2000	103.3	106.4	157.0	150.7	-1.0	0.4	321
2001	103.8	108.1	...	148.9	-0.4	0.4	687
2002	102.8	106.0	...	138.8	2.0	...	950
Ukraine							
2000	105.9	112.4	120.8	125.8	0.6	4.22	5.4345
2001	109.2	114.2	100.9	106.1	0.3	3.68	5.2985
2002	104.6	107.0	105.7	99.4	0.		

¹ Source: data of CIS countries, IMF publication "International Financial Statistics", March 2003, Internet.

² Of denominated national currency units.

³ Versus December of previous year.

Part 2.
NBU ACTIVITIES

2.1. MONETARY POLICY

In 2002, the NBU carried out the work to ensure the stability of hryvnia. In 2002, the NBU pursued its monetary policy in accordance with the monetary policy guidelines for 2002 approved by the NBU Council, which was conducive to economic growth.

The dynamics of the major monetary aggregates and a range of qualitative relative indices of the interrelation of monetary parameters and macroeconomic indicators pointed to the consistency of the monetary policy with the developments in the country's economy. The increase in production output observed in the second half of 2002 compared with the slow economic development seen in the first half of the year was favourable for an augmentation of financial resources, which caused the money supply to grow faster in the second half of the year.

In September 2002, the monetary indicators characterizing the monetary policy guidelines were adjusted towards an increase in the monetary base (up to 32–36%) and towards an increase in the money supply (up to 30–36%). In 2002, the monetary base became larger by 33.6%, while the money supply did so by 41.7%.

With an allowance for a lesser impact of the price factor on GDP growth, in 2002, the money supply augmented primarily due to a considerable deceleration of money velocity (from 5.26 to 4.01). It spoke in favour of the persistence of economy remonetization. Over the year, the estimated monetization level went up from 19.01 to 24.96%. At the same time, the deceleration of money velocity in the year under review resulted from a sizable increase in the amount of cash outside banks (by 35.8%).

In 2002, demand for money was satisfied both at the expense of the absolute monetary base growth through performing transactions in the foreign exchange market, through increasing volumes of refinancing for banks as well as through creating conducive conditions for money multiplication. The NBU issued money through various channels, regulating its entry to the market with the help of monetary mechanisms and instruments. The money was primarily issued through transactions in the foreign exchange market.

In 2002, the important objective of the monetary policy was to take measures to strengthen the stability of the resource base of banks. A general augmentation of the deposits of natural persons over the year (by 70.1%, including by 76.5% in those in the national currency) caused the ratio of individual deposits to nominal GDP to go up from 5.5% in 2001 to 8.6% in 2002 and demonstrated the favourable impact of the monetary policy on economic growth.

By results of the accounting year, the money supply and credit investments grew faster than the monetary base, which pointed to the intensification of the transmission mechanism. In 2002, the money multiplier rose from 1.98 to 2.09. In 2002, the credit investments in the economy of Ukraine augmented by 48.2% versus 45.3% in 2001. As previously, the banking sector contributed greatly to the economic growth. As of 1 January 2003, the debts under the credits granted by banks of the real sector made 18.6% of GDP against 13.8% at the end of the previous year.

In the light of a growth of the NBU gold and foreign exchange reserves and an increase in the exchange receipts to the foreign exchange market the NBU ensured the external stability of hryvnia. In 2002, the nominal exchange rate of hryvnia against US dollar decreased by 0.64%, while the real one did so by 1.25%.

Monetary market regulation

The monetary market was regulated with the help of the following monetary instruments:

- mandatory reserves;
- interest rates;
- refinancing for banks;
- NBU deposit certificate;
- mobilization operations in the open market;
- operations in the foreign exchange market.

Mandatory reserves

In 2002, in order to expand the resource base of banks and to animate their lending activities the differentiated reserve requirements were cut back thrice by the NBU, viz.:

- under short-term funds and deposits in the national currency for legal entities – from 12 to 6% and for natural persons – from 10 to 2%, as well as under those in the foreign currency – from 12 to 10%;
- under long-term funds and deposits in the national currency for legal entities – from 8 to 0% and for natural persons – from 6 to 0%, as well as under those in the foreign currency – from 10 to 8%;
- under demand funds and deposits of legal entities and natural persons in the national currency – from 14 to 10% and under those in the foreign one – from 14 to 12%.

In 2002, on the whole, the average reserve requirements for banks went down from 13 to 7.9%.

In December 2002, in order to make full use of the funds attracted by banks to increase crediting for the economy the NBU allowed banks to cover the reserve requirements with 50% of the cash funds in bank pay desks. It led to the reduction in the average reserve requirements to 6.2% at the end of 2002 as well as to a release of funds to the amount of UAH 2.8 billion.

Interest rates

In order to strengthen the positive economic development the NBU established the discount rate level with an allowance for the real economic situation, price index dynamics and monetary market situation. In 2002, the NBU decreased the discount rate level four times: from 11 March – to 11.5% per annum, from 4 April – to 10% per annum, from 5 July – to 8% per annum, and from 5 December – to 7% per annum.

In 2002, the average weighted interest rate on overnight credits was cut by 6.7 percentage points to 8% per annum in accordance with the discount rate changes. Over the year, the average value of credit supply purchased by banks through tenders diminished by 7.1 percentage points and became 8% per annum in December.

The decrease in these interest rates led to a reduction in the value of funds attracted by banks. During the year, the interest rate under the credits in the national currency in the interbank market fell by 11.3 percentage points to 5.8% per annum in December. The average weighted interest rate on the deposits in the national currency attracted by banks went down from 10.8 to 6.9% per annum. The interest rate under the credits in the national currency granted to the real economy sector dropped by 7.8 percentage points over the year and made 21.8% per annum.

Refinancing for banks

In 2002, the NBU ensured the banking system liquidity through such refinancing mechanisms as the constantly operating refinancing line for granting overnight credits, tenders on short- and medium-term refinancing for banks and direct REPO.

In 2002, the total volume of NBU refinancing for banks amounted to UAH 1.2 billion. The preponderant amount of credits was granted to banks through the quantitative tender (UAH 0.9 billion).

In order to increase the volumes of NBU refinancing for banks in 2002 the following actions were taken:

- expanded was a list of pledges that were taken by banks as a collateral for credits, which included the property rights that occurred in a bank as a result of concluding a credit contract between the bank and a respective economic entity;
- prolonged was the term of medium-term refinancing (up to 270 days), augmented was the amount of credits that could be given when refinancing on collateral with government securities (up to 100% of their balance sheet value).

In 2002 in contrast to 2001, credits were mainly given on a medium-term basis. As a result, the average maturity was 6–9 months.

NBU deposit certificate

In June 2002, in order to keep money supply and demand in equilibrium the NBU carried out sterilization operations with the use of its deposit certificate. By results of one auction there were

funds withdrawn from circulation to the amount of UAH 0.3 billion. The average weighted interest rate on the issued deposit certificates made 2.43% per annum.

Mobilization operations in the open market

The NBU used reverse REPO as mobilization instruments by selling interest-bearing T-bills from its portfolio with the commitment to repurchase them after a period specified.

A considerable amount of the debt liabilities restructured by the government up to 2010 in the NBU portfolio necessitated a bilateral quoting of these securities.

Using the mobilization instruments the NBU withdrew from circulation funds to the total amount of UAH 2.3 billion. Funds worth UAH 0.4 billion were withdrawn from circulation due to reverse REPO, while funds worth UAH 1.9 billion were withdrawn from circulation due to sales of government securities from the NBU portfolio on terms of bilateral quoting of interest-bearing T-bills.

Operations in the foreign exchange market

In the foreign exchange market the NBU primarily engaged in foreign currency purchase using this instrument to make up its gold and foreign exchange reserves.

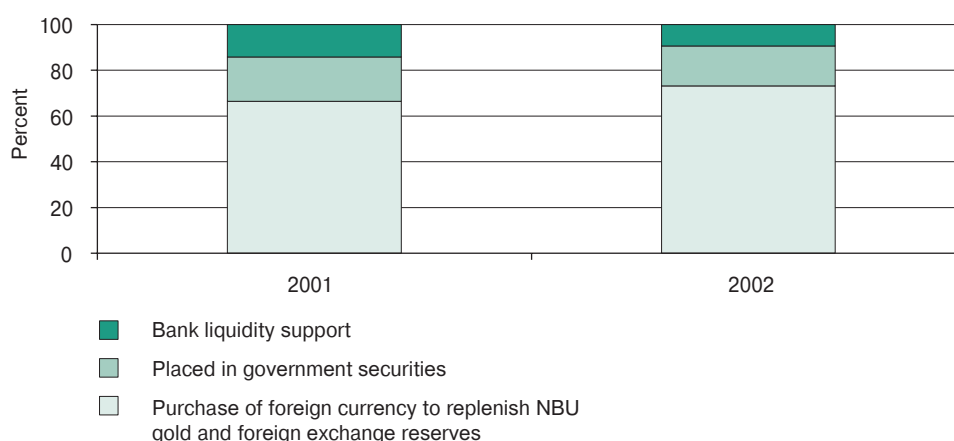
2.2. CREDIT ISSUE

In 2002, the NBU through various channels put into circulation payment facilities to the total amount of UAH 13 billion, which was 26.1% inferior to 2001, viz.:

- to purchase foreign currency to make up the gold and foreign exchange reserves – UAH 9.5 billion or 73.2% of the total payment facilities put into circulation;
- through transactions with government securities in the open market – UAH 2.3 billion or 17.4%;
- to support bank liquidity through various refinancing mechanisms – UAH 1.2 billion or 9.4%.

In comparison with 2001, there were changes in the structure of putting payment facilities into circulation. As in 2001, the volumes of non-cash issue increased mainly at the expense of the funds for purchase of foreign currency to make up the gold and foreign exchange reserves whose share in 2002 rose by 6.7 percentage points. The share of payment facilities issued through transactions with government securities reduced by 2 percentage points, while that of payment facilities issued through various refinancing mechanisms to support bank liquidity decreased by 4.7 percentage points.

Issue of Payment Facilities in 2001–2002



In 2002, there were withdrawn from circulation issued funds to the amount of UAH 7.6 billion, which was 17.2% less than the amount withdrawn in the previous year. The funds were withdrawn through performing transactions in the foreign exchange market (UAH 4.1 billion or 54.2% of the total amount), through performing transactions with government securities in the open market (UAH 2.6 billion or 34.2%), and through repayment of the NBU credits by banks (UAH 0.9 billion or 11.6%).

In 2002, the volume of net non-cash issue equaled UAH 5.4 billion versus UAH 8.5 billion in 2001, having reduced by 35.6% over the period under review.

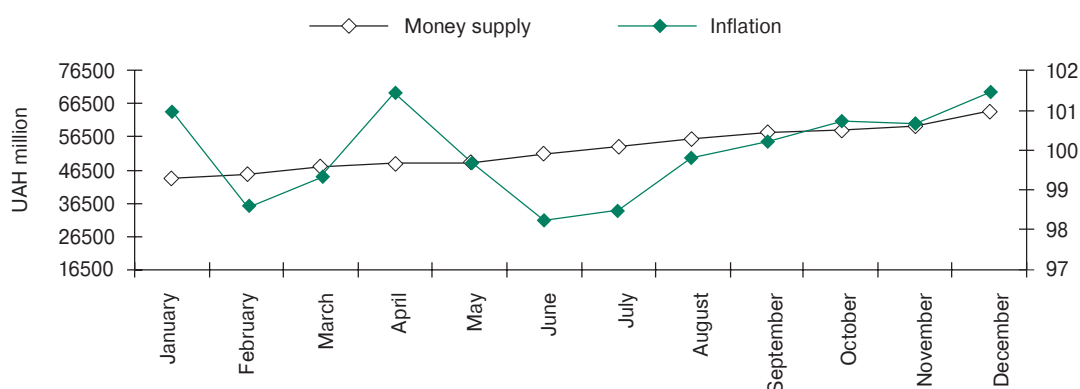
As of 1 January 2003, there were payment facilities in circulation to the amount of UAH 35 billion, which was UAH 5.5 billion or 18.5% more than at the beginning of the accounting year.

2.3. CURRENCY CIRCULATION

In 2002, the monetary base augmented by 33.6% (by 37.4% in 2001), totaling UAH 30.8 billion as of 1 January 2003. Within the monetary base structure, the share of cash outside banks rose by 1.4 percentage points and became 85.8%.

The money supply in circulation (M3) became larger by 41.7% and as of 1 January 2003 came to UAH 64.5 billion.

Dynamics of Money Supply and Inflation Rate in 2002



In 2002, the money supply grew chiefly thanks to the deceleration of money velocity from 5.2 at the year start to 4.02 as of 1 January 2003. Over this period, the economy monetization level went up from 19.22% to 24.85%.

The most substantial growth of the money supply in circulation fell on the second half of 2002, thus making 26.1% against 12.4% in the first half.

Growth Rates of Money Supply by Aggregates

(in percent versus previous period)

Indicators	2002	Including by quarters			
		I	II	III	IV
Money outside banks (cash) M0	135.8	100.9	109.1	110.3	111.7
Money supply M1	135.2	101.7	107.3	112.3	110.2
Money supply M2	142.2	104.0	108.5	112.8	111.7
Money supply M3	141.7	103.9	108.1	112.8	111.8
Note: money supply	133.6	108.8	104.6	111.2	105.7
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 under banks' trust operations and securities of banks' own debt					

In 2002, there was an increase in all the monetary base components.

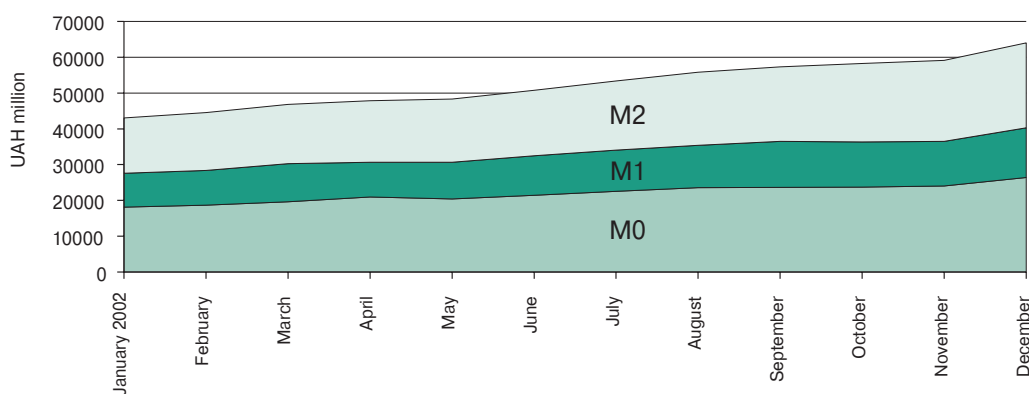
A real growth of the money income of individuals caused the first monetary aggregate, the money outside banks (M0), to go up by 35.8% to UAH 26.4 billion. The money outside banks (M0) augmented slower than the money supply, which led to a reduction in the cash share by 1.7 percentage points to 41%.

In 2002, growing production output brought about an augmentation of the income of enterprises. It resulted in 34% increase in the balance of funds in the national currency on current accounts, whose volume as of 1 January 2003 came to UAH 13.8 billion.

The stable exchange rate of hryvnia and positive dynamics of the major macroeconomic indicators were favourable for the retention of trust in the banking system. Within the total money supply (M3) the time funds in the national currency and foreign exchange funds grew most of all. In 2002, these funds augmented by 56% chiefly at the expense of 67.8% increase in the time deposits in the national currency (whereof the long-term ones multiplied 2.6 times).

In 2002, the clients' funds invested in bank trust transactions and in purchase of bank securities diminished by 3%, totaling UAH 0.5 billion as of 1 January 2003.

Dynamics of Monetary Aggregates in 2002



In 2002, there were practically no changes in the structure of money supply by currencies. The share of money supply in the national currency reduced by 0.5 percentage points and as of 1 January 2003 equaled 80.8%, the volume of these funds having increased by 40.8%. Over the year, the money supply component in the foreign currency became larger by 45.4%, totaling UAH 12.4 billion by late December 2002.

Structure of Money Supply in Circulation in 2001–2002

(end of period, percent)

Indicators	2001	2002			
		I	II	III	IV
Total	100	100	100	100	100
Cash (M0)	42.7	41.5	41.9	41.0	41.0
Funds in the national currency on current accounts	22.7	22.5	21.6	22.3	21.4
Time funds in the national currency and foreign exchange funds	33.4	34.9	35.7	36.0	36.8
Clients' funds under banks' trust operations and securities of banks' own debt	1.2	1.2	0.8	0.8	0.8

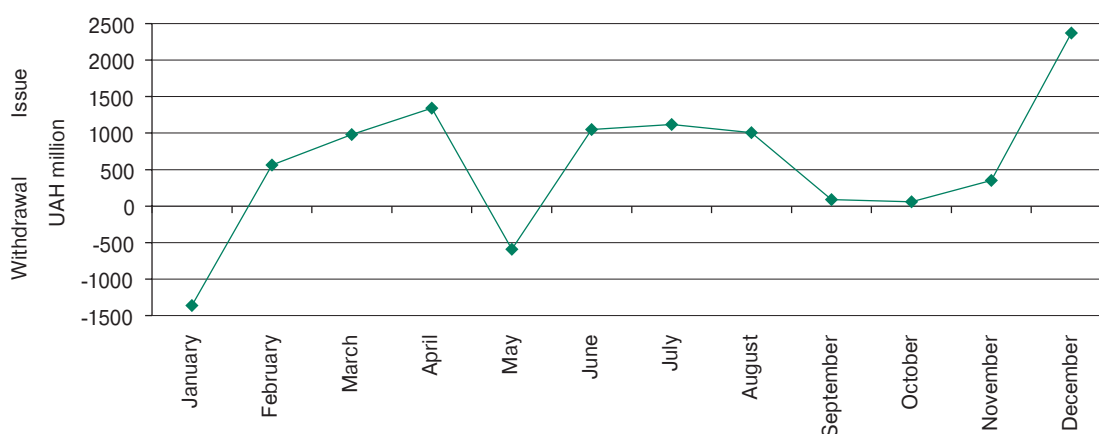
From the year start, within the structure of money supply allocation, the share of funds of natural persons (including the funds for purchase of bank securities) rose by 2.9 percentage points and as of 1 January 2003 made 71.2%. The rest were the funds of economic entities, which grew by 28.8% and totaled UAH 18.6 billion.

Over the year under review, the savings of natural persons (including the funds for purchase of bank securities) became larger by 67.3%, amounting to UAH 19.5 billion as of 1 January 2003. The deposits in the national currency whose volume during the year augmented by 73.1% grew fast. Within the total savings of natural persons, the preponderant share i.e. 72% fell on the time deposits (68.9% as of 1 January 2002) which in 2002 increased by 74.8%, including by 80.9% in the national currency.

2.4. CASH CIRCULATION

As of 1 January 2003, the cash outside bank pay desks came to UAH 26.4 billion, having augmented over the year by 35.8% (by 52.1% in the previous year). In 2002, 5.2% of all the cash payments from bank pay desks were covered at the expense of emission versus 6.1% in 2001.

Dynamics of Cash Issue/Withdrawal in 2002



The highest level of the cash issued was seen in Sumy, Dnipropetrovsk, Mykolaiv, Donetsk, Kirovohrad, and Luhansk regions, where the percentage of cash accumulation outside bank pay desks ranged from 15.5 to 42.7%. During the year, there was cash withdrawn from circulation to the amount of UAH 8.9 billion by the NBU regional branches in Volyn, Zakarpattia, Lviv, Odesa, Kharkiv, Chernivtsi regions, in the Autonomous Republic of the Crimea and in the City of Kyiv .

In 2002, the amount of cash disbursed from bank pay desks totaled UAH 133.9 billion, which was 23.2% superior to 2001. The growth was observed in all the types of cash disbursement.

Given the increase in the money income of individuals the cash receipts to bank pay desks rose over the year by 24.5%. The preponderant portion (54.6%) of cash receipts to bank pay desks fell on the receipts from trade, which was associated with an increase in domestic demand for goods and services. In 2002, these receipts grew by 24.4% and totaled UAH 69.3 billion.

In 2002, despite an increase in the deposits of individuals, the steady trend towards an excess of cash payments from deposits over receipts persisted. In 2002, the cash payments to that end exceeded the receipts 2.7 times since about 80% of the receipts to bank deposits were in the non-cash form. Within the structure of non-cash settlements, transfers for payment of wages and pensions augmented most of all (by 42.1 and 35.5% respectively). In 2002, out of the funds transferred to the deposits of individuals in the non-cash form only 22% went for payment for goods and services in the non-cash form and with cheques.

In 2002, in the foreign exchange cash market, as a result of an excess of by banks cash foreign currency supply over demand, the purchase of foreign currency from individuals by banks through exchange offices exceeded the sales. It led to an additional cash issue to the amount over UAH 0.8 billion.

In the accounting year, the NBU organized cash circulation in order to ensure the continuous provision of the economy with the necessary amounts of cash money supply with the optimum denomination composition of banknotes and coins. To that end, the NBU constantly controlled the cash stored in the NBU regional branches, replenished it and withdrew its surplus. In 2002, the regional branches were replenished with the cash worth UAH 19 billion.

In order to support in due condition the banknotes issued into circulation the worn-out ones were withdrawn from circulation. In 2002, there were withdrawn from circulation the worn-out banknotes to the amount of UAH 2.4 billion (over 386 million pieces), which made 31% of the amount of banknotes in circulation as of 1 January 2003.

In 2002, 13 computer-aided cash processing systems integrated into the unified data processing network were updated, which ensured persistent remote monitoring of the engineering procedures of banknote processing in bank pay desks.

In the year under review, Ukrainian banking institutions detected 7.7 thousand pieces of counterfeit banknotes in the national currency to the total amount of UAH 98.8 thousand, the preponderant number whereof being banknotes of 10 and 20 hryvnia denomination (53.2 and 27.2% respectively).

In 2002, commemorative coins of 16 issues to the total number of 359 thousand pieces were put into circulation. In 2002, there were 93.2 thousand pieces of commemorative coins sold to the total amount of UAH 8.7 million, which was 2% superior to 2001. During the accounting year, NBU foreign distributors sold commemorative coins to the total amount of USD 151.5 thousand.

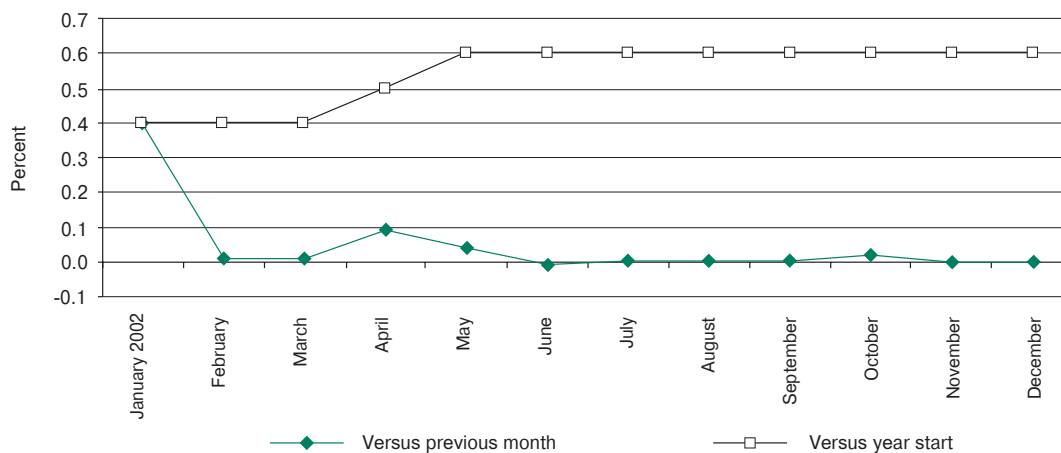
In 2002, the NBU took actions to further improve cash circulation and to amend the legal and normative framework to facilitate cash transactions.

2.5. EXCHANGE RATE POLICY

In 2002, the NBU pursued its exchange rate policy to ensure the external stability of hryvnia and to promote economic development.

In 2002, the foreign exchange market developed in the light of a significant increase in the foreign currency inflow owing to trade balance improvement. In the year under review, observed was a steady excess of foreign currency supply over demand. In 2002, the NBU took measures to prevent considerable fluctuations of the exchange rate of hryvnia. At the end of 2002, the official exchange rate of hryvnia against US dollar amounted to UAH 5.3364 per USD 1, having decreased by 0.64 and 1.25% in nominal and real terms respectively.

Dynamics of Changes in the Official Exchange Rate of Hryvnia against US Dollar in 2002



The dynamics of the exchange rate of hryvnia against Euro and Russian ruble that were extensively used by economic entities of Ukraine in international settlements was characterized by the dynamics of the correlation between these currencies and US dollar.

The official exchange rate of hryvnia against Russian ruble rose by 4.57%, totaling at the end of the year UAH 1.6777 per RUR 10.

In 2002, the exchange rate of hryvnia against Euro fluctuated more markedly, which was associated with an increase in the volatility of the ratio of the exchange rate of Euro against US dollar and with a noticeable strengthening of Euro against US dollar in international financial markets. In 2002, the official exchange rate of hryvnia against Euro decreased by 18.49% and equaled UAH 5.5329 per EUR 1.

In 2002, the index of the real effective exchange rate fell by 7%, which pointed to an improvement in the conditions for performing external economic transactions.

Given the acting system of foreign exchange regulation, the NBU pursued its aggressive intervention policy aimed at:

- maintaining the stability of the foreign exchange market and exchange rate of hryvnia;
- retaining the positive dynamics of the real effective exchange rate of hryvnia;
- expanding the NBU gold and foreign exchange reserves.

2.6. FOREIGN EXCHANGE REGULATION

In the accounting year, the NBU continued to improve foreign exchange regulation in order to maintain the stability of the foreign exchange market of Ukraine and to gradually approach its operation to the EU standards. The legislative acts and enactments on further liberalization of the foreign exchange market, transparency ensuring and improvement of control over foreign exchange transactions came into force.

Taking into account the need for risk hedging with respect to the changes in the exchange rate of foreign currencies associated with the implementation of foreign economic contracts by residents, authorized banks are permitted to purchase and sale foreign currency of the first group of the foreign currency classifier for foreign currency of the first group in international foreign exchange markets through forward contracts on behalf of their clients and at their expense.

In order to put in order transactions in the foreign exchange market of Ukraine the NBU particularized requirements to foreign currency purchase under investment operations, made up a list of reasons for foreign currency purchase in order to fulfill obligations of contracts of agency, contracts of pledge, guarantee of bills of exchange, etc. The NBU also concretized conditions for exemption from mandatory sales of the funds channeled to repayment of debts under credits in case of submittal of a payment order to transfer foreign currency in payment for credits by a client.

Improved were the rules of holding the Trading Session and performing some transactions associated with foreign currency purchase and sales, viz. transfer of purchased foreign currency, and acceptance of the hryvnia equivalent from foreign currency sales. It was established that during the Trading Session when purchasing or selling the foreign currency of the first group of the foreign currency classifier, with the exception of US dollars, one currency might be replaced by the other within the classifier group if the hryvnia equivalent of the purchased foreign currency did not exceed that of the foreign currency proposed for sale.

In order to prevent capital outflow abroad updated was the order of registration of the contracts stipulating attraction of credits in the foreign currency by residents from non-residents.

In order to ensure efficient operation of authorized banks in the cash market refined were the rules regulating organization and performance of foreign exchange transactions in Ukraine, order of registration of exchange offices, list of foreign exchange transactions, qualifying requirements to the employees that perform foreign exchange transactions with cash foreign currency, and the order of organization of exchange offices operation and that of performance of foreign exchange transactions. Purchase of the foreign currency of the second or third group of the foreign currency classifier by resident natural persons envisages issue of a certificate granting the right to export the purchased foreign currency by banks and exchange offices.

Updated was the system of foreign exchange control over transfer of currency values through the customs of Ukraine by legal entities and natural persons. In particular, regulated were imports and exports of currency values by the citizens that transit the territory of Ukraine, exports from Ukraine of the corporate payment cards issued by foreign banks by resident natural persons, transfer to Ukraine of the payment cards of international payment systems issued by non-banking institutions, and exports of funds from Ukraine with the help of Visa Travel Money cards by resident and non-resident natural persons.

At the suggestion of the NBU in accordance with the Law of Ukraine "On the State Budget of Ukraine for 2003" prolonged was the provision according to which non-resident buyers were allowed to pay in hard currency for the state property purchased during privatization if so was stipulated by the terms of sales.

Over the year, the NBU jointly with other legislative authorities elaborated the issues of foreign exchange regulation and control when developing Draft Laws of Ukraine viz.: "On State Support for Exports Insurance and Crediting", "On Use of Bills of Exchange in Foreign Economic Activities", "On Amendments to the Law of Ukraine "On the Procedure of Settlements in the Foreign Currency", "On Amendments and Addenda to Some Legislative Acts of Ukraine in Order to Regulate Activities of Permanent Representations of Non-Residents in Ukraine", "On Pawn-Offices and their Activities", etc.

Development of the Foreign Exchange Market

In 2002, the foreign exchange market was stable. The need of all the sellers and buyers of foreign currency was fully satisfied. In 2002, the amount of currency purchased and sold in the non-cash market augmented by 8.1% and came to USD 38.4 billion versus USD 35.5 billion in 2001, which promoted the development of economy and foreign economic relations.

The foreign exchange cash market was stable as well. Transactions in the cash market grew by 16.2%. At that, sales of foreign currency by individuals exceeded purchase by USD 185.3 billion, which spoke in favour of the retention of confidence in the national monetary unit.

Volumes of the Foreign Exchange Market of Ukraine

(in dollar equivalent, USD million)

Indicators	2000	Change in %	2001	Change in %	2002	Change in %
Tenders in the interbank foreign exchange market of Ukraine	29734.0	32.9	35514.6	19.4	38384.6	8.1
viz.: purchase	14867.5	33.4	17665.5	18.8	19059.8	7.9
sales	14866.5	32.5	17849.1	20.1	19324.8	8.3
Tenders in the foreign exchange cash market of Ukraine	1515.5	-24.0	1496.7	-1.2	1738.7	16.2
viz.: purchase	781.2	-10.5	831.4	6.4	962.0	15.7
sales	734.3	-34.5	665.3	-9.4	776.7	16.7
Excess of purchase over sales	46.9	—	166.1	—	185.3	—

The trend towards an accelerated growth of the foreign exchange non-cash market and towards a reduction in the volumes of the cash market observed for the third successive year had a favourable impact on the respective changes in the structure of the foreign exchange market.

In 1999, the share of transactions in the foreign exchange cash market made 8% vis-à-vis 4.8% since 2000.

Structure of the Foreign Exchange Market of Ukraine

(in dollar equivalent, percent)

Year	Non-cash market	Cash market	Total
2000	95.2	4.8	100
2001	96.0	4.0	100
2002	95.7	4.3	100

For three years now, the structure of the foreign exchange non-cash market on sales with respect to currencies has remained relatively stable. A decrease in the share of trade with Russia brought about changes in the structure of transactions in the interbank market with respect to currencies. The share of sales of Russian ruble in the non-cash market went down from 20.2% in 2001 to 11.6% in 2002.

Noted should be an increase in operations with Euro, which resulted from putting Euro in circulation in 2002. The share of sales of Euro went up to 7.9% against 5.4% in 2001. Nevertheless, US dollar remained the predominant currency. Its share rose to 78.5% in 2002 vis-à-vis 73.2% in 2001.

In the foreign exchange cash market, sales of Euro increased to 13.8% versus 6.1% in 2001, whereas sales of US dollar reduced to 77.4% against 85.1% in 2001. At the same time, sales of Russian ruble remained almost unchanged, making 7.8% compared with 7.4% in 2001.

Sales in Interbank and Foreign Exchange Cash Markets

(in dollar equivalent, USD million)

Year	Total		US dollar		including Euro		Russian ruble		Other currencies	
	million pcs	million pcs	million pcs	%	million pcs	%	million pcs	%	million pcs	%
Interbank Foreign Exchange Market										
2000	14866.6	11026.4	74.2	511.7	3.4	3057.9	20.6	270.5	1.1	1.8
2001	17849.1	13072.1	73.2	971.8	5.4	3601.5	20.2	203.7	1.1	1.1
2002	19324.8	15177.6	78.5	1533.3	7.9	2248.1	11.6	365.8	1.9	1.9
Foreign Exchange Cash Market										
2000	734.3	645.4	87.9	37.2	5.1	43.2	5.9	8.4	1.2	1.2
2001	665.3	565.9	85.1	40.5	6.1	49.2	7.4	9.6	1.5	1.5
2002	776.6	601.4	77.4	106.5	13.8	60.5	7.8	7.8	1.0	1.0

2.7. NBU GOLD AND FOREIGN EXCHANGE RESERVES

In 2002, the NBU gold and foreign exchange reserves became larger by USD 1327.5 million, amounting to USD 4417 million at the end of the year.

Dynamics of NBU Gold and Foreign Exchange Reserves

(USD million)

	2000	2001	2002
Gold and foreign exchange reserves (end of year)	1475.5	3089.5	4417.0
Change in gold and foreign exchange reserves (over year)	+380.1	+1614.0	+1327.5
owing to:			
• government transactions	-598.0	-373.5	-562.4
• repayment of IMF loans by NBU	-728.1	-167.4	-230.9
• NBU interventions	+1628.9	+2099.0	+1731.7

The NBU gold and foreign exchange reserves augmented due to NBU interventions on currency purchase in the interbank foreign exchange market. In 2002, the NBU interventions totaled USD 1732 million, which was 17.5% inferior to those in 2001.

In 2002, the NBU active policy was aimed at the improvement of gold and foreign exchange reserves management. The composition of gold and foreign exchange reserves was made up on the basis of the optimum ratio of foreign currencies to monetary gold. The gold and foreign exchange reserves were managed in order to make a good profit with minimum risk.

The rational diversification of the portfolio of the gold and foreign exchange reserves allowed to protect the NBU foreign exchange assets from the depreciation caused by exchange fluctuations and to use them to make payments in different currencies.

From June 2002, there have been held meetings by the Standing Council for NBU Assets and Liabilities Management that was authorized to discuss and formulate proposals with respect to development and implementation of the NBU policy concerning NBU financial assets and liabilities management.

2.8. SYSTEM OF FOREIGN EXCHANGE CONTROL AND LICENSING

The NBU continued to improve the system of foreign exchange control and licensing. To that end, in 2002, a number of legal acts and enactments was passed:

- Regulation on the Order of On-Site Inspections on the Observance of the Foreign Exchange Legislation of Ukraine by Banks and other Financial Institutions;
- Regulation on the Order of Granting General Licenses to Perform Foreign Exchange Transactions to Non-Banking Financial Institutions;
- amendments to the Regulation on the Order of Granting Individual Licenses to Open Accounts in the Foreign Currency to Resident Legal Entities;
- amendments to the Regulation on Foreign Exchange Control, etc.

In 2002, the NBU granted 1491 individual licenses and special permissions.

Banking institutions were given 300 individual licenses and special permissions viz.:

individual licenses:

- to export banknotes and coins of other countries – 68;
- to transfer currency values abroad – 66 (including 36 to pay for banking metals);
- to use foreign currency as a payment facility in Ukraine – 7;
- to open and use accounts with foreign banks – 5;
- to invest abroad – 2;

special permissions:

- to import circular check forms – 68;
- to import banknotes of other countries – 55;
- to import banking metals – 37.

Non-banking institutions were given 1183 individual licenses viz.:

- to perform non-recurrent foreign exchange transactions (i.e. to import, transfer, and send currency values) – 408;
- to prolong the law-established terms of settlements on export/import transactions performed by residents of Ukraine – 312;
- to open accounts with foreign banks by residents of Ukraine – 239;
- to use foreign currency as a payment facility in Ukraine – 142;
- to invest abroad – 82.

The observance of the foreign exchange legislation requirements was continually controlled. Over the year, performed were 968 inspections of banking institutions and their organizational departments and 6836 inspections of exchange offices. The NBU worked together with the law-enforcement and controlling authorities on whose demand 40 inspections were performed. Out of them 20 inspections were performed on demand of the State Tax Administration, 10 – on demand of the Ministry of Internal Affairs of Ukraine, 7 – on demand of the Security Service of Ukraine, and 3 – on demand of the Prosecutor's Office of Ukraine.

Out of the foreign exchange legislation infringements 56% fell on the infringements that occurred when making up statistical reports on foreign exchange transactions, 36% resulted from non-exercise of foreign exchange control agent's duties, and 8% were attributed to non-compliance with the order and requirements of trade in the foreign currency.

By results of the inspections performed in 2002, adopted were 363 resolutions on calling 69 authorized banks to account for the foreign exchange regulation infringement, which paid fines to the total amount of UAH 1.9 million. Moreover, during 202 inspections revealed were banking legislation infringements. In 144 cases enforcement measures were used with respect to infringers according to Article 73 of the Law of Ukraine "On Banks and Banking Activities".

The NBU monitored large and/or suspicious operations and further informed the bodies of the Security Service of Ukraine and the Ministry of Internal Affairs of Ukraine. In 2002, Ukrainian banks gave 6256 notices of large and suspicious operations to anti-organized crime authorities (3450 to the Security Service of Ukraine bodies and 2806 to the Ministry of Internal Affairs of Ukraine bodies).

In order to prevent money laundering through the banking system the NBU continuously monitored foreign currency purchase in the interbank foreign exchange market. The monitoring and inspections revealed the transactions related to capital outflow carried out by some banks by concluding fictitious contracts about which the NBU informed the bodies of the Security Service of Ukraine, Ministry of Internal Affairs of Ukraine, and State Tax Administration of Ukraine in accordance with Article 18 of the Law of Ukraine "On Organizational and Legal Framework for Campaign against Organized Crime".

In order to increase the efficiency of foreign exchange control improved was the exchange of information about foreign economic activity of residents. The system of information exchange between the NBU and the State Customs Service of Ukraine was improved in order to prevent the use of fictitious cargo customs declarations, and to create a uniform system of purchase of foreign currency and its transfer abroad.

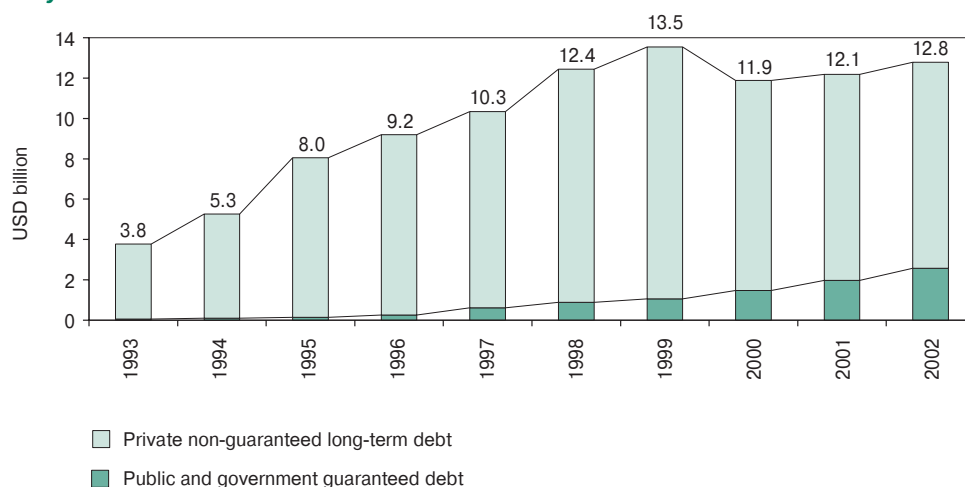
In order to provide Ukrainian banks with an efficacious instrument to exert control over the foreign economic activity of their clients updated was the system of receipt of information about imposition of sanctions on residents and non-residents according to Article 37 of the Law of Ukraine "On Foreign Economic Activity" from the Ministry of Economy and European Integration of Ukraine.

2.9. UKRAINE'S DEBT SERVICING

External Debt

In 2002, the total external (public and private) long-term debt of Ukraine increased by USD 0.7 billion or 5.8%, totaling at the end of the year USD 12.8 billion (30.9% of GDP).

Dynamics of External Debt of Ukraine



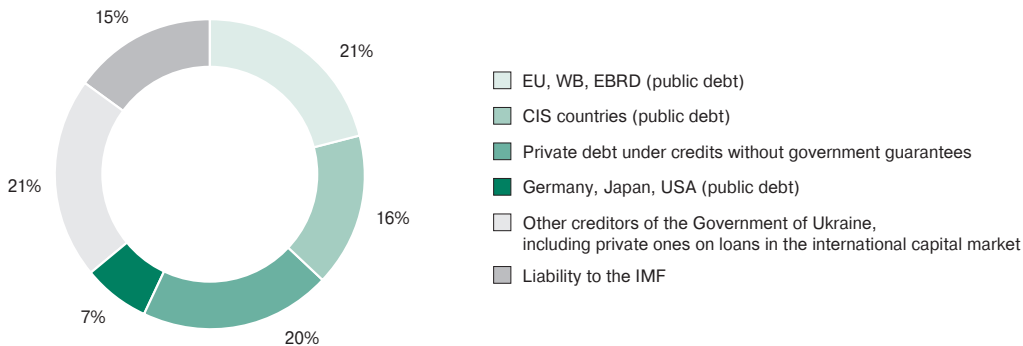
In 2002, the volume and structure of the external debt were impacted by:

- 5% decrease in the public debt of Ukraine to the Government of the Russian Federation due

to mutual offset of payments to the amount of USD 97.8 million;

- 1.6 times reduction (versus the previous year) in the foreign loans attracted by the state or government guaranteed;
- a diminishment in the liabilities to the IMF;
- additional issue of external debt bonds denominated in US dollars.

Structure of External Debt of Ukraine with Respect to Creditors as of 31 December 2002

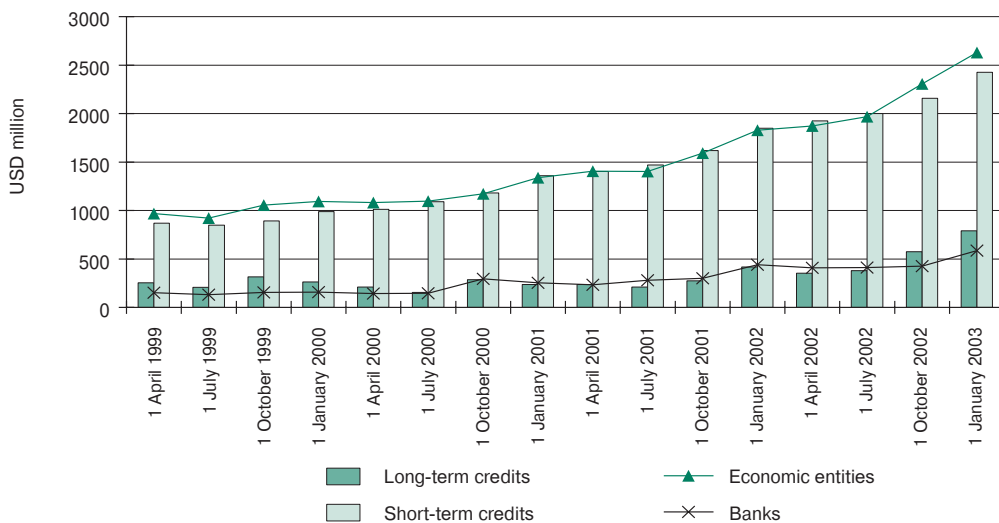


Within the structure of external long-term debt, 80% of the total volume fell on the public debt whose volume compared with the previous year remained unchanged, totaling USD 10.2 billion. In 2002, the portion of private long-term debt rose by 4 percentage points, while its volume increased by 30%, amounting to USD 2.58 billion at the end of the year.

Within the structure of external public long-term debt with respect to creditors the main components were the following:

- debts under the loans of EU and international financial organizations (IMF, WB, EBRD) – 45.1% i.e. USD 4.6 billion of the external public long-term debt of Ukraine;
- debts to private creditors under the external debt bonds issued in 1995 and 2000 – 25.5% i.e. USD 2.6 billion;
- debts to the Government of the Russian Federation – 17.7% i.e. USD 1.8 billion and to that of Turkmenistan – 2.9% i.e. USD 0.3 billion;
- debts under the credits granted by world donors (Germany, USA, and Japan) – 8.8% i.e. USD 0.9 billion.

Dynamics of Total External Private Debt of Ukraine (on principal)



In 2002, the long-term credits attracted to Ukraine totaled USD 2.3 billion, including USD 1.8 billion or 78% of the total long-term credits granted to private borrowers.

Over this period, repaid were credits to the amount of USD 2.2 billion, including credits to the amount of USD 0.9 billion under the external public debt. In 2002, the balance between the amount of external long-term debt received and repaid was positive and equaled USD 0.1 billion (USD 0.57 billion in the previous year).

In 2002, the NBU registered 1245 credit projects for receipt of credits in the foreign currency to the total amount of USD 4.3 billion by private residents from non-residents. Out of them the portion of credit projects financed on a long-term basis made 72% or USD 3.1 billion. The interest rate on the majority of credits did not exceed 10% per annum.

Within the structure of external debt with respect to borrowers, the share of private borrowers i.e. non-banking institutions totaled 82% or USD 3.2 billion. The rest (18%) constituted the portion of private non-guaranteed debt of banking institutions of Ukraine, about 3% of the private debt falling on the subordinated debt under the foreign credits attracted by Ukrainian banks in order to augment their capital.

Internal Debt

The limit of the internal public debt of Ukraine to the amount of UAH 15.6 billion and USD 1.3 billion was set as of 31 December 2002 in accordance with the Law of Ukraine "On the State Budget of Ukraine for 2002".

As of 1 January 2003, the debts of the Government of Ukraine to the NBU came to UAH 19.6 billion (one third of the internal public debt). At the end of the accounting period, the debts under credits totaled UAH 10.6 billion, including UAH 3.6 billion in the national currency and USD 1.3 billion in the foreign one (including interest), which was equal to UAH 7 billion. Debts under the NBU-held government securities amounted to UAH 9 billion, UAH 8.9 billion being nominated in the national currency and UAH 0.1 billion being nominated in the foreign one.

The Law of Ukraine "On Restructuring of the Debts of the Cabinet of Ministers of Ukraine to the NBU" # 1697-III of 20 April 2000 stipulated repayment of these debts by attributing them to the internal public debt with repayment of the debts in the national currency from 2010 to 2035 and with repayment of those in the foreign one from 2002 to 2009. However, the provision of this Law concerning repayment of the debts in the foreign currency in 2002 was suspended in accordance with the Law of Ukraine "On the State Budget of Ukraine for 2002". Moreover, the question regarding the interest on the credits in the foreign currency accrued after 1 January 1999 was still pending.

In September 2002, in order to settle these questions the NBU submitted the Draft Law of Ukraine "On Amendments to the Law of Ukraine "On Restructuring of the Debts of the Cabinet of Ministers of Ukraine to the NBU" for consideration to the Verkhovna Rada of Ukraine.

2.10. ACTIVITIES OF THE NBU AND OTHER BANKS OF UKRAINE IN THE SECURITIES MARKET

In 2002, in accordance with the legislation in force the NBU conducted transactions associated with placement and redemption of government securities, and payment of interest on them.

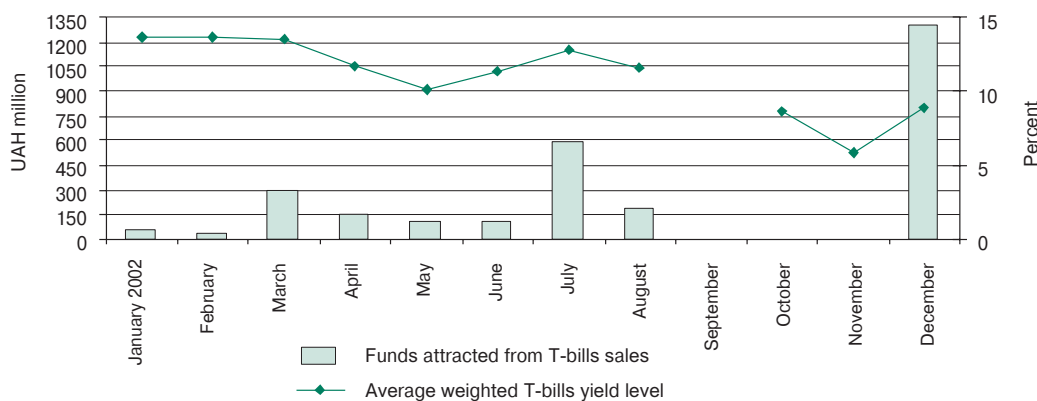
In the year under review, the NBU by order of the Ministry of Finance of Ukraine held 154 auctions (versus 120 auctions in 2001) on T-bills allocation. Out of them 68 auctions were considered invalid due to discrepancies in sale price terms of T-bills and a lack of tenders for securities.

By results of the auctions, the T-bills worth UAH 2.95 billion were allocated. The State Budget of Ukraine was replenished with UAH 2.85 billion, which was almost 2.5 times superior to 2001.

Out of the allocated T-bills a considerable portion fell on the medium- and long-term ones whose share accounted for more than a half of all the T-bills allocated. In 2002 compared with 2001, the average maturity of the T-bills sold through the auctions increased by 900 days and at the end of the accounting period became 1056 days.

In 2002, the T-bills yield fell by 4.8 percentage points, making 9% per annum at the end of the year. In 2002, the average weighted yield of all the types of allocated T-bills totaled 10.81% per annum (15.68% in 2001).

Dynamics of Attracted Funds and Yield Level of T-bills

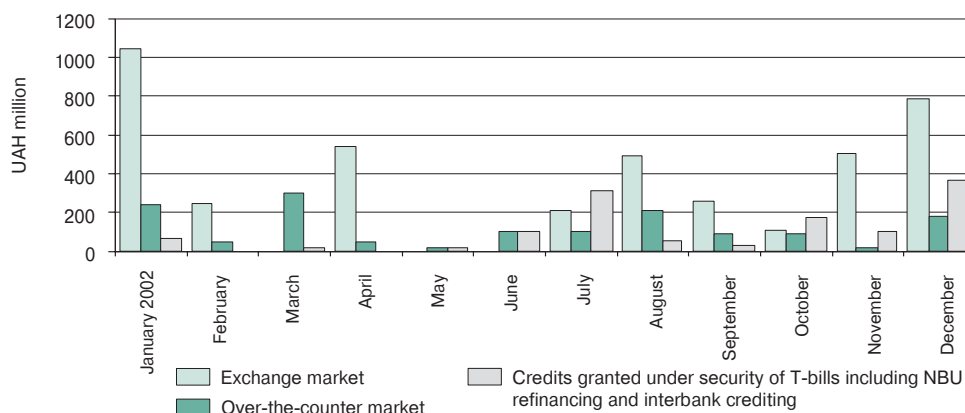


In 2002, the Ministry of Finance of Ukraine retired T-bills and paid interest to their owners to the total amount of UAH 3.24 billion, UAH 2.62 billion whereof went for retirement and UAH 0.62 billion – for payment of interest. Out of that amount UAH 1.1 billion was paid to the NBU (UAH 0.7 billion for retirement and UAH 0.4 billion for payment of interest).

In 2002, the business activity of the participants of the secondary government securities market declined vis-à-vis the previous year. Total T-bills allocation in this market reduced by 42.8% and equaled UAH 6.8 billion.

Contracts of purchase-sale of government bonds to the amount of UAH 4.2 billion were concluded through exchange tenders, which was 45.3% inferior to the previous year. In comparison with 2001, contracts with T-bills in the over-the-counter secondary market augmented by 21.8% and came to UAH 1.4 billion.

Dynamics of T-bills Transactions in the Secondary Market



2.11. SETTLEMENT AND CASH SERVICE FOR THE STATE BUDGET OF UKRAINE

In 2002, the NBU serviced the Commingled Treasury Account of the State Treasury of Ukraine on which accounted were the funds of the State Budget, local budgets and public earmarked funds. The NBU also serviced the budgetary organizations and institutions kept at the expense of the State and local budgets for which current accounts were opened.

Settlements between the State Treasury of Ukraine clients were directly effected through the NBU System of Electronic Payments on the basis of the Agreement on Terms of Operation of the

State Treasury Account with the National Bank of Ukraine and on Settlement Service concluded with the State Treasury of Ukraine.

In order to effect settlements through the NBU System of Electronic Payments which are united into the Commingled Treasury Account the NBU regional branches opened accounts for the State Treasury bodies in the regions, in the Autonomous Republic of the Crimea, in the Cities of Kyiv and Sevastopol and in the Settlement Operations Department of the State Treasury of Ukraine.

The work on the transfer of the accounts on which local budgets revenues are accounted and accounts of budgetary institutions from banks to the State Treasury of Ukraine went on. In 2002, the NBU in accordance with the Decree of the President of Ukraine of 25 December 2001 # 1251 "On Financial Discipline Strengthening and Prevention of Infringements in the Budgetary Area" made up a total inventory of the accounts of the agents managing budgetary funds within banking institutions and took actions to open such accounts within the bodies of the State Treasury of Ukraine.

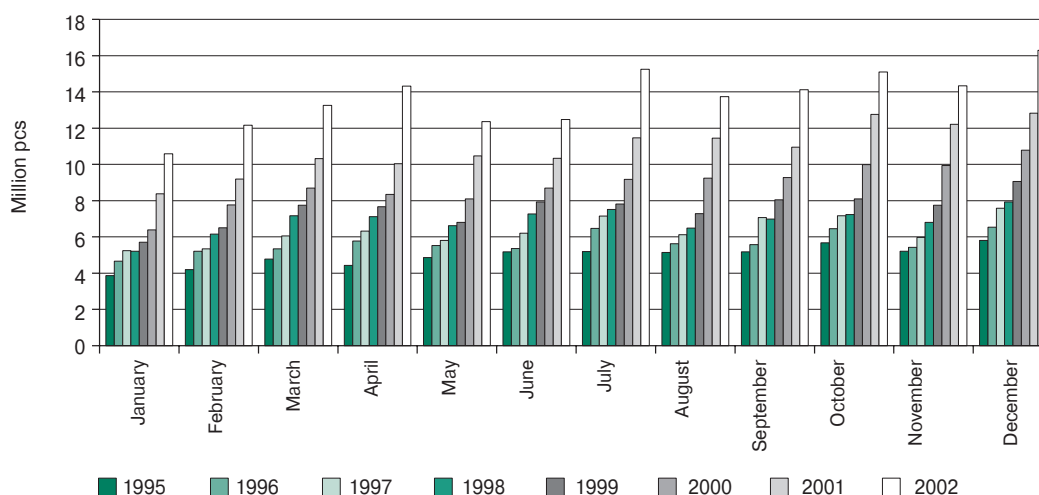
2.12. PAYMENT SYSTEM OF UKRAINE

For the ninth successive year, the NBU System of Electronic Payments (SEP) has been operating as a national interbank payment system. Its main characteristics (carrying capacity, speed of settlements, level of security, and privacy of banking information) entirely meet the needs of Ukrainian banks.

At the end of 2002, the total number of the SEP participants amounted to 1613 entities (including 161 legal entities), 1584 entities whereof being banking institutions, the rest being other institutions (in particular, State Treasury bodies).

In 2002, the trend towards an increase in the number of payments made through the SEP and in its average daily workload persisted. Over the year, processed were 164 million payments to the total amount of over UAH 1342 billion, which was 26 and 9% superior to 2001 respectively. In comparison with 2001, the average daily SEP workload rose by 25%, amounting to 650 thousand payments. In the accounting year, the average term for a payment order passing from the payer to the payee remained at the level of 2001, thus ranging from 10 minutes to 2 hours.

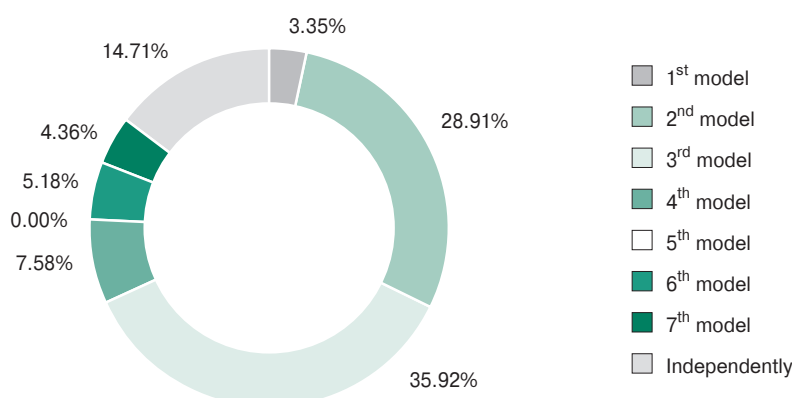
Dynamics of Payments Made through SEP



In order to increase the liquidity in banks given were the opportunities to service a bank correspondent account through the SEP with the help of one of the seven models that allow to unite a bank money resources on a consolidated correspondent account for their further efficient use. In general, 70 banks made use of this opportunity, 13 banks whereof received the NBU permission in 2002. 85% out of the total number of banking institutions that are SEP participants chose to work with the consolidated correspondent account, the rest working with the independent correspondent account as independent SEP participants.

Taking into account the world tendencies of payment system development the NBU within the existing payment system carried on with the experimental service of a new subsystem, the System of Urgent Transfers (SUT). In 2002, 1603 payments to the total amount of UAH 65 million were made through the SUT.

Distribution of Banks that Chose to Work with the Consolidated Correspondent Account by Models as of 1 January 2003



In order to satisfy the needs of the banking system of Ukraine for payment services important is to further develop and update the two subsystems of the System of Electronic Interbank Transfers of the NBU (the System of Electronic Payments and the System of Urgent Transfers), viz.:

- to put the SUT into commercial operation and to expand banks' participation in this system, which will make it possible to utilize new payment instruments using on-line technologies and to improve banks' work with respect to servicing different classes of customers;
- to connect the NBU institutions with the SUT, which will advance the day-to-day management of the operation of banking institutions within the System of Electronic Interbank Transfers;
- to improve the mechanism of the NBU operation as a clearing bank;
- to improve the mechanism of funds withdrawal from the correspondent accounts of banks by the NBU, etc.

2.13. SETTLEMENTS IN UKRAINE

As of 1 January 2003, 77 banks (about 49% of their total number) were members of domestic and international payment systems, issuing and acquiring payment cards. The total number of cards issued by banks in 2002 multiplied almost twice (from 3251 thousand pieces to 6325 thousand pieces) whereof

- that of domestic ones - by 454 thousand pieces to 1455 thousand pieces);
- that of international ones - by 2620 thousand pieces to 4870 thousand pieces.

The following banks issued the largest number of payment cards: "Privatbank" - over 2309 thousand pieces (about 36% of the total number), "Prominvestbank" - over 1094 thousand pieces (749 thousand pieces whereof being intrabank ones), Joint-Stock Postal and Pensionary Bank "Aval" - over 630 thousand pieces, Open Joint-Stock Company "State Savings Bank of Ukraine" - over 390 thousand pieces (248 thousand pieces whereof being intrabank ones), Joint-Stock Commercial Bank "Nadra" - over 369 thousand pieces, "First Ukrainian International Bank" - over 334 thousand pieces. In 2002, the number of cash dispensers servicing cards grew by 1063 entities to 2619, that of payment terminals - by 10 thousand to 22.6 thousand, and that of imprinters - by 6 thousand to 29 thousand.

Holders of the payment cards issued by Ukrainian banks performed about 74 million transactions to the amount of over UAH 20 billion. Natural persons accounted for the majority of transactions

(92%) performed with the help of plastic cards. In 2002, the balance of funds on payment card accounts with banks increased by 89% and became UAH 1.9 billion. Out of them the balance of funds on payment card accounts of natural persons augmented by 90% and totaled UAH 1.8 billion, 55% whereof being in the national currency. The balance of funds on payment card accounts of economic entities increased by 82%, equaling UAH 82 million. The share of those in the national currency made 67.8%.

The work on the implementation of the pilot project of the National System of Mass Electronic Payments (NSMEP) went on. The NBU put into operation a centre of system initialization of cards with capacity of 10 thousand pieces during one shift. The NBU jointly with partner firms set the stage for the large-scale application of the NSMEP in trade and services in the following areas:

- production of cards in Ukraine;
- serial production of terminal equipment;
- production of cash dispensers;
- updating of the terminal equipment and cash dispensers operating in the network of international payment systems in order to service NSMEP cards;
- development of payment procedures through the Internet, etc.

At the end of the accounting year 16 banks together with the NBU participated in the NSMEP pilot project. Among them there were the following banks: Open Joint-Stock Company "Megabank", Joint-Stock East Ukrainian Bank "Grant", Open Joint-Stock Company "Creditprombank", Commercial Bank "Khreschatyk", Joint-Stock Bank "Express-Bank", Joint-Stock Commercial Bank "Mria", Open Joint-Stock Company "Bank Demark", Joint-Stock Bank "Brokbiznesbank", Open Joint-Stock Company "BIG Energia", Joint-Stock Commercial Bank "Imeksbank", Closed Joint-Stock Company "Innovation and Industrial Bank", Joint-Stock Commercial Bank "Rostok Bank", Joint-Stock Commercial Bank "Polikombank", Joint-Stock Bank "Munitsypalnyi", Closed Joint-Stock Company "Joint-Stock Commercial Bank "Odesa-Bank". The project regarding the use of NSMEP cards when making payments at filling stations was implemented within the Joint-Stock Commercial Bank "Imeksbank" and Joint-Stock Commercial Bank "Polikombank".

In 2002, the number of cards issued by NSMEP member banks increased by almost 116 thousand pieces, totaling over 132 thousand pieces as of 1 January 2003. The following banks issued the largest number of NSMEP payment cards: Joint-Stock Bank "Express Bank" (over 73 thousand pcs), Imeksbank (over 26 thousand pcs), Open Joint-Stock Company "Bank Demark" (over 11 thousand pcs). The NBU gave banks a delay in payments for cards for a term up to one year. In 2002, the network of NSMEP card servicing expanded. Thus, in the accounting year, it had 63 cash dispensers and 361 payment terminals. Monthly turnover on NSMEP card accounts was equal to UAH 44 million.

The NBU jointly with the Odesa Municipal Administration elaborated and approved the project that envisaged use of NSMEP cards for payment of utility bills and as personal identification for receipt of social benefits. In order to encourage individuals to participate in the project under the sponsorship of the Odesa Municipal Administration established was a fund for compensation of a part of the value of the cards issued by a bank.

In 2002, the NSMEP implementation in the NBU went on. In particular, it was implemented in the NBU Main Branch for Kyiv and Kyiv Region and in the NBU Branch for Kharkiv Region. These Branches together with other 8 Ukrainian banks began to operate in the interbank interaction mode.

In 2002, in the real-time operation mode 46 depositaries and the First Stock Trading System conducted transactions with government securities in the primary, stock and over-the-counter markets using the means of the "T-bills on-line" system for comprehensive servicing of government securities market participants. In 2002, the NBU electronic depositary processed 1.2 thousand deposit orders, the total amount of processed government securities being 12 million pieces. By auction results, over 2.9 million bonds at the face value of UAH 2.9 billion were allocated. The depositary reregistered the property in 7.8 million bonds worth UAH 7.8 billion under over-the-counter agreements and in 4.2 million bonds worth UAH 4.2 billion under stock agreements. In 2002, 350 certificates of deposit to the amount of UAH 35 million were accounted through the system for accounting amounts "Sertyf".

In 2002, through the electronic depository implemented was the mechanism of payments for government securities based on the "delivery against payment" principle according to which the property in securities was reregistered only after the writing-off of the funds on the correspondent account of the bank that bought government securities had been checked by the depository. For bank refinancing the software "Credit Tender" that cooperated with the depository was used. The complex allowed to block the government securities accepted as a collateral against the loans granted by the NBU.

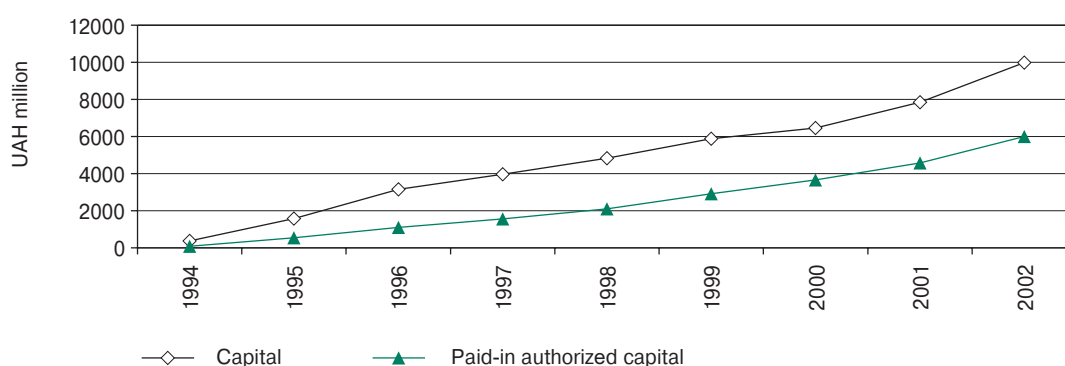
2.14. BANKING SECTOR DEVELOPMENT

As of 1 January 2003, there were 182 banks registered by the State Register of Banks. In 2002, the banking system was replenished with 5 new banks. Over this period, 12 banks were excluded from the Register, out of which 10 banks due to liquidation and 2 banks due to reorganization.

By legal form of governance organization banks were subdivided in the following way: 155 banks were joint-stock companies (107 banks whereof being open companies and 48 banks being closed ones), 26 banks – limited liability ones and 1 cooperative bank.

At the end of the accounting period, in Ukraine there were 20 banks with participation of foreign capital, 7 banks whereof being with 100% foreign capital. In 2002, the percentage of participation of foreign capital in the banking sector of Ukraine rose by 1.4 percentage points and at the end of the year made 13.9%.

Dynamics of Capital of Banks in 1994 – 2002



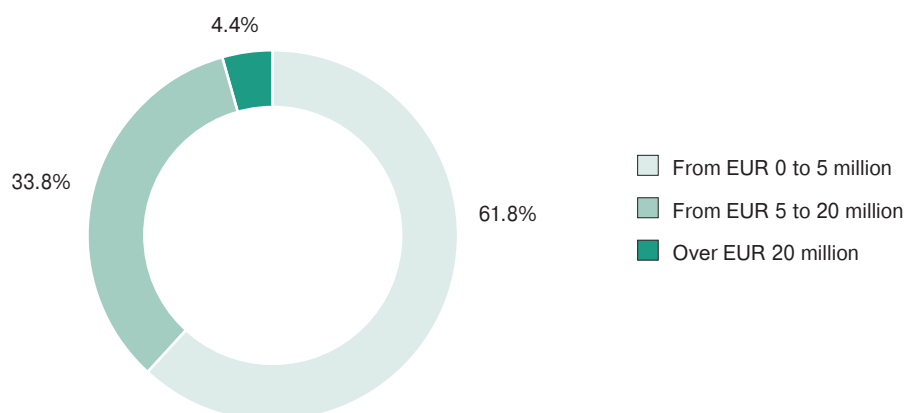
As of 1 January 2003, 157 banks had banking licenses and permissions to perform transactions, 153 banks whereof had licenses to perform foreign exchange transactions.

At the end of 2002, 24 banks were at the stage of liquidation, which made 13.2% of the total number of banks (18.5% in the previous year). 11 banks out of them were being liquidated in accordance with the decision of the National Bank of Ukraine, 12 banks in accordance with the decision of economic courts and 1 bank in accordance with the decision of the assembly of shareholders.

In the year under review, the authorized, regulatory capital and balance sheet of banks increased at the expense of an augmentation of the paid-in authorized capital, reserve fund, income and provisions made up by banks. From the beginning of 2002, the total capital of operating banks grew by UAH 2.1 billion or 27.1% (by 21.8% in the previous year), amounting to UAH 10 billion by late December. About 60% of the capital of banks was made up thanks to the paid-in authorized capital whose volume from the beginning of 2002 augmented by UAH 1.4 billion (by UAH 0.9 billion in the previous year) and as of 1 January 2003 equaled UAH 6 billion.

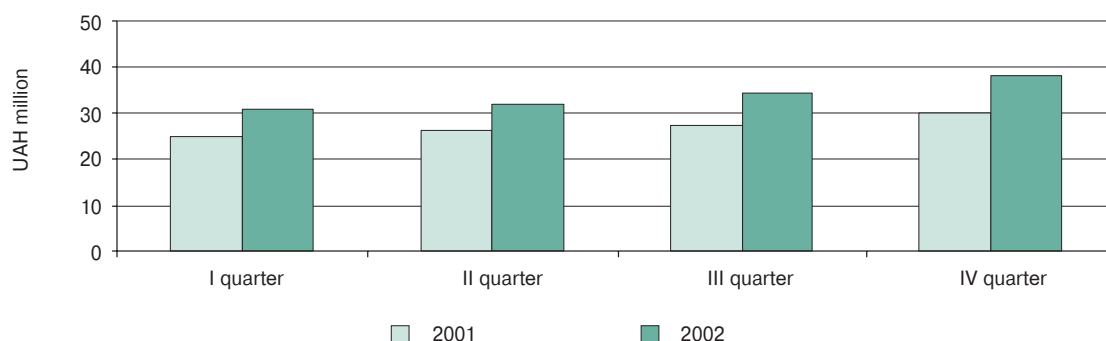
The analysis of banks with respect to paid-in authorized capital showed that as of 1 January 2003 there were 7 banks with the paid-in authorized capital over EUR 20 million (8 banks in the previous year). The number of banks with the authorized capital from EUR 5 to 20 million remained unchanged and equaled 53 entities. The number of banks with the authorized capital up to EUR 5 million increased by 5 entities, amounting to 97 banks.

Groups of Banks by Paid-in Authorized Capital as of 1 January 2003



The trend towards a growth of the average paid-in authorized capital of an operating bank, which as of 1 January 2003 totaled UAH 38.2 million, and was UAH 8.3 million or 28% superior to the beginning of 2002, persisted. The increase in the average paid-in authorized capital of a bank resulted from an augmentation of the authorized capital of banks in 13 out of 26 regions of Ukraine. This indicator grew most of all in banks in Chernivtsi region (3 times to UAH 22.5 million). Nevertheless, the average paid-in authorized capital in banks of the City of Kyiv remained the largest and came to UAH 45 million per operating bank.

Dynamics of Average Paid-In Authorized Capital per Operating Bank (quarterly)



In 2002, the banking system development was characterized by the following positive trends:

- a growth in bank assets by UAH 16.2 billion or 34.2% (by 28% in 2001) to UAH 63.6 billion, an increase in the ratio of bank assets to GDP from 23.5 to 28.8%;
- a reduction in the share of suspicious and bad loans from 2 to 1.2%;
- an augmentation of the share of credit portfolio from 58.7 to 64.8% within the total assets and an increase in the ratio of debts under credits to GDP by 4.8 percentage points to 18.6 %;
- an expansion of the network of bank branches by 51 entities, which was favourable for an augmentation of banking operations and enhancement of the quality of bank customer servicing.

In 2002, the overall financial result of banking sector activity revealed the profits worth UAH 683 million, which was UAH 153 million or 28.9% superior to 2001. 146 banks made profit to the amount of UAH 731.4 million, whereas 11 banks (9 banks in the previous year) suffered losses to the amount of UAH 48.8 million.

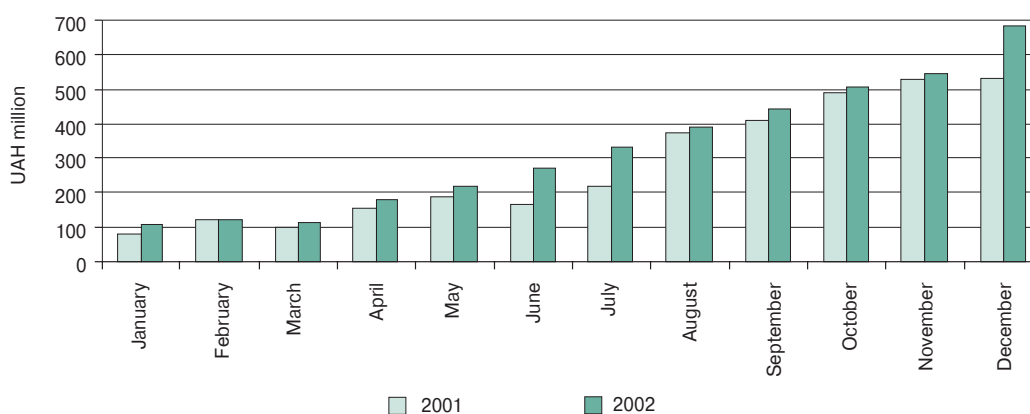
The income of banks equaled UAH 10.5 billion, which was UAH 1.8 billion or 22% more than in 2001. In comparison with 2001, the interest income augmented by 20%, whereas its share within the

total income diminished by 0.6 percentage points, making 65.6% at the end of 2002. The credits granted to economic entities earned the largest portion of interest income (84.8%). The increase in the interest income was accompanied by a decrease in the net interest margin from 6.5% at the year start to 5.6% in December. In 2002, the commission income grew by 13%. Nevertheless, its share within the total income declined by 1.8 percentage points and made 25%. Versus 2001, the income of banks from trade operations grew most of all (1.9 times).

In 2002, the expenditures of Ukrainian banks totaled UAH 9.7 billion, which was UAH 1.9 billion or 21% superior to the previous year. The expenditures of banks rose primarily due to 29% increase in other non-bank operating expenditures and to that in interest expenditures. In 2002 vis-à-vis 2001, the provisioning reduced by 12%.

In 2002 against the previous year, the return on assets and equity of banks remained almost unchanged, making 1.1% versus 6.8%.

Dynamics of Net Income of Banks (as progressive total)



Despite the positive dynamics of Ukrainian banks' activity the fact that in 2002 every fifth bank suffered losses or made unsubstantial profits and had a low level of return on assets remained a burning issue. It pointed to the unclear prospects for development of such banks and to the need for a more intensive application of reorganization and restructuring procedures with respect to these banks in order to improve their financial situation and to increase the level of their financial stability. The growth rates of banks' capital were lower than those of assets and liabilities, which caused the portion of capital within the liabilities to go down from 16.6 to 15.7%. In spite of an increase in crediting for the real economy sector as of 1 January 2003 debts under long-term credits and under those granted to the investment activity constituted only one fifth of the credit portfolio. It can be attributed both to the problems associated with the build-up of a long-term resource base of banks and low solvency of the majority of economic entities and to the imperfection of the legal framework with respect to protection of creditors' rights and interests.

In 2002, the NBU monitored the observance of the banking legislation and NBU legislative acts and enactments by banks. In 2002, enforcement measures were used with respect to 126 banks for infringement of the banking and foreign exchange legislation of Ukraine.

Enforcement measures were used with respect to banks for the following reasons:

- non-compliance with the maximum credit risk index per contractor (H7) – 1233 infringements;
- non-compliance with the index of the maximum amount of credits, guarantees and warranties given to one insider (H9) – 277 infringements;
- non-compliance with the index of the maximum aggregate amount of credits, guarantees and warranties given to insiders (H10) – 234 infringements;
- non-conformity with the rules regulating foreign exchange transactions – 380 infringements.

In 2002, the NBU used 618 penalty provisions against banks (56.2% of the total enforcement measures used) to the amount of UAH 1.3 million.

Among other enforcement measures used with respect to banks were:

- warnings in writing (380 cases or 34.5% of the total enforcement measures used);
- orders to stop, limit or suspend some high risk transactions performed by banks (43 cases or 3.9% of the total number).

2.15. BANKING ACTIVITY REGULATION

In 2002, the policy aimed at enhancing the efficiency of banking supervision persisted.

In conformity with the requirements of the Law of Ukraine "On Banks and Banking Activity" and taking into account the Basle principles and European Union directives the NBU in 2002 approved 7 new NBU legislative acts and enactments and made amendments to 9 existing ones.

High emphasis was placed on the formation of a legal framework for conduct of audits of banking institutions. The NBU worked out the Regulation on the Certification of Auditors for Banking Institutions, Rules of Certification of Auditors for Banking Institutions and standard program for training of auditors for banking institutions. In order to increase the quality of audits of annual financial statements, passed was the Regulation on the Procedure of the Delivery of the Auditors' Report and Opinion on Results of Annual Bank Audit to the NBU.

In 2002, the NBU granted banking licenses and permissions to perform transactions to 6 newly established banks. The banking license and permission to perform transactions were restored for 1 bank. The list of transactions that are conducted on the basis of a written permission was expanded for 27 banks. Banking licenses and permissions to perform transactions were replaced for 19 banks due to the name change. Written permissions were replaced for 4 banks due to changes in the list of transactions.

In order to monitor the adherence of banks to the economic ratios and formation of provisions for possible losses on transactions 582 inspections of banks with the status of legal entities were conducted, out of which 310 cases were transferred to the Security Service of Ukraine and Ministry of Internal Affairs of Ukraine.

The major objective of on-site bank inspections was to determine the nature of business activities of a bank from the point of view of management of assets and liabilities, its liquidity, solvency, governance quality, stability level, and conformity of its activities with the banking legislation requirements. Over the year, examined were 49 reports on bank inspections, made were suggestions pertaining to the adequacy of the evaluations in accordance with the system CAMELS.

In 2002, carried out was the quarterly analysis of banking activities using the Uniform Bank Report methodology, and software products such as NEW START, AIC, Bank Dossier, Statistics and Analytics within the SEP. By results of the inspections and monitoring, on whose basis estimated were the prospects for bank development and determined was the procedure of bank supervision, 41 banks were considered to be in need of special supervision.

Owing to the non-compliance with the banking legislation requirements and to the non-conformity with the legislative acts and enactments the NBU Commission for Supervision and Regulation of Banking Activities resolved:

- to suspend, limit and stop conduct of some transactions for 17 banks and to use penalty provisions against 16 banks;
- to declare a need to make provisions for 2 banks;
- to call a general meeting of shareholders in 3 banks;
- to implement a financial rehabilitation program in 1 bank.

In 2002, by results of the inspections and current monitoring the NBU concluded 14 agreements with banks regarding elimination of infringements in their activities and financial situation improvement.

In order to increase the capitalization of banks the NBU decided to allow 17 banks to include the funds attracted as a subordinate debt to their capital as well as to allow 14 banks that over the year augmented their fixed capital to return the funds attracted as a subordinate debt.

In 2002, the Government of Ukraine resolved to increase the authorized capital of the Open Joint-Stock Company "State Savings Bank of Ukraine" and that of the Open Joint-Stock Company "State Export-Import Bank of Ukraine" by UAH 100 and 88 million respectively.

The Government of Ukraine performed its obligations to repay the debts under the credits granted by the Open Joint-Stock Company "State Export-Import Bank of Ukraine" for implementation of government programs, which made for the stability of the bank's operation. In 2002, at the expense of the State Budget of Ukraine repaid were the debts under credits to the total amount of UAH 350 million, UAH 259.6 million whereof being repaid with the bills of exchange issued by the State Treasury of Ukraine and UAH 90 million through money transfers.

2.16. ORGANIZATION OF WORK ON LIQUIDATION OF THE JOINT-STOCK COMPANY JOINT-STOCK INDUSTRIAL BANK "UKRAINA"

In 2002, the liquidation of the bank "Ukraina" went on. In June 2002, the NBU Board examined the question concerning liquidation procedure and found the work of the bank's liquidator, the public self-financing institution "Bankruptcy Agency" unsatisfactory with respect to compliance with the existing legislation of Ukraine, in particular, the Law of Ukraine "On Banks and Banking Activities" and with NBU requirements and terms of the Agreement on Bank Liquidation. The NBU Board decided to substitute an NBU representative for this liquidator.

In the second half of 2002, the newly appointed liquidator of the Bank "Ukraina" took full-scale actions to raise funds to repay debts to the first-rank creditors. Moreover, taken were steps to raise the necessary amount of funds to be paid to individual depositors as soon as possible. At the end of the accounting year, UAH 217.2 million, which made 96% of all the first-rank claims, were paid to the first-rank creditors of the Bank "Ukraina".

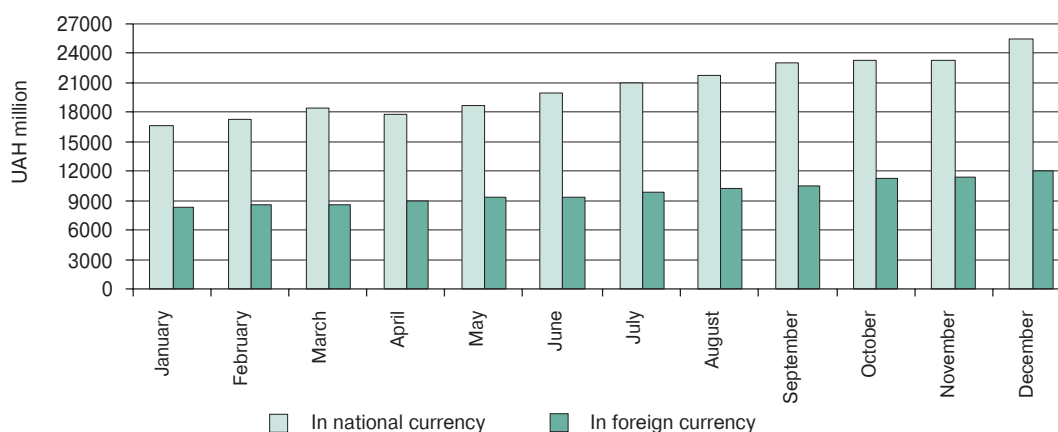
In 2002, there were credits granted by the bank cancelled to the amount of UAH 33.5 million. From the beginning of the bank liquidation procedure there were credits cancelled to the amount of UAH 84.5 million, which totaled 8% of the debts under the credits granted by the bank.

The major hindrance to the accumulation of the funds to be paid to the second and third rank creditors was non-repayment of the debts under credits incurred as a result of non-implementation of credit contracts by borrowers. At the end of the year under review, the total amount of borrowers' debts under the credits granted by the bank totaled UAH 963.4 million, UAH 798.4 million or 83% whereof being the outstanding debts. Within the structure of debts under the credits granted more than one half (59%) fell on the loans given for the implementation of government programs and on those guaranteed by the Cabinet of Ministers of Ukraine.

2.17. DEPOSIT MARKET

A decrease in the level of consumer prices, increase in the money income of individuals, national currency stability, and steadier banking system operation made for the further development of the deposit market of Ukraine.

Dynamics of Funds on Accounts of Enterprises, Organizations and Individuals with Ukrainian Banks in 2002



At the end of 2002, the funds on accounts of enterprises, organizations and individuals with Ukrainian banks augmented by 46.7%, equaling UAH 37.4 billion. The volume of deposits in the national currency rose by 47.2% and as of 1 January 2003 came to UAH 25.4 billion or 68% of the total attracted funds.

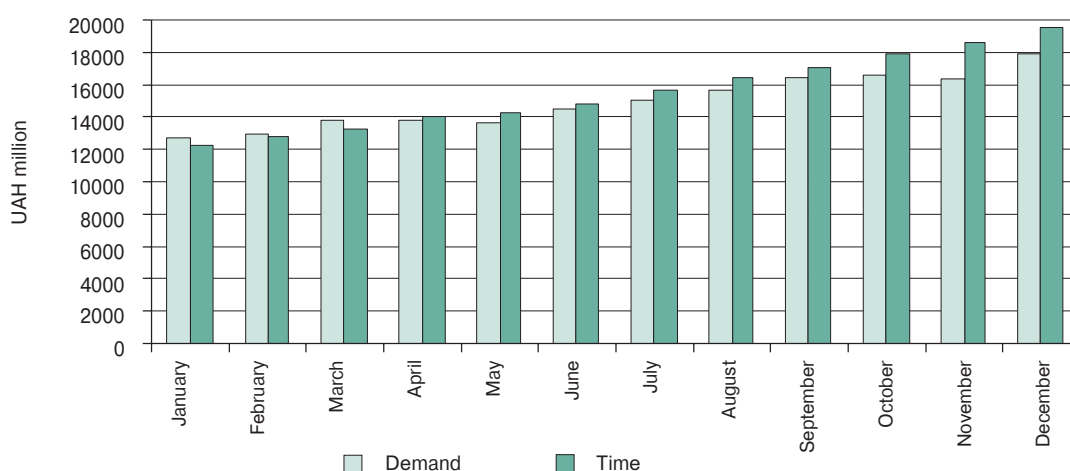
In 2002, the volume of funds attracted from individuals prevailed in the banking system for the first time. Within the structure of deposits regarding economic entities, the funds on accounts of natural persons grew faster than those on accounts of economic entities (70.1% against 28.4%), totaling UAH 19 and 18.4 billion respectively as of 1 January 2003 .

As previously, the time deposits increasingly augmented. In 2002, the balance of funds on time accounts became larger by 61.8% and amounted to UAH 19.5 billion as of 1 January 2003.

Within the total volume of attracted time funds, the preponderant share (72%) fell on the funds of individuals. In 2002, the balance of funds of natural persons on time accounts rose by 74.8% and as of 1 January 2003 came to UAH 14 billion. The decision taken by the Natural Persons' Deposits Guarantee Fund to increase up to UAH 1,500 the amount repayable to a depositor in case of a bank failure was favourable for the growth of the deposits of individuals.

As of 1 January 2003, the funds of economic entities on time accounts equaled UAH 5.5 billion, having increased by 35.8% from the year start.

Dynamics of Funds on Accounts of Enterprises, Organizations and Individuals with Ukrainian Banks in 2002



In 2002, observed was a considerable increase in the volume of long-term deposits. On the whole over the year, the balance of funds attracted for more than 1 year multiplied 2.6 times and as of 1 January 2003 equaled UAH 9 billion. In 2002, the share of these funds within the structure of deposits went up from 13.8 to 24.2%.

Over the accounting year, the funds of legal entities and natural persons on current (demand) accounts augmented by 33.1%, totaling UAH 17.9 billion as of 1 January 2003. Nevertheless, within the structure of deposits their portion reduced by 4.9 percentage points and became 47.8%.

The balance of funds of economic entities on current accounts grew by 25.5% (by 24.9% in the national currency) and as of 1 January 2003 amounted to UAH 12.9 billion. As of 1 January 2003, the funds of natural persons on demand accounts equaled UAH 5 billion, having grown by 58.1% during the year.

In 2002, in the deposit market, the highest increase was seen in the funds of privately- and collectively-owned enterprises, organizations and individuals (by 67.8 and 38.7% respectively) as well as in those of international organizations and legal entities of other countries (by 33.3%).

2.18. CREDITING FOR THE REAL ECONOMY SECTOR

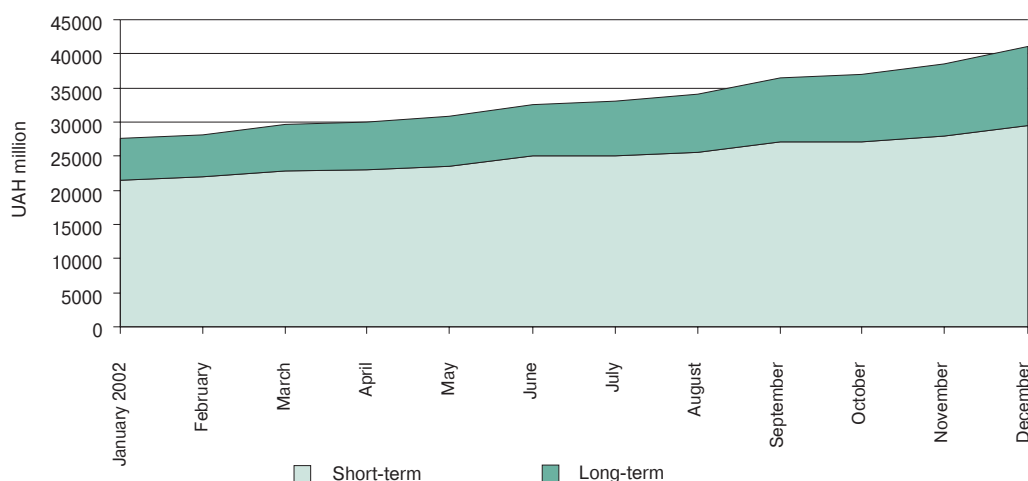
In 2002, the positive dynamics of banks' credit investments in the economy of Ukraine persisted. It was primarily attributed to the sufficient liquidity of banks and to a decrease in the interest rates under credits. In 2002, the balance of debts under the credits granted by banks to the real economy sector rose by 48.2% (by 45.3% in 2001) and as of 1 January 2003 equaled UAH 41.2 billion.

In the light of the stable exchange rate of hryvnia in the domestic market of Ukraine there were positive changes within the structure of credit investments by currencies. In 2002, the debts under the credits in the national currency grew by 54.9%, while their share within the total volume became larger by 2.5 percentage points and made 58%. In 2002, the debts under the credits in the foreign currency (in hryvnia equivalent) augmented by 39.9%.

By late December 2002, the share of short-term loans (71.7%), which during the year diminished by 6.6 percentage points in favour of the long-term ones prevailed within the structure of debts under the credits granted to the economy of Ukraine. In 2002, the balance of debts under the long-term credits granted augmented by 93.5% (by 76.1% in 2001) and as of 1 January 2003 totaled UAH 11.7 billion. The debts under the long-term loans in the national currency grew faster than those in the foreign one (2.1 times versus 1.8 times). This positive change within the structure of crediting was partially brought about by an increase in the long-term resource base of banks at the expense of the funds attracted from natural persons.

The preponderant portion of credits (92.1%) was given by banks to economic entities. As of 1 January 2003, the debts under the credits granted to economic entities amounted to UAH 38.5 billion, having augmented by 43.7% compared with 2001.

Dynamics of Debts under Credits Granted to Economic Entities (by maturity)

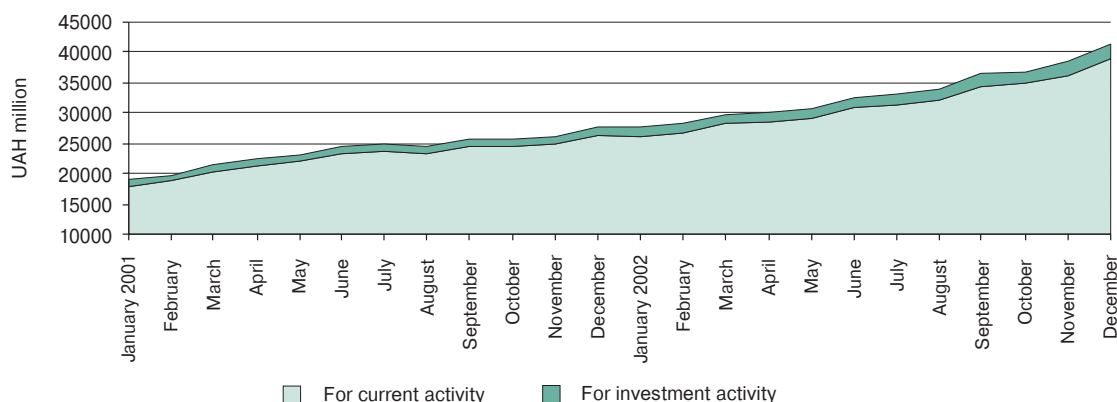


Economic entities used credits mainly to provide for the needs of their current activity. At the end of 2002, the portion of loans used to that end made 94.8% of the total debts under credits.

A steady growth of the amount of credits granted to the investment activity was a positive change in crediting for economic entities. In 2002, the balance of debts under these credits rose by 83.6% and became UAH 2 billion, while its share within the structure of debts under credits went up by 1.1 percentage points to 5.2%.

By kinds of economic activities, the largest amount of banking credits fell on wholesale and retail trade, trade in means of transportation and repair services. At the end of 2002, their share within the total debts under the credits granted to economic entities totaled 40.1%, having augmented by 2.5 percentage points from the year start. Manufacturing industry whose portion of debts made 31.2% of the total volume accounted for a considerable balance of debts.

Dynamics of Debts of Economic Entities under Banking Credits (by earmarked investments)



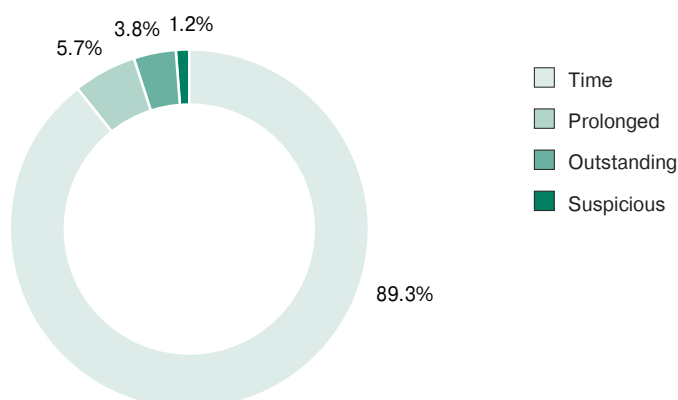
For some years now, crediting by Ukrainian banks for agriculture has been on the increase. In 2002, the total credit investments in the economy of Ukraine increased by 48.2%, while the debts under the credits granted to agriculture rose by 54.9% (2.3 times in the previous year). It could be primarily attributed to the mechanism of budgetary compensation of a portion of the interest rate under the credits granted to agriculture, which was introduced by the Government. Nevertheless, the share of these credits within the total debts under the credits for economic entities remained unsubstantial and made 6.8% versus 6.3% at the beginning of the year.

The share of credits given to the economic entities of transportation and construction also was unsubstantial and amounted to 4.1 and 2.3% respectively.

The volume of credits given by banks to natural persons grew fast. As of 1 January 2003, the balance of debts under the credits granted to individuals equaled UAH 3.3 billion, having multiplied 2.3 times since the year start. As of 1 January 2003, the share of these credits within the credit portfolio of banks totaled 7.3%, which was 2.6 percentage points superior to the beginning of the accounting year.

During the year, within the total debts under the credits granted to the economy, the portion of outstanding debts went down from 4.9 to 3.8%, while that of suspicious and bad loans did so from 2 to 1.2%.

Structure of Debts under Credits Granted to the Economy of Ukraine as of 1 January 2003



A positive feature of banking activities in 2002 was 22.3% increase (16.7% in the previous year) in the provisions made up for transactions with assets, which as of 1 January 2003 came to UAH 3.9 billion. At the end of the accounting year, the provisions were made up by 93.3% of the estimated amount against 85.3% at the year start. Out of the total provisions, the loan loss provisions for credit operations totaled UAH 3.6 billion, those for receivables – UAH 82.2 million, and those for transactions with securities – UAH 76.5 million.

2.19. NBU COOPERATION WITH INTERNATIONAL FINANCIAL ORGANIZATIONS

Cooperation with the International Monetary Fund (IMF)

In 2002, the NBU continued to cooperate with the IMF within the scope of the Memorandums of the Economic Policy of the Government of Ukraine. Ensured was timely servicing of IMF loans (STF, Stand-by, EFF). SDR 183.5 million (USD 249.4 million) was paid to redeem the loans. At the end of the accounting period, the debts under IMF loans totaled SDR 1380.0 million (USD 1876.1 million).

In order to recommence financing under the Extended Fund Facility (EFF) which was suspended in January 2002 and to complete the 7th and 8th revisions of the EFF the NBU met the EFF efficiency conditionality and timely took actions according to the program. Nevertheless, due to the non-fulfillment of a number of IMF requirements by the Government of Ukraine financing was not recommenced. In September 2002, the cooperation with the IMF within the EFF was stopped. In accordance with this program SDR 1.2 billion (USD 1.6 billion) were actually received out of SDR 1.9 billion (USD 2.6 billion).

In 2002, the NBU jointly with the Government of Ukraine considered ways of further cooperation with the IMF, in particular, steps to be taken to develop a new program in the form of SSB. In 2002, the NBU provided the IMF with the data on the external debts under the foreign credits attracted by banks and economic entities of Ukraine etc.

In September 2002, the NBU and the State Statistics Committee of Ukraine completed the preparation for the subscription of Ukraine to the SDDS of the IMF. As a result, indicators of the financial and foreign economic sectors of the economy were published on the NBU site.

Cooperation with the World Bank (WB)

Cooperation with international financial institutions and organizations regarding market development and further support for domestic producers went on.

In 2002, implemented were 5 international projects on support for private sector economic entities and programs for financial sector restructuring according to the WB project at the expense of the Grant of the Netherlands Government.

In 2002, according to the WB project, the Ministry of Finance of Ukraine approved 4 projects on coal industry reconstruction to the total amount of over USD 4.2 million.

Such banks as the Joint-Stock Postal and Pensionary Bank "Aval", Closed Joint-Stock Company Commercial Bank "Pryvatbank", Closed Joint-Stock Company "Ukrainian Credit Bank", Bank "Credit and Finance", Joint-Stock Bank "Azhio", and Open Joint-Stock Company Commercial Bank "Nadra" helped implement the WB project concerning support for micro-, small- and medium-scale enterprises in the regions where coal industry mines were abandoned.

The NBU carried on with its work on the development and implementation of the program for financial sector of Ukraine restructuring at the expense of the Dutch project. The major aims of the work were the following:

- to reform the banking legislation;
- to restructure the biggest banks;
- to develop the system of deposit insurance in Ukraine;
- to introduce a comprehensive program for certification of audit companies;
- to render technical assistance to the Coordinating Council for Financial Sector Policy, etc.

The NBU timely provided the WB with the reports on the external guaranteed and non-guaranteed debt of the country in conformity with the requirements of the WB Debtor Reporting System.

Cooperation with the European Bank for Reconstruction and Development (EBRD)

In the accounting year, servicing of the first and second EBRD credit lines for the development of small- and medium-scale enterprises (SME-I, SME-II) continued. The funds of the Lines were channeled to further crediting for economically promising projects for small- and medium-scale business.

From 1995, within micro crediting (SME-I, SME-II) participant banks granted over 11.5 thousand micro credits to the amount of USD 92.8 million. In 2002, within the first Credit Line (SME-I) there were credits repaid to the amount of USD 31 million in accordance with the credit agreements. At the end of 2002, the debts under these credits totaled about USD 60 million.

In 2002, according to the Credit Line (SME-II) credits to the amount of USD 16 million were given to small- and medium-scale enterprises. Within the structure of the granted credits, food industry accounted for the largest portion of credits (30.15%).

In order to stimulate demand for the Credit Line funds the EBRD and the NBU held a contest for the best business project. In 2002, the following banks helped implement the project: the Joint-Stock Postal and Pensionary Bank "Aval", Closed Joint-Stock Company Commercial Bank "Pryvatbank", Joint-Stock Bank "Azio", Open Joint-Stock Company Commercial Bank "Nadra", Open Joint-Stock Company "VABank", and Open Joint-Stock Company Commercial Bank "Ukrzazprombank".

Cooperation with the Interstate Bank (IB)

In 2002, the NBU helped the IB develop a mechanism for settlements between the CIS Central Banks on the basis of multilateral clearing with the use of their national currencies.

Cooperation with the German-Ukrainian Fund

In 1997-2002, thanks to the money provided by the Fund 7,867 credits were given to the micro-, small- and medium-scale enterprises of Ukraine to the total amount of EUR 48.7 million, including 4,416 credits to the amount of EUR 18.3 million in 2002.

2. 20. RELATIONS OF THE NBU WITH CENTRAL BANKS OF OTHER COUNTRIES AND OTHER INTERNATIONAL ORGANIZATIONS

In 2002, the relations of the NBU with international financial organizations and central banks of other countries were aimed at further intensifying cooperation and at illumination of its activities abroad.

The NBU took part in the annual meeting of the Board of Governors of the EBRD, WB, as well as in the meeting of the Committee for Cooperation between Ukraine and the EU.

In July 2002, signed was the Memorandum on Mutual Understanding between the Government of Ukraine, the NBU and the WB with respect to improvement of the activity of the Open Joint-Stock Company "State Savings Bank of Ukraine".

Cooperation with Central Banks of Other Countries

In 2002, in order to encourage further cooperation with central banks of other countries the NBU improved the mechanism for exchange of experience concerning the development of the banking systems of Ukraine and Poland. In May 2002, in order to implement the Agreement on Advisory Council Establishment and on Cooperation Concerning Supervision over Activities of Lending Agencies the National Banks of Ukraine and Belarus held the first meeting of the Council.

The NBU also helped work out a strategy for the development of cooperation between Ukraine and the Black Sea Bank for Trade and Development.

In order to learn the experience of the central bank of Italy pertaining to the prevention of laundering of the gains obtained in a criminal way NBU representatives visited the Bank of Italy.

Together with the WB and the IMF implemented was the Financial Sector Assessment Program. Its closing statement revealed the current banking system problems and suggested ways of solving them.

Cooperation with Other International Organizations

According to the strategy of Ukraine aimed at integration into the EU and into the World Trade Organization (WTO) confirmed by the Message of the President of Ukraine to the Verkhovna Rada of Ukraine "European Choice. Conceptual Guidelines of the Strategy of Economic and Social Development of Ukraine for 2002-2011" the implementation of the Memorandum on Mutual Understanding between Ukraine and the EU and Program for Ukraine's Integration into the EU for 2002 continued. In the accounting year, the NBU participated in the bilateral negotiations with delegations of different countries

in order to liberalize the service market of Ukraine and in the meetings of the Working Group whose objective was to consider the application of Ukraine concerning its joining the WTO.

In December 2002, for Ukraine to be excluded from the FATF list of non-cooperative countries and territories information about the adoption of respective laws by the Verkhovna Rada of Ukraine and about measures to establish a system for counteraction to legalization and laundering of the gains obtained in a criminal way in Ukraine taken by the NBU was forwarded to the FATF Secretariat, European Commission and FATF member countries. The actions taken by the Government of Ukraine and the NBU were favourable for lifting of the economic sanctions imposed on Ukraine at the suggestion of the FATF.

2.21. MAIN TRENDS OF ECONOMIC WORK. DATABASE

In 2002, in order to enhance the role of the banking system of Ukraine in the economic development of the country the NBU placed particular emphasis on the organization of economic work in the following areas:

- participation in the development of the Government Program for Economic and Social Development in Ukraine for 2003, elaboration and monitoring of the implementation of the NBU measures aimed at fulfillment of the decrees, instructions, and messages of the President of Ukraine, resolutions of the Cabinet of Ministers of Ukraine and informing the state run public authorities on their implementation;
- monitoring and analysis of the macroeconomic indicators of the development of the real economy sector, public finances, and social sphere;
- analysis of the development of money, foreign exchange, stock, and deposit markets;
- elaboration of the forecasting for compilation of balance of payments statistics;
- compilation of the international investment position;
- compilation of monetary and banking statistics;
- preparation of informational and analytical materials about the banking economic sector and trends in its development;
- balance of payments analysis;
- analysis of the external debt of the country.

In 2002, the NBU jointly with the Cabinet of Ministers of Ukraine, Ministry of Economy and European Integration of Ukraine, Ministry of Finance of Ukraine and other central executive authorities developed the drafts of:

- a national program for economic and social development of the state and programs of the Government of Ukraine activities;
- measures to implement the Messages of the President of Ukraine to the Verkhovna Rada;
- Laws of Ukraine, regulations of the Cabinet of Ministers of Ukraine.

The major objectives of the economic work carried out by the NBU regional branches were the following:

- to analyze the situation and development of the economy, money, foreign exchange and stock markets as well as the banking system of the region;
- to analyze the quality of the credit portfolios and securities of banks in the region;
- to organize the submittal of banking reports by banks for compilation of monetary and banking statistics to carry out economic analysis;
- to collect and process the data for drawing up of financial and statistic reports on regional branch activities;
- to provide the local state run public authorities with the information about the situation in the economy, money, foreign exchange and stock markets as well as the banking system of the region;
- to compile analytical materials about the development of the banking sector to hold round table meetings, conferences, seminars, etc.

The information about the situation and development of the economy, banking sector, money, foreign exchange and stock markets was given to the law machinery at their request.

In 2002, improved were the methods for monetary and banking statistics compilation which served as a guideline for timely and high quality creation of the system of monetary and banking statistics indicators.

In 2002, updated were the methods for monetary and banking statistics compilation.

In 2002, introduced were new standardized reporting forms 10R "Central Bank" and 20R "Other Deposit Corporations" with taking into account the recommendations of the IMF mission and the Guide to Money and Financial Statistics of the IMF as well as the Instruction on Filling in Standardized Reporting Forms.

When compiling statistical information the main information sources were: the NBU balance sheet, consolidated balance sheet of banks, statistical reporting forms of banks, information provided by the State Statistics Committee of Ukraine and Ministry of Finance of Ukraine, bulletins of other central banks, monitoring of the indicators of Eastern Europe and CIS countries, statistical collections of international financial organizations as well as the Internet. The state-of-the-art technical base of payment system and e-mail operation promoted the efficient obtainment and quick processing of information as well as the amelioration of the quality of statistical indicators of banking system activity.

In 2002, the NBU took a range of actions aimed at the subscription of Ukraine to the IMF Special Data Dissemination Standard. In particular, it developed indicators of the financial and foreign economic sectors, methods for their compilation and dissemination as well as a tentative schedule of their circulation. The information about these issues was published on the Internet on the NBU and IMF sites.

In 2002, the NBU kept on issuing to following publications:

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

In the year under review, the NBU Internet site was continuously supplemented with new information, which drew attention of individuals and business circles both in Ukraine and abroad. In 2002, the number of references made to this site rose by 42%, totaling over 500 thousand.

2.22. ECONOMIC RESEARCH AND FORECASTING

In 2002, the NBU went on with its economic research and forecasting in the following areas:

- current macroeconomic analysis of the situation and development of the economy of Ukraine and some of its branches;
- research of the impact of the monetary policy on the real economy sector;
- analysis of current monetary trends, research of the dynamics of monetary aggregates and changes in money supply structure;
- analysis of the dynamics of indicators of banking system activities, including that of crediting for the real economy sector;
- analysis of inflation and determination of the degree of impact of monetary factors on it;
- monitoring of the dynamics of the real exchange rate of hryvnia in conjunction with the indicators of the real and external economy sectors of Ukraine;
- comparative analysis of some main macroeconomic indicators of Ukraine and other countries;
- learning of the experience of central banks of world leading countries and of the European Central Bank with the view of applying this experience to Ukraine;
- research of the main trends of the international economic and monetary development, situation in world markets in order to explore the possibility of their affecting the economic development in Ukraine;

- monitoring of the dynamics of the components of the balance of payments of Ukraine current account and its impact on GDP.

The objectives of the economic forecasting in 2002 were the following:

- econometric modeling of the relation between the main macroeconomic variables for construction of forecasting models;
- development of short- and medium-term forecasting scenarios of the economic and social development in Ukraine for 2003–2005;
- modeling of economic processes and forecasting of the main macroeconomic indicators of Ukraine, in particular, inflation and GDP;
- forecasting of the balance of payments of the state;
- forecasting and development of the prospects of the NBU monetary and exchange rate policy in accordance with the main forecasting macroeconomic indicators stipulated by the program documents of the Cabinet of Ministers of Ukraine and the NBU.

The economic research and forecasting allowed to make sounder decisions on the monetary and foreign exchange policy and were taken into account when developing the NBU monetary policy, Forecast of economic and social development in Ukraine for 2003–2005, and Draft Program for Activities of the Cabinet of Ministers of Ukraine, etc.

In 2002, when analyzing, assessing and forecasting monetary indicators and the balance of payments the NBU worked together with the Ministry of Finance of Ukraine, Ministry of Economy and European Integration of Ukraine, and other state organizations. The NBU also cooperated with the respective institutions that conducted economic research, constructed macroeconomic models, and predicted the main macroeconomic indicators of the economy of Ukraine. In the accounting year, analyzed were the macroeconomic models developed by leading domestic and foreign research centres.

The NBU together with the Ministry of Economy and European Integration of Ukraine, Ministry of Finance of Ukraine and other state organizations and research centres participated in the development of a macroeconomic model of the economy of Ukraine.

2.23. LEGAL SUPPORT

In 2002, the NBU carried on with its norm-setting work aimed at further economic development, banking system strengthening and prevention of money laundering through the banking system. By way of initiative, the NBU submitted 8 draft laws regulating economic relations between economic entities and the state for consideration of the Verkhovna Rada. In 2002, the Verkhovna Rada of Ukraine passed 2 Laws of Ukraine "On Amendments to Some Legislative Acts of Ukraine due to the Adoption of the Law of Ukraine "On Payment Systems and Money Transfer in Ukraine" and "On Amendments to Some Legislative Acts of Ukraine due to the Adoption of the Law of Ukraine "On Banks and Banking Activities". 6 Draft Laws elaborated by the NBU were considered by the Verkhovna Rada.

The NBU worked on the formation of the legislative framework for the development of the financial sector of the economy. In 2002, the NBU worked out more than 130 Draft Laws proposed by other subjects of initiative concerning the functions of the NBU and banks, including the Drafts of the Tax Code, Laws of Ukraine "On Non-Governmental Pension Schemes", "On Pawn Offices and Their Activities", "On Information Protection within Computer-Aided Systems", "On Arms", "On Property Held in Trust", "On Ensuring of Creditors' Claims and Pledge Registration", "On Anti-Terrorist Combat" and "On Mortgage".

The elaboration of the legislative acts and enactments regulating banking sector activities went on. In 2002, passed and registered in accordance with the established procedure were 175 legislative acts and enactments. Out of them 98 Regulations of the NBU Board were registered by the Ministry of Justice of Ukraine, while 77 Regulations of the NBU Board made amendments to the existing legislative acts and enactments or approved those of departmental nature.

In view of the relevance of the problems of economy decriminalization and prevention of legalization of the gains obtained in a criminal way the NBU in 2002 participated in the development of the respective laws and acts of delegated legislation, viz.:

- Law of Ukraine "On Prevention and Counteraction to Legalization and Laundering of the Gains Obtained in a Criminal Way" passed by the Verkhovna Rada of Ukraine on 28 November 2002;
- Law of Ukraine "On Amendments to Some Laws of Ukraine "On Prevention of Legalization and Laundering of the Gains Obtained in a Criminal Way through Banks and other Financial Institutions";
- Law of Ukraine "On Amendments to the Criminal Code and Criminal Code of Practice of Ukraine with Respect to Increase in the Responsibility for Legalization and Laundering of the Gains Obtained in a Criminal Way";
- Regulation of the Cabinet of Ministers of Ukraine "On Determination of Criteria to Classify Financial Transactions as Suspicious and Unusual";
- Regulation of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine "On Approval of the Program for Counteraction to Legalization and Laundering of the Gains Obtained in a Criminal Way for 2003".

In 2002, the Ministry of Internal Affairs of Ukraine, Security Service of Ukraine and Prosecutor's General Office worked out and approved the Methodical Recommendations that confirmed the regulation on cooperation with respect to information exchange to prevent and counteract the penetration of criminal capital into the banking system and its criminal use. The State Tax Administration of Ukraine and the NBU concluded a general agreement on cooperation aimed at taking joint actions to stop possible infringements of the existing legislation in the fiscal sphere. The Regulation of the NBU Board approved the Methodical Recommendations with respect to the development of programs for counteraction to legalization and laundering of the gains obtained in a criminal way by Ukrainian banks. The recommendations were to encourage banks to develop intrabank programs for counteraction to legalization and laundering of the gains obtained in a criminal way, which shall comprise internal control procedures, internal control programs, personnel training organization and ways of informing the authorized bodies on the large and/or suspicious operations revealed as well as on the persons who performed them.

The analysis of the work with claims and suits showed that the number of claims and suits brought by the NBU in 2002 increased by 16% compared with 2001. In the year under review, the NBU brought 1,247 claims to the amount of UAH 986.6 thousand and 74 suits to the amount of UAH 3.3 million and USD 298.5 thousand. Out of them 1,080 claims to the amount of UAH 797.6 thousand were paid and 56 suits (including those brought in the previous years) to the amount of UAH 34.3 million and USD 2.4 million were satisfied.

In 2002 versus 2001, the number of claims and suits brought against the NBU reduced by 34%. In 2002, 5 claims to the amount of UAH 82.1 thousand and 168 suits to the amount of UAH 344.9 million were brought against the NBU. Out of them non of the claims was paid, whereas 9 suits to the amount of UAH 2.3 thousand were satisfied.

2.24. INTERNAL AUDIT AND REVISIONS

In 2002, the internal audit service conducted audits of the NBU Central Office departments, and comprehensive inspections of the activities of regional branches and institutions. Special emphasis was placed on the organization of document circulation, availability and efficiency of internal control procedures, measures to eliminate defects and to implement the recommendations made by internal and external auditors.

In the accounting year, within the system 573 audits were conducted, including 50 revisions of pay desks and vaults and 27 special audits to control the implementation of the decisions and recommendations made previously.

By results of the audits, officials of the internal audit service made 373 recommendations with respect to the updating of internal control procedures, development or improvement of the NBU legislative acts and enactments on enhancement of the responsibility of officials for the given piece of work. Out of them 257 recommendations or 69% were carried out by the departments.

In 2002, improved were the methods for audit planning with taking into account the risks run when conducting audits and comprehensive inspections of the NBU departments.

In the light of a growing degree of computer-aided banking operations and IMF recommendations with respect to the expansion of internal audit duties, taken were measures to introduce the audit of information systems, retention of assets, economical use of funds and valuables, sufficiency of internal audit procedures, reliability of reports, and compliance with the requirements of the existing legislation of Ukraine and NBU legislative acts and enactments.

In 2002, by results of the audits, improved were reporting forms in order to approach them to the international practice.

2.25. FINANCIAL ACTIVITY

In the consolidated financial statement of the NBU for 2002 income and expenditures are represented according to the accrual concept.

In 2002, the total income of the NBU equaled UAH 1225.8 million, having decreased by 46% against 2001.

Within the composition of income, a significant amount fell on the interest one – 74.4% (87.4% in the previous year), out of which the income from transactions with securities in the stock market made 47%.

In 2002 compared with 2001, the share of commission income augmented almost 2 times (from 6 to 11.6%).

Other income amounted to 14% of the total income, in particular, other operational income – 10.4%.

In 2002, the total current expenses of the NBU equaled UAH 965.9 million, having diminished by 30.8% vis-à-vis 2001.

Out of the total expenses, the NBU interest expenses accounted for 31.3% (35.8% in the previous year), 94% or UAH 285 million whereof fell on the interest on the IMF loans received by the Government of Ukraine and serviced by the NBU.

Other NBU expenses made 68.7% or UAH 664.1 million of the total expenses. Out of them 6.7% (42% in the previous year) went for formation of provisions for suspicious assets and accrued income.

In 2002, the income of the NBU from its current activity came to UAH 259.9 million versus UAH 842 million in 2001.

2.26. ACTIVITIES OF THE BANKNOTE PRINTING AND MINTING WORKS

In 2002, the activities of the Banknote Printing and Minting Works were aimed at money manufacturing on the NBU instructions and at fulfilling contractual obligations to other customers.

In 2002, there were products manufactured and services rendered to the amount of UAH 108.1 million, including those to the amount of UAH 39 million at request of the NBU and those to the amount of UAH 69.1 million at request of other state organizations.

The Banknote Printing and Minting Works manufactured 352.9 million banknotes, 376.5 million small coins of different denominations, 367 thousand commemorative coins, over 5486.5 million excise stamps, 3.5 million securities, 3.0 million decorations, etc.

The largest share (73%) within the total products of the Banknote Printing Works fell on the excise stamps manufactured at request of the Ministry of Finance of Moldova and State Tax Administration of Ukraine.

In 2002, the volume of produced decorations multiplied 10 times, including orders and medals for the veterans of the World War II which were manufactured at reduced prices. The following organizations ordered the largest amount of decorations: the Public Administrative Department (Medal to the Defender of Homeland, Bohdan Khmelnytskyi Order, Order of Virtue, Order of Merit), Verkhovna Rada of Ukraine (Commemorative Medal of Verkhovna Rada of Ukraine), Cabinet of Ministers of Ukraine (breastplates), International Academy of Rating Technologies and Sociology "Golden Fortune" (Contribution to Ukraine's Development Medal, breastplates), Constitutional Court of Ukraine (medals), Prominvestbank (commemorative medals), etc.

In order to increase production efficiency and the quality of products the existing manufacturing methods were improved and new state-of-the-art technologies were introduced. Along these lines

made was the technical and economic assessment of the size of new-type banknotes. Elaborated was a new design of securities, excise stamps and protective ink formulae. Prepared was the standard specification documentation for new types of printed products. Improved was the process of coating the surface of a commemorative coin with a hologram.

Moreover, assimilated was the process of manufacturing goods decorated with precious stones and the process of contact welding of parts.

2.27. STAFFING AND PERSONNEL TRAINING

In 2002, the work on the optimization of the organization of the NBU according to its public service duties and procedures with personnel selection on a competitive basis, certification, personnel reserve formation, improvement of labour motivation, professional training, retraining, and upgrade training of bank officers continued.

During the year, the trend towards an improvement in the qualitative composition of the NBU personnel persisted. The number of specialists with higher education augmented by 10.5% and totaled 5.4 thousand persons, that of officials with an academic degree (Doctor of Science and Candidate of Science (holder of first higher degree awarded on dissertation) increased by 5% and equaled 248 persons. The share of specialists with record of work over 5 years rose by 7.7 percentage points and made 80.2%.

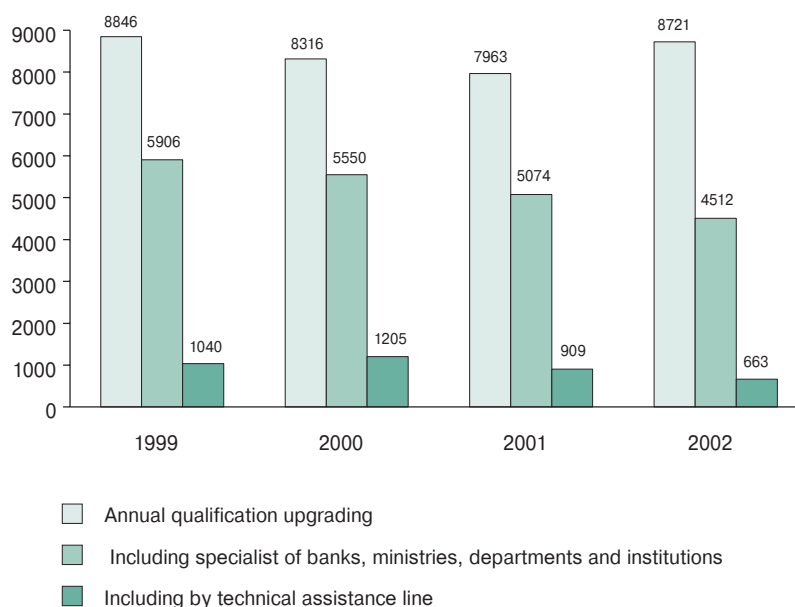
In October – December 2002, certified were the NBU civil servants who had not been certified in 2001 for valid reasons or were not liable to certification due to the fact that they had occupied their positions for less than 1 year.

In 2002, 28% of the NBU civil servants were certified. Taking into account the certification carried out in 2001 about 90% of the total number of civil servants or 99% of the persons liable to certification were certified.

The work with the personnel reserve of civil servants intensified. At the beginning of 2002, the NBU reserve consisted of 3,763 persons. The preponderant number of candidates for executive positions fell on the officials with organization and management experience. Out of them nearly 40% have experience on their speciality over 3 years, 43% are 40–50 year old and 10.5% are under 30.

In the year under review, according to the program for the NBU personnel training 519 training events occurred in which over 8,700 specialists of the NBU, ministries, departments and banks partook. Special emphasis was put on the following areas: macroeconomic forecasting and monetary policy, information technologies, banking supervision, foreign exchange regulation, etc. Moreover, in order to upgrade qualifications of the employees seminars, conferences, courses, traineeships, working meetings, round table meetings were organized.

Dynamics of Qualification Upgrading in 1999 – 2002



The training took place within the Kyiv Training Centre, classrooms, Scientific Centre of the Ukrainian Banking Academy, regional centres for raising the level of personnel skill and training for new professions of the Lviv Banking Institute and Kharkiv and Cherkasy branches of the Ukrainian Banking Academy, regional branches and institutions of the NBU, and other organizations, institutions and departments of Ukraine as well as abroad.

In 2002, the NBU introduced a new area in personnel training – upgrading qualifications of specialists of regional branches in certain subjects within regional centres for raising the level of personnel skill and training for new professions of the NBU higher education institutions. Over the year, 35 seminars wherein 717 persons participated were held.

In 2002, in order to train specialists for the banking system the NBU organized practical work for students of higher education institutions of Ukraine.

In 2002, 2,300 specialists graduated from the NBU higher education institutions, including 1,451 persons in the subject of banking, 190 persons out of them being NBU specialists.

The Ukrainian Banking Academy was licensed to train masters in the areas of banking, accounting, finance, foreign economic activity management; the Kharkiv and Cherkasy Academy branches were licensed to train employees with the qualification of specialist; and the Lviv Banking Institute with the third level of accreditation was licensed to train masters in the subject of banking.

With the help of the teachers of educational institutions and key specialists of the NBU 24 textbooks on banking were written and published with the approval of the Ministry of Education and Science of Ukraine.

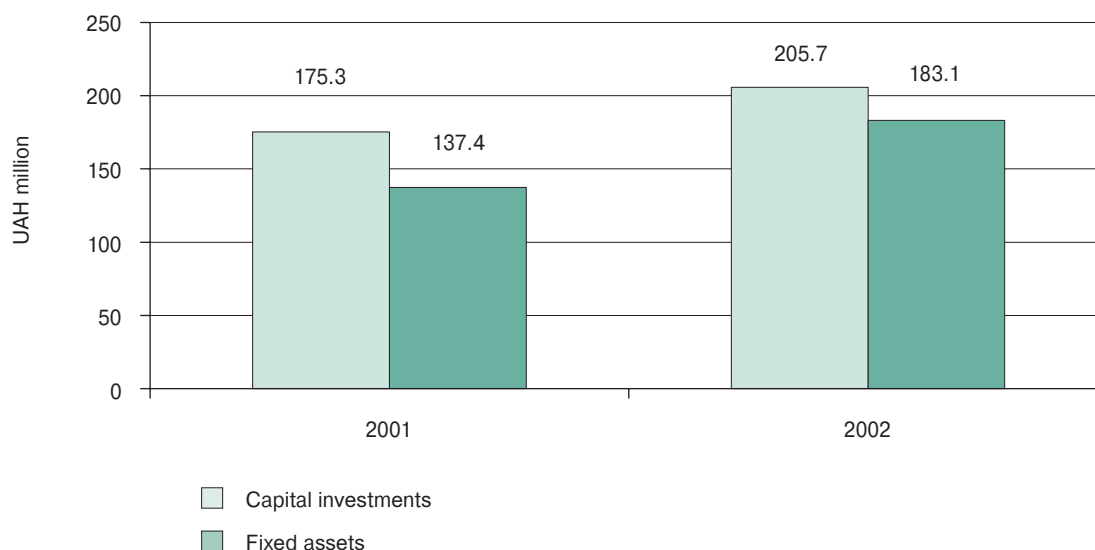
The Central Library housed 46 thousand books and journals, having been replenished with 2.8 thousand books on banking, finance and economy in 2002. The Library had 1.400 readers at whose disposal was the electronic bibliographic database. In the accounting year, computer-aided book circulation was introduced.

2.28. MATERIAL AND TECHNICAL BASIS DEVELOPMENT

In 2002, the work on the development and strengthening of the NBU material and technical basis continued.

The raised capital investments channeled to construction, reconstruction, and technical re-equipment of the NBU sites amounted to UAH 205.7 million, UAH 116.5 million whereof went for construction.

Dynamics of Capital Investments in 2001–2002



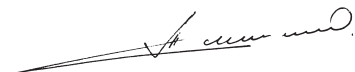
In 2002, at the expense of the raised funds the construction, reconstruction, and technical re-equipment of 24 sites was completed and the fixed assets to the total amount of UAH 183.1 million were put into use. After the reconstruction the administrative buildings of the NBU offices in Ivano-Frankivsk, Poltava, Rivne, Luhansk regions and complex of the NBU offices in Chernivtsi region were put into operation.

Reconstructed and put into use were the educational building and hostel of the Lviv Banking Institute, sports building, service rooms and heat network of Hostel 1 of the Ukrainian Banking Academy in the city of Sumy, educational building of the Ukrainian Banking Academy branch in the city of Kharkiv, and server room of the Ukrainian Banking Academy branch in the city of Cherkasy. Put into action were the integrated computer-aided security systems in the NBU administrative buildings in Volyn and Zakarpattia regions, heat supply system of the NBU Training Centre in the city of Kyiv, and back-up hot water supply system in the Guest House in the city of Kyiv.

In 2002, the construction of a computer centre in the city of Donetsk went on as well as the reconstruction of the NBU administrative buildings in the Autonomous Republic of the Crimea, Lviv, Ternopil, and Dnipropetrovsk regions, and that of the NBU premises for high-value commodity traffic at the Kyiv-Passazhyrskyi station and of the NBU administrative building in the city of Kyiv at the following address: Instytutska Street 11-b.

In the year under review, the improvement of the integrated security system of the NBU institutions, technical re-equipment and modernization went on.

**Governor
of the National Bank of Ukraine**



Sergiy Tigipko

30 April 2003

CALENDAR OF IMPORTANT EVENTS THAT TOOK PLACE IN 2002

- January**
- Approval of the Temporary Regulation for banks on providing information about essential and/or dubious transactions.
 - Approval of the Regulation on the procedure of the delivery of the auditors' report and opinion on results of annual bank audit to the NBU.
 - Approval of the Regulation on establishment of a subsidiary bank, branch or representative office of a Ukrainian bank in a foreign country, specific procedures for their closing and supervision.
 - Approval of Amendments to the Regulation on establishment and state registration of banks, on establishment of their subsidiaries, branches and representative offices.
 - Approval of the Instruction on establishment, use and closing of the current accounts of electoral funds. Amendments to the Instruction on establishment and use of the accounts denominated in the national and foreign currency.
 - Approval of Amendments to the Instruction on regulation of bank activities in Ukraine.
- February**
- Approval of the regulation on depository activities of the National Bank of Ukraine.
 - Approbation of the Regulation on establishment of provisions of the National Bank of Ukraine for financial risks related to performing the NBU functions.
 - Reduction of the differential mandatory provision ratios subject to terms and types of funds attracted in the national currency (from 6% to 2%).
 - Putting into circulation the commemorative coin "Ivan Sirko" of 10 Hryvnia denomination (silver).
 - Approval of the Regulation on refinancing facilities for banks of Ukraine.
 - Approval of amendments to the Instruction on compilation of the annual financial statement of the National Bank of Ukraine.
- March**
- Reduction of the discount rate of the National Bank of Ukraine from 12% to 11.5% per annum.
 - Putting into circulation the commemorative coin "Mykola Lysenko" of 2 Hryvnia denomination (nickel silver)
- April**
- Reduction of the discount rate of the National Bank of Ukraine from 11.5% to 10% per annum.
 - Reduction of the differential mandatory provision ratios subject to terms and types of funds attracted in the national currency (from 6% to 0%).
 - Amendments to Instruction #1 on the organization of cash/emission operations in the banking institutions of Ukraine.
 - Procedure for the approval by the territorial branches of the National Bank of Ukraine of the credit union statutes or of modifications to statutes in crediting and settlement issues.
 - Putting into circulation the commemorative coins "Airplane AN-225 "Mria" of 20 Hryvnia (silver) and 5 Hryvnia (nickel silver) denominations.

- Approbation of the recommended methodology for banks of Ukraine on the development of programs on counteraction to legalization of money receipts obtained from the crime (money laundering).
 - Putting into circulation the commemorative coin "1000 Years of the Town of Khotyn" of 5 Hryvnia denomination (nickel silver).
 - Putting into circulation the commemorative coin "Pylyp Orlyk" of 10 Hryvnia denomination (silver).
- May**
- Approval of the Regulation on CAMELS-based ratings.
 - Amendments to the Regulation on holding, reporting and repayment of property privatization certificates executed in the paper form in banking institutions.
 - Approval of amendments to the Regulation on the Uniform information system "Register of Borrowers".
- June**
- Approval of the Instruction on recording of the current and deferred liabilities and tax assets by banks of Ukraine.
 - Reduction of the discount rate of the National Bank of Ukraine from 10% to 8% per annum.
 - Putting into circulation the commemorative coins "1100 Years of the Town of Romny (Romen)" of 5 Hryvnia denomination (nickel silver) and "Swimming" of 10 Hryvnia (silver) and 2 Hryvnia (nickel silver) denominations.
 - Approval of the Regulation on financing of permanent construction carried out in the system of the National Bank of Ukraine.
- July**
- Approval of the Instruction on the operations with valuables in the Central Vault of the National Bank of Ukraine.
 - Reduction of the differential mandatory provision ratios subject to terms and types of the funds attracted in the foreign currency (from 10% to 8%).
 - Putting into circulation 1Hryvnia denomination coin of 2001 issue.
 - Approval of Concepts for the program of training and certifying of external auditors for banking institution with participation of the National Bank of Ukraine.
 - Putting into circulation commemorative coins "Eagle-owl" of 10 Hryvnia (silver) and 2 Hryvnia (nickel silver) denominations.
 - Approval of the Rules on compilation and submission to the International Monetary Fund of the reports on the international investment position of Ukraine.
- August**
- Approval of the Temporary regulation on financing (refinancing) made by the National Bank of Ukraine for banks involved in long-term crediting.
 - Putting into circulation the commemorative coin "350th Anniversary of the Battle of Batih" of 5 Hryvnia denomination (nickel silver).
 - Approval of the Regulation on granting general licenses to non-banking financial institutions for carrying out foreign exchange transactions.
 - Approval of the Regulation on holding competitions (tenders) for better business-plan prepared in compliance with requirements of the EBRD credit line for small- and medium-sized enterprises.
 - Approval of the Basic Trends for improvement of the current legislature of Ukraine in the banking area.
 - Approval of the Regulation on the Natural Persons' Deposits Guarantee Fund.
 - Approval of amendments to the Regulation on refinancing facilities for banks of Ukraine.

- September**
- Putting into circulation the commemorative coins "Leonid Hlibov" of 2 Hryvnia denomination (nickel silver) and "70th Anniversary of the Dnipro HES (hydro-electrostation on the Dneper)" of 5 Hryvnia denomination (laminated metal, non-precious).
 - Approval of the National Bank of Ukraine measures in connection with Ukraine's subscription to the IMF Special Data Dissemination Standard.
 - Approval of the Regulation on the deposit certificate of the National Bank of Ukraine.
 - Approval of the Regulation on on-site inspections regarding compliance with the foreign exchange laws and regulations of Ukraine by banks and financial institutions.
 - Approval of the Accounting Rules for internal payments in the system of the National Bank of Ukraine.
- October**
- Putting into circulation the commemorative coin "Sviatoslav" of 10 Hryvnia denomination (silver).
 - Approval of the Rules on preparation, submission, consideration and publication of the quarterly and annual balance sheets and annual financial statements of the National Bank of Ukraine.
 - Approval of the Temporary rules of accounting with the use of payment cards of the National system of mass electronic payments in the institutions of the National Bank of Ukraine.
 - Amendments to the Regulation on the establishment of mandatory provisions for banks of Ukraine.
 - Amendments to the Regulation on opening and functioning of the correspondent accounts with resident and non-resident banks denominated in the foreign currency and correspondent accounts with non-resident banks denominated in hryvnia.
 - Amendments to the Regulation on establishment and state registration of banks, establishment of their subsidiaries, branches and representative offices.
- November**
- Approval of the Regulation on transactions with the gold and foreign exchange reserves of the National Bank of Ukraine.
 - Approval of the Regulation on carrying out transactions of the National Bank of Ukraine with the International Monetary Fund.
 - Putting into circulation the commemorative coin "Volodymyr Monomakh" of 10 Hryvnia denomination (silver).
 - Approval of the Instruction on compilation of the interim (quarterly) financial reporting of banks of Ukraine.
 - Approbation of the draft law of Ukraine "On Amendments to some laws of Ukraine in the issues of opening and functioning of bank accounts".
 - Approval of the Regulation on charging amortization for fixed assets, non-current tangible assets and non-tangible assets in the system of the National Bank of Ukraine.
 - Approbation of the draft law of Ukraine "On Amendments to the Decree of the Cabinet of Ministers of Ukraine "On Foreign Exchange Regulation and Foreign Exchange Control".
 - Amendments to the Regulation on establishing mandatory reserves for banks of Ukraine.

December

- Approval of the Regulations on the enforcement measures applied by the National Bank of Ukraine.
- Putting into circulation the commemorative coin "Cathedral of Virgin Mary Nativity in Kozelets" of 10 Hryvnia denomination (silver).
- Approval of the Instruction on accounting of the National Bank of Ukraine transactions involving securites and investments without use of securities.
- Approval of the Regulation on trusted asset management in banks of Ukraine.
- Reduction of the discount rate of the National Bank of Ukraine from 8% to 7% per annum.
- Approval of the Regulation on the procedure of formation and use of loan loss provisions for receivables by banks.
- Approval of the Regulation on design and production of banknotes of Ukraine.
- Approval of the Instruction on accounting of fixed assets and other noncurrent tangible assets of the National Bank of Ukraine institutions.
- Approval of the Instruction on compilation of consolidated financial reporting of the National Bank of Ukraine.
- Approval of the Instruction on compilation of annual financial statements of the National Bank of Ukraine.
- Approval of the Regulation on supervisory functions of the National Bank of Ukraine in respect to banks whose activities involve state secret.
- Approval of amendments to the Regulation on the procedure of the delivery of the auditors' report and opinion on results of annual bank audit to the NBU.
- Approval of amendments to the Regulation on registration of the agreements stipulating fulfillment of debt liabilities to non-residents by residents under the credits and loans in the foreign currency attracted from non-residents.
- Approval of amendments to the Procedure on analytical accounting by banking institutions of Ukraine.
- Approval of the Instruction on accounting of tangible valuables in the system of the National Bank of Ukraine.

METHODOLOGICAL COMMENTS ON THE ANNUAL REPORT

Gross Domestic Product (GDP) – is one of the most important macroeconomic indicators characterizing the economic performance of economic entities in the accounting period. It is determined through making use of three methods: production method, generated income method and that of use.

According to the production method the GDP is defined as the difference between the output and intermediate use or as a sum of gross surplus values of economy branches and taxes on products, product subsidies excluded.

On the basis of the generated income the GDP is characterized by the following indicators: remuneration of employees' labour, other taxes related to the production, other subsidies connected therewith, and by gross (net) income.

Subject to the use the GDP is defined as a sum of expenses of economy sectors for end use of goods and services, gross accumulation, net exports of goods and services.

Nominal GDP is given in current prices and means that the production and direct consumption are appraised in actual prices at the time of production.

Real GDP is calculated in comparable prices with regard to an indicated (base) period and shows the market value of production in real prices.

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

Open foreign exchange position – is a disbalance between claims and liabilities of a bank in the foreign currency. The open position is short if the volume of liabilities on the sold currency exceeds that of the claims, or it is long if the volume of claims regarding the purchased currency exceeds that of the liabilities. The open foreign exchange position is linked with an additional risk in case of a foreign exchange rate change.

Base money (monetary base) – is a source for formation of the money supply. Its regulation is carried out by the National Bank of Ukraine through conducting transactions with government securities, foreign exchange market transactions, refinancing for banks and also through changes in crediting for the government. Base money growth is subject to control with the purpose of preventing a spontaneous increase of money in circulation and inflation pressure.

The money outside banks and their reserves in the national currency on accounts with the NBU are included in the base money.

Money supply (M3) – is an aggregate of monetary funds both in cash and non-cash forms in the national and foreign currencies which are in circulation at a certain date. In the M3 aggregate included are: money outside banks, demand funds in the national currency, time funds in the national and foreign currencies, securities of the own debt issued by a bank and funds in trust on the current accounts of a trustee.

Devaluation – is a decline in the national currency exchange rate vis-à-vis foreign currencies.

Deposits – are funds in both cash and non-cash forms in the currency of Ukraine or a foreign currency placed by customers on their personal accounts with a bank on a contract basis for a certain term of storage or without indication of such a term and due to be paid to a depositor in accordance with the laws of Ukraine and the contract terms.

Time deposits – are the deposits placed for a certain time and repaid after the prior notice foreseen by the contract between a deposit owner and a bank.

Demand deposits – are the deposits that may be withdrawn by the depositor or transferred to any other person in parts or in full at any moment without a prior notice.

Budget deficit – is an excess of budget expenditures over its revenues.

GDP deflator – is an indicator that reflects the general trend of changes in prices within an economy. It is calculated as the ratio of the GDP in actual prices to the GDP in comparable prices.

Consumer price index (CPI) – is one of the indicators that characterizes the inflation or changes in the overall level of prices and tariffs on the goods and services purchased by households for unproductive consumption. The CPI calculation is carried out on the basis of two traffics of information:

– data about changes in prices collected by means of monthly registration of prices and tariffs in the consumers' market;

– data about the structure of actual consumer spending of money by urban population collected with the help of sampling the living standards among households.

Producer price index – is an indicator of changes in prices within the area of industrial production. It is calculated monthly on the basis of the product prices (without value-added tax and excise duties) through sampling among certain enterprises. The data about output of the industrial production in terms of value serve as the weighing base.

Consolidated budget of Ukraine – is the aggregate of indicators of the state budget of Ukraine, the budget of the Autonomous Republic of the Crimea and other local government budgets.

Overall liquidity of a bank – is an economic normative indicator of bank activity, which is defined as the ratio of total assets of a bank to its total liabilities.

Conversion of T-bonds – is a change in conditions of government loan redemption regarding the term and / or yield level of the bonds.

Credit emission – is excess in the volume of payment facilities issued by the National Bank of Ukraine over that of the withdrawn from the circulation ones.

Liquidity of a bank – is ability of a bank to ensure timely fulfillment of its monetary liabilities to customers / creditors.

International liquidity – is ability of a country to fulfill its international liabilities, to repay its debts.

International reserves (reserve assets) – are the external assets under control of the National Bank of Ukraine; they are worldwide adopted as international and are intended for international settlements.

The international reserves include: monetary gold (placed with foreign banks and held at the State Treasury of the National Bank of Ukraine), special drawing rights (SDR) that belong to Ukraine (holdings in SDR on the account of the National Bank of Ukraine with the IMF Treasury), reserve position of Ukraine in the International Monetary Fund and the foreign currency on the balance sheet of the National Bank of Ukraine.

The monetary gold is the high-pureness gold in the form of coins, ingots or bars with the fineness not lower than 995 which is owned by the National Bank of Ukraine or under control thereof. The weight of gold is given in troy ounces. One troy ounce is equal to 31.103480 g.

The reserve position in the Fund corresponds to the claims of a member country to the IMF which are determined on the basis of the proportion of IMF assets in the currency of this country and its membership quota in the Fund as a difference between the quota and IMF holdings in the currency of the member country minus the IMF money funds received by the member country as loans and the balance on the IMF account # 2 which does not exceed 0.1% of the membership quota of the country in question. The reserve position in the IMF forms a part of the international reserves of a member country.

The SDRs – are Ukraine's assets within the special drawing rights (SDR) that are at the International Monetary Fund and form a part of its international reserves.

The foreign currency includes cash in a hard currency and NBU claims to non-residents in the form of short-term deposits in gold and hard currency, treasury bills, short- and long-term securities of other countries and other claims that are used for the purposes of the balance of payments. The data (with the exception of the gold and SDRs) are assessed in USA dollars at the cross rates of foreign currencies versus USD calculated on the basis of the official exchange rate of hryvnia against foreign currencies established by the National Bank of Ukraine at the period end.

Instant liquidity of a bank – is an economic normative indicator of the bank activity, which is defined as a ratio of the amount of funds on the correspondent account of the bank and in cash in the bank to customers' current accounts.

Official exchange rate of hryvnia versus USA dollar – is the exchange rate of the national monetary unit (hryvnia) officially established by the National Bank of Ukraine vis-à-vis the USA dollar. It is established on the basis of exchange rate quotations in the foreign exchange market of Ukraine and is determined as the average weighted exchange rate under transactions of the authorized banks in the inter-bank foreign exchange market.

The average exchange rate of hryvnia against USD for a period is determined: for the monthly data – as the average weighted value of the US dollar in hryvnias for a month; for a quarter and a year – as the arithmetic average of monthly indicators.

Appreciation – is the rise in the exchange rate of national currency vis-à-vis foreign currencies.

Level of economy dollarization – is the ratio of deposits in the foreign currency within the banking system to the total amount of money supply (M3) available.

Level of economy monetization – is the ratio of the available money supply (M3) to the nominal GDP.

Interest rates. The system of interest rate indicators includes main types of the interest rates used in the economy of Ukraine. The interest rates are subdivided into the interest rates of the National Bank of Ukraine and those of the banking sector. The banking sector interest rates are given for loans and deposits in the national currency according to the data of statistical reports of banks, which are in force in Ukraine.

The interest rates in Ukraine are calculated in percents per annum. The monthly indicators are calculated according to the composite rate scheme (data about the volumes of loans granted or deposits attracted serve as the weight base). The indicators for quarters and years are calculated as the arithmetic average of the monthly values.

National Bank of Ukraine interest rates:

Discount rate – is a monetary instrument by means whereof the National Bank establishes the target for money market participants regarding the costs of attracted and placed funds.

The discount rate is the lowest among the refinancing rates and is the target of money price. It is established monthly.

Refinancing rate established for tenders – reflects the costs of crediting funds of the National Bank and is determined depending on the demand thereof on the part of banks during the tenders held by the National Bank. It is established on the monthly basis.

Overnight (lombard) rate – is the daily interest rate established by the National Bank of Ukraine to conduct transactions with banks aimed at support of their instant liquidity.

Interest rate on distributed National Bank of Ukraine deposit certificates – is a fixed interest rate for the funds raised by the National Bank of Ukraine by means of issuing its deposit certificates. It is established on the monthly basis.

Banking sector interest rates:

Interest rate on loans given and deposits attracted by banks – is the average weighted rate on the basis of the actual volumes under contracts between banks and economic entities, natural persons and state-run public authorities. It is established monthly.

Interest rate on loans given and deposits attracted in the inter-bank market – is the average weighted rate on the basis of the actual volumes under inter-banks agreements. It is established on the daily basis.

Part 3.
FINANCIAL STATEMENTS
DECEMBER 31, 2002

National Bank of Ukraine
Balance sheet as of December 31, 2002

(in millions of Ukrainian hryvnias)

Items	Note	2002	2001
Assets			
Foreign currency funds and deposits	4	23 317	14 966
SDR holdings		151	1 330
Monetary gold		935	711
Government securities	5	9 042	9 343
Loans to Government	6	10 522	10 478
Loans to banks and other borrowers	7	879	472
Accrued income	8	99	47
Quota contributions	9	9 946	9 136
Property, plant, equipment and intangible assets	10	1 370	1 235
Other assets	11	1 009	1 273
Total assets		57 270	48 991
Liabilities			
Banknotes and coins in circulation	12	27 703	20 224
Due to banks	13	3 264	2 989
Accounts of Government and other customers	14	2 397	1 503
Profits payable to the budget	20	88	192
Accrued expenses	15	46	55
Own debt securities	16	—	1 850
Loans received	17	301	321
Liability to IMF	18	19 951	19 262
Other liabilities	19	828	862
Total liabilities		54 578	47 258
Capital employed			
Authorized capital		10	10
Funds and other reserves		1 487	1 357
Revaluation reserve for foreign currency and bank metals		1 129	299
Revaluation reserve for property, plant and equipment		66	67
Total capital employed		2 692	1 733
Total liabilities		57 270	48 991

Governor



S.L. Tigipko

Chief Accountant






V.I. Rychakivska

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 87 to 114.

National Bank of Ukraine**Income statement for the year ended December 31, 2002**

(in millions of Ukrainian hryvnias)

Items	Note	2002	2001
Interest income	22	912	1 960
Interest expense	22	(302)	(496)
Net interest income	22	610	1 464
Fee and commission income	23	142	134
Fee and commission expense	23	(24)	(13)
Net fee and commission income	23	118	121
Other income	24	138	127
Total net income		866	1 712
Employee salaries and benefits	25	(277)	(198)
Expenses for production of banknotes, coins and other products		(147)	(145)
General administrative and other expenses	26	(171)	(160)
Provision expenses	27	(11)	(367)
Profit available for distribution	20	260	842

Governor		S.L. Tigipko
Chief Accountant		V.I. Rychakivska
Director of Financial Department		O.M. Kandybka

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 87 to 114.

National Bank of Ukraine
Cash flow statement for the year ended December 31, 2002

(in millions of Ukrainian hryvnias)

Items	2002	2001
Operating activities		
Net profit for the year	260	842
Adjustments to reconcile net profit to cash provided by operating activities:		
Depreciation and amortization	109	91
Increase in provisions	11	367
Accrued income	(49)	(43)
Accrued expenses	(8)	(42)
Other non-cash movements	20	(22)
Net cash inflow before changes in operating assets and liabilities	343	1 193
Net increase in loans to banks and other borrowers	(415)	(116)
Net decrease in other assets	230	338
Net decrease in other liabilities	(16)	(19)
Transfer of profit to the budget	(235)	(500)
Net cash (used in) from operating activities	(93)	896
Investing activities		
Net increase in term deposits	(8 735)	(223)
Net decrease in Government securities	320	774
Purchase of monetary gold	(34)	(48)
Investments in companies other than subsidiaries	—	(19)
Purchase of property, plant, equipment and intangible assets	(267)	(210)
Proceeds from sale of property, plant, equipment and intangible assets	23	22
Net cash (used in) from investing activities	(8 693)	296

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 87 to 114.

National Bank of Ukraine
Cash flow statement for the year ended December 31, 2002

(in millions of Ukrainian hryvnias)

Items	Note	2002	2001
Financing activities			
Issue of banknotes and coins in circulation		7 479	6 860
IMF loans repaid		(957)	(2 525)
IMF loans received		—	1 993
Net change in term deposits received		48	(648)
Own debt securities issued		—	1 848
Own debt securities repaid		(1 850)	—
Net change in EBRD loans		(20)	(115)
Other loans repaid		—	(6)
Net cash from financing activities		4 700	7 407
Effect of foreign exchange rate fluctuations on cash and cash equivalents			
		237	(358)
Net (decrease) increase in cash and cash equivalents			
		(3 849)	8 241
Cash and cash equivalents at the beginning of the year		10 988	2 747
Cash and cash equivalents at the end of the year	21	7 139	10 988

Governor



S.L. Tigipko

Chief Accountant



V.I. Rychakivska

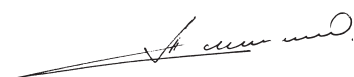
The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 87 to 114.

National Bank of Ukraine**Statement of changes in capital employed for the year ended December 31, 2002**

(in millions of Ukrainian hryvnias)

Items	Note	Authorized capital	Funds and other reserves	Revaluation reserve for foreign currency and bank metals	Revaluation reserve for property, plant and equipment	Total
Balance as of December 31, 2000		5	1 212	425	67	1 709
Revaluation of foreign currency and bank metals		—	—	(126)	—	(126)
Contributions to authorized capital		5	(5)	—	—	—
Net profit		—	842	—	—	842
Transfers to the budget	20	—	(692)	—	—	(692)
Balance as of December 31, 2001		10	1 357	299	67	1 733
Revaluation of foreign currency and bank metals		—	—	830	—	830
Net profit		—	260	—	—	260
Realized revaluation of property, plant and equipment		—	1	—	(1)	—
Transfers to the budget	20	—	(131)	—	—	(131)
Balance as of December 31, 2002		10	1 487	1 129	66	2 692

Governor


S.L. Tigipko

Chief Accountant


V.I. RychakivskaDirector
of Financial Department

O.M. Kandybka

The statement of changes in capital employed is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 87 to 114.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The National Bank of Ukraine is 100% ownership of 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 ensures 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 fulfill its principal objectives summarized above, which include the following:

- in accordance with the main principles of the monetary policy developed by the NBU Council, develops and carries out the monetary policy;
- in a monopoly capacity, carries out the issuance of the national currency of Ukraine and organizes its circulation;
- acts as a lender of the last resort for banks and organizes a refinancing system;
- establishes the rules for carrying out banking operations, maintenance of accounting records, reporting and safeguarding of information, funds and property to be applied by banks;
- organizes and provides methodological support to the system of monetary, credit and banking statistical information and balance of payments statistics;
- determines the system, procedures and forms of payments, including payments between banks;
- maintains accounts of the State Treasury of Ukraine;
- determines development strategy for IT infrastructure in the banking sector, establishes, co-ordinates and controls development of electronic payment facilities, payment systems, automation of banking activities and means of banking information protection;
- exercises banking regulation and supervision;
- maintains the State Register of Banks and issues banking licenses in accordance with Ukrainian legislation;
- compiles and analyses the balance of payments and produces forecasts;
- represents Ukraine within the community of other central banks, international banks, and other credit institutions co-operating with the central banks;
- performs currency exchange regulation under the authority determined by a special law, determines procedures for transactions in foreign currencies, organizes and exercises foreign exchange controls over banks and other financial institutions licensed by the NBU to perform foreign currency transactions;
- ensures accumulation and maintenance of currency and gold reserves and performs operations with these reserves and bank metals;
- organizes collection and transportation of banknotes, coins, and other valuables; issues licenses to collect and transport banknotes, coins, and other valuables;
- participates in training personnel for the Ukrainian banking system;
- performs other functions in the financial and credit area within the scope defined by Ukrainian legislation.

In accordance with the Law of Ukraine "On the National Bank of Ukraine", the NBU extends loans to banks to support their liquidity, performs discount operations with promissory notes

and cheques, purchases and sells securities, foreign currency valuables, bank metals, precious metals and stones, performs deposit operations, issues guarantees and warranties, provides government debt services, maintains accounts of international organizations, opens accounts with other banks and performs other operations.

The NBU has 25 regional offices throughout Ukraine. Additionally, the NBU's structure includes the Central Vault, the State Treasury, the International Credit Project Management Group, the Central Clearing House, Banknote Printing and Minting Works, Banknote Paper Mill, banking educational institutions. The NBU's Head Office is located at the following address: 9, Instytutska St., 01009, Kyiv, Ukraine. The NBU has 11,928 employees as of December 31, 2002 (2001: 11,832).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The NBU's accounting policies are established in accordance with the Law of Ukraine "On accounting and financial reporting in Ukraine", the Law of Ukraine "On the National Bank of Ukraine", are based on the requirements of International Financial Reporting Standards ("IFRS"), Ukrainian National Accounting Regulations (Standards), and NBU's regulations, except for the cases when the NBU applied its own accounting policies to comply with the requirements of Ukrainian legislation and due to its function as the central bank. The main differences between the accounting policies applied and IFRS are as follows:

- Gains and losses from the revaluation of foreign currencies and bank metals are credited or charged directly to the revaluation reserve in the capital employed and are not taken into account in determining the NBU's financial results;
- Provisions for loans to the Government are raised in accordance with the requirements of Ukrainian legislation. However, the carrying value of loans to the Government net of these provisions might not correspond to the estimated recoverable amount;
- Investments in companies other than subsidiaries are stated at historical cost less provisions against possible losses;
- Property, plant and equipment is recorded at historical cost less accumulated depreciation;
- Up to January 1, 2001 Ukraine was considered to be a hyperinflationary economy. In accordance with International Accounting Standard 29 ("IAS") "*Financial Reporting in Hyperinflationary Economies*", the non-monetary items arisen during hyperinflation should be remeasured in accordance with the purchasing power of hryvnia as of the end of the previous reporting period. The NBU's financial statements were not adjusted to account for changes in the general purchasing power of hryvnia as required by IAS 29.
- IAS 39 "*Financial Instruments: Recognition and Measurement*" is not applied.

The NBU maintains its accounting records in Ukrainian national currency, the Ukrainian hryvnia ("UAH"). All transactions are recorded in accounts under the rules established by the NBU in accordance with their economic substance.

The financial statements of the NBU are prepared in millions of Ukrainian hryvnias. Balance sheet and off-balance sheet items are stated as of the end of the day December 31, 2002 (hereinafter "as of December 31, 2002").

Basis of accounting

The financial statements are prepared on the historical cost basis, except for revaluation of certain types of property, plant and equipment.

Accounting date

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

Consolidation

The financial statements of the subsidiaries are fully consolidated.

The Ukrainian Banking Academy (Sumy) and Lviv Banking Institute are 100% owned subsidiaries of the NBU. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control exercised by the NBU effectively commences until the date the control effectively ceases. All intercompany transactions are eliminated in preparing the consolidated financial statements. Accounting policies in the subsidiaries are consistent with the accounting policies of the NBU.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated to Ukrainian hryvnias at the foreign exchange rate ruling at the balance sheet date.

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

Non-monetary assets and liabilities denominated in foreign currencies include the following:

Foreign currency investments in companies other than subsidiaries;

Accounts receivable on purchased property, plant, equipment and intangible assets;

Accounts payable on sale of property, plant, equipment and intangible assets.

Gains and losses from revaluation of monetary assets and liabilities denominated in foreign currencies due to fluctuations in official foreign exchange rates are included in "Reserve for revaluation of foreign currencies and bank metals" recorded in "Capital employed".

The principal UAH exchange rates used for recording monetary balance sheet items are as follows:

	December 31, 2002 (UAH)	December 31, 2001 (UAH)
1 US dollar	5.332400	5.298500
1 SDR	7.249521	6.658784
1 EURO	5.532898	4.669568

Operations with IMF

The NBU acts as a depository bank and a fiscal agent of the Ukrainian Government in its relationship with the International Monetary Fund ("IMF"). All requirements and liabilities to the IMF are recorded in the financial statements of the NBU. The amount of respective assets includes holdings in Special Drawing Rights ("SDR") and quota contributions. The amount of respective liabilities includes securities issued in favor of the IMF by the Ministry of Finance of Ukraine and by the NBU on behalf of the Ukrainian Government, as well as balances on the IMF accounts 1 and 2.

Gains and losses from revaluation of IMF related assets and liabilities due to movements in the SDR exchange rate are included in "Reserve for revaluation of foreign currencies and bank metals" recorded in "Capital employed".

Interest on holdings in SDR received is recognized as interest income, and amounts on the IMF loans paid are recognized as interest and commission expense in the income statement.

Monetary gold

Monetary gold is represented by a stock of gold bars complying with international standards, which are stored in the State Treasury of the NBU. Monetary gold is accounted for at weight in troy ounces and valued at the NBU's official exchange rate at the balance sheet date. The NBU's exchange rate is calculated based on the rate in US dollars ("USD") on the London Bullion Market and translated into Ukrainian hryvnias at the official exchange rate.

Interest-bearing gold placed with foreign banks is included in foreign currency funds and deposits.

As of December 31, 2002 the official exchange rate of gold to Ukrainian hryvnia was UAH 1,857.275 for 1 troy ounce of gold (December 31, 2001: UAH 1,470.864 for 1 troy ounce of gold).

Government securities

In accordance with Ukrainian legislation, the NBU acts as a general agent of the Ukrainian Government in respect of placement and redemption of Ukrainian government debt securities ("OVDP") and as a depository for government securities. Government securities include bonds and promissory notes issued by the Ministry of Finance on behalf of the Ukrainian Government. In accordance with the Law of Ukraine "On the National Bank of Ukraine", the NBU deals in government securities on the secondary market only.

Government securities are recorded at historical cost. Discounts (premiums) are amortized.

Income on Government securities is recorded in the income statement on an accrual basis. Income is recognized on a straight-line basis until the date of redemption.

Gains and losses from trading in securities are included in the income statement.

Repurchase and reverse repurchase agreements

Securities purchased under reverse repurchase agreements are recorded as loans to banks. The difference between the purchase and resale price is recognized as interest income and accrued on a straight-line basis over the term of the agreement.

Funds received under agreements to repurchase securities are included in deposits from banks. Securities are retained as assets. The difference between the sale and repurchase price is recognized as interest expense and accrued on a straight-line basis over the term of the agreement.

Loans to Government

Loans to Government denominated in Ukrainian hryvnias are carried at the principal amount outstanding, net of provisions for credit risk. Loans to Government denominated in US dollars are carried at the official foreign exchange rate at the balance sheet date.

Related provisions are raised in accordance with the requirements of Ukrainian legislation (Note 6).

The Law of Ukraine "On restructuring the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" of April 20, 2000 provides for the service charge on loans to Government in Ukrainian hryvnias, however, the period for charge payment is not clearly specified. In respect of loans to Government in foreign currencies, the Law does not stipulate any interest.

Loans to banks and other borrowers

Loans to banks and other borrowers are carried at the principal amount outstanding net of provisions against credit losses.

Provisions against credit losses are made based on the estimation of loan collectibility. Provisions are made for doubtful debts.

The main factors taken into account in estimation of the provision for credit losses include the borrower's financial position, loan collectibility, security, current economic and other conditions.

When a loan is known to be uncollectible and all the necessary legal procedures have been completed, the loan is written off. Repayment of amounts previously written off is recorded as income through decrease in provision expenses. Total increase or decrease in the provision for the year is included in the income statement.

Other credit related commitments

In the normal course of business, the NBU enters into other credit related commitments including off-balance sheet commitments to extend credits, to issue letters of credit and guarantees.

Property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets are carried at restated historical cost less accumulated depreciation and amortization. Revaluation is included in "Revaluation reserve for property, plant and equipment" in "Capital employed".

Construction in progress is carried at historical cost.

Depreciation and amortization

Depreciation and amortization of property, plant, equipment and intangible assets is computed from the moment the assets are put into operation by the straight-line method.

Estimated useful lives of property, plant, equipment and intangible assets applied by the NBU are as follows:

Intangible assets	4–8 years;
Buildings, constructions and transmission equipment	20–50 years;
Motor vehicles; plant and equipment devices, fixtures and fittings (furniture)	4–28 years;
Other property, plant and equipment	3–30 years;

Gains and losses from disposal of property, plant, equipment and intangible assets are determined as a difference between proceeds from sale and carrying value and included in the income statement.

Expenditure incurred to improve the assets is capitalized when it increases the future economic benefits embodied in it. Repair expenditure and maintenance expenses are recognized as an expense as incurred.

Investments in companies other than subsidiaries

Investments in companies other than subsidiaries are stated at historical cost less provisions against losses and included in "Other assets".

Bank metals and precious metals

Bank metals include silver, platinum and palladium bars kept in the State Treasury of the NBU. Bank metals are recorded for at weight in troy ounces and valued at the NBU's official exchange rate, which is calculated based on prices of the London Bullion Market in US dollars and translated into Ukrainian hryvnias at the official exchange rate.

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

	31 December 2002 (UAH)	31 December 2001 (UAH)
1 troy ounce of silver	24.902	23.843
1 troy ounce of platinum	3,167.446	2,527.385
1 troy ounce of palladium	1,253.114	2,310.146

Bank metals placed as deposits with foreign banks are included in "Foreign currency funds and deposits".

Precious metals are carried at acquisition cost. They include scrap of gold and other metals, and bars, which are not recognized as standard.

Bank metals and precious metals are included in "Other assets".

Banknotes and coins in circulation

The NBU acts in a monopoly capacity when issuing banknotes and coins of the national currency and organizing their circulation. Nominal value of banknotes and coins issued in circulation represents the NBU's liabilities.

Income and expense recognition

Income and expense are recognized in the income statement on an accrual basis.

Accrual of income is suspended when the receipt of income becomes doubtful. Provisions are raised for doubtful accrued income.

Revaluation reserve for foreign currency and bank metals

Gains and losses from the revaluation of monetary assets and liabilities denominated in foreign currencies and bank metals due to fluctuation in foreign currency and bank metals exchange rates are charged or credited to "Revaluation reserve for foreign currency and bank metals" in "Capital employed" and are not included in the income statement.

Pensions

The NBU contributes to the state pension fund and the social insurance fund.

Money issuance costs

The NBU produces banknotes and coins of the national currency (including commemorative coins made of precious and other metals). All expenses associated with production of banknotes and coins (except commemorative coins) are charged to expenses of the NBU when banknotes and coins are received by the NBU's Vault.

Costs of produced commemorative coins is recorded as an asset in the balance sheet of the NBU and expensed when the coins are sold.

Cash and cash equivalents

For the cash flow reporting purposes and to reflect changes in liquidity of cash both in foreign and national currencies, cash and cash equivalents include financial assets on demand, which mature within three months, and liabilities on demand. Amounts restricted for withdrawal are excluded from cash and cash equivalents.

Offsetting

Financial assets and liabilities are offset, with only the net amount reported in the balance sheet, when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Corresponding figures

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation as follows:

loans of the European Bank for Reconstruction and Development received/(repaid) are recorded in the cash flow statement as a separate line in financing activities (2001: these loans were recorded in operating activities as a difference between loans from the EBRD and loans to banks and other borrowers within the EBRD loans).

3. EFFECT OF UKRAINIAN ECONOMIC ENVIRONMENT ON THE FINANCIAL STATEMENTS OF THE NBU

The economy of Ukraine continues to display characteristics of a transition period market. These characteristics include, among others, a currency non-convertible outside of the country and a low level of liquidity in the public and private debt and equity markets. Additionally, the financial position of Ukrainian banks is impacted by exchange rate fluctuations and changes in the economic environment. Efficient operations of banks in Ukraine depend on further development of the bankruptcy laws, procedures for registration and utilization of collateral, and elimination of other legal and fiscal deficiencies.

During 2002 Ukraine continued its positive economic growth trend initiated in previous years. Development of the Ukrainian economy allowed an increase in the demand for money, a decrease in loan interest rates, and enhanced credibility of the banking system among business entities and individuals.

In 2002 GDP growth decreased to 4.8% (2001: 9.2%). During 2002 the Ukrainian national currency remained stable. The official exchange rate of Ukrainian hryvnia to US dollar decreased from UAH 5.2985 to USD 1 as of December 31, 2001 to UAH 5.3324 to USD 1 as of December 31, 2002. During 2002 the amount of gold and foreign currency reserves significantly increased from USD 3.1 billion as of December 31, 2001 to USD 4.4 billion as of December 31, 2002. In addition, in 2002 0.6% deflation exclusively caused by decline in food prices was registered for the first time. The inflation rate in respect of nonfood and service prices was insignificant. The NBU's discount rate decreased from 12.5% per annum as of December 31, 2001 to 7% per annum as of December 31, 2002.

The prospects for future economic stability in Ukraine depend on the effectiveness of economic measures taken by the Government, and other factors, including legal, political and regulatory developments.

During 2002 the Ukrainian Government serviced debt securities owned by the NBU.

In accordance with the Law of Ukraine "On restructuring the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" dated April 20, 2000, the repayment of loans to Government in the foreign currency should have started in 2002. However, the state budget of Ukraine did not provide for the allocation of necessary funds to repay loans to the Government. Accordingly, the loans were not repaid.

The Law of Ukraine "On the State Budget of Ukraine for 2003" does not provide for the repayment of loans to Government.

The balance sheet and off-balance sheet items relating to the Government's debt are presented in the table below.

	Note	2002	2001
Government securities	5	9,042	9,343
Loans to Government	6	10,522	10,478
Guarantees issued on behalf of Government	33	1,340	1,131

Fair value of the Government's debt is shown in Note 34.

These financial statements reflect management's current assessment of possible impact of the overall economic environment on the operations and the financial position of the NBU. The future business environment may differ from current assessment and such differences may have impact on the operations and the financial position of the NBU.

4. FOREIGN CURRENCY FUNDS AND DEPOSITS

Foreign currency funds and deposits as of December 31 are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Foreign currency cash	17	18
Demand deposits:		
OECD countries	896	1,048
Domestic	4	1
Term deposits with OECD banks:		
foreign currency	21,399	13,225
gold	473	284
bank metals	528	390
Total foreign currency funds and deposits	23,317	14,966

Demand deposits with OECD (Organization for Economic Co-operation and Development) banks include balances in special use accounts totaling UAH 38 million (2001: UAH 51 million) maintained by the NBU for the purposes of credit lines received from international financial institutions (Note 17) and on behalf of other financial institutions. Terms of loan agreements with the international financial institutions regulate the use of these accounts.

The term deposits denominated in bank metals include deposits in platinum and palladium. These deposits and deposits in gold bear interest in US dollars payable to the NBU.

5. GOVERNMENT SECURITIES

Government securities as of December 31 are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Interest-bearing Government debt securities denominated in hryvnia:		
Interest-bearing Ukrainian government debt securities issued in 2000	8,500	8,809
Notes of the State Treasury of Ukraine	395	395
Government debt securities denominated in foreign currency:		
Government coupon bonds issued in 1995	26	25
Converted Ukrainian government debt securities issued in 2000	121	114
Total Government securities	9,042	9,343

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

Government debt securities denominated in hryvnia

Government debt securities denominated in hryvnia include the following securities:

1. Interest bearing Ukrainian government debt securities ("POVDP"), acquired in October 2000 by the NBU as a result of restructuring current and overdue debts on Government securities issued in 1998 – 2000. POVDP have a nominal value of UAH 1,000 per bond and bear interest at the rates determined by the Ministry of Finance of Ukraine annually based on the main terms of issuance of POVDP in 2000 adopted by Ukraine's Cabinet of Ministers' Resolution No. 1455 of September 22, 2000 based on the estimated inflation rate for the current year adjusted for the difference between the estimated and the actual inflation rates for the previous year. The interest on POVDP is payable on a monthly basis. During 2002 the coupon on POVDP was paid at the interest rate of 0.422% per month (2001: 1.318%). POVDP mature in 2002 – 2010. During 2002 the Ministry of Finance settled its liabilities to the NBU as regards the repayment of POVDP and related interest in due time and in full. In 2002 the NBU received the repayment of POVDP totaling UAH 711 million at the nominal value. During 2002 trading operations with POVDP were also performed in the secondary market.

2. Notes of the State Treasury received by the NBU from the Ministry of Finance in September 2000 in the process of restructuring of accrued interest on Ukrainian Government debt securities maturing in 2000 – 2004. The total nominal value of these notes maturing in 2009–2010 is UAH 395 million. Notes of the State Treasury totaling UAH 196 million mature in October–November 2009; the remaining UAH 199 million mature at the end of 2010.

Government debt securities denominated in foreign currency

Government debt securities denominated in foreign currency include the following securities:

1. Government coupon bonds ("OZDP") issued in 1995, denominated in US dollars. These bonds were issued by the Ministry of Finance of Ukraine on behalf of the Ukrainian Government to the Russian Joint-Stock Company "Gazprom" in 1995. In 2000 the bonds were purchased from a Ukrainian bank. The nominal value of OZDP is USD 5,000 per bond. These bonds carry a coupon of 8.5% per annum and mature in September 2003.

2. Converted Ukrainian government debt securities issued in 2000 denominated in EURO. In accordance with Resolution No. 360 of the Cabinet of Ministers of Ukraine dated February 11, 2000, OZDP of 1995, denominated in US dollars and carrying a coupon of 8.5% per annum, which were held by the NBU, were converted into bonds denominated in EURO and carrying a coupon of 10% per annum. New securities have a nominal value of EURO 1,000 each and mature in March 2007. Coupon is paid quarterly starting June 15, 2000.

6. LOANS TO GOVERNMENT

Loans to Government as of December 31 are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Loans granted in hryvnia:		
1992	18	18
1993	111	111
1994	1,321	1,321
1995	1,694	1,694
1996	424	424
Total loans in hryvnia	3,568	3,568
Loans granted in foreign currency:		
1995	3,711	3,688
1996	2,602	2,585
Total loans in foreign currency	6,313	6,273
Accrued interest on loans to Government in foreign currency	710	706
Provision for loans to Government	(69)	(69)
Total loans to Government	10,522	10,478

Loans in hryvnia and foreign currency were granted in 1992 - 1996 to finance the State budget deficits.

The outstanding amount of loans to Government granted in 1992-1993 in hryvnia in the amount of UAH 129 million were included in the internal state debt based on resolutions of the Verkhovna Rada and the President of Ukraine.

On April 20, 2000 the Law of Ukraine "On restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine" was passed. In accordance with the Law, outstanding loans granted in 1994 - 1996 in hryvnia in the amount of UAH 3,439 million, outstanding loans granted in foreign currency in the amount of USD 1,184 million (UAH 6,313 million), and accrued interest income on loans in the foreign currency in the amount of USD 133 million (UAH 710 million) were restructured and included in the internal state debt.

The internal state debt on loans granted in 1994 - 1996 in hryvnia is to be repaid quarterly by equal installments from 2010 to 2035 with 5% per annum charged for debt servicing. However, the Law does not clearly provide for the period when interest should be paid. Due to this fact, interest income on UAH loans to the Government was not recognized in the income statement.

The internal state debt in US dollars is to be repaid quarterly by equal installments from 2002 to 2009. However, in accordance with the Law of Ukraine "On the State Budget of Ukraine for 2002", repayment of the internal state debt in foreign currency was suspended in 2002. The Law of Ukraine "On restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine", does not stipulate for payment of interest on these loans. Accordingly, interest income on these loans was not charged to the income statement either.

Accrued interest on loans to Government in foreign currency amounting to USD 133 million (UAH 710 million) recognized as internal state debt is recorded as deferred income in the balance sheet (Note 19) and will be recognized in the income statement at the time of debt repayment.

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", in 2000 the NBU raised a provision in the amount of 2% of the outstanding amount on loans to Government granted in 1994–1996 in hryvnia. Starting 2001, the relevant Laws of Ukraine "On the State Budget of Ukraine" suspended the provision-related article of the Law of Ukraine "On restructuring of the debt of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine". Therefore, no provision for loans to Government was made.

Ukrainian legislation does not stipulate provisions for loans to Government in foreign currency.

7. LOANS TO BANKS AND OTHER BORROWERS

Loans to banks and other borrowers by maturity as of December 31 are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Current loans	930	520
Prolonged loans	101	24
Overdue loans	479	552
Provision for loans to banks and other borrowers	(631)	(624)
Total loans to banks and other borrowers	879	472

Interest on overdue loans was not accrued.

Loans to banks and other borrowers by purpose as of December 31 are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Loans to banks for their liquidity support	910	562
Loans granted under the EBRD credit line for small and medium enterprises (SME)	421	363
Other	179	171
Provision for loans to banks and other borrowers	(631)	(624)
Total loans to banks and other borrowers	879	472

The following is a schedule of movements in provision for loans to banks and other borrowers:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Balance of provision for loans to banks and other borrowers at beginning of year	624	305
Increase in provision	7	328
Assets written off against provision	—	(9)
Balance of provision for loans to banks and other borrowers at end of year	631	624

Provisions charged in 2001 (UAH 328 million) include provisions for loans amounting to UAH 316 million relating to previous years.

8. ACCRUED INCOME

Accrued income as of December 31 is as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Accrued income on foreign currency funds and deposits	90	18
Accrued income on Government securities	1	9
Accrued income on loans to banks and other borrowers	111	125
Other accrued income	6	5
Provision against outstanding accrued income	(109)	(110)
Total accrued income	99	47

Movements in provisions against accrued income are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Provisions against accrued income at beginning of year	110	75
Increase in provision	(1)	36
Amounts written off against provisions	—	(1)
Provisions against accrued income at end of year	109	110

9. QUOTA CONTRIBUTIONS

The quota balance represents Ukraine's subscription as a member of the International Monetary Fund (IMF). The amount of quota depends on the economic development of a country and is determined by the Board of Governors of the IMF. The quota determines a member country'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 major part of Ukraine's quota was paid in a form of non-interest bearing promissory notes, the remainder being credited to the IMF account No 1 (Note 18). As of December 31, 2002 Ukraine's total quota amounted to SDR 1,372 million (2001: SDR 1,372 million). The quota does not earn interest.

10. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS*(in millions of Ukrainian hryvnias)*

	Intan- gible assets	Buildings, construc- tions and transmis- sion equipment	Motor vehicles	Plant and equip- ment	Furni- ture and fixtures	Other	Other non- current tangible assets	Unfini- shed capital investment in property, equipment and intangible assets	Total
Cost as of December 31, 2001	26	725	46	455	94	131	—	115	1,592
Additions	19	40	3	80	19	28	10	68	267
Transfer to another category	—	48	—	—	—	—	—	(48)	—
Disposal	—	(2)	(2)	(9)	(2)	(28)	—	(2)	(45)
Cost as of December 31, 2002	45	811	47	526	111	131	10	133	1,814
Depreciation as of December 31, 2001	8	102	25	151	30	41	—	—	357
Depreciation charge	5	18	4	45	11	22	4	—	109
Transfer to another category	—	—	—	—	—	—	—	—	—
Disposal	—	—	(1)	(8)	(1)	(12)	—	—	(22)
Depreciation as of December 31, 2002	13	120	28	188	40	51	4	—	444
Net book value as of December 31, 2001	18	623	21	304	64	90	—	115	1,235
Net book value as of December 31, 2002	32	691	19	338	71	80	6	133	1,370

11. OTHER ASSETS

Other assets as of December 31 are as follows:

(in millions of Ukrainian hryvnias)

	2002	2001
long-term deposit with resident bank	392	591
Bank metals	205	193
Investments in companies other than subsidiaries	197	231
Current tangible assets	93	84
Precious metals and jewellery	32	37
Commemorative coins and other numismatic products	23	26
Accounts receivable	75	114
Provisions against other assets	(8)	(3)
Total other assets	1,009	1,273

The long-term deposit placed with a resident bank represents USD funds accumulated on the NBU's correspondent account with a state-owned Ukrainian bank during 1994–1995 from the amounts of compulsory repurchases of foreign currency receipts in favor of resident clients. In 1999 this balance was re-arranged as a long-term deposit repayable on a quarterly basis during the period from 2000 to 2004 depending on settlement by the Ukrainian Government of its liabilities to the resident bank in accordance with a trilateral agreement concluded by the NBU, resident bank and the Ministry of Finance of Ukraine.

The list of companies (other than subsidiaries) is as follows:

Name	Country of incorporation	Type of company	Amount		Percentage	
			2002	2001	2002	2001
Black Sea Trade and Development Bank	Greece	Joint stock bank	172	206	11.27	13.50
German-Ukrainian Fund	Ukraine	Special type financial institution	24	24	31.25	31.25
Inter-State Bank	Russia	Financial institution	1	1	20.70	20.70
Total			197	231		

In 2002 the amount of the contribution to the share capital of the Black Sea Trade and Development Bank ("BSTDB") decreased by UAH 34 million as a result of a buy-out of the NBU's share in the share capital of the BSTDB amounting to SDR 7 million by the Ministry of Finance of Ukraine.

For the unpaid amount of investment amounting to SDR 10 million (UAH 74 million), a debt security was issued in favor of the BSTDB (note 19). In accordance with Decree of the President of Ukraine No. 181/2002 of February 26, 2002, further payments in respect of this debt security will be made from the State budget of Ukraine.

Changes in the provision against other assets are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Provision against other assets at beginning of year	3	–
Increase in provision	5	3
Provision against other assets at end of year	8	3

12. BANKNOTES AND COINS IN CIRCULATION

Banknotes and coins in circulation include the nominal value of banknotes and coins (circulating and commemorative), issued by the NBU since introduction of the hryvnia in September 1996.

Banknotes and coins kept in reserve funds and cashier's offices of the NBU are not included in cash issued.

13. DUE TO BANKS

Balances due to banks as of December 31 are as follows:

(in millions of Ukrainian hryvnias)

	2002	2001
Correspondent accounts:		
in UAH	3,082	2,857
in foreign currency	25	23
Term deposits in foreign currency	157	109
Total due to banks	3,264	2,989

Correspondent accounts in UAH also include amounts of obligatory reserves of Ukrainian banks with the NBU and are non-interest bearing.

14. ACCOUNTS OF GOVERNMENT AND OTHER CUSTOMERS

Accounts of Government and other customers as of December 31 are as follows:

(in millions of Ukrainian hryvnias)

	2002	2001
Budget accounts	2,162	1,362
Accounts of extra budgetary funds	24	18
Other	211	123
Total accounts of Government and other customers	2,397	1,503

The NBU services accounts of the state and local budgets of Ukraine consolidated in a single account of the Treasury.

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

15. ACCRUED EXPENSES

Accrued expenses as of December 31 are as follows:

(in millions of Ukrainian hryvnias)

	2002	2001
Accrued expenses on operations with IMF	44	47
Accrued expenses on EBRD loans	2	5
Other accrued expenses	—	3
Total accrued expenses	46	55

16. OWN DEBT SECURITIES

Own debt securities are deposit certificates issued by the NBU. To ensure stability of the national currency and liquidity of the banking system, in 2001–2002 the NBU regulated the necessary amount of money in circulation by placing deposit certificates. The face value of deposit certificates was UAH 1 million each. Interest rates on deposit certificates were set based on interest rates on loans and deposits in the interbank credit market.

17. LOANS RECEIVED

Loans received include long-term loans received under the EBRD credit lines for financing banks in order to support small and medium enterprises (SME):

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
SME-1	88	254
SME-2	216	70
Unamortized portion of front-end fee	(3)	(3)
Total loans received	301	321

18. LIABILITY TO IMF

Liability to IMF as of December 31 is as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
IMF accounts No. 1 and No. 2	26	24
Promissory notes to IMF in settlement of Quota	9,920	9,112
Promissory notes to IMF in respect of purchases made under credit facilities:		
Stand-by Facility	—	384
Systemic Transformation Facility	1,356	1,798
Extended Fund Facility	8,649	7,944
Total liability to IMF	19,951	19,262

During 2002 the IMF loans under the Stand-by Facility and the Systemic Transformation Facility were repaid for the total amount of SDR 141 million (UAH 957 million). Other movements were caused by revaluation of the IMF liabilities.

Promissory notes include two promissory notes of the Ministry of Finance of Ukraine issued to the IMF as a quota contribution amounting to UAH 2,741 million, since the NBU is an agent in settlements with the IMF. These promissory notes are planned to be reissued in 2003 on behalf of the NBU.

Charges in respect of the use of the IMF loans are accrued at a floating interest rate.

19. OTHER LIABILITIES

Other liabilities as of December 31 are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Deferred income on loans to Government in foreign currency (Note 6)	710	706
Promissory notes issued by the NBU (Note 11)	74	112
Current accounts of employees	35	18
Other deferred income	4	2
Accounts payable	5	24
Total other liabilities	828	862

20. PROFITS PAYABLE TO THE STATE BUDGET AND DISTRIBUTION OF PROFIT

In accordance with the Law of Ukraine "On the National Bank of Ukraine", the NBU pays to the State budget of Ukraine an amount determined as the difference between the profit and the amount of appropriations to funds and other reserves.

The information on distribution of profit is as follows:

(in millions of Ukrainian hryvnias)

	2002	2001
Profit available for distribution per income statement	260	842
Appropriations to funds and other reserves of the NBU	(129)	(150)
Excess of income over expenditure for the current year to be transferred to the State budget	131	692
Advance transfer of profit to the State budget	(43)	(500)
Payable to the State budget	88	192

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 are as follows:

(in millions of Ukrainian hryvnias)

	Note	2002	2001
Foreign currency cash	4	17	18
Demand deposits (other than restricted funds)	4	863	1,017
short-term deposits maturing within three months (other than gold, bank metals and restricted funds)	4	11,673	13,048
SDR holdings		151	1,330
IMF accounts No. 1 and No. 2	18	(26)	(24)
Due to banks (on demand)	13	(3,107)	(2,880)
Accounts of Government and other customers	14	(2,397)	(1,503)
Current accounts of employees	19	(35)	(18)
Total cash and cash equivalents		7,139	10,988

22. INTEREST INCOME AND EXPENSE

Interest income and expense are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Interest income		
Income from Government securities	429	1,433
Income from foreign currency funds and deposits	417	386
Income from loans to banks and other borrowers	43	101
Income from SDR holdings	22	36
Other	1	4
Total interest income	912	1,960
Interest expense		
Expenses on operations with IMF	(280)	(440)
Expenses on loans received	(10)	(19)
Expenses on due to banks	(5)	(20)
Expenses on own debt securities	(1)	(15)
Other	(6)	(2)
Total interest expense	(302)	(496)
Net interest income	610	1,464

23. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Fee and commission income		
Income from cash collection services	57	58
Income from services of electronic payment systems and electronic mail	57	50
Income from cash and settlement services	24	25
Other	4	1
Total fee and commission income	142	134
Fee and commission expense		
Expenses on operations with IMF	(21)	(10)
Other	(3)	(3)
Total fee and commission expense	(24)	(13)
Net fee and commission income	118	121

24. OTHER INCOME

Other income is as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Income from sale of banknote paper, commemorative coins and other products	107	83
Income from educational institutions' activities	11	8
Gains from disposal of inventory, property, plant, equipment and intangible assets	1	16
Other	19	20
Total other income	138	127

25. EMPLOYEE SALARIES AND BENEFITS

Employee salaries and benefits are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Wages and salaries	136	102
Contributions to state pension and social insurance funds	61	44
Material aid and other social payments	56	40
Other	24	12
Total employee salaries and benefits	277	198

Employee salaries and benefits associated with production of banknote paper, banknotes, coins and other products as well as social payments are included in expenses for production of these products.

26. GENERAL ADMINISTRATIVE AND OTHER EXPENSES

General administrative and other expenses are as follows:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Depreciation charge	70	57
Maintenance and operating costs	33	36
Expenses for maintenance of property, plant, equipment and intangible assets	29	25
Telecommunication services and maintenance	7	7
Business trip expenses	4	3
Other	28	32
Total general administrative and other expenses	171	160

The depreciation charge for 2002 excludes depreciation of UAH 39 million (2001: UAH 34 million) on property, plant and equipment used in the production of banknote paper, banknotes, coins and other products. This portion of the depreciation charge is included in expenses for production of banknotes, coins and other products (Note 10).

27. PROVISION EXPENSES

Provision expenses are as follows:

		<i>(in millions of Ukrainian hryvnias)</i>	
	Note	2002	2001
Increase (decrease) in provisions:			
Foreign currency funds and deposits	4	–	(1)
Loans to banks and other borrowers	7	7	329
Accrued income	8	(1)	36
Other assets	11	5	3
Total provision expenses		11	367

28. FINANCIAL RISK MANAGEMENT

The major financial risks faced by the NBU are credit risk, foreign exchange risk, interest rate risk and liquidity risk, which are monitored by management of subdivisions. The overall risk management is performed by the Asset and Liability Committee (ALCO) and the Risk Control Division.

Credit risk is controlled through compliance with the requirements established by the NBU internal regulations:

in the area of gold and foreign exchange reserves of the NBU:

– 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;

– placements of gold and foreign exchange reserves using financial instruments should comply with the norms of investment structure of the gold and foreign exchange reserves of the NBU approved by the Board of the National Bank of Ukraine;

in the area of supporting banking system liquidity:

– banks requesting liquidity support through the NBU refinancing operations should comply with requirements set by the Regulation on refinancing mechanisms for Ukrainian banks and the Temporary Regulation on the procedure for long-term lending (refinancing) of the banks that grant long-term loans by the National Bank of Ukraine approved by the Board of the National Bank of Ukraine;

in the area of granting loans under the EBRD credit lines:

– participating banks should comply with eligibility criteria defined by the relevant loan agreements between the NBU and the EBRD.

Foreign exchange risk is controlled by compliance with the structure of the NBU's gold and foreign exchange reserves approved by the NBU Board, also taking into account the foreign exchange position of the NBU.

The major technique of interest rate risk control is calculation and analysis of changes in the weighted average multicurrency interest margin (spread) between interest rates on assets and liabilities of the NBU.

Liquidity risk is controlled using the methods of gap analysis of assets and liabilities by maturity and through calculation of the sufficient level of funds on correspondent accounts 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.

29. CREDIT RISK

The geographical analysis of the NBU's credit risk concentration as of December 31, 2002 is as follows:

	<i>(in millions of Ukrainian hryvnias)</i>				
	Ukraine	OECD	IMF	Other	Total
Assets					
Foreign currency funds and deposits	22	23,295	—	—	23,317
SDR holdings	—	—	151	—	151
Monetary gold	935	—	—	—	935
Government securities	9,042	—	—	—	9,042
Loans to Government	10,522	—	—	—	10,522
Loans to banks and other borrowers	879	—	—	—	879
Accrued income	9	90	—	—	99
Quota contributions	—	—	9,946	—	9,946
Property, plant, equipment and intangible assets	1,370	—	—	—	1,370
Other assets	835	172	—	2	1,009
Total assets	23,614	23,557	10,097	2	57,270

The geographical analysis of the NBU's credit risk concentration as of December 31, 2001 is as follows:

(in millions of Ukrainian hryvnias)

	Ukraine	OECD	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
Property, plant, equipment 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

Financial assets of the National Bank of Ukraine by credit ratings of contracting parties as of December 31, 2002 is as follows:

(in millions of Ukrainian hryvnias)

	Fitch IBCA credit rating	Amount	% of assets
Assets in foreign currency	AAA+	24,102	42.1
	AAA	2,343	4.1
	AA+/-	5,434	9.5
	A+/-	1,514	2.6
	B	7,566	13.2
	Other	95	0.2
	No rating	312	0.5
	No credit risk	1,353	2.4
Total assets in foreign currency		42,719	74.6
Assets in national currency	B	12,393	21.6
	No rating	638	1.1
	No credit risk	1,520	2.7
	Total assets in national currency		14,551	25.4
Total assets		57,270	100

Government securities and loans to Government are included in the table under "B" rating.

Due to the fact that the NBU is disclosing the information by credit ratings of contracting parties for the first time, the comparative information for the previous year is not presented.

30. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of incurring losses as a result of unfavourable changes of the exchange rate of hryvnia against foreign currencies.

As of December 31, 2002 the NBU had the following currency positions:

	UAH	<i>(in millions of Ukrainian hryvnias)</i>				Total
		USD	SDR	EURO	Other	
Assets						
Foreign currency funds and deposits	—	11,831	—	6,646	4,840	23,317
SDR holdings	—	—	151	—	—	151
Monetary gold	—	—	—	—	935	935
Government securities	8,895	26	—	121	—	9,042
Loans to Government	3,499	7,023	—	—	—	10,522
Loans to banks and other borrowers	568	311	—	—	—	879
Accrued income	4	42	—	38	15	99
Quota contributions	—	—	9,946	—	—	9,946
Property, plant, equipment and intangible assets	1,370	—	—	—	—	1,370
Other assets	215	393	172	24	205	1,009
Total assets	14,551	19,626	10,269	6,829	5,995	57,270
Liabilities						
Banknotes and coins in circulation	27,703	—	—	—	—	27,703
Due to banks	3,082	96	—	86	—	3,264
Accounts of Government and other customers	1,006	1,293	—	98	—	2,397
Profits payable to the budget	88	—	—	—	—	88
Accrued expenses	—	2	44	—	—	46
Loans received	—	301	—	—	—	301
Liability to IMF	—	—	19,951	—	—	19,951
Other liabilities	43	711	74	—	—	828
Total liabilities	31,922	2,403	20,069	184	—	54,578
Net balance sheet position	(17,371)	17,223	(9,800)	6,645	5,995	2,692
Off-balance sheet commitments						
Guarantees	—	—	—	1,340	—	1,340
Net off-balance sheet position	—	—	—	1,340	—	1,340
Net position	(17,371)	17,223	(9,800)	5,305	5,995	1,352

As of December 31, 2001 the NBU had the following currency positions:

	<i>(in millions of Ukrainian hryvnias)</i>					
	UAH	USD	SDR	EURO	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
Property, plant, equipment 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
Due to banks	2,857	74	—	58	—	2,989
Accounts of Government and other customers	1,019	385	—	98	1	1,503
Profits payable to the budget	192	—	—	—	—	192
Accrued expenses	2	6	47	—	—	55
Own debt securities	1,850	—	—	—	—	1,850
Loans received	—	321	—	—	—	321
Liability to IMF	—	—	19,262	—	—	19,262
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 commitments						
Guarantees	—	7	—	1,131	—	1,138
Letters of credit	23	—	—	3	—	26
Net off-balance sheet position	23	7	—	1,134	—	1,164
Net position	(11,953)	16,378	(8,730)	1,636	3,238	569

Assets and liabilities in other currencies mainly consist of gold, Swiss francs, British pounds and bank metals.

31. INTEREST RATE RISK

Interest rate risk is the risk of incurring losses as a result of unfavourable changes in interest rates.

Interest rate analysis does not include those financial instruments where income is not accrued.

Interest rates for each financial instrument have been calculated as contractual average weighted interest rates as of the reporting date.

As of December 31, 2002 the NBU had the following interest rates on assets and liabilities:

	UAH	USD	SDR	EURO	Other	Total
Assets						
Term deposits with OECD banks	—	1.43%	—	3.03%	2.61%	2.13%
SDR holdings	—	—	1.91%	—	—	1.91%
Government securities	—	8.5%	—	10.00%	—	9.73%
Loans to banks and other borrowers	8.27%	3.66%	—	—	—	6.27%
long-term deposit with a resident bank	—	1.73%	—	—	—	1.73%
Liabilities						
Bank term deposits	—	0.42%	—	2.01%	—	1.04%
Loans received	—	2.54%	—	—	—	2.54%
Liability to IMF	—	—	2.45%	—	—	2.45%

As of December 31, 2001 the NBU had the following interest rates on assets and liabilities:

	UAH	USD	SDR	EURO	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 resident bank	—	1.14%	—	—	—	1.14%
Liabilities						
Bank term deposits	—	0.92%	—	2.41%	—	1.45%
Own debt securities	8.00%	—	—	—	—	8.00%
Loans received	—	4.24%	—	—	—	4.24%
Liability to IMF	—	—	2.62%	—	—	2.62%

Interest is accrued at floating rates on the following assets and liabilities: SDR holdings (interest rate is reviewed weekly); UAH Government securities (interest rate is reviewed annually depending on the inflation rate); Loans to banks and other borrowers under the EBRD credit line and loans received from the EBRD (interest rate is accrued at LIBOR+3% and LIBOR+1%, respectively); Loans from the IMF (interest rate is reviewed weekly).

32. LIQUIDITY RISK

Liquidity risk is the risk of inability of raising funds to meet current liabilities. For the purposes of calculating the liquidity risk, the NBU's assets and liabilities are analyzed in terms of contractual maturities.

The liquidity risk of the NBU as of December 31, 2002 is as follows:

(in millions of Ukrainian hryvnias)

	On demand and less than one month	From one to three months	From three to twelve months	More than one year	No maturity/ overdue	Total
Assets						
Foreign currency funds and deposits	4,049	9,308	9,960	—	—	23,317
SDR holdings	151	—	—	—	—	151
Monetary gold	935	—	—	—	—	935
Government securities	89	177	823	7,953	—	9,042
Loans to Government	—	—	—	10,522	—	10,522
Loans to banks and other borrowers	303	28	178	368	2	879
Accrued income	25	49	25	—	—	99
Quota contributions	—	—	—	—	9,946	9,946
Property, plant, equipment and intangible assets	—	—	—	—	1,370	1,370
Other assets	208	8	167	227	399	1,009
Total assets	5,760	9,570	11,153	19,070	11,717	57,270
Liabilities						
Banknotes and coins in circulation	—	—	—	—	27,703	27,703
Due to banks	3,264	—	—	—	—	3,264
Accounts of Government and other customers	2,397	—	—	—	—	2,397
Profits payable to the budget	—	80	8	—	—	88
Accrued expenses	—	45	1	—	—	46
Loans received	—	18	18	265	—	301
Liability to IMF	26	181	1,114	8,710	9,920	19,951
Other liabilities	39	3	2	710	74	828
Total liabilities	5,726	327	1,143	9,685	37,697	54,578
Net liquidity gap	34	9,243	10,010	9,385	(25,980)	2,692
Cumulative liquidity gap	34	9,277	19,287	28,672	2,692	—

The liquidity risk of the NBU as of December 31, 2001 is as follows:

	<i>(in millions of Ukrainian hryvnias)</i>					
	On demand and less than one month	From one to three months	From three to twelve months	More than one 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
Property, plant, equipment 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
Due to banks	2,985	4	—	—	—	2,989
Accounts of Government and other customers	1,503	—	—	—	—	1,503
Profits payable to the budget	—	192	—	—	—	192
Accrued expenses	3	52	—	—	—	55
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
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	—

33. OFF-BALANCE SHEET COMMITMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Credit related commitments

Credit related commitments comprise the following items:

	<i>(in millions of Ukrainian hryvnias)</i>	
	2002	2001
Guarantees issued	1,340	1,138
Letters of credit	—	26
Total credit related commitments	1,340	1,164

Guarantees amounting to EURO 242 million (UAH 1,340 million) (2001: UAH 1,131 million) were issued by the NBU in 1992 to settle liabilities on the loans received by Ukrainian borrowers under the credit line opened by the Consortium of German Banks AKA in accordance with the Principal Agreement signed between Ukreximbank and the Consortium of German Banks AKA. Guarantees have been issued in accordance with the Resolution of the Verkhovna Rada of Ukraine after respective guarantees have been granted by the Cabinet of Ministers of Ukraine.

Outstanding loans covered by the above-mentioned guarantees, were partially settled and partially restructured. As of December 31, 2002 the outstanding restructured loans amounted to EURO 75,3 million (UAH 416,6 million). Non-restructured outstanding loans amounted to EURO 9,4 million (UAH 52,0 million). The remaining amount was settled during 1992 – 2002.

Provisions against losses under guarantees have not been established, since the outstanding amount under these guarantees was secured by the guarantees of the Cabinet of Ministers of Ukraine.

(b) Capital expenditure commitments

As of December 31, 2002 the NBU had capital commitments amounting to UAH 36 million (2001: UAH 71 million) to purchase, construct and improve its property, plant and equipment.

(c) Derivatives

In 2002 the NBU had no transactions with derivatives, including forward and option contracts for purchase and sale of foreign currencies.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments is the amount at which a financial instrument could be exchanged or used to settle a liability 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 fair value of financial instruments has been determined by the NBU using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Therefore, the market information may not be fully reflective of the value the NBU could realize financial instruments in current circumstances.

The NBU has estimated that the fair value of certain financial instruments is not materially different from their carrying values. These financial instruments include liabilities on banknotes and coins in circulation, demand accounts and term deposits, due to banks, accounts of Government and other customers, loans received from the EBRD, liability to the IMF and other assets and liabilities which are of a contractual nature. The NBU believes that the carrying amount of these financial assets and liabilities approximates to their fair value. The fair value of money issued in circulation is considered to be its face value as reported in the financial statements.

Taking into account the fact that currently there is no active market in Ukraine for Government securities in the national currency and loans to Government in UAH and USD are not traded in financial markets, the 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 rates 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 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 range of fair values of UAH denominated Government securities is calculated based on a discounted cash flow methodology. To estimate the upper fair value the NBU used a discount rate of 7% per annum as of December 31, 2002 (in 2001 the NBU used a discount factor of 9% per annum, which was an average yield at which the Monetary Policy Department of the NBU was allowed to realize the above-mentioned securities, if necessary, during 2002).

To estimate the lower fair value the NBU used a discount factor of 9% per annum, approximating to the weighted average yield on the long-term Government bonds (maturing prior to 2008) sold by the Ukraine's Ministry of Finance at initial public offering auctions in 2002 (in 2001 the NBU used a discount factor as of December 31, 2001 of 12.5% per annum).

The fair value of loans to Government in foreign currency (USD) is calculated based on the discounted cash flow methodology. The discount rate of 4.56% being the average annual interest rate on the IMF credit in the period 1995–1996 (as loans to the Government in 1995–1996 were provided from the funds of the IMF credit), was used to estimate the upper fair value. The

discount rate of 9.1045%, being the market rate of the Government coupon bonds' return, was used to estimate the lower fair value as of December 31, 2002 (December 31, 2001: 12.383%).

The fair value of UAH loans granted to Government (1992–1993) was not calculated due to the uncertainty of the terms, namely there was no clarity about repayment terms and servicing fees.

The fair values of UAH denominated loans to Government (1994 – 1996) were calculated based on the discounted cash flow methodology. The NBU used a discount rate of 5.18% per annum, being the annual 2002 interest income on the interest-bearing Ukrainian Government debt securities as set by the Ukraine's Ministry of Finance to estimate the upper fair value of UAH loans to Government (the discount rate of 8% per annum being the discount rate on savings (deposit) certificates issued by the NBU as of the reporting date was used in 2001).

To estimate the lower fair value the NBU used a discount factor of 9% per annum, being the weighted average yield on the long-term Government bonds (maturing prior to 2008) sold by the Ukraine's Ministry of Finance at initial public offering auctions (the discount rate of 17% being the coupon rate set for the interest-bearing Ukrainian Government debt securities was used in 2001).

The fair value of long-term deposit with a resident bank included in "Other assets" (Note 11) was also calculated using the discounted cash flow methodology and applying the same discount rates as for loans to Government in the foreign currency.

The fair value of loans to banks and other borrowers was calculated based on discounted cash flows using market rates as of the reporting date.

The following table summarizes the carrying values and estimated fair values of those financial assets that are not presented in the NBU's balance sheet at their fair value.

	Carrying value as of December 31, 2002	2002 Estimated fair value		(in millions of Ukrainian hryvnias)		
		Upper	Lower	Carrying value as of December 31, 2001	2001 Estimated fair value	
					Upper	Lower
Government securities in foreign currency:						
Converted Ukrainian Government debt secu- rities issued in 2000, denominated in EURO	121	120	120	114	109	108
Government coupon bonds issued in 1995, denominated in USD	26	27	26	25	23	23
Total Government securities in foreign currency	147	147	146	139	132	131
Government securities in UAH:						
Interest-bearing Ukrainian Government debt securities issued in 2000	8,500	6,529	6,101	8,809	7,610	6,723
Notes of the State Treasury	395	239	208	395	190	146
Total Government securities in UAH	8,895	6,768	6,309	9,204	7,800	6,869
Loans to Government:						
In foreign currency	7,203	5,986	5,180	6,979	5,685	4,153
In UAH (1992–1993)	129	not estimated		129	not estimated	
In UAH (1994 – 1996)	3,370	2,358	1,366	3,370	1,463	454
Total loans to Government	10,522	8,344	6,546	10,478	7,148	4,607
long-term deposit with resident bank	392	378	364	591	558	506
Loans to banks and other borrowers	879	–	793	472	–	472

35. TRANSACTIONS WITH RELATED PARTIES

In accordance with the National Accounting Standards, no disclosure of transactions with related parties is required in the financial statements of state-controlled organizations in respect 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. Transactions with other related parties, other than transactions with the Government of Ukraine, which are disclosed in Note 3, and balances with other state-controlled organizations, are not material to these financial statements.

36. CONCENTRATION OF ASSETS AND LIABILITIES

As of December 31, 2002, except for the IMF quota, 41% of the total assets of the NBU (2001: 50%) consisted of receivables from and securities issued by the Government of Ukraine and 30% consisted of funds and deposits placed with the Bank for International Settlements (2001: 33%). 62% (2001: 53%) of the NBU's total liabilities as of December 31, 2002, except for promissory notes in favor of the IMF on the IMF quota, were represented by banknotes and coins in circulation and 22% (2001: 27%) were represented by liabilities to the IMF.

37. POST BALANCE SHEET EVENTS

In March 2003 the NBU transferred to the State budget a portion of income for the year 2002 amounting to UAH 80 million.

An annual interest income on interest-bearing Ukrainian Government debt securities for 2003 was set at 0%.

April 25, 2003

Kyiv, Ukraine

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INDEPENDENT AUDITORS' REPORT

*To the Members of the Council and the Board of the
National Bank of Ukraine*

1. We have audited the accompanying balance sheet of the National Bank of Ukraine (the "NBU" or "the Bank") as of December 31, 2002 and the related statements of income, cash flows and capital employed for the year then ended. The financial statements, as set out on pages 81 to 114, are the responsibility of the NBU's management and have been prepared 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. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Bank for the year ended December 31, 2001 were audited by another auditor whose report dated April 26, 2002 expressed a qualified opinion on those statements with respect to the issue described in the following paragraph.
4. In 1999 the Board of the NBU adopted the policy of creating provisions against overdue balances outstanding from commercial banks. Provisions were created over a three-year period with completion date in May 2002. Impairment expense in the statement of income for the year ended December 31, 2001 totals UAH 367 million, of which UAH 316 million relate to periods prior to the year then ended. The effect of provisioning against balances outstanding from commercial banks had it been recognized in the relevant period would be to reduce the opening balance of capital employed as at January 1, 2001 by UAH 316 million and to increase the profit available for distribution for the year ended December 31, 2001 by UAH 316 million.



5. In our opinion, except for the effect on the corresponding figures of the adjustment as described in paragraph 4, the financial statements have been properly prepared, in all material respects, to present the financial position of the NBU as of December 31, 2002, and the results of its operations, cash flows and changes in capital employed 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.
6. Without qualifying our opinion, we draw attention to Note 3 in the financial statements which states that the NBU's assets as of December 31, 2002 include amounts receivable from the Government of Ukraine amounting to UAH 19,564 million. Repayment of these amounts will depend on the health of the economy of Ukraine, the effectiveness of economic measures taken by the Government, and other factors, including legal, regulatory and political developments.

April 25, 2003
Kyiv, Ukraine

Auditor

A handwritten signature in black ink, appearing to read 'O. Denisyuk', written over a horizontal line.

O. Denisyuk

Audit certificate Б № 000141

Part 4.
TABLES

**MAIN INDICATORS OF THE ECONOMIC AND
SOCIAL SITUATION IN UKRAINE**

Indicators	1991	1992	1993	1994	1995	1996
Gross domestic product	0.3	5	148	1204	5452	81519
Growth rates versus previous year in comparable prices, %	91.3	90.1	85.8	77.1	87.8	90.0
Fixed assets	0.5	6	225	376	10865	843471
Growth rates versus previous year in comparable prices, %	103.2	102.5	102.5	100.1	99.0	99.6
Industrial output	0.33	6	177	1310	5882	73321
Growth rates versus previous year in comparable prices, %	95.2	93.6	92.0	72.7	88.0	94.9
Agricultural output	0.1	1.4	55	359	1697	26746
Growth rates versus previous year in comparable prices, %	86.8	91.7	101.5	83.5	96.4	90.5
Consumer goods production ¹	0.2	2	76	445	1938	22939
Growth rates versus previous year in comparable prices, %	94.9	90.6	84.1	75.0	82.2	82.2
Capital investment	0.05	0.9	29	228	938	12557
Growth rates versus previous year in comparable prices, %	92.9	63.1	89.7	77.5	71.5	78.0
Retail turnover	0.1	1.5	44	337	1196	17344
Growth rates versus previous year in comparable prices, %	90.3	82.0	65.0	86.4	86.1	94.9

1997	1998	1999	2000	2001	2002	Indicators
93365	102593	130442	170070	204190	220556	Gross domestic product
97.0	98.1	99.8	105.9	109.2	104.6	Growth rates versus previous year in comparable prices, %
866439	823610	837446	828822	915477	...	Fixed assets
100.2	100.8	101.3	101.0	102.4	...	Growth rates versus previous year in comparable prices, %
75061	82889	107537	144483	184276	171207	Industrial output
99.7	99.0	104.0	112.4	114.2	107.0	Growth rates versus previous year in comparable prices, %
30032	32800	37240	52550	65218	64380	Agricultural output
98.1	90.2	93.1	109.8	110.2	101.9	Growth rates versus previous year in comparable prices, %
22669	17538	20996	29762	33524	37933	Consumer goods production ¹ ,
88.1	100.0	107.2	124.5	117.7	108.4	Growth rates versus previous year in comparable prices, %
12401	13958	17552	23629	32573	...	Capital investment
91.2	106.1	100.4	114.4	120.8	...	Growth rates versus previous year in comparable prices, %
18933	19317	22151	28757	34417	39192	Retail turnover
100.2	93.4	92.9	108.1	113.7	114.8	Growth rates versus previous year in comparable prices, %

¹ In 1991–1997, at release prices; since 1998, at actual prices.

Indicators	1991	1992	1993	1994	1995	1996
Paid services rendered to individuals	0.02	0.1	4	56	370	7635
Growth rates versus previous year in comparable prices, %	73.4	78.0	77.1	96.7	67.7	85.8
Income	0.1	3	93	515	1881	14418
Growth rates versus previous year at actual prices, %	2.1 t.	23.2 t.	36.5 t.	5.5 t.	4 t.	76.7
Share of unprofitable enterprises, %	...	9.5	8.3	11.4	22.2	43.0
Average monthly nominal salary/wage of employees, from 1991 to 1995 – Ukr KRB thou	0.5	6.5	162.8	1427.7	7342.0	125.84
Growth rates versus previous year, % versus average monthly nominal salary/wage over previous year	...	13.6 t.	25.0 t.	8.8 t.	5.2 t.	171.4
versus December of previous year ⁴	...	...	...	4.2 t.	3.7 t.	121.8
Index of real average monthly salary/wage of employees, % ⁴	...	61.3	48.5	85.4	128.1	86.2
Money income of individuals	0.2	2	63	539	2650	40311
Growth rates versus previous year at actual prices, %	1.9 t.	11.6 t.	26.5 t.	8.6 t.	4.9 t.	152.1
Money expenditures and savings of individuals	0.19	2	51	475	2478	38961
Growth rates versus previous year at actual prices, %	1.8t .	9.9 t.	27.0 t.	9.3 t.	5.2 t.	157.2
Consumer price index, % ⁴	3.9 t.	21.0 t.	102.6 t.	5.0 t.	2.8 t.	139.7
Industrial producers' price index, % ⁴	2.6 t.	42.3 t.	97.7 t.	8.7 t.	2.7 t.	117.3
Unemployment rate (end of period), %	...	0.03	0.25	0.3	0.29	1.27

Continued

1997	1998	1999	2000	2001	2002	Indicators
9279	9845	11625	15766	30517 ¹	...	Paid services rendered to individuals
94.9	96.2	93.8	107.7	115.2	...	Growth rates versus previous year in comparable prices, %
13868	3419	7427	13933 ²	18741 ²	14823 ³	Income
96.2	24.7	2.2 t.	187.6	138.5	86.6	Growth rates versus previous year at actual prices, %
45.0	54.5	55.7	37.7	42.0	43	Share of unprofitable enterprises, %
143.13	153.49	177.52	230.13	311.08	376.38	Average monthly nominal salary/wage of employees, from 1996 – UAH
113.7	107.2	115.7	129.6	135.2	121.0	Growth rates versus previous year до versus average monthly nominal salary/wage over previous year
108.9	105.6	124.3	135.4	127.7	117.0	versus December of previous year ⁴
97.6	87.1	103.4	103.6	120.4	115.6	Index of real average monthly salary/wage of employees, % ⁴
50069	54379	61865	86911	109391	191946 ⁵	Money income of individuals
124.2	108.6	113.8	140.5	125.2	120.7	Growth rates versus previous year at actual prices, %
47933	53376	59518	83777	1028350	196711 ⁶	Money expenditures and savings of individuals
123.0	111.4	111.5	140.8	122.1	114.6	Growth rates versus previous year at actual prices, %
110.1	120.0	119.2	125.8	106.1	99.4	Consumer price index, % ⁴
105.0	135.3	115.7	120.8	100.9	105.7	Industrial producers' price index, % ⁴
2.33	3.69	4.30	4.22	3.68	3.8	Unemployment rate (end of period), %

¹ Rendered services.² Financial result from usual activity before taxation.³ Financial result from usual activity before taxation, according to operational data.⁴ December versus December of previous year.⁵ Income of individuals.⁶ Expenditures of individuals.

Indicators	1991	1992	1993	1994	1995	1996
Number of unemployed individuals registered by the State Service of Employment, thou persons	...	618.4	557.5	569.2	640.1	982.6
Number of citizens registered as unemployed, thou persons	...	128.0	180.9	216.0	257.7	558.5
Minimum salary/wage of individuals, end of period, from 1991 to 1996 – Ukr. KRB	...	967	13642	60000	60000	15.0
Average monthly cost of living per person, from 1991 to 1996 – Ukr. KRB thou ¹	—	—	359	2258.7	6809.5	95.0
Exports of goods and services, USD mln	...	8045	7817	16641	17090	20346
Growth rates versus previous year, %	97.2	2.1 t.	102.6	119.1
Imports of goods and services, USD mln	...	7099	9533	18007	18280	21468
Growth rates versus previous year, %	134.3	1.9 t.	101.5	117.4
long-term external debt service ratio, % ⁴	—	—	—	11.2	8.0	6.6
Gross international reserves, weeks of imports	—	—	—	1.9	3.2	4.9
in % of GDP						
Consolidated Budget revenues	...	24.4	33.5	43.5	38.0	37.1
Consolidated Budget expenditures	...	38.1	38.6	52.4	44.6	41.9
Consolidated Budget deficit	—	13.8	5.1	8.9	6.6	4.9
Current Balance of Payments	—	—	—	- 2.4	- 3.2	- 2.7

Concluded

1997	1998	1999	2000	2001	2002	Indicators
1455.2	2036.7	2475.9	2744.1	2760.2	2799.2	Number of unemployed individuals registered by the State Service of Employment, thou persons
1027.8	1588.8	2056.3	2272.1	2229.4	2236.9	Number of citizens registered as unemployed, thou persons
15.0	55.0	74.0	118.0	118.0	165	Minimum salary/wage of individuals end of period, from 1996 – UAH
76.10	84.99	128.17	156.42	315.15	317.73	Average monthly cost of living per person, from 1996 – UAH ¹
20355	17621	16332 ²	19248 ³	21086	23351	Exports of goods and services, USD mln
100.0	86.6	92.7	117.9	109.5	110.7	Growth rates versus previous year, %
21891	18828	15237	18116	20473	21494	Imports of goods and services, USD mln
102.0	86.0	80.9	118.9	114.1	105.0	Growth rates versus previous year, %
7.5	12.5	15.4	14.3	14.5	12.0	long-term external debt servicing ratio, % ⁴
5.6	2.2	3.7	4.4	7.8	10.7	Gross international reserves, weeks of imports
						in % of GDP
30.1	28.2	25.2	28.9	26.9	27.6	Consolidated Budget revenues
36.8	30.4	26.7	28.3	27.2	26.8	Consolidated Budget expenditures
6.6	2.2	1.5	0.6 ⁵	0.3	0.8 ⁵	Consolidated Budget deficit
-2.7	-3.0	3.0	3.9	3.7	7.7	Current Balance of Payments

¹ From 1993 to 2000, insufficient subsistence level for unable-bodied individuals, from 1997 to 2000, including housing subsidies.

² Excluding reciprocal payments with Russia according to the Black Sea Fleet Agreement.

³ Excluding the value of the goods handed over to Russia for repayment of debts to the Open Joint-Stock Company "Gazprom".

⁴ External debt service costs (according to schedule) pertaining to exports of goods and services.

⁵ Surplus.

According to the data of the State Statistics Committee of Ukraine, excluding data on exports and imports of goods and services, current balance of payments, external debt servicing ratio, gross international reserves calculated by the NBU since 1994 and data on unemployment, number of unemployed persons and social security calculated by the State Centre of Employment and Ministry of Labour and Social Policy of Ukraine.

BALANCE OF PAYMENTS OF UKRAINE over 2002

(USD mln)

Balance of payments items	Consolidated	CIS and Baltic countries	Rest of the world
CURRENT ACCOUNT	3173	-2363	5536
GOODS AND SERVICES (balance)	1857	-2548	4405
EXPORTS OF GOODS AND SERVICES	23351	8174	15177
IMPORTS OF GOODS AND SERVICES	-21494	-10722	-10772
GOODS (balance)	710	-4144	4854
EXPORTS OF GOODS	18669	5425	13244
IMPORTS OF GOODS	-17959	-9569	-8390
SERVICES (balance)	1147	1596	-449
EXPORTS OF SERVICES	4682	2749	1933
IMPORTS OF SERVICES	-3535	-1153	-2382
INCOME (balance)	-606	-11	-595
Drawings	163	13	150
Repayments	-769	-24	-745
CURRENT TRANSFERS (balance)	1922	196	1726
Drawings	1967	213	1754
Repayments	-45	-17	-28
CAPITAL AND FINANCIAL ACCOUNT	-2288	353	-2641
CAPITAL ACCOUNT	15	-2	17
FINANCIAL ACCOUNT	-2303	355	-2658
DIRECT INVESTMENT	698	30	668
PORTFOLIO INVESTMENT	-1716	45	-1761
OTHER INVESTMENT	-240	280	-520
Medium-term and long-term credits	266	-40	306
received	2165	136	2029
<i>including restructuring of credits*</i>	333	0	333
repaid (schedule)	-1899	-176	-1723
Short-term capital	-506	320	-826
<u>Assets</u>	-781	-21	-760
<u>Liabilities</u>	275	341	-66
RESERVE ASSETS	-1045	0	-1045
Net Errors and Omissions	-885	-	-
BALANCE	0	-	-

*Restructuring of Ukraine's external debt to the Paris Club of Creditors.

DYNAMICS OF BALANCE OF PAYMENTS OF UKRAINE

(USD mln)

Balance of payments items	1997	1998	1999	2000	2001	2002
CURRENT ACCOUNT	-1335	-1296	1658	1481	1402	3173
GOODS AND SERVICES (balance)	-1536	-1207	1821	1575	613	1857
EXPORTS OF GOODS AND SERVICES	20355	17621	17058	19522	21086	23351
IMPORTS OF GOODS AND SERVICES	-21891	-18828	-15237	-17947	-20473	-21494
GOODS (balance)	-4205	-2584	244	779	198	710
EXPORTS OF GOODS*	15418	13699	13189	15722	17091	18669
IMPORTS OF GOODS	-19623	-16283	-12945	-14943	-16893	-17959
SERVICES (balance)	2669	1377	1577	796	415	1147
EXPORTS OF SERVICES	4937	3922	3869	3800	3995	4682
IMPORTS OF SERVICES	-2268	-2545	-2292	-3004	-3580	-3535
INCOME (balance)	-644	-871	-869	-942	-667	-606
Drawings	158	122	98	143	167	163
Repayments	-802	-993	-967	-1085	-834	-769
CURRENT TRANSFERS (balance)	845	782	706	848	1456	1922
Drawings	942	868	754	967	1516	1967
Repayments	-97	-86	-48	-119	-60	-45
CAPITAL AND FINANCIAL ACCOUNT	2120	2106	-704	-1331	-1171	-2288
CAPITAL ACCOUNT	0	-3	-10	-8	3	15
FINANCIAL ACCOUNT	2120	2109	-694	-1323	-1174	-2303
DIRECT INVESTMENT	581	747	489	594	769	698
PORTFOLIO INVESTMENT	1603	47	-86	-201	-866	-1716
OTHER INVESTMENT	319	-9	-814	-1318	529	-240
Medium-term and long-term credits	1025	130	5	-1690	169	266
received	1950	1791	1805	1339	2416	2165
including restructuring of credits***	—	—	—	—	244	333
repaid (schedule)**	-925	-1661	-1800	-3029	-2247	-1899
Short-term capital	-706	-139	-819	372	360	-506
<u>Assets</u>	-1583	-1321	-2264	-449	-1015	-781
<u>Liabilities</u>	877	1182	1445	821	1375	275
RESERVE ASSETS	-383	1324	-283	-398	-1606	-1045
Net Errors and Omissions	-785	-810	-954	-150	-231	-885
BALANCE	0	0	0	0	0	0

* Including the value of the goods handed over to Russia for repayment of debt obligations:

- in 1999, to the amount of USD 726 million according to the Black Sea Agreement;

- in 2000, to the amount of USD 274 million for repayment of debts of the National Joint-Stock Company "Naftogas" to the Open Joint-Stock Company "Gasprom".

** Restructuring of Ukraine's external debt to the Paris Club of Creditors.

*** In 2000, including mutual offset of payments with the Russian Federation for repayment of the public external debt of Ukraine according to the agreement between the governments of Ukraine and the Russian Federation as of 28 May 1997.

AVAILABLE MONEY SUPPLY IN CIRCULATION IN UKRAINE AND ITS DISTRIBUTION IN 1991–1997

(end of period, UAH mln)

Indicators	1991*	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 national currency	1.4	16	206	1067	2059	2275	2918
Money supply (M1)	1.7	21	334	1860	4682	6315	9050
Time funds in national 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 held in trust	—	—	—	—	84	341	93
Money supply (M3)	—	—	—	—	6930	9364	12541
Money supply distribution							
Funds held by enterprises and organizations	0.8	15	223	1173	2117	2257	2946
including:							
<i>time deposits</i>	0.1	2	40	207	327	322	522
<i>demand funds</i>	0.7	13	183	966	1789	1868	2309
<i>others</i>	—	—	—	—	—	67	115
Funds held by households	1.5	8	159	1021	3153	5049	7830
of which savings	1.2	3	31	228	529	1008	1698
including:							
<i>time funds</i>	0.5	1	8	127	260	601	1088
<i>demand funds</i>	0.7	2	23	101	269	407	609
Savings in foreign currency	—	2	99	1021	1577	1718	1672
Clients' funds held in trust	—	—	—	—	84	341	93
including:							
<i>of legal entities</i>	—	—	—	—	83	337	85
<i>of natural persons</i>	—	—	—	—	1	4	8
Note							
Monetary base	0.4	6	269	1523	3538	4882	7058

* IMF calculations.

Concluded
(versus previous year)

Indicators	1992	1993 times	1994	1995	1996 percent	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 national currency	11	13	5	193	110	128
Money supply (M1)	12	16	6	252	135	143
Time funds in national currency and foreign exchange funds	7	33	9	160	125	125
Money supply (M2)	11	19	7	213	132	138
Clients' funds held in trust	—	—	—	—	406	27
Money supply (M3)	—	—	—	—	135	134
Money supply distribution						
Funds held by enterprises and organizations	19	14	5	180	107	131
including:						
<i>time deposits</i>	17	17	5	158	98	162
<i>demand funds</i>	19	14	5	185	104	124
<i>others</i>	—	—	—	—	—	171
Funds held by households	5	21	6	309	160	155
of which savings	2	12	7	232	191	168
including:						
<i>time funds</i>	1.2	13	16	204	231	181
<i>demand funds</i>	3	12	4	267	151	150
Savings in foreign currency	—	46	10	154	109	97
Clients' funds held in trust	—	—	—	—	406	27
including:						
<i>of legal entities</i>	—	—	—	—	406	25
<i>of natural persons</i>	—	—	—	—	667	207
Note						
Monetary base	14	45	6	232	138	145

AVAILABLE MONEY SUPPLY IN CIRCULATION IN UKRAINE AND ITS DISTRIBUTION IN 1998–2002

(end of period, UAH mln)

Indicators	1998	1999	2000	2001	2002
Available money supply in circulation					
Cash	7158	9583	12799	19465	26434
Money outside banks (M0)	7158	9583	12799	19465	26434
Funds on current accounts in national currency	3174	4511	7936	10309	13810
Money supply (M1)	10331	14094	20735	29773	40244
Time funds in national currency and foreign exchange funds	5100	7620	10655	15224	23747
Money supply (M2)	15432	21714	31390	44997	63991
Clients' funds held in trust and securities of banks' own liabilities	274	355	697	558	541
Money supply (M3)	15705	22070	32087	45555	64532
Money supply distribution					
Funds of economic entities	5213	7869	12002	14434	18592
including:					
<i>time funds:</i>	1039	1534	2685	4030	5473
in national currency	600	850	1303	2522	6557
in foreign currency	439	685	1382	1508	1816
<i>demand funds:</i>	4146	6314	9312	10398	13116
in national currency	2593	3767	6751	8291	10353
in foreign currency	1553	2546	2561	2108	2763
<i>funds held in trust:</i>	28	21	6	5	3
in national currency	23	19	6	5	3
in foreign currency	5	3	0	—	—
Funds of natural persons	10276	13903	19454	30656	45472
of which savings	3119	4319	6655	11191	19038
including:					
<i>time funds:</i>	2255	3032	4552	8033	14041
in national currency	1243	1423	2143	4371	7909
in foreign currency	1012	1608	2408	3662	6132
<i>demand funds:</i>	834	1251	2043	3071	4928
in national currency	581	744	1185	2018	3457
in foreign currency	253	507	858	1052	1470
<i>funds held in trust:</i>	30	37	60	88	70
in national currency	30	36	60	88	70
in foreign currency	—	0	0	—	—
Securities of banks' own liabilities	216	298	631	466	468
including:					
in national currency	138	110	383	292	279
in foreign currency	78	188	248	174	189
Note					
Monetary base	8625	11988	16780	23055	30808
Multiplier	1.82	1.84	1.91	1.98	2.44
Velocity of turnover	7.26	6.91	6.28	5.20	4.01

Continued

(in percent versus previous year)

Indicators	1998	1999	2000	2001	2002
Available money supply in circulation					
Cash	117	134	134	152	136
Money outside banks (M0)	117	134	134	152	136
Funds on current accounts in national currency	109	142	176	130	134
Money supply (M1)	114	136	147	144	135
Time funds in national currency and foreign exchange funds	150	149	140	143	156
Money supply (M2)	124	141	145	143	142
Clients' funds held in trust and securities of banks' own liabilities	294	130	196	80	97
Money supply (M3)	125	141	145	142	142
Money supply distribution					
Funds of economic entities	133	151	153	120	129
including:					
<i>time funds:</i>	109	148	175	150	136
in national currency	191	142	153	194	145
in foreign currency	140	156	202	109	120
<i>demand funds:</i>	139	152	147	112	126
in national currency	112	145	179	123	125
in foreign currency	231	164	101	82	131
<i>funds held in trust:</i>	33	75	28	80	66
in national currency	27	83	32	81	66
in foreign currency	—	60	3	0	—
Funds of natural persons	121	135	140	158	148
of which savings	131	138	154	168	170
including:					
<i>time funds:</i>	140	134	150	176	175
in national currency	114	114	151	204	181
in foreign currency	195	159	150	152	167
<i>demand funds:</i>	108	150	163	150	160
in national currency	95	128	159	170	171
in foreign currency	153	200	169	123	140
<i>funds held in trust:</i>	356	123	165	145	80
in national currency	375	120	165	145	80
in foreign currency	—	355	119	—	—
Securities of banks' own liabilities	—	138	212	74	100
including:					
in national currency	—	80	348	76	96
in foreign currency	—	241	132	70	108
Note					
Monetary base	122	139	140	137	134
Multiplier	102	101	104	104	123
Velocity of turnover	85	95	91	83	77

Concluded

(weight in the total money supply, percent)

Indicators	1998	1999	2000	2001	2002
Available money supply in circulation					
Cash	46	43	40	43	41
Money outside banks (M0)	46	43	40	43	41
Funds on current accounts in national currency	20	20	25	23	21
Money supply (M1)	66	64	65	65	62
Time funds in national currency and foreign exchange funds	32	35	33	33	37
Money supply (M2)	98	98	98	99	99
Clients' funds held in trust and securities of banks' own liabilities	2	2	2	1	1
Money supply (M3)	100	100	100	100	100
Money supply distribution					
Funds of economic entities	33	36	37	32	29
including:					
<i>time funds:</i>	7	7	8	9	8
in national currency	4	4	4	6	6
in foreign currency	3	3	4	3	3
<i>demand funds:</i>	26	29	29	23	20
in national currency	17	17	21	18	16
in foreign currency	10	12	8	5	4
<i>funds held in trust:</i>	0	0	0	0	0
in national currency	0	0	0	0	0
in foreign currency	0	0	0	—	0
Funds of natural persons	65	63	61	67	70
of which savings	20	20	21	25	30
including:					
<i>time funds:</i>	14	14	14	18	22
in national currency	8	6	7	10	12
in foreign currency	6	7	8	8	10
<i>demand funds:</i>	5	6	6	7	8
in national currency	4	3	4	4	5
in foreign currency	2	2	3	2	2
<i>funds held in trust:</i>	0	0	0	0	0
in national currency	0	0	0	0	0
in foreign currency	—	0	0	—	0
Securities of banks' own liabilities	1	1	2	1	1
including:					
in national currency	1	0	1	1	0
in foreign currency	0	1	1	0	0

AVAILABLE MONEY SUPPLY IN CIRCULATION IN UKRAINE AND ITS DISTRIBUTION IN 2002

(end of period, UAH mln)

Indicators	I quar- ter	I half	9 months	year	Growth rates versus year start, %			
					I quar- ter	I half	9 months	year
Available money supply in circulation								
Cash	19646	21441	23655	26434	101	110	122	136
Money outside banks (M0)	19646	21441	23655	26434	101	110	122	136
Funds on current accounts in national currency	10641	11053	12849	13810	103	107	125	134
Money supply (M1)	30287	32494	36504	40244	102	109	123	135
Time funds in national currency and foreign exchange funds	16506	18279	20779	23747	108	120	136	156
Money supply (M2)	46793	50772	57283	63991	104	113	127	142
Clients' funds held in trust and securities of banks' own liabilities	552	423	446	541	99	76	80	97
Money supply (M3)	47345	51195	57729	64532	104	112	127	142
Money supply distribution								
Funds of economic entities	14591	15049	17095	18592	101	104	118	129
including:								
<i>time funds:</i>	3942	4273	4568	5473	98	106	113	136
in national currency	2540	2855	3020	3657	101	113	120	145
in foreign currency	1402	1417	1548	1816	93	94	103	120
<i>demand funds:</i>	10645	10772	12523	13116	102	104	120	126
in national currency	8487	8531	10125	10353	102	103	122	125
in foreign currency	2158	2241	2398	2763	102	106	114	131
<i>funds held in trust:</i>	4	4	4	3	85	89	87	66
in national currency	4	4	4	3	85	89	87	66
in foreign currency	—	—	—	—	—	—	—	—
Funds of natural persons	32283	35790	40259	45472	105	117	131	148
of which savings	12637	14349	16603	19038	113	128	148	170
including:								
<i>time funds:</i>	9360	10584	12441	14041	117	132	155	175
in national currency	5234	5988	7179	7909	120	137	164	181
in foreign currency	4126	4596	5262	6132	113	126	144	167
<i>demand funds:</i>	3201	3702	4096	4928	104	121	133	160
in national currency	2154	2521	2723	3457	107	125	135	171
in foreign currency	1047	1181	1373	1470	99	112	130	140
<i>funds held in trust:</i>	77	62	66	70	88	71	76	80
in national currency	77	62	66	70	88	71	76	80
in foreign currency	—	—	—	—	—	—	—	—
Securities of banks' own liabilities	471	357	375	468	101	77	81	100
including:								
in national currency	285	227	278	279	98	78	95	96
in foreign currency	186	130	98	189	107	74	56	108
<u>Note</u>								
Monetary base	25076	26227	29158	30808	109	114	126	134

INTEREST RATES OF BANK REFINANCING BY NBU

(average weighted annual rates,%)

Period	NBU discount rate	total	Actual rate on instruments including					
			credit auctions	through tender	lombard loans	overnight credits	REPO operations	other instruments
1992	80.0*	...	—	—	—	—	—	...
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	—	16.5	—	20.4	22.0	21.0
January	27.0	—	—	—	—	—	—	—
February	27.0	—	—	—	—	—	—	—
March	25.6	—	—	—	—	—	—	—
I st quarter	26.5	—	—	—	—	—	—	—
April	21.8	24.58	—	21.0	—	24.6	—	—
May	21.0	21.0	—	21.0	—	—	—	—
June	19.7	23.3	—	—	—	23.6	22.0	—
II nd quarter	20.8	23.8	—	21.0	—	24.0	22.0	—
I st half	23.7	23.8	—	21.0	—	24.0	22.0	—
July	19.0	22.6	—	—	—	22.6	—	—
August	17.5	19.6	—	18.2	—	19.5	—	21.0
September	15.6	16.1	—	15.2	—	16.8	—	—
III rd quarter	17.4	19.0	—	15.7	—	19.2	—	21.0
9 months	21.5	21.1	—	16.0	—	21.5	22.0	21.0
October	15.0	17.6	—	17.0	—	17.7	—	—
November	15.0	17.4	—	18.0	—	17.0	—	—
December	13.2	14.7	—	15.1	—	14.7	—	—
IV th quarter	14.4	16.7	—	17.3	—	16.7	—	—
2002	9.5	9.2	—	9.2	—	10.7	11.7	8.0
January	12.5	14.9	—	14.0	—	15.0	—	—
February	12.5	14.0	—	14.0	—	—	—	—
March	11.8	12.8	—	13.0	—	—	11.7	—
I st quarter	12.3	13.9	—	13.3	—	15.0	11.7	—
April	10.2	12.0	—	12.0	—	—	—	—
May	10.0	10.1	—	10.1	—	11.0	—	—
June	10.0	10.0	—	10.0	—	11.0	—	—
II nd quarter	10.0	10.1	—	10.1	—	11.0	—	—
I st half	11.2	12.6	—	11.5	—	15.0	11.7	—
July	8.3	8.8	—	8.8	—	9.0	—	—
August	8.0	8.5	—	8.5	—	9.0	—	—
September	8.0	9.0	—	9.0	—	9.0	—	—
III rd quarter	8.1	8.8	—	8.8	—	9.0	—	—
9 months	10.1	10.2	—	9.6	—	15.0	11.7	—
October	8.0	9.7	—	9.7	—	9.0	—	—
November	8.0	8.7	—	10.0	—	9.0	—	8.0
December	7.1	8.0	—	8.0	—	8.0	—	8.0
IV th quarter	7.7	8.4	—	8.6	—	8.0	—	8.0

* As of the end of the year.

INTEREST RATES OF BANK REFINANCING BY NBU (by dates)

Date	NBU discount rate, percent
as of the end of 1992	80
1993	
from 1 March	100
from 1 May	240
1994	
from 1 July	190
from 1 August	175
from 15 August	140
from 25 October	300
from 12 December	252
1995	
from 10 March	204
from 29 March	170
from 7 April	150
from 1 May	96
from 7 June	75
from 15 July	60
from 21 August	70
from 10 October	95
from 1 December	110
1996	
from 1 January	105
from 4 March	98.0
from 26 March	90.0
from 1 April	85.0
from 8 April	75.0
from 25 April	70.0
from 22 May	63.0
from 7 June	50.0
from 1 July	40.0
1997	
from 10 January	35.0
from 8 March	25.0
from 26 May	21.0
from 8 July	18.0
from 5 August	16.0
from 1 November	17.0
from 14 November	25.0
from 24 November	35.0
1998	
from 6 February	44.0
from 18 March	41.0
from 21 May	45.0
from 29 May	51.0
from 7 July	82.0
from 21 December	60.0
1999	
from 5 April	57.0
from 28 April	50.0
from 24 May	45.0
2000	
from 1 February	35.0
from 24 March	32.0
from 10 April	29.0
from 15 August	27.0
2001	
from 10 March	25.0
from 7 April	21.0
from 11 June	19.0
from 9 August	17.0
from 10 September	15.0
from 10 December	12.5
2002	
from 11 March	11.5
from 4 April	10.0
from 5 July	8.0
from 5 December	7.0

CREDITS GRANTED BY THE NATIONAL BANK OF UKRAINE TO THE GOVERNMENT

Period	Total	including		accounted as internal state debt
		in national currency	in foreign currency	
Debts at the end of period, UAH million				
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
2002	10591	3568	7023	10591
In percent versus previous year				
1992	34 t.	34 t.	—	—
1993	7 t.	7 t.	—	106.9
1994	11 t.	11 t.	—	193.0
1995	311.4	223.0	—	713.2
1996	132.1	113.5	179.0	100.0
1997	100.2	100.0	100.5	100.0
1998	131.1	100.0	180.5	100.0
1999	127.8	100.0	152.2	100.0
2000	110.1	100.0	115.9	83 p.
2001	98.3	100.0	97.5	98.3
2002	100.4	100.0	100.6	100.4
Weight within total volume, percent				
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
2002	100.0	33.7	66.3	100.0

CREDITS GRANTED TO THE ECONOMY OF UKRAINE

Period	including								
	Total	by currencies		by kinds of credits					
		national	foreign	total	short-term		total	long-term	
					including			including	
national currency	foreign currency		in national currency	in foreign currency		in national currency	in foreign currency		
Debts at 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
2002	41199	23912	17287	29538	18270	11268	11661	5642	6019
In percent versus 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
2002	148	155	140	136	144	125	194	208	182
Weight within 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
2002	100	58.0	42.0	71.7	44.3	27.3	28.3	13.7	14.6

Note. Credits granted to the economy by banks at the stage of liquidation, as of 1 January 2003, (debts including accrued income): to legal entities – UAH 1225.5 million, to natural persons – UAH 26.2 million.

**CHANGES IN CONSUMER AND INDUSTRIAL PRODUCERS' PRICES,
NBU DISCOUNT RATE AND INTEREST RATES OF BANKS**

(in percent)

Period	Changes in price level versus previous month		Average weighted monthly interest rate		
	consumer prices	industrial producers' prices	discount rate established by the NBU	under banks credits*	under banks deposits*
2001					
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
2002					
January	1.0	- 0.4	1.0	2.5	0.8
February	- 1.4	0.7	1.0	2.4	0.8
March	- 0.7	- 0.8	1.0	2.3	0.7
April	1.4	1.2	0.9	2.3	0.7
May	- 0.3	1.5	0.8	2.2	0.7
June	- 1.8	2.2	0.8	2.1	0.7
July	- 1.5	1.0	0.7	2.1	0.7
August	- 0.2	- 0.4	0.7	2.0	0.6
September	0.2	0.3	0.7	2.0	0.6
October	0.7	0.2	0.7	1.9	0.6
November	0.7	0.2	0.7	1.9	0.5
December	1.4	0.0	0.6	1.8	0.6

*Interest rates of banks are given under credits and deposits in the national currency excluding the interbank market.

**AVERAGE WEIGHTED INTEREST RATES OF UKRAINIAN BANKS
IN NATIONAL CURRENCY**

(average weighted annual, percent)

Period	C r e d i t s									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
January	76.6	310.2	205.3	110.5	63.6	43.8	55.3	56.2	37.4	29.7
February	88.2	383.4	198.8	110.9	62.6	48.7	58.4	49.4	35.6	29.4
March	87.1	389.8	182.6	102.5	53.2	48.9	68.0	42.5	33.8	27.6
I st quarter	84.0	361.1	195.6	108.0	59.8	47.1	61.7	47.9	35.4	28.8
April	110.5	327.9	136.1	91.2	52.4	47.7	66.9	41.9	33.0	27.1
May	144.3	299.4	117.0	85.7	53.7	47.1	54.5	39.8	31.7	26.1
June	231.3	254.7	86.1	73.4	50.3	48.0	47.4	39.7	32.1	25.0
II nd quarter	162.0	294.0	113.1	83.4	52.1	47.6	54.5	40.4	32.3	26.1
I st half	123.0	327.6	154.3	95.7	56.0	47.4	57.3	43.9	33.7	27.4
July	223.3	192.5	78.8	66.2	47.0	53.0	46.5	39.0	31.1	24.9
August	204.4	151.3	73.6	63.6	42.2	57.4	50.7	35.6	31.7	24.0
September	224.2	141.6	78.5	63.2	41.6	63.8	54.3	39.7	30.6	23.5
III rd quarter	217.3	161.8	77.0	64.3	43.6	58.1	50.5	38.0	31.1	24.1
9 months	154.4	272.3	128.5	85.2	51.8	50.9	54.2	41.5	32.7	26.1
October	246.3	141.4	93.4	63.7	38.2	71.5	50.8	39.0	30.5	22.9
November	279.2	201.4	116.4	66.3	42.0	63.7	54.7	38.3	30.2	22.4
December	295.1	204.7	105.8	61.4	42.7	60.4	51.9	37.3	29.6	21.8
IV th quarter	273.5	182.5	105.2	63.8	41.0	65.2	52.5	38.1	30.1	22.3
year	221.1	201.7	107.1	77.0	49.1	54.5	53.4	40.3	31.9	24.8

Period	D e p o s i t s									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
January	62.1	224.0	158.8	56.8	23.7	19.6	22.8	21.4	11.7	10.1
February	84.9	284.8	129.4	45.1	22.5	18.4	21.3	16.7	9.3	9.2
March	70.2	328.5	118.7	44.2	20.6	18.9	27.2	13.7	8.2	8.6
I st quarter	72.4	279.1	135.6	48.7	22.3	18.9	24.1	16.9	9.6	9.3
April	83.4	329.1	95.8	32.5	19.1	19.9	22.3	12.3	11.3	8.1
May	107.6	276.2	68.1	35.8	19.3	19.8	18.5	11.9	8.6	7.8
June	162.5	220.6	44.9	32.3	17.8	22.1	20.5	11.6	13.0	8.2
II nd quarter	117.8	275.3	69.6	33.5	18.7	20.7	20.5	11.9	11.1	8.0
I st half	95.1	277.2	102.6	41.1	20.5	19.9	22.2	14.2	10.5	8.6
July	225.8	179.7	36.7	25.4	17.9	22.7	15.9	11.3	11.3	7.9
August	170.1	140.2	30.4	27.4	13.5	23.1	20.1	10.1	14.2	7.6
September	186.5	126.8	30.6	26.4	14.8	27.2	17.4	17.9	10.4	7.6
III rd quarter	194.1	148.9	32.6	26.4	15.4	24.3	17.9	13.6	12.0	7.7
9 months	128.1	234.4	79.3	36.2	18.8	21.5	20.7	13.9	11.2	8.3
October	183.0	108.1	33.4	27.5	15.5	28.5	20.0	17.6	12.7	7.0
November	231.7	146.0	42.2	26.0	15.0	27.0	21.7	10.9	10.2	6.1
December	215.8	139.5	50.9	24.2	18.9	23.6	20.7	9.2	10.8	6.9
IV th quarter	210.2	131.2	42.2	25.9	16.5	26.2	20.8	12.7	11.3	6.7
year	187.3	171.0	61.2	34.3	18.2	22.3	20.7	13.5	11.2	7.8

**OFFICIAL EXCHANGE RATE OF UKRAINIAN KARBOVANETS AGAINST FOREIGN CURRENCIES
ESTABLISHED BY THE NBU (period average)**

(Ukr KRB)

Currencies	1992	1993	1994	1995
Ist group				
1 Australian Dollar	138	2872	23684	109268
1 Austrian Shilling	20	388	2851	14641
1 Pound Sterling	346	6834	49356	232150
10 Belgian Franc	65	1467	9745	50017
1 Deutsche Mark	135	2731	20250	102886
1 Netherlands Guilder	120	2433	17886	91858
1 Danish Krone	35	691	5118	26336
100 Italian Lira	16	287	1979	9057
1 Canadian Dollar	168	3479	23158	107551
1 Norwegian Krone	33	633	4601	23271
1 US Dollar	208	4539	31700	147307
1 Finnish Markka	44	793	6378	33854
1 French Franc	40	795	5852	29564
1 Swedish Krona	35	571	4197	20777
1 Swiss Franc	150	3096	23833	124999
10 Japanese Yen	17	420	3145	15663
1 ECU	267	5270	38487	192790
10 Spanish Peseta	20	347	2413	11853
10 Greek Drachma	8	158	1318	6352
1 Irish Pound	345	6571	48477	236271
1 Icelandic Krona	3	53	460	2279
10 Portuguese Escudo	15	275	1960	9828
1 SDR	—	5259	45929	223233
IInd group				
100 Russian Ruble	—	456	1257	3244
1 Azerbaijan Manat	—	—	39	34
1000 Belarussian Ruble	—	—	3903	12745
1 Armenian Dram	—	—	215	363
1 Estonian Kroon	15	341	2531	12861
1 Kazakh Tenge	—	—	834	2390
1 Kyrgyz Som	—	—	2980	13689
1 Latvian Lats	—	5657	57384	277690
1 Lithuanian Litas	—	863	7924	36828
1 Moldovan Leu	—	—	7635	32850
1 Turkmen Manat	—	—	4124	5360
1 Uzbek Sum	—	—	1208	5040
1 Georgian Lari	—	—	—	—

**OFFICIAL EXCHANGE RATE OF HRYVNIA AGAINST FOREIGN CURRENCIES ESTABLISHED
BY THE NBU (period average)**

Currencies	(UAH)						
	1996	1997	1998	1999	2000	2001	2002
100 Australian Dollar	143.14	138.17	153.82	266.50	316.89	278.16	289.63
100 Austrian Shilling	17.29	15.29	20.00	31.93	36.55	34.98	—
100 Pound Sterling	285.64	305.08	406.89	668.45	824.99	773.94	799.84
10000 Azerbaijan Manat	4.11	4.66	6.33	10.04	12.19	11.56	10.97
1000 Belgian Franc	59.11	52.15	68.20	108.91	124.66	119.33	—
10 Belarussian Ruble	1.18	0.55	0.39	0.13	0.06	0.04	0.03
1000 Greek Drachma	7.60	6.83	8.36	13.48	14.95	14.13	—
100 Danish Krone	31.56	28.25	36.95	59.09	67.47	64.59	67.70
100 US Dollar	182.95	186.17	244.95	413.04	544.02	537.21	532.66
100 Estonian Kroon	15.20	13.45	17.59	28.08	32.14	30.76	32.15
100 Icelandic Krona	2.75	2.63	3.46	5.71	6.94	5.54	5.84
100 Irish Pound	292.76	282.72	352.14	557.85	638.53	611.20	—
1000 Spanish Peseta	14.45	12.74	16.57	26.40	30.22	28.93	—
10000 Italian Lira	11.85	10.95	14.25	22.69	25.97	24.86	—
100 Canadian Dollar	134.13	134.50	164.34	278.21	366.48	347.12	339.33
100 Kazakh Tenge	2.71	2.46	3.10	3.54	3.83	3.66	3.48
100 Latvian Lats	332.82	320.65	416.80	706.54	898.66	855.96	862.33
100 Lithuanian Litas	45.73	46.54	61.24	103.26	136.01	134.30	145.40
100 Moldovan Leu	39.84	40.26	45.94	39.43	43.77	41.80	39.27
100 Netherlands Guilder	108.56	95.62	124.81	199.37	228.20	218.43	—
100 Deutsche Mark	121.64	107.61	140.69	224.63	257.12	246.11	—
100 Norwegian Krone	28.33	26.38	32.49	52.90	61.97	59.78	67.10
100 Polish Zloty	68.02	57.18	70.13	104.42	125.53	131.24	130.60
100 Portuguese Escudo	1.19	1.07	1.37	2.19	2.51	2.40	—
10 Russian Ruble	3.58	3.22	2.87	1.67	1.94	1.84	1.70
100 Singapore Dollar	129.43	126.22	146.94	243.99	315.98	300.00	297.51
100 Slovak Koruna	5.97	5.54	6.93	10.01	11.86	11.11	11.79
10000 Turkish Lira	0.23	0.13	0.09	0.10	0.09	0.05	0.04
10000 Turkmen Manat	5.58	4.49	5.00	7.94	10.46	10.33	10.24
1000 Hungarian Forint	12.29	10.06	11.42	17.43	19.43	18.75	20.72
100 Uzbek Sum	4.64	2.86	2.57	3.31	2.59	1.35	0.70
100 Finnish Markka	39.84	35.95	46.30	73.89	84.58	80.96	—
100 French Franc	35.80	31.96	41.96	66.98	76.67	73.38	—
100 Czech Koruna	6.73	5.92	7.71	11.99	14.16	14.13	16.34
100 Swedish Krona	27.27	24.43	30.83	49.92	59.57	52.09	54.91
100 Swiss Franc	148.25	128.45	171.01	274.53	322.46	318.71	342.88
1000 Japanese Yen	16.84	15.41	19.03	36.61	50.52	44.27	42.59
100 Euro (ECU up to '99)	232.19	211.29	276.76	439.33	502.89	481.36	503.01
100 SDR	265.58	256.19	333.90	564.43	717.59	684.20	689.82

**OFFICIAL EXCHANGE RATE OF UKRAINIAN KARBOVANETS AGAINST FOREIGN CURRENCIES
ESTABLISHED BY THE NBU (end of period*)**

(Ukr KRB)

Currencies	1992	1993	1994	1995
Ist group				
1 Australian Dollar	440	8588	81040	133330
1 Austrian Shilling	56	1052	9400	17790
1 Pound Sterling	961	18797	161210	277020
10 Belgian Franc	192	3563	32190	60930
1 Deutsche Mark	394	7398	66130	125150
1 Netherlands Guilder	350	6607	59080	111800
1 Danish Krone	102	1893	16860	32310
100 Italian Lira	43	756	6350	11320
1 Canadian Dollar	503	9375	74460	131230
1 Norwegian Krone	93	1705	15150	28360
1 US Dollar	638	12610	104200	179400
1 Finnish Markka	121	2207	21790	41200
1 French Franc	116	2172	19130	36610
1 Swedish Krona	90	1514	13910	26900
1 Swiss Franc	435	8706	78330	155860
10 Japanese Yen	51	1132	10390	17410
1 ECU	771	14309	126230	235820
10 Spanish Peseta	56	902	7830	14760
10 Greek Drachma	30	516	4280	7560
1 Irish Pound	1040	17969	159130	286530
1 Icelandic Krona	—	175	1510	2760
10 Portuguese Escudo	44	724	6430	12000
1 SDR	—	17476	151140	266740
IInd group				
100 Russian Ruble	—	456	2940	3870
1 Azerbaijan Manat	—	1	50	40
1000 Belarussian Ruble	—	4	9160	15080
1 Armenian Dram	—	1	250	450
1 Estonian Kroon	49	925	8270	15640
1 Kazakh Tenge	—	1796	1720	2830
1 Kyrgyz Som	—	1566	9740	16380
1 Latvian Lats	—	21158	190490	335330
1 Lithuanian Litas	—	3231	26050	44850
1 Moldovan Leu	—	3417	24360	39520
1 Turkmen Manat	—	—	10420	70
1 Uzbek Sum	—	2	4170	5180
1 Georgian Lari	—	—	—	—

* Established at last calendar day.

**OFFICIAL EXCHANGE RATE OF HRYVNIA AGAINST FOREIGN CURRENCIES ESTABLISHED
BY THE NBU (end of period*)**

(UAH)

Currencies	1996	1997	1998	1999	2000	2001	2002
100 Australian Dollar	150.71	124.18	209.45	339.79	301.54	270.23	299.95
100 Austrian Shilling	17.27	15.06	29.12	38.08	36.75	33.94	—
100 Pound Sterling	319.13	315.99	573.15	842.90	810.26	767.39	853.84
10000 Azerbaijan Manat	4.61	4.88	8.84	11.93	11.91	11.12	10.90
1000 Belgian Franc	58.97	51.37	99.31	129.90	125.35	115.76	—
10 Belarussian Ruble	0.82	0.46	—	0.06	0.04	0.03	0.03
1000 Greek Drachma	7.64	6.72	12.17	15.87	14.84	13.70	—
100 Danish Krone	31.76	27.81	53.79	70.40	67.76	62.79	74.50
100 US Dollar	188.90	189.90	342.70	521.63	543.45	529.85	533.24
100 Estonian Kroon	15.19	13.25	25.60	33.49	32.32	29.84	35.36
100 Icelandic Krona	2.83	2.65	4.94	7.26	6.42	5.10	6.52
100 Irish Pound	316.06	273.23	508.72	665.38	642.08	592.91	—
1000 Spanish Peseta	14.42	12.52	24.08	31.49	30.39	28.06	—
10000 Italian Lira	12.36	10.78	20.69	27.06	26.12	24.12	—
100 Canadian Dollar	137.97	131.87	220.61	358.73	362.11	331.72	339.98
100 Kazakh Tenge	2.56	2.50	4.09	3.77	3.76	3.53	3.43
100 Latvian Lats	337.32	321.86	602.28	894.73	879.37	830.49	897.71
100 Lithuanian Litas	47.23	47.48	85.68	130.41	135.86	132.46	158.59
100 Moldovan Leu	40.62	40.75	41.18	45.01	43.89	40.47	38.55
100 Netherlands Guilder	108.23	94.03	181.80	237.79	229.47	211.90	—
100 Deutsche Mark	121.49	105.97	204.84	267.93	258.55	238.75	—
100 Norwegian Krone	29.30	25.81	45.33	64.88	61.42	58.73	75.73
100 Polish Zloty	66.08	54.30	98.46	126.46	131.35	133.60	138.60
100 Portuguese Escudo	1.21	1.04	2.00	2.61	2.52	2.33	—
10 Russian Ruble	3.40	3.19	1.66	1.93	1.93	1.76	1.68
100 Singapore Dollar	134.97	113.61	207.07	312.73	313.58	286.37	306.55
100 Slovak Koruna	5.94	5.50	9.39	12.32	11.51	10.92	13.24
10000 Turkish Lira	0.18	0.09	0.11	0.10	0.08	0.04	0.03
10000 Turkmen Manat	4.64	4.56	6.59	10.03	10.45	10.19	10.25
1000 Hungarian Forint	11.74	9.39	15.85	20.70	19.08	19.05	23.47
100 Uzbek Sum	3.45	2.37	3.12	3.73	1.67	0.77	0.55
100 Finnish Markka	40.65	35.02	67.38	88.14	85.05	78.54	—
100 French Franc	36.01	31.67	61.08	79.89	77.09	71.19	—
100 Czech Koruna	6.90	5.55	11.38	14.60	14.43	14.61	17.65
100 Swedish Krona	27.50	24.03	42.41	61.20	57.26	50.20	60.44
100 Swiss Franc	139.72	130.60	250.32	326.48	331.99	314.89	379.82
1000 Japanese Yen	16.29	14.66	29.71	51.01	47.30	40.49	44.46
100 Euro (ECU up to '99)	236.26	209.59	401.33	524.03	505.68	466.96	553.29
100 SDR	271.66	255.10	481.62	714.55	708.07	665.29	720.64

*Established at last calendar day.

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for 2002**

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