



ANNUAL REPORT

1999





**Mykola
ROZHKO**

Chairman of the Board

Address from the Chairman of the Board

Dear Ladies, Gentlemen and Friends!

1999 has already become history – the transition eve of human civilisation to the new centenary, a year of persistent and generally fierce quest by Ukraine towards it's original development way, the demolition of old foundations, and the implementations of structural alteration in the economy of our state.

It was a year of intensive work, improvement and renovation for the staff of our commercial bank “Kreditprombank”. The Bank has succeeded in it's realisation of practically all it's strategic tasks, despite difficulties within the transition period, and the complicated economic and financial situation in Ukraine.

Statutory fund was considerably increased, and the Bank has become a part of a powerful financial-industrial group, obtaining new possibilities to increase its potential further, and to approach the international financial markets. The number of the Bank's customers as well as funds turnover on their accounts has increased.

Defining one of the main directions of it's activity as a supporter of domestic production, Kreditprombank works constantly on raising it's reliability and stability, creating modern banking technologies, improving it's quality and extension of services. It didn't breach any of the economic standards of activity determined by the National bank of Ukraine during the financial year. This is why the partners of our Bank are major enterprises of leading industries including fuel-energy, metallurgical and machine-building complexes of Ukraine which trust their capitals to us. This is the best appraisal of our work and we value it.

The Bank was comprehensively audited by the National bank of Ukraine last year and gained a high rating mark. The Bank was as well audited by Ukrainian and international auditor firms.



In accordance with the results of the past year the Bank has become a laureate of the Internationally opened Rating of popularity and goods and services' quality "GOLDEN FORTUNE" being nominated "For the financial support of national commodity producers". It certainly joins the group of leading Ukrainian banks.

Kreditprombank's activity includes the preservation and development of the spiritual basis within the life of our Ukrainian nation. It renders assistance to the Ukrainian Orthodox Church which, according to our deepest belief, has the mission of regenerating our Ukrainian nation. We will also materially support the preservation of national sanctities, create facilities with the purpose of not allowing the poverty within the of spiritual and intellectual life in Ukraine from now on.

Today Kreditprombank – is a serious, reliable and dynamically developing universal bank, which confirms it's ability to work effectively in unstable macroeconomic situations.

Hence, the positive results of the previous year – are only the basis for new prospective achievements.

On behalf of the Board of the Bank I cordially thank you dear participants, business partners and customers of the Bank for your support, trust and fruitful co-operation. I am sure that together we will reach new heights in our development, and create a deserving contribution to the prosperity of our Motherland.



Mykola Rozhko

FINANCIAL STATEMENTS

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Balance report

(thousand of UAH)

Row	Name of article	31.12.1999	31.12.1998
ASSETS			
1.	Funds and balances with the National bank of Ukraine (NBU)	24 826	14 946
2.	Treasury and other securities refinanced by the National bank of Ukraine, securities issued by the National bank of Ukraine		2 475
3.	Loans and advances to banks	104 460	34 433
4.	Securities for sale	7 228	
5.	Loans and advances to customers	166 064	93 898
6.	Investment securities	8 582	
7.	Investments in associates	615	62
8.	Fixed and intangible assets	5 096	1 511
9.	Net outstanding income from derivative financial instruments	-	-
10.	Accrued income receivable	1 303	2 004
11.	Other assets	18 085	3 746
12.	Total Assets	336 259	153 075

LIABILITIES

13.	Amounts owed to credit institutions	161 241	63 730
14.	Amounts owed to customers	81 465	47 946
15.	Other deposits	358	
16.	Securities of debt issued by the bank	1 676	
17.	Net outstanding expenses from derivative financial instruments	-	-
18.	Accrued expenses payable	10 700	5 002
19.	Other liabilities	2 342	2 198
20.	Total Liabilities	257 782	118 876

OWN CAPITAL

21.	Statutory capital	59 000	20 971
22.	Capitalised dividends	-	-
23.	Shares bought from shareholders	-	-
24.	Emission differences	1 680	268
25.	Reserves	11 242	796
26.	Reappraisal of fixed assets	-	-
27.	Retained earnings	6 555	12 164
28.	Total Own capital	78 477	34 199
	Total Capital and Liabilities	336 259	153 075



Profit and Loss statement

Articles		(thousand of UAH)	
		1999	1998
1.1	Interest income	34 139	24 713
1.2	Interest expenses	20 049	12 542
1	Net Interest Income	14 090	12 171
2.1	Commission income	12 368	4 802
2.2	Commission expenses	2 138	758
2	Net commission income	10 230	4 044
3	Dividend income	-	-
4	Net trading income	13 069	16 981
5	Losses on investment securities	317	-
6	Profit on long-term investments to associated an daughter companies and other investments	-	-
7	Other operating income	201	174
8	Operating income	37 273	33 370
9	Administrative expenses	8 771	5 390
10	Personnel expenses	2 100	2 006
11	Operational profit	26 402	25 974
12	Expenses on doubtful and hopeless debts	15 521	8 085
13	Profit before Taxes	10 881	17 889
14	Profit tax paid	4 320	5 668
15	Profit after Taxes	6 561	12 221
16	Unforeseen expenses	6	57
17	Net profit of the Bank	6 555	12 164



Statements of Cash Flows

Row Name	1999	1998
		(thousand of UAH)
Cash Flows from Operating Activities		
1 Net profit (loss)	6 555	12 164
Corrections of net profit		
2 Accrued expenses	5 683	4 937
3 Accrued income	701	-1 152
4 Depreciation of fixed assets	682	280
5 Reserves for doubtful debts, depreciation of assets	15 521	8 108
6 Trading result	-202	
7 Accrued and deferred tax	-419	571
8 Profit (loss) from sale of investments	318	
9 Profit from long-term investments to associated companies		
10 Depreciation of discount and premiums of securities		
11 Other non-monetary cash flows	1 719	
12 Net monetary income on current bank's operations	30 558	24 908
13 Decrease (Increase) in loans and advances to banks	-38 570	279
14 Decrease (Increase) in credits to customers	-100 497	-66 316
15 Decrease (Increase) in other assets	-464	-947
16 Increase (Decrease) of funds received from the NBU		
17 Increase (Decrease) in funds of other banks	97 511	30 459
18 Increase (Decrease) in current and deposit accounts	31 235	35 954
19 Increase (Decrease) in other liabilities	-845	-1 814
20 Sale (Purchase) of securities in bank's portfolio for sale	-7 026	13 615
21 Net Increase (Decrease) in assets and liabilities from operating activity	-18 656	11 230
22 Net Inflow (Outflow) of cash provided by operating activities	11 902	36 138
Investing activities		
23 Sale (Purchase) of investment securities	-6 424	-2 475
24 Decrease (Increase) in investments to associates	-553	-62
25 Decrease (increase) of investments to daughter agencies		
25 Decrease (Increase) in fixed and intangible assets	-5 091	-1 576
26 Net Inflow (Outflow) of cash provided by investing activities	-12 068	-4 113
Financing activities		
27 Increase (Decrease) in personal debt securities	2 034	
28 Increase (Decrease) in subordinated obligations		
29 Increase (Decrease) in paid-in equity capital	39 441	7 080
30 Dividends paid during period of report	-	-
31 Net cash provided by financing activities	41 475	7 080
32 Net Increase (Decrease) in cash and cash equivalents	41 309	39 105
33 Cash and cash equivalents at beginning of year	45 816	6 711
34 Cash and cash equivalents at end of year	87 125	45 816



Statement of changes in Own Capital during 1999

(thousand of UAH)

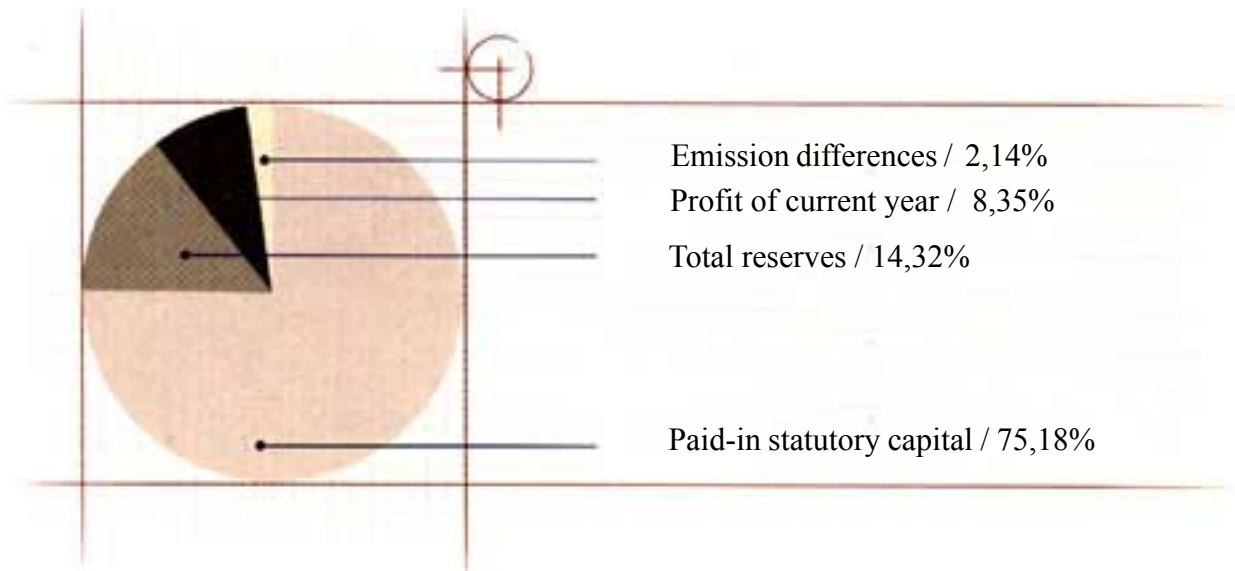
Row	Name of the article	Statutory capital, registered, paid-in	Emission differences	Reserves	Retained profit	Capital and Reserve funds, total
1		2	3	4	5	6
1	Balance as of 1 January 1999	20 971	268	796	12 164	34 199
2	Net profit	-	-	-	6 555	6 555
3	Allotment to the total reserves of bank	-	-	8 728	-8 728	-
4	Allotment to the reserve funds	-	-	1 718	-1 718	-
5	Registration of new emissions's shares (on amount of contribution)	38 029	1 412	-	-	39 441
6	Allocations according to the terms of statutory documents	-	-	-	-1 718	-1 718
7	Balance of 1 January 2000	59 000	1 680	11 242	6 555	78 477



Structure of the Capital

(thousand of UAH)

	31.12.1999	31.12.1998
Paid-in statutory capital	59 000	20 971
Emission differences	1 680	268
Total reserves	11 242	796
Profit of current year	6 555	12 164
Aggregate Capital	78 477	34 199



Estimating indicators for 1999

Name of indicator

Economic indicators as of 31.12.1999

1	Profit after taxation (net profit), (thousand of UAH)	6 555
2	Capital, (thousand of UAH)	78 477
3	Insurance and reserve funds, (thousand of UAH)	40 147

Profitability indicators for 1999

1	Net interest margin	5,76%
2	Net operating margin	15,23%
3	Assets' efficiency (ROA)	2,68%
4	Capital's efficiency (ROE)	11,64%

Average liquidity indicators for 1999

1	Instantaneous liquidity ratio (N5>20%)	138,19%
2	Overall liquidity ratio (N6>100%)	124,70%
3	Ratio of high liquidity to workable assets (H7>20%)	28,69%



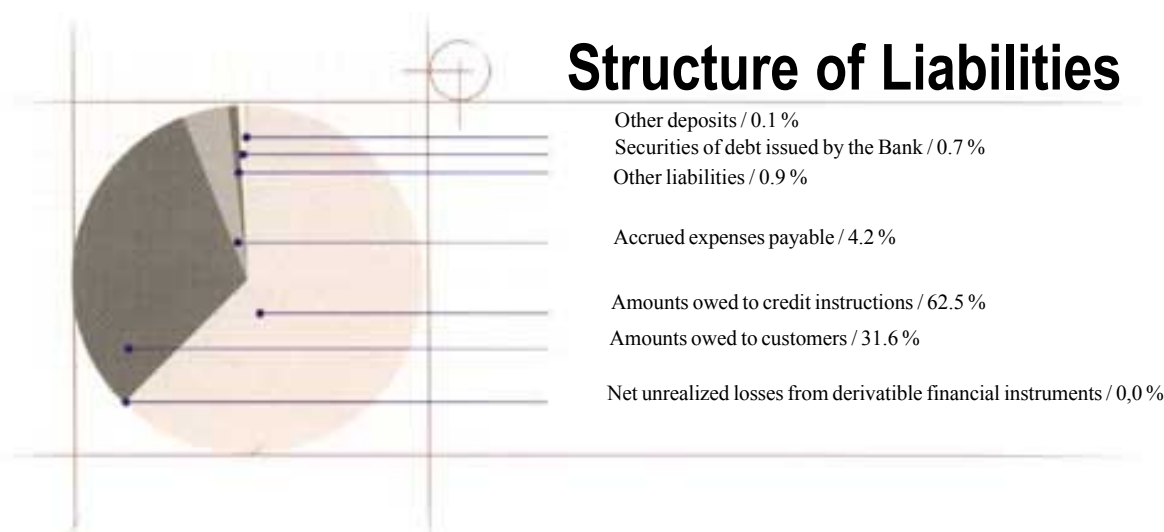
Comments to the tables with basic indicators

The Total Assets accrued by Kreditprombank were 336,6 mln. UAH as of 1st January 2000. This shows an increase of 183,2 mln. UAH during the year under review (growth of 119,7%).

The Liabilities of Kreditprombank consist of its own capital of 30%. The Bank's Own capital was increased considerably in 1999. It was 78,5 mln. UAH at the end of the year (growth of 44,3 mln. UAH or 129,5%). Such an increase was reached because of the Statutory fund's and Net profit's growth of 38,0 mln. UAH and 6,6 mln. UAH accordingly during the report period.

Intensive changes happened to the volume and structure of the Bank's Liabilities during the year. Liabilities have been increased by 139,8 mln. UAH during the year and amounted to 257,8 mln. UAH at the end of the year.

Amounts owed to credit institutions amounted to 161,2 mln. UAH or 63% of the structure of liabilities. Growth of the remainders of the above mentioned accounts is 97,5 mln. UAH. The funds on customer accounts has increased by 33,6 mln. during 1999 and amounted to 81,5 mln. UAH as of 01.01.2000. The remainders on the legal and physical entities' deposit accounts have increased by 27,8 mln. UAH. Net assets have reached 317,2 mln. UAH at the end of 1999. The annual increase is 169,7 mln. UAH.

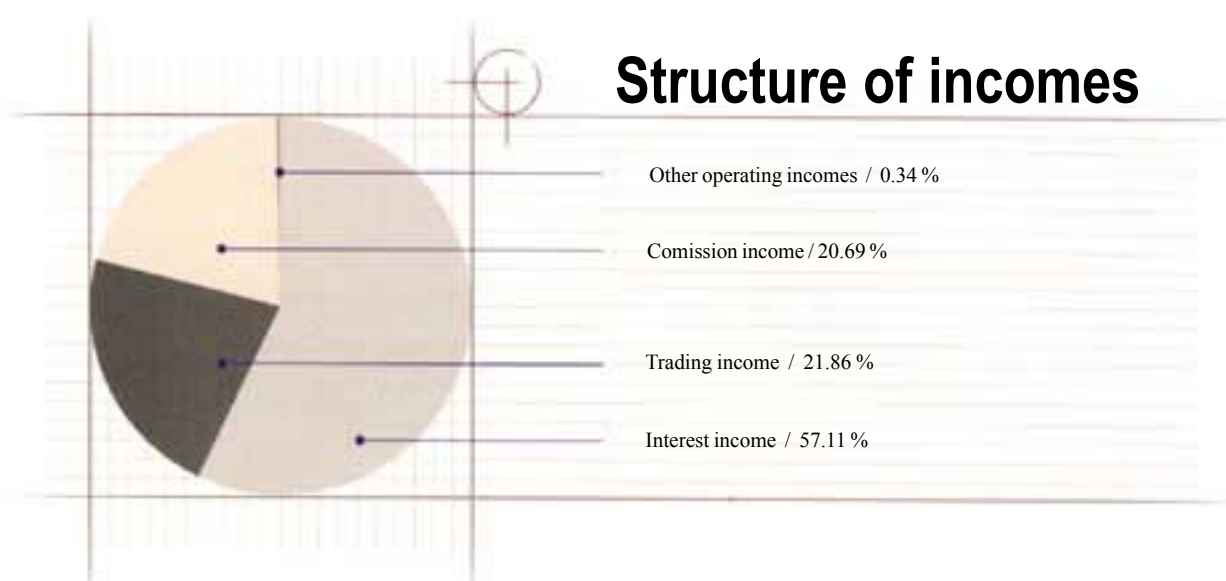


With the purpose of maintaining the sufficiency of liquidity and solvency ratios, the Bank has accrued the volume of high-liquidity assets up to 99,9 mln. UAH, which is more than 52,5 mln. UAH in comparison with the beginning of the year.

The Assets of the Bank are composed of credit contributions of 49,4%. The amount of credits granted to direct borrowers was increased by 76,9% during 1999 and amounts to 72,2 mln. UAH in total.

The total credit-investment portfolio of the Bank amounts to 224 mln. UAH where 74,1% refer directly to borrower's credits, 7,1% – investment into securities and 18,8% - interbank credits.

The credit portfolio of the Bank consists of commercial credits with a total quantity of 65,2%. The general part of the investments is concentrated in production and industrial spheres – 66,8% of all credits. The Bank continues to increase the volume of credits within the industrial economic sector which is considered to be the Bank's main targeted area.



Capital's investments to associates of Kreditprombank amounted to 614,7 thousand of UAH (growth per year – 553 thousand of UAH).

The remainder of loans and advances to banks was increased by three times this year. They amounted to 104,5 mln. UAH at the end of 1999. Fixed and intangible assets have been increased to 3,6 mln. UAH.

The Interest income amounted to 57% or 34,1 mln. UAH within the structure of total incomes in accordance with the results of 1999. Interests received from credits granted to the entities of economic activity have amounted to 28,5 mln. UAH, from interbank operations - 3,6 mln. UAH, and from investments to securities – 2,0 mln. UAH.

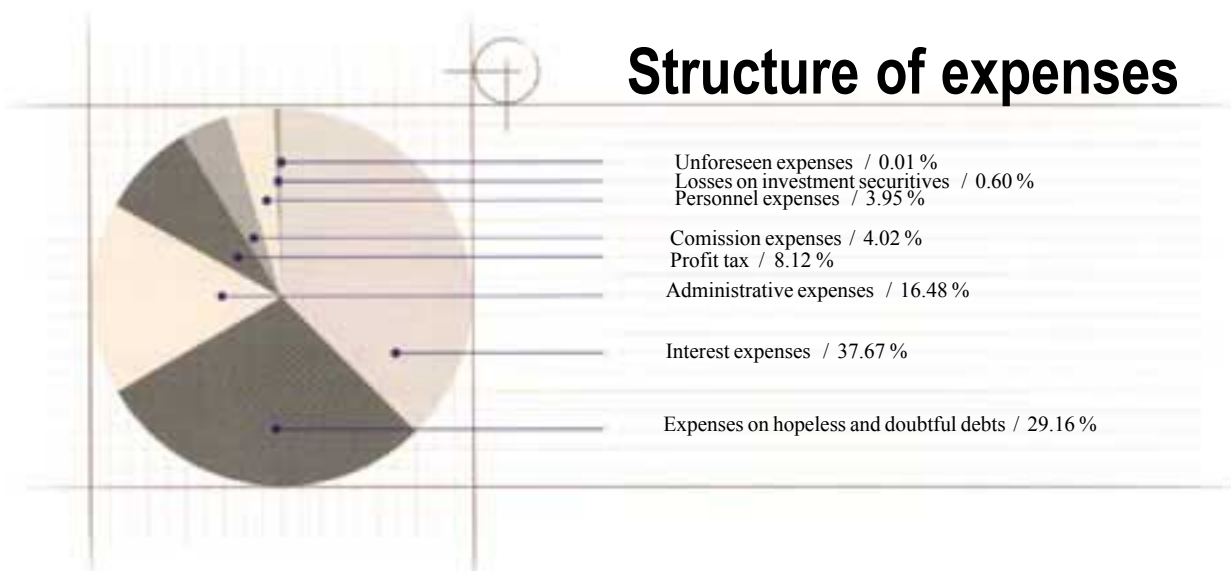
The Bank's personnel and administrative expenses amounted to 10,9 mln. UAH in 1999.

The Bank has formed insurance and reserve funds to the amount of 40,2 mln. UAH.

The operating income of Kreditprombank amounted to 37,3 mln. UAH during the

year of report. Net interest income was 14,1 mln. UAH, net trading income – 13,1 mln. UAH. Net commission income was increased more than 2,2 times in comparison with 1998 and amounted to 10,2 mln. UAH in 1999. Substantial changes have occurred in the structure of the operating income. The specific weight of commission income has been increased from 12,1% to 27,4%, net interest income amounted to 37,8%, net trading income – 35%.

Profit before taxes amounted to 10,9 mln. UAH in 1999. Profit tax paid – 4,3 mln. UAH. The net profit of Kreditprombank in 1999 - 6,6 mln. UAH.



Capital profitability amounted to 11,6%, assets' profitability – 2,7%; Net inflow in operating and financing activities amounted to 11,9 mln. UAH and 41,5 mln. UAH accordingly, net outflow in investing activity - 12,1 mln. UAH. The total increase of cash and cash equivalents was 41,3 mln. UAH during 1999.

Kreditprombank has successfully achieved the complex rating check-out procedure of the National bank of Ukraine at the end of 1999 on the CAMEL system and received the high mark for its activity.

Kreditprombank has maintained all of the obligatory economic standards during the year. The average weighted values of basic economic standards for 1999 were:

- Value of solvency standard, which defines the ability of the Bank to accomplish it's obligations over time and which whole volume is 22,2% under the standard amount and not less than 8%. Lowest value during the year – 15,5%;
- Sufficiency of capital – the ability of the Bank to protect its creditors

and investors from unforeseen losses which the Bank can bear during its activities. Average weighted value is 22,2% under the standard and not less than 4%. Lowest value during the year – 15,3%;

- Instantaneous liquidity – the Bank’s ability to perform its obligations at any moment. Average value - 138,2% under the standard and not less than 20%. Lowest value during the year – 70,6%;
- Overall liquidity – estimation of the Bank’s balance with regard to it’s possibility to accomplish obligations within time. Average value - 124,7% under the standard and not less than 100%. Lowest value during the year – 108,7%;

Ratio of high liquidity workable assets is 28.7 % under the standard and not less than 15%. Lowest value during the year – 17,9%.

AUDITOR'S REPORT



License series AB N000084
dated 10th March 1998

A U D I T O R F I R M

Building 2, 1 Fizkultury str., Kyiv, 252680, Ukraine Tel.: (044) 227-23-02

AUDITOR'S REPORT

made by independent audit firm "APiK"

To the Board of
Commercial Bank "Kreditprombank"

In compliance with agreement dated 29th June 1999 audit firm "APiK" have carried out audit of consolidated balance sheet of Commercial Bank "Kreditprombank" (hereinafter referred to as "Bank") as of 1st January 2000, statement on profit and loss, statement on changes in own capital, statement of cash flows for 1999 which were presented.

Inspection was carried out basing upon results on operations taken place during the period since 1 January till 31 December 1999. Management of the Bank bears responsibility for mentioned financial accounting. Our obligation is to make a report concerning this financial accounting on the base of audit which has taken place.

We have conducted our inspection in compliance with requirements of the Law of Ukraine "On audit activity" and National audit standards in Ukraine. These standards require to plan and conduct audit in a way which allows to obtain reasonable confirmations that there are no substantial errors in financial accounting. Audit firm has used principle of information's selective inspection and took into consideration during inspection only substantial errors.

At the time of audit the examination was done through analysis of proofs on substantiation of amounts and information which were represented in financial statement. As well as applied accounting principles were esteemed with the purpose to check their conformity to regulatory requirements on organization of accounting and reporting in Ukraine, which were valid during inspection. In our opinion, the audit inspection, which has taken place, ensures reasonable base for auditor's report.

We confirm that information which was presented provides with true and complete view on real composition of assets and liabilities of inspected entity. Economic and financial activity is carried out in compliance with present legislation. Adopted system of accounting conforms to legislative and regulatory requirements in all substantial aspects. Financial accounting corresponds to data of analytical and compositive accounting as of 1st January 2000.

President of the Firm

T. Bernatovich

building 2, 1 Fizkultury str., Kyiv
License N000084 series AB
12.04.2000



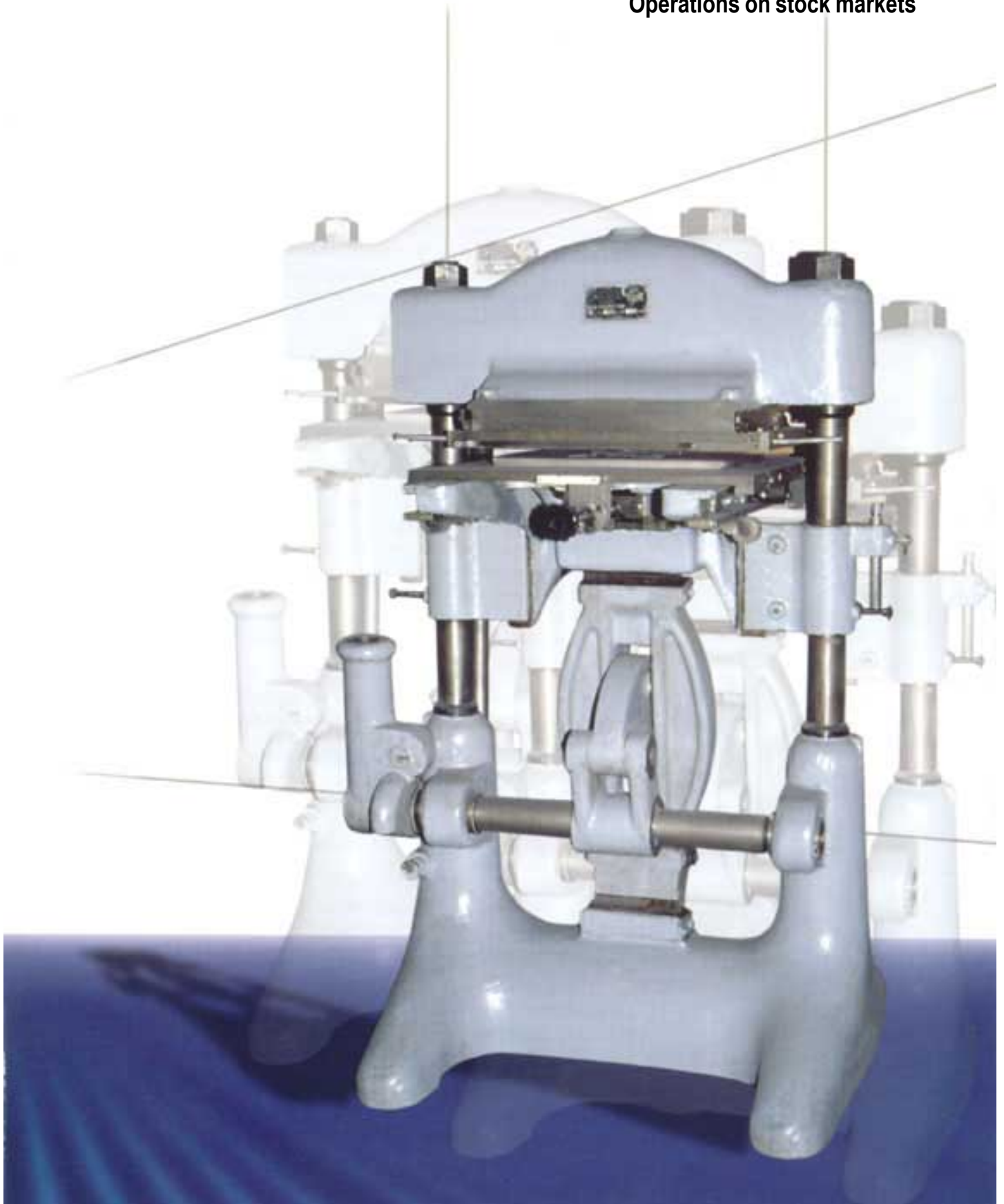
DEVELOPMENT OF CORPORATE BUSINESS

Development of business with corporate customers

Credit policy

Development of retail business

Operations on stock markets



DEVELOPMENT OF BUSINESS WITH CORPORATE CUSTOMERS

The last year's changes within the Ukrainian banking system, primarily – the increase of the quantity of powerful banks and the improvement of their work sharpens competition for the right to service the biggest and financially stable enterprises. Today the bank wins which actively delivers and sells its products to customers and is not waiting for the customer's application to the bank. This constantly forces Kreditprombank to focus its activity on customers' needs, to improve it's quality of services and to enlarge their spectrum.

Kreditprombank's business is based upon the strengthening and development of mutually beneficial co-operation with enterprises from the industrial sector of Ukrainian economy. This caused that the search for new perspective customers and their further service is still vital to the Bank.

Metallurgical, oil-gas, energy, military, food, chemical and pharmaceutical industries, communication and telecommunication, consumer goods and transport industries are of a high priority for the bank from the point of servicing, granting credits and investments.

Today Kreditprombank is a universal commercial bank which already has it's own structure of corporate clients.

Our customers are largest industrial Ukrainian enterprises: Motor-Sich, Zaporozhskiy Metallurgical Plant, Donetskii Metallurgical Plant, Nijnedneprovskiy Tube-Rolling Mill, Concern AVK, Kievskaya Confectionery Factory of K.Marx, Kharkiv Adipose Plant, Vinnitsa-Meat, Nemiroff, Itera-Ukraine, Concern "Energo", Yasinovskiy Coke-Chemical Plant.

Dynamics in increase of customers' quantity

01.01.98	01.01.99	01.01.00
100.00%	192.88%	273.84%

Quantity of enterprises from different industries which are the Bank's customers was increased by almost two times during 1999.

Business with customers is built upon the base of constant personal contact with each client, determination of the client's needs in banking products, quick and welltimed reaction to its needs related to the Bank's activity. Thus, the profitability and perceptiveness of customers is constantly analyzed and monitored with the purpose to promote them to VIP category.

The system of personal financial managers with an all-inclusive service to VIP customers was implemented in the Bank during 1999.

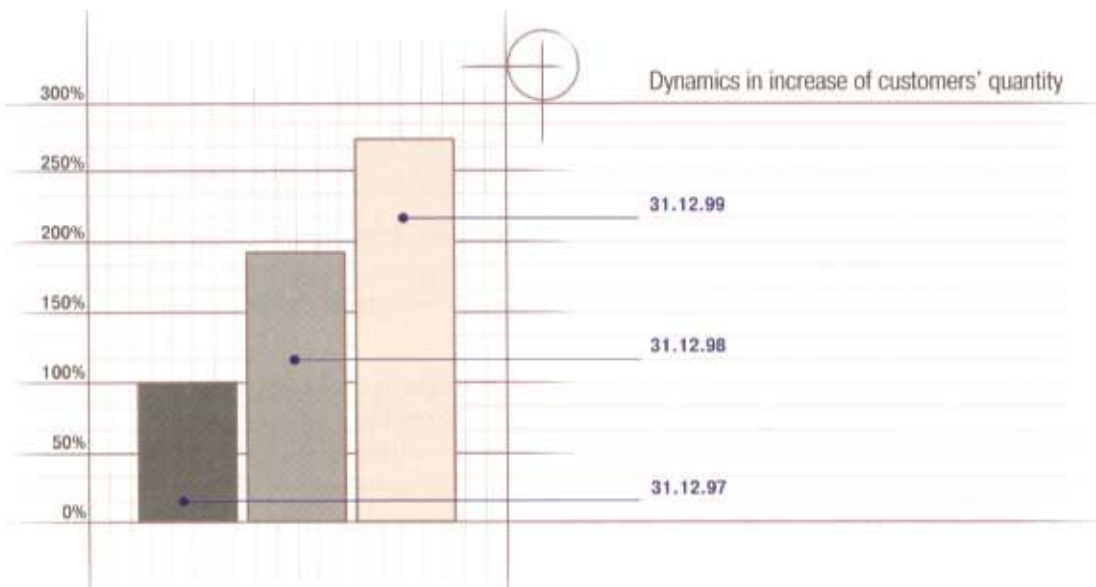
Krediprombank is going to essentially enlarge its customer base and increase it's balance of enterprise accounts for industries which are of a high priority to the Bank in 2000. As well as this Bank is going to actively attract medium sized customers, bearing in mind that this group have most stable balances on their accounts.



There is a department for carrying out the complex banking products and debt obligations created within the Bank.

Establishment of holding is one of the most important element of the Bank's investment policy. Today Krediprombank's holding includes a leasing company, an insurance company, and a trading house. Holding's enterprises can offer their customers a wide range of services including but not limited to: solving problems with shortage of financial resources which are necessary in their financial and economic activity, to increase of production potential as well as to minimise risks in their commercial activity.

Special attention is given by Krediprombank to investment activities within economic priority industries. In 2000 the Bank plans to participate in experimental economic zones through direct credits to the entities of these zones on short and medium-term projects either through its own resources or with international credit lines, as well as granting guarantees to foreign investors during the execution of investment projects.



CREDIT POLICY

During 1999 Kreditprombank has continued it's active policy within the sphere of credits to entities of economic activity.

Indebtedness on credits granted to enterprises and organizations was increased by 2,1 times during the year of report.

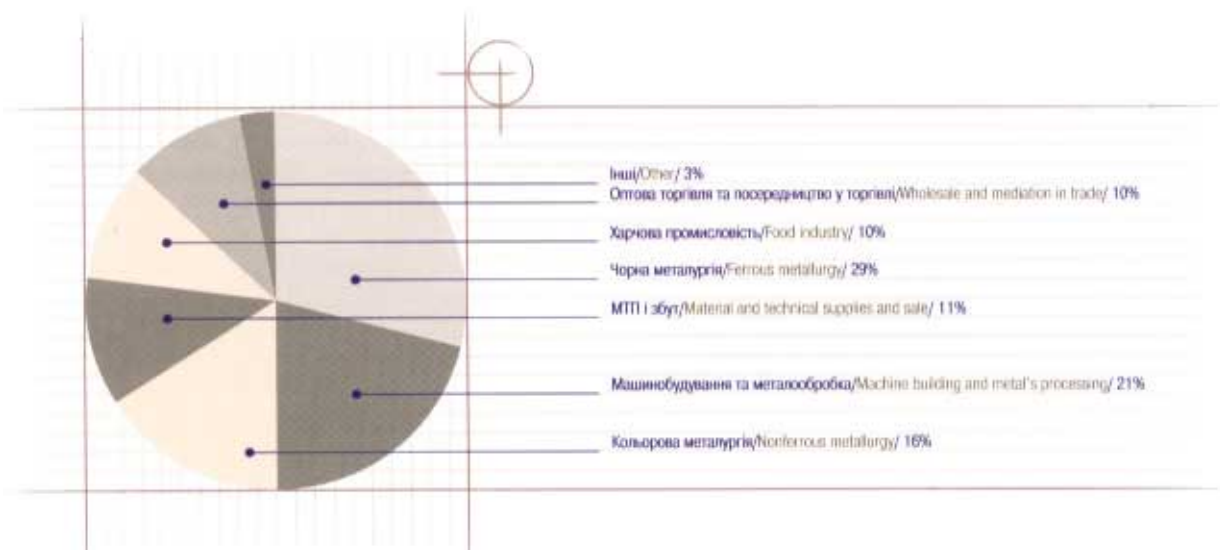
The total volume of credits granted by the Bank during last year was 442,1 mln. UAH, 192,8 mln. USD, 1,2 mln. DEM, and 1486,6 mln. RUR.

The principle priority of the industrial sector's crediting was based upon Kreditprombank's credit policy in 1999, in particular industries such as ferrous and non-ferrous metallurgy, machine building, food etc.

In 1999 Kreditprombank's borrowers were represented by leading enterprises in their respective industries, namely: JSC "Donetskiy Metallurgical Plant", JSC "Nijnedneprovskiy Tube-Rolling Plant", JSC "Zaporojskiy Aluminum Plant", JSC "Nikolaevskiy Alumina Plant", Industrial Association "Titanium", JSC "Motor Sich", confectionery factories of Concern "A.V.K.", ZAO "Kharkiv Adipose Mill", JSC "Vinnitsa-Meat", Concern "Energo", Yasinovskiy Coke-Chemical Plant, etc.

Kreditprombank is characterised by it's stringent estimation of credit risks based upon international standards and, accordingly, conservative policy in it's creation of fund reserves for covering possible losses.

The credit policy of the Bank in 2000 will be directed to further diversification of the credit portfolio of targeted industries, the execution of paper credit programmes as well as participation in the programmes of international financial and credit institutions and foreign investors.



DEVELOPMENT OF RETAIL BUSINESS

The Bank has accomplished its goal during the year of report in obtain a leading position among Ukrainian banks based upon its quality and volume of services which are granted to private customers. This was done together with the solution of tasks on the increase of balances on physical entity accounts, the volume of income from operations with individual persons and the increase of the customer base.

Kreditprombank has won good trust from a large quantity of individual clients in 1999. As a result of this the quantity of depositors and amount of balances on their current and deposit accounts has been considerably increased. Kreditprombank has increased its total volume of individual deposits by more than two times (from 22,9 mln. UAH to 51,2 mln. UAH) in a highly complicated competitive conditions. Kreditprombank has obtained the position of number twelve among all of the Ukrainian banks based upon the amount of funds attracted from the general public in 1999.

Kreditprombank is a participant of the Guarantee Fund on deposits of physical entities.

Commission income has also been increased during the year of report from other operations with individual clients, namely:

- the reception and sending of payments including public;
- opening and the service of current accounts in national and foreign currencies;
- the reception and sending of money transfers including personal ones within the international payment system WESTERN UNION;
- operations with travel and commercial cheques (Thomas Cook, American Express);
- payments of advances on plastic cards of international payment systems VISA, EUROPAY;
- exchange and conversion operations.

Kreditprombank endeavours to service its customers qualitatively and operatively. The automatic system of private customer servicing was modernised in 1999 with the purpose of achieving an international level of banking standards. New technologies were implemented in the spheres of document turnover and the automatization of different operations.

The Bank plans to enlarge its spectrum of retail products in 2000, namely: consumer credits against a pledge, issuance of local and international plastic cards, implementation of salary projects, opening and service of code accounts, giving in rent of depository cells, etc.



OPERATIONS ON STOCK MARKETS

1999 was not the best year for operations with public securities. The risk of investing to public securities was high, and low profitability of the last caused a shortage of secondary market for these papers.

Kreditprombank has endeavoured to perform an active policy in attracting new customers to operations with public securities. However non-resident customers did not come to the Ukrainian stock market as was anticipated in 1999. On the contrary, there was an outflow of residents from the stock market and non-residents have left the public securities' market.

The volume of operations with public securities in 1999 was more than half in comparison with the previous year and amounted only to 19,4 mln. UAH. Nevertheless there was a purchase of short-term deposit certificates of the National bank of Ukraine in such a situation. This allowed the Bank to receive an additional income of 80 % per year.

The Bank has actively worked on the debt securities market to counterbalance inactive (however absolutely adequate) business on public and corporate securities' market.

Bills of financially stable enterprises were given priority in this market's segment. The volume of operations for the accounting of own funds have been increased by 60% and amounted to 67 mln. UAH as of the end of 1999.

Kreditprombank actively used the scheme of bills' guarantee for the execution of payments on foreign economic operations during its activity with debt securities, and priority was given to the Bank's customers.

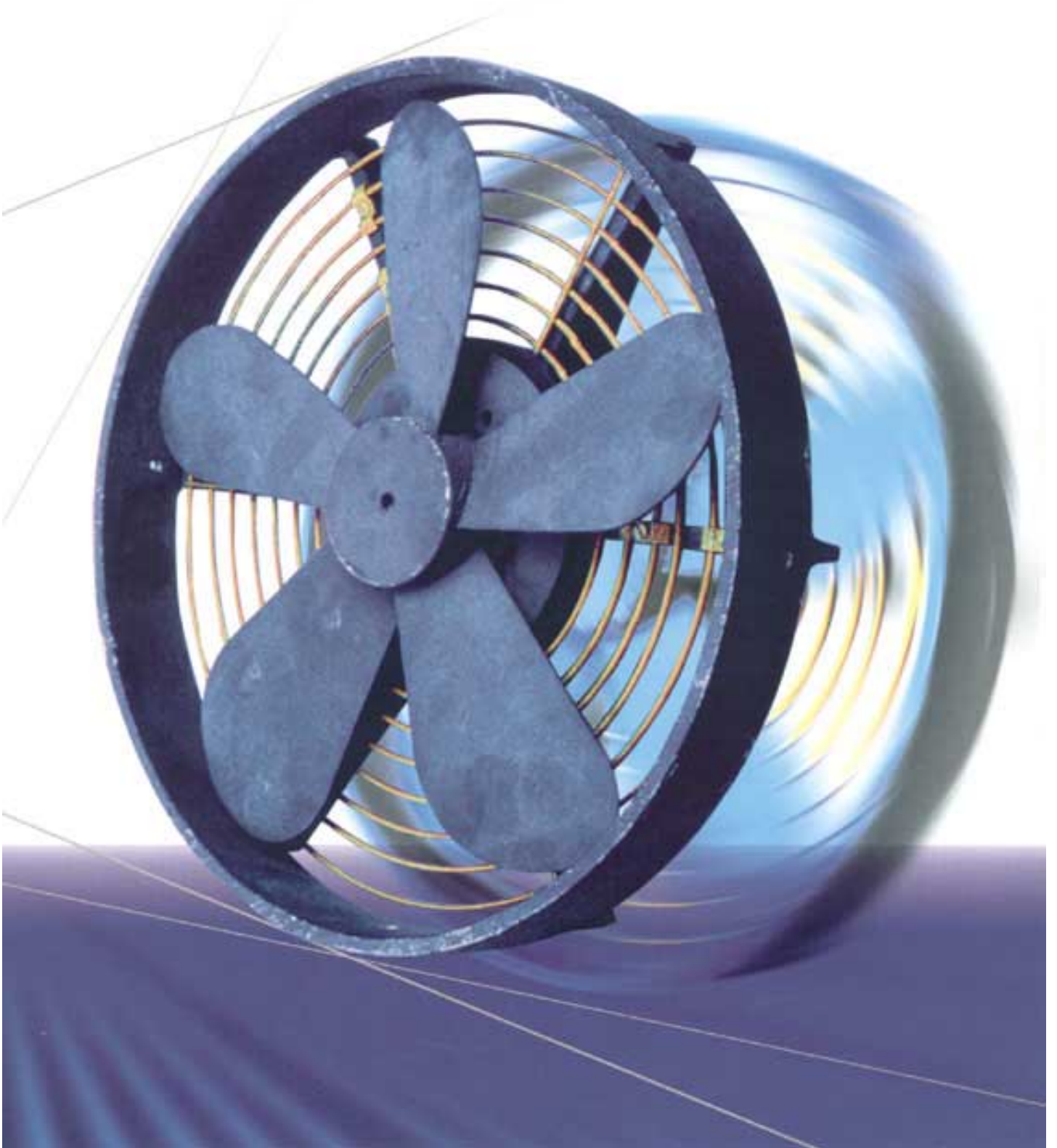
The Bank has performed operations on bills' domiciliation with the purpose of improving the payment mechanism between enterprises (Bank was payer of customers' bills). The volume of such operation amounted to 2,2 mln. UAH.

Kreditprombank has issued it's own financial bills in 1999 with the purpose of accumulating free funds of enterprises and their crediting without diversion of funds. With this the Bank additionally attracted 6,2 mln. UAH.

Kreditprombank is authorised to work with bills of exchange issued by the Pension fund of Ukraine. Bills guaranteed by the Bank are accepted by Customs Service under deferred payment of import VAT (except the import of combustible and lubricant materials), credits against the pledge of own bills of the Bank can be granted at rates less than the refinancing rate of the National bank of Ukraine.



DEVELOPMENT OF INTERNATIONAL BUSINESS



DEVELOPMENT OF INTERNATIONAL BUSINESS

Kreditprombank opened and kept correspondent “Loro” and “Nostro” accounts, executed payments in foreign currencies by the order of the Bank’s customers, payments of correspondent banks in national and foreign currencies as well as conducting documentary operations during 1999. Kreditprombank has established correspondent relations with 28 foreign banks located in 15 countries and with 15 Ukrainian banks. This allows the Bank to operate in different regions of the world.

Kreditprombank continued working on the settlement bank concept during the year of report. One of the most important development aspects’ is the extension of co-operation with financial institutions on the basis of favourable service’s conditions.

In 1999 Kreditprombank opened correspondent accounts with the world’s largest banks, namely ABN AMRO, Deutsche Bank, Commerzbank, ING Bank, Bank Bruxelles Lambert. Taking into consideration customers’ needs as well as with the purpose of facilitation and the speeding-up of payments, the Bank opened correspondent accounts with 10 banks within Russian Federation among which National Reserve Bank, Alpha-Bank, Konversbank, Kreditimpexbank, International Moscow Bank, etc. Further development of correspondent relations with banks of Russian Federation is in our projects for 2000.

Services to the export-import operations of oil and energy complexes, metallurgy and other industries is still one of the core directions of Kreditprombank’s activity.

The Bank has applied new mechanisms for the accompanying of trade relations between Russia and Ukraine, utilising contractual obligations with correspondent banks in 1999. This allowed participants of foreign economic relations to enlarge their spectrum of settlement instruments which in turn admitted the optimisation of payment flows, offering more favourable conditions and increasing contractual relations’ discipline, and solving problems with non-payments.

The active utilisation of the S.W.I.F.T. system by the Bank was an important link in the improvement of the technical maintenance of operations on correspondent accounts. The conduction of operations through this system allowed us to considerably reduce the cost of payments.

The Bank endeavours to satisfy customers and correspondent banks’ needs through extending the spectrum of documentary operations. Customers are offered all kinds of documentary



operations: Letters of Credit, guarantees and collections. This service is generally used by enterprise exporters and importers of food, oil and energy, metallurgical and aviation industries.

The total volume of documentary operations in Kreditprombank was more than 7 mln. US Dollars in 1999.

The increase of transactional efficiency via utilisation of documentary forms of settlements allows customers to attract new business partners, enlarge their trade-economic activities and increase the volume of operations.

One of the basic tasks for 2000 is the transition towards uncovered Letters of Credit and unsecured guarantees within the framework of credit limits. This will provide customers with most favourable conditions and terms.

Kreditprombank will further develop the system of correspondent relations, improve activity in semi-convertible and hard currencies, new forms of documentary operations, and support of sustained relations with correspondent banks with regard to trade finance programmes in 2000.



INFORMATION AND TECHNOLOGICAL SUPPORT OF BUSINESS

REGIONAL DEVELOPMENT OF THE BANK



INFORMATIONAL AND TECHNOLOGICAL SUPPORT OF BUSINESS

The development and implementation of information technology was continued in 1999. This process was designated to increase corporate and individual customers services' quality, the efficiency of financial control system and the management of banking activities.

Kreditprombank has its own internal payment system which corresponds to the clearing system of the Bank. Whole payment turnover in national and foreign currencies is serviced within the framework of this system. Such a technological decision has allowed us to subordinate all of the Bank's financial flows (including branches') to Head Office. This in turn gives a possibility to deposit or reserve rationally all of our concentrated banking resources.

Kreditprombank is an active member of the international payment system S.W.I.F.T. The Bank has worked out and implemented the technology which allows creating payment documents in foreign currency simultaneously, namely, either in a S.W.I.F.T. variant (with their further sending) or in a national variant foreseen by standards of foreign exchange operations' accounting.

More than 25% of the total quantity of customers are serviced by the electronic system "Client-Bank" system. This system allows customers to send payment orders and receive whole information on their current accounts opened with the Bank. Corporate customers can control financial flows of their daughter companies.

The total automatic control of individual depositors' servicing was achieved during the reporting year. There is as well a technology to service encoded customer accounts.

Kreditprombank participates in a pilot project of the National bank of Ukraine in the establishment of a National system of electronic payment for goods and services for the general public.

The consolidating of local networks between Head Office and branches into a joint corporate information net was finished in 1999. The Bank's joint connection to Internet is made through this. Connection of all peripheral equipment for the acceptance of plastic cards to this network is planned to be finished in 2000. This will bring in centralised servicing of this equipment..

Lotus Notes is used in the Bank for joint informational co-operation. Several software products were implemented by us: accounting of bill circulation, accounting of interbank market operations, drawing up of agreements with individual depositors, mail system (internal and external - e-mail) etc.



REGIONAL DEVELOPMENT OF THE BANK

Kreditprombank conducts task-oriented activities on regional network development in Ukraine, raising branch, office and representation offices' efficiency with the purpose of increasing profitability, level of customer services and representation of general market segments.

Kreditprombank, taking into consideration the needs of its customers, has started the development of business from the very beginning of its activity in the main industrial regions of Ukraine – Donetsk and Dnipropetrovsk as well as in agricultural regions – Vinnitsa and Kherson. As a result, four branches in the mentioned regional centres were opened at the end of the first year of activity.

The development of the Bank's network was continued in 1999 with the purpose of delivering banking services directly to each customer. Sub-branches were opened in Donetsk and Nova Kahovka at the beginning of the period of the report. Opening of Representation offices in Lviv and Kharkiv is a preparational step for the establishment of branches in these regional centres. All documents permitting the opening of the Lviv branch were received at the beginning of 2000.

The established network of branches, offices and representation offices as well as the elaborated co-ordination and control of their activities seen from Head Office gives a possibility to use attracted funds with maximum effectivity, conduct deliberate credit operations in different regions and with a minimum risk, increase the efficiency of the Bank's total assets.

The branches of Kreditprombank utilise joint technological, informational and financial bases. This facilitates extension of the sphere of services, creation of branch payment systems and increase of the network's abilities with the purpose of securing profitable activity.

The branch network of Kreditprombank has serviced more than 2/3 of Bank's customers as of 1st January 2000.

Total assets of branches has increased almost two times and amounted up to 155,5 mln. UAH as of 1st January 2000.

Further expansion on Ukrainian regions was decided by the corporate strategy of Kreditprombank. Questions regarding the establishment of offices, representation offices and branches in south and central regions of Ukraine are under consideration.



DEVELOPMENT STRATEGY OF THE BANK IN 2000



DEVELOPMENT STRATEGY OF THE BANK IN 2000

Kreditprombank as a universal bank has a target to develop successively and steadily in 2000.

The main task of the Bank is its further financial strengthening through shareholding, increase of capital as well as balances of customers current accounts which can be reached by the raising of customer quantity and the implementation of new approaches in granting services. Development of credit operations is planned via resource base growth, and increase of own and attracted funds. Volumes of pre-export financing of enterprises-exporters will be increased including the accounts of credit lines of western banks. Kreditprombank plans to conduct a policy on successively entering international financial markets – to participate in programmes of international credit institutions and foreign investors, develop programmes on granting credits via bills and the execution of payments through bills.

The enhancement of retail business through a wide spectrum of services and an improvement of the last is still a high priority in compliance with international principles. In particular, it is planned to implement an investment programme on the issue and service of international and domestic plastic cards, as well as implementing an activity on bullion market.

The Bank should become the “Sales Centre” where customers can solve all of their financial questions and problems, causing them by the implementation of new banking products and the qualitative service towards customers.

Kreditprombank, as a part of it's financial and industrial holding, will continue the development and realisation of joint programmes, and improve and increase it's efficiency of holding's structures in 2000.

With the purpose of reducing credit operational risk, and the improvement of Bank's stability it is planned to continue work on further differentiation of credit portfolio on types of customers and main industries as well as on the support and creation of reserves in compliance with international standards.

Kreditprombank will pay special attention to the development and improvement of internal control procedures and systems of informational management support next year.

Kreditprombank is ready for the new stage of its development as well as being sure that it's activities will support the raising of the Ukrainian economy.



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CLIENT'S GEOGRAPHY

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