



DGF

**DEPOSIT GUARANTEE FUND
(UKRAINE)**

2012 ANNUAL REPORT

Message from the Chairman of the Administrative Board

For the third consecutive year the banking sector of Ukraine has been demonstrating positive development trends.

In the reporting year, the total assets of the banks in Ukraine increased by 5%. The lending to the business entities increased by the same 5%. The household funds remained the main source of the resources for the banks. This year the household deposits at the Ukrainian banks increased by 19% - an evidence of an increased public confidence in the banking system. By 9% increased the total value of private corporate deposits. The capitalization of the banks continued to grow.

In 2012, the banking sector was profit making. The total profit of the banks for the year was UAH 5 b., while in 2011 their losses amounted to UAH 7.7 b.

One of the most important developments of the year was the enactment of the Law "On Household Deposit Guarantee System". The document was highly acclaimed by the international partners.

The new Law significantly extended the Fund's mandate and functions in the sphere of bank resolution. The Fund acquired the right to conduct provisional administration and liquidation of insolvent banks. One of the positive features of this law was the reduction of the term, within which the deposit payout should be commenced. The new provisions are expected to minimize the losses associated with the bank resolution and strengthen the public confidence in the banking system of Ukraine.

The stabilization of the situation in the banking sector and significant growth of the personal accounts allowed the Fund to accumulate significant resources and increase the insurance coverage up to UAH 200,000. This coverage was set in the Law "On Households Deposit Guarantee System" as the 'guaranteed deposit amount'.



I'm certain that the high professionalism of the Fund staff and close cooperation with the National Bank of Ukraine in the implementation of the provisions of the Law will increase the effectiveness of the Fund's operations, improve the system protecting the interests of depositors, and strengthen the public confidence in the banks.

Sincerely,

Oleksii Tkachenko
Chairman of the Administrative Board
Deposit Guarantee Fund,
Deputy Governor, National Bank of Ukraine

Message from the Managing Director of the Deposit Guarantee Fund

We are pleased to present you Deposit Guarantee Fund's 2012 Annual Report that provides a detailed analysis of the operations of the Fund as a key participant of the national financial safety net. The report includes information on the Fund's financial performance, monitoring and supervision functions and paying out deposits to the depositors of the failed banks.

The landmark events for the Fund in 2012 were the decision of the Administrative Board to increase the insurance coverage up to UAH 200,000 and the enactment of the Law of Ukraine "On Households Deposit Guarantee System". It's worth looking at each of these events separately.

On 21st August 2012, the Administrative Board passed a resolution to raise the deposit insurance coverage up to UAH 200,000. Both the Law of Ukraine "On Deposit Guarantee Fund" which ceased to be in force on 22nd September 2012 and new Law "On Household Deposit Guarantee System" that came into effect on the same day provided for such a right. The coverage increase became possible due to the growth of the resource market and the stable trend toward the growth of the financial resources of the Fund that as of August 1, 2012 had reached UAH 6.1 b.

It should be noted that the current deposit insurance coverage of UAH 200,000 is significantly (more than 18 times) higher than the average deposit value and covers over 99 % of the retail depositors to the Fund member banks. The coverage is expected to strengthen the public confidence in the banking system of Ukraine, which is the key condition for mobilization of long-term financial resources to ensure a sustainable economic development, higher living standards and more effective social protection.

The Law «On Households Deposit Guarantee System» signed by the President on 19th March 2012 came into force on 22nd September 2012. The Law extended the mandate of the Deposit Guarantee Fund in the field of bank



resolution, including provisional administration and liquidation of insolvent banks. The maximum possible term for provisional administration was reduced from one year to three months, during which a decision on the least cost resolution method should be taken. The newly adopted Law canceled the moratorium on depositor claims for matured deposits and current accounts. The payout launch time was reduced from 2 months to 7 days from the date when the bank's license was revoked.

On 29th October 2012, for the first time, the Fund exercised the right to introduce provisional administration in a bank. By the decision of the Administrative Board a provisional administration was introduced in the ERDE bank.

In 2012 as in the previous years, openness and transparency were the key principles of the Fund. The Executive Board members had regular meetings with the NGOs in the field and individual citizens. The Fund regularly responded to public enquiries. The Fund operates a toll-free telephone "Hotline", where the depositors can obtain detailed information on the deposit insurance system in Ukraine. Throughout the reporting year, 25,000 calls to the "Hotline" were registered (2.5 times as high as a year earlier). This shows the growing interest of the depositors in the Fund's operations.

During the 2012, the Fund intensified the cooperation with the international partners, including insurers in other countries. For the purpose of establishing working relationship and deepening cooperation, the Fund signed Memorandums of Understanding and Cooperation with the State Corporation "Deposit Insurance Agency" (the Russian Federation), Azerbaijan Deposit Insurance Fund and Korea Deposit Insurance Corporation.

In the reporting period, the Fund participated in more than twelve international and regional events organized by the International Association of Deposit Insurers, European Forum of Deposit Insurers, etc. The access to the expertise and lessons learned of the international partners allows the Fund to effectively manage the current challenges. The Fund's achievements, in particular the new Law "On Household Deposit Guarantee System", were highly acclaimed by the international community.

The successful implementation of the deposit insurance system reform would not be possible without an effective cooperation with the government agencies and the industry. The World Bank and USAID funded Financial Sector Development Project (FINREP) made a significant contribution to the reform of the deposit insurance system in Ukraine.

I believe that the newly adopted legislation will facilitate the bank resolution process and promote public confidence toward the banking system in Ukraine.

Yours sincerely,

Olena Sharova
Managing Director
Deposit Guarantee Fund

TABLE OF CONTENTS

PRINCIPLE DEVELOPMENTS IN 2012

	<p>UKRAINE DEPOSIT GUARANTEE SYSTEM OPERATIONS</p> <p>Ukraine Banking System in 2012 9</p> <p>Key Performance Indicators of the Deposit Insurance System 12</p> <p>New Powers of the Deposit Guarantee Fund 14</p>
	<p>DEPOSIT GUARANTEE FUND OPERATIONS</p> <p>Organizational Structure 16</p> <p>Human Resources Management 18</p> <p>Regulatory Activities 22</p> <p>Public Relations 24</p> <p>International Cooperation 27</p>
	<p>REGULATION OF THE PARTICPATION OF THE BANKS IN THE HOUSEHOLDS DEPOSIT GUARANTEE SYSTEM</p> <p>Membership in the Deposit Guarantee System 31</p> <p>Financial Position of the Member Banks 33</p> <p>Major Trends in the Deposit Market 41</p> <p>Control Function 45</p>
	<p>BANK RESOLUTION</p> <p>Resolution Process 51</p> <p>Provisional Administration of Insolvent Banks 52</p> <p>Deposit Payout under Provisional Administration 54</p>
	<p>MANAGING THE FINANCIAL RESOURCES OF THE FUND</p> <p>Financial Resources Accumulation 56</p> <p>The Use of Financial Resources of the Fund 58</p> <p>Investment Operations 60</p> <p>Financial Statements of the Fund 62</p>
	<p>DEPOSIT PAYOUT</p> <p>Payout Procedure 63</p> <p>Payout to the Depositors of the Banks Undergoing Lliquidation 65</p> <p>Satisfaction of the Creditors' Claims of the Fund by the Liquidators 67</p> <p>Information Technology 69</p>
	<p>APPENDIX 1</p> <p>Report on the 2012 Investment Plan Implementation</p>
	<p>APPENDIX 2</p> <p>BALANCE SHEET</p> <p>Financial Statements and Auditor's Opinion</p>

PRINCIPLE DEVELOPMENTS IN 2012

January	Memorandum of cooperation between the Deposit Guarantee Fund and the State corporation "Deposit Insurance Agency" (Russian Federation) signed;
February	Verhovna Rada (the Parliament of Ukraine) approved the draft law "On Household Deposit Guarantee System" in the second reading and in general; one bank was excluded from the register of the Fund because of the revocation of the license by National Bank of Ukraine (NBU) and liquidation.
March	deposit payout to the depositors of the bank PAT "Stolytsya Bank" started; new bank was included into the register as a member of the Fund; one bank was excluded from the register of the Fund because of the revocation of the license by NBU and liquidation;
April	deposit payout to the depositors of the bank PAT "Innovatsiyno-Promysloviy Bank" started; one more bank was included in the members' register of the Fund;
May	deposit payout to the depositors of the bank PAT "KB Volodymyrskiy" started;
June	new webpage of the Deposit Guarantee Fund developed;
July	cooperation and coordination agreement between the Deposit Guarantee Fund and the National Bank of Ukraine signed; one bank was excluded from the register of the Fund because of the licensing it by NBU as a remedial bank;
August	coverage amount is increased up to UAH 200,00 by the Resolution of the Administrative Board of the Fund; seminar on "Practical aspects of the bank liquidation and rehabilitation" with the state corporation "Deposit Insurance Agency" conducted;
September	the Law of Ukraine "On Households Deposit Guarantee System" came into force; one bank was excluded from the register of the Fund because of the revocation of the license by the National Bank of Ukraine;
October	provisional administration was introduced in PAT "ERDE BANK" bank; deposit payout to the depositors of the bank PAT "Aksionerniy Komertsiyniy Bank Basis"; one bank was included into the register of the Fund; new form of the membership certificates introduced;
November	Memorandum of Understanding on Bilateral Cooperation between the Deposit Guarantee Fund and Korea Deposit Insurance Corporation signed; Memorandum on Partnership and Cooperation between Deposit Guarantee Fund and Independent Associations of the Banks of Ukraine signed; deposit Guarantee logo registration process started; one bank included into the register of the Fund;
December	provisional administration is introduced in the bank "AT Bank Tavrika"; one bank was excluded from the register of the Fund because of its' reorganization.

Administrative Board



OLEKSII TKACHENKO

Deputy Governor
National Bank of Ukraine



YURIY SHEVCHENKO

Deputy Minister of Finance of Ukraine
Chief of Staff



IHOR PRYIMA

Head of Secretariat, Parliament
Committee on Finance, Banking,
Tax and Customs Policies



OLENA SHAROVA

Managing Director
Deposit Guarantee Fund



VIKTOR NOVIKOV

Director of Legal Department
National Bank of Ukraine

Executive Board



OLENA SHAROVA

Managing Director



ANDRII OLENCHUK

Deputy Managing Director



SERGIY ISYUTIN

Deputy Managing Director



DMYTRO TKACHENKO

Head of Legal Analysis and Law
Enforcement Sector



ANATOLII MALIARENKO

Director of the Bank Monitoring
Directorate

UKRAINE DEPOSIT GUARANTEE SYSTEM OPERATIONS

1

Ukraine Banking System in 2012

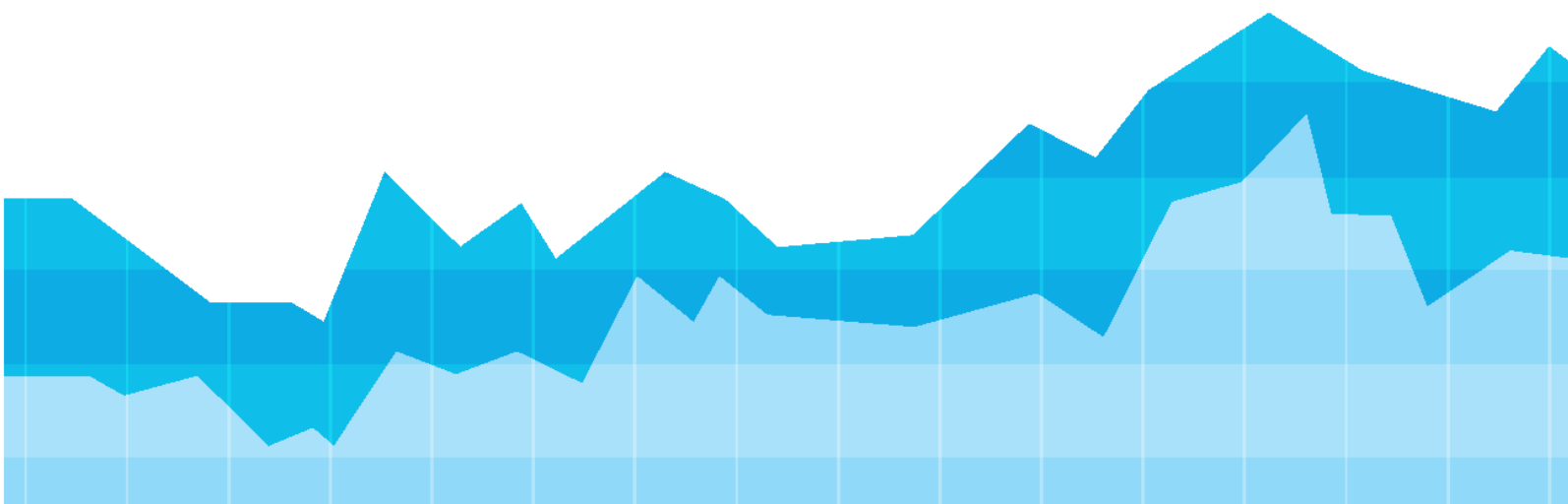
In 2012 the main financial indicators of the banking system were stable while the business activity remained slow.

During the reporting period the banks made significant efforts to strengthen their resource base by working on the assets quality improvement (placing free funds into the liquid investment vehicles with acceptable rate of profit, increasing profitability of the banking products, refinancing loans (including loan currency substitution) and better delinquency management). These measures helped to reach positive financial results by the first quarter of the reporting year, despite of the high sensitivity of the banks revenues to the state of the economy in general, monetary and exchange policies, legal environment as well as financial solvency of the individual companies and sectors.

In general, the banking sector is rather capitalized though it's still vulnerable to the external factors. Most of the banks are focused on the internal resources or are in the process of refocusing from the external markets due to the instability of the latest. Domestic deposits also have high volatility depending on economic and political situation in the country.

Four new banks "Melior Bank", "Sofiyivskiy", "Finansoviy Partner" and "Alpari Bank" were registered in 2012. Twenty five banks were excluded from the state register of the banks. As of January 1, 2013, there were 176 duly licensed banks in Ukraine. By the end of 2012, 22 banks were in the process of liquidation and 1 bank was in the process of a merger.

In 2012 there were minor changes in the classification of the banks, because of the changes of the size of the assets of the banks. There was a decrease in the assets share of the banks of the 1-st and 4-th groups by 3.4% (from 66.9% to



63.5%) and by 0.3% (from 10.5% to 10/5%) respectively. The asset shares of the banks of the 2-nd and the 3-d groups increased respectively by 2.5% (from 14.8% to 17.3%) and by 1.2% (from 7.8% to 9.0%).

The banking system assets continued to grow. In 2012 they increased by 6.9% up to UAH 1127.2 b.

The growth of the banking system equity also continued due to the increase of the registered capital of the individual banks. The total equity of the banks remains lower than the registered capital due to the large amount of the losses accumulated during 2009-2011. Overall, during 2012 total equity increased by 9.5% or by UAH 14.7 b. and as of January 1, 2013 amounted to UAH 170.2 b.



Records and Administration Department

The revenues from the interest rates in the 2012 amounted to UAH 119 278 b., which is by UAH 5926 m. more than in 2011 and to a great extent is related to the interest rate increase. The earnings from the fees in 2012, in comparison with the previous year, increased by UAH 4.687 m. to UAH 20,048 m. These trends indicate that in the absence of active lending to the business entities and individuals, the banks focused on increasing the earnings from the bank fees by introducing new services and increasing the rates. In 2012 contrary to the negative results of 2009-2011 (the losses were UAH 38.450 m. in 2009, in 2010 - UAH 13.027 m. and in 2011- UAH 7.708 m.) the banking system had a positive financial result of UAH 4.708 m. Gradual return to the profitability can be explained by the completion of the process of the bad loans reserves creation.

The discount rate of the National Bank of Ukraine remained unchanged from August 2010 till the end of March, 2012 - 7.75%. Starting from March 23, 2012 it was reduced to 7.5% and remained so as of January 1, 2013.

The key performance indicators of the bank system of Ukraine are presented in Table 1.1.

Table 1.1 Key Performance Indicators of the Bank System of Ukraine
m. UAH

Indicator	01.01.2012	01.01.2013
Number of registered banks	198	176
Excluded from the State Register since the start of the year	0	0
Number of the banks in liquidation	21	22
Number of licensed banks	176	176
ASSETS		
Bank assets	1 054 280	1 127 192
Total assets (not adjusted for the reserves under the active transactions)	1 211 540	1 267 892
Loans	825 320	815 327
Of which:		
Loans granted to corporates	580 907	609 202
Loans granted to individuals	174 650	161 775
Loans past due	79 292	72 520
Cash and banking metals	27 008	30 346
Amounts due from the National Bank of Ukraine	31 310	33 740
Correspondent accounts with other banks	78 395	99 472
Investment in securities	87 719	96 340
Reserves under active bank transactions	157 907	141 319
LIABILITIES		
Liabilities, total	1 054 280	1 127 192
Capital	155 487	169 320
of which: paid registered capital	171 865	175 204
Banks' liabilities	898 793	957 872
of which:		
Amounts due to corporates	186 213	202 550
Amounts due to individuals	306 205	364 003
For information:		
Income	142 778	150 449
Expenses	150 486	145 550
Profit or loss	-7 708	4 899

Key Performance Indicators of the Deposit Insurance System

Evidence suggests that since the Fund was established, the deposit insurance system had a positive impact upon the development of the banking sector and significantly contributed to the stability of the financial sector in the country. For instance, as compared with the year of 1999:

1) the number of depositors to the member banks increased by 9.7 times to reach 44.4 m. individuals;

2) the deposit value increased by 91.5 times to UAH 338.5 b.;

3) the average deposit value increased from UAH 806 to UAH 7619.0;

While in 2000 the deposits of the individuals accounted for 22% of the banks' liabilities by 01.01.2013 their share increased to 37.8%. This proves the importance of the household deposits for the development of the funding base of the banks.

On the 21st of August 2012, the Administrative Board of the Fund approved the Resolution No. 27 on increasing the coverage amount up to UAH 200,000. The Resolution was registered by the Ministry of Justice of Ukraine on August 29, 2013 under the ref. number 1452/21764. This amount is significantly higher than the average deposit value and covers 99.5% of the depositors.

Since the start of the deposit guarantee system operations the coverage amount was increased 11 times; today the coverage amount exceeds the initial amount of UAH 500 by 400 times (Fig. 1.1).

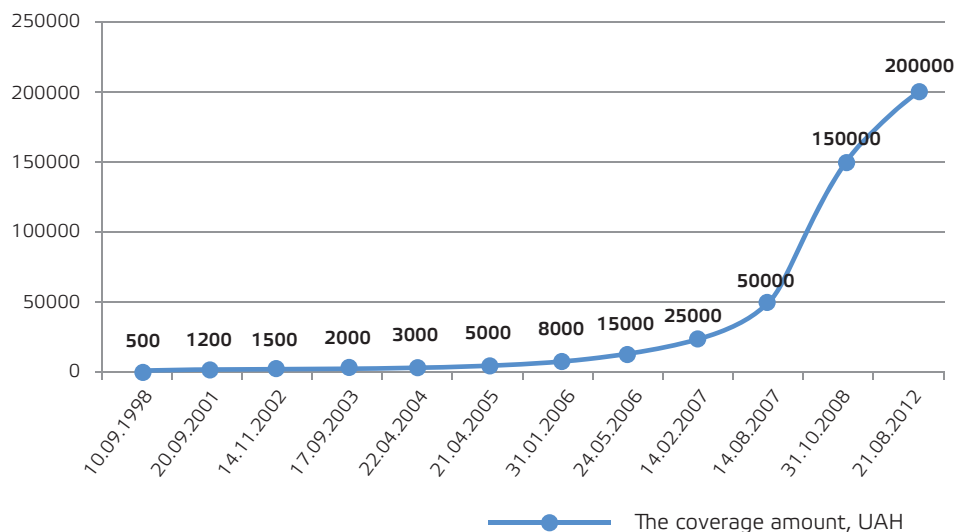


Fig. 1.1. Coverage amount growth dynamics

Starting from 2000 till 2013 the financial resources of the Fund increased by over 120 times and as of January 1, 2013 reached UAH 6.1 b. Fund's financial resources growth dynamics is shown in Figure 1.2.

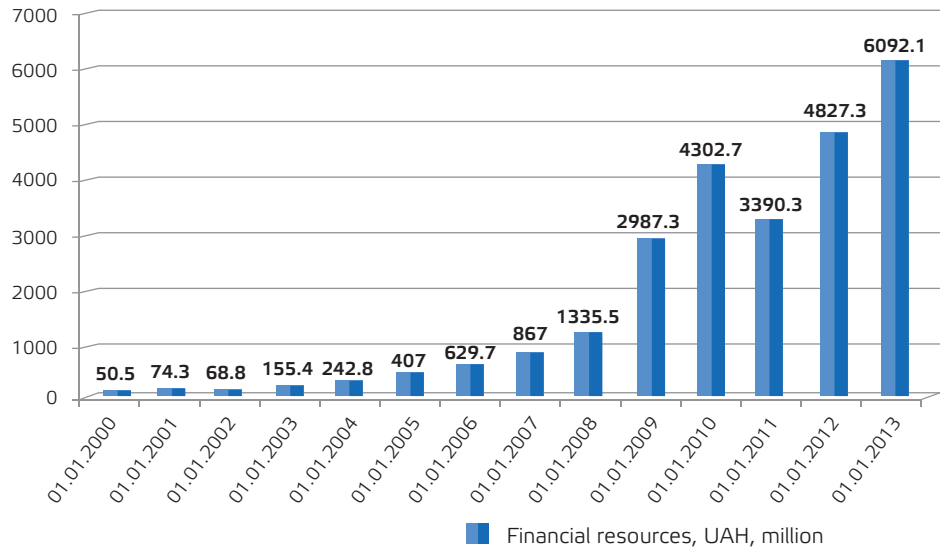


Fig. 1.2. Financial resources of the Fund

Throughout its' history the Fund indemnified the depositors of 32 banks with license revoked and liquidation process started by the National Bank. In total some 368 thousand depositors were paid over UAH 4.7 b. The largest number of the deposit payouts happened in the period from 2008 till 2010 - almost UAH 3.3 b., of which UAH 2.3 b. paid in 2010.

Deposit payout dynamics is displayed in Fig. 1.3.

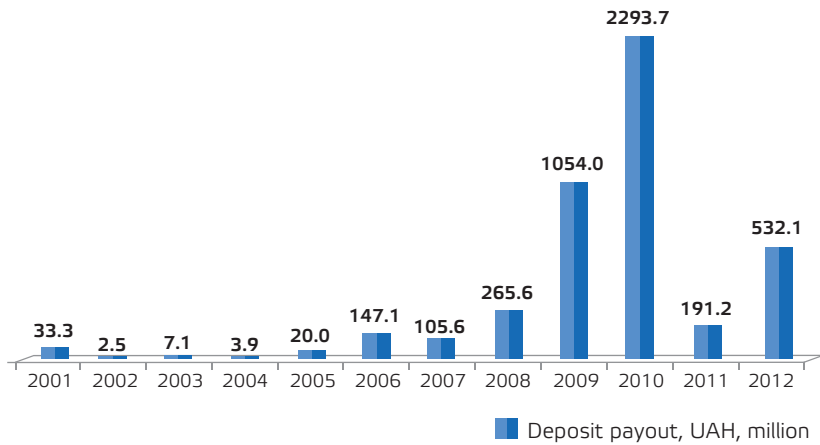


Fig.1.3. Guaranteed deposit amount payout to the depositors of the liquidated banks in 2001 – 2012

The biggest number of the liquidated banks was in the period of 2010-2012. Thus, in 2012 the Fund simultaneously was paying out deposits to the depositors of 22 banks. (Fig. 1.4.).

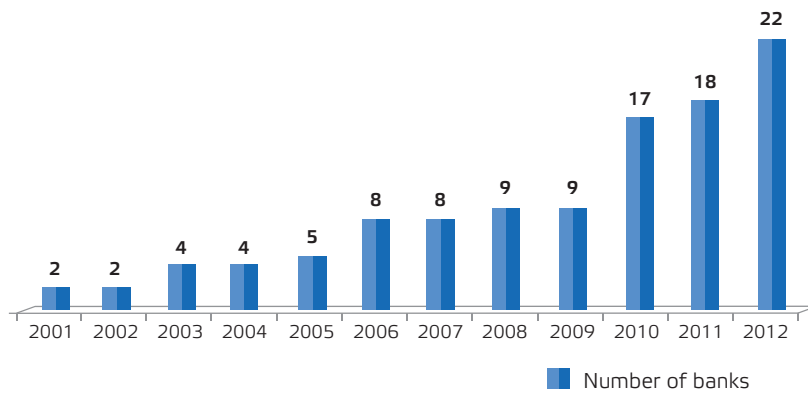


Fig. 1.4. Number of banks with the depositors indemnified by the Fund

New Powers of the Deposit Guarantee Fund

On September 22, 2012 the Law of Ukraine “On Household Deposit Guarantee System” (hereafter - the Law) came into force and as a result the Fund has taken on the responsibility for bank resolution as part of an enhanced mandate.



Legal Department

The changes of the legislation provides that the National Bank of Ukraine (NBU) will carry on the functions associated with the regulation and prudential supervision of the banking sector including identification and rehabilitation of the “problem” banks within the time limits prescribed by the Law. NBU will continue to apply all relevant

sanctions/interventions on banks, except for the introduction of the provisional administration and appointment of the liquidator.

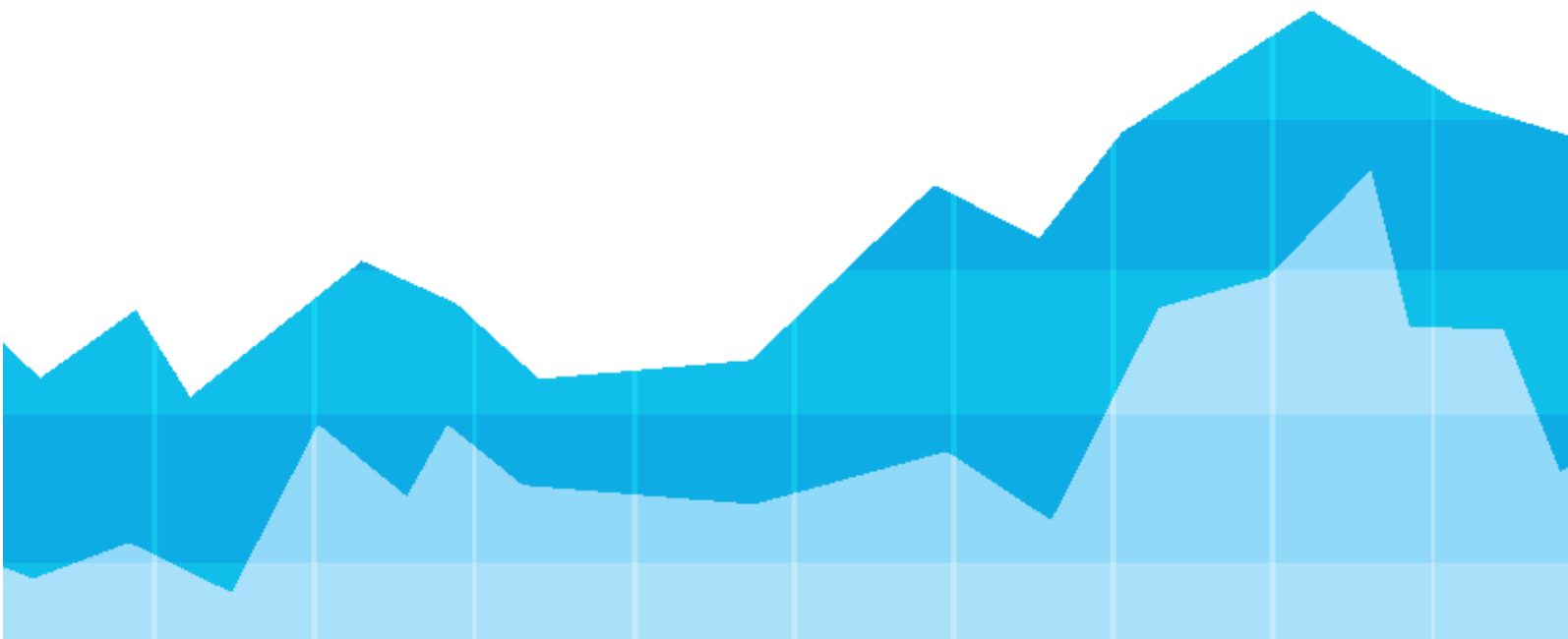
In turn the Fund will have an exclusive right to act as a temporary administrator and a liquidator of the failed bank and resolve an insolvent bank through appointing authorized officer among the staff of the Fund.

The Law also provided the Fund with the number of other powers and responsibilities allowing to respond promptly to the problems in the banking institutions and speed up the process of the depositors' indemnification.

In particular the Law provides that in order to insure the depositors' access to their deposits during the provisional administration in the insolvent bank the Fund can grant a targeted loan to a bank to fulfill liabilities under the expired deposit agreements. In addition, the Fund may cover the operational expenses of the insolvent bank and the cost of the engaged experts and consultants.

The Law also provided the Fund with the opportunity to introduce risk based premium system. The calculation of the premium is based on risk-based adjustment of the basic annual premium rate.

Strengthening cooperation between the Fund and the National Bank of Ukraine is also an important aspect of the new legislation. Thus, according to the Law the representatives of the Fund are able to participate in the inspections of the problem banks conducted by NBU. NBU and the Fund will regularly exchange information needed for performing their duties. Pursuant to the provisions of the Law on the 9th of July 2012 the Fund and the National Bank of Ukraine signed an agreement on cooperation and coordination of their activities.



DEPOSIT GUARANTEE FUND OPERATIONS

2



Executive Board of the Deposit Guarantee Fund

Organizational Structure

The Fund's governing bodies are the Administrative Board and the Executive Board.

The Administrative Board of the Fund consists of 5 persons: one representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, one representative of the relevant committee of the Parliament of Ukraine and the Managing Director of the Deposit Guarantee Fund.

Oleksii Tkachenko is a Chairman of the Administrative Board of the Deposit Guarantee Fund. The members of the Administrative Board are: Olena Sharova, Igor Priyma, Yuriy Shevchenko and Victor Novikov.

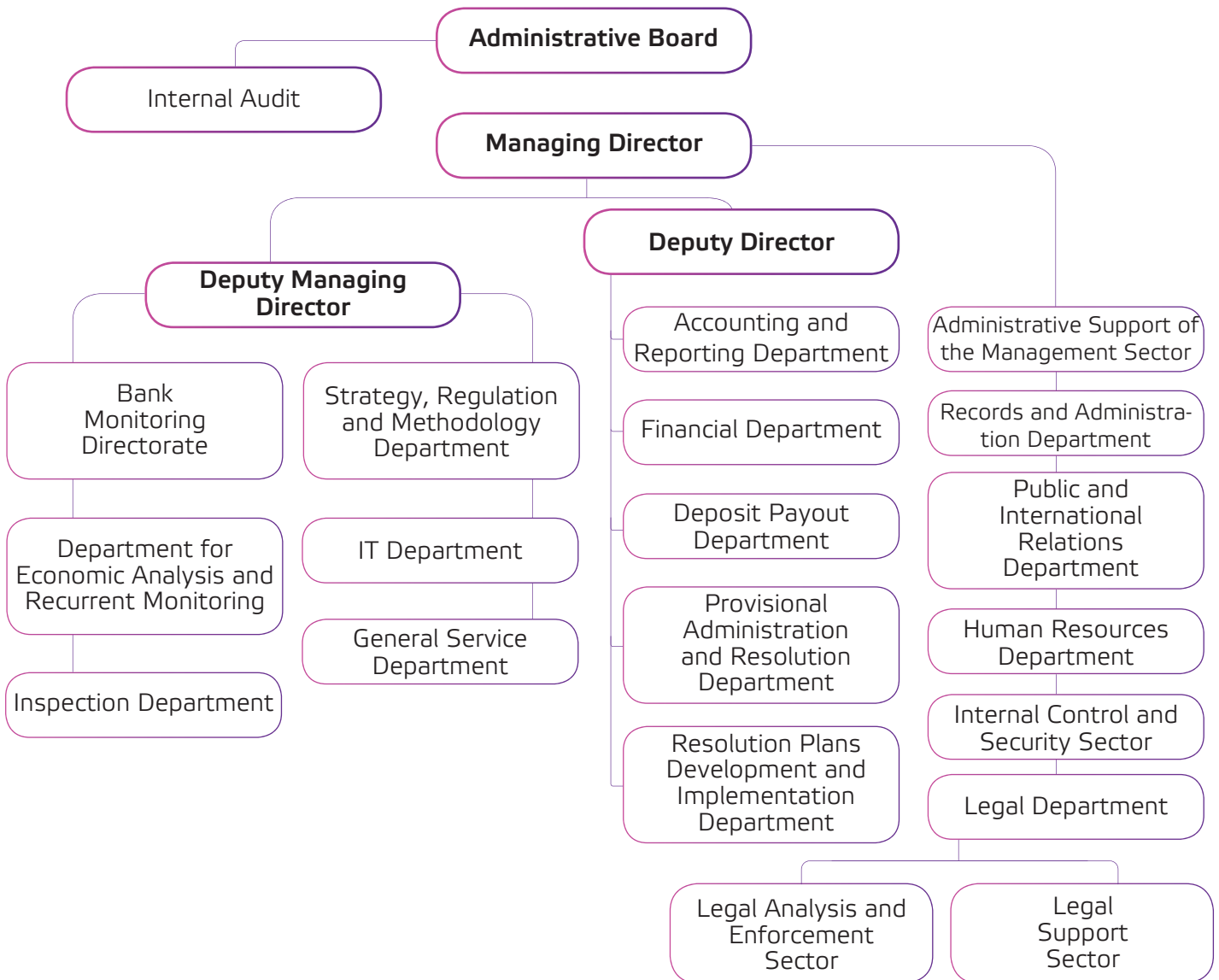
The main powers of the Administrative Board include approving the development strategy and the annual action plan of the Fund, investment policy and the annual investment plan of the Fund. The Administrative Board also approves the resolutions of the Executive Board on special contribution or differentiated risk-based premiums as well as resolutions regarding the increase of the coverage limit, etc.

The Executive Board of the Fund consists of 5 persons. The Managing Director and the Deputy Managing Directors are included into the executive Board ex officio. The members of the Executive Board are approved by the Administrative Board upon the recommendation of the Managing Director.

The Managing Director of the Fund is Mrs. Olena Sharova.

The Executive Board of the Fund manages daily operations of the Fund, in particular it passes the regulations of the Fund and determines the procedure for deposit payouts. The Executive Board also exercises the powers in the sphere of bank resolution as well as financing sources.

Organizational Structure of the Fund



Human Resources Management

Human Resources policy of the Fund was developed in compliance with Law of Ukraine "On Household Deposit Guarantee System" and a number of subordinate legislation.

In 2012 in the following changes were introduced in the workforce policies of the Fund:

- new organizational chart and new payroll schedule introduction. New departments on bank resolution were created. As a result the number of full time positions increased from 64 to 93 (46%). The vacancies in the new departments, namely Resolution Plans Development and Implementation Department and Provisional Administration and Bank Resolution Department were filled with the specialists who had a background in bank sector;

- Human Resources Management Department was created based on the HR sector. The role and the functions of the HR department was significantly increased, in particular, apart from the personnel records, the following tasks were added: staff recruitment, new staff orientation, annual and on-going staff appraisal, psychological support and organization of the corporate trainings and seminars, regular staff development events;

- the wage system was also changed in compliance with the new Regulation on the remuneration system of the staff and the Executive Board members and the Regulation on the bonus payment. To create conditions for the performance based payment system the Fund introduced the system of grades and "professionalism ratio";



HR Department

- with the purpose of the comprehensive personnel policy implementation, staff development and motivation, staff engagement and corporate culture development of annual and on-going staff appraisal system using the approved performance indicators was introduced. The appraisal involves the use of the best, modern methods and techniques, especially in the process of evaluation of the management.

The evaluation results of the staff and the management of the Fund serve as a foundation for the personnel decisions and identification of the key factors for the successful human resources strategy and the performance of the organization in general.

As of December 31, 2012 there were 88 full time staff members in the Fund.

The average age of the staff member is 37.7 years.

Female staff members dominate in the total staff number. (Fig.2.1).

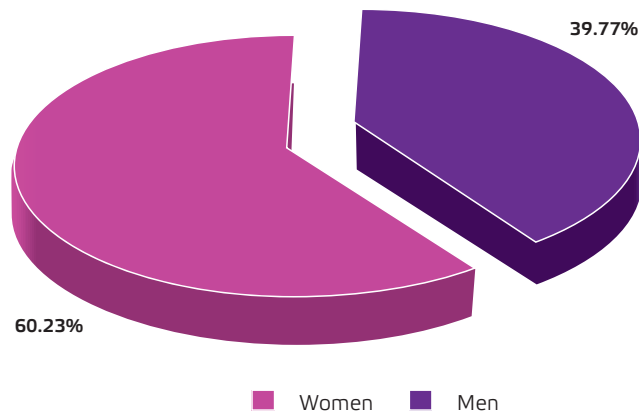


Fig.2.1. Gender distribution of the Fund’s staff members as of December 2012

All the staff members and managers have university degrees, 23 staff members have to degrees, two deputy directors and HR department specialist have academic scientific degrees (Fig. 2.2, 2.3).

Throughout the year of 2012 due to the enactment of the “Household Deposit Guarantee System” law the main goal of the human resources department was to prepare the staff to the new functions and powers of the Fund. Key factors for the decision making in the process of recruitment were the following: practical work experience, expertise in the sphere of banking, economics, legal studies and also professional testing results. The testing was introduced for the first time in 2012. The vacancies were filled with the professionals who had experience of work in large banks and financial institutions.

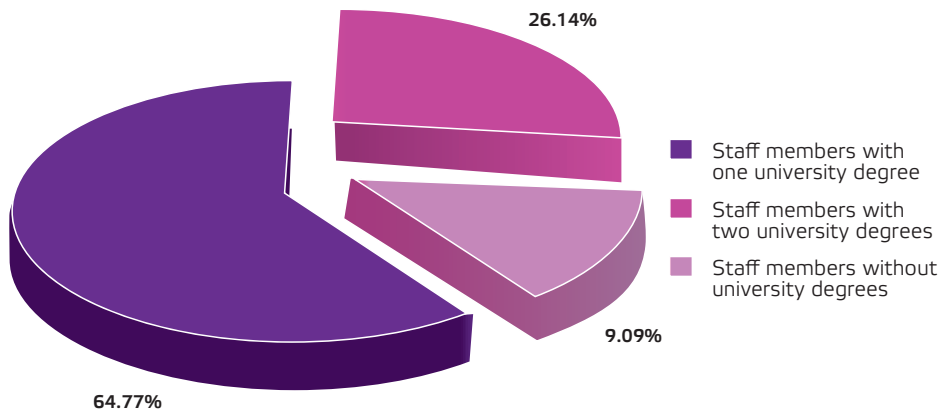


Fig.2.2. The skills of the staff of the Fund as of the end of the Year of 2012

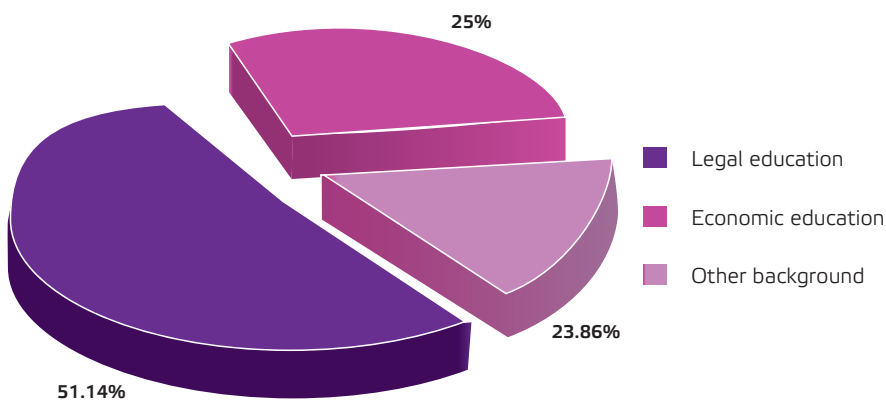


Fig.2.3. Educational background of the staff members as of 2012

Staff development is the integral part of the human resources policy of the Fund.

In accordance to the approved staff development plan for the Year of 2012 all the staff members were given the possibility for the skills and career development. 50% of staff of the Fund participated in the trainings on various topics, including bank resolution.

During the reporting period the staff members of the Fund participated in more than a dozen international seminars and conferences. The seminars covered topics like core principles of effective deposit insurance systems, mechanisms of cooperation between the deposit insurers in the world, practical aspects of the bank resolution, risk management practices and public awareness programs.



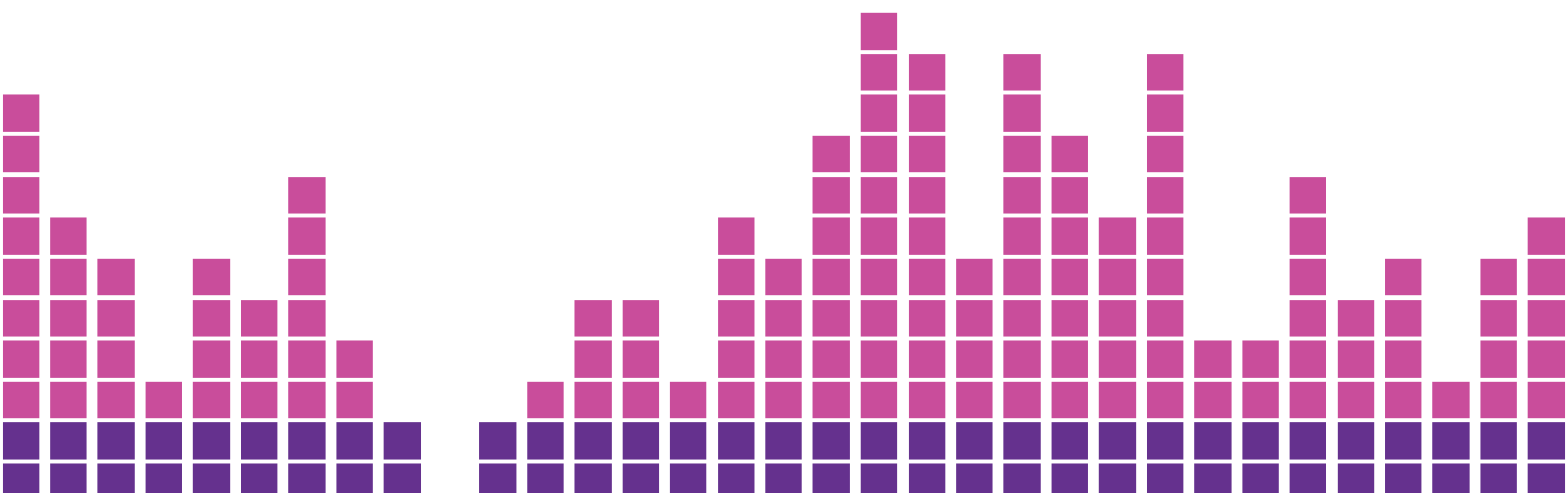
Sector for the Administrative Support of the Management

A number of trainings on topics like psychological aspects of the staff management process, performance management and target setting, teambuilding, were organized for the senior management.

The training programs have been constantly improved and updated. For example, to cover the subjects like organization of the inspections in the bank and the mechanisms of the enforcement of the legislation on administrative offence, the specialized training with the participation of the practitioners of the Academy of Advocacy of Ukraine was organized.

To acquire practical skills in the subject of asset evaluation and legislative changes implementation the staff members took individual trainings programs.

For the purpose of the successful staff turnover the staff reserve creation was started. The staff members with the high level of the professional competence are included into staff reserve.



Regulatory Activities

To bring the regulatory framework of the Fund into compliance with the new law the Executive Board approved the plan for the development of the regulations of the Fund for the year of 2012.



Strategy, Regulation and Methodology Department

Pursuant to the approved plan the Fund developed and registered with the Ministry of Justice the following regulations:

1. Regulation on the calculation and payment of the contributions to the Fund, approved by the decision of the Executive Board No. 1 of July 2, 2012, registration number with the Ministry of Justice - 1273/211585 of July 27, 2012.
2. Regulation on insolvent bank resolution, approved by the decision of the Executive Board of the Fund of July 5, 2012, No. 2, registration number with the Ministry of Justice - 1581/21893 of September 14, 2012.
3. Rules and regulations for depositors' databases development and management, approved by the decision of Executive Boards of the Fund No. 3 of July 9, 2012, registration number with the Ministry of Justice - 1430/21742 of August 23, 2012.
4. Rules and regulations for the member banks reporting, approved by the decision of the Executive Board of the Fund No. 4 of July, 9, 2012, registration number with the Ministry of Justice - 1269/21581 of July 24, 2012.
5. Household deposits reporting instruction, monthly reporting form No1F,

approved by the decision of the Executive Board of July 9, 2012, No. 5, registration number with the Ministry of Justice - 1314/21626 of August 2, 2012.

6. Regulation on the procedure of the agent bank selection, approved by the decision of the Executive Board of the Fund No. 6 of July 12, 2012, registration number with the Ministry of Justice - 1494/21806 of September 4, 2012.

7. Regulation on the procedure of the Fund members register maintenance, approved by the decision of the Executive Board No. 7 of July 12, 2012, registration number with the Ministry of Justice - 1547/21859 of September, 7, 2012.

8. Regulation on the methods, amount, terms and conditions of the financial support provided by the Fund, approved by the decision of the Executive Board No.8 of July 12, 2012, registration number with the Ministry of Justice - 1339/21651 of August 8, 2012.

9. Personal information processing procedure, approved by the decision of the Executive Board No. 9 of July 12, 2012, registration number with the Ministry of Justice - 1323/21635 of August 3, 2012.

10. Regulation on informing depositors regarding the deposit guarantee system, approved by the decision of the Executive Board No. 10 of July 23, 2012, registration number with the Ministry of Justice - 1370/21682 of August 14, 2012.

11. Regulation on imposing the administrative penalties by the Fund, approved by the decision of the Executive Board No. 11 of July 23, 2012, registration number with the Ministry of Justice - 1584/21896 of September 14, 2012.

12. Regulation on staff outsourcing in the course of provisional administration or liquidation of the insolvent bank, approved by the decision of the Executive Board No. 12 of July 23, 2012, registration number with the Ministry of Justice - 1364/21676 of August 13, 2012.

13. Regulation on the procedure of the insurance company selection and the procedure of the indemnification for the harm caused by the professional error of the authorized officer of the Fund, approved by the decision of the Executive Board No. 13 of July 23, 2012, registration number with the Ministry of Justice - 1385/21697 of August 16, 2012.

14. Regulation on the payout procedure, approved by the decision of the Executive Board No. 14 of August 9, 2012, registration number with the Ministry of Justice - 1548/21860 of September 7, 2012.

15. Regulation on the procedure of applying administrative penalties, approved by the decision of the Executive Board No. 15 of August 9, 2012, registration number with the Ministry of Justice - 1626/21938 of August 20, 2012.

16. Regulation on the procedure of member bank inspection, approved by the decision of the Executive Board No. 16 of August 9, 2012, registration number with the Ministry of Justice - 1495/21807 of September 4, 2012.

17. Regulations on the special features of the payout process during the automated payout system piloting; approved by the decision of the Executive Board No. 30 of November 19, 2012, registration number with the Ministry of Justice - 2076/22388 of December 14, 2012.

Public Relations

Deposit Guarantee System operations in 2012 had a positive impact on the banking sector and promoted financial stability of the financial system of Ukraine. The principles of openness and transparency continued to govern the activities of the Fund.

In 2012 one of the principal direction of the communication strategy of the Fund was public outreach and educational activities aimed at raising awareness of the public and the media of deposit guarantee system, its' principles and benefits.

The public was informed through mass media, the Fund's web-site, and free telephone line. Much information was related to the major principles of the deposit insurance system in Ukraine, guarantee terms and conditions, coverage limit, deposit payout mechanism in the banks under the provisional administration and liquidation, failed bank resolution process and legal documents regulating the Fund, etc.

The Fund's press-releases were an important component of the public awareness strategy. Such press-releases were disseminated through mass media, including the national newspapers, TV and news agencies. The Fund disseminated information regarding its' functions and objectives, in particular the new ones, acquired after the enactment of the "Household Deposit Guarantee System" Law. The Fund cooperated with a number of news agencies, such as "Ukrinform" "Ukrains'ki Novyny", "LIGABisnesInform"; the TV channels "1+1", "Inter", "BTB", "TVi", "ERA" and number of the newspapers. The Managing Director and other key specialists of the Fund gave interviews to these media on issues associated with deposit insurance system reform, the Fund's new functions of provisional administration and liquidation of the failed banks, and the overall impact of the current reform on the protection of depositors and other creditors of a bank.

In April 2012, the Fund with the support of the U.S. Agency for International Development (USAID) funded project "Financial Sector Development" - FINREP (hereinafter - the Project), "Financial Development League" NGO and the "Dzerkalo Tyzhnya" weekly held a round table discussion "Deposit Insurance Reform - What It Means For the Market and the Investors?". The representatives of the government and banking sector of Ukraine participated in the event. The participants of the roundtable discussed the provisions of the new Law «On Household Deposit Guarantee System» as well as the present benefits and challenges of the system. They also examined the advantages of the reform for the depositors.

With the technical and financial aid from the Project in 2012 the Fund developed new website - www.fg.gov.ua The website was developed according to the principles of availability, consistency and easy navigation for the users.

In addition to upgrading the design, the Fund also updated the content of the website, expanded the menu by adding a new section "Information For the Banks", a search engine and a possibility of watching a video with the interviews and comments of the management of the Fund.

In accordance with the laws of Ukraine "On Deposit Guarantee Fund" and "On Household Deposit Guarantee System" the Fund regularly published in the official media – newspapers "Holos Ukrayiny" and "Uryadoviy Kurier" announcements

regarding the payouts to the depositors of the failed banks, introduction of the provisional administration in the insolvent banks, financial statements of the Fund for the year of 2011 and the six months of 2012. The Fund also published a list of the member banks and the amendments to the list. Fifty seven announcements were published in total.

During the year the Fund continued to receive enquires from the public. In 2012 the Fund provided responses to 14 502 enquires.



Round table discussion “How to increase safety of the deposits and public confidence”

The Fund also provided information over the phone. The telephone “Hotline” of the Fund is a free service for all regions of Ukraine. Throughout the year of 2012 the Fund staff members provided answers to 30 thousand telephone enquiries. In the reporting period the number of calls increased by three times in comparison with the previous period. (Fig.2.4.).

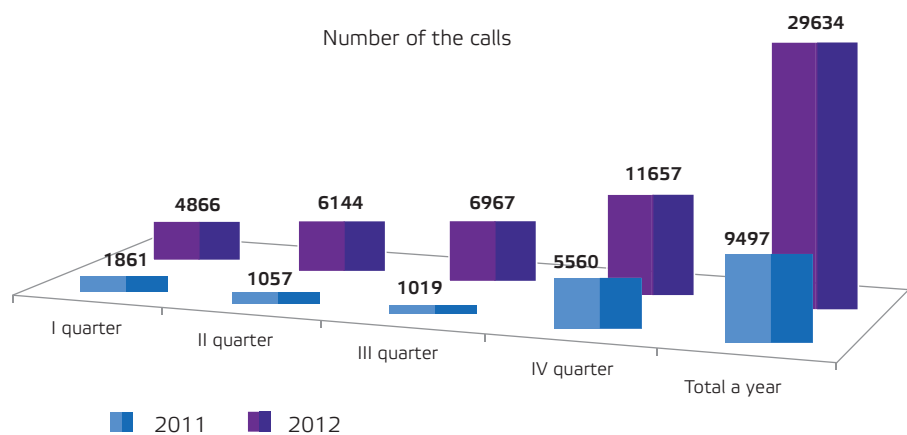


Fig. 2.4. Telephone calls dynamics in 2011-2012



Public Relations and International Cooperation Department

The number of the calls increased due to the major changes of legislation regulating the deposit guarantee system and new powers of the Fund in the sphere of bank resolution, deposit payout during the provisional administration and liquidation and coverage limit increase.

As a part of the Deposit Guarantee Fund image building and information dissemination the Fund started the process of registration of its' logo.

Throughout 2012, the Fund monitored the information in mass media in order to analyzed important economic events and trends in Ukraine and overseas.

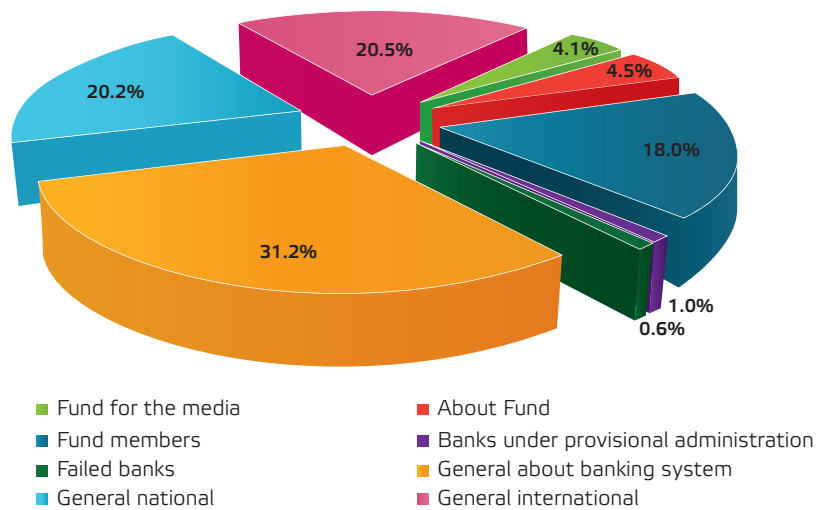


Fig. 2.5. The information/data analyzed in 2012

International Cooperation

In 2012, as in the previous years, the Fund actively cooperated with the deposit insurers in other countries as well as the international organization in this sphere. The Fund also continued cooperation with the USAID funded Financial Sector Development Project (FINREP) and the World Bank. During the year, the Fund participated in twelve various international and regional events (conferences, seminars, round table meetings, etc.). The main objective of participation in these activities was to learn the best international practices in deposit insurance with the purpose of better preparing to the new powers in the sphere of bank resolution. At the events the Fund also presented its experience of reforming the system in Ukraine.

Within the International Association of Deposit Insurers (IADI), the Fund cooperated with the members of the regional and standing committees. The Fund participated in the seminars and trainings organized by IADI, in particular in the IADI Annual General Meeting and international conference that was held in London (Great Britain) in October 2012. As a member of the European Forum of Deposit Insurers, the Fund regularly participated in many events of the Forum and the annual meeting in Geneva (Switzerland) in September 2012.

During the reporting period the Fund enhanced cooperation within the Eurasia Regional Committee of the International Deposit Insurers Association. Thus, in January 2012, the Fund signed the Memorandum of Understanding and Cooperation with the State Corporation «Deposit Insurance Agency» (Russian Federation). In August 2012 «Practical aspects of the bank liquidation and rehabilitation» seminar was initiated by the Deposit Guarantee Fund within the frame of this Memorandum. At the seminar the representatives of the Deposit Insurance Agency shared their practical experience in the field of rehabilitation and liquidation of the problem banks in Russia. The Deposit Guarantee Fund specialists made a presentation on the new powers of the Fund and



International Association of Deposit Insurers Executive Training
 “Deposit Insurance: A Well-Developed Legal Framework”

briefed the participants on the procedure of the deposit payout in line with these new extended powers.

Another bilateral seminar with the representatives of the Fund and the Deposit Insurance Agency on “Deposit insurance and bank failure prevention” was held in Moscow in December.

On August 27-28, 2012 the Deposit Guarantee Fund participated in the 5-th Annual Meeting of the Eurasia Regional Committee (EARC) of the International Association of Deposit Insurers (IADI) and the seminar «Self-assessment of deposit insurance systems in EARC countries» hosted by the Azerbaijan Deposit Insurance Fund. Deposit insurers of EARC countries shared their experience of the self-assessment of the adherence to the «Core Principles for Effective Deposit Insurance Systems» developed by the Basel Committee on Banking Supervision and the International Association of Deposit Insurers. The participants discussed all 18 principles, including the goals and objectives of deposit insurance system, mandate and responsibilities of the insurer, relationship with the other safety-net participants and cross-border issues, membership and coverage, funding, failure resolution, reimbursing depositors and recoveries, etc. The representatives of the Fund also made a presentation regarding the reform of the deposit guarantee system in Ukraine in line with the Law of Ukraine «On Households Deposit Guarantee System».



Annual Meeting of the European Regional Committee of the International Association of Deposit Insurers

Signing Memorandums on cooperation with the Azerbaijan Deposit Insurance Fund and Korea Deposit Insurance Corporation was also very important for strengthening international cooperation.

In 2012 the Fund continued active collaboration with the World Bank, which made a valuable contribution to the process of reforming the deposit insurance system in Ukraine. The experts of the World Bank provided assistance in the development of regulatory documents and internal procedures. The technical assistance of the World Bank enabled the Fund to prepare the staff to carry out their new functions. The expertise provided by the World Bank covered a wide range of issues associated with the current reform, such as the optimization of the Fund’s internal structure, HR policy, and other goals as set in the Institutional Development Plan of the Fund.



“Deposit Insurance and Bank Failure Prevention” seminar organized in Moscow within the frame of the Memorandum of Understanding and Cooperation between the State Corporation «Deposit Insurance Agency» (Russian Federation) and the Deposit Guarantee Fund (Ukraine).

During the reporting period the Fund also cooperated with the USAID funded Financial Sector Development Project FINREP (hereafter – the Project). In the reporting period the Project provided assistance with the development of the new organizational structure of the Fund and establishment of the continuous staff training system.

The website of the Fund www.fg.gov.ua was also improved with the technical aid from the Project.

The cooperation with the Project in the sphere of financial services consumers’ rights protection and financial literacy enhancement was also important for the Fund.

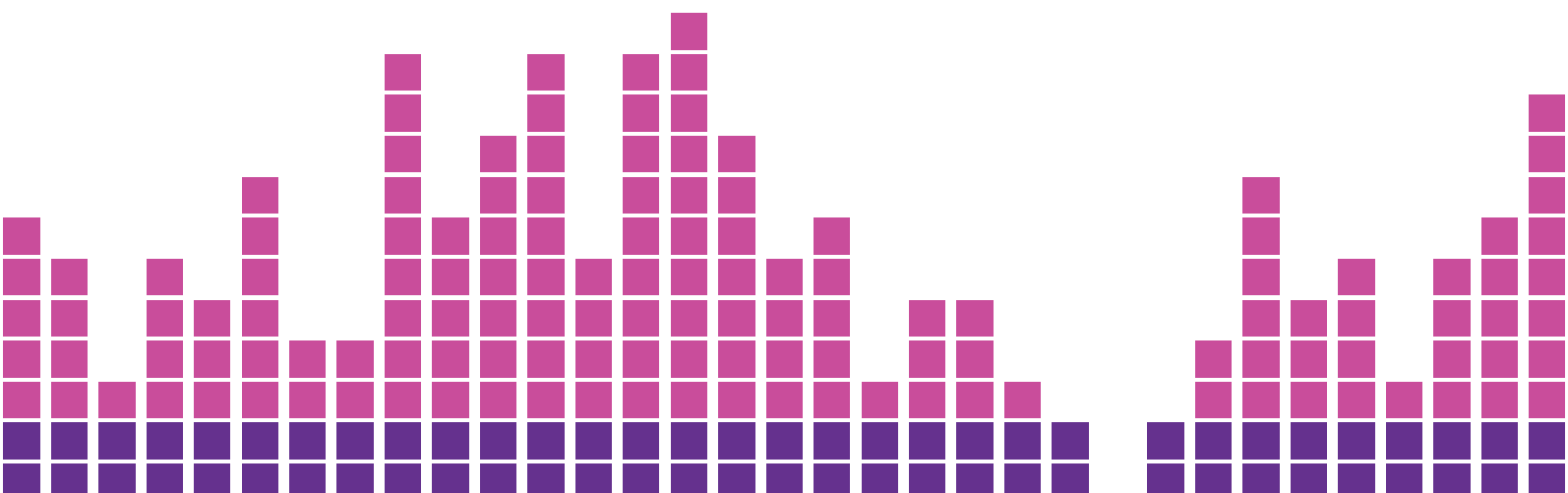


«Self- Assessment of Deposit Insurance Systems in EARC Countries» Seminar, Baku, Azerbaijan

The Fund is grateful to the World Banks and the Project for the valuable contribution to the reformation of the deposit insurance system of Ukraine and fruitful cooperation.



Signing Memorandum of Understanding on Bilateral Cooperation with the Korea Deposit Insurance Corporation



REGULATION OF THE PARTICIPATION OF THE BANKS IN THE HOUSEHOLDS DEPOSIT GUARANTEE SYSTEM

3

Membership in the Deposit Guarantee System.

According to the Law of Ukraine “On Households Deposit Guarantee System” the members of the Deposit Guarantee Fund are all banks with the exception of AT “Derzhavniy Oschanniyy Bank Ukrayiny” (State Savings Bank of Ukraine) and the remedial bank AT “Rodovid Bank”. The membership of banks in the Fund is mandatory. A bank acquires member status on the date when such a bank obtains a banking license. The Fund shall exclude a bank from the Fund members if a decision to revoke banking license and liquidate a bank has been taken.

Maintaining the register of the Fund members is one of the functions of the Fund.

In 2012 5 banks were excluded from the register of the members of the Fund and 4 banks were included into the register. Therefore as of January 1, 2013 there were 174 members of the Fund (Fig.3.1).

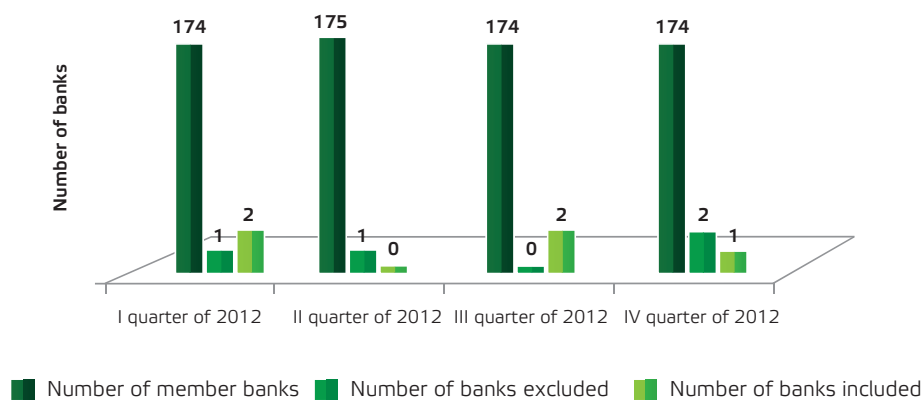


Fig.3.1. Membership dynamics throughout 2012

The changes in the register occurred as a result of:

inclusion of 4 banks into the members register of the Fund: Public Joint Stock Company "MELIOR BANK"; Public Joint Stock Company "Bank Sofiyskiy"; Public Joint Stock Company "Kommertsiyniy Bank "Finansoviy Partner"; Public Joint Stock Company "Alpari Bank";

exclusion of 5 banks from the members register:

- 3 banks were excluded due to the liquidation;
- 1 bank was excluded due to a licensing it as a remedial bank;
- 1 bank was excluded due to reorganization (Table 3.1).

Table 3.1. The list of the banks excluded from the register of the Fund in 2012

Nº	Short Name	Exclusion Date	Reason
1	PAT "Bank Stolytsya"	07.02.2012	Resolution of the AC of 07.02.2012 No 4, record No.10, Resolution of NBU No. 30 of 30.01.2012 "On revocation of the banking license and appointment of the liquidator of the bank PAT "Bank Stolytsya", Kyiv.
2	PAT "INPROMBANK"	27.03.2012	Resolution of the AC of 26.03.2012 No.6, record No. 11. Resolution of NBU No 72 of 29.02.2012 "On revocation of the banking license and appointment of the liquidator of the bank PAT "INPROMBANK", Kharkiv.
3	AT "RODOVID BANK"	19.07.2012	Resolution of the AC of 18.07.2012 No. 23, record No.11. Resolution of the commission of NBU of 15.06.12 No.431 "On licensing, PAT "RODOVID BANK" as a remedial bank" of 15.06.2012 No.1.
4	PAT "AKB "BASIS"	11.09.2012	Resolution of the AC of 07.09.2012 No. 28, record No.14. Resolution of NBU No 357 від 23.08.2012 "On revocation of the banking license and appointment of the liquidator of the bank "PAT "AKB "BASIS", Kharkiv.
5	PAT "KIB Credit Agricole"	04.12.2012	Resolution of the AC of 28.11.2011, record No. 068/12. Reorganization (PAT "KIB Credit Agricole" merger into PAT "Credit Agricole Bank" (No.043, Kyiv). Resolution of the Commission of NBU of 17.08.2012 No. 626 on permission of the reorganization.

Pursuant to Article 17 of the Law of Ukraine "On Households Deposit Guarantee System" enacted on September 26, 2012 the following temporary members of the Fund acquired a status of the Fund members:

- Public Joint Stock Company "Bank Alians";
- Public Joint Stock Company "Zakhidinkombank";
- Public Joint Stock Company "Interbank";
- Public Joint Stock Company "Skhidno-Promysloviy Komertsiyniy Bank";
- Public Joint Stock Company "Unicombank".

Throughout the history of the Fund 228 banks became members of the deposit guarantee system.

During the year of 2012 the number of banks with the foreign capital didn't changed and amounted to 53. The number of banks with Ukrainian capital decreased by one bank and amounted to 121 banks. (Fig.3.2.).

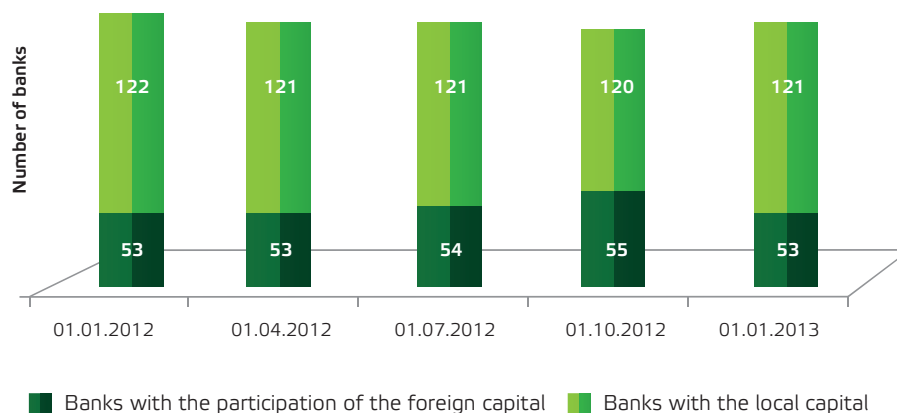


Fig. 3.2. Banks with the participation of the foreign capital

Financial Position of the Member Banks

The balance sheets of the 174 were reviewed in order to analyze the performance of the member banks. Based on the data in balance sheets we calculated a number of indicators as of January 1, 2013 as well as system-wide trends for the year of 2012.

Capital analysis

Equity capital of the member banks grew by UAH 9.7 b. or by 7.1% to UAH 147.6 b. 150 banks increased their equity. In 24 banks there was a decrease of the equity capital.

There were following changes in the structure of the capital (Fig.3.3).

1. Authorized capital decreased by UAH 9.0 b., or by 5.7% to UAH 148.3 b., which is UAH 786.7 m. more than equity capital. The decrease happened due to the exclusion from the member bank that acquired the status of the remedial bank. The authorized capital of this bank as of January 1, 2013 was UAH 12.4 b.2.
2. Issue profit/loss increased by UAH 1.95 b. or by 21.2% to UAH 11.2 b.
3. Total reserves grew by UAH 6.4 b. or 6 times up to UAH 7.7 b.
4. Reserve funds increased by UAH 965.3 m. or by 14.1% to UAH 7.8 b.
5. Other funds increased by UAH 266.0 m. or by 9.7% to UAH 3.0 b.
6. Losses of past years grew by UAH 2.5 b. or by 5.6% and amounted to (-) UAH 46.6 b. due to the losses in the previous years.
7. In 2012 the profit was UAH 4.3 b.
8. Revaluation of the core assets results decreased by UAH 0.7 b. or by 5.7% and amounted to UAH 12.0 b.

Equity base, inclusive of subordinated debt, in the liabilities decreased during the year from 17.47% to 17.37%, indicating sufficient level of the capital protection function. In 111 banks this indicator exceeds the average value of the system, 22 banks – more than 50%, which is the evidence of the low competitiveness. However, in 7 banks the value is less than 10% indicating the higher risk of capital adequacy.

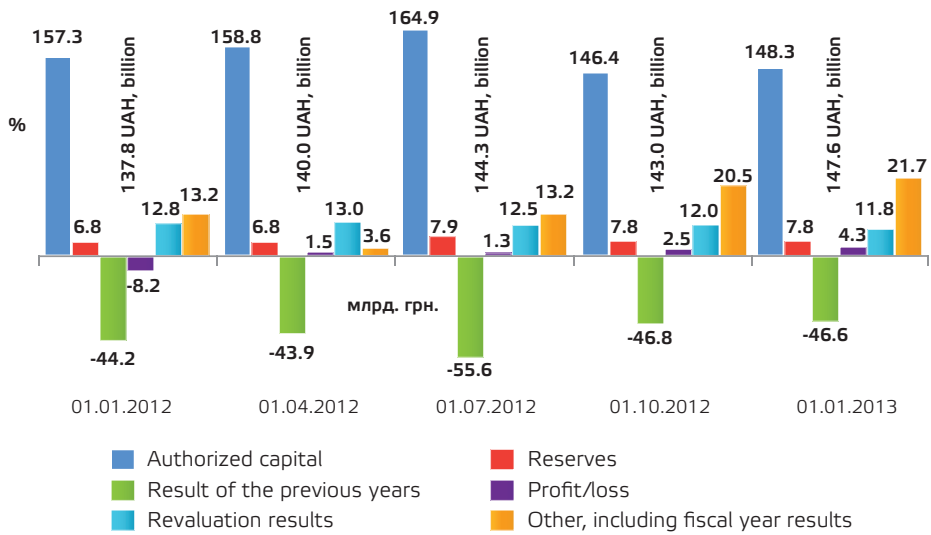


Fig.3.3. Equity capital structure

Bad debts to equity ratio decreased from 55.9% to 45.42% due to the reduction of the no-performing loans because of the write-offs. In 28 banks this indicator exceeds the average values in the system (excluding one bank with the negative equity), in 11 banks it exceeds the value of the equity capital.

Retail deposit to equity ratio was 2.29 indicating an adequate level of the deposits protection. However in 65 banks the indicator exceeds the average value in the system, in 17 banks – more than two times.



Department for Economic Analysis and Recurrent Monitoring

During the reporting year the capitalization of the banking system happened at the cost of the earned profit. The quality of the equity capital remains unsatisfactory because of the total loss of UAH 46.6 b. or 31.4% of the authorized capital. In general, the capital adequacy risk in the system is moderate.

Liabilities analysis

Total liabilities grew by UAH 42.3 b. or by 5.0% and amounted to UAH 884.7 b. The liabilities increased in 97 banks and in 77 banks they decreased, 13 banks decreased their liabilities by over UAH 1.0 b. each.

1. There were following changes liabilities structure (Fig.3.4.).

2. Funds in loro accounts grew by UAH 3.8 b. or by 25.7% and its' share in the structure increased to 2.1 %.

3. The public funds increased by UAH 991.6 m. or by 26.9% and their share increased to 0.5%.

4. In 2012 loans from other banks decreased by UAH 45.9 b. for the year and their share decreased from 19.5% to 13.4%. Whereas in 95 banks the shares of interbank credits exceed the average values in the system, in 4 banks more than half of the resources are derived from interbank credits.

5. Loans from the NBU decreased by UAH 2.2 b. for the year or by 4.0% and amounted to UAH 52.9 b. or to 5.98% of liabilities. Out of the total number of banks only 50 banks have loans from NBU (12 banks more as compared to the previous year).

6. Funds of the corporates grew by UAH 15.4 b. or by 7.8 % and their share in the structure from 23.3 to 24.2%.

7. Households' deposits increased by UAH 53.3 b. or by 18.9%, and their share increased from 33.4 to 37.8%. In 89 banks the share of deposits in liabilities exceeds the average in the system, in 45 banks more than 50%.

8. The share of deposits in liabilities was 32.8%. In 82 banks the share of liabilities exceeded the average values in the system, in 8 banks the share of deposits in liabilities is over 50%, which indicates that they operate as thrift society.

9. Debt securities increased by UAH 3.7 or by 51.3% and their share increased from 0.85 to 1.2%.

10. The loans from the international organizations decreased by UAH 8.0 b. or by 26.1% and from 3.7 to 2.6%.

11. Subordinated debt decreases by UAH 1.7 b. or by 5.9% while its' share – from 4.0 to 3.6%.

12. Accounts payable increased by UAH 24.1 b. or by 64.9% and its' share – from 4.4 to 6.9%. The growth occurred at the cost of foreign currency exchange and precious metal transactions.

13. Other liabilities decreased by 1.2 b. or by 6.95% while their share decreased from 2.1% till 1.9%.

There is a deterioration of the resource base: the term deposits decreased from 70.2% to 68.4%. The cost of the resources increased: the value of the liabilities increased from 7.35 to 8.01% and the value of deposits increased from 9.29 to 9.96%.

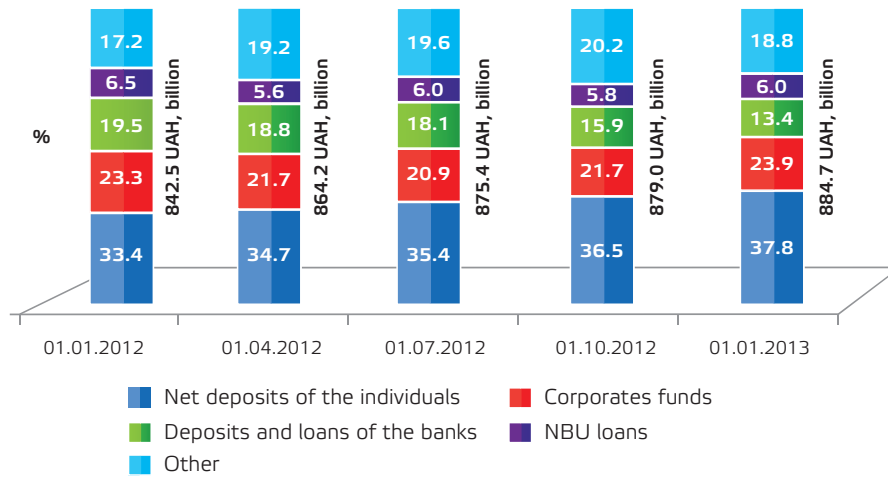


Fig. 3.4. The structure of liabilities

Thus, during the year the main source of the funds mobilization was deposits of the customers, both retail and corporates deposits. The trend of the previous year of prevailing growth of the corporates deposits has changed to the opposite one - the households' deposits growth exceeded the growth of the corporates deposits 3.5 times.

The changes in the assets structure are presented in Fig. 1.13. (Fig.3.5.). Highly liquid assets grew by UAH 24.8 b. or by 18.7%, their share in the structure increased from 11.8% to 13.7% due to the growth of the funds in nostro accounts by UAH 20.8 b. and in the accounts with NBU by UAH 4 b.

Assets analysis
 Total assets increased by UAH 25.1b. or by 2.2%, net assets – by UAH 51.98 bn. or by 5.3% and reached UAH 1032.3 b. There was an increase of the assets in 100 banks and there was decrease of the assets in 74 banks.

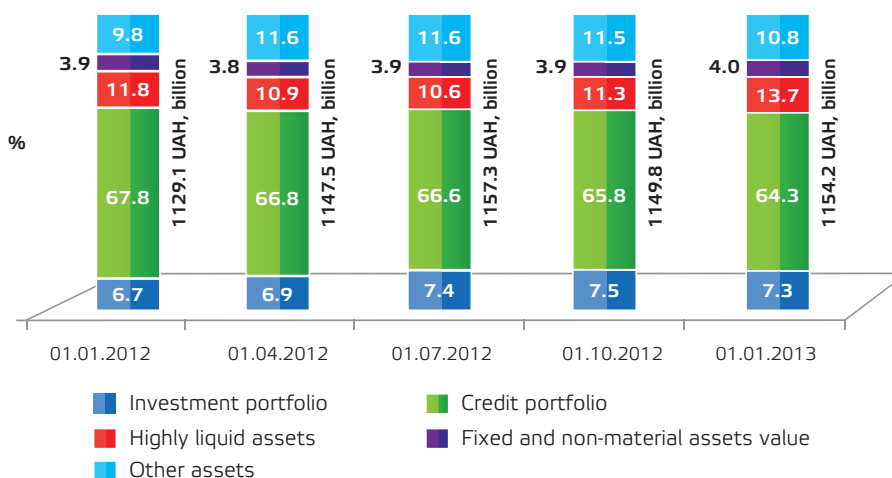


Fig.3.5. Assets structure

It has to be noted that 62.0 % of the highly liquid assets are placed into correspondent accounts in other banks, which more than in the previous year (57.9%). In 75 banks the share of the highly liquid assets exceeds the average value in the system (13.67%), in 9 banks more than 40%, indicating that there is a problem with

the investment of the funds. In 12 banks the share of the liquid assets is less than 4% showing the increased liquidity risk.

There was a growth of securities portfolio by UAH 8.3 b. or by 10.9% to UAH 84.2 b. despite of the decrease in the fourth quarter. The share of the securities in the assets structure is 7.3%. The growth occurred due to the investment into the securities available for sale and hedging (increase by UAH 8.8 b. or by 69.8% up to 25.4% in the portfolio structure). Investment in government bonds decreased by UAH 2.3 b. or by 4.2% to 62.0% in the portfolio structure. Securities in the trading portfolio grew by UAH 1.5 b. or by 30.1% and form 7.6% of the portfolio. Securities to maturity decreased by UAH 86.6 b. or by 4.4% to 2.2% in the portfolio structure. Investment into associated companies increased by UAH 338.0 b. to 2.7% in the portfolio structure.

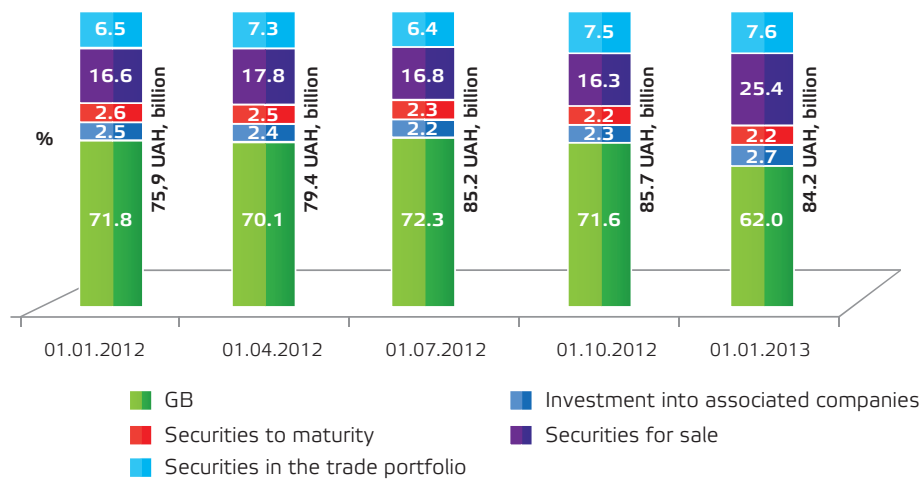


Fig.3.6. Securities portfolio structure

The credit portfolio decreased by UAH 23.6 b. or by 3.1% up to UAH 741.8 b., its' share in the structure decreased from 67.8 to 64.3%. The reduction of the credit portfolio occurred due to the decline of the interbank lending by UAH 31.2 b. or by 53.2% up to 3.7% in the credit portfolio; decrease of the retail loans by UAH 14.1 b. or by 8.3% to 21.1% of the credit portfolio. Loans to the economic entities increased by UAH 22.99 b. or by 4.3% to 74.8% in the credit portfolio. In 73 banks the share of the credit portfolio is less than the average value in the system (64.3%), and in 32 banks – over 80.0%, which shows the aggressive credit policy.

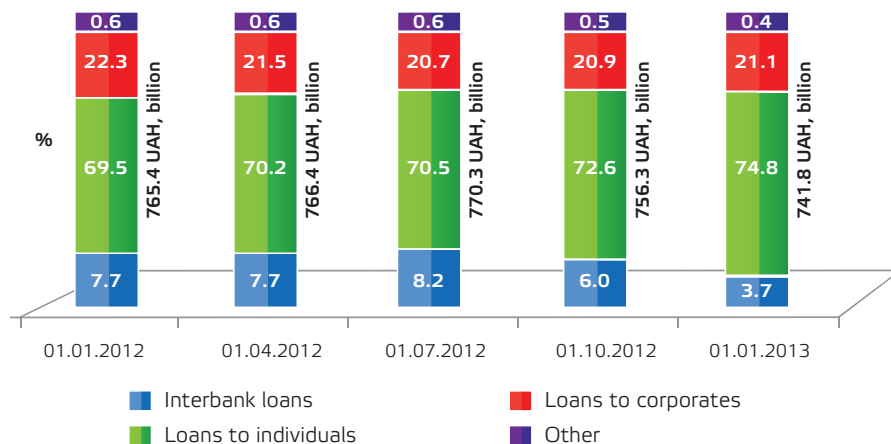


Fig. 3.7. Credit portfolio structure

Loan arrears decreased by UAH 10.1 b. or by 13.1%, from 10.1 to 9.03% in the credit portfolio due to the writing-off of debts (the total writing-off for the year was UAH 21.96 b., 91.6% increase), which in turn led to the reduction of the provisions by UAH 20.8 b. or by 15%, the level of reserves in the credit portfolio structure decreased from 18.1% to 15.9%. In 32 banks the share of the loan arrears in credit portfolio exceeds the average value in the system, in 11 banks – over 20%.

The amounts of the credit risk provisions show that the banks recognize this type of risk. The adequacy of the reserves in the system was 107.19%. In 30 banks the reserves were two times more than the arrears, in 90 banks the reserves were less than 100%.

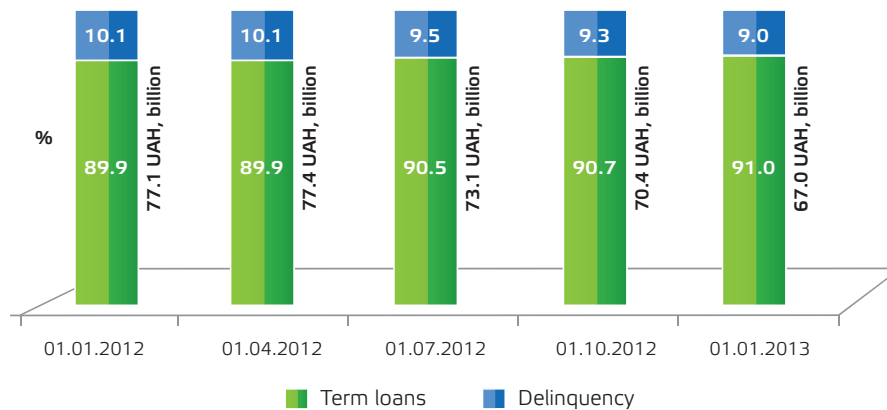


Fig. 3.8. Credit portfolio quality

Fixed and intangible assets increased by UAH 2.3 b. or by 5.2%, and their share in the assets increased from 3.9 to 4.01%.

The receivables formed at the expense of the foreign currency and bank metals purchase/ sale transactions increased by UAH 15.1 b. or by 35.6%, and its' share in the assets increased from 3.8 to 4.6%.

Other assets decreased by UAH 1.9 b. or by 2.7% to 5.8% in the assets structure.

Thus, despite of the growth of the assets during the year, there was a slowdown in economic activities of the banks: the earning assets decreased by UAH 15.3 b. for the year or by 1.8% and their share decreased from 74.5 to 71.6% due to the reduction of the crediting. Considerable volume of the mobilized funds was on nostro accounts. The banks actively invested into securities available for sale and derivatives for the purposes of hedging. In anticipation of the currency movements the significant funds were put into payables and receivables of the foreign currency and bank metals purchase and sale transactions having a negative impact on credit and deposit operations effectiveness. The credit risk in the system is slightly increased due to the low quality of the credit portfolio.

Financial Outcomes

The total income grew by 4.3 percent to reach UAH 138.5 b. At the same time, the income patterns changed (Fig. 3.9). The interest return increased by UAH 2.7 b., yet its share in the overall income structure dropped from 79.0 to 77.7%.

The fee and commission revenues grew by UAH 2.5 b. or 14.7%, that is from 13.0 to 14.3% of the total income. The revenues from commercial transactions fell by UAH 737.3 m. (19.2%), i.e. from 2.9 to 2.2% of the total income.

At the same time, the investment gain grew by UAH 377.1 m. or 2.5 times. Other operating incomes dropped by UAH 513.4 m. (8.9%) from 3.9 to 3.4 percent of the total.

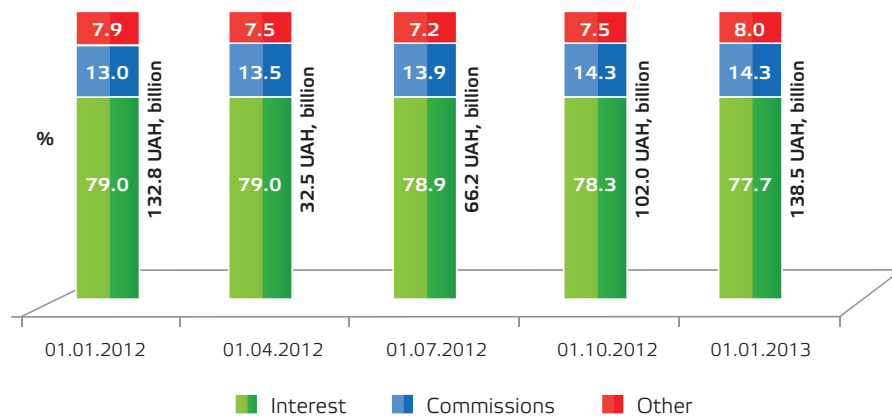


Fig. 3.9. Income Structure

The total costs (Fig. 3.10.) decreased by UAH 6.9 b. (4.9%) to UAH 134.1 b., mainly due to lower allocation to the reserves. The general expenditure pattern changed as follows. The interest costs increased by UAH 7.5 b. (13.5%), i.e. from 39.4 to 47.0 percent of the total expenditure.

The commission expenses dropped by UAH 19.5 m. (0.7%), however their share in the total cost grew by 2.0 to 2.12 percent. Other operating expenses dropped by UAH 2.8 b. (17.6%) from 11.1 to 9.6 percent of the total.

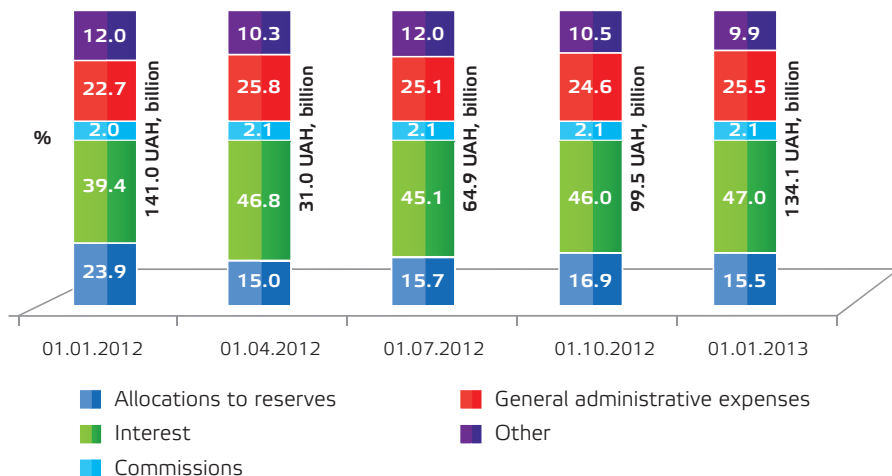


Fig. 3.10. Cost Structure

The general administrative expenses grew by UAH 2.3 b. (7.1%) from 22.7 to 25.5 percent of the total cost.

The provision for reserves dropped by UAH 12.9 b. (38.4%) from 23.9 to 15.5 percent of the total.

The net interest return dropped by UAH 4.9 b. (9.8%) to reach UAH 44.5 b. The net fee and commission revenue grew by UAH 2.6 b. (17.8%) to reach UAH 17.0 b.

In 2012, lower allocations to the reserves enabled the banks to have some additional income of UAH 4.3 b. (Fig. 3.11).

One hundred and fifty seven banks had the total profit of UAH 7.80 b. Nineteen banks suffered the total loss of UAH 3.46 b. Of these, 5 banks faced losses due to inadequate allocations to the reserves.

At the same time, 25 banks that reported profit had their provisions underfinanced, considering the overdue loans owed to the banks.



Fig. 3.11. Financial Results

The general contraction in the banking sector, in particular lower investments in earning assets, had an adverse effect upon the bank’s deposit and lending operations. Thus the net interest margin dropped from 5.25 to 4.41 percent, and net spread – from 4.50 to 3.79 percent. For 11 banks the net spread was negative – an indication of a high interest risk. Concerning the return on assets, only 23 banks managed to employ their assets effectively, and 12 effectively employed their capital.

Thus the year 2012 was marked with the following major trends:

- Lower activities in the interbank market
- Retail deposits compensated for the outflow of the interbank resources thus making the banks’ provisions more costly
- Less favorable tenor of the banks’ funding base
- Balance sheet total increased at the cost of accounts payable/receivable
- The general stagnation of the banking sector
- Significant increase of funds on nostro accounts
- Decreased provision for reserves due to writing off bad debts
- Increased investments in securities and derivative financial instruments for hedging

The trends above had a significant impact upon the situation and financial outcomes in the banking sector. Low asset quality and general contraction in the banking sector led to a decreased interest income and lower effectiveness of banking operations. The foreign exchange movements resulted in an increased speculative profit. Writing off debts helped the banks to ‘clean’ the balance and reduced the provision for reserves, which had a positive impact on the overall financial outcomes in the banking sector.

Major Trends in the Deposit Market

Deposits remain to be the major source of the member banks’ resources (the share of deposits in the total liability portfolio grew from 33.4 to 37.8 percent throughout the last year).

The higher volumes of retail deposits and “term deposits” may be explained by the outflow of other resources and – consequently – increasingly high interest rates. This, on the one hand, may be seen as an indication of increasing public trust to the banking sector in general. At the same time, the retail deposits are costly and, considering low level of bank lending, in fact, reduces the net interest income of the banks.

In 2012, the retail deposit market was marked with the following major trends.

The total number of retail depositors grew by 9.4 m. (26.9%) to reach 44.4 m. To put this in perspective, in 2011, the total number of individuals with bank deposits grew by 7.5 % or 3.4 m. See Fig. 3.12. below for the depositor population in 2012-2013.



Fig. 3.12. Depositors to the Member Banks

Throughout 2012, the total value of retail deposits grew by 19.8 percent from UAH 55.9 b. to UAH 338.5 b. (Fig. 3.13). The growth rate was significantly higher than that in the last year – consider an increase by 11.2% (that is by UAH 28.4 b.) in 2011. A positive indication is that the major source of increase was “term money”, the volume of which grew by 21.7 percent (or by UAH 48.3 b.) to reach 80.7 percent of all deposits in Ukraine (78.9% in the last year), thus enabling the banks to manage their liquidity more effectively.

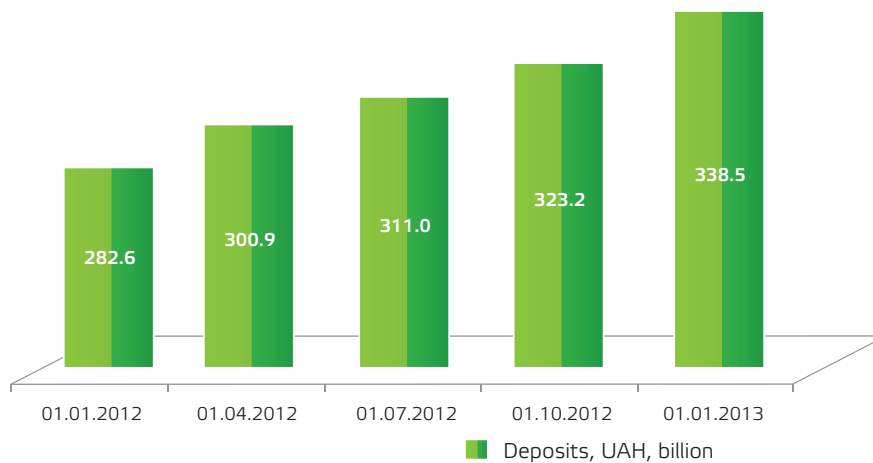


Fig. 3.13. Deposits to the Member Banks

In 2012, the average deposit value dropped by 5.6 percent from UAH 8,072 to UAH 7,619 for, presumably, a significant deposit inflow and increased number of depositors in Ukraine. For instance, in 2011, the average deposit amount increased by 3.5 percent.

The recent trends in the banking sector demonstrated that the interventions of the National Bank encouraged the Ukrainians to save in UAH. The growth rate of the banks' deposit portfolio in UAH in the first six months in 2012 (14.4%) was higher than from the same period a year earlier (6.0%). Thus in first half of 2012, the share of the UAH deposits was 50.1 percent of the total deposit portfolio (respectively, the deposits in foreign exchange constituted 49.9 percent of the deposit portfolio). At the same time, an opposite trend was observed in the second half of the year – the depositors tended to close their UAH accounts, buy US dollars and Euros, and redeposit. Thus by the end of 2012, the growth rate for such foreign currency deposits was 22 percent (17.4% - for UAH deposits).

Throughout the reporting period, the total growth rate for UAH deposits was 17.4 percent (by UAH 23.7 b.) to reach UAH 159.8 b., yet their share in the total deposit portfolio fell from 48.2 to 47.2 percent. The UAH equivalent of the total value of the foreign exchange deposits grew by 22.04 percent (or by UAH 32.2 b.) to reach UAH 178.7 b., and the share of foreign exchange deposits in the total deposit portfolio grew from 51.8 to 52.8 percent. The gap between UAH deposits and foreign exchange deposits increased and reached 11.8% (Fig. 3.14).

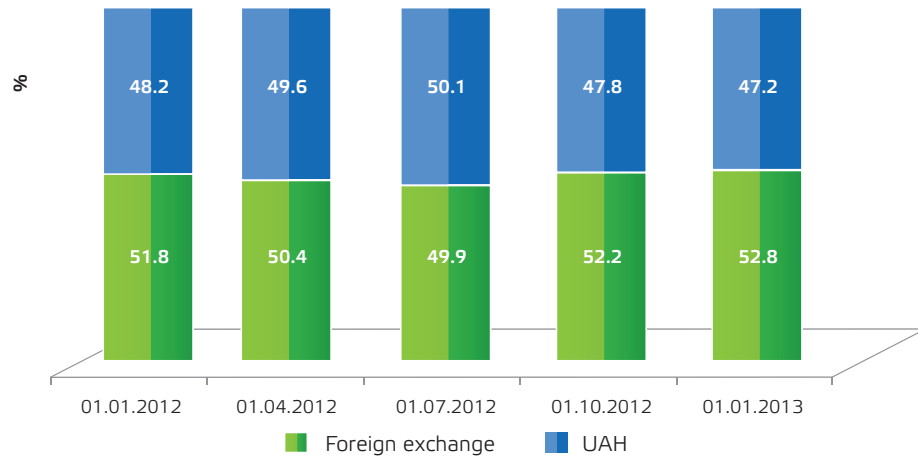


Fig. 3.14. Deposits by Currency

Currently, the deposit coverage is UAH 200,000. The large majority of the Ukrainian depositors (99.5%) have deposits of an amount under UAH 200,000. Their deposits constitute 46.6 percent of the total value of the retail deposits in the banking sector (Fig. 3.15 and 3.16).

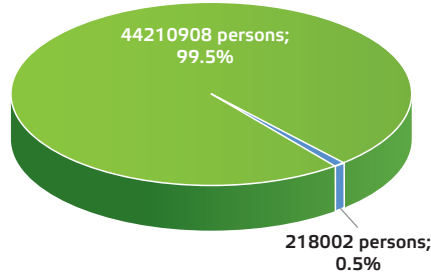


Fig. 3.15. Depositors to the Member Banks

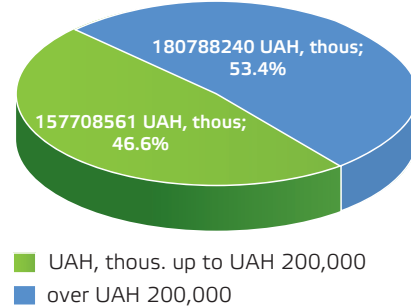


Fig. 3.16. Retail Deposits at the Member Banks

One of the key factors ensuring sustainability of the banking sector in Ukraine is the Fund's financial resources that should be adequate to cover the risks in the sector. Throughout the reporting period, the Fund's financial resources grew by 24.6 percent (that is by UAH 1.3 b.) and reached UAH 6.1 b. In 2012, the total deposit insurance liability grew by 25.3 percent (by UAH 40.7 b. to reach UAH 201.3 b.), That is 59.5 percent of the total deposit value.

The Fund's capitalization level (that is the percentage of the total liability covered by the Fund's financial resources) remained at 3.0 percent (Fig. 3.17).

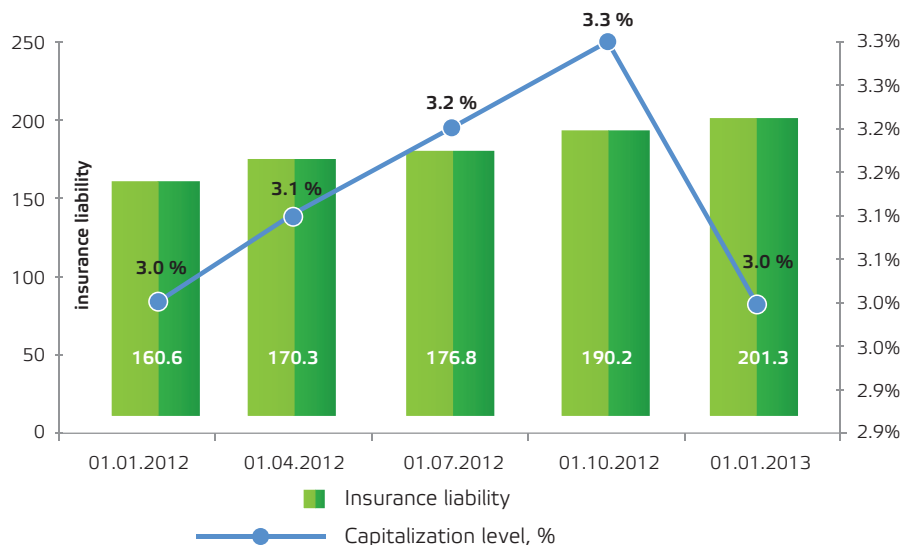


Fig. 3.17. Insurance Liability and Capitalization of the Fund

The general tendency to keep deposits within the insurance coverage remained unchanged in 2012. Today, the Fund fully insures “small” and “medium” depositors to small and medium banks, which follows the international practices.

The major financial and economic indicators of the deposit insurance system in Ukraine are given in the Table 3.2. below.

Table 3.2. Key Financial and Economic Indicators of the Deposit Insurance System in Ukraine

Indicator	01.01.2012	01.04.2012	01.07.2012	01.10.2012	01.01.2013
Total retail deposits, UAH, million	282 596.9	300 883.5	310 987.4	323 163.5	338 496.8
Total insurance liability, UAH, million	160 617.3	170 265.9	176 785.8	190 227.9	201 270.3
Insurance liability (insured deposits) vs. total retail deposit value in Ukraine, %	56.8	56.6	56.8	58.9	59.5
Depositors to member institutions, millions persons	35 007.8	37 155.8	34 295.5	36 498.3	44 428.9
Depositors fully insured, %	99.2	99.2	99.1	99.4	99.5
Insurance coverage per depositor per institution, UAH	150 000	150 000	150 000	200 000	200 000.0
Annual premium rate, %	0.5	0.5	0.5	0.5 (UAH); 0.8 (foreign exchange)	0.5 (UAH); 0.8 (foreign exchange)
Fund's reserves, UAH millions	4 827.3	5 312.0	5 680.9	6 194.4	6 092.1
Fund's capitalization (insurance fund vs. total liability), %	3.0	3.1	3.2	3.3	3.0

Control Function

As a part of ensuring due functioning of the deposit insurance system and in order to protect the rights and interests of depositors, the Fund supervises the member banks (and banks with the status of temporary member) through regular inspections.

In 2012, the inspections were conducted to verify the banks' adherence to the Law "On Deposit Guarantee Fund", the Law "On Household Deposit Guarantee System", as well as the all relevant standards and regulations. All inspections were conducted under the set annual monitoring schedule.

Since 2003, the Fund conducted 843 inspections, of which 810 were scheduled inspections and 33 – unscheduled inspections.

In line with the bank monitoring schedule for 2012 (approved by the Executive Directorate, Ref. № 041/11 of 29/092011), the Fund conducted 77 inspections, including 67 inspections of the member banks and 5 inspections of the banks with the temporary member status. Additionally, 5 unscheduled visits to the member institutions were conducted.

The inspections sought to determine to what extent the banks adhered to the provisions of the Law on Deposit Guarantee Fund, in particular concerning the premium payment, reporting to the Member Bank Register, maintaining depositor databases, as well as informing the depositors of the deposit insurance system in Ukraine. Special focus was put on the timeliness and accuracy of the premium payment and report submission, as well as the maintenance of the depositor database in line with the set regulations.

The banks where any violations were found had to resubmit their reports and inform the Fund of all actions undertaken to eliminate the irregularities. The Fund – in its turn – informed the National Bank of the inspection findings and recommended interventions to bring the bank's performance in conformity with the set requirements.



Inspection Department of the Bank Monitoring Directorate

In order to ensure the Fund's functions, in particular due deposit operations, the banks are required to report regularly to the Fund. The member banks submit the reporting Form 1F quarterly and monthly. The banks with the temporary member status submit the reporting Form 1TF on quarterly basis.

The major requirements to the reporting process are set in the Instruction on Retail Deposit Reporting (as a part of the Quarterly Reporting Form 1F approved by the Resolution of the Administrative Board Nº 8 of 14th Oct. 2002); the Instruction regulating the reporting of the banks with the temporary member status (as a part of the Quarterly Reporting Form 1TF approved by the Resolution of the Administrative Board Nº 9 of 14th Oct. 2002); and the Instruction on monthly reporting of the member banks (as a part of the Monthly Reporting Form 1F approved by the Resolution of the Administrative Board Nº 5 of 9th July 2012, and registered with the Ministry of Justice on 2nd August 2012, ref. 1314/21626).

The current reporting standards require stratification of depositors and deposit amounts, and separate reporting for net deposit values, accrued bank charges and deposit certificates.

The inspections elicited the following common breaches/irregularities associated with the banks' reporting:

- Failure to report balances on closed accounts and payable accounts
- Reporting of retail financial instruments that do not qualify as 'deposit'
- Round-off errors for UAH equivalents of foreign exchange
- Failure to report nil balances on retail accounts
- Including net deposit values to the reports on bank charges, and bank charges – to the net value reports, i.e. non-adherence to the report structure
- Reporting of precious metal deposits in as insurable deposits
- Including of consolidated card accounts
- Including of cash collaterals for the keys to safety deposit boxes
- Reporting of balances that the Instructions do not require
- Misreporting data on insured depositors

According to the inspection findings, 26 banks failed to fill in appropriately and/or submit timely the reporting Forms 1F and 1FT (12.68% of all cases of violations of the reporting procedures).

Accuracy and Timeliness of Premium Payment

The policies and procedures of premium payment are set in the Law on Household Guarantee System and Regulation on Premium Payment (approved by the Resolution of Administrative Board Nº 1 of 14th January 2002).

The banks pay to the Fund twice a year. Each payment constitutes 0.25 percent of the total deposit value, including the interest. All member banks are to pay.

According to the inspection findings in 2012, some banks failed to pay timely and/or underpaid.

Six member banks paid the premiums untimely (i.e. after the expiry of the set payment period).

Two member banks underpaid as these banks did not account for residuals on retail balance accounts (i.e. the account Category 2924 'Transit Accounts for Payment Card Transactions' and Category 2909 'Other Accounts Payable').

One bank overpaid.

In total, eight bank failed to pay the premiums timely and/or fully (3.90 percent of all violations detected). At the same time, evidence suggests that the predominant majority of the member banks managed to calculate the premium value correctly, and pay timely and in full).

Depositor Data Base

The Fund set requirements to the depositor data base that the member banks have to maintain.

The key requirements are set in the Instruction on Retail Depositor Database approved by the Resolution of the Administrative Board № 13 of 14th November 2002).

The most common irregularities/breaches associated with the maintenance of the depositor database are the following:

- Missing data

- Database electronic system incompatible with other automated systems employed for retail deposit transactions

- Consolidated account data often fail to identify the depositors

Forty six banks failed to fully follow the Instruction on Retail Depositor Database (22.44% of all breaches in 2012).

In general, the inspected banks demonstrated rather effective software and hardware bases allowing them to collect, maintain and adequately use the data on their retail depositors. The banks maintained back-up data files (stored separately) and had capacities to renew the database in a case of loss of the original dataset.

Adhering to the Fund Standards

Informing Clients of the Deposit Guarantee System

The Law on Deposit Guarantee Fund, the Law on the Household Deposit Guarantee System, and the documents regulating the procedures of informing depositors of the deposit insurance system contain the major requirements to the banks concerning the information that the banks should provide to the clients.

The following information should be visually accessible at all bank premises (including local branches) providing services to retail (individual) depositors, as well as on the bank's web-site:

- Address, telephone numbers and web-page of the Fund
- Law on Deposit Guarantee Fund

Law on Household Deposit Guarantee System
Copy of the Fund Member Certificate
Kinds of deposits accepted
Insurance coverage and payout procedures

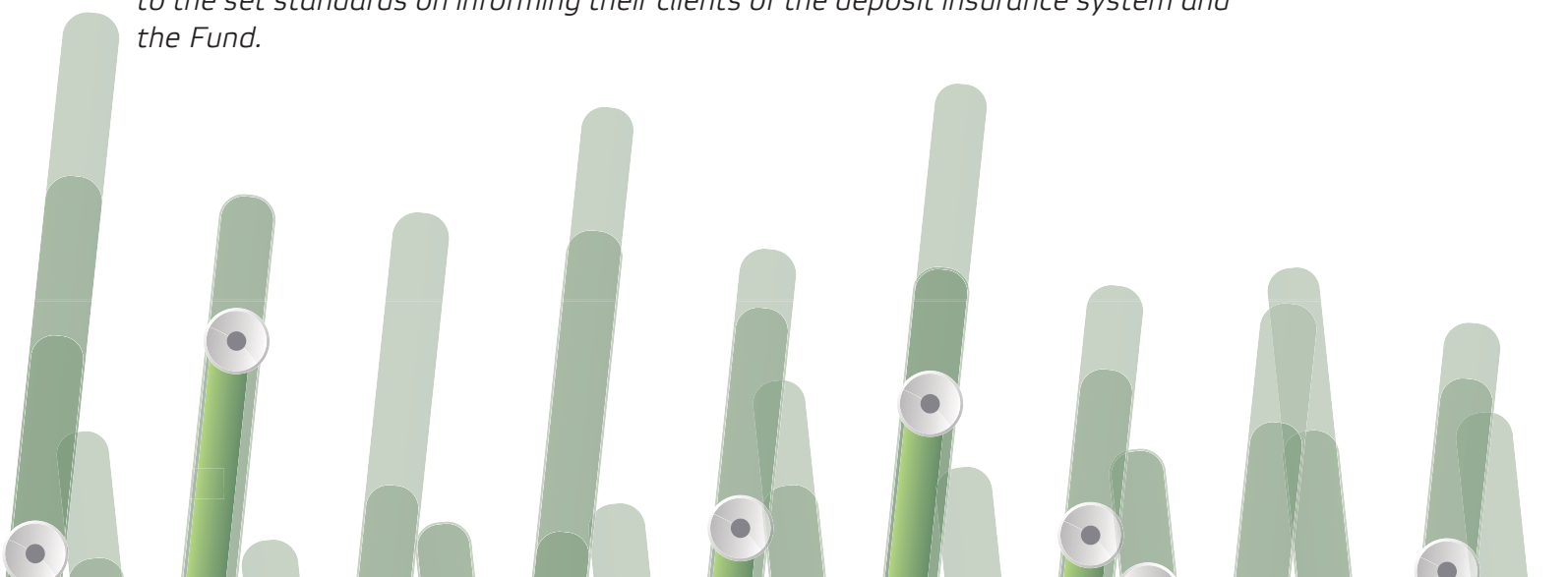
According to the Fund requirements, these data are to be placed on the bank's web-sites/pages, normally in the sections 'About the Bank' and 'Information for Individual Depositors'.



Security and Control Sector

In 2012, the inspections detected 26 cases of violation of these requirements (12.68 % of all cases of violation of the Fund requirements to the banks). All these cases were promptly corrected, i.e. the banks put all required information on their web-sites.

In general, in 2012, according to the assessments, the banks normally adhere to the set standards on informing their clients of the deposit insurance system and the Fund.



Reporting to the Fund

In order to fulfill its' functions the Fund set up the requirements for the data provided by the member banks.

In order to support the Fund's functions, the banks submit the following reporting documents to the Fund within the set terms:

- the reporting forms mentioned above;

- an audit report;

- such data as the bank's full name and address, and duly notarized copy of the bank's certificate, full names of the CEO and Senior Accountant, etc.

Within five working days, a bank is to inform the Fund of any changes associated with the bank's license, name and address, as well as replacement of the bank's CEO and Senior Accountant.

According to the inspections, in 2012 some banks failed to submit some of this information timely and/or in full.

Most often the banks failed to:

- timely inform the Fund of any changes associated with the bank's license, name and address, as well as replacement of the bank's CEO and Senior Accountant (77% of the banks inspected in 2012);

- timely submit the audit report (22%);

- timely submit the quarterly reporting forms (11%);

- submit at all or submit timely the estimated premium value (to be submitted electronically), or correctly calculate the premium value (9%).

In 2011, eighty two banks were inspected; of which 58 banks (71%) failed to fully observe the Fund standards.

In 2012, two hundred and five cases of non-observance of the Fund standards were detected in 74 banks (96% of the 77 banks inspected).

On the ground of the inspection findings, administrative sanctions were applied to three banks.

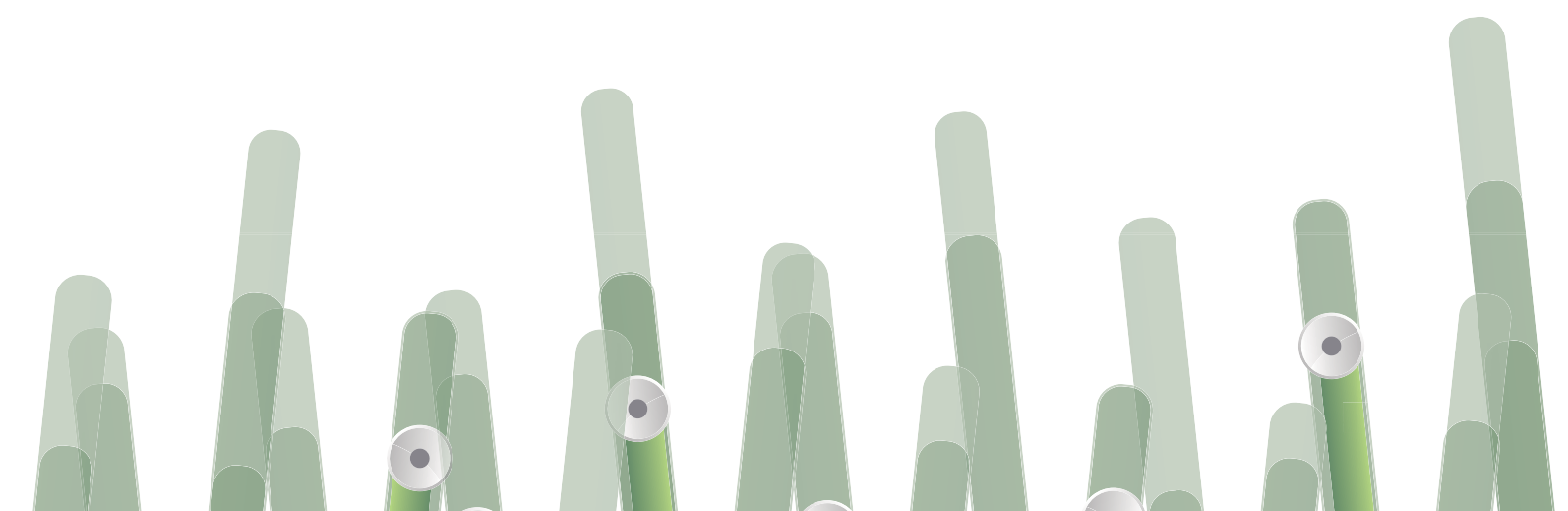
In 2012, as in 2011, the banks were most likely to fail to:

- inform the Fund of any changes associated with the Bank Member Register (28.27% of all violations detected);

- adhere to the requirements on maintaining the depositor database (22.44%);

- appropriately fill in the reporting Form 1F (12.68%);

- timely submit their audit reports to the Fund (8.41%).



Administrative and Economic Sanctions Applied in 2012

According to the Law "On Household Deposit Guarantee System" (Article 33), and Administrative Offense Code (Articles 2344 and 16619) and in order to ensure the banks' adherence to the legislation on deposit insurance, the Fund is entitled to impose fines, and apply administrative and economic sanctions (corrective actions) on the banks.

When a bank fails to adhere to the legislation on deposit insurance, the Fund investigates and documents the case.

Throughout the reporting period, such corrective actions were applied to 32 member banks who failed to follow the legislation on deposit insurance, in particular:

- failed to submit the reporting Form № 1F (29 banks);
- failed to timely submit a notarized copy of the newly obtained license (2 banks);
- failed to timely submit any data to the Fund Member Register (6 banks).

Resolution Process

The Fund launches resolution of an insolvent bank, and introduces provisional administration in such a bank following the NBU Resolution transferring the bank to the 'insolvent bank' group.

The provisional administration seeks to appraise the bank's financial situation and its assets/properties in order to ensure an effective resolution. In line with the Law "On Household Deposit Guarantee System" (hereinafter – the Law), within thirty days following the first day of the provisional administration, the Executive Directorate will approve the Resolution Plan specifying the particular key interventions/events associated with the bank resolution. There are following resolution options:

- 1) Liquidation of the insolvent bank with a direct repayment of insured deposits by the Fund
- 2) Liquidation of the insolvent bank, with a transfer of all or some assets and liabilities of the insolvent bank to an assuming bank
- 3) Transfer of some assets and liabilities of the insolvent bank to an assuming bank with the further revocation of the insolvent bank's license and liquidation of the insolvent bank
- 4) Establishing a bridge bank and transfer of the assets and liabilities of the insolvent bank to the bridge bank, followed by the liquidation of the insolvent bank
- 5) Selling the insolvent bank to an investor.

In all cases the least cost resolution option will be selected. The Fund may grant a 'financial support' to the assuming bank in order to compensate for the liabilities assumed.





Resolution Plans Development and Implementation Department

In order to ensure the depositors' access to their funds, the Fund is entitled to grant a 'special purpose' loan to the insolvent bank to enable the bank to pay the matured deposits and current accounts under the insurance coverage (i.e. begin the payout already under the provisional administration).

The Fund launches liquidation and appoints an Authorized Officer in charge of bank liquidation following the NBU Resolution on the bank liquidation and revocation of the bank's license. The appointed Authorized Officer will perform all functions associated with the bank liquidation. On the first day following the appointment date, the Authorized Officer will launch an inventory and appraisal of the bank's assets/other properties to create a liquidation pool. The recovered financial resources earned from the sale of the bank's assets/properties will be applied to settle the creditor claims in the priority order as set in the legislation.

The bank liquidation will be completed no later than within one year following the date of the NBU Resolution on bank liquidation. The Fund is entitled to extend this term for a period of up to one year (two years for systemic banks).

Provisional Administration of Insolvent Banks

As of 1st January 2013, the Fund introduced provisional administration in two banks – the Joint Stock Company 'ERDE BANK' (hereinafter – ERDE bank) and the Public Company TAVRIKA BANK (hereinafter – TAVRIKA Bank).

On 29th October 2012, the NBU Board signed the Resolution No. 451 transferring the ERDE Bank to the 'insolvent bank' group. Following this Resolution and in line

with the Article 34 of the Law, the Executive Directorate passed the Resolution No. 25 of 29th October 2012. The Resolution introduced a provisional administration and appointed the Authorized Officer in the ERDE Bank (from 30th October 2012 for a three month term).

The ERDE Bank was a 'universal' bank providing a wide range of services and products. It was 100% Ukrainian owned. The branch network consisted of 46 local offices. The bank was a member of the Society for Worldwide Interbank Financial Telecommunications (SWIFT) and such international systems as Western Union, MoneyGram and Anelik, as well as the Master Card Association. The bank's collection service was amongst the top 10 leaders in the field – the bank serviced some 4,615 cash collection sites and had 91 cash vans. The bank was not in the category of "systemic banks"



Provisional Administration and Resolution Department

The Authorized Officer at the ERDE Bank undertook all actions required to:

- Safeguard the bank's assets/properties and documentation
- Terminate the bank's transactions to/from the correspondent accounts with the National Bank, and saving accounts in UAH and foreign exchange
- Inventory assets and liabilities of the bank, and verify all and any contracts/civil transactions signed/performed throughout one year prior to the day when the provisional administration was introduced in the bank in order to elicit contracts/transactions that may have an adverse effect upon the bank's financial situation
- Ensure debt redemption by borrowers from the bank
- Prepare to receiving the creditor claims
- Compile the adjusted balance of the bank

The Executive Directorate approved the ERDE Bank's budget associated with the provisional administration from 30th October 2012 to 29th January 2013 with all required annexes.

The Fund undertook all actions required to find potential investors through placing an advertisement on the Fund's web-site announcing the following possible options for the bank resolution:

- 1) Transfer of some assets and liabilities of the insolvent bank to an assuming bank
- 2) Establishing a bridge bank and transfer of the assets and liabilities of the insolvent bank to the bridge bank, followed by the liquidation of the insolvent bank
- 3) Selling the insolvent bank to an investor

No potential investor expressed interest to take part in the resolution of the ERDE Bank.

Thus based on the findings of the appraisal of the bank's financial position and the estimated net present value to be recovered, as well as the outcomes of the search for investors, the Fund developed and approved the Resolution Plan providing for the bank liquidation with a direct payout of the insured deposits by the Fund.

On 20th December 2012, the Executive Directorate passed the Resolution No. 33 introducing a provisional administration in TAVRIKA bank, and appointing the Authorize Person in charge of provisional administration.

The provisional administration was introduced for three months – from 21st December 2012 to 30th March 2013.

The TAVRIKA Bank was registered in 1991. It was a universal bank with 39 branches in all oblast capitals.

The bank was a member of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), Visa Card Association and the Western Union system. The bank was not systemic.

As in the case of the ERDE Bank, the Authorized Person undertook all actions required to safeguard the bank's assets/properties and documentation; inventory assets and liabilities of the bank; review the contracts/civil transactions signed/performed of the bank throughout one year prior to the day when the provisional administration was introduced; and ensure debt redemption by borrowers.

On 21st December 2012, the Fund began searching for potential investors to be involved in the resolution process.

Deposit Payout under Provisional Administration

As of 1st January 2013, the ERDE Bank and TAVRIKA Bank were under provisional administration.

In the ERDE Bank the payout of the matured deposits (or the deposits to mature during the term of the provisional administration) was launched already 14 days after the bank was transferred to the 'insolvent bank' group. Throughout the first two months of the provisional administration, about 3,400 depositors were paid some UAH 198 m. (that is 95.6 percent of the total value of the matured deposits with the bank) (see: Table 4.1).

Concerning the deposits with later maturity date, according to the Article 28 (section 1) of the Law, the Fund launches the payout of such deposits (UAH cash payments or transfers) to the depositors and their legal representatives no later than seven days following the date of the Resolution authorizing the withdrawal of the bank's license and bank liquidation.

The preliminary estimated total cost associated with the deposit payout in the ERDE Bank was about UAH 445 m.

Table 4.1. Matured deposits and deposits to mature during the term of provisional administration

Bank	Provisional administration	Special purpose loan granted to the bank to support the payout, UAH millions	Paid out, UAH millions	% of matured deposits or deposits to mature during the provisional administration	Depositors paid
ERDE Bank	30.10.2012 – 29.01.2013	208.1	198.9	95.6	3 431
TAVRIKA Bank	21.12.2012 – 20.03.2013	Scheduled for 14.01.2013	Scheduled for 14.01.2013	-	-

MANAGING THE FINANCIAL RESOURCES OF THE FUND

5

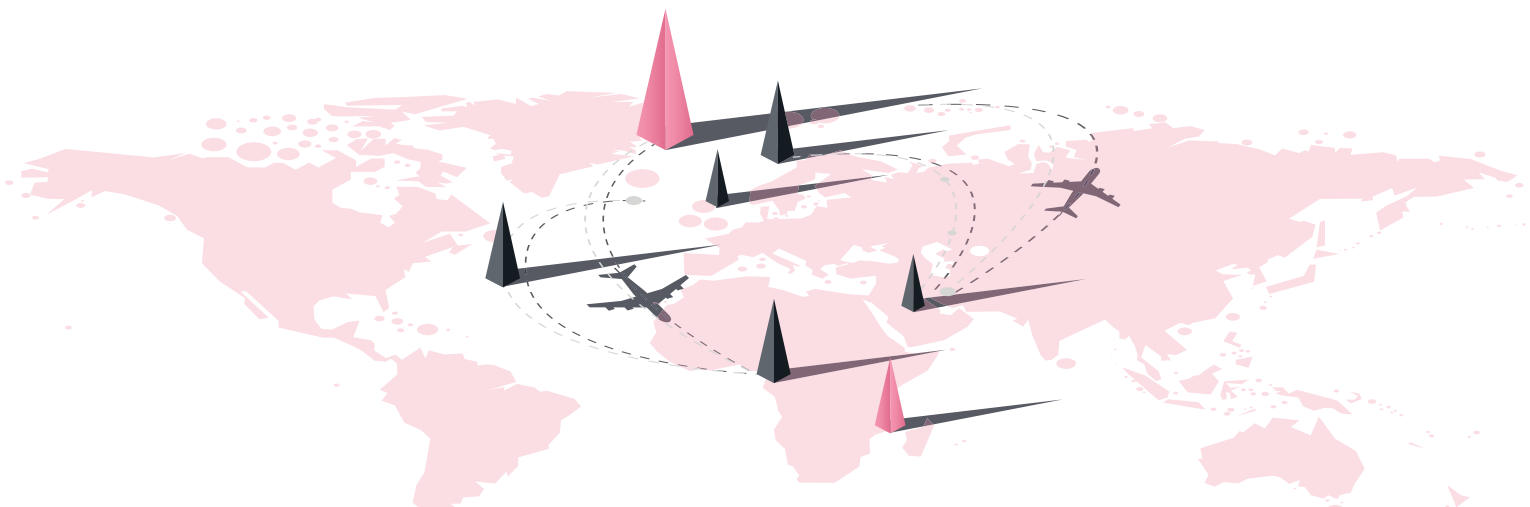


Accounts Department

Financial Resources Accumulation

To ensure deposit guarantee system operations as well as effective bank resolution process in 2012 the Fund continued to accumulate financial resources.

In the reporting period the financial resources increased by UAH 1 264 839.8 thous. or by 26.2% and as of January 1, 2013 reached UAH 6 092 137.1 thous., of which 5 840 072.4 thous. are invested into government securities and UAH 252 064.7 thous. – on the currents accounts.



The funding sources of Fund included:

- 1) initial contributions of the member banks;
- 2) regular contributions of the member banks;
- 3) investment income;
- 4) interest income on outstanding balance of the Fund's account with the National Banks of Ukraine;
- 5) fines and penalties paid by the member banks.

Table 5.1. Fund's financial resources generation in 2012 and 2011

Funding sources	2012	2011
	Amount, UAH, thous.	Amount, UAH, thous.
Initial contribution	4 870.0	4 950.0
Regular contribution	1 433 453.3	1 284 662.8
Net investment income	753 805.9	317 377.4
Interest income on outstanding balance of the Fund's account with the National Banks of Ukraine	13642.6	20 798.4
Penalties and fines paid by the member banks	31.2	9 414.8
Total revenues	2 205 803.0	1 637 203.4

The total revenues in 2012 amounted to UAH 2 205 803.0 thous., which is by UAH 568 599.6 thous. or 34.7% more, than in 2011.

The largest shares in the total revenues had regular contribution– 64.99% and net investment income – 34.17% (fig.5.1.).

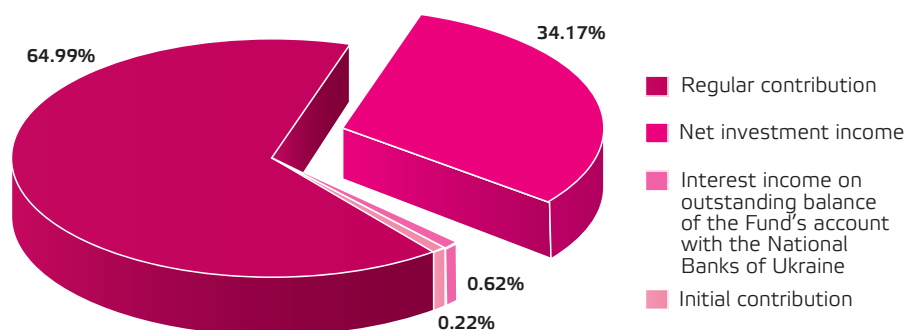


Fig. 5.1. Financial resources of the Fund in 2012

Compared to 2011 the largest growth had net investment income – UAH 436 428.6 thous. and regular contributions - UAH 148 790.5 thous.

The largest inflow of the funds was in the second quarter of 2012 – UAH 609 357.5 thous. (Table.5.2).

Table 5.2. Funds accumulation in 2012

Funding source	Year of 2012				
	I Quarter	II Quarter	III Quarter	IV Quarter	Total a year
	Amount, UAH, thous.	Amount, UAH, thous.	Amount, UAH, thous.	Amount, UAH, thous.	Amount, UAH, thous.
Initial contribution	1 200.0	1 200.0		2 470.0	4 870.0
Regular contribution	343 298.6	360 034.0	352 803.0	377 317.7	1 433 453.3
Net investment income	167 043.4	245 848.9	174 349.8	166 563.8	753 805.9
Interest income on outstanding balance of the Fund's account with the National Banks of Ukraine	2 610.4	2 261.8	3 616.2	5 154.2	13 642.6
Penalties and fines paid by the member banks		12.8	0.4	18.0	31.2
Total revenues	514 152.4	609 357.5	530 769.4	551 523.7	2 205 803.0

The Use of Financial Resources of the Fund

During 2012 the financial resources of the Fund were used in compliance with the Article 20 of the law "On Deposit Guarantee Fund".

Table 5.3. The use of the financial resources in 2012 and 2011

Purpose	Year of 2012	Year of 2011
	Amount, UAH, thous.	Amount, UAH, thous.
Deposit payout to the depositors of the failed banks including targeted loan to payout to the depositors during the provisional administration	740 269.5	191 239.4
Failed bank resolution expenses, operational expenses of the Fund, etc.	44 876.2	33 357.6
Total expenses	785 145.7	224 597.0

The total amount of the expenses in the reporting period was UAH 785 145.7 thous., which is UAH 560 548.7 thous. or by 3.5 more than in 2011.

Deposit payout to the depositors of the failed banks had the largest share in the expenses – 94.3%. (Fig.5.2).

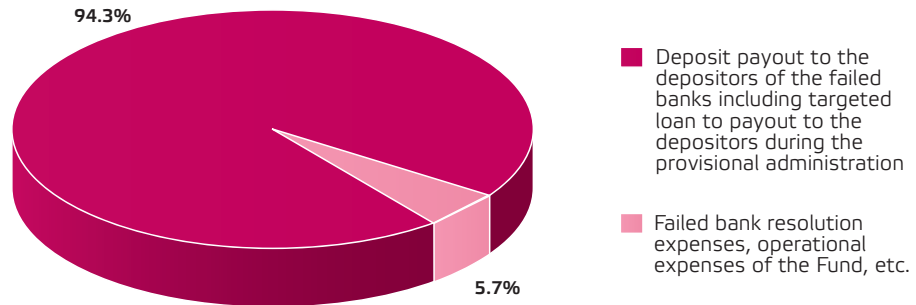


Fig. 5.2. The use of the financial resources in 2012

At the same time, the Fund as a creditor recovered from the assets of the failed banks UAH 19555.8 thous. or 3.68% of the amounts paid out in 2013. (fig.5.3).

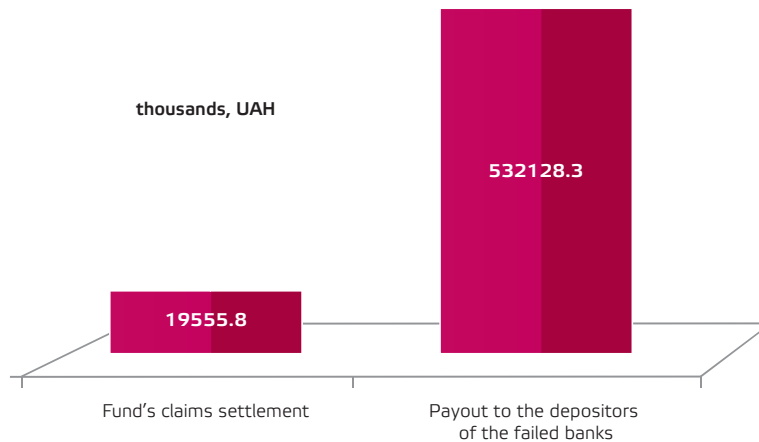


Fig. 5.3. Settlement of the Fund's creditor claims in 2012

According to the decision of the Administrative Board No. 31 of December 22, 2012 UAH 53 237.9 thous. was budgeted by the Fund to the cover the operational expenses of the Fund. The actual expenses in 2012 were UAH 44 876.2 thous. or 84.3% of the planned amount.

Investment Operations

Pursuant to the provisions of the law of Ukraine “On Deposit Guarantee System” and with the purpose of accumulation and protection of the funds from the inflation the Fund invests temporarily surplus funds into the government securities based on the principles of safety, liquidity, transparency and efficiency.

In the reporting period the Fund invested the resources in accordance with the Investment plan for the year of 2012 approved by the resolution of the Administrative Board No. 44 of November 8, 2012. During the reporting year the amount of UAH 2 845.5 m. was invested into:

- short-term securities - UAH 1 308.8 m.;
- middle-term securities – UAH 1 536.7 mil.



Financial Department

Proceeds from the matured government bonds provided 60% of the investment funds – UAH 1 709.7 mil. Compared to the year of 2011 the amount of investment decreased by 15.1% due to the need of the funds available for the timely deposit payout to the depositors during the provisional administration and liquidation of the failed banks in the amount of UAH 532.1 mil.

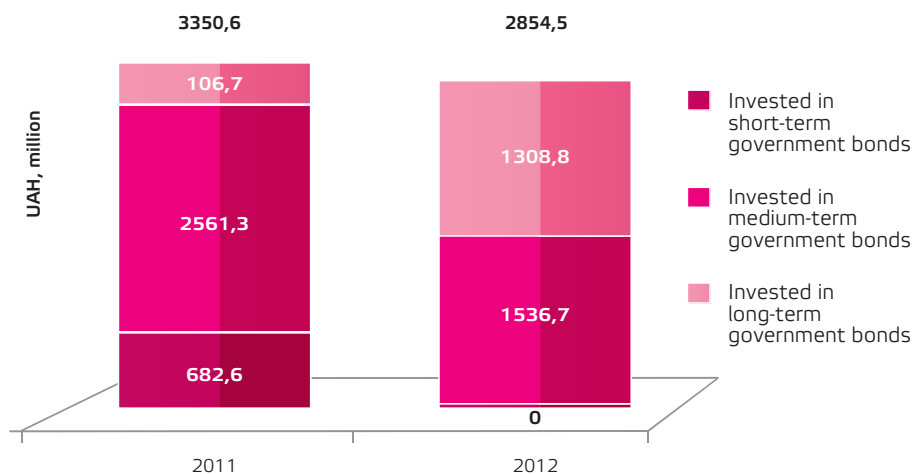


Fig. 5.4. The structure of investment in 2011-2012

At the same time, because of growth of the government bonds yields during the year the weighted average portfolio yield for the period increased by 4.8% namely from 9.6% to 14,4 %.

Table 5.4. The scope of investment in 2011-2012

		m. UAH			
Period	Amount invested	Total for the year	Short-term bonds	Medium-term bonds	Long-term bonds
Year of 2012	According to the investment plan	2 845.5	*	*	*
	Actual investment	2 845.5	1 308.8	1 536.7	-
	Weighted average yield, %	14.4	13.7	15.0	-
Year of 2011	According to the investment plan	3 340,3	*	*	*
	Actual investment	3 350.6	106.7	2 561.3	682.6
	Weighted average yield, %	9.6	8.0	9.7	9.5

The weighted average portfolio yield increased and as of January 1, 2012 was 12.0% due to the acquisition of securities with the yields from 13.0% to 16% and the redemption of the securities with the lower yields.

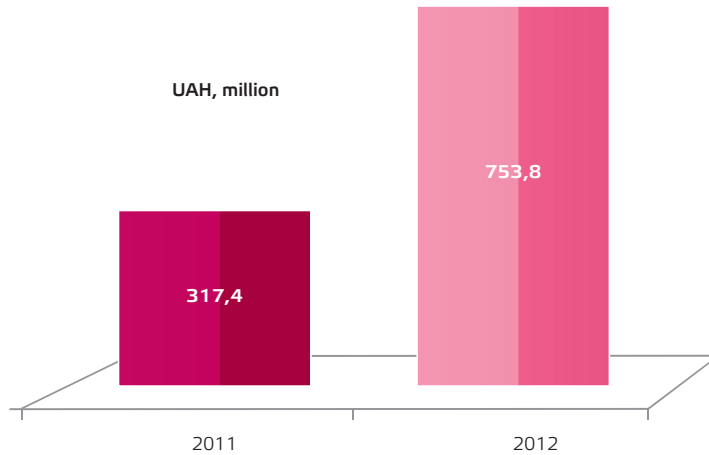


Fig. 5.5. Net investment income during 2011-2012

Net investment income in 2012 amounted to UAH 753.8 mil., which is UAH 436.4 m. or 2.4 times more than in 2011. The amount of coupon yield was UAH 535.3 m.

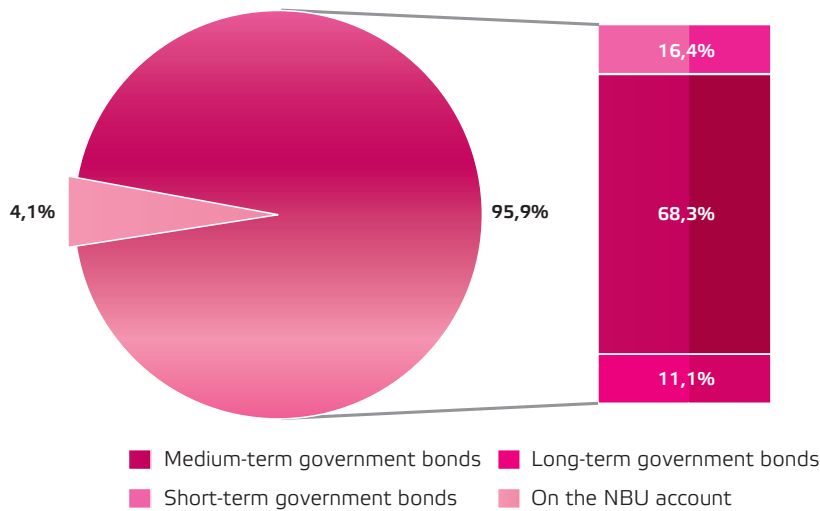


Fig. 5.6. The structure of the financial resources of the Fund as of January 1, 2013

Financial Statements

In accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" the Fund prepares financial statements that include balance sheet, income statement, cash flow statement, equity statement and footnotes. The financial statements of the Fund are based on the book records in compliance with the accounting standards and according to the accounting policy of the Fund.

Financial statements of the Fund audited by the independent auditing company "Auditing Firm Guarantiya Audit Ltd." and the auditor opinion are presented in the Annex 2.

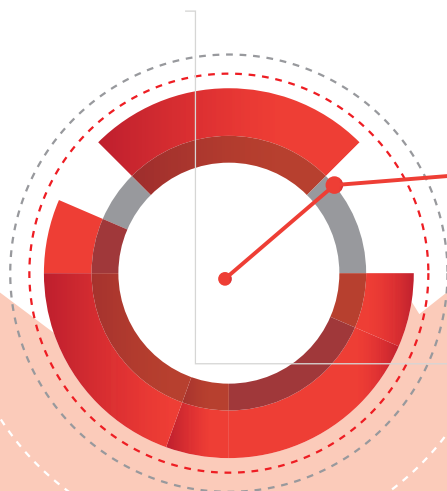


Deposit Payout Department

Payout Procedure

The Fund guarantees and pays out deposits including interest accrued on the date when a decision was made by the NBU to classify a bank as insolvent and start resolution of such a bank, however, not more than UAH 200,000 regardless of the number of deposits in one bank.

If the NBU classifies a bank as an insolvent the Fund is entitled to grant to this bank a targeted loan to pay out deposits under the expired agreements and individual bank account agreements.



The Fund starts deposit payout within 7 days following the decision to revoke the banking licenses and liquidate the bank.

The payout is performed with the respect to the amount paid during the period of a provisional administration in a bank.

Payouts of foreign currency deposits are made in the national currency of Ukraine after recalculation of the deposit value at the official exchange rate of UAH to foreign currencies set by the NBU as of the date of decision to classify a bank as insolvent and commencement of a bank resolution procedure and exercising provisional administration.

The Fund pays out deposits through agent banks on the basis of contracts signed with them. The payout period is 30 working days starting from the date of the receipt of funds by the agent bank.

The payout of the deposits to the depositors who for whatever reasons didn't apply to the agent banks during 30 days is conducted after the reviewing individual written requests of the depositors.

The payout procedure is described in the chart (Fig. 6.1.)

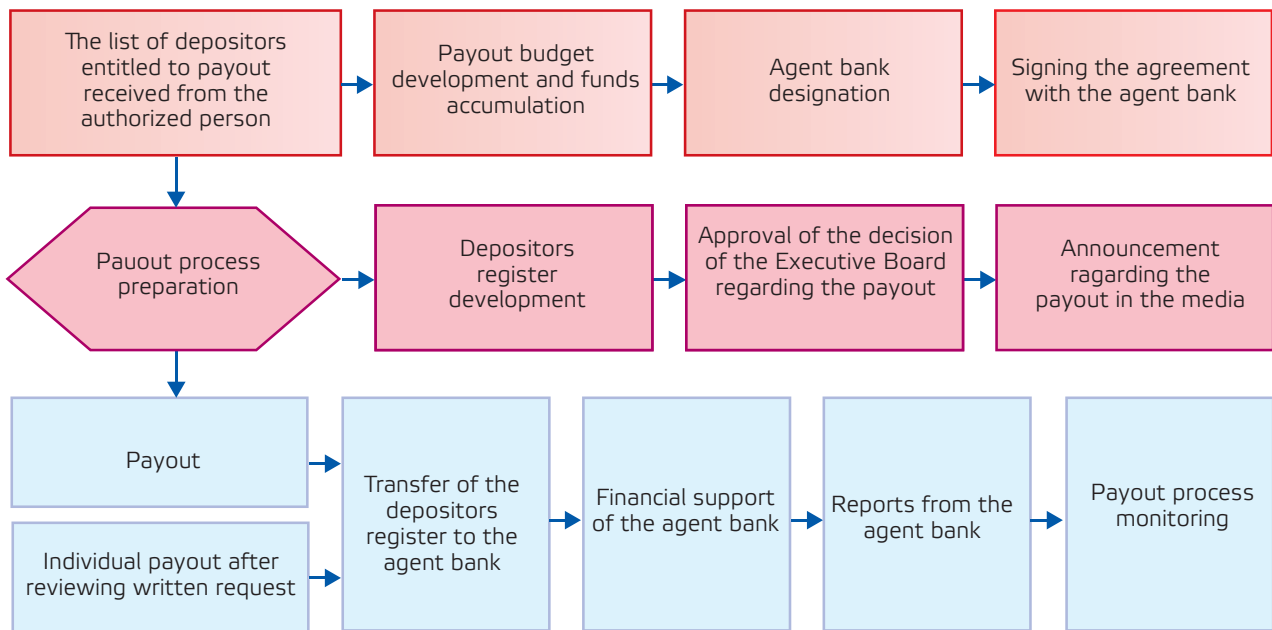


Fig. 6.1. Payout procedure chart

The Fund completes the payout of the guaranteed deposit amounts on the date of making a record in the Unified State Register of Legal Entities regarding the liquidation of a bank as a legal entity.

Payout to the Depositors of the Banks Undergoing Liquidation

In 2012 the National Bank of Ukraine revoked the licenses and initiated the liquidation process in three banks. Therefore the Fund launched the payout to the depositors of these banks.

On February, 19, 2012 the Fund started deposit payout to the depositors of the bank PAT "Bank Stolytsya". Based on the data provided by the liquidator the Fund calculated deposit payable amount of UAH 30 053.4 thous. of which UAH 28 395.5 thous. or 94.5% were paid to 403 depositors during 2012;

On April 25, 2012 the Fund launched deposit payout to the depositors of the bank PAT "Innovatsiyno-Promysloviy Bank". Based on data provided by the liquidator the Fund calculated deposit payable amount of UAH 63 323.3 thous., of which UAH 58 567.4 thous. or 92.5% were paid to 1,156 depositors during 2012;

On October 23, 2012 the Fund launched deposit payout to the depositors of the bank PAT "AKB Basis". Based on data provided by the liquidator the Fund calculated deposit payable amount of UAH 284 719.3 thous. of UAH 269 334.3 thous. or 94.6% were paid to 9,810 depositors during 2012.

During 2012 the Fund was paying out deposits to the depositors of the other banks undergoing liquidation.

Table 6.1. Banks under liquidation as of 01.01.2012

Nº	The name of the bank	Payout launch date
1.	VAT «Yevropeyskiy Bank Rozvytku ta Zaoschadzhen»	17.04.2008
2.	VAT KB "Prychornomorya"	01.07.2009
3.	AVAT KB "Odessa-Bank"	26.08.2009
4.	VAT KB "Natsionalniy Standart"	07.10.2009
5.	AKB "Yevropeyskiy"	07.10.2009
6.	AB "Bank regionalnogo rozvytku"	20.01.2010
7.	AKB "Skhidno-Yevropeyskiy bank"	03.02.2010
8.	KB "Ukrayinska finansova grupa"	10.02.2010
9.	TOV "Ukrayinskiy promysloviy bank"	11.03.2010
10.	TOV KB "ARMA"	25.03.2010
11.	VAT Bank "BIG Energiya"	20.04.2010
12.	AKB "Transbank"	15.04.2010
13.	VAT "Selayanskiy KB "Dnister"	29.04.2010
14.	KB "Ipobank"	12.05.2010
15.	PAT "Zemelniy bank"	15.09.2010
16.	PAT AB "Syntez"	24.11.2010
17.	TOV "Dialogbank"	30.06.2011
18.	PAT "KB "Volodymyrskiy"	25.05.2012
19.	PAT "KB "Sotskom bank"	16.12.2011

Starting from the payout launch till January, 1, 2012 the depositors of the 19 banks received UAH 3 797 276.1 thous.

During 2012 the depositor of these banks were paid UAH 175 981.1 thous.

Together with the amounts paid out to the depositors of the banks, liquidation of which was started in 2012 the total payout amount was UAH 532 128.3 thous.

Table 6.2. Payout to the depositors in 2012

UAH, thous

Banks under liquidation	Outstanding balance as of 01.01.2012	Deposit value payable in 2012	Amount actually received by the depositors in 2012	Outstanding balance as of 01.01.2013 5=2+3-4
1	2	3	4	5
VAT "Yevropeyskiy bank rozvytku ta zaoschadzhen"	1 601.1	61 170.9	49229.7	13 542.3
VAT KB "Prychornomor'ya"	373.5	2 411.7	527.6	2 257.7
VAT AKB "Odessa-Bank"	374.8	2 304.6	2050.7	628.7
VAT KB "Natsionalniy standart"	1 646.8	508.0	75.4	2 079.4
AKB "Yevropeyskiy"	2 803.8	9 405.1	1635.1	10 573.8
AB "Bank regionalnogo rozvytku"	1 377.7	9 738.4	5135.5	5 980.7
AKB "Skhidno-Yevropeyskiy Bank"	1 120.9	2 241.0	1667.4	1 694.6
KB "Ukrayinska finansova grupa"	227.4	1 887.9	1363.1	752.2
TOV "Ukrprombank"	4 957.2	150.0	449.7	4 657.6
TOV KB "Arma"	1 444.5	4 262.9	1821.1	3 886.3
VAT "Big Energiya"	3 941.9	12 391.8	10898.0	5 435.7
AKB "Transbank"	3 784.9	7 584.0	3961.8	7 407.1
VAT SKB "Dnister"	2 848.0	6 850.6	6039.5	3 659.0
VAT KB "Ipobank"	111.7	0.00	2.1	109.6
PAT "Zemelniy bank"	812.6	1 708.3	1003.8	1 517.1
AB "Syntez"	1 669.9	2 496.8	1977.9	2 188.8
TOV "Dialogbank"	751.5	4 432.8	296.4	4 887.9
AT "KB "Volodymyrskiy"	115 969.5	2 970.9	75979.8	42 960.6
PAT "KB "Sotskombank"	14 434.9	3 039.6	11716.5	5758.0
PAT "Bank Stolytsya"	0.00	30 053.4	28 395.5	1 657.9
PAT "Innovatsiyno-Promysloviy Bank"	0,00	63 323,3	58 567,4	4 755,9
PAT "AKB Basis"	0,00	284 719,3	269 334,3	15 385,0
Total:	160 252,7	513 651,4	532 128,3	141 775,8

The deposit payout to the depositors of the banks undergoing liquidation in 2012 was performed via agent banks and in keeping with the provisions of the "Regulation on the procedure for agent bank selection" approved by the Decision of the Administrative Board of the Fund No.28 of December 25, 2003 (before

the enactment of the Law “On Household Deposit Guarantee System”) and the “Regulation on the procedure on agent bank selection” No. 6 as of July 12, 2012.

In 2012 the following banks were approved to act as agent banks for the Fund: AT KB “Khreschatyk”, AT “Imeksbank”, AT “Erste Bank”, PAT “Raiffeisen Bank Aval”, AT “UkrSybbank”.

Satisfaction of the Creditors’ Claims of the Fund by the Liquidators

According to the Law of Ukraine “On Deposit Guarantee System” the Fund shall acquire the rights of a bank’s creditor within the entire amount to be paid out to depositors of such a bank.

As of January 1, 2013 the payables of the creditor indebtedness of the banks undergoing liquidation amounted to UAH 4 407 907.5 thous., which is UAH 498 195.7 thous. or 12.7% more than in the previous year.

The details of the amounts owned by the banks are presented in the Table 6.3.

Table 6.3. Overdue payables of the banks under liquidation

№	The name of the bank	Creditor indebtedness of the banks as of 01.01.2013		
		Creditor indebtedness within the amount paid out to depositors UAH, thous.	Unpaid contributions and penalties, UAH, thous.	Total amount of debts, UAH, thous.
1.	PAT “Zemelnii bank”	100 734.7	692.1	101 426.8
2.	AB “Allonzh”	7 319.9	27.4	7 347.3
3.	AB “Reginalnogo rozvytku”	296 978.8	1 010.8	297 989.6
4.	PAT “Syntez”	90 048.2	648.1	90 696.3
5.	AKB “Yevropeyskiy”	683 204.1	1 806.5	685 010.6
6.	AKB “Odessa-Bank”	81 767.3	105.6	81 872.9
7.	AKB “Skhidno-Yevropeyskiy Bank”	210 438.6	357.8	210 796.4
8.	AKB “Transbank”	443 112.9	403.2	443 516.1
9.	VAT “Big Energiya”	518 438.1		518 438.1
10.	VAT “Yevropeyskiy bank rozvytku i zaoschadzhen”	327 394.7		327 394.7
11.	TOV KB “Arma”	183 129.5	295.8	183 425.3
12.	PAT “Volodymyrskiy”	107 640.4	357.0	107 997.4
13.	KB “Natsionlaniy Standart”	266 819.4	443.4	267 262.8
14.	VAT “Prychornomorya”	119 559.7	517.7	120 077.4
15.	KB “Ukrainska finansova grupa”	51 779.4	152.2	51 931.6
16.	PAT “Inprombank”	63 323.3	1 873.3	65 196.6
17.	PAT “Sotskombank”	87 460.4	1 177.3	88 637.7
18.	PAT AKB “Basis”	284 719.3	2 142.8	286 862.1

№	The name of the bank	Creditor indebtedness of the banks as of 01.01.2013		
		Creditor indebtedness within the amount paid out to depositors UAH, thous.	Unpaid contributions and penalties, UAH, thous.	Total amount of debts, UAH, thous.
19.	PAT "Bank Stolytsya"	30 053.4	84.0	30 137.4
20.	SKB "Dnister"	335 594.4	3 897.6	339 492.0
21.	TOV "Ukrprombank"	314.3		314.3
22.	TOV "Dialogbank"	98 249.5	2 461.5	100 711.0
23.	AKAPB "Ukrayina"		992.1	992.1
24.	KAB "Slovyanskiy"		381.0	381.0
Total		4 388 080.3	19 827.2	4 407 907.5

During 2012 the liquidators repaid UAH 19 555.8 thous. or 0.5% of the amount owed as of January 1, 2012. This is UAH 4 964.6 thous. or 20.2% less than in the previous period. (Table 6.4).

Table 6.4. Fund's claims settlement in 2012 and 2011

Name of the bank	2012	2011
	Amount, UAH, thous.	Amount, UAH, thous.
KB "Ukraiynska finansova grupa"	1 000.0	
AKB "Skhidno-Yevropeyskiy bank"	2 300.0	
PAT "Zemelniy bank"	100.0	
PAT "Volodymyrskiy"	11 300.0	
AKB "Yevropeyskiy"	2 355.8	
AB "Bank regionalnogo rozvytku"	1 000.0	6 000.0
AKB "Transbank"	1 500.0	1 000.0
VAT "Big Energiya"		12 000.0
AKAPB "Ukrayina"		6.5
KB "Ipobank"		513.9
AKB "Odessa-Bank"		5 000.0
Total	19 555.8	24 520.4

Information Technologies

The newly adopted Law “On Household Deposit Guarantee System” required the Fund to update its IT component.

Higher demands to the Fund cause a qualitative update of the Fund’s IT, which is now to process more data and manage a dramatically wider range of functions, including functions new to the Fund.

The major directions in the development of the Fund’s IT environment were associated with the improvement of the data management, monitoring and reporting systems; redesigning of many components of the payout system and a general improvement of the payout process; maintenance of the Member Bank Register, in particular in the context of failure prevention; and automation of bank resolution process.



IT Department

The IT development provides for some very special goals and objectives associated with supporting the Fund’s key activities and functions as set in the Law on Deposit Guarantee Fund.

The Fund employs the following IT systems (Fig. 6.2).

The Oracle Data Management System processes and stores large volumes of data through the IT systems that the Fund currently employs, and will be used as the basis for the further developments, in particular a new automated payout system.

Already in 2012, the IT Department developed and introduced some components of such system. The system automatically verifies the depositor data obtained from

Core IT system components

Auxiliary components of the IT system

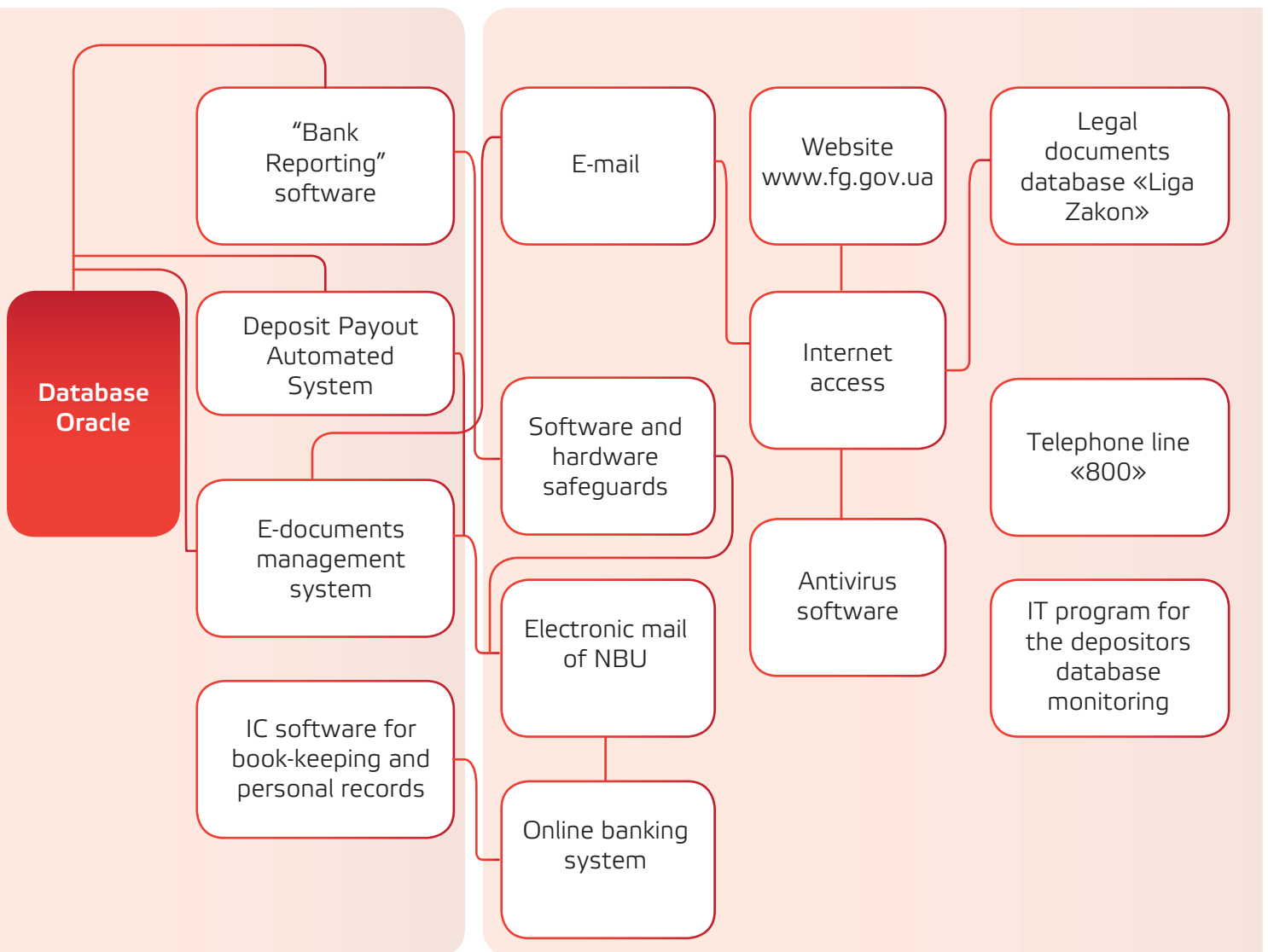


Fig 6.2. IT System: Overall Structure

the liquidator; complies and prints out the registers of eligible depositors (to be provided to the agent bank); prepares pay orders/money transfers with all required documentation; receives payment reports from the agent banks; accounts claims from depositors; and ensures a continuous online monitoring of the payments.

Automated workstations ensure the staff’s access to the data/information on depositors, and a continuous monitoring of the payout process.

In 2012, in order to improve the current payout technologies, the Fund and the National Bank of Ukraine continued the development of a new payout system based on the National System of Mass Electronic Payments, which is expected to allow a quicker and more effective payout process, and will have the following advantages over the existing system:

- Shorter preparatory stage from the date of the decision to liquidate the bank to the first day of deposit payout;
- Expansion of the network of payout points, so that the depositors have a choice beyond the agent bank (currently only one agent bank provides payments);
- Move from 'payment in advance' when the agent bank received the total insured amount prior to the payout to a system when the Fund settles only the actually paid deposits;
- Online monitoring of each individual payment per depositor by area/administrative unit (branch of the agent bank), and automatic daily and other regular reporting;
- Monitoring of the payout process on a real time basis by bank under liquidation and agent bank through the integrated processing center, detection of any extraordinary situations and prompt corrective actions;
- The Fund, bank liquidators and agent banks will interact within an integrated and effectively protected IT system based on the same rules for data use through the Fund's processing center;

To ensure an adequate information space the Fund established and put in operation an internal network covering all workstations in the Fund, and established a 'server farm'.

The NBU electronic network is the tool ensuring an effective data exchange between the Fund, NBU and commercial banks.

The Fund has printing equipment allowing the production of high volumes of printed materials (registers of payments, etc.) and thus allowing prompt payouts and production of significant volume of print-out materials in other areas.

The Fund employs the NBU 'Client-Bank' system for non-cash transactions. The system allows quick payment handling and effective control of all accounts with the OPERU NBU system.

The Fund employs the software "1C" 7.7 for financial accounting and running staff records (in the near future the 1C version 8 will be introduced).

The 'Bank Reporting' package is employed for the purposes of bank monitoring and economic analysis. This system receives reports from the member institutions to the Fund; automatically verifies all reporting documents, and compiles and sends out acceptance acknowledgments; and builds all charts/diagrams associated with bank monitoring and economic analysis.

All work stations have access to the system, so that the staff has access to all relevant data on the member banks. Thus the Fund can promptly react to any changes in the bank's position and performance to protect the depositors.

Additionally, in 2012, the Fund developed the 'Depositor Database Verification' software to be employed during the on-site inspections.

The software 'Liga-Zakon' is to provide the Fund staff with legal information. The content of this program is to be revised and updated on daily basis to trace all changes in the field.

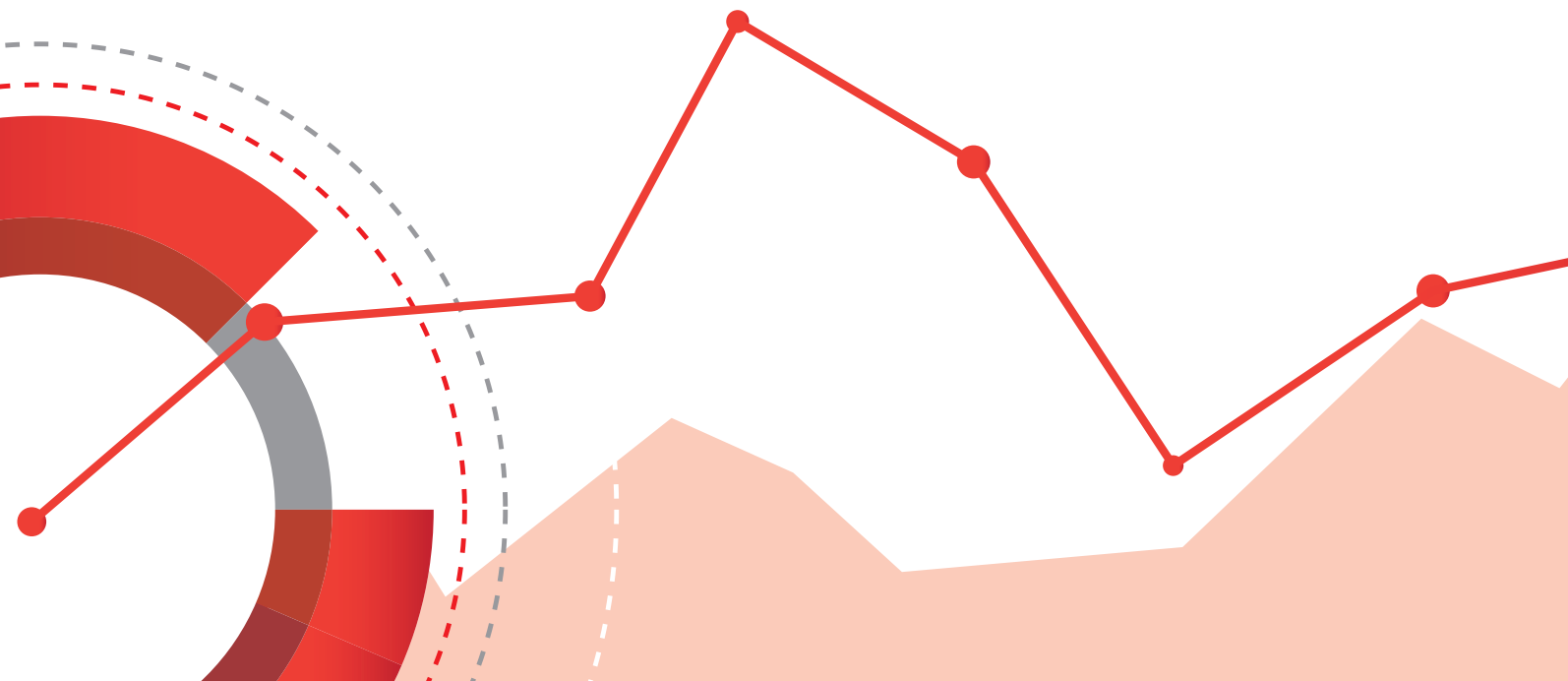
The Fund is represented in the Internet (www.fg.gov.ua).

The web-site offers all key information on the Fund regulations, the Fund's current activities, the Member Bank Register, and other data/information on the deposit insurance system in Ukraine.

The Fund developed and introduced an electronic document management system that significantly increased the effectiveness of registration and processing of the Fund's documents. This system is subject for continuous assessment and improvement as the whole deposit insurance system is being redesigned.



General Service Department



The Fund traces all major IT trends and developments in the banking sector and the international experience in the field, and continuously improves its IT system. The improved automated payment and reporting systems are increasingly integrated in the banks' technological systems.

The IT development will seek to increase the Fund's effectiveness in the following major areas:

- Effective employment of safe reliable Internet resources based on web-technologies

- Introduction and development of a new payout system in real time mode based on the National System of Mass Electronic Payments

- Development of a unified database on all depositors to the member institutions

- Further development of the e-document management systems for the member institutions, liquidators and agent banks

- Further development of the internal e-document management system

- Introduction of an effective computer security system

- Automation of the functions newly acquired in accordance with the law "On Household Deposit Guarantee System".



APPENDIX 1

Report on the 2012 Investment Plan Implementation

UAH, million

Fund Investment	Amount of investment according the Investment Plan for 2012	Actual amount	Performance against plan, %
Government bonds, total	2 845.5	2 845.5	100.0
according to the types, maturity, terms of issue and redemption	x	2 845.5	x
short-term government bonds	x	1 308.8	x
short-term government bonds in foreign currency	x	-	x
medium-term government bonds	x	1 536.7	x
short-term or medium-term government bonds in in foreign currency	x	-	x
medium-term government puttable bonds denominated in foreign	x	-	x
long-term puttable bonds	x	-	x
long-term amortized government bonds	x	-	x
long-term government bonds	x	-	x
medium-term indexed government bonds	x	-	x
long-term indexed government bonds	x	-	x

A member of Kreston International
**guarantee
audit**



"Guarantee-Audit" Auditing Group" Limited Liability Company
a member of a global network of independent accounting firms Kreston International.
Audit certificate #4275

INDEPENDENT AUDITOR'S REPORT

We, independent auditors, "Guarantee-Audit" Auditing Group Limited Liability Company

Responsibility of the management

Auditor's Responsibility

"Guarantee-Audit" Auditing Group" LLC
+30 (44) 591 19 50. www.auditgroup.com.ua
apt. 6. 15, Bastionna Str., Kyiv, 01014, Ukraine
code 36425582, tax code 364255826558, cert # 100232343
account # 26009000043805 PC "Ukrsotsbank", MFO 300023

Expression of opinion

-

**General Director
TOV "AG "Guarantee-Audit"**



O.B. Mechynsky

Auditor: "Guarantee-Audit" Auditing Group Limited Liability Company

Contract for conducting an audit number and date:

Beginning and the end of the audit:

Balance Sheet as of December 31, 2012

Form N 1

SCMD code 1801001

Asset	Line code	As of the beginning of year	At end of reporting period
I. Non-current assets			
Intangible assets:			
book residual value	010	1 067	849
initial value	011	1 574	1 574
accumulated amortization	012	(507)	(725)
Construction-in-progress	020	802	1 473
Fixed assets:			
book value	030	1 292	2 373
initial value	031	3 829	5 659
depreciation	032	(2 537)	(3 286)
Long-term biological assets:			
fair depreciated book value	035		
initial value	036		
accumulated amortization	037		
Long-term financial investments:			
accounted for by the equity method	040		
other financial investments	045	3 519 317	3 151 720
Long-term receivables	050		1 383
Deferred tax assets	060		
Other non-current assets	070		
Total, Section I	080	3 522 478	3 157 798
II. Current assets			
Inventories	100	217	342
Current biological assets	110		
Work-in-progress	120		
Outgoing inventory	130		
Goods (products)	140		
Notes (bills) received	150		
Bills receivable for goods, works, services:			
net realizable (sales) value	160		
initial value	161		
provision for doubtful debts	162		
Settlements receivable:			
due for taxes, levies and other statutory charges paid	170		
for advance paid out	180	30	196
from accrued revenue	190	349 625	193 778
from internal settlements	200		
Other current receivables	210	13 996	215 449
Current financial investment	220	1 159 253	2 688 352
Cash and cash equivalents:			
in national currency	230	148 727	252 065
у тому числі в касі	231		
in foreign exchange	240		
Other current assets	250	28	10
Total, Section II	260	1 671 876	3 350 192
III. Other deferred expenses	270	35	244
BALANCE	280	5 194 389	6 508 234

Liability	Line code	As at the beginning of year	At end of reporting period
I. Equity capital			
Authorised (register) capital	300		
Share capital	310		
Additional capital employed	320		
Other additional capital	330	791	715
Surplus	340		
Retained earnings (uncovered loss)	350		
Unpaid capital	360	()	()
Disposed capital	370	()	()
Total, Section I	380	791	715
II. Provision of future expenses and payments			
Staff remuneration	400	787	1 199
Other provisions	410		
Earmarked financing	420	5 034 132	6 363 576
Total, Section II	430	5 034 919	6 364 775
III. Long-term liabilities			
Long-term bank loans	440		
Other long-term liabilities	450		
Deferred tax liabilities	460		
Other long-term liabilities	470		
Total, Section III	480		
IV. Current liabilities			
Short-term bank loans	500		
Current debt under long-term liabilities	510		
Notes payable	520		
Accounts payable for goods, works, services	530	20	17
Current settlements payable:			
from advances received	540		
with budget	550		1
from off-budget payments	560		
from insurance	570		
from remuneration of labour	580	7	9
with participants/shareholders	590		
from internal settlement	600		
Other current liabilities	610	158 652	142 717
Total, Section IV	620	158 679	142 744
V. Deferred revenues			
BALANCE	640	5 194 389	6 508 234

¹ According to the procedure established by the authorized body in the sphere of statistics .

² From row 420 column 4 Amount of philanthropic assistance (421)

APPENDIX 2

Income statement. Year of 2012

Form N 2

SCMD code 1801003

I. Profit or loss			
Item	Line code	For the reporting period	For prior period
Income (proceeds) from sale of products (goods, works, services)	010		
VAT	015		
Excise	020		
	025		
Other charges on income	030		
Net income (proceeds) from sale of products (goods, works, services)	035		
Cost of products sold (goods, works, services)	040		
Загальновиробничі витрати	045		
Gross:			
profit	050		
loss	055		
Other operating revenue	060	589 055	244 434
Administrative costs	070	41 619	32 274
Distribution expenses	080		
Other operating expenses	090	532 474	191 364
Profit or loss from operating activities:			
profit	100	14 962	20 796
loss	105		
Equity income	110		
Other financial income	120	842 524	355 896
Other income	130	168	3
Financial expenses	140	88 718	38 518
Equity expenses	150		
Other expenses	160		4
Profit or loss from ordinary operations before tax:			
profit	170	768 936	338 173
loss	175		
Income tax before XO items	180	1	
Profit or loss from ordinary operations:			
profit	190	768 935	338 173
loss	195		
Extraordinary expenses:			
profit	200		
loss	205		
Tax on extraordinary profit	210		
Net:			
profit	220	768 935	338 173
loss	225		

¹ From row 130, column 3 Income related to philanthropic assistance (131) _____

II. Elements of operating expenses			
Measure	Line code	For reporting period	For prior period
Material costs	230	456	178
Payroll expenses	240	26 626	19 304
Benefits-related deduction	250	5 114	3 508
Amortization	260	979	311
Other operating expenses	270	540 918	200 332
Total	280	574 093	223 633
III. Calculation of shares profitability			
Item	Line code	For the reporting period	For prior period
Average annual number of ordinary shares	300		
Adjusted average annual number of ordinary shares	310		
Earnings per ordinary share	320		
Adjusted earnings per ordinary share	330		
Dividends per ordinary share	340		

© Deposit Guarantee Fund (Ukraine)

Publisher: Deposit Guarantee Fund (Ukraine), 2013

Mailing address: 33-B, Tarasa Shevchenka boulevard, Kyiv, 01032, Ukraine

Phones: 0-800-308-108 (local calls from landline phones are free)

(+ 38 044) 333 35 56

(+ 38 044) 333 35 63

Fax: (+ 38 044) 333 35 56

(+ 38 044) 333 35 63

Website: www.fg.gov.ua

E-mail: fgvfo@fg.gov.ua