

## Message from the Chairman of the Administrative Board

In these latter days the national banking system, as well as Ukrainian society as a whole, undergoes some tests. The need for comprehensive reform of the financial sector for dealing with problem banks and maintaining the confidence of depositors becomes more and more conspicuous. After all, the financial sector plays a key role in the economic recovery of our country in general and its real sector in particular. One of the main components of the national financial safety net is the Deposit Guarantee system. Therefore I believe one of the main tasks of the National Bank of Ukraine at this stage is to promote the DGF activities, aimed at protecting depositors, strengthening public confidence in the banking system and at stabilizing the financial sector.

The deposit guarantee system reform, initiated by the National Bank of Ukraine, allowed the DGF in 2013 for the first time in its history not only to indemnify the depositors of banks under liquidation procedure, but also to fulfill a provisional administration and liquidation procedures of two insolvent banks – JSC “ERDE BANK” and JSC “BANK “TAVRIKA”. As of January 1, 2014 its depositors were indemnified for 2 276 million UAH.

In early January 2014 the DGF indemnified the depositors of 34 banks, classified by the National Bank of Ukraine as insolvent, or whose license has been revoked.

Totally within the guaranteed amount almost 400 thousand depositors were indemnified totaling almost 7 billion UAH.

It is significant that for 16 years of the DGF history neither of depositors have lost a penny of their savings within the guaranteed amount.

However, it should be noted that the experience and current challenges revealed the need for



further development of the main areas of DGF activities. First of all, it is about improving the bank resolution procedures, in particular with the State participation or by creating a bridge bank.

Towards achieving the above mentioned goals, the DGF and the National Bank of Ukraine will take joint measures to forestall and minimize risks in the banking system as well as resolution procedures.

I am confident that the high level of professionalism and longstanding faithful performance of our duties will allow us to go confidently toward the achievement of our goals.

*Sincerely,*  
**Oleksandr PYSARUK**  
**Chairman of the Administrative Board**  
**Deposit Guarantee Fund,**  
**Deputy Governor, National Bank of Ukraine**

## Message from the Managing Director of the Deposit Guarantee Fund



This report contains information on the DGF financial performance, its monitoring and supervision functions, bank resolution procedures and finance statement and the audit report.

Year 2013 was marked for the DGF by a new experience in the bank resolution procedures. For the first time in its history it performed the provisional administration and liquidation of JSC "BANK "TAVRIKA" and JSC "ERDE BANK" on its own. It should be stressed that, unlike the previous law, the depositors were able to withdraw their funds already during the provisional administration, and the indemnification of depositors started within seven days after the bank license revoke.

In reporting year were adopted the DGF Development Strategy for 2013-2017, as well as a number of DGF legal acts aimed at improving the Deposit Guarantee System, were adopted.

The Development Strategy defines the main priorities of the DGF in particular and Household Deposit Guarantee System's in general. The main objective of the Paper is the approximation of the DGF operations to provisions of the Core Principles for Effective Deposit Insurance Systems, approved in June 2009 by the International Association of Deposit Insurers jointly with the Basel Committee on Banking Supervision. The Development Strategy takes into account the best international experience, including this of the EU countries.

During the reporting year the DGF developed and registered with the Ministry of Justice of Ukraine as a whole 18 new regulations, which, in particular, improved:

- risk management by introducing differentiated contributions;
- the public awareness process on the Deposit Guarantee System.

Law of Ukraine "On the Household Deposit Guarantee System" entitles the DGF to issue regulations introducing the calculation method for regular contributions to the DGF in the form of differentiated contributions. The appropriate decision was adopted by the DGF Executive Directorate of March 29, 2013 and registered with the Ministry of Justice of Ukraine on April 18, 2013 under № 631/23163. Calculation and payment of regular contributions in the form of differentiated contributions by member banks started in the second quarter of 2013. The introduction of member banks regular contributions payment in the form of differentiated contributions is fully comply the best international practice.

In order to raise the public awareness on the depositors' savings protection some provisions of the Regulation on public awareness procedures

about the Deposit Guarantee System were improved. According to this regulation, a bank shall, raising not guaranteed by the DGF funds, put a person wise of it prior to the contract execution.

Understanding the importance of public awareness on the Deposit Insurance System in Ukraine, the DGF actively pursued efforts to improve financial literacy. Conscious and informed choice while placing their funds on deposit in a bank is the key to building confidence in the national banking system. To this end, together with the National Bank of Ukraine and the Independent Association of the Banks of Ukraine, the DGF provided public access to educational materials about its activities, containing an impartial and reliable information on content security, types of non-covered deposits, and the associated risks and legal consequences.

With the support of USAID "Financial Sector Development" (Program «FINREP-II») the DGF run a campaign to improve financial literacy at national and regional levels. During meetings with the media it have been repeatedly stressed the importance of

public awareness raising about Deposit Guarantee System and developing a culture of savings.

Hence, I have no doubt that the DGF will adequately face the new challenges arising today. With the new legislative machine the efficiency of bank resolution procedures will be increased. It shall attract funds into the banking system of Ukraine, enhance the protection of rights and legitimate interests of depositors and strengthen confidence in the national banking system.

***Sincerely yours,  
Vasyl PASICHNYK  
Managing Director  
Deposit Guarantee Fund***

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## MISSION, OBJECTIVES AND FUNCTIONS OF THE DEPOSIT GUARANTEE FUND

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*Deposit Guarantee Fund mission is ensuring the protection of the rights and legitimate interests of bank depositors and contributing to the stability of the banking system of Ukraine*

*The major objective of the Deposit Guarantee Fund is to ensure operations of the households deposit guarantee system as well as resolution of insolvent banks.*

### DEPOSIT GUARANTEE FUND FUNCTIONS

- 1)** Maintaining a register of the DGF member banks
- 2)** Accumulating funds and controlling the completeness and the timeliness of contributions payment
- 3)** Investing the DGF funds in the government securities of Ukraine
- 4)** Organizing deposits payout in case of the withdrawal of the banking license or liquidation of a bank
- 5)** Regulating the participation of banks in the household deposits guarantee system
- 6)** Taking part in inspections of problem banks upon a proposal of the National Bank of Ukraine
- 7)** Applying financial sanctions and impose administrative fines to banks and their managers
- 8)** Resolving insolvent banks i.a. through the provisional administration and liquidation of banks, transfer Assets and liabilities of an insolvent bank, sell an insolvent bank, or establish and sell a bridge bank
- 9)** Auditing banks to ensure their compliance with the household deposits guarantee system legislation
- 10)** Providing financial support to an assuming bank
- 11)** Forecasting potential costs of the DGF for insolvent banks resolution and deposits payout

## Administrative Board



**Oleksandr PYSARUK**  
*First Deputy Governor  
National Bank of Ukraine*



**Volodymyr MATVIYCHUK**  
*Deputy Minister of Finance of Ukraine,  
Chief of Staff*



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



**Vasyl PASICHNYK**  
*Managing Director  
Deposit Guarantee Fund*



**Viktor NOVIKOV**  
*Director of Legal Department  
National Bank of Ukraine*

## Executive Board



**Vasyl PASICHNYK**  
*Managing Director*



**Andrii OLENCHYK**  
*Deputy Managing Director*



**Andrii KYIAK**  
*Deputy Managing Director*



**Olena NUZHENKO**  
*Head of Financial Department*



**Pavlo SHEVCHENKO**  
*Head of Legal Department*

## KEY ACCOMPLISHMENTS OF THE DEPOSIT GUARANTEE FUND OVER 15 YEARS

On September 10, 2013 Deposit Guarantee Fund (DGF) celebrated its' 15-th anniversary. Throughout all these years DGF has been protecting the rights of depositors and ensuring stability of the domestic banking sector.

DGF was founded in 1998 by the President's Decree "On Measures to Protect the Rights of Physical Persons as Depositors of Commercial Banks in Ukraine". The establishment of the DGF was a result of the nationwide processes and trends in the banking sector. DGF was aimed at protecting banking sector from the possible crises and providing resources to invest into real economy.

Ukraine was the first country among the former Soviet Union countries to establish deposit guarantee system.

The next step in the in the development of the deposit guarantee system in Ukraine was Deposit Guarantee Fund Law, which was approved on September 21, 2001. The Law provided for the reimbursement of the deposits including the interest accrued for every depositor to DGF member (temporary member) banks at the amount of UAH 1200.

Next important development was the approval of the Law "On Households Deposit Guarantee System". It was adopted on February 22, 2012 and was a real breakthrough in the development of the deposit guarantee system. The Law significantly extended the mandate of the Deposit Guarantee Fund. DGF took on the responsibility for bank resolution as part of an enhanced mandate that transformed it from a simple pay-box to a deposit insurer with the power to choose among several resolution options. The main benefits provided to the depositors by the Law are the following:

- The maximum possible term for provisional administration was reduced to the period up to three months (for the systemically important banks - six months);
- The payment moratorium was cancelled. Matured deposits and on demand deposits can be paid out during the provisional administration;
- The abovementioned depositors are paid out the deposits, including interest accrued on the date when the decision was made by the National Bank of Ukraine (NBU) to classify the bank as insolvent and start resolution process but not more than UAH 200,000;
- The payout starts not later than 7 (seven) days following the decision to revoke the banking license and liquidate the bank.

Over the entire history DGF safeguarded the interests of the bank depositors in Ukraine

promoting public confidence, which is evidenced by the increase of the retail deposits in the national banking system.

The following data shows the positive impact of the deposit guarantee system and its' significant contribution to the stability of the financial system. Thus, compared to 1999:

- 1) number of depositors to member banks increased tenfold up to UAH 47.4 million;
- 2) the deposit value increased by more than 108 times to UAH 402.6 billion;
- 3) the average deposit value increased from UAH 806 to UAH 8,486;

The coverage amount is an important tool for the depositors confidence strengthening. Understanding that, the DGF increased the coverage amount 11 times from UAH 1200 to UAH 200,000, which proves the ongoing care about the interests of the depositors.

DGF constantly emphasized the need for legislative changes to ensure depositors confidence strengthening. As a result, on October 02, 2012 Verhovna Rada (Parliament) approved the amendment to the Deposit Guarantee System Law, according to which the deposit coverage amount was fixed at the level of UAH 200,000 without the possibility of its' reduction.

The above mentioned coverage amount exceeds the initial amount of (UAH 500.00) 400 times (fig.1) and covers 99.5% of depositors.

The size of the fund is an important indicator of its financial stability. Starting from 2000 to 2014 DGF financial resources increased almost 100 times and as of January 1, 2014, amounted to UAH 7.3 billion. (fig.2)

To encourage better risk management practices in the banks on March 29, 2013 DGF Executive Board adopted the resolution to introduce risk based premium system.

Throughout its' existence DGF indemnified the depositors of 34 failed banks. In total, some 400 thousand depositors were paid out almost UAH 7 billion. The largest payouts were conducted during the crisis period from 2009 till 2010 – more than UAH 3.3. billion, of which UAH 2.3 billion were paid out in 2010. DGF fulfilled its obligations even in those difficult times. (fig.3.)

Accordingly, the largest number of the liquidated banks was during 2010-2013, thus, in 2012 DGF was paying out the deposits to the depositors of 22 banks simultaneously. (fig.4.)

DGF faces the future with confidence and on May 30, 2013, the Executive Board approved DGF Strategy for 2013-2017. This document sets



the priorities for the development of DGF and deposit guarantee system as a whole with the aim of deposits rights protection, public confidence strengthening, mobilization of the resources to the banking system of Ukraine and effective resolution of the failed banks.

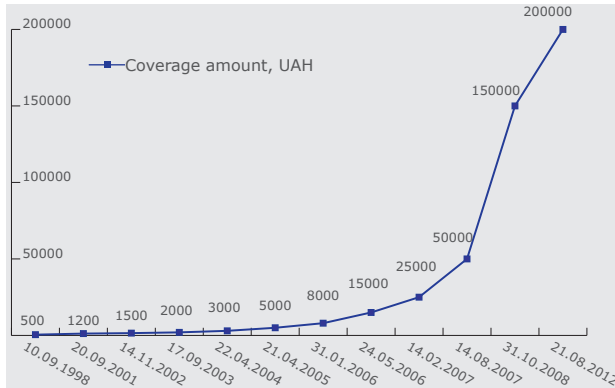


Fig. 1. Coverage amount growth

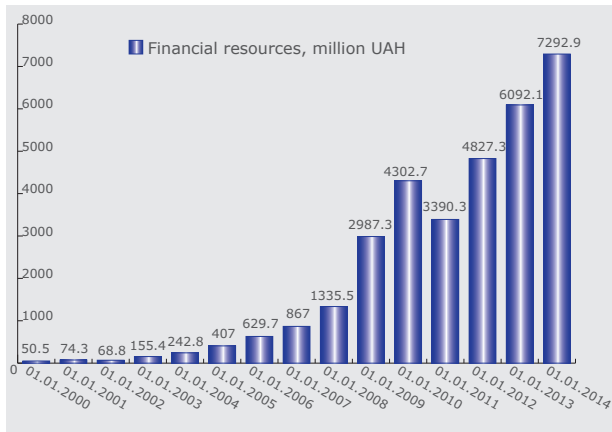


Fig. 2. DGF financial resources growth

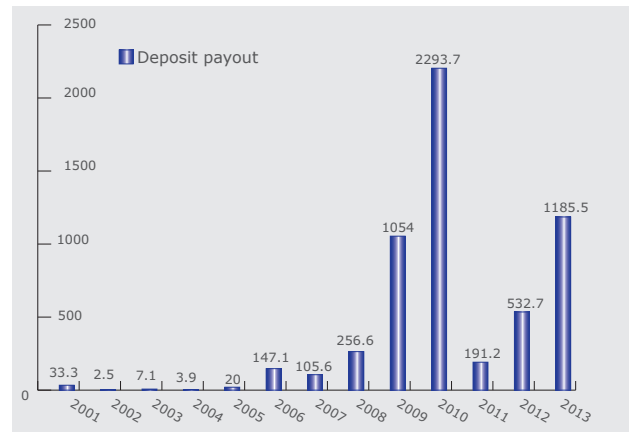


Fig. 3. Payouts to the depositors of the liquidated banks during 2001 – 2013.

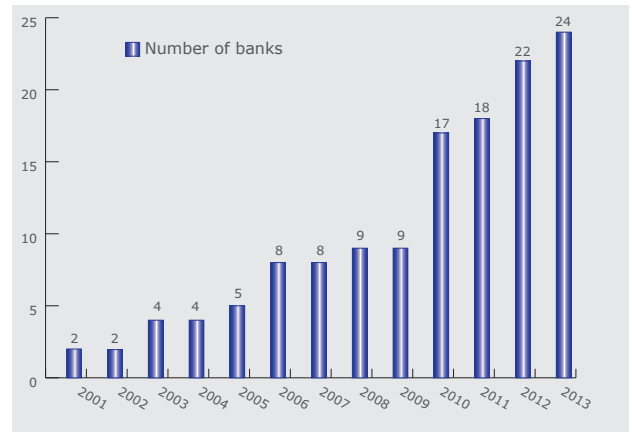


Fig. 4. Number of failed banks with the depositors indemnified by DGF during 2001 – 2013.

## MAJOR DEVELOPMENTS IN 2013

<b>JANUARY</b>	Beginning of the liquidation procedure and payout to the depositors of "ERDE BANK"; One bank excluded from the DGF registry due to the revocation of the banking license by the National Bank of Ukraine and liquidation;
<b>FEBRUARY</b>	New member bank was included into the DGF register;
<b>MARCH</b>	Beginning of the liquidation procedure and payout to the depositors of "TAVRIKA BANK"; DGF press club on "TAVRIKA BANK" resolution results organized; One bank excluded from the DGF registry due to the revocation of the banking license and liquidation; Methodology for the assessment of the financial stability of DGF (target ratio assessment) approved;
<b>APRIL</b>	Introduction of the differentiated contributions system (risk based premiums system); Memorandum of understanding and cooperation with the "National Financial Education Network" NGO signed;
<b>MAY</b>	Register of accepted claim of ERDE BANK creditors is approved; QR code of DGF is developed;
<b>JUNE</b>	Study visits to the Federal Deposit Insurance Corporation and Savings Deposit Corporation of Turkey;
<b>JULY</b>	Two banks were included into the register and became members of DGF; Register of the accepted claims of "TAVRIKA BANK" approved; "ERDE BANK" property inventory and liquidation pool are approved;
<b>AUGUST</b>	Visit of the representatives of Korea Deposit Insurance Corporation Visit of the Executive Director of Deposit Protection Agency of the Kyrgyz Republic, Mr. Zhyrgalbek Kasymov; Visit of the Korea Institute of Finance to discuss lessons learned from the latest financial crisis in Eastern Europe;
<b>SEPTEMBER</b>	Celebrating 15-th anniversary of DGF; One year of the "Households Deposit Guarantee System Law"; First payouts within the pilot project on automates payout system development; Commemorative postage stamp and envelope marking the 15-th anniversary of DGF issued; postage stamp postmarked during the special ceremony; "TAVRIKA BANK" property inventory and liquidation pool approved; Regulation on the procedure for the establishment, registration of shares issue, state registration of the legal entity and issuing of the banking license to a bridge bank developed; Four new banks became DGF members;
<b>OCTOBER</b>	Series of the regional press clubs called "Deposit Guarantee System: Benefits for the Depositors and Banks", organized with the support of the Financial Sector Development Program (USAID/ FINREP-II). Panel discussion on the first results of the deposit guarantee system reform organized jointly with the Financial Sector Development Program (USAID/FINREP-II) and "Center for Ukrainian Reform Education" NGO; Round table discussion on the topic of depositors' financial literacy organized jointly with USAID/FINREP-II and "Center for Ukrainian Reform Education" NGO; One year of "ERDE BANK" resolution; New bank became a member of DGF;
<b>NOVEMBER</b>	Memorandum of understanding and cooperation with the Deposit Protection Agency of the Kyrgyz Republic signed; "ERDE BANK" liquidation prolonged for one more year; Educational video explaining what depositors should do in case of their bank failure developed; Panel discussion on the security of the bank savings organized;
<b>DECEMBER</b>	One year since the start of "TAVRIKA BANK" resolution process; Two member banks excluded from the DGF registry because of the mergers with the other bank.

## 1.1. DEPOSIT GUARANTEE FUND OPERATIONS

In the beginning of 2013 DGF had 174 member banks. Throughout 2013 the number of member banks had been changing due to the processes of reorganization and liquidation, and by the end of the year there were 178 member banks. The DGF members are only banks. Current legislation doesn't provide for the membership of the other financial institutions and in the reporting year there were no amendments to the law.

In 2013 the coverage amount of UAH 200,000 and the annual rate of banks contributions to the DGF (0.5% of the calculation base in local currency and 0.8% - in foreign currencies) remained unchanged.

By the end of 2013 total DGF funds reached UAH 7 292.9 million, which is by 19.7% or UAH 1200.8 million more than in 2012. The funds grew due to the regular contributions of the member banks. Starting from the second quarter of 2013 the banks paid their contributions (premiums) in the form of risk adjusted differentiated premiums.

Financial stability of DFG (covered deposits to total funds ratio) as of January 1, 2013 was 3.3% which is higher than the target ratio of 2.5%.

In 2013 DGF was paying out deposits to the depositors of 24 banks. As of January 2014, the depositors of these banks were paid out UAH 1,185.5 million.

In the reporting period DGF implemented provisional administration of two banks - AT "ERDE BANK" and AT "TAVRIKA BANK". After the end of provisional administrations the decisions about liquidation of both banks were made. The depositors of these banks were paid out both during the provisional administration and during the liquidation. During the liquidation the depositors were paid out UAH 1,158.8 million in total.

After the start of the liquidation process the authorized DGF officers both in "ERDE BANK" and in "TAVRIKA BANK" developed registers of the accepted creditors' claims and liquidation pools. In the reporting period the liquidators started to satisfy claims of the creditors of the third priority.



*Records and Administration Department*

### 1.2. Governance and Organizational Structure of the Deposit Guarantee Fund

The governing bodies of the DGF are the Administrative Board and the Executive Board.

The Administrative Board of the DGF 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 DGF Managing Director.

The DGF Administrative Board is chaired by Oleksandr Pysaruk First Deputy Governor of the National Bank of Ukraine. The members of the DGF Administrative Board are Vasyl Pasichnyk, DGF Managing Director, Ihor Pryima, Head of Secretariat of the Parliament Committee on Finance and Banking, Volodymyr Matviychuk, Deputy Minister of Finance of Ukraine, Viktor Novikov, Director of the Legal Department of the National Bank of Ukraine.

The main powers of the Administrative Board include approval of the DGF development strategy and the annual activity plan, approval of the investment policy principals and the annual investment plan, approval of the DGF Executive Board decisions regarding special contribution or differentiated risk-based contributions or increase of the coverage amount, etc.

The Executive Board of DGF consists of 5 members. 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 DGF is Vasyl Pasichnyk.

The Executive Board manages DGF daily operations, in particular it approves regulations and determines policies and procedures for deposit payouts, bank resolution as well as funding sources.



*Internal Audit Sector*

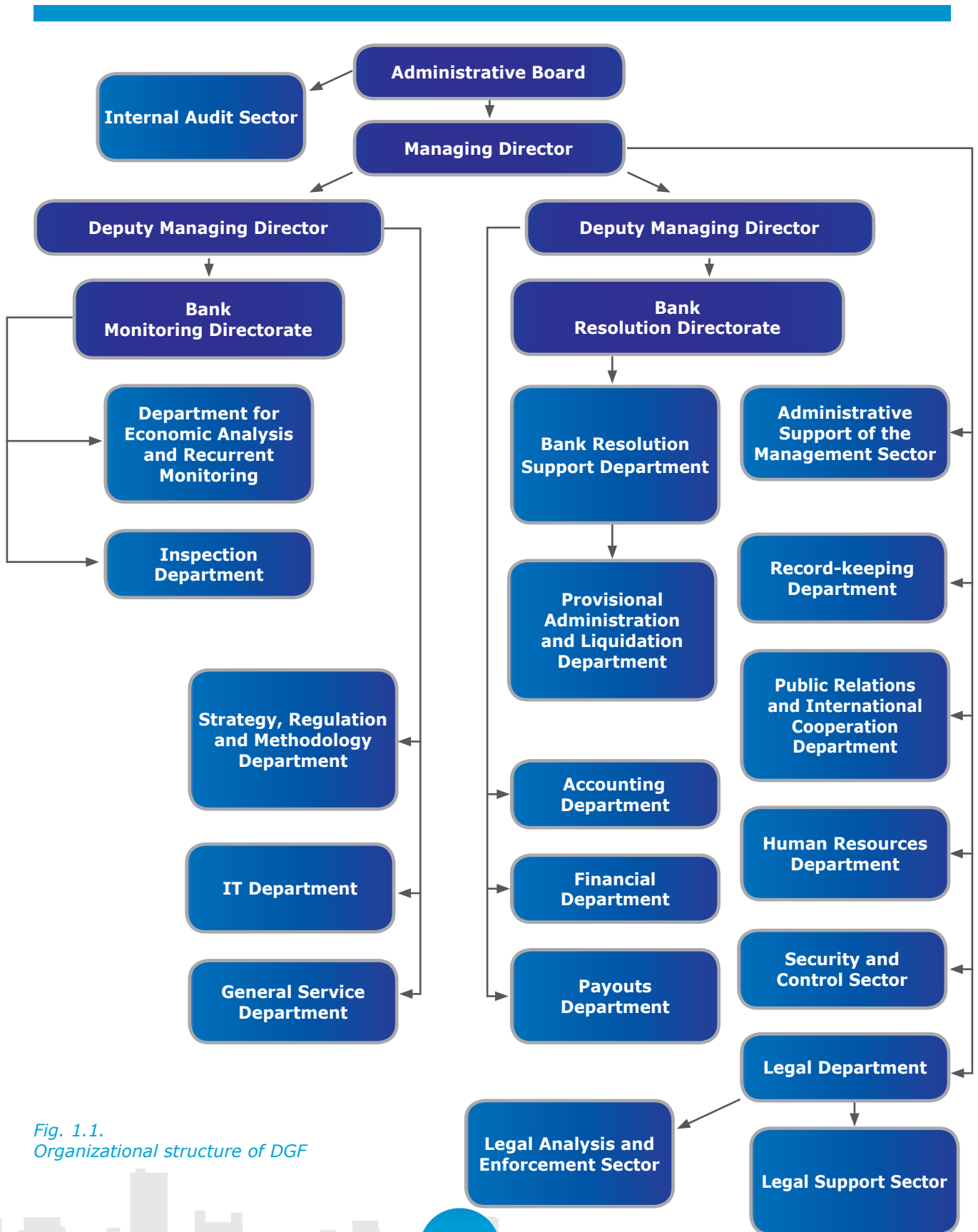


Fig. 1.1. Organizational structure of DGF

### 1.3. Human Resources Management

Human resources management in DGF is based on the principles of legality, transparency, professionalism and business ethics and in compliance of priorities set in the DGF Development Strategy for 2013-2017.



#### Human Resources Department

Throughout 2013 DGF continued to enhance human resources management system in order to ensure coordinated and qualitative task performance. On-going performance evaluation was done through the appraisals, assessment of the level of motivation and work satisfaction level, labor efficiency, innovativeness, etc. It provided for the feedback between the employees and the management. By the end of 2013 there were 15 structural divisions in DGF: 2 directorates, 10 departments and 3 sectors, namely security and control sector, administrative support of the management sector and internal audit sector, which in accordance with the Article 15 of the "Household Deposit Guarantee Law" reports to the Administrative Board of DGF.

As of December 31, 2013, DGF had 103 staff members, among them 59 female employees and 44 male employees. The average age of DGF employees is 37.6 years.

High level of the human resources management development is one the factors determining the effectiveness of the management in general. Human resources management system in DGF included following areas:

- planning;
- remuneration management;

- personnel costs analysis;
- staff development and continuous education;
- recruiting and onboarding;
- satisfaction level monitoring;
- motivation, including nominating for the state awards;
- teambuilding and maintaining favorable environment for the interactions and cooperation between different units;
- corporate culture development;
- performance appraisal (on-going and annual);
- personnel record-keeping.

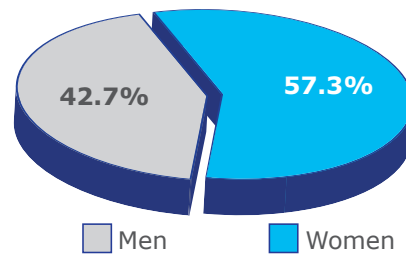


Fig. 1.3. DGF Staff by Gender

The key factor for the decision making in the process of recruitment was the level of qualification of the applicant, namely: expertise in the sphere of banking, economics and legal studies, while priority was given to the specialists with the extensive professional experience.

As of December 31, 2013, 91.26% of the staff members had university degrees, including 52.43% with the degree in economics and 23.3% with legal education. 28.15% of the staff members have two degrees. Four staff members, including two deputy directors, head of the department and HR department specialist have academic scientific degrees (fig. 1.4, fig. 1.5).

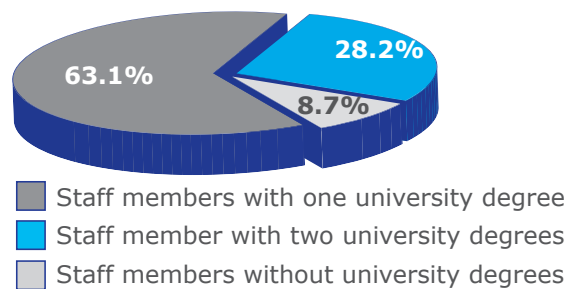
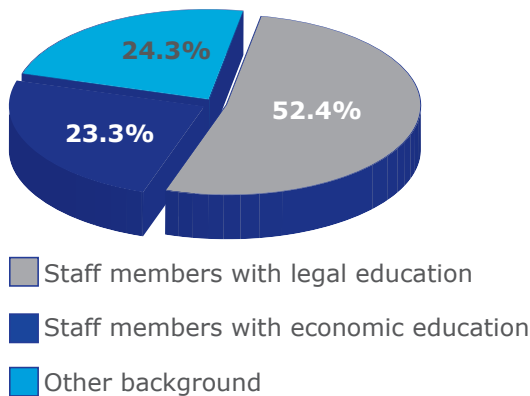


Fig. 1.4. DGF Staff Qualification as of the End of 2013.

Human resources policy is aimed at getting not only economic but also social effect. Thus, DGF as a socially responsible institution, created all the necessary conditions for the professional development and career growth of the employees. This policy is implemented through the transparent and effective remuneration system and well-organized staff appraisal procedures. For these purposes throughout the reporting year DGF was working on enhancement of the internal HR policies and procedures.



*Fig. 1.5. Education Background of the Staff in 2013*

For the purposes of staff performance evaluation, appropriate staff remuneration system development, motivation and productivity enhancement, as well as training need assessment HR department developed and implemented comprehensive staff appraisal system. The appraisals are conducted quarterly and annually.

During the reporting period DGF staff members participated in 25 in-country and international seminars and training. More than 70% of the staff members developed their skill during the training events. The seminars covered topics like practical aspects of the bank resolution process, legal framework and risk management practices, international accounting standards and regulatory developments.

A number of corporate trainings were organized throughout the reporting year. The trainings covered areas like effective communications, management process improvement, team building, goal setting and mechanisms for the staff performance evaluation.



*Sector for the Administrative Support of the Management*

## 1.4. Legal Framework Development

During the year of 2013 DGF developed 22 rules and regulations, 18 of those were registered at the Ministry of Justice of Ukraine, namely:



### Legal Department

- 1) Procedure for the personal reception of the citizens by the DGF management approved by the Executive Board on February 25, 2013 and registered at the Ministry of Justice on August 14, 2013, ref. number: 1394/23926.
- 2) Regulation on the procedure for the establishment, registration of shares issue and banking license issuing to a bridge bank approved by joint resolution of the DGF Executive Board, National bank of Ukraine and National Securities and Stock Market Commission registered at the Ministry of Justice on September 11, 2013, ref. number: 1568/24100.
- 3) Amendments to the Rules and regulations for depositors' databases development and management approved by the decision of the Executive Board No. 29 of September 23, 2013 and registered at the Ministry of Justice on October 14, 2013, ref. number: 1753/24285 (redrafted).
- 4) Amendments to the Regulation on the procedure of DGF agent banks selection approved by the decision of the Executive Board No. 6 of January 25, 2013 and registered at the Ministry of Justice of Ukraine on February 25, 2013, ref. number: 273/22805.
- 5) Amendments to the DGF Member Register Rules approved by the decision of the Executive Board No. 7 of January 25, 2013 and registered at the Ministry of Justice on February 15, 2013, ref. number: 276/22808.
- 6) Amendments to the Regulation on the procedures of informing depositors of the deposit insurance system approved by the Executive Board No. 8 of January, 31, 2013 and registered at the Ministry of Justice on February 21, 2013, ref. number: 300/22832.
- 7) Amendments to the Regulation on the methods, amount, terms and conditions of the financial support provided by DGF, approved by the decision of the Executive Board No.9 of January 31, 2013, registration number at the Ministry of Justice: 306/22838 of February 21, 20123.
- 8) Amendments to the Regulation on the calculation and payment of the contributions to DGF approved by the decision of the Executive Board No. 11 of February, 12, 2013, registration number at the Ministry of Justice: 364/22896 of March 6, 2013.
- 9) Amendments to the Regulation on procedure for imposing administrative and economic sanctions on member banks approved by the decision of the Executive Board No. 12 of February 18, 2013, registration number at the Ministry of Justice: 400/22932 of March 13, 2013.
- 10) Methodology for the assessment of the DGF financial stability approved by the decision of the Executive Board No. 13 of February, 28, 2013, registration number at the Ministry of Justice: 482/23014 of March 25, 2013.
- 11) Decision of the Executive Board "On measures to improve member banks reporting" No. 14 of February 28, 2013, registration number at the Ministry of Justice: 477/23009 of March 22, 2013.
- 12) Decision of the Executive Board "On approval of amendments to some regulations of DGF" No. 5 of January 17, 2013, registration at the Ministry of Justice: 523/23055 of April, 1, 2013.
- 13) Decision of the Executive Board "On complains and appeals handling" No. 15 of March 7, 2013, registration number at the Ministry of Justice: 538/23070 of April, 2, 2013.
- 14) Amendments to the Regulation on insolvent bank resolution approved by the decision of the Executive Board No. 19 of March 2013, registration number at the Ministry of Justice: 598/23130 of April 10, 2013.
- 15) Amendments to the Regulation on the payout procedure approved by the decision of the Executive Board No. 10 of February, 11, 2013, registration number at the Ministry of Justice: 636/23168 of April 18, 2013.
- 16) Amendments to Rules and regulations for depositors' databases development and management approved by the decision of Executive Boards No. 23 of April 25, 2013, registration number at the Ministry of Justice: 799/23331 of May 22, 2013.
- 17) Amendments to Methodology for the assessment of the DGF financial stability approved by the decision of the Executive Board No 24 of May 30, 2013, registration number at the Ministry of Justice: 1025/23557 of June 18, 2013.
- 18) Amendments to the Rules and regulations for depositors' databases development and man-



## 1.5. Information Technologies Development

agement approved by the decision of Executive Boards of the Fund No. 31 of November 1, 2013, registration number with the Ministry of Justice: 1959/24491 of November 19, 2013.

- 19) Amendments to the 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 DGF authorized officer, approved by the decision of the Executive Board No. 40 of December 19, 2013 (pending registration with the Ministry of Justice).
- 20) Decision of the Executive Board No. 41 of December, 30, 2013 "On improving the procedure for imposing by DGF administrative and economic sanctions" (pending registration with the Ministry of Justice).
- 21) Amendments to the Regulation on insolvent bank resolution approved by the decision of the Executive Board of DGF of December 30, 2013, No. 42 (pending registration with Ministry of Justice).
- 22) Amendments to the Regulation on the payout procedure, approved by the decision of the DGF Executive Board No. 43 of December 30, 2013 (pending registration with the Ministry of Justice).

The most significant regulations of DGF in the reporting year were:

- introduction of the regular contributions from the banks to the DGF in the form of differentiated contributions based on risk-based adjustment of the basic annual contribution rate. Additionally, the bank risk evaluation method for the calculation of the differentiated contribution rate was set forth.
- approval of the trilateral regulation on simplified procedure for the establishment, registration of shares issue and banking license issuing to a bridge bank;
- amendments to the Regulation on the procedures of informing depositors of the deposit insurance system provided for the compulsory informing the depositors in writing regarding the bank products that are not covered by the DGF, including the deposits with more favorable than ordinary contractual terms;
- resolution of the National Bank of Ukraine on providing credit to DGF, that sets up a simplified procedure for providing a loan to DGF to cover temporary liquidity shortage.

Higher demands to the DGF caused a qualitative update of its' IT, which is now to process more data and manage a dramatically wider range of functions, including new functions of the DGF.

The major directions in the development of the DGF IT environment were associated with the improvement of the data management, monitoring and reporting systems; redesigning of many

components of the payout process and bank monitoring and economic analysis system in the context of failure prevention; and automation of bank resolution process.

The IT development provides for some very special goals and objectives associated with supporting the DGF key activities and functions as set in the "Household Deposit Guarantee System" law.

For core functions DGF employs necessary IT systems.

Oracle database management system provides for the processing and storing of large volumes of data through the information systems employed by DGF

To improve the current payout technologies, DGF and the National Bank of Ukraine continued the development of a new payout system based on the National System of Mass Electronic Payments (NSMEP).

On September 10, 2013 the first testing of the new payout technology was conducted. The payout was done via agent-bank – Imeksbank. The pilot project provided for the opening of the card account and NSMEP card issuing. The depositor is paid out to that card and can pick up the money from the bank's ATM or use the card to pay for goods and services.

The payouts within the pilot project were conducted under the decision of the National Bank of Ukraine Board No. 239 of July 15, 2011 and DGF Regulation on the special features of the payout process during the automated payout system piloting.

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

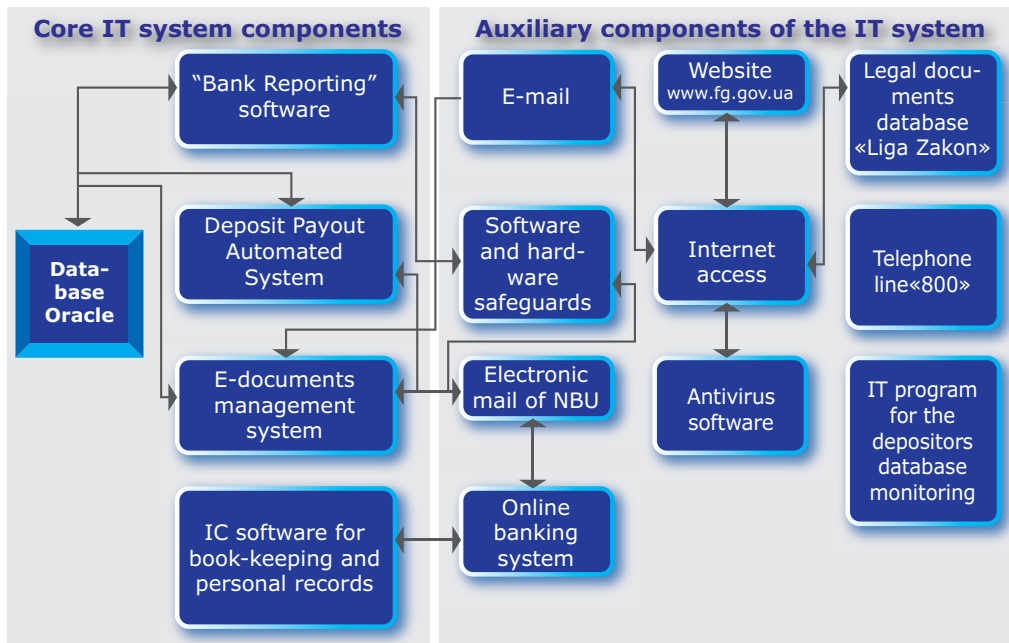
An effective data exchange between DGF, NBU and commercial banks is insured by NBU electronic network.

DGF 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.



IT Department

**1.6. DGF Priorities for the Period of 2014-2017.**



*Fig 1.5: DGF IT System: overall Structure*

DGF employs the software “1C” 8.0 for financial accounting and running staff records (1C version 8 was introduced in 2013).

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

Additionally, DGF developed the “Depositor Database Verification” software to be employed during the on-site inspections.

The software “Liga-Zakon” is to provide the DGF 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.

DGF developed and introduced an electronic document management system that significantly increased the effectiveness of registration and processing of all documents.

DGF 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.

DGF top priorities for the period of 2013-2017 are set in Development Strategy approved by the Administrative Board No. 7 of May, 30, 2013. The following tasks are set for this period:

- legal framework, human resources and IT improvement;
- introduction of new technologies of the payouts to the depositors of insolvent banks, including automated payout system based on the National System of Mass Electronic Payments (NSMEP);
- periodic review by the Administrative Board of the coverage amount regarding the possibility and viability of its increasing;
- review of the eligibility and coverage scope;
- introduction of the full-fledged risk based differentiated contributions system;
- strengthening of the DGF powers in terms of insolvent bank Assets management within the resolution process.



*Strategy, Regulation and Methodology Department*

## 2.1. Public Awareness

In 2013, DGF paid significant attention to public relations. DGF plays a key role in providing financial stability of the country.



*Public Relations and International Cooperation Department*

Deposit guarantee system is aimed at strengthening public confidence and mobilizing resources for the economic development. In respect to that, DGF continued public awareness and education activities targeting general public and the media. The goal of the DGF outreach was raising awareness about deposit guarantee system.

During the reporting year, DGF published in the official media – newspapers “Holos Ukrayiny” and “Uryadoviy Kurier” 52 announcements regarding the payouts to the depositors of the failed banks, financial statements for the year of 2012 and the six months of 2013. The Fund also published a list of the member banks as of January, 1 and July, 1 and the amendments to the lists.

The year of 2013 was full of important for DGF events – DGF celebrated its’ 15-th anniversary, proving the rapid growth and development of the deposit guarantee system in Ukraine. DGF has become a guarantor of the bank savings and well-being for every family. To mark the 15-th anniversary DGF released a special video about deposit guarantee system in Ukraine. The video was disseminated via DGF website and the websites of the member banks. It was also sent to the members of the International Association of Deposit Insurers.

During the reporting year DGF has organized a number of panel discussions with the participation of the financial and banking sector experts and the media. The panel discussions covered topics like “Resolution of TAVRIKA bank”, “Security of savings – how to make much of the money”, “Deposit Guarantee System Reform, first year results”.

Series of the regional press clubs called “Deposit Guarantee System: Benefits for the Depositors and Banks” was an important component of the public awareness campaign. The representatives of the regional departments of the National Bank of Ukraine, bank associations and individual member banks participated in these events. The public campaign was dedicated to the World Savings Day and national financial literacy week. More than 100 journalists representing regional media participated in the press clubs meetings.

During the press clubs the representatives of the regional media received a lot of information on the deposit guarantee system, its’ benefits and limitations. As a result, deposit guarantee topic was covered in more than 25 publications in the printed media with the total circulation of 500,000 copies; in 30 radio shows and 70 regional TV shows. This coverage contributed to raising public awareness of the deposit guarantee system.

In 2013, DGF cooperated with a number of news agencies, such as “Ukrinform”, “Ukrains’ki Novyny”, “LIGABisnesInform”; the TV channels – “1+1”, “Inter”, “BTB”, “TVi”, “ERA”, “Tonis”, “Rada”, “Kyiv”, “1-st National” and number of the newspapers. The Managing Director and other DGF specialists provided information regarding deposit guarantee system in Ukraine, failed banks resolution regimes, etc. DGF staff developed and disseminated number of press-releases, which were also published on the DGF website.

For the purpose of the dissemination of the information regarding the deposit guarantee system DGF together with the USAID/FINREP-II project, developed the educational booklets, containing general overview of the deposit guarantee system, and its’ main characteristics, explanation of the



*Press Club meeting in the city of Odessa*

## II. PUBLIC AWARENESS AND INTERNATIONAL COOPERATION

provisional administration and liquidation of the failed banks, answers to the most frequently asked questions and step by step instructions for the depositors in case of the bank failure. The booklets were publicized at the DGF website.

DGF also developed an education video, which explains what the depositors should do in case of their bank's failure. The video significantly enhanced the level of public awareness.

Toll-free telephone line, "Hotline", is an important tool for providing information on deposit insurance. Throughout the year of 2013 the DGF staff members provided answers to 20 thousand telephone enquiries (Fig. 2.1). More than half of the calls were received in March; they were caused by the start of the liquidation process of "TAVRIKA BANK".

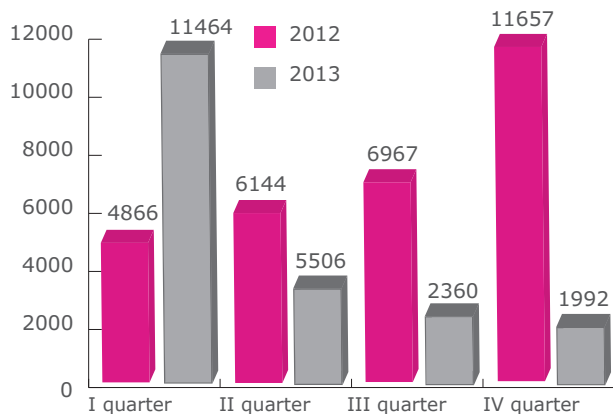


Fig. 2.1. Calls to DGF toll-free telephone line in 2012-2013.

Throughout 2013, DGF monitored the information in mass media in order to analyze the situation in banking sector, economic events and trends in Ukraine and overseas. (fig. 2.2.).

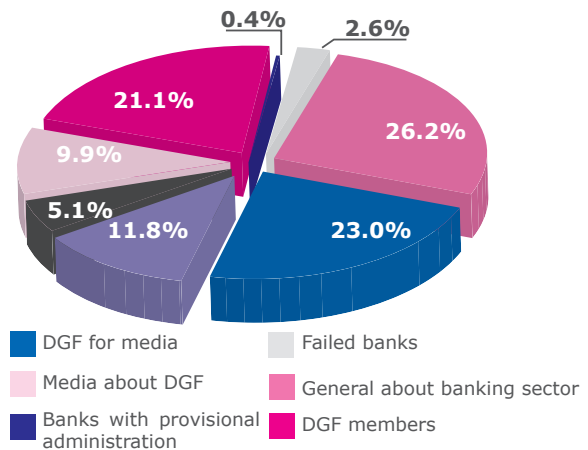


Fig. 2.2. The structure of the information analyzed throughout 2013.

In 2013 DGF provided responses to 4 335 written enquiries from the public.



USAID/FINREP-II, Financial Literacy Training

## 2.2. International Cooperation

With the purpose of enhancing deposit guarantee system in Ukraine based on the best international practices as well as presenting own experience in 2013 DGF continued cooperation with the deposit insurers in other countries as well as international associations – International Association of Deposit Insurers (IADI) and European Forum of Deposit Insurers (EFDI). DGF also cooperated with the Financial Sector Development Project (USAID/FINREP- II) and the World Bank.

Throughout the reporting year DGF served in the regional and standing committees of IADI. In 2013 DGF representatives participated in IADI Annual General Meeting and Conference in Buenos Aires (Argentina). In Buenos Aires DGF signed a Memorandum of understanding and cooperation with the Deposit Protection Agency of Kyrgyz Republic, new member of the Eurasia Regional Committee of IADI. DGF also actively participated in the on-going activities of the European Forum of Deposit Insurers. In September 2013, DGF management participated in the international conference and EFDI Annual General Meeting in Rome (Italy). At the Annual General Meeting of the Eurasia Regional Committee (EARC) of IADI in September 2013 the decision was made to hold next AGM and seminar in Kyiv. Starting from November 2014 DGF will chair in EARC.

For the purpose of the staff professional development DGF increased cooperation with the deposit insurers that have extensive experience in the sphere of bank resolution. Thus, in June 2013 within the frame of the Memorandum of cooperation with the Federal Deposit Insurance Corporation (FDIC) DGF representatives participated in the study visits to FDIC offices in Washington DC

and Dallas. Study visits were organized with the support of the Financial Sector Development Project (USAID/FINREP- II). The training program, conducted in FDIC headquarters in Washington DC, provided for a discussion of a range of important topics: budgeting, investments and fund management, financial loss projections, risk management, IT strategic and operational planning and the HR policies. Study visit participants also learned about financial education and literacy programs. The major topic of the training in FDIC Dallas office was bank resolution process. Great deal of attention was paid to the failed banks asset management and asset marketing issues. In the reporting period DGF staff members also visited Savings Deposit Insurance Fund of Turkey (SDIF). During the bilateral meetings the participants discussed topics of bank sector risk monitoring and risk based premiums system introduction and development. SDIF also shared their experience in the sphere of bank resolution and lessons learned from 2001 bank crisis in Turkey. DGF specialists were also introduced to the SDIF owned bad bank operations. In August 2013 within the frame of the Memorandum of understanding and bilateral cooperation DGF was visited by the representatives of the Korea Deposit Insurance Corporation (KDIC). During the bilateral seminars KDIC specialists made presentation on risk monitoring system and risk-based premium assessment process. The participants of the seminar were introduced to the resolution regime and resolution methods of KDIC and reviewed several resolution cases. After the seminar representative of KDIC had a short on-site training in various departments of the DGF. In the reporting year DGF was also visited by the



*Bilateral Seminar at Savings Deposit Insurance Fund of Turkey*

## II. PUBLIC AWARENESS AND INTERNATIONAL COOPERATION

Executive Director of the Deposit Protection Agency of Kyrgyz Republic. During the bilateral meetings DGF representatives shared experience in the sphere of bank resolution, bank monitoring and reimbursement processes.

Throughout the reporting period DGF continued active collaboration with the World Bank within the FIRST Initiative technical assistance project. The experts of the World Bank provided advice in the sphere of bank resolution and recovery, namely regarding resolution plan development, resolution cost calculation, tender procedures for the sale of

the failed banks, etc. DGF also involved local legal advisor, who provided assistance in developing regulatory documents as well as amendments to the «Households Deposit Guarantee System” law. As in the previous years, DGF continued to cooperate with the Financial Sector Development Project (USAID/FINREP- II), particularly in the area of financial education.

DGF is very grateful to the World Bank, Financial Sector Development Program (USAID/FINREP- II) and all the international partners for the productive cooperation.



*12th Annual General Meeting and Conference of the International Association of Deposit Insurers (IADI)*

### 3.1. Accumulation of Funds

To ensure deposit guarantee system operations and effective bank resolution process during 2013 DGF continued accumulation of funds.

As of January 1, 2014 the funds of DGF amounted to UAH 7,292.9 million, of which UAH 7,213.4 million - funds invested into government securities, and UAH 79.5 million – money on the check account.



Accounting and Reporting Department

According to the Article 19 of the “Households Deposit Guarantee System” law the funding sources of DGF in 2013 included:

1. initial contributions of the member banks;
2. regular contributions of the member banks;
3. investment income;
4. interest on outstanding balance of the DGF account with the National Banks of Ukraine;
5. fines and penalties paid by the member banks;
6. other legal sources.

Additionally during 2013 DGF recovered UAH 73.4 million from the Assets of the banks in liquidation. The largest share in the financial sources had regular contributions of member banks - 78.0% and net investment income – 21.1% (fig. 3.1).

In comparison with 2012 the regular contributions increased by UAH 1,197.0 million or almost twice due to the introduction of the differentiated risk adjusted contributions. The increase of the initial contributions – by UAH 5.2 million occurred due to the registration of eight new member banks.

Table 3.1  
DGF funds accumulation in 2013 - 2012

Funding Source	2013	2012
	Amount, UAH, mil.	Amount, UAH, mil.
Initial contribution	10.1	4.9
Regular contributions	2 630.5	1 433.5
Net investment income	712.8	753.8
Interest on outstanding balance of DGF account with the National Banks of Ukraine	16.4	13.6
Penalties and fines paid by the member banks	0.4	
Other legal sources (interest on targeted loan granted to the insolvent bank during the provisional administration, interest on loans granted to DGF staff members)	2.0	
<b>Total</b>	<b>3 372.2</b>	<b>2 205.8</b>

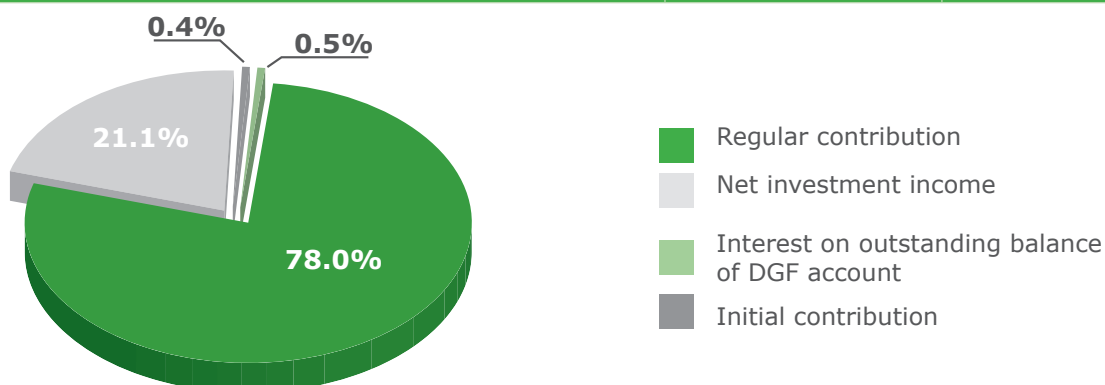


Fig. 3.1. Funding Sources Structure in 2013, %.

### 3.2. Financial Resources Use

During 2012 DGF funds were used in accordance to the provisions of the Article 20 of the “Households Deposit Guarantee System” law.

Deposit payouts to the depositors of the failed banks and targeted loans – 55.3% to the banks under provisional administration had the largest shares in the total expenses – 55.3% and 42.4% respectively (fig. 3.2).

In comparison with 2012, the payout amount increased by UAH 653.4 million or more than twice, the amount of targeted loans to the banks under the provisional administration increased by UAH 700.4 million or more than 4 times due to the resolution in 2012 of two banks “TAVRIKA BANK” and “ERDE BANK”.

The budget estimate for operational expenses of DGF approved by the Administrative Board was UAH 56.6 million. The actual expenses in the reporting period amounted to UAH 50.0 million or 89.9% of the planned amount.

Table 3.2  
The use of funds in 2013 and 2012

Direction	2013	2012
	Amount, UAH, million	Amount, UAH, million
Covered deposits payout	1 185.5	532.1
Targeted loans to the insolvent banks during the provisional administration	908.5	208.1
Insolvent banks resolution expenses, DGF operational expenses, etc.	50.0	44.9
<b>Total</b>	<b>2 144.0</b>	<b>785.1</b>

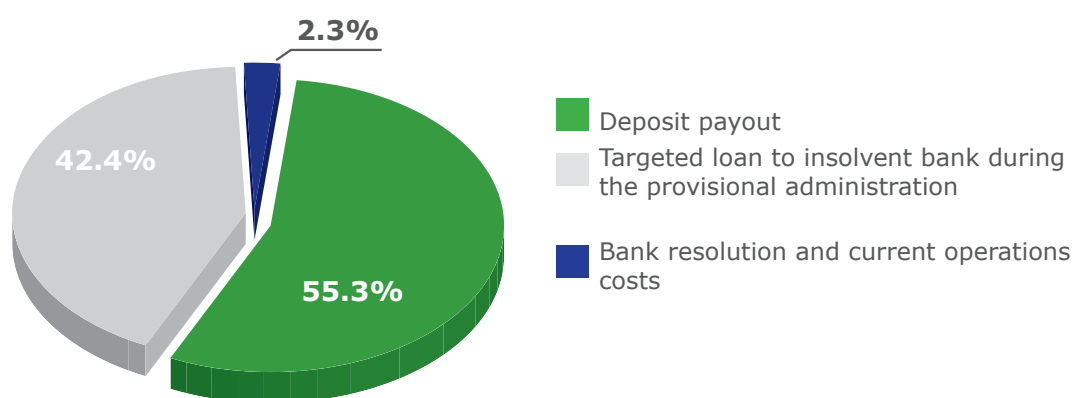


Fig. 3.2. The use of DGF funds in 2013, %.



### 3.3. Investment Operations

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

In the reporting period DGF invested the resources in accordance with the Investment plan for the year of 2013 approved by the decision of the Administrative Board No. 4 of March 5, 2013. In 2013 it was planned to invest UAH 3500.6 million, but actually the amount of UAH 4071.0 million was invested, which is 16.3% more than it was planned. Funds were invested into:

- UAH 301.0 million - short-term state domestic bonds with the bond yield rate of 10%;
- UAH 3 770.0 million – middle-term state domestic bonds with the yield rate of 14,3%.

Compared with 2012 the amount of invested funds increased by UAH 1 225.5 million or by 43.1% owing to the increase of funds inflow from:

- bond redemption and coupon payments to UAH 3 303,0 million;
- contributions from the banks to UAH 2 641.2 million.

DGF expenditures increased due to the payouts to the depositors during the provisional administration in the banks and payouts to the liquidated banks in 2013 in the amount of UAH 2 093.9 million.

Government securities yield in 2013 decreased, average weighted rate of return during the reporting period fell by 0.5%, namely from 14.4% to 13.9%, but it still remains quite high.

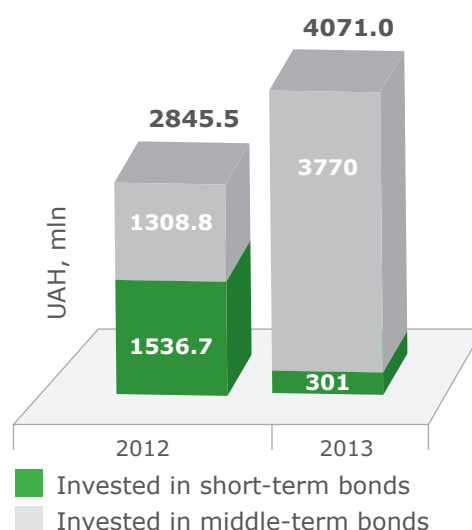


Fig. 3.3. Investment structure in 2012-2013.



Financial Department

Table 3.1  
Composition of DGF investment in 2012-2013

Period	Amount to be invested	Total, per year	short-term state bonds	middle-term state bonds	long-term state bonds
Year of 2013	Planned investment	UAH, mln			
		3500.6	*	*	*
	Actual investment	4071.0	301.0	3770.0	0.0
	Weighted average yield, %	13.9	10.0	14.3	0.0
Year of 2012	Planned investment	2 845.5	*	*	*
	Actual investment	2 845.5	1 308.8	1 536.7	0.0
	Weighted average yield, %	14.4	13.7	15.0	0.0

### 3.4. Assessment of the DGF Financial Stability

At the same time, due to the fact that throughout the year DGF acquired securities with the yield rate ranging from 10.0% till 14.3% and because of the redemption of the securities with the lower rate of return the weighted average portfolio rate as of January 1, 2014 grew and amounted to 13.0%.

In 2013 net income from the investmet was UAH 712.8 million or 21.2% of the total revenue, which is slightly lower than in 2012 due to the significant amount of the deposit payouts during the year.

By the end of the reporting period the structure of the financial resources of the DGF was the following: 1.1% – on the bank account (cash); 98.9% in state bonds.

In accordance with the paragraph 3 of the Article 19 of the “Households Deposit Guarantee System” law the minimum volume of the DGF’s funds at any time should not be less than 2.5 per cent of household deposits guaranteed by the DGF within the limits of the marginal amount of payout including the contributions to be received in the following quarter from the DGF members. In the event of reaching the minimum level or risk of significant reduction of the DGF funds, the DGF is entitled to take measures to replenish the DGF funds from the sources set forth in the law.

In 2013 DGF developed and introduced the Methodology for the assessment of the DGF financial stability. It was approved by the decision of

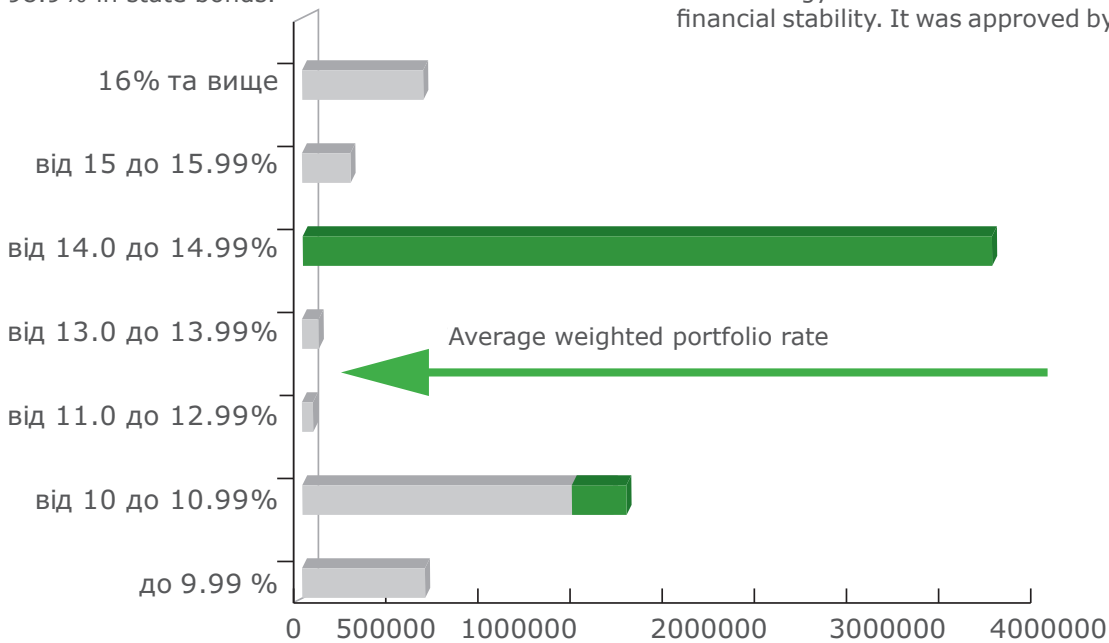


Fig. 3.4. Portfolio structure in terms of yield as of 01.01.2014.

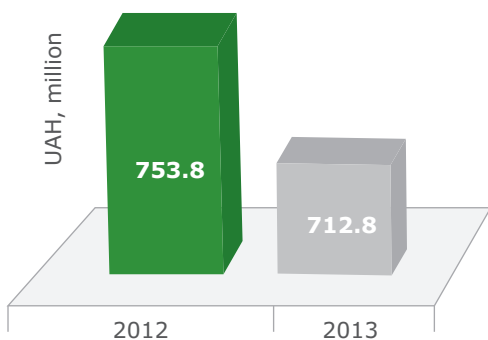


Fig. 3.5. Net income from the invested funds during 2012-2013.

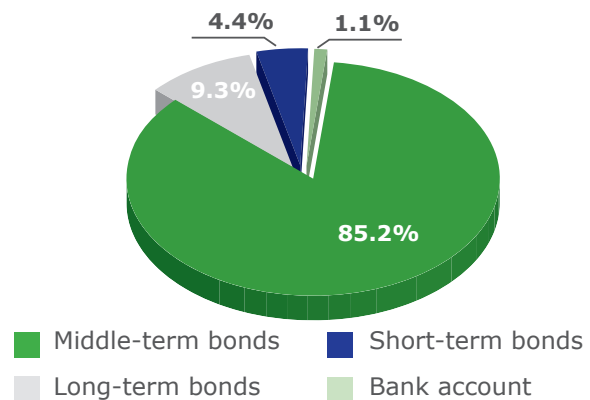


Fig. 3.6. The structure of financial resources as of January 1, 2014.

### 3.5. Financial Statement

DGF Executive Board No. 482/23014 of 28.02.2013 and registered by the Ministry of Justice. The Methodology introduces cost projection methods based on the identified bank sector risks.

During 2013 the fund stability ratio didn't fall lower 2.5%, which means DGF had enough funds to fulfill its obligations to the depositors.

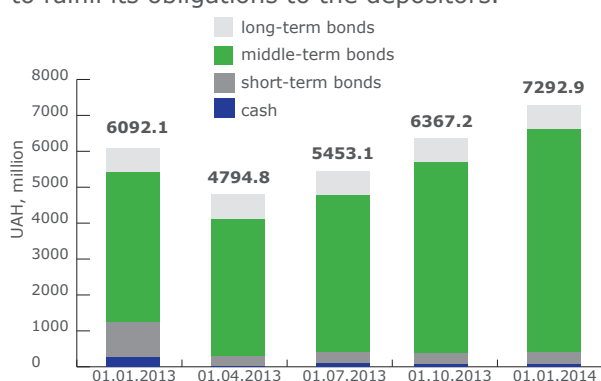


Fig. 3.7. Changes in the structure of financial resources during 2013

In accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV of July, 16, 1999 DGF prepares financial statements that include balance sheet, financial results report, cash flow statement, equity statement and notes.

The financial statements of the Fund are based on the book records in compliance with the national accounting standards and DGF accounting policy.

Financial statements of DGF audited by the independent auditing company "Kreston GCG" can be found in Annex 2.

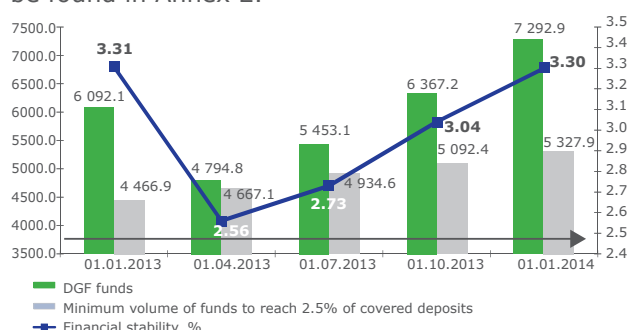


Fig. 3.8. Financial stability ratio (fund ratio) to the DGF funds during 2013

Table 3.1.

Financial stability ratio (fund ratio) dynamic pattern throughout the year of 2013.

Period	DGF funds, UAH, million	Fund ratio	Covered deposits, UAH, million
01.01.2013	6 092.1	3.31	201.3
01.02.2013	6 026.9	3.20	206.2
01.03.2013	5 706.8	2.98	210.5
01.04.2013	4 794.8	2.56	213.8
01.05.2013	5 385.7	2.79	219.1
01.06.2013	5 448.3	2.80	220.5
01.07.2013	5 453.1	2.73	227.4
01.08.2013	6 298.6	3.07	229.5
01.09.2013	6 340.3	3.06	232.1
01.10.2013	6 367.2	3.04	235.4
01.11.2013	7 244.8	3.37	238.6
01.12.2013	7 285.2	3.32	243.1
01.01.2014	7 292.9	3.30	245.5

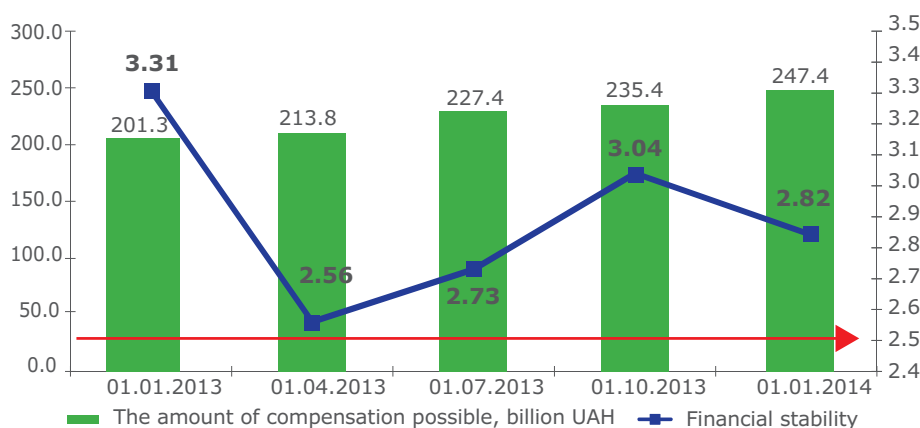


Fig. 3.9. Financial stability ratio to covered deposits in 2013

### 4.1. Member Banks

As prescribed by the law 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 AT "Rodovid Bank" (bad bank). The membership of banks in DGF is mandatory. A bank acquires member status on the date when such a bank obtains a banking license. The DGF shall exclude a bank from the members in case of revocation of the banking license and liquidation of a bank.

Maintaining the register of the member banks is one of the DGF functions.

In 2013 eight banks were included into the register and four banks were excluded from the register (2 banks were liquidated and 2 banks were reorganized). Therefore, as of January 1, 2014 there were 178 members in DGF (Fig. 4.1).

There were following changes in the register:

- 8 banks were included into the register: public companies "BANK "UNISON", "BANK MYKHAYLIVSKIY", "BANK AVANGARD", "INVESTYTSIYNO-TRASTOVIY BANK", "ROZRAKHUNKOVIY TSENTR", "DERZHAVNIY ZEMELNIY BANK", "BANK PORTAL", "KOMERTSIYNIY BANK GEFEST"

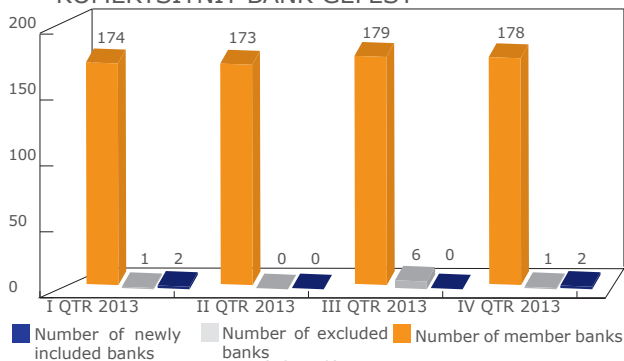


Fig.4.1. Registration of banks throughout 2013.

Table 4.1

Banks excluded from the DGF member register in 2013

Nº	Name	Regis-tration	Exclusion Date	Cause
1	PUBLIC COMPANY "ERDE BANK"	197	17.01.2013	DGF Executive Board decision No. 4 of 16.01.2013. NBU Resolution No. 4 of 09.01.2013 "On revocation of the banking license and liquidation of public company "ERDE BANK".
2	PUBLIC COMPANY "BANK "TAVRIKA"	008	25.03.2013	DGF Executive Board decision No. 20 of 25.03.2012. NBU Resolution No. 97 of 20.03.2013 "On revocation of the banking license and liquidation of public company "BANK TAVRIKA".
3	PUBLIC COMPANY "FIDOKOM BANK"	186	06.12.2013	DGF Executive Board decision No. 126/13 of 05.12.2013. Reorganization (merger of Public company "FIDOKOMBANK" with Public company "FIDOBANK"). NBU Commission decision No. 837 of 31.10.2013.
4	Public company "UniCredit Bank"	088	26.12.2013	DGF Executive Board decision No. №139/13 of 31.10.2013. Reorganization (merger of Public company "UniCredit Banks" with Public company "UKRSOTSBANK"). NBU Commission decision No. 616 of 30.08.2013.



Department for Economic Analysis and Recurrent Monitoring

- 4 banks were excluded from the DGF member register, of those 2 banks were liquidated and 2 banks were reorganized (Table 4.1).

During 2013 the number of foreign-owned banks decreased by 4 banks to 49 banks. The number of locally owned banks increased by 8 banks and amounted to 129 banks (fig. 4.2).

Throughout the history of DGF 236 banks participated in the deposit guarantee system.

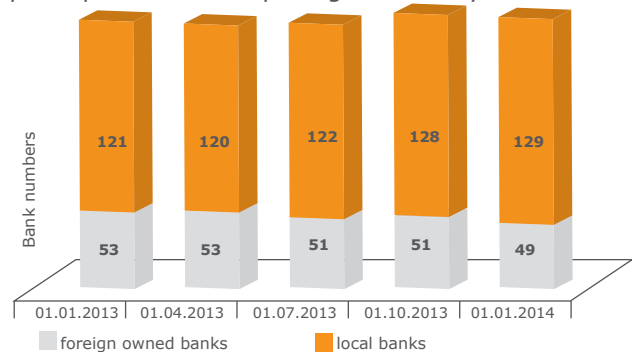


Fig.4.2. Change of foreign-owned banks number in 2013.

## 4.2. Financial Position of DGF Member Banks

The balance sheets of the 178 banks were reviewed in order to analyze member banks performance. Based on the data in balance sheets a number of indicators as of January 1, 2014 as well as system-wide trends for the year of 2013 were calculated.

### Capital Analysis

Core capital of member banks grew by UAH 20 970.1 million or by 14.2% and amounted UAH 168 525.1 million. The growth of core capital was in 149 banks. In 29 banks there was a decline of core capital.

The following changes occurred in the structure of capital. (fig. 4.3.).

1. Authorized capital increased by UAH 21 492.0 million or by 14.5% to reach UAH 169 833.7 million, which is UAH 1 308.6 million more than core capital. 65% of the growth was due to the contributions to the unregistered authorized capital.
2. Issue profit/loss grew by UAH 1 982.2 million or by 17.8% to UAH 13 140.3 million.
3. General reserves decreased by UAH 7 131.3 million or by 92.6% to UAH 566.3 million.
4. Required reserves increased by UAH 321.9 million or by 4.1% to UAH 8 121.9 million.
5. Other reserves decreased by UAH 26.1 million or 0,9% to UAH 2 996.7 million.
6. Previous years losses decreased by UAH 7 461.9 million or by 16% to (-) UAH 39 181.9 million.
7. Profit for the year in banking system was UAH 827.8 million, however in comparison with the previous year the profit decreased by UAH 3 515.8 million or by 80.9%.
8. Fixed Assets revaluation results decreased by UAH 291.0 million or by 2.4% and amounted to UAH 11 758.3 million.
9. Investment revaluation results grew by UAH 676.3 million up to UAH 462.0 million.

Equity weight (including subordinated debt) in liabilities during the year increased from 17.4% to 17.7%, indicating sufficient level of the capital protection. In 107 banks this indicator exceeds the average value of the system, in 23 of those – by more than 50%, which indicates low competitiveness. However, in 5 banks the value is less than 10% indicating the higher risk of capital adequacy.

Bad debt to equity ratio decreased from 45.4% to 37.9%, due to the write-off of non-performing loans. In 29 banks this indicator exceeds the average values in the system; in 10 banks it exceeds the value of the equity capital.

A retail deposit to equity ratio was 2.4 indicating an adequate level of the deposits protection.

However in 69 banks the indicator exceeded the average value in the system, in 22 banks – more than two times.

During the reporting year the capitalization of the banking system happened at the cost of the authorized capital growth, earned profit, issue profit and required reserves. The quality of the equity capital remains unsatisfactory because of the total loss of UAH 39 181.9 million or 23.1% of the authorized capital. In general, the capital adequacy risk in the system is moderate.

### Liabilities Analysis

Total liabilities grew by UAH 112,266.9 million or by 12.7% and amounted to UAH 997,003.2 million. The liabilities increased in 134 banks and in 44 banks they decreased, 10 banks decreased their liabilities by over UAH 1,000 million each.

There were following changes in the liabilities structure (fig. 4.4.).

1. Funds in vostro accounts grew by UAH 5 446.5 million or by 29.4%, their share increased to 2.4%.
2. Public funds decreased by UAH 1 996.4 million or by 42.7% and their share to 0.3%.
3. Loans from other banks during the year decreased by UAH 13 857.7 million or by 11.7% and their share decreased from 13.4% to 10.5%. Whereas in 106 banks the share of interbank credits exceeded the average values in the system, in 5 banks more than half of the resources are derived from interbank credits. 41 banks did not have interbank loans.
4. Loans from NBU decreased during the year by UAH 1 660.0 million or by 3.1% and amounted to UAH 51 244.5 million or 5.1% of liabilities. Only 46 banks have loans from NBU (4 banks less than in the previous year).
5. Funds of the corporate sector grew by UAH 34312.1 million or by 16.2 % and their share in the structure from 23.9 to 24.7%. 52.2% of all corporate funds are sight deposits.
6. Households' deposits increased by UAH 62,822.7 million or by 19.1%, and their share increased from 37.8% to 39.9%. 87.7% of the deposits are term deposits. In 83 banks the share of deposits in total liabilities exceeded the average in the system, in 40 banks more than 50%.
7. The share of deposits in liabilities was 34.5% (for reference, last year it was 32.8%). In 83 banks the share of liabilities exceeded the average values in the system, in 9 banks the share of deposits in liabilities was over 50%, which indicates that they operate as savings bank.
8. Debt securities increased by UAH 3,247.7 million or by 29.9 % and their share increased from 1.2% to 1.4%.

## IV. MEMEBERSHIP OF BANKS IN DEPOSIT GUARANTEE SYSTEM



### Inspection Department

9. The loans from the international organizations increased by UAH 7,045.9 million or by 30.9% and from 3.6 to 3.0%.
10. Subordinated debt increased by UAH 6,332.3 million or by 20.0 % while its' share – from 3.6 to 3.8%.
11. Accounts payable increased by UAH 8,852.3 million or by 14.4% and their share – from 6.9 to 7.0%. 83.6% of growth is due to the operations with the other financial instruments.
12. Other liabilities increased by UAH 721.3 million or by 4.3% while their share decreased from 1.9% to 1.8%.

There was a deterioration of the resource base: the term deposits decreased from 68.4 % to 67.9%.

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

of the corporates deposits 1.9 times (though, households deposits growth rate is almost two times less than last year). The households' deposits were the main source of the liabilities of the banks. There was a decline on interbank market both in the part of the bank to bank credits and credits from the NBU.

### Assets analysis

Total Assets increased by UAH 120,755.9 million or by 10.5%, net Assets – by UAH 133 237.1 million or by 12.9% and reached UAH 1, 165 528.3. There was asset growth in 136 banks and decrease in 42 banks.

There were following changes of the Assets structure (fig. 4.5.).

Highly liquid Assets decreased by UAH 18.6 million or by 0.01%, their share in the structure decreased from 13.7% to 12.4% due to the outflow of the funds in nostro accounts by UAH 18 596.3 million. It has to be noted that in comparison with the previous year there were changes in the structure of the highly liquid Assets: the share of funds in the vostro accounts decreased to 50.2% (last year it was 62.0%). In 93 banks the share of the highly liquid Assets exceeded the average value in the system (12.4%), in 9 banks more than 40.0%, indicating that there is a problem with the investment of the funds. In 19 banks the share of the liquid Assets is less than 4% showing the increased liquidity risk.

Securities portfolio grew by UAH 20,459.7 million or by 24.3% to UAH 104,659.2 million despite of the decrease in the third and fourth quarters. The share of the securities in the Assets structure is 8.2%. The growth occurred due to the investment into the government securities (increase by UAH 11,319.4 million or by 21.7% up to 5.0% in the Assets structure). Securities in the trading portfolio

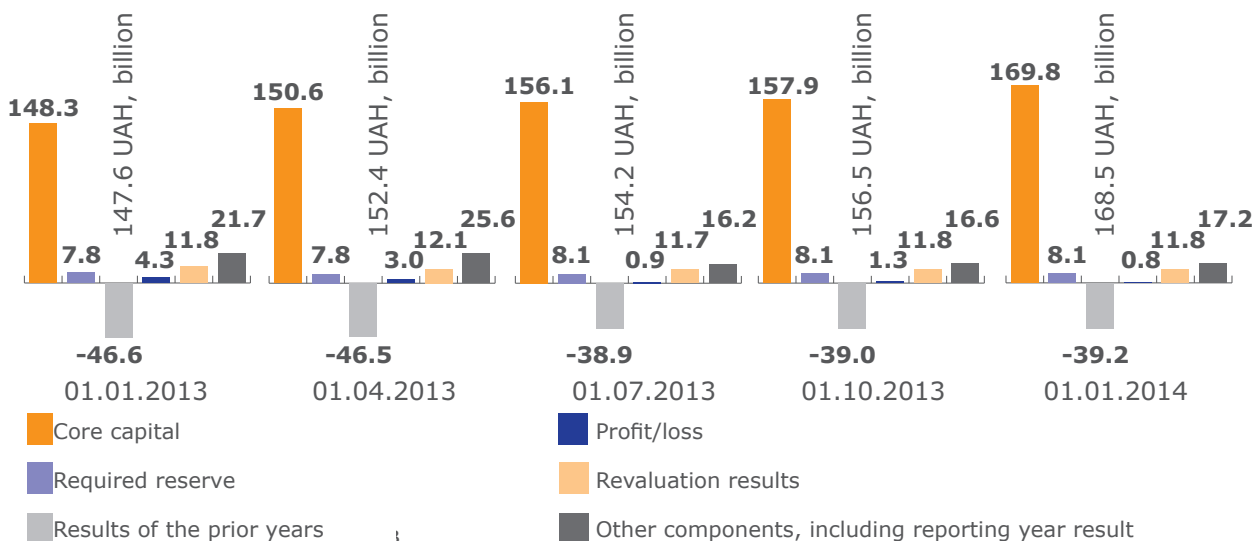


Fig. 4.3. Core capital structure

grew by UAH 1,005.4 million or by 15.7% and form 0.6% in the structure of Assets. Investment into associated companies and subsidiaries increased by UAH 445.1 million or by 19.6% and their share in the Assets structure amounted 0.2%. Securities to maturity decreased by UAH 70.5 million or by 3.7% to 0.1% in the Assets structure.

In 131 banks the volume of investment is lower than the average in the system (8.2% in the Assets structure), 42 of those banks don't invest into securities at all.

Thus, the main components of the investment portfolio are government securities – 60.7% in the structure and financial investment for sale – 27.9% in the structure.

Securities to maturity were the most profitable.

Loan portfolio contrary to the previous year grew by UAH 95 676.3 million or by 12.9% to UAH 837 498.3 and its' share in the structure increased from 64.3 to 65.7%, The lending to corporate sector increased by UAH 88 141.5 million or 15.9%; retail lending by UAH 6 029.8 million or by 3.9%; interbank lending by UAH 2 197.7 million or by 8.3%. There were slight changes in the structure of credit portfolio: corporate lending reached 76.8%; the share of retail lending decreased to 19.4%; interbank lending – decreased to 3.5% of the credit portfolio structure. In 86 banks the share of credit portfolio in the Assets is less than the average in the system (65.7%), in 35 banks the credit portfolio makes up more than 80.0% of the Assets. In 36 banks credit portfolio is less than 50% of the Assets.

Loan arrears decreased by UAH 3 214.5 million or by 4.8%, from 9.0 to 7.6% in the credit portfolio due to the debts writing-off (the total write-off for the year was UAH 25671.6 million, 55.9% increase to UAH 71627.9 million), which in turn led to the reduction of the provisions by UAH 12 275.9 million or by 10.4%, the level of reserves in the credit portfolio structure decreased from 15.9% to 12.6%. In 39 banks the share of the loan arrears in credit portfolio exceeded the average value in the system, in 8 banks – over 20%.

The amount of the credit risk provisions shows that the banks recognize this type of risk. The adequacy of the reserves in the system was 98.8%. In 100 banks the reserves were two times more than the arrears, in 90 banks the reserves were less than 100%.

Thus, in the reporting year there was slight increase in lending, the main focus was on lending to the corporates, the quality of the loan portfolio improved due to the debts write-off, the banks reduced the amount of provisions, the profitability of the loan portfolio decreased. One hryvnya (UAH) of

households' deposits accounts for 41 kopeks of retail loans.

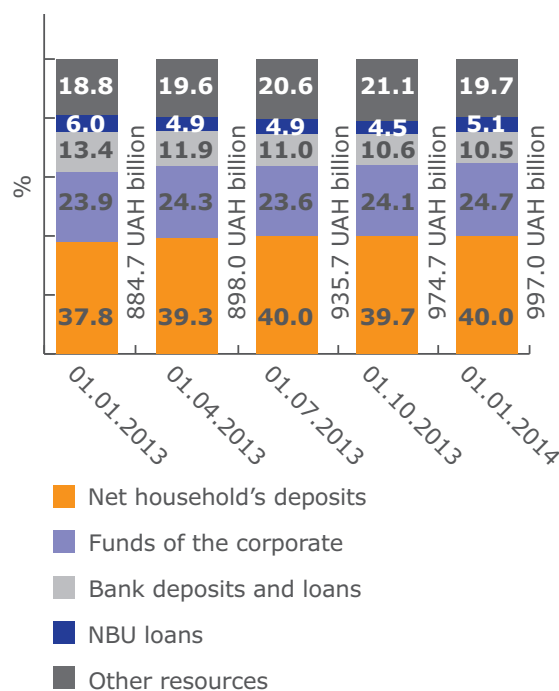


Fig. 4.4. Liabilities structure

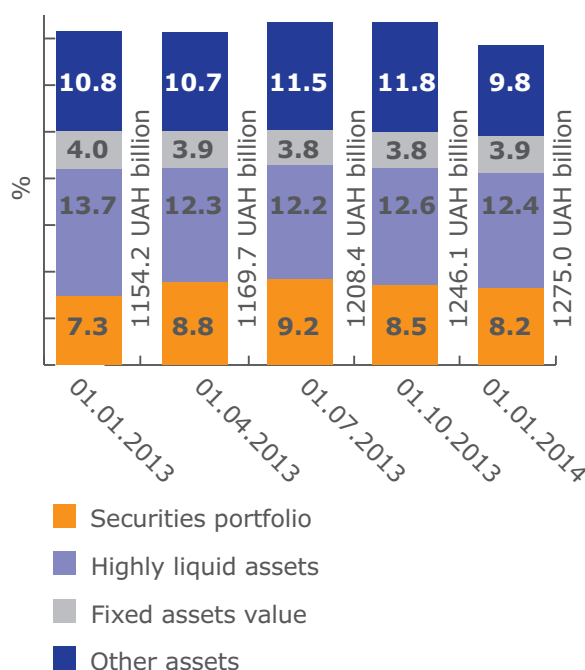


Fig. 4.5. Assets structure

#### IV. MEMEBERSHIP OF BANKS IN DEPOSIT GUARANTEE SYSTEM

Fixed and intangible Assets increased by UAH 3328.8 million or by 7.2 %, their share in the Assets decreased from 4.01 to 3.90%.

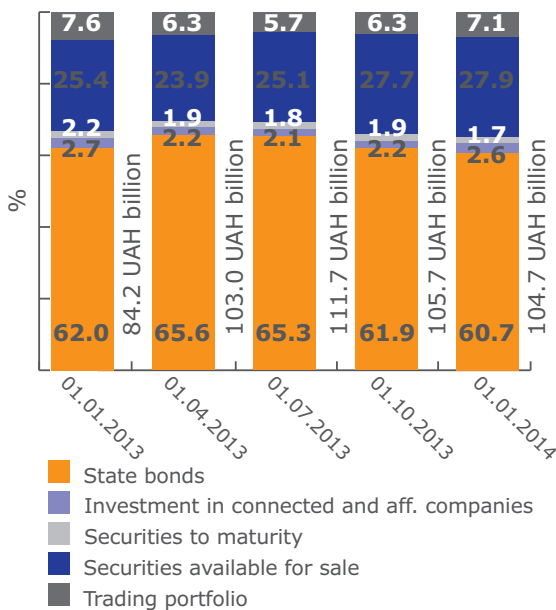


Fig. 4.6. Securities portfolio structure

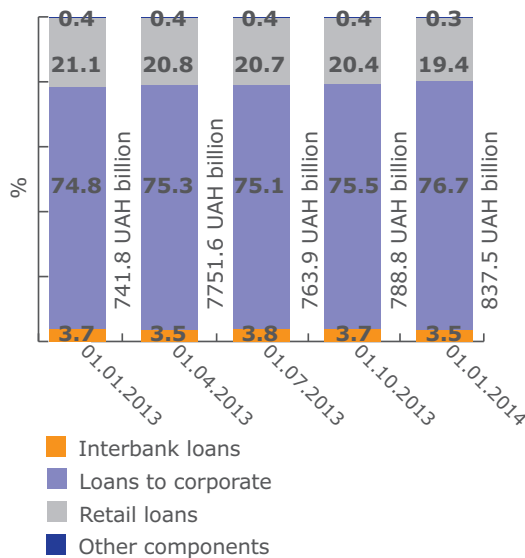


Fig. 4.7. Loan portfolio structure

In the reporting year the growth rate of receivables was lower due to the reduction of the foreign currency transactions. In the fourth quarter alone foreign currency transactions receivables decreased by UAH 20 430.6 million or by 27.98%. During the year the receivables grew by UAH 1, 061.3 million or by 1.8%, but their share in the structure decreased from 5.0 to 4.6%.

Other Assets increased by UAH 248.4 million or by 0.4%, their share in the structure decreased from 5.0 to 4.6%.

Thus, during the year there was an improvement of the business activity in the banking sector: increased lending led to an increase of the profitable Assets share in the structure of the shares from 71.6% to 73.9%. Funds on nostro accounts decreased highly liquid Assets, though the liquidity remained adequate. Investment portfolio grew due to the investments into government securities, securities for sale and derivatives for hedging purposes. Last quarter of the reporting year was characterized by significant reduction of the foreign currency transactions. Writing-off reduced the share of bad debts in the credit portfolio. The credit risk in the banking system remains slightly increased.

#### Financial performance

Total income grew by UAH 17 112.0 million or by 12.4% and amounted to UAH 155 603.3 million. There were following changes in the revenue structure (fig.4.9). Interest income increased by UAH 10 916.9 million or by 10.2%, but their share in the structure of income decreased from 77.7% to 76.1%. Fee and commission revenues increased by UAH 3 602.5 million or by 18.1%, and their share in structure – from 14.3 to 15.1%. The income from trade operations increased by UAH 150.4 million or by 4.9%, its' share in the structure declines to 2.1%.



Fig. 4.8. Loan portfolio quality

Investment income declined by UAH 416.6 million or by 65.8% to 0.1% in the structure. The trend of operational income decline continued in the reporting year, the annual decline reached UAH 55.2 million or 1.2%.

Total costs (fig.4.10) increased by UAH 20 627.8 million or by 15.4%. 57% of the costs were interest



rates, they increased by UAH 11,730.6 million or by 18.6% or 48.3% in the structure.

Compared to last year the provisions increased by UAH 4 710.9 million or by 22.7% to 16.5% in the structure.

Total administrative cost increased by UAH 3 138.8 million or by 9.2%, their share in the structure of the expenses decreased to 24.1%.

Net interest income declined UAH 813.7 million or by 1.8% and reached UAH 43 655.9 million.

Net revenues from commissions and fees grew by UAH 19,756.3 or by 16.1% and amounted to UAH 19,756.3.

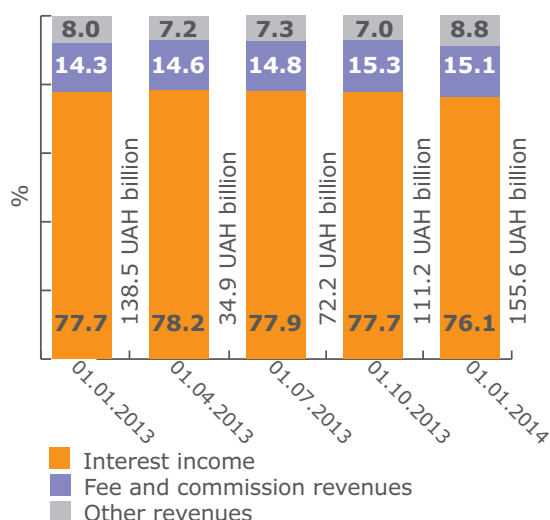


Fig. 4.9. Income structure

In 2013 banking system had a profit of UAH 827.8 million, which is 81% less than in the previous year, which can be explained by the increased costs. (fig.4.11).

159 banks were profitable and the total profit amounted to UAH 7 440.9 million. 19 banks were unprofitable.

The above mentioned trends led to the earnings dilution in the banking system. Low asset quality and conservative credit policy decreased profitability. Thus return on Assets decreased from 0.43% to 0.08%. Return on equity in comparison with the previous year decreased from 3.1% to 0.5% indicating inadequate level of the capital expansion.

There was a decline in efficiency of credit-deposit operations. Net spread declined from 3.8% to 3.6%. Net interest margin declined from 4.4 to 4.0%.

In 11 banks net spread value was negative indicating high interest risk. Return on Assets indicator shows that only 17 banks used their Assets efficiently (as compared to 23 banks in the previous year) and 10 banks showed capital efficiency (last year – 12 banks).

The analysis of DGF member banks operations shows, that, in general, the banking sector in Ukraine

in 2013 was profitable. However, compared to the previous year the performance indicators declined, the financial results dynamics was not stable.

Despite the fact that NBU for the purposes of stimulating economy and lending decreased the official discount rate twice (to 7% in June of the reporting year and to 6.5% in August) banks did not grow their credit portfolios due to the repayment risk. Therefore, securities remained the main financial investment tool. Securities portfolio growth rate exceeded credit portfolio growth rate twofold.

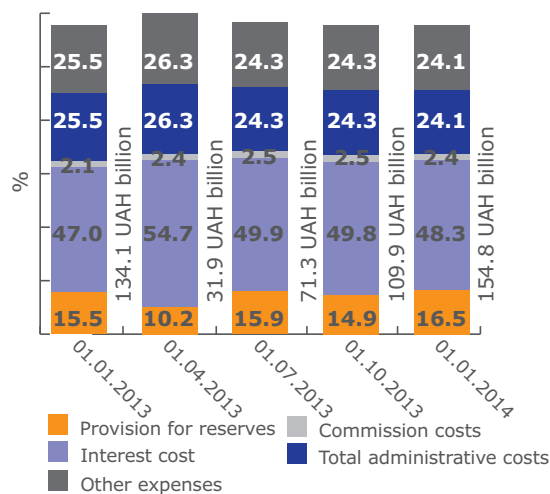


Fig. 4.10. Cost structure

Continuous trend of the investment climate decline in Ukraine also should be noted. It is reflected in the decrease of the foreign capital share in Ukraine banking sector by 5.3%.

In the end of the reporting year there was devaluation pressure on local currency due to the external debt repayments as well as economic and political unrest.

Overall development of the banking sector in 2013 was under the influence of the contradictory tendencies. During the year net Assets of the member banks grew by 12.9% (UAH 133 237.1 million).

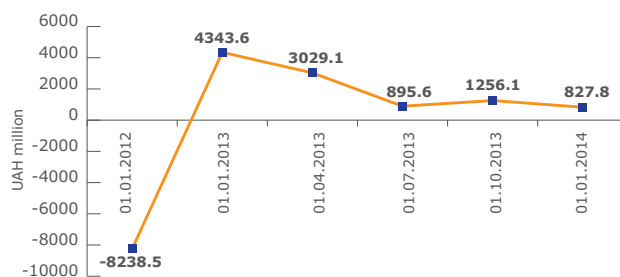


Fig. 4.11. Financial performance of the member banks

### 4.3. Deposit Operations Trends

Deposits remain to be the major source of the member banks' resources. The share of deposits in the total liability portfolio grew from 37.8 to 40 percent.

In 2013, the retail deposit market was marked with the following major trends.

The total number of retail depositors grew by 3.4 million (6.8%) to reach 47.4 deposits. To put this in perspective, in 2012, the total number of individuals with bank deposits grew by 26.9 % or 9.4 million. See fig. 4.12. below for the depositor population in member banks.

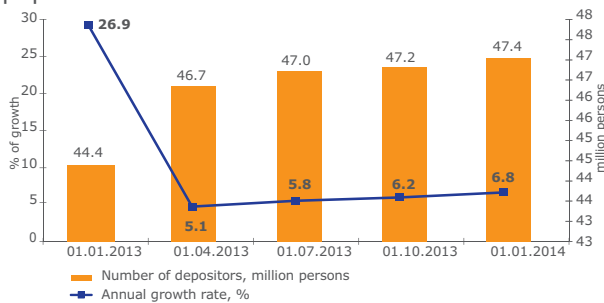


Fig. 4.12. Changes in the number of depositors to member banks

The higher growth of the retail deposits was in the first half of the reporting year. During 2013 the total value of retail deposits to DGF member banks grew by 18.9% or by UAH 64 118.7 million to UAH 402 615.5 million (fig. 3.13), the growth rate in the reporting year was lower than last year (for reference, in 2012 the growth was UAH 55 899.9 million or 19.8%). A positive indication is that the major source of increase was "term money", the volume of which grew by 20.7% (or by UAH 55 995.9) to reach 81.9% of all deposits in Ukraine (80.7% in the last year), thus enabling the banks to manage their liquidity more effectively (fig.4.14).

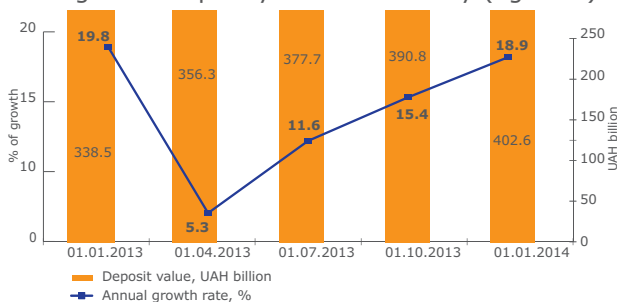


Fig. 4.13. Changes in the deposits value

Unlike last year, when due to the significant growth of the number depositors there was a decline of the average deposit value, in the reporting year the average value increased by 11.4% to UAH 8 486.

There were significant changes in the currency pattern of the deposits. In the first quarter, the growth of the UAH deposits and decline of foreign

currency deposits decreased the share of the latter from 52.8% to 49.8%. This trend continued during the year and as of 01.01.2014 the share of national currency deposits amounted to 55.7%.

In the reporting year national currency deposits grew by 40.4% or UAH 64 505.7 million and amounted to UAH 224 260.7 million, and their share increased from 47.2 to 55.7%. UAH equivalent of the foreign currency deposits decreased by 0.2% or by UAH 385.1 million to UAH 178 354.8 million, and the share of foreign currency deposits decreased from 52.8 до 44.3%. The gap between UAH deposits and foreign exchange deposits increased and reached 25.7% (fig. 4.15).

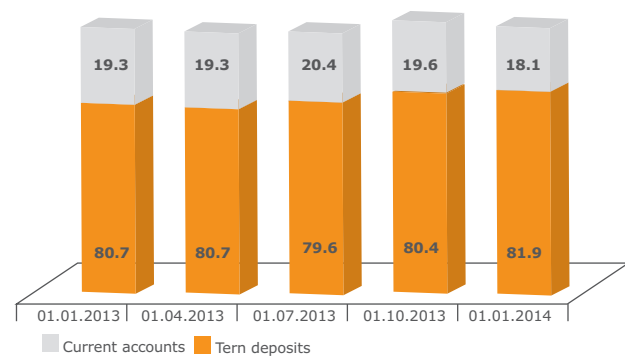


Fig. 4.14. Deposits by terms, %

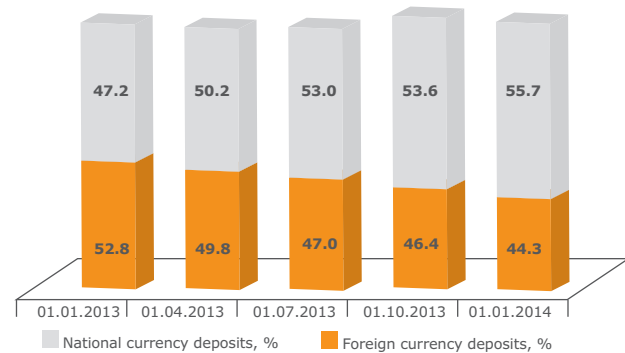


Fig. 4.15. Deposits by currency, %

The large majority of the Ukrainian depositors (99.4%) have deposits of an amount under UAH 200,000. Their deposits constitute 46.5% of the total value of the retail deposits in the banking sector (Fig.4.16 and Fig.4.17).

During the reporting period the highest growth rate had deposits within the range from UAH 200 000 to UAH 250 000 – by 55.2% or by UAH 7 595.4 million. The largest source of resources traditionally were deposits over UAH 250 000, or 48.0% of the total deposits. The highest growth was in this range – UAH 26 928.1 million, or 42% of the total growth.

The general tendency to keep deposits within the insurance coverage remained unchanged, 99.4% of depositors are fully covered by DGF.

Over the year the total liability of DGF increased by 22% or by UAH 44 230.0 million to UAH 242 515.2 million, which is 61.0% of total retail deposit value (for reference, as of January, 1, 2013 this ratio was 59.5%).

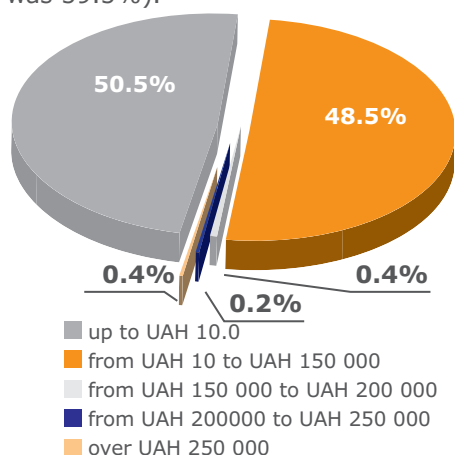


Fig. 4.16. Number of depositors in member banks, %

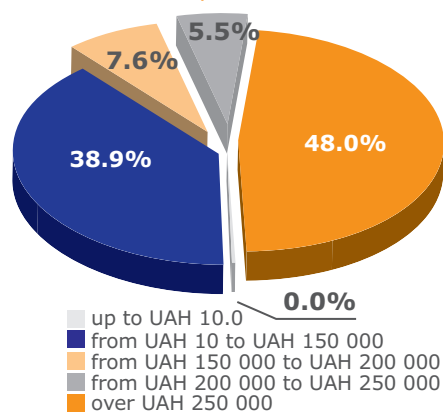


Fig. 4.17. Deposit value in member banks, %

Analysis of the average weighted interest rates on retail deposits shows that in 2013 there was a trend of gradual decline of interest rates both on UAH and foreign currency deposits. Thus, the interest rates on national currency deposits declined by 3.7 percent from 21.57 to 17.84%, on foreign currency deposits – by 0.7 percent from 8.19 to 7.47% (table 4.3).

The growth of the interest rates in the third and fourth quarters (national currency deposits - from 16.61% to 17.84%, foreign currency - from 6.61% to 7.47%) was caused by depositors' fears regarding political and social unrest.

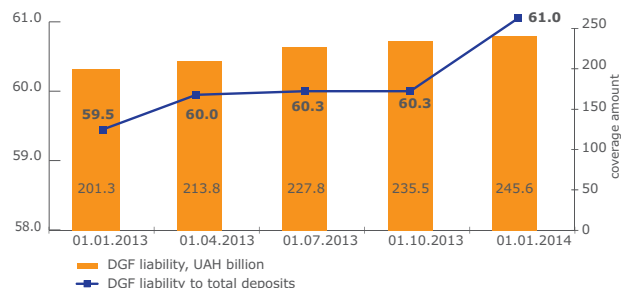


Fig. 4.18. DGF insurance liability

Decline of the interest rates during the reporting year is a reflection of macroeconomic and political factors, NBU policy and liquidity in the interbank market. The measures taken to liberalize the exchange rate on the one hand led to gradual devaluation of UAH, but on the other hand, eased the tension with the liquidity and, as a result, to the decline of interest rates. The discount rate of NBU, which is a benchmark price of money was decreased twice, on June, 10, 2013 – from 7.5 to 7.0% and on August 13, 2013 to 6.5%, that is still on a low level. The decrease of foreign currency deposits and as a result decline of the interest rates were caused by: increased foreign currency reserves requirements and increased contributions to DGF on foreign currency deposits. It also should be noted that banks are not interested in attracting foreign currency deposits because loans to the individuals are allowed only in national currency.

The future of deposit interest rates depends on the policy of the regulator – refinancing, currency devaluation caused by the need of foreign debt repayment and increased demand for foreign currency due to the political and economic unrest.

In general, in 2013 the average interest rates in all groups of banks both for national and foreign currency deposits slightly declined in comparison with the beginning of the year. The lowest interest rate on deposits in national currency was observed in the banks of the 1-st group in the second quarter of the year (14.2%). The highest interest rate on UAH deposits was in the banks of the 4-th group indicating the need for resources in these banks. Traditionally 1-st group banks offer the lowest interest rates, in 2013 the average rate decreased from 20.8% to 17.0%. The maximum rates were observed in the 4-th group banks. The vast majority of the smallest banks (by Assets) aggressively mobilized household deposits and offered high interest rates. Banks with the biggest Assets traditionally offered the lowest interest rates.

The major financial and economic indicators of the deposit insurance system in Ukraine are given in the Table 4.3.

#### IV. MEMEBERSHIP OF BANKS IN DEPOSIT GUARANTEE SYSTEM

*Table 4.2*  
*Interest rates by groups of banks*

Period	National currency,%					Foreign currency,%				
	I group	II group	III group	IV group	Mean value	I group	II group	III group	IV group	Mean value
01.01.13	20.77	21.55	22.25	23.50	<b>21.57</b>	7.92	8.42	8.51	8.74	<b>8.19</b>
01.04.13	17.47	20.05	20.41	20.83	<b>18.99</b>	7.17	7.50	7.81	8.10	<b>7.41</b>
01.07.13	14.15	19.15	18.94	19.03	<b>16.61</b>	6.05	6.73	8.14	8.07	<b>6.61</b>
01.10.13	15.80	17.66	18.00	17.57	<b>16.70</b>	6.68	6.91	7.55	7.90	<b>6.98</b>
01.01.14	17.01	18.85	19.59	18.46	<b>17.84</b>	7.31	7.37	8.41	7.81	<b>7.47</b>

*Table 4.3*  
*Key Financial and Economic Indicators of the Deposit Insurance System*

Financial indicators changes	Date			
	01.01.13	01.04.13	01.10.13	01.01.14
Total retail deposits. UAH. million	338496.8	356318.4	390 765.3	402615.50
Total insurance liability. UAH. million	201270.3	213795.9	235468.6	245515.20
Insurance liability (insured deposits) vs. total retail deposit value in Ukraine. %	59.5	60.0	60.3	61
Member institutions depositors. millions persons	44.4	46.7	47.2	47.5
Depositors fully insured. %	99.5	99.5	99.4	99.4
Insurance coverage per depositor per institution	200000	200000	200000	200000
DGF funds. UAH millions	6 092.1	4 794.8	6 367.2	7 292.9
Average deposit. UAH	7 619	7 628	8 282	8 486

## 4.4. Control Functions

As a part of ensuring due functioning of the deposit insurance system and in order to protect the rights and interests of depositors, DGF supervises the member banks through regular inspections.

In 2013, the inspections were conducted to verify the banks' adherence to the requirements set by the "Households Deposit Guarantee System" law, as well as the all relevant standards and regulations. All inspections were conducted under the set annual inspections schedule.

In line with the bank inspection schedule for 2013 approved by the Executive Board, (Ref. No. 055/12 of 01.11.2012), the DGF conducted 88 inspections, including 85 planned and 3 unscheduled inspections.



### Control and Security Sector

Inspections were conducted to verify the following:

1. Accuracy of the reports submitted to DGF;
2. Completeness and timeliness of the premiums and charges payment;
3. Accuracy and completeness of the depositor database;
4. Adherence to the DGF requirements on the informing depositors regarding deposit guarantee system;
5. Adherence to the other provisions of the "Households Deposit Guarantee System" law and DGF regulations.

The inspections sought to determine to what extent the banks adhered to the provisions of the Law, 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.

### Accuracy of the Reports Submitted to DGF

For the purposes of the deposit market trend analysis, depositors rights protection, public confidence strengthening, resources mobilizing and effective bank resolution member banks are required to report regularly to the DGF submitting reporting form No. 1F.

The main 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. 5 of 09.07.2012 and registered with the Ministry of Justice on 2nd August 2012 (ref. 1314/21626).

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

- Late reporting
- Failure to report nil balances on retail accounts
- Failure to report nil balances on the accounts of sole traders
- Failure to report balances on all accounts of sole traders
- Failure to report precious metal deposits
- Failure to report balances on inactive retail accounts that were accounted as accounts payable
- Undervalued total retail deposits
- Undervalued total accounts of sole traders
- Including overdraft data
- Failure to report balances on private notaries accounts
- Reporting of retail financial instruments that do not qualify as 'deposit'
- Round-off errors for UAH equivalents of foreign exchange
- Including consolidated card accounts
- Including into reports cash collaterals for the keys to safety deposit boxes

According to the inspection findings information in 1F reporting forms of 58 banks was not accurate (27.68% of all cases of violations).

### **Accuracy and Timeliness of Premium and Fines Payment**

The policies and procedures of premium payment are set in "Households Deposit Guarantee System" law and Regulation on Premium Payment (approved by the Resolution of Administrative Board No 1 of 2-d of July 2012, registered at the Ministry of Justice on July, 27, 2012, ref. number: 1273/21585).

According to the third paragraph of the Article 22 of the "Households Deposit Guarantee System" law the calculation base is equal to arithmetic average amounts of daily residual on deposit accounts and accrued interests for a reporting period.

The calculations are done separately for the deposits in the national currency and foreign currency deposits.

Starting from the second quarter of 2013 the calculation method for regular contributions to the DGF in the form of differentiated contributions was introduced. It was introduced by the resolution of the Administrative Board of 29.03.2013 "On introduction of the differentiated contributions to the Deposit Guarantee Fund" registered by Ministry of Justice on April, 18, 2013, ref. number: 631/23163. The calculation of the differentiated contributions is based on risk-based adjustment of the basic annual contribution rate.

According to the inspection findings in 2013 member banks did not include total amounts into the calculation base for the reporting period, therefore the amount of contribution to DGF was miscalculated.

The inspectors also found mistakes in calculation of daily residual on deposit accounts in local and foreign currency as well as round-off errors for UAH equivalents of foreign exchange.

Three member banks miscalculated risk rate for adjusting basic contribution for the deposits in local and foreign currency accounts.

The inspections found out that the banks underpaid UAH 239 818.47 of regular contributions to DGF.

In total, 13 banks failed to pay the premiums timely and/or fully (6.19 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**

DGF set requirements to the depositor data base that the member banks have to maintain. The key requirements are set in the Instructions on Depositor Data Base, approved by the decision of DGF Executive Board No. 3 of 09.07.2012 and registered in the Ministry of Justice on 23.08.2012, ref. number: №1430/21742.

In the reporting period the inspections found out the following irregularities/breaches associated with the maintenance of the depositor database:

- missing data or not valid data, more specifically on:
  - tax payer number;
  - passport details;
  - address;
  - date of contract;
  - contract number.
- input of data that is not required by the Instruction;
- including data on sole traders' accounts;
- information doesn't correspond to the requirements set in the Instruction.

Sixty nine banks failed to fully follow the Instruction on Depositor Database (32.86% of all breaches).

In general, the inspected banks demonstrated rather effective software and hardware bases allowing them to collect maintain and adequately use the data on their 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.

### **Informing Banks Clients of the Deposit Guarantee System**

"Households Deposit Guarantee System" law and the Regulation on the procedures of informing depositors of the deposit insurance system (approved by the Executive Board No. 10 of 23.07.2012 and registered by the Ministry of Justice, ref. number 1370/21682 of 14.08.2012) contain the major requirements concerning the information that the banks should provide to the clients.

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

- copy of the DGF membership certificate;
- address, "Hotline" telephone number and web-page of DGF;

- background information on deposit guarantee system in Ukraine;
- coverage amount.

According to the DGF 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'.

In 2013, the inspections detected 8 cases of violation of these requirements (3.81 % of all cases of violation of the Fund requirements to the banks).

In general, in 2013, according to the assessments, the banks adhere to the set standards on informing their clients of the deposit insurance system and DGF.

### **Compliance to the other requirements of the "Households Deposit Guarantee System" law and DGF Regulations**

According to the DGF Member Banks Register Rules approved by the decision of the Executive Board No. 7 of 12.07.2012 the member banks have to submit to DGF the following information:

- full name and short name of the bank;
- address;
- electronic address, e-mail address within National bank of Ukraine system, phone number, fax and website (if any);
- notarized copy of the banking license;
- information on the members of the supervisory board, board of directors and the management; CEO and CFO and audit committee members;
- information regarding 20 largest shareholders;
- information regarding major shareholders' shares in the business exceeding 10 percent, etc.

Member banks should inform DGF regarding the changes of the data in the registry by submitting a report in paper form and supporting documents.

The inspections in 2013 detected that member banks failed to provide information in timely manner or didn't provide information according to the set form,

The most common breaches were:

- untimely submission of the notarized copy of the banking license (19 banks among the inspected in 2013);
- untimely notification regarding the change of the bank (5 banks);
- untimely notification regarding the change of the address (2 banks);

- untimely notification regarding the changes in the supervisory board, board of directors or management (33 banks);
- untimely submission of the auditor report (14 banks).

Inspection findings show that in general DGF member banks provide the required data, though there were some violations of the reporting requirements.

In 2013, five hundred twenty four cases of non-observance of the Fund standards were detected in 87 banks.

In 2013, as in 2012, the banks were most likely to fail to:

- adhere to the requirements on maintaining the depositor database (78%);
- appropriately fill in the reporting Form 1F (65%);
- inform DGF of any changes associated with the DGF Member Banks Register Rules (52% of all violations detected);
- pay premiums on time (14% of all violations detected);
- inform bank clients of the deposit guarantee system in Ukraine (9% of all inspected banks)

### 5.1. Resolution Process

### 5.2. Provisional Administration of Insolvent Banks

**D**GF commences the resolution of an insolvent bank and introduction of the provisional administration in a bank on the next business day after the official receipt of the decision of the National Banks of Ukraine (NBU) on the classification of a bank as insolvent.

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 "Households Deposit Guarantee System" law within thirty days following the first day of the provisional administration, the Executive Board 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) Sale of the insolvent bank to an investor.

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

In order to ensure the depositors' access to their funds, DGF is entitled to grant a "special purpose" or "targeted" loan to the insolvent bank to enable the bank to pay the matured deposits and current accounts under the insurance coverage. It enables 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.



*Bank resolution support department*

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

**A**s of January 1, 2014 DGF was in the process of liquidation with the direct deposit payout of two banks – "ERDE BANK" and "TAVRIKA BANK".

"TAVRIKA BANK" was a universal bank with 39 branches in all oblast capitals. It was registered in 1991. The bank was a member of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), Visa Card Association and the Western Union system. "TAVRIKA BANK" was not a systemic bank.

On 20th December 2012, the Executive Board passed the Resolution No. 33 introducing a provisional administration in "TAVRIKA BANK", and appointing the Authorized Officer in charge of provisional administration. The provisional administration was introduced for three months – from 21st December 2012 to 30th March 2013.

The Authorized Officer in charge of the provisional administration in "TAVRIKA BANK":

- ensured preservation of the bank's property (Assets) and documents;
- terminated correspondent banking with NBU, as well as opened accumulation accounts in national and foreign currency;
- took inventory of the Assets and liabilities of "TAVRIKA BANK" as well as reviewed and cancelled the contracts (transactions) signed throughout one year prior to the day when the provisional administration was introduced



### 5.3. Liquidation of Insolvent Banks

to identify contracts, implementation of which adversely affected or might affect financial standing of the bank;

- ensured debt redemption by borrowers;
- took the measures to prepare for satisfaction of creditor's claims;
- developed of the adjusted balance sheet.

DGF also took all the necessary measure to involve investors into bank resolution process. The investor solicitation notification was posted on the DGF website. The potential investors were offered the following:

- 1) alienation of bank Assets and liabilities in whole or in part, in favor of assuming bank;
- 2) incorporation and sale of a bridge bank to an investor accompanied by transfer of the bank's Assets and liabilities;
- 3) sale of a whole bank.

As a result of the search no prospective investor was identified. Therefore, based on the evaluation of the financial and property state of "TAVRIKA BANK" and taking into account projected net present value of the recoveries and lack of the investors DGF approved a resolution plan that provided for the liquidation of the bank with the direct deposit payout.

Based on the approved resolution plans for "ERDE BANK" and "TAVRIKA BANK" DGF submitted to the National Bank of Ukraine proposals to revoke banking licenses and liquidate both banks with the direct payout to the depositors. According to these proposals on January, 2013 NBU Board passed a decision No. 4 on the withdrawal of banking license and liquidation of "ERDE BANK" and on January 10, 2013 decision No. 97 on withdrawal of the banking license and liquidation of "TAVRIKA BANK". DGF in turn made decision on the appointment of the Authorized Officers responsible for the liquidation of the banks. For the purposes of administration of the liquidation processes of the banks the Authorized Officers opened local and foreign currency accumulation accounts with the National Bank of Ukraine. These accounts are used for crediting funds, settlements with creditors and covering liquidation costs.

Authorized Officers within three days of their appointment made the lists of depositors entitled to payout at the expense of DGF. Within seven days of the decision to revoke the banking license DGF started the deposit payout through the agent banks.

Authorized Officers draw up initial liquidation balance sheet. Within 30 days of the publication of the information on withdrawal of banking license, liquidation of the bank and appointment of the Authorized Officer the bank creditors filed their claims to the bank. After receiving creditors' claims Authorized Officers made the register of the accepted creditor' claims. "TAVRIKA BANK" register was approved by the Executive Board of DGF on July, 8, 2013. The register contains the claims of 6 799 bank clients, including corporates, individuals and sole proprietors for a total amount of UAH 2 754.2 million. "ERDE BANK" register was approved by the Executive Directorate on 25 April, 2013. 1 481 claims for a total amount of UAH 741,7 million were included into accepted claims register.

Authorized Officers responsible for the liquidation of the banks within six months took inventory and appraisal of bank Assets. They estimated the adequacy of the provisions, verified loan portfolio grading, securities portfolio, receivables, accrued income, etc.

The liquidation pool was formed based on the appraisal results. Banks property inventory and their liquidation pools were stated in the reports and approved by DGF Executive Board. According to the estimated property/ cash value liquidation pool of "TAVRIKA BANK" was worth of UAH 90.4 million and "ERDE BANK" – UAH 246.25 million.

According to the provisions of Article 51 of the "On Households Deposit Guarantee Law" after the approval of the bank Assets inventory results and liquidation pool formation the Authorized Officers developed the methods, procedures, substance and terms of bank Assets alienating. Thus, during 2013 the liquidator of ERDE bank organized 14 auction sales and 9 competitive bidding at total amount of UAH 20.61 million.

The sale of "TAVRIKA BANK" property started in December 2013. The Assets were disposed through different procedure (including assigning the right to claim debts owed to other financial institutions). By the end of the reporting year the proceeds amounted to UAH 0.3 million.

Funds from bank Assets sales are used by Authorized Officers for meeting creditor claims to the banks in the following priority:

- obligations as a result of bodily harm sustained by individuals;
- cash claims for salary payouts due to employees incurred by the bank prior to the withdrawal of the banking license and bank liquidation;
- claims of the DGF that originated in cases specified by this Law including those related to repayment of the bank targeted loan provided during the provisional administration to ensure payouts in accordance with Item 1, Part 6 of Article 36 of this Law and those related to the costs specified in Item, Part 5 of Article 12 of this Law;
- claims of individual depositors in the amount that exceeds the amount that has been paid by the DGF;
- claims of National Bank of Ukraine caused by a drop in the value of collateral as security of refinancing loans;
- claims of individuals whose payments or payments in whose name have been blocked (except for private entrepreneurs);
- other claims, except the claims under the subordinated debt;
- claims under a subordinated debt.

Claims of each successive lower priority level to be satisfied to the extent of the arrival of proceeds from the sale of the bank's Assets following the complete satisfaction of claims of the preceding level of priority. Should such proceeds fall short of the amount needed to satisfy completely the claims of one level of priority, the outstanding claims shall be satisfied proportionately to the total amount of claims of each creditor of one level of priority.

The Authorized Officers also established actual amount owed to the banks and worked on debt redemption. Thus, they take measures to collect accounts receivables, borrowers' debts to the bank, and to return (requisition) the bank's property held by third parties. These measures include filing property and non-property lawsuits in court, filing applications to law enforcement agencies for initiation of criminal proceedings in accordance with the procedure established by the legislation of Ukraine in case of discovery of fraud and other illegal actions of bank employees or other persons with regard to the bank.



### *Provisional Administration and Resolution Department*

In particular, they redeemed UAH 112.3 million of debt to "ERDE BANK", which included claims for recovery against pledged property for the total amount of UAH 67.1 million. As of January 2014, the redeemed debt to "TAVRIKA BANK" was UAH 305.6 million, including recovery from pledged property at the amount of UAH 292.4 million.

As of January 1, 2014 throughout the provisional administration and liquidation the depositors of "ERDER BANK" were paid UAH 456.7 million, and UAH 1 818.8 million was paid to the depositors of "TAVRIKA BANK" or 99.3% and 99.4% of the total due.

To continue "ERDE BANK" Assets sale for the purpose of creditors' claims satisfaction on November 28, 2013 DGF Executive Board made a decision to prolong liquidation of "ERDE BANK" for one more year till January, 8, 2015.

DGF Authorized Officers continue to perform all and every acts to implement resolution plans in accordance with the "On Households Deposit Guarantee System" law and DGF internal regulations.

## 6.1. Payout procedure

### 6.2. Payout to the depositors of the banks during the provisional administration

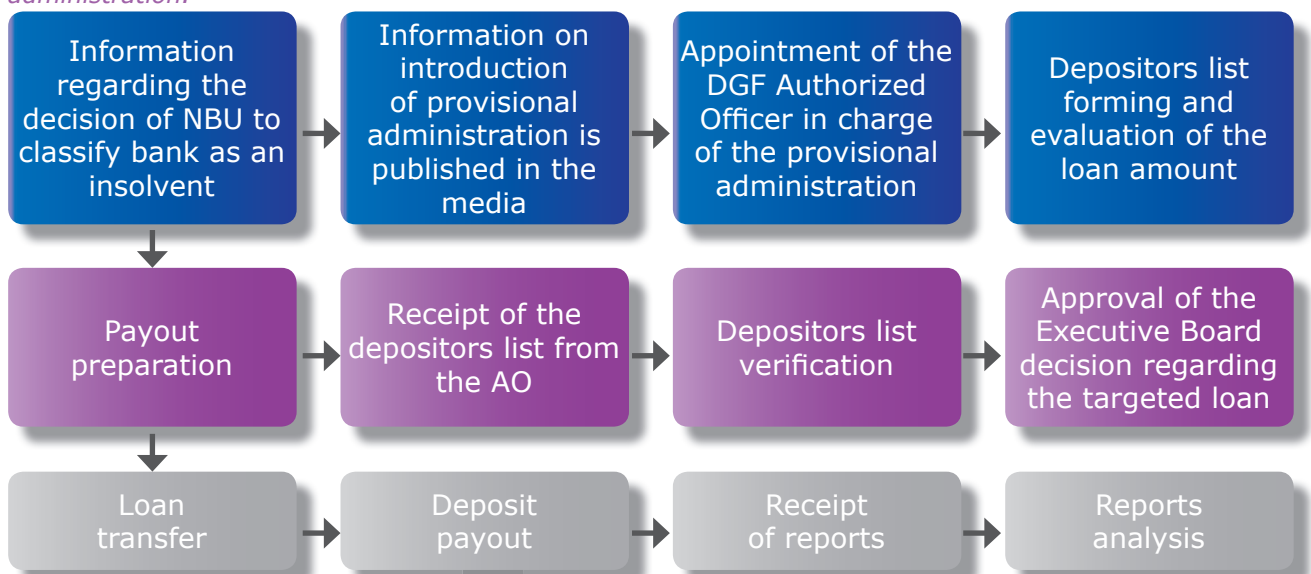
With the enactment of the “Households Deposit Guarantee System” law DGF acquired new powers in the sphere of bank resolution. In the reporting year DGF was paying out deposits both to the depositors of the banks that were liquidated before the enactment of this law and to the depositors of the banks that were classified as insolvent under the current law. The current law provides for the payout of the matured deposits during the term of provisional administration. This payout can be conducted with the help of the special purpose loan from DGF.



*Indemnification Department*

DGF 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 the guaranteed coverage amount regardless of the number of deposits in one bank. The coverage amount could not be less than UAH 200,000. DGF guarantees don't apply to the deposits in the

*Fig.6.1.Payout during the provisional administration.*



cases provided for by part four of the Article 26 of “Households Deposit Guarantee System” law. Payout of foreign currency deposits is 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. Deposits can be paid out to other persons in accordance with the law (by proxy, certificate of inheritance, etc.).

The deposits opened in the name of minor (children under 14) are paid out to their legal representatives – parents (adoptive parents) or foster parents (caregivers).

If a depositor residing outside Ukraine is not able to get the funds in person, the payment can be made to the authorized representative in Ukraine.

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

After the decision of NBU to classify a bank as insolvent DGF commences resolution of an insolvent bank and introduces the provisional administration.

DGF is entitled to grant targeted loan in order to fulfill liabilities of a bank to payout matured deposits and bank accounts during the provisional administration. Targeted loan is transferred to the bank according to the loan application submitted by the Authorized Officer. The funds are transferred

### 6.3. Payout to the depositors of the banks undergoing liquidation

in tranches. The Authorized Officer is obliged to provide to DGF reports regarding the payout at the expense of a targeted loan.

The payout procedure is shown in the chart (fig.6.1.).

As of January 1, 2013 provisional administrations were introduced into two banks "ERDE BANK" and "TAVRIKA BANK".

As of January 1, 2013 the debt of "ERDE BANK" under the targeted loan was UAH 208.1 million.

During the provisional administration the depositors of this bank were paid UAH 200.4 million.

In 2013 "TAVRIKA BANK" received from DGF targeted loan at the amount of UAH 945.8 million. The bank actually paid out UAH 916.2 million. The remaining balance of UAH 29.6 million, on March 19, 2013 was returned to DGF.

*Table 6.1*

*Targeted loans to insolvent banks*

Name of a bank	Targeted loan debt as of January 1, 2013	Loan amount	Remaining balance returned to DGF	Balance of the targeted loan debt as of the last day of the provisional administration
"ERDE BANK"	208.1	-	7.7	200.4
"TAVRIKA BANK"	-	945.8	29.6	916.2
<b>Total</b>	<b>208.1</b>	<b>945.8</b>	<b>37.3</b>	<b>1 116.6</b>

The DGF appoints an Authorized DGF Officer and commences liquidation procedure on the day of receipt of the National Bank of Ukraine's decision to revoke the banking license and to liquidate the bank.

DGF 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.

DGF 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. 6.2.).



*General Service Department*

DGF Administrative Board by its' decision of August, 21, 2012 No. 27, which was registered by the Ministry of Justice on August 29, 2012, No. 1452/21764 increased the coverage amount to UAH 200,000.

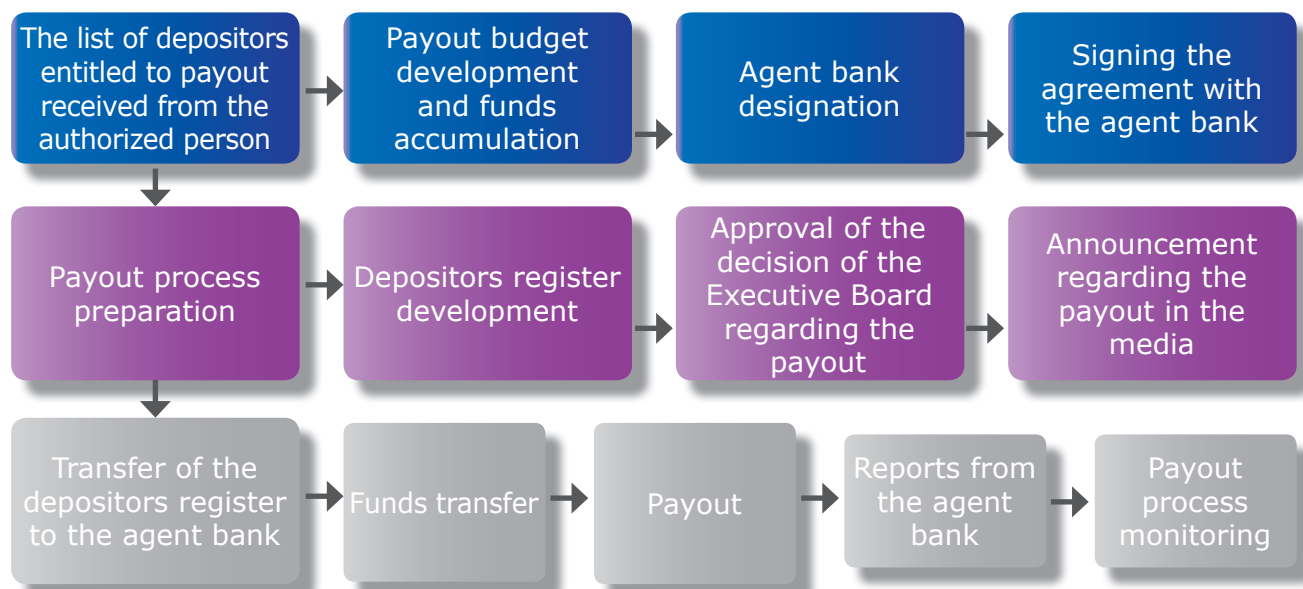
According to this decision the depositors of the banks undergoing liquidation had the right to apply to DGF for the reimbursement within the coverage amount.

In 2013 DGF was paying out to the depositors to of 7 banks that applied to DGF for reimbursement within new increased coverage amount. The depositors of these banks were paid UAH 1 980.1 million.

The depositors of 15 more banks had the right to claim their deposits in 2013 and were paid UAH 2 349.5 million.

On January 15, 2013 DGF commenced payout to the depositors of "ERDE BANK". The covered deposits to be paid out amounted to UAH 259.4 million, 98.8% of this amount or UAH 256.3 million were paid to 3,443 depositors during 2013;

Fig. 6.2. Payout procedure chart



On March 27, 2013 DGF started payout to the depositors of "TAVRIKA BANK". The amount payable UAH 913.5 million, 98.8% of this amount or UAH 902.6 million paid to 14 863 depositors during 2013.

Total amount paid by DGF in 2013 amounted to UAH 1 185.5 million.

The payout was made through the agent banks contracted by DGF in accordance with the " Regulation on the procedure of DGF agent banks

Table 6.2  
Banks undergoing liquidation in 2013.

	Name of the bank	Payout launch date
1.	VAT «Yevropeysky bank rozvytku ta zaoschadzen», Kyiv	25.02.2008
2.	VAT KB "Prychornomorya", Dnipropetrovsk	25.05.2009
3.	VAT AKB "Odessa Bank", Odessa	23.07.2009
4.	VAT KB "Natsionalniy Standart", Kyiv	21.08.2009
5.	AKB "Yevropeyskiy", Kyiv	21.08.2009
6.	AB "Bank Regionalnogo Rozvytku", Kyiv	07.12.2009
7.	AKB "Skhidno-Yevropeyskiy Bank", Kyiv	21.12.2009
8.	KB "Ukrayinska Finansova Grupa", Kyiv	05.01.2010
9.	TOV "Ukryinskiy Promysloviy Bank", Kyiv	21.01.2010
10.	TOV KB «ARMA», Kyiv	22.02.2010
11.	VAT Bank «Big Energiya», Kyiv	01.03.2010
12.	AKB «Transbank», Kyiv	02.03.2010
13.	VAT «Selyanskiy KB «Dnister», Lviv	15.03.2010
14.	KB «Ipobank», Kyiv	23.03.2010
15.	PAT «Zemelniy bank», Kharkiv	02.08.2010
16.	PAT AB «Syntez», Kyiv	03.11.2010
17.	TOV «Dialogbank», Dnipropetrovsk	11.05.2011
18.	PAT «KB «Volodymyrskiy», Sumy	31.08.2011
19.	PAT «KB «Sotskom Bank», Odessa	21.10.2011
20.	PAT «Bank Stolytsya», Kyiv	31.01.2012
21.	PAT «INNOVATSIYNO-PROMYSLOVIY BANK»,	02.03.2012
22.	Kyiv	28.08.2012
23.	PAT «AKB «BASIS», Kharkiv	15.01.2013
24.	PAT «ERDE BANK», Kyiv	20.03.2013

## VI. DEPOSIT PAYOUT

selection" approved by the decision of the Executive Board No. 6 of July, 12, 2013.

In 2013 the following banks were selected as DGF agent banks: AT «BROKBIZNESBANK», AT «SBERBANK ROSSIYI», AT KB «Khreschatyk», AT «IMEKSBANK», PAT «Reiffeisen Bank Aval» AT «UkrSibbank», AT «Oschadbank».

*Table 6.3  
Deposit payout in 2013, UAH, million*

<b>Bank under liquidation</b>	<b>Outstanding balance as of 01.01.2013</b>	<b>Deposit value payable in 2013</b>	<b>Amount actually received by the depositors in 2013</b>	<b>Outstanding balance as of 01.01.2014 5=2+3-4</b>
1	2	3	4	5
VAT "Yevropeyskiy bank rozvytku ta zaoschadzhen"	13.5	-	4.5	9.0
VAT KB "Prychornomorya"	2.3	-	0.0	2.3
VAT AKB "Odessa-Bank"	0.6	-	0.1	0.5
VAT KB "Natsionalniy standart"	2.1	-	0.0	2.1
AKB "Yevropeyskiy"	10.6	-	0.2	10.4
AB "Bank regionalnogo rozvytku"	6.0	-	0.8	5.2
AKB "Skhidno-Yevropeyskiy Bank"	1.7	-	0.0	1.7
KB "Ukrayinska finansova grupa"	0.7	-	0.0	0.7
TOV "Ukrprombank"	4.7	-	0.0	4.7
TOV KB "Arma"	3.9	-	0.3	3.6
VAT "Big Energiya"	5.4	-	1.0	4.4
AKB "Transbank"	7.4	-0.2	2.8	4.4
VAT SKB "Dnister"	3.7	-	0.8	2.9
VAT KB "Ipobank"	0.1	-	-	0.1
PAT "Zemelniy bank"	1.5	0.0	0.5	1.0
AB "Syntez"	2.2	-	0.6	1.6
TOV "Dialogbank"	4.9	-	0.0	4.9
AT "KB "Volodymyrskiy"	43.0	-	3.4	39.6
PAT "KB "Sotskombank"	5.8	-	1.4	4.4
PAT "Bank Stolytsya"	1.7	-	0.7	1.0
PAT "Innovatsiyno-Promysloviy Bank"	4.8	-	2.0	2.8
PAT "AKB Basis"	15.4	0.1	7.5	8.0
AT "ERDE BANK"	0.0	259.4	256.3	3.1
AT «BANK TAVRIKA»	0.0	913.5	902.6	10.9
<b>Total:</b>	<b>141.8</b>	<b>1 172.7</b>	<b>1 185.5</b>	<b>129.0</b>

## 6.4. Satisfaction of the DGF Claims (Recoveries from the Assets of failed banks)

According to the Article 29 of "Households Deposit Guarantee System" law DGF acquires the rights of a bank's creditor within the entire amount to be paid out to depositors of such a bank as well as for the amount of the targeted loan granted to a bank during provisional administration.

As of January 1, 2014 the payables of the creditor indebtedness of the banks undergoing liquidation amounted to UAH 6 519.7 million, which is UAH 2 111.8 or 47.9% more than in the previous year.

Table 6.4  
Debts of the banks under liquidation

Bank	Creditor indebtedness of the banks as of 01.01.2014			
	Creditor indebtedness within the amount paid out to depositors UAH, million	Unpaid contributions and penalties, UAH, million	Indebtness under targeted loans and interest rates, UAH, million	Total indebtedness, UAH, million
1. PAT "Zemelny bank"	100.7	0.7		101.4
2. AB "Allonzh"	7.3			7.3
3. AB "Reginalnogo rozvytku"	289.1	1.0		290.1
4. PAT "Syntez"	90.1	0.6		90.7
5. AKB "Yevropeyskiy"	683.2	1.8		685.0
6. AKB "Odessa-Bank"	71.1	0.1		71.2
7. AKB "Skhidno-Yevropeyskiy Bank"	210.0	0.4		210.4
8. AKB "Transbank"	439.9	0.4		440.3
9. VAT "Big Energiya"	518.4	-		518.4
10. VAT "Yevropeyskiy bank rozvytku i zaoschadzhen"	327.4	-		327.4
11. TOV KB "Arma"	182.9	0.3		183.2
12. PAT "Volodymyrskiy"	103.9	0.4		104.3
13. KB "Natsionlaniy Standart"	266.8	0.4		267.2
14. KB "Ukryinska finansova grupa"	51.6	0.2		51.8
15. PAT "Inprombank"	63.3	1.9		65.2
16. PAT "Sotskombank"	87.5	1.1		88.6
17. PAT AKB "Basis"	284.8	2.2		287.0
18. PAT "Bank Stolytsya"	30.1			30.1
19. SKB "Dnister"	335.6	3.9		339.5
20. TOV "Dialogbank"	98.3	2.5		100.8
21. AKAPB "Ukrayina"		1.0		1.0
22. PAT "BANK TAVRIKA"	903.5	6.2	925.4	1 835.1
23. PAT "ERDE BANK"	222.4	0.9	200.4	423.7
<b>Total</b>	<b>5 367.9</b>	<b>26.0</b>	<b>1 125.8</b>	<b>6 519.7</b>

## VI. DEPOSIT PAYOUT

Table 6.5  
DGF claims settlement in 2013 and 2012

Name of the banks	2013	2012
	Amount, UAH, million	Amount, UAH, million
KB "Ukraiynska finansova grupa"	0.2	1.0
AKB "Skhidno-Yevropeyskiy bank"	0.4	2.3
AKB "Odessa-Bank"	10.7	-
PAT "Volodymyrskiy"	3.7	11.3
TOV «Ukrprombank»	0.3	-
AB «Bank regionalnogo rozvytku»	7.8	1.0
AKB «Transbank»	3.0	1.5
TOV KB «ARMA»	0.3	-
PAT «BANK TAVRIKA»	10.0	-
PAT «ERDE BANK»	37.0	-
PAT «Zemelniy bank»	-	0.1
AKB «Yevropeyskiy»	-	2.4
<b>Total</b>	<b>73.4</b>	<b>19.6</b>

The details of the amounts owned by the bank liquidators are presented in the Table 6.4.

During 2013 the liquidators repaid UAH 73.4 million or 1.7% of the amount owed as of beginning of the year. This amount is by UAH 53.8 million or almost 3 times more than in 2012. (Table 6.5).

DGF recovered 6.2% of the funds paid out to the depositors of liquidated banks in 2013. (fig.6.3).

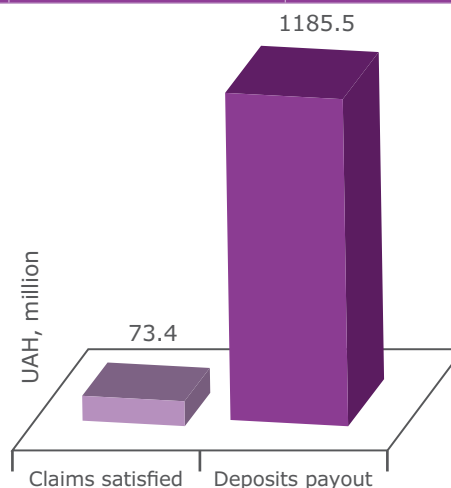


Fig. 6.3. DGF claims repaid



**APPENDIX 1**

APPROVED BY  
 The Decision of the Administrative Board  
 \_\_\_\_\_, \_\_\_\_\_ № \_\_\_\_\_  
 Chairman of the Administrative Board  
 \_\_\_\_\_  
 (signature)

## 2013 Investment Plan Implementation Report

<b>DGF Investment</b>	<b>Planned investment according the Investment Plan for 2013</b>	<b>Actually invested</b>	<b>Performance against plan, %</b>
	<b>Million, UAH</b>		
Government bonds, total	3500.6	4071.0	116.3
according to the types (maturity, terms of issue and redemption):	x		x
short-term government bonds	x	301.0	x
short-term government bonds in foreign currency	x	-	x
medium-term government bonds	x	3770.0	x
short-term or medium-term government bonds in in foreign currency	x	-	x
medium-term government callable bonds denominated in foreign currency	x	-	x
long-term callable 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

## APPENDIX 2



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### INDEPENDENT AUDITOR'S REPORT

To: *Deposit Guarantee Fund Management  
Cabinet of Ministers of Ukraine  
National bank of Ukraine*

#### Report on financial statements

We conducted the audit of the financial statements of the government institution "Deposit Guarantee Fund" (Fund), which is attached, comprised of the balance sheet as of December 31 2013, Income Statement, Cash Flow Statement, Annual Equity Statement and all the notes/appendixes.

#### Responsibility of the management

The management of the Fund is responsible for the preparation and due presentation of these financial statements, in accordance with National Accounting Regulations (Standards) of Ukraine, and for ensuring such internal control as the managerial personnel determines is necessary to enable the preparation of financial reporting that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an audit opinion on the financial statements based on the audit findings. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the financial reporting subject to audit is free from material misstatement.

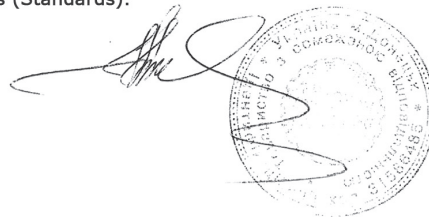
The audit provides for audit procedures aimed at obtaining audit evidence of amounts and due disclosures in the financial reporting. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements in the financial reporting, whether due to fraud or error. The risk assessment requires the auditor to consider the internal control procedures relevant to the preparation and fair presentation of financial reporting by the economic entity order to design audit procedures that are appropriate in the circumstances rather than expressing an opinion on the effectiveness of the internal control system in the economic entity. An audit also provides for an evaluation of the accounting policies employed, and the reasonableness of accounting estimates performed by the managerial personnel, as well an evaluation of the presentation of the financial reporting in general.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Expression of opinion

In our opinion, the financial statements of the of the government institution "Deposit Guarantee Fund" reflects adequately in all material aspects the financial position in accordance with the National Accounting Regulations (Standards).

A.P. Domrachov  
Director  
TOV "Kreston GCG Audit"  
Auditor Certificate A No.004891  
Decision of ACU No. 104 of 30.11.2001  
Prolonged by Decision No. 221/2 of  
04.11.2010 till 30.11.2015  
April 10, 2014  
Kyiv, Ukraine



## Balance Sheet (Statement on financial position) December 31, 2013

Form N 1

Code DKUD

1801001

Assets	Line Code	As of beginning of the period	As of the end of reporting period
1	2	3	4
<b>I. Non-current assets</b>			
Intangible assets	1000	849	1 949
initial value	1001	1 574	2 949
accumulated amortization	1002	(725)	(1 000)
Capital investment in progress	1005	1 473	185
Fixed assets	1010	2 373	1 815
initial value	1011	5 659	5 985
depreciation	1012	(3 286)	(4 170)
Long-term financial investement: accounted for by equity method	1030		
other financial investement	1035	3 151 720	4 638 820
Long-term receivables	1040	1 383	1 814
<b>Total, Section I</b>	<b>1095</b>	<b>3 157 798</b>	<b>4 644 583</b>
<b>II. Current assets</b>			
Inventory	1100	342	385
Production inventory	1101	342	385
Accounts receivable: for advance paid out	1130	196	134
for accrued income	1140	193 778	295 283
Other receivables	1155	215 449	1 938
Current financial investmnet	1160	2 688 352	2 574 544
Cash and cash equivalent	1165	252 065	79 549
Bank accounts	1167	252 065	79 549
Deferred debits	1170	244	213
Other current assets	1190	10	34
<b>Total, Section II</b>	<b>1195</b>	<b>3 350 436</b>	<b>2 952 080</b>
<b>III. Non-current assets and disposal groups</b>			
<b>Balance</b>	<b>1300</b>	<b>6 508 234</b>	<b>7 596 663</b>
<b>Liability</b>			
<b>I. Equity capital</b>			
Authorized (registered) capital	1400		
Additional capital	1410	715	540
<b>Total Section I</b>	<b>1495</b>	<b>715</b>	<b>540</b>
<b>II. Fixed liability and provisions</b>			
Deffered tax liabilities	1500		
Target financing	1525	6 363 576	7 491 096
<b>Total, Section II</b>	<b>1595</b>	<b>6 363 576</b>	<b>7 491 096</b>
<b>III. Current liability and provisions</b>			
Current paybles:			
goods, works, services	1615	17	18
payments to the state budget	1620	1	462
income tax including	1621	1	462
payroll expenses	1630	9	30
Current provisions	1660	1 199	1 564
Other current liability	1690	142 717	102 953
<b>Total, Section III</b>	<b>1695</b>	<b>143 943</b>	<b>105 027</b>
<b>IV. Non-current assets and disposal groups liability</b>			
<b>Balance</b>	<b>1900</b>	<b>6 508 234</b>	<b>7 596 663</b>

CEO  
CFO

O.I. Sharova  
O.S. Perebiynis

# Financial Results Report (Income Statement) for the year of 2013

Form N 2

Code DKUD

1801003

## I. FINANCIAL RESULTS (profit or loss)

Item	Line Code	Reporting period	Prior period
1	2	3	4
Other operating revenue	2120	2 377 393	589 055
Administrative costs	2130	(48 546)	(41 619)
Other operating costs	2180	(2 312 037)	(532 474)
<b>Profit or loss from operating activities:</b>			
profit	2190	16 810	14 962
Other financial income	2220	751 112	842 524
Other income	2240	331 017	168
Financial costs	2250	(38 292)	(88 718)
Other costs	2270	(330 441)	( )
<b>Profit or loss before tax:</b>			
profit	2290	730 206	768 936
Income tax	2300	462	1
<b>Net financial result:</b>			
profit	2350	729 744	768 935

## II. COMPREHENSIVE INCOME

Item	Line Code	Reporting period	Prior period
1	2	3	4
<b>Comprehensice income (row total 2350, 2355 and 2460)</b>	<b>2465</b>	<b>729744</b>	<b>768935</b>

## III. OPERATING EXPENSES ELEMENTS

Item	Line Code	Reporting period	Prior period
1	2	3	4
Material costs	2500	601	456
Payroll expenses	2505	29 476	26 626
Benefit deductions	2510	6 714	5 114
Depreciation	2515	1 173	979
Other operating expenses	2520	2 322 619	540 918
<b>Total</b>	<b>2550</b>	<b>2 360 583</b>	<b>574 093</b>

## IV. CALCULATION OF SHARES PROFITABILITY

Item	Line Code	Reporting period	Prior period
1	2	3	4

CEO  
CFO

O.I. Sharova  
O.S. Perebiynis

**Statement of owners' equity  
for the year 2013**

Item	Code of the line	Registered capital	Revaluated capital	Additional capital	Surplus	Retained surplus (uncovered loss)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Opening balance	4000			715					715
<b>Reporting period net profit (loss)</b>	<b>4100</b>					<b>729 744</b>			<b>729 744</b>
<b>Appropriation:</b> Payments to owners	4200								
Net profit for special funds	4220					(729 744)			(729 744)
<b>Withdrawal of capital:</b> Purchase of shares (share fractions)	4260								
Other changes	4290			(175)					(175)
<b>Total changes</b>	<b>4295</b>			<b>(175)</b>					<b>(175)</b>
Year end balance	4300			540					540

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O.I. Sharova  
O.S. Perebiynis

## Cash Flow Report (by direct method) for the year 2013

Form N 3

Code DKUD

1801004

Item	Line Code	For reporting period	y/y
1	2	3	4
<b>I. Cash flow from operations</b>			
Revenues from:			
Sale of goods/works/services	3000		
Taxes/charges refunded	3005		
including VAT	3006		
Target financing	3010	2 641 254	1 458 015
Subsidies/grants	3011		
Advance payments from buyers and clients	3015		
Advances repaid	3020	2	
Interests from account balances	3025	16 438	13 643
Revenues from borrowers (fines, penalties, forfeits, etc.)	3035		
Operational leases	3040		
Royalties	3045		
Insurance premiums	3050		
Loans refunded	3055		
Other	3095	171 704	61 463
Expenditures:			
Goods/works/services	3100	( 6 720 )	( 5 372 )
Labour	3105	( 25 077 )	( 23 226 )
Social benefits	3110	( 7 834 )	( 5 848 )
Taxes/charges	3115	( 4 996 )	( 5 622 )
Income tax	3116	( )	( )
VAT	3117	( )	( )
Other taxes/charges	3118	( )	( )
Advance payments	3135	( 7 )	( 339 )
Costs of repayment of advances	3140	( )	( )
Costs of target financing	3145	( 107 )	( 108 )
Liabilities under insurance contracts	3150	( )	( )
Loan expenditures of financial institutions	3155	( )	( )
Other	3190	( 2 188 385 )	( 797 037 )
<b>Net cashflow - operational</b>	<b>3195</b>	<b>596272</b>	<b>695569</b>

<b>II. Investment cash flow</b>			
Revenues from:	3200		
Financial investments		330 841	
Fixed assets	3205		
Revenues from:			
interests	3215	587 373	545 796
dividends	3220		
Revenues from derivaties	3225		
Loans repaid	3230		
Divestiture of subsidiary or other unit	3235		
Other revenues	3250	2 384 768	1 709 985
Expenditures to purchase:			
financial investments	3255	( 4070969 )	( 2 845 553 )
fixed assets	3260	( 348 )	( 2 372 )
Derivative charges	3270	( )	( )
Loan charges	3275	( )	( )
Purchase of subsidiary or other unit	3280	( )	( )
Other payments	3290	( 453 )	( 87 )
<b>Net investment cash flow</b>	<b>3295</b>	<b>( 768 788 )</b>	<b>( 592 231 )</b>
<b>III. Financial operation cash flow</b>			
<b>Revenues from:</b>			
Net worth	3300		
Loans	3305		
Sale of interest in subsidiary	3310		
Other revenues	3340		
Expenditures for:			
repurchase of own stock	3345	( )	( )
loan repayment	3350	( )	( )
dividends	3355	( )	( )
interests	3360	( )	( )
Expenditures to pay arrears in financial lease	3365	( )	( )
Purchase of interest in subsidiary	3370	( )	( )
Payments to uncontrolled parts of subsidiaries	3375	( )	( )
Other	3390	( )	( )
<b>Net financial operation cash flow</b>	<b>3395</b>		

	1	2	3	4
Net cash flow for reporting period		3400	(172 516)	103338
Original annual balance		3405	252 065	148 727
FX rate impact		3410		
Final annual balance		3415	79549	252065

CEO  
CFO

O.I. Sharova  
O.S. Perebiynis

NOTES TO FINANCIAL STATEMENTS 2013

I. Intangible Assets

Form N 5 Code DKUD

1801008

Asset Group	Line Code	Opening balance		Received annually	Reappraisal/final appraisal/adjustment		Annual outflow		Annual depreciation	Losses from decreased usage	Other changes		Annual balance	
		Initial (re-appraised) value	Accumulated depreciation		Initial (re-appraised) value	Accumulated depreciation	Initial (re-appraised) value	Accumulated depreciation			Initial (re-appraised) value	Accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Right to use natural resources	010													
Beneficial rights	020													
Commercial purposes	030			5									5	
Subjects of industrial property	040													
Copyright and associated rights	050	1574	725	1378			8	8	283				2 944	1 000
Other intangible assets	070													
<b>Total</b>	<b>080</b>	<b>1 574</b>	<b>725</b>	<b>1 383</b>			<b>8</b>	<b>8</b>	<b>283</b>				<b>2 949</b>	<b>1 000</b>
Goodwill	090													

Of line 080 box 14

Intangible assets with restricted title

Collateralized intangible assets

Intangible assets produced by the entity

Intangible assets received at the cost of target financing

Accumulated depreciation of intangibles with restricted title

(081) \_\_\_\_\_

(082) \_\_\_\_\_

(083) \_\_\_\_\_

(084) \_\_\_\_\_

(085) \_\_\_\_\_



## II. Capital Assets

Group of assets	Line Code	Opening balance		Received annually	Reappraisal/ final appraisal/ adjustment		Annual out-flow		Annual depreciation	Losses from decreased usage	Other changes		Annual balance		Including			
		Initial (re-appraised) value	Depreciation		Initial (re-appraised) value	Depreciation	Initial (re-appraised) value	Depreciation			Initial (re-appraised) value	Depreciation	Received from financial lease Initial (re-appraised) value	Depreciation	Received from financial lease Initial (re-appraised) value	Depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land	100																	
Investment properties	105																	
Capital expenditure for land improvements	110																	
Buildings, other structures and transfer devices	120																	
Machinery and equipment	130	3249	1968	161					530				3 410	2498				
Vehicles	140	1323	399						177				1 323	576				
Instruments, tools and other implements (furniture)	150	738	570	24			2	1	35				760	604				
Animals	160																	
Perennial plantings	170																	
Other assets	180																	
Library stocks	190	7	7	1					1				8	8				
Low value capital tangible assets	200	342	342	147			5	5	147				484	484				
Temporary secondary constructions	210																	
Natural resources	220																	
Reusable containers	230																	
Lease objects	240																	
Other noncurrent tangible assets	250																	
<b>Total</b>	<b>260</b>	<b>5 659</b>	<b>3 286</b>	<b>333</b>			<b>7</b>	<b>6</b>	<b>890</b>				<b>5 985</b>	<b>4 170</b>				

Of line 260 box 14

Capital assets with restricted title

Collateralized capital assets

Depreciated cost of capital assets currently not in use (e.g. assets under conservation, reconstruction, etc.)

Initial (reappraised) value of fully depreciated assets

Capital assets of leased properties

Capital assets subject to sale

Residual value of assets lost due to emergency

Capital assets purchased at the cost of target financing

Fixed assets in long-term lease

Of line 260 box 15

Depreciation of capital assets with restricted title

Of line 105 box 14

Fair value of investment properties

(261)

(262)

(263)

(264)

(2641)

(265)

(2651)

(266)

(267)

(268)

(269)

### III. Capital Investments

Item	Line code	Annual	Annual balance
1	2	3	4
Capital construction	280		
Purchase/production of fixed assets	290	44	
Purchase/production of other noncurrent tangible assets	300	115	
Purchase/development of intangible assets	310	269	185
Purchase/production of long-term biological assets	320		
Other	330		
<b>Total</b>	<b>340</b>	<b>428</b>	<b>185</b>

Of line 340 box 3

Capital investments in real estate  
Financial expenditures included in capital investments

(341) \_\_\_\_\_  
(342) \_\_\_\_\_

### IV. Financial Investments

Item	Line Code	Annual	Annual balance	
			long-term	current
1	2	3	4	5
<b>A. Financial investments by:</b>				
participation in equity of: associated company	350			
subsidiary	360			
joint economic activity	370			
<b>B. Other financial investments in:</b>				
shares/interest in registered equity of companies	380			
Shares	390			
Bonds	400	4 070 969	4 638 820	2 574 544
Other	410			
<b>Total (A + B)</b>	<b>420</b>	<b>4 070 969</b>	<b>4 638 820</b>	<b>2 574 544</b>

Of line 045 box 4: Balance

Other long-term financial investments by:  
self-cost  
fair value  
depreciated self-cost  
Current financial investments by:  
self-cost  
fair value  
depreciated self-cost

(421) \_\_\_\_\_  
(422) \_\_\_\_\_  
(423) \_\_\_\_\_  
(424) \_\_\_\_\_  
(425) \_\_\_\_\_  
(426) \_\_\_\_\_

Of 220 box 4: Balance

### V. Incomes and Expenditures

Item	Line Code	Incomes	Expenditures
1	2	3	4
<b>A. Other operational incomes and expenditures</b>			
Operational lease of assets	440		
Operational exchange difference	450		1
Sale of other current assets	460		
Fines, surcharges, forfeit penalties	470		
Maintenance of housing and public utilities, and social and cultural facilities	480		
Other operational incomes and expenditures including:	490	2 377 393	2 312 036
assignments to provisions for doubtful loans	491	X	
Unproductive expenditures and losses	492	X	
<b>B. Incomes and costs from participation in investments in:</b>			
associated companies	500		
subsidiaries	510		
joint economic activities	520		
<b>C. Other financial incomes and expenditures</b>			
Dividends	530		X
Interest	540	X	
Financial lease of assets	550		
Other financial incomes and expenditures	560	751 112	38 292
<b>D. Other incomes and expenditures</b>			
Financial investments	570	330 841	330 441
Incomes from joint ventures	580		
Utility estimates	590		
Non-operational rate difference	600		
Assets obtained free of charge	610	176	X
Writedowns of noncurrent assets	620	X	
Other incomes and expenditures	630		

Countertrade/barter transactions involving any products, goods and/or services

Incomes from countertrade/barter transactions with any goods, products and/or services with associated parties

Of lines 540 - 560 box 4

Financial costs included in cost of production

(631) \_\_\_\_\_  
(632) \_\_\_\_\_  
(633) \_\_\_\_\_

### VI. Cash Expenses

Item	Line Code	eop
1	2	3
Cash desk	640	
Current bank account	650	79 549
Other bank accounts (letters of credit, cheques)	660	
Cash in transit	670	
Cash equivalents	680	
<b>Total</b>	<b>690</b>	<b>79 549</b>

Of line 070 box 4 Balance

Cash in restricted use

(691) \_\_\_\_\_

**VII. Provisions and Reserves**

Provisions and reserves	Line Code	Original balance	Annual increase		Used in reporting year	Reversed	Expected recovery by the other party included in the security appraisal	Final annual balance
			Accrued (produced)	Additional charges				
	2	3	4	5	6	7	8	9
Vacation pay	710	1 199	2 561		2 196			1 564
Additional pension coverage	720							
Warranty liabilities	730							
Restructuring costs	740							
Liabilities under oppressive contracts	750							
	760							
	770							
Doubtful loan provisions	775							
<b>Total</b>	<b>780</b>	<b>1 199</b>	<b>2 561</b>		<b>2 196</b>			<b>1 564</b>

**VIII. Stocks**

Item	Line Code	Book value eop	Annual reappraisal	
			Increased sales value*	Depreciated value
1	2	3	4	5
Raw and other materials	800	304		
Purchased semi-finished products and inventory materials	810			
Fuel	820	68		
Tare and packing materials	830			
Construction materials	840			
Spare parts	850			
Agricultural production materials	860			
Current biological assets	870			
Low value and perishable goods	880	13		
Construction in progress	890			
End products	900			
Goods	910			
<b>Total</b>	<b>920</b>	<b>385</b>		

Of line 920 box 3

Stores net asset value:  
by net sales cost  
delivered for processing  
collateralized  
passed to committee

(921) \_\_\_\_\_  
(922) \_\_\_\_\_  
(923) \_\_\_\_\_  
(924) \_\_\_\_\_  
(925) \_\_\_\_\_  
(926) \_\_\_\_\_

Assets in sage storage (off-balance account 02)

Of line 275 box 4

Balance items subject to sale

\* to be determined in line with p. 28 of Accounting Regulation («Stores»)

**IX. Accounts receivable**

Item	Line Code	Book value eop	Delinquency term		
			Up to 12 months	12-18 months	18-36 months
1	2	3	4	5	6
Accounts receivable for goods/services	940				
Other accounts receivable	950	1 938	1 938		

**X. Losses and Shortages Linked to Damage**

Item	Line Code	Amount
1	2	3
Determined (written-off) losses and shortages	960	
Debts allowed	970	
Total losses and shortages not allowed as debts by the end of the year (off-balance account 072)	980	

**XI. Construction Contracts**

Item	Line Code	Amount
1	2	3
Incomes under construction contracts	1110	
Total receivables eop		
Gross receivables to clients	1120	
Gross receivables from clients	1130	
Down payments received	1140	
Amounts due eop	1150	
Commitment value of works under construction contracts in process	1160	

**XII. Income tax**

Item	Line Code	Amount
1	2	3
Current income tax	1210	462
Deferred tax assets:		
opening balance	1220	
eop	1225	
Deferred tax liabilities		
opening balance	1230	
eop	1235	
Included in Profit and Loss Account, total	1240	462
Including:		
Current income tax	1241	462
Increase/decrease of deferred tax assets	1242	
Increase/decrease of deferred tax liabilities	1243	
In ownership capital - total:	1250	
including:		
current income tax	1251	
increase/decrease of deferred tax assets	1252	
increase/decreas of deferred tax liabilities	1253	

**XIII. Depreciation Allowances**

Item	Line Code	Amount
1	2	3
Annual accrual	1300	1 173
Spent - total:	1310	
including:		
project construction	1311	
Purchase/production/improvement of fixed assets, including:	1312	
machinery and equipment	1313	
Purchase/production of intangible assets	1314	
repayment of capital investment loans	1315	
	1316	
	1317	

CEO  
CFO

O.I. Sharova  
O.S. Perebiynis

**1. Detailed breakdown of the off-balance account No.041  
«Contingent assets and liabilities».**

<b>DGF claims settlement, amounts owed by liquidators, covered deposits payout:</b>	<b>Amount, thous., UAH.</b>	<b>Maturity</b>
PAT "Zemelny bank"	100 742	Indefinite
AB "Allonzh"	7 320	Indefinite
AB "Bank Regionalnogo Rozvytku"	289 124	Indefinite
PAT "Syntez"	90 048	Indefinite
AKB "Yevropeyskiy"	683 204	Indefinite
AKB "Odessa-Bank"	71 115	Indefinite
AKB "Skhidno-Yevropeyskiy Bank"	210 042	Indefinite
AKB "Transbank"	439 863	Indefinite
VAT Bank "Big Energiya"	518 438	Indefinite
VAT "Yevropeyskiy bank rozvytku ta zaoschadzen"	327 395	Indefinite
TOV KB "ARMA"	182 864	Indefinite
PAT "Volodymyrskiy"	103 940	Indefinite
VAT KB "Natsionlniy Standart"	266 819	Indefinite
KB "Ukrayinska finansova grupa"	51 602	Indefinite
PAT "INPROMBANK"	63 323	Indefinite
PAT "Sotskombank"	87 460	Indefinite
PAT AKB "Basis"	284 832	Indefinite
PAT "Bank Stolytsya"	30 053	Indefinite
VAT SKB "Dnister"	335 594	Indefinite
TOV "Dialogbank"	98 250	Indefinite
PAT "Bank "Tavrika"	903 487	Indefinite
PAT "ERDE Bank"	222 391	Indefinite
<b>Total:</b>	<b>5 367 906</b>	

**2. Detailed breakdown of the off-balance account No. 071  
"Written-off accounts receivable».**

<b>DGF claims settlement, amounts owed by liquidators</b>	<b>Amount, thous., UAH.</b>	<b>Maturity</b>
PAT "Zemelny bank"	692	Indefinite
AB "Allonzh"	27	Indefinite
AB "Bank Regionalnogo Rozvytku"	1 011	Indefinite
PAT "Syntez"	648	Indefinite
AKB "Yevropeyskiy"	1 807	Indefinite
AKB "Odessa-Bank"	106	Indefinite
AKB "Skhidno-Yevropeyskiy Bank"	358	Indefinite
AKB "Transbank"	403	Indefinite
TOV KB "ARMA"	296	Indefinite
PAT "Volodymyrskiy"	357	Indefinite
VAT KB "Natsionlniy Standart"	443	Indefinite
KB "Ukrayinska finansova grupa"	152	Indefinite
PAT "INPROMBANK"	1 873	Indefinite
PAT "Sotskombank"	1 177	Indefinite
PAT AKB "Basis"	2 143	Indefinite
PAT "Bank Stolytsya"	84	Indefinite
VAT SKB "Dnister"	3 898	Indefinite
TOV "Dialogbank"	2 462	Indefinite
AKAPB "Ukrayina"	992	Indefinite
PAT "Bank "Tavrika"	931 578	Indefinite
PAT "ERDE Bank"	201 265	Indefinite
<b>Total:</b>	<b>1 151 772</b>	

**3. Breakdown of the item "Other revenues" row 3095 column 3  
of form 3 "Cashflow report".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Satisfaction of the creditors claims by liquidators	73 362
Repayment of targeted loans and interest rates	39 240
Refund of the amount not claimed by depositors	58 231
Repayment of loans granted to the staff members	411
Funds received from Social Insurance Fund	343
Repayment of funds to be accounted for	117
<b>Total:</b>	<b>171 704</b>

**4. Breakdown of the line "Other" row 3190, column 3  
Form 3 "Cashflow Report".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Transfer of funds for deposit payout	1 237 701
Target loans to insolvent banks	945 801
Agent bank fee	726
Refund for member contribution	166
Business travel expenses	866
Loans	1 905
Trade Union Contribution	1 198
Legal charges	22
<b>Total:</b>	<b>2 188 385</b>

**5. Breakdown of the line "Other revenues", row 3250, column 3  
Form 3 "Cashflow report".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Government bonds redemption	2 384 768
<b>Total:</b>	<b>2 384 768</b>

**6. Breakdown of the line «Other payments» row 3290 column 3  
Form 3 "Cashflow Report".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Advance for purchase of non-current assets	122
Bonds sale fee	331
<b>Total:</b>	<b>453</b>

**7. Breakdown of the line "Long-term receivables», row 1040,  
column 4 Form 1 «Balance Sheet»**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Long-term receivables, settlements with staff members	1 814
<b>Total:</b>	<b>1 814</b>

**8. Breakdown of the line "Other receivables», row 1155 column 4,  
Form 1 "Balance Sheet".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Settlement with agent banks paying out deposits	1 258
Wages short-term receivables	650
Social insurance payment	30
<b>Total:</b>	<b>1 938</b>

**9. Breakdown of the line "Other current liabilities" row 1690 column 4 of Form 1 "Balance Sheet".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Covered deposits repayment commitment	102 153
Contributions paid to DGF	800
<b>Total:</b>	<b>102 953</b>

**10. Breakdown of the line "Other operating costs" row 2180, column 3, Form 2 "Financial results report".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Covered deposit payout	1 185 512
Outstanding loans and interest owed by insolvent banks	1 125 798
Fees of agent banks	726
Exchange adjustments	1
<b>Total:</b>	<b>2 312 037</b>

**11. Breakdown of the line "Receivables on income accrued assets» row 1140 column 4 Form 1 "Balance Sheet".**

<b>Item</b>	<b>Amount, thous., UAH.</b>
Income from government securities operations	290 330
Income from bank contributions	1 024
Member banks fines and penalties	3 929
<b>Total:</b>	<b>295 283</b>

Managing Director  
CFO

O.I. Sharova  
O.S. Perebiynis

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