

# ANNUAL | REPORT | 2016



DEPOSIT GUARANTEE  
FUND

## ADDRESS OF THE HEAD OF THE ADMINISTRATION BOARD

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The economic crisis, military operations, and the clean-up of the banking sector is the environment in which the Deposit Guarantee Fund has been operating for several years. A record number of the failed banks were transferred under the Fund's management over this period.

It can be noted that the Fund performs its task of paying out the guaranteed deposits and managing the assets of these banks quite successfully. In 2016, depositors of insolvent banks were paid almost UAH 15 bn. At the same time, the Fund organises its work so that depositors can receive the larger part of the total compensation within the period of provisional administration. Since deposit payout was an essential part of the work of the Deposit Guarantee Fund in 2016, great efforts were aimed at making this process as easy as possible for bank depositors. This was implemented through the introduction of an automated payment system.

Moreover, the process of failed banks assets sale was also significantly improved. The mechanism of selling the assets of such banks evolved from trading with an auctioneer to electronic trading through the ProZorro.Sales system. In 2016, the Fund announced the launch of a joint project with the ProZorro design team, and the first real tradings on this platform were held as early as November of the same year. Thus, in my opinion, we have managed to achieve the highest openness and accessibility of the process for potential buyers to date.

Under current legislation the sale of assets of bankrupt banks must be implemented "at the highest value in the shortest time possible." We can now say with confidence that the Fund does everything for the implementation of this rule to settle with the maximum number of creditors of such banks.

However, it should be noted that today the success of this task depends not only on the Guarantee Fund, since it requires comprehensive and simultaneous operation of the Fund, law enforcement agencies and the judiciary. This also applies to the liability of owners and top managers for their acts or omission that have led to the insolvency of banks.

In addition, there is a task of providing legislative support to the activities of the Deposit Guarantee Fund. Of course, the conditions in which the Fund operates today have demonstrated the need for changing the current Law "On the Deposit Guarantee System." In October 2016, the further institutional development of the deposit guarantee system was the subject of discussion at the meeting of the Financial Stability Council. Among other things, the meeting considered the ways to optimise the existing financing system (introduction of a complete system of differential charges to the Fund based on risk assessment) and to review current concepts and models of problemacy and insolvent banks resolution.

In 2016, the actions of the Fund made way for the fundamental changes in the functioning of the guarantee system in Ukraine. However, we are still facing a stage of the practical implementation of these innovations, which is no less complex and important.

Sincerely,

**Ihor Pryima**

Chairman of the Administration Board  
of the Deposit Guarantee Fund,  
Head of the Secretariat of the Parliamentary  
Committee on Financial Policy and Banking

## ADDRESS OF THE MANAGING DIRECTOR

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In 2016, the Deposit Guarantee Fund clearly fulfilled its tasks and laid a solid foundation for the development of the guarantee system according to the international standards.

During 2016, depositors of insolvent banks received nearly UAH 15 bn of insurance coverage. These funds were paid out by the Fund without the involvement of new loans from the Ministry of Finance and the National Bank of Ukraine. However, servicing the debts of these institutions, which at the end of 2016 exceeded UAH 60 bn, remains a significant item of expenditures of the Fund. The amount of interest paid on loans at the rates of 12 % or more amounted to UAH 2.4 bn.

At the end of 2016 the Fund raised an additional loan from the Cabinet of Ministers using the state budget in the form of government bonds in the amount of UAH 7.94 bn due to the liquidity deficit forecast in 2017. However, these bonds were not monetised in 2016. The Fund both serviced its debt and payed out guaranteed deposits using the funds received from member banks as regular collection fees and revenue from insolvent banks as repayment requirements.

Returning to the subject of deposit payout, I would like to emphasise that a bulk of work aimed at developing and launching the Automated Payment System of the Deposit Guarantee Fund was completed in 2016. This project was implemented for the convenience of bank depositors. Now they can get the guaranteed deposits from any of the agent banks across Ukraine. The depositor can choose the bank that he or she trusts.

In 2016, the practical implementation of plans aimed at improving the the process management and the sale of the banks assets. The main objective we want to achieve in this area is the maximum possible satisfaction of creditors' claims. This year the work of the newly created Department of Consolidated Asset Sales was aimed at both increasing the transparency and the openness of the process of asset sales and expanding the range of potential buyers.

At the time, the decision to move all the auction to electronic platforms was a significant step forward. However, over time we have come to an understanding that this option was far from being perfect. We faced the fact that unfair trade organizers began to manipulate auctions: limited access to potential buyers, disrupted the course of tenders, etc.

In order to prevent such incidents from happening again, we started and implemented a difficult but ambitious project with the ProZorro team in 2016. The first auction of the new ProZorro.Sales system was held last November.

Today the Fund aims to return the withdrawn assets and makes every effort to bring those whose acts or omission resulted in the insolvency of banks to justice. By the end of the year, the Fund had submitted more than 3 thous. allegations of revealed violations for a total of UAH 262 bn (of these, 435 (for a total of UAH 192 bn) concerning owners and top managers of banks/) to the police.

Unfortunately, the process of bringing the guilty parties to justice is very slow but we do not stop.

We have achieved a lot with the professional team of the Fund; but we understand that there is still a lot of work to do to improve the deposit guarantee system. I am convinced that in view of our accumulated experience we will be able to accomplish this task.

Regards,

**Kostiantyn Vorushylin,**  
Managing Director Deposit Guarantee Fund

# ADMINISTRATIVE BOARD

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**Ihor  
PRYIMA**

Chairman  
of the Board  
Head of Secretariat,  
Parliament  
Financial policy  
and Banking  
Committee



**Oleg  
STRYNZHA**

Director of the  
Financial  
Controlling  
Department  
National Bank  
of Ukraine



**Mykhailo  
VIDIAKIN**

Director of the  
Strategy and  
Reforming  
Department  
National Bank  
of Ukraine



**Yuriy  
HELETIY**

Director  
of Financial Policy  
Department  
Ministry  
of Finance



**Kostyantyn  
VORUSHYLIN**

Managing  
Director  
Deposit  
Guarantee Fund

# EXECUTIVE BOARD

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**Kostyantyn  
VORUSHYLIN**

Managing  
Director



**Andrii  
OLENCHYK**

Deputy  
Managing  
Director



**Viktor  
NOVIKOV**

Deputy Managing  
Director



**Natalia  
RUDUKHA**

Deputy  
Managing  
Director



**Svitlana  
REKRUT**

Deputy  
Managing  
Director



**Olena  
NUZHLENKO**

Head  
of Financial  
Department

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

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## THE MISSION OF THE DEPOSIT GUARANTEE FUND

is to ensure the rights and legitimate interests of bank depositors, and contribute to the overall stability of the banking sector in Ukraine

## THE MAJOR GOAL OF THE DEPOSIT GUARANTEE FUND

is to ensure an effective deposit insurance scheme and resolution of insolvent banks

## FUNCTIONS

The Deposit Guarantee Fund has the following key functions:

- Maintaining the Register of Member Institutions
- Accumulating funds from the sources as set in the Law “On Deposit Guarantee System” and supervising the payment of premiums (‘contributions’) from the DGF member institutions (insured banks)
- Investing the DGF funds in the government bonds
- Issuing and distributing bonds under the procedures set in the Law, and issuing promissory notes under the terms and conditions specified in the Law ‘On State Budget of Ukraine’
- Paying the insured deposits with failed banks that are subject to liquidation
- Regulating the banks’ membership with the deposit guarantee scheme
- Inspecting problem banks upon an initiative of the National Bank of Ukraine.
- Applying financial sanctions to and imposing fines on banks and bank senior executive management
- Resolving insolvent banks, including through provisional administration and liquidation of such banks, transfer of assets and liabilities of an insolvent bank, sale of an insolvent bank, or the establishment and sale of a bridge bank
- On-site monitoring of the member banks under the terms and conditions set in the Law
- Providing financial support to the member banks under the terms and conditions set in the Law
- Analyzing the financial position and performance of the member banks in order to elicit the potential risks of the banks, and project the potential costs associated with the resolution of insolvent banks and payments of insured deposits
- Granting the ‘special purpose loan’ to a bank in order to ensure a due and timely payment of the insured deposits and finance the provisional administration in a failed bank under the terms and conditions set in the Law
- Informing the general public of the deposit guarantee system and the depositor’s rights and legitimate interests, and promoting financial literacy of the general population pursuant to the Law
- Studying and analyzing the markets of financial resources raised by the member institutions from retail depositors.

# 2016: HIGHLIGHTS OF THE YEAR

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*In 2016, the Fund celebrated its 18<sup>th</sup> anniversary. Established in 1998 under the Decree of the President of Ukraine “On Measures to Protect the Rights of Physical Persons as — Depositors of Commercial Banks in Ukraine,” the Fund is the first insurance agency in the Post-Soviet states. During these years, the Fund has fulfilled its mission of protecting the rights and legal interests of depositors. In 2016, qualitative changes occurred: the Department of Investigation of Offenses and the Department of Consolidated Sales and Management of Assets began operating. Active testing and final preparations for the launch of a new automated system of payments was underway. The work on improving the legislation on the functioning of the Deposit Guarantee System continued.*

## 1. KEY PERFORMANCE INDICATORS

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- As of 1 January 2017, the Fund managed 85 banks, including 4 banks having introduced provisional administration (PJSC “CB “FINANCIAL INITIATIVE,” JSC “RODOVID BANK,” PJSC “UNISON BANK,” PJSC “CB INVESTBANK”) and 81 banks in the process of liquidation.
- In 2016, 19 banks were transferred to the management of the Fund. The Fund appointed provisional administration in 16 banks, and in three banks the liquidation proceedings started immediately.
- Among the 16 banks (with provisional administration), in 13 cases the ultimate method of bank resolution was the liquidation of the bank with reimbursement of funds under deposits of individuals by the Fund.
- In one case (PJSC CB “Privatbank”), resolution was made with the involvement of the state represented by the Ministry of Finance of Ukraine. In 2 other banks (JSC “RODOVID BANK” and JSC “UNISON BANK”) the final method of bank resolution was not determined due to an injunction for the officials of the Fund to make decisions and/or take any other action aimed at liquidation of these banks.
- In 2016, depositors of insolvent banks received nearly UAH 15 bn within the guaranteed amount. In 2016, the guaranteed amount remains unchanged at UAH 200 thous.
- At the end of 2016, the total amount of Fund’s financial resources constituted UAH 15.32 bn. In order to avoid possible liquidity shortage in 2017, the Fund first attracted additional financing (a loan from the Cabinet of Ministers of Ukraine using the State Budget of Ukraine for 2016) in the form of Government bonds in the amount of UAH 7.94 bn maturing in 2031 at the end of 2016.
- One of the emphases in Fund’s work is the improvement of the asset management process. In April 2016, the Department of Consolidated Sales and Management of Assets started its work. A policy of maximum disclosure of assets for sale was initiated. All available information on all assets including rights to claim on loans (excluding the information that constitutes bank secrecy) was published in the public domain.
- In 2016, cash receipts from the sale and management of bank’s assets amounted to UAH 7.2 bn, including: UAH 3.9 bn of revenues from loan repayment by borrowers of banks; UAH 3.2 bn as the sale of assets (property); UAH 0.1 bn of income from the leasing of banks’ property.
- In June 2016, work on a new system of sale of assets of insolvent banks and banks in the process of liquidation was started in cooperation with the Ministry of Economic Development and Trade of Ukraine, Transparency International Ukraine, and the ProZorro project team. The first auction for the sale of assets (property) of banks being liquidated with the use of the new ProZorro.Sales system was held in November 2016.
- Total balance sheet value of assets of 73 banks in which the decision of executive management of the Fund approved the accepted creditor claims register amounted to UAH 424.19 bn while their estimated value was determined by independent appraisers at UAH 85.30 bn.
- The total amount of approved accepted creditors’ claims of banks being liquidated at the end of 2016 amounted to UAH 243.84 bn (73 banks in the state of liquidation, in which the decision of executive management of the Fund approved the accepted creditors’ claims register). In 2016 all the lines of creditor claims were settled: UAH 10.64 bn, including UAH 6.62 bn returned to the Fund (the 3rd line).
- In 2016, the Department of Investigation of Offenses and the authorised DGF officers sent 1,113 allegations of criminal offenses to law enforcement agencies, 492 of which



resulted in the initiation of criminal proceedings. For 9 of them, indictments have been sent to courts.

- After reviewing the allegations, materials of inspection, findings and cooperation of the Fund with pretrial investigation bodies in 2016 filed criminal charges against 15 persons.
- In 2016, within the scope of investigation of criminal proceedings the Fund filed 103 civil suits in order to ensure the compensation for harm caused by the commission of criminal offenses.
- During the year the Fund held five meetings of the Financial Stability Council, which was established by the Decree of the President of Ukraine dated March 24, 2015 No. 170/2015 in order to ensure the early detection and to minimise the risks to the stability of the banking and financial systems, with the Managing Director of the Fund being a member of the Fund. These meetings dealt in particular with the need to strengthen the financial and institutional capacity of the Fund, the low efficiency of the

law enforcement bodies in dealing with shareholders and top managers of insolvent banks, and the common practices for foreclosure by state executive service at significantly reduced prices. The Council discussed priorities for further institutional development of the Deposit Guarantee System as well. Meetings dealt with the possibility of participation of PJSC “State Savings Bank of Ukraine” and other non-bank credit institutions in the Fund, expansion and reviewing of coverage and reimbursement, management and sale of assets of banks being liquidated, optimisation of the existing finance system (introduction of a complete system of differential fees to the Fund on the basis of risk assessment) and reviewing of the concept of the current model of problematics and insolvent banks resolution.

- During the year active work on testing and preparation of a new automated payment system for the launch continued; the use of this system will significantly improve the quality of services rendered to depositors of insolvent banks.

## 2. ORGANISATION MANAGEMENT

### 2.1. Human Resources Management and Development

In 2016, the personnel policy was aimed at transforming the structure of the Fund as a whole. This was primarily due to the requirements of the current state of the economy and the change in the legislative framework (namely the adoption of the Law of Ukraine “On Household Deposit Guarantee System” and a number of by-laws that extended the activities of the Fund).

Thus, the work that started in the end of 2015 aimed at streamlining the structure of the Fund was performed in 2016 in order to bring it to the needs of the full implementation of the tasks facing the Fund by focusing its units on basic and important functions.

Through benchmarking and analysis of functional loading of units in order to avoid duplication of functions, the work aimed at optimising the Fund’s structure was continuously performed. The number of units increased from 33 to 60 from the end of 2015 to December 2016.

As of the end of 2016, the personnel composition of the Fund included mere 378 employees at 399 job positions (figures 2.1. and 2.2.).

In 2016, the Department of Human Resources Management and Development performed its functions within the agreed priorities (namely, the work was carried out to improve the system of personnel management which would ensure the professional and high-quality implementation of new functions and objectives of the Fund in all areas of its operations). The system of personnel management in the Fund covered all areas of HR management: recruitment, adaptation, training, and professional development as well as

management of salaries and provision of incentive and motivational benefits.

In order to ensure transparent recruitment and involvement of experienced professionals, a series of open competitions for vacant managerial positions in the Fund (Deputy Managing Director, Directors of Departments, etc.) were held.

In 2016, a change in the system of remuneration for employees and authorised DGF officers took place. The new remuneration system is transparent; its structure consists mostly of the constant part. It takes into account the impact of functions performed by the unit and the overall result of the Fund, while determining the factor of professionalism and taking into account the grade of the position held by the employee. The system provides for clear performance bonuses related to specific results of units and divided into quantitative and qualitative bonuses and simplifies the staff administration system.

The novelty in the personnel management of the Fund in 2016 was the development and the gradual introduction of matrix management of banks withdrawn from the market by the Fund. In order to optimise personnel costs of such withdrawn banks, an approximate structure of a bank was approved, according to which authorised DGF officers organise the structures of such banks. The work on approval of candidates for positions of heads of departments of banks for further submission to functional managers in the Fund was carried out. This will allow to manage the bank more quickly and effectively.

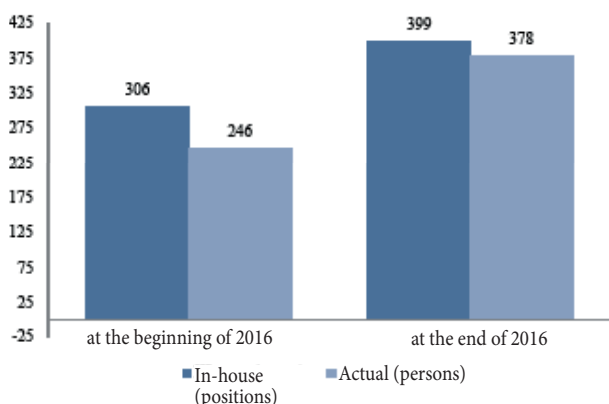


Fig. 2.1. The Number of Employees of the Fund

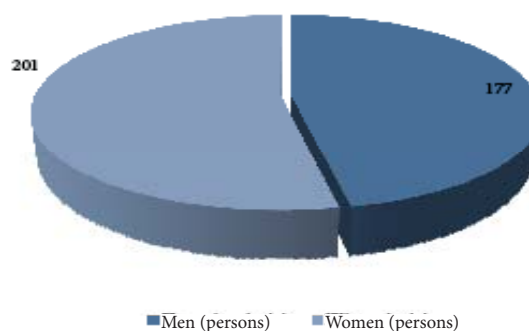


Fig. 2.2. Gender Composition of the Fund

## 2.2. Internal Audit

In 2016, the Internal Audit Department of the Fund carried out 10 audits in the key areas of subdivisions of the Deposit Guarantee Fund according to the plan of inspections, including the following activities:

- financial and investment activities of the Fund;
- payments to depositors;
- verification of compliance with procedures for the withdrawal of insolvent banks from the market;
- verification of control over the implementation of liabilities of the banks in connection with their participation in the household deposit guarantee system.

During the audit internal control systems were assessed, risks inherent to the audited business line were determined, and recommendations for improving the existing internal controls and corporate governance measures were provided.

Pursuant to the Law of Ukraine “On Household Deposit Guarantee System,” the Internal Audit Department prepared regular reports (on the first day of each quarter) to the Administration Board of the Deposit Guarantee Fund based on the results of the work with conclusions and proposals on issues within the scope of authority of the Fund.

Conclusions and recommendations of the Internal Audit Department were obligatorily taken into account in the work of the Deposit Guarantee Fund. Information on the audit findings was provided to the management of the Deposit Guarantee Fund and to the heads of inspected units for review. Appropriate measures were taken to improve internal control (all the recommendations given on the basis of audit findings have been accepted for implementation).

## 3. LEGAL AND REGULATORY ENVIRONMENT

### 3.1. Improving the Legal Framework

In 2016, the Law of Ukraine “On Household Deposit Guarantee System” was amended twice.

The first amendment was related to the adoption of the Law of Ukraine “On Financial Restructuring” by the Verkhovna Rada of Ukraine, whereof the transitional provisions stipulate that the Fund shall act within the scope of the powers assigned thereto by this Law and shall be involved in the procedures provided for therein.

The second amendment was related to the adoption of the Law “On Amendments to Certain Laws of Ukraine on the Compensation of the Harm Caused to Individuals due to the Malpractices in Banking and Other Financial Services” by the Verkhovna Rada of Ukraine, whereof the rules expanded the concept of deposits to include funds raised from an individual as a loan or a contribution to a non-banking financial institution through a bank that acted as an agent

under the relevant contract and that was classified as insolvent as of date of entry of this Law into force if such a bank has not informed the individual against signature that such funds are not covered by the guarantees provided for in the Law, and the individual that has made the relevant contribution is made equivalent to the depositor.

The Law in question was drafted to protect the rights of individuals who were deceived with the involvement of banks, to decide on the compensation, and to prevent such abuses in the future.

In addition, the Fund was actively involved in the elaboration of a number of bills introduced to the Verkhovna Rada of Ukraine by subjects of legislative initiatives, including the support for the adoption of bills that are essential to exit the crisis and to develop the banking system, during the year.

### 3.2. Regulatory Activities of the Fund

In 2016, the Fund adopted 27 regulations in the framework of the regulation of the Deposit Guarantee System and for the withdrawal of insolvent banks from the market.

Of these 27 regulations:

#### **Seven regulations were aimed at the implementation of the authority to ensure the refund of deposits, namely:**

resolution of the executive management of the Fund “On Amendments to the Regulation on the Procedure of Compensation of Individuals’ Deposits by the Deposit Guarantee Fund” No. 1 dated 4 January 2016 registered in the Ministry of Justice of Ukraine on 27 January 2016 under No. 148/28278;

resolution of the executive management of the Fund dated 11 February 2016 No. 137 “On Amendments to the Regulation on the Procedure for Determination of Agent Banks of the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 4 March 2016 under No. 352/28482;

resolution of the executive management dated 26 May 2016 No. 823 “On Amendments to the Regulation on the Procedure of Compensation of Individuals’ Deposits by the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 17 June 2016 under No. 873/29003;

resolution of the executive management of the Fund dated 5 September 2016 No. 1731 “On Amendments to the Regulation on the Procedure of Compensation of Individuals’ Deposits by the Deposit Guarantee Fund”

registered with the Ministry of Justice of Ukraine on 20 September 2016 under No. 1284/29414;

resolution of the executive management of the Fund dated 26 September 2016 No. 1938 “On Amendments to the Regulation on the Procedure for Determination of Agent Banks of the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 21 October 2016 under No. 1380/29510;

resolution of the executive management dated 05 December 2016 No. 2697 “On Approval of the Procedure for the Funding of Payments of the Guaranteed Amount of Deposits by Agent Banks in the Pilot Project on the Introduction of the Automated Payment System of the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 21 December 2016 under No. 1678/29808;

resolution of the executive management of the Fund dated 12 May 2016 No. 2698 “On Approval of the Peculiarities of Payments to Depositors in the Pilot Project on the Introduction of the Automated Payment System of the Deposit Guarantee Fund” registered in the Ministry of Justice of Ukraine on 28 December 2016 under No. 1716/29846;

#### **Three regulations were aimed at implementing the powers of public notification about the deposit guarantee system and the protection of depositors’ rights:**

resolution of the executive management of the Fund dated 2 March 2016 No. 284 “On Amendments to the Regulation

on Informing the Public about the Household Deposit Guarantee System” registered with the Ministry of Justice of Ukraine on 21 March 2016 under No. 413/28543;

resolution of the executive management of the Fund dated 26 May 2016 No. 825 “On the Protection of Rights and Legal Interests of Bank Depositors” registered with the Ministry of Justice of Ukraine on June 17, 2016 under No. 874/29004;

resolution of the executive management of the Fund dated 12 September 2016 No. 1809 “On Amendments to the Regulation on Informing the Public about the System of the Deposit Guarantee Fund and the Procedure for the Protection of Rights and Legal Interests of Bank Depositors by the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 4 October 2016 under No. 1318/29448;

#### **Four regulations were aimed at implementing regulatory powers, namely:**

resolution of the executive management of the Fund dated 11 February 2016 No. 135 “On Amendments to the Regulation on the Operation of the Register of the DGF participants” registered with the Ministry of Justice of Ukraine on 4 March 2016 under No. 350/28480;

resolution of the executive management of the Fund dated 11 February 2016 No. 136 “On Amendments to the Regulation on the Inspection of the DGF participants” registered with the Ministry of Justice of Ukraine on 4 March 2016 under No. 351/28481;

resolution of the executive management of the Fund dated 12 September 2016 No. 1810 “On Amendments to Some Regulations of the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 30 September 2016 under No. 1309/29439;

resolution of the executive management of the Fund dated 22 September 2016 No. 1916 “On Amendments to the Rules for Forming and Maintaining Databases of Depositors” registered with the Ministry of Justice of Ukraine on 11 October 2016 under No. 1352/29482;

#### **Nine regulations aimed at implementing the powers in the field of insolvent banks withdrawal from the market, namely:**

resolution of the executive management of the Fund dated 11 February 2016 No. 138 “On Approval of the Procedure for the Implementation and Calculation of the Costs of the Deposit Guarantee Fund for the Maintenance and Sale of the Mortgaged Property” registered with the Ministry of Justice of Ukraine on 4 March 2016 under No. 353/28483;

resolution of the executive management of the Fund dated 18 March 2016 No. 370 “On Amendments to the Regulation on the Withdrawal of Insolvent Banks from the Market” registered with the Ministry of Justice of Ukraine on 13 April 2016 under No. 545/28675;

resolution of the executive management of the Fund dated 28 March 2016 No. 434 “On Approval of the Regulation on the Procedure for the Selection of Persons Authorised to Perform Work (Provide Services) to Insolvent Banks or Banks Being Liquidated by the Deposit Guarantee Fund” registered with the Ministry of Justice of Ukraine on 21 April 2016 under No. 612/28742;

resolution of the executive management of the Fund dated 26 May 2016 No. 826 “On Approval of the Procedure for the Identification of Void Transactions (including Agreements) and for the Actions of the Deposit Guarantee Fund in case of Identification Thereof” registered with the Ministry of Justice of Ukraine on 15 June 2016 under No. 863/28993;

resolution of the executive management of the Fund dated 12 September 2016 No. 1768 “On Amendments to the Regulation on the Withdrawal of Insolvent Banks from the Market” registered with the Ministry of Justice of Ukraine on 30 September 2016 under No. 1307/29437;

resolution of the executive management dated 27 October 2016 No. 2271 “On Amendments to the Procedure for the Calculation of the Costs of the Deposit Guarantee Fund for the Maintenance and the Sale of the Mortgaged Property” registered with the Ministry of Justice of Ukraine on 17 November 2016 under No. 1495/29625;

resolution of the executive management of the Fund dated 21 November 2016 No. 2526 “On Amendments to the Regulation on the Withdrawal of Insolvent Banks from the Market” registered with the Ministry of Justice of Ukraine on 13 December 2016 under No. 1611/29741;

resolution of the executive management of the Fund dated 29 November 2016 No. 2636 “On Approval of the Methodology of the Valuation of 100 % of Shares of the Bank Classified as Distressed or Insolvent” registered with the Ministry of Justice of Ukraine on 19 December 2016 under No. 1643/29773;

resolution of the executive management of the Fund dated 29 November 2016 No. 2708 “On Amendments to the Regulation on the Withdrawal of Insolvent Banks from the Market” registered with the Ministry of Justice of Ukraine on 30 December 2016 under No. 1737/29867;

#### **Three regulations aimed at implementing the powers in the field of management and sale of assets (property) of banks being liquidated, namely:**

resolution of the executive management of the Fund dated 24 March 2016 No. 388 “On Approval of the Regulation on the Organisation of the Sale of Assets (Property) of Banks being Liquidated” registered with the Ministry of Justice of Ukraine on 20 April 2016 under No. 606/28736;

resolution of the executive management of the Fund dated 17 November 2016 No. 2473 “On Amendments to the Regulation on the Organisation of the Sale of Assets (Property) of Banks being Liquidated” registered with the

Ministry of Justice of Ukraine on 21 December 2016 under No. 1678/29808;

resolution of the executive management of the Fund dated 8 December 2016 “On Approval of the Methodology of the Valuation of Assets of a Bank Classified as Distressed or Insolvent” (in the state of state registration with the Ministry of Justice of Ukraine).

In order to ensure the relevance of regulations of the Fund, the executive board of the Deposit Guarantee Fund adopted the resolution dated 14 January 2016 No. 15 “On the Invalidation of Resolutions of the Executive Management of the Deposit Guarantee Fund dated 27 February 2014 No. 6” registered with the Ministry of Justice of Ukraine on 2 February 2016 under No. 171/28301.

In order to implement the provisions of Article 6 of the Law of Ukraine “On Household Deposit Guarantee System” and

Article 7 of the Law of Ukraine “On the Principles of State Regulatory Policy in the Area of Economic Activities”, the resolution of the Deposit Guarantee Fund No. 2787 dated 15 December 2016 approved the Plan of Drafting of Regulations of the Deposit Guarantee Fund for 2017, which was published on the official website of the Deposit Guarantee Fund ([www.fg.gov.ua](http://www.fg.gov.ua)). The plan contains information about the name of draft regulations which the Fund plans to develop in 2017, objectives for their adoption, the deadlines for their drafting, and the name of the structural unit of the Deposit Guarantee Fund responsible for their development. The information referred to in the Plan enables business entities and individuals to plan their future activities, to participate in the discussion of draft regulations and improve their wording, and helps to protect the rights of such persons.

## 4. BANKING SECTOR OVERVIEW

### 4.1. Overview of the financial indicators of member banks

As of 1 January 2017, the Deposit Guarantee Fund (hereinafter referred to as the “Fund”) included 99 participating banks licensed by the National Bank of Ukraine.

The Law of Ukraine “On Households Deposit Guarantee System” stipulates that the membership of banks in the Fund is mandatory. The Bank acquires the status of a DGF member bank on the date of receipt of the banking license. The Fund excludes a bank from among the banks participating in the Fund in the event of adoption of a decision to revoke the banking license and to institute liquidation proceedings against the bank. JSC “Oschadbank” is not a member of the Fund.

During the reporting year, 19 banks were excluded from the Register of the DGF participants (compared to 44 in the previous year): 16 banks were excluded in connection with their liquidation; 3 banks were granted consent for self-liquidation. As of 1 January 2017, the number of banks participating in the Fund was 99.

In 2016, the number of banks with foreign capital did not change and remained to be 41. The number of banks with Ukrainian capital decreased by 19 to 58 banks (Fig. 4.1.).

As of 1 January 2017 provisional administration was introduced in 4 banks participating in the Fund that were

classified as insolvent by the National Bank of Ukraine (Fig. 4.2.).

Analysis of the financial performance of the Fund was held in respect of 99 participating banks according to the balance sheet data as of 1 January 2017.

It should be noted that the exclusion of 19 banks from the Register had a significant impact on the dynamics of the system performance.

General information about key balance sheet ratios of banks excluded from the Register of the DGF participants in 2016 is presented in Table 4.1.

In 2016 the discount rate decreased from 22 % (as of 25 September 2015) to 14.0 % (as of 28 October 2016).

The consumer price index (CPI) for 2016 (to December of the previous year) was 12.4 %. For comparison, in 2015 the CPI constituted 43.3 %.

Since the beginning of 2016 the official UAH/USD exchange rate had decreased by UAH 3.1902 (the Ukrainian currency lost 13.3 % of its value) and amounted to UAH 27.1909 per USD 1.00 as of 1 January 2017. The official UAH/EUR exchange rate had decreased by UAH 2.1995 (the Ukrainian currency lost 8.4 % of its value) and amounted to UAH 28.4226 per EUR 1.00 as of 1 January 2017.

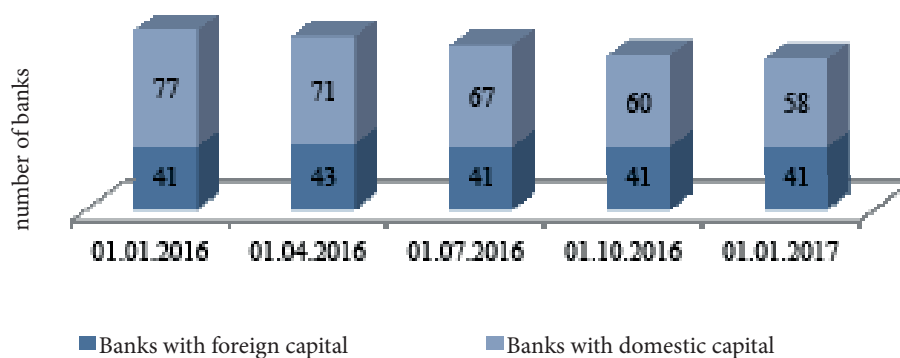


Fig. 4.1. Dynamics of Banks with Foreign Capital

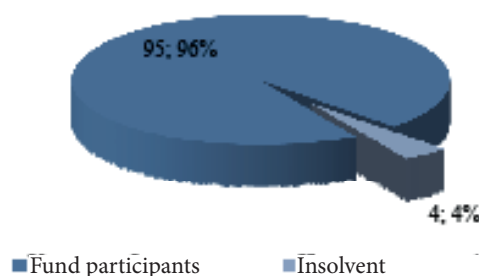


Fig. 4.2. Statuses of the banks participating in the Fund as of 1 January 2017

Table 4.1.

Data on balance sheet indicators of the banks excluded from the Register of the DGF participants in 2016  
(as of 1 January 2016)

Name of the Bank	Equity	Authorised capital	Current results	Results of the previous years	Net assets, total	Total loan portfolio	Total obligations
	01.01.2016	01.01.2016	01.01.2016	01.01.2016	01.01.2016	01.01.2016	01.01.2016
For banks excluded from the Register of the DGF participants in 2016	4,149,245,500	7,707,008,133	-3,829,660,789	-1,778,380,390	36,585,197,056	24,850,321,968	32,435,951,556
For the Fund	88,462,365,897	183,506,235,660	-64,571,683,324	-75,064,026,231	1,103,349,370,019	874,121,698,839	1,014,887,004,121
The share in total for the Fund	4.7	4.2	5.9	2.4	3.3	2.8	3.2

### Major Trends in 2016

When analysing the results of banks for 2016, attention should be paid both to the positive and the negative trends of the reporting year. The year of 2016 was characterised by significant capitalisation of the banking system (the authorised capital of the Fund more than doubled); moreover, the pace of devaluation of the national currency decreased, the rate of outflow of foreign currency deposits was significantly reduced as compared to the previous years, an increase in national currency deposits was observed, and both the value of resources and the cost of loans gradually decreased. At the same time the deterioration of important indicators of the banking system is testified to the following: the decline in lending volumes, insufficient confidence of depositors in the banking system on the side of the depositors, an increase in the share of bad debts, the highest loss ratio of the banking system in the history of its existence.

At the end of 2016, the balance sheet currency of the banking system slightly declined. Its volume as of 1 January 2017 corresponded to UAH 1,061,079.9 mn as compared to UAH 1,103,349.4 mn at the beginning of 2016 (-3.8 %).

The basic factor in the fluctuations in the volumes of assets of the banking system in the period under review was the dynamics of the national currency along with insolvent banks resolution and the reduction in loan portfolios.

The importance of the role of exchange rate differences on the fluctuations of total assets was due to the fact that the share of foreign currency assets of the Fund was equal to 44.2 % as of 1 January 2017 (as compared to 52.3 % as of 1 January 2016).

The credit activity of the Fund continues to be low due to the limited number of reliable borrowers, a high level of uncertainty about the further economic development, and a high cost of credit. According to the NBU, the average interest rate on credits in national currency in early 2017 was equal to 17.7 % (21.5 % as of 1 January 2016). For loans in a foreign currency the interest rate was 8.2 % (6.9 % as of 1 January 2016). The decrease in the NBU discount rate is

also accompanied by the gradual decrease in the cost of credit in the domestic market.

In parallel, there is also a reduction in the cost of raising funds to deposit accounts. However, the limited amounts of these resources and a high level of competition among banking institutions partly constrain the pace of this decline. For comparison the interest rate on long-term local currency deposits as of 1 January 2017 was equal to 18.8 % (and to 9.8 % on short-term local currency deposits) and 6.9 % on long-term foreign currency deposits (and to 5.0 % for short-term foreign currency deposits). As of early 2016, deposit rates were even higher: 22.3 % and 11.7 % for long-term and short-term local currency deposits; and 9.5 % and 7.4 % for long-term and short-term foreign currency deposits, respectively.

In 2016, the volume of the customer loan portfolio of the Fund decreased by 0.05 % (by UAH 403.7 mn) and amounted to UAH 857,507.9 mn as of 1 January 2017. The positive dynamics of the customer loan portfolio was observed in 3 quarters except the second.

The main factor of the fluctuations in the total loan portfolio during the year is also the exchange differences, since about half of loans were denominated in a foreign currency.

Given the devaluation of the national currency and the significant share of foreign currency loans in the customer loan portfolio, the amount of outstanding debt during 2016 increased by 9.5 % (by UAH 17,320.3 mn) and reached 22.8 % in the structure of the loan portfolio as of 1 January 2017.

Total liabilities of the Fund in 2016 decreased by 5.96 % to UAH 954,360.5 mn through the reduction of the amount of interbank loans and subordinated debt. At the same time the liquidation of 19 banks participating in the Fund had a significant impact on the reduction of this indicator along with the national currency exchange rate.

There was an increase in customer deposits, which grew by 11.7 % and reached UAH 690,401.3 mn.

The trend to reduce the amount of term life continues. Demand deposits reached 48.9 % in the structure of the client portfolio.



Given that the client portfolio increases mainly in this component, there are currently no reasons to talk about the full restoration of confidence in the banking system.

Given the number of significant amounts of additional capitalisation of the Fund and the exclusion of unprofitable banks being liquidated (19 banks) from the calculation of statistical indicators, the amount of equity of the Fund for the reporting year increased by UAH 18,256.9 mn or 20.6 % and amounted to UAH 106,719.3 mn as of 1 January 2017.

During the year 50 banks participating in the Fund increased their authorised capital by a total of UAH 199,479.8 mn. Given that not all banks will be able to perform the schedule of the increase in the amount of the authorised capital, it is expected that some institutions will decide to merge with other banks or terminate their operations and file for liquidation.

During the reporting year financial performance of the Fund is negative and amounts to (UAH -160,389.7 mn). The level of income decreased by 5.45 % due to an increase in the negative result from trading foreign exchange and precious metals and due to a reduction in interest income.

The growth of banking expenses by 35.3 % as compared to the beginning of the year is explained by the significant increase of allocations to reserves for active transactions (an increase of 84.3 %).

### Analysis of the Capital

During the year the equity of the Fund increased by UAH 18,256.9 mn, or 20.6 % and reached UAH 106,719.3 mn. For comparison the volume of equity in the previous year decreased by almost a third. The main reason for the increase in 2017 is the significant amounts of additional capitalisation of banks (a double increase in the authorised capital) and the exclusion of banks that were excluded from the Register of the DGF participants in 2016 from the calculation of the statistical data. A reduction in equity is

observed in 35 banks; one participating bank has negative equity.

Pursuant to the Law of Ukraine “On Amendments to Some Legislative Acts of Ukraine Aimed at Preventing Negative Consequences for the Stability of the Banking System” as of 07 April 2014 No. 1586-VII, which provides for an increase in the minimum amount of the authorised capital from UAH 120 mn to UAH 500 mn at the moment of state registration of the legal entity that intends to carry out banking activities, the NBU has developed a schedule of gradual adjustment of the amount of the authorised capital to comply with the requirements, namely to the amount of not less than:

UAH 120 mn: by 17 June 2016;

UAH 200 mn: by 11 July 2017;

UAH 300 mn: by 11 July 2018;

UAH 400 mn: by 11 July 2019;

UAH 450 mn: by 11 July 2020;

UAH 500 mn: by 11 July 2024.

According to the approved schedule of the increase in the minimum amount of the authorised capital, Ukrainian banks must register an authorised capital of not less than UAH 200 mn by 11 July 2017. Based on the results of 2016, the number of banks whose authorised capital is smaller than the above value is 36 (one of which is insolvent).

In 2016 50 banks held capitalisation in the amount of UAH 199,479.8 mn.

The capital structure underwent the following changes (Fig. 4.3.).

1. The authorised capital increased by UAH 199,479.8 mn (including UAH 101,314.3 mn of contributions under the unregistered authorised capital), or doubled to UAH 382,986.1 mn, 3.5 times exceeding the equity value. The growth occurred in 50 banks and exceeds the growth of last year by a factor of 11.

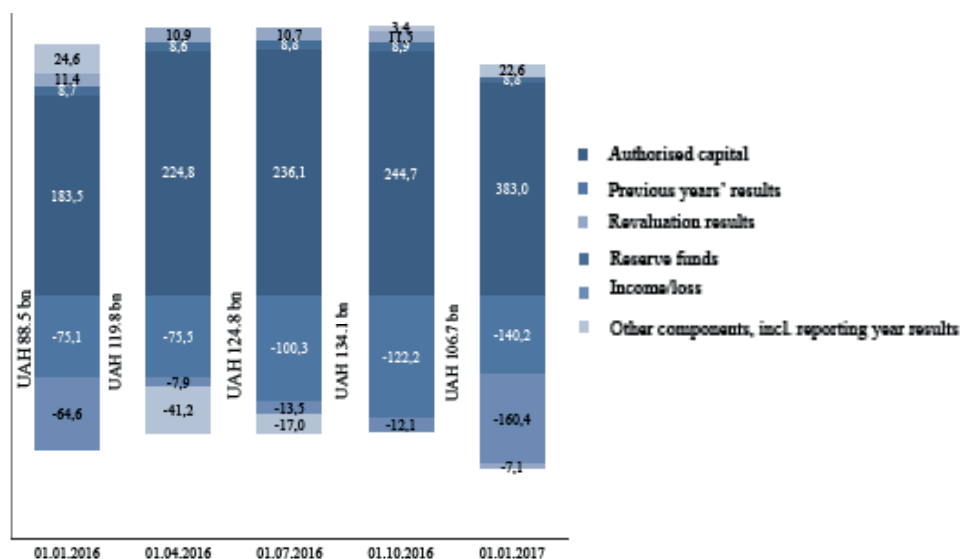


Fig. 4.3. Equity structure, %

The share of equity in liabilities increased from 8 % to 10 %. This dynamics took place mainly due to a significant reduction in bank liabilities and cannot be considered quite positive and one that indicates a fully positive trend in the capitalisation of the banking system and a significant improvement in the adequacy of the bank capital.

The weight of the subordinated debt to maintain the protective function of the capital is being lost, as subordinated debt volumes felt by 62 % in 2016. Thus the share of equity (adjusted for the subordinated debt) in liabilities decreased in 2016 from 13.2 % to 12.1 %, which confirms the deterioration of the protective function of the capital. In 70 banks this indicator exceeds the average values of the system (by more than 50 % in 24 of them), which indicates low competitiveness of such institutions. However, the value of this indicator is less than 10 % for 15 banks, which indicates increased capital adequacy risks of such banks.

The ratio of bad debts to equity decreased from 205.3 % to 186.4 %. Outstanding debt in 25 participating banks exceeds their equity value.

Deposits of individuals exceed the net worth of banks by a factor of 3.6, which also indicates an insufficient level of protection of deposits by the capital. In 22 banks this indicator is above average for the system (including the double value of this indicator in 5 banks).

Thus, despite the measures of capitalisation of the banking system, the amount of loss diminishes its effect. Risks have been shifted to creditors and depositors. In general the capital adequacy risk remains high in the system.

### Analysis of Liabilities

Total liabilities decreased by UAH 60,526.5 mn, or 5.96 %, and amounted to UAH 954,360.5 mn as of 1 January 2017.

Trends in liabilities in 2016 were fundamentally different from the previous year.

Major cuts were interbank loans and subordinated debt liabilities.

Liabilities have decreased in 44 banks (including 9 banks accounting for a decrease in liabilities by more than UAH 1.0 bn each).

Compensation of the cash outflow is due to customer deposits and the issue of own debt securities.

The structure of liabilities and their dynamics are presented in Figure 4.4.

1. Funds held in loro accounts increased by UAH 1,219.4 mn, or 10.0 %, while their share in the structure increased from 1.2 % to 1.4 %.
2. Budget funds decreased by UAH 214.7 mn or 4.0 % to UAH 5,149.8 mn; but their share remained unchanged at 0.5 %.
3. Total portfolio of loans in the interbank market decreased by UAH 65,370.8 mn or 40.8 % (in the structure of liabilities: from 15.8 % to 9.9 %). Of these, loans from other banks decreased by UAH 49,216.8 mn or 42.9 % to UAH 65,437.4 mn in 2016 (in the structure of liabilities: 7.7 %). At the same time the share of interbank loans in 16 banks in liabilities exceeds the average values for the system; in 4 banks of these 16, resources are formed by interbank loans by more than a half. 59 banks participating in the Fund attract no resources at the interbank market.
4. Loans from the National Bank for the year decreased by UAH 16,154.0 mn or 35.5 % and reached UAH 29,385.6 mn. Their share in liabilities decreased from 4.5 % to 3.1 %. Only 7 banks borrowed from the NBU.
5. The total increase in customer funds amounted to UAH 39,276.4 mn, or 12.3 %, namely, the funds of economic entities grew by UAH 27,337.9 mn, or 8.8 % (which is almost half of the previous year's indicator) to 35.4 % in the structure (this indicator for 57 banks exceeds the system indicator; in 31 banks, this value exceeds 50 %). In terms of maturity, sight

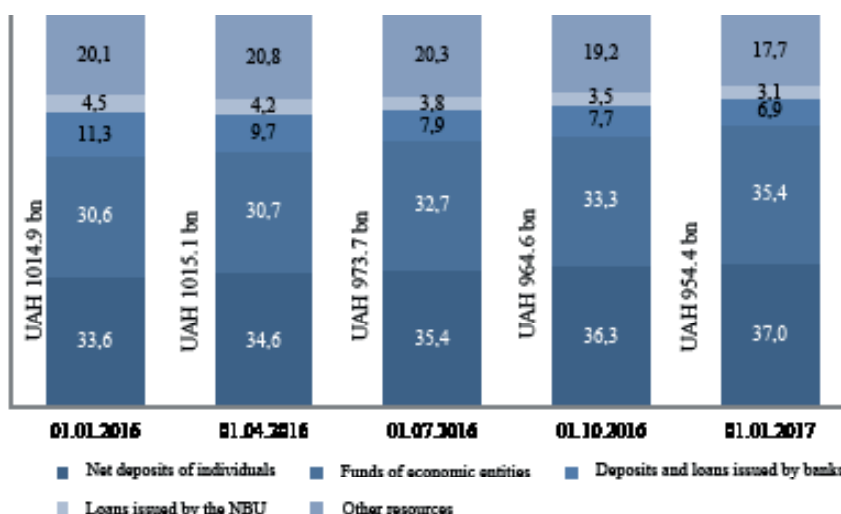


Fig. 4.4. Structure of liabilities, %

deposits constitute 70.4 % of funds of business entities (which exceeds the previous year's indicator).

Deposits of individuals increased by UAH 11,938.5 mn, or 3.5 %, and their share in the structure increased from 33.6 % to 36.99 %. In terms of maturity deposits include term deposits (71.7 %). In 49 banks the share of deposits in liabilities exceeds the average value for the system, including 30 banks, in which the share of deposits exceeds 50 %.

6. The share of deposits in liabilities for the year increased from 32.8 % to 36.0 %. For 47 banks (3 more institutions than last year), the share of deposits exceeds the average value for the system, including 10 banks, in which the share of deposits exceeds 50.0 %, which indicates the status of specialised savings institutions.

7. Own debt securities increased by UAH 3,954.2 mn, or 39.9 %, while their share increased from 0.98 % to 1.45 %.

8. Loans from international organisations decreased by UAH 2,842.8 mn, or 3.7 %, but their share in the structure slightly increased from 7.53 % to 7.71 %.

9. Subordinated debt decreased by UAH 35,108.3 mn or 61.7 % (which exceeds previous year's reduction by a factor of 6), while its share decreased from 5.61 % to 2.28 %. The level of subordinated debt in liabilities for 8 banks exceeds 30 % (including 3 banks, in which it exceeds 50 %).

10. Accounts payable decreased by UAH 3,148.9 mn, or 13.5 %, while their share went from 2.29 % to 2.11 %.

The share of term deposits in the structure of liabilities decreased from 62.9 % to 57.6 %, including the decrease of 46.0 % for funds of individuals. The cost of credit increased from 8.1 % to 8.3 %.

Thus, the trend of the previous year was not preserved. Limitations of resources in the interbank market are offset by customer deposits and the issue of own debt securities. The increase in customer deposits influenced the devaluation of the national currency. The policy of the National Bank is aimed at significant reduction of lending to banks. Private deposits remain the main source of formation of the system resource base (37 % in the structure of liabilities). The tendency to reduce the term resource, which has existed since

the beginning of 2014, continues. The funds of economic entities are increased solely at the expense of current accounts, while the amounts of term deposits are reduced.

### Analysis of Assets

Total assets increased by UAH 122,551.6 mn, or 8.9 %, to UAH 1,494,810.6 mn. The doubling of total assets is observed in two banks: JSC "TASKOMBANK" and PJSC "BANK AVANGARD."

The reduction of total assets was observed in 39 participating banks of the Fund.

Due to the significant increase in reserves for active transactions (by 61.3 %) the level of net assets decreased by UAH 42,269.5 mn, or 3.8 %.

The structure of assets underwent the following changes (Fig. 4.5).

High-liquidity assets decreased by UAH 8,796.5 mn, or 5.2 % (in the structure, from 12.5 % to 10.8 %) due to the decrease in the placement of funds with nostro accounts by UAH 19,987.4 mn. Allocations to cash and funds from the NBU increased by UAH 11,190.9 mn or 20 %. In 50 banks the share of highly liquid assets in the structure exceeds the average value for the system. For 19 banks this value of less than 5.0 %.

Volume growth in the securities portfolio in the accounting year is 8 times as high as the increase of the previous year and constitutes UAH 131,272.0 mn, or 87.7 %, reaching UAH 281,007.3 mn, which corresponds to 18.8 % in the structure of assets. An increase of 87.2 % is due to an increase in securities portfolio for securities refinanced by the NBU (namely, by UAH 114,447.7 mn or 88.5 % to 16.3 % in the structure of assets). The volume of securities in the trading portfolio increased by 25,246.1 %, or a factor of 8, to UAH 28,819.3 mn (1.93 % of total assets). In other areas of investments in securities, a decrease is observed.

In 39 banks the amount of investment exceeds system values (in 4 banks, its volume exceeds 50 % of total assets).

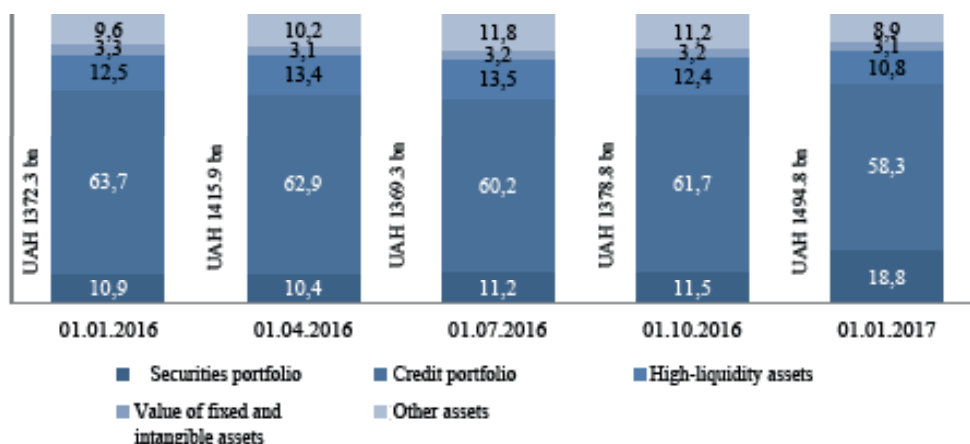


Fig. 4.5. Structure of assets

Thus, the structure of the securities portfolio has changed slightly due to the reduction of the portfolio available for sale by UAH 8,047.4 mn, or 51.8 %, and due to the increase in the trading securities portfolio. Securities refinanced by the NBU are the main component of the portfolio constituting 86.8 %.

The yield of the investment portfolio shifted from securities in the trading portfolio to the portfolio of securities for sale.

The system recognises the reduction of investment risks; reserves for investment in securities were reduced by 25 %.

The volume of the loan portfolio decreased by UAH 2,477.4 mn, or 0.28 %, which is 13 times as low as the volume of reduction for the last year. The reduction in lending is due to the decrease in loans to individuals by UAH 13,102.5 mn, or 9.1 %, and in interbank loans by UAH 2,073.7 mn, or 12.8 %.

The decrease in the net loan portfolio was equal to UAH 155,623.3 mn, or 25.3 %, also due to a significant (59.3 %) increase in reserves for credit activities.

The share of the loan portfolio in assets dropped from 63.7 % to 58.3 %.

Unlike the previous year, lending to economic entities increased by UAH 13,775.1 mn, or 1.9 %. The loan portfolio structure in different areas of lending is shown in Fig. 4.7.

8 banks participating in the Fund conducted an aggressive credit policy; the level of their loan portfolios in assets

exceeds 80 %. Insufficient credit policy is conducted by 33 banks participating in the Fund; the volume of their loan portfolio in assets is less than 50 %.

Reduction of lending volumes resulted in the increase in outstanding loans under contracts by UAH 17,320.3 mn, or 9.5 % (from 20.8 % to 22.8 % in the structure of the loan portfolio). Overdue accrued income on loans increased by 2.6 %. In 27 banks, the share of accrued interest in assets exceeds system values; in 7 of them, this indicator exceeds these values twice. The trend would be even worse, but the system “cleansed itself” of the troubled loan portfolio by eliminating banks with significant credit problems.

In 29 banks the share of overdue debt in the loan portfolio exceeds the average value for the system (including the 22 banks in which the level exceeds 30 %).

The volume of reserves for credit risks indicates the level of recognition of such risks by banks. For the system, the adequacy of reserves for loans was 156 % (in 8 participating banks, this value is exceeded twice).

Thus, in 2016 the volume of lending declined and the loan portfolio quality deteriorated, leading to an increase in reserve volumes; while the yield of the loan portfolio slightly improved, this was due to the devaluation of hryvnia.

Tangible and intangible assets increased by UAH 756.2 mn, or 1.7 % (their share in the structure reduced from 3.3 % to 3.1 %).

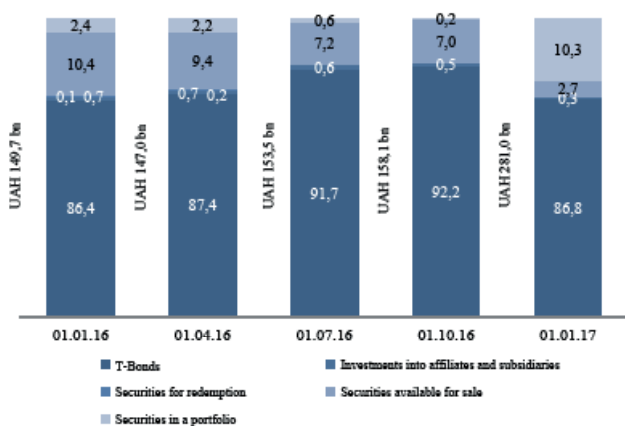


Fig. 4.6. The structure of the securities portfolio, %

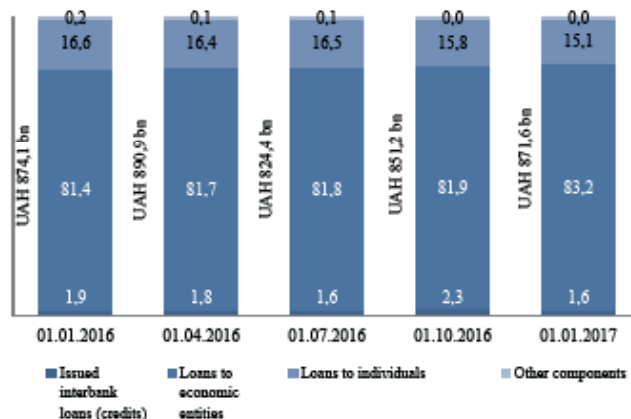


Fig. 4.7. The structure of the loan portfolio, %

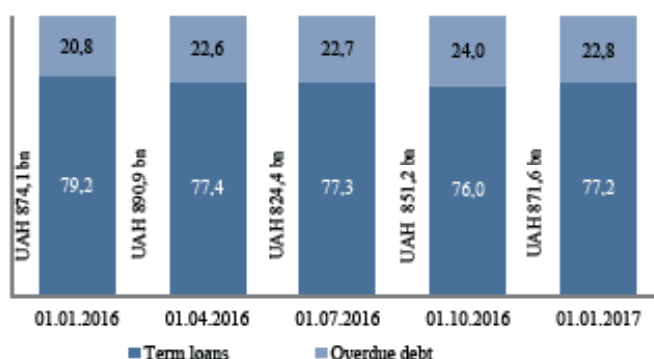


Fig. 4.8. The quality of the loan portfolio, %

Accounts receivable decreased by UAH 19,204.2 mn, or 39.7 % (in the structure, from 3.5 % to 1.95 %).

Thus, the system balance sheet currency in 2016 decreased by UAH 42,269.5 mn, or 3.8 %, due to the recognition of high risks and the creation of significant reserves for active transactions. The level of reserving for active transactions in 2016 increased by UAH 164,821.2 mn, or 61.3 %. Business activities have partly improved; earning assets increased by 12.6 % due to the expansion of investments in securities. 58.6 % of highly liquid assets were placed with nostro accounts, indicating the presence of a “covert” risk of liquidity in the system.

### Analysis of Financial Results

Total revenues decreased by UAH 9,782.9 mn, or 5.5 %, and amounted to UAH 169,631.4 mn. Their structure has undergone the following changes (Fig. 5.9). The previous year’s trend of reduction of the interest income continues: in 2016, its decline amounted to UAH 1,136.7 mn or 0.95 % (its share in the structure increased from 66.9 % to 70.2 %). Interest income reduced due to the decrease in income from credit transactions; interest income from securities transactions increased by UAH 1,787.8 mn, or 11.6 %.

Banks compensate this reduction in income from transactions by increasing fee income by UAH 2,038.5 mn, or 7.7 %, to 16.8 % in the revenue structure.

Unlike the previous year, the results from trading transactions decreased by UAH 11,768.2 mn, or 62.3 %, (their share in the structure decreased from 10.5 % to 4.2 %).

The previous year’s trend of increase in the revenue from investment activity (the increase in the reporting year amounted to UAH 1,463.2 mn or a factor of 4.6 and reached 1.1 % in the revenue structure).

Reduction of other operating income to UAH 7,446.2 mn was equal to UAH 1,375.2 mn, or 15.6 %.

Total costs (Fig. 4.10) increased by UAH 86 035.0 mn, or 35.3 %, due to contributions to reserves, which increased by 84.3 % to 60.3 % in the cost structure.

Due to the significant issue of own debt securities, an almost threefold increase in interest costs thereon is observed.

Commission expenses increased by UAH 1,009.5 mn, or 18.7 %.

Unlike the previous year, general administrative expenses increased by UAH 2,641.6 mn, or 7.6 %, (their share in the structure decreased from 14.3 % to 11.4 %); net interest income increased by UAH 5,716.9 mn, or 16.5 %, and amounted to UAH 40,445.7 mn; net commission income increased by UAH 1,029.0 mn, or 4.9 %, and amounted to UAH 22,083.6 mn.

Thus, the banking system in 2016 was at a loss of UAH 160,389.7 mn, which exceeds the previous year’s indicator UAH 95,817.9 mn and is explained both by significant amounts of allocations to reserves for active transactions

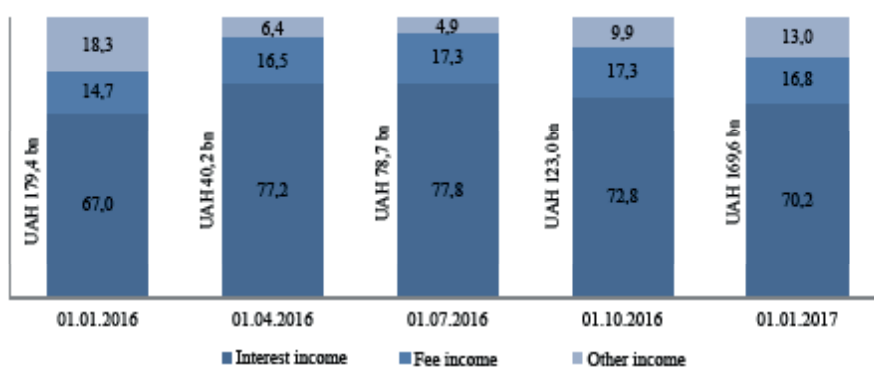


Fig. 4.9. Structure of income, %

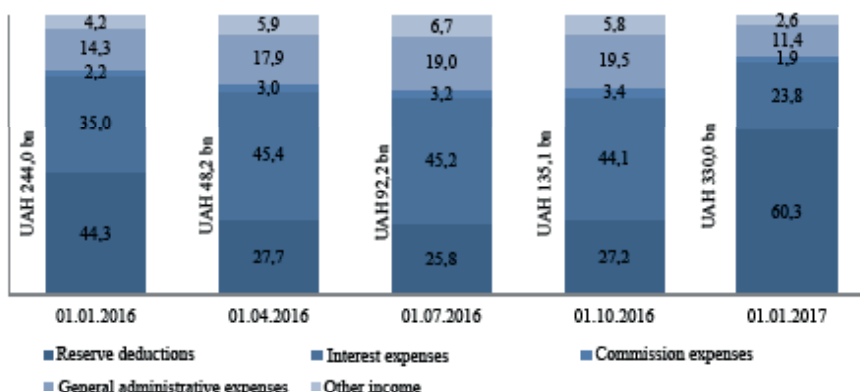


Fig. 4.10. Structure of costs, %

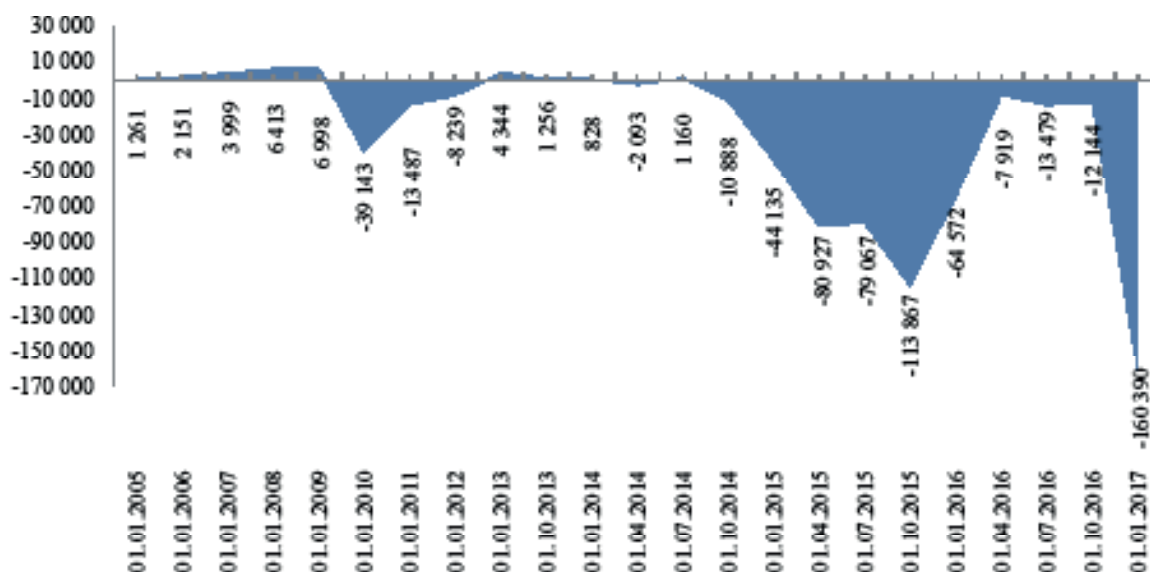


Fig. 4.11. Financial results of banks, UAH mn

and by a “shortfall” of income due to reduced lending (Fig. 4.11).

62 banks participating in the Fund received profit, the total of which amounted to UAH 10,356.5 mn (which is twice more than the value of the previous year). 37 banks were at loss, the total of which amounted to UAH 170,746.2 mn.

However, for 8 banks, profit has been reflected by negative contributions to reserves. Thus, the potential losses of the system are even greater.

## 4.2. Analysis of Deposit Trends

The analysis of deposit transactions in 2016 was conducted for 99 banks participating in the Fund according to the monthly “Report on deposits of individuals to banks participating in the Deposit Guarantee Fund (Reporting Form No. 1Φ) as of 1 January 2017” received from banks participating in the Fund.

Despite a slight improvement in the efficiency of the system (the net spread increased from 2.1 % to 2.2 %, while the net interest margin increased from 2.93 to 3.65 as compared to the previous year), the poor quality of assets that has led to an increase in allocations to reserves and the reduction in lending volumes all led to the loss-making results of the banking system in 2016.

The dynamics of the financial result in 2016 was unstable; the final loss is potentially much larger.

### Trends in the deposit market

- The number of depositors in 2016 decreased by 3.6 mn persons, or 8.1 % (to 41.1 mn persons).

Among existing banks, the largest decrease of depositors in 2016 occurred in JSC “Raiffeisen Bank Aval” (-715.1 thous.

Table No. 4.2.

Data on deposits of individuals in banks excluded from the Register of the DGF participants in 2016 (Reporting Form No. 1Φ as of 1 January 2017)

Item No.	Size No.	Name of the Bank	Number of Depositors	Contribution Amount, UAH		Possible compensation amount, UAH	Date of resolution on the liquidation/exclusion
			persons	total	including foreign currency deposits		
1	2	3	4	5	6	7	8
1	198	PREMIUM	16,557	809,940,345	610,290,998	154,292,665	10.02.2016
2	214	AVANT-BANK	32,443	932,994,797	430,940,869	553,430,057	25.02.2016
3	211	SOYUZ	1,083	50,097,519	41,908,591	1,239,439	15.03.2016
4	120	UKRINBANK	169,085	2,735,517,856	1,458,093,353	1,861,539,945	22.03.2016
5	128	TK CREDIT	347	16,923,795	4,433,445	554,248	07.04.2016
6	73	BANK PETROCOMMERCE-UKRAINE	23,519	65,975,874	43,231,487	24,438,615	21.04.2016
7	226	BANK SOPHIISKYI	3,643	338,098,078	257,703,503	28,459,995	22.04.2016
8	232	INVESTMENT TRUST BANK*	1	20,031	0	20,031	31.05.2016
9	148	FINANCE BANK*	207	347,062	60,706	293,287	31.05.2016

Table No. 4.2. continued

Item No.	Size No.	Name of the Bank	Number of Depositors	Contribution Amount, UAH		Possible compensation amount, UAH	Date of resolution on the liquidation/exclusion
			persons	total	including foreign currency deposits		
1	2	3	4	5	6	7	8
10	20	KHRESHCHATYK	1,053,687	4,652,736,028	1,992,157,178	2,753,620,538	02.06.2016
11	230	MYKHAILIVSKYI	238,309	1,419,128,343	479,748,165	1,226,877,270	12.07.2016
12	69	FIDOBANK	340,591	2,599,054,583	1,193,655,170	1,531,586,405	18.07.2016
13	220	SMARTBANK	349	58,721,318	5,980	8,171,063	21.07.2016
14	158	CLASSIC BANK	217	18,853,763	136,770	629,814	11.08.2016
15	182	EUROBANK	9,553	397,723,756	287,948,467	110,184,857	16.08.2016
16	67	KSG	1,673	31,733,743	16,429,093	13,894,064	30.08.2016
17	234	DERZHZEMBANK		0	0	0	27.09.2016
18	147	FINEXBANK*	988	7,291,480	2,401,512	5,955,980	18.11.2016
19	166	ARTEM-BANK	3,560	164,030,878	94,895,267	75,581,343	15.12.2016
Total for banks excluded in 2016			1,895,812	14,299,189,250	6,914,040,555	8,350,769,614	

\* Liquidation initiated by the decision of owners

persons or 22.2 % to 2.5 mn persons). The largest increase in the number of depositors in 2016 occurred in PJSC CB “Privatbank” (+253.8 thous. persons or 1.2 %, to 20.6 mn persons).

In 7 banks, each with more than 1 mn depositors, generally concentrated 31.3 mn depositors, which represents 76.1 % of the total for the Fund (Table 2). PJSC CB “Privatbank” concentrates deposits of 20.6 mn persons, which accounts

for 50.2 % of the number of depositors of all the banks participating in the Fund.

- **Total deposits:** this value increased by UAH 19.9 bn or 5.5 % to **UAH 382.1 bn** in 2016. Total national currency deposits increased by UAH 5.4 bn or 3.3 % to UAH 169.9 bn (44.5 % in the structure of deposits). The UAH equivalent of foreign currency deposits increased by UAH 14.5 bn or 7.3 %, to UAH 212.3 bn (55.5 % in the structure), which

Table No. 4.3.

## Banks concentrating the largest number of depositors as of 1 January 2017

Item No.	Size No.	Name of the Bank	01.01.2016				01.01.2017				In 2016		
			Quantity of Depositors, thous. persons		Total deposits, UAH thous.	Possible Compensation Amount, UAH thous.	Quantity of Depositors, thous. persons		Total deposits, UAH thous.	Possible Compensation Amount, UAH thous.	Number of Depositors	Deposit Amount	PCA
			total	including funds in the foreign currency	total		total	including funds in the foreign currency	total				
1	113	PRIVAT-BANK	20,370	3,028	139,201,396	88,432,523	20,624	3,562	152,266,844	95,098,915	254	13,065,448	6,666,392
2	121	RAIFFEISEN BANK AVAL	3,221	133	18,370,641	10,593,444	2,506	108	20,192,279	11,248,122	-715	1,821,638	654,678
3	90	UKRSIB-BANK	2,349	246	12,089,324	6,215,535	2,280	209	13,231,275	6,894,985	-69	1,141,950	679,450
4	111	FUIB	2,337	213	14,151,979	6,411,304	1,738	142	15,231,784	6,800,379	-599	1,079,805	389,075
5	21	UKRSOTS-BANK	1,638	232	14,131,877	7,026,987	1,591	222	16,773,152	8,491,733	-47	2,641,275	1,464,745
6	48	ALFA-BANK	1,253	85	14,655,713	5,735,495	1,381	93	18,010,919	7,078,870	128	3,355,206	1,343,375
7	143	SBERBANK	1,136	434	10,405,718	2,575,465	1,164	476	11,333,904	2,855,943	28	928,186	280,478
Total for banks:			32,304	4,371	223,006,648	126,990,753	31,284	4,812	247,040,156	138,468,947	-1,021	24,033,507	11,478,194
% to total for the Fund			75.46	78.22	64.09	69.18	76.11	81.07	64.64	68.12	59.82	70.33	58.28
Total for the Fund			42,808	5,589	347,978,787	183,575,923	41,102	5,935	382,149,862	203,271,696	-1,706	34,171,075	19,695,772

corresponds to the reduction of USD 0.43 bn or 5.3 % to USD 7.81 bn in the USD equivalent.

In 2016, the largest increase in total deposits was observed in PJSC CB “Privatbank” (UAH 13.1 bn or 9.4 %) to UAH 152.3 bn. For most of 2016, the largest reduction in the amount of deposits (excluding insolvent and distressed banks) occurred in PJSC “Prominvestbank” (-UAH 3.0 bn or 36.2 % to UAH 5.3 bn).

The 10 banks with total deposits in excess of UAH 10 bn jointly concentrate UAH 295.5 bn or 77.3 % of total deposits of all the banks participating in the Fund (Table No. 4.4.).

- **Average deposit amount** increased by UAH 1,194.00 or 14.7 % to UAH 9,298 in 2016. The average deposit amount under deposits guaranteed by the Fund (more than UAH 10.00) in 2016 increased by UAH 1,040 to UAH 16,378. The largest average size of the deposit is concentrated in PJSC

Table No. 4.4.

Banks concentrating the largest amount of deposits as of 1 January 2017, UAH thous

Item No.	Size No.	Name of the Bank	01.01.2016			01.01.2017			за 2016 рік	
			Deposit Amount		Possible Compensation Amount, UAH thous.	Deposit Amount		Possible Compensation Amount	Deposit Amount	Possible Compensation Amount
			total	including foreign-currency deposits		total	including foreign-currency deposits			
1	113	PRIVATBANK	139,201,396	69,820,655	88,432,523	152,266,844	83,755,684	95,098,915	13,065,448	6,666,392
2	22	UKREXIMBANK	24,592,986	16,579,610	8,610,579	24,607,713	16,614,528	8,740,733	14,727	130,154
3	121	RAIFFEISEN BANK AVAL	18,370,641	7,409,779	10,593,444	20,192,279	7,506,807	11,248,122	1,821,638	654,678
4	48	ALFA-BANK	14,655,713	9,111,632	5,735,495	18,010,919	11,802,629	7,078,870	3,355,206	1,343,375
5	21	UKRSOTSBANK	14,131,877	7,760,129	7,026,987	16,773,152	8,747,495	8,491,733	2,641,275	1,464,745
6	111	FUIB	14,151,979	8,243,477	6,411,304	15,231,784	8,862,610	6,800,379	1,079,805	389,075
7	52	UKRGASBANK	11,107,087	5,606,643	6,765,315	13,765,974	7,127,139	7,927,621	2,658,887	1,162,306
8	90	UKRSIBBANK	12,089,324	6,493,358	6,215,535	13,231,275	6,410,866	6,894,985	1,141,950	679,450
9	143	SBERBANK	10,405,718	8,562,595	2,575,465	11,333,904	9,332,238	2,855,943	928,186	280,478
10	85	OTP BANK	9,324,113	6,229,205	3,183,423	10,118,815	5,759,261	3,596,237	794,702	412,814
Total for banks:			268,030,834	145,817,082	145,550,071	295,532,657	165,919,258	158,733,539	27,501,822	13,183,468
% to total for the Fund			77.03	76.40	79.29	77.33	78.17	78.09	80.48	66.94
Total for the Fund			347,978,787	190,860,081	183,575,923	382,149,862	212,259,120	203,271,696	34,171,075	19,695,772

Table No. 4.5.

Monthly dynamics of deposit transactions of individuals by currency

Date	Number of depositors, mn persons	Total amount of deposits, UAH bn	Possible compensation amount, UAH bn	Amount of national-currency deposits bn UAH	Amount of foreign-currency deposits, bn UAH	Amount of foreign-currency deposits, USD bn	The official UAH/USD exchange rate
01.01.2014	47.4	402.6	245.6	224.3	178.4	22.3	7.9930
01.01.2015	46.5	382.1	209.9	172.1	210.0	13.3	15.7686
01.01.2016	44.7	362.3	191.9	164.5	197.8	8.24	24.0007
01.01.2017	41.1	382.1	203.3	169.9	212.3	7.81	27.1908

Table No. 4.6.

Dynamics of deposit transactions of individuals

Period	Number of Depositors		Total deposits		Average deposit amount (ADA), UAH		ADA without UAH 1 or UAH 10	
	thous. people	growth rates prior the year start, %	UAH mn	growth rates prior the year start, %	UAH	growth rates prior the year start, %	UAH	growth rates prior the year start, %
1	2	3	4	5	6	7	8	9
01.01.2000	4,558.9		3,675.58		806			



Table No. 4.6. continued

Period	Number of Depositors		Total deposits		Average deposit amount (ADA), UAH		ADA without UAH 1 or UAH 10	
	thous. people	growth rates prior the year start, %	UAH mn	growth rates prior the year start, %	UAH	growth rates prior the year start, %	UAH	growth rates prior the year start, %
1	2	3	4	5	6	7	8	9
01.01.2001	5,358.8	17.5	5,603.62	52.5	1,046	29.7		
01.01.2002	4,837.4	-9.7	9,264.13	65.3	1,915	83.1		
01.01.2003	7,005.5	44.8	16,645.80	79.7	2,376	24.1		
01.01.2004	10,488.4	49.7	29,160.58	75.2	2,780	17.0	3,745	
01.01.2005	15,021.2	43.2	38,432.07	31.8	2,559	-8.0	3,368	-10.1
01.01.2006	18,570.2	23.6	67,885.22	76.6	3,656	42.9	4,561	35.4
01.01.2007	24,239.9	30.5	100,416.06	47.9	4,143	13.3	4,945	8.4
01.01.2008	29,607.8	22.1	155,236.15	54.6	5,243	26.6	6,105	23.5
01.01.2009	34,532.3	16.6	204,934.68	32.0	5,935	13.2	7,001	14.7
01.01.2010	31,568.0	-8.6	198,010.58	-3.4	6,273	5.7	7,455	6.5
01.01.2011	32,577.8	3.2	254,180.28	28.4	7,802	24.4	9,400	26.1
01.01.2012	35,007.8	7.5	282,596.88	11.2	8,072	3.5	9,594	2.1
01.01.2013	44,428.9	26.9	338,496.80	19.8	7,619	-5.6	16,006	66.8
01.01.2014	47,447.2	6.8	402,615.53	18.9	8,486	11.4	17,148	7.1
01.01.2015	46,523.5	-1.9	382,081.64	-5.1	8,213	-3.2	16,487	-3.9
01.01.2016	44,703.4	-3.9	362,277.96	-5.2	8,104	-1.3	15,338	-7.0
01.01.2017	41,101.8	-8.1	382,149.86	5.5	9,298	14.7	16,378	6.8

“BANK AVANGARD” (UAH 394.2 thous.), in which the number of depositors totaled 22 persons, which indicates a high dependence of the bank on “big bank depositors.”

- **the amount of possible compensation** from the Fund increased by UAH 11.3 bn or 5.9 % in 2016 and amounted to UAH 203.3 bn as of 1 January 2017. The largest increase in the amount of compensation in 2016 was observed in PJSC CB “Privatbank” (+UAH 6.7 bn or 7.6 % to UAH 95.1 bn).

Table No. 4 shows the structure of deposits of the Fund since the beginning of 2014.

Table 4.6 shows the dynamics of deposit transactions of banks participating in the Fund since 2000 (Fig. 4.12).

Annual dynamics of total deposits in 2014 and in 2015 is almost identical. The decrease in deposits from the

population is associated with the liquidation of banks, a high level of distrust in the banking system, a rising inflation, and deterioration of social conditions in the country. Reduction of the amount of deposits in 2014 in general amounted to UAH 20.5 bn or 5.1 %; in 2015, to UAH 19.8 bn or 5.2 %. At the same time, the increase in 2016 totaled UAH 19.9 bn or 5.5 %.

Low rates of reduction of total deposits in 2014–2015 were related to the devaluation of hryvnia (50 % and 33.3 % respectively). In dollar terms the reduction of foreign currency deposits in both years is also almost identical (40.3 % and 38.1 % respectively).

In 2016, the dynamics changed; namely, an increase in total deposits by UAH 19.9 bn or 5.5 % to UAH 382.1 bn in the

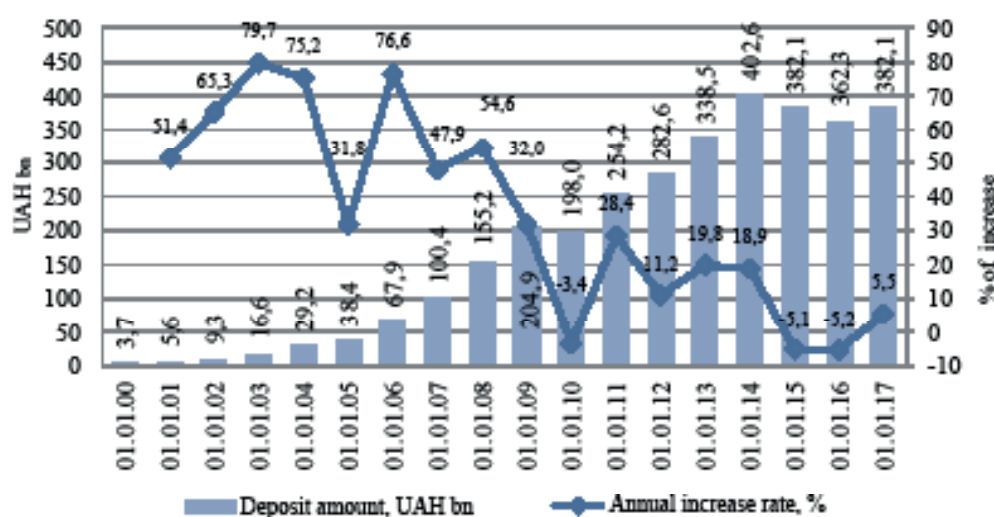


Fig. 4.12. Dynamics of total deposits with banks participating in the Fund in 2000–2016

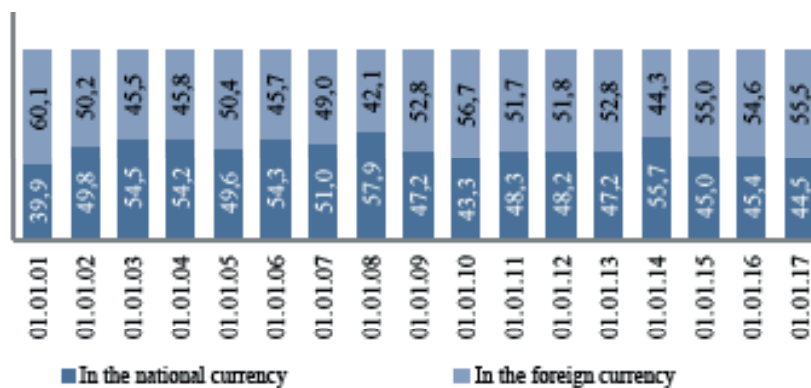


Fig. 4.13. Dynamics of the structure of deposits by currency, %

national currency (UAH 5.4 bn or 3.3 % to UAH 169.9 bn) and the foreign currency (UAH 14.5 bn or 7.3 % to UAH 212.3 bn) was observed. However, in dollar terms, foreign currency deposits continued to decline (USD -0.4 bn or -5.3 % to USD 7.8 bn); however, the rate of the decrease slowed down significantly.

When calculating the amount of deposits at the NBU foreign exchange rate set in early 2016, total reduction of deposits in 2016 in the UAH equivalent amounts to UAH 5 bn or 1.4 % due to the outflow of foreign currency deposits, which was negated by foreign exchange revaluations.

If the devaluation of the UAH against the USD by a factor of 3.4 over 3 years since the beginning of 2014 is disregarded, the amount of deposits of individuals decreased roughly by UAH 170.3 bn or 42.3 % (in terms of the NBU foreign exchange rate set in early 2014 at UAH 7.993 per USD 1.00).

Total deposits of sole proprietors as of 1 January 2017 totaled UAH 14.4 bn, which amounts to 3.8 % in the structure of deposits. Number of sole proprietors is 1.1 mn persons, or 2.7 % of all bank depositors. The largest number of sole proprietors (510.2 thous. persons, or 46.5 %) and the

largest amount of funds (UAH 4.9 bn, or 34.3 %) was concentrated in PJSC CB “Privatbank”

### Deposits by currency

In 2016, the share of national currency deposits decreased from 45.4 % to 44.5 %, while foreign currency deposits increased their share from 54.6 to 55.5 % (Fig. 4.13).

In 2016 national currency deposits increased by UAH 5.4 bn, or 3.3 %, and amounted to UAH 169.9 bn. For comparison, the decrease of national currency deposits in 2015 amounted to USD 7.6 bn, or 4.4 %, from UAH 172.1 bn to UAH 164.5 bn. Therefore, there was a slight increase in national currency deposits in 2016 (as compared to 2014 and 2015) (Fig. 4.14).

The UAH equivalent amount of foreign currency deposits in 2016 increased by UAH 14.5 bn, or 7.3 %, to UAH 212.3 bn, which is equivalent to reducing the amount of deposits by USD 0.4 bn, or 5.3 %, to USD 7.81 bn and is due to changes in the official UAH/USD exchange rate (namely from UAH 24.00 (as of 1 January 2016) to UAH 27.19 (as of 30 December 2016)). For comparison, the UAH equivalent amount of foreign currency deposits decreased by UAH

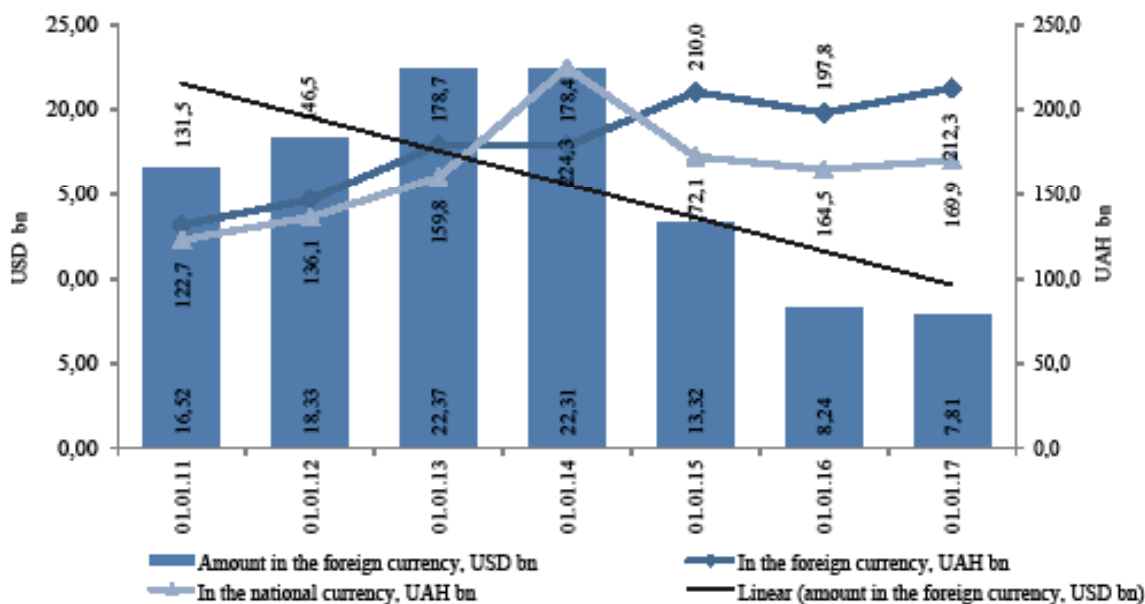


Fig. 4.14. Dynamics of foreign currency deposits

Table No. 4.7.

## Structure of deposits by ranges of amounts by banks participating in the Fund as of 1 January 2017

Amount of the deposit, UAH	Number of Depositors		Deposit Amount		Average deposit amount
	persons	percent	thous. UAH	percent	UAH
less than UAH 10.00	17,770,096	43.23 %	23,268.39	0.01 %	1.31
from UAH 10.00 to UAH 100,000.00	22,572,098	54.92 %	84,428,154.92	22.09 %	3,740.38
from UAH 100,000.00 to UAH 200,000.00	436,874	1.06 %	63,440,023.55	16.60 %	145,213.55
from UAH 200,000.00 to UAH 500,000.00	240,170	0.58 %	66,576,820.43	17.42 %	277,207.06
more than UAH 500,000.00	82,534	0.20 %	167,681,594.31	43.88 %	2,031,666.88
Total	41,101,772	100.0 %	382,149,861.60	100.0 %	9,297.65
Total without UAH 10.00	23,331,676	56.8 %	382,126,593.21	100.0 %	16,378.02
from UAH 10,000.00 to UAH 200,000.00 (fully guaranteed)	23,008,972	98.6 %	147,868,178.47	38.7 %	6,426.54

12.2 bn, or 5.8 %, from UAH 210.0 bn to UAH 197.8 bn in 2015, which is equivalent to the decrease by USD 5.1 bn, or 5.1 %, from USD 13.3 bn to USD 8.2 bn.

Thus, the rate of reduction of the dollar supply to the deposits of the population and hryvnia devaluation in 2016 slowed down (Fig. 4.14).

### Maximum coverage limit

According to Article 26 of the Law of Ukraine “On the Deposit Guarantee System”, the coverage amount for deposits by the Fund is UAH 200,000.00 (or USD 7.4 thous.). During the entire period of Fund’s existence the maximum compensation amount for deposits increased by a factor of 400. The structure of deposits of individuals by ranges as of 1 January 2017 is as follows (Table No. 4.7., Fig. 4.15 and Fig. 4.16).

As of 1 January 2017, funds of 23.0 mn persons (or 98.6 % of bank depositors) were fully protected (ranging from UAH 10.00 to UAH 200,000.00); these depositors account for UAH 147.9 bn, or 38.7 % of total deposits. The average amount of deposits in the range guaranteed by the Fund is UAH 6,427.

As can be seen from the structure of deposits, half of depositors hold deposits ranging from UAH 10.00 to UAH 100,000.00 (54.9 % of all the depositors), which represents 96.7 % of the guaranteed deposits. A significant number of depositors (43.2 %) have accounts of less than UAH 10.00, while the largest share of total deposits (UAH 167.7 bn, or 43.9 %) is held by 82.5 thous. persons (0.2 % of all the bank depositors), who have deposits in excess of UAH 500,000.00.

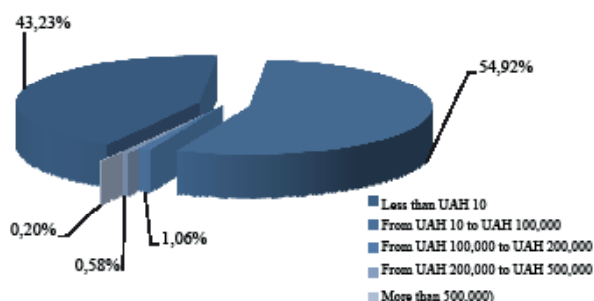


Fig. 4.15. Number of deposits, %

Thus, the guaranteed level of compensation of deposits covers most of the deposits and indicates the intention of depositors to hold deposits within the range of funds guaranteed by the Fund.

### Total Eligible and Total Covered Deposits

The possible compensation amount for banks participating in the Fund in 2016 increased by UAH 11.3 bn, or 5.9 %, to UAH 203.3 bn, or 53.2 % of total deposits of the Fund. For comparison, the amount of possible compensation in 2015 decreased by UAH 17.9 bn, or 8.6 %, from UAH 209.9 bn to UAH 191.9 bn.

The possible compensation amount for 95 banks (excluding insolvent banks as of 1 January 2017) amounted to UAH 202.1 bn. In 4 insolvent banks the compensation amount is UAH 1.1 bn, and the number of persons holding guaranteed deposits is 80.5 thous. persons.

Resources of the Fund as of 1 January 2017 totaled UAH 15.3 bn and do not cover the amount of compensation possible only for PJSC CB “Privatbank” (the coverage is 16.1 %, the compensation amount is UAH 95.1 bn, or 46.8 % of total for the Fund). In addition, high costs of possible payments to depositors of insolvent and potentially insolvent banks can significantly reduce the amount of resources.

The amount of possible compensation for 2016 increased in 73 banks. The largest amount increase volumes (UAH 1 bn) were observed in 5 banks (Table No. 4.8.):

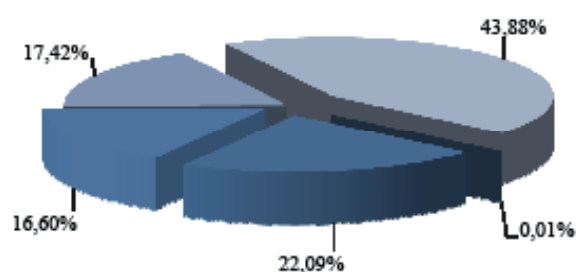


Fig. 4.16. Total deposits, %

Table No. 4.8.

## Banks with the largest increase in the possible compensation amount in 2016

Item No.	Size No.	Name of the Bank	01.01.2016			01.01.2017			Dynamics for 2016		
			Number of Depositors	Deposit Amount	PCA, UAH	Number of Depositors	Deposit Amount	PCA, UAH	Contribution Amount, UAH	Possible Compensation Amount	
										persons	UAH
1	113	PRYVATBANK	20,370,148	139,201,395,954	88,432,522,688	20,623,942	152,266,843,926	95,098,914,768	13,065,447,972	6,666,392,079	7.5
2	21	UKRSOTS-BANK	1,638,241	14,131,876,812	7,026,987,077	1,591,259	16,773,151,951	8,491,732,505	2,641,275,139	1,464,745,428	20.8
3	48	ALFA-BANK	1,252,780	14,655,713,009	5,735,495,407	1,381,154	18,010,918,562	7,078,870,467	3,355,205,553	1,343,375,060	23.4
4	179	PLATINUM BANK	437,301	4,938,495,029	3,661,656,382	520,777	5,912,241,147	4,889,371,393	973,746,118	1,227,715,011	33.5
5	52	UKRGASBANK	835,656	11,107,086,560	6,765,315,231	812,389	13,765,973,629	7,927,621,206	2,658,887,070	1,162,305,975	17.2

The presence of an inadequate growth trend for the possible compensation amount and the dynamics of deposit transactions that is typical for banks that are subsequently recognised as distressed/insolvent, which could potentially increase the costs of the Fund for payments to depositors of insolvent banks, in the system of the Fund is worth noting. Thus, the increase of the compensation amount in case of reduction of the amount of deposits in 2016 occurred in 10 banks.

The ratio of the value of the possible compensation amount (PCA) to total deposits (TD) as total for the Fund in 2016 increased from 53.0 to 53.2 %.

As of 1 January 2017, almost all depositors' funds in 6 banks are secured by the Fund (the cover of PCA to TD exceeds 90 %) (Table No. 4.9).

*Structure of the covered deposits amount*

According to the data from reporting forms 1Φ as of 1 January 2017, the amount of compensation by banks is distributed as follows: UAH 203.3 bn (total compensation); UAH 130.9 bn, or 64.4 %, (total term deposits); UAH 70.9 bn, or 34.9 %, (total current account deposits), including UAH 56.7 bn, or 80.1 %, of all current accounts (card accounts) (Table No. 4.10).

Table No. 4.9.

## Total covered to total eligible deposits as of 1 January 2017

Item No.	Size No.	Name of the Bank	01.01.2016			01.01.2017		
			Deposit Amount	Possible Compensation Amount	TD/PCA	Deposit Amount	Possible Compensation Amount	TD/PCA
1	228	ALPARI BANK	440,755	440,683	99.98	263,473	263,369	99.96
2	178	UBRD	229	225	98.36	229	225	98.36
3	37	FINBANK	7,480,485	6,672,187	89.19	3,173,058	3,086,447	97.27
4	237	VECTOR BANK	13,786,306	11,875,357	86.14	74,416,584	71,968,703	96.71
5	221	SEB CORPORATE BANK	8,185,783	7,890,898	96.40	3,973,942	3,795,693	95.51
6	127	NOVYI	197,873,424	117,492,044	59.38	100,073,195	92,132,320	92.06

Table No. 4.10.

## Structure of the covered deposits in terms of maturity as of 1 January 2017

Item No.	Indicator	01.01.2016		01.01.2017	
		Number	Deposit Amount	Number	Deposit Amount
1	2	3	4	5	6
1	Total deposits/total number of depositors	44,703,431	362,277,975,753.27	41,101,772	382,149,861,596.40
2	In the foreign currency	5,686,386	197,774,121,761.71	5,935,264	212,259,120,297.87
	Part IV				
9	Possible compensation amount, total, including:	23,093,542	191,926,692,686.14	22,822,061	203,271,695,554.14
9.1	Current account deposits, including:	20,087,303	67,731,121,223.14	19,356,938	70,852,501,658.79
9.1.1	Deposits on card accounts	18,160,673	53,429,960,116.17	17,753,485	56,722,422,674.28
9.2	Registered savings certificates, including those maturing in:	9,332	1,404,576,780.21	8,686	1,413,336,583.62

Table No. 4.10. continued

Item No.	Indicator	01.01.2016		01.01.2017	
		Number	Deposit Amount	Number	Deposit Amount
1	2	3	4	5	6
9,2,1	sight deposit	39	4,312,915.62	246	36,863,078.52
9,2,2	less than 1 month	927	141,282,980.59	1,789	288,847,015.68
9,2,3	from 1 to 2 months	951	145,079,855.68	1,346	215,876,586.81
9,2,4	from 2 to 3 months	1,188	180,043,599.95	1,292	214,787,122.97
9,2,5	from 3 to 4 months	1,109	157,023,540.60	990	158,240,103.02
9,2,6	from 4 to 5 months	1,842	266,666,218.68	1,041	161,872,818.43
9,2,7	from 5 to 6 months	2,171	310,713,833.74	820	129,345,161.79
9,2,8	from 6 to 7 months	206	29,690,315.66	281	41,660,278.34
9,2,9	from 7 to 8 months	88	15,040,891.44	261	41,518,699.29
9,2,10	from 8 to 9 months	162	24,920,538.72	219	33,956,840.73
9,2,11	from 9 to 10 months	196	28,003,238.83	208	33,211,777.19
9,2,12	from 10 to 11 months	261	36,786,752.02	182	27,844,562.03
9,2,13	from 11 to 12 months	395	62,402,462.68	177	27,846,764.73
9,2,14	more than 12 months	21	2,609,636.00	11	1,465,774.09
<b>9.3</b>	<b>Deposits on deposit accounts, including those with a period of return of:</b>	<b>8,533,669</b>	<b>122,749,135,760.58</b>	<b>9,288,562</b>	<b>130,948,753,143.92</b>
9,3,1	less than 1 month	921,801	25,973,347,710.14	919,234	24,900,775,936.95
9,3,2	from 1 to 2 months	815,234	16,471,387,571.84	843,686	17,020,802,439.32
9,3,3	from 2 to 3 months	882,216	18,239,818,779.35	925,630	18,334,248,177.87
9,3,4	from 3 to 4 months	749,555	12,614,925,268.35	784,640	12,400,233,434.96
9,3,5	from 4 to 5 months	707,519	11,414,199,262.33	752,883	12,150,814,665.04
9,3,6	from 5 to 6 months	715,491	10,693,718,115.07	779,605	11,854,178,435.15
9,3,7	from 6 to 7 months	525,809	3,901,791,732.03	583,152	5,898,757,164.62
9,3,8	from 7 to 8 months	500,724	3,310,479,092.61	557,176	4,615,688,031.11
9,3,9	from 8 to 9 months	683,985	3,676,214,674.37	721,102	4,635,845,605.33
9,3,10	from 9 to 10 months	698,043	4,045,603,085.42	735,420	4,775,506,634.66
9,3,11	from 10 to 11 months	803,282	3,796,620,386.94	854,608	4,448,504,367.77
9,3,12	from 11 to 12 months	1,020,608	4,953,292,879.12	1,310,240	5,687,637,034.95
9,3,13	more than 12 months	200,919	2,554,339,744.48	209,306	3,289,952,824.58
9,3,14	whereon the term has expired and which are not credited to the current/card accounts (SDD)	208,250	1,103,397,458.53	178,939	935,808,391.61
9.4	Other	33,263	41,858,922.21	34,546	57,104,167.81

### Structure of deposits in terms of maturity

According to the data of the Form N 10 (monthly) “Turnover Balance of Term Deposits of Banks,” term deposits concentrated 71.7 % of funds of individuals, and the specific weight of funds held in current accounts constituted 28.3 %

in the structure (which is the highest share since 2001). Since the beginning of the year, the amount of deposits increased by UAH 4.3 bn, or 1.7 %, to UAH 252.9 bn; the amount of current accounts increased by UAH 7.6 bn, or 8.7 %, to UAH 100.0 bn. Dynamics of the structure of deposits in terms of maturity is shown in Fig. 4.17.

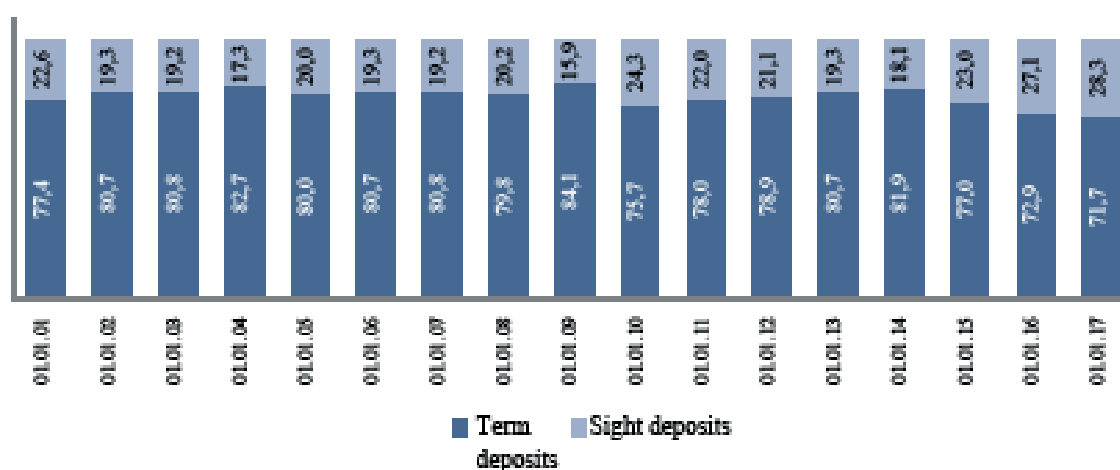


Fig. 4.17. Dynamics of the structure of deposits of individuals in terms of maturity for 2001–2016, %

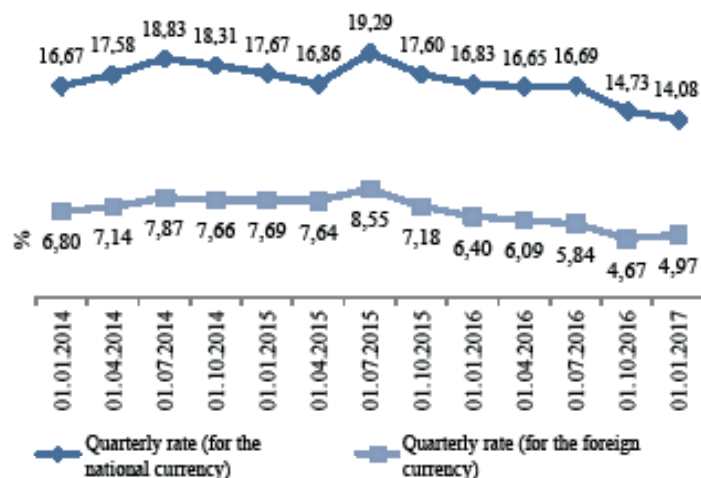


Fig. 4.18. Dynamics of the weighted average quarterly interest rates on deposits of individuals for 2014–2016

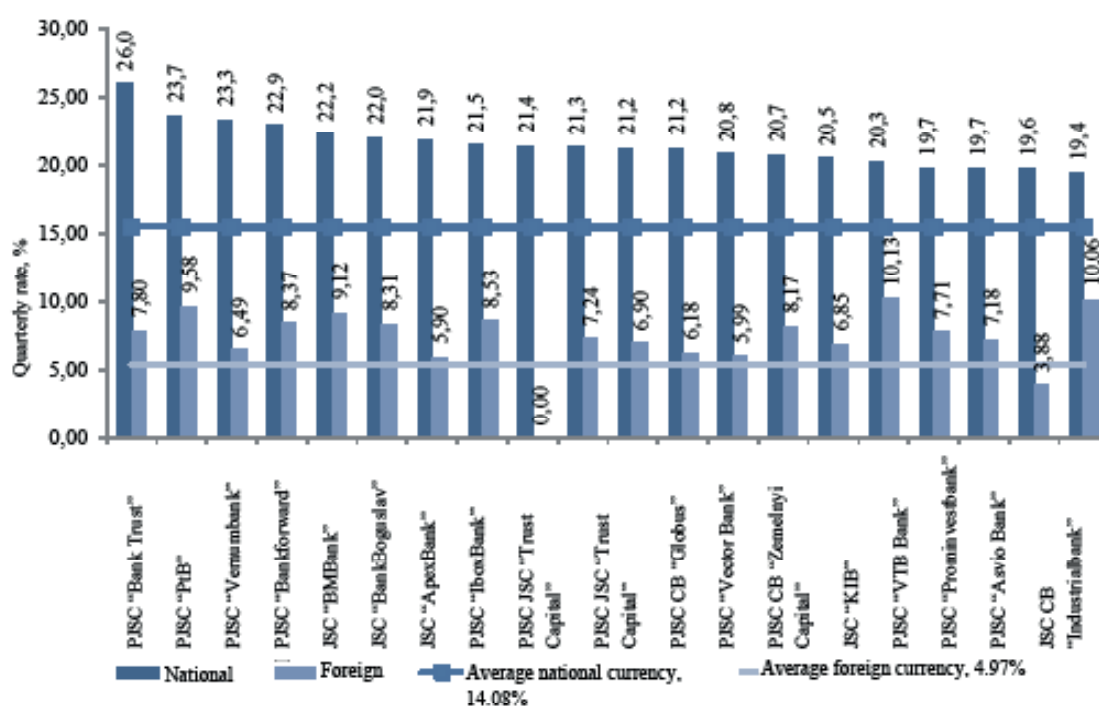


Fig. 4.19. The highest rates in the system in 2016 (more than 4 pp)

### Weighted average interest rate on deposits

Analysis of the weighted average monthly interest rates on deposits of individuals was held in accordance with the monthly reporting form No. 350Д "Information about the amounts and the weighted average interest rates on deposits of individuals in the context of banks and groups of banks, currencies (national and foreign), terms (total, sight deposits, and term deposits (including long-term ones)), residence status (resident, non-resident), and total for the banks."

The weighted average interest rate in 2016 decreased by 16.3 % for national currency deposits (from 16.83 % to

14.08 %) and by 22.3 % for foreign currency deposits (from 6.40 % to 4.97 %). (Fig. 4.18).

The analysis of interest rates in 2016 determined that 19 banks use a rate of national currency deposits that exceeds the weighted average for the system by 4 percentage points (of which, 2 banks use this rate for foreign currency deposits) (Fig. 5.19). The highest rate on national currency deposits is offered by PJSC "BANK TRUST" (26.03 %); and the highest rate on foreign currency deposits, by PJSC "ASVIO BANK" (10.13 %). Typically, higher rates on deposits are offered by banks that have problems with resources.

## 5. REGULATORY ACTIVITY

### 5.1. Implementation of control functions

To perform its main task (namely, to ensure the functioning of the Deposit Guarantee System) the Fund monitors the implementation of liabilities by banks in connection with their participation in the deposit guarantee system. For this purpose, inspections of banks participating in the Fund are carried out. In 2016, such inspections were carried out according to the plan of inspections approved by the resolution of the executive management of the Fund dated 12 November 2015. A total of 70 inspections were carried out, including 63 scheduled and 7 unscheduled inspections.

Also, in 2016 alone, an analysis of compliance of banks with requirements of the Fund for the development and the maintenance of a database of depositors was conducted in 24 banks participating in the Fund.

Unscheduled inspections of banks were carried out by inspection teams of the Fund and primarily dealt with the implementation of orders to eliminate violations of the legislation on guarantee of deposits for individuals by banks.

Routine inspections were carried out to check the following:

1. Accuracy of statements submitted to the Fund;
2. Completeness and timeliness of payment of fees to the Fund and charging a penalty;
3. Completeness and reliability of maintaining a database of bank depositors;
4. Compliance with the requirements to inform depositors about the bank's participation in the Fund;

5. Compliance with other requirements of the Law of Ukraine "On Household Deposit Guarantee System" and regulations of the Fund.

Inspections were aimed at obtaining information on the performance or non-performance of the Law of Ukraine "On Household Deposit Guarantee System" by banks, including the adherence of banks to the rules of calculation and payment of fees, the provision of information for maintaining the Register of the DGF participants, the compliance of accounting information of bank depositors (individuals) in a database with applicable legal requirements, and to the procedure for notification of depositors about the household deposit guarantee system in Ukraine. Particular attention during inspections was paid to the reliability of calculations of fees and reports submitted to the Fund by banks as well as to the ability of banks to properly form databases of bank depositors (individuals) in accordance with the requirements of the Fund.

The conducted inspections of 58 banks detected violations of the Law of Ukraine "On Household Deposit Guarantee System" and regulations of the Fund while no violations were detected during 12 inspections.

Inspections detected 101 violations of the regulations of the Fund (Fig. 5.1).

Banks that were found to have violations on the basis of inspection results submitted corrected reporting forms, necessary information for the Register, informed the Fund of the measures taken to eliminate violations etc.

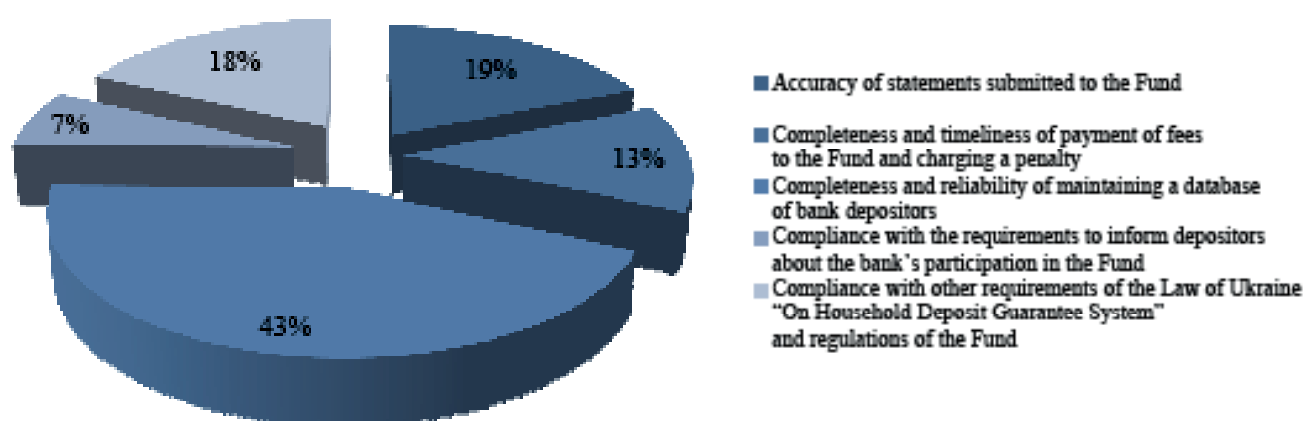


Fig. 5.1. The specific weight of violations of specific audited issues in the total number of violations

Overall, the following violations have been detected:

### *Accuracy of the statements submitted to the Fund*

In order to analyse trends of the market for resources attracted from depositors by banks participating in the Fund so as to protect the rights and legal interests of depositors, to instill confidence in the banking system of Ukraine, to incentivise the attraction of funds into the banking system, and to ensure effective procedures for withdrawal of insolvent banks from the market, a requirement for banks participating in the Fund to provide reporting form No. 1Φ was set. Main requirements for compiling and providing this form are specified in the Instruction for the compilation of reports on the deposits of individuals in banks participating in the Deposit Guarantee Fund approved by the decision of executive management and registered with the Ministry of Justice of Ukraine. Inspection results show that some banks have allowed certain violations when compiling and submitting their statements, including providing of false information about the number and the amounts of funds deposited by individuals and sole proprietors.

According to inspection results, violations of the procedure for the compilation of reporting No. 1-Φ by banks participating in the Fund were detected in nineteen of the inspected banks; the share of violation is 18.81 % of the violations.

### *Completeness and timeliness of payment of fees to the Fund and charging a penalty*

The inspections held in 2016 determined that banks participating in the Fund did not take into account the balance of individuals accounted in related balance sheet accounts in full wherein balances were included in the calculation of the regular fee and had to be debited to the Fund when calculating the amount of regular fee and performed incorrect calculation of the risk used to weigh the basic annual rate in local and foreign currencies. On the basis of the results of inspections of banks regarding completeness of payment of fees to the Fund by banks, relevant units of the Fund found understating the amount of regular fees of banks to the Fund in the amount of UAH 961.5 thous.; a penalty was additionally charged for the incomplete payment of regular fees by the banks to the Fund in the amount of UAH 581.4 thous.

Overall, violations of the completeness and timeliness of payment of fees to the Fund were detected in 13 banks participating in the Fund; the share of violations is 12.87 % of all violations.

The results of the inspections showed that banks generally calculated the calculation base for regular fees and measured their risks correctly and paid regular fee to the DGF in full.

### *Completeness and reliability of maintaining a database of bank depositors*

The Fund established requirements for the formation of a database of depositors-sole proprietors by banks participating in the Fund. Basic requirements are laid down in the Rules of forming and maintaining databases of depositors approved by the resolution of the executive management. In the reporting period, standard violations in forming and maintaining databases were detected, including the following:

violations related to insufficiency or incorrectness of information about the depositor, which makes the implementation of the unique identification of depositors and the duplication of information about a single depositor impossible. The total number of banks in which the aforementioned violations were identified was 44. The share of this violation is 43.56 % of all detected violations. In general, inspected banks used developed software and hardware that allow collecting and storing information about depositors, and providing data storage in an archive file on external media separated both logically and physically.

### *Compliance with the requirements to inform depositors about the bank's participation in the Deposit Guarantee Fund*

The Law of Ukraine “On Household Deposit Guarantee System” and Section III of the “Procedure for the Protection of Rights and Legal Interests of Depositors by the Deposit Guarantee Fund” define the requirements for participating banks for the obligatory placement of the information on the Deposit Guarantee System in Ukraine.

Banks participating in the Fund are required to post information on the deposit guarantee system as well as a copy of the certificate of the bank participating in the Fund and details (location, hotline, and the official website of the Fund) as well as a short statement on household deposit guarantee system, etc. in the premises of banks where depositors are provided with banking services (on information boards and/or in the operating room, where the transactions of receiving deposits from individuals are implemented etc.) as well as on their own websites.

The results of the inspection show that some banks committed violations when informing depositors of the bank participating in the Fund, including, in particular, the failure to provide relevant information about details of the Fund on the website and in the premises of the bank. In addition, deposit agreements and bank account agreements signed with depositors-individuals contain no information on the terms of reimbursement for these deposits. In the course of inspections held in 2016, 7 cases of violation of bank requirements to inform depositors about the



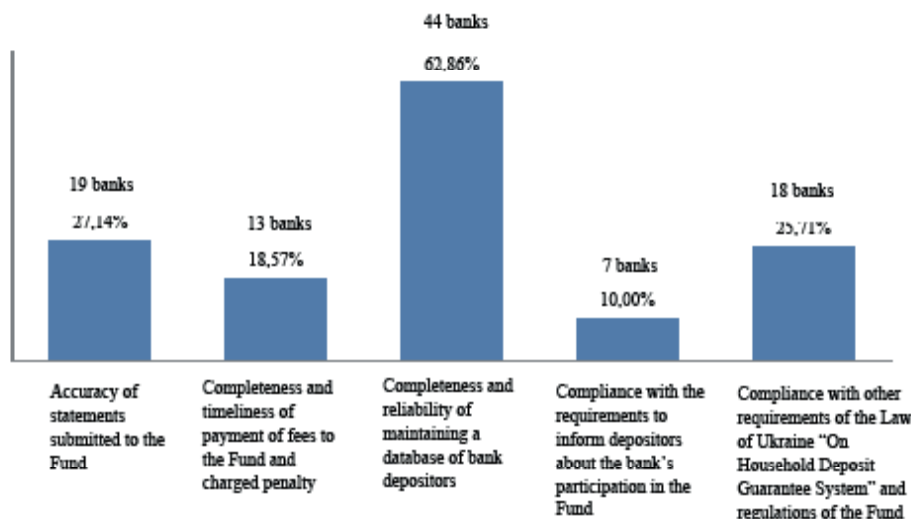


Fig. 5.2. The share of offending banks in the total number of banks inspected in 2016

household deposit guarantee system in Ukraine were detected; the share of the violation is 6.93 % of all detected violations.

### *Compliance with other requirements of the Law of Ukraine "On Household Deposit Guarantee System" and regulations of the Fund*

Participating banks must provide information specified in the Regulation on the procedure for the maintenance of the Register of the DGF participants approved by the resolution of the executive management of the Fund and registered with the Ministry of Justice of Ukraine.

In particular, banks are required to submit such information as their phone and fax numbers, website, information on members of the supervisory board, members of the Management Board (the Board of Directors), the Chairman or the Acting Chairman, the Chief Accountant etc.

Inspections held in 2016 found that contrary to the requirements, among other things, banks failed to:

— report or provide a timely notification of the Fund on changes of Deputies Chairman of the management board (members of the management board);

— report or provide a timely notification of the Fund on changes in the information on the twenty largest participants of the bank in the Fund.

Inspections held in 2016 determined 18 cases of violation of Fund's requirements to provide information under the Regulation on the procedure for the maintenance of the Register of the DGF participants by banks; the specific weight of this violation is 17.82 % of all violations.

As of 1 January 2017, the department of inspections carried out 70 inspections. The results of inspections of 58 banks established violations of the Law of Ukraine "On Household Deposit Guarantee System" and the regulations of the Fund. Employees of inspection department compiled 95 reports of violations of legislation by banks in the field of deposit guarantees to individuals on the basis of inspections results as of 1 January 2017 YTD.

Due to the high level of established violations, banks were provided with recommendations to enhance control over the implementation of the Law of Ukraine "On Household Deposit Guarantee System" and regulations of the Fund.

## 5.2. Administrative and economic sanctions and administrative fines

One of the functions of the Fund that is aimed at performing its main objective, which is to ensure the functioning of the Deposit Guarantee System and to withdraw insolvent banks from the market, is the imposition of financial sanctions and administrative penalties on banks and their managers.

In 2016 the authorised DGF officers filed 113 reports on administrative offenses. Proceedings on committed administrative violations were held under the Code of Ukraine on Administrative Offenses, since it is foreseen that the grounds for holding bank executives administratively liable is based on the allowance of the following administrative offenses:

- the breach of the procedure for compilation of information to the Fund by the bank manager (Part 1 of the Article 166-19 of the Code);
- the breach of the procedure for submitting information to the Fund by the bank manager (Part 1 of the Article 166-19 of the Code);
- failure of the bank manager to perform legal resolutions of the Fund (Part 2 of the Article 166-19 of the Code);
- untimely performance of legal resolutions of the Fund by the bank manager (Part 2 of Article 166-19 of the Code);

- failure of the bank to pay the fee to the Fund (Part 3 of Article 166-19 of the Code);
- delayed payment of the fee to the Fund by the bank (Part 3 of Article 166-19 of the Code).

After reviewing the cases on administrative offenses the authorised officers issued 105 decisions on the basis of Part 2 of the Article 36 of the Code of Ukraine on Administrative Offenses. Among them 102 decisions were the decisions to impose administrative penalties on bank managers; and 3 decisions were decisions to close the case on an administrative offense.

Thus, for violating the procedure for compilation or submission of information to the Fund by the bank manager, the authorised DGF officer imposed a fine in the amount of UAH 714,000.00; for the delayed payment of the fee to the Fund by the bank or the failure of the bank to pay the fee to the Fund a fine in the amount of UAH 108,800.00 is imposed; the failed or delayed execution of legal decisions of the Fund, a fine in the amount of UAH 6,800.00. Thus, the total amount of fines imposed was equal to UAH 829,600.00; and the amount of fines voluntarily paid to the State Budget of Ukraine was equal to UAH 799,000.00.

In case of violation of the legislation on the Deposit Guarantee System by the bank, the Fund imposes administrative and economic sanctions in the form of a written warning or a fine or an order to eliminate violations of legislation on the household deposit guarantee system on the bank according to the violation.

The Fund imposed sanctions on banks for the following violations:

- failure of the bank to submit information to the Fund if the submission of such information is required by the Law and/or regulations;
- delayed submission of information to the Fund by the bank if the submission of such information is required by the Law and/or regulations of the Fund;

- submission of false information to the Fund by the bank if the submission of such information is required by the law and/or regulations of the Fund;
- violation of the procedure for the maintenance of a database of depositors;
- failure of the bank to perform the decisions and/or the regulations of the Fund or comply with orders to eliminate violations of the legislation on deposit guarantees to individuals;
- failure of the bank to perform decisions and/or regulations of the Fund or comply with orders to eliminate violations of the legislation on deposit guarantees to individuals.

The officials authorised to hear cases in 2016 adopted 206 decisions, of which:

- 94 decisions were orders to adopt measures preventing violations of the law on the household deposit guarantee system in future activities;
- 98 decisions were orders to eliminate violations of legislation on deposit guarantees to individuals;
- 10 decisions were decisions to close the case of violations in the field of deposit guarantees to individuals;
- 4 decisions were decisions to impose fines amounting to UAH 790,500.00.

In 2016, violations of the following regulations of the Fund were recorded:

- 21 banks violated the Regulation on the procedure for calculation, charging, and payment of fees to the Deposit Guarantee Fund approved by the resolution of the executive management of the Fund dated 2 July 2012 No. 1 registered with the Ministry of Justice of Ukraine on 27 July 2012 under No. 1273/21585;
- 34 banks violated the Regulation on the procedure for the maintenance of the Register of the DGF participants approved by the resolution of the executive management of the Fund dated 12 July 2012 No. 7 registered with the Ministry of Justice of Ukraine on 7 September 2012 under No. 1547/21859;

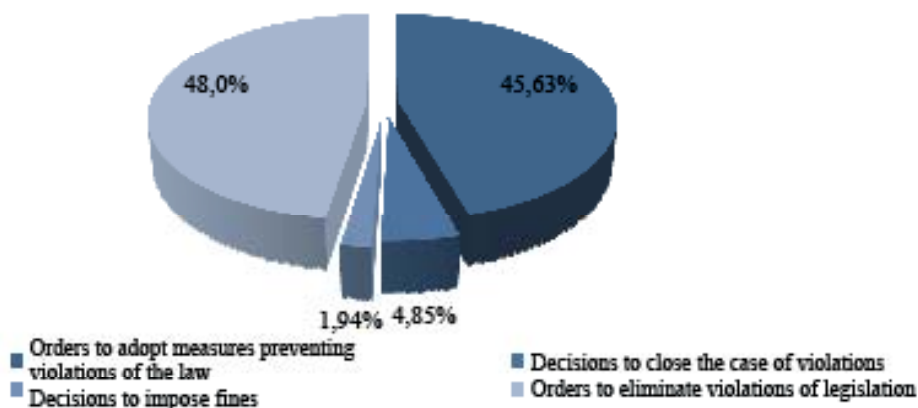


Fig. 5.3. Specific weight of decisions made by the Authorised DGF officers

- 74 banks violated the rules of the Instructions on the procedure for the compilation of reports on deposits of individuals in banks participating in the Fund (Reporting Form No. 1Ф) approved by the resolution of the executive management of the Fund dated 9 July 2012 No. 5 registered with the Ministry of Justice of Ukraine on 2 August 2012 under No. 1314/21626 and the Rules for the provision of reporting by banks participating in the Deposit Guarantee Fund approved by the resolution of the executive management of the Fund dated 9 July 2012 No. 4 registered with the Ministry of Justice of Ukraine on 27 July 2012 under No. 1269/21581, in terms of failed or delayed provision of Reports on deposits in banks participating in the Deposit Guarantee Fund (Reporting Form No. 1Ф);
- 40 banks violated the Rules of forming and maintaining databases of depositors approved by the resolution of the executive management of the Deposit Guarantee Fund dated 9 July 2012 No. 3 registered with the Ministry of Justice of Ukraine on 23 August 2012 under No. 1430/21742;
- 19 banks violated the Rules of provision of reports by banks participating in the Deposit Guarantee Fund approved by the resolution of the executive management of the Fund dated 9 July 2012 No. 4 registered with the

Ministry of Justice of Ukraine on 27 July 2012 under No. 1269/21581;

- 11 banks violated the rules of the Regulation on the Procedure for Informing the Public about the Household Deposit Guarantee System approved by the resolution of the executive management of the Deposit Guarantee Fund dated 23 July 2012 No. 10 registered with the Ministry of Justice of Ukraine on 14 August 2012 under No. 1370/21682;
- 1 bank violated the rules of the Procedure for the Protection of Rights and Legal Interests of Bank Depositors (Individuals) by the Deposit Guarantee Fund approved by the decision of the executive management of the Fund dated 26 May 2016 No. 825 registered with the Ministry of Justice of Ukraine on 17 June 2016 under No. 874/29004;
- 2 banks failed to perform the resolutions of the executive management of the Deposit Guarantee Fund;
- 3 banks failed to perform orders to eliminate violations of requirements of the legislation on deposit guarantees to individuals by the bank;
- 1 bank failed to comply with the order to adopt measures aimed at preventing violations of the law on household deposit guarantee system in its future activities.

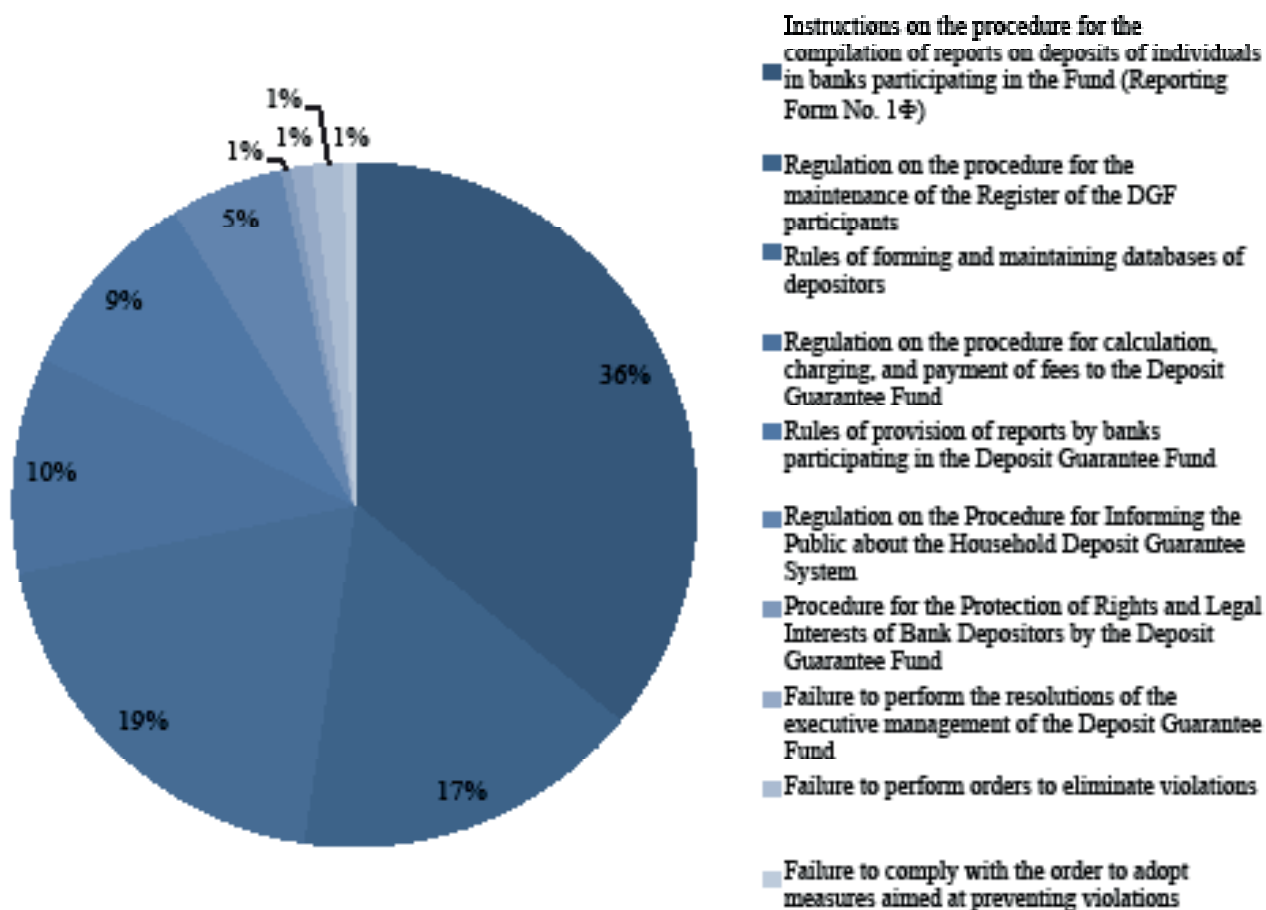


Fig. 5.4. Share of violations of Fund's regulations

## 6. FINANCIAL MANAGEMENT

### 6.1. Financial sources

In order to ensure the functioning of the Deposit Guarantee System and to withdraw insolvent banks from the market, the Fund continued its accumulation of financial resources in 2016.

As of 1 January 2017, the cash of the Fund comprised the following:

- funds on NBU account: UAH 2,309.8 mn
- funds in government securities received in 2016 as a loan in the amount of UAH 7,941.0 mn;
- investments in government securities pledged for loans issued by the NBU in the amount of UAH 5,065.1 mn.

Financial resources of the Fund in 2016 were accumulated in accordance with Article 19 of the Law using the following sources:

- 1) initial and regular fees payable by member banks;
- 2) income from investments in government securities;

- 3) income from interest accrued on balances in the accounts of the Fund opened with the NBU;
- 4) loans obtained from the National Bank of Ukraine;
- 5) sale of Government bonds (obtained from the State Budget of Ukraine as a loan);
- 6) funds obtained from the measures envisaged by the resolution plan;
- 7) other sources not prohibited by the legislation of Ukraine.

Due to the forecast of liquidity deficit at the beginning of 2017, the Fund attracted additional financing in 2016 in order to make payments to depositors of insolvent banks (namely, loans from the Cabinet of Ministers of Ukraine using the funds of the State Budget of Ukraine for 2016 in the form of Government bonds) in the amount of UAH 7,941.0 mn maturing in 2031 with a yield of 9.99 per cent per annum in exchange for the promissory notes of the Fund with the same maturity and yield.

### 6.2. Financial resources application

During the reporting period, the Fund spent its funds in areas stipulated by Article 20 of the Law, namely:

- deposit payouts: UAH 11,444.4 mn (63.2 %);
- 'special purpose' loans for advance payments to the depositors of the bank during the provisional administration: UAH 3,213.3 mn (17.7 %);
- payment of interest on promissory notes of the Fund: UAH 1,264.7 mn (7.0 %);

- repayment of loans issued by the NBU: UAH 635.0 mn (3.5 %);
- interest on loans issued by the NBU: UAH 1,172.4 mn (6.5 %);
- operating costs estimate for 2016: UAH 243.1 mn (1.3 %);
- other expenses: UAH 141.0 mn (0.8 %).

Table No. 6.1

Financial Resources of the Fund in 2016 and 2015, UAH mn

Source of formation of the Fund	2016	2015
Initial fee	0.0	0.0
Regular fee	3,332.4	3,480.5
Income from investment in government securities	777.9	2,062.6
Revenues in the form of interest on balances on current accounts opened with the NBU	345.4	116.2
Loans received from the NBU	0.0	9,950.0
Sale of government bonds	0.0	51,766.8
Redemption of bonds	668.6	184.9
Funds obtained from the measures envisaged by the resolution plan, including:	6,853.4	5,163.9
during liquidation (settlement of creditors' claims)	6,622.5	2,389.4
during the provisional administration (repayment of special purpose loans)	230.9	2,635.3
from the sale of insolvent banks and bridge banks	0.0	139.2
Other revenues, incl.:	102.5	501.3
Security deposits	100.0	498.6
other income	2.5	2.7
<b>Total by source</b>	<b>12,080.2</b>	<b>73,226.2</b>

## Application of the financial resources in 2016 and 2015

UAH mn

Items	2016	2015
Deposit payout	11,444.4	23,034.4
“Special purpose” loans for payouts during the provisional administration	3,213.3	27,358.7
Financial support of assuming and bridge banks	0.0	598.9
Interest expense on the notes of the Fund	1,264.7	1,264.7
NBU loan repayments	635.0	10,446.2
Interest on loans issued by the NBU	1,172.4	2,414.2
Budgeted operating costs	243.1	123.9
Other costs, incl.:	141.0	459.4
Repayment of the security deposits	140.0	458.6
other expenses	1.0	0.8
<b>Total</b>	<b>18,113.9</b>	<b>65,700.4</b>

The 2016 Budget of the Fund was approved by the resolution of the Administration Board of the Fund dated 24 December 2015 No. 23 (as amended by the resolution dated 15 June 2016 No. 14) for the total amount of UAH 330.77 mn.

Performance of the estimates for 2016 amounts to UAH 243.07 mn, or 73.5 % of the planned amount.

According to the 2016 annual procurement plan and annex hereto, the Fund planned procurement of goods and services for the total amount of UAH 87.7 mn.

During the reporting period, goods and services of the value of UAH 45.9 mn were actually procured, namely the following:

— according to the Law of Ukraine “On Public Procurement,” for a total of UAH 26.6 mn, including:

- products: UAH 23.3 mn;
- services: UAH 3.3 mn

— subthreshold procurement and procurement that is not subject to the Law of Ukraine “On Public Procurement”: UAH 19.3 mn, including:

- products: UAH 1.0 mn;
- services: UAH 18.3 mn

Money savings from the procurement on a competitive basis amounted to UAH 0.7 mn, including:

Procedure	Procurement item	Expected cost, UAH thous.	Cost of the signed contract, UAH thous.	Saving, UAH thous.
Open tender	Software and hardware (equipment, installation, configuration, and start-up)	21,550.0	21,370.0	180.0
Open tender	Office paper for printing, A4, class V	320.0	192.00	128.0
Open tender	Printing (manufacturing) of advertising and information products with symbols of the Fund and an annual report	289.4	127.4	162.0

### 6.3. Settlement of Creditors' Claims

As of 1 January 2017, the debt of banks being liquidated regarding the payment of creditor's claims of the Fund amounted to UAH 76,978.2 mn. The total number of banks to which the Fund had registered creditor's claims amounted to 100 banks, which comprised 81 banks that were under the control of the Fund and 19 banks that were under the control of the NBU.

In the reporting year the amount of creditor's claims of the Fund toward banks being liquidated increased by UAH 5,618.0 mn, which was due to an increase in the number of banks being liquidated (Table No. 6.3.).

The list of the biggest creditor's claims of the Fund toward banks being liquidated is provided in Table No. 6.4.

Table No. 6.3.

#### Credit claims of the Fund toward the insolvent banks

Banks being liquidated	As of 1 January 2017		As of 1 January 2016		Difference	
	Number of Banks	Amount, UAH mln	Number of Banks	Amount, UAH mln	Number of Banks	Amount, UAH mln
Banks controlled by the Fund	81	72,916.3	55	67,298.4	26	5,618.0
Banks managed by the NBU	19	4,061.9	19	4,061.9	0	0.0
<b>Total</b>	<b>100</b>	<b>76,978.2</b>	<b>74</b>	<b>71,360.3</b>	<b>26</b>	<b>5,618.0</b>

The largest debtor in absolute terms is PJSC “DELTA BANK” with its 12,017.7 mn, which constitutes 15.6 % of the total amount of claims. The second and third places were taken by PJSC “Finance and Credit Bank” and PJSC “VAB Bank” with amounts of UAH 10,088.2 mn, or 13.1 % of the total amount of claims, and UAH 6,313.5 mn, or 8.2 % of the total amount of claims, respectively. The table shows 20 banks with a specific weight of requirements which is equal to 1.0 % and above. Toward the remaining 80 banks, the DGF has creditor’s claims amounting to UAH

15,294.1 mn, which accounts for 19.9 % of the total amount of claims.

In the reporting year creditor’s claims totaling UAH 6,622.5 mn were repaid to the Fund. The repayment was made by 64 banks entirely under the control of the Guarantee Fund.

The list of the largest amounts of repayment of creditor’s claims of the Fund by banks being liquidated is provided in Table No. 6.5.

Table No. 6.4.

The largest creditor’s claims of the Fund toward banks being liquidated as of 1 January 2017

Item No.	Name of the Bank	Amount, UAH mln	Specific Weight
1	PJSC “DELTA BANK”	12,017.7	15.6 %
2	PJSC “FINANCE AND CREDIT BANK”	10,088.2	13.1 %
3	PJSC “VAB BANK”	6,313.5	8.2 %
4	PJSC “IMEXBANK”	4,373.9	5.7 %
5	PJSC CB “BANK NADRA”	3,763.1	4.9 %
6	PJSC “BANK MYKHAILIVSKIY”	2,614.4	3.4 %
7	PJSC “CB KHRESHCHATYK”	2,568.4	3.3 %
8	PJSC “Brokbusinessbank”	2,208.2	2.9 %
9	PJSC “CITY COMMERCIAL BANK”	1,993.0	2.6 %
10	PJSC “Fidobank”	1,875.4	2.4 %
11	PJSC “BANK KYIVSKA RUS”	1,792.6	2.3 %
12	PJSC “BANK TAVRYKA”	1,782.7	2.3 %
13	PJSC “CB PIVDENCOMBANK”	1,708.7	2.2 %
14	PJSC “UKRINBANK”	1,702.9	2.2 %
15	PJSC CB “ACTIV-BANK”	1,296.3	1.7 %
16	PJSC “Terra Bank”	1,290.5	1.7 %
17	PJSC “EUROGASBANK”	1,252.2	1.6 %
18	PJSC “BANK FORUM”	1,166.8	1.5 %
19	PJSC “BANK DEMARK”	957.2	1.2 %
20	PJSC “BANK MERCURIY”	918.4	1.2 %
21	Other (80 banks)	15,294.1	19.9 %
	<b>Total</b>	<b>76,978.2</b>	<b>100.0 %</b>

Table No. 6.5.

The largest repayments of creditor’s claims of the Fund in the reporting year

Item No.	Name of the Bank	Amount, UAH mln	Specific Weight
1	PJSC “DELTA BANK”	2,788.4	42.1 %
2	PJSC “BANK FORUM”	914.8	13.8 %
3	PJSC “VAB Bank”	393.1	5.9 %
4	PJSC “Bank Kyivska Rus”	265.6	4.0 %
5	PJSC “CB KHRESHCHATYK”	253.7	3.8 %
6	PJSC “BANK CAMBIO”	211.0	3.2 %
7	PJSC “FINANCE AND CREDIT BANK”	198.8	3.0 %
8	PJSC “CB PIVDENCOMBANK”	176.8	2.7 %
9	PJSC “CB PREMIUM”	150.5	2.3 %
10	PJSC “ZLATOBANK”	116.6	1.8 %
11	PJSC “UKRGAZPROMBANK”	105.8	1.6 %
12	PJSC “CB NADRA”	104.8	1.6 %
13	PJSC “BROKBUSINESSBANK”	86.3	1.3 %
14	PJSC “UKRINBANK”	86.0	1.3 %
15	PUJSC “FIDOBANK”	67.6	1.0 %
16	Other (49 banks)	702.8	10.6 %
	<b>Total</b>	<b>6,622.5</b>	<b>100.0 %</b>

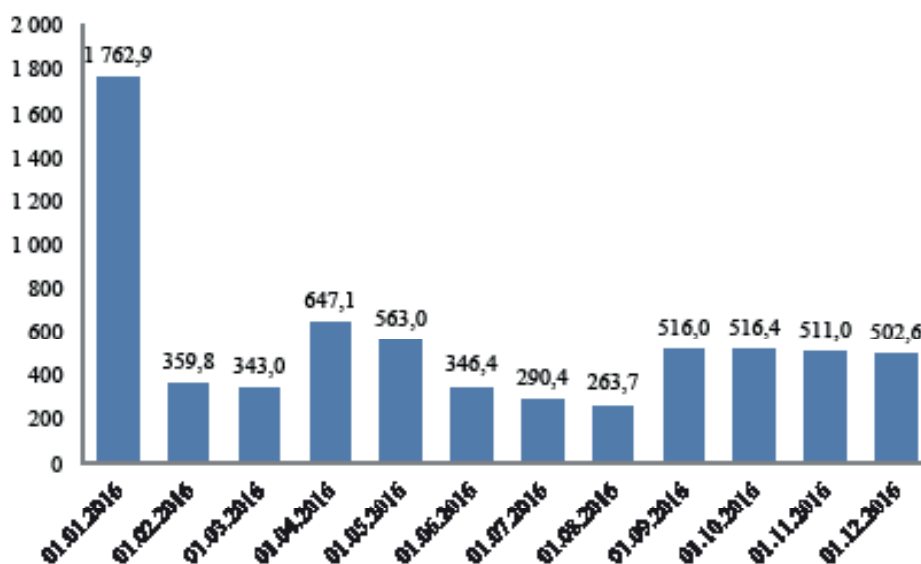


Fig. 6.1. Repayment of credit claims of the Fund in 2016

The greatest payer in absolute terms is PJSC “DELTA BANK” with UAH 2,788.4 mn, which constitutes 42.1 % of the total amount of claims. The second and third places were taken by PJSC “BANK FORUM” and PJSC “VAB Bank” with amounts of UAH 914.8 mn, or 13.8 % of the total amount of the repayment, and UAH 393.1 mn, or 5.9 % of the total amount of the repayment, respectively. The table shows 15 banks with a specific maturity weight of 1.0 % and above. The remaining 49 banks have paid creditor’s claims of the Fund amounting to UAH 702.8 mn, which accounts for 10.6 % of the total amount of the repayment.

## 6.4. DGF Financial Adequacy

According to paragraph 3 of Article 19 of the Law, the minimum amount of funds of the Fund must not be lower than 2.5 percent of the amount of deposits guaranteed by the Fund up to the amount of compensation adjusted for the fees payable by banks participating in the Fund which must be received during the current quarter.

According to calculations made in accordance with the Methodology for the assessment of financial stability of the

## 6.5. DGF Investments

Due to the fact that the Fund withdrew 85<sup>1</sup> insolvent banks with a total guaranteed amount of compensation to depositors of approximately UAH 11.4 bn from the market in 2016, no investments in government securities were made. The 2016 Investment Plan did not provide for any investments.

In order to ensure payments to depositors of insolvent banks, the Fund received government bonds (hereinafter referred to as Government bonds) totaling UAH 7,941 mn maturing in 2031, with a yield of 9.99 ppa, in exchange for the promissory notes of the Fund with the same maturity

<sup>1</sup> Excluding PJSC CB “Privatbank,” which was withdrawn from the market with the involvement of the state (the method of the “sale of an insolvent bank to an investor”).

Proceeds of the Fund from the repayment of creditor’s claims on a monthly basis in the reporting year are presented in Fig. 6.1.

In the reporting year, there was no write-off of creditor’s claims of the Fund due to exclusion of banks from the Unified State Register of Legal Entities and Sole Proprietors.

At the same time PJSC “UKRINBANK” repaid the special purpose loan to the Fund in the amount of UAH 52.0 mn during the provisional administration in the reporting year.

Deposit Guarantee Fund, the rate of financial stability of the Fund was 5.11 % as of 1 January 2017, which is sufficient pursuant to the Law.

Evaluation of the prognostic financial stability of the Fund by the end of 2017 showed possible significant reduction in the financial stability of the Fund, which indicates a potential shortfall.

and yield, as a loan from the Cabinet of Ministers of Ukraine using the funds the State Budget of Ukraine in late 2016.

The balance sheet value of the portfolio of Government bonds of the Fund as of 1 January 2017 amounted to UAH 13,006.1 mn, including the value of Government bonds received by the Fund as a loan in late 2016 in exchange for promissory notes of the Fund amounting to UAH 7,941.0 mn, or 61.1 %. The remainder of the Government bonds with a balance sheet value of UAH 5,065.1 mn, or 38.9 %, was pledged by the Fund for previously received loans.

The weighted average yield of the securities portfolio held by the Fund to maturity and received as security against loans as of 1 January 2017 was 14.25 %.

## 7. RESOLUTION OF INSOLVENT BANKS

The Fund provides for the procedure for the withdrawal of insolvent banks from the market, including the withdrawal through provisional administration and liquidation of banks; organisation of the alienation of all or a part of the assets and liabilities of an insolvent bank; the sale of an insolvent bank; or the creation and the sale of a bridge bank.

### 7.1. Resolution Plans Development

Within 30 days of the beginning of the provisional administration, the executive management of the Fund approves resolution plan subject to the mandatory compliance with the principle of the least costs for the Fund.

In terms of resolution on the basis of the evaluation of the financial and economic standing of the bank, the measures for the bank resolution using one of the following ways are determined:

- 1) liquidation of the bank with direct deposit payout by the DGF;
- 2) liquidation of the bank with alienation of its assets and liabilities, in whole or in part, in favor of the assuming bank;
- 3) alienation of assets and liabilities, in whole or in part, of an insolvent bank in favor of the assuming bank with withdrawal of the insolvent bank's license and its further liquidation;
- 4) incorporation of a bridge bank and sale of the bridge bank to an investor accompanied by a transfer of the insolvent bank's assets and liabilities to the investor, and further liquidation of the insolvent bank;
- 5) sale of the insolvent bank to an investor.

In 2016 the National Bank of Ukraine classified 16 banks as insolvent. The Fund took the following banks into administration: PJSC "AVANT-BANK," PJSC CB "TK CREDIT," PJSC "CB PETROCOMMERCE-Ukraine," PJSC "RODOVID BANK," PJSC "CB KHRESHCHATYK," PJSC "BANK UNISON," PUJSC "FIDOBANK," PJSC "BANK MYKHAILIVSKYI," PUJSC "SMARTBANK," PJSC "CLASSICBANK," PJSC "CB EUROBANK," PJSC "DERZHZEMBANK," PJSC "ARTEM-BANK," PJSC "BANK TRUST," PJSC "CB INVESTBANK," PJSC CB "PRIVATBANK." Moreover, the Fund immediately initiated liquidation proceedings in 3 other banks after the withdrawal of the license by the National Bank of Ukraine for violating the law (JSC ECB SOIUZ, PJSC "CB PREMIUM," and PJSC "KSG BANK").

Among the 16 banks (with a provisional administration), the ultimate method of bank resolution in 10 cases was the liquidation of the bank with reimbursement of funds under deposits of individuals by the Fund as the only possible one (due to the absence of qualified investors/assuming banks)

The Fund starts the procedure for the withdrawal of insolvent banks from the market no later than on the working day following receipt of the official decision of the NBU on declaring the bank insolvent or the decision of the NBU to liquidate the bank and to revoke the banking license.

and, therefore, the least expensive for the Fund. In 2 other cases (PJSC "CB EUROBANK" and PUJSC "FIDOBANK"), the ultimate method of insolvent banks resolution also became "the liquidation of the bank with the reimbursement of funds from deposits of individuals by the Fund" as the least expensive one (due to non-conformity of the bid to the least expensive way). For PJSC "CB KHRESHCHATYK," the least expensive ultimate method of bank resolution also was "the liquidation of the bank with the reimbursement of funds from deposits of individuals by the Fund" because the Fund did not receive a positive conclusion of the National Bank of Ukraine on the financial standing of the assuming bank and the ability to execute obligations to depositors and creditors.

In one case (PJSC CB "PRIVATBANK"), the method of the bank resolution was "selling an insolvent bank to an investor" (the state represented by the Ministry of Finance of Ukraine). In 2 other banks (PJSC "RODOVID BANK" and PJSC "BANK UNISON"), the final method of the bank resolution was not determined due to the appeal of the actions of the National Bank of Ukraine and the Deposit Guarantee Fund in court, particularly due to the injunction that prohibited the officials of the Deposit Guarantee Fund to make decisions and/or take any other action aimed at liquidation of these banks.

PJSC CB "PRIVATBANK" was classified as an insolvent bank, and the Fund took it into administration by a decision of the National Bank of Ukraine dated 18 December 2016 No. 498-рш/БТ "On Classifying Public Joint Stock Commercial Bank "PRIVATBANK" as Insolvent" and the resolution of the executive management of the Fund dated 18 December 2016 No. 2859, respectively.

The Resolution of the Cabinet of Ministers of Ukraine dated 18 December 2016 No. 961 "Some Issues of Participation to Ensure the Stability of the Financial System" adopted a proposal of the National Bank of Ukraine on the participation of the state represented by the Ministry of Finance of Ukraine in the withdrawal of PUBLIC JOINT-STOCK COMPANY COMMERCIAL BANK "PRIVATBANK" from the market as specified in paragraph 5 Part 2 of Article 39 of the Law of Ukraine "On Household Deposit Guarantee System." Also, this Resolution



established that the state, which is represented by the Ministry of Finance of Ukraine, buys the shares of PJSC CB “PRIVATBANK” in full for UAH 1.00.

Given the involvement of the state in the withdrawal of an insolvent bank from the market, the method of bank

resolution in the form of “sale of an insolvent bank to an investor” was identified as the least expensive method for resolving the insolvency of PJSC CB “PRIVATBANK” for the Fund. The insolvency resolution plan for PJSC CB “PRIVATBANK” has been fully implemented.

## 7.2. Provisional Administration and Bank Liquidation

The Fund launches a procedure for the withdrawal of an insolvent bank from the market not later than on the next working day after the official receipt of the decision of the National Bank of Ukraine on classification of a bank as insolvent. The executive management of the Fund appoints an authorised DGF officers (a few authorised officers), who will be vested with all or part of the powers of the Fund as a provisional administrator, from among the employees of the Fund not later than the next business day after the official receipt of the decision of the National Bank of Ukraine on classification of a bank as insolvent.

The provisional administration is introduced for a period of no more than one month. In case of the withdrawal of an insolvent bank from the market in the manner provided by paragraphs 3–5 of Part of Article 39 of the Law, the term of the provisional administration could be extended for up to one month. In case of the withdrawal of an insolvent bank from the market in the manner prescribed in paragraphs 1 and 2 of Part 2 of Article 39 of the Law, the term of the provisional administration can be prolonged for five days and will be suspended not later than on the date of receipt of the decision of the National Bank of Ukraine to revoke the banking license and to liquidate the bank. Provisional administration will be terminated after the implementation

of the resolution plan or otherwise by the decision of the executive management of the Fund.

The Fund implements provisional administration and liquidation of banks by an authorised officer designated by the executive management.

General financial performance of banks that are withdrawn by the Fund from the Market (85 banks) as of 1 January 2017 (in 2014–2016):

total assets: UAH 471,389.04 mn

estimated value of assets: UAH 97,099.28 mn

sold assets: UAH 4,211.85 mn

total guaranteed amount: UAH 85,355.24 mn

debt under loans issued by the NBU: UAH 55,535.03 mn

repaid to the Fund (priority 3): UAH 9,181.90 mn

In 2016 the number of banks that are withdrawn from the market by the Fund increased by 18 banks, thus:

- total assets increased by UAH 78,277.19 mn (19.9 %),
- the estimated value of assets increased by UAH 15,052.73 mn (18.3 %).

In 2016 assets were sold for the total amount of UAH 3,181.25 mn and the amount of UAH 6,622.44 mn was repaid to the Fund (priority 3).

Table No. 7.1.

Dynamics of changes in performance of insolvent banks managed by the Fund in 2016 (assets)

Row	Name	Q1			Q2			Q3			Q4		
		Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
1	Bank assets net of reserves (UAH mn)	398 351,18	436 132,55	43 3411,57	435 076,61	446 274,82	447 210,77	448 016,26	456 352,76	459 186,44	455 725,47	458 354,31	471 389,04
2	Bank assets including reserves (UAH mn)	84 502,03	91 091,30	84 722,68	87 713,91	89 883,34	87 058,90	84 244,99	81 448,09	79 360,79	76 549,36	76 072,19	76 019,62
3	Evaluation cost of assets (UAH mn)	82 517,27	80 592,69	79 903,46	81 806,79	81 553,60	84 027,32	99 438,06	100 601,45	100 689,98	98 705,82	97 542,85	97 099,28
4	Sold bank assets (UAH mn)	1 261,28	1 334,53	1 588,65	1 964,73	2 267,50	2 366,91	2 563,04	2 755,04	3 067,54	3 431,15	3 763,94	4 211,85
5	Number of banks	68	71	73	75	78	80	81	82	82	82	83	85

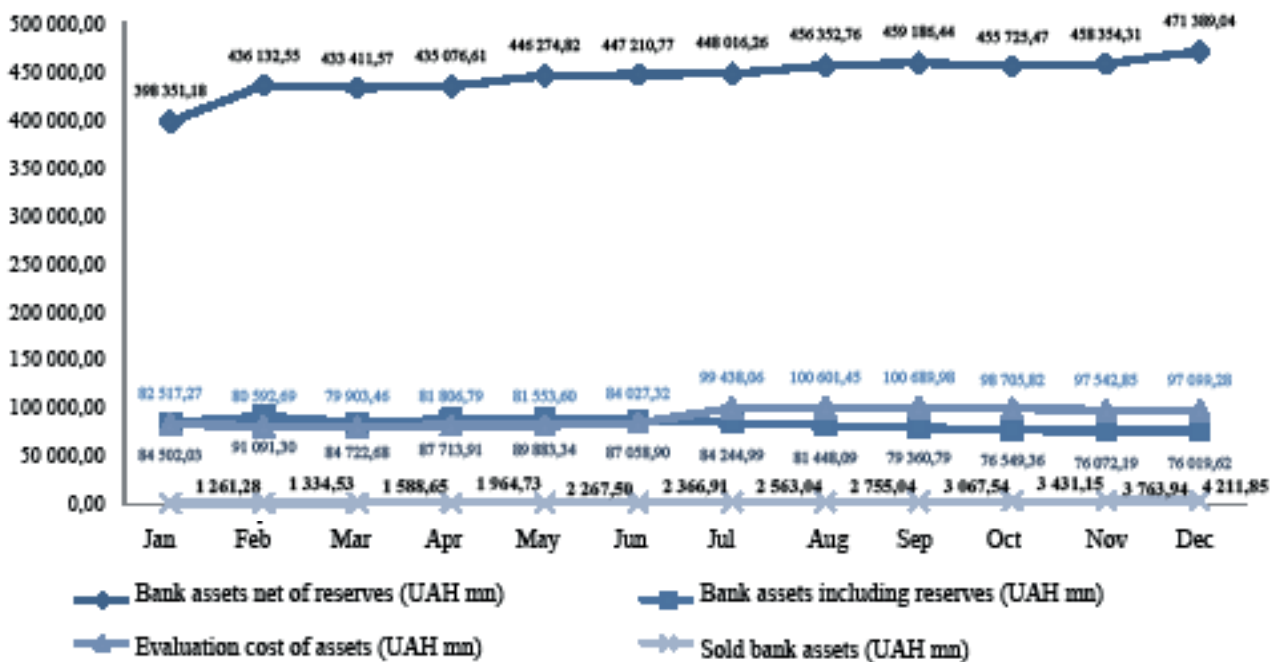


Fig. 7.1. Dynamics of changes in performance of insolvent banks managed by the Fund in 2016 (assets)

Table No. 7.2.

Dynamics of changes in performance of insolvent banks managed by the Fund in 2016 (liabilities)

Row	Name	Q1			Q2			Q3			Q4		
		Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
1	Total guaranteed amount (UAH mn)	76 932,78	77 109,51	77 356,38	80 309,86	84 850,04	83 560,63	83 557,03	83 724,44	83 979,11	83 991,44	84 245,72	85 355,24
2	Debt balance for loans issued by the NBU (UAH mn)	52 560,43	56 944,69	56 868,44	56 961,06	56 839,13	56 757,99	56 698,08	56 577,33	56 467,54	55 905,43	55 794,42	55 535,03
3	Repaid to the NBU (UAH mn)	1 156,23	1 179,62	1 247,97	1 345,84	1 467,77	1 548,95	1 608,87	1 729,62	1 839,74	2 402,89	2 513,91	2 787,15
4	Repaid to the Fund (priority 3) (UAH mn)	4 322,36	4 682,21	5 025,21	5 672,32	6 235,33	6 581,74	6 872,18	7 135,87	7 651,88	8 168,32	8 679,29	9 181,90
5	Number of banks	68	71	73	75	78	80	81	82	82	82	83	85

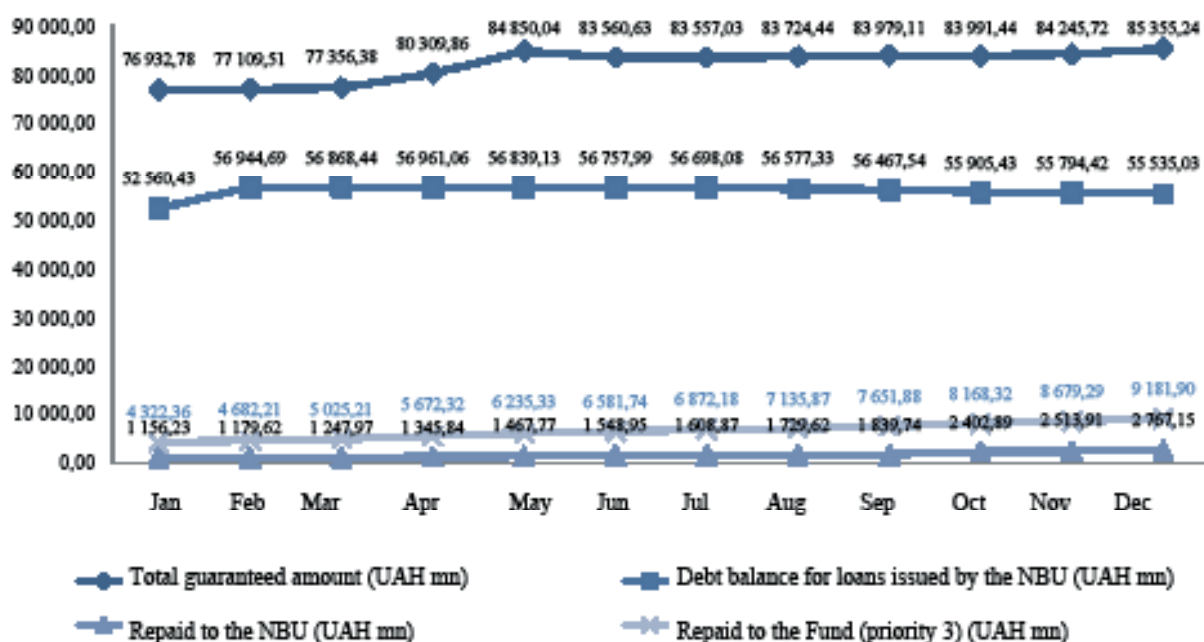


Fig. 7.2. Dynamics of changes in performance of insolvent banks managed by the Fund in 2016 (liabilities)

As of 1 January 2017 the Fund managed 85 banks, including 4 banks at the stage of provisional administration: PJSC “CB FINANCIAL INITIATIVE,” JSC “RODOVID BANK,” PJSC “BANK UNISON,” and PJSC “CB INVESTBANK” as well as 81 banks in the state of liquidation.

The total book value of assets of these banks exceeds UAH 471.38 bn; the guaranteed amount of deposits is about UAH 85.35 bn (Table No. 7.3).

Table No. 7.3.

Banks in the state of liquidation

UAH thous

Item No.	Banks	Assets including reserves, thous.	Assets without reserves, thous.
1	2	3	4
1	PJSC “ERDE BANK”	20,234.83	235,980.46
2	PJSC “BANK TAVRYKA”	10,648.62	5,837,864.03
3	PJSC “CB DANIEL”	53,353.44	556,090.46
4	PJSC “REAL BANK”	8,126.90	5,504,684.60
5	PJSC “BROKBUSINESSBANK”	706,492.72	20,417,810.93
6	PJSC BANK “MERCURIY”	76,168.88	1,477,164.02
7	PJSC “BANK FORUM”	614,255.55	17,768,662.50
8	PJSC CB “INTERBANK”	5,929.38	995,877.60
9	PJSC “CB PROMECONOMBANK”	150,308.24	296,418.99
10	PJSC “CB PIVDENCOMBANK”	102,491.28	8,349,107.36
11	PJSC “ZAKHIDINKOMBANK”	36,658.85	848,015.12
12	PJSC “AVTOKRAZBANK”	21,613.48	1,734,372.09
13	PJSC “STAROKYIVSKYI BANK”	187,513.07	574,502.95
14	PJSC “FINROSTBANK”	337,827.70	1,897,575.90
15	PJSC “CB UFS”	73,832.28	2,876,999.89
16	JSC “EUROGASBANK”	329,477.05	5,687,942.91
17	JSC “BANK GOLDEN GATE”	50,169.22	1,102,695.56
18	PJSC “TERRA BANK”	21,460.68	5,809,769.20
19	PJSC “CB ACTIVE-BANK”	318,719.54	5,866,605.70
20	PJSC “PRIME BANK”	20,074.90	237,830.12
21	PJSC “AKTABANK”	523,165.40	1,068,652.63
22	PJSC “INTERCREDITBANK”	512.28	79,211.25
23	PJSC “GREEN BANK”	3,942.00	4,611.89
24	JSC CB “EXPOBANK”	892,258.23	3,504,794.04
25	PJSC “BANK DEMARK”	21,534.73	2,274,392.38
26	JSC “PORTO-FRANKO”	69,721.74	1,446,866.82
27	PJSC CB “AXIOMA”	7,677.86	695,379.56
28	PJSC “MELIOR BANK”	360.88	91,322.79
29	PJSC “BG Bank”	385,145.80	2,157,521.30
30	PJSC “LEGBANK”	35,675.01	827,363.94
31	PJSC “BANK CAMBIO”	268,302.53	1,890,921.08
32	PJSC “VAB BANK”	3,348,136.28	28,311,962.09
33	PJSC “CITY COMMERCIAL BANK”	88,006.74	4,931,748.29
34	PJSC “PROFIN BANK”	65,866.22	626,268.80
35	PJSB JSB “UKOOSPILKA”	16,090.52	180,689.08
36	PJSC “UKRAINIAN BUSINESS BANK”	270,759.23	4,109,909.37
37	PJSC “ZLATOBANK”	76,473.28	12,300,208.74
38	PJSC “IMEXBANK”	349,882.72	15,704,539.99
39	PJSC “KREDYTPROMBANK”	877,804.57	1,317,394.75
40	PJSC “BANK NADRA”	5,600,708.43	49,355,939.97
41	PJSC “ENERHOBANK”	656,920.80	2,443,506.22

Table No. 7.3. continued

Item No.	Banks	Assets including reserves, thous.	Assets without reserves, thous.
1	2	3	4
42	PJSC CB "STANDARD"	12,324.02	1,128,035.65
43	PJSC " JSCB BANK KYIV"	10,226.11	163,569.35
44	PJSC "OMEGA BANK"	4,922.85	4,922.85
45	PJSC "BANK KYIVSKA RUS"	797,051.00	5,287,128.00
46	PJSC "UKRAINIAN PROFESSIONAL BANK"	48,559.76	1,762,423.51
47	PJSC "BANK NATIONAL CREDIT"	309,977.46	2,106,125.05
48	PJSC "BANK MORSEKYI"	10,039.08	10,039.08
49	PJSC "BLACK SEA BANK FOR RECONSTRUCTION AND DEVELOPMENT"	106,716.27	106,716.27
50	PJSC "EAST INDUSTRIAL COMMERCIAL BANK"	27,858.52	27,858.52
51	PJSC "UKRAINIAN MUNICIPAL BANK"	5,789.79	5,789.79
52	PJSC "Ukrgazprombank"	235,302.59	973,912.57
53	PJSC JSB "STOLYCHNYI"	2,852.80	653,130.20
54	PJSC "DELTA BANK"	14,527,856.10	94,268,847.25
55	PJSC "JSCB CAPITAL"	513,784.04	1,286,056.67
56	PJSC "RADYCAL BANK"	123,784.51	706,518.89
57	PJSC "INTEGRAL-BANK"	508,769.46	1,096,621.36
58	JSC "BANK NATIONAL INVESTMENTS"	4,040.48	2,208,505.03
59	PJSC "UNICOMBANK"	773,640.19	1,356,951.95
60	JSC "BANK VELES"	6,926.04	14,438.44
61	PJSC BANK "CONTRACT"	208,775.23	401,340.04
62	JSC "FINANCE AND CREDIT BANK"	3,578,314.00	50,313,641.00
63	PJSC "VBR"	3,934,829.67	7,741,879.59
64	PJSC "UNION STANDARD BANK"	26,163.07	972,846.46
65	<i>PJSC "CB PREMIUM" (data as of 1 December 2016)</i>	412,052.37	1,377,221.27
66	PJSC "AVANT BANK"	482,163.99	1,939,994.23
67	JSC "CB SOIUZ"	—	—
68	<i>PJSC "UKRINBANK" (data as of 7 July 2016)</i>	2,215,127.11	5,322,424.60
69	JSC CB "TK CREDIT"	310,066.39	1,195,627.84
70	PJSC "BANK PETROCOMMERCE-UKRAINE"	56,523.87	989,849.18
71	PJSC "BANK SOPHIISKYI"	34,966.04	787,566.06
72	PJSC "CB Khreshchatyk"	1,658,869.00	7,785,780.90
73	PJSC "BANK MYKHAILIVSKYI"	1,451,205.00	4,627,220.00
74	PUJSC "FIDOBANK"	1,952,583.09	5,369,840.97
75	PUJSC "SMARTBANK"	30,172.86	389,082.34
76	PJSC "CLASSICBANK"	291.21	384,429.63
77	PJSC CB "EUROBANK"	585,426.03	890,609.11
78	PJSC "KSG BANK"	120,965.00	437,261.00
79	PJSC "DERZHZEMBANK"	135,596.41	135,596.41
80	JSC "ARTEM-BANK"	254,935.80	510,051.30
81	PJSC "BANK TRUST"	490,791.72	760,746.62
	<b>Total</b>	<b>52,674,540.79</b>	<b>426,899,774.35</b>

## Banks under provisional administration

UAH thous.

Item No.	Banks	Assets including reserves, thous.	Assets without reserves, thous.
1	PJSC "CB FINANCIAL INITIATIVE"	14,346,741.05	24,320,293.05
2	JSC "RODOVID BANK"	8,152,477.07	19,109,624.87
3	PJSC "BANK UNISON"	488,974.57	679,358.82
4	PJSC "CB INVESTBANK"	356,889.26	379,990.19
	<b>Total</b>	<b>23,345,081.95</b>	<b>44,489,266.93</b>
85	<b>Total amount, UAH thous.</b>	<b>76,019,622.74</b>	<b>471,389,041.28</b>

The following figure demonstrates the distribution of assets of insolvent banks by major types:

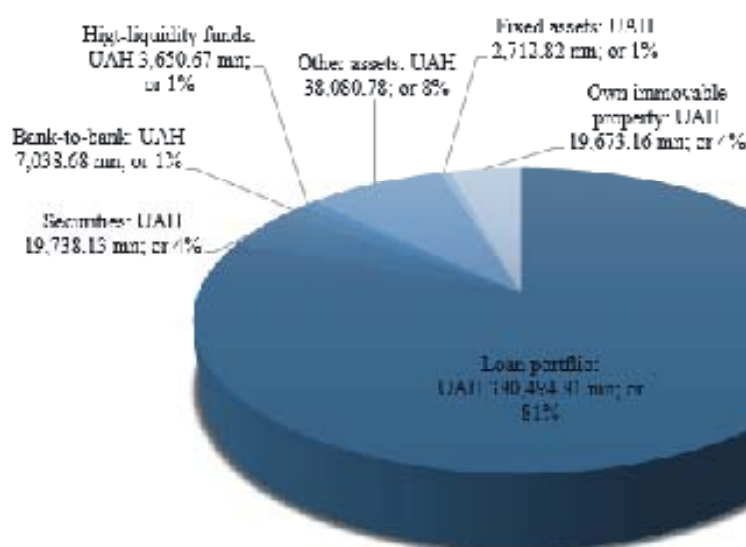


Fig. 7.3. Distribution of assets of banks under provisional administration and liquidation

The Fund performs its obligations toward depositors in compliance with the requirements for the least cost for the Fund and the least losses for depositors in the manner specified by the Law (including the performance of obligations through the transfer of assets and liabilities of a bank to an assuming bank, the sale of the bank, creation of a bridge bank during the provisional administration period, or deposit payout to depositors within the period prescribed by the Law).

The Fund or the authorised DGF officer (if an appropriate authority is delegated) must provide for an inventory of assets and liabilities of the bank. During the inventory taking, the presence and the correspondence of the balance sheet value of the following assets and liabilities of the insolvent bank to their actual value:

- 1) cash in hand and valuables in the vault of the bank;
- 2) debt on loans payable to the bank (including the presence of enforcement of obligations under credit agreements);

- 3) securities debt to the bank;
- 4) debt on liabilities of the bank to creditors;
- 5) requirements of the bank toward a client written off as bad debts (including the presence of enforcement of obligations under such debt).

Within 30 days of the beginning of the provisional administration, the executive management of the Fund approves a resolution plan subject to compliance with the principle of the least costs to the Fund.

Given the large number of banks that are withdrawn from the market by the Fund and the need for centralised management and sale of assets (property) of the banks, the idea of creating clusters of banks by transferring of several banks to each authorised officer for management was implemented.

As of 1 January 2017, 24 clusters had been established, which included 63 insolvent banks from different regions of Ukraine, namely:

**Insolvent bank clusters  
(transfer of 2 or more banks per authorised person for management)**

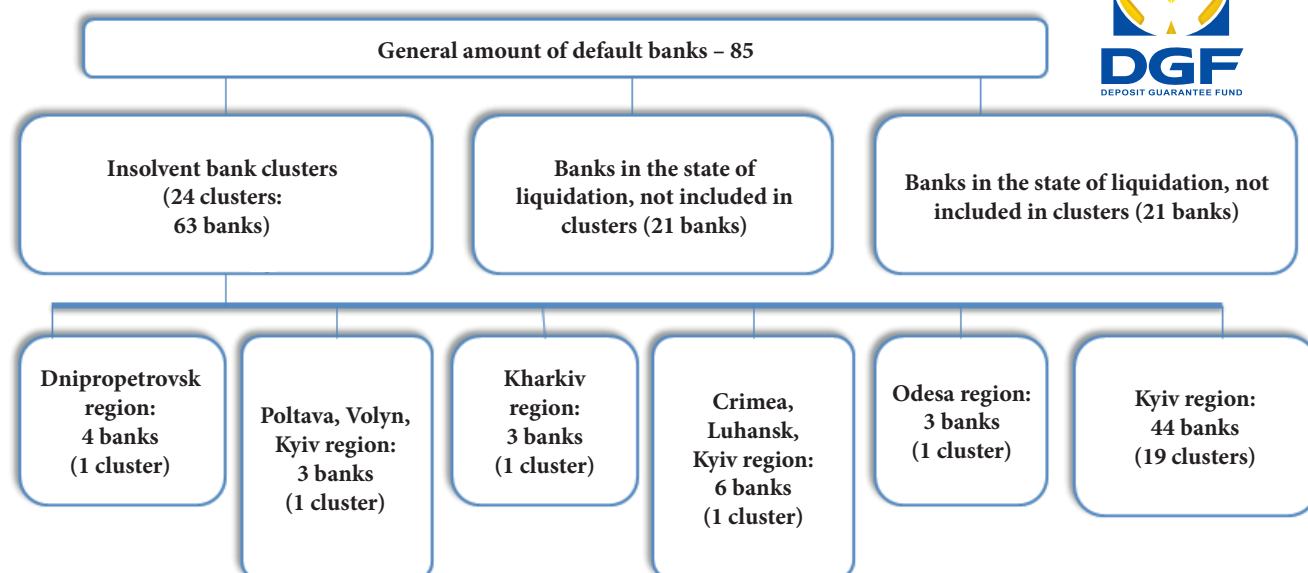


Fig. 7.4. Clusters of insolvent banks

*Economic effect from the creation of clusters:*

1. Optimising costs of liquidation proceedings.
2. Centralisation of management of insolvent banks, asset sales, and coordination of processes that accompany the procedure of withdrawal of insolvent banks from the market by the Fund. Reducing the number of authorised DGF officers.
3. Optimisation of management, facilitation of communication between banks and the structures of the Fund in charge of the liquidation proceedings.
4. Creation of a single consolidated approach to the sale of assets of insolvent banks.

*Liquidation of banks*

The Fund launches bank liquidation procedures not later than on the working day following the date of receipt of the official decision of the National Bank of Ukraine to revoke the banking license and to start the liquidation of the bank unless the liquidation is carried out on the initiative of the bank owners.

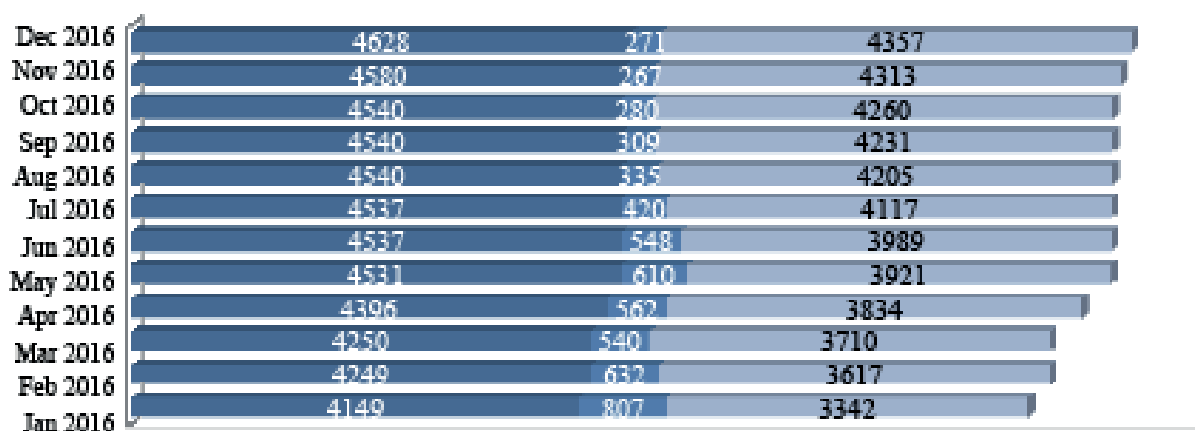
The liquidation of a bank must be completed within two years after the start of bank liquidation proceedings. The Fund may decide to extend the liquidation of the bank for up to two years with the possibility of re-extension of up to one year.

As of 1 January 2017, 81 banks with the carrying amounts of assets of UAH 426.89 bn are in the state of liquidation (see Table No. 8.3).

Table No. 7.5.

Changes in the number of bank branches in 2016

Number of changes per month	Q1 2016			Q2 2016			Q3 2016			Q4 2016		
	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
Total quantity of branches as of the start date of the temporary administration	4 149	4 249	4 250	4 396	4 531	4 537	4 537	4 540	4 540	4 540	4 580	4 628
Quantity of branches as of the reporting date	807	632	540	562	610	548	420	335	309	280	267	271
Quantity of closed branches from the start date of the temporary administration to the reporting date	3 342	3 617	3 710	3 834	3 921	3 989	4 117	4 205	4 231	4 260	4 313	4 357
Number of banks	68	71	73	75	78	80	81	82	82	82	83	85



- Total quantity of branches as of the start date of the temporary administration
- Quantity of branches as of the reporting date
- Quantity of closed branches from the start date of the temporary administration to the reporting date

Fig. 7.5. Changes in the number of bank branches in 2016

One of the main issues faced in the course of liquidation of a bank is the reduction of the operating/business expenses and bank staff costs.

The following Tables Nos. 8.5 and 8.6 provide consolidated information on the closure and downsizing of branches of insolvent banks.

As of 1 January 2017 the total number of operating branches of insolvent banks that are withdrawn from the market by the Fund was 271. In order to reduce maintenance costs of branches of insolvent banks, authorised DGF officers closed 1,231 branches in 2016. Overall, for the entire period of the provisional administration and liquidation of insolvent banks (85 banks) 4,357 branches had been closed as of 1 January 2017.

Total number of staff in insolvent banks that are withdrawn from the market by the Fund as of 1 January 2017 amounted to 5,245 persons (excluding social vacations). In order to optimise the costs of insolvent banks to pay salaries, authorised DGF officers laid off 9,239 employees (excluding social vacations) in 2016. Overall, 34,690 employees (excluding social vacations) were laid off in the period of provisional administration and liquidation of insolvent banks (85 banks) as of 1 January 2017.

Since the start of bank liquidation procedure the Fund or the authorised officer (in case of delegation of respective powers) begin to take inventory and to assess the property of the bank in order to form the bank liquidation estate. The bank liquidation estate includes any immovable and movable property, funds, property rights, and other assets.

Table No. 7.6.

Changes in the number of staff in 2016

Name / Month	Q1			Q2			Q3			Q4		
	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
Total number of staff as of the start date of the temporary administration (excluding social vacations)	34 174	34 620	34 807	36 504	38 814	39 073	39 102	39 178	39 178	39 178	39 417	39 935
Total number of employees laid off during the temporary administration (excluding social vacations)	26 079	26 918	27 943	28 510	29 463	30 861	31 886	33 386	33 731	33 988	34 228	34 690
Number of staff as of the reporting date (excluding social vacations)	8 095	7 702	6 864	7 994	9 351	8 212	7 216	5 792	5 447	5 190	5 189	5 245
Number of banks	68	71	73	75	78	80	81	82	82	82	83	85

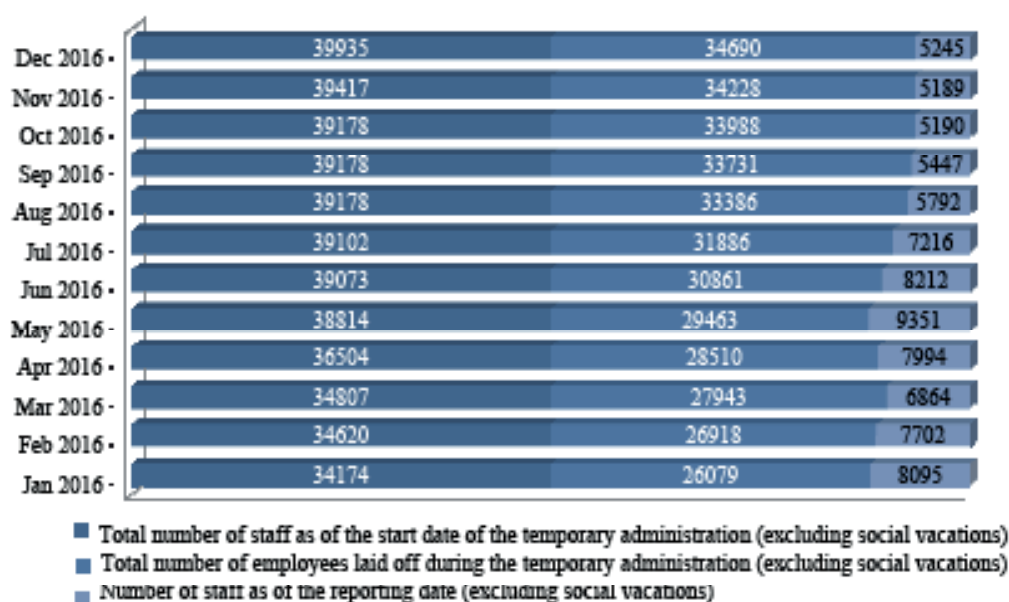


Fig. 7.6. Changes in the number of staff in 2016

The bank liquidation estate does not include property in cases expressly provided by law nor licenses and goodwill.

Funds remaining after the satisfaction of secured claims and costs associated with maintenance, preservation, and sale (the implementation of transactions involving the bank) of the secured item must be included in the liquidation estate.

### 7.3. Settlement of Creditors Claims

Since his or her appointment, the authorised DGF officers appointed for the liquidation proceeds to the valuation of the property of the bank by involving appraisers in the manner specified by the Regulation on the procedure for selecting officers authorised to perform work (to provide services) to insolvent banks or banks being liquidated by the Deposit Insurance Fund with approved by the resolution of the executive management of the Fund dated 28 March 2016 No. 434 and other regulations of the Fund.

This assessment is carried out in order to form the bank liquidation estate. Funds received as a result of the liquidation and sale of property (assets) must be directed by the Fund to satisfy the claims of creditors in this order:

- 1) liabilities arising from injury to life and health of citizens;
- 2) pecuniary demands arising from the bank's liabilities to its employees before the adoption of the decision to revoke the banking license and to institute liquidation proceedings;
- 3) claims of the Fund arising in cases specified by law (including the costs of the Fund under paragraph 7 Part 2 of Article 20 of the Law and the costs associated with the consolidated sale of assets by the Fund);
- 4) claims of depositors-individuals (including sole proprietors) that are not related parties with the bank in the part that exceeds the amount paid by the Fund;

Inventory of bank property and formation of the liquidation estate must be completed within six months after the adoption of the decision to liquidate the bank and to revoke its banking license. Inventory and formation of the liquidation estate are shown in the statement, which must be approved by the executive management of the Fund.

- 5) claims of the National Bank of Ukraine resulting from the decrease in the value of collateral provided to secure refinance loans;
- 6) claims of individuals (including sole proprietors) that are not related parties with the bank whose payments or payments in favour of whom have been blocked;
- 7) claims of other depositors that are not related parties with the bank and legal entities (clients) that are not related parties with the bank;
- 8) other claims except for claims for subordinated debt;
- 9) claims of creditors of the bank (individuals, including sole proprietors, and legal entities) that are related parties with the bank;
- 10) claims for subordinated debt.

Claims toward the bank that are not satisfied due to insufficiency of the bank's property will be deemed extinguished, which will not waive the right of the Fund or the authorised DGF officers to apply the claims toward the persons related to the bank in the manner specified by part 5 of Article 52 of the Law.

Claims of each subsequent priority will be satisfied as proceeds from the sale of property (assets) are received after the complete satisfaction of the previous priority. If the amount of money received from the sale of property (assets) is not sufficient to satisfy all the claims within the same priority, such claims will be satisfied in proportion



to the amount of the claims that belong to each creditor in the priority. In case of the refusal of the creditor from satisfaction of a duly recognised claim the Fund will disregard amount of pecuniary demands of such a creditor.

As of 1 January 2017, the total balance sheet value of the 73 banks in which the decision of executive management of the Fund approved the accepted creditor claims register amounted to UAH 424.19 bn at the estimated value of UAH 85.30 bn, or 20.11 %, which is certainly not sufficient to satisfy all the claims of creditors (Table No. 7.7.).

Table No. 7.7.

Assets of banks in which a register of accepted creditors' claims was approved

Item No.	BANK	Balance sheet value of assets	Estimated value of assets
1	2	3	4
1	PJSC "ERDE BANK"	235,980.46	7,823.47
2	PJSC "BANK TAVRYKA"	5,837,864.03	21,065.81
3	PJSC "CB DANIEL"	556,090.46	28,097.64
4	PJSC "REAL BANK"	5,504,684.60	20,563.40
5	PJSC "BROKBUSINESSBANK"	20,417,810.93	3,169,333.25
6	JSC BANK "MERCURIY"	1,477,164.02	70,388.47
7	PJSC "BANK FORUM"	17,768,662.50	5,798,838.99
8	PJSC CB "INTERBANK"	995,877.60	4,476.61
9	PJSC "CB PROMECONOMBANK"	296,418.99	12,973.95
10	PJSC "CB PIVDENCOMBANK"	8,349,107.36	275,341.70
11	PJSC "ZAKHIDINKOMBANK"	848,015.12	110,967.31
12	PJSC "AVTOKRAZBANK"	1,734,372.09	136,722.21
13	PJSC "STAROKYIVSKYI BANK"	574,502.95	164,905.13
14	PJSC "FINROSTBANK"	1,897,575.90	110,723.70
15	PJSC "CB UFS"	2,876,999.89	4,367.02
16	JSC "EUROGASBANK"	5,687,942.91	389,067.44
17	JSC "BANK GOLDEN GATE"	1,102,695.56	68,796.84
18	PJSC "Terra Bank"	5,809,769.20	126,387.78
19	PJSC "CB ACTIVE-BANK"	5,866,605.70	600,457.65
20	PJSC "PRIME BANK"	237,830.12	32,895.60
21	PJSC "AKTABANK"	1,068,652.63	147,005.72
22	PJSC "INTERCREDITBANK"	79,211.25	8,252.48
23	PJSC "GREEN BANK"	4,611.89	2,480.08
24	JSC CB "EXPOBANK"	3,504,794.04	991,593.34
25	JPSC "BANK DEMARK"	2,274,392.38	86,549.12
26	JSC "PORTO-FRANKO"	1,446,866.82	46,080.38
27	PJSC CB "AXIOMA"	695,379.56	152,068.76
28	PJSC "MELIOR BANK"	91,322.79	230.60
29	PJSC "BG Bank"	2,157,521.30	664,138.10
30	PJSC "LEGBANK"	827,363.94	118,473.44
31	PJSC "BANK CAMBIO"	1,890,921.08	319,028.57
32	PJSC "VAB BANK"	28,311,962.09	5,187,717.64
33	PJSC "CITY COMMERCIAL BANK"	4,931,748.29	977,602.33
34	PJSC "PROFIN BANK"	626,268.80	95,123.97
35	PJSC JSB "UKOOSPILKA"	180,689.08	20,294.36
36	PJSC "UKRAINIAN BUSINESS BANK"	4,109,909.37	591,451.97
37	PJSC "ZLATOBANK"	12,300,208.74	1,302,388.02
38	PJSC "IMEXBANK"	15,704,539.99	2,029,548.16
39	PJSC "KREDITPROMBANK"	1,317,394.75	176,901.08
40	PJSC "BANK NADRA"	49,355,939.97	7,662,942.65
41	PJSC "ENERHOBANK"	2,443,506.22	569,920.90
42	PJSC CB "STANDARD"	1,128,035.65	36,992.98
43	PJSC "JSCB BANK KYIV"	163,569.35	230,426.92

Table No. 7.7. continued

Item No.	BANK	Balance sheet value of assets	Estimated value of assets
1	2	3	4
44	PJSC "OMEGA BANK"	4,922.85	2,816.20
45	PJSC "BANK KYIVSKA RUS"	5,287,128.00	1,064,352.81
46	PJSC "UKRAINIAN PROFESSIONAL BANK"	1,762,423.51	145,806.42
47	PJSC "BANK NATIONAL CREDIT"	2,106,125.05	153,399.85
48	PJSC "UKRGAZPROMBANK"	973,912.57	205,628.04
49	PJSC JSB "STOLYCHNYI"	653,130.20	109,214.00
50	JSC "DELTA BANK"	94,268,847.25	27,399,364.26
51	PJSC "RADICAL BANK"	706,518.89	280,859.15
52	PJSC "INTEGRAL-BANK"	1,096,621.36	236,622.40
53	JSC "BANK NATIONAL INVESTMENTS "	2,208,505.03	477,788.92
54	PJSC "UNICOMBANK"	1,356,951.95	84,500.71
55	JSC "BANK VELES"	14,438.44	6,618.96
56	PJSC BANK "KONTRACT"	401,340.04	229,915.64
57	JSC "FINANCE AND CREDIT BANK"	50,313,641.00	9,870,921.00
58	PJSC "VBR"	7,741,879.59	4,962,915.85
59	PJSC "UNION STANDARD BANK"	972,846.46	139,210.24
60	PJSC "CB PREMIUM" (data as of 1 December 2016)	1,377,221.27	539,655.21
61	PJSC "AVANT BANK"	1,939,994.23	699,444.18
62	PJSC "UKRINBANK" (data as of 7 July 2016)	5,322,424.60	—
63	JSC CB "TK CREDIT"	1,195,627.84	406,216.83
64	PJSC "BANK PETROCOMMERCE-UKRAINE"	989,849.18	213,243.04
65	PJSC "BANK SOPHIIIVSKYI"	787,566.06	271,301.42
66	PJSC "CB KHRESHCHATYK"	7,785,780.90	2,251,322.60
67	PJSC "BANK MYKHAILIVSKYI"	4,627,220.00	137,990.00
68	PUJSC "FIDOBANK"	5,369,840.97	2,134,854.84
69	PUJSC "SMARTBANK"	389,082.34	34,167.57
70	PJSC "CLASSICBANK"	384,429.63	173,141.63
71	PJSC CB "EUROBANK"	890,609.11	236,450.39
72	PJSC "KSG BANK"	437,261.00	125,971.79
73	PJSC "DERZHZEMBANK"	135,596.41	136,323.58
<b>73</b>	<b>Total amount, UAH thous.</b>	<b>424,192,516.10</b>	<b>85,301,423.07</b>

The total amount of accepted creditors' claims as of 1 January 2017 was equal to UAH 243,836,985.60 thous.

(73 banks in the state of liquidation), including (by order of priority):

Table No. 7.8.

Amount of accepted creditors' claims by order of priority as of 1 January 2017

Amount of accepted creditors' claims as of 1 January 2017, UAH thous.	Priority 2, UAH thous.	Priority 3, UAH thous.	Priority 4, UAH thous.	Priority 5, UAH thous.	Priority 6, UAH thous.	Priority 7, UAH thous.	Priority 8, UAH thous.	Priority 9, UAH thous.	Priority 10, UAH thous.
243,836,985.60	37,860.28	81,022,699.96	35,709,805.82	8,543,451.79	56,133.08	102,104,575.30	10,669,995.87	4,014,579.16	1,677,884.33

In 2016 the amount of approved accepted creditors' claims increased by UAH 119,033,338.06 thous. due to the approval of the register of creditors in 2016 in 25 insolvent banks, including the largest totals of accepted creditors' claims as follows: JSC "DELTA BANK": UAH 53,737,259.07 thous.; JSC "Finance and Credit Bank": UAH 30,855,175.97 thous.;

PJSC "VBR": UAH 6,541,509.84 thous.; PJSC "CB KHRESHCHATYK": UAH 6,150,012.21 thous.; PUJSC "FIDOBANK": UAH 5,089,546.13 thous.

In 2016 creditors' claims were settled for UAH 10,636,253.67 thous. in all the priorities.

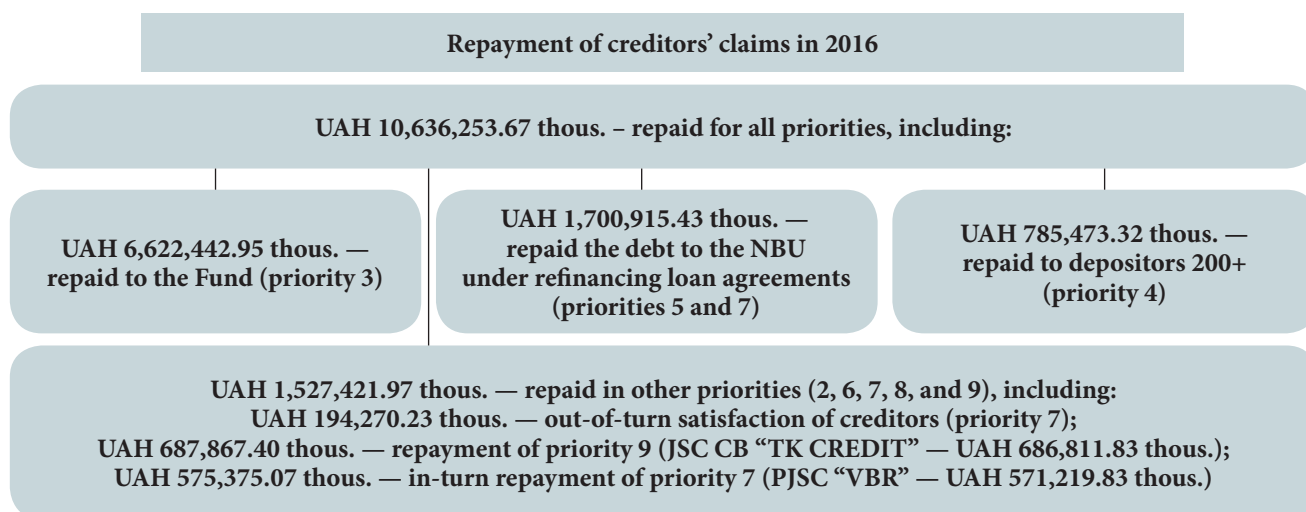


Fig. 7.7. Repayment of creditors' claims in 2016

### *Repayment of creditors' claims of priority 2.*

The total of accepted creditors' claims of priority 2: UAH 37,860.28 thous.

As of 1 January 2017 UAH 29,533.35 thous. has been repaid, which accounts for 78.01 % of the total debt in the priority, including the debt for 2016 in the amount of UAH 12,092.22 thous.

Only 17 of the 28 insolvent banks repaid their second-priority creditors in full. In 5 banks, no full repayment occurred due to the fact that some individuals did not come to receive their salaries on time. Number of funds deposited by such banks is UAH 29.85 thous.

6 banks did not start the repayment of priority 2, namely: PJSC “CB PROMECONOMBANK,” JSC “NATIONAL INVESTMENTS BANK,” PJSC “UNICOMBANK,” PJSC “AVANT-BANK,” PJSC “BANK PETROCOMMERCE-UKRAINE,” PJSC “BANK MYKHAILIVSKYI.”

### *Repayment of creditors' claims of priority 3.*

The total of accepted creditors' claims of priority 3: UAH 81,022,699.96 thous.

As of 1 January 2017, UAH 9,181,904.55 thous. has been repaid, which accounts for 11.33 % of the total debt in the priority, including the debt for 2016 in the amount of UAH 6,622,442.95 thous.

The leaders of repayment of third-priority creditors in 2016 were the following banks:

1. JSC “DELTA BANK”: UAH 2,788,394.99 thous. (42.11 % of the repayment of priority 3 in 2016);
2. PJSC “BANK FORUM”: UAH 914,790.87 thous. (13.81 % of the repayment of priority 3 in 2016);
3. PJSC “VAB BANK”: UAH 393,082.41 thous. (5.94 % of the repayment of priority 3 in 2016);

4. PJSC “BANK KYIVSKA RUS”: UAH 265,617.93 thous. (4.01 % of the repayment of priority 3 in 2016);

5. PJSC “CB KHRESHCHATYK”: UAH 253,741.32 thous. (3.83 % of the repayment of priority 3 in 2016);

The following chart contains the leaders among banks in terms of the amount of repayment to third-priority creditors (for all time) as of 1 January 2017 (in percentage of the repayment amount of each bank to the total repayment to third-priority creditors): UAH 9,181,904.55 thous. (in 2016 UAH):

### *Repayment of creditors' claims of priority 4.*

The total of accepted creditors' claims of priority 4: UAH 35,709,805.82 thous. Within priority 4, UAH 929,699.58 thous., which accounts for 2.60 %, was repaid. In 2016 priority 4 was recovered for UAH 785,473.32 thous.

Priority 4 was fully repaid by the following banks:

PJSC “GREEN BANK” (4 requirements of depositors with deposits of 200+ satisfied).

PJSC “KREDYTPROMBANK” (3 requirements of depositors with deposits of 200+ satisfied).

PJSC “UKRAINIAN BUSINESS BANK”: 96.49 % satisfaction of creditors' claims (UAH 165,398.16 thous. (claims of 62 of 65 depositors with deposits 200+ were satisfied; claims of 3 depositors were deposited: UAH 6,021.81 thous.)).

PJSC “PRIME BANK”: 93.97 % satisfaction of creditors' claims (UAH 10,766.60 thous. (claims of 17 of 18 depositors with deposits 200+ were satisfied; claim of 1 depositor was deposited: UAH 690.30 thous.)).

PJSC “VBR”: 99.99 % satisfaction of creditors' claims (UAH 719,337.74 thous. (claims of 134 of 139 depositors 200+ were satisfied; claims of 5 depositors were deposited: UAH 8.89 thous.)).

Top 10 Banks

Repayment of Third-Priority Creditors as of 1 January 2017, UAH thous.

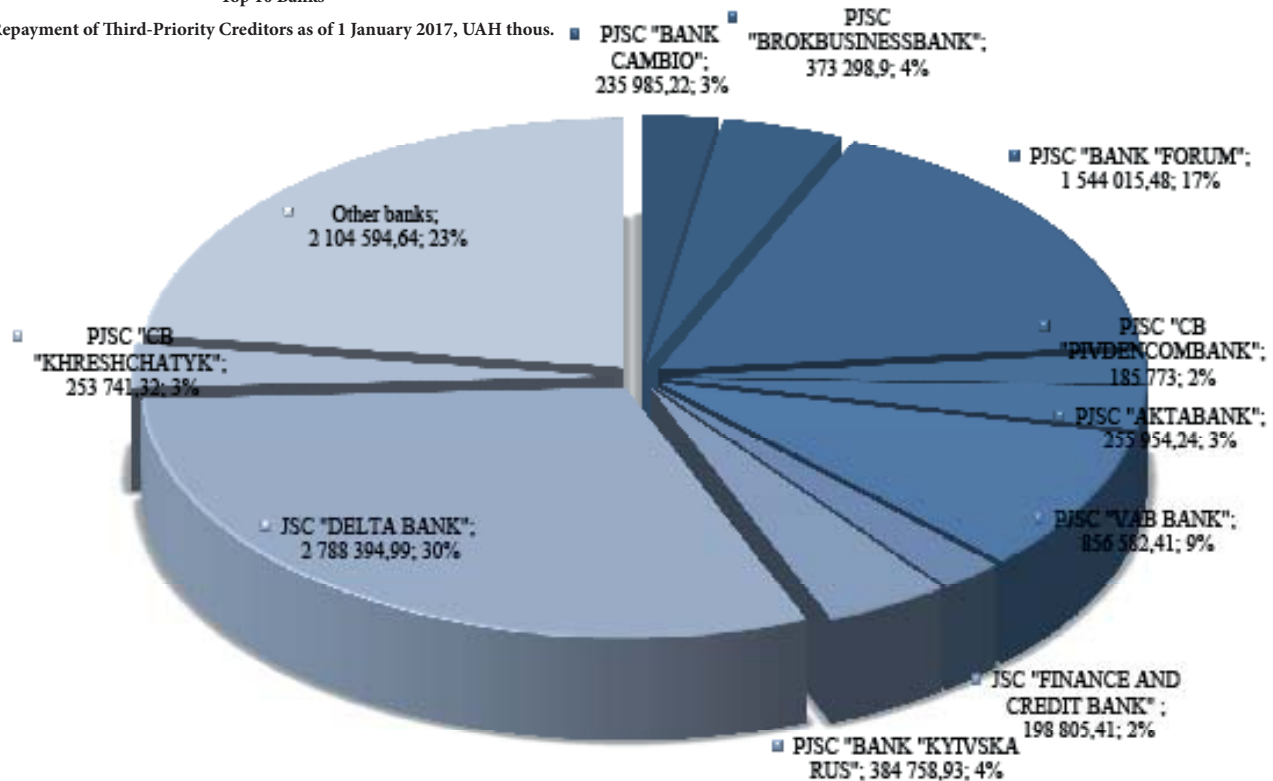


Fig. 7.8. Leaders among banks in terms of the amount of repayment to third-priority creditors (for all time) as of 1 January 2017

*Repayment of creditors' claims of priority 5.*

The total of accepted creditors' claims of priority 5: UAH 8,543,451.79 thous., consisting of debt of the following banks to the NBU: PJSC "REAL BANK": UAH 809,729.30 thous.; PJSC "BANK FORUM": UAH 486,712.41 thous. (refinancing loans repaid in full, the balance of debt to the NBU: UAH 25.30 thous. (sample coins belonging to the NBU), JSC "FINANCE AND CREDIT BANK": UAH 7,056,553.25 thous.; PJSC "CB KHRESHCHATYK": UAH 190,456.83 thous. (refinancing loans repaid in full).

Overall, priority 5 was repaid at UAH 677,143.94 thous., which accounts for 7.93 % of the total debt for priority 5. In 2016, priority 5 was repaid by UAH 494,520.54 thous. (PJSC "BANK FORUM": UAH 304,063.71 thous.; PJSC "CB KHRESHCHATYK": UAH 190,456.83 thous.).

*Repayment of creditors' claims of priority 6.*

The total of accepted creditors' claims of priority 6: UAH 56,133.08 thous.

Priority 6 was repaid at UAH 152.24 thous., accounting for 0.27 %, including PJSC "GREEN BANK" (UAH 6,50 thous. (100 % of accepted claims of priority 6)), PJSC "PRIME BANK": UAH 5.20 thous. (65.82 % of accepted claims of priority 6), PJSC "VBR": UAH 140.54 thous. (95.77 % of accepted claims of priority 6).

In 2016, priority 6 was recovered for UAH 141.74 thous.

*Repayment of creditors' claims of priority 7.*

Total accepted creditors' claims of priority 7: UAH 102,104,575.30 thous., including the balance of debt to the NBU, which was included in the priority 7 as of 1 January 2017 (UAH 33,167,070.61 thous.)

Priority 7 was repaid at UAH 2,929,991.84 thous. (2.87 %) (in 2016, priority 7 was repaid at UAH 1,995,685.50 thous.), including:

— extraordinary satisfaction of creditors (the NBU) for all time: UAH 1,935,467.42 thous. (in 2016 the priority creditors were reimbursed for UAH 1,206,394.89 thous.): PJSC "CB DANIEL": UAH 9,722.33 thous. (for all time); UAH 7,192.18 thous. (in 2016).

PJSC "BROKBUSINESSBANK": UAH 229,099.47 thous. (for all time); UAH 30,579.37 thous. (in 2016).

PJSC "AVTOKRAZBANK": UAH 11,661.62 thous. (for all time); UAH 991.12 thous. (in 2016).

PJSC "ACTIVE-BANK": UAH 3,351.07 thous. (for all time); UAH 3,351.07 thous. (in 2016).

JSC "CB EXPOBANK": UAH 29,758.08 thous. (for all time); UAH 29,758.08 thous. (in 2016).

PJSC "BANK DEMARK": UAH 26,519.40 thous. (for all time); UAH 0.00 thous. (in 2016).

JSC "PORTO-FRANKO": UAH 1,880.94 thous. (for all time); UAH 0.00 thous. (in 2016).

PJSC "BG Bank": UAH 113,093.85 thous. (for all time); UAH 62,609.35 thous. (in 2016).

PJSC "CB CAMBIO": UAH 194,401.98 thous. (for all time); UAH 16,181.76 thous. (in 2016).

PJSC "VAB BANK": UAH 67,179.44 thous. (for all time); UAH 21,071.51 thous. (in 2016).

PJSC "UKRAINIAN BUSINESS BANK": UAH 184,368.50 thous. (for all time); UAH 0.00 thous. (in 2016).

PJSC "ZLATOBANK": UAH 37,410.34 thous. (for all time); UAH 24,733.75 thous. (in 2016).

PJSC "CB NADRA": UAH 435,216.79 thous. (for all time); UAH 435,216.79 thous. (in 2016).

PJSC "BANK KYIVSKA RUS": UAH 56,637.60 thous. (for all time); UAH 39,543.89 thous. (in 2016).

JSC "DELTA BANK": UAH 535,166.02 thous. (for all time); UAH 535,166.02 thous. (in 2016).

— extraordinary satisfaction of the secured creditors (third parties) for all time: UAH 207,931.23 thous. (in 2016, the priority creditors were reimbursed for UAH 194,270.23 thous.):

PJSC "BROKBUSINESSBANK": UAH 1,177.09 thous. (for all time); UAH 1,177.09 thous. (IBC provided by PJSC "Real Bank").

JSC "BANK MERCURIY": UAH 47,510.78 thous. (for all time); UAH 35,957.36 thous. (the State Mortgage Institution).

PJSC "FORUM": UAH 35,377.80 thous. (for all time); UAH 35,377.80 thous. (IBC provided by PJSC "VTB BANK"; transfer of the Bakkara hotel into the ownership of VTB Bank).

PJSC "AVTOKRAZBANK": UAH 365.58 thous. (for all time); UAH 0.00 thous. (Corporate Private Pension Fund of the National Bank of Ukraine).

JSC "CB EXPOBANK": UAH 98.29 thous. (for all time); UAH 98.29 thous. (in 2016) (the security deposit of JSC "Ukreximbank").

PJSC "ZLATOBANK": UAH 36,378.94 thous. (for all time); UAH 36,378.94 thous. (including UAH 34,147.80 thous. (German-Ukrainian Fund) and UAH 2,231.14 thous. (in 2016) (Porsche Mobility LLC).

PJSC "CB NADRA": UAH 36,808.66 thous. (for all time); UAH 35,066.66 thous. (German-Ukrainian Fund).

PJSC "UKRAINIAN PROFESSIONAL BANK": UAH 11,009.28 thous. (for all time); UAH 11,009.28 thous. (German-Ukrainian Fund).

PJSC "BANK NATIONAL CREDIT": UAH 2,003.99 thous. (for all time); UAH 2,033.99 thous. (including UAH 31.82 thous. (PJSC "Alpha Bank"), UAH 1,972.17 thous. (in 2016) (security deposit of JSB "Ukrigasbank").

PJSC "INTEGRAL-BANK": UAH 27,256.78 thous. (for all time); UAH 27,256.78 thous. (IBC provided by PJSC "CB Khreshchatyk").

PJSC "STAROKYIVSKYI BANK": UAH 2,905.17 thous. (for all time); UAH 2,905.17 thous. (security deposit of JSC "Ukreximbank").

JSC "BANK GOLDEN GATE": UAH 287.66 thous. (for all time); UAH 287.66 thous. (security deposit of JSC "Raiffeisen Bank Aval").

PJSC "IMEXBANK": UAH 6,751.21 thous. (for all time); UAH 6,751.21 thous. (Corporate Private Pension Fund of the National Bank of Ukraine).

— regular payment under creditors' claims:

PJSC "JSB KYIV": UAH 31.48 thous. (100 %).

PJSC "GREEN BANK": UAH 102,784.20 thous. (100 %).

PJSC "OMEGA BANK": UAH 30.11 thous. (100 %).

PJSC "PRIME BANK": UAH 101,623.60 thous. (59.01 %).

JSC "CB VELES": UAH 849.30 thous. (100 %).

PJSC "VBR": UAH 571,219.83 thous. (11.44 %).

JSC CB "TK CREDIT": UAH 3,275.83 thous. (99.99 %).

### *Repayment of creditors' claims of priority 8.*

Total accepted creditors' claims of priority 8: UAH 10,669,995.87 thous. Priority 8 was repaid by PJSC "GREEN BANK" at UAH 39,030.00 thous. (96.31 % of the bank debt in priority 8).

### *Repayment of creditors' claims of priority 9.*

Total accepted creditors' claims of priority 9: UAH 4,014,579.16 thous.

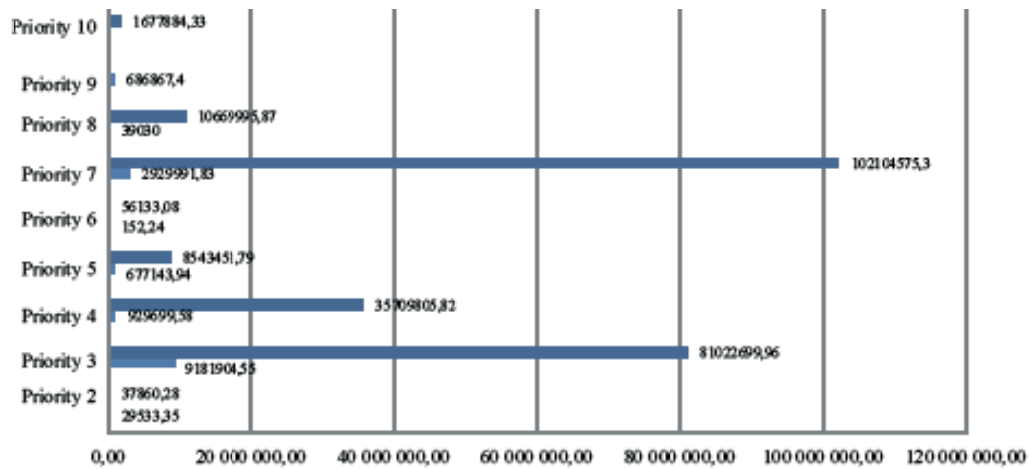
As of 1 January 2017, priority 9 was repaid at UAH 686,867.40 thous. (17.11 % of the total debt in priority 9), including UAH 686,811.83 thous. by JSC CB "TK CREDIT" and UAH 55.57 thous. by PJSC "VBR."

### *Repayment of creditors' claims of priority 10.*

Total accepted creditors' claims of priority 10: UAH 1,677,884.33 thous.

As of 1 January 2017, no creditors of priority 10 had been repaid.

Repayment of creditors' claims as of 1 January 2017 is presented below.



	Priority 2	Priority 3	Priority 4	Priority 5	Priority 6	Priority 7	Priority 8	Priority 9	Priority 10
<b>Total, UAH thous.</b>	<b>37808.28</b>	<b>81022699.96</b>	<b>35709805.82</b>	<b>8543451.79</b>	<b>56133.08</b>	<b>102104575.30</b>	<b>1069995.87</b>	<b>696867.40</b>	<b>167784.33</b>
<b>Repaid, UAH(thous.)</b>	<b>29533.35</b>	<b>9181904.55</b>	<b>929699.58</b>	<b>677143.94</b>	<b>152.24</b>	<b>2929991.84</b>	<b>39038.00</b>	<b>696867.40</b>	<b>0.00</b>
<b>Repaid, %</b>	<b>78.01</b>	<b>11.33</b>	<b>2.60</b>	<b>7.93</b>	<b>0.27</b>	<b>2.87</b>	<b>0.37</b>	<b>0.00</b>	<b>0.00</b>

Fig. 7.9. Repayment of creditors' claims as of 1 January 2017 in terms of priority

Separately, we indicate information on the debt of insolvent banks under loans issued by the NBU.

In 2016 the number of banks managed by the Fund that had refinancing loans doubled (total: 28 banks) due to the provisional administration in the following banks:

PJSC "CB KHRESHCHATYK": debt to the NBU: UAH 190,456.83 thous.

JSC "RODOVID BANK": debt to the NBU: UAH 4,399,776.57 thous.

In 2016 the debt to the NBU was fully repaid by:

PJSC "FORUM" (total: UAH 486,687.11 thous., including UAH 304,063.71 thous. (in 2016))

PJSC "CB KHRESHCHATYK" (total: UAH 190,456.83 thous.; the outstanding amount was fully paid in 2016).

In 2016 the maximum amount of debt on refinancing loans issued by the NBU: UAH 535,166.02 thous. (JSC "DELTA BANK").

As of 1 January 2017 the debt of insolvent banks under loans issued by the NBU was present in 23 insolvent banks withdrawn from the market by the Fund and amounted to UAH 55,535,027.61 thous., including (Table No. 8.9.):

Table No. 7.9.

#### Information on refinancing loans issued by the NBU

Date	Number of banks that received loans from the NBU	Remaining debt to the NBU, UAH mn	Redeemed to the NBU (total), UAH mn	Costs of mortgage under collateral agreements, UAH mn	Estimated value of all the assets, UAH mn	Estimated value of assets that are collateral for loans issued by the NBU, UAH mn
01.01.2016	26	52,650.42	1,066.24	145,562.05	76,640.07	34,811.36
01.01.2017	28	55,535.03	2,767.15	148,334.47	81,197.92	32,500.93

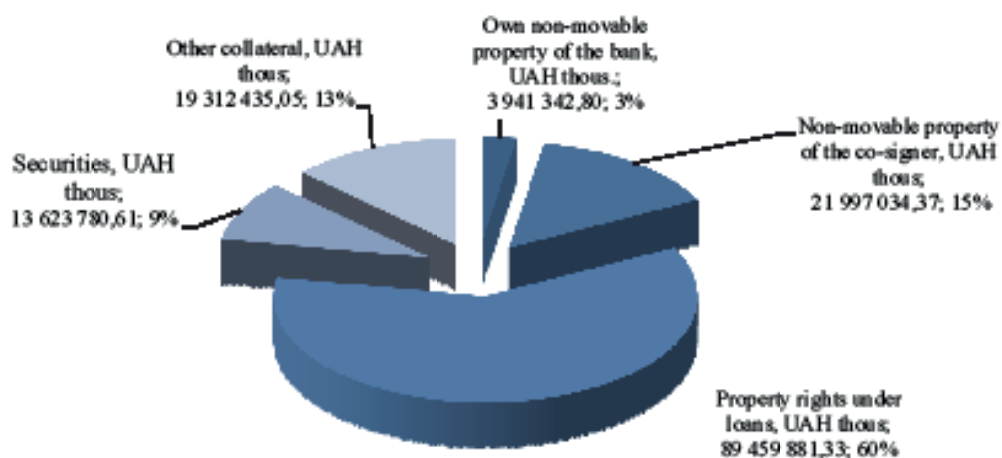


Fig. 7.10. Collateral structure under refinance loans issued by the NBU, UAH thous

- on loans: UAH 48,451,208.28 thous.
- on interest: UAH 6,702 383.33 thous.
- other receivables (fines etc.): UAH 381,436.01 thous.

The total value of collateral for loans issued by the NBU as of 1 January 2017 amounted to UAH 148,334,474.17 thous.

The structure of collateral for refinancing loans is shown below in the chart and is distributed as follows:

- property rights under loans: 60 % (debt that is, basically, a doubtful debt);
- securities: 9 %;
- own property of the bank: 3 %;
- property of guarantors: 15 %;
- other collateral: 13 %.

During the period from the start date of the provisional administration in insolvent banks as of 1 January 2017 banks have repaid loans to the NBU totaling UAH 2,767.15 mn, including UAH 1,700.91 mn in 2016.

At the same time we would say that the authorised DGF officers apply measures aimed at returning accounts payable to banks, borrowers' debt to banks, and return (recovery of) of property held by a third party according to the established procedure. These measures include filing property and/or non-property claims with the court and applications containing allegations of criminal offenses with the police on behalf of banks in accordance with the established legislation of Ukraine in case of fraud and other illegal actions of employees of the bank or other illegal actions with respect to the bank.

## 7.4. Investigation of unlawful actions of civil and criminal nature in insolvent banks

During the procedure for insolvent banks resolution the Fund uses a set of measures aimed at preventing, detecting, and stopping illegal actions of criminal nature in insolvent banking institutions.

Based on 2016 annual results, the Department of Investigation of Offenses of the Fund and the authorised DGF officers filed 1,113 requests to law enforcement seeking to initiate criminal proceedings; 492 criminal proceedings were initiated as a result of such requests; in 9 cases, indictments were sent to the court.

Thus, after reviewing allegations, materials of inspection, findings and cooperation of the Fund, pretrial investigation in 2016 filed criminal charges against 15 persons (PJSC "Bank Mykhailivskiy": 3 persons; PJSC "CB Standard": 1 person; PJSC "Bank Kyivska Rus": 1 person; JSB "Porto-Franco": 1 person; PJSC "Integral-Bank": 1 person; PJSC "National Credit Bank": 2 persons; PJSC "BG Bank": 1 person; PJSC "Imexbank": 1 person; PJSC "Delta Bank": 3 persons; PJSC "Finance And Credit Bank": 1 person).

For example, according to the preliminary investigation of the criminal proceedings on the grounds of criminal offenses envisaged by Part 5 of Article 191, Article 218-1, part 1 of Article 382, part 3 of Article 209 of the Criminal Code of Ukraine, charges were brought against the former Chairman of the Board of PJSC "Bank Mykhailivskiy" under part 5 of Article 191, Article 218-1 of the Criminal Code of Ukraine and against Deputy Chairman of PJSC "Bank Mykhailivskiy" under part 5 of Article 191 and Article 218-1 of the Criminal Code of Ukraine.

Also, the Fund filed 103 civil suits in 2016 within the scope of investigation of criminal proceedings in order to ensure the compensation for harm caused by the commission of criminal offenses.

In addition, the Fund is engaged in daily fruitful cooperation with all law enforcement agencies (prosecutors, the National

Police of Ukraine, the Security Service of Ukraine, the State fiscal service) so as to identify, combat, and counter violations in the financial and banking sector.

In order to improve the handling of this process and to improve coordination between the Fund and law enforcement and regulatory authorities, necessary measures are constantly adopted, joint meetings and meetings with investigators and prosecutors which solve immediate problems and assist in finding common solutions to problems are held upon the initiative of the Fund. In addition, letters on the establishment of joint working groups are sent to law enforcement agencies.

Conclusions and materials of inspections carried out by the Fund, which specify the mechanisms and reasons for committing unlawful actions which resulted in significant losses for the banks are used by the pre-trial investigation authorities during the investigation of criminal proceedings. These documents serve as the foundation of forensic accounting and forensic and economic examination carried out by specialised expert institutions upon instructions from pre-trial investigation authorities and are used as evidence in criminal proceedings.

In addition, the Fund signed contracts in 2016 to provide services for the comprehensive analysis of insolvent banks (forensic) in order to identify evidence of problematic or risky transactions and improper implementation of risk management and internal control procedures and to detect violation of the banking legislation of Ukraine in business activities of the bank so as to perform its financial obligations under the Memorandum of Economic and Financial Policies with the International Monetary Fund (under paragraph 18.d). PJSC "KPMG Audit" and LLC "Ernst & Young Audit" were selected for the comprehensive analysis of PJSC "BANK NADRA" and PJSC "Delta Bank."

## 7.5. Legal support of insolvent banks resolution

As of 1 January 2017 the indicators for litigation with insolvent banks were as follows:

- Number of proceedings: 84,372 proceedings.
- The total amount of claims: UAH 206,493.37 mn
- Number of enforced proceedings: 117,303 proceedings.
- The total amount of funds within enforcement proceedings: UAH 142,958.41 mn.

In addition, the Litigation Department and the office of the Legal Department of the Fund handled more than 7,000 lawsuits to which the Fund is a party in the courts of administrative, economic, and general jurisdiction in 2016. In particular, 2,030 administrative cases, 253 commercial cases, and 310 cases for courts of general jurisdiction were received in 2016.

It must be noted that the dynamics of the number of cases has a constant tendency to increase, given the growing number of banks declared insolvent by the NBU and the large number of creditors who try to make the Fund take responsibility for the liabilities of insolvent banks through judgments, which is contrary to the current law.

In 2016 the Legal Department of the Fund received more than 33 thous. communications to be handled including more than 780 attorneys' requests, 350 deputy requests/ inquiries, and 200 complaints of individuals. In addition, the Legal Department of the Fund provided written explanations on legal matters to more than 270 letters from legal entities.



## 8. CONSOLIDATED SALES AND MANAGEMENT OF ASSETS

Total actual cash inflows to the Fund in 2016 resulting from the sales and management of assets are UAH 7.2 bn, which includes:

UAH 3.9 bn in revenues from loan repayment;

UAH 3.2 bn in revenues from the sale of assets (property) of banks;

UAH 0.1 bn in revenues from leasing assets (property) of banks.

Differences in selling price through open tenders (auctions) and selling directly to legal entities or individuals in 2016 (3.0 bn) and actual cash receipts from the sale of assets (property) of banks in 2016 (3.2 bn) are related to the gap in time (sometimes, months) between the date of completion of the open tenders (auctions) and the actual cash flows for the acquired asset.

Table 8.1.

Proceeds by insolvent banks, UAH mn

Month 2016	Proceeds from loan repayment	Proceeds from the sale of assets	Proceeds from lease	TOTAL
TOTAL	3,915	3,204	101	7,220
January	381	230	7	618
February	423	60	6	490
March	389	268	9	665
April	455	338	8	801
May	355	278	8	640
June	292	166	9	467
July	295	224	8	527
August	413	161	9	583
September	224	311	9	544
October	224	364	7	595
November	227	333	8	568
December	237	472	13	722

### 8.1. Development of consolidated sales of assets in 2016

In 2016, the Fund's work was aimed at improving the efficiency of the sale of assets (property) of banks in the state of liquidation. To this end, a series of important organisational and methodological steps were implemented.

For example, the resolution of the executive management of the Fund dated 24 March 2016 No. 388 approved the Regulation on the organisation of the sale of assets (property) of banks in the state of liquidation, which launched a new approach to the sale of assets based on the principles of openness and transparency.

This Regulation focuses on procedures for disclosure of information about assets placed for sale, which must ensure proper awareness of potential buyers on the subject of sales and, consequently, their interest in acquiring the asset.

According to the Regulation, the mandatory amount of information about an asset must be published on the

websites of the Fund, the bank being liquidated, and in print media. This information must be published as a public passport of assets (property) and a passport of an open tenders (auction). In addition, potential buyers are provided with the opportunity to consider the asset in more detail inside the data room.

Increased volume of published information is aimed at ensuring transparency of asset sales and improving efficiency. In turn, this will attract the maximum number of potential buyers and ensure the sale of assets of insolvent banks at the highest price.

In order to implement the approach established by Regulation, the Fund established and opened the Department of Consolidated Sales and Management of Assets in April 2016; the main objectives of this department include, in particular, organisation of the process of selling assets of banks being liquidated, implementation of

organisational measures aimed at ensuring equal access of potential buyers to the information on such assets.

Open tender (auction) on the sale of assets is preceded by its analysis by the indicated department with other departments of the Fund and by the preparation of proposals on the conditions of sale of such assets. The proposed conditions of sale are considered by the Committee on the consolidation and sale of assets and approved by the executive management of the Fund. This algorithm aims to provide optimal conditions for assets sales.

Also the executive management of the Fund adopted a number of decisions in 2016 that were aimed at improving organisational and procedural matters and the organisation of open tenders (auctions) on the sale of assets (property) of banks being liquidated, including the following:

- a procedure for determining the organisers of open tender (auction) through lots that provides for an equal approach to all tender organisers that passed qualification in the Fund was established;
- standardised forms of transactions with tender organisers on cooperation in the field of sale of assets (property) and recommended forms of contracts of sale of assets (property) of insolvent banks were approved;
- the maximum amount of guarantee fee for participation in the open tender (auction) was approved; the remuneration of the organisers of the auction was set;
- the procedure for the sale of property of banks being liquidated was simplified by selling directly to legal entities or individuals so as to create a more comfortable environment for customers.

In order to increase transparency in the course of sale of assets (property):

- informing the borrowers of banks being liquidated on the sale of claim on credit agreements concluded with them was provided;
- the instruction on the procedure for disclosing information on the assets (property) to a potential buyer, standard forms of contract on bank secrecy and confidential information, as well as the form of an application of a potential buyer who intends to obtain information on asset (property) of the bank being liquidated were approved;
- the official website of the Fund and the websites of banks being liquidated published information about independent appraisal of assets (property) of such banks;
- for a thorough study of complaints from potential customers regarding the procedure for the sale of assets and in order to adopt objective and unbiased decisions regarding responses to them, a working group for reviewing such complaints was formed.

In April–December 2016 21 meetings of the working group were held, which considered 51 complaints to non-

compliance with the tender procedure. The meetings of the working group resulted in the elaboration and implementation of proposals to improve the regulation of open tenders (auctions), to unify transactions, to provide for cooperation in the field of organisation of the sale of assets (property), and to amend the Regulation on the organisation of the sale of assets (property) of banks being liquidated.

In addition, since June 2016 information about the sale of assets (property) with the balance sheet value equal to or greater than UAH 1.0 mn has been posted on the official website of the Fund on a monthly basis.

The Regulation on the withdrawal of insolvent banks from the market approved by the resolution of the executive management of the Fund dated 5 July 2012 No. 2 was amended so as to expand the range of persons and entities that may acquire a claim under credit agreements and enforcement contracts through an open competition (now this list includes not only banks and non-bank financial institutions but also other individuals and entities that are not classified as banks and non-bank financial institutions) (excluding debtors and/or guarantors under relevant agreements).

The executive management of the Fund approved the Methodology of the valuation of assets of a bank classified as distressed or insolvent.

In order to develop standards for the assessment of property rights (credits) for all independent appraisers, a working group of representatives of the Fund, the National Bank of Ukraine, and the State Property Fund was created.

In order to improve the system of sale of assets (property) of insolvent banks and banks being liquidated, the Fund, the National Bank of Ukraine, the Ministry of Economic Development and Trade of Ukraine, and Transparency International Ukraine signed a letter of intent on cooperation in building a transparent and effective system for the sale of property (assets) of insolvent banks and banks being liquidated in Ukraine on 24 June 2016; the letter of intent sets the following objectives, among others:

- an effective reform of the system of the sale of property (assets) of insolvent banks and banks being liquidated by transferring such system to a format of an electronic trading platform to be carried out according to the standards, criteria, and technology of electronic public procurements of the Prozorro system;
- ensuring full public access to information about the results of the auction for the sale of assets (property) of insolvent banks and banks being liquidated;
- increasing the competition by facilitating access to the sale of property (assets) of insolvent banks and banks being liquidated as well as provision of equal access for all interested investors to information about such assets (property).

Under the terms of the above letter of intent, the pilot project for the organisation of the sale of assets (property) of banks was launched, which introduced the procedure of provisional administration or liquidation in order to develop, test, and implement a platform based on the principles and rules of the Prozorro information-analytical system of public procurements and to ensure transparency of trading. To this end, the Fund and Transparency International Ukraine signed a cooperation agreement on the 1 September 2016, which was aimed at implementing the pilot project for the organisation of sale of property (assets) of banks under provisional administration or liquidation.

The qualification performed by the Fund identified persons to provide services in the field of organisation of open tenders (auctions), which included those who use the electronic trading system created by Transparency International Ukraine in their work; the feature of the operation of this system is that bidders can take part in during open tenders (auctions) through all online platforms connected to this system, which provides for much greater efficiency and transparency in the sale of assets (property).

Under the provisions of the above letter of intent of 17 November 2016, open tender (auction) of assets (property) of banks under liquidation was launched on the online platforms of auction organisers that use an e-trading system created by Transparency International Ukraine in their work.

Also the resolution of the executive management of the Fund dated 26 December 2016 No. 2980 “On some issues of organising the process of sale of assets (property) of banks being liquidated” determined that the sale of assets (property) is carried out exclusively by the organisers of

open tender (auction) that passed qualification of the Fund and that use ProZorro.Sales electronic trading system created by Transparency International Ukraine in their work effective 1 February 2017.

In order to improve the law and the procedures for the sale of assets (property) of insolvent banks even further, the Fund developed amendments to the Regulation on the organisation of the sale of assets (property) of banks being liquidated, which, in particular, have a policy of sale of assets (property) aimed at defining the principles and the priority criteria for the sale of such assets (property). At present the draft resolution of the executive management of the Fund on the approval of these changes is in the process of state registration with the Ministry of Justice of Ukraine.

However, in order to ensure close cooperation between the Fund and banks being liquidated and auction organisers, it is necessary to introduce an automated support system for the sale of assets (property) of banks being liquidated, which would allow logging, processing, exchanging, accumulating, and storing information and documents, handling data, adopting appropriate management decisions, controlling and monitoring processes and their results in the course of organisation and implementation of open tenders (auctions) at all stages of organising open tenders (auctions).

In 2017 the Fund plans to centralise the functions of lot information input into the electronic trading system, registration of contractual relations with the organisers of open tenders (auctions) for the sale of assets (property), and signing of electronic trading reports.

In addition, further work towards the introduction of electronic trading (auctions) will be aimed at improving the regulation of operation of the electronic trading system.

## 8.2. Results of the sale of assets of insolvent banks

In 2016 assets (property) of banks totaling UAH 3.0 bn were sold on the basis of results of open tenders (auctions) and selling assets (property) of insolvent banks directly to individuals or legal entities. At the same time assets (property) of banks totaling UAH 78.7 bn were put up for sale. Thus, 4 % of the assets offered for sale were sold on the average in 2016. The most active sales (47 % of the annual indicator) were observed in September-December 2016.

Based on the results of open tenders (auctions) and selling assets (property) of banks directly to individuals or legal entities in 2016: 10 banks accounted for 74 % of the total volume of assets (property) of banks. The leader of sales of assets (property) of banks is PJSC “BANK FORUM,” which accounts for 33 % of all successful open tenders (auctions) held in 2016.

Table 8.2.

## Ratio of the selling price to the amount of assets offered for sale, %

Month of 2016	Total assets offered for sale at auctions (including re-offer), UAH thous.	Selling price through open tenders (auctions) and selling directly to individuals or legal entities, UAH thous.	Ratio of the selling price of assets to the amount of assets offered for sale, %
TOTAL	78,737,205	3,013,321	4 %
January	3,355,521	111,289	3 %
February	1,597,637	124,608	8 %
March	3,954,353	273,958	7 %
April	4,556,148	421,080	9 %
May	5,267,443	168,924	3 %
June	4,341,951	149,515	3 %
July	4,660,590	170,279	4 %
August	9,344,123	172,121	2 %
September	11,683,621	466,361	4 %
October	11,154,434	347,358	3 %
November	8,742,624	234,709	3 %
December	10,078,760	373,119	4 %

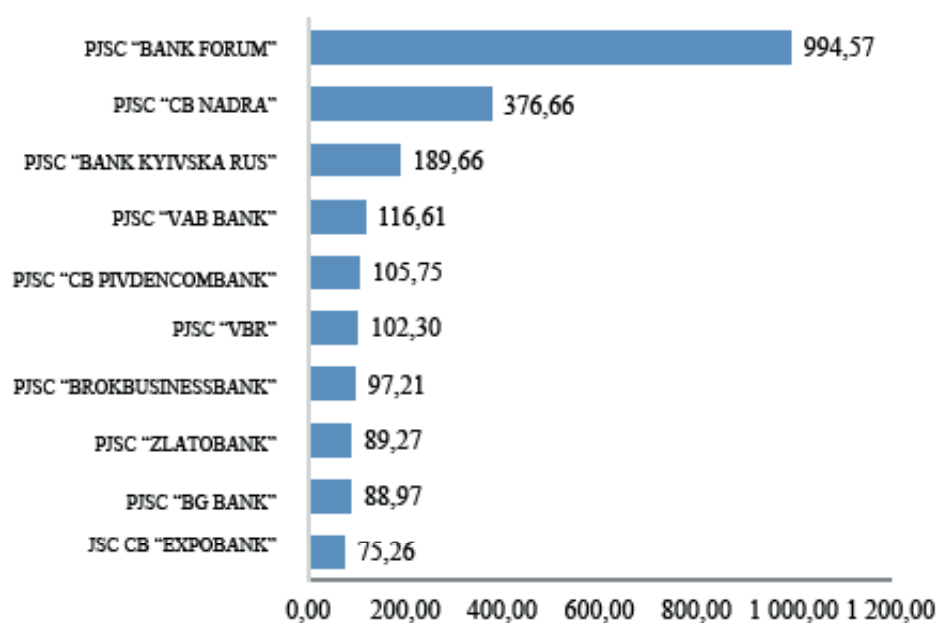


Fig. 8.1. Selling price through open tenders (auctions) and selling directly to individuals or legal entities in 2016, UAH mn

Based on the results of the open tenders (auctions) and selling directly to individuals or legal entities in 2016, the

sold assets (property) of banks had the following structure by types of assets (property) of banks:

Table No. 8.3.

## Structure of the sale of property by type of assets

TOTAL, UAH thous.	3,013,321	100 %
Rights of claim under credit agreements	1,527,929	51 %
Fixed assets	1,232,773	41 %
Securities/corporate rights	162,310	5 %
Selling directly to legal entities or individuals	62,243	2 %
Other assets (paintings, coins etc.)	25,191	1 %
Receivables	2,875	0 %

The largest share in the amount of sold assets (property) of banks through open tenders (auctions) is the sale of the right of claim under credit agreements (50.7 %). The ratio of the selling price of these assets to their balance sheet value in 2016 was 27 % (which exceeds the 2015 value by 6 %); however, the ratio of the selling price to the estimated value was 107 %.

In the structure of sold rights of claim under credit agreements, up to 75 % of the rights of claim under credit agreements were concluded with legal entities (including 1.3 % of transactions formalised via unsecured loan

agreements) and 25 % of the rights of claim under credit agreements were concluded with individuals (including 0.8 % of transactions formalised via unsecured loan agreements).

Based on the open tenders (auctions), the selling price of fixed assets (excluding direct sales to legal entities or individuals) is 40.9 % in the total mass of all successful open tenders (auctions). The selling price of these assets to their balance sheet value in 2016 was 99 %, which is 31 % more than compared to 2015; the ratio of the selling price to the estimated value was 92 %.

Table No. 8.4.

#### Results of the sale of the rights of claim under credit agreements

Month of 2016	Balance sheet value, UAH thous.	Estimated Value, UAH thous.	Selling Price through Open Tenders (Auctions), UAH thous.	Rate of the sale of assets to the balance sheet value of assets, %	Rate of the sale of assets to the estimated value of assets, %
TOTAL	5,633,525	1,423,798	1,527,929	27 %	107 %
January	474,775	91,830	79,005	17 %	86 %
February	58,193	12,318	11,986	21 %	97 %
March	646,266	93,525	123,572	19 %	132 %
April	945,052	257,191	208,506	22 %	81 %
May	269,648	66,051	87,214	32 %	132 %
June	197,240	56,655	62,679	32 %	111 %
July	327,169	92,353	72,237	22 %	78 %
August	330,001	105,980	98,004	30 %	92 %
September	557,427	211,739	226,099	41 %	107 %
October	522,402	147,394	182,529	35 %	124 %
November	312,571	100,114	128,108	41 %	128 %
December	992,780	188,647	247,989	25 %	131 %

Table No. 8.5.

#### Results of the sale of fixed assets

Month of 2016	Balance sheet value, UAH thous.	Estimated Value, UAH thous.	Selling Price through Open Tenders (Auctions), UAH thous.	Rate of the sale of assets to the balance sheet value of assets, %	Rate of the sale of assets to the estimated value of assets, %
TOTAL	1,248,077	1,345,631	1,232,773	99 %	92 %
January	17,981	27,442	25,581	142 %	93 %
February	163,648	98,038	96,184	59 %	98 %
March	101,915	104,397	92,016	90 %	88 %
April	219,482	194,481	198,070	90 %	102 %
May	81,771	116,335	77,358	95 %	66 %
June	74,781	80,140	82,676	111 %	103 %
July	105,379	111,990	93,991	89 %	84 %
August	44,186	64,598	68,537	155 %	106 %
September	91,340	113,371	124,364	136 %	110 %
October	161,326	167,767	158,624	98 %	95 %
November	80,840	113,527	98,402	122 %	87 %
December	105,428	153,546	116,971	111 %	76 %

Regarding the sale of insolvent assets (property) of banks that are pledged to the NBU, assets (property) of 10 insolvent banks pledged to the NBU for a total of UAH

513,440 thous. were sold in 2016; the ratio of the selling price to the balance sheet value was 103 %. Sold fixed assets amounted to 87.6 %.

Table No. 8.6.

Results of the sale of assets pledged to the NBU

Month of 2016	Balance sheet value, UAH thous.	Estimated Value, UAH thous.	Selling Price through Open Tenders (Auctions), UAH thous.	Rate of the sale of assets to the balance sheet value of assets, %	Rate of the sale of assets to the estimated value of assets, %
TOTAL	498,312	500,045	513,440	103 %	103 %
January	4,179	8,838	7,611	182 %	86 %
February	42,987	40,974	35,056	82 %	86 %
March	20,079	30,797	31,226	156 %	101 %
April	76,613	88,521	84,490	110 %	95 %
May	19,077	39,928	36,329	190 %	91 %
June	26,573	43,350	45,698	172 %	105 %
July	23,535	32,010	29,429	125 %	92 %
August	35,435	50,069	50,743	143 %	101 %
September	40,777	28,681	33,443	82 %	117 %
October	132,867	109,276	106,798	80 %	98 %
November	26,369	16,921	28,584	108 %	169 %
December	49,821	10,679	24,032	48 %	225 %

Table No. 8.7.

Results of the sale of assets pledged to the NBU in the context of banks

Bank	Balance sheet value, UAH thous.	Estimated Value, UAH thous.	Selling Price through Open Tenders (Auctions), UAH thous.	Rate of the sale of assets to the balance sheet value of assets, %	Rate of the sale of assets to the estimated value of assets, %
TOTAL	498,312	500,045	513,440	103 %	103 %
PJSC "BROKBUSINESSBANK"	39,895	27,940	20,270	51 %	73 %
PJSC "CB ACTIVE-BANK"	25,474	4,850	4,312	17 %	89 %
PJSC "BANK KYIVSKA RUS"	41,205	14,184	34,291	83 %	242 %
PJSC "BG BANK"	97,864	91,156	74,924	77 %	82 %
JSC CB "EXPOBANK"	18,178	23,280	34,598	190 %	149 %
PJSC "BANK FORUM"	135,001	243,630	223,053	165 %	92 %
PJSC "IMEXBANK"	11,478	8,982	8,238	72 %	92 %
PJSC "AVTOKRAZBANK"	2,094	357	322	15 %	90 %
PJSC "ZLATOBANK"	50,230	10,006	24,876	50 %	249 %

## 9. GUARANTEED DEPOSIT PAYOUT

### 9.1. Payments to depositors

In 2016 amendments to the Law of Ukraine “On Household Deposit Guarantee System” in the part concerning early payments of the guaranteed amount to the depositors of banks came into force. Before 1 July 2016 the deposit payout to depositors only started within three working days from the date of receipt of the decision of the National Bank of Ukraine to revoke the banking license and to initiate liquidation proceedings against the bank and was implemented taking into account the amounts paid to the depositor during the provisional administration. During the provisional administration payments to depositors under expired contracts and under depositor bank account contracts (within the guaranteed amount) were performed by the insolvent bank itself. In order to ensure these payments the Fund was entitled to provide the bank with a special purpose loan. In 2016 banks paid UAH 3,076,384.73 thous. to their depositors through special purpose loans issued by the Fund (Table No. 9.1.).

Effective 1 July 2016, following the entry of amendments to the Law of Ukraine “On Household Deposit Guarantee System” into force, the deposit payout by the Fund begins within 20 working days (for banks with a database of

depositors including more than 500,000 accounts: within 30 working days) from the date of the start of the procedure of bank’s withdrawal from market by the Fund.

In 2016 the deposit payout to depositors of banks being liquidated and classified as insolvent was carried out by the Fund through agent banks determined in accordance with the Regulation on the procedure for determining agent banks of the Deposit Guarantee Fund approved by the resolution of the executive management of the Fund dated 12 July 2012 No. 6 on the basis of made contracts. The term of deposit payouts by the agent bank was thirty working days after the receipt of registers from the Fund. Deposit payout to depositors who did not receive the payment for any reason within thirty working days after the receipt of registers by the agent bank from the Fund were performed by means of a transfer of the corresponding amount based on the results of the review of individual applications filed by depositors with the Fund.

In 2016, the Fund carried out the deposit payout to depositors of banks that were liquidated in previous years and in 2016. The total amount paid by the Fund in 2016 was UAH 11,767,722.03 thous. (Table No. 9.2.)

Table No. 9.1.

Payments to depositors in 2016 through special purpose loans issued by the Fund, UAH thous.

Item No.	Insolvent bank	Paid amount, UAH thous.
	INSOLVENT BANK	PAID AMOUNT, UAH THOUS.
1.	PJSC “CB FINANCIAL INITIATIVE”	1,055,316 ,93
2.	PJSC “UKRINBANK”	947,003, 82
3.	PJSC “BANK PETROCOMMERCE-UKRAINE”	3,754, 70
4.	PJSC “CB KHRESHCHATYK”	753,527, 11
5.	PJSC “FIDOBANK”	316,782 ,17
	<b>TOTAL</b>	<b>3,076,384, 73</b>

Table No. 9.2.

Payments of compensation to depositors in 2016, UAH thous.

Item No.	List of Liquidated Banks	Date of commencement of liquidation proceedings	Balance of funds not received by depositors	Calculated compensation amount	Actually Collected Funds in 2016	Balance of funds not received by depositors as of 1 January 2017
			As of 1 January 2016	In 2016		7=4+5-6
1	2	3	4	5	6	7
1	JSC ”ERDE BANK”	09.01.2013	2,222.92	181.03	203.17	2,200.79
2	JSC “BANK TAVRYKA”	20.03.2013	6,457.17	92.72	191.71	6,358.17
3	PJSC “CB DANIEL”	16.04.2014	7,791.15	4.27	278.76	7,516.66
4	PJSC “REAL BANK”	21.05.2014	19,260.93	0.00	701.19	18,559.75
5	JSC “BROKBUSINESSBANK”	11.06.2014	97,739.93	0.00	5,718.19	92,021.74
6	JSC BANK “MERCURIY”	12.06.2014	6,706.39	0.00	361.36	6,345.03
7	PJSC “BANK FORUM”	16.06.2014	77,427.20	319.46	4,106.73	73,639.93
8	PJSC CB “INTERBANK”	23.07.2014	3,273.04	93.82	1,537.49	1,829.37
9	PJSC “ZAKHIDINKOMBANK”	23.07.2014	11,936.79	0.00	1,256.08	10,680.71

Table No. 9.2. continued

Item No.	List of Liquidated Banks	Date of commencement of liquidation proceedings	Balance of funds not received by depositors	Calculated compensation amount	Actually Collected Funds in 2016	Balance of funds not received by depositors as of 1 January 2017
			As of 1 January 2016	In 2016		7=4+5-6
1	2	3	4	5	6	7
10	PJSC "AKB BANK"	29.08.2014	8,732.99	0.00	246.79	8,486.19
11	PJSC "CB PROMECONOMBANK"	08.09.2014	1,188.59	0.00	1,188.59	0.00
12	PJSC "STAROKYIVSKYI BANK"	18.09.2014	2,486.44	80,812.13	80,398.41	2,900.17
13	PJSC "CB PIVDENCOMBANK"	26.09.2014	38,181.36	199.76	3,253.89	35,127.22
14	PJSC "FINROSTBANK"	16.10.2014	20,530.98	0.00	1,311.23	19,219.75
15	PJSC "CB UFS"	13.11.2014	17,774.89	35,555.82	34,401.10	18,929.60
16	JSC "EUROGASBANK"	18.11.2014	20,125.71	72.18	1,977.46	18,220.43
17	JSC "BANK GOLDEN GATE"	24.12.2014	213.50	19,212.81	17,006.65	2,419.66
18	PJSC "TERRA BANK"	05.12.2014	878.39	202.20	499.76	580.83
19	PJSC "CB ACTIVE-BANK"	24.12.2014	19,436.38	3,453.06	7,065.15	15,824.29
20	PJSC "PRIME BANK"	03.10.2014	435.46	0.00	0.00	435.46
21	PJSC "AKTABANK"	16.01.2015	14,314.30	24,680.12	28,749.75	10,244.68
22	PJSC "INTERCREDITBANK"	17.01.2015	173.41	0.00	0.00	173.41
23	PJSC "GREEN BANK"	23.01.2015	53.36	0.00	2.22	51.14
24	JSC CB "EXPOBANK"	26.01.2015	4,384.58	18,393.35	16,868.88	5,909.05
25	PJSC "BANK DEMARK"	30.01.2015	9,601.74	0.00	1,794.25	7,807.48
26	JSC "PORTO-FRANKO"	30.01.2015	8,619.63	0.00	1,336.62	7,283.01
27	PJSC CB "AXIOMA"	30.01.2015	914.05	0.00	74.36	839.69
28	PJSC "MELIOR BANK"	11.02.2015	20.99	0.00	0.00	20.99
29	PJSC "BG Bank"	27.02.2015	10,516.01	0.00	1,222.54	9,293.47
30	PJSC "LEGBANK"	27.02.2015	3,876.77	18.17	989.67	2,905.28
31	PJSC "Bank CAMBIO"	02.03.2015	6,549.16	263,950.84	29,023.35	241,476.65
32	PJSC "VAB"	20.03.2015	574,475.24	4,298.14	118,776.28	459,997.10
33	PJSC "CITY COMMERCIAL BANK"	20.03.2015	61,851.72	550.26	7,341.18	55,060.80
34	PJSC "PROFINBANK"	20.04.2015	2,513.06	223.20	200.23	2,536.04
35	PJSC "UKRBUSINESSBANK"	23.04.2015	31,352.60	-1.15	2,657.81	28,693.65
36	JSB "UKOOSPILKA"	24.04.2015	1,175.99	2,242.67	2,228.87	1,189.79
37	PJSC "ZLATOBANK"	13.05.2015	33,705.14	3,546.66	12,078.26	25,173.54
38	JSC "IMEXBANK"	27.05.2015	196,333.75	65,893.00	64,032.98	198,193.76
39	PJSC "KREDYTPROMBANK"	03.06.2015	13,188.92	200.00	947.73	12,441.18
40	PJSC "CB NADRA"	05.06.2015	355,696.41	25,139.88	177,302.90	203,533.39
41	PJSC "ENERHOBANK"	12.06.2015	46,846.93	0.00	27,188.41	19,658.52
42	PJSC "CB STANDARD"	19.06.2015	42,699.45	5,739.76	30,841.40	17,597.81
43	PJSC "BANK KYIVSKA RUS"	17.07.2015	94,463.53	8,443.51	28,915.37	73,991.67
44	PJSC "UPB"	31.08.2015	29,553.67	2,206.17	21,569.63	10,190.20
45	PJSC "BANK NATIONAL CREDIT"	31.08.2015	29,721.72	-373.72	14,650.59	14,697.40
46	PJSC JSB "STOLYCHNYI"	15.09.2015	4,240.65	0.00	2,634.37	1,606.28
47	PJSC "DELTA BANK"	21.09.2015	683,971.76	27,184.59	188,350.47	522,805.88
48	PJSC "UKRGAZPROMBANK"	05.10.2015	15,800.23	0.00	9,223.76	6,576.47
49	PJSC "JSCB CAPITAL"	30.10.2015	42,920.38	0.00	9,605.94	33,314.45
50	PJSC "RADICAL BANK"	10.11.2015	20,857.15	8,371.27	21,597.47	7,630.95
51	PJSC "INTEGRAL-BANK"	27.11.2015	3,427.37	27,865.47	27,717.97	3,574.87
52	JSC "BANK NATIONAL INVESTMENTS"	03.12.2015	45,487.48	329,794.72	367,233.57	8,048.63
53	PJSC "UNICOMBANK"	04.12.2015	1,512.84	2,420.10	3,548.51	384.43
54	PJSC "BANK CONTRACT"	11.12.2015	10,703.51	6,681.17	14,557.31	2,827.37
55	JSC "FINANCE AND CREDIT BANK"	18.12.2015	3,969,701.05	5,138.04	3,429,817.80	545,021.29
56	PJSC "USB BANK"	28.12.2015	46,760.29	282.67	43,491.44	3,551.52
57	PJSC "VBR"	23.12.2015	18,948.43	39.49	9,175.14	9,812.78
58	JSC "BANK VELES"	11.02.2016	0.00	91.76	10.87	80.90



Table No. 9.2. continued

Item No.	List of Liquidated Banks	Date of commencement of liquidation proceedings	Balance of funds not received by depositors	Calculated compensation amount	Actually Collected Funds in 2016	Balance of funds not received by depositors as of 1 January 2017
			As of 1 January 2016	In 2016		7=4+5-6
1	2	3	4	5	6	7
59	PJSC "AVANT BANK"	26.02.2016	0.00	552,590.07	511,864.80	40,725.26
60	PJSC "CB PREMIUM"	11.02.2016	0.00	149,312.14	147,000.25	2,311.89
61	PJSC "UKRINBANK"	23.03.2016	0.00	879,669.34	813,598.24	66,071.11
62	JSC CB "TK CREDIT"	08.04.2016	0.00	500.28	390.94	109.34
63	PJSC "BANK PETROCOMMERCE-UKRAINE"	22.04.2016	0.00	15,113.50	8,863.88	6,249.61
64	PJSC "BANK SOPHIISKYI"	25.04.2016	0.00	25,550.22	23,913.95	1,636.27
65	PJSC "CB KHRESHCHATYK"	06.06.2016	0.00	2,039,930.79	1,946,426.06	93,504.73
66	PJSC "BANK MYKHAILIVSKYI"	13.07.2016	0.00	1,728,467.86	1,652,783.45	75,684.42
67	PJSC "FIDOBANK"	20.07.2016	0.00	1,507,931.83	1,431,637.35	76,294.47
68	PUJSC "SMARTBANK"	25.07.2016	0.00	19.66	0.00	19.66
69	PJSC "CLASSICBANK"	12.08.2016	0.00	253.53	0.00	253.53
70	PJSC "EUROBANK"	17.08.2016	0.00	256,702.33	250,613.83	6,088.50
	<b>TOTAL:</b>		<b>6,799,733.48</b>	<b>8,129,260.91</b>	<b>11,664,554.39</b>	<b>3,264,440.01</b>

Table No. 9.3.

Deposit payouts to depositors in 2016  
after the entry of amendments to the Law of Ukraine "On Household Deposit Guarantee System" into force,  
UAH thous.

Item No.	List of Liquidated Banks	Date of introduction of the provisional administration or the liquidation start date	Balance of funds not received by depositors	Calculated compensation amount	Actually collected funds in 2016	Balance of funds not received by depositors as of 1 January 2017
1	PJSC "KSG BANK"	31.08.2016	0.00	48,013.88	46,576.79	1,437.09
2	JSC "ARTEM-BANK"	16.11.2016	0.00	96,828.76	56,590.85	40,237.91
3	PJSC BANK "TRUST"	07.12.2016	0.00	539,538.24	0.00	539,538.24
	<b>TOTAL:</b>		<b>0.00</b>	<b>684,380.88</b>	<b>103,167.64</b>	<b>581,213.24</b>

## 9.2. Improvement of the payment system

The main areas of development of the information technology of the Fund in 2016 were: improvement of the system of management, monitoring, reporting, and modernising of business processes for compensation to depositors of insolvent banks and banks being liquidated.

In connection with the massive amounts of guaranteed payments to depositors of insolvent banks and banks being liquidated, the Fund needed to improve the system of payments and to optimise the payment process. To this end the Fund carried out the work on the creation of an innovative payment system for depositors in 2016.

The automated payment system of the Fund (hereinafter referred to as the APSF) is designed to:

- create an automated system of payments to depositors in real time;

- create a unified and complete information database that contains information about the operation of amounts of payments to depositors of insolvent banks;

- improve the quality and the speed of processing information on depositors received from insolvent banks through a unified approach to the integration of information and a single mechanism for monitoring compliance subject to compliance with the methodology of calculation of payments;

- use electronic communication equipment to send information in the course of payment to depositors, which enables them to implement and to manage these processes quickly.

In general, the overall scheme of the innovation system of payments is as follows:

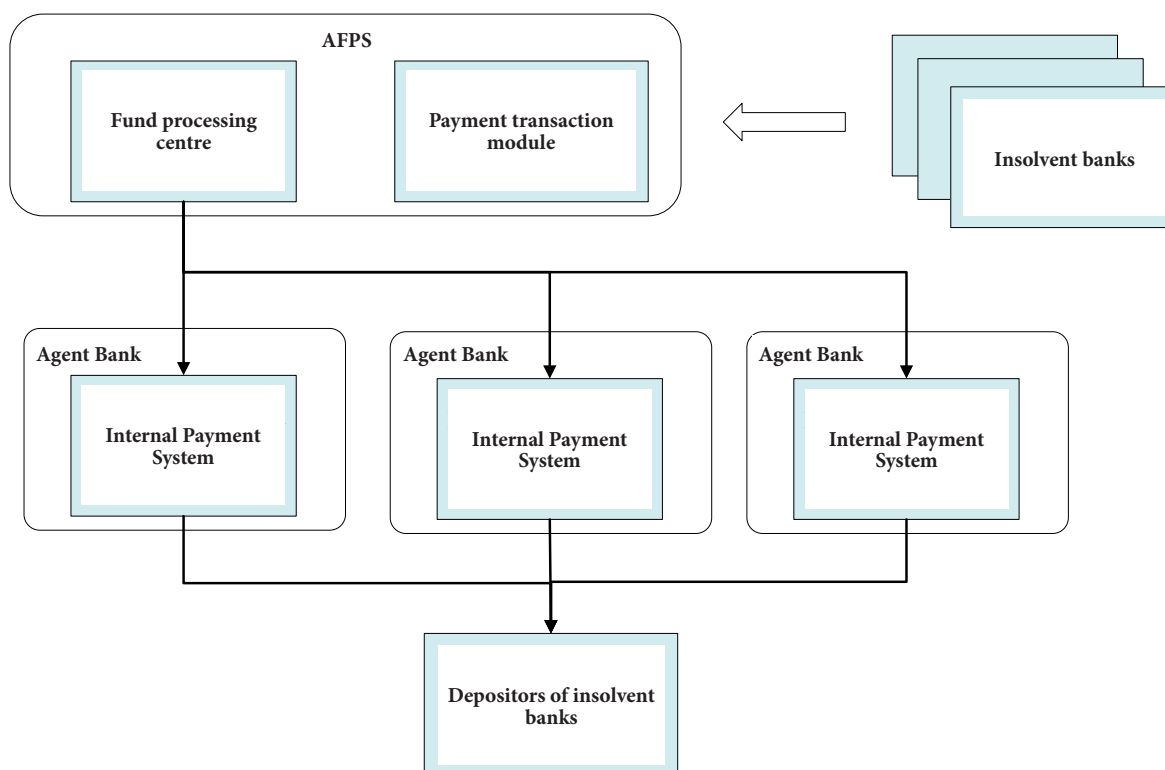


Fig. 9.1. Automated payment system of the Fund (AFPS)

As a result of new system introduction the Fund is expected to obtain a modern and effective tool for payment that will ensure payments to depositors of banks being liquidated and insolvent banks and will provide tangible benefits as compared to the current system of payments.

• **Benefits for bank depositors:**

- expansion of payment points network and approximation of payments to depositors;
- efficiency of payments;
- possibility to obtain compensation for deposits in several NB at the same payment point;
- provision of the continuity of the payment process (the depositor will be able to receive a refund at any time prior completion of bank liquidation);

• **Benefits for the Fund:**

- a single software package with information about the payments from the start of the provisional administration and until the end of liquidation;
- provision for a guaranteed deposit payout due to diversification of payments by various agent banks;
- reducing the risk of loss of funds by the Fund through the use of various types of payments to agent banks (advancing, after the fact, combined);

- operational management of payment processes (connection/disconnection of AB, registers of beneficiaries, locking individual records etc.);

- reduction of the costs of the Fund (financial and material resources);

- a significant reduction of paper documents through the reduction of the inflow of paper (applications) from depositors

• **Benefits for agent banks:**

- simplification of inclusion of banks into the payment system as the agent banks;
- creation of a competitive environment for agent banks (agent banks will operate in equal conditions);
- cost reduction by agent banks on advertising to attract new customers (depositors);
- attracting new depositors and resources.

As a result the Fund will receive a high-tech tool that provides for the process of payment to depositors of banks being liquidated and insolvent banks and that enables the Fund to effectively make payments of the guaranteed amounts to depositors and, in general, to contribute to the development of the national information system of public and state resources.

## 10. PUBLIC AWARENESS

### 10.1. Public education

This year the reform of the banking sector, including the withdrawal of insolvent banks from the market and liquidation of banks violating the law, continues. Therefore, the Fund strongly informed the public about its activities, about the household deposit guarantee system, and about the protection of rights and legal interests of depositors. The main purpose of information and education campaigns of the Fund were to increase the financial literacy of both potential and current depositors and to restore confidence in the banking sector.

As usual, one of the main channels of communication was the official website of the Deposit Guarantee Fund ([www.fg.gov.ua](http://www.fg.gov.ua)). The website of the Fund promptly publishes all the information about banks that are in the process of provisional administration or liquidation, namely: news, announcements, reports, and statistics. In total, the official website of the Fund was visited more than 3,631,653 times in 2016 (Fig. 10.1).

For better content of the website the Fund conducted two focus groups to research priorities of Internet users concerning topics and categories and their presentation on the website of the Fund with the assistance of the USAID Regional Economic Development Program (USAID REG IP FSS) in the reporting year. In addition, the experts of the Fund who are responsible for public communication and protection of depositors participated in the training on methods of increasing website traffic through search engine optimisation and of presenting information in an easy-to-understand form for the target audience.

In 2016 the Fund began an important part of communication with depositors and creditors by setting up a page on Facebook (<https://www.facebook.com/fg.gov.ua/>).

As of December 2016, the Facebook profile of the Fund was followed by about 3,500 people. During the year the number of page users increased by 75 %, which is over 1,500 unique users in absolute terms. A system of “live” communication with page users in real time was launched. To this end, the page of the Fund on Facebook opened a “Send Message” section, where visitors have the opportunity to promptly get answers to their questions. This tool has been used to give about 1,000 clarification of issues related to the activities of the Fund. The average reach to the audience increased by more than a factor of 2.5 as compared to last year. This means that each post at an average is read by about 1,600 Facebook users.

In addition to informing citizens via the website and social networks, the Fund was also published ads in the official media (“The Voice of Ukraine” and/or “The Governmental Courier” newspapers), including the ads specifying the application of the provisional administration procedure for insolvent banks, start of the liquidation procedure of banks, and implementation of payments as well as financial statements of the Fund etc. Overall, “The Voice of Ukraine” and “The Governmental Courier” newspapers published more than 70 ads of the Fund in 2016.

Active cooperation with the media continued. Press releases of the Fund, comments, interviews, and statistical data were regularly sent out to more than 500 addresses of journalists and news agencies. In 2016 the maximum information support was provided to the process of selling of assets of insolvent banks by the Fund. Press releases about the most interesting bank assets offered for sale were prepared and sent out on an ongoing basis; sales results for the week that had passed, and sales plans for the next seven days were also

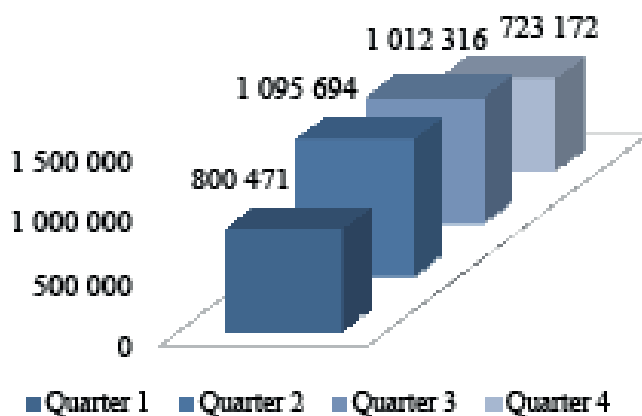


Fig. 10.1. Dynamics of visits to the website of the Fund in 2016



published. Also, all the stages of implementing a new system of sale of assets of insolvent banks (ProZorro. Sales), were covered in detail, including the coordination of participation of the Fund's representatives in public events and preparation of materials for the press. Overall, the Fund organised 8 meetings of press clubs and briefings in 2016, which were attended by mass media representatives who specialise in financial and banking issues. In addition, representatives of the Guarantee Fund made more than 20 appearances on television and radio and gave more than 30 interviews to printed media.

### *Information and Consulting Centre and the Hotline of the Fund*

Information support of depositors and creditors of insolvent banks is provided in the Information Resource Centre of the Fund. During the personal visit they can get professional piece of advice on matters related to protecting their interests in the event of problematic and complex situations.

In 2016 depositors were provided with about 11,000 consultations on the activities of the Deposit Guarantee Fund and on the correct filling out of documents for compensation.

In addition, the Department of Information Policy of the Fund provides access to public information, which is administered by the Guarantee Fund. In 2016 the employees of the department provided answers to 2,484 requests for public information. Applications of the population in need of clarification of the procedure for obtaining the guaranteed compensation amount were also systematically handled. In 2016 3,434 requests from individuals were processed.

As usual, the most timely and accessible to the public channel of communication was the Hotline of the Fund. The total number of clarifications and consultations provided to depositors by telephone in 2016 was 258,535. In order to improve the effectiveness of response to applications of people, including the applications with signs of complaints, the Fund introduced a system of feedback with hotline callers (Fig. 10.2.).

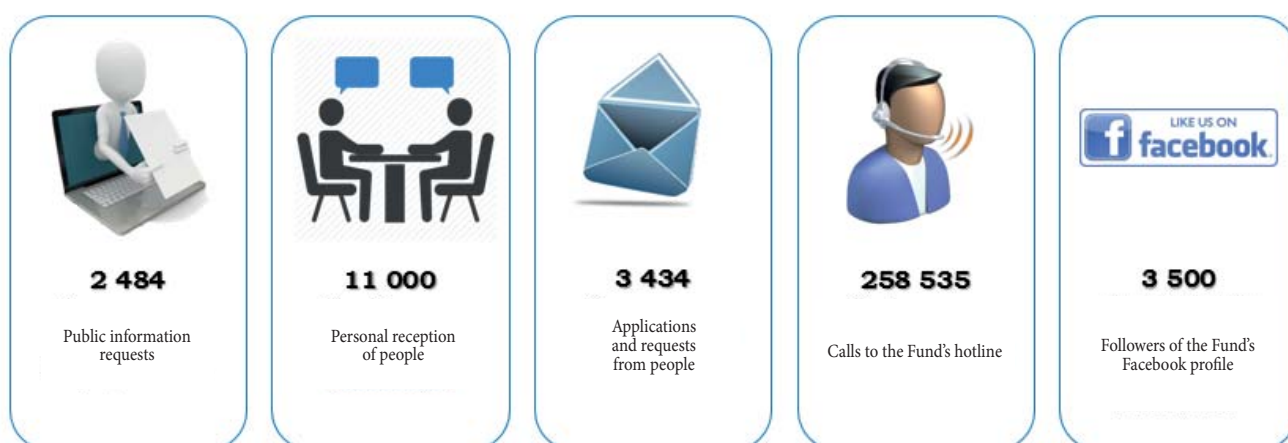


Fig. 10.2. Interaction with citizens in 2016

## 10.2. Financial literacy

Pursuant to the function of the Fund regulated by legislative acts and aimed at improving financial literacy, understanding the need to raise awareness of depositors about the benefits and the limitations of the deposit insurance system and to bring up the culture of savings with the depositors, the Fund actively pursued educational activities for different target audiences in 2016.

So, with the support of PJSC “KREDOBANK” the Fund made a tutorial about the existence of the deposit guarantee system, the guaranteed amount, the website address, and the telephone number of the Fund’s hotline. In addition, three audio clips were made with the support of “OTP Bank.” The Fund addressed the National Television and Radio Broadcasting Council of Ukraine to declare these videos and audios social advertising. Upon receipt of appropriate confirmation from the National Council, the Fund sent these files to 62 national and regional TV channels and radio stations of various formats designed for different audiences.

As a result, in August-September 2016 the videos of the Fund were broadcasted on 11 TV channels and audio clips were played on 10 radio stations.

During the year the Fund held several lectures for students to improve financial literacy of young professionals. In particular, the Fund held a public lecture for students and teachers of the National University of Life and Environmental Sciences of Ukraine, as well as lectures on the rights of depositors for the students of the Institute of Postgraduate Education of Borys Grinchenko Kyiv University and participants of the regional seminar of the course “Financial Literacy” for teachers in Kharkiv during the international initiative Global Money Week. In addition, the experts of the Fund conducted a training on the topic of “The Deposit Insurance System in Ukraine” for students of the Banking University. The participants received certificates from the Fund that confirm the possibility for students to provide training on financial literacy on their own.



## 10.3. Protecting the rights of depositors

Last year the Fund created a Department of Protection of Depositors Rights, whose main objective was to ensure compliance of banks participating in the Fund with requirements of the Fund to the content of deposit agreements, bank account agreements on the issues relating to the functioning of the Deposit Guarantee Fund and the requirements regarding the manner of disclosure of information for depositors on the conditions of providing banking services to attract deposits as well as provision for the compliance of agent banks of the Fund with rights of depositors when paying guaranteed amounts.

In 2016 the Deposit Guarantee Fund developed a procedure for the protection of rights and legal interests of depositors, which was subsequently approved by the resolution of the executive management of the Fund dated 26 May 2016 No. 825 and registered with the Ministry of Justice of Ukraine on 17 June 2016 under No. 874/29004. This document defines the rights and obligations of the bank in attracting a deposit from an individual or a sole proprietor and the rights and obligations of the agent bank in the course of deposit payout as well as rights and obligations of the depositor.

Also, a number of requirements that enable depositors to receive more information about the financial services of banks and the deposit guarantee system prior entering into the contract were included in legislative acts for the first time; these requirements include the following:

- banks are required to place the terms of a public contract, the price of banking services and banking rates, and sample agreements for each type of bank accounts and bank deposits on the bank's website and in the bank premises (in places accessible to depositors (particularly in the operating room));
- if the bank deposit/account contract contains links to public rules/conditions/contract/offer etc., the banks are required to provide the depositor, upon his or her request, with an extract from these rules/conditions/contract/offer inasmuch as this extract relates to the conditions of the bank deposit/account regardless of its availability on the website of the bank; such an extract must be certified by the authorised bank employee;
- banks are required to place links to the section on the deposit guarantee system on the home page of the bank website.

Also, banks are required to include the terms of guarantee of the compensation for the deposit by the Guarantee Fund in deposit agreements and bank account agreements; namely:

- 1) a list of conditions under which the Fund will not provide the compensation or a reference to the provisions of the Law of Ukraine "On Household Deposit Guarantee System" that define the conditions under which the Fund will not provide the compensation and a link to the official website of the Fund;
- 2) the maximum compensation amount for deposits or a link to the official website of the Fund, where the maximum compensation amount by the Fund is determined;
- 3) information on the termination of accrual of interest under the contract on the day of the commencement of the procedure for bank resolution by the Fund (if the National Bank of Ukraine adopts a decision to revoke the banking license and to initiate the liquidation against the bank on the grounds specified by Part 2 of Article 77 of the Law of Ukraine "On Banks and Banking": on the day of adoption of the decision to revoke the banking license and to initiate the liquidation proceedings against the bank);
- 4) information that the compensation of foreign currency deposits will be made in the national currency of Ukraine after the conversion of the deposit amount at the official exchange rate of the hryvnia to foreign currencies;
- 5) information that an individual (including a sole proprietor) whom a contract is made with is aware of the

information contained in the certificate of the household deposit guarantee system, as certified by the individual signature of the depositor in the agreement;

6) other essential terms of the bank account or deposit agreement established by the legislation of Ukraine.

The scope of responsibilities of agent banks of the Fund has significantly expanded, including of the following:

- solicitation of services and creating other obstacles for depositors who appealed to the bank to receive the guaranteed amount from the deposit is prohibited;
- depositors must be provided with refund in cash listed in the general register/part thereof. At the request of the depositor, the corresponding amount of the compensation must be transferred to the specified bank account in another bank at the rates of the agent bank without soliciting other services;
- placing information on the performance of the functions of an agent bank with respect to the deposit payouts to depositors of the bank for the general registry/part of the registry in publicly accessible places at the location of the bank, separate branches, and on the website of the bank is now required.

In 2016 the department of protection of depositors processed 675 written requests/complaints. On the basis of the analysis of main types of written requests/complaints, proposals for the optimisation of processes of the Fund were developed in order to enable the depositors of insolvent banks to receive a guaranteed amount of compensation within the shortest term possible. As a result, for example, the executive management decided that the persons whom the courts have decided to include in the list of depositors do not need to receive writs and file an application for enforcement of these decisions with the enforcement service. The decision that came into force is the sufficient basis for the inclusion of information on the depositor in the register for payments.

In addition, an analysis of the activities of banks participating in the Fund in terms of their compliance with the disclosure of information on the deposit guarantee system and information on attracting deposits was performed. Also, cases of introduction of products risky for depositors by banks were detected. At the same time, banks did not provide information to consumers about the content of such products and associated risks and legal consequences. Information about the detected violations was brought to the attention of the Department of Remote and Inspection Monitoring of banks and, in some cases, to the regulator.

## 10.4. Cooperation with NGOs

In 2016 the Fund actively cooperated with NGOs and initiative groups of insolvent banks depositors.

In March 2016 the Public Monitoring Council, an advisory body that takes care of the protection of the interests of depositors and other creditors of insolvent banks and is a tool for public participation in the process of banks withdrawal from the market, was established. The Public Monitoring Council includes representatives of the following NGOs: “Union of Depositors of JSC “Delta Bank” (JSC “DELTA BANK”); NGO “Public Control of Banks” (JSC “VAB Bank”), NGO “The Human Rights Council of Ukraine” (PJSC “CB FINANCIAL INITIATIVE”), “Association of Depositor Victims of “Forum SOS” (PJSC “BANK FORUM”), and “The National Weal of Ukraine” (JSC “FINANCE AND CREDIT BANK”).

In cooperation with public organisations and initiative groups of depositors of insolvent banks, the Fund involves NGO representatives to participate in procedures for insolvent banks resolution and for the public control over the activities of officials and authorised DGF officers aimed at the liquidation of banks. Also, the Fund has signed a memorandum of cooperation with NGO “Forum SOS” in order to ensure an active involvement of the public in the processes connected to the sales of assets of insolvent banks.

In order to resolve the issue of compensation to clients of PJSC “Bank Mykhailivskiy,” the Fund actively collaborated

with NGO “Union of Depositors of Mykhailivskiy.” Given the great public interest, an interdepartmental working group was created to resolve issues of depositors of PJSC “Bank Mykhailivskiy.” This group includes representatives of government, law enforcement agencies, the Deposit Guarantee Fund, and representatives of NGO “Union of Depositors of Mykhailivskiy.” The working group handled issues related to the deposit payout by the Fund under the Law of Ukraine No. 1736-VIII “On amending some laws of Ukraine on the compensation of the harm caused to individuals by abuses in banking and other financial services through the Deposit Guarantee System” to the clients of JSC “Bank Mykhailivskiy” who entered into contracts with financial companies.

In order to establish proper dialog with the public, meetings of initiative groups of depositors and the management of the Fund were regularly organised as well as other measures aimed at clarifying the reasoning behind specific decisions adopted by the Fund and justification of corresponding actions of the Fund and the authorised DGF officers while withdrawing banks from the market. In addition, the round table and regular meetings and consultations with representatives of public organisations were organised so as to take into account proposals of the public when drafting regulations. In general, 20 meetings with representatives of NGOs were held in 2016.

## 10.5. International cooperation

As a permanent member of the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI), the Guarantee Fund was actively participated in these organisations in 2016. Moreover, the Fund actively cooperated with international financial and donor organisations in 2016 such as the World Bank, the US Agency for International Development (USAID), the European Bank for Reconstruction and Development, and the US Treasury Office of Technical Assistance.

In 2016 the Fund represented Ukraine at the IADI general meeting and international conference held in Seoul, People’s Republic of Korea, as well as at the annual meeting of members of the EFDI in Vilnius. The Director of the Department of Consolidated Sales and Management of Assets of the Fund presented our experience in selling assets of banks being liquidated to participants in two international fora on investments in distressed assets held in Prague and in London. Specialists of the Fund also participated in the seminar of the Financial Stability Institute and the IADI on regulation of insolvency, crisis management, and deposit insurance in Basel.

This year the bilateral cooperation between the Fund and members of the Eurasian Regional Committee of the IADI

intensified. For example, a working visit of representatives of the Kazakhstan Deposit Insurance Fund to the Fund took place in October. The visit, in particular, was devoted to studying the experience of Ukraine in development and preparation for implementation of the automated system of guaranteed compensations payment. In addition, representatives of the Department of Remote and Inspection Monitoring of Activities of Banks of the Fund had a teleconference with their Kazakh colleagues to study the system of differentiated premiums based on risk assessment.

The Fund also cooperated with international technical assistance projects. For example, specialists of USAID’s “International Partners for Financial Stability” (IP-FSS) provided the Fund with pieces of advice on strategic communications. In particular, a training on “Basics of Writing Web Texts for Public Authorities” was organised for our specialists.

Fruitful cooperation with the US Treasury Office of Technical Assistance continued. For example, a long-term advisor and short-term specialists on various aspects of the withdrawal of insolvent banks from the market and working with distressed assets worked in the Fund. In addition, the project of the European Bank for Reconstruction and Development



“Technical cooperation for the Deposit Guarantee Fund” was launched in 2016; a consultant in this project is LLC “KPMG-Ukraine.” Its purpose is to help the Fund in its operations aimed at improving the capacity and the capabilities in the framework of rights and powers of the Fund. The cooperation will be carried out by providing expert advice

and support. As a result, we plan to improve and to adapt the activities of the Fund to comply with new legislation and current challenges.

The Fund would like to thank all its partners for international cooperation.



## 11. FINANCIAL STATEMENTS



### BUKREBANK

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e-mail: [drispa@bko.com.ua](mailto:drispa@bko.com.ua)

### BDO, LLC

201/203, Kharkivske Road, 10<sup>th</sup> floor,  
Kyiv,  
Ukraine, 02121

4, Andriia Fahru Str.  
Dnipro,  
Ukraine, 49000

### **AUDIT REPORT (INDEPENDENT AUDITOR'S REPORT)**

#### *To the Deposit Guarantor Fund Management*

We have conducted an audit of the financial reports of the Deposit Guarantor Fund (hereinafter referred to as "the Fund") attached, which comprise the Balance Sheet as of 31st December 2016, the Income Statement, Cash flow Statement, Annual Statement of Owners' Equity, accounting policies and all notes.

#### *Responsibility of the management for the financial reports*

The managerial personnel is responsible for the preparation and due presentation of these financial reports, in accordance with the 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 this financial reporting based on the audit findings. We conducted our audit in accordance with International Auditing Standards. These 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 Fund- in order to design audit procedures that are appropriate in the circumstances rather than expressing an opinion on the effectiveness of the Fund's internal control system. An audit also provides for an evaluation of the relevance 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.

#### *Opinion*

In our opinion, the financial reporting of the Fund for the year ended 31 December 2016 is prepared in all material respects in accordance with the National Accounting Regulations (Standards) of Ukraine.

President */signature/* A.I. Surochenko

Auditor's certificate № 000059  
Issued on December 23, 1999  
Extended until December 23, 2017  
Kyiv City, Ukraine  
May 23, 2017

Annex 1  
to the National Regulations (Standard) of Accounting

1 "General requirements to financial reports"

Enterprise	<u>Deposit Guarantee Fund</u>	Date (year, month, day)	2017 01 31
Territory	<u>Shcherbenkivskyi District of the city of Kyiv</u>	EDRPOU	31708816
Business legal structure	<u>State Enterprise (establishment)</u>	KOATU	8099108080
Type of economic activity	<u>General state administration</u>	KOPFG	435
Average number of the employees	<u>331</u>	KVBD	84.11
Address, phone	<u>84853 city of Kyiv, Sichovyykh stritsiv Str., 17, 333 35 64</u>		
Measurement units: thousand UAH without decimals			
Executed (put "v" where necessary):			
according to the provisions (standards) of the accounting	V		
according to the International Financial Reporting Standards			

Balance (Statement on financial position)  
as of December 31, 2016

Form № 1 Code UKUD 1801081

ASSETS	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
<b>I. Non-current assets</b>			
Intangible assets	1800	4 198	3 804
initial value	1801	6 334	6 494
accumulated amortization	1803	(2 136)	(3 490)
Capital investments in progress	1805	5 888	7 107
Fixed assets	1810	2 087	5 506
initial value	1811	7 661	13 264
depreciation	1813	(5 654)	(6758)
Long-term financial investments:	1830	-	-
other financial investments	1835	5 070 493	5 865 116
Long-term receivables	1840	1 182	809
<b>Total, Section I</b>	<b>1895</b>	<b>5 083 688</b>	<b>5 881 542</b>
<b>II. Current assets</b>			
Inventory	1100	690	1 871
Production inventory	1101	690	1 871
Accounts receivable:	1130	371	19 753
for advance paid out			
for accrued income	1140	1 031 231	1 091 098
Other receivables	1155	373 585	7 206
Current financial investments	1160	670 394	7 941 800
Cash and cash equivalent	1165	8 343 488	3 309 827
Bank accounts	1167	8 343 488	3 309 827
Deferred debits	1170	552	678
Other current assets	1190	20	113
<b>Total, Section II</b>	<b>1195</b>	<b>10 428 241</b>	<b>11 378 745</b>
<b>III. Non-current assets and disposal group</b>			
<b>Balance</b>	<b>1300</b>	<b>15 583 989</b>	<b>16 452 287</b>

LIABILITY	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
<b>I. Equity capital</b>			
Authorized (registered) capital	1400	-	-
Additional capital	1410	973	335
Retained profit (retained loss)	1420	(70 109 028)	(84 895 233)
<b>Total, Section I</b>	<b>1495</b>	<b>(70 108 055)</b>	<b>(84 894 898)</b>
<b>II. Fixed liability and provisions</b>			
Long-term loans of banks	1510	9 066 295	-
Other long-term liabilities	1515	51 617 630	59 558 630
<b>Total, Section II</b>	<b>1595</b>	<b>60 683 925</b>	<b>59 558 630</b>
<b>III. Current liabilities and provisions</b>			
Current payables:			
long-term liabilities	1610	635 080	9 666 295
goods, works, services	1615	38	4 578
payroll expenses	1630	52	63
Current provisions	1660	16 245 391	23 881 817
Other current liability	1690	8 047 558	9 635 793
<b>Total, Section III</b>	<b>1695</b>	<b>24 928 089</b>	<b>41 788 545</b>
<b>IV. Non-current assets and disposal groups liability</b>			
	1700	-	-
<b>Balance</b>	<b>1900</b>	<b>15 583 989</b>	<b>16 452 287</b>

CBO

K.M. Varneskyin

CFO

O.S. Penchaynia

23.05.2017

Organization

Deposit Guarantee Fund  
(anon)Date (year, month, day)  
UDRPOU

CODERS		
2017	01	01
21708016		

**Financial Results Report (Income Statement)  
for the year 2016**

Form № 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	4 277 681	4 465 059
Administrative costs	2130	(192 310)	(122 078)
Other operating costs	2180	(13 970 405)	(68 324 602)
<b>Profit or loss from operating activities:</b>			
profit	2190	-	-
loss	2195	(9 885 034)	(63 981 622)
Other financial profit	2220	776 322	2 053 016
Other income	2240	638	51 651 819
Financial costs	2250	(5 677 888)	(4 741 342)
Other costs	2270	(233)	(51 620 759)
<b>Profit and loss before tax:</b>			
profit	2290	-	-
loss	2295	(14 786 195)	(66 638 888)
<b>Net financial result:</b>			
profit	2350	-	-
loss	2355	(14 786 195)	(66 638 888)

## II. COMPREHENSIVE INCOME

Item	Line code	Reporting period	Prior period
1	2	3	4
Comprehensive income (sum of the lines 2350, 2355 and 2400)	2405	(14 786 195)	(55 038 888)

## III. ELEMENTS OF OPERATING EXPENSES

Item	Line code	Reporting period	Prior period
1	2	3	4
Material costs	2500	931	611
Payroll expenses	2505	120 671	81 611
Benefit deductions	2510	19 672	17 109
Depreciation	2515	3 883	1 456
Other operating expenses	2520	14 017 558	68 345 894
Total	2550	14 162 715	68 446 681

## IV. CALCULATION OF STOCK PROFIT-EARNING CAPACITY

Item	Line code	Reporting period	Prior period
1	2	3	4

CBO

K.M. Vorushylin

CFO

O.S. Perebiynis

23.05.2017

Enterprise

Deposit Guarantee Fund  
(mas)Date (year, month, day)  
HDKPCU

OCHRS		
2017	01	01
21708016		

**Cash Flow Report (direct method)**  
for 2016

Form № 3

Code DKUD

1801004

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
<b>I. Cash Flow from operations</b>			
Revenues from:	3000	-	-
Target financing	3010	-	-
Advances repaid	3020		1
Interests from account balances	3025	345 433	116 218
Other proceeds	3095	10 446 110	9 459 654
Expenditures:			
goods (works, services)	3100	( 26 088 )	( 11 230 )
labour	3105	( 128 376 )	( 66 016 )
Social Benefits	3110	( 24 998 )	( 19 578 )
Tax/charges	3115	( 31 083 )	( 16 543 )
Income tax	3116	( - )	( 47 )
Other taxes/charges	3118	( 31063 )	( 16496 )
Advance payments	3135	( 4831 )	( 559 )
Costs of target financing	3145	( 490 )	( 289 )
Other	3190	( 14 964 543 )	( 51 804 611 )
<b>Net cash flow - operational</b>	<b>3195</b>	<b>(4 388 846)</b>	<b>(42 342 953)</b>
<b>II. Investment cash flow</b>			
Revenues from:			
financial investments	3200	-	10 300 725
Revenues from:			
interests	3215	777 917	2 082 994
Other revenues	3290	688 615	184 855
Expenditures to purchase:			
financial investments	3255	( - )	( 1 523 )
fixed assets	3280	( 4350 )	( 3837 )
Other payments	3290	( 14942 )	( 441 )
<b>Net investment cash flow</b>	<b>3295</b>	<b>1 427 240</b>	<b>12542373</b>
<b>III. Financial operation cash flow</b>			
Revenues from:	3300		-
Loans received	3305	-	51 450 000
Loans repayment	3350	( 635 000 )	( 10 446 205 )
Interests	3380	( 2 437 055 )	( 3 678 929 )
<b>Net financial operation cash flow</b>	<b>3385</b>	<b>(3 072 055)</b>	<b>37 324 866</b>
<b>Net cash flow for reporting period</b>	<b>3400</b>	<b>(6 033 661)</b>	<b>7 524 286</b>
Original annual balance	3405	8 343 488	819 202
Final annual balance	3415	2 309 827	8 343 488

CEO

K.M. Vorshylin

CFO

O.S. Pesheynis

23.05.2017

Entreprise Deposil Guarantee Fund

(unns)

Date (year, month, day) 2017 01 31  
HRPJOU

CODES		
2017	01	31
31708816		

**Statement of Owners' Equity  
for 2016**

Form № 4

DEJUD

1801085

Item	Line code	Registered capital	Resubstated 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	-	-	973	-	(70 109 828)	-	-	(70 108 055)
Readjustment: Change of the accounting policies	4005	-	-	-	-	-	-	-	-
Readjustment opening balance	4005	-	-	-	-	-	-	-	-
Reporting period net profit (loss)	4100	-	-	-	-	(14 786 195)	-	-	(14 786 195)
Appropriation:	4200	-	-	-	-	-	-	-	-
Withdrawal of capital: Purchase of shares (share fractions)	4250	-	-	-	-	-	-	-	-
Other changes	4290	-	-	(838)	-	-	-	-	(838)
Total changes	4295	-	-	(838)	-	(14 786 195)	-	-	(14 786 833)
Year end balance	4300	-	-	335	-	(84 895 223)	-	-	(84 894 888)

CEO

**K.M. Varnskytis**

CFO

**O.S. Perelynis**

23.05.2017

Enterprise

Deposit Guarantee Fund

(mm)

Date (year, month, date)

BDRPOU

CODRS

2016 01 01

21706016

**Statement of Owner's Equity  
for 2015**

Form № 4

DEKUD code

1801805

Item	Line code	Registered equity	Final appraised equity	Additional equity	Reserved equity	Retained profit (retained loss)	Unpaid equity	Disposed capital	Total
1	2	3	4	5	6	7	8	9	10
Opening balance	4080	-	-	422	-	(1 535 246)	-	-	(1 534 824)
Readjustment: Change of the accounting policies	4085	-	-	-	-	(1 934 894)	-	-	(1 934 894)
Readjustment opening balance	4085	-	-	422	-	(3 470 140)	-	-	(3 469 718)
Reporting period net profit (loss)	4180	-	-	-	-	(66 638 838)	-	-	(66 638 838)
Appropriation:	4260	-	-	-	-	-	-	-	-
Withdrawal of capital: Purchase of shares (share fractions)	4260	-	-	-	-	-	-	-	-
Other Changes	4380	-	-	551	-	-	-	-	551
Total changes	4285	-	-	551	-	(66 638 838)	-	-	(66 638 337)
Year end balance	4380	-	-	973	-	(70 109 038)	-	-	(70 108 055)

CBO

K.M. Vorobylin

CFO

O.S. Perebiyus

22.02.2016



**ADOPTED**

by the Order of the Ministry of Finance of Ukraine  
on November 29, 2016 N 362  
(amended by the Order of the Ministry of Finance of  
on October 28, 2015 N 663)

EQUITY		
2017	01	01
21 7968 16		
8659 100 000		
3224		
425		
94.11		

Date (year, month, day)

EDR/PCU  
ESDA/TU  
SP/COU  
EOP/PG  
EY/ED

Organization	Deposit Guarantee Fund
Territory	Shostakivskyi District of the city of Kyiv
Body of public administration	Deposit Guarantee Fund
Form of incorporation	Public organization (company)
Type of economic activity	Public entity of general administration
Measurement units: financial UA	

**NOTES TO FINANCIAL STATEMENTS  
for 2016**

Form No 5  
1. Intangible assets

DECU code

130 1002

Intangible assets	Code	Opening balance		Revised (increased + decreased) value	Increased monthly		Depreciation accrued	Less: for finished utility	Other changes		Closing balance			
		Booked (accumulated) depreciation value	Accumulated depreciation value		Booked (accumulated) depreciation value	Accumulated depreciation value			Booked (accumulated) depreciation value	Accumulated depreciation value				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Netted revenues (losses)	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures of property	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures on intangible assets	030	5	2	-	-	-	-	-	-	-	-	-	5	2
Amortized properties	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights and other intellectual properties	050	49	20	-	-	-	49	29	9	-	-	-	-	-
Other intangible	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible	070	6340	2114	572	-	-	323	263	1639	-	-	-	6489	3450
Total	080	6334	2136	572	-	-	412	294	1648	-	-	-	6494	3450
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

Exercise No 008 of the year 16  
Intangible assets with legally established immutability  
Classified intangible assets  
Newly created intangible assets  
Intangible assets purchased at the cost of special appropriation  
Accumulated depreciation of intangible assets with legal restriction of immutability

(010)  
(020)  
(030)  
(040)  
(050)

Exercise No 008 of the year 16  
Exercise No 008 of the year 16  
Exercise No 008 of the year 16  
Exercise No 008 of the year 16  
Exercise No 008 of the year 16

III. Capital Assets

Capital assets	Dwelling balance		Received during the year		Disposals (recorded at historical value)		Decreased		Amount expended on	Transfers for established utility	Other changes		Closing balance		Including			
	Initial (original) value	Degree of use	Initial (original) value	Degree of use	Initial (original) value	Degree of use	Initial (original) value	Degree of use			Initial (original) value	Degree of use	Initial (original) value	Degree of use	Initial (original) value	Degree of use	Initial (original) value	Degree of use
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital in vehicles in land improvements	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, other non-current assets and transfer devices	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	403	3018	5412	-	-	-	999	944	1695	-	-	-	9236	3069	-	-	-	
140	1323	938	-	-	-	-	-	-	178	-	-	-	1323	1168	-	-	-	
150	1027	773	140	-	-	-	50	44	72	-	-	-	1125	301	-	-	-	
160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
190	8	8	8	-	-	-	8	8	-	-	-	-	-	-	-	-	-	
200	794	794	290	-	-	-	60	60	290	-	(48)	(48)	900	900	-	-	-	
210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
250	142	127	-	-	-	-	142	127	-	-	-	-	-	-	-	-	-	
260	761	5654	5058	-	-	-	1199	1083	2035	-	(48)	(48)	12054	6798	-	-	-	

1-Jan-2016, Item 14

Capital assets with legally restricted ownership

Unrestricted capital assets

Initial value of assets that temporarily were not used (removed, under construction, etc.)

Initial (original) value of fully depreciated capital assets

Initial value of assets pending completion

Capital assets for sale

Initial value of assets that are to be sold

Capital assets purchased at the cost of special appraisals

Depreciation of capital assets with legal restrictions of ownership

Investment properties acquired at fair value

(201)	-
(202)	-
(203)	-
(204)	4903
(205)	-
(206)	-
(207)	-
(208)	-
(209)	300977
(210)	-

1-Jan-2016, Item 8

1-Jan-2016, Item 9

Capital assets held for operational use

1-Jan-2016, Item 15

1-Jan-2016, Item 16

**III. Capital Investments**

Item	Debit	Assembly	End of year
1	2	3	4
Capital expenditures			
Purchase (proceeds) of fixed assets	200	-	-
Purchase or production of other non-current tangible assets	250	687	5
Purchase or production of intangible assets	300	347	90
Purchase or production of long-term biological assets	310	677.6	70.04
Biological assets	320	-	-
Other	330	-	-
<b>Total</b>	<b>340</b>	<b>773.6</b>	<b>71.07</b>

Line 340, Item 3  
 Capital investments in investment properties (340)  
 Amount of expenditure includes the capital investments (340)

**IV. Financial Investments**

Item	Debit	Assembly	End of year	
			Long-term	Current
1	2	3	4	5
A. Financial investments:				
- shares in incorporated companies	250	-	-	-
- bonds	360	-	-	-
- joint ventures	370	-	-	-
- other financial investments:	380	-	-	-
- shares in registered capital of other entities				
- shares	390	-	-	-
- bonds	400	704,000	5065,116	704,000
- other	410	-	-	-
<b>Total (A + B)</b>	<b>420</b>	<b>704,000</b>	<b>5065,116</b>	<b>704,000</b>

Line 3800, Item 4 of balance sheet in the  
 Form of Performance Report  
 Other long-term financial investments reported at fair value  
 reported at year-end

Line 3100, Item 4 of balance sheet in the  
 Form of Performance Report  
 Current financial investments reported at fair value  
 reported at year-end

(421)	-
(422)	-
(420)	2965336
(428)	-
(429)	-
(430)	704,000

**V. Income and Expenditures**

Item	Debit	Debit	Debit	Debit
1	2	3	4	5
A. Other operating income and expenditures				
- Operating income of assets	440	-	-	-
- Operation of exchange differences	450	1	-	-
- Other current assets realized	460	-	-	-
- Fines, penalties and forfeits	470	-	-	-
- Maintenance of vehicles and other entered facilities	480	-	-	-
- Other operating income and expenditures including:	490	4,277,680	-	1,397,940.5
- income related to loan loss provisions	491	X	-	71,981.42
- interest on deposits and loans	492	X	-	-
B. Income and losses from investments, including:				
- interest on debt	500	-	-	-
- dividend income	510	-	-	-
- interest on deposits	520	-	-	-
C. Other financial income and expenditures				
- Dividends	530	-	-	X
- Interest	540	X	-	56,707.1
- Financial loss of assets	550	-	-	-
- Other financial income and expenditures	560	7703.23	-	7157
D. Other income and expenditures				
- realized on financial investments	570	-	-	-
- Income from mergers	580	-	-	-
- Liability as assumed	590	-	-	-
- Non-current asset exchange difference	600	-	-	-
- Assets received on fire or change of use	610	630	-	X
- Non-current assets written-off	620	X	-	233
- Other income and expenditures	630	-	-	-

Other operating income, goods and services  
 Part of income from sale of goods (goods and services) under further conditions with affiliated parties  
 Line 540 - 590, Item 4  
 Financial expenses included in the price net of purchase  
 Other activity  
 (801) -  
 (802) -  
 (803) -  
 (804) -  
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 (898) -  
 (899) -  
 (900) -

**VI. Miscellaneous Funds**

Item	Debit	Debit	Debit
1	2	3	4
- Cash	640	-	-
- Current bank account	650	2,909,827	-
- Other bank accounts (letters of credit and other books)	660	-	-
- Funds in claim from others	670	-	-
- Cash equity of units	680	-	-
<b>Total</b>	<b>690</b>	<b>2,909,827</b>	<b>-</b>

Line 2000, Item 4 of balance sheet  
 (Form of Performance Report)  
 Funds of restricted use  
 (891) -

VII. Previews and Reserves

Event item and reserves	Code	Opening balance	Annual income		Total monthly	Thruput	Expected completion of the other party	Closing balance
			Account (preliminal)	Additional (definitive)				
Visual on pay's	2	3	4	5	6	7	8	9
Staff retirement plans	710	5375	12181	-	7845	-	-	9711
Warranty liabilities	728	-	-	-	-	-	-	-
Restrictions on funds	738	-	-	-	-	-	-	-
Liabilities under current contracts	758	-	-	-	-	-	-	-
Provision of future Fund's proposed to expand items for machines of investment banks and payments of insured deposits	768	162488 16	6832898	-	-	-	-	2387218 6
Loan loss provisions	778	-	-	-	-	-	-	-
	775	785884 81	7138 142	-	-	-	-	7768254 3
<b>Total</b>	788	867927 92	13982 413	-	7845	-	-	18877828 8

IX. Accounts Receivable

Item	Code	Total as the end of year	Outstanding by maturity		
			Up to 12 months	12-36 months	18-36 months
Liabilities for goods and works performed	948	-	-	-	-
Other current accounts receivable	958	7286	-	-	-

Overhead is conservative value-off during the reporting period (953) - -

From the lines 948 and 958 of the year 3 the data refers to the year (959) - -

X. Liases from Suppliers

Characteristics	Code	Amount		
			Liase code	Amount
Deleted and written-off	1	-	2	3
Recognized as liabilities of liable persons	-	-	968	-
Deficits and losses regarding no final decision on liable persons was not taken (off-balance account 872)	-	-	978	-
	-	-	988	-

VIII. Stocks

Item	Code	Closing balance date	Reported	
			Net realizable value*	Depreciation
Beer materials	2	3	4	5
Purchased and processed materials and so-called	808	908	-	-
Food and drinks materials	818	-	-	-
Construction materials	828	103	-	-
Spare parts	838	-	-	-
Agricultural materials	848	-	-	-
Current biological assets	858	-	-	-
Low cost and used materials	868	-	-	-
Construction in progress	878	-	-	-
Real products	888	-	-	-
Goods	918	-	-	-
<b>Total</b>	928	1071	-	-

Bank value of stock	Code	Reported
Bank value of stock	928	-
Bank value of stock	938	-
Bank value of stock	948	-
Bank value of stock	958	-
Bank value of stock	968	-
Bank value of stock	978	-
Bank value of stock	988	-

Assets under custody (off-balance account 85)  
 1 Jan 12th, line 6  
 Provis for risk (Financial Performance Report)

\* Estimated year-end to year 1.1.2012 to 1.1.2013 according to the data of "Banker".

**XI. Compensation Obligations**

Item	Code	Amount
1	2	3
Amounts under contracts or benefits from the reporting year	1110	-
Amounts at the end of year	1120	-
From subsidiaries of entities	1130	-
From subsidiaries of entities	1140	-
From paid advances	1150	-
Deferred funds	1160	-
When completed under contracts in progress		

**XIII. Depreciable Use**

Item	Code	Amount
1	2	3
Allocated in the reporting year	1300	3883
Unallocated	1310	-
in relation to:		
construction of facilities	1311	-
purchase, production and improvement of capital assets	1312	-
in relation to production of tangible assets	1313	-
purchase and production of intangible assets	1314	-
replacement of capital in investment loans	1315	-
	1316	-
	1317	-

**XII. Profit Tax**

Item	Code	Amount
1	2	3
Current profit tax	1210	-
Deferred tax assets:		
at the beginning of year	1220	-
at the end of year	1225	-
Deferred tax liabilities:		
at the beginning of year	1230	-
at the end of year	1235	-
Included in Financial Report - total	1240	-
In relation to:		
current profit tax	1241	-
increase/decrease in deferred tax assets	1242	-
increase/decrease in deferred tax liabilities	1243	-
Included in Current Equity - total	1250	-
In relation to:		
current profit tax	1251	-
increase/decrease in deferred tax assets	1252	-
increase/decrease in deferred tax liabilities	1253	-

CFO

K.Jed. Vorobylo

CFO

O.S. Perobynis

25.05.2017

APPROVED  
 Decree of Ministry of Finance of Ukraine  
 № 302 of November 29, 2009  
 (In addition of the Decree № 692  
 of October 28, 2003)

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0039100000		
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625		
9411		

Data (77/uuuuuu)  
 DDLP001  
 KOATUV  
 SP0001  
 K0000  
 KYED

Organization: Deposit Guarantees Fund  
 Territory: Serviceability district in Kyiv city  
 Body of public administration: Deposit Guarantees Fund  
 Form of incorporation: Public organization (company)  
 Economic activity: Public utility of general administration  
 Unit of measurement: UAH thous

DKLUD code: 1001000

NOTES TO FINANCIAL STATEMENT FOR  
 2015

Form № 5

I.1. Intangible Assets

Intangible assets	Code	Opening balance		Event of depreciation during the year	Revised (increased + decreased) value		Decreased usability		Depreciation accrued	Leases for discontinued usability	Other changes		Closing balance	
		Total (book) value	Accumulated (depreciation) value		Total (book) value	Accumulated (depreciation) value	Total (book) value	Accumulated (depreciation) value			Total (book) value	Accumulated (depreciation) value		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Natural resources (licences)	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Employments of property	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Brands and trademarks (trade names)	030	5	1	-	-	-	-	-	1	-	-	-	5	2
Goodwill	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights and other intellectual properties	050	89	11	-	-	-	-	-	9	-	-	-	89	20
Other intangible	070	3448	1399	2017	-	-	17	16	731	-	-	-	6240	2114
Total	000	3534	1411	2017	-	-	17	16	741	-	-	-	6334	2136
Goodwill	050	-	-	-	-	-	-	-	-	-	-	-	-	-

1-Jan 000, line 14

Intangible assets with legally restricted usability

Contractual intangible assets

Merely created intangible assets

Intangible assets purchased at the cost of special appropriations

Accumulated depreciation of intangible assets with legal restriction of usability

0010	-
0020	-
0030	-
0040	-
0050	-

1-Jan 000, line 5

1-Jan 000, line 15

III. Capital Assets

Capital assets	Code	Dwelling indices		Residual during the year	Depreciated (amount or fractional value)		Decreased		Amount expended in	Transferred elsewhere	Other changes		Closing balance		Including			
		Initial (original) value	Degree of value		Initial (original) value	Degree of value	Initial (original) value	Degree of value			Initial (original) value	Degree of value	Transferred elsewhere	Initial (original) value	Degree of value	Initial (original) value	Degree of value	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital in vehicles in land	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Improvements	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, other structures and land transfer devices	130	3233	2792	1030	-	-	-	-	226	-	-	-	4363	3013	-	-	-	-
Machinery and equipment	140	1323	753	-	-	-	-	-	177	-	-	-	1323	930	-	-	-	-
Tools, instruments and inventory (furniture)	150	949	712	79	-	-	-	-	61	-	-	-	1027	773	-	-	-	-
Animals	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Graves and plots etc.	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other capital assets	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library collections	190	8	8	-	-	-	-	-	-	-	-	-	8	8	-	-	-	-
Low value non-current tangible assets	200	547	547	231	-	-	-	-	251	-	-	-	798	798	-	-	-	-
Temporary non-fixed structures	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residuals available	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Objects for rent	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	142	127	-	-	-	-	-	-	-	-	-	142	127	-	-	-	-
70-66	260	6252	4939	1489	-	-	-	-	715	-	-	-	7661	5654	-	-	-	-

1-Jan-2016, Item 16

Capital assets with legally restricted ownership

Unrestricted capital assets

Residual value of assets that temporarily were not used (removed, under construction, etc.)

Initial (original) value of fully depreciated capital assets

Total assets of biological property collection

Capital assets for sale

Residual value of assets lost due to misappropriation

Capital assets purchased at the cost of special operations

Capital assets lost due to operational loss

1-Jan-2016, Item 15

1-Jan-2016, Item 16

Depreciation of capital assets with legal restriction of ownership

Investment properties appraised at fair value

(201)	-
(202)	-
(203)	-
(204)	4937
(205)	-
(206)	-
(207)	-
(208)	26185
(209)	-

III. Capital Investments

Item	Debit	Assembly	End of year
1	2	3	4
Capital Contribution			
Partners (provision) of fixed assets	288	-	-
Partners or providers of other non-current tangible assets	250	611.6	497.9
Partners or providers of intangible assets	340	341	5.0
Partners or providers of long-term biological assets	318	341.7	3.00
Other	320	-	-
Other	330	-	-
Total	340	1403.4	50.00

Line 34, box 3  
 Capital investments in investment properties (343)  
 Amount of investments included in capital investments (342)

IV. Financial Investments

Item	Debit	Assembly	End of year	
			Long-term	Current
1	2	3	4	5
A. Financial investments:				
Shares in associated companies	35.0	-	-	-
Shares in joint operations	34.0	-	-	-
Other financial investments:	378	-	-	-
Shares in registered capital of other entities	34.0	-	-	-
Other	309	1.923	-	-
Other	40	415.000.0	5070.453	670.304
Other	41.0	-	-	-
Total (A + B)	428	415.01323	5070.453	670.304

Line 303, box 4 of Income Statement  
 Other long-term financial investments reported at fair value transferred to year-end

(428) -  
 (428) -  
 (428) 5070.453

Line 310, box 4 of Income Statement  
 Current financial investments reported at fair value transferred to year-end

(428) -  
 (428) -  
 (428) 670.304

V. Income and Expenditures

Item	Debit	Debit	Debit	Expenditures
1	2	3	4	
A. Other operating income and expenditures				
Operating income of assets	440	-	-	-
Operation of exchange differences	450	3	9	9
Other current assets realized	460	-	-	-
Fines, penalties and forfeits	470	-	-	-
Settlements of claims and end of end entered liabilities	480	-	-	-
Other operating income and expenditures	490	4.463.856	603.240.94	
Income tax				
Income tax on long-term provisions	491	X	520.021.15	
Income tax on current provisions	492	X	-	
B. Income and losses from investments in subsidiaries				
Income from investments	500	-	-	-
Losses from investments	510	-	-	-
Income from investments	520	-	-	-
C. Other financial income and expenditures				
Dividends	530	-	X	X
Interest	540	X	473.283.2	
Financial loss of assets	550	-	-	-
Other financial income and expenditures	560	2.053.016	0.510	
D. Other income and expenditures				
Realization of financial investments	570	5.1651.405	515.207.5	
Income from mergers	580	-	-	-
Liability as assessed	590	-	-	-
Non-operated cash to go different	600	-	-	-
Assets received on fire of change leads	610	32.4	X	X
Non-current assets written-off	620	X	X	X
Other income and expenditures	630	-	-	-

Other operating income, goods and services  
 Part of income from assets (goods and services) under further contracts with affiliated parties  
 Line 540 - 590, box 4  
 Financial expenses included in the year-end statement  
 Other activity  
 (601) -  
 (602) -  
 (603) -

VI. Monetary Funds

Item	Code	As the end of year
1	2	3
Cash	640	-
Current bank account	650	3343.482
Other bank accounts (letters of credit and other books)	660	-
Assets being transferred	670	-
Cash equivalents	680	-
Total	690	6943.480

Line 1000, box 4 of Income Statement  
 (Amount of Performance Report)  
 Points of interest are (691) -



VIII. Provisions and Reserves

Provision and reserve	Code	Opening balance	Amount increase		Total amount	Disposal	Expected contribution of the other party	Closing balance
			Accrued (provision)	Additional (deduction)				
1	2	3	4	5	6	7	8	9
Provision on pay/s	718	3659	6869	-	3793	-	-	5375
Staff retirement plans	728	-	-	-	-	-	-	-
Warranty liabilities	738	-	-	-	-	-	-	-
Receivables on films	748	-	-	-	-	-	-	-
Liabilities under cinema contracts	758	-	-	-	-	-	-	-
Provision of films Fund's prospective expenditures for royalties of broadcast banks and payments of insured deposits	768	-	16249916	-	-	-	-	16249916
Loan loss provisions	778	-	-	-	-	-	-	-
	775	18439481	52882115	-	-	-	-	78521596
Total	788	18443588	66332388	-	3793	-	-	86766987

IX. Accounts Receivable

Item	Code	Total value	Expected		Total value end of year	Outstanding by maturity		
			Net realizable value	Depreciation		Up to 12 months	13-24 months	18-24 months
1	2	3	4	5	6	7	8	9
Raw materials	808	555	-	-	948	-	-	-
Receivable of self-produced materials and equipment	818	-	-	-	958	373965	-	5
Raw	828	88	-	-	-	-	-	-
Packaging and auxiliary materials	838	-	-	-	-	-	-	-
Construction supplies	848	-	-	-	-	-	-	-
Spare parts	858	-	-	-	-	-	-	-
Agricultural materials	868	-	-	-	-	-	-	-
Current biological assets	878	-	-	-	-	-	-	-
Low cost and non-realizable materials	888	55	-	-	-	-	-	-
Construction in progress	898	-	-	-	-	-	-	-
Final products	908	-	-	-	-	-	-	-
Goods	918	-	-	-	-	-	-	-
Total	928	698	-	-	373965	373965	-	5

Non-performing accounts receivable written-off in the reporting year (953) 1528

Items 948 and 958: adjustments with off-balance parties (953) -

X. Liases from Spillage

Item	Code	Amount
1	2	3
Deleted on 6/30/2016	968	-
Recognized as liability of liable persons	978	-
Debits and losses regarding no final decision on liable persons was not taken (off-balance account 972)	988	-

\* Detailed presented in part 11.1 of the Accounting Information System.

**XI. Construction Contracts**

Item	Code	Amount
1	2	3
Increase and/or construction contracts from the reporting year	1110	-
Less: terminations at the end of year		
Gross included items of clients	1120	-
Gross included items to others	1130	-
From paid advances	1140	-
Deferred items	1150	-
Works completed under contract on in progress	1160	-

**XII. Depreciation Use**

Item	Code	Amount
1	2	3
All costs in the reporting year	1300	1,456
Utilized - total	1310	-
Including:		
- amortization of facilities	1311	-
- amortization, provided on and improvement of capital assets	1312	-
Including machinery and equipment	1313	-
- purchase and production of intangible assets	1314	-
- repayment of capital investments loans	1315	-
	1316	-
	1317	-

**XIII. Profit Tax**

Item	Code	Amount
1	2	3
Current profit tax	1210	-
Deferred tax assets		
at the beginning of year	1220	-
at the end of year	1225	-
Deferred tax liabilities		
at the beginning of year	1230	-
at the end of year	1235	-
Included in Financial Report - total	1240	-
Including:		
- current profit tax	1241	-
- increase/decrease in deferred tax assets	1242	-
- increase/decrease in deferred tax liabilities	1243	-
Included in Owner's Equity - total	1250	-
Including:		
- current profit tax	1251	-
- increase/decrease in deferred tax assets	1252	-
- increase/decrease in deferred tax liabilities	1253	-

CEO

R.M. Venevskiy

CFO

O.S. Pomyaynina

22.02.2016

# NOTES TO THE FINANCIAL STATEMENTS OF THE DEPOSIT GUARANTEE FUND IN 2016

## 1. KEY FUNCTIONS

The Deposit Guarantee Fund (hereinafter referred to as the Fund) carries out its activities in accordance with the Law of Ukraine «On Deposit Guarantee System» (hereinafter referred to as the Law).

The major goal of the Deposit Guarantee Fund (hereinafter — the DGF or Fund) is to ensure an effective deposit insurance scheme and resolution of failed banks.

In order to execute its main task the Fund following the Law carries out the following functions:

- 1) Maintaining the Register of Member Institutions
- 2) Accumulating funds from the sources as set in the Law (Article 19) and supervising the payment of premiums ('contributions') from the DGF member intuitions (insured banks)
- 3) Investing the DGF funds in the government bonds
- 3<sup>1</sup>) Issuing and distributing bonds under the procedures set in the Law, and issuing promissory notes under the terms and conditions specified in the Law "On State Budget of Ukraine"
- 4) paying out the insured deposit within the terms specified by this Law;
- 5) Regulating the banks' membership with the deposit guarantee scheme
- 6) Inspecting problem banks upon an initiative of the National Bank of Ukraine
- 7) Applying financial sanctions to and imposing fines on banks and bank senior executive management
- 8) Resolving insolvent banks, including through provisional administration and liquidation of such banks, transfer of assets and liabilities of an insolvent bank, sale of an insolvent bank, or the establishment and sale of a bridge bank
- 9) On-site monitoring of the member banks under the terms and conditions set in the Law
- 10) Providing financial support to the member banks under the terms and conditions set in the Law
- 11) Analysing the financial position and performance of the member banks in order to elicit the potential risks of the banks, and project the potential costs associated with the resolution of insolvent banks and payments of insured deposits
- 12) granting the "special loan" to a bank to finance the payroll expenses in accordance with paragraph 2 of the sixth part of the article 38, the positions 7 and 8 of the second part of the article 37 and the forth part of the article 47 of this Law which are carried out during the provisional administration;
- 12<sup>1</sup>) submitting relevant requests to customers, depositors and other creditors of a bank in the manner prescribed by the Fund
- 13) Informing the general public of the deposit insurance scheme and the depositor's rights and legitimate interests, and promoting financial literacy of the general population pursuant to the Law
- 14) Studying and analyzing the markets of financial resources raised by the member institutions from retail depositors

The Fund holds the status of a not-for-profit 'economically independent' with an independent balance sheet, and current and other accounts opened with the National Bank of Ukraine.

## 2. MAJOR PRINCIPLES OF FINANCIAL REPORTING

### 2.1. BACKGROUND

The indicators reported were valued at the self-cost with the exception of the assets classified as 'financial assets' reappraised at their fair value in UAH thousands. National currency Hryvnya is a currency of the primary economic environment in which the DGF operates, and the currency in which financial statements are presented.

### 2.2. DECLARATION OF CONFORMITY

The financial statements are in conformity with the National Accounting Standards of Ukraine.

### 2.3. IMPORTANT PROVISIONS OF THE ACCOUNTING POLICIES

#### Capital Assets

The capital assets were reported at their initial value net of amortization.

The reported low value non-current assets are assets worth no more than UAH 2,500 with the expected term of use over one year.

The useful life of the capital assets is set as:

- Five years for vehicles.
- Four years for tools, machinery, equipment, furniture and fittings.
- Three years for electronic equipment, hardware, other equipment for data processing and the associated equipment for data reading, switches and switchboards, modems and routers, uninterrupted power supplies, database connectors and telephones.

Depreciation was determined as:

- straight-line depreciation for the capital assets; and
- 100% depreciation for the low value non-current assets.

The capital asset liquidation pool was 10 percent of the initial cost.

No re-appraisal of the capital assets was conducted as of the balance sheet date.

The costs for improving own fixed assets leading to an increase of initially expected use benefits, increase the primary value of these objects.

The costs for improving leased fixed assets, leading to an increase of initially expected use benefits, are straightforward and may be included in capital assets as a separate position.

The costs for the repairs and maintenance of fixed assets in order to maintain assets in operating condition are recognized in the period of their implementation.

#### **Intangible assets**

The intangible assets were reported at the initial value net of depreciation.

The useful life of the capital assets was set as:

- In the title document(s) for merchandising rights, trade marks for goods, work and services, trade names, etc., with the exception of royalty;
- In the title document(s) yet no less than one year for software, databases, etc., with the exception of royalty.

In cases when the title document does not set the useful life of an asset, it will be no less than two years of uninterrupted exploitation.

Depreciation of intangible assets was determined based on straight-line method.

The asset salvage value was UAH 0.00.

#### **Stock**

The unit of inventory is the asset's name.

The valuation of the DGF inventory was provided regularly:

- at acquisition at the initial value consisting of the actual expenses associated with the production or purchase of the inventory;
- at removal based on weighted average prime cost, which is determined for every item by dividing the total value of the remaining inventory by the volume of the inventory as of the departure date;
- as of the reporting date at the initial value.

#### **Financial Resources**

Financial resources in the Report included the funds on the accounts with the National Bank of Ukraine and operating cash.

#### **Transactions in Foreign Currency**

The Funds accounts all transactions in foreign currency in UAH at the rate as of the date of transaction.

Monetary assets and liabilities in foreign currencies are reported in UAH at the exchange rate as of the reporting date.

The Statement of Financial Position stated all exchange rate differences.

Non-monetary items were appraised based on the historic foreign currency value in UAH as of the rate on the date of the item emergence.

#### **Financial Investments**

The Fund invests:

- in the government papers;
- in the registered capital of a bridge bank and/or the Specialized Agency.

The original appraisal of the financial investment is based on the prime cost, which consists of the costs as specified in the P(S)BO 12 “Financial Investments”.

The financial investments in the government papers are to be held to maturity and reported at the amortized cost.

The depreciation of discount/premium and the interest on the investment income are accrued monthly. The depreciation of discount/premium is accrued based on the effective interest rate.

The financial investments in the government papers held for sale are reported as of the balance sheet date at fair value, which is determined based on the quoted price of each type of securities on the stock market.

The financial investments in the registered capital of the Specialized Agency are reported by equity method as of the balance sheet date.

The financial investments in the registered capital of a bridge bank are reported as of the fair value, which is determined based on the results of an expert appraisal.

Subject to the term used, all financial investments are classified as:

- ‘current’, i.e. for up to a year; and
- ‘long-term’, i.e. for longer than a year.

The long-term investments with the maturity date within no longer than a year since the balance sheet date were reported as ‘current’.

### **Accounts Receivable**

The receivables were classified based on the repayment date:

- Long term accounts receivable that could not take place as a part of the normal operations of the DGF and will be paid after twelve month following the balance sheet date.
- Current accounts that took place within the normal operations of the DGF and will be paid within twelve months following the balance sheet date.

The long term accounts receivable are long term loans to the DGF staff.

The current accounts receivable include:

- 1) Arrears in membership fee, and regular and special premiums (‘contributions’), as well as fines and other penalties from the member institutions;
- 2) Accrued incomes, including:
  - a. Those associated with the investments in the government securities;
  - b. Interest on the balance on the accounts with the National Bank of Ukraine;
  - c. Interests on the ‘special purpose loans’ to failed banks.
  - d. Interests on the loans to the DGF staff.
- 3) Debts of the agent banks associated with the payouts of the insured deposits;
- 4) Debts of the liquidated banks:
  - a. Associated with the payouts of the insured deposits;
  - b. In the amount of financial support to an assuming bank or a bridge bank;
  - c. in the amount of the Fund’s expenses for the resolution of a failed bank;
- 5) Debts of the failed banks associated with the ‘special purpose loans’;
- 6) Advance payments to other entities;
- 7) Employee advances;
- 8) Debts of the public special funds;
- 9) Short-term loans to the DGF staff.

The current accounts receivable are reported at the net realizable value (calculated based on the provisions for doubtful loans).

### **Reserves**

Loan loss provisions were determined based on the total doubtful loans and findings of the analysis of particular debtors.

Loan loss provisions of the failed banks associated with the ‘special purpose loans’ are to be increased by the amount of a ‘special purpose loan’ paid to depositors of the failed bank as of the balance sheet date.

Loan loss provisions of the liquidated banks are calculated depending on the solvency of each liquidated bank to pay off these debts.

Loan loss provisions are reviewed at each balance sheet date and adjusted, if necessary (increased or decreased).

### **Liabilities**

The liabilities are divided into long-term liabilities, current liabilities and provisions.

The long-term liabilities consist of:

- long-term loans from the National Bank of Ukraine;
- long-term loans from the Cabinet of Ministers of Ukraine;
- liabilities on the bonds issued by the Fund;
- promissory notes issued by the Fund.

The current liabilities consist of:

- short-term loans from the National Bank of Ukraine;
- accounts payable for goods, work and services;
- current liabilities on budget settlements and extrabudgetary payments, insurance, payroll and internal settlements;
- other current liabilities.

The other current liabilities include:

- liabilities of the Fund associated with payouts of insured deposits of the insolvent banks;
- liabilities of the Fund associated with financial support to an assuming/bridge bank;
- liabilities associated with court proceedings;
- liabilities associated with guarantee deposits of potential investors participating in resolution tenders.

The liabilities associated with payouts of insured deposits are reported in total in terms of insolvent banks.

The provisions include:

- Provision for potential costs of the Fund for the resolution of insolvent banks and payout of insured deposits;
- Provision for the future payment of leaves of the Fund staff.

The amount of provision for potential costs associated with the resolution of insolvent banks and payments of insured deposits is determined based on the Financial Analysis Methodology, approved by the decision of the Executive Directorate of the Deposit Guarantee Fund on February 28, 2013, No. 13 (as amended by the decision of the executive directorate of the Deposit Guarantee Fund on December 21, 2015, No. 232), registered with the Ministry of Justice of Ukraine on March 25, 2013 under No. 482/2301, and equal to the projected deposit insurance coverage weighted by a factor of the expected losses of the Fund.

Provision balance is reviewed at each balance sheet date and adjusted, if necessary (increased or decreased).

The amount of provision for the future payment of leaves is calculated based on the Instruction on application of the Chart of Accounts of accounting assets, capital, liabilities and business transactions of enterprises and organizations, approved by the Ministry of Finance of Ukraine dated November 30, 1999 No.291.

### **Revenues**

The DGF revenues are classified as:

- other operating income;
- other financial income ;
- other income.

The other operating incomes include:

- Membership fee, and regular premiums and special premiums from the member institutions.
- Fines and other penalties paid by the member institutions pursuant to the Law.
- Interests on the outstanding balance of the DGF account with the National Bank of Ukraine.
- Incomes associated with the 'special purpose loan' to failed banks.
- Incomes associated with the loans to the DGF staff.

The other financial incomes include:

- Incomes from investments in the government securities.
- Incomes from loans to an assuming bank under the terms of subordinated debt;

The other incomes include:

- Incomes from sale of financial investments.
- Increase of book value of financial investments measured at fair value.

The incomes are reported on accrual basis and cost-to-income basis.

Any income is recognized as such based on the content of the relevant individual operation.

The regular premium is charged in accordance with the requirements of the Regulation on the procedure for calculating, charging and paying fees to the Deposit Guarantee Fund, approved by the decision of the Fund's Executive Directorate No. 2 dated July 2, 2012, registered with the Ministry of Justice of Ukraine on July 27, 2012 under No. 1273/21585.

The regular premium is recognized on an accrual basis, quarterly on the last day of the reporting quarter, based on the report "Calculation of the regular premium payable to the Deposit Guarantee Fund", which is provided by DGF member institutions.

The regular premium for the previous periods, additionally accrued as a result of the audit of member institutions, is reported based on terms of its accrual.

The interest incomes are reported during reporting periods they are related to, based on surcharge base and terms of asset allocation.

Other incomes are reported upon a positive evidence of economic benefit from the associated operation.

### **Costs**

The DGF costs are classified as:

- other operating expenses;
- financial expenses;
- administrative expenses;
- other costs.

The 'other operating expenses' include:

- Expenses associated with the provision for potential costs of the Fund for the resolution of insolvent banks and payout of insured deposits
  - Expenses associated with the resolution of a failed bank (cost of assessment, payment of auditors' fees, etc.)
  - Expenses of forming provisions for doubtful loans
  - Expenses associated with court proceedings
  - Losses associated with exchange differences
  - Losses associated with uncollectable debts

The 'other financial expenditures' include:

- Interest on the loans from the National Bank of Ukraine and/or Cabinet of Ministers of Ukraine
- Amortization of premiums on financial investments in the government securities held to maturity
- Costs associated with the issuance, retaining and turnover of the DGF securities

The administrative expenses include the general running costs associated with the DGF's functions:

- Employment expenses
- Staff training
- Business trips expenses
- Entertainment/representation expenses
- Costs associated with capital assets and intangible assets (operational lease, insurance of property, amortization, repair, etc.)
  - Depreciation of fixed assets, intangible assets, and other current assets
  - Cost of services (e.g. legal, audit, advertising, promotion and/or appraisal services, etc.)
  - Communication (mail, telephone, etc.) costs
  - Taxes, fees and other commitments
  - Costs of settlement and cash desk services
  - Prime costs of inventories
  - International organizations of deposit insurers membership fees
  - Other administrative expenses

The 'other costs' include:

- Actual costs of investments (balance value + associated costs)
- Costs associated with the liquidation of non-current assets
- Residual values of the liquidated (written-off) non-current assets
- Reduction of book value of financial investments.

The costs are reported on accrual basis and cost-to-income basis.

### 3. FORM NO.1 "BALANCE SHEET", LINE 1040, BOX 4 (LONG-TERM RECEIVABLES)

Item	For the reporting period	For the same period of the previous year
Long-term accounts receivable from the staff	1 162	809
<b>Total:</b>	<b>1 162</b>	<b>809</b>

### 4. FORM NO.1 "BALANCE SHEET", LINE 1155, BOX 4 (OTHER CURRENT ACCOUNTS RECEIVABLE)

December 31, 2016:

Item	Other current settlements receivable, thousand UAH	Doubtful debts fund, thousand UAH	Other current settlements receivable under the net sale value, thousand UAH
Payments to agent banks associated with deposit payout	6 429	—	6 429
Liquidated banks: accounts payable to the Fund	72 491 596	72 491 596	—
Settlements in respect of sale of failed banks	2 292	2 000	292
Short-term accounts receivable from the staff	353	—	353
Internal receivables	70	—	70
'Special purpose loan' to insolvent banks	3 732 475	3 732 475	—
<b>Social insurance payments</b>	<b>62</b>	<b>—</b>	<b>62</b>
<b>Total:</b>	<b>76 233 277</b>	<b>76 226 071</b>	<b>7 206</b>

December 31, 2015:

Item	Other current settlements receivable, thousand UAH	Doubtful debts fund, thousand UAH	Other current settlements receivable under the net sale value, thousand UAH
Payments to agent banks associated with deposit payout	329 721	—	329 721
Liquidated banks: accounts payable to the Fund	66 908 874	66 908 874	—
Settlements in respect of sale of failed banks	2 000	2 000	—
Short-term accounts receivable from the staff	518	—	518
Internal receivables	185	—	185
'Special purpose loan' to insolvent banks	2 719 175	2 676 147	43 028
<b>Social insurance payments</b>	<b>53</b>	<b>—</b>	<b>53</b>
<b>Total:</b>	<b>69 960 526</b>	<b>69 587 021</b>	<b>373 505</b>

### 5. FORM NO.1 "BALANCE SHEET", LINE 1140, BOX 4 (ACCOUNTS RECEIVABLE FROM ACCRUED INCOME)

December 31, 2016:

Item	Settlements receivable due to accrued assets, thousand UAH	Doubtful debts fund, thousand UAH	Settlements receivable due to accrued assets under the net sale value, thousand UAH
Incomes from transactions with the government bonds	237 605		237 605
Premiums from the member institutions	852 702		852 702
Arrears of the liquidated banks on fees and penalties	309 396	309 396	—
Interest on the 'special purpose loans'	583 834	583 834	—
Arrears of the liquidated banks on interest on the 'special purpose loans'	569 230	569 230	—
Fines and penalties from the members institutions	798	7	791
<b>Total:</b>	<b>2 553 565</b>	<b>1 462 467</b>	<b>1 091 098</b>



**December 31, 2015:**

Item	Settlements receivable due to accrued assets, thousand UAH	Doubtful debts fund, thousand UAH	Settlements receivable due to accrued assets under the net sale value, thousand UAH
Incomes from transactions with the government bonds	239 200		239 200
Premiums from the member institutions	792 021		792 021
Arrears of the liquidated banks on fees and penalties	289 960	289 960	—
Interest on the 'special purpose loans'	91 193	91 193	—
Arrears of the liquidated banks on interest on the 'special purpose loans'	553 415	553 415	—
Fines and penalties from the members institutions	7	7	—
<b>Total:</b>	<b>1 965 796</b>	<b>934 575</b>	<b>1 031 221</b>

**6. FORM NO.1 "BALANCE SHEET", LINE 1515, BOX 4 (OTHER LONG-TERM LIABILITIES)**

Item	For the reporting period	For the same period of the previous year
Long-dated bills in UAH	51 617 630	59 558 630
<b>Total:</b>	<b>51 617 630</b>	<b>59 558 630</b>

**7. FORM NO.1 "BALANCE SHEET", LINE 1690, BOX 4 (OTHER CURRENT LIABILITIES)**

Item	For the reporting period	For the same period of the previous year
Liabilities associated with insured deposits	6 799 734	5 195 508
Advanced premiums to DGF	1 216	—
Interest on promissory note	1 206 608	4 440 285
Guarantee deposits of participants in resolution tenders	40 000	—
<b>Total :</b>	<b>8 047 558</b>	<b>9 635 793</b>

**8. FORM NO.2 "INCOME STATEMENT", LINE 2120, BOX 3 (OTHER OPERATING INCOME)**

Item	For the reporting period	For the same period of the previous year
Premiums from the member intuitions	3 422 025	3 645 164
Fines and penalties from the members institutions	1 601	2 895
Interest on current account	345 433	116 218
Interest on 'special purpose loans'	508 482	563 041
Reimbursement of expenses for the resolution of insolvent banks	—	30 234
Incomes from sale of insolvent banks	—	107 105
Incomes from written-off uncollectable debts of liquidated banks	—	204
Interest on loans to the DGF staff	122	195
Operating exchange difference	1	3
Compensation of holidays for Chernobyl workers	17	—
<b>Total:</b>	<b>4 277 681</b>	<b>4 465 059</b>

**9. FORM NO.2 "INCOME STATEMENT", LINE 2180, BOX 3 (OTHER OPERATING EXPENSES)**

Item	For the reporting period	For the same period of the previous year
Provisions for doubtful loans	7 138 142	52 082 115
Writing off uncollectable debts	—	1 528
Costs of provision for potential expenses of the Fund for the resolution of insolvent banks and payout of insured deposits	6 832 090	16 240 016
Court expenses for enforcement proceedings	173	490
Operating exchange difference	—	9
Expenses for the resolution of insolvent banks	—	445
<b>Total:</b>	<b>13 970 405</b>	<b>68 324 603</b>

#### 10. FORM NO.3 “CASH FLOWS”, LINE 3095, BOX 3 (OTHER OPERATING INCOMES)

Item	For the reporting period	For the same period of the previous year
Premiums from the member intuitions	3 333 632	3 480 513
Fines from the member intuitions	738	773
Liquidated banks: redemption of accounts payable to the Fund	6 622 467	2 389 433
‘Special purpose loans’ (principal and interest) repaid by insolvent banks	230 932	2 635 634
Funds unpaid to insured depositors	150 277	347 823
Loans repaid by the DGF staff and Internal receivables	434	659
Liabilities of Social Insurance Fund, compensation payments for Chernobyl workers	1 026	914
Guarantee deposits from potential bidders	100 000	498 566
Incorrectly transferred funds to the Fund’s account, refunds for specification of the details	6 604	—
Incomes from sale of insolvent banks	—	105 339
<b>Total:</b>	<b>10 446 110</b>	<b>9 459 654</b>

#### 11. FORM NO.3 “CASH FLOWS”, LINE 3190, BOX 3 (OTHER EXPENDITURES ASSOCIATED WITH THE FUND OPERATIONS)

Item	For the reporting period	For the same period of the previous year
Funds to be paid to insured depositors	11 594 707	23 382 226
‘Special purpose loans’ to insolvent banks	3 213 300	27 358 717
Financial support to assuming banks	—	598 947
Returned guarantee deposits of potential bidders	140 000	458 566
Costs associated with business trips	2 377	2 654
Returned excessive premiums from the member institutions	1 248	8
Contributions to the DGF trade union	4 763	2 934
Court fees	1 756	559
Return of mistakenly transferred funds to the Fund’s account	6 392	—
<b>Total:</b>	<b>14 964 543</b>	<b>51 804 611</b>

#### 14. FORM NO.3 “CASH FLOWS”, LINE 3250, BOX 3 (OTHER INVESTMENT INCOMES)

Item	For the reporting period	For the same period of the previous year
Retirement of government bonds	668 615	184 855
<b>Total:</b>	<b>668 615</b>	<b>184 855</b>

#### 15. FORM NO.3 “CASH FLOWS”, LINE 3290, BOX 3 (OTHER PAYMENTS ASSOCIATED WITH INVESTMENTS)

Item	For the reporting period	For the same period of the previous year
Prepayments to purchase non-current assets	14 942	358
Commissions on sales of government bonds	—	83
<b>Total:</b>	<b>14 942</b>	<b>441</b>

#### 16. DISCLOSURE OF RELATED PARTIES

The related parties refer to:

- Individuals — members of the governing bodies of the Fund; and
- Close relatives of individuals, members of the governing bodies of the Fund.

#### Payments received by key management personnel of the Fund

Type of the payments	For the reporting period	For the same period of the previous year
Current payments (salaries)	10 547	5 180
<b>Total:</b>	<b>10 547</b>	<b>5 180</b>

## 17. DISCLOSURE OF OPERATING LEASES

The Fund discloses the following information under the operating lease agreements:

- No agreements of non-cancellable lease and non-cancellable sublease were concluded by the Fund;
- No contingent lease payments are provided for by lease agreements;
- No choice between renewal or acquisition of assets and notifications of price changes are provided for by lease agreements;
- No restrictions are provided for by lease agreements.

## 18. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial instruments are divided into financial assets and financial liabilities.

Financial assets include:

- financial resources;
- financial investments held to maturity;
- financial investments held for sale;
- receivables.

Financial liabilities include:

- loans received from the National Bank of Ukraine;
- long-dated promissory notes in UAH.

The Fund has no equity instruments.

The book value of financial instruments reported at amortized cost approximately amounts to their fair value.

### Types, terms and conditions of financial investments in government bonds, held-to-maturity as of 31.12.2016

№	Code	Purchase date	Repayment date	Quantity, pieces	Depreciated value of investments, thousand UAH	Profitability level, %
1	UA4000178891/Auction №5(14)	21.01.2014	09.01.2019	250 000	250 400	14,25
2	UA4000179196/Auction №19(14)	29.01.2014	23.01.2019	273 000	273 136	14,25
3	UA4000179196/Auction №23(14)	05.02.2014	23.01.2019	90 000	90 163	14,25
4	UA4000179196/Auction №31(14)	12.02.2014	23.01.2019	595 000	596 866	14,25
5	UA4000162127/Auction № 81(13)	17.04.2013	04.04.2018	318 160	318 708	14,25
6	UA4000165765/Auction № 84(13)	24.04.2013	11.04.2018	777 200	778 118	14,25
7	UA4000166201/Auction № 97(13)	22.05.2013	02.05.2018	40 000	40 085	14,25
8	UA4000166201/Auction №102(13)	29.05.2013	02.05.2018	288 000	288 869	14,25
9	UA4000168082/Auction №117(13)	12.06.2013	16.05.2018	6 750	6 771	14,25
10	UA4000168082/Auction №128(13)	03.07.2013	16.05.2018	20 000	20 117	14,25
11	UA4000170732/Auction №135(13)	17.07.2013	04.07.2018	583 000	583 802	14,25
12	UA4000171391/Auction №143(13)	24.07.2013	27.06.2018	136 000	136 454	14,25
13	UA4000171391/Auction №148(13)	31.07.2013	27.06.2018	6 500	6 528	14,25
14	UA4000171391/Auction №156(13)	14.08.2013	27.06.2018	107 315	107 992	14,25
15	UA4000171391/Auction №178(13)	11.09.2013	27.06.2018	180 000	181 850	14,25
16	UA4000174239/Auction №183(13)	18.09.2013	05.09.2018	21 000	21 032	14,25
17	UA4000174239/Auction №197(13)	09.10.2013	05.09.2018	8 000	8 039	14,25
18	UA4000175467/Auction №206(13)	16.10.2013	10.10.2018	626 000	626 273	14,25
19	UA4000175467/Auction №208(13)	23.10.2013	10.10.2018	218 000	218 347	14,25
20	UA4000176093/Auction №226(13)	13.11.2013	24.10.2018	44 800	44 925	14,25
21	UA4000176093/Auction №235(13)	20.11.2013	24.10.2018	11 350	11 395	14,25
22	UA4000176093/Auction №243(13)	27.11.2013	24.10.2018	5 000	5 026	14,25
23	UA4000178891/Auction №2(14)	15.01.2014	09.01.2019	450 000	450 220	14,25
	<b>Total depreciated value of the investments</b>				<b>5 065 116</b>	

**Terms and conditions of issuance and redemption of long-term promissory notes  
as of December 31, 2016**

Item №	Security symbol	Date of issue	Date of repayment	Date of interests repayment	Nominal value, thousand UAH	Profitability level, %
1	Promissory note AA №2789701	31.10.2014	12.10.2029	according to schedule	1 000 000	12,5
2	Promissory note AA №2789702	14.11.2014	27.04.2029	according to schedule	3 250 000	12,5
3	Promissory note AA №2789703	14.11.2014	27.10.2028	according to schedule	3 250 000	12,5
4	Promissory note AA №2789704	05.12.2014	19.05.2028	according to schedule	2 617 630	12,5
5	Promissory note AA №2789705	14.04.2015	30.07.2025	30.07.2025	1 500 000	11,72
6	Promissory note AA №2789706	28.04.2015	10.12.2025	10.12.2025	1 800 000	11,54
7	Promissory note AA №2789708	06.05.2015	16.04.2025	16.04.2025	1 600 000	11,97
8	Promissory note AA №2789709	26.05.2015	08.10.2025	08.10.2025	2 200 000	11,90
9	Promissory note AA №2789710	09.06.2015	25.03.2026	25.03.2026	2 500 000	11,80
10	Promissory note AA №2789711	16.06.2015	22.04.2026	22.04.2026	2 500 000	11,79
11	Promissory note AA №2789712	23.06.2015	27.05.2026	27.05.2026	1 200 000	11,78
12	Promissory note AA №2789713	30.06.2015	03.06.2026	03.06.2026	1 500 000	11,78
13	Promissory note AA №2789714	07.07.2015	06.05.2026	06.05.2026	500 000	11,89
14	Promissory note AA №2789715	14.07.2015	14.10.2026	14.10.2026	1 000 000	11,83
15	Promissory note AA №2789716	28.07.2015	25.11.2026	25.11.2026	1 200 000	11,82
16	Promissory note AA №2789717	04.08.2015	24.06.2026	24.06.2026	500 000	11,94
17	Promissory note AA №2789718	11.08.2015	06.01.2027	06.01.2027	800 000	11,87
18	Promissory note AA №2789719	18.08.2015	09.12.2026	09.12.2026	1 200 000	11,88
19	Promissory note AA №2789720	29.09.2015	02.02.2028	02.02.2028	2 500 000	11,58
20	Promissory note AA №2789721	29.09.2015	01.03.2028	01.03.2028	2 500 000	11,57
21	Promissory note AA №2789724	29.10.2015	27.09.2028	27.09.2028	2 000 000	11,24
22	Promissory note AA №2789725	10.11.2015	09.08.2028	09.08.2028	3 500 000	11,05
23	Promissory note AA №2789726	24.11.2015	29.03.2028	29.03.2028	2 000 000	11,11
24	Promissory note AA №2789727	15.12.2015	26.04.2028	26.04.2028	4 000 000	10,71
25	Promissory note AA №2789728	22.12.2015	29.11.2028	29.11.2028	2 500 000	10,86
26	Promissory note AA №2789729	22.12.2015	08.11.2028	08.11.2028	2 500 000	10,86
27	Promissory note AA №2789731	29.12.2016	10.12.2031	10.12.2031	4 000 000	9,99
28	Promissory note AA №2789732	29.12.2016	27.08.2031	27.08.2031	3 941 000	9,99
	<b>Total:</b>				<b>59 558 630</b>	

The currency risk is the probability of changes in the value of a financial instrument due to changes in exchange rates.

Since the DGF has no financial instruments in foreign currency, there is no currency risk as of December 31, 2016.

The interest rate risk is the probability of changes in the value of a financial instrument due to changes in interest rates. Since the DGF has no financial instruments with floating interest rate, there is no interest rate risk as of December 31, 2016.

The credit risk is the probability of losses of one of the parties of the contract for purchase of a financial instrument due to failure to perform obligations by the other party. The DGF is prone to credit risk in the amount of financial assets.

The liquidity risk is the probability of losses due to failure to perform its obligations as a result of inability to dispose financial assets at fair value.

Since the DGF is an institution that performs special functions in the sphere of deposit insurance and resolution of insolvent banks pursuant to the Law, the liquidity risk is beyond control of the DGF.

#### 19. EVENTS AFTER THE BALANCE SHEET DATE.

No events that may affect the ability of users of financial statements to make appropriate assessment and decisions have occurred since December 31, 2015.

CEO  
CFO

K.M. Vorushylin  
O.S. Perebiynis

23.05.2017



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