



DGF
DEPOSIT GUARANTEE FUND

ANNUAL REPORT 2014

INTRODUCTION OF THE CHAIRMAN OF THE ADMINISTRATIVE BOARD



Ukraine undergoes dramatic changes, and the country's financial sector is being comprehensively reformed. The banking sector is in the frontline of this economic struggle. A proper organization of the logistics structure will require exchange stabilization, a smooth and effective payment system, and a stronger banking sector that will fulfill all obligations to depositors and other clients.

We can safely say that in 2014 the banking sector was the main driver of the reforms in the financial sector. It was a complicated, and long overdue, process. The system had to be freed from the banks

that violated the law and faced unacceptably high risks. In this situation the state has a responsibility to ensure that the rights and interests of the depositors to problem banks are upheld.

This is the stated purpose of the Deposit Guarantee Fund. The financial and operational pressure on the Fund increased drastically, and yet the Fund fully fulfilled its mission. With the help of financial support from the Cabinet of Ministers and National Bank, the Fund paid in full to all insured depositors of the failed banks. In 2014, the Fund paid UAH 8.5 b. to the depositors of twenty-eight failed banks. In order to ensure a smooth and timely payout, the Fund raised over UAH 20.3 b. The effective payout of the insured deposits contributed to raising public confidence in the banking sector.

The Fund will need to have adequate financial resources to fulfill its obligations. If necessary, the Fund may be financed directly from the state budget, and a loan from the National Bank to the Fund may be granted when needed.

The effective and timely payout of insured deposits is a key factor in gaining the public's trust in banks. Today, the country is relying upon the restoration of the banking sector. It is the banking sector that can provide the powerful impetus to the economy and the general development of the country.

We aim to make structural reforms and the clean-up of the banking sector the basis for a new banking system. This new system will be based on the rule of law, transparency, innovations and effectiveness. Its main goal will be promoting the economic growth of Ukraine.

Sincerely Yours,

Oleksandr PYSARUK
Chairman of Administrative Board,
Deposit Guarantee Fund,
First Deputy Governor,
National Bank of Ukraine

INTRODUCTION OF THE MANAGING DIRECTOR



The year of 2014 was marked by serious challenges for the Deposit Guarantee Fund. It was a year of war, the annexation of Crimea, economic crisis, devaluation of the national currency, and a catastrophic wreckage of public confidence in the banking sector and deposit run.

Banks were the first to suffer from the impact of these changes. The key financial indicators of the Ukrainian banks deteriorated significantly. The point can fairly be made that, alongside external factors, the actions of shareholders and managers in siphoning off liquid assets from the banks also contributed to the worsening situation.

There were cases when provisional administrations were introduced in banks that had liabilities only. In many banks the real value of the assets was considerably lower than their book value.

In such adverse circumstances the Fund managed full and timely payouts of the insured deposits of all failed banks.

In 2014, the Fund commenced the payout to the insured depositors of seventeen newly failed banks. In general, in 2014, the Fund was paying to the depositors of twenty-eight failed banks. The total payout was worth UAH 8.5 b. Massive efforts were required in order to compile depositor registers for each insolvent bank, select agent banks through which the payouts were conducted, and organize the entire payout process.

It should be noted that cases were detected in which depositors 'spilt' their deposits just before the provisional administration was introduced in their bank. This means that large deposits were split into two or more smaller deposits in order to have the money insured. This raised the insurance liabilities of Fund, resulting in a higher total of pay outs than anticipated. In the context of the current financial crisis and shortage of funds such practices are unacceptable.

The effective sale of assets from the failed banks was one of the core functions of the Fund. We made every effort to ensure this was as transparent and open a process as possible. The Fund selected sixty-one companies for asset appraisal and thirty-seven trading companies.

In order to extend the circle of potential buyers, the Fund preferred on-line auctions. We believe that electronic trade will provide for truly competitive trade, and allow the Fund to sell assets at the market value. The proceeds of sale will be channeled to pay to the creditors of the failed banks.

I am confident that in this most difficult of situations we will be able to fulfill all commitments to the Ukrainian depositors. It gives us hope that the banks will regain public trust in the banking sector, which will emerge from this ordeal with increased stability and reliability.

Sincerely Yours,

Kostyantyn VORUSHYLIN,
Managing Director
of Deposit Guarantee Fund



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MISSION, GOAL AND FUNCTIONS

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 failed banks

FUNCTIONS

The Deposit Guarantee Fund (hereinafter – the DGF or 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'¹ (hereinafter – the Law) (Article 19) 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 (hereinafter – the NBU).
- 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

¹ Закон України «Про систему гарантування вкладів фізичних осіб».



ADMINISTRATIVE BOARD



Oleksandr PYSARUK
Chairman of the Administrative Board
First Deputy Governor National Bank of Ukraine



Roman KACHUR
Deputy Minister
of Finance of Ukraine



Kateryna ROZHKOVA
Director of the Banking Supervision Department
National Bank of Ukraine



Ihor PRYIMA
Head of Secretariat, Parliament
Financial policy and Banking
Committee



Kostyantyn VORUSHYLIN
Managing Director
Deposit Guarantee Fund

EXECUTIVE BOARD



Kostyantyn VORUSHYLIN
Managing Director



Andrii OLENCHYK
Deputy Managing Director



Andrii KYIAK
Deputy Managing Director



Pavlo SHEVCHENKO
Head of Legal Service



Olena NUZHnenko
Head of Financial Department



Viktor NOVIKOV
Head of Legal Department

I. DEPOSIT INSURANCE SCHEME IN UKRAINE

1.1. THE DGF KEY INDICATORS IN 2014

The DGF was established in 1998 pursuant to the Decree of the President of Ukraine 'On Some Measures to Protect the Rights of Retail Depositors with Commercial Banks'.¹ In Ukraine, the establishment of the deposit insurance scheme was a result of a range of social processes and trends in the banking system. In 1998, the DGF was set as precaution against a potential financial crisis and to ensure resources that could be invested in the real economy.

Amongst all former republics of the USSR, Ukraine was first to introduce a deposit insurance scheme.

The scheme developed, and, on 21st September 2001, the Law 'On Deposit Guarantee Fund'² was adopted. At the time, the newly adopted Law guaranteed every insured depositor his/her deposit, including the interest accrued by the date when the depositor's money with the bank became 'inaccessible'. The insurance coverage was set at UAH 1,200 per bank.

On 22nd February 2012, the Law was adopted. It was a milestone and a real breakthrough. The new Law significantly expanded the DGF's mandate from a paybox to a deposit insurer with the resolution powers. In this context, the Law contains the following key provisions.

- A provisional administration may be introduced for a period no longer than three months (six months for systemic banks).

- No moratorium may be put on a deposit payout. Throughout a provisional administration, depositors can be paid their matured deposits and funds on their current/card accounts.

- Such depositors will be paid their deposits, including the interest accrued by the first day of the bank resolution yet no more than UAH 200,000.

- The payment will commence no later than within seven days from the day when the NBU authorized the revocation of the bank's license and liquidation of the bank.

Considering the situation in the banking sector, the DGF repeatedly highlighted the importance of enhancing the public confidence in the banking sector. The amendments to the Law of 4th July 2014 extended the DGF's powers associated with the bank resolution through provisional administration and liquidation, and modified the terms and conditions of deposit payout. In particular, the amendments provided for the establishment of a bridge bank to which

¹ Указ Президента України «Про заходи щодо захисту прав фізичних осіб – вкладників комерційних банків».

² Закон України «Про Фонд гарантування вкладів фізичних осіб».

the assets and liabilities of failed bank(s) may be transferred, the involvement of the Ministry of Finance or a state owned bank in a bank resolution, and some simplification of the processes associated with the sale of a bank's assets, including through the Specialized Agency established at the DGF.

Additionally, the amendments entitled the DGF Authorized Officer to pay alimonies, pensions, scholarships and other social benefits throughout the provisional administration to protect the depositors.

The insurance coverage is an important characteristic of a deposit insurance scheme. The DGF raised it from UAH 500 to UAH 200,000 that it is by 400 times (see: Chart 1.1). The current scheme fully protects 98.7 percent of all retail depositors in Ukraine.

As of 1st January 2015, the financial resources of the DGF were UAH 16.9 b. (see: 1.2.).

Throughout its whole history, the DGF paid to the depositors of forty eight failed banks. These were the banks with a license revoked by the NBU. In total, the DGF paid UAH 14.3 b. to 513,000 depositors. The busiest years were 2010 (UAH 2.3 b.) and 2014 (UAH 8.5 b.).

2012-2014 were the years when many banks failed. In 2014 alone, the DGF paid to depositors of twenty eight banks. Of these, seventeen banks failed in 2014 (see: Chart 1.4.).

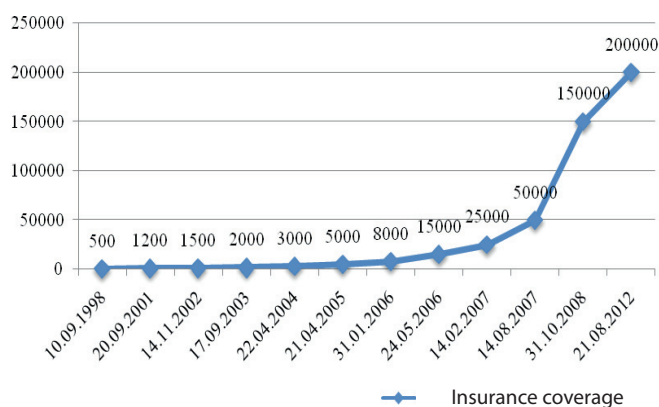


Chart 1.1. Deposit Insurance Coverage

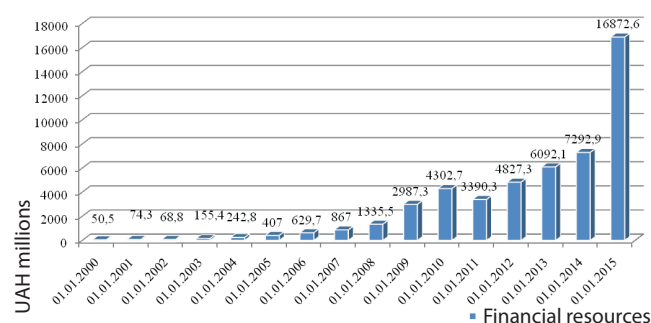


Chart 1.2. DGF Financial Resources

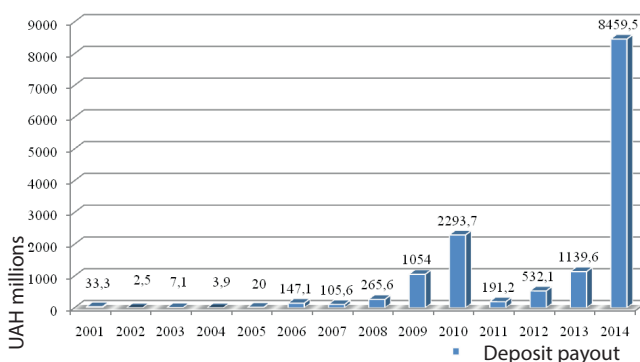


Chart 1.3. Insured Deposits Paid through 2001-2014

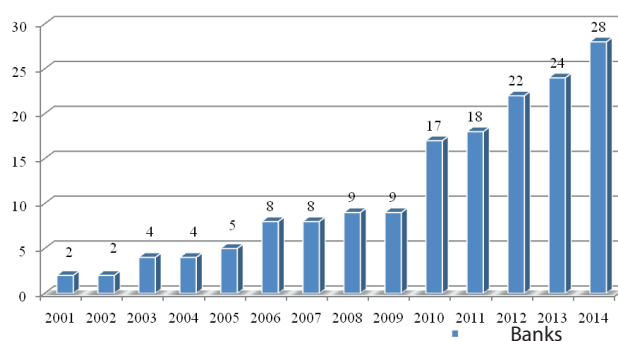


Chart 1.4. Failed Banks in 2001-2014



1.2. INSURED INSTITUTIONS AND THEIR KEY INDICATORS

MAJOR FINANCIAL INDICATORS OF THE MEMBER INSTITUTIONS

Pursuant to the legislation, all banks with the exception of the Oschadbank and remedial Rodovid Bank are the DGF members. The institutions acquire the membership on the day when they are licensed. The membership is terminated when a bank has the license revoked.

One of the main functions of the DGF is the resolution of failed banks.

In 2014, two banks joined the membership list. Nineteen banks had their membership terminated (of these seventeen banks have already been liquidated and two banks had their licenses withdrawn). As of 1st January 2015, the DGF had 161 members (see: Chart 1.5.).

Throughout 2014, the number of banks with a foreign capital increased by 2 to reach 51. The number of banks with domestic capital dropped by 19 to 110 (see: Chart 1.6.).

Throughout the whole history of the scheme, 238 banks were DGF members.

POSITION AND PERFORMANCE OF THE MEMBER INSTITUTIONS

This analysis covered the balance sheets of 161 banks as of 1st January 2015 and some key trends throughout 2014.

As mentioned above, in 2014, nineteen banks had their DGF membership terminated and this had a significant impact upon the key indicators in the banking sector.

The major trends in 2014 were the following.

The total deposit outflow was UAH 18,082.8 b. (4.5% of the total retail deposits), higher than the 2009 figure. According to the UAH-USD exchange rate, which, at the beginning of 2014, was UAH 7.99/USD, the total outflow was UAH 124 b. or 30.8%.¹

The depreciation led to a poorer credit servicing and increase in the arrears to 12.9 percent. Consequently, the banks revaluated their credit portfolios and added provisions to cover the credit risks. In 2014, all member banks suffered UAH 44,135.3 m. losses. This is the worst annual outcome in the whole history of the banking sector (in 2009, the total loss was at UAH 39,142.5 m.). The high losses had an impact upon the banks' capitalization. In 2014, the member institutions had their capital decreased by 27.7 percent (consider 4.8% in 2009) to reach the level of early 2011.

In 2014, the NBU declared 33 banks insolvent.

Throughout the whole history of the DGF, 2010 and 2014 were the years with the highest numbers of bankruptcies (10 and 17 respectively). These figures do not

¹ Oschadbank and remedial Rodovid Bank are not included.

include reorganizations, merges and license revocations without liquidations (see: Chart 1.7.).

Capital Analysis

During the reporting year, the member institutions had their capital reduced by UAH 46,582.5 m. (27.6%) to UAH 121,942.6 m. The key factors there were the reduction of the banks' registered capital by UAH 4,693.4 m. and losses worth UAH 44,963.1 m. Fifty six banks faced a reduction of capital.

The capital composition underwent the following changes (Chart 1.8).

1. The registered capital dropped by UAH 4,693.4 m. (by 2.8%) to UAH 165,140.3 m. (that is 35.4% higher than the net worth). This may be explained by the liquidations of some banks that cut the total registered capital by UAH 7,561.5 m.

2. The issue profit/loss dropped UAH 1,129.5 m. (8.6%) to UAH 12,010.8 m.

3. The total reserves grew by UAH 409.8 m. (72.46%) to UAH 976.1 m.

4. The contingency funds grew by UAH 1,363.2 m. (16.8%) to UAH 9,485.2 m.

5. Other funds dropped by UAH 26.1 m. (0.9%) to UAH 2,996.7 m.

6. The prior year losses reduced by UAH 711.4 m. (1.8%) to (-)UAH 38,470.5 m.

7. The total loss in the banking sector was UAH 44,135.3 m. as of the end of the fiscal year (consider a UAH 827.8 m. profit in 2013).

8. As an effect of revaluation of foreign currency, the fixed capital grew by UAH 20.3 m. (0.2%) to UAH 11,778.6 m.

9. The investments on revaluation of foreign currency assets grew by 1,735.5 m. (4.8 times) to UAH 2,197.5 m.

The shareholder equity (including the subordinated debt) on the liabilities side dropped from 17.72 percent to 15.64

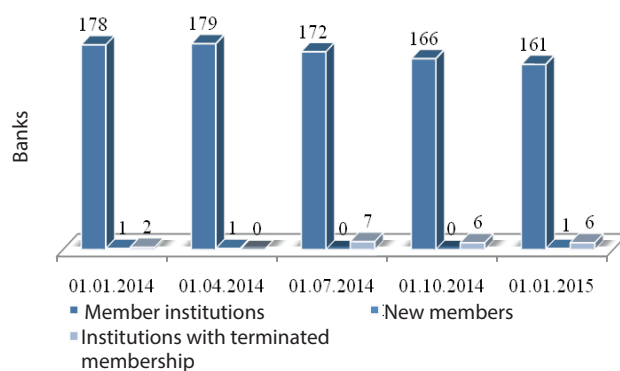


Chart 1.5. DGF Membership in 2014

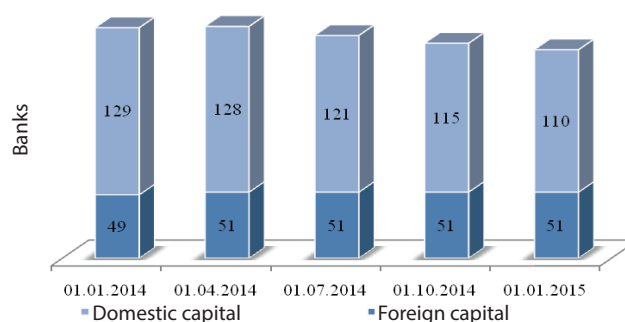


Chart 1.6. Banks with Foreign Capital

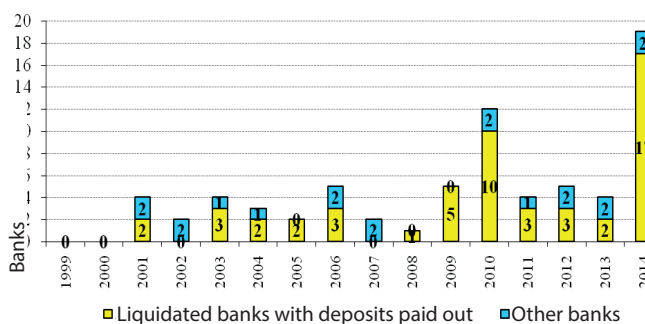


Chart 1.7. Bank Failures

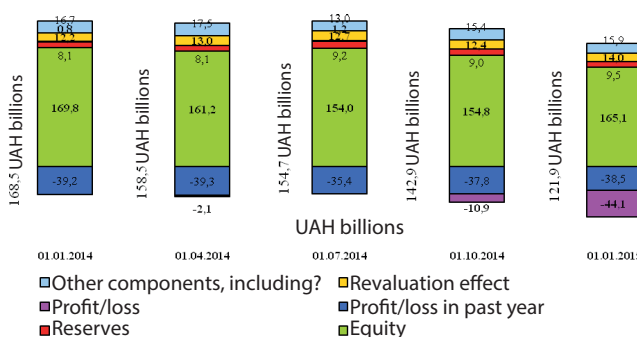


Chart 1.8. Capital Structure



percent, which is seen as an indicator of the deterioration of reliability and sustainability of the banking sector. This figure is higher than the average for 108 banks, including by 50 percent for 28 banks – an indicator of low competitiveness of these institutions. At the same time, 15 banks had this indicator at less than 10 percent – a high risk of capital inadequacy.

The correlation between non-performing loans and net worth increased from 37.86 percent to 96.16 percent for both an increase in the non-performing loans and capital reduction. This figure is above average for 21 banks. Of these, 20 banks have a loan delinquency higher than their net worth.

The correlation between the net worth and earning assets dropped from 20.2 percent to 13.9 percent indicating that the banks' capital were losing its protection function.

The retail deposits are three times as high as the banks' net worth, i.e. the capital can hardly protect the deposits. At the same time, in 38 banks this indicator is higher than average (including 7 banks with the total retail deposits more than twice as high as the net worth).

Thus evidence suggests that the banks' capital has little protective function, and most risk is being transferred to the

creditors and owners. The banking sector needs capitalization. The capital inadequacy is partially compensated by the subordinated debt. At the same time, the capital quality remains unsatisfactory – the total losses reached UAH 44,135.3 m. (36.2% of the registered capital). Generally, the banking sector is marked with high risk of capital inadequacy.

Liabilities

The joint liability grew by UAH 61,232.7 m. (6.1%) to UAH 1,058,235.9 m. The liabilities grew in 98 banks and dropped in 63 banks (including 11 banks with a reduction over UAH 1 b. in each).

The liabilities grew due to mostly the borrowings in the interbank market (borrowings from the NBU and other commercial banks), loans from the international financial organizations, and subordinated debt.

The liability composition underwent the following changes (see: Chart 1.9.).

1. The funds on loro accounts dropped by UAH 6,268.5 UAH (26.2%). Their share in the total liabilities reduced from 2.4 percent to 1.7 percent.

2. The public funds grew by UAH 598.4 m. (22.4%) to UAH 3,275.9 m. Their share remained at 0.3 percent.

3. The loans from other banks grew by UAH 27,169.5 m. (25.9%) to 12.5 percent of

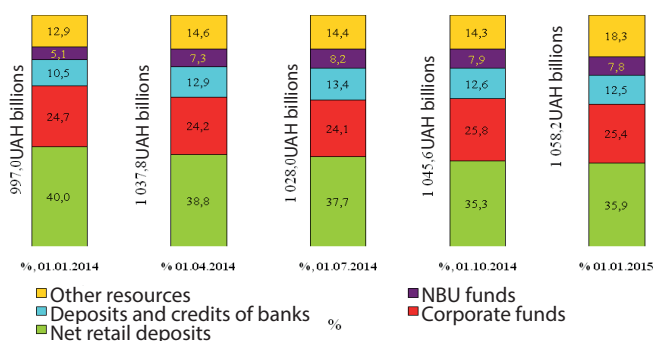


Chart 1.9. Liabilities

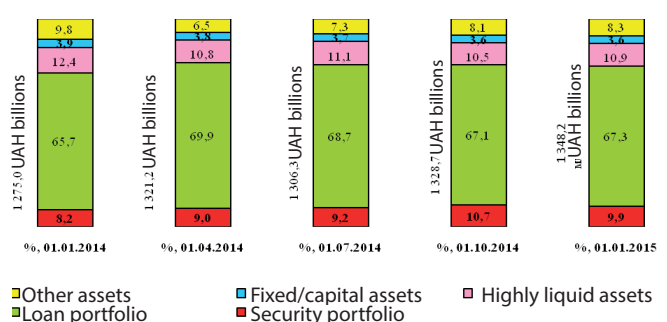


Chart 1.10. Assets

the joint liability. This figure is higher than average for 39 banks (106 banks in the last reporting year, of which 8 banks where interbank loans constitute over a half of their all financial resources). Fifty nine banks reported no loans from other banks.

4. The loans from the NBU grew by UAH 31,596.3 m. (61.7%) to UAH 82,840.8 m. The share of these grew from 5.1 percent to 7.8 percent. Only 54 banks reported loans from the NBU (8 banks more than the previous year).

5. The corporate funds grew by UAH 22,927.9 m. (9.3%) to 25.4 percent of the joint liability. The term corporate funds constituted 59.1 percent of these liabilities.

6. The deposits constituted 32.2 percent of the banks' liabilities (34.2% in the previous year). Seventy five banks reported this figure higher, of which 5 banks (saving institutions) had deposits worth over 50 percent of their total liability.

7. The total value of banks' debt securities dropped by UAH 9,105.9 m. (64.5%) – from 1.4 percent to 0.5 percent of the total liability.

8. The loans from the international financial organizations grew by UAH 30,319.2 m. from 2.99 percent to 5.7 percent of the joint liability.

9. The subordinated debt grew from UAH 24,624.8 m. (64.7%) from 3.8 percent to 5.9 percent of the joint liability.

10. The accounts payable reduced by UAH 43,347.3 m. (61.8%) from 7.04 percent to 2.5 percent of the joint liability.

11. Other liabilities grew by UAH 800.9 m. (4.6%) yet their share in the joint liability dropped from 1.75 percent to 1.72 percent.

Term deposits constituted 69.4 percent of the liabilities.

Thus the loans from banks, international financial organizations and other lenders compensated for the outflow of retail deposits. In the previous year, the customer deposits prevailed over the interbank funds. Today, the borrowings in the interbank market were responsible for 95.9 percent of the liability growth (53.8% of which was due to the NBU loans).

At the same time, retail deposits remain the major source of liabilities (25.4%).

Assets

The total assets grew by UAH 73,225.3 m. (5.7%).


The net assets grew by UAH 14,650.3 m. (1.3%) to UAH 1,180,178.6 m. A hundred banks reported some asset growth and 61 banks reported a drop in assets.

The asset composition underwent the following changes (see: Chart 1.10.).

Highly liquid assets dropped by UAH 11.2 m. (7.1%) from 12.4 percent to 10.87 percent of the total assets mainly due to the cash reduction and reduction of funds on the NBU correspondent accounts by UAH 27,288.7 m. (34.8%). As opposed to the previous year, the share of the funds on nostro accounts grew from 6.2 percent to 7.1 percent. The average share of the highly liquid assets in the total assets was 10.87 percent. This share was higher in 84 banks, of which in 15 banks highly liquid assets constituted over 40 percent of all assets – an indication of poor investment opportunities. Twenty nine banks had highly liquid assets at less than 4 percent – an indication of high liquidity risk.

Throughout the year, the banks' security portfolio was growing rapidly. The annual growth was UAH 28,314.1 m. (27.1%) to UAH 132,973.3 m. (9.86% of the total assets). The growth was due to mostly the investments in the government papers





that grew by UAH 31,466.9 m. (49.5%) to 7.1 percent of the total assets. The investments in trading securities grew by UAH 401.8 m. (5.4%). The investments in securities available for sale and derivatives dropped by UAH 2,574.9 m. (8.8%) to 1.97 percent of the total assets. The investments to associated companies and subsidiaries dropped by UAH 669.9 m. (24.7%). The portfolio of securities to maturity dropped by UAH 309.7 m. (17.1%).

The banking sector acknowledged higher investment risks – the provisions for portfolio investments grew by 82.2 percent.

One hundred and nineteen banks reported investments below the average volume (that is 9.86%), of which 39 banks did not invest in securities at all.

Thus the major components of the investment portfolio are the government papers (71.45%), and securities for sale and derivatives (19.99%).

Securities for sale is the major source of profit (the average return on these securities grew from 10.9% to 68.4%) as opposed to securities to maturity.

The loan portfolio grew UAH 69,291.4 m. (8.3%) to UAH 906,789.6 m. (from 65.7% to 67.3% of the total assets). The growth was due to an increase in lending to corporate clients by UAH 74,879.2 m. (11.7%) and retail clients (individuals) by UAH 10,295.9 m. (6.3%). The investments in the interbank market dropped by UAH 15,775.4 m. (53.9%). This led to some minor changes in the loan portfolio – the loans to corporate clients grew to 79.1 percent of the total, retail loans were 19.1 percent, and interbank loans dropped from 3.5 percent to 1.5 percent of the total loan portfolio.

Loans in foreign currency constituted 47.7 percent of the total loan portfolio.

Seventy seven banks reported the share of their credit portfolio in the total assets lower than the average share in the sector (67.3%). In thirty two banks loans constituted over 80 percent of the assets – an indicator of an ‘aggressive’ credit policy. At the same time, 35 banks reported loans to constitute less than 50 percent of the total assets.

The past due loans grew by UAH 53,462.8 m. (83.8%) from 7.62 percent to 12.9 percent of the loan portfolio. The loan arrears increased by 66.9 percent. The deterioration of credit portfolio caused an increase in the loan loss provisions by UAH 53,375.3 m. (50.2%).

Forty one banks reported delinquent loans exceeding the average level in the sector, of which 30 banks reported delinquent loans at over 20 percent of the portfolio.

Loans in foreign currency constituted 88 percent of all past due loans.

Throughout the year, the banks wrote off loans worth UAH 56,600.3 m. as losses. The total loan associated losses were UAH 128,227.4 m. (increased by 79% during 2014).

The increased loan loss provisions evidenced that the banks acknowledged the risks. On average, the provision adequacy was 88.6 percent. Twenty four banks reported provisions more than twice as high as the non-performing loans, and 88 banks reported provisions lower than the total non-performing loans.

2014 was marked with some increase in lending in particular to corporate clients. The quality of the loan portfolio

deteriorated which caused an increase in the loan loss provisions. In general, the loan portfolio is less profitable. The correlation between retail deposits and retail loans was UAH 1/0.45 respectively.

The core capital and intangible assets dropped by UAH 799.4 m. (1.6%) to 3.6 percent of the total assets.

The accounts receivable dropped by UAH 41,528 m. (70.7%) from 4.6 percent to 1.3 percent of the total assets due to mainly the reduction of the debt associated with the foreign exchange.

Other assets increased by UAH 29,195.6 m. (43.8%) to UAH 95,854.7 m. (7.1% of the total assets) due to mainly the growth of past due accrued income.

Thus 46.6 percent of the total assets are assets in foreign currency. Their growth was entirely due to the UAH depreciation. Sixty five percent of the highly liquid assets were deposited at nostro accounts – an indication of a hidden liquidity risk. The foreign exchange resources constituted 65.7 percent of the highly liquid assets. The security portfolio extended due to the investments in the government papers. The growth of the loan portfolio was due to the currency revaluation. At the same time, the quality of the loan portfolio significantly deteriorated. The accounts receivable dropped due mainly to the reduction of the debt associated with the foreign exchange.

Financial Performance

The total income in the banking sector grew by UAH 37,258 m. (23.9%) to UAH 192,861.4 m. The income composition underwent the following changes (see: Chart 1.14.). The interest income grew by UAH 18,002.9 m. (15.2%), however its share in the total income dropped from 76.1 percent to 70.8 percent.

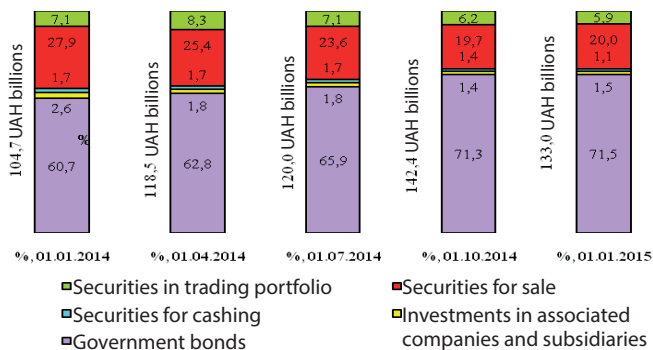


Chart 1.11. Security Portfolio

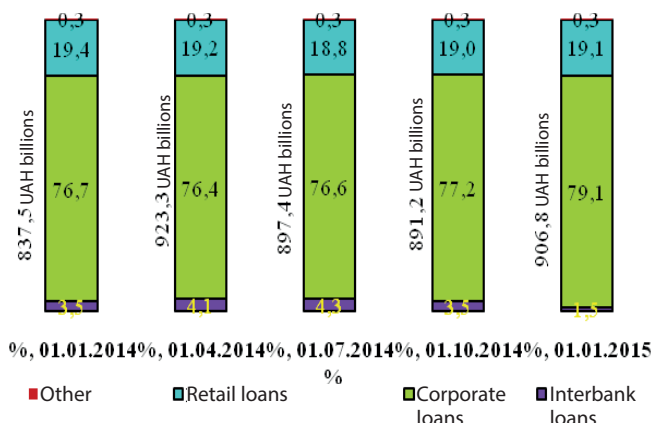


Chart 1.12. Credit Portfolio

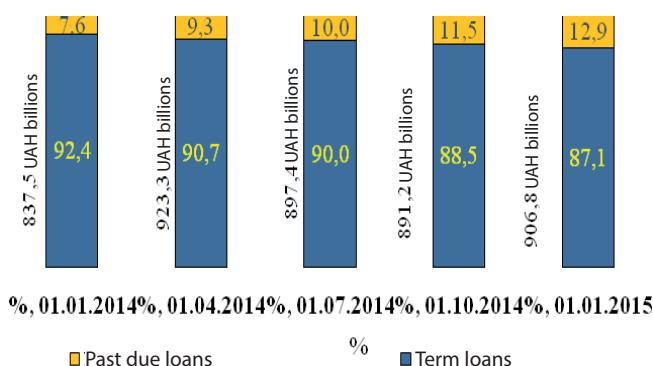


Chart 1.13. Loan Portfolio Quality

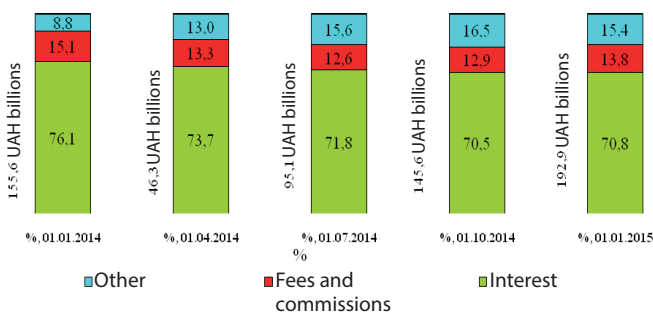


Chart 1.14. Income Composition



Fee and commission income grew by UAH 3,212.9 m. (13.7%), yet its share in the total income dropped from 15.1 percent to 13.8 percent. Profit from merchandise transactions grew by UAH 11,568.2 m. (from 2.1% to 7.7% of the total income).

Investments were a source of losses worth UAH 716.9 m.

Throughout several previous years, the operating revenues were dropping. Yet in 2014, these revenues grew by UAH 5,975.5 m. to UAH 10,634.7 m. (by 2.3 times as compared with 2013).

The aggregate expenditure (see: Chart 1.15.) grew by UAH 82,221.1 m. (53.1%). The banks' provisions grew by UAH 64,523.1 m. (by 3.5 times) and were responsible for 78.5 percent of the growth. Their share in the total expenditure grew from 16.5 percent to 38 percent.

As compared with the previous year, the interest costs decelerated by 18.4 percent (UAH 13,744.9 m.), and their share in the total expenditure dropped from 48.3 percent to 37.4 percent.

The fee and commission expenses grew by UAH 854.6 m. (23.1%).

The administration costs grew by UAH 3,645.9 m. (9.8%), yet their share in the total expenditure dropped from 24.1 percent to 17.3 percent.

The net interest income grew by UAH 4,257.9 m. (9.8% to UAH 47,913.9 m.).

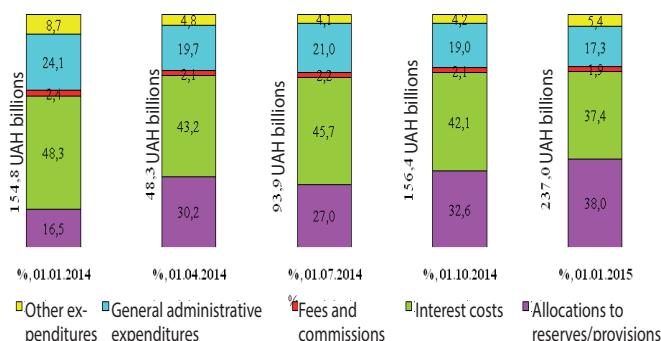


Chart 1.15. Expenditure Composition

The net fee and commission income grew by UAH 2,358.3 m. (11.9%) to UAH 22,114.6 m.

In 2014, the banking system suffered losses worth UAH 44,135.3 m. (consider UAH 827.8 m. income in 2013) due to mainly the provisions and investments losses (see: Chart 1.16.).

One hundred and nine banks reported a total profit of UAH 4,370.3 m. Fifty two banks reported a total loss worth UAH 48,505.5 m.

At the same time, six banks reported profit at the cost of underfinanced provisions. In some of these banks the provisions did not cover the total non-performing/past due loans.

Low asset quality required an increase in provisions. The credit cutbacks and increase in low quality assets that cannot generate profit were the major sources of loss in 2014.

The general development of the banking sector in 2014 was subject to a range of impacts. The quality of lending and deposit-taking activities deteriorated. The net spread dropped from 3.59 percent in 2013 to 3.51 percent in 2014. The expenditure growth exceeded the growth of income. In general, the financial performance of the banking sector was instable.

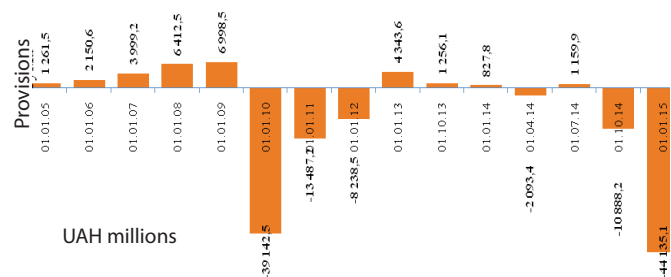


Chart 1.16. Financial Performance of the Banking Sector

1.3. THE DEPOSIT MARKET: MAIN TRENDS

The retail deposits remained the major source of financial resources for the DGF member banks (36% of the total liabilities).

- Throughout the last year, the total number of retail (individual) depositors dropped by 923,700 (1.9%) to 46.5 m. At the same time, the population of depositors in foreign currency grew by some 878,400 (19%) to reach 5.5 m. (11.8% of all retail depositors in Ukraine). During December 2014, the number of individuals with bank deposits dropped by 192,000 (0.4%), and the number of persons with deposits in foreign currency grew by 38,300 (0.7%).

- The total value of deposits dropped by UAH 20.5 b. (5.1%) to UAH 382.1 b. The total value of deposits in foreign currency grew by UAH 31.7 b. (17.7%) to reach UAH 210 b. (55% of the total deposit value). Yet as the USD equivalent amount,

the total value of the foreign currency deposits dropped by USD 9 b. (40.3%) to USD 13.3 b. The UAH deposits dropped by UAH 52.2 b. (23.3%) to UAH 172.1 b. (45% of the total). During December 2014, the total deposit value dropped by UAH 1.9 b. (0.5%), including the UAH deposits – by UAH 5.1 b. (2.9%). The UAH value of the foreign exchange deposits grew by UAH 3.1 b. (1.5%) yet the USD value of these reduced by UAD 0.5 b. (3.6%).

- As of 1st January 2014, the total insurance liability of the DGF reduced by UAH 35.7 b. (14.5%) to reach UAH 209.9 b. (8% of the DGF's financial resources available). During December 2015, the liability reduced by UAH 1.8 b. (0.8%).

- The average deposit value dropped by UAH 272.9 (3.2%) to UAH 8,213.

See Table 1.1. below for the major deposit trends in 2014.

Table 1.1.

Retail Deposits in 2014

Date	Depositors, millions	Deposits total, UAH billions	Total insurance liability, UAH billions	Total UAH deposits, UAH billions	Total foreign currency deposits, UAH billions	Total foreign currency deposits, USD billions
01.01.2014	47.4	402.6	245.6	224.3	178.4	22.3
01.02.2014	47.5	398.6	243.2	223.1	175.5	22.0
01.03.2014	47.8	411.3	239.2	206.2	205.1	20.5
01.04.2014	47.7	406.2	229.7	195.5	210.6	19.2
01.05.2014	47.7	404.0	227.7	195.4	208.6	18.3
01.06.2014	47.4	392.3	217.9	189.5	202.8	17.2
01.07.2014	46.6	390.9	221.7	196.5	194.4	16.4
01.08.2014	46.6	387.6	220.4	194.9	192.7	15.9
01.09.2014	45.5	399.2	221.4	190.4	208.8	15.3
01.10.2014	45.4	371.6	210.7	182.1	189.5	14.6
01.11.2014	46.1	364.2	209.2	180.4	183.8	14.2
01.12.2014	46.7	384.0	211.6	177.2	206.9	13.8
01.01.2015	46.5	382.1	209.9	172.1	210.0	13.3



Since 2000, the depositor population grew from 4 559 900 to 46 523 500. The total retail deposit value increased by 103.3 – from UAH 3,675.6 m. to UAH 382,081.6 m. (see: Chart 1.17. and Chart 1.18.).

The Table 1.2. below shows the key trends in the retail deposit operations.

The first quarter of 2009 was marked with a significant deposit outflow (UAH 24.4 b. or 11.9%). This was followed by a gradual yet steady return that brought the deposits to the previous level (UAH 204.9 b. as of 01.01.2009 vs. UAH 205.7 b. as of 01.04.2010) that is many depositors were paid by the DGF and returned the money to the banking sector.

In 2014, the situation was somewhat different and more tense.

The deposit run began in early 2014 and lasted throughout the year. During 2014, UAH 20.5 b. (5.1%) outpoured. According to the UAH-USD exchange rate which, at the beginning of 2014, was UAH 7.99 = 1 USD, the total outflow was UAH 124 b. or 30.8%.¹

Presumably, the money will begin coming back following the termination of the war, political stabilization, strengthened confidence in the UAH exchange rate and removing the current constraints for deposit withdrawal. The deposit insurance is an important factor contributing to the public confidence and

Table 1.2.

Retail Deposits

Period	Depositors		Deposits total		Average deposit value	
	Thousands persons	Growth rate as at the start of the year, %	UAH billions	Growth rate as at the start of the year, %	UAH	Growth rate as at the start of the year, %
01.01.2000	4,558.9		3,676		806	
01.01.2001	5,358.8	17.5	5,604	52.5	1,046	29.7
01.01.2002	4,837.4	-9.7	9,264	65.3	1,915	83.1
01.01.2003	7,005.5	44.8	16,646	79.7	2,376	24.1
01.01.2004	10,488.4	49.3	29,161	75.2	2,780	17.0
01.01.2005	15,021.2	43.6	38,432	31.8	2,559	-8.0
01.01.2006	18,570.2	23.6	67,885	76.6	3,656	42.9
01.01.2007	24,239.9	30.5	100,416	47.9	4,143	13.3
01.01.2008	29,607.8	22.1	155,236	54.6	5,243	26.6
01.01.2009	34,532.3	16.6	204,935	32.0	5,935	13.2
01.01.2010	31,568.0	-8.6	198,011	-3.4	6,273	5.7
01.01.2011	32,577.8	3.2	254,180	28.4	7,802	24.4
01.01.2012	35,007.8	7.5	282,597	11.2	8,072	3.5
01.01.2013	44,428.9	26.9	338,497	19.8	7,619	-5.6
01.01.2014	47,447.2	6.8	402,616	18.9	8,486	11.4
01.04.2014	47,734.2	0.6	406,172	0.9	8,509	0.3
01.07.2014	46,573.1	-1.8	390,894	-2.9	8,393	-1.1
01.10.2014	45,385.9	-4.3	371,631	-7.7	8,188	-3.5
01.01.2015	46,523.5	-1.9	382,082	-5.1	8,213	-3.2

¹ Oschadbank and remedial Rodovid Bank are not included.

barrier to a massive deposit run. The depositors who were paid fully and timely are more likely to deposit to other (less risky) banks.

TRENDS IN DEPOSITOR POPULATION

Throughout 2014, the number of retail depositors to banks reduced by 923,700 (1.9%) to 46.5 m. Seventy eight banks (including 19 liquidated institutions) had their deposit base reduced. Consider a 6.8% increase (3 m. new depositors) in 2013.

At the same time, 99 banks reported some growth in 2014. Three banks reported significant growth (over 200,000 new depositors) (see: Table 1.3.). These are the Public Joint-Stock Company «Commercial Bank “PRIVATBANK”» (deposits from UAH 10 to UAH 100,000), Public Joint-Stock Company “ALFA BANK” and Joint-Stock Company “DELTA BANK” (most new clients deposited no more than UAH 10). It may indicate that the banks issued more cards, and/or depositors split their deposits in order to keep their moneys insured.

In the eight banks with over a million of depositors each, the average deposit

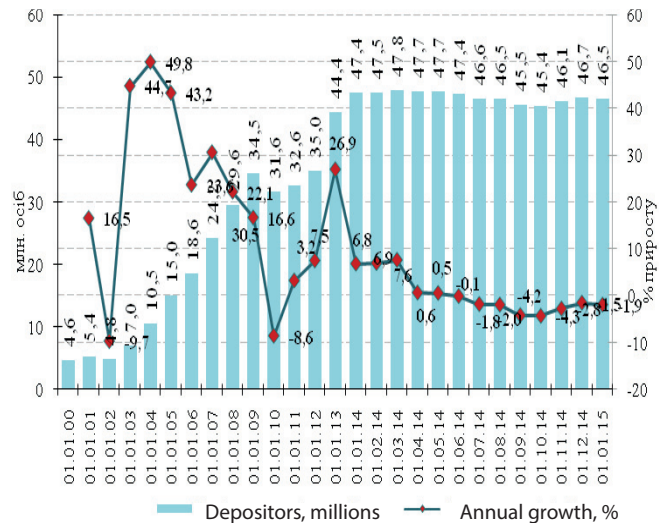


Chart 1.17. Depositor Population through 2000-2014

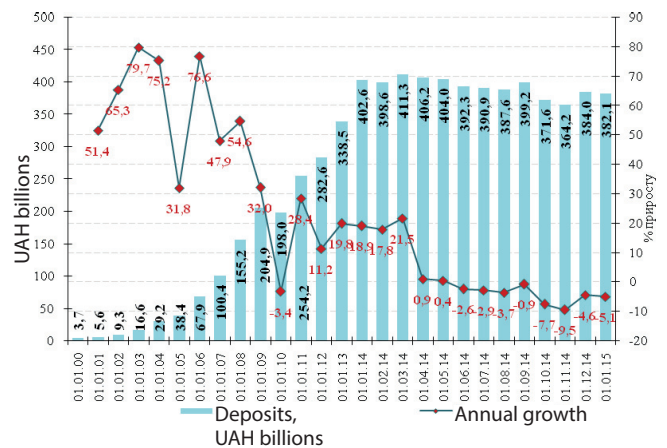


Chart 1.18. Retail Deposits with the DGF Member Institutions through 2000-2014

Table 1.3

Banks with Depositor Growth in 2014

Register #	Bank	Depositor growth in 2104, persons		
		Total	Including with deposits from UAH 10 to UAH 100,000	Depositors as of 01.01.2015
1	PRIVATBANK	637,913	847,921	19,387,439
2	DELTA BANK	265,638	96,031	1,008,763
3	ALFA BANK	240,646	49,393	1,077,144
Total		1,144,197	993,345	21,473,346



value was UAH 6,049 (26.3% lower than total deposit value (41.7% and 27.6% the average deposit in the banking sector) respectively).

(see: Table 1.4.). PRIVATBANK is rated first The FORWARD BANK had the lowest by both the number of depositors and average deposit (UAH 887).

Table 1.4.

Banks with Over One Million Depositors as of 1st January 2015

	Register	Bank	Depositors		Deposit amount		Liability		Average deposit
			Persons	% of all	UAH thousands	% of total	UAH thousands	% of liability	
1	113	PRIVATBANK	19,387,439	41.7	105,541,688.0	27.6	69,813,235.5	33.3	5,444
2	121	RAIFFEISEN BANK	3,764,594	8.1	14,217,223.2	3.7	9,533,318.8	4.5	3,777
3	90	UKRSIBBANK	2,246,122	4.8	9,011,976.3	2.4	5,225,116.9	2.5	4,012
4	111	PUMB	1,647,045	3.5	12,383,661.1	3.2	4,927,963.7	2.3	7,519
5	48	ALFA BANK	1,077,144	2.3	10,517,448.2	2.8	3,632,560.6	1.7	9,764
6	21	UKRSOTS-BANK	1,051,402	2.3	12,310,663.0	3.2	6,559,380.1	3.1	11,709
7	188	FORWARD BANK	1,041,143	2.2	923,399.6	0.2	685,449.9	0.3	887
8	187	DELTA BANK	1,008,763	2.2	23,975,795.8	6.3	14,004,927.5	6.7	23,768
Total for the banks above:			31 223 652	67,1	188,881,855.1	49.4	114,381,953.1	54.5	6,049
Total for the DGF member institutions:			46 523 535	100,0	382,081,635.7	100.0	209,869,149.1	100.0	8,213

Table 1.5.

Biggest Deposit Outflows in 2014

	Register	Bank	Deposit amount, UAH thousands				Liability			
			01.01. 2014	01.01. 2015	2014		01.01. 2014	01.01. 2015	2014	
			UAH thousands	UAH thousands	UAH thousands	%	UAH thousands	UAH thousands	UAH thousands	%
1	47	UKRBUSINESS-BANK	2,015,147.9	474,011.4	-1,541,136.6	-76.5	449,948.7	105,340.7	-344,608.0	-76,6
2	187	DELTA	26,138,924.8	23,975,795.8	-2,163,129.0	-8.3	14,930,172.4	14,004,927.5	-925,244.9	-6,2
3	205	AKTABANK	2,787,847.5	551,738.2	-2,236,109.3	-80.2	519,469.3	449,157.0	-70,312.4	-13,5
4	60	VTB BANK	7,067,780.1	3,915,782.5	-3,151,997.6	-44.6	3,521,279.7	1,514,123.8	-2,007,155.8	-57,0
5	143	Sberbank of Russia	12,505,223.0	9,291,815.5	-3,213,407.5	-25.7	4,896,845.6	2,522,876.9	-2,373,968.7	-48,5
Total:			50,514,923,3	38,209,143,3	-12,305,780.0	-24.4	24,317,715.8	18,596,426.0	-5,721,289.8	-23.5

The impact of this group upon the deposit concentration is decisive. These banks held 67.1 percent of all retail depositors with 49.4 percent of the total deposit value. The DGF's liability for the biggest banks with over a million of depositors each is UAH 114.4 b. or 54.5 percent of the total liability.

DEPOSIT DYNAMICS

Throughout 2014, the total amount of retail deposits dropped by UAH 20.5 b. (5.1%) to UAH 382.1 b. due to a massive outflow. By comparison, in 2013, the total deposits grew by UAH 64.1 b. or 18.9 percent.

September 2014 was marked with the most massive run (UAH 27.5 b.). In February, August and November some growth took place due to the UAH devaluation. Most withdrawn deposits

were from UAH 10 to UAH 100,000 (UAH 66.4 b. in total).

In 2014, ninety four banks (including 19 liquidated banks) reported an outflow worth UAH 25.6 b. Of the operating institutions, the Joint Stock Company "Sberbank of Russia" suffered most (-UAH 3.2 b. or by 25.7%). The table below presents five operating banks with the most massive deposit outflow (over UAH 1 b. in each) which cost the banking sector some UAH 12.3 b. At the same time, the insurance liability for these banks reduced too yet not so dramatically (by UAH 5.7 b.) presumably due to the depositors' coping strategies providing for splitting big amounts to make sure that all moneys with the bank are insured.

In 2014, eighty banks reported a deposit growth. Of these, six banks reported a growth at over UAH 1 b. (UAH 13.8 b. in total).

Table 1.6.

Banks with the Highest Deposit Growth in 2014

Rank	Register #	Bank	Deposit amount, UAH thousands		2014		Liability, UAH thousands		2014	
			01.01. 2014	01.01. 2015	UAH thousands	%	01.01. 2014	01.01. 2015	UAH thousands	%
1	22	EXIMBANK	17,167,239.6	21,717,111.6	4,549,872.1	26.5	8,395,121.5	8,485,073.8	89,952.4	1.1
2	83	FINANCE AND CREDIT	11,847,584.6	15,152,696.6	3,305,112.0	27.9	8,264,341.6	9,321,294.4	1,056,952.8	12.8
3	85	OTP BANK	5,413,599.2	7,725,790.8	2,312,191.6	42.7	2,592,985.8	2,983,326.4	390,340.6	15.1
4	48	ALFA BANK	9,259,995.0	10,517,448.2	1,257,453.2	13.6	3,504,854.2	3,632,560.6	127,706.4	3,6
5	111	PUMB	11,167,353.4	12,383,661.1	1,216,307.6	10.9	5,517,100.8	4,927,963.7	-589,137.1	-10,7
6	52	UKRGAS-BANK	5,672,412.1	6,813,451.6	1,141,039.4	20.1	3,875,736.1	4,044,921.3	169 185,2	4.4



As of 1st January 2015, nine banks had deposits worth over UAH 10 b. (59.2% of the total deposit amount in the banking sector). These banks had 63.8 percent of all depositors with the average deposit worth UAH 7,621 (7.2% less than the average deposit value in Ukraine) (see: Table 1.7.). The Public Joint-Stock Company "PRIVATBANK" held 27.6 percent of the total deposit amount in Ukraine. The liability for these banks was UAH 133.5 b. (63.6% of the DGF's total liability).

Table 1.7.

Banks with a Deposit Portfolio over UAH 10 b. as of 01.01.2015

№	№ Register #	Bank	Depositors			Deposits, UAH thousands					Liability, UAH thousands		
			Thousands persons			Total	Total	Including in foreign exchange	% of the total	Total			
			01.01. 2014	01.01. 2015	2014	01.01. 2014	01.01. 2015			2014	01.01. 2014	01.01. 2015	2014
1	113	PRIVAT-BANK	18,749.5	19,387.4	638	105,393,832.8	105,541,688.0	54,393,822.9	27.6	147,855.3	79,944,774.4	69,813,235.5	-10,131,538.9
2	187	DELTA	743.1	1,008.8	266	26,138,924.8	23,975,795.8	12,993,357.5	6.3	-2,163,129.0	14,930,172.4	14,004,927.5	-925,244.9
3	22	EXIM-BANK	837.5	870.8	33	17,167,239.6	21,717,111.6	13,746,931.4	5.7	4,549,872.1	8,395,121.5	8,485,073.8	89,952.4
4	83	FINANCE AND CREDIT	551.5	547.5	-4	11,847,584.6	15,152,696.6	8,990,294.7	4.0	3,305,112.0	8,264,341.6	9,321,294.4	1,056,952.8
5	121	RAIFFEISEN BANK	4,718.8	3,764.6	-954	14,641,129.0	14,217,223.2	6,071,615.9	3.7	-423,905.8	11,111,319.0	9,533,318.8	-1,578,000.2
6	111	PUNB	1,541.9	1,647.0	105	11,167,353.4	12,383,661.1	7,770,639.1	3.2	1,216,307.6	5,517,100.8	4,927,963.7	-589,137.1
7	21	UKRSOTS-BANK	1,123.0	1,051.4	-72	11,957,333.2	12,310,663.0	6,642,196.9	3.2	353,329.9	7,408,986.7	6,559,380.1	-849,606.5
8	48	ALFA-BANK	836.5	1,077.1	241	9,259,995.0	10,517,448.2	6,169,482.2	2.8	1,257,453.2	3,504,854.2	3,632,560.6	127,706.4
9	112	VAB BANK	371.4	336.8	-35	10,417,535.1	10,469,244.1	5,069,613.4	2.7	51,709.0	7,302,601.0	7,211,977.2	-90,623.8
Total for all big banks:			29,473.2	29,691.5	218	217,990,927.4	226,285,531.6	121,847,953.9	59.2	8,294,604.2	146,379,271.5	133,489,731.7	-12,889,539.9
% of the total:			62.1	63.8	,	54.1	59.2	58.0			59.6	63.6	
Total for DGF member institutions:			47,447.2	46,523.5	-924	402,615,526.8	382,081,635.7	210,008,888.1	100.0	-20,533,891.1	245,586,121.8	209,869,149.0	-35,716,972.8

DEPOSITS BY CURRENCY

Throughout 2014, UAH devalued against USD by UAH 7.78 (97.3%) – as of the 01.01.2015, the exchange rate was UAH 15.7686 = 1 USD (in December UAH dropped by UAH 0.8 or 5.3%). As of 1st January 2015, the UAH/EURO rate was 19.2329/1 respectively. Throughout 2014, UAH devalued by UAH 8.19 (74.2%) (by UAH 0.5513 or 3% in December).

As of 1st January 2014, UAH deposits constituted 45 percent and foreign exchange deposits – 55 percent of the all deposits (see: Chart 1.19).

In 2014, the outflow of UAH deposits was worth UAH 52.2 b. (23.3%) down to UAH 172.1 b. (45%) (see: Chart 1.20). Only in December 2014, the UAH deposits dropped by UAH 5.1 b. (2.9%). The average monthly outflow was 2.1 percent.

In 2014, the total amount of foreign currency deposits increased by UAH 31.7 b. (17.7%) to UAH 210 b. (55% of the total). Such an increase was determined by the changes in the exchange rate in February, August and November. Taking these changes into consideration, the foreign currency deposits dropped by UAH 9 b. (40.3%) from UAH 22.3 b. to UAH 13.3 b. (see: Chart 1.20. and Chart 1.21.). In the PRIVATBANK the foreign currency deposits were down by UAH 2.1 b. (38.2%).

Different banks have different distributions of deposits by currency. In ninety seven banks (60.2%) over 50 percent of the deposits were foreign currency deposits, the UAH value of which grew due to the revaluation.

In 2014, eleven banks demonstrated an over UAH 1 b. growth in foreign currency deposits. On average, these banks had about a half of all deposits in foreign

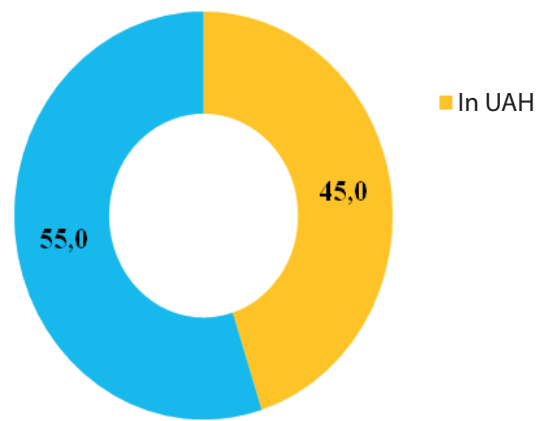


Chart 1.19. Deposits by Currency as of 01.01.2015, %

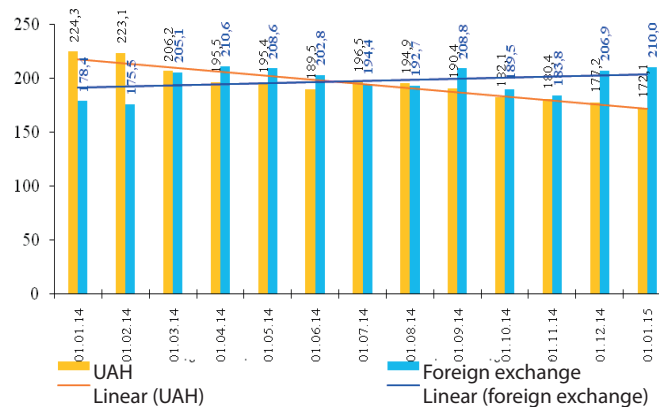


Chart 1.20. Deposits by Currency, %

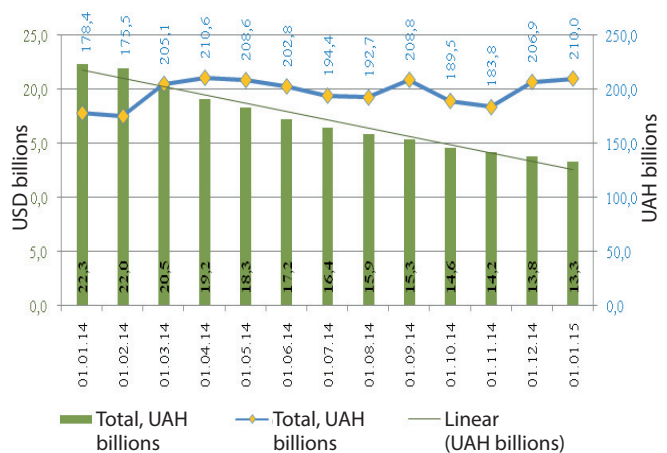


Chart 1.21. Foreign Currency Deposits by Month in 2014



currency. The UAH value of these deposit grew due to the exchange rate, however all banks faced an outflow of USD deposits. This outflow still goes on and contributes to the currency risk and liquidity risk.

According to the NBU exchange rate (UAH 7.993/USD as of 1st January 2014), the total outflow in the banking sector¹ was UAH 124.1 b. or 30.8 percent.

DEPOSITS BY SIZE

Pursuant to Article 26 of the Law, the insurance coverage is set at UAH 200,000 (USD 12,700 as of 1st January 2015).

As of 1st January 2014, the retail deposits with the bank had the following structure (see: Table 1.8., Chart 1.22. and Chart 1.23.).²

Most depositors have deposits of up to UAH 10 (50.2%). These deposits constitute 0.01 percent of the total deposit value. The most important resource is deposits of over UAH 250,000 (54.7% of the total deposit value). The average value of such

deposits is UAH 1.1 m., yet their share is insignificant – 195,000 depositors (0.4%).

The scheme does not cover deposits under UAH 10. Twenty three million and two hundred thousand depositors (49.8% of all depositors in Ukraine) have deposits over UAH 10. Most “working” deposits are deposits of UAH 10-100,00 (48.3% of all deposits and 90.4% of all deposits over UAH 10). The scheme fully covers 98.7 percent of all deposits over UAH 10 (or 39.2% of the total deposit value in Ukraine). In other words, the current coverage insures the majority of the depositor population.

DGF LIABILITY AND RESOURCES

Throughout 2014, the DGF liability dropped by UAH 35.7 b. (14.5%) to UAH 209.9 b. (54.9% of all retail deposits).

Demand deposits constitute 69.8 percent of the total insurance liability (UAH 146.5 b.), and current (cheque)

Table 1.8.

Deposits by Amount as of 01.01.2015

Deposit mount, UAH	Depositors		Amount	
	Persons	%	UAH	%
< 10	23,351,001	50.2%	33,819	0.0%
10-100,000	22,454,470	48.3%	90,363,674	23.7%
100,000-200,000	417,660	0.9%	59,503,211	15.6%
200,000-250,000	105,316	0.2%	23,078,089	6.0%
Over 250,000	195,088	0.4%	209,102,842	54.7%
Total	46,523,535	100.0%	382,081,636	100.0%
<200,000	46,223,131	99.4%	149,900,704	39.2%
10-200 (insured)	22,872,130	98.7%	149,866,885	39.2%
Total (excl. deposits under UAH 10)	23,172,534	49.8%	382,047,817	100.0%

¹ Oschadbank and remedial Rodovid Bank are not included.

² Source: Resolution of Executive Directorate of DGF # 88 of 08.09.2014 (registered with the Ministry of Justice of Ukraine on 30.09.2014, ref. # 1188/25965).

accounts constitute 30.2 percent (UAH 63.3 b.) respectively.

Interestingly, for some banks, the liability grew quicker than deposit amounts. This can be explained (at least, partially) by the bank's poor situation (when the bank is to be declared 'insolvent' many uninsured depositors may want to make their moneys insurable).

The insurance coverage is UAH 200,000. As of 1st January 2015, the scheme fully insured 98.7 percent of the retail depositors with 39.2 percent of the total deposit value.

The total liability of the DGF was UAH 209.9 b. (54/9% of the total deposits with the DGF member institutions).

DEPOSITS BY TERM

According to the findings of a recent study, the share of term deposits dropped from 81.9 to 77 percent (see: Chart 1.24.). The total value of retail term deposits decreased by UAH 33.4 b. (10.2%) from UAH 326.3 b. to UAH 292.9 b.

The share of current (cheque) accounts grew from 18.1 to 23 percent. The total funds on these accounts grew by UAH 15.3 b. (21.1%) to UAH 87.6 b.

Fixed term deposits constituted 67.9 percent of the deposit resources providing for 39.9 percent of the banks' time resources' (48.1% in the beginning of the year). The retail fixed-term deposits constitute 25.7 percent of all resources of the banks.

Thus, throughout 2014, the share of the fixed term deposits somewhat reduced yet remained traditionally high (77%). The current accounts constituted 23 percent of all retail accounts.

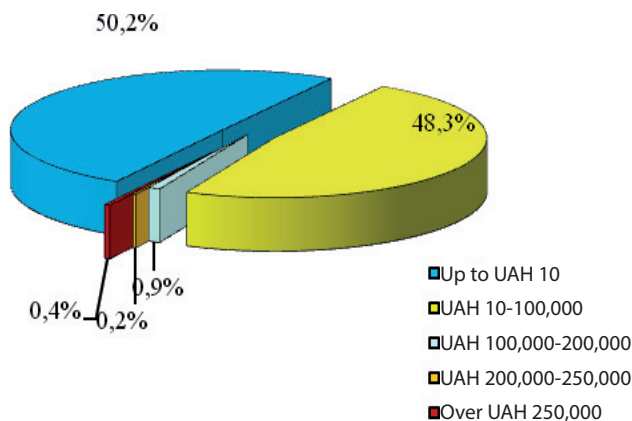


Chart 1.22. Depositors, %

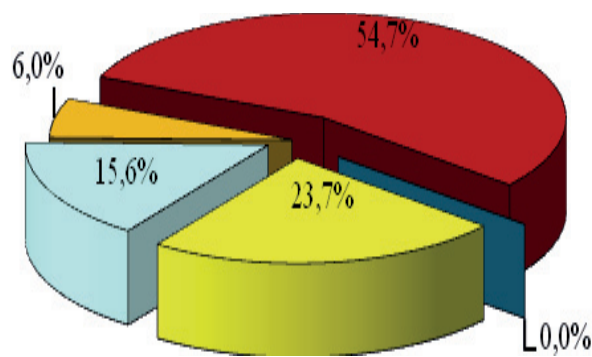


Chart 1.23. Deposits, %

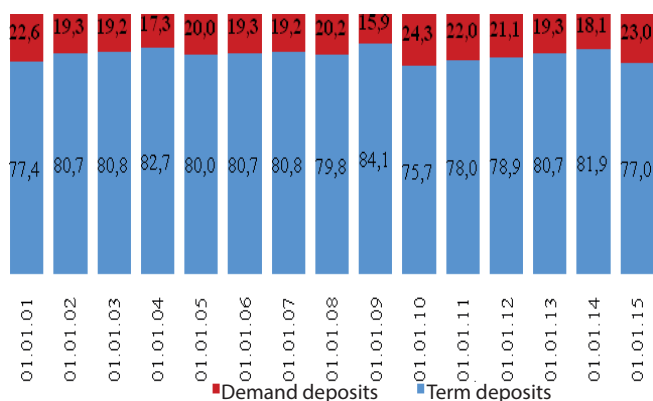


Chart 1.24. Deposits by Term in 2001-2014, %



DEPOSIT INTEREST RATES

The recent analysis of the average weighted deposit interest rates in 2014 clearly demonstrated an increase in interest rates for all kinds of deposits in virtually all banks. The average weighted interest rate for UAH deposits grew by 6 percent from 16.67 to 17.67 percent, and by 13.1 percent (from 6.8% to 7.79%) for foreign currency accounts (see: Chart 1.25.).

Here it is important to note that the interest rates began to grow in already late 2013. In the second quarter 2014, this growth accelerated greatly. Throughout the fourth quarter of 2013 and first quarter of 2014, the average interest on UAH deposits and foreign currency deposits grew by 5.5 percent and 5 percent respectively. In the second quarter the rate growth was 7.1 percent and 10.2 percent respectively.

At the same time, during the third quarter the rates dropped by 2.8 percent and 2.7 percent respectively. In the fourth quarter the average interest on UAH deposits decreased by 3.5 percent. At the same time, the average interest on foreign currency deposits grew by 0.4 percent.

The NBU refinancing rate (a good indicator of the cost of capital) grew to 14 percent from 13th November 2014 and 19.5 percent from 6th February 2015.

Many small (by assets) banks pursued a rather aggressive policy in the deposit markets as they needed operational resources and were underdiversified. The biggest banks traditionally offered the lowest rates until September when these banks significantly increased the interests on foreign currency deposits.

Individual analysis should be conducted for each bank in order to assess the interest rates in the context of their operations and risks.

GENERAL CONCLUSIONS

Throughout 2014, the deposit market was marked by the following trends.

1. The total number of depositors dropped by 923,700 (1.9%) to 46.5 million.

2. The total portfolio of retail deposits dropped by UAH 20.5 b. (5.1%) to UAH 382.1 b. The major reason of the outflow was the massive bank liquidation. Amongst the open banks, the Sberbank of Russia lost more deposits than any other bank.

3. The Public Joint-Stock Company "PRIVATBANK" had the highest number of retail depositors 19.4 million (41.7% of the total) with deposits worth UAH 105.5 b. (27.6% of the total). The foreign currency deposits with the bank were worth UAH 54.4 b. (or 25.9% of the total) and constituted 51.5 percent of the bank's all deposits). The total insured deposits were UAH 69.8 b. (66.1% of all deposits with the bank and 33.3% of the total liability of the scheme).

4. The average deposit value reduced by UAH 272.9 (3.2%) to UAH 8,213.

5. The share of UAH deposits dropped from 55.7 percent to 45 percent, and the share of foreign currency deposits grew to 55 percent. The total UAH deposits dropped by UAH 52.2 b. (23.3%) to UAH 172.1 b., yet the UAH equivalent of the foreign currency deposits grew by UAH 31.7 b. (17.7%) to UAH 210 b. The growth was an effect of revaluation of the

deposits in foreign currency. In the US dollar equivalent the total amount of foreign currency deposits reduced by USD 9 b. (40.3%) from USD 22.3 b. to USD 13.3 b. According to the NBU exchange rate as of 1st January 2014 (UAH 7.993 = 1 USD), the total outflow was UAH 124.1 b (30.8%).¹

6. The retail deposits constituted 36 percent of the assets in the banking sector and 32.4 percent of the banks' liabilities. Fourteen specialized saving banks operated in Ukraine.²

7. The term accounts contained 77 percent of the retail funds (dropped by UAH 33.4 b. or 10.2% to UAH 292.9 b.). The share of current (cheque) accounts was 23 percent. The total amount on the current accounts grew by UAH 15.3 b. (21.1%) to UAH 87.6 b.

8. In 2014, the average weighted quarterly interest rate for UAH deposits grew by 6 percent (from 16.67% to 17.67%) and 13.1 percent for foreign currency deposits (from 6.8% to 7.69%).

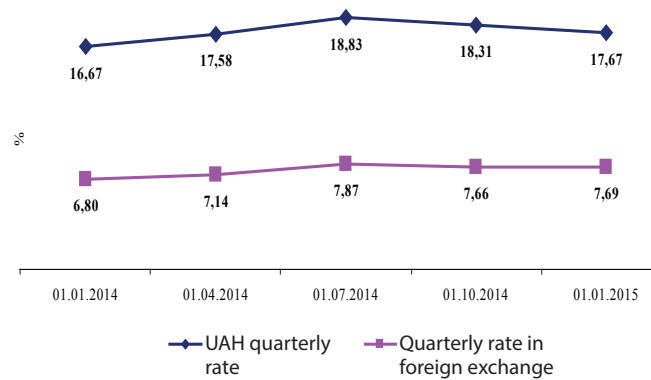


Chart 1.25. Average Weighted Quarterly Interest Rates in 2014

The insurance coverage is set at UAH 200,000 (UAH 12,700). As of 1st January 2015, the scheme fully covered 98.7 percent of the retail depositors with 39.2 percent of the total deposit value in Ukraine. The scheme's liability was UAH 209.9 b. or 54.9 percent of the total deposits with the DGF member institutions.

¹ Oschadbank and remedial Rodovid Bank are not included.

² Source: National Bank of Ukraine.



1.4. SUPERVISION OF THE DGF MEMBER INSTITUTIONS

The Fund supervises the member banks in order to support the operation of the banking sector and ensure the rights and interests of retail depositors. On-site inspections are an important part of the supervision. In 2014, the DGF inspected the member institutions in order to ensure the adherence to the Law and DGF regulations. The inspections were conducted in line with the approved Inspection Schedule.

The Executive Directorate Resolution # 104/13 of 07.10.2013 approved the Inspection Schedule for 2014. The Schedule provided for 92 on-site inspections, including 78 routine inspections and 14 spot checks.

The spot checks covered mainly the problem banks. The purpose of such unscheduled inspections was to assess the banks' adherence to the Law requirements, in particular with regard to



Deposit Guarantee Fund Press Club Meeting

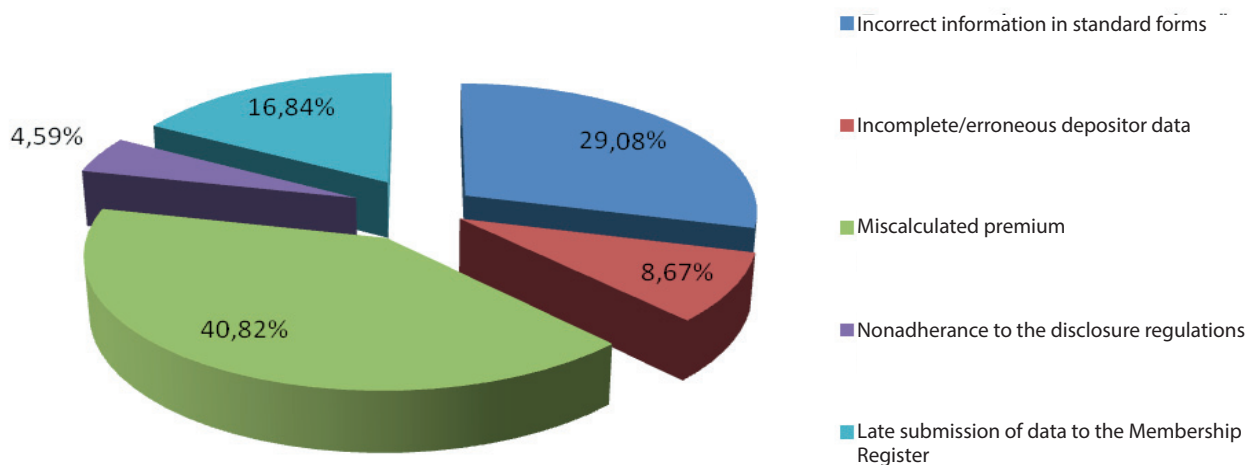


Chart 1.26. Detected Non-Compliances

the premium payments, and their financial performance, and collect data required to prepare resolution plans for the problem banks.

The scheduled inspections covered the following issues.

1. Accuracy of the data submitted to DGF.
2. Payments of the premiums and any fines/fees to DGF.
3. Depositor databases.
4. Disclosures to depositors, in particular informing depositors on the deposit insurance scheme and the bank's membership with DGF.

5. Adherence to other provisions of the Law and DGF regulations.

Special focus was put on the premium payments, reports submitted to the DGF and depositor databases (registers) within the banks.

The banks that failed to comply with the requirements had to submit additional reports and clarifications, inform DGF of the remedies/corrections, etc. The Fund informed the NBU on the inspection findings.

According to the inspection findings, most banks complied with the Law and DGF requirements.



1.5. IMPROVING THE LEGAL FRAMEWORK

Pursuant to Article 14 of the Law on Regulation of Economic Activities¹, the DGF developed and adopted fifteen regulations, all of which were registered with the Ministry of Justice.

1. Amendments to the rules regulating the compilation and maintenance of depositor databases (Resolution of Executive Directorate # 22 of 28.03.2014, registered with the Ministry of Justice on 10.04.2014, ref. # 403/25180).

2. Amendments to the Regulation on Selection of Agent Banks (Resolution of Executive Directorate # 20 of 28.03.2014, registered with the Ministry of Justice on 11.04.2014, ref. # 412/25189).

3. Amendments to the rules regulating the imposition of fines on the DGF member institutions (Resolution of Executive Directorate # 32 of 28.04.2014, registered with the Ministry of Justice on 20.05.2014, ref. # 512/25289).

4. Amendments to the regulation on premium and fees payments (Resolution of Executive Directorate # 39 of 29.05.2014, registered with the Ministry of Justice on 18.06.2014, ref. # 648/25425).

5. Resolution of Executive Directorate # 41 of 30.05.2014 "On Amending Some Acts and Regulations of the Deposit Guarantee Fund" # 41 of 30.05.2014 (registered with the Ministry of Justice on 19.06.2014, ref. # 666/25443).

6. Amendments to the rules regulating the DGF inspections of the member institutions (Resolution of Executive Directorate # 37 of 01.09.2014, registered with the Ministry of Justice on 30.09.2014, ref. # 1184/25961).

7. Amendments to the Resolution of Executive Directorate # 12 of 23.07.2012 (Resolution of Executive Directorate # 78 of 01.09.2014, registered with the Ministry of Justice on 16.10.2014, ref. # 1288/26065).

8. Amendments to the regulation of disclosure to depositors (Resolution of Executive Directorate # 81 of 04.09.2014, registered with the Ministry of Justice on 30.09.2014, ref. # 1185/25962).

9. Amendments to the rules regulating the maintenance of DGF Member Register (Resolution of Executive Directorate # 82 of 04.09.2014, registered with the Ministry of Justice on 30.09.2014, ref. # 1186/25962).

10. Amendments to the Regulation on Administrative and Economic Sanctions (Resolution of Executive Directorate # 83 of 04.09.2014, registered with the Ministry of Justice on 30.09.2014, ref. # 1187/25962).

11. Resolution of Executive Directorate # 41 of 30.05.2014 "On Report Submission by the DGF Member Institutions" # 88 of 08.09.2014 (registered with the Ministry of Justice on 30.09.2014, ref. # 1188/25965).

¹ Закон України «Про засади державної регуляторної політики у сфері господарської діяльності».

12. Amendments to the Regulation on Bank Resolution (Resolution of Executive Directorate # 89 of 11.09.2014, registered with the Ministry of Justice on 14.11.2014, ref. # 1452/26229).

13. Amendments to the rules regulating the depositor databases at the bank level (Resolution of Executive Directorate # 99 of 25.09.2014, registered with the Ministry of Justice on 16.10.2014, ref. # 1287/26064).

14. Amendments to the Regulation on Deposit Payout (Resolution of Executive

Directorate # 104 of 29.09.2014, registered with the Ministry of Justice on 20.10.2014, ref. # 1293/26070).

15. Amendments to the Regulation on Agent Bank Selection (Resolution of Executive Directorate # 154 of 22.12.2014, registered with the Ministry of Justice on 15.01.2015, ref. # 34/26479).

The drafts of all documents above with projections of their potential legal impacts were published on the DGF web-site.



1.6. HUMAN RESOURCES

In 2014, the HR policy was based on the DGF Strategy for 2013-2017.

The assessment of the DGF governance system covered amongst other issues the HR policy. In order to optimize the management system, the DGF developed and employs a range of indicators of economic and social effectiveness, in particular the correlation between the DGF budget and staff number, staff turnover, staff discipline, workload distribution, productivity, innovations,

financial and non-financial motivations, etc.

By the end of 2014, the DGF consisted of 26 units, including 2 departments, 15 divisions, 8 sectors and the Legal Service. In 2014, the Audit Sector was established in order to assess the adherence of the DGF operations, including those associated with the resolution failed banks, to the Law, other legal acts and regulations, and Resolutions of DGF Executive Directorate. The Sector

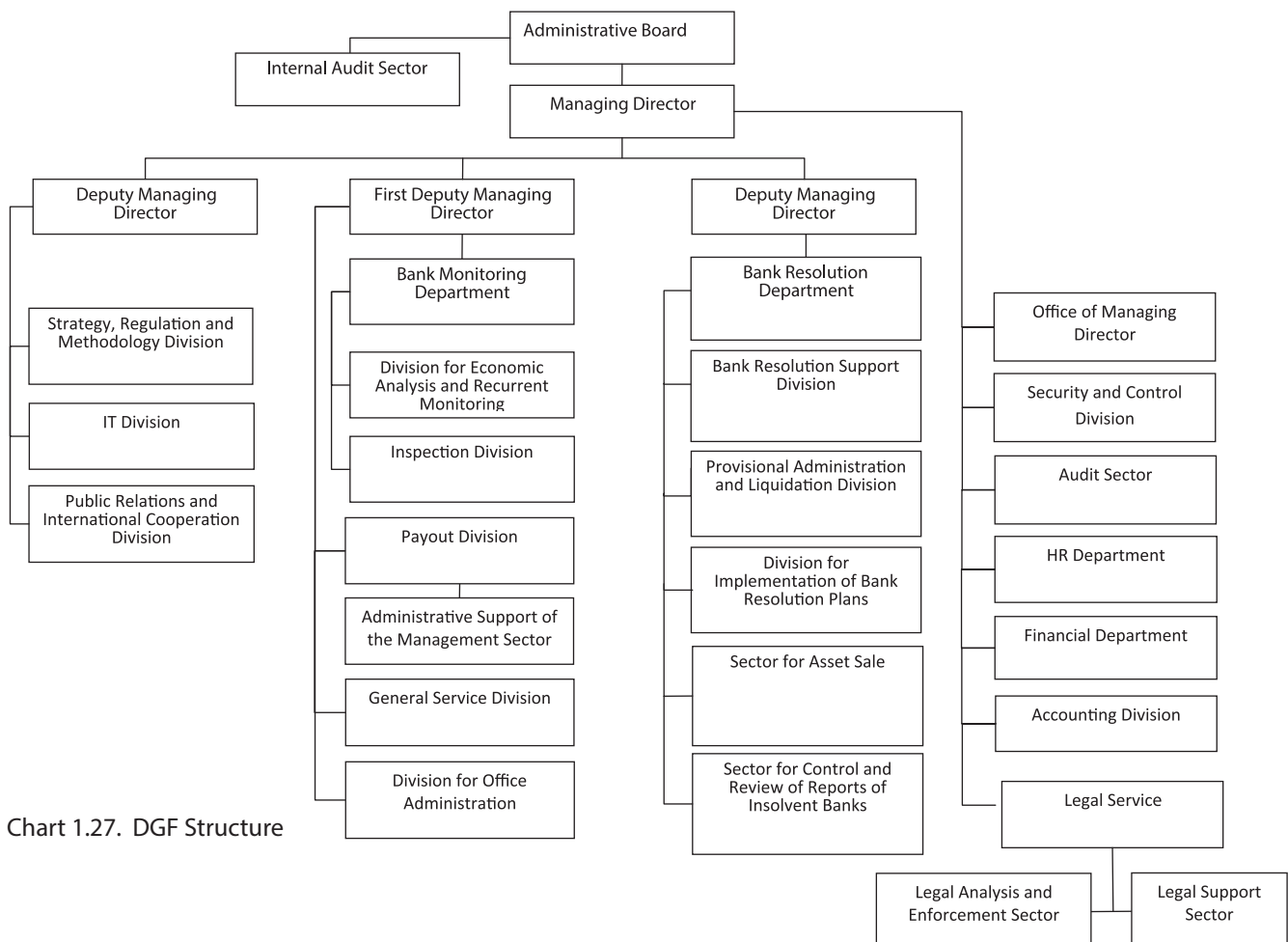


Chart 1.27. DGF Structure

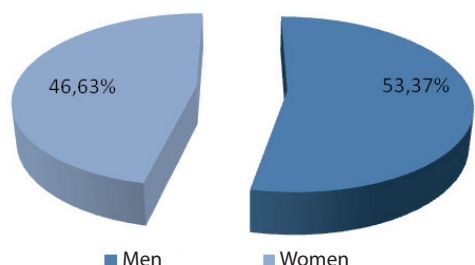


Chart 1.28. Gender Distribution of the DGF Staff as of the End of 2014

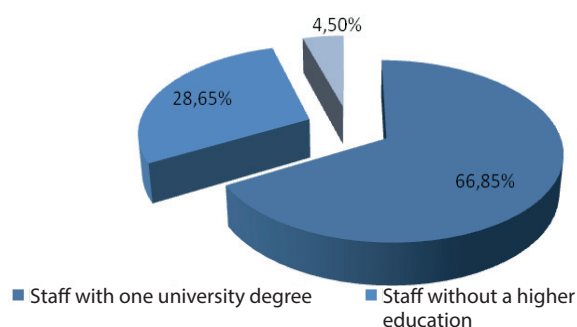


Chart 1.29. Education Level of DGF Staff

is subordinated to the DGF Managing Director (see: Chart 1.27.).

As of 31st December 2014, the DGF staff consisted of 178, including 83 women (See: Chart 1.28.). The average age of the DGF staff was 38.4 years.

In 2014, the DGF employed a systemic approach to the staff management to provide for the increasing needs in highly qualified and experienced specialists. The recruitment is based on both professional and ethical criteria, such as personal qualities and reputation. In 2014, the DGF staff was 72.81 percent of the staff number in 2013.

As of 31st December 2014, 95.5 percent of the DGF staff had higher education, including 63.48 percent with a degree in economics. 25.84 percent with legal education, and 6.74 percent with higher technical education. Nine employees, including two deputy managing directors, head of units and lead specialists have a Ph.D. degree (see: Chart 1.29. and Chart 1.30.).

In 2014, the DGF continued the ongoing improvement of the staff assessment system. In order to ensure an effective and continuous monitoring, the DGF somewhat changed the assessment system that is based on standardized findings of annual and re-current assessments of the staff.

In order to strengthen the professional competencies of the DGF staff, the HR

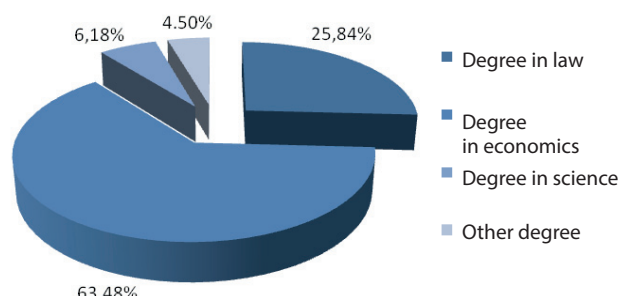


Chart 1.30. DGF Staff by Specialization

Division organized a set of in-service trainings under the annual Staff Training Plan. Throughout 2014, forty three employees, including 14 executives participated in various training programs.

The HR Division developed the DGF Corporate Conduct Code in order to ensure the ethical standards, effective management, adequate corporate culture and good publicity and reputation of the DGF. The Code is based on the best experience of deposit insurers in other countries.

In 2014, the DGF appointed the Authorized Officers in charge of provisional administration and liquidation of insolvent banks. Effective provisional administrations and liquidation required new channels of communication and enhanced coordination between the divisions/sectors involved in the bank resolution.

The internal DGF documents were reviewed and revised in the context of the recent amendments to the legislation.



II. PUBLIC AWARENESS AND INTERNATIONAL COOPERATION

2.1. PUBLIC AWARENESS AND FINANCIAL LITERACY

In 2014, the DGF continued the public awareness and educational interventions in order to inform the general public of the deposit insurance scheme. Pursuant to the amendments to the Law (July 2014), the promotion of public awareness of the deposit insurance scheme and financial literacy are defined as the core activities of the DGF and a part of the DGF's mandate.

The public awareness and financial literacy programs are based on the DGF Information Policy. This document identifies the key principles and goals of awareness and educational programs, and tools and methods for their implementation. It provides for a range of communication tools and methods, in particular crisis communication.

The DGF web-site (www.fg.gov.ua) remains one of the key channels of communication with the depositors or potential depositors. The web-site has sections "For Depositors", "For Banks" and "For Creditors". The section "For Depositors" offers detailed information on the deposit insurance scheme, and step-by-step instructions to the depositors of failed banks. The list of and other information on the banks under provisional administration or liquidation are revised regularly. As of the end of 2014, 2,703,966 site visits were registered. Pursuant to the

Law, the DGF announced the introductions of provisional administration and deposit payouts, and published other information on the failed banks and DGF financial data in the Newspapers "Golos Ukrainy" and "Uryadoviy Kurier".

In 2014, more banks failed and the number of publications increased dramatically. In order to inform the public promptly, the DGF developed 14 sample announcements that may be published on the DGF web-site or official newspapers. In 2014, the DGF published 102 announcements in the Newspapers "Golos Ukrainy" and "Uryadoviy Kurier".

The free hotline service remained an important tool of public awareness, in particular to inform depositors and creditors of the insolvent banks. In 2014, the number of failed banks grew three times as high as in 2013. Consequently, the number of calls increased sharply. In 2014, the operators answered over 67,000 enquires.

In order to optimize the line services and considering the significant increase in the workload, the hot line installed the software and hardware package "SmileSoft". It became possible due to the assistance from the USAID funded "Financial Sector Development Program" (USAID/FINREP-II). The package employs a specially developed database on the

deposit insurance scheme in Ukraine. The database contains a subset of data on the banks under provisional administration or liquidation. These data are subject to regular review and revision. The Fund provided some data to the call-centers of the insolvent banks. In addition to telephone consultations, the DGF replied to over 17,000 letters and 100 official requests for information.

In addition to informing the target audience, i.e. the bank depositors and potential depositors, the DGF effectively communicated with mass media to publish press-releases, comments, announcements, interviews and some statistical data. Every month, the DGF published press-releases with some key performance indicators and thematic press releases. These press-releases are placed on the web-site and sent to over 20 newspapers/magazines. In 2014, the DGF produced 70 press-releases. In order to sustain an effective dialogue with and have a feedback from the media, the DGF organized two meetings of the DGF Press-Club. The meetings involved the mass media specialized in finance and banking (approximately 30 participants). The result was a wide range of publications on the deposit insurance scheme. Each meeting was followed by about 10 original publications with 300 reprints. In 2014, the DGF Expert Board was established as a voluntary advisory body providing support to the DGF in various fields. In 2014, the DGF launched a dialogue with a number of advocacy groups and non-governmental organizations of depositors. The Fund maintained communication with the Forum SOS, the group of

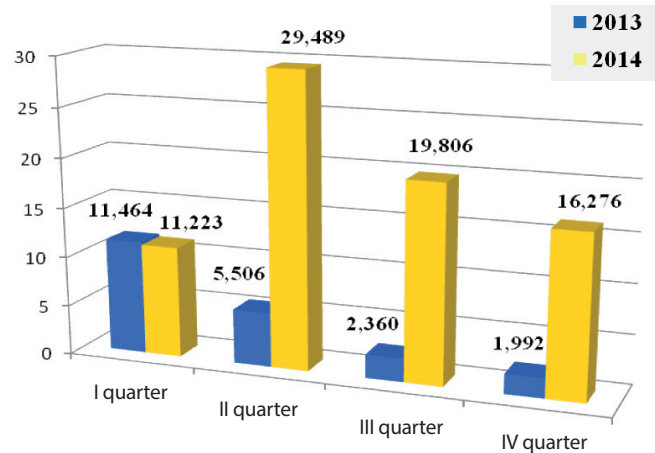


Chart 2.1. Calls to DGF Line 2013-2014

depositors of VAB Bank and the NBU Public Board.

The Fund conducted a number of interventions to increase the public financial literacy. In particular 2014, two video commercials were developed due to the assistance from the USAID/FINREP-II Project. These two videos “He Who Could Earn Must be Able to Save” and “Family Savings” were placed on the DGF web-site. Sixteen TV channels broadcasted the commercial as a social advertising. In 2014, the DGF experts joined the group to design the national web-site on financial literacy, and participated in the national workshop for trainers in the field, at which presented the deposit insurance scheme. On the World Savings Day, the DGF experts run a presentation on savings and deposit insurance in High School 19 in Kyiv City. In late 2014, the DGF began the development of an adult training program on savings and deposit insurance based on the experience of the Federal Deposit Insurance Corporation (the USA), in particular the Money Smart Program. This work became possible due to the support from USAID/FINREP-II Project. This initiative provides for an on-line training course and training for trainers.



2.2. INTERNATIONAL COOPERATION

In 2014, the DGF continued the cooperation with deposit insurers across the world within the International Association of Deposit Insurers (IADI) and European Forum of Deposit Insurers (EFDI). The Fund cooperated with such international development organizations as the USAID, World Bank, European Bank for Reconstruction and Development (EBRD), and US Treasury Office of Technical Assistance.

In 2014, the DGF participated in the IADI Regional and Standing Committees,

as well as various IADI events, such as workshops and seminars on bank resolution, the International Conference on the Core Principles of Deposit Insurance, etc. The Fund represented Ukraine at the annual EFDI meeting and international conference in Bucharest in September 2014.

2014 was marked with strengthened collaboration between the members of the IADI Eurasia Regional Committee. In 2014, the Azerbaijan Deposit Insurance Fund (that chaired the Committee at the



2014 Korea Deposit Insurance Corporation Staff Invitation Program Participants

time) initiated five on-line workshops, at which the national participants had an opportunity to share their experience and learn the experience of their colleagues. The participants discussed the payout process, differentiated risk-based premiums, public awareness programs, etc.

Additionally, under the Memorandum of Understanding between the DGF and Korea Deposit Insurance Corporation, the DGF experts participated in the staff exchange program to learn the experience of the Korean colleagues. Special focus was put on the resolution of failed banks through bridge banks, financial support to problem banks, the engagement of shareholders in recapitalization of their banks, and investigations of some bank failures.

In 2014, the DGF continued the cooperation with the World Bank, USAID/FINREP-II Project and other donors. This cooperation was especially important in the context of the ongoing financial crisis and instability, and massive bank failures. In early 2014, the USAID/FINREP-II Project engaged Mr. Gregory Coyle, an expert in public relations, who run the seminar “Crisis

Communication, Joint Planning and Cooperation between All Members of Financial Safety Net”. The participants represented the DGF, NBU and Ministry of Finance.

We appreciate the support from the experts in bank resolution and asset management, former employees of the FDIC. The USAID/FINREP-II Project engaged a legal expert in bank resolution on a regular basis.

The FIRST Initiative Project engaged the World Bank experts who helped the DGF with modeling the target capital adequacy ratio and asset appraisal. The WB experts provided a great deal of support for drafting the DGF regulations and amendments to the Law.

The US Treasury Office of Technical Assistance provided a long-term expert in the field of the best international practices of problem asset management, and a consultant on off-site and on-site monitoring of financial institutions, risk assessment and expenditure projection.

Many thanks go to our international partners for their most valuable contribution to the deposit insurance scheme in Ukraine.



III. DGF FINANCIAL RESOURCES

3.1. FINANCIAL SOURCES OF DGF

In 2014, the DGF accumulated financial resources to sustain the scheme and ensure an effective resolution of the failed banks.

As of 1st January 2015, the financial resources of the DGF were UAH 16,872.6 m., including:

- UAH 819.2 m. on the DGF's accounts;
- investments in the government bonds worth UAH 16,051.9 m.;
- investment in the registered capital of a bridge bank worth UAH 1.5 m.

Pursuant to the Article 19 of the Law, the DGF used the following sources:

- 1) membership fee ('initial contribution' from the member banks);
- 2) regular premium ('contributions') from the member banks;
- 3) investment income;

4) interest on the outstanding balance of the DGF account with the NBU;

5) fines and penalties paid by the member institutions;

6) other legal sources.

Additionally, during 2014, DGF recovered UAH 151.9 m. from the assets of the banks in liquidation.

In 2014, the DGF faced a liquidity deficit and, in order to ensure smooth and timely payouts, employed some additional sources (see: Table 3.2.), such as:

- 12.5% interest loan from the Cabinet of Ministers of Ukraine as domestic government bonds worth UAH 10.2 b. against a promissory note of the DGF pursuant to the Resolution of the Cabinet of Ministers of Ukraine # 456 of 17th Sept. 2014 Ukraine;

Table 3.1.

DGF Financial Resources in 2013–2014

Source	2014	2013
	UAH millions	UAH millions
Membership fee	1.2	10.1
Regular premiums	3,268.2	2,630.5
Net investment income	2.2	0.4
Interest on the outstanding balance on the DGF account with the NBU	871.8	712.8
Penalties and fines paid by the member banks	63.3	16.4
Other legal sources (interests on 'special purpose loans' to the insolvent banks under provisional administration, and interests on loans to DGF staff)	3.4	2.0
Total:	4,210.1	3,372.2

Table 3.2.

Resources Raised by DGF

Resources	2014
	UAH millions
NBU loan	10,197.5
Domestic government bonds against the DGF promissory notes	10,117.6
Total:	20,315.1

- 12.5% interest loan from the NBU worth UAH 10.2 b. to monetize the securities granted by the Ministry of Finance as a security for this loan, including:
 - UAH 4,175.5 at 12.5 percent a year in June 2014;
 - UAH 582.0 at 12.5 percent a year in September 2014; and
 - UAH 5,440.0 at 12.5 percent a year in October 2014.



Executive Training “Deposit Insurance Funding: Key Questions, Diverse Approaches”, Arlington, USA



3.2. APPLICATION OF FUNDS

In 2014, the DGF applied the financial resources pursuant to Article 20 (see: Chart 3.1.), including:

- Deposit payouts (UAH 8,459.5 m. or 55.9%).

- The ‘special purpose loan’ to the banks under provisional administration to support the deposit payout (UAH 5,408.1 m. or 35.8%).

- Financial support to the assuming banks (UAH 722.1 m. or 4.8%).

- Interest on the NBU loan (UAH 463.0 m. or 3.1%).

- Operating costs in 2014 (UAH 69.4 m. or 0.5%).

In 2014, the payments to depositors (91.7%), including the direct payouts (55.9%) and ‘special purpose’ loan to the banks under provisional administration (35.8%), was the biggest item of expenditure.

As compared with 2013, the deposit payout grew by UAH 7,274 m. (seven

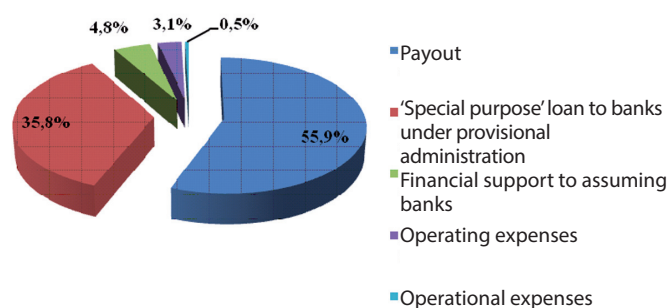


Chart 3.1. Application of DGF Funds in 2014

times), and the loans to the insolvent banks grew by UAH 4,499.6 m. (six times as high). In 2014, the DGF resolved 33 banks. The total expenditure in 2014 was 7 times as high as the total expenditure in 2013 (see: Table 3.3.).

The 2014 DGF Budget allocated UAH 87.4 m. to cover the costs of bank resolution and operating expenses of the DGF. The budget was approved by the Resolution of DGF Administrative Board # 19 of 20th December 2013. In 2014, the DGF spent UAH 69.4 m. (79.4% of the allocated funds).

Table 3.3.

Application of DGF Funds

Item	2014	2013
	UAH millions	UAH millions
Direct deposit payout	8,459.5	1,185.5
Loans to the banks under provisional administration to support the deposit payout	5,408.1	908.5
Financial support to assuming bank	722.1	–
Interest on the NBU loan	463.0	–
Expenditures associated with resolution of failed banks, operating costs, etc.	69.4	50.0
Total:	15,122.1	2,144.0

3.3. DGF FINANCIAL ADEQUACY

Pursuant to Part III, Article 19 of the Law, the DGF's financial reserves, including the premiums to be paid in the next quarter, may not be lower than 2.5 percent of the total DGF's liability. Thus when the DGF's resources are close to this level, the DGF is entitled to take measures to replenish the DGF funds from the sources set forth in the Law.

The financial indicators were assessed and projected monthly based on the Financial Analysis Methodology. The Methodology was approved by the Resolution of the Executive Directorate # 13 of 28.02.2013 and amended by the Resolution # 24 of 30.05.2013 (registered with the Ministry of Justice on 25.03.2013, ref. # 482/23014).

In 2014, the 'DGF Financial Adequacy Ratio' (target ratio) never fell lower 2.5 percent of the liability, however dropped significantly in July, indicating that the DGF was likely to be unable to perform its key functions without a financial injection.

In order to ensure the key functions of the DGF, including smooth and timely payout of the insured deposits and effective bank resolution, the DGF applied for additional financial resources pursuant to Part 3, Article 19 of the Law. Thus in 2014, the DGF borrowed:

- UAH 10,197.5 m. from the NBU to provide for the liquidity deficit;
- UAH 10,117.6 worth government bonds at 12.5 percent a month against

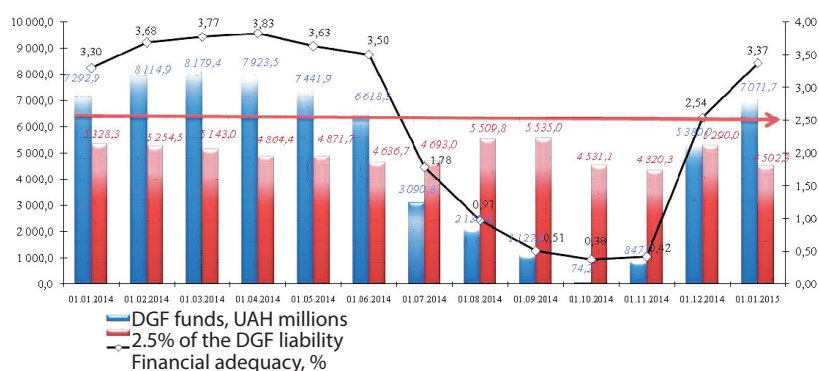


Chart 3.2. DGF Financial Adequacy Ratio in 2014

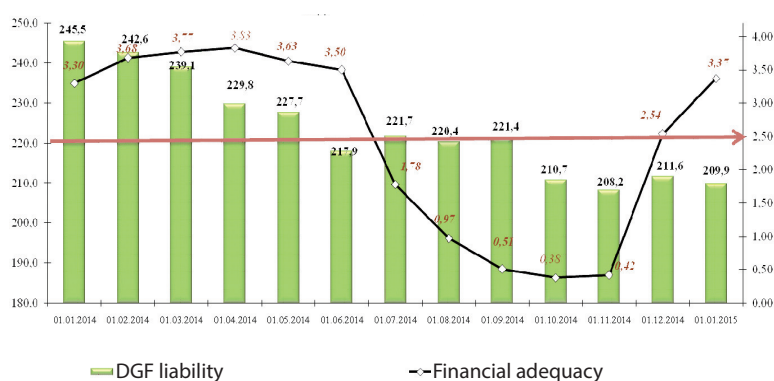


Chart 3.3. Financial Adequacy Ratio to Covered Deposits in 2014



DGF promissory notes from the Ministry of Finance pursuant to the Resolution of the Cabinet of Ministers of Ukraine # 456 of 15th Sept. 2014.

Due to these borrowings the financial resources of the DGF grew from 2.54 percent to 3.37 percent of the total insurance liability (see: Chart 3.2. and Chart 3.3.).

At the same time, according to the updated Methodology¹ the DGF key

financial indicators are likely to significantly deteriorate in 2015 (see: Table 3.4.).

Consequently, the financial deficit in 2015 is estimated at UAH 41.5 b. (see: Chart 3.4.).

Thus in order to ensure the DGF key functions, including payouts of the insured deposits, in 2015, the DGF will need additional financial resources at no lower than UAH 41.5 b. from the sources set in Article 19 of the Law.

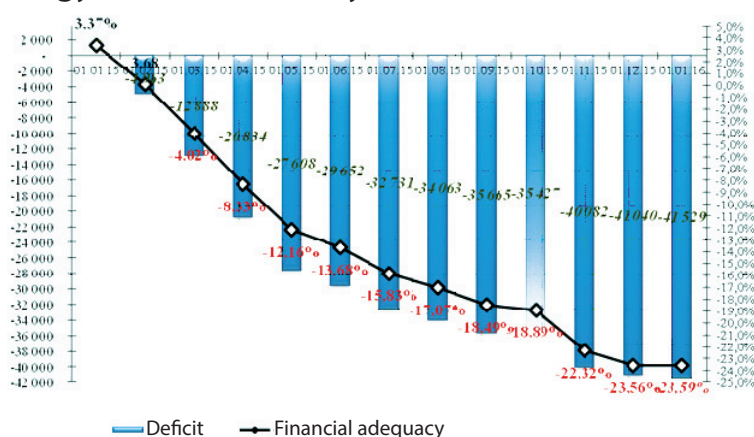


Chart 3.4. Financial Adequacy and Deficit in 2015

Table 3.4.

Projected Financial Adequacy in 2015, UAH millions

As of the date	Financial adequacy (financial adequacy = DGF funds/DGF liability)	Total DGF liability	DGF financial resources				Deficit
			Total DGF funds	Incl. NBU loan	Incl. NBU loan balance	Incl. unpledged government bonds	
01.01.15	3.37%	209,869	7,071.7	819.1	0.1	5,507.4	-
01.02.15	0.07%	203,900	134.6	134.6	-	-	4,962.9
01.03.15	-4.02%	197,600	-7,947.9	-7,947.9	-	-	12,887.9
01.04.15	-8.33%	192,300	-16,026.2	-16,026.2	-	-	20,833.7
01.05.15	-12.16%	188,300	-22,900.9	-22,900.9	-	-	27,608.4
01.06.15	-13.68%	183,300	-25,069.4	-25,069.4	-	-	29,651.9
01.07.15	-15.83%	178,600	-28,265.8	-28,265.8	-	-	32,730.8
01.08.15	-17.07%	174,100	-29,710.3	-29,710.3	-	-	34,062.8
01.09.15	-18.49%	169,900	-31,417.5	-31,417.5	-	-	35,665.0
01.10.15	-18.89%	165,600	-31,286.9	-31,286.9	-	-	35,426.9
01.11.15	-22.32%	161,500	-36,044.8	-36,044.8	-	-	40,082.3
01.12.15	-23.56%	157,500	-37,102.9	-37,102.9	-	-	41,040.4
01.01.16	-23.59%	159,200	-37,548.6	-37,548.6	-	-	41,528.6

¹ This updated Methodology was approved by Resolution of the Executive Directorate # 93 of 18.09.2014.

3.4. DGF INVESTMENTS

Pursuant to the Law and DGF Investment Plan for 2014,¹ the DGF invested UAH 1,665.1 m.:

- in the government papers (UAH 1,663.6 m.);
- in the registered capital of the bridge bank (UAH 1.5 m.).

The investments in the government securities were 2.5 times as low as in 2013

(see: Table 3.5.) due to the resolution of the 33 failed banks. From March 2014, all DGF funds were applied to ensure the payouts.

In January – February, the DGF invested in the intermediary government papers with annual returns of 14.25 percent.

In 2014, the DGF security portfolio grew to the loan from the Ministry of Finance²

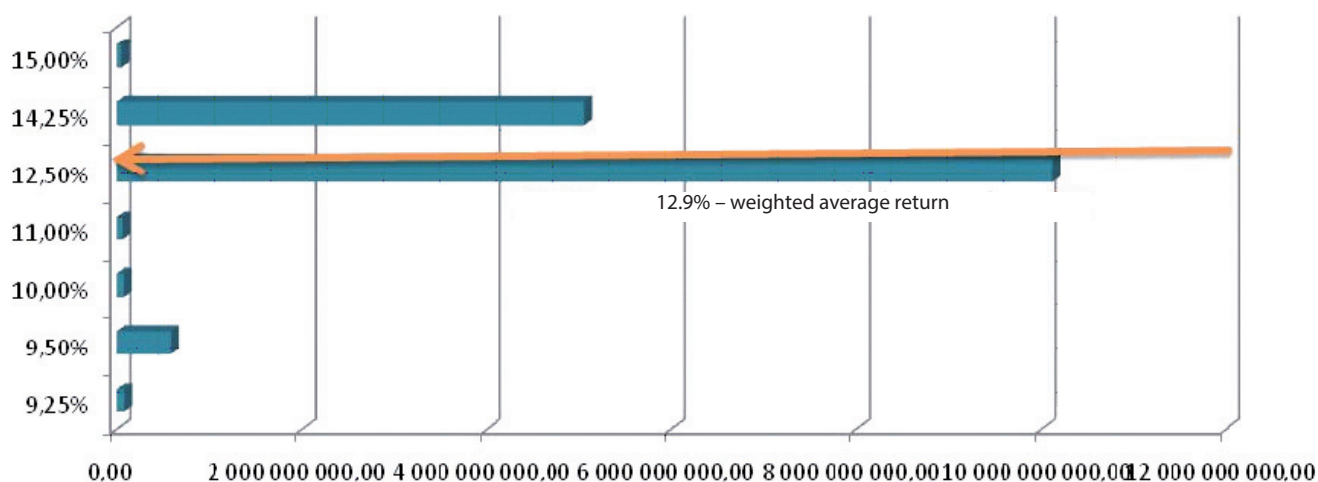


Chart 3.5. DGF Investment Portfolio by Return as of 01.01.2015

Table 3.5.

DGF Investments in 2013-2014, UAH millions

Investments	2014	2013
Total, including:	1,665.1	4,071.0
Registered capital total, including:	1.5	0.00
<i>Specialized Agency</i>	0.0	0.0
<i>Bridge Bank</i>	1.5	-
Government papers total, including:	1,663.6	4,071.0
<i>Short-term bonds</i>	0.0	301.0
<i>Intermediate bonds</i>	1,663.6	3,770.0
<i>Long-term bonds</i>	0.0	0.0

¹ Approved by Resolution of the Executive Directorate # 43 of 24.12.2014.

² Approved by Resolution of the Cabinet of Ministers of Ukraine # 456 of 17th September 2014.



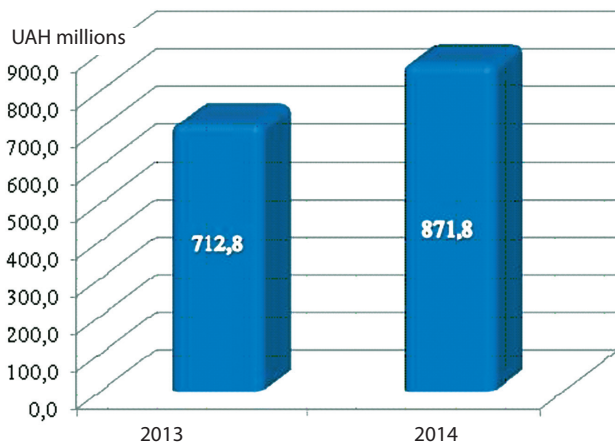


Chart 3.6. Net Investment Income in 2013–2014

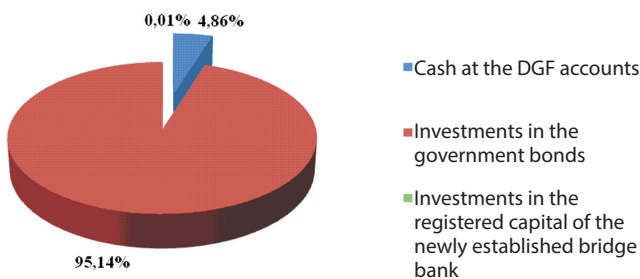


Chart 3.7. DGF Financial Resources as of 01.01.2015

in government bonds worth UAH 10,117.6 m. with annual returns of 12.5 percent against the DGF promissory notes.

As of 1st January 2015, the weighted average return of the DGF security portfolio was 12.9 percent (See: Chart 3.5).

The net investment income in 2014 was UAH 871.8 m. that is UAH 159 m. (22.3%) higher than in 2013. The higher income was due to mainly the portfolio increase (see: Chart 3.6.).

At the end of 2014, the composition of the DGF investment portfolio was as follows (see: Chart 3.7.).

- Cash at the DGF accounts (4.86%)
- Investments in the government bonds (95.14%)
- Investments in the registered capital of the newly established bridge bank (0.01%)

3.5. INTERNAL AUDIT

In 2014, eighteen audits were conducted pursuant to 2014 Annual Audit Plan. The audits covered:

- financial transactions and investments of the DGF;
- payouts of the insured deposits;
- resolution of the insolvent banks;
- operating activities.

The audits sought to assess the internal monitoring systems, elicit the risks, and provide recommendations in order to improve the internal control/monitoring procedures and corporate governance.

Pursuant to the Law, the Internal Audit Service regularly (by the first day of each

month) submitted reports with findings and recommendations to the DGF Administrative Board.

The conclusions and recommendations of the Audit Service were subject to approval by the DGF Administrative Board and taken into consideration.

The executive management and heads of departments/division of the DGF became familiar with the audit findings and conclusions. All recommendations of the internal auditors were formally approved and accepted for execution.



IV. RESOLUTION OF INSOLVENT BANKS

4.1. BANK RESOLUTION PROCEDURES

The Fund commences the resolution of an insolvent bank through the introduction of a provisional administration in the bank on the next working day following the day of the official notification of the bank's insolvent status from the NBU.

Provisional administration may be introduced for a period no longer than three months (six months for the systemic banks). Upon a well-grounded justification this term may be extended once by one month. The provisional administration will terminate upon the completion of the Bank Resolution Plan or by a decision of the DGF Executive Directorate.

The Fund conducts provisional administration and liquidation of insolvent banks through a specially appointed Authorized Officer. The DGF Authorized Officer will have high professional and ethical qualities, an impeccable reputation, higher education in the fields of economics, finance or law (no lower than the Specialist Degree), and the required professional experience.

As of 1st January 2015, sixteen banks were under provisional administration (see; Table 4.1.).

The total book value of these banks' assets was UAH 44 b. The insured deposits with the banks under provisional administration were around UAH 12.7 b. (see: Table 4.1.).

Banks under provisional administration pay their insured deposits and funds on

the current (cheque) accounts under the set insurance coverage. All funds in a foreign currency shall be converted in UAH at the NBU rate of exchange established for the first day of the provisional administration.

The Fund may grant a loan to an insolvent bank in order to ensure smooth and timely payout. Of UAH 5.7 b. paid to the depositors during the provisional administration, UAH 5.4 b. were provided as a loan from the DGF to the insolvent banks, and only UAH 0.3 b. were the banks' own funds (see: Table 4.2.).

As a part of the provisional administration, the DGF Authorized Officer will undertake a full inventory of the bank's assets and liabilities.

The inventory should provide for a verification of the availability and actual value of the following assets and liabilities of the failed bank:

- 1) Counter cash and any valuables in the bank's vault or deposit boxes.
- 2) Any credit indebtedness to the bank, including collateral/security associated with such loans.
- 3) Any receivables for operations with securities.
- 4) Any liabilities outstanding to the creditors.
- 5) Any written-off uncollectable outstanding (including any collateral/security associated with such loans).

Table 4.1.

Banks under Provisional Administration

	Bank	Assets (net of provisions), UAH thousands	Insured deposits, UAH thousands
1	Public Joint-Stock Company "AKTABANK"	1,645,147.00	440,543.10
2	Public Joint-Stock Company "GREEN BANK"	417,367.70	3,761.80
3	Joint-Stock Company «Commercial Bank "EXPOBANK"»	2,953,866.00	284,302.10
4	Public Joint-Stock Company "DEMARK BANK"	1,664,671.00	991,998.10
5	Joint-Stock Company "PORTO-FRANKO"	1,099,902.90	412,920.20
6	Public Joint-Stock Company "PRIME BANK"	349,335.60	14,782.90
7	Public Joint-Stock Company «Commercial Bank "AXIOMA"»	637,177.40	107,127.30
8	Public Joint-Stock Company "INTERCREDITBANK"	253,103.20	304.00
9	Public Joint-Stock Company "MELIOR BANK"	361,505.00	33,520.50
10	Public Joint-Stock Company "VAB BANK"	17,474,141.20	7,105,663.40
11	Public Joint-Stock Company "CITY COMMERCE BANK"	4,141,068.00	2,000,730.40
12	Public Joint-Stock Company "VBR"	5,977,238.90	59,701.30
13	Public Joint-Stock Company "BG BANK"	1,930,781.40	281,303.30
14	Public Joint-Stock Company "LEG BANK"	638,095.70	112,897.20
15	Public Joint-Stock Company "CAMBIO BANK"	1,635,389.86	343,956.00
16	Public Joint-Stock Company "UKRAINIAN BUSINESS BANK"	2,886,478.90	475,677.50
	Total:	44,065,269.76,	12,669,189.10

The DGF Authorized Officer collects data, based on which a resolution plan for the bank will be developed. Any resolution plan should minimize the costs of the DGF.

The appraisal of assets and other properties of the bank will provide data, based on which one of the following resolution options will be selected:

1) Liquidation of an insolvent bank with a direct payout of the insured deposits by the DGF.

2) Liquidation of an insolvent bank with a transfer of all or some assets of the insolvent bank to an assuming bank.

3) Transfer of all or some assets of an insolvent bank to an assuming bank with the further revocation of the insolvent bank's license and liquidation of the insolvent bank.

4) Transfer of the assets and liabilities of an insolvent bank to a newly established bridge bank with further sale of the bridge bank and liquidation of the insolvent bank.



5) Sale of an insolvent bank to an investor.

In 2014, the resolution option providing for the transfer of all or some assets and liabilities to an assuming bank with further liquidation of the insolvent bank was applied to the PROMEKONOMBANK and GOLDEN GATE BANK.

In 2014, in order to liquidate the TERRA BANK, the DGF, for the first time, established

a bridge bank. Thus the DGF established the Public Joint-Stock Company «Bridge Bank "CRYSTAL BANK"», to which, on 22nd December 2014, the DGF Authorized Officer in charge of provisional administration of the TERRA BANK transferred some assets and liabilities of the TERRA BANK. The bridge bank became responsible for the payout of the insured deposits with the TERRA BANK.

Table 4.2.

Payouts of Insured Deposits under Provisional Administration in 2014

	Provisional administration completed	PA term	Paid to insured depositors, UAH millions
1	Public Joint-Stock Company «Commercial Bank "DANIEL"»	17.1.14–16.4.14	268.3
2	Public Joint-Stock Company "REAL BANK"	3.3.14–2.6.14	198.1
3	Joint-Stock Company "BROKBUSINESSBANK"	3.3.14–2.6.14	673.6
4	Joint-Stock Company "MERCURY BANK"	14.3.14–13.6.14	409.4
5	Public Joint-Stock Company "FORUM BANK"	14.3.14–13.6.14	604.3
6	Public Joint-Stock Company «Commercial Bank "INTERBANK"»	24.4.14–23.7.14	22.0
7	Public Joint-Stock Company "ZAKHIDINKOMBANK"	29.5.14–28.8.14	72.0
8	Public Joint-Stock Company "AKB BANK"	30.5.14–29.8.14	142.2
9	Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»	22.5.14–22.9.14	0.0
10	Public Joint-Stock Company "STAROKYIVSKIY BANK"	18.6.14–18.9.14	17.1
11	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	26.5.14–25.9.14	333.2
12	Public Joint-Stock Company "FINROSTBANK"	16.7.14–16.10.14	237.8
13	Public Joint-Stock Company «Commercial Bank "UFS"»	15.8.14–15.11.14	0.0
14	Joint-Stock Company "EVROGAZBANK"	17.7.14–17.11.14	533.7
15	Joint-Stock Company "GOLDEN GATE BANK"	4.8.14–4.12.14	217.7
16	Public Joint-Stock Company "TERRA BANK"	22.08.14–22.12.14	678.3
17	Public Joint-Stock Company «Commercial Bank "ACTIVE-BANK"»	03.09.14–23.12.14	590.6
	Sub-total:		4,998.3

Table 4.2. continued

	Banks under provisional administration	PA launched	Paid to insured depositors, UAH millions
1	Public Joint-Stock Company "AKTABANK"	17.09.14	185.4
2	Public Joint-Stock Company "GREEN BANK"	25.09.14	2.7
3	Public Joint-Stock Company "DEMARK BANK"	29.09.14	282.6
4	Joint-Stock Bank "PORTO-FRANKO"	29.09.14	225.5
5	Public Joint-Stock Company "PRIME BANK"	03.10.14	13.3
6	Public Joint-Stock Company «Commercial Bank "AXIOMA"»	10.10.14	7.8
7	Public Joint-Stock Company "INTERCREDITBANK"	10.10.14	0.1
	Sub-total:		717.4
	Total:		5,715.7



4.2. IMPLEMENTING BANK RESOLUTION PLANS

In 2014, the DGF initiated 12 inspections of the problems banks. The Division for Economic Analysis and Recurrent Monitoring is responsible for the on-site bank monitoring. In 2014, the Division proposed to significantly extend the scope of inspection. The Division prepared and submitted to the Executive Directorate 27 reports "Financial Performance of a Problem Banks". These new data allowed the DGF to significantly shorten the investor search period.

In 2014, the DGF analyzed the asset portfolios of 28 insolvent banks. The DGF Authorized Officers engaged professional asset appraisers.

Thirty five announcements of investor search were prepared and published. The Fund received seventy five applications from potential investors. All applications were duly reviewed and submitted to the Executive Directorate.

Sixty five potential investors were qualified. In order to enable the qualified investors to study the documentation and assets of the insolvent banks, 36 data room were open and equipped within the insolvent banks.

The qualified investors submitted 19 bids, all of which were carefully studied and assessed against the resolution principles, including cost minimization. Consequently, 59 Resolution Plans were

developed and submitted (as copies) to the NBU. In 2014, the DGF approved:

- two Resolution Plans providing for the transfer of all or some assets and liabilities to an assuming bank with further liquidation of the insolvent bank;
- one Resolution Plan providing for the establishment of a bridge bank; and
- fifty six Resolution Plans providing for liquidation of an insolvent bank with a direct deposit payout.

The estimated savings are UAH 96,244,400.

In 2014, the DGF conducted the following competitive selections of the experts:

- two competitive selections of professional appraisers;
- three competitive selections of legal consultants;
- one competitive selection of financial consultants qualified in asset management, financial accounting and maintaining a depositor register;
- one competitive selection of trade organizers;
- one competitive selection of auditors; and
- one competitive selection of professionals property preservation.

4.3. BANK LIQUIDATION

In 2014, sixteen banks were subject to liquidation with direct payout of the insured deposits.

The liquidation of a failed bank should be completed within no longer than one year from the date when the decision to liquidate the bank was taken. The Fund may extend this period by up to one year (two years for the systemic banks).

As of 1st January 2015, nineteen banks were under liquidation (see: Table 4.3.).

From the day of his/her appointment, the DGF Authorized Officer organizes a

due appraisal of the failed bank's assets through the engagement of qualified appraisers under the procedures set in the DGF Regulation of the engagement of external experts, advisors, auditors and other professionals in provisional administration or liquidation of a failed bank.

The major goal of such appraisal is to set a liquidation pool. The DGF Authorized Officer applies all returns from the liquidation and asset sale to settle the claims of creditors.

Table 4.3.

Banks under Liquidation

	Bank	Assets (provisions not included), UAH thousands	Insured deposits, UAH thousands	Appraised asset value, UAH thousands
1	2	3	4	5
1	Public Joint-Stock Company "ERDE BANK"	316,149.34	459,775.50	35,060.70
2	Public Joint-Stock Company "TAVRIKA BANK"	5,089,743.10	1,829,670.50	39,983.20
3	Public Joint-Stock Company «Commercial Bank "DANIEL"»	1,251,378.00	399,449.30	85,897.30
4	Public Joint-Stock Company "REAL BANK"	5,286,626.30	541,451.90	93,383.70
5	Joint-Stock Company "BROKBUSINESSBANK"	16,679,372.30	2,688,605.50	2,174,079.50
6	Joint-Stock Company "MERCURY BANK"	1,543,310.16	942,350.30	271,788.43
7	Public Joint-Stock Company "FORUM BANK"	15,247,934.00	2,919,062.80	7,169,329.00
8	Public Joint-Stock Company «Commercial Bank "INTERBANK"»	708,190.80	79,427.10	6,617.00



Table 4.3. continued

	Bank	Assets (provisions not included), UAH thousands	Insured deposits, UAH thousands	Appraised asset value, UAH thousands
1	2	3	4	5
9	Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»	481,853.64	602,425.70	31,919.50
10	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	8,327,873.40	1,866,802.20	663,224.80
11	Public Joint-Stock Company "ZAKHIDINKOMBANK"	772,346.10	267,978.70	31,082.40
12	Public Joint-Stock Company "AVTOKRAZBANK"	1,526,304.60	430,877.60	139,628.70
13	Public Joint-Stock Company "STAROKYIVSKIY BANK"	531,655.00	98,568.60	112,410.70
14	Public Joint-Stock Company "FINROSTBANK"	1,567,129.10	513,185.80	282,940.00
15	Public Joint-Stock Company «Commercial Bank "UFS"»	1,822,351.70	397,089.30	12,348.90
16	Joint-Stock Company "EVROGAZBANK"	3,300,302.60	1,200,619.90	876,849.90
17	Joint-Stock Company "GOLDEN GATE BANK"	900,273.60	368,461.40	180,299.90
18	Public Joint-Stock Company "TERRA BANK"	3,769,683.40	1,397,757.00	99,842.50
19	Public Joint-Stock Company «Commercial Bank "ACTIVE-BANK"»	4,019,799.00	1,311,055.40	807,797.00
	Total:	73,142,276.14	18,314,614.50	13,114,483.13

4.4. SALE OF ASSETS OF INSOLVENT BANKS

In October 2014, the Sector for Asset Sale was established within the DGF in order to ensure a due supervision of asset sale and effective sale process.

The Sector provides an overall coordination between the Authorized Offices who report to the Sector on the asset inventory and appraisal. The Sector compiles lists of the marketable assets, and sets lots of assets to be sold as determined by the DGF Executive Directorate. The Sector selects trade organizers on competitive basis to assist the Authorized Officers in bank resolution.

As of 1st January 2015, the total appraised value of the assets of all insolvent banks under liquidation was UAH 13.1 b. (see: Table 4.4.). At the same

time, the total proceeds from asset sale were UAH 158.4 m.

In early 2015, a pilot version of the DGF data portal (www.torgi.fg.gov.ua) was launched. The portal is to accumulate and systematize the data on the failed banks' assets available for sale. It offers a description of the assets' key characteristics and their appraised value. The portal was launched to help potential buyers to gain access to the information on the failed banks' assets and purchase the assets in a convenient manner.

Potential buyers need to fill in and send a form (available on the site) to the Authorized Officer who will inform the potential buyer of the day, time and address of the tender/auction.

Table 4.4.

Appraised Assets of Banks under Liquidation

	Bank	Appraised asset value, UAH thousands
1	2	3
1	Public Joint-Stock Company "ERDE BANK"	35,060.70
2	Public Joint-Stock Company "TAVRIKA BANK"	39,983.20
3	Public Joint-Stock Company «Commercial Bank "DANIEL"»	85,897.30
4	Public Joint-Stock Company "REAL BANK"	93,383.70
5	Joint-Stock Company "BROKBUSINESSBANK"	2,174,079.50
6	Joint-Stock Company "MERCURY BANK"	271,788.43
7	Public Joint-Stock Company "FORUM BANK"	7,169,329.00



Table 4.4. continued

	Bank	Appraised asset value, UAH thousands
1	2	3
8	Public Joint-Stock Company «Commercial Bank "INTERBANK"»	6,617.00
9	Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»	31,919.50
10	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	663,224.80
11	Public Joint-Stock Company "ZAKHIDINKOMBANK"	31,082.40
12	Public Joint-Stock Company "AVTOKRAZBANK"	139,628.70
13	Public Joint-Stock Company "STAROKYIVSKIY BANK"	112,410.70
14	Joint-Stock Company "FINROSTBANK"	282,940.00
15	Public Joint-Stock Company «Commercial Bank "UFS"»	12,348.90
16	Joint-Stock Company "EVROGAZBANK"	876,849.90
17	Joint-Stock Company "GOLDEN GATE BANK"	180,299.90
18	Public Joint-Stock Company "TERRA BANK"	99,842.50
19	Public Joint-Stock Company «Commercial Bank "ACTIVE-BANK"»	807,797.00
Total:	13,114,483,13	

4.5. DUBIOUS TRANSACTIONS: DETECTION, CONTESTATION AND PROSECUTION

In 2014, the DGF intensified its work in order to detect violations of the law in the insolvent banks and prosecute the offenders.

The Fund developed a Guide for Authorized Officers to initiate criminal proceedings against offenders.

Throughout 2014, the DGF Authorized Officers submitted 355 applications to the law enforcement agencies to initiate criminal proceedings against persons responsible for the losses worth UAH 45,686 m.

As of 31st December 2014, the law enforcement agencies considered 381 applications associated with the banks' losses worth UAH 45,696 m.

The Fund closely cooperated with the Ministry of Internal Affairs, Public Prosecution Office, Security Service of Ukraine and the State Fiscal Services, and promptly provided the investigators and courts with all requested information.

In order to elicit the causes for bank failures, the DGF jointly with the

International Monetary Fund launched a forensic audit program.

In cases when the audit established that the bank's failure was caused by misdeeds of the owners and/or their representatives, the DGF will seek the reimbursement of the losses of the bank and bank's creditors at the cost of the responsible owners.

In 2014, the DGF took part in 460 court cases, of which 217 cases were administrative, 114 cases were commercial, and 129 cases were civil. In all cases the courts ruled in favor of the DGF and rejected the claims against the DGF. In particular, the administrative courts ruled in favor of the DGF in cases launched over the allegedly illegal payout of deposits at the DGF's cost worth UAH 36 m. The civil courts ruled in favor of the DGF in cases launched over the allegedly illegal payout of deposits at the DGF's cost worth UAH 18 m. Finally, the DGF won commercial cases associated with illegal reduction of the bank's liquidation pool by over UAH 300 m.



4.6. SETTLEMENT OF CREDITOR CLAIMS

From the day of his/her appointment, the DGF Authorized Officer organizes a due appraisal of the failed bank's assets through the engagement of qualified appraisers under the procedures set in the DGF Regulation¹ of the engagement of external experts, advisors, auditors and other professionals in provisional administration or liquidation of a failed bank.

The major goal of such appraisal is to set a liquidation pool. The DGF Authorized

Officer applies all returns from the liquidation and asset sale to settle the claims of the creditors in the following priority order:

1) Liabilities associated with "immediate danger to life and health of individuals" (health hazard claims).

2) Claims of staff wages prior to the license revocation/withdrawal.

3) Claims of the DGF in the cases specified in Article 29 of the Law, including claims for repayment of a "special purpose



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¹ Approved by the Resolution of DGF Executive Directorate # 12 of 23.07.2012.

loan" granted during the provisional administration to make payments according to Article 36 (1) of the Law.

4) Claims of retail (individual) depositors at a rate exceeding the set deposit insurance coverage.

5) Claims of the NBU associated with the reduced cost of the collateral provided to secure the refinancing loan(s).

6) Claims of individuals, the payments of which or from which have been blocked except the accounts of individual entrepreneurs (sole traders).

7) Other claims, except for the claims associated with subordinated debts.

8) Claims associated with subordinated debts.

The claims of each next priority shall be settled based on the actual receipts certifying the sale of the bank's properties/

assets upon the total settlement of all claims of a higher priority. Should such proceeds fall short of the amount needed to fully satisfy the claims of one level of priority, the outstanding claims shall be settled proportionately to the total amount of claims of each creditor of one priority group.

As of 1st January 2015, the total book value of assets of the insolvent banks was UAH 73.1 b. At the same time, the net appraised value of these assets was UAH 13.1 b. (17.9% of the book value), which was clearly not enough to settle the claims of all creditors.

As of 31st December 2014, the DGF Executive Directorate adopted the Register of Accepted Creditor Claims to thirteen banks worth approximately UAH 34 b. (see: Table 4.5.).

Table 4.5.

Accepted Creditor Claims as of 01.01.2015

	Bank	Accepted creditor claims as of 01.2015, UAH
1	Public Joint-Stock Company "ERDE BANK"	739,497,837.77
2	Public Joint-Stock Company "TAVRIKA BANK"	2,745,651,419.74
3	Public Joint-Stock Company «Commercial Bank "DANIEL"»	683,290,309.51
4	Public Joint-Stock Company "REAL BANK"	2,603,427,607.06
5	Joint-Stock Company "BROKBUSINESSBANK"	11,156,168,966.89
6	Joint-Stock Company "MERCURY BANK"	1,415,154,799.51
7	Public Joint-Stock Company "FORUM BANK"	9,175,467,160.00
8	Joint-Stock Company «Commercial Bank "INTERBANK"»	308,581,691.62
9	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	3,070,316,556.34
10	Public Joint-Stock Company "ZAKHIDINKOMBANK"	353,810,950.26
11	Public Joint-Stock Company "AVTOKRAZBANK"	973,214,930.44
12	Public Joint-Stock Company "STAROKYIVSKIY BANK"	179,340,216.74
13	Joint-Stock Company "FINROSTBANK"	673,428,698.62
Total:		34,077,351,144.50



V. PAYOUTS OF INSURED DEPOSITS

5.1. PAYOUTS UNDER PROVISIONAL ADMINISTRATION (DGF LOANS TO FAILED BANKS)

In 2014, nineteen insolvent banks, deposit payout. As of 1st January 2015, obtained the 'special purpose loans' the banks paid out their insured deposits worth UAH 12,243.1 m. to finance the worth UAH 5,408.1 m. (see: Table 5.1.).

Table 5.1.

	Bank	Contract date	Special purpose loan, UAH millions	Spent as of 01.01.2015, UAH millions
1	Public Joint-Stock Company «Commercial Bank "DANIEL"»	27.01.2014	292.5	268.2
2	Public Joint-Stock Company "REAL BANK"	28.03.2014	348.9	198.1
3	Joint-Stock Company "MERCURY BANK"	22.04.2014	616.3	409.3
4	Joint-Stock Company "BROKBUSINESSBANK"	22.04.2014	2,213.6	383.7
5	Public Joint-Stock Company "FORUM BANK"	24.04.2014	1,798.6	548.9
6	Public Joint-Stock Company «Commercial Bank "INTERBANK"»	18.06.2014	31.4	21.9
7	Public Joint-Stock Company "ZAKHIDINKOMBANK"	26.06.2014	156.5	71.9
8	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	25.07.2014	1,169.5	333.2
9	Public Joint-Stock Company "AVTOKRAZBANK"	14.08.2014	354.4	142.1
10	Joint-Stock Company "FINROSTBANK"	18.08.2014	340.7	237.8
11	Public Joint-Stock Company "STAROKYIVSKIY BANK"	01.09.2014	70.1	17.1
12	Joint-Stock Company "EVROGAZBANK"	22.09.2014	858.7	533.7
13	Joint-Stock Company "GOLDEN GATE BANK"	13.10.2014	322.5	212.7
14	Public Joint-Stock Company "TERRA BANK"	27.10.2014	1,043.7	678.3
15	Public Joint-Stock Company «Commercial Bank "ACTIVE-BANK"»	11.11.2014	1,113.8	590.6
16	Public Joint-Stock Company "DEMARK BANK"	11.11.2014	766.9	290.00
17	Joint-Stock Bank "PORTO-FRANKO"	05.12.2014	330.6	260.00
18	Public Joint-Stock Company "AKTABANK"	15.12.2014	373.1	200.00
19	Public Joint-Stock Company «Commercial Bank "AXIOMA"»	25.12.2014	40.5	10.00
Total:			12,243.1	5,408.1

5.2. PAYOUT UNDER BANK LIQUIDATION

The Fund appoints an Authorized Officer and commences the liquidation process when the NBU withdraws the bank's license and takes the decision to liquidate the bank.

The Fund commences the deposit payout no later than seven days following the date of the NBU's decision to withdraw the bank's license and liquidate the bank. The amounts paid to an insured depositor during the provisional administration should be taken into consideration and offset.

In order to ensure a smooth and timely payout, the DGF engaged the agent banks on contractual basis. The agent banks are to complete the payout within 30 days from the day when they received the funds from the DGF.

The payout of the deposits to the depositors who for whatever reasons didn't apply to the agent banks during 30 days is conducted upon a written request to be submitted to the DGF.

In 2014, seventeen banks had their licenses revoked:

- Public Joint-Stock Company «Commercial Bank "DANIEL"»
- Public Joint-Stock Company "REAL BANK"
- Joint-Stock Company "BROKBUSINESS-BANK"
- Joint-Stock Company "MERCURY BANK"
- Public Joint-Stock Company "FORUM BANK"
- Public Joint-Stock Company «Commercial Bank "INTERBANK"»

- Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»
- Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»
- Public Joint-Stock Company "ZAKHIDINKOMBANK"
- Public Joint-Stock Company "AVTOKRAZBANK"
- Public Joint-Stock Company "STAROKYIVSKIY BANK"
- Public Joint-Stock Company "FINROSTBANK"
- Joint-Stock Company "EVROGAZBANK"
- Joint-Stock Company "GOLDEN GATE BANK"
- Public Joint-Stock Company «Commercial Bank "UFS"»
- Public Joint-Stock Company "TERRA BANK"
- Public Joint-Stock Company «Commercial Bank "ACTIVE-BANK"»

All depositors were duly paid with the exception of the depositors of PROMEKONOMBANK, GOLDEN GATE BANK, and TERRA BANK for which a separate payment arrangement was developed.

Additionally, in 2014, the DGF continued the payout to the depositors of the bank liquidated prior to 1st January 2014.

In 2014, the total payout of insured deposits was UAH 8,459,453,600 (see: Table 5.2.).

In 2014, the DGF paid through the agent banks selected pursuant to the Regulation on Agent Banks¹ (approved by the Resolution of DGF Executive Board # 6 of 12th July 2012).

¹ Положення про порядок визначення банків – агентів Фонду гарантування вкладів фізичних осіб.



Table 5.2.

Deposit Payout in 2014 (UAH thousands)

№	Liquidated banks	Liquidation start date	Balance	Total deposits to be paid in 2014	Actually paid in 2014	Deposits unpaid as of 01.01.2015
			Deposits unpaid as of 01.01.2014			
1	Joint-Stock Commercial Bank "Evropeiskiy"	21.08.2009	10,401.2	-	28.7	10,372.5
2	Joint-Stock Bank "Regional Development Bank"	07.12.2009	5,179.5	50.0	58.5	5,171.0
3	Commercial Bank "ARMA"	22.02.2010	3,624.6		38.2	3,586.3
4	Open Joint-Stock Company "BIG ENERGIYA"	01.03.2010	4,431.8	150.0	150.0	4,431.8
5	Open Joint-Stock Company «Commercial Bank "DNISTER"»	15.03.2010	2,909.7	578.8	578.8	2,909.7
6	Public Joint-Stock Company "ZEMELNIY BANK"	02.08.2010	1,041.5		3.0	1,038.5
7	Joint-Stock Company "DIALOGBANK"	11.05.2011	4,880.0		14.0	4,866.0
8	Joint-Stock Company «Commercial Bank "VOLODYMYRSKIY"»	31.08.2011	39,526.1		563.9	38,962.2
9	Public Joint-Stock Company «Commercial Bank "SOTSKOMKBANK"»	21.10.2011	4,373.5		436.6	3,936.9
10	Public Joint-Stock Company "BANK STOLYTSYA"	31.01.2012	997.6		4.6	993.0
11	Public Joint-Stock Company "Innovative Industrial Bank"	02.03.2012	2,738.9	200.0	464.2	2,474.7
12	Public Joint-Stock Company «Commercial Bank "BASIS"»	28.08.2012	8,040.5		847.4	7,193.1
13	Public Joint-Stock Company "ERDE BANK"	09.01.2013	3,059.7	67.5	852.6	2,274.6
14	Public Joint-Stock Company "TAVRIKA BANK"	20.03.2013	10,875.3		4,083.3	6,792.0
15	Public Joint-Stock Company «Commercial Bank "DANIEL"»	16.04.2014	0.0	131,912.5	121,890.8	10 021,7
16	Public Joint-Stock Company "REAL BANK"	21.05.2014	0.0	343,914.5	323,288.0	20,626.5
17	Joint-Stock Company "BROKBUSINESSBANK"	11.06.2014	0.0	2,017,782.5	1,888,544.1	129,238.4
18	Joint-Stock Company "MERCURY BANK"	12.06.2014	0.0	532,961.4	523,848.4	9,113.0
19	Public Joint-Stock Company "FORUM BANK"	16.06.2014	0.0	2,315,726.0	2,213,950.6	101,775.4
20	Public Joint-Stock Company «Commercial Bank "INTERBANK"»	23.07.2014	0.0	57,455.2	52,573.9	4,881.3
21	Public Joint-Stock Company "ZAKHIDINKOMBANK"	23.07.2014	0.0	196,272.7	177,172.0	19,100.7
22	Public Joint-Stock Company "AVTOKRAZBANK"	29.08.2014	0.0	289,469.7	276,619.8	12,849.9
23	Public Joint-Stock Company "STAROKYIVSKIY BANK"	18.09.2014	0.0	74,112.4	70,504.4	3,608.0
24	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	26.09.2014	0.0	1,534,112.4	1,478,134.3	55,978.1
25	Public Joint-Stock Company "FINROSTBANK"	16.10.2014	0.0	275,559.0	248,518.4	27,040.6
26	Public Joint-Stock Company «Commercial Bank "UFS"»	13.11.2014	0.0	396,889.3	375,447.1	21,442.2
27	Joint-Stock Company "EVROGAZBANK"	18.11.2014	0.0	667,299.4	635,071.9	32,227.5
28	Public Joint-Stock Company «Commercial Bank "ACTIVE-BANK"»	24.12.2014	0.0	720,425.2	65,766.0	654,659.2
	Total:		102,079.9	9,554,938.5	8,459,453.6	1,197,564.8

5.3. ACCOUNTS PAYABLE TO DGF

Pursuant to Article 29 of the Law, the DGF acquires the rights of a bank's creditor within:

– entire amount to be paid out to the insured depositors of the bank

– entire amount of the DGF's costs associated with the bank resolution; and
 – entire amount of the 'special purpose loan' granted to the bank under provisional administration.

Table 5.3.

Liquidated Banks: Accounts Payable to DGF

№	Banks	Total as of 1st January 2015				
		Insured deposits paid, UAH millions	Fines and other penalties in arrears, UAH millions	'Special purpose' loan, including interest, UAH millions	Costs associated with bank resolution	Total, UAH millions
1	2	3	4	5	6	7
1.	Public Joint-Stock Company "ZEMELNIY BANK"	100.7	0.7			101.4
2.	Joint-Stock Bank "ALLONGE"	7.3				7.3
3.	Joint-Stock Bank "Regional Development Bank"	289.2	1.0			290.2
4.	Public Joint-Stock Company "SYNTEZ"	85.3	0.7			86.0
5.	Joint-Stock Commercial Bank "Evropeiksiy"	683.2	1.8			685.0
6.	Joint-Stock Commercial Bank "ODESA-BANK"	71.1	0.1			71.2
7.	Joint-Stock Commercial Bank "Eastern European Bank"	210.0	0.4			210.4
8.	Joint-Stock Commercial Bank "TRANSBANK"	436.5	0.4			436.9
9.	Open Joint-Stock Company "BIG ENERGIYA"	500.0				500.0
10.	Open Joint-Stock Company "European Bank for Development and Savings"	327.4				327.4
11.	Commercial Bank "ARMA"	182.9	0.3			183.2
12.	Joint-Stock Company «Commercial Bank "VOLODYMYRSKIY"»	100.4	0.4			100.8
13.	Open Joint-Stock Company Commercial Bank "National Standard"»	266.8	0.4			267.2
14.	Commercial Bank "Ukrainian Financial Group"	51.6	0.2			51.8
15.	Public Joint-Stock Company "INPROMBANK"	63.5	1.9			65.4
16.	Public Joint-Stock Company «Commercial Bank "SOTSKOMBANK"»	87.0	1.1			88.1



Table 5.3. continued

№	Banks	Total as of 1st January 2015				
		Insured deposits paid, UAH millions	Fines and other penalties in arrears, UAH millions	'Special purpose' loan, including interest, UAH millions	Costs associated with bank resolution	Total, UAH millions
1	2	3	4	5	6	7
17.	Public Joint-Stock Company «Commercial Bank "BASIS"»	284.1	2.2			286.3
18.	Public Joint-Stock Company "BANK STOLYTSYA"	30.1				30.1
19.	Open Joint-Stock Company «Commercial Bank "DNISTER"»	336.2	3.9			340.1
20.	Joint-Stock Company "DIALOGBANK"	98.3	2.4			100.7
21.	Public Joint-Stock Company "TAVRIKA BANK"	880.0	6.2	925.4		1811.6
22.	Public Joint-Stock Company "ERDE BANK"	145.4	0.9	200.4		346.7
23.	Public Joint-Stock Company "AVTOKRAZBANK"	289.5	2.4	143.1		435.0
24.	Public Joint-Stock Company "FORUM BANK"	2,315.7		391.6		2,707.3
25.	Joint-Stock Company "BROKBUSINESSBANK"	2,015.3	5.1	556.6		2,577.0
26.	Joint-Stock Company "EVROGAZBANK"	667.3	10.4	544.0		1,221.7
27.	Public Joint-Stock Company "ZAKHIDINKOMBANK"	196.3	1.0	72.8		270.1
28.	Joint-Stock Company "GOLDEN GATE BANK"		0.7	212.8	111.0	324.5
29.	Public Joint-Stock Company "REAL BANK"	323.9	1.5	199.9		525.3
30.	Public Joint-Stock Company "STAROKYIVSKIY BANK"	74.0	0.5	17.3		91.8
31.	Public Joint-Stock Company "FINROSTBANK"	275.4	4.7	242.9		523.0
32.	Joint-Stock Company "MERCURY BANK"	533.0	4.7	413.9		951,6
33.	Public Joint-Stock Company «Commercial Bank "DANIEL"»	131.7	3.2	271.2		406.1
34.	Public Joint-Stock Company «Commercial Bank "INTERBANK"»	57.5	0.6	22.2		80.3
35.	Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	1,533.6	6.6	340.4		1880.6
36.	Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»		3.9		611.0	614.9
37.	Public Joint-Stock Company «Commercial Bank "UFS"»	396.9	5.9			402.8
38.	Joint-Stock Commercial Bank "Ukraine"		1.0			1.0
	Total:	14,047.1	77.2	4,554.5	722.0	19,400.8

As of 1st January 2015, the overall debt of the banks under liquidation to the DGF was UAH 19,400,8 m., which was by UAH 12,881.1 m. (twice as high) than as of 1st January 2014.

See Table 5.4. for the debt breakdown.

In 2014, the bank liquidators paid to the Fund UAH 151.9 m. (2.33% of the bank's total debt as of 1st January 2013) or twice as high as in 2013 (see: Table 5.3.).

The banks' paid indebtedness associated with the deposit payout constituted 1.8 percent of the total amount paid to the insured depositors in 2014 (see: Chart 5.1.).

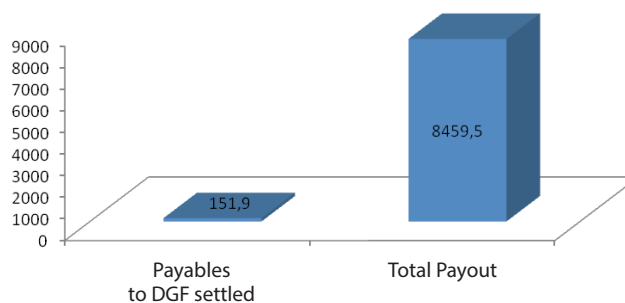


Chart 5.1. Payables to DGF Settled in 2014

Table 5.4.

Debt Repayments to DGF in 2013 and 2014

Banks	2014	2013
	UAH millions	UAH millions
Commercial Bank "Ukrainian Financial Group"	-	0.2
Joint-Stock Commercial Bank "Eastern European Bank"	-	0.4
Joint-Stock Commercial Bank "ODESA-BANK"	-	10.7
Joint-Stock Company «Commercial Bank "VOLODYMYRSKIY"»	3.5	3.7
Joint-Stock Company "UKRPROMBANK"	-	0.3
Joint-Stock Bank "Regional Development Bank"	-	7.8
Joint-Stock Commercial Bank "TRANSBANK"	3.3	3.0
Commercial Bank "ARMA"	-	0.3
Public Joint-Stock Company "TAVRIKA BANK"	23.5	10.0
Public Joint-Stock Company "ERDE BANK"	77.0	37.0
Open Joint-Stock Company "BIG ENERGIYA"	18.6	-
Public Joint-Stock Company «Commercial Bank "SOTSKOMKBANK"»	0.5	-
Public Joint-Stock Company "SYNTEZ"	4.7	-
Public Joint-Stock Company «Commercial Bank "BASIS"»	0.8	-
Public Joint-Stock Company "REAL BANK"	20.0	-
Total repaid:	151.9	73.4



5.4. INFORMATION TECHNOLOGIES

In 2014, the DGF faced new challenges associated with the instable banking sector and massive insolvency of financial institutions. These new challenges required new IT solutions. The DGF needs higher capacities to process and maintain data, and more information technologies.

The development of the information technologies will seek the improvement of the data management, supervision and reporting systems, and extension of the IT functions to support the deposit payout, appraisal of the performance of the member institutions and bank resolution.

The information technologies will support all key functions of the DGF, including the new functions associated with the current trends in the banking sector and resolution of insolvent banks, in particular the management of assets of insolvent banks.

The Fund employs the following IT resources.

The Oracle system for database management provides for the processing and storage of large volumes of data.

In order to improve the current payout technologies, the DGF and NBU continued the development of a new payout system based on the National System of Mass Electronic Payments (NSMEP).

The improvement of the current payout technologies required the development of a new payment system.

This new system is expected to become an effective tool of deposit payout with

the following new advantages as compared with the system currently employed:

- Comprehensive approach to the payout of insured deposits to depositors of insolvent and liquidated banks.
- Effective on-line and off-line interaction with the agent banks.
- Extended payout network with more agent banks and more payout points operating online.
- Multiple methods of paying to the agent banks: prepayment, post-payment, or combined.
- Quicker decisions with regard to fund freezing/unfreezing, and quicker authorization of the access to the system of an agent bank and/or insolvent bank when the payout is conducted online.
- Effective monitoring of online payments.

The local computer network covering all workstations within the DGF employs a number of servers, and provides for a common information space.

The Fund, NBU and commercial banks exchange information through the designated channels within the NBU electronic network.

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

The Fund employs the software "1C" 8.0 for financial accounting and maintaining

staff records (1C version 8 was introduced in 2013).

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

Additionally, the DGF developed the “Depositor Database Verification” software to be employed during the on-site inspections, in particular for the review and assessment of the depositor databases. This software is subject to continuous improvement and eventually will be provided to the member banks to enable an effective verification of the depositor databases.

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

The Fund developed and introduced an electronic document management system that significantly enhanced the effectiveness of registration and processing of all documents. The goal is a paperless office with an effective protection of electronic data.

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

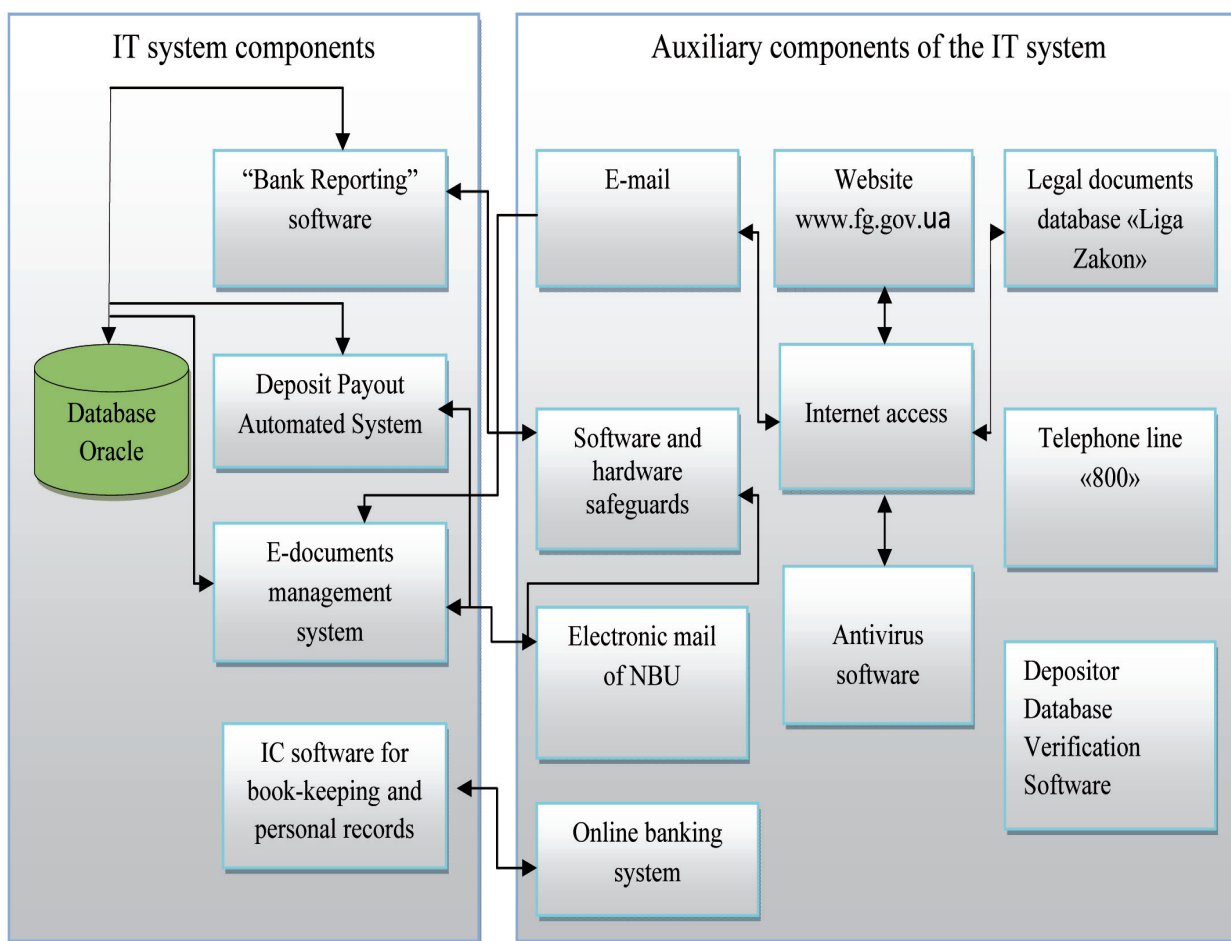


Chart 5.2. DGF IT System: the Overall Structure



INVESTMENT PLAN FOR 2014 IMPLEMENTATION REPORT

UAH millions

DGF Investments	Investments as provided by 2014 Investment Plan	Actually invested	Performance against plan, %
Total investments, including:	1,665.1	1,665.1	100.0
Registered capital, including:	1.5	1.5	100.0
<i>Specialized Agency</i>	0.0	0.0	—
<i>Bridge Bank</i>	1.5	1.5	100.0
Government papers (by maturity and terms of issue):	x	1,663.6	x
<i>short-term government bonds</i>	x	—	x
<i>foreign exchange denominated short-term government bonds</i>	x	—	x
<i>intermediate government bonds</i>	x	1,663.6	x
<i>foreign exchange denominated short-term or intermediate government bonds</i>	x	—	x
<i>foreign exchange denominated short-term or intermediate callable government bonds</i>	x	—	x
<i>long-term callable government bonds</i>	x	—	x
<i>long-term amortized government bonds</i>	x	—	x
<i>long-term government bonds</i>	x	—	x
<i>intermediate indexed government bonds</i>	x	—	x
<i>long-term indexed government bonds</i>	x	—	x

BAKER TILLY
28 Fizkultuty Str., 03680,
Kyiv City, Ukraine

INDEPENDENT AUDITOR'S REPORT

To the Deposit Guarantee Fund Management

We have conducted an audit of the financial reports of the Deposit Guarantee Fund (hereinafter referred to as "the Fund") attached, which comprise the balance sheet as of 31st December 2014, the Income Statement, Cash flow Statement, Annual Statement of Owners' Equity, accounting policies and all notes.

Responsibility of the managerial personnel for financial reporting

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. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the financial reporting subject to audit is free from material misstatement.

The audit provides for audit procedures aimed at obtaining audit evidence of amounts and due disclosures in the financial reporting. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements in the financial reporting, whether due to fraud or error. The risk assessment requires the auditor to consider the internal control procedures relevant to the preparation and fair presentation of financial reporting by the 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.



Grounds for Qualified Opinion

The managerial personnel did not set aside provisions to finance the payout of the insured deposits, which does not comply with the National Accounting Regulations (Standards) of Ukraine. We could not estimate the value of such provisions required and therefore could not determine whether any adjustments in provisions and/or net assets were needed.

The managerial personnel referred the increase in the liability to bank depositors to the deferred charges rather than recurrent expenses.

According to the financial statements of the Fund, the 'special purpose loans' to the insolvent banks were UAH 2,052,070,000. The managerial personnel did not revise the book value of the special purpose loans for utility purpose, which does not comply with the National Accounting Regulations (Standards) of Ukraine. We could not confirm or verify through alternative methods a decrease in the asset utility. Consequently, we could not determine whether any adjustments of the special purpose loans and/or net assets were needed.

Qualified Opinion

In our opinion, with the exception of issues stated in the Section "Grounds for Qualified Opinion" above, the financial reporting of the Fund for the year ended 31 December 2014 is prepared in all material respects in accordance with the National Accounting Regulations (Standards) of Ukraine.

Other

The financial reporting of the Fund for the year ended 31 December 2013 was subject to the audit of another auditor who expressed an unmodified opinion of the reporting on April 10, 2014.

Olexander Konovchenko,
Partner

29th May 2015

Kyiv City, Ukraine

Registry # 15-117

Annex 1
to National Accounting Standards

Requirements to Financial statements

Organization	Deposit Guarantee Fund	Date (year, month, day)	CODE		
Territory		EDRPOU	2015	01	01
Form of incorporation		KOATU	21708016		
Type of business		KOPFG	8039100000		
Number of personnel		KVED	425		
Address	01034, Kyiv, bul. Shevchenko, 33-b, 333 35 64		84.11		
Units: UAH thousands, no digits after decimal point					
Reported according to national accounting standards					
international accounting standards	V				

Balance Sheet (Statement on financial position)
December 31, 2014

Form N 1 Code DKUD 1801001

ASSETS	Line Code	As of beginning of the period	As of the end of reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	1 949	2 123
initial value	1001	2 949	3 534
accumulated amortization	1002	(1 000)	(1 411)
Capital investment in progress	1005	185	-
Fixed assets	1010	1 815	1 313
initial value	1011	5 985	6 252
depreciation	1012	(4 170)	(4 939)
Long-term financial investment:			
accounted for by equity method	1030	-	-
other financial investment	1035	4 638 820	15 866 352
Long-term receivables	1040	1 814	1 849
Total, Section I	1095	4 644 583	15 871 637
II. Current assets			
Inventory	1100	385	365
Production inventory	1101	385	365
Accounts receivable:			
for advance paid out	1130	134	613
for accrued income	1140	295 283	447 786
Other receivables	1155	1 938	2 080 694
Current financial investment	1160	2 574 544	187 053
Cash and cash equivalent	1165	79 549	819 202
Bank accounts	1167	79 549	819 202
Deferred debits	1170	213	686 927
Other current assets	1190	34	31
Total, Section II	1195	2 952 080	4 222 671
III. Non-current assets and disposal groups			
Balance	1300	7 596 663	20 094 308



LIABILITY	Line code	As of beginning of the period	As of the end of the period
1	2	3	4
I. Equity capital			
Authorized (registered) capital	1400	-	-
Additional capital	1410	540	422
Retained EARNINGS (uncovered loss) or Retained SURPLUS (uncovered loss)	1420	-	(1 535 246)
Total Section I	1495	540	(1 534 824)
II. Fixed liability and provisions			
Deferred tax liabilities	1500	-	-
Long-term loans of banks	1510	-	10 022 500
Other long-term liabilities	1515	-	10 117 630
Target financing	1525	7 491 096	-
Total, Section II	1595	7 491 096	20 140 130
III. Current liability and provisions			
Current payables:			
long-term liabilities	1610	-	175 000
goods, works and/or services	1615	18	33
payments to the state budget	1620	462	47
income tax including	1621	462	47
payroll expenses	1630	30	98
Current provisions	1660	1 564	3 099
Other current liability	1690	102 953	1 310 725
Total, Section III	1695	105 027	1 489 002
IV. Non-current assets and disposal groups liability			
	1700	-	-
Balance	1900	7 596 663	20 094 308

CEO

K.M. Vorushylin

CFO

O.S. Perebiynis

Organization Deposit Guarantee Fund Date (year, month, day)

CODES		
2015	01	01
21708016		

(Title) EDRPOU

**Financial Results Report (Income Statement)
For the year of 2014**

Form N 2 Code DKUD

1801003

I. FINANCIAL RESULTS (profit or loss)

Item	Line code	Reporting period	Prior period
1	2	3	4
Other operating revenue	2120	11 321 363	2 377 393
Administrative costs	2130	(70 010)	(48 546)
Other operating costs	2180	(12 610 489)	(2 312 037)
Profit or loss from operating activities:			
profit	2190	-	16 810
loss	2195	(1 359 136)	(-)
Other financial income	2220	1 043 926	751 112
Other income	2240	352 154	331 017
Financial costs	2250	(635 148)	(38 292)
Other costs	2270	(353 047)	(330 441)
Profit or loss before tax:			
profit	2290	-	730 206
loss	2295	(951 251)	(-)
Income tax	2300	47	462
Net financial result:			
profit	2350	-	729 744
loss	2355	(951 298)	(-)



II. COMPREHENSIVE INCOME

Item	Line Code	Reporting period	Prior period
1	2	3	4
Comprehensive income (row total 2350, 2355 and 2460)	2465	(951 298)	729 744

III. OPERATING EXPENSES ELEMENTS

Item	Line Code	Reporting period	Prior period
1	2	3	4
Material costs	2500	487	601
Payroll expenses	2505	44 358	29 476
Benefit deductions	2510	9 796	6 714
Depreciation	2515	1 188	1 173
Other operating expenses	2520	12 624 670	2 322 619
Total	2550	12 680 499	2 360 583

IV. CALCULATION OF SHARES PROFITABILITY

Item	Line Code	Reporting period	Prior period
1	2	3	4

CEO

K.M. Vorushulyn

CFO

O.S. Perebiynis

Organization: Deposit Guarantee Fund
(Title)

Date (year, month, day) as in Register

CODES		
2015	01	01
21708016		

Cash Flow Report (by direct method)
for 2014

Form 3 CODE DKUD 1801004

Item	Line Code	For reporting period	y/y
1	2	3	4
I. Cash flow from operations			
Revenues from:		-	-
Sale of goods/works/services	3000		
Target financing	3010	3 271 555	2 641 254
Advances repaid	3020	3	2
Interests from account balances	3025	63 255	16 438
Other	3095	1 533 077	171 704
Expenditures:			
Goods/works/services	3100	(7 340)	(6 720)
Labour	3105	(36 878)	(25 077)
Social benefits	3110	(11 192)	(7 834)
Taxes/charges	3115	(8 168)	(4 996)
Income tax	3116	(462)	(-)
Other taxes/charges	3118	(7706)	(-)
Advance payments	3135	(24)	(7)
Costs of target financing	3145	(169)	(107)
Other	3190	(15 991 168)	(2 188 385)
Net cash flow - operational	3195	(11 187 049)	596 272
II. Investment cash flow			
Revenues from:			
Financial investments	3200	359 273	330 841
Revenues from:			
interests	3215	921 809	587 373
Other revenues	3250	2 577 769	2 384 768
Expenditures to purchase:			
financial investments	3255	(1 665 150)	(4070969)
fixed assets	3260	(503)	(348)
Other payments	3290	(959)	(453)
Net investment cash flow	3295	2 192 239	(768 788)
III. Financial operation cash flow			
Revenues from:		-	-
net worth	3300		
loans	3305	10 197 500	-
interests	3360	(463 037)	(-)
Net financial operation cash flow	3395	9 734 463	-
Net cash flow for reporting period	3400	739 653	(172 516)
Original annual balance	3405	79 549	252 065
Final annual balance	3415	819 202	79 549

CEO
CFO

K.M. Vorushulyn
O.S. Perebiynis



Organization Deposit Guarantee Fund
(Full title)

Date (year, month, day) 2015 01 01
EDRPOU

CODE		
2015	01	01
21708016		

Statement of Owners' Equity
2 014p.

Form # 4 DKUD Code 1801005

Item	Line Code	Registered capital	Revaluated capital	Additional capital	Surplus	Retained surplus (uncovered loss)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Opening balance	4000	-	-	540	-	-	-	-	540
Reporting period net profit (loss)	4100	-	-	-	-	(951 298)	-	-	(951 298)
Appropriation:									
Dividends	4200	-	-	-	-	-	-	-	
Net profit for special funds	4220	-	-	-	-	(583 948)	-	-	(583 948)
Withdrawal of capital:									
Purchase of shares (share fractions)	4260	-	-	-	-	-	-	-	
Other changes	4290	-	-	(118)	-	-	-	-	(118)
Total changes	4295	-	-	(118)	-	(1 535 246)	-	-	(1 535 364)
Year end balance	4300	-	-	422	-	(1 535 246)	-	-	(1 534 824)

CEO

K.M. Vorushylin

CFO

O.S. Perebiynis

Organization: **Deposit Guarantee Fund**

(Full title)

Date (year, month, day)

EDRPOU

CODE		
2014	01	01
21708016		

Statement of Owners' Equity 2013

Form # 4

DKUD Code

1801005

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

CEO

K.M. Vorushylin

CFO

O.S. Perebiynis



APPROVED

Decree of Ministry of Finance of Ukraine #302
of 29th November 2000
(in edition of the Decree # 602 of 28th October 2003)

2015		CODES	
	01		01
EDRPOU		21708016	
KOATUU		8039100000	
SPODU		88224	
KOPFG		425	
KVED		84.11	

Date (yy/mm/dd)

Organization Deposit Guarantee Fund
Administrativ Shevchenko Rayon, Kyiv City
Body of public administration Deposit Guarantee Fund
Form of incorporation Public organization (agency)
Economic activity Public entity of general administration
Unit of measurement: UAH thou

NOTES TO FINANCIAL STATEMENT 2014

Form 5

DKUD Code

1801008

I. Intangible Assets

Intangible assets	Code	Opening balance		Received during the year	Reprised (increased + decreased value)		Decreased annually		Depreciation accrued	Losses for diminished utility	Other changes		Closing balance	
		Initial (reappraised) value	Accumulated depreciation		Initial (reappraised) value	Accumulated depreciation	Initial (reappraised) value	Accumulated depreciation			Initial (reappraised) value	Accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Natural resources licenses	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Enjoyments of property	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Brands and business/trade names	030	5	-	-	-	-	-	-	1	-	-	-	5	1
Industrial properties	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights and other intellectual properties	050	2944	1000	-	-	-	-	-	9	-	(2855)	(998)	89	11
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible	070	-	-	593	-	-	8	8	409	-	2855	998	3440	1399
Total	080	2949	1000	593	-	-	8	8	419	-	-	-	3534	1411
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

Line 080, box 14

Intangible assets with legally restricted ownership

Collateralized intangible assets

Newly created intangible assets

Intangible assets purchased at the cost of special appropriation

Accumulated depreciation of intangible assets with legal restriction of ownership

(081)

(082)

(083)

(084)

(085)

Line 080, box 5

Line 080, box 15

II. Capital Assets

Capital assets	Code	Opening balance		Received during the year	Reappraised (increased or decreased value)		Decreased		Losses for diminished utility	Other changes		Other changes		Including					
		Initial (reappraised) value	Depreciation		Initial (reappraised) value	Depreciation	Annual depreciation	Initial (reappraised) value		Depreciation	Initial (reappraised) value	Depreciation	Received on financial lease		Rent out				
													Initial (reappraised) value	Depreciation	Initial (reappraised) value	Depreciation	Initial (reappraised) value	Depreciation	
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 investments in land improvements	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, other constructions and transfer devices	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	130	3410	2498	3	-	-	-	-	340	-	(130)	(46)	3283	2792	-	-	-	-	-
Vehicles	140	1323	576	-	-	-	-	-	177	-	-	-	1323	753	-	-	-	-	-
Tools, instruments and inventory (furniture)	150	760	604	59	-	-	-	-	62	-	130	46	949	712	-	-	-	-	-
Animals	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plantings	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other capital assets	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library collections	190	8	8	-	-	-	-	-	-	-	-	-	8	8	-	-	-	-	-
Low value non-current tangible assets	200	484	484	63	-	-	-	-	63	-	-	-	547	547	-	-	-	-	-
Temporary non-tilt structures	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reusable containers	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Objects for rent	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	-	-	142	-	-	-	-	127	-	-	-	142	127	-	-	-	-	-
Total	260	5985	4170	267	-	-	-	-	769	-	-	-	6252	4939	-	-	-	-	-

Line 260, box 14

Capital assets with legally restricted ownership

Collateralized capital assets

Residual value of assets that temporarily were not used (conserved, under reconstruction, etc.)

Initial (reappraised) value of fully depreciated capital assets

Fixed assets of integral property complexes

Capital assets for sale

Residual value of assets lost due to emergencies

Capital assets purchased at the cost of special appropriation

Capital assets held in operational lease

Line 260, box 15

3 группа 105 группа 14

Depreciation of capital assets with legal restriction of ownership

Investment properties appraised at fair value

(261)	-
(262)	-
(263)	-
(264)	3267
(2641)	-
(265)	-
(2651)	-
(266)	-
(267)	8
(268)	-
(269)	-

III. Capital Investments

Наименования показателя	Code	Annually	End of year
I	2	3	4
Capital Construction	280	-	-
Purchase (production) of fixed assets	290	62	-
Purchase or production of other non-current tangible assets	300	205	-
Purchase or production of intangible assets	310	593	-
Purchase or production of long-term biological assets	320	-	-
Other	330	-	-
Total	340	860	-

Line 340, box 3

Capital investments in investment properties (341)

Financial expenditures included in capital investments (342)

IV. Financial Investments

Item	Code	Annually	End of year	
			Long-term	Current
I	2	3	4	5
A. Financial investments:				
Stakes in associated companies	350	-	-	-
subsidiaries	360	-	-	-
joint operations	370	-	-	-
B. Other financial investments:				
shares in registered capital of other entities	380	-	-	-
shares	390	1523	-	1523
bonds	400	11781257	15866352	185530
Other	410	-	-	-
Total (A + B)	420	11782780	15866352	187053

Line 1035, box 4 of balance sheet in the

Financial Performance Report

prime cost

fair value

amortized prime cost

Other long-term financial investments reported at:

(421)

(422)

(423)

15866352

Line 1160, box 4 of balance-sheet in the

Financial Performance Report

prime cost

fair value

amortized prime cost

Current financial investments reported at:

(424)

(425)

(426)

185530

V. Incomes and Expenditures

Item	Code	Incomes	Expenditures
I	2	3	4
A. Other operating incomes and expenditures			
Operating lease of assets	440	-	-
Operational exchange difference	450	10	-
Other current assets realized	460	-	-
Fines, penalties and forfeits	470	-	-
Maintenance of utilities and social and cultural facilities	480	-	-
Other operating incomes and expenditures	490	11321353	12610489
including:			
contributed to loan loss provisions	491	X	-
unproductive expenses and losses	492	X	-
B. Incomes and losses from investments in:			
associated entities	500	-	-
subsidiaries	510	-	-
joint operations	520	-	-
C. Other financial incomes and expenditures			
Dividends	530	-	X
Interests	540	X	463037
Financial lease of assets	550	-	-
Other financial incomes and expenditures	560	1043926	172111
D. Other incomes and expenditures			
Realization of financial investments	570	351958	353047
Incomes from mergers	580	-	-
Utility as assessed	590	-	-
Non-operational exchange difference	600	-	-
Assets received on free of charge basis	610	196	X
Non-current assets written-off	620	X	-
Other incomes and expenditures	630	-	-

Barter operations with products, goods and services

Part of income from sale of products (goods and services) under barter contracts with affiliated

parties

(631)

(632)

(633)

%

Financial expenses included in the prime cost of products

Core activity

Line 540 - 560, box 4

VI. Monetary Funds

Item	Code	At the end of year
I	2	3
Cash	640	-
Current bank account	650	819202
Other bank accounts (letters of credit and cheque books)	660	-
Funds being transferred	670	-
Cash equivalents	680	-
Total	690	819202

Line 1090, box 4 of balance-sheet

(Financial Performance Report)

Funds of restricted use

(691)



VII. Provisions and Reserves

Provisions and reserves	Code	Opening balance	Annual increase		Used annually	Unspent	Expected contribution of the other party	Closing balance
			Accrued (produced)	Additional deductibles				
1	2	3	4	5	6	7	8	9
Vacation pays	710	1564	3747	-	2212	-	-	3099
Staff retirement plans	720	-	-	-	-	-	-	-
Warranty liabilities	730	-	-	-	-	-	-	-
Reconstruction funds	740	-	-	-	-	-	-	-
Liabilities under onerous contracts	750	-	-	-	-	-	-	-
	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Loan loss provisions	775	-	-	-	-	-	-	-
Total	780	1564	3747	-	2212	-	-	3099

VIII. Stocks

Item	Code	Closing balance cost	Reappraisal	
			Net realizable value*	Depreciation
1	2	3	4	5
Raw materials	800	295	-	-
Purchased semi-processed materials and component	810	-	-	-
Fuel	820	56	-	-
Packagings and container materials	830	-	-	-
Construction supplies	840	-	-	-
Spare parts	850	-	-	-
Agricultural materials	860	-	-	-
Current biological assets	870	-	-	-
Low cost and nondurable materials	880	14	-	-
Construction in progress	890	-	-	-
End products	900	-	-	-
Goods	910	-	-	-
Total	920	365	-	-

Line 920, box 3 Book value of stock:
at net realizable cost (921)
transferred for processing (922)
collateralized (923)
factored (924)
Stocks for sale (Financial Performance Report) (925)
(926)

Assets under custody (off-balance account 02)

Line 1200, box 4

IX. Accounts Receivable

Item	Code	Total at the end of year	Including by maturity		
			Up to 12 months	12-18 months	18-36 months
1	2	3	4	5	6
Receivables for goods and works performed	940	613	5	-	-
Other current accounts receivables	950	2080694	-	-	-

Non-performing accounts receivable written-off in the reporting year (951) -

Lines 940 and 950: indebtedness with affiliated parties (952) -

X. Losses from Spoilage

Item	Code	Сума
1	2	3
Detected and written-off	960	-
Recognized as indebtedness of liable persons	970	-
Deficits and losses regarding no final decision on liable persons was not taken (off-balance account 072)	980	-

* Determined pursuant to para 28 of the Accounting Standards 9 "Stocks".

XI. Construction Contracts

Item	Code	Amount
1	2	3
Income under construction contracts from the reporting year	1110	-
Indebtedness at the end of year		
Gross indebtedness of clients	1120	-
Gross indebtedness to clients	1130	-
From paid advances	1140	-
Deferred funds	1150	-
Works completed under construction in progress	1160	-

XII. Profit Tax

Item	Code рядка	Сума
1	2	3
Current profit tax	1210	47
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	47
Including:		
Current profit tax	1241	47
Increase/decrease in deferred tax assets	1242	-
Increase/decrease in deferred tax liabilities	1243	-
Reported as a part of net worth - total	1250	-
Including:		
current profit tax	1251	-
Increase/decrease in deferred tax assets	1252	-
Increase/decrease in deferred tax liabilities	1253	-

XIII. Depreciation Allocations

Найменування показника	Код рядка	Сума
1	2	3
Allocated in the reporting year	1300	1188
Utilized - total	1310	-
including:		
construction of facilities	1311	-
purchase, production and improvement of capital assets including machinery and equipment	1312	-
purchase and production of intangible assets	1313	-
repayment of capital investment loans	1314	-
	1315	-
	1316	-
	1317	-

CEO

K.M. Vorushylin

CFO

O.S. Perebyynis

FINANCIAL REPORTS IN 2014: NOTES

1. KEY FUNCTIONS

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.

Pursuant to the Law 'On Deposit Guarantee System' (hereinafter – the Law), the DGF has the following key 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 institutions (insured banks)
- 3) Investing the DGF funds in the government bonds
- 4) 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'
- 5) Paying the insured deposits with failed banks that are subject to liquidation
- 6) Regulating the banks' membership with the deposit guarantee scheme
- 7) Inspecting problem banks upon an initiative of the National Bank of Ukraine (hereinafter – the NBU).
- 8) Applying financial sanctions to and imposing fines on banks and bank senior executive management
- 9) 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
- 10) On-site monitoring of the member banks under the terms and conditions set in the Law
- 11) Providing financial support to the member banks under the terms and conditions set in the Law
- 12) 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
- 13) Granting the 'special purpose loan' to a bank in order to ensure a due and timely payment of the insured deposits¹ and financing the provisional administration in a failed bank under the terms and conditions set in the Law²
- 14) 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
- 15) Studying and analyzing the markets of financial resources raised by the member institutions from retail depositors

¹ Pursuant to para 1, Part 6, Article 36 of the Law.

² Pursuant to para 2, Part 6, Article 36 of the Law; and paras 7-8, Part 2, Article 37 of the Law; and Part 4, Article 47 of the Law.



The Fund holds the status of a not-for-profit '*economically independent institution*' 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.¹

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 PROCEDURE

Financial Sources

The Fund used the following sources:

- 1) membership fee (*'initial contribution'*), and regular premiums and special premiums from the member institutions
- 2) fines and other penalties paid by the member institutions;
- 3) DGF operations.

The Funds applies its financial resources to finance:

- direct deposit payouts;
- expenditures associated with the resolution of failed banks;
- DGF operating expenses, including human resources, physical facilities and equipment under the approved DGF Budget;
- financial support to assuming banks;
- '*special purpose loans*' to failed banks to support the deposit payouts; and
- provisions for losses from the past periods.

Revenues

The revenues are generated from the following sources.

'Targeted funding' from the following sources:

- membership fee, and regular premiums and special premiums from the member institutions; and
- fines and other penalties paid by the member institutions pursuant to the Law.
- Incomes from investments in the government bonds.
- Interests on the outstanding balance of the DGF account with the National Bank of Ukraine.
- Incomes associated with the financial support from the DGF to an assuming bank.
- Incomes associated with the '*special purpose loan*' to failed banks.

¹ The currency of the primary economic environment in which the DGF operates, and the currency in which financial statements are presented.

- Incomes associated with the loans to the DGF staff.
- Incomes associated with the operations under the Bank Resolution Plan, in particular sale of an insolvent or bridge bank, or bank liquidation.
- Other.

The DGF revenues are classified as:

- Other operating income
- Other financial income
- Other income

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.

Incomes from the '*target funding*' are referred to the periods of the incurred costs.

Unearned/passive incomes are reported 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
- Other financial expenditures
- Administrative expenses
- Other costs

The '*other operating expenses*' include:

- Expenses associated with the deposit payout, including commissions to the agent banks
- Expenses associated with the resolution of a failed bank
- Expenses associated with the litigation involving the DGF member institutions
- Losses associated with differences in the rate of exchange
- 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 premium, by which the book value of investments in the government bonds reduced
- 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
- Missions
- 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, PR 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
- Subscriptions to the international organizations of deposit insurers
- 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

Distribution of Profits

On quarterly basis, on the last day of the reporting period, the total amount of profit is to be transferred to the '*target funding*' resources.

Financial Investments

The Fund invests:

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

The original appraisal of such 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 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.

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 months 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 are long term loans to the DGF staff.

The current accounts 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:
 - Coupon yield associated with the investments in the government securities;
 - Interest on the balance on the accounts with the National Bank of Ukraine.
 - Interests on the *‘special purpose loans’* to failed banks.
 - 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 failed banks associated with the *‘special purpose loan’*.
- 5) Advance payments to other entities.
- 6) Advance payments to *‘accountable persons’*.
- 7) Debts of the public special funds.
- 8) Short-term loans to the DGF staff.

The current accounts receivable were 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. In cases when a particular debtor was recognized as insolvent, the loss provisions are to be increased by the amount of potential NPL. No provisions are reserved for loans recognized as potentially payable.

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 Exchange

The Funds accounts all transactions in foreign exchange in UAH at the rate as of the date of transition.

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

The Report stated all differences in the exchange rate.

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

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 was 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.

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 and services, trade names, etc.
- 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.

Stocks

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.

Claims to the Liquidated Banks

The debts of the liquidated banks to the DGF were reported off-balance, in particular:

1) amongst contingent assets:

- amounts equal to the insured depositors of a failed bank;

2) as written-off assets:

- unpaid charges and fines;
- the '*special purpose loan*' unpaid as of the date of bank liquidation;
- interest on the '*special purpose loan*' unpaid on as of the date of bank liquidation.

3. Form # 1 "Balance Sheet", line 1040, box 4 (Long-Term Accounts Receivable)

Item	UAH thousands
Long-term receivables from the staff	1,849
Total:	1,849

4. Form # 1 "Balance Sheet", line 1155, box 4 (Other Current Accounts Receivable)

Item	UAH thousands
Payments to agent banks associated with deposit payout	50,417
Short-term receivables from staff	887
Internal receivables	216
Compensations for the staff called up for military service	134
'Special purpose loan' to insolvent banks	2,028,942
Social insurance payments	98
Total:	2,080,694

5. Form # 1 "Balance Sheet", line 1140, box 4 (Receivables from Accrued Income)

Item	UAH thousands
Incomes from transactions with the government bonds	398,007
Premiums from the member institutions	24,916
Interest on the 'special purpose loans'	23,128
Fines and penalties from the member s institutions	1,735
Total:	447,786



6. Form # 1 “Balance Sheet”, line 1515, box 4 (Other Long-Term Liabilities)

Item	UAH thousands
Long-dated bills in UAH	10 117 630
Total:	10 117 630

7. Form # 1 “Balance Sheet”, line 1690, box 4 (Other Current Liabilities)

Item	UAH thousands
Liabilities associated with insured deposits	1,126,227
Advanced premiums to DGF	1,793
Interest on promissory note	152,705
Guarantee deposits of potential participants in resolution tenders	30,000
Total:	1,310,725

8. Form # 2 “Financial Performance”, line 2180, box 3 (Other Operating Expenses)

Item	UAH thousands
Payouts to insured depositors of liquidated banks	8,459,454
Unpaid ‘special purpose loans’ and (principal and interest)	3,428,674
Financial support to assuming banks	722,056
Commissions to agent banks	5
Expenses associated with resolution of insolvent banks	300
Total:	12,610,489

9. Form # 2 “Financial Performance”, line 2270, box 3 (Other Expenses)

Item	UAH thousands
Prime cost of financial investments	353,047
Total:	353,047

10. Form # 3 “Cash Flows”, line 3095, box 3 (Other Operating Incomes)

Item	UAH thousands
DGF claims settled by bank liquidators	151,855
‘Special purpose loans’ (principal and interest) repaid by insolvent banks	675,154
Funds unpaid to insured depositors	536,219
Loans repaid by the DGF staff	216
Liabilities of Social Security Fund	428
Guarantee deposits from potential bidders	169,000
Internal receivables	205
Total:	1,533,077

11. Form # 3 “Cash Flows”, line 3190, box 3 (Other Expenditures Associated with the DGF Operations)

Item	UAH thousands
Funds to be paid to insured depositors	9,044,836
‘Special purpose loans’ to insolvent banks	6,080,182
Financial support to assuming banks	722,056
Returned guarantee deposits	139,000
Costs associated with missions	2,248
Loans to the DGF staff	1,100
Contributions to the DGF trade union	1,676
Court fees	70
Total:	15,991,168

12. Form # 3 “Cash Flows”, line 3250, box 3 (Other Investment Incomes)

Item	UAH thousands
Retirement of government bonds	2,577,769
Total:	2,577,769

13. Form # 3 “Cash Flows”, line 3290, box 3 (Other Payments Associated with Investments)

Item	UAH thousands
Prepayments to purchase non-current loans	600
Commissions on sales of government bonds	359
Total:	959

14. Off-Balance Account 041 “Contingent Assets and Liabilities”

Unpaid liabilities of insolvent banks to DGF ¹	UAH thousands	Maturity
1	2	3
Public Joint-Stock Company “ZEMELNIY BANK”	100,742	TBD
Joint-Stock Bank “ALLONGE”	7,320	TBD
Joint-Stock Bank “Regional Development Bank”	289,174	TBD
Public Joint-Stock Company “SYNTEZ”	85,330	TBD
Joint-Stock Commercial Bank “EVROPEISKIY”	683,204	TBD
Joint-Stock Commercial Bank “ODESA-BANK”	71,115	TBD
Joint-Stock Commercial Bank “Eastern European Bank”	210,042	TBD

¹ Liabilities associated with deposit payout and bank resolution.



Unpaid liabilities of insolvent banks to DGF ¹	UAH thousands	Maturity
1	2	3
Joint-Stock Commercial Bank "TRANSBANK"	436,522	TBD
Open Joint-Stock Company "BIG ENERGIYA"	500,046	TBD
Open Joint-Stock Company "European Bank for Development and Savings"	327,395	TBD
Commercial Bank "ARMA"	182,864	TBD
Joint-Stock Company «Commercial Bank "VOLODYMYRSKIY"»	100,440	TBD
Open Joint-Stock Company Commercial Bank "National Standard"»	266,819	TBD
Commercial Bank "Ukrainian Financial Group"	51,602	TBD
Public Joint-Stock Company "INPROMBANK"	63,523	TBD
Public Joint-Stock Company «Commercial Bank "SOTSKOMBANK"»	86,960	TBD
Public Joint-Stock Company «Commercial Bank "BASIS"»	284,079	TBD
Public Joint-Stock Company "BANK STOLYTSYA"	30,053	TBD
Open Joint-Stock Company «Commercial Bank "DNISTER"»	336,173	TBD
Joint-Stock Company "DIALOGBANK"	98,250	TBD
Public Joint-Stock Company "TAVRIKA BANK"	879,987	TBD
Public Joint-Stock Company "ERDE BANK"	145,391	TBD
Public Joint-Stock Company "AVTOKRAZBANK"	289,470	TBD
Public Joint-Stock Company "FORUM BANK"	2,315,726	TBD
Joint-Stock Company "BROKBUSINESSBANK"	2,015,333	TBD
Joint-Stock Company "EVROGAZBANK"	667,299	TBD
Public Joint-Stock Company "ZAKHIDINKOMBANK"	196,273	TBD
Joint-Stock Company "GOLDEN GATE BANK"	111,014	TBD
Public Joint-Stock Company "REAL BANK"	323,914	TBD
Public Joint-Stock Company "STAROKYIVSKIY BANK"	74,019	TBD
Public Joint-Stock Company "FINROSTBANK"	275,381	TBD
Joint-Stock Company "MERCURY BANK"	532,961	TBD
Public Joint-Stock Company «Commercial Bank "DANIEL"»	131,729	TBD
Public Joint-Stock Company «Commercial Bank "INTERBANK"»	57,455	TBD
Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	1,533,566	TBD
Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»	611,043	TBD
Public Joint-Stock Company «Commercial Bank "UFS"»	396,889	TBD
Total:	14,769,103	

15. Off-Balance Account 071 "Written-Off Receivables" Contingent Assets and Liabilities"

Written-off liabilities of insolvent banks to DGF ¹	UAH thousands	Maturity
Public Joint-Stock Company "ZEMELNIY BANK"	692	TBD
Joint-Stock Bank "ALLONGE"	27	TBD
Joint-Stock Bank "Regional Development Bank"	1,011	TBD
Public Joint-Stock Company "SYNTEZ"	648	TBD
Joint-Stock Commercial Bank "EVROPEISKIY"	1,807	TBD
Joint-Stock Commercial Bank "ODESA-BANK"	106	TBD
Joint-Stock Commercial Bank "Eastern European Bank"	358	TBD
Joint-Stock Commercial Bank "TRANSBANK"	403	TBD
Open Joint-Stock Company "BIG ENERGIYA"	296	TBD
Open Joint-Stock Company "European Bank for Development and Savings"	357	TBD
Commercial Bank "ARMA"	443	TBD
Joint-Stock Company «Commercial Bank "VOLODYMYRSKIY"»	152	TBD
Open Joint-Stock Company Commercial Bank "National Standard"»	1,873	TBD
Commercial Bank "Ukrainian Financial Group"	1,177	TBD
Public Joint-Stock Company "INPROMBANK"	2,143	TBD
Public Joint-Stock Company «Commercial Bank "SOTSKOMBANK"»	84	TBD
Public Joint-Stock Company «Commercial Bank "BASIS"»	3,898	TBD
Public Joint-Stock Company "BANK STOLYTSYA"	2,462	TBD
Open Joint-Stock Company «Commercial Bank "DNISTER"»	992	TBD
Joint-Stock Company "DIALOGBANK"	931,578	TBD
Public Joint-Stock Company "TAVRIKA BANK"	201,265	TBD
Public Joint-Stock Company "ERDE BANK"	145,466	TBD
Public Joint-Stock Company "AVTOKRAZBANK"	391,579	TBD
Public Joint-Stock Company "FORUM BANK"	561,713	TBD
Joint-Stock Company "BROKBUSINESSBANK"	554,358	TBD
Joint-Stock Company "EVROGAZBANK"	73,839	TBD
Public Joint-Stock Company "ZAKHIDINKOMBANK"	213,470	TBD
Joint-Stock Company "GOLDEN GATE BANK"	201,357	TBD
Public Joint-Stock Company "REAL BANK"	17,765	TBD
Public Joint-Stock Company "STAROKYIVSKIY BANK"	247,638	TBD
Public Joint-Stock Company "FINROSTBANK"	418,610	TBD
Joint-Stock Company "MERCURY BANK"	274,445	TBD
Public Joint-Stock Company «Commercial Bank "DANIEL"»	22,839	TBD
Public Joint-Stock Company «Commercial Bank "INTERBANK"»	347,033	TBD
Public Joint-Stock Company «Commercial Bank "PIVDENKOMBANK"»	3,913	TBD
Public Joint-Stock Company «Commercial Bank "PROMEKONOMBANK"»	5,900	TBD
Total:	4,631,697	

CEO
CFO

K.M. Vorushylin
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¹ Liabilities associated with 'special purpose loans', interest on 'special purpose loans', and fines and other penalties.



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