



**DEPOSIT
GUARANTEE
FUND**

ANNUAL REPORT 2019





Message from the chairman of the administrative board of the Deposit Guarantee Fund

This year has been a turning point in many areas of the Deposit Guarantee Fund. We have almost overcome the banking crisis effect in Ukraine, which contributed to the gradual restoration of confidence in banking. Additionally, in July 2019, some major changes took place in the DGF's leadership system. By the Administrative Board's decision, Svitlana Rekrut was elected to replace Kostiantyn Vorushylin as the DGF's managing director. This became an impetus for further qualitative development of the organization, setting new ambitious goals and overcoming new challenges.

In the reporting year the DGF completed the process of liquidation of 30 banks, having made over UAH 800 m of deposit payouts. The DGF repaid to the state over UAH 11 bn of loans to pay off depositors of those banks that were liquidated in 2014–2016. In addition to this, due to the proceeds from the asset sale and asset management of the banks under liquidation satisfied claims of the banks' creditors amounted to over UAH 10 bn. For the purpose of returning the assets withdrawn by owners and related parties of the banks, the involvement of international consultants to act for the DGF in foreign jurisdictions.

Among the main objectives of the DGF are implementation of legislative initiatives to strengthen the defense of creditors' rights and improvement of bank resolution process. For the practical experience gained by the DGF has revealed significant deficiencies in the legislation system of Ukraine governing these issues. To improve and implement the provisions of EU directives, the working group consisting of the DGF, the National Bank of Ukraine and the World Bank consultants has developed the White Paper – a document on the DGF's strategic development and implementation of improved mechanism for insolvency settlement according to the EU legislation.

Moreover, in the reporting year the DGF implemented a number of measures within the Comprehensive Program of Ukrainian Financial Sector Development until 2020, which significantly increased the level of depositor rights' protection and financial education, to establish the legislative opportunity, at the draft level so far, for the DGF's participation in early stage of bank resolution even before the actual recognition of its insolvency, as well as to begin the process of approval on the DGF's debt restructuring to the state. Among other important steps within the program is a plan to involve Oschadbank in the guarantee system, which will promote equal competitive environment in the banking sector and the same level of depositors' protection.



Undoubtedly, a significant step forward was the new Code of Ukraine on Bankruptcy procedures, which entered into force in October 2019. This document addresses a number of important issues for the DGF – increases the efficiency of bankruptcy procedures and the level of protection of creditors' rights, improves the procedures of selling the debtor's property at auction, in particular, in open and transparent electronic bidding in ProZorro.Sale system, helps to increase the level of court decision enforcement, as well as regulates relations to restore the solvency of individuals who are in a difficult financial situation and need help from the state.

And finally, in 2019, a new comprehensive draft bill on amendments to the legislation of Ukraine regarding the improvement of some mechanisms for regulating banking was initiated and collectively developed by the experts of the DGF, the National bank of Ukraine, the Ministry of Finance of Ukraine and international financial organizations. This document is designed to bring the principles of domestic guarantee system closer to European standards as well as to improve and speed up the process of bank resolution. This will allow to increase the households deposit guarantee system's efficiency and further strengthen the citizens' confidence in the banking system of Ukraine.

Sincerely,
Ihor Pryima
Chairman of the Administrative Board
Deposit Guarantee Fund,
Head of the Secretariat of the
Parliamentary Committee on Finance,
Taxation and Customs Policy

Message from the managing director of the Deposit Guarantee Fund



The year 2019 has been for the DGF's team a year of summarizing banking crisis events of 2014–2016, a year of transformation and new challenges.

During this year no bank was recognized to be insolvent – instead, over 30 out of 95 banks were liquidated and transferred to the management of the Deposit Guarantee Fund. Payments to depositors within the guaranteed amount were completed by more than 98%, and the total amount of guaranteed payments at the end of 2019 almost reached UAH 90 bn. Additionally, there were ongoing settlements with insolvent banks' creditors, thus total amount of satisfied accounts payable has increased to UAH 45 bn.

At the same time, we continued to repay a public loan debt of 2014–2017. During 2019 the DGF provided a full settlement on loans to the NBU as well as advance repayment of the first loans taken from the Ministry of Finance of Ukraine. So, at the end of 2019, the DGF returned over UAH 41 bn to the state.

Concurrently, UAH 49 bn principal and over UAH 67.44 bn interest should still be repaid under these obligations. So, in 2020, the Deposit Guarantee Fund in cooperation with the Ministry of Finance of Ukraine and the NBU will keep working on this debt restructuring – otherwise, it would be impossible for us to reach one of our main goals, which is raising the amount of deposit guarantee payouts up to European level. For this is one of those factors that directly affects the level of confidence in the banking system.

The development of a transparent and competitive system of asset sales remains in the list of the DGF's priorities. After successful launch of ProZorro.Sales electronic bidding in 2016, initial involvement of international investors in 2018, we can say with confidence that we were able to create from scratch a fully-fledged, transparent, competitive market of problem assets.

We can assert this relying on specific figures, in particular, providing that in 2019 the proceeds from asset sales amounted to UAH 7.8 bn (cf. in 2018 banks received UAH 6.8 bn of the proceeds), while the total proceeds from sales and management of assets comprised about UAH 9 bn. Given that, the most liquid assets were for obvious reasons sold in the beginning of the bank liquidation procedure, and until 2019 under the DGF's management only problem assets remained, which were repeatedly put up for sale, some – up to 30 times! Those are, first of all, loans that have been non-performing for 6–7 years, considerable part of which are either unsecured loans, or with pledge of no value, or loans for which the bankruptcy procedure has been started by the borrower.

There is no doubt that pursuing claims against persons culpable in causing such condition of banks, reimbursement of losses for the creditors' benefit – one of the main focus areas of the Deposit Guarantee Fund. By the end of 2019, lawyers of the DGF and insolvent banks have filed about 45,000 lawsuits for the total amount of UAH 200 bn. Moreover, the DGF submitted 5,600 applications on criminal offences to the law enforcement agencies for the total amount of about UAH 400 bn. Less than a half of these applications, however, reached the court, with judgment of conviction only in 13 cases – total amount of UAH 414,500.

For the purpose of loss compensation for the banks, the DGF filed lawsuits for the amount over UAH 91 bn against 605 individuals related to the insolvent banks; all of them have been on different stages of legal proceedings for the end of 2019. That is why the team of the DGF has initiated torts against these persons in foreign jurisdictions. The process of selecting legal companies to litigate these claims has already started in 2019, with a plan to get to the active phase of this work in 2020.

Additionally, the DGF expects the problem of contesting decisions on bank resolution to be solved soon – the former owners try to block liquidation procedures, stop asset sales (correspondingly, after settlements with creditors) and whitewash their reputation. Work on the development of appropriate legislative mechanisms lasted almost all of 2019 and their adoption by the Parliament will finally put an end to this issue.

Another, of no less importance, direction of our work is the extension of financial knowledge among citizens. After all, the financial awareness of society has a direct impact on the stability of the entire economic system of the country. In particular, the annual Student Video Contest within the scope of Global Money Week in cooperation the United States Agency for International Development (USAID) shall be continued, and a three-year National Financial Literacy Project was launched to train Financial Literacy teachers.

Our plans for 2020 include the final liquidation of 40 more banks, completion of the sale of assets, continuing the struggle for loss recoveries from the bank-related parties, further development of legislative work aimed at early detection of bank problems, improving insolvency settlement mechanisms and preventing banks from stepping out of the legal realm. So there is a lot of large-scale, complex, but nevertheless interesting work awaiting for the DGF ahead.

Sincerely,
Svitlana Rekrut
Managing Director of the Deposit Guarantee Fund



Administrative Board



Ihor Pryima

Chairman of the Administrative Board
Head of the Secretariat of the
Parliamentary Committee on Finance,
Taxation and Customs Policy



Oleg Strynzha

Director of
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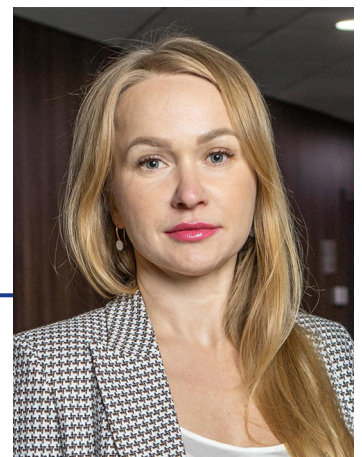
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of the Department of Financial Policy



Svitlana Rekrut

Managing Director
Deposit Guarantee Fund



Executive Board



Svitlana Rekrut

Managing Director



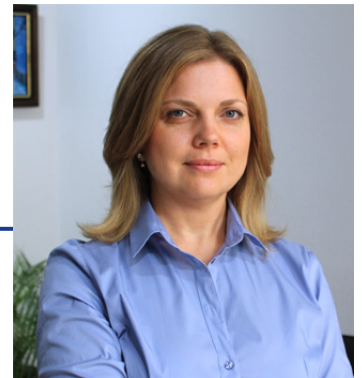
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Mission, vision, and functions of the Deposit Guarantee Fund



Mission

Insuring deposits, protecting the rights of creditors, raising financial literacy to reinforce public trust in the state financial system and enhance the welfare of people



Vision

The Deposit Guarantee Fund is a transparent, innovative and reliable partner for preventing financial losses and setting benchmarks for deposit insurance systems globally



Functions

- maintaining the Register of Member Institutions;
- accumulating funds from the sources as set in Article 19 of the Law "On Households Deposit Guarantee System" (hereinafter referred to as the Law) and supervising fee payments from DGF member institutions;
- 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 the State Budget of Ukraine";
- organising deposit payouts within the time limits specified in the Law;
- regulating the banks' membership to the households deposit guarantee system;
- inspecting problem banks upon the initiative of the National Bank of Ukraine;
- applying financial sanctions to and imposing fines on banks and bank senior executive management;
- resolving insolvent banks, including through provisional administration and liquidation of such banks, organising the disposal of assets and liabilities of an insolvent bank, sale of an insolvent bank, or 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 their potential risks, and project the potential costs associated with the resolution of insolvent banks and deposit payouts;
- granting the special-purpose loan to a bank in order to ensure due and timely remuneration of labour under the terms and conditions set in paragraph 2, Part 6 of Article 36, paragraphs 7 and 8, Part 2 or Article 37 and Part 4, Article 47 of the Law during the provisional administration;
- sending relevant inquiries to customers, depositors, and other bank creditors in accordance with the procedure established by the DGF;
- educating public about the households deposit guarantee system, protection of depositors' rights and their legitimate interests, as well as promoting financial literacy of the general population pursuant to the Law;
- studying and analysing markets of financial resources raised by member institutions from household depositors.



2019: the year in review

The year 2019 has become a year of fundamental changes, achievements and challenges, completion of overcoming consequences of the banking crisis and the DGF's transformation into the banking system partner in the country.

The year is marked by the final liquidation of 30 banks and deposit guarantee payouts of more than UAH 800 m; over UAH 9 bn proceeds to the insolvent banks, UAH 7.8 bn of which are from the sales of assets; and over UAH 11 bn of DGF's debt reimbursement to the National Bank of Ukraine and the Ministry of Finance of Ukraine; settlement of creditor's claims of more than UAH 10 bn.

1. Key performance indicators

As of January 1, 2020, there were 61 banks under the management of the DGF: 3 of them – under the direct control, that is without the authorized officer (PAT KB PIVDENKOMBANK, PAT PROFINBANK, AT BANK ZOLOTI VOROTA).

During the reporting year the liquidation procedure of the first 30 banks that were under the DGF management was completed.

Total amount of the guaranteed deposit payouts to the depositors of insolvent banks during 2019 at the expense of the DGF makes UAH 834.0 m, and as of January 1, 2020 96.1% of depositors actually received the guaranteed amount, and only 3.9% did not request the payment.

As of January 1, 2020 the member institutions comprise 74 banks licensed by the National Bank of Ukraine for banking operations (AT OSCHADBANK is not a member of the DGF). During the reporting year 3 banks were excluded from the Register of Member Institutions.

As of January 1, 2020 the member institutions have UAH 1,668.3 bn of total assets, UAH 1,244.0 bn of net assets, 1,062.3 bn of joint liabilities, and UAH 181.7 bn of equity. According to the reporting year results, the consolidated financial result of the DGF member institutions amounts to UAH 59.4 bn. The number of depositors of these member institutions is 43.4 m people, the retail deposits amount is UAH 474.4 bn, the amount of potential reimbursement at the expense of the DGF is amounted to UAH 290.9 bn.

During 2019 the DGF has completed repayment of loans granted by the National Bank of Ukraine: over UAH 20 bn of loan repayment and UAH 5.5 bn of the interest during the whole period. On the redemption of promissory notes owned by the Ministry of Finance of Ukraine in 2019, the DGF spent UAH 9.1 bn and to pay interest on them UAH 0.5 bn. In the reporting year, the DGF's expenses to pay off debts to the state amounted to 57.3% of the DGF's total costs.

As of January 1, 2020 total asset book value of 56 banks, where the accepted creditors' claims register is approved by the decision of the DGF Executive Directorate, amounts to UAH 359.7 bn, while their estimated value – to UAH 59.5 bn, or 16.5%.

As of January 1, 2020, the total amount of approved accepted creditors' claims equals to UAH 286.5 bn (including banks liquidated). During the reporting year, the amount of approved accepted creditors' claims increased by UAH 20.7 bn due to the approval of the Creditors Register for 2 insolvent banks in 2019.

In 2019, the creditors' claims were settled for UAH 10.1 bn in all the priorities.

In 2019, the proceeds to the banks under liquidation amounted to UAH 9.1 bn; UAH 7.8 bn of this amount – from the sales of assets of these banks; UAH 0.97 bn – from loan repayment; UAH 0.016 bn – from sale of securities; UAH 0.1 bn – from property lease, and UAH 0.2 bn of other proceeds.

According to the results of open bidding the largest share in the amount of sold bank assets in 2019 is the sale of receivables under credit agreements, namely UAH 4.6 bn, in addition, fixed assets and accounts receivable sold respectively in the amount of UAH 3.1 bn and UAH 0.18 bn, securities/corporate rights – at UAH 0.008 bn, other assets (paintings, coins, etc.) – at UAH 0.045 b, sale of assets directly to legal entities and individuals – at UAH 0.008 bn.

In 2019, 17,007 lots with a starting price of UAH 265.8 bn were put up for sale at Dutch auctions, of which 3,637 lots were sold at a selling price of UAH 4.67 bn, which accounted for 59% of all successful bidding (auctions) on the sale of assets (property) of banks in 2019.



During 2019, international consultants for the sale of assets of FFN, DebtX, Cohen & Company Financial Ltd prepared for sale and held six successful auctions for the sale of NPL-assets of the DGF for UAH 1.4 bn. Three more successful auctions for the sale of large pools of NPL assets in 2019 were conducted through the Prozorro.Sale system. The sale price of these assets amounted to UAH 235 m. Participants and winners of these auctions for the sale of NPL assets were companies with both Ukrainian and foreign capital.

The DGF, during the reporting year, continued its work on restructuring the individuals' loan debt secured by real estate mortgages. As of January 1, 2020, 263 packages of documents on restructuring were received, 96 of them during the reporting year.

During 2019, the DGF kept up working on identifying damage, caused to the banks and their creditors by decisions, actions or omissions of the banks-relate persons. As of January 1, 2020, the DGF has filed 35 lawsuits against 34 insolvent banks for the total amount of more than UAH 89 bn. There are no final court decisions in any of the lawsuits initiated.

As of January 1, 2020 5,721 allegations of criminal offenses were sent to the law enforcement agencies with a total damage cost of more than UAH 376,4 bn.

During the reporting year, the information policy of the DGF was aimed at educating the public about the guarantee system and DGF's activities, as well as increasing the level of financial literacy. In 2019, informational videos were made, the Facebook page was updated, about 700 press releases were prepared and sent to the media, more than 60 appearances on television and radio were organized, and about 40 thematic interviews and comments were provided.

In 2019, about 50,000 consultations through the DGF hotline and more than 2,000 personal consultations were offered, 50 meetings with initiative groups held and over 1,000 requests for public information processed.

For the purpose of establishing financial culture in society, the Deposit Guarantee Fund in cooperation with its partners, Business Club "Partner" public organization and University of Banking announced the launch of a three-year National Project on Financial Literacy. Concurrently, the DGF has regularly conducted educational events aimed at raising public awareness for schoolchildren, university students, employees of budgetary institutions, persons registered at employment centers, entrepreneurs, retirees and students of the Universities of the Third Age.

2. Banking sector overview and regulatory activities

As of January, 1 2020, the Deposit Guarantee Fund comprised 74 member banks licensed by the National Bank of Ukraine.

The Law stipulates that the membership of banks in the DGF is mandatory. The Bank acquires the status of a DGF member bank on the date of receipt of the banking license.

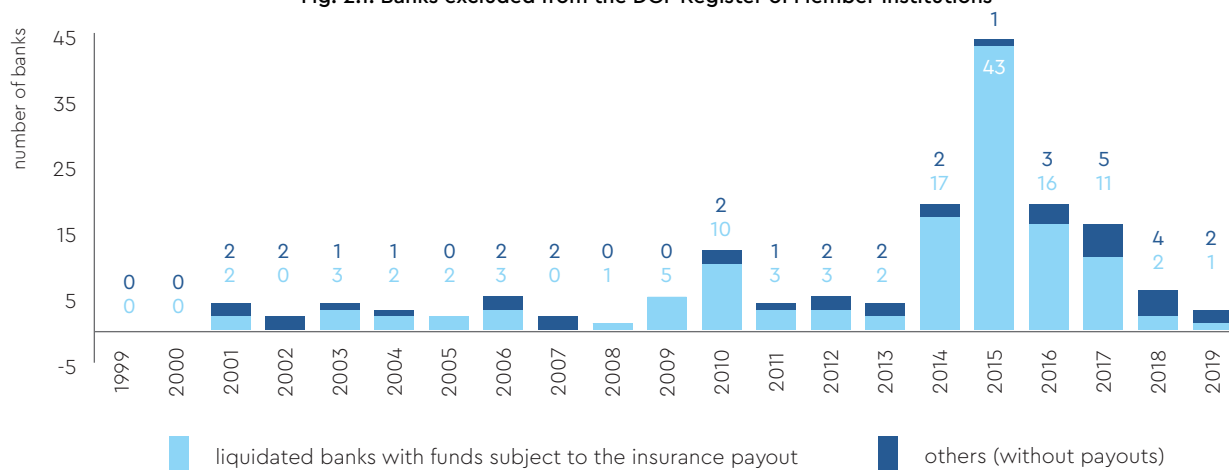
The DGF excludes a bank from among the DGF member banks in the event of adoption of a decision to revoke the banking license and institute liquidation proceedings against the bank. AT Oschadbank is not a member of the DGF.

In 2019, 3 banks were excluded from the Register of Member institutions for the following reasons:

- 1 bank – banking license revocation and bank liquidation;
- 1 bank – banking license revocation without winding up of a legal entity;
- 1 bank – removal from the State Register of Banks due to its reorganization by joining the simplified procedure.

The banks exclusion dynamics is shown in Fig. 2.1.

Fig. 2.1. Banks excluded from the DGF Register of Member Institutions



In the first half of the year 2019, one of DGF member banks, declared insolvent by the National Bank of Ukraine, was under the provisional administration regime; eventually its banking license was revoked.

As of January 1, 2020 there were 35 banks with foreign capital participation (more or equal to 10,00 %) with 100% foreign capital in 23 of them.

According to the decision of the Committee on Banking Supervision and regulation, payment systems oversight of the National Bank of Ukraine dated February 28, 2019, No. 70 the following items are provided for 2019:

- state-owned banks – banks in which the state directly or indirectly owns more than 75% of the authorized capital of the bank;

- banks of foreign banking groups – banks, whose controlling stakes are owned by foreign banks or foreign financial and banking groups;
- privately owned banks – banks in which among the ultimate owners of a qualifying holding there are one or more private investors that own, directly and/or indirectly own at least 50% of the authorized bank capital

As of January 1, 2020, the distribution of banks among the groups was as follows: 4 state-owned banks; 20 banks of foreign banking groups; 50 privately owned banks.

2.1. Overview of member institutions' financial indicators

On the basis of balance sheet data as of January 1, July 1, October 1, 2020 and January 1, 2020 the financial performance of DGF member institutions was analysed.

During the year, two banks have been excluded from the DGF Register (one – due to the liquidation procedure, another – due to the termination of banking operations without winding up of a legal entity),

which didn't have significant impact on the dynamics of systematic factors due to small relative share of the excluded members (See Table 2.1.1).

In addition to this, one bank was excluded due to reorganization by joining the simplified procedure.

Balance sheet ratios of the banks excluded from the DGF Register in 2019 (except for the bank reorganized) as of January 1, 2019

Table 2.1.1

Indicators	Net assets		Joint liability	Equity		
	Total	Including loan and investment portfolio with exemption of reserves		Total	including	
					paid authorized capital	performance in 2019
on two excluded banks, UAH m	7 621,3	7 423,8	16 767,8	- 9 146,5	3 060,1	- 12 281,8
Relative share in total for the DGF, %	0,7	0,8	1,6	X	0,7	3,6
For reference:						
Total amount for the DGF, UAH m	1 149 975,3	914 568,0	1 021 974,2	128 001,1	418 899,1	- 343 878,4

During 2019, the National Bank of Ukraine consistently lowered the accounting rate, which at the beginning of the year equaled to 18.0%. Three times in a row the rate was lowered by 0,5 p.p.: since April 26, 2019 to 17,5%, since July 7, 2019 to 17,0% and since September 6, 2019 to 16,5% pct. p.a. In the last quarter it decreased by 3,0 p.p.: at first to 15,5% since October 25, 2019, and then to 13,5% since December 13, 2019. Thus, during the year, the rate decreased from 18,0% to 13,5%.

This rate decrease was caused by backpedaling of consumer inflation due to the tight monetary policy of the NBU, which remained a significant factor in curbing fundamental price pressures. If in the first quarter the consumer price index was 2.4% (until December of the previous year),

and after the first half was 3.6%, then for 9 months it decreased to 3.4% and for the whole of 2019 amounted to 4.1 % in comparison with 9.8% last year. At the end of the year, consumer inflation slowed rapidly and reached the medium-term target of 5.0% declared in 2015. At the same time, there was disinflation in all major components.

From the beginning of 2019, the official exchange rate of UAH to USD increased by UAH 4.002064 (UAH strengthened by 14.5%) and as of January 1, 2020 amounted to UAH 23.6862 per US dollar. The official exchange rate of UAH to EUR increased by UAH 5.292138 (UAH strengthened by 16.7%) and as of January 1, 2020 was equal to UAH 26.422 per euro.

Major trends of the DGF member institutions in 2019

During the reporting period, the banking sector operated in favorable conditions. Achieved macro-financial stability and low inflation allowed the DGF members to accumulate assets, increase customer balances and demonstrate the highest level of profitability over the long period of work. In 2019, consumer lending accelerated and free fundraising of citizens, both in national and foreign currencies, intensified. After the seasonal decline, account balances of business entities were restored. Some banks have successfully restructured bad debts, which has made it possible to disband reserves and increase profitability. According to the results of the year, the DGF members received a record financial result – profit of UAH 59,356.6 m.

Some negative factors have still remained: high level of problem assets, including significant amount of overdue credit debt, reduction of corporate loan and investment portfolio, narrowing of the resource base, and reduction of liabilities payment terms.

According to the results of 2019, balance sheet total of the banking system has shown growth, although it decreased in the first half of the year. Its volume as of January 1, 2020 amounted to UAH 1,243,973.4 m vs. UAH 1,149,975.3 m at the beginning of the year, having increased by UAH 93,998.1 m or 8.2% (increase over the previous year amounted to UAH 33,813.0 m or 3.0%). The increase occurred despite the ongoing revaluation of the hryvnia and, related to this, the negative revaluation of foreign currency balance sheet items.

In terms of assets, their main factors were: accelerated lending to individuals, increasing volume of highly liquid assets and a sharp investment increase in the NBU certificates of deposit. This allowed to mitigate the negative effect of a significant reduction in business loan portfolio and balance decrease of domestic government loan bonds (OVDPs).

Liabilities increased due to the attraction of temporarily free funds of clients despite the decrease in borrowings on the interbank and international money markets, as well as the increase of total capitalization of the banking system. At the end of the year, regulatory capital adequacy has grown and is now significantly higher than the minimum required level.

Today, the main problems of the banking system are: low quality of assets, high level of non-performing loans, concentration of significant funds in government securities instead of directing them into the economy lending, lower level of the clients' financial solvency.

Analysis of assets

According to the results of 2019, the total assets of the DGF member increased by UAH 24,048.7 m or 1.5% and as of January 1, 2020 – to UAH 1,668,332.8 m vs. UAH 1,644,284.1 m as of January 1, 2019. Net assets for the same period increased by UAH 93,998.1 m or 8.2% (from UAH 1,149,975.3 m to UAH 1,243,973.4 m).

During 2019, almost all components of the DGF members' assets increased, except for business lending, OVDPs portfolio and receivables, but most of all – investments in the NBU deposit certificates. This was related to the record fund inflow to customer accounts in December.

Loans to businesses and balances of OVDPs decreased due to the actual repayment and strengthening of the hryvnia exchange rate, and insurance reserves decreased due to the aforementioned decrease in the volume of loans.

Changes in volume and structure of assets of the DGF members in 2019 are shown in Table 2.1.2. Changes in the main components of assets, which account for almost 80.0% of their total, in terms of individual groups of banks, national and foreign currencies are shown in Table 2.1.3.

Member institutions asset structure and dynamics in 2019

Table 2.1.2

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	%	amount	%	amount	%	amount	%	Q4	year
Cash, cheque card and banking metals	42 009,6	2,6	44 262,4	2,8	41 058,8	2,5	49 838,6	3,0	+ 8 779,8	+ 7 829,0
Payables to the NBU	30 762,5	1,9	38 966,9	2,4	44 365,9	2,8	46 811,5	2,8	+ 2 445,6	+ 16 049,0
- funds of the NBU counter accounts	30 762,5	1,9	38 956,4	2,4	44 356,3	2,8	46 802,0	2,8	+ 2 445,7	+ 16 039,5
- deposits in the NBU	-	-	10,5	0,0	9,6	0,0	9,5	0,0	- 0,1	+ 9,5
Funds in other banks	105 648,7	6,4	123 819,4	7,7	134 295,2	8,4	130 920,0	7,9	- 3 375,2	+ 25 271,3
- funds on demand	76 960,8	4,7	93 519,0	5,8	96 550,1	6,0	99 710,6	6,0	+ 3 160,5	+ 22 749,8
- granted loans and deposits	28 544,1	1,7	30 127,3	1,9	37 632,6	2,4	31 161,0	1,9	- 6 471,6	+ 2 616,9
- accrued incomes	143,8	0,0	173,1	0,0	112,5	0,0	48,4	0,0	- 64,1	- 95,4
Loans granted to clients	1 009 029,6	61,3	960 920,5	59,9	929 156,8	58,0	910 890,6	54,6	- 18 266,2	- 98 139,0
- loans to the entities	732 396,5	44,5	679 446,6	42,4	648 100,0	40,5	629 881,6	37,7	- 18 218,4	- 102 514,9
- loans to individuals	150 414,1	9,1	157 564,8	9,8	162 734,8	10,1	164 804,3	9,9	+ 2 069,5	+ 14 390,2
- loans to the government authorities	1 823,9	0,1	1 763,5	0,1	1 815,6	0,1	2 460,4	0,2	+ 644,8	+ 636,5
- accrued incomes	124 395,1	7,6	122 145,6	7,6	116 506,4	7,3	113 744,3	6,8	- 2 762,1	- 10 650,8
Securities investments	364 684,7	22,2	340 028,5	21,2	357 858,7	22,4	425 505,2	25,5	+ 67 646,5	+ 60 820,5
- securities refinanced by the NBU	294 590,6	17,9	282 284,6	17,6	276 558,5	17,3	267 315,2	16,0	- 9 243,3	- 27 275,4
- securities issued by the NBU	57 439,9	3,5	44 375,8	2,8	58 347,8	3,6	135 965,3	8,1	+ 77 617,5	+ 78 525,4
- corporate and other securities	6 966,6	0,4	8 295,8	0,5	17 162,9	1,1	16 655,0	1,0	- 507,9	+ 9 688,4
- accrued income	5 687,6	0,4	5 072,3	0,3	5 789,5	0,4	5 569,7	0,4	- 219,8	- 117,9
Investments in affiliates or subsidiaries	186,5	0,0	325,6	0,0	325,6	0,0	400,0	0,0	+ 74,4	+ 213,5
Fixed assets, intangible assets and right-of-use assets	42 742,3	2,6	49 535,3	3,1	50 446,3	3,1	51 704,5	3,1	+ 1 258,2	+ 8 962,2
Receivables	17 585,8	1,1	17 879,2	1,1	17 344,1	1,1	16 923,0	1,0	- 421,1	- 662,8
Other accrued incomes	2 005,2	0,1	1 925,0	0,1	2 014,2	0,1	2 010,8	0,1	- 3,4	+ 5,6
Other assets	29 629,2	1,8	26 186,8	1,7	24 869,3	1,6	33 328,6	2,0	+ 8 459,3	+ 3 699,4
Assets total	1 644 284,1	100,0	1 603 849,6	100,0	1 601 734,9	100,0	1 668 332,8	100,0	+ 66 597,9	+ 24 048,7
including accrued income	132 231,7	8,1	129 316,0	8,0	124 422,6	7,8	121 373,2	7,3	- 3 049,4	- 10 858,5
Reserves for asset transactions	- 494 308,8	x	- 464 189,9	x	- 437 426,4	x	- 424 359,4	x	+ 13 067,0	+ 69 949,4
Net assets	1 149 975,3	x	1 139 659,7	x	1 164 308,5	x	1 243 973,4	x	+ 79 664,9	+ 93 998,1

**Changes of main asset components in certain banking groups,
in national and foreign currency in 2019**

Table 2.1.3

(UAH m)

Indicators	Balance as of Jan 1, 2019			Changes in 2019		Balance as of Jan 1, 2020		
	Total	including		UAH	currency (UAH eq.)	Total	including	
		UAH	currency (UAH eq.)				UAH	currency (UAH eq.)
1. Loans to entities								
State-owned banks	406 999,9	240 107,2	166 892,7	- 1 274,6	- 33 881,5	371 843,8	238 832,6	133 011,2
including Privatbank	226 484,6	181 660,1	44 824,5	+ 3 167,6	- 3 846,0	225 806,2	184 827,7	40 978,5
Foreign banking groups	286 874,6	122 944,4	163 930,2	- 13 622,5	- 32 392,0	240 860,1	109 321,9	131 538,2
including Russian state-owned banks	98 552,8	11 735,9	86 816,9	- 2 664,0	- 21 842,7	74 046,1	9 071,9	64 974,2
Privately-owned banks	103 969,7	54 458,8	49 510,9	+ 1 074,5	- 5 273,0	99 771,2	55 533,3	44 237,9
Insolvent banks	21 592,9	17 765,2	3 827,7	- 17 765,2	- 3 827,7	-	-	-
Total for member institutions	819 437,1	435 275,6	384 161,5	- 31 587,8	- 75 374,2	712 475,1	403 687,8	308 787,3
2. Loans to individuals								
State-owned banks	75 801,0	56 642,2	19 158,8	+ 7 414,8	- 4 184,8	79 031,0	64 057,0	14 974,0
including Privatbank	67 382,8	53 064,3	14 318,5	+ 7 228,9	- 2 848,2	71 763,5	60 293,2	11 470,3
Foreign banking groups	82 648,8	47 998,3	34 650,5	+ 10 738,5	- 17 492,6	75 894,7	58 736,8	17 157,9
including Russian state-owned banks	2 881,7	1 123,1	1 758,6	- 808,9	- 253,0	1 819,8	314,2	1 505,6
Privately-owned banks	29 239,7	23 846,7	5 393,0	+ 13 104,7	- 1 390,7	40 953,7	36 951,4	4 002,3
Insolvent banks	3,3	0,3	3,0	- 0,3	- 3,0	-	-	-
Total for member institutions	187 692,8	128 487,5	59 205,3	+ 31 257,7	- 23 071,1	195 879,4	159 745,2	36 134,2
3. Securities refinanced by the NBU								
State-owned banks	258 706,5	199 740,2	58 966,3	- 14 366,7	- 23 836,5	220 503,3	185 373,5	35 129,8
including Privatbank	179 115,0	153 040,9	26 074,1	- 12 138,0	- 15 696,2	151 280,8	140 902,9	10 377,9
Foreign banking groups	18 707,8	10 473,2	8 234,6	+ 9 247,3	+ 5 130,6	33 085,7	19 720,5	13 365,2
including Russian state-owned banks	75,8	75,8	-	- 75,8	-	-	-	-
Privately-owned banks	19 823,3	6 509,7	13 313,6	+ 2 270,2	- 4 100,5	17 993,0	8 779,9	9 213,1
Insolvent banks	1 862,3	1 862,3	-	- 1 862,3	-	-	-	-
Total for member institutions	299 099,9	218 585,4	80 514,5	- 4 711,5	- 22 806,4	271 582,0	213 873,9	57 708,1
4. Securities issued by the NBU								
State-owned banks	4 213,8	4 213,8	-	+ 36 228,7	-	40 442,5	40 442,5	-
including Privatbank	-	-	-	+ 27 042,9	-	27 042,9	27 042,9	-
Foreign banking groups	34 995,7	34 995,7	-	+ 30 237,5	-	65 233,2	65 233,2	-
including Russian state-owned banks	3 461,5	3 461,5	-	+ 3 931,7	-	7 393,2	7 393,2	-
Privately-owned banks	18 355,7	18 355,7	-	+ 12 157,1	-	30 512,8	30 512,8	-
Insolvent banks	-	-	-	-	-	-	-	-
Total for member institutions	57 565,2	57 565,2	-	+ 78 623,3	-	136 188,5	136 188,5	-



Last year highly liquid assets of the DGF members (cash, funds in the NBU and funds on demand in other banks without accrued income) increased by UAH 46,627.8 m or 31.1% and as of January 1, 2019 amounted to UAH 196,360.7 m vs. UAH 149,732.9 m at the beginning of the year, and their share in total assets increased from 9.2% to 11.8%.

Since the beginning of the year the corporate loan portfolio has decreased by UAH 106,962.0 m due to the decrease in hryvnia debt by UAH 31,587.8 m and foreign currency by UAH 75,374.2 m (taking into account the negative revaluation of the hryvnia equivalent by UAH 52,173.3 m). It lost the most in state-owned (except for AT KB PRIVATBANK) and foreign banks due to the loan repayment of state monopolies and subsidiaries of international groups. Resolution of two banks also reduced its volume by UAH 18,033.1 m in hryvnia and UAH 3,827.7 m in foreign currency.

At the same time, business loans in AT KB PRIVATBANK and banks with private capital increased, and formal decrease in their currency components by UAH 3,846.0 m and UAH 3,827.7 m is explained exclusively by a negative revaluation of UAH 6,478.9 m. UAH and UAH 7,156.5 m of hryvnia equivalent.

All banking groups, except Russian ones, increased hryvnia lending to individuals in 2019, with growth taking place in each quarter. During the year, the cumulative increase in the hryvnia portfolio amounted to UAH 31,257.7 m, including in private banks – UAH 13,104.7 m, foreign – UAH 10,738.5 m and state-owned banks – UAH 7,414.8 m (of which UAH 7,228.9 m in AT KB PRIVATBANK).

Foreign currency loans to households decreased in each banking group due to the strengthening of hryvnia exchange rate, repayment and writing down or sale in the total amount of UAH 23,071.1 m, of which UAH 6,105.1 m was a negative revaluation of the hryvnia equivalent.

Securities investments of the DGF members refinanced by the NBU in 2019 decreased by UAH 27,517.9 m, incl. the hryvnia component – by UAH 4,711.5 m, and the currency component – by UAH 22,806.4 m (taking into account the negative revaluation of the hryvnia equivalent by UAH 9,750.6 m). State-owned and privately-owned banks reduced the portfolios of OVDPs in foreign currency by UAH 23,836.5 m and UAH 4,100.5 m, respectively, while foreign banks, by contrast, increased by UAH 5,130.6 m. Since the beginning of the year, hryvnia OVDPs increased in private and foreign banks (except Russian ones) by UAH 2,270.2 m and UAH 9,247.3 m, respectively, and decreased in state-owned banks by UAH 14,366.7 m. In AT KB PRIVATBANK securities investments refinanced by the NBU decreased in UAH by UAH 12,138.0 m as well as in foreign currency by UAH 15,696.2 m.

Last year, the balances of NBU certificates of deposit in balance sheets of the DGF members increased significantly. In state-owned banks they increased by UAH 36,228.7 m (including in AT KB PRIVATBANK – by UAH 27,042.9 m), in foreign banks – by UAH 30,237.5 m. (including in Russian ones – by UAH 3,931.7 m), and in private – by UAH 12,157.1 m. As a result, banks' total investments in these securities increased by UAH 78,623.3 m since the beginning of the year or 2.4 times, with 77,653.9 m UAH growth occurred in the last quarter of the year.

Analysis of changes in interbank loan and deposit portfolio of member institutions of 2019 is given in Table 2.1.4; while analysis of customer loan portfolio for the previous year is shown in Table 2.1.5.

Interbank loan and deposit portfolio of member institutions in 2019

Table 2.1.4

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	%	amount	%	amount	%	amount	%	Q4	year
Deposits in other banks	9 817,8	34,3	11 475,0	38,0	17 605,6	46,7	14 394,2	46,1	- 3 211,4	+ 4 576,4
- placed deposits	9 811,3	34,3	11 470,3	38,0	17 600,5	46,7	14 390,2	46,1	- 3 210,3	+ 4 578,9
of which overdue	0,3	0,0	0,3	0,0	0,3	0,0	0,3	0,0	-	-
- accrued incomes	6,5	0,0	4,7	0,0	5,1	0,0	4,0	0,0	- 1,1	- 2,5
of which overdue	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Interbank loans	18 810,2	65,7	18 757,7	62,0	20 083,6	53,3	16 806,2	53,9	- 3 277,4	- 2 004,0
- granted loans	18 732,8	65,4	18 657,0	61,7	20 032,1	53,2	16 770,8	53,8	- 3 261,3	- 1 962,0
of which overdue	762,4	2,7	772,4	2,6	1 079,4	2,9	750,3	2,4	- 329,1	- 12,1
- accrued income	77,4	0,3	100,7	0,3	51,5	0,1	35,4	0,1	- 16,1	- 42,0
of which overdue	10,4	0,0	10,4	0,0	10,2	0,0	10,2	0,0	-	- 0,2
Interbank portfolio total	28 628,0	100,0	30 232,7	100,0	37 689,2	100,0	31 200,4	100,0	- 6 488,8	+ 2 572,4
of which overdue	773,1	2,7	783,1	2,6	1 089,9	2,9	760,8	2,4	- 329,1	- 12,3
Reserves for interbank loans and deposits	- 808,0	x	- 843,5	x	- 809,9	x	- 796,6	x	+ 13,3	+ 11,4
Pure interbank portfolio	27 820,0	x	29 389,2	x	36 879,3	x	30 403,8	x	- 6 475,5	+ 2 583,8

Volume and structure of loan portfolio of member institutions in 2019

Table 2.1.5

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	%	amount	%	amount	%	amount	%	Q4	year
Loans to entities	819 437,1	81,2	766 125,4	79,7	730 644,0	78,6	712 475,1	78,2	- 18 168,9	- 106 962,0
- granted loans	732 396,5	72,6	679 446,6	70,7	648 100,0	69,7	629 881,6	69,1	- 18 218,4	- 102 514,9
of which overdue	265 032,1	26,3	259 093,0	27,0	245 472,2	26,4	242 469,9	26,6	- 3 002,3	- 22 562,2
- accrued income	87 040,6	8,6	86 678,8	9,0	82 544,0	8,9	82 593,5	9,1	+ 49,5	- 4 447,1
of which overdue	71 799,8	7,1	71 892,7	7,5	68 374,7	7,4	69 620,7	7,6	+ 1 246,0	- 2 179,1
Loans to individuals	187 692,8	18,6	192 929,9	20,1	196 594,8	21,2	195 879,4	21,5	- 715,4	+ 8 186,6
- granted loans	150 414,1	14,9	157 564,8	16,4	162 734,8	17,5	164 804,3	18,1	+ 2 069,5	+ 14 390,2
of which overdue	32 647,5	3,2	30 112,0	3,1	28 300,8	3,0	23 930,7	2,6	- 4 370,1	- 8 716,8
- accrued income	37 278,7	3,7	35 365,1	3,7	33 860,0	3,7	31 075,1	3,4	- 2 784,9	- 6 203,6
of which overdue	34 598,7	3,4	32 229,8	3,3	30 748,2	3,3	27 803,4	3,1	- 2 944,8	- 6 795,3
Loans to the government authorities	1 899,7	0,2	1 865,2	0,2	1 918,0	0,2	2 536,1	0,3	+ 618,1	+ 636,4
- granted loans	1 823,9	0,2	1 763,5	0,2	1 815,6	0,2	2 460,4	0,3	+ 644,8	+ 636,5
of which overdue	-	-	-	-	-	-	-	-	-	-
- accrued income	75,8	0,0	101,7	0,0	102,4	0,0	75,7	0,0	- 26,7	- 0,1
of which overdue	75,2	0,0	75,2	0,0	75,2	0,0	75,2	0,0	-	-
Customer loan portfolio	1 009 029,6	100,0	960 920,5	100,0	929 156,8	100,0	910 890,6	100,0	- 18 266,2	- 98 139,0
of which overdue	404 153,3	40,0	393 402,7	40,9	372 971,1	40,1	363 899,9	39,9	- 9 071,2	- 40 253,4
Reserves for customer loans	- 482 199,2	x	- 452 399,8	x	- 425 728,1	x	- 413 680,4	x	+ 12 047,7	+ 68 518,8
Pure customer portfolio	526 830,4	x	508 520,7	x	503 428,7	x	497 210,2	x	- 6 218,5	- 29 620,2

According to the data above, the volume of interbank loans and deposits for the year increased by UAH 2,572.4 m or 9.0% and as of January 1, 2020 amounted to UAH 31,200.4 m, although in the IV quarter it decreased by UAH 6,488.8 m. At the year-end, the growth was mainly due to interbank deposits, which increased by UAH 4,576.4 m or 46.6%, while loans decreased by UAH 2,004.0 m or 10.7%. Pure interbank portfolio also increased by UAH 2,583.8 m or 9.3%, and the amounts of reserves and overdue debt have been hardly changed.

Total size of the customer loan portfolio in 2019 decreased by UAH 98,139.0 m or 7.9%, of which UAH 21,864.7 m fell on the liquidated banks, and UAH 58,278.6 m – on negative foreign currency revaluation of the hryvnia equivalent. During 2018, this portfolio increased by UAH 28,220.5 m or 3.1%.

The customer loan portfolio share in the structure of assets during 2019 decreased from 61.3% to 54.6%, although last year it increased from 59.4% to 61.3%. As of January 1, 2020, loans in the national currency accounted for 62.1% of the portfolio, and in foreign currency – 37.9%, while at the beginning of the year the ratio was 56.1% to 43.9%.

The hryvnia portfolio increased by UAH 306.2 m in 2019, with real growth in operating banks by UAH 18,340.2 m and the "loss" of UAH 18,034.0 m in the liquidated banks. At the same time, the foreign exchange portfolio decreased by UAH 98,445.2 m, incl. by UAH 3,830.7 m at the expense of liquidated banks. Thus, its real annual decline, taking into account the revaluation of the hryvnia equivalent amounted to UAH 36,335.9 m.



Pure customer loan portfolio in 2019 decreased by UAH 29,620.2 m or 5.6% (from UAH 526,830.4 m as of January 1, 2019 to UAH 497,210.2 m as of January 1, 2020), although in 2018 it added UAH 4,004.8 m or 8.2%. In the balance sheet, almost the entire portfolio is carried at amortized cost, and loans measured at fair value hardly appear.

Since the beginning of the year loans granted to entities decreased by UAH 106,962.0 m or 13.1% due to the loan repayments by state corporations and enterprises under foreign control, resolution of two banks and strengthening of the hryvnia exchange rate. The corporate portfolio shrank during each quarter, with both its components, the hryvnia and the currency, declining. In the structure of the portfolio, more than 93.0% are loans for current activities, and other areas (financial leasing, overdraft, factoring) account for from 0.4% to 2.6%.

Loans granted to individuals continue to grow for the second year in a row and from the beginning of 2019 increased by UAH 8,186.6 m or 4.4%. The main factor of growth is the provision of new hryvnia loans to the population, the annual volume of which has increased by almost a quarter. The portfolio of foreign currency loans to individuals has decreased by UAH 23,071.1 m since the beginning of the year due to the strengthening of the hryvnia exchange rate, repayment and writing-down or sale. The structure of purpose loans is dominated by consumer loans for current needs, the share of which is about 77.0%. The share of mortgage loans from the beginning of the year decreased from 19.6% to 13.3%, and overdrafts increased from 3.6% to 8.7%.

As of January 1, 2020, overdue customer loan debt decreased in balance sheets of the DGF members, which in 2019 decreased by UAH 40,253.4 m or 10.0% due to the sale of bad debts and their restructuring. It decreased most significantly during the third quarter (by UAH 20,431.6 m), when state-owned banks carried out a number of financial restructurings, and now it amounts to UAH 363,899.9 m, and the share in total customer loans is 39.9%.

From the beginning of the year, the volume of reserves for credit risks decreased by UAH 68,518.8 m or 14.2% and as of January 1, 2020 amounted to UAH 413,680.4 m, and the level of reserve coverage for the customer loan portfolio decreased from 47.8% to UAH 45.4%. Hryvnia reserves decreased by UAH 11,918.3 m, losing UAH 12,472.6 m after the resolution of two banks and increasing by UAH 554.3 m in the DGF operating members, while foreign exchange reserves decreased by UAH 56,600.5 m incl. by UAH 29,363.3 m due to the negative revaluation and by UAH 3,830.7 m for two liquidated banks.

For the fourth quarter in a row, the volume of non-performing loans and accrued income in the DGF members' balance sheets decreased, which in 2019 decreased by UAH 79,130.9 m or 14.9% and reached the level of UAH 452,668.9 m, and its share in the loan portfolio amounted to 47.3% vs. 50.1% as of January 1, 2019. The reduction in non-performing loans is explained not so much by borrowers' repayments or repayment from other sources, as by the withdrawal of unprofitable banks, writing-down or selling bad debts and strengthening the hryvnia exchange rate, and reducing the share of non-performing loans in total loans is reached by new loan system that improves the quality of the entire portfolio.

Changes in volume and shares of non-performing customer loans and interbank loans and deposits in the portfolios of certain banking groups in 2019 are shown in Table 2.1.6.

According to the data above, the volume of non-performing loans in 2019 formally decreased in all groups of banks (excluding the effect of currency revaluation). As of January 1, 2020, most of such loans remained in state-owned banks (UAH 318,791.7 m or 70.4% of their total volume), and the least – in private banks (UAH 26,401.1 m or 5.8%). Banks of foreign banking groups accounted for UAH 107,476.1 m or 23.8% of the non-performing portfolio. The share of non-performing loans and accrued income in the total loan portfolio of each banking group also decreased, although in Russian banks, on the contrary, it increased.

Non-performing portfolios of member institutions in 2019

Table 2.1.6

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	share of LP*, %	amount	share of LP*, %	amount	share of LP*, %	amount	share of LP*, %	Q4	year
Non-performing loans and accrued incomes of member institutions, incl.	531 799,8	50,1	490 895,4	49,1	466 795,7	47,7	452 668,9	47,3	- 14 126,8	- 79 130,9
- state-owned banks	338 134,1	66,0	324 541,5	66,3	319 209,7	65,4	318 791,7	65,8	- 418,0	- 19 342,4
AT KB PRIVATBANK	244 824,3	83,4	242 615,3	81,5	239 517,4	80,7	239 196,5	78,4	- 320,9	- 5 627,8
- foreign banking groups	151 194,5	38,5	136 399,5	36,9	119 072,8	34,1	107 476,1	32,5	- 11 596,7	- 43 718,4
Russian state capital	83 911,8	82,4	75 628,9	86,9	68 627,9	87,1	66 711,0	87,6	- 1 916,9	- 17 200,8
- privately-owned banks	31 233,0	23,0	29 954,4	21,4	28 513,2	20,2	26 401,1	18,6	- 2 112,1	- 4 831,9
- insolvent banks	11 238,2	52,0	-	-	-	-	-	-	-	- 11 238,2

* LP – loan portfolio of the relevant banking group without exemption of reserves



It should be noted that real reduction in non-performing loans since the beginning of the year was observed in private and foreign banks (except Russian), while the situation in state-owned banks has not changed significantly. Thus, in AT KB PRIVATBANK formal decrease of non-performing portfolio by UAH 5,627.8 m is explained exclusively by the negative currency revaluation in the amount of UAH 8,249.9 m, while, in fact, non-performing debts increased by UAH 2,622.1 m. UAH, incl. by UAH 1,599.8 m in hryvnia and UAH 1,022.3 m in foreign currency. A similar situation is observed in AB UKRGAZBANK, where non-performing hryvnia and foreign currency loans have increased by a total of UAH 483.4 m since the beginning of the year, despite the negative currency revaluation. And only in AT UKREXIMBANK the non-performing foreign exchange portfolio has significantly decreased due to the restructuring, although the hryvnia continues to grow gradually.

An important component of the DGF members' assets are securities investments, the volume and structure of which are given in Table. 2.1.7.

Total amount of securities investments of the DGF members continued to grow for the fifth year in a row and as of January 1, 2020 amounted to UAH 425,505.2 m, which is UAH 60,820.5 m or 16.7% more than at the beginning of the year. Currently, it accounts for 25.5% of total assets of the DGF members vs. 22.2% last year. Pure securities portfolio increased by UAH 60,641.0 m and as of January 1, 2020 amounted to UAH 420,558.6 m vs. UAH 3,599,17.6 m as of January 1, 2019.

Government securities investments, OVDPs and SMI bonds, are still the main component of the portfolio, but since the beginning of the year their amount decreased by UAH 27,517.9 m or 9.2%, and share in the portfolio decreased from 82.0% to 63.8%. At the same time, the volume of NBU certificates of deposit increased significantly, raising from UAH 57,565.2 m to UAH 136,188.5 m or 2.4 times over the year. The growth took place during the last quarter, when the balances of certificates in the balance sheets increased rapidly by UAH 77653.9 m, and their share in the portfolio structure doubled (from 16.4% to 32.0%). Investments in corporate securities have increased by UAH 9,715.1 m or almost doubled since the beginning of the year, but their share in the total portfolio of the DGF members remains insignificant – only 4.2%.

The structure of the securities portfolio after the transition to IFRS 9 continues to be dominated by securities at fair value through other comprehensive income, although their share in 2019 decreased from 49.7% to 40.2%. Instead, the share of securities at amortized cost increased from 15.4% to 32.1%, as almost all NBU certificates of deposit are reflected in the balance sheet using this method of accounting. The share of securities at fair value due to profit and loss during the year decreased slightly and as of January 1, 2020 amounted to 27.7% vs. 34.9% as of January 1, 2019.

Since the beginning of the year, long-term investments in fixed assets and intangible assets have increased in the balance sheets of the DGF members, having increased by UAH 8,962.2 m or 21.0%. Other assets increased by UAH 3,699.4 m or 12.5%, and investments in associates and subsidiaries – by UAH 213.5 m or more than doubled. At the same time, receivables decreased slightly, being lowered by UAH 662.8 m or 3.8% over the year.

Securities portfolio of member institutions in 2019

Table 2.1.7

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	%	amount	%	amount	%	amount	%	Q4.	year
Securities refinanced by the NBU	299 099,9	82,0	286 222,2	84,2	281 078,0	78,5	271 582,0	63,8	- 9 496,0	- 27 517,9
- OVDPs and other securities, refinanced by the NBU	294 590,6	80,8	282 284,6	83,0	276 558,5	77,3	267 315,2	62,8	- 9 243,3	- 27 275,4
- accrued income	4 509,3	1,2	3 937,6	1,2	4 519,5	1,2	4 266,8	1,0	- 252,7	- 242,5
Securities issued by the NBU	57 565,2	15,8	44 453,3	13,1	58 534,6	16,4	136 188,5	32,0	+ 77 653,9	+ 78 623,3
- NBU deposit certificates	57 439,9	15,8	44 375,8	13,1	58 347,8	16,3	135 965,3	31,9	+ 77 617,5	+ 78 525,4
- accrued income	125,3	0,0	77,5	0,0	186,8	0,1	223,2	0,1	+ 36,4	+ 97,9
Corporate and other securities	8 019,6	2,2	9 353,0	2,7	18 246,1	5,1	17 734,7	4,2	- 511,4	+ 9 715,1
- corporate and other securities	6 966,6	1,9	8 295,8	2,4	17 162,9	4,8	16 655,0	3,9	- 507,9	+ 9 688,4
- accrued income	1 053,0	0,3	1 057,2	0,3	1 083,2	0,3	1 079,7	0,3	- 3,5	+ 26,7
Securities portfolio total	364 684,7	100,0	340 028,5	100,0	357 858,7	100,0	425 505,2	100,0	+ 67 646,5	+ 60 820,5
Reserves for securities	- 4 767,1	x	- 4 945,9	x	- 5 119,3	x	- 4 946,6	x	+ 172,7	- 179,5
Pure securities portfolio, incl.	359 917,6	100,0	335 082,6	100,0	352 739,4	100,0	420 558,6	100,0	+ 67 819,2	+ 60 641,0
Securities at fair value through profits and losses	125 780,7	34,9	126 631,3	37,8	125 201,5	35,5	116 498,5	27,7	- 8 703,0	- 9 282,2
- nominal of securities and discount/bonus	87 055,3	x	86 526,2	x	87 204,7	x	80 435,4	x	- 6 769,3	- 6 619,9
- accrued income	1 758,8	x	1 462,9	x	1 603,1	x	1 459,4	x	- 143,7	- 299,4
- overpricing	36 966,6	x	38 642,2	x	36 393,7	x	34 603,7	x	- 1 790,0	- 2 362,9



Table 2.1.7

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	%	amount	%	amount	%	amount	%	Q4.	year
Securities at fair value through another total income	178 778,7	49,7	150 488,7	44,9	158 826,8	45,0	169 256,1	40,2	+ 10 429,3	- 9 522,6
- nominal of securities and discount/bonus	185 077,7	x	157 731,9	x	164 317,9	x	170 290,5	x	+ 5 972,6	- 14 787,2
- accrued income	3 649,1	x	3 293,1	x	3 740,2	x	3 636,4	x	- 103,8	- 12,7
- overpricing	- 5 398,0	x	- 5 966,7	x	- 4 594,6	x	- 99,3	x	+ 4 495,3	+ 5 298,7
- reserves	- 4 550,1	x	- 4 569,6	x	- 4 636,7	x	- 4 571,5	x	+ 65,2	- 21,4
Securities of amortised cost	55 358,2	15,4	57 962,6	17,3	68 711,1	19,5	134 804,0	32,1	+ 66 092,9	+ 79 445,8
- nominal of securities and discount/bonus	55 295,5	x	58 022,6	x	68 747,5	x	134 705,2	x	+ 65 957,7	+ 79 409,7
- accrued income	279,7	x	316,3	x	446,2	x	473,9	x	+ 27,7	+ 194,2
- reserves	- 217,0	x	- 376,3	x	- 482,6	x	- 375,1	x	+ 107,5	- 158,1

Analysis of liabilities

The dynamics of the DGF members' liabilities in 2019 indicates their gradual decrease in the first half of the year due to the strengthening of the hryvnia exchange rate and seasonal outflow of funds with further growth in the second half of the year. This allowed not only to restore the volumes of the beginning of the year, but also to exceed them.

In general, liabilities for this year increased by UAH 40,339.4 m or 3.9% and as of January 1, 2020 amounted to UAH 1,062,313.6 m against UAH 1,021,974.2 m as of January 1, 2019, and their volume increased for all areas except for borrowed interbank funds (including loans from the NBU), loans from international organizations and subordinated debts.

The increase in liabilities took place in the context of a significant strengthening of the hryvnia despite the associated negative revaluation of foreign currency balance sheet items in the amount of UAH 68,671.4 m, as well as the «loss» of part of the amount of UAH 16,767.8 m after two banks' resolution in May 2019. Excluding these factors, liabilities increased by UAH 125,778.6 m since the beginning of the year, incl. in UAH – by UAH 86,814.8 m and in foreign currency – by UAH 38,963.8 m (in equivalent).

The structure of liabilities and their dynamics during 2019 are shown in Table 2.1.8.

Structure and dynamics of member institutions' liabilities in 2019

Table 2.1.8

(UAH m)

Indicators	January 1, 2019		July 1, 2019		October 1, 2019		January 1, 2020		Amount change	
	amount	%	amount	%	amount	%	amount	%	Q4	year
Debt to the NBU	23 218,4	2,3	11 647,8	1,2	8 211,4	0,8	7 824,9	0,7	- 386,5	- 15 393,5
- loans received from the NBU	22 503,7	2,2	11 529,8	1,2	8 105,6	0,8	7 724,4	0,7	- 381,2	- 14 779,3
- accrued costs	714,7	0,1	118,0	0,0	105,8	0,0	100,5	0,0	- 5,3	- 614,2
Payables of other banks	43 967,1	4,3	37 973,4	3,8	34 401,8	3,4	26 056,7	2,4	- 8 345,1	- 17 910,4
- payables on demand	9 887,1	1,0	10 058,2	1,0	8 809,1	0,9	7 105,7	0,7	- 1 703,4	- 2 781,4
- loans received and deposits raised	32 798,6	3,2	26 516,6	2,7	24 227,0	2,4	17 557,3	1,6	- 6 669,7	- 15 241,3
- accrued costs	1 281,4	0,1	1 398,6	0,1	1 365,7	0,1	1 393,7	0,1	+ 28,0	+ 112,3
Payables to entities	389 001,7	38,1	378 804,0	38,2	408 176,3	41,0	442 958,5	41,7	+ 34 782,2	+ 53 956,8
- payables on demand	277 407,0	27,1	271 183,5	27,3	299 442,7	30,1	337 010,1	31,7	+ 37 567,4	+ 59 603,1
- fixed-term investments (term deposits)	110 052,5	10,8	105 941,6	10,7	107 325,6	10,8	104 302,6	9,8	- 3 023,0	- 5 749,9
- accrued costs	1 542,2	0,2	1 678,9	0,2	1 408,0	0,1	1 645,8	0,2	+ 237,8	+ 103,6
Payables to individuals	410 418,2	40,2	424 428,4	42,8	414 246,0	41,6	441 681,5	41,6	+ 27 435,5	+ 31 263,3
- payables on demand	159 024,3	15,6	178 007,5	17,9	170 604,6	17,1	188 292,1	17,7	+ 17 687,5	+ 29 267,8
- fixed-term investments (term deposits)	248 978,2	24,4	243 662,4	24,6	240 972,9	24,2	250 556,5	23,6	+ 9 583,6	+ 1 578,3
- accrued costs	2 415,7	0,2	2 758,5	0,3	2 668,5	0,3	2 832,9	0,3	+ 164,4	+ 417,2
Funds from the budget and extra-budgetary funds	7 362,1	0,7	14 165,7	1,4	15 863,0	1,5	8 010,5	0,8	- 7 852,5	+ 648,4
- payables on demand	7 358,4	0,7	8 104,5	0,8	9 433,8	0,9	8 004,0	0,8	- 1 429,8	+ 645,6
- fixed-term investments (term deposits)	-	-	5 999,6	0,6	6 370,4	0,6	-	-	- 6 370,4	-
- accrued costs	3,7	0,0	61,6	0,0	58,8	0,0	6,5	0,0	- 52,3	+ 2,8
Loans from international and other financial organizations	81 484,9	7,9	64 890,7	6,6	61 227,0	6,2	59 380,3	5,6	- 1 846,7	- 22 104,6
- loans received	77 948,7	7,6	63 101,9	6,4	59 736,3	6,0	57 769,9	5,4	- 1 966,4	- 20 178,8
- accrued costs	3 536,2	0,3	1 788,8	0,2	1 490,7	0,2	1 610,4	0,2	+ 119,7	- 1 925,8
Debt securities issued by banks	5 527,8	0,5	3 716,9	0,3	3 700,5	0,3	6 537,4	0,6	+ 2 836,9	+ 1 009,6
- saving (deposit) certificates	4 965,7	0,5	3 307,9	0,3	3 273,3	0,3	6 026,0	0,6	+ 2 752,7	+ 1 060,3
- other debt securities issued by banks	486,3	0,0	321,9	0,0	331,7	0,0	423,0	0,0	+ 91,3	- 63,3
- accrued costs	75,8	0,0	87,1	0,0	95,5	0,0	88,4	0,0	- 7,1	+ 12,6
Subordinated debt	11 984,5	1,2	10 771,3	1,1	9 733,1	1,0	9 245,5	0,9	- 487,6	- 2 739,0
- subordinated debt	11 518,1	1,2	10 335,8	1,1	9 383,2	1,0	8 805,1	0,9	- 578,1	- 2 713,0
- accrued costs	466,4	0,0	435,5	0,0	349,9	0,0	440,4	0,0	+ 90,5	- 26,0
Accounts payable	22 618,7	2,2	24 357,0	2,5	21 791,6	2,2	27 085,3	2,5	+ 5 293,7	+ 4 466,6
Other accrued costs	783,3	0,1	746,5	0,1	837,8	0,1	814,2	0,1	- 23,6	+ 30,9
Other liabilities	25 607,5	2,5	19 793,3	2,0	18 426,0	1,9	32 718,8	3,1	+ 14 292,8	+ 7 111,3
Liabilities total	1 021 974,2	100,0	991 295,0	100,0	996 614,5	100,0	1 062 313,6	100,0	+ 65 699,1	+ 40 339,4
of which accrued costs	10 819,4	1,0	9 073,5	0,9	8 380,7	0,8	8 932,8	0,9	+ 552,1	- 1 886,6

According to the data above, in 2019 the debt of banks on NBU loans decreased by UAH 15,393.5 m or more than three times, incl. by UAH 9096.5 m after the insolvent bank PAT KB FINANSOVA INITSIATYVA liquidation. As of January 1, 2020, out of the total number of banks, only two had these loans, while last year there were four.

Funds of other banks in 2019 decreased by UAH 17,910.4 m or 40.7%, and their share in total liabilities decreased from 4.3% to 2.4%. The main reason for this decrease was the volume reduction of interbank loans and deposits (excluding accrued interest), which decreased by UAH 15,241.3 m or 46.5% over the year and amounted to UAH 1,7557.3 m or 1.6% of the total amount of liabilities as of January 1, 2020.

During 2019, banks reduced their loan debt to the international and other financial organizations, which at the end of the year amounted to UAH 59,380.3 m, which is UAH 22,104.6 m or 27.1% lower than January 1, 2019. At the same time, AT UKREXIMBANK, which accounts for UAH 47,449.1 m of debt, reduced it by UAH 1,7568.1 m over the year. In addition, the debt decreased by UAH 5248.4 m due to the termination of banking operations of AT VERNUM BANK without liquidation of legal entity.

The amount of subordinated debts of the DGF members in 2019 decreased by UAH 2,739.0 m or 22.9% and as of January 1, 2020 amounted to UAH 9,245.5 m vs. UAH 11,984.5 m as of January 1, 2019.

In 2019, payables to entities in balance sheets of the DGF members increased, which first underwent a seasonal reduction in the first quarter, and then renewed to the level of the beginning of the year and exceeded it.

As of January 1, 2020, their volume amounted to UAH 442,958.5 m, which is UAH 53,956.8 m or 13.9% more than January 1, 2019, with UAH 34,782.2 m increase in the last quarter of the year, when balances on demand increased by UAH 37,567.4 m.

Business funds have been growing in banks for the fourth year in a row, and their share in the liabilities of the DGF members in 2019 increased from 38.1% to 41.7%. At maturity, 76.3% of the entities' funds are payables on demand (including accrued interest), while at the beginning of the year they accounted for 71.5%.

Payables to individuals last year increased by UAH 31,263.3 m or 7.6% (from UAH 4,10418.2 m to UAH 4,41681.5 m), and their share in the structure of liabilities increased from 40.2% up to 41.6%. As of January 1, 2020, 57.3% of these funds are term deposits (including accrued interest), and 42.7% – deposits on demand, although last year the ratio was 61.2% to 38.8%, and in 2017 – 65.5% to 34.5%.

Share of the term funds (without accrued interest) in the structure of liabilities of the DGF members during 2019 continued to decrease for the fifth year in a row and as of January 1, 2020 amounted to 42.6% vs. 49.9% as of January 1, 2019 and 51.3% as of January 1, 2018. The reduction is due to the share decrease of all term debts: to banks, customers and international financial organizations.

Changes in the main components of liabilities in 2019, which account for more than 80.0% of their total, in terms of certain banking groups, national and foreign currencies are shown in Table 2.1.9.

Changes of main liabilities components in certain banking groups, in national and foreign currency in 2019

Table 2.1.9
(UAH m)

Indicators	Balance as of January 1, 2019			Changes in 2019		Balance as of January 1, 2020		
	total	of which		hryvnia	foreign currency (hrn. eq.)	total	of which	
		hryvnia	foreign currency (hrn. eq.)				hryvnia	foreign currency (hrn. eq.)
1. Payables of other banks								
State-owned banks	6 205,5	379,1	5 826,4	- 92,9	- 1 862,2	4 250,4	286,2	3 964,2
of which Privatbank	194,9	120,8	74,1	- 70,4	+ 76,6	201,1	50,4	150,7
Foreign banking groups	33 281,3	4 321,1	28 960,2	- 3 405,3	- 12 018,0	17 858,0	915,8	16 942,2
of which Russian state-owned banks	17 413,5	2,3	17 411,2	+ 0,3	- 5 194,9	12 218,9	2,6	12 216,3
Privately-owned banks	4 327,3	598,8	3 728,5	+ 742,4	- 1 121,4	3 948,3	1 341,2	2 607,1
Insolvent banks	153,0	-	153,0	-	- 153,0	-	-	-
Total for member institutions	43 967,1	5 299,0	38 668,1	- 2 755,8	- 15 154,6	26 056,7	2 543,2	23 513,5



Table 2.1.9
(UAH m)

Indicators	Balance as of January 1, 2019			Changes in 2019		Balance as of January 1, 2020		
	total	of which		hryvnia	foreign currency (hrn. eq.)	total	of which	
		hryvnia	foreign currency (hrn. eq.)				hryvnia	foreign currency (hrn. eq.)
2. Payables of entities								
State-owned banks	138 578,1	76 660,4	61 917,7	+ 12 978,4	+ 16 626,5	168 183,0	89 638,8	78 544,2
of which Privatbank	47 391,9	33 050,8	14 341,1	+ 2 884,3	- 81,1	50 195,1	35 935,1	14 260,0
Foreign banking groups	169 755,1	120 578,1	49 177,0	+ 20 205,2	+ 1 630,1	191 590,4	140 783,3	50 807,1
of which Russian state-owned banks	5 718,8	3 620,7	2 098,1	- 1 153,9	- 1 528,5	3 036,4	2 466,8	569,6
Privately-owned banks	80 050,2	51 742,9	28 307,3	+ 10 428,9	- 7 294,0	83 185,1	62 171,8	21 013,3
Insolvent banks	618,3	521,7	96,6	- 521,7	- 96,6	-	-	-
Total for member institutions	389 001,7	249 503,1	139 498,6	+ 43 090,8	+ 10 866,0	442 958,5	292 593,9	150 364,6
3. Payables of individuals								
State-owned banks	224 293,9	123 111,8	101 182,1	+ 18 639,1	- 11 679,9	231 253,1	141 750,9	89 502,2
of which Privatbank	177 143,5	105 551,7	71 591,8	+ 16 214,9	- 12 421,2	180 937,2	121 766,6	59 170,6
Foreign banking groups	112 433,0	59 142,7	53 290,3	+ 9 046,1	+ 4 588,1	126 067,2	68 188,8	57 878,4
of which Russian state-owned banks	7 087,9	3 261,8	3 826,1	- 1 726,8	- 2 125,4	3 235,7	1 535,0	1 700,7
Privately-owned banks	72 295,0	33 622,9	38 672,1	+ 12 445,7	- 379,5	84 361,2	46 068,6	38 292,6
Insolvent banks	1 396,3	316,2	1 080,1	- 316,2	- 1 080,1	-	-	-
Total for member institutions	410 418,2	216 193,6	194 224,6	+ 39 814,7	- 8 551,4	441 681,5	256 008,3	185 673,2
4. Loans from international and other financial organizations								
State-owned banks	67 049,1	4 763,2	62 285,9	+ 317,1	- 17 178,9	50 187,3	5 080,3	45 107,0
of which Privatbank	333,3	-	333,3	-	- 48,2	285,1	-	285,1
Foreign banking groups	5 312,5	3 257,8	2 054,7	+ 267,9	- 185,7	5 394,7	3 525,7	1 869,0
of which Russian state-owned banks	-	-	-	-	-	-	-	-
Privately-owned banks	3 874,9	352,4	3 522,5	+ 308,7	- 385,3	3 798,3	661,1	3 137,2
Insolvent banks	5 248,4	5 248,4	-	- 5 248,4	-	-	-	-
Total for member institutions	81 484,9	13 621,8	67 863,1	- 4 354,7	- 17 749,9	59 380,3	9 267,1	50 113,2

These data show that in 2019 the total outflow of other banks' funds in the balance sheets of the DGF members in the amount of UAH 17,910.4 m is explained mainly by their balance decrease by UAH 15,423.3 m in foreign banks.

After the decrease in state-owned and foreign banks balances in the first half of the year, balances on the accounts of economic entities increased, at year-end by UAH 29,604.9 m and UAH 21,835.3 m, respectively. The growth took place both in hryvnia (by UAH 12,978.4 m and UAH 20,205.2 m) and in foreign currency (by UAH 16,626.5 m and UAH 1,630.1 m) despite the strengthening of the exchange rate.

In private banks, hryvnia balances on business accounts increased by UAH 10,428.9 m, while foreign currency balances decreased by UAH 7,294.0 m, incl. by UAH 3,550.6 m due to the negative revaluation. In banks with Russian state capital, the balances of entities' payables decreased in both national and foreign currencies by UAH 1,153.9 m and UAH 1,528.5 m, respectively.

Hryvnia deposits of individuals in 2019 increased in state-owned and private banks (by UAH 18,639.1 m and UAH 12,445.7 m, respectively), as well as in banks of foreign banking groups, except for banks with Russian state capital (by 10,772.9 UAH m).



Foreign currency deposits of the population last year increased in all groups of banks. In banks with foreign and private capital they increased by UAH 11,737.8 m and UAH 5,206.9 m, respectively, with a negative revaluation of UAH 7,149.7 m and UAH 5,586.4 m, respectively, and in state-owned banks they increased by UAH 2,944.8 m with a negative revaluation of UAH 14,624.7 m, although AT KB PRIVATBANK recorded their reduction by UAH 12,421.2 m, incl. by UAH 9,997.6 m due to revaluation.

In banks with Russian state capital during 2019, the balances of individuals' funds decreased in both national and foreign currencies by UAH 1,726.8 m and UAH 2,125.4 m, respectively.

Thus, the trends of previous years have been generally maintained: despite the general increase in liabilities at the end of the year, the trend of decreasing term resources, which existed since early 2014, has resumed, NBU policy is aimed at reducing bank lending, and resource restrictions in the interbank market is offset by attracting customer and budget funds, which remain the main source of resource formation for the DGF members and consistently occupy about 80.0% of total liabilities.

Analysis of financial results

According to the results of 2019, the total income of the DGF members amounted to UAH 218,520.4 m, which is UAH 33,441.3 m or 18.1% more than in 2018. During the year, all components of income increased, except for other operating income.

Interest income was recorded in the amount of UAH 135,250.6 m, exceeding the level of 2018 by UAH 13,681.8 m or 11.3%, and their share in the income structure decreased from 65.7% to 61.9%. Interest income increased for the second year in a row, though at a slower pace than last year. The main growth factor was a significant increase in interest income due to consumer lending.

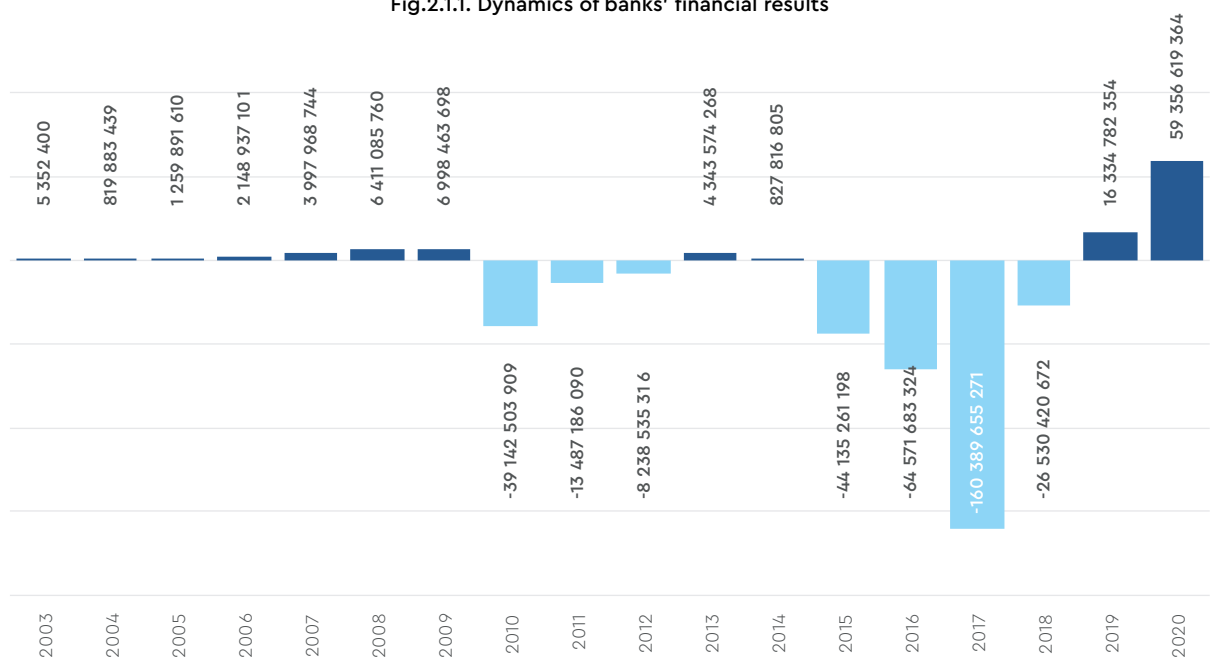
During 2019, fee-based income of the DGF members grew rapidly. As of January 1, 2020, it reached UAH 55,618.5 m, which is UAH 9,951.1 m or 21.8% more than in 2018, and their share in total revenues increased from 24.7% to 25.5%. At the same time, fee for settlement and cash services, which account for the vast majority of all fee-based income, increased by UAH 9,755.2 m or 26.2%.

The result of revaluation and purchase and sale transactions in 2019 was positive in the amount of UAH 16,418.9 m, exceeding the previous year's level by UAH 8,886.5 m or more than twice.

Other items of income in 2019 grew less significantly compared to the previous year, except for other operating income, which decreased. This applies to other income as well as income from the recovery of charge-offs.

In order to improve the financial results of bank operations, banks have tried to minimize their costs, which in 2019 amounted to UAH 159,163.8 m or 94.3% of their size in 2018, decreasing by UAH 9,580.5 m over the year. Their main component were still interest expenses, which amounted to UAH 60,447.0 m. Compared to 2018, they increased by UAH 6,597.6 m, and at the end of the year they accounted for 38.0% of total expenses. The increase of the amount amidst gradual decline of interest rates is explained by both the growth of total customer deposits and the inertia of interest costs on existing deposits, which is due to the fixing of rates for a certain period.

Fig.2.1.1. Dynamics of banks' financial results



According to the results of 2019, banks' fee-based costs amounted to UAH 15,848.2 m, which is UAH 4,532.7 m or 40.1% more than last year, and their share in total expenses increased from 6.7% to 10.0%. Instead, other operating costs compared to 2018 decreased by UAH 4,126.5 m or 29.2% and amounted to UAH 1,025.8 m, accounting for 6.3% of total expenses.

More than a third of all expenses of the DGF members in 2019 were general administrative costs. As of January 1, 2020, they amounted to UAH 56,188.5 m, which is UAH 8,135.8 m or 16.9% more than in 2018, and in terms of volume they approached interest costs.

Contributions to reserves in 2019 decreased significantly and as of January 1, 2020 amounted to UAH 11,970.7 m, which is 3.1 times less than last year. Expenses for the formation of reserves for customer loans amounted to UAH 11,302.9 m, and their share in total expenses decreased from 20.4% to 7.1%. This reduction is due to the fact that the vast majority of reserves for active bank operations have formed in previous years. It is due to the reduction of contributions to the reserves that the total expenses of the DGF members in 2019 decreased by 5.7% compared to the level of 2018.

Details of income and expenses dynamics of the DGF members, as well as their financial results during 2019 are given in Table 2.1.10.

Income, expenses and financial results of member institutions in 2019

Table 2.1.10

(UAH m)

Indicators	January 1, 2019	July 1, 2019	October 1, 2019	January 1, 2020	Amount change	
					Q4	year
Income total, of which:	185 079,1	107 130,2	164 457,6	218 520,4	+ 54 062,8	+ 33 441,3
– interest income	121 568,8	66 543,2	100 939,9	135 250,6	+ 34 310,7	+ 13 681,8
– fee-based income	45 667,4	26 093,9	40 775,1	55 618,5	+ 14 843,4	+ 9 951,1
of which fee for settlement and cash services	37 290,9	21 865,5	34 350,2	47 046,1	+ 12 695,9	+ 9 755,2
– revaluation result and purchase and sale transactions	7 532,4	9 613,0	14 730,2	16 418,9	+ 1 688,7	+ 8 886,5
– other operating income	8 044,2	3 395,9	5 429,3	7 597,2	+ 2 167,9	– 447,0
– other income	1 738,6	1 088,0	1 869,1	2 730,7	+ 861,6	+ 992,1
– refunding of charge-off	527,7	396,2	714,0	904,5	+ 190,5	+ 376,8
Income total, of which:	168 744,3	76 190,3	115 902,3	159 163,8	+ 43 261,5	– 9 580,5
– interest income	53 849,4	30 095,5	45 587,4	60 447,0	+ 14 859,6	+ 6 597,6
of which % of customer payables	42 602,5	24 575,5	37 532,6	50 880,6	+ 13 348,0	+ 8 278,1
– fee-based income	11 315,5	7 218,7	11 438,5	15 848,2	+ 4 409,7	+ 4 532,7
of which fee for settlement and cash services	10 408,3	6 742,0	10 701,6	14 857,2	+ 4 155,6	+ 4 448,9
– other operating income	14 152,3	5 039,9	7 252,7	10 025,8	+ 2 773,1	– 4 126,5
– administrative income	48 052,7	26 001,7	40 002,6	56 188,5	+ 16 185,9	+ 8 135,8
– allocations to reserves	36 585,1	5 490,7	8 052,5	11 970,7	+ 3 918,2	– 24 614,4
of which allocations to reserves for customer loans	34 424,0	4 877,6	6 651,4	11 302,9	+ 4 651,5	– 23 121,1
– income tax	4 789,3	2 343,8	3 568,6	4 683,6	+ 1 115,0	– 105,7
Financial result, of which:	16 334,8	30 939,9	48 555,3	59 356,6	+ 10 801,3	+ 43 021,8
– state-owned banks	13 429,6	19 423,8	30 058,4	34 925,5	+ 4 867,1	+ 21 495,9
of which Privatbank	11 668,2	18 276,2	27 427,1	32 609,2	+ 5 182,1	+ 20 941,0
– foreign banking groups	3 972,9	9 044,5	14 336,0	18 513,2	+ 4 177,2	+ 14 540,3
of which Russian state-owned banks	– 11 003,1	428,1	1 190,4	542,2	– 648,2	+ 11 545,3
– privately-owned banks	4 191,4	2 471,6	4 160,9	5 917,9	+ 1 757,0	+ 1 726,5
– insolvent banks	– 5 259,1	–	–	–	–	+ 5 259,1



According to the results of 2019, the DGF members received a record profit in the amount of UAH 59,356.6 m. To compare to the financial result for 2018, the profit increased 3.6 times, and its operating component grew faster. This allowed to improve the operational efficiency of banks, which in 2019 was 46.3% vs. 51.2% over the previous year.

As of January 1, 2020, 68 participants of the DGF profited in the total amount of UAH 59,546.6 m, and lost – 6 banks in the amount of UAH 190.0 m. At the same time, all groups of banks demonstrated profitable activity. Last year, 69 institutions were profitable, and 14 showed a negative result.

Each of the four state-owned banks was profitable in 2019, and their consolidated result amounted to UAH 34,925.5 m, incl. AT KB PRIVATBANK – UAH 32,609.2 m.

To compare: in 2018 total profit of the group amounted to UAH 13,429.6 m, of which UAH 11,668.2 m accounted for AT KB PRIVATBANK.

Banks of foreign banking groups ended 2019 with a profit of UAH 18,513.2 m, which is 4.7 times more than in the previous year. Among foreign banks, only one remained unprofitable, and both Russian banks earned a total of UAH 542.2 m.

In 2019, private banks showed a consolidated «plus» in the amount of UAH 5,917.9 m, exceeding the previous year result by UAH 1,726.5 m, and losses of insolvent banks no longer affect the system due to the resolution of the last such bank in May 2019.

The equity analysis

The equity of the DGF members in 2019 increased by UAH 53,658.7 m or 41.9% and as of January 1, 2020 amounted to UAH 1,81659.8 m. In the first half of the year it increased by UAH 20,363.6 m, and in the second – by UAH 33,295.1 m, adding UAH 13,965.8 m during the last quarter. The increase in equity was observed in 62 banks, and its decrease – in 12 banks (after 2018, the corresponding figures were 58 and 19).

The main reason for the growth of capital is the profitable activity of the DGF members, who in 2019 received UAH 59,356.6 m in profit.

The increase in capitalization was also facilitated by additional shareholders' contributions to the statutory funds of 21 banks totaling UAH 5,488.4 m and resolution of two unprofitable banks, which increased the capitalization by UAH 9,146.5 m. At the same time, the payment of dividends in 2018 in the amount of more than UAH 24.8 b had a negative impact on the system capital.

Changes in the equity structure of the DGF members in 2019 are shown in Table 2.1.11.

Changes in the equity structure of member institutions in 2019

Table 2.1.11
(UAH m)

Indicators	January 1, 2019	July 1, 2019	October 1, 2019	January 1, 2020	Amount change	
					Q4	year
Paid authorized capital	418 899,1	420 199,0	420 913,8	421 239,3	+ 325,5	+ 2 340,2
of which authorized capital registered	418 489,2	419 332,1	419 637,1	420 581,9	+ 944,8	+ 2 092,7
Issue profit/loss and additional allocations	20 469,8	13 922,3	13 922,1	13 977,6	+ 55,5	- 6 492,2
of which results from transactions with shareholders	6 377,3	- 173,1	- 173,3	- 117,6	+ 55,7	- 6 494,9
General reserves and funds	18 881,3	23 036,3	23 036,1	21 446,1	- 1 590,0	+ 2 564,8
Revaluation results	13 629,3	12 842,2	13 547,8	17 994,7	+ 4 446,9	+ 4 365,4
Earlier and 2019 results	- 343 878,4	- 321 635,1	- 303 725,8	- 292 997,9	+ 10 727,9	+ 50 880,5
of which 2019 results	-	30 939,9	48 555,3	59 356,6	+ 10 801,3	+ 59 356,6
Equity total	128 001,1	148 364,7	167 694,0	181 659,8	+ 13 965,8	+ 53 658,7
For reference:						
Subordinated debt	11 518,1	10 335,8	9 383,2	8 805,1	- 578,1	- 2 713,0



According to the data above, during 2019 the paid-up authorized capital of the DGF members increased by UAH 2,340.2 m or 0.6%, amounting to UAH 421,239.3 m as of January 1, 2020, which is 2.3 times more than their own capital. During the same period, the amount of registered authorized capital increased by UAH 2,092.7 m, and the amount of contributions for unregistered authorized capital – by UAH 245.7 m, which on January 1, 2020 amounted to UAH 1,175.9 m vs. UAH 930.2 m at the beginning of the year.

In 2019, 16 banks registered an increase in authorized capital totaling UAH 5,152.3 m due to additional shareholder contributions, and another – by UAH 16,546.5 m due to the accession of another bank. At the same time, the registered authorized capital of the system decreased by UAH 3,060.1 m due to the resolution of two unprofitable banks.

Lower results of transactions with shareholders by UAH 6,494.9 m and increase in general reserves and payables by UAH 2,564.8 m did not lead to a change in the capitalization of the DGF members, as they occurred within their equity items: shareholders' results accounted for the loss of previous years, and reserves and funds have increased due to the distribution of last year's profits.

In priority, total results of previous years deteriorated by UAH 8,476.1 m, which is explained by the direction of the majority of last year's profit on dividends (in the amount of over UAH 24.8 bn) instead of covering the negative financial results of previous periods.

In 2019, the equity share in liabilities grew steadily and reached 14.6% at the end of the year (in the first half of the year it increased to 13.0%, and by the end of 9 months – to 14.4%), although for the whole last year it decreased from 11.5% to 11.1%. At the same time, the weight of subordinated debt is gradually lost to maintain the protective function of capital: the amount of this debt since the beginning of 2019 decreased by UAH 2,713.1 m and on January 1, 2020 amounted to UAH 9,383.2 m vs. UAH 8,805.1 m as of January 1, 2019.

During 2019, the overdue credit debt ratio to the equity of the DGF members improved, which in 2018 increased from 263.9% to 316.3%, and as of January 1, 2020 decreased to 200.7%. At the same time, the number of participants with overdue loans exceeding the amount of equity has also decreased and now numbers 11 banks against 14 at the beginning of the year.

As of January 1, 2020, deposits of individuals were 2.6 times higher than the equity of banks, which indicates an insufficient level of deposit protection by capital, although on January 1, 2019 this excess was 3.4 times, and on July 1, 2019 – 3.0 times. For 19 banks the value of this indicator was higher than the system average, including for one bank the excess was more than twice (at the beginning of the year there were 15 and 2 such banks, respectively).

Thus, despite the gradual increase in the capitalization of the banking system, the problem of increasing capital adequacy remains relevant due to the presence of such negative factors as low asset quality and a large amount of overdue debt.

With this in mind, in 2019 the NBU conducted stress testing of 29 banks, which together account for more than 90% of the banking sector's assets, as a result of which it set the required level of fixed and regulatory capital adequacy for them. It was determined if the estimated values of capital adequacy ratios of financial institutions in at least one of the years of the forecast horizon fell below the threshold levels of 7.0% and 10.0% for the baseline and 3.5% and 5.0% for adverse scenarios.

Banks must achieve a certain required level of capital adequacy by restructuring the balance sheet or by raising capital from shareholders. At the same time, they can gradually increase the current values of adequacy through profits and capital increases, thus approaching the required level to be reached by October 2020. By keeping the capital stock above the minimum requirements for risk coverage, banks will also be able to prepare in advance for changes in capital requirements that will occur in the coming years.

In addition, to implement the provisions of the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine to Prevent Negative Impact on the Stability of the Banking System» of 04.07.2014. No.1586-VII, which provides for an increase in the minimum authorized capital at the time of state registration of a legal entity intending to carry out banking activities, from UAH 120 m to UAH 500 m, the NBU has developed a schedule of gradual adjustment of authorized capital to the requirements, and exactly to the size not less than:

- UAH 120 m – by June 17, 2016;
- UAH 200 m – by July 11, 2017;
- UAH 300 m – by January 1, 2021 (pursuant to the resolution of the NBU Board dated November 7, 2019 #30130);
- UAH 400 m – by July 11, 2022;
- UAH 500 m – by July 11, 2024.

Given this schedule, as well as the results of the NBU stress testing, the next stage of capitalization of the banking system is expected during 2020 in order for banks to reach the size of the authorized capital of UAH 300.0 m by January 1, 2021. At the same time, as of January 1, 2020, 30 banking institutions in the total amount of UAH 6,714.3 m need additional contributions to the authorized capital.

2.2. Analysis of member institutions' deposit market trends

Analysis of deposit transactions for 2019 was conducted for 74 DGF members on the basis of monthly submitted «Reports on Retail Deposits in Member institutions of the Deposit Guarantee Fund – reporting form No.1F».

During 2019, 3 banks with the following data on deposits were excluded from the Register of Member institutions (Table 2.2.1).

Data on retail deposits in banks excluded from the DGF Register of Member Institutions in 2019 (as of January 1, 2019)

Table 2.2.1

No.	Reg. No.	Name of the bank	Number of depositors	Amount of deposits, UAH		Potential reimbursement amount, UAH	Date of decision to liquidate/ exclude a bank
			persons	total	of which foreign currency		
1	213	VERNUM BANK	2 743	50 689 191	22 989 042	32 028 469	14.05.2019
2	181	FINANSOVA INITSIATYVA	166 382	1 396 076 450	1 078 983 434	454 328 829	21.05.2019
3	021	UKRSOTSBANK	643 862	1 034 804 459	590 904 830	759 039 769	31.10.2019
Total for 2019			812 987	2 481 570 100	1 692 877 306	1 245 397 067	

Deposit Market Trends



the number of depositors

in 2019 increased by 2.7 m people or 6.6% to 43.4 m people. For comparison, in 2018 there was a decrease in the number of depositors by 0.3 m people or 0.7%. Total number of depositors in banks with a state share is 25.2 m people or 58.0% of the total number of the DGF.

In 9 banks, the number of depositors in each of which is more than 1 m people, a total of 37.3 m depositors are concentrated, which is 86.0% of the total number of depositors in the DGF (Table 2.2.2). Deposits of 22.5 m people are concentrated in AT KB PRIVATBANK, which is 51.8% of the total number of depositors in the DGF.



the amount of deposits

in 2019 increased by UAH 36.1 bn or 8.2% to UAH 474.4 bn. To compare, in 2018 the increase in the amount of deposits amounted to UAH 24.6 bn or 5.9%.

The total amount of deposits in banks with a state share is UAH 247.9 bn or 52.2% of the total amount of deposits under the DGF.

Banks with the largest number of depositors as of January 1, 2020

Table 2.2.2

No.	Reg. No.	Name of the bank	January 1, 2020					
			Number of depositors, thous. persons			Deposit amount	Potential reimbursement amount	
			Total	% of total	foreign currency	Total, UAH thous.	Number, pax thous.	Deposit amount, UAH thous.
1	113	PRIVATBANK	22 466	51,8	4 315	196 790	17 000	143 799
2	48	ALFA-BANK	2 215	5,1	177	36 159	811	17 128
3	90	UKRSIBBANK	2 181	5,0	221	22 690	1 364	13 123
4	52	UKRGAZBANK	2 085	4,8	101	25 008	596	13 022
5	111	PUMB	2 032	4,7	100	21 460	713	11 281
6	121	REIFFAISEN BANK AVAL	1 974	4,6	102	29 925	1 617	18 022
7	27	UNIVERSAL BANK	1 800	4,1	328	10 677	751	7 699
8	98	AKCENT-BANK	1 535	3,5	64	4 595	489	4 072
9	85	OTP BANK	1 025	2,4	91	16 121	429	6 531
Total for banks			37 314	86,0	5 499	363 425	23 771	234 677
% of total for the DGF			86,0	86,0	85,1	76,6	89,8	80,7
TOTAL for the DGF			43 379	100,0	6 459	474 440	26 471	290 872



In 9 banks, in each of which the deposit amount exceeds UAH 10 bn, a total of UAH 384.9 bn or 81.1% of the total deposits of the DGF is concentrated, including 41.5% of AT KB PRIVATBANK of all member institutions in the guarantee system (Table 2.2.3).

Banks with the largest amount of deposits as of January 1, 2020

Table 2.2.3

No.	Reg. No.	Name of the bank	January 1, 2020					Change for 2019	
			Number of depositors	Deposit amount, UAH thous.			Potential reimbursement amount (PRA), UAH thous.	Deposit amount	PRA
				pax thous.	Total	% of total			
1	113	PRIVATBANK	22 466	196 790	41,5	63 074	143 799	6 685	11 648
2	48	ALFA-BANK	2 215	36 159	7,6	18 299	17 128	5 111	2 940
3	121	REIFFAISEN BANK AVAL	1 974	29 925	6,3	9 498	18 022	3 195	1 433
4	22	UKREXIMBANK	612	26 065	5,5	16 775	10 358	-400	731
5	52	UKRGAZBANK	2 085	25 008	5,3	13 613	13 022	3 585	1 482
6	90	UKRSIBBANK	2 181	22 690	4,8	11 703	13 123	3 983	2 062
7	111	PUMB	2 032	21 460	4,5	9 481	11 281	4 299	3 105
8	85	OTP BANK	1 025	16 121	3,4	8 251	6 531	3 351	924
9	27	UNIVERSAL BANK	1 800	10 677	2,3	3 461	7 699	6 222	4 623
Total for banks			36 392	384 895	81,1	154 155	240 963	36 030	28 948
% of total for the DGF			83,9	81,1	81,1	79,1	82,8		
TOTAL for the DGF			43 379	474 440	100	194 959	290 872	36 088	31 510



natural persons-entrepreneurs

as of January 1, 2020, the number of natural persons-entrepreneurs amounted to 1.3 m people or 3.0% of all depositors, which accounted for UAH 32.4 bn or 6.8% of their total amount. In 2019, the number of natural persons-entrepreneurs increased by 33.7 thous. people or by 2.7%, and their amount by UAH 5.0 bn or by 18.1%.



average deposit amount

the average deposit amount for 2019 increased by UAH 160.7 to UAH 10,937.1. The average deposit amount guaranteed by the DGF (over UAH 10) in 2019 increased by UAH 510.0 to UAH 17,779.81.



potential reimbursement amount

potential reimbursement amount at the expense of the DGF in 2019 increased by UAH 31.5 bn or by 12.1% and as of January 1, 2020 amounted to UAH 290.9 bn. For comparison, in 2018 the increase in the potential reimbursement amount made up to UAH 21.3 bn or 9.0%.

The total potential reimbursement amount in state-owned banks is UAH 167.2 bn or 57.5% of the total amount of the DGF.



Table 2.2.4 shows the deposit dynamics of the DGF members in 2019.

Table 2.2.5 shows the deposit structure of the DGF members since the beginning of 2014.

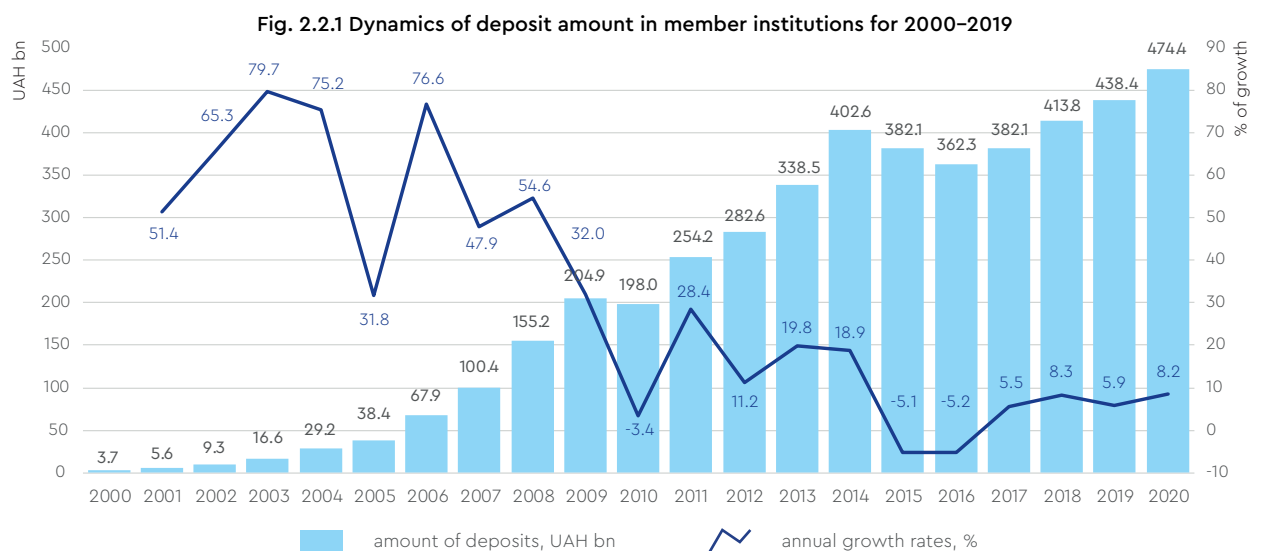
Table 2.2.6 shows the dynamics of deposit transactions of the DGF members since 2000.

The year 2019 was characterized by an increase in the volume of deposit bank transactions with individuals (+ UAH 36.1 bn) and in their growth rates (8.2%) compared to previous years. This was due to a significant growth in the amount of deposits in the national currency by UAH 42.8 bn or 18.1% (for the fourth year in a row there is an increase in the amount with a significant growth rate), while the decrease in foreign currency deposits in hryvnia equivalent was UAH 6.7 bn or «-» 3.3% due to the strengthening of the hryvnia.

At the same time, in US dollars terms, foreign currency deposits increased for the first time since 2014 («+» 0.9 bn US dollars or «+» 13.0% to 8.23 bn US dollars). The number of depositors also grew for the first time since 2014 («+» 2.7 m people or 6.6%)

To compare, the year 2018 was marked by consistent growth in the total retail deposit amount, which for the year amounted to UAH 24.6 bn or 5.9%, which was due to a significant increase in deposits in the national currency by UAH 33.0 bn or 16.2%, while the level of decrease in deposits in foreign currency in hryvnia equivalent was «-» UAH 8.4 bn or «-» 4.0%.

In dollar terms, foreign currency deposits continued to decline («-» 0.2 bn US dollars or «-» 2.7% to 7.28 bn US dollars), but there was a slowdown in their decline compared to 2017.



Dynamics of deposit transactions in member institutions since the beginning of 2019

Table 2.2.4

No	Retail deposit transactions (No. 1Φ)	January 1, 2019	January 1, 2020	since the beginning of 2019	
				+/-	%
1.	Number of member institutions, of which:	77	74	-3	x
	insolvent	1	0	-1	x
2.1.	Retail deposit amount, UAH bn	438,4	474,4	36,1	8,2
	of which national currency, UAH bn	236,7	279,5	42,8	18,1
	of which foreign currency, UAH bn	201,7	195,0	-6,7	-3,3
2.2.	Number of depositors, pax m	40,7	43,4	2,7	6,6
2.3.	Percentage of depositors full coverage by the DGF, %	98,4	98,4	-0,1	-0,1
2.4.	Potential reimbursement amount by the DGF, UAH bn	259,4	290,9	31,5	12,1
2.5.	Average deposit amount, UAH	10 776,4	10 937,1	160,7	1,5



Monthly dynamics of retail deposit transactions by currency

Table 2.2.5

Date	Number of depositors, pax m	Total deposit amount, UAH bn	Potential reimbursement amount, UAH bn	Amount of national currency deposits, UAH bn	Amount of foreign currency deposits, UAH bn
Jan 1, 2014	47,4	402,6	245,6	224,3	178,4
Jan 1, 2015	46,5	382,1	209,9	172,1	210,0
Jan 1, 2016	44,7	362,3	191,9	164,5	197,8
Jan 1, 2017	41,1	382,1	203,3	169,9	212,3
Jan 1, 2018	41,0	413,8	238,0	203,7	210,0
Jan 1, 2019	40,7	438,4	259,4	236,7	201,7
Jan 1, 2020	43,4	474,4	290,9	279,5	195,0

Annual dynamics of retail deposit transactions

Table 2.2.6

Date	Number of depositors		Total deposit amount		Average deposit amount (ADA), UAH		ADA without UAH 1 or UAH 10	
	pax thous.	growth rates prior to the year start, %	UAH m	growth rates prior to the year start, %	UAH	growth rates prior to the year start, %	UAH	growth rates prior to the year start, %
Jan 1, 2000	4 558,9		3 675,58		806			
Jan 1, 2001	5 358,8	17,5	5 603,62	52,5	1 046	29,7		
Jan 1, 2002	4 837,4	-9,7	9 264,13	65,3	1 915	83,1		
Jan 1, 2003	7 005,5	44,8	16 645,80	79,7	2 376	24,1		
Jan 1, 2004	10 488,4	49,7	29 160,58	75,2	2 780	17,0	3 745	
Jan 1, 2005	15 021,2	43,2	38 432,07	31,8	2 559	-8,0	3 368	-10,1
Jan 1, 2006	18 570,2	23,6	67 885,22	76,6	3 656	42,9	4 561	35,4
Jan 1, 2007	24 239,9	30,5	100 416,06	47,9	4 143	13,3	4 945	8,4
Jan 1, 2008	29 607,8	22,1	155 236,15	54,6	5 243	26,6	6 105	23,5
Jan 1, 2009	34 532,3	16,6	204 934,68	32,0	5 935	13,2	7 001	14,7
Jan 1, 2010	31 568,0	-8,6	198 010,58	-3,4	6 273	5,7	7 455	6,5
Jan 1, 2011	32 577,8	3,2	254 180,28	28,4	7 802	24,4	9 400	26,1
Jan 1, 2012	35 007,8	7,5	282 596,88	11,2	8 072	3,5	9 594	2,1
Jan 1, 2013	44 428,9	26,9	338 496,80	19,8	7 619	-5,6	16 006	66,8
Jan 1, 2014	47 447,2	6,8	402 615,53	18,9	8 486	11,4	17 148	7,1
Jan 1, 2015	46 523,5	-1,9	382 081,64	-5,1	8 213	-3,2	16 487	-3,9
Jan 1, 2016	44 703,4	-3,9	362 277,96	-5,2	8 104	-1,3	15 338	-7,0
Jan 1, 2017	41 101,8	-8,1	382 149,86	5,5	9 298	14,7	16 378	6,8
Jan 1, 2018	40 951,6	-0,4	413 769,21	8,3	10 103	8,7	16 535	1,0
Jan 1, 2019	40 677,2	-0,7	438 352,51	5,9	10 776	6,7	17 270	4,4
Jan 1, 2020	43 379,0	6,6	474 440,31	8,2	10 937	1,5	17 780	3,0

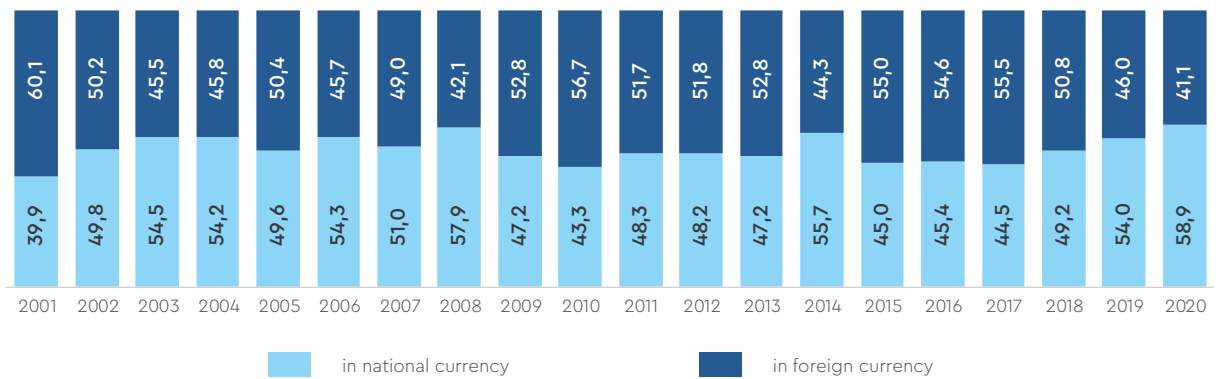


Deposits by currency

Deposits in national currency began to dominate significantly: share of deposits in national currency in 2019 increased from 54.0 to 58.9%, and in foreign currency decreased from 46.0 to 41.1%. (Fig. 2.2.2).

Deposits in national currency in 2019 increased by UAH 42.8 bn or by 18.1% and amounted to UAH 279.5 bn. In comparison with the dynamics for 2018 ("+" UAH 33.0 bn or by 16.2%), the growth rates of the deposit amount in the national currency continue to remain at a high level.

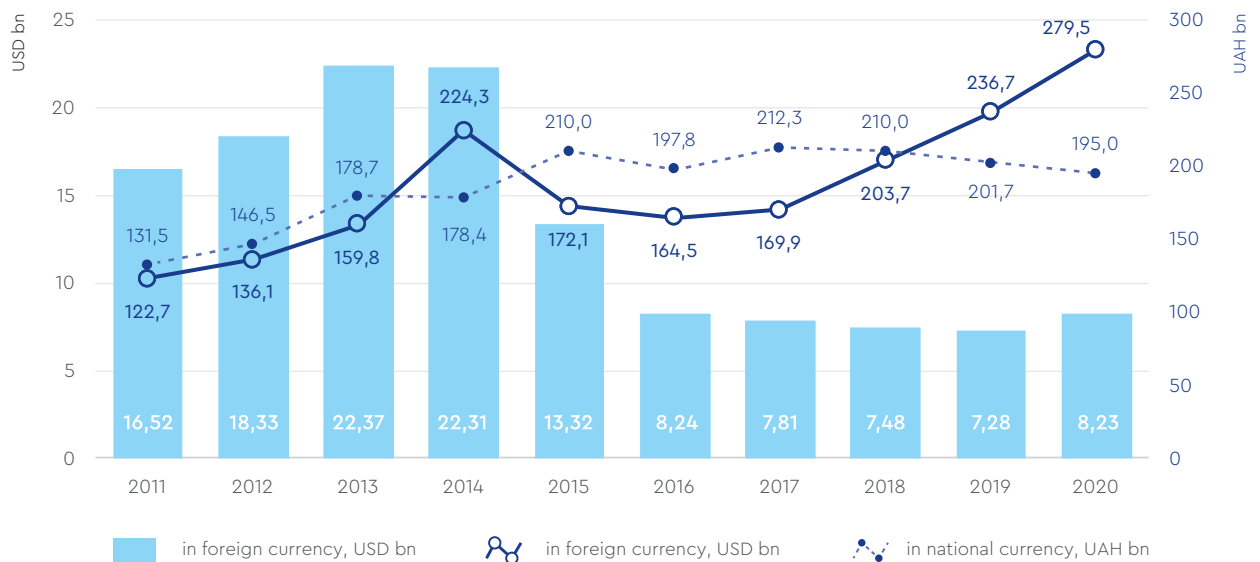
Fig. 2.2.2 Dynamics of retail deposits by currencies, %



The hryvnia equivalent of the amount of foreign currency deposits in 2019 decreased by UAH 6.7 bn or 3.3% and amounted to UAH 195.0 bn. At the same time, in dollar terms, the increase in the amount of deposits amounted to 0.9 bn US dollars or 13.0% to 8.23 bn US dollars.

This is due to the strengthening of the official hryvnia exchange rate and a real increase in foreign currency deposits. (Fig. 2.2.3).

Fig. 2.2.3 Dynamics of foreign currency deposits



Maximum reimbursement limit

According to Article 26 of the Law, the amount of the maximum reimbursement limit for retail deposits at the expense of the DGF is UAH 200,000 (8.4 thous. US dollars or 7.6 thous. euros as of January 1, 2020). During the entire period of the DGF's existence, the maximum reimbursement amount for deposits has increased 400 times.

The structure of retail deposits by ranges as of January 1, 2020 has the following form (Table 2.2.7, Fig. 2.2.4, 2.2.5).

As of January 1, 2020, 26.2 m people or 98.4% of depositors have fully protected funds (range from UAH 10 to UAH 200,000), with a total of UAH 204.2 bn or 43.1% of the total deposit amount of such depositors. The average deposit amount in the range guaranteed by the DGF is UAH 7,780.78.

Thus, the guaranteed level of deposit reimbursement provides coverage of the majority of the population deposits and indicates the intentions/opportunities of depositors to keep deposits within the range guaranteed by the DGF.

Fig. 2.2.4 Number of depositors, %

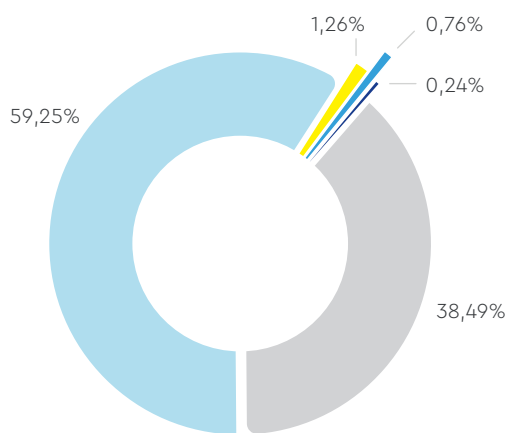
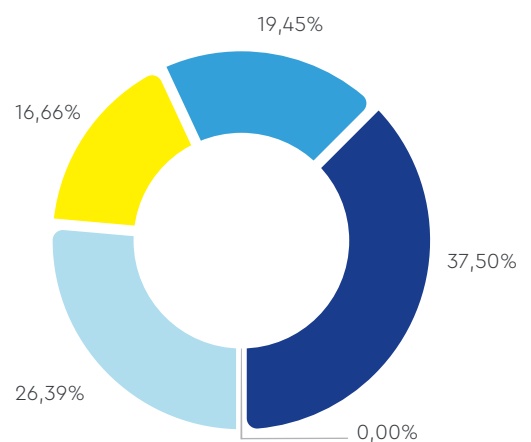


Fig. 2.2.5 Deposit amount, %



Structure of member institutions' deposits by range as of January 1, 2020

Table 2.2.7

Amount of the deposit, UAH	Number		Deposit amount		Average deposit amount
	persons	%	UAH thous.	%	UAH
up to 10	16 695 982	38,49	21 370,64	0,00	1,28
10 to 100 000	25 701 735	59,25	125 223 318,05	26,39	4 872,17
100 000 to 200 000	547 769	1,26	79 018 166,64	16,66	144 254,54
200 000 to 500 000	328 348	0,76	92 257 345,55	19,45	280 974,29
over 500 000	105 170	0,24	177 920 113,63	37,50	1 691 738,27
Total	43 379 004	100,0	474 440 314,51	100,0	10 937,10
Total without «up to 10»	26 683 022	61,5	474 418 943,87	100,0	17 779,81
10,000 to 200,000 (fully guaranteed)	26 249 504	98,4	204 241 484,69	43,1	7 780,78

Potential reimbursement amount and deposits guaranteed by the DGF

The potential reimbursement amount (PRA) for the DGF members in 2019 increased by UAH 31.5 bn or 12.1% and as of January 1, 2020 amounted to UAH 290.9 bn.

The potential reimbursement amount in 4 state-owned banks amounted to UAH 167.2 bn, which is 57.5% of the total amount of deposits.

As of January 1, 2020, the DGF resources amount to UAH 11.7 bn and do not cover the potential reimbursement amount of AT KB PRIVATBANK (coverage is 8.1%, the amount of reimbursement is UAH 143.8 bn or 49.4% of the DGF total), AT Raiffeisen Bank Aval (coverage is 64.7%), AT ALFA-BANK (coverage is 68.1%), AT UKRSIBBANK (coverage is 88.9%) and AT UKRGAZBANK (coverage is 89.6%).

The potential reimbursement amount ratio to the total amount of deposits (TD) in the DGF as a whole for 2019 increased from 59.2 to 61.3%.

According to the reporting forms 1Φ as of January 1, 2020, the amount of compensation by structure is distributed as follows: total amount of reimbursement – UAH 290.9 bn, the amount of deposits on term deposits amounted to UAH 133.7 bn or 46.0%, the amount of deposits in current accounts – UAH 157.0 bn or 54.0%, including card accounts – UAH 48,7 bn or 31.0% of all current (Table 2.2.13).

That is, during 2019 regarding the reimbursement amount deposits on deposit accounts increased slightly, while deposits in current accounts increased significantly.

Structure of potential reimbursement amount by maturity as of January 1, 2020

Table 2.2.8

No.	Indicator	January 1, 2019		January 1, 2020	
		Number	Deposit amount	Number	Deposit amount
1	Deposit amount/number of depositors total	40 677 234	438 352 511 820	43 379 004	474 440 314 508
2	In foreign currency	5 872 744	201 651 329 603	6 459 354	194 959 421 342
3	Total potential reimbursement amount, incl.:	25 177 643	259 361 621 843	26 471 259	290 871 842 308
3.1	Current account deposits, incl.:	21 747 047	131 583 363 901	22 943 119	157 031 396 564
3.1.1	– card account deposits	6 802 967	40 609 286 279	7 442 213	48 727 835 535
3.2	Registered saving certificates, including the following maturity period:	387	61 415 061	162	22 317 813
3.2.1	– on demand	44	6 493 618	21	3 046 400
3.2.2	– up to 1 month	80	12 619 783	24	3 088 999
3.2.3	– 1 to 2 months	35	5 634 040	11	1 377 938
3.2.4	– 2 to 3 months	37	6 355 894	20	2 819 985
3.2.5	– 3 to 4 months	18	3 031 031	17	2 405 984
3.2.6	– 4 to 5 months	25	4 017 253	16	2 031 515
3.2.7	– 5 to 6 months	18	3 255 231	15	1 627 787
3.2.8	– 6 to 7 months	4	624 615	15	2 136 709
3.2.9	– 7 to 8 months	13	2 018 690	10	1 353 364
3.2.10	– 8 to 9 months	19	2 540 412	2	346 800
3.2.11	– 9 to 10 months	12	1 977 925	8	1 280 998
3.2.12	– 10 to 11 months	12	1 671 938	2	328 149
3.2.13	– 11 to 12 months	12	1 731 788	1	66 895
3.2.14	– over 12 months	67	9 442 842	4	406 291



Table 2.2.8

No.	Indicator	January 1, 2019		January 1, 2020	
		Number	Deposit amount	Number	Deposit amount
3.3	Fixed-term deposits, including the following maturity period:	10 197 581	127 632 170 966	10 752 316	133 729 750 663
3.3.1	- up to 1 month	926 686	19 865 818 405	1 974 279	21 365 509 777
3.3.2	- 1 to 2 months	814 489	13 772 854 831	640 438	14 608 357 837
3.3.3	- 2 to 3 months	919 787	15 670 986 258	449 151	14 338 879 390
3.3.4	- 3 to 4 months	803 572	10 848 805 648	357 612	9 012 431 577
3.3.5	- 4 to 5 months	813 881	11 266 746 267	372 501	10 197 381 290
3.3.6	- 5 to 6 months	852 048	11 355 582 165	434 743	10 525 893 633
3.3.7	- 6 to 7 months	668 398	6 297 351 644	199 271	5 028 952 010
3.3.8	- 7 to 8 months	663 250	5 421 674 842	206 636	6 285 088 984
3.3.9	- 8 to 9 months	780 142	5 183 336 426	232 581	6 730 143 597
3.3.10	- 9 to 10 months	891 827	7 446 469 360	255 861	8 012 861 595
3.3.11	- 10 to 11 months	1 080 265	7 113 551 092	286 861	8 024 813 324
3.3.12	- 11 to 12 months	1 651 083	8 220 979 744	361 018	8 045 788 338
3.3.13	- over 12 months	155 872	4 511 647 651	84 890	4 572 223 958
3.3.14	- with the contract term expired and not transferred to the current/card account	106 097	656 366 633	5 811 263	6 981 425 354
3.4	Others	23 211	84 671 915	20 122	88 377 267

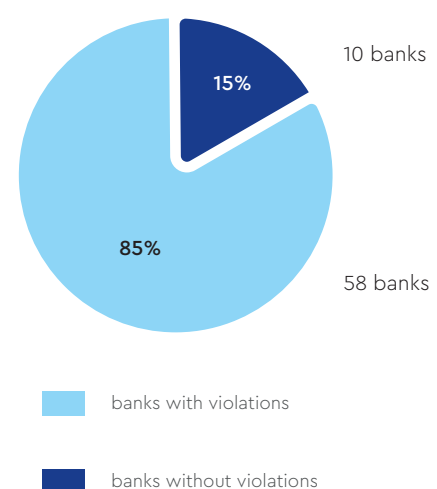
2.3. Implementation of control functions

As part of ensuring the deposit guarantee system functioning, protection of rights and interests of depositors, the DGF monitors the fulfillment of banks' obligations regarding their participation in the deposit guarantee system, in the form of inspections of the DGF members and remote control according to the Provisions on DGF members' monitoring, approved by the DGF Executive Directorate decision No.16 dated August 9, 2012, registered with the Ministry of Justice of Ukraine on September 4, 2012 under No. 1495/21807.

Inspections in 2019 were carried out in order to determine performance of the DGF members' duties, assigned to them by the Law and regulations of the DGF in accordance with the approved annual inspection plan.

Pursuant to the Plan for inspections of the Deposit Guarantee Fund's members for 2019, approved by the DGF Executive Directorate decision No. 2943 dated November 1, 2018, employees of the DGF in 2019 conducted a total of 68 bank inspections.

Fig.2.3.1. The results of member institution inspections in 2019



Scheduled inspections were conducted on the following issues:

1. reliability of reports provided to the DGF;
2. complete and on time payments of fees and assessed penalty to the DGF;
3. complete and reliable database of depositors;
4. meeting the requirements for informing depositors about the bank's membership with the DGF;
5. meeting other requirements of the Law and DGF regulations.

The inspections were aimed at obtaining information on the banks' fulfillment or failure to fulfill the requirements of the Law of Ukraine «On Households Deposit Guarantee System», including compliance with the rules of fee accrual and payment, providing information for the DGF Register of Member Institutions, reliability of the depositors' data in the database of depositors, as well as the procedure for informing depositors about the households deposit guarantee system in Ukraine.

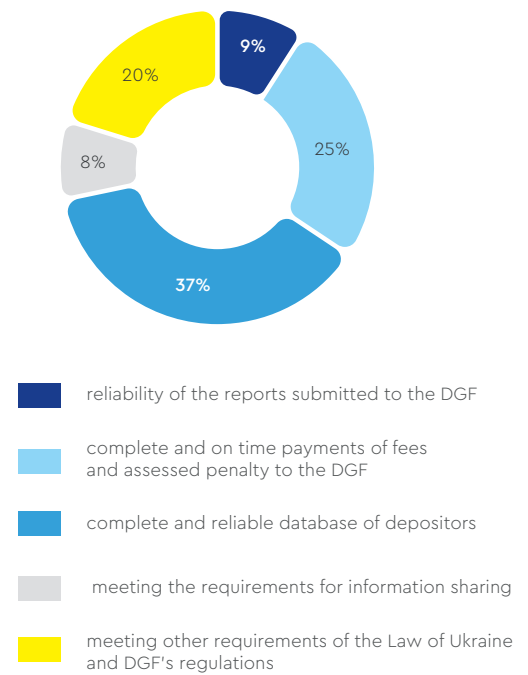
During the inspections, special attention was paid to the reliability of fee calculations and reports provided to the DGF by banks and ability of banks to properly develop the database of depositors of the DGF members in accordance with the DGF's requirements.

According to the results of 58 bank inspections, 105 violations of the Law and DGF regulations (Fig.2.3.2).

Reliability of the reports submitted to the DGF

To analyze the development trends of the market of resources raised from depositors by the DGF members in order to protect the rights and legitimate interests of bank depositors, strengthen confidence in the banking system of Ukraine, stimulate fundraising in the banking system of Ukraine, ensure effective procedure for insolvent banks resolution, the DGF set requirements for its members as to the reporting form No. 1Φ. The main requirements for compiling and providing this form are defined by the Manual on the procedure of reporting about deposits of individuals in the DGF member institutions – reporting form 1Φ, approved by the DGF Executive Directorate decision No.5 dated July 09, 2012, registered in the Ministry of Justice of Ukraine on August 02 2012 under No.1314/21626 with additions and amendments.

Fig. 2.3.2. Relative share of violations in certain issues inspected in the total number of violations



The inspections' results show certain banks' violations in compiling and submitting reports to the DGF, including:

- misrepresented information on the size and amounts of funds of individuals and entrepreneurs;
- inaccurate information on the number and amount of funds of individual depositors.

Based on the results of these inspections, violations of No. 1Φ reporting credibility (preparation procedure) in 10 DGF members out of all inspected banks were identified, the share of this violation is 9% of all detected violations.

Complete and on time payments of fees and assessed penalty to the DGF

The results of inspections conducted in 2019 show that the DGF members committed certain violations while calculating the amount of the regular fee, including:

- inaccurate calculation of the degree of risk on which the base annual rate in national and foreign currency is weighed;
- incorrectly determined scores on quantitative and qualitative indicators;
- the basis for accrual of the regular fee for deposits in national and foreign currencies is inaccurately determined and calculated;
- etc.

Taken together, this led to the submission to the DGF of an unreliable report on the regular fee calculation, understatement of the the regular fee amount payable to the DGF, incorrect determination of the degree of risk of the bank, and so on.

According to the results of bank inspections regarding the issue of complete payments of fees to the DGF, the amount of regular fee paid by the banks to the DGF was understated by a total of UAH 87.9 m, due to which a fine for incomplete payment of regular fee in the amount of UAH 11.7 m was imposed.

In general, violations in terms of completeness and timeliness of fee payments to the DGF were found in 27 members, the share of this violation is 25% of all identified violations.

The results of the inspections show that most banks, in general, correctly calculated the basis for the regular fee, determined the degree of risk and paid the regular fee to the DGF in full.

Complete and reliable database of the depositors

The DGF has provided the requirements for the DGF individual depositors database, which are set out in the Rules for the formation and maintenance of databases of depositors, approved by the DGF Executive Directorate decision No. 3 dated July 9, 2012, registered in the Ministry of Justice of Ukraine on August 23, 2012 under No. 430/21742 as amended (hereinafter – the Rules).

In the reporting year, typical banks' violations in the formation and maintenance of databases were identified, including:

- absence, incompleteness and incorrectness of information about the depositor;

- duplication of information about one depositor, which makes it impossible to unambiguously identify the depositor.

The above shortcomings in the database were identified in accordance with the Rules in 40 banks; the relative share of this violation is 37% of all violations identified.

In general, the inspected banks have developed a software and hardware complex that allows to accumulate and store information about depositors, to ensure storage of data in an archive file on external media, separated both logically and physically.

Meeting the requirements for informing depositors about the bank's membership with the DGF

The Law, as well as the Instruction on the Procedure for the Protection of Rights and Legal Interests of Depositors by the Deposit Guarantee Fund, approved by the DGF Executive Directorate decision dated May 26, 2016 and registered with the Ministry of Justice of Ukraine under No. 874/29004 on June 17, 2016, put forward the requirements to the DGF members on mandatory placement of information about the households deposit guarantee system.

The results of the inspections show some of the banks' violations of the DGF requirements for informing depositors about the bank's membership with the DGF, including the following:

- incorrect contact information of the DGF posted on the bank's website and/or in the premises where retail deposit operations are carried out;
- the Law and the Certificate of the Deposit Guarantee System posted on the bank's website without the latest amendments;

- no information in the current agreements concluded by the bank with depositors that the individual (including individual-entrepreneur) with whom the contract is concluded is acquainted with the Certificate of Deposit Guarantee System, which is certified by a separate signature of the depositor.
- lack of information necessary in accordance with the

Instruction on the Procedure for the Protection of Rights and Legal Interests of Depositors by the DGF in the agreements on comprehensive banking services for individuals posted on the official bank websites and existing agreements by Banks.

During the inspections conducted in 2019, 9 cases of banks violating the DGF requirements for informing depositors about the households deposit guarantee system in Ukraine were recorded; the relative share of this violation is 8% of all violations identified.

Meeting other requirements of the Law and DGF regulations

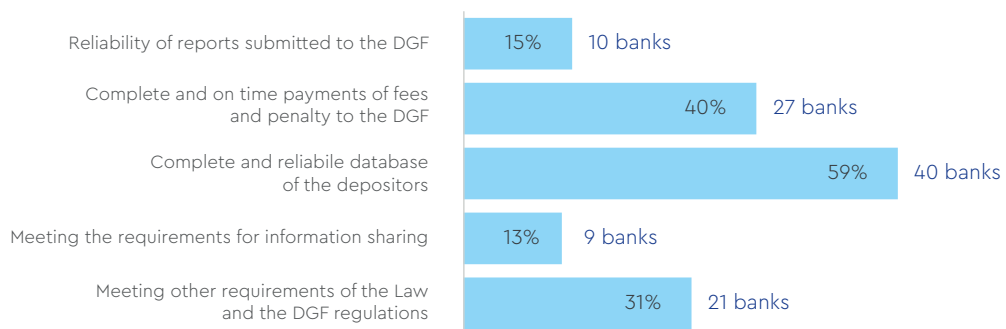
The member institutions shall submit information set out in the Regulation on the Procedure for the Maintenance of the DGF Register of Member Institutions approved by DGF Executive Directorate decision No. 7 dated July 12, 2012 and registered with the Ministry of Justice of Ukraine under No. 1547/21859 on September 7, 2012 as amended (hereinafter referred to as the Regulation).

Inspections held in 2017 found that contrary to the requirements, the member institutions failed to inform or untimely informed the DGF on the changes in the Register of the Member Institutions, in particular regarding positions of authorized bank officers and participants, information changes in ratings of the parent company.

The inspections held in 2019 identified 21 cases of violations of the DGF requirements by banks on providing information under the Regulation; the relative share of this violation is 20% of all the violations identified.

Relative share of violations in the total number of banks that were inspected in 2019, in terms of the issues being inspected, is shown in Fig. 2.3.3.

Fig. 2.3.3. Relative share of bank violations out of total number of banks inspected in 2019



Based on the explanations provided by the banks, the main reasons contributing to the banks' violations were:

- Regarding the reliability of the reporting provided to the DGF:
 - incorrect display of the «counterparty type» parameter on the DGF balances of depositors, who were accounted for in the accounts of individuals-entrepreneurs;
 - for technical reasons, namely improper setup of the software and hardware package, and incorrect entry of analytical parameters on individual accounts by employees;
 - failure to include in the reporting No.1Ф form the balance of individuals, who were accounted on the balance accounts No. 2903, No. 604.
- Regarding the issue of complete and on time payments of fees and assessed penalty to the DGF:
 - for technical reasons, namely improper setup of the software used for determining and calculating the basis for accrual of regular fees;
 - incorrect display of quantitative indicators due to incorrect adjustment of the sample of the above indicators directly during the formation of the reporting file «L»;
 - mistakes made by the software developers in determining the score on the quantitative indicator, which led to the incorrect calculation of the total score

on the sum of quantitative indicators to determine the degree of risk involved in the calculation of the regular fee to the DGF;

- the content of qualitative indicators was incorrectly interpreted by the bank's employees, which led to the inadequate calculation of the total score on the sum of quantitative and qualitative indicators, incorrect determination of the total score affected the calculation of the regular fee in the form of differentiated fee payable to the DGF;
 - Insufficient level of control and subsequent control over the reliability of the regular fee in the form of a differentiated fee submitted to the DGF.
- Regarding the complete and reliable database of depositors:
 - incorrect entry of information about foreign depositors in the ABS depositor's card by responsible employees;
 - software failure in creation of database files when updating depositors' documents;
 - clients who do not address to the Bank for identification and verification;
 - technical errors in data transfer from the client subsystem to the bank's operating system;
 - the originals of the documents provided by the depositors were in an inappropriate condition;
 - technical failure to implement new software due to the merger of banks.



4. Regarding the issue of meeting the requirements for informing depositors about the bank's membership with the DGF:
 - untimely amendments to the standard bank deposit agreements, bank account agreements, information on the guarantee system;
 - lack of control by the structural bank unit responsible for the service of individuals.
5. Regarding meeting other requirements of the Law of Ukraine «On households deposit guarantee system» and the DGF regulations:
 - changes in functional responsibilities of the bank's employees responsible for the timely submission of information to the DGF;

- misinterpretation of the requirements of the Regulation regarding the notification by the bank of changes in the information contained in the DGF Register of Member Institutions.

According to the inspections' results, the employees of the inspection department of remote monitoring of banks' operations have compiled 108 reports on law violations by banks in the field of retail deposit guarantees.

Due to the increased level of violations, compared to 89 protocols in 2018, banks were provided with recommendations to strengthen control over compliance with the Law and the DGF regulations and prevent such violations in the future.

Administrative and economic sanctions and administrative fines

The main goal of the Deposit Guarantee Fund is to ensure the functioning of the deposit guarantee system and insolvent bank resolution.

In pursuance of the DGF's main goal and in the manner prescribed by the Law, one of the functions of the DGF is to apply financial sanctions and impose administrative fines to banks and their managers.

As of 1 January 2020, the authorised DGF officers compiled 68 reports on administrative offenses. Proceedings on committed administrative violations were held under the Code of Ukraine on Administrative Offenses, since it is provided that the grounds for holding bank executives administratively liable are the following administrative offenses:

- breach of the Procedure for compiling information for the DGF by the bank manager (Part 1 of Article 166–19 of the Code);
- breach of the Procedure for submitting information to the DGF by the bank manager (Part 1 of Article 166–19 of the Code);
- failure of the bank manager to implement legal decisions of the DGF (Part 2 of Article 166–19 of the Code);
- untimely implementation of legal decisions of the DGF by the bank manager (Part 2 of Article 166–19 of the Code);
- failure to pay fees to the DGF by the bank (Part 3 of Article 166–19 of the Code);
- delayed payment of the fee to the DGF by the bank (Part 3 of Article 166–19 of the Code).

Upon considering the cases on administrative offenses, the authorised DGF officers adopted 43 decisions according to Part 2 of Article 36 of the Code of Ukraine on Administrative Offenses, in particular, decisions of administrative penalties on bank managers.

Thus, for:

- violation of the procedure for compiling or submitting information to the DGF by the bank manager, an authorized DGF officer imposed fines in the amount of UAH 348,500.00,

- delayed payment of the fee by the bank to the DGF or non-payment of the fee by the bank to the DGF, fines in the amount of UAH 88,400.00 were imposed,
- failure of the bank manager to implement legal decisions of the DGF – in the amount of UAH 3,400.00.

Thus, total amount of fines imposed reached UAH 440,300.00, of which UAH 418,200.00 was voluntarily paid to the State Budget of Ukraine.

In case of violation of the laws on households deposit guarantee system by banks, the DGF applies administrative and economic sanctions to the banks by a written warning or fine or an order to eliminate violations of the laws on households deposit guarantee system.

The DGF imposed sanctions on banks for the following violations:

1. failure of the bank to submit information to the DGF if the submission of such information is required by the Law and/or regulations;
2. delayed submission of information to the DGF by the bank if the submission of such information is required by the Law and/or regulations of the DGF;
3. submission of false information to the DGF by the bank if the submission of such information is required by the law and/or regulations of the DGF;
4. violation of the procedure for the maintenance of a depositors database;
5. failure of the bank to implement decisions and/or regulations of the DGF or comply with orders to eliminate banks' violations of the laws on households deposit guarantee system;
6. untimely performance of decisions and/or regulations of the DGF or orders to eliminate the banks' violations of the laws on households deposit guarantee system.

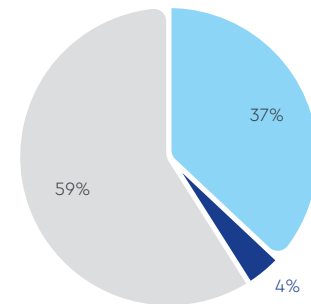
As of January 1, 2020, the official authorized to consider the cases made 128 decisions, of which:

- 48 warnings on taking measures to prevent violations of the laws on households deposit guarantee system in further operations;
- 75 orders to eliminate violations of the law in the field of household deposit guarantee system;
- 5 resolutions on closing the case on offenses in the field of household deposit guarantee system.

As of January 1, 2020, violations of the following DGF regulations were recorded:

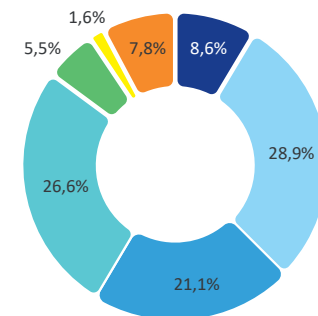
- 34 banks violated the Regulations on the Procedure for Calculation, Accrual and Payment of fees to the Deposit Guarantee Fund, approved by the DGF Executive Directorate decision dated July 2, 2012 under No.1, registered with the Ministry of Justice of Ukraine on July 27, 2012 under No.1273/21585;
- 27 banks violated the Regulation, approved by the DGF Executive Directorate decision dated July 12, 2012 under No. 7, registered with the Ministry of Justice of Ukraine on September 7, 2012 under No. 1547/21859;
- 11 banks violated the Instructions on the Procedure for Drawing up Reports on Retail Deposits in the DGF members – reporting form No. 1Φ, the DGF Executive Directorate decision dated July 9, 2012 under No. 5, registered with the Ministry of Justice of Ukraine on August 2, 2012 under No. 1314/21626 and the Rules of Submitting Reports by the DGF member institutions approved by the the DGF Executive Directorate decision dated July 9, 2012 under No. 4, registered with the Ministry of Justice of Ukraine on July 27, 2012 under No. 1269/21581, in terms of non-submission or late submission of the Report on deposits in the DGF members – reporting form No. 1Φ;
- 37 banks violated the Rules of Compiling and Maintaining the Depositors Database, approved by the DGF Executive Directorate decision dated July 9, 2012 under No. 3, registered with the Ministry of Justice of Ukraine on August 23, 2012 under No. 1430/21742;
- 7 banks violated the Rules of Submitting Reports by the DGF Member institutions approved by the DGF Executive Directorate decision dated July 9, 2012 under No. 4, registered with the Ministry of Justice of Ukraine on July 27, 2012 under No. 1269/21581;
- 10 banks violated the Procedure for Protection of Rights and Legal Interests of Bank Depositors by the DGF, approved by the DGF Executive Directorate decision dated May 26, 2016 under No. 825, registered with the Ministry of Justice of Ukraine on June 17, 2016 under No. 874/29004.
- 2 banks have not implemented the decisions of the DGF provided in Part 2 of Article 33 of the Law.

Fig. 2.3.4. Relative share of the decisions adopted by the DGF authorized officers



- warnings on taking measures
- resolutions on closing cases
- orders to eliminate violations

Fig. 2.3.5. Relative share of violations of the DGF's regulations



- Instructions on the Procedure for Drawing up Reports
- Rules for Database Maintaining Procedure
- Regulation on the Register Maintaining Procedure
- Regulation on the Procedure for Calculation, Accrual and Payment of Fees
- Rules for Submitting Reports
- Failure to Implement the DGF's Decisions
- Procedure for Protection of Depositors' Rights

3. Bank resolution

3.1. Bank liquidation

During 2019, the DGF carried out measures in 91 banks to resolute insolvent banks through the temporary administration and liquidation of banks, including the completion of the liquidation procedure of 30 banks. As of January 1, 2020, the DGF manages 61 banks, of which 3 banks are under the direct management of the DGF (PAT KB PIVDENKOMBANK, PAT PROFIN BANK, AT BANK ZOLOTI VOROTA).

General indicators of 61 insolvent banks as of January 1, 2020 were as follows:

- nominal value of assets – UAH 359,915.33 m,
- estimated value of assets – UAH 59,640.37 m,
- total guaranteed amount – UAH 78,529.75 m,
- repaid to the DGF (3rd priority) – UAH 19,650.52 m.

Total nominal value of assets (without revaluation) accounted for on the balance sheets of these banks is more than UAH 359.92 bn, the estimated value of which is UAH 59.64 bn (Table 3.1.1.).

Nominal and estimated value of assets of banks under liquidation

Table 3.1.1

No.	Name of the bank under liquidation	Nominal value of assets (without revaluation), UAH thous.	Estimated value of assets, UAH thous.
1	AT KB TK KREDYT	0,00	0,00
2	PAT KB PIVDENKOMBANK	0,00	0,00
3	AT ARTEM-BANK	0,00	0,00
4	PAT BANK PETROKOMMERTS-UKRAINE	0,00	0,00
5	PAT KB AKTYV-BANK	0,00	0,00
6	BANK DEMARK	0,00	0,00
7	PAT MISKYI KOMERTSIYNYI BANK	0,00	0,00
8	AT KB SOYUZ	41 270,80	0,00
9	PAT GREEN BANK	5 091,78	4 153,56
10	PAT AVANT-BANK	969,11	969,11
11	PAT UKRAYINSKYI KOMUNALNYI BANK	6 882,85	9 247,18
12	PAT BANK MORSKYI	9 862,02	9 862,02
13	AT BANK VELES	14 190,67	6 556,80
14	PAT SKHIDNO-PROMYSLOVYI KOMERTSIYNYI BANK	21 622,53	24 520,82
15	PAT CHORNOMORSKYI BANK ROZVYTKU TA REKONSTRUKTSII	106 115,31	110 671,18
16	PAT AKB NOVYI	4 334,80	3 409,71
17	PAT BANK TRUST	128 348,91	12 578,19
18	PAT VEKTOR BANK	274,07	273,04
19	PAT BANK KONTRAKT	293 779,65	70 284,99
20	PAT BANK NARODNYI KAPITAL	362 197,60	110 172,54
21	PAT KB INVESTBANK	427 826,63	124 710,48
22	PAT KSG BANK	455 096,00	105 806,84
23	AT BANK BOHUSLAV	497 051,99	217 124,67
24	PAT AKB KYIV	67 321,79	67 290,66
25	PAT BANK UNISON	488 132,72	139 634,54



Table 3.1.1

No.	Name of the bank under liquidation	Nominal value of assets (without revaluation), UAH thous.	Estimated value of assets, UAH thous.
26	PAT KB EUROBANK	367 982,19	79 020,40
27	PAT RADYKAL BANK	281 860,05	154 362,76
28	PAT LEG BANK	673 173,17	86 401,85
29	PAT PROFIN BANK	655 066,68	65 606,11
30	PAT KB PREMIUM	948 196,39	284 186,51
31	PAT INTEGRAL-BANK	1 029 249,39	103 035,99
32	PAT KREDYTPROMBANK	99 291,34	67 993,32
33	AT BANK ZOLOTI VOROTA	952,85	16,08
34	AT FORTUNA BANK	1 888,15	1 885,83
35	PAT AKB KAPITAL	1 343 742,15	110 642,80
36	PAT BG BANK	128 762,08	58 238,69
37	PAT BANK NATSIONALNYI KREDYT	1 939 499,01	71 726,34
38	PAT ENERGObANK	1 661 034,09	187 517,08
39	PAT DIAMANTBANK	1 265 459,01	518 058,08
40	AT KB EXPOBANK	2 333 755,83	838 619,48
41	AT BANK NATIONAL INVESTMENTS	2 480 104,09	621 628,79
42	PAT PLATYNUM BANK	2 192 112,37	241 342,89
43	PAT BANK KYIVSKA RUS	2 299 195,96	385 104,87
44	PAT BANK KAMBIO	3 038 048,05	575 546,29
45	PUAT FIDOBANK	4 544 536,12	1 134 316,46
46	PAT VBR	2 818 713,24	753 832,64
47	PAT AKTABANK	1 382 368,03	770 353,70
48	PAT UKRAINSKYI BIZNES BANK	2 366 454,51	405 887,71
49	PAT UKRINBANK	5 322 424,61	0,00
50	PAT BANK MYKHAILIVSKYI	6 439 023,96	74 093,36
51	PAT KB KHRESCHATYK	7 368 078,94	2 207 910,58
52	PAT UKRAINSKYI PROFESIYNYI BANK	8 522 941,75	348 577,22
53	PAT ZLATOBANK	13 493 076,43	1 227 178,68
54	AT RODOVID BANK	17 122 005,86	2 750 320,12
55	PAT KB FINANSOVA INITSIATYVA	28 872 028,54	4 658 983,14
56	PAT IMEXBANK	16 011 994,93	2 600 915,25
57	AT VTB BANK	21 794 587,38	5 372 700,54
58	PAT VAB BANK	38 290 286,76	6 470 089,39
59	PAT KB NADRA	46 395 897,59	5 298 852,50
60	AT BANK FINANSY TA KREDYT	38 447 682,40	5 050 494,70
61	AT DELTA BANK	75 053 485,35	15 047 666,40
	Total	359 915 328,48	59 640 372,91

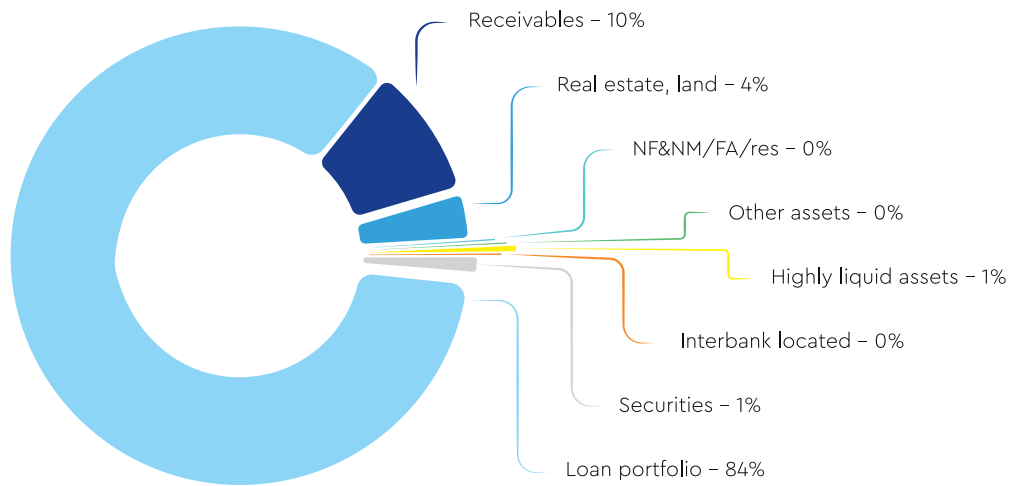
The distribution of insolvent banks assets is given in Table 3.1.2 and Figure 3.1.1.

Distribution of insolvent banks assets by main types

Table 3.1.2

Assets	Nominal value of assets (without revaluation), UAH m
Highly liquid assets	2 159,80
Interbank located, incl. funds on cor. accounts	319,49
Securities, corporate rights, including investments to associates and subsidiaries	4 781,41
Loan portfolio	303 963,68
Accounts receivable	34 963,65
Real property, land	13 141,73
Non-financial and non-material assets: assets for sale, fixed assets, reserves, non-material assets etc.	331,39
Other assets	254,18
Assets total (without revaluation)	359 915,33

Fig. 3.1.1. Distribution of insolvent banks assets by main types



In 2019, the DGF completed the procedure of liquidation of 30 banks, i.e. entries in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations on the termination of these banks as legal entities were made,

therefore, their liquidation is considered complete, the banks – liquidated, and powers of the DGF being a liquidator – terminated (Table 3.1.3).



Banks in which the liquidation procedure was completed during 2019

Table 3.1.3

Bank name	Date of liquidation balance sheet	Date of termination record entry
PAT MELIOR BANK	03.12.2018	01.02.2019
PAT FINBANK	03.12.2018	03.01.2019
PAT KB STANDART	01.01.2019	16.05.2019
PAT TERRA BANK	01.03.2019	15.05.2019
PAT ZAKHIDINKOMBANK	01.03.2019	03.05.2019
PAT KOMERTSIYNYI BANK DANIEL	05.04.2019	14.05.2019
PUAT SMARTBANK	01.04.2019	24.04.2019
PAT KB INTERBANK	15.04.2019	24.05.2019
PAT PRIME-BANK	09.04.2019	07.06.2019
PAT AB STOLYCHNYI	02.05.2019	25.06.2019
PAT BANK FORUM	08.05.2019	04.07.2019
PAT INTERKREDYTBANK	21.05.2019	10.07.2019
AT FINROSTBANK	03.06.2019	09.07.2019
PAT REAL BANK	15.05.2019	29.07.2019
AT BANK MERKURIY	15.05.2019	30.07.2019
PAT KOMERTSIYNYI BANK HEFEST	03.06.2019	26.07.2019
PAT KB UFS	02.05.2019	14.08.2019
PAT AKB BANK	02.05.2019	28.08.2019
PAT KB AKSIOMA	01.07.2019	03.09.2019
PAT BANK SOFIYSKYI	01.08.2019	16.09.2019
AB UKOOPSPILKA	29.08.2019	27.09.2019
PAT STAROKYIVSKYI BANK	02.09.2019	25.09.2019
AT BROKBIZNESBANK	17.05.2019	15.10.2019
AT PORTO-FRANKO	13.09.2019	18.10.2019
PAT UNIKOMBANK	02.09.2019	14.11.2019
PAT OMEGA BANK	10.10.2019	18.11.2019
PAT PROMEKONOMBANK	13.06.2019	18.11.2019
PAT UNION STANDARD BANK	20.05.2019	11.12.2019
AT EUROGAZBANK	31.10.2019	11.12.2019
PAT UKRGAZPROMBANK	01.11.2019	26.12.2019

In 2019, the mechanism of transferring the liquidation of a number of banks to the direct management of the DGF was developed:

- PAT PROFIN BANK, the state of business in the bank analyzed and an individual step-by-step action plan for the management of the insolvent bank is drawn up and approved.
- PAT KB PIVDENKOMBANK, the liquidation balance sheet and the report on completion of the liquidation procedure compiled and approved.
- PAT ZOLOTI VOROTA, the state of business in the bank analyzed; and the report on financial condition and report of the DGF officer authorized for liquidation of PAT ZOLOTI VOROTA on the procedure of banking institution liquidation approved as of December 18, 2019. As of today, the DGF directly manages two assets and carries out claims settlement work.



- PAT KB PROMEKONOMBANK, the liquidation balance sheet and report on completion of liquidation procedure compiled and approved. On November 18, 2019, an entry was made in the USR on the termination of PAT KB PROMEKONOMBANK as a legal entity.
- PAT AUTOKRAZBAN, the liquidation balance sheet and report on the completion of the liquidation procedure compiled and approved. On August 28, 2019, an entry was made in the USR on the termination of PAT AUTOKRAZBANK as a legal entity.

In insolvent banks, the relevant functions delegated by the DGF are performed by 18 authorized persons. During 2019, the total number of authorized persons of the DGF for the implementation of bank resolution measures decreased by 38% or by 11 people. This became possible due to the fact that in 2019 the DGF continued its work on the formation of individual banks in clusters.

This approach is aimed at increasing the enhancement of available human, financial and material resources of the DGF and preserving the liquidation pool of banks.

Formation of a cluster takes into account the factors that affect or may, at different stages, affect the process and effectiveness of the bank's procedures for bank resolution defined by law. When forming a cluster, the following is taken into account: at what stage of procedure implementation in accordance with the Law is the insolvent bank; the size of the bank; territorial location of the bank and liquidation estate location; available and potential human resources and other factors that may affect the DGF's implementation of procedures for bank resolution.

3.2. Proceeds to insolvent banks

During the reporting year, insolvent banks received UAH 9,128.8 m. The largest amount was received by AT DELTA BANK, UAH 1,679.6 m, which is 18.4% of the total amount. In second and third place, respectively, AT VTB BANK and PAT KB NADRA with amounts of UAH 1,614.7 m, or 17.7% of the total, and UAH 1,553.9 m, or 9.2% of the total amount, respectively.

In Table 3.2.1. the data of 13 banks with relative share of revenues of 1.0% and more are given. The remaining 68 banks received UAH 1,120.7 m, which is 12.3% of the total amount.

Proceeds to insolvent banks

Table 3.2.1

No.	Bank name	Amount, UAH m	Relative share
1	AT DELTA BANK	1 679,6	18,4%
2	AT VTB BANK	1 614,7	17,7%
3	PAT KB NADRA	1 553,9	17,0%
4	PAT BANK FINANSY TA KREDYT	838,1	9,2%
5	PAT BANK FORUM	554,5	6,1%
6	PAT KB KHRESCHATYK	539,3	5,9%
7	AT RODOVID BANK	233,6	2,6%
8	PAT BANK KYIVSKA RUS	228,9	2,5%
9	PAT VAB BANK	185,7	2,0%
10	PAT DIAMANTBANK	159,6	1,7%
11	PAT PTB	152,6	1,7%
12	PUAT FIDOBANK	152,0	1,7%
13	AT EUROGAZBANK	115,8	1,3%
14	Others (68 banks)	1 120,7	12,3%
Total		9 128,8	100,0%

The largest share (85.8%) in the structure of proceeds to insolvent banks in the reporting year belongs to the proceeds from sale of property. During the reporting year, insolvent banks received UAH 7,832.0 m from the sale of property, UAH 970.2 m from loan repayments, proceeds from the sale of securities amounted to UAH 16.6 m, from rent – UAH 105 m, other proceeds – UAH 205.2 m (Table 3.2.2).

The largest amount from sale of property came to AT VTB BANK in the amount of UAH 1,538.5 m, which is 19.6% of the total proceeds from the sale of property. In second and third place, respectively, PAT KB NADRA and AT DELTA BANK with the amounts of UAH 1,404.3 m, or 17.9% of the total amount, and UAH 1,339.1 m, or 17.1% of the total amount, respectively. In Table 3.2.3. the data of 13 banks with relative share of revenues of 1.0% and above are given. The remaining 68 banks received UAH 901.3 m, which is 11.5% of the total amount.

Types of proceeds to insolvent banks Table 3.2.2

Types of proceeds	Amount, UAH m	Relative share
Sale of property	7 832,0	85,8%
Loan repayment	970,2	10,6%
Rent	105,0	1,1%
Securities	16,6	0,2%
Other proceeds (single proceeds)	205,2	2,2%
Total	9 128,8	100,0%

Proceeds from sale of property

Table 3.2.3

No.	Bank name	Amount, UAH m	Relative share
1	AT VTB BANK	1 538,5	19,6
2	PAT KB NADRA	1 404,3	17,9
3	AT DELTA BANK	1 339,1	17,1
4	PAT BANK FINANSY TA KREDYT	609,4	7,8
5	PAT BANK FORUM	546,7	7,0
6	PAT KB KHRESCHATYK	482,2	6,2
7	PAT BANK KYIVSKA RUS	221,6	2,8
8	AT RODOVID BANK	210,3	2,7
9	PAT VAB BANK	152,4	1,9
10	PAT DIAMANT BANK	140,2	1,8
11	AT EUROGAZBANK	112,4	1,4
12	PAT PTB	93,9	1,2
13	PUAT FIDOBANK	80,7	1,0
14	Others (68 banks)	901,3	11,5
	Total	7 832,8	100,0

3.3. Settlement of bank creditors' claims

From the date of his appointment, the DGF officer authorized for liquidation begins the process of assessment of the bank's property by involving the subjects of assessment operations in the manner prescribed by the Regulation on the Procedure for selecting persons who may perform work (provide services) to insolvent banks or banks under DGF liquidation, approved by the Executive Directorate decision No. 434 dated March 28, 2016 (as amended) and other DGF regulations.

This assessment is carried out in order to form the liquidation pool of the bank. The DGFs received as a result of liquidation and sale of the bank's property (assets) are directed to the DGF to satisfy creditors' claims in the order specified in Part 1 of Article 52 of the Law.

Claims to the bank that were not satisfied due to the insufficiency of its property, are considered repaid, which does not deprive the DGF or the DGF authorized person of the right to apply to the person related to the bank in the manner prescribed by Part 5 of Article 52 of the Law.

The requirements of each subsequent priority are satisfied along with the proceeds coming from the sale of property (assets) of the bank after full satisfaction of the requirements of the previous priority. If the amount of funds received from the sale of property (assets) is insufficient to fully satisfy all the claims of one priority, the claims are satisfied in proportion to the amount of claims belonging to each creditor of one priority. In case of the creditor's refusal from the claim satisfaction in accordance with the established procedure, the DGF does not take into account the amount of monetary claims of this creditor.

Thus, as of January 1, 2020, the total book value of assets of 56 banks managed by the DGF, in which the decision of the DGF Executive Directorate approved the Register of accepted creditors' claims, is UAH 359.73 bn, while their estimated value is UAH 59.50 bn or 16.54%, which, of course, is not enough to meet all the requirements of the bank's creditors (Table 3.3.1.)



Book and estimated value of assets

Table 3.3.1

No.	Bank	Book value of assets	Estimated value of assets
1	PAT BANK DEMARK (in the process of completing liquidation)	0,00	0,00
2	AT ARTEM-BANK (in the process of completing liquidation)	0,00	0,00
3	PAT KB PIVDENKOMBANK (in the process of completing liquidation)	0,00	0,00
4	PAT MISKEYI KOMERTSIYNYI BANK (in the process of completing liquidation)	0,00	0,00
5	PAT BANK PETROKOMMERTS-UKRAINE (in the process of completing liquidation)	0,00	0,00
6	PAT KB AKTYV-BANK (in the process of completing liquidation)	0,00	0,00
7	AT KB KREDYT (in the process of completing liquidation)	0,00	0,00
8	AT BANK ZOLOTI VOROTA	952,85	16,08
9	PAT AKTABANK	1 382 368,03	770 353,70
10	PAT GREEN BANK	5 091,78	4 153,56
11	AT KB EXPOBANK	2 333 755,83	838 619,48
12	PAT BG BANK	128 762,08	58 238,69
13	PAT LEGBANK	673 173,17	86 401,85
14	PAT BANK KAMBIO	3 038 048,05	575 546,29
15	PAT VAB BANK	38 290 286,76	6 470 089,39
16	PAT PROFIN BANK	655 066,68	65 606,11
17	PAT UKRAINSKYI BIZNES BANK	2 366 454,51	405 887,71
18	PAT ZLATOBANK (as of May 1, 2019)	13 493 076,43	1 227 178,68
19	PAT IMEXBANK	16 011 994,93	2 600 915,25
20	PAT KREDYTPROMBANK	99 291,34	67 993,32
21	PAT KB NADRA	46 395 897,59	5 298 852,50
22	PAT ENERGOBANK	1 661 034,09	187 517,08
23	PAT AKB KYIV	67 321,79	67 290,66
24	PAT BANK KYIVSKA RUS	2 299 195,96	385 104,87
25	PAT UKRAINSKYI PROFESIYNYI BANK	8 522 941,75	348 577,22
26	PAT BANK NATSIONALNYI KREDYT	1 939 499,01	71 726,34
27	AT DELTA BANK	75 053 485,35	15 047 666,40
28	PAT AKB KAPITAL (as of March 25, 2019)	1 343 742,15	110 642,80
29	PAT RADYKAL BANK	281 860,05	154 362,76
30	PAT INTEGRAL-BANK	1 029 249,39	103 035,99
31	AT BANK NATIONALNI INVESTYTSII	2 480 104,09	621 628,79
32	AT BANK VELES	14 190,67	6 556,80
33	PAT BANK KONTRAKT	293 779,65	70 284,99
34	AT BANK FINANSY TA KREDYT	38 447 682,40	5 050 494,70
35	PAT VBR	2 818 713,24	753 832,64
36	PAT KB PREMIUM (as of March 12, 2018)	948 196,39	284 377,02
37	PAT AVANT-BANK	969,11	969,11
38	PAT UKRINBANK (as of July 7, 2016)	5 322 424,60	-
39	PAT KB KHRESCHATYK	7 368 078,93	2 207 910,57
40	PAT BANK MYKHAILIVSKYI	6 439 023,96	74 093,36
41	PUAT FIDOBANK	4 544 536,12	1 134 316,46
42	PAT KB EUROBANK	367 982,19	79 020,40
43	PAT KSG BANK (as of April 10, 2017)	455 096,00	122 824,24
44	PAT BANK TRUST	128 348,91	12 578,19
45	PAT KB INVESTBANK	427 826,63	124 710,48
46	AT FORTUNA-BANK	1 888,15	1 885,83
47	PAT PLATYNUM BANK	2 192 112,37	241 342,89
48	PAT BANK NARODNYI KAPITAL	362 197,60	110 172,54
49	PAT VEKTOR BANK	274,07	273,04
50	PAT DIAMANTBANK	1 265 459,01	518 058,08
51	PAT AKB NOVYI	4 334,80	3 409,71
52	AT BANK BOHUSLAV	497 051,99	217 124,67
53	AT RODOVID BANK	17 122 005,86	2 750 320,12
54	PAT BANK UNISON	488 132,72	139 634,54
55	AT VTB BANK	21 794 587,38	5 372 700,54
56	PAT KB FINANSOVA INITSIATYVA	28 872 028,54	4 658 983,14
	Total amount, UAH thous.	359 729 574,95	59 503 279,60



Total amount of approved accepted creditors' claims as of January 1, 2020 is UAH 286,461,241.63 thous. (including banks in which liquidation has been completed), of which (in terms of priorities):

The amount of approved accepted creditors' claims in terms of priorities

Table 3.3.2
(UAH thous.)

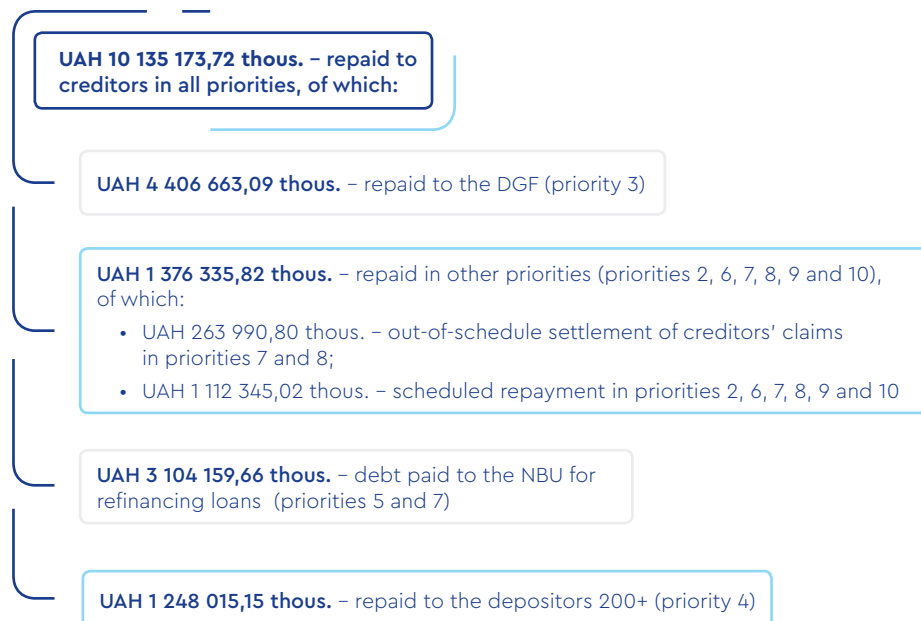
Amount of approved accepted creditors' claims as of Jan 1, 2020, UAH thous.		286 461 241,63			
2 priority	49 397,89	3 priority	95 493 814,96	4 priority	38 807 601,29
5 priority	8 169 688,51	6 priority	66 567,42	7 priority	123 896 350,98
8 priority	11 158 597,46	9 priority	6 640 829,69	10 priority	2 178 393,43

In 2019, the amount of approved accepted creditors' claims increased by UAH 20,684,156.16 thous., which is mainly due to the approval of the register of creditors in 2019 in 2 insolvent banks, of which the largest in terms of

approved creditors' claims: PAT KB FINANSOVA INITSIIATYVA – UAH 13,994,188.94 thous.

In 2019 UAH 10,135,173.72 thous. was repaid to satisfy creditors' claims in all priorities.

Fig. 3.3.1. Settlement of creditors' claims in 2019





Settlement of creditors' claims, Priority 2

The amount of accepted claims of creditors of the second priority is UAH 49,397.89 thous.

As of January 1, 2020, UAH 47,944.12 thous. was repaid, which is 97.06% of the total debt in the priority, of which in 2019 – UAH 12,986.36 thous.

Out of 41 banks, priority 2 was completely repaid in 31 insolvent banks. There was no full repayment in 6 banks due to the fact that some individuals did not show up on time for wages. The amount of funds deposited in such banks is UAH 34.78 thous. Repayment of the 2nd priority for 1 bank has not started yet, namely, for PAT KOMERTSIYNYI BANK HEFEST.

Settlement of creditors' claims, Priority 3 (to the Deposit Guarantee Fund)

The amount of accepted creditors' claims of the third priority is UAH 95,493,814.96 thous.

As of January 1, 2020, UAH 24,152,942.96 thous. were repaid, which is 25.29% of the total debt in the priority, of which UAH 4,406,663.09 thous. in 2019.

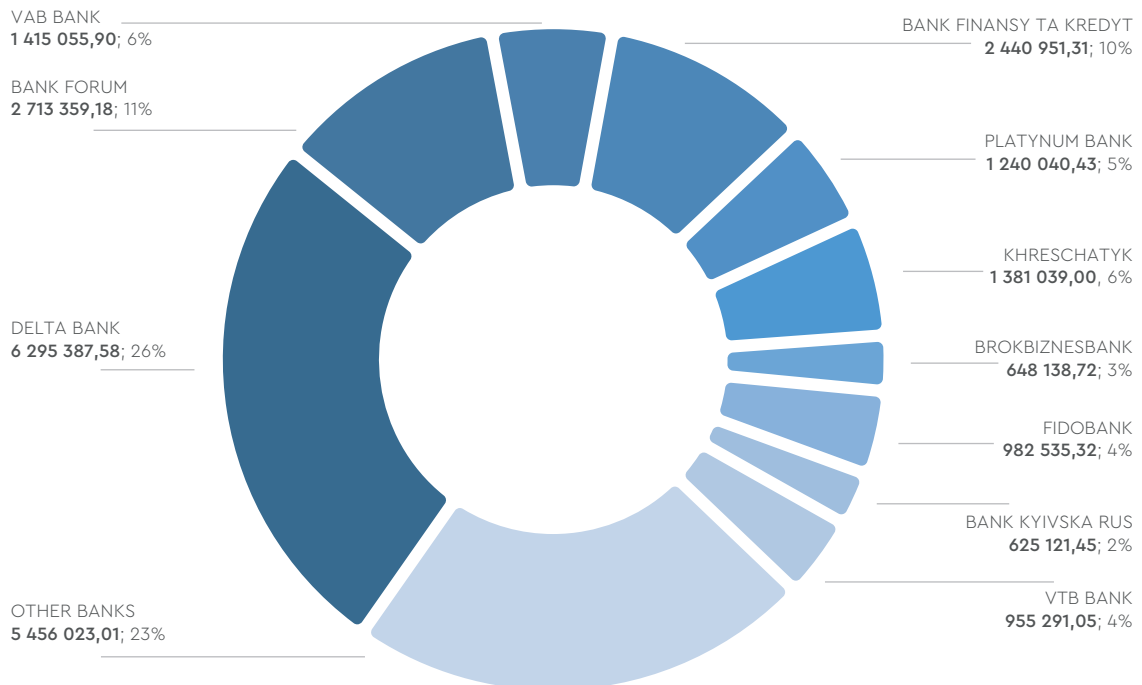
The leaders in repaying the third priority in 2019 were the following banks:

1. AT DELTA BANK – UAH 1,024,335.29 thous. (23.25% of the repayment amount of the third priority in 2019);
2. AT VTB BANK – UAH 955,291.05 thous. (21.68% of the repayment amount of the third priority in 2019);

3. AT BANK FINANSY TA KREDYT – UAH 563,507.80 thous. (12.79% of the repayment amount of the third priority in 2019);
4. PAT BANK KHRESCHATYK– UAH 497,398.45 thous. (11.29% of the repayment amount of the third priority in 2019);
5. PAT KB NADRA – UAH 251,657.28 thous. (5.71% of the repayment amount of the third priority in 2019);

Figure 3.3.2 shows the leading banks in terms of repayment of the third priority (for the whole period) as of January 1, 2020 (percentage amount of the repayment of each bank to the total amount of repayment of the third priority of creditors – UAH 24,152,942.96 thous.):

Fig. 3.3.2. Leading banks of the third-priority creditors repayment



Settlement of creditors' claims, Priority 4

The amount of accepted creditors' claims of fourth priority is UAH 38,807,601,29 thous. In the fourth priority, UAH 3,101,846.61 thous. was repaid, which is 7.99%. In 2019, the fourth priority was repaid by UAH 1,248,015.15 thous.

The following banks repaid the fourth priority in full:

1. PAT GREEN BANK
(satisfied the requirements of 4 depositors 200+);
 2. PAT KREDYTPROMBANK
(satisfied the requirements of 3 depositors 200+);
 3. PAT BANK NARODNYI KAPITAL
(satisfied the requirements of 4 depositors 200+);
 4. PAT UNISON BANK
(requirements of 108 200+ depositors are satisfied).
- According to PAT UKRAINSKYI BIZNES BANK 99.99% of creditors' claims were satisfied – UAH 171,418.04 thous. (out of 65 depositors 200+ 64 claims were satisfied, UAH 1.93 thous. were deposited for 1 deposit);
 - 99.99% of creditors' claims were satisfied under PAT VBR – UAH 719,952.74 thous. (out of 139 200+ depositors, 134 claims were satisfied, UAH 8.89 thous. were deposited for 5 depositors).

- According to PAT KB PREMIUM, 91.50% of creditors' claims were satisfied – UAH 230,945.26 thous.
- According to PAT DIAMANTBANK 74.92% of creditors' claims were satisfied – UAH 566,690.39 thous., of which in 2019 – UAH 251,367.46 thous.
- AT VTB BANK satisfied 34.94% of creditors' claims – UAH 224,913.71 thous. (repayment took place in 2019).

For banks that have been liquidated, the repayment of the 4th priority is as follows (taking into account the DGFs that were transferred to the notary's deposit for further payments):

- PAT PRIME BANK (100% of creditors' claims were satisfied, 18 200+ depositors received funds).
- According to PAT FORUM BANK, 44.75% of creditors' claims were satisfied – UAH 1,085,217.07 thous.
- According to AT BANK MERKURIY, 10.99% of creditors' claims were satisfied – UAH 7,743.06 thous.
- According to PAT BANK SOFIYSKYI 16.42% of creditors' claims were satisfied – UAH 21,713.60 thous.

Settlement of creditors' claims, Priority 5

The amount of accepted creditors' claims of the fifth priority, UAH 8,169,688.51 thous., consists of the debts to the NBU of the following banks:

- PAT REAL BANK – UAH 551,395.94 thous. (the bank liquidated);
- PAT BANK FORUM – UAH 486,712.41 thous. (debt on refinancing loans repaid in full, the debt balance to the NBU – UAH 25.30 thous. – samples of coins owned by the NBU, the bank liquidated);

- AT BANK FINANSY TA KREDYT – UAH 6,941,123.33 thous. (UAH 358,459.92 thous. repaid);
- PAT KB KHRESCHATYK – UAH 190,456.83 thous. (debt on refinancing loans repaid in full).

In total, the fifth priority was repaid by UAH 1,035,603.86 thous., which is 12.68% of the total debt in the fifth priority. In 2019, the fifth priority was repaid by UAH 173,154.86 thous. (AT BANK FINANSY TA KREDYT).

Settlement of creditors' claims, Priority 6

The amount of accepted creditors' claims of the sixth priority - 66 567.42 thous. UAH. The sixth priority was repaid by UAH 1,661.34 thous., which is 2.50%, of which:

- PAT GREEN BANK – UAH 6.50 thous. (100% of accepted claims in the sixth priority);
- PAT PRIME-BANK – UAH 7.81 thous. (100% of accepted claims in the sixth priority, the bank was liquidated);
- PAT AKB NOVYI – UAH 4.13 thous. (100% of accepted claims in the sixth priority);

- PAT UNISON BANK – UAH 30.48 thous. (100% of accepted claims in the sixth priority);
- PAT KREDYTPROMBANK – UAH 16.05 thous. (98.92% of accepted claims in the sixth priority),
- PAT VBR – UAH 141.15 thous. (96.19% of the claims accepted by the bank in the sixth priority);
- PAT BANK NARODNYI KAPITAL – UAH 1,455.21 thous. (99.65% of the claims accepted by the bank in the sixth priority).

In 2019, the sixth priority was repaid by UAH 1.22 thous.

Settlement of creditors' claims, Priority 7

The amount of accepted creditors' claims of the seventh priority – 123,896,350.98 thous. UAH, including the balance of the secured debt to the NBU, which is included in the seventh priority as of January 1, 2020 is UAH 30,788,349.49 thous. (including UAH 206,721.01 thous. for banks in respect of which an entry has been made in the Unified State Register of Legal

Entities, Individual Entrepreneurs and Public Associations on state registration of termination of a legal entity, and therefore, liquidation of banks is considered complete and banks liquidated).



The seventh priority was repaid by UAH 14,811,655.52 thous. (11.95%) (the seventh priority was repaid by UAH 3,853,193.38 thous. in 2019), of which:

– extraordinary satisfaction of creditors' claims (NBU) in the priority for the entire period – UAH 9,372,226.79 thous. (UAH 2,931,004.80 thous. repaid in 2019):

- PAT KB DANIEL – for the entire period UAH 14,865.08 thous., for 2019 – UAH 13,21 thous. (the bank was liquidated);
- PAT BROKBIZNESBANK – for the entire period UAH 274,725.86 thous., for 2019 – UAH 26,751.60 thous. (the bank was liquidated);
- PAT AVTOKRAZBANK – for the entire period UAH 13,801.65 thous., for 2019 – UAH 61.26 thous. (the bank was liquidated);
- AT EUROGAZBANK – for the entire period UAH 101,292.56 thous., for 2019 – UAH 96,229.46 thous.;
- PAT ACTIVE BANK – for the entire period UAH 80,423.07 thous., for 2019 – UAH 61,571.81 thous.;
- AT KB EXPOBANK – for the entire period UAH 84,074.74 thous., for 2019 – UAH 0,00 thous.;
- PAT BANK DEMARK – for the entire period UAH 26,519.40 thous. (debt repaid in full);
- AT PORTO-FRANKO – for the entire period UAH 38,107.23 thous. (debt repaid in full);
- PAT BG BANK – for the entire period UAH 135,851.17 thous. (debt repaid in full);
- PAT LEGBANK – for the entire period UAH 2,300.00 thous., for 2019 – UAH 0.00 thous.;
- PAT BANK KAMBIO – for the entire period UAH 302,747.60 thous., for 2019 – UAH 12,455.31 thous.;
- PAT VAB BANK – for the entire period UAH 229,728.26 thous., for 2019 – UAH 5,833.96 thous.;
- PAT UKRAINSKYI BIZNES BANK – for the entire period UAH 184,368.49 thous. (debt repaid in full);
- PAT ZLATOBANK – for the entire period UAH 51,230.46 thous., for 2019 – UAH 11,606.10 thous.;
- PAT KB NADRA – for the entire period UAH 2,416,468.55 thous., for 2019 – UAH 1,147,355.24 thous.;
- PAT BANK KYIVSKA RUS – for the entire period UAH 305,138.29 thous., for 2019 – UAH 118,707.30 thous.;
- AT DELTA BANK – for the entire period UAH 4,450,653.33 thous., for 2019 – UAH 1,402,558.38 thous.;
- PAT PLATYNUM BANK – for the entire period of UAH 248,615.18 thous. (debt repaid in full);
- PAT DIAMANTBANK – for the entire period UAH 291,597.95 thous. (debt repaid in full);
- AT RODOVID BANK – for the entire period UAH 119,717.93 thous., for 2019 – UAH 47,861.18 thous.

– extraordinary satisfaction of claims of secured creditors (third parties) for the entire period – UAH 910,849.48 thous. (for 2019 repaid – UAH 232,928.76 thous.):

- PAT BROKBIZNESBANK – for the entire period UAH 240,563.97 thous. (of which UAH 1,213.50 thous. – provided by MBK with PAT Real Bank, UAH 118,758.91 thous. – AT Oschadbank, UAH 120,591.56 thous. – SE «Antonov»), for 2019 – UAH 120,591.56 thous. (SE «Antonov») (the bank was liquidated).

- AT BANK MERKURIY – for the entire period UAH 47,510.78 thous. (of which UAH 35,957.36 thous. – «State mortgage institution», UAH 11,553.42 thous. – LLC «PLANETA COMFORT»), for 2019 year – UAH 0.00 thous. (the bank was liquidated);
- PAT FORUM – for the entire period UAH 35,377.80 thous. (provided by MBK with PAT VTB Bank, transfer to the ownership of VTB Bank Hotel «Baccarat»), for 2019 – UAH 0.00 thous. (the bank was liquidated);
- PAT AVTOKRAZBANK – for the entire period UAH 6,694.63 thous. (of which UAH 4,682.74 thous. – «Corporate Non-State Pension Fund of the National Bank of Ukraine», UAH 2,011.89 thous. – «State Mortgage Institution»), for 2019 – UAH 0.00 thous. (the bank was liquidated);
- PAT STAROKYIVSKYI BANK – for the entire period UAH 2,905.17 thous. (guarantee deposit of AT Ukreximbank), for 2019 – UAH 0.00 thous.;
- AT EUROGAZBANK – for the entire period UAH 2,165.19 thous. («Corporate Non-State Pension Fund of the National Bank of Ukraine»), for 2019 – UAH 52.22 thous.;
- AT BANK ZOLOTI VOROTA – for the entire period UAH 287.66 thous. (guarantee deposit of PAT Raiffeisen Bank Aval), for 2019 – UAH 0.00 thous.;
- AT KB EXPOBANK – for the entire period UAH 97,547.72 thous. (of which UAH 8,200.08 thous. – guarantee deposit of AT Ukreximbank, UAH 89,347.63 thous. – LLC «FC Capital Group»), for 2019 – UAH 0.00 thous.;
- PAT ZLATOBANK – for the entire period UAH 59,597.95 thous. (of which UAH 57,366.81 thous. – «German-Ukrainian Fund», UAH 2,231.14 thous. – LLC «Porsche Mobility»), for 2019 year – UAH 0.00 thous.;
- PAT IMEXBANK – for the entire period UAH 10,035.85 thous. (of which UAH 278.85 thous. – guarantee deposit of AT Ukreximbank, UAH 9,757.00 thous. – «Corporate non-state pension fund of the National Bank of Ukraine»), for 2019 – UAH 0.00 thous.;
- PAT KB NADRA – for the entire period UAH 43,708.66 thous. (of which UAH 36,808.66 thous. – «German-Ukrainian Fund», UAH 6,900.00 thous. – PAT Alfa Bank), for 2019 – UAH 0.00 thous.;
- PAT KB STANDART – for the entire period UAH 255.92 thous. (AT Ukrgasbank), for 2019 – UAH 0.00 thous.;
- PAT BANK KYIVSKA RUS – for the entire period UAH 6,944.63 thous. («German-Ukrainian Fund»), for 2019 – UAH 0.00 thous.;
- PAT UKRAINSKYI PROFESIYNYI BANK – for the entire period UAH 11,009.28 thous. («German-Ukrainian Fund»), for 2019 – UAH 0.00 thous.;
- PAT BANK NATSIONALNYI KREDYT – for the entire period UAH 2,003.99 thous. (of which UAH 31.82 thous. – PAT Alfa Bank, UAH 1,972.17 thous. – guarantee deposit of AT Ukrgasbank), for 2019 – UAH 0.00 thous.;
- AT DELTA BANK – for the entire period UAH 16,480.90 thous. (Ukreximbank), for 2019 – UAH 5,682.09 thous. (Ukreximbank);
- PAT RADYKAL BANK – for the entire period UAH 48,181.08 thous. («State Mortgage Institution»), for 2019 – UAH 0.00 thous.;
- PAT INTEGRAL-BANK – for the entire period UAH 27,256.78 thous. (provided by MBK with PAT KB Khreschatyky), for 2019 – UAH 0.00 thous.;
- AT FORTUNA-BANK – for the entire period UAH 130,355.64 thous. (Ukreximbank), for 2019 – UAH 0,00 thous.;



- PAT DIAMANTBANK – for the entire period UAH 15,362.98 thous. (PAT Raiffeisen Bank Aval), for 2019 – UAH 0.00 thous.;
 - AT VTB BANK – for the entire period UAH 95,303.76 thous. (AT TASKOMBANK), for 2019 – UAH 95,303.76 thous. (AT TASKOMBANK);
 - PAT ACTYV-BANK – for the entire period UAH 915.33 thous. (AT Ukreximbank), for 2019 – UAH 915.33 thous. (AT Ukreximbank);
 - PAT BANK KAMBIO – for the entire period UAH 10,383.80 thous. («Corporate non-state pension fund of the National Bank of Ukraine»), for 2019 – UAH 10,383.80 thous. («Corporate non-state pension fund of the National Bank of Ukraine»).
- regular satisfaction of creditors' claims:**
- PAT KLASSIKBANK – UAH 2,207.64 thous. (100%) (the bank was liquidated);
 - PAT OMEGA BANK – UAH 2,736.45 thous., for 2019 – UAH 2,703.06 thous. (100%) (the bank was liquidated);
 - PAT SMARTBANK – UAH 21,286.20 thous. (36.39% of the bank's total debt in the priority), for 2019 – UAH 21.16 thous. (the bank was liquidated);
 - AT KB TK KREDYT – UAH 3,275.96 thous., for 2019 – UAH 0.13 thous. (100%);
 - PAT ATB KYIV – UAH 1,228.12 thous., for 2019 – UAH 1,196.64 thous. (100%);
 - PAT GREEN BANK – UAH 102,784.18 thous. (97.35% of the bank's total debt in the priority);
 - PAT VBR – UAH 4,074,374.41 thous. (81.80% of the bank's total debt in the priority), for 2019 – UAH 554,321.07 thous.;
 - PAT PRIME-BANK – UAH 110,677.47 thous. (64.26% of the bank's total debt in the priority), for 2019 – UAH 7,700.08 thous.;
 - PAT AKB NOVYY – UAH 1,444.00 thous. (51.00% of the bank's total debt in the priority), for 2019 – UAH 1,441.97 thous.;
 - AT BANK VELES – UAH 849.30 thous. (48.71% of the total debt of the bank in the priority);
 - PAT UNISON BANK – UAH 20,428.36 thous. (48.03% of the total debt of the bank in the priority), for 2019 – UAH 7,706.44 thous.;
 - PAT UKRAINSKYI BIZNES BANK – UAH 185,656.77 thous. (including repayment of debt on refinancing loans to the NBU repaid 35.17% of the total debt of the bank in the priority), for 2019 – UAH 112,538.87 thous.;
 - PAT BANK NARODNYI KAPITAL – UAH 1,630.40 thous. (9.59% of the bank's total debt in the priority), for 2019 – UAH 1,630.40 thous.

Settlement of creditors' claims, Priority 8

The amount of accepted creditors' claims of the eighth priority – UAH 11,158,597.46 thous. The eighth priority was repaid by UAH 208,302.64 thous. (for 2019 – UAH 43,437.23 thous.), of which:

- UAH 10.71 thous. – another satisfaction of PAT KLASSIKBANK (100% of the total debt of the bank in priority) (the bank was liquidated).
- UAH 218.15 thous. – another satisfaction of PAT OMEGA BANK (0.04% of the total debt of the bank in priority, repayment took place in 2019) (the bank liquidated).
- UAH 359.47 thous. – another satisfaction of PAT AKB NOVYY (72.34% of the total debt of the bank in priority).
- UAH 39,030.00 thous. – another satisfaction of PAT GREEN BANK (96.31% of the total debt of the bank in priority, in 2019 the debt was not repaid).
- UAH 2,857.80 thous. – extraordinary satisfaction of PAT PETROKOMMERTS-UKRAINE (Ukreximbank) (in total 41.74% of the bank's debt was repaid in priority, for 2019 – UAH 2,857.80 thous.).
- UAH 143,479.46 thous. – extraordinary satisfaction of PAT PLATYNUM BANK, of which UAH 64,923.85 thous. – International Finance Corporation, UAH 78,555.62 thous. – AT OSCHADBANK (totally repaid) 99.19% of the bank's debt in priority, for 2019 – 18,014.23 thous. UAH).
- UAH 22,346.64 thous. – satisfaction of the 8th priority of PAT UNISON BANK, of which extraordinary UAH 10,177.86 thous. – ATB UKRGABANK, UAH 12.12 thous. – AT TASKOMBANK, next – UAH 12,156.66 thous. (a total of 99.99% of the bank's debt was repaid in priority, for 2019 – UAH 22,346.64 thous.).

Settlement of creditors' claims, Priority 9

The amount of accepted creditors' claims of the ninth priority is UAH 6,640,829.69 thous.

As of January 1, 2020, the ninth priority was repaid by UAH 1,189,811.67 thous. – 17.92% of the total debt in the ninth priority, of which:

- UAH 972,632.68 thous. – regular satisfaction of AT KB TK KREDYT (57.62% of the total debt of the bank in priority, in 2019 repaid – UAH 285,820.85 thous.);
- UAH 204,795.88 thous. – regular satisfaction of PAT AKB NOVYY (100% of the total debt of the bank in priority);
- UAH 12,308.05 thous. – regular satisfaction of PAT UNISON BANK (99.29% of the total debt of the bank in priority, in 2019 repaid – UAH 12,308.05 thous.);
- UAH 55.57 thous. – extraordinary satisfaction of PAT VBR (0.01% of the total debt of the bank in priority, in 2019 the debt was not repaid);
- UAH 19.49 thous. – regular satisfaction of PAT KLASSIKBANK (100% of the total debt of the bank in priority) (the bank was liquidated).

Settlement of creditors' claims, Priority 10

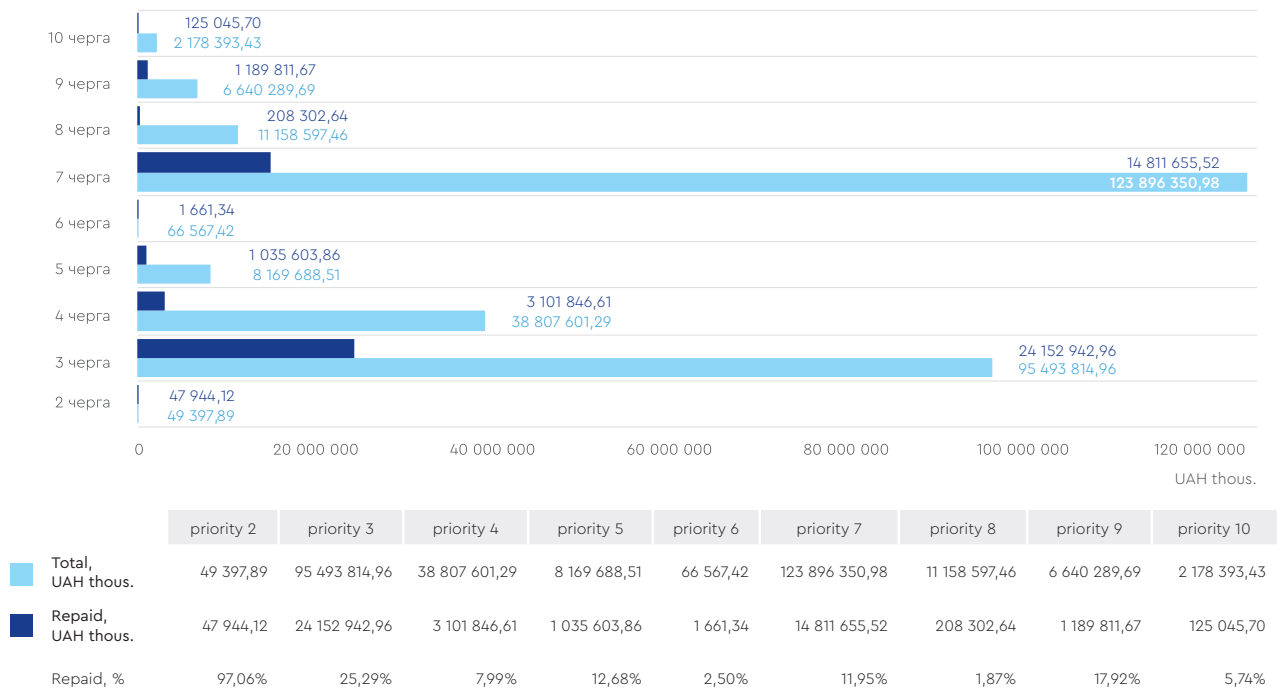
The amount of accepted creditors' claims of the tenth priority - 2,178,393.43 thous. UAH.

- As of January 1, 2020, the tenth priority was repaid by 5.74% of the total debt in priority, namely by UAH 125,045.70 thous., of which:
 - UAH 10,063.93 thous. – another satisfaction of PAT DERZHZEMBANK (100% of the total debt of the bank in priority) (the bank was liquidated).

- UAH 39,752.96 thous. – another satisfaction of PAT AKB NOVYI (31.00% of the total debt of the bank in priority, in 2019 repaid – UAH 24,364.72 thous.).
- UAH 75,228.80 thous. – another satisfaction of PAT UNISON BANK (100% of the total debt of the bank in priority repaid in 2019).

Repayment of accounts payable as of January 1, 2020 is shown in Fig. 3.3.3.

Fig. 3.3.3. Repayment of Creditors' Claims by Order of Priority



Information on the debt repayment of insolvent banks on NBU loans should be stated separately.

In 2019, the debt on NBU loans was repaid in the amount of UAH 3,104,159.66 thous., all repayments took place on an extraordinary basis, of which the largest repayment amounts were UAH 1,402,558.37 thous. (AT DELTA BANK) and UAH 1,147,355.24 thous. (PAT KB NADRA). For the entire period the NBU loans were repaid in the amount of UAH 10,407,830.65 thous.

As of January 1, 2020, the debt of insolvent banks on NBU refinancing loans is accounted for in the accounts of 16 banks (excluding banks that have been liquidated and for which liabilities to the NBU remain), the total balance of debt to these banks is UAH 44,175,791.12 thous.



3.4. Legal support for bank resolution and DGF's litigation activity

In 2019, the DGF provided legal support for the process of resolution of 91 insolvent banks in the following main areas:

1. Work was carried out to ensure a comprehensive deposit guarantee system and prevent the loss of control over insolvent banks, namely:

- litigation on appeals against decisions of the National Bank of Ukraine and/or the DGF regarding the resolution of 19 banks;
- participation in the Supreme Court proceedings on review of court decisions regarding cancellation of temporary administration and liquidation of banks, which resulted in the final decisions adopted by the Supreme Court in 2019 confirming the legal grounds for resolution of PAT BANK MYKHAILIVSKYI, PAT UKRKOMUNBANK, PAT OMEGA BANK. The Supreme Court also overturned court decisions declaring illegal the decisions of the National Bank of Ukraine and the DGF on liquidation of PAT KB SOYUZ and on declaring PAT KB KHRESCHATYK insolvent, and cases against these banks were remanded to the court of first instance;
- judicial work concerning the recovery of the DGF's payouts to the banks for which the procedure of resolution was cancelled by the court. Thus, at the end of 2019, claims were filed in court for a total of over UAH 1 bn for PAT AKB KAPITAL, PAT AKB BAZIS, AT ZLATOBANK. At the same time, the Commercial Court of Kyiv ruled on PAT ATB BAZIS to meet the requirements of the DGF in the amount of UAH 277 m.

2. Implementation of legal support for resolution of 86 banks, the authority to resolve which is delegated to authorized persons of the DGF, as well as 5 banks (PAT KB PROMEKONOMBANK, PAT AKB BANK, PAT KB PIVDENKOMBANK, PAT PROFIN BANK and PAT BANK ZOLOTI VOROTA), resolution of which is accompanied by structural units of the DGF directly, namely:

- legal support for all issues related to bank resolution;
- legal support for sales and asset management of banks, the result of which is the asset sale of insolvent banks and ensuring the receipt of more than UAH 8.9 bn from their sale;
- coordination and control over the claims and actions activity of banks.

Thus, the total number of lawsuits in 2019 against banks, that are subject to resolution by DGF authorized officers, according to the books of records, amounted to 19,650 cases, including 1,881 cases with claims over UAH 10 m, in which the DGF was involved.

According to the books of records, there were 277 lawsuits and 16 court proceedings amounting to over UAH 191 m due to the proper representation of the interests of banks whose resolution is monitored directly by the DGF in courts and state executive service bodies. At the same time, during 2019, the courts issued 154 decisions in favor of banks under the direct management of the DGF, amounting to more than UAH 7 bn.

At the same time, the claims and action work of the DGF, where the latter is the plaintiff and defendant, in 2019 resulted into 2010 lawsuits totaling more than UAH 49 bn.

3.5. Investigation of civil and criminal offences in insolvent banks, recovery of damages from related parties

During 2019, the Deposit Guarantee Fund analyzed the documents of 53 insolvent banks to identify damage caused to the banks and their creditors by decisions, actions or omissions of persons related to such banks.

As a result of the work carried out in this period, the facts of causing damage to banks and their creditors in the total amount exceeding UAH 120 bn were revealed, as well as more than 700 bank-related persons were identified for whom their decisions, actions or inaction caused such damage.

The most typical transactions that have caused significant damage to the bank and its creditors include, as an example, the following:

- lending to the related and potentially related to the bank persons on non-market terms (analysis of the financial statements of such borrowers shows their insolvency, some of the borrowers were start-ups, loans were issued secured by «junk» bonds and other illiquid collateral, interest rates loans were set below market levels); in the future, such borrowers transferred credit funds to the accounts of non-residents (usually in the form of prepayment for foreign economic contracts, deliveries of which were not carried out);
- transfer by the bank of its own funds placed on correspondent accounts in foreign banks (such as Meinel Bank AG, Bank Frick & Co. AG, Deutsche Bank Trust Company Americas) as collateral for such banks as security for the obligations of third parties (as a rule, offshore companies) to such foreign banks;
- purchase of «junk» bonds;
- withdrawal of funds by the bank to non-resident companies in the form of payment of significant amounts of royalties;
- withdrawal of liquid assets from collateral for loans issued by the bank;
- assignment of claims operations on working loans (payment for the purchase of such loans was carried out with funds issued by the bank itself as a loan to other persons);
- sale of assets by the bank at a price that was significantly below the market price;
- acquisition by the bank of assets at a price significantly higher than the market price.

During 2019, the DGF filed lawsuits in the amount of about UAH 25 bn against 39 bank-related persons, including:

- claims against AT DELTA BANK for damages in the total amount of UAH 20.6 bn;
- a lawsuit against PAT FIDOBANK for damages in the amount of UAH 2.6 bn;
- a lawsuit against PAT USB BANK for damages in the amount of UAH 1.1 bn.

Thus, in pursuance of the provisions of Part 5 of Article 52 of the Law of Ukraine «On households deposit guarantee system» in order to recover damages from bank-related persons as of December 31, 2019 the DGF filed 35 claims against 34 insolvent banks on the total amount more than UAH 89 bn. There are no final court decisions in any of the lawsuits initiated.

As of January 1, 2020, starting from 2014, the Deposit Guarantee Fund during the resolution of insolvent banks sent to the law enforcement agencies 5721 applications for criminal offenses for a total amount of damages over 376,398.73 m UAH.

On 3073 applications entries were made in the Unified Register of Pre-trial Investigations and a pre-trial investigation was launched. Out of the total number of criminal proceedings the investigation continues in 2639 criminal proceedings.

Suspicious were declared in 31 criminal proceedings, including related parties:

- AT BANK FINANSY TA KREDYT – in the amount of UAH 1.5 bn.;
- PAT VAB BANK – in the amount of 1.2 bn.;
- AT DELTA BANK – in the amount of UAH 850.6 m.;
- PAT KB AKSIOMA – in the amount of UAH 80 m.

41 indictments were sent to the court, including those related to:

- PAT BANK MYKHAILIVSKYI – in the amount of UAH 202 m.
- PAT BANK NATSIONALNYI KREDYT – in the amount of UAH 597 m.

Out of the total number of applications, 291 were filed on the fact of bank funds' embezzlement, 89 – causing the bank's insolvency, 1097 – embezzlement of credit funds by borrowers.

Applications filed on the subjects of offences:

- bank owners and bank managers – 463;
- bank officials – 751.

4. Consolidated sales and asset management

4.1. Problem asset market development

The Ukrainian market of problem loans (NPL) of insolvent banks is at the stage of formation and development. According to the National Bank of Ukraine, the volume of non-performing loans (NPLs) in Ukraine for the first time in recent years fell below 50% and amounted to 48.4% as of January 1, 2020.

The largest seller of problem loans in Ukraine today is the Deposit Guarantee Fund. The DGF in cooperation with Prozorro.Sale has organized a transparent and effective mechanism for the sale of bank assets (property). However, the DGF implemented the largest pools of NPL assets together with international consultants. The DGF now works with four foreign consultants – FFN, DebtX, Cohen & Company Financial Ltd. (represented in Ukraine by Excito Partners & Cohen Ukraine LLC) and KPMG.

The first successful sale of a large pool of NPL assets in Ukraine was made with the help of American advisors – First Financial Network (their subsidiary First Financial Network Ukraine, LLC) in December 2018. The sale price of these assets amounted to UAH 130 m with the initial one being UAH 235 m.

In total, during 2019, international consultants for the sale of assets – FFN, DebtX, Cohen & Company Financial Ltd – prepared for sale and conducted six successful auctions and helped sell NPL-assets of the DGF for another UAH 1.422 bn. Three more successful auctions for the sale of large pools of NPL assets in 2019 were conducted through the Prozorro.Sale system. The sale price of these assets amounted to UAH 235 m. Participants and winners of such auctions for the sale of NPL assets were companies with both Ukrainian and foreign capital.

4.2. Results of insolvent banks' asset sale

During 2019, as a result of open bidding (auctions) and sale of assets (property) directly to legal entities or individuals the assets (property) of insolvent banks were sold for a total amount of UAH 7.97 bn (Fig. 4.2.1). The book value of sold assets amounted to UAH 237.7 bn.

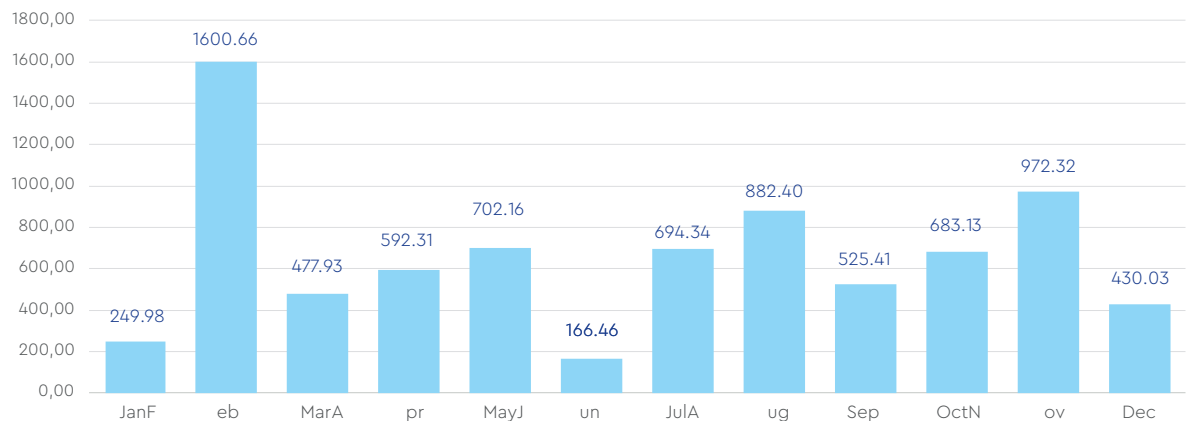
Thus, the ratio of the sale price of assets (property) to the book value averaged 3% (Table 4.2.1). This low figure is explained by the active sale in 2019 of pools of loans of individuals and of legal entities, as well as pools of bank assets under the so-called «one bank-one pool» approach.

Sale of bank assets (property) in 2019

Table 4.2.1

Month 2019	Book value of assets (property) sold, UAH thous.	Sales price of assets based on the open bidding (auctions) and sale directly to individuals or legal entities, UAH thous.	Ratio of sales price of assets to the book value of assets, %%
Total	237 726 370	7 977 141	3
January	20 628 282	249 983	1
February	42 142 994	1 600 664	4
March	39 200 461	477 930	1
April	12 030 926	592 312	5
May	3 728 618	702 164	19
June	1 374 163	166 462	12
July	19 034 394	694 335	4
August	21 164 542	882 400	4
September	21 643 434	525 407	2
October	17 366 881	683 131	4
November	20 988 148	972 322	5
December	18 423 529	430 032	2

Fig. 4.2.1. The sales price of assets according to the results of open bidding (auction) and sale directly to legal entities or individuals in 2019, UAH m



During 2019, as a result of open bidding (auctions) and sale of assets (property) by insolvent banks directly to legal entities or individuals, assets (property) of the banks were

sold for a total amount of UAH 7.97 bn, which is 26.5% higher than in 2018 (UAH 6.3 bn) and by 37.4% higher than in 2017 (UAH 5.8 bn) (Table 4.2.2).

Comparing the sales prices of bank assets (property) by means of open bidding (auctions) and sale directly to legal entities or individuals in 2017 – 2019

Table 4.2.2

Type of assets	Sales price for 2019, UAH thous.	Sales price for 2018, UAH thous.	Sales price for 2017, UAH thous.
Total	7 977 141	6 278 121	5 797 598
Real estate	2 786 571	1 656 858	1 695 344
Land plots	215 342	175 381	78 252
Vehicles	14 758	24 112	55 793
Rights of claim on loan agreement and accounts payable	4 798 697	4 091 016	3 257 413
Securities	8 143	145 315	445 649
Other assets and sale	153 629	185 440	265 146

On October 30, 2017, the first sale of banks' assets (property) took place through open bidding (auctions) via electronic trading system, which consists of automatic step-by-step reduction of the initial (starting) price of the lot, stages of closed quotation and price quotation, the so-called «Dutch auction».

During the period from October 30, 2017 to December 31, 2017, 126 lots were sold at the "Dutch auction" with the sales price of UAH 47.2 m. The average decrease in the initial price of lots was 74%.

In 2018, 25,196 lots with the starting price of UAH 465.8 bn were put up for sale at Dutch auctions, of which 3,660 lots were sold at a selling price of UAH 2.84 bn, which accounted for 45% of all successful bids (auctions) for the sale of assets (property) of banks in 2018.

In 2019, 17,007 lots with a starting price of UAH 265.8 bn were put up for sale at Dutch auctions, 3,637 lots of which were sold at a selling price of UAH 4.67 bn, which accounted for 59% of all successful bidding (auctions) for the sale of bank assets (property) in 2019. Table 4.2.3. compares the sale of bank assets (property) at «Dutch auctions» in 2017 – 2019.



Comparing the bank assets (property) sales at "Dutch auction" in 2017 – 2019

Table 4.2.3

Month	Number of lots sold at "Dutch auctions" in 2017-2018, piece	Sales price at "Dutch auctions" in 2017-2018, UAH m	Number of lots sold at "Dutch auctions" in 2019, piece	Sales price at "Dutch auctions" in 2019, UAH m
TOTAL	3 786	2 888	3 637	4 673
January	357	320	247	184
February	226	88	174	1 590
March	218	188	319	390
April	502	268	239	217
May	463	234	405	244
June	266	328	320	112
July	291	193	413	422
August	227	160	598	668
September	305	162	416	207
October	262	302	178	321
November	278	222	143	104
December	391	423	185	214

The average ratio of the sales price of banks 'assets (property) to the book value of banks' sold assets (property) at Dutch auctions was 3%, but this conversion rate for certain types of assets varies from 0.4% to 58%, for more details -Table 4.2.4.

Ratio of sales price of assets at "Dutch auction" open bidding to their book value in 2019

Table 4.2.4

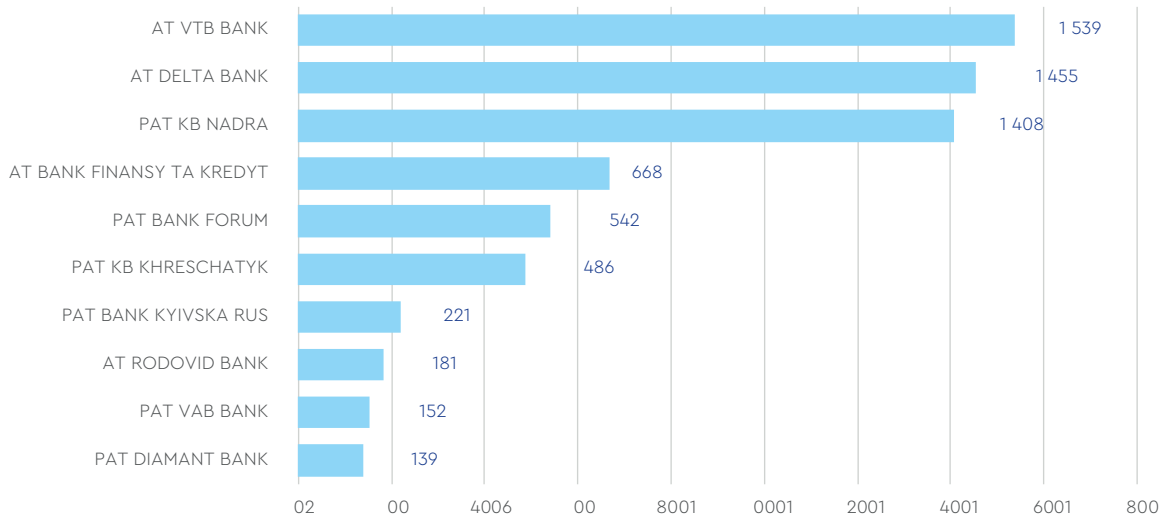
Type of asset	Book value, UAH thous.	Sales price based on the open bidding results, UAH thous.	Ratio of sales price of assets to the book value of assets, %
TOTAL	158 080 681	4 672 997	3%
Real estate	2 093 271	1 213 644	58%
Land plots	287 375	81 335	28%
Vehicles	41 710	15 985	38%
Other fixed assets	19 133	8 467	44%
Pools of loan to individuals (mortgage)	12 737 975	458 792	4%
Pools of loan to individuals (unpledged)	4 629 536	33 043	1%
Pools of loan to individuals (auto loans)	2 430 963	21 317	1%
Pools "1 bank=1 pool"	115 660 688	443 943	0,4%
Legal entities loans and accounts receivable	17 361 214	1 700 898	10%
Mortgage loans	2 785 220	687 869	25%
Other loans to individuals	15 801	4 132	26%
Securities	17 794	3 575	20%



According to the results of open bidding (auctions) and sale of bank assets (property) directly to legal entities or individuals in 2019, 85% of the total sold assets (property) of banks fell on 10 banks.

The leading bank in the sale of assets (property) is AT VTB BANK, which accounts for 19% (at the sale price) of all successful open bidding (auctions) for 2019 (Fig. 4.2.2.).

Fig. 4.2.2. Sales price at open bidding (auctions) and sale directly to legal entities or individuals during 2019, UAH m



According to the results of open bidding (auctions) and sales directly to legal entities or individuals during 2019, sold assets (property) of banks had the following structure by types of assets (property) of banks (Table 4.2.5.):

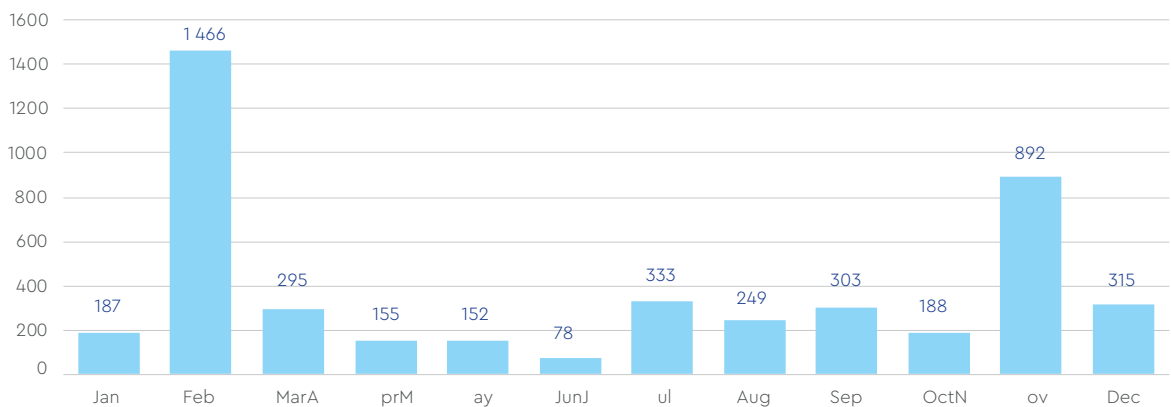
The largest share in the amount of sold assets (property) of banks as a result of open bidding (auctions) is the right of claims sale under loan agreements – 58% (Fig. 4.2.3.).

The results of bank assets sale by structure and types of assets

Table 4.2.5

Total, UAH m	7 977,1	100%
Rights of claim on loan agreements	4 614,2	58%
Fixed assets	3 116,8	39%
Accounts receivable	184,5	2,3%
Other assets (paintings, coins etc.)	45,1	0,6%
Sale directly to legal entities or individuals	8,4	0,1%
Securities/Corporate rights	8,1	0,1%

Fig. 4.2.3. Results of auctions for loan sales in 2019, UAH m





In the structure of the rights of claims sold under loan agreements are 73% of rights of claims under loan agreements with legal entities and 27% – rights of claims under loan agreements with individuals (Fig. 4.2.4.).

It should be noted that in 2019, more than 370 thousand loans were sold, combined on common grounds into pools of loans to individuals (Fig. 4.2.5.; Table 4.2.6.).

Fig. 4.2.4. Results of auctions for loan sale, UAH m in 2019

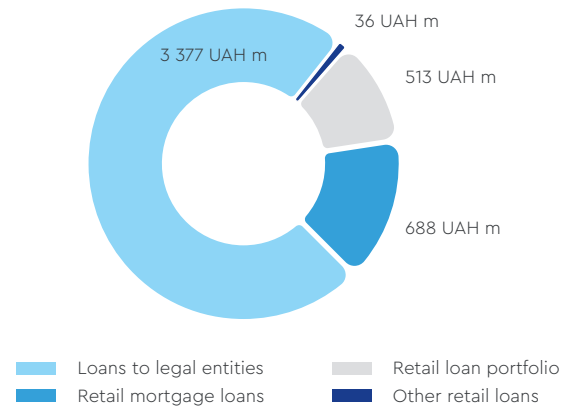
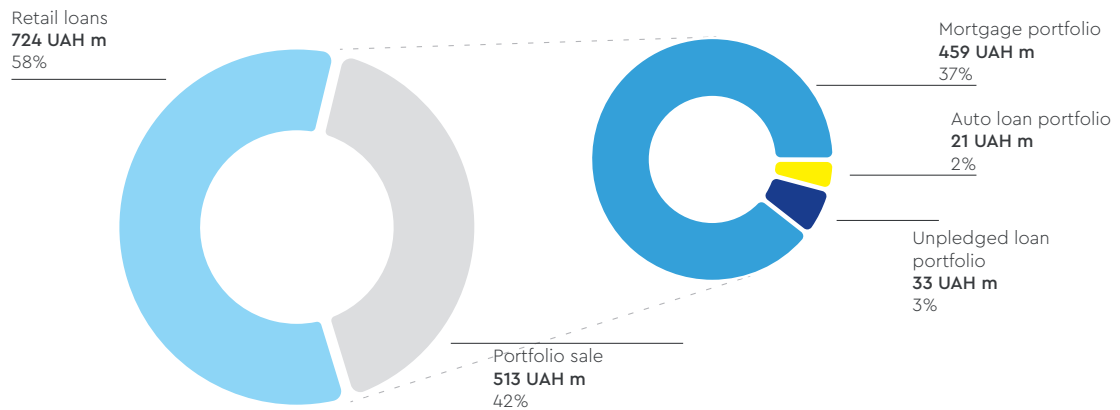


Fig. 4.2.5. Results of auctions for sale of retail loans in 2019, UAH m



Sale of retail loan pools in 2019

Table 4.2.6

Type of assets	Quantity of loans sold	Book value, UAH m	Sales price through the open bidding, UAH m	Ratio of sales price of assets to the book value of assets, %
Total	377 686	19 798	513	3
Pool of retail loans (mortgage)	4 117	12 738	459	4
Pool of retail loans (unsecured)	369 054	4 630	33	1
Pool of retail loans (auto loans)	4 515	2 431	21	1

In 2017, the process of selling lots derived from the pool of assets of banks (the so-called «one bank-one pool» approach), that were included in the list of banks subject to the liquidation procedure termination, was launched.

It should be noted that for one bank, under the approach «one bank-one pool» one to several such pools can be formed – a separate pool of assets pledged to each creditor (eg, NBU, SMI, etc.), pool of assets of the third group and such assets as property rights to securities, a pool of all other assets.

According to this approach, in 2017 one lot of AT ERDE BANK was sold. The sale price amounted to UAH 4,979,860.39, which was 2% of the book value of assets.

In 2018, 15 such lots were sold with a sale price of UAH 41,239,498.73, which was 0.2% of the book value.

In 2019, the sale of assets of one bank averaged 0.38% of the book value of assets. A total of 69 lots were sold under this approach. Detailed information is given in Table 4.2.7.



Sale of lots formed from the pool of assets of banks included in the list of banks subject to the liquidation procedure termination in 2019

Table 4.2.7

Bank	Date of the successful auction	Book value of assets, UAH	Sales price, UAH	Ration of sales price to the book value, %
PAT KB AKSIOMA	11.01.2019	815 905 929,77	23 233,00	0,003%
PAT AUTOKRAZBANK	21.01.2019	1 288 311 464,18	303 317,20	0,02%
PAT ZAKHIDINKOMBANK	22.01.2019	1 060 972 916,18	6 105 135,00	0,58%
PAT AB UKOOPSPILKA	25.01.2019	203 392 017,54	292 782,95	0,14%
PAT KB DANIEL	30.01.2019	531 576 629,46	57 070,70	0,01%
PAT UNIKOMBANK	31.01.2019	2 968 456,50	237,48	0,01%
PAT REAL BANK	08.02.2019	5 512 103 284,46	439 295,99	0,01%
PAT KB INTERBANK (jointly with PAT KB NADRA)	12.02.2019	1 025 028 192,37	244 836,94	0,02%
PAT KB INTERBANK (jointly with PAT KB NADRA)	12.02.2019	5 489 120,34	3 354,00	0,06%
PAT AB STOLYCHNYI	12.02.2019	891 668 335,99	493 997,92	0,06%
PAT OMEGABANK (jointly with AT DELTA BANK)	18.02.2019	6 327 568 777,93	10 921 909,00	0,17%
PAT KB AKSIOMA (jointly with PAT BANK NATSIONALNYI KREDYT)	21.02.2019	5 438 503,00	440,80	0,01%
PAT BANK FORUM	21.02.2019	12 699 347 041,04	125 073 805,27	0,98%
PAT KB PROMEKONOMBANK (jointly with AT KB EXPOBANK)	26.02.2019	212 375 370,15	618 188,00	0,29%
PAT KB PIVDENKOMBANK	28.02.2019	9 735 391 327,90	2 676 908,00	0,03%
AT BANK MERKURIY	06.03.2019	1 849 545 720,45	1 575 500,55	0,09%
PAT FINROSTBANK	07.03.2019	1 964 632 963,01	152 265,58	0,01%
PAT INTERKREDYTBANK	07.03.2019	367 754 557,85	146 000,00	0,04%
PAT KB UFS	07.03.2019	3 610 572 649,35	848 189,76	0,02%
PAT KB DANIEL	14.03.2019	113 255 044,00	25 000,00	0,02%
PAT AUTOKRAZBANK	15.03.2019	379 728 041,42	61 813,64	0,02%
AT PORTO-FRANKO	19.03.2019	23 001 426,70	940 307,48	4,09%
PAT AVANT-BANK (jointly with AT DELTA BANK)	20.03.2019	1 894 114 762,41	51 000 000,00	2,69%
PAT BROKBIZNESBANK	22.03.2019	23 829 311 052,46	15 682 450,00	0,07%
AT BANK ZOLOTI VOROTA	26.03.2019	99 204 169,15	5 755 555,00	5,80%
PAT UNIKOMBANK	27.03.2019	1 632 426 597,97	55 000,00	0,003%
PAT PRIME-BANK (jointly with PAT BANK NATSIONALNYI KREDYT)	29.03.2019	2 202 103,76	802,00	0,04%
PAT AUTOKRAZBANK (jointly with PAT KB NADRA)	02.04.2019	83 254 740,47	10 100,00	0,01%
AT ARTEM-BANK	03.04.2019	517 058 167,10	5 960 000,00	1,15%
PAT BANK SOFIYSKYI	03.04.2019	725 719 374,09	2 817 234,61	0,39%
AT BANK NATIONALNI INVESTYSII	05.04.2019	2 378 228 381,64	5 510 704,64	0,23%
PAT USB BANK	05.04.2019	1 477 344 063,00	60 212,39	0,004%
PAT BANK DEMARK	11.04.2019	3 105 771 714,14	5 000 000,00	0,16%
PAT BANK FORUM	17.04.2019	286 194 526,62	31 580,00	0,01%

Table 4.2.7

Bank	Date of the successful auction	Book value of assets, UAH	Sales price, UAH	Ration of sales price to the book value, %
PAT KB PIVDENKOMBANK	22.04.2019	179 333 912,00	5 021,35	0,003%
PAT BROKBIZNESBANK	02.05.2019	146 519 302,78	8 200,00	0,01%
AT BANK MERKURIY (jointly with PAT KB PROMEKONOMBANK, PAT REAL BANK, PAT FINROSTBANK)	06.05.2019	116 260 454,44	12 345,67	0,01%
PAT AB UKOOPSPILKA	16.05.2019	92 000 000,00	73,60	0,0001%
PAT UKRGAZPROMBANK	24.05.2019	302 552 955,31	5 120 000,00	1,69%
PAT KB AKTYV-BANK	27.06.2019	40 604 678,71	337 185,56	0,83%
AT PORTO-FRANKO	09.07.2019	625 911 567,32	3 044 285,84	0,49%
AT EUROGAZBANK	01.08.2019	488 821 330,29	9 781 315,18	2,00%
PAT STAROKYIVSKYI BANK	08.08.2019	17 664 034,25	11 304,98	0,06%
PAT STAROKYIVSKYI BANK	09.08.2019	505 297 859,88	239 896,71	0,05%
PAT VEKTOR BANK	28.08.2019	294 881 789,53	3 895 241,14	1,32%
AT EUROGAZBANK	28.08.2019	1 052 634 133,59	5 524 352,64	0,52%
PAT MISKYI KOMERTSIYNYI BANK	06.09.2019	7 571 111 275,00	4 400 000,00	0,06%
AT EUROGAZBANK	27.09.2019	304 678 042,83	153 503,63	0,05%
PAT AKB NOVYI	01.10.2019	264 001 905,65	2 327 289,87	0,88%
AT BANK ZOLOTI VOROTA	17.10.2019	1 346 028 275,00	867 312,00	0,06%
PAT BANK PETRO-KOMMERTS-UKRAINE	18.10.2019	1 739 455 531,33	14 412 701,91	0,83%
PAT UKRGAZPROMBANK	21.10.2019	60 516 250,00	1 888,11	0,003%
PAT KB AKTYV-BANK	22.10.2019	1 310 104 967,83	15 400 000,00	1,18%
PAT BG BANK	24.10.2019	1 966 915 612,00	34 789 611,06	1,77%
PAT AKB KYIV	24.10.2019	4 737 117 117,04	17 408 220,00	0,37%
AT KB TK KREDYT	01.11.2019	1 132 756 644,17	12 293 703,40	1,09%
AT KB TK KREDYT	12.11.2019	31 516 208,42	2 521,30	0,01%
AT KB EXPOBANK	19.11.2019	85 601 731,38	6 875,60	0,01%
PAT BANK PETRO-KOMMERTS-UKRAINE	25.11.2019	1 307 000,00	310,00	0,02%
PAT KB AKTYV-BANK	26.11.2019	92 229 580,73	2 501 000,00	2,71%
AT FORTUNA-BANK	06.12.2019	1 349 291 230,00	5 771 245,07	0,43%
PAT KB EUROBANK	17.12.2019	348 130 025,27	6 600 000,00	1,90%
AT KB EXPOBANK	17.12.2019	1 907 164 684,22	35 000 000,00	1,84%
PAT BANK NATSIONALNYI KREDYT	19.12.2019	1 977 867 331,67	8 920 000,00	0,45%
PAT KB EUROBANK	24.12.2019	16 734 752,32	2 438,25	0,01%
PAT LEG BANK	26.12.2019	60 671 245,52	474 948,33	0,78%
PAT KB INVESTBANK	26.12.2019	468 183 410,33	4 741 408,37	1,01%
PAT GREEN BANK	27.12.2019	5 073 855,25	1 217,73	0,02%
PAT LEG BANK	27.12.2019	364 891 626,80	7 000 000,00	1,92%
Total		115 660 687 743,26	443 942 645,20	0,38%



According to the results of open bidding (auctions), the sale price of fixed assets (without sales directly to legal entities or individuals) is 39% of the total mass of all effective open bidding (auctions).

The average ratio of all types of fixed assets sale price to their book value in 2019 was 40%. In Figure 4.2.6. the book value and the sales price of fixed assets in 2019 is compared.

Fig. 4.2.6. Comparison of the book value and sales price of fixed assets in 2019, UAH m

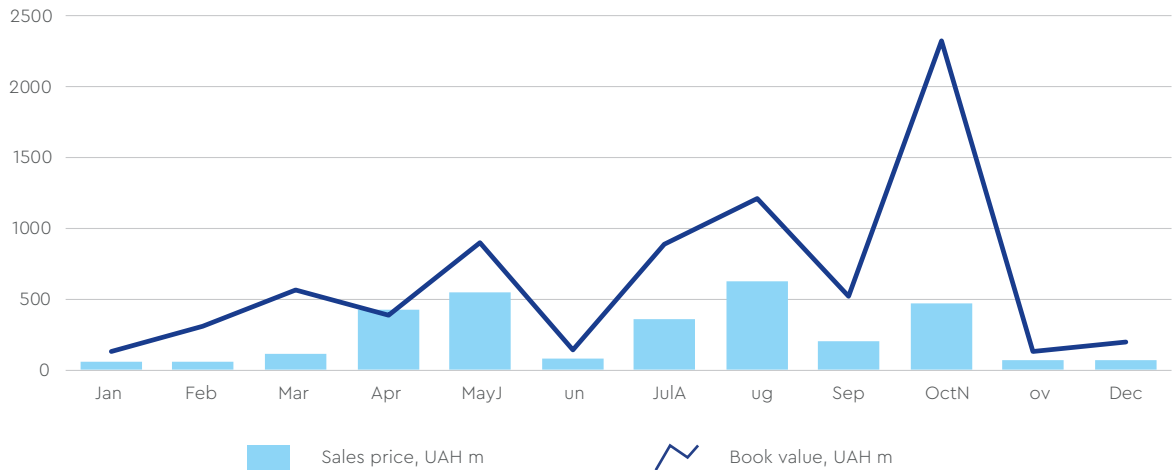


Fig. 4.2.7. Contribution of the sale price based on the results of open bidding (auctions) of fixed assets (except for sales directly to legal entities or individuals) in 2019

In the structure of sold fixed assets 90% are real estate (residential and non-residential), 0.5% – vehicles, 7% – land and 3% – other fixed assets (furniture, equipment, etc.) (Fig. 4.2.7.).

As for the sale of insolvent banks' assets (property) pledged by the NBU and other creditors, in 2019 assets (property) pledged to the NBU and other creditors were sold for UAH 2,715 m, which is 28% more than in 2018 (UAH 2,113 m) and 138% more than in 2017 (UAH 1,140 m).

Sold assets pledged by the NBU amount to UAH 2,473.5 m or 91% of the total sale of insolvent banks' assets (property) pledged to the NBU and other creditors in 2019 (Fig. 4.2.8.).

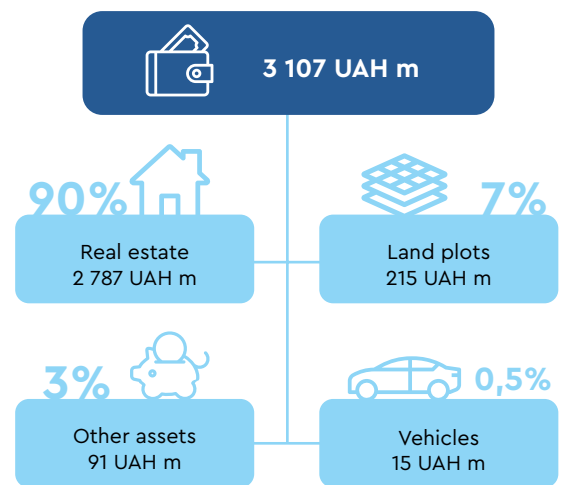
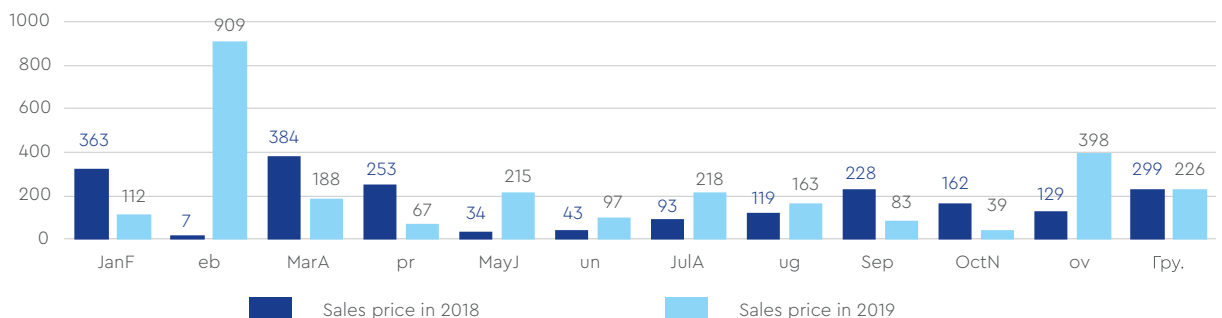


Fig. 4.2.8. Results of auctions of sales of assets pledged to the NBU and other creditors in 2018-2019, UAH m





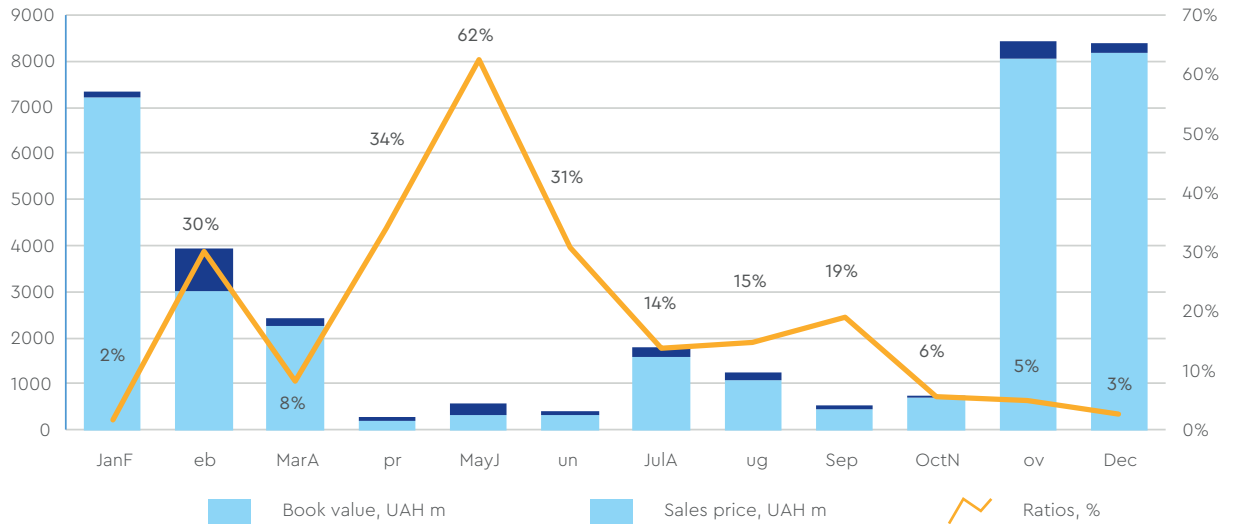
In the structure of sold assets pledged to the NBU and other creditors:

- 59% – UAH 1,611.32 m – loans to legal entities,
- 20% – UAH 552.65 m – loans to individuals,
- 19% – UAH 515.68 m – real estate objects,

- 1% – UAH 27.46 m – land plots,
- 0.3% – UAH 7.9 m – receivables.

The average ratio of the sales price for all types of assets pledged by the NBU and other creditors to the book value in 2019 was 8% (Fig. 4.2.9).

Fig. 4.2.9. Ratio of the sale price of assets pledged to the NBU and other creditors to their book value in 2019

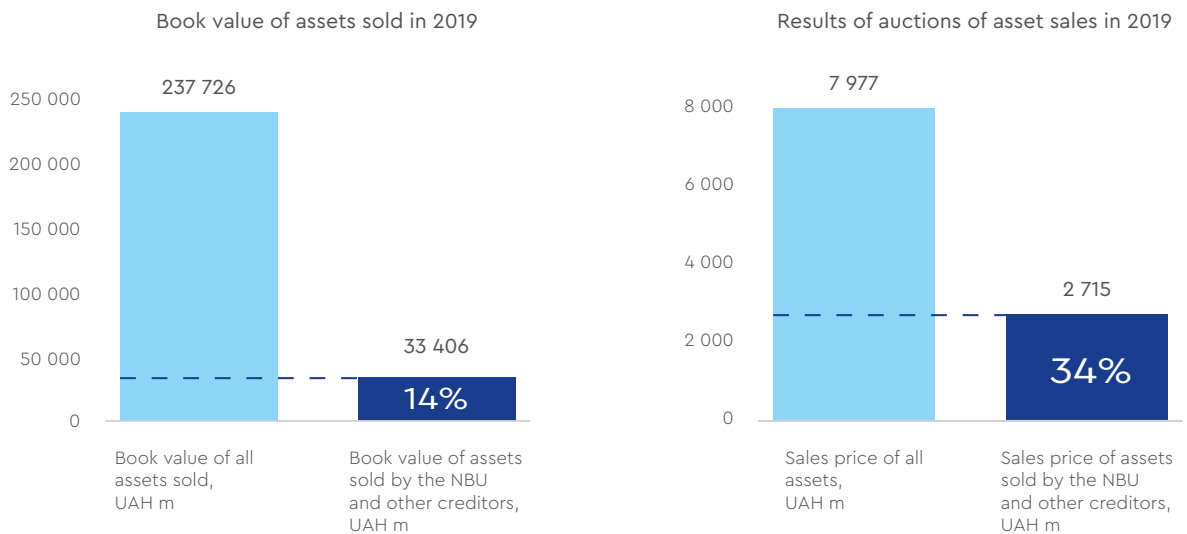


The lowest ratio of the sale price of assets pledged by the NBU and other creditors to their book value was observed in January, November and December 2019.

It was during this period that large portfolios of loans to legal entities and individuals were sold with the involvement of international consultants of the DGF.

It should be noted that according to the results of open bidding (auctions) and sale directly to legal entities or individuals in 2019 – 34% of all sold assets (at selling price) were assets secured by the NBU and other creditors. As for the book value of assets sold in 2019, the share of assets secured by the NBU and other creditors is 14% (Fig. 4.2.10).

Fig. 4.2.10. Ratio of all assets and assets pledged to the NBU and other creditors



4.3. Improvement of insolvent banks' asset management

The DGF's main task during the period of liquidation of each of the banks is to increase proceeds to insolvent banks (from the management and sale of assets) in order to satisfy their creditors' claims to the fullest measure.

After a specialized structural unit was established in 2017 to implement the asset management system of insolvent banks, thorough work was carried out to improve the quality of asset management, in particular, the concept of prudent and transparent decisions was implemented by introducing the Asset Management Committee to manage assets (property) of banks that are being resolved or liquidated by the DGF.

In 2019, the development of a comprehensive system of asset management and sale took further step, in particular by concentrating decision-making functions within the Committee of the Deposit Guarantee Fund for consolidation, management and sale of property (assets) of banks. By the decision of the DGF Executive Directorate dated April 18, 2019 under No. 963 «On the establishment of the DGF Committee for consolidation, management and sale of property (assets) of banks», registered with the Ministry of Justice of Ukraine on May 21, 2019 under No. 534/33505, the

The above measures and regular monitoring of their actual implementation and discussion of the results of the collegial body meetings strengthen control over the operations with assets, while significantly reducing the risk of corruption against insolvent bank assets and generally increase the efficiency of bank resolution.

The DGF is constantly working to reduce (receive compensation) the costs of each insolvent bank for assets preservation and increase the level of their monetization.

A specialized site for renting premises (orenda.fg.gov.ua) is constantly updated, which greatly simplifies the process of finding and selecting property for rent. The most attractive assets (integral property complexes or office space in the central city areas) are advertised on the DGF website with photos and presentation materials to collect indicative proposals and expand the range of potential tenants.

The order and procedure for approving the lease of the insolvent bank's property is determined by the Regulation on the lease of insolvent banks' property, approved by the decision of the DGF Executive Directorate of February 15, 2018 under No. 465, registered with the Ministry of Justice of Ukraine on March 15, 2019 under No. 313/31765, as amended.

In 2019, the DGF processed about 360 appeals from insolvent banks on extension of lease relations (amendments to existing lease agreements) and the conclusion of new lease agreements with legal entities or individuals. These issues were processed and submitted to the relevant collegial bodies of the DGF.

DGF Committee for consolidation, management and sale of property (assets) of banks (hereinafter referred to as the Committee) was established and the Regulations on the DGF Committee for consolidation, management and sale of property (assets) of banks were approved. By the decision of the DGF Executive Directorate dated December 16, 2019 under No. 3182 the Powers of the DGF Committee for consolidation, management and sale of property (assets) of banks and their scope were approved.

The Committee ensures that decisions are made in accordance with regulatory documents, in particular: Regulations on lease of insolvent banks' property (as amended, effective January 2, 2019), Regulations on the procedure for restructuring retail loan debt (except for individuals-entrepreneurs) under loan agreements with obligations secured by mortgage.

In 2019, the DGF Assets Management Committee and the DGF Committee for consolidation, management and sale of banks' property (assets) adopted 155 decisions on real estate lease/lease extension.

Despite the large scope of asset sales, including sales of property, in 2019 and termination of the liquidation procedure of 36 insolvent banks (30 insolvent banks were terminated and liquidation balance was approved for 6 insolvent banks), proceeds from the lease of property in 2019 amount to UAH 104.97 m (Table 4.3.1).

Proceeds to insolvent banks from the lease of property in 2019

Table 4.3.1

Period	Proceeds, UAH m	Period	Proceeds, UAH m
Total 104,97 UAH m			
January 2019	12,25	July 2019	8,67
February 2019	12,09	August 2019	7,28
March 2019	10,85	September 2019	8,07
April 2019	9,81	October 2019	7,29
May 2019	10,95	November 2019	4,79
June 2019	8,87	December 2019	4,03

It is worth noting that compensation of utilities and maintenance services by tenants in 2019 amounted to almost UAH 18 m.

In table 4.3.2. the number of real estate objects and areas that were leased in 2019 is given.

Number of real estate and areas that were leased in 2019

Table 4.3.2

As of	Number of objects for lease	Total space of property for lease, sq. m
01.01.2019	346	227 638,29
01.02.2019	346	214 536,51
01.03.2019	336	188 421,26
01.04.2019	306	160 727,41
01.05.2019	296	157 392,35
01.06.2019	282	154 471,62
01.07.2019	258	148 458,29
01.08.2019	235	141 798,14
01.09.2019	225	127 512,46
01.10.2019	182	123 254,38
01.11.2019	166	119 640,30
01.12.2019	123	55 704,13

It should be noted that the proceeds from the lease of physical assets, including real property, of insolvent banks in 2019 amounted to UAH 103.27 m. The absolute level of proceeds was maintained at a consistently high level by monitoring strict observance of the requirements for indexation of the rent rate by banks. In Table 4.3.3. the TOP-10 banks on proceeds from lease in 2019 are given.

Top 10 banks in terms of proceeds from lease of property for 2019

Table 4.3.3

Bank	Proceeds, UAH m/year
AT VTB BANK	40,71
PAT KB NADRA	12,18
AT RODOVID BANK	6,60
AT DIAMANTBANK	6,49
PAT VAB BANK	6,35
PAT KB KHRESCHATYK	6,02
AT KB EXPOBANK	4,19
AT DELTA BANK	4,14
PUAT FIDOBANK	3,79
AT IMEXBANK	3,56
Other banks	10,94
Total	104,97

Despite the decrease in the leased area in 2019 by almost 5.1 times, the average rental rates for real estate use increased from UAH 53.81/sq. m to UAH 72.35/sq.m, respectively. Thus, due to the growth of the average rental price and the relative constancy of rental areas in 2-3 quarters of 2019, the DGF ensured the stability of cash inflows from insolvent banks at the level of the previous year, despite the intensive real estate sales of insolvent banks.

In addition, the DGF monitors the registration of actions in the State Register of Real Property Rights and Encumbrances on Real Estate Owned by Banks, in order to respond properly and in a timely manner to cases of illegal actions on such property.

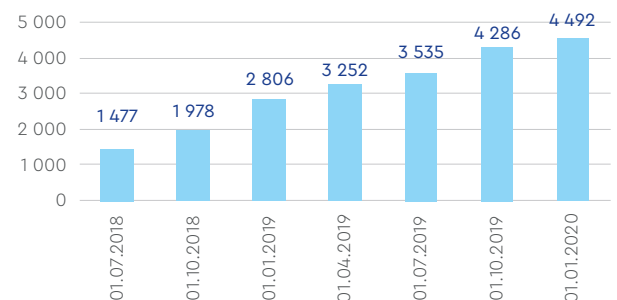
Thus, information on more than 1.5 thousand objects is monitored on a monthly basis with the use of the SMS-Lighthouse software of the Liga group companies; due to this application prompt measures are taken to return real estate to banks.

The issue of using the resources of the State Register of Real Property Rights in order to increase the reliability and reduce the cost of such services is currently being discussed.

It should also be noted that in 2019 the DGF continued cooperation in the field of enforcement of decisions with private enforcement agents, the institute of which was established by the Ministry of Justice of Ukraine as an integral part of reforming enforcement of courts and other bodies. The DGF distributes implementation documents on debt collection from debtors of banks, the liquidation procedure of which is carried out by the DGF, and as of December 31, 2019, 4,492 implementation documents were distributed to private executors (except for terminated banks).

The dynamics of implementation documents distribution in the cumulative total is shown in Figure 4.3.1.

Fig. 4.3.1. Dynamics of implementation documents distribution



The largest number of implementation documents that are distributed are documents on recovery in favor of the following insolvent banks (Table 4.3.4.).

During the year of cooperation with private executors in favor of banks liquidated by the DGF, claims in the amount of UAH 54,298,482.74 were satisfied (funds in the total amount of UAH 44,813,869.07 were collected, property in the total amount of UAH 9 484 613,67 was transferred to ownership) with a positive quarterly growth, namely:

- as of July 1, 2018, UAH 238,700.53;
- as of October 1, 2018 – UAH 1,515,864.72 (growth + UAH 1,277,164.19 (535%) to the previous quarter);
- as of January 1, 2019 – UAH 5,568,786.65 (growth by + UAH 4,052,921.93 (267%) to the previous quarter);
- as of April 1, 2019 – UAH 23,310,164.51 (growth + UAH 17,741,377.86 (319%) to the previous quarter);
- as of July 1, 2019 – UAH 34,698,126.44 (growth + UAH 11,387,961.93 (49%) to the previous quarter);
- as of October 1, 2019 – UAH 47,045,128.75 (growth + UAH 12,347,002.31 (36%) to the previous quarter);
- as of December 31, 2019 – UAH 54,298,482.74 (growth + UAH 7,253,353.99 (15%) to the previous quarter).

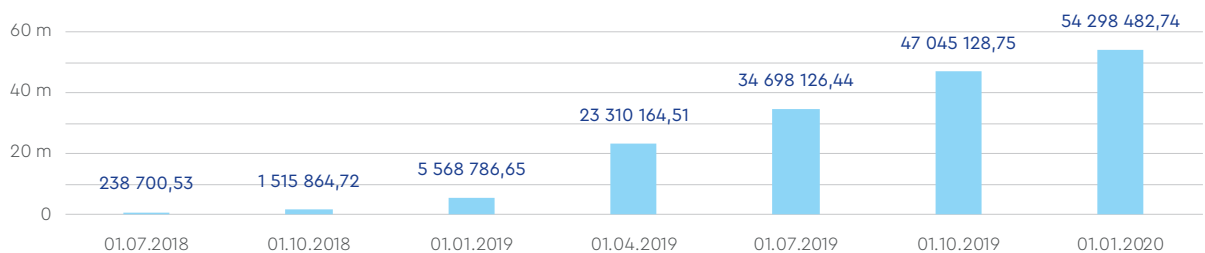
The dynamics of funds collection by private executors is shown in Figure 4.3.2.

Top 10 banks according to the implementation documents distributed

Table 4.3.4

No.	Bank	Number of implementation documents distributed
1	AT DELTA BANK	2702
2	PAT KB NADRA	502
3	PAT VAB BANK	473
4	AT BANK FINANSY TA KREDYT	190
5	AT RODOVID BANK	103
6	PAT VBR	95
7	PAT KB KHRESCHATYK	89
8	PUAT FIDOBANK	72
9	PAT BANK NATSIONALNYI KREDYT	51
10	AT VTB BANK	46
11	Others	169
	Total	4 492

Fig. 4.3.2. Dynamics of funds collection by private executors



The largest amount of funds reimbursed in favor of the following insolvent banks (Table 4.3.5.):

List of banks with the highest level of proceeds from private executors

Table 4.3.5

No.	Bank	Funds collected, UAH	Relative share
1	AT DELTA BANK	26 180 602,75	48,2161%
2	AT BANK FINANSY TA KREDYT	11 540 417,25	21,2537%
3	PAT KB NADRA	3 482 460,70	6,4136%
4	PAT DIAMANTBANK	1 597 405,01	2,9419%
5	PAT KB EUROBANK	1 242 461,63	2,2882%
6	LIQUIDATED BANKS	542 854,94	0,9998%
7	AT IMEXBANK	136 400,00	0,2512%
8	PUAT FIDOBANK	88 780,87	0,1635%
9	AT NK BANK	2 485,92	0,0046%



In addition to the enforcement measures, considerable attention has been paid to working with companies that provide services to insolvent banks to repay overdue debts of borrowers and other debtors of the bank. During 2019, the DGF in the direction of «Recovery of overdue debts of borrowers and other debtors of the bank» cooperated with 13 leading participants in the market of overdue debt repayment services. Proceeds to the insolvent banks as a result of work in this area amounted to UAH 59,872,756.69.

It should be noted separately that the Regulations on the restructuring of retail loan debt (except for individuals-entrepreneurs) under loan agreements with obligations secured by a mortgage was approved by the decision of the DGF Executive Directorate dated February 5, 2018 under No. 372, registered in the Ministry of Justice of Ukraine on February 28, 2018 under No. 254/31706 and entered into force on the date of publication, namely, on March 23, 2018.

During 2018–2019, the DGF received 263 packages of documents (in 2018 – 167, in 2019 – 96 on retail loan debt restructuring secured by real estate mortgages, from the banks listed below (Table 4.3.6.).

On 254 applications (including in 2019 – 96, in 2020 – 1) a positive decision was made by the authorized collegial bodies of the DGF.

Restructuring has already been signed for 196 applications (including 83 in 2019 and 3 in 2020) and 10% of the first contribution has been received (≈UAH 10.7 m in total, including UAH 4,7 m in 2019, UAH 240 thous. – in 2020). Under these restructurings, the monthly payment amounted to UAH 1.1 m.

The total amount of credit debt (without penalties and fines) for all signed restructurings amounted to UAH 103.6 m. The largest amount of debt by applications received by the DGF amounted to UAH 6 m, and the smallest – UAH 34 thous.

Number of packages of documents on restructuring retail loan debt secured by real estate mortgages that were received from insolvent banks in 2018–2019

Table 4.3.6

No.	Bank	Number of documentation packages total	Number of documentation packages in 2019
1	PAT KB NADRA	107	23
2	AT DELTA BANK	66	27
3	PUAT FIDOBANK	49	24
4	AT VTB BANK	13	13
5	PAT PtB	9	6
6	PAT VAB BANK	4	0
7	PAT KB KHRESCHATYK	4	0
8	PAT VBR	3	0
9	AT RODOVID BANK	3	2
10	PAT BANK FORUM	3	0
11	PAT BANK UNISON	2	1
	Total	263	96

5. Payments to depositors

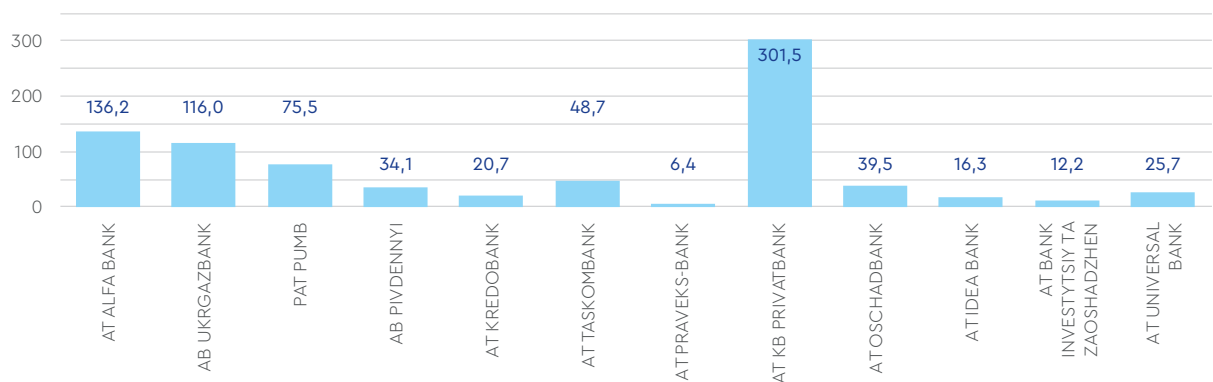
5.1. Deposit insurance payouts to insolvent banks' depositors

In compliance with the requirements of the Law of Ukraine «On households deposit guarantee system», in 2019 deposit insurance amounts were paid to depositors of 81 banks.

During 2019, 12 agent banks (Fig. 5.1.1.) connected to the DGF's Automated Payment System (hereinafter referred to as the System) were involved in the process of deposit

insurance repayment to the depositors. Agent banks were determined in accordance with the requirements of the Regulation on the procedure for determining agent banks of the Deposit Guarantee Fund, approved by the decision of the DGF Executive Directorate on July 12, 2012 under No. 6.

Fig. 5.1.1. Deposit insurance payouts in terms of agent banks of the DGF, UAH m



Due to the beginning of liquidation procedure for PAT KB FINANSOVA INITSIATYVA in 2019, the DGF began to pay deposit insurance amount to the depositors of the bank. Payments were made by means of the System through agent banks institutions.

In 2019, depositors of PAT KB FINANSOVA INITSIATYVA received compensation of over UAH 4.7 m.

In accordance with Part 7 of Article 26 of the Law, in 2019 the DGF completed the deposit insurance payouts in 30 insolvent banks (Table 5.1.1.).

Insolvent banks, for which payments were completed in 2019

Table 5.1.1

No.	Bank name	Reimbursed to the depositors during the entire payout period, UAH m
1	PAT KB DANIEL	404.3
2	PAT REAL BANK	524.3
3	AT BROKBIZNESBANK	2 603.3
4	AT BANK MERKURIY	936.6
5	PAT BANK FORUM	2 854.7
6	PAT KB INTERBANK	78.3
7	PAT ZAKHIDINKOMBANK	258.6
8	PAT AUTOKRAZBANK	425.0
9	PAT KB PROMEKONOMBANK	9.9
10	PAT STAROKYIVSKYI BANK	202.3
11	PAT KB PIVDENKOMBANK	1 848.8
12	AT FINROSTBANK	496.3
13	PAT KB UFS	463.9
14	AT EUROGAZBANK	1 235.6
15	PAT TERRA BANK	691.6
16	PAT KB AKTYV-BANK	1 305.2
17	PAT PRIME-BANK	14.3
18	PAT INTERCREDYT BANK	0.1

Table 5.1.1

No.	Bank name	Reimbursed to the depositors during the entire payout period, UAH m
19	AT PORTO-FRANKO	433.7
20	PAT KB AKSIOMA	106.3
21	PAT MELIOR BANK	33.7
22	PAT AB UKOOPSPILKA	52.7
23	PAT KB STANDART	499.5
24	PAT UKRGAZPROMBANK	219.5
25	PAT AB STOLYCHNYI	68.7
26	PAT UNIKOMBANK	32.5
27	PAT USB BANK	70.6
28	PAT BANK SOFIYSKYI	24.3
29	PUAT SMARTBANK	0.5
30	AT ARTEM-BANK	162.0
Total:		16 057,0

During 2019, depositors of these banks received compensation in the amount of over UAH 66.7 m (Fig. 5.1.2.).

Due to the payments via the System in 6,000 banking facilities of twelve agent banks, depositors have the opportunity to get reimbursement in any branch of any agent bank on the entire territory controlled by Ukraine. At present, only heirs need to apply to the DGF with individual applications.

The total deposit insurance amount paid in 2019 at the expense of the DGF is UAH 832.3 m (Table 5.1.2.).

In fact, 96.1% of depositors received a guaranteed reimbursement amount, and only 3.9% did not apply for it. The amount of reimbursement, for which depositors have not yet applied, at the end of the reporting period amounted to UAH 3.2 m. The most common reasons for not receiving funds are: a small amount of compensation not exceeding UAH 100, the so-called «forgotten» deposits, as well as deposits that belonged to the deceased depositors – before the certificate of inheritance was registered.

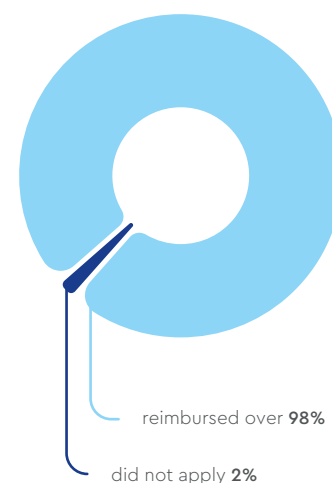
Fig. 5.1.2. Repayments to depositors of banks where the payments have been completed

Repayments to depositors in 2019, UAH m

Table 5.1.2

No.	List of liquidated banks	Balance of funds not received by depositors as of Jan 1, 2019	Reimbursement amount accrued in 2019	Funds received in 2019	Balance of funds not received by depositors as of Jan 1, 2020
1	AT ERDE BANK	-	-	-	-
2	AT BANK TAVRIKA	-	-	-	-
3	PAT KB DANIEL	12,75	-	0,004	-
4	PAT REAL BANK	17,96	-	0,20	-
5	AT BROKBIZNES BANK	90,37	-	1,41	-
6	AT BANK MERKURIY	6,04	-	0,26	-
7	PAT BANK FORUM	-	-	0,88	-
8	PAT KB INTERBANK	1,35	-	0,12	-
9	PAT ZAKHIDINKOMBANK	9,94	-	0,001	-
10	PAT AKB BANK	7,76	0,08	0,08	-
11	PAT KB PROMEKONOMBANK	-	-	-	-
12	PAT STAROKYIVSKYI BANK	15,75	24,24	22,54	-



Table 5.1.2

No.	List of liquidated banks	Balance of funds not received by depositors as of Jan 1, 2019	Reimbursement amount accrued in 2019	Funds received in 2019	Balance of funds not received by depositors as of Jan 1, 2020
13	PAT KB PIVDENKOMBANK	31,68	-	1,17	-
14	PAT FINROSTBANK	18,22	0,04	0,88	-
15	PAT KB UFS	121,58	102,74	3,35	-
16	AT EUROGAZBANK	21,30	12,03	17,93	-
17	AT BANK ZOLOTI VOROTA	1,45	0,86	1,65	0,66
18	PAT TERRA BANK	0,31	-	-	-
19	PAT KB AKTYV-BANK	13,97	0,80	2,31	-
20	PAT PRIME BANK	0,44	-	0,0001	-
21	PAT AKTABANK	9,85	6,12	6,08	9,89
22	PAT INTERKREDYTBANK	0,17	-	-	-
23	PAT GREEN BANK	0,05	-	0,001	0,05
24	AT KB EXPOBANK	5,27	3,17	4,93	3,52
25	PAT BANK DEMARK	6,98	-	0,67	6,31
26	AT PORTO-FRANKO	6,98	-	0,04	-
27	PAT KB AKSIOMA	0,84	-	-	-
28	PAT MELIOR BANK	0,02	-	-	-
29	PAT LEGBANK	2,43	0,09	0,15	2,36
30	PAT BG BANK	9,29	0,55	1,97	7,88
31	PAT BANK KAMBIO	130,59	33,05	52,24	45,30
32	PAT MISKYI KOMERTSIYNYI BANK	51,01	1,04	5,51	46,54
33	PAT VAB	442,87	0,61	9,12	434,36
34	PAT VBR	9,55	-	0,01	9,53
35	PAT PROFIN BANK	2,52	-	0,0003	2,52
36	AB UKOOSPILKA	0,57	-	-	-
37	PAT UKRBIZNESBANK	27,56	-	1,39	26,17
38	PAT ZLATOBANK	30,74	-	0,76	29,97
39	AT IMEXBANK	198,32	246,13	34,72	409,73
40	PAT KREDYTPROMBANK	11,99	-	0,08	11,91
41	PAT KB NADRA	193,36	1,20	9,45	185,12
42	PAT ENERGOBANK	17,14	-	0,33	16,82
43	PAT KB STANDART	15,67	10,73	7,05	-
44	PAT BANK KYIVSKA RUS	73,59	158,50	13,63	218,46
45	PAT UPB	9,21	4,26	4,72	8,76
46	PAT BANK NATIONALNYI KREDYT	13,23	0,35	0,69	12,89
47	PAT UKRGAZPROMBANK	5,47	-	0,96	-
48	PAT AB STOLYCHNYI	1,49	-	0,0001	-
49	AT DELTA BANK	503,86	84,71	94,88	493,69
50	PAT AKB KAPITAL	47,18	0,28	1,12	46,34
51	PAT RADYKAL BANK	15,89	16,96	0,50	32,35
52	PAT INTEGRAL-BANK	4,96	2,62	4,10	3,48
53	AT BANK NATIONALNI INVESTYTSII	9,38	5,52	6,19	8,72
54	AT BANK FINANSY TA KREDYT	516,91	10,38	19,03	508,25
55	PAT UNIKOMBANK	0,38	-	-	-
56	AT BANK VELES	0,06	-	-	0,06
57	PAT BANK KONTRAKT	35,66	-	9,46	26,21
58	PAT USB BANK	3,59	0,06	0,77	-
59	PAT AVANT-BANK	38,32	7,05	9,37	36,01
60	PAT KB PREMIUM	2,02	-	-	2,02
61	PAT UKRINBANK	66,07	-	-	66,07
62	AT KB TK KREDYT	0,11	-	-	0,11



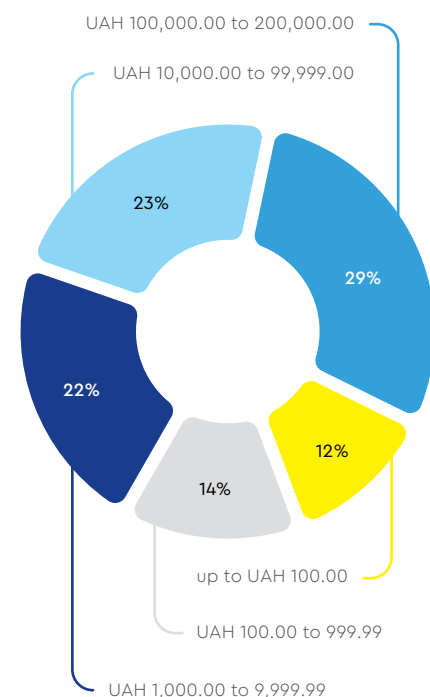
Table 5.1.2

No.	List of liquidated banks	Balance of funds not received by depositors as of Jan 1, 2019	Reimbursement amount accrued in 2019	Funds received in 2019	Balance of funds not received by depositors as of Jan 1, 2020
63	PAT BANK PETROKOMMERTS-UKRAINE	5,50	-	0,22	5,29
64	PAT BANK SOFIYSKYI	1,20	-	-	-
65	PAT KB KHRESCHATYK	74,05	7,62	6,39	75,29
66	PAT BANK MYKHAILIVSKYI	18,01	51,03	52,59	16,44
67	PAT FIDOBANK	59,51	5,64	8,21	56,94
68	PUAT SMARTBANK	0,02	-	-	-
69	PAT KLASIK BANK	-	-	-	-
70	PAT KB EUROBANK	7,40	12,11	12,82	6,68
71	PAT KSG BANK	1,31	0,20	-	1,50
72	AT ARTEM-BANK	0,98	6,84	6,14	-
73	PAT BANK TRUST	5,65	-	0,41	5,24
74	PAT KB INVESTBANK	3,04	0,65	0,73	2,96
75	AT FORTUNA-BANK	3,25	-	0,20	3,05
76	PAT BANK NARODNYI KAPITAL	0,20	-	0,0002	0,20
77	PAT PLATYNUM BANK	75,13	0,20	7,00	68,32
78	PAT VEKTOR BANK	1,18	2,15	2,13	1,20
79	PAT FINBANK	-	-	-	-
80	PAT DIAMANTBANK	0,05	-	0,002	0,05
81	AKB NOVYI	-	-	-	-
82	AT BANK BOHUSLAV	4,01	0,11	0,45	3,67
83	PAT BANK UNISON	0,44	-	0,0004	0,44
84	AT VTB BANK	488,08	3,15	377,62	113,61
85	PAT KB FINANSOVA INITSIATYVA	-	154,52	4,72	149,80
	Total:	3 709,33	706,80	832,31	3 222,72

Fig. 5.1.3. Reimbursement amount segmentation in 2019

According to the results of payments in 2019, the largest amount of reimbursements was paid to depositors of AT VTB BANK (UAH 377.6 m), AT DELTA BANK (UAH 94.9 m), PAT BANK KAMBIO (UAH 52.2 m) and PAT BANK MYKHAILIVSKYI (UAH 52.6 m).

As a rule, depositors keep money in banks in the amount of up to UAH 200,000.00, as the depositor protection system has a maximum amount of compensation. According to the indicators of 2019, there is a more even receipt of compensation for the following gradation of deposits (Fig. 5.1.3.).

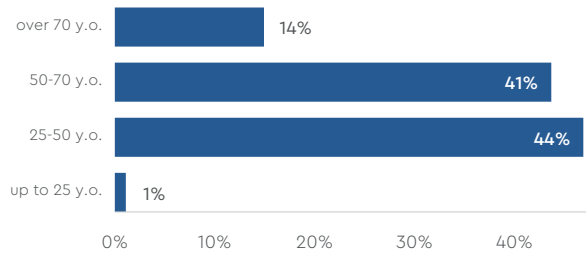




The largest share of insolvent banks depositors that received the reimbursement amount in 2019, namely 44% are aged 25 to 50 years old and 41% – 50 to 70 years old.

The share of depositors who receive a guaranteed amount of compensation over the age of 70 is 14% of the total recipients. Young people under the age of 25 make up only 1% of the total (Fig. 5.1.4.).

Fig. 5.1.4. The scope of reimbursement payouts for different age groups



Concurrently, in relation to the NBU Resolution «On the introduction of an international bank account number (IBAN) in Ukraine» No. 162 dated 28.12.2018, which entered into force on August 5, 2019 the Deposit Guarantee Fund:

- developed and amended the «Rules for compiling and maintaining databases of depositors», approved by the decision of the DGF Executive Directorate on July 9, 2012 under No.3;
- developed and put into operation an updated version of the «Database Inspector» software to enhance control over the depositors' database by member banks of the DGF;
- developed and implemented relevant changes to the Automated Payment System.

Within the implementation system of early response thorough inspections of problem banks' databases were carried out during the year.

6. Financial management

6.1. Sources and usage of financial resources

In order to ensure functioning of the household deposit guarantee system and bank resolution procedure, the DGF in 2019 continued its work on accumulating financial resources.

As of January 1, 2020, the DGF's resources were comprised of:

- funds on the NBU accounts in the amount of UAH 2,497.7 m;
- funds in government securities in the amount of UAH 9,170.5 m.

In accordance with Article 19 of the Law, the formation of the DGF's financial resources during 2019 took place from the following sources (Table 6.1.1):

1. initial and regular fees of the DGF members;
2. income from investing the DGF funds in government securities;
3. income in the form of interest accrued on the balances of DGF's accounts in the National Bank of Ukraine;
4. funds received from the implementation of measures provided in the settlement plan;
5. other sources not prohibited by the legislation of Ukraine.

Formation of financial resources of the DGF in 2019 and 2018, UAH m

Table 6.1.1

Formation of financial resources of the DGF in 2019 and 2018	2019	2018
Regular fee	3 692,9	3 498,2
Income from investment in government securities	661,7	1 130,0
Revenues from balance interest on the NBU accounts	163,2	216,4
Redemption of government bonds	2 805,4	3 397,1
Funds from implementation of measures provided in the settlement plan, including:	4 885,3	4 173,3
• liquidation (settlement of creditors' claims)	4 406,7	4 033,5
• provisional administration (repayment of special purpose loans)	478,6	139,8
Other proceeds, including:	14,2	24,5
• Security deposits	0,0	20,0
• fines, penalties assessed	11,6	4,5
• Other proceeds	2,6	4,5
Total by sources:	12 222,7	12 439,5

During the reporting period, the DGF's funds were directed into the areas provided for in Article 20 of the Law (Table 6.1.2.):

- payment on promissory notes of the DGF – UAH 9,623.2 m (57.3%), including UAH 505.6 m – interest on promissory notes;
- investments in government securities – UAH 4,405.3 m (26.2%);
- repayment of the NBU loans – UAH 1,468.2 m (8.7%), including UAH 8.2 m – interest on loans;
- transfer of funds for the deposit insurance payouts to the banks' depositors – UAH 834.0 m (5.0%);
- ensuring the current operations of the DGF according to the cost estimate for 2019 – UAH 476.4 m (2.8%), the implementation of the budget for 2019 is 48.9% of the planned amount.



Use of financial resources of the DGF in 2019 and 2018, UAH m

Table 6.1.2

Areas of the DGF's funds application	2019	2018
Transfer of funds for deposit insurance payouts to depositors of insolvent banks	834,0	979,6
Special purpose loans	0,0	2,4
Financial support for receiving banks and bridge banks	0,0	0
Repayment of promissory notes	9 117,6	1 000,0
Interest expense for the promissory notes of the DGF	505,6	1 233,50
NBU loan repayments	1 460,0	5 024,30
Interest on NBU loans	8,2	378
Investments in government securities	4 405,3	0
Budget expenses	476,4	436,8
Other expenses, including	0,1	43,1
• Return of guarantee fees	0,0	40,0
• Other expenses	0,1	3,1
Total by areas	16 807,2	9 097,7

During the reporting year, it was planned to procure goods, works and services in the total amount of UAH 101.7 m, of which in accordance with the Annual Procurement Plan for 2019 in the amount of UAH 50.9 m, the supplement to the Annual Procurement Plan without procedures procurement for 2019 in the amount of UAH 4.6 m and procurement needs that do not fall under the Law of Ukraine «On Public Procurement» and related to the insolvent banks' resolution in the amount of UAH 46.2 m.

In accordance with the requirements of the Law of Ukraine «On Public Procurement», 30 open bidding procedures were conducted (including 2 procedures with an expected value exceeding 133 thousand euros), 19 negotiated procedures with a total expected value of UAH 48.3 m. The annual procurement plan has been fulfilled by 95%.

According to the results of the procurement procedures, contracts were concluded for the total amount of UAH 43.1 m, of which for the purchase of goods in the amount of UAH 16.6 m and services – for the amount of UAH 26.5 m. In particular, the DGF's needs in technical support services for existing software products, equipment and software for data backup and recovery, copies of McAfee-type antivirus software, creation of a data analysis system and analytical reporting are provided. Savings from procurement procedures amounted to UAH 5.2 m.

In accordance with the Annual Procurement Plan, which is carried out without procurement procedures, procedures were carried out with a total expected value of UAH 4.2 m. The supplement to the plan was fulfilled by 92%. According to the results of the procurement procedures, including through the electronic procurement system Prozorro, contracts worth a total of UAH 3.7 m were concluded, including UAH 0.7 m for the purchase of goods and UAH 3.0 m for service procurement. In particular, the DGF's needs for the organization and holding of the 12th annual meeting of the Eurasian Regional Committee of the International Association of Deposit Insurers and the international conference on «Information Technology for Crisis Management of Bank Settlement» were met.

Savings from procurement procedures, including through the electronic procurement system Prozorro amounted to UAH 0.5 m.

Procurement that does not fall under the Law of Ukraine «On Public Procurement» was made for a total of UAH 10.3 m. In particular, the needs of the DGF in the services of complex insolvency analysis of 4 liquidated banks (PAT ZAKHIDINKOM BANK, PAT ARTEM-BANK, PAT STAROKYIVSKYI BANK, PAT MISKYI KOMERTSIYNYI and PAT PROFIN BANK) are provided as well as independent assessment of part of the assets in retrospect for 6 banks (PAT LEGBANK, PAT BANK FINANSY TA KREDYT, PAT BANK FORUM, PAT UKRGAZPROMBANK, PAT BG BANK, PAT KB DANIEL).



6.2. Public sector debt repayment

In order for the DGF to make insurance payouts in the amount of almost UAH 90 bn during the crisis years of 2014–2017, it attracted loans from the National Bank of Ukraine and the Ministry of Finance of Ukraine on market terms. In 2019, the DGF completed settlements on loans to the National Bank of Ukraine, which totaled over UAH 20 bn. State loans (Ministry of Finance of Ukraine) were received in exchange for promissory notes of the DGF in the total amount of UAH 59.56 bn at an interest rate of 9.99% to 12.5% with maturity dates from 2025 to 2031.

In 2018, the DGF initiated the permission to repay its promissory notes, which are owned by the Ministry of Finance of Ukraine, in order to reduce interest costs. Having received permission for early repayment of its bills, the DGF began, as funds accumulate, to gradually repay its debts to the state. In 2019, the DGF's expenses for the payment of debt obligations to the state amounted to 57.3% of the total expenses of the DGF. The DGF spent UAH 9.1 bn on promissory notes and UAH 0.5 bn on interest payments on them.

It should be noted that as of December 31, 2019, the DGF has spent a total of UAH 41.2 bn for its debt obligations repayment since 2014, including repayment of the NBU loans – UAH 20.1 bn, interest on NBU loans – UAH 5.5 bn, payment on promissory notes – UAH 10.1 bn, interest on promissory notes – UAH 5.5 bn. Thus, if the DGF had attracted UAH 79.7 bn in crisis years not on market terms, as of December 31, 2019, more than half of the DGF's debt would have been repaid.

At the end of 2019, the balance of public debt consisted of promissory notes in the amount of UAH 49.44 bn, on which UAH 116.88 bn of interest will be accrued on the maturity date. According to the DGF's calculations, which were confirmed by a specially created working group under the Financial Stability Board, the DGF is unable to meet this credit load because the future revenues to the DGF are expected to be significantly lower than the loan amount and interest. Therefore, for the second year in a row, the DGF is initiating consideration on the issue of restructuring its public sector debt.

6.3. Settlement of creditors' claims

As of January 1, 2020, the amount of the DGF's creditors' claims for the banks under liquidation amounted to UAH 63,039.6 m. The total number of banks to which the DGF

had registered accounts payable amounted to 78 banks, of which 59 banks were managed by the DGF and 19 banks – by the NBU (Table 6.3.1).

DGF requirements for insolvent banks

Table 6.3.1

Banks under liquidation	As of January 1, 2020		As of January 1, 2019		Difference	
	Number of banks	Amount, UAH m	Number of banks	Amount, UAH m	Number of banks	Amount, UAH m
Banks under the control of the DGF	59	58 977,7	88	68 439,8	- 29	- 9 462,1
Banks under the control of the NBU	19	4 061,9	19	4 061,9	0	0,0
Total	78	63 039,6	107	72 501,7	- 29	- 9 462,1



During the reporting year, the amount of the DGF's accounts payable to banks under liquidation decreased by UAH 9,462.1 m (changes occurred due to the banks' repayment of the DGF's claims, write-off of accounts payable, and the DGF's claims to PAT KB FINANSOVA INITSIATYVA regarding the commencement of its liquidation procedure).

The list of the DGF's highest claims to liquidated banks is presented in Table 6.3.2.

The highest creditors' claims of the DGF to the banks under liquidation as of January 1, 2020

Table 6.3.2

No.	Bank name	The DGF's claims to the banks, UAH m	Settlement of the DGF's creditors' claims total, UAH m	Including settlement of the DGF's creditors' claims for the reporting period, UAH m
1	PAT DELTA BANK	8 872,6	6 295,4	1 024,3
2	PAT BANK FINANSY TA KREDYT	7 868,8	2 441,0	563,5
3	PAT VAB BANK	5 764,2	1 415,1	76,0
4	PAT KB FINANSOVA INITSIATYVA	5 109,2	0,0	0,0
5	PAT IMEXBANK	4 555,9	159,3	65,4
6	PAT PLATYNUM BANK	3 663,0	1 240,0	99,0
7	PAT KB NADRA	3 289,6	675,6	251,7
8	PAT BANK MYKHAILIVSKYI	2 553,3	68,2	18,1
9	PAT MISKYI KOMERTSIYNYI BANK	1 997,4	23,2	4,4
10	PAT BANK KYIVSKA RUS	1 729,4	625,1	50,1
11	PAT UKRINBANK	1 705,6	86,0	0,0
12	PAT KB PIVDENKOMBANK	1 704,6	190,7	3,5
13	PAT KB KHRESCHATYK	1 463,3	1 381,0	497,4
14	PAT KB AKTYV-BANK	1 219,5	121,0	43,2
15	PAT FIDOBANK	968,1	982,5	137,9
16	PAT KB DEMARK	916,8	97,0	7,9
17	PAT NATIONALNI INVESTYTSII	750,8	1,3	1,3
18	PAT ZLATOBANK	693,9	238,7	22,0
19	AKB EUROPEAN	685,0	2,4	0,0
20	PAT KB UKRAINSKYI PROFESIYNYI BANK	664,4	10,9	1,5
21	Others (58 banks)	6 864,3	3 741,1	1 329,9
	Total	63 039,6	24 304,0	4 406,7

The largest amount in absolute terms is taken by PAT DELTA BANK, UAH 8,872.6 m, which is 14.1% of the total. PAT BANK FINANSY TA KREDYT and PAT VAB BANK took the second and third places with the amounts of UAH 7,868.8 m, or 12.5% of the total amount, and UAH 5,764.2 m, or 9.1%. Table 6.3.2 shows the data of 20 banks with a share of claims of 1.0% and above, while the remaining 58 banks have creditors' claims of the DGF in the amount of UAH 6,864.3 m, which is 10.9% of the total amount.

During the reporting year, the DGF's accounts payable were repaid in the total amount of UAH 4,406.7 m (Table 6.3.2). Repayment was made by 70 banks under the control of the Deposit Guarantee Fund.

During the reporting year, in accordance with Article 52 of the Law, the DGF's creditors' claims in the amount of UAH 10,231.1 m were written off due to the exclusion of banks from the Unified State Register of Legal Entities and Individual Entrepreneurs.



Outstanding creditors' claims of the DGF in the reporting year

Table 6.3.3

No.	Bank name	Amount, UAH m	Relative share
1	PAT BROKBIZNESBANK	1 938,3	18,9%
2	PAT TERRA BANK	1 278,2	12,5%
3	PAT EUROGAZBANK	1 162,6	11,4%
4	PAT BANK MERKURIY	908,5	8,9%
5	PAT KB UKRAINSKYI FINANSOVUY SVIT	812,0	7,9%
6	PAT KB PROMEKONOMBANK	626,0	6,1%
7	PAT KB STANDART	541,3	5,3%
8	PAT FINROSTBANK	530,4	5,2%
9	PAT REAL BANK	494,8	4,8%
10	PAT KB PORTO-FRANKO	417,0	4,1%
11	PAT KB DANIEL	392,6	3,8%
12	PAT AUTOKRAZBANK	372,9	3,6%
13	PAT ZAKHIDINKOMBANK	203,6	2,0%
14	PAT STAROKYIVSKYI BANK	196,6	1,9%
15	PAT KB AKSIOMA	97,7	1,0%
16	Others (11 banks)	258,9	2,5%
Total		10 231,1	100,0%

In Table 6.3.3. the data of 15 banks with the amount of creditors' claims write-off 1.0% and more are given. In the remaining 11 banks, the amount of creditors' claims write-off made up to UAH 258.9 m, which is 2.5% of the total amount.

During the reporting period, the liquidation of 30 banks was completed, which is presented in Table 6.3.4. showing the data of 10 banks with the highest creditors' claims.

The average liquidation period lasted 4 years and 4 months, the ratio of liquidation costs to revenues made up 15%.

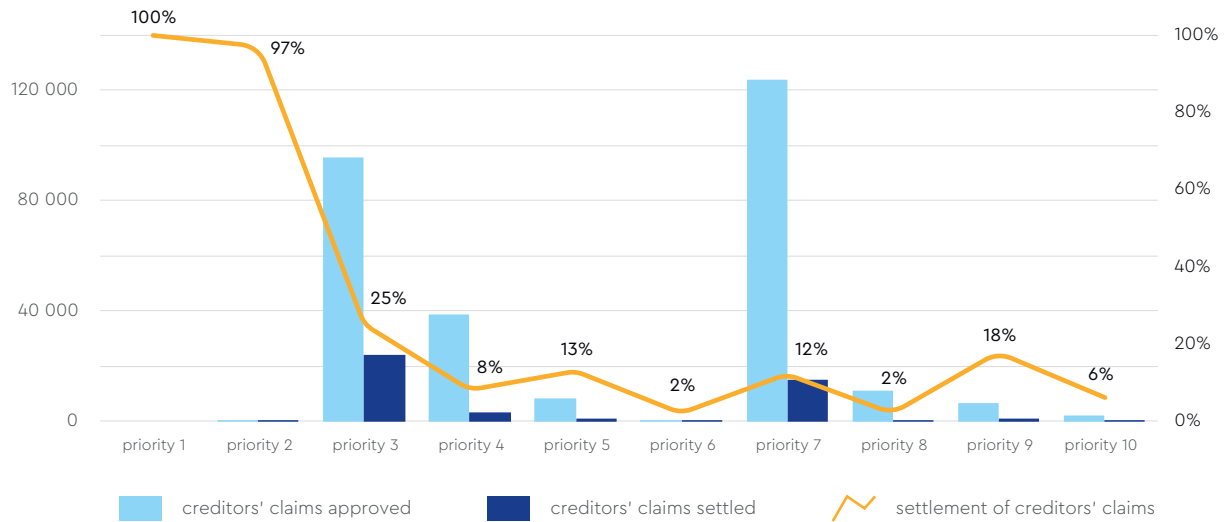
Termination of bank liquidation in the reporting year

Table 6.3.4

No.	Bank	Creditors' claims to the banks, UAH m	Creditors' claims settled, UAH m	Settlement rate
1	PAT BROKBIZNESBANK	11 236,2	1 164,1	10,4%
2	PAT BANK FORUM	9 654,3	4 320,6	44,8%
3	PAT TERRA BANK	2 739,2	36,5	1,3%
4	PAT REAL BANK	2 347,2	52,7	2,2%
5	PAT EUROGAZBANK	2 195,1	231,9	10,6%
6	PAT BANK MERKURIY	1 423,3	100,0	7,0%
7	PAT KB UFS	1 214,1	5,8	0,5%
8	PAT AKB BANK	982,8	85,7	8,7%
9	PAT KB DANIEL	733,7	51,4	7,0%
10	PAT KB PROMEKONOMBANK	710,6	1,6	0,2%
11	Others (20 banks)	6 163,7	763,2	12,4%
Total		39 400,4	6 813,4	17,3%



Fig. 6.3.1. Settlement of the DGF's creditors' claims as of January 1, 2020, UAH m



6.4. Financial stability assessment

In accordance with Part 3 of Article 19 of the Law, the minimum amount of the DGF may not be less than 2.5 percent of the amount guaranteed by the DGF to depositors within the amount of reimbursement adjusted for the fees payable to the DGF by member institutions to be received during the current quarter.

As the calculations in accordance with the Methodology for assessment of the DGF's financial stability show, the indicator of the DGF's financial stability (FSF) as of January 1, 2020 was 4.8%, which is sufficient according to the law.

The assessment of the DGF's projected financial stability for the next (current) twelve months was carried out

in accordance with the Methodology for assessment of the DGF's financial stability and shows a slight insignificant decrease in the DGF's financial stability to 3.4%, but will be able to remain within the norm.

The state of financial stability of the DGF as of 01.01.2020 and its projected state during the next 12 months are given in Table 6.4.1.

The projected calculation also includes the potential risks of the DGF regarding the DGF's expenses for reimbursement payouts to the depositors of the bank, which may be declared insolvent in 2019 in the amount of about UAH 8.0 billion.

Calculation of the projected financial stability of the DGF (FSF)

Table 6.4.1

Information as of the date	Financial stability of the DGF (FSF=FF/DPGF)	Deposit payout guaranteed by the DGF (DPGF)	FUNDS OF THE DGF (FF)	Profit/deficit of the DGFs (+/-)
01.01.2020	4,8%	290 872	14 007,7	6 735,9
projected	01.02.2020	295 000	14 312,9	6 937,9
	01.03.2020	298 000	12 648,2	5 198,2
	01.04.2020	302 000	13 151,4	5 601,4
	01.05.2020	305 000	12 595,5	4 970,5
	01.06.2020	307 000	11 622,6	3 947,6
	01.07.2020	311 000	12 145,8	4 370,8
	01.08.2020	314 000	11 653,3	3 803,3
	01.09.2020	319 000	11 176,2	3 201,2
	01.10.2020	323 000	12 116,8	4 041,8
	01.11.2020	325 000	11 678,4	3 553,4
	01.12.2020	328 000	11 238,8	3 038,8
	01.01.2021	3,7%	330 000	12 330,7



6.5. Financial investments

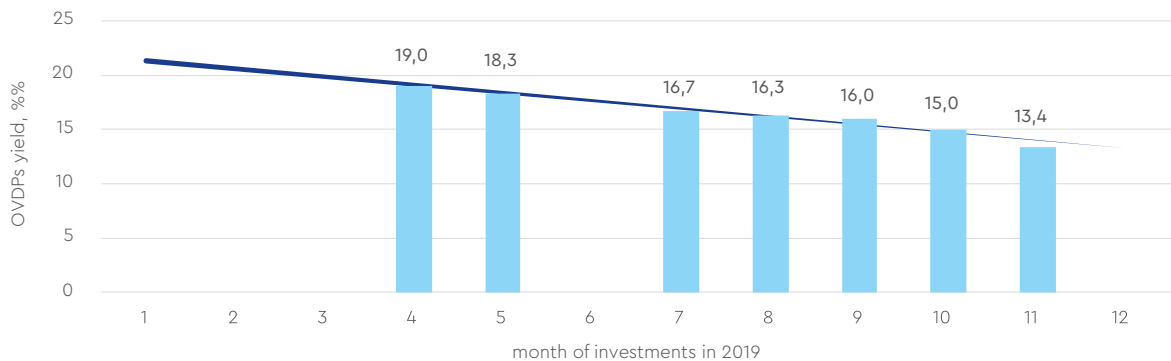
In agreement with the DGF's functions defined by the Law, and with the purpose of protection against inflation and replenishment of funds, the DGF invested temporarily free funds in OVDPs based on the principles of financial investment security, compliance with the liquidity conditions of the DGF, transparency and efficiency of investment activities.

The DGFs were invested as prescribed in the DGF Investment Plan for 2019, approved by the decision of the DGF Administrative Board dated December 12, 2018 under No.17, according to which UAH 4,405.3 m was invested in OVDPs with a maturity of up to one year during the reporting period, and namely:

- in short-term OVDPs – UAH 1,398.6 m;
- in the medium-term OVDPs – UAH 3,006.7 m.

The level of OVDPs yield on the stock market during 2019 had a decrease tendency. The DGF's financial investments in OVDPs in the first half of the year had a return of 19 percent per annum. At the end of the year, the yield on OVDPs traded on the stock market fell to 13 percent per annum. In Figure 6.5.1. the dynamics of the average return on financial investments of the DGF during 2019 is given.

Fig.6.5.1. Dynamics of the DGF's financial investments returns in 2019



In total, during 2019, the DGF received UAH 3,467.1 m of proceeds from OVDPs investments, namely:

- coupon income – UAH 661.7 m;
- repayment of OVDPs – UAH 2,805.4 m.

At the beginning of the year, the book value of the DGF's securities portfolio amounted to UAH 7,257.0 m, of which the value of OVDPs received by the DGF as a loan from the Ministry of Finance of Ukraine in exchange for the DGF's promissory notes held in the available-for-sale portfolio was UAH 5,491.9 m or 75.7 percent. The remaining part of OVDPs, with a book value of UAH 1,765.1 m, or 24.3 percent, was held to maturity.

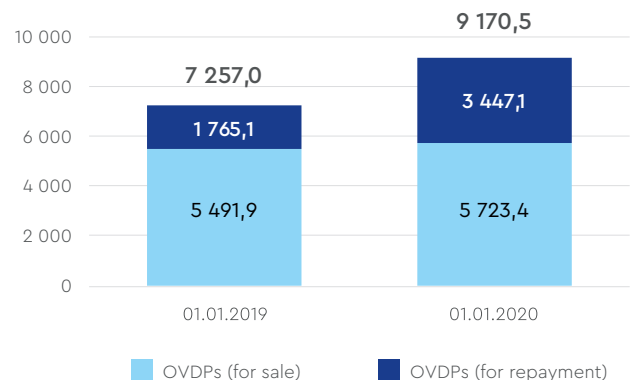
At the end of the year, the total value of the DGF's securities portfolio increased to UAH 9,170.5 m, of which 62.4 percent of the total – OVDPs received as a loan from the Ministry of Finance of Ukraine in exchange for the DGF's promissory notes, the value of which is UAH 5,723.4 m. The DGF's financial investments in OVDPs held to maturity amount to 37.6 percent of the investment portfolio, the book value is UAH 3,447.1 m.

The dynamics of the DGF's investment portfolio in 2019 is shown in Figure 6.5.2.

The DGF Investment Plan for 2019 indentified an amount of UAH 506 m for possible financial investments in bank resolution by creating a transition bank. As banks were not resolved in this way in 2019, there were no investments in transition bank bonds.

The report on the implementation of the DGF Investment Plan 2019 is presented in Annex 1.

Fig. 6.5.2. Dynamics of the DGF's investment portfolio in 2019



7. Public relations and international cooperation

7.1. Public relations and information policy

During the reporting year, the DGF was aimed at informing the public about the household deposit guarantee system and the DGF's activities, as well as raising the level of financial awareness of the population. The main tasks of communication activities in 2019 were to strengthen public confidence in the banking and financial systems of the state as well as to protect the rights and legitimate interests of bank depositors. The DGF continued to provide information on the procedure for obtaining insurance payout, bank resolution, settlement of creditors' claims, sale and management of banks' assets, as well as litigation and recovery of damages from bank-related persons. Particular attention was paid to anti-crisis communications, informing about the position of the DGF on urgent issues related to the bank liquidation, the problem asset market, etc.

In 2019, to ensure maximum information support for the sale of liquidated banks' assets, disclosure of assets and basic schemes of their withdrawal by former owners and managers of banks, the Deposit Guarantee Fund in cooperation with Voice of the Capital radio implemented a joint project «Risk without Borders». During the year, about 40 programs with the participation of the DGF speakers were broadcast live on the radio.

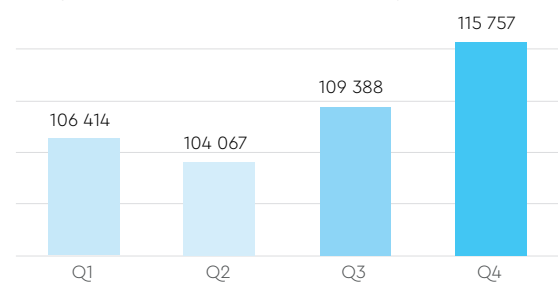
Another effective channel of communication during the reporting year was the DGF Facebook page, where the DGF publishes news, comments from the DGF representatives, including video comments on current issues, explanations for depositors, creditors and other users. In 2019, more than 700 publications were posted on the DGF Facebook page, with the number of page views and publications exceeding 1 million, which is twice as much as in 2018. Three short informational videos for social networks were produced with the support of the USAID Financial Sector Transformation Project. The video covered such topics as deposit reimbursement in foreign currency, the procedure for the creditors' claims settlement of liquidated banks, and so on. The video received many views and distribution on social networks, in particular on the page of the Government Contact Center.

During 2019, the DGF held 5 meetings of press clubs, briefings and press conferences, which were attended by independent experts, journalists, including representatives of regional media specializing in finance and banking. The DGF representatives also participated as speakers at press events of partners, presenting current topics of the DGF.

In addition, in early February 2019, the DGF organized a quiz on «What do you know about the household deposit guarantee system» in cooperation with the Voice of the Capital radio. Ten questions were aired on the radio relating the issues of bank deposit insurance in Ukraine, the process of bank resolution, settlements with creditors, etc.

One of the main channels of communication in the reporting year was the official website of the Deposit Guarantee Fund on the Internet – www.fg.gov.ua. All information on the DGF's operations and the banks being liquidated, including news, press releases, announcements, statistics and reports, etc. Were openly and actively published on the DGF's website. In total, during 2019, more than 400 thousand users visited the official DGF website (Fig. 7.1.1).

Fig. 7.1.1. The DGF website visits in dynamics, 2019



In addition, during the reporting year, about 700 press releases and information messages were prepared and sent to news agencies and media representatives. Representatives of the DGF made more than 60 appearances on television and radio and provided about 40 thematic interviews, comments and provided written author's columns for electronic and print media.

In 2019, active work continued on the development of a new information resource of the DGF, which included auxiliary information portals of the DGF for the sale of assets and lease of property. In addition, in order to inform the clients of insolvent banks about the liquidation process, payments to depositors and creditors, work was carried out on the creation of websites of insolvent banks.

The new information resource will have a modern and adaptive design, simplified structure and clear navigation. At the same time, it will provide an opportunity to establish business processes, automate the placement of information as much as possible, and most importantly, to simplify the method of communication and access of citizens to information. The DGF information resource is scheduled to be launched in 2020.



7.2. Public advice and cooperation with public organizations

Public consultation is an important mechanism for ensuring the openness, accessibility and transparency of the DGF activities.

The DGF has provided public advice by means of comprehensive information support and consulting assistance to citizens on the household deposit guarantee system in Ukraine (Fig. 7.2.1.).

Not only depositors of insolvent banks, but also other citizens who receive banking services and persons who intend to participate in the auction and buy the assets of insolvent banks have received relevant informational support on the expanded range of issues related to the operation of the deposit guarantee system in Ukraine.

Also, in 2019 the issue of reimbursement amount payments, including the court decision, the need to clarify the procedure for repayment of overdue loans to insolvent banks, clarification of information on creditors' claims by individuals and legal entities did not lose relevance.

The effective actions of the DGF employees were aimed at organizing access to public information and providing citizens with professional consultations, written responses to questions and requests for information on the guarantee system in Ukraine, measures to protect the rights and legal interests of depositors in the process of bank liquidation and provide explanations and assistance in processing documents.

Thus, during 2019, the Information and Consultation Center provided 2,261 consultations to citizens. In order to ensure citizens' access to public information, the Information Policy Department has offered public information on 1,011 requests.

The DGF Hotline is an accessible and popular communication channel for users, which provides callers with up-to-date, reliable and complete information on the DGF activities. The total number of explanations and consultations offered by telephone is 49,817. This communication channel is used to promptly provide citizens with information on the insolvent banks operations and to ensure feedback by the DGF with callers, including appeals in the form of complaints.

Fig. 7.2.1. Public cooperation in 2019





With the DGF's Hotline assistance, depositors receive informational support on the insolvent banks operations, on the procedure for receiving the guaranteed amount in the DGF agent banks, advice on the procedure for loan repayment in insolvent banks and information on payment of a deposit insurance payout (Fig.7.2 .2.).

During 2019, the DGF specialists received and advised potential bidders on the sale of assets of liquidated banks, borrowers on the procedure for restructuring and repayment of debt on loans from insolvent banks, the procedure for selling claims on such loans.

In addition, employees of the DGF Information Policy Department ensured the receipt of applications from potential buyers for non-disclosure of confidential information to gain access to the DGF's virtual data room, provided thorough explanations on how to participate in auctions. Advice on the procedure of open bidding (auctions) is also provided.

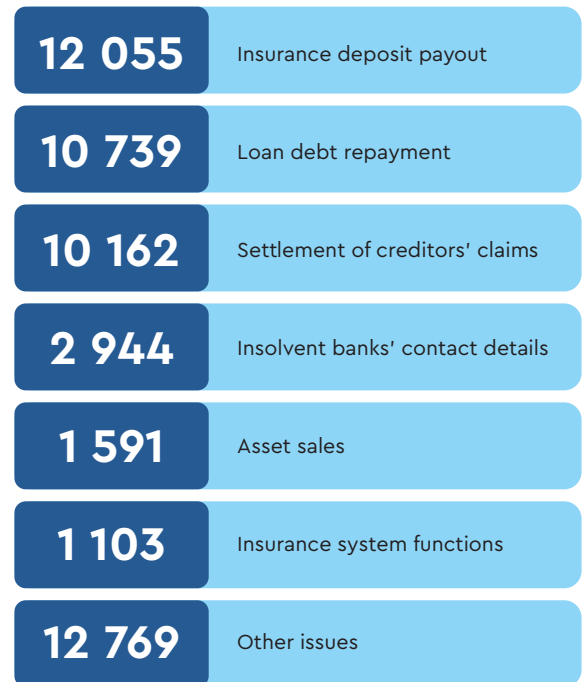
Employees of the DGF's Information Policy Department have represented the DGF's interests in cases considered by the Verkhovna Rada Commissioner for Human Rights. As a result of such cooperation, the reasons for late receipt of the guaranteed amount of compensation were eliminated, and depositors received a statutory payment from the DGF. In other cases, the DGF took certain actions to include the depositors' claims in the register of accepted creditors' claims.

Cooperation with public organizations

In 2019, the Public Monitoring Council of the DGF continued its work on producing an effective interaction between the DGF and representatives of public organizations of bank depositors, as a permanent advisory body on a voluntary basis.

Combined efforts of the public and the DGF are aimed at establishing effective public control over the activities of the DGF's authorized persons, issues of improving legislation and working with persons related to insolvent banks in terms of damage caused to banks.

Fig. 7.2.2. Topics of appeals at DGF Hotline



The DGF supported the initiatives of public organizations to strengthen the rights of depositors and creditors of insolvent banks and to develop a mechanism for returning funds to creditors of the fourth priority.

Also, in order to involve members of the public in the processes related to the sale of insolvent banks' assets, the DGF held meetings to discuss the quality of insolvent banks' assets, principles of forming lots and pools and sales price through ProZorro. Sales system.



7.3. Financial literacy and protection of depositors' rights

In 2019, the DGF systematically held educational events to raise public awareness of the deposit guarantee system, the rights and obligations of financial services consumers. Thus, the DGF constantly and independently works on increasing the level of financial literacy of various target audiences. Information and educational activities are offered for schoolchildren, university students, employees of budgetary institutions, persons registered at employment centers, entrepreneurs, retirees and students of the Universities of the Third Age.

In 2019, the DGF continued its cooperation with «Financial Sector Transformation», the International Technical Assistance Project, funded by the United States Agency for International Development (USAID). Thus, within the framework of this cooperation, a competition of student video works on the topic of savings was held, in which 60 works from more than 40 higher educational institutions of Ukraine took part. This event, along with other educational activities of the DGF in support of the international initiative Global Money Week, was included in the international Global Money Week 2019 report.



The range of strategic partners of the DGF in the area of financial literacy enhancement is expanding. Thus, in September 2019, the Deposit Guarantee Fund and the Office of Small and Medium Business Development at the Ministry of Economic Development and Trade of Ukraine signed a Memorandum of Partnership and Cooperation aimed at implementing in Ukraine the best world practices to increase financial awareness of individuals, including individuals-entrepreneurs, the development of the population's practical skills and prudent financial behavior.

One part of this cooperation was that representatives of the Deposit Guarantee Fund participated as speakers in a training for consultants of the Center for Entrepreneurship Support, organized by the Office, and in the National Forum for SME Development 2019: # LET'S GROW TOGETHER. The participants got acquainted with the principles of deposit guarantee system functioning and organization of asset sale for banks managed by the DGF.

In addition, professional staff members of the DGF took part in a training seminar for teaching the 'Financial Literacy' course using the updated training materials «Financial Literacy. Finances. What? Why? How?», organized by the Ministry of Education and Science of Ukraine with the support of the USAID Financial Sector Transformation Project. The seminar was held in order to improve the understanding of the methodologists of regional institutes of postgraduate pedagogical education of the new content of the course and to acquaint them with innovative methods of teaching the subject. Also during the seminar there was an expert discussion of updated materials on financial literacy.

In December 2019, the Deposit Guarantee Fund announced the launch of a three-year National Financial Literacy Project, which is being implemented jointly with partners, the NGO «Partner Business Club» and the University of Banking. The project will last for three years. At the first stage of this Project, December 2019-May 2022, 20 trainings will be offered on the basis of regional institutes of teacher training. The main mission of the Project is to form a financial culture in society and a clear understanding of the value of creating own family capital, as a guarantee of good living standards and realization of everyone's rights and freedoms.



The list of online channels for interaction with the target audience has been expanded. Thus, in 2019, the DGF launched financial literacy pages «Finkult» on Facebook and Instagram, which will more actively engage the youth audience.

Cooperation with higher education institutions also continues. Thus, in 2019 the Deposit Guarantee Fund held «Open Days» for students. Representatives of the DGF presented a mobile exposition dedicated to the DGF and its history as well as its main functions. In addition, interactive thematic lectures were given to students by the heads of relevant DGF structural units. The DGF's staff members also gave a series of lectures on the functioning of the guarantee system in higher education institutions in Kyiv and Ukraine.



Protection of depositors' rights

Protection of rights and legitimate interests of depositors is one of the key functions of the DGF. In order to implement it, by the decision of the DGF Executive Directorate dated October 10, 2019 under No. 2605 a new version of the Instruction on the procedure for the Deposit Guarantee Fund of individuals to protect the rights and legally protected interests of depositors was introduced, approved by the decision of the DGF Executive Directorate on May 26, 2016 under No. 825 (hereinafter – the Instruction). This document defines the DGF's measures to protect the rights and legitimate interests of depositors, the rights and obligations of depositors and banks in terms of the household deposit guarantee system, measures to control the DGF's compliance with legislation on the household deposit guarantee system.

One of the main tasks of the DGF is to ensure compliance by the DGF's member banks with the requirements for the content of bank deposit agreements, bank account agreements on issues related to the functioning of the household deposit guarantee system, requirements for information disclosure on banking services to depositors as well as ensuring compliance by the DGF agent banks with the rights of depositors when paying compensation.

In the reporting year, remote monitoring of the activities of 50 banks of Ukraine was carried out for compliance with the requirements of the Instruction. The monitoring process checked the banks' compliance with the requirements that allow depositors to obtain more information about the bank's financial service and deposit guarantee system before concluding the agreement. According to the results of the monitoring, 44 letters were sent to banks that violated the Instruction, feedback was received from banks and control over the violations' elimination in the field of deposit guarantee system was carried out.

During the reporting period, the DGF processed 1,300 written appeals/complaints of citizens on the activities of 51 banks.

Concurrently, the DGF takes action to constantly prevent violations of depositors' rights by persistent monitoring of banking products.

Thus, in the reporting year, a systematic analysis of the individual interest rates set by banks on products to attract depositors was conducted. There are cases when banks place information in the approved tariffs/interest rates that under certain conditions (deposit amount, term, etc.) an individual interest rate is set without warning the depositor that the DGF does not reimburse deposits in such cases according to the law. The promotional conditions offered by banks are also analyzed. Based on the results of the analysis, appropriate measures were taken regarding the banks that use the above-mentioned fundraising tools, and conclusions and proposals were provided for banking products that do not take into account deposit guarantee conditions and create a risk for depositors to lose their guaranteed reimbursement amount.

In addition, the DGF developed the Regulations on providing information by banks for the consumers about banking and other financial services (legal act of the National Bank of Ukraine) and provided proposals on the need to include in the text of the Regulation rules that oblige banks to inform depositors about the household deposit guarantee system in the amount determined by the DGF regulations. The above remarks of the DGF were taken into account and included in the Regulation approved by the NBU Resolution under No. 141 dated November 28, 2019, which contributes to the implementation of the DGF's powers to protect the rights and legitimate interests of bank depositors.

Also, the DGF on a regular basis in the form of DGF press releases, interviews and speeches of DGF employees in the media clarified the right of the depositor to place a term deposit to demand from the bank: estimated calculation of income and expenses of the depositor (the amount of interest accrued for the entire deposit placement period; the amount of taxes and fees withheld from the depositor, commissions and other expenses), as well as on unfair advertising of financial services and on strengthening the responsibility of banks for providing complete and transparent information on real interest rates.

7.4. International cooperation

The DGF, as a permanent member of the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI), took an active part in the work of these organizations in the reporting year. In addition, during the reporting period, the DGF actively cooperated with international financial and donor organizations – the World Bank, the International Monetary Fund,

the United States Agency for International Development (USAID), the European Bank for Reconstruction and Development, and the US Treasury Department.

In 2019, the DGF chaired the IADI Eurasian Regional Committee (IADI EARC). As the head of the IADI EARC, the DGF undertook to hold the 12th Annual Meeting of the IADI Eurasian Regional Committee and the International Conference, which were held on April 25–26, 2019 in Kyiv. The conference was attended by more than 100 participants, including representatives of the DGF, IADI, the National Bank of Ukraine, the Ministry of Finance of Ukraine and the US Treasury, the European Bank for Reconstruction and Development, the World Bank, deposit insurers from the Eurasian region, Kenya, Thailand, Albania, Uganda, Ukrainian and international asset sales platforms, IT companies.



The conference included a productive professional discussion among the participants on the most pressing issues of the functioning of deposit guarantee systems in the world and banking regulation, namely: banking crises and lessons learned from them; interaction of deposit-guaranteeing organizations with central banks; innovative tools for exchanging financial information; XBRL, a common language for presenting data; IT solutions for the sale of assets in Ukraine and abroad, as well as to simplify the payment of guaranteed amounts to investors, etc.

The DGF's delegation, led by its Managing Director Svitlana Rekrut, also participated in the IADI Annual Conference, the 60th IADI Executive Board Meeting, and the 18th IADI Annual Meeting, held on October 8–12, 2019 in Istanbul, Turkey. For the first time, Svitlana Rekrut, Managing Director of the DGF, chaired an IADI meeting. During the meeting, representatives of EARC member countries shared current issues in their jurisdictions.

During the reporting period, in order to exchange experience in the field of deposit insurance and bank resolution between Ukraine and the Republic of Albania, a working visit was held by representatives of the Deposit Guarantee Agency of Albania. The program of the visit provided for the discussion of regulations and procedures, primarily regarding the implementation of the DGF's major operational functions, the main attention was paid to the function of deposit insurance payout. During the meetings, the emphasis was on highlighting the application processes of the organization of the automated payment system and discussing the IT component.

Cooperation with the US Treasury Department's Technical Assistance was established on an ongoing basis. Thus, the DGF had a long-term advisor and short-term experts on various aspects of the process of bank resolution and work with problem assets.

On September 25, 2019, the DGF hosted a seminar for the DGF's employees on «Mechanisms for finding and returning assets taken abroad», held by the London company Gateley PLC. The main goal of the seminar was to train the DGF's employees involved in the process of finding and returning funds withdrawn by former owners of insolvent banks in foreign jurisdictions, in particular in the United Kingdom, Cyprus, and the British Virgin Islands. Issues related to the representation of interests in English courts, the use of procedural remedies, the financing of legal proceedings in the UK, cross-border cooperation between authorities, the search for assets, etc. were covered.

In addition, the European Bank for Reconstruction and Development Project «Assistance in Debt Restructuring and Compliance with EU Secondary Legislation» has been launched, with an international consortium of leading consulting companies selected as a consultant. The project is to assist the DGF in particular in such areas as debt restructuring of the Deposit Guarantee Fund to the Ministry of Finance of Ukraine and implementation of the DGF's requirements of European Parliament directives on insurance systems and settlement of banking institutions insolvency.

The annual general meeting of the European Forum of Deposit Insurers and the International Conference «Deposit Insurance in Europe – Redrawing the Map» were held in Sarajevo, Bosnia and Herzegovina on September 25–27 where the DGF representatives also took part.

In order to build an effective deposit guarantee and bank settlement system, Ukraine seeks to implement international standards and takes into account the best practices gained by various countries in this field.

Implementation of the provisions of basic international documents will help to better protect investors, more effectively address the problems of insolvent financial institutions.

The DGF expresses its sincere gratitude to all international partners for their cooperation.

8. Legal and regulatory environment

8.1. Improvement of legislative framework and regulatory activities of the DGF

In 2019, the Law was amended only once. At the same time, during the reporting period, various subjects of the legislative initiative introduced and registered in the Verkhovna Rada of Ukraine more than 20 bills aimed at amending the mechanisms used by the DGF in its operations.

A working group consisting of the DGF representatives, the National Bank of Ukraine and advisers from the World Bank to implement the provisions of Directives 2014/49/EC and 2014/59/EU of the European Parliament and of the Council developed a White Paper on Strategic Development of EU legislation. Certain mechanisms defined in this document, aimed at improving the DGF's activities, have already been reflected in the norms of certain bills initiated by the Cabinet of Ministers of Ukraine or deputies, developed with the DGF's participation and sent to the Verkhovna Rada of Ukraine. Thus, the draft law, which proposed to amend some legislative acts of Ukraine to improve the efficiency of bank resolution, management of property (assets) of banks (register 2571), aimed to increase the institutional capacity of the DGF and improve existing tools and ways to bank resolution. It has its support from the World Bank and the International Monetary Fund.

Pursuant to Article 14 of the Law of Ukraine "On Principles of State Regulatory Policy in the Sphere of Economic Activity", the Deposit Guarantee Fund informs that during 2019, as part of regulatory regulation of the household deposit guarantee system and bank resolution 19 regulatory acts were adopted, namely:

2 acts on the powers execution to ensure reimbursement of deposits, namely:

- Decision of the Executive Directorate of the Deposit Guarantee Fund dated February 28, 2019 under No. 482 «On approval of amendments to the instruction on the procedure for the Deposit Guarantee Fund to protect the rights and legitimate interests of depositors», registered in the Ministry of Justice of Ukraine on March 29, 2019 under No. 324/33295.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated October 10, 2019 under No. 2605 «On amendments to the instruction on the procedure for the Deposit Guarantee Fund to protect the rights and legitimate interests of depositors», registered with the Ministry of Justice of Ukraine on December 19, 2019 under No. 1260/34231.

5 acts on the exercise of powers in the field of regulatory activities, namely:

- Decision of the Executive Directorate of the Deposit Guarantee Fund dated January 17, 2019 under No. 100 «On approval of amendments to the Regulations on the procedure for imposing administrative and economic sanctions by the Deposit Guarantee Fund », registered with the Ministry of Justice of Ukraine on February 12, 2019 under No. 151/33122.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated February 11, 2019 under No. 308 «On approval of amendments to the Regulation on the procedure for calculation, accrual and payment of fees to the Deposit Guarantee Fund and the Regulation on the procedure for determining agent banks of the Deposit Guarantee Fund», registered in the Ministry of Justice of Ukraine on March 12, 2019 under No. 241/33212, 242/33213.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated August 1, 2019 under No. 1950 «On approval of amendments to the rules for compiling and maintaining a database of depositors», registered with the Ministry of Justice of Ukraine on August 28, 2019 under No. 992/33963.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated August 15, 2019 under No. 2079 «On amendments to the Regulations on the procedure for calculation, accrual and payment of fees to the Deposit Guarantee Fund», registered with the Ministry of Justice of Ukraine on September 10, 2019 under No. 1018/33989.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated September 19, 2019 under No. 2387 «On approval of amendments to certain Regulations of the Deposit Guarantee Fund», registered with the Ministry of Justice of Ukraine on November 29, 2019 under No. 1188/34159, 1189/34160.



8 acts on the exercise of powers in the field of withdrawal of insolvent banks from the market, namely:

- Decision of the Executive Directorate of the Deposit Guarantee Fund dated February 14, 2019 under No. 360 «On amendments to certain legal acts of the Deposit Guarantee Fund and procedure of sale of securities owned by banks under liquidation», registered with the Ministry of Justice of Ukraine on March 27, 2019 under No. 310/33281.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated June 13, 2019 No. 1482 «On amendments to section VIII of the Regulations on the procedure for compiling and maintaining the register of accepted creditors 'claims and satisfying creditors' claims of banks under liquidation», registered with the Ministry of Justice of Ukraine on July 9, 2019 under No. 748/33719.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated July 11, 2019 under No. 1754 «On amendments to the Regulations on the procedure for compiling and maintaining a register of accepted creditors 'claims and satisfying creditors' claims of banks under liquidation», registered with the Ministry of Justice of Ukraine on August 8, 2019 under No. 885/33856.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated August 15, 2019 under No. 2080 «On approval of the Regulations on the procedure for liquidation of banks registered in the temporarily occupied territory of Ukraine», registered with the Ministry of Justice of Ukraine on January 08, 2020 under No. 21/34304.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated September 2, 2019 under No. 2222 «On approval of amendments to the Regulations on the organization of the sale of assets (property) of banks under liquidation», registered with the Ministry of Justice of Ukraine on December 24, 2019 under No. 1284/34255.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated November 18, 2019 under No. 2951 «On Amendments to section V of the Regulation on bank resolution», registered with the Ministry of Justice of Ukraine on December 28, 2019 under No. 1308/34279.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated December 27, 2019 under No. 3380 «On amendments to the decision of the DGF Executive Directorate dated August 28, 2013 under

No. 26 and approval of amendments to the Regulations on the procedure for creation, registration of shares issue, issuance of a banking license and general license for foreign exchange transactions to a transitional bank", which is sent for state registration to the Ministry of Justice of Ukraine.

- Decision of the Executive Directorate of the Deposit Guarantee Fund dated July 11, 2019 under No. 1753 «On amendments to certain Regulations of the Deposit Guarantee Fund», registered with the Ministry of Justice of Ukraine on August 8, 2019 under No. 887/33858.

4 acts on the powers execution in the field of management and sale of assets (property) of banks under liquidation, namely:

- Decision of the Executive Directorate of the Deposit Guarantee Fund dated February 28, 2019 under No. 481 «On amendments to the Regulations on the procedure for cost calculation of the Deposit Guarantee Fund for the maintenance and sale of mortgaged property», registered in the Ministry of Justice of Ukraine on March 29, 2019 under No. 323/33294.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated April 18, 2019 under No. 963 «On the DGF Committee for consolidation, management and sale of property (assets) of banks», registered with the Ministry of Justice of Ukraine on April 21, 2019 under No. 543/33505.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated June 3, 2019 under No. 1419 «On amendments to paragraph 2 of section II of the Regulations on the implementation and cost calculation of the Deposit Guarantee Fund for the maintenance and sale of mortgaged property», registered in the Ministry of Justice of Ukraine on June 21, 2019 under No. 652/33623.
- Decision of the Executive Directorate of the Deposit Guarantee Fund dated 17.10.2019 under No. 2665 «On approval of amendments to the Regulations on the commission for reviewing complaints and preparation of proposals for the organization and conduct of open tenders (auctions) for the sale of assets (property) of banks under resolution or liquidation procedure», registered in the Ministry of Justice of Ukraine on January 11, 2020 No. 32/34315.



Comprehensive program for the financial sector development in Ukraine until 2025

The DGF, within its competence, ensured the implementation of the Comprehensive Program for the Financial Sector Development in Ukraine until 2020 (hereinafter – the Comprehensive Program 2020). Summing up the results of the Comprehensive Program 2020 implementation, it can be argued that as of the end of 2020, the DGF has significantly increased the level of protection of consumer interests (investors) and financial education of the population; the legislative possibility (so far at the level of the draft law) of the DGF to carry out preparatory measures to resolve its insolvency at an early stage until the actual recognition of such bank as insolvent; a plan of preparatory measures has been developed to attract AT Oschadbank to participate in the Deposit Guarantee Fund, which will promote equal competitive conditions in the sector and the same level of depositors' protection; the process of agreeing on the method of settling the DGF's debt issue has begun.

Due to the new, in particular, macroeconomic challenges and the expiration of the Comprehensive Program 2020, the DGF in cooperation with the National Bank of Ukraine, the National Commission for State Regulation of Financial Service Markets, the National Securities and Stock Market Commission and the Ministry of Finance of Ukraine, in agreement with the Memorandum signed on May 28, 2019, the draft Strategy of Ukrainian Financial Sector Development until 2025 (hereinafter – the Strategy 2025) was provided.

The key activities of the DGF within the Roadmap for the implementation of the Strategy 2025, led by the DGF, are the establishment of a guarantee system for members of credit unions and life insurance policyholders, and the expansion of the categories of deposits to be guaranteed. As part of the implementation of the Strategy 2025, the need to increase the level of reimbursement deserves special attention, the possibility of which is directly related to another measure of the Strategy 2025, settlement of the DGF's debt. There is also a set of measures that will form the basis for the implementation of Directive 2014/49/EU of the European Parliament and of the Council on Deposit Guarantee Schemes in the new version of 16 April 2014 (Official Journal OJ L 173, 12.06.2014, p. 149–178), Directive of the European Parliament and of the Council of 15.05.2014 No. 2014/59/EU on the establishment of general conditions for the recovery of solvency and withdrawal from the market of credit institutions and investment firms (Official Journal OJ L 173, 12.06.2014, pp. 190–348).



9. Risk management and business operations

9.1. Risk Management

In the second half of 2019, the construction of the risk management system in the DGF began, the DGF Committee for Risk Management and the Risk Management Service were established, risk controllers were appointed in independent structural units of the DGF. The risk management system operates on the basis of the Regulations on the risk management system, which defines the organizational structure, goals, objectives and principles of the Risk Management System, provides an annual assessment of its effectiveness, risk management in the DGF, developed risk assessment methodology.

The risk management system includes three stages of counteracting risks in the DGF's activities, namely:

1. the first stage of counteracting risks is carried out at the level of risk owners and includes management of risks arising in the activities of risk owners;
2. the second stage of risk management is carried out at the level of the DGF and includes risk management arising in the DGF's activities, the risk management service, the DGF Risk Management Committee, the DGF's Managing Director and the DGF's Executive Directorate;
3. the third stage of counteracting risks is an independent assessment by the DGF's internal audit service of the adequacy, efficiency and reliability of the RMS at the level of structural units of the DGF and the DGF as a whole.

The DGF risk management system will ensure that the DGF performs the functions defined by the legislation of Ukraine, in the presence of objective risks, maintaining the efficiency of processes, preserving the DGF's resources, ensuring the continuity of the DGF, compliance with legislation and internal regulations.

9.2. Personnel Management

During 2019, the priority in the direction of personnel management was to continue to support an effective system that would ensure high-quality and timely implementation of the DGF's tasks.

Given the automation of processes, reducing the number of banks managed by the DGF, strengthening the work related to the return of funds to the DGF, and in connection with the approval in accordance with certain strategic directions of the DGF for 2020 – 2022 during 2019 in order to optimize the DGF's processes, the structure of the DGF has been amended several times, depending on current external and internal challenges. Thus, as of December 31, 2019, the DGF's structure consisted of 30 independent structural subdivisions, including: 6 departments, 5 departments, etc. As a result of structural changes, there was a reduction in staff by 28 full-time units.

As of December 31, 2019, the actual number of employees of the DGF, compared to 2018, decreased by 13 people and amounted to 394 people, including women – 231, men – 163, the average age is 40 years. 95% of employees have higher education, among them 9 have a PhD, lawyers – 21 people.

Supporting current trends in personnel management in 2019, the DGF approved a corporate model of competencies and determined the level of ownership. In addition, the DGF has implemented and introduced an automated annual performance assessment of the DGF's employees.

The general results obtained by the employees show that the competencies of the majority of employees are developed at a sufficient level, or more than sufficient, and the efficiency of the activity as a whole meets the expectations and standards of the DGF. In accordance with the employee development zones determined by the heads of structural subdivisions of the DGF, the directions of advanced training of the DGF's employees for 2020 have been approved.

During 2019, both internal corporate training events were organized, as well as the participation of employees in seminars, round tables, conferences, trainings organized by specialized training centers, including international companies. The trainings were also conducted by means of the internal corporate portal «Bitrix». A total of 29 events were held.

Continuing the processes started in previous years in the direction of operational matrix management of banks liquidated by the DGF in 2019, a new project on bank resolution was implemented by the DGF. To this end, the functions of the units involved in the bank's management processes were improved and supplemented with their tasks and responsibilities during the direct process of bank resolution. The introduction of these processes will contribute to the efficiency of the management process, the sale of banks' assets, decision-making on claims litigation and reduction of the time for reporting.

9.3. Internal audit

During 2019, in accordance with the audit plan, 20 audits were conducted in the main areas of activity of the structural units of the Deposit Guarantee Fund, including:

- financial and investment activities of the DGF;
- making payments to depositors;
- verification of compliance with the procedures for bank resolution;
- verification of control over the fulfillment of banks' obligations in connection with their participation in the household deposit guarantee system;
- verification of procedures for safekeeping of information assets.

The Internal Audit Service, focusing on international standards of professional practice of internal audit, evaluated the internal control system. The effectiveness of risk management inherent in the audited area of activity was checked, and recommendations were made to improve the existing internal control procedures.

Reports on the conducted inspections with conclusions and proposals were submitted for acquaintance to the management of the DGF, heads of the inspected structural divisions, and also for approval to the DGF Administrative Board.

The approved conclusions and proposals, according to the materials of inspections, were fully taken into account in the work of the Deposit Guarantee Fund.

9.4. Information technology

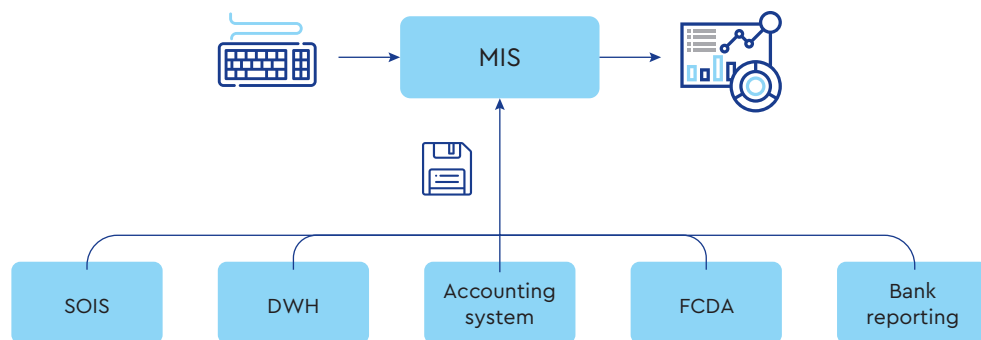
According to the recommendations from KPMG, in 2019 the DGF launched a project to implement the Data Analysis and Analytical Reporting System (MIS) in the DGF in order to provide:

- centralized construction of the DGF's management reporting, ensuring the timely provision of information of the required level of detail on the key processes of the DGF in order to further make management and strategic decisions;

- organization of a single platform for each user to quickly obtain the data needed to generate and receive reports from various corporate and external sources of the DGF;
- enabling users of this System to flexibly analyze data, filter, sort, group and calculate indicators by any analytical section and time interval.

In Figure 9.4.1. the structure of the System is provided.

Fig. 9.4.1. Data analysis and analytical reporting system (MIS)



The system of data analysis and analytical reporting in the future will provide the opportunity to:

- construction of anchor reports, reports on finances, liquidity management, results of sale of assets for the reporting periods;
- construction of projected indicators for the following periods and calculation of efficiency indicators;

- coverage of detailed information on each insolvent bank separately;
- implement data storage on key functions of the DGF;
- implement automated ETL procedures for collecting, processing and downloading the necessary data on a regular basis.



In order to centralize the processes of bank resolution and optimize the costs of such banks in 2019, work continued on the implementation of a single operational information system (hereinafter – SOIS) of insolvent banks (hereinafter – IB), which began in 2018.

IB SOIS on the basis of the DGF is a consolidated software package that contains data from ODB/ABS and other information systems of insolvent banks, and, in turn, consists of the following components:

- a database that combines data from the ODB/ABS of banks and additional data on the bank resolution;
- software to support and control the data of insolvent banks (customer questionnaires, account balances, paid documents, agreements on commitments or placements of funds and the history of their implementation) (loan portfolio, receivables, etc.), fixed assets, other necessary information to control banking activities and the formation of appropriate forms of operational reporting);
- access control system to ensure the necessary rights to read and modify data.

At the end of 2019, 87 insolvent banks were transferred to SOIS.

The implementation of the SOIS has provided the following advantages for the DGF to perform the functions of bank resolution:

- ensuring control over the activities of the National Bank, including control of financial flows, transaction control;
- introduction of a unified accounting policy in the National Bank;
- implementation of the 3rd model for the National Bank;
- full information support of the bank's liquidation status;
- ensuring monitoring of IB assets;
- implementation of centralized management of the National Bank;
- significant reduction of information systems in the National Bank, their maintenance and maintenance costs.

In order to optimize the bank resolution processes in 2019, the software package for bank resolution was improved in terms of:

- integration of developed modules for data replication with SOIS;
- development of a mechanism for downloading and visualizing bank passports;
- modernization of the «Register of contracts» module;
- development of regular PC modules on the day-closing procedure for each insolvent bank.

Modernization of the software package for working with insolvent banks provides the DGF with opportunities to:

- use the holistic unified information base of the DGF to make decisions on ensuring the processes of withdrawal of insolvent banks from the market;
- formation of reporting of insolvent banks, which is provided to the DGF in various areas of activity;
- ensuring automation of control over the activities of insolvent banks;

- centralized work with the assets of insolvent banks;
- improving the quality of information for decision-making and practical actions by the DGF's staff members;
- providing analysis of performance indicators of problem banks in order to prevent the critical state of the bank.

In order to improve the process of payment of guaranteed amounts to depositors of insolvent banks, in 2019 the DGF modernized the software complex «Automated Payment System of the DGF» (hereinafter – APSF).

- Work on the modernization of the APSF was carried out in the following areas:
- making changes in the area of the implementation of IBAN;
- expanding the functionality of the system for logging user actions;
- development of mechanisms to create a unique depositor identifier at the DGF level;
- expansion of functionality for the formation of additional reporting;
- making changes in the exchange with agent banks;
- creation of a mechanism for processing large amounts of information;
- development of an interface for exchanging information with other systems of the DGF.

This modernization allows you to use APSF in a more flexible mode, which allows to optimize the overall process of making payments of guaranteed amounts to depositors.

To implement the state policy aimed at transferring the records of state institutions into electronic form, and to implement the Laws of Ukraine «On Electronic Documents And Electronic Document Management», «On Electronic Digital Signature», taking into account the tasks set by the Comprehensive Program for Financial Sector Development until 2020 in 2019, the DGF took measures to continue the implementation of paperless document circulation in the DGF with the use of electronic digital signature (EDS).

The introduction of paperless paperwork between the DGF and the National Bank of Ukraine and other institutions and enterprises has provided the DGF with the following advantages:

- electronic exchange of documents between the DGF and the NBU (and other state institutions) was introduced (except for documents with limited access (BT), permanent storage and forwarding of citizens' appeals, etc.);
- all electronic documents are certified by EDS in accordance with the requirements of the Law of Ukraine «On Electronic Documents And Electronic Document Management»;
- reducing the cost of sending documents;
- the time of document transfer between the electronic document management systems of the DGF and the NBU is minimized;
- the number of intermediate procedures for sending and receiving correspondence (electronic documents) has decreased – practically electronic documents move directly from one ASKOD DMS (document management system) to another.



In 2019, the implementation of ASKOD DMS in the DGF was continued in the direction of centralization of insolvent banks' management in the field of document flow between the DGF and insolvent banks on the basis of several insolvent banks.

Due to changes in the reporting process to the National Bank of Ukraine and changes in the rules for reporting in 2019, the DGF improved the «Reporting of Banks» software package, namely:

- development of the mechanism of reception of reporting files A7x, 6Bx, 6Dx, 20x, 26x, 6Fx, 6Gx, 6Hx, 6Ix, C5x, D9x, 48x in XML format;
- modernization of the mechanism of access administration to the Portal in terms of control over the user's password;
- development of a mechanism for checking the compliance of the responsible person who imposed an electronic-digital signature on the report file in the bank to the list of responsible persons;
- development of an interface for viewing the data of the key certificate of the person – the overlay of the EDS file, as well as the results of the EDS analysis;
- development of access windows, reference books of indicators;
- adaptation to the RSA algorithm;
- development of a mechanism for processing and highlighting information from the RC report file.

As part of the liquidation of insolvent banks, virtualized information systems of fifty-six banks were adopted for computing capacity of the Individual Deposit Guarantee Fund in accordance with the plans of measures approved by the DGF Executive Directorate to complete the liquidation procedure and save costs.

To enable the growing requirements for performance and data protection, as part of the process of standardizing the software of database servers, the APSF was transferred to the current version of Oracle. Work also continued on standardizing Oracle server settings for other systems, and organizing hot database redundancy to increase failure resilience.

In order to organize access to the archival data of the liquidated banks and ensure their long-term and reliable storage, the banking systems (ODB and others) of 56 liquidated banks were transferred to the DGF's cloud environment.

Due to the increase in the number of systems that require backup, the updated backup system in the automatic mode of all information systems of the DGF, located in the cloud environment of the DGF, has been set up hot backup of key systems.

Work was carried out on the organization of fault-tolerant Internet connection through two providers with the configuration of its own autonomous IP address system, which increased the reliability and security of Internet connection, significantly expanded the DGF's technical capabilities to provide services via the Internet.



Annex 1: Report on the DGF Investment Plan 2019

The DGF's investments	Investment amount according to the Investment Plan 2019, UAH m	Actual investment amount in 2019, UAH m	Fulfilment, %
Investment amount total, of which:	4 911,0	4 405,3	89,7
Share capital formation total, of which:	506,0	0	0
• bridge bank	506,0	0	0
• specialized institution	0	0	0
Amount of investments in government securities, total	4 405,0	4 405,3	100,0
of which according to the OVDPs' types:			
• short-term OVDPs	x	1 398,6	x
• intermediate-term OVDPs	x	3 006,7	x



Management Report for the year ended December 31, 2019

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1. General Information about the Deposit Guarantee Fund

The Deposit Guarantee Fund (DGF) carries out its activities in accordance with the Law of Ukraine «On Households Deposit Guarantee System» (hereinafter – the Law).

The purpose of DGF activity is to protect the rights and legitimate interests of bank depositors and promote stability of the banking system of Ukraine.

The main task of the DGF is to ensure the functioning of the households deposit guarantee system and insolvent bank resolution.

DGF is a legal entity governed by public law; has a separate property; is an object of public ownership entity and is in public economic management. DGF is a non-profit institution.

The DGF is an economically independent institution, has an independent balance sheet, current and other accounts with the National Bank of Ukraine, as well as securities accounts with depository institutions (state-owned banks).

The location of the DGF is the city of Kyiv.

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

Administrative Board of the DGF consists of five persons – one representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, one representative of the profile committee of the Verkhovna Rada of Ukraine, and the Managing Director.

The DGF Executive Directorate consists of seven members. The Managing Director and his deputies shall be members of the DGF Executive Directorate.

Details of the DGF activities and functions see in Note 1 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.



2. Governance of the Deposit Guarantee Fund

The DGF's governing authorities are the Administrative Board and the Executive Directorate.

Administrative Board

In conformity with the Law, the DGF Administrative Board shall:

- approve the development strategy of the DGF and the annual plan of its activity;
- approve the principles of the DGF's investment policy and the DGF's annual investment plan;
- approve the cost estimates of the DGF;
- approve the decision of the DGF Executive Directorate on assigning a special fee to the DGF or differentiated fees to the DGF depending on bank risks;
- decide on increasing the maximum amount of deposit reimbursement;
- approve the decision of the DGF Executive Directorate to get a loan or non-repayable financial assistance;
- annually appoint an auditor to conduct an audit of the DGF;
- approve the annual report of the DGF;
- approve the procedure and conditions of remuneration for the Executive Directorate members of the DGF;
- approve the DGF Executive Directorate report on status of asset (property) sales of banks in respect of which a decision on banking license revocation and liquidation was made;
- approve the DGF Executive Directorate report on the least expensive for the DGF method of insolvent bank resolution, and the state of settlement plan implementation;

The Administrative Board of the DGF performs other functions in accordance with the powers defined by the Law. The Administrative Board of the DGF consists of 5 persons: one representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, one representative of the relevant committee of the Parliament of Ukraine and the Deposit Guarantee Fund Managing Director. The Administrative Board of the DGF shall be governed by a chairperson, who is annually elected by the Administrative Board of the DGF from among its members. The Managing Director of the DGF may not be elected as the Chairman of the Administrative Board of the DGF. Members of the Administrative Board of the DGF perform their functions on a voluntary basis.

The Administrative Board Composition:

Ihor Pryima, Head of the Secretariat of the Parliamentary Committee of Ukraine on Financial Policy and Banking, Chairman of the Board.

Natalia Strakhova, Deputy Director of the Financial Policy Department, Head of the Division of Banking Services and Interaction Coordination with the NBU, Ministry of Finance of Ukraine.

Oleg Strynzha, Director of the Financial Controlling Department, National Bank of Ukraine.

Mykhailo Vidyakin, Head of the Strategy and Banking Reform Department, National Bank of Ukraine.

Svitlana Rekrut, Managing Director, Deposit Guarantee Fund.

Executive Directorate of the DGF

The Executive Directorate of the DGF manages the current activities of the DGF and ensures the DGF's performance of the functions specified in the Law.

The Executive Directorate of the DGF consists of seven members. The Managing Director of the DGF and his deputies are members of the Executive Directorate of the DGF ex officio. The Managing Director is appointed by the decision of the Administrative Board of the DGF for a term of five years with the possibility of reappointment for no more than one term. Deputy Managing Directors of the DGF are appointed and dismissed by the Managing Director upon approval of the DGF Administrative Board.

Decisions of the DGF Executive Directorate are made at meetings by a simple majority of votes, provided that at least four members of the Executive Board participate in the meeting. In case of equal distribution of votes, the vote of the Managing Director of the DGF is decisive.

The Executive Directorate composition:

Svitlana Rekrut, Managing Director of the DGF.

Andriy Olenchuk, Deputy Managing Director, in charge of strategic planning of the DGF's activities, improvement of legal framework in the banking sector and the households deposit guarantee system, implementation of information policy and communication with media and public organizations representatives.

Olha Bilay, Deputy Managing Director, in charge of bank monitoring and inspection, early response, introduction of provisional administration and bank liquidation, and ensuring the work of the committee on consolidation, management and sale of bank property (assets).

Natalia Rudukha, Deputy Managing Director, in charge of operational and economic activities of the DGF and information technology functioning.

Viktor Novikov, Deputy Managing Director, in charge of legal policy of the DGF, including representing interests of the DGF in court, organizing and implementing litigation activities.

Olena Nuzhnenko, Chief Financial Officer, directs (as well as coordinates) the procedures of financial and investment direction, procurement and contracting, organizes the risk management system and management reporting in the DGF.



3. Organizational Structure

Information about the DGF organizational structure is available on the DGF website at <http://www.fg.gov.ua/about/structure>.

During 2019, the organizational structure underwent the following changes:

- structural unit of the Chief Financial Officer was created. The purpose of it is to provide and coordinate financial and investment direction, organization of risk management system, improvement of management reporting in the DGF;
- the Department for Damage Recovery was established. The purpose of the department is to optimize the collection, analysis and preparation of materials that can be used as evidence to initiate proceedings to recover damages in civil and/or commercial litigation (claims and lawsuits), as well as in the investigation of criminal proceedings, preparation of claims on committing criminal offenses and civil lawsuits in criminal proceedings, establishing the facts of causing damage and the amount of damage, establishing the range of persons whose actions, decisions or omissions caused damage and/or benefited from it;
- the Department of Asset Management and the Department of Termination of Insolvent Banks' Liquidation were reorganized into the Department of Bank Liquidation. The purpose of the reorganization is to consolidate the functions of introduction, organization and completion of the liquidation procedure of banks;
- the Committee Support Division was established by removing it out of the Department of Consolidated Asset Sales. The purpose of the department is to ensure activity of the DGF Committee for consolidation, management and sale of bank property (assets) and other collegial bodies of the DGF;
- the Finance Department was reorganized by removing it out of the Procurement Coordination and Contracting Department. The purpose of the reorganization is to improve implementation of processes for the procurement of goods, works and services and separate them from the financial and investment activities;
- Risk Management Service has been established. The purpose of the Service is to organize and ensure functioning of the risk management system in the DGF;
- Management Reporting Analytics Service was established. The purpose of the Service is to improve and consolidate the process of development and preparation of management reports in the DGF;
- the Department of Illegal Actions Investigation was liquidated. The Department of Information Security and Department of Internal Security and Cooperation with Law Enforcement Agencies were created. The changes are related to the DGF's structure optimization.

These structural changes have brought staff reduction by 28 full-time units.

4. Main Achievements of the Reporting Period

The main achievements of the DGF in 2019 in the strategic areas approved by the Action Plan of the Deposit Guarantee Fund for 2019 are:

Strategic Area	Main Achievements in 2019
<p>Elaboration and improvement of legislation, including mechanisms for effective bank resolution, with regard to the best world practice and Ukrainian realities; methodology improvement for identifying reasons of bank insolvency, the DGF's development strategy</p>	<ul style="list-style-type: none"> • within the regulatory framework of households deposit guarantee system and bank resolution, 19 regulatory acts were adopted; • in cooperation with the World Bank and the National Bank of Ukraine the White Paper on the DGF strategic development and implementation of improved mechanism for resolving bank insolvency, which is in line with EU legislation, was developed.
<p>Improvement of the DGF's information technologies, including in the deposit payouts system</p>	<ul style="list-style-type: none"> • a single operational and information system of insolvent banks was introduced; • a system of management and monitoring services for the DGF's processes and insolvent banks was introduced; • «DGF automated payment system» software was improved. Deposit payouts to the depositors of all insolvent banks are paid exclusively with the use of the «DGF automated payment system» software; • «Banking Reporting» software for receiving reports from banks in XML format was improved.



Strategic Area	Main Achievements in 2019
<p>Promotion of human resources and implementation of an effective corporate culture, improving the system of staff remuneration and evaluation, as well as introduction of modern training systems for employees of the DGF</p>	<ul style="list-style-type: none"> • an automated procedure for evaluating DGF's employees performance has been introduced; • by the decision of the DGF Executive Directorate: a new version of the Regulations on bonuses for DGF employees, a new version of the Regulations on remuneration of DGF employees were approved.
<p>Ensuring the financial stability of the households deposit guarantee system, improving the management of funds and debts of the DGF, improving the system of management reporting and risk management of the DGF</p>	<ul style="list-style-type: none"> • with the technical assistance of the European Bank for Reconstruction and Development, the concept of debt settlement to the National Bank of Ukraine was developed and a loan agreement was concluded to open a renewable credit line for the DGF in the amount of UAH 2,000 million in case of temporary liquidity deficit; • development of risk management system was initiated; • early repayment of promissory notes in the amount of UAH 9.118 million and interest on promissory notes in the amount of UAH 506 million was made; • final repayment of a loan granted by the National Bank of Ukraine in 2014 in the amount of UAH 1.460 million was made.
<p>Ensuring the consistency of the parameters of the households deposit guarantee system with the needs of society in terms of relevance of the insurance payouts to the social and economic conditions, improving the system of fees accrual to the DGF</p>	<ul style="list-style-type: none"> • decision made by the DGF Administrative Board to gradually increase the guaranteed amount of deposit payouts, subject to resolving the issue of financial solvency of the DGF; • analysis of the impact of changes in the base fee rates on the amount of fees received by the DGF and the financial condition of member institutions; • a methodology developed and bank stress testing conducted in order to calculate the required amount of the base annual rate of regular fee and assess the financial stability of the DGF in the medium term.
<p>Improving procedures for dealing with problem banks</p>	<ul style="list-style-type: none"> • an automated «Register of transactions» mechanism for submission and processing of daily information from problem banks was introduced; • an updated mechanism for analyzing problem banks' activities was developed and implemented in order to prepare a draft settlement plan in advance.
<p>Providing public relations and financial education of the population in order to raise awareness of the deposit guarantee system, rights and obligations of consumers of financial services</p>	<ul style="list-style-type: none"> • informational videos about the households deposit guarantee system in cooperation with the USAID Financial Sector Transformation Project were created; • the FINCULT financial literacy page was created and the DGF's Facebook page was updated, about 700 press releases were prepared and distributed to media representatives, more than 60 appearances on television and radio were organized and about 40 thematic interviews and comments provided, 5 press conferences held; • a three-year National Financial Literacy Project was launched in cooperation with partners; • a competition of student video works on the topic of savings and a quiz on the radio on the topic: «What do you know about the deposit guarantee system»; • more than 20 trainings, lectures and seminars on financial literacy were held, which were attended by more than 500 people in the cities of Uzhhorod, Kharkiv, Cherkasy, Zhytomyr, Chernivtsi, Ivano-Frankivsk and Kyiv. The range of target audiences – trainees has expanded including schoolchildren, students, teachers of the 'Financial Literacy' course, retirees, public sector workers, the unemployed, entrepreneurs and students of the University of the 3rd Age.



Strategic Area	Main Achievements in 2019
Participation in the International Association of Deposit Insurers and the European Forum of Deposit Insurers, cooperation with the International Monetary Fund, the World Bank, the US Treasury, the European Bank for Reconstruction and Development, the USAID Project to implement international standards, best practices of other countries in the field of deposit insurance and bank insolvency settlements	<ul style="list-style-type: none"> As the Chairman of the Eurasian Regional Committee of the International Association of Deposit Insurers (IADI), the 12th Annual Meeting of the Eurasian Regional IADI Committee and the International Conference on 'Information Technology for Crisis Management of Bank Settlement' were held; a Memorandum of Understanding and Cooperation with the Kazakhstan Deposit Guarantee Fund was signed; participation in the large-scale annual survey of IADI on the activities of the deposit guarantee system; about 20 requests from foreign jurisdictions, the International Association of Deposit Insurers and the European Forum of Deposit Insurers processed further cooperation with the USAID Financial Sector Transformation Project in the field of financial awareness enhancement; further cooperation with the US Treasury Department's Technical Assistance Office, advisors and experts on various aspects of the bank resolution process and dealing with bad assets.

5. Key Performance Indicators Review

The DGF prepares its financial statements in accordance with the International Financial Reporting Standards, approved by the International Accounting Standards Board (hereinafter – IFRS), as of 2016.

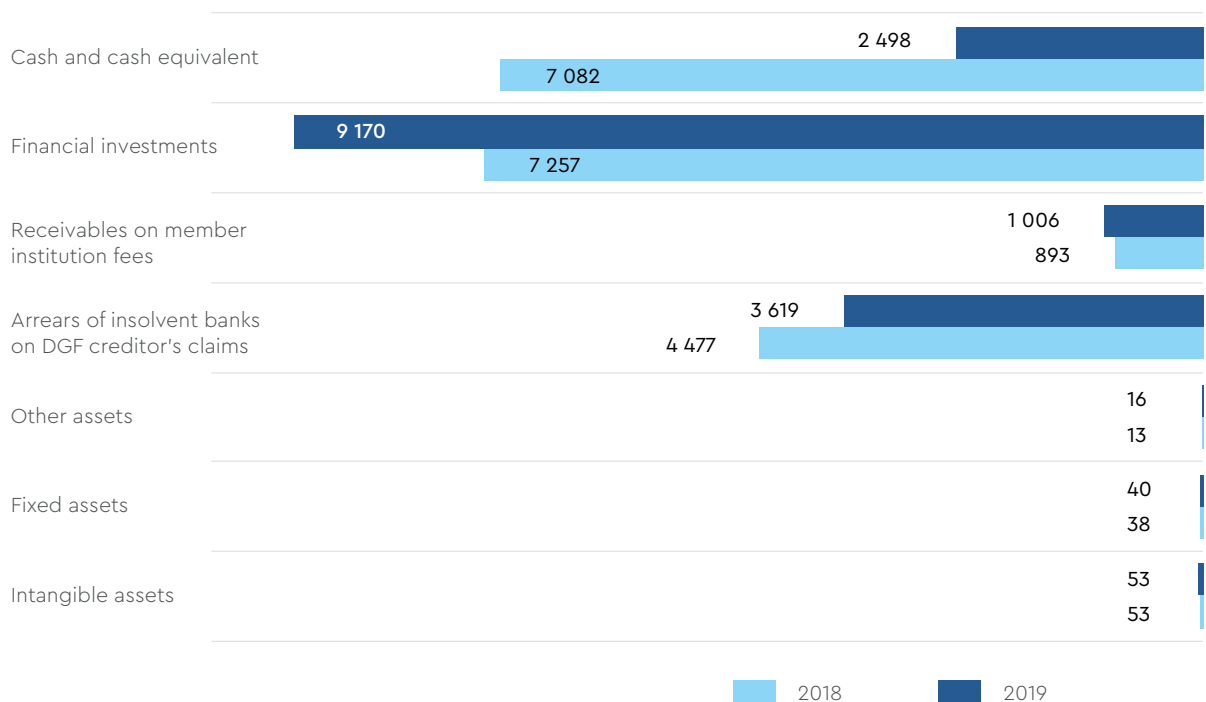
As of December 31, 2019, the balance sheet currency decreased by 17% and amounted to UAH 16.402 m.

Fund assets

The main items of the DGF's assets are:

- cash and cash equivalents;
- financial investments;
- receivables on the DGF member institutions fees;
- arrears of insolvent banks on the DGF creditor's claims.

DGF Asset Composition and Dynamics in 2018–2019, UAH m





During 2019, the DGF assets underwent the following changes:

The DGF's cash decreased by 65%, mainly due to the DGF's early repayment of promissory notes and final repayment of the loan received from the National Bank of Ukraine in 2014, as well as due to the investment of temporarily free funds in government securities of Ukraine.

The DGF's financial investments increased by 26%. The impetus for the resumption of investment was the absence of new bank bankruptcies and economic feasibility, which was dictated by the fact that the nominal rate on promissory notes issued by the DGF is 9.99% -11.97%, and the yield on government securities is 13.4% - 19%.

For more details on the DGF's financial investments, see Note 8 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.

Accounts receivable on member institutions fees to the DGF increased by almost 13%, which is due to the increase in the fee deposit base in the 4th quarter of 2019.

The arrears of insolvent banks on the DGF's accounts payable decreased by 19% due to the receipt of funds to repay the DGF's accounts payable from insolvent banks, revision of the estimated amount of repayment of the DGF's accounts payable and completion of liquidation proceedings on 30 banks. As of December 31, 2019, 61 banks were in the process of liquidation under the DGF's management.

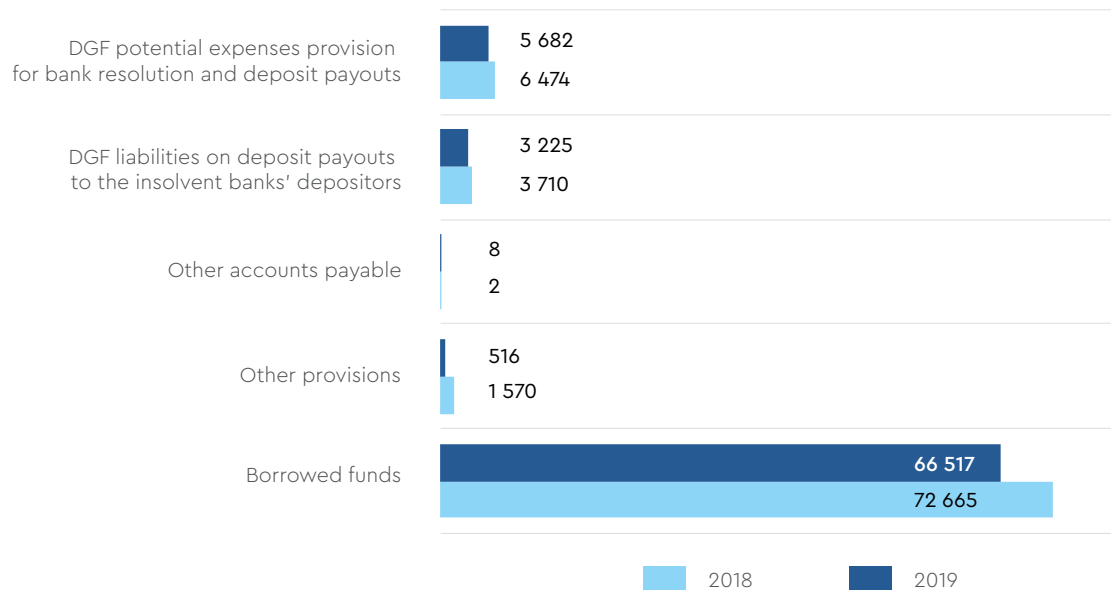
For more details on arrears of insolvent banks on the DGF creditors' claims, see Note 11 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.

Liabilities of the DGF

The main items of the DGF's liabilities are:

- ensuring the DGF potential expenses for bank resolution and deposit payouts;
- obligations of the DGF to pay compensation to the insolvent banks' depositors;
- borrowed funds.

The DGF Liabilities Composition and Dynamics in 2018–2019, UAH m



In 2019, the DGF's liabilities changed as follows:

The provision for the DGF's potential expenses for bank resolution and deposit payouts decreased by 12%, which is due to the improvement of macroeconomic environment and the banking sector condition.

For more details on ensuring the DGF's potential expenses for bank resolution and deposit payouts, see Note 14 of the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.



The main component of the DGF's liabilities – borrowed funds, decreased by 8% due to early repayment by the DGF of promissory notes and repayment of the loan received from the National Bank of Ukraine in 2014.

For more details on borrowed funds, see Note 18 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.

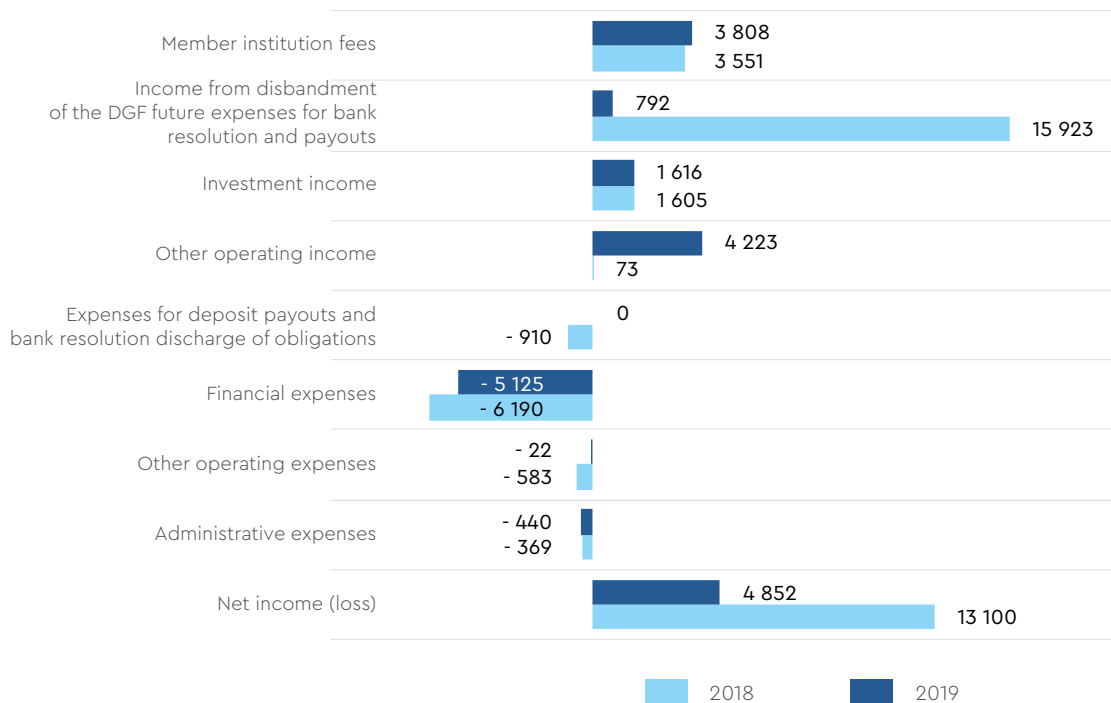
The DGF's liability to pay compensation to depositors of insolvent banks decreased by 13%, which is due to the payment of a guaranteed amount to the depositors and the write-off of liabilities due to the termination of liquidation procedure of 30 banks. During 2019, UAH 833 m were paid to the depositors.

For more details on the DGF's liabilities to reimburse depositors of insolvent banks, see Note 15 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.

Financial results

The main factors influencing the financial results are: fees from member institutions, financial expenses and income from the disbandment of the DGF's future expenses for bank resolution and deposit payouts.

DGF Financial Results Composition and Dynamics in 2018–2019, UAH m



In 2019, fees from member banks increased by 7% compared to 2018, which is due to the increase in the deposit base of member banks in 2019.

The main component of financial costs is interest costs on promissory notes. Financial expenses decreased in 2019 by 17% compared to 2018, due to early repayment of promissory notes by UAH 9.118 m.

A significant amount of income from the disbandment of the DGF's future expenses for bank resolution and deposit payouts in 2018 – UAH 15.923 m – is the result of changes in accounting estimates when calculating the DGF's potential costs for bank resolution and deposit payouts, associated with the application of a new method of calculating the estimated guaranteed amount of deposit reimbursement.

Net assets of the DGF

The DGF's net assets are the residual value of the DGF's assets after deducting all of its liabilities. The main component of the DGF's net assets is net profit (loss). During 2016–2019, the DGF's net assets are negative.

In 2019, the DGF's net deficit decreased by almost 8%, but as of December 31, 2019, it still amounts to UAH 59,546 m. The DGF's net deficit arose as a result of the DGF's reimbursement to the depositors of insolvent banks in the amount of over UAH 90 bn in the crisis years of 2014–2017, which engaged loans from the National Bank of Ukraine and the Ministry of Finance of Ukraine on market terms.

However, the main purpose of the DGF's management of net assets is to ensure the possibility of operational continuity for protecting the rights of bank depositors and promote the financial system stability in Ukraine.

To achieve this goal, the DGF in 2019 took the following measures:

- in January 2019, in order to cover the temporary liquidity deficit, a loan agreement was concluded with the National Bank of Ukraine to open a renewable credit line for the DGF in the amount of UAH 2,000 m for the period until December 31, 2021;
- as part of the working group established by the Financial Stability Board in 2018, the DGF, in cooperation with the Ministry of Finance of Ukraine and the National Bank of Ukraine, continued to develop and agree on methods for

DGF Net Income Dynamics in 2016–2019, UAH m

- 59 546	2019
- 64 628	2018
- 77 544	2017
- 74 817	2016

restructuring the DGF's debt on promissory notes issued to the Ministry of Finance in 2015–2016 in exchange for a loan in the form of government bonds;

- with the financial assistance of the European Bank for Reconstruction and Development, the DGF engaged a team of consultants with significant world experience to provide the DGF with technical assistance in resolving the potential insolvency of the DGF by restructuring existing debt obligations of the DGF.

6. Risk Management

The DGF classifies the following groups of risks in its activities: insurance, financial, operational and compliance risks.

Insurance risks are risks related to the probability of bankruptcies in the banking sector and the DGF's performance of its deposit guarantee functions. Types of insurance risks are: macroeconomic and sectoral risks in the economy, moral hazard, the risk of declaring banks insolvent, the risk of timely bank resolution, the risk of liquidation costs, the risk of significant reduction of the DGF's funds.

Financial risks are risks arising from financial instruments. Types of financial risks are: credit risk, market risk, which includes currency risk and interest rate risk, liquidity risk and concentration risk.

Operational risks are risks of losses, additional losses associated with adverse conditions for the DGF to perform its functions due to inadequate or erroneous internal processes, actions of employees, systems or external factors. Types of operational risks are: legal risk, information and technology risks, risk of failure to ensure operational continuity, risk of breach of requirements and process imperfections, risk of internal and external fraud, risk of damage to own assets, risk of personnel policy and safety, risk of infrastructure required for the DGF's functional performance.

Compliance risks are risks of losses, additional losses or loss of reputation due to non-compliance with the requirements of legislation and regulatory documents of the DGF, conflicts of interest. Types of compliance risks are: risk of low financial literacy of the population, risk of loss of confidence in the guarantee system, risk of image losses, risk of absence/insufficiency of the DGF's authority to manage its insurance risks, risk of legislation flaws, risk of non-compliance of the norms and standards of the DGF as a whole or its individual employees with the requirements of the law.

The main purpose of the DGF's risk management system is to ensure the DGF's functional performance defined by the legislation of Ukraine in the environment of objective risks, the process efficiency support, preservation of the DGF's resources, the DGF's continuous operation, compliance with legislation and internal regulations.

The DGF's risk management system consists of applying risk management procedures aimed at a systematic process of identification, measurement, monitoring, control, reporting, minimization and mitigation of all types of risks at all organizational levels of the DGF.

The DGF's risk management system is based on the concept of «three lines of defense».

Units of the DGF perform the functions of the «first line of defense», they are the owners of all risks arising in their field, and they are responsible for identifying events that cause risks, assessment, preparation of proposals for risk management and implementation of measures to minimize them.

The Risk Management Service performs the functions of the «second line of defense» and is responsible for methodological, coordination and organizational support of the risk management process in the DGF; it monitors compliance with the maximum values of limits and key risk indicators; it monitors the development and implementation of measures to prevent, transfer and mitigate risks; prepares management risk reporting.

The Internal Audit Service performs the functions of the «third line of defense»; it inspects and evaluates the effectiveness and reliability of the risk management system in the DGF.

Information on financial risk management is provided in Note 30 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.

7. Research and Innovation

In December 2019, the DGF, with the support of the USAID Financial Sector Transformation Project, conducted a research event to determine the level of public awareness about the deposit guarantee system. The study was performed through a nationwide survey of Ukrainians. A total of 2,144 respondents aged 18 and over (representative of the country's population structure) were interviewed in all regions of Ukraine, except the Autonomous Republic of Crimea, Donetsk and Luhansk regions, which are not under the control of the Ukrainian government.

The results of the study showed that the level of confident knowledge about the existence and functions of the DGF decreased from 52% to 35%, which may be the result of reduced media activity around bank failures due to the lack of such events.

At the same time, Ukrainians are well aware of the amount of insurance deposit payouts, but know almost nothing about the peculiarities of the deposit guarantee system itself. The results of the study will help the DGF further plan its informational and educational activities in order to inform the public about the households deposit guarantee system and raise the level of financial awareness of citizens.

Information on the results of the survey on public awareness of the deposit guarantee system is available on the DGF website at

http://www.fg.gov.ua/images/docs/fin-osv/DGF_Survey_18may2020_ua_covers.pdf

8. Social Aspects and Personnel Policy

During 2019, the priority in the implementation of personnel policy was to support an effective personnel management system that would ensure high-quality and timely implementation of tasks in all areas of the DGF.

As of December 31, 2019, the actual number of employees of the DGF was 394 people: 231 women, 163 men. The average age of the DGF's employees is 40 years, 95% of employees have higher education, including 9 candidates of sciences.

Labour remuneration

Remuneration of the DGF's employees is carried out in accordance with the Regulations on remuneration of employees of the Deposit Guarantee Fund, approved by the decision of the DGF Executive Directorate No. 816 dated May 23, 2016, the Procedure and conditions of remuneration of members of the DGF Executive Directorate approved by the decision of the DGF Administrative Board No. 41 dated September 27, 2012, in compliance with the requirements of the Collective Agreement between the Executive Directorate and the staff of the Deposit Guarantee Fund for 2018–2020.

Remuneration policy for the DGF's employees:

- creation of conditions and stimulation of employees to high-quality performance of official duties for the purpose of performance of basic tasks and functions of the DGF defined by the Law;

- establishment of uniform principles for determining the remuneration level of the DGF's employees, in particular, fairness, transparency, competitiveness, flexibility.

Salaries of the DGF's employees consist of:

- basic salary, which is set in the form of wages. The size of the salary depends on the level of influence of the structural unit on the main activities of the DGF (grade of the structural unit) and the level of the employee qualification;
- additional salaries, which are set in the form of allowances and surcharges and bonuses for the performance of production tasks;
- other incentive and compensation payments not related to the specific work results, in particular: financial assistance for the rehabilitation of employees, the birth of a child, the burial of a husband/a wife, parents or children.

Information on labor costs of the DGF's employees is provided in Notes 25 and 26 of the Financial Statements of the Deposit Guarantee Fund as of December 31, 2019 and for the year ended on that date.

Personnel training

The main principle of the DGF personnel policy is to promote enhancement of professional ability and practical skills of its personnel.

In conformity with the current trends in personnel management in 2019, the DGF has approved a corporate competency model and the level of their possession. In addition, the DGF introduced and implemented an automated annual performance evaluation of the DGF's employees. The general results show that the competencies of the majority of employees are developed at a more than sufficient level, and the efficiency of their activity as a whole meets the expectations and standards of the DGF.

During 2019, the DGF employees participated in internal corporate training events, seminars, round tables, conferences, trainings held by specialized study centers as well as by international companies.

Labour Protection

Basic principles for the DGF labour protection are:

- creation and maintenance of safe and harmless working conditions, ensuring priority of life and health of workers in the process of production activity;
- ensuring the continuity and efficiency of the functioning of the labour protection management system and realization of workers' constitutional right to the protection of their life and health in the course of work;
- organization and carrying out of control of working conditions compliance with the requirements of normative legal acts on labor protection.

Corruption prevention

The DGF comprehensively promotes prevention and counteraction measures against any type of corruption. The DGF employees, in their internal activities, as well as in their legal relations with business partners, public authorities, local self-government authorities, are guided by the «zero tolerance» principle in dealing with any sign of corruption and take all measures prescribed by law to prevent, detect and counteract corruption related actions (practices).

For the purpose of steadfast implementation of all requirements of the anti-corruption legislation of Ukraine, the DGF has approved and operated the DGF Anti-Corruption Program, which is a set of measures, standards and procedures for detecting, preventing and counteracting corruption in the DGF.

The DGF implements the following measures aimed at preventing, detecting, eliminating and counteracting corruption:

- conduct periodic assessment of corruption risks in the DGF's activities;
- implement anti-corruption standards and procedures in the DGF's activities.

The main anti-corruption standards and procedures of the DGF are:

- introducing the content of the Anti-Corruption Program of the DGF to new employees and conducting training events on preventing and counteracting corruption;
- conducting anti-corruption inspections of business partners in accordance with the criteria for their selection;
- restricting the DGF's support for political parties, charity activity;
- notifying about the signs of violation of the DGF Anti-Corruption Program, signs of committing a corruption or corruption-related offense, as well as confidentiality of such notifications and protection of whistleblowers;
- reviewing whistleblower reports, including internal investigations and disciplinary action;
- standards of professional ethics, responsibilities and prohibitions for employees, restrictions on gifts;
- prevention and settlement of conflicts of interest;
- supervision and control over compliance with the requirements of the Anti-Corruption Program of the DGF.

In compliance with the Law of Ukraine «On Corruption Prevention», the DGF verifies the fact of declaration submission by entities and notifies the National Agency for Prevention of Corruption of cases of non-submission or late submission of such declarations in accordance with this law.

The DGF Anti-corruption program is available on the DGF website at:

<http://www.fg.gov.ua/about/antikorupsiina-prohrama>

9. Environmental Protection

The DGF is concerned about the environment and tries to avoid any harm to nature.

In order to protect the environment, the DGF:

- introduced an electronic document management system, reduces the amount of office expenses (paper, plastic, mixed waste, etc.);
- maintains vehicles in good condition in order to reduce exhaust emissions;
- carries out utilization of decommissioned office and computer equipment by concluding a contract with a licensed enterprise for collection, transportation and transfer of waste for further utilization.

10. Development Prospects

Successful performance of the households deposit guarantee system is an integral part of the mechanism for ensuring the financial stability of the nation.

The strategic goal of the DGF is to ensure the sustainable and continuous development of the households deposit guarantee system in order to meet the requirements of external challenges and depositor protection.

In 2019, the DGF determined strategic directions for the DGF development in 2020–2022, approved by the DGF Administrative Board (decision No. 20 as of December 10, 2019). According to this document, the main strategic directions and tasks of the DGF are the following:

Strategic Direction	Task
Ensuring the DGF's financial stability	<ul style="list-style-type: none"> • Settlement of the DGF's debt issue; • Introduction of a medium-term management plan for the DGF's target indicators and accumulation of financial resources; • Corporate risk management and human resources development.
Minimization of the DGF's future expenses	<ul style="list-style-type: none"> • Improving the projection of potential risks of insolvent banks; • Introduction of an early problem detection system in banks, settlement plan development; • settlement of bank potential insolvency through the implementation of European legislation.
Increasing the level of creditor's claims settlement	<ul style="list-style-type: none"> • Prosecution of bank-related parties whose actions or omissions have caused harm to banks and/or creditors; • Effective asset management and sale of insolvent banks' assets; • Damage recovery from the Russian Federation for the loss of investments of banks under the DGF liquidation in the Autonomous Republic of Crimea due to their expropriation, nationalization or subjection to measures equal to expropriation; • Taking measures to meet the DGF's requirements for banks on which the DGF's decisions on their resolution have been appealed or revoked.
Increasing the level of depositors' confidence	<ul style="list-style-type: none"> • Reduction of the guaranteed amount maturity; • Protection of bank depositors' rights; • Enhancement of the population's financial literacy; • Expanding the range of participants and guaranteed deposits under the EU requirements; • Effective communications and introduction of new channels of work with bank depositors; • Gradual increase of the guaranteed amount; • Rebranding of the DGF as part of the DGF transformation due to the implementation of EU legislation.
Digitalization of business processes	<ul style="list-style-type: none"> • Implementation of the business process management system of the DGF and banks under the resolution procedure (BPM system); • Creation of the DGF WEB-portal for customers; • Creation of a single register of depositors in the virtual infrastructure of remote service.

In addition, the DGF is a co-author of the Strategy of Ukrainian Financial Sector Development until 2025 (hereinafter – the Strategy 2025), approved in 2019. The 2025 Strategy was developed in accordance with the Memorandum of Understanding and Cooperation on Preparation and Implementation of the Strategy of Ukrainian Financial Sector Development until 2025, signed by the National Bank, the National Securities and Stock Market Commission, and the National Commission for Regulation of Financial Services Markets, the Deposit Guarantee Fund and the Ministry of Finance of Ukraine.

The goal of the Strategy 2025 is to reform and develop the financial sector of Ukraine in line with leading international practices and further implementation of commitments envisaged by the EU-Ukraine Association Agreement. In accordance with the roadmap for the Strategy 2025 implementation, the key areas of the DGF's responsibility are: creation of a deposit guarantee system for credit union members and insuring deposit payouts under accumulative life insurance contracts, expanding the range of participants and categories of deposits to be guaranteed; gradual increase of the guaranteed amount, settlement of the DGF's debt.

Approved by the management board for issue and signed on its behalf on 25 May 2020.

Managing Director

S. V. Rekrut

Chief Accountant

O. S. Perebyinis



Financial Statements for the year ended December 31, 2019 and Independent Auditor's Report

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Independent auditor's report

Ref. No. __ as of May 25, 2020

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS OF THE
DEPOSIT GUARANTEE FUND
as of December 31, 2019
and the year ended on the stated date**

*To the Administrative Board of the Deposit Guarantee Fund
To the Management of the Deposit Guarantee Fund*

FINANCIAL STATEMENTS AUDIT REPORT

Opinion

We have conducted an audit of the financial statements of the Deposit Guarantee Fund (hereinafter – the Fund), consisting of: Statement of Financial Position as of December 31, 2019, Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Net Assets and Cash Flow Statement for the year ended on the stated date, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, the attached financial statements accurately reflect the Fund's financial position in all material aspects as of December 31, 2018, its financial results and cash flows for the year ended on the stated date, in conformity with the International Financial Reporting Standards (hereinafter referred to as IFRS).

The grounds for the opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibility under these standards is set out in the section "Auditor's Responsibility for the Financial Statements Audit" of our report. We are independent of the DGF in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA) and ethical requirements applicable to our financial statements audit in Ukraine, and we have fulfilled other ethical responsibilities in accordance with these requirements and IESBA Code.

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

Key audit aspects

Key audit aspects are issues that, in our professional judgment, were significant during our audit of the financial statements for the current period. These aspects were considered in the context of our audit of the financial statements as a whole and for shaping the opinion on it, and we do not express



a separate opinion on these issues. We have identified that the following aspects are key audit aspects that should be reflected in our report.

Key audit aspect	The way our audit addressed the key audit aspect
<i>Provision for the DGF's potential expenses for bank resolution and deposit payouts</i>	
<p>Evaluating the provision amount of the DFG's potential expenses for bank resolution and deposit payouts is a key area of professional judgment of the DFG's management.</p> <p>Determining the potential expenses amount includes certain assumptions and analysis of various factors, including the banks' financial position, the risk of banks becoming insolvent, the expected overall condition of the Ukrainian banking system.</p> <p>Different assumptions may result in different estimations of potential expenses provision.</p> <p>As of December 31, 2019, the DFG recognized a significant decrease in the provision for potential expenses compared to December 31, 2018 (UAH 5,682 million and UAH 6,474 million, respectively), which affected the DFG financial performance in 2019.</p> <p>Given the materiality of this article and degree of subjectivity of the judgments, we have identified evaluation of the DFG's potential expenses provision for bank resolution and deposit payouts as the key audit aspects.</p>	<p>Our procedures in regard with changes in potential expenses provision for bank resolution and deposit payouts included the following:</p> <ul style="list-style-type: none"> - analysis of common approaches and methodology for provision formation; - verification of projected financial information by tracking incoming macroeconomic parameters; - verification of key management assumptions used for the financial model calculation; - selective verification of the accuracy of the initial data used in the calculation; - testing the calculations embedded in the model and their mathematical accuracy.
<i>The DGF's ability to settle commitments in a timely manner</i>	
<p>According to the DFG Statement of Financial Position as of December 31, 2019:</p> <ul style="list-style-type: none"> • Fund's assets: UAH 16,402 million • Fund's liabilities UAH 75,948 million • net assets: -UAH 59,546 million <p>As the net assets of the DGF are negative, we believe that the ability to settle commitments is a key audit aspect.</p>	<p>More than 87.6 % of DGF liabilities are borrowed funds. The borrowed funds as of December 31, 2019 consist of the promissory notes issued with a maturity of over 1 year – UAH 49,441 million, interest on promissory notes – UAH 17,076 million.</p> <p>To clarify the DGF ability to make short-term and long-term payments to creditors, we:</p> <ul style="list-style-type: none"> - analyzed the DGF's current financial condition, the amount of expected payments, future flow of funds;





- investigated the structure of liabilities on borrowed funds according to maturity;
- verified the correct calculation of interest on promissory notes and and timeliness of accounting.

Information other than the Financial Statements and the Auditor's Report thereon

The management is responsible for other information. Other information consists of information contained in the 2019 Management Report prepared in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and other applicable legislative and regulatory requirements other than the financial statements and our auditor's report on such information.

Our opinion on the financial statements does not extend to other information and we do not draw the conclusion with any degree of certainty about this other information.

In connection with our financial statements audit, it is our responsibility to review the other information provided above and to consider whether there is any material inconsistency between the other information and the financial statements or our knowledge gained during the audit, or whether this information appears to be one that contains material misstatements.

If, on the basis of our work on other information received before the date of the auditor's report, we conclude that there is a material misstatement of that other information, we are obliged to report this fact. We did not find any such facts that should have been included in the report.

Explanatory Paragraph

Please give your attention to Note 32 to the financial statements, "Events After the Reporting Period", which describes the operating environment in Ukraine and developments around the COVID 19 virus. The circumstances referred to in the Notes may continue to adversely affect the financial condition and results of the DGF operations in such a way and to such an extent that they cannot be determined at present. Our opinion has not been modified on this issue.

The management and those with the highest authority's accountability for the Financial Statements

The management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the International Financial Reporting Standards and for the internal control system that, by the management's decision, is necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing Financial Statements, the management is responsible for assessing the Fund's ability to continue its operating activities, disclosing, where applicable, continuity issues and using performance continuity assumptions as the basis for accounting, unless the management either plans to liquidate the Fund or cease operations, or has no real alternative to this.

Those with the highest authority are responsible for oversight of the Fund's financial reporting process.

The auditor's responsibility for the Financial Statements audit

Our goal is to provide reasonable assurance that the Financial Statements as a whole are free from material misstatement due to fraud or error, and to provide an auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit





conducted in accordance with ISAs will always reveal a material misstatement, if it exists. Misstatements can be a result of fraud or error; they are considered material if, individually or collectively, as reasonably expected, they can influence the economic decisions of users made on the basis of these Financial Statements. When auditing in accordance with ISA requirements, we use professional judgment and professional skepticism throughout all audit task.

In addition, we:

- identify and evaluate the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and acceptable to use as a basis for our opinion. The risk of not detecting material misstatement due to fraud is greater than that resulting from error, as fraud may include collusion, forgery, intentional omissions, incorrect allegations or neglect of internal control measures;
- gain an understanding of the internal controls involved in the audit to develop audit procedures that are appropriate to the circumstances and not to express an opinion on the effectiveness of the internal control system;
- assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related information disclosures made by the management;
- conclude whether it is acceptable for the management to use the assumption of performance continuity as a basis for accounting and based on the audit evidence obtained, we conclude whether there is a material uncertainty about events or conditions that would cast significant doubt on the DGF's ability to continue its performance continuity. If we conclude that such material uncertainty exists, we must draw attention in our auditor's report to the relevant information disclosures in the Financial Statements or, if such information disclosures are improper, modify our opinion. Our findings are based on the audit evidence obtained before the date of our auditor's report. However, future events or conditions may compel the DGF to cease operations on a continuous basis;
- evaluate the overall presentation, structure and content of the Financial Statements, including information disclosure, and whether the Financial Statements present the transactions and events underlying its preparation, in order to achieve a fair presentation.

We inform those with the highest authority about the planned scope and timing of the audit and material audit results, including any significant deficiencies in the internal control system identified by us during the audit.

We also provide those with the highest authority with assertion that we have met the relevant ethical requirements for independence, and inform them of any relations and other aspects that could reasonably be considered to affect our independence, as well as, where applicable, of the relevant precautionary measures.

Out of all aspects reported to those with the highest authority, we identified the most relevant ones in the Financial Statements audit of the current period, that is, those that are key audit aspects. We cover these aspects in our auditor's report, except where a legislative or regulatory act prohibits the public disclosure of such aspect, or, if in exceptional circumstances, we determine that such aspect should not be covered in our report because the negative effects of such coverage may be expected to outweigh its benefit for the public interest.





REPORT ON OTHER LEGISLATIVE AND REGULATORY REQUIREMENTS

In accordance with the requirements of Article 14 of the Law of Ukraine "On Audit of Financial Statements and Auditing" we provide in our Independent Auditor's Report such information, which is required in addition to the requirements of ISAs.

Name of the body that appointed the audit entity to perform the mandatory audit, date of appointment and overall duration of the audit task performance

Audit entity - Private joint-stock company Audit Firm "De Visu" in accordance with Part 2 of Article 7 and paragraph 10 of Part 1 of Article 9 of the Law of Ukraine "On Households Deposit Guarantee System" was appointed by the DGF Administrative Board in accordance with the decision No. 8 of March 17, 2020 "On determining the auditor to audit the financial statements of the Deposit Guarantee Fund for the year ended on December 31, 2019, prepared in accordance with the International Financial Reporting Standards" according to the results of open tender conducted in conformity with the Law of Ukraine "On Public Procurement" and the requirements of the Law of Ukraine "On Audit of Financial Statements and Auditing".

Appointment date is March 17, 2020.

Turnaround time: March 17, 2020 to May 25, 2020.

The task duration with term extension: 2 years

Confirmation that the audit report is consistent with the additional report for the audit committee (agency exercising its functions)

We confirm that our audit opinion on the Financial Statements set out in this Independent Auditor's Report is consistent with the Supplementary Report prepared for the Administrative Board of the Deposit Guarantee Fund.

Statement on non-provision of audit services prohibited by law and on independence of key audit partner and audit entity

We confirm that we have not provided the DGF with services prohibited by Ukrainian law, including those prohibited by Part 4 of Article 6 of the Law of Ukraine "On Auditing of Financial Statements and Auditing". We have not identified any threats to our independence, either at the level of the audit firm or at the level of the key audit partner involved in the audit task.

Information about other services provided by the audit entity to the legal entity or to its controlled business entities, other than mandatory audit services, which is not covered in the Management Report or the Financial Statements

Related parties of the audit entity – "De Visu" Valuation Firm and "De Visu" Law and Consulting Firm according to the results of the DGF qualifying selection are included in the List of parties who can perform work (provide services) for insolvent banks or banks that are being liquidated.

In the course of 2019, "De Visu" Valuation Firm provided insolvent banks and banks under liquidation with independent property valuation services, which is in line with Article 6, Part 4 of the Law of Ukraine "On Audit of Financial Statements and Auditing". These services do not directly affect the DGF Financial Statements subject to audit or independence of the audit entity.

The audit entity, the key audit partner have not been involved in providing non-audit services for the DGF.





Key audit partner

The audit task partner, who produced this independent auditor's report, is Vitaliy Havrysh.

Key Audit Partner _____ V.V. Havrysh

*(registration number in the Register of auditors
and audit entities 101943,
ACCA certificate)*

Acting Director General

PrAT AF De Visu _____ V.P. Ivashchenko

*(registration number in the Register of auditors
and audit entities No. 101935)*

Reporting date: **May 25, 2020**

Basic data about the audit firm

Private Joint Stock Company Audit Firm "De Visu"

01001, Kyiv, 10 Malopidvalna Street, office 11

PrAT AF De Visu is included in the Audit Entities section of the Register of Auditors and Audit Entities, available on the Audit Chamber of Ukraine website at www.apu.com.ua, No. 1373. Information about PrAT AF "De Visu" is included in the following sections of the Register of auditors and audit entities:

- "Audit entities"
- "Audit entities entitled to conduct mandatory audit of financial statements"
- "Audit entities entitled to conduct mandatory audit of financial statements of enterprises of public interest"



Statement of financial position

<i>(UAH million)</i>	Note	31 Dec 2019	31 Dec 2018
Assets			
Cash and cash equivalents	7	2,498	7,082
Financial investments	8	9,170	7,257
Accounts receivable from member institutions' fees	9	1,006	893
Other accounts receivable	10	11	12
Arrears of insolvent banks on the Fund's creditor's claims	11	3,619	4,477
Other assets		5	1
Fixed assets	12	40	38
Intangible assets	13	53	33
Total Assets		16,402	19,793
Liabilities			
Provision for the Fund's potential expenses for bank resolution and deposit payouts	14	5,682	6,474
The Fund's liabilities to make payouts to insolvent banks' depositors	15	3,225	3,710
Other accounts payable	16	8	2
Other provisions	17	516	1,570
Funds raised	18	66,517	72,665
Total Liabilities		75,948	84,421
Net assets			
Revaluation reserve		160	(70)
Profit (loss)		(59,706)	(64,558)
Total Net Assets		(59,546)	(64,628)
Total Fund's Liabilities and Net Assets		16,402	19,793

Approved by the management board for issue and signed on its behalf on 25 May 2020.

Managing Director

S. V. Rekrut

Chief Accountant

O. S. Perebyinis

Statement of profit and loss and other comprehensive income

<i>(UAH million)</i>	Note	2019	2018
Operating income:		10,439	21,152
Member institutions fees	19	3,808	3,551
Reduction of the provision for the Fund's deferred costs for bank resolution and deposit payout	14	792	15,923
Investment income	20	1,616	1,605
Other operating income	21	4,223	73
Expenses		(5,587)	(8,052)
Expenses for deposit payout and bank resolution	22	-	(910)
Financial expenses	23	(5,125)	(6,190)
Other operating expenses	24	(22)	(583)
Administrative expenses	25	(440)	(369)
Net Income (Loss)		4,852	13,100
Net change in fair value of financial assets available for sale		230	(184)
Other Comprehensive Income (Loss), Net Amount		230	(184)
Total Comprehensive Income (Loss)		5,082	12,916

Approved by the management board for issue and signed on its behalf on 25 May 2020.

Managing Director

S. V. Rekrut

Chief Accountant

O. S. Perebyinis

Statement of changes in net assets

<i>(UAH million)</i>	Revaluation reserve	Accrued loss	Total
Balance as of Dec 31, 2017	114	(77,658)	(77,544)
Income (loss) for the year	-	13,100	13,100
Other comprehensive income	(184)	-	(184)
Net change in fair value of financial assets available for sale	(184)	-	(184)
Comprehensive income/(loss) for the year	(184)	13,100	12,916
Balance as of Dec 31, 2018	(70)	(64,558)	(64,628)
Income (loss) for the year	-	4,852	4,852
Other comprehensive income	230	-	230
Net change in fair value of financial assets available for sale	230	-	230
Comprehensive income/(loss) for the year	230	4,852	5,082
Balance as of Dec 31, 2019	160	(59,706)	(59,546)

Approved by the management board for issue and signed on its behalf on 25 May 2020.

Managing Director

S. V. Rekrut

Chief Accountant

O. S. Perebyinis

Cash flow statement

<i>(UAH million)</i>	2019	2018
Cash flows from operating activities		
Member institutions fees	3,693	3,498
Proceeds from insolvent banks to creditor's claims settlement	4,407	4,034
Funds transferred to agent banks for deposit payouts	(834)	(980)
Payments to employees and social security fund fees	(307)	(259)
Payment of liabilities of other taxes and charges	(61)	(58)
Proceeds from potential investors' guarantee fees for participation in the bank resolution tender	-	20
Return of potential investors' guarantee fees for participation in the bank resolution tender	-	(40)
Other operating income	497	144
Other operating expenses	(69)	(98)
Net Cash Provided By Operating Activities	7,326	6,261
Cash flows from investing activities		
Proceeds related to government bonds measured at amortized cost	2,805	3,397
Expenses for purchase of government bonds measured at amortized cost	(4,405)	-
Purchase of non-current assets	(34)	(27)
Interest received	825	1,346
Net Cash Flows From Investing Activities	(809)	4,716
Cash flows from financial activities		
Repayment of loans received from the National Bank of Ukraine	(1,460)	(5,024)
Repayment of promissory notes	(9,118)	(1,000)
Payments of interest	(514)	(1,611)
Payments of lease liabilities	(9)	-
Net Cash Flow Provided By Financial Activities	(11,101)	(7,635)
Net cash and net equivalent flows	(4,584)	3,342
Cash and cash equivalents at the beginning of the year	7,082	3,740
Cash and cash equivalents at the end of the year	2,498	7,082

Approved by the management board for issue and signed on its behalf on 25 May 2020.

Managing Director

S. V. Rekrut

Chief Accountant

O. S. Perebyinis

1. General information

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

The main goal of the Fund is to ensure the functioning of the households deposit guarantee system and insolvent bank resolution.

To achieve its main goal, the Fund, in the manner prescribed by the Law, carries out the following functions:

- Maintaining the Register of Member Institutions.
- Accumulating funds from the sources as set in Article 19 of the Law and supervising the payment of fees from the Fund's member intuitions.
- Investing the funds of the Fund in 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 the State Budget of Ukraine".
- Taking measures to organise deposit payouts within the time limits specified by the Law and in the amount determined by the Administrative Board (since August 21, 2012 the reimbursement limit shall be at least UAH 200.000).
- Regulating the banks' membership with the households deposit guarantee system.
- Inspecting problem banks upon an initiative of the National Bank of Ukraine.
- Applying financial sanctions to and imposing fines on banks and bank senior executive management.
- Resolving insolvent banks, including through provisional administration and liquidation of such banks, organising the disposal of assets and liabilities of an insolvent bank, sale of an insolvent bank, or 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.
- Analysing the financial position and performance of the member banks in order to elicit their potential risks, and

project the potential costs associated with the resolution of insolvent banks and deposit payouts.

- Granting a special purpose loan to the bank in order to ensure due and timely remuneration of labour under the terms and conditions set in paragraph 2, Part 6 of Article 36, paragraphs 7 and 8, Part 2 of Article 37, and Part 4, Article 47 of the Law during the provisional administration.
- Sending relevant inquiries to customers, depositors, and other creditors of the bank in accordance with the procedure established by the Fund.
- Informing the public of the functioning of the households deposit guarantee system, protecting the depositor's rights and legitimate interests, and promoting financial literacy among the citizens pursuant to the Law.
- Studying and analyzing the markets of financial resources raised by the member institutions from household depositors.

The Fund is a legal entity under public law, has its separate property, which is an item of state property and is under its economic jurisdiction.

The Fund is an economically independent institution, has an independent balance sheet, current and other accounts with the National Bank of Ukraine, as well as securities accounts at depository institutions (state-owned banks).

The Fund is a non-profit institution.

The governing bodies of the Fund are the Administrative Board and the Executive Directorate.

The Administrative Board of the Fund comprises five persons: a representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, a representative of the profile committee of the Verkhovna Rada of Ukraine, and the Managing Director of the Fund.

The Executive Directorate of the Fund comprises seven members. The Fund Managing Director and its deputies are members of the Executive Directorate of the Fund by virtue of their position.

The Fund had 74 member banks as of December 31, 2019 (as of December 31, 2018: 77 banks).

2. Operational environment of the Fund

The Fund operates in Ukraine. In 2019, the political and economic situation in Ukraine has remained unstable. The Ukrainian economy has still been affected by the unresolved armed conflict in some areas of Luhansk and Donetsk regions, as well as by difficult political and economic relations with Russia. At the beginning of 2019, additional political and economic risks appeared due to the double elections – of the President and the Verkhovna Rada of Ukraine.

Nevertheless, during 2019 Ukrainian economy has demonstrated some good signs of stabilization. The inflation rate in Ukraine decreased to 4.1% in 2019 cf. to 9.8% in 2018, and real GDP in 2019 increased by 3.2% compared to 2018. The key factors that influenced the improvement of these indicators are successful launch of the International Monetary Fund program at the end of 2018, consistent monetary policy of the National Bank of Ukraine aimed at achieving price stability, high incomes of agro-industrial exporters, and restraint of hryvnia liquidity and consistently high level of foreign exchange earnings through government debt securities.

In 2019, the banking sector operated in favorable conditions. Macro-financial stability and low inflation allowed the Fund's member banks to increase assets, accumulate balances on customer accounts and demonstrate the highest profitability for the entire period of operation.

In 2019, consumer lending accelerated and free funds attraction from citizens, both in national and foreign currencies, intensified. Some banks have successfully restructured bad debts, which has made it possible to disband reserves and increase profitability. Among the negative factors are still a high level of problem assets, including a significant amount of overdue credit debt, corporate loan and investment portfolio reduction, narrowing of the resource base, and decrease of maturity of liabilities.

Despite some improvements in 2019, the final outcome of political and economic situation in Ukraine and its consequences is extremely difficult to predict, but the management board believes that they are monitoring and taking appropriate measures to maintain stable operation of the Fund and the deposit guarantee system in Ukraine. Possible negative developments may have an adverse effect on the results of operations and financial condition of the Fund – the nature and consequences of these are currently impossible to determine. These financial statements reflect current assessment of management personnel regarding the impact conditions in Ukraine have on operating activities and financial condition of the Fund. Future operating conditions may differ from the management personnel anticipation.

3. Summary of Significant Accounting Policies

a) Basics of financial statement preparation

The financial statements are prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the IFRS). The estimations in these financial statements were made based on the cost of production, except for:

- financial assets, at fair value with recognition of revaluation of comprehensive income;
- financial assets, at fair value, with recognition of revaluation of profit or loss.

b) Continuity of activity

As of December 31, 2019 the net deficit of the Fund amounts to UAH 59,546 million (31 Dec 2018: UAH 64,628 million). Net profit for the year ended 31 December 2019 is UAH 14,852 million (for the year ended Dec 31, 2018 – UAH 13,100 million). Cash flows provided by operating activities for the year ended 31 December 2019 is UAH 7,326 million (for the year ended Dec 31, 2018 – UAH 6,261 million). The management board implements the following measures to insure the fulfilment of the Fund's obligations in the near future:

- In conformity with Article 25 of the Law, in case of a temporary liquidity crisis the Fund has the right to apply to the National Bank of Ukraine to: 2) obtain a loan; 2) redeem securities owned by the Fund. In 2019, the Fund concluded a loan agreement with the National Bank of Ukraine on the opening of the renewable credit line for the Fund in the amount of UAH 2,000 million.
- In conformity with Article 25 of the Law, in case of insufficient funds, the Fund has the right to apply for a loan or state contribution on a non-refundable basis from the state budget.
- During 2019, the Fund repaid promissory notes in the amount of UAH 9.118 million issued by the Fund to the Ministry of Finance of Ukraine in 2014 in exchange for a loan in the form of domestic government bonds.

- Over the course of 2019, the Fund in cooperation with the Ministry of Finance of Ukraine and the National Bank of Ukraine as part of a working group established by the Financial Stability Board in 2018, continued to develop and agree on methods of debt restructuring on promissory notes issued to the Ministry of Finance of Ukraine in 2015–2016 years in exchange for a loan in the form of domestic government bonds.
- In 2019, the development of the Fund's risk management system has begun, the main purpose of it is to ensure the Fund's performance of the functions defined by the legislation of Ukraine, in the presence of objective risks, support of the process efficiency, protection of the Fund's resources, operational continuity of the Fund, compliance with the legislation and regulatory documents.
- The Fund continues its work on improving the transparent and effective mechanism for insolvent banks' asset sales via ProZorro.Sales system. All auctions for the sale of insolvent banks' assets has taken place via ProZorro.Sales. At the same time, the largest pools of problem loans of insolvent banks in 2019 were sold by the Fund in cooperation with international consultants – DebtX (USA) and First Financial Network (USA), Cohen & Company Financial Ltd. (represented in Ukraine by Exito Partners & Cohen Ukraine LLC) and KPMG.
- The Fund also proceeds to optimize and minimize the insolvent banks' expenses by strengthening operation control in insolvent banks and centralizing their main functions that arise during the introduction of temporary administration or liquidation.

- In 2019, a working group consisting of the Fund's representatives, the National Bank of Ukraine and World Bank advisers to implement the provisions of Directives 2014/49/EU and 2014/59/EU of the European Parliament and the Council, developed the White Paper outlining the strategic development of the Fund and the introduction of an improved mechanism for resolving bank insolvency in line with EU law.
- The Fund initiates further changes in the legal framework of its activities, aimed at increasing the institutional capacity of the Fund and ensuring the improvement of existing tools and methods of bank resolution.

The management board believes that, given all the measures described above, the Fund has the resources to continue its activities in the near future. In addition, the board is not aware of any material uncertainties, other than those listed above, that may cast significant doubt on the Fund's ability to operate in the near future.

c) Functional Currency and Submission Currency

These financial statements are presented in the national currency of Ukraine, UAH, which is the functional currency of the Fund and the currency of submitting the financial statements. All amounts in the financial statements are rounded to millions.

Monetary assets and liabilities are translated into the functional currency at official exchange rate of the National Bank of Ukraine (NBU) as of the respective reporting date. Profits or losses on foreign exchange differences that arise on transaction settlements and as a result of the translation of monetary assets and liabilities into functional currency at the end of the year in accordance with the official NBU rates are recognized in the statement of profit and loss. Non-monetary items in foreign currency estimated at historical cost are translated at the exchange currency rate on the transaction date.

d) Fixed assets

Fixed assets are recognized at production cost less accumulated depreciation and any accumulated impairment losses. The expenses for improving the own fixed assets, which lead to an increase in the initially expected benefits from their use, increase the initial value of these facilities.

The expenses for improving the leased fixed assets, which lead to an increase in the initially expected benefits of their use, are direct and may be included in fixed assets as a separate item.

Accrual of the asset depreciation begins on the first day of the month following the month in which a fixed asset becomes suitable for use, and stops on the first day of the month following the month in which the fixed asset was derecognized. Depreciation is calculated on a straight-line basis for the following useful life periods expected:

	years
Buildings	40
Vehicles	5
Furniture	3-7
Office equipment	4-7
Computer equipment	3-5
Tools and household equipment	3-7
Other fixed assets	3-7

The liquidation value of the fixed asset groups, which are not subject to be sold after the end of useful life is 0 % of their initial value. The liquidation value of the fixed asset groups, which may be sold after the end of useful life, is set at the level of statistics roundup on the actual sales of such fixed assets for the last three years.

At the end of each fiscal year, the Fund reviews the liquidation value of fixed assets, useful life period, depreciation method, and analyses fixed assets for impairment.

If there is an evidence of fixed asset impairment, the Fund estimates the amount of expected reimbursement for this asset. If the amount of the expected reimbursement of the fixed asset is less than its book value, the book value of the fixed asset shall be reduced to the expected reimbursement. Such a reduction is an impairment loss. The impairment loss is included in expenses of the period as part of other expenses.

e) Intangible assets

After the asset is recognized as an intangible asset, it is accounted under the production cost model: production cost less accumulated depreciation and accumulated impairment losses of the intangible asset.

The liquidation value of an intangible asset is zero. Depreciation of intangible assets shall be accrued on a straight-line basis. Accrual of depreciation begins on the first day of the month following the month in which an asset became suitable for use and stops on the first day of the month following the month in which the asset was derecognized.

The intangible assets with indefinite useful life and classified as held for sale (for a period of such classification) are not subject to depreciation.

The useful life of intangible assets shall be determined by the entitling document. The useful life of an intangible asset that originates from contractual or other legal rights shall not exceed the period of validity of contractual or legal rights, but may be shorter than the validity period depending on the period during which the Fund expects to use this asset.

At the end of each fiscal year, the Fund analyses the intangible assets for signs of impairment, reviews the useful life period and depreciation method, and examines availability of future economic benefits from the use of the intangible asset.

If there is an evidence of intangible asset impairment, the Fund estimates the amount of expected recovery of such an asset. The expected recoverable amount of an asset is its sales cost, unless there is a reason to believe that the benefits from the use of an intangible asset exceed the cost of its sale.

If it is impossible to determine the sales cost, the expected reimbursement amount of the asset may be the benefit of its use (value of the asset in use) defined as the discounted cash flow expected from the use and future disposal of the asset.

If the expected recoverable amount of an intangible asset is less than its book value, the book value of the intangible asset is reduced to the expected reimbursement amount. Such a reduction is an impairment loss. The impairment loss is included in expenses of the period as part of other expenses. Intangible assets with indefinite useful lives and those under development are tested for impairment if there are signs of impairment.

f) Financial instruments

Financial assets and financial liabilities represent financial instruments of the Fund.

Financial assets are:

- cash (cash on the current account with the National Bank of Ukraine and cash on hand);
- financial investments in the government bonds (domestic government loan bonds);
- arrears of insolvent banks and banks, under liquidation by the Fund, on special purpose loans and interest accrued on special purpose loan issued to insolvent banks;
- other accounts receivable.

Financial liabilities are:

- borrowed funds (loans from the NBU, liabilities of promissory notes issued by the Fund).

Classification of financial assets

Financial assets are classified in accordance with the following categories:

- financial assets measured at the depreciated production cost;
- financial assets measured at fair value with recognition of revaluation as part of comprehensive income;
- financial assets measured at fair value with recognition of revaluation as part of profit or loss.

Financial asset is classified as one that is measured at depreciated production cost whether the following conditions are fulfilled:

- financial asset is held within the business model, its aim is retention of financial assets for the obtaining of contractual cash flows;
- contractual conditions of the financial asset provides cash flows on certain dates which are exclusively payment of loan principle and interests of the outstanding part of the loan principal.

Financial asset is classified as one that is measured at fair value with recognition of revaluation as part of comprehensive income, whether the following conditions are met:

- financial asset is held within the business-model, its aim is retention of financial assets for the obtaining of contractual cash flows, such as sale of financial assets;
- contract conditions of the financial asset provides cash flows on certain dates, which are exclusively payment of loan principle and interests of the outstanding part of the loan principal.

Financial asset is classified as one that is measured at fair value with recognition of revaluation as part of profit or loss, if:

- financial asset is not classified as one that is measured at the depreciated production cost or such as measured at fair value with recognition of revaluation as part of comprehensive income;
- financial asset is held within the business model, its aim is to obtain cash flow from the asset transaction of the financial assets sale.

The classification of financial assets of the Fund in accordance with the specified categories is based on the business model, which controls the financial assets, as well as on cash flow characteristics of the financial asset under the contract.

Selection of the business model, which controls the financial assets, and testing of cash flow characteristics, defined by the contract conditions is held in accordance with the methodology, approved by the Decision of the Executive Directorate of the Fund No. 3357 dated December 31, 2018.

The reclassification of recognized financial assets shall be carried out, as an exception, only in case of any change in the financial asset management business model. A change in the business model is determined by the Fund's management board because of external or internal changes and must be significant to the Fund's activities and obvious to external parties. The reclassification of financial assets is applied prospectively from the date of reclassification.

Recognition and Evaluation of Financial Instruments

A financial asset or a financial liability is recognized in the Statement of Financial Position only when the Fund becomes a party to the contractual provisions regarding this financial instrument.

Ordinary acquisition or sale of a financial asset is carried out with the use of accounting of the transaction date.

Upon initial recognition, financial assets and financial liabilities are estimated at fair value plus or minus (in case of a financial asset or a financial liability not estimated at fair value with recognition of revaluation of profit or loss) the transaction costs directly attributable to acquisition or issue of the financial asset or liability.

The best evidence of the fair value of a financial instrument upon initial recognition is the transaction price, that is, the fair value of the funds paid or received. If the Fund determines that the fair value of a financial instrument upon initial recognition differs from the transaction price and that fair value is substantiated neither by the quoted price of an identical asset or a liability in an active market, nor by a valuation method that only applies the public market data, such financial instrument is initially estimated at fair value adjusted to the delay of the difference between fair value upon initial recognition and transaction price. Subsequently, this difference is recognized in the profit or loss based on the proper principle during the instrument validity, but until the valuation is fully confirmed by the public market data or when the transaction is closed.

Further measurement of financial assets according to the classification is carried out as follows:

- at depreciated production cost;
- at fair value with recognition of revaluation in other comprehensive income;
- at fair value with recognition of revaluation in the profit or loss.

Financial liabilities are classified and subsequently measured at depreciated production cost.

Financial liabilities shall not be reclassified after the initial recognition.

Impairment of Financial Assets

At the end of each reporting period, financial assets (other than financial assets at fair value with recognition of revaluation in the profit or loss) are reviewed for impairment.

Impairment of financial assets is based on the recognition of the provision of the loss for the expected credit loss according to the financial instruments in the amount that equals:

- expected credit loss during all validity period of the financial instrument – if the credit risk at the reporting date significantly increased compared to the date of initial recognition;
- expected credit losses for 12 months – if the credit risk at the reporting date did not significantly increase compared to the date of initial recognition or conditions, which led to the significantly increase of the credit risk, are not provided.

Provision for the expected credit losses according to the financial investments in the government bonds is based on the methodology of impairment of financial investments in the government bonds, approved by the Decision of the Executive Directorate of the Fund No. 3357 dated 13 December 2018.

Provision for the expected credit losses according to the arrears of insolvent banks and banks liquidated by the Fund, according to the special purpose loans and special purpose loans interest, granted to the insolvent banks, defined in accordance with the Annex 1 "Algorithm of the reimbursement of bank creditor's claims settlement of the Deposit Guarantee Fund to the banks, liquidated by the Fund" to the Methodology for the financial stability assessment of the Deposit Guarantee Fund. Approved by the Decision of the Executive Directorate of the Fund No. 13 dated February 28, 2013 (as amended by the Decision of the Executive Directorate of the Fund No. 3358 dated December 13, 2018) and calculated on the approved liquidation estate of insolvent banks and conversion of the liquidation estate into the cash flow.

Provision for the expected credit losses according to other accounts receivable is calculated with the use of the simplified practical approach during the all validity period of financial instrument with the use of valuation allowance matrix. The measurement of the expected credit losses depends on the number of days of delayed payment of other depreciated production cost.

The amount of the provision is reviewed on each balance sheet date and adjusted (decreased/increased), if necessary. Impairment loss (profit from the utility renewal) is recognized in the profit or loss.

Derecognition

The Fund announces Derecognition of the financial asset when the rights to receive funds from this financial asset expire or when the Fund transfers this financial asset within a transaction under which the Fund transfers virtually all the risks and benefits associated with the ownership of the financial asset or does not transfer or retain virtually all risks and benefits associated with the ownership of the financial asset but ceases to exercise control over the financial asset. The Fund derecognizes the financial liability when its liabilities under the contract are repaid, cancelled or expired.

g) The Fund's liabilities to make payouts to depositors of insolvent banks and banks liquidated by the Fund

Obligation of the Fund to make payouts to the depositors of insolvent banks and banks liquidated by the Fund is a statutory liability that arises in accordance with Article 26 of the Law.

The liability is recognized in the reimbursement amount approved by the Fund Executive Directorate in the Deposit Payout Register as of the date of such approval and recorded on the books in the total amount by insolvent bank.

The obligation of the Fund to make payouts to the depositors whose deposits have the features specified in Article 38 of the Law is recognized in the provision.

The obligation of the Fund to make payouts to the depositors of insolvent banks and banks liquidated by the Fund, which remain unclaimed by depositors as of the date of final payout of guaranteed reimbursement amounts, is recognized in another operating income.

The date of completion of the deposit insurance payout is the date of document submission for making an entry of the bank liquidation in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine.

h) Provision, Contingent Liabilities and Contingent Assets

The provision is recognized in the Statement of Financial Position, when the Fund has a current statutory or constructive liability due to the event that occurred in the past, and when it is probable that repayment of the obligation will result in the outflow of resources that represent economic benefits. If the consequences are significant, the amount of provision is determined by discounting the expected future cash flows using a discount rate, net of tax that reflects the current market measurement of the funds cost over time and the risks inherent in a specific liability.

Provisions of the Fund are classified by the following categories:

- provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts;
- provision for the Fund's potential expenses for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the features specified in Article 38 of the Law;
- provision for potential legal fees of the Fund;
- provision for future expenses on accumulated payment for absence periods (annual leave) of the Fund's employees;
- provision for the expenses, for which, at the time of preparation of financial statements, counterparties have sent no original documents.



Provision for the potential expenses of the Fund for insolvent bank resolution and deposit payouts is determined in accordance with the Methodology for Financial Stability Assessment of the Deposit Guarantee Fund approved by the Decision of the Executive Directorate of the Deposit Guarantee Fund under No. 13 dated February 28, 2013 (as amended by the Decision of the Executive Directorate of the Deposit Guarantee Fund under No. 3358 dated December 13, 2018) and is a projected guaranteed reimbursement amount of deposit payouts during twelve months measured at the expected loss ratio level of the Fund.

Projected guaranteed reimbursement amount of deposit payouts during twelve months is calculated for banks which are not declared insolvent at the reporting date and is the sum of products of guaranteed reimbursement amount of deposit payouts according to the deposit of each bank and the probability that bank will be declared insolvent during twelve months.

When the bank is declared insolvent, the provision for the Fund's potential expenses for the insolvent bank resolution and deposit payouts is disestablished on the next reporting date. The guaranteed reimbursement amount payable to depositors of the insolvent bank is recognized in the liabilities.

Provision for the Fund's potential expenses for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the features specified in Article 38 of the Law, is determined for each insolvent bank in accordance with the list provided by the authorized bank officer in accordance with paragraph 5, Part 2 of Article 27 of the Law, and is the sum of expenditures necessary for repaying the outstanding liability.

The provision is recognized as of the date of the Deposit Payout Register approval and reviewed at the end of each reporting period.

The unexpended balance of the provision is disestablished as of the date of final guaranteed deposit payout.

The date of completion of the payout of the guaranteed reimbursement amounts is the date of the documents submission for making an entry of the bank liquidation in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine.

Provision for the potential legal fees of the Fund is the sum of expenditures necessary to repay the outstanding liability to pay fines, administrative penalties, cash indemnity of losses that may arise as a result of the Fund's breaching or failing to comply with the laws, other regulations, agreements, approved practices, as well as the possibility of ambiguous interpretation thereof.

The provision for the Fund's potential legal fees is calculated because of the following factors: legal authority considering the case; availability of the lower court decision and its content; judicial practice in similar legal relations; reasonable legal stance of the Fund. The amount of potential expenses of the Fund for litigations with high legal risk is recognized at the reporting date in the financial statements (Provisions). The amount of potential expenses of the Fund for litigations with average legal risk is recognized at the reporting date in the Notes to the financial statements.

Provision for the deferred expenses for the cumulative payments of leave periods (annual leave) of the Fund's employees is the expected value of cumulative payments in the form of the additional amount that will be paid as a result of unexercised right accumulated at the end of the reporting absence period.

The amount of provision for the deferred expenses for the cumulative payments of leave periods (annual leave) of the Fund's employees is calculated for each Fund employee and is defined as a product of the average daily salary of the employee and the number of days of annual leave for the actual time of work at the reporting date, given the corresponding amount of the unified social tax accrued.

Provision for the expenses for which, at the time of preparation of financial statements, counterparties have sent no original documents is the estimated amount of expenses for an economic transaction determined in accordance with the internal primary document (act) drawn up by the Fund employee responsible for acceptance/dispatch of inventory, works and services.

When the primary documents are received from counterparties after the preparation and approval of the financial statements, the actual amount of expenses specified in such primary documents may differ from the estimated amount previously recognized in the period when they arose. These differences are not grounds for adjusting the previously recognized amount of expenses, unless such difference is an error and substantially affects the financial statements of the previous reporting periods.

Contingent liability is a potential obligation that results from the past events, and existence of which is confirmed only after one or more uncertain future events not fully controlled by the Fund will or will not occur, or an existing obligation that results from the past events but is not recognized, because there is no probability that the repayment of an obligation requires the disposal of resources that embody economic benefits, or the amount of obligation cannot be reliably measured.

Contingent asset is a potential asset that results from the past events and existence of which will be confirmed only after one or more uncertain future events not fully controlled by the Fund occurs or does not occur.

Contingent assets and contingent liabilities are not recognized in the financial statements.

i) Arrears of Insolvent Banks and Banks Liquidated by the Fund on the Creditors' Claims of the Fund

According to Article 29 of the Law, the Fund acquires the rights of a bank creditor as follows:

- for the total amount to be reimbursed to depositors of such a bank (including paragraphs 3–5, Part 2 of Article 27 of the Law) on the day of commencement of the resolution procedure by the Fund;
- for the amount of the special purpose loan provided to the bank during the provisional administration;
- for the amount of financial support provided by the Fund to the receiving bank or bridge bank;
- for the amount of expenses related to the insolvent bank resolution procedure, which are paid by the Fund within the limits of the cost estimate approved by the Administrative Board of the Fund, including the consolidated sale of assets of the bank being liquidated;
- for the amount of the regular fee accrued but not paid to the Fund, as well as for the amount of arrears of fee payments, penalties and/or fines to the Fund accrued before the day preceding the date of commencement of the liquidation procedure.

The arrears of insolvent banks and banks liquidated by the Fund on the creditors' claims of the Fund are the expected amount of discharging the creditors' claims of the Fund, which is recognized in the financial statements as follows:

- the reimbursement of the Fund's expenses for fulfilling the obligation of the Fund to make payouts to depositors of insolvent banks and cover the expenses for the insolvent bank resolution procedure are recognized as a separate asset;
- outstanding special purpose loans and interest thereon issued to insolvent banks are recognized net of provision for losses from non-repayment of special purpose loans.

The reimbursement amount reduces the expenses associated with fulfilling the obligation of the Fund to disburse payouts to depositors of insolvent banks and cover the expenses associated with the insolvent bank resolution procedure.

Expected amount of creditors' claims repayment is reviewed at the reporting date.

Funds received from insolvent banks and banks liquidated by the Fund to discharge the creditors' claims of the Fund are credited in the following order:

- the first priority is repayment of the outstanding special purpose loan issued to the bank during the provisional administration;
- the second priority is repayment of the interest arrears on the special purpose loan;
- the third priority is repayment of creditors' claims on funds to be reimbursed to depositors (including paragraphs 3–5, Part 2 of Article 27 of the Law);
- the fourth priority is repayment of creditors' claims on the expenses, related to the insolvent bank resolution procedure, spent within the cost estimate approved by the Administrative Board of the Fund, including the consolidated sale of assets of the bank being liquidated;
- the fifth priority is repayment of the arrears on fees, penalty and fines.

The arrears of insolvent banks and banks liquidated by the Fund on the creditors' claims of the Fund that will remain outstanding at the date of completion of the liquidation procedure and exclusion of the bank from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine are bad and shall be written off.

j) Income

Income is classified by the following groups:

- fees from member institutions;
- other operating income;
- investment income.

Fees from Member Institutions

Income from member institutions fees includes the following: initial fees; regular fees; special fees; additional fees for the past periods.

The fee is charged in accordance with the Regulation on the Procedure for Calculation, Accrual, and Payment of Fees to the Deposit Guarantee Fund approved by the Decision of the Executive Directorate of the Fund under No. 1 dated July 2, 2012 and registered with the Ministry of Justice of Ukraine under No. 1273/21585 on July 27, 2012.

The initial fee is determined at the date of the banking license issue based on the Initial Fee Calculation Report provided by the member institutions. The amount of the initial fee is 1 % of the share capital of the bank, except in cases stipulated by law. The initial fee is paid within thirty calendar days from the date of issue of the banking license.

The regular fee is determined under the accrual principle on a quarterly basis on the last day of the reporting quarter based on the Regular Fee Calculation Report provided by the member institutions.

The amount of regular fee depends on the deposit base and the risk level of the bank. The member institutions calculate the fees as of the end of the last working day of the reporting quarter by weighing the base annual rate, which is 0.5 % of the charging base of deposits in national currency and 0.8 % of the charging base of deposits in foreign currency, at the risk level. The charging base for the regular fee calculation is defined as the arithmetic average for the calculation period of daily balances on the accounts of deposits and interest thereon. The calculation period for determining the charging base is the reporting quarter of the current year. The regular fee is paid to the Fund on a quarterly basis by the 15th day of the month following the reporting quarter.

The regular fee for the past periods additionally charged on the results of the inspection of the member institution is recognized within the period of its detection. However, if at the reporting date or date of approval of statements the Fund reliably knew about the actual facts related to violations of regular fee calculation by the bank, such adjustments shall be recorded on the books in the reporting period.



The regular fee of the member institutions, regarding which the National Bank of Ukraine decided to revoke the banking license and liquidate the bank, is recognized on the day preceding the introduction of the bank liquidation procedure. Accordingly, no regular fees are charged since the date of introduction of the liquidation procedure.

The arrears of liquidated banks on fees to the Fund are a non-financial monetary asset. This asset is reviewed at the end of the reporting period for impairment. If there is an objective evidence of impairment or impossibility to obtain an asset, the impairment loss is recognized with the formation of the provision for losses.

The provision for impairment losses is created based on the individual assessment of certain debtors.

The amount of loss is determined as the difference between the book value of the asset and the present value of pre-estimated future cash flows. The amount of loss is recognized in the profit or loss. The amount of provision is reviewed on each balance sheet date and adjusted (decreased/increased), if necessary.

Special fee is assigned by the Fund in the following cases:

- reduction of the minimum amount of the Fund's funds below 2.5 % of the depositors' funds guaranteed by the Fund within the reimbursement amount, taking into account the amount of fees from the member institutions to be received during the current quarter, or the risk of a substantial decrease in the funds of the Fund;
- necessity to repay borrowed loans.

The total amount of the special fee paid by a member institution during a year shall not exceed the amount of the regular fee this member institution paid for the previous year.

The special fee is recognized for the periods specified in the decision of the Executive Directorate of the Fund on application of special fee to the banks.

Other Operating Income

Other operating income includes the following:

- penalty (fines, penalties) for violation of the Law;
- income in the form of interest on special purpose loans issued to insolvent banks;
- income from the implementation of measures specified in the resolution plan, in particular, from the sale of an insolvent bank, liquidation of the bank;
- other income.

Interest income is recognized during the reporting periods when it occurred by the effective interest method. After writing off a part of the financial asset or a group of similar financial assets as a result of impairment losses, interest income is determined based on the interest rate used to discount future cash flows for the purpose of evaluating the impairment losses.

Other income is recognized, if a separate transaction definitely increases the economic benefits.

Investment Income

Investment income includes the following:

- income from interest accrued by the National Bank of Ukraine on balances on the Fund's accounts opened with the NBU;
- income from the Fund's investments in government securities of Ukraine;
- income in the form of interest on loans granted to the Fund's employees.

Interest income is recognized during the reporting periods when it occurred by the effective interest method.

k) Expenses

Expenses are classified by the following groups:

- provision for the formation of the Fund's potential expenses for insolvent bank resolution and deposit payouts;
- expenses for fulfilling the obligation of deposit payouts and bank resolution;
- expenses for the provision of impairment losses on financial assets;
- other operating expenses;
- financial expenses;
- administrative expenses;
- other expenses.

Other operating expenses include the following:

- expenses for litigation;
- expenses for the provision of the potential legal fees of the Fund;
- expenses for the provision of the Fund's potential expenses for payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the features specified in Article 38 of the Law;
- expenses due to the writing off bad debts of insolvent banks, which remained outstanding on the date of completion of the liquidation procedure of the bank and its exclusion from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations;
- other operating expenses.

Financial expenses include the following:

- expenses for interest payment on using the loans of the National Bank of Ukraine and the State;
- expenses related to the issue, retention and circulation of the Fund's securities;
- interest expenses on lease obligations;
- other financial expenses.

Other financial expenses include discount on reimbursement of the Fund's expenses for deposit payouts and bank resolution to be received from insolvent banks and banks liquidated by the Fund.

Other expenses include the following:

- non-current assets disposal losses
- non-current asset impairment losses
- impairment losses on financial assets measured at amortized cost
- impairment losses on financial assets measured at fair value by revaluation of other comprehensive income
- depreciated book value of financial assets estimated at fair value by revaluation of profit and loss.

Expenses are recorded on the books and statements based on the income-and-expense matching principle. The expenses not matching to the income of a particular period are recognized in the reporting period in which they were incurred.

Interest expenses are recognized during the reporting periods when they occurred by the effective interest method.

l) Lease

On concluding an agreement, the Fund assesses whether the lease agreement as a whole or its individual components is a lease agreement. The contract as a whole or its individual components is a lease agreement if the contract transfers the right of control over the use of the identified asset for a certain period of time in exchange for compensation.

The Fund, as a lessee, applies a single approach to the recognition and measurement of all leases, except for short-term leases and leases in which the underlying asset has a low value. The underlying asset has a low value if the fair value of this asset in the new condition is less than or equal to UAH 30,000.00. Lease payments on such leases are expenses for the period that are distributed on a straight-line basis over the lease term.

At the date of the lease commenced, the Fund recognizes the asset in the form of right of enjoyment and lease liability. At the date of recognition, the asset in the form of right of enjoyment is measured at basic value, and the lease liability is measured at the present value of the lease payments not paid at that date.

Lease payments are discounted at the rate specified in the lease agreement, if such a rate can be easily determined. Otherwise, the Fund uses the average interest rate for the last three months on long-term loans in the national currency for business entities, published on the official website of the National Bank of Ukraine, as a discount rate.

Subsequently, the Fund measures the asset in the form of right of enjoyment according to the cost model: the basic value of the asset in the form of right of enjoyment less the accumulated depreciation and accumulated impairment losses. Balance value of the asset in the form of right of enjoyment is adjusted by the amount of lease liability revaluation.

Depreciation of an asset in the form of right of enjoyment is carried out on a straight-line basis over the shortest period of time: useful life or lease term.

The lease liability is subsequently estimated at depreciated cost through the effective interest method. The balance value of the lease liability is increased by the amount of interest on the lease and decreased by the amount of the lease payments made.

Book value of the lease liability is revalued due to: the change in the lease term; revaluation of the probability of exercising the option to acquire the underlying asset; revaluation of amounts to be paid under liquidation value guarantees; revaluations of fixed payments and variable lease payments that depend on the index or rate.

In the statement of financial position, the asset in the form of right of enjoyment is presented in the same line in which the relevant underlying assets would be presented as if they were the property of the Fund.

4. Main Accounting Estimates and Judgments Used for Accounting Policies Application

The preparation of financial statements according to the IFRSs requires the management to formulate judgements, estimates and assumptions that affect the application of accounting policies, the amounts of assets and liabilities, income and expenses recognized in the financial statements.

The estimates and assumptions they are based on are reviewed regularly. The results of accounting estimates review are recognized in the period they were reviewed, as well as in all subsequent periods affected by such estimates.

Information on important judgements used in applying accounting policy principles, which have the greatest impact on the amounts recognized in the financial statements and may lead to a significant adjustment of the reporting data in the following fiscal year, is disclosed in the following notes:

- Note 8: Financial investments;
- Note 11: Arrears of insolvent banks and banks liquidated by the Fund on the creditors' claims of the Fund;
- Note 14: Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts.

5. Standards Published But Not Yet In Force

The standards below have been published but as of December 31, 2019 have not entered into force yet:

- Amendments to IAS 1 and IAS 8 are designed to facilitate understanding of the definition of materiality in IAS 1, but are not specified for the change of the main conception of materiality in standards. The definition of materiality in IAS 8 was replaced by the reference to IAS 11;
- Amendments to references to the Conceptual framework of the IFRS – Amendments to references to the Conceptual framework of the IFRS1;
- Amendments to IFRS 3 Business combination¹;
- IFRS 17 — Insurance Contracts: a new standard for financial statements for insurance contracts, which addresses issues of recognition and measurement, presentation and disclosure of information²;
- Amendments to IFRS 10 — Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³.

1 – Effective for annual periods that start on or after January 1, 2020. Pre-term application is allowed.

2 – Effective for annual periods that start on or after January 1, 2021. Pre-term application is allowed.

3 – Effective for annual periods that start on or after the date to be determined. Pre-term application is allowed.

The management board plans to apply these standards from the effective date.

According to the Fund's estimates, application of these new standards and amendments shall not have a significant influence on financial position or operating results of the Fund.

6. Influence of the First Adoption of New Standards

IFRS 16 Lease

Since January 1, 2019 the Fund applied IFRS 16 Lease which replaced the lease accounting requirements of IAS 17 — Leases, IFRIC 4 — Determining Whether an Arrangement Contains a Lease, SIC 15 — Operating Leases — Incentives and SIC 27 — Evaluating the Substance of Transactions in the Legal Form of a Lease.

The principles of the accounting for recognition, evaluation, accounting and provision of lease in the Fund's financial reporting are given in the Note 3.

The Fund has used practical simplification and no reevaluation as to whether the lease as a whole or its components is a lease agreement at the date of first adoption. The new standard has been applied to the contracts that have previously been identified as leases using IAS 17 – Lease, IFRIC 4 – Determining Whether an Arrangement Contains a Lease.

The Fund has applied the standard in retrospective way recognizing the cumulative effect of the first adoption of the standard recognized at the date of first adoption without recalculating comparative information.

As of January 1, 2019, for leases that were previously classified as operating leases in accordance with IAS 17, the Fund recognized a lease obligation and an asset in the form of a right of enjoyment.

The Fund has measured the lease liability at its present value of unpaid lease payments, discounted at the weighted average rate of additional borrowings at the date of first application at 19.0%. The Fund applied a single discount rate to all leases with similar characteristics.

The asset in the form of a right of enjoyment is measured by the Fund at the amount of the lease liability, adjusted for any advance payments or accrued lease payments associated with the lease recognized in the statement of financial position right before the date of first application.

The application of the new standard has had no impact on the financial result and net assets of the Fund as of January 1, 2019.

An explanation of the differences between operating lease obligations disclosed under IAS 17 as of December 31, 2018 and lease liabilities recognized in the financial statements as of January 1, 2019 is given in the table below:

	<i>(UAH million)</i>
Operating lease obligations as of December 31, 2018	11
Weighted average rate of additional borrowings as of January 1, 2019	19,0%
Discounted contract obligations under operating lease as of January 1, 2019	10
Short-term lease	-
Lease of the underlying asset with low value	-
Lease obligations as of January 1, 2019	10

Other new standards and amendments:

- IFRIC 23 Uncertainty over Income Tax Treatments ;
- Amendments to IAS 9 Financial instruments – Characteristics prepayment with negative compensation;
- IAS 28 Investments in Associates and Joint Ventures – explanation of the decision to evaluate investment projects at fair value through profit or loss shall be applied separately to each investment;
- Amendments to IAS 19 Employee benefits (February 2018) – Amendments, reduction or maturity of pension plans;
- Annual improvements to IFRSs for the period of 2015–2017.

Application of the standards revised and amendments mentioned above have no significant influence of financial position or operating results of the Fund.

7. Cash and Cash Equivalents

Cash and cash equivalents are held on the current account of the Fund with the NBU.

Property rights on future cash flows in the amount of UAH 10,963 m are pledged under the Fund's liabilities on loan agreements with the NBU (Note 18).

<i>(UAH million)</i>	31 Dec 2019	31 Dec 2018
Cash on current account	2,498	7,082
Cash and cash equivalent total	2,498	7,082



8. Financial Investments

Financial investments represented by the government bonds, that the Fund classifies according to the business model as financial investments at the depreciated production cost and financial investments at fair value with recognition of the revaluation as part of other comprehensive income.

(UAH million)	31 Dec 2019	31 Dec 2018
Financial investments at the depreciated production cost	3,447	1,765
Financial investments at fair value with recognition of the revaluation as part of other comprehensive income	5,723	5,492
Total	9,170	7,257

Financial investments at the depreciated production cost

Financial investments at the depreciated production cost, represented by the government bonds purchased by the Fund in 2019, and are held by the Fund within the business model, its aim is retention of financial assets for the obtaining of contractual cash flows. The contract cash flows under these financial assets are payments of the principal amount and interests to the unpaid part of the principal amount.

The book value of financial investments at the depreciated production cost includes the accrued interest due in the amount of UAH 158 million (December 31, 2018: UAH 107 million).

(UAH million)	Effective interest rate	Maturity date	31 Dec 2019	31 Dec 2018
UA4000178891	14,25%	09/01/2019	-	747
UA4000179196	14,25%	23/01/2019	-	1,018
UA4000157671	16,30%	12/02/2020	210	-
UA4000165773	16,03%	08/04/2020	504	-
UA4000171094	16,92%	08/07/2020	698	-
UA4000196620	16,44%	15/01/2020	654	-
UA4000202469	14,953%	30/09/2020	1,054	-
UA4000203244	17,30%	29/01/2020	327	-
Total			3,447	1,765

Financial investments at fair value with recognition of the revaluation as part of other comprehensive income

Financial investments at fair value with recognition of the revaluation of other comprehensive income represented by the government bonds which the Fund received as a loan from the Ministry of Finance of Ukraine in 2016 in exchange for promissory notes, issued by the Fund for the same amount (Note 18).

The book value of financial investments measured at fair value with recognition of revaluation as part of comprehensive income includes accrued interest for a total amount of UAH 122 million (December 31, 2018: UAH 121 million).

The financial assets are held by the Fund within the business model; its aim is retention of financial assets for obtaining of contractual cash flows such as sale of financial assets.

The Fund plans to implement these financial investments when and if it is necessary to obtain liquid assets to meet its obligations on compensation payout to depositors and expenses incurred for bank resolution. Last time the Fund sold part of such bonds worth UAH 2,500 million was in 2017.

(UAH million)	Effective interest rate	31 Dec 2019	31 Dec 2018
UA4000196513	10,27%	4,234	4,060
UA4000196521	10,27%	1,489	1,432
Total		5,723	5,492

Impairment of financial investments

The Fund regularly reviews financial investments at the depreciated production cost and financial investments at fair value with recognition of the revaluation as part of other comprehensive income for possible impairment.

To determine the need for the cost recognition of provision for expected credit losses, the Fund's management board uses professional judgment of the signs indicating a

significant increase in credit risk and a decrease in future cash flows for such securities. These signs may include data characterizing the negative change in the issuer's solvency. Domestic government bonds denominated in the national currency are considered conditionally free of credit risk. The probability of government securities default within 12 months and for the entire term of the financial instrument is considered to be close to zero.

9. Accounts Receivable from Member Institutions' Fees

Accounts receivable from member institutions' fees are represented by receivables from the regular fees payable by the banks in accordance with Article 22 of the Law.

The Fund recognizes the accounts receivable from regular fees on a quarterly basis based on the Regular Fee Calculation Report provided by the member institutions. The arrears on regular fees shall be repaid by the bank by the 15th day of the month following the reporting quarter.

The regular fee of the member institutions, regarding which the National Bank of Ukraine decides to revoke the banking license and liquidate the bank, is recognized on the day preceding the introduction of the bank liquidation procedure. Accordingly, no regular fees are charged since the date of the liquidation procedure introduction.

(UAH million)	31 Dec 2019	31 Dec 2018
Accounts receivable from the member institutions' fees	1,006	893
Accounts receivable from the insolvent banks' fees	254	321
Total accounts receivable from the banks' fees, gross amount	1,260	1,214
Impairment loss:		
Arrears of the insolvent banks' fees	(254)	(321)
Total impairment loss	(254)	(321)
Total accounts receivable from the banks' fees, net amount	1,006	893

Accounts receivable from the insolvent banks' fees as of December 31, 2019, December 31, 2018 were revised for impairment due to the existence of objective evidence that it was impossible to obtain an asset. Funds received from insolvent banks are credited to repayment of receivables

from the contributions last of all the other creditors' claims of the Fund to insolvent banks. The provision for impairment losses is established at a rate of 100 % of receivables from the insolvent banks' fees.

10. Other Accounts Receivable

(UAH million)	31 Dec 2019	31 Dec 2018
Advances paid out	9	6
Accounts receivable from the sale of insolvent banks	2	2
Other	4	6
Total other accounts receivable, gross amount	15	14
Exclusive of: impairment loss	(4)	(2)
Total other accounts receivable, net amount	11	12

11. Arrears of Insolvent Banks on the Creditor's Claims of the Fund

The arrears of insolvent banks and banks liquidated by the Fund on the creditors' claims of the Fund are the expected amount of discharging the creditors' claims of the Fund, which is recognized in the financial statements as follows:

- the reimbursement of the Fund's expenses for fulfilling the obligation of the Fund to make payouts to depositors of insolvent banks and cover the expenses for the insolvent bank resolution procedure are recognized as a separate asset;
- outstanding special purpose loans and interest thereon issued to insolvent banks are recognized net of provision for losses from non-repayment of special purpose loans.

Key assumptions and judgements for assessing the arrears of insolvent banks on creditors' claims of the Fund

The assessment of the arrears of insolvent banks and banks liquidated by the Fund on the creditors' claims of the Fund provides for the assessment of the expected amount of discharging the creditors' claims of the Fund.

The management board assesses the expected amount of discharging the creditors' claims of the Fund based on the approved liquidation estate of insolvent banks and conversion of the liquidation estate into the cash flow.

The management board has made key assumptions and judgements regarding the following:

- expected time of cash flows;
- conversion rate of the liquidation pool into the cash flow;
- discount rates to estimate the arrears of insolvent banks on the creditors' claims of the Fund according to the expected time of cash flow.

Expected time of cash flow

The management board of the Fund assumes that cash flows from banks under liquidation will be received within 5 years after the start of liquidation. After five years from the date of bank liquidation, no cash inflows are expected.

Conversion rate

The conversion rate is used to project the future cash flows the Fund expects to receive from the liquidation of banks. The conversion rate for a given year is calculated as the ratio of the proceeds to the banks from sale and management of assets to the liquidation pool for all banks in total. To calculate the conversion rate of the liquidation estate in the cash flow over the years, the Fund used the actual historical information regarding the proceeds available at the date of assessment for all banks liquidated by the Fund. At the reporting date, future cash flows are projected on a monthly basis for each bank separately, taking into account the remaining period until the projected liquidation completion date, the liquidation estate and the conversion rate.

Conversion rates used to estimate the arrears of insolvent banks on the creditors' claims of the Fund according to the expected time of cash flow are the following:

(%)	31 Dec 2019	31 Dec 2018
1 year in liquidation	13,42	12,95
2 year in liquidation	9,90	9,69
3 year in liquidation	10,34	10,88
4 year in liquidation	6,67	8,90
5 years in liquidation	7,68	3,62

Discount rate to calculate the expected amount of reimbursement of the Fund's expenses for the liquidation procedure

As a discount rate for the calculation of the expected amount of reimbursement of the Fund's expenses for the liquidation procedure, the Fund used the spot rate calculated on the basis of the zero coupon yield curve for the Ukrainian government bonds (OVDPs) denominated in UAH for the period that corresponds to the period from the reporting date to the expected time of cash flow. The zero coupon yield curve was calculated using the methodology of the National Bank of Ukraine developed on the basis of the Nelson-Siegel parametric model.

The discount rates used to estimate the arrears of insolvent banks on the creditors' claims of the Fund according to the expected time of cash flow are as follows:

(%)	31 Dec 2019	31 Dec 2018
1 year in liquidation	11,68	18,19
2 year in liquidation	11,42	17,42
3 year in liquidation	11,17	16,35
4 year in liquidation	10,92	15,18
5 years in liquidation	10,67	12,97

Discount rate to calculate the provision for losses from failure to return a special purpose loan granted to the banks

As a discount rate for the calculation of the provision for losses from the failure to return the special purpose loan provided to the banks, the Fund used the rate for specific special-loan agreements, which ranged within 6.5 % to 14.2 % per annum.

The arrears of insolvent banks on the creditors' claims of the Fund is given in the financial statements:

(UAH million)	31 Dec 2019	31 Dec 2018
Arrears of insolvent banks on the creditor's claims of the Fund:		
Reimbursement of the Fund's expenses for deposit payouts and bank resolution	904	1962
Arrears of insolvent banks on special purpose loans, net amount	2,715	2,515
Arrears of insolvent banks on the creditor's claims of the Fund total, net amount	3,619	4,477

The reimbursement of the Fund's expenses for deposit payouts and bank resolution reduces the expenses for the Fund's deposit payout and bank resolution obligation (Note 22).

The arrears of insolvent banks on special purpose loans are given in the statements in the net amount less the provision for losses from purpose-loan default.

(UAH million)	31 Dec 2019	31 Dec 2018
Arrears of insolvent banks on special purpose loans:		
Arrears of insolvent banks on special purpose loans, gross amount	15 197	21 129
Provision for losses from special purpose loan default	(12 482)	(18 614)
Total arrears of insolvent banks on special purpose loans, net amount	2,715	2,515

Flow of the provision for impairment losses of the arrears of insolvent banks on special purpose loans for the reporting period is given as follows:

(UAH million)	2019	2018
Provision for impairment losses from the arrears of insolvent banks on special purpose loans at the beginning of the reporting period	18,614	19,121
Provision formed	-	1,547
Provision reversed	(3,068)	(985)
Write-off at the expense of the provision	(3,064)	(1,069)
Provision for impairment losses from the arrears of insolvent banks on special purpose loans at the end of the reporting period	12,482	18,614

Analyzing sensitivity of the arrears of insolvent banks on the creditor's claims of the Fund to the changes in key assumptions

Reasonably possible changes in one of the key assumptions at the reporting date, provided that other assumptions remain unchanged, would have an impact on the arrears of insolvent banks on the Fund's creditors' claims by the amounts below.

(UAH million)	2019		2018	
	Increase	Decrease	Increase	Decrease
Expected reimbursement amount of the Fund's expenses for the liquidation procedure				
Discount rate (change by 1%)	(1)	1	(31)	31
Conversion rate (change 10%)	109	(109)	167	(166)
Amount of provision for losses from failure to return a special purpose loan granted to the banks				
Discount rate (change by 1%)	0	0	0	0
Conversion rate (change by 10%)	(282)	282	(285)	286

12. Fixed assets

(UAH million)	Computers and equipment	Vehicles	Furniture and supplies	Other fixed assets	Total
Acquisition value as of December 31, 2017	38	1	2	-	41
Accumulated depreciation as of December 31, 2017	(6)	(1)	(2)	-	(9)
Net book value as of December 31, 2017	32	-	-	-	32
Proceeds	13	-	-	-	13
Disposals	-	-	-	-	-
Accumulated depreciation on disposed fixed assets	-	-	-	-	-
Depreciation	(7)	-	-	-	(7)
Acquisition value as of December 31, 2018	51	1	2	-	54
Accumulated depreciation as of December 31, 2018	(13)	(1)	(2)	-	(16)
Net book value as of December 31, 2018	38	-	-	-	38
Proceeds	6	-	-	10	16
Disposals	-	-	-	-	-
Accumulated depreciation on disposed fixed assets	-	-	-	-	-
Depreciation	(8)	-	-	(6)	(14)
Acquisition value as of December 31, 2019	57	1	2	10	70
Accumulated depreciation as of December 31, 2019	(21)	(1)	(2)	(6)	(30)
Net book value as of December 31, 2019	36	-	-	4	40

The initial value of fully depreciated fixed assets, which are still being used, is UAH 5 million (December 31, 2018: UAH 3 million).

Other fixed assets are presented in the form of the right of enjoyment at initial value of UAH 10 million (Note 28).

13. Intangible assets

(UAH million)	Software	Total
Acquisition value as of December 31, 2017	27	27
Accumulated depreciation as of December 31, 2017	(5)	(5)
Net book value as of December 31, 2017	22	22
Proceeds	16	16
Disposals	(1)	(1)
Accumulated depreciation on disposed intangible assets	(1)	(1)
Depreciation	(5)	(5)
Acquisition value as of December 31, 2018	42	42
Accumulated depreciation as of December 31, 2018	(9)	(9)
Net book value as of December 31, 2018	33	33
Proceeds	29	29
Disposals	(1)	(1)
Accumulated depreciation on disposed intangible assets	(1)	(1)
Depreciation	(9)	(9)
Acquisition value as of December 31, 2019	70	70
Accumulated depreciation as of December 31, 2019	(17)	(17)
Net book value as of December 31, 2019	53	53

14. Provision for the Fund's Potential Expenses for Insolvent Bank Resolution and Deposit Payouts

In 2019 the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts is measured according to the Financial Stability Assessment Methodology of the Deposit Guarantee Fund approved by the Decision of the Executive Directorate of the Fund No. 13 dated February 28, 2013 (as amended by the Decision of the Executive Directorate of the Deposit Guarantee Fund No. 3358 dated December 13, 2018).

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts is a projected guaranteed amount of deposit payouts to depositors of the banks, measured for the next 12 months, weighted by the ratio of the expected losses of the Fund.

Projected guaranteed amount of deposit payouts during 12 months is the amount of products of the guaranteed amount of deposit payouts of every bank and the probability of declaring the bank insolvent during 12 months.

The guaranteed amount of deposit payouts is measured according to the data of the retail deposits report – Reporting Form No. 1Ф; the form is approved by the Decision of the Executive Directorate of the Deposit Guarantee Fund No. 5 as of July 9, 2012, registered in the Ministry of Justice on August 2, 2012 under No. 1314/21626, that is provided for the member institutions at the reporting date.

Key assumptions and judgements used in the estimation of the amount of provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts

Formation of the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts involves an assessment of the two components by the Fund management board:

- probability for the banks to be declared insolvent;
- expected loss ratio of the Fund.

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts has been influenced by the assessment of these components, because they (a) are highly exposed to changes from time to time, and (b) may have a significant impact.

Probability of declaring the bank insolvent

The probability of declaring the bank insolvent is measured according to the following algorithm:

- measurement of the bank's risk level with the use of the bank scoring model
- according to the risk level, the bank is added to the group of banks by intervals of scoring points (previously-determined according to the scoring measurement of banks and actual bank defaults);
- the bank is assigned the probability of declaring as insolvent, taking into account the impact of the macroeconomic environment, which is determined for the group of banks at intervals of scoring points according to the internal statistics of the Fund on the actual level of bank defaults and taking into account the average level of defaults over the economic cycle. If there are objective factors for the possibility of negative changes in the macroeconomic environment, the Fund determines the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts in the amount necessary to cover the expected losses during the crisis years. For this purpose, the probability of default for the crisis period is determined by the scoring point for each group.

Measurement of the bank's risk level is estimated according to the scoring model by three blocks: financial and economic condition; liquidity; external influence.

These blocks contain a set of indicators, the total value of which determines the bank's risk level. Maximum total number of points of a particular bank by blocks is 100 points, which equals to 100 % bank risk level.

The financial and economic block has 10 indicators, each of them is weighted to the certain rate: cover of risk arrears by equity, ability to generate income, the portfolio quality, adequacy of the accumulated provisions for loans, calculation of the amount of received collateral in the form of real estate, rational management of resources, loss level, net interest and fee-based income to net assets, net spread, part of non-performing assets. Maximum number of points for this block is 50 points.

The liquidity block has 7 indicators, the aggregate of which allows to assess the bank risk level of liquidity loss and, as a result, inability to fulfil obligations to creditors. Maximum number of points gained for the liquidity is 30 points.

These indicators include: interest rate on raised term funds in national currency, total value of liabilities, growth rate of liabilities, balance of cash flows, adequacy of funds, imbalance rate by maturity of assets and liabilities, and availability of documents of bank clients not executed in time due to the bank's fault (presence of amounts on this indicator increases the risk of liquidity disturbance to the maximum level that is why the bank gains 30 points for this block.

The external influence block has 12 indicators, each of which has the appropriate number of points. The external influence block is intended to take into account the negative factors that may affect the probability of declaring the bank insolvent. These indicators include: application of measures of influence or detection of violations, restriction, suspension or termination of transactions of certain types, availability of information from the NBU on violation of prudential regulations, provision a special regime of control over the activity and/or appointment of a curator implemented by the NBU, information on the ratings of the parent company of the bank and others. Total number of points for the external influence block is calculated by summing up the points gained by the bank in this block, but shall not exceed 20 points.

Expected Loss Ratio

The expected loss ratio is calculated on the basis of accumulated statistics on insolvent banks that were declared subject to liquidation after 1 January 2013 and the liquidation has already been completed or continued for at least one year as of the reporting date. It is calculated as the ratio of the creditor's claims balance to the banks liquidated at the reporting date, decreased by the expected amount of creditor's claims maturity at the reporting date and the total amount of the filed creditors' claims of the Fund.

The provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts is given in the financial statements:

(UAH million)	2019	2018
Provision for the Fund's potential expenses at the beginning of the period	6,474	22,397
Increase/decrease in the provision for the Fund's potential expenses	(792)	(15,923)
Provision for the Fund's potential expenses at the end of the period	5,682	6,474

Analyzing sensitivity of the provision amount for the Fund's potential expenses for bank resolution and deposit payouts to the changes in key assumptions

Reasonably possible changes in one of the key assumptions at the reporting date, provided that other assumptions remain unchanged, would have an impact on the provision for the Fund's potential expenses for bank resolution and deposit payouts by the amounts below.

(UAH million)	31 Dec 2019		31 Dec 2018	
	Increase	Decrease	Increase	Decrease
Provision for the Fund's potential expenses				
Probability of insolvency (change by 1%)	57	(57)	771	(771)
Expected loss ratio (change by 1%)	57	(57)	89	(89)

15. The Fund's Liabilities to Make Payouts to the Depositors of Insolvent Banks

Obligation of the Fund to make payouts to the depositors of insolvent banks and banks liquidated by the Fund is a statutory liability that arises in accordance with Article 26 of the Law.

The Fund guarantees deposit payouts to each depositor of the bank. The funds are reimbursed in the amount of the deposit, including interest, as of the commencement date of the bank resolution procedure by the Fund, but within the maximum deposit payout limit set on that date, regardless of the number of deposits at the same bank. The maximum deposit payout limit for 2018 and 2019 amounted to UAH 200.000.00.

The Fund begins to fulfil its obligations to depositors no later than 20 working days (30 working days for banks whose depositors database contains information on more than 500.000 accounts) from the commencement date of the bank resolution procedure by the Fund and ends on the date of submitting the documents for making an entry on liquidation of the bank as a legal entity in the Unified State Register of Legal Entities.

As of December 31, 2019, the financial statements represent the Fund's obligations to depositors of 50 banks (December 31, 2018: 78 banks).

In 2019, the Fund completed the deposit payouts in 30 insolvent banks, due to the completion of the liquidation of these banks and entries on the bank liquidation made in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations. Liabilities of the Fund remaining unclaimed by depositors in the amount of UAH 361 million have been charged off and recognized in other operating income (Note 21).

The movement of the Fund's liabilities for making deposit payouts to the insolvent banks's depositors and banks under liquidation by the Fund is presented as follows:

(UAH million)	2019	2018
Liabilities to make deposit payouts at the beginning of the reporting period	3,710	3,395
Accruals of the liability to make deposit payouts	267	1,000
Increased liability due to the provision for the Fund's potential expenses on repayment of void deposits	442	305
Decreased liability at the reimbursement amount paid to the depositors	(883)	(979)
The liability write-off due to the termination of the liquidation procedure	(361)	(11)
Liabilities to make deposit payouts at the end of the reporting period	3,225	3,710

16. Other Accounts Payable

Other accounts payable are represented by the lease obligation (Note 28), deferred income and other payables that include prepaid fees of member institutions, etc.

<i>(UAH million)</i>	31 Dec 2019	31 Dec 2018
Lease obligations	3	-
Deferred income	4	1
Other	1	1
Total Other Accounts Payable	8	2

17. Other provisions

Other provisions are represented by the provision for deferred expenses for accumulated payment for absence periods (annual leave) of the Fund employees, provision for potential legal fees of the Fund, the Fund's potential

expenses for payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the features specified in Article 38 of the Law.

<i>(UAH million)</i>	Provision for the deferred expenses for annual leave of the Fund's employees	Provision for the Fund's potential legal fees	Provision for expenses to make payouts of deposits with signs of voidness	TOTAL
Balance as of December 31, 2017	14	53	1,878	1,945
Accrued (formed)	21	-	-	21
Used in the reporting year	(19)	-	(305)	(324)
Reversed in the reporting year	-	(1)	(71)	(72)
Balance as of December 31, 2018	16	52	1,502	1,570
Accrued (formed)	25	1	-	26
Used in the reporting year	(22)	-	(442)	(464)
Reversed in the reporting year	-	-	(616)	(616)
Balance as of December 31, 2019	19	53	444	516

18. Funds Raised

(UAH million)	Effective interest rate	31 Dec 2019	31 Dec 2018
Loans granted by the NBU:			
Maturity up to 1 year	12,5%	-	1,460
Interest due on loans granted by the NBU	-	-	-
Total loans granted by the NBU		-	1,460
Promissory notes issued:			
Maturity up to 1 year	-	-	-
Maturity over 1 year	8,4%	49,441	58,559
Interest due on promissory notes issued	-	17,076	12,646
Total promissory notes issued		66,517	71,205
Total Funds Raised		66,517	72,665

Loans granted by the National Bank of Ukraine

In January 2019, the Fund completed the loan repayment to the National Bank of Ukraine under the loan agreements of 2014, according to the Regulation "On Loan Services by the National Bank of Ukraine (hereinafter – the NBU) to the Deposit Guarantee Fund" approved by Resolution of the Board of the National Bank of Ukraine No. 95 dated March 18, 2013 (hereinafter – the Resolution).

In January 2019, in accordance with the Resolution and in order to cover the temporary fund deficit of the Fund to make deposit payouts to the depositors, the Fund entered into a loan agreement with the NBU to open a revolving credit line in the amount of UAH 2,000 million at a nominal interest rate of 18.0%, equal to the discount rate of the NBU on the date of the loan agreement. According to the terms of the loan agreement, the loan funds are provided by the NBU in tranches at the request of the Fund with a request to obtain a loan. During 2019, the Fund did not apply to the NBU for a loan.

To ensure the fulfillment of contractual obligations under the loan agreement on opening a revolving credit line for the Fund, the Fund pledged property rights to the NBU for future cash proceeds to the Fund's current account with the NBU, valued at UAH 10.963 million.

Promissory notes issued

In conformity with the resolution of the Cabinet of Ministers of Ukraine No. 559 dated July 18, 2018, during 2019 the Fund repaid promissory notes in the amount of UAH 9.118 million issued by the Fund in 2014 in exchange for a loan in the form of the government bonds in the amount of UAH 10.118 million received by the Fund from the Ministry of Finance of Ukraine, in accordance with Article 2311 of the Law of Ukraine «On the State Budget of Ukraine for 2014» and the Resolution of the Cabinet of Ministers of Ukraine No. 456 dated September 17, 2014 «On Loans Granted to the Deposit Guarantee Fund». Concurrently with the early redemption of promissory notes, the Fund repaid interest on promissory notes in the amount of UAH 506 million.

As of December 31, 2019 in the financial statements of the Fund promissory notes issued are presented:

by promissory notes issued by the Fund in 2015 in exchange for a loan in the form of the government bonds in the amount of UAH 41,500 million, received by the Fund from the Ministry of Finance of Ukraine, in accordance with Article 17 of the Law of Ukraine «On State Budget of Ukraine for 2015» No. 156 dated April 4, 2015 "On Loans Granted to the Deposit Guarantee Fund" and the Resolution of the Cabinet of Ministers of Ukraine No. 701 dated September 8, 2015 "On Loans to the Deposit Guarantee Fund". The average nominal rate for promissory notes issued is 11.57%, interest on promissory notes is accrued monthly, but interest is paid on the maturity date of the promissory note. The average effective rate for promissory notes issued in 2015 is 7.66%, maturity dates are in the year 2026 and 2028. The domestic government bonds received were sold in 2015 to fulfill the Fund's obligation to pay compensation to the insolvent banks' depositors and banks under liquidation by the Fund;

by promissory notes issued by the Fund in 2016 in exchange for a loan in the form of the government bonds in the amount of UAH 7.941 million, received by the Fund from the Ministry of Finance of Ukraine, in accordance with Article 17 of the Law of Ukraine «On State Budget of Ukraine for 2016» and the Resolution of the Cabinet of Ministers of Ukraine No. 1003 dated December 28, 2016 №1003 «On Loans Granted to the Deposit Guarantee Fund». The average nominal rate for promissory notes issued is 9.99%, interest on promissory notes is accrued monthly, but the full amount is paid on the maturity date of the promissory note. The average effective rate for promissory notes issued in 2016 is 6.33%, maturity date is the year 2031. The domestic government bonds received were partially sold in 2017 to fulfill the Fund's obligation to pay compensation to the insolvent banks' depositors and banks under liquidation by the Fund.

19. Member Institutions Fees

<i>(UAH million)</i>	2019	2018
Regular fee	3,808	3,551
Initial fee	-	-
Special fee	-	-
Total Member Institutions Fees	3,808	3,551

Based on the Fund's inspection results, the share of the regular fees additionally charged for the past periods is 2,4%.

20. Investment Income

<i>(UAH million)</i>	2019	2018
Investment income from interest on government bonds	745	1,017
Discount on reimbursement of expenses for deposit payouts and bank resolution	707	371
Interest on cash and cash equivalents placed with the NBU	164	217
Total Investment Income	1,616	1,605

21. Other Operating Income

<i>(UAH million)</i>	2019	2018
Penalties and fines arising from the banks' fees	12	-
Interest on special purpose loans granted to the insolvent banks	81	-
Positive result from the recognition of compensation for the expenses of making deposit payouts and bank resolution	81	-
Income from write-off of liabilities to make deposit payouts due to the termination of the insolvent bank liquidation	361	-
Deconsolidation of provision for impairment losses on outstanding special purpose loans	3,068	-
Deconsolidation of provision for legal risks	-	1
Deconsolidation of provision for void deposits	616	72
Other income	4	-
Total Other Operating Income	4,223	73

22. Expenses for the Performance of Deposit Payout and Bank Resolution Liabilities

The expenses related to the fulfilment of deposit payout and bank resolution obligations are represented in the financial statements on a net basis and reduced by the amount of reimbursement, which is expected to be received from insolvent banks and banks liquidated by the Fund.

Positive result from recognition of the reimbursement which is expected to be received from insolvent banks and banks liquidated by the Fund, is recognized in another operating income (Note 21).

<i>(UAH million)</i>	2019	2018
Expenses for deposit payouts and bank resolution, gross amount	277	1,018
Reimbursement of the Fund's expenses for deposit payouts and bank resolution	(358)	(108)
Expenses for deposit payouts and bank resolution, net amount	-	910
Positive result from recognition of the reimbursement on deposit payouts and bank resolution, net amount	(81)	-

23. Financial Expenses

<i>(UAH million)</i>	2019	2018
Interest paid on loans granted by the NBU	8	378
Interest paid on promissory notes	4,936	5,472
Other financial expenses	181	340
Total Financial Expenses	5,125	6,190

Other financial expenses include interest on lease obligation in the amount of UAH 1 million (Note 28) and the discount on reimbursement of the Fund's expenses for deposit payouts

and bank resolution to be received from insolvent banks and banks liquidated by the Fund.

24. Other Operating Expenses

<i>(UAH million)</i>	2019	2018
Write-off of the insolvent banks' unrecoverable debt on special purpose loans	12	-
Increase of provision for impairment losses on outstanding special purpose loans	-	562
Legal expenses	9	15
Increase of provision for potential legal expenses	1	-
Other expenses	-	6
Total Other Operating Expenses	22	583

25. Administrative Expenses

(UAH million)	2019	2018
Wages and other employee benefits	293	248
Social insurance fees	49	43
Maintenance of the office	6	15
Depreciation	23	12
Repair and modernization of fixed assets and intangible assets	10	11
Business trips	1	2
Other expenses	58	38
Total Administrative Expenses	440	369

26. Related-Party Transactions

In the normal course of activities, the Fund carries out transactions with related parties. Parties are considered to be related when one party has the ability to control the other party or has a significant impact on the other party when making financial or operational decisions.

Control Relationships

The Fund is a legal entity under public law, has its separate property, which is an item of state property and is under its economic jurisdiction.

The Fund is an economically independent institution, has an independent balance sheet, current and other accounts with the National Bank of Ukraine, as well as securities accounts at the depository institutions (state-owned banks).

The relationships arising from the establishment and functioning of the households deposit guarantee system, the procedure of insolvent bank resolution and liquidation of banks are regulated by the Law, other laws of Ukraine, regulations of the Fund and the National Bank of Ukraine.

Transactions with the Management Representatives

The leading managers are persons authorized and responsible, directly or indirectly, for the planning, management and control of the Fund's activities.

The leading managers of the Fund include as follows: Chairman and members of the Administrative Board of the Fund, Managing Director, Deputy Managing Directors, members of the Executive Directorate of the Fund and the Tender Committee.

For the years ended December 31, 2019 and December 31, 2018, the expenses for compensation to the leading management board amounted to UAH 30 and 24 million, accordingly.

Members of the Administrative Board of the Fund exercise their functions on a pro-bono basis. The Law does not provide for the remuneration of the Administrative Board members.

Transactions with controlled entities under joint control or significant influence by the authority

The Fund's main transactions with entities controlled by the authorities are the receipt of loans from the National Bank of Ukraine, loans from the state budget from the Ministry of Finance of Ukraine and payment of interest on relevant loans. The nature of these transactions is described in Note 18.

Information on individually significant balances and transactions with controlled entities under joint control or significant influence of the authority is given in the tables below.

<i>(UAH million)</i>	31 Dec 2019	31 Dec 2018
Assets		
Cash and cash equivalents on accounts opened with the National Bank of Ukraine	2,498	7,082
Government bonds issued by the Ministry of Finance of Ukraine	9,170	7,257
Total assets	11,668	14,339
Liabilities		
Promissory notes issued by the Fund to the Ministry of Finance of Ukraine	49,441	58,559
Interest due on promissory notes issued to the Ministry of Finance of Ukraine	17,076	12,646
Loans received from the National Bank of Ukraine	-	1,460
Total liabilities	66,517	72,665

<i>(UAH million)</i>	2019	2018
Transactions during the year		
Investment income from interest on government bonds	745	1,017
Interest on cash and cash equivalents placed with the National Bank of Ukraine	164	217
Interest expenses on loans granted by the National Bank of Ukraine	(8)	(378)
Interest expenses on promissory notes issued to the Ministry of Finance of Ukraine	(4,936)	(5,472)

27. Contingent Liabilities

Legal proceedings. The management board of the Fund analyses the legal proceedings of property or non-property nature, to which the Fund acts as a defendant (except for proceedings, the parties to which are depositors of insolvent banks, regarding the protection of the rights of depositors related to the payment of a guaranteed reimbursement amount at the expense of the Fund) in order to assess the legal risk level and determine the probability of an outflow of economic benefits that arises from violations or non-compliance with the laws, other regulations, agreements, approved practices, as well as the possibility of ambiguous interpretation thereof by the Fund.

The Fund has recognized provision (Note 17) for legal proceedings with high probability of economic benefits' outflow. Provision for legal proceedings with a low probability of outflow of economic benefits is not recognized. Potential legal expenses of the Fund on such proceedings is reflected in the financial statements: as of December 31, 2019 – UAH 325 million (UAH 2 million as of December 31, 2018).

28. Lease

In 2018, the Fund entered into two operating lease agreements for non-residential premises for the purpose of locating an office. Lease agreements do not provide for variable lease payments, payments under liquidation value guarantees.

In the financial statements, leases are presented in accordance with IFRS 16 Lease. As of January 1, 2019, for leases that were previously classified as operating leases under IAS 17, the Fund recognized a lease obligation and an asset in the form of a right of enjoyment. The effect of the first application of IFRS 16 Lease is disclosed in Note 6.

The asset in the form of right of enjoyment is given in the statement of financial position as part of other fixed assets (Note 12). The lease liability is presented as part of other accounts payable (Note 16).

Interest on the lease liability for the year ended December 31, 2019 amounted to UAH 1 million (for the year ended December 31, 2018 – no interest) and is included in the financial expenses (Note 23).

29. Net Asset Management

The Fund's net assets are the residual value of the Fund's assets after deduction of all their liabilities.

The main goal of the Fund on net asset management is to ensure operational continuity in order to protect the rights of the bank depositors and ensure the stability of the financial system of Ukraine.

The main component of the Fund's net assets is the retained income (loss). If the Fund's current income is insufficient to fulfil its full obligations on deposit payouts and/or service and repayment of borrowed funds, the Fund shall decide on the assignment of a special fee or using the loan from the National Bank of Ukraine and loan or contribution from the state on a non-refundable basis at the expense of the state budget.

30. Risk Management

Financial risks are the risks arising from financial instruments and to which the Fund is exposed at the end of the reporting period.

Financial risk management of the Fund aims at limiting the potential losses of the Fund's financial assets, to ensure the timely fulfillment of its financial obligations for the effective performance of the Fund's functions specified by law.

Financial risk management process includes the following stages:

- organization of the financial risk management system;
- identification of financial risks;
- assessment of financial risks;
- development, implementation of measures aimed at minimizing financial risks;
- informing the management board about financial risks;
- monitoring of the financial risk management system.

The measures applied by the Fund to minimize financial risks include:

- avoiding or preventing financial risk by wilfully abandoning transactions and financial instruments that could lead to a critical level of risk;
- limitation or reduction of financial risk by: diversification; setting limits on quantitative risk indicators; determining the conditions for qualitative risk indicators;
- transfer of financial risk through hedging;
- acceptance of financial risk by creating provisions and covering financial risks at the expense of the Fund's own resources.

Financial risks consist of credit risk, market risk and liquidity risk.

a) Credit risk

The Fund faces credit risk, which is the risk that one party to the transaction with a financial instrument will cause financial loss to the other party because of non-fulfilment of contractual obligations.

Financial instruments in connection with which the Fund may have a significant concentration of credit risk include cash and cash equivalents, financial investments to the government bonds, arrears of insolvent banks on special purpose loans.

The maximum amount of the Fund's credit risk by asset class is recorded at book value of financial assets in the statement of financial position.

b) Market risk

Market risk means that changes in market rates, such as foreign exchange rates, interest rates and securities rates, will have an impact on the income or value of the Fund's financial instruments. The market risk includes currency risk and interest risk.

Currency risk is market risk that arises due to adverse fluctuations in foreign exchange rates. All monetary assets and liabilities of the Fund are denominated in UAH. Possible changes in exchange rates applied at the end of the reporting period in regard with the functional currency of the Fund, with all other variables unchanged, will not have a significant impact on profit or loss.

Interest risk is market risk that arises as a result of adverse changes in market interest rates that have a negative effect on the value of the Fund's financial instruments or future cash flows from the financial instrument.

Changes in interest rates mainly affect financial investments and borrowings by changing their fair value. Revision of rates on financial instruments with fixed rates is carried out in their maturity. The Fund has no financial instruments with variable interest rates.

The Fund monitors interest rates on financial instruments. The table below shows the average effective interest rates on financial instruments on which interest is accrued, as of the relevant reporting dates:

<i>% per annum</i>	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	9,37%	4,19%
Financial investments at the depreciated production cost	16,32%	14,25%
Financial investments at fair value	10,27%	10,27%
Promissory notes issued	8,4%	8,4%

c) Liquidity risk

The liquidity risk means that the Fund will not be able to meet its liabilities in due time. The approach of the Fund to the liquidity management is to ensure, as much as possible, the sufficient liquidity constantly available to meet its obligations as they fall due both under normal conditions and emergencies, while avoiding unacceptable losses or risk of damaging the Fund's reputation. The liquidity policy shall be reviewed and approved by the management board.

Generally, the Fund ensures the availability of sufficient cash on demand to pay for expected expenses associated with ensuring the functioning of the households deposit guarantee system and insolvent bank resolution for a period up to 3 months, including performance of financial liabilities.

As of December 31, 2019, undiscounted cash flows based on maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

<i>(UAH million)</i>	Book value	Cash flow under the agreements	Up to 1 year	1 to 5 years	Over 5 years
Promissory notes issued	66,517	116,884	-	-	116,884
Total Financial Liabilities	66,517	116,884	-	-	116,884

As of December 31, 2018, undiscounted cash flows based on maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

<i>(UAH million)</i>	Book value	Cash flows under the agreements	Up to 1 year	1 to 5 years	Over 5 years
Loans granted by the NBU	1,460	1,468	1,468	-	-
Promissory notes issued	71,205	137,439	1,140	4,560	131,739
Total Financial Liabilities	72,665	138,907	2,608	4,560	131,739

31. Fair Value of Financial Assets and Liabilities

The Fund determines the fair value of financial assets and liabilities using market information, if available, and appropriate valuation techniques. Determining the estimated fair value requires professional judgment in interpreting market information.

Financial assets and liabilities estimated at fair value

Government bonds are classified as the financial instruments estimated at fair value. These financial instruments do not have an active market, the fair value of government bonds is determined on the basis of input data of the 2nd level of the hierarchy (spot rates calculated on the basis of the coupon yield curve, which is based on actually concluded and executed agreements with OVDPs using parametric Svensson's model) using the method of discounting cash flows.

Financial assets and liabilities not estimated at fair value but their fair value is disclosed

Financial assets and liabilities not estimated at fair value but their fair value is disclosed include monetary funds; government bonds estimated at the depreciated production cost; arrears of insolvent banks and banks liquidated by the Fund on special purpose loans and interest thereon granted to the insolvent banks; other accounts receivable; promissory notes issued by the Fund.

The Fund has determined that the fair value of some financial assets and liabilities estimated at depreciated production cost does not differ materially from their book value for disclosing fair value. These include cash; arrears of insolvent banks and banks liquidated by the Fund on special purpose loans and interest thereon granted to insolvent banks; other receivables; promissory notes issued by the Fund.

Financial instruments estimated at depreciated production cost, the book value of which may differ materially from fair value, include domestic government bonds. These financial instruments do not have an active market. The fair value of such financial assets is determined on the basis of input data of the 2nd level of the hierarchy (spot rates calculated on the basis of the coupon-free yield curve, which is based on actually concluded and executed OVDPs using the parametric Svensson model) using the cash discount method. This method takes into account future interest payments and repayment of the principal amount of the debt, maturity and discount rate. The discount rate was applied at the level of 11.9% -12.8% (in 2018 at 20.3%).

The following table presents the data on book value and estimated fair value of financial assets that are not reflected in the statement of financial position of the Fund at their fair value:

(UAH million)	2019		2018	
	Book value	Fair value	Book value	Fair value
Government bonds	3,447	3,477	1,765	1,759

Given that estimates of fair value are based on certain assumptions, there is to consider that the information provided may not fully reflect the value that can be realized.

The fair value of financial instruments at the levels of the fair value hierarchy is distributed as follows:
In 2019, there were no transfers of financial instruments between levels of the fair value hierarchy.

(UAH million)	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets estimated at fair value:						
Government bonds at fair value	-	3,447	-	-	1,765	-
Assets with fair value disclosed:						
Government bonds						

32. Events After the Reporting Period

Within the period from January 1, 2020 to the date of approval of the financial statements' issue, the following events occurred that do not require adjustment of the amounts recognized in the financial statements:

- early repayment of promissory notes issued by the Fund in 2015 in the amount of UAH 2,000 million, including 700 million percent on promissory notes;
- investing UAH 4,592 million in government securities of Ukraine;
- completion of the liquidation procedure of eleven insolvent banks, as a result of which the Fund's liabilities to pay compensation to depositors decreased by UAH 97.7 million;
- purchase of non-residential premises worth UAH 306.3 million.

The spread of the coronavirus epidemic in Ukraine and the world may have an impact on Ukrainian economy and financial sector in 2020. These crises may affect the Fund's operating results and financial condition. The Cabinet of Ministers of Ukraine, by the Resolution No. 253 dated March 20, 2020, revised the main projected macro indicators of economic and social development of Ukraine for 2020. The projected GDP in 2020 has been reduced to 95.2%.

This macroeconomic indicator affects the calculation of the probability of classifying a bank as insolvent. Its deterioration leads to an increase in the probability of bank default, as a result of which the provision of potential expenses of the Fund for bank resolution and deposit payouts increased by UAH 6.819 million. The Fund has been monitoring the course of events and taking appropriate measures to keep the Fund's operations and the deposit guarantee system in Ukraine stable.