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Introduction of the Chairman of the Administrative Board

Recent years have been a real robustness test for Ukraine's banking system, and it stood the trial successfully. The Government and the National Bank of Ukraine implemented top-priority measures to prevent negative consequences of the financial crisis these measures were effectively supported by activities of the Deposit Guarantee Fund. Primarily, the size of the guaranteed amount was raised to UAH 150,000 and by decision of Fund's Administrative Board was preserved at that level thereafter. Since its foundation and until now the amount of deposits guaranteed has been raised 300 times.



The Ukrainian deposit guarantee system is a result of nationwide processes and trends in the banking system development that was achieved due to perhaps the largest efforts the National Bank of Ukraine had ever made. In cooperation with the National Bank of Ukraine, the Fund as a participant of the country's financial safety system strengthens confidence in the banking system, ensures support of its stability, and facilitates mobilization of savings which is important for accumulation of the resource base to make real investments in Ukraine's economy. The Fund's effective activities have become a sizable factor contributing to increase in people's money in banks. Since 2000, the number of depositors in participants (temporary participants) of the Fund has grown 7.1 times and today constitutes 32.6 million people. Accordingly, the amount of individuals' deposits has grown 68.7 times and reached UAH 254.2 billion.

2010 was a difficult year for Ukraine's banking system: the NBU took enforcement actions against 29 participants of the Fund with provisional administration introduced in 17 banks, 9 banks were subject to forced liquidation, and the deposit payout began.

In 2010, the Fund initiated one of the most important stages in its development, namely the preparation for the retail deposit guarantee system reform in pursuance of the tasks outlined by the Economic Reform Program 2010-2014. First, the reform provides for a clear definition of the terms "problem bank" and "insolvent bank" based on quantitative and qualitative criteria as well as vesting the Fund with authorities to withdraw insolvent banks from the market through acquiring the status of a provisional administrator and bank liquidator aiming to improve the process of work with problem banks, optimize the Fund's expenditures, and strengthen the protection of the rights of all banks' creditors.

In order to conduct effective transformation, the Fund continues to learn and implement best achievements of the world practices in the national deposit guarantee system through cooperation with foreign counterparts and experts of the World Bank, the International Association of Deposit Insurers, the European Forum of Deposit Insurers, etc.

2011 will be an anniversary year for the Fund marking the 10th anniversary of the adoption of the Law of Ukraine “On Deposit Guarantee Fund”, and I am sure that the results of the long-term activities will be a firm basis for further development of the Ukrainian retail deposit guarantee system.

Yours faithfully,
Ihor Sorokin
Deputy Governor National Bank of Ukraine
Chairman of the Administrative Board
Deposit Guarantee Fund

Introduction of the Managing Director

I am glad to bring to your attention the Deposit Guarantee Fund Annual Report 2010.

Fighting the global financial crisis and taking measures by the government on economic stabilization and protection of the most vulnerable strata of the population have become main priorities last year in many countries, including Ukraine. The international practice has repeatedly evidenced that the role of the deposit guarantee system grows immensely in the period of economic crises. Undertaking its main mission on protection of the depositors' interests in a case of bank liquidation, the system maintains creditors' confidence and facilitates development of the banking system.



Specifically, to increase the confidence of the population in the national banking system in the period of financial instability, there were a number of measures taken with the main one, namely the Resolution of the Fund Administrative Board dated November 17, 2010 to preserve the guaranteed amount at the level of UAH 150,000. Such coverage enables the Fund to guarantee 99.3% population deposits today.

In 2010 the Fund was fulfilling its commitments on paying out to depositors of 17 banks in the total amount of UAH 2293.7 billion during the reporting period, including 9 banks in relation to which the National Bank of Ukraine revoked a banking license and initiated a liquidation procedure.

The responsibilities of the Fund as a specialized government organization that performs functions of public administration in the retail deposit guarantee provide for steady monitoring of market resource trends and financial status of banks to reveal risks for depositors. The Fund Administrative Board is empowered to reclassify participants as temporary participants of the Fund which leads to release of guarantees on deposits attracted after acquiring this status. Such measures are aimed at minimization of risks and protection of the most vulnerable strata of the population against loss of their savings in case of liquidation of banks.

In 2010 there were 3 banks that became participants of the Fund, and as of 01.01.2011 the Fund contains a total of 170 participants, including 5 temporary participants. As compared with 2009 the amount of deposits has increased by 28.4%, and as of 01.01.2011 constituted UAH 254.2 billion. Therefore, activities of the deposit guarantee system is a convincing incentive for the population to make savings and their confidence of reliable protection against loss of money.

The Fund understands high demand of the public in raising awareness of the deposit guarantee system especially in this difficult period and acts in the direction of informing the public on principles of the deposit guarantee system operation and population protection mechanisms.

Specifically, the Fund has changed the “hotline” format and conducts it on a permanent basis cost free for all Ukraine’s regions. Also, the Fund updated its website www.fg.gov.ua in the Internet in a quality manner.

2010 was notable for its complex preparation for reforms in Ukraine’s deposit guarantee system facilitated by participation in international organizations, such as the International Association of Deposit Insurers (the Fund is its member and co-founder since 2002) and the European Forum of Deposit Insurers (the Fund became its member in 2010). The Fund focuses its international activities on sharing deposit insurance experience, information and ideas that offer the possibility to extend and apply new deposit insurance instruments and raise the role of deposit guarantee in the country’s financial safety system.

In 2010, the Memorandum on Cooperation between the Deposit Guarantee Fund and the Savings Deposit Insurance Fund of Turkey was signed, thus facilitating coordination of efforts focused on the development of two countries’ deposit guarantee systems.

The cooperation with the Federal Deposit Insurance Corporation (USA) in the framework of the recently signed Memorandum holds a special place in the Fund’s international activities that, in particular, provides for constant information exchange between our deposit guarantee systems.

The Fund appreciates the World Bank assistance under the USAID Financial Sector Development Project and the Dutch Government Grant. Cooperation with these organizations contributes to proper and timely preparation of the Fund for the deposit guarantee system reform. To date, Ukraine’s deposit guarantee system is on a qualitatively new stage of its development, and with regard to experience accumulated during these years it is ready to perform its incumbent tasks.

Yours faithfully,
Vasyl Pasichnyk
Managing Director
Deposit Guarantee Fund

1. Retail Deposit Guarantee System in Ukraine

■ Background

A major prerequisite for the deposit guarantee system functioning in Ukraine became a global financial crisis in the late 90s that revealed the weakness of Ukraine's banking system in terms of protection of the rights and interests of depositors and, primarily, retail depositors. The establishment in 1998 of the Guarantee Fund supporting deposits of individual persons in pursuance of the Decree of the President of Ukraine "On Measures to Protect the Rights of Physical Persons as Depositors of Commercial Banks of Ukraine" (No.996 dated September 10, 1998) was aimed at the protection of the population from loss of savings, protection of Ukraine's banking system from financial crisis and ensuring its stability and robustness, facilitation of fundraising which is important for accumulation of resources to make real investments in Ukraine's economy. A legislative improvement of these processes in 2001 was adoption by the Verkhovna Rada of Ukraine and signing by the President of Ukraine of the Law of Ukraine "On Deposit Guarantee Fund".

The Fund is a specialized government institution performing the functions of public administration in the sphere of guaranteeing retail deposits. The main objective of the Fund is protecting the rights and interests of individual depositors to the national banks of Ukraine and the branches of foreign banks in Ukraine.

■ Mandate of the Deposit Guarantee Fund

Main mandate of the Fund include:

- performing procedures for registration of participants of the Fund;
- accumulating financial resources and investment activities;
- establishing bank reporting forms and the procedure for their submission;
- establishing the procedure of deposit payout;
- carrying out inspections in relation to completeness and timeliness of transfer of contributions by each bank, as well as compliance with the requirements of the Law Fund regulations;
- analysis of trends in deposit operations development and analysis of financial status of banks, identification of risks in their activities and keeping the NBU informed on the identified risks;
- reclassifying banks by transfer to the category of temporary participants and their exclusion from the Fund Register;
- making payments of the guaranteed deposit amounts in the case that inaccessibility of deposits arises
- issuing regulations on issues pertaining to its responsibilities which are binding for participants (temporary participants) of the Fund.

■ 2010 Banking System Review

As of 01.01.2011, there were 194 banks filed with the State Register of Banks. During 2010 3 banks joined, and 6 banks were excluded (4 banks were excluded due to liquidation, and 2 banks were excluded due to reorganization). As of 01.01.2011, there were 176 banks having a license for banking operations, including foreign exchange transactions. As of 01.01.2011, there were 18 banks (or 9.3% of the total number of banks filed with the State Register of banks) in liquidation.

As of 01.01.2011, banks' assets were UAH 942.1 billion, while banks' equity capital was UAH 137.7 billion, and banks' liabilities constituted UAH 804.4 billion.

During the year 2010, banks' revenues and expenditures decreased as compared with the last year, in particular, due to the reduction in the number of banks having licenses to perform banking operations, of the bank branch network, as well as due to general trend towards decline in value of loans and deposits (ensuring most part of banks' revenues and expenditures). Banks' expenditures exceeded their revenues. In 2010 similar to the previous year the financial result of the banking sector performance was negative UAH -13.0 billion as of 01.01.2011, or considerably lower than a year ago as of 01.01.2010 (UAH -38.5 billion). Main indicators of Ukraine's banking system are presented in Table 1.1.

Table 1.1.

Main indicators of Ukraine's banking system as of 01.01.2011

Number of banks in the State Register, including:	194 banks
active banks	176 banks
banks in liquidation	18 banks
Banks' assets	UAH 942.1 billion
Banks' liabilities	UAH 804.4 billion
Banks' equity capital	UAH 137.7 billion
Financial result of the banking sector performance	UAH -13.0 billion
Individuals' funds,	UAH 270.7 billion
of which: retail fixed term deposits	UAH 206.6 billion
Total volume of loans,	UAH 755.0 billion
of which: loans granted to individuals	UAH 186.5 billion

■ The Fund's Major Achievements and Main Performance Indicators

At the turn of the 12-year activities of the Fund, it may be concluded that the deposit guarantee system has had a positive impact and considerably contributed to the stability of the country's financial system. Thus, as compared with 1999:

- the number of depositors in participants (temporary participants) of the Fund grew 7.1 times to 32.6 million persons;
- the volume of deposits grew 68.7 times to UAH 254.2 billion;
- the average size of a deposit grew from UAH 806 to UAH 7802.

If in 2000 for the account of retail deposits it was formed 22% of liabilities, than as of 01.01.2011, their share grew to 33.0%, thus, showing the importance of retail deposits in forming a resource base of banks.

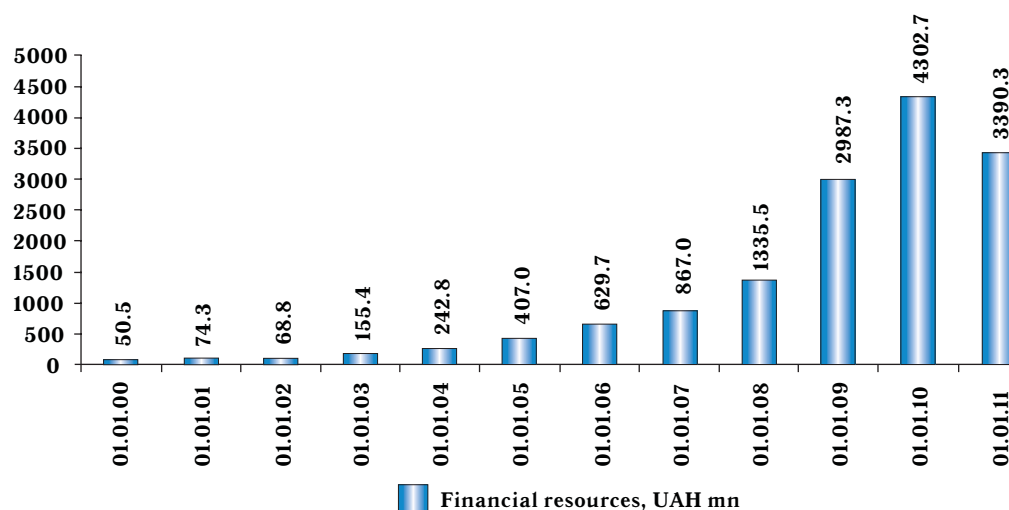
Since the Fund's foundation (1998) to date, the payouts by the Fund have increased 300 times and today constitute UAH 150,000 (Table 1.2.). The guaranteed amount far exceeds the size of an average deposit (more than 19 times), exceeds GDP per capita 6.3 times (UAH 23,863 for 2010) and covers of 99.3% depositors. The most recent increase in the guaranteed limit (up to UAH 150,000) was affected in accordance with the Law of Ukraine "On Top-Priority Measures for Preventing Negative Consequences of the Financial Crisis and Amendments to Some Pieces of Legislation of Ukraine" that ceased to be in force on December 31, 2010. In this context, on November 17, 2010 the Fund Administrative Board adopted a resolution to preserve the guarantee coverage at the level of UAH 150,000 that came into effect on January 1, 2011.

Table 1.2.

Dynamics of Increase in the Guaranteed Amount

Guaranteed amount	Regulatory act
UAH 500	Decree of the President of Ukraine “On Measures to Protect the Rights of Physical Persons as Depositors of Commercial Banks of Ukraine” dated 10.09.1998
UAH 1200	Law of Ukraine “On Deposit Guarantee Fund” dated 20.09.2001
UAH 1500	Resolution of the Fund Administrative Board dated 14.11.2002
UAH 2000	Resolution of the Fund Administrative Board dated 17.09.2003
UAH 3000	Resolution of the Fund Administrative Board dated 22.04.2004
UAH 5000	Resolution of the Fund Administrative Board dated 21.04.2005
UAH 8000	Resolution of the Fund Administrative Board dated 31.01.2006
UAH 15,000	Resolution of the Fund Administrative Board dated 24.05.2006
UAH 25,000	Resolution of the Fund Administrative Board dated 14.02.2007
UAH 50,000	Resolution of the Fund Administrative Board dated 14.08.2007
UAH 150,000	Law of Ukraine “On Top-Priority Measures for Preventing Negative Consequences of the Financial Crisis and Amendments to Some Pieces of Legislation of Ukraine” dated 31.10.2008. Resolution of the Fund Administrative Board dated 17.11.2010.

From 2000 to 2010, the Fund’s financial resources grew more than 67 times and as of 01.01.2011, reached UAH 3.4 billion (dynamics of increase in the Fund’s financial resources is shown in Fig.1.1.).


Fig. 1.1. Dynamics of the Fund’s financial resources

Throughout the Fund’s history, payments of the guaranteed amounts were made to depositors of 26 banks which license had been revoked. All in all, within the guarantee limit 348,000 depositors were paid the total of UAH 3.9 billion. The largest volume of payments was made in the period 2008-2010 – almost UAH 3.5 billion, including UAH 2.3 billion straight in 2010.

Dynamics of payments is shown in Fig. 1.2.

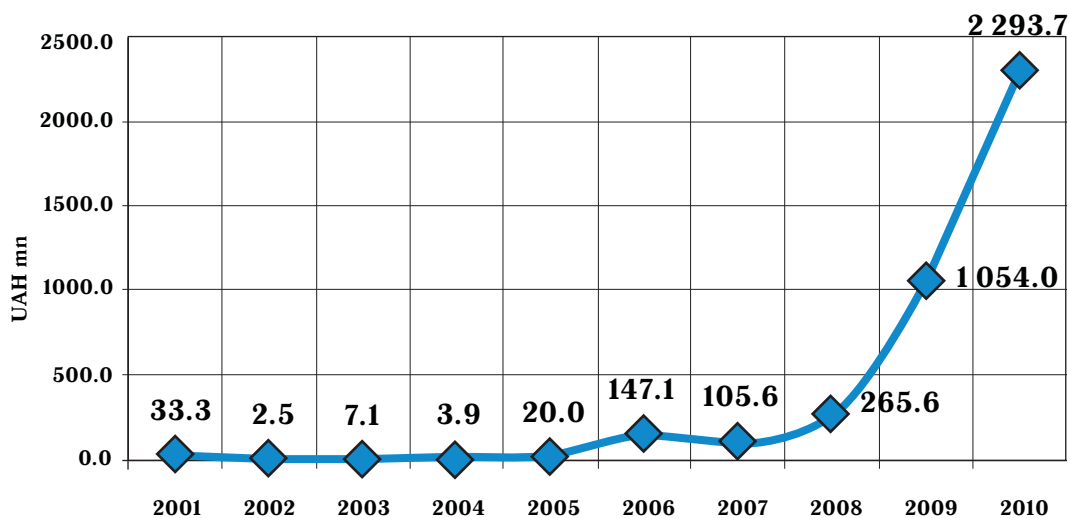


Fig. 1.2. Dynamics of payments to depositors of liquidated banks of the guaranteed amounts from 2001 to 2010

The majority of the liquidated banks whose depositors have been paid by the Fund were in 2006, 2007, 2009, and especially in 2010. In 2010, payments of the guaranteed amount were made by the Fund simultaneously to depositors of 17 banks (Fig. 1.3.).

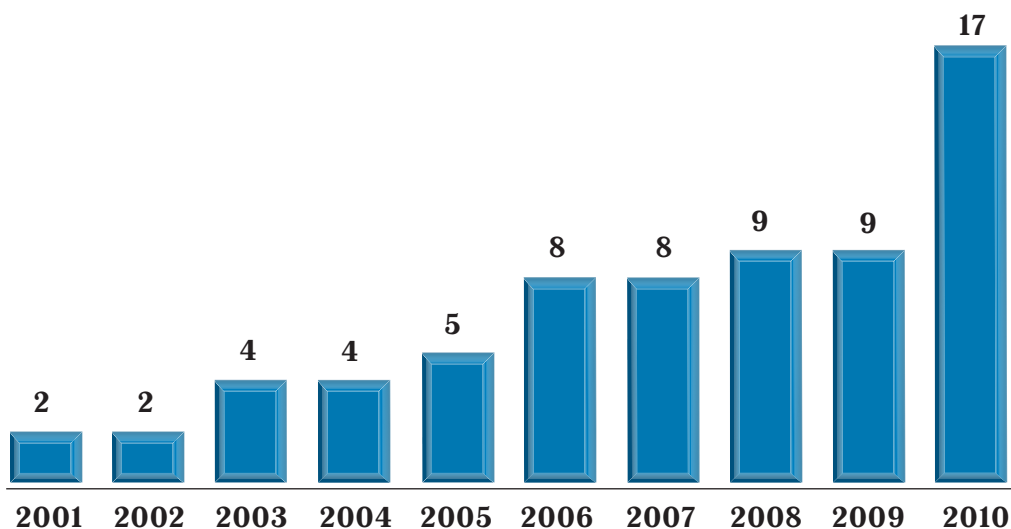


Fig. 1.3. Number of banks whose depositors were paid by the Fund from 2001 to 2010

■ Key Events in Fund's History

Year	Event
1998	- Decree of the President of Ukraine "On Measures to Protect the Rights of Physical Persons as Depositors of Commercial Banks of Ukraine" signed. The Decree established the guaranteed amount at the level of UAH 500.
1999	- Regulation on the Deposit Guarantee Fund approved by joint CMU and NBU Regulation; - The Fund management system established: the Administrative Board and the Executive Board; - The Fund organizational structure established.

Year	Event
2001	<ul style="list-style-type: none"> - Law of Ukraine “On Deposit Guarantee Fund” came into effect. The Law established the guaranteed amount at the level of UAH 1200; - Payments to the depositors of Joint-Stock Commercial Bank “Slovyansky” began; - Payments to the depositors of Joint-Stock Bank AIB “Ukraina” began.
2002	<ul style="list-style-type: none"> - Regulation on the Procedure for Calculating and Paying Contributions to the Deposit Guarantee Fund came into effect; - Regulation on the Payout Procedure came into effect; - Regulation on the Procedure for Maintaining the Register of Banks – Participants (Temporary Participants) of the Fund came into effect; - Regulation on the Guarantee Fund Supporting Retail Deposits came into effect; - Regulation on the Procedure for Carrying Out Audits of Banks – Participants (Temporary Participants) of the Guarantee Fund Supporting Deposits of Individual Persons came into effect; - Regulation on Enforcement Actions against Banks – Participants (Temporary Participants) of the Guarantee Fund Supporting Deposits of Individual Persons came into effect; - Regulation on the Procedure for Keeping Depositors Informed on the Deposit Guarantee System in Ukraine came into effect; - Instruction on the Procedure for Preparing a Balance Sheet of a Bank – Participant (Temporary Participant) of the Guarantee Fund Supporting Retail Deposits came into effect – monthly reporting form No. KBF; - Instruction on the Procedure for Preparing a Report on Retail Deposits with Banks – Participants of the Guarantee Fund Supporting Retail Deposits came into effect – quarterly reporting form N.1-F; - Instruction on the Procedure for Preparing a Report on Retail Deposits with Banks – Participants of the Guarantee Fund Supporting Retail Deposits came into effect – quarterly reporting form No.1-TF; - Instruction on the Procedure for Forming a Database on Retail Depositors with Banks – Participants (Temporary Participants) of the Guarantee Fund Supporting Retail Deposits came into effect; - Rules for Submitting Reports by Banks – Participants (Temporary Participants) of the Guarantee Fund Supporting Retail Deposits came into effect; - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of UAH 1500; - The Fund became a co-founder and member of the International Association of Deposit Insurers.
2003	<ul style="list-style-type: none"> - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of UAH 2000.
2004	<ul style="list-style-type: none"> - Regulation on the Procedure for Identification of Banks – Agents of the Guarantee Fund Supporting Retail Deposits came into effect; - Payments to the depositors of JSC “Nash Bank”, JSCB “OLbank”, JSCB “Rostok Bank”, JSB “Allonge” began; - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of UAH 3000.

Year	Event
2005	<ul style="list-style-type: none"> - Payments to the depositors of JSB "Premierbank" began; - Resolution of the Fund Administrative Board established the guaranteed amount at the level of UAH 5000.
2006	<ul style="list-style-type: none"> - Payments to the depositors of OJSC JSCB "Garant", JSC "Intercontinent-bank", LLC "Kyivsky Universalny Bank" began; - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of UAH 8000; - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of UAH 15,000;
2007	<ul style="list-style-type: none"> - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of UAH 25,000; - Resolution of the Fund Administrative Board to establish the guaranteed amount at the level of 50,000.
2008	<ul style="list-style-type: none"> - Payments to the depositors of the OJSC "European Bank for Development and Savings" began; - Law of Ukraine "On Top-Priority Measures for Preventing Negative Consequences of the Financial Crisis and Amendments to Some Pieces of Legislation of Ukraine" established the guaranteed amount at the level of UAH 150,000.
2009	<ul style="list-style-type: none"> - Payments to the depositors of the JSCB "East European Bank", OJSC "Bank of Regional Development", OJSC CB "National Standard", JSCB "European", OJSC "JSCB "Odesa-Bank", OJSC "CB "Prychornomorya" began.
2010	<ul style="list-style-type: none"> - Resolution of the Fund Administrative Board to keep the guaranteed amount at the level of UAH 150,000; - Payments to the depositors of JSB "Bank of Regional Development", JSCB "East European Bank", JSB "Ukrainian Financial Group", LLC "Ukrainian Industrial Bank", LLC CB "ARMA", JSCB "Transbank", OJSC "BIG Ener-gia", OJSC "Selyansky Commercial Bank "Dnister", OJSC CB "Ipobank", PJSC "ZEMELNY BANK", PJSC "Joint-Stock Bank "Syntez" began; - Memorandum on Mutual Understanding and Cooperation between the Fund and the Savings Deposit Insurance Fund (Turkey) was signed; - The Fund became a member of the European Forum of Deposit Insurers.

■ Cooperation with the National Bank of Ukraine

The Fund efficiently cooperates with the National Bank of Ukraine, other organizations and institutions in ensuring consistency and coordination of action in the banking system development. The Fund acquires and analyzes information provided by the National Bank of Ukraine, participants (temporary participants) of the Fund to reveal risks for depositors of banks and determine trends in deposit operations' development. In pursuance of Articles 6 and 7 of the Law of Ukraine "On Deposit Guarantee Fund" the Fund together with the NBU has prepared the list of information provided by the National Bank of Ukraine and obtained by the Fund.

Main practical work with problem banks is based on ensuring maximally efficient interaction between the Fund and the National Bank of Ukraine. The Fund and the NBU inform each other on actions relating to work with problem banks and coordinate their policies in the area.

■ Organizational Framework

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

The Fund Administrative Board consists of five individuals, including of two representatives of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine and one representative of the Association of Ukrainian Banks.

Members of the Fund Administrative Board are Ihor Sorkin, Deputy Governor National Bank of Ukraine (Chairman of the Administrative Board of the Deposit Guarantee Fund); Anatolii Maksiuta, Deputy Minister of Economic Development and Trade of Ukraine; Yuriy Shevchenko, Deputy Minister of Finance of Ukraine – Head of the Apparatus; Olexandr Suhonyako, President of the Association of Ukrainian Banks; Victor Novikov, Director of Legal Department of the National Bank of Ukraine.

The Executive Board is headed by the Managing Director of the Deposit Guarantee Fund. Members of the Executive Board are Vasyl Pasichnyk, Managing Director; Mykhailo Grebenyk, Deputy Managing Director; Andrii Olenchuk, Deputy Managing Director; Sergii Borsa, Chief Accountant – Financial Director. The organization chart is presented in Fig. 1.4.

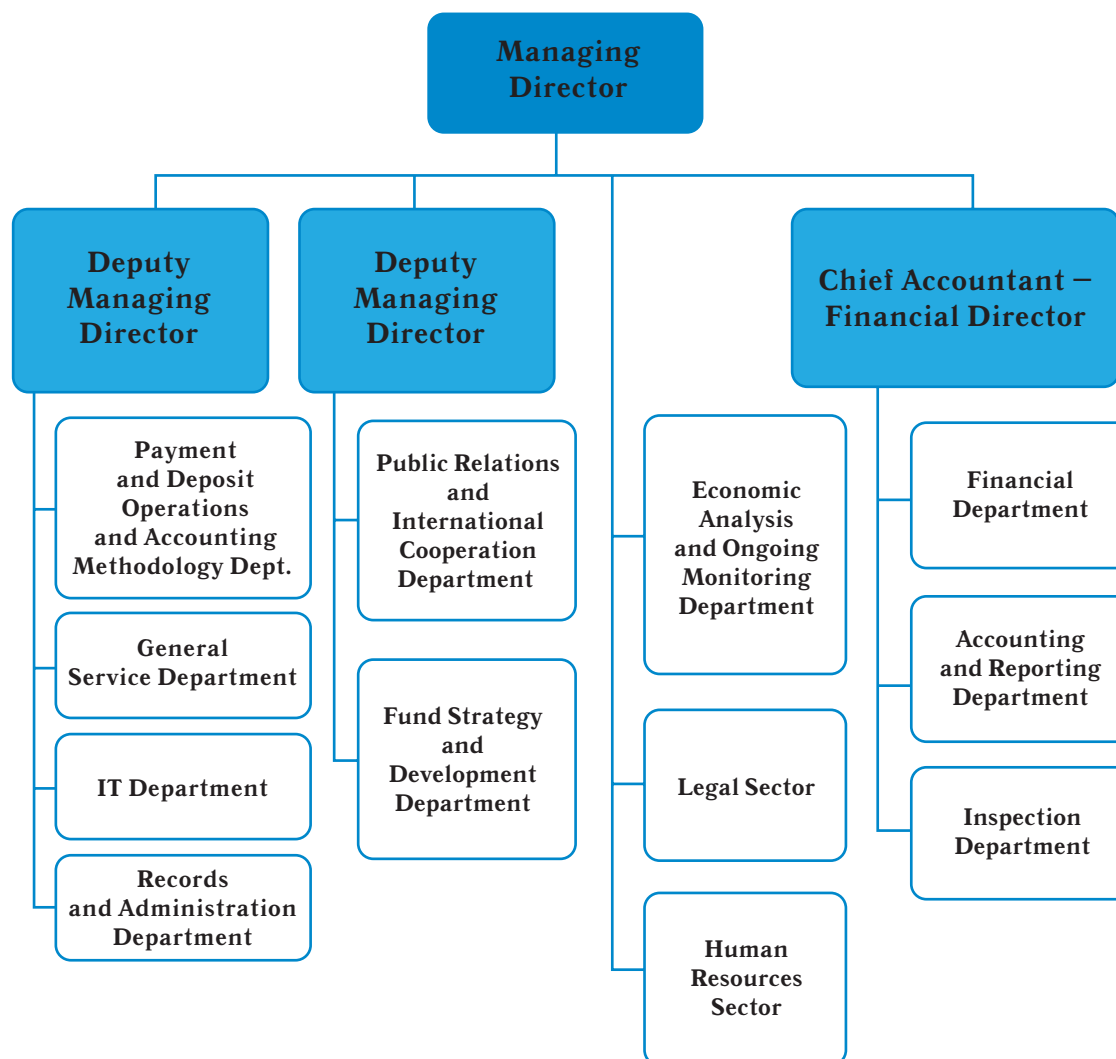


Fig. 1.4. Fund organization chart

The Administrative Board of the Fund



Ihor Sorkin
Deputy Governor
National Bank of Ukraine
Chairman of the Administrative Board
of the Deposit Guarantee Fund



Yuriy Shevchenko
Deputy Minister of Finance of Ukraine -
Head of the Apparatus



Anatolii Maksiuta
Deputy Minister of Economic
Development and Trade of Ukraine



Olexandr Suhonyako
President of the Association
of Ukrainian Banks



Victor Novikov
Director of Legal Department
of the National Bank of Ukraine

The Executive Board of the Fund



Vasyl Pasichnyk
Managing Director

Mykhailo Grebenyk
Deputy
Managing Director



Andrii Olenchyk
Deputy
Managing Director



Sergii Borsa
Chief Accountant -
Financial Director



■ Information Technologies

Continuous improvement of management, control and reporting systems, realignment of business processes in paying to depositors of banks in liquidation, improvement of quality of the payment process are permanently accompanied and supported by measures to modernize and integrate automation and information support systems in the Fund.

Information systems used by the Fund to ensure course of business are showed in Fig. 1.5:

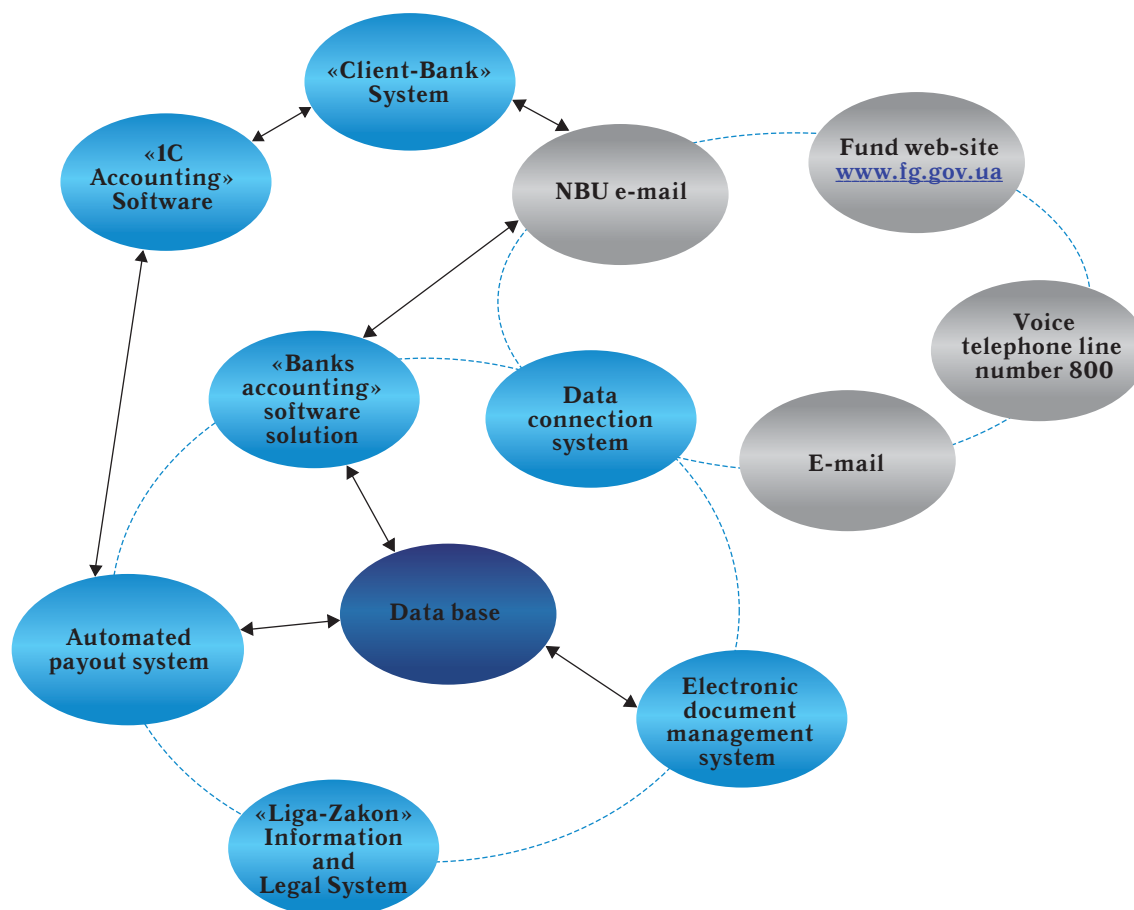


Fig. 1.5. Fund information systems

In order to automate the payout processes, the Fund uses an automated system allowing to:

- obtain information about deposits from the bank liquidator within the shortest possible time;
- conduct automatic verification of the information about depositors obtained from the liquidator;
- compile and print registers of the depositors to pay out through an agent bank;
- make postal orders and transfers of funds with preparation of all required documents in automated regime;
- carry out an automated acceptance of reports from an agent bank on payout process;
- make payments simultaneously in several banks in liquidation and through several agent banks;

- automate depositor claims' maintenance;
- carry out continuous monitoring of paid funds.

Computer workstations of this complex installed at work places of the Fund employees allow to work efficiently with information about depositors and to control the progress of payments.

The Fund has its own web-site (www.fg.gov.ua) whose visitors can familiarize themselves with Fund's regulations, latest update of Fund operations, Register of participants (temporary participants) of the Fund, etc.

To share information between the Fund, NBU and banks, the Fund computer system is connected to the NBU e-mail.

In order to accelerate the transfer of funds from the Fund to an agent bank to pay the deposits, the Fund has the Client-Bank System which is operated and maintained to make payments and control accounts opened by the Fund with the NBU Operations Department. For accounting purposes the Fund uses "1C Accounting" Software.



IT Department

Automation of economic analysis and ongoing monitoring of participant (temporary participant) banks is maintained by "Banks Reporting" software complex enabling:

- automatic acceptance of reports from participants (temporary participants) of the Fund by means of NBU e-mail and the NBU safety equipment;

- verify correctness of reports at the moment of their acceptance;

- automatic compilation and forwarding of report acceptance protocols;

- compile and print forms and graphs for economic analysis and ongoing monitoring of participants (temporary participants) of the Fund.



Head of General Service Department

Computer workstations of the "Banks Reporting" complex that are installed at work places of the Fund employees make it possible to work effectively with information

about activities of participants (temporary participants) of the Fund and offer an opportunity to identify and respond to deterioration of banks status on a timely basis aiming at protection of depositors' rights.

The Fund uses the electronic document management system: input / output correspondence modules and control of their performance are in place.

Today, the Fund has accumulated information about payments to 26 banks. To maintain its information tasks that tend to grow, the Fund permanently improves and extends its technological base associated with integration in banks' technological systems.

2. Financial Management of the Fund

■ Accumulation of the Fund's Financial Resources

In 2010, the Fund continued to accumulate funds to perform its assigned tasks. As of 01.01.2011, Fund financial resources constituted UAH 3,390,347.5 thousand, of which UAH 3,200,040.0 thousand were invested in government securities, UAH 190,307.5 thousand are funds placed on current accounts with the Fund.

Sources of Fund revenues in 2010 were:

- initial and regular contributions from participants of the Fund;
- fine for untimely or incomplete transfer of contributions to the Fund;
- revenues from the investments in government securities;
- interest charged on account balances on settlements accounts opened by the Fund with the NBU Operations Department.

The total Fund revenues in 2010 constituted UAH 1,336,790.3 thousand. In the revenue structure the largest share was of regular contributions – 71.87% and the net income from investments in government securities constituted 26.01% (Fig. 2.1.).

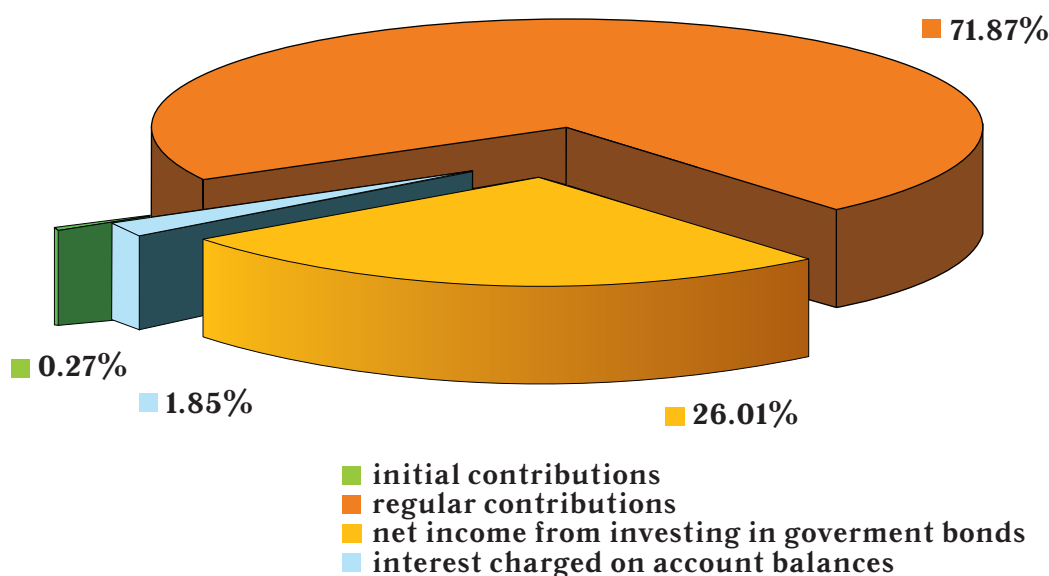


Fig. 2.1. Revenue structure in 2010

In 2010 dynamics, Fund revenues were UAH 1,018,117.8 thousand, or 43.20% less than the year before (Table 2.1.) due to lack of financing for the Fund in 2010 from budget programs.

In the revenue structure the largest increase in amount paid by participants (temporary participants) of the Fund as fine for untimely or incomplete transfer of contributions was UAH 270.5 thousand. This indicator increase is connected with fulfillment of obligations on payment of fine for prior periods by participants of the Fund in 2010. Increase in receipt of regular contributions as compared with the last year is insignificant – UAH 41,064 thousand, or 4.5%.

In the meantime, reduction in receipts of initial contributions by 54.6% in the reporting year as compared with 2009 was due to reduction in quantity of newly established banks. Net income from investments in government bonds and interest charged on account balances on the Fund's settlement accounts in the reporting period is 12.4% and 20.6% less, respectively.

Table 2.1.
Receipt of funds by the Fund in 2010 and 2009

Source of Fund's resources formation	2010	2009
	Amount, UAH thousands	Amount, UAH thousands
Initial contributions	3,150.0	6,936.7
Regular contributions	960,746.6	919,682.6
Fine for untimely or incomplete transfer of contributions	476.6	206.1
Replenishment of Fund's resources according to the Law of Ukraine "On State Budget 2009"	-	1,000,000.0
Net income from investments in government bonds	347,656.9	396,910.9
Interest charged on account balances on settlement accounts opened by the Fund with the NBU Operations Department	24,760.2	31,171.8
Total receipts	1,336,790.3	2,354,908.1

The reduction in the first indicator is connected with the decrease in 2010 of the average yield of government securities by 6.8 percentage points, the reduction in the second indicator is caused by decrease in funds on current accounts with the Fund due to the payout to depositors of 11 banks liquidated at 2009 and 2010 end.



During 2010, Fund's financial resources were spent on payment to depositors, payment of commissions to agent banks; maintenance of the Fund within the limits of the cost estimate approved by the Fund Administrative Board.

Total amount of funds spent in the reporting period is UAH 2,326,264.3 thousand, or 2 times more than in 2009, in particular, it was spent UAH 2,293,689.4 thousand or UAH 1,239,728.8 thousand more than in the last year for payment to depositors. At the same time, the refund under Fund's claims for previously paid out funds constituted UAH 90 950.4 thousand.

■ Investment Operations

Aiming at protection from inflation processes and replenishment of funds the Fund makes investments and/ or placement of temporary funds on deposit accounts with the National Bank of Ukraine on safety, liquidity, transparency and efficiency principles.

In the reporting period the investments followed the Fund's Investment Plan (2010) that was approved by resolution of the Administrative Board dated 15.12.2009. In the reporting period the investments were made in short-term and medium-term government securities of Ukraine to accelerate their circulation period. In order to make timely payments to depositors of the banks that were liquidated in 2010, the Investment Plan provided for a minimum liquid reserve of funds on Fund accounts that was established on a monthly basis and ranged from UAH 1500 to UAH 200 million. Structure of Fund investments in 2009 - 2010 is showed in Table 2.2.

Table 2.2.

Structure of Fund investments

Indicators		Total, for the year	Short-term	Medium-term	Long-term
Investment amount in 2010	Plan	2,461,757.5	1,238,155.4	1,223,602.1	-
	Fact	2,464,506.0	1,238,155.4	1,226,350.6	-
	Average yield, %	11.0	11.0	11.0	
Investment amount in 2009	Plan	2,390,857.6	2,390,857.6	-	-
	Fact	2,390,855.0	2,390,855.0	-	-
	Average yield, %	17.78	17.78	-	-

Total Fund investments in the reporting period constitutes UAH 2,464,506.0 thousand, or 3.1% more than in 2009. This is due to increase in Fund revenues during 2008-2009



from transfer of surplus of income over expenditure of the National Bank of Ukraine in the amount of UAH 2 billion and high yield of government bonds acquired in 2009 at the level of 17.8%. The amount of net income from government bonds during 2010 was UAH 347,656.9 thousand, or 12.4% less than in 2009 because the average yield in the reporting period reduced from 17.8% to 11.0%. Total yield on Fund's portfolio of government securities constitutes 9.68%.

The structure of Fund resources as of 01.01.2011 is showed in Fig. 2.2.:

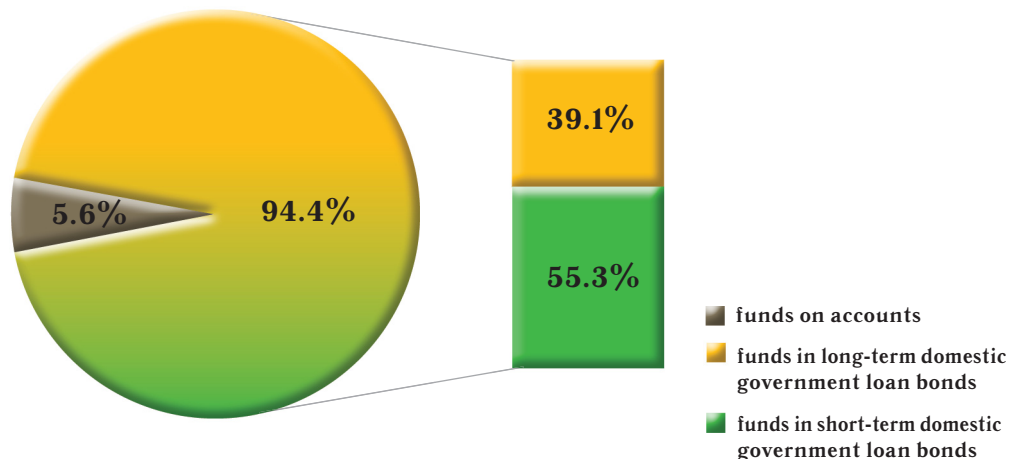


Fig. 2.2. Structure of Fund resources as of 01.01.2011

■ Financial Reporting

According to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” dated 16.07.1999 No.996-XIV the Fund prepares financial reporting composed of a balance sheet, an income statement, a cash flow statement, a statement of owners’ equity, notes to financial reporting. Financial reporting is based on accounting carried out according to the accounting standards and Fund accounting policy approved by order of the Managing Director.

Fund financial reporting for 2010 which reliability is confirmed by LLC “Audit firm “RSM APiK” is presented in Annexes 1, 2, 3 together with the auditor’s report.

3. Fund’s Monitoring and Controlling Functions



Department for Economic Analysis and Recurrent Monitoring

The Fund focuses its monitoring activities on identification of the initial stage of processes that develop into insolvency of banks, on adoption of efficient measures aimed at minimization of risks taken by the Fund and improving reliability of protection of retail deposits. Monitoring is carried out remotely and provides for analysis of deposit operations and financial condition of participants (temporary participants) of the Fund.

■ Banks’ Participation in the Fund

The Law of Ukraine “On Deposit Guarantee Fund” provides that participants of the Fund are banks and foreign bank branches included in the State Register of banks maintained by the National Bank of Ukraine having a license for banking activities and complying with the NBU prudential regulations on capital adequacy and solvency. Participants of the Fund which fail to comply with the above regulations and which banking license is terminated by resolution of the NBU are reclassified as temporary participants of Fund by resolution of the Fund Administrative Board. At that, the bank brings back the Participant Certificate to the Fund and obtains the Temporary Participant Certificate. Deposits attracted before the bank is reclassified as a temporary participant are guaranteed by the Fund in the established amount; deposits attracted by the bank after its reclassification as a temporary participant are not guaranteed by the Fund.

The Fund maintains the Register of participants (temporary participants) of the Fund. As of 01.01.2010, there were 184 banks filed with the Register of the Deposit Guarantee Fund. In 2010 there were 12 banks excluded from the Fund Register, namely: 9 temporary participants and 1 participant of the Fund due to their liquidation and 2 participants of the Fund due to their reorganization. Three banks were included in the Register. Changes in composition of participants (temporary participants) for the period of the Deposit Guarantee Fund operation are presented in Table 3.1.

Table 3.1.

Changes in composition of participants (temporary participants) of the Fund

Year	Included in the Register	Excluded from the Register	Number of banks at year end		Number of banks for which payment procedure began in the reporting year
			Participants of the Fund	Temporary participants of the Fund	
2001	5	-	135	0	2
2002	19	2	152	0	-
2003	5	4	148	5	2
2004	10	3	153	7	2
2005	5	2	157	6	1
2006	8	5	163	3	3
2007	8	2	170	2	-
2008	12	1	183	0	1
2009	6	5	172	12	4
2010	3	12	170	5	11

Therefore, as of 01.01.2011, there were 175 banks filed with the Register, including 170 participants and 5 temporary participants.

In 2010, the number foreign capital banks grew from 4 to 55 banks, including 20 banks with 100 percent foreign capital, 35 banks that partially depend on foreign capital. Number of banks with Ukrainian capital decreased by 13 banks to 120 banks.

■ Analysis of Trends in Deposit Operations Development

Efficient operation of the deposit guarantee system contributed to the maintenance of public confidence in the banking system. Throughout the year, the amount of deposits has been growing even against the decrease in interest rates. In the dynamics of average weighted interest rates on retail deposits there was their decrease because the tendency towards increase in the public deposits with banks had a stable character and did not require additional interest incentives. Thus, if in 2009 growth of interest rates dropped as compared with 2008, then in 2010 average rates decreased to 15.39% on deposits in the national currency (reduction in 26.6%) and to 7.45% on deposits in foreign currency (reduction in 34.1%). Rates on time deposits in different currency have nearly returned to the pre-crisis level.

In the dynamics of deposit operations development in 2010 one can distinguish such trends. Number of physical persons as depositors in participants (temporary participants) of the Fund grew by 1 million people, or 3.2%, and as of 01.01.2011 constituted 32.6 million people. As a comparison, in 2009 number of depositors decreased by 3 million people, or 8.6%. Dynamics of depositors' number in participants (temporary participants) of the Fund is presented in Fig. 3.1.

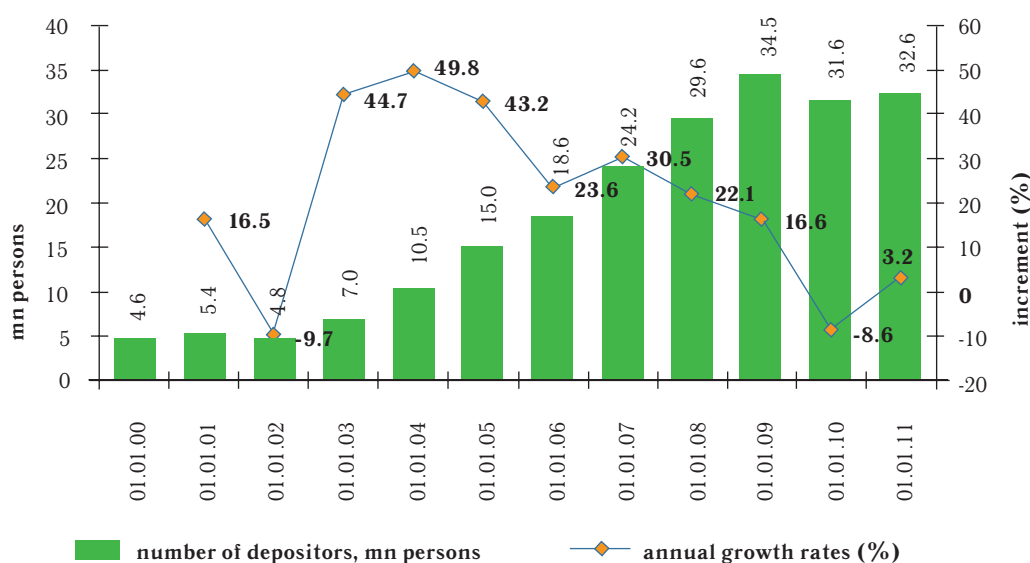


Fig. 3.1. Number of depositors in participants (temporary participants) of the Fund

In 2010 the retail deposit portfolio grew by UAH 56.2 billion, or 28.4% and as of 01.01.2011 constituted UAH 254.2 billion. As a comparison, in 2009 there was a decrease in volume of deposits by UAH 6.9 billion, or 3.4% (Fig. 3.2).

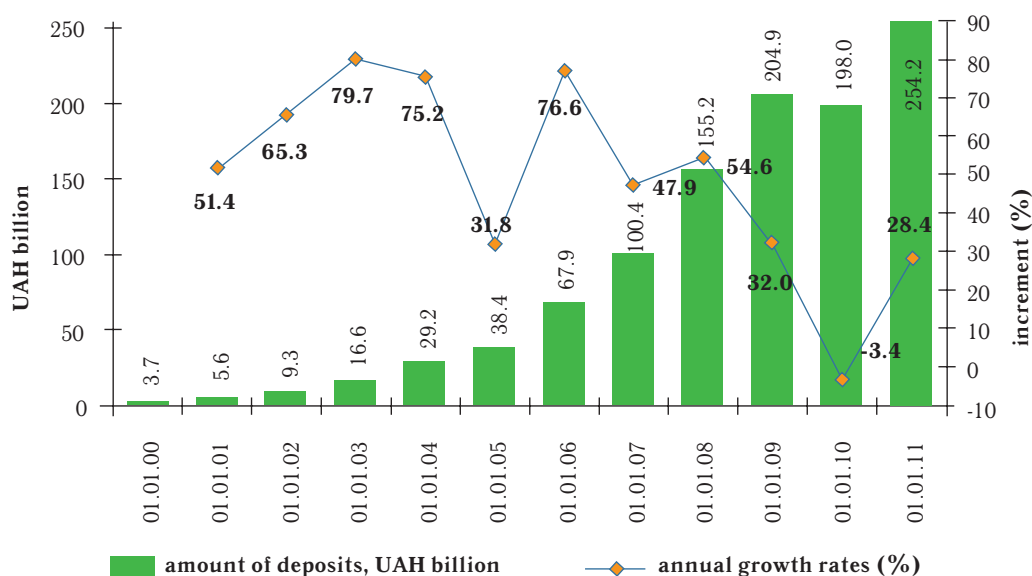


Fig. 3.2. Amount of deposits in participants (temporary participants) of the Fund

In 2010 the average deposit grew by 24.4% and constituted UAH 7802. As a comparison, in 2009 the average deposit decreased by 5.7%.

Volume of deposits in national currency constituted UAH 122.7 billion, and in foreign currency UAH 131.5 billion. In the reporting year deposits in national currency grew by UAH 37.0 billion, or 43.1%, and their share grew by 5 percentage points to 48.3%. Volumes of deposits in foreign currency have been growing at a lesser pace – by UAH 19.2 billion, or 17.1%, and their share in the structure decreased from 56.7% to 51.7%. Therefore, 48.3% of total deposits were placed in national currency, and 51.7% in foreign currency (Fig. 3.3.).

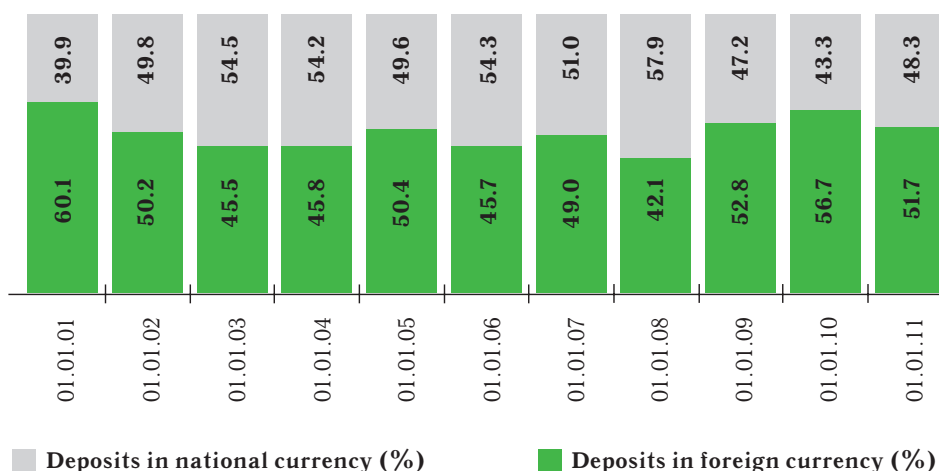


Fig. 3.3. Structure of deposits by currencies

Analysis of deposits by ranges of sums depending on the guarantee coverage testifies that the majority of depositors is concentrated in the group with deposit amount up to UAH 150,000 – 99.3%, for which account 44.0% of the total amount of retail deposits is formed in the system (Fig. 3.4. and Fig.3.5.).

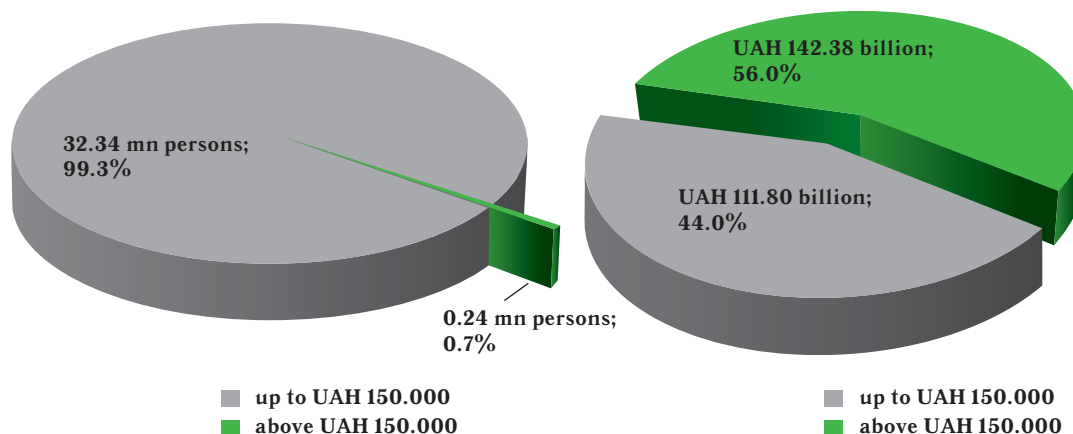


Fig. 3.4. Number of depositors in participants (temporary participants) of the Fund

3.5. Amount of deposits in participants (temporary participants) of the Fund

The tendency for placement of funds by majority of depositors in the limits of the guaranteed amount during the reporting period has not changed. To date, “small” and “medium” depositors in small banks are fully protected by the Fund which complies with the generally recognized practices.

Financial sustainability of the deposit guarantee system is characterized by optimum amount of financial resources accumulated by the Fund which is sufficient to cover risks assumed by the system. In the reporting period Fund financial resources decreased by 21.2% and constituted UAH 3.4 billion. In 2010, the amount of potential total payout increased by 27.7% up to UAH 147.1 billion constituting 57.9% of the total deposits. The Fund’s capitalization level (coverage of possible guaranteed amount by the Fund’s financial resources) decreased by 38.3% and constituted 2.3% (Fig. 3.6).

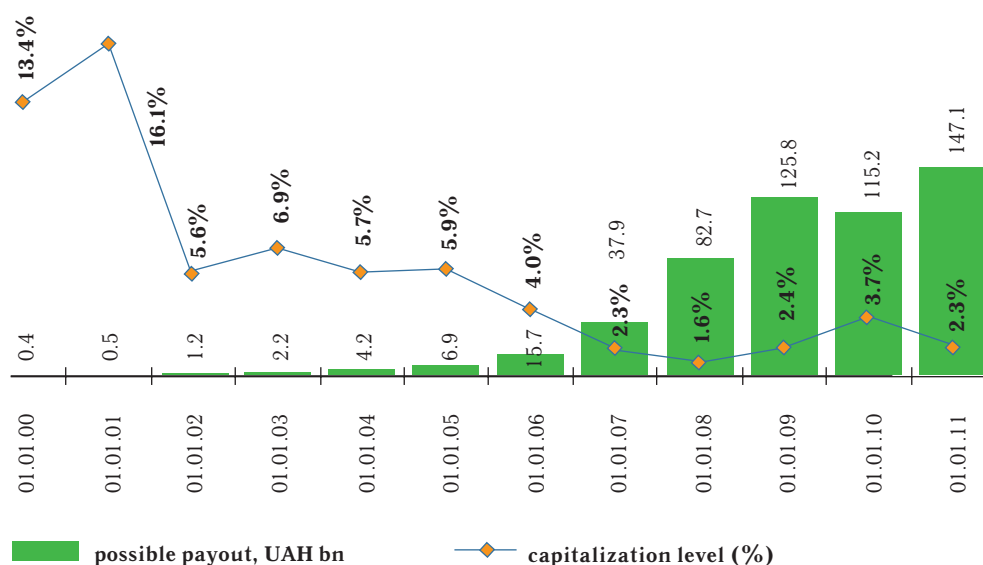


Fig. 3.6. Possible payout amount and Fund's capitalization level

Therefore, the Fund has sufficient financial resources to pay out the guaranteed sums to depositors of any mid-sized bank.

■ Analysis of Financial Conditions of Participants (Temporary Participants) of the Fund

Analysis of financial condition of participants (temporary participants) of the Fund demonstrates gradual overcoming the crisis by the banking system, especially during the second half-year 2010 evidenced by the following characteristics:

- capitalization of the banking system for the account of authorized capital strengthening positively influenced increase in the capital adequacy level;
- business recovery of banks in terms of attraction of financial resources of legal entities and individuals;
- gradual repayment of loans borrowed from the NBU;
- improvement of the banking system liquidity and reduction of the kartoteka;
- recovery of crediting, especially in part of economic entities;
- slowdown of the loan portfolio quality deterioration that led to reduction in allocations to reserves and became a loss reduction factor as compared with 2009.

At the same time, quality of assets of the banking system and, in particular, the loan portfolio, is deteriorating, thus negatively influencing bank interest receipts and efficiency of core activities.

In 2010 equity capital of participants (temporary participants) of the Fund increased by UAH 22.3 billion, or 22.6%. Main source of its growth was increase in the authorized capital by UAH 26.67 billion, or 25.3%. General reserves decreased by UAH 1.6 billion, or 59.2% and constituted UAH 1.1 billion, while reserve funds decreased by UAH 3.0 billion, or 30.4% and constituted UAH 6.9 billion which is connected with writing off contingent losses (Fig. 3.7.).

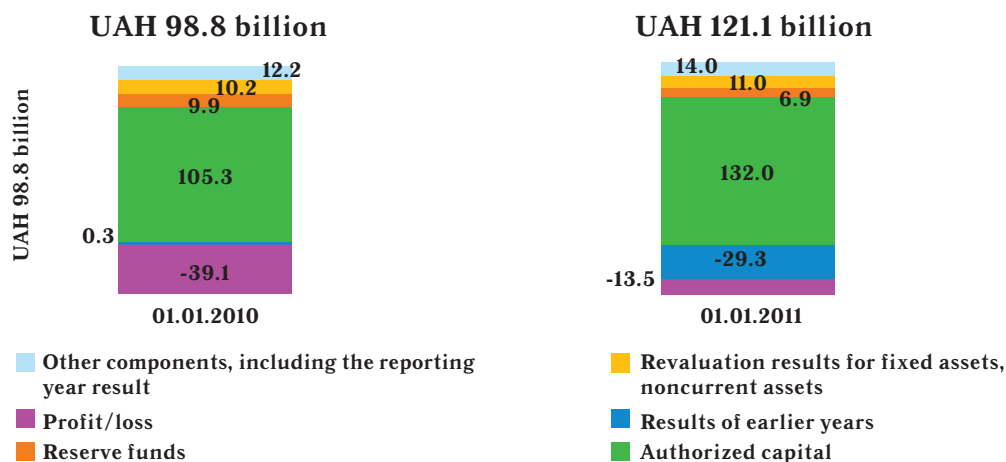


Fig. 3.7. Structure of equity capital of participants (temporary participants) of the Fund

The volume of retail deposits exceeds equity capital 2.1 times, thus showing sufficient protection of deposits.

Joint liabilities grew by UAH 40.4 billion, or 5.6% for the year, of which 49.7% growth was ensured during Q4 2010. Structure of liabilities during the year underwent such changes (Fig.3.8.).

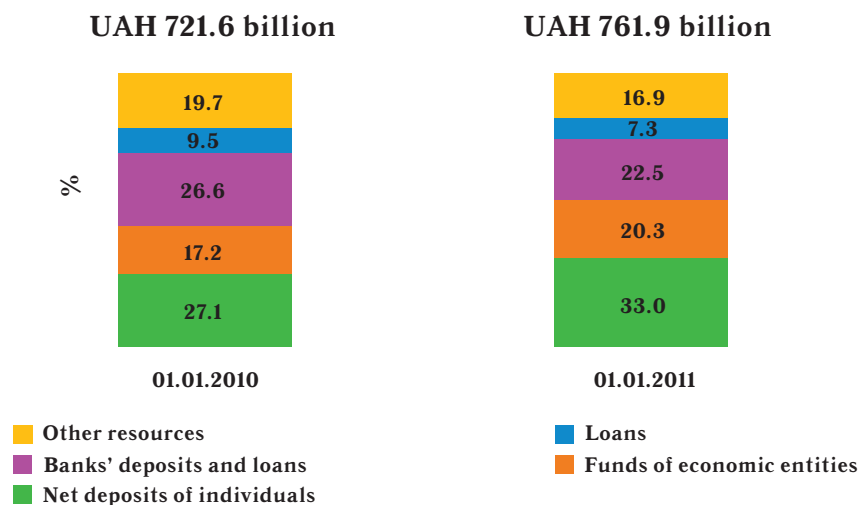


Fig. 3.8. Structure of liabilities of participants (temporary participants) of the Fund

The retail deposits grew by UAH 56.3 billion, or 28.8%, and their share in the structure grew from 27.1% to 33.0%. Main growth in deposits ensured growth in time deposits by UAH 48.3 billion, or 32.6%. Share of deposits in liabilities grew from 23.8% to 28.5% for the year. Funds of economic entities grew by UAH 31.1 billion or 25.1% for the year, and their share in the structure grew from 17.2% to 20.3%. Of the total amount of economic entities' funds 58.1% are placed as money on call. Interbank credits reduced by UAH 20.3 billion, or by 10.5% for the year despite growth during Q4 by UAH 10.1 billion, and their share in the structure reduced from 26.6% to 22.5%. Loans obtained from the NBU decreased by UAH 13.25 billion, or 19.3%, and their share reduced from 9.5% to 7.3%. Funds on loro accounts increased by UAH 3.0 billion, or 29.1% and from 1.4% to 1.8% in the structure. Own debt securities reduced by UAH 1.9 billion, or 42.9% and from 0.6% to 0.3% in the structure. The loans from international institutions decreased by UAH 2.8 billion, or 6.6% and from 5.8% to 5.1% in the structure. The subordinated debt grew by UAH 5.5 billion, or 18.6% from 4.1% to 4.6% in the structure. The accounts payable decreased

by 7.0 billion, or 28.3% and from 3.4% to 2.3% in the structure. Other liabilities reduced by UAH 11.4 billion, or 40.3% from 3.9% to 2.2% in the structure.

Total assets grew by UAH 86.9 billion, or 9.3%, net assets grew by UAH 62.7 billion, or 7.6%. The structure of assets is presented in Fig. 3.9.

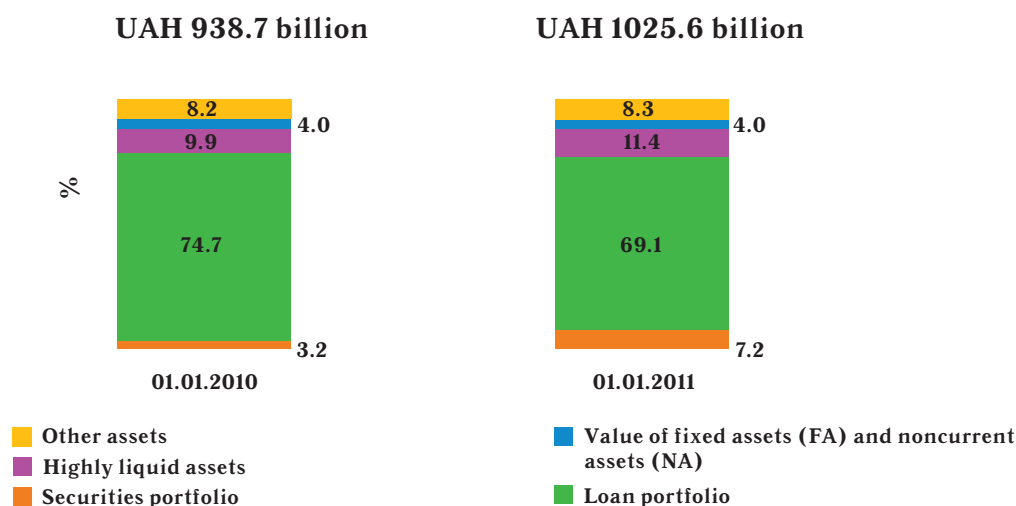


Fig. 3.9. The structure of assets of participants (temporary participants) of the Fund

Structure of assets underwent the following changes for the year. Highly liquid assets grew by UAH 23.9 billion, or 25.8%, and their share in the structure grew from 9.9% to 11.4%. Liquidity risk in the system as a whole is rated as moderate. Securities portfolio grew by UAH 43.0 billion, or 2.4 times due to increase in government bonds by UAH 40.4 billion, or 3.4 times which constitutes 78.1% in the investment portfolio total. Share of securities portfolio in assets grew from 3.2% to 7.2%.

The loan portfolio grew by UAH 8.3 billion, or 1.2% due to the activation of lending in Q4 (increase by UAH 10.5 billion), but the portfolio share decreased from 74.7% to 69.1%. In the loan portfolio structure such changes took place: loans extended to economic entities grew by UAH 34.4 billion, or 7.8%, and their share grew from 62.7% to 66.8%; loans extended to individuals decreased by UAH 34.9 billion, or 16.1% and from 30.9% to 25.6% in the structure; loans extended to other banks grew by UAH 7.8 billion, or 18.9% and from 5.9% to 6.9% in the structure (Fig. 3.10.).

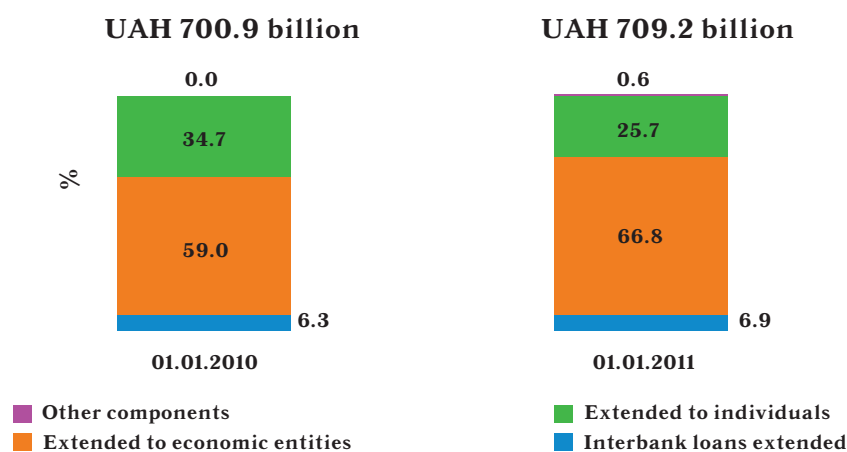


Fig.3.10. Structure of loan portfolio of participants (temporary participants) of the Fund

Loan arrears grew by UAH 14.2 billion, or 20.5% despite decrease during the last quarter by UAH 1.99 billion, and their share in the loan portfolio grew from 9.9% to 11.75% (Fig. 3.11).

Written off debt on lending operations grew by UAH 7.7 billion, or 4.8 times to UAH 9.7 billion (during Q4 UAH 7.1 billion were written off).



Fig.3.11. Structure of loan portfolio of participants (temporary participants) of the Fund

Fixed assets grew by UAH 4.1 billion, or 10.9%, and their share in the structure grew from 3.97% to 4.0%. Receivables were paid for UAH 6.3 billion, or 22.1%, and their share decreased from 3.0% to 2.2%. Other assets grew by UAH 13.9 billion, or 28.5%, and their share in the structure grew from 5.2% to 6.1%. Main factor of their growth was increase of overdue accrued revenue by UAH 9.7 billion, or 43.8% which form 50.7% of other expenditures and relate to deterioration of loan portfolio quality.

Aggregate income decreased by UAH 6.4 billion, or 4.8% for the year due to decrease in interest revenue by UAH 7.6 billion, or 6.7% which is connected with deterioration of loan portfolio quality, and their share in the revenue structure decreased from 84.4% to 82.7%. Commission income decreased by UAH 1.0 billion (6.6%) to 11.2% in the structure. Other operating income grew by UAH 2.9 billion, or 2.5 times and from 1.4 to 3.7% in the structure.

Aggregate expenditure decreased by UAH 32.1 billion, or 18.5% due to reduction in transfers to reserves by UAH 29.7 billion, or 40.6%. Interest expense decreased by UAH 5.0 billion, or 8.0%, but their share grew from 36.3% to 41.0%.

Net interest income decreased by UAH 2.6 billion, or 5.1%, net commission income decreased by UAH 647.6 million, or 5.2%.

Total value of loss in the system constituted UAH 13.5 billion. As of January 1, 2011, 35 banks operated at a loss, and total losses constituted UAH 17.2 billion. 140 banks made profit to the total amount of UAH 3.7 billion.

■ Controlling Functions



Audits of participants (temporary participants) of the Fund in 2010 were carried under the Law of Ukraine “On Deposit Guarantee Fund” and according to the approved annual audit plan.

Beginning 2003 the Fund carried out 684 audits of participants (temporary participants) of the Fund, of which 656 scheduled audits and 28 unscheduled ones. Summarized data on audits of participants (temporary participants) of the Fund carried out in the period 2003 – 2010 are showed in Fig. 3.12.

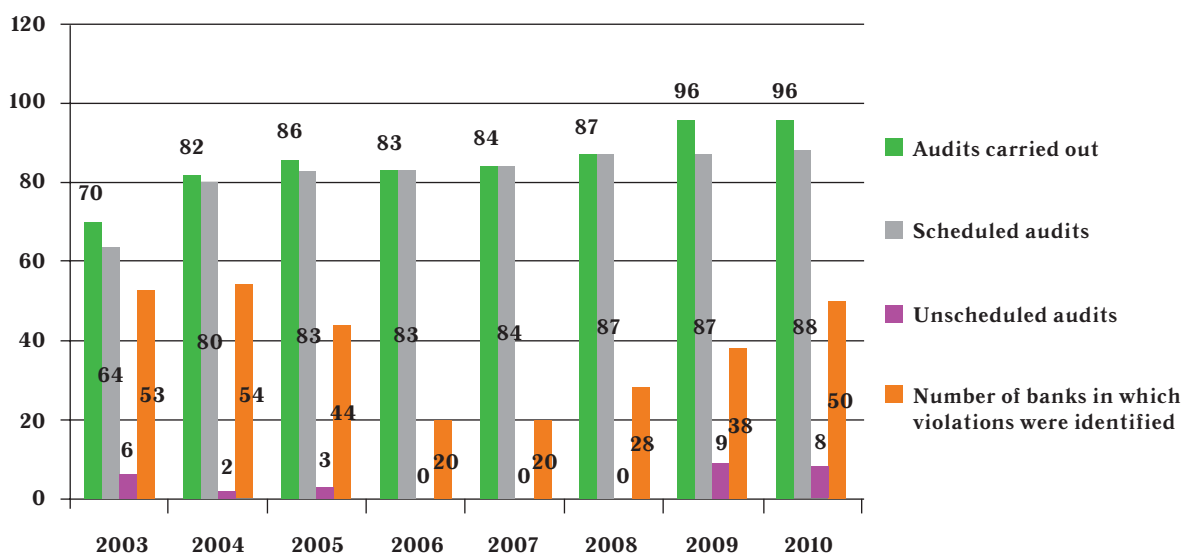


Fig. 3.12. Summarized data on carried out audits of participants (temporary participants) of the Fund

In 2010 there were 96 audits of participants (temporary participants) of the Fund, including 88 scheduled audits and 8 unscheduled ones.

Key issues of audits were:

- reliability of reports submitted by banks to the Fund;
- completeness and timeliness of contributions payable to the Fund;
- timely fulfillment of obligations to depositors;
- liquidity, asset quality evaluation in general;
- completeness and reliability of database on physical persons as depositors maintained by banks;
- compliance with the requirements of the Law of Ukraine “On Deposit Guarantee Fund” and Fund regulations.

In general, based on results of audits carried out in 2010 there were violations identified in 50 participants (temporary participants) of the Fund out of 96 ones, i.e. 52% of the total number of participants (temporary participants) of the Fund audited in the aforementioned year.

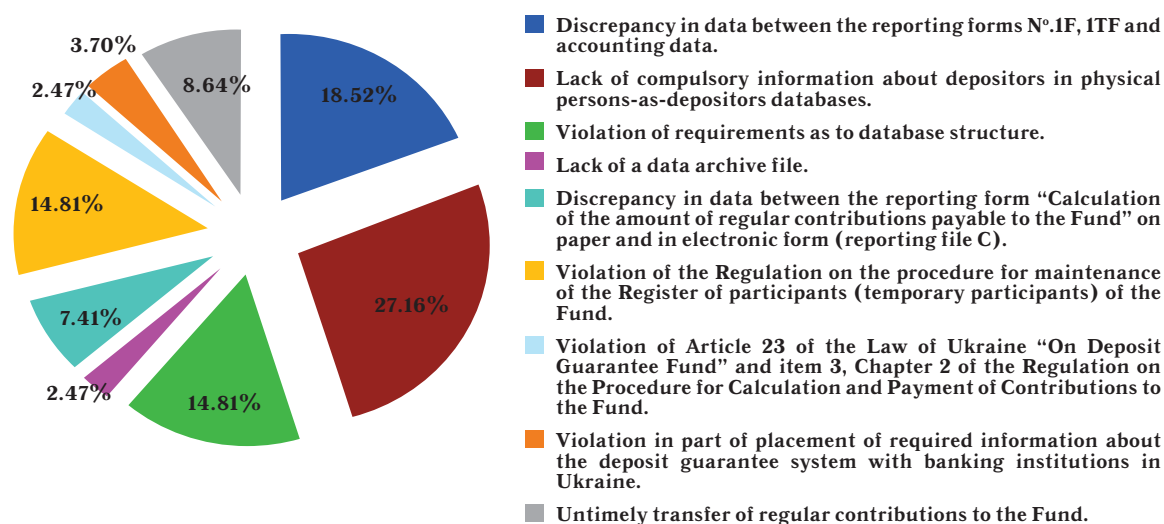


Fig. 3.13. Structure of identified violations in 2010

Based on audits carried out in 2010 the most common violation was non-compliance with the requirements of the Instruction on the Procedure for Forming Database on Physical Persons as Depositors in Participants (Temporary Participants) of the Deposit Guarantee Fund that constituted 44.44% of the total number of violations identified in that year. The most typical violation was lack of compulsory information about depositors in the physical persons-as-depositors database that constitutes 61.11% of the total number of Instruction abuses. Next in amount were breaches of procedures for preparation of reporting in part of discrepancy in data specified in quarterly reporting forms “No.1F – Report on Deposits of Individuals in Participants of the Fund”, “No.1TF – Report on Deposits of Individuals in Temporary Participants of the Fund” and accounting data of the participants (temporary participants) of the Fund that constituted 18.52% of the total number of violations identified in that year.

4. Deposit Payout

■ Payout Procedure

The main function of the Fund is protection of depositors' rights through timely payment of guaranteed amounts to 'physical persons' as depositors in case of liquidation of a participant (temporary participant) of the Fund.

The Fund guarantees deposits of individuals placed in participants (temporary participants) of the Fund in national and foreign currency, including interest, in the amount of deposits up to the limit specified in the effective legislation of Ukraine on the liquidator appointment date for deposits in each bank, a foreign bank branch as of the deposit inaccessibility date. Provided a depositor places multiple deposits in one participant (temporary participant) of the Fund, the Fund guarantees such deposits with regard to interest in the amount of total deposits amount on the liquidator appointment date up to the guarantee limit specified in the effective legislation of Ukraine. Payments of the guaranteed amounts of deposits are made during three months since appointment of a liquidator in a participant (temporary participant) of the Fund based on the list of data obtained from the liquidator, of which the Fund informs depositors via official mass media. In this period depositors apply directly to an agent bank.

Repayment of deposits in a foreign currency is effected in the national currency of Ukraine after conversion of the amount of a deposit at the official rate of exchange of the National Bank of Ukraine as on the day of onset of inaccessibility of deposits.

Depositors acquire the right to obtain the guaranteed sum of repayment of money in deposits for account of money resources of the Fund in the monetary unit of Ukraine from the date of appointment of the liquidator of participant (temporary participant) of the Fund.

Payments of the guaranteed amounts of deposits are made during three months since appointment of a liquidator in a participant (temporary participant) of the Fund based on the list of data obtained from the liquidator, of which the Fund informs depositors via official mass media. In this period depositors apply directly to an agent bank.

If depositors whom indicated on the list of data obtained from the liquidator for objective reason are unable to apply to the Fund's agent bank during the aforementioned three months, they shall apply directly to the Fund with personal written request. Based on review of written requests from depositors the Fund shall make payments through individual transfers via agent banks. Time allowed for depositors' claims to the Fund for the guaranteed compensation amount is three years. The compensation procedure is showed in the scheme (Fig. 4.1.).

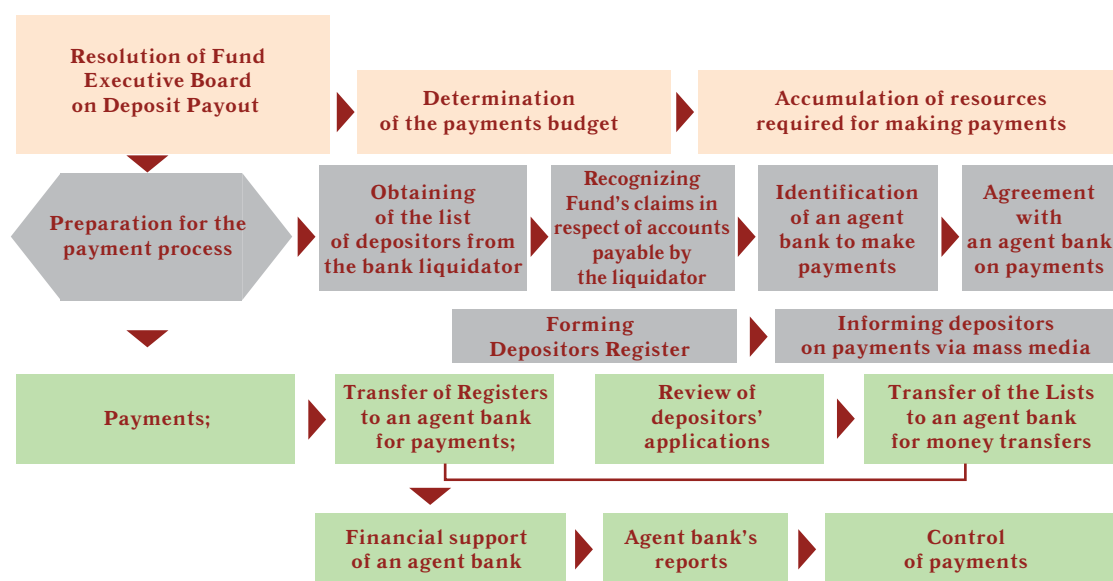


Fig. 4.1. Deposit Guarantee Structure

■ Payments in 2010

Late 2009 and 2010, the National Bank of Ukraine revoked bank licenses for banking activities from a number of banks, and in 2010 the Fund began payments to depositors of such banks:

- On January 20, 2010 the Fund started to pay to the depositors of JSB “Bank of Regional Development”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 298,233.4 thousand, of which UAH 295,227.2 thousand, or 99.0% were paid in 2010 to 5801 depositors;
- On February 3, 2010 the Fund started to pay to the depositors of JSCB “East European Bank”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 210,497.6 thousand, of which UAH 208,521.9 thousand, or 99.1% were paid out in 2010 to 4840 depositors;
- On February 10, 2010 the Fund started to pay to the depositors of Commercial Bank “Ukrainian Financial Group”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 50,891.5 thousand, of which UAH 50,523.7 thousand, or 99.3% were paid out in 2010 to 976 depositors;
- On March 11 2010, the Fund started to pay to the depositors of LLC “Ukrprombank”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 29,605.9 thousand, of which UAH 24,513.9 thousand, or 82.8% were paid out in 2010 to 2236 depositors;
- On March 25, 2010 the Fund started to pay to the depositors of LLC Commercial Bank “Arma”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 178,866.6 thousand, of which UAH 176,561.1 thousand, or 98.7% were paid out in 2010 to 4451 depositors;
- On April 20, 2010 the Fund started to pay to the depositors of OJSC “Big Energia”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 521,046.3 thousand, of which UAH 515,626.2 thousand, or 99.0% were paid out in 2010 to 18,390 depositors;
- On April 15, 2010 the Fund started to pay to the depositors of JSCB “Transbank”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 438,028.9 thousand, of which UAH 432,335.7 thousand, or 98.7% were paid out in 2010 to 10,930 depositors;
- On April 29, 2010 the Fund started to pay to the depositors of OJSC “Selyansky Commercial Bank “Dnister”. According to the bank liquidator, the Fund charged payables to

depositors in the amount of UAH 328,736.7 thousand, of which UAH 322,830.9 thousand, or 98.2% were paid out in 2010 to 9977 depositors;

- On May 12 2010, the Fund started to pay to the depositors of OJSC Commercial Bank “Ipobank”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 512.3 thousand, of which UAH 377.6 thousand, or 73.7% were paid out in 2010 to 60 depositors;
- On September 15, 2010 the Fund started to pay to the depositors of PJSC “Zemelny Bank”. According to the bank liquidator, the Fund charged payables to depositors in the amount of UAH 99,111.0 thousand, of which UAH 97,042.4 thousand, or 97.9% were paid out in 2010 to 3 101 depositors;
- On November 24, 2010 the Fund started to pay to the depositors of PJSC “Joint-Stock Bank “Syntez”. According to the bank liquidator, the Fund charged payables to depositors of in the amount of UAH 85,140.5 thousand, of which UAH 72,798.0 thousand, or 85.5% were paid out in 2010 to 2761 depositors.

Also, in 2010, the Fund continued payment of to the depositors of banks that were undergoing liquidation (Table 4.1.).

Table 4.1.

List of banks which as of 01.01.2010 were undergoing liquidation

No.	Bank	Start of payment procedure
1.	OJSC “European Bank for Development and Savings”, Kyiv City	17.04.2008
2.	OJSC CB “Prychornomorya”, Dnipropetrovsk City	01.07.2009
3.	OJSC JSCB “Odesa-Bank”, Odesa City	26.08.2009
4.	OJSC CB “National Standard”, Kyiv City	07.10.2009
5.	JSCB “European”, Kyiv City	07.10.2009

For the period since the beginning of payments until 01.01.2010, depositors of these 5 banks already received from the Fund the amount of UAH 1,312,500.2 thousand. In 2010, payments of guaranteed amounts constituted UAH 97,327.9 thousand.

Besides, UAH 2.9 thousand were paid by decision of a court to depositors of OJSC JSCB “Garant” liquidated in 2006.

Therefore, in 2010, depositors of 17 liquidated banks were paid out of the Fund resources as much as UAH 2,293,689.4 thousand. Table 4.2. demonstrates settlements with depositors in 2010.



Payout Department



Records and Administration Department

Table 4.2.

Settlements with depositors in 2010

UAH thou.

List of liquidated banks	Outstanding balance on depositors' accounts as of 01.01.2010	Charged in 2010	Opening of settlements to make payments by decision of a court	Real funds received in 2010	Closure of settlements in connection with completion of payments	Outstanding balance on depositors' accounts as of 01.01.2011
1	2	3	4	5	6	7
OJSC JSCB "Garant"	-	-	2.9	2.9	-	-
OJSC "European Bank for Development and Savings"	2,337.1			515.5	-	1,821.7
OJSC CB "Prychornomorya"	1,201.9		-	655.2	-	546.8
OJSC JSCB "Odesa-Bank"	1,911.8		-	1,341.6	-	570.2
OJSC CB "National Standard"	10,776.9	- 1,800.0	-	6,908.1	-	2,068.7
JSCB "European"	131,035.3	- 37,724.1	-	87,907.5	-	5,403.6
JSC "Bank of Regional Development"		298,233.4		295,227.2		3,006.2
JSCB "East European Bank"		210,497.6		208,521.9		1,975.7
CB "Ukrainian Financial Group"		50,891.5		50,523.7		367.8
LLC "Ukrprombank"		29,605.9		24,513.9		5,092.0
LLC CB "Arma"		178,866.6		176,561.1		2,305.5
OJSC "Big Energia"		521,046.3		515,626.2		5,420.1
JSCB "Transbank"		438,028.9		432,335.7		5,693.2
OJSC SCB "Dnister"		328,736.7		322,830.9		5,905.8
OJSC CB "Ipobank"		512.3		377.6		134.7
PJSC "Zemelny Bank"		99,111.0		97,042.4		2,068.6
JSB "Syntez"		85,140.5		72,798.0		12,342.5
Total	147,263.0	2,201,146.6	2.9	2,293,689.4		54,723.1

Payment of a guaranteed amount to depositors of liquidated banks is made via agent banks in accordance with requirements of the Regulation on the Procedure for Identification of Banks – Agents of the Deposit Guarantee Fund approved by resolution of the Administrative Board No.28 dated 25.12.2003.

Agent banks approved for 2010 included Commercial Bank “PrivatBank”, JSCB “Ukrsotsbank”, JSC “Brokbiznesbank”.

Volume of payments by agent banks is presented in Table 4.3.

Table 4.3.

Volume of Payments by Agent Banks in 2010

List of agent banks	Amount of funds paid out by agent banks	
	UAH thou	%
CB “PrivatBank”	718,417.7	31.3
JSCB “Ukrsotsbank”	785,785.1	34.3
JSC “Brokbiznrnsbank”	660,031.6	28.8
PJSC CB “Khreschatyk”*	129,337.6	5.6
Total payments via agent banks:	2,293,572.0	
State Enforcement Service	117.4	0.0
Total payments:	2,293,689.4	100.0

*PJSC CB “Khreschatyk” made payments to depositors in Q1 2010 before new agent banks for 2010 were identified

■ **Payment of Fund’s Claims in Respect of Accounts Payable by Liquidators**

Since the deposit inaccessibility date the Fund acquires a creditor’s right against a participant (temporary participant) for a full payout amount.



In 2010 arrears of banks’ liquidation commissions on payment of Fund’s claims in respect of accounts payable grew by UAH 1,856,876.0 thousand and as of 01.01.11 constituted UAH 3,747,652.4 thousand (Table 4.4.). This indicator growth is associated with increase in number of liquidated banks.

Table 4.4.
Arrears of banks' liquidation commissions on payment of claims in respect of accounts payable

List of liquidated banks	Arrears of liquidation commissions on payment of Fund's claims in respect of accounts payable as of 01.01.11		
	Creditors claims on payment to depositors, UAH thou	Creditors claims on charges and fines, UAH thou	Total creditors claims, UAH thou
PJSC "Zemelny Bank"	99,111.0	692.1	99,803.1
OJSC "European Bank for Development and Savings"	266,162.2		266,162.2
LLC "Kyivsky Universalny Bank"	68,018.8	148.2	68,167.0
JSB "Bank of Regional Development"	294,233.4	1,010.8	295,244.2
PJSC "Syntez"	85,140.5	648.1	85,788.6
JSCB "Garant"	45,129.6	82.1	45,211.7
JSB "Allonge"	7,319.9	27.4	7,347.3
JSCB "European"	676,154.7	1,806.5	677,961.2
JSCB "Odesa-Bank"	84,462.8	105.6	84,568.4
JSCAIB "Ukraina"		998.6	998.6
CJSB "Sloviansky"		381.0	381.0
OJSC CB "Prychornomorya"	117,148.0	517.7	117,665.7
CB "National Standard"	266,311.4	443.4	266,754.8
JSCB "East European Bank"	210,497.6	357.8	210,855.4
JSCB "Transbank"	438,028.9	1,209.4	439,238.3
OJSC "BIG Energia"	518,046.3		518,046.3
LLC CB "ARMA"	178,866.6	295.8	179,162.4
OJSC CB "Ipobank"	512.3	1.6	513.9
CB "Ukrainian Financial Group"	50,891.5	152.2	51,043.7
SCB "Dnister"	328,736.7	3,897.6	332,634.3
LLC "Ukrprombank"	104.3		104.3
Total	3,734,876.5	12,775.9	3,747,652.4

In 2010, liquidation commissions paid in satisfaction of creditors claims UAH 90,950.4 thousand, or 2.43% of the total amount of liquidation commissions' arrears.

In dynamics, payment of creditors claims in 2010 constituted UAH 54,850.8 more than that of in 2009 (Table 4.5.).

Table 4.5.

Dynamics of payment of Fund's claims in respect of accounts payable

List of liquidated banks	2010	2009
	Amount, UAH thou	Amount, UAH thou
JSB "Premierbank"		29,709.8
SJSSIEBU "Ukrspetsimpeksbank"		139.8
LLC "Kyivsky Universalny Bank"	6,563.3	6,250.0
JSB "Odesa-Bank"	10,000.0	
JSB "Bank of Regional Development"	4,000.0	
OJSC "BIG Energia"	3,000.0	
LLC "Ukrprombank"	67,387.1	
Repaid total	90,950.4	36,099.6

5. Public relations and International Activities

■ Public Relations

In its activities, the Fund is firmly committed to the transparency and openness strategy. In 2010, the Fund public awareness policy was aimed at raising public awareness, public understanding of main principles of the deposit guarantee system, mechanisms of its functioning and raising confidence in the banking system in general. In view of crisis phenomena, number of banks where temporary administration was introduced, increase in the number of banks in liquidation, the Fund focused its information campaign in the reporting period on informing depositors on the procedure for payment of the guaranteed amount, deposit guarantee principles and shaping depositor's behavior in the financial services market in this period. Disseminated information dealt with all important functions and tasks of the Fund, in particular, foundations and principles of the deposit guarantee system operation in Ukraine, a guaranteed payout level, legislative acts governing Fund activities, etc. In the reporting period the Fund disseminated numerous press releases informing on resolutions of the Administrative Board to keep the guaranteed amount at the level of UAH 150,000; changes in the Register of participants (temporary participants) of the Fund; the amount of resources accumulated by the Fund; statistics and the procedure for making payments of the guaranteed amount to depositors of banks in liquidation, etc.

Face-to-face journalist/depositor outreach through interviews with the Fund Managing Director and Fund specialists, initiation of information events and their discussions, direct consultations all are a very important element of Fund information policy implementation. Also, in 2010 the Fund updated its information booklets: "Questions? Answers!", "Information on the Deposit Guarantee System", "Payments of the Guaranteed Deposit Amount".



Public Relations and International Department

The requirements of the Law of Ukraine “On Deposit Guarantee Fund” were fulfilled through placement of information announcements in the mass media, namely: Register of participants (temporary participants) of the Fund as of January 1, 2010 and July 1, 2010 and amendments thereto; announcements on payments arrangement; Fund Performance Report 2009 and Fund Performance Report Q1 2010.

In order to ensure quick access of the public to information, the Fund placed high emphasis on improvement of its web-site. Thus, in 2010 it was amended by sections “Statistics”, “International Activities”, “Regulatory Activities”, etc. Also, it was established the English version of the web-site. For convenience, all required information on guarantee terms and the payout procedure are placed in the section “For Depositors”.

The Fund telephone hotline free for all regions is the most important area of Fund activities. In the reporting period, the telephone line received 30,938 calls. The largest number of calls was recorded in April and March (30% and 22% of total calls for the year, respectively) due to liquidation of 4 banks initiated in this period (Fig. 5.1.).

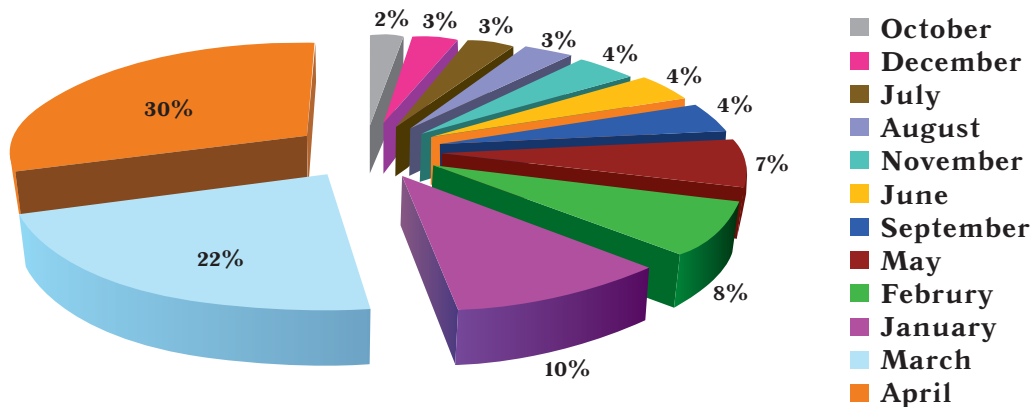


Fig. 5.1. Structure of number of calls received on the Fund telephone line for free in 2010

Also, in 2010, the Fund conducted the mass media monitoring in the framework of its PA policy and analytical component to follow-up and analyze events in Ukraine’s and worldwide economic environment. Information presented in the mass media had a structure showed in Fig. 5.2.

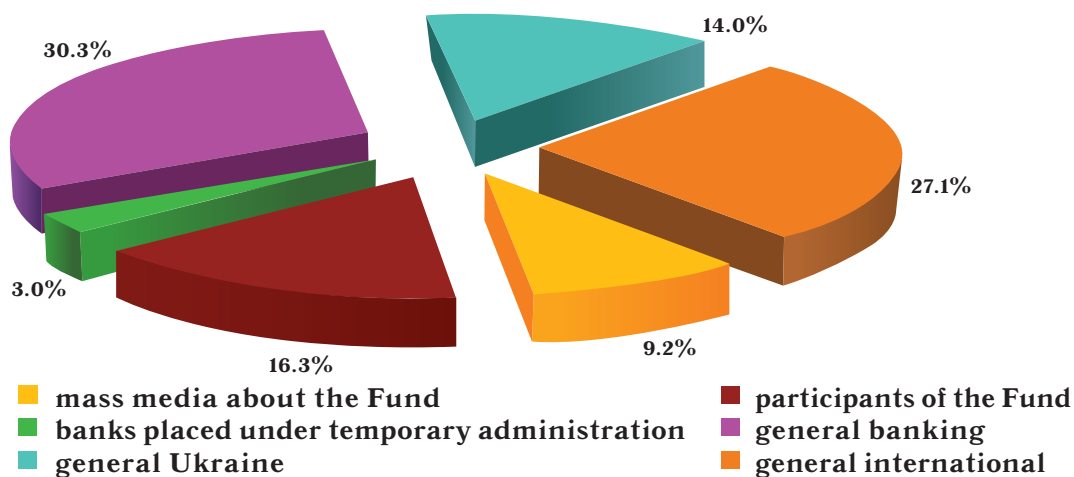


Fig. 5.2. Structure of information analyzed for 2010

■ International Activities

In 2010, the Fund continued its active cooperation with international financial organizations that recognize extremely important role of deposit guarantee systems as a factor contributing to financial stability and development of states. As a member of the International Association of Deposit



9th IADI Annual General Meeting, Tokyo, Japan

Insurers (IADI) since 2002 the Fund actively participated in generalization and dissemination of best practices in deposit insurance and prevention of bankruptcies of banking institutions. In the framework of IADI, the Fund fruitfully worked in the membership of the European Regional Committee, the Eurasia Regional Committee, the Research and Management Committee. In the reporting period, the Fund representatives continually presented Ukraine's experience in international



Signing the Memorandum of Understanding on Bilateral Cooperation, Istanbul, Republic of Turkey

and regional conferences, workshops and meetings. Also, in 2010, the Fund joined the European Forum of Deposit Insurers (EFDI) to strengthen Ukraine's positions in the international



Bilateral Seminar by Savings Deposit Insurance Fund (Turkey) and Deposit Guarantee Fund (Ukraine)

community and enable it learn European legislation more closely. One of the greatest achievements in the activities of the aforementioned institutions is the development by the Basel Committee on Banking Supervision, IADI and EFDI in cooperation with the World Bank and European Commission of the Methodology for evaluating compliance of national deposit insurance systems with "Core Principles of Effective Deposit Insurance Systems" that was submitted to the Financial Stability Council for inclusion in the main international standards.



Training session, Arlington, USA

One of the main steps in the Fund's international activities was signing the Memorandum on Mutual Understanding and Cooperation with the Savings Deposit Insurance Fund of Turkey and cooperation with the Federal Deposit Insurance Corporation (USA). Such bilateral cooperation will offer the possibility to conduct joint research, wide and open exchange of information and ideas, to ensure a fruitful bilateral dialogue on the economic policy and operation of the financial safety system.

During 2010, the Fund worked closely with the World Bank. In particular, a Deposit Guarantee Fund Reform Concept, implementation of a new mechanism of work with problem banks and the Draft Law of Ukraine "On Deposit Guarantee System" were prepared together with the World Bank experts. Also, the Fund held numerous meetings with the World Bank experts in the framework of technical missions to ensure efficient results in implementing the Fund reform. Besides, with the direct participation and support of the World Bank, and financing from the Dutch Government Grant No.TF055212 the Fund engaged consultants in preparation of the aforementioned draft law; took part in the training seminar: "Bank Resolution" that was held in Kuala Lumpur (Malaysia); held in Kyiv (Ukraine) a workshop in responsibilities of deposit insurance systems in relation to problem banks with the participation of practical experts employed by the Federal Deposit Insurance Corporation (USA).

The Fund also worked actively with the USAID Financial Sector Development Project (FINREP) in the framework of assistance to Ukraine in overcoming consequences of the economic and financial crisis and implementing a reliable, transparent and stable financial system. The USAID Financial Sector Development Project (FINREP) assisted in modeling of changes in the organizational structure of the Fund in view of the planned reform, evaluation of staffing requirements and preparation of the Report: "Deposit Guarantee Fund: Review of Processes and Transition to Fulfillment of Widened Functions". There were also organized study tours to financial institutions in Sweden and the Savings Deposit Insurance Fund of Turkey to gain experience in bank resolution and problem bank management. Besides, legal and banking experts were engaged to implement new functions.

The Fund expresses its sincere gratitude to the World Bank and the USAID Financial Sector Development Project (FINREP) for recurrent technical assistance in 2010 on the deposit guarantee system reform.

6. The Reform of the Deposit Guarantee Fund

■ Information Technologies

Development of Fund information technologies in the future will be aimed at raising the efficiency of Fund operations along such lines:

- Development and extension of electronic document flow for participants (temporary participants) of the Fund, bank liquidators and agent banks.
- Implementation of safe components in the development of Fund's Internet-resources based on web-technologies.

- Implementation and development of the electronic document maintenance system.
- Implementation of a new real time payment system using instruments of the National System of Mass Electronic Payments.
- Maintenance and extension of the database on participants (temporary participants) of the Fund.
- Development and improvement of the automated risk evaluation and management instruments.

■ The Fund's Transformation

On 21.05.2010 (Minutes No.7), the Fund Administrative Board approved the Deposit Guarantee Fund Reform Concept and implementation of a new mechanism of work with problem banks which text was fully agreed with the World Bank.

On 21.05.2010, the aforementioned Concept was forwarded by the Fund to the Cabinet of Ministers of Ukraine.

The Fund also prepared the Draft Law of Ukraine "On Deposit Guarantee System" which provides for improvement of the deposit guarantee system through transfer of the bank resolution functions from the National Bank of Ukraine to the Fund, and the introduction of a new mechanism of work with problem banks.

Text of the draft law was prepared with specialists of the National Bank of Ukraine and agreed with the World Bank.

The draft law was forwarded to the Administration of the President of Ukraine requesting to consider the possibility to submit the draft law to the Verkhovna Rada of Ukraine on the legislative initiative of the President of Ukraine as a matter of priority.

The draft law is aimed at:

- improvement of work with problem banks in Ukraine through raising operating and economic efficiency of such work;
- speed-up of the decision-making process in relation to bank resolution using the best world practices and experience that will consequently raise general level of public confidence in Ukraine's banking system;
- optimization of Fund expenditures related to payments to physical persons as depositors;
- raising protection of the rights of other banks' creditors.

The draft law provides for:

- introducing the assessment of banking activities based on the risk management system, introducing "problem bank" and "insolvent bank" concepts using quantitative and qualitative criteria established by the Law of Ukraine "On Banks and Banking";
- transfer of the bank resolution mandat from the National Bank of Ukraine to the Fund through:
 - liquidation of an insolvent bank with deposit payout by the Fund;
 - liquidation of an insolvent bank with a transfer of all or some assets and liabilities to an assuming bank
 - transfer of all or some liabilities of the insolvent bank to the assuming bank with subsequent revocation of the license of the insolvent banks and its further liquidation;

establishment and sale to an investor of a bridge bank with further liquidation of the insolvent bank;

- sale of the insolvent bank to investor
- adjustments in practical monitoring of activities of problem banks by the National Bank of Ukraine to improve the problem bank supervision system and facilitate reduction in Fund expenses in the course of work with insolvent banks.

In general, the draft law provides that the National Bank of Ukraine will continue to perform its functions of a bank regulator and prudential supervisor, including enhanced supervision of problem banks, and will implement their financial recovery programs in the limits of time constraints established by legislation. The National Bank of Ukraine will continue to take all enforcement measures, including appointment of a supervisor as specified in the Law of Ukraine “On Banks and Banking” in addition to introduction of temporary administration, or appointment of a liquidator.



In the meantime, the Fund will perform complex actions on bank resolution based on the least cost method.

The Fund will have exclusive functions of the temporary administrator and liquidator of insolvent banks.

Aiming at the implementation of the deposit guarantee system, the Fund:

- approved the Plan of the Deposit Guarantee Fund Institutional Development (minutes of the meeting of the Fund Administrative Board dated 20.07.2010 No.12);
- developed draft regulations on bank resolution, including the procedure for their temporary administration and liquidation;
- approved the Plan of educational measures connected with general training of Fund employees in activities in the limits of new responsibilities (order of the Fund Managing Director dated 15.09.2010 No. 093).

The Fund identified initiatives on assigning to the Fund some additional bank resolution functions, including their reorganization and liquidation to ensure its efficient role in securing the government guarantee on retail deposits. In the planned period, the Fund will focus its key activities on professional development of personnel, intensification of risk assessment and control over activities of banking institutions, ensuring acting financial and operational readiness to make payments of guaranteed amounts in adoption of a decision on insolvency of Fund participants; preparation to assuming the bank resolution functions; strengthening the role of IT technologies and deepening the processes in the area of communications aiming at renewal of public confidence in the banking system and financial market in general.

INDEPENDENT AUDITOR'S REPORT

To the Deposit Guarantee Fund Management

We have conducted an audit of the financial reports of the Deposit Guarantee Fund (hereinafter referred to as "the Fund") attached, which comprise the balance sheet as of December 31 2010, the Income Statement, Cash flow Statement, Annual Statement of Owners' Equity, and all notes / appendixes to the annual financial reports.

Responsibility of the managerial personnel for financial reporting

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

Auditor's Responsibility

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

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

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

In our opinion, the financial reporting of the Deposit Guarantee Fund for the year ended 31 December 2010 is prepared in all material respects in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and the National Accounting Regulations (Standards) acting in Ukraine.

Certified auditor
Auditor Certificate issued by the Audit
Chamber of Ukraine No.000056
Bank Auditor Certificate No.0021
Certificate of the National Bank of
Ukraine N.0000012 dated 30.08.200



T. Bernatovych
Firm's President

RSM APIK is an independent member company of the RSM International, the Association of Independent Accounting and Consulting Companies

Certificate on filing with the Register of Audit Firms and Auditors No.0084 dated 26 January 2001.

BALANCE SHEET

as of December 31, 2010

	Form N1	SCMD code	1801001
ASSET	Line code	As of the beginning of year	At end of reporting period
1	2	3	4
I. Non-current assets			
Intangible assets:			
residual value	010	13	7
initial value	011	589	579
accumulated amortization	012	(576)	(572)
Construction-in-progress	020		
Fixed assets:			
residual value	030	784	731
initial value	031	2852	2998
depreciation	032	(2068)	(2267)
Long-term biological assets:			
fair (residual) value	035		
initial value	036		
accumulated amortization	037		
Long-term financial investments:			
accounted for by the equity method	040		
other financial investments	045	2 414 262	1 874 808
Long-term receivables	050	147	70
Fair (residual) value of investment property	055		
Initial value of investment property	056		
Depreciation of investment property	057		
Deferred tax assets	060		
Goodwill	065		
Other non-current assets	070		
Total, Section I	080	2 415 206	1 875 616
II. Current assets			
Inventories	100	71	126
Current biological assets	110		
Work-in-progress	120		
Outgoing inventory (output finished goods)	130		
Goods (products)	140		

Application 2

Notes (bills) received	150		
Bills receivable for goods, works, services:			
net realizable value	160		
initial value	161		
provision for doubtful debts	162		
Accounts receivable:			
from the state budget (including due for taxes, levies and other statutory charges paid)	170		
for advance paid out	180	12	6
from accrued revenue	190	268498	319815
from internal settlements	200		
Other current receivables	210	1003	13745
Current financial investment	220	1269754	1325232
Cash and cash equivalents:			
in national currency	230	618680	190307
in foreign exchange	240		
Other current assets	250	6	17
Total, Section II	260	2 158 024	1 849 248
III. Other deferred expenses	270	147293	54759
IV. Non-current assets and disposal groups			
BALANCE	280	4 720 523	3 779 623
		As at the beginning of year	At end of reporting period
LIABILITY	Line code		
1	2	3	4
I. Equity capital			
Authorised (register) capital	300		
Share capital	310		
Additional capital employed	320		
Other additional capital	330		
Surplus	340		
Retained earnings (uncovered loss)	350		
Unpaid capital	360		
Disposed capital	370		
Total, Section I	380		
II. Provision of future expenses and payments			
Staff remuneration	400		
Other provisions	410		
Earmarked financing	420	4 573 259	3 724 883
Total, Section II	430	4 573 259	3 724 883

Application 2

III. Long-term liabilities			
Long-term bank loans	440		
Other long-term liabilities	450		
Deferred tax liabilities	460		
Other long-term liabilities	470		
Total, Section III	480		
IV. Current liabilities			
Short-term bank loans	500		
Current debt under long-term liabilities	510		
Notes payable	520		
Accounts payable for goods, works, services	530	1	17
Current liabilities, including:			
advances received	540		
to the state budget	550		
off-budget payments	560		
insurance	570		
payroll expenses	580		
to participants/shareholders	590		
internal settlements	600		
Other current liabilities	610	147263	54723
Total, Section IV	620	147264	54740
V. Deferred revenues	630		
BALANCE	640	4 720 523	3 779 623

INCOME STATEMENT 2010

	Form N2	SCMD code	1801003
I. Profit or loss			
Item	Line code	For the reporting period	For prior period
1	2	3	4
Income (proceeds) from sale of products (goods, works, services)	010		
Value Added Tax	015		
Excise	020		
	025		
Other charges on income	030		
Net income (proceeds) from sale of products (goods, works, services)	035		
Cost of products sold (goods, works, services)	040		
Gross:			
profit	050		
loss	055		
Other operating revenue	060	2326277	1074453
Administrative costs	070	31236	19857
Distribution expenses	080		
Other operating expenses	090	2295042	1054596
Profit or loss from operating activities:			
profit	100		
loss	105	1	
Equity income	110		
Other financial income	120	391114	440994
Other income	130	1177652	
Financial expenses	140	18697	12911
Equity expenses	150		
Other expenses	160	1178825	3

Application 3

Profit or loss from ordinary operations before tax:			
profit	170	371 243	428080
loss	175		
Tax on profit from ordinary operations	180		
Profit or loss from ordinary operations:			
profit	190	371243	428080
loss	195		
Extraordinary:			
profit	200		
loss	205		
Tax on extraordinary profit	210		
Net:			
profit	220	371243	428080
loss	225		

II. Elements of operating expenses

Measure	Line code	For re- porting period	For prior period
1	2	3	4
Material costs	230	159	158
Payroll expenses	240	20 647	11049
Benefits-related deduction	250	3 254	2012
Amortization	260	217	130
Other operating expenses	270	2 301 984	1061097
Total	280	2 326 261	1074446

III. Calculation of shares profitability

Item	Line code	For re- porting period	For prior period
1	2	3	4
Average annual number of ordinary shares	300		
Adjusted average annual number of ordinary shares	310		
Earnings per ordinary share	320		
Adjusted earnings per ordinary share	330		
Divideds per ordinary share	340		



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