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Monthly Monitoring of Main Indicators of the Budget and Banking Systems of Ukraine as of April 1, 2011

The Monitoring of Main Indicators of Budget and Banking Systems of Ukraine is a monthly publication prepared based on the data of official statistics. It contains a brief analysis and selections of graphs and charts illustrating the main changes occurring in the budget and banking systems of Ukraine.

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Monitoring of the Execution of the Consolidated, State and Local Budgets in Ukraine

Key Trends:

- Higher than expected fiscal revenue intake is the main result of the execution of the consolidated and State budget revenues in Q1 2011. Thus, **the State budget revenue intake amounted to 23.6% of the yearly plan (see Graph 2) compared to 18%-20% during the previous seven years**. Also, one positive development is that this growth in budget revenue is the result of growth in the economy, as it was provided by increases in key tax revenues: VAT, enterprise profit tax, rent and fees for fuel and energy resources etc.

Note should be made within the structure of budget revenues of **the increased share of tax revenue, which was due to accounting the rent and fees for fuel and energy resources as taxes**.

From among the distinct features of budget execution, **note should be made of a sharp decline in revenue from the profit tax paid by State-owned enterprises in March 2011** (from nearly Hr 2bn in February down to Hr 130mn in March). Thus, **the bulk of the profit tax was paid by privately-owned companies**.

It should be noted that **the amount of VAT refund from the budget more than doubled** compared to last year and totaled Hr 8.9bn. At the same time, only Hr 0.7bn or 7.6% of the total refunds due were reimbursed “automatically.”

- Thanks to the increasing level of State budget revenue generation, **the level of annual expenditure plan execution also increased**, to 20.7% compared to 18.9% in 2010 (see Graph 38). The structure of expenditures changed somewhat compared to Q1 2010, as influenced by a number of factors.

The most significant cuts were noted in State budget expenditures for the **oil and gas industry (-Hr 2.6bn)** due to the absence of funds in the 2011 budget for compensation to NAK Naftohaz Ukrayiny for the difference between the buying price of imported natural gas and its selling price for providing heating services to the population (Hr 3.4bn in 2010); for **holding elections (-Hr 1.0bn)** due to their periodicity; and expenditures for **vocational education (-Hr 0.7bn)** due to the transfer of the majority of vocational schools to funding by local budgets. On the whole, expenditures were reduced by a total amount of nearly Hr 4.4bn.

The remaining State budget expenditures increased by Hr 13.7bn in general. **The main priorities of the public policy in increasing the State budget expenditures** compared to last year included **intergovernmental transfers** with 36.6% of the total increase in expenditures; **debt servicing** with 20.6%; and the **social protection of pensioners** with 16.2% of the increased amount.

Even though the share of social expenditures decreased by 4.7ppt compared to the pre-crisis year 2008, their amount increased. At the same time, **expenditures for the social protection of pensioners nearly doubled** and their share amounts to 21.6%. *To compare, the proportions of expenditures for social protection of pensioners in some European Union Member States of the amounted to 2.4% in Lithuania, 7.6% in Hungary, 9.7% in Slovenia, and 11.0% in France in 2009. This share amounted to 19.8% in Ukraine in the same year.* This is another argument in favor of implementing full-fledged pension reform in Ukraine and urgently reducing the burden of pension allowances on the budget.

- The main characteristic of the State budget deficit consisted of its significant reduction against last year (by 83.5%). Accordingly, **the borrowing growth rate was the lowest from among those observed in recent years**.

The trend of borrowing from the capital markets changed for the better. Thus, the amount of Hr 6.0bn obtained for covering the deficit was used for current expenditures last year. This year, however, **with the General Fund deficit of Hr 2.1bn, capital expenditures totaled Hr 1.0bn.**

- **Q1 2011 was characterized by higher growth in local budget revenues compared to last year** (see Graph 15). As projected, revenue from the personal income tax is growing and the trend of previous years towards higher revenues from the payment for land is continuing. On the whole, 22.3% of local budgets' annual revenue plan has been met, which is nearly the same as the pre-crisis level. Therefore, the annual plan execution trend observed for the State budget is not typical for local budgets. The main reason is that local budgets are dependent on the rate of growth in personal income, since the personal income tax and transfers from the State budget are the prime sources of local budget revenues (see Chart 8). Thus, the level of economic development affects local budgets to a significantly lower degree than the two factors above.

Note should be made of the changes in the structure of local budget revenues (see Chart 6). One of the factors behind **an increase in the share of non-tax revenues consisted in including the fee for licenses issued by local government in this group of revenues.** At the same time, **a decrease in the proportion of income from capital transactions and targeted funds** was influenced by a decline in their nominal amounts by 23.7% and 54.7%, respectively.

It should also be noted that due to crediting the revenues from the single tax as part of **local taxes and fees, their amounts more than tripled** (despite the cancellation of a significant number of local taxes and fees according to the Tax Code of Ukraine).

- **Local budget expenditures for nearly all financing areas increased** by nearly a third (see Graphs 60 through 62).

As usual, the majority of local budget expenditures were used for society and culture. However, the share of expenditures for economic activity, housing and communal services, and environmental protection nearly doubled in the reporting period (see Chart 26).

Key Indicators:

The actual revenues of the consolidated budget of Ukraine totaled Hr 84.4bn in January-March 2011, which is Hr 17.3bn or 25.8% more year-on-year. The share of tax revenues amounted to 86.5% against 78.1% in the respective period of 2010.

The actual revenues of the State budget of Ukraine totaled Hr 65.8bn in January-March 2011, which is Hr 15.7bn or 31.3% more year-on-year.

Budget revenues increased for nearly all items. For instance, the revenue from the enterprise profit tax increased by Hr 2.2bn or by 23.5%, from value-added tax by Hr 8.1bn or 37.9%, from excise tax by Hr 1.6bn or 30.0%, and taxes on international trade and external transactions increased by Hr 0.7bn or 46.2%. Also, the revenue from rent and fees for fuel and energy resources more than doubled, totaling Hr 5.4bn.

Among the distinct features of budget execution in March 2011, note should be made of a sharp decline in revenue coming from profit tax on State-owned enterprises (from nearly Hr 2bn in February down to Hr 130mn in March). Thus, the bulk of profit tax was paid by privately-owned companies. Also, the amount of VAT refund from the budget more than doubled compared to last year and totaled Hr 8.9bn. At the same time, only Hr 0.7bn or 7.6% of the total refund due were reimbursed "automatically."

Total local budget revenue (without intergovernmental transfers) amounted to Hr 18.6bn in January-March 2011, which is Hr 1.6bn or 9.4% more than in 2010. Local budget revenue totaled Hr 6.7bn in March, which is an increase of 8.2% year-on-year.

Actual tax revenue of local budgets grew by 7.9% in March 2011 year-on-year. Local budgets received Hr 5.6bn in tax revenue in March (Hr 15.8bn in January-March 2011).

Personal income tax revenue totaled Hr 4.2bn, which is 10.1% more than in March 2010. In total, Hr 11.5bn from this tax was received in the first three months of 2011 (up 7.8% year-on-year).

As in 2008-2010, revenue from the payment for land grew, which totaled Hr 924.7mn in March 2011, up 11.0% year-on-year.

The revenue from local taxes and fees totaled Hr 236.6mn in March 2011 (Hr 634.0mn year-to-date or 3.4 times more than last year). This increase is explained by that according to the new version of the Budget Code of Ukraine and the Tax Code of Ukraine approved on 2 December 2010, local taxes and fees shall include property tax (to be introduced as of 1 January 2012), a fee for conducting certain types of business activity, parking fee, a tourist charge, and the single tax on small business. Single tax revenues totaled Hr 182.2mn in March (Hr 469.0mn year-to-date or 10.5% more compared to the same period of last year).

The Tax Code also abolished the tax on owners of transport vehicles and other self-propelled machines and mechanisms, which has influenced local budget revenues accordingly. In January through March 2011, local budgets received a total of Hr 203.4mn from fees for the initial registration of vehicles and from the tax on owners of transport vehicles levied for the previous year as part of taxes on property.

Non-tax revenues of local budgets totaled Hr 924.0mn in March 2011, which is 20.8% more than in March 2010. The amount of non-tax revenue totaled Hr 2.3bn in January-March 2011, which is 27.3% more year-on-year. One of the factors behind this growth in non-tax revenue consisted in the incorporation of the fee for the licenses issued by local governments under *Administrative charges and fees, revenues from noncommercial economic activity*.

Revenue from capital transactions totaled Hr 108.0mn in March 2011, which is 44.2% less year-on-year. This revenue totaled Hr 439.3mn in January-March 2011, which is 23.7% less year-on-year.

The State budget deficit totaled Hr 0.8bn in January-March 2011, which is 14.6 times less year-on-year, including the General Fund deficit of Hr 2.1bn and Special Fund surplus of Hr 1.3bn.

The General Fund deficit was financed through borrowing (excess of borrowing over debt repayment amounted to Hr 7.2bn) and by revenue from the privatization of State property (totaling Hr 1.1bn). At the same time, most of these resources, Hr 6.2bn, was saved as the General Fund balance, which totaled Hr 30.4bn as of the end of March. A Special Fund surplus of Hr 1.3bn is mainly due to the accumulation of a balance of budget funds of Hr 2.4bn year-to-date, totaling Hr 17.7bn as of the end of March.

Domestic borrowing totaled Hr 10.4bn, which is Hr 9.3bn or 47.1% less than in the same period of last year. Foreign borrowing totaled Hr 13.1bn compared to just Hr 0.1bn in the same period of last year. The debt repayment totaled Hr 15.3bn, which is Hr 11.4bn or 3.9 times more year-on-year. Financing for debt transactions at the expense of the surplus of borrowing over repayments totaled Hr 8.3bn, which is Hr 7.6bn or 47.7% less than year-on-year.

Financing for active transactions totaled -Hr 8.6bn, the whole amount of which is made up of a change in the balance of budget funds. The balance of funds totaled Hr 48.1bn at the end of March 2011, which is Hr 22.5bn or 1.9 times more year-on-year.

The State budget deficit amounted to Hr 4.9bn **in March 2011**, which is seven times more year-on-year. The whole deficit amount falls within the General Fund of the State budget. Borrowing was incurred at Hr 4.8bn in March, with debt repayment of Hr 8.4bn, which amounts to 13.5% of the 2011 annual debt repayment target. Financing for active transactions totaled Hr 7.5bn in March. The revenue from the privatization of State property amounted to Hr 1.1bn. This is part of the earnings from the sale of OJSC Ukrtelecom, which was privatized for Hr 10.0bn in March.

The expenditures of the consolidated budget of Ukraine totaled Hr 84.5bn in **January-March 2011** (including General Fund expenditures of Hr 74.0bn and Special Fund expenditures of Hr 10.5bn), which is Hr 12.8bn or 17.8% more year-on-year. This totalled 20.8% of projected annual expenditures, which is in line with the trends of the previous three years, when January-March expenditures amounted to 19.4% on average of the actual annual amount. Also, expenditures for social protection and social security increased by 24.3% in January-March, those for education grew

by 17.8%, healthcare expenditures rose by 16.2%, and agriculture, forestry and game-preserves, and fisheries by 14.3% against the respective indicators of 2010.

The actual expenditures of the consolidated budget of Ukraine in March 2011 totaled Hr 33.4bn, which is 18.6% more year-on-year (to compare: the year-on-year increase in March expenditures in the period of 2007-2009 amounted to 115.4%, 128.0%, and 121.8%, respectively, with 9.0 % growth recorded in 2010).

The year-on-year growth trend was demonstrated in March of this year by expenditures in such sectors as education (by 22.5%), social protection and social security (by 21.5%), agriculture, forestry and game-preserves, and fisheries (by 21.0%), and healthcare (by 18.8%).

The expenditures of the State budget of Ukraine (with intergovernmental transfers) totaled Hr 66.7bn in **January-March 2011** (including General Fund expenditures of Hr 58.8bn and Special Fund expenditures of Hr 7.9bn), which is Hr 9.3bn or 16.2% more year-on-year. Notably, annual planned expenditures increased by only 6.0% compared to their actual 2010 amounts. Actual expenditures in Q1 2011 totaled 20.7% of the annual amount compared to 18.9% in Q1 2010. The expenditures for debt servicing increased 2.6 times year-on-year, those for general government rose by 29.5%, environmental protection gained 25.2%, healthcare expenditures rose 19.4%, and for social protection and social security by 18.6%. At the same time, the expenditures for housing and communal services decreased by 81.9%, for fuel and energy complex by 59.3%, and for spiritual and physical development by 27.6% in this period.

The actual expenditures of the State budget (with intergovernmental transfers) totaled Hr 26.2bn in **March 2011**, including State budget General Fund expenditures of Hr 22.4bn and Special Fund expenditures of Hr 3.8bn.

State budget expenditures increased by 21.5% in March 2011 year-on-year. Also, the March 2011 expenditures for debt servicing increased 3.1 times year-on-year, those for general government rose by 80.6%, for environmental protection gained 61.3 %, and for social protection and social security increased by 18.1%. At the same time, expenditures for housing and communal services decreased by 84.2%, those for economic activity fell by 30.7%, including those for the fuel and energy complex by 70.4%.

Total local budget expenditures (without intergovernmental transfers) amounted to Hr 38.0bn in **January-March 2011**, which is 28.8% more year-on-year. At the same time, social expenditures of local budgets rose 26.4%, expenditures for economic activity grew 2.3 times, housing and communal services, and environmental protection, and other expenditures of local budgets increased by 10.3%.

Total local budget expenditures (without intergovernmental transfers) amounted to Hr 14.5bn in **March 2011**, which is 29.9% more year-on-year. Also, expenditures of local budgets increased in all financing areas and in particular, social expenditures increased by 26.9%. The expenditures for economic activity, housing and communal services, and environmental protection grew by 2.1 times overall. Expenditures of Hr 248.6mn under *Other economic activity*, which tripled compared to last year, were the main contributor to this growth.

State Budget Revenues

Diagram 1

Structure of State Budget Revenues in March 2011

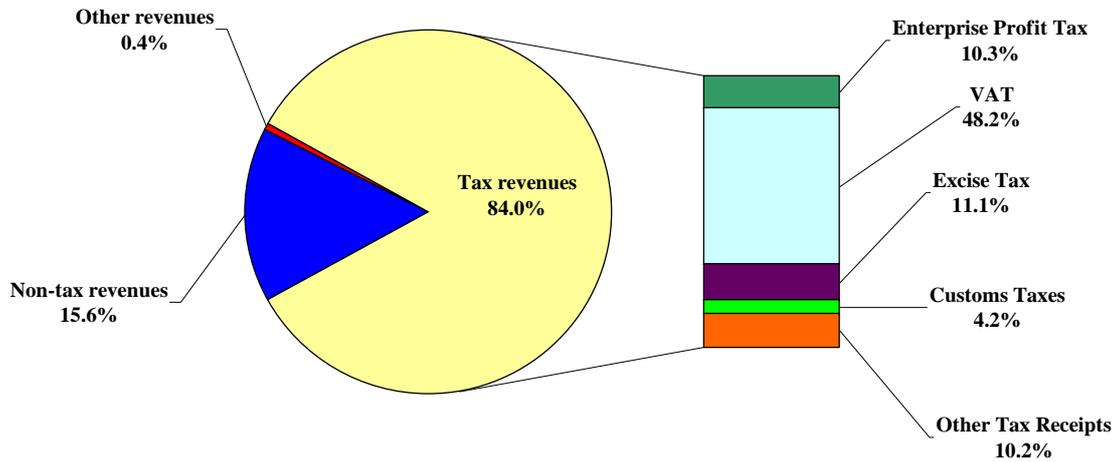
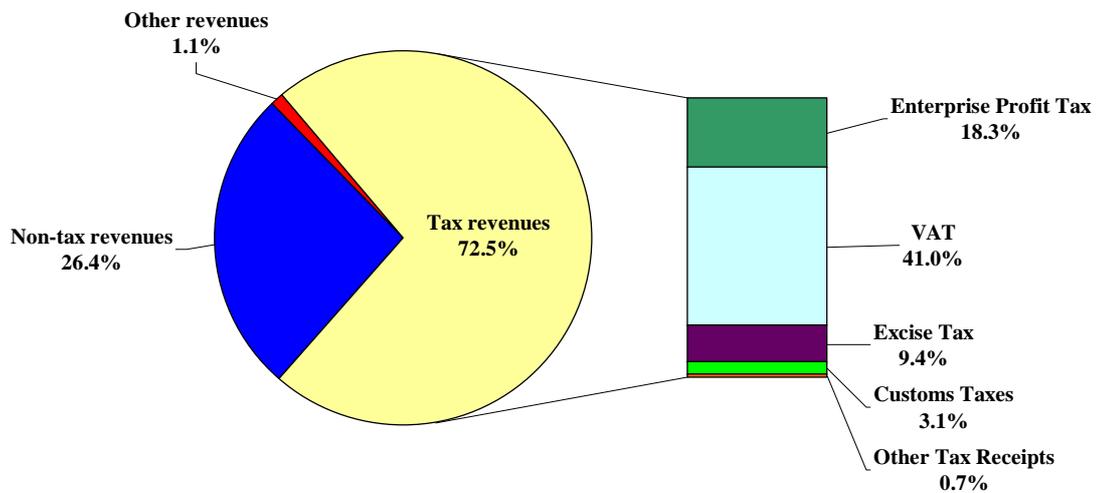
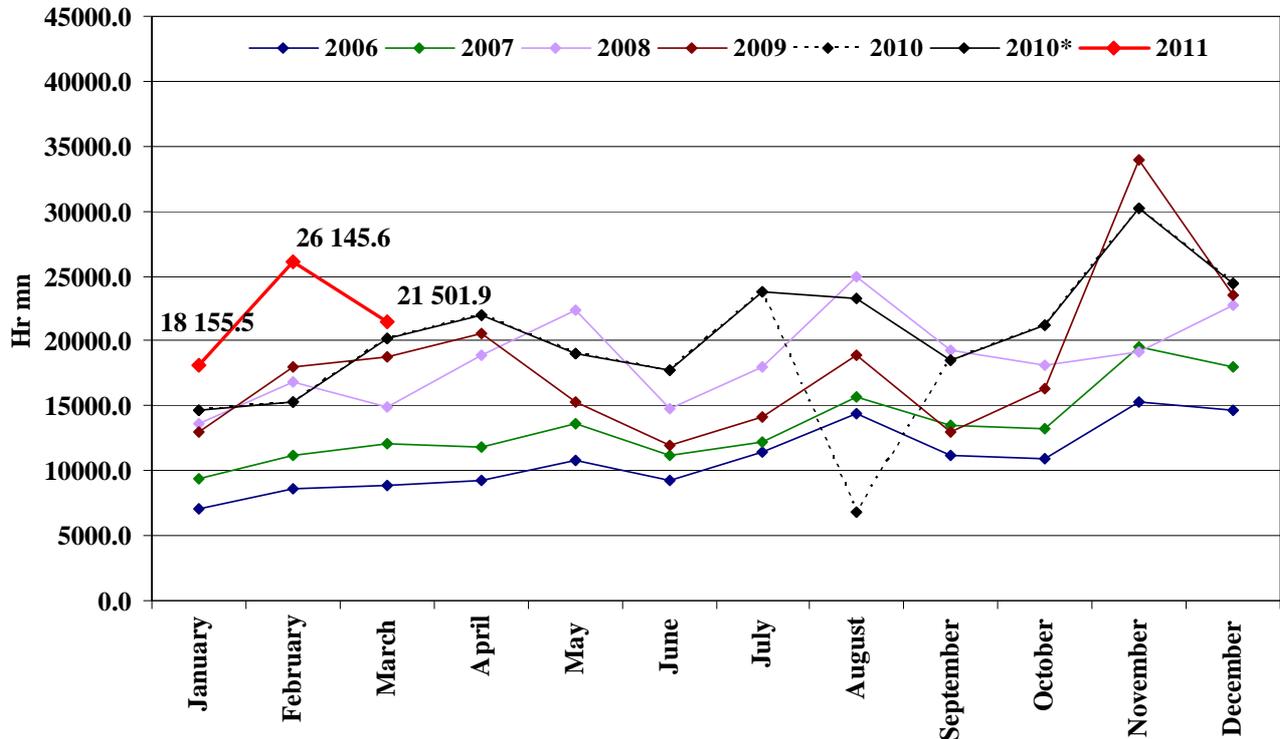


Diagram 2

Structure of State Budget Revenues in March 2010



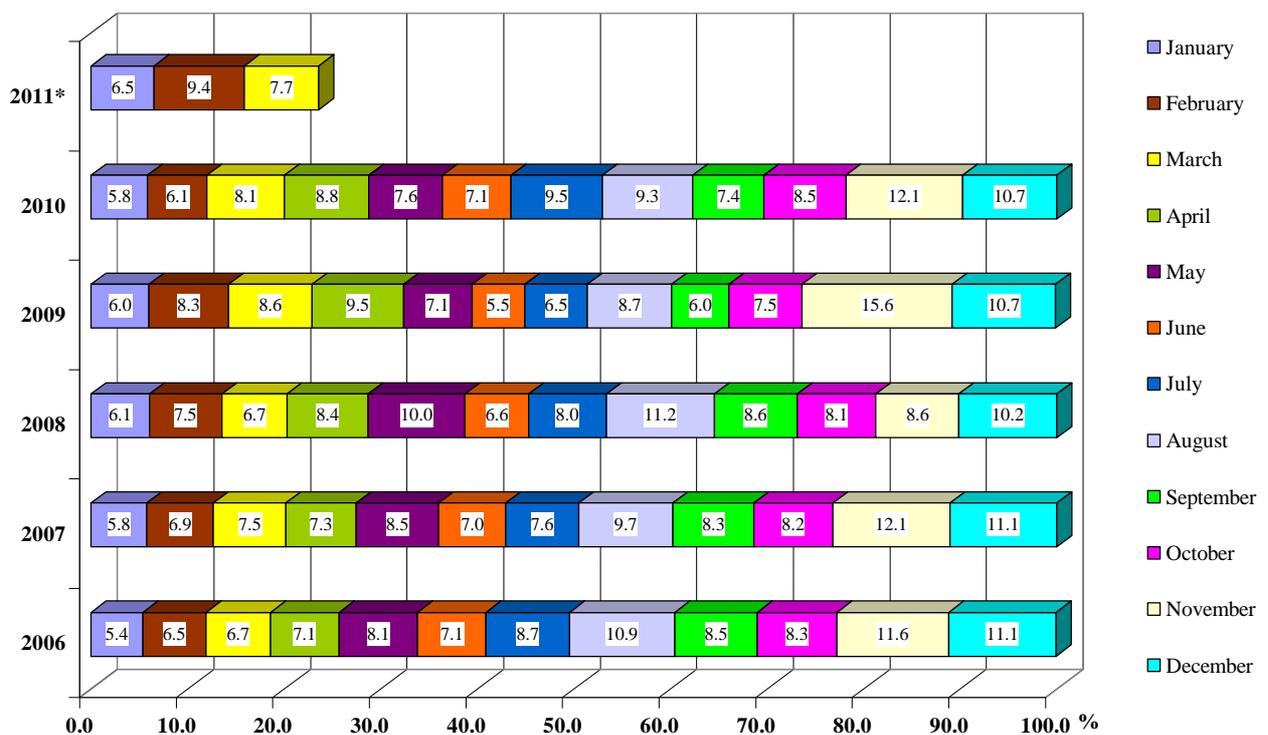
State Budget Total Revenues Monthly Trends in 2006-2011



*excluding the amount of VAT reimbursement debt of Hr 16.4bn

Diagram 3

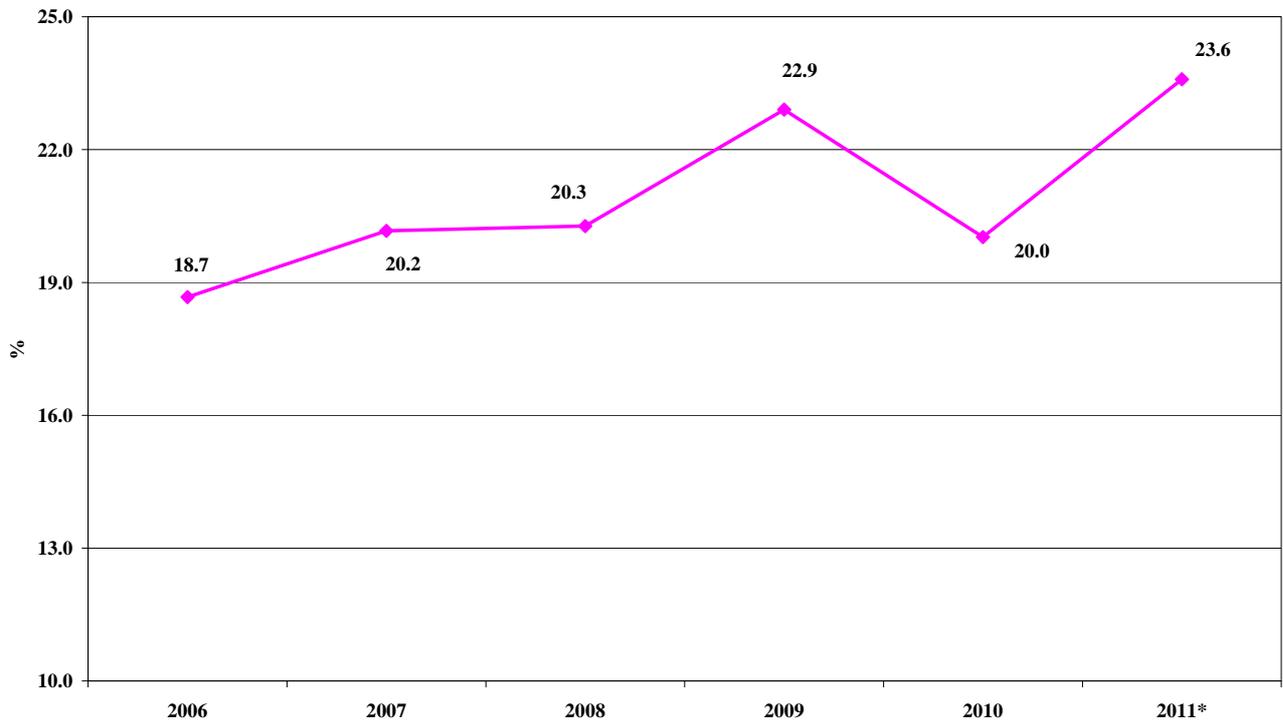
Dynamics of the Share of Ukraine's State Budget Revenues in Annual Amounts in 2006-2011



*A share of total revenues according to the planned annual index

Graph 2

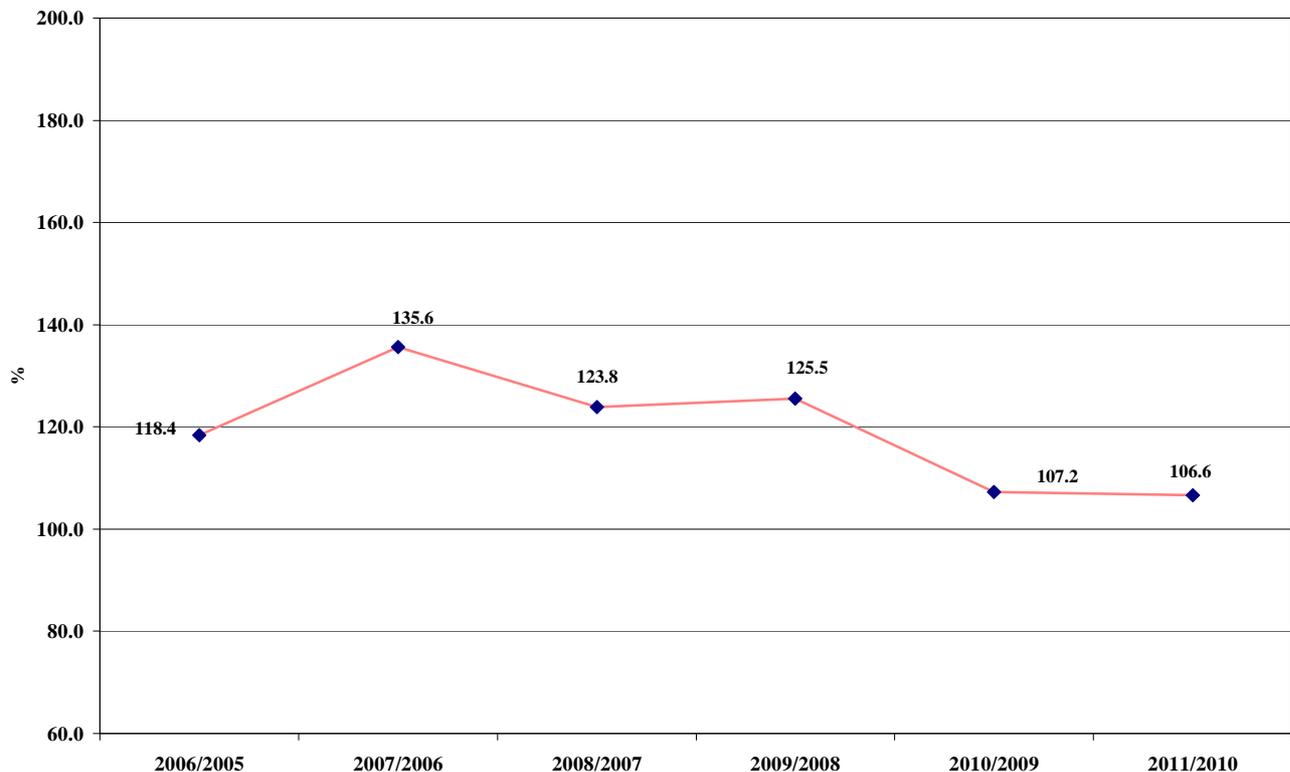
Dynamics of the Share of Ukraine's State Budget Revenues in January-March 2006-2011 in Annual Amounts



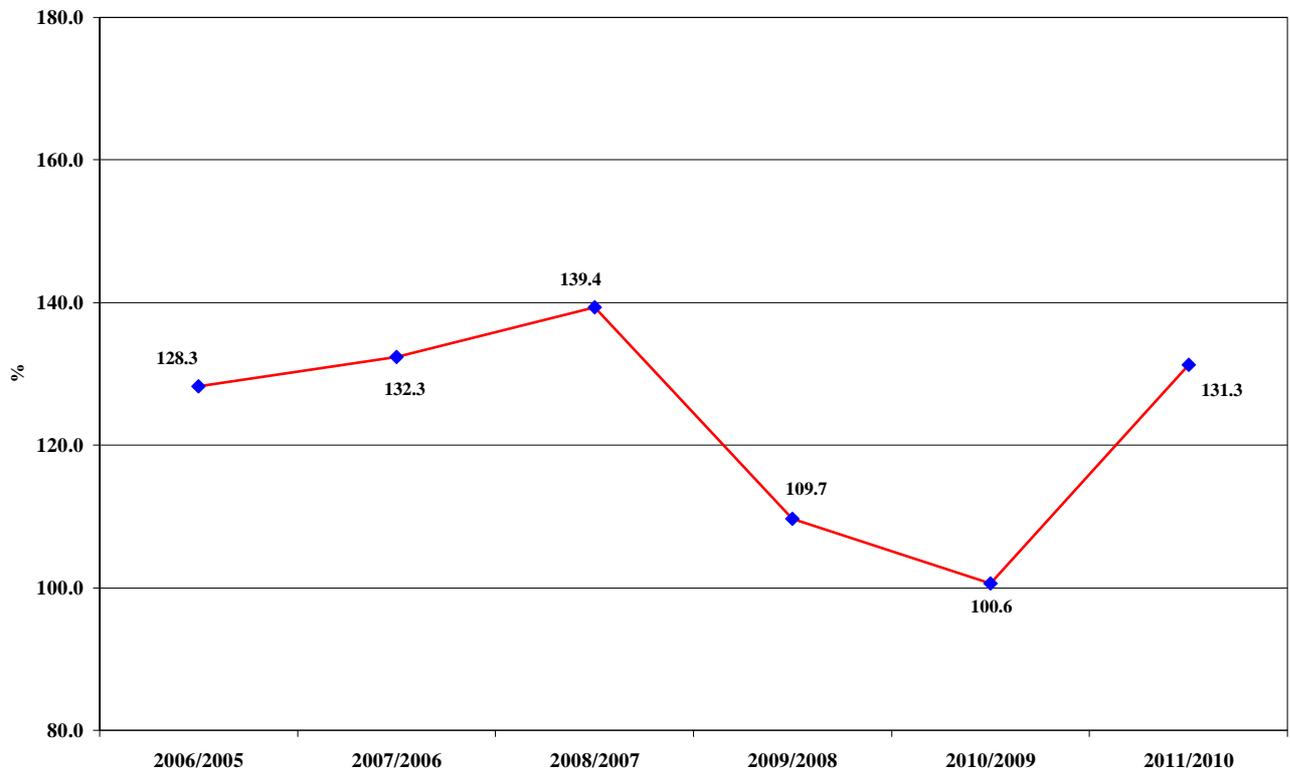
* A share of total revenues according to the planned annual index

Graph 3

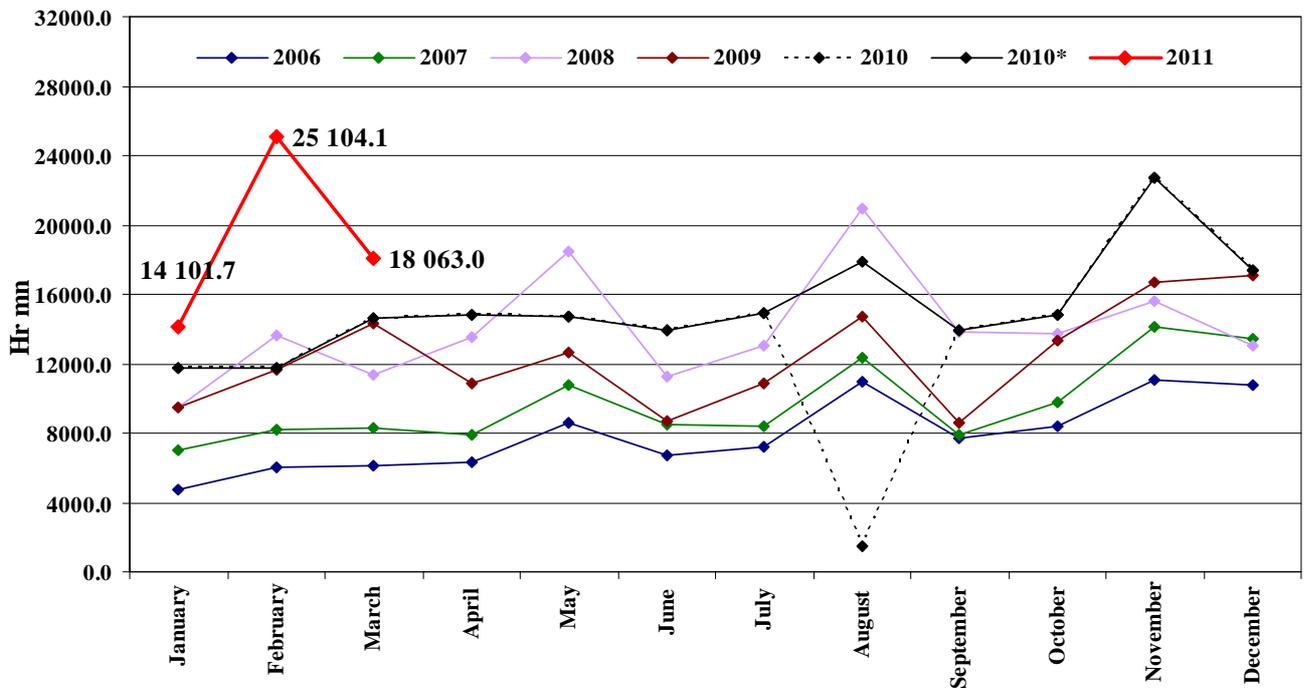
Growth Rates of Ukraine's State Budget Revenues in March 2006-2011



Growth Rates of Ukraine's State Budget Revenues in January-March 2006-2011



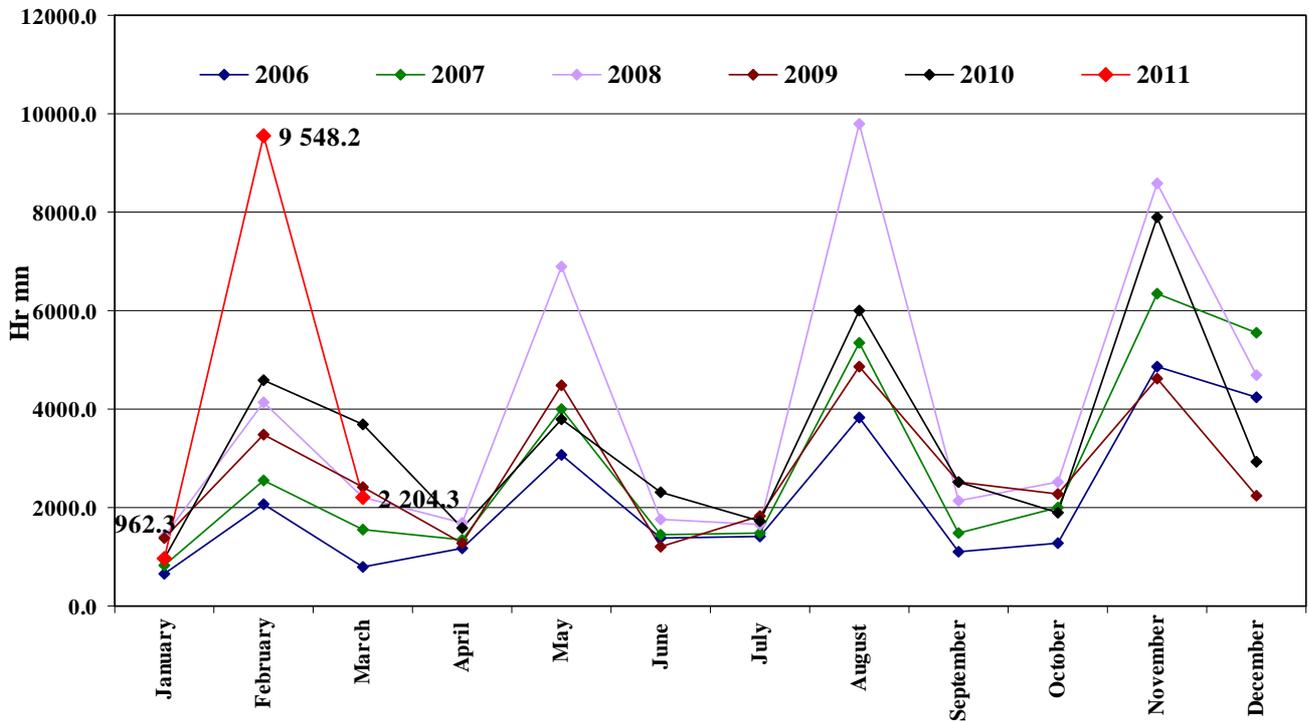
State Budget Tax Revenues Monthly Trends in 2006-2011



*excluding the amount of VAT reimbursement debt of Hr 16.4bn

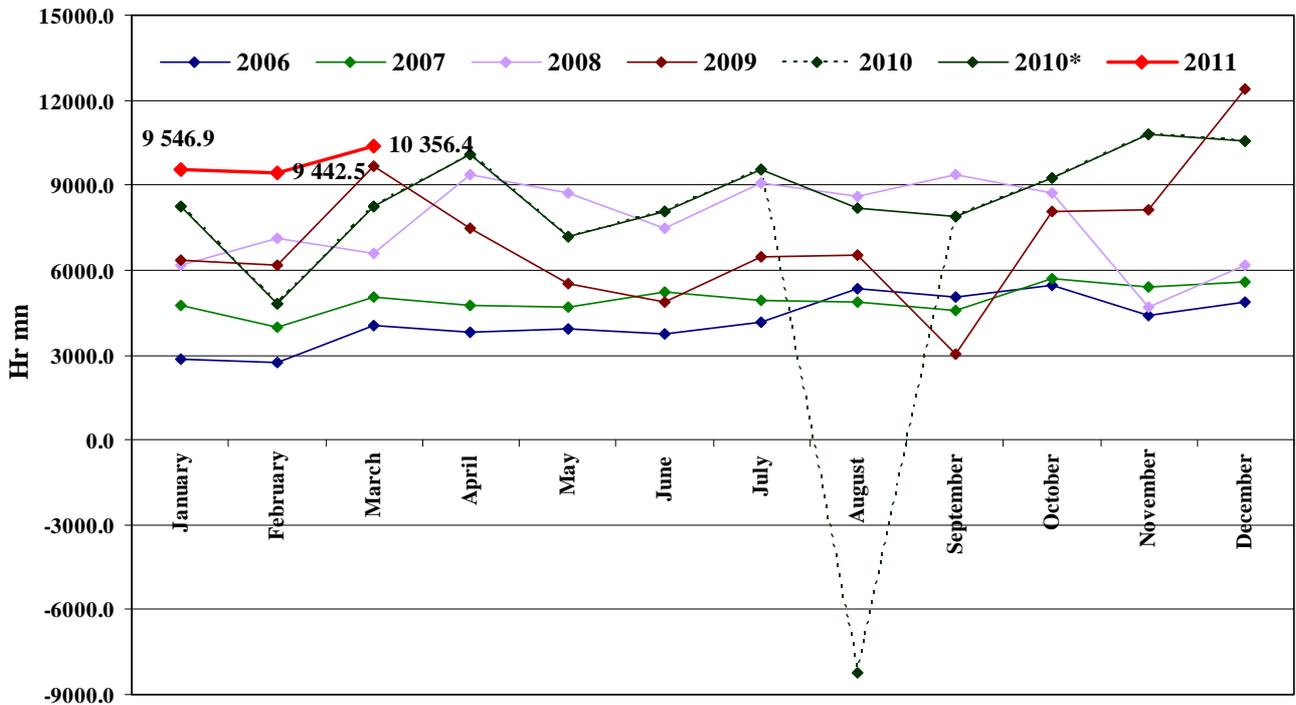
Graph 6

State Budget Enterprise Profit Tax Monthly Trends in 2006-2011



Graph 7

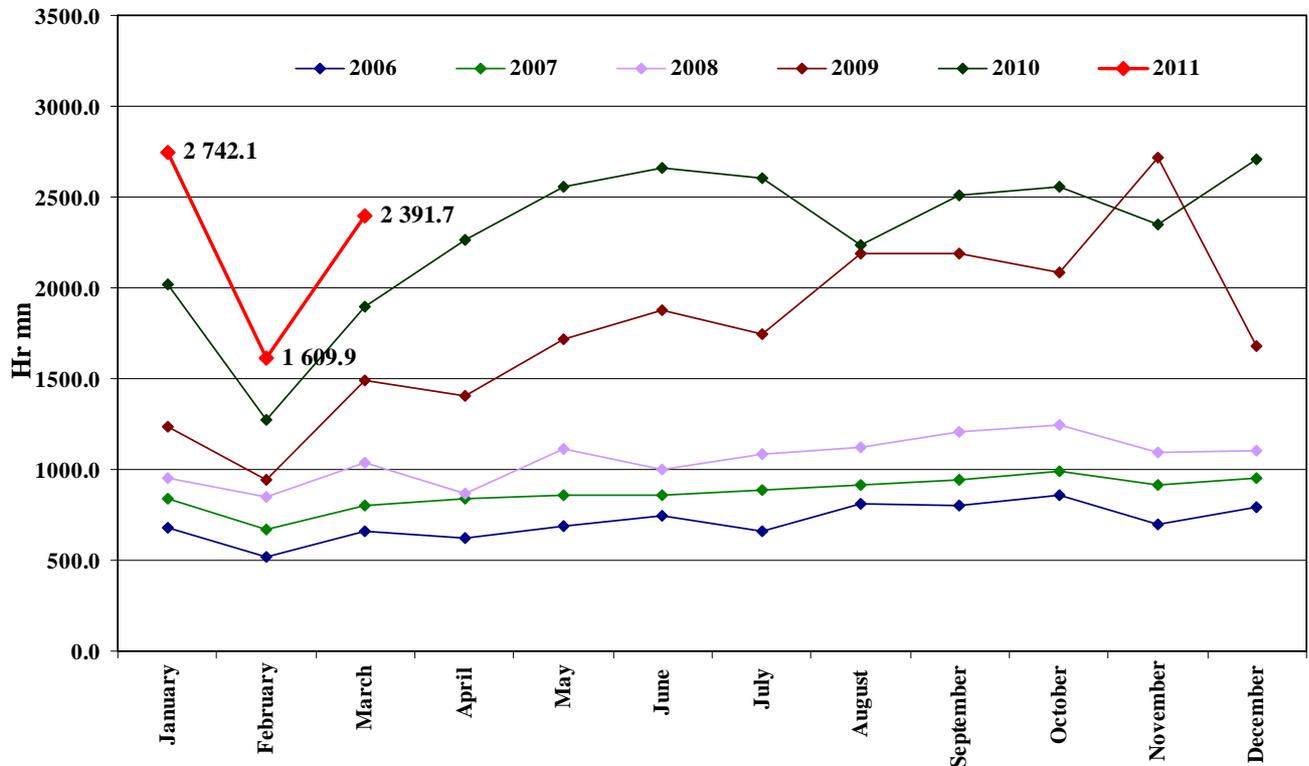
State Budget Value Added Tax Monthly Trends in 2006-2011



*excluding the amount of VAT reimbursement debt of Hr 16.4bn

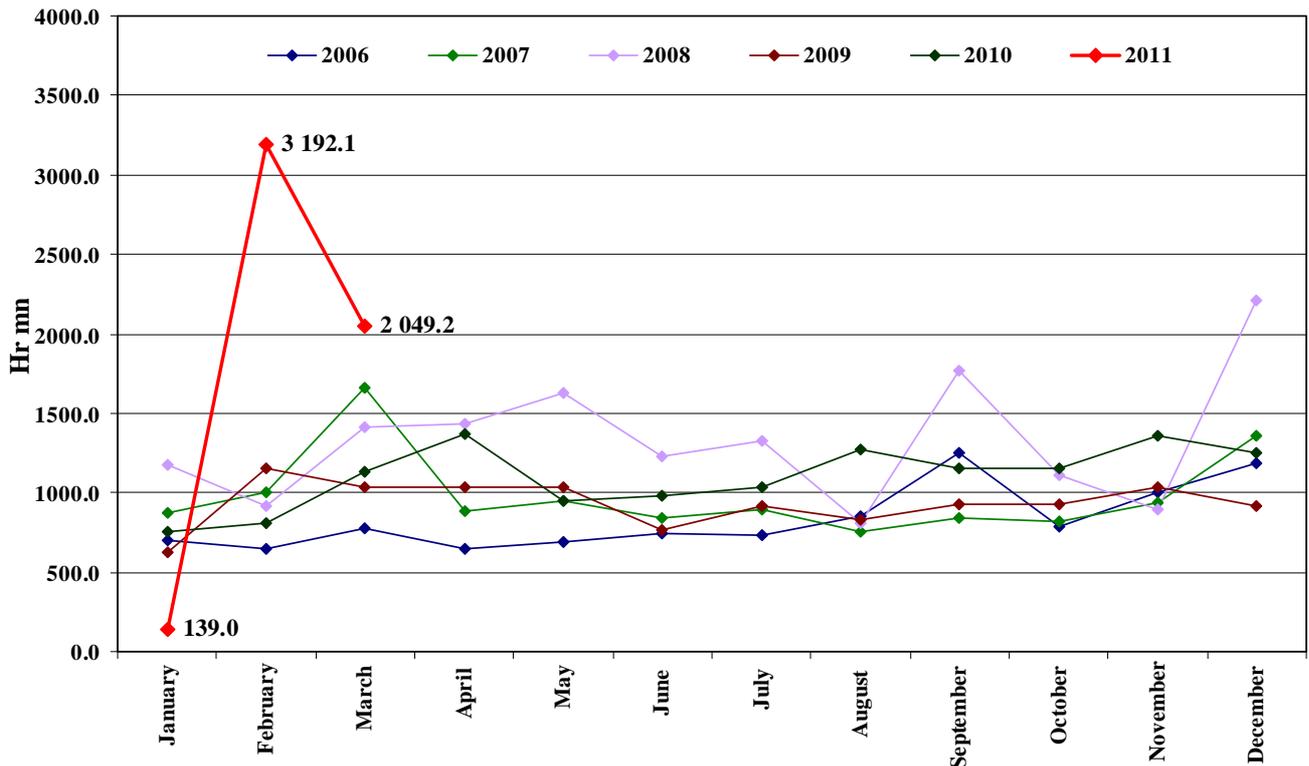
Graph 8

State Budget Excise Tax Monthly Trends in 2006-2011

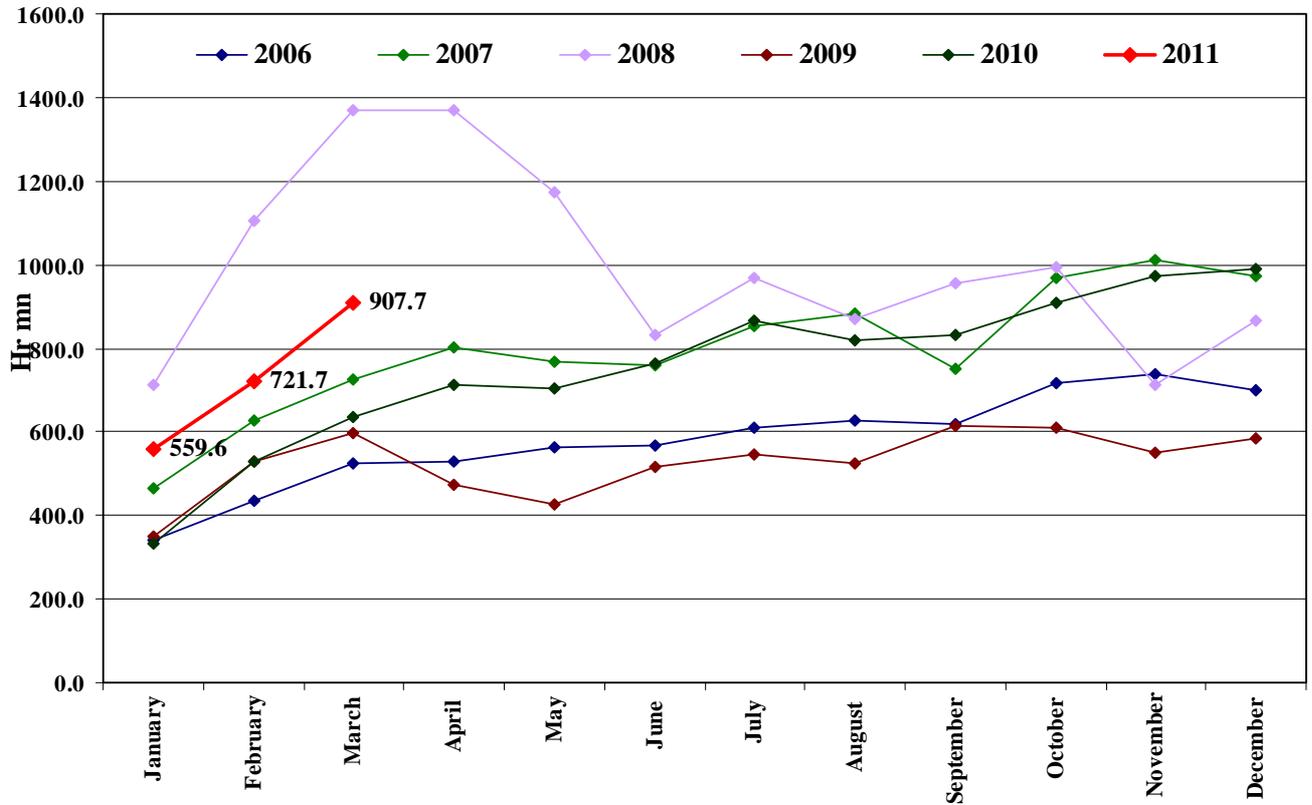


Graph 9

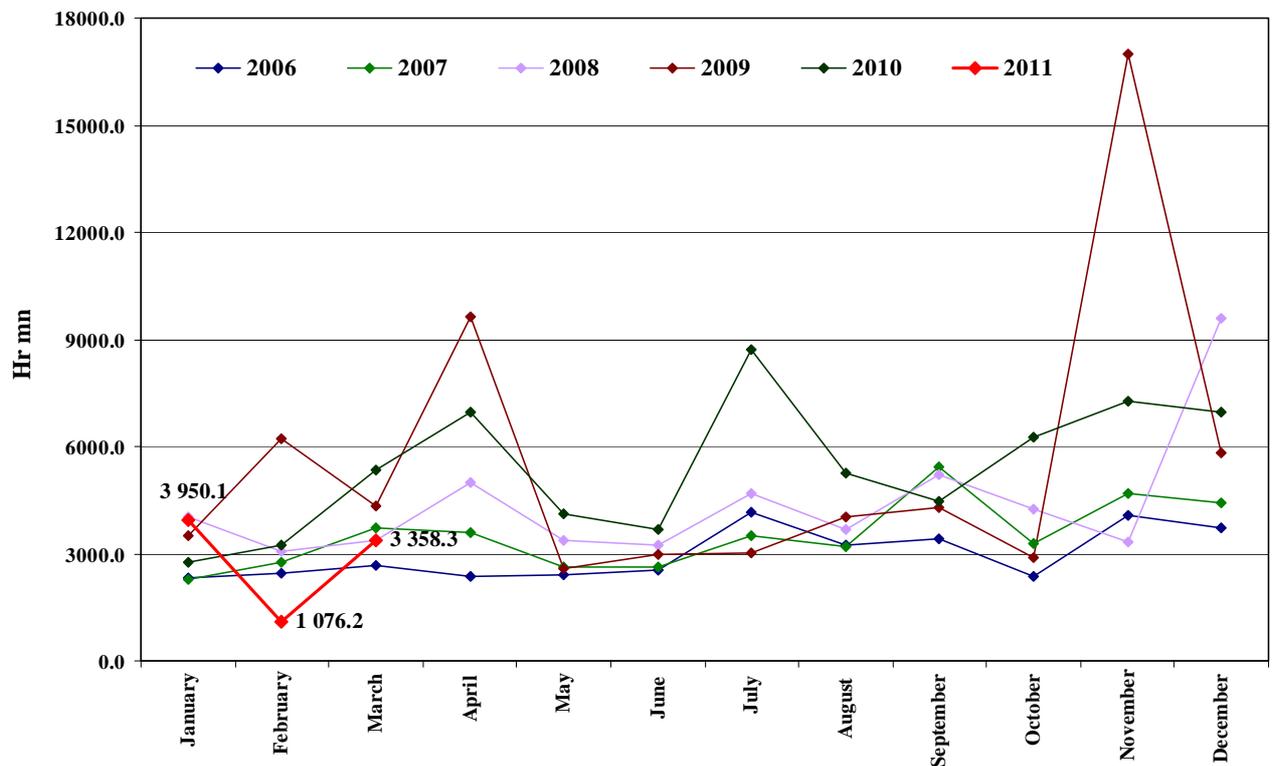
Dynamics of Monthly State Budget Revenues from Rent and Fees for Fuel and Energy Resources in 2006-2011



Taxes on Foreign Trade and External Operations Monthly Trends in 2006-2011



State Budget Non-tax Revenues Monthly Trends in 2006-2011



Local Budget Revenues

Graph 12

Local Budget Revenues Monthly Trends (Less Intergovernmental Transfers) in 2006-2011

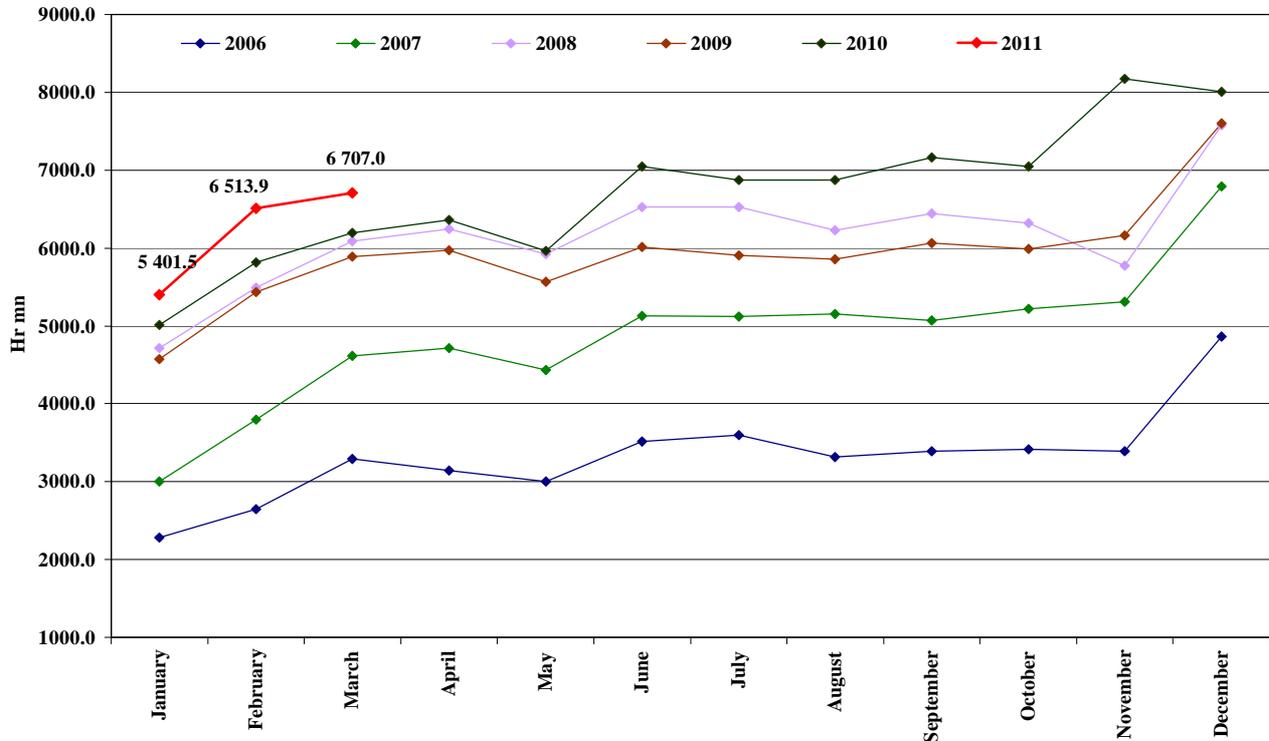
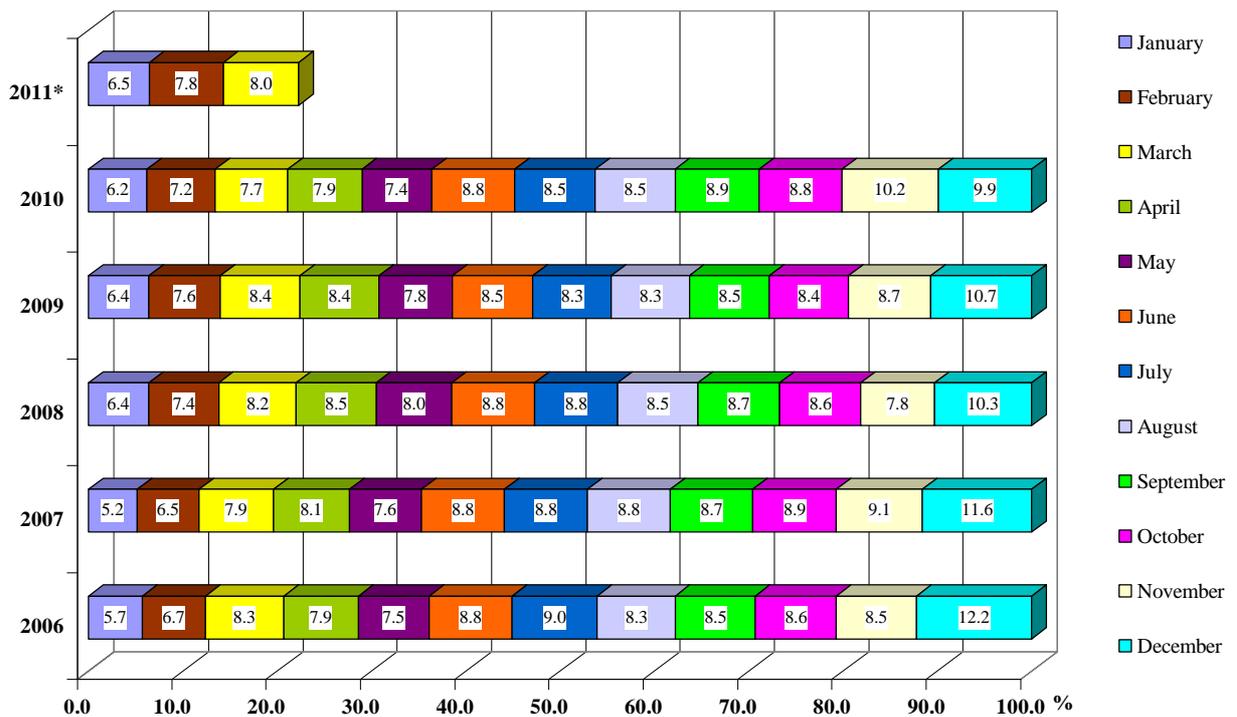


Diagram 4

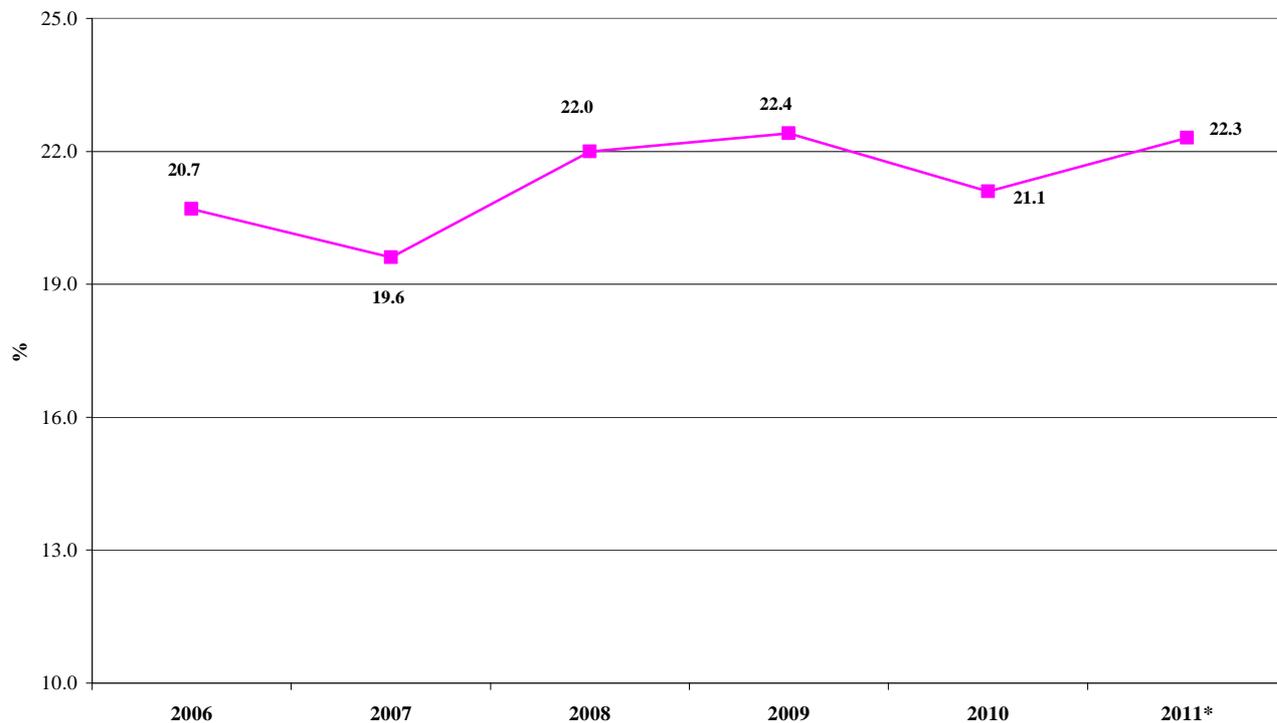
Dynamics of the Share of Local Budget Revenues in Annual Amounts in 2006-2011



* A share of total revenues according to the planned annual index

Graph 13

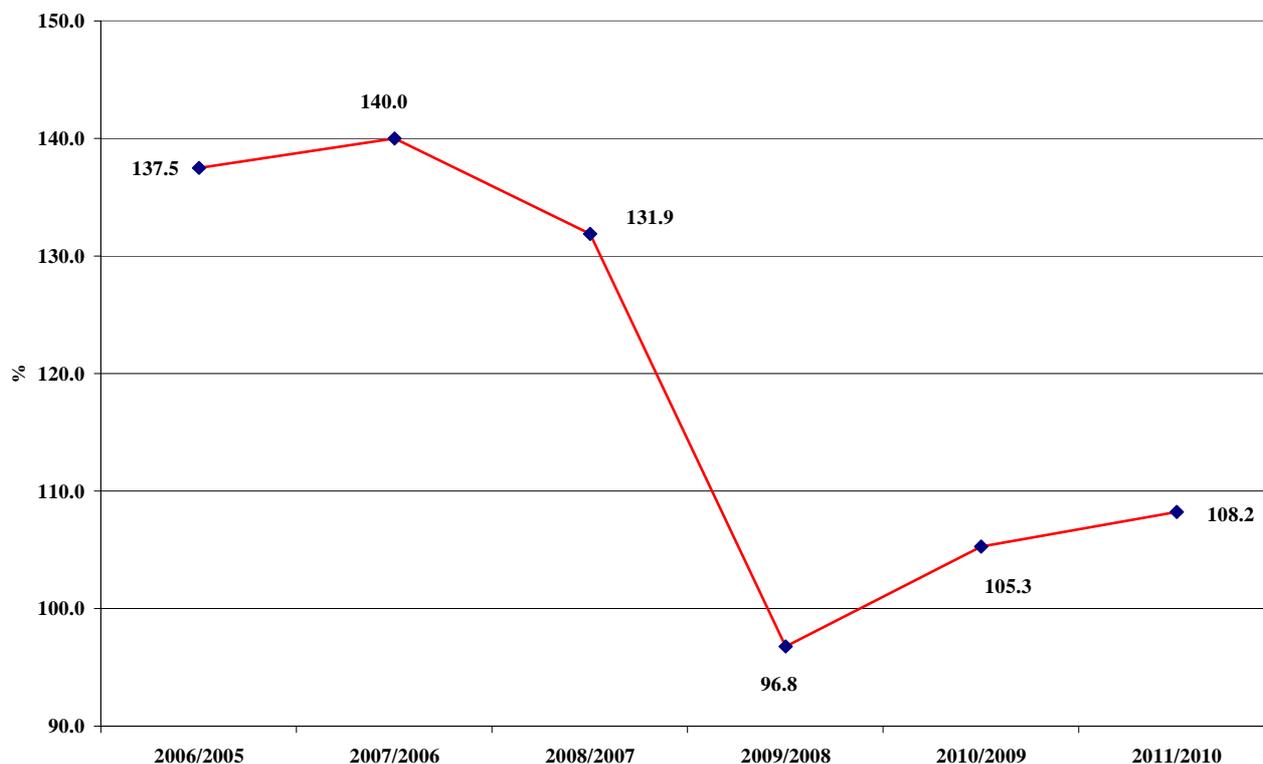
Dynamics of the Share of Local Budget Revenues in January-March 2006-2011 in Annual Amounts



* A share of total revenues according to the planned annual index

Graph 14

Growth Rates of Local Budget Revenues in March 2006-2011



Growth Rates of Local Budget Revenues in January-March 2006-2011

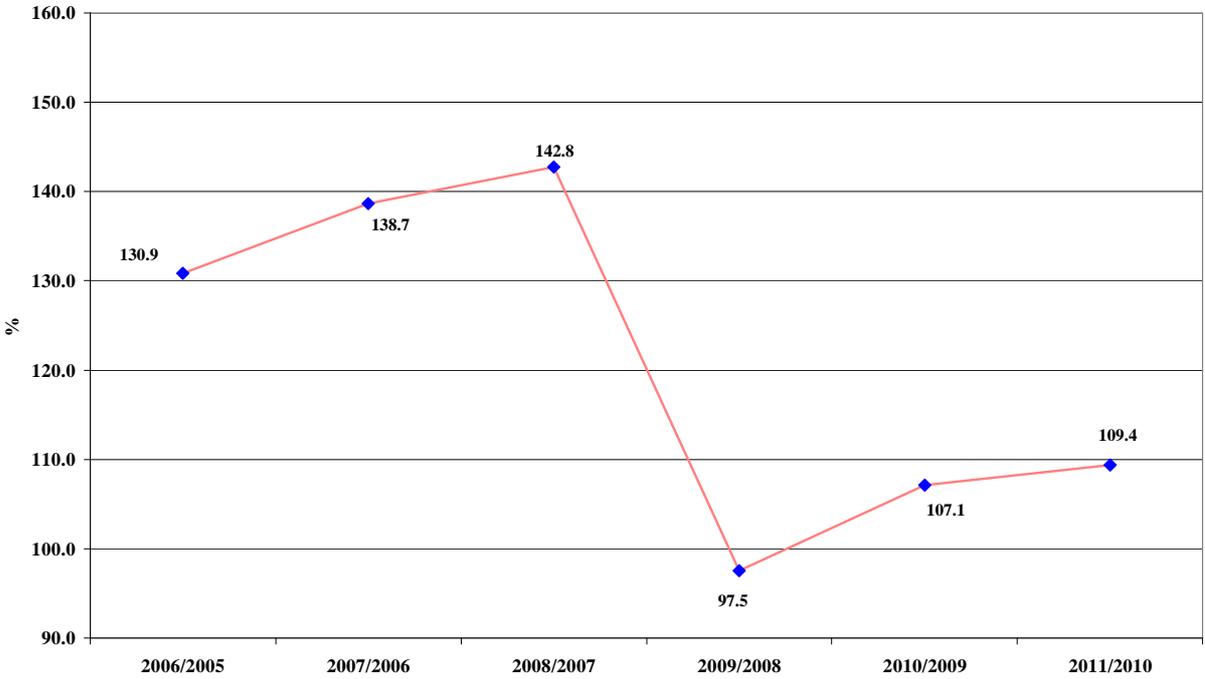
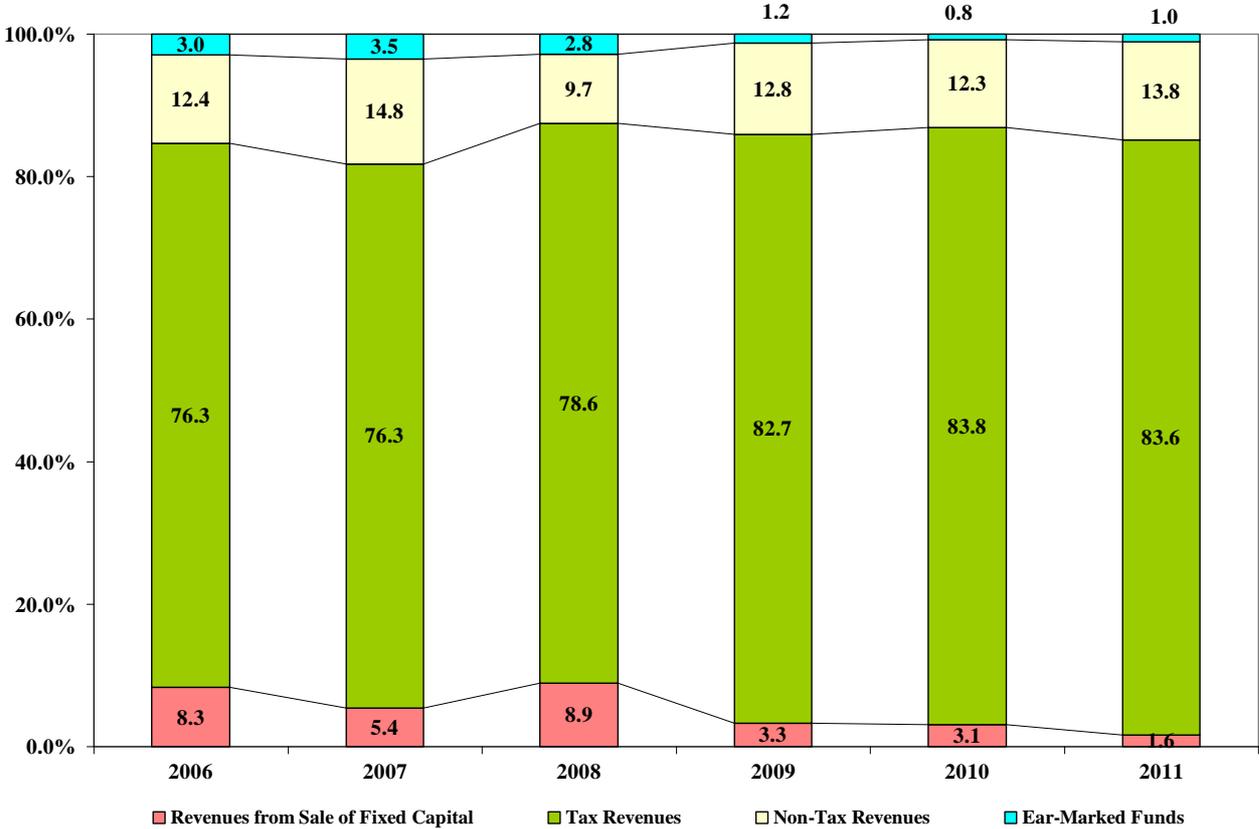
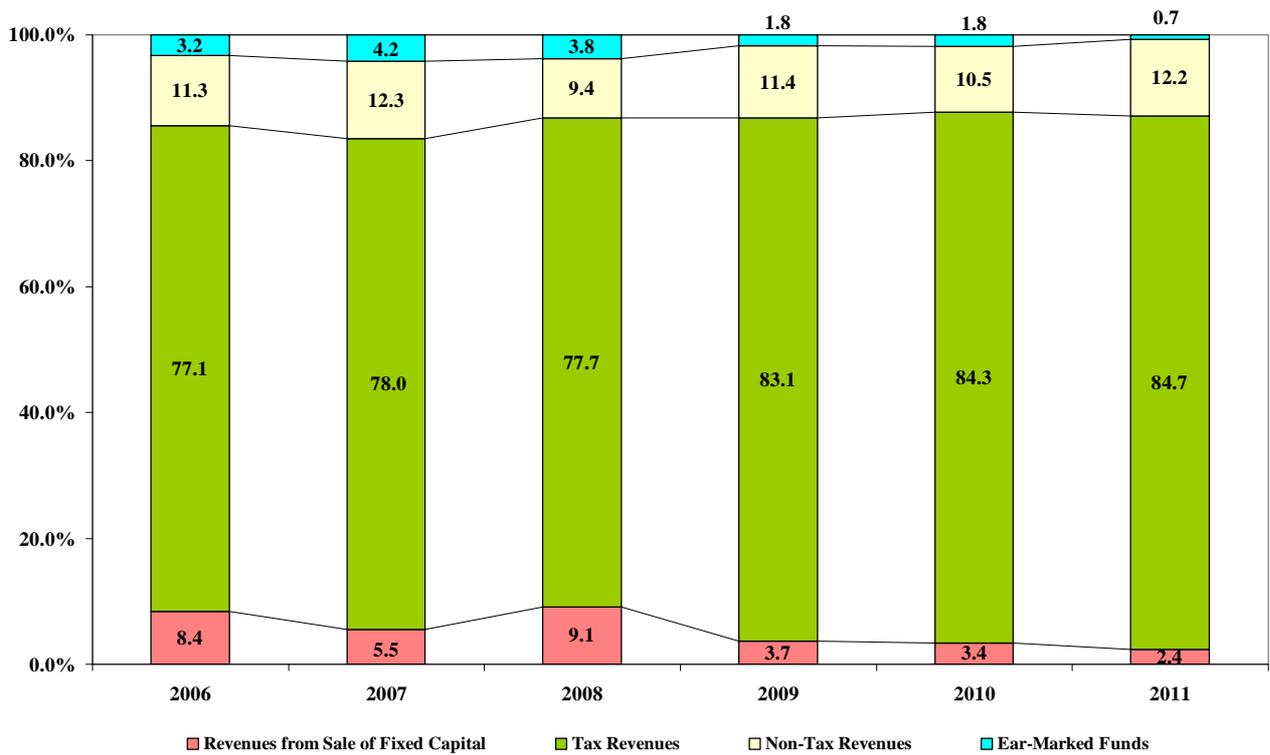


Diagram 5

Structure of Actual Local Budget Revenues in March 2006-2011



Structure of Actual Local Budget Revenues in January-March 2006-2011



Graph 16

Local Budget Tax Revenues Monthly Trends in 2006-2011

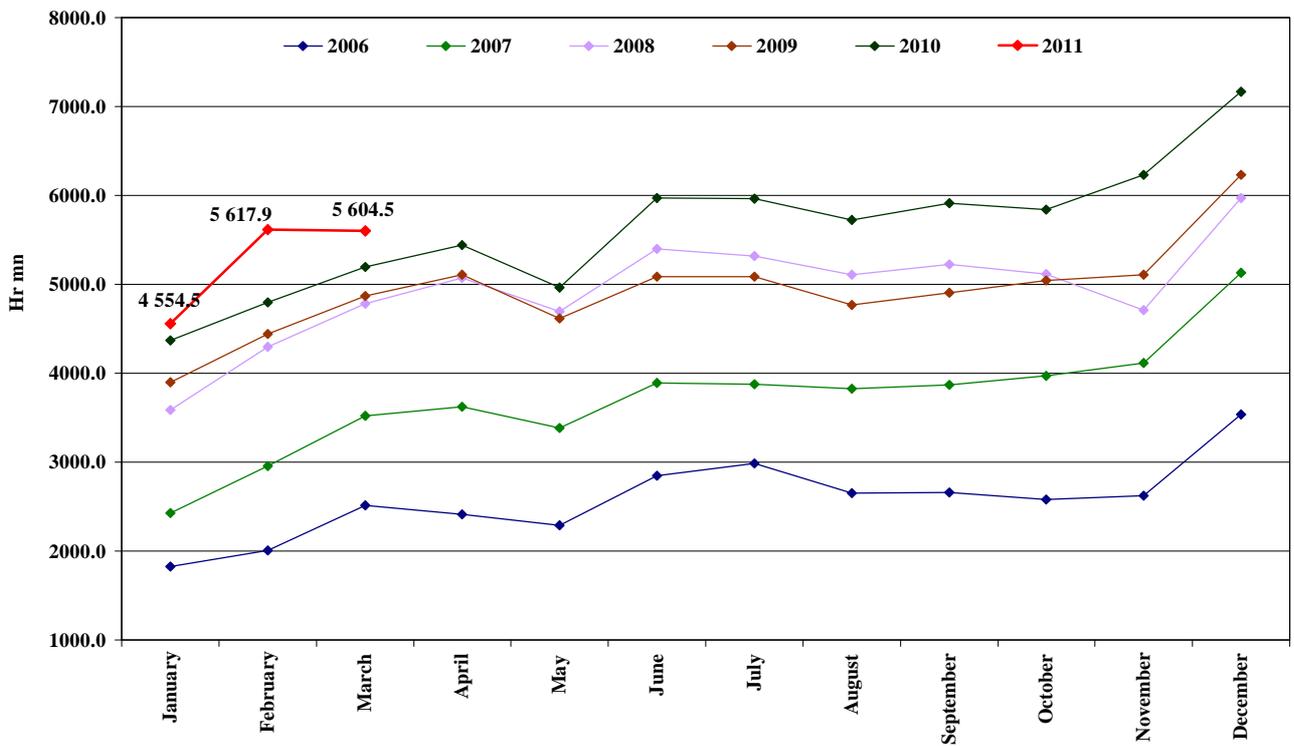


Diagram 7

Structure of Actual Local Budget Tax Revenues in March 2006-2011

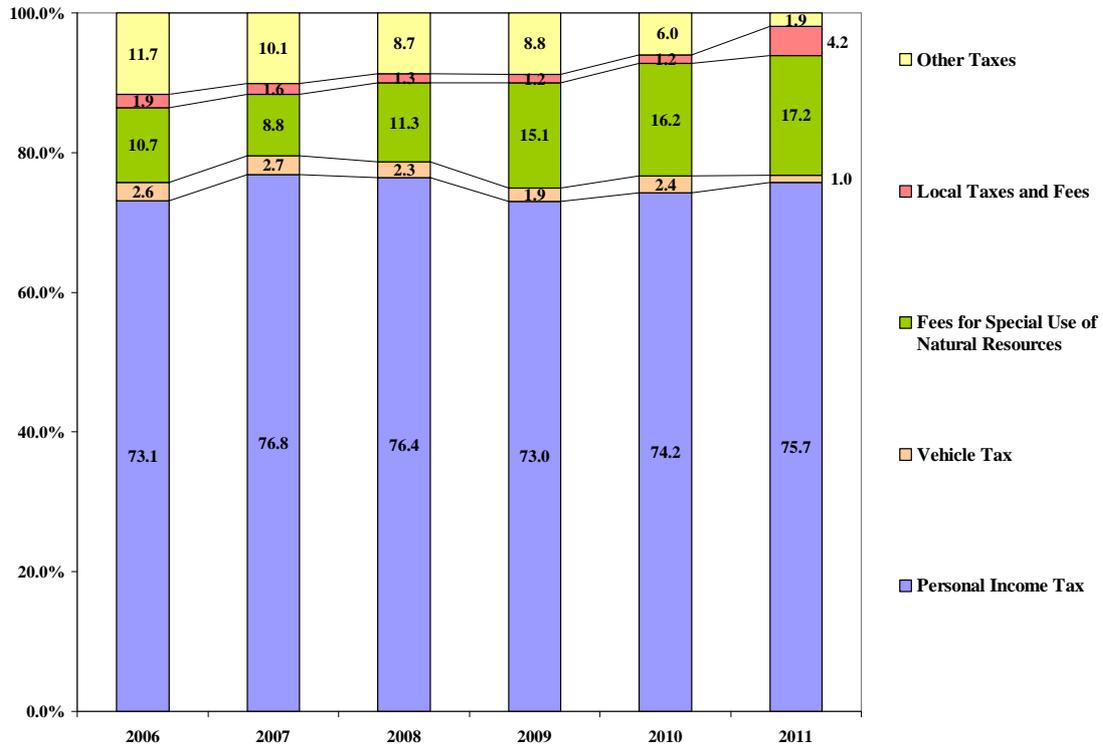
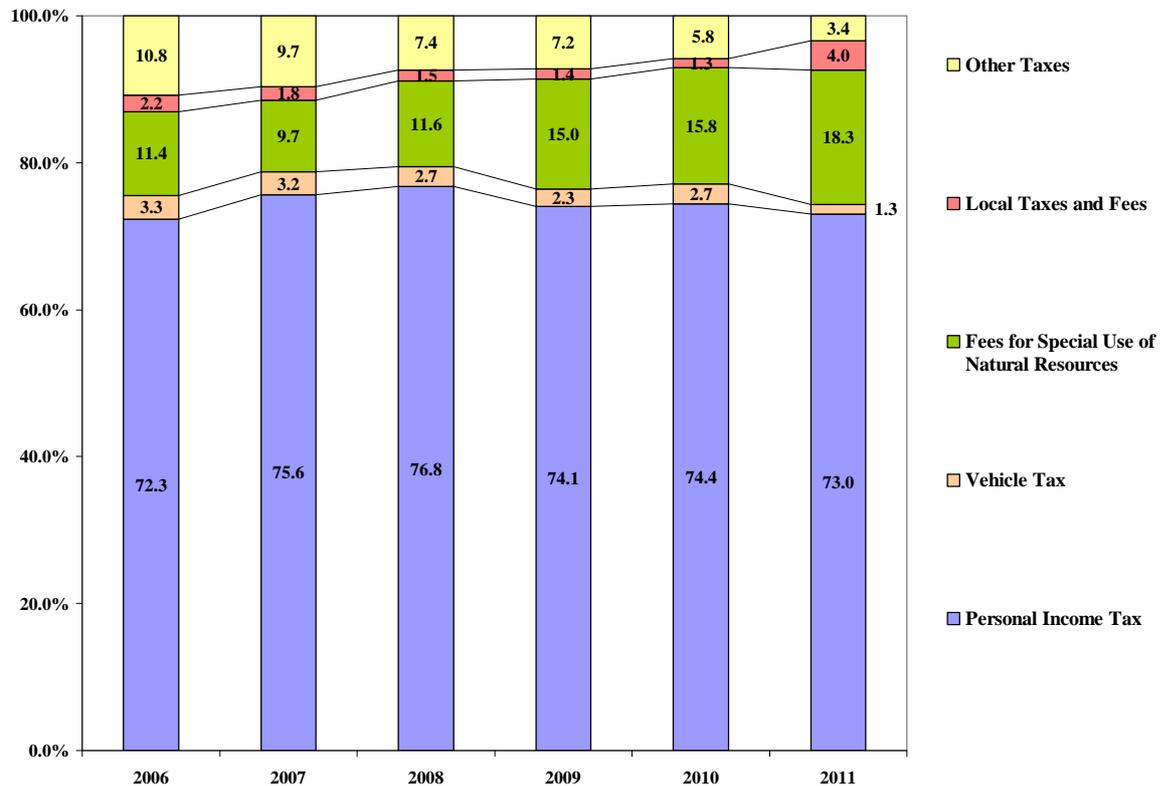


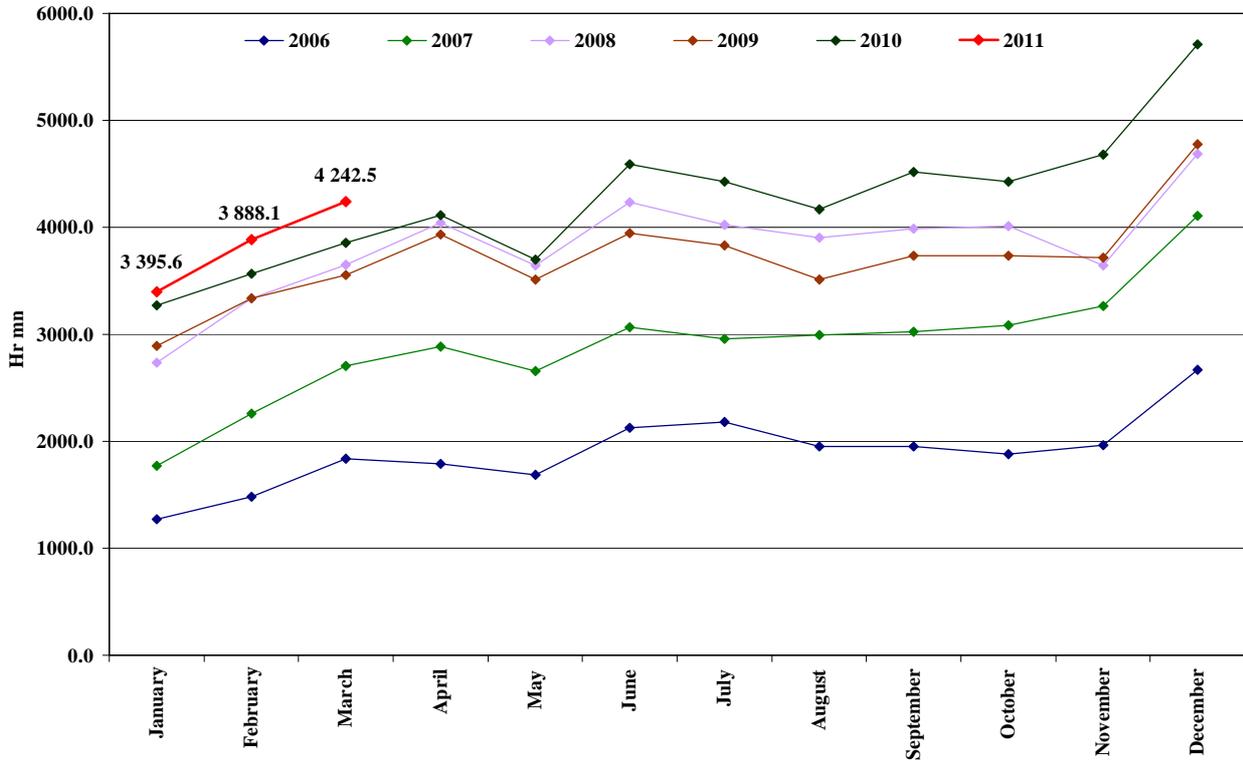
Diagram 8

Structure of Actual Local Budget Tax Revenues in January-March 2006-2011



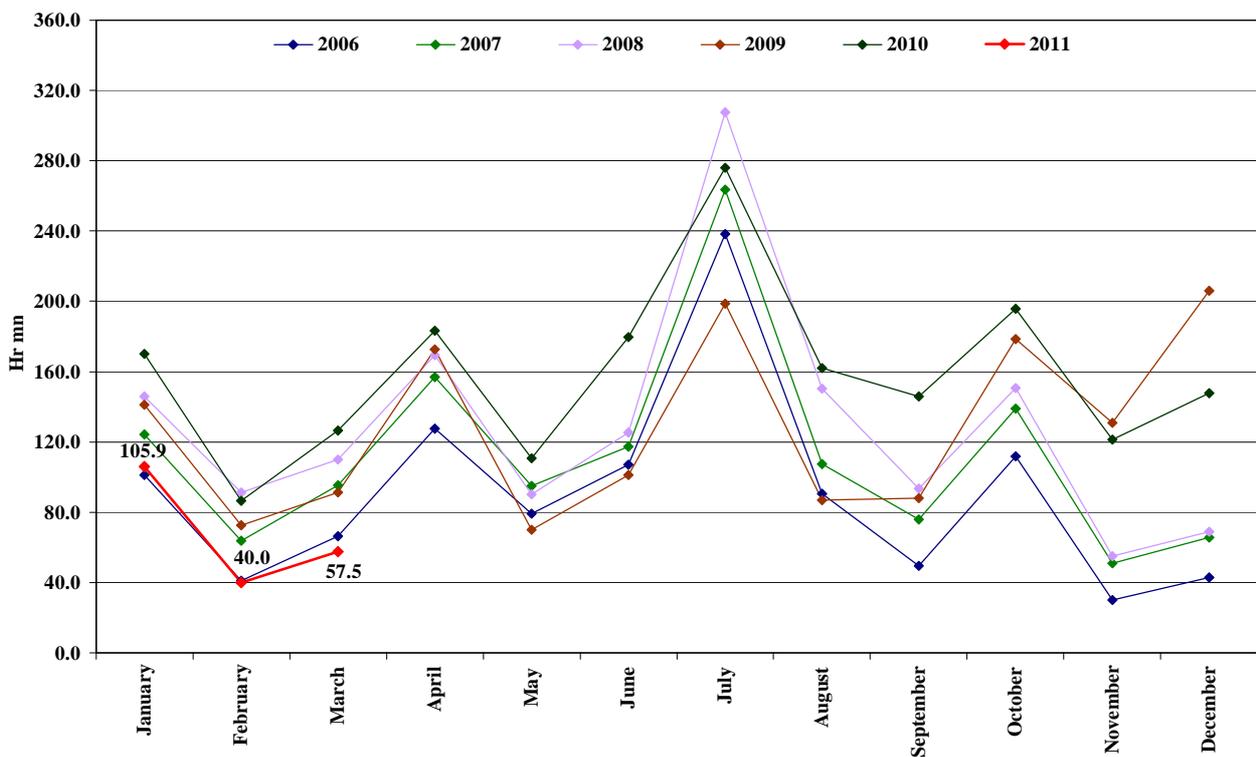
Graph 17

Local Budgets Personal Income Tax Monthly Trends in 2006-2011

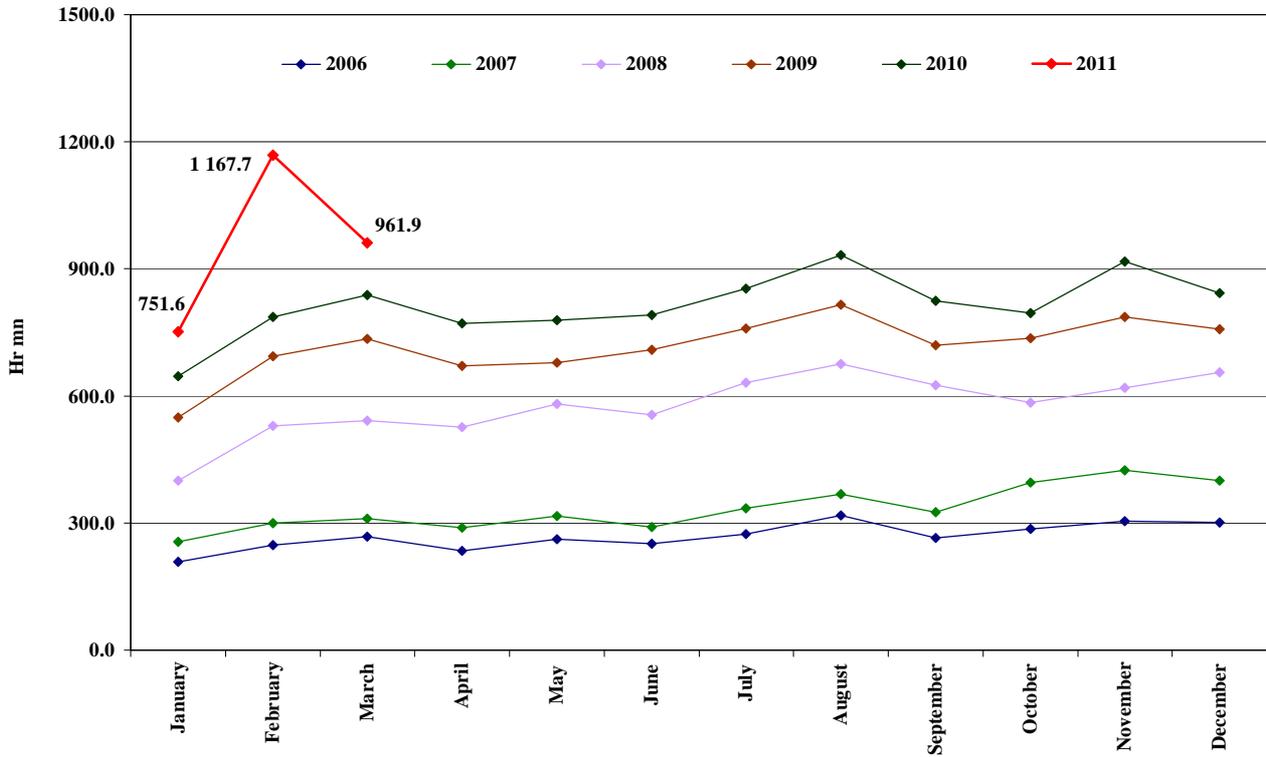


Graph 18

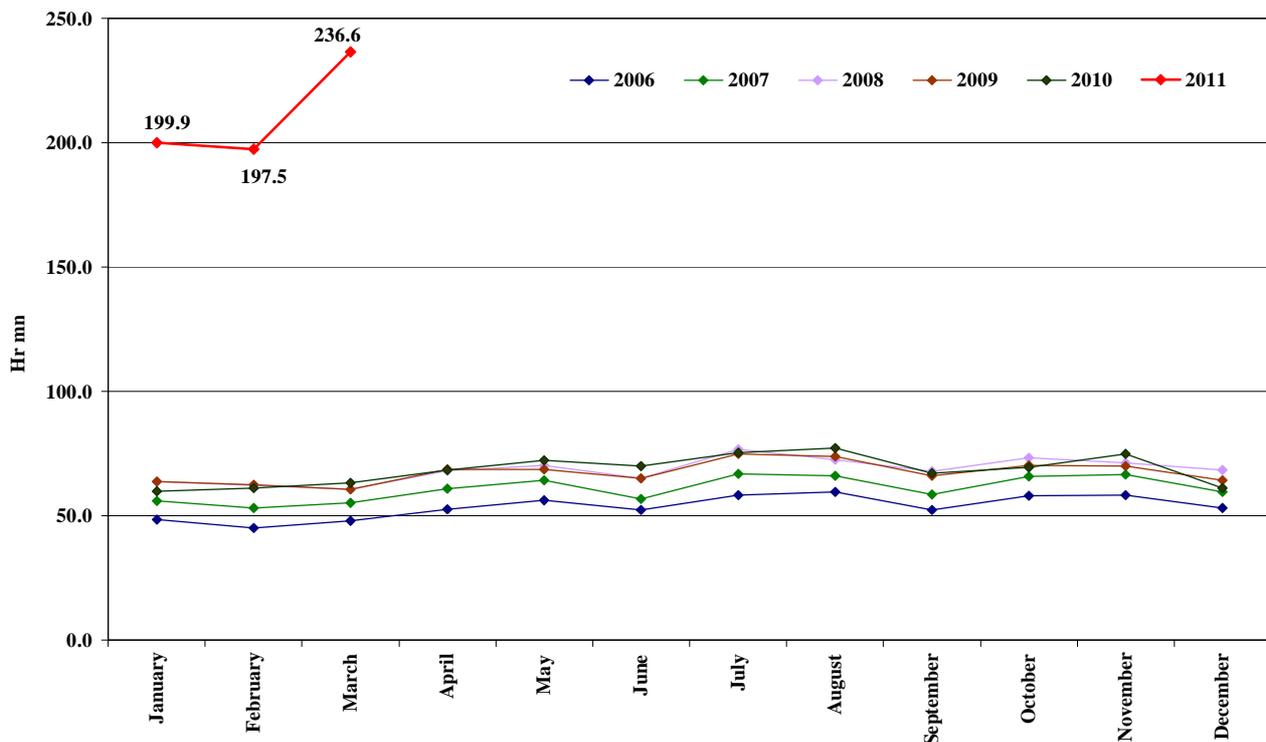
Vehicle Tax Monthly Trends in 2006-2011



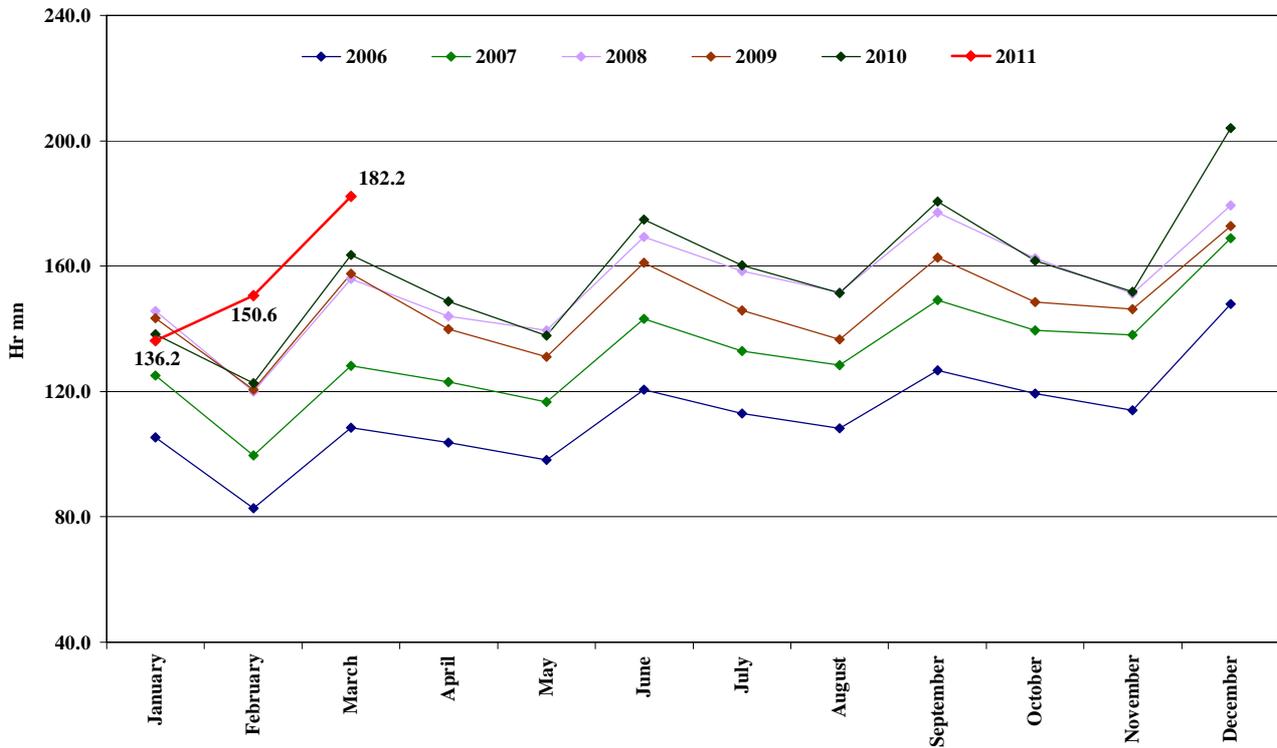
Fees for Special Use of Natural Resources Monthly Trends in 2006-2011



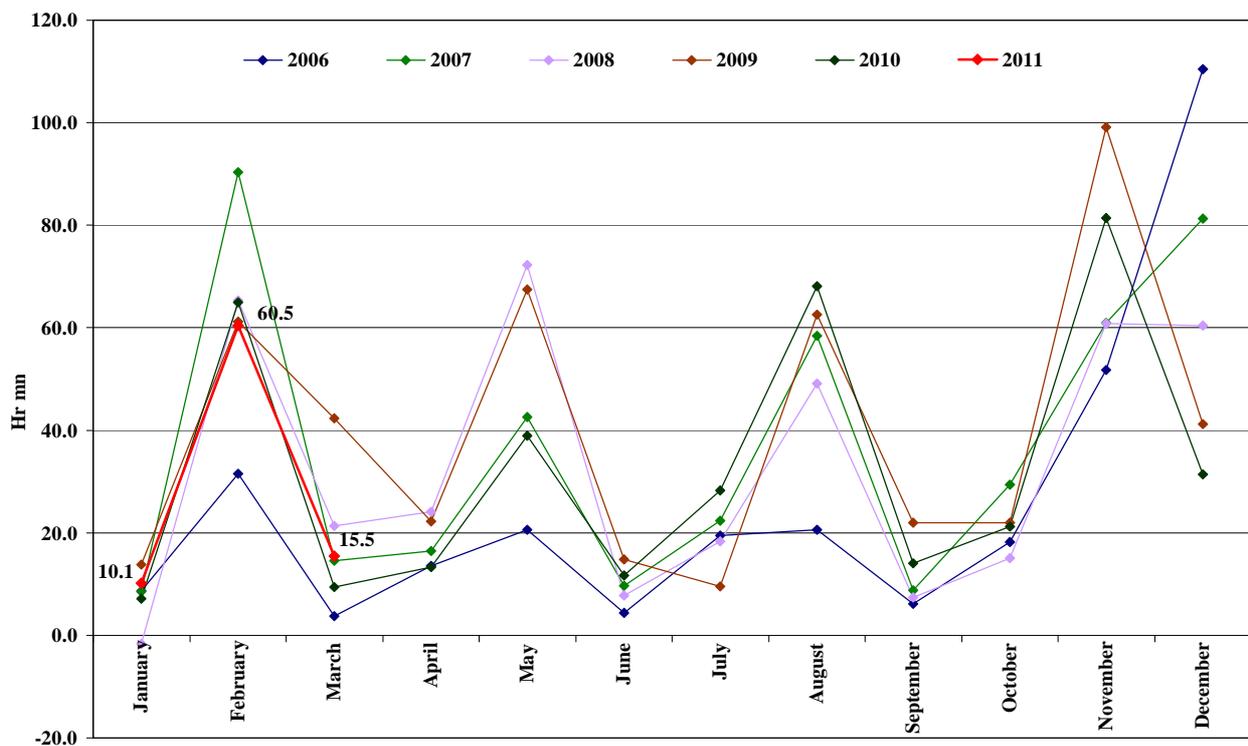
Local Taxes Monthly Trends in 2006-2011



Presumptive Tax Monthly Trends in 2006-2011

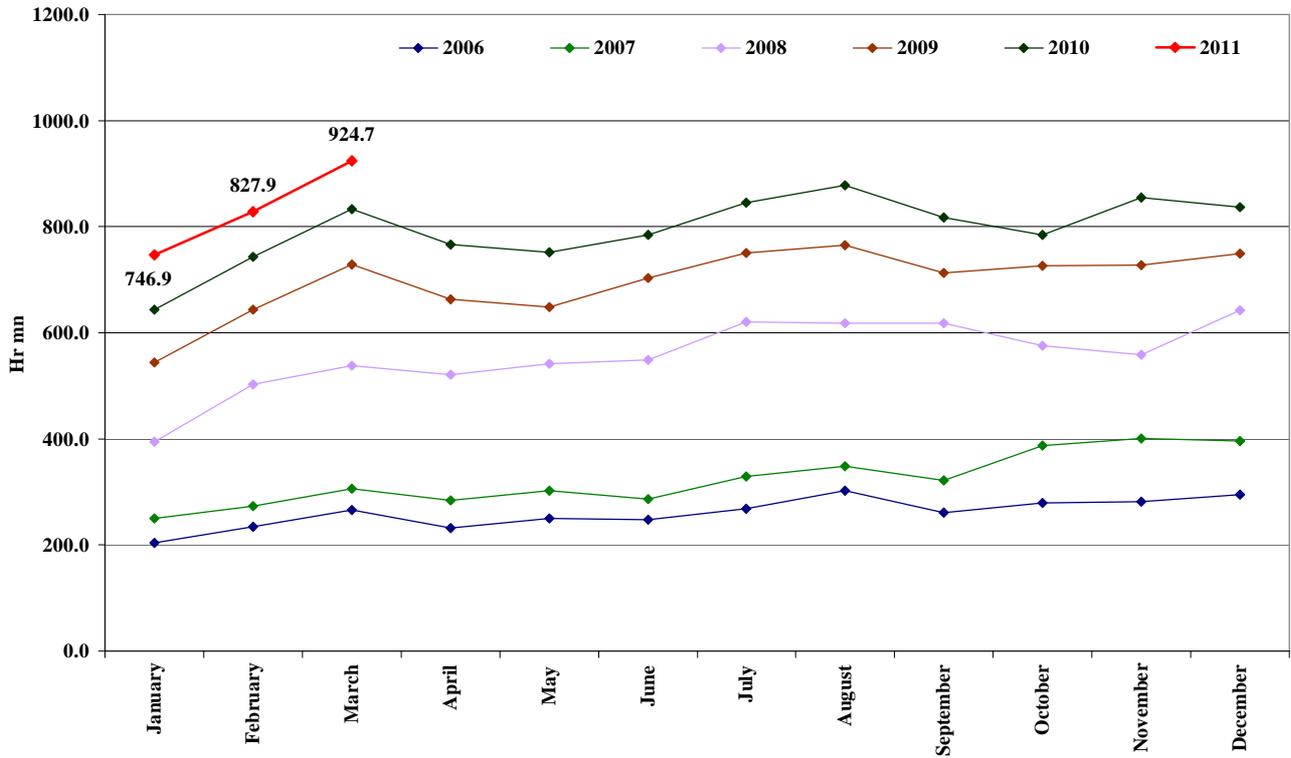


Tax on Profit of Municipal Enterprises Monthly Trends in 2006-2011



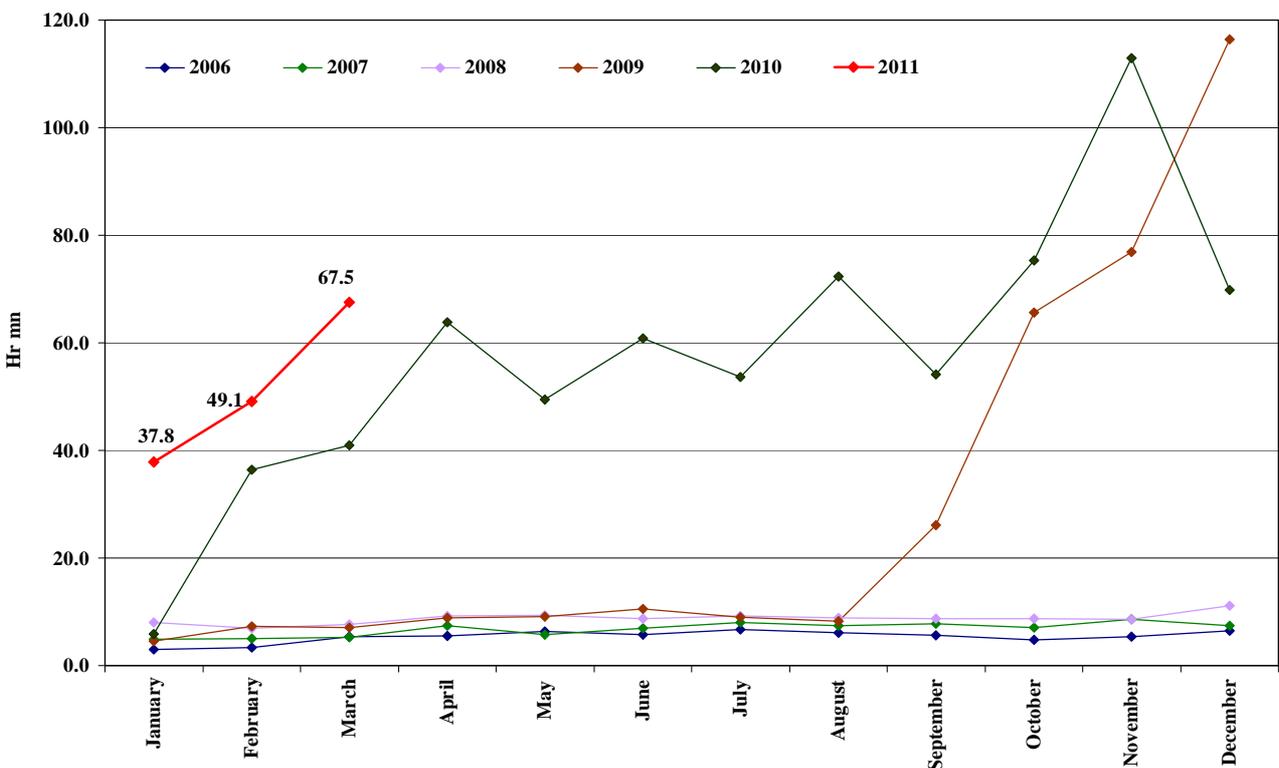
Graph 23

Land Tax Monthly Trends in 2006-2011

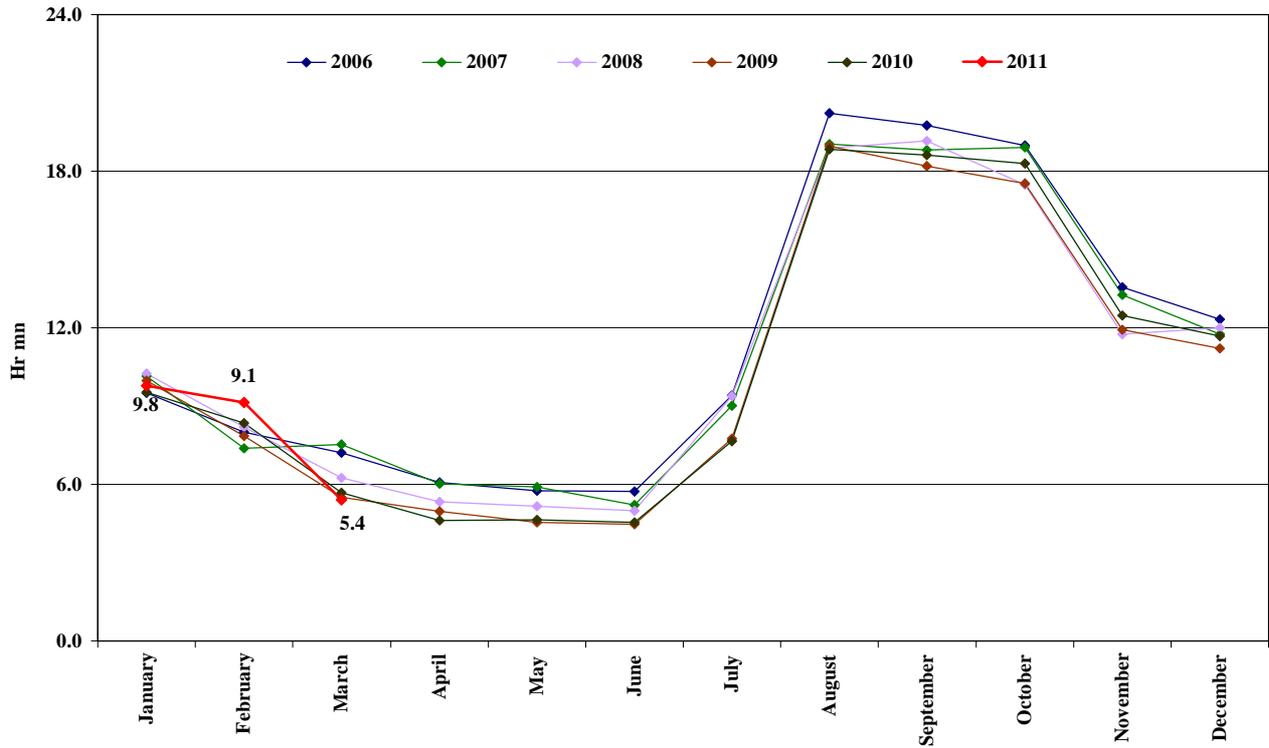


Graph 24

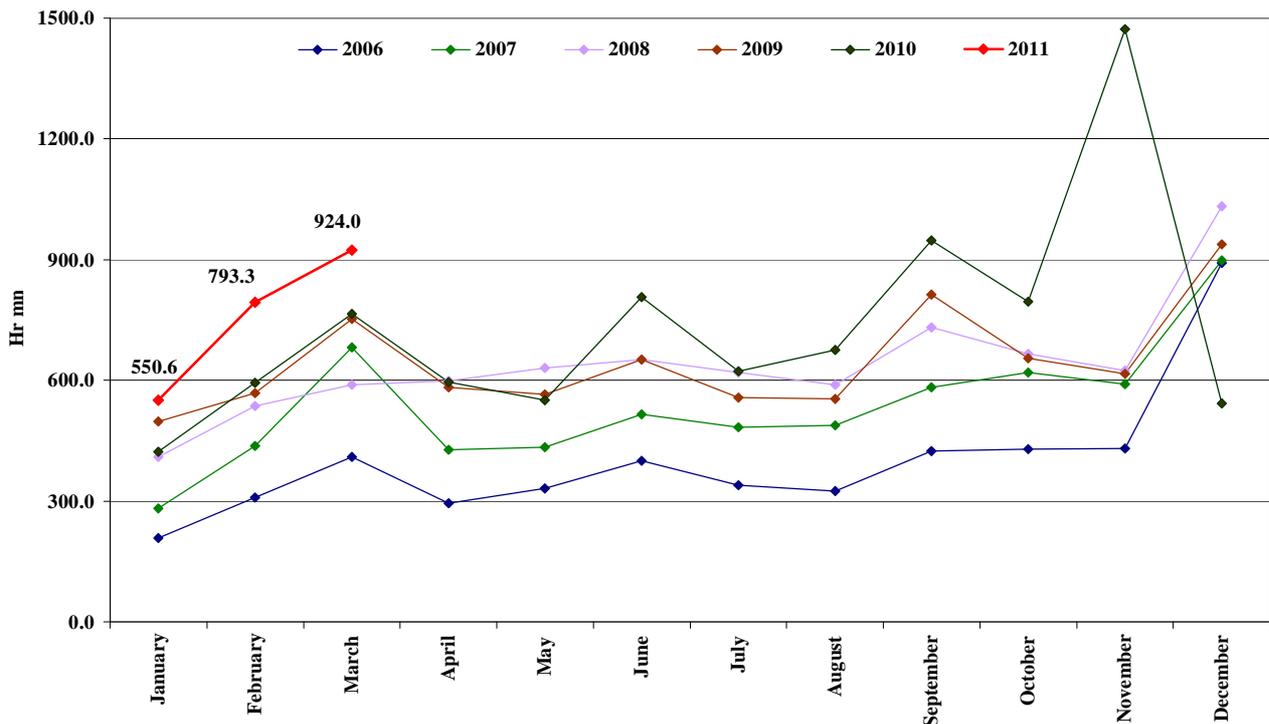
Local Budget Excise Tax Monthly Trends in 2006-2011



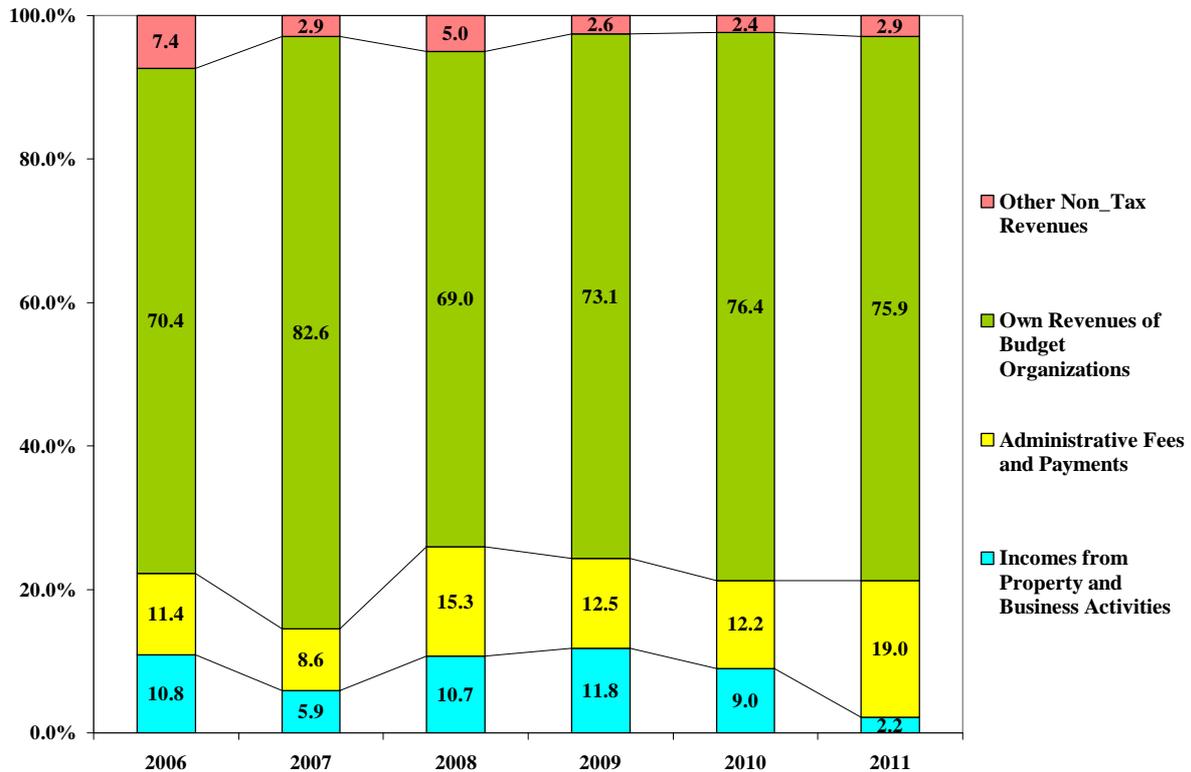
Fixed Agricultural Tax Monthly Trends in 2006-2011



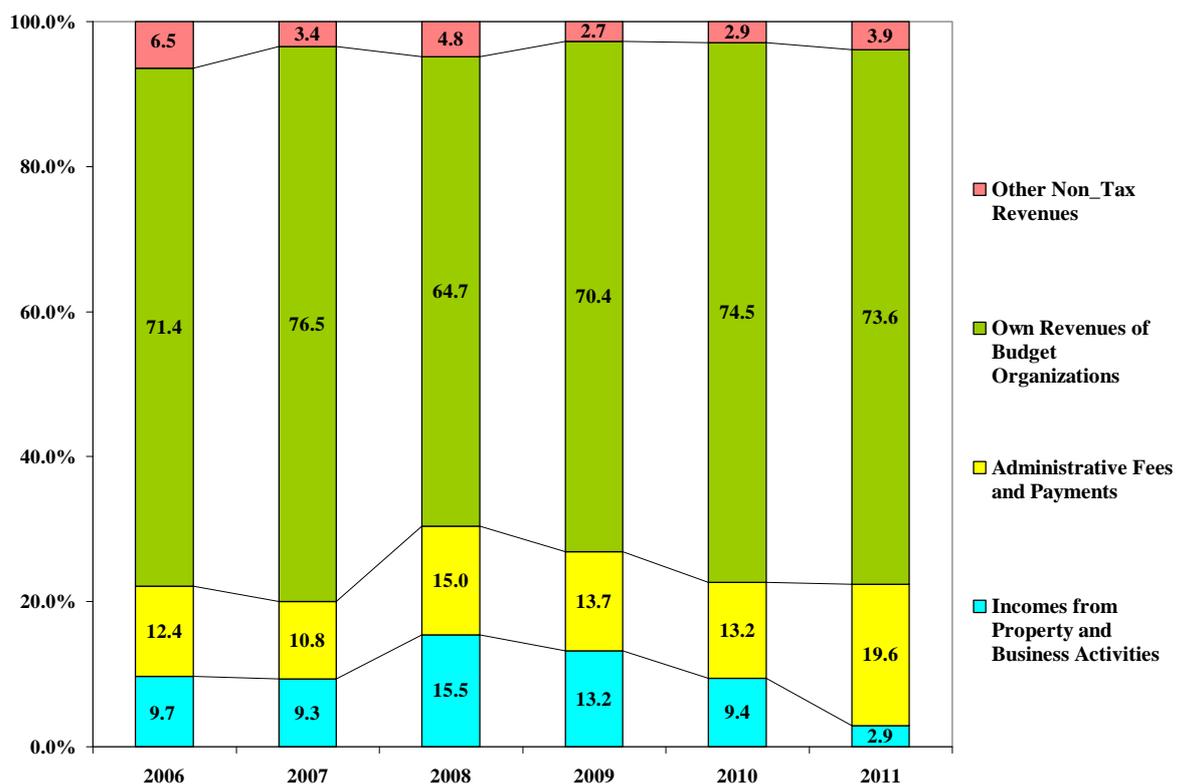
Local Budget Non-tax Revenues Monthly Trends in 2006-2011



Structure of Local Budget Actual Non-tax Revenues in March 2006-2011

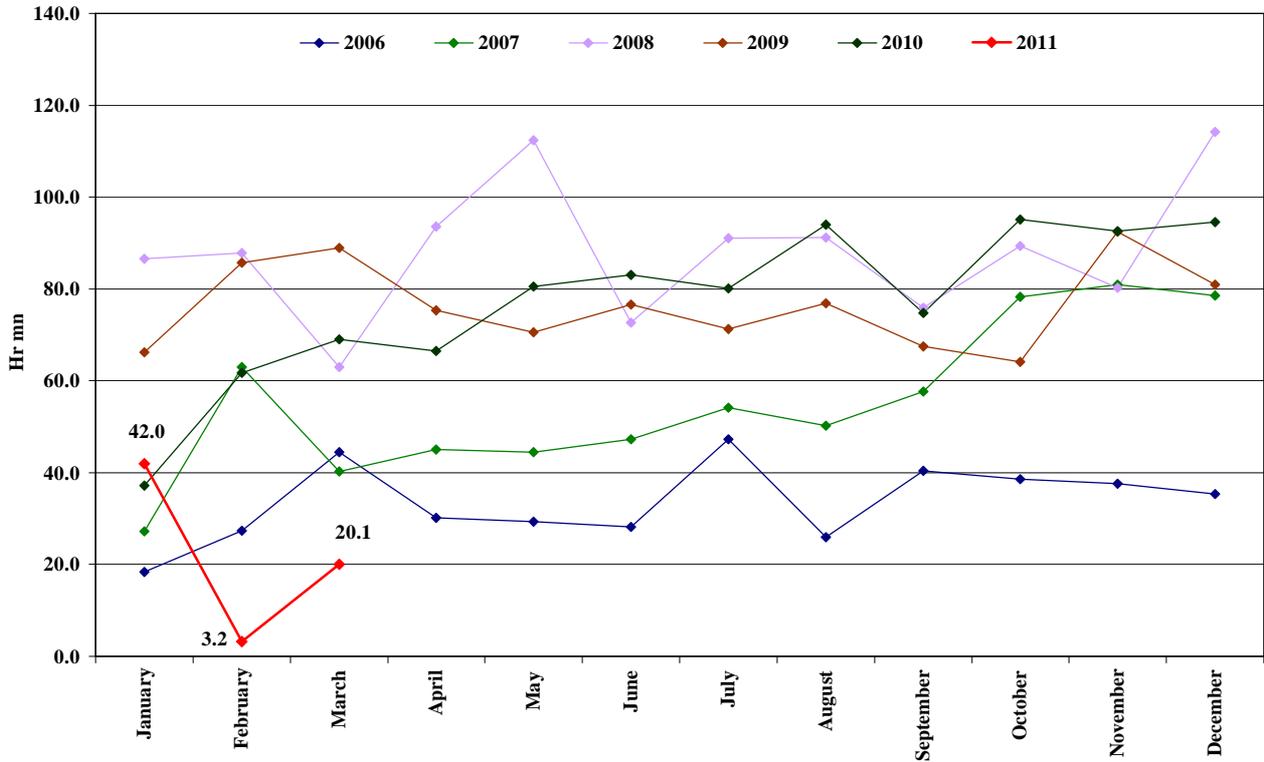


Structure of Local Budget Actual Non-tax Revenues in January-March 2006-2011



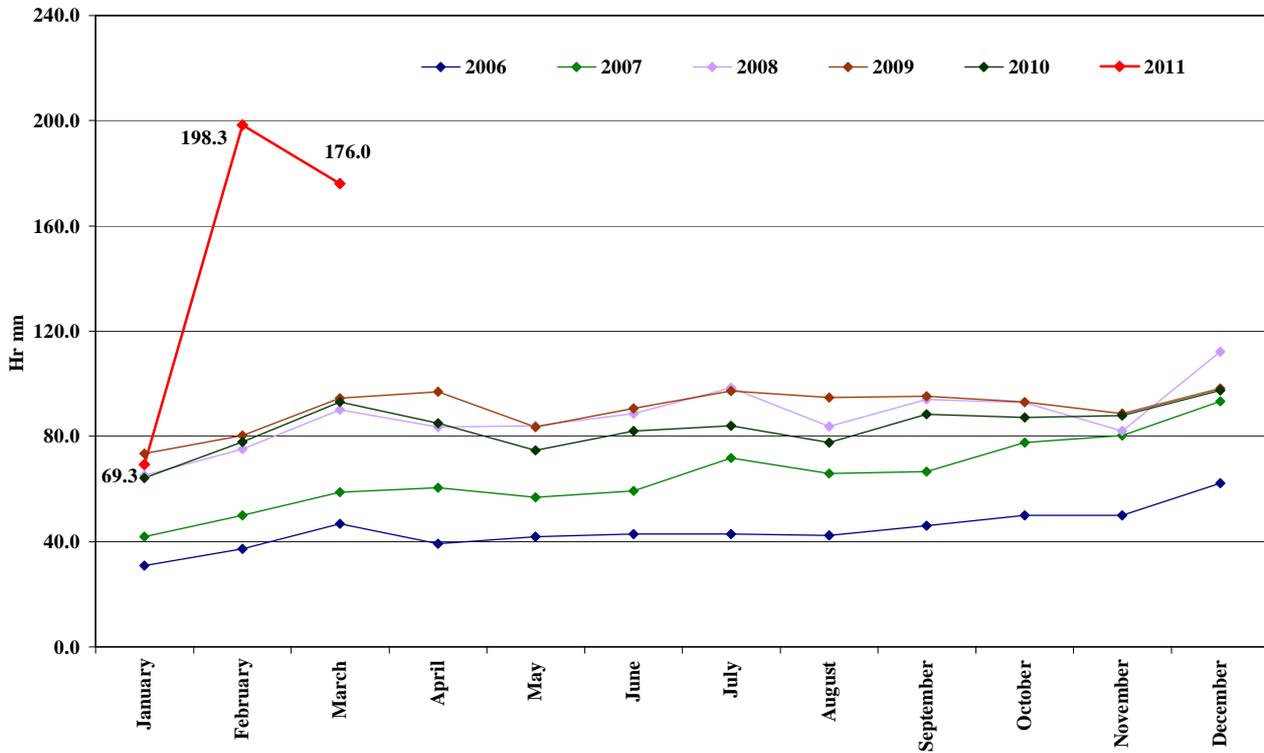
Graph 27

Local Budget Revenues from Property and Entrepreneurial Activities Monthly Trends in 2006-2011

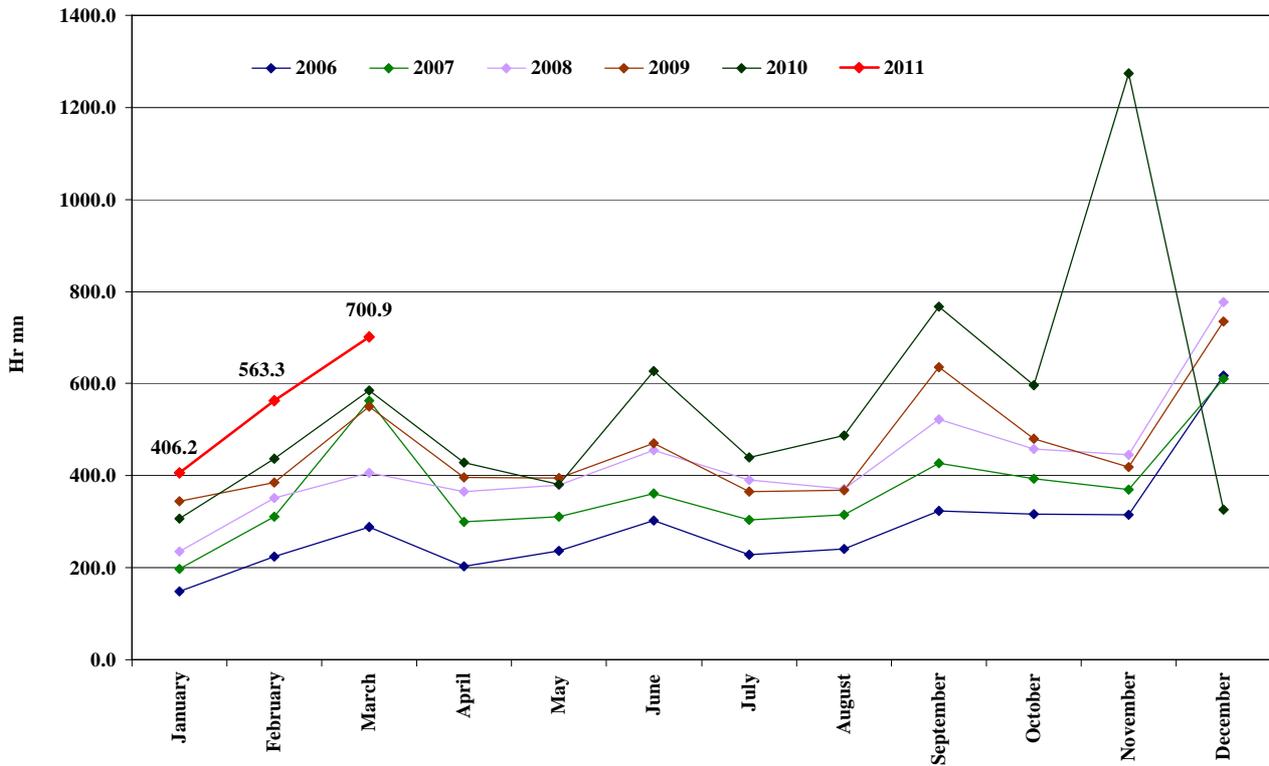


Graph 28

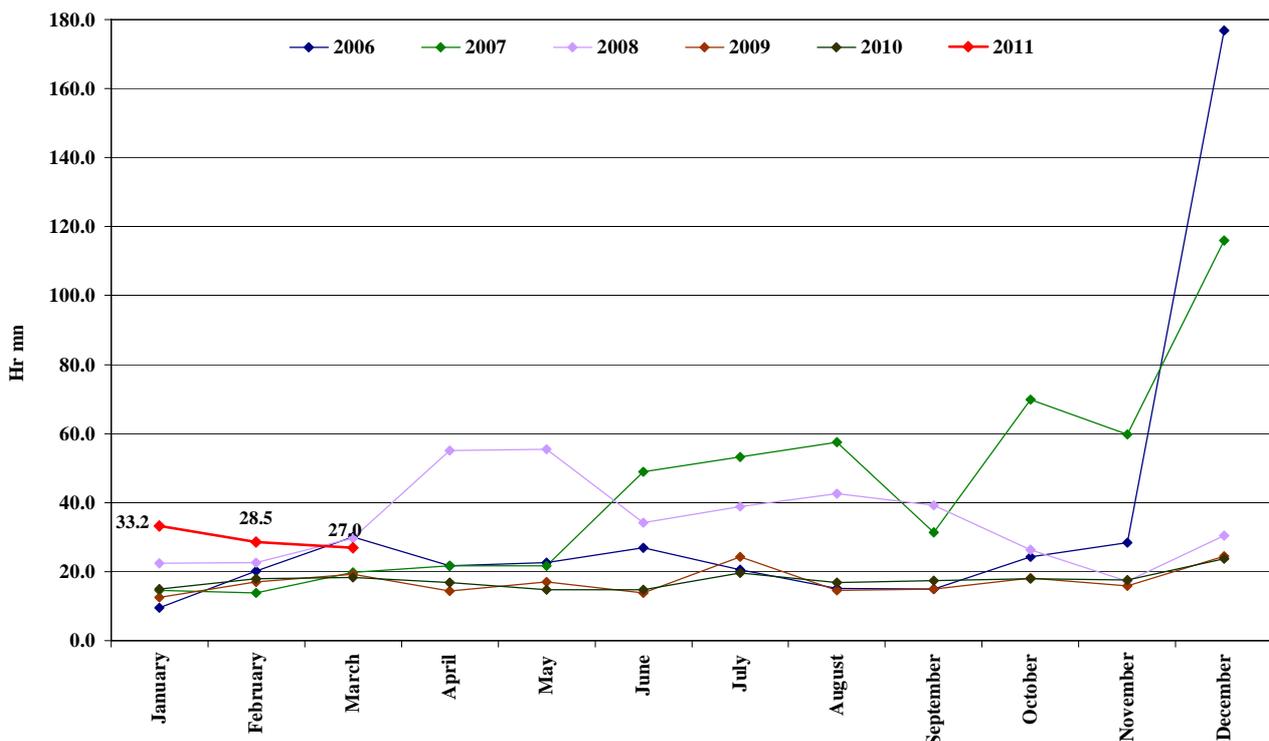
Dynamics of Monthly Local Budget Revenues from Administrative Fees in 2006-2011



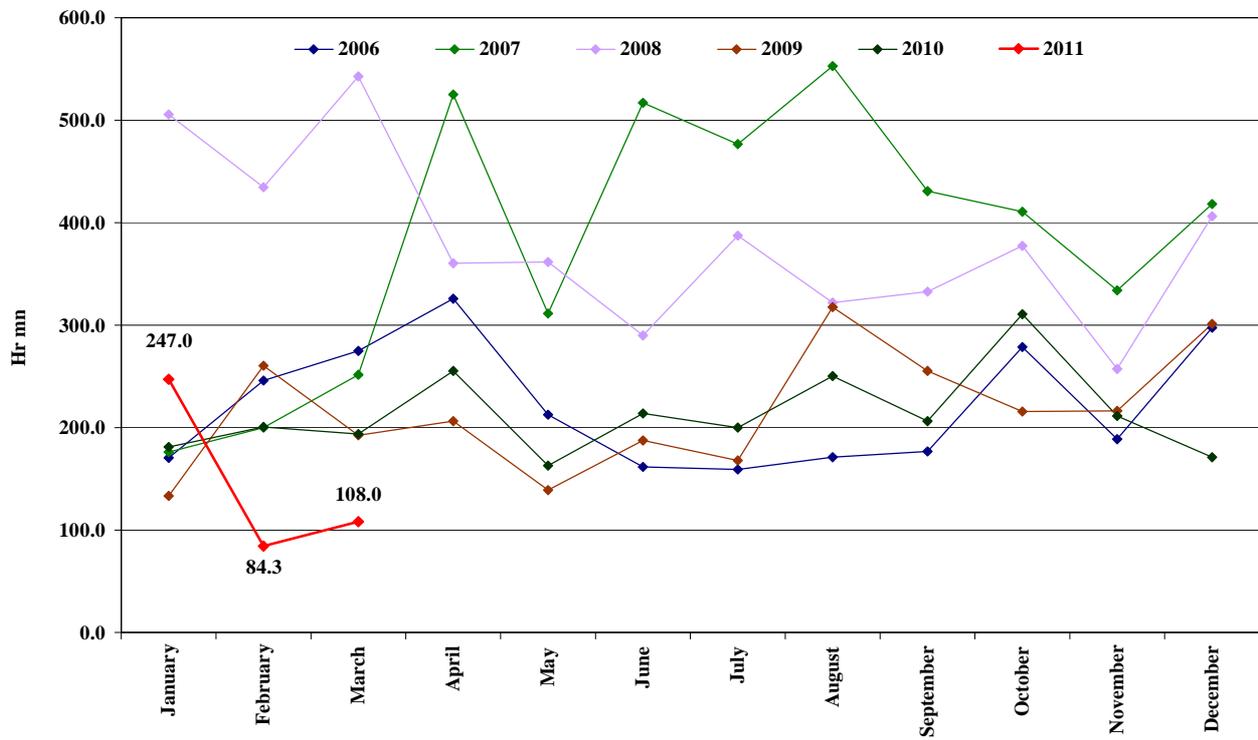
Budgetary Institutions Own Revenues Monthly Trends in 2006-2011



Local Budget Miscellaneous Other Non-tax Revenues Monthly Trends in 2006-2011



Revenues from Capital Transactions Monthly Trends in 2006-2011



State Budget Deficit

Diagram 11

Budget Deficit/Surplus Monthly Trends in 2006

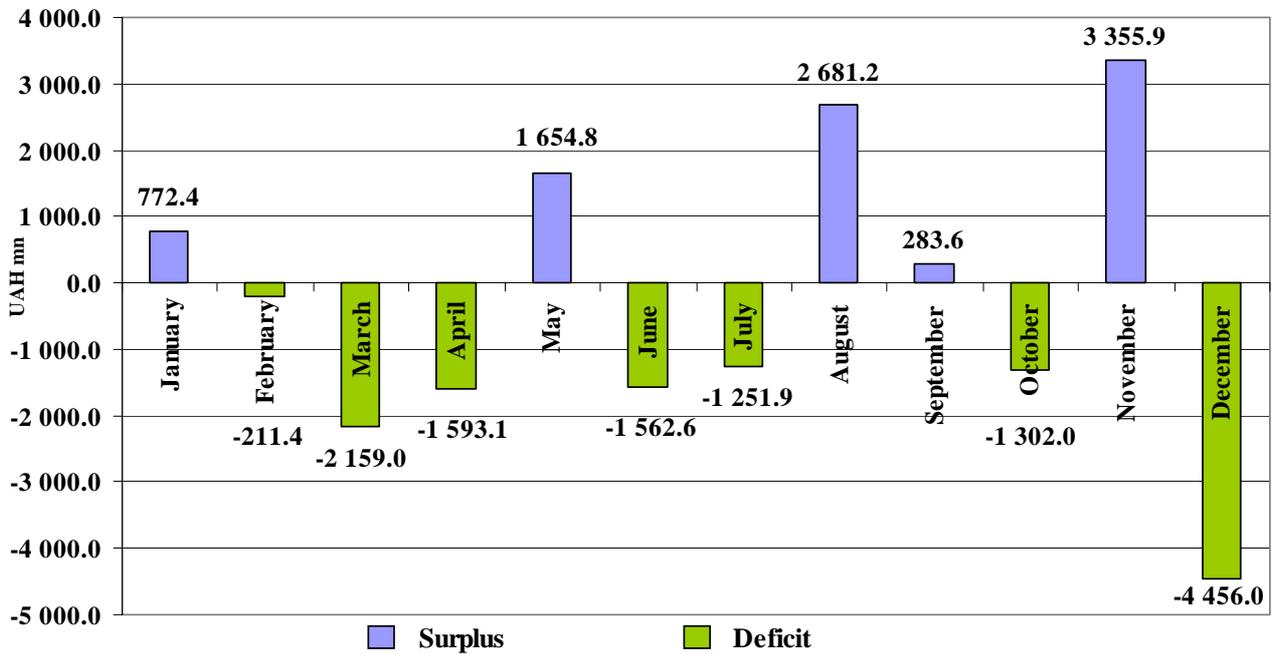


Diagram 12

Budget Deficit/Surplus Monthly Trends in 2007

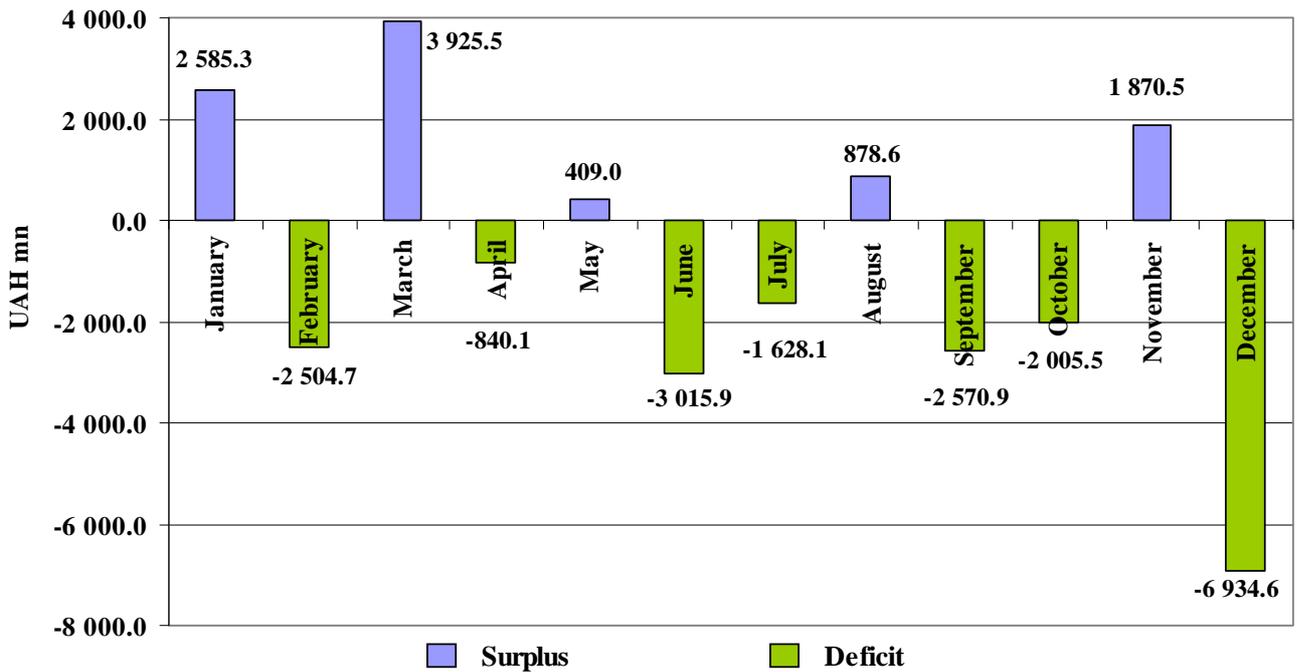


Diagram 13

Budget Deficit/Surplus Monthly Trends in 2008

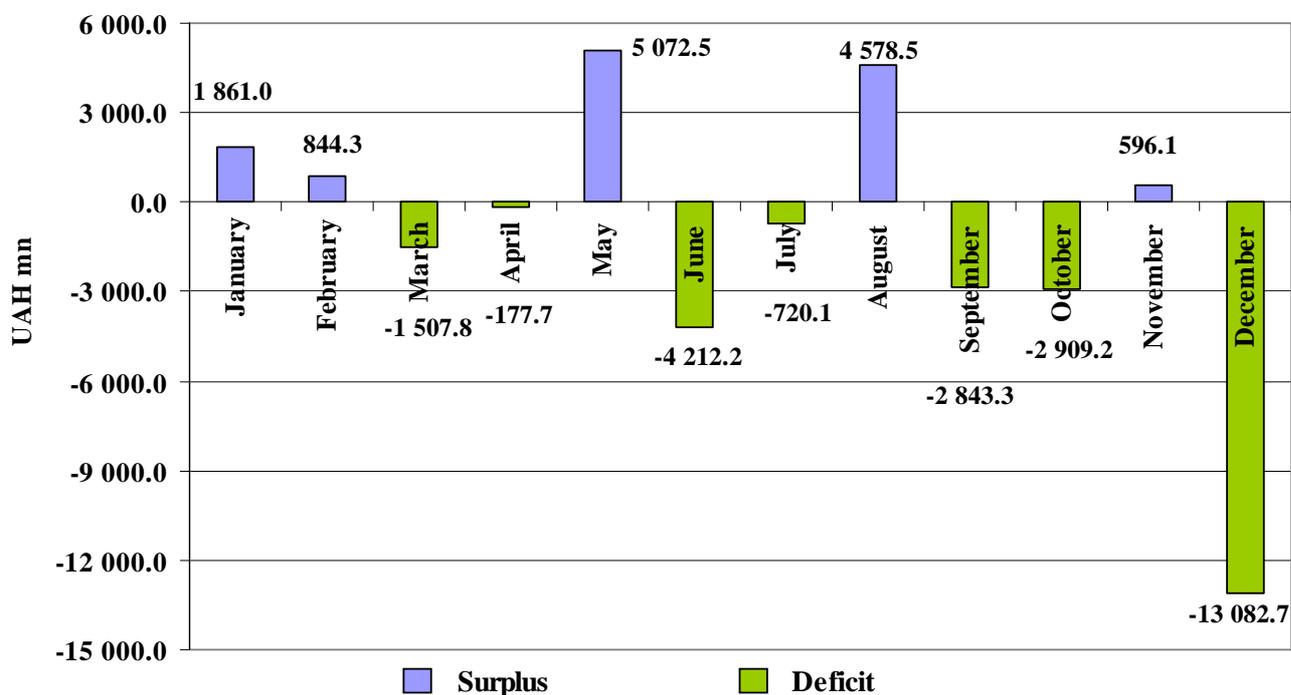


Diagram 14

Budget Deficit/Surplus Monthly Trends in 2009

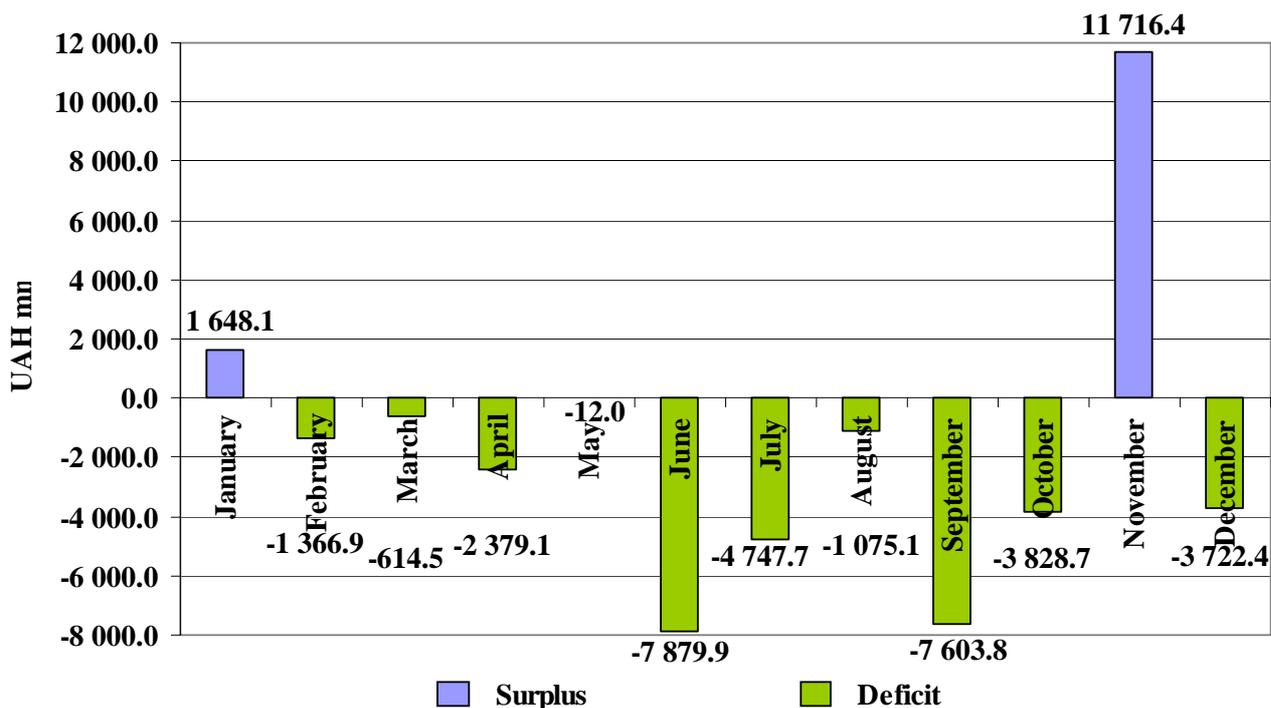


Diagram 15

Budget Deficit/Surplus Monthly Trends in 2010

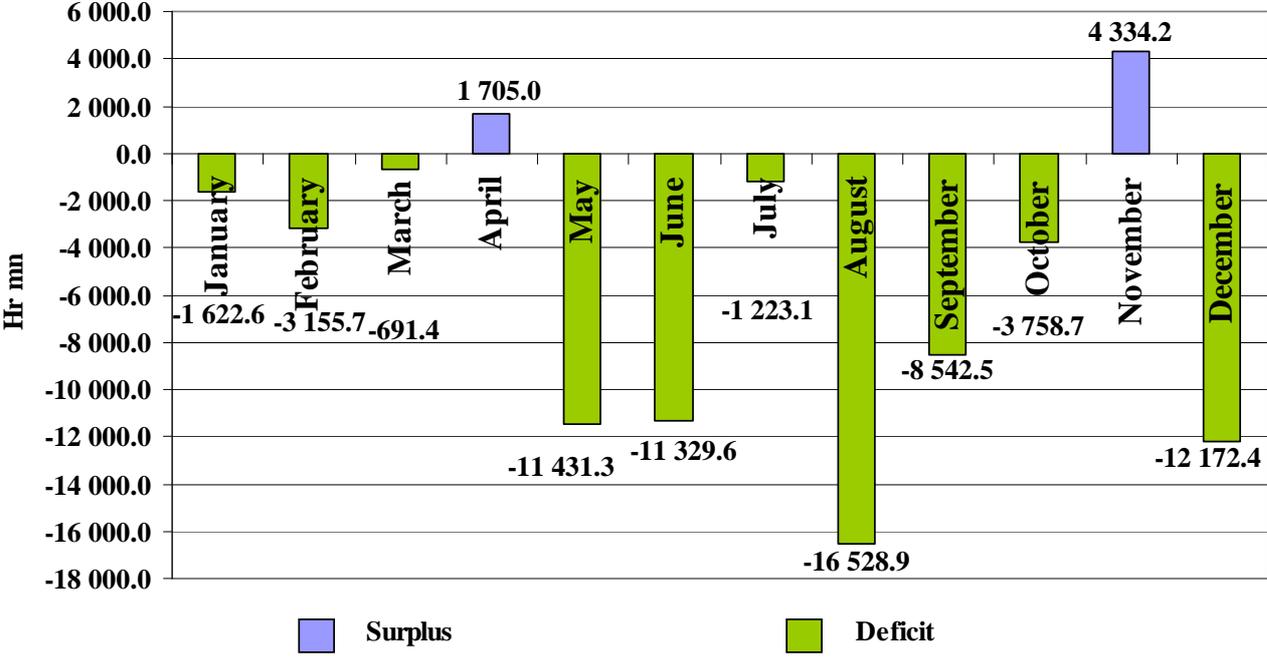
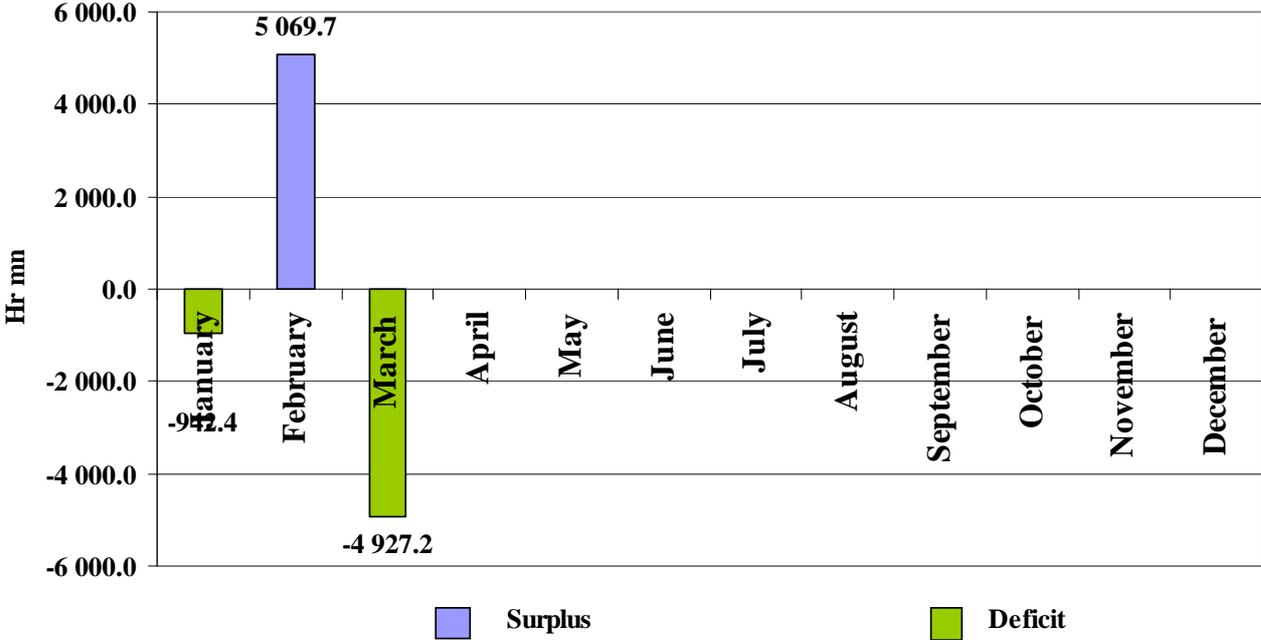


Diagram 16

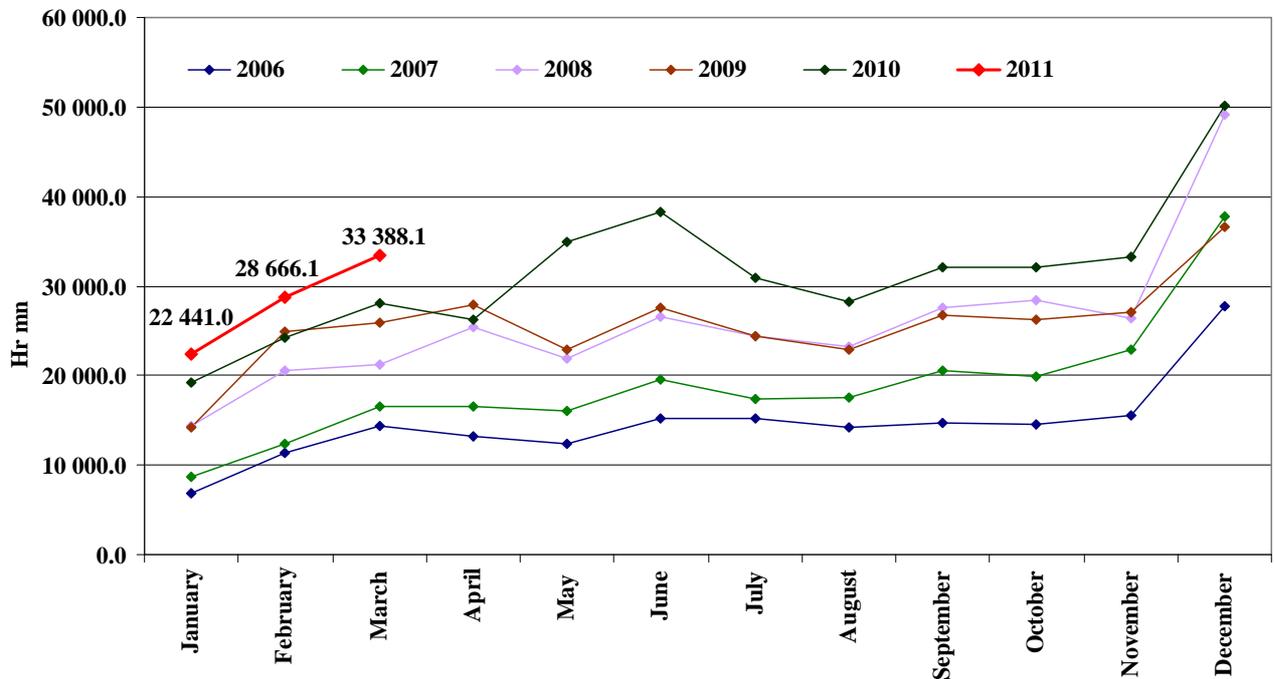
Budget Deficit/Surplus Monthly Trends in 2011



Consolidated Budget Expenditures

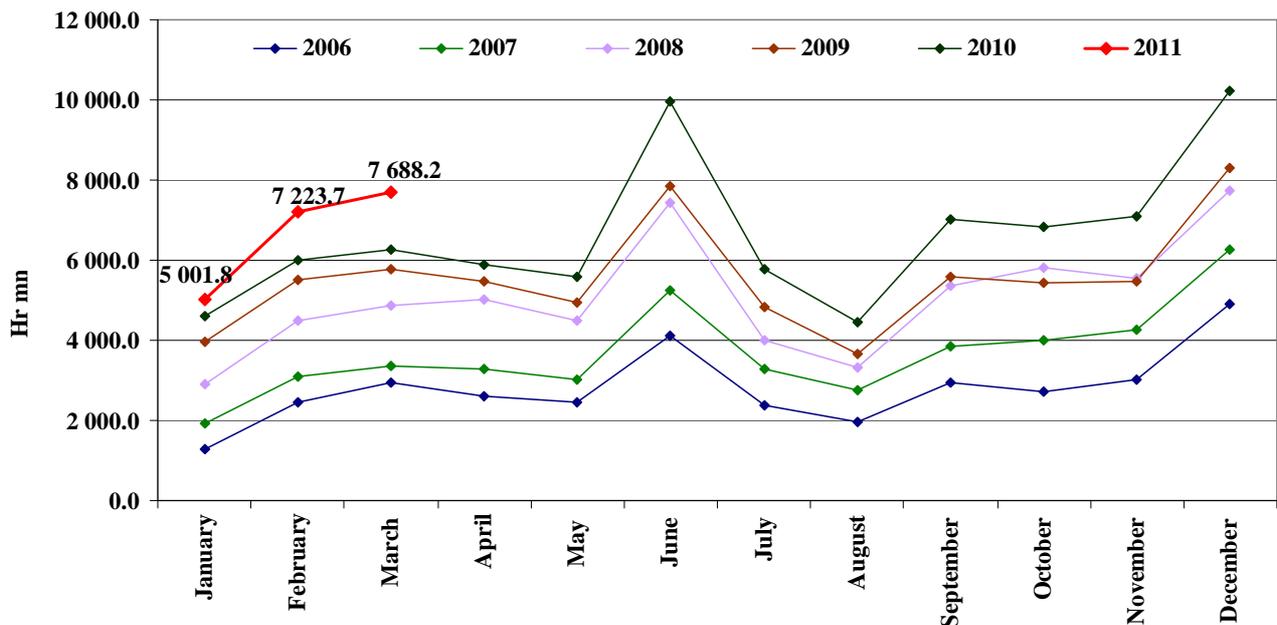
Graph 32

Consolidated Budget Expenditures Monthly Trends in 2006-2011



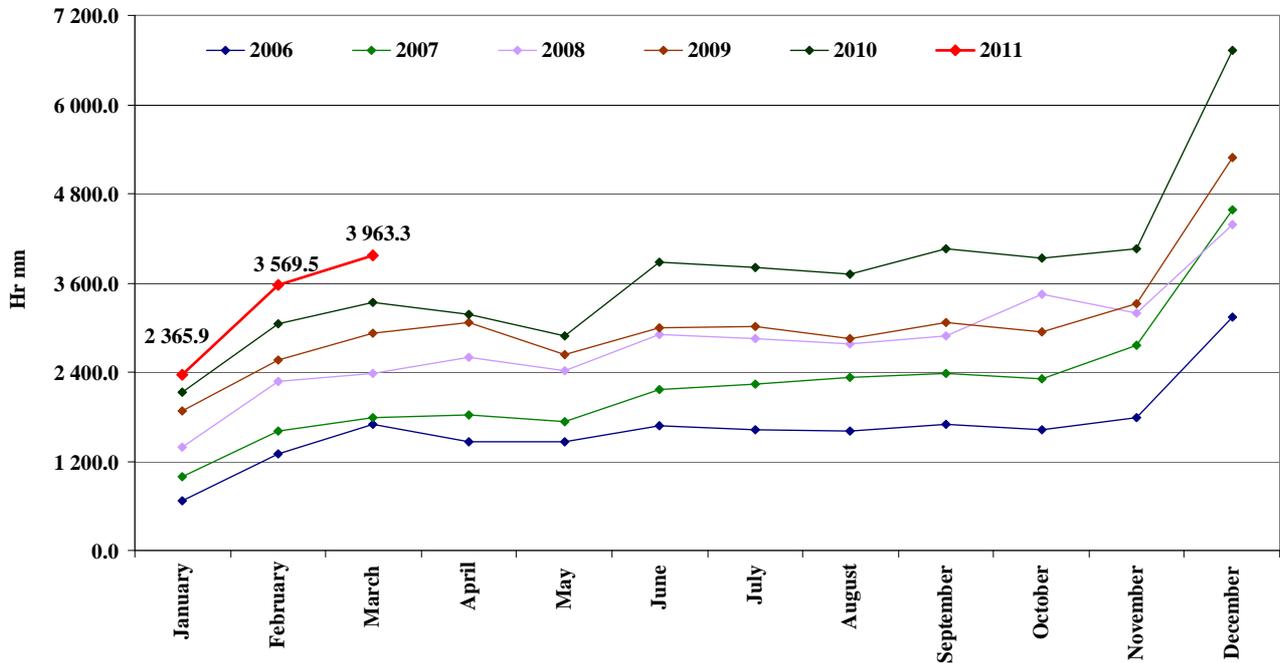
Graph 33

Consolidated Budget Education Expenditures Monthly Trends in 2006-2011



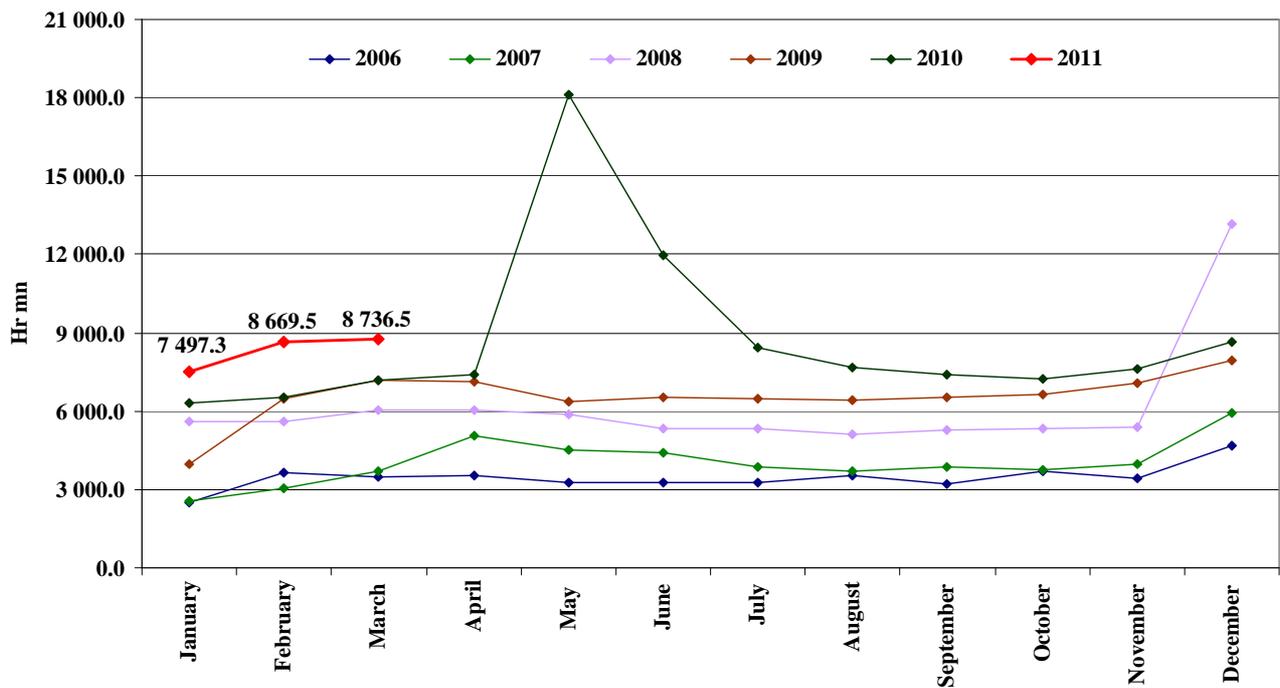
Graph 34

Consolidated Budget Health Expenditures Monthly Trends in 2006-2011

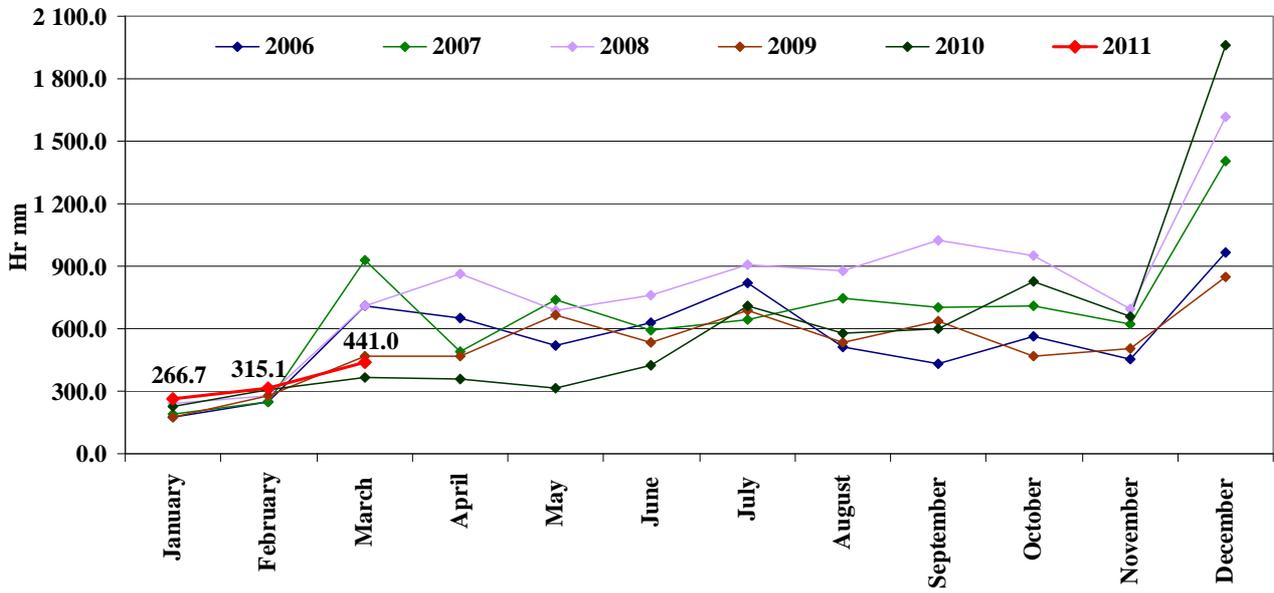


Graph 35

Consolidated Budget Expenditures for Social Protection and Social Security Monthly Trends in 2006-2011



Consolidated Budget Expenditures for Agriculture, Forestry, Game-Preserves, and Fisheries Monthly Trends in 2006-2011



State Budget Expenditures

Diagram 17

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2006

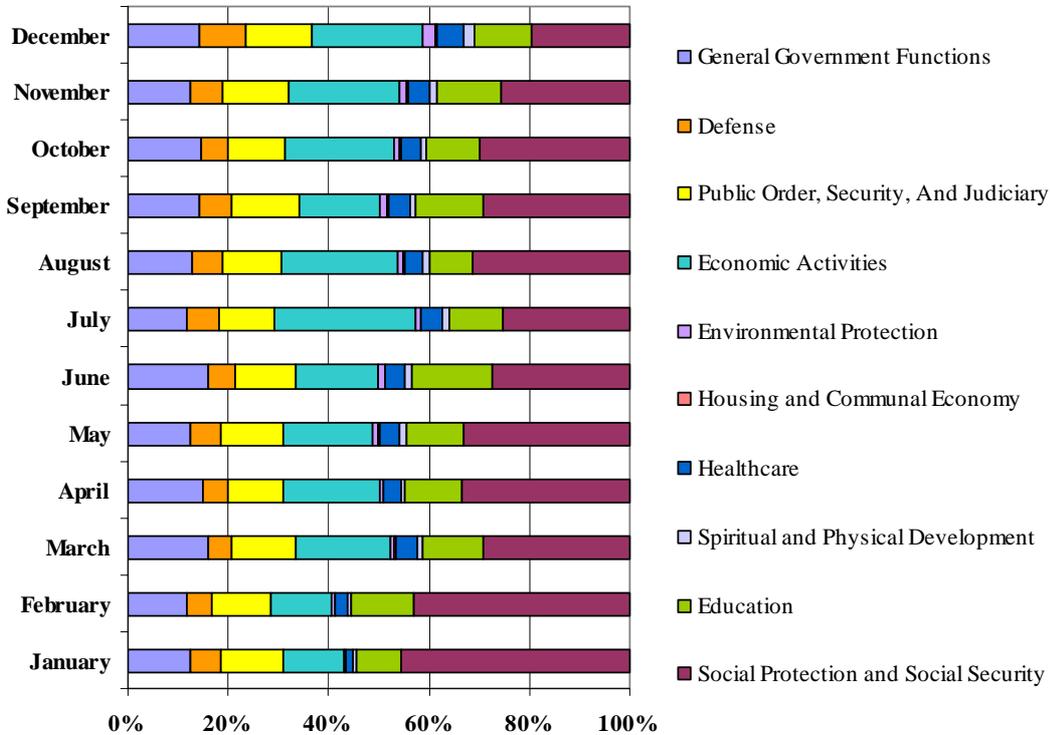


Diagram 18

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2007

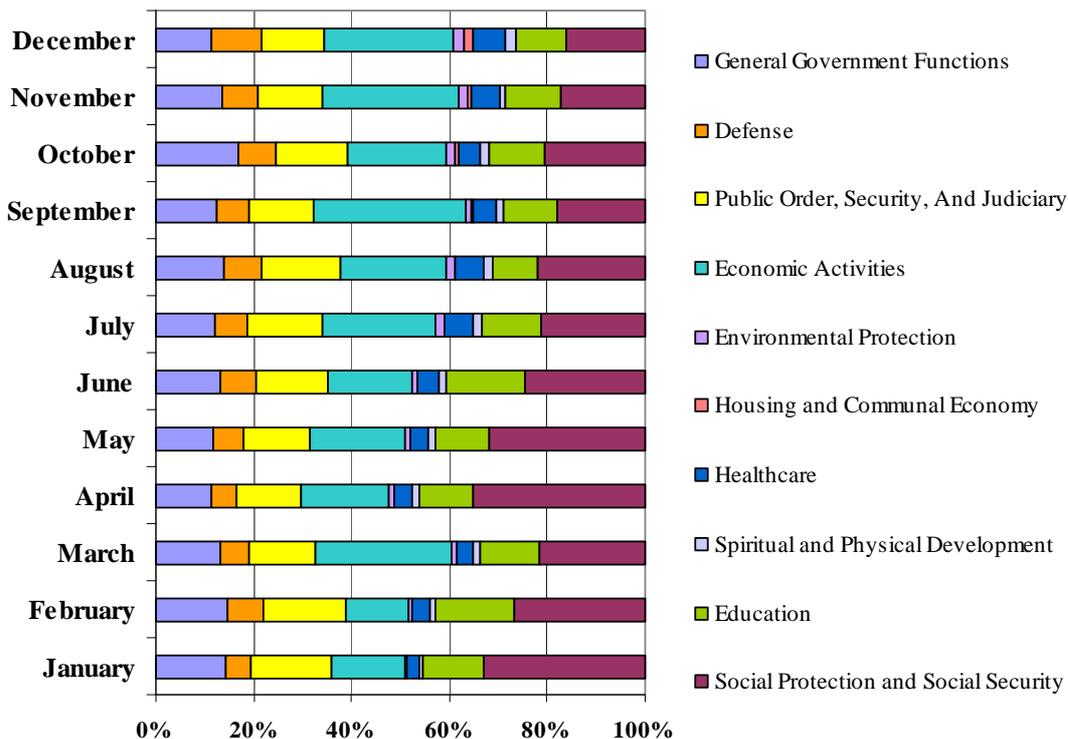


Diagram 19

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2008

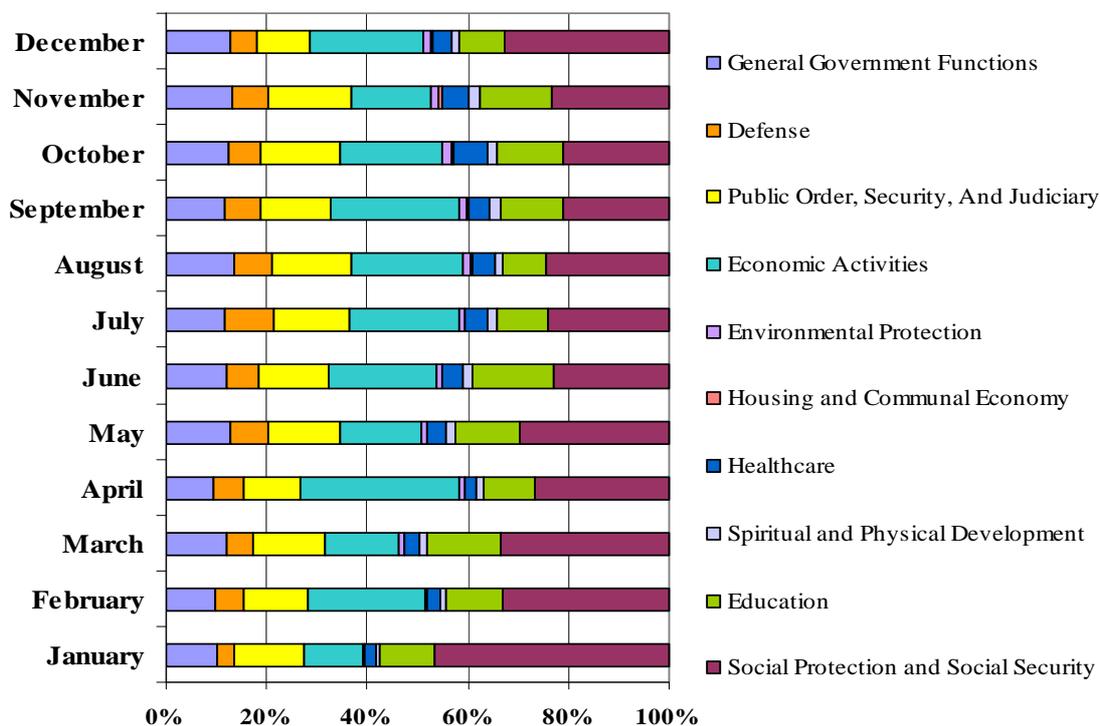


Diagram 20

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2009

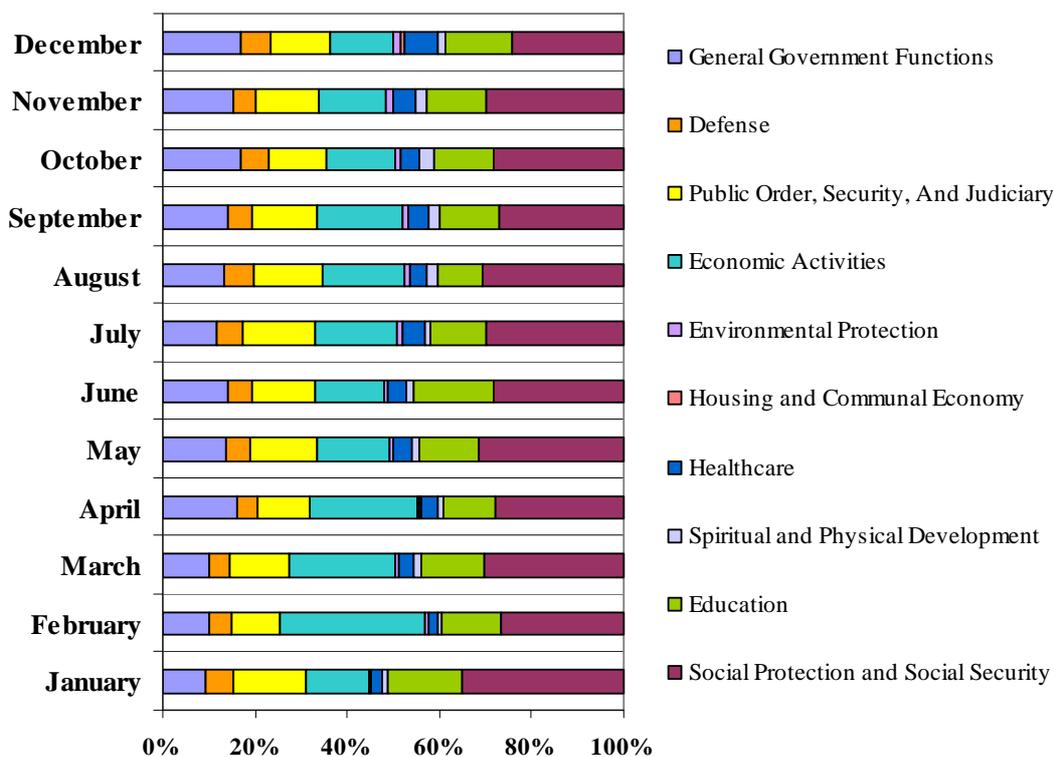


Diagram 21

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2010

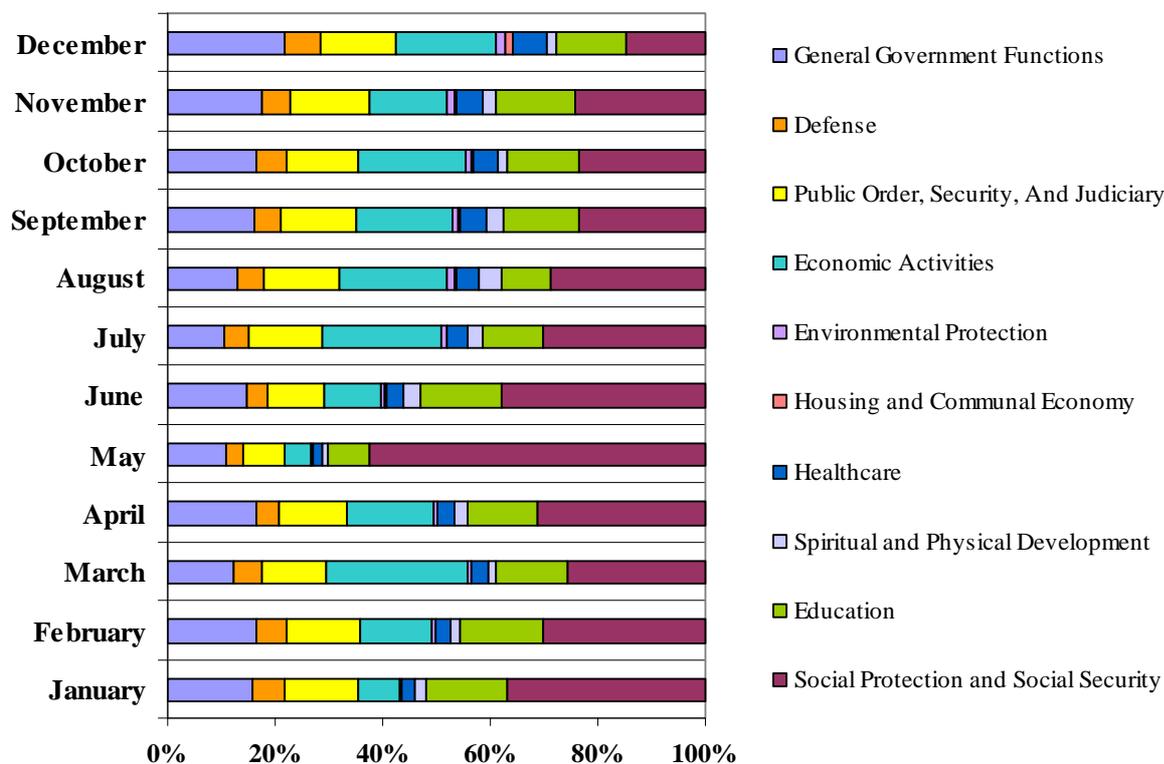
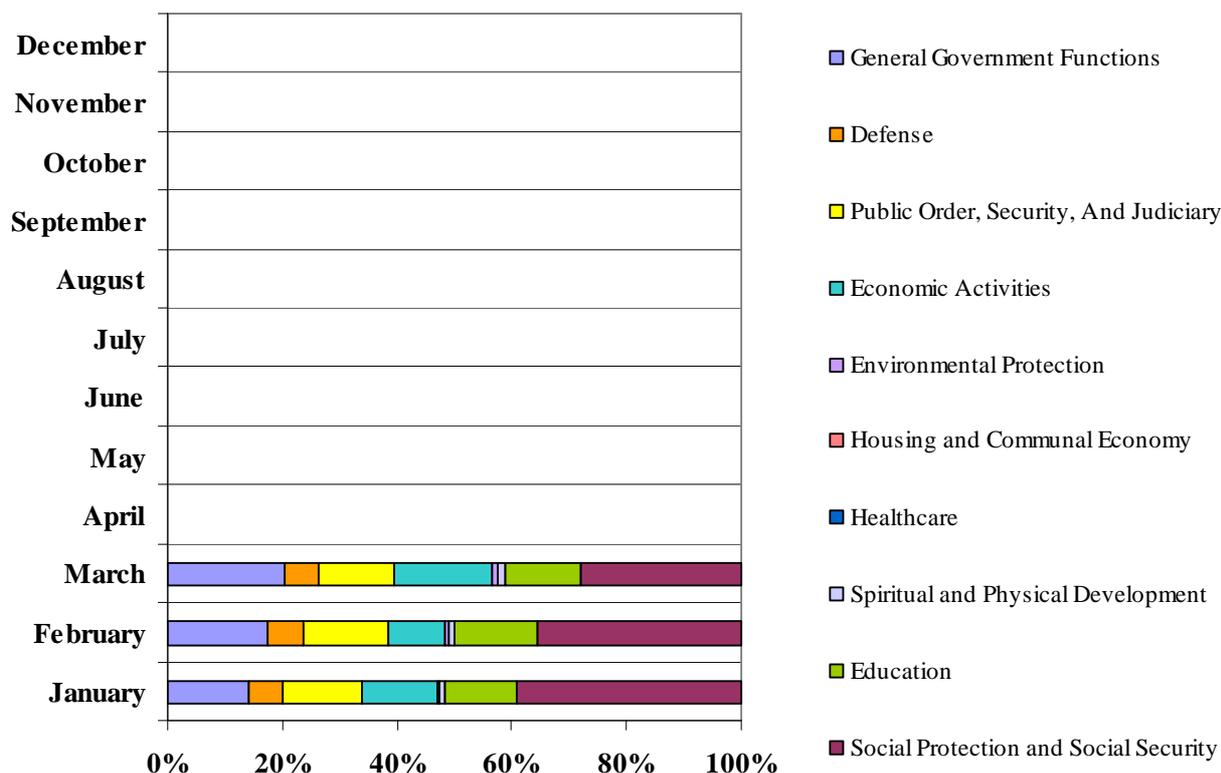


Diagram 22

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2011



Monthly Trends of State Budget Expenditures in 2006-2011

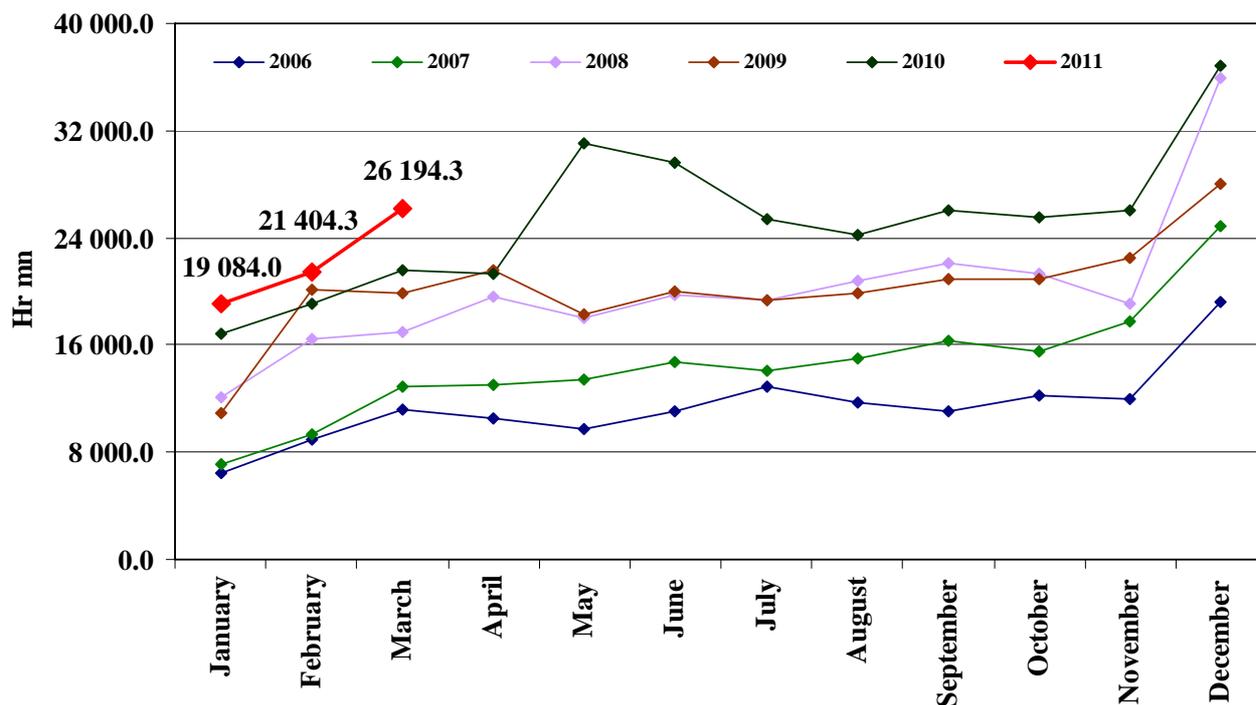
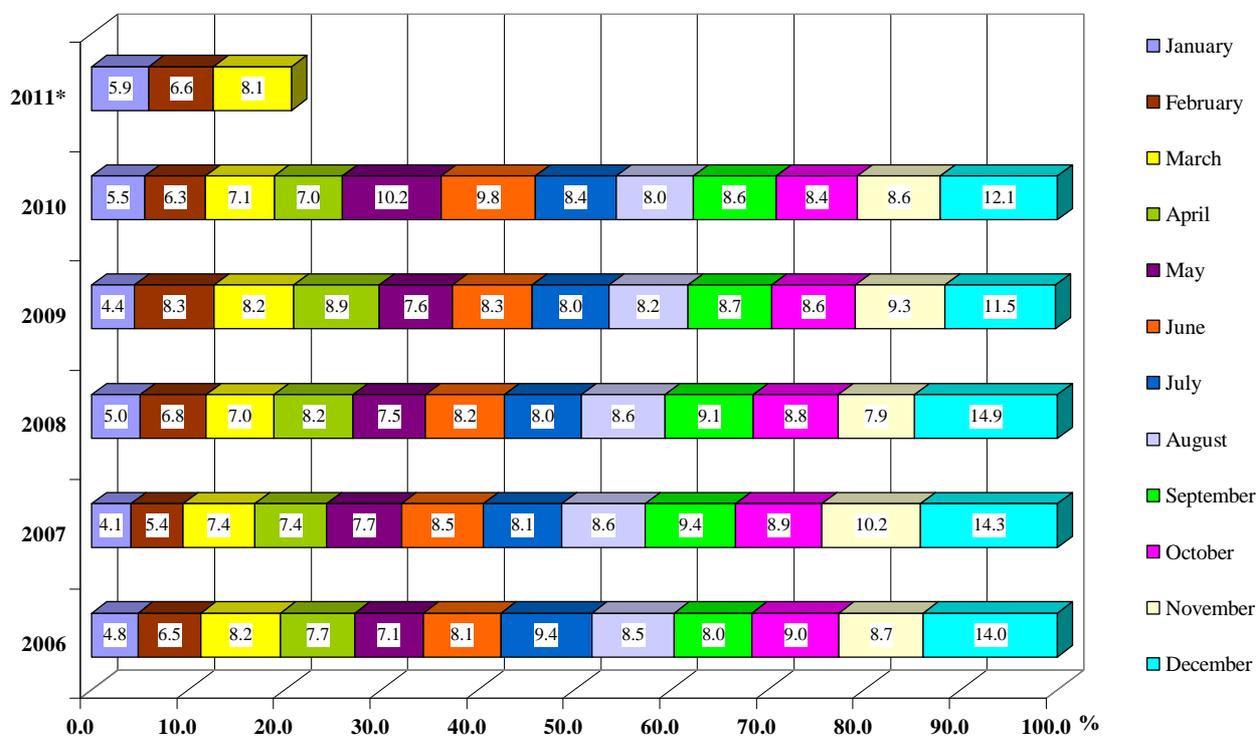


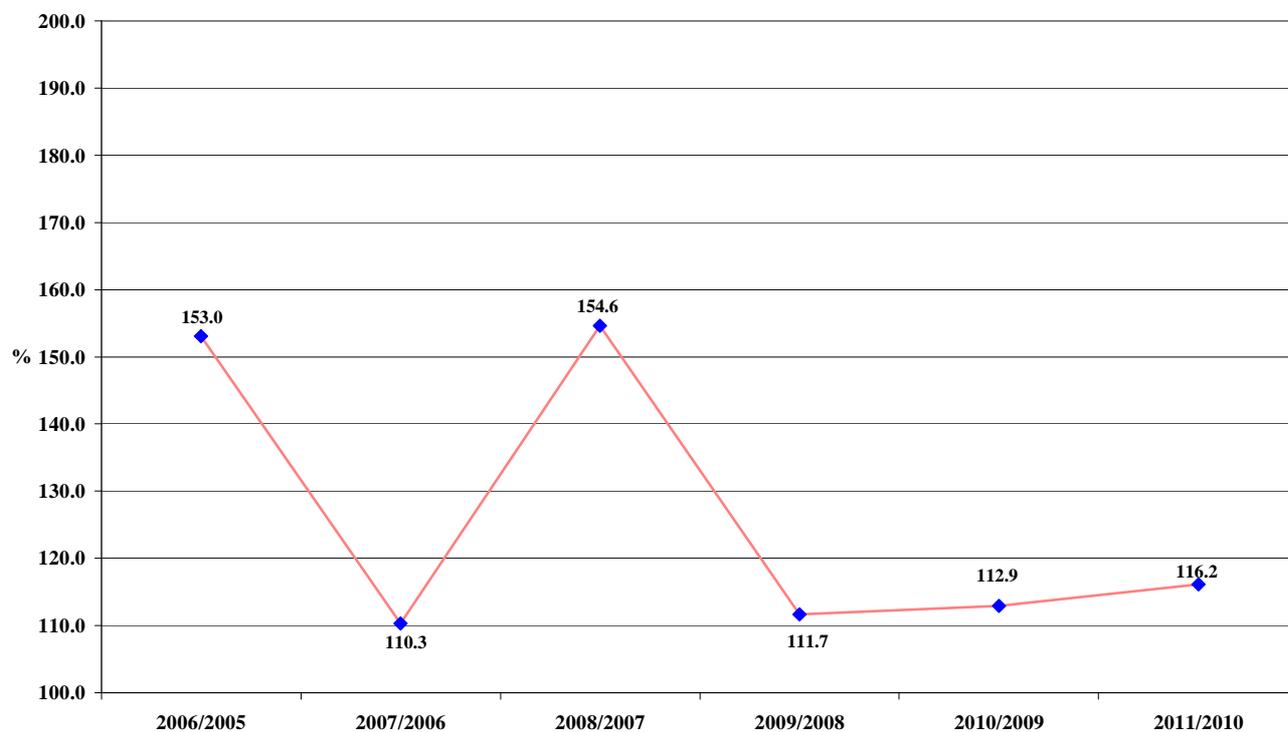
Diagram 23

Dynamics of the Share of Ukraine's State Budget Total Expenditures in Annual Amounts in 2006-2011



* A share of total expenditures according to the planned annual index

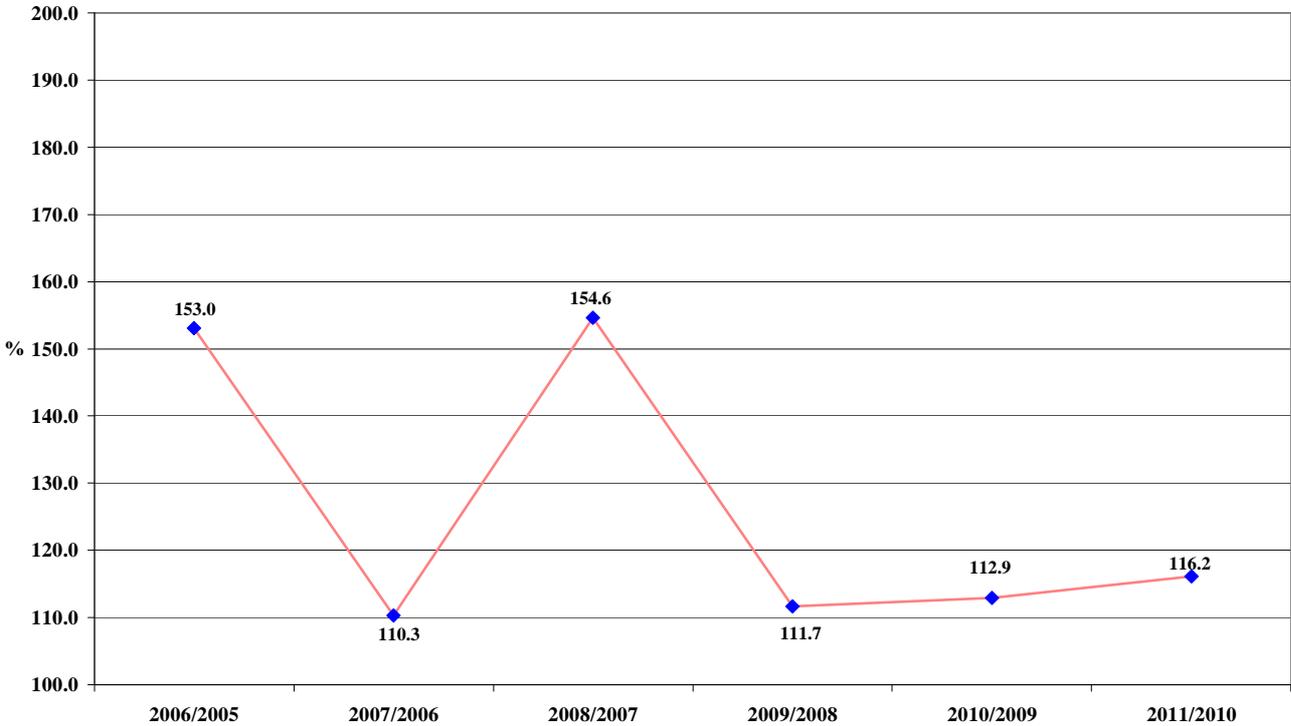
Dynamics of the Share of Ukraine's State Budget Expenditures in January-March 2006-2011 in Annual Amounts



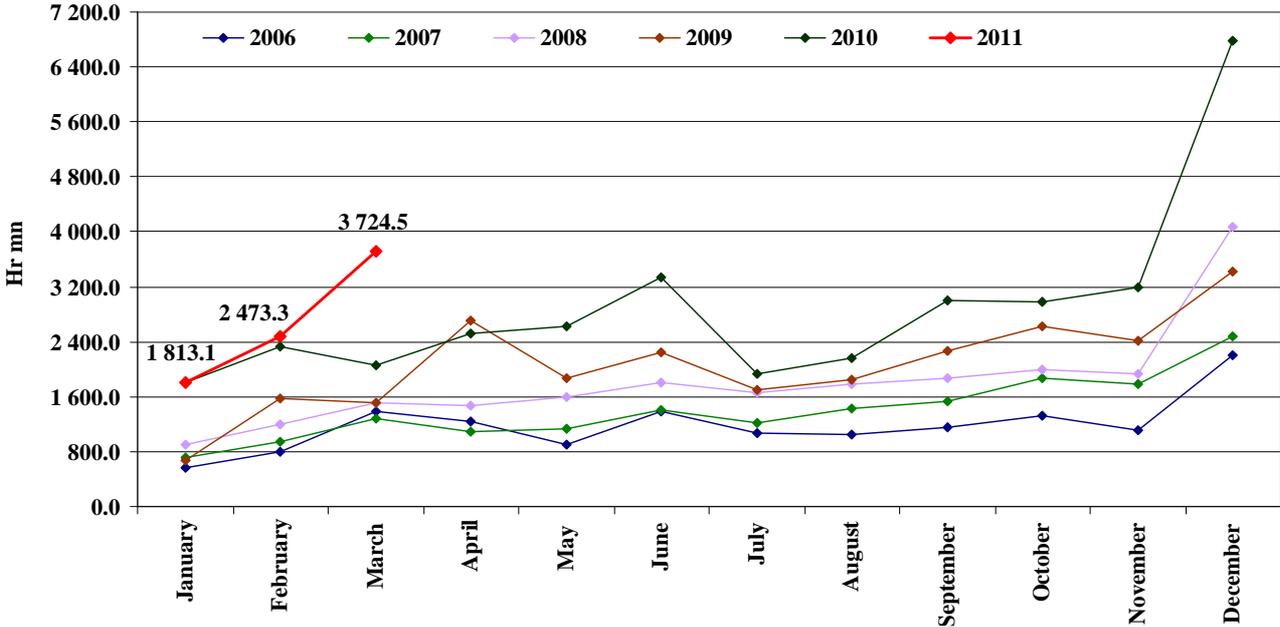
Growth Rates of Ukraine's State Budget Expenditures in March 2006-2011



Growth Rates of Ukraine's State Budget Expenditures in January-March 2005-2010

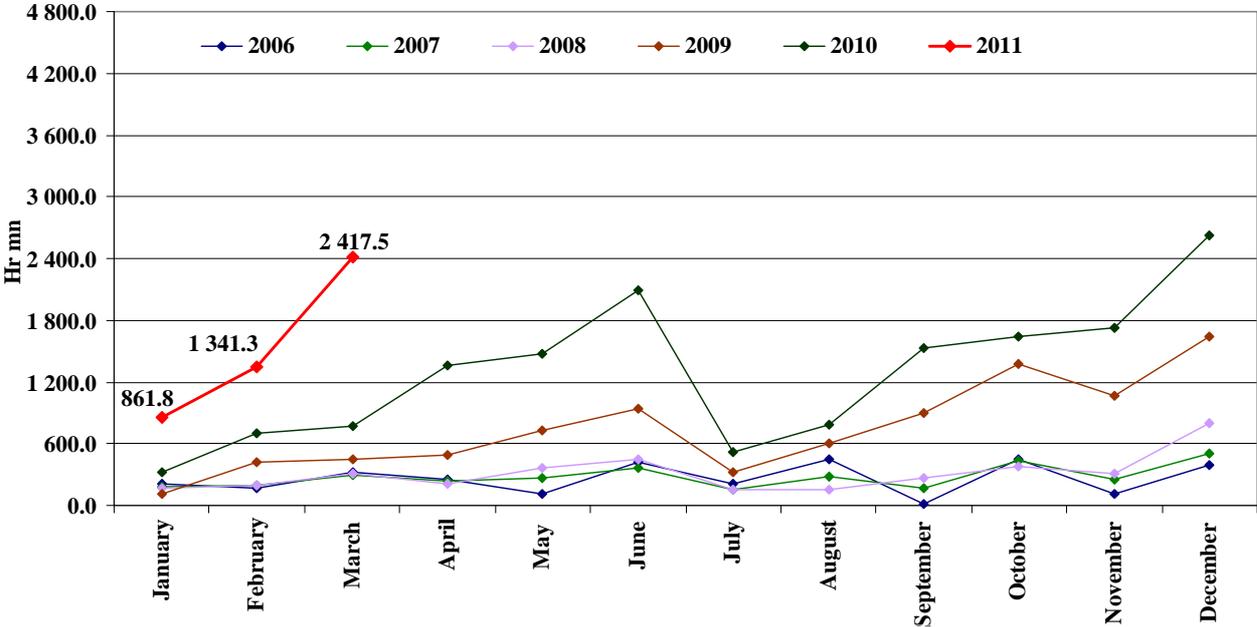


State Budget Expenditures for General Government Functions Monthly Trends in 2006-2011



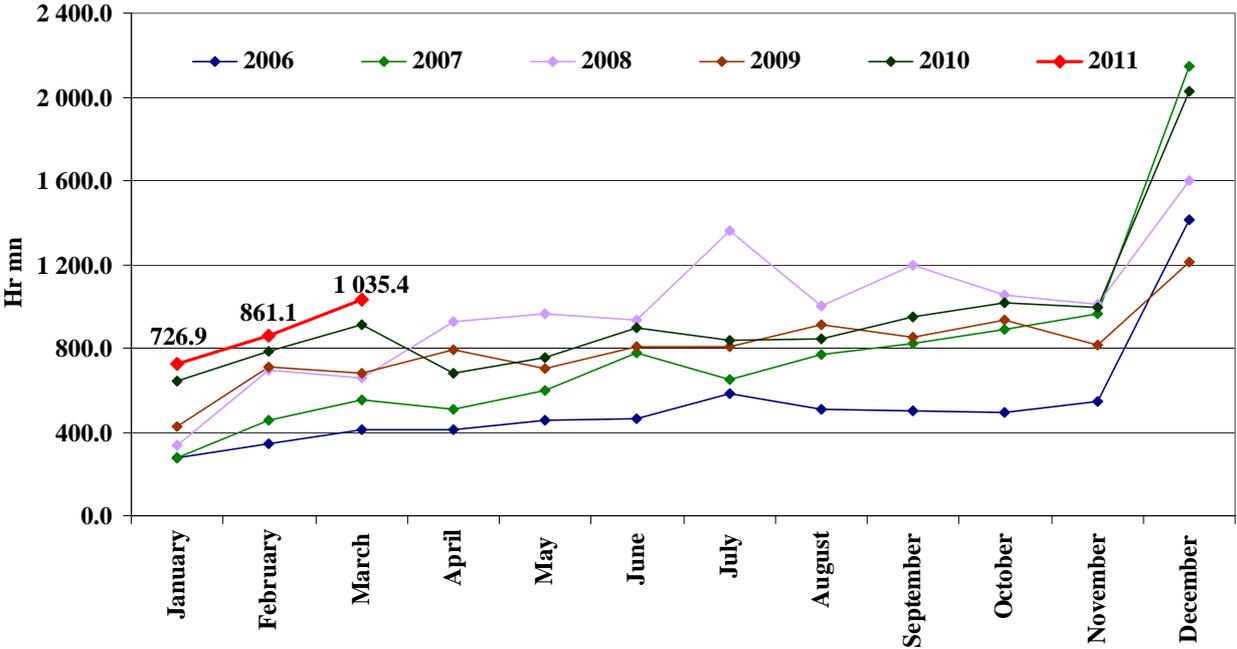
Graph 42

State Budget Expenditures for Public Debt Servicing Monthly Trends in 2006-2011



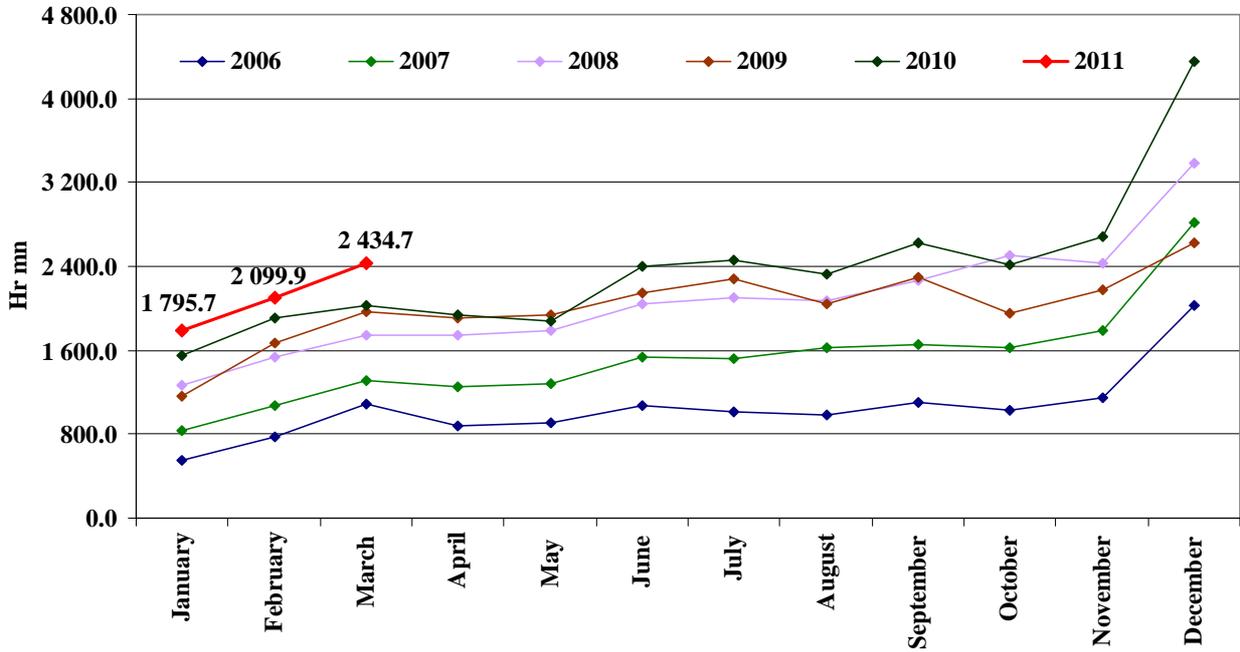
Graph 43

State Budget Expenditures for Defense Monthly Trends in 2006-2011



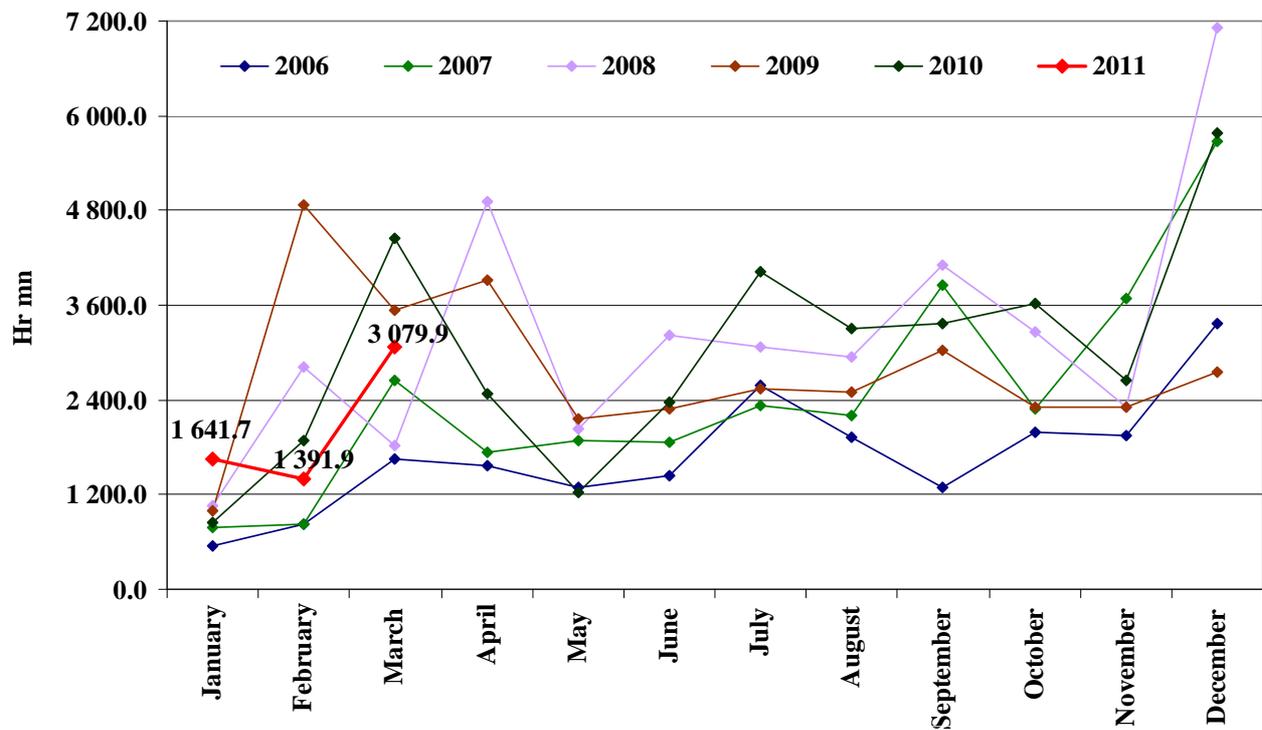
Graph 44

State Budget Expenditures for Public Order, Security, and Judiciary Monthly Trends in 2006-2011

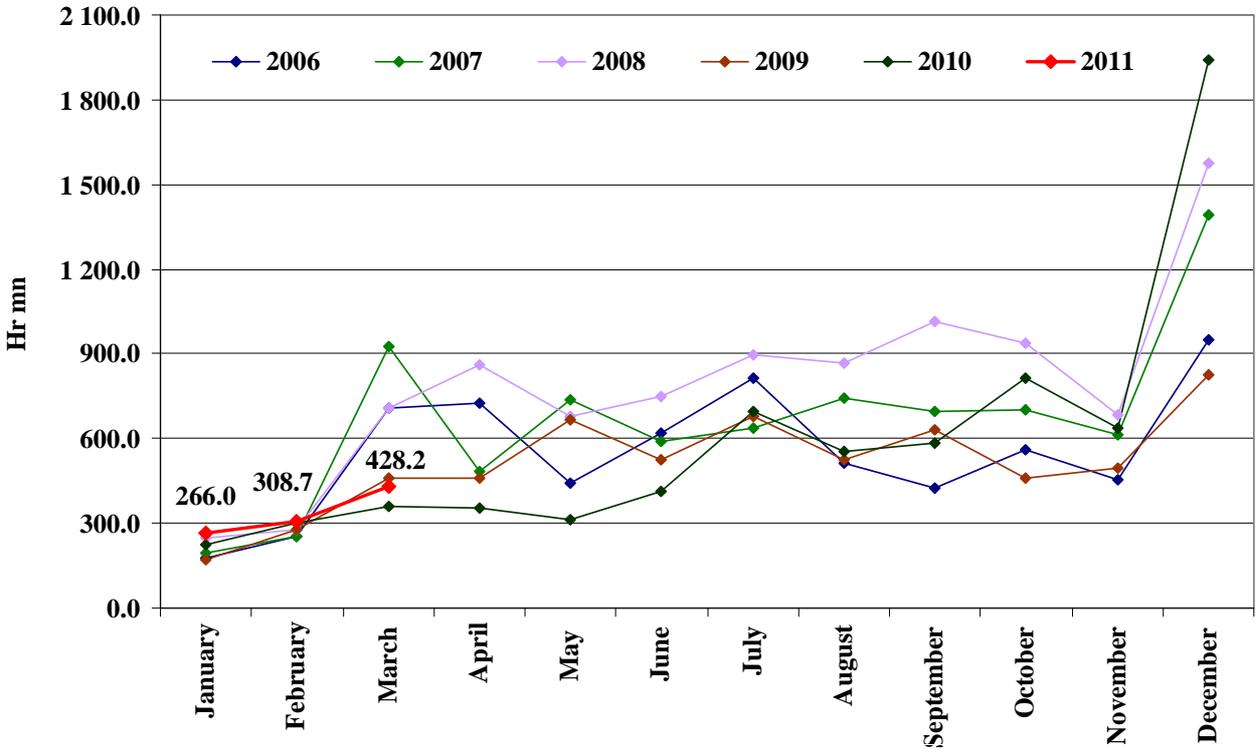


Graph 45

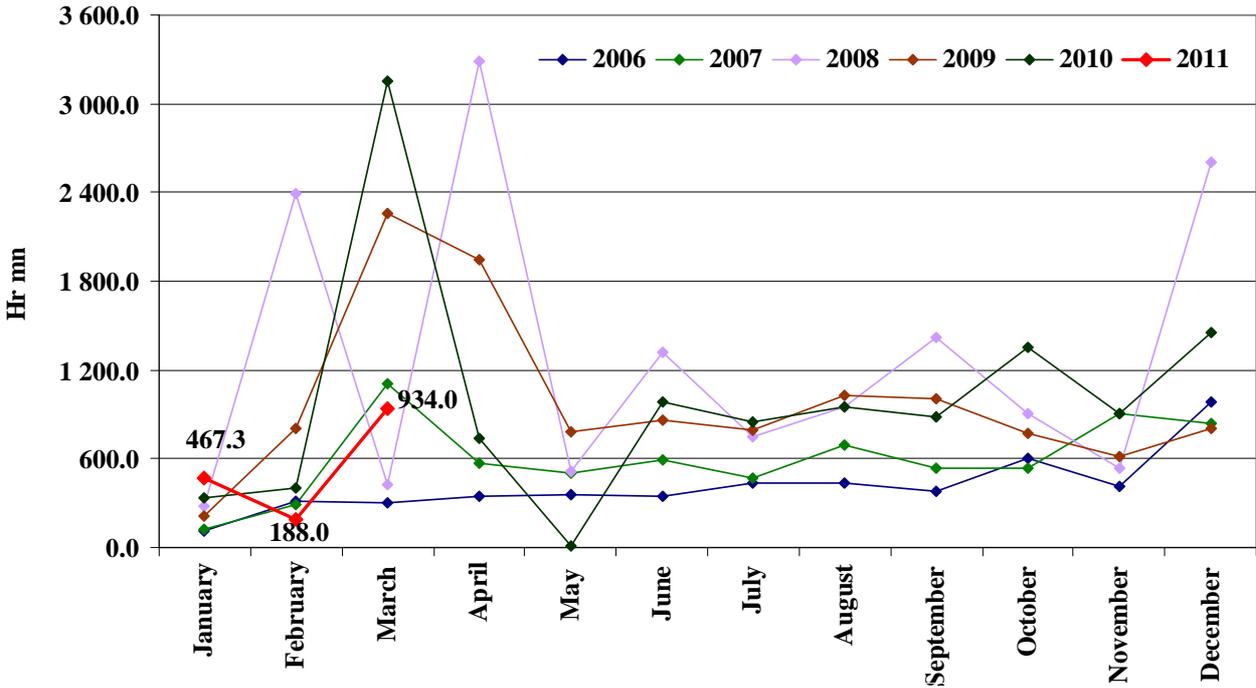
State Budget Expenditures for Economic Activities Monthly Trends in 2006-2011



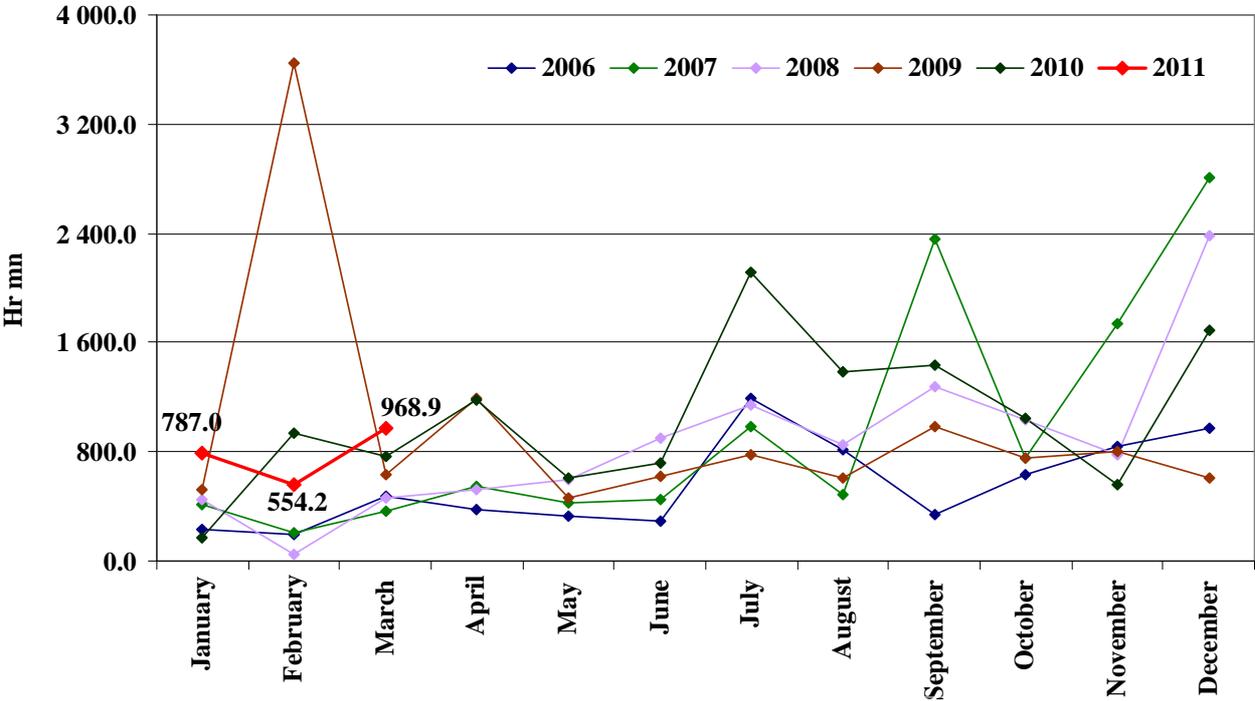
State Budget Expenditures for Agriculture, Forestry and Game-Preserves, and Fisheries Monthly Trends in 2006-2011



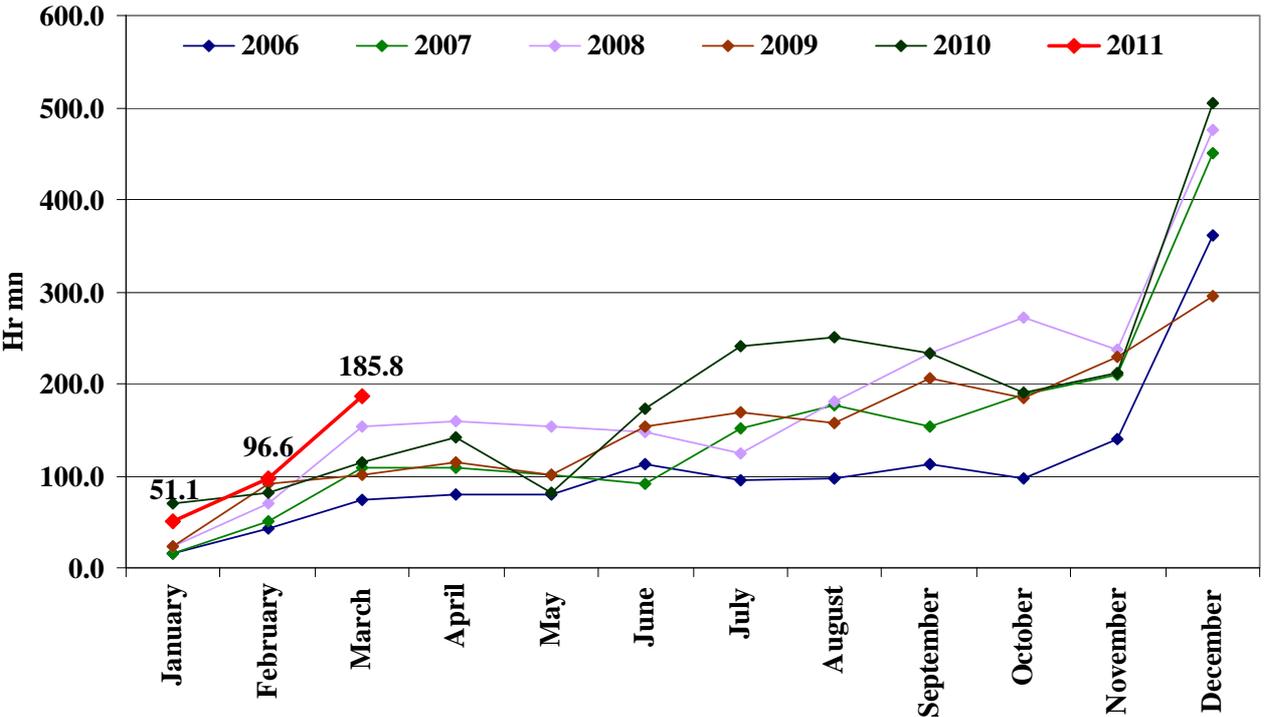
State Budget Expenditures for Fuel and Energy Sector Monthly Trends in 2006-2011



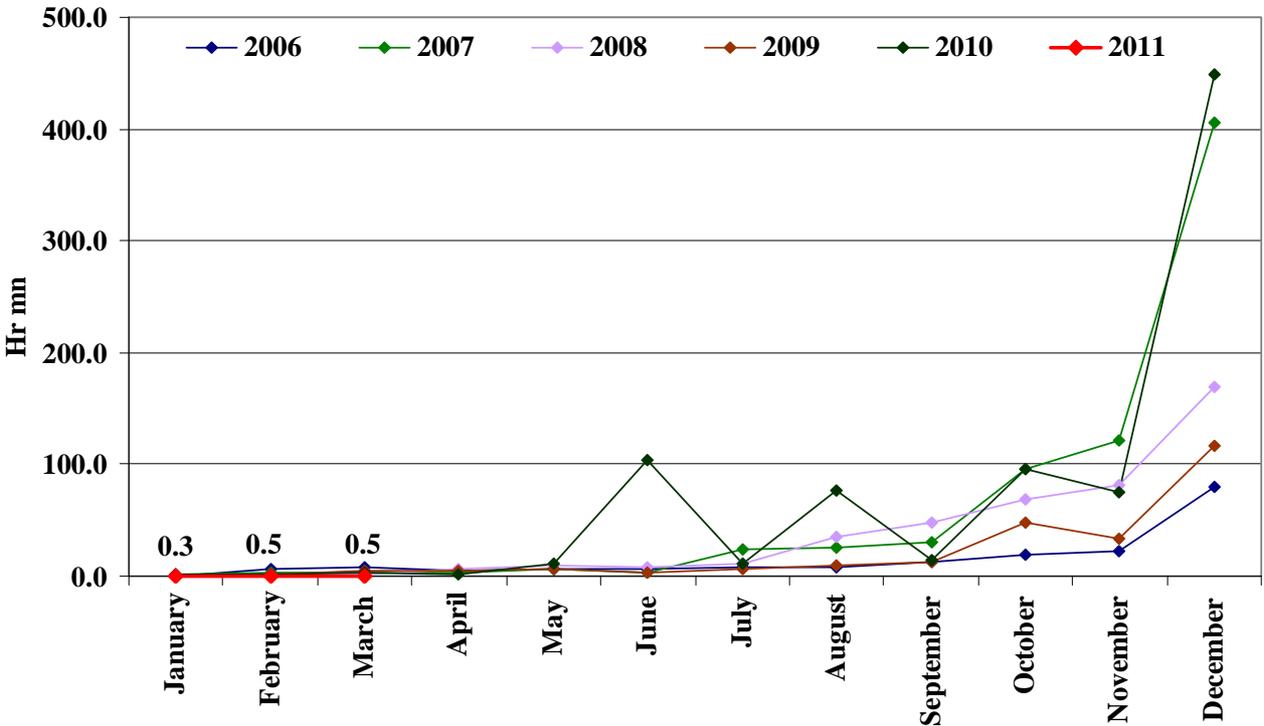
State Budget Expenditures for Transport Monthly Trends in 2006-2011



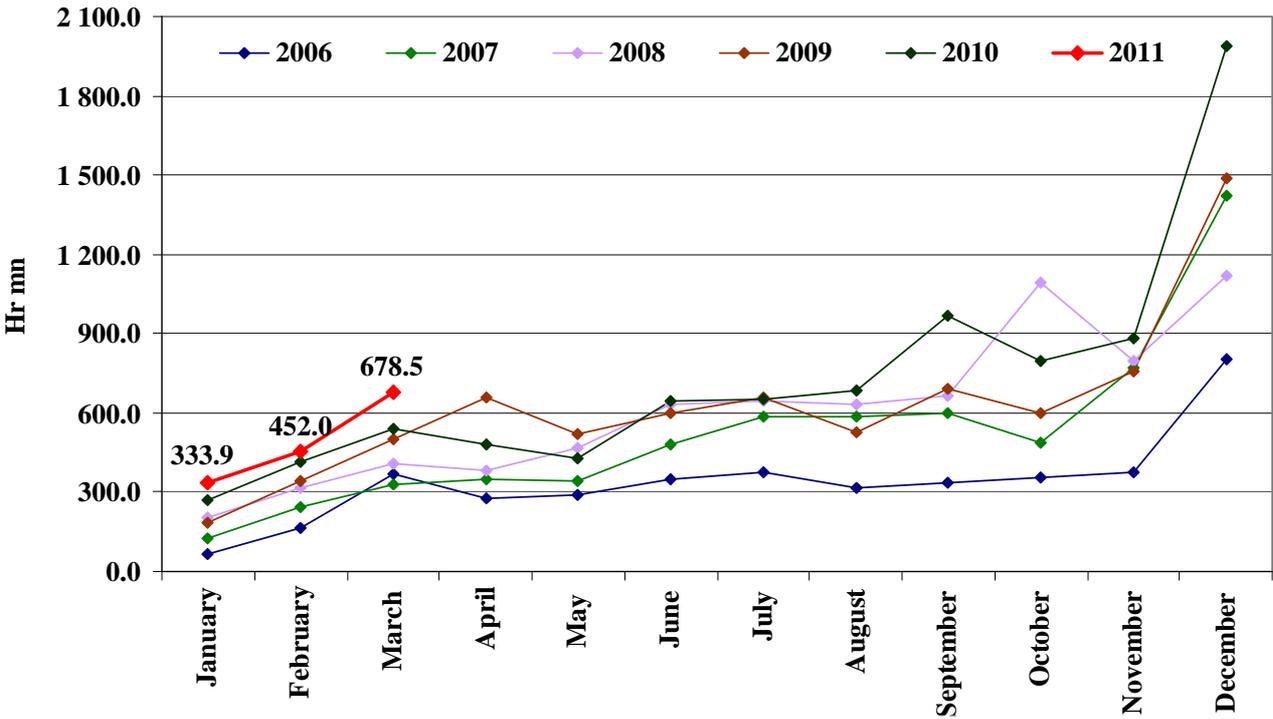
State Budget Expenditures for Environmental Protection Monthly Trends in 2006-2011



State Budget Expenditures for Housing and Communal Sector Monthly Trends in 2006-2011

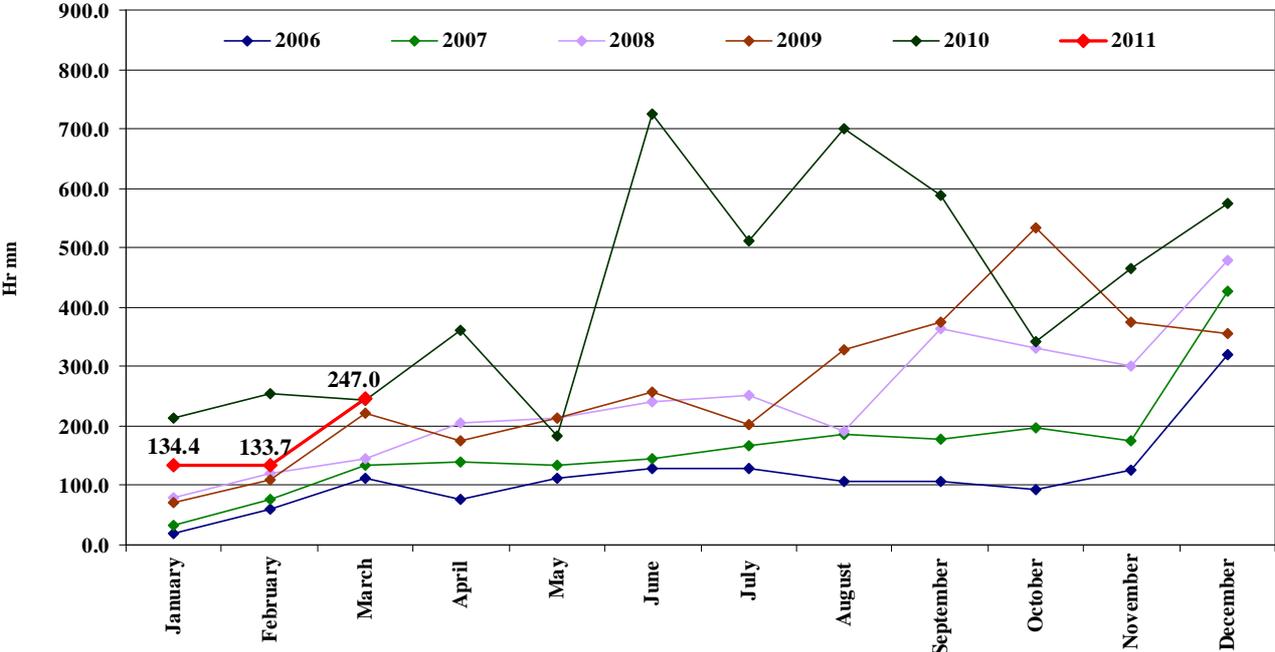


State Budget Expenditures for Healthcare Monthly Trends in 2006-2011



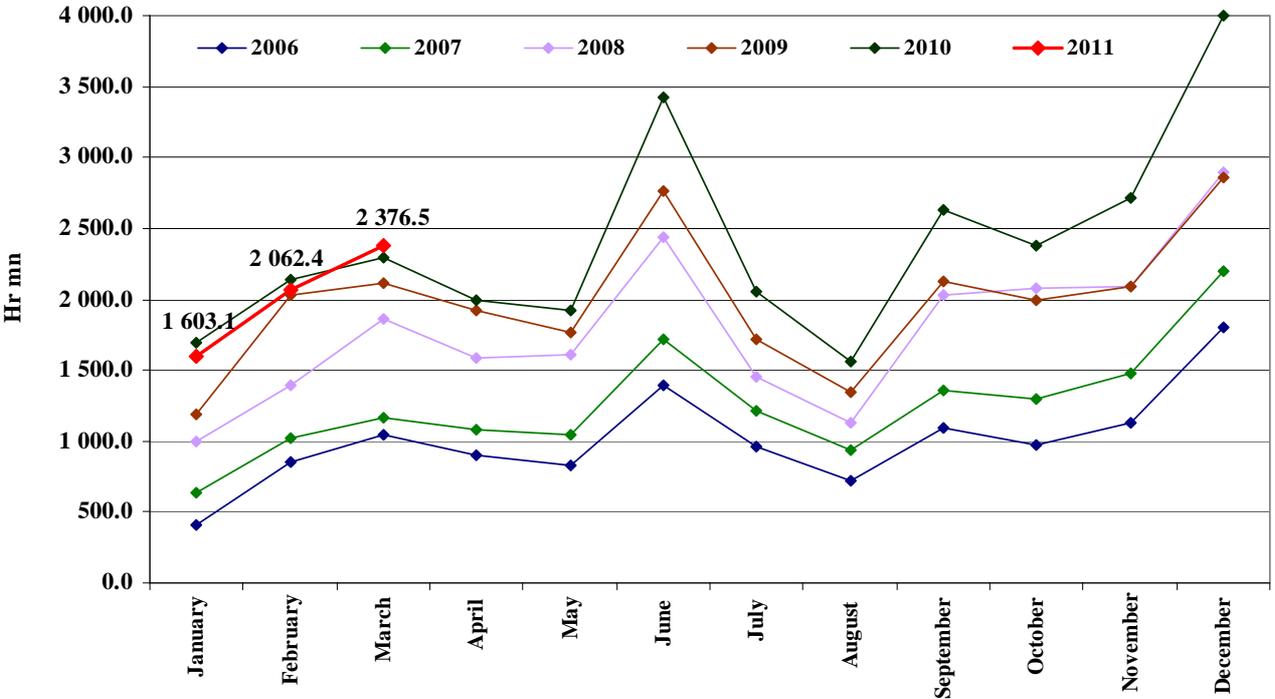
Graph 52

**State Budget Expenditures for Spiritual and Physical Development
Monthly Trends in 2006-2011**



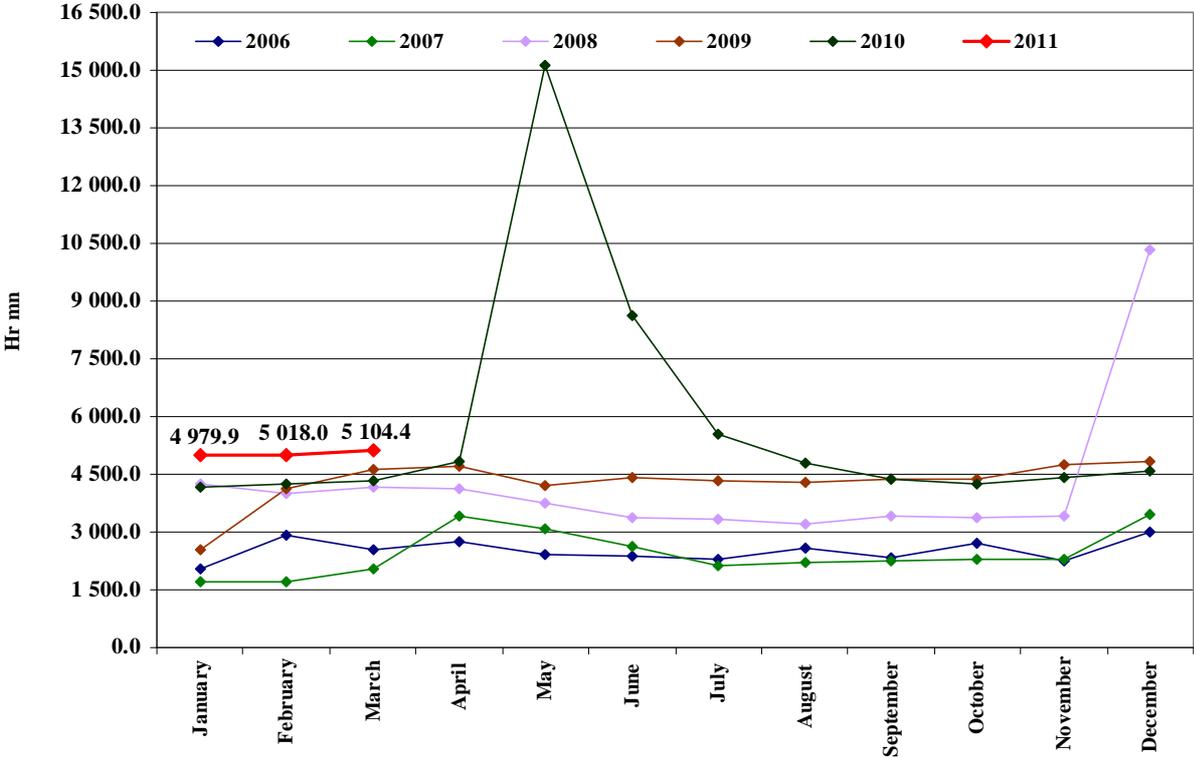
Graph 53

**State Budget Expenditures for Education
Monthly Trends in 2006-2011**



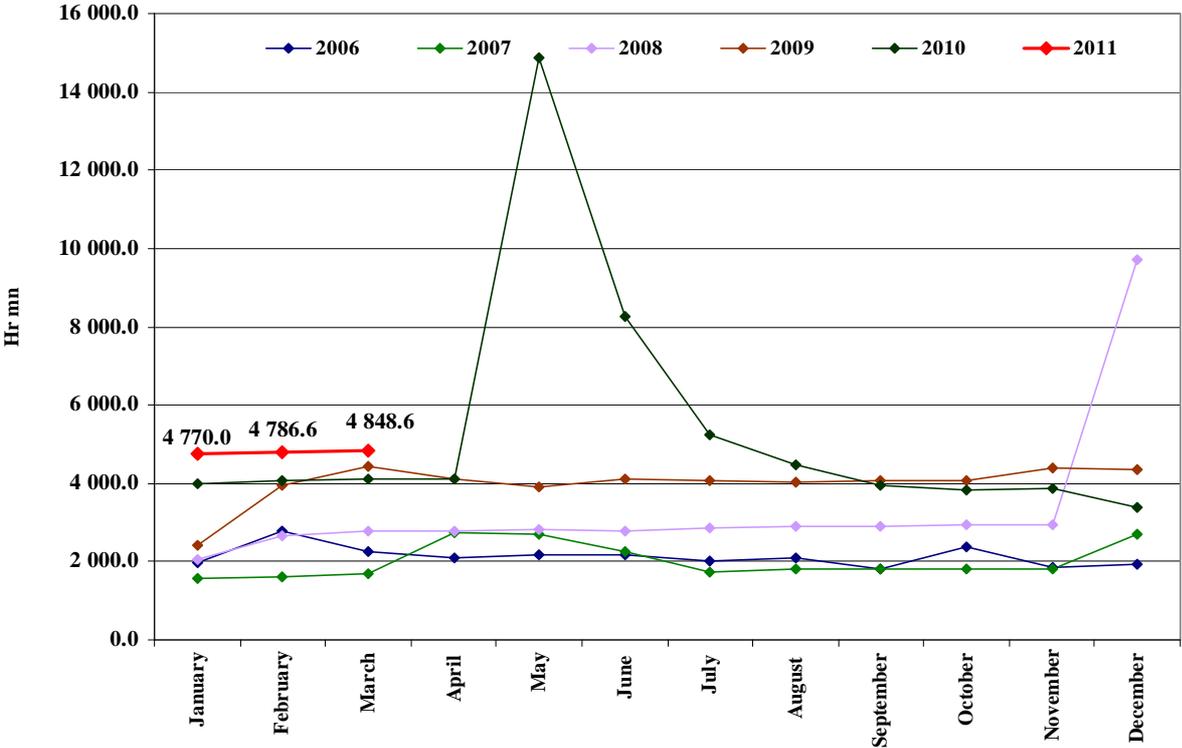
Graph 54

State Budget Expenditures for Social Protection and Social Security Monthly Trends in 2006-2011



Graph 55

State Budget Expenditures for Social Protection of Pensioners Monthly Trends in 2006-2011



Local Budget Expenditures

Graph 56

Total Local Budget Expenditures (Less Intergovernmental Transfers) Monthly Trends in 2006-2011

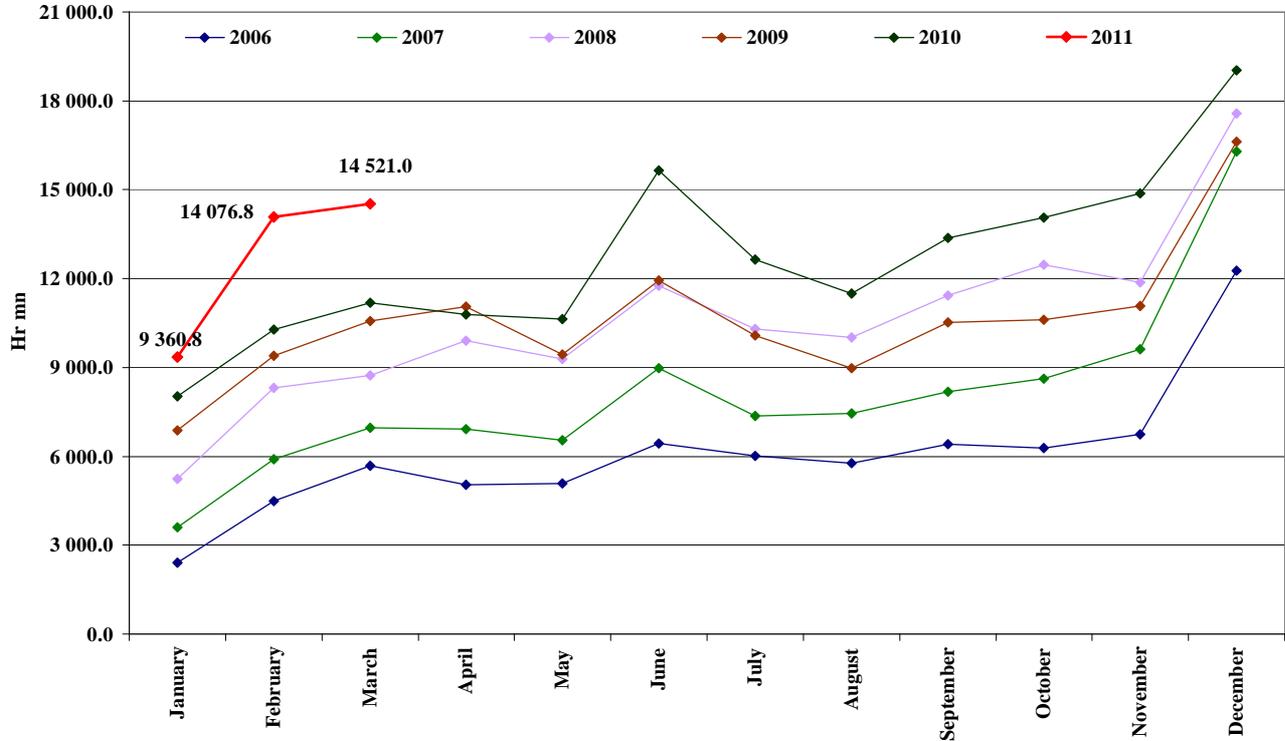
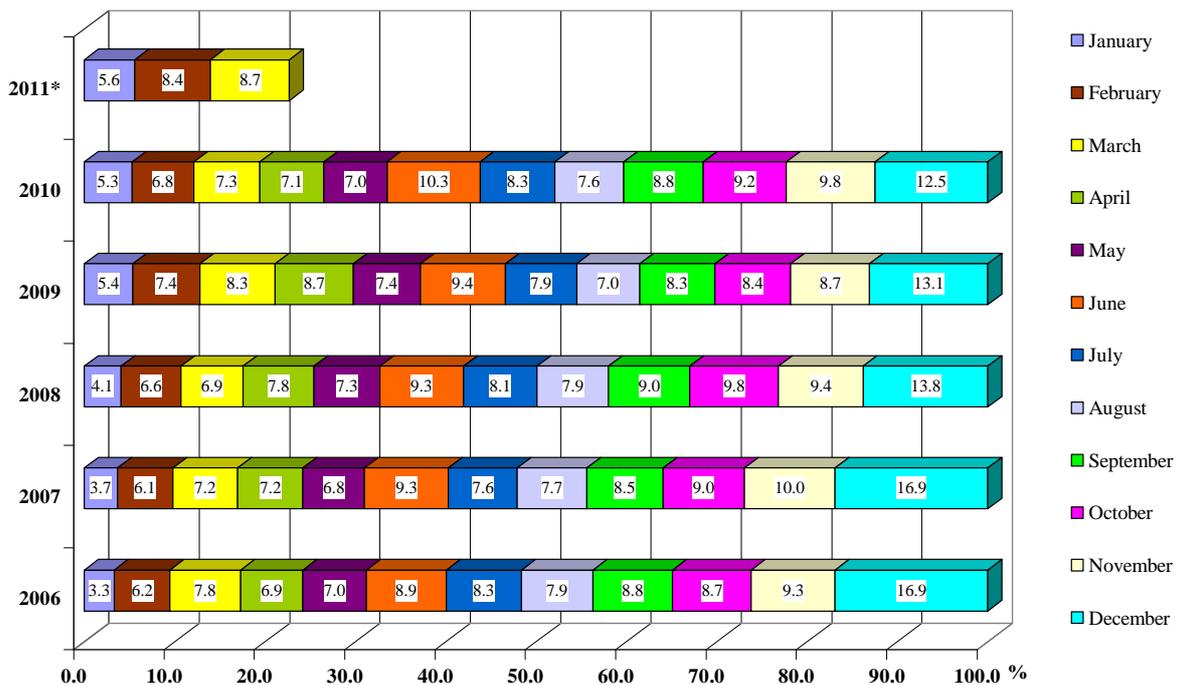


Diagram 24

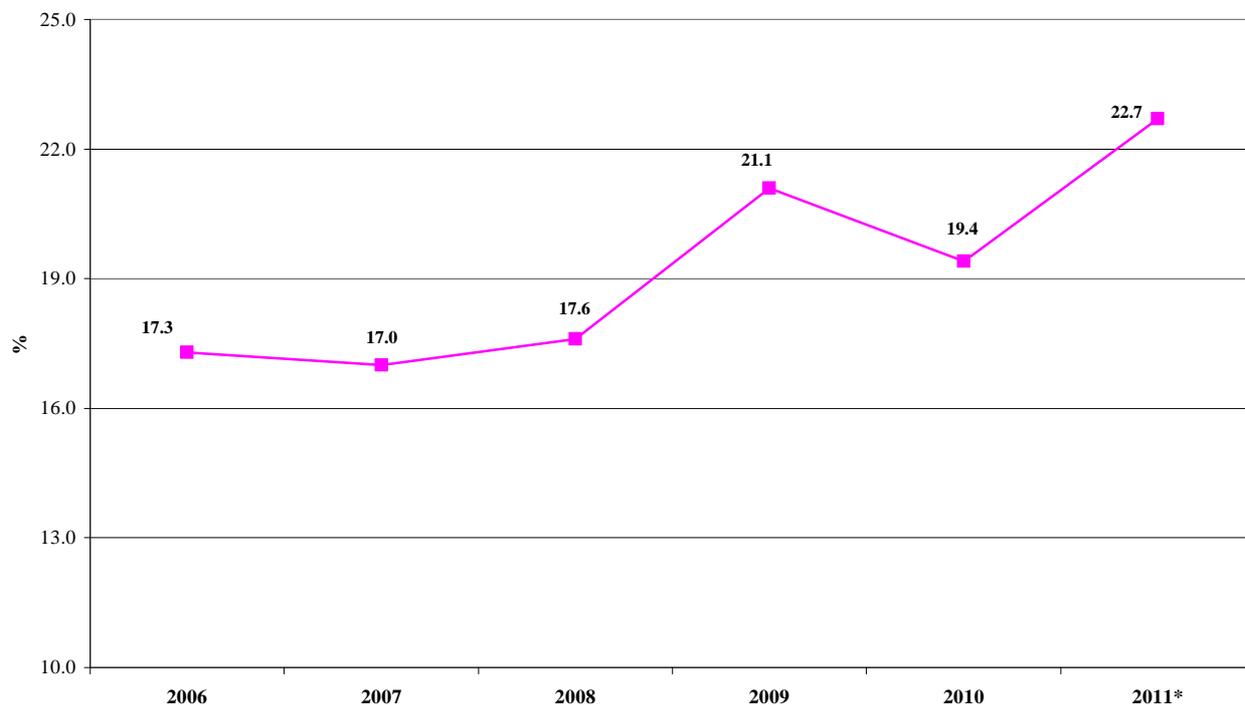
Dynamics of the Share of Local Budget Expenditures in Annual Amounts in 2006-2011



* A share of total expenditures according to the planned annual index

Graph 57

Dynamics of the Share of Local Budget Expenditures in January-March 2006-2011 in Annual Amounts



* A share of total expenditures according to the planned annual index

Graph 58

Growth Rates of Local Budget Expenditures in March 2006-2011



Growth Rates of Local Budget Expenditures in January-March 2006-2011

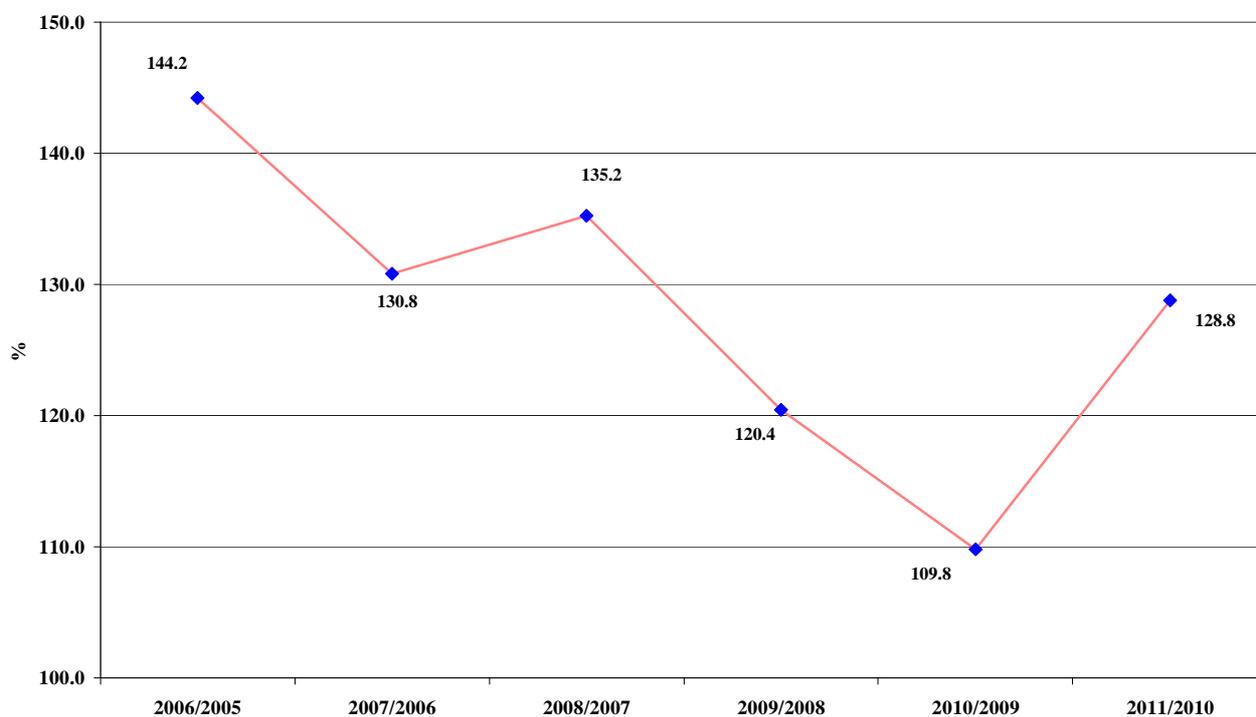
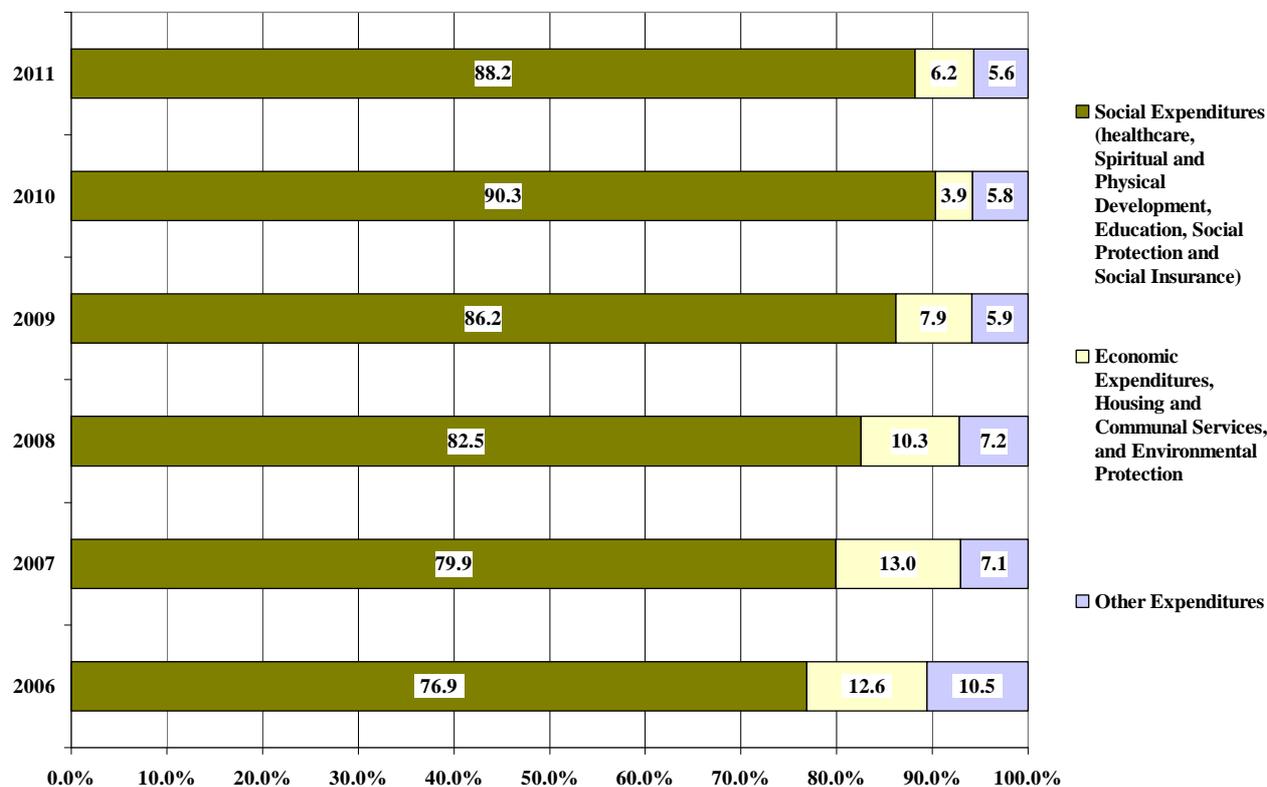
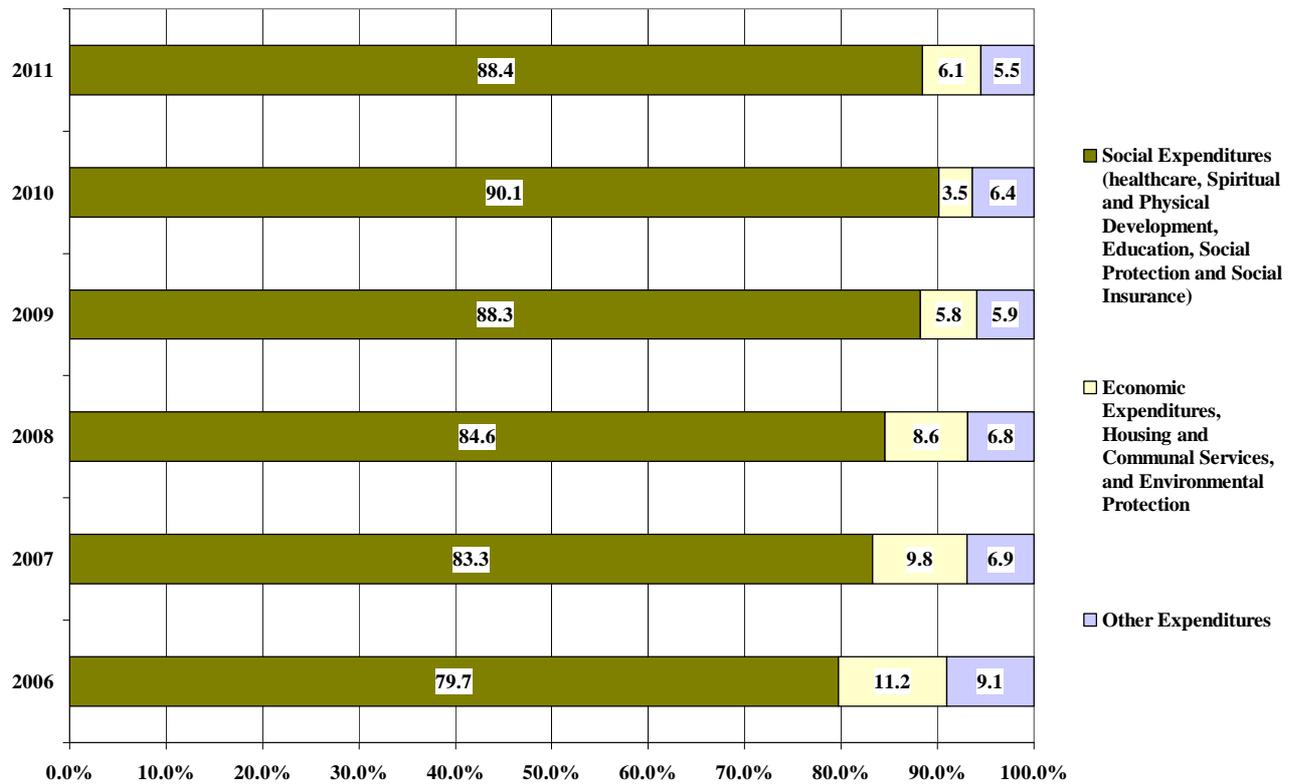


Diagram 25

Structure of Actual Local Budget Expenditures in March 2006-2011

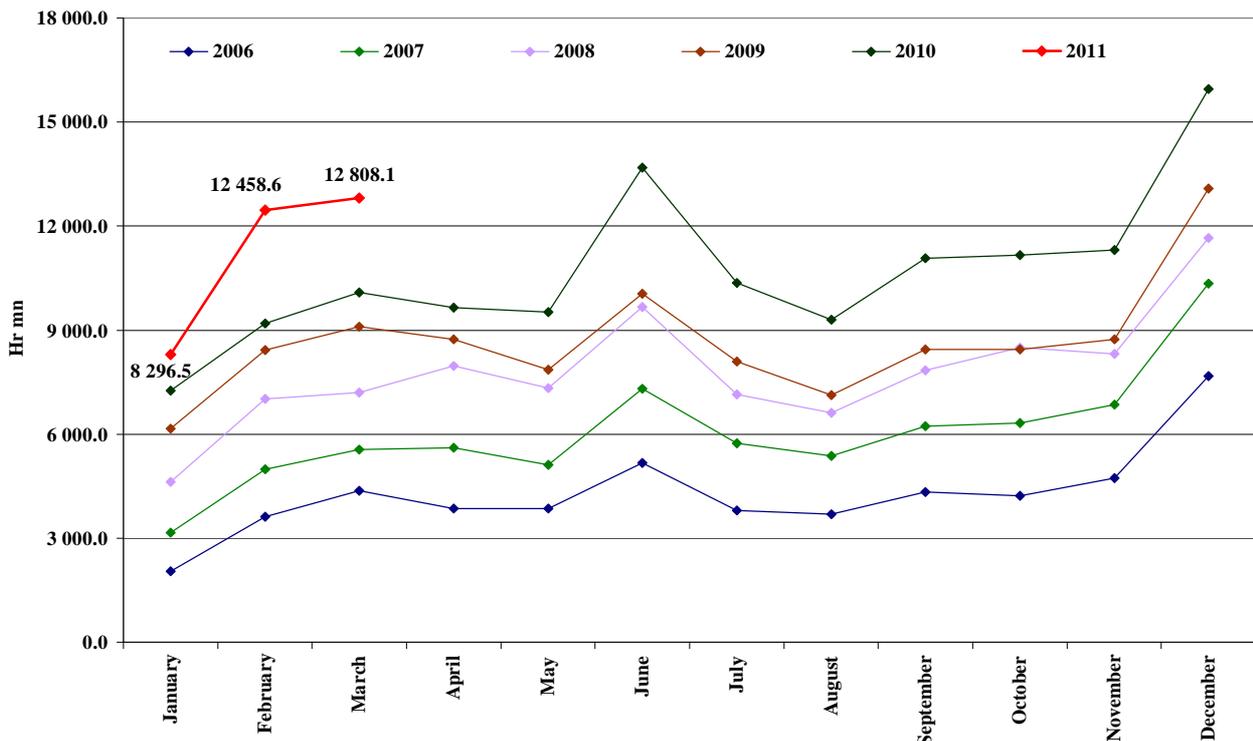


Structure of Actual Local Budget Expenditures in January-March 2006-2011

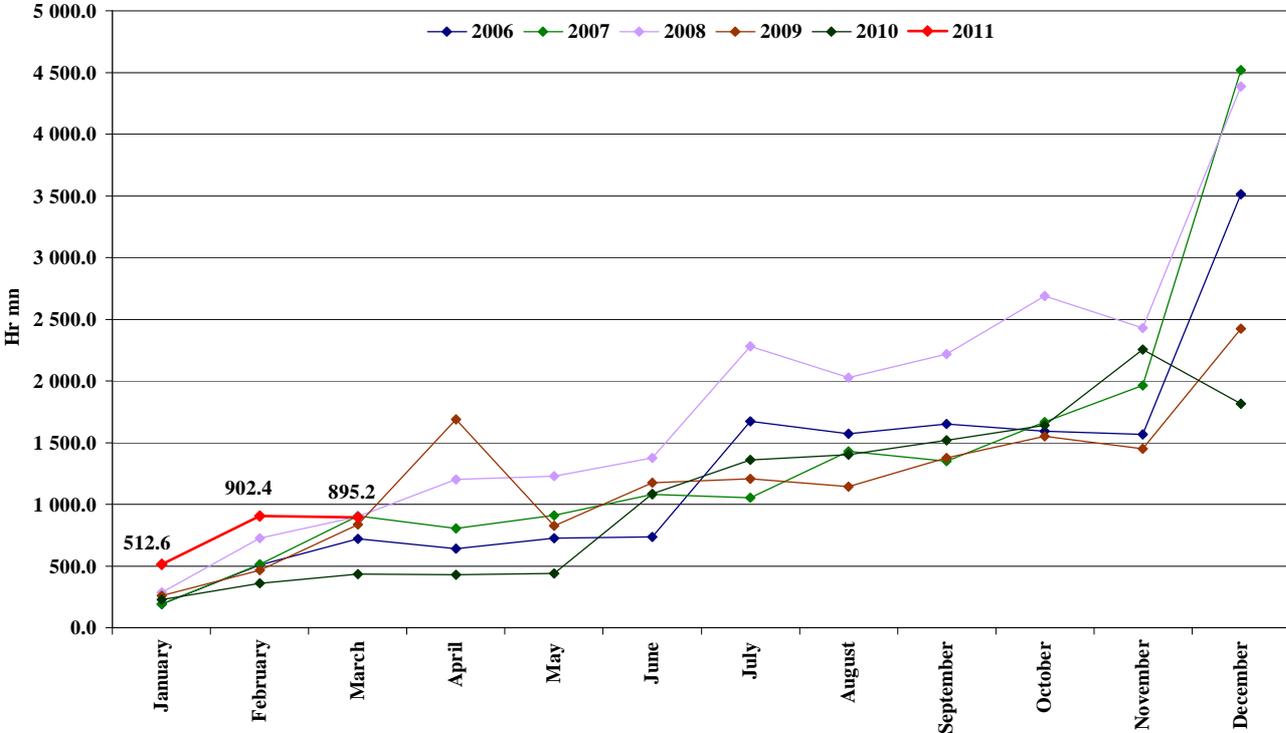


Graph 60

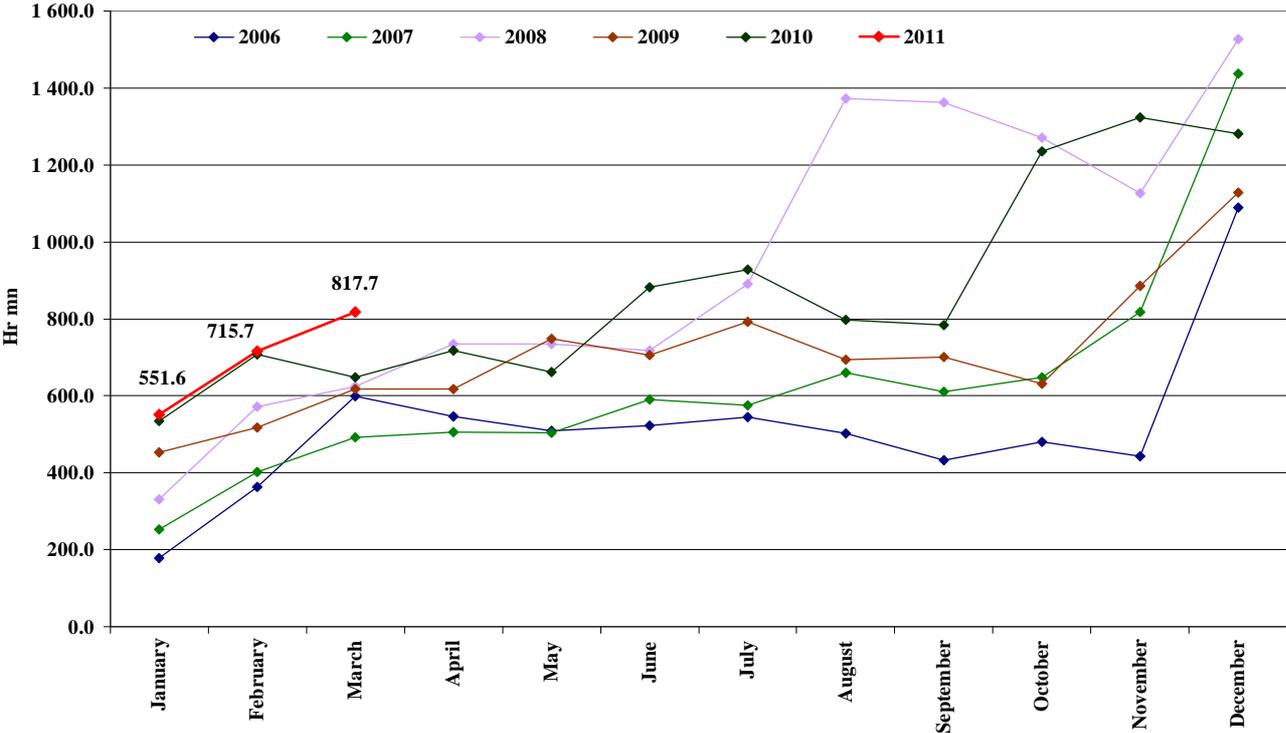
Local Budget Social Expenditures (Healthcare, Education, Spiritual and Physical Development, Social Protection and Social Security) Monthly Trends in 2006-2011



Local Budget Social Expenditures for Economic Activities, Housing and Communal Sector, and Environmental Protection Monthly Trends in 2006-2011



Other Local Budget Expenditures Monthly Trends in 2006-2011



Tendencies of the Banking System's Development in Ukraine

In January-March 2011, the Ukrainian banking system was characterized by:

- **the NBU pursuing** a strict monetary and credit policy and taking steps to limit pressures on the currency exchange rate and **banks conducting** a more flexible interest-rate policy;
- **a sufficient** level of banking system liquidity, lack of demand for refinancing transactions, and growth of cash outside of banks;
- **a continued positive** trend of growth in client deposits both in the national and foreign currencies, and a simultaneous **reduction** in the cost of deposits;
- **growth** in the amount of the loan portfolio of legal entities in the national and foreign currencies and the loan portfolio of individuals in the national currency;
- **a negative operational result** totaling Hr 210.8mn in January-March 2011.

As of 1 April 2011, 176 banks had licenses for conducting the banking business from the National Bank of Ukraine. Eighteen banks were in the process of liquidation, including seventeen banks liquidated by NBU decision and one bank liquidated by the decision of commercial (arbitration) courts. Six banks continue under temporary administration.

The banks experienced no liquidity problems in Q1 2011. There were no bank refinancing transactions conducted in March, and their amount totaled Hr 7.8mn year-to-date. The amount of debt repayment on previously granted refinancing credits totaled Hr 0.8bn in March.

The mandatory reserves accumulated by banks totaled Hr 12.7bn in March, including Hr 7.3bn remitted to a separate account at the National Bank of Ukraine.

The aggregate assets of the banking system increased in March 2011. Thus, the aggregate assets increased by 2.32% in March vs. February 2011 and amounted to Hr 1,149.4bn. The clients' loan portfolio increased to Hr 742.58bn in the period under review.

As of 1 April 2011, the loan portfolio of legal entities totaled Hr 540.9bn or 72.8% of the total client loan portfolio. The total amount of credits issued to legal entities increased by Hr 14.7bn (or by 2.8%) in March vs. February 2011. The loan portfolio of legal entities increased both in the national currency (by Hr 8.1bn) and in foreign currencies (by USD 0.74bn) in March.

As of 1 April 2011, the loan portfolio of individuals totaled Hr 201.7bn or 27.2% of the total clients' loan portfolio. The total amount of credits issued to individuals decreased marginally (by Hr 2.0bn or 1.0%) in March vs. February 2011. The pace of repayment of the individuals' loan portfolio is still higher than the growth in new lending. It should be noted that a negative dynamic of the loan portfolio of individuals in March 2011 was only noted for foreign currencies (-\$0.33bn). A growth of +Hr 51.7mn or +0.1% was observed for national currency loans.

As of 1 April 2011, the deposit portfolio of economic agents totaled Hr 152.0bn or 17.7% of total liabilities, and the deposit portfolio of individuals totaled Hr 287.6bn or 33.6%.

The total amount of funds attracted from legal entities increased by Hr 8.7bn or 6.1% in March vs. February. In terms of the currency structure, the increase in amounts occurred exclusively due to a growth in national currency deposits (by Hr 8.6bn), with a slight decrease in foreign currency deposits (by USD 0.02bn).

The total amount of funds attracted from individuals increased by Hr 5.3bn or 1.9% in March vs. February 2011. This occurred thanks to increases in the amount of funds both in the national currency (by Hr 3.1bn) and foreign currencies (by USD 0.2bn).

The age structure of personal deposits at banks is as follows: term deposits amount to Hr 217.6bn or 75.9% of total personal deposits, and call deposits amount to Hr 69.0bn or 24.1%.

The amount of cash outside of banks increased by 1.1% to Hr 179.5bn in March (however, down by 1.9% year-to-date).

The increase in banks' resource base had a follow-on impact on the dynamics of the money supply, which increased by 2.8% in March (up 4.1% year-to-date) to Hr 622.3bn. The monetary base decreased by 2.8% to Hr 223.5bn in March (down 1.0% year-to-date).

The correspondent accounts of banks increased by 22.9% to Hr 19.4bn in March (up 16.2 % year-to-date).

The banks' high level of liquidity (as witnessed by the lack of demand for refinancing credits) contributed to a reduction in the cost of resources. The average weighted cost of national currency deposits decreased from 7.1% to 6.5% in March, and stayed at the level of 5.4% for foreign currency deposits. Increased business activity on the banking services market has led to the average weighted rate on national currency credits increasing to 13.1% (12.8% in February), and that for foreign currency credits increased from 9.8% to 10.4% in the reviewed period. The average weighted cost of resources at the interbank credit market increased slightly and amounted to 3.2% in March.

The equity of banks increased by 3.0% in Q1 2011 and totaled Hr 141.9bn or 14.2% of bank liabilities as of 1 April 2011. The registered authorized capital increased by 0.8% to Hr 147.1bn.

The banks posted a loss of Hr 210.8mn in Q1 2011 (a loss of Hr 4.4bn in the respective period of 2010). The income of banks increased by 5.5% year-on-year and totaled Hr 34.4bn. Bank costs decreased by 6.6% and amounted to Hr 34.6bn.

Banks' total income consists of interest income (81.9%) and of commission income (11.4%). Banks' main expenditure items include interest costs of Hr 14.4bn or 41.6%, other operating and general administrative costs of Hr 12.3bn or 34.6%, and deductions into reserves of Hr 7.2bn or 20.9%.

Banking System

Diagram 23

Dynamics of Total Assets and Clients' Loan Portfolio of the Ukrainian Banking System in 2010-2011

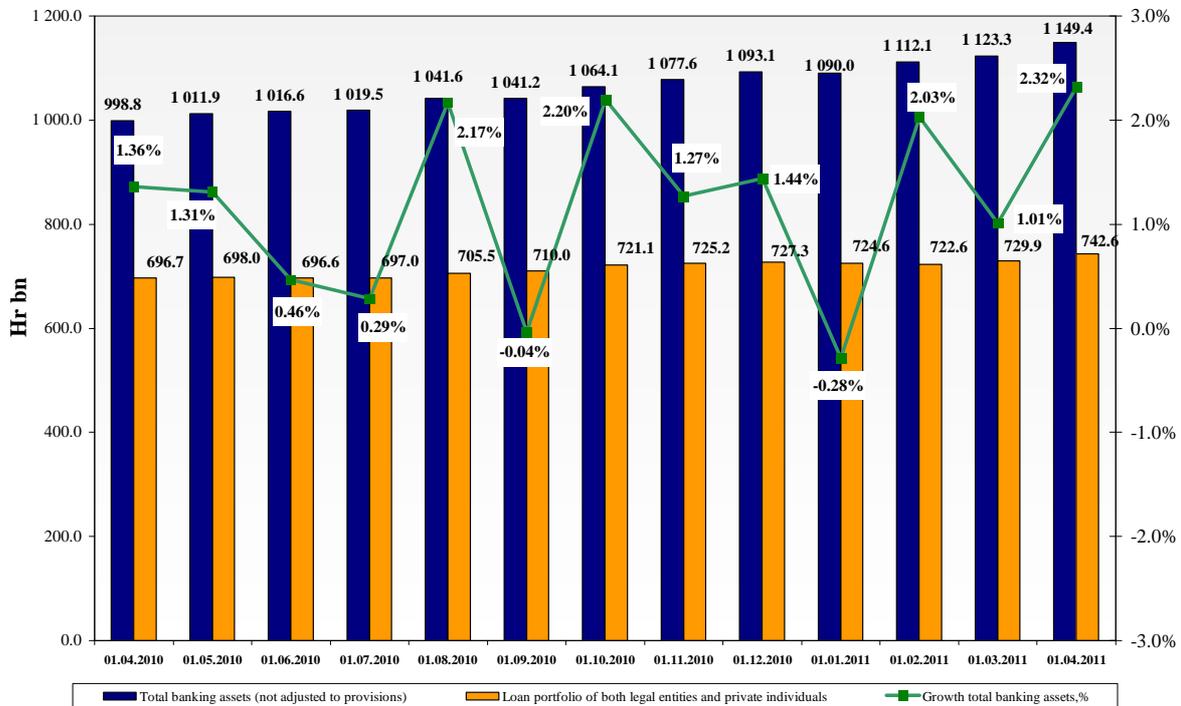
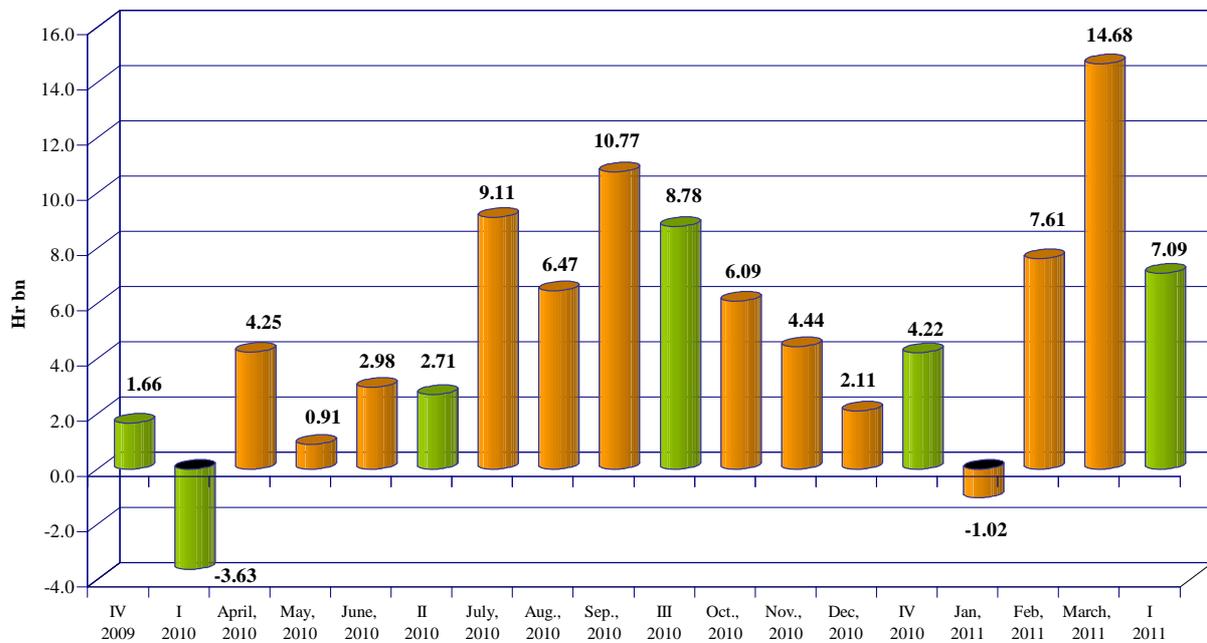


Diagram 24

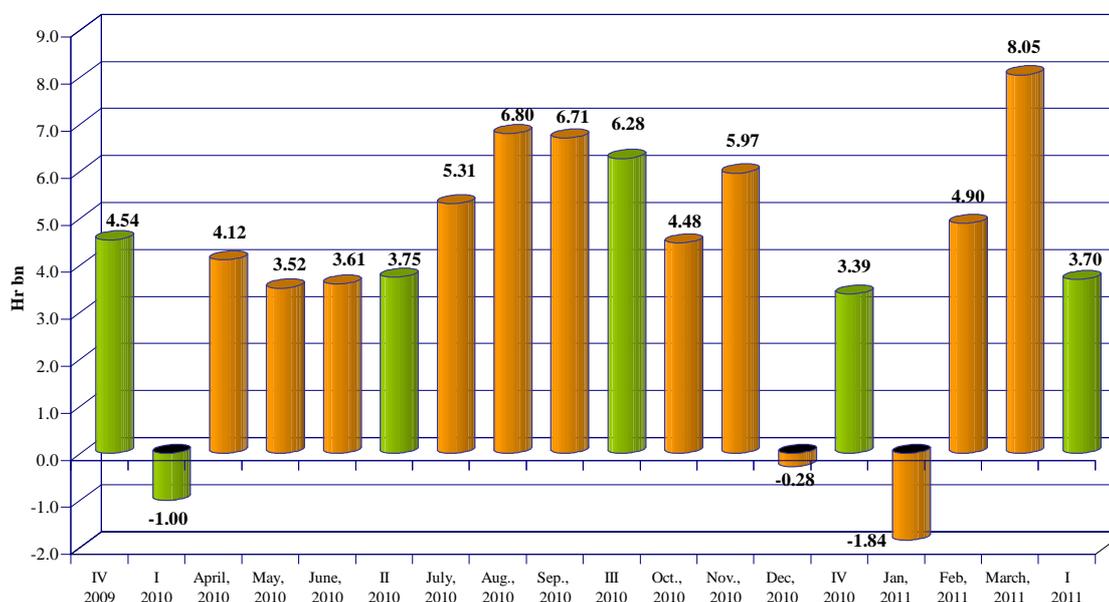
Changes in the Amount of Legal Entities' Loan Portfolio



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Legal entities loan portfolio, Hr bn	472.47	476.72	477.63	480.61	489.72	496.19	506.96	513.05	517.49	519.60	518.58	526.19	540.87
Growth rate of legal entities loan portfolio, %	-0.38	0.90	0.19	0.62	1.90	1.32	2.17	1.20	0.87	0.41	-0.20	1.47	2.79

Diagram 25

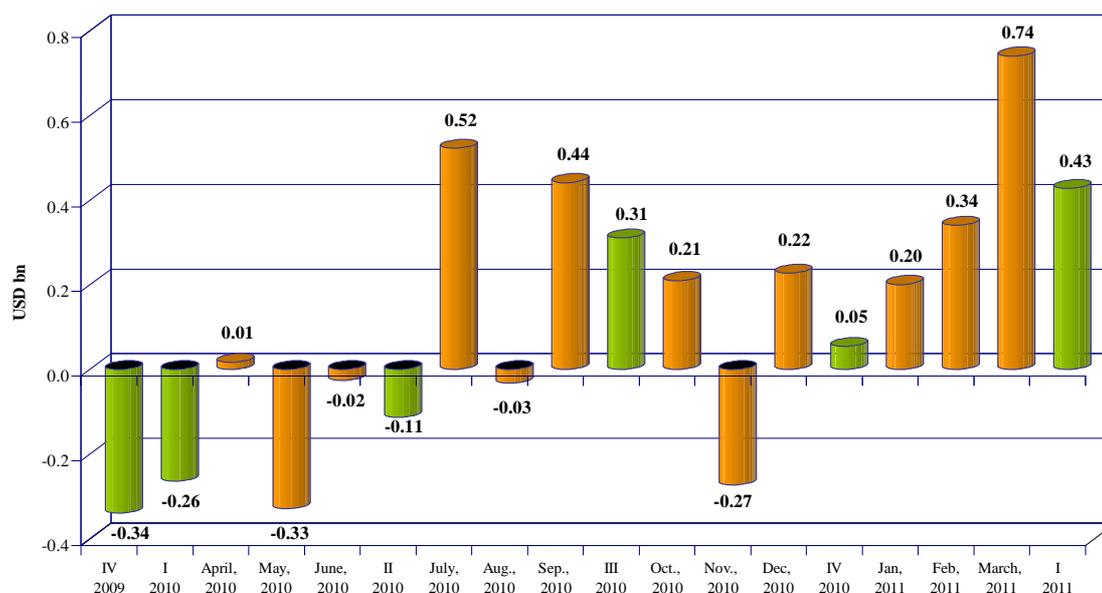
Changes in the Amount of Legal Entities' Loan Portfolio in the National Currency



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Legal entities loan portfolio in national currency, Hr bn	284.28	288.40	291.92	295.53	300.84	307.64	314.35	318.83	324.80	324.52	322.68	327.58	335.63
Growth rate of legal entities loan portfolio in national currency, %	0.77	1.45	1.22	1.24	1.80	2.26	2.18	1.42	1.87	-0.08	-0.57	1.52	2.46

Diagram 26

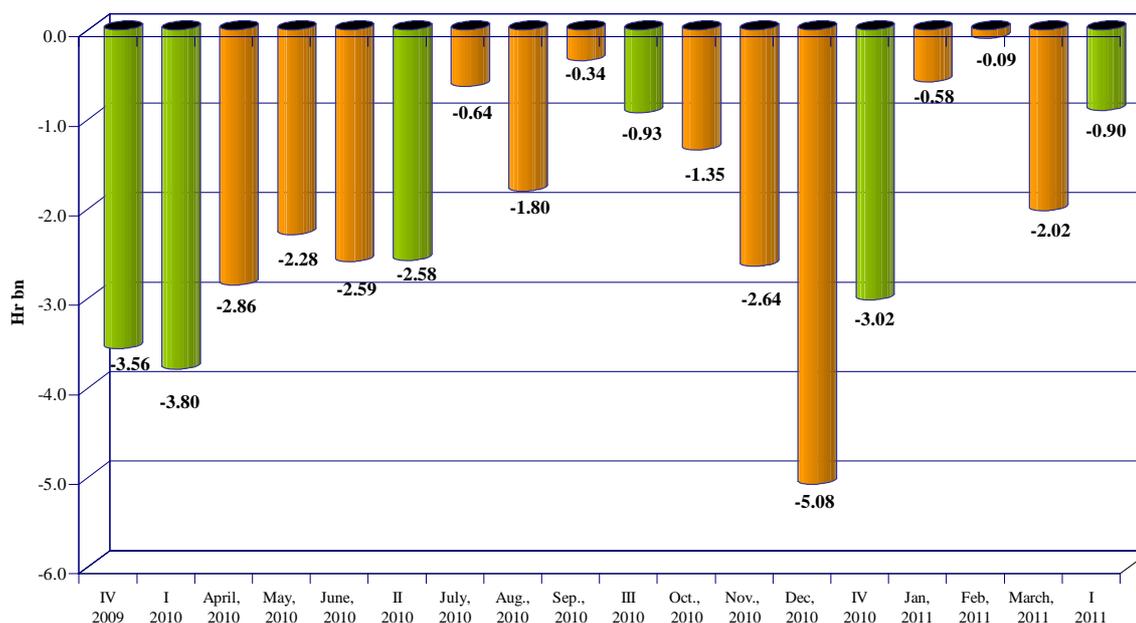
Changes in the Amount of Legal Entities' Loan Portfolio in Foreign Currencies



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Legal entities loan portfolio in foreign currencies, USD bn	23.75	23.76	23.43	23.41	23.93	23.90	24.34	24.55	24.28	24.50	24.70	25.04	25.78
Growth rate of legal entities loan portfolio in foreign currencies, %	-2.06	0.07	-1.39	-0.34	2.05	-0.18	2.15	0.84	-0.78	1.24	0.42	1.39	3.34

Diagram 27

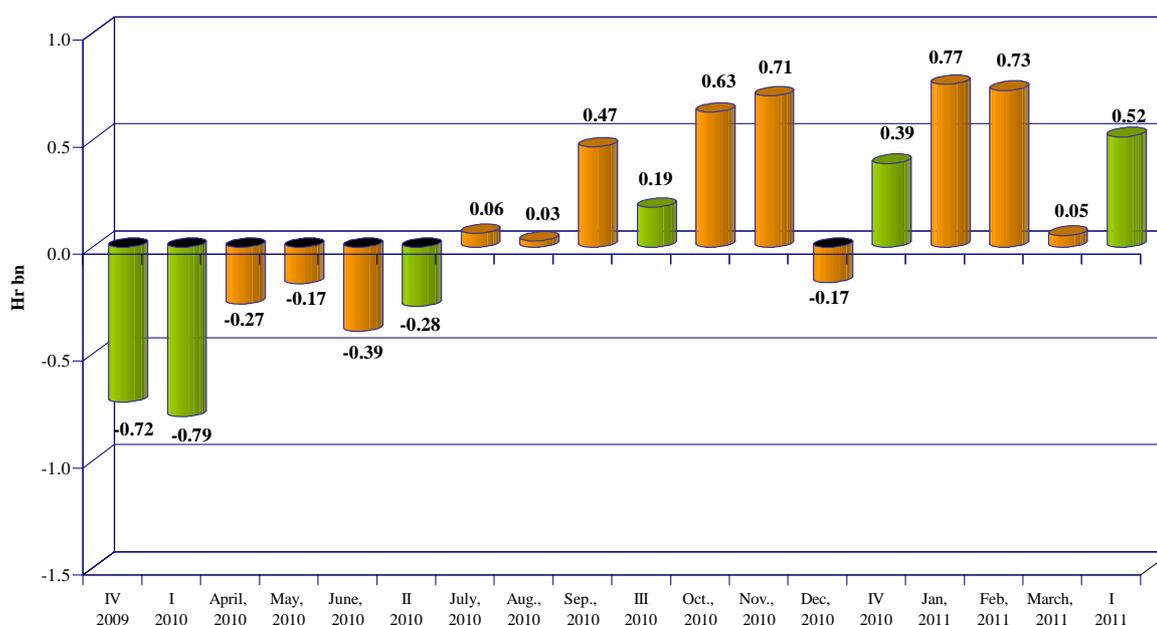
Changes in the Amount of Individuals' Loan Portfolio



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Individuals loan portfolio, Hr bn	223.98	221.12	218.84	216.25	215.61	213.81	213.47	212.12	209.48	204.40	203.82	203.73	201.71
Growth rate of individuals loan portfolio, %	-1.59	-1.27	-1.03	-1.18	-0.29	-0.84	-0.16	-0.63	-1.25	-2.42	-0.28	-0.05	-0.99

Diagram 28

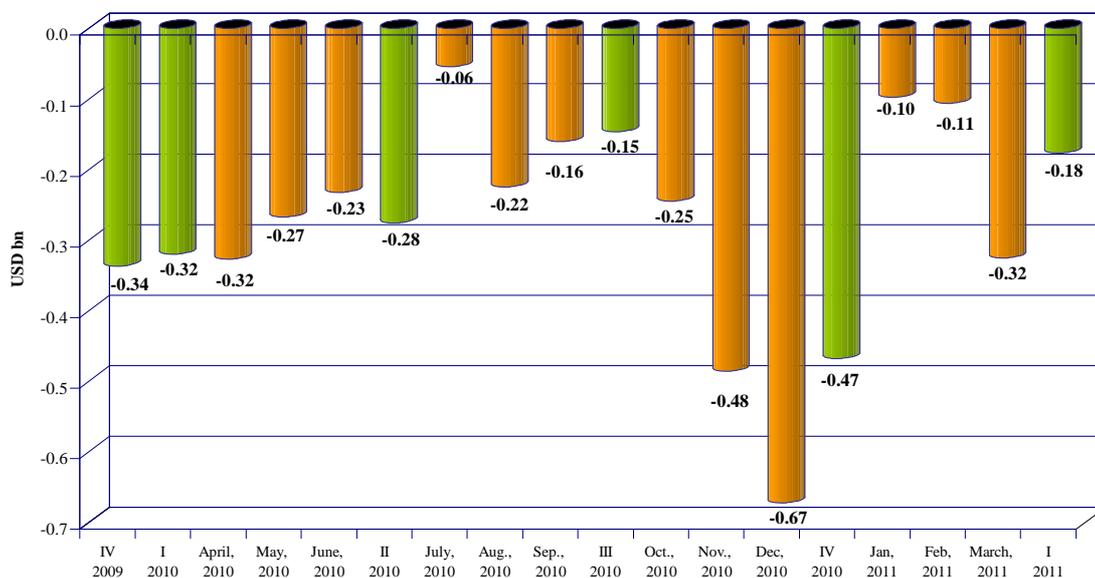
Changes in the Amount of Individuals' Loan Portfolio in the National Currency



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Individuals loan portfolio in national currency, Hr bn	61.26	60.99	60.82	60.43	60.49	60.52	60.99	61.62	62.33	62.16	62.93	63.66	63.71
Growth rate of individuals loan portfolio in national currency, %	-0.65	-0.43	-0.28	-0.65	0.11	0.05	0.77	1.03	1.15	-0.27	1.22	1.16	0.09

Diagram 29

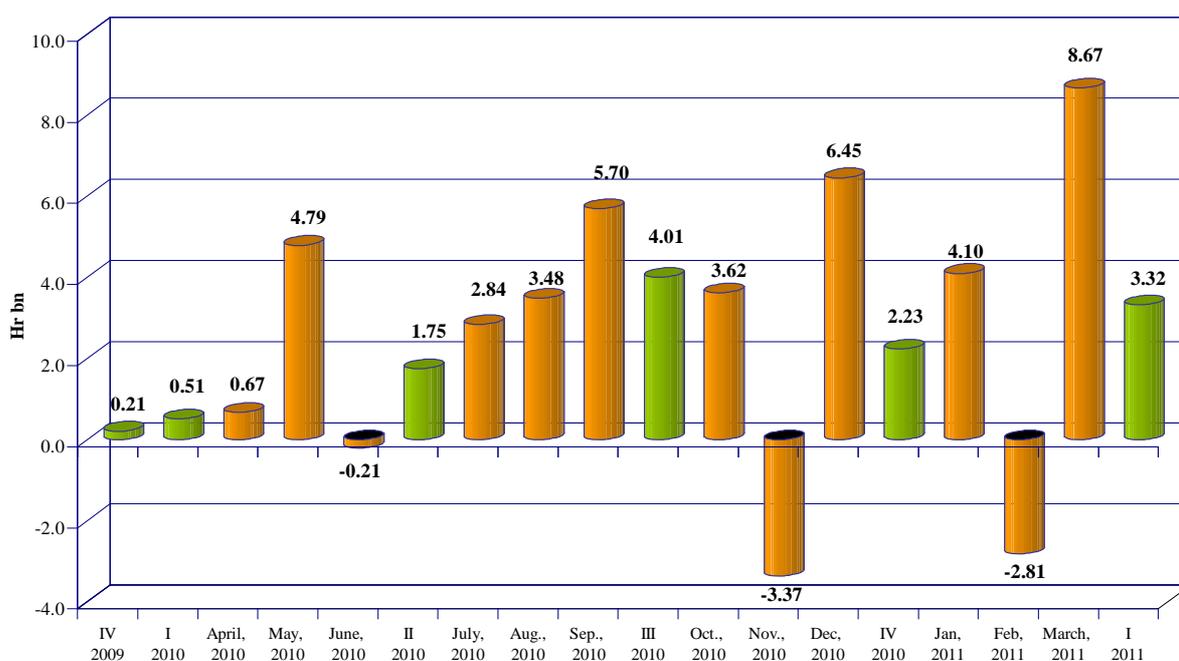
Changes in the Amount of Individuals' Loan Portfolio in Foreign Currencies



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Individuals loan portfolio in foreign currencies, USD bn	20.53	20.21	19.94	19.71	19.65	19.43	19.27	19.02	18.54	17.87	17.77	17.66	17.34
Growth rate of individuals loan portfolio in foreign currencies, %	-1.93	-1.59	-1.32	-1.39	-0.45	-1.18	-0.53	-1.29	-2.23	-3.34	-0.94	-0.59	-1.48

Diagram 30

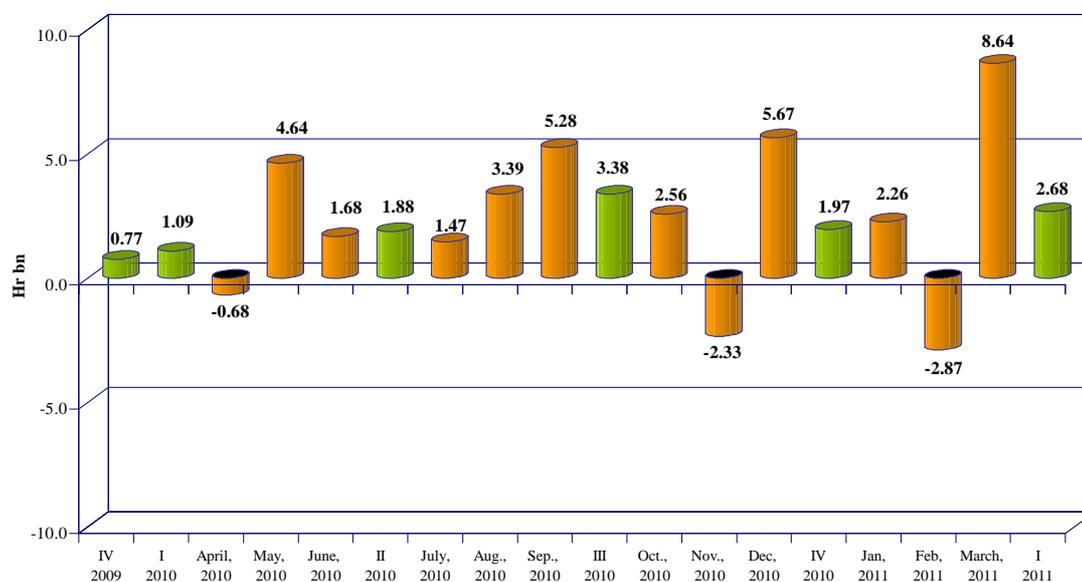
Changes in the Amount of Legal Entities' Deposit Portfolio



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Legal entities deposit portfolio, Hr bn	118.09	118.76	123.55	123.34	126.18	129.66	135.36	138.98	135.61	142.06	146.16	143.35	152.02
Growth rate of legal entities deposit portfolio, %	8.08	0.56	4.03	-0.17	2.31	2.76	4.39	2.67	-2.42	4.76	2.88	-1.92	6.05

Diagram 31

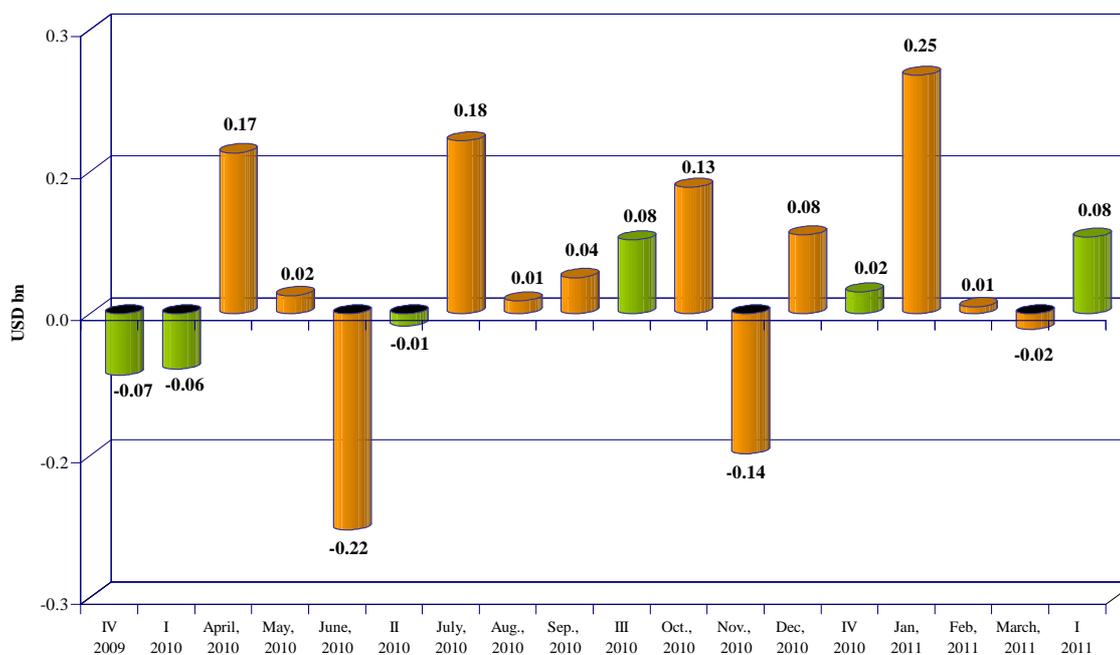
Changes in the Amount of Legal Entities' Deposit Portfolio in the National Currency



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Legal entities deposit portfolio in national currency, Hr bn	78.27	77.59	82.23	83.91	85.38	88.77	94.05	96.61	94.28	99.95	102.21	99.34	107.98
Growth rate of legal entities deposit portfolio in national currency, %	12.39	-0.87	5.97	2.05	1.75	3.97	5.94	2.73	-2.41	6.01	2.27	-2.81	8.70

Diagram 32

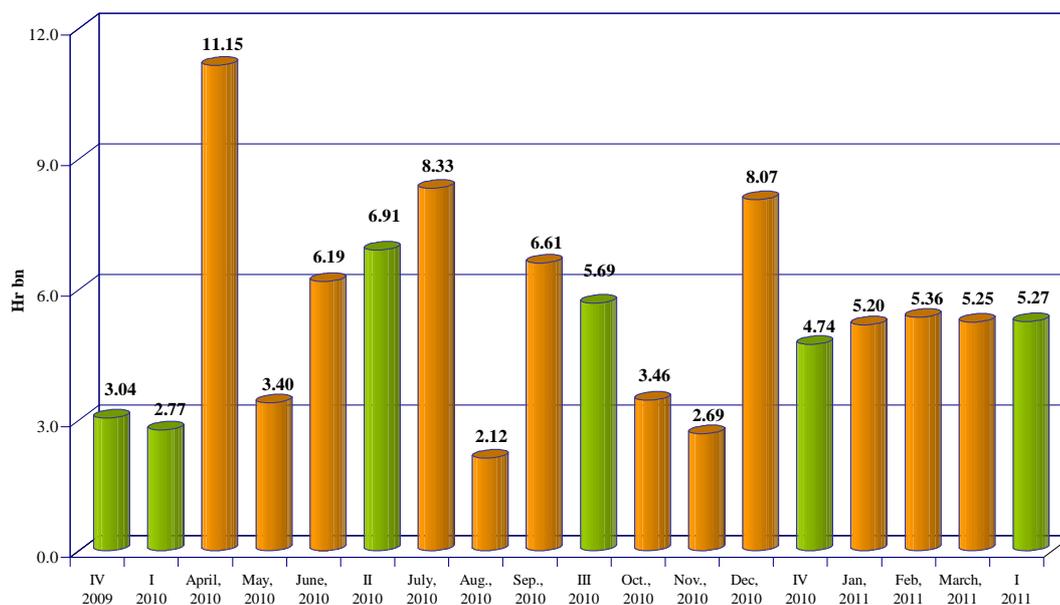
Changes in the Amount of Legal Entities' Deposit Portfolio in Foreign Currencies



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Legal entities deposit portfolio in foreign currencies, USD bn	5.02	5.19	5.21	4.99	5.17	5.18	5.22	5.35	5.21	5.29	5.54	5.55	5.53
Growth rate of legal entities deposit portfolio in foreign currencies, %	0.51	3.39	0.37	-4.60	3.49	0.23	1.04	2.54	-2.44	1.91	4.35	0.14	0.07

Diagram 33

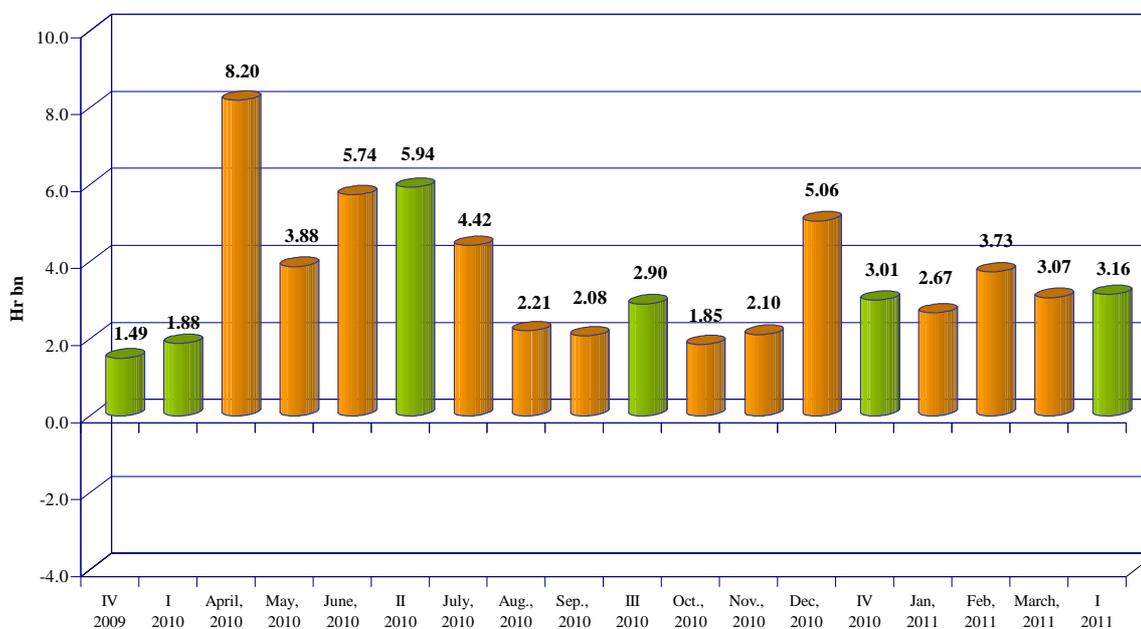
Changes in the Amount of Individuals' Deposit Portfolio



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Individuals deposit portfolio, Hr bn	219.77	230.92	234.32	240.51	248.84	250.96	257.57	261.03	263.72	271.79	276.99	282.35	287.60
Growth rate of individuals deposit portfolio, %	2.31	5.07	1.47	2.64	3.46	0.85	2.64	1.34	1.03	3.06	1.91	1.94	1.86

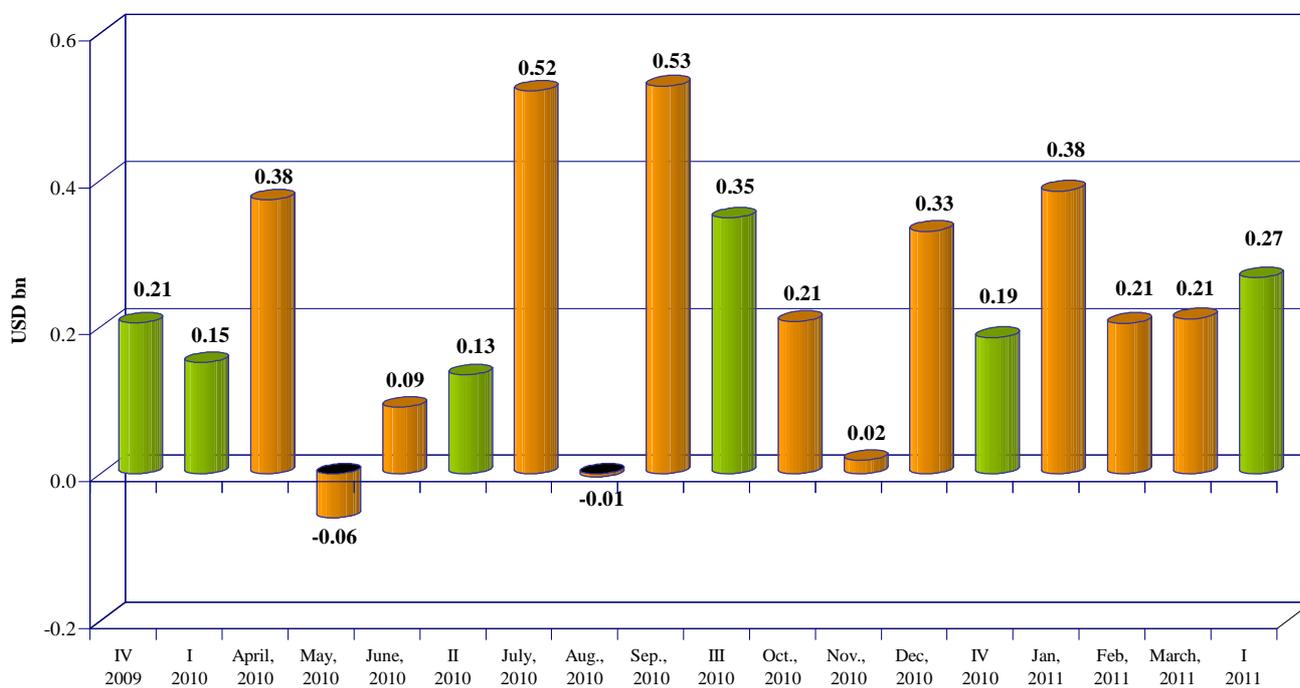
Diagram 34

Changes in the Amount of Individuals' Deposit Portfolio in the National Currency



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Individuals deposit portfolio in national currency, Hr bn	104.43	112.63	116.51	122.25	126.67	128.88	130.96	132.81	134.91	139.97	142.64	146.37	149.44
Growth rate of individuals loan portfolio in national currency, %	2.22	7.85	3.44	4.93	3.62	1.74	1.61	1.41	1.59	3.75	1.91	2.62	2.10

Changes in the Amount of Individuals' Deposit Portfolio in Foreign Currencies



Indicator	01.04.10	01.05.10	01.06.10	01.07.10	01.08.10	01.09.10	01.10.10	01.11.10	01.12.10	01.01.11	01.02.11	01.03.11	01.04.11
Individuals deposit portfolio in foreign currencies, USD bn	14.55	14.93	14.87	14.96	15.48	15.47	16.00	16.21	16.23	16.56	16.94	17.15	17.36
Growth rate of individuals deposit portfolio in foreign currencies, %	2.40	2.56	-0.40	0.38	3.30	-0.07	3.72	1.27	0.45	2.34	1.92	1.22	1.61