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INITIATIVE (MFSI-II) ROLL-OUT**

Monthly Monitoring of Main Indicators of the Budget and Banking Systems of Ukraine as of January 1, 2012

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

- According to the official data, **the actual revenue intake of the consolidated budget of Ukraine** totaled Hr 398.3bn in 2011, which is 26.7% more than in 2010. This amounts to 100.2% of the 2011 target.
- **The actual revenue intake of the State budget of Ukraine** totaled Hr 311.9bn, which is Hr 78.0bn or 33.4% more year-on-year. The annual plan was exceeded by 3.6%, which is in line with IBSER's forecast (see the *Monthly Monitoring of Main Indicators of the Budget and Banking Systems of Ukraine as of November 1, 2011*). The enterprise profit tax (plan exceeded by 15.1%), excise tax on goods imported into Ukraine (exceeded by 33.3%), and value-added tax (exceeded by 1.3%) drove the excess. Notably, budget refunds were 8.6% higher than the plan in 2011. On the other hand, the annual revenue plan was not fulfilled for items such as excise tax on goods made in Ukraine (81.8% of plan) and export duty (60.5% of plan).

Therefore, unlike 2009 and 2010, when the excise tax was the main stable budget source of revenue and even the driver for the sustained upward trend despite the financial and economic crisis, in 2011, a stable budget revenue generation was provided by the enterprise profit tax and VAT.

On the whole, the State budget revenue trend is similar to those of previous years, in particular, with regard to tax revenue. This indicates that the economy has adapted to the Tax Code introduced on January 1, 2011.

- **Annual execution for consolidated budget expenditures** amounts to 93.5% of the plan, which is nearly the same as the 2010 figure.

The consolidated budget expenditures totaled Hr 53.8bn in December, which is 7.4% more year-on-year. There was a significant (37.6%) increase of expenditures in December against November. This increase was noted in all departments. The highest growth was recorded in expenditures for the housing and communal services sector (81.5%), defense (69.6%), public order, security, and judiciary (49.1%), and general government functions (42.0%). A slight growth (9.4%) was noted in expenditures for environmental protection.

- **The annual execution for State budget expenditures remained approximately at the 2010 level¹ and amounted to 93.8% of the plan, or 0.3ppt more year-on-year.** At the same time, this level decreased by 0.7ppt for State budget expenditures without intergovernmental transfers. This worsening of the execution level mainly occurred due to expenditures for the housing and communal services sector falling to 27.0% of the annual plan or by 55.6ppt. This occurred due to virtually no expenditures being incurred within the substantial amount intended for implementing the Drinking Water of Ukraine program, and for reconstructing and developing sewage systems.

The level of execution of economic activity expenditures decreased by 4.7ppt year-on-year under comparable conditions² and amounted to 80.6%. The level of execution of health expenditures decreased by 3.3ppt and amounted to 93.5% of the plan. The latter occurred, among other things, due to a low level of funding of the Ministry of Health's capital expenditures, which only amounted to 48.9% of the annual plan. The level of execution of expenditures for the spiritual and physical development also decreased by 3.3ppt and amounted to 92.4%.

¹ The 2010 and 2011 plans with revised apportionments are used rather than the indicators approved by law, due to presence of the Stabilization Fund as part of general government expenditures, which Fund was being distributed among other functions throughout the year in 2010, and the presence of State capital investments, which were also allocated by the Cabinet of Ministers of Ukraine for various functions both in 2010 and 2011.

² To bring the 2010 expenditures to comparable conditions, they were used without the expenditures of NAK Naftohaz Ukrayiny for partial compensation of the difference between the price of imported gas used for heat generation for residential users. There were no such expenditures incurred this year.

The highest levels of expenditure execution were noted for social protection at 98.7% or 1.1ppt more than in 2010, and for the intergovernmental transfers at 98.3% or 2.7ppt more.

A significant improvement in the level of execution of expenditures for environmental protection, up to 65.0% or by 27.2ppt, should be noted as a positive development.

As in 2010, capital expenditures execution was low. It amounted to 71.4%, which is 0.6ppt more year-on-year. This level is even lower - at 67.0% - without capital transfers to local budgets, which were funded at 95.0% (4.6ppt more than last year), i.e., for capital expenditures for the State's purposes proper. It decreased by nearly 2.0ppt against the previous year. Also, the level of execution decreased for housing construction and major renovations expenditures (by 12.1ppt and 20.9ppt, respectively). However, it increased as a percentage for expenditures on the reconstruction of the housing stock by 33.0ppt, even though their amount is Hr 0.4bn or 76.5ppt below the former. There was also a significant reduction in expenditures for acquisition of land and intangible assets (by 20.3ppt), which were executed by 69.8%.

State budget expenditures increased by 13.6% in December 2011 year-on-year and totaled Hr 42.0bn. At the same time, expenditures without intergovernmental transfers remained almost at the previous year's level and were actually incurred at the amount of Hr 31.3bn, which is only 0.8% more than in 2010. The intergovernmental transfers, in turn, increased 1.8 times and amounted to Hr 10.7bn or a quarter of all State budget expenditures. This is compared to 15.8% of all State budget expenditures in 2010.

In December, the highest growth was noted in expenditures for economic activity (by Hr 1.2bn or 20.3%), whereas the expenditures for general government decreased by Hr 1.4bn or 20.9%, education by Hr 0.8bn or 19.3%, and housing and communal services by Hr 0.3bn or 1.6 times.

Apart from intergovernmental transfers, the highest proportions of expenditures as usual fall on economic activity (16.6%), general government functions (12.8%), and social protection (11.6%).

- **The 2011 State budget deficit³ was financed at Hr 23.6bn or at 60.7%** of the planned annual amount, which is 23.2% less than the 2010 figure. At the same time, 69.5% of planned debt was incurred at (Hr 80.7bn), which is 22.9ppt less year-on-year. Also, more than half (56.6 %) of the borrowed resources were used for debt repayment. The General Fund deficit totaled Hr 20.9bn or 62.8% of the planned annual amount.
- **In December 2011, the State budget deficit totaled Hr 12.5bn**, which is 2.4% somewhat higher than the 2010 deficit. The increase is. The General Fund deficit totaled Hr 10.8bn and the Special Fund deficit amounted to Hr 1.7bn.
- As with the State budget, the annual plan for **local budget revenues** was exceeded by 1.2%. The local budget revenues (without intergovernmental transfers) totaled Hr 86.5bn in 2011, which is 7.3% more than last year. Unlike in 2010, there was some growth in revenues (by nearly 8.9%) in December vs. November.

Growth in the volume of non-tax revenues in December was one of the main drivers of these changes. They increased by 51.6% against November. Local budgets received over Hr 1.4bn in such revenues in 2011 in general, which is 21.9% more year-on-year.

At the same time, the tax revenues decreased 0.5% in December compared to 2010. This was primarily due to a 31.1% decline in the revenues from the single tax. Such changes have resulted from enacting the the new rules included in the amendments to the Tax Code, which introduced new rules for the administration of this tax. Thus, among other things, the due dates were changed (the main reason for the December decline) and new tax rates were introduced. Some growth in revenues from this source could be projected as early as January 2012, even though the final outcome of these novelties will be seen in May, which is the last month for the payment of the single tax for the first quarter of the year for all taxpayer categories.

³ The plan indicators are used with the adjustments made to account for the issue of internal government bond intended for replenishing the authorized fund of NAK Naftohaz and for the Agrarian Fund.

Personal income tax remains the most important source of revenue for local budgets. It generated Hr 54.1bn in revenue in 2011, which is 5.9% more than last year. However, personal income tax revenue increased only by 0.3% in December.

The proceeds from the fees for the special use of natural resources increased by 32.1% in 2011. As with previous years, an increase in revenues from the payment for land was noted in the structure of these fees (by 12.2% against 2010). Mention should also be made of a significant growth in revenues from the fees for the special use of water and payment for the use of subsoil resources (48.6 and 8.1 times, respectively), which is related to the increase in the number of payers and raising the tax rates according to the Tax Code of Ukraine.

- **Local budget expenditures** increased by 17.1% and reached Hr 178.1bn in 2011. The monthly trend of local budget expenditures was similar to that of 2010, except for the September expenditures, where their reduction was observed, which was atypical in previous years (see the *Monthly Monitoring of Main Indicators of the Budget and Banking Systems of Ukraine as of October 1, 2011*).

Expenditures for society and culture grew, which, as usual, accounted for the majority of all local budget expenditures, increased by 34.5% against 2010.

Note should also be made of increased expenditures for economic activity, housing and communal services, and environmental protection. These expenditures increased by 35.6% in general against the figures of December 2010.

At the same time, when analyzing the economic structure of expenditures, note should be made of an increase in December of both capital expenditures (by 26.6% year-on-year), and expenditures for the current operation of budget institutions (by 11.3%). The main growth categories included expenditures for communal services and energy (+26.2%), for subsidies and current transfers to enterprises (institutions, organizations) (+76.5%), for reconstruction and renovation (+46.8%), and for the acquisition of land and intangible assets (+224.6%).

State Budget Revenues

Diagram 1

Structure of State Budget Revenues in December 2011

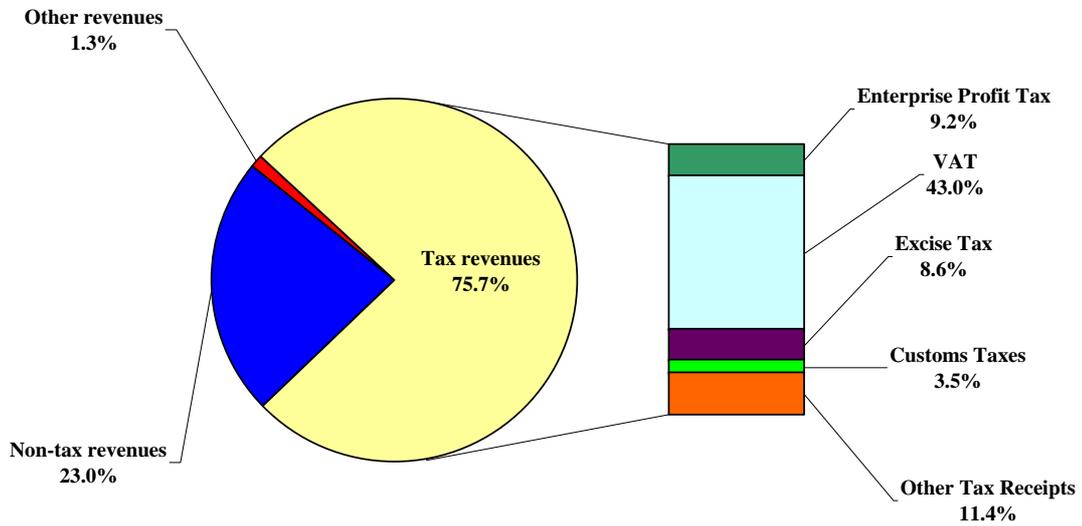
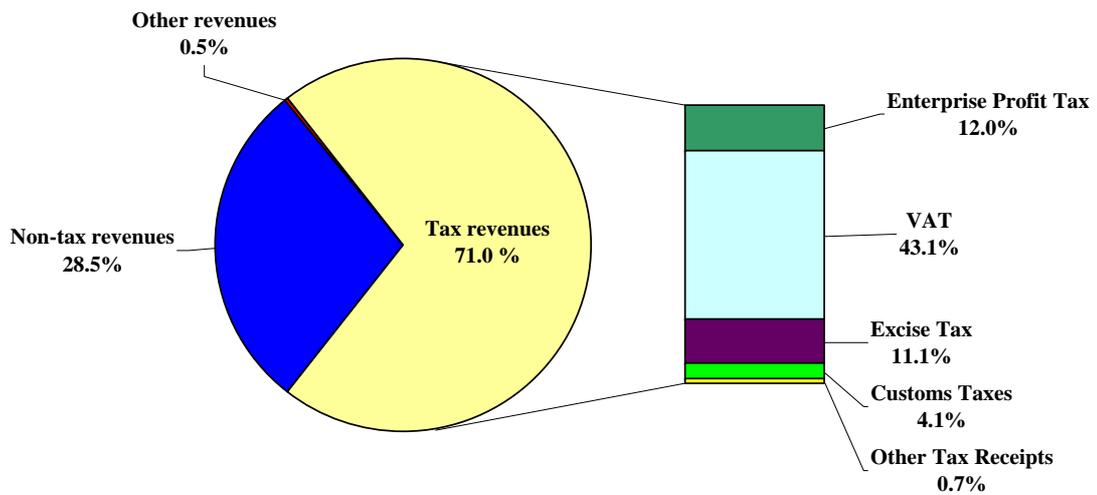
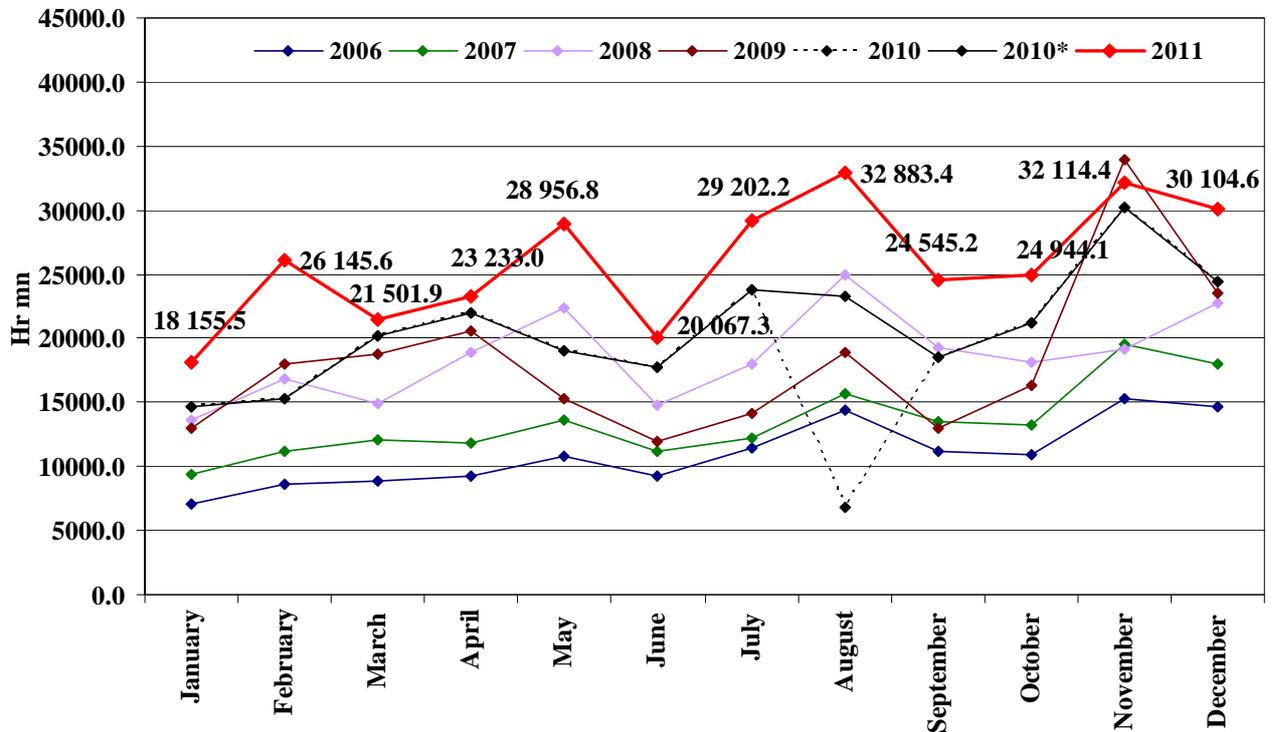


Diagram 2

Structure of State Budget Revenues in December 2010



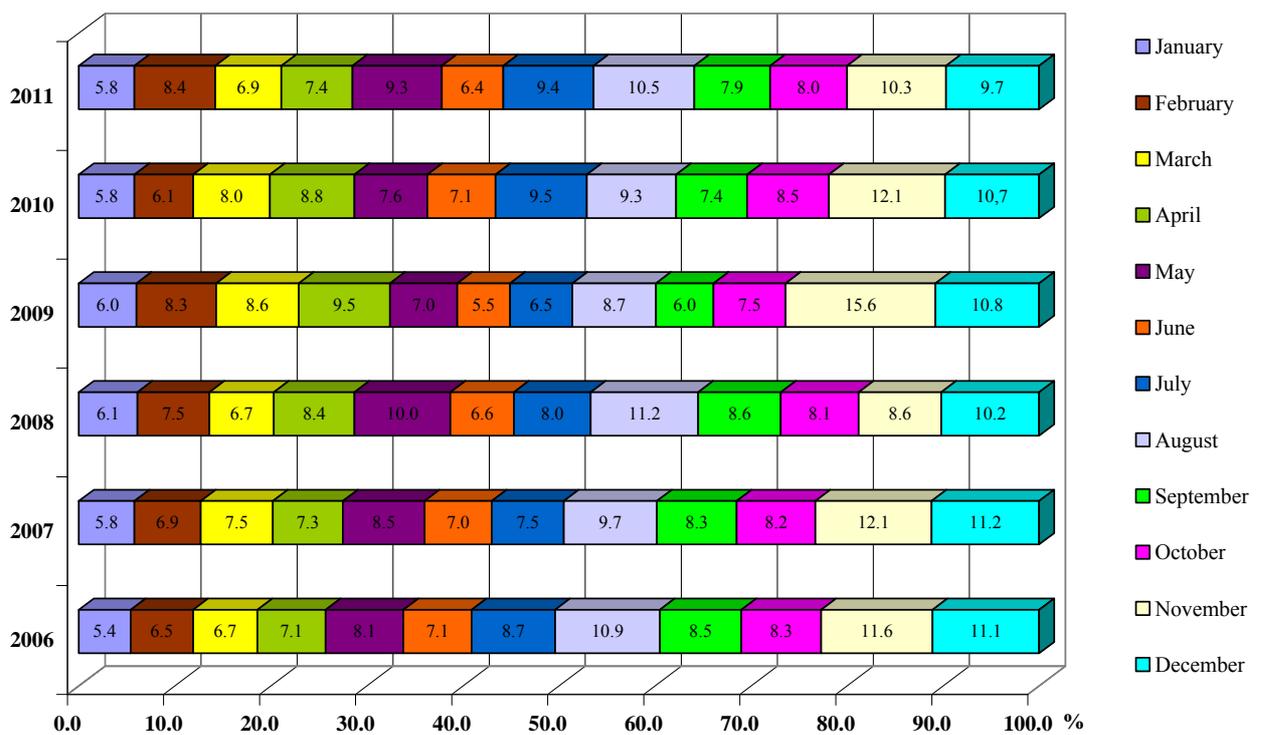
State Budget Total Revenues Monthly Trends in 2006-2011



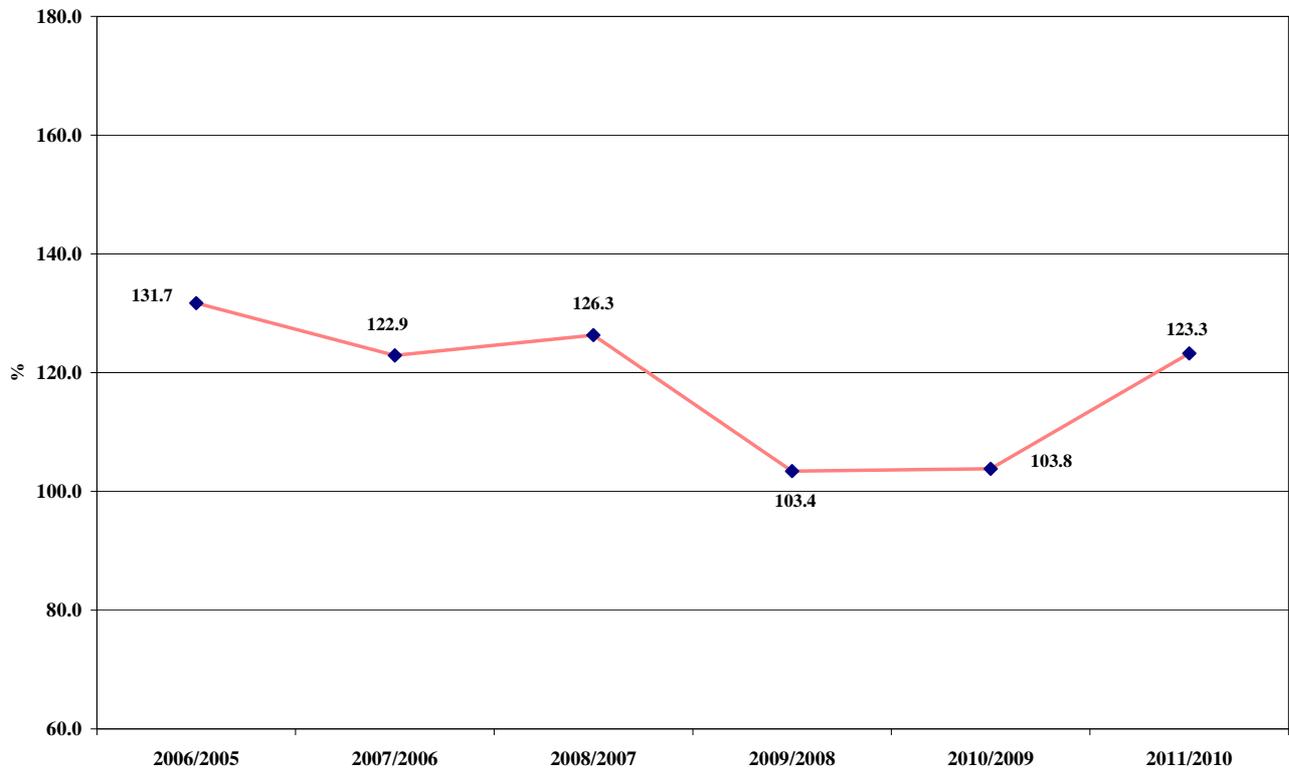
*excluding the amount of VAT reimbursement debt of Hr 16.4bn

Diagram 3

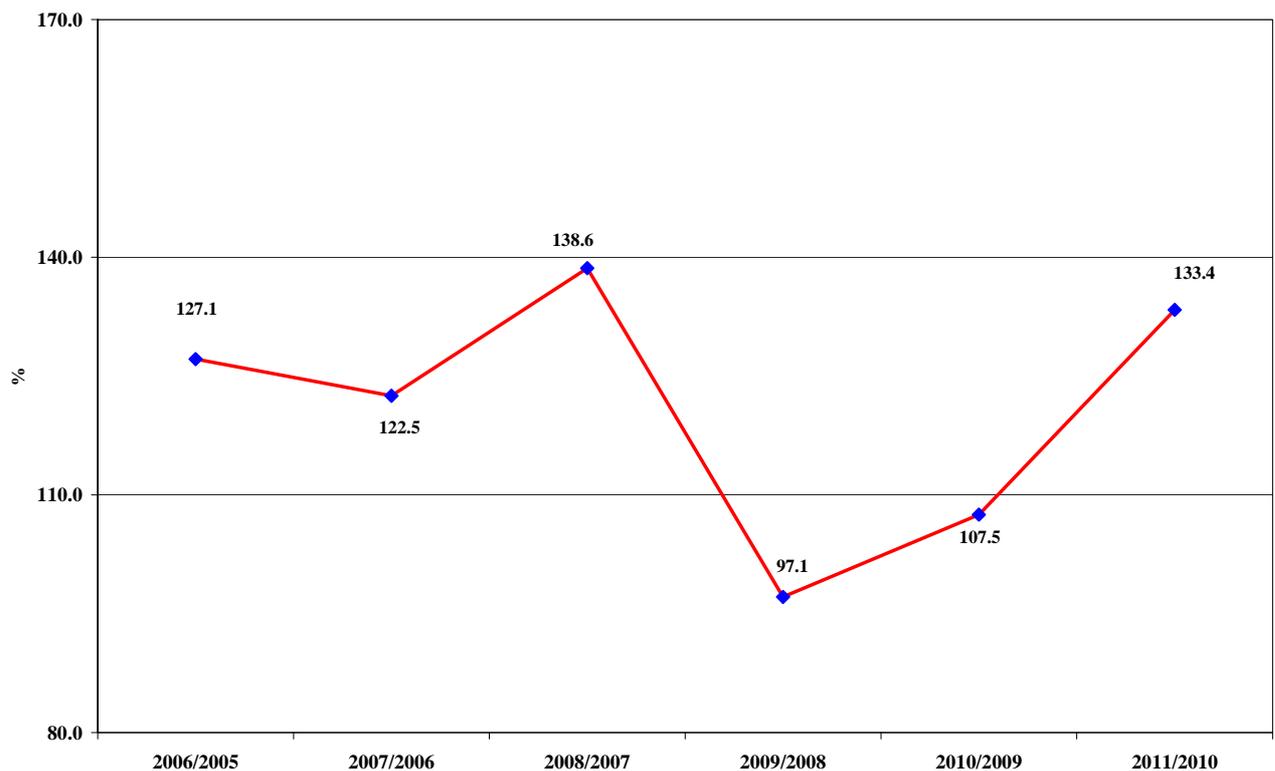
Dynamics of the Share of Ukraine's State Budget Revenues in Annual Amounts in 2006-2011



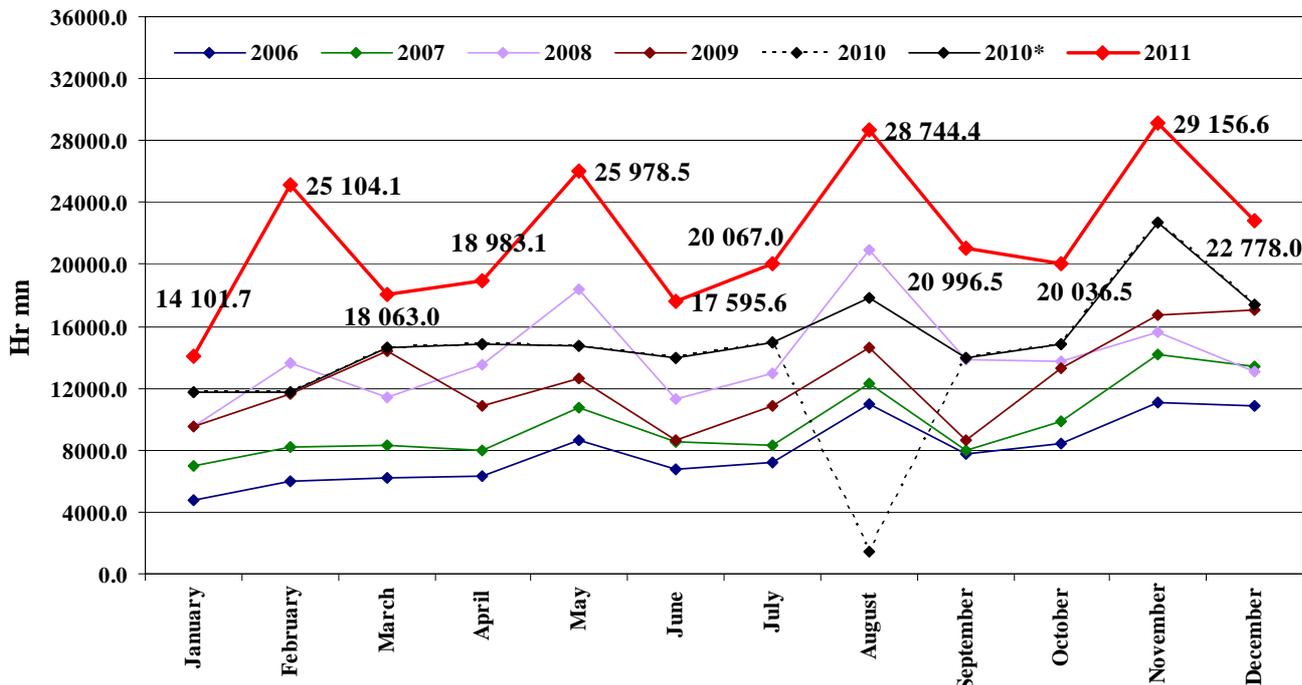
Growth Rates of Ukraine's State Budget Revenues in December 2006-2011



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

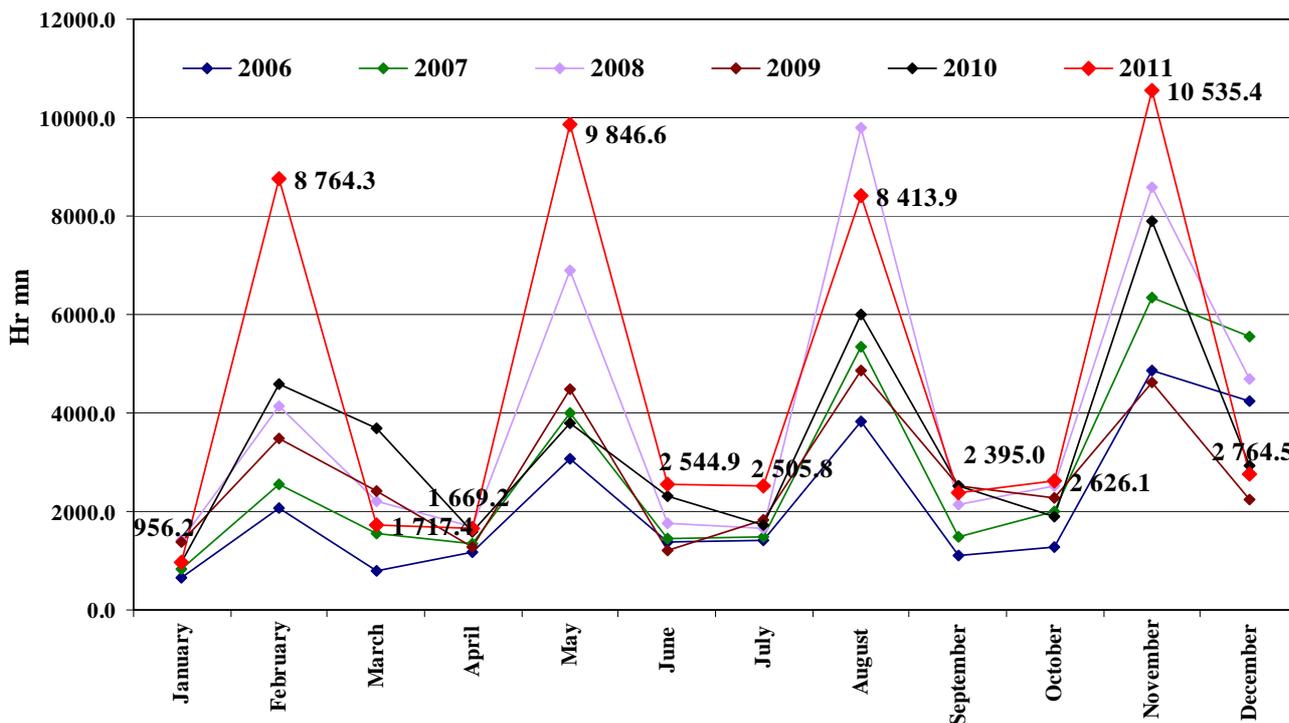


State Budget Tax Revenues Monthly Trends in 2006-2011

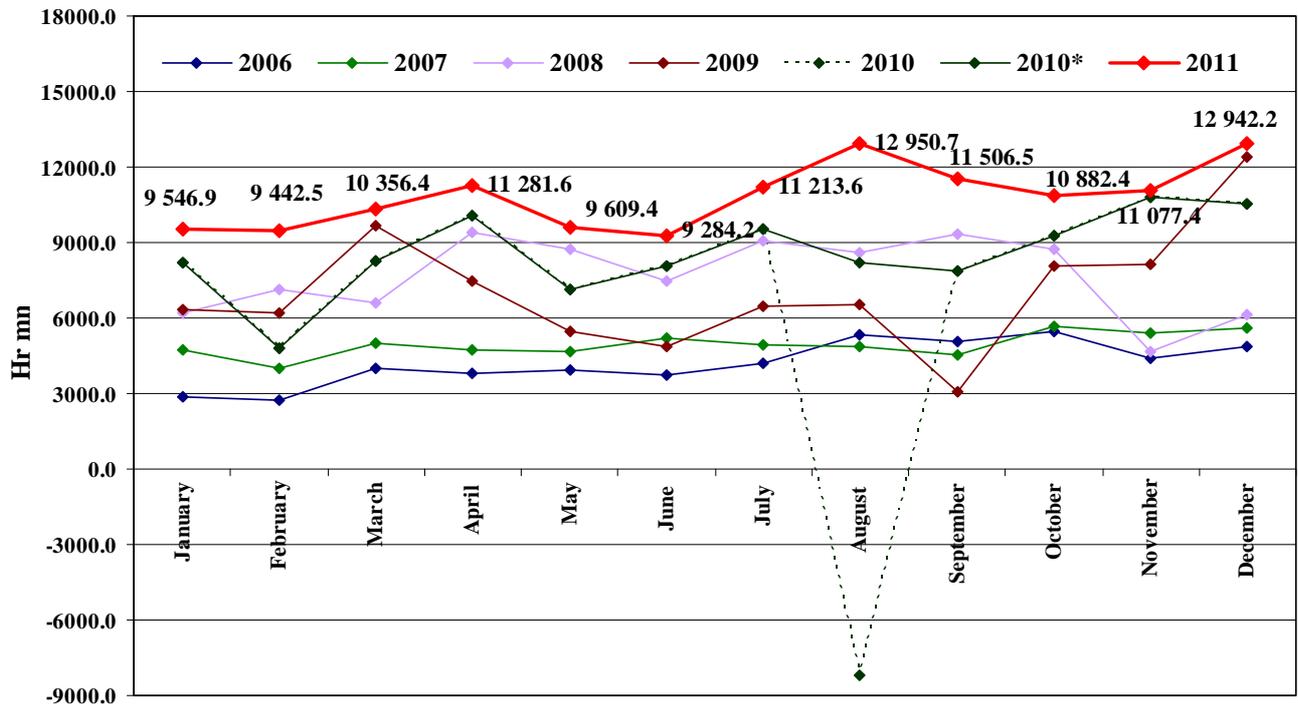


*excluding the amount of VAT reimbursement debt of Hr 16.4bn

State Budget Enterprise Profit Tax Monthly Trends in 2006-2011

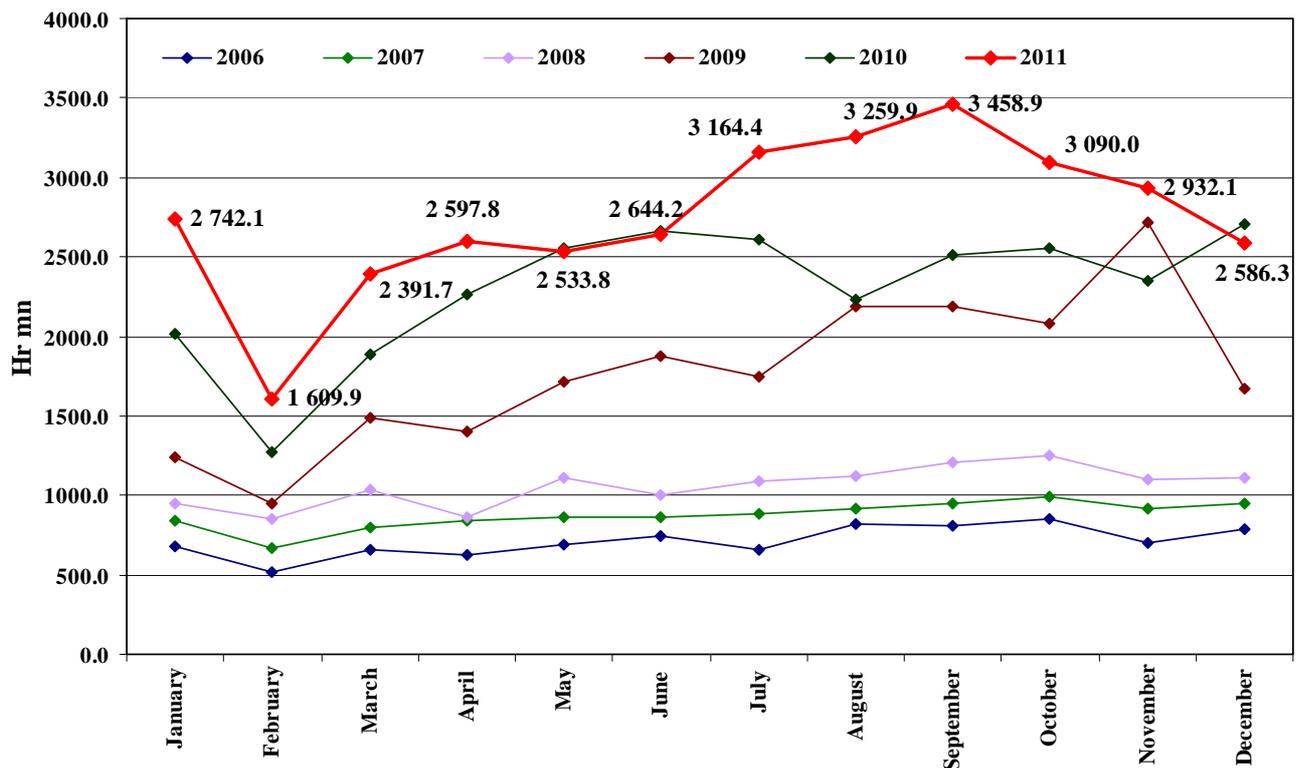


State Budget Value Added Tax Monthly Trends in 2006-2011



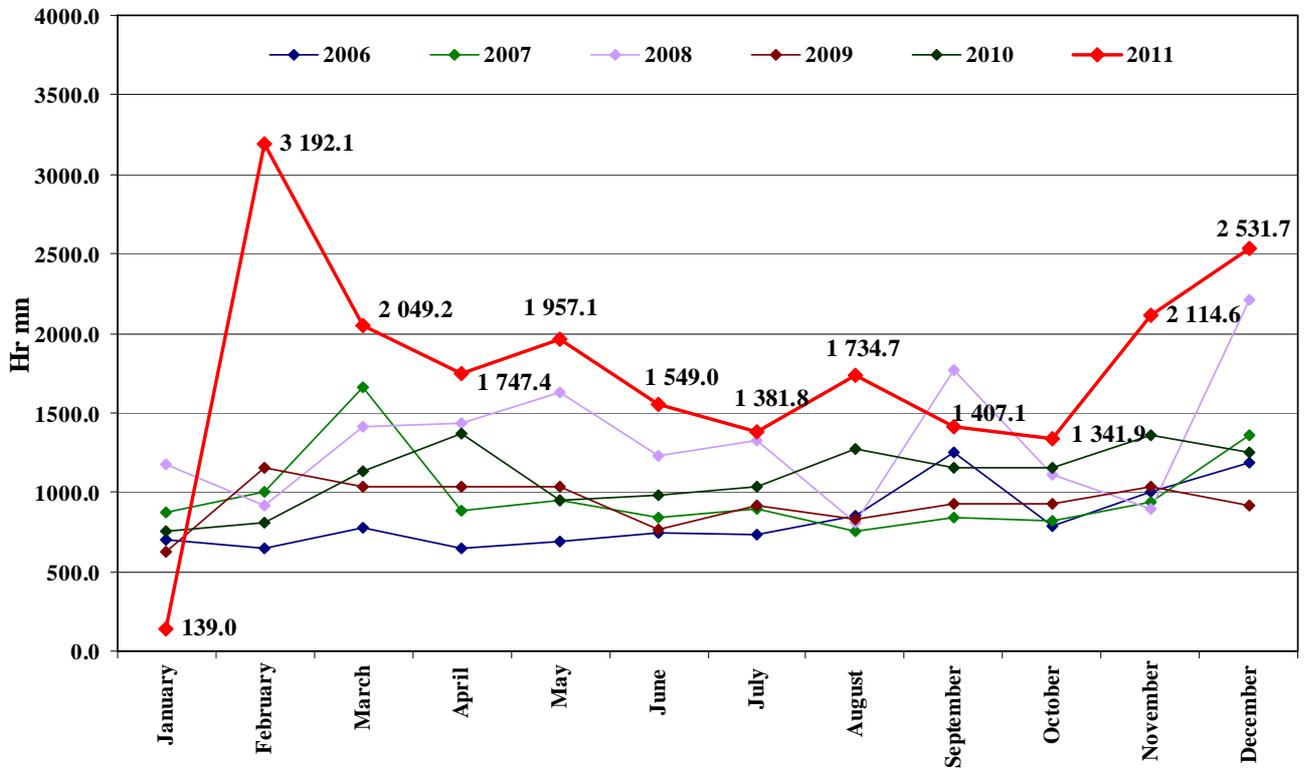
*excluding the amount of VAT reimbursement debt of Hr 16.4bn

State Budget Excise Tax Monthly Trends in 2006-2011



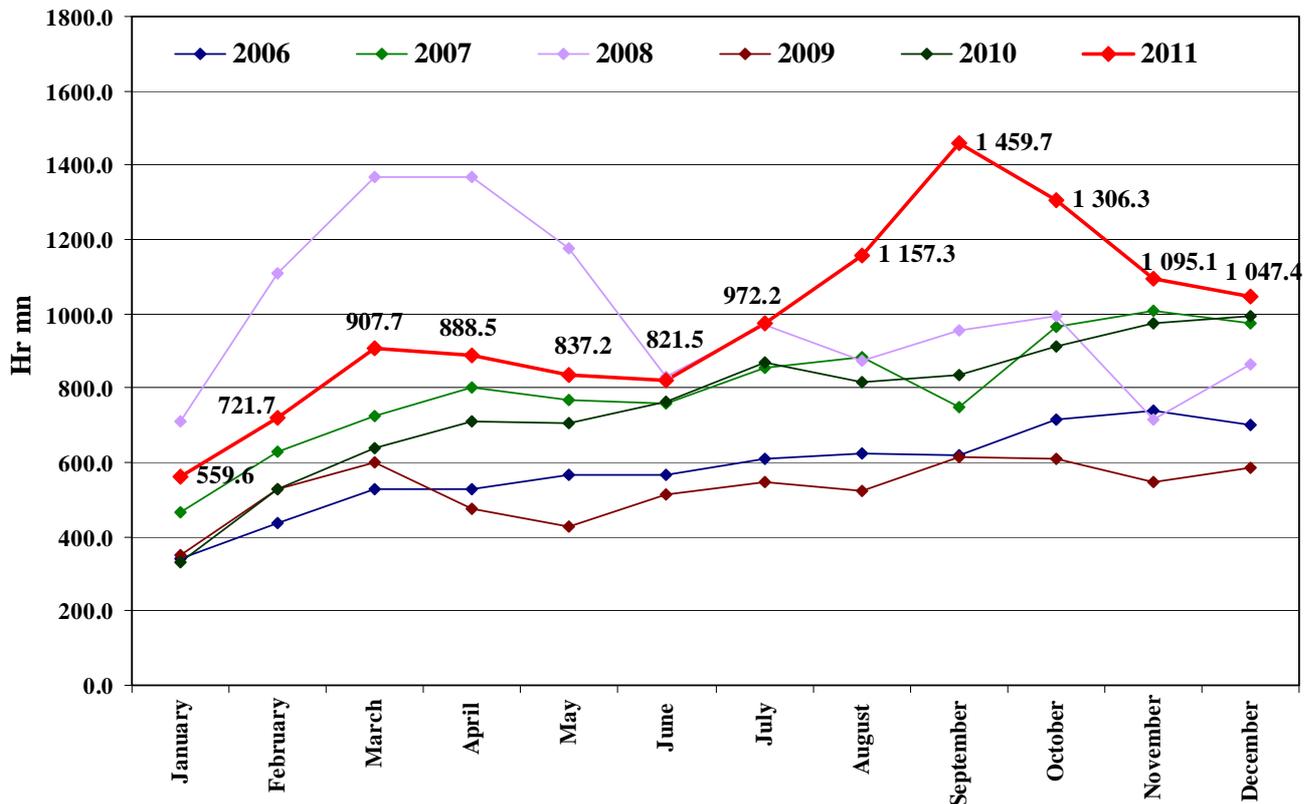
Graph 8

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

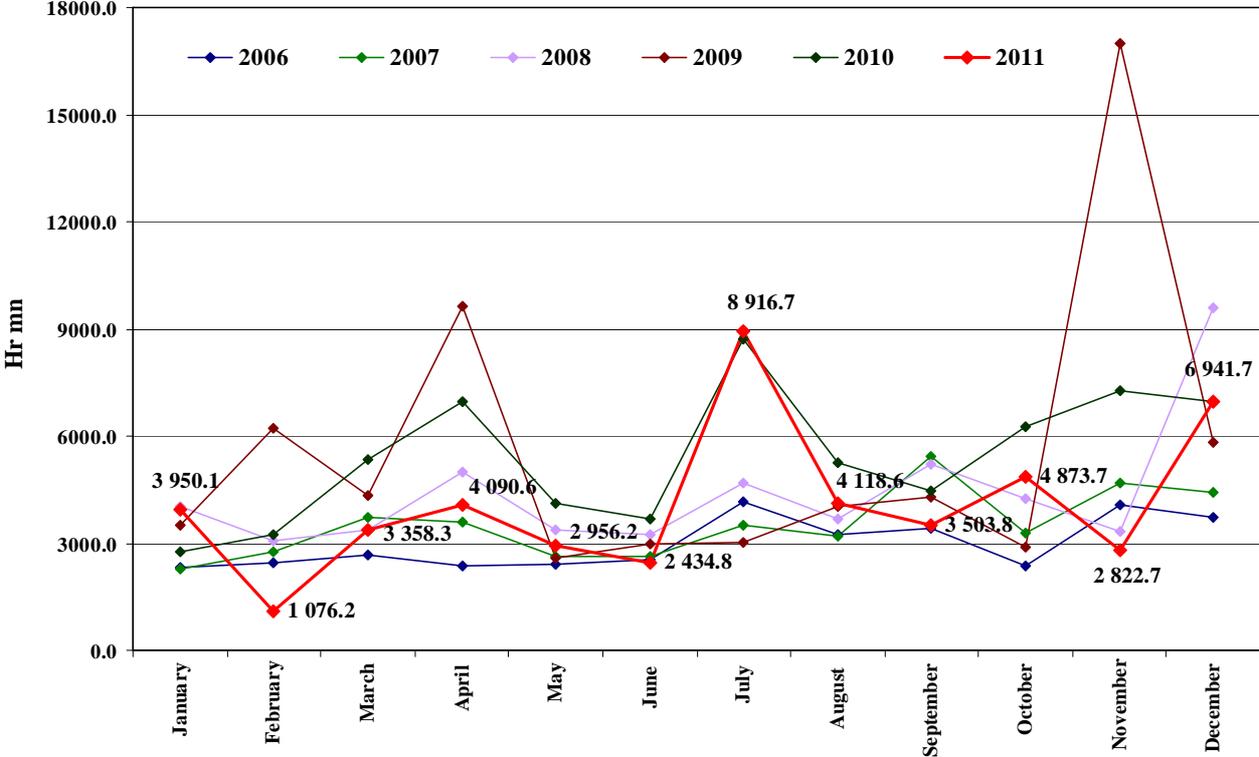


Graph 9

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 11

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

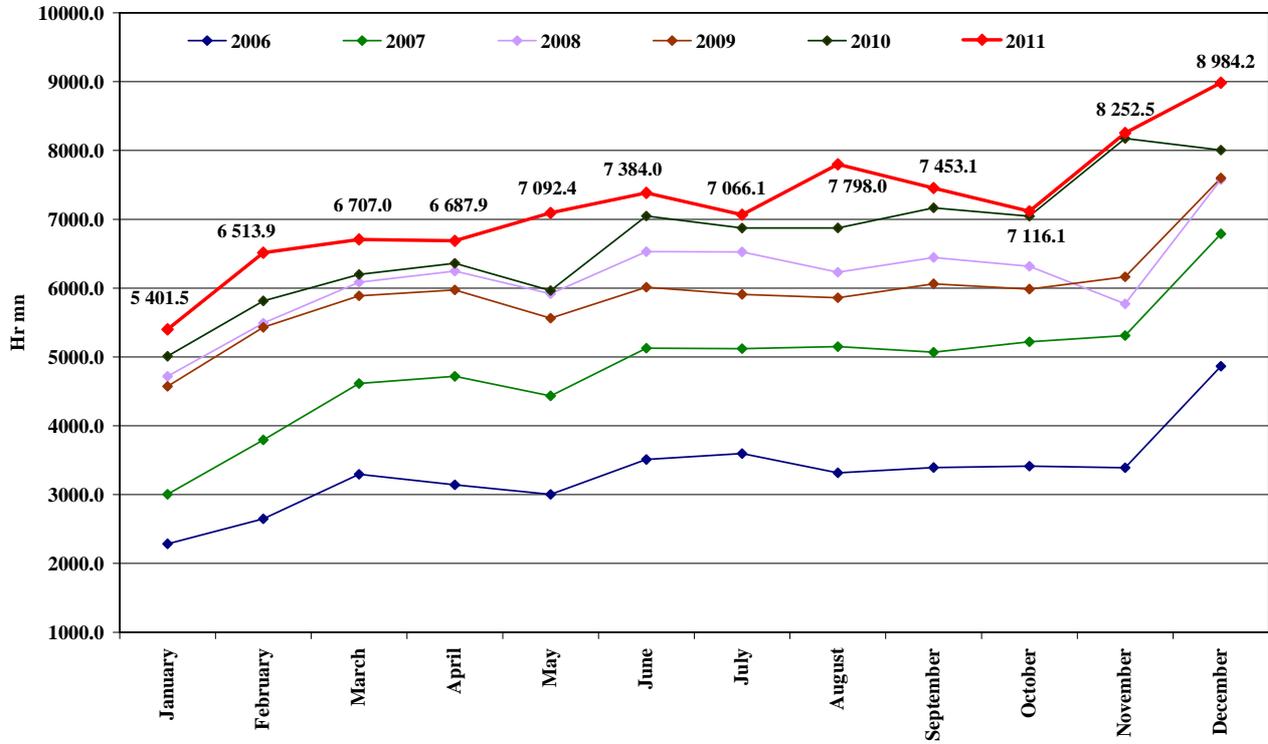
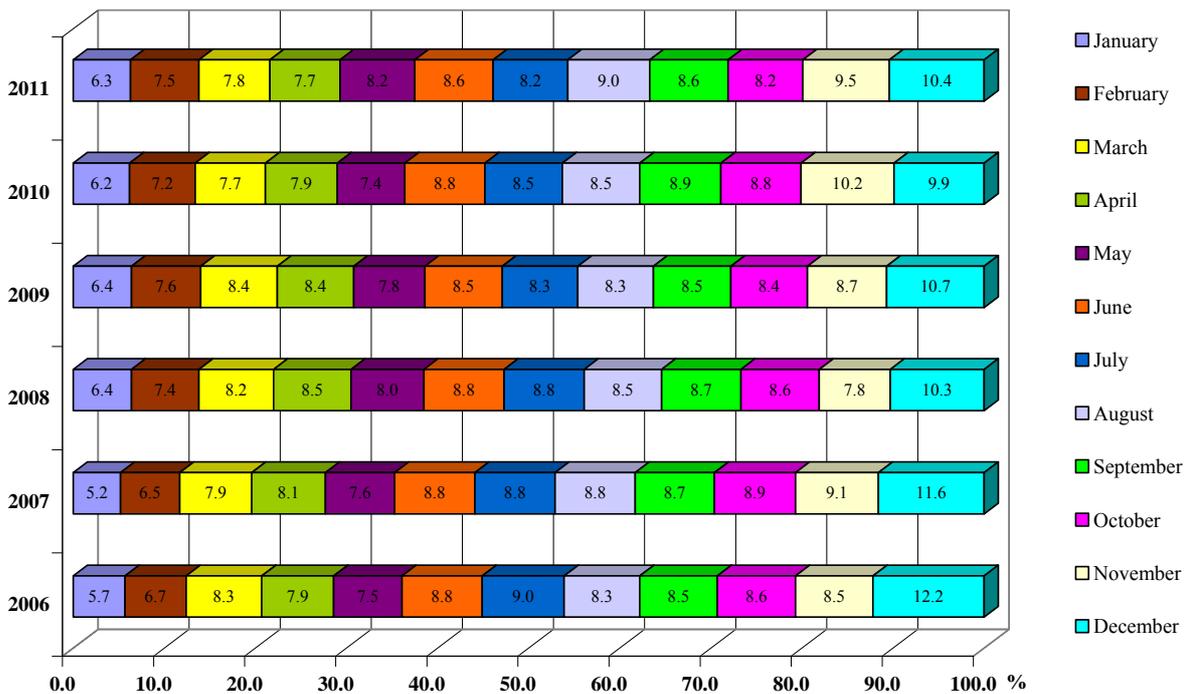


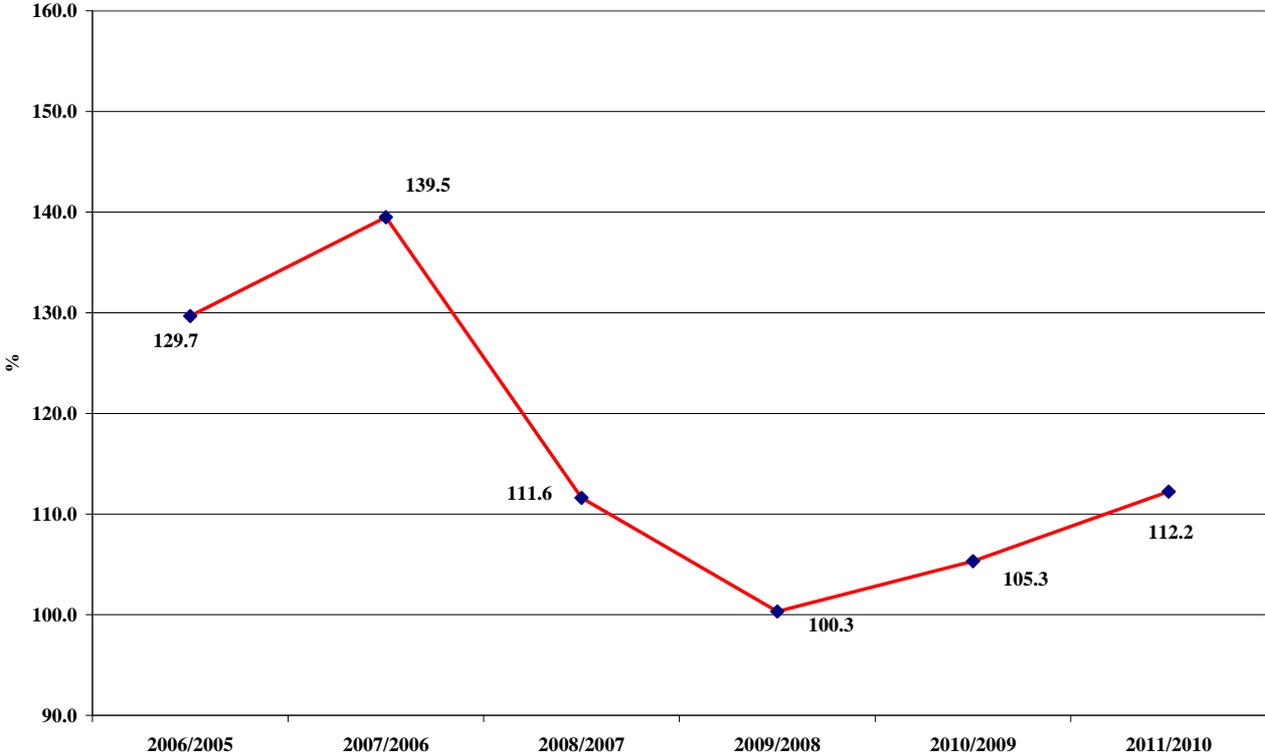
Diagram 4

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



Graph 12

Growth Rates of Local Budget Revenues in December 2006-2011



Graph 13

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

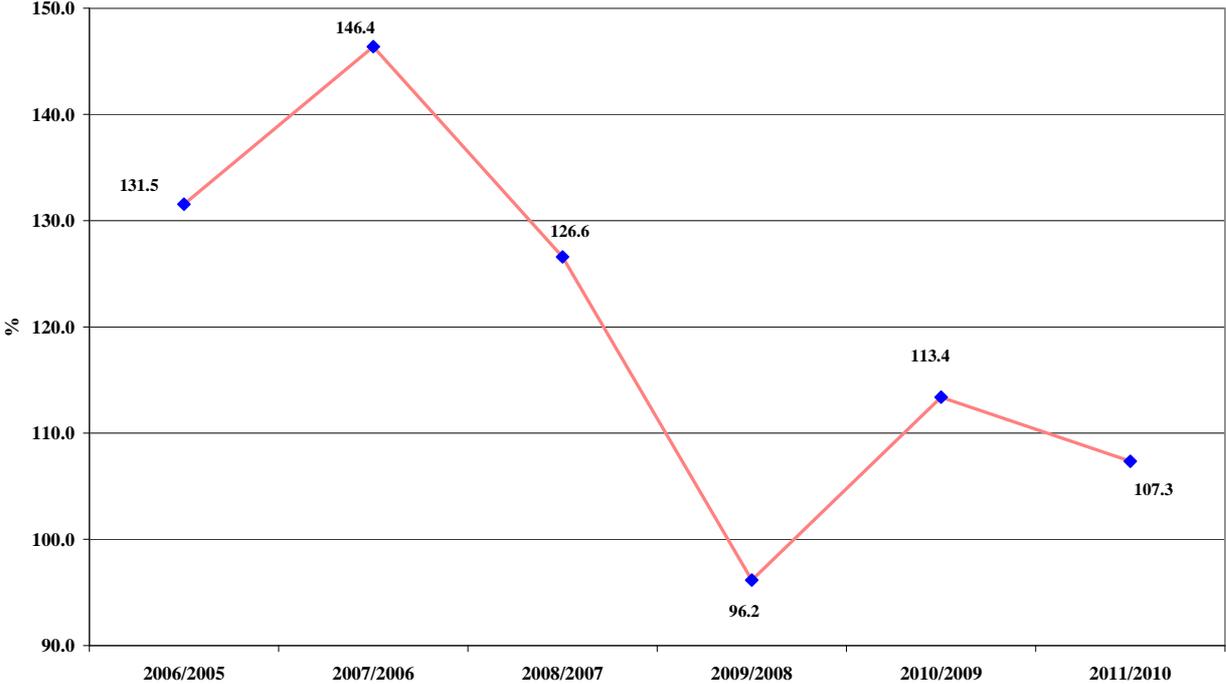


Diagram 5

Structure of Actual Local Budget Revenues in December 2006-2011

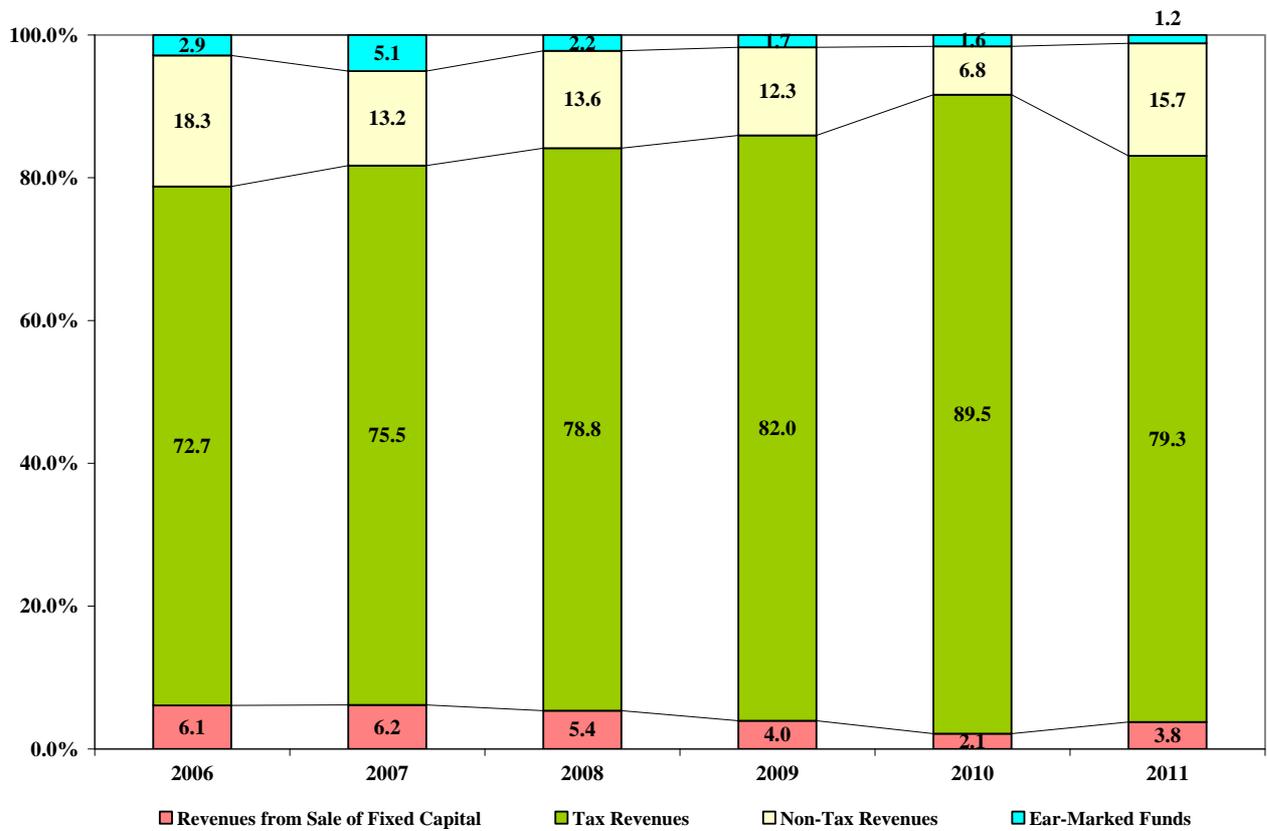
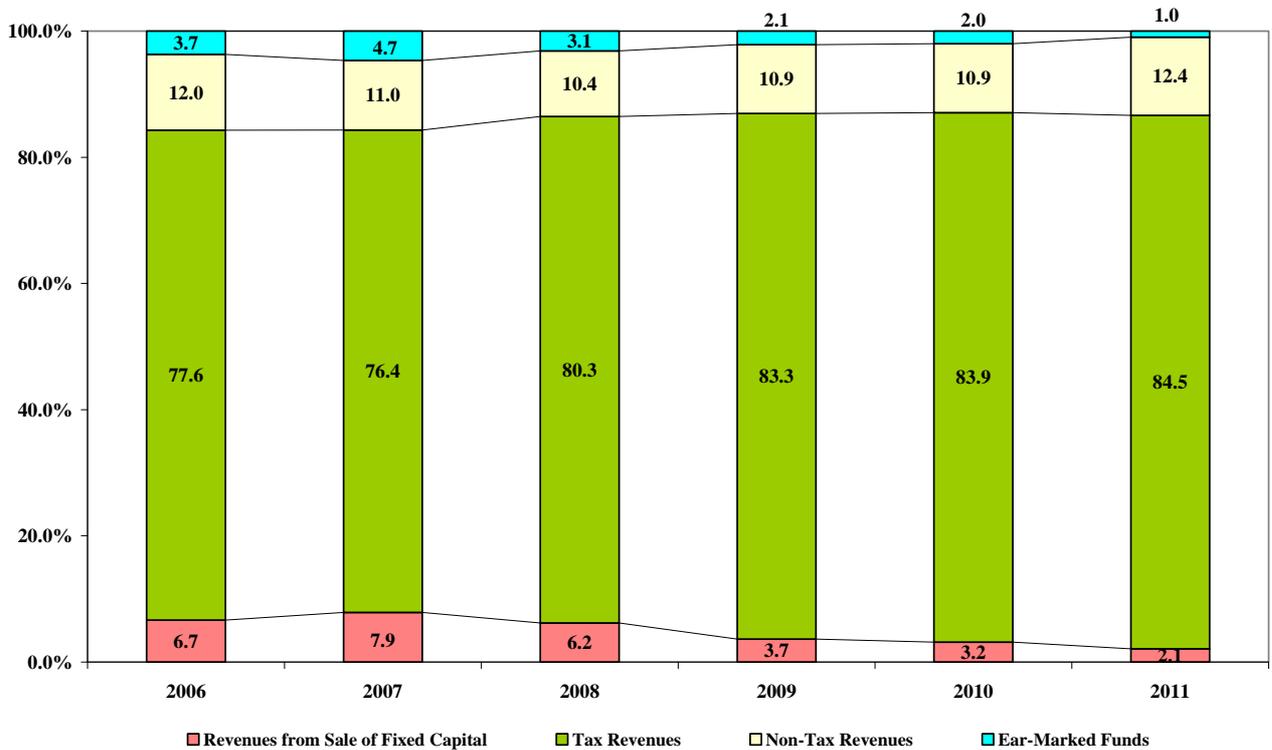
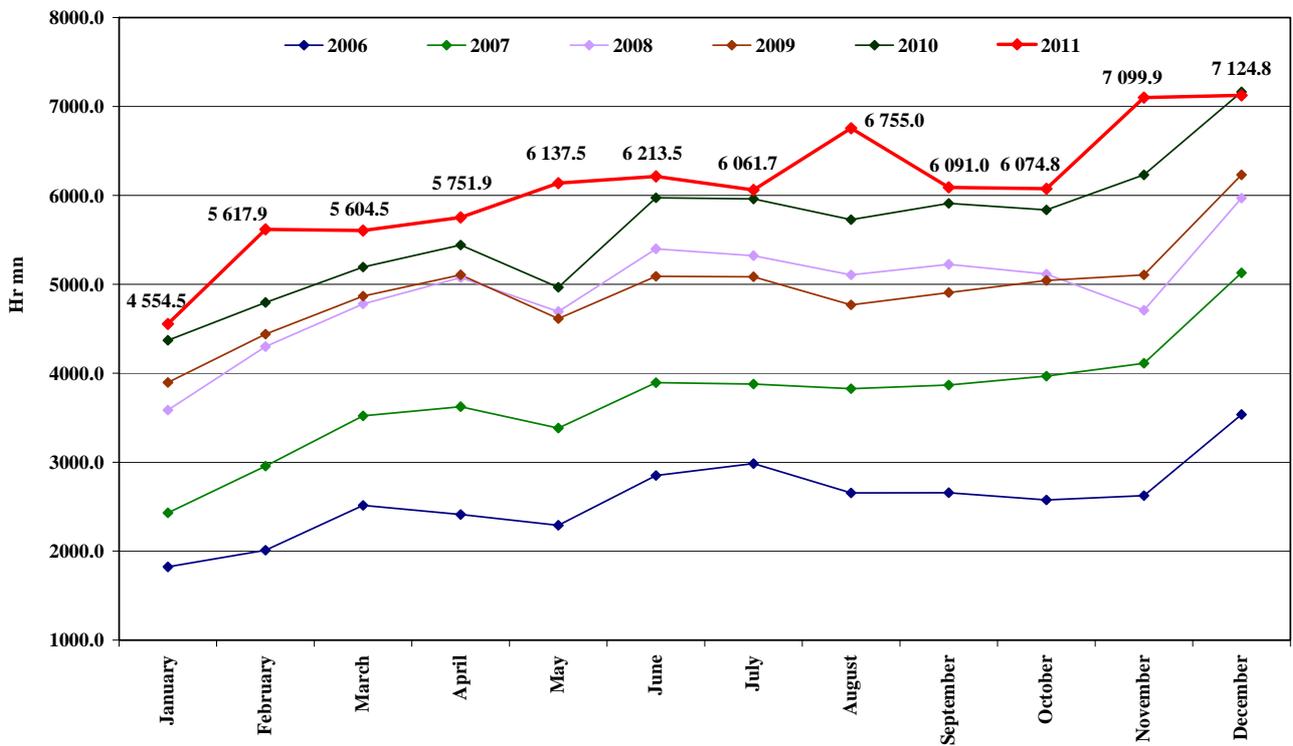


Diagram 6

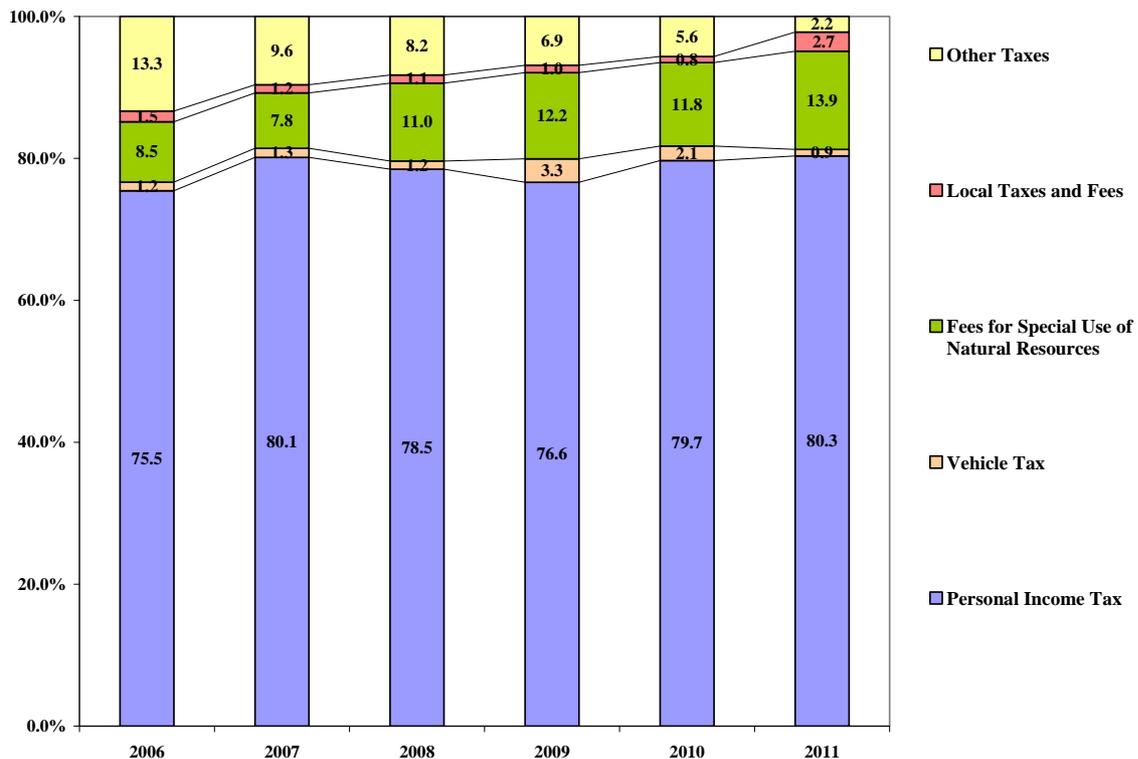
Structure of Actual Local Budget Revenues in January-December 2006-2011



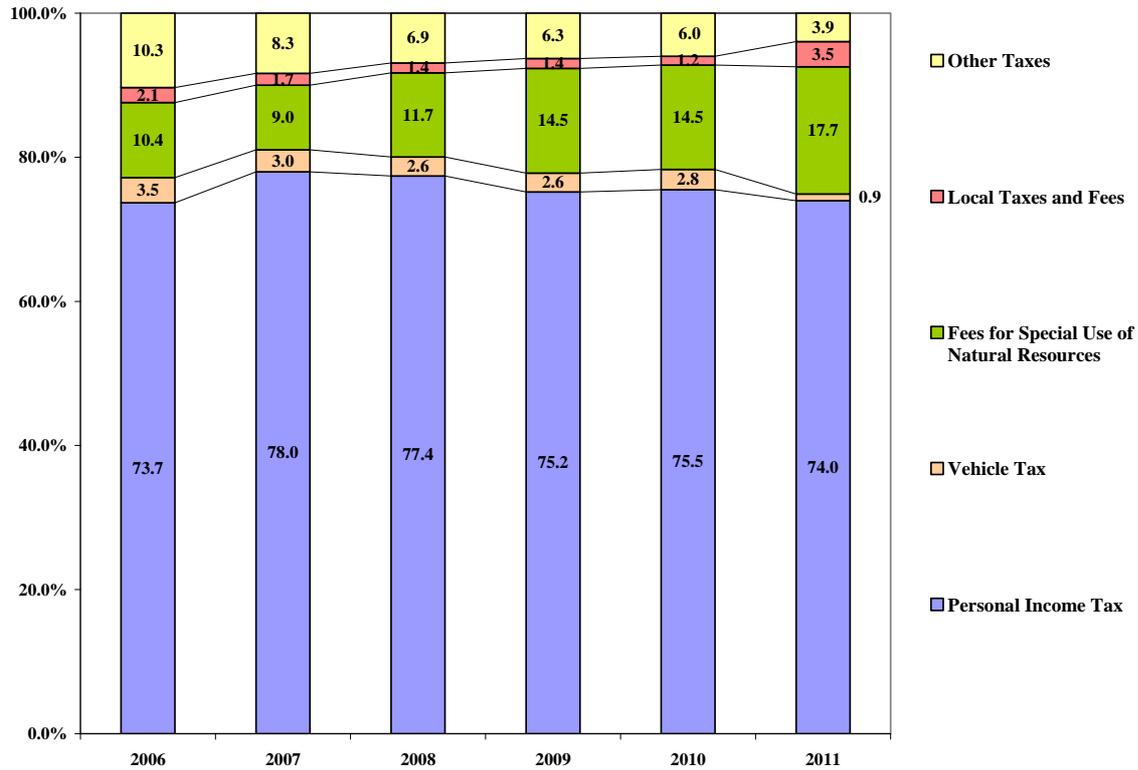
Local Budget Tax Revenues Monthly Trends in 2006-2011



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

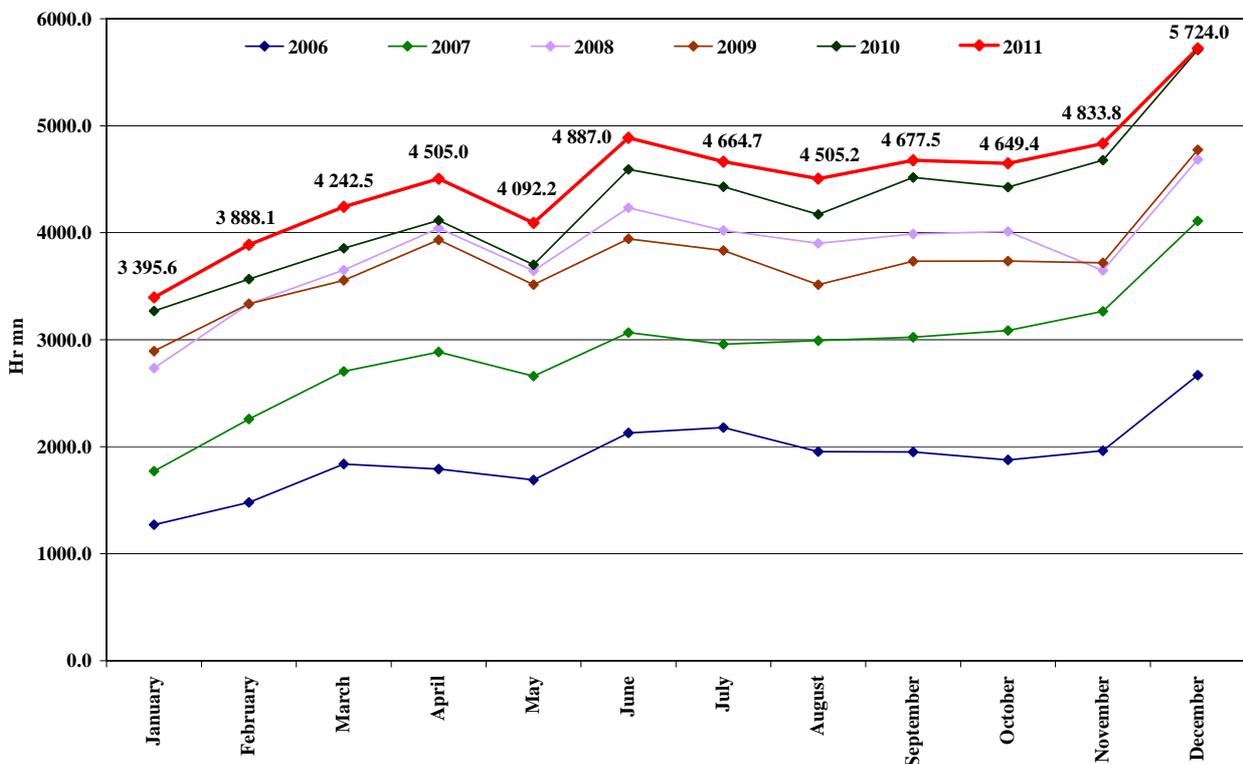


Structure of Actual Local Budget Tax Revenues in January-December 2006-2011

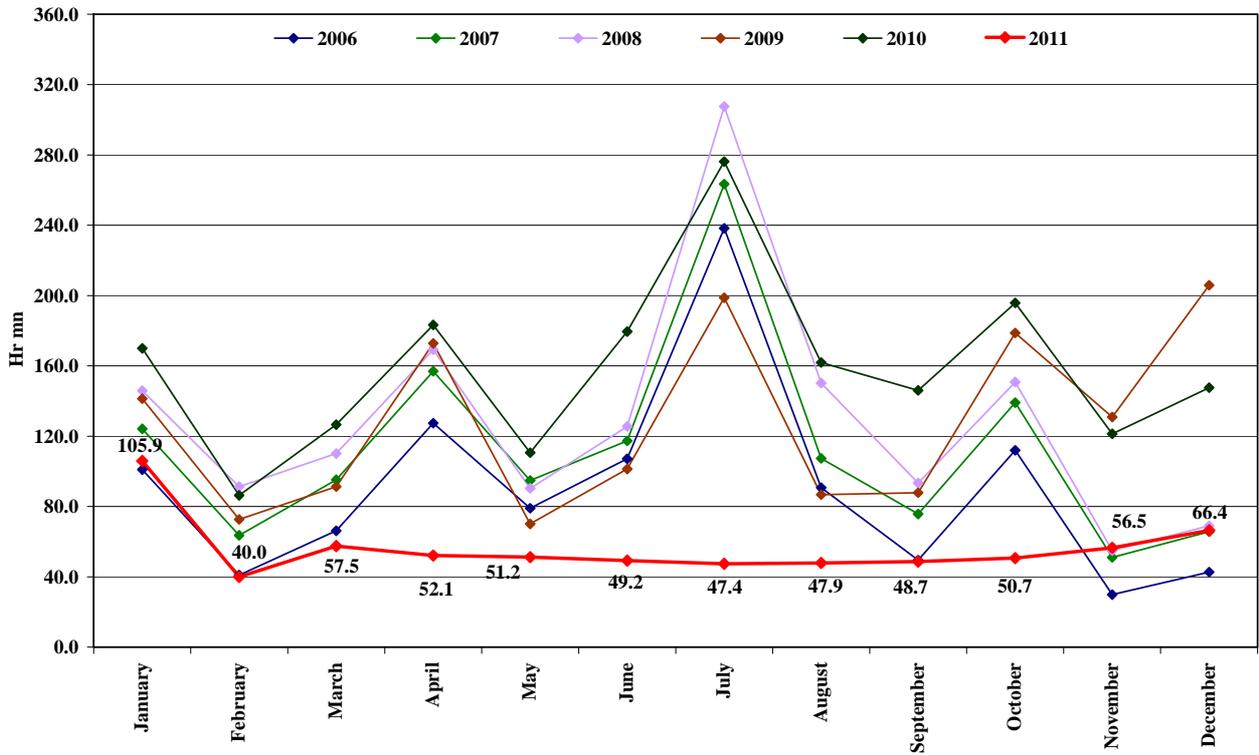


Graph 15

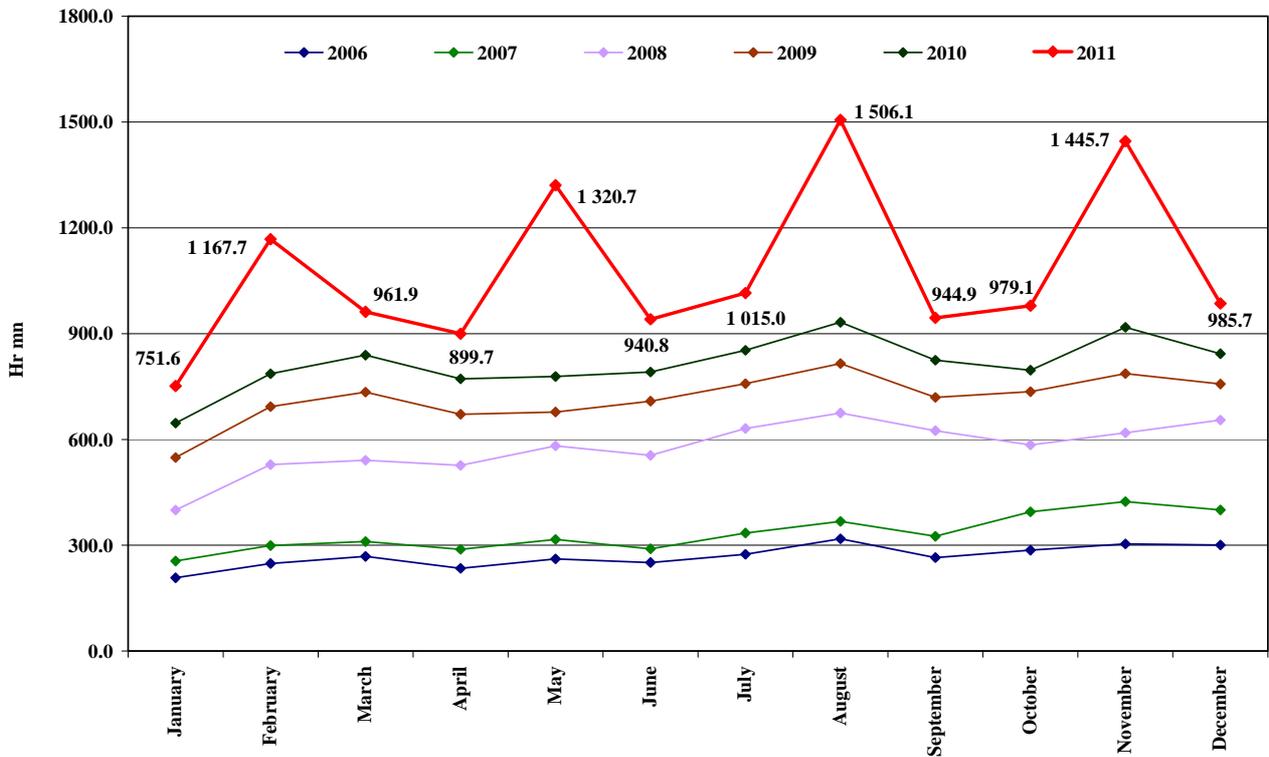
Local Budgets Personal Income Tax Monthly Trends in 2006-2011



Vehicle Tax Monthly Trends in 2006-2011

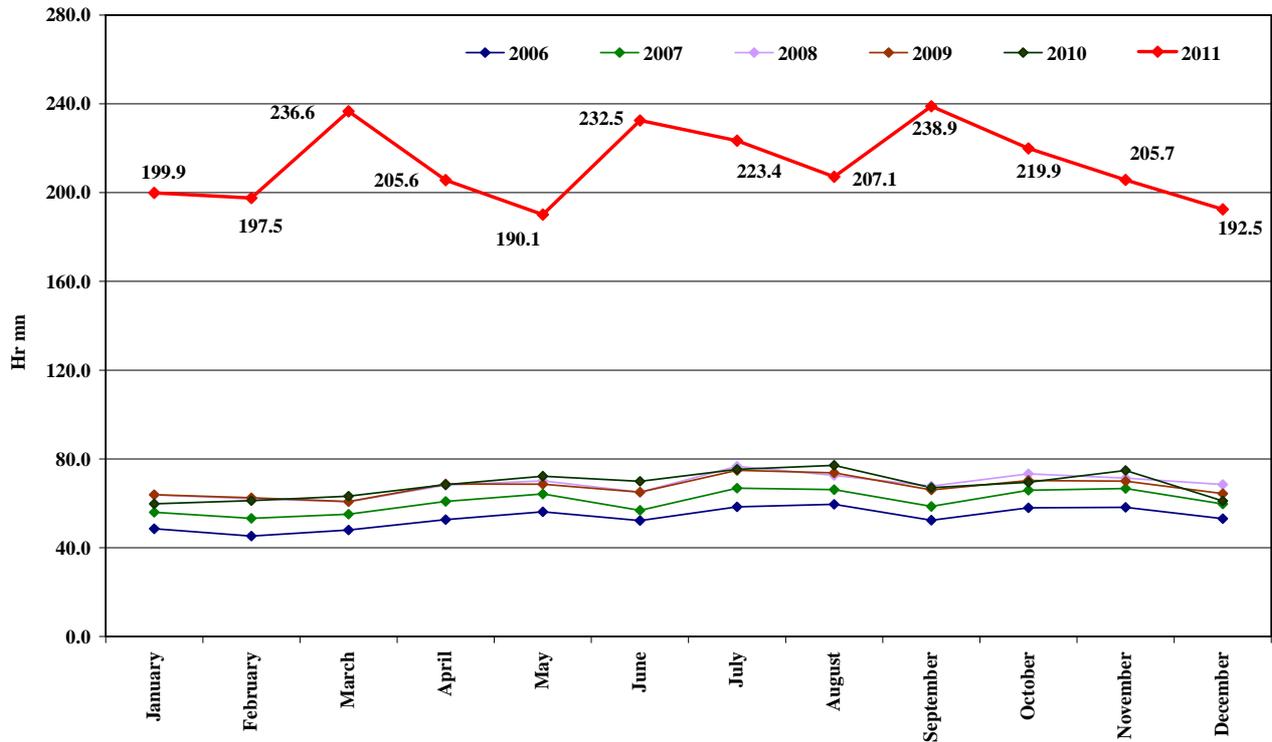


Fees for Special Use of Natural Resources Monthly Trends in 2006-2011



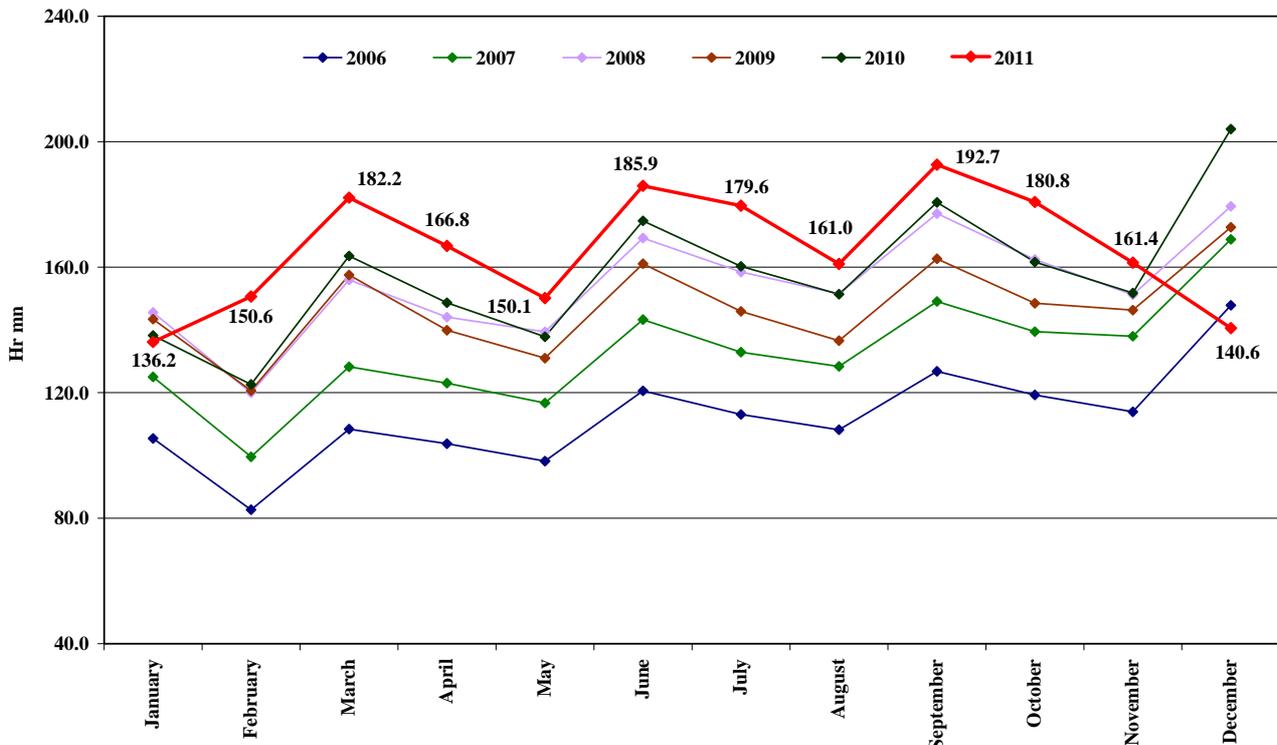
Graph 18

Local Taxes Monthly Trends in 2006-2011

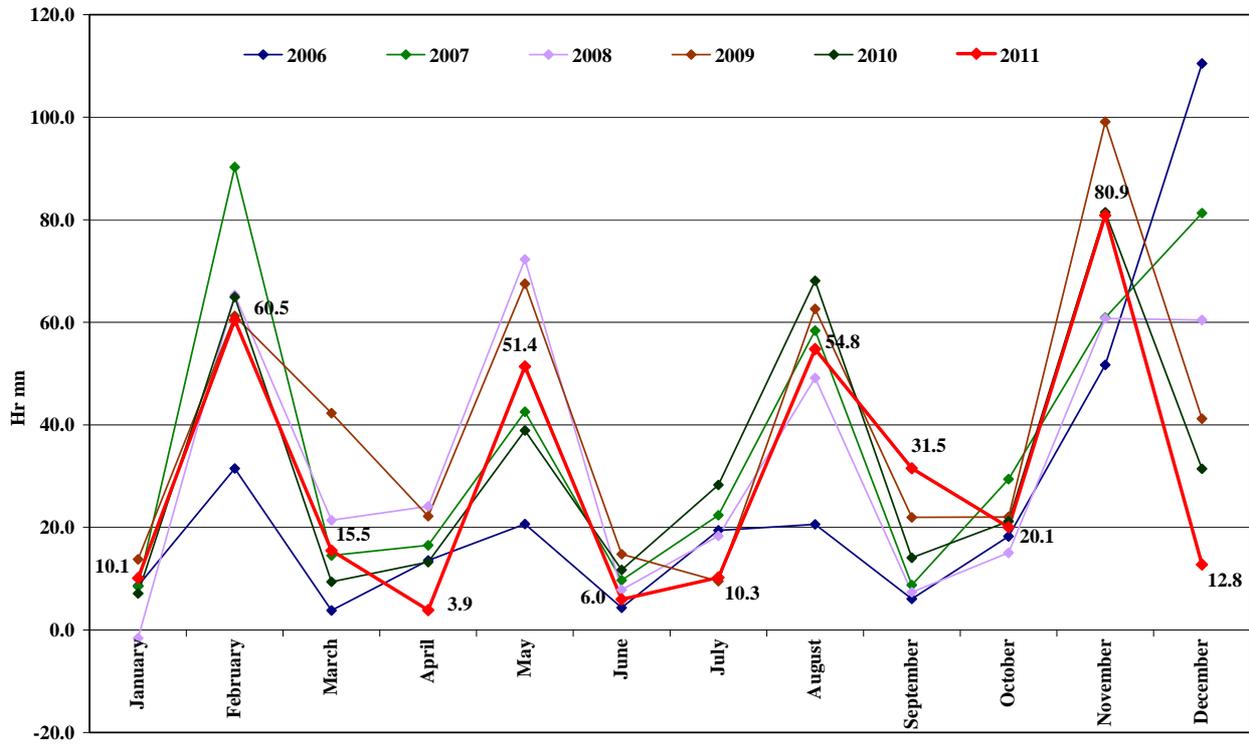


Graph 19

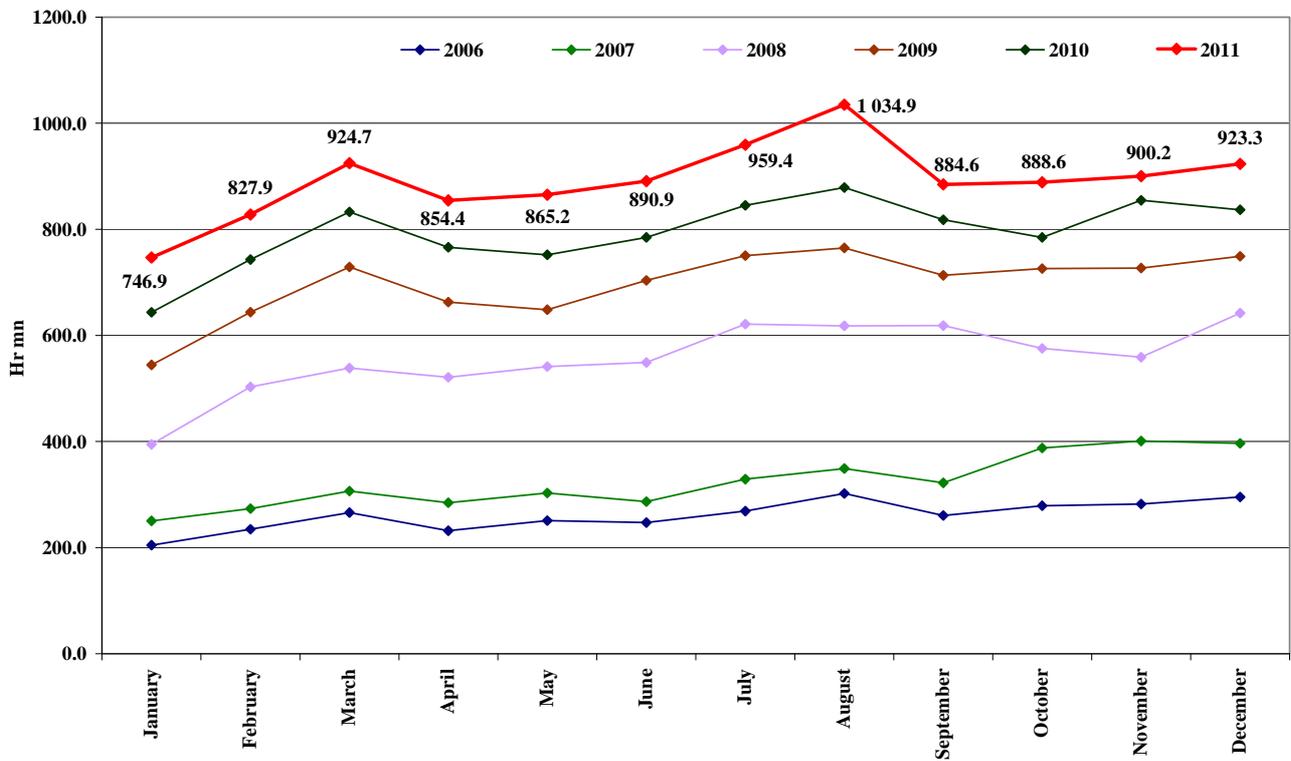
Presumptive Tax Monthly Trends in 2006-2011



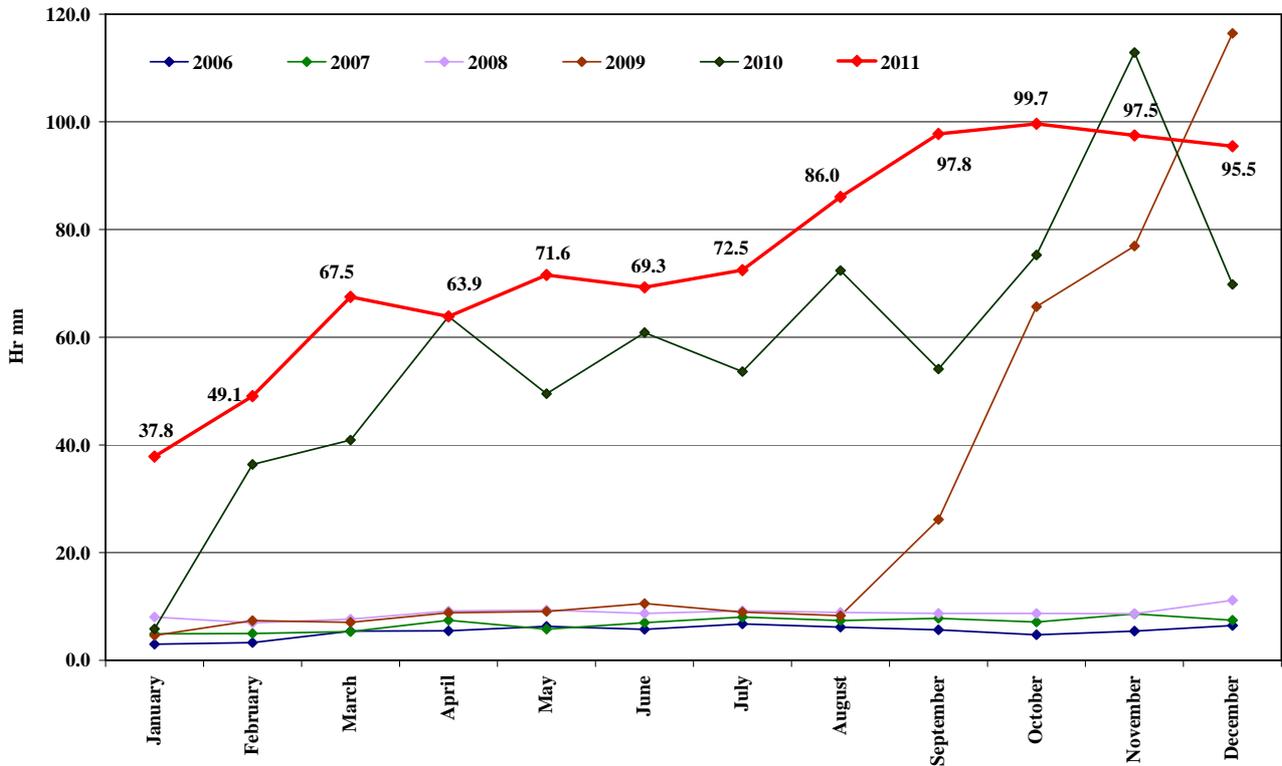
Tax on Profit of Municipal Enterprises Monthly Trends in 2006-2011



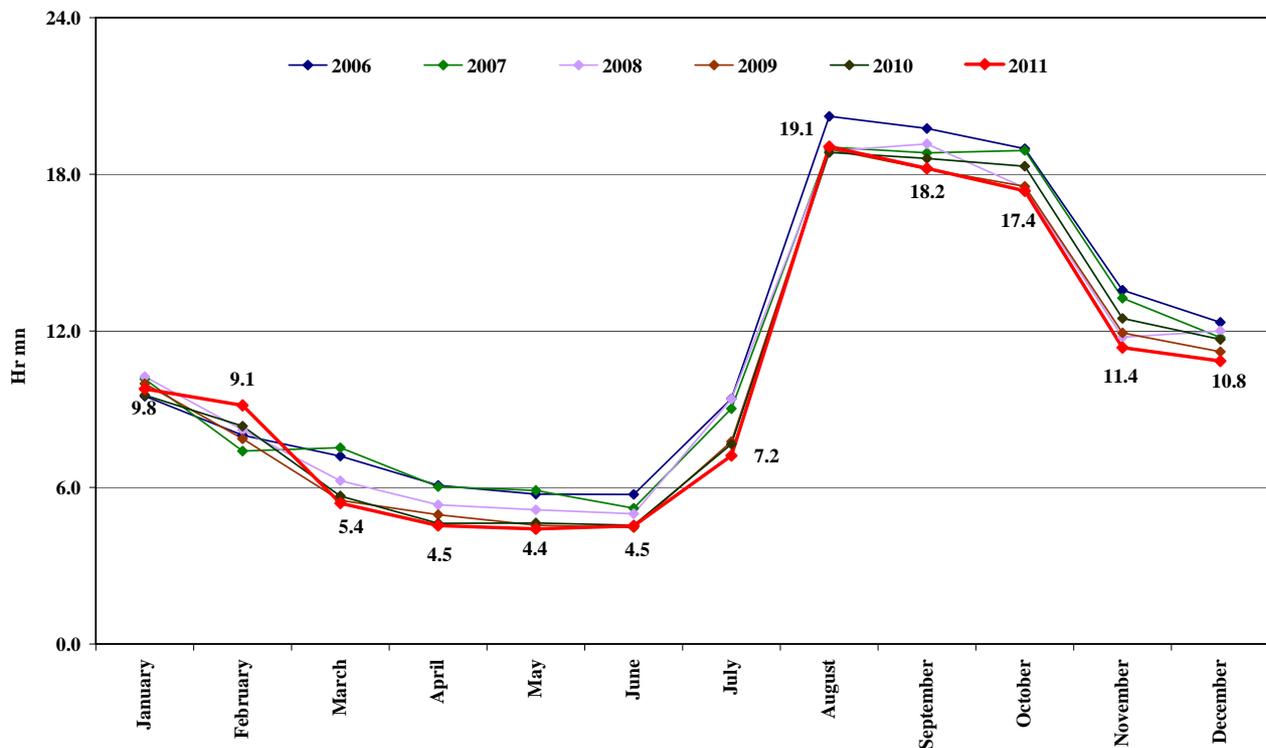
Land Tax Monthly Trends in 2006-2011



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

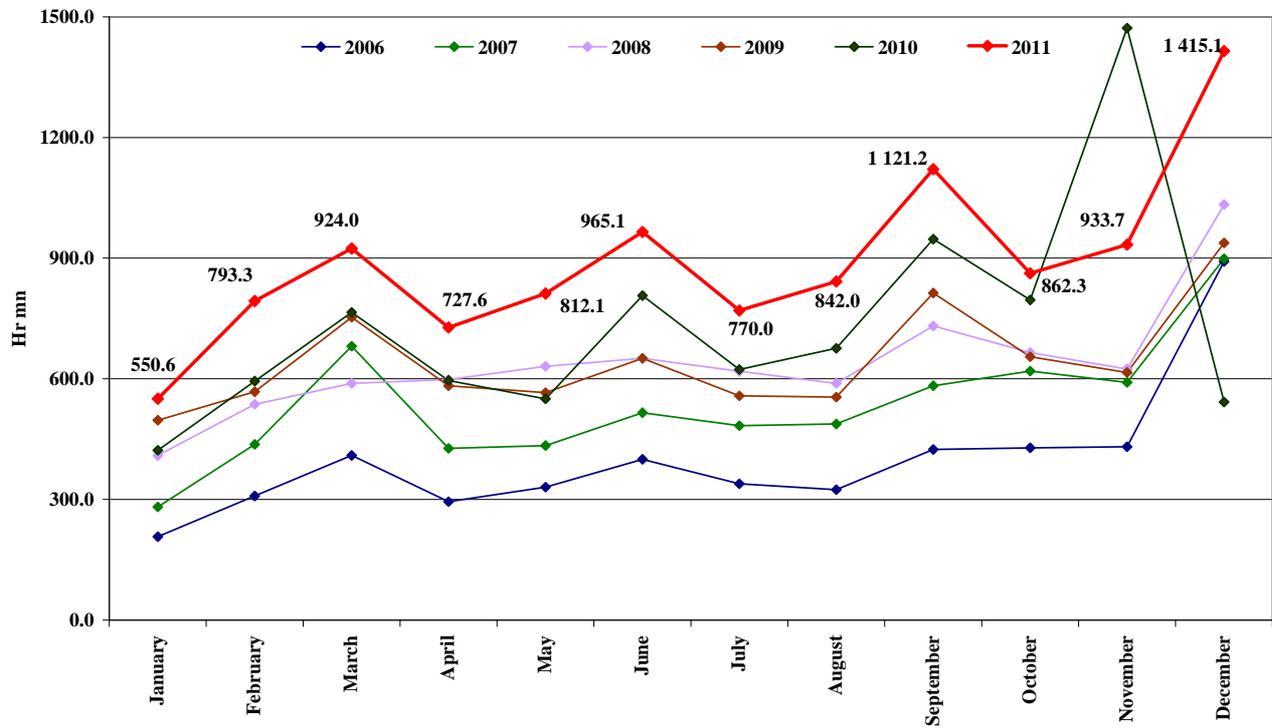
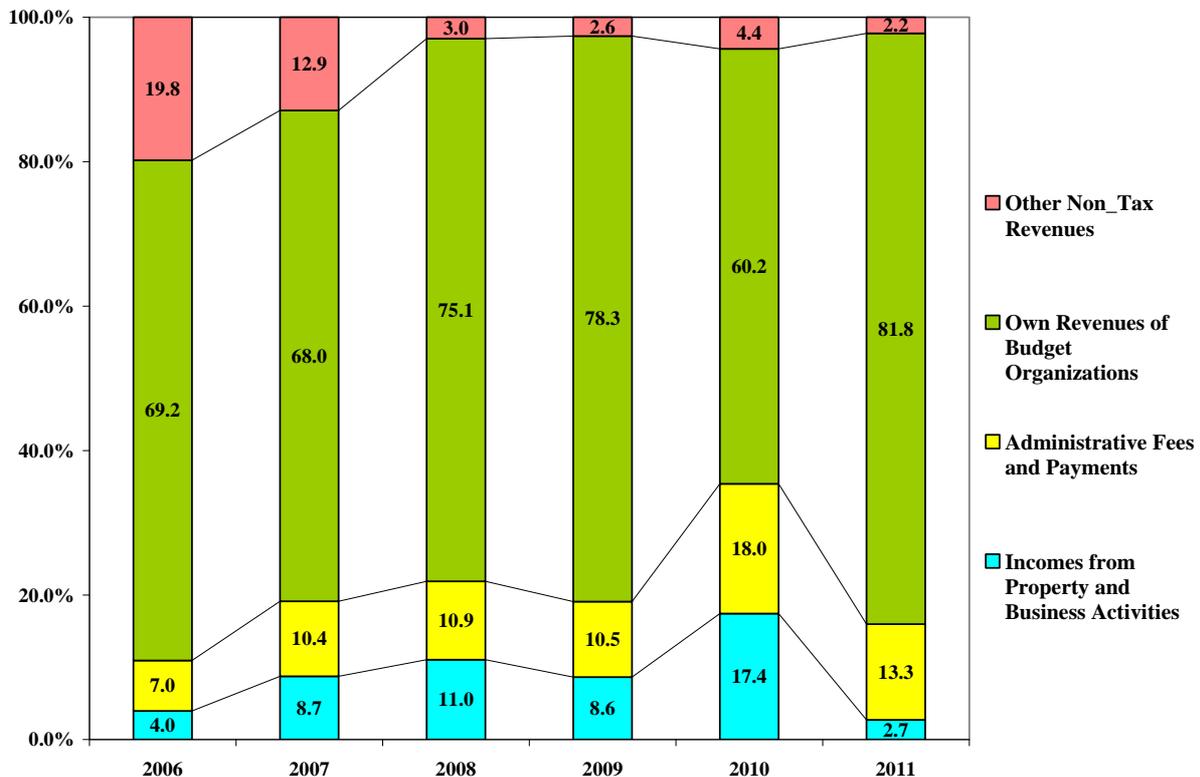
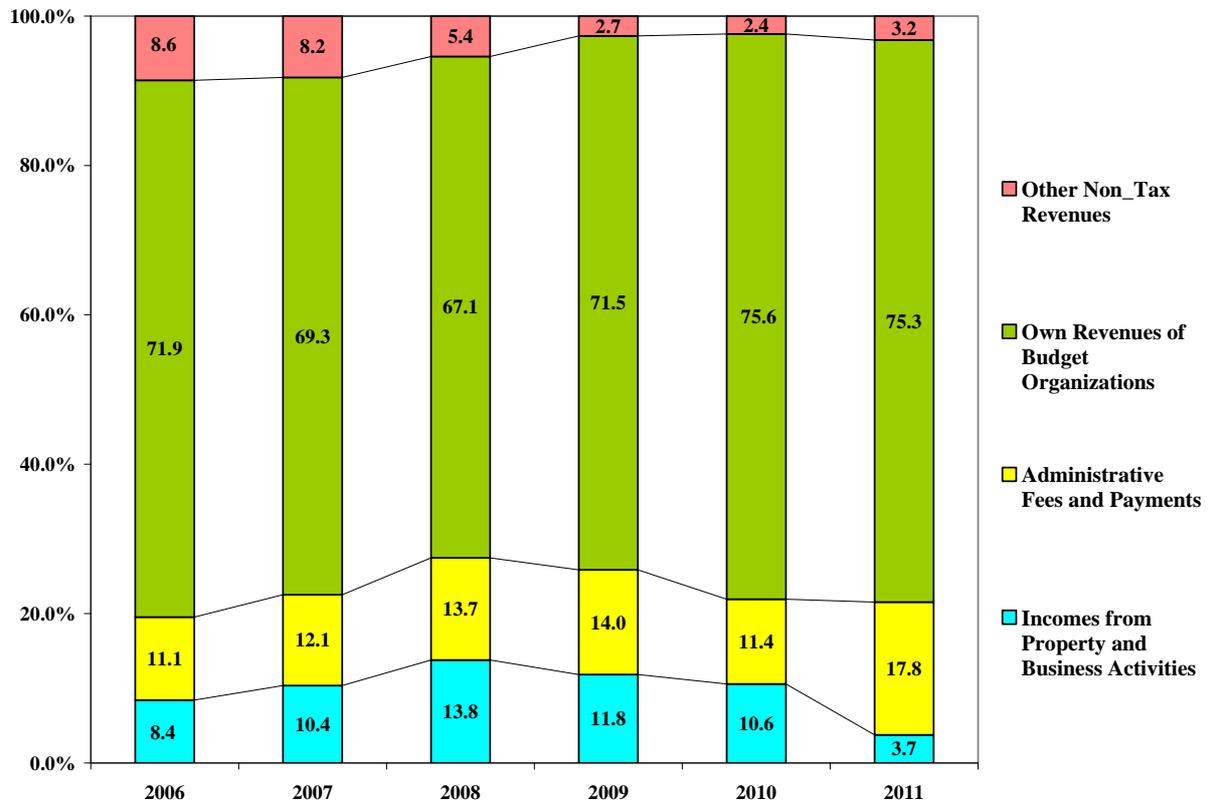


Diagram 9

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

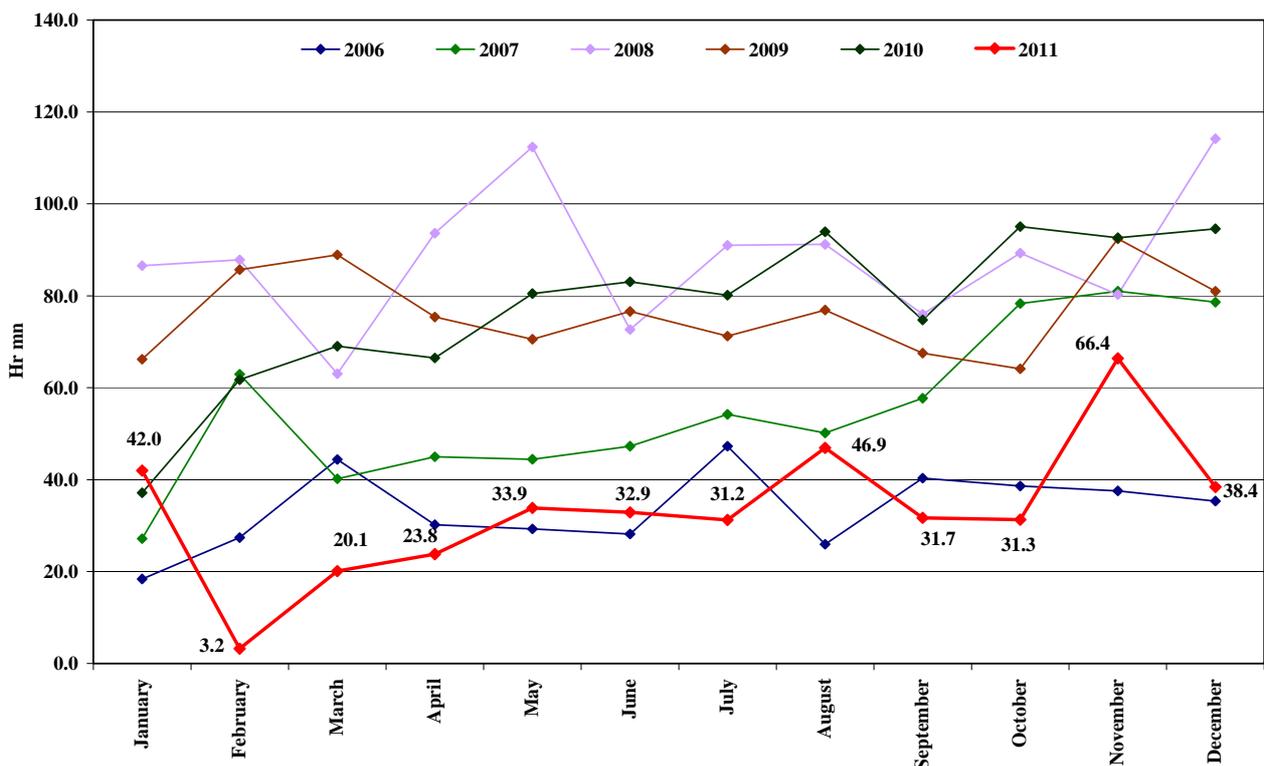


Structure of Local Budget Actual Non-tax Revenues in January-December 2006-2011



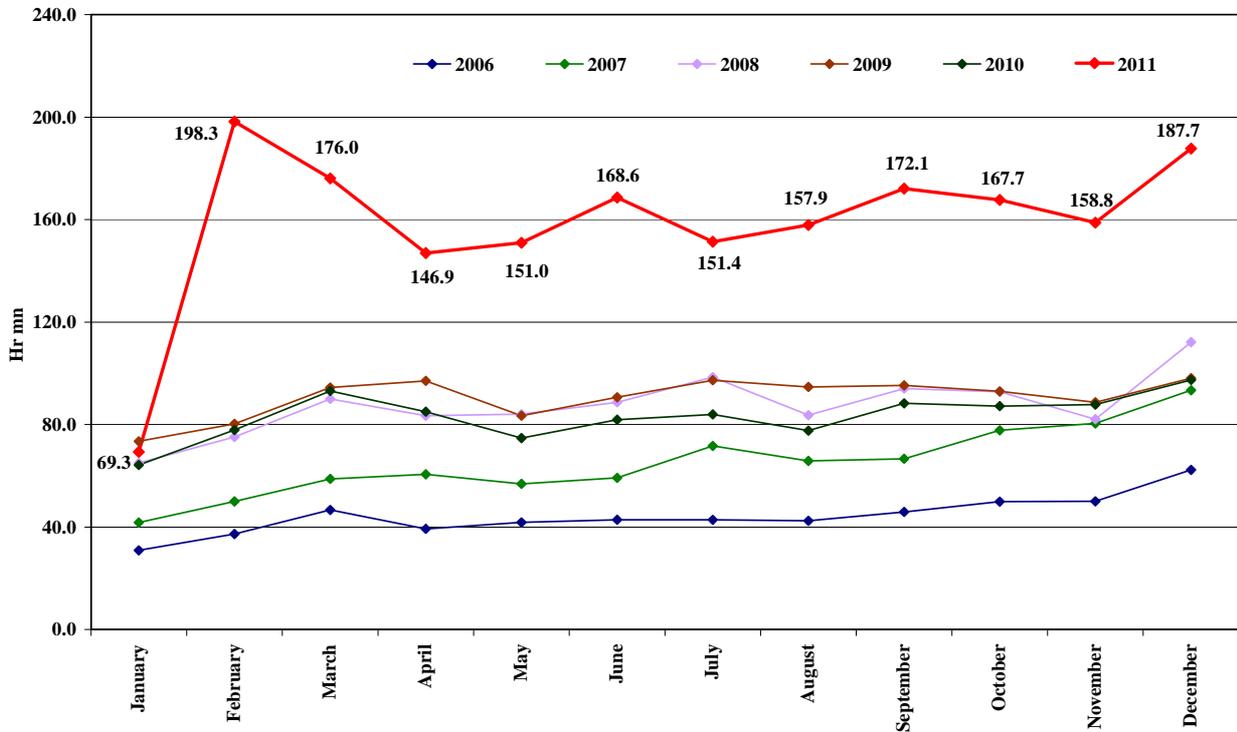
Graph 25

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



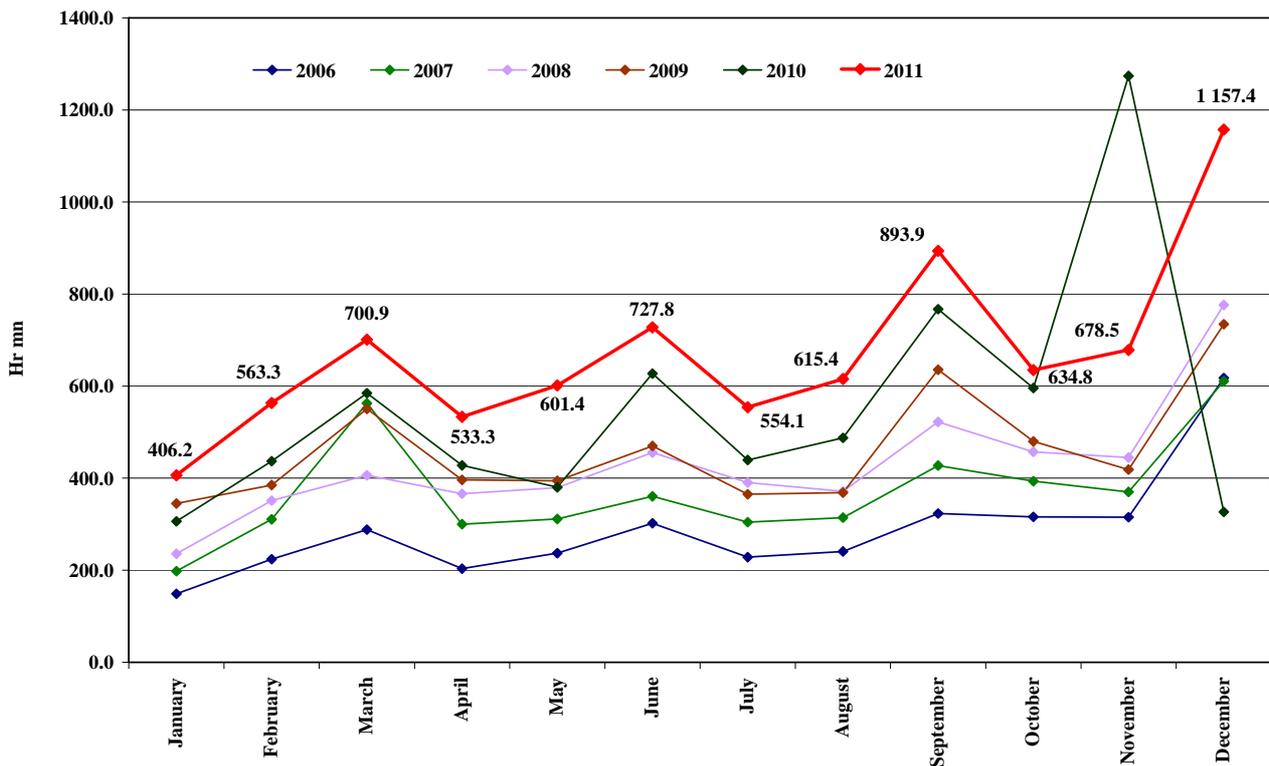
Graph 26

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



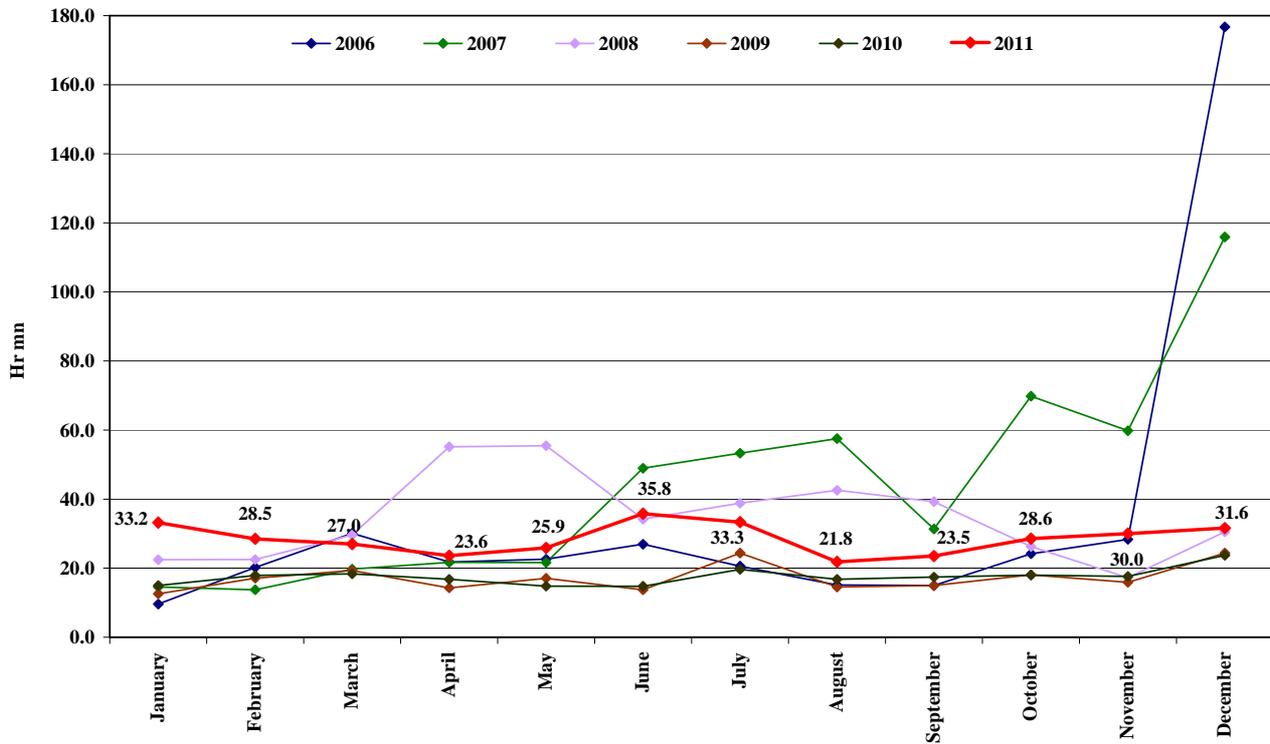
Graph 27

Budgetary Institutions Own Revenues Monthly Trends in 2006-2011



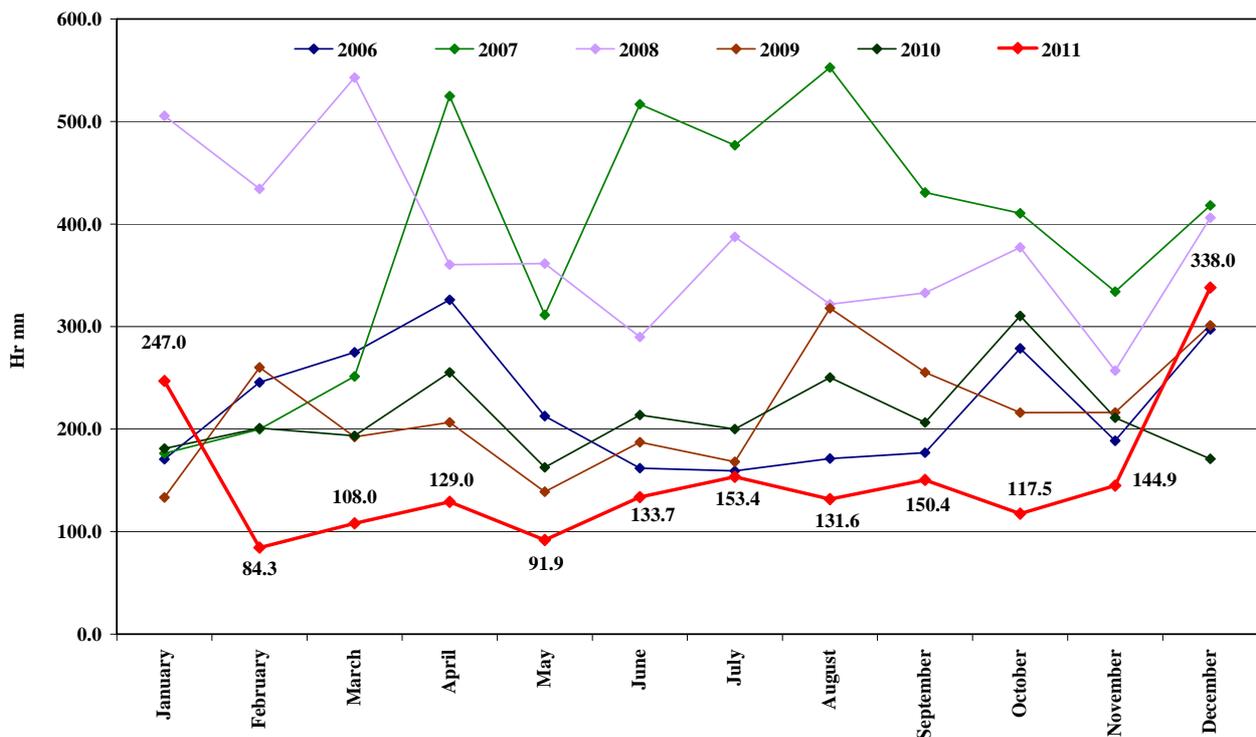
Graph 28

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



Graph 29

Revenues from Capital Transactions Monthly Trends in 2006-2011



State Budget Deficit

Diagram 11

Budget Deficit/Surplus Monthly Trends in 2006

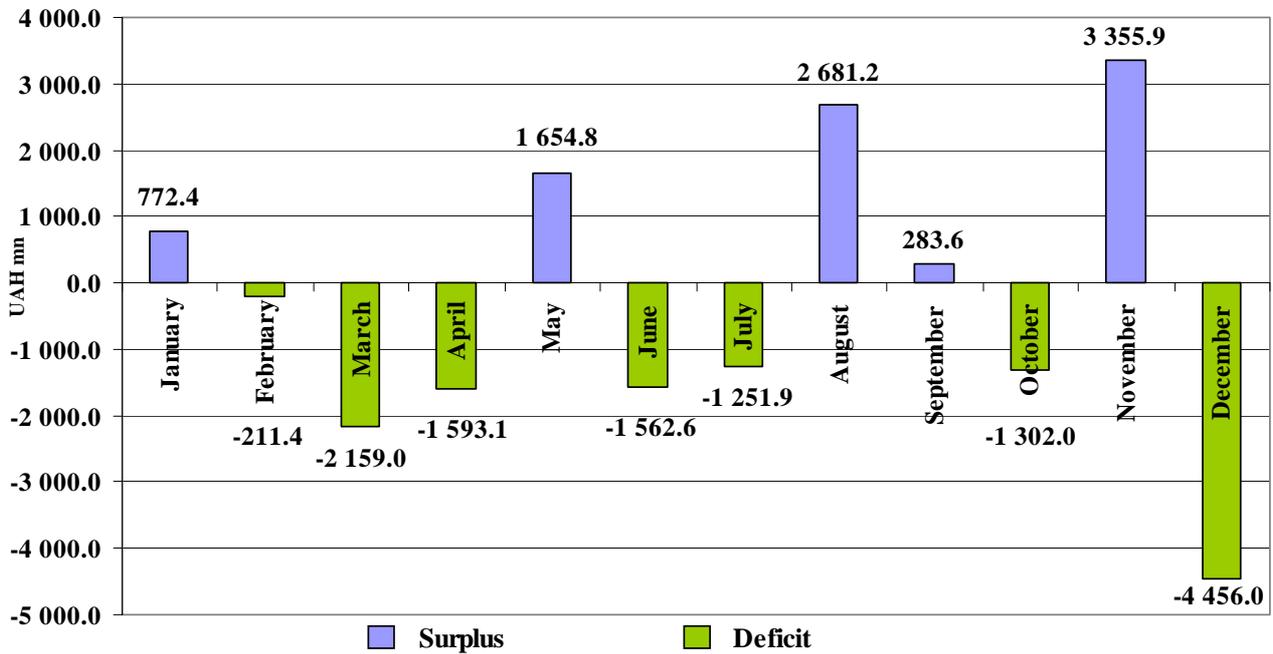


Diagram 12

Budget Deficit/Surplus Monthly Trends in 2007

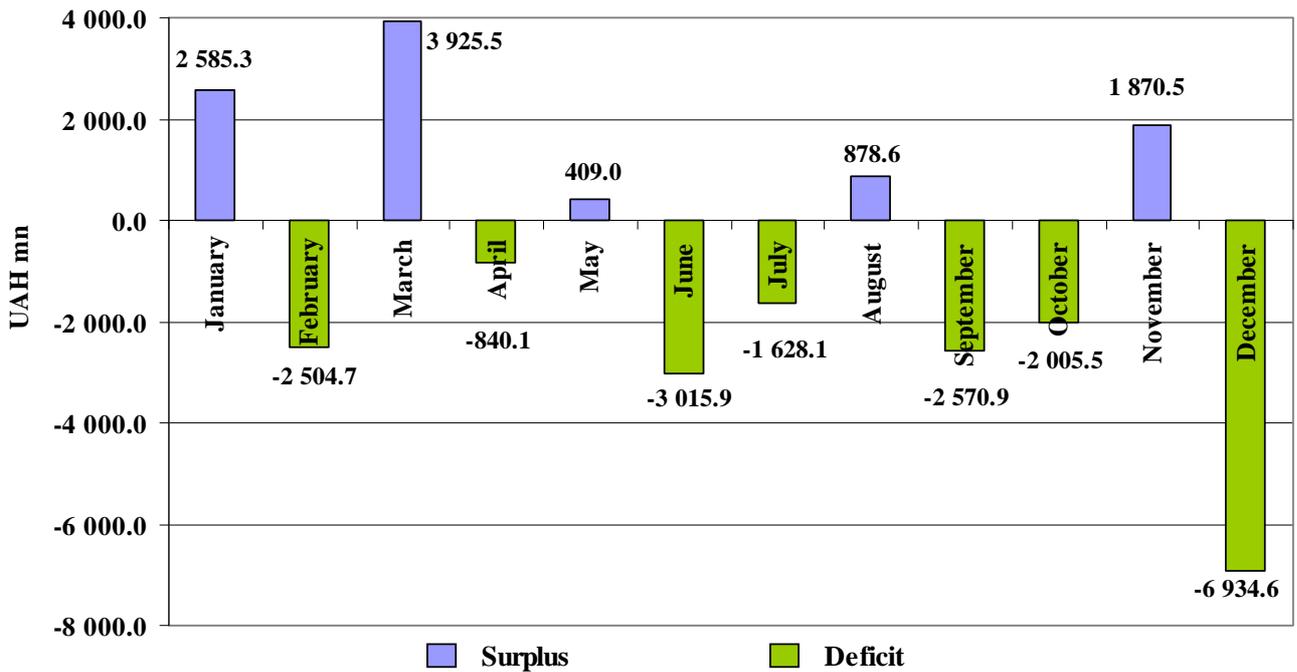


Diagram 13

Budget Deficit/Surplus Monthly Trends in 2008

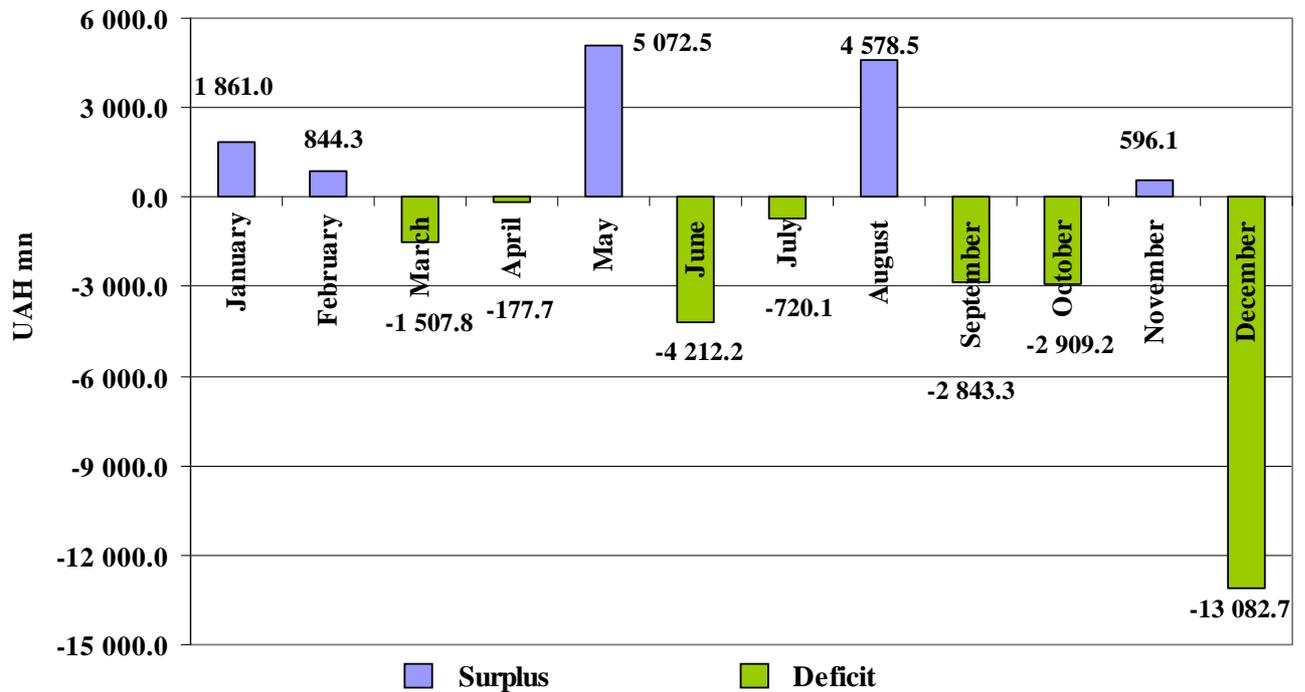


Diagram 14

Budget Deficit/Surplus Monthly Trends in 2009

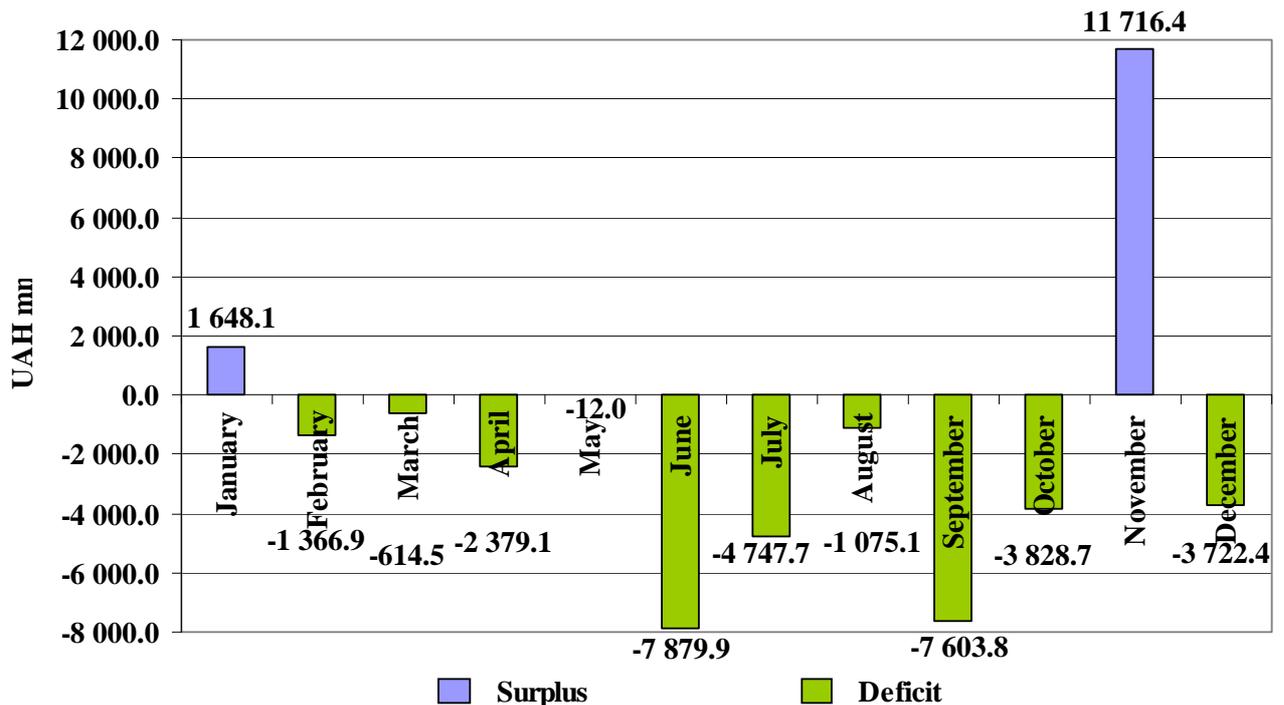


Diagram 15

Budget Deficit/Surplus Monthly Trends in 2010

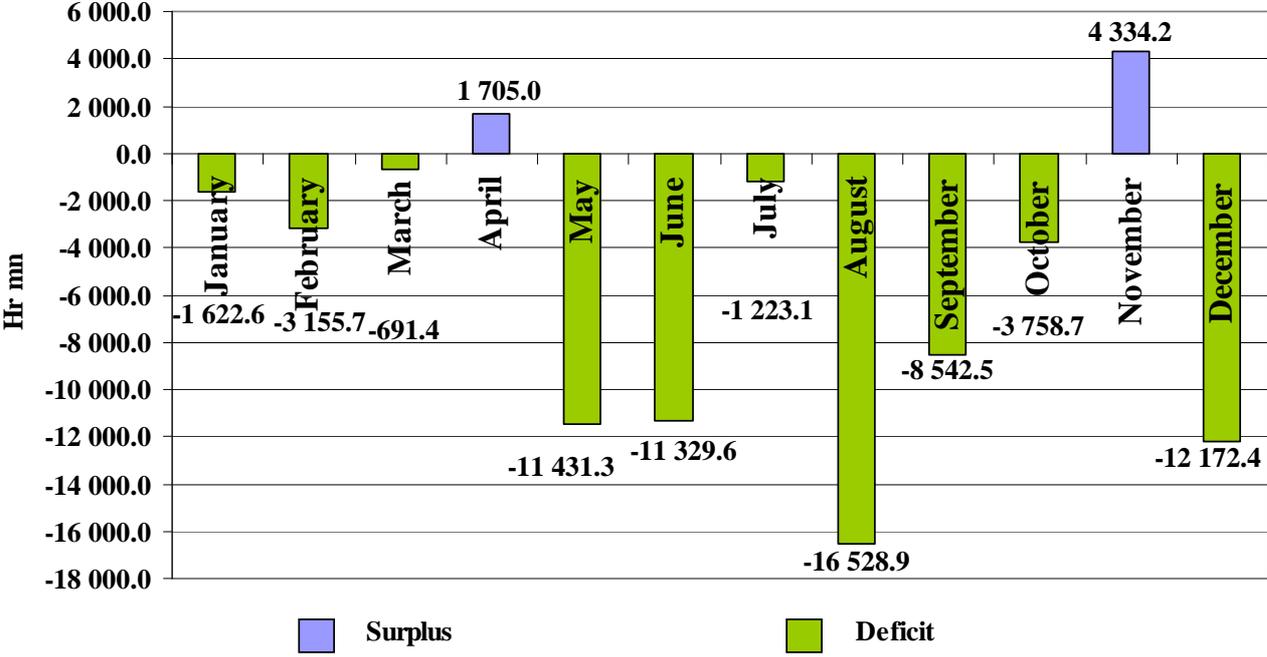
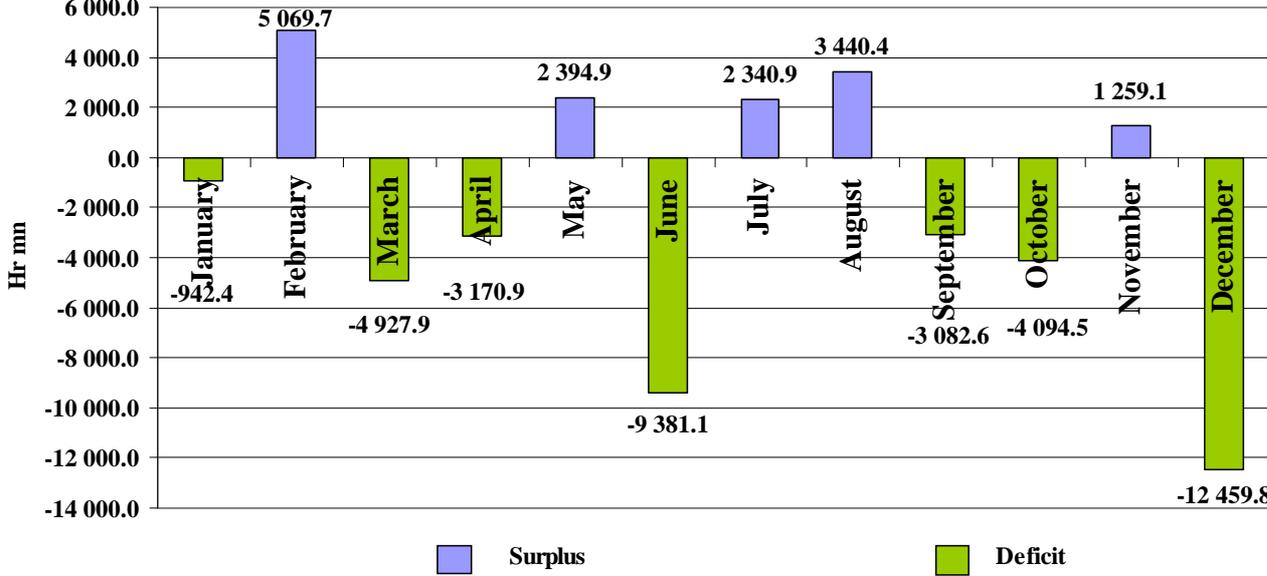


Diagram 16

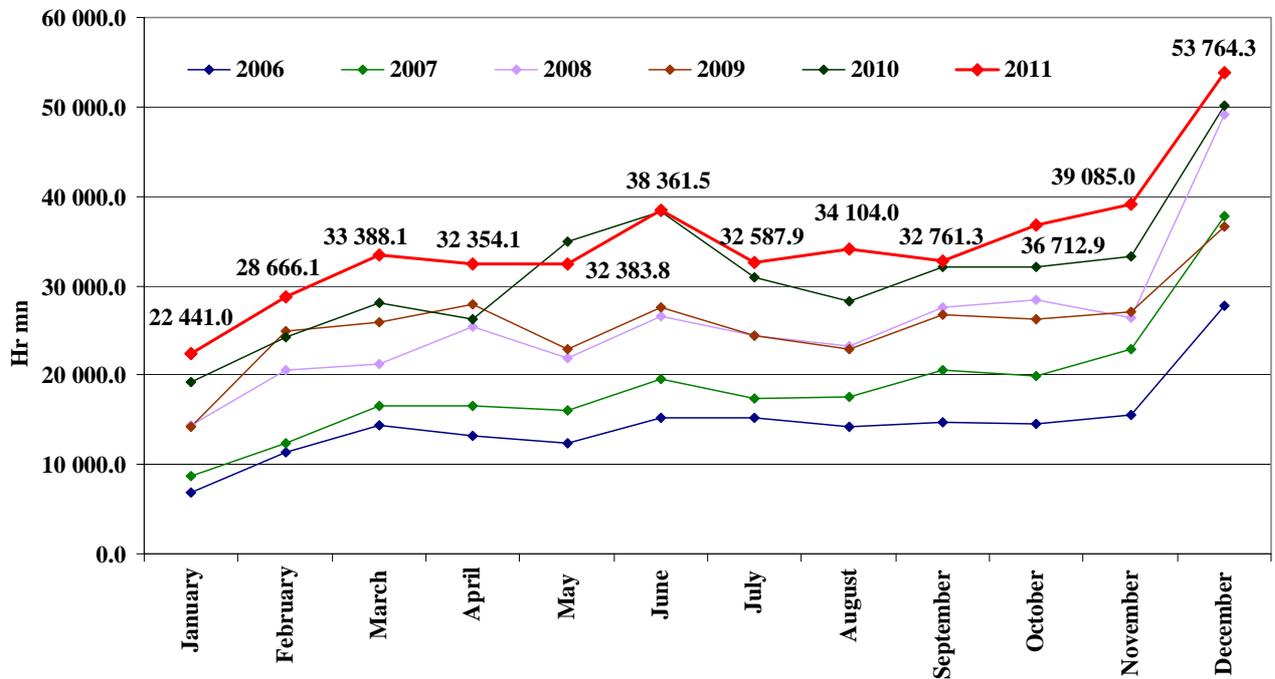
Budget Deficit/Surplus Monthly Trends in 2011



Consolidated Budget Expenditures

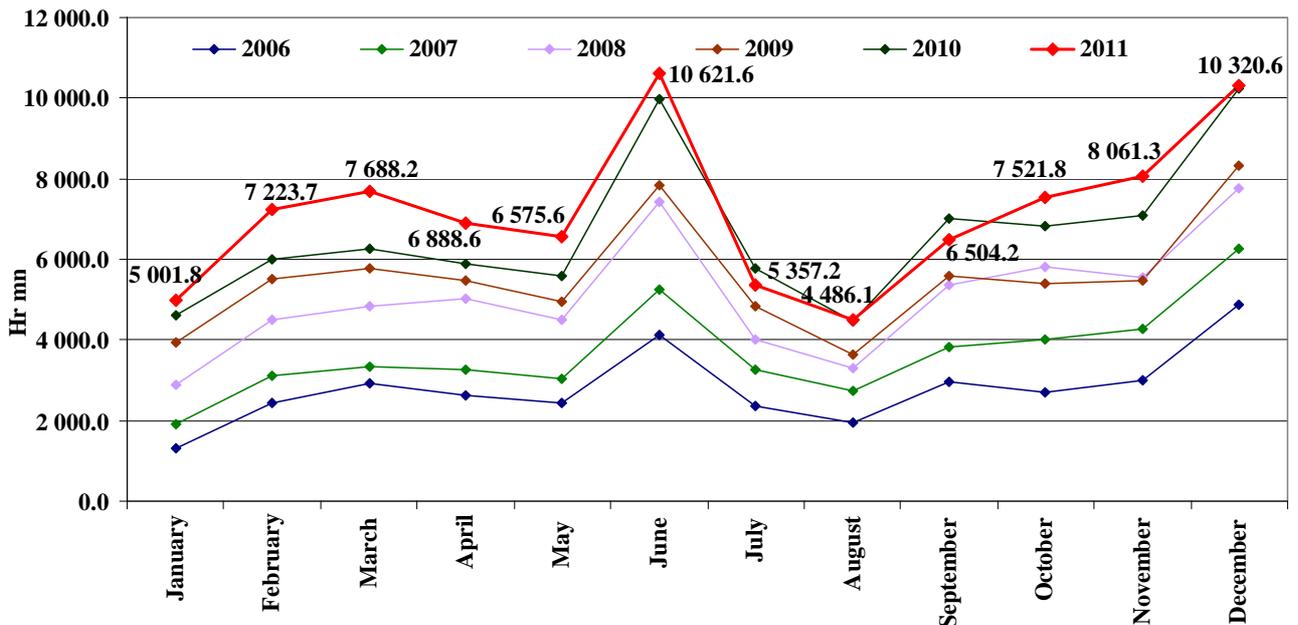
Graph 30

Consolidated Budget Expenditures Monthly Trends in 2006-2011



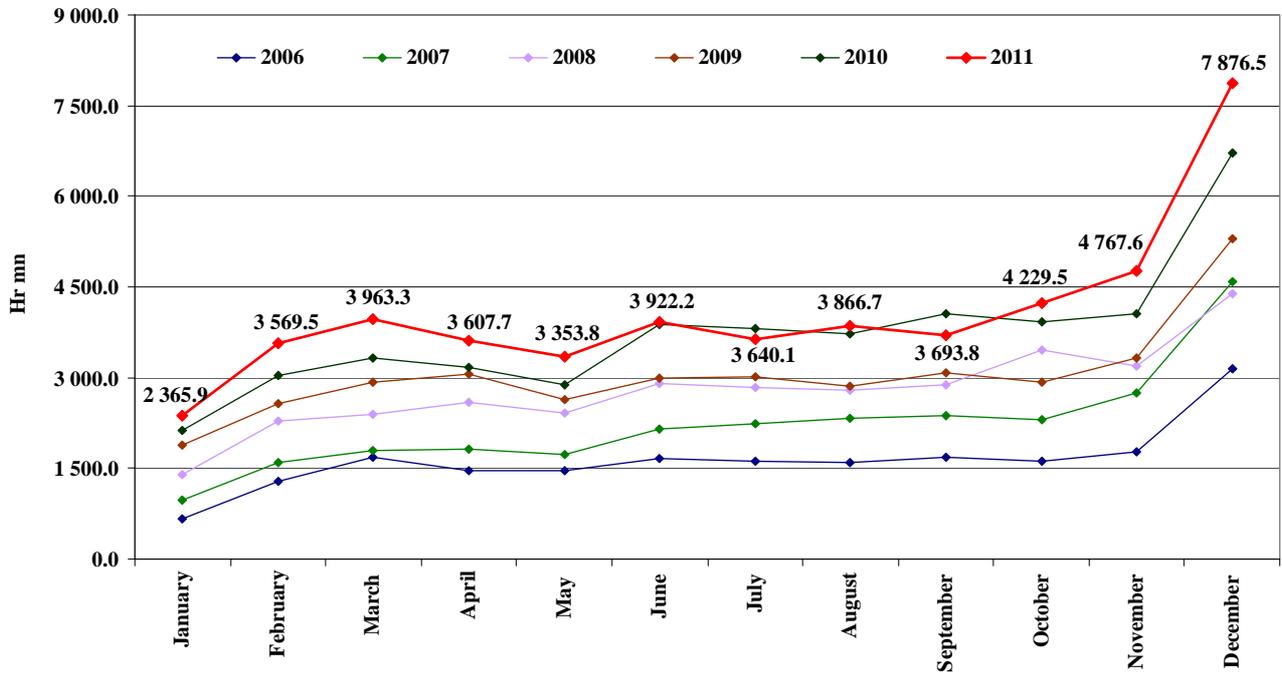
Graph 31

Consolidated Budget Education Expenditures Monthly Trends in 2006-2011



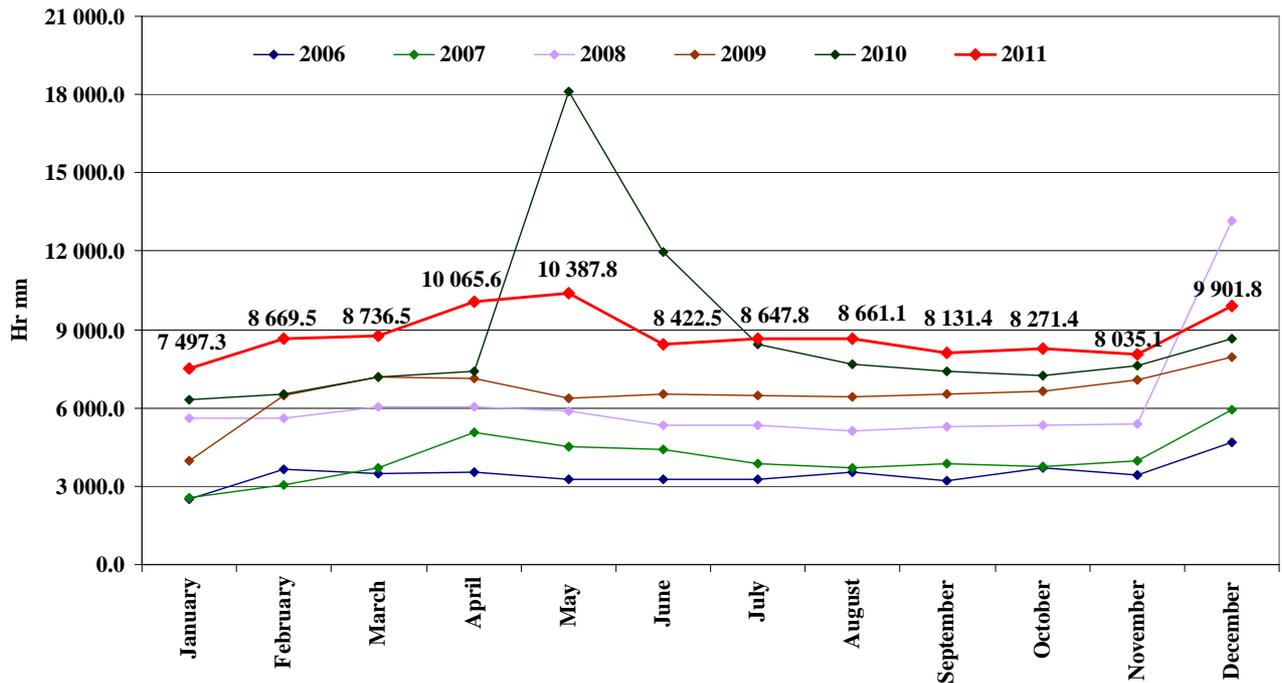
Graph 32

Consolidated Budget Health Expenditures Monthly Trends in 2006-2011



Graph 33

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



Graph 34

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

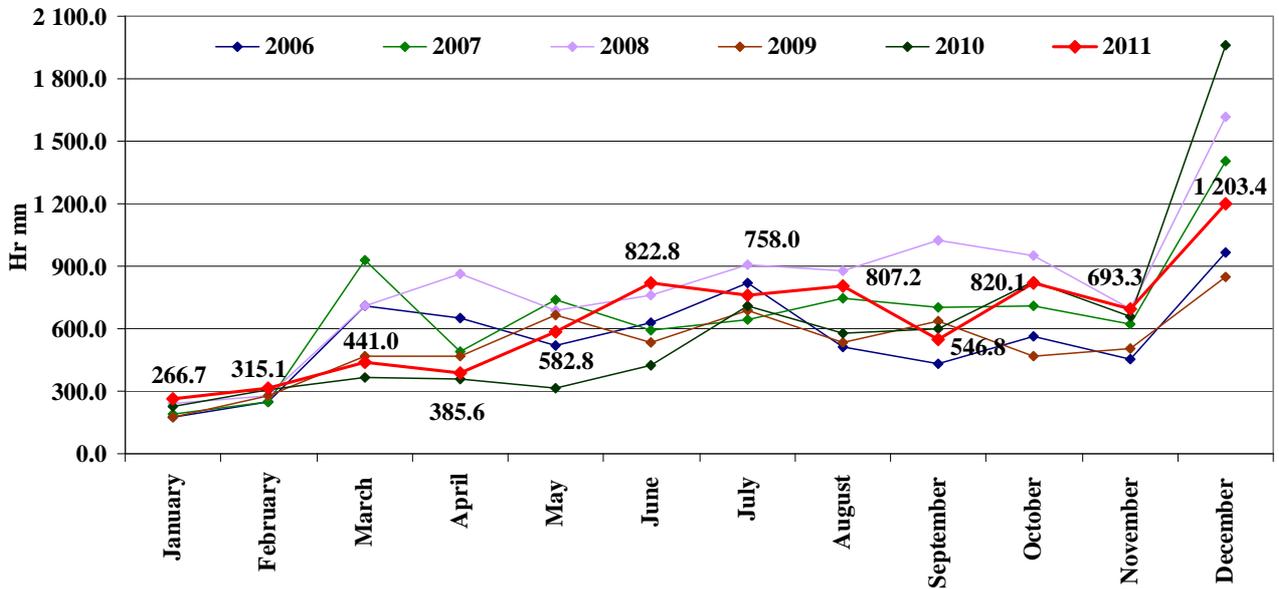
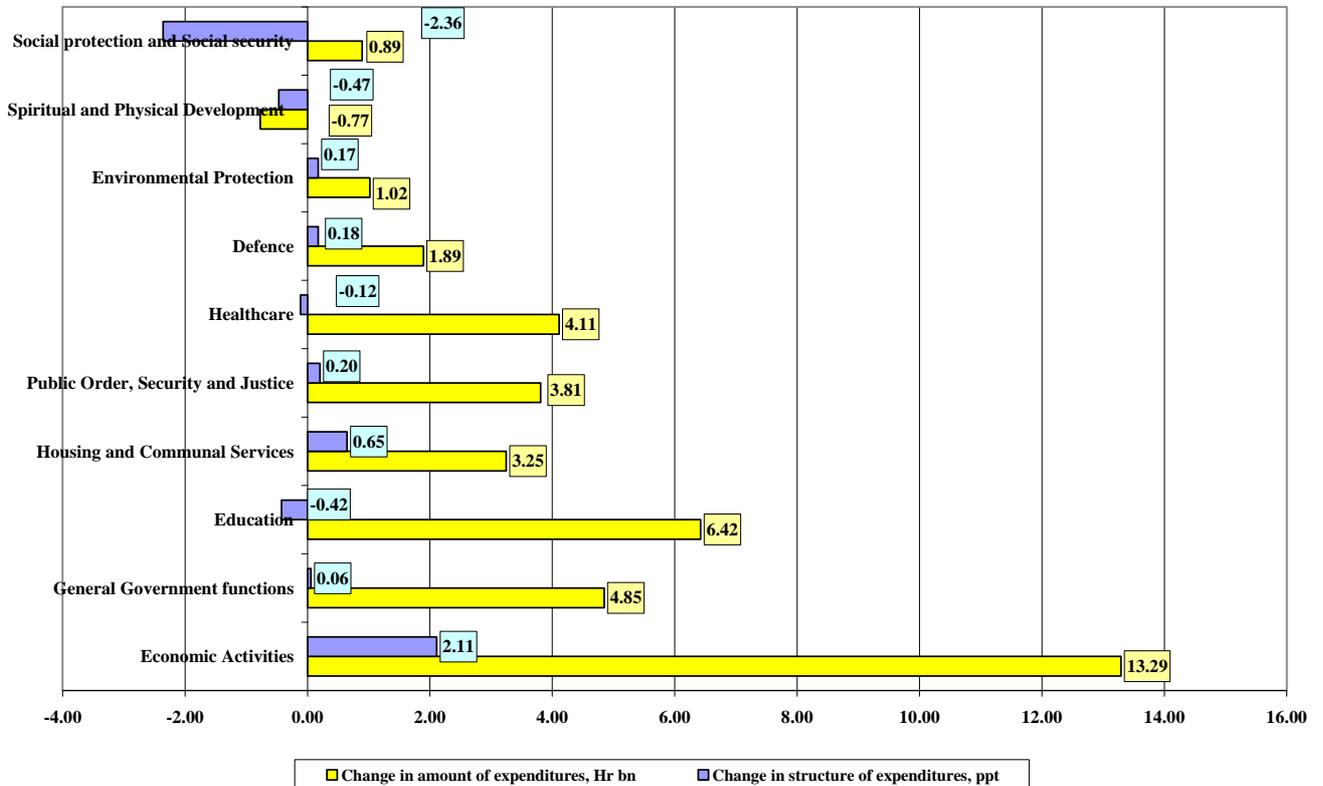


Diagram 17

Change in Amount and Structure of Consolidated Budget Expenditures in January-November 2011 Compared to Respective Period of 2010



State Budget Expenditures

Diagram 18

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

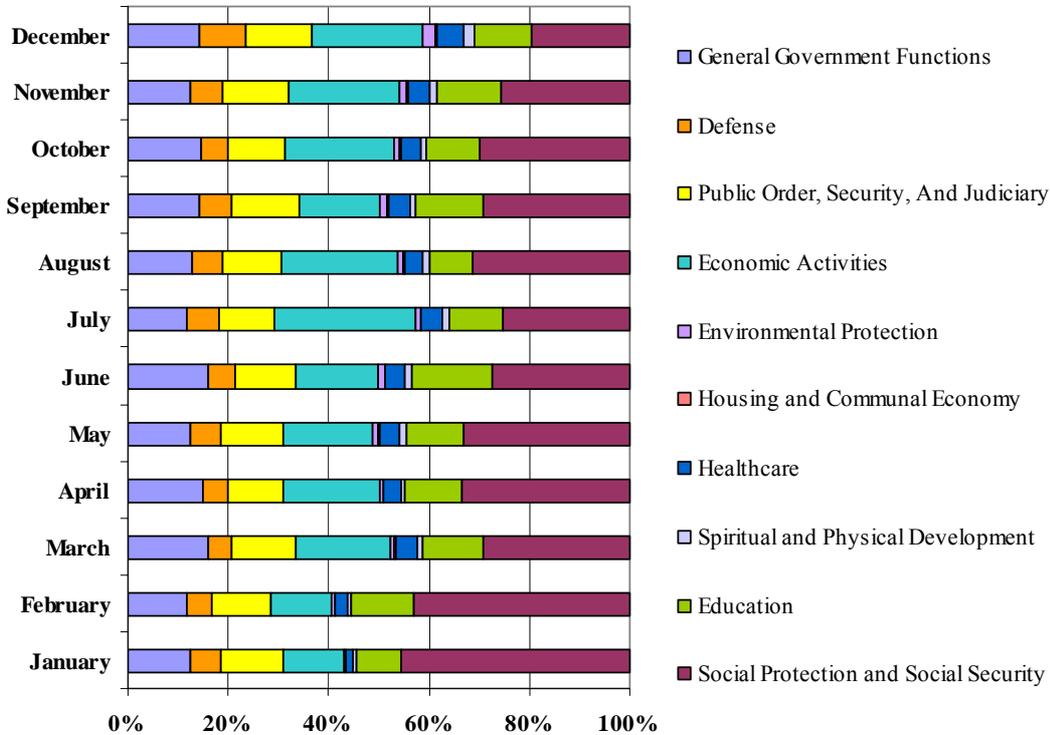


Diagram 19

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

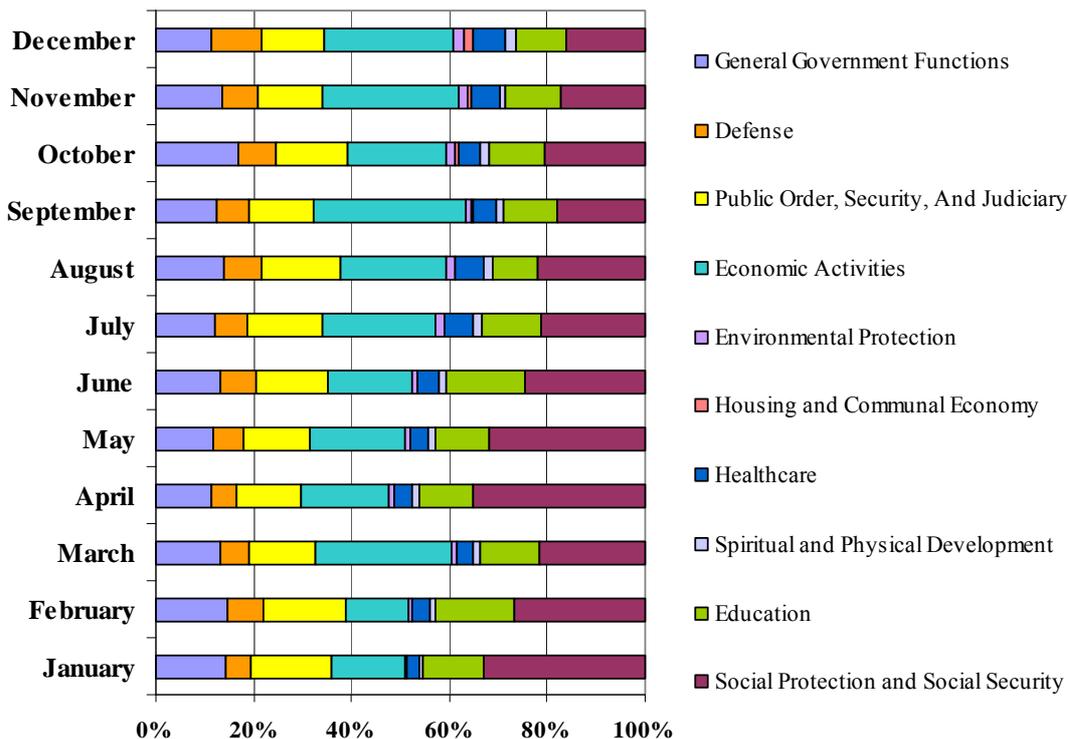


Diagram 20

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

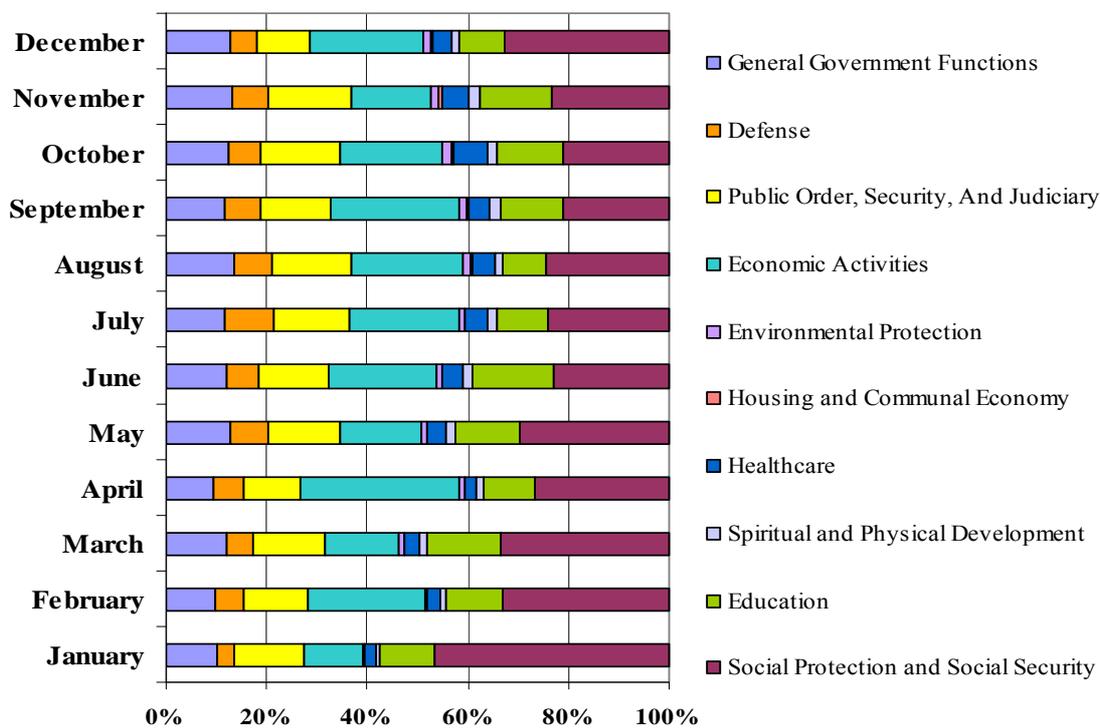


Diagram 21

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

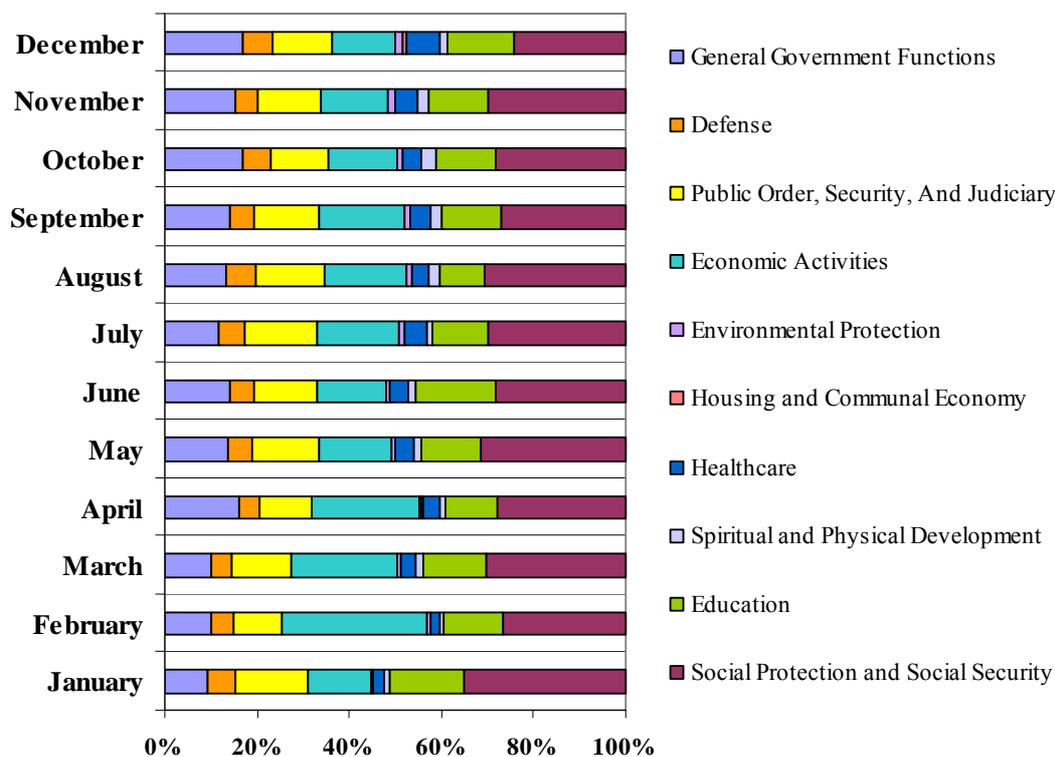


Diagram 22

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

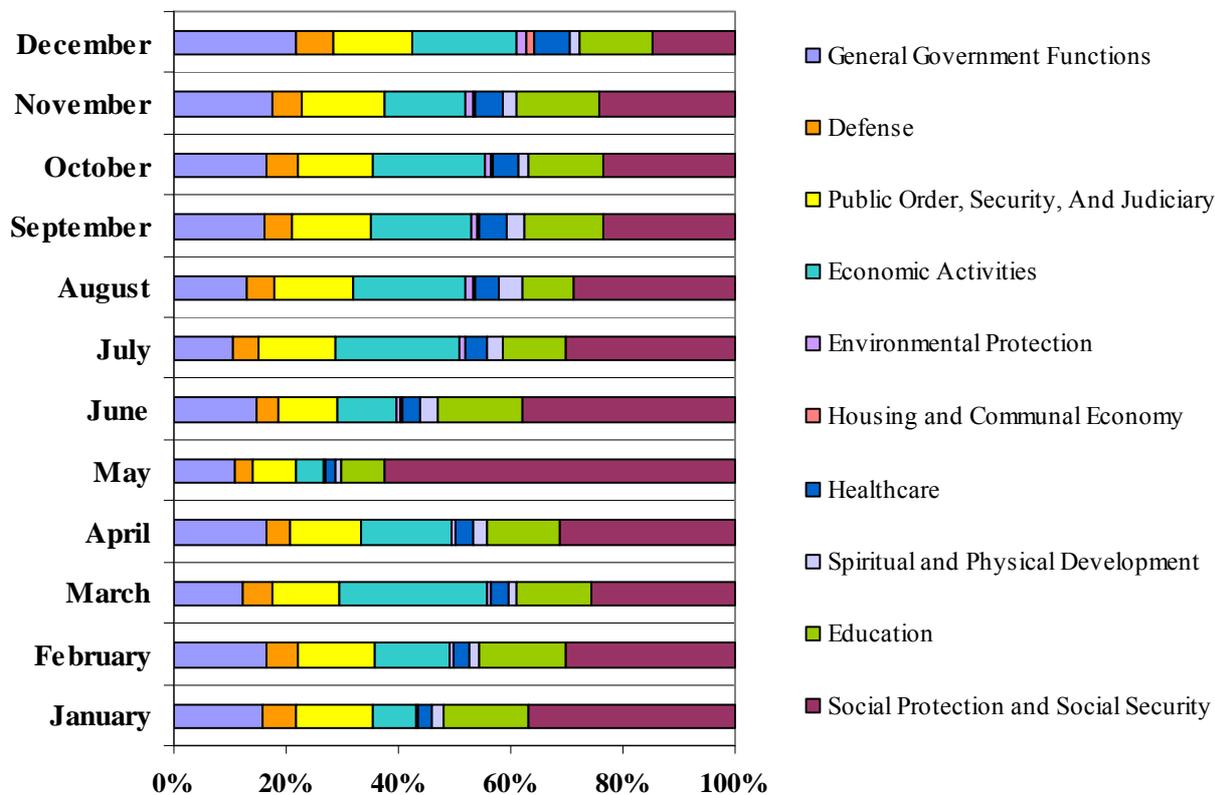
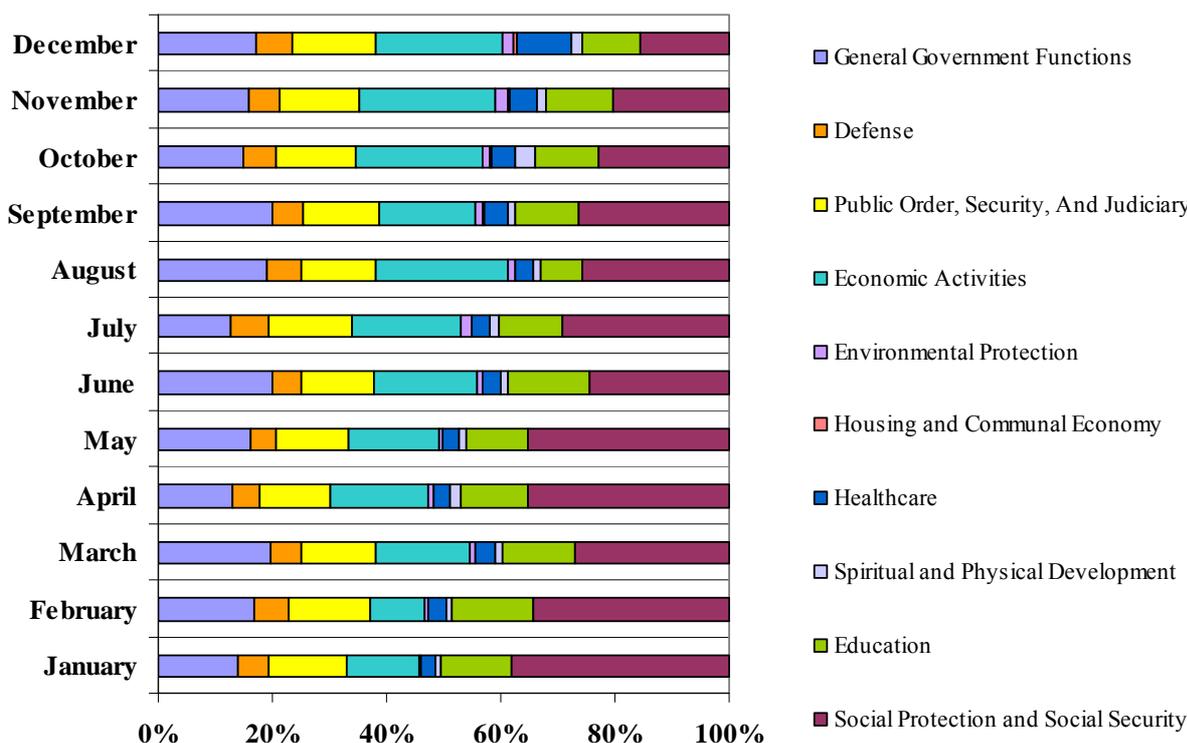


Diagram 23

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



Monthly Trends of State Budget Expenditures in 2006-2011

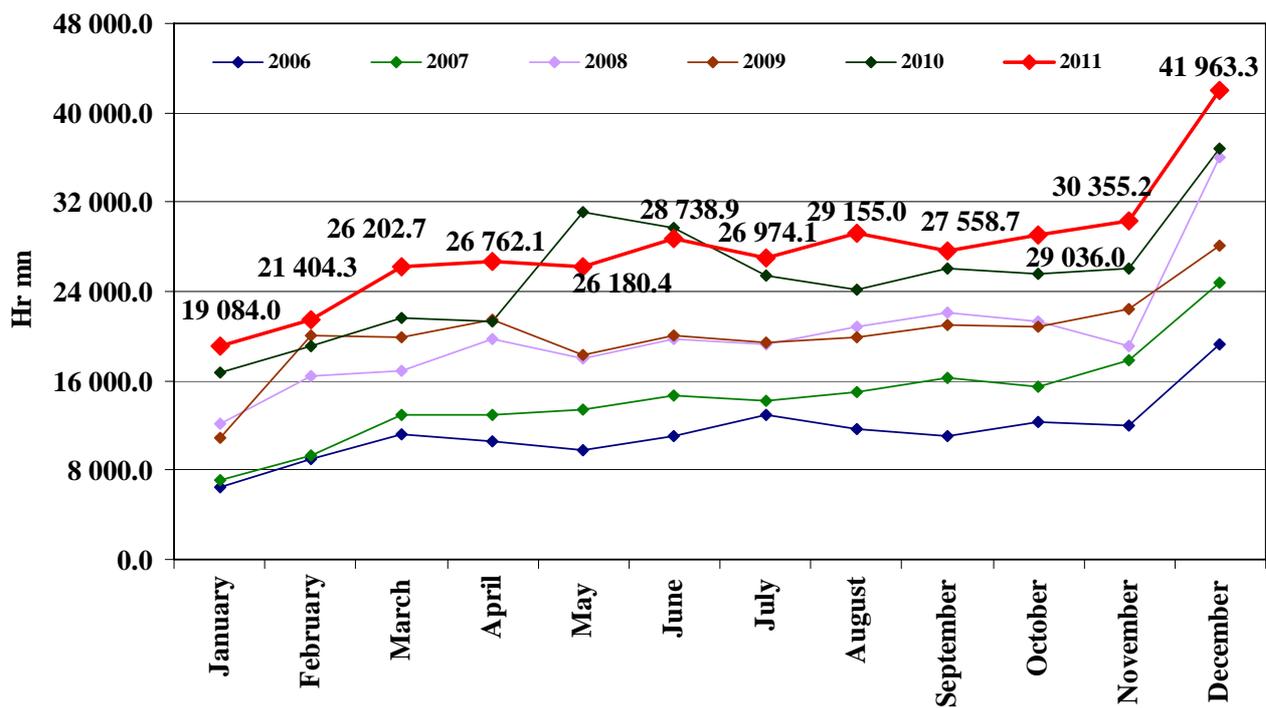
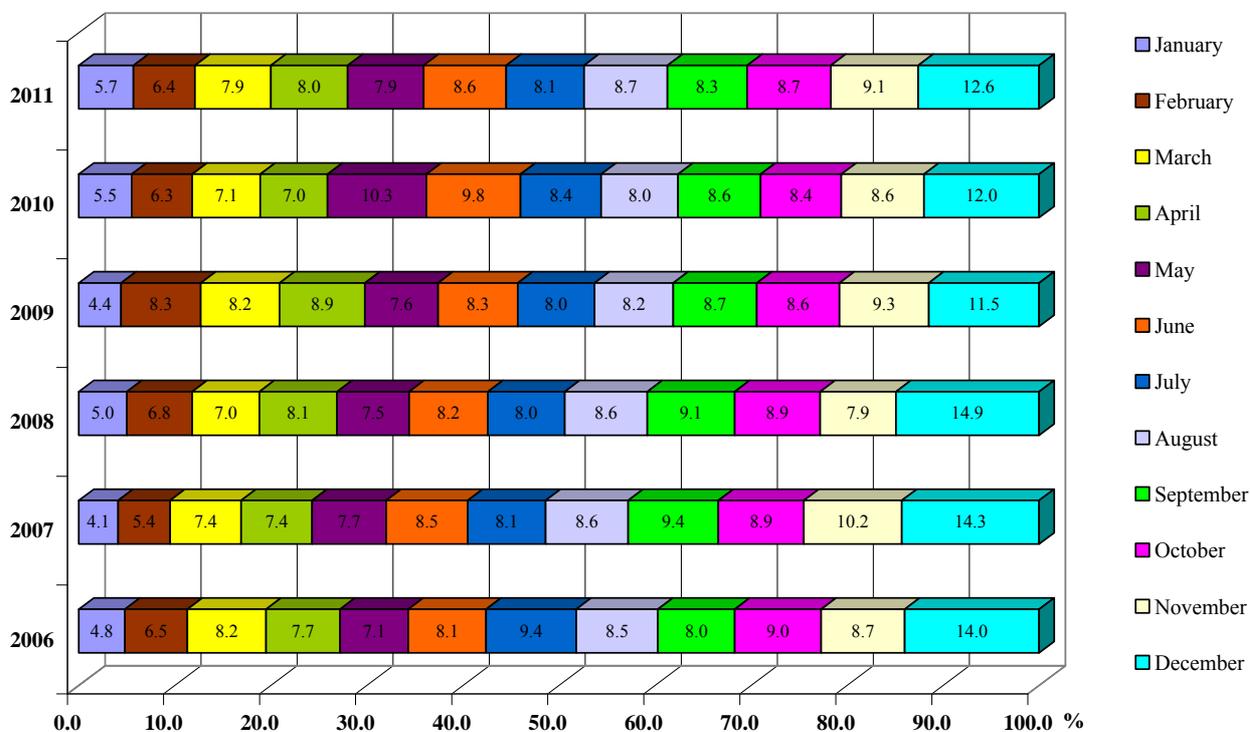
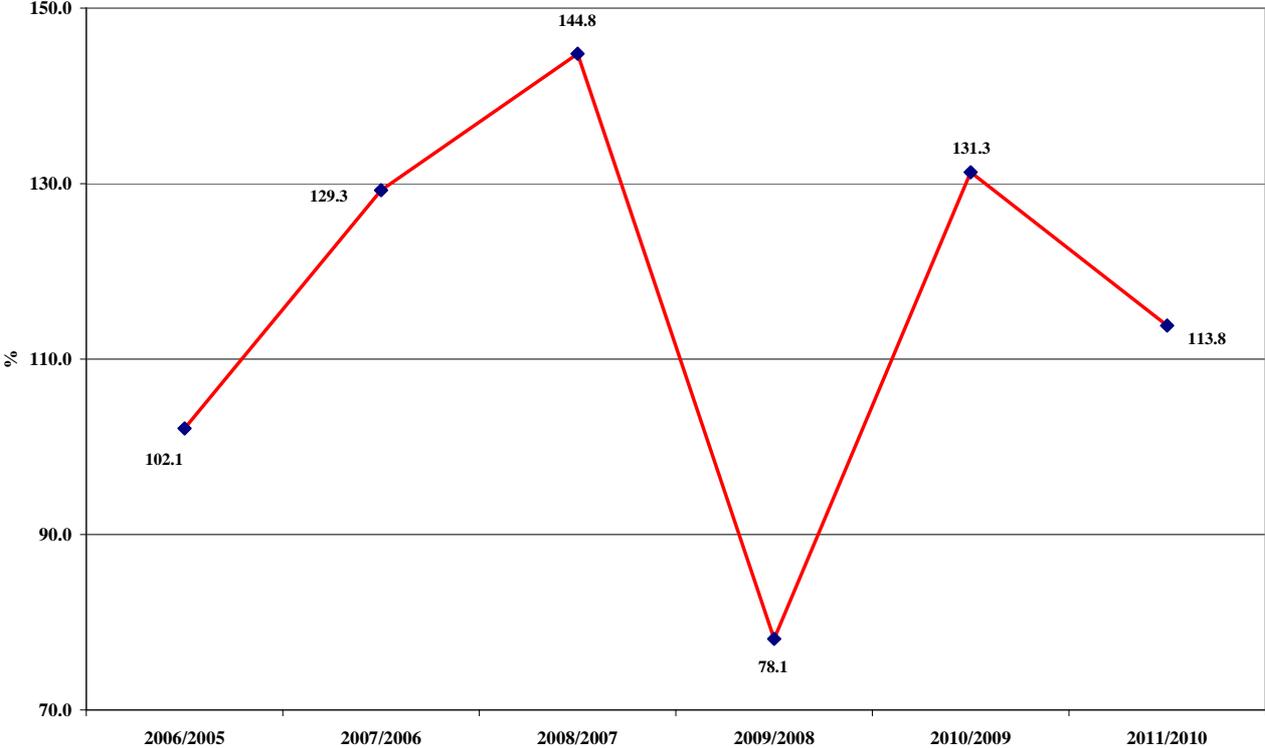


Diagram 24

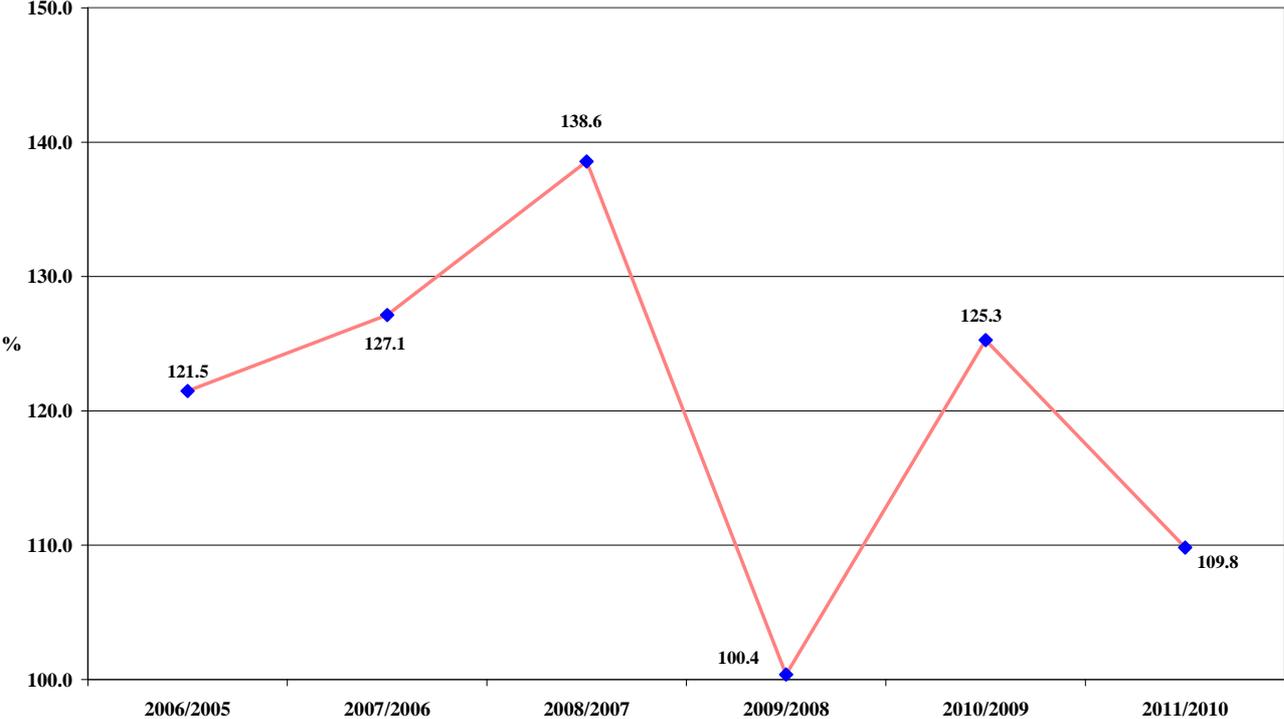
Dynamics of the Share of Ukraine's State Budget Total Expenditures in Annual Amounts in 2006-2011



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

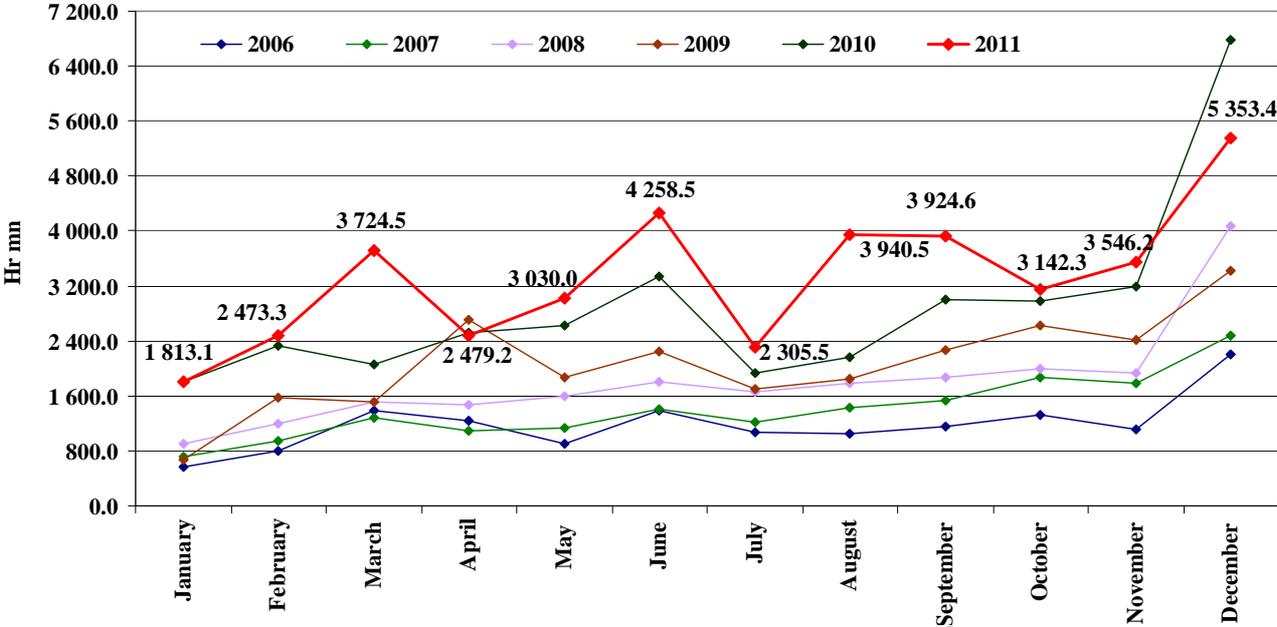


Growth Rates of Ukraine's State Budget Expenditures in January-December 2005-2010



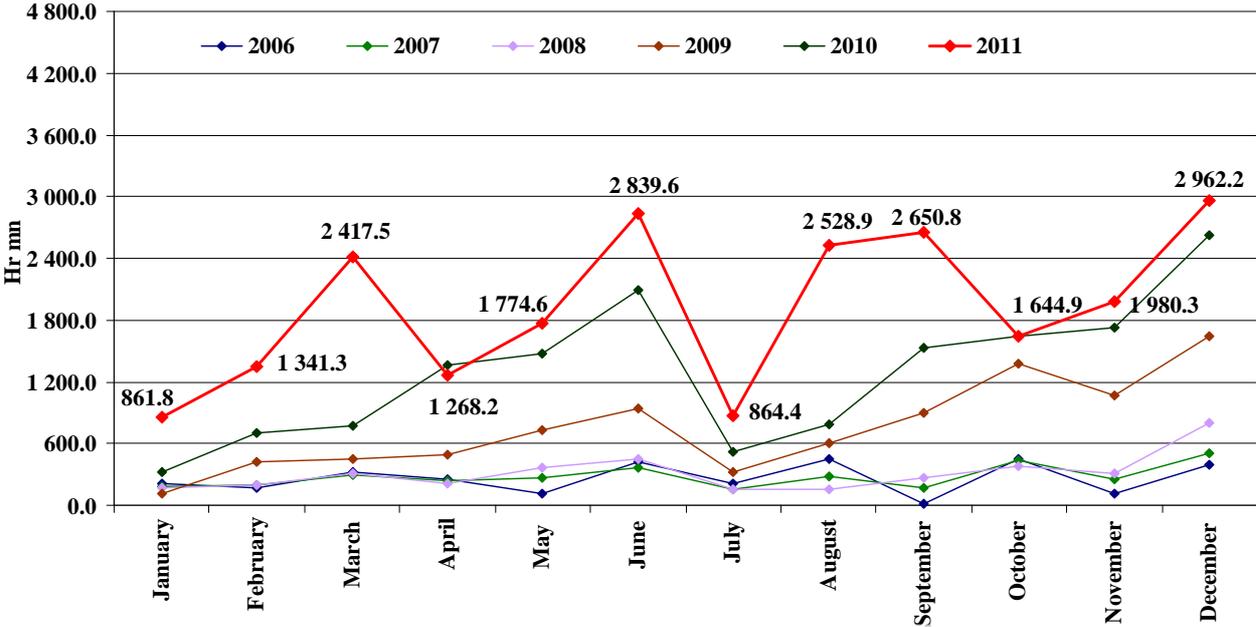
Graph 38

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

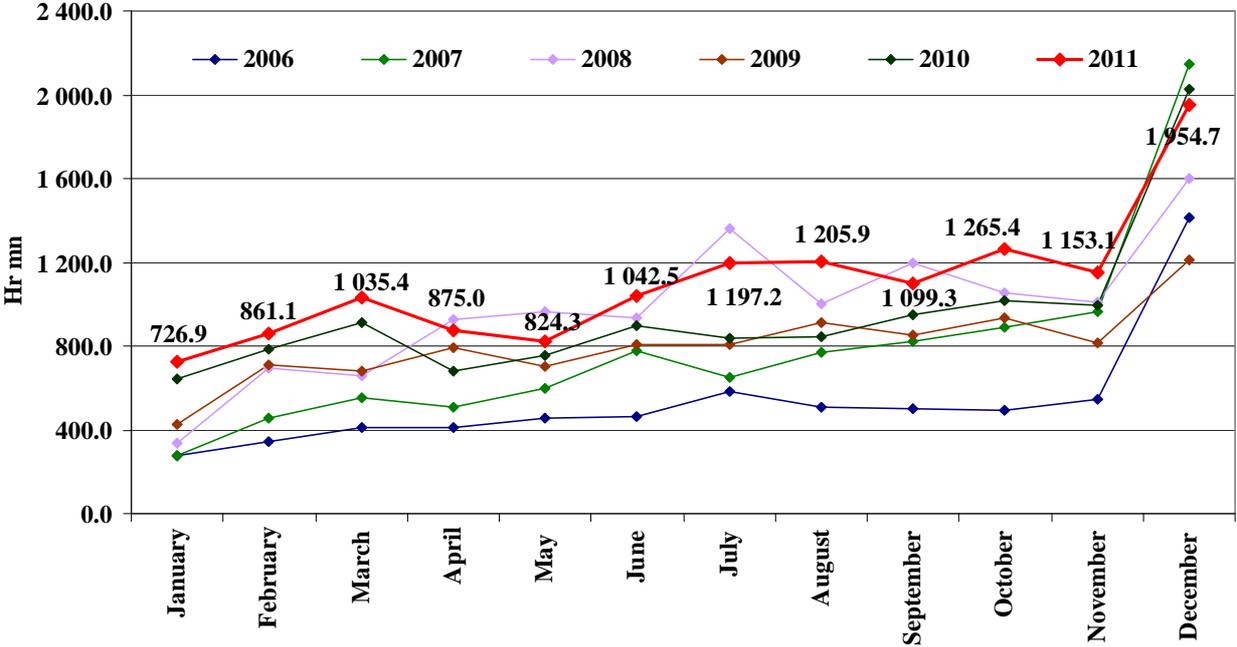


Graph 39

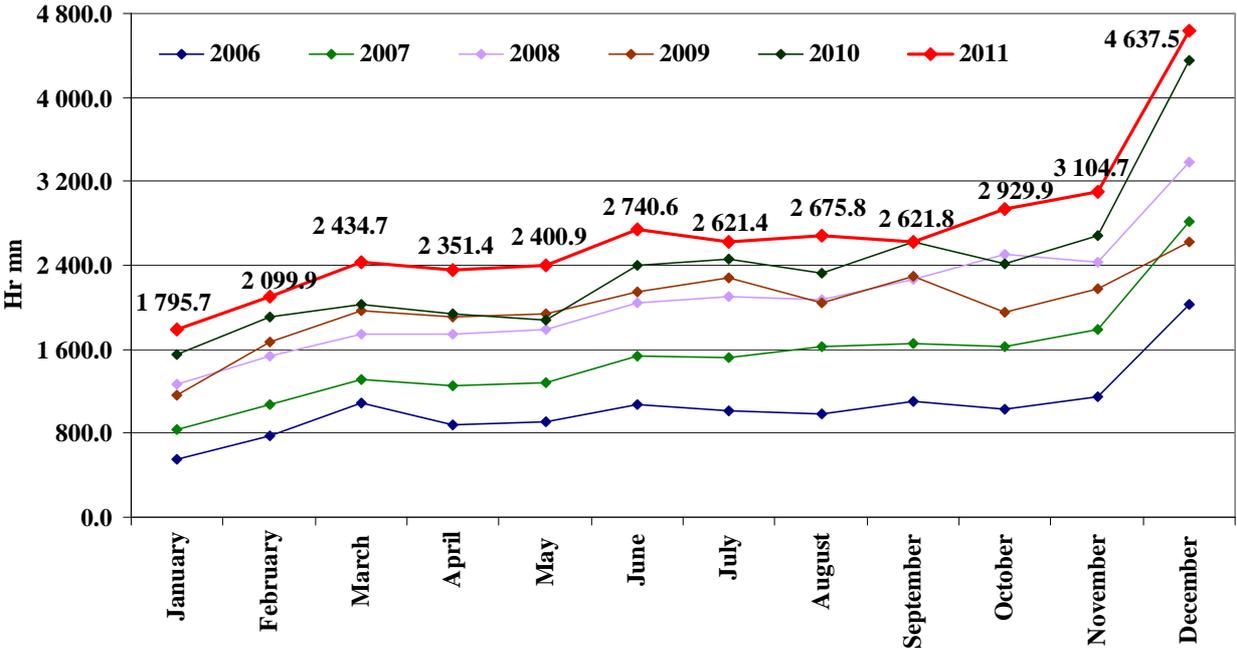
State Budget Expenditures for Public Debt Servicing Monthly Trends in 2006-2011



State Budget Expenditures for Defense Monthly Trends in 2006-2011

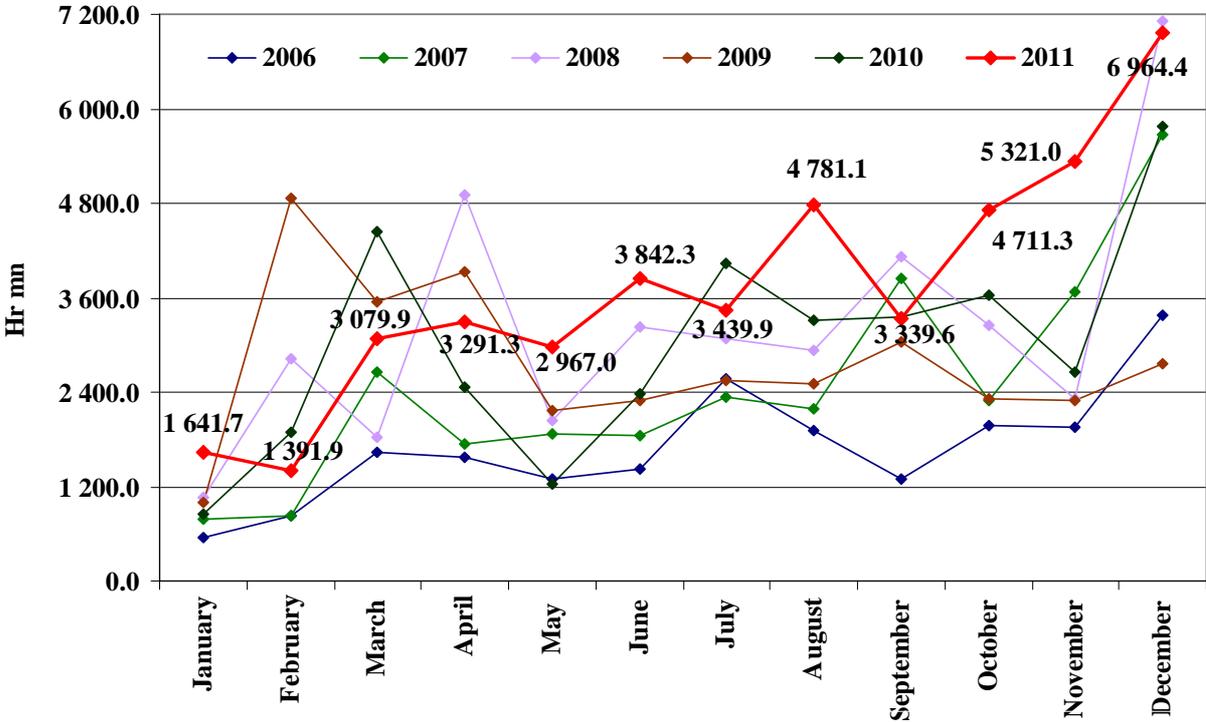


State Budget Expenditures for Public Order, Security, and Judiciary Monthly Trends in 2006-2011



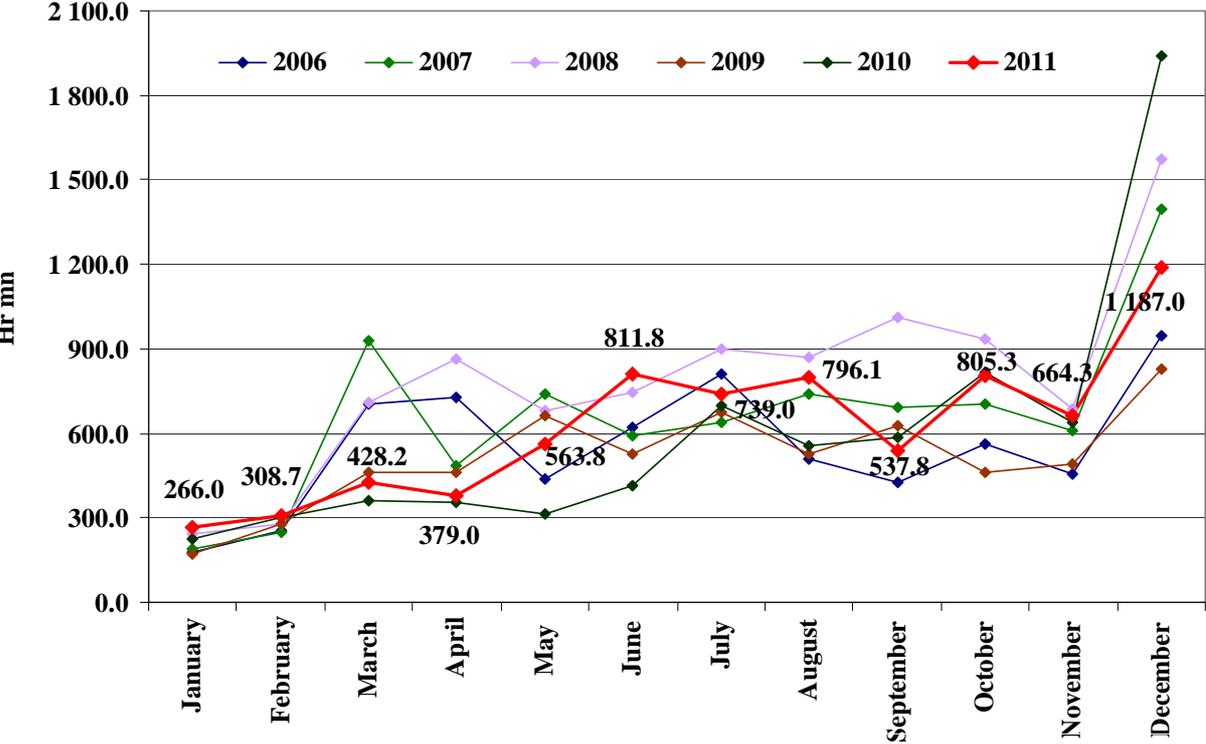
Graph 42

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



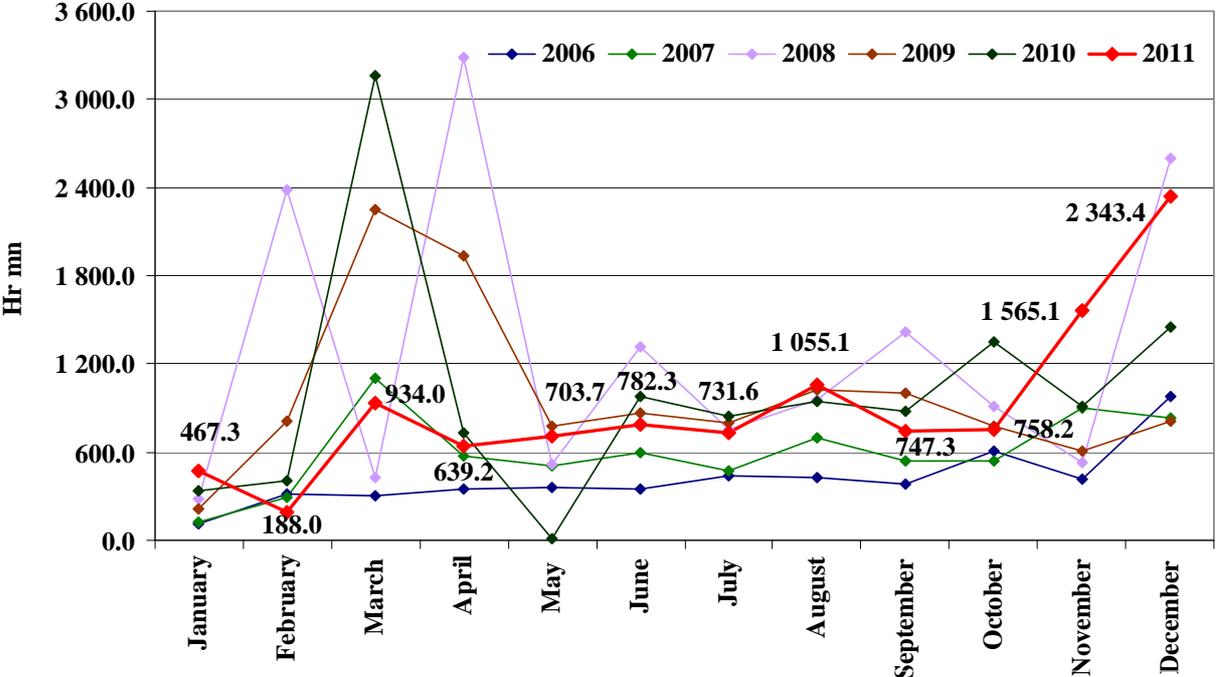
Graph 43

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



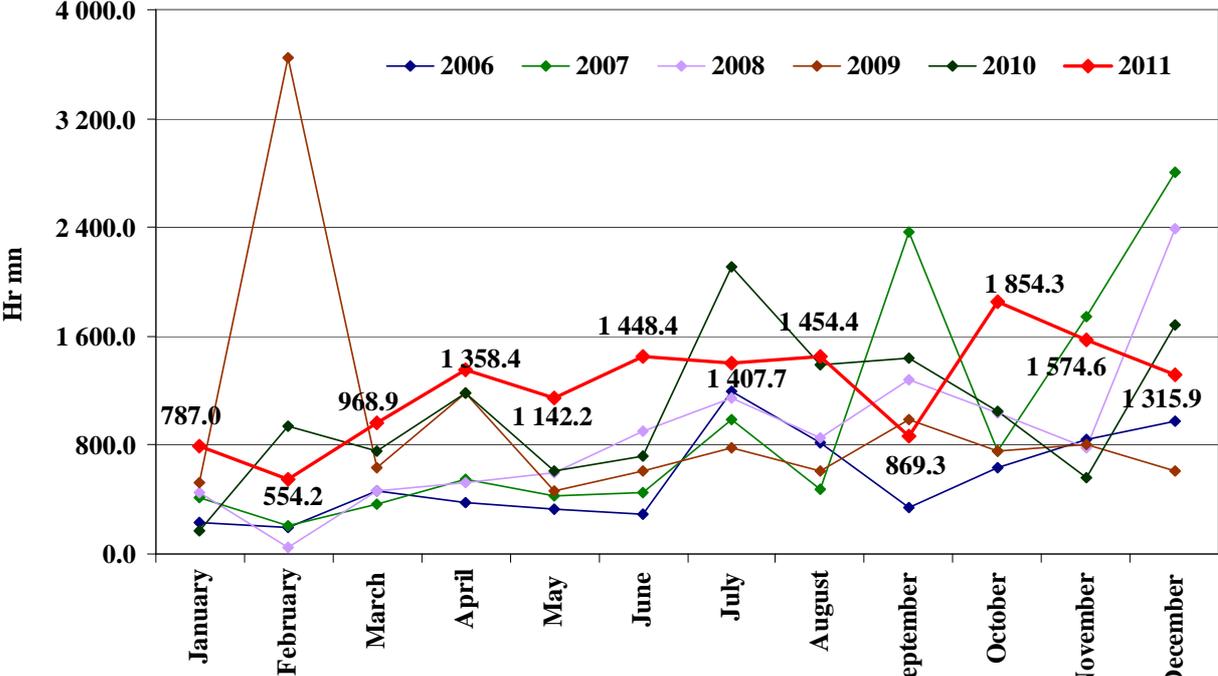
Graph 44

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



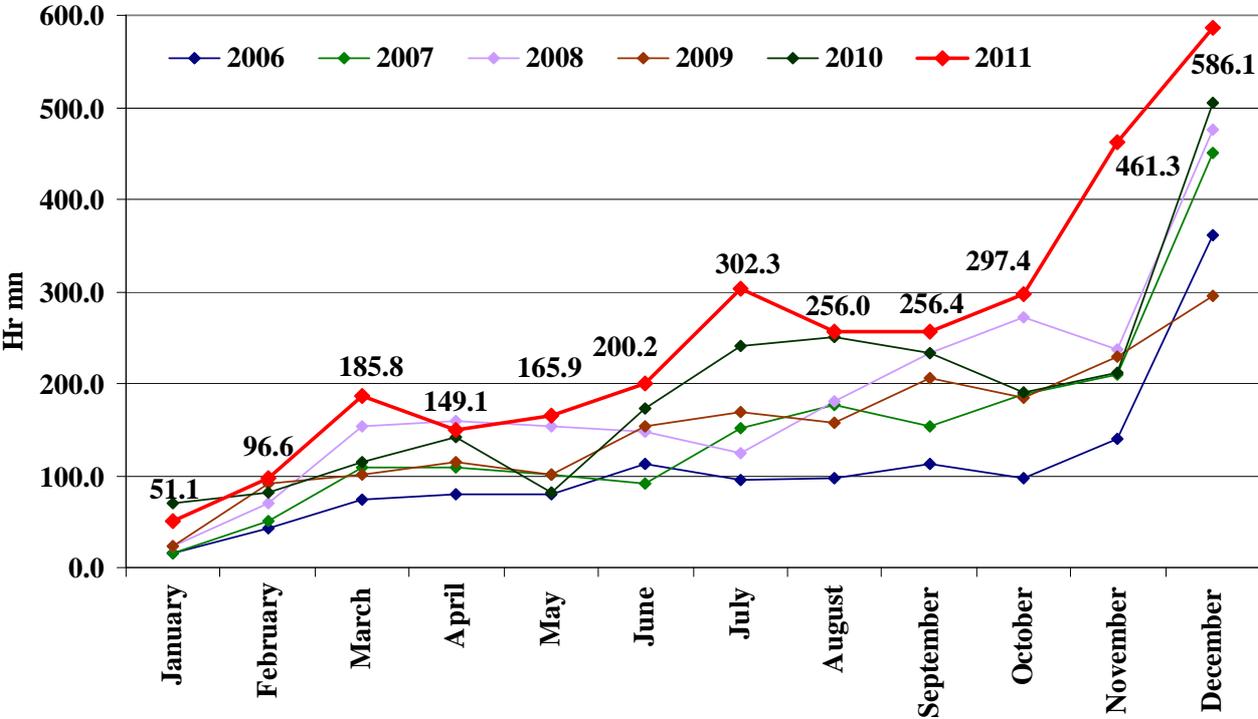
Graph 45

State Budget Expenditures for Transport Monthly Trends in 2006-2011



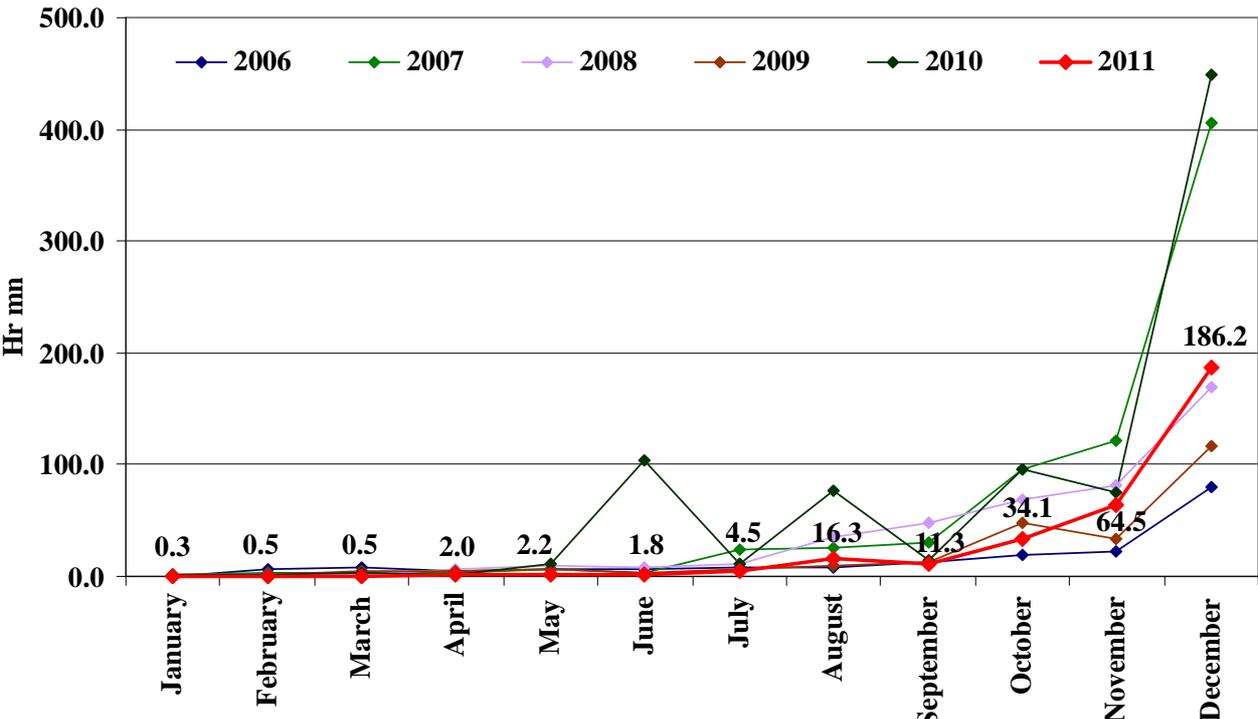
Graph 46

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

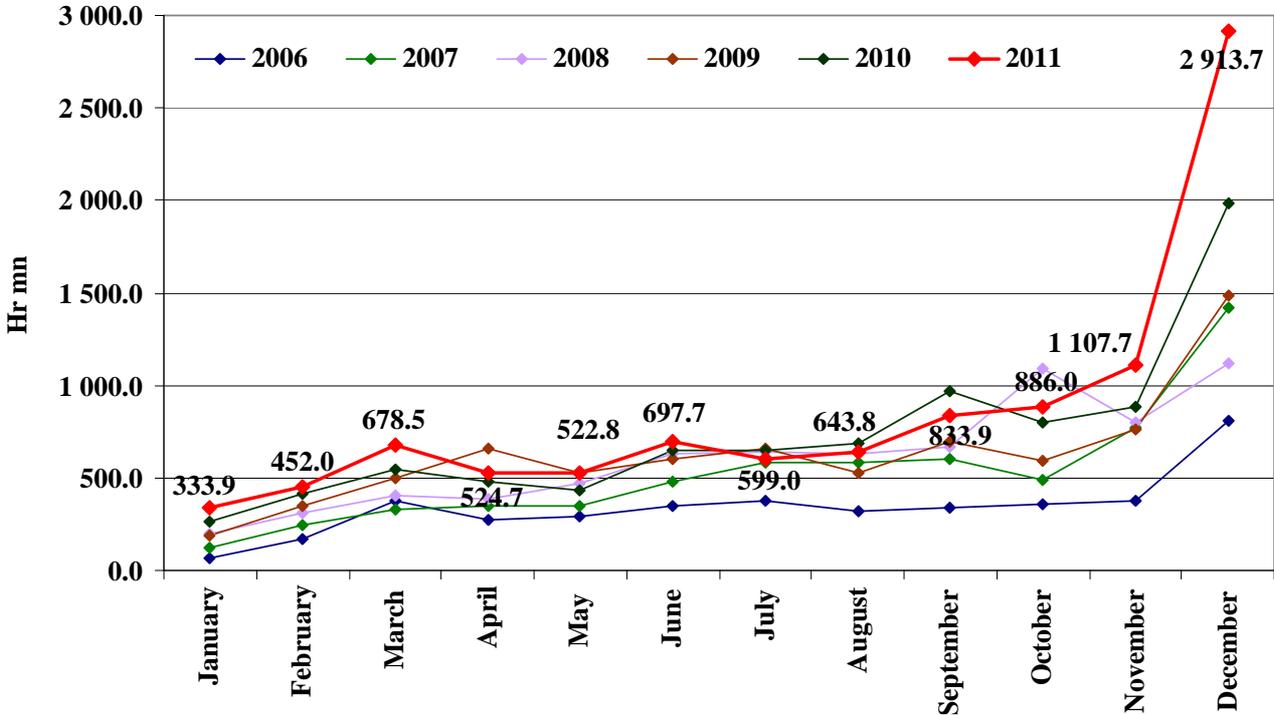


Graph 47

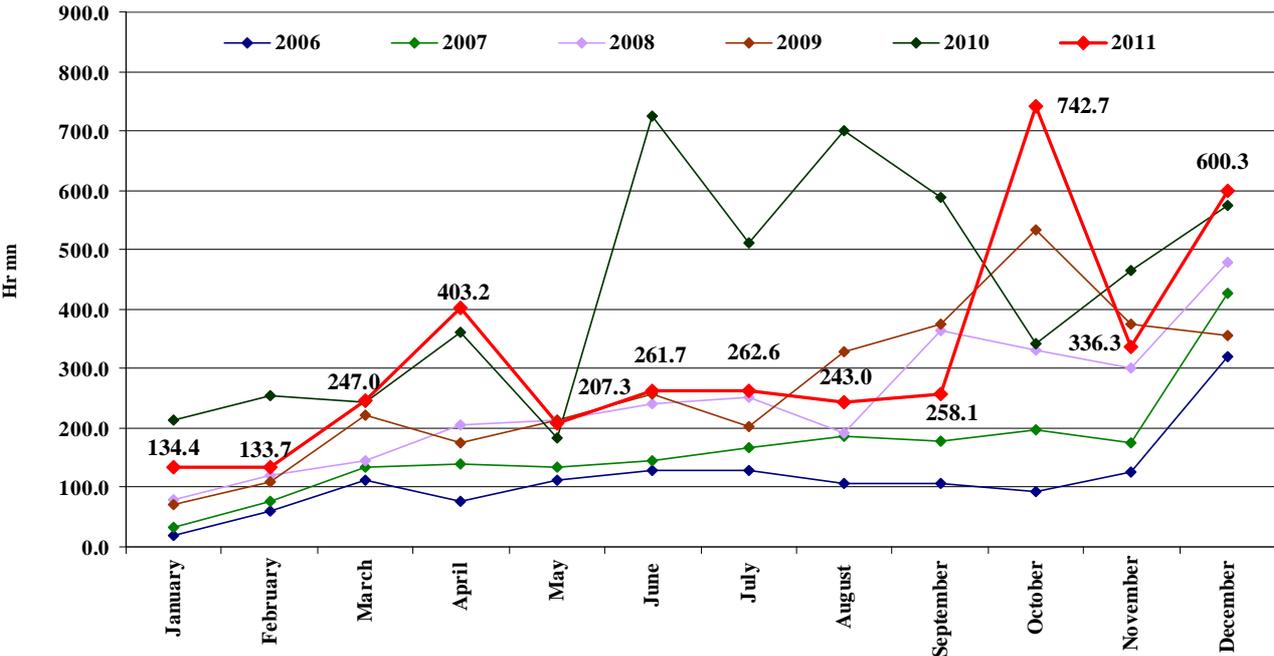
**State Budget Expenditures for Housing and Communal Sector
Monthly Trends in 2006-2011**



State Budget Expenditures for Healthcare Monthly Trends in 2006-2011

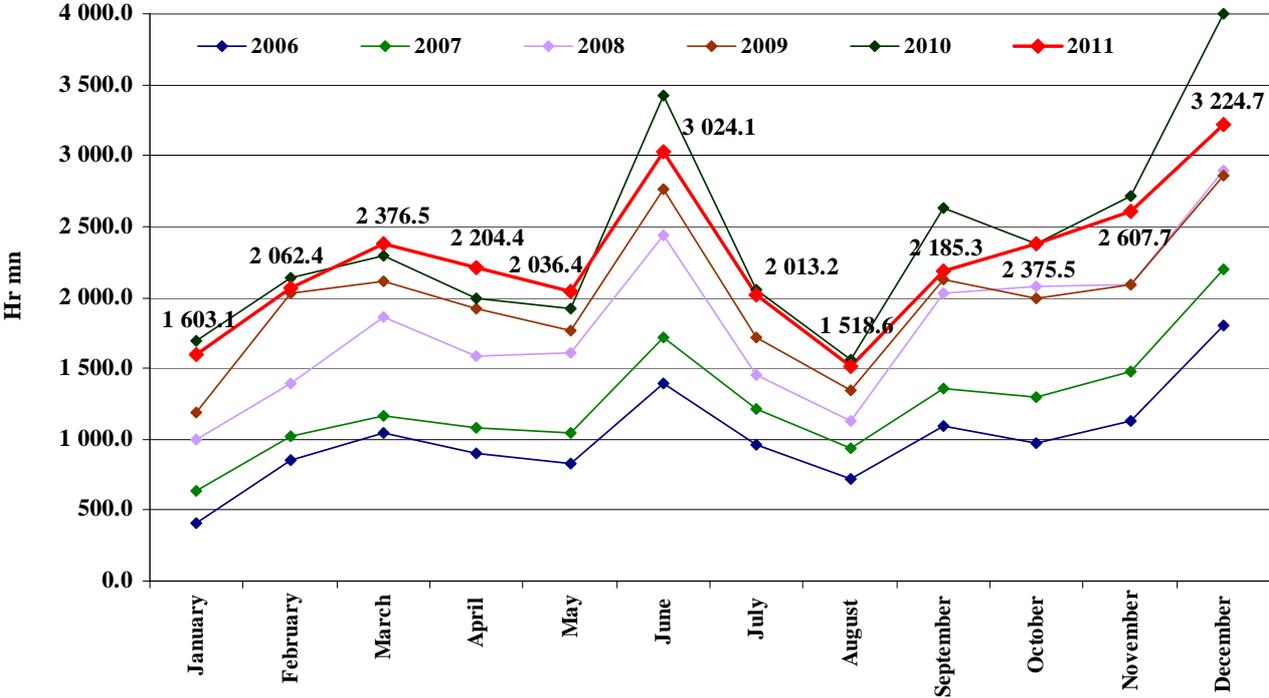


State Budget Expenditures for Spiritual and Physical Development Monthly Trends in 2006-2011



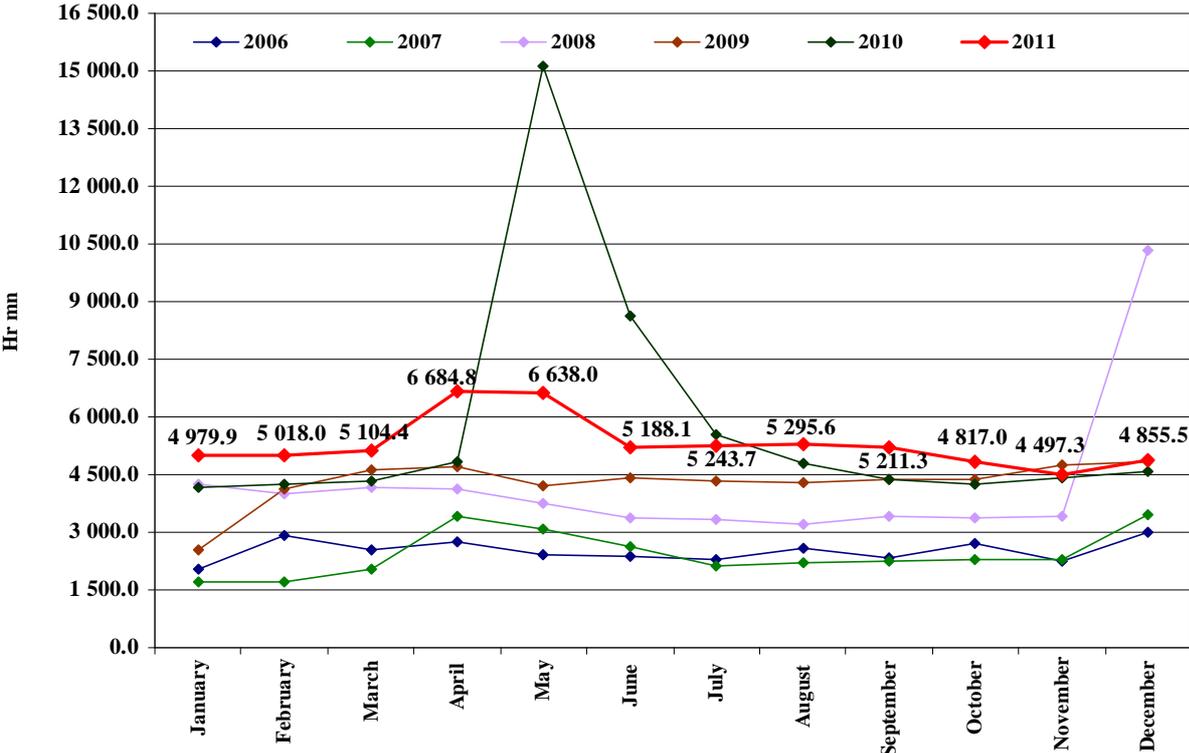
Graph 50

State Budget Expenditures for Education Monthly Trends in 2006-2011

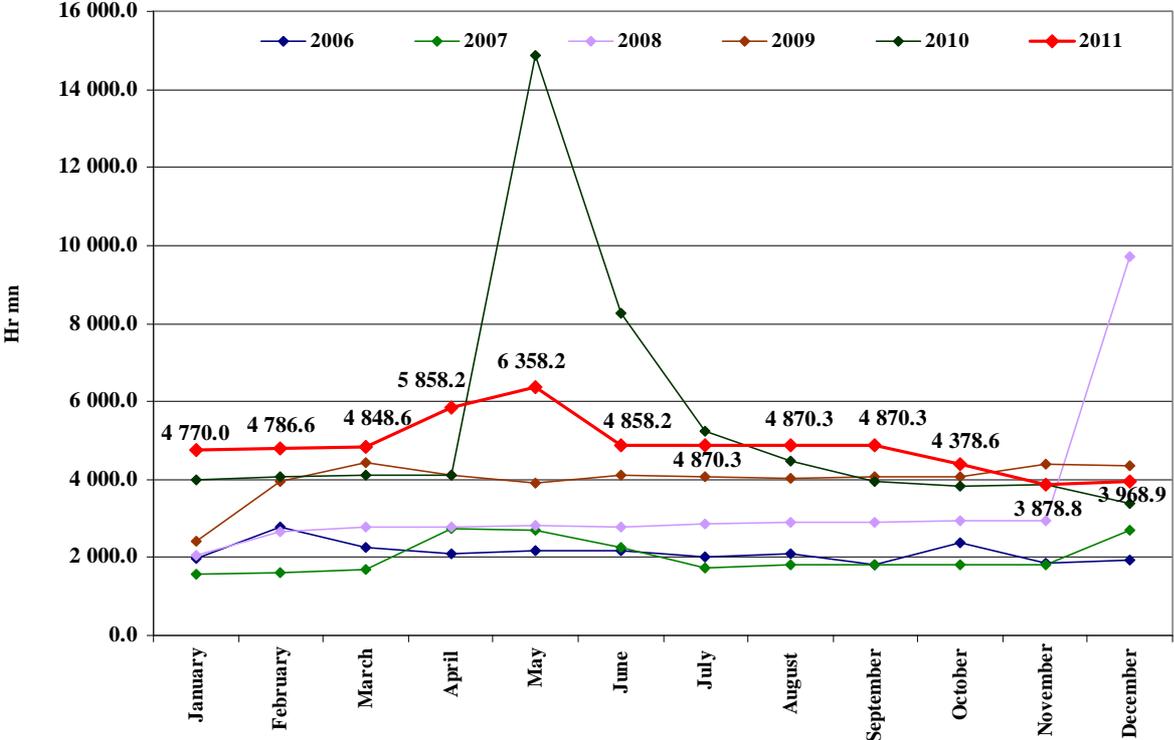


Graph 51

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



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



Local Budget Expenditures

Graph 53

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

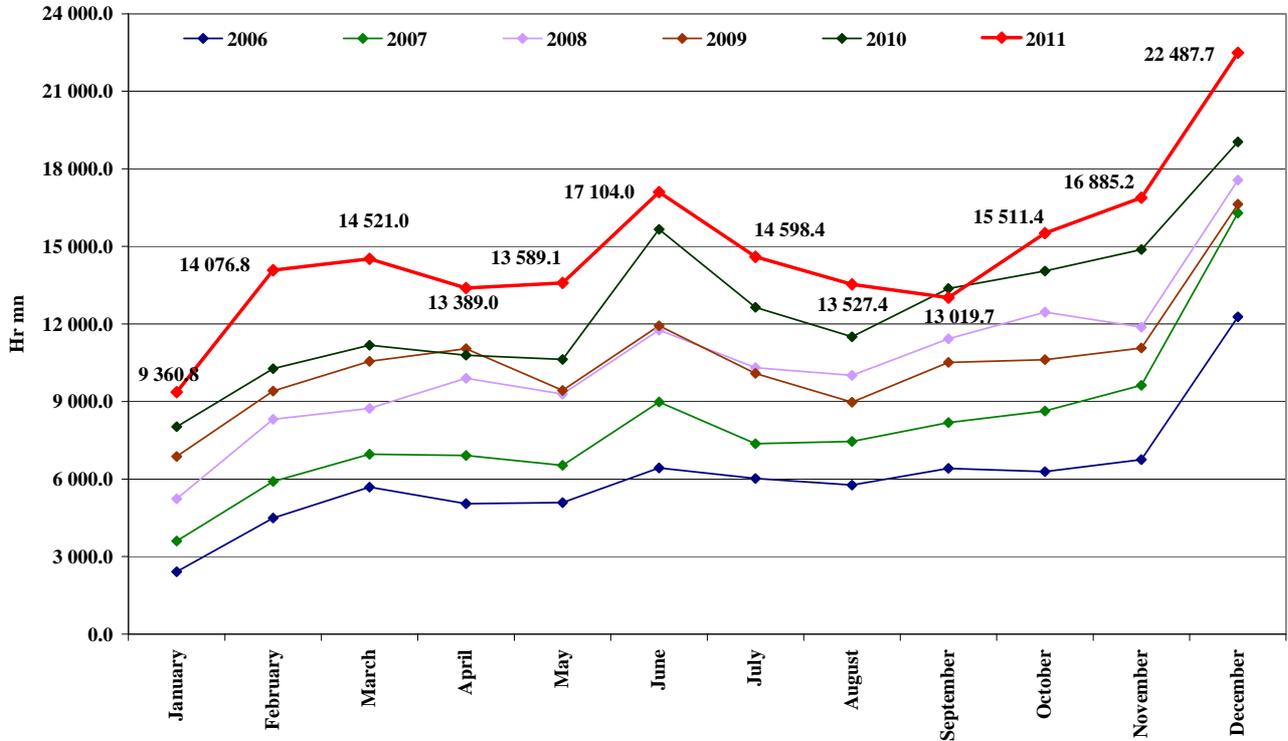
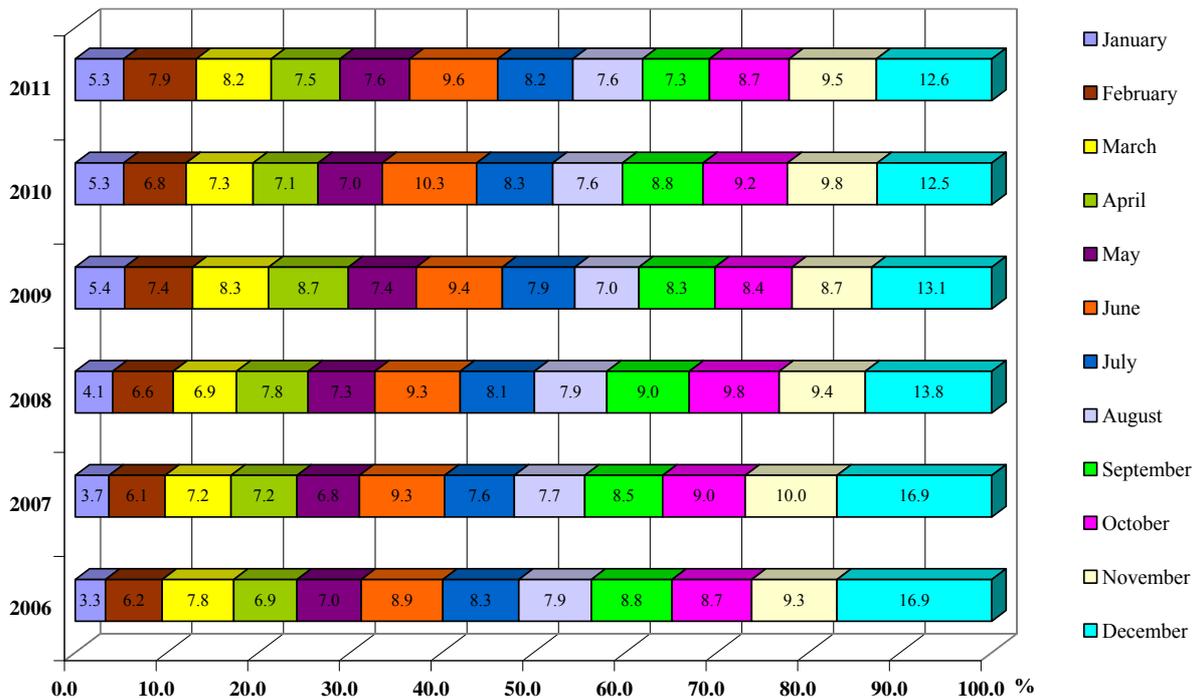


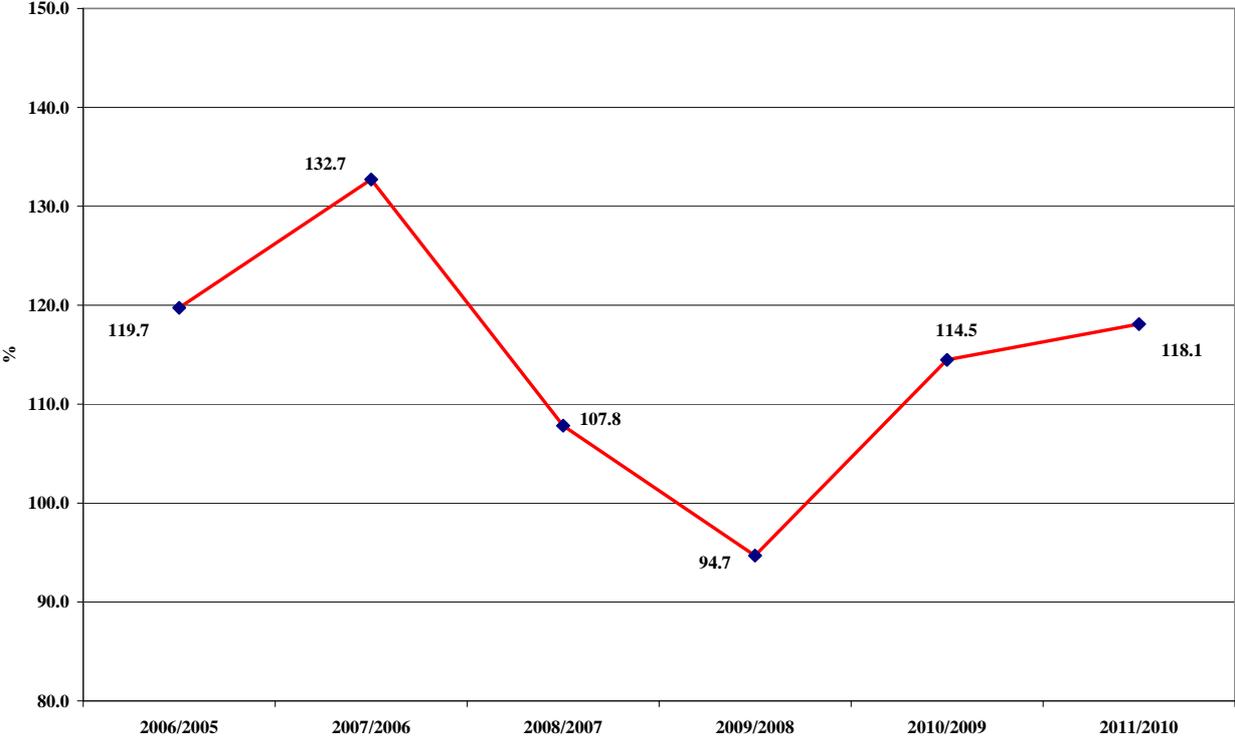
Diagram 25

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



Graph 54

Growth Rates of Local Budget Expenditures in December 2006-2011



Graph 55

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

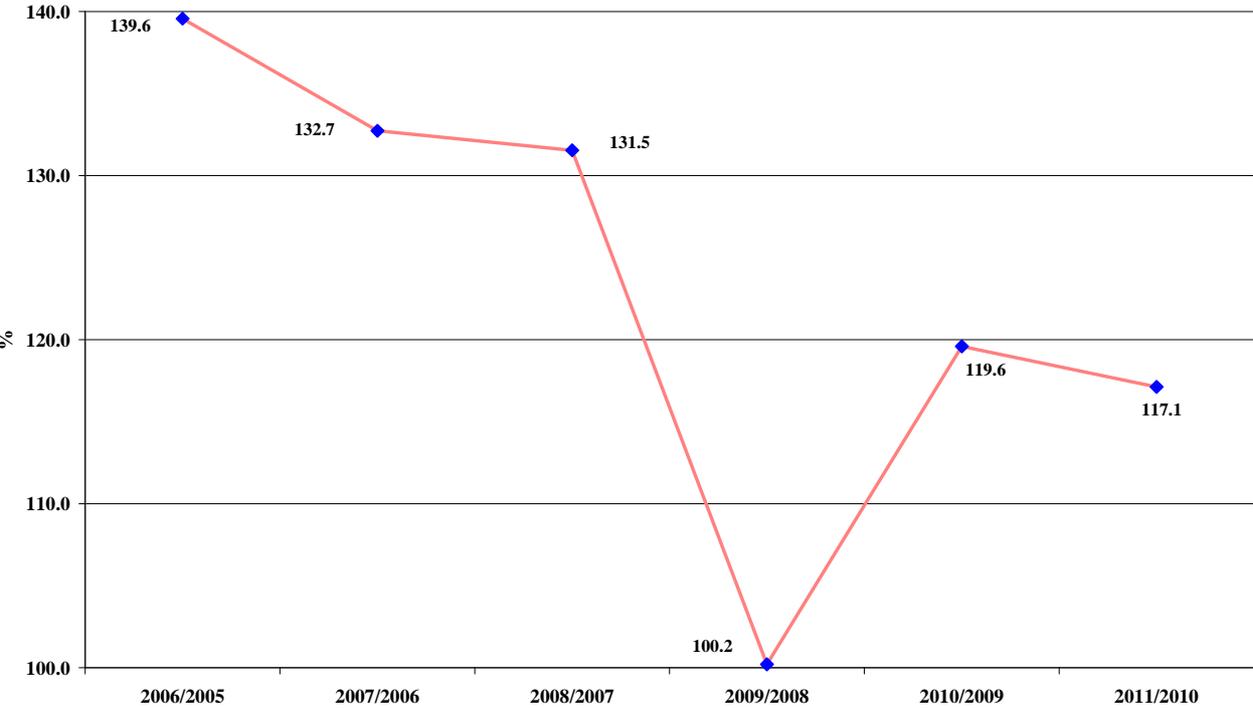


Diagram 26

Structure of Actual Local Budget Expenditures in December 2006-2011

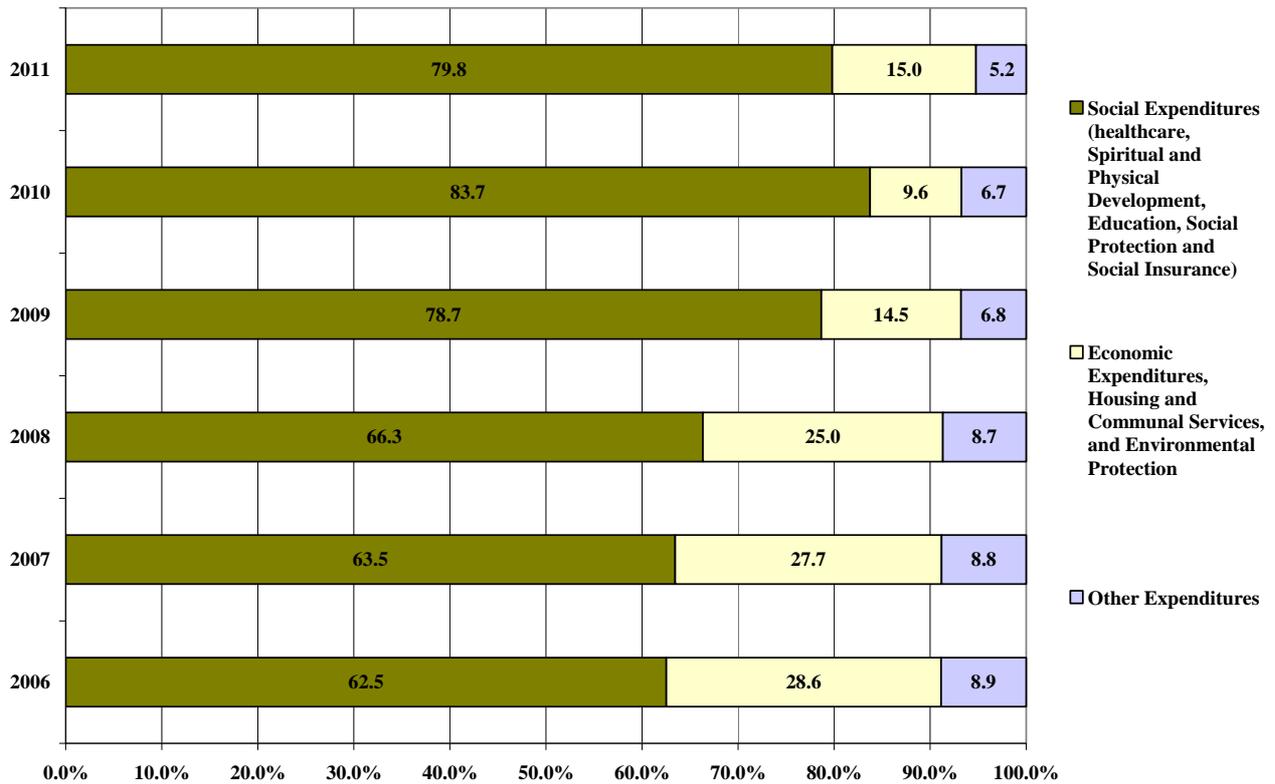
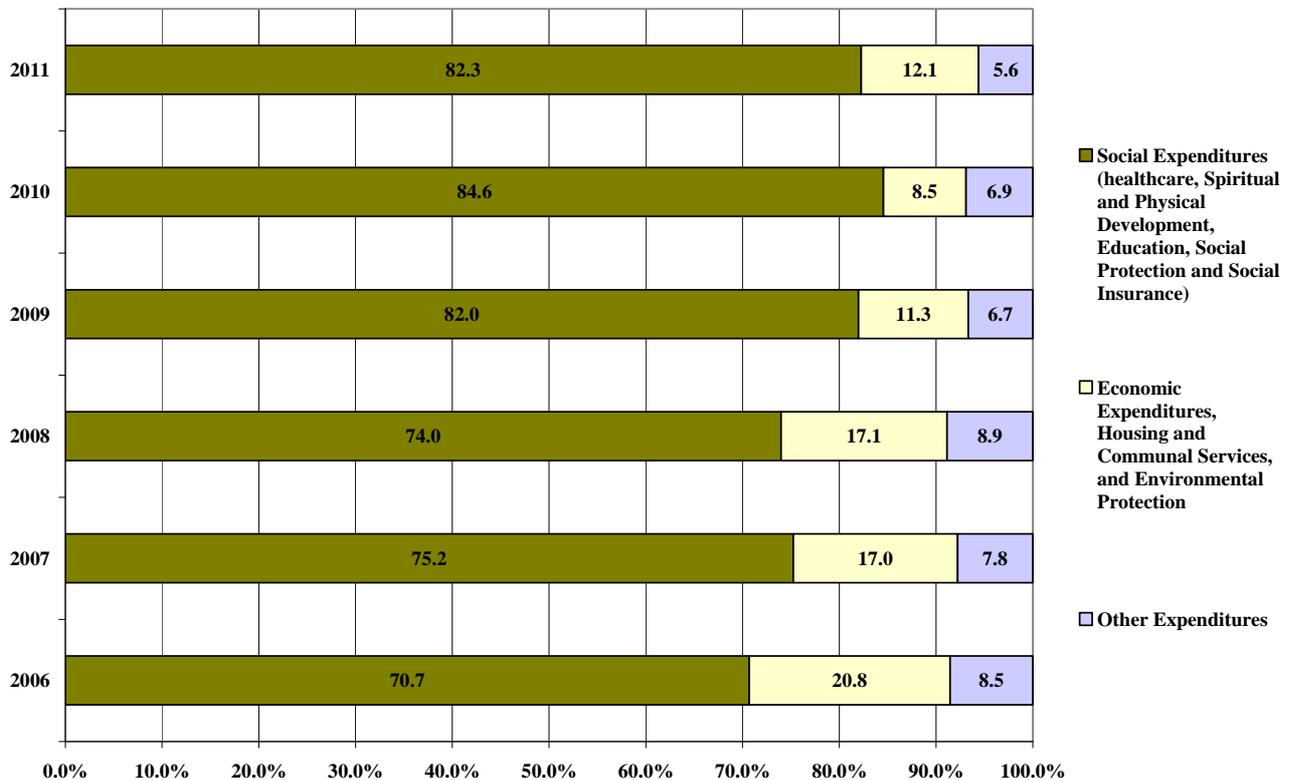
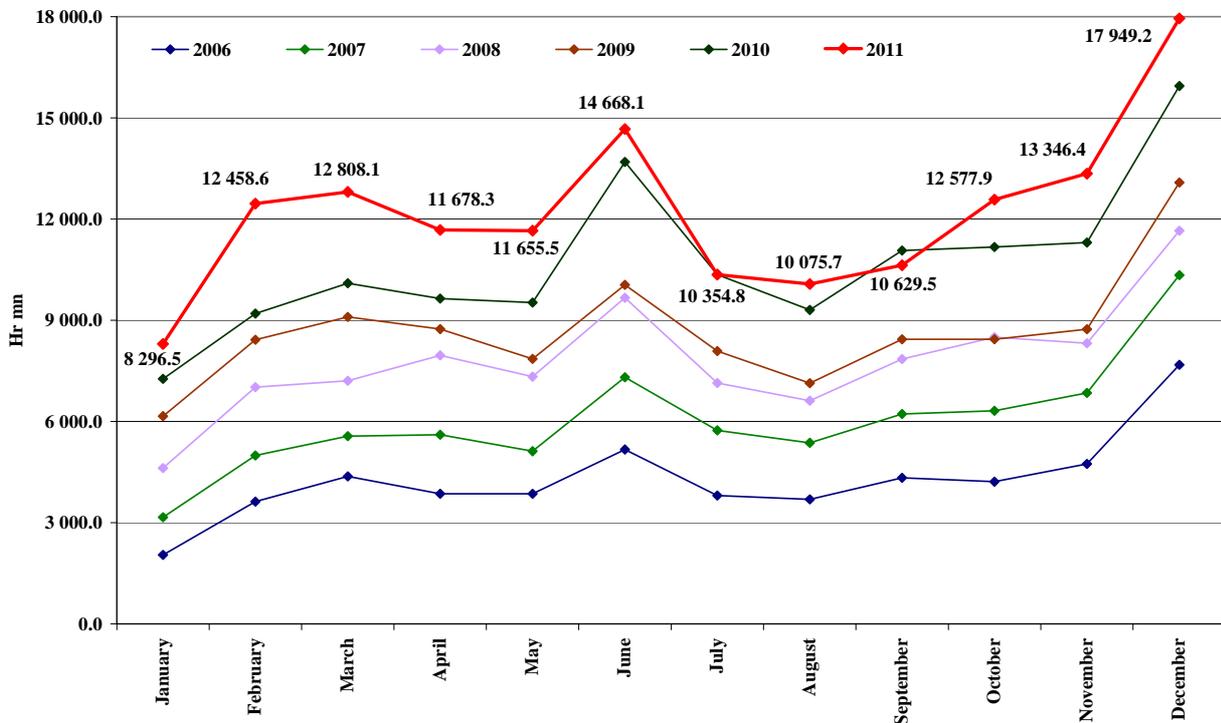


Diagram 27

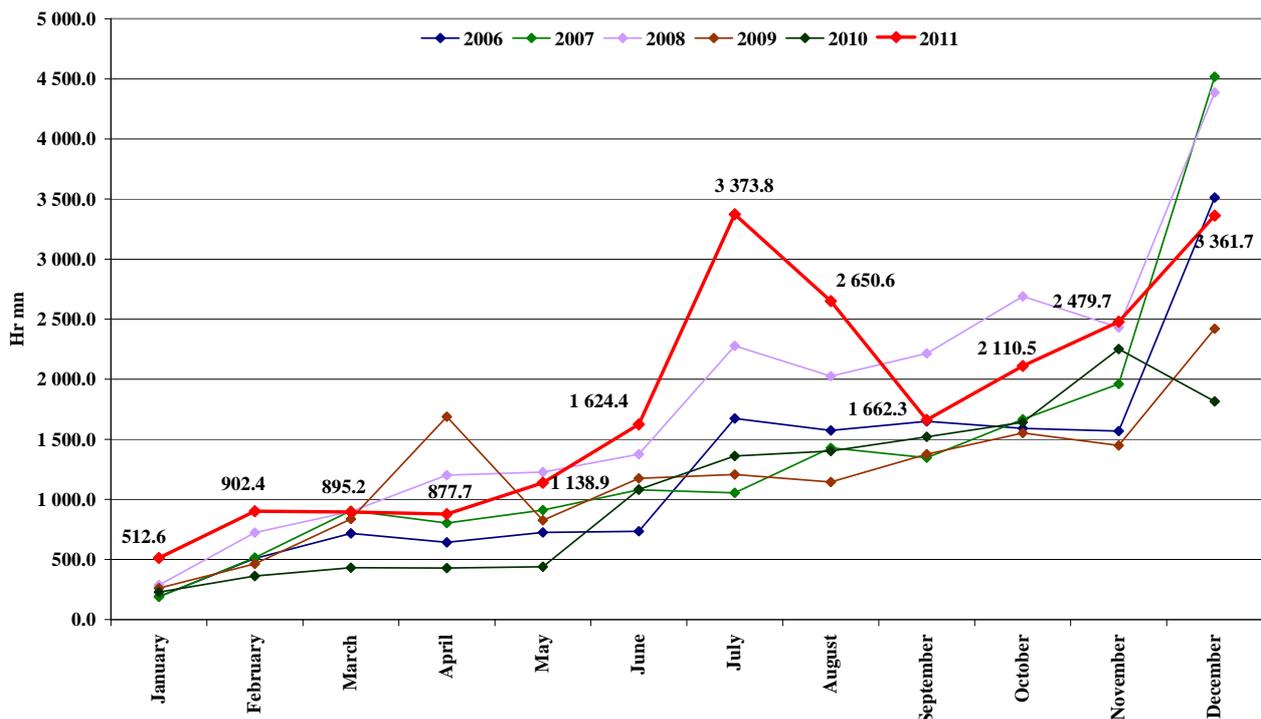
Structure of Actual Local Budget Expenditures in January-December 2006-2011



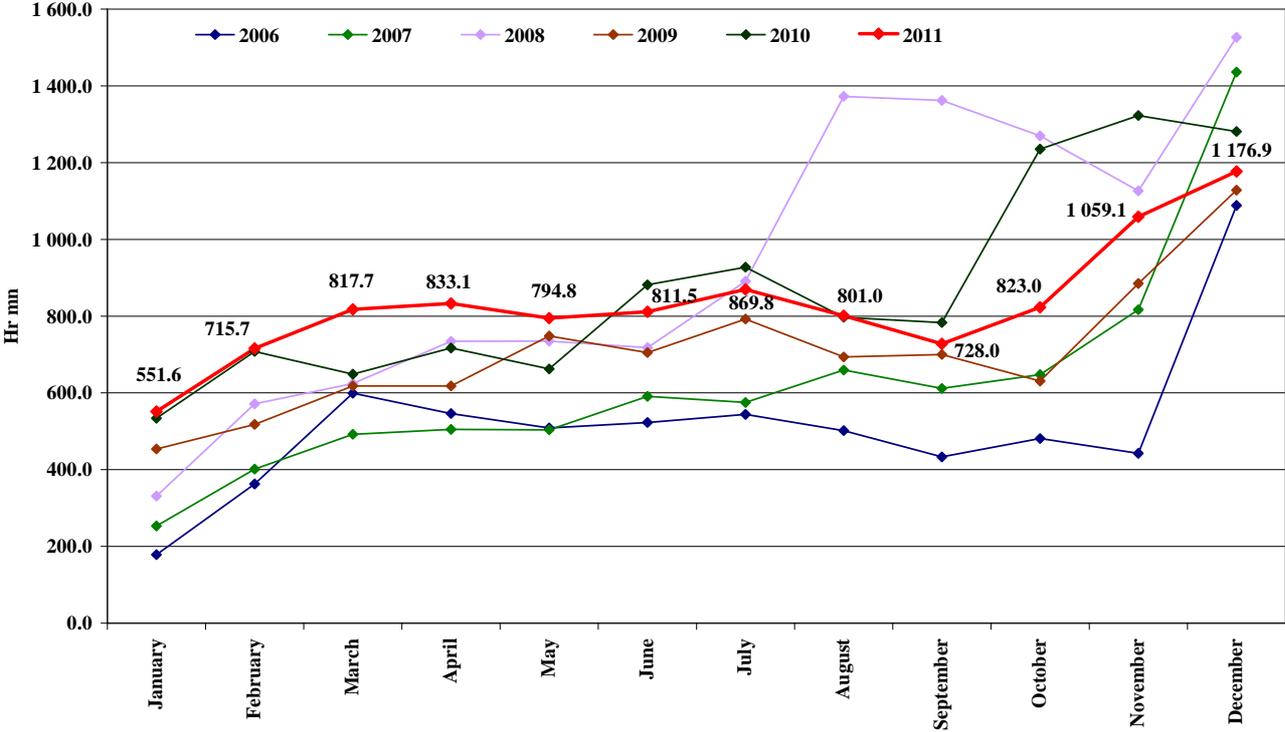
Local Budget Social Expenditures (Healthcare, Education, Spiritual and Physical Development, Social Protection and Social Security) Monthly Trends in 2006-2011



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 December 2011, the Ukrainian banking system was characterized by:

- **the NBU pursuing** a strict monetary and credit policy and taking steps to limit pressure on the currency exchange rate and **banks conducting** a more flexible interest-rate policy;
- **continued** growth of personal and corporate deposits;
- **a reduction** in the loan portfolio of individuals and **growth** in the loan portfolio of legal entities;
- **a decrease** in the proportion of overdue debt (by 0.11%) to 9.6% of the total client loan portfolio. In absolute terms, the amount of overdue debt decreased by 6.9% (to Hr 79.2bn) in 2011, against a backdrop of an increasing total client loan portfolio;
- **an increase** in the share of foreign capital in the Ukrainian banking system to 41.9% (40.6% at the beginning of the year); Also, the total number of banks with foreign capital decreased by one bank and amounted to 53 financial institutions;
- **new requirements** for the procedure of calculating banks' regulatory capital. For the period ending 1 July 2012, the banks are allowed to include any paid but unregistered contributions to the authorized capital stock in their fixed capital. At the same time, the provision to include a subordinated debt in the capital at the amount of not more than 50% of a bank's fixed capital is voided. In this case, any funds attracted as subordinated debt shall be included in the regulatory capital, taking into account the annual depreciation amount.

As of 1 January 2012, 176 banks had licenses for conducting the banking business from the National Bank of Ukraine. Twenty one banks were in the process of liquidation, including 20 banks liquidated by NBU decision and one bank liquidated by decision of commercial (arbitration) courts. PAT INPROMBANK continues under temporary administration.

Bank refinancing transactions were pursued actively in December, with such transactions increasing by Hr 11.0bn in December (overnight credits totaling Hr 23.0bn, credits obtained through participation in tenders for the period of 90 days totaling Hr 1.5bn, and direct repo transactions of Hr 9.5bn), and the growth in the amount of these transactions totaled Hr 28.8bn since the beginning of 2011.

The aggregate assets of the banking system increased slightly in December. Thus, the aggregate assets increased marginally (by 0.5%) against November 2011 and amounted to Hr 1,212.9bn.

The banks have the following total asset structure: cash, banking metals, and funds at the National Bank, 4.9% of total assets; balance at correspondent accounts opened with other banks, 6.5%; credit transactions, 68.0%; investments into securities, 7.2%; accounts receivable, 3.4%; capital assets and intangible assets, 4.6%; distributed income due, 4.4%, and other assets, 1.0%.

The client loan portfolio decreased marginally to Hr 793.2bn.

As of 1 January 2011, the loan portfolio of legal entities totaled Hr 597.0bn or 75.3% of the total client loan portfolio. The total amount of credits issued to legal entities increased by Hr 2.8bn (or 0.5%) in December vs. November 2011. National currency loans increased by Hr 3.8bn, while those in foreign currencies fell by \$0.13bn.

The loan portfolio of individuals totaled Hr 196.2bn or 24.7% of the total client loan portfolio. The total amount of credits issued to individuals decreased by Hr 3.1bn (or by 1.6%) in December vs. November 2011. A negative dynamics of the loan portfolio of individuals in December 2011 was only noted for The foreign currency portfolio for individuals fell by \$0.59bn, while national currency loans grew by Hr 1.6bn or 1.9% was observed for the national currency.

The deposit portfolio of economic agents totaled Hr 179.4bn or 20.0% of total liabilities, and the deposit portfolio of individuals totaled Hr 307.4bn or 34.2%.

Deposits from legal entities increased by 9.9% in December vs. November. Regarding the currency structure dynamics, the increase occurred due to a growth of both national currency deposits (Hr 14.4bn) and foreign currency deposits (\$0.22bn).

The total amount of funds attracted from individuals increased by 1.5% in December vs. November. This occurred thanks to growth in the amount of private deposits both in the national currency (by Hr 4.1bn) and foreign currencies (by \$0.06bn).

The age structure of personal deposits at banks is as follows: term deposits amount to 77.5% and call deposits amount to 22.5%

The amount of cash outside of banks showed its customary growth, rising by 4.6% to Hr 192.6bn in the last month of 2011. The money supply increased by 4.5% in December (up 14.2% since the year outset). The monetary base increased by 3.8% in the period reviewed (up 6.3% since the year's outset) to Hr 239.9bn.

The level of bank correspondent accounts grew by 25.9% in the reporting month (up 31.2% year-to-date) to Hr 22.0bn. The standard statutory reserves amounted to Hr 15.0bn in December, including Hr 7.7bn remitted to the separate account at the National Bank of Ukraine.

The average weighted cost of national currency deposits decreased to 11.1% in December compared to 11.5% in November, and that of foreign currency deposits increased to 5.7% from 5.2%, accordingly. The average weighted rate of national currency credits tended to decrease: the rate went down to 17.2% from 18.9% in November; and that for foreign currencies increased to 8.4 % from 8.1%, respectively. The average weighted cost of money at the interbank credit market decreased to 9.5% in December, down from 15.7% in November.

The equity of banks increased by 16.9% in 2011 and totaled Hr 161.0bn or 15.2% of bank liabilities as of 1 January 2012. The registered authorized capital increased by 17.8% year-to-date to Hr 171.9bn.

The banks posted a loss of Hr 7.7bn in 2011 (a loss of Hr 13.0bn in the respective period of 2010). The gross income of the banking system increased by 4.3% to Hr 142.8bn, and the costs increased by 0.4% to Hr 150.5bn.

The return on assets amounted to -0.76% in 2011, and return on capital amounted to -5.27%. The net interest margin decreased to 5.32%, and net spread – to 4.51%.

Banking System

Diagram 28

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

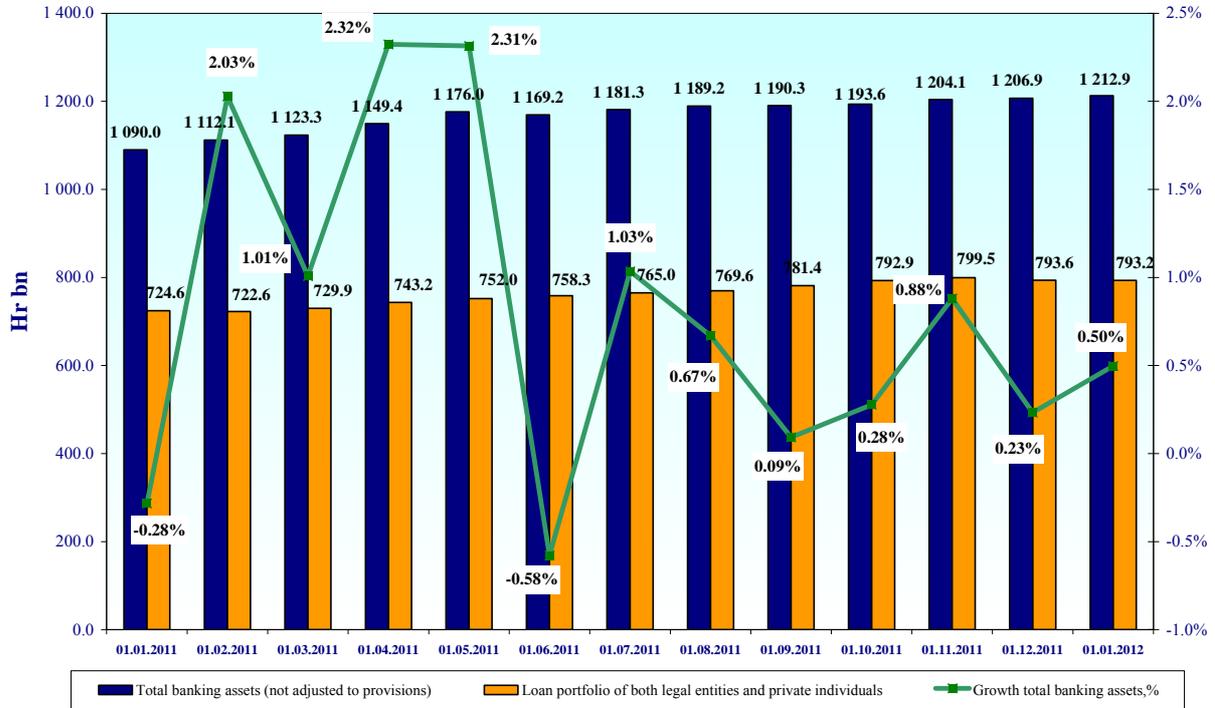
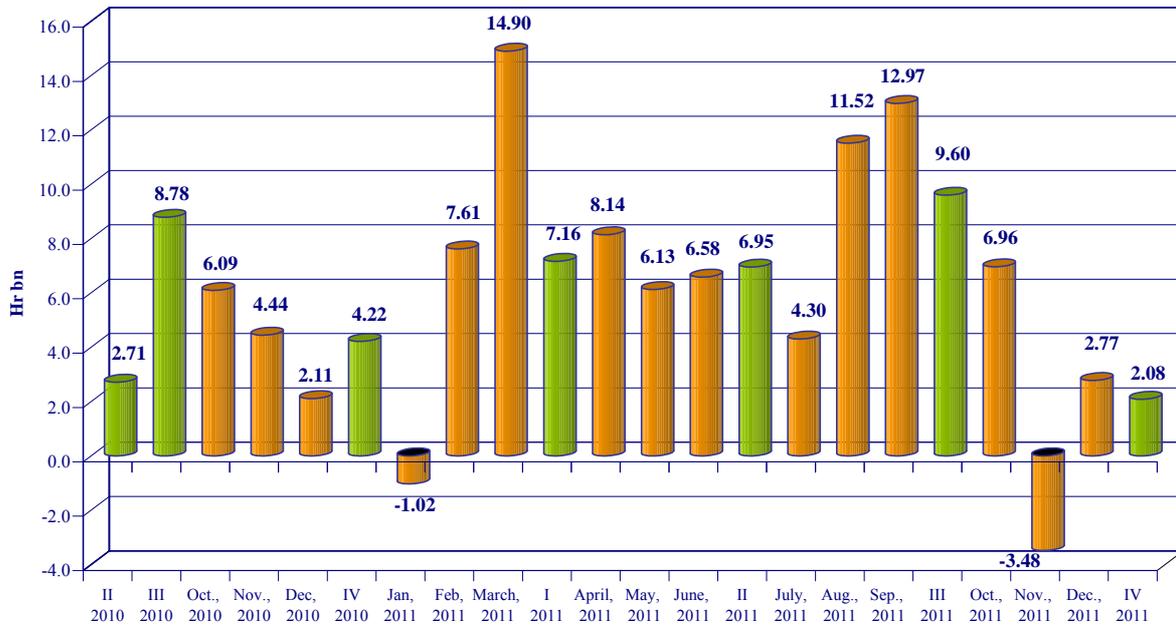


Diagram 29

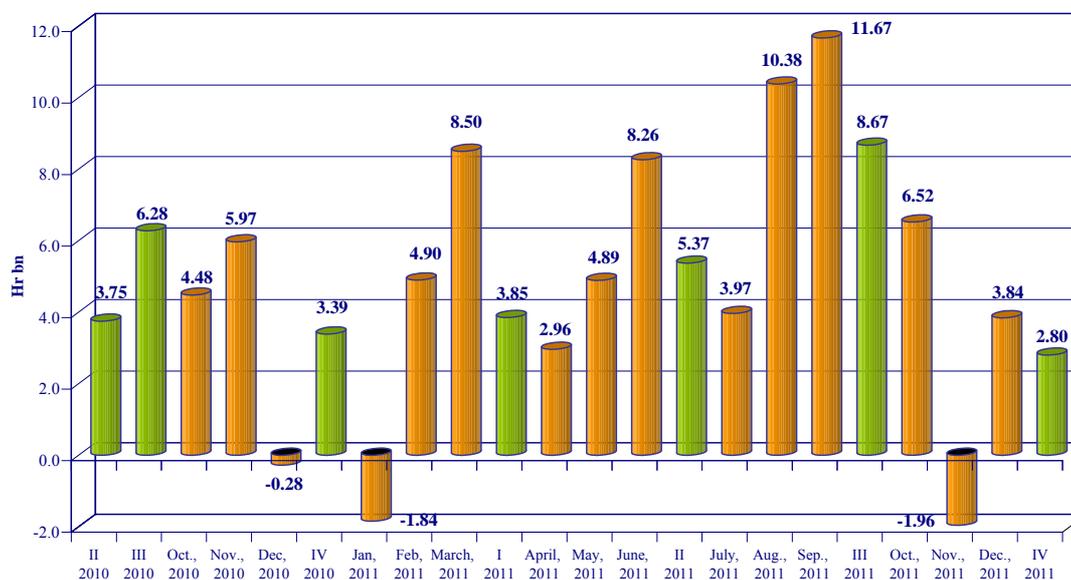
Changes in the Amount of Legal Entities' Loan Portfolio



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Legal entities loan portfolio, Hr bn	519.60	518.58	526.19	541.09	549.23	555.36	561.94	566.24	577.76	590.73	597.69	594.21	596.98
Growth rate of legal entities loan portfolio, %	0.41	-0.20	1.47	2.83	1.50	1.12	1.18	0.77	2.03	2.25	1.18	-0.58	0.47

Diagram 30

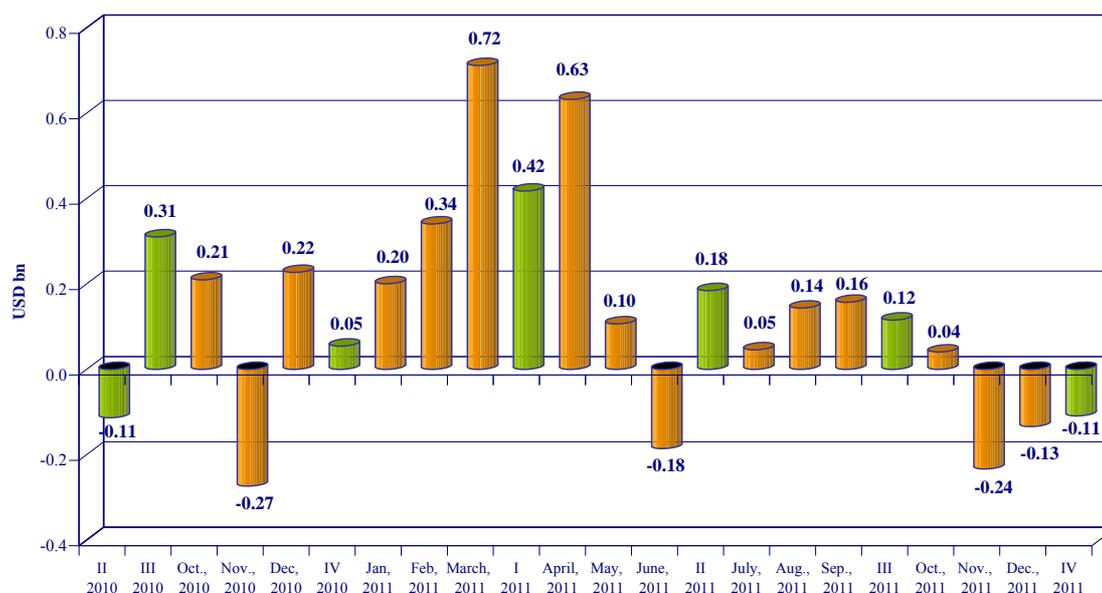
Changes in the Amount of Legal Entities' Loan Portfolio in the National Currency



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Legal entities loan portfolio in national currency, Hr bn	324.52	322.68	327.58	336.08	339.04	343.93	352.19	356.16	366.54	378.21	384.73	382.77	386.61
Growth rate of legal entities loan portfolio in national currency, %	-0.08	-0.57	1.52	2.59	0.88	1.44	2.40	1.13	2.91	3.18	1.72	-0.51	1.00

Diagram 31

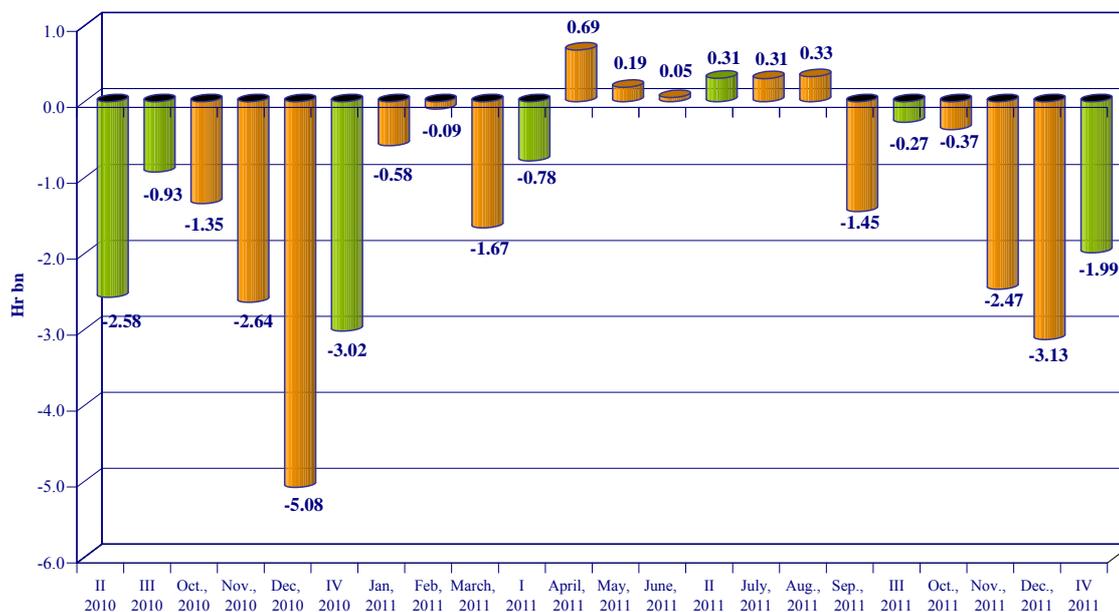
Changes in the Amount of Legal Entities' Loan Portfolio in Foreign Currencies



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Legal entities loan portfolio in foreign currencies, USD bn	24.50	24.70	25.04	25.76	26.39	26.49	26.31	26.36	26.50	26.66	26.70	26.46	26.33
Growth rate of legal entities loan portfolio in foreign currencies, %	1.24	0.42	1.39	3.22	2.53	0.59	-0.80	0.16	0.54	0.62	0.21	-0.72	-0.50

Diagram 32

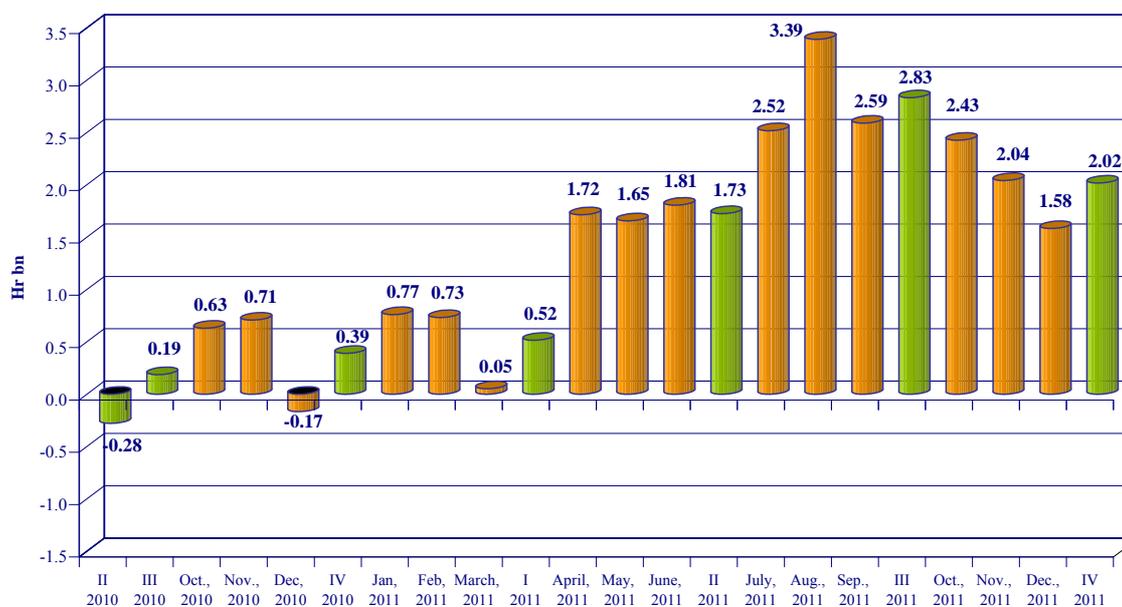
Changes in the Amount of Individuals' Loan Portfolio



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Individuals loan portfolio, Hr bn	204.40	203.82	203.73	202.06	202.75	202.94	202.99	203.30	203.63	202.18	201.81	199.34	196.21
Growth rate of individuals loan portfolio, %	-2.42	-0.28	-0.05	-0.82	0.34	0.09	0.03	0.15	0.16	-0.71	-0.18	-1.22	-1.57

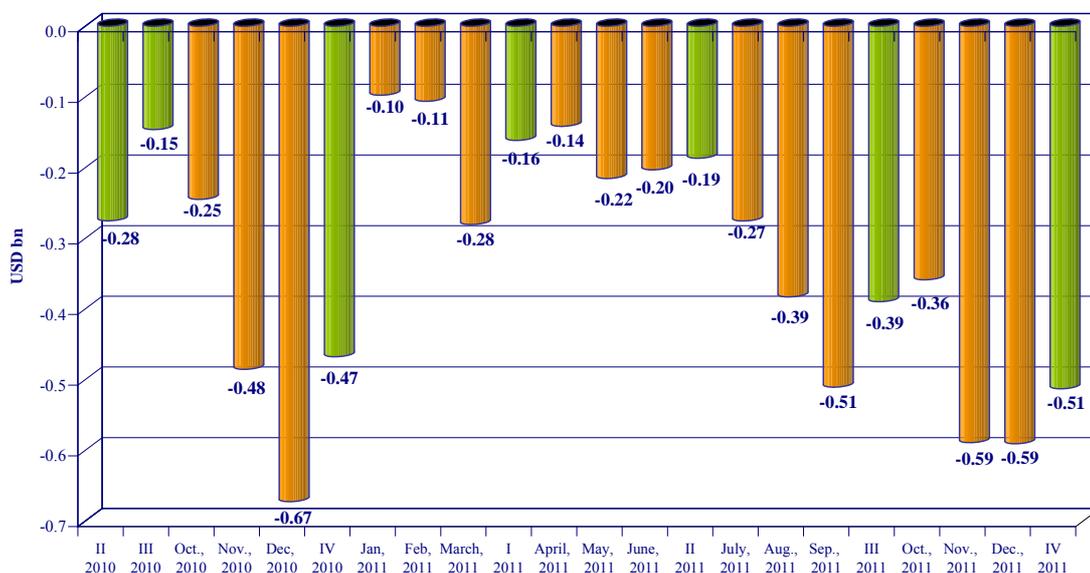
Diagram 33

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



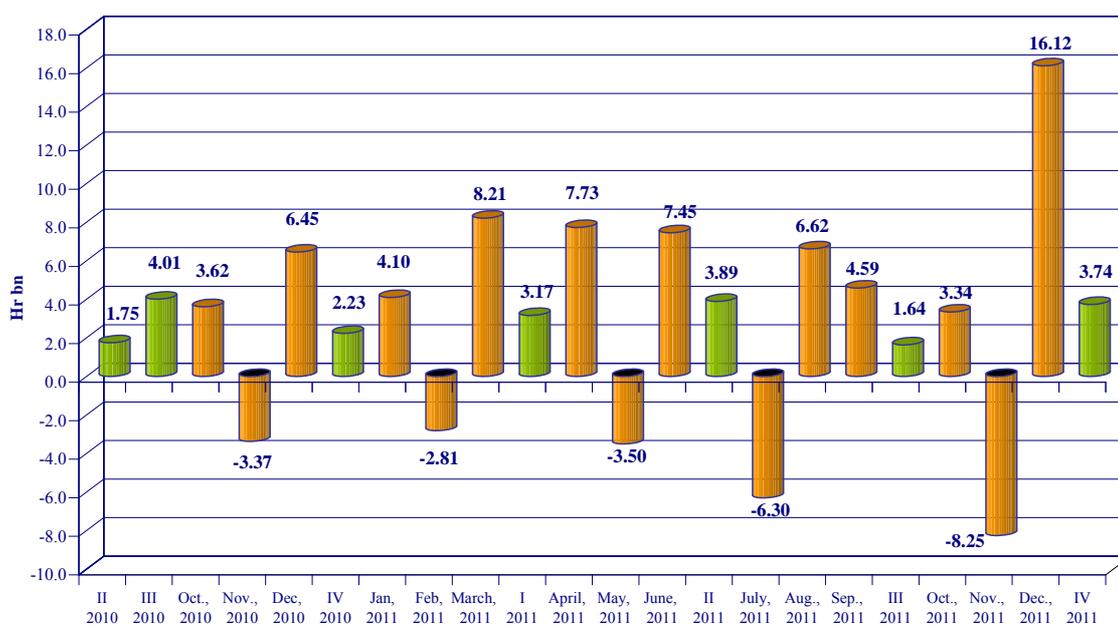
Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Individuals loan portfolio in national currency, Hr bn	62.16	62.93	63.66	63.71	65.43	67.08	68.89	71.41	74.80	77.39	79.82	81.86	83.44
Growth rate of individuals loan portfolio in national currency, %	-0.27	1.22	1.16	0.08	2.69	2.53	2.69	3.66	4.75	3.46	3.14	2.56	1.94

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



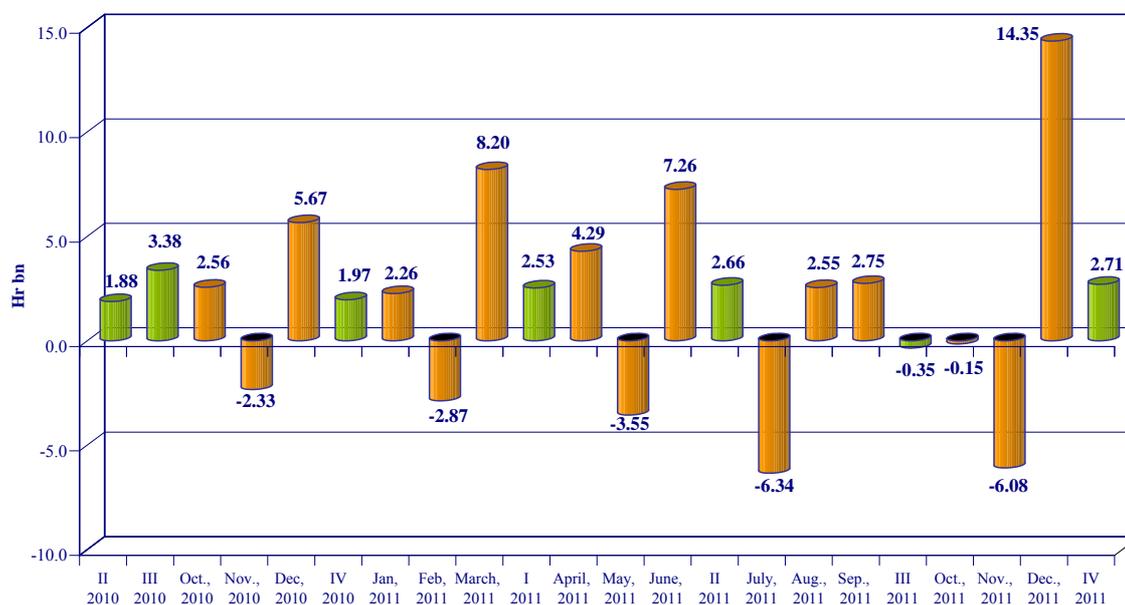
Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Individuals loan portfolio in foreign currencies, USD bn	17.87	17.77	17.66	17.38	17.24	17.02	16.82	16.55	16.16	15.65	15.29	14.70	14.11
Growth rate of individuals loan portfolio in foreign currencies, %	-3.34	-0.94	-0.59	-1.22	-0.75	-1.07	-1.29	-1.65	-2.32	-3.13	-2.24	-3.70	-4.02

Changes in the Amount of Legal Entities' Deposit Portfolio



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Legal entities deposit portfolio, Hr bn	142.06	146.16	143.35	151.56	159.29	155.79	163.24	156.94	163.56	168.15	171.49	163.24	179.36
Growth rate of legal entities deposit portfolio, %	4.76	2.88	-1.92	5.73	5.10	-2.20	4.79	-3.86	4.22	2.80	1.99	-4.81	9.87

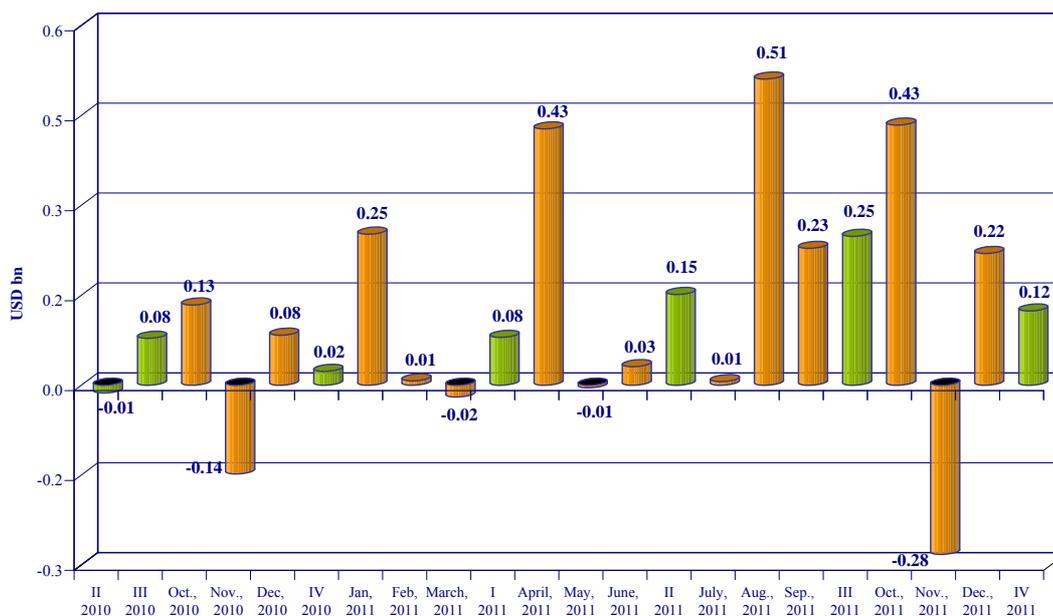
Changes in the Amount of Legal Entities' Deposit Portfolio in the National Currency



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Legal entities deposit portfolio in national currency, Hr bn	99.95	102.21	99.34	107.54	111.83	108.28	115.54	109.20	111.75	114.50	114.35	108.27	122.62
Growth rate of legal entities deposit portfolio in national currency, %	6.01	2.27	-2.81	8.26	3.99	-3.18	6.70	-5.49	2.34	2.46	-0.13	-5.32	13.26

Diagram 37

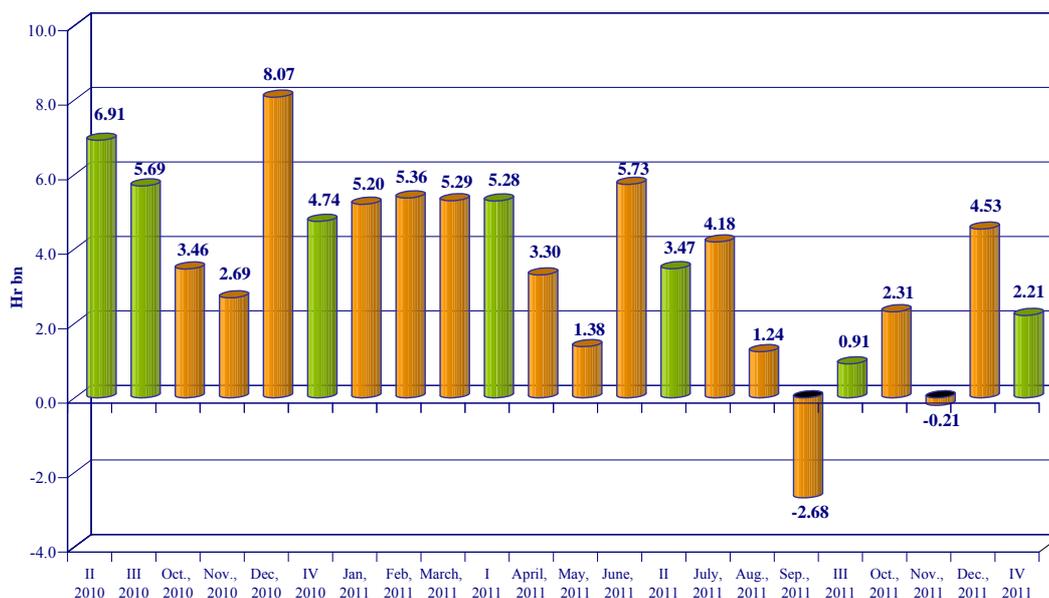
Changes in the Amount of Legal Entities' Deposit Portfolio in Foreign Currencies



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Legal entities deposit portfolio in foreign currencies, USD bn	5.29	5.54	5.55	5.53	5.96	5.95	5.98	5.99	6.50	6.73	7.16	6.88	7.10
Growth rate of legal entities deposit portfolio in foreign currencies, %	1.91	4.35	0.14	0.01	7.81	0.11	0.42	0.09	8.52	3.54	6.51	-3.79	3.20

Diagram 38

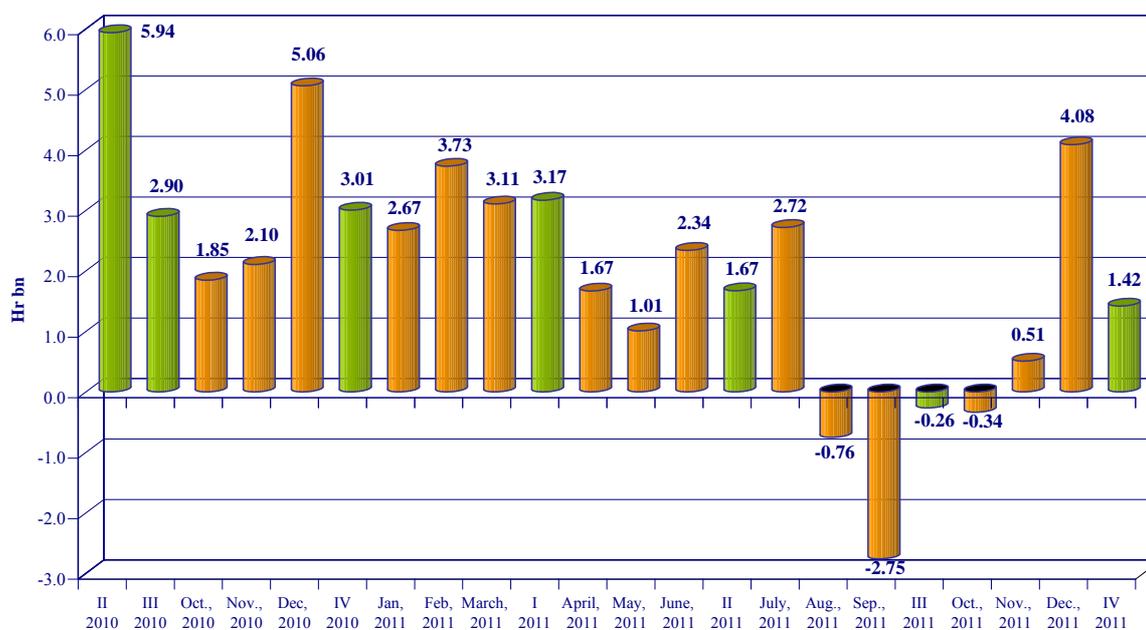
Changes in the Amount of Individuals' Deposit Portfolio



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Individuals deposit portfolio, Hr bn	271.79	276.99	282.35	287.64	290.94	292.32	298.05	302.23	303.47	300.79	303.10	302.89	307.42
Growth rate of individuals deposit portfolio, %	3.06	1.91	1.94	1.87	1.15	0.47	1.96	1.40	0.41	-0.88	0.77	-0.07	1.50

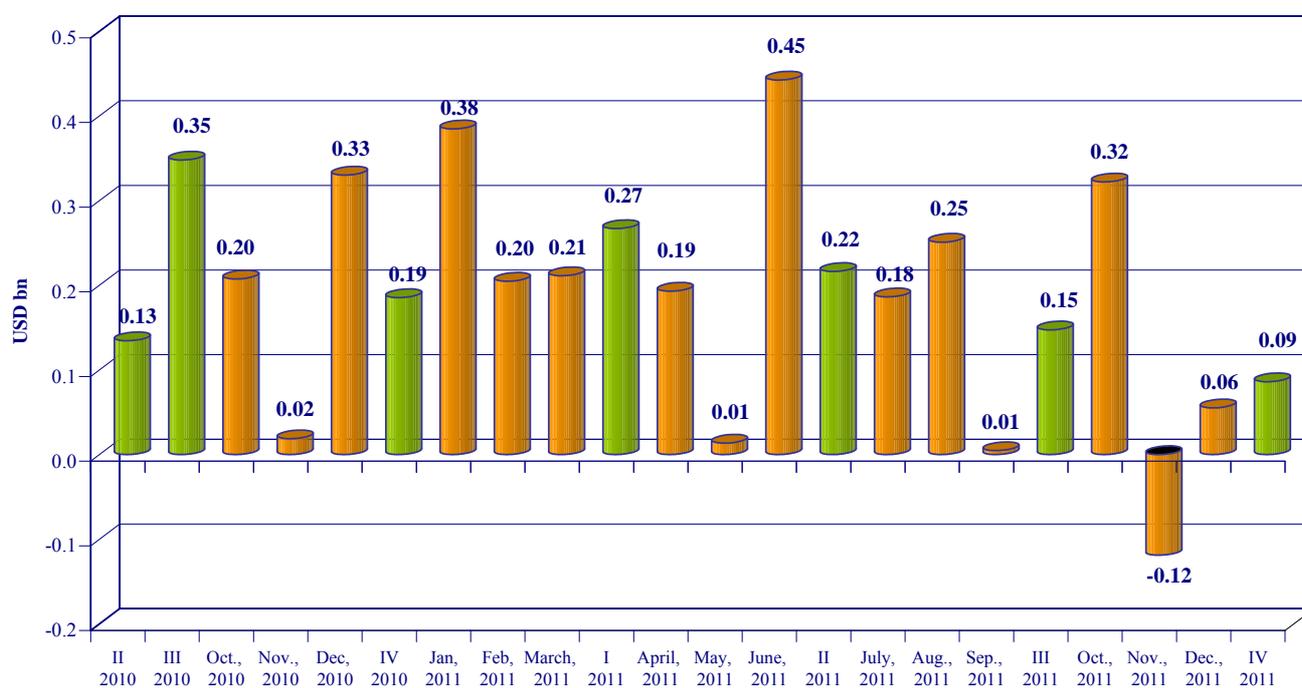
Diagram 39

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



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Individuals deposit portfolio in national currency, Hr bn	139.97	142.64	146.37	149.48	151.15	152.16	154.50	157.22	156.46	153.71	153.37	153.88	157.96
Growth rate of individuals loan portfolio in national currency, %	3.75	1.91	2.62	2.12	1.12	0.67	1.54	1.76	-0.48	-1.76	-0.22	0.33	2.66

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



Indicator	01.01.11	01.02.11	01.03.11	01.04.11	01.05.11	01.06.11	01.07.11	01.08.11	01.09.11	01.10.11	01.11.11	01.12.11	01.01.12
Individuals deposit portfolio in foreign currencies, USD bn	16.56	16.94	17.15	17.36	17.55	17.56	18.01	18.19	18.44	18.45	18.77	18.65	18.71
<i>Growth rate of individuals deposit portfolio in foreign currencies, %</i>	2.34	1.92	1.22	1.61	1.18	0.26	2.42	1.02	1.37	0.05	1.80	-0.48	0.30