



Impact of a risk and risk evaluation in activities of the banks-participants of Deposit Guarantee System

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Ukraine

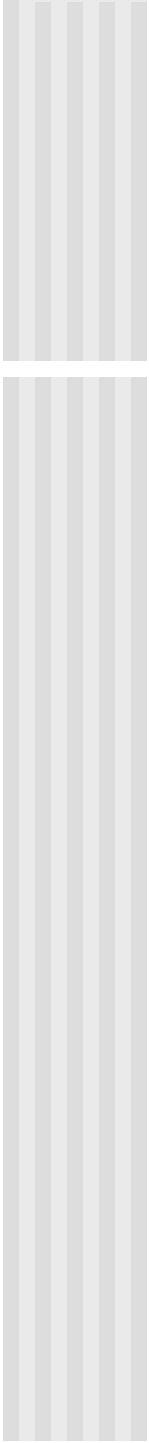
presented by:

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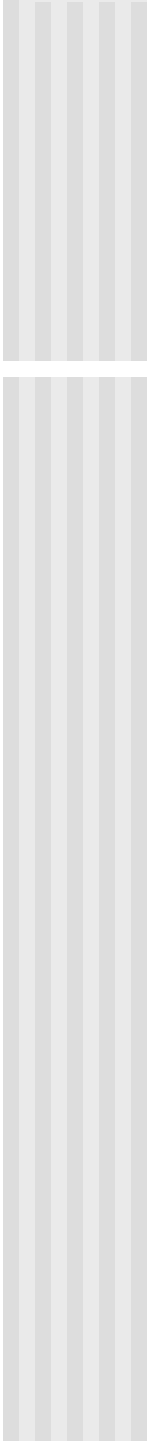
- Act of Ukraine 'Of funds for natural person's deposit guarantee', September 2001
- 'Pay-box' deposit guarantee fund with partial supervisory powers



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Partial supervisory powers include:

- Verification of:
 - A bank's accuracy of contribution to the Fund;
 - Depositor data base maintenance in accordance with the Fund's requirements;
 - How a bank informs its depositors about Deposit Insurance System.
- Analysis of a bank's financial performance;
- Analysis of deposit banking progress trends;
- Taking measures towards a bank.



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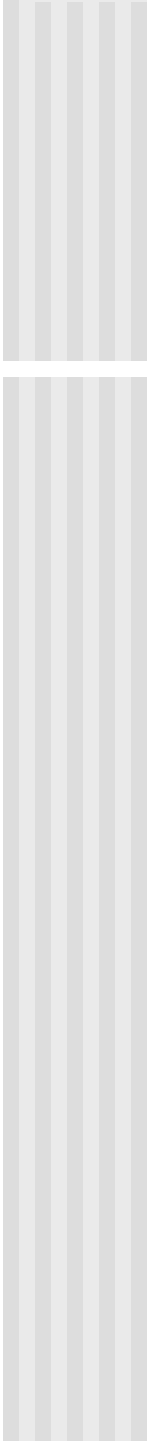
- Analysis of deposit banking progress trends is the foundation for increase in guaranteed refund of deposit



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- Analysis of a bank's financial performance

Dataware: reporting forms 'Bank's statement of balance' and 'Report of deposit banking'



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Levels of financial statements analysis:

- Macrolevel enables to detect general trends of the banking system and a common risk level
- Microlevel: a bank-participant of Deposit Insurance System enables to detect and evaluate a depositor risk in the bank's activities



Risk detection and evaluation

- Formation of 'Bank's dossier':

- a) Common data of the bank

- b) Analytical information:

- balance;
- receipts and expenditures;
- information about credit and investment portfolios;
- information about deposits;
- conclusions.



Risk detection and evaluation

- Methods of risk detection and evaluation:
 - rating;
 - expert evaluation.



Risk detection and evaluation

- Showing groups:
 - absolute;
 - relative: coefficients;
 - dynamic.

Risk detection and evaluation

■ Expert evaluation:

I – evaluation of balance sheet capital:

- analysis of the structure, sources and grade;
- adequacy of the capital;
- ways of capitalization.

II – evaluation of liabilities:

- analysis of the structure and sources;
- reliability;
- value.

III – valuation of assets:

- analysis of asset allocation;
- valuation of credit, investment and liquidity risks.

IV – evaluation of financial results

- matching of the receipts and expenditures structure and the banking operations;
- profit analysis.

V – evaluation of the bank dynamic development



Risk detection and evaluation

- Rating represents a system of analytical coefficients to evaluate financial performance and to determine degree of risk in banks' activities.

Risk detection and evaluation

■ Rating standards:

I. **Capital standards** evaluate the level of capital adequacy (5 indices);

II. **Assets standards** evaluate assets grade and degree of risk (7 indices);

III. **Management standards** evaluate the quality of bank management and the policy of assets and liabilities integrated control (7 indices);

IV. **Efficiency standards** evaluate profitability (3 indices);

V. **Liquidity standards** (3 indices);

VI. **Growth rates** determine the direction of bank development and its business activity (3 indices).



Risk detection and evaluation

- Rating has 28 indices.
- Evaluation of a criterion index can vary from 1 to 3.
- Overall score reflects evaluation of a bank's financial performance.



Risk detection and evaluation

- Analytical conclusion about a bank's financial performance and the degree of risk in its activities is combination of rating and expert evaluation results.



Risk detection and evaluation

- Presentation of a report (quarterly, semiannual, annual) according to the monitoring results.
- Informing managing directors about any detected risks in the bank's activities and about the amount of a possible loss (refund payment).
- Information interchange with the National Bank of Ukraine about the risks detected in some banks' activities.



Deposit Guarantee Fund, Ukraine

Thank you for attention!

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