

ANNUAL REPORT

Deposit

Guarantee Fund

for 2022



**ФОНД
ГАРАНТУВАННЯ
ВКЛАДІВ**

Annual Report 2022

MESSAGE FROM THE MANAGING DIRECTOR OF THE DEPOSIT GUARANTEE FUND

2022 was a year of unprecedented challenges that not only the Ukrainian, but also no other deposit guarantee scheme in the world has faced so far. The full-scale russian invasion affected all areas, all processes, including the banking sector and the deposit guarantee scheme.

In these circumstances, the main task of the Deposit Guarantee Fund was to ensure the stability of the guarantee scheme and to maintain confidence in the banking system. And, summing up the results of 2022, we can state that both of these goals have been achieved.

To this end, the DGF has taken a number of unprecedented measures since the first days of the full-scale invasion, partly based on the approaches already developed in the world; partly — developing completely new algorithms in a very short time in extreme conditions, sometimes with a risk to life.

In particular, in April 2022, Law of Ukraine No. 2180-IX "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" was adopted and put into effect, which introduced one hundred percent guarantees for the duration of martial law and three months after its end on deposits. The same Law stipulates that after the expiration of this term the guaranteed amount will be set at the level of UAH 600,000, which is three times higher than the amount of guarantees valid until February 24, 2022.

As a result, since the beginning of the full-scale war, not only was there no outflow of deposits from the banking system, but also a steady increase in the amount of deposits — about 36.5% increase without taking into account the factor of joining of JSC Oschadbank to the DGF, which also took place in accordance with Law of Ukraine No. 2180-IX, and thanks to which all banks became DGF members, as required by European directives.

In the first days of the full-scale invasion, the Deposit Guarantee Fund made a number of decisions that simplified the procedures for banks to fulfill their obligations to the guarantee scheme and enabled them to focus on performing direct functions in extremely difficult conditions. In particular, it softened the requirements for reporting deadlines and methods, optimized the payment of fees to the DGF; suspended inspections. As a result, the system worked as responsibly as possible.

During 2022, the DGF has started liquidation of four banks. Two of them — JSC IR Bank and PJSC Prominvestbank — were subsidiaries of russian state-owned banks in Ukraine, the resolution of which was initiated on the second day of the full-scale russian invasion pursuant to the NBU Resolution "On the Specifics of Termination of Banks During Martial Law". The DGF ensured the transfer to the special fund of the State Budget of funds in the amount of UAH 17 billion from the accounts of these banks pursuant to the Decision of the National Security and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" and the relevant Order of the Cabinet of Ministers of Ukraine. And as soon as at the beginning of 2023, the DGF, within the framework of the same decision of the National Security and Defense Council, also transferred to the state the shares of these russian banks, domestic government bonds for UAH 1.1 billion and over UAH 8.8 billion of funds paid for domestic government bonds due, and coupon income under domestic government bonds.



Two more banks — JSC Bank Sich and JSC Megabank — became the first banks transferred to the DGF management, which were covered by the law on one hundred percent guarantees. And already at the end of 2022, the DGF settled almost 100% with their depositors, including sole proprietors.

In total, the DGF paid out UAH 5.8 billion to depositors in 2022.

In line with the challenges of the time, in the first weeks of the full-scale invasion, the DGF introduced a system of remote payments. This allowed the depositors of insolvent banks to receive almost UAH 1.6 billion in guaranteed payments, including those who found themselves abroad or in territories where the operation of bank branches was impossible as a result of the Russian invasion.

Another successful decision of the DGF in view of the full-scale invasion was the introduction of payment holidays for borrowers of resolved banks and the launch of preferential Debt Repayment Terms for Individual Borrowers. The terms were designed in such a way as to encourage debtors not to accumulate their debts and to provide proceeds for settlements with bank creditors. In addition, the DGF extended the loan restructuring program for business borrowers.

At the end of the year, the amount of restructured loans in the national currency equivalent amounted to UAH 408.6 million, and the proceeds from the repayment and servicing of loans for the year exceeded UAH 0.5 billion.

An even greater amount of proceeds — almost UAH 1.5 billion — was ensured by the sale of assets of resolved banks.

In total, proceeds to liquidated banks in 2022 amounted to UAH 4.5 billion. These funds are used for settlements with creditors of resolved banks.

In addition, legislative changes adopted in 2022 have unblocked the possibility of restructuring the DGF debt to the state, which emerged as a result of the crisis of 2014–2016. Restructuring of the DGF debts envisages that the repayment of promissory notes will be made from the DGF resources in excess of the amount necessary to cover potential risks in the banking system. And in the part corresponding to the accrued interest, the repayment will take place through the recovery of losses from the former owners and related parties, whose activities have led to the insolvency of these institutions. Such repayment mechanisms ensured the balance of the deposit guarantee scheme.

Despite the challenges faced by the Deposit Guarantee Scheme in 2022 as a result of the full-scale Russian invasion, the DGF continues to perform the tasks set by the Strategy of Financial Sector Development until 2025.

The implementation of strategic objectives is carried out by the DGF within the framework of the national European integration course, which includes both the direct participation of the DGF in bilateral activities with the EU to bring Ukraine closer to the EU membership criteria, as well as internal work on approximation of legislation and strengthening the DGF institutional capacity as a body for settling insolvency institutions and deposit insurer.

The DGF has not ceased to perform its functions for a single day, including full provision of communication with bank clients even in the most critical conditions.

In addition, European integration has always remained our strategic direction. These include harmonizing our regulations with European requirements, strengthening the



institutional independence of the Deposit Guarantee Fund and developing the concept of insolvency of credit institutions.

The deposit guarantee scheme withstood the challenges of the year of the full-scale russian invasion. It is ready to continue to ensure the stability of the state's financial and banking system.

Svitlana REKRUT
Managing Director
Deposit Guarantee Fund



MESSAGE FROM THE CHAIRMAN OF THE ADMINISTRATIVE BOARD OF THE DEPOSIT GUARANTEE FUND

2022 was the year of the greatest trials that independent Ukraine has faced in its history. A full-scale russian invasion, shelling of settlements, and terrorist attacks on the energy infrastructure during the year virtually posed risks to the domestic economy and financial stability on a daily basis. Nevertheless, we managed to keep our front: the financial sector worked smoothly, payments were made on time, and bank clients had unhindered access to their own funds.

The fact that the banking system met the beginning of a full-scale invasion as reformed and capitalized helped the banking system not just to survive, but to become a model of stability. The previous years of the Corona crisis hardened the system and made it highly adaptive. This, along with timely steps taken by regulators and the state, allowed to minimize the negative impact of the martial law factor on the banking system, the liquidity of which has remained high since the beginning of the full-scale aggression of russia, and in some cases even reached record levels during the year. At the end of 2022, the balance of depositors' funds in the DGF member banks reached UAH 1 trillion.

The efficiency and continuity of the Deposit Guarantee Fund, which did not stop its work for a day, played a key role in maintaining the confidence of depositors in banks.

As soon as on February 25, on the second day of full-scale armed aggression, in accordance with the NBU Resolution "On the Specifics of Termination of Banks During Martial Law", two new banks were transferred to the DGF management — JSC IR Bank and PJSC Prominvestbank, which belonged to the russian federation. And despite the fact that those days were almost the most difficult for the whole country, the liquidation of banks took place in strict compliance with the law, and the payment of guaranteed compensation to depositors began even before the deadline set by the Law of Ukraine "On Household Deposit Guarantee Scheme". And already at the end of the year, the DGF, pursuant to the Decision of the National Security and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" and the relevant Order of the Cabinet of Ministers of Ukraine, ensured the transfer of funds to the special fund of the State Budget in the amount of UAH 17 billion from the accounts in these banks.

Legislative changes voted by the parliament in April 2022 — the adoption of the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" — strengthened the confidence of depositors in Ukrainian banks, and thus became a guarantee of a high level of liquidity of the scheme. After all, this document, inter alia, introduced an unprecedented norm for Ukraine on full compensation of funds on household deposits for the period of martial law and for three months after its termination or cancellation.

During 2022, in pursuance of this norm, depositors of two banks JSC MEGABANK and JSC BANK SICH, which were declared insolvent after the



amendments to the legislation came into force, already received their funds from the DGF in the amount of the full deposit and accrued interest. In total, following the results of 2022, the DGF paid over UAH 5.8 billion in compensation to the depositors of the liquidated banks.

In 2022, the DGF amended the legal framework adjusting it to the circumstances of a full-scale aggression against Ukraine. Thus, in order to minimize the adverse impact of the military situation on the borrowers of the liquidated banks, the DGF introduced payment holidays. And already in April, depositors of such banks were given the opportunity to receive their guaranteed payments from the DGF remotely, without visiting bank branches.

In the summer, the DGF resumed the sale of assets of the liquidated banks in the Prozorro.Sale system, which allowed not to stop the receipt of funds for settlement with bank creditors. In the end, UAH 3.5 billion were allocated for settlements with bank creditors.

It is fundamentally important that, despite the full-scale invasion, the DGF did not pause the fulfillment of its strategic objectives. In particular, active work was carried out to recover damages caused to the state and creditors of banks by persons related to banks. And also — on the harmonization of the domestic guarantee scheme with the principles of European directives governing deposit guarantee schemes and the operation of credit institutions in the EU countries, namely directives 2014/59/EU and 2014/49/EU.

It is to be hoped that 2023 will be a year of victory for Ukraine and will bring a stabilization of the economic situation and a gradual economic recovery. And the banking system, in turn, will remain stable under any circumstances.

Oleksandr ZYMA
Chairman of the Administrative Board of the
Deposit Guarantee Fund
Director of the Legal Department of the
National Bank of Ukraine



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I. REPORT ON ACTIVITIES OF THE DEPOSIT GUARANTEE FUND OPERATIONS FOR 2022

Mission, vision, policy objective, and functions of the Deposit Guarantee Fund (DGF)

MISSION OF THE DGF :

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

VISION OF THE DGF :

The DGF is a transparent, innovative, and reliable partner for preventing financial losses and setting benchmarks for deposit insurance systems globally.

POLICY OBJECTIVE OF THE DGF:

To ensure operations of the household deposit guarantee scheme and insolvent bank resolution.

FUNCTIONS OF THE DGF:

In order to fulfill its policy objective, the DGF shall perform the following functions in accordance with the procedure provided for by the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"):

- 1) maintaining the Register of DGF members;
- 2) accumulating funds from the sources as set in Article 19 of the Law "On Household Deposit Guarantee Scheme" and supervising premium payments from the DGF member;
- 3) investing the DGF monetary funds in government securities of Ukraine and bonds of international financial organizations placed in the territory of Ukraine;
- 3⁻¹) placing corporate bonds in the manner and in the spheres of funds allocation defined by the Law, and issuing promissory notes in the cases provided for by the Law on the State Budget of Ukraine for the corresponding year;
- 4) taking measures to facilitate deposit payouts within the time limits specified in the Law;
- 5) regulating the banks' membership in the household deposit guarantee scheme;
- 6) participating in problem banks inspections upon the proposal of the National Bank of Ukraine;
- 7) applying financial sanctions to and imposing fines on banks and bank senior executive management as appropriate;



8) taking measures to:

prepare for the introduction of the procedure for bank resolution, including organizational measures for holding an open auction and determining the least expensive method of bank resolution;

carry out insolvent bank resolution, including through the implementation of the resolution plan, implementation of the provisional administration, and bank liquidation;

9) inspecting banks pursuant to the Law;

10) providing financial support to banks pursuant to the Law;

11) analyzing the financial position of banks in order to identify their operational risks, and project DGF potential costs of insolvent banks resolution and deposit compensation;

12¹) sending relevant inquiries to clients, depositors, and other bank creditors in accordance with the procedure established by the DGF;

13) taking measures to educate the public about the household deposit guarantee scheme, protection of rights and legally protected interests of depositors, increasing the level of financial literacy of the population in accordance with the Law;

14) studying and analyzing markets of financial resources raised by DGF members from depositors.

The DGF shall perform other functions within the limits of its powers defined by the Law and other legislative acts.



HOUSEHOLD DEPOSIT GUARANTEE SCHEME DURING MARTIAL LAW:

2022: THE YEAR IN REVIEW

Introduction of full compensation of deposits for the period of martial law and payment holidays, launch of remote payments and UAH 5.8 billion of compensation paid, 4 banks transferred to the DGF management, over UAH 4.4 billion of proceeds to liquidated banks, UAH 17 billion transferred to the State Budget, one new DGF member bank JSC OSCHADBANK — 2022 became a year of hard work and qualitative changes in the conditions of full-scale war on the territory of Ukraine for the Deposit Guarantee Fund.

All 24 years since the DGF was established in 1998 on the basis of the Decree of the President of Ukraine "On Measures to Protect the Rights of Individual Depositors of Commercial Banks", it has fulfilled with its mission the mission of protecting the rights and legitimate interests of bank depositors. Especially in 2022, in the conditions of missile attacks, de-energization, and combat operations, the deposit guarantee scheme was once again able to demonstrate its stability and efficiency without ceasing to perform its functions for a single day.

MAIN INDICATORS OF THE DGF OPERATIONS

- On April 1, 2022, the Law of Ukraine No. 2180-IX "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" (hereinafter referred to as "Law No. 2180-IX") was adopted, which increased the amount of the deposit compensation ceiling to UAH 600,000, and for the period of martial law and for three months after its completion, a norm on full compensation for household deposits in banks was introduced.

- As of January 1, 2023, the DGF members were 67 banks with a banking license. During the reporting year, 4 banks were excluded from the register of members. On April 13, 2022, in accordance with Law No. 2180-IX, one bank, JSC Oschadbank, became a DGF member.

- The amount of deposits for 2022 increased by UAH 375.9 billion or by 55.6% to UAH 1,051.5 billion, including due to the acquisition by JSC Oschadbank of the DGF member status, in which as of January 1, 2023, the amount of deposits amounted to UAH 169.8 billion. The number of depositors in the DGF members is 65.4 million.

- The total assets of the DGF members as of January 1, 2023, amounted to UAH 2,716.9 billion, net assets amounted to UAH 2,353.6 billion, provisions for total assets — UAH 363.3 billion, total liabilities — UAH 2.135.0 billion, equity — UAH 218.5 billion. According to the results of the reporting year, the consolidated annual financial result amounted to UAH 24.7 billion.

- The total guaranteed compensation amount paid during 2022 is UAH 5.8 billion.

- In April 2022, the DGF introduced remote payments to depositors of insolvent banks. The guaranteed compensation amount paid during the reporting year by the 4 DGF agent banks, which introduced such remote payments, amounted to UAH 1.6



billion. The share of online payments of the guaranteed compensation amount was 28% of the total amount of all payments.

- During the reporting year, 4 banks were transferred to the DGF management. The decision to revoke the banking license and liquidate JSC IR BANK and PJSC Prominvestbank, banks that had russian capital and were subsidiaries of russian banks in Ukraine, was adopted by the National Bank of Ukraine on the second day of the full-scale invasion — February 25, 2022. Two more banks — JSC BANK SICH and JSC MEGABANK — were transferred to the DGF management on the basis of the decision to classify them as insolvent.

- As of January 1, 2023, the DGF managed 52 banks (the DGF directly managed 32 banks), of which 24 banks were in liquidation and in 28 banks the liquidation was completed. The total nominal value of assets (excluding revaluation) accounted for on the balance sheets of the above banks amounted to UAH 139.17 billion, the estimated value of which is UAH 27.01 billion.

- As of January 1, 2023, the total book value of assets of 47 banks managed by the DGF, in which the register of accepted creditor claims was approved by the Decision of the DGF Executive Board, amounted to UAH 138.64 billion, while their estimated value was UAH 26.54 billion. The total amount of approved accepted creditor claims amounted to UAH 325.26 billion (including banks in which liquidation was completed).

- In 2022, UAH 3.97 billion were settled for all tiers of creditor claims.

- In 2022, liquidated banks received UAH 4.4 billion, the largest share (34.1%) of these proceeds in the reporting year accounted for proceeds from the sale of property and from the redemption of securities, namely UAH 1.5 billion respectively. The total amount of proceeds from the management and lease of real estate of insolvent banks in 2022 amounted to UAH 73.7 million.

- During 2022, the DGF conducted more than 1,650 open e-auctions in the Prozorro.Sale system. After the beginning of the russian military aggression on the territory of Ukraine on February 24, 2022, the sale of assets (property) of banks was suspended and actually resumed only in the summer of 2022.

- The largest share in the amount of sold assets of banks as a result of open auction is the sale of real estate, land, vehicles, other fixed assets and intangible assets (excluding sales directly to legal entities or individuals) over 68%, property rights to real estate/accounts receivable — 23%, claims under credit agreements — 8%.

- In response to the full-scale war, the DGF introduced payment holidays for the borrowers of the liquidated banks. In September 2022, these payment holidays were transformed into updated Debt Repayment Terms for Individual Borrowers, which at the end of 2022 were complied with by Borrowers under 796 agreements. During this period, the debt under 110 credit agreements was fully repaid. The total repayment amount was UAH 10.8 million.

- At the end of 2022, the DGF ensured the transfer to the special fund of the State Budget of funds in the equivalent of UAH 17 billion from the accounts of liquidated banks of PJSC Prominvestbank and JSC IR BANK. The transfer took place pursuant



to the Decision of the National Security and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" and the relevant Order of the Cabinet of Ministers of Ukraine.

- Pursuant to Law No. 2180-IX, the DGF liabilities on the balance of promissory notes (including accrued interest) issued in 2015 and 2016 in exchange for domestic government bonds held by the Ministry of Finance of Ukraine were terminated in full. After the termination of the obligations under the promissory notes, the DGF will transfer the funds to the State Budget of Ukraine by the decision of the DGF Executive Board, within the amount of the terminated DGF obligations under the promissory notes of UAH 45.741 million and at the interest that could be accrued until 2031, to the total an amount not exceeding UAH 62.543 million. The procedure for transferring funds to the State Budget of Ukraine shall be determined by an agreement concluded by and between the DGF and the Ministry of Finance of Ukraine on April 15, 2022.

- During 2022, the DGF continued to work to identify damages caused to banks and their creditors by decisions, actions, or inaction of persons related to such banks. As of January 1, 2023, the DGF filed 79 claims in commercial proceedings against 933 persons related to banks against 50 insolvent banks for a total amount of over UAH 109.5 billion. The total amount of claims of the DGF satisfied according to court decisions that have entered into force is over UAH 434 million. However, as part of cooperation with law enforcement agencies, in order to compensate for the damages caused to banks by criminal offenses, as of January 1, 2023, the DGF filed 33 civil claims against 66 civil defendants in respect of 22 banks for a total amount of over UAH 23.2 billion.

- In 2022, the DGF presented the results of a nationwide representative survey of citizens of Ukraine — users of financial services to determine their level of awareness of various aspects of the deposit guarantee scheme, attitude to banks, the need for additional information and the desired channels for its receipt, as well as the peculiarities of financial behavior, in particular in the field of savings. The survey was conducted in October–November 2021. The results of the survey are posted on the DGF [official website](#).

- During 2022, the DGF prepared and sent to news agencies and media representatives about 220 press releases, organized more than 30 thematic interviews and comments for national media, appearances on television, published thematic columns of the DGF speakers, provided information materials to journalists for the preparation of articles, published in professional economic media. The DGF website remained one of the main channels of communication.

- The active work of the DGF was aimed at the development and maintenance of social media. During the year, more than 400 posts were published on the DGF Facebook page, of which 30 were videos (video comments of the DGF speakers, animation, recordings of TV broadcasts with the participation of the DGF speakers, etc.). The headings "Financial Weekly", "I Want to Know", "Quote of the Day", "Number of the Day" were published on a regular basis. Since 2022, the number of subscribers to the DGF Facebook page has grown to 79,000. During the year, about 10 million Facebook users viewed posts on the DGF social media page.



- In 2022, the DGF Information and Consultation Center continued its work, and during the reporting year, 259 requests for public information managed by the DGF were satisfied, as well as 164 responses to citizens' appeals and letters from public associations and legal entities were prepared via electronic means of communications, 2,661 appeals were processed, 59,150 clarifications and consultations were provided by the DGF hotline.

- In 2022, work continued to improve the financial literacy of the public. The DGF systematically conducted educational activities for target audience groups. The National Financial Literacy Project continued to operate. During the Project, 86 financial literacy trainings with a total duration of over 550 lecture hours were conducted. In 2022, the DGF, together with the National Bank of Ukraine and the National Securities and Stock Market Commission, developed and published the Financial Competences Framework for Adults. In addition, the DGF implemented a program of measures aimed at protecting the rights of depositors

- In the reporting year, the European integration processes and the process of creating guarantee schemes for non-bank financial institutions were continued, namely: systems for guaranteeing deposits of members of credit unions and systems for guaranteeing payments under life insurance contracts.

- In 2022, work was carried out to improve the efficiency of the risk management system and to create a modern risk management system. During the reporting year, the project on the organization of stress testing of the guarantee scheme was continued, based on the results of which the draft Stress Testing Methodology was developed, where the stages of stress testing and its indicators, relevant tests, and the system of evaluation of their results are provided, and the draft of the Stress Testing Program (2023–2025) was prepared.



2. BANKING SECTOR OVERVIEW AND REGULATORY OPERATIONS

As of January 1, 2023, 67 banks with a banking license were the members of the Deposit Guarantee Fund.

The Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law") stipulates that the participation of banks in the DGF is mandatory. The bank shall acquire the status of a DGF member on the day of obtaining its banking license. The DGF shall exclude a bank from the number of DGF members in case of a decision to revoke the banking license and liquidate the bank.

Trends of the number of DGF members is shown in Figure 2.1.:

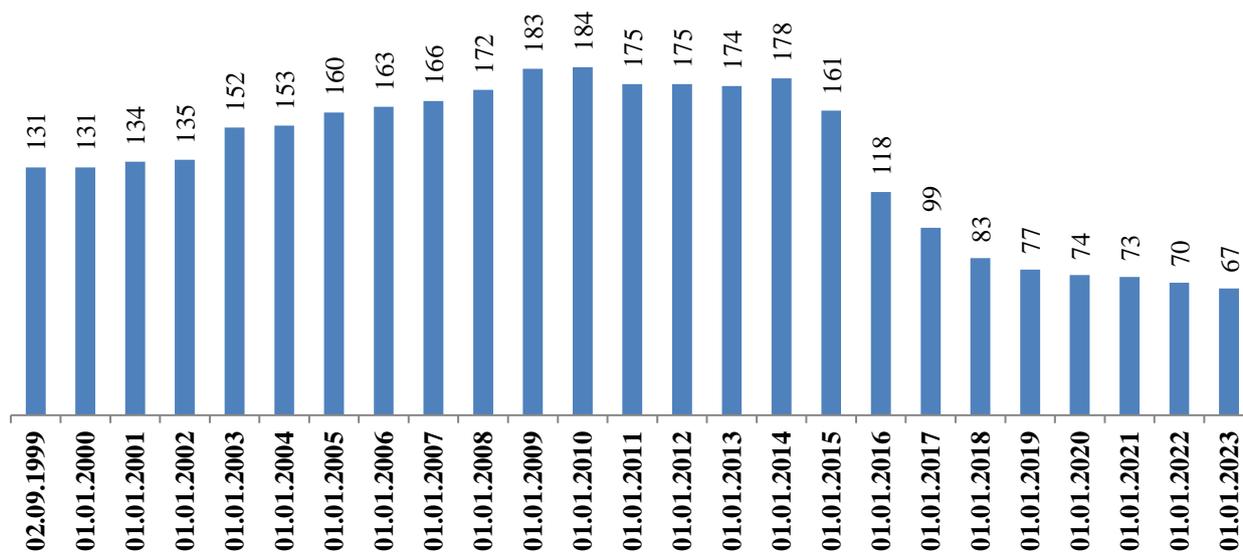


Figure 2.1. Trends of the number of DGF members

In 2022, 4 banks were excluded from the register of the DGF members: PJSC Prominvestbank, JSC IR BANK, JSC MEGABANK and JSC BANK SICH (where there was a provisional administration and subsequently a decision was made to revoke the banking license and liquidate it), in addition, as of April 13, 2022, JSC Oschadbank acquired the status of a DGF member in accordance with Law No. 2180-IX.

Trends of exclusion of DGF members is shown in Figure 2.2.:

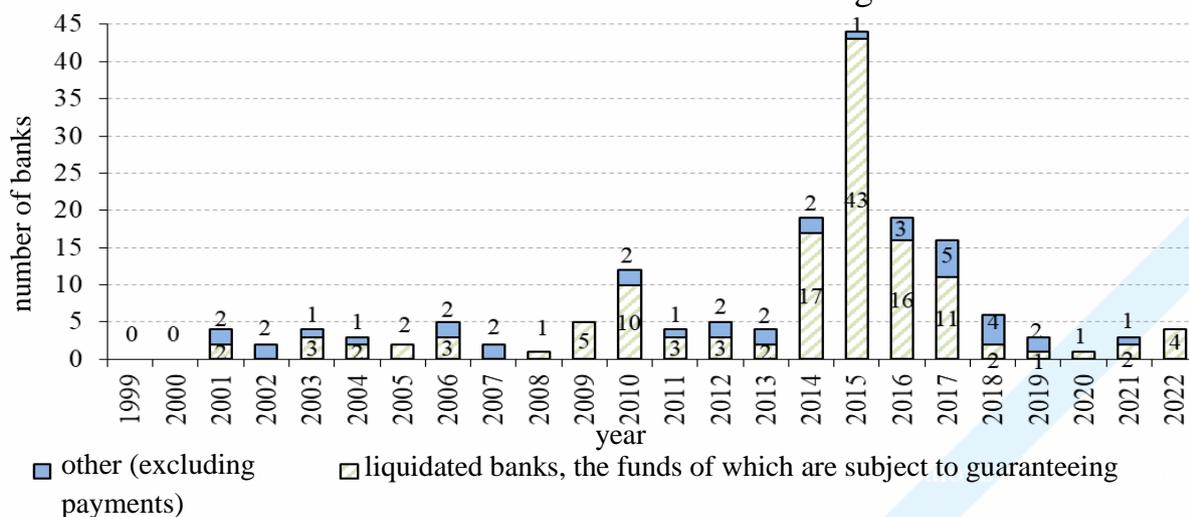


Figure 2.2. Exclusion of banks from the register of DGF members



In 2022, the number of banks with foreign capital (greater than or equal to 10.00 %) decreased from 33 to 30.

For 2022, the division of operating banks into groups (according to the decision of the Committee on Banking Supervision and Regulation, Supervision (Oversight) of Payment Systems of the National Bank of Ukraine No. 20/399-пк dated February 28, 2022) was as follows:

4 — banks with state-owned share — banks in which the state directly or indirectly owns a share of more than 75% of the authorized capital of the bank;

18 — banks of foreign banking groups — banks, the controlling stakes of which belong to foreign banks or foreign financial and banking groups. At the end of the year, the number of banks was 16;

49 — banks with private capital — banks in which one or more private investors are among the ultimate owners of major shareholding, which directly and/or indirectly own at least 50% of the authorized capital of the bank. At the end of the year, the number of banks was 47.

2.1. Overview of the DGF members' financial indicators

The analysis of financial indicators of the DGF members was carried out on the basis of balance sheet data as of January 1, 2021, January 1, 2022, and January 1, 2023.

At the beginning of 2022, the DGF members included 70 banks that had a banking license to conduct banking operations. During February, PJSC PROMINVESTBANK and JSC IR BANK were excluded from the register of members, and in July and October — respectively JSC MEGABANK and JSC BANK SICH due to the revocation of the banking license and liquidation. Instead, on April 13, 2022, JSC OSCHADBANK acquired the status of a DGF member. Thus, as of January 1, 2023, there were 67 banks in the register.

The exclusion of these banks did not have a significant impact on the trends of system indicators due to the small share of these members, and the joining of JSC OSCHADBANK on the contrary, which was taken into account during the analysis (Table 2.1.1).

In 2022, the National Bank twice changed the discount rate, which at the beginning of the year was 9.0%. Initially, the rate was increased to 10.0% on January 21, 2022, and immediately increased to 25.0% on June 3, 2022, after which it remains unchanged.

In the conditions of the imposition of martial law and the application of administrative restrictions, market monetary instruments do not play a significant role in the functioning of the monetary and foreign exchange markets. Therefore, in the future, the discount rate will be regulated manually until the end of hostilities and the return of the economy to market principles.

During the war, consumer inflation accelerated significantly, and by the end of 2022, the consumer price index was 26.6% against 7.6% on April 1, 2022, 17.4% on



July 1, 2022, and 21.8% on October 1, 2022. For comparison, the consumer price index for 2021 was 10.0%.

In the context of the ongoing armed confrontation, the risks of intensification of inflationary processes will remain significant. Nevertheless, the NBU's baseline scenario for the future assumes a gradual reduction of inflationary pressure on the Ukrainian economy. The projected inflation rate for 2023, published in the January 2023 Inflation Report, is expected to be within 18.7% with a further decline to 10.4% over 2024.

Over the past year, the official UAH/USD exchange rate increased by UAH 9.2904 (UAH depreciated by 34.1%) and as of January 1, 2023, amounted to UAH 36.5686 per USD 1, remaining unchanged today. According to the NBU decision, it was fixed on February 24, 2022, at the level of UAH 29.2549 per USD 1 and changed only once, when on July 21, 2022, it increased to its current value. The official UAH/EUR exchange rate in 2022 increased by UAH 8.0284 (UAH depreciated by 26.0%) and as of January 1, 2023, amounted to UAH 38.951 per EUR 1.



Table 2.1.1

Balance sheet indicators of banks excluded from and included in the DGF Register in 2022

(UAH million)

Indicators	As of 01/01/2022			As of 01/04/2022		
	four excluded banks	relative share in the total amount for the DGF, %	total amount for the DGF	JSC OSCHADBANK	in relation to the total amount of the DGF, %	total amount for the DGF
Net assets	57,057.7	3.1	1,817,040.3	235,911.7	13.6	1,734,160.7
including loan and investment portfolio less provisions	36,706.2	2.6	1,421,989.2	202,289.2	15.1	1,337,738.6
Total liabilities	39,352.1	2.5	1,583,286.1	214,149.5	13.8	1,547,815.7
including household deposits	9,100.1	1.3	675,574.5	126,811.5	18.0	703,397.9
Equity	17,705.6	7.6	233,754.2	21,762.2	11.7	186,345.0
including paid authorized capital	76,053.0	17.6	432,062.2	49,472.8	13.8	357,573.1

Main trends of the DGF members in 2022

In 2022, the banking sector was operating under extremely difficult conditions caused by the large-scale Russian military invasion of Ukraine. This event had a material adverse impact on the economy in general and on the financial sector in particular. At present, the military confrontation continues, and the scope of its further development and terms of completion remain uncertain.

From the first day of the war, the country's leadership took the necessary measures to prevent the collapse of the economy. Thus, in accordance with Law No. 2180-IX, during the martial law in Ukraine and for three months from the date of its termination or cancellation, the DGF shall compensate each depositor of the bank the full amount of the deposit, including interest accrued as of the end of the day preceding the day of the bank resolution procedure, except for the cases provided for in part 4, Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme".

Thanks to the efforts made, it was possible to prevent a catastrophic scenario and stabilize the situation in certain areas. The banking system withstood the load, adjusted to new challenges, and demonstrated the ability to function in conditions of war.

In the spring there was a sharp decline in its indicators, but in the summer recovery began. In particular, the balances of highly liquid assets and funds on client accounts increased, crediting by state-owned banks to businesses supported by government programs resumed, and most of the DGF members formed additional provisions for loans depreciated due to the war and remained profitable.

The currency of the balance sheet of the DGF members for 2022 increased by UAH 536.6 billion or 29.5% (if we take into account the positive currency revaluation of UAH 193.3 billion and UAH 235.9 billion from the joining of JSC OSCHADBANK) or by UAH 107.4 billion (excluding such) and amounted to UAH 2,353.6 billion. Over the same period, total assets increased by UAH 607.8 billion or 28.8% together with a positive currency revaluation of UAH 225.6 billion and UAH 250.2 billion from the joining of JSC OSCHADBANK and as of January 1, 2023, amounted to UAH 2,716.9 billion. The main factors of growth of total assets are the increase of investments in NBU certificates of deposit and balances on correspondent accounts, as well as formal factors in the form of joining of JSC OSCHADBANK to the DGF members and a positive revaluation of foreign currency balance sheet items due to UAH depreciation.

The total size of the client loan portfolio suffered significant losses as a result of the war. From the beginning of 2022, it formally increased by UAH 58.2 billion or 5.9% and amounted to UAH 1,036.1 billion as of January 1, 2023. However, considering that the increase of UAH 89.3 billion due to the joining of JSC OSCHADBANK and the increase of UAH 107.8 billion by a positive currency revaluation, the portfolio actually lost UAH 138.9 billion. Excluding the impact of these formal factors, loans to legal entities, authorities, and sole proprietors actually decreased by UAH 98.9 billion and to individuals by UAH 40.0 billion. At the same time, only the UAH component of the corporate portfolio increased by UAH 11.0



billion, while the foreign currency component lost UAH 109.9 billion. UAH and foreign currency loans to households also decreased: by UAH 25.2 billion and by UAH 14.8 billion, respectively.

The quality of client loans is gradually deteriorating as a result of the ongoing war. The amount of provisions for credit risks in 2022 formally increased by UAH 62.2 billion or 21.8% and as of January 1, 2023, reached UAH 348.0 billion. Excluding the effect of revaluation and joining of JSC OSCHADBANK, which increased provisions by UAH 32.0 billion and UAH 13.9 billion, respectively, the increase in provisions amounted to UAH 16.3 billion. Their UAH component actually increased by UAH 60.1 billion, while their foreign currency component actually decreased by UAH 43.8 billion.

Overdue debts on client loans decreased by UAH 4.5 billion or 1.8% since the beginning of 2022, taking into account the positive currency revaluation of UAH 26.9 billion and UAH 7.6 billion from the joining of JSC OSCHADBANK and on January 1, 2023, amounted to UAH 249.6 billion (24.1% of the total portfolio), of which UAH 201.0 billion was in national currency and UAH 48.6 billion in foreign currency. Thus, its actual reduction in the reporting year amounted to UAH 39.0 billion, with the UAH overdue increase by UAH 19.6 billion and the foreign currency delay falling by UAH 58.6 billion.

At the same time, the reduction of overdue loan debt, which has been going on for the third year in a row, does not mean an improvement of its servicing by borrowers, as it is due to the write-off of overdue non-performing loans at the expense of formed provisions. Since the beginning of 2022, the DGF members have written off UAH 43.0 billion of loan debts, of which UAH 13.2 billion were in national currency and UAH 29.8 billion in foreign currency (for comparison: in 2021, UAH 63.1 billion of loans were written off, including UAH 18.2 billion in UAH and UAH 44.9 billion in foreign currency, and in 2020 — UAH 136.0 billion, of which UAH 58.5 billion in UAH and UAH 77.5 billion in foreign currency).

From the beginning of 2022, non-performing loans formally increased by UAH 125.6 billion and as of January 1, 2023, amounted to UAH 432.1 billion against UAH 306.5 billion as of January 1, 2022, and UAH 373.5 billion as of January 1, 2021. At the same time, their actual growth amounted to UAH 142.2 billion, if we do not take into account the impact of positive currency revaluation (+ UAH 36.3 billion), the joining of JSC OSCHADBANK (+ UAH 39.6 billion), the termination of four banks (– UAH 49.2 billion), as well as write-off of uncollectable client debts (– UAH 43.0 billion) and interbank debts (– UAH 0.3 billion).

Banks' investments in securities continued to grow for the seventh consecutive year and as of January 1, 2023, amounted to UAH 1,021.5 billion, which is by UAH 320.4 billion or 45.7% more than on January 1, 2022. Excluding the effect of a positive currency revaluation (+ UAH 29.5 billion) and the joining of JSC OSCHADBANK (+ UAH 116.0 billion), the actual increase in these investments in the reporting year amounted to UAH 174.9 billion. The main reason is a significant increase in investments in NBU certificates of deposit, which currently look like the most convenient asset that combines maximum return with minimum risk. In the reporting year, their balances in the balance sheets of the DGF members increased by



UAH 262.0 billion or 2.3 times, and the joining of JSC OSCHADBANK added only UAH 16.5 billion. At the same time, another component of the portfolio — investments in securities refinanced by the NBU — with a formal increase in UAH 35.3 billion in 2022 or 7.1% actually decreased by UAH 100.5 billion, as UAH 108.3 billion of "growth" is explained by the joining of JSC OSCHADBANK, and UAH 27.5 billion — by a positive currency revaluation.

In the reporting year, total liabilities increased by UAH 551.8 billion or 34.8% to UAH 2,135.0 billion due to the predominant attraction of client funds, as well as a positive currency revaluation and joining of JSC OSCHADBANK.

Funds of legal entities, budget and sole proprietors increased by UAH 252.5 billion or 33.9% and amounted to UAH 998.0 billion. They are formed by 62.9% from UAH balances, which increased by UAH 119.7 billion or 23.5% to UAH 628.1 billion (including by UAH 60.0 billion from the joining of JSC OSCHADBANK), and by 37.1% from those in foreign currency, which increased by UAH 132.8 billion or 56.0% to UAH 369.9 billion (taking into account UAH 82.5 billion of positive currency revaluation and UAH 6.8 billion from the joining of JSC OSCHADBANK). Thus, in the reporting year, business funds actually added UAH 59.7 billion in UAH and UAH 43.5 billion in foreign currency (for comparison: in 2021, the actual growth of UAH balances amounted to UAH 103.7 billion, and foreign currency balances to UAH 13.6 billion).

Funds of individuals in 2022 increased significantly by UAH 328.8 billion or 54.5% and amounted to UAH 932.5 billion as of January 1, 2023. UAH balances account for 63.6% of them (UAH 593.4 billion), and their growth by UAH 218.1 billion or 58.1% became the main source of growth. Foreign currency deposits, which account for 36.4% of individuals' funds (UAH 339.1 billion), formally increased by UAH 110.7 billion or 1.4%, but actually decreased by UAH 14.3 billion, excluding UAH 87.2 billion of positive revaluation and UAH 37.8 billion from the joining of JSC OSCHADBANK.

Debt to the NBU for 2022 decreased by UAH 50.2 billion or 56.8% to UAH 38.1 billion, and if we take into account the presence of UAH 7.2 billion of such debts in JSC OSCHADBANK at the time of joining the DGF members, its volume actually fell by UAH 57.4 billion. Since the beginning of the year, 43 institutions have received loans from the NBU, and as of January 1, 2023, 21 banks had debts under them.

The share of term funds in the structure of liabilities of the DGF members from the beginning of 2022 continued to decrease for the eighth consecutive year and as of January 1, 2023, amounted to 27.7% against 35.0% as of January 1, 2022, and 39.2% as of January 1, 2021. The decrease is due to the reduction of the share of all term debts: to banks, clients, and international financial organizations.

In 2022, the equity of the DGF members decreased by UAH 15.2 billion or 6.5% due to a decrease of UAH 47.4 billion during the first quarter, although it partially recovered thereafter. In 37 banks the capital increased by the total amount of UAH 14.4 billion, and in 30 banks it decreased by UAH 33.7 billion (after 2021 the corresponding figures were 58 and 12). The system lost another UAH 17.7 billion due to the termination of PJSC PROMINVESTBANK, JSC IR BANK, JSC



MEGABANK and JSC BANK SICR, and the joining of JSC OSCHADBANK increased its capitalization by UAH 21.8 billion.

Return on equity in the reporting year deteriorated significantly, falling to 11.3% against 38.4% in 2021 and 20.9% in 2020. According to the results of the reporting year, the adequacy of regulatory capital for all DGF members improved, remaining above the normative value, which is not less than 10.0%. As of January 1, 2023, it amounted to 19.7% against 18.3% as of January 1, 2022, and 22.4% as of January 1, 2021.

Analysis of assets

As of January 1, 2023, total assets amounted to UAH 2,716.9 billion, including in foreign currency — UAH 819.3 billion, which is 30.2% of the structure. Net assets amounted to UAH 2,353.6 billion, provisions for total assets amounted to UAH 363.3 billion. Changes in the volume and structure of assets of the DGF members since the beginning of the year are shown in Table 2.1.2.

During the reporting year, total assets increased by UAH 607.8 billion or 28.8% (in 2021 — by UAH 167.1 billion or 8.6%), net assets — by UAH 536.5 billion or 29.5% (in 2021 — by UAH 228.7 billion or 14.4%), and provisions for assets — by UAH 71.3 billion or 24.4% (in 2021, reserves decreased by UAH 61.5 billion or 17.4%). The main factors of growth of total assets are the increase of investments in NBU certificates of deposit and balances on correspondent accounts, as well as formal factors in the form of joining of JSC OSCHADBANK to the DGF members and a positive revaluation of foreign currency balance sheet items due to UAH depreciation. The main reason for the increase in the volume of provisions (except for voiced formal factors) is the deterioration of the quality of the loan portfolio due to a significant increase in risks due to ongoing hostilities.

In terms of currencies, the following changes took place:

- in the national currency, the growth of total assets since the beginning of the year amounted to UAH 414.3 billion or 27.9% to UAH 1,897.6 billion, including UAH 200.4 billion from the joining of JSC OSCHADBANK (an increase of UAH 201.0 billion in 2021);
- in foreign currency, the formal increase in total assets amounted to UAH 193.5 billion or 30.9% to UAH 819.3 billion, of which UAH 225.6 billion was provided by a positive revaluation, and UAH 49.8 billion was provided by the joining of JSC OSCHADBANK, i.e., they actually decreased by UAH 81.9 billion (in 2021 a similar decrease was by UAH 10.6 billion).

Cash, traveler's checks, and banking metals for 2022 increased by UAH 10.2 billion or 15.7% to UAH 75.2 billion (2.8% of assets against 3.1% at the beginning of the year). At the same time, balances on accounts with the NBU added UAH 49.0 billion, having increased 2.5 times, and amounted to UAH 82.5 billion (3.1% in the structure of assets against 1.6% at the beginning of the year).



Table 2.1.2

Structure and trends of assets of the DGF members

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Cash, traveler's checks and banking metals	63,072.2	3.3	65,060.3	3.1	75,252.4	2.8	+ 1,988.1	+ 3.2	+ 10,192.1	+ 15.7
Funds with the NBU	33,186.0	1.7	33,527.6	1.6	82,494.7	3.1	+ 341.6	+ 1.0	+ 48,967.1	+ 146.1
including accrued income	–	–	–	–	9.5	0.0	–	–	+ 9.5	x
– payables on demand	33,186.0	1.7	33,527.6	1.6	82,494.7	3.1	+ 341.6	+ 1.0	+ 48,967.1	+ 146.1
Funds with other banks	210,561.4	10.8	226,818.6	10.8	366,095.8	13.5	+ 16,257.2	+ 7.7	+ 139,277.2	+ 61.4
including accrued income	21.7	0.0	15.1	0.0	253.0	0.0	– 6.6	– 30.4	+ 237.9	+1,575.5
– payables on demand*	176,692.9	9.1	196,238.4	9.3	329,177.5	12.1	+ 19,545.5	+ 11.1	+ 132,939.1	+ 67.7
– loans granted and deposits invested	33,868.5	1.7	30,580.2	1.5	36,918.3	1.4	– 3,288.3	– 9.7	+ 6,338.1	+ 20.7
Loans granted to clients	874,793.7	45.0	977,961.6	46.4	1,036,128.7	38.1	+ 103,167.9	+ 11.8	+ 58,167.1	+ 5.9
including accrued income	91,725.5	4.7	76,677.3	3.6	86,762.5	3.2	– 15,048.2	– 16.4	+ 10,085.2	+ 13.2
– loans to legal entities, authorities, and sole proprietors	687,554.3	35.4	751,972.3	35.7	826,184.4	30.4	+ 64,418.0	+ 9.4	+ 74,212.1	+ 9.9
– loans to individuals	187,239.4	9.6	225,989.3	10.7	209,944.3	7.7	+ 38,749.9	+ 20.7	– 16,045.0	– 7.1
Securities investments	661,005.3	34.1	701,101.9	33.2	1,021,519.9	37.6	+ 40,096.6	+ 6.1	+ 320,418.0	+ 45.7
including accrued income	8,468.7	0.5	9,121.8	0.4	8,659.3	0.3	+ 653.1	+ 7.7	– 462.5	– 5.1
– securities refinanced by the NBU	463,911.7	23.9	496,196.3	23.5	531,479.4	19.6	+ 32,284.6	+ 7.0	+ 35,283.1	+ 7.1
– securities issued by the NBU	160,645.5	8.3	195,424.9	9.3	457,464.2	16.8	+ 34,779.4	+ 21.6	+ 262,039.3	+ 134.1
– corporate and other securities	36,448.1	1.9	9,480.7	0.4	32,576.3	1.2	– 26,967.4	– 74.0	+ 23,095.6	+ 243.6
Investments in affiliates and subsidiaries	275.3	0.0	285.3	0.0	267.6	0.0	+ 10.0	+ 3.6	– 17.7	– 6.2
Fixed assets, intangible assets, and right-of-use assets	50,295.1	2.6	47,006.8	2.2	49,701.1	1.8	– 3,288.3	– 6.5	+ 2,694.3	+ 5.7
Other assets	48,705.8	2.5	57,282.3	2.7	85,422.5	3.1	+ 8,576.5	+ 17.6	+ 28,140.2	+ 49.1

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
including accrued income	1,795.6	0.1	1,868.2	0.1	1,792.6	0.1	+ 72.6	+ 4.0	- 75.6	- 4.0
- accounts receivable	21,220.4	1.1	26,166.3	1.2	35,942.3	1.3	+ 4,945.9	+ 23.3	+ 9,776.0	+ 37.4
- other funds	27,485.4	1.4	31,116.0	1.5	49,480.2	1.8	+ 3,630.6	+ 13.2	+ 18,364.2	+ 59.0
Total assets	1,941,894.8	100.0	2,109,044.4	100.0	2,716,882.7	100.0	+ 167,149.6	+ 8.6	+ 607,838.3	+ 28.8
including accrued income	102,011.5	5.3	87,682.4	4.1	97,476.9	3.6	- 14,329.1	- 14.0	+ 9,794.5	+ 11.2
Provisions for active transactions	- 353,550.4	x	- 292,004.1	x	- 363,291.1	x	+ 61,546.3	- 17.4	- 71,287.0	+ 24.4
Net assets	1,588,344.4	x	1,817,040.3	x	2,353,591.6	x	+ 228,695.9	+ 14.4	+ 536,551.3	+ 29.5
<u>For reference:</u>										
Highly liquid assets	873,821.7	45.0	947,840.3	44.9	1,447,217.4	53.3	+ 74,018.6	+ 8.5	+ 499,377.1	+ 52.7

* including receivables

Funds in other banks (except NBU) formally increased by UAH 139.3 billion during the reporting year, or 61.4%, although without taking into account the positive revaluation of UAH 77.2 billion and UAH 4.3 billion from the joining of JSC OSCHADBANK, they increased by UAH 57.8 billion (in 2021 this increase was by UAH 23.5 billion) and as of January 1, 2023, amounted to UAH 366.1 billion (13.5% in the structure of assets against 10.8% at the beginning of the year). Almost all balances are concentrated in foreign currency. Following the results of the year, there was a significant increase in the amount of interbank payables on demand, which increased by UAH 132.9 billion or 67.7% to UAH 329.2 billion with a positive revaluation of UAH 67.5 billion. In 2022, interbank fixed-term assets formally increased by UAH 6.3 billion or 20.7% to UAH 36.9 billion, however, if a positive revaluation of UAH 9.7 billion is not taken into account, they actually decreased by UAH 3.4 billion.

As of January 1, 2023, the client loan portfolio amounted to UAH 1,036.1 billion and suffered significant losses due to the war. Despite its formal increase of UAH 58.2 billion or 5.9%, it actually decreased by UAH 138.9 billion, as the "increase" of UAH 89.3 billion was due to the joining the DGF members by JSC OSCHADBANK, and another UAH 107.8 billion of "growth" was ensured by a positive revaluation of its currency component. The share of client loans in assets for 2022 also decreased from 46.4% to 38.1%. The portfolio is formed by 70.3% from loans in UAH and by 29.7% from loans in foreign currency. During the reporting year, UAH loans formally increased by UAH 44.7 billion, although, excluding UAH 58.9 billion from the joining of JSC OSCHADBANK, their actual decrease amounted to UAH 14.2 billion (in 2021 they increased by UAH 130.1 billion). Currency loans with a formal increase of UAH 13.5 billion actually decreased by UAH 124.7 billion, if we do not take into account UAH 30.4 billion from the joining of JSC OSCHADBANK and UAH 107.8 billion of positive currency revaluation (in 2021 they actually decreased by UAH 15.6 billion). Due to the ongoing hostilities, the portfolio has been steadily declining throughout the year in all areas except UAH crediting for current needs of legal entities. Furthermore, its volume was affected by the write-off of UAH 43.0 billion of bad debts, of which UAH 29.8 billion were in foreign currency. In the portfolio structure, the lion's share (91.4%) is occupied by loans for current activities, mortgage accounts for 2.6%, and overdraft accounts for 3.8%.

Investments in securities increased dramatically by UAH 320.4 billion or 45.7% in 2022, including due to a positive currency revaluation of UAH 29.5 billion and UAH 127.1 billion from the joining of JSC OSCHADBANK, and as of January 1, 2023, amounted to UAH 1,021.5 billion, accounting for 37.6% of assets against 33.2% at the beginning of the year (in 2021 they increased by UAH 40.1 billion despite a negative currency revaluation of UAH 3.5 billion). The main reason is a significant increase in investments in NBU certificates of deposit, which currently look like the most convenient asset that combines maximum return with minimum risk. In the reporting year, their balances in the balance sheets of the DGF members increased by UAH 262.0 billion or 2.3 times, and the joining of JSC OSCHADBANK added only UAH 16.5 billion. At the same time, another component of the portfolio — investments in securities refinanced by the NBU — with a formal increase in UAH



35.3 billion in 2022 or 7.1% actually decreased by UAH 100.5 billion, as UAH 108.3 billion of "growth" is explained by the joining of JSC OSCHADBANK, and UAH 27.5 billion — by a positive currency revaluation.

During the reporting year, fixed assets, intangible assets, and right-of-use assets increased by UAH 2.7 billion or 5.7% and amounted to UAH 49.7 billion, and their share in the structure of assets fell to 1.8% against 2.2% at the beginning of the year. At the same time, accounts receivable increased by UAH 9.8 billion or 37.4% to UAH 35.9 billion (1.3% in the structure against 1.2% at the beginning of the year), and other funds — by UAH 18.4 billion, or 59.0%, to UAH 49.5 billion (1.8% in the structure as of January 1, 2023, against 1.5% as of January 1, 2022).

Highly liquid assets of the DGF members (cash and banking metals, the availability of which is confirmed, funds on correspondent accounts with the NBU and other banks, as well as securities that are refinanced or issued by the NBU, without accrued income) increased significantly in 2022, namely by UAH 499.4 billion or 52.7%, of which UAH 95.0 billion of positive currency revaluation and UAH 144.0 billion from the joining of JSC OSCHADBANK. As of January 1, 2023, they amounted to UAH 1,447.2 billion against UAH 947.8 billion as of January 1, 2022, and UAH 873.8 billion as of January 1, 2021. Their share in total assets increased from 44.9% at the beginning of 2022 to 53.3% at the end.

Return on assets in the reporting year decreased as expected due to lower profitability of banks. As of January 1, 2023, it was 1.2%, which is lower than on January 1, 2022 (4.6%) and as of January 1, 2021 (2.8%). At the same time, in the second half of the year its dynamics was positive after the return became negative in the second quarter. Net interest margin reached 7.5% in 2022, exceeding the levels of 2021 (6.3%) and 2020 (5.5%), due to the investment of free liquidity in high-yield certificates of deposit, while the increase in the cost of funding was moderate.

Changes in the main components of assets, which account for more than $\frac{3}{4}$ of their total volume, by individual groups of banks, national and foreign currencies are shown in Table 2.1.3.

According to the above data, in the reporting year the loan portfolios of the DGF members actually decreased in all currencies and in all groups of banks, except for UAH loans to business entities in state-owned banks and individuals in banks with private capital, which increased by UAH 48.2 billion and UAH 1.9 billion, respectively. The securities portfolios refinanced by the NBU increased by UAH 14.4 billion in UAH in state-owned banks only, while they decreased in all other currencies and groups of banks. On the other hand, investments in NBU certificates of deposit increased significantly in each group of banks.



Table 2.1.3

Changes in the principal components of the assets of the DGF members

(UAH million)

Indicators	Loans to legal entities, authorities, and sole proprietors		Loans to individuals		Securities refinanced by the NBU		Securities issued by the NBU
	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH
Balance as of January 1, 2021	395,802.1	291,752.2	157,759.6	29,479.8	377,080.5	86,831.2	160,645.5
year-on-year changes due to:							
– currency revaluation	x	– 10,281.4	x	– 1,038.9	x	– 3,059.9	x
– dissolution of banks	– 884.2	– 129.6	– 24.3	– 41.9	– 127.9	– 177.4	– 2.0
– volume increase/decrease	+ 82,370.6	– 6,657.4	+ 48,645.7	– 8,790.7	+ 46,231.0	– 10,581.2	+ 35,020.4
including in banks:							
with state-owned share	+ 20,505.1	– 19,245.6	+ 9,633.2	– 2,402.4	– 13,818.0	– 13,278.9	+ 6,712.0
of foreign banking groups	+ 39,215.3	+ 7,921.7	+ 18,331.5	– 5,272.2	+ 13,430.6	+ 1,900.0	– 682.7
with private capital	+ 22,650.2	+ 4,666.5	+ 20,681.0	– 1,116.1	+ 46,618.4	+ 797.7	+ 28,991.1
Balance as of January 1, 2022	477,288.5	274,683.8	206,381.0	19,608.3	423,183.6	73,012.7	195,424.9
year-on-year changes due to:							
– currency revaluation	x	+ 100,829.4	x	+ 6,990.5	x	+ 27,488.7	x
– dissolution of banks	– 9,597.7	– 50,288.2	– 1,094.9	– 1,978.8	– 13,147.8	– 170.9	– 6,479.2
– joining of Oschadbank	+ 43,158.3	+ 29,110.7	+ 15,716.7	+ 1,249.4	+ 97,797.5	+ 10,488.4	+ 16,504.1
– volume increase/decrease	+ 20,639.1	– 59,639.5	– 24,113.0	– 12,814.9	– 60,126.4	– 27,046.4	+ 252,014.4
including in banks:							
with state-owned share	+ 48,208.3	– 18,060.8	– 2,652.7	– 8,500.6	+ 14,425.6	– 9,166.1	+ 78,960.6
of foreign banking groups	– 24,846.8	– 29,113.1	– 23,402.5	– 3,841.8	– 23,029.1	– 14,611.1	+ 111,999.7
with private capital	– 2,722.4	– 12,465.6	+ 1,942.2	– 472.5	– 51,522.9	– 3,269.2	+ 61,054.1
Balance as of January 1, 2023	531,488.2	294,696.2	196,889.8	13,054.5	447,706.9	83,772.5	457,464.2

Table 2.1.4 provides an analysis of changes in the interbank loan and deposit portfolio of the DGF members.

During 2022, the volume of interbank fixed-term assets formally increased by UAH 6.3 billion or 20.7% to UAH 36.9 billion, although in reality it decreased by UAH 3.4 billion, if we do not take into account the positive currency revaluation in the amount of UAH 9.7 billion. There was an actual decrease both in the national currency by UAH 1.5 billion and in the foreign currency by UAH 1.9 billion. At the same time, interbank deposits actually increased by UAH 9.6 billion, while interbank loans, on the contrary, decreased by UAH 13.0 billion. The net interbank portfolio for the reporting year formally added UAH 6.6 billion or 21.9%, while provisions decreased by UAH 0.3 billion due to the write-off of overdue debt.

A detailed analysis of the client loan portfolio of the DGF members is shown in Table 2.1.5.

From the beginning of 2022, the total volume of the client loan portfolio formally increased by UAH 58.2 billion or 5.9% and as of January 1, 2023, amounted to UAH 1,036.1 billion. Considering that the increase of UAH 89.3 billion is due to the joining of JSC OSCHADBANK, and UAH 107.8 billion is due to a positive currency revaluation, the portfolio actually lost UAH 138.9 billion (for comparison: in 2020 the actual portfolio increased by UAH 114.5 billion).

Net client loan portfolio formally decreased by UAH 4.0 billion or 0.6% with a positive currency revaluation of UAH 75.8 billion and taking into account UAH 75.4 billion from the joining of JSC OSCHADBANK, and as of January 1, 2023, amounted to UAH 688.1 billion, having actually decreased by UAH 155.2 billion (for comparison: the net loan portfolio for 2021 actually increased by UAH 165.7 billion).

The amount of provisions for credit risks in 2022 formally increased by UAH 62.2 billion or 21.8% (in 2021, on the contrary, provisions decreased by UAH 56.2 billion) and as of January 1, 2023, reached UAH 348.0 billion. Excluding the effect of revaluation and joining of JSC OSCHADBANK, which increased provisions by UAH 32.0 billion and UAH 13.9 billion, respectively, the increase in provisions amounted to UAH 16.3 billion. Their UAH component actually increased by UAH 60.1 billion, while their foreign currency component actually decreased by UAH 43.8 billion. The level of provisioning of the client loan portfolio from the beginning of the year increased from 29.1% to 33.6%, and on loans to legal entities it rose from 28.8% to 33.0%, and on loans to individuals increased from 30.2% to 36.0%.



Table 2.1.4

Interbank loan and deposit portfolio of the DGF members

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Deposits in other banks	8,026.7	23.7	7,798.3	25.5	20,157.2	54.6	- 228.4	- 2.8	+ 12,358.9	+ 158.5
– invested deposits	8,026.5	23.7	7,798.2	25.5	20,140.4	54.6	- 228.3	- 2.8	+ 12,342.2	+ 158.3
of which overdue	-	-	-	-	-	-	-	-	-	-
– accrued income	0.2	0.0	0.1	0.0	16.8	0.0	- 0.1	- 52.5	+ 16.7	+ 15,084.6
of which overdue	-	-	-	-	-	-	-	-	-	-
Interbank loans	25,841.8	76.3	22,781.9	74.5	16,761.1	45.4	- 3,059.9	- 11.8	- 6,020.8	- 26.4
– loans granted	25,823.8	76.2	22,769.3	74.5	16,741.0	45.3	- 3,054.5	- 11.8	- 6,028.3	- 26.5
of which overdue	728.5	2.2	255.8	0.8	-	-	- 472.7	- 64.9	- 255.8	- 100.0
– accrued income	18.0	0.1	12.6	0.0	20.1	0.1	- 5.4	- 29.9	+ 7.5	+ 59.7
of which overdue	10.4	0.0	-	-	-	-	- 10.4	- 100.0	-	-
Total interbank portfolio	33,868.5	100.0	30,580.2	100.0	36,918.3	100.0	- 3,288.3	- 9.7	+ 6,338.1	+ 20.7
including overdue	738.9	1.9	255.8	0.8	-	-	- 483.1	- 65.4	- 255.8	- 100.0
Provisions for interbank loans and deposits	- 729.3	x	- 308.6	x	- 30.1	x	+ 420.7	- 57.7	+ 278.5	- 90.2
Net interbank portfolio	33,139.2	x	30,271.6	x	36,888.2	x	- 2,867.6	- 8.7	+ 6,616.6	+ 21.9

Table 2.1.5

Volume and structure of the DGF members' loan portfolio

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Loans to legal entities, authorities, and sole proprietors	687,554.3	78.6	751,972.3	76.9	826,184.4	79.7	+ 64,418.0	+ 9.4	+ 74,212.1	+ 9.9
– loans granted	618,023.2	70.6	693,835.7	71.0	760,894.0	73.4	+ 75,812.5	+ 12.3	+ 67,058.3	+ 9.7
of which overdue	210,011.0	24.0	179,336.8	18.3	179,922.3	17.4	– 30,674.2	– 14.6	+ 585.5	+ 0.3
– accrued income	69,531.1	8.0	58,136.6	5.9	65,290.4	6.3	– 11,394.5	– 16.4	+ 7,153.8	+ 12.3
of which overdue	59,219.9	6.8	47,391.6	4.9	34,160.1	3.3	– 11,828.3	– 20.0	– 13,231.5	– 27.9
Loans to individuals	187,239.4	21.4	225,989.3	23.1	209,944.3	20.3	+ 38,749.9	+ 20.7	– 16,045.0	– 7.1
– loans granted	165,045.0	18.9	207,448.6	21.2	188,472.2	18.2	+ 42,403.6	+ 25.7	– 18,976.4	– 9.1
of which overdue	18,082.2	2.1	12,753.8	1.3	20,461.3	2.0	– 5,328.4	– 29.5	+ 7,707.5	+ 60.4
– accrued income	22,194.4	2.5	18,540.7	1.9	21,472.1	2.1	– 3,653.7	– 16.5	+ 2,931.4	+ 15.8
of which overdue	18,858.3	2.1	14,612.6	1.5	15,023.7	1.4	– 4,245.7	– 22.5	+ 411.1	+ 2.8
Total client portfolio	874,793.7	100.0	977,961.6	100.0	1,036,128.7	100.0	+ 103,167.9	+ 11.8	+ 58,167.1	+ 5.9
including overdue	306,171.4	35.0	254,094.8	26.0	249,567.4	24.1	– 52,076.6	– 17.0	– 4,527.4	– 1.8
Provisions for loans	– 342,004.0	x	– 285,839.3	x	– 348,056.7	x	+ 56,164.7	– 16.4	– 62,217.4	+ 21.8
– to legal entities, authorities, and sole proprietors	– 294,501.8	x	– 246,426.7	x	– 272,437.9	x	+ 48,075.1	– 16.3	– 26,011.2	+ 10.6
– to individuals	– 47,502.2	x	– 39,412.6	x	– 75,618.8	x	+ 8,089.6	– 17.0	– 36,206.2	+ 91.9
Net client portfolio	532,789.7	x	692,122.3	x	688,072.0	x	+ 159,332.6	+ 29.9	– 4,050.3	– 0.6
– to legal entities, authorities, and sole proprietors	393,052.5	x	505,545.6	x	553,746.5	x	+ 112,493.1	+ 28.6	+ 48,200.9	+ 9.5
– to individuals	139,737.2	x	186,576.7	x	134,325.5	x	+ 46,839.5	+ 33.5	– 52,251.2	– 28.0

From the beginning of the year, loans to legal entities, sole proprietors, and authorities formally increased by UAH 74.2 billion or 9.9% and amounted to UAH 826.2 billion (79.7% in the structure of the loan portfolio). At the same time, in fact, the portfolio decreased by UAH 98.9 billion, if we do not take into account the impact of currency revaluation and the joining of JSC OSCHADBANK, which added UAH 100.8 billion and UAH 72.3 billion, respectively. Formally, UAH loans increased by UAH 54.2 billion to UAH 531.5 billion (64.3% of the corporate portfolio), and foreign currency — by UAH 20.0 billion to UAH 294.7 billion (35.7% of the corporate portfolio), however, if not taken into account the above factors of artificial "growth", the actual increase in UAH loans amounted to UAH 11.0 billion, while foreign currency loans in general decreased by UAH 109.9 billion (for comparison: in 2021 the situation was similar, when loans in UAH actually increased by UAH 81.5 billion, and foreign exchange fell by UAH 6.8 billion). Among the crediting areas, current activity loans predominate (96.0%). Financial lease and overdrafts account for 2.2% and 0.7%, respectively.

As of January 1, 2023, provisions for corporate loans in UAH amounted to UAH 200.2 billion, adding UAH 25.3 billion or 14.5% over the year, including UAH 4.9 billion due to the joining of JSC OSCHADBANK, and the level of provisioning of UAH corporate loans increased to 37.7% against 36.6% as of January 1, 2022. Provisions for foreign currency loans amounted to UAH 72.2 billion, having increased by UAH 0.7 billion or 0.9%, taking into account the positive revaluation of UAH 25.8 billion and UAH 5.5 billion from the joining of JSC OSCHADBANK (i.e., they actually decreased by UAH 30.6 billion), and the level of provisioning of foreign currency corporate loans decreased to 24.5% against 26.0% as of January 1, 2022.

Loans to individuals in the reporting year formally decreased by UAH 16.0 billion or 7.1% to UAH 209.9 billion (20.3% in the structure of the loan portfolio), although their actual decrease was UAH 40.0 billion, if we do not take into account UAH 7.0 billion of positive currency revaluation and UAH 17.0 billion from the joining of JSC OSCHADBANK. From the beginning of the year, UAH loans to households decreased by UAH 9.5 billion or 4.6% to UAH 196.9 billion (93.8% of the portfolio of individuals), and excluding UAH 15.7 billion from the joining of JSC OSCHADBANK — UAH 25.2 billion. Foreign currency loans formally decreased by UAH 6.5 billion or 33.4% to UAH 13.0 billion (6.2% of the portfolio of individuals) with an actual decrease of UAH 14.8 billion. The most common areas of retail crediting are loans for current needs, which account for 73.4% of total debt. Mortgages and overdrafts account for 10.0% and 16.0% respectively.

Provisions for UAH loans to individuals as of January 1, 2023, amounted to UAH 63.9 billion and increased by UAH 41.9 billion or 2.9 times over the year, including by UAH 2.2 billion due to the joining of JSC OSCHADBANK, and the portfolio provisioning rate rose sharply to 32.5% against 10.7% as of January 1, 2022. Over the same period, provisions for foreign currency loans formally decreased by UAH 5.7 billion or 32.7% to UAH 11.7 billion, and excluding UAH 6.2 billion of positive currency revaluation and UAH 1.3 billion from the joining of JSC OSCHADBANK, their actual decrease amounted to UAH 13.2 billion. At the same time, the level of



foreign exchange portfolio provisioning increased slightly and amounted to 89.7% as of January 1, 2023, against 88.7% as of January 1, 2022.

Overdue debts on client loans decreased by UAH 4.5 billion or 1.8% since the beginning of 2022, taking into account the positive currency revaluation of UAH 26.9 billion and UAH 7.6 billion from the joining of JSC OSCHADBANK and on January 1, 2023, amounted to UAH 249.6 billion (24.1% of the total portfolio), of which UAH 201.0 billion was in national currency and UAH 48.6 billion in foreign currency. Thus, its actual decrease in the reporting year amounted to UAH 39.0 billion, with the UAH overdue increased by UAH 19.6 billion and the foreign currency delay decreased by UAH 58.6 billion (for comparison: in 2021 the overdue delay actually decreased by UAH 47.8 billion, including those in UAH by UAH 6.6 billion and foreign currency by UAH 41.2 billion). The share of overdue debts in the total volume of client loans also changed accordingly: in UAH loans it increased from 26.1% to 27.6% in the year, and in foreign currency loans it decreased from 25.6% to 15.8%.

In terms of currencies and client loan portfolios in 2022, the following changes took place:

- on loans granted to legal entities, authorities, and sole proprietors, overdue debts formally decreased by UAH 12.6 billion or 5.6% to UAH 214.1 billion, and its share in the business loan portfolio fell to 25.9% as of January 1, 2023, from 30.2% as of January 1, 2022, the UAH delay from the beginning of the year increased by UAH 8.6 billion or 5.1% to UAH 176.4 billion, including by UAH 1.1 billion from the joining of JSC OSCHADBANK, while foreign currency decreased by UAH 21.2 billion or 36.0% to UAH 37.7 billion, taking into account UAH 21.0 billion of positive currency revaluation and UAH 3.8 billion from the joining of JSC OSCHADBANK (i.e., in general, overdue loans to businesses have actually decreased by UAH 38.5 billion since the beginning of the year);

- on loans granted to individuals, overdue debts formally increased by UAH 8.1 billion or 29.7% to UAH 35.5 billion, and its share in the retail loan portfolio increased from 12.1% as of January 1, 2022, to UAH 16.9% as of January 1, 2023, with the delay in UAH since the beginning of the year increased by UAH 13.6 billion or 124.1% to UAH 24.6 billion, including by UAH 1.5 billion from the joining of JSC OSCHADBANK, while foreign currency decreased by UAH 5.5 billion or 33.8% to UAH 10.9 billion, taking into account UAH 5.9 billion of positive currency revaluation and UAH 1.2 billion from the joining of JSC OSCHADBANK (i.e., in general, overdue loans to households have actually decreased by UAH 0.5 billion since the beginning of the year).

It should be noted that the reduction of overdue loan debt, which has been going on for the third year in a row, does not mean an improvement of its servicing by borrowers, as it is due to the write-off of overdue non-performing loans at the expense of formed provisions. Since the beginning of 2022, the DGF members have written off UAH 43.0 billion of loan debts, of which UAH 13.2 billion were in national currency and UAH 29.8 billion in foreign currency (for comparison: in 2021, UAH 63.1 billion of loans were written off, including UAH 18.2 billion in UAH and UAH 44.9 billion in foreign currency, and in 2020 — UAH 136.0 billion, of which UAH 58.5 billion in UAH and UAH 77.5 billion in foreign currency). Table 2.1.6 shows the



changes in the client loan portfolio of the DGF members and related indicators under the influence of certain factors.



Table 2.1.6

Changes in the individual components of the client loan portfolio

(UAH million)

Indicators	Loans granted to clients		Provisions for client loans		Overdue loans to clients		Non-performing client loans	
	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)
Balance as of January 1, 2021	553,561.7	321,232.0	- 203,593.7	- 138,410.3	185,388.6	120,782.8	218,795.8	153,879.9
year-on-year changes due to:								
- volume increase/decrease*	+ 149,201.2	+ 29,460.1	- 11,632.4	- 320.0	+ 11,773.3	+ 3,825.1	+ 8,436.2	- 5,705.5
- debt write-off	- 18,184.9	- 44,908.3	+ 18,184.9	+ 44,908.3	- 18,184.9	- 44,908.3	- 18,184.9	- 44,908.3
- dissolution of banks	- 908.5	- 171.5	+ 121.3	+ 25.0	- 217.9	- 107.5	- 517.1	- 112.9
- currency revaluation	x	- 11,320.2	x	+ 4,877.6	x	- 4,256.4	x	- 5,422.7
Balance as of January 1, 2022	683,669.5	294,292.1	- 196,919.9	- 88,919.4	178,759.1	75 335,7	208,530.0	97,730.5
year-on-year changes due to:								
- volume increase/decrease*	+ 9,728.5	- 42,687.8	- 77,735.6	- 27,605.3	+ 37,905.9	+ 11,787.3	+ 91,591.3	+ 50,562.7
- debt write-off	- 13,202.4	- 29,766.6	+ 13,202.4	+ 29,766.6	- 13,202.4	- 29,766.6	- 13,202.4	- 29,766.6
- joining of Oschadbank	+ 58,875.0	+ 30,360.1	- 7,113.0	- 6,759.1	+ 2,566.4	+ 5,029.2	+ 27,560.7	+ 12,051.6
- dissolution of banks	- 10,692.6	- 52,267.0	+ 4,398.3	+ 41,602.2	- 5,008.2	- 40,754.1	- 5,422.2	- 43,833.1
- currency revaluation	x	+ 107,819.9	x	- 31,973.9	x	+ 26,915.1	x	+ 36,297.9
Balance as of January 1, 2023	728,378.0	307,750.7	- 264,167.8	- 83,888.9	201,020.8	48,546.6	309,057.4	123,043.0

* excluding debt write-offs

According to the above data, the client loan portfolio suffered significant losses during 2022 due to the termination of banks, debt write-offs, repayments, and sale of debt, and its formal growth is explained by purely technical reasons: the joining of JSC OSCHADBANK and the emergence of a positive currency revaluation. A slight increase in UAH debt by UAH 9.7 billion was completely offset by a decrease in foreign currency loans by UAH 42.7 billion. Provisions for the working portfolio increased significantly in both national and foreign currency. In UAH they increased by UAH 77.7 billion with a slight increase in the portfolio, and in foreign currency — by UAH 27.6 billion despite the reduction in debt.

The quality of client loans is gradually deteriorating as a result of the ongoing war. Overdue on the working portfolio in 2022 increased by UAH 49.7 billion, including in UAH — by UAH 37.9 billion and in foreign currency — by UAH 11.8 billion, and the volume of non-performing loans increased rapidly by UAH 142.2 billion, of which UAH 91.6 billion — in national currency, and UAH 50.6 billion — in foreign currency.

Changes in the volume and share of non-performing loans (including interbank) in loan portfolios of certain groups of banks are shown in Table 2.1.7.

From the beginning of 2022, non-performing loans formally increased by UAH 125.6 billion and as of January 1, 2023, amounted to UAH 432.1 billion against UAH 306.5 billion as of January 1, 2022, and UAH 373.5 billion as of January 1, 2021. At the same time, their actual growth amounted to UAH 142.2 billion, if we do not take into account the impact of positive currency revaluation (+ UAH 36.3 billion), the joining of JSC OSCHADBANK (+ UAH 39.6 billion), the termination of four banks (– UAH 49.2 billion), and write-off of uncollectable debts (– UAH 43.3 billion). The share of non-performing loans and accrued income in the total loan portfolio of the DGF members increased to 38.1% compared to last year's level (29.7%), but remained less than two years ago (40.2%).

As of January 1, 2023, banks with state-owned share had UAH 323.1 billion in non-performing loans (74.8% of their total volume) against UAH 215.4 billion at the beginning of the year, and banks of foreign banking groups — UAH 59.6 billion (13.8%) against UAH 71.4 billion and in private banks — UAH 49.3 billion (11.4%) against UAH 19.7 billion. At the same time, the increase in volumes in state-owned banks by UAH 107.8 billion takes into account the increase after the joining of JSC OSCHADBANK (+ UAH 39.6 billion), and the decrease in foreign banks by UAH 11.8 billion — a decrease due to the termination of two Russian banks (— UAH 48.1 billion).

In the conditions of reduction of the loan portfolio and deterioration of its quality due to the ongoing war, investments in securities, the volume and structure of which are given in Table 2.1.8, remain an important component of the assets of the DGF members.



Table 2.1.7

Non-performing loan portfolios of the DGF members (including interbank)

(UAH million)

Indicators		January 1, 2021		January 1, 2022		January 1, 2023		Changes in the amount for	
		amount	share of LP*, %	amount	share of LP*, %	amount	share of LP*, %	2022	2023
Non-performing loans and accrued income									
– in state-owned banks	total	253,324.8	60.2	215,362.3	50.9	323,133.9	53.0	– 37,962.5	+ 107,771.6
	UAH	188,504.2	68.2	181,221.4	58.3	241,369.0	54.9	– 7,282.8	+ 60,147.6
	currency	64,820.6	44.9	34,140.9	30.5	81,764.9	48.3	– 30,679.7	+ 47,624.0
– in banks of foreign banking groups	total	95,890.8	27.9	71,426.2	17.8	59,627.1	18.9	– 24,464.6	– 11,799.1
	UAH	18,172.3	9.9	17,021.3	7.0	32,138.3	17.1	– 1,151.0	+ 15,117.0
	currency	77,718.5	48.4	54,404.9	34.2	27,488.8	21.6	– 23,313.6	– 26,916.1
– in private banks	total	23,975.0	14.6	19,727.8	9.4	49,343.8	23.5	– 4,247.2	+ 29,616.0
	UAH	12,698.9	11.5	10,543.1	6.9	35,550.1	24.3	– 2,155.8	+ 25,007.0
	currency	11,276.1	20.6	9,184.7	16.2	13,793.7	21.7	– 2,091.4	+ 4,609.0
– in insolvent banks	total	279.6	74.8	–	–	–	–	– 279.6	–
	UAH	167.7	64.0	–	–	–	–	– 167.7	–
	currency	111.9	100.0	–	–	–	–	– 111.9	–
Total non-performing loans and accrued income	total	373,470.2	40.2	306,516.3	29.7	432,104.8	38.1	– 66,953.9	+ 125,588.5
	UAH	219,543.1	38.5	208,785.8	29.6	309,057.4	39.9	– 10,757.3	+ 100,271.6
	currency	153,927.1	42.8	97,730.5	29.8	123,047.4	34.2	– 56,196.6	+ 25,316.9

* LP – loan portfolio of a certain banking group, including provisions

Table 2.1.8

Portfolio of securities of the DGF members

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Securities refinanced by the NBU	463,911.7	70.2	496,196.3	70.8	531,479.4	52.0	+ 32,284.6	+ 7.0	+ 35,283.1	+ 7.1
– Domestic government bonds and other securities refinanced by the NBU	456,905.1	69.1	487,327.9	69.5	523,720.8	51.3	+ 30,422.8	+ 6.7	+ 36,392.9	+ 7.5
– accrued income	7,006.6	1.1	8,868.4	1.3	7,758.6	0.7	+ 1,861.8	+ 26.6	– 1,109.8	– 12.5
Securities issued by the NBU	160,645.5	24.3	195,424.9	27.9	457,464.2	44.8	+ 34,779.4	+ 21.6	+ 262,039.3	+134.1
– NBU certificates of deposit	160,601.9	24.3	195,298.9	27.9	456,888.0	44.7	+ 34,697.0	+ 21.6	+ 261,589.1	+133.9
– accrued income	43.6	0.0	126.0	0.0	576.2	0.1	+ 82.4	+189.0	+ 450.2	+357.3
Corporate and other securities	36,448.1	5.5	9,480.7	1.3	32,576.3	3.2	– 26,967.4	– 74.0	+ 23,095.6	+243.6
– corporate and other securities	35,029.6	5.3	9,353.3	1.3	32,251.8	3.2	– 25,676.3	– 73.3	+ 22,898.5	+244.8
– accrued income	1,418.5	0.2	127.4	0.0	324.5	0.0	– 1,291.1	– 91.0	+ 197.1	+154.7
Total securities portfolio	661,005.3	100.0	701,101.9	100.0	1,021,519.9	100.0	+ 40,096.6	+ 6.1	+ 320,418.0	+ 45.7
Provisions for securities	– 5,911.4	x	– 1,506.6	x	– 8,508.2	x	+ 4,404.8	– 74.5	– 7,001.6	+464.7
Net securities portfolio	655,093.9	x	699,595.3	x	1,013,011.7	x	+ 44,501.4	+ 6.8	+ 313,416.4	+ 44.8

Investments in securities continue to grow for the seventh consecutive year and as of January 1, 2023, amounted to UAH 1,021.5 billion, which is by UAH 320.4 billion or 45.7% more than on January 1, 2022. Excluding the effect of a positive currency revaluation (+ UAH 29.5 billion) and the joining of JSC OSCHADBANK (+ UAH 116.0 billion), the actual increase in these investments in the reporting year amounted to UAH 174.9 billion against UAH 43.6 billion in the previous year. At present, they account for 37.6% of the total assets of the DGF members against 33.2% last year. The net securities portfolio increased by UAH 313.4 billion or 44.8% and as of January 1, 2023, amounted to UAH 1,013.0 billion against UAH 699.6 billion as of January 1, 2022.

Investments in securities refinanced by the NBU remain the main component of the portfolio (52.0% of the structure). During the year, they formally increased by UAH 35.3 billion or 7.1% to UAH 531.5 billion, and their UAH share increased by UAH 24.5 billion to UAH 447.7 billion (including UAH 97.8 billion from the joining of JSC OSCHADBANK), and foreign currency — by UAH 10.8 billion to UAH 83.8 billion (together with UAH 10.5 billion from the joining of JSC OSCHADBANK and UAH 27.5 billion of positive currency revaluation). Thus, in fact, these investments were reduced by UAH 100.5 billion, including by UAH 73.3 billion in UAH and UAH 27.2 billion in foreign currency. As of January 1, 2023, the maximum balances of securities refinanced by the NBU are concentrated in state-owned banks.

In the reporting year, the balances of the NBU certificates of deposit increased significantly in the balance sheets of the DGF members, which increased by UAH 262.0 billion or 2.3 times and reached UAH 457.5 billion, and their share in the portfolio structure increased sharply from 27.9% as of January 1, 2022, to 44.8% as of January 1, 2023. At present, they look like the most convenient asset, which combines the maximum return of 23.0% with the minimum risk, while crediting during the war became problematic, and the weighted average yield of domestic government bonds for 2022 was 18.3%. As a result, investments in NBU certificates of deposit increased significantly in each group of banks, while the domestic government bonds portfolio increased only in UAH and only in state-owned banks, while in all other currencies and groups of banks it decreased.

Balances of corporate securities increased by UAH 23.1 billion or 3.4 times to UAH 32.6 billion in 2022, and their share in total investments increased from 1.3% to 3.2%, however, the portfolio of these securities has remained insignificant for many years in a row.



Analysis of liabilities

As of January 1, 2023, total liabilities amounted to UAH 2,135.0 billion, incl. in foreign currency — UAH 798.7 billion, which is 37.4% in the structure of resources. The structure of liabilities and their dynamics are shown in Table 2.1.9.

In 2022, total liabilities increased by UAH 551.8 billion or 34.8% (in 2021 — by UAH 183.8 or 13.1%) due to the predominant attraction of client funds, as well as a positive currency revaluation and joining of JSC OSCHADBANK.

In terms of currencies, the following changes took place:

- in the national currency, the increase in liabilities amounted to UAH 306.4 billion or 29.7% to UAH 1,336.3 billion, including UAH 159.4 billion from the joining of JSC OSCHADBANK (in 2021 it increased by UAH 194.3 billion);
- in foreign currency, the formal increase in liabilities amounted to UAH 245.4 billion or 44.4% to UAH 798.7 billion, of which UAH 202.1 billion provided a positive revaluation, and UAH 54.7 billion — the joining of JSC OSCHADBANK, that is, in fact, liabilities decreased by UAH 11.4 billion (in 2021, their real growth was by UAH 9.4 billion).

In the reporting year, funds of legal entities, budget and sole proprietors increased by UAH 252.5 billion or 33.9% (by UAH 109.0 billion in 2021) and amounted to UAH 998.0 billion (46.7% in the structure of liabilities). They are formed by 62.9% from UAH balances, which increased by UAH 119.7 billion or 23.5% to UAH 628.1 billion (including by UAH 60.0 billion from the joining of JSC OSCHADBANK), and by 37.1% from those in foreign currency, which increased by UAH 132.8 billion or 56.0% to UAH 369.9 billion (taking into account UAH 82.5 billion of positive currency revaluation and UAH 6.8 billion from the joining of JSC OSCHADBANK). Thus, in the reporting year, business funds actually added UAH 59.7 billion in UAH and UAH 43.5 billion in foreign currency (for comparison: in 2021, the actual growth of UAH balances amounted to UAH 103.7 billion, and foreign currency balances to UAH 13.6 billion).

In terms of maturity, these funds are dominated by outstanding balances, which increased by UAH 237.2 billion or 39.6% to UAH 836.6 billion since the beginning of the year. In UAH they increased by UAH 112.1 billion or 27.9% to UAH 514.6 billion (including by UAH 52.6 billion from the joining of JSC OSCHADBANK), and in foreign currency — by UAH 125.1 billion or 63.5% to UAH 322.0 billion (with a positive revaluation of UAH 68.5 billion and UAH 5.8 billion from the joining of JSC OSCHADBANK).

Term deposits also increased, but formally by UAH 15.3 billion or 10.4% to UAH 161.4 billion. At the same time, their increase in UAH amounted to UAH 7.6 billion or 7.1% to UAH 113.5 billion (including UAH 7.4 billion from the joining of JSC OSCHADBANK), and in foreign currency amounted to UAH 7.7 billion or 19.1% to UAH 47.9 billion (taking into account UAH 13.9 billion of positive revaluation and UAH 1.0 billion from the joining of JSC OSCHADBANK), which indicates an actual decrease in foreign currency balances by UAH 7.2 billion.



Table 2.1.9

Structure and trends of liabilities of the DGF members

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Debt to the NBU	56,514.7	4.0	88,353.0	5.6	38,145.9	1.8	+ 31,838.3	+ 56.3	- 50,207.1	- 56.8
including accrued costs	0.4	0.0	0.1	0.0	-	-	- 0.3	- 75.0	- 0.1	-100.0
Payables to other banks	26,030.0	1.9	33,030.7	2.1	21,218.6	1.0	+ 7,000.7	+ 26.9	- 11,812.1	- 35.8
including accrued costs	1,990.5	0.2	2,227.7	0.1	28.8	0.0	+ 237.2	+ 11.9	- 2,198.9	- 98.7
- payables on demand*	6,968.0	0.5	12,625.0	0.8	18,002.8	0.8	+ 5,657.0	+ 81.2	+ 5,377.8	+ 42.6
- loans received and deposits raised	19,062.0	1.4	20,405.7	1.3	3,215.8	0.2	+ 1,343.7	+ 7.0	- 17,189.9	- 84.2
Funds of legal entities, the budget, and sole proprietors	636,495.1	45.5	745,534.8	47.1	998,018.5	46.7	+ 109,039.7	+ 17.1	+252,483.7	+ 33.9
including accrued costs	1,140.1	0.1	1,213.6	0.1	2,742.4	0.1	+ 73.5	+ 6.4	+ 1,528.8	+126.0
- payables on demand*	490,441.6	35.1	599,376.9	37.9	836,614.5	39.2	+ 108,935.3	+ 22.2	+237,237.6	+ 39.6
- fixed-term investments (term deposits)	146,053.5	10.4	146,157.9	9.2	161,404.0	7.5	+ 104.4	+ 0.1	+ 15,246.1	+ 10.4
Payables to individuals	554,390.1	39.6	603,641.3	38.1	932,450.3	43.7	+ 49,251.2	+ 8.9	+328,809.0	+ 54.5
including accrued costs	1,871.9	0.1	1,326.9	0.1	1,557.5	0.1	- 545.0	- 29.1	+ 230.6	+ 17.4
- payables on demand*	294,303.4	21.0	359,623.0	22.7	606,897.4	28.4	+ 65,319.6	+ 22.2	+247,274.4	+ 68.8
- fixed-term investments (term deposits)	260,086.7	18.6	244,018.3	15.4	325,552.9	15.3	- 16,068.4	- 6.2	+ 81,534.6	+ 33.4
Debt securities issued	3,053.8	0.2	2,243.7	0.1	1,123.6	0.1	- 810.1	- 26.5	- 1,120.1	- 49.9
including accrued costs	79.2	0.0	81.1	0.0	81.0	0.0	+ 1.9	+ 2.4	- 0.1	- 0.1
- certificates of deposit	2,544.8	0.2	1,610.7	0.1	1,102.5	0.1	- 934.1	- 36.7	- 508.2	- 31.6
- other debt securities issued	509.0	0.0	633.0	0.0	21.1	0.0	+ 124.0	+ 24.4	- 611.9	- 96.7
Loans from international and other organizations	56,640.6	4.0	45,572.9	2.9	49,983.8	2.3	- 11,067.7	- 19.5	+ 4,410.9	+ 9.7
including accrued costs	1,301.5	0.1	850.8	0.1	1,182.1	0.1	- 450.7	- 34.6	+ 331.3	+ 38.9
Subordinated debt	8,623.6	0.6	7,517.7	0.5	10,387.0	0.5	- 1,105.9	- 12.8	+ 2,869.3	+ 38.2

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
including accrued costs	458.6	0.0	360.4	0.0	622.2	0.0	- 98.2	- 21.4	+ 261.8	+ 72.6
Other liabilities	57,723.7	4.2	57,392.0	3.6	83,714.8	3.9	- 331.7	- 0.6	+ 26,322.8	+ 45.9
including accrued costs	953.4	0.1	1,484.8	0.1	1,841.2	0.1	+ 531.4	+ 55.7	+ 356.4	+ 24.0
- accounts payable	25,985.6	1.9	30,281.5	1.9	35,108.9	1.6	+ 4,295.9	+ 16.5	+ 4,827.4	+ 15.9
- other funds	31,738.1	2.3	27,110.5	1.7	48,605.9	2.3	- 4,627.6	- 14.6	+ 21,495.4	+ 79.3
Total liabilities	1,399,471.6	100.0	1,583,286.1	100.0	2,135,042.5	100.0	+ 183,814.5	+ 13.1	+ 551,756.4	+ 34.8
including accrued costs	7,795.6	0.6	7,545.4	0.5	8,055.2	0.4	- 250.2	- 3.2	+ 509.8	+ 6.8

* including receivables

Funds of individuals in 2022 increased significantly by UAH 328.8 billion or 54.5% (by UAH 49.3 billion in 2021) and amounted to UAH 932.5 billion as of January 1, 2023 (43.7% in the structure of liabilities). UAH balances account for 63.6% of them (UAH 593.4 billion), and their growth by UAH 218.1 billion or 58.1% became the main source of growth (in 2021 it was UAH 52.5 billion). Foreign currency deposits, which account for 36.4% of individuals' funds (UAH 339.1 billion), formally increased by UAH 110.7 billion or 1.4%, but actually decreased by UAH 14.3 billion, excluding UAH 87.2 billion of positive revaluation and UAH 37.8 billion from the joining of JSC OSCHADBANK.

As of January 1, 2023, payables on demand of individuals reached UAH 606.9 billion, which is by UAH 247.2 billion or 68.8% higher than on January 1, 2022. Their gradual growth throughout the year is due to large-scale financing of payments to military and socially vulnerable groups in the ongoing war. In 2022, demand balances of UAH increased by UAH 193.4 billion or 87.9% to UAH 413.4 billion (including by UAH 50.0 billion from the joining of JSC OSCHADBANK), and foreign currency balances increased by UAH 53.8 billion or 38.6% to UAH 193.5 billion (including a positive revaluation of UAH 50.7 billion and UAH 12.5 billion from the joining of JSC OSCHADBANK). Thus, in the national currency they actually increased by UAH 143.4 billion, and in the foreign currency, on the contrary, they decreased by UAH 9.4 billion (for comparison: in 2021 the actual growth of UAH balances amounted to UAH 36.5 billion, and in foreign currency — UAH 32.7 billion).

Term deposits of individuals in UAH in 2022 formally increased by UAH 24.7 billion or 15.9% to UAH 180.0 billion (including by UAH 37.0 billion from the joining of JSC OSCHADBANK), and in foreign currency — by UAH 56.8 billion or 64.0% to UAH 25.3 billion (including a positive revaluation of UAH 36.5 billion and UAH 25.3 billion from the joining of JSC OSCHADBANK), but in fact their volume decreased by UAH 12.3 billion and UAH 5.0 billion, respectively (for comparison: in 2021 the actual increase in UAH deposits was UAH 16.0 billion, and the decrease in foreign currency deposits was UAH 27.8 billion).

Debt to the NBU for 2022 decreased by UAH 50.2 billion or 56.8% to UAH 38.1 billion (1.8% in the structure of resources), and if we take into account the presence of UAH 7.2 billion of such debt in JSC OSCHADBANK at the time of joining the DGF members, its volume actually fell by UAH 57.4 billion. After the start of the full-scale war, the NBU increased the refinancing of banks to support their liquidity. Further stabilization of the situation contributed to a decrease in the demand for monetary resources, and a sharp increase in the discount rate increased the refinancing cost from 11.0% to 27.0% per annum, which led to a reduction in bank debt. Since the beginning of the year, 43 DGF members have received loans from the NBU (there were 45 of them in 2021), and as of January 1, 2023, 21 banks had debts to them (against 38 banks as of January 1, 2022).

From the beginning of the reporting year, funds of other banks decreased by UAH 11.8 billion or 35.8% and amounted to UAH 21.2 billion (1.0% in the structure of resources). The reduction was due to borrowed term funds, which formally decreased by UAH 17.2 billion or 84.2% to UAH 3.2 billion, taking into account UAH 7.1 billion of positive currency revaluation and UAH 2.3 billion of debt upon the



joining of JSC OSCHADBANK actually decreased by UAH 26.6 billion, including in UAH — by UAH 1.2 billion and in foreign currency — by UAH 25.4 billion. In contrast to interbank loans and deposits, payables of other banks on demand increased by UAH 5.4 billion or 42.6% to UAH 18.0 billion due to an increase in UAH balances by UAH 3.2 billion and foreign currency balances by UAH 2.2 billion, although in the presence of a positive currency revaluation of UAH 3.9 billion and a debt of UAH 0.2 billion upon the joining of JSC OSCHADBANK, the currency balances actually decreased by UAH 1.9 billion.

Among the DGF members, the debt on loans from international financial organizations formally increased, which increased by UAH 4.4 billion or 9.7% in 2022 and amounted to UAH 50.0 billion (2.3% in the structure) as of January 1, 2023. In UAH, it actually decreased by UAH 1.1 billion or 14.0% to UAH 6.6 billion, while in foreign currency it formally increased by UAH 5.5 billion or 14.4% to UAH 43.4 billion, including by UAH 14.6 billion due to a positive currency revaluation and UAH 6.5 billion from the joining of JSC OSCHADBANK, without which its actual decrease amounted to UAH 15.6 billion.

Changes in the main components of liabilities, which account for more than $\frac{3}{4}$ of their total volume, by individual groups of banks, national and foreign currencies are shown in Table 2.1.10.

According to the above data, in the reporting year, balances of client payables on demand increased in all groups of banks, while UAH term deposits of the population decreased. Most of the funds are focused on demand accounts and term deposits fall. The share denominated in UAH increases in the total amount of client funds, while foreign currency denomination decreases.

The share of term funds in the structure of liabilities of the DGF members from the beginning of 2022 continued to decrease for the eighth consecutive year and as of January 1, 2023, amounted to 27.7% against 35.0% as of January 1, 2022, and 39.2% as of January 1, 2021. The decrease is due to the reduction of the share of all term debts: to banks, clients, and international financial organizations.

According to form 1F, the share of deposits (including funds of sole proprietors) in the total liabilities of the DGF members in 2022 increased to 44.7% (excluding the data of JSC Oschadbank, this share is 42.4%, which also indicates its growth), while in 2021 it was 37.2%, and in 2020 – 38.3%. For 9 banks, it exceeds the system average, of which more than 50.0% are for seven banks.

Thus, the trends that have emerged in previous years have generally been maintained: despite the difficult operating conditions during the war, the attraction of client and budget funds remains the main source of resources for the DGF members, which generates more than 80.0% of their liabilities. The trend of decreasing maturity, which has existed since the beginning of 2014, continues, which requires the banking system to maintain increased liquidity on an ongoing basis.



Table 2.1.10

Changes in the principal components of the liabilities of the DGF members

(UAH million)

Indicators	Funds of legal entities, the budget, and sole proprietors				Payables to individuals			
	on demand		fixed-term		on demand		fixed-term	
	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)
Balance as of January 1, 2021	303,874.4	186,567.2	100,882.0	45,171.5	183,482.2	110,821.2	139,301.2	120,785.5
year-on-year changes due to:								
– currency revaluation	x	– 6,574.6	x	– 1,591.9	x	– 3,905.3	x	– 4,256.5
– dissolution of banks	– 268.3	– 18.1	– 155.2	– 50.9	– 31.8	– 32.7	– 605.2	– 377.4
– volume increase/decrease	+ 98,846.6	+ 16,949.7	+ 5,237.0	– 3,334.6	+ 36,563.2	+ 32,726.2	+ 16,569.4	– 27,398.7
including in banks:								
with state-owned share	+ 22,352.0	– 3,282.9	– 19,964.2	– 2,726.0	+ 8,336.5	+ 12,831.4	+ 1,548.6	– 22,227.2
of foreign banking groups	+ 35,040.2	+ 6,482.7	+ 11,066.7	– 434.9	+ 16,311.3	+ 11,552.0	+ 1,674.1	– 3,702.9
with private capital	+ 41,454.4	+ 13,749.9	+ 14,134.5	– 173.7	+ 11,915.4	+ 8,342.8	+ 13,346.7	– 1,468.6
Balance as of January 1, 2022	402,452.7	196,924.2	105,963.8	40,194.1	220,013.6	139,609.4	155,265.4	88,752.9
year-on-year changes due to:								
– currency revaluation	x	+ 68,524.5	x	+ 13,942.6	x	+ 50,685.8	x	+ 36,544.6
– dissolution of banks	– 5,266.0	– 761.8	– 1,966.6	– 632.0	– 1,610.6	– 1,677.0	– 3,214.8	– 2,076.9
– joining of Oschadbank	+ 52,574.9	+ 5,824.8	+ 7,419.9	+ 1,013.1	+ 50,001.3	+ 12,550.9	+ 36,996.1	+ 25,268.6
– volume increase/decrease	+ 64,839.6	+ 51,501.6	+ 2,119.0	– 6,649.9	+ 145,024.5	– 7,700.5	– 9,090.2	– 2,892.8
including in banks:								
with state-owned share	+ 31,954.6	+ 28,668.3	+ 2,217.8	– 7,415.6	+ 122,913.0	+ 6,448.8	– 1,574.1	– 8,152.3
of foreign banking groups	+ 17,960.4	+ 24,201.6	+ 2,377.1	+ 2,081.4	+ 5,824.0	– 12,683.1	– 1,542.8	+ 4,453.7
with private capital	+ 14,924.6	– 1,368.3	– 2,475.9	– 1,315.7	+ 16,287.5	– 1,466.2	– 5,973.3	+ 805.8
Balance as of January 1, 2023	514,601.2	322,013.3	113,536.1	47,867.9	413,428.8	193,468.6	179,956.5	145,596.4

Analysis of financial results

Despite all the difficulties and risks associated with the ongoing military confrontation, the activities of the DGF members in the reporting year were profitable: their consolidated annual financial result amounted to UAH 24.7 billion, which is 3.1 times less than the record amount of UAH 76.4 billion earned in 2021. According to the results of 2022, 46 banks made a profit of a total of UAH 45.5 billion, and 21 banks made a loss of a total of UAH 20.8 billion. In 2021, 65 institutions with a result of plus UAH 76.8 billion were profitable and 5 institutions with a result of minus UAH 0.4 billion were unprofitable.

The main source of profit is net interest income, which banks received in the amount of UAH 151.6 billion, exceeding the level of 2021 by UAH 47.4 billion. Net commission income amounted to UAH 50.1 billion, or UAH 1.7 billion less than in 2021.

Compared to the result of 2021, the profit decreased by UAH 51.7 billion or 67.7%. At the same time, operating income of banks increased by UAH 111.9 billion or 46.2%, operating expenses — by UAH 27.7 billion or 30.4%, and net operating profit before formation of provisions — by UAH 84.2 billion or 55.7%.

As a result, the operational efficiency of the DGF members significantly improved in the reporting year: the CIR as of January 1, 2023, was 39.5% compared to 50.2% as of January 1, 2022, and 51.5% as of January 1, 2021.

Following the results of 2022, the financial result of certain groups of banks was as follows:

- consolidated profit of state-owned banks amounted to UAH 21.3 billion, which is UAH 20.3 billion below the level of 2021;
- banks with foreign capital recorded a total loss of UAH 0.1 billion, reducing its result for 2021 by UAH 22.3 billion;
- private banks received consolidated profit of UAH 3.5 billion, which is UAH 9.1 billion less than in 2021.

The trends of income and expenses of the DGF members, as well as their financial results are detailed in Table 2.1.11.

The income of the DGF members in 2022 amounted to UAH 357.4 billion, having increased by UAH 110.7 billion or 44.9% as compared to 2021.



Table 2.1.11

Income, expenses, and financial results of the DGF members

(UAH million)

Indicators	January 1, 2021	January 1, 2022	January 1, 2023	Late changes			
				for 2021		for 2022	
				amount	in %	amount	in %
Total income, including:	219,244.9	246,688.5	357,388.3	+ 27,443.6	+ 12.5	+110,699.8	+ 44.9
– interest income	128,927.4	147,400.2	216,992.4	+ 18,472.8	+ 14.3	+ 69,592.2	+ 47.2
of these, interest income on loans granted to clients	92,643.1	100,523.1	125,594.9	+ 7,880.0	+ 8.5	+ 25,071.8	+ 24.9
– fee-based income	62,602.2	83,403.4	85,568.1	+ 20,801.2	+ 33.2	+ 2,164.7	+ 2.6
of which fees for cash and settlement services	53,974.3	72,260.7	74,430.4	+ 18,286.4	+ 33.9	+ 2,169.7	+ 3.0
– result of revaluation and purchase and sale transactions	17,714.0	4,361.8	43,524.9	– 13,352.2	– 75.4	+ 39,163.1	+ 897.9
– other operating income	6,557.7	7,125.2	8,097.1	+ 567.5	+ 8.7	+ 971.9	+ 13.6
– other income	2,602.7	3,033.0	2,353.0	+ 430.3	+ 16.5	– 680.0	– 22.4
– write-back of assets	840.9	1,364.9	852.8	+ 524.0	+ 62.3	– 512.1	– 37.5
Total costs, including:	180,776.1	170,268.3	332,672.8	– 10,507.8	– 5.8	+162,404.5	+ 95.4
– interest costs	52,509.9	43,118.9	65,360.7	– 9,391.0	– 17.9	+ 22,241.8	+ 51.6
of which interest on clients' funds	44,738.4	33,396.5	46,421.3	– 11,341.9	– 25.4	+ 13,024.8	+ 39.0
– fee-based costs	21,031.1	31,553.7	35,420.9	+ 10,522.6	+ 50.0	+ 3,867.2	+ 12.3
of which fees for cash and settlement services	19,845.9	29,796.1	32,538.5	+ 9,950.2	+ 50.1	+ 2,742.4	+ 9.2
– other operating costs	13,305.9	16,361.8	17,937.1	+ 3,055.9	+ 23.0	+ 1,575.3	+ 9.6
– administrative costs	62,276.8	71,534.4	87,810.5	+ 9,257.6	+ 14.9	+ 16,276.1	+ 22.8
– allocations to provisions	28,070.6	1,322.5	118,808.9	– 26,748.1	– 95.3	+117,486.4	+8,883.7
of which allocations to provisions for client loans	19,108.7	6,874.6	106,098.4	– 12,234.1	– 64.0	+ 99,223.8	+1,443.3
– income tax	3,581.8	6,377.0	7,334.7	+ 2,795.2	+ 78.0	+ 957.7	+ 15.0
Financial performance, including:	38,468.8	76,420.2	24,715.5	+ 37,951.4	+ 98.7	– 51,704.7	– 67.7
– banks with state-owned share	20,256.8	41,553.5	21,299.3	+ 21,296.7	+ 105.1	– 20,254.2	– 48.7
– banks of foreign banking groups	12,558.5	22,277.4	– 51.1	+ 9,718.9	+ 77.4	– 22,328.5	– 100.2
– banks with private capital	5,648.7	12,589.3	3,467.3	+ 6,940.6	+ 122.9	– 9,122.0	– 72.5
– insolvent banks	4.8	–	–	– 4.8	– 100.0	–	–
For reference:							
Operational efficiency (CIR), in %	51.5	50.2	39.5	– 1.3	x	– 10.7	x

Among income, the largest amount interest income (UAH 217.0 billion), commission income is in second place (UAH 85.6 billion). Against the level of 2021, they increased by UAH 69.6 billion or 47.2% and UAH 2.2 billion or 3.0%, respectively. The share of interest income in total income increased from 59.8% to 60.7%, and commission income decreased from 33.8% to 23.9%. The significant increase in interest income is explained, first of all, by the joining of JSC OSCHADBANK, as well as the general increase in interest rates on active operations of banks in 2022. At the same time, while income from loans for the year increased by UAH 25.1 billion or 24.9% to UAH 125.6 billion (and their share in interest income decreased from 68.2% to 55.5%), income from securities — by UAH 42.3 billion or 91.0% to UAH 88.7 billion (and their share in interest income increased from 31.5% to 39.2%), which is a consequence of the increase in investments in NBU certificates of deposit for against the background of reduction of the loan portfolio of the DGF members.

The result of revaluation and purchase and sale transactions in the reporting year was positive and amounted to UAH 43.5 billion, which is UAH 39.2 billion or 10.0 times more than last year. Its main components were:

- UAH 33.5 billion of profit from transactions of purchase and sale of foreign currency and banking metals;
- UAH 19.1 billion of profit from revaluation of domestic government bonds in the former trading portfolios of the DGF members;
- UAH 9.8 billion loss from revaluation of open currency position.

Expenses of banks in 2022 amounted to UAH 332.7 billion, having increased by UAH 162.4 billion or 95.4% compared to the level of 2021.

Their main item was the allocation to provisions, which in comparison with 2021 increased rapidly by UAH 117.5 billion or 89.8 times and reached UAH 118.8 billion (35.7% in the structure). Among them, the lion's share is allocated to provisions for loans to clients, which in 2022 increased by UAH 99.2 billion or 15.4 times and amounted to UAH 106.1 billion.

The volume of administrative expenses in the reporting year increased by UAH 16.3 billion or 22.8% and amounted to UAH 87.8 billion, and their share in the structure decreased from 42.0% to 26.4%. Interest expenses increased by UAH 22.2 billion or 51.6% to UAH 65.4 billion, and commission expenses — by UAH 3.9 billion or 12.3% to UAH 35.4 billion. They currently account for 19.6% and 10.6% of all expenses, respectively. The significant increase in interest expenses is explained, first of all, by the joining of JSC OSCHADBANK, as well as a significant increase in the cost of attracting all resources in 2022.

Analysis of capital

The equity of the DGF members as of January 1, 2023, amounted to UAH 218.5 billion. Changes in its structure over the last two years are shown in Table 2.1.12.



Table 2.1.12

Changes in the equity structure of the DGF members

(UAH million)

Indicators	January 1, 2021	January 1, 2022	January 1, 2023	Late changes			
				for 2021		for 2022	
				amounts	in %	amounts	in %
Paid authorized capital	431,171.3	432,062.2	407,020.5	+ 890.9	+ 0.2	- 25,041.7	- 5.8
Issue profit/loss and additional allocations	14,163.4	15 262.4	14,541.7	+ 1,099.0	+ 7.8	- 720.7	- 4.7
General provisions and funds	25,206.2	32 927,0	42,602.4	+ 7,720.8	+ 30.6	+ 9,675.4	+ 29.4
Results of revaluation	15,588.8	12 097.6	- 1,319.2	- 3,491.2	- 22.4	- 13,416.8	- 110.9
Results of previous years	- 335,727.8	- 335,015.2	- 274,232.1	+ 712.6	- 0.2	+ 60,783.1	- 18.1
Result of the reporting year	2.1	-	5,220.3	- 2.1	- 100.0	+ 5,220.3	x
Current year result	38,468.8	76,420.2	24,715.5	+ 37 951.4	+ 98.7	- 51,704.7	- 67.7
Total equity	188,872.8	233,754.2	218,549.1	+ 44,881.4	+ 23.8	- 15,205.1	- 6.5
<u>For reference:</u>							
Return on equity (ROE), %	20.9	38.4	11.3	+ 17.5	x	- 27.1	x
Adequacy of regulatory capital, in %	22.4	18.3	19.7	- 4.1	x	+ 1.4	x

From the beginning of 2022, the equity of the DGF members decreased by UAH 15.2 billion or 6.5% due to a decrease of UAH 47.4 billion during the first quarter, although it partially recovered thereafter. In 37 banks the capital increased by the total amount of UAH 14.4 billion, and in 30 banks it decreased by UAH 33.7 billion (after 2021 the corresponding figures were 58 and 12). The system lost another UAH 17.7 billion due to the termination of PJSC PROMINVESTBANK, JSC IR BANK, JSC MEGABANK and JSC BANK SICH, and the joining of JSC OSCHADBANK increased its capitalization by UAH 21.8 billion.

The main reasons for the decrease in capital in the reporting year, apart from the termination of banks, were unprofitable activities of 21 DGF members for the total amount of UAH 20.8 billion, negative revaluation of securities in the former portfolio for sale in the amount of UAH 15.2 billion and accrual of dividends by banks based on the results of 2021 in the amount of UAH 28.9 billion. At the same time, in addition to the joining of JSC OSCHADBANK, the profitable activity of 46 DGF members for the total amount of UAH 45.5 billion contributed to the increase in capitalization.

As of January 1, 2023, the paid authorized capital amounted to UAH 407.0 billion, having lost UAH 25.0 billion or 5.8% over the year. Over the same period, issue profit/loss and additional contributions decreased by UAH 0.7 billion or 4.7% to UAH 14.5 billion.

Over the past year, total provisions and funds increased by UAH 9.7 billion or 29.4% to UAH 42.6 billion due to profit distribution for 2021, while in 2021 they increased by UAH 7.7 billion.

The consolidated negative result of previous years, which consists separately of retained earnings and uncovered losses, improved by UAH 60.8 billion in 2022 due to an increase in profits by UAH 9.3 billion and coverage of losses of UAH 51.5 billion, and currently stands at minus UAH 274.2 billion.

Return on equity in the reporting year deteriorated significantly, falling to 11.3% against 38.4% in 2021 and 20.9% in 2020.

From the beginning of 2022, the regulatory capital of the DGF members increased by UAH 17.4 billion or 9.0% and as of January 1, 2023, reached UAH 211.1 billion.

According to the results of the reporting year, the regulatory capital adequacy ratio for all DGF members improved, remaining above the normative value, which is not less than 10.0%. As of January 1, 2023, it amounted to 19.7% against 18.3% as of January 1, 2022, and 22.4% as of January 1, 2021.

In 2022, the share of equity in liabilities was 9.3% against 12.9% last year, although in 2020 it was 11.9%. As of January 1, 2023, household deposits were 4.8 times higher than the equity of the banking system, which indicates an insufficient level of protection of deposits with capital. At the same time, on January 1, 2022, this excess was 2.9 times, and on January 1, 2021 — 3.2 times. In 2022, the value of this indicator for 8 banks was higher than the system average, in 2021 there were 19 such banks, and in 2020 — 15.

Thus, given the rapid increase in the volume of deposits, the growing risks of the ongoing war and the potential decrease in the capitalization of the banking system, the problem of increasing the capital adequacy of the DGF members remains relevant.



2.2. Analysis of the DGF members' deposit trends

The analysis of deposit transactions as of January 1, 2023, was conducted for 67 DGF members on the basis of the received monthly "Reports on Household Deposits in the Members of the Deposit Guarantee Fund — reporting form No. 1F" (hereinafter referred to as "form No. 1F").

During 2022, 4 banks were excluded from the register of DGF members due to the revocation of the banking license and liquidation with the total amount of deposits of UAH 9,100.1 million (PJSC Prominvestbank — February 28, 2022, JSC IR BANK — February 28, 2022, JSC MEGABANK — July 25, 2022, and JSC BANK SICH — October 10, 2022), in addition, as of April 13, 2022, JSC Oschadbank acquired the status of a DGF member in accordance with Law No. 2180-IX (Table 2.2.1).

Table 2.2.1

Data on household deposits in banks excluded from the register of DGF members and included in the register of DGF members during 2022

No.	Reg. No.	Bank	Number of depositors	Amount of deposits, UAH		Potential compensation amount, UAH	Date of NBU liquidation decision/ date of participation
			persons	total	including in foreign currency		
Reporting as of January 1, 2022							
1	126	PROMINVESTBANK	4,771	11,988,460	4,476,621	4,955,993	February 25, 2022
2	143	IR BANK	343,704	3,122,463,903	1,404,885,332	1,416,720,512	February 25, 2022
3	72	MEGABANK	155,735	4,599,967,946	1,726,219,248	3,093,541,445	July 21, 2022
4	223	BANK SICH	14,189	1,365,701,153	652,255,563	730,419,300	October 6, 2022
Total for banks excluded for 2022			518,399	9,100,121,461	3,135,581,201	5,245,637,250	
Reporting as of January 1, 2023							
3	240	OSCHADBANK	12,498,202	169,790,872,537	42,687,990,901	169,784,383,643	April 13, 2022

Trends in the deposit market

✓ **the number of depositors** increased by 15.6 million people in 2022 or by 31.4% to **65.4 million people**, including due to the acquisition by JSC Oschadbank of the DGF member status, in which 12.5 million depositors are concentrated as of January 1, 2023. For comparison, in 2021 the increase in the number of depositors was 3.1 million people or 6.7%.

The total number of depositors in banks with state-owned share is 38.4 million, or 58.8% of the total number for the DGF.

In 10 banks, the number of depositors in each of which is more than 1 million, a total of 59.3 million depositors are concentrated, which is 90.8% of the total number of depositors (Table 2.2.2). Deposits of 23.9 million people are concentrated in JSC CB PrivatBank, which is 36.6% of the total number of depositors.

✓ **the amount of deposits** increased by UAH 375.9 billion or by 55.6% to **UAH 1,051.5 billion** in 2022, including due to the acquisition by JSC Oschadbank of the DGF member status, in which the amount of deposits amounted to UAH 169.8 billion as of



January 1, 2023. For comparison, in 2021 the increase in the amount of deposits amounted to UAH 68.0 billion or 11.2%.

The total amount of deposits in banks with state-owned share amounts to UAH 627.4 billion, or 59.7% of the total amount of deposits for the DGF.

In 16 banks, in each of which the amount of deposits exceeds UAH 10 billion, UAH 999.2 billion or 95.0% of the total deposits for the DGF are concentrated together, including 37.1% of the amount of deposits in JSC CB PrivatBank of all members of the guarantee scheme (Table 2.2.3).

✓ **the number of sole proprietors** as of January 1, 2023, amounted to 1.9 million persons or 3.0% of all depositors with the amount of deposits of UAH 118.8 billion or 11.3% of the total amount of deposits. In 2022, the number of sole proprietors increased by 241.5 thousand persons or by 14.2%, and their amount increased by UAH 46.6 billion or by 64.4%, including through the acquisition of JSC Oschadbank of the DGF member status, in which the number of such depositors is 119.6 thousand people, and their amount is UAH 3.0 billion as of January 1, 2023.

✓ **the average deposit amount** was UAH 16,089.79. The average amount of the deposit on the deposits guaranteed by the DGF (over UAH 10) amounted to UAH 26,482.62.

✓ **the potential compensation amount** at the expense of the DGF for 2022 increased by UAH 661.9 billion or by 170.4% and as of January 1, 2023, amounted to UAH 1,050.5 billion because, in accordance with Law No. 2180-IX, as of April 13, 2022, during the martial law in Ukraine and three months after the termination or cancellation of martial law in Ukraine, the DGF compensates each depositor of the bank the full amount of the deposit, and including due to the acquisition by JSC Oschadbank of the DGF member status, in which the amount of deposits amounted to UAH 169.8 billion as of January 1, 2023.

The total potential compensation amount in banks with a state-owned share is UAH 627.3 billion, or 59.7% of the total potential compensation amount for the DGF.



Table 2.2.2

Banks with the largest number of depositors as of January 1, 2023

No	Re g. No	Bank	January 1, 2023				Change for 2022
			Number of depositors, thousand persons			Amount of deposits	Number of depositors
			total	% of total	including in foreign currency	total, UAH thousand	thousand persons
1	113	PRIVATBANK	23,900	36.6	4,278	390,583,164	706
2	240	OSCHADBANK	12,498	19.1	479	169,790,873	*12,498
3	27	UNIVERSAL BANK	6,780	10.4	1,564	62,374,980	1,742
4	48	SENSE BANK	3,057	4.7	290	43,729,113	467
5	121	RAIFFEISEN BANK	2,950	4.5	150	65,450,873	183
6	98	ACCENT-BANK	2,780	4.3	336	12,176,637	632
7	111	FUIB	2,556	3.9	280	41,188,740	56
8	90	UKRSIBBANK	1,949	3.0	253	51,471,796	184
9	85	OTP BANK	1,475	2.3	117	30,339,836	98
10	52	UKRGASBANK	1,399	2.1	128	33,563,280	-882
Total for banks			59,343	90.8	7,875	900,669,291	15,684
% of total for the DGF			90.8	-	88.8	85.7	-
TOTAL for the DGF			65,352	100.0	8,870	1,051,499,855	15,598

* — data of JSC Oschadbank as of January 1, 2023

Table 2.2.3

Banks with the largest amount of deposits as of January 1, 2023

No	Re g. No	Bank	January 1, 2023				Change for 2022
			Number of depositors	Amount of deposits, UAH thousand			Amount of deposits
			thousand persons	total	% of total	including in foreign currency	UAH thousand
1	113	PRIVATBANK	23,900	390,583,164	37.1	111,324,517	127,015,426
2	240	OSCHADBANK	12,498	169,790,873	16.1	42,687,991	*169,790,873
3	121	RAIFFEISEN BANK	2,950	65,450,873	6.2	27,190,580	16,700,652
4	27	UNIVERSAL BANK	6,780	62,374,980	5.9	30,359,486	25,108,229
5	90	UKRSIBBANK	1,949	51,471,796	4.9	28,199,463	14,886,647
6	48	SENSE BANK	3,057	43,729,113	4.2	22,615,655	-6,785,057
7	111	FUIB	2,556	41,188,740	3.9	15,312,335	4,251,955
8	52	UKRGASBANK	1,399	33,563,280	3.2	15,586,876	5,253,696

N o.	Re g. N o.	Bank	January 1, 2023				Change for 2022
			Number of depositors thousand persons	Amount of deposits, UAH thousand			Amount of deposits
				total	% of total	including in foreign currency	UAH thousand
9	22	UKREXIMBANK	608	33,436,173	3.2	22,527,371	6,401,715
10	85	OTP BANK	1,475	30,339,836	2.9	17,912,045	6,653,297
11	54	KREDOBANK	562	15,902,796	1.5	9,416,083	3,827,200
12	43	CREDIT AGRICOLE BANK	417	15,438,880	1.5	8,592,281	2,910,066
13	98	ACCENT-BANK	2,780	12,176,637	1.2	4,073,374	2,782,479
14	16	PIVDENNYI	723	12,167,566	1.2	7,351,301	-1,261,150
15	31	TASCOMBANK	849	11,253,636	1.1	5,884,920	2,002,698
16	141	PROCREDIT BANK	39	10,307,888	1.0	6,487,642	1,690,131
Total for banks			62,541	999,176,230	95.0	375,521,920	211,437,984
% of total for the DGF			95.7	95.0	-	94.5	-
TOTAL for the DGF			65,352	1,051,499,855	100.0	397,479,738	375,925,321

* — data of JSC Oschadbank as of January 1, 2023

Table 2.2.4 shows the trends of deposit transactions of the DGF members with individuals for 2022.

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

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

In 2022, despite the hostilities, the volume of household deposits increased (by + UAH 375.9 billion or by 55.6%, without taking into account the data of JSC Oschadbank, the increase in the DGF members for the year would amount to UAH 206.1 billion or 30.5%). There was an increase both in the amount of deposits in the national currency by UAH 231.2 billion or by 54.7%, and in foreign currency in the UAH equivalent by UAH 144.7 billion or by 57.2%. In USD equivalent, the increase for 2022 amounted to USD 1.6 billion or by 17.3%. The number of depositors continues to grow (+ 15.6 million people or by 31.4%) and at the end of the year amounted to 65.4 million people (excluding the data of JSC Oschadbank, the increase in the number of the DGF members for the year would be 3.1 million people or 6.2%, as in the previous year). This level of the number of depositors is the largest since the beginning of the guarantee scheme.

The trends of the increase in deposit transactions were influenced by social payments to the population (in particular, the provision of financial assistance from the state and international organizations through which there was an increase in payments to servicemen and displaced persons, etc.), the National Bank of Ukraine, the DGF and banks in banking institutions under martial law. In addition, the revaluation of foreign currency deposits due to the one-third devaluation of the UAH had a significant impact on the trends.

The trends of the number of depositors and the amount of deposits in the DGF members during 2000–2022 are shown in Figures 2.2.1 and 2.2.2.

In 2018–2022, banks' deposit operations with individuals are characterized by the shortest maturity since the beginning of 2001. Following the results of 2022, the share of term deposits (Figure 2.2.3) continues to decrease and decreased to 34.8% (as of January 1, 2014, their level was 82%).



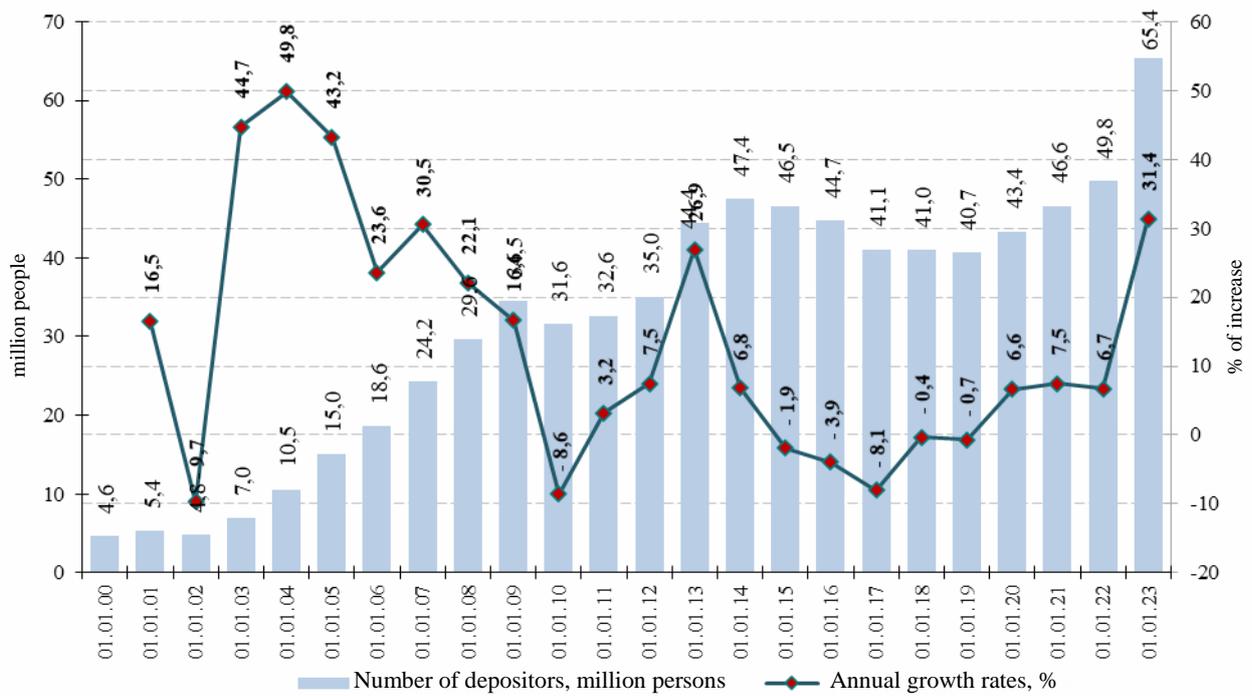


Figure 2.2.1 Trends of the amount of deposits in the DGF members during 2000–2022.

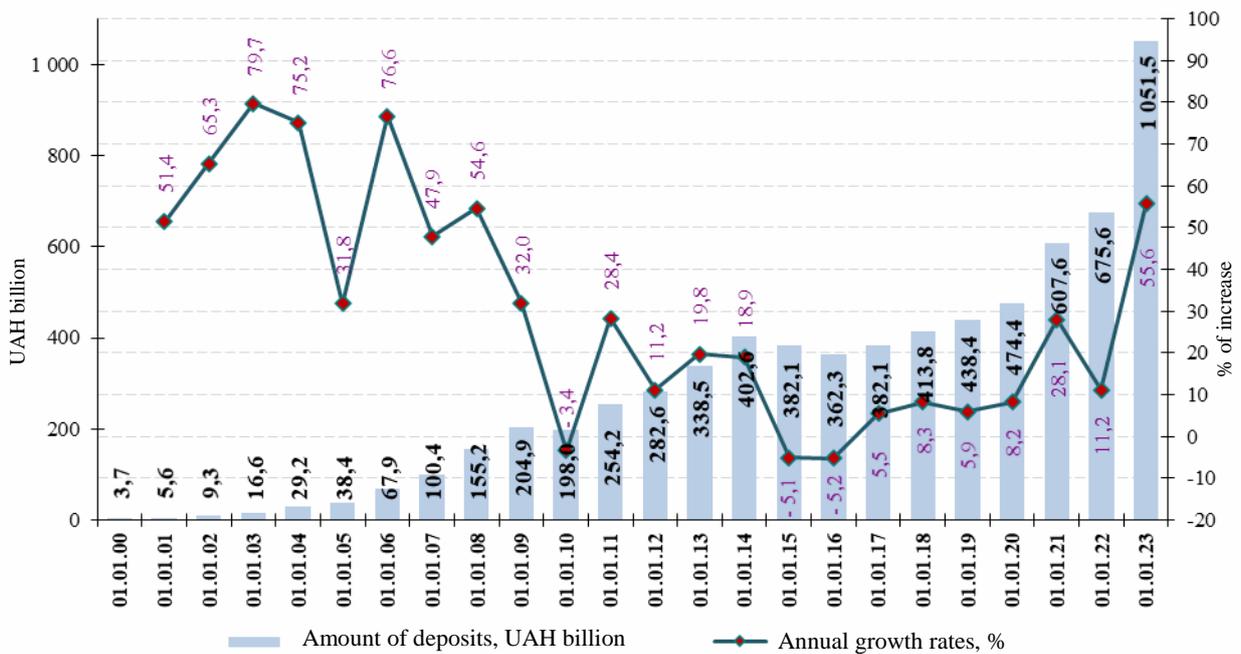


Figure 2.2.2 Trends of the amount of deposits in the DGF members during 2000–2022.



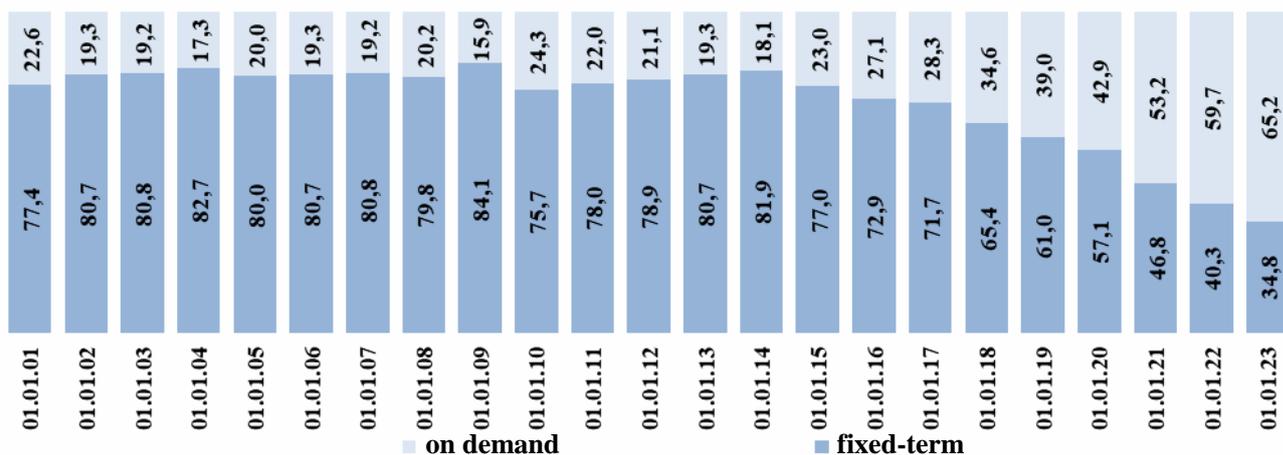


Figure 2.2.3 Trends of the amount of deposits in the DGF members during 2000–2022.

From the beginning of 2022 there was a decrease in interest rates, but after the increase in the discount rate from June 3, 2023 (up to 25%), their gradual increase began. In 2022, the weighted average monthly interest rate on deposits in national currency increased by 3.17 percentage points to 10.27%, and in foreign currency slightly decreased by 0.01 percentage points to 0.58% (Figure 2.2.4).

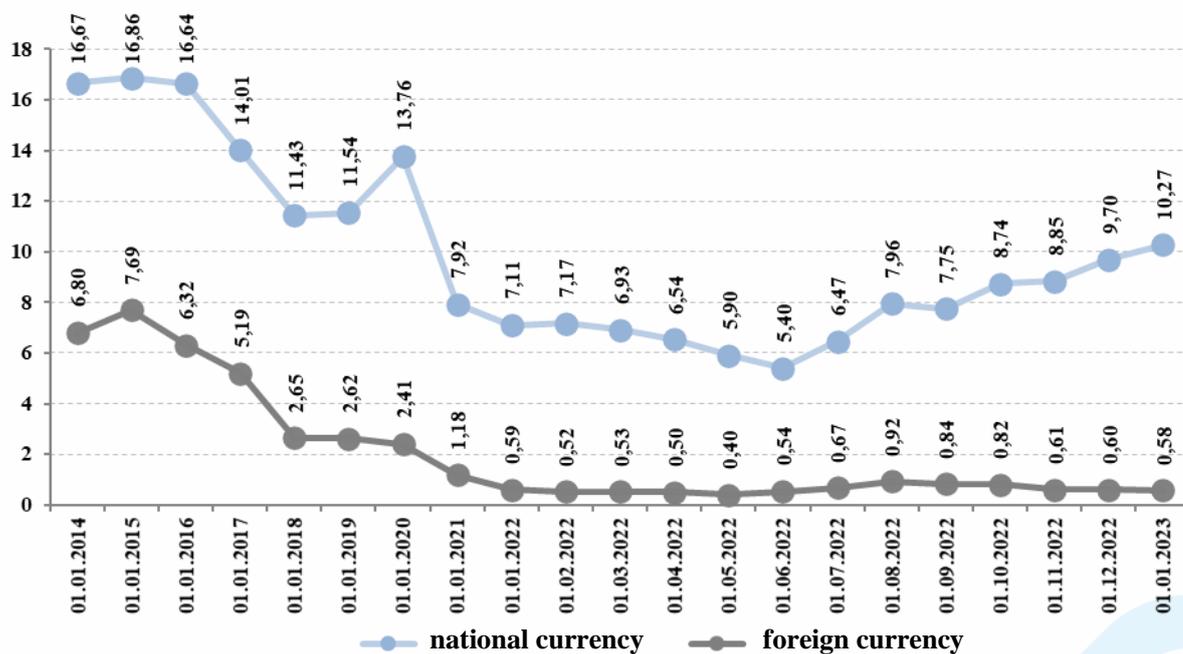


Figure 2.2.4 Trends of weighted average monthly rates on household deposits during 2014–2022.



Table 2.2.4

Trends of deposit operations of the DGF members since the beginning of 2022

No.	Deposit operations of banks with individuals (No. 1F)	January 1, 2022	January 1, 2023	from the beginning of 2022	
				+/-	%
1	Number of the DGF members*	70	67	-3	x
2.1.	Amount of household deposits, UAH billion	675.6	1,051.5	375.9	55.6
–	including in national currency, UAH billion	422.8	654.0	231.2	54.7
–	in foreign currency, UAH billion	252.8	397.5	144.7	57.2
2.2.	Number of depositors, million persons	49.8	65.4	15.6	31.4
2.3.	Potential compensation amount by the DGF, UAH billion	388.7	1,050.5	661.9	170.3
2.4.	Average deposit amount, UAH	13,578.4	16,089.8	2,511.4	18.5

* — 4 banks are excluded from the register of the DGF members and 1 bank is included in the register of the DGF members

Table 2.2.5

Annual trend of household deposit operations by currency

Date	Number of depositors, million persons	Total amount of deposits, UAH billion	Potential compensation amount, UAH billion	Amount of deposits in national currency, UAH billion	Amount of deposits in foreign currency, UAH billion
January 1, 2014	47.4	402.6	245.6	224.3	178.4
January 1, 2015	46.5	382.1	209.9	172.1	210.0
January 1, 2016	44.7	362.3	191.9	164.5	197.8
January 1, 2017	41.1	382.1	203.3	169.9	212.3
January 1, 2018	41.0	413.8	238.0	203.7	210.0
January 1, 2019	40.7	438.4	259.4	236.7	201.7
January 1, 2020	43.4	474.4	290.9	279.5	195.0
January 1, 2021	46.6	607.6	353.5	357.4	250.2
January 1, 2022	49.8	675.6	388.7	422.8	252.8
January 1, 2023	65.4	1 051.5	1 050.5	654.0	397.5

Table 2.2.6

Annual trends of household deposit operations

Period	Number of depositors		Total amount of deposits		Average deposit amount (ADA), UAH	
	thousand persons	growth rates before the beginning of the year, %	UAH million	growth rates before the beginning of the year, %	UAH	growth rates before the beginning of the year, %
January 1, 2000	4,558.9		3,675.58		806	
January 1, 2001	5,358.8	17.5	5,603.62	52.5	1,046	29.7
January 1, 2002	4,837.4	-9.7	9,264.13	65.3	1,915	83.1
January 1, 2003	7,005.5	44.8	16,645.80	79.7	2,376	24.1
January 1, 2004	10,488.4	49.7	29,160.58	75.2	2,780	17.0
January 1, 2005	15,021.2	43.2	38,432.07	31.8	2,559	-8.0
January 1, 2006	18,570.2	23.6	67,885.22	76.6	3,656	42.9
January 1, 2007	24,239.9	30.5	100,416.06	47.9	4,143	13.3
January 1, 2008	29,607.8	22.1	155,236.15	54.6	5,243	26.6
January 1, 2009	34,532.3	16.6	204,934.68	32.0	5,935	13.2
January 1, 2010	31,568.0	-8.6	198,010.58	-3.4	6,273	5.7
January 1, 2011	32,577.8	3.2	254,180.28	28.4	7,802	24.4
January 1, 2012	35,007.8	7.5	282,596.88	11.2	8,072	3.5
January 1, 2013	44,428.9	26.9	338,496.80	19.8	7,619	-5.6
January 1, 2014	47,447.2	6.8	402,615.53	18.9	8,486	11.4
January 1, 2015	46,523.5	-1.9	382,081.64	-5.1	8,213	-3.2
January 1, 2016	44,703.4	-3.9	362,277.96	-5.2	8,104	-1.3
January 1, 2017	41,101.8	-8.1	382,149.86	5.5	9,298	14.7
January 1, 2018	40,951.6	-0.4	413,769.21	8.3	10,103	8.7
January 1, 2019	40,677.2	-0.7	438,352.51	5.9	10,776	6.7
January 1, 2020	43,379.0	6.6	474,440.31	8.2	10,937	1.5
January 1, 2021	46,621.2	7.5	607,564.04	28.1	13,032	19.2
January 1, 2022	49,753.6	6.7	675,574.53	11.2	13,578	4.2
January 1, 2023	65,352.0	31.4	1,051,499.85	55.6	16,090	18.5

Deposits by currency

In the first half of 2022 there was a gradual increase in the advantage of deposits in the national currency due to social payments to the population in the national currency and the acquisition by JSC Oschadbank of the DGF member status (in which deposits in the national currency predominate) and as of July 1, 2022, their share was 66.9%. The second half of the year was characterized by an increase in the share of deposits in foreign currency due to the change in the official UAH/USD exchange rate (from July 21, 2022, the exchange rate increased from UAH 29.2549 and was fixed at the level of UAH 36.5686), which in general led to an annual increase in the share of foreign currency deposits from 37.4 to 37.8%, and the share of deposits in national currency decreased from 62.6 to 62.2%. (Figure 2.2.5).

Deposits in the national currency for 2022 increased by UAH 231.2 billion or by 54.7% and amounted to UAH 654.0 billion, including due to the inclusion of JSC Oschadbank in the DGF members in which the amount of deposits in the national currency amounted to UAH 127.1 billion as of January 1, 2023.

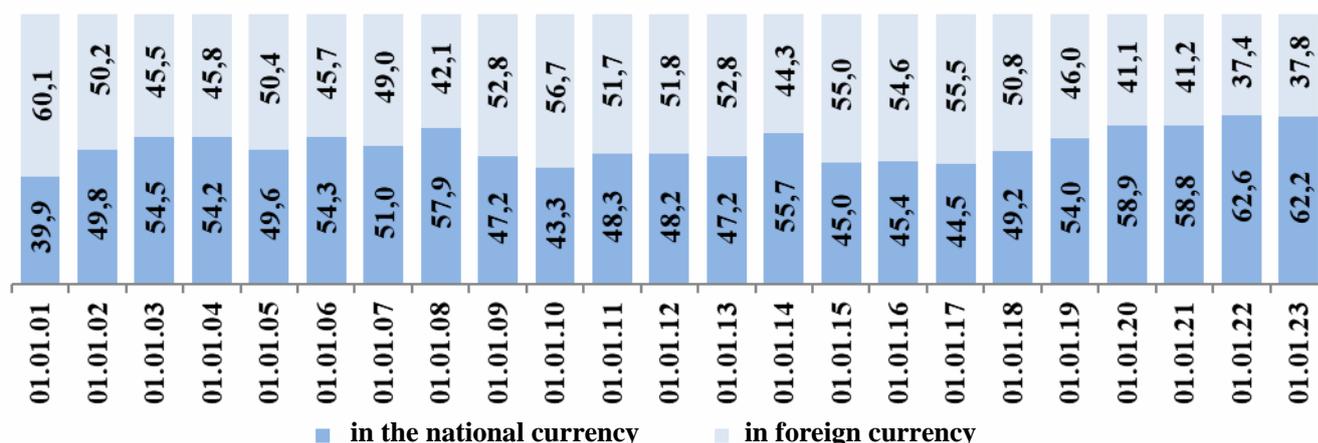


Figure 2.2.5 Structure of household deposits by currency, %

The UAH equivalent of the amount of deposits in foreign currency for 2022 increased by UAH 144.7 billion or by 57.2% and amounted to UAH 397.5 billion, including due to the acquisition by JSC Oschadbank of the DGF member status in which the UAH equivalent of the amount of foreign currency deposits amounted to UAH 42.7 billion as of January 1, 2023. At the same time, in the USD equivalent, the increase in the amount of deposits amounted to USD 1.6 billion or 17.3% to USD 10.9 billion, including at the expense of JSC Oschadbank, in which such equivalent as of January 1, 2023, amounted to USD 1.2 billion. This is explained by the depreciation of the official UAH exchange rate (depreciation) and the actual increase in foreign currency deposits (Figure 2.2.6).



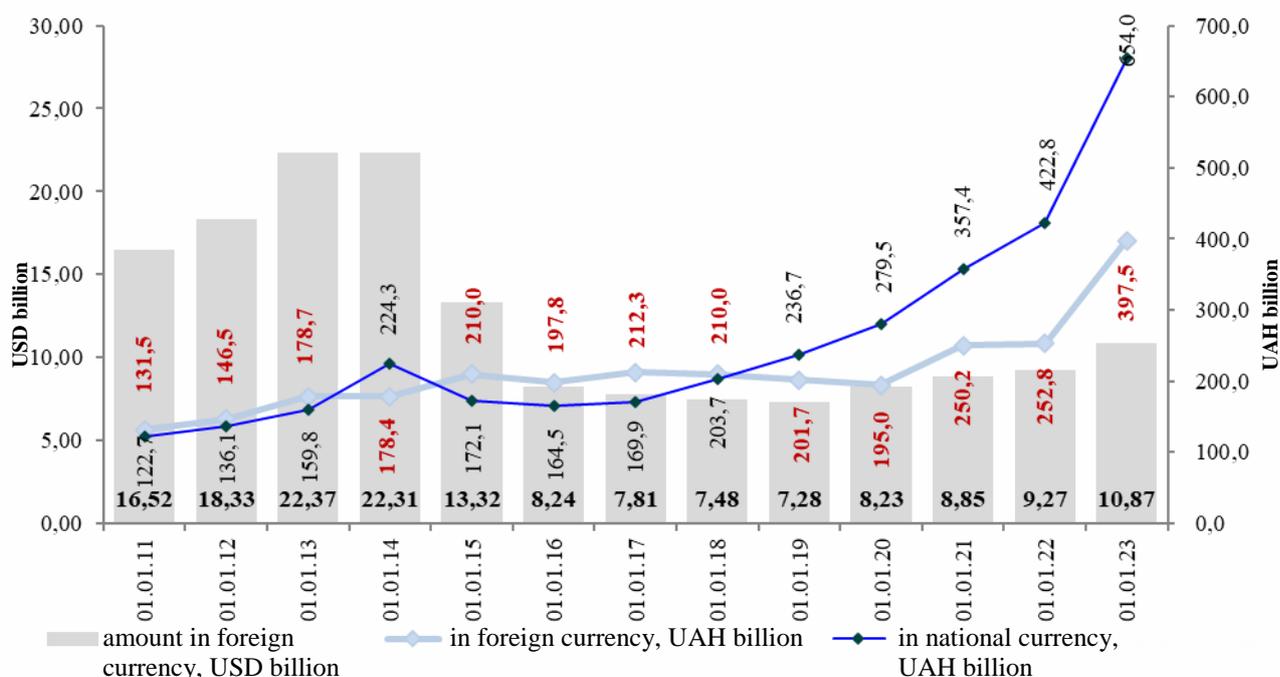


Figure 2.2.6 Trends of foreign currency deposits

Deposit compensation ceiling

In accordance with Law No. 2180-IX, during the martial law in Ukraine and for three months from the date of its termination or cancellation in Ukraine, the Deposit Guarantee Fund shall compensate each depositor of the bank the full amount of the deposit, including interest accrued as of the end of the day preceding the day of the bank resolution procedure, except for the cases provided for in part 4, Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme".

In addition, according to Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme" (subject to the Law No. 2180-IX) after the expiration of three months from the date of termination or cancellation of martial law in Ukraine, the household deposit compensation ceiling at the expense of funds of the DGF will amount to UAH 600,000 (USD 16.4 thousand or EUR 15.4 thousand as of January 1, 2023).

The structure of household deposits by ranges as of January 1, 2023, is given in Table 2.2.7, Figure 2.2.7, 2.2.8.

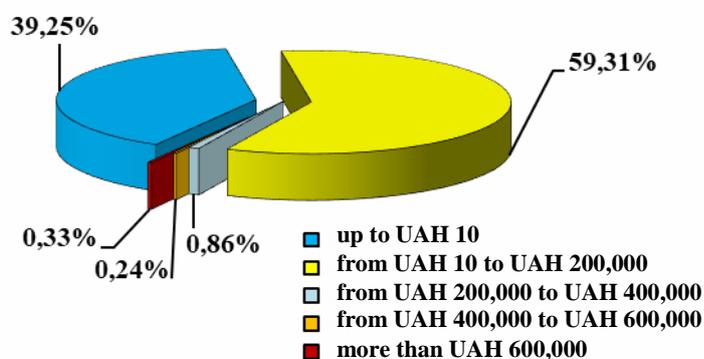


Figure 2.2.7 Number of depositors, %

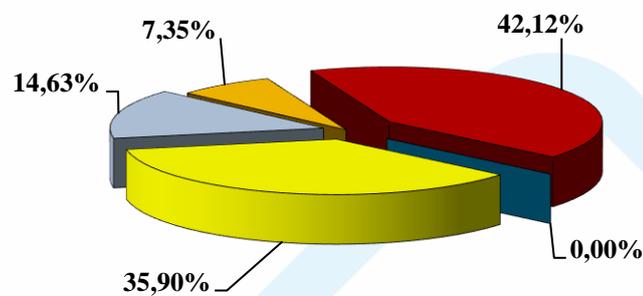


Figure 2.2.8 Amount of deposits, %

Table 2.2.7



Structure of deposits by amount ranges in the DGF members as of January 1, 2023

Deposit amount, UAH	Number of depositors		Amount of deposits		Average deposit amount
	persons	%	UAH thousand	%	UAH
up to UAH 10	25,647,754	39.25%	26,991.94	0.00%	1.05
from UAH 10 to UAH 200,000	38,762,499	59.31%	377,513,709.37	35.90%	9,739.15
from UAH 200,000 to UAH 400,000	564,400	0.86%	153,840,365.10	14.63%	272,573.29
from UAH 400,000 to UAH 600,000	159,843	0.24%	77,259,298.19	7.35%	483,344.90
more than UAH 600,000	217,514	0.33%	442,859,490.07	42.12%	2,036,004.53
Total	65,352,010	100.0%	1,051,499,854.68	100.00%	16,089.79

Potential compensation amount and deposits guaranteed by the DGF

The potential compensation amount (PRA) for the DGF members in 2022 increased by UAH 661.9 billion or by 170.4% and as of January 1, 2023, amounted to UAH 1,050.5 billion, including due to the acquisition by JSC Oschadbank of the DGF member status, in which the amount of deposits amounted to UAH 169.8 billion as of January 1, 2023, and a full deposit guarantee, in accordance with Law No. 2180-IX.

The potential compensation amount in 4 state-owned banks amounted to UAH 627.3 billion, which is 59.7% of the total amount of deposits.

According to the reporting forms 1F as of January 1, 2023, the amount of maturity compensation was distributed as follows: the amount of deposits on term deposits amounted to UAH 326.2 billion or 31.1%, the amount of deposits on current accounts — UAH 724.3 billion or 68.9% (Table 2.2.8). At the end of 2022, in terms of the potential compensation amount, deposits on current accounts continue to exceed deposits on deposit accounts more than twice.

Table 2.2.8

Structure of the potential compensation amount by maturity date as of January 1, 2023

No.	Indicator	January 1, 2022		January 1, 2023	
		Quantity	Amount of deposits	Quantity	Amount of deposits
1	Amount of deposits/number of depositors, total	49,753,629	675,574,533,344	65,352,010	1,051,499,854,676
2	In foreign currency	6,993,553	252,784,211,986	8,869,620	397,479,738,408
	Part IV				
9	Total potential compensation amount, including:	31,984,759	388,674,906,524	39,479,610	1,050,534,006,801
9.1	Current account deposits, including:	29,168,318	263,659,214,943	36,578,999	724,323,321,460
9.2	Registered certificates of deposit, including those with maturity:	17	2,183,184	11	4,265,672
9.2.1	on demand	10	1,387,239	7	3,862,518
9.2.2	fixed-term	7	795,945	4	403,154
9.3	Term deposits, including with the following maturity periods:	11,136,421	125,013,508,397	11,195,262	326,206,419,669
9.3.1	up to 1 month	228,410	12,213,394,401	1,064,411	59,675,807,671
9.3.2	from 1 to 2 months	145,844	8,775,572,120	1,063,354	47,189,464,563
9.3.3	from 2 to 3 months	147,449	8,367,706,917	1,068,189	48,938,839,100
9.3.4	from 3 to 4 months	101,750	5,298,531,705	791,707	18,690,744,285
9.3.5	from 4 to 5 months	109,009	5,457,720,791	807,264	20,710,973,170
9.3.6	from 5 to 6 months	119,613	5,807,031,375	855,251	23,443,521,406



No.	Indicator	January 1, 2022		January 1, 2023	
		Quantity	Amount of deposits	Quantity	Amount of deposits
9.3.7	from 6 to 7 months	52,631	3,611,454,658	705,050	11,945,937,471
9.3.8	from 7 to 8 months	45,644	3,146,569,353	709,419	10,628,430,140
9.3.9	from 8 to 9 months	48,244	3,289,519,511	782,546	11,675,657,856
9.3.10	from 9 to 10 months	46,701	3,083,042,129	957,154	16,587,134,181
9.3.11	from 10 to 11 months	55,444	3,332,194,919	1,143,254	17,224,516,731
9.3.12	from 11 to 12 months	69,476	3,966,153,609	2,075,550	23,275,638,798
9.3.13	more than 12 months	10,173,300	58,592,240,439	72,919	14,012,303,481
9.3.14	with the contract term expired, and not transferred to the current/card account	21,680	72,376,471	194,527	2,207,450,818

2.3. Control functions over the DGF members' operations

As part of ensuring the functioning of the deposit guarantee scheme, protection of the rights and interests of depositors, the DGF monitors the fulfillment of obligations of banks in connection with their participation in the deposit guarantee scheme, in the form of scheduled and extraordinary (ad-hock) inspections of the DGF members.

The inspections in 2022 were carried out in order to determine the proper performance of the duties of the DGF members assigned to them by the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law") and DGF regulatory acts.

In 2022, 9 scheduled inspections of the DGF members were carried out (during January–February 2022, in accordance with the Schedule of inspections of Members of the Deposit Guarantee Fund for 2022), which is 45% of the total number of inspections and 11 extraordinary (ad-hock) inspections, which is 55% of the total number of inspections.

The DGF decided that under martial law imposed by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by the Law of Ukraine No. 2102-IX dated February 24, 2022 (as amended), the DGF shall not carry out scheduled inspections of the DGF members.

Out of 20 inspections of the DGF members, 8 of the DGF members were found to be in violation of the DGF regulatory acts. Figure 2.3.1 shows the number of inspections carried out in 2022

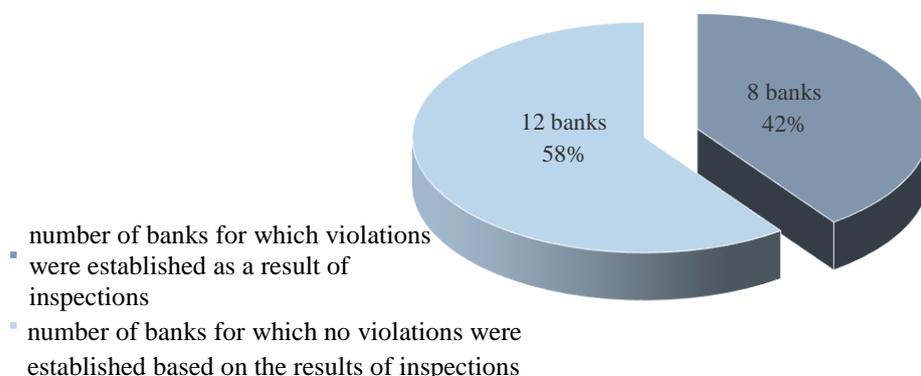


Figure 2.3.1. Number of inspections carried out during 2022



Scheduled and extraordinary (ad-hock) remote inspections were carried out on the following issues:

1. Accuracy of reporting provided to the DGF.
2. Completeness and timeliness of settlements with the DGF on premiums to the DGF and accrued penalties.
3. Completeness and reliability of maintaining a database on depositors.
4. Compliance with the requirements for informing depositors about the bank's participation in the DGF.

The inspections were aimed at obtaining information on the banks' compliance with the Law, including the accuracy of the reporting provided to the DGF, compliance with the rules of accrual and payment of premiums, completeness and accuracy of information about depositors in the bank's database, as well as the procedure for informing depositors about the household deposit guarantee scheme in Ukraine. During the inspections, special attention was paid to the accuracy of calculations based on fees and reports submitted to the DGF by banks and the ability of banks to properly form a database of depositors in the DGF members in accordance with the requirements of the DGF regulatory acts.

Based on the results of 20 inspections of banks conducted by the inspection department in 2022, 10 facts of violations of the requirements of the Law and DGF regulatory acts were established (Figure 2.3.2).

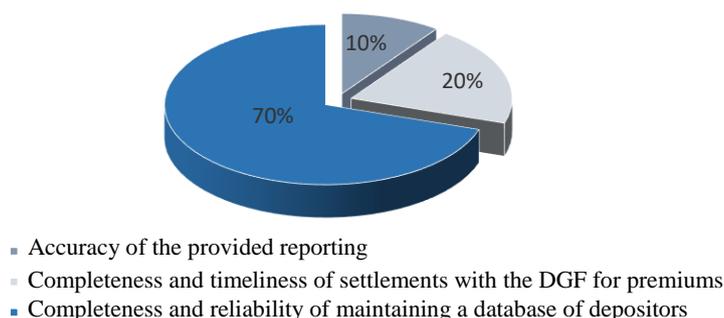


Figure 2.3.2. Proportion of violations on individual issues that were checked in the total number of detected violations.

Accuracy of reporting provided to the DGF

The main requirements for the preparation and submission of reports No. 1F are determined by the Regulations for Reporting by the Members of the Deposit Guarantee Fund approved by Decision of the DGF Executive Board No. 1158 dated June 18, 2020, registered with the Ministry of Justice of Ukraine on August 31, 2020, under No. 831/35114.

The results of the conducted inspections show that the banks committed violations in compiling and submitting reports to the DGF, namely, inaccurate information about the total amount of deposits of depositors was included in the decadal reporting forms No. 1Ф.

Based on the results of the conducted inspections, one DGF member was found to have a violation of the reliability (procedure for compiling reports) No. 1F of all inspected DGF members, the share of this violation is 5% of all detected violations.



Completeness and timeliness of settlements with the DGF on premiums to the DGF and accrued penalties

The main requirements for the timeliness and the procedure for submitting the calculation of regular premiums payable to the DGF are defined by the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund approved by Decision No. 1 of the DGF Executive Board dated July 2, 2012, registered with the Ministry of Justice of Ukraine on July 27, 2012, under No. 1273/21585. As a result of inspections carried out in 2022, it was established that the DGF members committed certain violations when calculating the amount of the regular premium, including:

- the basis for accrual of the regular premium on deposits in the national currency is incorrectly determined and calculated;
- incorrectly determined points by qualitative indicators (Я1, Я5);
- the total score on the sum of quantitative and qualitative indicators was incorrectly determined;
- the degree of risk on which the basic annual premium rate to the DGF is weighed is inaccurately determined;
- the amount of the regular premium was incorrectly calculated, which resulted in incomplete payment to the Regular Premium Fund.

According to the results of inspections of banks on the issue of completeness of settlements with the DGF for premiums, an understatement of the amount of regular premium paid by banks to the DGF for the total amount of UAH 279.7 thousand was discovered.

In general, violations in terms of completeness and timeliness of payment of fees to the DGF were found in 2 DGF members, the share of this violation is 10% of all detected violations.

Completeness and reliability of maintaining a database of depositors

The DGF has established requirements for the formation of a database of individual depositors in the DGF members. The main requirements are set out in the Regulations for Forming and Maintaining Databases of Depositors approved by the Decision of the DGF Executive Board No. 3 dated July 9, 2012, registered with the Ministry of Justice of Ukraine on August 23, 2012, under No. 1430/21742, as amended.

However, during this period, cases of violations by banks in the formation and maintenance of databases were identified, including:

- errors regarding incompleteness and incorrect information about the depositor in the amount exceeding the maximum permissible values of errors;
- the procedure for forming database files "M", "N".

The total number of DGF members for which the above shortcomings in the database management were identified in accordance with the Regulations amounted to 7 DGF members, the share of this violation is 35% of all detected violations.

In general, the banks covered by the inspection have developed a software and hardware complex, which allows accumulating and storing information about depositors,



to ensure the storage of data in the archive file on external media, separated both logically and physically.

Compliance with the requirements for informing depositors about the bank's participation in the DGF

The Law and the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests approved by the Decision of the Executive Board of the Deposit Guarantee Fund No. 825 dated May 26, 2016, registered with the Ministry of Justice of Ukraine on June 17, 2016, under No. 874/29004, put forward requirements to the DGF members in terms of mandatory placement of information about the household deposit guarantee scheme.

In the course of bank inspections conducted in 2022, no violations of the DGF requirements for informing depositors about the household deposit guarantee scheme in Ukraine were recorded.

The share of violating banks in the total number of banks inspected in 2022 in terms of issues to be inspected is shown in Figure 2.3.3.



Figure 2.3.3. Share of violating banks in the total number of banks inspected in 2022

Causes of violations, according to the explanations of banks:

- on calculating the amount of the regular premium payable to the DGF:
 - use of internal analytical banking data, which reflects the balances on the accounts, taking into account the movement of funds on weekends and holidays, which does not correspond to the data on account balances in accordance with the file 01X "Data on Account Balances";
 - incorrect determination of the score on the qualitative indicator that characterizes the application of measures of influence to the bank.
 - disabling the feature of automatic inclusion of all accounts in the calculation of the quantitative indicator.
- formation and maintenance of databases on depositors:
 - incorrect entry of information into the depositor's card in the ABS by responsible employees of the bank;
 - entering information into the database on all accounts of clients whose funds are under seizure.

Administrative and economic sanctions and administrative fines

One of the DGF functions is to impose financial sanctions and impose administrative fines on banks and their supervisors, respectively. As of January 1, 2023, the DGF



authorized employees drew up 2 reports on committing an administrative offense. Proceedings in cases of administrative offenses were carried out in accordance with the Code of Ukraine on Administrative Offenses, as it is stipulated that the grounds for bringing bank managers to administrative responsibility are the commission of the following administrative offenses:

violation by the head of the bank of the procedure for compiling information to the DGF (part 1, Article 166-19 of the Code);

violation by the head of the bank of the procedure for submitting information to the DGF (part 1, Article 166-19 of the Code);

failure of the head of the bank to comply with lawful decisions of the DGF (part 2, Article 166-19 of the Code);

untimely execution by the head of the bank of lawful decisions of the DGF (part 2, Article 166-19 of the Code);

failure of the bank to pay the premium to the DGF (part 3, Article 166-19 of the Code);

untimely payment of the premium to the DGF by the bank (part 3, Article 166-19 of the Code).

Based on the results of consideration of cases on administrative offenses, the authorized official issued 2 decisions, namely 2 resolutions on imposing an administrative penalty in the form of a fine on the heads of banks for violation by the head of the bank of the procedure for compiling or submitting information to the DGF, for which fines in the amount of UAH 17,000.00 were imposed, which were paid voluntarily to the State Budget of Ukraine.

In case of violation by banks of the legislation on the household deposit guarantee scheme, the DGF shall apply administrative and economic sanctions to banks in the form of a written warning or a fine or an order to eliminate violations of the legislation on the household deposit guarantee scheme.

The DGF imposed sanctions on banks for the following violations:

- failure of the bank to provide information to the DGF, if such information was required by the Law and/or regulatory acts;

- untimely submission of the DGF information by the bank, if such information was required by the Law and/or DGF regulatory acts;

- violation by the bank of the procedure for maintaining the depositors database;

- non-fulfillment by the bank of decisions and/or regulatory acts of the DGF or orders on elimination by the bank of violations of the requirements of the legislation on guaranteeing household deposits.

As of January 1, 2023, an officer authorized to consider cases made 6 decisions, of which:

- 4 — a warning on taking measures to prevent violations of the legislation on the household deposit guarantee scheme in further activities;

- 2 — order to eliminate violations of the requirements of the legislation in the field of guaranteeing household deposits;



As of January 1, 2023, violations of the following DGF regulatory acts were recorded in:

- 2 banks violated the Regulations on the Procedure for Maintaining the Register of Members of the Deposit Guarantee Fund approved by Decision of the DGF Executive Board No. 7 dated July 12, 2012, registered with the Ministry of Justice of Ukraine on September 7, 2012, under No. 1547/21859;

- 1 bank violated the provisions of the Regulations for Forming and Maintaining Databases of Depositors approved by the Decision of the Executive Board of the Deposit Guarantee Fund on July 9, 2012, No. 3 registered with the Ministry of Justice of Ukraine on August 23, 2012, under No. 1430/21742;

- 3 banks violated the provisions of the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests approved by Decision of the DGF Executive Board No. 825 dated May 26, 2016, registered with the Ministry of Justice of Ukraine on June 17, 2016, under No. 874/29004.

It should be noted that in connection with the military aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defense Council of Ukraine, pursuant to clause 20, part 1, Article 106 of the Constitution of Ukraine, Law of Ukraine No. 2102-IX dated February 24, 2022, "On Approval of the Decree Of the President of Ukraine "On the Imposition of Martial Law in Ukraine", Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine", Decree of the President of Ukraine No. 133/2022 dated March 14, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 259/2022 dated April 18, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 341/2022 dated May 17, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 573/2022 dated March 12, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 757/2022 dated November 7, 2022, "On the Extension of Martial Law in Ukraine" imposed martial law in Ukraine, therefore the Executive Board of the Deposit Guarantee Fund for Individuals No. 444 dated June 30, 2022, adopted a decision "On the Specifics of Consideration of Administrative and Economic Sanctions for Violation of the Legislation on Household Deposit Guarantees in Connection with the Martial Law in Ukraine or Its Individual Localities", which was registered with the Ministry of Justice of Ukraine on July 15, 2022, under No. 789/38125, which stipulates that during the period of martial law at the bank's location, as well as within three months after its termination or cancellation, proceedings in cases of violations in the sphere of household deposit guarantees violated in accordance with the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund approved by Decision of the Executive Board of the Deposit Guarantee Fund No. 11 dated July 23, 2012, registered with the Ministry of Justice of Ukraine on September 14, 2012, under No. 1584/21896, but not completed as of the day of the introduction of martial law, shall be suspended without the adoption by the officer authorized to consider cases of resolutions on suspension of proceedings in cases of offenses, and no new cases on offenses shall be commenced.



3. BANK RESOLUTION

3.1. Implementation of provisional administration, implementation of bank resolution plans and development of early response system

Pursuant to Article 34 of the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"), the DGF shall initiate the insolvent bank resolution procedure no later than the next business day after the official receipt of the decision of the National Bank of Ukraine (NBU) to classify the bank as insolvent. The DGF Executive Board shall appoint a Deposit Guarantee Fund authorized officer (several Deposit Guarantee Fund authorized officers) from among the employees of the DGF not later than the next business day after the official receipt of the NBU decision to classify the bank as insolvent, to whom the DGF delegates all or part of its powers as a provisional administrator. The Deposit Guarantee Fund authorized officer must meet the requirements established by the DGF. Provisional administration shall be established for a period not exceeding one month. In case of the insolvent bank resolution in the manner provided for in clauses 3–5, part 2, Article 39 of the Law, the provisional administration may be extended for a period of up to one month. In case of the insolvent bank resolution in the manner provided for in clauses 1 and 2, part 2, Article 39 of the Law, the term of provisional administration may be extended by five days with termination no later than the day of receipt of the NBU decision to revoke the banking license and liquidate the bank. Provisional administration shall be terminated upon implementation of the resolution plan, or in other cases, by decision of the DGF Executive Board.

During 2022, the National Bank of Ukraine declared two banks insolvent — JOINT-STOCK COMPANY MEGABANK (hereinafter referred to as "JSC MEGABANK") and JOINT-STOCK COMPANY BANK SICH (hereinafter referred to as "JSC BANK SICH").

Based on the Decision of the National Bank of Ukraine No. 261-рш/БТ dated June 2, 2022, "On Classifying JOINT STOCK COMPANY MEGABANK as Insolvent", the DGF Executive Board made Decision No. 383 dated June 2, 2022, "On the Introduction of Provisional Administration in JSC MEGABANK and Delegation of Powers of the Provisional Administrator of the Bank". In accordance with clause 1 of the above decision of the DGF Executive Board, the provisional administration was introduced for a period of 1 month from June 3, 2022, to July 2, 2022 (inclusive). The term of provisional administration of JSC MEGABANK was extended until August 2, 2022 (inclusive) according to the decision of the DGF Executive Board No. 423 dated June 22, 2022. JSC MEGABANK.

The total book value of assets of JSC MEGABANK as of June 3, 2022, amounted to UAH 9,154,841.5 thousand, the total guaranteed compensation ceiling was UAH 4,065,534.79 thousand.

The book value of assets of JSC MEGABANK is given in Table 3.1.1.



The structure of assets of JSC MEGABANK as of the date of introduction of the provisional administration (according to its balance sheet data) is shown in Figure 3.1.1.

Liabilities of JSC MEGABANK as of the date of introduction of the provisional administration amount to UAH 8,082,065.0 thousand (Table 3.1.2.).

Table 3.1.1

Book value of assets of JSC MEGABANK as of the date of introduction of the provisional administration

UAH thousand					
Bank name	Highly liquid assets	Loan portfolio (including provisions)	Fixed assets and intangible assets (including real estate)	Other assets (including provisions)	TOTAL assets
JSC MEGABANK	151,628.3	7,685,788.3	1,155,572.5	161,854.4	9,154,841.5

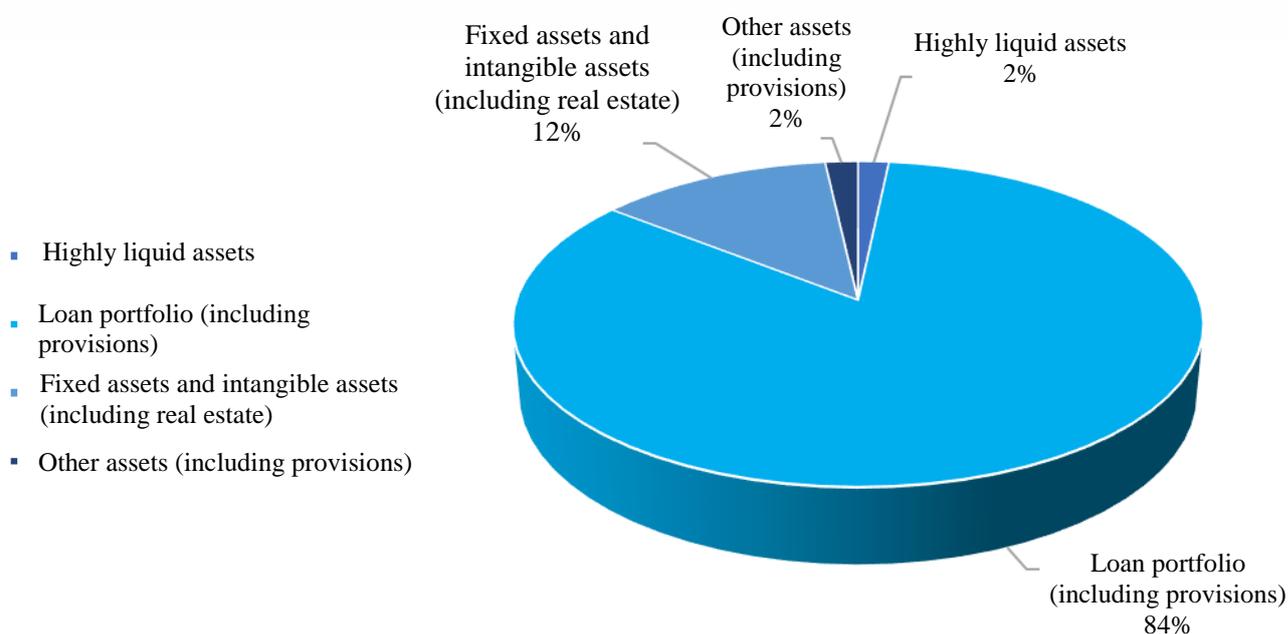


Figure 3.1.1. Asset structure of the insolvent bank JSC MEGABANK

Table 3.1.2

Liabilities of the insolvent bank as of the date of introduction of the provisional administration

UAH thousand			
No.	Bank name	Liabilities	
		total	including guaranteed compensation amount
1	JSC MEGABANK	8,082,065.0	4,065,534.8

Given the lack of competitive bids from potential investors and assuming banks, the way to resolve JSC MEGABANK was liquidation with compensation by the DGF of funds on household deposits, as the least costly for the DGF.

Based on the decision of the Board of the National Bank of Ukraine No. 405-рш/БТ dated August 9, 2022, "On Classifying JOINT-STOCK COMPANY BANK SICH as



Insolvent", the DGF Executive Board adopted Decision No. 579 "On Introduction of Provisional Administration in JSC BANK SICH and Delegation of Powers of the Provisional Administrator of the Bank." In accordance with clause 1 of the above decision of the DGF Executive Board, the provisional administration was introduced for a period of 1 month from August 10, 2022, to September 9, 2022 (inclusive), on August 29, 2022, the DGF adopted decision No. 654, according to which the term of the provisional administration of the insolvent bank JSC BANK SICH was extended for one month until October 9, 2022 (inclusive).

As of August 10, 2022, the total book value of assets of JSC BANK SICH, free from encumbrances and prohibitions imposed by third parties (according to available information), amounted to UAH 2,466,980.7 thousand, the total guaranteed compensation amount was UAH 1,210,485.8 thousand.

The book value of assets of JSC BANK SICH is shown in Table 3.1.3.

The structure of assets of JSC BANK SICH as of the date of introduction of the provisional administration (according to its balance sheet data) is shown in Figure 3.1.1.

Liabilities of JSC BANK SICH as of the date of introduction of the provisional administration amount to UAH 2,784,625.5 thousand (Table 3.1.4.).

Table 3.1.3.

Book value of assets of JSC BANK SICH as of the date of introduction of the provisional administration

					UAH thousand
Bank name	Highly liquid assets	Loan portfolio (including provisions)	Fixed assets and intangible assets (including real estate)	Other assets (including provisions)	TOTAL assets
JSC BANK SICH	1,119,619	1,122,959.0	204,669	46,196	2,493,443

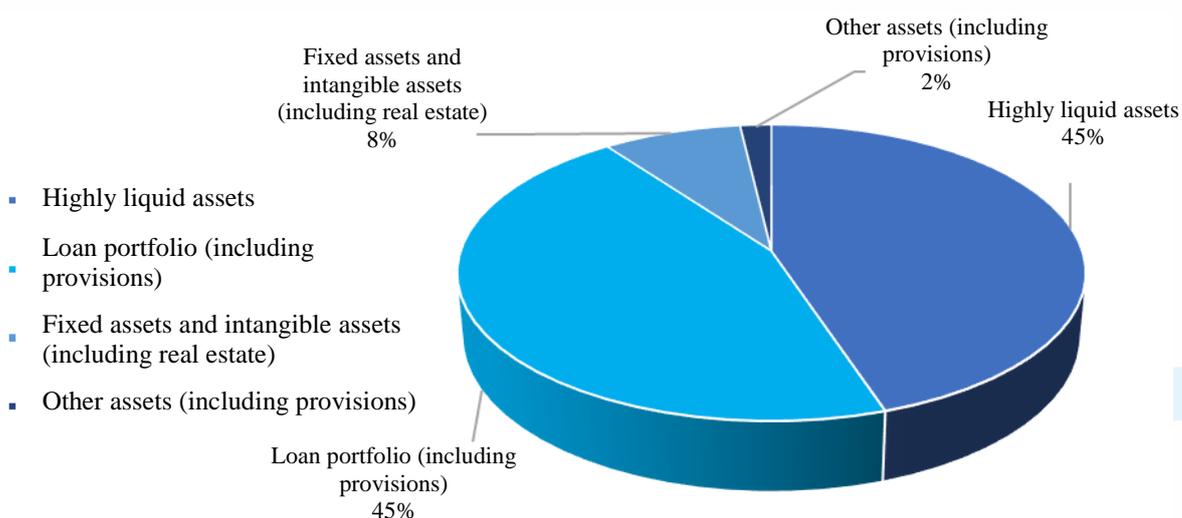


Figure 3.1.1. Asset structure of the insolvent bank JSC BANK SICH



Table 3.1.4

Liabilities of the insolvent bank as of the date of introduction of the provisional administration

UAH thousand

No.	Bank name	Liabilities	
		total	including guaranteed compensation amount
1	JSC BANK SICH	2,784,625.5	1,210,485.8

Given the lack of competitive bids from potential investors and assuming banks, the way to resolve JSC BANK SICH was liquidation with compensation by the DGF of funds on household deposits, as the least costly for the DGF.

Table 3.1.5. shows the status of implementation of the resolution plans for banks in which the liquidation procedure has been initiated.

Table 3.1.5.

Implementation status of resolution plans of banks in which the liquidation procedure has been initiated

Bank	Approved liquidation estate, ¹ UAH thousand	Bank property sold		Creditor claims satisfied	
		UAH thousand	% ²	UAH thousand	% ³
1. PJSC AKTABANK	1,533,919.5	171,683.7	11.19%	307,742.0	33.91%
2. PJSC CB ACTIVE-BANK	0.0	170,708.4	-	204,872.7	8.60%
3. JSC ARTEM-BANK	0.0	46,854.9	-	42,130.2	21.40%
4. JSC JSCB ARKADA	1,337,896.2	228,167.7	17.05%	278,896.9	44.29%
5. JSC BANK BOHUSLAV	0.0	19,895.7	-	41,062.0	17.19%
6. PJSC VECTOR BANK	0.0	5,536.8	-	3,552.0	4.26%
7. JSC BANK VELES	0.0	5,655.9	-	4,675.78	64.16%
8. PJSC VAB BANK	0.0	1,258,231.3	-	4,048,856.5	21.84%
9. JSC VTB BANK	6,991,348.7	2,454,244.1	35.10%	2,354,061.0	43.92%
10. JSC DELTA BANK	29,299,447.7	4,836,074.1	16.51%	12,440,410.0	22.93%
11. PJSC DIAMANTBANK	1,595,489.5	451,378.8	28.29%	1,289,173.0	36.16%
12. PJSC ENERGObANK	0.0	249,419.8	-	282,201.2	19.75%
13. PJSC CB EUROBANK	0.0	83,649.9	-	88,781.3	14.44%
14. JSC CB ZEMELNY CAPITAL	452,287.4	53,360.3	11.80%	191.2	0.04%
15. PJSC ZLATObANK	1,549,524.0	213,058.1	13.75%	420,855.7	6.12%
16. JSC GOLDEN GATE BANK	0.0	81,979.4	-	83,618.3	11.91%
17. PJSC IMEXBANK	0.0	419,465.3	-	861,458.9	9.29%
18. PJSC CB INVESTBANK	0.0	32,982.1	-	19,302.2	9.23%
19. PJSC INTEGRAL-BANK	0.0	76,517.0	-	65,030.0	11.59%
20. PJSC BANK CAMBIO	1,078,213.6	172,582.1	16.00%	647,733.0	42.41%
21. PJSC JSCB CAPITAL	86,619.4	3,582.3	4.14%	0	0%

¹ as of the report date. For banks whose liquidation balance sheet has been approved by the DGF, the liquidation estate is UAH 0.

² The percentage of the realization of incomplete stages is calculated in proportion to the actual amount of sales against the estimated value of assets measured as of the date after the start of bank liquidation.

³ The percentage of the realization of incomplete stages is calculated in proportion to the actual amount of satisfied claims against the total amount of claims accepted from creditors.



Bank	Approved liquidation estate, ¹ UAH thousand	Bank property sold		Creditor claims satisfied	
		UAH thousand	% ²	UAH thousand	% ³
22. PJSC Bank Kyivska Rus	0.0	691,730.9	-	1,007,244.4	17.93%
23. PJSC BANK CONTRACT	0.0	38,629.8	-	72,335.6	23.49%
24. PJSC KSG BANK	152,534.1	272.1	0.18%	27,705.9	20.85%
25. JSC MEGABANK	7,251,391.3	13,554.1	0.19%	0	0%
26. PJSC BANK MYKHAYLIVSKY	0.0	33,028.4	-	74,478.8	2.69%
27. JSC Misto Bank	839,211.8	429,958.9	51.23%	549,163.6	57.41%
28. PJSC BANK MORSKYI ⁴	0.0	0.0	-	0.0	0%
29. JSC IR BANK	9,734,176.1	14,328.3	0.15%	2,442,607.5	11.98%
30. PJSC CB NADRA	0.0	3,573,355.6	-	4,716,279.6	18.59%
31. JSC BANK NATIONAL INVESTMENTS	0.0	14,918.6	-	4,350.1	0.42%
32. PJSC NATIONAL CREDIT BANK	0.0	97,312.4	-	131,646.0	15.48%
33. PJSC PETROCOMMERCE BANK – UKRAINE	0.0	24,822.0	-	10,904.8	5.00%
34. PJSC PIVDENCOMBANK	0.0	208,637.8	-	190,687.1	5.86%
35. PJSC PLATINUMBANK	0.0	579,639.9	-	1,685,269.2	23.92%
36. PJSC CB PREMIUM	0.0	43,638.5	-	665,778.2	100%
37. PJSC PROMINVESTBANK	6,017,658.8	1,009,026.7	16.77%	367,680.9	7.46%
38. PJSC PROFIN BANK	0.0	34,710.3	-	41,988.5	11.99%
39. PJSC RADIKAL BANK	0.0	112,041.3	-	104,948.6	13.41%
40. JSC RODOVID BANK	3,281,777.2	1,304,644.6	39.75%	1,393,932.2	29.00%
41. JSC BANK SICH	-	0.0	-	0	0%
42. JSC CB SOYUZ ⁵	43,020.0	24.8	0.06%	0.0	0.0%
43. PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	0.0	0.0	-	0.0	0.0%
44. PJSC CB STANDARD	0.0	15,912.9	-	13,239.2	2.40%
45. PJSC BANK TRUST	0.0	67,907.2	-	278,775.7	41.38%
46. PJSC UKRAINIAN PROFESSIONAL BANK	0.0	37,532.3	-	35,444.3	3.16%
47. PJSC UKRINBANK	0.0	0.0	-	86,042.2	2.84%
48. PJSC UKRCOMUNBANK	0.0	3,224.3	-	0.0	0%
49. PJSC FIDOBANK	2,514,397.3	854,039.5	33.97%	1,167,935.1	22.78%
50. JSC BANK FINANCE AND CREDIT	10,011,981.0	2,593,422.4	25.90%	3,711,671.3	11.90%
51. PJSC CB FINANCIAL INITIATIVE	0.0	189,056.5	-	240,845.4	1.71%
52. PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	0.0	2,585.9	-	0	0%

Development of an early response system

During 2022, the DGF continued to implement measures for the development and implementation of the early response system: a set of measures aimed at implementing the provisions of Directive 2014/49/EC of the European Parliament and of the Council deposit guarantee schemes (recast) dated April 16, 2014, and the Directive 2014/59/EU

⁴ No access to information about the bank

⁵ No control over the bank established



of the European Parliament and of the Council dated April 15, 2014 (Bank Recovery and resolution Directive, BRRD) in the activities of the DGF for the implementation of new mechanisms for restoring solvency, early response system for early preparation for a possible resolution.

Effective interaction with foreign partners was carried out, in particular, a number of meetings were held with a group of specialists in the financial sector of the World Bank. Work continued with World Bank experts on the implementation of the directive into Ukrainian law and drafting of a law to improve the resolution of bank insolvency. Within the framework of the direction taken for the implementation of the provisions of the EU Bank Recovery and resolution Directive (BRRD), a number of consultations were held on the issues of its practical implementation.

3.2. Bank liquidation

Pursuant to parts 4 and 5, Article 44 of the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"), the DGF shall start the bank liquidation procedure no later than the next business day after the official receipt of the decision of the National Bank of Ukraine (hereinafter referred to as the "National Bank") to revoke the banking license and liquidate the bank, unless the liquidation is initiated by the bank owners.

From the date of liquidation of the bank within three years (in case of liquidation of a systemically important bank — within five years), the DGF shall ensure the implementation of measures to manage the property (assets) of the bank and satisfy creditor claims.

The DGF shall have the right to decide on the extension of the term of management of the property (assets) of the bank and satisfaction of creditor claims in the event of circumstances preventing the sale of the property (assets) of the bank and satisfaction of creditor claims for the entire period of existence of such circumstances on the grounds specified in part 5, Article 44 of the Law.

The grounds for the extension of the term by the DGF are the following circumstances:

- impossibility of access of the DGF or the DGF authorized officer to the bank during liquidation, to its property (assets), books, records, documents, databases;
- entry into force of a court decision to cancel or invalidate the decision of the DGF Executive Board to initiate the bank liquidation procedure, if the DGF is challenging such a court decision;
- failure to satisfy the claims of all creditors of the bank in the presence of property (assets) of the bank, not sold due to court decisions or other competent authority, which resulted in the impossibility of selling the property (assets) in the manner prescribed by parts 6 to 13, Article 51 of the Law, or due to refusal to provide such as required by law, permission, or consent to enter into a transaction for the alienation of property (assets).

Pursuant to the provisions of parts 2 and 3, Article 53 of the Law, based on the results of the bank liquidation, the DGF shall prepare a liquidation balance sheet and a report to be approved by the DGF Executive Board. The bank liquidation procedure shall be



deemed completed from the moment of approval of the liquidation balance sheet, and the bank shall be deemed liquidated from the moment of entry of the termination of the bank in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations (hereinafter referred to as the "USR").

As of January 1, 2023, the DGF managed 52 banks (the DGF directly managed 32 banks), of which 24 banks were in liquidation and in 28 banks the liquidation was completed⁶.

The total nominal value of assets (excluding revaluation) accounted for on the balance sheets of the above banks amounts to UAH 139.166 billion, the estimated value of which is UAH 27.011 billion (Table 3.2.1.).

Table 3.2.1

No.	Bank under liquidation	Nominal value of assets, UAH	Estimated value of assets, UAH	Authority (DGF directly/DGF officer authorized to liquidate the bank (AO))	Звершення процедури ліквідації банку (Так/Ні)
Total		139,165,840,085.42	27,010,558,945.40	32 DGF/ 20 AO	28
1	PJSC CB STANDARD	0.00	0.00	DGF	Yes
2	JSC ARTEM-BANK	0.00	0.00	DGF	Yes
3	PJSC CB PIVDENCOMBANK	0.00	0.00	DGF	Yes
4	PJSC PETROCOMMERCE BANK – UKRAINE	0.00	0.00	DGF	Yes
5	PJSC CB ACTIVE-BANK	0.00	0.00	DGF	Yes
6	PJSC NATIONAL CREDIT BANK	0.00	0.00	DGF	Yes
7	PJSC CB EUROBANK	0.00	0.00	DGF	Yes
8	PJSC PROFIN BANK	0.00	0.00	DGF	Yes
9	PJSC BANK CONTRACT	0.00	0.00	DGF	Yes
10	PJSC ENERGOBANK	0.00	0.00	DGF	Yes
11	PJSC UKRAINIAN PROFESSIONAL BANK	0.00	0.00	DGF	Yes
12	JSC BANK BOHUSLAV	0.00	0.00	DGF	Yes
13	PJSC RADIKAL BANK	0.00	0.00	DGF	Yes
14	PJSC INTEGRAL-BANK	0.00	0.00	DGF	Yes
15	PJSC VAB BANK	0.00	0.00	DGF	Yes
16	PJSC CB NADRA	0.00	0.00	DGF	Yes
17	PJSC BANK MYKHAYLIVSKY	0.00	0.00	DGF	Yes
18	PJSC BANK TRUST	0.00	0.00	DGF	Yes
19	PJSC CB INVESTBANK	0.00	0.00	DGF	Yes
20	PJSC PLATINUM BANK	0.00	0.00	DGF	Yes
21	PJSC BANK KYIVSKA RUS	0.00	0.00	DGF	Yes
22	JSC BANK NATIONAL INVESTMENTS	0.00	0.00	DGF	Yes

⁶ The bank liquidation procedure shall be deemed completed from the moment of approval of the liquidation balance sheet, and the bank shall be deemed liquidated from the moment of entry of the termination of the bank in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations (part 3, Article 53 of the Law).



23	PJSC VECTOR BANK	0.00	0.00	DGF	Yes
24	PJSC CB FINANCIAL INITIATIVE	0.00	0.00	DGF	Yes
25	JSC BANK VELES	0.00	0.00	DGF	Yes
26	PJSC IMEXBANK	0.00	0.00	DGF	Yes
27	JSC GOLDEN GATE BANK	0.00	0.00	DGF	Yes
28	PJSC AKTABANK	0.00	0.00	DGF	No
29	PJSC BANK CAMBIO	24,998,780.84	14,039,836.31	DGF	No
30	JSC BANK FINANCE AND CREDIT	2,800,155,111.98	365,575,759.51	DGF	No
31	PJSC FIDOBANK	42,898,016.03	43,281,744.08	DGF	No
32	JSC VTB BANK	48,704,558.97	30,048,735.28	DGF	No
33	PJSC CB PREMIUM	0.00	0.00	AO	Yes
34	PJSC JSCB CAPITAL	1,762,171,024.77	85,591,754.30	AO	No
35	PJSC ZLATOBANK	21,104,906,933.41	1,140,428,353.25	AO	No
36	JSC DELTA BANK	8,725,914,807.97	2,297,075,421.91	AO	No
37	JSC CB SOYUZ	44,716,886.35	44,716,886.35	AO	No
38	PJSC UKRINBANK	5,322,424,608.25	0.00	AO	No
39	PJSC KSG BANK	455,096,000.00	122,824,240.00	AO	No
40	PJSC DIAMANTBANK	0.00	0.00	AO	No
41	JSC RODOVID BANK	0.00	0.00	AO	No
42	JSC JSCB ARKADA	1,805,516,032.96	1,433,210,909.79	AO	No
43	JSC MISTO BANK	776,375,798.79	207,859,121.71	AO	No
44	JSC CB ZEMELNY CAPITAL	811,685,357.57	412,859,788.90	AO	No
45	PJSC PROMINVESTBANK	37,087,272,519.78	5,960,578,802.05	AO	No
46	JSC IR BANK	44,046,570,286.43	7,092,638,730.62	AO	No
47	JSC MEGABANK	11,190,051,473.51	7,332,202,001.70	AO	No
48	JSC BANK SICH	2,640,757,607.39	0.00	AO	No
49	PJSC BANK MORSKYI	156,802,493.28	156,772,921.93	AO	No
50	PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	183,292,763.89	182,382,248.54	AO	No
51	PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	21,957,718.13	20,948,456.11	AO	No
52	PJSC UKRAINIAN MUNICIPAL BANK	113,571,305.12	67,523,233.06	AO	No

Breakdown of assets of insolvent banks by main types is given in Table 3.2.2 and Figure 3.2.1:

Table 3.2.2

Breakdown of assets of insolvent banks by main types

Name	Nominal value, UAH million
Highly liquid funds	3,444.58
<i>including cash and valuables in cash, of which</i>	275.87
<i>including funds on correspondent/savings account with the NBU, of which</i>	3,168.70
Interbank placements, including funds on correspondent accounts	73.43
Securities, corporate rights, including investments in affiliates and subsidiaries	10,437.23
Loan portfolio	112,581.16
Accounts receivable	5,980.11
Real estate, land	5,600.41
Non-financial and intangible assets: assets for sale, operating systems, inventory, etc.	857.93
Other assets	191.00
Total assets (excluding revaluation)	139,165.84
<i>Accounts receivable written off at a loss (off-balance)</i>	1,159.94
<i>Other assets (off-balance sheet) (assets for sale)</i>	0.66



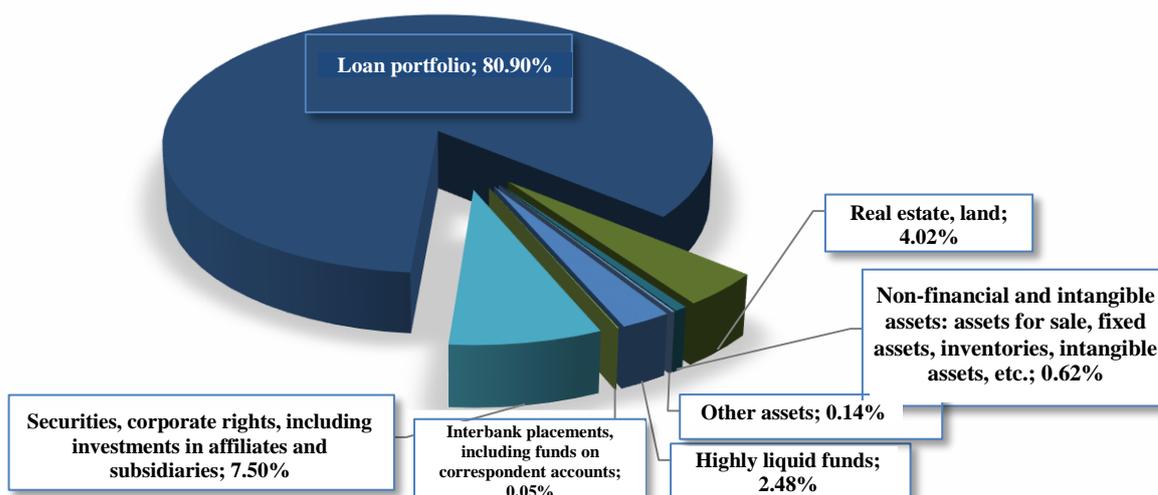


Figure 3.2.1. Breakdown of assets of insolvent banks by main types, %

During 2022, the DGF commenced liquidation proceedings in 4 insolvent banks: JSC IR BANK (decision of the DGF Executive Board No. 131 dated February 25, 2022), PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK (decision of the DGF Executive Board No. 130 dated February 25, 2022), JSC MEGABANK (decision of the DGF Executive Board No. 506 dated July 21, 2022), JSC BANK SICH (decision of the DGF Executive Board No. 803 dated October 7, 2022) in which stock-taking of assets and formation of their liquidation estate was carried out in a short time. Table 3.2.3).

Table 3.2.3.

Data on the liquidation estate of banks, the liquidation of which started in 2022

Bank	Book value of assets, UAH	Market value of assets, UAH
JSC IR BANK	37,291,115,339.67	9,734,176,051.78
PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK	48,186,036,654.42	6,017,658,750.21
JSC MEGABANK	10,792,387,672.52	7,251,391,275.69
JSC BANK SICH	2,682,271,696.25	1,909,598,739.11

During the reporting year, the DGF provided an update of the list of banks for which it is planned to complete the liquidation procedure in 2022–2023. Thus, in the analyzed year, PJSC CB PREMIUM was included in the relevant list, according to which a plan of measures to complete the liquidation procedure was drawn up and approved by the relevant decision of the DGF Executive Board.

In order to minimize potential obstacles to the state registration of termination of banks in the USR in the future, the DGF has ensured the closure of enforcement proceedings, the debtors of which are banks under the direct management of the DGF, in the amount of more than 34 proceedings, provided the exit of JSC VTB BANK from composition of participants in other legal entities, cancellation of securities issues of JSC IMEXBANK by the National Securities and Stock Market Commission was ensured, and obstacles (arrests/prohibitions on alienation imposed in civil litigation and criminal proceedings) in the sale of assets were eliminated during the sale of assets of a bank under



the direct management of the DGF, namely: JSC GOLDEN GATE BANK (assets sold, liquidation balance sheet drawn up).

During 2022, 5 banks were admitted to the DGF direct management — PJSC CB FINANCIAL INITIATIVE, JSC RODOVID BANK, PJSC FIDOBANK, JSC VTB BANK, JSC BANK FINANCE AND CREDIT. At the end of the reporting year, namely on December 28, 2022, the DGF Executive Board made a decision on further implementation of the liquidation procedure of PJSC JSCB CAPITAL directly by the DGF, starting from January 6, 2023.

During the reporting year, the decision of the DGF Executive Board approved amendments to the "Methodological Recommendations for the Actions of Structural Units and Officials of the Deposit Guarantee Fund, Including Authorized Officers of the Deposit Guarantee Fund for the Liquidation of Banks, in the Field of Liquidation Management". A prerequisite for making changes was the need to supplement the list of transactions under the lease accounting transactions and to bring in line with the settings in the DGF Unified Operational Information System (hereinafter referred to as the "UOIS") an amendment to reflect in the accounting the transfer of property (assets) to shareholders, remaining after satisfaction of all creditor claims, supplementing the list of liquidation balance in the UOIS with the liquidation balance sheet on accounting for non-current non-financial assets, which are necessary for the DGF to take measures provided for in part 5, Article 52 of the Law and included in the list of property not subject to sale pursuant to Article 51 of the Law.

Pursuant to the Decision of the National Security and Defense Council of Ukraine (hereinafter referred to as the "NSDC of Ukraine") "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" dated May 11, 2022 (hereinafter referred to as the "Decision of the NSDC of Ukraine") approved by the Decree of the President of Ukraine No. 326/2022 dated May 11, 2022, and enacted by the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Decision of the National Security and Defense Council of Ukraine dated May 11, 2022 "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents", as well as the Order of the Cabinet of Ministers of Ukraine No. 815-p dated September 13, 2022, "Certain Issues of Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents", thanks to the DGF, funds in the equivalent of UAH 17 billion were transferred to the special fund of the state budget from the accounts of PJSC PROMINVESTBANK and IR BANK, which are liquidated by the DGF on the basis of decisions of the Board of the National Bank of Ukraine No. 90-пш/БТ and No. 91-пш/БТ to revoke banking licenses and liquidate the banks and relevant decisions of the DGF Executive Board.

As part of the implementation of the Decision of the NSDC of Ukraine, with the participation of the DGF on December 15, 2022, the transfer to SOE NATIONAL INVESTMENT FUND OF UKRAINE of corporate rights was secured, on the basis of the right of economic management, in the amount of 5,080,310,373 ordinary registered shares representing 99.77 percent of the authorized capital of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT



BANK (EDRPOU code 00039002, location: 8 Malopidvalna St., Kyiv, 01001), and the process of fulfilling the requirements of the Decision of the NSDC of Ukraine regarding the transfer of state-owned corporate rights in the amount of 24,065,460,500 ordinary registered shares representing 100 percent of the authorized capital of JOINT-STOCK COMPANY INTERNAL RESERVE BANK to SOE NATIONAL INVESTMENT FUND OF UKRAINE, while the process was completed on January 10, 2023, with the state registrar making changes to the information about the legal entity contained in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations in terms of changing the composition of the founders (members) of the legal entity, namely, the change of the ultimate beneficial owner who owns 100 percent of the property of JOINT-STOCK COMPANY INTERNAL RESERVE BANK, from the Public Joint-Stock Company Sberbank of Russia (address: 19 vavilova st., moscow, 117997, russian federation, registration number 1027700132195) of the new ultimate beneficial owner — the State of Ukraine represented by the SOE National Investment Fund of Ukraine.

It should be noted that in 2022 the DGF completed the liquidation procedure in 4 (four) insolvent banks, liquidated balance sheets and reports on the liquidation procedure were prepared and approved by the relevant decisions of the DGF Executive Board (Table 3.2.4).

Table 3.2.4.

Banks in which the liquidation procedure was completed by the DGF in 2022

Bank	Liquidation balance sheet date (as of)	Details of the decision of the DGF Executive Board
PJSC CB PREMIUM	October 26, 2022	No. 927 dated November 17, 2022
JSC BANK VELES	March 14, 2022	No. 265 dated April 27, 2022
JSC IMEXBANK	March 25, 2022	No. 341 dated May 17, 2022
JSC GOLDEN GATE BANK	June 24, 2022	No. 576 dated August 8, 2022

During the liquidation procedure of PJSC CB PREMIUM, the creditor claims included in the List (Register) of Accepted Creditor Claims of PJSC CB PREMIUM were settled in full. In this regard, pursuant to the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying Creditor Claims of Liquidated Banks approved by the DGF Executive Board on August 21, 2017, No. 3711 and registered with the Ministry of Justice of Ukraine on September 7, 2017, under No. 1104/30972, the Deposit Guarantee Fund authorized officer transferred for liquidation of PJSC CB PREMIUM on October 21, 2022, to the shareholders of PJSC CB PREMIUM the remaining property of the bank (at the value determined by an independent valuer in the amount of UAH 66,771,675.06), which remained after satisfaction of claims of all creditors, according to Article 52 of the Law.

3.3. Proceeds to the insolvent banks

During the reporting year, insolvent banks received UAH 4,427.0 million. The largest amount was received by JSC IR BANK, i.e., UAH 1,983.8 million, which accounts for 44.8% of the total amount. The second and third places are taken by JSC Prominvestbank and JSC BANK SICH with the amounts of UAH 1,109.7 million, or



25.1% of the total amount, and UAH 642.9 million, or 14.5% of the total amount, respectively. Table 3.3.1 shows data of 7 banks with a share of proceeds of 1.0% and more. The remaining banks received UAH 42.0 million, which is 0.9% of the total amount.

Table 3.3.1

Proceeds to the insolvent banks

No.	Bank name	Amount, UAH million	Relative share
1	JSC IR BANK	1,983.8	44.8%
2	JSC Prominvestbank	1,109.7	25.1%
3	JSC BANK SICH	642.9	14.5%
4	JSC JSCB ARKADA	398.2	9.0%
5	JSC MEGABANK	126.6	2.9%
6	JSC CB ZEMELNY CAPITAL	71.1	1.6%
7	PJSC ZLATOBANK	52.7	1.2%
8	Other banks	42.0	0.9%
	Total	4,427.0	100.0%

The largest share (34.1% each) of proceeds to insolvent banks in the reporting year accounted for proceeds from the sale of property and from repayment of securities, respectively (Table 3.3.2).

Table 3.3.2.

Types of proceeds to the insolvent banks

Types of proceeds	Amount, UAH million	Relative share
Sale of property	1,511.8	34.1%
Securities	1,511.2	34.1%
Other proceeds (proceeds from correspondent accounts)	840.1	19.0%
Loan repayment	490.2	11.1%
Lease	73.7	1.7%
Total	4,427.0	100.00%

During the reporting year, insolvent banks received UAH 1,511.8 million. The largest amount was received by JSC Prominvestbank, i.e., UAH 1,009.0 million, which accounts for 66.8% of the total amount. The second and third places are taken by JSC JSCB ARKADA and JSC CB ZEMELNY CAPITAL with the amounts of UAH 360.8 million, or 23.9% of the total amount, and UAH 51.8 million, or 3.4% of the total amount, respectively. Table 3.3.3 provides information on 4 banks with a share of proceeds of 1.0% and more. The remaining banks received UAH 39.0 million, which is 2.5% of the total amount.

Table 3.3.3

Proceeds from property sale

No.	Bank name	Amount, UAH million	Relative share
1	JSC Prominvestbank	1,009.0	66.8%
2	JSC JSCB ARKADA	360.8	23.9%



3	JSC CB ZEMELNY CAPITAL	51.8	3.4%
4	PJSC ZLATOBANK	51.2	3.4%
5	Other banks	39.0	2.5%
	Total	1,511.8	100.0%

During the reporting year, proceeds to insolvent banks from repayment of securities amounted to UAH 1,511.2 million, of which 99.6% or UAH 1,505.8 million went to JSC IR BANK.

3.4. Settlements with bank creditors

From the date of commencement of the bank liquidation procedure, the DGF shall start stock-taking and valuation of the bank's property in order to form the bank's liquidation estate.

The valuation shall be carried out by involving the valuers in the manner prescribed by the Regulations on the Procedure for Selecting Persons Who Can Perform Work (Render Services) to Insolvent Banks or Banks under Liquidation by the Deposit Guarantee Fund approved by Decision No. 434 of the DGF Executive Board dated March 28, 2016 (as amended) and other regulatory acts of the DGF.

The funds received as a result of liquidation and sale of the bank's property (assets), investment of temporarily free funds of the bank in government securities shall be directed by the DGF to satisfy creditor claims, provided that the funds are sufficient to ensure the liquidation procedure in the following order:

- 1) liabilities arising as a result of causing harm to people's life and health;
- 2) monetary claims for salary, which arose out of the bank's liabilities to employees prior to the decision to revoke the banking license and liquidate the bank;
- 3) DGF claims arising in cases specified by the Law of Ukraine "On Household Deposit Guarantee Scheme";
- 4) claims of individual depositors (including sole proprietors) who are not related persons of the bank, in the part exceeding the amount paid by the DGF;
- 5) claims of the National Bank of Ukraine arising as a result of a decrease in the value of the collateral provided to secure refinancing loans, as well as to ensure the return of banknotes and coins transferred by the National Bank of Ukraine for storage, and to conduct operations with them;
- 6) claims of individuals (including sole proprietors) who are not related parties to the bank, whose payments or payments in whose name are blocked;
- 7) claims of other depositors who are not related to the bank, legal entities being clients of the bank, who are not related to the bank;
- 8) other claims, except claims for subordinated debt;
- 9) claims of bank creditors (individuals, including sole proprietors, as well as legal entities) who are related parties to the bank;
- 10) subordinated debt claims;
- 11) claims under instruments with debiting/conversion conditions.



Claims against the bank that are not settled as a result of the liquidation procedure and the sale of the bank's property (assets) as of the date of drawing up the liquidation balance sheet shall be considered repaid.

The DGF shall have the right to apply to persons who are legally liable for damages (losses) caused to creditors whose claims remained unsatisfied after the completion of the liquidation procedure — in case of termination of an insolvent bank or a bank in respect of which a decision was made to revoke the banking license and liquidate a bank on the grounds specified in part 2, Article 77 of the Law of Ukraine "On Banks and Banking" as a legal entity.

The claims of each subsequent tier shall be satisfied as the proceeds from the sale of the property (assets) of the bank are received after the requirements of the previous stage have been fully satisfied. If the amount of funds received from the sale of property (assets) is insufficient to fully satisfy all claims of one tier, the claims shall be satisfied in proportion to the amount of claims belonging to each creditor of one tier. If a creditor refuses to satisfy a claim recognized in accordance with the established procedure, the DGF does not take into account the amount of monetary claims of this creditor.

Thus, as of January 1, 2023, the total book value of assets of 47 banks managed by the DGF, in which the Register Of Accepted Creditor Claims was approved by the Decision of the DGF Executive Board, amounted to UAH 138.64 billion, while their estimated value amounted to UAH 26.54 billion, or 19.1%, which is insufficient to satisfy all claims of bank creditors (Table 3.4.1.).

Table 3.4.1.

Book and estimated asset value of banks in which the Register of Accepted Creditor Claims was approved

No.	BANK	Book value of assets, UAH thousand	Estimated value of assets, UAH thousand
1	PJSC CB STANDARD (state registration of dissolution of a legal entity was canceled by a court decision)	0.00	0.00
2	JSC ARTEM-BANK (the bank is in the process of completing liquidation)	0.00	0.00
3	PJSC CB PIVDENCOMBANK (the bank is in the process of completing liquidation)	0.00	0.00
4	PJSC BANK PETROCOMMERCE-UKRAINE (the bank is in the process of completing liquidation)	0.00	0.00
5	PJSC CB ACTIVE-BANK (the bank is in the process of completing liquidation)	0.00	0.00
6	PJSC NATIONAL CREDIT BANK (the bank is in the process of completing liquidation)	0.00	0.00
7	PJSC CB EUROBANK (the bank is in the process of completing liquidation)	0.00	0.00
8	PJSC PROFIN BANK (the bank is in the process of completing liquidation)	0.00	0.00
9	PJSC BANK KONTRAKT (the bank is in the process of completing liquidation)	0.00	0.00
10	PJSC ENERGOBANK (the bank is in the process of completing liquidation)	0.00	0.00
11	PJSC UKRAINIAN PROFESSIONAL BANK (the bank is in the process of completing liquidation)	0.00	0.00



12	JSC BANK BOHUSLAV (the bank is in the process of completing liquidation)	0.00	0.00
13	PJSC RADIKAL BANK (the bank is in the process of completing liquidation)	0.00	0.00
14	PJSC INTEGRAL-BANK (the bank is in the process of completing liquidation)	0.00	0.00
15	PJSC VAB BANK (the bank is in the process of completing liquidation)	0.00	0.00
16	PJSC CB NADRA (the bank is in the process of completing liquidation)	0.00	0.00
17	PJSC BANK MYKHAYLIVSKY (the bank is in the process of completing liquidation)	0.00	0.00
18	PJSC BANK TRUST (the bank is in the process of completing liquidation)	0.00	0.00
19	PJSC CB INVESTBANK (the bank is in the process of completing liquidation)	0.00	0.00
20	PJSC PLATINUM BANK (the bank is in the process of completing liquidation)	0.00	0.00
21	PJSC BANK KYIVSKA RUS (the bank is in the process of completing liquidation)	0.00	0.00
22	JSC BANK NATIONAL INVESTMENTS (the bank is in the process of completing liquidation)	0.00	0.00
23	PJSC VECTOR BANK (the bank is in the process of completing liquidation)	0.00	0.00
24	PJSC CB FINANCIAL INITIATIVE (the bank is in the process of completing liquidation)	0.00	0.00
25	JSC BANK VELES (the bank is in the process of completing liquidation)	0.00	0.00
26	PJSC IMEXBANK (the bank is in the process of completing liquidation)	0.00	0.00
27	JSC GOLDEN GATE BANK (the bank is in the process of completing liquidation)	0.00	0.00
28	PJSC CB PREMIUM (the bank is in the process of completing liquidation)	0.00	0.00
29	PJSC AKTABANK (liquidation of the bank is carried out by the DGF)	0.00	0.00
30	PJSC BANK CAMBIO (liquidation of the bank is carried out by the DGF)	24,998.78	14,039.83
31	JSC RODOVID BANK (liquidation of the bank is carried out by the DGF)	0.00	0.00
32	JSC VTB BANK (liquidation of the bank is carried out by the DGF)	48,704.56	30,048.74
33	PJSC FIDOBANK (liquidation of the bank is carried out by the DGF)	42,898.02	43,281.74
34	JSC BANK FINANCE AND CREDIT (liquidation of the bank is carried out by the DGF)	2,800,155.11	365,575.76
35	PJSC ZLATOBANK	21,104,906.93	1,140,428.35
36	JSC DELTA BANK	8,725,914.81	2,297,075.42
37	PJSC JSCB CAPITAL	1,762,171.02	85,591.75
38	PJSC UKRINBANK (latest data as of July 7, 2016)	5,322,424.61	0.00
39	PJSC KSG BANK (latest data as of April 10, 2017)	455,096.00	122,824.24
40	PJSC DIAMANTBANK	0.00	0.00



41	JSC JSCB ARKADA	1,805,516.03	1,433,210.12
42	JSC MISTO BANK	776,375.80	207,859.79
43	JSC CB ZEMELNY CAPITAL	811,685.36	412,859.79
44	PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK	37,087,272.52	5,960,578.80
45	JSC IR BANK	44,046,570.29	7,092,638.73
46	JSC MEGABANK	11,190,051.47	7,332,202.00
47	JSC BANK SICH	2,640,757.61	0.00
Total amount, UAH thousand		138,645,498.92	26,538,215.20

The total amount of approved accepted creditor claims as of January 1, 2023, amounted to UAH 325,264,060.34 thousand (including banks in which liquidation was completed), of which (given in terms of tiers in Table 3.4.2.):

Table 3.4.2.

Status of creditor claims settlement by tiers, as of January 1, 2023

TOTAL FOR BANKS (including liquidated banks)	Filed	Settled	Outstanding
Amount of approved and accepted creditor claims as of January 1, 2023, UAH thousand	325,264,060.34	59,853,757.04	265,410,303.30
Tier 1, UAH thousand	7,061.95	1,666.78	5,395.17
Tier 2, UAH thousand	69,439.97	66,073.88	3,366.09
Tier 3, UAH thousand	103,600,430.25	28,697,371.20	74,903,059.06
Tier 4, UAH thousand	40,465,686.05	4,844,646.58	35,621,039.47
Tier 5, UAH thousand	28,425,735.59	2,363,395.57	26,062,340.02
Tier 6, UAH thousand	83,354.01	10,119.92	73,234.09
Tier 7, UAH thousand	114,335,950.98	22,345,405.09	91,990,545.88
Tier 8, UAH thousand	11,191,145.23	209,521.74	10,981,623.49
Tier 9, UAH thousand	24,718,548.17	1,190,336.66	23,528,211.51
Tier 10, UAH thousand	2,366,708.13	125,219.62	2,241,488.51
Tier 11, UAH thousand	0.00	0.00	0.00

As of January 1, 2023, the DGF manages 52 banks (including 28 banks for which the liquidation balance sheet has been approved), the status of settlement of creditor claims for these banks is shown in Table 3.4.3:

Table 3.4.3.

Status of creditor claims settlement for banks managed by the DGF by tiers as of January 1, 2023

TOTAL FOR BANKS (including banks managed by the DGF)	Filed	Settled	Outstanding
Amount of approved and accepted creditor claims as of January 1, 2023, UAH thousand	254,576,026.45	42,505,557.90	212,070,468.55
Tier 1, UAH thousand	7,061.95	1,666.78	5,395.17
Tier 2, UAH thousand	53,350.35	51,841.47	1,508.88
Tier 3, UAH thousand	79,749,655.76	21,907,947.44	57,841,708.32



Tier 4, UAH thousand	29,935,205.23	2,783,520.07	27,151,685.16
Tier 5, UAH thousand	27,197,170.41	1,686,251.62	25,510,918.79
Tier 6, UAH thousand	68,158.59	8,447.77	59,710.82
Tier 7, UAH thousand	85,961,086.88	15,918,028.26	70,043,058.62
Tier 8, UAH thousand	8,013,837.56	147,417.39	7,866,420.17
Tier 9, UAH thousand	22,096,698.04	437.09	22,096,260.95
Tier 10, UAH thousand	1,493,801.66	0.00	1,493,801.66
Tier 11, UAH thousand	0.00	0.00	0.00

In 2022, UAH 3,970,220.25 thousand were settled for all tiers of accounts payable (Figure 3.4.1.).

Settlement of creditor claims for 2022

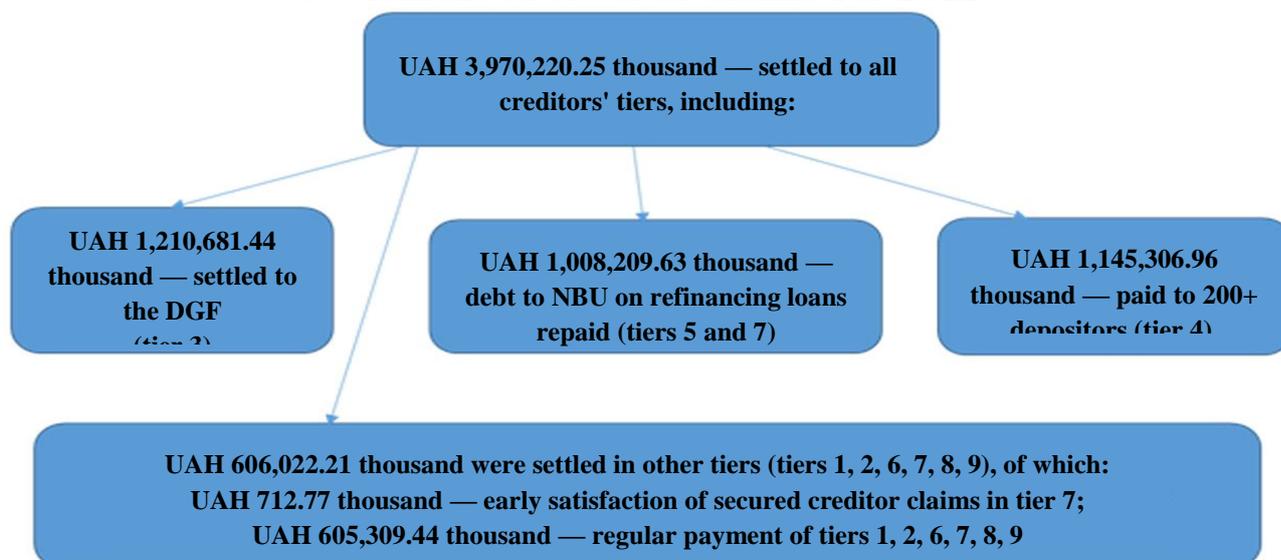


Figure 3.4.1. Settlement of creditor claims for 2022

Settlement of tier 1 creditor claims

The amount of accepted tier 1 creditor claims is UAH 7,061.95 thousand.

As of January 1, 2023, UAH 1,666.78 thousand were settled, which is 23.60% of the total debt in the tier, of which UAH 1,666.78 thousand were settled in 2022.

Out of 2 banks, tier 1 was fully settled in 1 insolvent bank. For 1 bank, tier 1 payment has not been initiated, namely: JSC Megabank.

Settlement of tier 2 creditor claims

Amount of accepted tier 2 creditor claims — UAH 69,439.97 thousand.

As of January 1, 2023, UAH 66,073.880 thousand were settled, which is 95.15% of the total debt in the tier, of which UAH 7.29 thousand in 2022.

Tier 2 was completely settled in 38 insolvent banks. For 3 banks, full payment did not take place, due to the fact that some individuals did not show up on time for salary. Amount of funds deposited with such banks — UAH 1,270.32 thousand.

Payment of tier 2 was not started in 3 banks, namely: PJSC COMMERCIAL BANK GEFEST (the bank was liquidated), JSC Megabank, JSC BANK SICH.

Settlement of tier 3 creditor claims (of the DGF)

Amount of accepted tier 3 creditor claims — UAH 103,600,430.25 thousand.



As of January 1, 2023, UAH 28,697,371.20 thousand were settled, which is 27.70% of the total debt in the tier, of which UAH 1,210,681.44 thousand for 2022.

The leaders in payment of tier 3 for 2022 were the following banks:

1. JSC IR BANK — UAH 1,194,444.40 thousand (98.66% of the settlement amount of tier 3 for 2022);
2. JSCB ARKADA — UAH 7,639.41 thousand (0.63% of the settlement amount of tier 3 for 2022);
3. PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK — UAH 4,211.47 thousand (0.35% of the settlement amount of tier 3 for 2022);
4. PJSC IMEXBANK — UAH 1,285.72 thousand (0.11% of the settlement amount of tier 3 for 2022);
5. PJSC CB PREMIUM — UAH 837.47 thousand (0.07% of the settlement amount of tier 3 for 2022).

Figure 3.4.2. contains leaders among banks in terms of the volume of settlement of tier 3 (for all time) as of January 1, 2023 (in percentage ratio of the amount of settlement of each bank to the total amount of settlement of tier 3 creditors — UAH 28,697,371.20 thousand):

**Top 10 banks in terms of repayment of stage 3 creditors
as of January 1, 2023, UAH thousand**

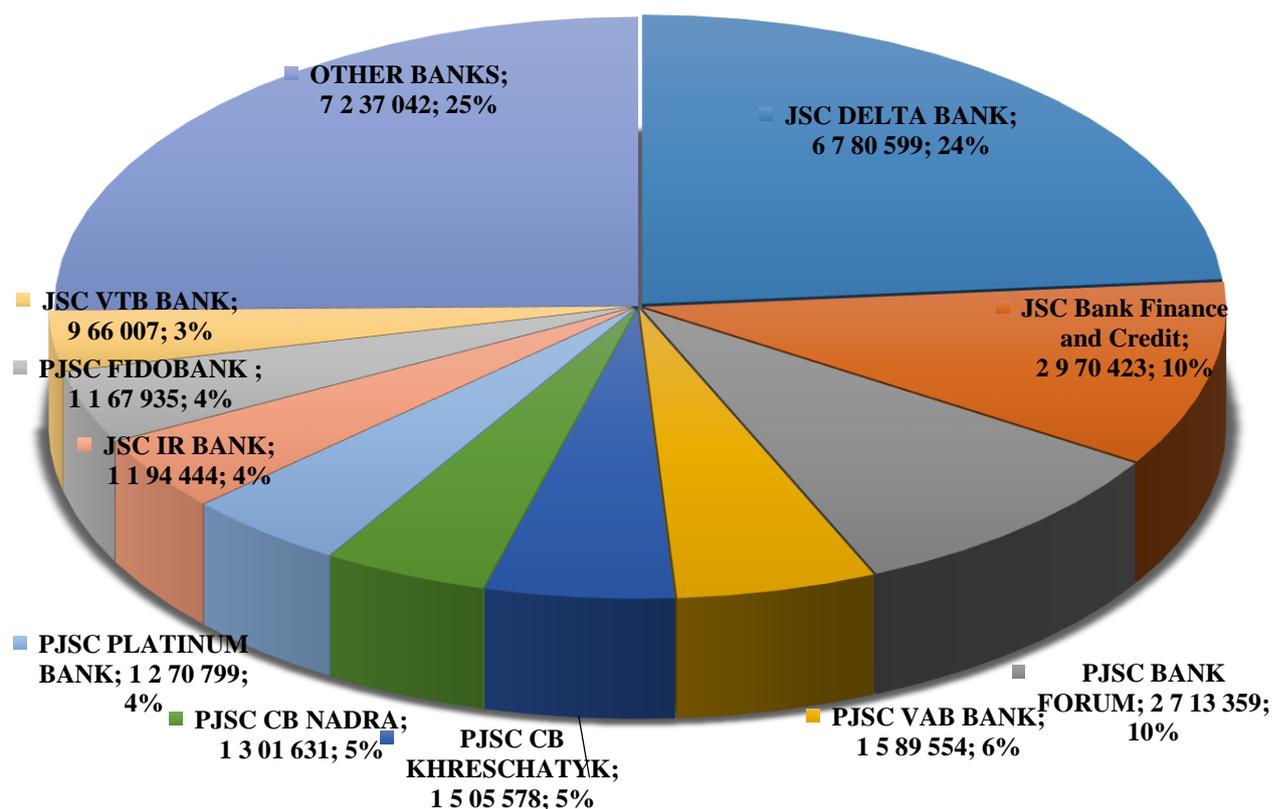


Figure 3.4.2. TOP-10 banks of settlement of tier 3 of creditors as of January 1, 2023, UAH thousand



Settlement of tier 4 creditor claims

The amount of accepted tier 4 creditor claims is UAH 40,465,686.05 thousand. In tier 4, UAH 4,844,646.58 thousand were settled, which is 11.97 %.

In 2022, tier 4 was settled by UAH 1,145,306.96 thousand.

The following banks repaid tier 4 in full:

1. PJSC PRIME-BANK (claims of 18 depositors 200+ were satisfied).
2. PJSC GREEN BANK (claims of 4 depositors 200+ were satisfied).
3. PJSC UKRAINIAN BUSINESS BANK (claims of 65 depositors 200+ were satisfied).
4. PJSC UNISON BANK (claims of 108 depositors 200+ were satisfied).
5. PJSC KREDITPROMBANK (claims of 3 depositors 200+ were satisfied).
6. PJSC NATIONAL CAPITAL BANK (claims of 4 depositors 200+ were satisfied).
7. PJSC VBR (claims of 139 depositors 200+ were satisfied).
8. PJSC CB PREMIUM (claims of 311 depositors 200+ were satisfied).
9. PJSC DIAMANTBANK (claims of 1,080 depositors 200+ were satisfied).

For VTB BANK JSC, 99.80 % of creditor claims were satisfied — UAH 645,173.84 thousand, of which UAH 5.87 thousand in 2022.

For JSC IR BANK, 76.64% of creditor claims were satisfied — UAH 1,083.654.99 thousand, of which UAH 1,083,654.99 thousand for 2022.

Settlement of tier 5 creditor claims

Amount of accepted claims of tier 5 creditors — UAH 28,425,735.59 thousand, consisting of debt to the NBU of the following banks: PJSC REAL BANK — UAH 551,395.94 thousand (the bank was liquidated), PJSC BANK FORUM — UAH 486,712.41 thousand (debt on refinancing loans repaid in full, the balance of debt to the NBU — UAH 25.30 thousand — samples of coins owned by the NBU, the bank was liquidated), PJSC CB Khreschatyk — UAH 190,456.83 thousand (debt on refinancing loans repaid in full, the bank was liquidated), PJSC UKRAINIAN PROFESSIONAL BANK — UAH 107,667.89 thousand (liquidation balance sheet approved), PJSC VAB BANK — UAH 2,785,721.40 thousand (liquidation balance sheet approved), PJSC CB NADRA — UAH 9,425,385.75 thousand (liquidation balance sheet approved), PJSC CB FINANCIAL INITIATIVE — UAH 1,255,381 thousand (liquidation balance sheet approved), JSC RODOVID BANK — UAH 3,986,779.43 thousand, JSC FINANCE AND CREDIT BANK — UAH 6,941,123.33 thousand (UAH 741,247.57 thousand repaid), PJSC IMEXBANK — UAH 2,695,110.74 thousand (liquidation balance sheet approved).

In total, tier 5 was settled by UAH 2,363,395.57 thousand, which is 8.31% of the total debt under tier 5.

In 2022, tier 5 was settled by UAH 945,000.00 thousand (JSC RODOVID BANK).

Settlement of tier 6 creditor claims

Amount of accepted tier 6 creditor claims is UAH 83,354.01 thousand.

Tier 6 was settled by UAH 10,119.92 thousand, which is 12.14%, of which: PJSC GREEN BANK — UAH 6.50 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC PRIME-BANK — UAH 7.81 thousand (100% of accepted tier 6



claims, the bank was liquidated), PJSC JSCB NOVY — UAH 4.13 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC UNISON BANK — UAH 30.48 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC KREDITPROMBANK — UAH 16.23 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC VBR — UAH 146.74 thousand (100% of tier 6 claims accepted by the bank, the bank was liquidated), PJSC NATIONAL CAPITAL BANK — UAH 1,460.26 thousand (100% of the claims accepted by the bank in the sixth stage, the bank was liquidated), JSC VTB BANK — UAH 1,581.31 thousand (95.90% of tier 6 claims accepted by the bank), PJSC CB PREMIUM (100% of tier 6 claims accepted by the bank), PJSC DIAMANTBANK (100% of tier 6 claims accepted by the bank), PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK (25.65% of tier 6 claims accepted by the bank).

In 2022, tier 6 was settled by UAH 2,323.40 thousand.

Settlement of tier 7 creditor claims

The amount of accepted tier 7 creditor claims is UAH 114,335,950.98 thousand, including the balance of the secured debt to the NBU included in tier 7 as of January 1, 2023, is UAH 7,158,627.98 thousand (including UAH 688,643.54 thousand for banks in respect of which an entry was made in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations on state registration of termination of a legal entity, and therefore, liquidation of banks is considered completed and banks are liquidated).

Tier 7 was settled by UAH 22,345,405.09 thousand (19.54%) (for 2022 tier 7 was settled by UAH 664,506.15 thousand), of which:

- early satisfaction of creditor claims (NBU) in the tier for the entire period (including due to foreclosure on collateral and property of guarantors) — UAH 15,746,115.47 thousand (for 2022 — UAH 63,209.63 thousand settled):

PJSC CB DANIEL — UAH 14,865.08 thousand for the entire period (the bank was liquidated).

PJSC BROKBUSINESSBANK — UAH 274,725.86 thousand for the entire period (the bank was liquidated).

PJSC AUTOKRAZBANK — UAH 13,801.65 thousand for the entire period (the bank was liquidated).

PJSC BANK DEMARK — UAH 26,519.41 thousand for the entire period (the debt was repaid in full, the bank was liquidated).

JSC PORTO-FRANCO — UAH 38,107.23 thousand for the entire period (the debt was repaid in full, the bank was liquidated).

PJSC BG BANK — UAH 135,851.17 thousand for the entire period (the debt was repaid in full, the bank was liquidated).

PJSC UKRAINIAN BUSINESS BANK — UAH 184,368.49 thousand for the entire period (the debt was repaid in full, the bank was liquidated).

JSC EUROGASBANK — UAH 101,292.56 thousand for the entire period (the bank was liquidated).

JSC CB EXPOBANK — UAH 197,127.86 thousand for the entire period (the bank was liquidated).



PJSC LEGBANK — UAH 2,316.88 thousand for the entire period (the bank was liquidated).

PJSC ACTIVE BANK — UAH 80,423.07 thousand for the entire period (the liquidation balance sheet was approved).

PJSC VAB BANK — UAH 2,458,618.22 thousand for the entire period (the liquidation balance sheet was approved).

PJSC CB NADRA — UAH 3,261,675.30 thousand for the entire period (the liquidation balance sheet was approved).

PJSC UKRAINIAN PROFESSIONAL BANK — UAH 623.25 thousand for the entire period (the liquidation balance sheet was approved).

PJSC DIAMANTBANK — UAH 291,597.95 thousand for the entire period (the debt was repaid in full).

PJSC PLATINUM BANK — UAH 248,615.18 thousand for the entire period (the debt was repaid in full).

PJSC BANK CAMBIO — UAH 322,720.47 thousand for the entire period, UAH 8,209.73 thousand for 2022.

PJSC ZLATOBANK — UAH 70,062.77 thousand for the entire period.

PJSC IMEXBANK — UAH 467,495.66 thousand for the entire period, for 2022 — UAH 42,533.00 thousand (the liquidation balance sheet was approved).

PJSC BANK KYIVSKA RUS — UAH 305,138.29 thousand for the entire period (the liquidation balance sheet was approved).

JSC DELTA BANK — UAH 5,091,627.00 thousand for the entire period, UAH 12,466.90 thousand for 2022.

JSC RODOVID BANK — UAH 433,604.73 thousand for the entire period.

PJSC CB FINANCIAL INITIATIVE — UAH 145,673.49 thousand for the entire period (the liquidation balance sheet was approved).

JSC MISTO BANK — UAH 160,868.36 thousand for the entire period (the debt was repaid in full).

— early satisfaction of claims of secured creditors (third parties) for the entire period — UAH 1,280,754.79 thousand (for 2022 — UAH 712.77 thousand settled):

PJSC BROKBUSINESSBANK — UAH 240,563.97 thousand for the entire period (of which UAH 1,213.50 thousand — provided by MBK from PJSC Real Bank, UAH 118,758.91 thousand — JSC Oschadbank, UAH 120,591.56 thousand — SE Antonov) (the bank was liquidated).

JSC BANK MERCURY — for all time UAH 47,510.78 thousand (of which UAH 35,957.36 thousand — State Mortgage Institution, UAH 11,553.42 thousand — LLC PLANETA COMFORT) (the bank was liquidated).

PJSC FORUM — UAH 35,377.80 thousand for the entire period (secured by MBK from PJSC VTB Bank, transfer to the ownership of VTB Bank of the hotel Baccarat) (the bank was liquidated).

PJSC AUTOKRAZBANK — UAH 6,694.63 thousand for the entire period (of which UAH 4,682.74 thousand — Corporate Non-State Pension Fund of the National



Bank of Ukraine, UAH 2,011.89 thousand — State Mortgage Institution) (the bank was liquidated).

PJSC CB STANDART — UAH 255.92 thousand for the entire period (JSB UkrGasbank).

PJSC STAROKYIVSKYI BANK — UAH 2,905.17 thousand for the entire period (guarantee deposit of JSC Ukreximbank) (the bank was liquidated).

JSC FORTUNA-BANK — UAH 130,355.64 thousand for the entire period (JSC Ukreximbank) (the bank was liquidated).

JSC EUROGASBANK — UAH 2,165.19 thousand for the entire period (Corporate Non-State Pension Fund of the National Bank of Ukraine) (the bank was liquidated).

JSC CB EXPOBANK — UAH 99,055.72 thousand for the entire period (of which UAH 8,200.08 thousand — guarantee deposit of JSC Ukreximbank, UAH 90,855.63 thousand — LLC FC Capital Group) (the bank was liquidated).

PJSC BANK NATIONAL CREDIT — UAH 2,003.99 thousand for the entire period (of which UAH 31.82 thousand — PJSC Alfa Bank, UAH 1,972.17 thousand — guarantee deposit of JSB UkrGasbank) (the liquidation balance sheet was approved).

PJSC RADICAL BANK — UAH 48,181.08 thousand for the entire period (State Mortgage Institution) (the liquidation balance sheet was approved).

PJSC INTEGRAL-BANK — UAH 27,256.79 thousand for the entire period (provided by MBK from PJSC CB Khreschatyk) (the liquidation balance sheet was approved).

PJSC ACTIVE BANK — UAH 915.33 thousand for the entire period (JSC Ukreximbank) (the liquidation balance sheet was approved).

PJSC CB NADRA — UAH 152,166.38 thousand for the entire period (of which UAH 36,808.66 thousand — German-Ukrainian Fund, UAH 9,952.40 thousand — PJSC Alfa Bank, UAH 105,405.32 thousand — State Mortgage Institution) (the liquidation balance sheet was approved).

PJSC ENERGOBANK — UAH 7,050.10 thousand for the entire period (guarantee deposit of JSC Ukreximbank) (the liquidation balance sheet was approved).

PJSC UKRAINIAN PROFESSIONAL BANK — UAH 11,009.28 thousand (German-Ukrainian Fund) (the liquidation balance sheet was approved).

JSC BANK BOGUSLAV — UAH 907.83 thousand for the entire period (guarantee deposit of JSB UkrGasbank) (the liquidation balance sheet was approved).

PJSC CB INVESTBANK — UAH 632.50 thousand for the entire period (guarantee deposit of JSB UkrGasbank) (the liquidation balance sheet was approved).

JSC GOLDEN GATE BANK — UAH 287.66 thousand for the entire period (guarantee deposit of PJSC Raiffeisen Bank Aval).

PJSC DIAMANTBANK — UAH 15,362.98 thousand for the entire period (PJSC Raiffeisen Bank Aval).

JSC VTB BANK — UAH 95,303.76 thousand for the entire period (JSC TASCOMBANK).

PJSC BANK CAMBIO — UAH 11,123.23 thousand for the entire period (Corporate Non-State Pension Fund of the National Bank of Ukraine).



PJSC ZLATOBANK — UAH 59,597.95 thousand for the entire period (of which UAH 57,366.81 thousand — German-Ukrainian Fund, UAH 2,231.14 thousand — LLC Porsche Mobility).

PJSC IMEXBANK — UAH 10,035.85 thousand for the entire period (of which UAH 278.85 thousand — guarantee deposit of JSC Ukreximbank, UAH 9,757.00 thousand — Corporate Non-State Pension Fund of the National Bank of Ukraine).

PJSC BANK KYIVSKA RUS — UAH 6,944.63 thousand for the entire period (German-Ukrainian Fund) (the liquidation balance sheet was approved).

JSC DELTA BANK — UAH 29,225.62 thousand for the entire period (Ukreximbank).

PJSC PLATINUM BANK — UAH 3,804.94 thousand (PJSC MTS Ukraine) (PJSC VF Ukraine) (the liquidation balance sheet was approved).

JSC MISTO BANK — UAH 50,628.08 thousand, including UAH 521.52 thousand for 2022 (JSC ALPARI BANK, JSC FUIB).

JSC CB ZEMELNY CAPITAL — UAH 191.25 thousand for the entire period (JSC FUIB).

- regular satisfaction of creditor claims:

PJSC CLASSICBANK — UAH 2,207.64 thousand (100%) (the bank was liquidated).

PJSC SMARTBANK — UAH 21,286.20 thousand (36.39% of the total debt of the bank in the tier) (the bank was liquidated).

PJSC PRIME-BANK — UAH 110,677.47 thousand (64.26% of the total debt of the bank in the tier) (the bank was liquidated).

PJSC OMEGA BANK — UAH 2,736.45 thousand (100%) (the bank was liquidated).

PJSC GREEN BANK — UAH 102,784.18 thousand (97.35% of the total debt of the bank in the tier) (the bank was liquidated).

JSC CB TK CREDIT — UAH 3,275.96 thousand (100%) (the bank was liquidated).

PJSC UKRAINIAN BUSINESS BANK — UAH 340,025.11 thousand (taking into account the repayment of debt on refinancing loans to the NBU, 49.84% of the total debt of the bank was repaid in the tier) (the bank was liquidated).

PJSC UNISON BANK — UAH 44,256.08 thousand (100%) (the bank was liquidated).

PJSC JSCB KYIV — UAH 1,228.12 thousand (100%) (the bank was liquidated).

PJSC KREDITPROMBANK — UAH 40,952.13 thousand (6.83% of the total debt of the bank in the tier) (the bank was liquidated).

PJSC NATIONAL CAPITAL BANK — UAH 11,108.49 thousand (55.50% of the total debt of the bank in the tier) (the bank was liquidated).

PJSC JSCB NOVY — UAH 3,340.35 thousand (100%) (the bank was liquidated).

JSC BANK VELES — UAH 849.30 thousand (52.05% of the total debt of the bank in the tier).

PJSC VBR — UAH 4,189,893.56 thousand (83.85% of the total debt of the bank in the tier) (the bank was liquidated).



JSC VTB BANK — UAH 642,025.70 thousand (52.70% of the total debt of the bank in the tier), for 2022 — UAH 1.81 thousand.

PJSC DIAMANTBANK — UAH 81,123.56 thousand (3.60% excluding early repayment and 15.15% of the total debt of the bank in the tier, including early settlement), for 2022 — UAH 22,612.69 thousand.

PJSC CB PREMIUM — UAH 257,326.22 thousand (100% of the total debt of the bank in the tier), for 2022 — UAH 51,772.89 thousand.

JSC DELTA BANK — UAH 538,878.38 thousand (early satisfaction of SMI creditor claims by court decision).

PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK — UAH 361,735.30 thousand (9.09 % of the total debt of the bank in the tier), for 2022 — UAH 361,735.30 thousand.

JSC IR BANK — UAH 164,461.04 thousand (5.93% of the total debt of the bank in the tier), for 2022 — UAH 164,461.04 thousand.

Settlement of tier 8 creditor claims

The amount of accepted tier 8 creditor claims is UAH 11,191,145.23 thousand. As of January 1, 2023, tier 8 was settled by UAH 209,521.74 thousand — 1.87% of the total debt in the tier, of which:

UAH 10.71 thousand — another satisfaction of PJSC CLASSICBANK (100% of the bank's debt was settled in the tier) (the bank was liquidated).

UAH 218.55 thousand — regular satisfaction of PJSC OMEGA BANK (0.04% of the total debt of the bank was settled in the tier) (the bank was liquidated).

UAH 39,030.00 thousand — regular satisfaction of PJSC GREEN BANK (96.31% of the total debt of the bank was settled in the tier) (the bank was liquidated).

UAH 22,348.14 thousand — PJSC UNISON BANK, of which early UAH 10,177.86 thousand — JSB Ukrgasbank, UAH 12.12 thousand — JSC TASCOMBANK, regular — UAH 12,158.16 thousand (in total, 100% of the bank's debt was repaid in the tier) (the bank was liquidated).

UAH 496.95 thousand — regular satisfaction of PJSC JSCB NOVY (100% of the total debt of the bank was settled in the tier) (the bank was liquidated).

UAH 2,857.80 thousand — early satisfaction of PJSC BANK PETROCOMMERCE-Ukraine (JSC Ukreximbank) (in total 41.75% of the bank's debt was settled in the tier) (liquidation balance sheet was approved).

UAH 400.14 thousand — early satisfaction of PJSC BANK CONTRACT (PJSC JSB Ukrgasbank) (18.13% of the bank's debt was settled in the tier) (liquidation balance sheet was approved).

UAH 143,868.30 thousand — early satisfaction of PLATINUM BANK PJSC, of which UAH 65,312.69 thousand — International Finance Corporation, UAH 78,555.62 thousand — JSC Oschadbank (total settled) 99.34% of the bank's debt in the tier) (liquidation balance sheet approved).

UAH 291.14 thousand — regular satisfaction of PJSC CB PREMIUM (100% of the total debt of the bank was settled in the tier).

Settlement of tier 9 creditor claims

Amount of accepted tier 9 creditor claims is UAH 24,718,548.17 thousand.



As of January 1, 2023, tier 9 was settled by UAH 1,190,336.66 thousand — 4.82% of the total debt in tier 9, of which:

UAH 972,632.68 thousand — another satisfaction of JSC CB TK CREDIT (57.62% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 204,795.88 thousand — regular satisfaction of PJSC JSCB NOVY (100% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 12,395.95 thousand — regular satisfaction of PJSC UNISON BANK (100% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 55.57 thousand — early satisfaction of PJSC VBR (0.01% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 19.49 thousand — regular satisfaction of PJSC CLASSICBANK (100% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 437.09 thousand — regular satisfaction of PJSC CB PREMIUM (100% of the total debt of the bank in the tier).

Settlement of tier 10 creditor claims

Amount of accepted tier 10 creditor claims — UAH 2,366,708.13 thousand.

As of January 1, 2023, tier 10 was settled by 5.29% of the total debt in the tier, namely by UAH 125,219.62 thousand, of which:

UAH 10,063.93 thousand — regular satisfaction of PJSC STATE ZEMBANK (100% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 39,926.88 thousand — regular satisfaction of PJSC JSCB NOVY (31.14% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 75,228.80 thousand — regular satisfaction of PJSC UNISON BANK (100% of the total debt of the bank in the tier) (the bank was liquidated).

Settlement of creditor claims as of January 1, 2023, is shown in Figure 3.4.3.

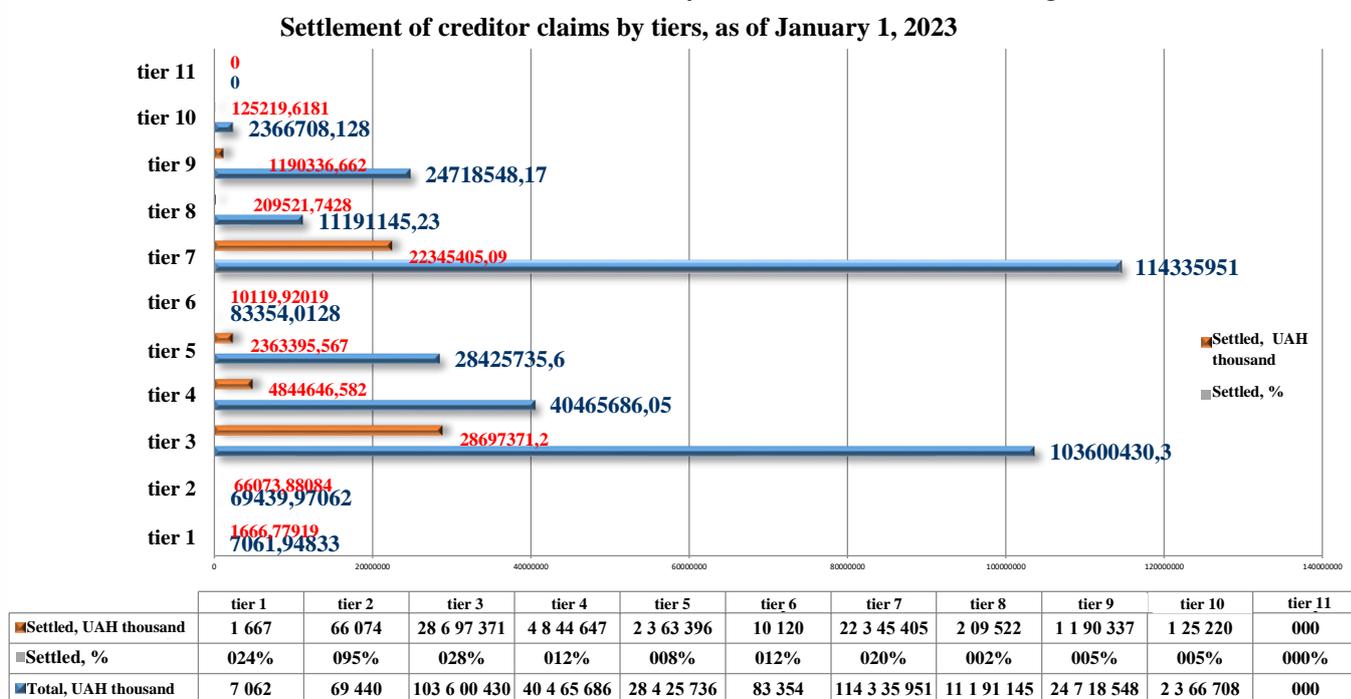


Figure 3.4.3 Settlement of creditor claims by tiers, as of January 1, 2023



Separately, we should mention the information on repayment of debts of insolvent banks on NBU loans.

In total, the debt on NBU loans in the amount of UAH 1,008,222.40 thousand was repaid in 2022 (including due to foreclosure on the collateral and property of the guarantors), of which: outstanding payments were made early in the amount of: UAH 42,533.00 thousand (PJSC IMEXBANK); UAH 12,479.67 thousand (JSC DELTA BANK); UAH 8,209.73 thousand (PJSC BANK CAMBIO) and repaid in the order of priority — UAH 945,000.00 thousand (JSC RODOVID BANK). For the whole period, NBU loans amounted to UAH 16,691,128.24 thousand (including through foreclosure on collateral and property of guarantors).

As of January 1, 2023, the debt of insolvent banks on NBU refinancing loans is recorded on the accounts of 13 banks (excluding banks that have been liquidated and for which liabilities to the NBU remain), the total balance of debt on these banks is UAH 37,667,715.20 thousand.

3.5. Legal support for insolvent bank resolution and DGF litigation activity

During 2022, the DGF provided legal support for the resolution of 20 insolvent banks, the powers of which are delegated to Deposit Guarantee Fund authorized officers, as well as 32 banks, which are defined by the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law") powers during liquidation carried out by the DGF directly and the resolution of which was accompanied by structural units of the DGF, namely:

- legal support of proceedings to protect the national interests of Ukraine during the bank resolution and ensuring the forcible seizure/alienation of assets (property) of banks and other persons related to the aggressor state;

- prompt consideration and timely provision of answers to deputies' requests, attorney's inquiries, inquiries of notaries, letters of legal entities and individuals, preparation of legal explanations, conclusions, recommendations on any issues related to the insolvent bank resolution during the provisional administration or liquidation of banks;

- effective legal support and implementation of registration actions inextricably linked with the proper implementation of the processes of liquidation of insolvent banks;

- agreeing and developing strategies for dealing with assets;

- legal support of the processes of sale and asset management of insolvent banks, the consequence of which is the sale of assets and ensuring the receipt of funds from their sale;

- coordination and control of the claims of insolvent banks.

The year 2022 was marked by a stable functioning of the judicial system of Ukraine, to ensure which the Council of Judges of Ukraine adopted a number of normative acts, which generally ensured access to justice for the parties to the proceedings, taking into account certain recommendations under martial law.

During 2022, the DGF did not stop carrying out litigation work, as a result of which the key achievements include a number of positive decisions in court cases, adopted both



in favor of the DGF and in favor of insolvent banks, as well as legal conclusions formed by the Grand Chamber of the Supreme Court, which made clear the law enforcement and legal relations arising during the liquidation of banks.

In particular, on September 15, 2022, the Grand Chamber of the Supreme Court adopted the Resolution in the framework of court case No. 910/12525/20 on the dispute on invalidation of property rights under loan and security agreements, open auction from the moment of concluding a sale and purchase agreement and minutes of an e-auction.

By this decision, the Grand Chamber of the Supreme Court confirmed, inter alia, that the issue of proper or improper performance by the parties of obligations under the credit agreement is subject to investigation within the dispute on debt collection and does not affect the legality and validity of the agreement on assignment of the claims, and, therefore, the remedy chosen by the plaintiff in this dispute is inappropriate, as it will not lead to the protection of its infringed right, and noted that the contract of sale is subject to appeal, and the requirements to invalidate the bidding (auction) and the minutes of an e-auction are not effective remedies.

These conclusions were actively used by the DGF when considering similar court cases in the 4th quarter of 2022, with positive decisions in favor of the DGF.

The Resolution of the Grand Chamber of the Supreme Court dated January 11, 2022, in case No. 910/10784/16, which in fact confirms that transactions of the problem bank and its clients should be carried out through a correspondent account of the bank opened with the NBU with reflection as their write-off/receipt from the client account, as well as receipts to the bank's own account, and payment on such accounts outside the correspondent account indicates the gratuitousness of the transaction.

At the same time, the court noted that violation of the NBU's prohibition to settle transactions not through a correspondent account does not in itself indicate the nullity of the agreement, instead such illegal actions together with other circumstances indicate the existence of clauses 1, 2, 3, 7, part 3, Article 38 of the Law on the grounds of nullity of transactions under which the Bank alienated property free of charge, undertook obligations without establishing the obligation of the counterparty to perform the relevant property actions, waived its own property claims.

The total number of court proceedings in 2022 against insolvent banks, the power to resolve which was delegated to the Deposit Guarantee Fund authorized officers, according to the accounting system, amounted to more than 2,900 cases.

At the same time, the litigation work directly on the DGF, including cases to which the latter is a party, in 2022 numbered more than 2,600 court cases, with the value of the claim being over UAH 43 billion.

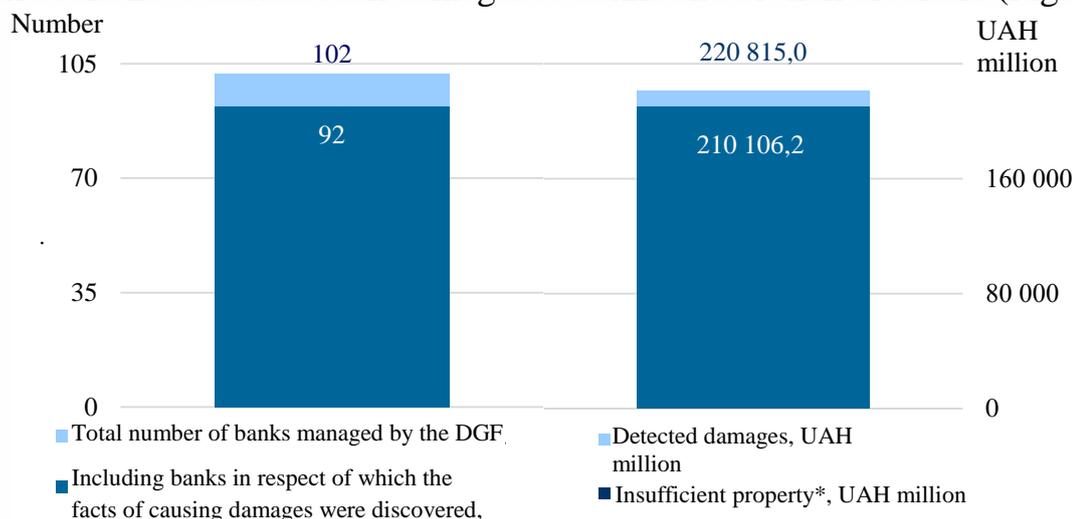
3.6. Recovery of damages from related parties involved in bringing banks to insolvency and work with legal advisers

During 2022, the DGF analyzed the documents of 29 insolvent banks to identify damages caused to banks and their creditors (former creditors) by decisions, actions, or inaction of persons related to such banks. During this period, the facts of causing damage



to banks and their creditors in the total amount of UAH 26.7 billion were revealed, as well as more than 300 persons related to banks were identified, in respect of which there are grounds to claim that their decisions, actions, or inaction caused such damages.

Thus, as of December 31, 2022, the DGF carried out research and additional analysis of the facts and circumstances of causing damages to 92 banks based on the results of its work, as a result of which losses in the total amount of UAH 220.8 billion were identified and more than 800 persons were identified, decisions, actions, or inaction of which could have caused such damages to banks and/or their creditors (Figure 3.6.1).



*Calculated as the difference between the sum of outstanding balances of tiers 1–8 of creditor claims (except for the claims of related parties) and the estimated value of the balance of the liquidation estate of banks

Figure 3.6.1. Detection of damages caused to banks and their creditors as of December 31, 2022

During 2022, in accordance with the procedure established by Article 52 of the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"), the DGF filed 10 claims against 147 related parties in respect of 8 banks. The total amount of claims for damages (losses) amounted to about UAH 9.3 billion, including:

- claim against PJSC CB Khreschatyk for recovery of damages (losses) in the total amount of over UAH 3.0 billion;
- claim against PJSC EUROGASBANK for recovery of damages (losses) in the total amount of over UAH 2.3 billion;
- claim against JSC BANK MERCURY for recovery of damages (losses) in the total amount exceeding UAH 1.3 billion;
- claim against JSC BANK NATIONAL INVESTMENTS for recovery of damages (losses) in the total amount of over UAH 1.1 billion;
- claim against PJSC VAB Bank for recovery of damages (losses) in the total amount of over UAH 0.5 billion.

Thus, pursuant to the provisions of Article 52 of the Law, in order to recover damages (losses) from persons related to banks, as of December 31, 2022, the DGF filed 79 claims in commercial proceedings against 933 bank related parties against 50 insolvent



banks in order to recover damages (losses) from persons related to banks for the total amount of over UAH 109.5 billion (Figure 3.6.2). The total amount of claims of the DGF satisfied according to court decisions that have entered into force is over UAH 434 million. Measures shall be taken to enforce such court decisions.

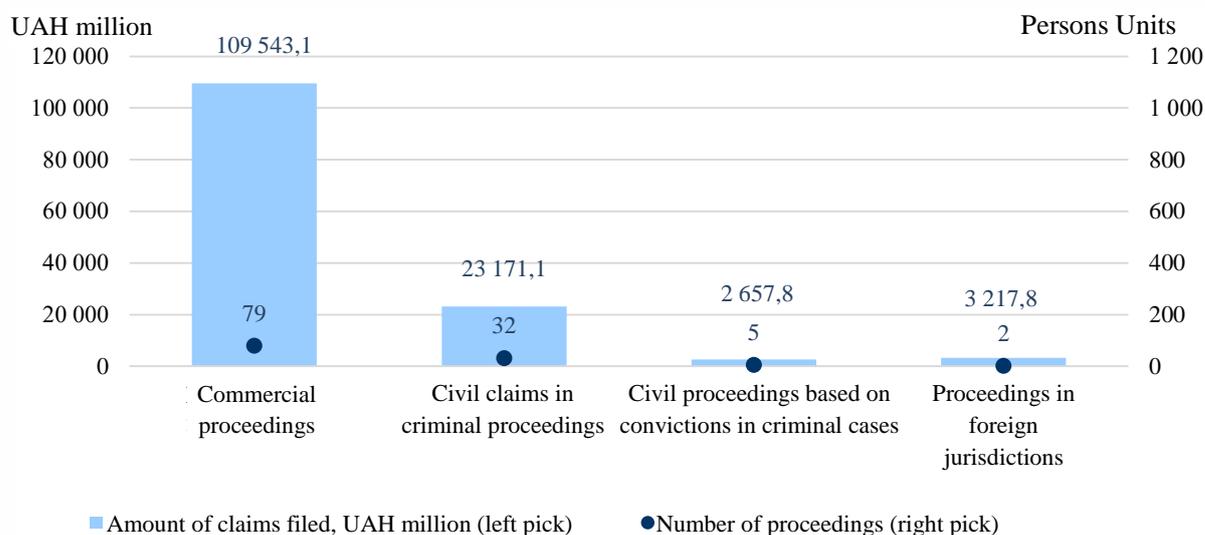


Figure 3.6.2. Litigation to recover damages caused to banks and their creditors as of December 31, 2022

Based on the results of pre-trial investigations in criminal proceedings, in 2022 the DGF filed 5 civil claims (of which 4 — to the court in criminal cases, and 1 — at the stage of pre-trial investigation) to 6 civil defendants (of which 4 persons are accused, 1 person — suspect) for 6 banks. The total amount of claims was over UAH 7.3 billion, including:

- civil claim in the amount of over UAH 5.5 billion against an official of PJSC REAL BANK;
- civil claim in the amount of over UAH 0.8 billion against a person related to JSC RODOVID BANK;
- civil claim in the amount of over UAH 0.5 billion against an official of PJSC INTEGRAL-BANK;
- civil claim in the amount of over UAH 0.4 billion against an official of PJSC CB STANDART.

Thus, as part of cooperation with law enforcement agencies, in order to compensate the damage (losses) caused to banks by criminal offenses, as of December 31, 2022, the DGF filed 33 civil claims against 66 civil defendants (suspects/accused) in respect of 22 banks for a total amount of over UAH 23.2 billion.

At the same time, based on the results of consideration of criminal proceedings by the courts, on the basis of court decisions as of December 31, 2022, the DGF filed 5 claims against 5 defendants in 5 banks for the total amount of claims over UAH 2.6 billion. The total amount of claims of the DGF satisfied according to court decisions that



have entered into force is over UAH 1.2 billion. Measures are taken to enforce court decisions.

During 2022, the DGF continued its work on engaging international legal advisers — specialists in the field of international law in order to find and return funds (assets) of bankrupt banks withdrawn from Ukraine, to represent the interests of the DGF (banks) in judicial bodies of foreign jurisdiction. In 2022, 4 agreements were concluded with foreign legal advisers to represent the interests of the DGF and such insolvent banks as JSC FORTUNA-BANK, JSC RODOVID BANK, PJSC PROMINVESTBANK and PJSC CB NADRA "in criminal proceedings (criminal, civil, commercial proceedings) on the recovery of damages caused to such banks and their creditors by persons related to banks (owners, managers and/or other persons specified in part 1, Article 52 of the Law of Ukraine "On Banks and Banking") in foreign jurisdictions. As of December 31, 2022, there are 12 agreements in force regarding the following banks: JSC BANK FINANCE AND CREDIT, PJSC BANK NATIONAL CREDIT, JSC IMEXBANK, PJSC BROKBUSINESSBANK, PJSC REAL BANK, PJSC REAL BANK, PJSC CB EUROBANK, PJSC VECTOR BANK, PJSC UKRAINIAN PROFESSIONAL BANK, PJSC PLATINUM BANK, PJSC FINBANK, PJSC ENERGOBANK, JSC DELTA BANK, JSC FORTUNA-BANK, PJSC PROMINVESTBANK and PJSC CB NADRA.



4. CONSOLIDATED SALE AND ASSET MANAGEMENT

4.1. Results of insolvent banks' asset sale

During 2022, as a result of open auctions and sale directly to legal entities or individuals of assets (property) by insolvent banks, the assets (property) of banks were sold for the total amount of over UAH 1.5 billion.

During 2022, the DGF conducted more than 1,650 open e-auctions in the Prozorro.Sale system, of which more than 150 auctions were effective. After the beginning of the Russian military aggression on the territory of Ukraine on February 24, 2022, the sale of assets (property) of banks was suspended and actually resumed only in the summer of 2022 (Figure 4.1.1).

The book value of sold assets in 2022 amounted to UAH 2 billion. Thus, the ratio of the sale price of assets (property) to the book value amounted to about 77% for the year (Table 4.1.1). This high figure is explained by the sale in 2022 of liquid assets (real estate) of Russian banks PJSC Prominvestbank and JSC IR BANK, the liquidation procedures of which were started on February 25, 2022.

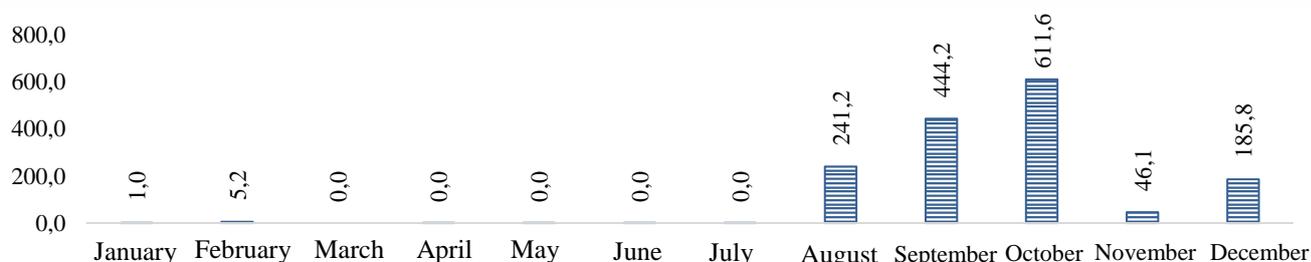


Figure 4.1.1. Asset sale price according to the results of open auction and sale directly to legal entities or individuals for 2022, UAH million

Table 4.1.1

Sale of assets (property) of banks in 2022

Month 2022	Book value of bank assets (property) sold, UAH thousand	Asset sale price based on the results of open auctions and sale directly to legal entities or individuals, UAH thousand	Ratio of asset sale price to the asset book value, %
TOTAL	2,001,174	1,535,200	77%
January	25,375	1,011	4%
February	31,246	5,166	16.5%
March	0	0	-
April	0	12	8,035%
May	1	28	3,047%
June	0	1	-
July	1	4	382%
August	399,057	241,225	60%
September	274,421	444,172	162%
October	958,267	611,609	64%
November	40,040	46,144	115%
December	272,766	185,829	68%



During April–July 2022, only assets (property) were sold, which are sold directly to individuals and legal entities.

In August, October and December, the conversion of sales of assets was at the level or more than 60%. This is due to the fact that in addition to real estate and vehicles, large lots of claims under credit agreements and property rights to real estate were also sold. In particular:

- in August, a loan from PJSC Prominvestbank was sold that was secured with property complexes for milk processing with a total area of 52.2 thousand sq.m. — selling price of UAH 75.7 million, conversion of 23%;
- in October — 5 lots of claims under the credit agreements of JSC JSCB Arkada and JSC CB ZEMELNY CAPITAL with the total sale price of UAH 30.4 million, average conversion of 23% and property rights to the real estate of the bank JSC JSCB Arkada were sold in the city of Kyiv, selling price UAH 351 million, conversion — 47%;
- in December — a loan from PJSC Prominvestbank to a borrower of a legal entity engaged in the lease and operation of its own or leased real estate, selling price UAH 12.8 million, conversion — 50%, loan from JSC IR BANK to an individual borrower with conversion 22 %, there was also a successful auction for the construction of unfinished construction of JSC CB ZEMELNY CAPITAL in the city of Zolotonosha with a sale price of UAH 92 million and a conversion of 45%.

As already mentioned, the ratio of the sale price of assets (property) of banks to the book value of sold assets (property) for 2022 was 77%, but this conversion rate for certain types of assets varies from 4.0% to 1,608%. The efficiency of selling different types of assets (property) of banks is given in more detail in Table 4.1.2.

Table 4.1.2.

Ratio of the sale prices of bank assets (property) based on the results of open auctions to their book value in 2022

Asset type	Book value, UAH million	Sale price, UAH million	Ratio of asset sale price to the asset book value, %
TOTAL	2,001.17	1,535.20	77%
Real estate (individual sales)	705.08	966.49	137%
Land plots (individual sales)	8.13	42.77	526%
Vehicles (individual sales)	1.80	11.15	618%
Other assets (fixed assets, coins, intangible assets) (individual sales)	16.89	39.60	234%
Accounts receivable (individual sales)	742.29	351.00	47%
Corporate loans (individual sales)	466.52	115.38	25%
Retail loan pools (mortgage)	53.52	1.56	3%
Mortgage loans to individuals (individual sales)	6.59	1.51	23%
Direct asset sale to legal entities or individuals	0.36	5.74	1,608%

In 2022, despite the emergence of new assets (property) before sale, the dynamics of the decrease in the total sale price of assets continued compared to previous years. However, this year it is connected with the suspension of sales for almost six months due to the military aggression of the Russian Federation against Ukraine and the conduct of active hostilities on the territory of Ukraine.



The selling price of assets (property) of banks based on the results of open auctions and sales directly to legal entities or individuals in 2022 in the amount of UAH 1.54 billion is 64% of the indicator of 2021 (UAH 2.42 billion) and 42% of the indicator of 2020 (UAH 3.69 billion) (Table 4.1.3).

Table 4.1.3.

Comparison of the sale prices of bank assets (property) by means of open auctions and sale directly to legal entities or individuals in 2020–2022

Asset type	Sale price for 2020, UAH thousand	Sale price for 2021, UAH thousand	Sale price for 2022, UAH thousand
TOTAL	3,693,155	2,415,250	1,535,200
Real estate	985,131	1,021,687	966,491
Property rights to real estate	8,308	39,782	351,000
Land plots	164,771	569,737	42,770
Vehicles	5,577	7,764	11,147
Claims under credit agreements and accounts receivable	2,447,309	708,170	118,446
Securities	14,208	655	0
Other assets and direct sales	67,851	67,455	45,346
TOTAL lots sold, pcs.	1,123	291	152

In the conditions of military aggression of the Russian Federation against Ukraine, the DGF uses all possible ways to sell assets (property) as required by the Law of Ukraine "On Household Deposit Guarantee Scheme" in the shortest possible time at the highest cost. Thus, in 2022, the DGF applied new approaches to the sale of assets (property) during the martial law in Ukraine, which regulated the sale of assets (property), which were not implemented before the start of the full-scale invasion of the Russian Federation into the territory of Ukraine in 2022, as well as defined the procedure sale of assets of banks, liquidation of which the DGF started in 2022.

In addition to the sale of assets through the Prozorro.Sale electronic trading system, the direct sale of assets (property) of banks to legal entities or individuals is also carried out. For the convenience of potential buyers, it is possible to use the letter of credit form of payment for the acquired asset (property) of banks. Furthermore, for the convenience of bidders, it is possible to pay a guarantee fee for participation in open bidding (auction) by depositing funds to the current account of the organizer of open auction and/or providing an electronic bank guarantee in favor of the organizer of open auction.

According to the results of open auctions and sale directly to legal entities or individuals of assets (property) of banks for 2022 — 99% of the sold assets (property) of banks out of the total volume belong to 5 banks. The leader in the sale of assets (property) of banks is PJSC PROMINVESTBANK, which is 65% (at the sale price) of all successful open auctions for 2022 (Figure 4.1.2.).



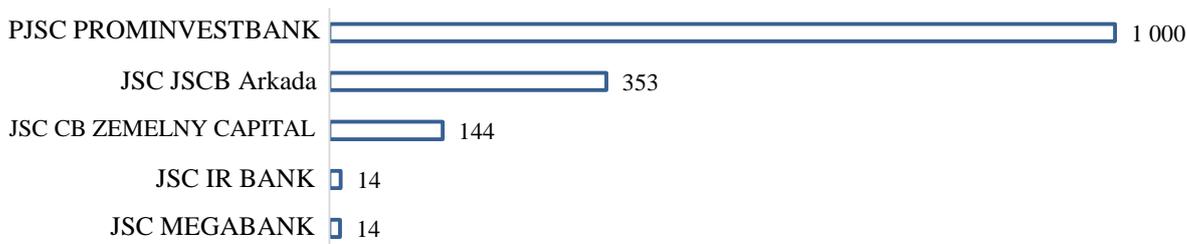


Figure 4.1.2. Asset sale price according to the results of open auction and sale directly to legal entities or individuals in 2022, UAH million

According to the results of open auctions and sales directly to legal entities or individuals during 2022, the sold assets (property) of banks had the following structure by types of bank assets (property) (Table 4.1.4.).

Table 4.1.4.

Results of sale of bank assets by structure and types of assets

TOTAL, UAH million	1,535.2	100%
Real estate, land plots, fixed assets, and intangible assets	1,048.7	68.32%
Property rights to real estate / accounts receivable	351.0	22.85%
Claims under credit agreements	118.4	7.71%
Sales directly to legal entities or individuals	5.7	0.37%
Other assets (paintings, coins, etc.)	11.3	0.74%

The largest share in the amount of sold assets (property) of banks based on the results of open auctions accrues to the sales of fixed assets — real estate, land plots, vehicles, other fixed assets, and intangible assets (excluding sales directly to legal entities or individuals) — 68%. The annual ratio of the sale price to the book value for all types of fixed assets for 2022 is 145%, as shown in detail in Figure 4.1.3.

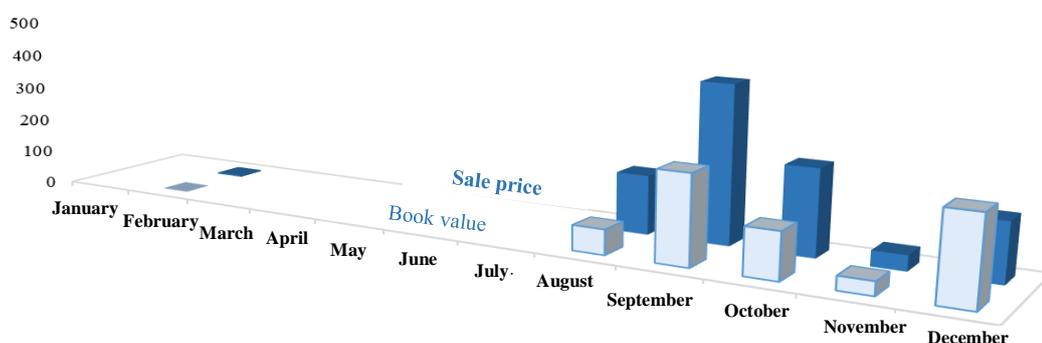


Figure 4.1.3. Comparison of book value and sale price of fixed assets, UAH million in 2022

In September, fixed assets with the highest book value for in 2022 were sold. This was due to the sale of several large real estate facilities of PJSC Prominvestbank, namely the sale of:

- non-residential buildings with a total area of 5,641.0 sq.m. in the city of Dnipro on Voskresenska Street (Lenina Street), buildings 17 and 17a, for UAH 72.6 million;



- non-residential building with a total area of 2,152 sq.m., located in the city of Kyiv, Drahomanova Street, building 21-A, for UAH 72.3 million;
- bank building in the center of the city of Ivano-Frankivsk with a total area of 3,786.3 sq.m. for UAH 70.0 million;
- bank building in the city of Khmelnytskyi with an area of 7,235.4 sq.m. for UAH 61.0 million;
- non-residential premises with a total area of 2,407.1 sq.m. in the city of Zhytomyr, Novyi Boulevard, buildings 5 and 7, for UAH 43.5 million;
- non-residential building with a total area of 1,623.2 sq.m. in the city of Kyiv at 29a Chervonotkatska Street, for UAH 32.5 million.

In the structure of sold fixed assets, 92% are real estate (residential and non-residential), 1.0% — vehicles, 4% — land plots and 3.0% — other fixed assets (furniture, equipment, intangible assets, etc.) (Figure 4.1.4.).

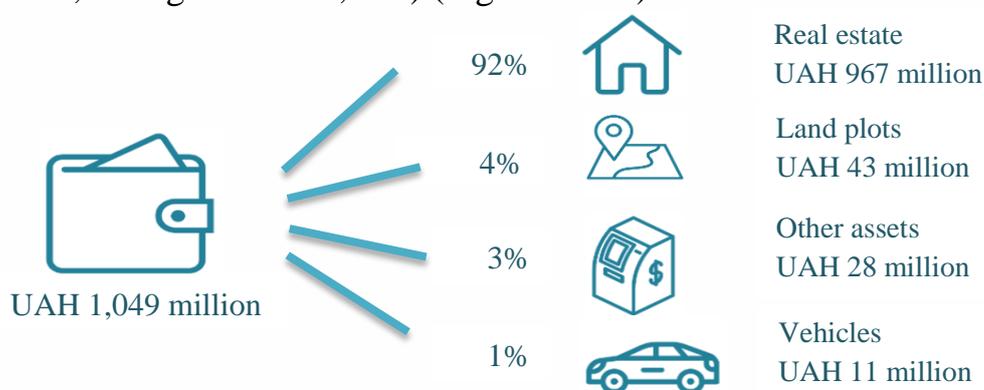


Figure 4.1.4. Breakdown of the sale price based on the results of open auctions of fixed assets (not including direct sales to legal entities or individuals) in 2022

Real estate objects (residential and non-residential) and sold land plots are located mainly in Kyiv, Zhytomyr, and Dnipropetrovsk regions. Although Cherkasy, Khmelnytskyi, and Ivano-Frankivsk regions are also leaders in terms of sale price. The geography of those assets (property) sold is shown in detail in Table 4.1.5 and Figure 4.1.5.

Table 4.1.5.
Distribution of sales of real estate objects and land plots in 2022 by regions of Ukraine

Location region of the object	Number of objects sold, pcs.	Book value of objects sold, UAH million	Sale price of objects, UAH million	Ratio of the sale price of objects to the book value of objects, %
TOTAL	113	713.2	1,009.3	142%
city of Kyiv	15	191.45	289.97	152%
Dnipropetrovsk region	19	82.79	125.88	152%
Cherkasy region	5	210.85	107.81	51%
Khmelnyskyi region	8	62.61	84.49	135%
Ivano-Frankivsk region	3	20.34	72.66	357%
Zhytomyr region	14	29.10	65.22	224%
Vinnysia region	3	19.49	56.04	287%
Zakarpattia region	4	9.28	45.05	486%
Odesa region	7	19.74	32.95	167%
Poltava region	6	18.44	32.26	175%



Volyn region	6	9.27	24.92	269%
Kirovohrad region	9	11.38	24.72	217%
Chernivtsi region	1	12.39	15.64	126%
Ternopil region	4	9.37	13.28	142%
Kyiv region	3	2.29	6.83	298%
Rivne region	2	1.89	6.53	345%
Lviv region	4	2.52	5.03	199%

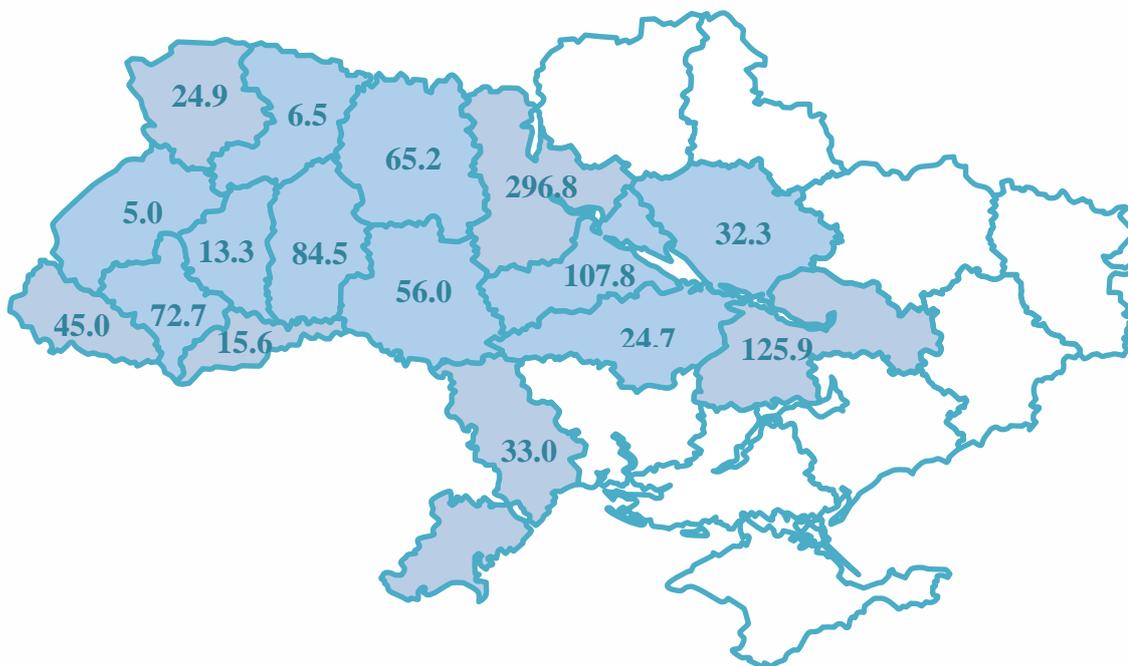


Figure 4.1.5. Geography of sales of real estate objects and land plots (at the sale price), UAH million, in 2022

In 2022, a significant part in the overall structure of sales of assets (property) of banks is occupied by property rights to real estate (accounts receivable) — UAH 351.0 million or 23% of the total sales. This is due to the sale of property rights to a non-residential building — a complex of premises (office center) with an area of more than 14 thousand square meters and a land plot at: 3 Olhynska St., Kyiv. It should be noted that the specified lot was sold at the 27th auction, with a conversion of 36% to the initial price of the lot in the effective auction.

According to the results of open auctions, the exercise price of claims under credit agreements concluded with individuals and legal entities is 8% of the total weight of all open auctions (Figure 4.1.6.).

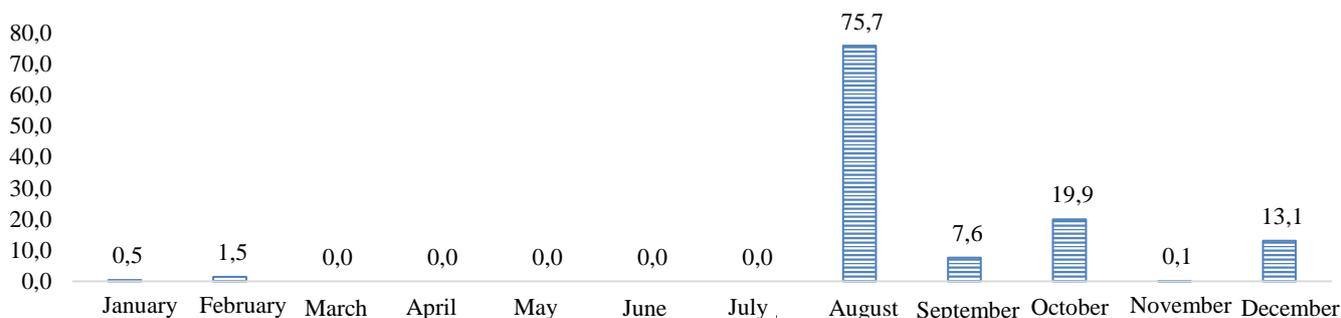


Figure 4.1.6. Results of auctions for loan sales, monthly, UAH million for 2022



In the structure of exercised claims under credit agreements, 97% accrues to claims under credit agreements with legal entities and 3% accrues to claims under credit agreements with individuals (Figure 4.1.7.).

In August, the amount of sale of claims under credit agreements concluded with individuals and legal entities was the highest in 2022. This is due to the sale of the claims under the credit agreement of the borrower — a legal entity belonging to the group of companies, which is the leader in milk processing in Ukraine. The agreement includes industrial real estate (property complexes for milk processing) with a total area of 52.2 thousand sq.m. with land plots with a total area of over 9.5 hectares, equipment and vehicles in Kyiv, Poltava, Vinnytsia, and Mykolaiv regions and other assets. The agreement implementation price is UAH 75.7 million.

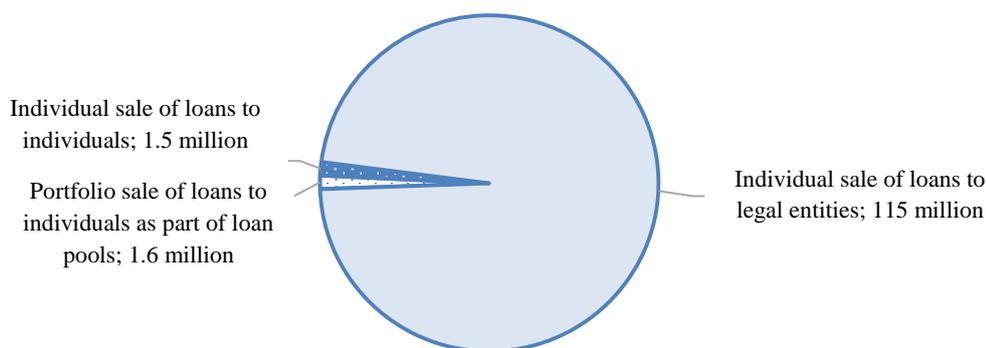


Figure 4.1.7. Breakdown of the results of auctions for individual and portfolio sales of loans, UAH million for 2022

It should be noted that in the conditions of military aggression of the Russian Federation towards Ukraine in 2022, there was almost no sale of loans, grouped on common grounds into pools of loans to individuals or legal entities. Only three pools of mortgage loans of individuals were sold — in January the pool of assets of PJSC ZLATOBANK (4 loans) for UAH 476.1 thousand with conversion of sales to the book value of 2%, in February the pool of assets of JSC City Bank (9 loans) for UAH 282.5 thousand with conversion of sales to book value of 3.4%, and pool of assets of JSC GOLDEN GATE BANK (2 loans) for UAH 799.5 thousand with conversion of sales to book value of 4%.

4.2. Management of insolvent banks' assets

An important area of the DGF work is to increase the proceeds to insolvent banks from the management and sale of assets in order to satisfy the claims of their creditors to the maximum extent possible.

In recent years, the DGF has been consistently developing a comprehensive system for managing the assets of banks liquidated in accordance with the requirements of the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as



the "Law"), taking into account the volume of banks' assets and the trends of their changes. As a result of the introduction of the asset management system of insolvent banks, high-quality asset management was ensured with centralization of decision-making functions by the DGF Committee on Consolidation, Management, and Sale of Property (Assets) of Banks (hereinafter referred to as the "Committee") liquidated by the DGF.

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

In 2022, the management of assets of banks that are being liquidated with the appointment of a Deposit Guarantee Fund authorized officer to liquidate the bank, as well as banks liquidated by the DGF directly.

The order and procedure for approving the lease of the insolvent bank's property were determined by the Regulations on the Pilot Project on Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions) approved by the Decision of the DGF Executive Board on December 7, 2020, No. 2056 (hereinafter referred to as the "Pilot Project") and the Regulations on Lease of Insolvent Bank Property approved by the Decision of the Executive Board of the Deposit Guarantee Fund No. 465 dated February 15, 2018.

Since February 24, 2022, due to the armed aggression of the Russian Federation against Ukraine, circumstances have arisen that have complicated or caused the impossibility of fulfilling a number of obligations of banks liquidated by the DGF, and their counterparties under concluded real estate lease agreements. In order to settle the issues concerning the repayment of debts under lease agreements by the tenants, the DGF Executive Board adopted Decision No. 399 dated June 9, 2022, "On Certain Issues of Lease of Bank Property, the Liquidation Procedure of Which Is Carried out by the Deposit Guarantee Fund Related to the Armed Aggression against Ukraine", as amended by Decision of the DGF Executive Board No. 718 dated September 12, 2022.

During 2022, work continued on filling the relevant section of the DGF information resource with up-to-date information on potential leased facilities. The most attractive assets were placed on the DGF website with relevant photos and presentation materials for collecting proposals from stakeholders and expanding the range of potential tenants.

Within the framework of the Pilot Project, 26 decisions of the Committee were adopted in 2022, a total of 172 auctions were held, of which 22 were successful auctions.

Considering the martial law in Ukraine, in order to increase the interest of potential tenants and speed up the process of concluding lease agreements, consideration and approval was initiated with Prozorro.Sale to amend the ETS Regulations to reduce the potential tenant's fee for participation in the auction from 5% to 3%. (operator's fee) and the conditions for conducting auctions during martial law in Ukraine under the Pilot Project.

According to the lease agreements concluded in 2022 within the framework of the Pilot Project, the estimated amount of monthly proceeds from the lease of premises is UAH 1,787,068.85 per month. The total amount of proceeds from the management and lease of real estate in 2022 amounted to UAH 73.7 million, including from facilities



leased under the Pilot Project — UAH 6.6 million. According to the DGF Activity Plan for 2022, proceeds from property lease in the amount of UAH 2.96 million are planned, thus the level of fulfillment of the planned indicator is (2489%), which is also related to the commencement of liquidation of insolvent banks of MEGABANK JSC in 2022, PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK, JSC IR BANK on the balance sheet of which a considerable number of real estate objects leased was accounted for.

Proceeds to insolvent banks from property lease and the rating of insolvent banks by proceeds from property lease in 2022 are reflected in Tables 4.2.1 and 4.2.2, respectively.

Table 4.2.1.

Proceeds to insolvent banks from property management and lease during 2022

No.	Period	Proceeds, UAH million
1	January 2022	0.2
2	February 2022	0.3
3	March 2022	0.3
4	April 2022	0.3
5	May 2022	3
6	June 2022	7.6
7	July 2022	4.9
8	August 2022	5.6
9	September 2022	3.4
10	October 2022	10.8
11	November 2022	4.9
12	December 2022	32.5
Total		73.8

Table 4.2.2.

Rating of banks by management and lease income in 2022

No.	Bank	Proceeds, UAH million
1	PJSC PROMINVESTBANK	41.5
2	JSC IR BANK	29.6
3	JSC JSCB ARKADA	0.8
4	JSC MEGABANK	0.7
5	JSC BANK SICH	0.7
6	Other banks	0.5
Total		73.8

In connection with the successful completion of the Pilot Project on November 30, 2022, in order to expand the audience of potential tenants and the possibility of increasing the income, the issue of introducing on a permanent basis the lease of real estate of insolvent banks through open auctions was initiated by Decision of the Executive Board No. 966 dated November 28, 2022, approved the "Regulations on Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions)", by which the Pilot Project was transformed into a permanent regulatory act.

In addition, measures to protect the property of insolvent banks from unlawful encroachments continued in 2022.



Due to the previously implemented mechanism of monitoring registration actions on real estate of banks liquidated by the DGF, using the service Vkursi.pro and information services, including the means of the application software interface of the State Register of Proprietary Rights to Real Estate provided by the State Enterprise National Information Systems, during 2022 the DGF timely registered 1 case of change of ownership or illegal encumbrance in respect of 1 real estate object owned by an insolvent bank.

Furthermore, the work started in previous years to present enforcement documents for enforcement to bodies and individuals, including private enforcement officers, the institution of which was established by the Ministry of Justice of Ukraine as a component of reforming the enforcement of decisions of courts and other bodies and which has proved its effectiveness, continues. The DGF distributes enforcement documents on debt recovery from debtors of banks liquidated by the DGF, and as of December 31, 2022, 5,109 enforcement documents were distributed, including in 2022 — 189. The trends of the distribution of enforcement documents during 2022 is reflected year-to-date total in Figure 4.2.1.

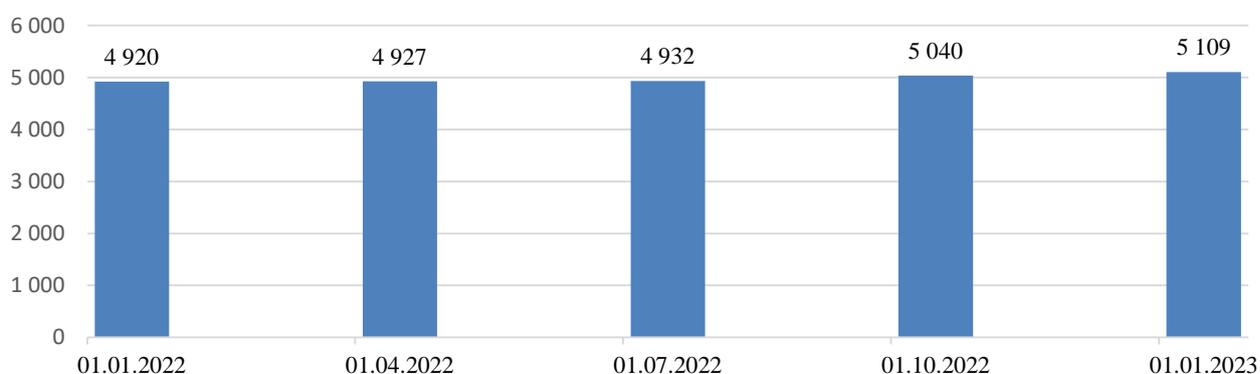


Figure 4.2.1. Trends of distributed enforcement documents

Table 4.2.3 shows the total number of distributed enforcement documents as of December 31, 2022, which are collected by individual insolvent banks.

Table 4.2.3.

Rating of banks based on distributed enforcement documents

No.	Bank	Number of ED distributed
1	JSC DELTA BANK	2,881
2	Banks where the liquidation procedure has been completed (liquidation balance sheets are approved)	1,381
3	Liquidated banks	234
4	JSC BANK FINANCE AND CREDIT	223
5	JSC VTB BANK	118
6	PJSC FIDOBANK	109
7	PJSC PROMINVESTBANK	108
8	JSC IR BANK	47
9	JSC MISTO BANK	28
10	JSC MEGABANK	11
11	Others	29
	Total	5,109



As of December 31, 2022, funds totaling UAH 98,659,010.17 were collected in favor of banks resolved by the DGF, including UAH 4,383,034.04 or year-to-date total: as of April 1, 2022 — UAH 94,400,256.34 (increase + UAH 124,280.21); as of July 1, 2022 — UAH 94,411,531.93 (increase + UAH 11,275.59); as of October 1, 2022 — UAH 98,519,814.83 (increase + UAH 4,108,282.90); as of January 1, 2023 — UAH 98,659,010.17 (increase + UAH 139,195.34).

The dynamics of the receipts of funds under the distributed enforcement documents during 2022 is reflected year-to-date total in Figure 4.2.2. The rating of insolvent banks according to the level of proceeds from enforcement is given in Table 4.2.4.

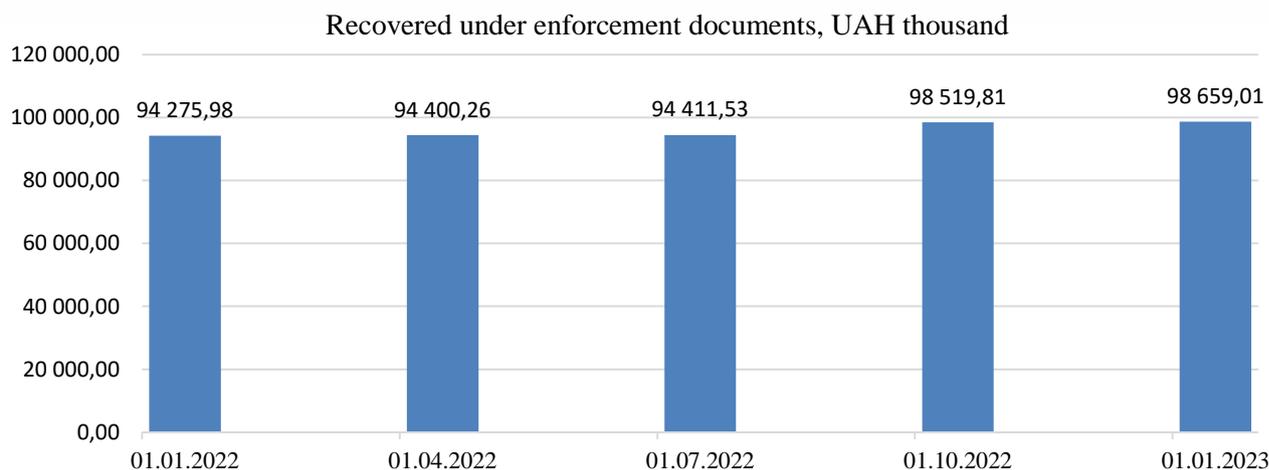


Figure 4.2.2. Trends of receipt of funds under distributed enforcement documents during 2022

Table 4.2.4.

Rating of banks by the level of funds received from private enforcement officers

No.	Bank	Recovered funds, UAH	Relative share
1	JSC DELTA BANK	33,940,906.12	34.402%
2	JSC VTB BANK	32,112,597.15	32.549%
3	JSC BANK FINANCE AND CREDIT	18,180,644.26	18.428%
4	BANKS WITH APPROVED LIQUIDATION BALANCE SHEETS	6,495,008.43	6.583%
5	PJSC PROMINVESTBANK	4,193,539.13	4.251%
6	PJSC FIDOBANK	3,114,892.64	3.157%
7	LIQUIDATED BANKS	554,111.03	0.562%
8	JSC IR BANK	53,939.11	0.055%
9	PJSC JSCB CAPITAL	8,112.30	0.008%
10	JSC MISTO BANK	5,260.00	0.005%
11	OTHERS	0.00	0.000%
	TOTAL	98,659,010.17	100.000%

During 2022, the DGF received 1 set of documents on the restructuring of loan debt of individuals in accordance with the Regulations on the Procedure for Restructuring the Loan Debt of Individuals (Except for Sole Proprietors) under credit agreements, the Obligations under Which are Secured with Mortgage, to Banks Liquidated by the Deposit



Guarantee Fund approved by Decision of the DGF Executive Board No. 372 dated February 5, 2018 (hereinafter referred to as "Regulations No. 372"). In 2022, proceeds to insolvent banks under restructured loans in accordance with Regulations No. 372 amounted to UAH 32.6 million, the average value of monthly proceeds is UAH 2.7 million per month.

As of December 31, 2022, during the period of Regulations No. 372, the DGF carried out 730 restructuring cases, as a result of which the total amount of proceeds to insolvent banks under restructured loans pursuant to Regulations No. 372 amounted to UAH 162.3 million.

Such a decrease in the number of restructured loans to individuals pursuant to Regulations No. 372 is caused by the full-scale military aggression of the Russian Federation against Ukraine and the imposition of martial law in Ukraine, in connection with which the DGF Executive Board adopted Decision No. 671 dated September 1, 2022, "On Minimizing the Adverse Impact of Consequences Military Aggression of the Russian Federation against Ukraine and Recognition as Invalid of the Decision of the Executive Board of the Deposit Guarantee Fund" (hereinafter referred to as "Decision No. 671"), which sets the Loan Debt Repayment Terms and Conditions for individual borrowers.

As of December 31, 2022, individual borrowers of PJSC PROMINVESTBANK, JSC CB ZEMELNY CAPITAL, JSC IR BANK, JSC MISTO BANK, JSC MEGABANK, JSC BANK SICH, JSC JSCB ARKADA, Loan Debt Repayment Terms and Conditions were fulfilled under 796 credit agreements of individuals.

During the period of validity of the Loan Debt Repayment Terms and Conditions under credit agreements of individuals who have joined and continue to fulfill the Loan Debt Repayment Terms and Conditions as of December 31, 2022, the total amount of debt — UAH 10.8 million was repaid. During this period, the debt under 110 credit agreements was fully repaid.

Monthly proceeds from debt repayment under credit agreements of individuals who joined and continued to fulfill the Loan Debt Repayment Terms and Conditions for the period from September 1, 2022, to December 31, 2022, are given in Table 4.2.5.

Table 4.2.5.

Breakdown of repayments by months

Month	Number of agreements per month	Amount of repayments per month, UAH equivalent
September 2022	57	318,840.72
October 2022	115	1,541,463.23
November 2022	115	1,203,892.60
December 2022	796	7,722,793.17
Total:		10,786,989.72

The breakdown of repayments by insolvent banks for the period from September 1, 2022, to December 31, 2022, is given in Table 4.2.6.



Table 4.2.6.

Breakdown of repayments by banks

Bank	Amount of repayments, UAH	Relative share
JSC MEGABANK	5,818,305.44	53.94%
JSC BANK SICH	3,198,753.99	29.65%
JSC IR BANK	1,014,240.57	9.40%
JSC JSCB ARKADA	565,474.07	5.24%
PJSC PROMINVESTBANK	139,560.65	1.29%
JSC CB ZEMELNY CAPITAL	40,000.00	0.37%
JSC MISTO BANK	10,655.00	0.10%
Total:	10,786,989.72	100.00%

At the same time, in 2022, on the basis of Decision No. 671, the DGF started restructuring the debt of business entities. During 2022, the DGF reviewed 1 set of documents on restructuring the loan debt of business entities. In 2022, proceeds to insolvent banks under restructured loans of economic entities amounted to UAH 1.5 million.

In total, in 2022, as a result of various methods of asset management, proceeds to insolvent banks amounted to UAH 123 million.



5. PAYMENTS TO DEPOSITORS

5.1. Guaranteed deposit payouts to depositors of insolvent banks

After the imposition of martial law in Ukraine, the DGF did not stop paying guaranteed deposit payouts to the depositors of the liquidated banks for a single day. All payments were made by means of the Automated Payment System.

In the context of a full-scale war, in 2022 the DGF paid out to depositors of banks that were declared insolvent over UAH 5.8 billion. In total, during 2022, the guaranteed deposit payouts were made to the depositors of 40 banks.

In order to make the guaranteed deposit payouts, 12 agent banks (Figure 5.1.1.) connected to the DGF Automated Payment System (hereinafter referred to as the "System") were involved. Agent banks were identified in accordance with the requirements of the Regulations on the Procedure for Determining Agent Banks of the Deposit Guarantee Fund approved by Decision of the Executive Board No. 6 dated July 12, 2012.

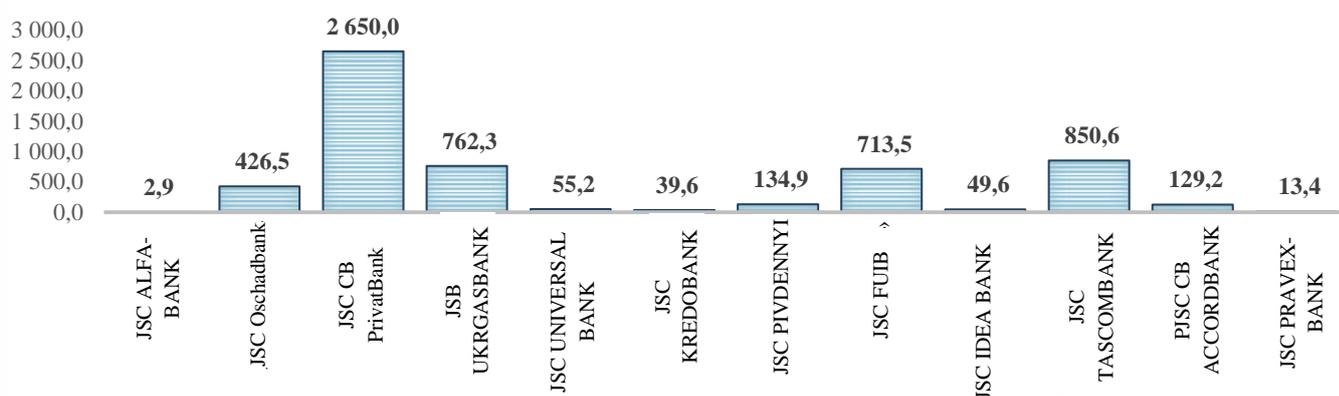


Figure 5.1.1. Breakdown of guaranteed deposit payouts by the DGF agent banks in 2022, UAH million

In total, 93% of depositors received a guaranteed compensation amount, and only 7% did not apply for payment. At the end of the reporting period, the amount of compensation that the depositors had not yet applied for amounted to about UAH 3.2 billion. The most common reasons for not receiving funds are: military actions in Ukraine, a small amount of compensation not exceeding UAH 100, so-called "forgotten" deposits, as well as deposits belonging to deceased depositors — until the certificate of the right to inheritance.

Due to disbursements by means of the System through the branches of agent banks, depositors were able to receive compensation in any branch of the agent bank, covering the entire territory controlled by Ukraine. Only the heirs of the depositors need to apply to the DGF with individual applications, or if it is necessary to update the data before paying the funds to the depositors of those banks the liquidation of which lasts more than 5 years.



The Deposit Guarantee Fund has improved the mechanism for making guaranteed deposit payouts during martial law in Ukraine. In particular, the depositors of the liquidated banks are given the opportunity, if they so wish, to receive the guaranteed amount remotely, by crediting it to their own account with the agent bank, without visiting the branches of the agent banks. The relevant decision was made by the DGF Executive Board on March 24, 2022, and registered by the Ministry of Justice of Ukraine on March 31, 2022. Changes in the procedure for compensation of deposits came into force on April 6, 2022, after they were published on the pages of official publications.

The guaranteed compensation amount paid by four agent banks of the DGF, which introduced remote payments, amounted to UAH 1.6 billion (Table 5.1.1.).

Table 5.1.1.

Settlements with depositors for online compensation, UAH million

Agent banks	Guaranteed compensation amounts, UAH million		Share of online guaranteed compensation amounts
	general	online	
JSC CB PrivatBank	2,650.0	1,274.7	48%
JSC FUIB	713.5	296.9	42%
JSC PIVDENNYI	134.9	12.7	9%
JSB UKRGASBANK	762.3	19.6	3%
Total	4,260.7	1,603.9	

The share of online payments of the guaranteed compensation amount amounted to 28% of the total amount of UAH 5.8 billion of payments made by agent banks of the DGF in the reporting year.

In connection with the commencement of the resolution procedure of JSC IR BANK, PJSC Prominvestbank, JSC MEGABANK, and JSC BANK SICH, the DGF started in 2022 payments to depositors (including sole proprietors) of these banks.

Already on the second day of full-scale military aggression, on February 25, 2022, the NBU decided to revoke the banking license and liquidate banks with russian capital — JSC IR BANK and PJSC Prominvestbank.

Despite all the difficulties of wartime, the DGF was able to start early payment of compensation to depositors: from March 18 — depositors of PJSC Prominvestbank, and from March 25 — depositors of JSC IR BANK.

Furthermore, early payments were made to the depositors of JSC MEGABANK — as early as the 13th day after the insolvency of the bank, the depositors received compensation under bank account agreements and bank the introduction of provisional administration into the institution.

In order to ensure the functioning of the banking system during the war, the Verkhovna Rada of Ukraine adopted Law No. 2180-IX. According to this Law, the DGF guarantees compensation to each depositor of the bank of the full amount of the deposit, including interest accrued as of the end of the day preceding the day of commencement of the bank resolution procedure from the date of entry into force of this Law during the martial law in Ukraine and three months from the date of termination or abolition of martial law in Ukraine. This Law shall not apply to depositors of those banks, the resolution of which started before the entry into force of this Law (April 13, 2022).



Table 5.1.2.

Deposit guarantee settlements in 2022, UAH million

Item No.	List of liquidated banks	Balance of funds not received by depositors as of January 1, 2022	Accrued amount of compensation in 2022	Funds actually received in 2022	Liabilities to depositors written off in 2022	Balance of funds not claimed by depositors as of December 31, 2022
1	JSC GOLDEN GATE BANK	0.7	-	-	0.7	-
2	PJSC AKTABANK	8.8	0.1	0.1	-	8.8
3	PJSC VAB BANK	423.2	0.2	0.4	-	423.0
4	PJSC BANK CAMBIO	35.8	7.3	4.2	-	38.8
5	JSC IMEXBANK	399.9	0.5	1.1	399.4	-
6	PJSC CB NADRA	178.5	0.1	0.6	-	177.9
7	PJSC ENERGOBANK	15.5	-	0.0	-	15.4
8	JSC ZLATOBANK	35.2	3.0	6.6	-	31.6
9	JSC DELTA BANK	479.7	4.0	7.5	-	476.2
10	PJSC BANK KYIVSKA RUS	213.1	0.5	0.6	-	213.0
11	PJSC UKRAINIAN PROFESSIONAL BANK	8.1	-	-	-	8.1
12	PJSC NATIONAL CREDIT BANK	12.3	-	0.03	-	12.3
13	PJSC CB FINANCIAL INITIATIVE	146.1	-	-	146.1	-
14	PJSC RADIKAL BANK	17.8	16.2	4.9	-	29.0
15	PJSC JSCB CAPITAL	45.4	0.2	0.8	-	44.8
16	PJSC INTEGRAL-BANK	3.2	-	0.1	-	3.1
17	JSC BANK NATIONAL INVESTMENTS	4.9	-	0.2	-	4.7
18	JSC BANK FINANCE AND CREDIT	498.3	0.6	0.1	-	498.7
19	PJSC BANK CONTRACT	3.3	-	-	-	3.3
20	JSC BANK VELES	0.1	-	0.0004	0.1	-
21	PJSC UKRINBANK	66.1	-	-	-	66.1
22	PJSC CB PREMIUM	2.0	-	0.005	2.0	-
23	PJSC FIDOBANK	56.4	-	1.6	-	54.8
24	PJSC BANK MYKHAYLIVSKY	15.0	1.7	2.4	-	14.3
25	PJSC CB EUROBANK	4.9	-	0.0	-	4.9
26	PJSC KSG BANK	1.5	-	-	-	1.5
27	PJSC BANK TRUST	5.0	-	-	-	5.0
28	PJSC CB INVESTBANK	2.7	-	-	-	2.7
29	PJSC PLATINUM BANK	65.2	-	0.4	-	64.8
30	PJSC VECTOR BANK	1.2	-	-	1.2	-
31	PJSC DIAMANTBANK	0.0	-	-	-	0.05
32	JSC BANK BOHUSLAV	3.6	-	0.04	-	3.6
33	JSC VTB BANK	106.2	1.0	2.1	-	105.1
34	JSC JSCB ARKADA	70.2	0.05	5.7	-	64.5
35	JSC Misto Bank	14.2	-	2.0	-	12.2
36	JSC CB ZEMELNY CAPITAL	16.0	0.2	11.9	-	4.3
37	JSC IR BANK	-	1,186.5	829.0	-	357.4
38	PJSC PROMINVESTBANK	-	3.4	0.5	-	2.8
39	JSC MEGABANK	-	4,088.0	3,739.4	-	348.6
40	JSC BANK SICH	-	1,276.5	1,205.2	-	71.3
	Total:	2,960.1	6,589.9	5,827.7	549.4	3,172.9



According to the results of payments in 2022, compensation payments to depositors of JSC MEGABANK (UAH 3,739.4 million), JSC BANK SICH (almost UAH 1,205.2 million) and JSC IR BANK (UAH 829.0 million).

During the reporting year, there was a trend to keep funds in banks in the amount of up to UAH 200,000.00, despite the 100% deposit guarantee. According to the indicators of 2022, it is uneven to receive compensation for the number of transactions according to the gradation of deposits defined below (Figure 5.1.2.).

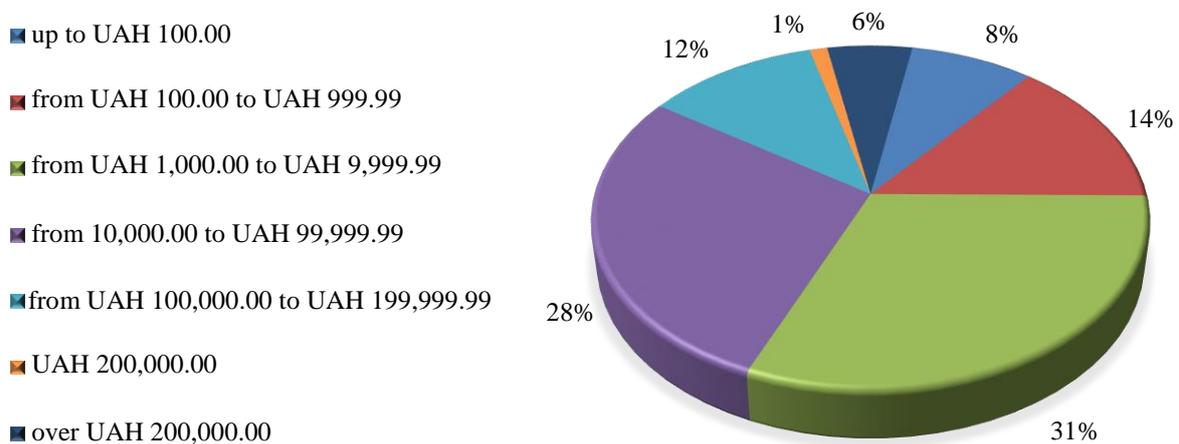


Figure 5.1.2 Breakdown of payments by the compensation amount in 2022

Pursuant to part 3, Article 28 of the Law of Ukraine "On Household Deposit Guarantee Scheme", the DGF shall stop making guaranteed deposit payouts on the day of approval of the bank's liquidation balance sheet. During 2022, due to the completion of the guaranteed deposit payout, the DGF liabilities to the depositors of six banks were written off in the amount of UAH 549.4 million (Table 5.1.2), while payments for two banks of PJSC CB FINANCIAL INITIATIVE and PJSC VECTOR BANK were actually stopped in 2021. Depositors of those banks for which payments were completed in 2022, in total, received a guaranteed compensation amount of UAH 4.6 billion, which amounted to 92% of the total guaranteed amount (Figure 5.1.3.).

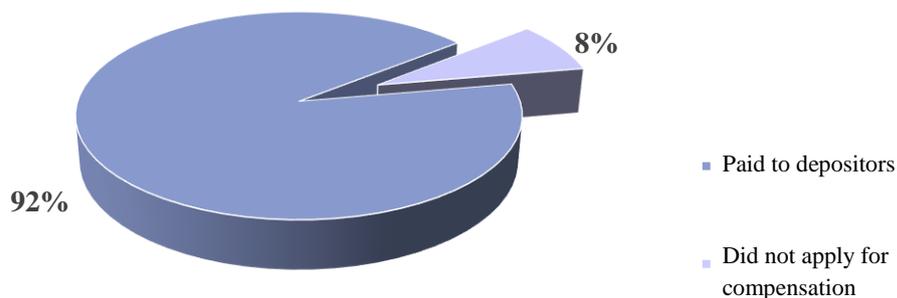


Figure 5.1.3. Compensation to depositors of banks, payouts in which were completed



As part of the implementation of the DGF Development Strategy until 2022, in accordance with the approved gradual transition to the standards stipulated by Directives 2014/49/EC and 2014/59/EU, the deadlines for the start of payments to depositors of banks JSC MEGABANK and JSC Prominvestbank were reduced (Registers for the payouts were prepared on the 13th and 16th days, respectively, instead of the 20th business day), as part of the transition of the DGF to EU standards and in accordance with current global and European standards.

For payment of funds under court decisions by means of the System, the Regulations "On the Enforcement by the Deposit Guarantee Fund by Means of the Automated System of Payments of Court Decisions in Favor of Depositors to Recover the Guaranteed Compensation Amount for a Deposit Placed with a Bank Payments to the Depositors of Which Have Been Suspended or Completed, and/or Other Amounts Related to Such Recovery" approved by the Decision of the DGF Executive Board No. 87 of February 3, 2022, registered with the Ministry of Justice of Ukraine on February 23, 2022, under No. 253/37589. Accordingly, it was technically possible to enforce these court decisions in favor of depositors of banks, the payment of guaranteed compensation amounts for which was stopped (completed) in accordance with the Law, due to a separate functionality of the System. This made it possible to ensure that payments were made to the applicants through the DGF processing center.



6. FINANCIAL MANAGEMENT

6.1. Sources and utilization of financial resources

In order to ensure the functioning of the household deposit guarantee scheme and bank resolution, the Deposit Guarantee Fund continued to accumulate financial resources in 2022.

As of the end of December 31, 2022, the DGF resources consisted of:

- funds on accounts with the NBU in the amount of UAH 947 million;
- funds in government securities in the amount of UAH 16,893 million.

In accordance with Article 19 of the Law of Ukraine "On the Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"), the DGF financial resources were formed during 2022 from the following sources:

- 1) initial and regular premiums from the DGF members;
- 2) income from investing the DGF resources in government securities;
- 3) income in the form of interest accrued on the balances of the DGF accounts opened with the National Bank of Ukraine;
- 4) funds received from the implementation of measures provided for in the resolution plan;
- 5) funds received from banks, the procedure of provisional administration or liquidation of which is carried out by the DGF, within the approved cost estimates, to compensate the costs incurred by the DGF on their resolution;
- 6) other sources that are not prohibited by the legislation of Ukraine.

The sources of formation of the DGF resources are shown in Table 6.1.1.

Table 6.1.1

Formation of the DGF financial resources in 2022 and 2021

UAH million

Source of formation of the DGF resources	2022	2021
Initial and regular premiums from the members	5,493	4,539
Income from investing in government securities	1,636	1,301
Income in the form of interest on the balance of funds on current accounts with the NBU	210	70
Repayment of domestic government bonds	12,691	9,492
Funds received from the implementation of measures provided for in the resolution plan	1,211	1,031
Funds received from banks, the procedure of provisional administration or liquidation of which is carried out by the DGF, within the approved cost estimates, to compensate the costs incurred by the DGF on their resolution	185	0
Other proceeds, including:	3	34
<i>guarantee fees received</i>	0	30
<i>refund of paid court costs in foreign currency</i>	2	0
<i>refund of court fees</i>	1	0
<i>other proceeds</i>	0	4
Total by sources	21,429	16,467



During the reporting period, the DGF resources were spent in the areas provided for in Article 20 of the Law:

- investment in government securities — UAH 14,657 million (69%);
- transfer of funds for the guaranteed deposit payouts to bank depositors — UAH 5,833 million (28%).
- ensuring the current activities of the DGF according to the cost estimate for 2022 — UAH 662 million (3%), the implementation of the estimate for 2022 makes 74% of the planned amount;
- court fees not provided for in the estimate amounted to UAH 5 million.

Table 6.1.2

Use of the DGF financial resources in 2022 and 2021

Areas of use of the DGF resources	2022	2021
Transfer of funds for making payments to depositors of insolvent banks	5,833	848
Payment under promissory notes (par value)	0	2,400
Interest expenses on the DGF promissory notes	0	1,672
Investing in government securities	14,657	11,499
Estimated costs	662	757
Other expenses, including:	5	30
<i>court fees not provided for in the estimate</i>	5	0
<i>refund of guarantee fees</i>	0	30
Total by areas	21,157	17,206

UAH million

During the reporting year, in accordance with the requirements of the Law of Ukraine "On Public Procurement", it is planned to purchase goods, works, and services totaling UAH 181.8 million.

Effectively conducted:

- 65 open auction procedures, including 13 procedures with an expected cost exceeding EUR 133,000 and 21 procedures with special features stipulated by the Resolution of the Cabinet of Ministers of Ukraine No. 1178 of October 12, 2022 (as amended) for the period of martial law in Ukraine and for 90 days from the date of its termination or cancellation;

- 17 negotiation procurement procedures;

- 14 simplified purchases;

- 88 purchases without using an electronic procurement system.

According to the results of the procurement procedures, contracts were concluded for a total amount of UAH 113.6 million, including for the purchase of goods in the amount of UAH 57.7 million, and services in the amount of UAH 55.9 million. In particular, the DGF needs for technical support and modernization of existing software products, copies of antivirus software such as McAfee, copies of VMware software, equipment configuration services in the shielded modular data processing center (SMDPC), goods and services necessary for the operation of the DGF office premises were met.



Cost savings from the procurement procedures amounted to UAH 13.4 million. Procurement has been made that does not fall under the Law of Ukraine "On Public Procurement" and the DGF needs have been met, in particular in services to represent the interests of the DGF and/or insolvent banks in various jurisdictions for compensation of damages (losses) caused by related parties of the following insolvent banks: JSC FORTUNA-BANK, PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK, JSC RODOVID BANK.

6.2. Settlement of DGF creditor claims

As of the end of December 31, 2022, the debt of liquidated banks on paying creditor claims to the DGF amounted to UAH 29,440.3 million. The total number to which the DGF had registered creditor claims was 37 banks, of which 19 banks were managed by the DGF and 18 banks were managed by the National Bank of Ukraine (Table 6.2.1)

Table 6.2.1

DGF claims against insolvent banks

Banks under liquidation	As of December 31, 2022		As of December 31, 2021		Difference	
	Number of banks	Amount, UAH million	Number of banks	Amount, UAH million	Number of banks	Amount, UAH million
Banks managed by the DGF	19	25,657.7	47	51,961.6	-28	-26,303.9
Banks managed by the NBU	18	3,782.6	18	3,782.6	0	0.0
Total	37	29,440.3	65	55,744.2	-28	-26,303.9

During the reporting year, the amount of the creditor claims of the DGF against banks under liquidation decreased by UAH 26,303.9 million (changes occurred due to the write-off of creditor claims, in connection with the approval of the liquidation balance sheets of banks, as well as the DGF claims to JSC MEGABANK and JSC BANK SICH).

The list of the largest creditor claims of the DGF against banks under liquidation is given in Table 6.2.2.

Table 6.2.2.

Largest claims of the DGF against banks under liquidation as of December 31, 2022

No.	Bank name	Amount, UAH million	Relative share
1	PJSC DELTA BANK	8,447.8	28.7%
2	PJSC BANK FINANCE AND CREDIT	7,565.8	25.7%
3	JSC MEGABANK	4,115.8	14.0%
4	PJSC UKRINBANK	1,705.6	5.8%
5	JSC BANK SICH	1,286.4	4.4%
6	PJSC FIDOBANK	744.7	2.5%
7	JSCB European	685.0	2.3%
8	PJSC ZLATOBANK	644.5	2.2%



No.	Bank name	Amount, UAH million	Relative share
9	OJSC Bank BIG Energy	500.0	1.7%
10	JSCB Transbank	436.9	1.5%
11	JSC CB ZEMELNY CAPITAL	419.7	1.4%
12	PJSC BANK CAPITAL	379.5	1.3%
13	OJSC SCB Dnister	340.1	1.2%
14	OJSC EBRS	327.4	1.1%
15	JSCB BRD	290.2	1.0%
16	Others (27 banks)	1,550.9	5.2%
	Total	29,440.3	100.0%

The largest amount in absolute terms accrues to PJSC DELTA BANK — UAH 8,447.8 million, which is 28.7% of the total amount. The second and third places are occupied by PJSC BANK FINANCE AND CREDIT and JSC MEGABANK with the amounts of UAH 7,565.8 million, or 25.7% of the total amount, and UAH 4,115.8 million, or 14.0% of the total amount, respectively. Table 6.2.2 shows data from 15 banks with a specific weight of claims of 1.0% or higher. The remaining 27 banks have creditor claims of the DGF in the amount of UAH 1,550.9 million, which makes 5.2% of the total amount.

During the reporting year, the creditor claims of the DGF totaling UAH 1,210.7 million were settled. The total settlement was made by 14 banks managed by the DGF, 98.7% of the settlements accounted for the settlement of creditor claims of JSC IR BANK in the amount of UAH 1,194.4 million, the remaining settlements of claims amounted to UAH 16.3 million or 1.3%.

During the reporting year, in accordance with Article 52 of the Law of Ukraine "On Household Deposit Guarantee Scheme", the DGF creditor claims against 26 banks in the amount of UAH 31,697.9 million were written off due to the approval of liquidation balance sheets (Table 6.2.3).

Table 6.2.3.

Written-off creditor claims of the DGF for the reporting year

No.	Bank name	Amount, UAH million	Relative share
1	PJSC VAB BANK	5,594.6	17.6%
2	PJSC CB FINANCIAL INITIATIVE	5,018.1	15.8%
3	PJSC IMEXBANK	4,344.8	13.7%
4	PJSC PLATINUM BANK	3,637.8	11.5%
5	PJSC CB NADRA	2,667.4	8.4%
6	PJSC BANK MYKHAYLIVSKY	2,552.8	8.1%
7	PJSC CB PIVDENCMBANK	1,704.6	5.4%
8	PJSC BANK KYIVSKA RUS	1,665.3	5.3%
9	PJSC CB ACTIVE-BANK	1,219.5	3.8%
10	PJSC NATIONAL INVESTMENTS	758.3	2.4%
11	PJSC CB UKRAINIAN PROFESSIONAL BANK	654.0	2.1%
12	Others (15 banks)	1,880.7	5.9%
	Total	31,697.9	100.0%



Trends of settlement of creditor claims as of December 31, 2022, is given in Figure 6.2.1.

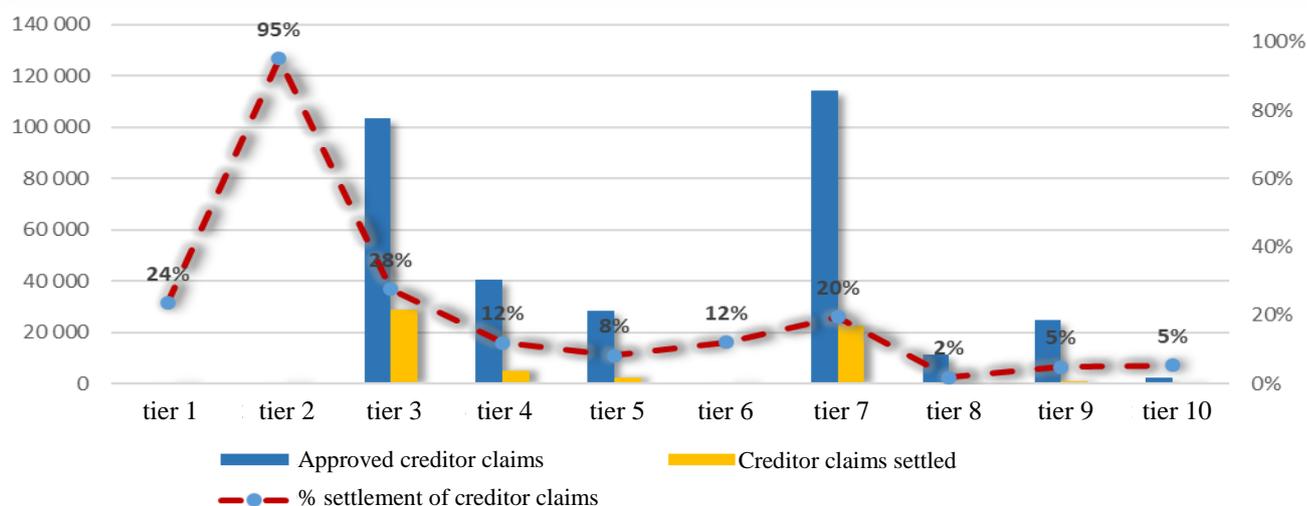


Figure 6.2.1. Settlement of creditor claims as of December 31, 2022, UAH million

6.3. Public debt settlement

In order for the DGF to compensation the guaranteed amount of more than UAH 90 billion in the crisis years of 2014–2017, the DGF raised loans from the National Bank of Ukraine and the Ministry of Finance of Ukraine on market terms. In 2019, the DGF completed settlements on loans to the National Bank of Ukraine, which exceeded UAH 20 billion in total. Loans from the state (Ministry of Finance of Ukraine) were received in exchange for the DGF promissory notes in the total amount of UAH 59.56 billion at an interest rate of 9.99% to 12.5% with the maturity dates from 2025 to 2031.

In 2018, the DGF initiated granting it a permission for early repayment of its promissory notes, which are owned by the Ministry of Finance of Ukraine, in order to reduce the cost of paying interest. Having received a permission for early repayment of its promissory notes, the DGF began, upon accumulation of funds, to gradually repay its debts to the state. The DGF paid a total of UAH 21,722.7 million as repayment of its debt liabilities to the state, including UAH 13,817.6 million of the nominal value of its promissory notes, and UAH 7,905.1 million of interest thereon.

On April 12, 2022, the President of Ukraine signed the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring Stability of the Household Deposit Guarantee Scheme" No. 2180-IX dated April 1, 2022 (hereinafter referred to as "Law No. 2180-IX"), which entered into force on April 13, 2022. Pursuant to Law No. 2180-IX, the DGF liabilities under the balance of promissory notes (including accrued interest) issued in 2015 and 2016 in exchange for domestic government bonds held by the Ministry of Finance of Ukraine were terminated in full.

Considering that the termination of the DGF obligations under promissory notes (including accrued interest) was carried out for the purpose of capitalization of the DGF, the terminated financial obligation on April 13, 2022, was recognized in other additional capital in the amount of UAH 78,507 million. At the same time, UAH 45,741 million —



in terms of liabilities under promissory notes; UAH 32,766 million — in terms of the interest accrued on promissory notes on the date of termination of the obligation.

After the termination of the obligations under the promissory notes, the DGF will transfer the funds to the State Budget of Ukraine by the decision of the DGF Executive Board, within the amount of the terminated obligations of the DGF under the promissory notes of UAH 45.741 million and at the interest that could be accrued until 2031, to the total an amount not exceeding UAH 62.543 million. The procedure for transferring funds to the State Budget of Ukraine shall be determined by an agreement concluded between the DGF and the Ministry of Finance of Ukraine on April 15, 2022 (hereinafter referred to as the "Agreement").

The initial recognition of the new liability of the DGF to the Ministry of Finance of Ukraine under the Agreement will take place on the date when the DGF is obliged to transfer a certain amount of funds to the State Budget of Ukraine, namely, on the day the DGF Executive Board makes a decision on the transfer of funds.

Pursuant to the Agreement, the DGF calculated the amount of funds, namely UAH 1,797,812.43, which the DGF received for the reporting year (starting from April 15, 2022) as satisfaction of the DGF creditor claims against banks, which were declared insolvent during 2014–2017 or in respect of which in 2014–2017, a decision was made to liquidate on the grounds specified in part 2, Article 77 of the Law of Ukraine "On Banks and Banking". In the future, after receiving an audit opinion on the DGF financial statements for 2022, the DGF Executive Board will make a decision on the transfer of these funds to the general fund of the State Budget of Ukraine. The calculation of the above amount in terms of banks is given in Table 6.3.1.

Table 6.3.1

Funds received by the DGF from satisfaction of its creditor claims to be transferred to the general fund of the State Budget of Ukraine

No.	Bank	Repayment in the reporting year, UAH
1	PJSC ZLATOBANK	699,859.83
2	JSC GOLDEN GATE BANK	459,836.63
3	PJSC CB PREMIUM	342,555.06
4	JSB UKOOPSPILKA	100,978.59
5	PJSC CB NADRA	94,939.69
6	PJSC AKTABANK	48,141.09
7	JSC BROKBUSINESSBANK	22,814.00
8	PJSC BANK KYIVSKA RUS	18,870.26
9	PJSC VAB BANK	3,450.00
10	PJSC ENERGOBANK	2,121.46
11	PJSC CB KHRESCHATYK	2,061.39
12	PJSC PLATINUM BANK	1,218.00
13	JSC BANK MERCURY	966.43
	Total	1,797,812.43



6.4. Assessment of DGF financial stability

The DGF assesses financial stability based on the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund during Martial Law introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by Law of Ukraine No. 2102-IX dated February 24, 2022, (as amended), which was approved by Decision of the DGF Executive Board No. 1107 dated December 29, 2022. This methodology establishes the mechanism for assessing the DGF ability to cover the projected amount of risks in the banking system in the future, the procedure, conditions, and period for calculating the target fund size, liquidity risk, adjusted capital under martial law, introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by the Law of Ukraine No. 2102-IX dated February 24, 2022 (as amended). The Law of Ukraine "On Household Deposit Guarantee Scheme" stipulates that the value of the target indicator shall be approved by a decision of the DGF administrative board, together with which the law shall set its minimum value at 2.5%. The DGF is in the process of preparation for the stress testing of the guarantee scheme that will allow setting a different value of the target indicator for its approval by the DGF administrative board. Therefore, the decision of the DGF Executive Board No. 1107 dated December 29, 2022, set the value of the target indicator at the level of 2.5 percent, which is its minimum value according to the Law "On Household Deposit Guarantee Scheme", and the term of its achievement is 1 year. The forecast level of the DGF capitalization indicates acceptable capitalization rates, which do not require additional measures to increase the amount of contributions from participating banks.

The amount of the formed provisions for expected expenses related to the compensations to depositors due to the insolvency of banks as of January 1, 2023, indicates a high level of risks in the banking system and trends towards its growth. In case of insufficient funds, the DGF will have to apply to the Ministry of Finance of Ukraine for a loan or state contribution on a non-repayable basis.

6.5. DGF financial investments

In accordance with the functions of the DGF defined by the Law of Ukraine "On Household Deposit Guarantee Scheme", and in order to protect against inflationary processes and to replenish funds, the DGF invested temporarily available funds in government securities of Ukraine (hereinafter referred to as "domestic government bonds") based on the principles of security of financial investments, compliance with the DGF liquidity conditions, transparency, and efficiency of investment activities.

The investment of funds took place in accordance with the Investment Plan of the Deposit Guarantee Fund for 2022–2024 approved by the decision of the DGF Administrative Board No. 18 dated December 14, 2021, which provided for the investments in securities in the amount of UAH 16,500 million during 2022 and the formation of the authorized capital of the bridge bank in the amount of UAH 206 million. Due to the fact that in 2022 there was no resolution of banks by creating a bridge bank,



the DGF did not form the authorized capital of the bridge bank in the amount of UAH 206 million. Of the planned UAH 16,500 million of investments in securities during the reporting period, UAH 14,656.8 million was invested in domestic government bonds. The main reason for the non-fulfillment of the investment plan was the recognition of insolvency of four banks and the allocation of part of the free funds for the guaranteed deposit payouts. The plan of investment in securities was fulfilled by 88.8%, and the general plan of investment was fulfilled by 87.7%.

The DGF financial investments in domestic government bonds were made taking into account changes in the risks of potential bankruptcies of banks and observance of investment differentiation in terms of their maturity dates. The DGF invested funds for the period from 91 to 566 days, which was reflected in the levels of return on these investments from 11.5 to 22 percent per annum (Table 6.5.1).

Table 6.5.1

Investing the DGF resources in domestic government bonds in 2022

N o.	ISIN code	Purchase date	Maturity date	Circulation period (days)	Yield, % per annum	Quantity of domestic government bonds	Cost of domestic government bonds under the agreement, UAH
1	UA4000221436	January 26, 2022	April 27, 2022	91	11.50	1,748,719	1,699,999,688.66
2	UA4000226260	August 3, 2022	September 27, 2022	420	16.00	2,844,302	2,999,999,091.48
3	UA4000173371	August 15, 2022	August 23, 2023	373	19.00	160,000	155,908,800.00
4	UA4000206460	August 24, 2022	November 22, 2023	455	19.60	158,935	151,552,469.25
5	UA4000207682	August 30, 2022	February 15, 2023	169	17.00	348,390	338,858,049.60
6	UA4000207682	September 23, 2022	February 15, 2023	145	17.00	100,000	98,283,000.00
7	UA4000200885	September 23, 2022	April 19, 2023	208	18.10	200,000	212,218,000.00
8	UA4000226427	November 16, 2022	April 5, 2023	140	14.00	1,053,685	999,999,749.25
9	UA4000226427	November 30, 2022	April 5, 2023	126	14.00	3,144,950	2,999,999,254.50
10	UA4000206460	December 14, 2022	November 22, 2023	343	16.00	4,123,796	3,999,999,644.08
11	UA4000219208	December 15, 2022	July 3, 2024	566	22.00	500,000	472,825,000.00
12	UA4000226195	December 21, 2022	July 5, 2023	196	14.00	566,799	527,174,081.91
	Total investment						14,656,816,828.73

In total, during 2022, the DGF received UAH 14,326.39 million of income from investments in domestic government bonds, namely:

- coupon income — UAH 1,635.62 million;
- repayment of domestic government bonds — UAH 12,690.77 million.

At the beginning of the year, the book value of the DGF securities portfolio was UAH 16,393.7 million, of which the value of domestic government bonds received by the DGF as a loan from the Ministry of Finance of Ukraine in exchange for the DGF promissory notes and held in the portfolio for sale was UAH 5,261.7 million, or 32



percent. The remaining part of domestic government bonds, with a book value of UAH 11,132 million, or 68 percent, was held to maturity.

At the end of 2022, the total value of the DGF securities portfolio increased to UAH 16,893.4 million, of which 23 percent of the total volume accrues to domestic government bonds received as a loan from the Ministry of Finance of Ukraine in exchange for the DGF promissory notes worth UAH 3,870.5 million. Fair value of domestic government bonds received as a loan from the Ministry of Finance of Ukraine in exchange for promissory note of the Reduction Fund during 2022 by UAH 1,391.2 million. The DGF financial investments in domestic government bonds held to maturity account for 77 percent of the investment portfolio, with a book value of UAH 13,022.9 million (figure 6.5.1).

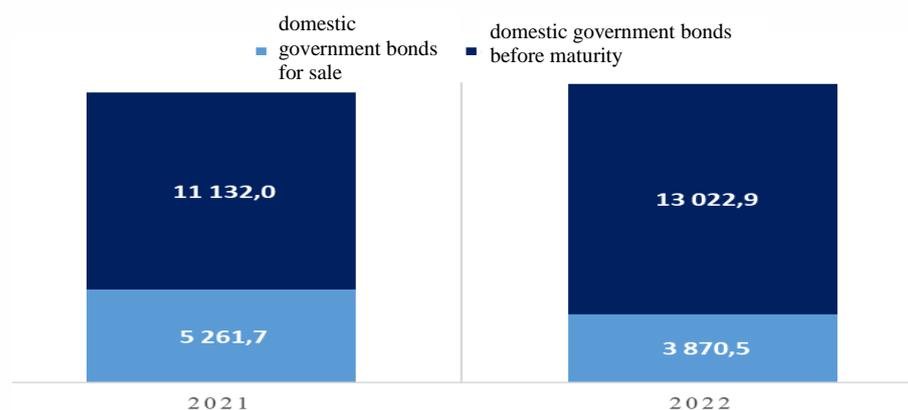


Figure 6.5.1. Trends of the DGF investment portfolio, UAH million

The report on the implementation of the DGF Investment Plan for 2022 is provided in the Annex to the Annual Report of the Deposit Guarantee Fund for 2022.



7. PUBLIC AND INTERNATIONAL RELATIONS

7.1. DGF public relations and information policy

The key factor influencing the situation in the country during 2022 was the unprovoked invasion of the territory of Ukraine by the military of the Russian Federation, military actions, missile attacks by the Russian Federation on the military and civilian infrastructure of Ukraine, as a result of which planned and emergency power outages were applied in the country at the end of the year.

After February 24, 2022, the main task was to prevent potential panic among depositors, assuring them of the stability of both the banking sector in general and the deposit guarantee scheme in particular. In the first month of martial law in Ukraine, the DGF focused its efforts on informing citizens about the stability of the deposit guarantee scheme. In particular, additional information support was provided on the topic of resolution of Russian banks — JSC IR BANK and PJSC PROMINVESTBANK — the decision on liquidation of which was adopted by the National Bank of Ukraine on February 25, 2022. Consumers of financial services were actively informed about the remote payments of guaranteed compensation introduced by the DGF. This allowed all those who were to receive compensation, but because of their stay in the temporarily occupied territories or travel abroad, could not physically visit the branches of the DGF agent banks, to receive the funds due to them.

On April 13, 2022, the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring Stability of the Household Deposit Guarantee Scheme" came into force. This document, in particular:

- for the duration of martial law and for three months after its cancellation or termination, a 100% guarantee on household deposits and deposits of sole proprietors was introduced, and after the termination of 100% of guarantees, a guaranteed amount of UAH 600,000 is stipulated;

- JSC OSCHADBANK Bank JSC has been granted the status of a member of the Deposit Guarantee Fund;

- provides for a mechanism for restructuring the DGF debt obligations to the Ministry of Finance of Ukraine, which arose due to the crisis of 2014–2017.

Informing the public about the introduction of 100% deposit guarantees in Ukrainian banks and stable operation of the banking system contributed to strengthening the confidence of depositors in banks. Thus, according to the results of 2022, the amount of deposits in the participating banks, despite the martial law, the departure, according to the UN, about 8 million Ukrainians (including those who later returned) to European countries, forcibly exported to the territory of the Russian Federation about 2 million Ukrainians, deposits of individuals and sole proprietors in participating banks increased during the year and on January 1, 2023, exceeded the mark of UAH 1 trillion.

Resumption of auctions for the sale of assets of the liquidated banks (the bidding was suspended due to the closure of registers after February 24, 2022, and, as a consequence, the impossibility of execution of purchase and sale agreements) and the



transition to management of the DGF in 2022 of four banks and the beginning of the procedure of their liquidation required additional:

- information support of key auctions for the sale of liquidated banks' property in order to inform the general public about the lots put up for sale and the conditions of participation in the bidding;

- informing the public about the procedure and priority of satisfaction of creditor claims of banks liquidated by the DGF.

In 2022, at the initiative of the DGF employees, a volunteer project "Contribution to Victory" was organized. Within the framework of this project, in cooperation with charitable foundations, cars, optical equipment, drones, and basic necessities were purchased and handed over to the military at the leading positions for voluntary contributions of the DGF employees.



During the year, the DGF website regularly published all information about the DGF activities and the banks being liquidated, including news, press releases, announcements,



statistics, and reporting, etc. In total, over 886 thousand users visited the official website of the DGF in 2022 (Figure 7.1.1.).

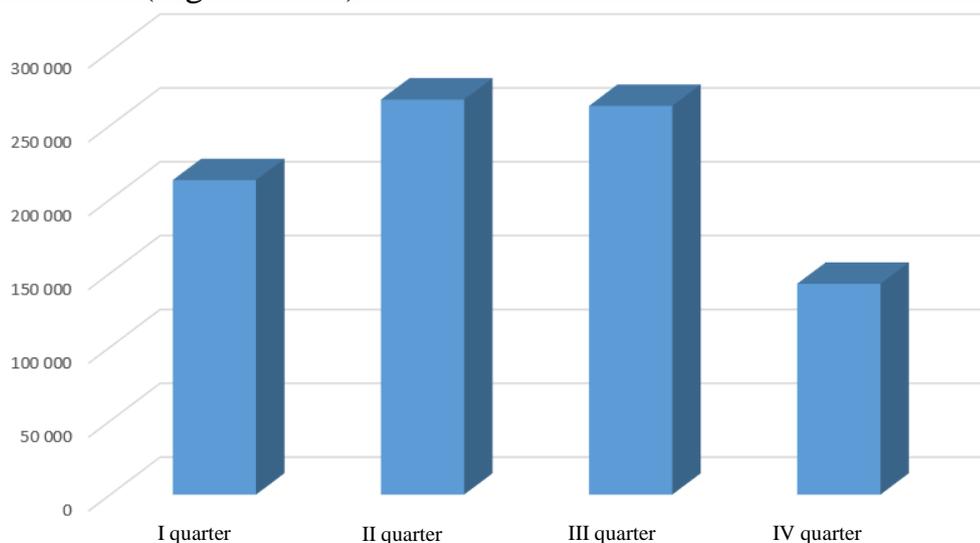


Figure 7.1.1. Trends in visits to the DGF website in 2022

In 2022, the DGF continued to actively communicate with the public on social media. During the year, more than 400 posts were published on the DGF Facebook page, of which 30 were videos (video comments of the DGF speakers, animation, recordings of TV broadcasts with the participation of the DGF speakers, etc.). For users of Facebook social media, the weekly section "Legal Alphabet" was updated on the DGF page. During martial law, the information materials are devoted to highlighting the legal aspects of banks' activities and the deposit guarantee scheme, which directly concern depositors and creditors of banks, taking into account the changes in force during martial law. In addition, the section "Financial Weekly" was introduced, in which an information digest of legislative changes concerning the financial sector of Ukraine is provided on Mondays. Also during the year, the previously introduced sections: "I Want to Know", "Quote of the Day", "Number of the Day" were regularly filled with information materials, as well as information on auctions for the sale of banks' assets in liquidation, including video content created by the DGF specialists.

Since 2022, the number of subscribers to the DGF Facebook page has grown to 79,000. During the year, about 10 million Facebook users viewed posts on the DGF social media page. The target audiences of the published content were users of financial services (in particular, depositors and borrowers of banks), potential investors who may participate in the DGF auctions, and media representatives.

During 2022, the DGF prepared and sent to news agencies and media representatives about 220 press releases, organized more than 30 thematic interviews and comments for media, appearances on television, published 13 thematic columns of the DGF speakers, provided information materials to journalists for the preparation of 2 articles, published in professional economic media. According to a nationwide survey conducted in 2021 on the awareness of consumers of financial services about the deposit guarantee scheme, among the communication channels that Ukrainians trust to receive information about financial and banking services, television is one of the most popular communication



channels, which respondents prefer. In this regard, in order to reach a wide audience of users of financial services, Svitlana Rekrut, DGF Managing Director, took part in TV broadcasts and provided comments for news stories about the imposition of martial law and within three months after its abolition, 100% guarantees. In addition, Oleksandr Kulchytskyi, Director of the DGF Consolidated Asset Sales Department, provided comments for the TV news stories about the planned auctions in order to expand the range of potential buyers, to promote auctions for the sale of assets of the bank under liquidation and as a result of the increase in receipts of funds to satisfy the claims of bank creditors.

In 2022, the DGF presented the results of a nationwide representative survey of citizens of Ukraine — users of financial services to determine their level of awareness of various aspects of the deposit guarantee scheme, attitude to banks, the need for additional information and the desired channels for its receipt, as well as the peculiarities of financial behavior, in particular in the field of savings held in October–November 2021. The results of the survey are posted on the DGF [official website](#).

7.2. Public advice and cooperation with NGOs

Interaction with the public remains one of the most important and priority tools for ensuring the openness, accessibility, and transparency of the DGF activities.

In 2022, information interaction with citizens was carried out in the conditions of a full-scale invasion of Ukraine by Russian troops, which left its mark both on the work of the DGF in general and on the work of the information and consultation center in particular. Nevertheless, the specialists of the DGF information and consulting center continuously provided information support to all depositors, borrowers, creditors of resolved banks, other citizens on important and topical issues related to the deposit guarantee scheme and the DGF activities.

Despite the hostilities, the efforts of the staff of the DGF information and consultation center were directed, first of all, to the implementation of proactive communications in order to protect the rights and interests of depositors, creditors of banks, information support of citizens-consumers of financial services, increase the level of knowledge of citizens about the household deposit guarantee scheme, providing complete and up-to-date information on insolvent bank resolution and reference assistance.

In the first months of the full-scale invasion, the DGF information and consulting center provided remote interaction with citizens and continued to perform all tasks related to information and consulting activities. The operation of the DGF hotline did not stop on any given day and ensured constant communication of the DGF with depositors and creditors from all regions of Ukraine, including the temporarily occupied territories. Very often, the hotline specialists, in addition to providing background information about banks or the DGF, also provided moral support to citizens who applied from territories where there was active hostilities or which were temporarily occupied.

The most accessible and popular channel of communication for citizens in 2022 was the DGF telephone hotline. Callers, mostly concerned about the state of the banking system of Ukraine, were interested in the DGF operation and guarantees on deposits



during martial law, the amount of guaranteed compensation, information on the procedure for obtaining guaranteed payouts, as well as asked questions related to the liquidation of banks resolved by the DGF, especially for banks, the liquidation of which commenced in 2022. In addition, the specialists of the hotline provided effective assistance in written statements, creditor claims, and provided prompt interaction with depositors facing various challenges in the process of obtaining DGF guaranteed compensation. Employees of the DGF information and consultation center actively contributed to solving similar problems by recording the appeal, transferring information about the problem to the relevant unit of the DGF, monitoring and maintaining feedback with depositors.



In 2022, the DGF information and consultation center began to inform creditors of banks, the liquidation of which was started in 2022, in addition to general questions about the procedure for satisfaction of creditor claims against the bank, as well as the status of acceptance of their creditor claims and inclusion of

individuals or legal entities in the register of creditors. The total number of explanations and consultations provided by the hotline in 2022 increased by 73% compared to the previous year and amounted to 59,150 appeals.

The role of the DGF digital communication channels with the public increased during 2022. Thousands of depositors, who were forced to seek temporary shelter abroad due to hostilities and were not able to contact the DGF by telephone, sent their questions and suggestions by e-mail and through the DGF social media pages. In total, 2,661 appeals were processed through electronic means of communication, of which 1,924 consultations and explanations were provided by e-mail, 737 people were consulted via the Facebook social media, chatbots on the Viber and Telegram social media.

The DGF ensured proper access of all interested parties to public information. During the year, 259 requests for public information managed by the DGF were satisfied, and 164 responses to citizens' appeals and letters from public associations and legal entities were prepared.

From mid-2022, after a forced break of several months caused by hostilities, employees of the DGF information and consultation center resumed personal reception of citizens at the DGF. The opportunity to communicate directly with the employees of the DGF and to receive professional advice, clarification on certain issues or assistance in making a request or application, to submit a written request in person, was enjoyed by 202 persons.

In 2022, the DGF was approached not only by depositors and creditors of insolvent



banks, but also by interested parties who intended to participate in open auction and purchase assets (property) of insolvent banks. Thus, the employees of the information and consultation center ensured the receipt of applications from potential buyers for non-disclosure of confidential information in order to gain access to the virtual data room of the DGF, provided thorough explanations on the procedure for participation in open auction. In particular, in 2022, 23 applications were received for access to the virtual data room of the DGF. By the way, the DGF also ensures the receipt of such applications in electronic form.

The issues of borrowers of insolvent banks, which received substantial and comprehensive information on the procedure for loan debt repayment and loan debt restructuring, also remained relevant.

During 2022, the DGF continued to work in the area of cooperation with representatives of public organizations of bank depositors. Working meetings were held with representatives of public organizations and initiative groups of insolvent banks, at which issues of the insolvent bank resolution were discussed in order to protect the rights of depositors and creditors of these banks.

7.3. Financial awareness and protection of depositors' rights

Improving the financial literacy of the population has been identified as one of the priorities of the DGF. The DGF implements this strategic goal using various tools, in particular, stimulates the dissemination of knowledge about the deposit guarantee scheme among the educational environment in all regions of Ukraine.

Thus, in 2022, an online conference was held summarizing the results of the first three years of implementation of the National Financial Literacy Project, which was launched by the DGF together with partners-the "Business Club Partner" NGO and the

Banking University. The main mission of the Project is to create a financial culture in society and a clear understanding of the value of creating one's own family capital as a guarantee of a dignified life and realization of the rights and freedoms of every person.

During the project implementation, the DGF specialists together with representatives of "Business Club Partner" NGO conducted 86 financial literacy training sessions (36 of them in 2022) with a total duration of over 550 lecture hours for advanced training of teachers of the special course "Financial Literacy" of general



secondary education institutions, vocational and technical lyceums and colleges. The trainings, which were attended by more than 2,500 teachers, were held at the regional institutes of postgraduate education in Uzhhorod, Ivano-Frankivsk, Kherson, Rivne, Luhansk and Mykolaiv, Zhytomyr, Lutsk, and Dnipro. In addition, 87 financial literacy clubs were opened in all regions of Ukraine as part of the project.

In order to disseminate complete and reliable knowledge about the functioning of the household deposit guarantee scheme in Ukraine and the DGF activities, in 2022 the second enrollment for the specialized training course "Deposit Guarantee Scheme: Fundamentals and Practice" was conducted. The course is designed to improve the competence of trainers who conduct educational events on financial issues, acquaint students with the peculiarities of the functioning of the deposit guarantee scheme and the principles of the DGF. In 2022, the course was attended by 38 members, including teachers of economic specialties of the Education and Research Institute "Karazin Banking Institute" (Kharkiv).

In 2022, the DGF, together with the National Bank of Ukraine and the National Securities and Stock Market Commission, developed and published the Financial Competences Framework for Adults (hereinafter referred to as the "Framework"). The Framework is a document that describes the key competencies of the population over the age of 18, in particular the set of knowledge, skills, abilities, and specifics of attitude to issues in the field of personal finance management, consumption of financial services, which is the basis for making responsible financial decisions, ensuring and improving welfare. This document was developed in Ukraine for the first time and took place within the framework of the implementation of the Strategy of Financial Sector Development until 2025. This tool is designed to develop and improve the financial competencies of Ukrainians, in particular through the development of educational programs, training and methodological materials, the organization of educational activities and other initiatives aimed at raising the level of financial awareness and effective use of financial services by various target groups.

Representatives of the expert circles created by the DGF — the DGF League of Ambassadors for Financial Literacy and the DGF Expert Council on Financial Literacy — were also actively involved in the process of developing the Framework.

Also in 2022, work continued on the development of the Framework of Financial Competences for Children and Youth of Ukraine, which involved DGF representatives, the National Bank of Ukraine, the National Commission on Securities and Stock Market, and the Ministry of Education and Science of Ukraine. It is expected that the extension of the practical application of this Framework will contribute to the implementation of the state policy on financial literacy and financial inclusion, as well as to the improvement of the quality of educational initiatives to deepen knowledge and develop skills for effective management of personal finances.

In order to attract a wide audience, the online channels of the National Financial Literacy Project are actively working on Facebook and page of the DGF educational project Fincult on the YouTube video hosting service and the Telegram channel. Thus, during 2022, more than 900 publications on financial literacy and awareness of the



guarantee scheme, as well as information on financial literacy activities were posted on DGF social media on financial literacy. In addition, 26 educational videos were recorded and posted on the Fincult channel on the YouTube video hosting service, as well as 32 video lectures for financial literacy teachers.

In 2022, the DGF will strengthen its cooperation with economic higher education institutions and take an active part in partner educational activities. Thus, in particular, in 2022 the DGF specialists became lecturers of the Talan School of Financial Literacy for Teachers of the Financial Knowledge Center (organized by the NBU), the online forum for financial literacy educators Open Finance Time (organized by the State Tax University) and the series of lectures and workshops Fineducation (organized by Taras Shevchenko National University of Kyiv). In addition, representatives of the DGF took part in the XIV International Scientific and Practical Conference "December Readings", which is traditionally organized by Taras Shevchenko National University of Kyiv. The topic was "Business Sustainability and Household Welfare: Financial and Social Aspects". DGF specialists made a report on "Work of the Guarantee Fund During the War" and acquainted the students with the changes that took place in the legislation on the guarantee scheme for the period of martial law and after it.

The DGF continues to unite efforts to further increase the level of financial literacy of Ukrainians and the formation of financial culture in society.

Protection of depositors' rights

Given the devastating impact of hostilities on the country's economy, the protection of depositors' rights remained one of the priority areas for the stabilization and sustainability of the financial system. Thus, in 2022, the DGF activities were aimed at maintaining the financial peace of depositors, because the security and protection of their funds was, is and remains important for them.

According to the results of the latest sociological survey on the awareness of consumers of financial services of Ukraine about the deposit guarantee scheme, the reliability and stability of the bank is a key factor in the choice of depositors to open a deposit (45.5% of respondents). It is the advice of bank employees that depositors trust the most when choosing any banking services (50.6%).

After the introduction of a 100% guarantee on bank deposits for the period of martial law in Ukraine and for three months from the date of its termination or cancellation, the DGF carried out active methodological and consulting work with banks on informing depositors about the DGF legislative initiatives. The best performance of the banking system in such conditions is the growth of deposits for 2022, which is +30%. Such a positive result testifies to the continuity of public confidence in the banking sector, and not the least factor in such growth is the confidence of depositors in 100% protection of their funds.

In order to maintain the financial peace of depositors, the DGF has focused its activities on ensuring constant contact with banks, as they are the main source of informing citizens about how the guarantee scheme works. In this regard, the DGF implemented the following program of measures to protect the rights of depositors in the reporting year:



- legislative initiatives were implemented to increase the amount of guaranteed compensation;
- a 100% deposit guarantee was introduced during martial law and three months after its termination or cancellation;
- interaction with the regulator and banks is ensured;
- control over the fulfillment by banks of the DGF requirements for disclosure of information on the deposit guarantee scheme was simplified;
- work was carried out on forming the legal culture of consumers with various contents, in particular, such as "Financial Weekly" and "Legal Alphabet";
- the participation of the DGF in the All-Ukrainian information campaign on protection of the rights of consumers of financial services "Know Your Rights: Loans" was ensured.

Disclosure of information about the Deposit Guarantee Scheme is carried out through, in particular, setting additional conditions to the content of bank account/bank deposit agreements, posting information on the premises and websites of banks. Monitoring of compliance by the DGF members with the requirements for disclosing information to depositors is carried out through the application of the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests approved by Decision of the DGF Executive Board No. 825 dated May 26, 2016. In the reporting year, the DGF carried out remote monitoring of the activity of 68 member banks of the DGF for compliance with the requirements of Instructions No. 825. The latest monitoring showed that the number of violations decreased significantly — from 97% of the total number of supervised banks in 2016 to 45% in 2022. Thus, during 2022 no violations were detected in 37 banks — 55% of all banks (Figure 7.3.1).

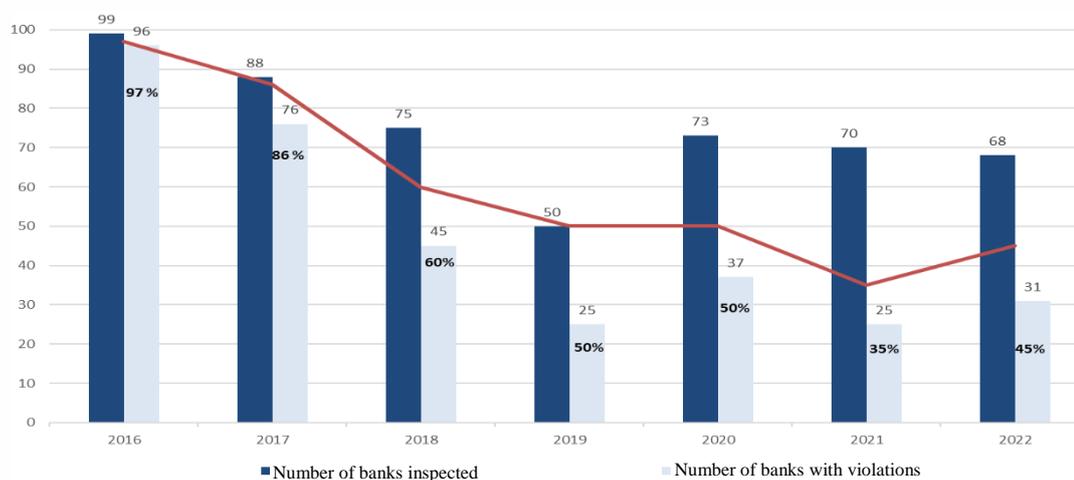


Figure 7.3.1. Level of compliance by the member banks with the DGF requirements for disclosure of information on the deposit guarantee scheme

According to the general post-war midterm recovery plan, it is planned to extend the DGF guarantee to other categories of depositors and to introduce a deposit guarantee scheme for members of credit unions. The DGF continues to work on regulatory, methodological and information support of potential DGF members.



Furthermore, taking into account the prospects of our country's accession to the EU, digitalization and the emergence of new innovative financial services on the financial market, the DGF adjusts to new realities and continues to work on the implementation of EU directives aimed at protecting the rights of depositors, as well as monitors trends in the financial market, which may cause risks for the interests of investors, as full and transparent informing of citizens is and remains the main focus of the DGF activities in this area.

7.4. International cooperation

As a permanent member of the International Association of Deposit Insurers (hereinafter referred to as the "IADI") and the European Forum of Deposit Insurers (hereinafter referred to as the "EFDI") in the reporting year, the DGF continued to actively participate in the work of these organizations. In May 2022, by the decision of the annual general meeting of the EFDI, Svitlana Rekrut, DGF Managing Director, was elected a member of the Board of Directors of the EFDI, as a representative of insurers from countries outside the European Union.

In addition, the DGF specialists regularly participated in EFDI webinars and online trainings, in particular, on studying the specifics of stress testing of EU deposit insurance systems in accordance with the Recommendations of the European Banking Supervision Service, settlement of bank insolvency at national and cross-border levels, consideration of settlement cases, etc. The DGF carried out quarterly updates of significant news activity reports for the IADI European Regional Committee, developed a questionnaire to identify the need to revise the IADI Core Principles for Effective Deposit Insurance Systems and to engage in further work in the profile committees of this association. Traditionally, they also took part in the annual survey of IADI members on the operation of the deposit guarantee scheme. The results of the annual surveys are used by IADI to research and develop recommendations for the effective operation of deposit insurers.

After the start of the large-scale aggression of the Russian Federation against Ukraine, the DGF began intensive communication with international partners to stop their cooperation with any authorities of the aggressor state. Thus, in March 2022, a decision was made to suspend the membership of the Russian Deposit Insurance Agency (DIA) in IADI and EFDI. As of the beginning of 2023, the DGF is awaiting a decision on the DIA membership in the International Forum of Insurance Guarantee Schemes.

Special mention should be made of the DGF communication with international partners at the bilateral level. In September 2022, a Memorandum of Understanding was signed with the Bank Guarantee Fund of Poland in order to facilitate cooperation and interaction in areas of common interest, as well as to coordinate the efforts of the parties in the development of their deposit insurance systems. A number of thematic inquiries were also provided by IUCN members (including the Azerbaijan Deposit Insurance Foundation regarding the sale of collateral collected on the bank's balance sheet and the types of reporting submitted by the DGF member banks; the Deposit Insurance



System of Croatia regarding the accrual of interest on the DGF funds placed on DGF account with the NBU, etc.).

During the reporting period, the DGF actively cooperated with international financial organizations — the International Monetary Fund and the World Bank, as well as international technical assistance projects. In 2022, priority areas for cooperation with the USAID Financial Sector Reform (FSR) Activity were identified and enshrined in the protocol of cooperation between the two parties.

Furthermore, cooperation with the US Department of the Treasury's Office of Technical Assistance was continued, including two strategic planning sessions, during which the current state of the banking system and prospects of bank insolvency were considered, various strategies for resolved banks were analyzed, mechanisms of financial support of the DGF were determined, etc.

As part of the Financial Sector Technical Assistance Program, the DGF specialists together with colleagues from the National Bank of Ukraine continued cooperation with World Bank experts on the implementation of the provisions of the EU directives on the bank insolvency resolution and deposit guarantee (BRRD and DGSD) into Ukrainian legislation. Special mention should be made of the DGF cooperation with the World Bank aimed at overcoming the consequences of the Russian military aggression, determining the DGF current and priority needs for technical assistance, assessing potential economic losses, etc. Thus, DGF representatives took an active part in the work of the Coordination Committee of the Project for the Recovery and Sustainability of the Financial Sector of Ukraine.



8. LEGAL AND REGULATORY ENVIRONMENT

8.1. Improvement of the legal framework

The main achievements of 2022 in improving the DGF legal framework were the adoption by the Verkhovna Rada of Ukraine of the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring Stability of the Household Deposit Guarantee Scheme" No. 2180-IX on April 1, 2022, on the development of the norms of this law the DGF cooperated with state authorities and international partners. This law defines the legal grounds for:

- introduction of a mechanism for restructuring the DGF debt to the state;
- increase of the deposit compensation ceiling to UAH 600,000;
- acquisition of the status of the DGF member bank by JSC State Savings Bank of Ukraine;

Law No. 2180-IX also regulates such issues as:

- improvement of the mechanism for ensuring the DGF financial stability by calculating the DGF financial indicators, in particular the required value of the target indicator and the deadline for its achievement, setting the size of the basic annual rate of regular collection, introduction of mechanisms for their calculation and the procedure for establishing them;
- introduction of provisions on the procedure for conducting stress testing of the household deposit guarantee scheme;
- improvement of mechanisms for the provision of the Financial Support Fund by the National Bank of Ukraine and the state;
- improvement of the credit support mechanism provided by the DGF.

In order to avoid panic in the country and to ensure financial stability during the martial law in Ukraine, introduced by the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine" No. 64/2022 dated February 24, 2022, approved by the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine" No. 2102-IX dated February 24, 2022 (as amended), the Final Provisions of the said Law stipulate that during the martial law in Ukraine and for three months from the date of termination or cancellation of martial law in Ukraine, the DGF shall compensate each to the depositor of the bank the funds in the full amount of the deposit, including interest accrued as of the end of the day preceding the day of commencement of the bank resolution procedure, except for the cases provided for in part 4, Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme".

The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Concerning the Specifics of the Systemically Important Bank Resolution under Martial Law" introduced the systemically important bank resolution procedure with the participation of the state in case of loss of liquidity during martial law in Ukraine. Thus, the law stipulates that:



- the nationalization of a systemically important bank will take place through the procedure of classifying the bank as insolvent, but will not require capital injection by the state — the sale of the bank for UAH 1 will be carried out regardless of the actual size of the bank's regulatory capital on the day the National Bank of Ukraine adopts the relevant decision;

- the DGF will not change the size of the authorized capital of an insolvent systemically important bank, the denomination of shares of such a bank, including will not exchange monetary liabilities of the bank for shares of additional issue;

- the bank's provisions for covering losses on active banking operations will not be formed, and credit risk will not be determined on all active banking operations;

- instead of exchanging deposits for shares with their subsequent repayment, the state introduces termination of the bank's obligations to controllers and owners of major shareholding in such a bank, as well as sanctioned persons with subsequent crediting of funds under these obligations to the bank's income (the bank's capital is also increased);

- compensation of the value of shares to shareholders (if it exceeds UAH 1 according to the audit company) will be possible only after compensation for losses to the state of Ukraine from the Russian Federation and only at the expense of such funds.

The Law also removes all prohibitions (encumbrances/arrests, etc.) on alienation of shares and termination of the bank's obligations to controllers, owners of major shareholding and sanctioned persons. Assessment of the bank's assets, damage (losses) of the bank's shareholders and creditors will be carried out by an internationally recognized auditor without taking into account the provisions of the law on property valuation, based on the actual financial condition of the bank on the date of sale.

In addition, in order to enable the DGF to fulfill its task of ensuring the functioning of the household deposit guarantee scheme, insolvent banks resolution, and liquidation of banks under martial law, in order to require DGF prompt response to the circumstances of martial law or during a special period, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning the Specifics of the Financial Sector Activities in Connection with the Imposition of Martial Law in Ukraine" amended part 4, Article 6 of the Law of Ukraine "On Household Deposit Guarantee Scheme". The amendments stipulate that the DGF regulations on the specifics of the household deposit guarantee scheme, insolvent bank resolution, and liquidation of banks under martial law or during a special period are not subject to state registration in the manner prescribed by law. They will come into force on the day of their official publication, unless a later date of entry into force is provided for by such act. The official publication of such a legal act of the DGF shall be the first publication of its full text in one of the periodicals — the Official Gazette of Ukraine, Uriadovyi Kurier, Holos Ukrainy, or the first publication on the DGF official website.

The adoption by the Verkhovna Rada of Ukraine of these laws is a step towards ensuring the reliability and stability of the banking system and the financial system of Ukraine in general, restoring confidence in it by depositors and creditors of banks, especially in martial law.



During 2022, the DGF continued to work on the implementation of the measures of the Roadmap of the Strategy of Financial Sector Development until 2025 and on the activities of the DGF Development Strategy for 2022.

The DGF, in cooperation with stakeholders, has prepared the draft DGF Development Strategy for 2023–2025.

8.2 DGF regulatory activities

Pursuant to Article 14 of the Law of Ukraine "On Principles of State Regulatory Policy in the Sphere of Economic Activity" during 2022, as part of normative regulation of the household deposit guarantee scheme and bank resolution system, the DGF adopted and posted on the official website of the DGF in order to organize public consultations 5 regulatory acts, namely:

Decision of the DGF Executive Board No. 795 dated October 6, 2022, "On Amendments to the Regulations on the Procedure for Conducting Inspections of Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on October 24, 2022, under No. 1311/38647. Date of posting on the website: August 29, 2022;

Decision of the DGF Executive Board No. 796 dated October 6, 2022, "On Approval of Amendments to the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on November 1, 2022, under No. 1350/38686; Date of posting on the website: August 29, 2022;

Decision of the DGF Executive Board No. 854 dated October 24, 2022, "On Approval of Amendments to the Instructions on the Procedure for Ensuring Access to Public Information in the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on November 9, 2022, under No. 1391/38727. Date of posting on the website: September 13, 2022;

Decision of the DGF Executive Board No. 894 dated November 8, 2022, "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on November 21, 2022, under No. 1437/38773. Date of posting on the website: September 26, 2022;

Draft Decision of the DGF Executive Board "On Approval of Amendments to the Regulations on the Procedure for Maintaining the Register of Members of the Deposit Guarantee Fund and the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests". Date of posting on the website: November 21, 2022.

In addition, in order to improve the legal framework of the DGF activities and bring it in line with the changes in the legislation, 25 regulatory acts were adopted, namely:

Decision of the DGF Executive Board No. 27 dated February 17, 2022, "On Approval of Amendments to the Regulations on Insolvent Bank Resolution" registered with the Ministry of Justice of Ukraine on December 3, 2022, under No. 138/37474;



Decision of the DGF Executive Board No. 87 of February 3, 2022, "On Approval of the Regulations on the Enforcement by the Deposit Guarantee Fund by Means of the Automated System of Payments of Court Decisions in Favor of Depositors to Recover the Guaranteed Compensation Amount for a Deposit Placed with a Bank Payments to the Depositors of Which Have Been Suspended or Completed, and/or Other Amounts Related to Such Recovery and Amendments to the Instructions on the Procedure for Financing the Process of Payments by Agent Banks of the Guaranteed Amount of Compensation for Depositors" registered with the Ministry of Justice of Ukraine on February 23, 2022, under No. 253/37589;

Decision of the DGF Executive Board No. 122 dated February 17, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 1158 dated June 18, 2020, and Annexes 1 and 8 to the Regulations for Reporting by the Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on March 7, 2022, under No. 305/37641;

Decision of the DGF Executive Board No. 147 of March 2, 2022, "On Amendments to the Decision of the DGF Executive Board No. 87 of February 3, 2022, "On Approval of the Regulations on the Enforcement by the Deposit Guarantee Fund by Means of the Automated System of Payments of Court Decisions in Favor of Depositors to Recover the Guaranteed Compensation Amount for a Deposit Placed with a Bank Payments to the Depositors of Which Have Been Suspended or Completed, and/or Other Amounts Related to Such Recovery and Amendments to the Instructions on the Procedure for Financing the Process of Payments by Agent Banks of the Guaranteed Amount of Compensation for Depositors" registered with the Ministry of Justice of Ukraine on March 7, 2022, under No. 301/37637;

Decision of the DGF Executive Board No. 201 dated March 24, 2022, "On the Specifics of the Guaranteed Deposit Payouts During Martial Law in Ukraine" registered with the Ministry of Justice of Ukraine on March 31, 2022, under No. 371/37707;

Decision of the DGF Executive Board dated March 29, 2022, No. 205 "On Amendments to Section III of the Regulations on the Complaints Review Commission and Preparation of Proposals for Organizing and Conducting Open Bidding (Auctions) for the Sale of Assets (Property) of Resolved or Liquidated Banks" registered with the Ministry of Justice of Ukraine on April 7, 2022, under No. 394/37730;

Decision of the DGF Executive Board No. 243 dated April 13, 2022, "On Approval of Amendments to the Regulations on the Procedure for Informing the Public about the Household Deposit Guarantee Scheme" registered with the Ministry of Justice of Ukraine on April 28, 2022, under No. 464/37800;

Decision of the DGF Executive Board No. 267 dated April 26, 2022, "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund and Regulations for Reporting by the Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on May 24, 2022, under No. 558/37894;

Decision of the DGF Executive Board No. 268 dated April 24, 2022, "On Amendments to the Regulations on the Procedure for Imposing Administrative and



Economic Sanctions by the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on May 13, 2022, under No. 518/37854;

Decision of the DGF Executive Board No. 269 dated April 26, 2022, "On Amendments to the Regulations on the Procedure for Conducting Inspections of Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on May 13, 2022, under No. 513/37849.

Decision of the DGF Executive Board No. 291 dated May 29, 2022, "On the Specifics of the Implementation During the Martial Law in Ukraine of the Pilot Project for Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions)" registered with the Ministry of Justice of Ukraine on May 21, 2022, under No. 550/37886;

Decision of the DGF Executive Board No. 348 dated May 17, 2022, "On Amendments to Clause 1 of the Decision of the Executive Board of the Deposit Guarantee Fund No. 268 dated April 26, 2022" registered with the Ministry of Justice of Ukraine on May 20, 2022, under No. 544/37880;

Decision of the DGF Executive Board No. 349 dated May 17, 2022, "On Amendments to Clause 1 of the Decision of the Executive Board of the Deposit Guarantee Fund No. 269 dated April 26, 2022" registered with the Ministry of Justice of Ukraine on May 20, 2022, under No. 546/37882;

Decision of the DGF Executive Board No. 366 dated May 26, 2022, "On Amendments to the Regulations on Insolvent Bank Resolution and the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying the Creditor Claims of Liquidated Banks" registered with the Ministry of Justice of Ukraine on June 6, 2022, under No. 603/37939;

Decision of the DGF Executive Board No. 394 dated June 7, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 366 dated May 26, 2022" registered with the Ministry of Justice of Ukraine on June 6, 2022, under No. 622/37958;

Decision of the DGF Executive Board dated June 30, 2022, No. 444 "On the Specifics of Consideration of Administrative and Economic Sanctions for Violation of the Legislation on Household Deposit Guarantees in Connection with the Martial Law in Ukraine or Its Individual Localities" registered with the Ministry of Justice of Ukraine on July 15, 2022, under No. 789/38125;

Decision of the DGF Executive Board No. 459 dated July 4, 2022, "On Approval of Amendments to the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests" registered with the Ministry of Justice of Ukraine on July 26, 2022, under No. 837/38173;

Decision of the DGF Executive Board No. 592 dated August 11, 2022, "On Amendments to the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying the Creditor Claims of Liquidated Banks" registered with the Ministry of Justice of Ukraine on August 29, 2022, under No. 976/38312;



Decision of the DGF Executive Board No. 876 dated October 31, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 795 dated October 6, 2022" registered with the Ministry of Justice of Ukraine on November 3, 2022, under No. 1359/38695;

Decision of the DGF Executive Board No. 895 dated November 3, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 796 dated October 6, 2022" registered with the Ministry of Justice of Ukraine on November 7, 2022, under No. 1378/38714;

Decision of the DGF Executive Board No. 899 dated November 7, 2022, "On Amendments to Clause 4.14 of Chapter 4, Section V of the Regulations on Insolvent Bank Resolution", registered with the Ministry of Justice of Ukraine on November 24, 2022, under No. 1460/38796;

Decision of the DGF Executive Board No. 922 dated November 14, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 854 dated October 24, 2022" registered with the Ministry of Justice of Ukraine on November 18, 2022, under No. 1433/38769;

Decision of the DGF Executive Board No. 954 dated November 24, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 894 dated November 3, 2022" registered with the Ministry of Justice of Ukraine on November 28, 2022, under No. 1490/38826;

Decision of the DGF Executive Board No. 966 dated November 28, 2022, "On Approval of the Regulations on Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions), Amending and Recognition as Invalid of Certain Decisions of the Executive Board of the Guarantee Fund" registered with the Ministry of Justice of Ukraine on December 14, 2022, under No. 1605/38941;

Decision of the DGF Executive Board No. 1043 dated December 19, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 966 dated November 28, 2022" registered with the Ministry of Justice of Ukraine on December 22, 2022, under No. 1657/38993;

Based on part 4, Article 6 of the Law of Ukraine "On Household Deposit Guarantee Scheme", 6 regulatory acts were adopted, namely:

Decision of the DGF Executive Board No. 680 dated September 2, 2022, "On the Specifics of Participation in an Open Auction for the Purpose of Insolvent Bank Resolution under Martial Law in Ukraine";

Decision of the Executive Board No. 789 dated October 6, 2022, "On the Specifics of Liquidation of Banks in Accordance with the Law of Ukraine "On Household Deposit Guarantee Scheme" in Terms of Sale of Their Property under Martial Law";

Decision of the Executive Board No. 863 dated October 27, 2022, "On Certain Specifics of the Functioning of the Household Deposit Guarantee Scheme in Terms of Conducting Inspections of Banks under Martial Law Introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine";



Decision of the Executive Board of Ukraine No. 893 dated November 3, 2022 "On Certain Specifics of Insolvent Bank Resolution and Bank Liquidation Regarding the Procedure for Selection of Persons Who Can Perform Works (Provide Services) to Insolvent Banks or Liquidated Banks by the Deposit Guarantee Fund in the Conditions of Martial Law Imposed by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine";

Decision of the Executive Board of Directors No. 1044 dated December 19, 2022, "On Approval of the Regulations on the Specifics of the Functioning of the Household Deposit Guarantee Scheme during a Special Period in Terms of Reporting by the Members of the Deposit Guarantee Fund and Recognition as Invalid of Certain Decisions of the Executive Board of the Guarantee Fund";

Decision of the Executive Board dated December 29, 2022, No. 1107 "On the Specifics of the Functioning of the Household Deposit Guarantee Scheme in Terms of Assessing the Financial Stability of the Deposit Guarantee Fund during Martial Law Introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine";

The DGF actively cooperated with the experts of the International Monetary Fund in the framework of the implementation of the letter of intent and the Memorandum of Economic and Financial Policies concluded between the Government of Ukraine and the International Monetary Fund. The result of this work included:

adoption of the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring Stability of the Household Deposit Guarantee Scheme" No. 2180-IX dated April 1, 2022;

Preparation by the DGF of an action plan in case of potential adverse court decisions on circumstances in the direction of work on non-validation of forecasted consequences for the banking system of Ukraine, the DGF and other bodies from potential decisions of the CCU in order to minimize the consequences of withdrawal for the Law of Ukraine "On Household Deposit Guarantee Scheme" beyond the legal field of institutions of the Deposit Guarantee Scheme, insolvent bank resolution, and liquidation of banks, namely: prepared an action plan in case of emergencies aimed at minimizing risks to the stability of the financial system of Ukraine as a result of the adoption of adverse decisions by the CCU.

8.3. Establishment of guarantee schemes for non-bank financial institutions

In 2022, the DGF, in close cooperation with the National Bank of Ukraine and fruitful cooperation with international stakeholders, worked out all the initiatives on legislative changes in the creation of a deposit guarantee scheme for members of credit unions.

At the same time, the DGF started the process of necessary internal technical improvements in order to effectively support future members of the guarantee scheme — non-bank financial institutions. The aim is to introduce the whole landscape of automation of the necessary processes to create a modern ecosystem of interaction of the DGF with the National Bank of Ukraine, as the Regulator, and non-bank financial institutions — future members of the guarantee scheme.



In 2022, the DGF continued to develop international practices on the functioning of insurance guarantee schemes under insurance contracts, as well as familiarization with the main trends of the European Community in the areas of development of guarantee schemes and insolvency of insurers. The gained world experience will form the basis of the future concept of the payment guarantee scheme in the insurance services market of Ukraine.

The next step in building the guarantee scheme as a whole, and the DGF as a key element, will be to cover new segments of the financial market of Ukraine, namely to expand its mandate to a significant part of the market of non-banking financial services.



9. RISK MANAGEMENT AND BUSINESS OPERATIONS

9.1. DGF risk management

In accordance with the strategic priorities of the DGF development in 2022, work was carried out to improve the efficiency of the risk management system and the creation of a modern risk management system, which corresponds to the best practices in the field of deposit insurance, continued.

Together with the European Bank for Reconstruction and Development, the DGF is implementing a project to organize stress testing of the guarantee scheme, in which KPMG-Ukraine LLC acts as a consultant. The main purpose of stress testing is to increase the level of stability and functioning of the deposit guarantee scheme in conditions of severe economic downturn, to identify deficiencies in the processes in the functioning of the deposit guarantee scheme and their further optimization, as well as to determine the level of capitalization required by the DGF at any time of performing its functions in the event of a severe economic downturn, as well as ensuring that the DGF complies with the EU Directives.

The project in 2022 analyzed the financial situation in Ukraine, taking into account the macroeconomic forecasts of the National Bank of Ukraine, the Ministry of Finance of Ukraine, the World Bank; the key assumptions about the potentially severe economic downturn and its impact on the deposit insurance system were introduced; the draft Methodology for conducting stress testing of the household deposit guarantee scheme has been developed, which provides for stages of stress testing, stress testing indicators, relevant tests and a system for evaluating the results of these indicators and tests; a draft of the Stress Test Program (2023–2025) was prepared, which provides a time frame for testing and determines the scope of each exercise in terms of formats and assumptions; a test version of the DGF financial model was developed, which includes a set of tools for calculating the target indicator and the deadline for its achievement.

In order to minimize the risks of military aggression, the Emergency Response Plan (escalation of the military conflict) was developed and approved, which provides for the adoption of legal, information technology and organizational measures, which increased the DGF ability to perform its functions in emergency situations. In particular, the Plan envisages a set of measures to minimize the risk of information loss by the DGF.

Pursuant to the requirements of the Regulations on the DGF risk management system approved by Decision of the DGF Executive Board No. 772 dated April 9, 2020, the Declaration of Risk Exposure of the Deposit Guarantee Fund for 2022 was developed and approved, which the DGF is ready to undertake in its activities. The implementation of this document contributes to improving the quality of decision-making on strategic issues of the DGF activities, helps to create a culture of risk awareness in the DGF and to ensure that the DGF performs the functions defined by the legislation of Ukraine. Furthermore, reports on compliance with risk appetite indicators for insurance, other financial, operational and social risks were approved on a quarterly basis, according to the above declaration.



At the same time, in order to increase the efficiency of the DGF internal control system, in particular in terms of identification (determination) of compliance risks and compliance risk management procedures, amendments to the Regulations on the DGF Risk Management System in terms of defining new methods of identification (determination) of compliance risks were developed and approved, taking into account the best practices of risk management, as well as the process of self-assessment of compliance risks. The functioning of the risk management system is ensured by timely detection, measurement, monitoring, control, reporting and providing recommendations on compliance risk mitigation. At least once a quarter, reporting on compliance with the risk appetite indicators for compliance risks is carried out in accordance with the Declaration of DGF Risk Propensity, which allows the DGF to respond in a timely manner to compliance risks arising in its activities.

In order to control compliance with the principle of zero tolerance for the risk of conflict of interest in the relevant processes of the DGF during the reporting year, control, detection, and prevention of conflicts of interest, verification of information on the presence/absence of conflicts of interest, prevention of conflicts of interest.

In addition, an in-depth analysis of the DGF internal regulatory documents on the use of information assets and information systems was provided, with recommendations on the need for changes, taking into account the increasing threat of constant cyberattacks by the aggressor state. Moreover, current monitoring of compliance with the requirements of the legislation in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction was carried out, as well as monitoring of compliance with the requirements of the legislation in this area by insolvent banks resolved by the DGF.

9.2. Personnel management and development

The beginning of 2022 was burdened by the continuation of the COVID-19 pandemic, and in February the aggression and full-scale russian invasion of Ukraine began. This required decisive action from the DGF management, namely: acceleration of management decisions, flexibility of leadership style, improvement of communication processes, ensuring the safety of employees, maintaining their performance and mental health, ensuring the smooth performance of the DGF tasks and responsibilities.

All this required the development of new personnel management tools in response to force majeure. Due to the fact that the DGF, as well as other Ukrainian organizations, did not have experience of personnel management under martial law, the DGF developed its own adaptive innovation.

During 2022, the DGF extended the implementation of the personnel policy, one of the priorities of which was to maintain an effective personnel management system, which would ensure high-quality and timely performance of tasks provided for by the Law of Ukraine "On Household Deposit Guarantee Scheme". For this purpose, the models of the working environment were changed during the year: from full-time work to the off-line mode in the DGF premises.



In order to diversify the risks associated with the need to ensure the activities of the DGF under martial law, taking into account the constant missile strikes and power outages in the city of Kyiv, since March 2022 the DGF has started functioning of the DGF situational center in the city of Ivano-Frankivsk.

Under martial law, the DGF priority in working with personnel was to ensure the safety of employees and their families in order for them to perform their tasks and responsibilities without interruption. A mechanism for effective communication with employees was introduced, channels of communication, prompt exchange of information and administration and standardization of personnel documents were defined.

The stability of the DGF performance of its main tasks during the war is confirmed by the fact that the DGF did not stop its activities for a single day. Since February 25, 2022, the DGF has successfully started the liquidation of two new banks, the liquidation decision of which was taken by the National Bank of Ukraine on the second day of the full-scale invasion. And this was made possible by the highly professional teamwork of the DGF employees.

Despite the changes in the country related to Russia's military aggression against Ukraine, the structure and staffing of the DGF remained stable during 2022. Thus, as of December 31, 2022, the DGF structure consisted of 27 independent structural units, including 6 departments, 5 administrations, 5 services, 9 divisions, etc., which is identical compared to the previous year, and the DGF staff included 332 full-time employees, which is similar to the beginning of 2021.

Training and development of professional skills of the staff remained an integral part of the DGF personnel policy. The Department of HR Management and Development faced the issue of determining the forms of their organization and implementation in the current conditions. For this purpose, mainly corporate training was provided during the year, including training on anti-corruption issues; new in order to organize, plan and conduct procurement; practical measures of information security and cyber hygiene; specialized training, which is defined by law as mandatory, as well as a free online event on psychological and emotional support was organized for all interested employees of the DGF, etc.

In 2022, in order to communicate effectively with the banks being liquidated by the DGF and to ensure the procedures for liquidation of banks carried out directly by the DGF, ongoing work was carried out to coordinate the implementation of personnel administration of banks, including approval of draft structures, staffing lists, individual salary levels and candidates for the positions of heads of key structural units of insolvent banks, compliance with the requirements of the legislation and current amendments thereto. Responses to ongoing inquiries and requests from former employees of banks and authorities were provided.

Furthermore, new methods of motivating employees in martial law, such as mutual assistance and mutual support of homeless workers, joint periodic volunteer projects in the DGF, fundraising for DGF mobilized employees, acquisition of items much needed for fighters at the front, and personal assistance to the Armed Forces of Ukraine.



9.3. Internal audit

During 2022, the Internal Audit Service evaluated and contributed to the improvement of corporate governance, risk management and internal control processes through DGF audits.

In 2022, 8 audits of the effectiveness of the processes of risk management, internal control and performance of functions in the main areas of activity of structural units were conducted:

- ✓ management of liquidation procedures (insolvent bank resolution);
- ✓ maintaining by the DGF of a generalized database of depositors of insolvent banks and resolved banks;
- ✓ monitoring of the activity of banks participating in the DGF (control of fulfillment of obligations in connection with participation in the household deposit guarantee scheme);
- ✓ conducting qualification selection of persons by the DGF to ensure the exercise of the powers vested in the DGF;
- ✓ financial and investment activities of the Deposit Guarantee Fund.

These inspections were carried out in accordance with the Plan approved by the Administrative Board.

Scheduled audits were performed using a process and risk-oriented approach to the objects of audit.

The DGF regularly (on the first day of each quarter) submitted reports for approval to the DGF Administrative Board with conclusions and proposals on issues within its competence.

The conclusions and proposals of the internal audit service approved by the DGF Administrative Board must have been taken into account in the DGF activities.

9.4. Information technology

In 2022, the DGF improved and optimized the IT infrastructure in accordance with the strategic directions of IT development in order to ensure the business processes of functioning of the household deposit guarantee scheme and bank resolution system.

Accordingly, the main tasks of the DGF IT include:

- ensuring the reliability of the DGF IT systems for efficient and high-quality performance of the DGF functions;
- reliable storage and quality of information (data) migrated from the information systems of insolvent banks to the DGF IT infrastructure, as well as data that support the DGF business processes;
- guarantee of security of data and IT systems, which provides, first of all, the impossibility of unauthorized manipulation of data.

In connection with the armed aggression of the Russian Federation against Ukraine and in order to ensure the smooth operation of the IT infrastructure to ensure the business



processes of the DGF during hostilities on the territory of Ukraine, the DGF took the following measures:

- creation of a remote backup data center, which is designed to ensure the continuous operation of the DGF in case of physical damage or impossibility to continue the operation of the DGF main data center;
- creation of communication channels for continuous synchronization of information systems data between the DGF data centers — main and backup;
- creation of a backup cloud data center on AWS (Amazon Web Services) resources for emergency recovery of information systems in case of physical damage or impossibility to continue the operation of the main and backup data centers;
- created and launched continuous synchronization of data from the DGF main data center to the cloud data center to minimize the risks of data loss;
- successful testing of the transition of the DGF mail system to Microsoft Office 365 cloud resources in the direction of the possibility of reserving the DGF mail system;
- upgraded computing power and disk arrays to meet the growing demands of information systems on resources.

In the conditions of extreme functioning of IT systems during the war period in order to centralize the processes of insolvent bank resolution (including the organization of storage of information of banks) and optimization of costs of insolvent banks, the DGF in 2022 took the necessary measures to migrate data from information systems of insolvent banks and to transfer such banks on a centralized basis to the following DGF systems:

- The Unified Operational Information System of Insolvent Banks (hereinafter referred to as the "UOIS") is a consolidated software package containing data from the ODS/ABS and other information systems of insolvent banks and is designed to support the operational activities of such banks;

- Software warehouse for insolvent bank resolution (data warehouse, DWH), which provides centralized processes of preparation of assets of insolvent banks for sale, accounting of claims work on legal cases of insolvent banks, maintenance of agreements and register of their creditors, ensures consolidation of data on insolvent banks in the resolution process.

During 2022, data of three insolvent banks were migrated, namely: JSC IR BANK, PJSC PROMINVESTBANK, JSC MEGABANK.

In total, by the end of 2022, 99 insolvent banks had migrated data to the DGF information systems (UOIS, DWH) and transferred to centralized operation in these systems.

Application by the DGF of UOIS provides advantages in performing functions on insolvent bank resolution, namely:

- control over their activities, including control of financial flows, transactional control, financial controlling over planning and expenses;
- maintaining a unified accounting policy in insolvent banks;
- implementation of the 3rd model for insolvent banks;
- full information support of operational processes of bank liquidation;



- ensuring operational monitoring of their assets;
- implementation of centralized management of insolvent banks;
- significant reduction of information systems in these banks, their maintenance, and maintenance costs;
- saving their operational data.

In order to create additional financial controlling during the execution of CASH_OUT documents by the insolvent bank in order to prevent the excess of expenses over the termination estimate and/or the estimated estimate of the liquidation costs of the bank in 2022, the UOIS was improved in terms of expanding the functionality of the subsystem of the insolvent bank estimates.

In order to reliably preserve the historical data of insolvent banks, provide fast and high-quality access to such data to the DGF responsible employees for further formation of official documents at the request of DGF structural units and third parties in accordance with the current legislation, in 2022 the DGF introduced the UOIS-ARCHIVES module as part of the Unified operational information system of insolvent banks.

In order to increase the efficiency of the processes of insolvent bank resolution, in 2022 DWH was improved in terms of improving the developed modules for replication of data from the UOIS on the expansion of data on insolvent banks: JSC DELTA BANK, JSC CB ZEMELNY CAPITAL, JSC IR BANK, PJSC PROMINVESTBANK, JSC MEGABANK).

Modernization of the Software Complex for Insolvent Bank Resolution (DWH) provides the DGF with the following opportunities:

- use of the DGF integral unified information base for making decisions on ensuring the insolvent bank resolution processes;
- formation of reporting of insolvent banks in various areas of activity;
- automation of control over the activities of insolvent banks;
- centralized work with assets of insolvent banks;
- improving the quality of information for decision-making and practical actions by DGF employees;
- analysis of the performance indicators of problem banks in order to prevent a critical state of the bank;
- ensuring the processes of litigation work of insolvent banks;
- monitoring the status of assets of insolvent banks and legal entities that are their debtors in the state registers of Ukraine.

Improving the centralization of the DGF processes in 2022 also includes the modernization of the Data Analysis and Analytical Reporting System (MIS) in terms of expanding the sources of information and source reporting forms, namely:

- • modification of dashboards of the Monitoring section;
- development of metadata content in Perfex and PowerDesigner systems;
- implementation of dashboards under the Payments, Legal Work sections;
- creation of dashboards Debt obligations and Deposits by ranges;
- implementation of info panels (4 pcs.) under the Provisional Administration and Liquidation section;



- implementation of 10 dashboards and creation of content in Perfex and PowerDesigner under the Investigations section;
- making changes to the dashboards of the Monitoring section;
- download and control input data from two sources for dashboards of the Investigations section;
- creating a model of the data processing process in Power Designer;
- creation of user notifications for data updates.

The DGF data analysis and analytical reporting system enables:

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

- organization for each user of a single platform for prompt retrieval of data necessary for the formation and receipt of reports from various corporate and external sources of the DGF;

- users of this System to perform flexible data analysis, filtering, sorting, grouping, and calculation of indicators according to any analytical section and time interval;

- construction of anchor reports, reports on finance, liquidity management, results of sale of assets, results of guaranteed deposit payouts to depositors for reporting periods, etc.;

- construction of forecast indicators for the following periods and calculation of efficiency indicators;

- coverage of detailed information in general and for each insolvent bank separately;

- implement data storage on DGF key functions;

- implement automated ETL procedures for collecting, processing and uploading the required data on a regular basis.

To ensure the guaranteed deposit payouts to the depositors of insolvent banks, the DGF uses the software complex "DGF Automated Payment System" (hereinafter referred to as the "APSF"), which contains both operational and historical data on guaranteed deposit payouts for the entire period of the DGF operations.

In order to ensure the continuous operation of the household deposit guarantee scheme and increase public confidence in the banking system under martial law, the data exchange protocols of BANK-AGENT — FPC in APSF were modernized and a system of remote payments was developed. The introduction of online payments was a necessary and important step that enabled depositors to receive payments in different parts of Ukraine, even where it was impossible to organize the work of branches of agent banks.

In order to improve the process of guaranteed deposit payouts to depositors of insolvent banks during 2022, the DGF modernized APSF in the following areas:

- implementation of the mechanism of extended logging of errors of the APSF workstation and modernization of the mechanism of work with errors, information messages and warnings of the APSF workstation;

- development of EDS emulation technology on APSF test complexes;

- development of a verification module in the industrial version of APSF Payment Operations Module, including modernization of the industrial version of APSF Payment



Operations Module to support data cloning of insolvent banks; refactoring of the Payment Operations Module database to ensure efficient and consistent cloning of data from the main scheme to the verification module; implementation of the conditions of operation of the verification module in the Payment Operations Module database (development of functional constraints and software emulation of the interaction of the verification module with other systems; modernization of the APSF workstation for the possibility of working with the verification module;

- development of the web version of APSF, namely design and development of web application architecture; development of web-forms of authorization, application menu and auxiliary forms; development of a web-form global search for a depositor; development of the web-form of the client's card.

The modernization of the APSF enables the use of automated payment system tools in a more flexible mode, and makes the process of making guaranteed deposit payouts to depositors more optimal and efficient.

To implement the state policy aimed at digitalization and transfer of records of state institutions to electronic form, to implement the Laws of Ukraine "On Electronic Documents and Electronic Document Management" and "On Electronic Digital Signature", in accordance with the tasks set by the Strategy of Financial Sector Development until 2025, in 2022, the DGF continued to take measures to improve and expand paperless document management with the use of QES. In 2022, the DGF introduced the use of QES in the direction of dealing with citizens' appeals, personnel documents, documents of working groups and commissions, extracts from the register of DGF members, exchange of documents with contractors under agreements.

In 2022 to ensure electronic document management, the DGF:

- carried out electronic document exchange between the DGF, NBU, and other state institutions and banks, except for restricted documents (BT), permanent storage period, forwarding of citizens' appeals, etc.;

- carried out correspondence between the DGF and the DGF authorized officers for liquidation of banks in the ASKOD electronic document management system of the DGF using a qualified electronic signature or an advanced electronic signature (except for documents containing restricted information);

- executed most of the DGF internal documents in the form of electronic documents on the application of QES.

Introduction and use of electronic document management provides the following advantages:

- electronic documents are certified with QES in accordance with the requirements of the Law of Ukraine "On Electronic Documents and Electronic Document Management";

- the cost and time for sending documents and processing them significantly reduced;
- the number of intermediate procedures required for sending and receiving correspondence (electronic documents) has decreased, i.e., electronic documents move directly from one ASKOD EMS to another.

- processes of approval and signing of internal documents and source documents and



improvement of executive discipline were optimized;

- the documentation processes in the DGF in the mode of remote work of employees in connection with the military aggression of the Russian Federation against Ukraine are effectively provided.

In order to operate the reporting portal of the Banking Reporting software package in 2022, the DGF made the following improvements to this reporting package, namely:

- expanding the functionality of reports Z112, Z114, FR625, FR613;
- supplementing the functionality and ensuring the reliability and flexibility of DBGuide data table editor settings;
- creation of a new/separate menu for life insurers;
- creation of a new/separate register for life insurers;
- conducting a feasibility study for the development and implementation of two-factor authentication for privileged accounts of the software package;
- modification of information processing algorithm and optimization of data control systems during RC file processing;
- development of the functionality of control and loading of files of type 07X and further work with this data;
- extension of the functionality for downloading data from the F4X file;
- development of a structured report with a selection function;
- completion of NBU reporting files, according to changes to the data on statistical reporting indicators on the NBU website.

The implementation of these changes in the Banking Reporting software package in 2022 allowed to optimize the data processing speed and expand the data processing functionality.

In accordance with the action plans to complete the liquidation procedure approved by the DGF Executive Board, in order to preserve information and minimize the cost of computing power, the DGF adopted virtualized information systems of four banks in 2022.

In order to facilitate the management and control of the DGF business processes during the war, the following automated processes were upgraded:

- business processes for operational and compliance risk management, as well as planning and control of relevant risk events;
- business processes for approving appropriate access to fund information systems for employees and workers of insolvent banks;
- process for HR management and development department;
- business process of preparation of assets of insolvent banks for sale.

In order to organize access to archival data, as well as to ensure their long-term and reliable storage, the process of development and implementation of the archive of the historical database of Prozorro.Sale electronic trading system on the organization and conduct of open auctions (auctions) for the sale of assets (property) of resolved banks and liquidated banks and the register of the DGF assets.



In order to implement the most effective business process management systems of the DGF, as well as to expand their functionality, the process of replacing the existing automated business process management system with modern analogues was initiated.

Due to the growing number of targeted cyberattacks on state-owned enterprises during the military aggression by the Russian Federation, the DGF has modernized the protection of the internal portal.

In 2022, work continued on standardization of Oracle server settings for DGF systems, organization of hot database redundancy to improve fault tolerance.

To ensure reliable storage of electronic information (data) contained in the DGF information systems, the following information was backed up and stored:

- on cloud resources of external providers;
- on tape media at a remote storage location.

Due to the growing number of targeted and complex attacks on state-owned enterprises, the DGF has introduced two-factor identification for remote work with the DGF information resources and for privileged accounts. A backup server for two-factor authorization in the AWS cloud has been deployed and configured. The work segment of system administrators was also reorganized with the creation of separate workstations for administration. In addition, Labyrinth has a comprehensive and customized solution for detecting targeted attacks (ART), botnets, zero-day attacks and insiders.

To ensure preventive protection, cooperation with the Center for Anti-Virus Information Protection of the State Service of Special Communications and Information Protection of Ukraine and the Situational Center for Cybersecurity of Ukraine of the Security Service of Ukraine continues.

The DGF constantly cooperates with the existing banks of Ukraine to improve and use the latest security mechanisms when processing information and conducting remote inspections. Additional settings of mechanisms for protecting the reporting of existing banks on the DGF Portal have been introduced, in terms of working with qualified and improved electronic signatures.

The DGF is in the process of building a comprehensive system of information protection of the DGF information systems, in 2022 3 certificates of conformity were received.

In order to counter complex phishing attacks, an intrusion test was conducted, based on the results of which employees were trained to improve their theoretical and practical knowledge on information security.



10. EUROPEAN INTEGRATION

10.1. DGF role in the nationwide European integration processes

A key event took place on June 23, 2022, as part of the implementation of the state course set by the Constitution of Ukraine for Ukraine's full membership in the European Union — the leaders of the 27 EU member states decided to grant Ukraine the status of a candidate for membership in the European Union.

This event was preceded by extensive preparatory work of all institutions and organizations representing state institutions, including the DGF. The DGF, within the competence defined by the Law of Ukraine "On Household Deposit Guarantee Scheme", participated in the preparation of the relevant sections of the European Union Questionnaire for the decision to grant Ukraine the status of a candidate for membership in the European Union.

Obtaining a new status for Ukraine requires intensification of all processes, including the operational level, as well as actualization of Ukraine's obligations under the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other parties (hereinafter referred to as the "Association Agreement"). The reason for such an update is a number of reforms that have taken place in the EU since the date of ratification by Ukraine of the Association Agreement, and the legislation on the implementation of which is currently not taken into account in its current version. Accordingly, the DGF, together with other bodies responsible for the implementation of European legislation in the field of financial services, started work on updating Annex XVII-2 "Rules Applicable to Financial Services". The work was initiated following consultation with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and is ongoing.

Status of approximation of legislation and involvement of the European External Aid Instrument of the European Commission under TAIEX

The Single Resolution Mechanism (SRM) and the functioning Deposit Guarantee Scheme (DGS) in the European Union are separate pillars of banking stability. The DGF powers under the Law of Ukraine "On Household Deposit Guarantee Scheme" determine its responsibility for the implementation of the above European mechanisms in full compliance with the requirements of the European Union.

Full and proper implementation of such mechanisms, as provided for in the two key directives⁷ of the European Union, require strengthening the institutional capacity of the

⁷ Directive 2014/59/EC of the European Parliament and of the Council dated May 15, 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council;



DGF in terms of independence of the DGF and its financial stability, as well as the obligation to extend the guarantee scheme to all credit institutions⁸.

Therefore, during 2022, the issue of independence of the DGF and its financial stability became the subject of the relevant draft law, which is to be submitted to the Verkhovna Rada of Ukraine in November 2023. In addition, with the direct participation of European experts, work is underway to transition to stress testing of guarantee schemes in accordance with the technical regulations of the European Banking Regulator.

The issue of extending the deposit guarantee scheme to all credit institutions has been partially fulfilled by including the deposit guarantee scheme of Joint-Stock Company State Savings Bank of Ukraine in the register of members of the deposit guarantee scheme.

In order to fully implement the reforms in 2022, work was carried out with the involvement of external assistance from the European Commission under TAIEX:

- for the purposes of the insolvency reform of credit institutions (completion of the project postponed to 2023);

- for the purposes of the reform on guaranteeing and settling insolvency of insurance companies (the project was implemented in November 2022 with the involvement of fellow experts from countries such as France, Germany, the Netherlands, Poland⁹).

Directive 2014/49/EU of the European Parliament and of the Council dated April 16, 2014, on deposit guarantee schemes (recast).

⁸ Credit institution within the meaning of the term credit institution according to EU legislation.

⁹ German Federal Financial Supervisory Authority (BaFin), Germany; Autorité de Contrôle Prudentiel et de Résolution (ACPR), France; De Nederlandsche Bank/Dutch Central Bank, the Netherlands; Polish Financial Supervision Authority (UKNF), Poland.



Annex to the Annual Report of the Deposit Guarantee Fund for 2022

APPROVED

Decision of the Administrative Board of the
Deposit Guarantee Fund

_____, 20__ No. ____

REPORT

on the implementation of the Investment Plan of the Deposit Guarantee Fund for 2022–2024

DGF investments	Amount of investment according to the investment plan for 2022, UAH million	Actual investment for 2022, UAH million	Implementation, %
Total investment amount, <i>including:</i>	16,706.0	14,656.8	87.7
Formation of the authorized capital of the bridge bank	206.0	0.0	0.0
Amount of investment in government securities, total <i>including:</i>	16,500.0	14,656.8	88.8
<i>government securities</i>	x	14,656.8	x
<i>bonds of international financial organizations placed on the territory of Ukraine</i>	x	-	x

DGF Managing Director

Svitlana REKRUT

