



DEPOSIT  
GUARANTEE  
FUND

Insured deposits mean protected future

# ANNUAL REPORT 2021





## Message from the Chairman of the Administrative Board of the Deposit Guarantee Fund

In 2021, the Deposit Guarantee Fund faced new challenges and started their implementation.

The new cycle of development of the deposit guarantee system is reflected in the updated brand.

The Deposit Guarantee Fund has been successfully performing its tasks in the context of the pandemic for the second year in a row. Under these circumstances, the Prozorro.Sales electronic trading system and the Automated Payment System created by the Fund several years ago have proven their effectiveness. The Deposit Guarantee Fund ensured smooth revenues from sale and management of assets and continued its settlements with the creditors of insolvent banks.

In addition to its current functions, the Fund is successfully progressing in fulfilling tasks faced in pursuance of the 2025 Financial Sector Development Strategy of Ukraine. The dynamic reform of the deposit guarantee system in accordance with EU directives continues, which opens a way for resolving the insolvency of banks at early stages. During 2021, there were significant changes in the improvement of the legislative framework, which build the vector for further development of the deposit guarantee system and the whole banking system for years. In particular, a number of important legislative amendments were adopted as they are or in the first reading, which allow:

- ❖ to strengthen judicial and claim processing work for the recovery of assets withdrawn from banks before they were declared insolvent (Law № 1588-IX «On Amendments to Certain Legislative Acts of Ukraine Improving the Mechanisms for Bank Withdrawal from the Market and Satisfaction of Creditor Claims of These Banks»);
- ❖ to settle the problem of the Fund's debt to the state on loans taken to make guaranteed payments to the depositors of banks transferred to the Fund since 2014 (Draft Law № 5542-1 On Amendments to Certain Laws of Ukraine Ensuring the Stability of the Household Deposit Guarantee System);
- ❖ to complete the process of joining the guarantee system by all banking institutions (Draft Law № 5542-1 On Amendments to Certain Laws of Ukraine Ensuring the Stability of the Household Deposit Guarantee System);
- ❖ to start increasing the guaranteed amount of deposits to the European level gradually (Draft Law № 5542-1 On Amendments to Certain Laws of Ukraine Ensuring the Stability of the Household Deposit Guarantee System).

In 2021, the Fund continued its early repayment of borrowings to the state, which were made during the crisis years to pay funds to depositors of banks withdrawn from the market. The Law On Amendments to Certain Laws of Ukraine Ensuring the Stability of the Household Deposit Guarantee System will allow

restructuring the outstanding debt in such a way that interest will be repaid by recovering losses from persons responsible for bank insolvency.



The work on recovery of these losses in 2021 reached a new level – the Cabinet of Ministers of Ukraine with its resolution set up the Interdepartmental Working Group on the Return of Assets of Insolvent Banks chaired by the First Vice Prime Minister, Minister of Economy, which included the Managing Director of the Deposit Guarantee Fund, the Chairman of the National Bank, the Minister of Justice, the Deputy Minister of Economy, the Deputy Minister of Internal Affairs, the Chairman of the State Financial Monitoring Service, the Prosecutor General, the Deputy Head of the Office of the President of Ukraine, and the Director of the National Anti-Corruption Bureau. At the same time, the Fund continues its claim processing work for the recovery of losses, including in foreign jurisdictions.

Reducing government spending on insolvent banks and improving asset recovery from former owners of such banks and related parties was included in the Memorandum on Economic and Financial Policy under the Stand-by Program with the International Monetary Fund, and will remain a priority for the coming years.

The dissemination of financial knowledge in the society remains an important area of work of the Deposit Guarantee Fund. The implementation of the three-year National Financial Literacy Project launched in 2020, continues.

Currently, the deposit guarantee system faces new challenges. These include extending guarantees to non-bank financial institutions, such as credit unions and companies that provide life insurance services. Participation in the development of relevant legislation and preparation for its practical implementation will remain important aspects of the DGF activities.

To sum up, I would like to emphasize that the work of the Fund work in 2021 laid the foundations for further stable development of the guarantee system in Ukraine and strengthening the national financial and economic system.

Sincerely,

**Vladyslav Bednenko**

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



## Message from the Managing Director of the Deposit Guarantee Fund

2021 was a year of new challenges and opportunities for the Deposit Guarantee Fund.

Despite unfavorable factors, primarily the continuation of the global pandemic, the national economy and particularly the banking system demonstrated stability and growth. Household deposits in the member banks of the Fund continue to grow for the second year in a row. During the year, the balance of funds on the accounts of individuals increased by UAH 35 billion, which proves a high level of people's trust in the banking system.

Only one bank, JSC CB Zemelny Capital, was declared insolvent, and the Fund paid over 94% of the total guaranteed amount to its depositors within less than 5 months from the beginning of its resolution.

The Fund also continued early repayment of its debts liabilities to the Ministry of Finance incurred as a result of the 2014-2016 crisis. Only in 2021, the Fund transferred the Ministry of Finance ahead of schedule more than UAH 4 billion, which was allocated to the Business Development Fund.

We resumed control over four more banks, the liquidation of which was blocked by the actions of their shareholders. This helped not only to formally resume liquidation procedures in the former "zombie banks", but also to resume settlements with their depositors and creditors. In 2021, the Fund paid a total of UAH 848.2 million to the depositors of liquidated banks. Thus, the total amount of reimbursement paid during the existence of the Fund reached UAH 95,666.1 million.

This year we had another good occasion: June marked the 5th anniversary of the creation of the ProZorro.Sales, a system for selling assets of insolvent banks. During that time, we held more than 13,000 successful auctions, which brought more than UAH 23 billion to the creditors of insolvent banks, and the system itself, created on the initiative of the Fund, eventually became the basis for implementing the state property reform.

But, most importantly, in 2021, the foundation was laid for further reform of the banking system and, particularly, the deposit guarantee system. In May, the Verkhovna Rada of Ukraine registered draft law #5542-1, which provides for: approval of the program for restructuring the outstanding debt of the Fund to the government, membership of JSC Oschadbank in the Fund, and the most anticipated step by the society – a gradual increase in the guaranteed reimbursement amount. From the effective date of that law, the reimbursement amount for deposits will double at once, up to UAH 400,000, and in 2023 it will increase to UAH 600,000.

The vector for further changes and transformations of the guarantee system is clear. One of the key steps is to implement the EU directives on deposit guarantees and settlement of bank insolvency in the national legislation. First of all, we are talking about the improvement of an early response system in order to

create powerful safeguards against shocks in the banking market. And each Ukrainian and each bank customer will be rewarded for this with an opportunity to increase the amount of the deposit guarantee to the European level.

Creation of a guarantee system for all financial institutions that have the right to raise funds from the population forms a separate area of work. Together with the NBU, we are developing a regulatory framework to extend the Fund's guarantees to the deposits raised from the population by credit unions and life insurance companies.

Another priority of the Fund is its judicial and claim processing work against former owners and related parties of insolvent banks, whose actions or omissions led to the liquidation of banks and caused losses to creditors. Among them, the processes of search and return of assets withdrawn from banks in foreign jurisdictions continue. This year, the recovery of assets of insolvent banks has received worthy attention at the government level. At the beginning of the year, the Interdepartmental Group on the Return of Assets of Insolvent Banks was set up. We are sure that its work will enable consolidation of the actions of the government authorities to return assets and speed up the replenishment of the state budget at the expense of the collected funds.

At the same time, the Fund continues to join efforts to continue improvement of financial literacy of the Ukrainians and to build a financial culture in the society. This year, we created the Ambassador League and the Financial Literacy Expert Council, i.e. an association of specialists who systematically and actively engage in financial education, realizing its importance.

Today, the Fund, finalizing the 2014-2016 crisis, aims to prevent the recurrence of such shocks, and in to remain a reliable partner for all financial market participants and a guarantor of depositors' rights in the future. Our inner transformations are reflected in the change in our visual style. Therefore, this year we presented our updated brand, identity, and strategy.

A strong and stable Deposit Guarantee Fund is the key to the stability of the entire banking system, our objective and the key goal for which we work every day.

**Our guarantee is your financial peace!**

**Svitlana Rekrut**  
Managing Director,  
Deposit Guarantee Fund





## The composition of the Administrative Board:



### **Vladyslav Bednenko**

**Chairman of the Fund's  
Administrative Board**

Legal Department Director, National  
Bank of Ukraine



### **Svitlana Rekrut**

Managing Director, Deposit  
Guarantee Fund



### **Halyna Pakharchuk**

Director of the Financial Controlling  
Department, National Bank of Ukraine



### **Natalia Strakhova**

Deputy Director of the Financial  
Policy Department, Head of the  
Division of the Ministry of Finance for  
Banking Services and Interaction with  
the National Bank of Ukraine



## The Executive Board consists of:



### **Svitlana Rekrut**

Managing Director, Deposit  
Guarantee Fund



### **Natalia Rudukha**

Deputy Managing Director



### **Olha Bilay**

Deputy Managing Director



### **Andriy Olenchuk**

Deputy Managing Director



### **Viktor Novikov**

Deputy Managing Director



### **Olena Nuzhnenko**

Chief Financial Officer

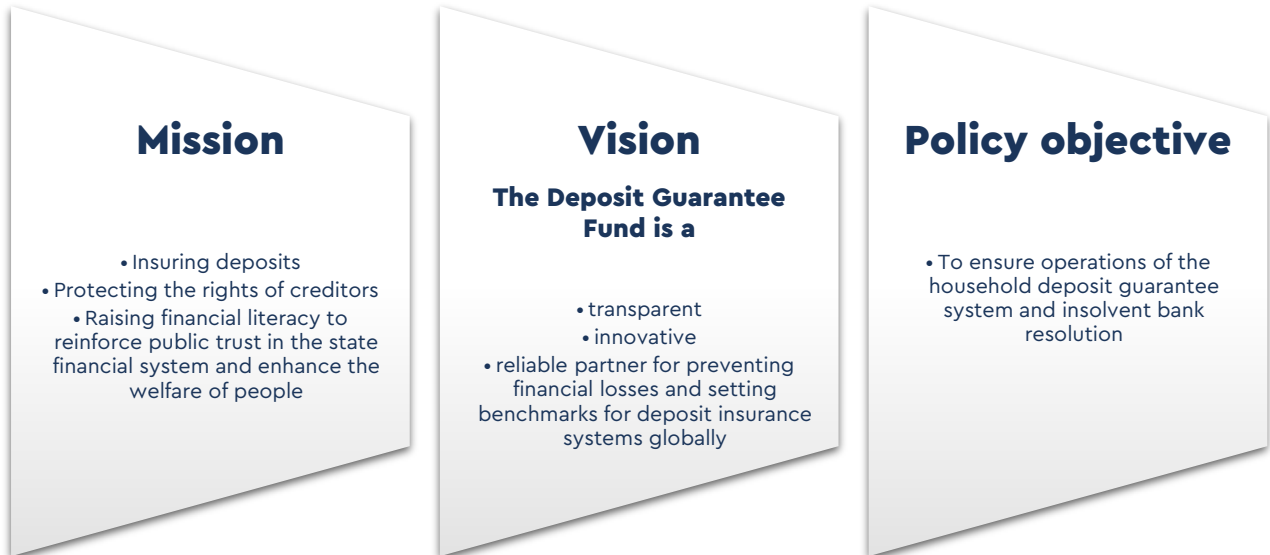


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## Mission, vision, policy objectives and functions of the Deposit Guarantee Fund



### Mission

- 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

#### The Deposit Guarantee Fund is a

- transparent
- innovative
- reliable partner for preventing financial losses and setting benchmarks for deposit insurance systems globally

### Policy objective

- To ensure operations of the household deposit guarantee system and insolvent bank resolution

## Functions :

- ❖ Maintaining the Register of Member Institutions
- ❖ Accumulating funds from the sources as set in Article 19 of the Law "On the Household Deposit Guarantee System" (hereinafter referred to as the Law) and supervising fee payments from DGF member institutions
- ❖ Investing the Fund's monetary funds in government securities of Ukraine and bonds of international financial organizations placed in the territory of Ukraine
- ❖ Placing corporate bonds in the manner and in the spheres of funds allocation defined by the Law, and issuing bills in the cases provided for by the Law on the State Budget of Ukraine for the corresponding year
- ❖ Taking measures to facilitate deposit payouts within the time limits specified in the Law
- ❖ Regulating the banks' membership in the household deposit guarantee system
- ❖ Participating in problem banks inspections upon the proposal of the National Bank of Ukraine
- ❖ Applying financial sanctions to and imposing fines on banks and bank senior executive management as appropriate
- ❖ Taking measures to:
  - ✓ prepare for the introduction of the procedure for bank withdrawal from the market, including organizational measures for holding an open tender and determining the least expensive method of bank withdrawal from the market;
  - ✓ withdraw insolvent banks from the market, including through the implementation of the resolution plan, implementation of the provisional administration, and bank liquidation
- ❖ Inspecting banks pursuant to the Law
- ❖ Providing financial support to banks pursuant to the Law
- ❖ Analyzing the financial position of banks in order to identify their operational risks, and project potential costs of failed banks resolution and deposit payouts
- ❖ Sending relevant inquiries to customers, depositors, and other bank creditors in accordance with the procedure established by the Fund
- ❖ Taking measures to educate the public about the household deposit guarantee system, protection of rights and legally protected interests of depositors, increasing the level of financial literacy of the population in accordance with the Law
- ❖ Studying and analyzing markets of financial resources raised by member institutions from depositors.



## 2021: the year in review

One bank, which became the 100th institution that came under the management of the Fund, was declared insolvent; the liquidation of 6 banks was completed; UAH 848.2 million of guaranteed reimbursement was paid to depositors; UAH 3.6 billion of repaid creditors' claims and UAH 2.8 billion of receipts to insolvent banks, identification of damage caused to insolvent banks and their creditors (former creditors) by decisions, actions or omissions of persons associated with such banks, the launch of an updated brand of the Fund and improving the legislative framework for the Fund's activities – 2021 for the Deposit Guarantee Fund was the year of hard fruitful work and qualitative changes.

All 23 years since the foundation of the Fund in 1998 based on the Decree of the President of Ukraine "On Measures to Protect the Rights of Individual Depositors of Commercial Banks" it has been fulfilling its mission of protecting the rights and legitimate interests of bank depositors.

## 1. Key performance indicators

- ❖ As of January 1, 2022, the Fund managed 48 banks, of which 27 banks carried out the liquidation procedure directly by the Fund. The total nominal value of assets (excluding revaluation) recorded on the balance sheets of the above-mentioned banks amounted to UAH 43.7 billion, the estimated value of which was UAH 7.8 billion
- ❖ During the reporting year, the liquidation procedure of 6 banks that were transferred to the Fund's management was completed.
- ❖ The total guaranteed reimbursement amount paid during 2021 at the expense of the Fund amounted to UAH 848.2 million, and as of January 1, 2022, 95.7% of depositors actually received a guaranteed reimbursement, and only 4.3% did not request payment.
- ❖ As of January 1, 2022, there are 70 member banks that have a banking license of the National Bank of Ukraine (JSC Oschadbank is not a member of the Fund). During the reporting year, 3 banks were excluded from the Register of Member Institutions.
- ❖ The total assets of the Fund's members as of January 1, 2022 amounted to UAH 2,109.0 billion, net assets – UAH 1,181.7 billion, total liabilities – UAH 1,583.3 billion, and equity – UAH 233.7 billion. According to the results of the reporting year, the consolidated financial result of the Fund's members amounted to UAH 76.4 billion.
- ❖ Number of depositors in the Fund's member banks – 49.8 million people, the amount of retail deposits – UAH 675.6 billion, possible reimbursement at the expense of the Fund – UAH 388.7 billion.
- ❖ In 2021, the Fund's costs on debt payments to the state accounted for 24% of the Fund's total costs. The Fund spent UAH 2,400.0 million to repay the nominal value of the promissory notes and UAH 1,671.8 million to pay interest on them. As of January 1, 2022, the Fund paid a total of UAH 21,722.7 million of its debt obligations to the state, including payment of promissory notes – UAH 13,817.6 million, interest on promissory notes – UAH 7,905.1 million. The Fund completed loan settlements to the National Bank of Ukraine in 2019.
- ❖ As of January 1, 2022, the total book value of assets of 43 banks managed by the Fund, in which the Fund's Executive Board approved the register of accepted creditors' claims, amounted to UAH 43.2 billion, while their estimated value was UAH 7.6 billion. The total amount of approved accepted creditors' claims as of January 1, 2022 amounted to UAH 289.04 billion (including banks in which liquidation was completed).
- ❖ In 2021, UAH 3.6 billion were repaid for all accounts payable.
- ❖ In 2021, accounts of liquidated banks received UAH 2.8 billion, the largest share (84.3%) of these revenues in the reporting year falls on revenues from the sale of property, namely UAH 2.4 billion.
- ❖ The largest share in the volume of bank assets sold in 2021 according to the results of open bidding comprised the sale of fixed assets, i.e. real estate, land plots, vehicles, other fixed assets and intangible assets – 68.6%. In addition, rights of claim under loan agreements and accounts receivable amounted to 28.4% and 2.6%, respectively.
- ❖ In 2021, asset sales procedures were improved and the approach of quick putting assets up for auction was introduced. In particular, in addition to selling assets through the electronic trading system Prozorro.sale, the organization of the sale of assets involves international advisers, stock exchanges, and direct sales of bank assets to legal entities or individuals. For the convenience of potential buyers, it is possible to use a letter of credit form of payment for the purchased asset.
- ❖ In 2021, 32 decisions were made to lease real estate/ extend lease relations, as a result of which revenues to insolvent banks from the lease of property amounted to UAH 12.1 million during 2021; the main form of transfer of real estate of banks being liquidated by the Fund was





electronic auctions using the ProZorro.sale electronic trading system.

- ❖ During the reporting year, the Fund continued to restructure loan debts of individuals secured by real estate mortgages. During 2021, 477 packages of documents on restructuring or further restructuring of such debt were received. In total, in 2021, issues related to the restructuring of loan debt in the amount of more than UAH 258.60 million were considered, as a result of which revenues to insolvent banks amounted to about UAH 56.9 million, and the level of restructuring of the mortgage loan portfolio of an individual bank exceeded 87%.
- ❖ During 2021, the Fund continued identification of damage caused to banks and their creditors by decisions, actions or omissions of persons related to such banks. As of January 1, 2022, the Fund filed 72 claims against 821 bank-related persons with regard to 45 insolvent banks for a total amount of more than UAH 100.8 billion. In the reporting year, the Fund received the first final court decision on this category of disputes, in particular, in Case No. 910/11027/18, the Fund's claims for the recovery of losses from former officials of JSB UKOOPSPILKA in the amount of more than UAH 76 million were fully satisfied.
- ❖ As of December 31, 2021, the Fund filed 27 civil lawsuits against 59 civil defendants (suspects/accused) with regard to 19 banks for a total amount of more than UAH 16.2 billion. Moreover, the Fund, based on court decisions in criminal proceedings, filed 5 claims against 5 defendants for a total amount of over UAH 2.6 billion. In 2021, the Fund received the first final court decision in this category of disputes, in particular, in Case No. 753/2965/20, the Fund's claims for the recovery of losses from a former official of JSC BANK TAVRIKA in the amount of more than USD 26.5 million were fully satisfied.
- ❖ During the reporting year, the Fund's information policy was aimed at informing the public about the guarantee system and the Fund's operation, as well as raising the level of public awareness about deposit guarantees. In 2021, the Fund held the International Conference "Deposit Guarantee Fund: Updated Role and Strategy", during which, in particular, the updated brand and identity of the Fund reflecting the internal transformations of the Fund were presented. To convey the content of the new brand and strengthen the role of the Fund as a guarantor of financial security for users of financial services, a series of videos with well-known cultural figures of Ukraine was prepared.
- ❖ The Fund's active work was aimed at developing and maintaining social networks. During the year, more than 400 informational messages were produced, of which 62 were Videos (video comments of the Fund's speakers, animation, recordings of TV broadcasts with the participation of the Fund's speakers, etc.) for posting on the Fund's social media pages and on YouTube. In 2021, the number of subscribers to the Fund's Facebook page almost doubled – up to 62,000 persons.
- ❖ During 2021, the Fund prepared and sent to news agencies and media representatives about 240 press releases, organized more than 20 thematic interviews for the media, thematic speeches and comments, published 8 thematic columns of the Fund's speakers, and provided information materials to journalists to prepare 15 articles published in professional economic media.
- ❖ In 2021, the Fund's Information and Consulting Center continued its work, and during the reporting year, they delivered 1,640 consultations to individuals, 385 responses to the requests for public information managed by the Fund, and 200 responses to the appeals from individuals and legal entities, as well as 33,350 explanations and consultations provided by the Fund's hotline.
- ❖ In 2021, work to increase the financial literacy of the population continued. The Fund systematically held educational events for groups of the target audience. The active work of the National Financial Literacy Project continued. The Fund developed a specialized training course "Deposit Guarantee System: Basics and Practice." During the reporting year, the Fund participated actively in the celebration of international financial literacy initiatives, namely GlobalMoneyWeek 2021 and World Savings Day. The Fund became a general partner of the All-Ukrainian Information Campaign for the Protection of Financial Service Consumers' Rights "Know Your Rights" and created an advisory body of the Fund – the Financial Literacy Expert Council. In addition, the Fund implemented a program of measures aimed at protecting the rights of depositors.
- ❖ In the reporting year, the process of creating guarantee systems for non-bank financial institutions, namely the deposit guarantee system for credit union members and the payment guarantee system under universal life insurance contracts, began.



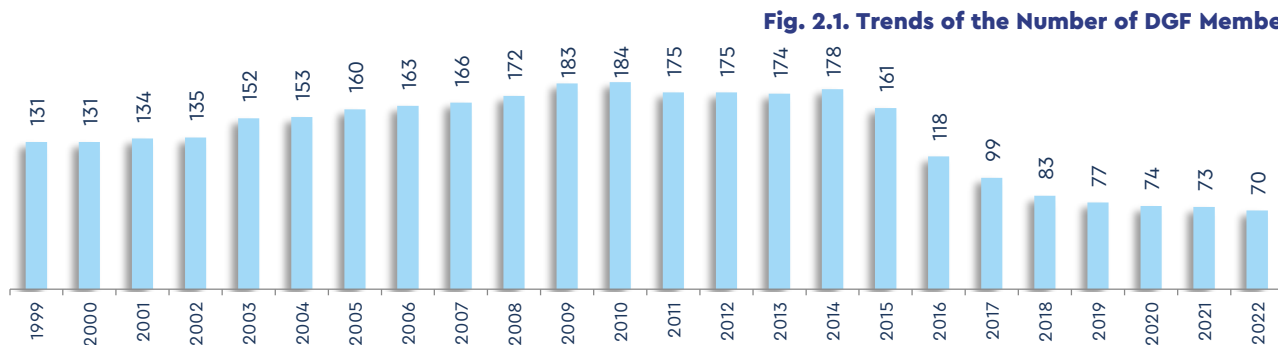
## 2. Banking sector overview and regulatory operations

As of January 1, 2022, there are 70 DGF's member banks licensed by the National Bank of Ukraine to provide banking services.

The Law of Ukraine "On the Household Deposit Guarantee System" provides for the mandatory membership of banks in the Fund. A bank acquires the status of a member of the Fund

on the day of obtaining a banking license. The Fund ceases the membership of the bank upon taking a decision to revoke the banking license and liquidate the bank. JSC Oschadbank is not a member of the Fund.

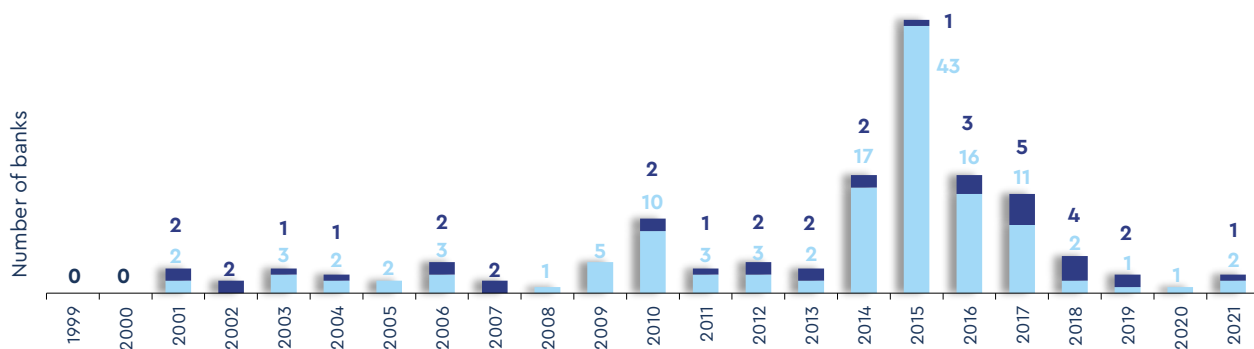
The trends of the number of DGF members are shown in Fig. 2.1:



In 2021, 3 banks were excluded from the Register of Member Institutions of the Fund: JSC Misto Bank and JSC CB ZEMELNY CAPITAL (in which the provisional administration operated and, subsequently, a decision was made to revoke the banking license and liquidate them) and PJSC SETTLEMENT CENTER (in

connection with the revocation of the banking license without the termination of the legal entity). No bank was included in the Register of Member Institutions of the Fund in 2021.

The trends of banks exclusion are shown in Fig. 2.2.:



**Fig. 2.2. Banks excluded from the Register of Member Institutions of the Fund**

■ liquidated banks whose funds are subject to guaranteeing ■ others (without repayment)

In 2021, the number of banks with foreign capital participation (more than or equal to 10%) was consistently 33.

For 2021, the division of active 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. 40 dated February 5, 2021) was as follows:

5 state-owned banks (including JSC Oschadbank) – banks in which the state directly or indirectly owns a share of more than

75% of the authorized capital of the bank. At the end of the year, the number of banks was 4;

20 banks of foreign banking groups – banks whose controlling stakes belong to foreign banks or foreign financial and banking groups;

48 banks with private capital – banks in which there is one or more private investors among the ultimate owners of major shareholding, who 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 DGF members' financial indicators

The financial indicators of the Fund's members were analyzed on the basis of the balance sheet data as of January 1, 2020, January 1, 2021 and January 1, 2022.

At the beginning of 2021, the Fund included 73 banks licensed by the National Bank of Ukraine to conduct banking operations. No new members appeared during the year. At the same time, three banks were excluded from the Register of Member Institutions: JSC MISTO BANK and JSC CB ZEMELNY CAPITAL due to their liquidation, and PJSC SETTLEMENT CENTER due to the termination of banking activities without the termination of the legal entity. Thus, as of January 1, 2022, there were 70 members of the Fund in the Register.

The exclusion of those banks did not have a significant impact on the trends of systemic indicators due to a small share of those members (Table 2.1.1).

During 2021, the National Bank was raising the key policy rate consistently, starting from 6.0% at the beginning of the year. For the first time, the rate was increased on March 5, 2021 to 6.5%, for the second time – on April 16, 2021 to 7.5%, for the third time – on July 23, 2021 to 8.0%, and then – on September 10, 2021 to 8.5%. Finally, from December 10, 2021, it was set at 9.0% per annum. This figure remained unchanged until the end of the year.

At the beginning of 2021, consumer inflation accelerated significantly, and at the end of Q1, the Consumer Price Index (CPI) was 4.1%. In the future, its growth somewhat slowed down, but in annual terms it remained below the upper limit of the target range of 5% ± 1 percentage point. According to the results of H1 of the year, the CPI was 6.4%, after 9 months it increased to 7.5%, and at the end of the year it reached 10.0%. For comparison, in 2020, the CPI was twice as low, that is, 5.0%.

**Table 2.1.1**  
**Balance sheet indicators of banks excluded from the Fund's Register in 2021**  
(as of January 1, 2021))

Indicators	Net assets		Total liabilities	Equity		
	total	Including loan and investment portfolio less provisions		total	including	
					paid authorized capital	performance in 2021
For three excluded banks, UAH million	2,536.1	1,480.0	1,819.0	717.1	1,145.3	- 613.0
Relative share in the total amount for the Fund, %	0.2	0.1	0.1	0.4	0.3	0.2
For reference:						
Total amount for the Fund, UAH million	1,588,344.4	1,221,022.8	1,399,471.6	188,872.8	431,171.3	- 297,256.9

The NBU's baseline scenario for the future provides for a gradual reduction in the impact of the pandemic on the Ukrainian economy. However, the long-term persistence of geopolitical tensions may negatively affect the expectations of the population, businesses and investors, which will be accompanied by increased inflationary pressures. Taking this into consideration, the National Bank published a forecast inflation rate for 2022 within 7.7%.

From the beginning of 2021, the official exchange rate of UAH against USD decreased by UAH 0.9964 (UAH strengthened by 3.5%), and as of January 1, 2022, it amounted to UAH 27.2782 per 1 US dollar. The official exchange rate of UAH against EUR

fell by UAH 3.817 (UAH strengthened by 11.0%), and as of January 1, 2022, it amounted to UAH 30.9226 per 1 euro.

### Main trends of DGF members in 2021

For the second year in a row, the banking sector operated in an unstable macroeconomic situation caused by the coronavirus disease (COVID-19). During that time, the system adjusted to new challenges, adapted its business processes, and demonstrated its ability to function amidst the pandemic.

At the beginning of the year, there was a moderate decline in its indicators, but in Q2, their recovery began. In particular, the balance of funds with counterparty banks and on customer accounts increased, lending to businesses and households



accelerated, and investments in government securities decreased, followed by the allocation of funds to support the economy.

In H2 of the year, positive changes continued. Banks increased their lending volumes in the corporate and mortgage segments, while the annual growth rate of retail loans exceeded the pre-coronavirus level. Correspondent account balances increased due to customers' receipts from business entities and individuals, although household funds grew slower due to the revival of consumer spending. The securities portfolio gradually declined during the year due to the reorientation of resources to lending, but in December it grew rapidly after receiving significant budget payments and concentrating them on the beneficiaries' accounts. According to the results of the reporting year, the consolidated financial result of the Fund's members was the best throughout the entire history of the national banking system.

The balance sheet total for 2021 increased by UAH 228.7 billion (plus 14.4%), taking into account the negative currency revaluation of UAH 18.3 billion, or by UAH 247.0 billion without such revaluation, and amounted to UAH 1,817.0 billion. Over the same time, total assets increased by UAH 167.2 billion, or 8.6%, despite the negative currency revaluation of UAH 23.2 billion, and amounted to UAH 2,109.0 billion as of January 1, 2022. The main factors of asset growth included an increase in the customer loan portfolio, investments in UAH-denominated government securities, and balances placed on correspondent accounts.

Since the beginning of the year, the total amount of the customer loan portfolio has formally increased by UAH 103.2 billion or by 11.8%, and as of January 1, 2022 it amounted to UAH 978.0 billion. At the same time the real portfolio increased by UAH 114.5 billion, since UAH 11.3 billion of growth was offset by a negative revaluation of its currency component. Loans to legal entities, authorities and sole proprietors actually increased by UAH 74.7 billion, and to household loans – by UAH 39.8 billion, excluding negative currency revaluation of UAH 10.3 billion and UAH 1.0 billion, respectively. The UAH component of the portfolio increased (by UAH 130.1 billion), while the currency component decreased (by UAH 26.9 billion). Since the beginning of the year, the net customer portfolio formally added UAH 159.3 billion or 29.9%, with a negative currency revaluation of UAH 6.4 billion, thus increasing by UAH 165.7 billion.

The amount of provisions for credit risks in 2021 decreased by UAH 56.2 billion or 16.4%, and as of January 1, 2022 it amounted to UAH 285.8 billion. Their UAH part decreased by UAH 6.7 billion, and the foreign currency part – by UAH 49.5 billion, taking into account a negative revaluation of UAH 4.9 billion. The main reason for the decline in provisions is the write-off of UAH 63.1 billion of overdue non-performing loans since the beginning of the year, of which UAH 18.2 billion was in the national currency, and UAH 44.9 billion – in foreign currency. Without the write-off factor, provisions under the working portfolio increased moderately within 8.0% of the amount of new debt.

The quality of loan debt is gradually improving, but this is not due to its repayment, but due to the continuous write-off of bad debts. The decline in the share of non-performing loans is also affected by the growth of the loan portfolio due to the issuance of new loans.

Overdue debt on all customer loans since the beginning of the year decreased by UAH 52.1 billion or 17.0%, taking into account the negative currency revaluation of UAH 4.3 billion, and as of January 1, 2022 it amounted to UAH 254.1 billion. Its share in the total volume of customer loans also decreased, from 35.0% as of January 1, 2021 to 26.0% as of January 1, 2022. At the same time, the overdue amount under the "working" customer portfolio in 2021 increased by UAH 15.6 billion, including in UAH – by UAH 11.8 billion and in foreign currency – by UAH 3.8 billion.

Non-performing loans in the reporting year actually decreased in all groups of banks, and as of January 1, 2022 they amounted to UAH 306.5 billion. In general, their volume fell by UAH 67.0 billion, and if we do not take into account the effect of the negative currency revaluation in the amount of UAH 5.4 billion, it actually decreased by UAH 61.6 billion. The share of non-performing loans and income accrued on them in the total loan portfolio of the Fund's members decreased from 40.2% as of January 1, 2021 to 29.7% as of January 1, 2022. At the same time, their volume in the "working" UAH portfolio increased by UAH 8.4 billion, and in the foreign currency portfolio it decreased by UAH 5.7 billion.

Banks' investments in securities continued to grow for the sixth consecutive year, and as of January 1, 2022 they amounted to UAH 701.1 billion, which is UAH 40.1 billion or 6.1% more than the level as of January 1, 2021. Their rapid increase occurred in the end of the year, when they increased by UAH 100.4 billion in December, although before that time they were gradually decreasing in order to allocate funds for lending. Investments in securities refinanced by the NBU remain the main component of the portfolio, which increased by UAH 32.3 billion or 7.0% to UAH 496.2 billion (plus UAH 30.4 billion in December). Investments in NBU certificates of deposit also increased by UAH 34.8 billion, or 21.6%, to reach UAH 195.4 billion (plus UAH 68.6 billion in December). Corporate securities balances in 2021 decreased by UAH 27.0 billion, or 74.0%, to UAH 9.5 billion.

In the reporting year, the total liabilities of the Fund's members increased by UAH 183.8 billion or 13.1%, due to the predominant attraction of customer funds and loans from the NBU, and as of January 1, 2022 they amounted to UAH 1,583.3 billion. The growth occurred during Q2, Q3 and Q4, when liabilities increased by UAH 70.0 billion, UAH 34.8 billion and UAH 93.3 billion, respectively, while in Q1 they decreased by UAH 14.3 billion. The main source of growth was corporate and household funds in UAH.

Funds of legal entities, authorities and sole proprietors increased by UAH 109.0 billion, or 17.1%, since the beginning of the year, and amounted to UAH 745.5 billion as of January 1, 2022. In the national currency, they increased by UAH 103.7 billion to UAH 508.4 billion, and in foreign currency – by UAH 5.3 billion to UAH 237.1 billion, with a negative revaluation of UAH 8.2 billion. Thus, a real increase in the balances of the



accounts of business entities since the beginning of the year amounted to UAH 117.2 billion.

Funds of individuals in 2021 increased by UAH 49.2 billion or 8.9% to UAH 603.6 billion. Their UAH component increased by UAH 52.5 billion or 7.0% to UAH 375.3 billion, while the foreign currency component formally decreased by UAH 3.3 billion or 1.4% to UAH 228.3 billion, but, in fact, also increased by UAH 4.9 billion, if we do not take into account a negative revaluation of UAH 8.2 billion.

The debt of the Fund's members to the NBU in the reporting year increased by UAH 31.8 billion, or 56.3%, and reached UAH 88.4 billion. Most banks allocated additional refinancing to purchase domestic government bonds, the average yield on which was 11.4%, while funds were raised at a key policy rate. Since the beginning of the year, 44 institutions received loans from the NBU, and as of January 1, 2022, 38 banks had debts to them.

The share of fixed-term funds in the structure of liabilities of the Fund's members continued to decline for the seventh

consecutive year, and as of January 1, 2022 it amounted to 35.0% against 39.2% as of January 1, 2021. The decline was due to a decrease in the share of all fixed-term debts: to banks (except the NBU), customers, and international financial institutions.

The equity of the Fund's members in 2021 increased by UAH 44.9 billion or 23.8% due to an increase of UAH 46.2 billion during H2 of the year, although in H1 it decreased by UAH 1.3 billion, and as of January 1, 2022 it amounted to UAH 233.7 billion. The increase in the equity was mainly driven by the profitable activity of banks, which earned a record amount of UAH 76.4 billion.

Return on equity in the reporting year increased to 38.4%, exceeding last year's 20.9%, and almost reached the level of 2019, when it was 38.9%.

The adequacy of regulatory capital of all Fund's members slightly decreased, but remained above the regulatory level (minimum 10.0%), and as of January 1, 2022 it was 18.3% against 22.4% as of January 1, 2021 and 20.6% as of January 1, 2020.

### Analysis of assets

Total assets as of January 1, 2022 amounted to UAH 2,109.0 billion, incl. UAH 625.8 billion in foreign currency, which comprises 32.2% of the structure. Net assets amounted to UAH

1,817.0 billion, and provisions for total assets – UAH 292.0 billion. Changes in the volume and structure of assets of the Fund's members are shown in Table 2.1.2

**Table 2.1.2**  
**Structure and trends of assets of the Fund's members**  
(UAH million)

Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Late changes			
	amount	%	amount	%	amount	%	for 2020		for 2021	
							amounts	in %	amounts	in %
1	2	3	4	5	6	7	8	9	10	11
Cash, traveler's checks, and precious metals	49,838.6	3.0	63,072.2	3.3	65,060.3	3.1	+ 13,233.6	+ 26.6	+ 1,988.1	+ 3.2
Funds with the NBU	46,811.5	2.8	33,186.0	1.7	33,527.6	1.6	- 13,625.5	- 29.1	+ 341.6	+ 1.0
- payables on demand	46,802.0	2.8	33,186.0	1.7	33,527.6	1.6	- 13,616.0	- 29.1	+ 341.6	+ 1.0
- deposits invested	9.5	0.0	-	-	-	-	- 9.5	- 100.0	-	-
Due from other banks	130,920.0	7.9	210,561.4	10.8	226,818.6	10.8	+ 79,641.4	+ 60.8	+ 16,257.2	+ 7.7
incl. accrued income	48.4	0.0	21.7	0.0	15.1	0.0	- 26.7	- 55.2	- 6.6	- 30.4
- payables on demand*	99,719.6	6.0	176,692.9	9.1	196,238.4	9.3	+ 76,973.3	+ 77.2	+ 19,545.5	+ 11.1
- granted loans and invested deposits	31,200.4	1.9	33,868.5	1.7	30,580.2	1.5	+ 2,668.1	+ 8.6	- 3,288.3	- 9.7
Loans granted to customers	910,890.6	54.6	874,793.7	45.0	977,961.6	46.4	- 36,096.9	- 4.0	+ 103,167.9	+ 11.8
incl. accrued income	113,744.3	6.8	91,725.5	4.7	76,677.3	3.6	- 22,018.8	- 19.4	- 15,048.2	- 16.4
- loans to legal entities, authorities and sole proprietors	715,011.2	42.9	687,554.3	35.4	751,972.3	35.7	- 27,456.9	- 3.8	+ 64,418.0	+ 9.4
- retail loans	195,879.4	11.7	187,239.4	9.6	225,989.3	10.7	- 8,640.0	- 4.4	+ 38,749.9	+ 20.7
Securities investments	425,505.2	25.5	661,005.3	34.1	701,101.9	33.2	+ 235,500.1	+ 55.3	+ 40,096.6	+ 6.1
incl. accrued income	5,569.7	0.4	8,468.7	0.5	9,121.8	0.4	+ 2,899.0	+ 52.0	+ 653.1	+ 7.7
- securities refinanced by the NBU	271,582.0	16.3	463,911.7	23.9	496,196.3	23.5	+ 192,329.7	+ 70.8	+ 32,284.6	+ 7.0
- securities issued by the NBU	136,188.5	8.2	160,645.5	8.3	195,424.9	9.3	+ 24,457.0	+ 18.0	+ 34,779.4	+ 21.6
- corporate and other securities	17,734.7	1.0	36,448.1	1.9	9,480.7	0.4	+ 18,713.4	+ 105.5	- 26,967.4	- 74.0
Investments in affiliates and subsidiaries	400.0	0.0	275.3	0.0	285.3	0.0	- 124.7	- 31.2	+ 10.0	+ 3.6
Fixed assets, intangible assets, and right-of-use assets	51,704.5	3.1	50,295.1	2.6	47,006.8	2.2	- 1,409.4	- 2.7	- 3,288.3	- 6.5
Accounts receivable	16,923.0	1.0	21,220.4	1.1	26,166.3	1.2	+ 4,297.4	+ 25.4	+ 4,945.9	+ 23.3
Other accrued income	2,010.8	0.1	1,795.6	0.1	1,868.2	0.1	- 215.2	- 10.7	+ 72.6	+ 4.0
Other assets	33,328.6	2.0	25,689.8	1.3	29,247.8	1.4	- 7,638.8	- 22.9	+ 3,558.0	+ 13.8
<b>Total assets</b>	<b>1,668,332.8</b>	<b>100.0</b>	<b>1,941,894.8</b>	<b>100.0</b>	<b>2,109,044.4</b>	<b>100.0</b>	<b>+ 273,562.0</b>	<b>+ 16.4</b>	<b>+ 167,149.6</b>	<b>+ 8.6</b>
incl. accrued income	121,373.2	7.3	102,011.5	5.3	87,682.4	4.1	- 19,361.7	- 16.0	- 14,329.1	- 14.0
Provisions for active transactions	- 424,359.4	x	- 353,550.4	x	- 292,004.1	x	+ 70,809.0	- 16.7	+ 61,546.3	- 17.4
<b>Net assets</b>	<b>1,243,973.4</b>	<b>x</b>	<b>1,588,344.4</b>	<b>x</b>	<b>1,817,040.3</b>	<b>x</b>	<b>+ 344,371.0</b>	<b>+ 27.7</b>	<b>+ 228,695.9</b>	<b>+ 14.4</b>
For reference:										
Highly liquid assets	599,641.2	35.9	890,454.6	45.9	977,450.7	46.3	+ 290,813.4	+ 48.5	+ 86,996.1	+ 9.8

\* including receivables



During the reporting year, total assets increased by UAH 167.2 billion or 8.6% (in 2020, by UAH 273.6 billion or 16.4%), net assets – by UAH 228.7 billion or 14.4% (in 2020, by UAH 344.4 billion or 27.7%), and provisions for assets decreased by 61.5 UAH billion or 17.4% (in 2020, by UAH 70.8 billion or 16.7%). The main growth factors of total assets include an increase in the customer loan portfolio, investments in government securities, and correspondent account balances, despite a negative revaluation of foreign currency items on the balance sheet due to the strengthening of the UAH. The main reason for the decrease in provisions is the write-off of non-performing loans at their expense.

The following changes took place in terms of currencies:

- ❖ in national currency, the growth of total assets since the beginning of the year amounted to UAH 201.0 billion or 15.7% to UAH 1.483.2 billion (in 2020, they grew by UAH 173.7 billion);
- ❖ in foreign currency, a formal decline of total assets amounted to UAH 33.8 billion or 5.1%, of which UAH 23.2 billion was "provided" by a negative revaluation, i.e. in fact, they decreased by UAH 10.6 billion (in 2020, the real decrease was by UAH 8.5 billion).

**Cash, traveler's checks, and precious metals** in 2021 increased by UAH 2.0 billion or 3.2% to UAH 65.1 billion (3.1% of assets against 3.3% at the beginning of the year). At the same time, **correspondent account balances with the NBU** remained almost unchanged, adding UAH 0.3 billion or 1.0%, and amounted to UAH 33.5 billion (1.6% in the asset structure against 1.7% at the beginning of the year). However, in December they decreased by UAH 18.9 billion due to the active purchase of government securities by banks at the end of the year.

**Funds due from other banks** (except the NBU) in the reporting year formally increased by UAH 16.2 billion or 7.7%, although, excluding a negative revaluation of UAH 7.3 billion, they increased by UAH 23.5 billion (in 2020, this growth was by UAH 54.8 billion), and as of January 1, 2022 they amounted to UAH 226.8 billion (10.8% in the asset structure throughout the year). Almost all balances are concentrated in foreign currency. At the end of the year, there was an increase in interbank payables on demand, which increased by UAH 19.5 billion or 11.1% to UAH 196.2 billion, despite a negative revaluation of UAH 6.2 billion. At the same time, during Q4, there was an outflow of funds from foreign currency correspondent accounts in the amount of UAH 29.4 billion (including UAH 17.5 billion in December) due to a decrease in non-residents' investments in domestic government bonds. Interbank term assets in 2021 decreased by UAH 3.3 billion or 9.7%, to UAH 30.6 billion, but if we do not take into account a negative revaluation of UAH 1.1 billion, their real decrease was UAH 2.2 billion.

**Customer loan portfolio** increased by UAH 103.2 billion or 11.8% since the beginning of the year, taking into account the negative currency revaluation of UAH 11.3 billion (that is, in reality, it added UAH 114.5 billion), and as of January 1, 2022 amounted to UAH 978.0 billion with its share in assets increased from 45.0% to 46.4%. The portfolio is formed by 69.8% from loans in UAH and by 30.2% from FX loans. In 2021, UAH loans

increased by UAH 130.1 billion (in 2020, they decreased by UAH 12.4 billion), and foreign currency loans actually decreased by UAH 15.6 billion, except for a negative revaluation (in 2020, their real decrease was UAH 90.5 billion). During the year, the portfolio grew quarterly, excluding results of Q1. During that time, loans for current activities (88.7% in the portfolio structure), which increased by UAH 85.6 billion or 9.9% to UAH 867.1 billion, and overdrafts (5.4% of the portfolio), which increased by UAH 16.3 billion or 44.7% to UAH 52.9 billion, added the most. Mortgage loans (3.0% of the portfolio) decreased by UAH 1.8 billion or 5.6% to UAH 29.8 billion.

**Investments in securities** in 2021 increased by UAH 40.1 billion or 6.1% despite the negative currency revaluation of UAH 3.5 billion and amounted to UAH 701.1 billion, accounting for 33.2% of assets against 34.1% at the beginning of the year (in 2020, they increased by UAH 235.5 billion, including UAH 13.1 billion due to the positive currency revaluation). Among them, the largest share falls on securities refinanced by the NBU, which increased by UAH 32.3 billion or 7.0% to UAH 496.2 billion. Their main increase occurred in December (+UAH 30.6 billion). Investments in NBU certificates of deposit in 2021 increased by UAH 34.8 billion, or 21.6%, and reached UAH 195.4 billion. They also maximized in December (+UAH 68.6 billion).

In the reporting year, **fixed assets, intangible assets, and right-of-use assets** decreased by UAH 3.3 billion or 6.5% and amounted to UAH 47.0 billion, while their share in the asset structure fell to 2.2% against 2.6% at the beginning of the year. At the same time, **accounts receivable** increased by UAH 4.9 billion or 23.3% to UAH 26.2 billion (1.2% in the structure against 1.1% at the beginning of the year), and **other assets** – by UAH 3.6 billion or 13.8% to UAH 29.2 billion (1.4% in the structure as of January 1, 2022 against 1.1% as of January 1, 2021).

**Highly liquid assets** of the Fund's members (cash, funds with the NBU, payables on demand in other banks together with receivables, as well as securities refinanced or issued by the NBU, without accrued income) in 2021 increased by UAH 87.0 billion or 9.8%. As of January 1, 2022, they amounted to UAH 977.5 billion against UAH 890.5 billion as of January 1, 2021 and UAH 599.6 billion as of January 1, 2020. Their share in total assets also increased from 45.9% at the beginning of 2021 to 46.3% at the year-end.

The return on assets in the reporting year gradually increased due to the faster growth of bank profitability. As of January 1, 2022, it was 4.6%, which is more than as of January 1, 2021 (2.8%), but lower than the level as of January 1, 2020 (5.1%). Net interest margin also increased (to 6.3%) compared to the last year's level (5.5%), but remained lower than two years ago (6.5%).

Table 2.1.3 shows an analysis of changes in the interbank loan and deposit portfolio of the Fund's members.

The volume of interbank fixed-term assets during 2021 decreased by UAH 3.3 billion or 9.7%, taking into account the negative currency revaluation in the amount of UAH 1.1 billion, and as of January 1, 2022 amounted to UAH 30.6 billion, of which UAH 22.8 billion or 74.5% accrued to interbank loans, and UAH 7.8 billion or 25.5% – to interbank deposits. The portfolio reduction was achieved by reducing overnight interbank



foreign currency loans, which fell to zero at the end of the year, although at the beginning they amounted to UAH 4.5 billion. The net interbank portfolio for the reporting year lost UAH 2.9 billion or 8.7%, provisions decreased by UAH 0.4 billion, and overdue debt – by UAH 0.5 billion.

A detailed analysis of the customer loan portfolio of the Fund's members is shown in Table 2.1.4.

**Table 2.1.3**

**Interbank loan and deposit portfolio of the Fund's members**

(UAH million)

Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Late changes			
	amount	%	amount	%	amount	%	for 2020		for 2021	
							amounts	in %	amounts	in %
1	2	3	4	5	6	7	8	9	10	11
Deposits in other banks	14,394.2	46.1	8,026.7	23.7	7,798.3	25.5	- 6,367.5	- 44.2	- 228.4	- 2.8
– deposits invested	14,390.2	46.1	8,026.5	23.7	7,798.2	25.5	- 6,363.7	- 44.2	- 228.3	- 2.8
of which overdue	0.3	0.0	-	-	-	-	- 0.3	- 100.0	-	-
– accrued income	4.0	0.0	0.2	0.0	0.1	0.0	- 3.8	- 95.0	- 0.1	- 52.5
of which overdue	0.0	0.0	-	-	-	-	- 0.0	- 100.0	-	-
Interbank loans	16,806.2	53.9	25,841.8	76.3	22,781.9	74.5	+ 9,035.6	+ 53.8	- 3,059.9	- 11.8
– loans granted	16,770.8	53.8	25,823.8	76.2	22,769.3	74.5	+ 9,053.0	+ 54.0	- 3,054.5	- 11.8
of which overdue	750.3	2.4	728.5	2.2	255.8	0.8	- 21.8	- 2.9	- 472.7	- 64.9
– accrued income	35.4	0.1	18.0	0.1	12.6	0.0	- 17.4	- 49.2	- 5.4	- 29.9
of which overdue	10.2	0.0	10.4	0.0	-	-	+ 0.2	+ 2.0	- 10.4	- 100.0
<b>Total interbank portfolio</b>	<b>31,200.4</b>	<b>100.0</b>	<b>33,868.5</b>	<b>100.0</b>	<b>30,580.2</b>	<b>100.0</b>	<b>+ 2,668.1</b>	<b>+ 8.6</b>	<b>- 3,288.3</b>	<b>- 9.7</b>
incl. overdue	760.8	2.4	738.9	1.9	255.8	0.8	- 21.9	- 2.9	- 483.1	- 65.4
Provisions for interbank loans and deposits	- 796.6	x	- 729.3	x	- 308.6	x	+ 67.3	- 8.4	+ 420.7	- 57.7
<b>Net interbank portfolio</b>	<b>30,403.8</b>	<b>x</b>	<b>33,139.2</b>	<b>x</b>	<b>30,271.6</b>	<b>x</b>	<b>+ 2,735.4</b>	<b>+ 9.0</b>	<b>- 2,867.6</b>	<b>- 8.7</b>





**Table 2.1.4**  
**Volume and structure of the Fund's members' loan portfolio**  
(UAH million)

Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Late changes			
	amount	%	amount	%	amount	%	for 2020		for 2021	
							amount	in %	amount	in %
1	2	3	4	5	6	7	8	9	10	11
Loans to legal entities, authorities and sole proprietors	715,011.2	78.5	687,554.3	78.6	751,972.3	76.9	- 27,456.9	- 3.8	+ 64,418.0	+ 9.4
- loans granted	632,342.0	69.4	618,023.2	70.6	693,835.7	71.0	- 14,318.8	- 2.3	+ 75,812.5	+ 12.3
of which overdue	242,469.9	26.6	210,011.0	24.0	179,336.8	18.3	- 32,458.9	- 13.4	- 30,674.2	- 14.6
- accrued income	82,669.2	9.1	69,531.1	8.0	58,136.6	5.9	- 13,138.1	- 15.9	- 11,394.5	- 16.4
of which overdue	69,695.9	7.6	59,219.9	6.8	47,391.6	4.9	- 10,476.0	- 15.0	- 11,828.3	- 20.0
Retail loans	195,879.4	21.5	187,239.4	21.4	225,989.3	23.1	- 8,640.0	- 4.4	+ 38,749.9	+ 20.7
- loans granted	164,804.3	18.1	165,045.0	18.9	207,448.6	21.2	+ 240.7	+ 0.1	+ 42,403.6	+ 25.7
of which overdue	23,930.7	2.6	18,082.2	2.1	12,753.8	1.3	- 5,848.5	- 24.4	- 5,328.4	- 29.5
- accrued income	31,075.1	3.4	22,194.4	2.5	18,540.7	1.9	- 8,880.7	- 28.6	- 3,653.7	- 16.5
of which overdue	27,803.4	3.1	18,858.3	2.1	14,612.6	1.5	- 8,945.1	- 32.2	- 4,245.7	- 22.5
<b>Total customer portfolio</b>	<b>910,890.6</b>	<b>100.0</b>	<b>874,793.7</b>	<b>100.0</b>	<b>977,961.6</b>	<b>100.0</b>	<b>- 36,096.9</b>	<b>- 4.0</b>	<b>+ 103,167.9</b>	<b>+ 11.8</b>
incl. overdue	363,899.9	39.9	306,171.4	35.0	254,094.8	26.0	- 57,728.5	- 15.9	- 52,076.6	- 17.0
Provisions for customer loans	- 413,680.4	x	- 342,004.0	x	- 285,839.3	x	+ 71,676.4	- 17.3	+ 56,164.7	- 16.4
- loans to legal entities, authorities and sole proprietors	- 352,887.5	x	- 294,501.8	x	- 246,426.7	x	+ 58,385.7	- 16.5	+ 48,075.1	- 16.3
- for retail loans	- 60,792.9	x	- 47,502.2	x	- 39,412.6	x	+ 13,290.7	- 21.9	+ 8,089.6	- 17.0
<b>Net customer portfolio</b>	<b>497,210.2</b>	<b>x</b>	<b>532,789.7</b>	<b>x</b>	<b>692,122.3</b>	<b>x</b>	<b>+ 35,579.5</b>	<b>+ 7.2</b>	<b>+ 159,332.6</b>	<b>+ 29.9</b>
- legal entities, authorities and sole proprietors	362,123.7	x	393,052.5	x	505,545.6	x	+ 30,928.8	+ 8.5	+ 112,493.1	+ 28.6
- individuals	135,086.5	x	139,737.2	x	186,576.7	x	+ 4,650.7	+ 3.4	+ 46,839.5	+ 33.5



Since the beginning of 2021, the total amount of the customer loan portfolio formally increased by UAH 103.2 billion, or 11.8%, and as of January 1, 2022 amounted to UAH 978.0 billion. At the same time, the real portfolio increased by 114.5 UAH, as UAH 11.3 billion of growth was offset by a negative revaluation of its currency component (for comparison: in 2020, the real portfolio decreased by UAH 102.9 billion).

The net customer loan portfolio formally increased by UAH 159.3 billion or 29.9% with a negative currency revaluation of UAH 6.4 billion, i.e. in fact, it added UAH 165.7 billion and as of January 1, 2022 amounted to UAH 692.1 billion (for comparison: the net loan portfolio for 2020 actually increased by UAH 2.4 billion).

The volume of provisions for credit risks in 2021 decreased by UAH 56.2 billion or 16.4% (in 2020 – by UAH 71.7 billion) and as of January 1, 2022 amounted to UAH 285.8 billion. Their UAH part decreased by UAH 6.7 billion, and the foreign currency part – by UAH 49.5 billion, taking into account a negative revaluation of UAH 4.9 billion. Since the beginning of the year, the level of reserve coverage of the customer loan portfolio fell from 39.1% to 29.1%, while for corporate loans entities it decreased from 42.8% to 28.8%, and for retail loans, on the contrary, it increased from 25.4% to 30.2%. The main reason for the overall decline in provisions is the write-off of UAH 63.1 billion of non-performing loans in 2021 (UAH 136.0 billion were written off in 2020).

**Loans to legal entities, sole proprietors and authorities** since the beginning of the year formally increased by UAH 64.4 billion or 9.4%, and amounted to UAH 752.0 billion (76.9% in the loan portfolio structure). At the same time, in fact, the portfolio increased by UAH 74.7 billion, if we do not take into account the impact of the negative currency revaluation in the amount of UAH 10.3 billion. During that time, UAH loans increased by UAH 81.5 billion to UAH 477.3 billion (63.5% of the portfolio of legal entities), and foreign currency loans decreased by UAH 17.1 billion to UAH 274.7 billion (36.5% of the portfolio of legal entities), however, if we do not take into account the above revaluation, they actually decreased by UAH 6.8 billion (for comparison: in 2020, business loans actually decreased by UAH 87.3 billion, including UAH loans – by 10.4 UAH, and foreign currency loans – by UAH 76.9 billion). Among the areas of lending, the major share falls on loans for current activities and amounts to 93.8%. Mortgages and overdrafts account for 1.0% and 1.7%, respectively.

The net UAH corporate portfolio for 2021 increased by UAH 88.1 billion or 41.1% to UAH 302.4 billion. Since the beginning of the year, provisions decreased by UAH 6.6 billion, or 3.6%, to UAH 174.9 billion. The level of reservation of UAH corporate loans as of January 1, 2022 was 36.6% against 45.9% as of January 1, 2021 and 51.7% as of January 1, 2020.

Since the beginning of the year, the corporate net foreign exchange portfolio formally increased by UAH 24.4 billion, or 13.6%, to UAH 203.1 billion, but if we do not take into account the negative currency revaluation of UAH 6.3 billion, it actually added UAH 30.7 billion. In 2021, provisions decreased by UAH 41.5 billion or 36.7% (with a negative revaluation of UAH 4.0 billion) to UAH 71.5 billion, while the level of foreign currency

corporate loan coverage fell to 26.0% as of January 1, 2022 from 38.7% as of January 1, 2021 and 46.2% as of January 1, 2020.

**Retail loans** in the reporting year increased by UAH 38.8 billion or 20.7% to UAH 226.0 billion (23.1% in the loan portfolio structure). Since the beginning of the year, UAH-denominated household loans increased by UAH 48.6 billion or 30.8% to UAH 206.4 billion (91.3% of the portfolio of individuals), while foreign currency loans decreased by UAH 9.8 billion or 33.5% to UAH 19.6 billion (8.7% of the portfolio of individuals), including by UAH 1.0 billion due to a negative revaluation (i.e., in reality, they decreased by UAH 8.8 billion). Thus, in general, since the beginning of the year, the households loan portfolio actually added UAH 39.8 billion (for comparison: in 2020, it actually decreased by UAH 15.6 billion, including UAH – by UAH 2.0 billion, and foreign currency – by UAH 13.6 billion). The most popular area of household lending is loans for current needs, which account for 71.6% of the whole debt. Mortgages and overdrafts account for 9.9% and 17.8%, respectively.

Since the beginning of the year, the net UAH-denominated retail portfolio added UAH 48.7 billion, or 35.9%, and as of January 1, 2022 amounted to UAH 184.4 billion. Over that time provisions decreased by UAH 0.1 billion or 0.3% to UAH 22.0 billion, while the portfolio reserve decreased to 10.7% as of January 1, 2022 from 14.0% as of January 1, 2021 and 18.6% as of January 1, 2020.

The net foreign exchange portfolio of individuals in 2021 decreased by UAH 1.9 billion or 45.3% to UAH 2.2 billion, including by UAH 0.1 billion due to a negative revaluation. Since the beginning of the year, provisions decreased by UAH 8.0 billion or 31.6% to UAH 17.4 billion, including by UAH 0.9 billion due to a negative revaluation. The level of foreign exchange portfolio reserve coverage increased slightly and amounted to 88.7% as of January 1, 2022 against 86.2% as of January 1, 2021 and 85.8% as of January 1, 2020.

**Overdue debt** on customer loans since the beginning of 2021 decreased by UAH 52.1 billion or 17.0%, taking into account the negative currency revaluation of UAH 4.3 billion and as of January 1, 2022 amounted to UAH 254.1 billion (26.0% of the total portfolio), of which UAH 178.8 billion was denominated in national currency, and UAH 75.3 billion – in foreign currency. Thus, its real reduction in the reporting year amounted to UAH 47.8 billion, including UAH 6.6 billion in UAH and UAH 41.2 billion in foreign currency (for comparison: in 2020, the overdue amount actually decreased by UAH 86.9 billion, including the overdue amount in UAH – by UAH 27.9 billion, and in foreign currency – by UAH 59.0 billion). The share of overdue debt in the total volume of customer loans also decreased: for UAH loans to 26.1% as of January 1, 2022 against 33.5% as of January 1, 2021 and 37.7% as of January 1, 2020, and for foreign currency loans to 25.6% as of January 1, 2022 against 37.6% as of January 1, 2021 and 43.7% as of January 1, 2020.

The following changes occurred in the context of currencies and customer loan portfolios in 2021:

- ❖ on loans granted to legal entities, authorities and sole proprietors, the overdue debt formally decreased by UAH 42.5 billion or 15.8% to UAH 226.7 billion, and its share in the business loan portfolio fell to 30.2% on January 1, 2022



from 39.2% on January 1, 2021 and 43.7% on January 1, 2020, where the overdue amount in UAH since the beginning of the year decreased by UAH 4.4 billion or 2.5% to UAH 167.8 billion, and in foreign currency – by UAH 38.1 billion or 39.3% to UAH 58.9 billion, taking into account the negative currency revaluation of UAH 3.4 billion (that is, in general, the delinquency on business loans actually fell by UAH 39.1 billion since the beginning of the year);

- ❖ on household loans, the overdue debt formally decreased by UAH 9.6 billion or 25.9% to UAH 27.4 billion, and its share in the households loan portfolio decreased to 12.1% on January 1, 2022 from 19.7% on January 1, 2021 and 26.4% on January 1, 2020, where the overdue amount in UAH since the beginning of the year decreased by UAH 2.2 billion or 16.9% to UAH 11.0 billion, and in foreign currency – by UAH 7.4 billion or 30.9% to UAH 16.4 billion, taking into account the negative currency revaluation of UAH 0.9 billion (that is, in general, delinquency on households loans actually decreased by UAH 8.7 billion since the beginning of the year).

At the same time, a significant decrease in the volume of overdue loan debt does not mean an improvement in its servicing by borrowers, since it occurred due to the write-off of overdue non-performing loans at the expense of provisions formed.

Since the beginning of 2021, the Fund's members wrote off UAH 63.1 billion of loan debts, of which UAH 18.2 billion was in national currency, and UAH 44.9 billion was in foreign currency (in 2020, UAH 136.0 billion of loans were written off, including UAH 58.5 billion of UAH and UAH 77.5 billion of foreign currency). The largest written-off volume was recorded by JSC UKREXIMBANK – UAH 27.0 billion (UAH 3.3 billion in UAH and UAH 23.7 billion in foreign currency), JSC CB PRIVATBANK – UAH 13.3 billion (UAH 9.2 billion in UAH and UAH 4.1 billion in foreign currency) and JSC ALFA-BANK – UAH 5.2 billion (UAH 1.2 billion in UAH and UAH 4.0 billion in foreign currency).

Table 2.1.5 shows changes in the customer loan portfolio of the Fund's members and related indicators under the influence of certain factors.

**Table 2.1.5**  
**Changes in the individual components of the customer loan portfolio**  
(UAH million)

Indicators	Loans granted to customers		Provisions for customer loans		Overdue loans to customers		Non-performing customer loans	
	in UAH	in foreign currency (UAH equiv.)	in UAH	in foreign currency (UAH equiv.)	in UAH	in foreign currency (UAH equiv.)	in UAH	in foreign currency (UAH equiv.)
1	2	3	4	5	6	7	8	9
<b>Balance as of January 1, 2020</b>	<b>565,969.0</b>	<b>344,921.6</b>	<b>-239,893.7</b>	<b>- 173,786.7</b>	<b>213,247.2</b>	<b>150,652.7</b>	<b>259,096.9</b>	<b>192,793.1</b>
year-on-year changes due to:								
- volume increase/decrease	+ 46,620.0	- 13,036.5	- 22,247.7	- 8,428.3	+ 30,686.6	+ 18,416.2	+ 18,319.8	+ 1,209.7
- debt write-off	- 58,541.8	- 77,470.0	+ 58,541.8	+ 77,470.0	- 58,541.8	- 77,470.0	- 58,541.8	- 77,470.0
- dissolution of banks	- 485.5	-	+ 5.9	-	- 3.4	-	- 79.1	-
- currency revaluation	x	+ 66,816.9	x	- 33,665.3	x	+ 29,183.9	x	+ 37,347.1
<b>Balance as of January 1, 2021</b>	<b>553,561.7</b>	<b>321,232.0</b>	<b>-203,593.7</b>	<b>- 138,410.3</b>	<b>185,388.6</b>	<b>120,782.8</b>	<b>218,795.8</b>	<b>153,879.9</b>
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
<b>Balance as of January 1, 2022</b>	<b>683,669.5</b>	<b>294,292.1</b>	<b>-196,919.9</b>	<b>- 88,919.4</b>	<b>178,759.1</b>	<b>75,335.7</b>	<b>208,530.0</b>	<b>97,730.5</b>



According to the data provided, the volume of the customer portfolio increased significantly, by UAH 149.2 billion, since the beginning of 2021 due to the emergence of new debt in UAH, despite the write-off of "bad" debts in the amount of UAH 18.2 billion. Foreign currency loans also actually increased by UAH 29.5 billion, excluding the write-off of UAH 44.9 billion and the negative currency revaluation of UAH 11.3 billion. Provisions under the working portfolio increased moderately within 8.0% of the amount of new debt. In UAH, they increased by UAH 11.6 billion, and in foreign currency – only by UAH 0.3 billion.

The quality of loan debt is gradually improving, but this is not due to its repayment, but due to the continuous write-off of bad debts. The decline in the share of non-performing loans is

also affected by the growth of the loan portfolio due to the issuance of new loans. At the same time, the overdue amount under the "working" customer portfolio in 2021 increased by UAH 15.6 billion, including in UAH – by UAH 11.8 billion and in foreign currency – by UAH 3.8 billion. The volume of non-performing loans in the reporting year also added UAH 2.7 billion, excluding write-offs and negative currency revaluation. This was due to the UAH component, which increased by UAH 8.4 billion, while the currency component decreased by UAH 5.7 billion.

Changes in volumes and shares of **non-performing loans** (including interbank) in the loan portfolios of individual groups of banks are shown in Table 2.1.6.

**Table 2.1.6**  
**Non-performing loan portfolios of the Fund's members**  
(UAH million)

Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Changes in the amount for		
	amount	share of LP *, %	amount	share of LP *, %	amount	share of LP *, %	2021	2022	
1	2	3	4	5	6	7	8	9	
<b>Non-performing loans and accrued income</b>									
total	318,791.7	65.8	253,324.8	60.2	215,362.3	50.9	- 65,466.9	- 37,962.5	
- in state-owned banks	UAH	222,014.9	70.4	188,504.2	68.2	181,221.4	58.3	- 33,510.7	- 7,282.8
	currency	96,776.8	57.4	64,820.6	44.9	34,140.9	30.5	- 31,956.2	- 30,679.7
	total	239,196.5	78.4	181,195.9	74.0	174,533.4	69.9	- 58,000.6	- 6,662.5
incl. in PrivatBank	UAH	189,347.2	77.1	162,775.1	75.5	157,804.8	70.0	- 26,572.1	- 4,970.3
	currency	49,849.3	83.6	18,420.8	62.5	16,728.6	69.6	- 31,428.5	- 1,692.2
- in banks of foreign banking groups	total	107,476.1	32.5	95,890.8	27.9	71,426.2	17.8	- 11,585.3	- 24,464.6
	UAH	23,593.4	13.8	18,172.3	9.9	17,021.3	7.0	- 5,421.1	- 1,151.0
	currency	83,882.7	52.5	77,718.5	48.4	54,404.9	34.2	- 6,164.2	- 23,313.6
- in private banks	total	26,401.1	18.6	23,975.0	14.6	19,727.8	9.4	- 2,426.1	- 4,247.2
	UAH	14,227.8	15.4	12,698.9	11.5	10,543.1	6.9	- 1,528.9	- 2,155.8
	currency	12,173.3	24.5	11,276.1	20.6	9,184.7	16.2	- 897.2	- 2,091.4
- in insolvent banks	total	-	-	279.6	74.8	-	-	+ 279.6	- 279.6
	UAH	-	-	167.7	64.0	-	-	+ 167.7	- 167.7
	currency	-	-	111.9	100.0	-	-	+ 111.9	- 111.9
<b>Total non-performing loans and accrued income</b>	<b>total</b>	<b>452,668.9</b>	<b>47.3</b>	<b>373,470.2</b>	<b>40.2</b>	<b>306,516.3</b>	<b>29.7</b>	<b>- 79,198.7</b>	<b>- 66,953.9</b>
	<b>UAH</b>	<b>259,836.1</b>	<b>44.9</b>	<b>219,543.1</b>	<b>38.5</b>	<b>208,785.8</b>	<b>29.6</b>	<b>- 40,293.0</b>	<b>- 10,757.3</b>
	<b>currency</b>	<b>192,832.8</b>	<b>51.0</b>	<b>153,927.1</b>	<b>42.8</b>	<b>97,730.5</b>	<b>29.8</b>	<b>- 38,905.7</b>	<b>- 56,196.6</b>

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

Non-performing loans since the beginning of 2021 decreased in all groups of banks and as of January 1, 2022 amounted to UAH 306.5 billion against UAH 373.5 billion as of January 1, 2021 and UAH 452.7 billion as of January 1, 2020. Formally, their volume fell by UAH 67.0 billion, and if we do not take into account the effect of the negative currency revaluation in the amount of

UAH 5.4 billion, it actually decreased by UAH 61.6 billion (in 2020, the real reduction was UAH 116.6 billion). The share of non-performing loans and accrued income in the total loan portfolio of each group of banks also decreased. The main reason for the decrease is the write-off of "bad" debts at the expense of provisions.



As of January 1, 2022, state-owned banks had UAH 215.4 billion of non-performing loans (70.3% of their total volume) against UAH 253.3 billion at the beginning of the year, banks of foreign banking groups – UAH 71.4 billion (23.3%) against UAH 95.9 billion, and private banks – UAH 19.7 billion (6.4%) against UAH

24.0 billion. There were no insolvent banks as of the specified date.

**Investments in securities** constitute an important component of assets of the Fund's members. Their volume and structure are shown in Table 2.1.7.

**Table 2.1.7**  
**Portfolio of securities of the Fund's members**  
(UAH million)

Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Late changes			
	amount	%	amount	%	amount	%	for 2020		for 2021	
							amount	in %	amount	in %
1	2	3	4	5	6	7	8	9	10	11
Securities refinanced by the NBU	271,582.0	63.8	463,911.7	70.2	496,196.3	70.8	+192,329.7	+ 70.8	+ 32,284.6	+ 7.0
– Domestic government bonds and other securities refinanced by the NBU	267,315.2	62.8	456,905.1	69.1	487,327.9	69.5	+189,589.9	+ 70.9	+ 30,422.8	+ 6.7
– accrued income	4,266.8	1.0	7,006.6	1.1	8,868.4	1.3	+ 2,739.8	+ 64.2	+ 1,861.8	+ 26.6
Securities issued by the NBU	136,188.5	32.0	160,645.5	24.3	195,424.9	27.9	+ 24,457.0	+ 18.0	+ 34,779.4	+ 21.6
– NBU deposit certificates	135,965.3	31.9	160,601.9	24.3	195,298.9	27.9	+ 24,636.6	+ 18.1	+ 34,697.0	+ 21.6
– accrued income	223.2	0.1	43.6	0.0	126.0	0.0	– 179.6	– 80.5	+ 82.4	+189.0
Corporate and other securities	17,734.7	4.2	36,448.1	5.5	9,480.7	1.3	+ 18,713.4	+ 105.5	– 26,967.4	– 74.0
– corporate and other securities	16,655.0	3.9	35 029,6	5.3	9,353.3	1.3	+ 18,374.6	+ 110.3	– 25,676.3	– 73.3
– accrued income	1,079.7	0.3	1,418.5	0.2	127.4	0.0	+ 338.8	+ 31.4	– 1,291.1	– 91.0
<b>Total securities portfolio</b>	<b>425,505.2</b>	<b>100.0</b>	<b>661,005.3</b>	<b>100.0</b>	<b>701,101.9</b>	<b>100.0</b>	<b>+235,500.1</b>	<b>+55.3</b>	<b>+ 40,096.6</b>	<b>+ 6.1</b>
Provisions for securities	– 4,946.6	x	– 5,911.4	x	– 1,506.6	x	– 964.8	+ 19.5	+ 4,404.8	– 74.5
<b>Net securities portfolio</b>	<b>420,558.6</b>	<b>x</b>	<b>655,093.9</b>	<b>x</b>	<b>699,595.3</b>	<b>x</b>	<b>+234,535.3</b>	<b>+ 55.8</b>	<b>+ 44,501.4</b>	<b>+ 6.8</b>

Investments in securities continued to grow for the sixth consecutive year and as of January 1, 2022 amounted to UAH 701.1 billion, which is UAH 40.1 billion or 6.1% more than the level as of January 1, 2021 with the negative currency revaluation of UAH 3.5 billion (i.e., they actually grew by UAH 43.6 billion). A rapid increase in the balances occurred in the end of the year, when they increased by UAH 100.4 billion in December, although before that time they were gradually decreasing in order to allocate funds for lending. Currently, they account for 33.2% of the total assets of the Fund's members, compared to 25.5% last year. The net portfolio of securities increased by UAH 44.5 billion or 6.8% and as of January 1, 2022 amounted to UAH 699.6 billion against UAH 655.1 billion as of January 1, 2021.

Investments in securities refinanced by the NBU remain the main portfolio component (70.8% in the structure). During 2021, they increased by UAH 32.3 billion or 7.0% to UAH 496.2 billion (in December, by UAH 30.4 billion); their UAH share increased by UAH 46.1 billion to UAH 423.2 billion, and the currency share decreased by UAH 13.8 billion to UAH 73.0 billion (including UAH 3.0 billion due to the currency revaluation). The maximum balances of those securities are concentrated in the state-owned banks: JSC CB PRIVATBANK – UAH 222.2 billion (UAH 190.2 billion in UAH and UAH 32.0 billion in foreign currency), JSC UKREXIMBANK – UAH 65.7 billion (UAH 55.7 billion in UAH and UAH 10.0 billion in foreign currency), and JSB UKRGASBANK – UAH 24.7 billion (UAH 23.5 billion in UAH and UAH 1.2 billion in foreign currency).



In the reporting year, the balance sheets of the Fund's members increased the number of remaining NBU certificates of deposit by UAH 34.8 billion or 21.6% to UAH 195.4 billion. The increase occurred during December after the government paid significant budget expenditures, which once increased the liquidity of banks and their investments in the certificates of deposit by UAH 68.6 billion. The share of certificates in the portfolio structure also increased from 24.3% as of January 1, 2021 to 27.9% as of January 1, 2022.

The balance of corporate securities in 2021 decreased by UAH 27.0 billion or 74.0% to UAH 9.5 billion (including in UAH – by

UAH 18.5 billion to UAH 4.1 billion, and in foreign currency – by UAH 8.5 billion to UAH 5.4 billion, taking into account the negative currency revaluation of UAH 0.5 billion), and their share in the total investments fell from 5.5% to 1.3%.

Fixed assets, intangible assets, and right-of-use assets in the reporting year decreased by UAH 3.3 billion or 6.5% and amounted to UAH 47.0 billion as of January 1, 2022 (2.2% in the asset structure). Over the same time, accounts receivable increased by UAH 4.9 billion or 23.3% to UAH 26.2 billion (1.2% in the structure), and other assets – by UAH 3.6 billion or 13.8% to UAH 29.2 billion (1.4% in the structure).

### Analysis of liabilities

Total liabilities as of January 1, 2022 amounted to UAH 1.583.3 billion, including UAH 553.3 billion in foreign currency, which is

34.9% of the total volume. The structure of liabilities and their trends are shown in Table 2.1.8.

**Table 2.1.8**  
**Structure and trends of liabilities of the Fund's members**  
(UAH million)

Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Late changes			
	amount	%	amount	%	amount	%	for 2020		for 2021	
							amounts	in %	amounts	in %
1	2	3	4	5	6	7	8	9	10	11
Debt to the NBU	7,824.9	0.7	56,514.7	4.0	88,353.0	5.6	+ 48,689.8	+622.2	+ 31,838.3	+ 56.3
incl. accrued costs	100.5	0.0	0.4	0.0	0.1	0.0	- 100.1	- 99.6	- 0.3	- 75.0
Payables to other banks	26,056.7	2.5	26,030.0	1.9	33,030.7	2.1	- 26.7	- 0.1	+ 7,000.7	+ 26.9
incl. accrued costs	1,393.7	0.1	1,990.5	0.2	2,227.8	0.1	+ 596.8	+ 42.8	+ 237.3	+ 11.9
- payables on demand*	7,108.7	0.7	6,968.0	0.5	12,625.0	0.8	- 140.7	- 2.0	+ 5,657.0	+ 81.2
- loans received and deposits raised	18,948.0	1.8	19,062.0	1.4	20,405.7	1.3	+ 114.0	+ 0.6	+ 1,343.7	+ 7.0
Funds of legal entities, the budget, and sole proprietors	450,969.0	42.5	636,495.1	45.5	745,534.8	47.1	+ 185,526.1	+ 41.1	+ 109,039.7	+ 17.1
incl. accrued costs	1,652.3	0.2	1,140.1	0.1	1,213.6	0.1	- 512.2	- 31.0	+ 73.5	+ 6.4
- payables on demand*	345,969.1	32.6	490,441.6	35.1	599,376.9	37.9	+ 144,472.5	+ 41.8	+ 108,935.3	+ 22.2
- fixed-term investments (term deposits)	104,999.9	9.9	146,053.5	10.4	146,157.9	9.2	+ 41,053.6	+ 39.1	+ 104.4	+ 0.1
Payables to individuals	441,681.5	41.5	554,390.1	39.6	603,641.3	38.1	+ 112,708.6	+ 25.5	+ 49,251.2	+ 8.9
incl. accrued costs	2,832.9	0.3	1,871.9	0.1	1,326.9	0.1	- 961.0	- 33.9	- 545.0	- 29.1
- payables on demand*	188,543.2	17.7	294,303.4	21.0	359,623.0	22.7	+ 105,760.2	+ 56.1	+ 65,319.6	+ 22.2
- fixed-term investments (term deposits)	253,138.3	23.8	260,086.7	18.6	244,018.3	15.4	+ 6,948.4	+ 2.7	- 16,068.4	- 6.2
Debt securities issued	6,537.4	0.6	3,053.8	0.2	2,243.7	0.1	- 3,483.6	- 53.3	- 810.1	- 26.5
incl. accrued costs	88.4	0.0	79.2	0.0	81.1	0.0	- 9.2	- 10.4	+ 1.9	+ 2.4
- savings (deposit) certificates	6,097.8	0.6	2,544.8	0.2	1,610.7	0.1	- 3,553.0	- 58.3	- 934.1	- 36.7
- other debt securities issued	439.6	0.0	509.0	0.0	633.0	0.0	+ 69.4	+ 15.8	+ 124.0	+ 24.4
Loans from international and other organizations	59,380.3	5.6	56,640.6	4.0	45,572.9	2.9	- 2,739.7	- 4.6	- 11,067.7	- 19.5



Indicators	January 1, 2020		January 1, 2021		January 1, 2022		Late changes			
	amount	%	amount	%	amount	%	for 2020		for 2021	
							amounts	in %	amounts	in %
1	2	3	4	5	6	7	8	9	10	11
incl. accrued costs	1,610.4	0.2	1,301.5	0.1	850.8	0.1	- 308.9	- 19.2	- 450.7	- 34.6
Subordinated debt	9,245.5	0.9	8,623.6	0.6	7,517.7	0.5	- 621.9	- 6.7	- 1,105.9	- 12.8
incl. accrued costs	440.4	0.0	458.6	0.0	360.4	0.0	+ 18.2	+ 4.1	- 98.2	- 21.4
Accounts payable	27,085.3	2.5	25,985.6	1.9	30,236.8	1.9	- 1,099.7	- 4.1	+ 4,251.2	+ 16.4
Other accrued costs	814.2	0.1	953.4	0.1	1,484.7	0.1	+ 139.2	+ 17.1	+ 531.3	+ 55.7
Other liabilities	32,718.8	3.1	30,784.7	2.2	25,670.4	1.6	- 1,934.1	- 5.9	- 5,114.3	- 16.6
<b>Total liabilities</b>	<b>1,062,313.6</b>	<b>100.0</b>	<b>1,399,471.6</b>	<b>100.0</b>	<b>1,583,286.1</b>	<b>100.0</b>	<b>+ 337,158.0</b>	<b>+ 31.7</b>	<b>+ 183,814.5</b>	<b>+ 13.1</b>
incl. accrued costs	8,932.8	0.9	7,795.6	0.6	7,545.4	0.5	- 1,137.2	- 12.7	- 250.2	- 3.2

\* including receivables

In 2021, total liabilities increased by UAH 183.8 billion, or 13.1%, due to the predominant attraction of customer funds and loans from the NBU, however, if we do not take into account the negative currency revaluation of UAH 19.9 billion, they actually increased by UAH 203.7 billion (in 2020, the real increase was UAH 250.9 billion). The growth occurred during Q2, Q3 and Q4, when liabilities increased by UAH 70.0 billion, UAH 34.8 billion and UAH 93.3 billion, respectively, while in Q1 they decreased by UAH 14.3 billion.

The following changes took place in terms of currencies:

- ❖ in national currency, the increase in liabilities amounted to UAH 194.3 billion or 23.3% to UAH 1,030.0 billion (in 2020, the increase was by UAH 218.8 billion);
- ❖ in foreign currency, a formal decline of liabilities amounted to UAH 10.5 billion or 1.9%, of which UAH 19.9 billion was "provided" by a negative revaluation, i.e. in fact, they increased by UAH 9.4 billion (in 2020, the real growth was by UAH 32.1 billion).

In the reporting year, **funds of legal entities, budget funds, and funds of sole proprietors** increased by UAH 109.0 billion or 17.1% (in 2020, by UAH 185.5 billion) and amounted to UAH 745.5 billion (47.1% in the structure). 64.5% of them accrues to UAH balances (UAH 508.4 billion), which increased by UAH 103.7 billion or 25.6% (in 2020, by UAH 111.9 billion), and 35.5% – to foreign currency balances (UAH 237.1 billion), which formally added UAH 5.3 billion or 2.3% with a negative revaluation of UAH 8.2 billion, but without taking it into account, they actually increased by UAH 13.6 billion (in 2020, the real growth was worth UAH 43.0 billion).

In terms of maturity, demand balances predominate among those funds, having increased by UAH 108.9 billion or 22.2% to UAH 599.4 billion since the beginning of the year. In UAH, they increased by UAH 98.6 billion or 32.4% to UAH 402.5 billion, and in foreign currency – by UAH 10.3 billion or 5.6% to UAH 196.9 billion, despite a negative revaluation of UAH 6.6 billion. Term deposits formally increased by only UAH 0.1 billion or 0.1% to UAH 146.1 billion due to an increase in UAH 5.1 billion or 5.0% to UAH 105.9 billion, while foreign currency deposits

decreased by UAH 5.0 billion or 11.0% to UAH 40.2 billion, although excluding a negative revaluation of UAH 1.6 billion, their real decrease was UAH 3.4 billion.

In 2021, **funds of individuals** increased by UAH 49.2 billion or 8.9% (in 2020, by UAH 112.7 billion) and amounted to UAH 603.6 billion (38.1% in the structure). UAH balances among them account for 60.9% (UAH 375.3 billion), and their growth by UAH 52.5 billion or 7.0% was the main source of growth in household funds last year (in 2020, it was UAH 66.8 billion). Foreign currency deposits, which account for 39.1% of individuals' funds (UAH 228.3 billion), formally decreased by UAH 3.3 billion or 1.4%, but, in fact, increased by UAH 4.9 billion, if we do not take into account a negative revaluation of UAH 8.2 billion (in 2020, their real growth was by UAH 9.9 billion).

Term household deposits since the beginning of 2021 decreased by UAH 16.1 billion or 6.2% to UAH 244.0 billion. The reduction was due to term deposits in foreign currency, which actually decreased by UAH 27.8 billion to UAH 88.7 billion, excluding a negative revaluation of UAH 4.3 billion, while UAH deposits increased by UAH 16.0 billion to UAH 155.3 billion. In contrast to deposits, payables on demand of individuals in the reporting year increased by UAH 65.3 billion or 22.2% and reached UAH 359.6 billion. Both UAH balances increased by UAH 36.5 billion or 19.9% to UAH 220.0 billion, and foreign currency balances increased by UAH 28.8 billion or 26.0% to UAH 139.6 billion with a negative revaluation of UAH 3.9 billion, i.e., their real increase amounted to UAH 32.7 billion.

**Debt to the NBU** in 2021 increased by UAH 31.8 billion or 56.3% to UAH 88.4 billion (5.6% in the structure of resources). The rate of its increase was less than last year, when it increased by UAH 48.7 billion. Most banks allocated additional refinancing to purchase domestic government bonds, the average yield on which was 11.3%, while funds were raised at a key policy rate. Since the beginning of the year, 45 members of the Fund received loans from the NBU (in 2020, there were 48 of them), and as of January 1, 2022, 38 banks had debt on them (in 2020, also 38). The largest debt was due from JSC UKREXIMBANK (UAH 21.4 billion, which increased by UAH 5.4 billion in 2021), JSC ALFA-BANK (UAH 8.6 billion, which decreased by UAH 1.3



billion in 2021), and JSC FUIB (UAH 5.7 billion, which increased by UAH 1.5 billion in 2021).

Since the beginning of the reporting year, **funds from other banks** increased by UAH 7.0 billion or 26.9% and amounted to UAH 33.0 billion (2.1% in the structure of resources). First of all, foreign currency balances on demand actually increased by UAH 5.6 billion to UAH 11.3 billion, if we do not take into account the negative revaluation of UAH 0.2 billion. Fixed-term foreign currency funds also actually added UAH 2.4 billion, excluding a negative revaluation of UAH 0.6 billion, and amounted to UAH 19.2 billion. UAH balances over that time decreased by UAH 0.2 billion or 6.3% to UAH 2.5 billion due to the reduction of fixed-term funds by UAH 0.5 billion to UAH 1.2 billion, although demand balances, on the contrary, increased by UAH 0.3 billion to UAH 1.3 billion.

Among the Fund's members, the outstanding **loans from international financial organizations** decreased in 2021 by UAH 11.1 billion or 19.5%, and as of January 1, 2022 amounted to UAH 45.6 billion (2.9% in the structure). The drop in UAH-denominated volumes amounted to UAH 1.5 billion or 16.5% to UAH 7.6 billion, and in foreign currency – UAH 9.6 billion or 20.1% to UAH 38.0 billion with a negative revaluation of UAH 1.7 billion (i.e., the real reduction in foreign currency was UAH 7.9 billion). The reduction of debt to international financial organizations continues for the third year in a row (in 2020, it amounted to UAH 2.7 billion, of which UAH 0.1 billion was in UAH, and UAH 2.6 billion – in foreign currency). At the same time, JSC UKREXIMBANK with UAH 27.2 billion of such debt, or

59.8% of its total amount, remains the largest borrower among the Fund's members.

According to form 1F, the share of deposits (including payables to sole proprietors) in total liabilities of the Fund's members in 2021 decreased to 37.2%, while in 2020 it was 38.3%, and in 2019 – 38.1%. For 11 banks, it exceeds the average value in the system, and in five of them it exceeds 50.0%.

The share of fixed-term funds in the structure of liabilities of the Fund's members since the beginning of 2021 continued to decline for the seventh consecutive year and as of January 1, 2022 amounted to 35.0% against 39.2% as of January 1, 2021 and 43.3% as of January 1, 2020. The decline is due to a decrease in the share of all fixed-term debts: to banks (except the NBU), customers, and international financial institutions.

Thus, the trends that emerged in previous years have been generally preserved: despite the general increase in liabilities at the year-end and the increase in credit support from the NBU, attracting customer and budget funds remains the main source of resources for the Fund's members, which accounts for more than 80.0% of their liabilities. The trend towards reducing the term resource, which has existed since the beginning of 2014, continues, which causes concern, since this situation requires the banking system to maintain increased liquidity and hinders long-term financing of the economy at the expense of accumulated funds.

### Analysis of financial results

The activities of the Fund's members in the reporting year were profitable: their consolidated annual financial result amounted to a record UAH 76.4 billion, almost doubling the figure for 2020. 65 banks made a profit totaling UAH 76.8 billion, and 5 banks – a loss totaling UAH 0.4 billion. In 2020, 65 institutions with a positive result of UAH 44.9 billion were also profitable, and 8 institutions with a negative indicator of UAH 6.4 billion were unprofitable.

The main source of profit is net interest income, which banks received in the amount of UAH 104.3 billion or UAH 27.9 billion more than in 2020. Net commission income amounted to UAH 51.8 billion, exceeding the level of 2020 by UAH 10.3 billion.

Compared to the result of 2020, profit increased by UAH 37.9 billion, or 98.7%. At the same time, banks' operating income increased by UAH 26.5 billion or 12.3%, operating expenses – by UAH 4.2 billion or 4.8%, and net operating profit before provisions – by UAH 22.3 billion or 17.3%.

As a result, operational efficiency of the Fund's members improved in the reporting year: the CIR as of January 1, 2022

was 50.2% compared to 51.5% as of January 1, 2021. At the same time, it was lower than as of January 1, 2020 (46.3%).

According to the results of 2021, the activity of all groups of banks was profitable:

- ❖ the consolidated profit of state-owned banks amounted to UAH 41.5 billion, exceeding the figure of 2020 by UAH 21.3 billion, of which JSC CB PRIVATBANK received UAH 35.1 billion or UAH 9.7 billion more than last year, and JSC UKREXIMBANK earned UAH 2.7 billion, although in 2020 it was unprofitable;
- ❖ banks with foreign capital recorded a net profit of UAH 22.3 billion, which is UAH 9.7 billion more than in 2020;
- ❖ private banks received a consolidated profit of UAH 12.6 billion, which is UAH 6.9 billion higher than the result of 2020.

The trends of income and expenses of the Fund's members, as well as their financial results, are detailed in Table 2.1.9.





**Table 2.1.9**  
**Income, expenses, and financial results of the Fund's members**  
(UAH million)

Indicators	January 1, 2020	January 1, 2021	January 1, 2022	Late changes			
				for 2020		for 2021	
				amount	in %	amount	in %
1	2	3	4	5	6	7	8
<b>Total income, incl.:</b>	<b>218,520.4</b>	<b>219,244.9</b>	<b>246,688.5</b>	<b>+ 724.5</b>	<b>+ 0.3</b>	<b>+ 27,443.6</b>	<b>+ 12.5</b>
– interest income	135,250.6	128,927.4	147,400.2	– 6,323.2	– 4.7	+ 18,472.8	+ 14.3
of these, interest income on loans granted to customers	100,729.2	92,643.1	100,523.1	– 8,086.1	– 8.0	+ 7,880.0	+ 8.5
– fee-based income	55,618.5	62,602.2	83,403.4	+ 6,983.7	+ 12.6	+ 20,801.2	+ 33.2
of which fees for settlement and cash services	47,046.1	53,974.3	72,260.7	+ 6,928.2	+ 14.7	+ 18,286.4	+ 33.9
– result of revaluation and purchase and sale transactions	16,418.9	17,714.0	4,361.8	+ 1,295.1	+ 7.9	– 13,352.2	– 75.4
– other operating income	7,597.2	6,557.7	7,125.2	– 1,039.5	– 13.7	+ 567.5	+ 8.7
– other income	2,730.7	2,602.7	3,033.0	– 128.0	– 4.7	+ 430.3	+ 16.5
– write-back of assets	904.5	840.9	1,364.9	– 63.6	– 7.0	+ 524.0	+ 62.3
<b>Total costs, incl.:</b>	<b>159,163.8</b>	<b>180,776.1</b>	<b>170,268.3</b>	<b>+ 21,612.3</b>	<b>+ 13.6</b>	<b>– 10,507.8</b>	<b>– 5.8</b>
– interest costs	60,447.0	52,509.9	43,118.9	– 7,937.1	– 13.1	– 9,391.0	– 17.9
of which interest on customers' funds	50,880.6	44,738.4	33,396.5	– 6,142.2	– 12.1	– 11,341.9	– 25.4
– fee-based costs	15,848.2	21,031.1	31,553.7	+ 5,182.9	+ 32.7	+ 10,522.6	+ 50.0
of which fees for settlement and cash services	14,857.2	19,845.9	29,796.1	+ 4,988.7	+ 33.6	+ 9,950.2	+ 50.1
– other operating costs	10,025.8	13,305.9	16,361.8	+ 3,280.1	+ 32.7	+ 3,055.9	+ 23.0
– administrative costs	56,188.5	62,276.8	71,534.4	+ 6,088.3	+ 10.8	+ 9,257.6	+ 14.9
– allocations to provisions	11,970.7	28,070.6	1,322.5	+ 16,099.9	+ 134.5	– 26,748.1	– 95.3
of which allocations to reserves for customer loans	11,302.9	19,108.7	6,874.6	+ 7,805.8	+ 69.1	– 12,234.1	– 64.0
– income tax	4,683.6	3,581.8	6,377.0	– 1,101.8	– 23.5	+ 2,795.2	+ 78.0
<b>Financial performance, incl.:</b>	<b>59,356.6</b>	<b>38,468.8</b>	<b>76,420.2</b>	<b>– 20,887.8</b>	<b>– 35.2</b>	<b>+ 37,951.4</b>	<b>+ 98.7</b>
– state-owned banks	34,925.5	20,256.8	41,553.5	– 14,668.7	– 42.0	+ 21,296.7	+ 105.1
of which Privatbank	32,609.2	25,305.9	35,050.4	– 7,303.3	– 22.4	+ 9,744.5	+ 38.5
– banks of foreign banking groups	18,513.2	12,558.5	22,277.4	– 5,954.7	– 32.2	+ 9,718.9	+ 77.4
– private banks	5,917.9	5,648.7	12,589.3	– 269.2	– 4.5	+ 6,940.6	+ 122.9
– insolvent banks	–	4.8	–	+ 4.8	x	– 4.8	– 100.0
<b>For reference:</b>							
Operational efficiency (CIR), %	46.3	51.5	50.2	+ 5.2	x	– 1.3	x

Income of the Fund's members in 2021 amounted to UAH 246.7 billion, having increased by UAH 27.4 billion or 12.5% compared to 2020.

Among the revenues, the largest amount accrues to interest (UAH 147.4 billion) income, while commission income is ranked second (UAH 59.3 billion). Compared to of 2020, they increased by UAH 18.5 billion or 14.3% and UAH 20.8 billion or 33.2%, respectively. Their share in total income also increased

from 58.8% to 59.8% for interest income and from 28.6% to 33.8% for commission income.

The result of revaluation and purchase and sale transactions in the reporting year amounted to UAH 4.4 billion, which is UAH 13.4 billion or 75.4% less than last year. The main reason for the decrease is the negative revaluation of investment securities with an embedded option in the portfolios of JSC CB PRIVATBANK and JSC UKREXIMBANK in the amount of UAH 7.7 billion and UAH 2.3 billion, respectively, which was positive in



2020 (UAH 16.0 billion and UAH 3.5 billion, respectively). At the same time, the increase in profit of the Fund's members from foreign currency trading and revaluation, which increased by UAH 14.5 billion in the reporting year and reached UAH 12.3 billion against the loss for 2020 in the amount of UAH 2.2 billion, made it possible to mitigate the negative impact of the above-mentioned factor.

Bank expenses in 2021 amounted to UAH 170.3 billion, having decreased by UAH 10.5 billion or 5.8% compared to the level of 2020.

Among them, the main item of expenses is administrative expenses (UAH 71.5 billion), the volume of which increased by UAH 9.3 billion or 14.9%, and the share increased from 34.4% to 42.0%. In the reporting year, they confidently exceeded interest expenses, which are now second (UAH 43.1 billion) and account for 25.3% of all expenses against 29.0% last year, having decreased by UAH 9.4 billion or 17.9%. Commission

expenses are the third by volume (UAH 31.6 billion), in 2021 they added UAH 10.5 billion or 50.0%, having increased their own share in expenses from 11.6% to 18.5%.

Contributions to provisions as of January 1, 2022 amounted to only UAH 1.3 billion, which is UAH 26.7 billion or 95.3% lower than last year. This significant reduction is explained by:

- ❖ a significant reduction in the costs of forming provisions for customer loans, which amounted to UAH 6.9 billion against UAH 19.1 billion in 2020 (a decrease of UAH 12.2 billion or 64.0%);
- ❖ write-back of provisions for off-balance sheet operations (issuance of guarantees, suretyship instruments, and avals), which made it possible to receive income in the amount of UAH 5.9 billion, while in 2020 there were expenses in the amount of UAH 7.3 billion.

### Analysis of equity

The equity of the Fund's members as of January 1, 2022 amounted to UAH 233.7 billion. Changes in its structure over the past two years are shown in Table 2.1.10.

**Table 2.1.10**  
**Changes in the equity structure of the Fund's members**  
(UAH million)

Indicators	January 1, 2020	January 1, 2021	January 1, 2022	Late changes			
				for 2020		for 2021	
				amounts	in %	amounts	in %
1	2	3	4	5	6	7	8
Paid authorized capital	421,239.3	431,171.3	432,062.2	+ 9,932.0	+ 2.4	+ 890.9	+ 0.2
Issue profit/loss and additional allocations	13,977.6	14,163.4	15,262.4	+ 185.8	+ 1.3	+ 1,099.0	+ 7.8
General provisions and funds	21,446.1	25,206.2	32,927.0	+ 3,760.1	+ 17.5	+ 7,720.8	+ 30.6
Revaluation surplus	17,994.7	15,588.8	12,097.6	- 2,405.9	- 13.4	- 3,491.2	- 22.4
Results of previous years	- 352,464.0	- 335,727.8	- 335,015.2	+ 16,736.2	- 4.7	+ 712.6	- 0.2
Result of the reporting year	109.5	2.1	-	- 107.4	- 98.1	- 2.1	- 100.0
Current year result	59,356.6	38,468.8	76,420.2	- 20,887.8	- 35.2	+ 37,951.4	+ 98.7
<b>Total equity</b>	<b>181,659.8</b>	<b>188,872.8</b>	<b>233,754.2</b>	<b>+ 7,213.0</b>	<b>+ 4.0</b>	<b>+ 44,881.4</b>	<b>+ 23.8</b>
For reference:							
Return on equity (ROE), %	38.9	20.9	38.4	- 18.0	x	+ 17.5	x
Adequacy of regulatory capital, %	20.6	22.4	18.3	+ 1.8	x	- 4.1	x

Since the beginning of 2021, the equity of the Fund's members increased by UAH 44.9 billion or 23.8% due to an increase of UAH 46.2 billion during H2 of the year (by UAH 21.5 billion in Q3 and UAH 24.7 billion in Q4), although in H1 of the year it decreased by UAH 1.3 billion. The capital growth rate in 2021 exceeded the same indicator for 2020 in more than 6 times. In 58 banks, the capital increased by a total of UAH 46.1 billion, and in 12 banks it decreased by UAH 0.5 billion (after 2020, the

corresponding figures were 52 and 21). The system lost another UAH 0.7 billion as a result of the dissolution of JSC MISTO BANK, JSC CB LAN CAPITAL and PJSC SETTLEMENT CENTER.

The main reason for an increase in capital is the profitable activity of banks, which earned a record UAH 76.4 billion in 2021, while in 2020 the profit amounted to UAH 38.5 billion, or almost half as much. Additional contributions of shareholders to the authorized funds of 16 banks totaling UAH 2.1 billion also



contributed to the increase in capitalization. At the same time, the accrual of dividends by 24 banks as of 2020 year-end in the amount of UAH 28.2 billion (including UAH 19.4 billion by JSC CB PRIVATBANK) negatively affected the system's capital.

The paid-in authorized capital as of January 1, 2022 amounted to UAH 432.1 billion, having increased by UAH 0.9 billion in 2021 despite the withdrawal of three banks from the market. Over the same time, issue profit/loss and additional contributions increased by UAH 1.1 billion to UAH 15.3 billion.

Last year, total provisions and funds increased by UAH 7.7 billion or 30.6% to UAH 32.9 billion due to the profit distribution for 2020, while in 2020, they increased by UAH 3.8 billion.

Changes in the revaluation surplus are mostly explained by fluctuations in the value of securities in the previous portfolio for sale, which has been negative on a cumulative total basis since the beginning of 2021 (minus UAH 3.2 billion).

The consolidated negative result of previous years, which consists separately of retained earnings and uncovered losses, improved by UAH 0.7 billion in 2021 due to the use of UAH 1.1 billion of profit and coverage of UAH 1.8 billion of losses, and now amounts to minus UAH 335.0 billion.

Return on equity in the reporting year increased to 38.4%, exceeding last year's 20.9%, and almost reached the level of 2019, when it was 38.9%.

According to the 6DX report file, the regulatory capital of the Fund's members increased by UAH 29.6 billion or 18.0% since the beginning of 2021, and reached UAH 193.7 billion as of January 1, 2022. Most of all, it increased in JSC CB PRIVATBANK (by UAH 5.6 billion), JSC UNIVERSAL BANK (by UAH 4.3 billion) and JSB UKRGASBANK (by UAH 3.1 billion).

The regulatory capital adequacy ratio for all members of the Fund somewhat decreased at the end of the reporting year,

but remained above the minimum regulatory value of 10.0%. As of January 1, 2022, it was equal to 18.3% against 22.4% as of January 1, 2021 and 20.6% as of January 1, 2020.

In 2021, the share of equity in liabilities was 12.9% against 11.9% last year, although at the end of 2019 it was 14.6%. At the same time, the weight of subordinated debt to support the protective function of capital is being gradually lost: the amount of that debt (excluding accrued expenses) decreased by UAH 1.0 billion since the beginning of 2021 and as of January 1, 2022 amounted to UAH 7.2 billion against UAH 8.2 billion as of January 1, 2021 and UAH 8.8 billion as of January 1, 2020.

In the reporting year, the ratio of overdue loan debt to equity of Fund members improved by decreasing from 162.5% to 108.8%. This trend continues for the third year in a row (in 2020, the decrease was from 200.7% to 162.5%, and in 2019, from 316.3% to 200.7%). At the same time, the number of members in which the amount of overdue loan debt exceeds the amount of equity also decreased, and now includes 7 banks against 8 at the beginning of the year (after 2020, the corresponding figures were 8 and 11, and after 2019, 11 and 14).

As of January 1, 2022, deposits of individuals were 2.9 times higher than the equity, which indicates an insufficient level of deposit protection by capital. At the same time, as of January 1, 2021, this excess was 3.2 times, and as of January 1, 2020, 2.6 times. In 2021, the value of this indicator in 19 banks was higher than the average value for the system, including one bank showing the excess in more than two times, although at the beginning of the year there were 15 and 1 such banks, respectively.

Thus, despite the gradual increase in the capitalization of the banking system, the problem of an increased capital adequacy remains relevant in the future.



## 2.2. Analysis of DGF members' deposit trends

The analysis of deposit operations in 2021 was carried out for 70 members of the Fund on the basis of monthly Reports on Household Deposits in the DGF Members – Reporting Form No. 1F" (hereinafter referred to as "Reporting Form No. 1F").

During 2021, 3 banks with a total amount of deposits of UAH 1.049.1 million were excluded from the Register of Member Institutions of the Fund.

### Deposit market trends

❖ **Number of depositors** in 2021 increased by 3.1 million or by 6.7% to **49.8 million**. For comparison, in 2020, the increase in the number of depositors amounted to 3.2 million, or 7.5%.

The total number of depositors in state-owned banks is 26.1 million, or 52.4% of the total number of depositors in the Fund.

In 9 banks with the number of depositors exceeding 1 million people in each, a total of 43.7 million depositors are concentrated, which accounts for 87.7% of the total number of depositors in the Fund (Table 2.2.1). Deposits of 23.2 million people are concentrated in JSC CB PRIVATBANK, which makes 46.6% of the total number of depositors in the Fund.

❖ **Amount of deposits** in 2021 increased by UAH 68.0 billion or by 11.2% to UAH 675.6 billion. For comparison, in 2020 the amount of deposits increased by UAH 133.1 billion or 28.1%.

The total amount of deposits in state-owned banks is UAH 318.9 billion or 47.2% of the total amount of deposits under the Fund. UAH 590.7 billion or 87.4% of the total deposits of the Fund is

concentrated in 12 banks with the amount of deposits exceeding UAH 10 billion in each, including 39.0% of all members of the guarantee system concentrated in JSC CB PRIVATBANK (Table 2.2.2).

❖ As of January 1, 2022, the number of **sole proprietors** amounted to 1.7 million people or 3.4% of all depositors, which accounted for UAH 72.3 billion or 10.7% of their total amount. In 2021, the number of sole proprietors increased by 178.6 thousand or by 11.7%, and their amount by UAH 18.6 billion or by 34.7%.

❖ **Average deposit amount** was UAH 13,578.40. The average deposit amount for deposits guaranteed by the Fund (over UAH 10) was UAH 20,991.34.

❖ **Possible reimbursement amount** at the expense of the Fund in 2021 increased by UAH 35.1 billion or 9.9% and as of January 1, 2022 amounted to UAH 388.7 billion. For comparison, in 2020, a possible reimbursement amount increased by UAH 62.7 billion or 21.5%.

The total possible reimbursement amount in state-owned banks is UAH 209.0 billion or 53.8% of the total possible reimbursement amount of the Fund.

**Table 2.2.1**

**Banks with the largest number of depositors as of January 1, 2022**

№	Reg. №	Bank	January 1, 2022					
			Number of depositors, thousand persons			Amount of deposits	Potential reimbursement amount	
			total	% of total	incl. FX	total, UAH thousand	Number, thousand persons	UAH thousand
1	113	PRIVATBANK	23,194	46.6	3,763	263,567,738	19,027	186,408,340
2	27	UNIVERSAL BANK	5,038	10.1	892	37,266,751	3,195	25,981,362
3	121	RAIFFEISEN BANK	2,767	5.6	113	48,750,221	2,125	25,593,670
4	48	ALFA-BANK	2,590	5.2	243	50,514,170	938	20,711,057
5	111	FUIB	2,500	5.0	195	36,936,785	1,015	19,272,684
6	52	UKRGASBANK	2,280	4.6	137	28,309,584	646	13,457,028
7	98	ACCENT-BANK	2,148	4.3	166	9,394,157	708	7,441,401
8	90	UKRSIBBANK	1,764	3.5	228	36,585,149	1,221	18,204,845
9	85	OTP BANK	1,377	2.8	102	23,686,539	492	8,027,539
<b>Total for banks</b>			<b>43,659</b>	<b>87.7</b>	<b>5,839</b>	<b>535,011,095</b>	<b>29,366</b>	<b>325,097,927</b>
<b>% of total in the Fund</b>			<b>87.7</b>	<b>87.7</b>	<b>83.5</b>	<b>79.2</b>	<b>91.8</b>	<b>83.6</b>
<b>TOTAL for the Fund</b>			<b>49,754</b>	<b>100.0</b>	<b>6,994</b>	<b>675,574,533</b>	<b>31,985</b>	<b>388,674,907</b>



**Table 2.2.2**  
**Banks with the largest amount of deposits as of January 1, 2022**

№	Reg. №	Bank	January 1, 2022					Change in 2021	
			Number of depositors		Amount of deposits, UAH thousand		Potential reimbursement amount (PRA), UAH thousand	Amount of deposits	PRA
			thousand persons	total	% of total	incl. FX		UAH thousand	
1	113	PRIVATBANK	23,194	263,567,738	39.0	70,984,525	186,408,340	10,825,061	6,859,435
2	48	ALFA-BANK	2,590	50,514,170	7.5	24,323,529	20,711,057	6,713,719	2,072,830
3	121	RAIFFEISEN BANK	2,767	48,750,221	7.2	15,683,707	25,593,670	9,596,960	3,867,219
4	27	UNIVERSAL BANK	5,038	37,266,751	5.5	11,757,163	25,981,362	14,065,021	9,956,754
5	111	FUIB	2,500	36,936,785	5.5	13,333,355	19,272,684	8,400,598	5,340,891
6	90	UKRSIBBANK	1,764	36,585,149	5.4	18,476,538	18,204,845	4,700,322	1,889,618
7	52	UKRGASBANK	2,280	28,309,584	4.2	13,808,628	13,457,028	-1,927,861	-507,407
8	22	UKREXIMBANK	587	27,034,458	4.0	17,489,379	9,143,613	-2,268,258	-1,243,040
9	85	OTP BANK	1,377	23,686,539	3.5	12,146,668	8,027,539	1,802,929	340,405
10	16	PIVDENNYI	714	13,428,716	2.0	7,558,769	6,449,976	2,167,161	382,808
11	43	CREDIT AGRICOLE BANK	429	12,528,814	1.9	6,539,986	4,661,561	1,584,233	383,519
12	54	KREDOBANK	638	12,075,596	1.8	5,980,872	5,465,680	2,623,129	722,279
<b>Total for banks</b>			<b>43,878</b>	<b>590,684,521</b>	<b>87.4</b>	<b>218,083,119</b>	<b>343,377,357</b>	<b>58,283,014</b>	<b>30,065,311</b>
<b>% of total in the Fund</b>			<b>88.2</b>	<b>87.4</b>	<b>87.4</b>	<b>86.3</b>	<b>88.3</b>		
<b>TOTAL for the Fund</b>			<b>49,754</b>	<b>675,574,533</b>	<b>100.0</b>	<b>252,784,212</b>	<b>388,674,907</b>	<b>68,010,497</b>	<b>35,136,289</b>

Table 2.2.3 shows the trends of deposit operations of the Fund's members with individuals in 2021.

**Table 2.2.3**  
**Trends of deposit operations of the Fund's members since the beginning of 2021**

№	Deposit operations of banks with individuals (No. 1F)	January 1, 2021	January 1, 2022	from the beginning of 2021	
				+/-	%
<b>1</b>	<b>Number of the Fund's members, including:</b>	<b>73</b>	<b>70</b>	<b>-3</b>	<b>x</b>
-	insolvent	1	0	-1	x
<b>2.1.</b>	<b>Amount of household deposits, UAH billion</b>	<b>607.6</b>	<b>675.6</b>	<b>68.0</b>	<b>11.2</b>
-	incl. in national currency, UAH billion	357.4	422.8	65.4	18.3
-	in foreign currency, UAH billion	250.2	252.8	2.6	1.0
<b>2.2.</b>	<b>Number of depositors, million persons</b>	<b>46.6</b>	<b>49.8</b>	<b>3.1</b>	<b>6.7</b>
<b>2.3.</b>	<b>percentage of full coverage of depositors by the Fund, %</b>	<b>98.0</b>	<b>98.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2.4.</b>	<b>Possible reimbursement amount by the Fund, UAH billion</b>	<b>353.5</b>	<b>388.7</b>	<b>35.1</b>	<b>9.9</b>
<b>2.5.</b>	<b>Average deposit amount, UAH</b>	<b>13,031.9</b>	<b>13,578.4</b>	<b>546.5</b>	<b>4.2</b>



Table 2.2.4 shows the structure of contributions of the Fund's members since the beginning of 2014.

**Table 2.2.4**  
**Annual trend of deposit operations of individuals by currency**

Date	Number of depositors, million people	Total amount of deposits, UAH billion	Possible reimbursement 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

Table 2.2.5 shows the trends of deposit operations of the Fund's members since 2000.

**Table 2.2.5**  
**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

The introduction of measures in Ukraine to prevent the spread of the acute respiratory disease caused by the 2019-nCoV coronavirus in 2020 and their continuation in 2021 did not lead to an outflow of funds from household deposits. Household deposits grew during that period.

In 2021, despite the quarantine restrictions and lower interest rates, the volume of household deposits was increasing (+UAH 68.0 billion or 11.2%).

The increase occurred in terms of the amount of deposits in national currency by UAH 65.4 billion or 18.3%, and in foreign currency in UAH equivalent by UAH 2.6 billion or 1.0%. In USD equivalent, the increase in 2021 amounted to USD 0.4 billion, or



4.7%. The number of depositors continues to grow (+ 3.1 million people or 6.7%) and at the end of the year is 49.8 million. Such level of the number of depositors was achieved for the first time since the establishment of the guarantee system.

However, we should note a decrease in the growth rate of deposits. Thus, for comparison, 2020 was characterized by a more significant increase in the volume of deposit operations of banks with individuals (+UAH 133.1 billion) and a significant growth rate (up to 28.1% over the year) due to an increase in the amount of deposits in national currency by UAH 77.9 billion or 27.9% and deposits in foreign currency in UAH equivalent by UAH 55.2 billion or 28.3% (both due to a real increase in deposits in foreign currency in USD equivalent (+USD 0.6 billion or +7.5% to USD 8.85 billion), and due to the depreciation of the UAH).

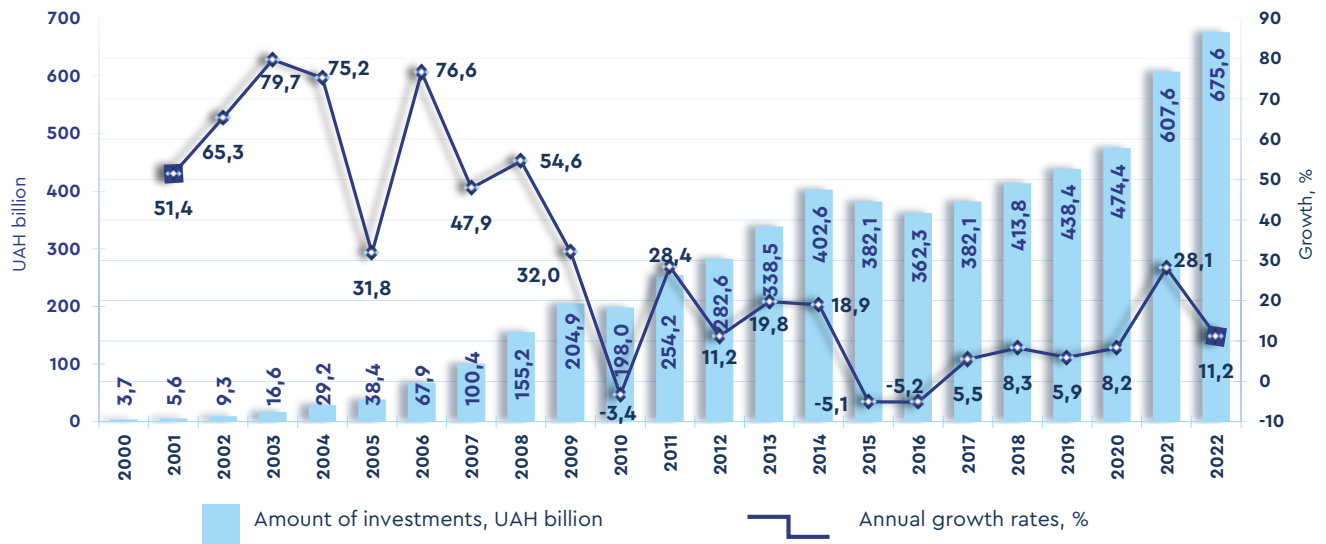
The growth of household deposits in 2021 was influenced by the following factors:

- ❖ an increase in the minimum wage by 30.0% since the beginning of the year (from UAH 5,000 to UAH 6,500);
- ❖ an increase in the salary fund by UAH 176.8 billion or 16.9% in 2021 compared to 2020;
- ❖ an increase in budget payments for social protection and social security by UAH 20.6 billion or 5.9% in 2021 compared to 2020;
- ❖ growth of private bank transfers to Ukraine by USD 3.0 billion, or 25.4% for 12 months of 2021 compared to the same period in 2020.

An increase in the monetary base is another growth factor for household deposits. This, in turn, is reflected in the growth of monetary indicators and the balance sheet total.

The trends of the amount of deposits in the Fund's members during 2000-2021 is shown in Figure 2.2.1.

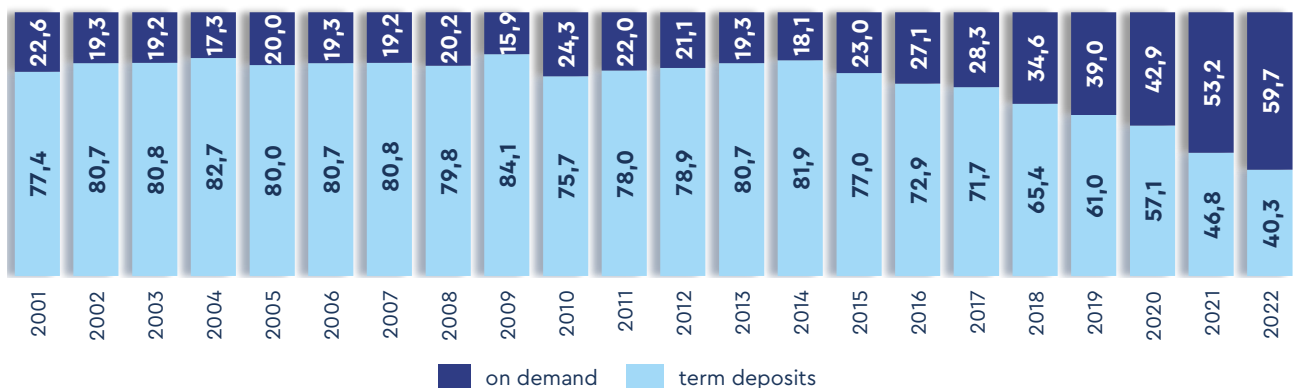
**Fig. 2.2.1 Deposit amount trends in the Fund's members during 2000-2021**



In 2018-2021, banks' deposit operations with individuals are characterized by the shortest maturity period since the beginning of 2001. According to the results of 2021, the share

of term deposits (Fig. 2.2.2) continues to decline and has decreased to 40% (as of January 01, 2014, their level was 82%).

**Fig. 2.2.2 Deposit amount trends in the Fund's members during 2000-2021**

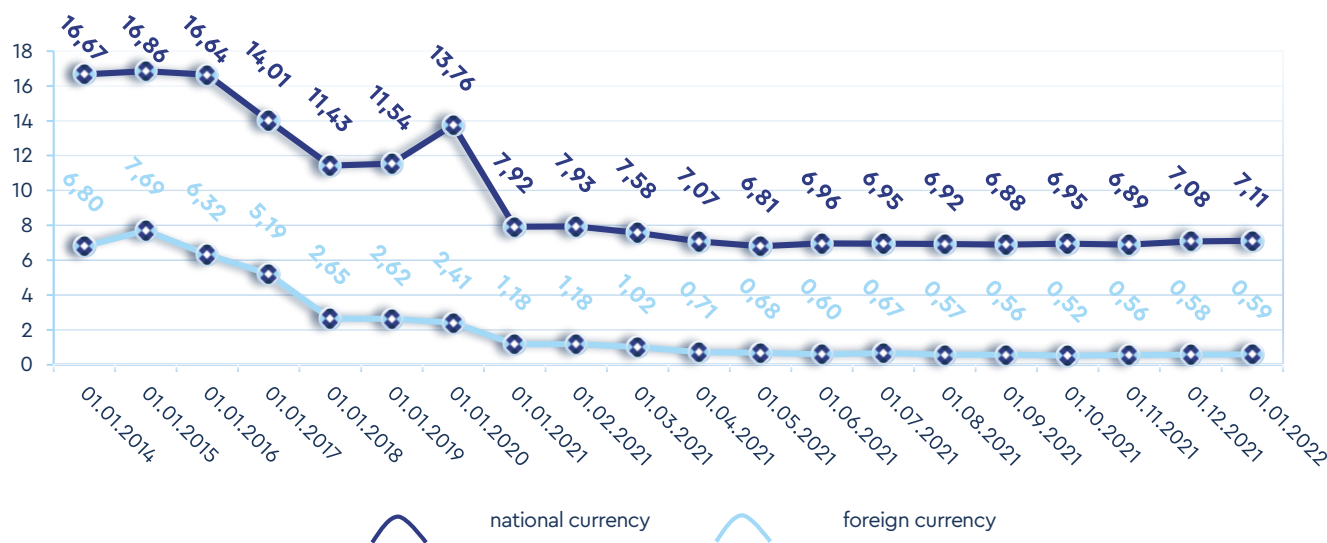




The accumulation of household savings occurred despite the decline in interest rates, which continued until October and after which there was a slight increase in them. In 2021, the weighted average monthly interest rate for deposits in national

currency decreased by 0.81 percentage points (10.3%) to 7.11%, and in foreign currency – by 0.59 percentage points or 49.8% to 0.59% (Fig. 2.2.3).

**Fig. 2.2.3 Trends of weighted average monthly deposit rates in 2014-2021**

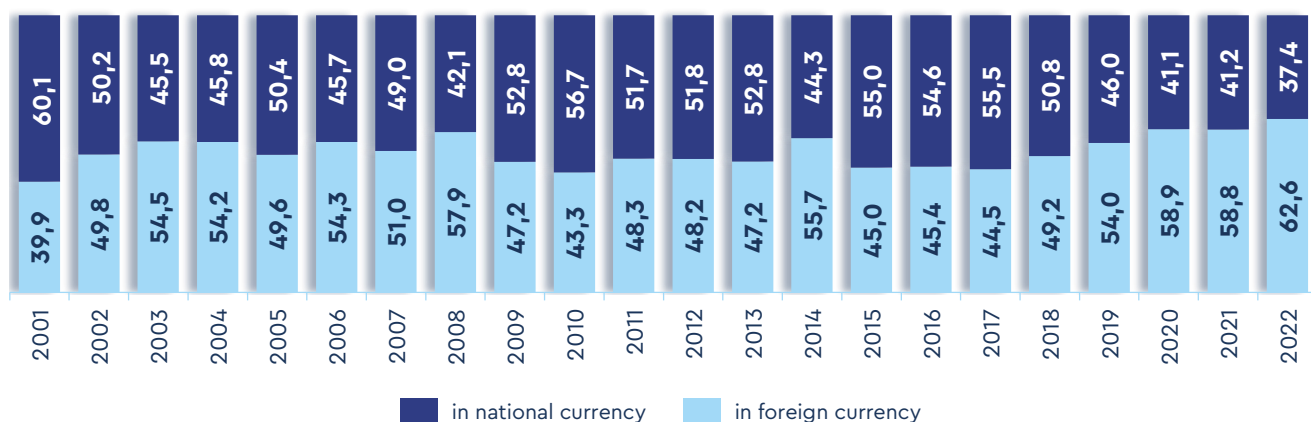


**Deposits by currency**

During 2021, there was a fluctuation in the ratio of deposits by currency with a gradual increase in the advantage of deposits in national currency: the share of deposits in national currency in 2021 increased from 58.8 to 62.6%, and in foreign currency decreased from 41.2 to 37.4% (Fig. 2.2.4).

Deposits in the national currency in 2021 increased by UAH 65.4 billion, or 18.3%, and amounted to UAH 422.8 billion. Compared to the 2020 trends (+UAH 77.9 billion or 27.9%), the growth rate of deposits in the national currency slowed down, their share reached 62.6%.

**Fig. 2.2.4 Structure of household deposits by currency, %**



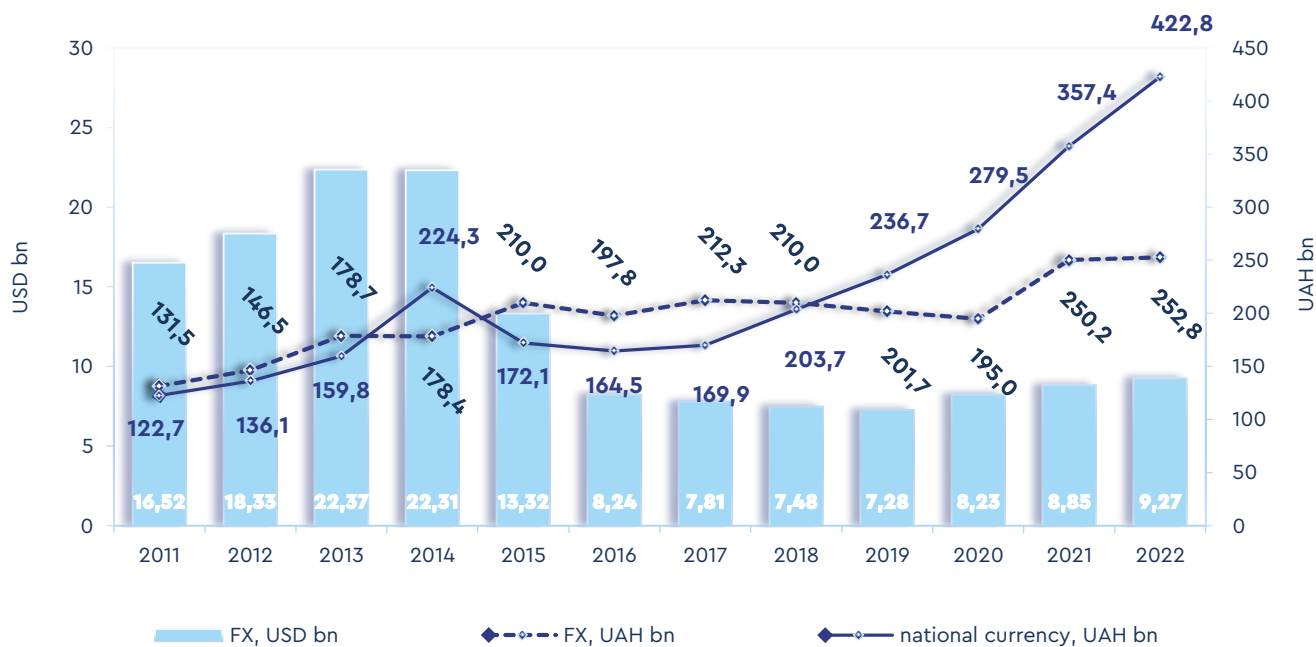




The UAH equivalent of the amount of deposits in foreign currency in 2021 increased by UAH 2.6 billion, or 1.0%, and amounted to UAH 252.8 billion. At the same time, in USD equivalent, the increase in the amount of deposits amounted

to 0.42 billion US dollars or 4.7% to USD 9.27 billion. This is partly due to the strengthening of the official UAH exchange rate and a real increase in deposits in foreign currency (Fig. 2.2.5).

**Fig. 2.2.5 Trends of foreign currency deposits**



**Maximum reimbursement amount**

According to Article 26 of the Law of Ukraine "On the Household Deposit Guarantee System", the maximum reimbursement amount on household deposits at the expense of the Fund is UAH 200,000 (USD 7.3 thousand or EUR 6.5 thousand as of January 1, 2022). For the entire period of the

Fund's existence, the maximum reimbursement amount for deposits has increased in 400 times.

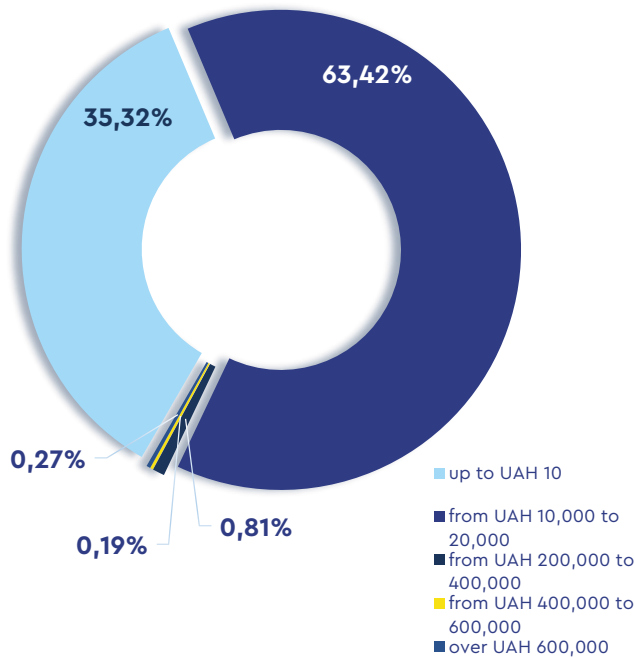
The structure of household deposits by ranges as of January 1, 2022 is as follows (Table 2.2.6, Fig. 2.2.6, 2.2.7).

**Table 2.2.6**  
**Structure of deposits by amount ranges in the Fund's members as of January 1, 2022**

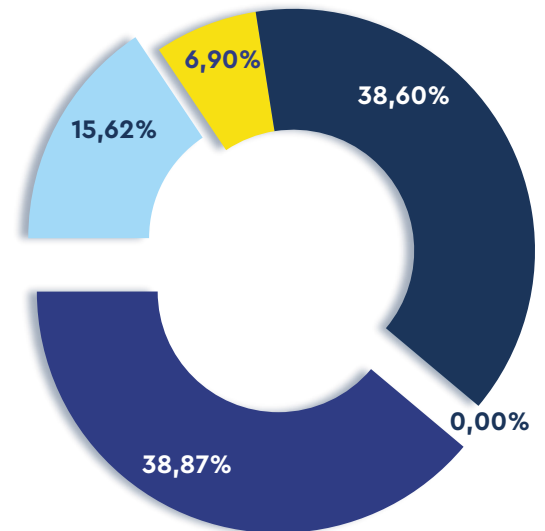
Deposit amount, UAH	Number of depositors		Amount of deposits		Average deposit amount
	persons	%	UAH thousand	%	UAH
up to UAH 10	17,571,133	35.32%	20,692.72	0.00%	1.18
from UAH 10 to UAH 200,000	31,551,752	63.42%	262,602,204.32	38.87%	8,322.90
from UAH 200,000 to UAH 400,000	401,757	0.81%	105,548,605.26	15.62%	262,717.53
from UAH 400,000 to UAH 600,000	96,292	0.19%	46,600,961.68	6.90%	483,954.66
more than UAH 600,000	132,695	0.27%	260,802,069.36	38.60%	1,965,424.99
<b>Total</b>	<b>49,753,629</b>	<b>100.0%</b>	<b>675,574,533.34</b>	<b>100.0%</b>	<b>13,578.40</b>
Total without "up to UAH 10"	32,182,496	64.7%	675,553,840.62	100.00%	20,991.34
<b>from UAH 10 to 200 thousand (fully guaranteed)</b>	<b>31,551,752</b>	<b>98.0%</b>	<b>262,602,204.32</b>	<b>38.9%</b>	<b>8,322.90</b>



**Fig. 2.2.6 Number of depositors, %**



**Fig. 2.2.7 Deposit amount, %**



Analysis of the structure of deposits by their amount shows that the depositor is focused on the maximum level of reimbursement for deposits: the vast majority have deposits within the guaranteed reimbursement amount – from UAH 10 to UAH 200 thousand, which are fully protected (31.6 million persons or 98.0% of depositors who are guaranteed funds). Such depositors have accumulated together UAH 262.6 billion, or 38.9% of the deposit amount. The number of people with deposits over the guaranteed amount increased by 9.7% and amounts to about 631,000. Among them, about a fifth of depositors (21%) hold deposits in banks in the amounts exceeding UAH 600,000.

At the same time, the total amount of deposits increased both in terms of the ranges within the guaranteed amount and in excess thereof:

- ❖ in the amount up to UAH 200 thousand – by UAH 24.0 billion, or 10.0%;
- ❖ in the amount of more than UAH 200 thousand – by UAH 44.1 billion, or 11.9%.

That is, 64.8% of the growth for the year (UAH 44.1 billion out of UAH 68.0 billion) falls on the ranges above the guaranteed level (more than UAH 200 thousand).

Thus, the guaranteed level of deposit reimbursement provides coverage for most of the household deposits and indicates the intention/ability of depositors to keep deposits within the range of funds guaranteed by the Fund.

### Possible reimbursement amount and deposits guaranteed by the Fund

The possible reimbursement amount (PRA) for the Fund's members in 2021 increased by UAH 35.1 billion or 9.9% and as of January 1, 2022 amounted to UAH 388.7 billion.

The possible reimbursement amount in 3 state-owned banks amounted to UAH 209.0 billion, which is 53.8% of the total amount of deposits.

The ratio of the possible reimbursement amount (PRA) to the total amount of deposits (DA) in the Fund as a whole for 2021 decreased from 58.2 to 57.5%.

According to the data of the 1F Reporting Forms, as of January 1, 2022, the reimbursement amount is distributed as follows: the amount of deposits on term deposits amounted to UAH 125.0 billion or 32.2%, and the amount of deposits on current accounts – UAH 263.7 billion or 67.8% (Table 2.2.7). As we can see from the table, in 2021, in terms of the reimbursement amount, deposits on deposit accounts decreased and deposits on current accounts increased significantly.



**Table 2.2.7**  
**Structure of the possible reimbursement amount by maturity date as of January 1, 2022**

№	Indicator	January 1, 2021		January 1, 2022	
		Quantity	Amount of deposits	Quantity	Amount of deposits
1	Amount of deposits/number of depositors, total	46,621,222	607,564,035,904	49,753,629	675,574,533,344
2	In foreign currency	6,893,811	250,203,201,537	6,993,553	252,784,211,986
Part IV					
9	Total possible reimbursement amount, incl.:	28,686,772	353,538,617,952	31,984,759	388,674,906,524
9.1	Current account deposits, incl.:	25,431,659	225,805,984,455	29,168,318	263,659,214,943
9.2	Registered saving certificates, including the following maturity period:	32	4,095,424	17	2,183,184
9.2.1.	on demand	14	2,046,089	10	1,387,239
9.2.2	up to 1 month	13	1,610,212	5	448,384
9.2.3	from 1 to 2 months	1	86,267	0	0
9.2.4	from 2 to 3 months	0	0	0	0
9.2.5	from 3 to 4 months	0	0	0	0
9.2.6	from 4 to 5 months	0	0	0	0
9.2.7	from 5 to 6 months	0	0	0	0
9.2.8	from 6 to 7 months	0	0	0	0
9.2.9	from 7 to 8 months	0	0	0	0
9.2.10	from 8 to 9 months	0	0	0	0
9.2.11	from 9 to 10 months	0	0	0	0
9.2.12	from 10 to 11 months	0	0	0	0
9.2.13	from 11 to 12 months	0	0	0	0
9.2.14	more than 12 months	4	352,856	2	347,561
9.3	Term deposits, including with the following maturity periods:	11,016,942	127,728,538,072	11,136,421	125,013,508,397
9.3.1	up to 1 month	2,159,102	21,851,719,337	228,410	12,213,394,401
9.3.2	from 1 to 2 months	467,094	14,397,167,267	145,844	8,775,572,120
9.3.3	from 2 to 3 months	459,710	14,365,849,246	147,449	8,367,706,917
9.3.4	from 3 to 4 months	315,994	8,105,496,689	101,750	5,298,531,705
9.3.5	from 4 to 5 months	348,956	8,861,163,045	109,009	5,457,720,791
9.3.6	from 5 to 6 months	395,499	9,700,520,963	119,613	5,807,031,375
9.3.7	from 6 to 7 months	189,776	5,361,410,102	52,631	3,611,454,658
9.3.8	from 7 to 8 months	178,656	4,988,528,846	45,644	3,146,569,353
9.3.9	from 8 to 9 months	190,440	5,171,742,766	48,244	3,289,519,511
9.3.10	from 9 to 10 months	210,168	5,988,958,701	46,701	3,083,042,129
9.3.11	from 10 to 11 months	226,175	5,616,565,552	55,444	3,332,194,919
9.3.12	from 11 to 12 months	354,310	7,906,232,877	69,476	3,966,153,609
9.3.13	more than 12 months	43,551	3,590,548,667	10,173,300	58,592,240,439
9.3.14	with the contract term expired, and not transferred to the current/card account	6,239,457	11,822,634,014	21,680	72,376,471

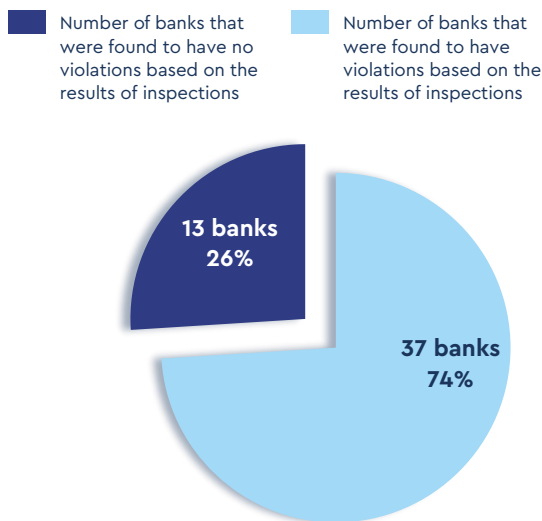


### 2.3. Control functions over DGF members' operations

As part of ensuring the functioning of the deposit guarantee system and the protection of depositors' rights and interests, the Fund monitors the fulfillment of obligations by banks regarding their participation in the deposit guarantee system, in the form of inspections and remote inspections of the Fund. Inspections in 2021 were carried out in order to determine the proper performance of the duties of the Fund's members assigned to them by the Law of Ukraine "On the Household Deposit Guarantee System" and regulatory legal acts of the Fund in accordance with the approved annual audit plan.

In 2021, the Fund conducted 50 inspections of its members, of which 37 banks were found to have violated the Fund's regulatory legal acts. Fig. 2.3.1 reflects the number of inspections carried out in 2021.

**Fig. 2.3.1. Number of inspections carried out during 2021**



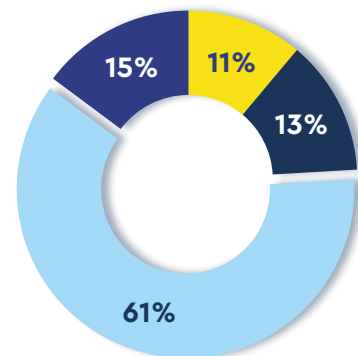
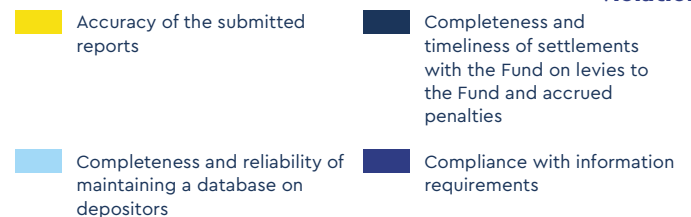
Scheduled remote inspections were conducted on the following issues:

1. Reliability of the financial statements provided to the Fund.
2. Completeness and timeliness of settlements with the Fund on the fees to the Fund and accrued penalties.
3. Completeness and reliability of maintaining the database of depositors.
4. Compliance with the requirements for informing depositors about the bank's participation in the Fund.

The inspections were aimed at obtaining information on banks' compliance with the Law of Ukraine "On the Household Deposit Guarantee System", including the accuracy of statements submitted to the Fund, compliance with the rules of accrual and payment of fees, providing information for maintaining the Register of Member Institutions of the Fund, 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 system in Ukraine. Special attention was paid to the reliability of fee settlements and reports submitted to the Fund by banks, and the ability of banks to properly form the database of depositors in the Fund's members in accordance with the requirements of the Fund's regulatory legal acts.

Based on the results of 50 inspections of banks, which were conducted by the Fund in 2021, 54 facts of violations of the Law of Ukraine "On the Household Deposit Guarantee System" and the Fund's regulatory legal acts were identified.

**Fig. 2.3.2. Specific weight of violations on certain issues covered by inspection in the total number of established violations**





### Reliability of the financial statements provided to the Fund

The main requirements for the preparation and submission of Reports No. 1F are defined by the Regulations for Reporting by the DGF Members approved by decision No. 1158 of the Executive Board of the Fund 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 indicate that banks committed violations in the preparation and submission of

reports to the Fund, namely, decade and/or monthly Reporting Forms No. 1F contained false information about the amount of funds and/or the number of depositors.

According to the results of the conducted inspections, 6 banks were found to have violations of the reliability (procedure for drawing up) of Reports No. 1F out of all inspected banks, and the share of this violation makes 12% of all detected violations.

### Completeness and timeliness of settlements with the Fund on fees due to the Fund and accrued penalties

The main requirements for the timeliness and the procedure for submitting the calculation of a regular fee payable to the Fund are defined by the Regulations on the Calculation, Accrual and Payment of Fees to the Deposit Guarantee Fund, approved by Decision No. 1 of the Executive Board of the Fund 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 conducted in 2021, it was found that the Fund's members committed certain violations when calculating the amount of the regular fee, including:

- ❖ the base for calculating a regular fee on deposits in the national currency was incorrectly determined and calculated;
- ❖ incorrectly defined quantitative indicators (L1, L2, L3, E1, E2, E3, P1, K1, K2);
- ❖ incorrectly defined qualitative indicators (Y1, Y2, Y5);

- ❖ the total score for the sum of quantitative and qualitative indicators was incorrectly determined;
- ❖ the degree of risk that the base annual fee rate to the Fund is weighed against is not reliably determined;
- ❖ the amount of the regular fee was incorrectly calculated, which resulted in the incomplete payment of the regular fee to the Fund.

According to the results of inspections of banks on the completeness of settlements between banks and the Fund on fees, an underestimation of the amount of regular fees paid by banks to the Fund totaling UAH 7.495 thousand was revealed.

In general, violations in terms of the completeness and timeliness of fee payment to the Fund were established in 7 members, and the share of this violation makes 14% of all detected violations.

### Completeness and reliability of maintaining the database of depositors

The Fund established requirements for creating the database of individual depositors in the Fund's members. The main requirements are set out in the Regulations for Forming and Maintaining Databases of Depositors, approved by Decision No. 3 of the Executive Board of the Fund dated July 09, 2012, registered with the Ministry of Justice of Ukraine on August 23, 2012 under No. 1430/21742, as amended.

However, in this period, banks identified cases of typical violations in the formation and maintenance of databases, including errors regarding the absence, incompleteness and incorrectness of information about depositors, as well as duplication of information about depositors, which makes it

impossible to carry out unambiguous identification of depositors.

The total number of banks that identified the above-mentioned shortcomings in maintaining the database in accordance with the Regulations was 33 banks, and the share of this violation makes 66% of all detected violations.

In general, the banks that were covered by the audit have developed a software and hardware complex that allows to accumulate and store information about depositors, ensure that data is stored in an archive file on external media separated both logically and physically.

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

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

The results of the conducted inspections show that banks committed some violations of the Fund's requirements to inform depositors about the bank's participation in the Fund, including:

- ❖ the content of the standard terms of a bank deposit agreement does not include the definition of the term "deposit" in accordance with the Law of Ukraine "On the Household Deposit Guarantee System";



- ❖ the definition of the term "deposit" in accordance with the Law of Ukraine "On the Household Deposit Guarantee System" is not included in the content of individual parts of agreements;
- ❖ information that the person with whom the agreement is concluded has been familiarized with the Certificate on the Household Deposit Guarantee System is not included in the content of agreements;
- ❖ template bank account and bank deposit agreements are not posted on the bank's website.

During the inspections conducted in 2021, 8 banks were registered as those that violated the Fund's requirements for informing depositors about the household deposit guarantee system in Ukraine; the violation share makes 16% of all violations detected.

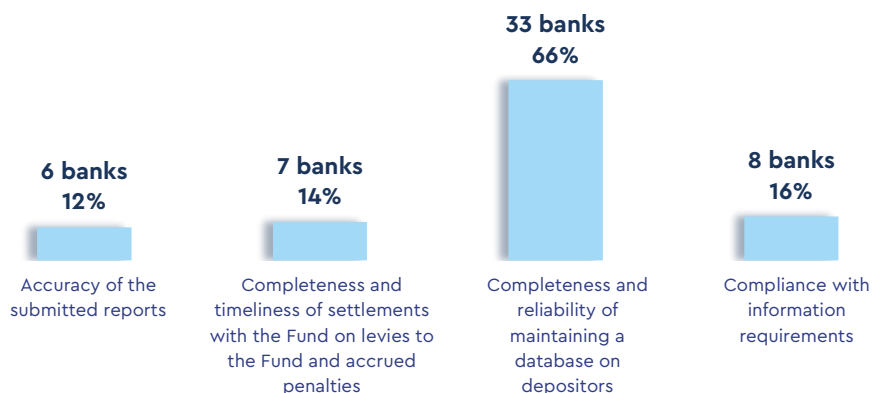
The share of violating banks in the total number of banks that were inspected in 2021, in terms of the issues that were subject to inspection, is shown in Fig. 2.3.3.

Regarding the causes of violations, according to the banks' explanations:

- ❖ non-inclusion in Reporting Form No. 1F of the balances of individuals' funds recorded on the balance sheet accounts No. 2621 "Payables on Demand of Subjects of Independent Professional Activity", No. 2638 "Accrued Expenses on Fixed-Term Funds of Individuals";

- ❖ incorrect display of the "counterparty type" parameter for the balances of funds of sole proprietors;
- ❖ for technical reasons, Reporting Form No. 1F does not include adjustment postings;
- ❖ incorrect entry of information into the depositor's card in the ABS by responsible employees of the bank;
- ❖ technical errors when transferring data from the customer subsystem to the bank's operating system;
- ❖ errors in the formation of Reporting Form No. 1F caused by the technical update of the ODB;
- ❖ incorrect ODB settings for assigning scores to quantitative indicators;
- ❖ due to a technical failure, the data was not updated when forming a file for sending;
- ❖ the algorithm for calculating quantitative indicators did not take into account the balances of some balance sheet accounts;
- ❖ the measures of influence applied to the bank are not correctly defined, namely, administrative sanctions imposed on the head of the bank and administrative and economic sanctions applied to the bank itself;
- ❖ when uploading updated standard contracts to the bank's website, the previous version of those documents was deleted by mistake;
- ❖ adoption of a different ABS;
- ❖ late consideration of changes on the part of the Fund when calculating quantitative indicators;
- ❖ errors that occur when listing data to the database;
- ❖ using data from two different reporting systems.

**Fig. 2.3.3. Share of violating banks in the total number of banks inspected in 2021**



### Administrative and economic sanctions and administrative fines

The main objective of the Deposit Guarantee Fund is to ensure the functioning of the deposit guarantee system and bank resolution.

One of the functions of the Fund is to apply financial sanctions and administrative fines to banks and their managers, respectively.

As of January 1, 2022, authorized employees of the Deposit Guarantee Fund drew up 11 administrative offense reports. Administrative proceedings were carried out in accordance

with the Code of Administrative Offenses of Ukraine, since it is stipulated that the grounds for bringing bank managers to administrative responsibility include the admission of the following administrative offenses:

- ✓ violation by the head of the Bank of the procedure for drawing up information to the Fund (Part 1 of Article 166-19 of the Code);
- ✓ violation by the head of the Bank of the procedure for submitting information to the Fund (Part 1 of Article 166-19 of the Code);



- ✓ failure of the bank's head to comply with the Fund's legal decisions (Part 2 of Article 166-19 of the Code);
- ✓ late execution by the head of the Bank of legal decisions of the Fund (Part 2 of Article 166-19 of the Code);
- ✓ failure by the bank to pay a fee to the Fund (Part 3 of Article 166-19 of the Code);
- ✓ late payment of a fee by the bank to the Fund (Part 3 of Article 166-19 of the Code).

Based on the results of consideration of cases in administrative offenses, the authorized officer made 10 decisions with due regard to Part 2 of Article 36 of the Code of Administrative Offenses of Ukraine, namely 10 decisions on the imposition of administrative penalties on bank managers.

Thus, for:

- the breach by the head of the Bank of the procedure for drawing up or submitting information to the fund by an authorized officer, fines in the amount of UAH 59,500,00 were imposed,
- late payment of a fee by the bank to the fund or failure of the bank to pay a fee to the Fund, fines in the amount of UAH 20,400.00 were imposed.

The total amount of fines imposed was UAH 79.900.00, which were paid voluntarily to the State Budget of Ukraine.

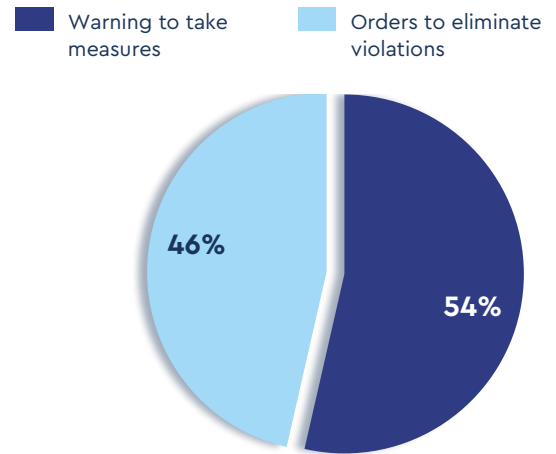
If banks violate the legislation on the household deposit guarantee system, the Fund applies administrative and economic sanctions to banks in the form of a written warning or a fine or an order to eliminate violations of the legislation on the household deposit guarantee system.

The Fund imposed sanctions on banks for the following violations:

- ❖ failure by the bank to provide information to the fund, if the submission of such information was required by the Law and/or regulatory legal acts;
- ❖ late submission of information by the bank to the fund, if the submission of such information was required by law and/or regulatory legal acts of the Fund;
- ❖ submission of false information by the bank to the fund, if the submission of such information was required by the Law and/or regulatory legal acts of the Fund;
- ❖ violation by the bank of the procedure for maintaining the depositor database;
- ❖ non-fulfillment by the bank of decisions and/or regulations of the Fund or orders to the bank to eliminate violations of the legislation requirements on household deposit guarantee system;
- ❖ late execution by the bank of decisions and/or regulations of the Fund or orders to the bank to eliminate violations of the legislation requirements on household deposit guarantee system.

As of January 1, 2022, 56 decisions were made by the officer authorized to consider cases (Fig. 2.3.4), of which:

**Fig. 2.3.4. Share of decisions made by the authorized officer of the Fund**



- ✓ 30 warnings on taking measures to prevent violations of laws on the household deposit guarantee system in future operations;
- ✓ 26 orders to eliminate violations of the law in the field of the household deposit guarantee system.

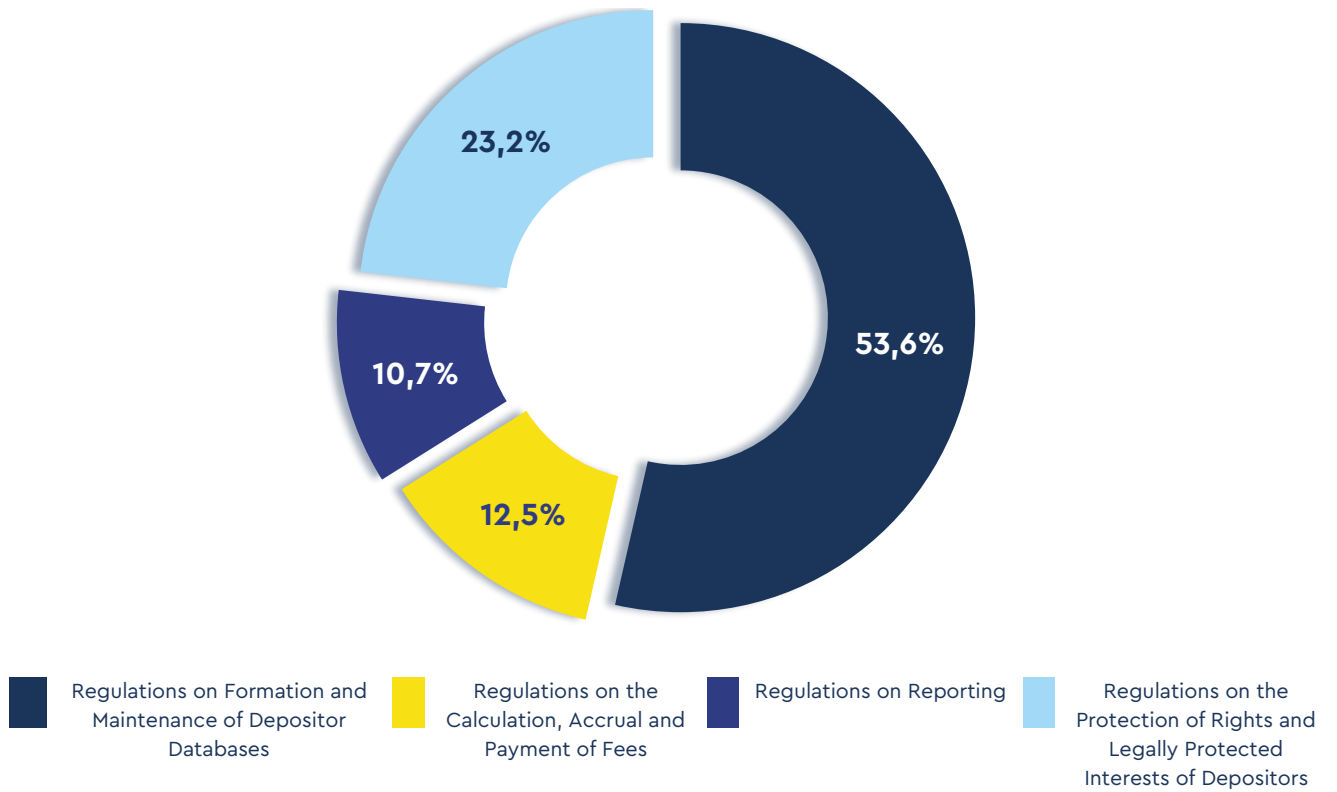
As of January 1, 2022, violations of the following regulatory legal acts of the Fund were recorded, namely:

- ✓ 7 banks violated the Regulations on the Calculation, Accrual and Payment of Fees to the Deposit Guarantee Fund, approved by Decision No. 1 of the Executive Board of the Fund dated July 2, 2012, registered with the Ministry of Justice of Ukraine on July 27, 2012 under No. 1273/21585;
- ✓ 6 banks violated the Rules for Reporting by Members of the Deposit Guarantee Fund, approved by Decision No. 1158 of the Executive Board of the Deposit Guarantee Fund dated June 18, 2020, registered with the Ministry of Justice of Ukraine on August 31, 2020 under No. 831/35114;
- ✓ 30 banks violated the Regulations on the Formation and Maintenance of Depositor Databases, approved by Decision No. 3 of the Executive Board of the Deposit Guarantee Fund dated July 9, 2012, registered with the Ministry of Justice of Ukraine on August 23, 2012 under No. 1430/21742;
- ✓ 13 banks violated the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Legally Protected Interests, approved by Decision No. 825 of the Executive Board of the Fund dated May 26, 2016, registered with the Ministry of Justice of Ukraine on June 17, 2016 under No. 874/29004.

Figure 2.3.5. shows the specific weight of violations of the Fund's regulatory legal acts.



**Fig. 2.3.5. Share of violations of the Fund's regulatory legal acts**





## 3. Bank resolution

### 3.1. Implementation of the provisional administration, implementation of bank insolvency resolution plans, and development of an early intervention system

In accordance with Article 34 of the Law of Ukraine "On the Household Deposit Guarantee System" (hereinafter referred to as the Law), the Fund begins the resolution procedure of an insolvent bank no later than on the next business day after the official receipt of a decision of the National Bank of Ukraine classifying the bank as insolvent. The Executive Board of the Fund, no later than on the next business day after the official receipt of the NBU's decision classifying the bank as insolvent, shall appoint an authorized officer of the Fund (several authorized officers of the Fund) from among the Fund's employees, to whom the Fund delegates all or part of its powers as a provisional administrator. The authorized officer of the Fund shall meet requirements established by the Fund. The provisional administration is introduced for a period not exceeding one month. If an insolvent bank is withdrawn from the market in the manner provided for by Clauses 3 to 5 of Part 2 Article 39 of the Law, the provisional administration may be extended for up to one month. If an insolvent bank is withdrawn from the market in the manner provided for by Clauses 1 and 2 of Part 2 Article 39 of the Law, the term of the provisional administration may be extended for five days with the termination thereof no later than on the day of receipt of the NBU's decision to revoke the banking license and liquidate the bank. The provisional administration shall be terminated

after the implementation of the resolution plan or in other cases upon decision of the Executive Board of the Fund.

During 2021, one bank was declared insolvent – JOINT-STOCK COMPANY COMMERCIAL BANK ZRMRLNY CAPITAL (hereinafter – JSC CB ZEMELNY CAPITAL), which became the 100th institution that was brought under the management of the Deposit Guarantee Fund as a result of its recognition as insolvent.

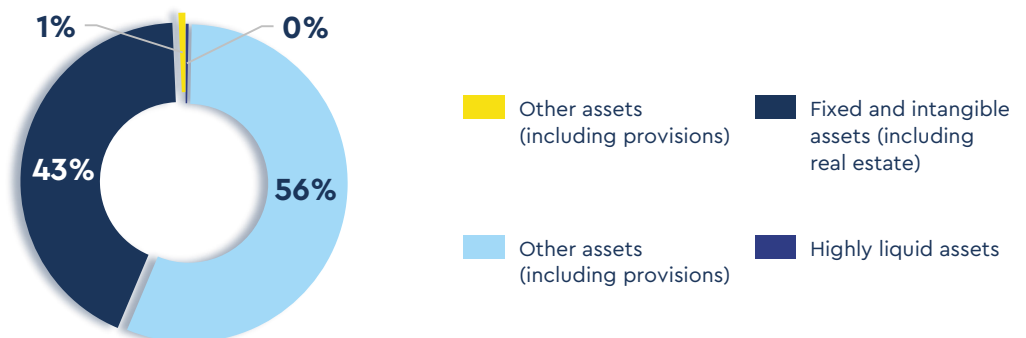
JSC CB ZEMELNY CAPITAL was classified as insolvent by the National Bank of Ukraine based on Decision No. 400-рш/БТ dated August 11, 2021. The resolution procedure of JSC CB ZEMELNY CAPITAL by introducing a provisional administration in it was launched in accordance with Decision No. 811 of the Executive Board of the Fund dated August 11, 2021 for a period of one month, from August 12, 2021 to September 11, 2021 (inclusive). The book value of assets of JSC CB ZEMELNY CAPITAL as of the day of introduction of the provisional administration was UAH 704,688.31 thousand, the total guaranteed reimbursement amount was UAH 418,887.77 thousand.

The book value of assets of JSC CB ZEMELNY CAPITAL is shown in Table 3.1.1.

**Table 3.1.1**  
**Book value of assets of insolvent banks 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 CB ZEMELNY CAPITAL	2,125.31	394,939.65	302,635.81	4,987.54	704,688.31

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





**Table 3.1.2**  
**Liabilities of the insolvent bank as of the date of introduction of the provisional administration, UAH thousand**

Liabilities of JSC CB ZEMELNY CAPITAL as of the date of introduction of the provisional administration amount to UAH 575,177.24 thousand (Table 3.1.2.).

Bank name	Liabilities	
	total	incl. guaranteed reimbursement amount
JSC CB ZEMELNY CAPITAL	575,177.24	JSC CB ZEMELNY CAPITAL

JSC CB ZEMELNY CAPITAL was withdrawn from the market by means of its liquidation with the reimbursement by the Fund of household deposits, as the least expensive method for the Fund.

During January 2021, the procedure of the provisional administration at JSC Misto Bank classified as insolvent by the National Bank of Ukraine based on Decision No. 735-рш/БТ dated December 14, 2020, was coming to an end. The procedure for withdrawing JSC Misto Bank from the market by introducing the provisional administration therein was initiated in accordance with Decision No. 2086 of the Executive Board of the Fund dated December 14, 2020. The provisional

administration in JSC Misto Bank was introduced for a period of one month from December 15, 2020 to January 14, 2021 (inclusive), extended for one month until February 14, 2021 (inclusive). JSC Misto Bank was withdrawn from the market by means of its liquidation with the reimbursement by the Fund of household deposits, as the least expensive method for the Fund. The liquidation procedure in JSC Misto Bank started from January 27, 2021 in accordance with Decision No. 85 of the Executive Board of the Fund dated January 26, 2021.

Table 3.1.3. shows the implementation status of resolution plans of banks in which the liquidation procedure has been initiated.

**Table 3.1.3.**  
**Implementation status of resolution plans of banks in which the liquidation procedure has been initiated**

Bank	Approved liquidation estate <sup>1</sup> , UAH thousand	Bank property sold		Creditors' claims satisfied	
		UAH thousand	% <sup>2</sup>	UAH thousand	% <sup>3</sup>
PJSC AKTABANK	1,533,919.5	171,683.7	11.19%	307,693.9	33.91%
PJSC CB ACTIVE-BANK	0.0	170,708.4	-	204,872.7	8.60%
JSC ARTEM-BANK	0.0	46,854.9	-	42,130.2	21.40%
JSC JSCB ARKADA	1,337,896.2	218,375.9	16.3%	271,257.4	43.09%
JSC BANK BOHUSLAV	0.0	19,895.7	-	41,062.0	17.19%
PJSC VECTOR BANK	0.0	5,536.8	-	3,552.0	4.26%
JSC BANK VELES	8,528.1	5,655.4	66.3%	4,081.2	59.24%
PJSC VAB BANK	0.0	1,258,231.3	-	4,048,856.5	21.84%
JSC VTB BANK	6,991,348.7	2,454,337.7	35.19%	2,353,599.5	43.92%
JSC DELTA BANK	29,299,447.7	4,836,507.0	16.51%	12,427,943.1	22.9%
PJSC DIAMANTBANK	1,595,489.5	449,323.2	28.20%	1,231,459.1	34.51%
PJSC ENERGOBANK	0.0	249,419.8	-	282,201.2	19.75%
PJSC CB EUROBANK	0.0	83,649.9	-	88,781.3	14.44%
JSC CB ZEMELNY CAPITAL	452,287.4	1,540.5	0.34%	-	-
PJSC ZLATOBANK	1,549,524.0	212,173.7	13.69%	420,149.2	6.11%
JSC GOLDEN GATE BANK	133,671.0	81,179.9	60.73%	83,158.4	11.84%

<sup>1</sup> as of the report date. For banks whose liquidation balance sheet has been approved by the Fund, the liquidation estate is UAH 0.

<sup>2</sup> 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.

<sup>3</sup> 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 <sup>1</sup> , UAH thousand	Bank property sold		Creditors' claims satisfied	
		UAH thousand	% <sup>2</sup>	UAH thousand	% <sup>3</sup>
PJSC IMEXBANK	2,299,185.1	419,465.3	20.15%	817,640.2	8.82%
PJSC CB INVESTBANK	0.0	32,982.1	-	19,302.2	9.23%
PJSC INTEGRAL-BANK	0.0	76,517.0	-	65,030.0	11.59%
PJSC BANK CAMBIO	1,078,213.6	172,582.1	16.00%	639,523.3	42.01%
PJSC JSCB CAPITAL	107,235.0	4,962.0	4.63%	0	0%
PJSC BANK KYIVSKA RUS	0.0	691,730.9	-	1,007,244.4	17.93%
PJSC BANK CONTRACT	0.0	38,629.8	-	72,335.6	23.49%
PJSC KSG BANK	152,534.1	272.1	0.05%	27,705.9	20.9%
PJSC BANK MYKHAYLIVSKY	0.0	33,028.4	-	74,478.8	2.69%
JSC MISTO BANK	839,211.8	429,596.8	51.19%	521,024.2	54.57%
PJSC BANK MORSKYI <sup>4</sup>	n/a	0.0	0.00%	0.0	n/a
PJSC CB NADRA	0.0	3,573,355.6	-	4,716,279.6	18.59%
JSC BANK NATIONAL INVESTMENTS	0.0	14,918.6	-	4,350.1	0.42%
PJSC NATIONAL CREDIT BANK	0.0	97,312.4	-	131,646.0	15.48%
PJSC PETROKOMMERTS BANK – Ukraine	0.0	24,822.0	-	10,904.8	5.00%
PJSC PIVDENCOMBANK	0.0	208,637.8	-	190,687.1	5.86%
PJSC PLATINUMBANK	0.0	579,639.9	-	1,685,269.2	23.92%
PJSC CB PREMIUM	536,726.2	43,631.3	8.1%	611,296.2	91.89%
PJSC PROFIN BANK	0.0	34,710.3	-	41,988.5	11.99%
PJSC RADIKAL BANK	0.0	112,041.3	-	104,948.6	13.41%
JSC RODOVID BANK	3,281,777.2	1,304,644.6	39.83%	448,932.2	9.34%
JSC CB SOYUZ <sup>5</sup>	43,020.0	2,480.7	5.77%	0.0	n/a
PJSC EASTERN INDUSTRIAL COMMERCIAL BANK <sup>6</sup>	n/a	0.0	-	0.0	n/a
PJSC CB STANDARD	0.0	15,912.9	-	13,239.2	2.40%
PJSC BANK TRUST	0.0	67,907.2	-	278,775.7	41.38%
PJSC UKRAINIAN PROFESSIONAL BANK	0.0	37,532.3	-	35,444.3	3.16%
PJSC UKRINBANK <sup>7</sup>	-	0.0	-	8,595.9	2.83%
PJSC UKRCOMUNBANK	-	3,224.3	-	0.0	0
PJSC FIDOBANK	2,514,397.3	854,126.4	33.97%	1,167,935.1	22.8%
JSC BANK FINANCE AND CREDIT	10,011,981.0	2,461,054.1	24.58%	3,711,67.2	11.90%
PJSC CB FINANCIAL INITIATIVE	0.0	189,056.5	-	240,845.4	1.71%
PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	n/a	2,585.9	n/a	0.0	n/a

<sup>4</sup> Lack of access to bank information

<sup>5</sup> Control over the bank is not established

<sup>6</sup> Lack of access to bank information

<sup>7</sup> Information specified as of October 01, 2016



### Development of an early intervention system

During 2021, the Fund continued to take measures to develop and implement an early intervention system: a set of measures was carried out to implement Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee systems in a new revision of April 16, 2014 and Directive 2014/59/EU of the European Parliament and of the Council of April 15, 2014 (Bank Recovery and Resolution Directive, BRRD) in the Fund's activities related to the introduction of new mechanisms for solvency recovery and an early intervention system for early preparation for a possible settlement, including the introduction of the MREL standard at the appropriate stage, and the settlement of banking institutions.

Effective cooperation was carried out with foreign partners, in particular, a number of meetings were held with a group of specialists in the financial sector of the World Bank. Work has been started with the World Bank experts to implement the Directive in the Ukrainian legislation and to draft a law aimed at improving the settlement of banks' insolvency. Within the framework of the direction taken to implement the norms of the EU Directive for the recovery and resolution of banks

(BRRD), a number of consultations were held on its practical implementation.

In accordance with the international standards and acts of the EU legislation, pursuant to Part 1 of Article 14 of the Law of Ukraine "On the Household Deposit Guarantee System", the Deposit Guarantee Fund extended and updated standards to receive reports from banks and the National Bank of Ukraine. Thus, in order to deepen and automate the analysis of information for the purpose of quality monitoring of balance sheet and off-balance sheet data of Ukrainian banks, as well as to draft resolution plans, the set of information indicators for contracts concluded by the bank was expanded, pursuant to Decision No. 1137 of the Executive Board of the Bank dated November 11, 2021 (registered with the Ministry of Justice of Ukraine No. 1556/37178 on December 01, 2021), by making appropriate changes to Decision No. 1158 of the Executive Board of the Fund, registered with the Ministry of Justice of Ukraine on August 31, 2020 under No. 831/35114 "On Approval of the Regulations for Reporting to the Deposit Guarantee Fund and Invalidation of Decisions Nos. 4 and 5 of the Executive Board of the Deposit Guarantee Fund dated July 09, 2012".



## 3.2. Bank liquidation

In accordance with Parts 4 and 5 of Article 44 of the Law of Ukraine "On the Household Deposit Guarantee System" (hereinafter referred to as the Law), the Fund shall begin liquidation of a bank no later than on the next business day after the official receipt of the decision of the National Bank of Ukraine to revoke the banking license and liquidate the bank, except when the liquidation is carried out on the initiative of bank owners.

From the date of the beginning of the bank liquidation procedure, the Fund shall implement measures to manage property (assets) of the bank and to satisfy creditors' claims within three years (and when a systemically important bank is liquidated — within five years). The Fund has the right to make a decision to extend the term of management of the bank's property (assets) and satisfaction of creditors' claims in the event of the circumstances that make it impossible to sell the bank's property (assets) and satisfy creditors' claims, for the entire duration of such circumstances. The grounds for extending the term by the Fund are set out in Part 5 of Article 44 of the Law.

In accordance with Parts 1 and 4 of Article 50 of the Law, from the date of the beginning of the bank liquidation procedure, the Fund shall start the stock-taking and assessment of the bank's property in order to form the bank's liquidation estate. The stock-taking of the bank's property and the formation of the liquidation estate shall be finished within six months from

the date of the decision to liquidate the bank and revoke its banking license. The results of the stock-taking and the formation of the liquidation estate shall be reflected in the statement which is subject to approval by the Executive Board of the Fund.

According to the requirements of Parts 2 and 3 of Article 53 of the Law, based on the results of the bank liquidation, the Fund shall draw up a liquidation balance sheet and a report, which are subject to approval by the Executive Board of the Fund. The bank liquidation procedure is considered completed from the moment of approval of the liquidation balance sheet, and the bank is considered liquidated from the moment of making an entry on the dissolution of the bank in the Unified State Register of Legal Entities, Sole Proprietors and Non-Government Organizations (hereinafter referred to as the Unified State Register).

During 2021, the Fund started the liquidation procedure in 2 insolvent banks: JSC CB ZEMELNY CAPITAL (September 10, 2021) and JSC MISTO BANK (January 27, 2021), in which the stock-taking and the formation of their liquidation estate was carried out within short time (about 2 months). Thus, the liquidation estates of JSC CB ZEMELNY CAPITAL and JSC MISTO BANK were approved by the relevant decisions of the Executive Board of the Fund on November 15, 2021 and April 01, 2021 (Table 3.2.1).

**Table 3.2.1**  
**Data on the liquidation estate of JSC CB ZEMELNY CAPITAL and JSC MISTO BANK**

Bank	Book value of assets (UAH)	Market value of assets (UAH)
JSC MISTO BANK	1,397,349,694.34	839,176,725.67
JSC CB ZEMELNY CAPITAL	847,782,994.19	452,287,386.28

During the reporting year, the Fund updated the list of banks that are scheduled to complete the liquidation procedure during 2021-2022. Thus, this year the corresponding list included JSC VTB BANK, JSC RODOVID BANK, JSC VELES BANK, JSC ZLATOBANK, for which action plans were drawn up and approved by the relevant decisions of the Fund's Executive Board to complete the liquidation procedure.

To minimize possible obstacles in the state registration of the dissolution of banks in the Unified State Register in the future, the Fund closed the enforcement proceedings involving banks (as debtors) directly managed by the Fund, in the amount of more than 80 proceedings, withdrew 3 banks (PJSC AKTABANK, PJSC CB ACTIVE-BANK, PJSC BANK KYIVSKA RUS) from the list of members in other legal entities, and shut down existing separate divisions of banks, cancelled the issues of securities of three banks (PJSC BANK KYIVSKA RUS, JSC BANK NATIONAL INVESTMENTS, PJSC VECTOR BANK) in the National Securities and Stock Market Commission, as well as eliminated

obstacles (arrests/alienation banks imposed in civil proceedings and in criminal proceedings) for selling assets of 3 banks that are directly managed by the Fund, namely: JSC GOLDEN GATE BANK (assets in the process of sale); PJSC AKTABANK (in 2021, all assets were sold); JSC BANK NATIONAL INVESTMENTS (assets have been sold and the liquidation balance sheet has been drawn up).

At the same time, during 2021, the Fund accepted four (4) banks under its direct management, i.e. PJSC VECTOR BANK, PJSC CB INVESTBANK, PJSC PTB, PJSC CB STANDARD.

Thus, as of January 1, 2022, the Fund manages 48 banks, in 27 of which the liquidation procedure is carried out directly by the Fund.

The total nominal value of assets (excluding revaluation) recorded on the balance sheets of the above-mentioned banks is UAH 43.651 billion, and their estimated value is UAH 7.836 billion (Table 3.2.2.)



**Table 3.2.2**  
**Nominal and estimated asset value of the banks managed by the Fund**

№	Bank under liquidation	Nominal value of assets (excluding revaluation), UAH	Estimated value of assets, UAH	Authority (Fund directly (Fund)/Fund officer authorized to liquidate the bank (AO))	Completion of the bank liquidation procedure (Yes/No) 8
<b>Total</b>		<b>43,650,536,105.62</b>	<b>7,835,570,313.28</b>	<b>X</b>	<b>X</b>
1	PJSC CB STANDARD	0.00	0.00	Fund	Yes
2	PJSC PROFIN BANK	0.00	0.00	Fund	Yes
3	PJSC BANK CONTRACT	0.00	0.00	Fund	Yes
4	PJSC CB EUROBANK	0.00	0.00	Fund	Yes
5	PJSC CB PIVDENCMBANK	0.00	0.00	Fund	Yes
6	JSC ARTEM-BANK	0.00	0.00	Fund	Yes
7	PJSC PETROKOMMERTS BANK – UKRAINE	0.00	0.00	Fund	Yes
8	PJSC CB ACTIVE-BANK	0.00	0.00	Fund	Yes
9	PJSC BANK TRUST	0.00	0.00	Fund	Yes
10	PJSC CB INVESTBANK	0.00	0.00	Fund	Yes
11	JSC BANK BOHUSLAV	0.00	0.00	Fund	Yes
12	PJSC RADIKAL BANK	0.00	0.00	Fund	Yes
13	PJSC INTEGRAL-BANK	0.00	0.00	Fund	Yes
14	PJSC NATIONAL CREDIT BANK	0.00	0.00	Fund	Yes
15	PJSC ENERGOBANK	0.00	0.00	Fund	Yes
16	PJSC BANK MYKHAYLIVSKY	0.00	0.00	Fund	Yes
17	PJSC UKRAINIAN PROFESSIONAL BANK	0.00	0.00	Fund	Yes
18	PJSC VAB BANK	0.00	0.00	Fund	Yes
19	PJSC CB NADRA	0.00	0.00	Fund	Yes
20	JSC BANK NATIONAL INVESTMENTS	0.00	0.00	Fund	Yes
21	PJSC PLATINUM BANK	0.00	0.00	Fund	Yes
22	PJSC BANK KYIVSKA RUS	0.00	0.00	Fund	Yes
23	PJSC VECTOR BANK	0.00	0.00	Fund	Yes
24	PJSC CB FINANCIAL INITIATIVE	0.00	0.00	AO	Yes
25	JSC GOLDEN GATE BANK	1,324,748.02	150,372.19	Fund	No
26	PJSC BANK CAMBIO	25,801,060.05	15,382,926.33	Fund	No
27	PJSC AKTABANK	1,656,445.12	1,656,445.12	Fund	No
28	PJSC IMEXBANK	50,934,296.14	7,136,237.24	Fund	No
29	JSC DELTA BANK	8,074,899,480.55	2,328,615,676.96	AO	No
30	JSC VTB BANK	70,221,860.89	59,329,305.45	AO	No
31	JSC BANK FINANCE AND CREDIT	6,015,323,027.92	788,895,581.28	AO	No
32	JSC RODOVID BANK	969,562,485.28	967,796,844.35	AO	No
33	PJSC ZLATOBANK	16,510,861,069.88	1,147,843,554.95	AO	No
34	PJSC FIDOBANK	45,872,998.47	46,679,616.13	AO	No
35	PJSC DIAMANTBANK	70,501,194.09	59,515,412.36	AO	No
36	JSC BANK VELES	8,491,206.44	1,057,597.44	AO	No
37	PJSC CB PREMIUM	886,488,583.77	148,605,003.99	AO	No
38	PJSC JSCB CAPITAL	1,681,853,290.00	108,700,289.76	AO	No
39	PJSC UKRAINIAN MUNICIPAL BANK	114,323,730.32	68,475,640.50	AO	No
40	PJSC BANK MORSKYI	10,749,849.53	10,720,482.58	AO	No
41	PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	22,381,069.87	21,464,329.70	AO	No
42	PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	186,118,713.84	185,380,496.86	AO	No
43	JSC JSCB ARKADA	1,496,600,144.36	1,095,788,027.18	AO	No
44	JSC MISTO BANK	723,848,900.86	282,733,304.12	AO	No
45	JSC CB ZEMELNY CAPITAL	864,841,086.20	449,160,088.79	AO	No
46	PJSC UKRINBANK	5,322,424,608.26	0.00	AO	No
47	PJSC KSG BANK	455,096,000.00	122,824.24	AO	No
48	JSC CB SOYUZ	40,360,255.76	40,360,255.76	AO	No
<b>Total</b>		<b>43,650,536,105.62</b>	<b>7,835,570,313.28</b>		

<sup>8</sup> the bank liquidation procedure is deemed completed upon formation and approval of the liquidation balance sheet of the bank and a liquidation completion report by decision of the Executive Board of the Fund (Part 3 of Article 53 of the Law).

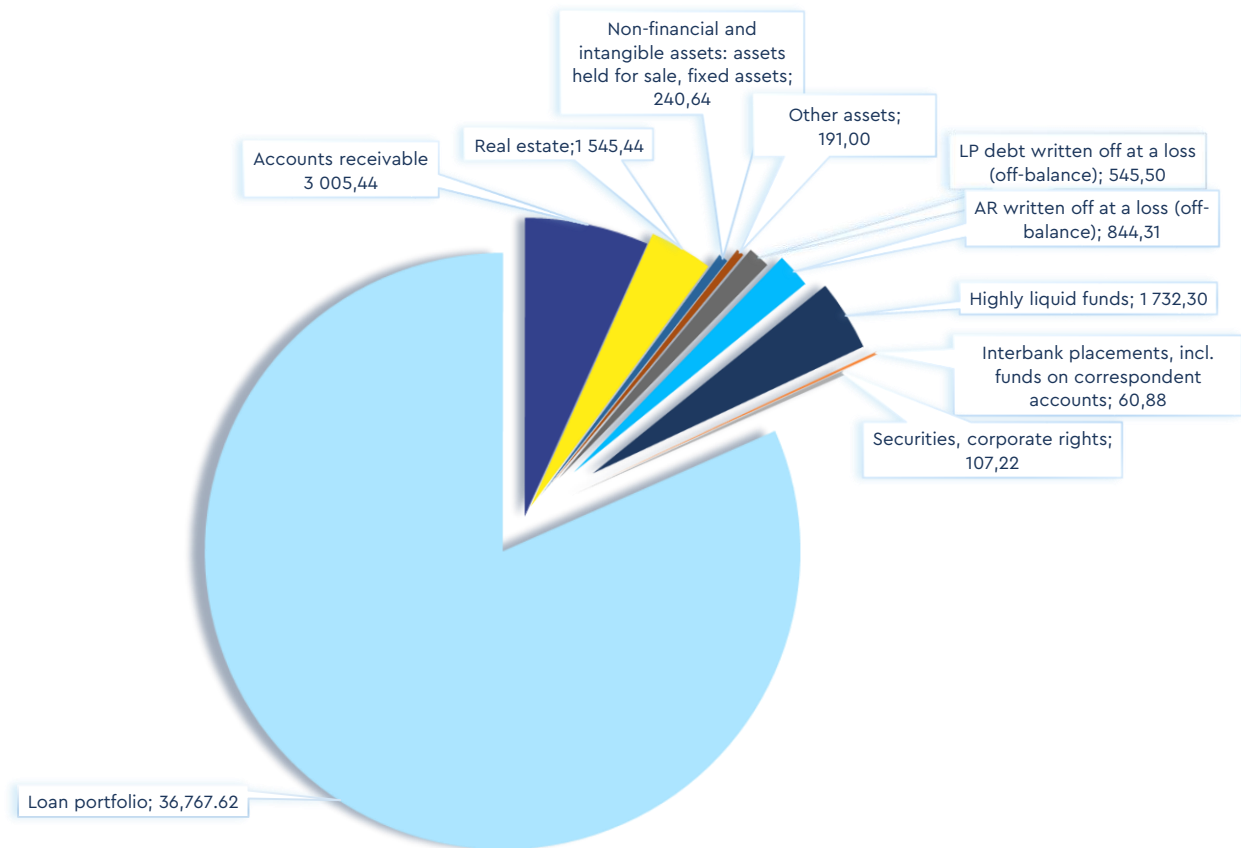


Table 3.2.3. and Figure 3.2.1. show the breakdown of assets of insolvent banks by main types.

**Table 3.2.3. Breakdown of assets of insolvent banks by main types**

Name	Nominal value, UAH million	Share, %
Highly liquid funds	1,732.30	3.97%
Interbank placements, incl. funds on correspondent accounts	60.88	0.14%
Securities, corporate rights	107.22	0.25%
Loan portfolio	36,767.62	84.23%
Accounts receivable	3,005.44	6.89%
Real estate	1,545.44	3.54%
Non-financial and intangible assets: assets for sale, operating systems, inventory, etc.	240.64	0.55%
Other assets	191.00	0.44%
<b>Total</b>	<b>43,650.54</b>	<b>100%</b>
plus (off-balance)		
LP debt written off at a loss (off-balance)	545.50	X
AR written off at a loss (off-balance)	844.31	X

**Fig. 3.2.1. Breakdown of assets of insolvent banks by main types**





It should be noted that in 2021, the Fund finished the liquidation procedure in 5 (five) insolvent banks (compiled and approved by the relevant decisions of its Executive Board liquidation balance sheets and liquidation completion reports), as well as

liquidated PJSC VBR (made an entry in the Unified State Register regarding the dissolution of the bank as a legal entity), see Table 3.2.4. for more details.

**Table 3.2.4.**  
**Completion of bank liquidation**

Bank	Liquidation balance sheet date (as of)	Details of the decision of the Executive Board of the Fund	Excluded from the Unified State Register
PJSC PTB	March 16, 2021	No. 288 of March 25, 2021	X
PJSC BANK KYIVSKA RUS	March 26, 2021	No. 427 of April 29, 2021	X
JSC BANK NATIONAL INVESTMENTS	May 14, 2021	No. 600 of June 14, 2021	X
PJSC VECTOR BANK	July 01, 2021	No. 817 of August 12, 2021	X
PJSC CB FINANCIAL INITIATIVE	September 01, 2021	No. 960 of September 20, 2021	X
PJSC VBR	November 02, 2020	No. 2027 of November 30, 2020	April 14, 2021





### 3.3. Proceeds to the insolvent banks

During the reporting year, insolvent banks received UAH 2,801.5 million. The largest amount was received by JSC RODOVID BANK, i.e. UAH 777.7 million, which accounts for 27.8% of the total amount. The second and third places are taken by JSC Misto Bank and JSC VTB BANK with the amounts of UAH 614.8 million, or 21.9% of the total amount, and UAH 361.9 million, or 12.9% of the total amount, respectively. Table 3.3.1 shows data from 11 banks with a revenue share of 1.0% or higher. The remaining 36 banks received UAH 17.6 million, which makes 0.6% of the total amount.

**Table 3.3.1. Proceeds to the insolvent banks**

№	Bank name	Amount, UAH million	Relative share
1	JSC RODOVID BANK	777.7	27.8%
2	JSC MISTO BANK	614.8	21.9%
3	JSC VTB BANK	361.9	12.9%
4	JSC JSCB ARKADA	296.3	10.6%
5	PJSC "BANK FINANCE AND CREDIT"	244.1	8.7%
6	PJSC CB FINANCIAL INITIATIVE	157.2	5.6%
7	PJSC CB PREMIUM	109.0	3.9%
8	PJSC DIAMANTBANK	86.7	3.1%
9	PJSC ZLATOBANK	57.6	2.1%
10	JSC DELTA BANK	49.0	1.7%
11	PJSC FIDOBANK	29.6	1.1%
12	Others (36 banks)	17.6	0.6%
<b>Total</b>		<b>2 801,5</b>	<b>100,0%</b>

**Table 3.3.2. Types of receipts of insolvent banks**

Types of receipts	Amount, UAH million	Relative share
Sale of property	2,362.4	84.33%
Loan repayment	208.7	7.45%
Securities	171.9	6.14%
Other receipts (one-time receipts)	46.3	1.65%
Lease	12.2	0.44%
<b>Total</b>	<b>2 801,5</b>	<b>100,00%</b>

The largest share (84.3%) of proceeds to insolvent banks in the reporting year falls on revenues from the sale of property (Table 3.3.2.).

During the reporting year, insolvent banks received UAH 2,362.4 million from the sale of property. The largest amount was received by JSC RODOVID BANK, i.e. UAH 769.6 million, which makes 32.6% of the total amount. The second and third places are taken by JSC Misto Bank and JSC VTB BANK with the amounts of UAH 431.8 million, or 18.3% of the total amount, and UAH 354.0 million, or 15.0% of the total amount, respectively. Table 3.3.3 shows data from 10 banks with a revenue share of 1.0% or higher. The remaining 37 banks received UAH 12.4 million, which makes 0.5% of the total amount.

**Table 3.3.3. Proceeds from property sale**

№	Bank name	Amount, UAH million	Relative share
1	JSC RODOVID BANK	769.6	32.6%
2	JSC MISTO BANK	431.8	18.3%
3	JSC VTB BANK	354.0	15.0%
4	PJSC BANK FINANCE AND CREDIT	230.3	9.7%
5	JSC JSCB ARKADA	218.4	9.2%
6	PJSC CB FINANCIAL INITIATIVE	157.2	6.7%
7	PJSC DIAMANTBANK	80.9	3.4%
8	JSC DELTA BANK	43.8	1.9%
9	PJSC ZLATOBANK	41.3	1.7%
10	PJSC FIDOBANK	22.7	1.0%
11	Others (37 banks)	12.4	0.5%
<b>Total</b>		<b>2 362,4</b>	<b>100,0%</b>



### 3.4. Settlements with bank creditors

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

Valuation shall be carried out by engaging licensed 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 Executive Board of the Fund dated March 28, 2016 (as amended) and other regulations of the Fund.

Funds received as a result of liquidation and sale of the bank's property (assets), investment of temporarily available funds of the bank in government securities, are directed by the Fund to satisfy creditors' 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) Claims of the Fund that arose in the cases stipulated by the Law
- 4) Claims of individual depositors (including sole proprietors) who are not related parties to the bank, in the amount exceeding the amount paid by the Fund
- 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 customers 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 satisfied 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 Fund has the right to apply to persons who, in accordance with the legislation, are liable for damage (losses) caused to creditors whose claims remained unsatisfied after the completion of the liquidation procedure, in the event of dissolution of an insolvent bank or a bank in respect of which a decision was made to revoke the banking license and liquidate the bank on the grounds defined by Part 2 of Article 77 of the Law of Ukraine "On Banks and Banking Activities", as a legal entity.

The claims of each subsequent tier shall be satisfied upon receipt of funds from sale of property (assets) of the bank after full satisfaction of claims of the previous tier. If the amount of funds received from the sale of property (assets) is insufficient to fully satisfy all claims of the same tier, claims shall be satisfied in proportion to the amount of claims belonging to each creditor of one stage. If a creditor refuses to satisfy a duly recognized claim, the Fund shall not take into account the amount of monetary claims of this creditor.

As of January 1, 2022, the total book value of assets of 43 banks under management of the Fund, in which the decision of the Executive Board of the Fund approved the Register of Accepted Claims of Creditors, is UAH 43.24 billion, while their estimated value is UAH 7.63 billion, or 17.64%, which, of course, is not enough to satisfy all claims of creditors of banks (Table 3.4.1).



**Table 3.4.1.**  
**Book and estimated asset value of banks in which the Register of Accepted Claims of Creditors 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	0
2	JSC ARTEM-BANK (the bank is currently under liquidation)	0	0
3	PJSC CB PIVDENCMBANK (the bank is currently under liquidation)	0	0
4	PJSC BANK PETROCOMMERCE-UKRAINE (the bank is in the process of completing liquidation)	0	0
5	PJSC CB ACTIVE-BANK (the bank is in the process of completing liquidation)	0	0
6	PJSC NATIONAL CREDIT BANK (the bank is in the process of completing liquidation)	0	0
7	PJSC CB EUROBANK (the bank is in the process of completing liquidation)	0	0
8	PJSC PROFIN BANK (the bank is in the process of completing liquidation)	0	0
9	PJSC BANK KONTRAKT (the bank is in the process of completing liquidation)	0	0
10	PJSC ENERGOBANK (the bank is in the process of completing liquidation)	0	0
11	PJSC UKRAINIAN PROFESSIONAL BANK (the bank is in the process of completing liquidation)	0	0
12	JSC BANK BOHUSLAV (the bank is in the process of completing liquidation)	0	0
13	PJSC RADIKAL BANK (the bank is in the process of completing liquidation)	0	0
14	PJSC INTEGRAL-BANK (the bank is in the process of completing liquidation)	0	0
15	PJSC VAB BANK (the bank is in the process of completing liquidation)	0	0
16	PJSC CB NADRA (the bank is in the process of completing liquidation)	0	0
17	PJSC BANK MYKHAYLIVSKY (the bank is in the process of completing liquidation)	0	0
18	PJSC BANK TRUST (the bank is in the process of completing liquidation)	0	0
19	PJSC CB INVESTBANK (the bank is in the process of completing liquidation)	0	0
20	PJSC PLATINUM BANK	0	0
21	PJSC BANK KYIVSKA RUS (liquidation of the bank is carried out by the Fund)	0	0
22	JSC BANK NATIONAL INVESTMENTS (liquidation of the bank is carried out by the Fund)	0	0
23	PJSC VECTOR BANK	0	0
24	PJSC CB FINANCIAL INITIATIVE	0	0
25	JSC GOLDEN GATE BANK (liquidation of the bank is carried out by the Fund)	1 324,75	150,37
26	PJSC AKTABANK (liquidation of the bank is carried out by the Fund)	1 656,44	1 656,45
27	PJSC BANK CAMBIO (liquidation of the bank is carried out by the Fund)	25 801,06	15 382,93
28	PJSC IMEXBANK (liquidation of the bank is carried out by the Fund)	50 934,29	7 136,24
29	PJSC ZLATOBANK	16 510 861,07	1 147 843,55
30	JSC DELTA BANK	8 074 899,48	2 328 615,67
31	PJSC JSCB CAPITAL	1 681 853,29	108 700,29
32	JSC BANK VELES	8 491,21	1 057,60
33	JSC BANK FINANCE AND CREDIT	6 015 323,03	788 895,59
34	PJSC CB PREMIUM	886 488,58	148 605,00
35	PJSC UKRINBANK (latest data as of July 7, 2016)	5 322 424,60	-
36	PJSC FIDOBANK	45 873,00	46 679,62
37	PJSC KSG BANK (latest data as of April 10, 2017)	455 096,00	122 824,24
38	PJSC DIAMANTBANK	70 501,19	59 515,41
39	JSC RODOVID BANK	969 562,48	967 796,84
40	JSC VTB BANK	70 221,86	59 329,30
41	JSC JSCB ARKADA	1 496 600,14	1 095 788,03
42	JSC MISTO BANK	723 848,90	282 733,30
43	JSC CB ZEMELNY CAPITAL	864 841,08	449 160,09
<b>Total amount, UAH thousand</b>		<b>43 246 602,45</b>	<b>7 631 870,52</b>



The total amount of approved accepted claims of creditors as of January 1, 2022 is UAH 289,043,590.61 thousand (including banks where liquidation has been completed), of which (by priority), read more in Table 3.4.2.

**Table 3.4.2**  
**Status of creditor claims satisfaction by priority, as of January 1, 2022**

(UAH thousand)

TOTAL FOR BANKS (incl. liquidated banks)	FILED	REPAID	REMAINED
Amount of approved and accepted creditors' claims as of January 1, 2022	289,043,590.61	55,883,536.81	233,160,053.81
Tier 2	69,215.98	66,066.60	3,149.39
Tier 3	96,988,178.95	27,486,689.77	69,501,489.19
Tier 4	39,032,114.21	3,699,339.62	35,332,774.59
Tier 5	25,730,624.85	1,418,395.57	24,312,229.28
Tier 6	78,677.71	7,796.52	70,881.19
Tier 7	106,902,107.30	21,680,898.95	85,221,208.35
Tier 8	11,154,032.24	209,230.60	10,944,801.64
Tier 9	6,910,245.93	1,189,899.57	5,720,346.36
Tier 10	2,178,393.44	125,219.62	2,053,173.82

As of January 1, 2022, the Fund manages 48 banks (including 24 banks for which the liquidation balance sheet has been approved), the status of repayment of creditors' claims for these banks is shown in Table 3.4.3.

**Table 3.4.3.**  
**Status of creditor claims satisfaction for banks managed by the Fund by priority as of January 1, 2022**

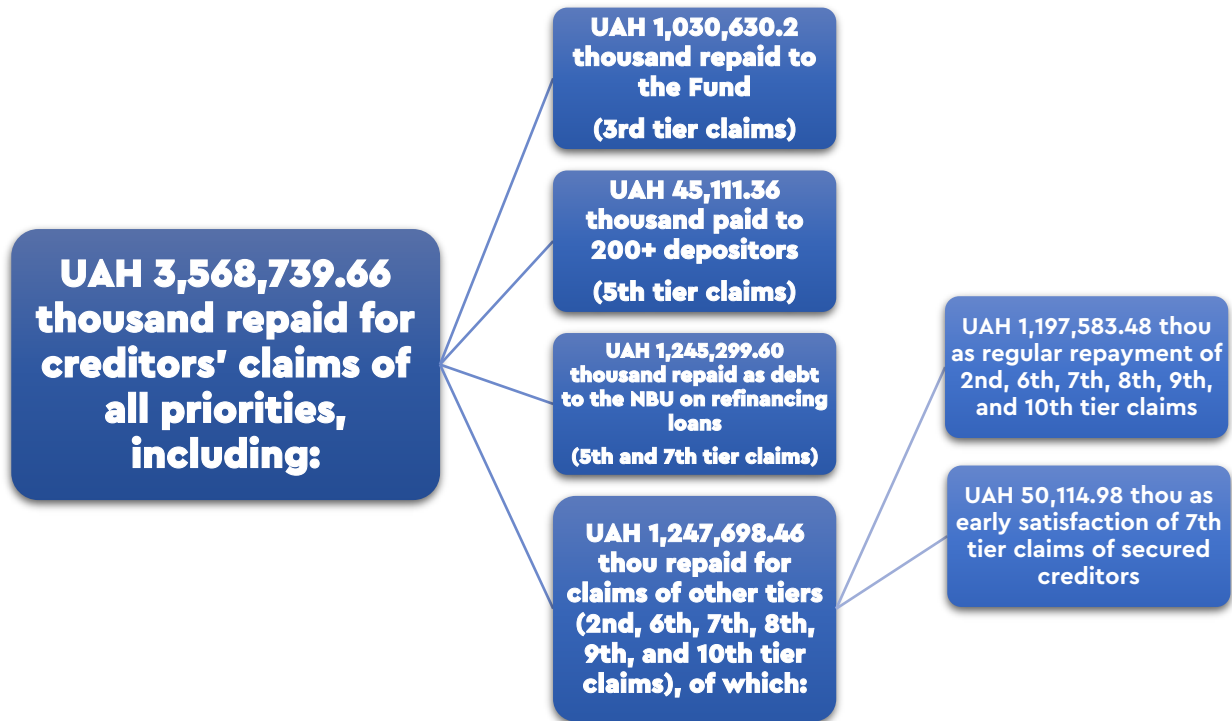
(UAH thousand)

TOTAL FOR BANKS (incl. liquidated banks)	FILED	REPAID	REMAINED
Amount of approved and accepted creditors' claims as of January 1, 2022	218,355,556.72	38,535,337.66	179,820,219.06
Tier 2	53,126.36	51,834.19	1,292.18
Tier 3	73,137,404.46	20,697,266.01	52,440,138.46
Tier 4	28,501,633.39	1,638,213.10	26,863,420.29
Tier 5	24,502,059.67	741,251.62	23,760,808.05
Tier 6	63,482.29	6,124.37	57,357.92
Tier 7	78,527,243.21	15,253,522.12	63,273,721.09
Tier 8	7,976,724.57	147,126.25	7,829,598.32
Tier 9	4,288,395.79	0.00	4,288,395.79
Tier 10	1,305,486.97	0.00	1,305,486.97



In 2021, creditors' claims of all priorities were repaid – UAH 3,568,739.66 thousand (Fig. 3.4.1.).

**Fig. 3.4.1.**  
**Repayment of creditors' claims in 2021**



#### Repayment of second-tier creditors' claims

Amount of accepted claims of creditors in stage 2 – UAH 69,215.98 thousand.

As of January 1, 2022, UAH 66,066.60 thousand was repaid, which makes 95.45% of the total debt under the tier, including UAH 5,931.43 thousand for 2021.

Of the 45 banks, 2th tier claims were fully repaid in 37 insolvent banks. For 3 banks, full repayment did not take place due to the

fact that some individuals did not show up for wages on time. The amount of funds deposited in such banks is UAH 1,270.32 thousand.

Repayment of 2nd tier claims has not started in 1 bank, namely: PJSC COMMERCIAL BANK GEFEST (the bank has been liquidated).

#### Repayment of 3rd tier creditors' claims (DGF)

Amount of accepted 3rd tier creditors' claims – UAH 96,988,178.95 thousand. As of January 1, 2022, UAH 27,486,689.77 thousand was repaid, which makes 28.34% of the total debt under the tier, including UAH 1,030,630.24 thousand for 2021.

The following banks were the leaders in repayment of 3rd tier claims in 2021:

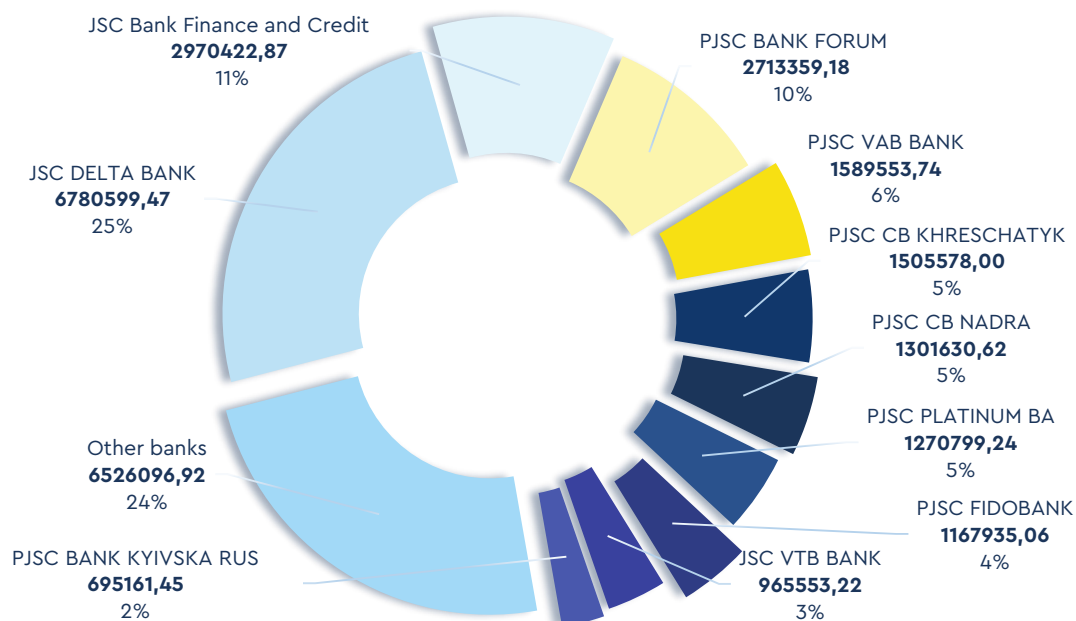
1. JSC MISTO BANK – UAH 310,049.22 thousand (30.08% of the repayment amount for 3rd tier claims for 2021).
2. JSC JSCB ARKADA – UAH 265,340.49 thousand (25.75% of the repayment amount for 3rd tier claims for 2021).

3. JSC BANK FINANCE AND CREDIT – UAH 182,138.96 thousand (17.67% of the repayment amount for 3rd tier claims for 2021).
4. PJSC CB FINANCIAL INITIATIVE – UAH 77,075.92 thousand (7.48% of the repayment amount for 3rd tier claims for 2021).
5. PJSC BANK KYIVSKA RUS – UAH 52,836.60 thousand (5.13% of the repayment amount for 3rd tier claims for 2021).

Figure 3.4.2. shows the leaders among banks in terms of the repayment volume of 3rd tier claims (for the entire period of time) as of January 1, 2022 (as a percentage of the repayment amount of each bank in the total amount of repayment of 3rd tier claims of creditors – UAH 27,486,689.77 thousand).



**Fig. 3.4.2. Top 10 banks in terms of repayment of stage 3 creditors as of January 1, 2022, UAH thousand**



#### Repayment of 4th tier claims

The amount of accepted 4th tier creditors' claims is UAH 39,032,114.21 thousand. 4th tier claims were repaid in the amount of UAH 3,699,339.62 thousand, which makes 9.48%.

In 2021, 4th tier claims were repaid in the amount of UAH 45,111.36 thousand.

The following banks fully repaid 4th tier claims:

- ✓ PJSC PRIME BANK (claims of 18 depositors 200+ are satisfied).
- ✓ PJSC GREEN BANK (claims of 4 depositors 200+ are satisfied).
- ✓ PJSC UKRAINIAN BUSINESS BANK (claims of 65 depositors 200+ are satisfied).

- ✓ PJSC UNISON BANK (claims of 108 depositors 200+ are satisfied).
- ✓ PJSC KREDITPROMBANK (claims of 3 depositors 200+ are satisfied).
- ✓ PJSC NATIONAL CAPITAL BANK (claims of 4 depositors 200+ are satisfied).
- ✓ PJSC VBR (claims of 139 depositors 200+ are satisfied).

PJSC CB PREMIUM satisfied 99.56% of creditors' claims in the amount of UAH 251,279.33 thousand. JSC VTB BANK satisfied 99.80% of creditors' claims in the amount of UAH 645,167.97 thousand, including UAH 2,176.25 thousand for 2021. PJSC DIAMANTBANK satisfied 95.66% of creditors' claims in the amount of UAH 723,584.24 thousand, including UAH 42,846.19 thousand for 2021.

#### Repayment of 5th tier creditors' claims

The amount of accepted 5th tier creditors' claims is UAH 25,730,624.85 thousand, which consists of the 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 is 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 was repaid in full, the bank was liquidated), PJSC UKRAINIAN PROFESSIONAL BANK – UAH 107,667.89 thousand (the liquidation balance sheet was approved), PJSC VAB BANK – UAH 2,785,721.40 thousand (the liquidation balance sheet was approved), PJSC CB NADRA – UAH

9,425,385.75 thousand (the liquidation balance sheet was approved), PJSC CB FINANCIAL INITIATIVE – UAH 1,255,381 thousand (the liquidation balance sheet was approved), JSC RODOVID BANK – UAH 3,986,779.43 thousand, JSC BANK FINANCE AND CREDIT – UAH 6,941,123.33 thousand (UAH 741,247.57 thousand was repaid).

In general, 5th tier claims were repaid in the amount of UAH 1,418,395.57 thousand, which makes 5.51% of the total debt for 5th tier claims. In 2021, 5th tier claims were repaid in the amount of UAH 239,380.98 thousand (JSC BANK FINANCE AND CREDIT).



### Repayment of 6th tier creditors' claims

The amount of accepted 6th tier creditors' claims is UAH 78,677.71 thousand.

6th tier claims were repaid in the amount of UAH 7,796.52, which makes 9.91%, of which: PJSC GREEN BANK – UAH 6.50 thousand (100% of accepted 6th tier claims, the bank was liquidated), PJSC PRIME BANK – UAH 7.81 thousand (100% of accepted 6th tier claims, the bank was liquidated), PJSC JSCB NOVY – UAH 4.13 thousand (100% of accepted 6th tier claims, the bank was liquidated), PJSC UNISON BANK – UAH 30.48 thousand (100% of accepted 6th tier claims, the bank was liquidated), PJSC KREDITPROMBANK – UAH 16.23 thousand

(100% of accepted 6th tier claims, the bank was liquidated), PJSC VBR – UAH 146.74 thousand (100% of 6th tier claims accepted by the bank, the bank was liquidated), PJSC BANK NARODNY KAPITAL – UAH 1,460.26 thousand (100% of 6th tier claims accepted by the bank, the bank was liquidated), JSC VTB BANK – UAH 1,581.31 thousand (95.90% of 6th tier claims accepted by the bank), PJSC DIAMANTBANK – UAH 4,543.06 thousand (66.96% of 6th tier claims accepted by the bank).

In 2021, 6th tier claims were repaid in the amount of UAH 4,768.14 thousand.

### Repayment of 7th tier creditors' claims

The amount of accepted 7th tier creditors' claims is UAH 106,902,107.30 thousand, including the balance of secured debt to the NBU, which is included in 7th tier claims as of January 1, 2022, in the amount of UAH 8,553,898.60 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 Non-Government Organizations on the state registration of dissolution of a legal entity, and therefore, the liquidation of banks is considered completed and banks – liquidated).

7th tier claims were repaid in the amount of UAH 21,680,898.95 thousand (20.28%) (in 2021, 7th tier claims were repaid in the amount of UAH 2,242,917.50 thousand), of which:

- ❖ early satisfaction of creditors' claims (NBU) due for the entire period (including at the expense of foreclosure on the subject of the collateral and the property of guarantors) – UAH 15,682,905.84 thousand (repaid in 2021 – UAH 1,245,299.61 thousand):
  - ✓ PJSC CB DANIEL – UAH 14,865.08 thousand for the whole period (the bank was liquidated).
  - ✓ PJSC BROKBUSINESSBANK – UAH 274,725.86 thousand for the whole period (the bank was liquidated);
  - ✓ PJSC AUTOKRAZBANK – UAH 13 801.65 thousand for the whole period (the bank was liquidated);
  - ✓ PJSC BANK DEMARK – UAH 26,519.41 thousand for the whole period (debt repaid in full, the bank was liquidated).
  - ✓ JSC PORTO-FRANCO – UAH 38,107,107.23 thousand for the whole period (debt repaid in full, the bank was liquidated);
  - ✓ PJSC BG BANK – UAH 135,851.17 thousand for the whole period (debt repaid in full, the bank was liquidated);
  - ✓ PJSC UKRAINIAN BUSINESS BANK – UAH 184,368.49 thousand for the whole period (debt repaid in full, the bank was liquidated);
  - ✓ JSC EUROGASBANK – UAH 101,292.56 thousand for the whole period (the bank was liquidated);
  - ✓ JSC CB EXPOBANK – UAH 197,127.86 thousand for the whole period (the bank was liquidated);

- ✓ PJSC LEGBANK – UAH 2,316.88 thousand for the whole period (the bank was liquidated);
- ✓ PJSC ACTIVE BANK – UAH 80,423.07 thousand for the whole period (the liquidation balance sheet was approved);
- ✓ PJSC VAB BANK – UAH 2,458,618.22 thousand for the whole period (the liquidation balance sheet was approved);
- ✓ PJSC CB NADRA – UAH 3,261,675.30 thousand for the whole period (the liquidation balance sheet was approved);
- ✓ PJSC UKRAINIAN PROFESSIONAL BANK – UAH 623.25 thousand for the whole period (the liquidation balance sheet was approved);
- ✓ PJSC DIAMANTBANK – UAH 291,597.95 thousand for the whole period (debt repaid in full);
- ✓ PJSC PLATINUM BANK – UAH 248 615.18 thousand for the whole period (debt repaid in full);
- ✓ PJSC BANK CAMBIO – UAH 314,510.74 thousand for the whole period, for 2021 – UAH 10,246.35 thousand;
- ✓ PJSC ZLATOBANK – UAH 70,062.77 thousand for the whole period, for 2021 – UAH 18,832.31 thousand;
- ✓ PJSC IMEXBANK – UAH 424,962.66 thousand, for 2021 – UAH 251,479.19 thousand;
- ✓ PJSC BANK KYIVSKA RUS – UAH 305,138.29 thousand for the whole period (the liquidation balance sheet was approved);
- ✓ JSC DELTA BANK – UAH 5,079,160.10 thousand for the whole period, for 2021 – UAH 146,394.21 thousand;
- ✓ JSC RODOVID BANK – UAH 433,604.73 thousand for the whole period, for 2021 – UAH 276,696.80;
- ✓ PJSC CB FINANCIAL INITIATIVE – UAH 145,673.49 thousand for the whole period, for 2021 – UAH 141,401.41 thousand (the liquidation balance sheet was approved);
- ✓ JSC MISTO BANK – UAH 160,868.36 thousand for the whole period, for 2021 – UAH 160,868.36 thousand (debt repaid in full).
- ❖ early satisfaction of claims of secured creditors (third parties) for the whole period – UAH 1,280,042.01 thousand (UAH 50,114.98 thousand repaid in 2021):



- ✓ PJSC BROKBUSINESSBANK – UAH 240,563.97 thousand for the whole period (of which UAH 1,213.50 thousand secured by an interbank loan (IBL) with PJSC Real Bank, UAH 118,758.91 thousand – JSC Oschadbank, UAH 120,591.56 thousand – SE Antonov) (the bank was liquidated);
- ✓ JSC BANK MERCURY – UAH 47,510.78 thousand for the whole period (including UAH 35,957.36 thousand – State Mortgage Institution, UAH 11,553.42 thousand – PLANETA COMFORT LLC) (the bank was liquidated);
- ✓ PJSC BANK FORUM – UAH 35,377.80 thousand for the whole period (secured by IBL with PJSC VTB Bank, transfer of Bakkara Hotel to the ownership of VTB Bank) (the bank was liquidated);
- ✓ PJSC AVTOKRAZBANK – UAH 6,694.63 thousand (including UAH 4,682.74 thousand – Corporate Non-Government Pension Fund of the National Bank of Ukraine, UAH 2,011.89 thousand – State Mortgage Institution); PJSC CB STANDARD – UAH 255.92 thousand for the whole period (JSB UKRGASBANK) (the bank was liquidated);
- ✓ PJSC STAROKYIVSKY BANK – UAH 2,905.17 thousand for the whole period (guarantee deposit of JSC Ukreximbank) (the bank was liquidated);
- ✓ JSC FORTUNA-BANK – UAH 130,355.64 thousand (Ukreximbank) for the whole period (the bank was liquidated);
- ✓ JSC EUROGASBANK – UAH 2,165.19 thousand (Corporate Non-Government Pension Fund of the National Bank of Ukraine) (the bank was liquidated);
- ✓ JSC CB EXPOBANK – UAH 99,055.72 thousand for the whole period (of which UAH 8,200.08 thousand is a guarantee deposit of JSC Ukreximbank, UAH 90,855.63 thousand – LLC FC Prime Capital Group) (the bank was liquidated);
- ✓ PJSC NATIONAL CREDIT BANK – UAH 2,003.99 thousand for the whole period (of which UAH 31.82 thousand – PJSC Alfa Bank, UAH 1,972.17 thousand of a guarantee deposit of JSB Ukgasbank) (the liquidation balance sheet was approved);
- ✓ PJSC RADIKAL BANK – UAH 48,181.08 thousand for the whole period (State Mortgage Institution) (the liquidation balance sheet was approved);
- ✓ PJSC INTEGRAL-BANK – UAH 27,256.79 thousand for the whole period (secured by IBL with PJSC CB Khreschatyk) (the liquidation balance sheet was approved);
- ✓ PJSC ACTIVE BANK – UAH 915.33 thousand for the whole period (JSC Ukreximbank) (the liquidation balance sheet was approved);
- ✓ PJSC CB NADRA – UAH 152,166.38 thousand for the whole 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 whole period (guarantee deposit of JSC Ukreximbank) (the liquidation balance sheet was approved);
- ✓ PJSC UKRAINIAN PROFESSIONAL BANK – UAH 11,009.28 thousand for the whole period (German-Ukrainian Fund) (the liquidation balance sheet was approved);
- ✓ JSC BANK BOHUSLAV – UAH 907.83 thousand for the whole period (guarantee deposit of JSB Ukgasbank) (the liquidation balance sheet was approved);
- ✓ PJSC CB INVESTBANK – UAH 632.50 thousand for the whole period (guarantee deposit of JSC Ukgasbank) (the liquidation balance sheet was approved);
- ✓ JSC GOLDEN GATE BANK – UAH 287.66 thousand for the whole period (guarantee deposit of PJSC Raiffeisen Bank Aval);
- ✓ PJSC DIAMANTBANK – UAH 15,362.98 thousand for the whole period (PJSC Raiffeisen Bank Aval);
- ✓ JSC VTB BANK – UAH 95,303.76 thousand for the whole period (JSC TASKOMBANK);
- ✓ PJSC BANK CAMBIO – UAH 11,123.23 thousand for the whole period (Corporate Non-Government Pension Fund of the National Bank of Ukraine), for 2021 – UAH 8,43 thousand;
- ✓ JSC ZLATOBANK – UAH 59,597.95 thousand for the whole period (of which UAH 57,366.81 thousand – German-Ukrainian Fund, UAH 2,231.14 thousand – LLC Porsche Mobility);
- ✓ JSC IMEXBANK – UAH 10,035.85 thousand for the whole period (of which UAH 278,85 thousand – guarantee deposit of JSC Ukreximbank, UAH 9,757.00 thousand – Corporate Non-Government Pension Fund of the National Bank of Ukraine);
- ✓ PJSC BANK KYIVSKA RUS – UAH 6,944.63 thousand for the whole period (German-Ukrainian Fund) (the liquidation balance sheet was approved);
- ✓ JSC DELTA BANK – UAH 29,225.62 thousand for the whole period (Ukreximbank);
- ✓ PJSC PLATINUM BANK – UAH 3,804.94 thousand for the whole period (PJSC MTS Ukraine (PJSC VF Ukraine) (the liquidation balance sheet was approved); JSC MISTO BANK – UAH 50,106.56 thousand (JSC ALPARI BANK);
- ❖ regular satisfaction of creditors' 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 by priority) (the bank was liquidated);
  - ✓ PJSC PRIME BANK – UAH 110,677.47 thousand (64.26% of the bank's total debt by priority) (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 by priority) (the bank was liquidated);
  - ✓ JSC CB TC CREDIT – UAH 3,275.96 thousand (100%) (the bank was liquidated);
  - ✓ PJSC UKRAINIAN BUSINESS BANK – UAH 340,025.11 thousand (including repayment of debt on refinancing loans to the NBU, 49.84% of the total debt





- of the bank by priority was repaid) (the bank was liquidated);
- ✓ PJSC UNISON BANK – UAH 44,256.08 thousand (100%) (the bank was liquidated);
  - ✓ PJSC CB KYIV – UAH 1,228.12 thousand (100%) (the bank was liquidated);
  - ✓ PJSC CREDITPROMBANK – UAH 40,952.13 thousand (6.83% of the bank's total debt by priority) (the bank was liquidated);
  - ✓ PJSC BANK NARODNY CAPITAL – UAH 11,108.49 thousand (55.50% of the bank's total debt by priority) (the bank was liquidated);
  - ✓ PJSC JSCB NOVY – UAH 3,340.35 thousand (100%) (the bank was liquidated);
  - ✓ JSC BANK VELES – UAH 849.30 thousand (48.71% of the bank's total debt by priority);

- ✓ PJSC VBR – UAH 4,189,893.56 thousand (83.85% of the bank's total debt by priority) (the bank was liquidated);
- ✓ JSC VTB BANK – UAH 661,862.32 thousand (52.70% of the bank's total debt by priority), for 2021 – UAH 383,941.30 thousand;
- ✓ PJSC DIAMANTBANK – UAH 350,108.81 thousand (14.25% of the bank's total debt by priority), for 2021 – UAH 58,510.86 thousand;
- ✓ PJSC CB PREMIUM – UAH 205,553.33 thousand (79.83% of the bank's total debt by priority), for 2021 – UAH 205,553.33 thousand;
- ✓ JSC DELTA BANK – UAH 538,878.38 thousand (early satisfaction of SMI creditors' claims by a court decision).

### Repayment of 8th tier creditors' claims

The amount of accepted 8th tier creditors' claims is UAH 11,154,032.24 thousand. 8th tier claims were repaid in the amount of UAH 209,230.60 thousand – 1.88% of the total debt by priority, of which:

- ❖ UAH 10.71 thousand – scheduled satisfaction of PJSC CLASSICBANK (100% of the bank's debt was repaid by priority) (the bank was liquidated);
- ❖ UAH 218.55 thousand – scheduled satisfaction of PJSC OMEGA BANK (0.04% of the bank's total debt was repaid by priority) (the bank was liquidated);
- ❖ UAH 39,030.00 thousand – scheduled satisfaction of PJSC GREEN BANK (96.31% of the total debt of the bank was repaid by priority) (the bank was liquidated);
- ❖ UAH 22,348.14 thousand – satisfaction of 8th tier claims of PJSC UNISON BANK, of which early repayment amounts to UAH 10,177.86 thousand – JSB UKRGASBANK, UAH 12,12 thousand – JSC TASCOMBANK, scheduled – UAH 12,158.16

thousand (in total, 100% of the bank's debt was repaid by priority) (the bank was liquidated);

- ❖ UAH 496,95 thousand – scheduled satisfaction of PJSC JSCB NOVY (100% of the bank's total debt was repaid by priority) (the bank was liquidated);
- ❖ UAH 2,857.80 thousand – early satisfaction of PJSC PETROCOMMERTS-Ukraine (Ukreximbank) (in total 41.74% of the bank's debt was repaid by priority) (the liquidation balance sheet was approved);
- ❖ UAH 400,14 thousand – early satisfaction of PJSC CONTRACT BANK (JSB UkrGasbank) (in total 18.13% of the bank's debt was repaid by priority) (the 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 (in total, 99.46% of the bank's debt was repaid by priority) (the liquidation balance sheet was approved).

### Repayment of 9th tier creditors' claims

The amount of accepted 9th tier creditors' claims is UAH 6,910,245.93.

As of January 1, 2022, 9th tier claims were repaid in the amount of UAH 1,189,899.57 thousand – 17.22% of the total debt on 9th tier claims, of which:

- ❖ UAH 972,632.68 thousand – scheduled satisfaction of JSC CB TK CREDIT (57.62% of the bank's total debt by priority) (the bank was liquidated);
- ❖ UAH 204,795.88 thousand – scheduled satisfaction of PJSC JSCB NOVY (100% of the bank's total debt by priority) (the bank was liquidated);

- ❖ UAH 12,395.95 thousand – scheduled satisfaction of PJSC UNISON BANK (100% of the bank's total debt in stage) (the bank liquidated).
- ❖ UAH 55,57 thousand – out-of-schedule satisfaction of PJSC VBR (0.01% of the bank's total debt in stage) (the bank liquidated);
- ❖ UAH 19.49 thousand – scheduled satisfaction of PJSC CLASSICBANK (100% of the bank's total debt was repaid by priority) (the bank was liquidated).



### Repayment of 10th tier creditors' claims

The amount of accepted 10th tier creditors' claims is UAH 2,178,393.44 thousand.

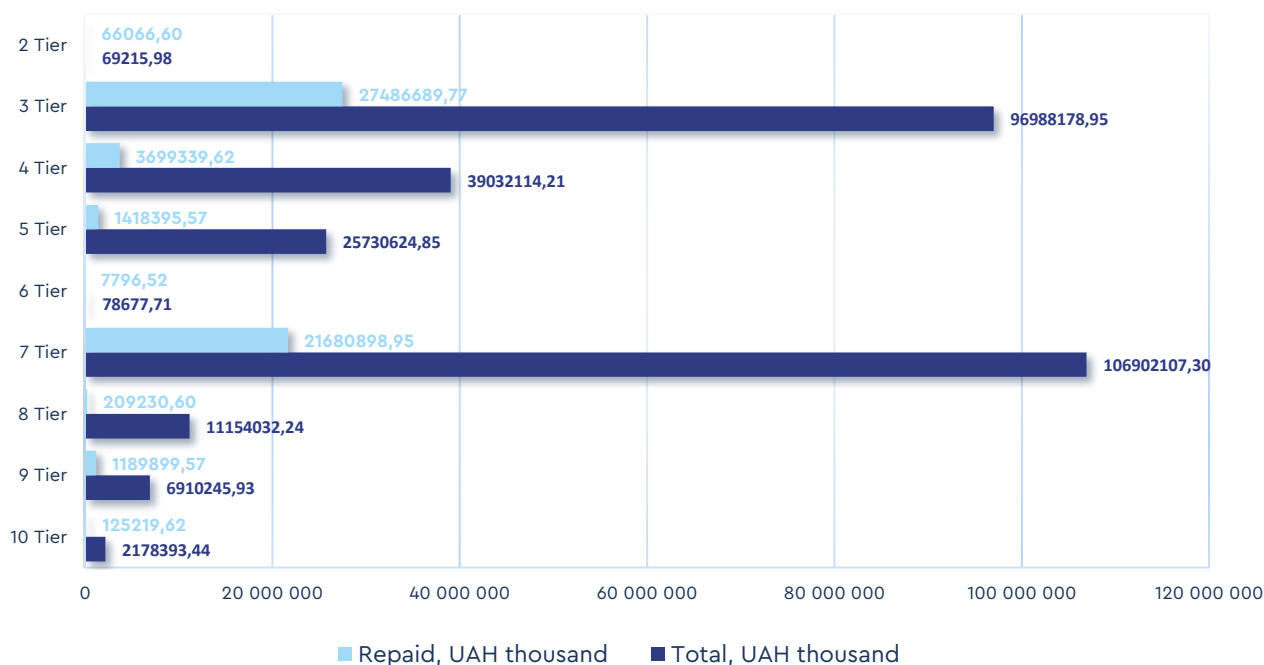
As of January 1, 2022, 10th tier claims were repaid in the amount of 5.75% of the total debt on this tier, namely by UAH 125,219.62 thousand, of which:

- ❖ UAH 10,063.93 thousand – scheduled satisfaction of PJSC STATE ZEMBANK (100% of the total debt of the bank by priority) (the bank was liquidated);

- ❖ UAH 39,926.88 thousand – scheduled satisfaction of PJSC JSCB NOVY (31.14% of the bank's total debt by priority) (the bank was liquidated);
- ❖ UAH 75,228.80 thousand – scheduled satisfaction of PJSC UNISON BANK (100% of the bank's total debt by priority) (the bank was liquidated).

Repayment of creditors' claims as of January 1, 2022 is shown in Figure 3.4.3.

**Fig. 3.4.3 Repayment of creditors' claims by priority as of January 1, 2022**



	2 Tier	3 Tier	4 Tier	5 Tier	6 Tier	7 Tier	8 Tier	9 Tier	10 Tier
Total, UAH thousand	69 215,98	96 988 178,95	39 032 114,21	25 730 624,85	78 677,71	106 902 107,30	11 154 032,24	6 910 245,93	2 178 393,44
Repaid, UAH thousand	66 066,60	27 486 689,77	3 699 339,62	1 418 395,57	7 796,52	21 680 898,95	209 230,60	1 189 899,57	125 219,62
Repaid, %	<b>95,45%</b>	<b>28,34%</b>	<b>9,48%</b>	<b>5,51%</b>	<b>9,91%</b>	<b>20,28%</b>	<b>1,88%</b>	<b>17,22%</b>	<b>5,75%</b>

Separately, we should note information on the repayment of debt of insolvent banks on NBU loans.

In total, in 2021, the debt on NBU loans was repaid in the amount of UAH 1,245,299.61 thousand (including at the expense of foreclosure on the collateral and the property of guarantors), all repayments took place out of turn, including the largest repayment amounts – UAH 276,696.80 thousand (JSC RODOVID BANK) and UAH 251,479.19 thousand (PJSC IMEXBANK). For the

whole period, UAH 15,682,905.84 thousand on the NBU loans were repaid (including due to foreclosure on the collateral and property of guarantors).

As of January 1, 2022, the debt of insolvent banks on NBU refinancing loans is accounted for on the accounts of 13 banks (excluding banks that have been liquidated and still have liabilities to the NBU), the total balance of debt of these banks is UAH 38,675,937.60 thousand.



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

2021 has become a fruitful year for the Fund based on the results of its judicial claims.

The key achievements include a number of positive legal conclusions that became a turning point in the judicial practice, and made it clear and unambiguous for the purpose of law enforcement in various legal relations that arise during the liquidation of banks.

In particular, on March 16, 2021, the Grand Chamber of the Supreme Court adopted a Resolution as part of Court Case No. 906/1174/18 on declaring the claim assignment agreement invalid and canceling the decision on the state registration of rights and encumbrances, which delineates features of a factoring agreement and a claim assignment agreement, which gives a clear idea of their differences. This decision confirms the legality of alienation by banks under liquidation of the rights of claim under loan agreements in favor of individuals and legal entities without the status of a financial institution.

It is impossible to ignore the Resolution of the Supreme Court adopted by the Bankruptcy Chamber dated November 18, 2021 in Case No. 910/4475/19, which confirmed the inadmissibility of bank liquidation in the general bankruptcy procedure, but exclusively according to the procedure regulated by the special legislation, namely the Law of Ukraine "On the Household Deposit Guarantee System".

During the year, the Fund provided legal support for the processes related to the withdrawal of insolvent banks from the market in the following main areas:

1. During 2021, the Fund actively applied the provisions of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Regarding the Improvement of Mechanisms for Regulating Banking Activities" No. 590-IX dated May 13, 2020 and the position of the Grand Chamber of the Supreme Court in Case No. 925/698/16, which allowed to restore control and continue the liquidation procedure for banks, for which the decision of the National Bank of Ukraine and the Deposit Guarantee Fund to revoke the banking license, appoint a provisional administration, and liquidate the bank was canceled, namely:

✓ control was restored in PJSC JSCB CAPITAL and PJSC Zlatobank, and all the rules and procedures provided for by the Law of Ukraine "On the Household Deposit Guarantee System" were implemented.

2. Legal support was provided for the withdrawal of 49 insolvent banks from the market, the powers over which were delegated to the authorized officers of the Fund, as well as 28 banks for which the powers defined by the Law during liquidation were exercised by the Fund directly and the withdrawal of which from the market is supported by structural units of the Fund, namely:

- ✓ prompt review and timely responding to the Deputies' requests, requests from lawyers, notaries, letters from legal entities and individuals, preparation of legal explanations, conclusions, recommendations on any issues related to the withdrawal of insolvent banks from the market during the implementation of the provisional administration or the liquidation of banks;
- ✓ effective legal support and implementation of registration actions inseparably connected with the proper implementation of the liquidation processes in insolvent banks;
- ✓ coordination and development of asset management strategies;
- ✓ legal support of the processes of sale and asset management of insolvent banks, which result in the sale of assets and ensuring the receipt of funds from their sale;
- ✓ coordination and control of the implementation of claim processing work of banks.

The total number of court proceedings on insolvent banks, the authority to resolution of which is delegated, among other things, to authorized officers of the Fund, according to the accounting system, was more than 3,000 cases in 2021.

At the same time, the claim processing work of the Fund, where the latter is a party in the case, in 2021 comprised more than 1,800 court cases with the total amount of claims over UAH 25 billion.



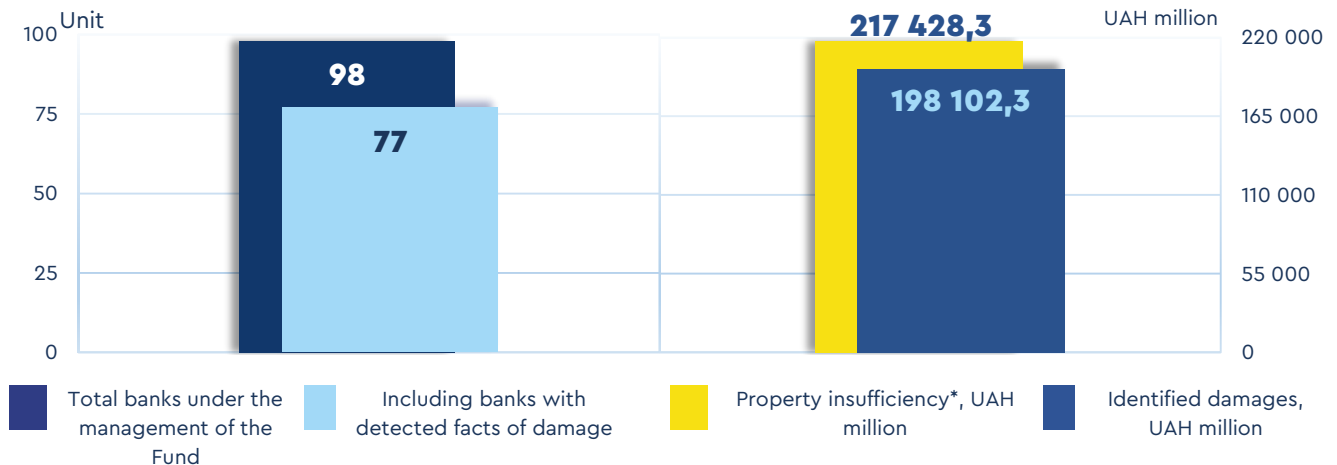
### 3.6. Recoveries from related parties accessory to bank insolvencies and work with legal advisers

During 2021, the Fund analyzed the documents of 39 insolvent banks to identify damage caused to banks and their creditors (former creditors) by decisions, actions or omissions of such bank-related parties.

During that period, the facts of causing damage to banks and their creditors totaling UAH 124.1 billion were revealed, and more than 300 bank-related parties were identified, in respect of whom there are grounds to claim that their decisions, actions or omissions caused such damage.

Thus, as of December 31, 2021, the Fund, based on the results of its work, conducted a research and additional analysis of the facts and circumstances of damage to 77 banks, as a result of which losses were identified in the total amount of UAH 198.1 billion and more than 800 were identified whose decisions, actions or omissions could lead to such damage to banks and/or their creditors (Fig. 3.6.1).

**Fig. 3.6.1. Identification of damage caused to banks and their creditors as of December 31, 2021**



\*Calculated as the difference between the amount of outstanding balances of 1st-8th tier creditors' claims (except for claims of related parties) and the estimated value of the balance of the liquidation estate of banks

During 2021, the Fund filed 22 lawsuits against 217 related parties of 15 banks. The total amount of claims for damages amounted to more than UAH 32.7 billion, in particular:

- ❖ a lawsuit against JSC DELTA BANK for the recovery of damage in the total amount of over UAH 22.8 billion;
- ❖ a lawsuit against PJSC CB PIVDENCMBANK for the recovery of damage in the total amount of over UAH 3.2 billion;
- ❖ a lawsuit against JSC BANK TAVRIKA for the recovery of damage in the total amount of over UAH 2.6 billion;
- ❖ lawsuits against BANK DEMARK for the recovery of damage in the total amount of over UAH 1.3 billion;
- ❖ a lawsuit against PJSC AVTOKRAZBANK for the recovery of damage in the total amount of over UAH 0.9 billion.

Thus, in compliance with the provisions of Article 52 of the Law of Ukraine "On the Household Deposit Guarantee System", in order to recover damage from bank-related parties, as of December 31, 2021, the Fund filed 72 claims against 821 bank-related parties with regard to 45 insolvent banks for a total amount of more than UAH 100.8 billion.

Moreover, in 2021, the Fund received the first final court decision on this category of disputes, in particular, in Case No. 910/11027/18, the Fund's claims for the recovery of losses from former officials of JSB UKOOSPILKA in the amount of more than UAH 76 million were fully satisfied. Measures are being taken to actually enforce the court decision.

According to the results of pre-trial investigations in criminal proceedings, the Fund filed 8 civil lawsuits in 2021 (of which 7 were filed in court as part of criminal cases, and 1 – at the stage of pre-trial investigation) against 19 civil defendants (of whom 13 are accused and 6 persons are suspects) with regard to 7 banks. The total amount of claims amounted to more than UAH 3.0 billion, in particular:

- ❖ a civil lawsuit in the amount of more than UAH 1.8 billion against an official of PJSC CITY COMMERCIAL BANK;
- ❖ a civil lawsuit in the amount of more than UAH 476.7 million against an official of PJSC CB STANDARD;
- ❖ civil lawsuits in the amount of more than UAH 484.2 million against officials of PJSC USB BANK.



Thus, as part of cooperation with the law enforcement agencies, in order to compensate for the damage caused to banks by criminal offenses, as of December 31, 2021 the Fund filed 27 civil lawsuits against 59 civil defendants (suspects/accused) with respect to 19 banks, for a total amount exceeding UAH 16.2 billion.

At the same time, based on the results of consideration of criminal proceedings by the courts, based on the court decisions taken during 2021, the Fund initiated 2 civil court proceedings for the reimbursement of damage caused by criminal offenses, with regard to 2 banks, against 2 persons for a total amount of more than UAH 1.4 billion.

Thus, as of December 31, 2021, the Fund, based on court decisions in criminal proceedings, filed 5 claims against 5 defendants for a total amount of over UAH 2.6 billion.

In addition, in 2021, the Fund received the first final court decision in this category of disputes, in particular, in Case No. 753/2965/20, the Fund's claims for the recovery of losses from

a former official of JSC BANK TAVRIKA in the amount of more than USD 26.5 million were fully satisfied. Measures are being taken to actually enforce the court decision.

During 2021, the Fund continued to work on the involvement of international legal advisers – specialists in international law in order to find and return withdrawn funds (assets) of bankrupt banks outside Ukraine, and to represent interests of the Fund (banks) in courts of foreign jurisdiction. In 2021, 5 contracts were concluded with foreign legal advisers to represent interests of the Fund and such insolvent banks as JSC DELTA BANK, PJSC ENERGOBANK, PJSC UKRAINIAN PROFESSIONAL BANK, PJSC FIDOBANK, PJSC CB EUROBANK, PJSC VECTOR BANK, PJSC BROKBUSINESSBANK, PJSC REAL BANK, PJSC PLATINUM BANK, PJSC FINBANK in lawsuits (criminal, civil, economic) for the reimbursement of damage in the amount of UAH 16.4 billion caused to such banks and their creditors by bank-related parties (owners, managers and/or other persons defined by Part 1 of Article 52 of the Law of Ukraine "On Banks and Banking Activities") in foreign jurisdictions.



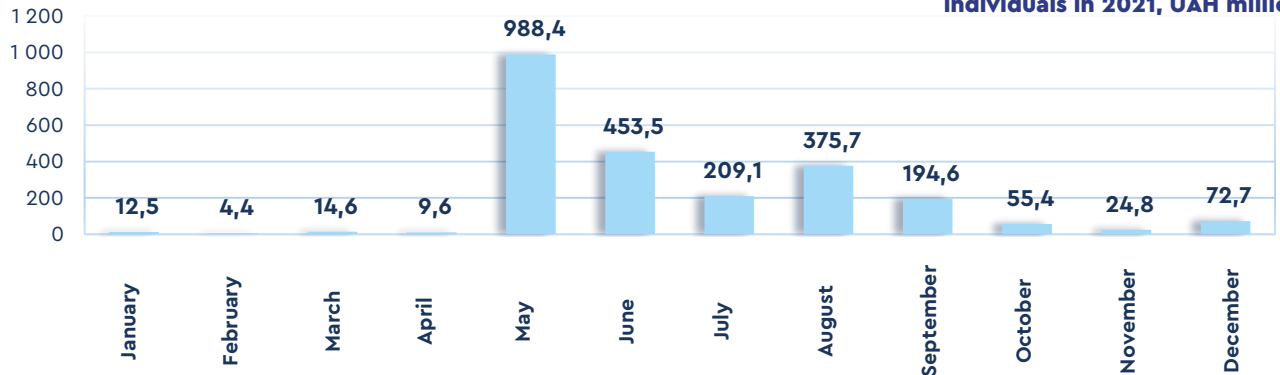
## 4. Consolidated asset sales and asset management

### 4.1. Results of insolvent banks' asset sale

During 2021, as a result of open bidding (auctions) and sale of assets (property) directly to legal entities or individuals, assets (property) of insolvent banks were sold for a total amount of UAH 2.4 billion.

During 2021, the Deposit Guarantee Fund held more than 4,500 open electronic auctions in the Prozorro.Sales system. Of these, more than 300 auctions were successful. Q2 was the most efficient, when the amount of lots sold reached UAH 1.4 billion (Fig. 4.1.1).

**Fig. 4.1.1. Asset sale price according to the results of open bidding (auction) and sale directly to legal entities or individuals in 2021, UAH million**



The book value of assets sold in 2021 amounted to UAH 73.6 billion. Thus, the ratio of the sale price of assets (property) to their book value was 3.3% for the year (Table 4.1.1). This

indicator is explained by the active sale of bank assets in pools in 2021.

**Table 4.1.1. Sale of assets (property) of banks in 2021**

Month 2021	Book value of bank assets (property) sold, UAH thousand	Asset sale price based on the results of open bidding (auctions) and sale directly to legal entities or individuals, UAH thousand	Ratio of asset sale price to the asset book value, %
<b>TOTAL</b>	<b>73,636,168</b>	<b>2,415,250</b>	<b>3.3%</b>
January	610,341	12,455	2%
February	1,109,834	4,439	0.4%
March	1,759,502	14,602	1%
April	14,435	9,553	66%
May	32,471,000	988,437	3%
June	11,048,656	453,472	4%
July	11,674,579	209,068	2%
August	1,047,357	375,732	36%
September	2,214,711	194,632	9%
October	9,609,926	55,367	1%
November	86,631	24,772	29%
December	1,989,196	72,721	4%



A high ratio of the sale price of assets to their book value in April 2021 is explained by the successful sale of numismatics and faleristics items by JSC RODOVID BANK (conversion rate of 430%); in August 2021 – by the sale of real estate in Dnipro (106% conversion rate) and 5 premium class cars by JSC Misto Bank; VTB Bank head office in Kyiv at 26 Pushkinska Street (110% conversion rate); silver coins by PJSC ZLATOBANK (110% conversion rate); in November 2021 – administrative building of JSC Misto Bank in Dnipro (134% conversion rate) and silver coins by PJSC ZLATOBANK (113% conversion rate).

As already mentioned, the ratio of the sale price of bank assets (property) to the book value of sold assets (property) in 2021 was 3.3%, but this conversion rate for certain types of assets varies from 0.1% to 351%. For a better visual understanding of the effectiveness of the sale of various types of assets (property) of banks, the table below shows separately the individual sale of assets (property) of banks and the portfolio sale of retail and corporate loans, real estate objects, and the sale of assets based on the principle of "one bank = one pool" (Table 4.1.2).

**Table 4.1.2.**  
**Ratio of the sale prices of bank assets (property) based on the results of open bidding (auctions) to their book value in 2021**

Asset type	Book value, UAH million	Sale price based on the results of open bidding, UAH million	Ratio of asset sale price to the asset book value, %
<b>TOTAL</b>	<b>73,636.17</b>	<b>2,415.25</b>	<b>3.3%</b>
Real estate (individual sales)	1,035.09	1,015.85	98%
Land plots (individual sales)	4,123.36	564.17	14%
Vehicles (individual sales)	2.30	7.76	337%
Other assets (fixed assets, coins, intangible assets) (individual sales)	22.51	59.28	263%
Mortgage loans to individuals (individual sales)	18.58	5.65	30%
Other retail loans (individual sales)	72.80	25.32	35%
Corporate loans (individual sales)	325.46	115.15	35%
Accounts receivable (individual sales)	140.64	24.50	17%
Pools of real estate, land plots, and other fixed assets	128.27	12.00	9.4%
"1 bank=1 pool" pools	21,970.88	32.56	0.1%
Retail loan pools (car loans)	0.14	0.01	4.1%
Retail loan pools (unsecured) together with related accounts receivable	776.93	5.06	0.7%
Retail loan pools (mortgages) together with related real estate objects and accounts receivable	1,876.56	29.56	1.6%
Pools of corporate loans together with related retail loans, accounts receivable and securities	41,983.46	500.08	1.2%
Accounts receivable pools	1,157.03	10.71	0.9%
Direct asset sale to legal entities or individuals	2.16	7.59	351%

In 2021, the declining trend of the total sale price of assets continued. This is due to the sale of assets in pools and the poor quality of assets left at the final stage of bank liquidation.

The sale price of bank assets (property) as a result of open bidding (auctions) and sales directly to legal entities or individuals in 2021 in the amount of UAH 2.42 billion makes 66% of 2020 (UAH 3.69 billion) and 30% of 2019 (UAH 7.97 billion) (Table 4.1.3).



**Table 4.1.3.**  
**Comparison of the sale prices of bank assets (property) by means of open bidding (auctions) and sale directly to legal entities or individuals in 2019-2021**

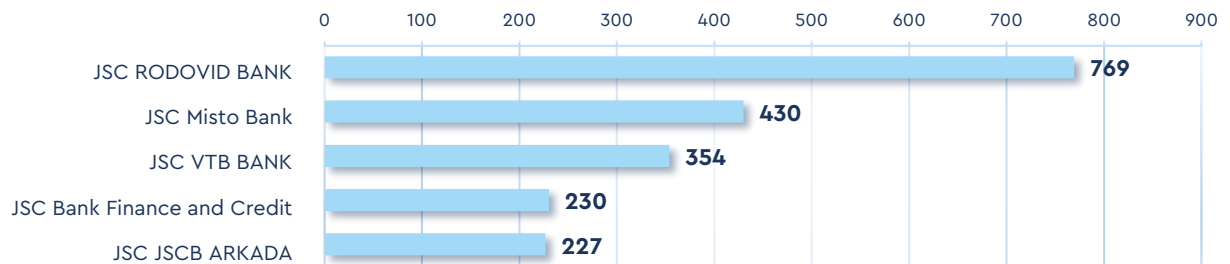
Asset type	Sale price for 2019, UAH thousand	Sale price for 2020, UAH thousand	Sale price for 2021, UAH thousand
<b>TOTAL</b>	<b>7,977,141</b>	<b>3,693,155</b>	<b>2,415,250</b>
Real estate	2,786,571	985,131	1,021,687
Land plots	215,342	164,771	569,737
Vehicles	14,758	5,577	7,764
Claims under loan agreement and accounts payable	4,798,697	2,455,617	747,952
Securities	8,143	14,208	655
Other assets and direct sales	153,630	67,851	67,455
<b>TOTAL lots sold, pcs.</b>	<b>2,442</b>	<b>1,144</b>	<b>304</b>

Currently, the Fund uses all possible ways to sell assets as soon as possible at the highest cost. In 2021, the procedures for selling assets were improved and the approach for putting assets up for auction quickly was introduced (as soon as during the first months after the start of bank liquidation, assets were put up for sale). In particular, in addition to selling assets through the electronic trading system Prozorro.sale, the organization of the sale of assets involves international advisers, stock exchanges, and direct sales of bank assets (property) to legal entities or individuals. For the convenience

of potential buyers, it is possible to use a letter of credit form of payment for the purchased asset (property) of banks.

According to the results of open bidding (auctions) and direct sale of bank assets (property) to legal entities or individuals in 2021, 83% of sold assets (property) of banks out of their total amount belonged to 5 banks. The leader in the sale of assets (property) of banks is JSC DELTA BANK, which comprises 32% (at the sale price) of all successful open bidding (auctions) for 2021 (Fig. 4.1.2.).

**Fig. 4.1.2. Asset sale price according to the results of open bidding (auction) and sale directly to legal entities or individuals in 2021, UAH million**



According to the results of open bidding (auctions) and sales directly to legal entities or individuals during 2021, 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	2,415	100.00%
Real estate, land plots, fixed assets, and intangible assets	1,658	68.64%
Claims under loan agreements	685	28.35%
Accounts receivable	63	2.62%
Sales directly to legal entities or individuals	6	0.27%
Other assets (paintings, coins, etc.)	2	0.09%
Securities/corporate rights	1	0.03%

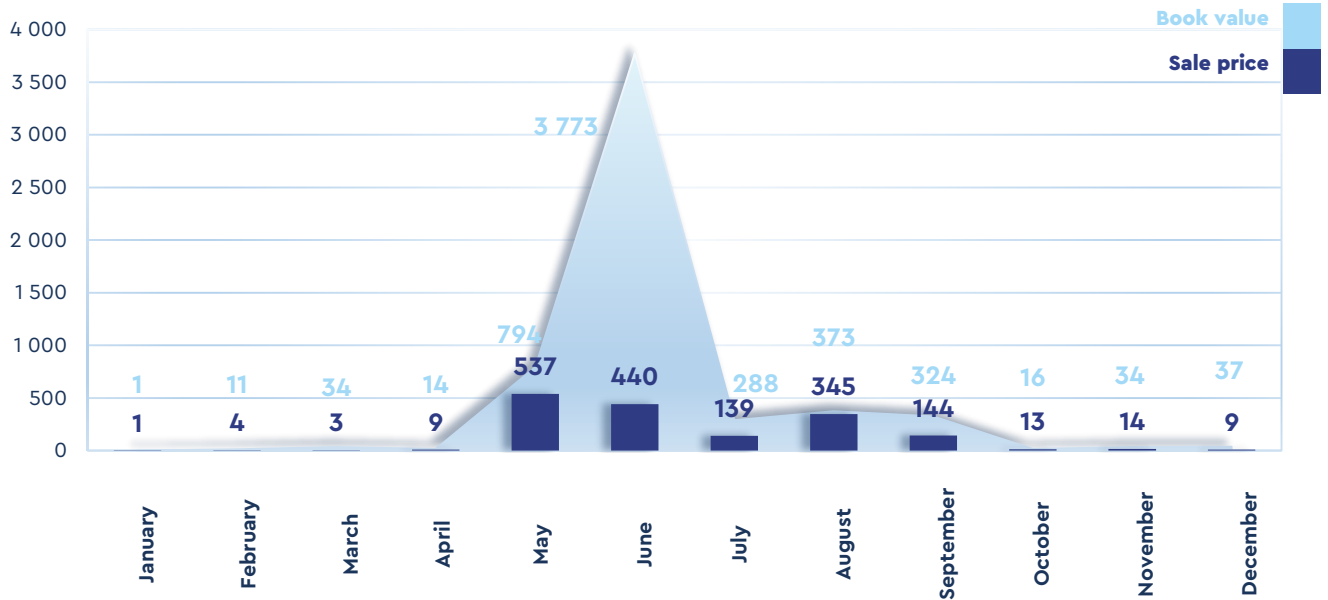




The largest share in the amount of sold assets (property) of banks based on the results of open auctions (auctions) accrues to the sales of fixed assets – real estate, land plots, vehicles, other fixed assets, and intangible assets (excluding sales directly to legal entities or individuals) – 69%. The annual ratio of the sale price to the book value for all types of fixed assets for 2021 is 29%, as shown in detail in Figure 4.1.3.

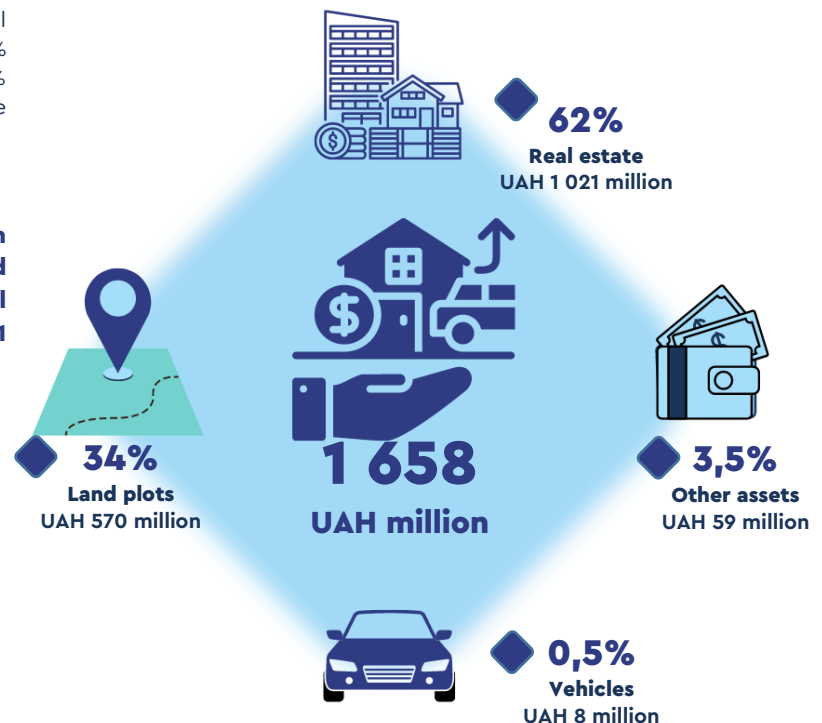
In June, fixed assets with the highest book value for 2021 were sold. This was due to the sale of a land plot of 113.5 hectares in Kyiv at Ozerna Street (recorded on the balance sheet of JSC Rodovid Bank).

**Fig. 4.1.3. Comparison of book value and sale price of fixed assets, UAH million in 2021**



In the structure of sold fixed assets, 62% accrues to real estate objects (residential and non-residential), 0.5% accrues to vehicles, 34% accrues to land plots, and 3.5% – to other fixed assets (furniture, equipment, intangible assets, etc.) (Fig. 4.1.4.).

**Fig. 4.1.4. Breakdown of the sale price based on the results of open bidding (auctions) of fixed assets (not including direct sales to legal entities or individuals) in 2021**





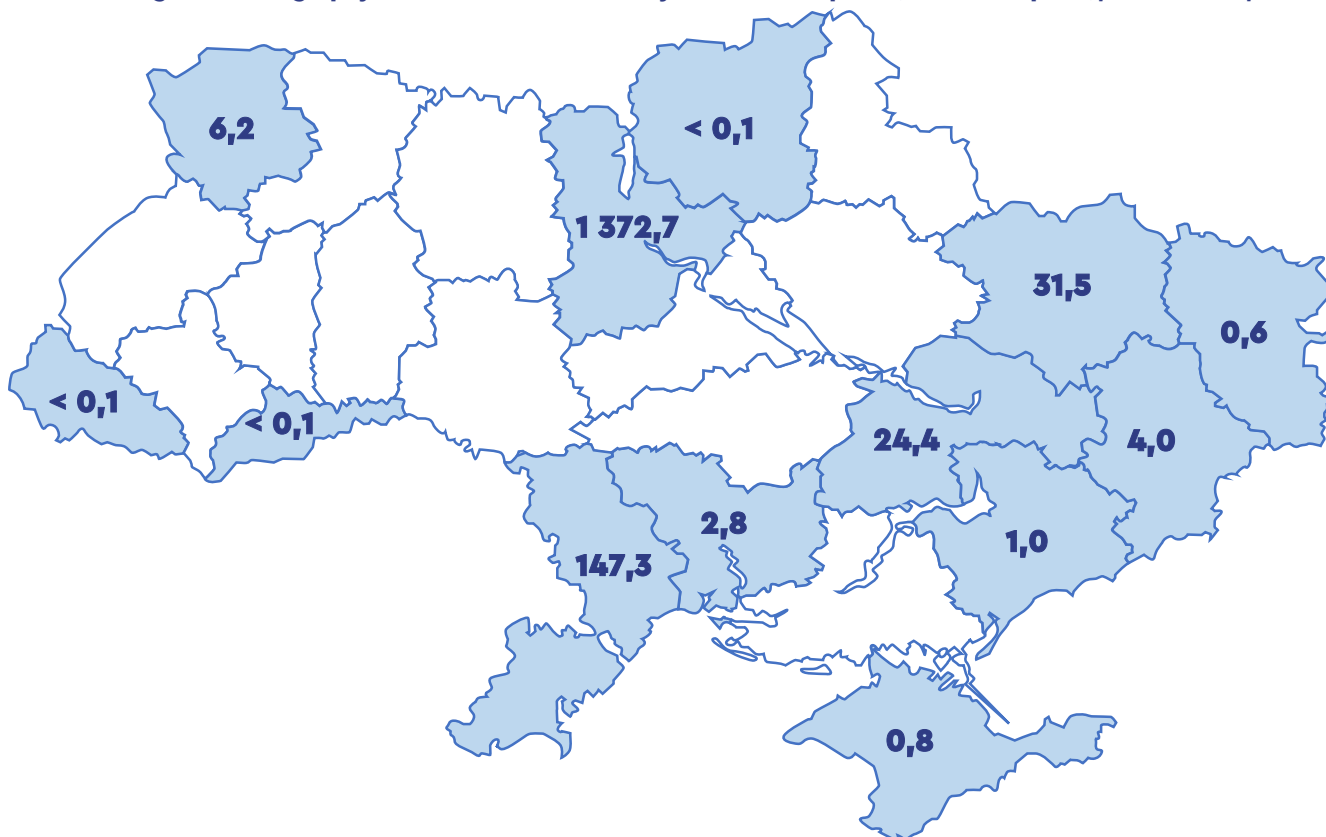
Real estate objects (residential and non-residential) and land plots sold were located mostly in Kyiv, Odesa, Dnipropetrovsk

regions, and in Kharkiv. The geography of those assets (property) sold is shown in detail in Table 4.1.5 and Fig. 4.1.5.

**Table 4.1.5.**  
**Distribution of sales of real estate objects and land plots 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, %
<b>TOTAL</b>	<b>178</b>	<b>5,670.4</b>	<b>1,591.4</b>	<b>28%</b>
Kyiv region	100	5,032.9	1,372.7	27%
Odesa region	21	170.1	147.3	87%
Kharkiv	9	19.6	31.5	161%
Dnipropetrovsk region	20	38.3	24.4	64%
Volyn region	3	7.4	6.2	83%
Donetsk region	7	4.1	4.0	97%
Mykolaiv region	2	2.8	2.8	100%
Zaporizhzhia region	4	1.2	1.0	91%
AR of Crimea	5	380.9	0.8	0.2%
Luhansk region	3	11.2	0.6	5%
Zakarpattia region	2	1.8	0.04	2%
Chernivtsi region	1	0.1	0.01	17%
Chernihiv region	1	0.04	0.0003	0.6%

**Fig. 4.1.5. Geography of sales of real estate objects and land plots (at the sale price), UAH million, in 2021**

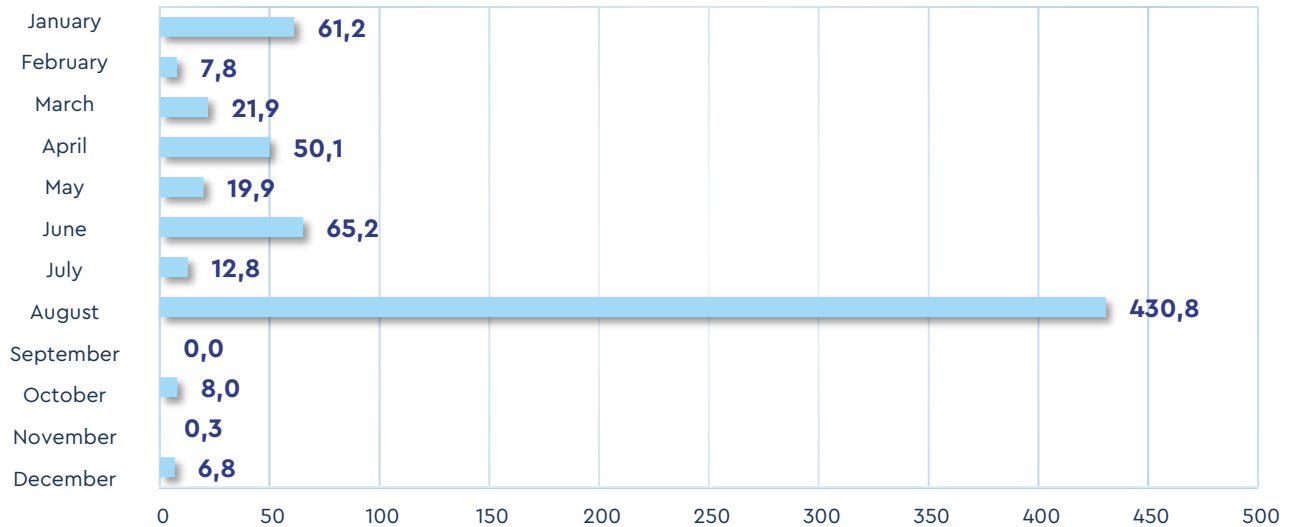




According to the results of open bidding (auctions), the sale price of claims under loan agreements concluded with

individuals and legal entities accounts for 28% of the total scope of all effective open bidding (auctions) (Fig. 4.1.6.).

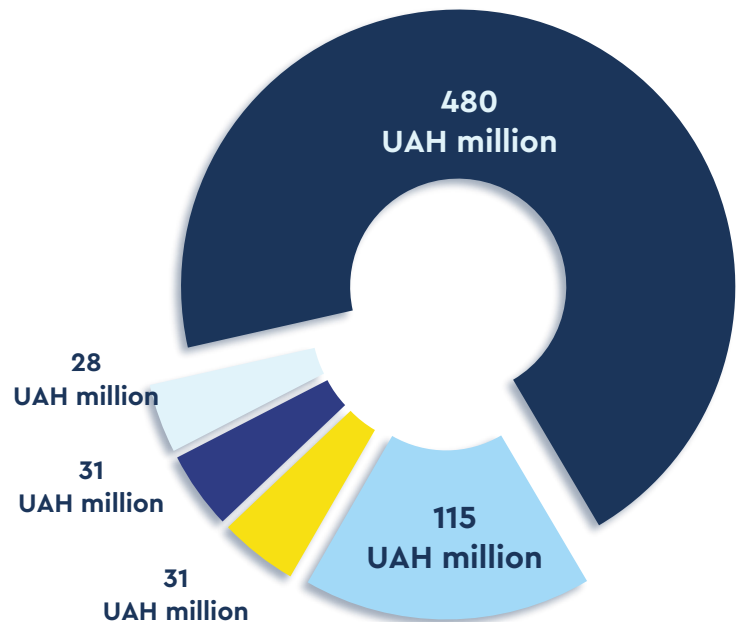
**Fig. 4.1.6. Results of auctions for loan sales, monthly, UAH million for 2021**



In the structure of exercised claims under loan agreements 91% accrues to claims under loan agreements with legal entities and 9% accrues to claims under loan agreements with individuals (Fig. 4.1.7.).

**Fig. 4.1.7. Distribution of the results of auctions for individual and portfolio sales of loans, UAH million for 2021**

- Portfolio sales of corporate loans as part of pools of loans, UAH 480 million
- Individual sale of corporate loans, UAH 115 million
- Individual sale of retail loans as part of pools of loans, UAH 31 million
- Individual sale of retail loans (18% - mortgage loans), UAH 31 million
- Portfolio sale of loans as part of "1 bank=1 pool" pools, UAH 28 million



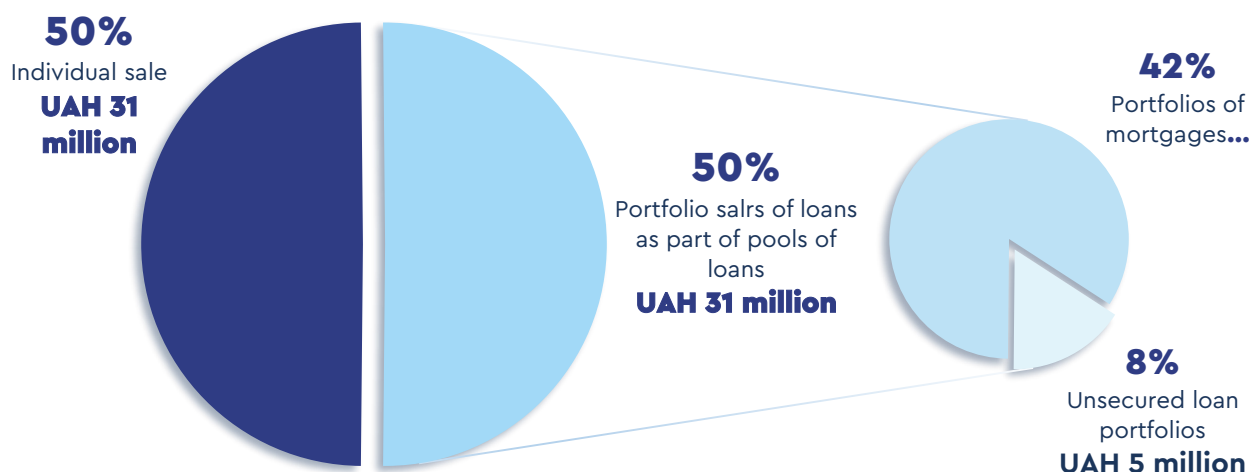
In May, the amount of the rights of claim exercised under loan agreements concluded with individuals and legal entities was the highest during 2021. This is due to the sale of a pool of corporate loans issued by Financial Initiative Bank (some of them are held in pledge by the NBU) for UAH 148 million and an asset pool of Finance and Credit Bank and Delta Bank, which includes rights of claim under corporate loans (some of them are held in pledge by the NBU) for UAH 269.1 million.

81% of claims exercised under loan agreements with legal entities were sold as part of interbank pools of loans to legal entities and receivables and as part of a "one bank=one pool" pool.

It should be noted that in 2021, almost 23,000 loans united by common features into pools of retail loans were sold (Fig. 4.1.8.; Table 4.1.6.).



**Fig. 4.1.8.**  
Auction results for the sale of retail loans, UAH million for 2021



**Table 4.1.6.**  
Sale of retail loan pools (without related assets) in 2021

Asset type	Number of loans sold, pcs.	Book value, UAH million	Sale price based on the results of open bidding, UAH million	Ratio of asset sale price to the asset book value, %
<b>TOTAL</b>	<b>22,963</b>	<b>2,607</b>	<b>31</b>	<b>1.2%</b>
Retail loan pools (mortgages)	331	1,839	26	1.4%
Retail loan pools (unsecured)	22,628	768	5	0.7%
Retail loan pools (car loans)	4	0.14	0.01	4.1%

In 2017, the Fund started selling lots formed from the pool of bank assets (a so-called "one bank = one pool" principle) included in the list of banks the liquidation procedure of which is to be completed. It should be noted that for one bank being sold under the "one bank = one pool" approach, one to several pools of that kind can be formed, i.e. a separate pool of assets held in pledge by each creditor (for example: National Bank of Ukraine, State Mortgage Institution (hereinafter – SMI), others), a pool of retail loans, a pool of corporate loans, a pool of group 3 assets and assets in the form of property rights under securities, and a pool of all other assets.

In 2021, according to the "one bank = one pool" approach, 10 lots with a book value of UAH 21,970.88 million were sold at a sale price of UAH 32.56 million, the conversion rate was 0.1%.

As for the sale by insolvent banks of assets (property) held in pledge by the NBU and other creditors, in 2021, assets (property) held in pledge by the NBU and other creditors were sold for a total amount of UAH 608 million, which is 48% less than in 2020 (UAH 1,164 million) (Fig. 4.1.9.).



**Fig. 4.1.9. Auction results for sales of assets held in pledge by the NBU and other creditors in 2020-2021, UAH million**



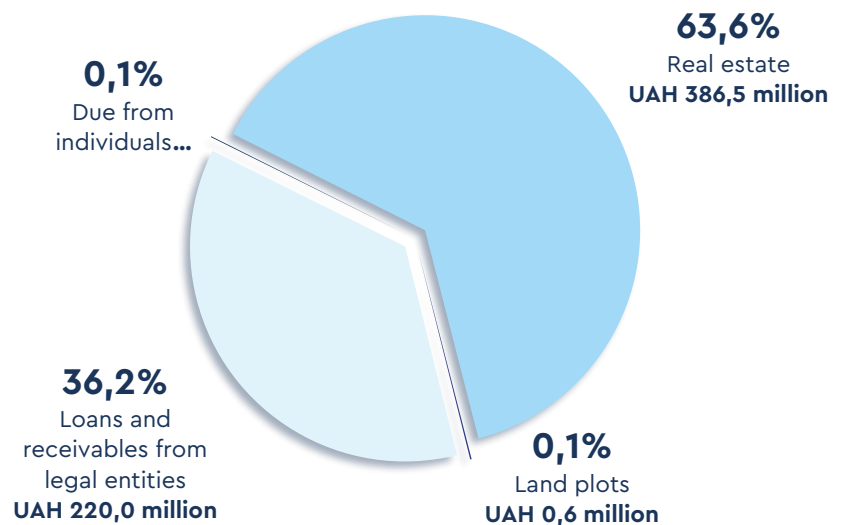
In May, most of the assets (property) held in pledge by the NBU and other creditors were sold. The list of assets sold includes, as noted above, loans from legal entities from the pools of Financial Initiative Bank, Finance and Credit Bank, and Delta Bank, as well as the head office of Rodovid Bank with a total area of 6,077.1 sq.m at 17 Petra Sahaidachnoho Street in Kyiv (sold for UAH 280 million), and a real estate pool of JSC Zlatobank for UAH 20 million.

Sold assets held in pledge by the NBU amount to UAH 525 million or 86% of the total sale by insolvent banks of assets (property) held in pledge in 2021.

In general, the collateral bank assets (property) sold in 2021 have the following breakdown by creditors (by the sale price): NBU – UAH 525 million; other legal entity – UAH 83 million.

The structure of sold assets held in pledge by the NBU and other creditors is shown in Figure 4.1.10.

**Fig. 4.1.10. Structure of sold assets held in pledge by the NBU and other creditors**

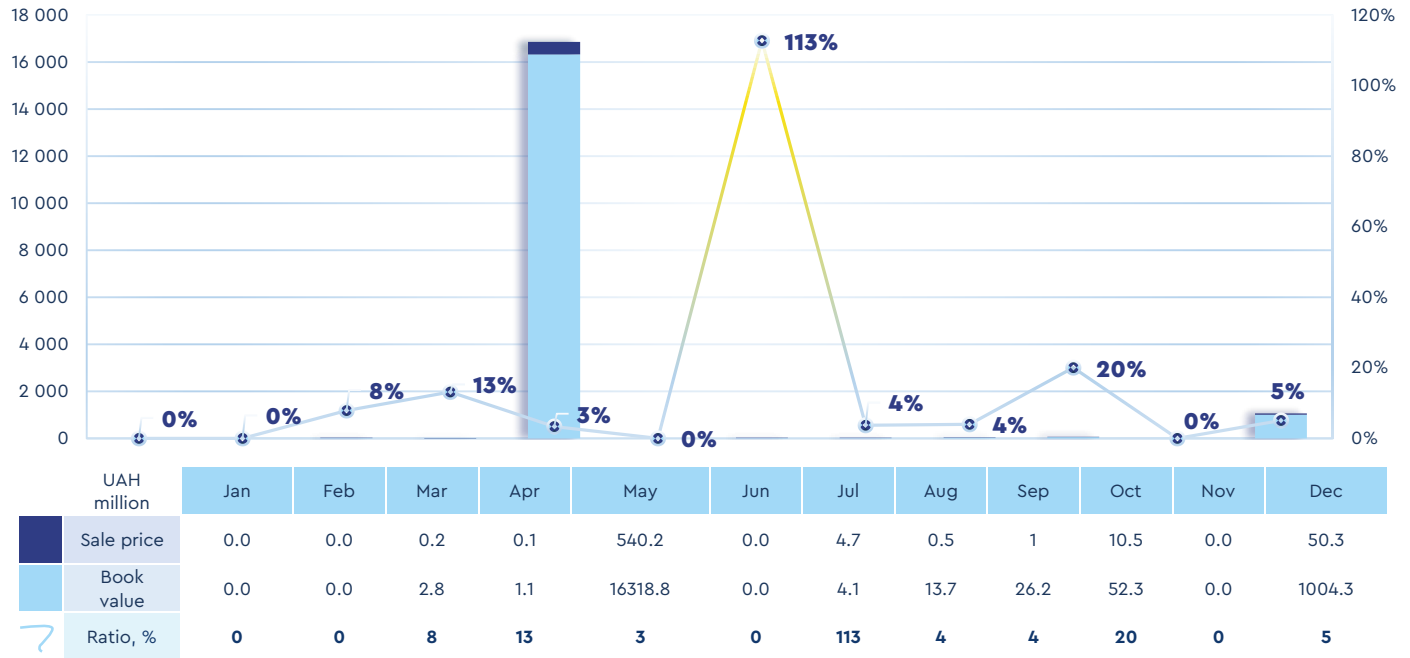




The average ratio, for all types of assets held in pledge by the NBU and other creditors, of the sale price to their book value

in 2021 was 21%, but the total annual conversion rate of sold collateral assets (property) was 3% (Fig. 4.1.11.).

**Fig. 4.1.11. Ratio of the sale price of assets pledged by the NBU and other creditors to their book value in 2021**

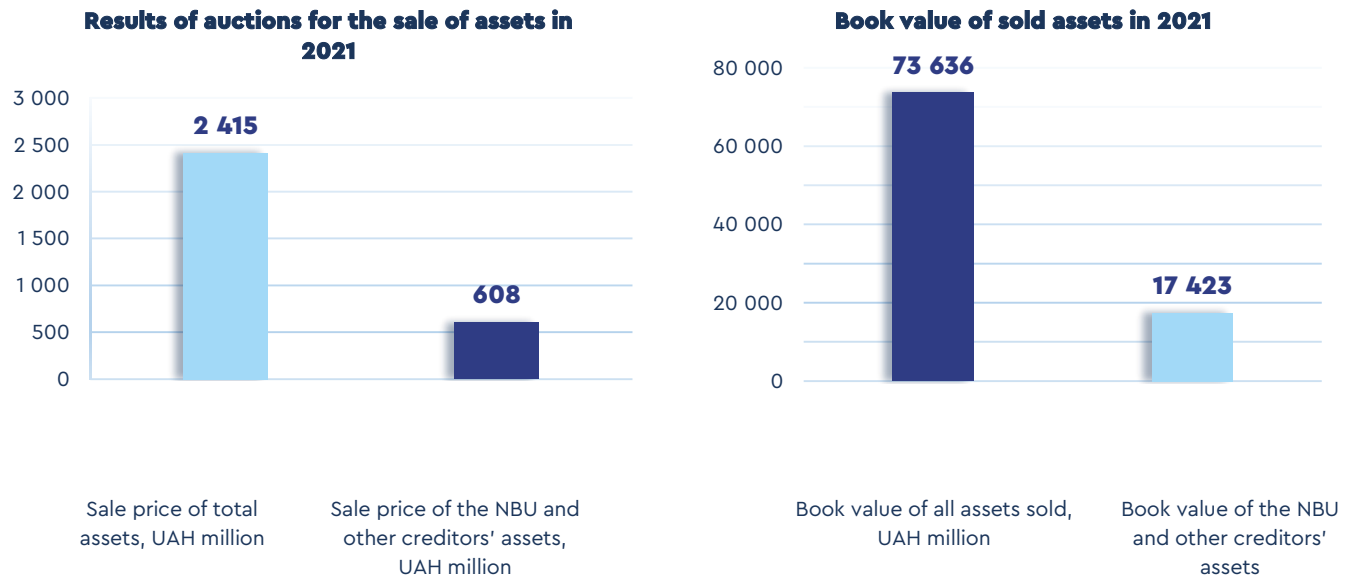


The largest ratio of the sale price of assets pledged by the NBU and other creditors to their book value is observed in July 2021. It was during that period that residential apartments held in pledge by the NBU were sold in Kharkiv by PJSC Zlatobank.

legal entities or individuals in 2021, 25% of all sold assets (at a sale price) were assets held in pledge by the NBU and other creditors. As for the book value of assets sold in 2021, the share of assets held in pledge by the NBU and other creditors is 24% (Fig. 4.1.12).

It should be noted that, according to the results of open bidding (auctions) and direct sale of bank assets (property) to

**Fig. 4.1.12. Ratio of sale of all assets and assets held in pledge by the NBU and other creditors**





## 4.2. Improving approaches to insolvent banks' asset management

Increasing revenues of insolvent banks from the management and sale of assets for the maximum satisfaction of their creditors' claims is an important area of work of the Fund.

In recent years, the Fund has been consistently developing a comprehensive asset management system for the banks whose liquidation is carried out in accordance with the requirements of the Law, taking into account the volume of bank assets and the trend of their changes. As a result of the implementation of the asset management system of insolvent banks, high-quality asset management was provided with the centralization of decision-making functions by the Fund's Committee on the Consolidation, Management and Sale of Bank Property (Assets) (hereinafter referred to as the Committee) for the banks being liquidated by the Fund.

The Fund is constantly working to reduce (receive compensation of) the costs of each insolvent bank for the maintenance of assets and increasing the level of their monetization.

In 2021, the Fund managed assets of banks being liquidated, both with the appointment of an authorized officer of the Fund for bank liquidation, and banks whose liquidation is carried out directly by the Fund.

During 2021, the relevant section of the Fund's information resource was filled with up-to-date information on possible rental properties, which greatly simplified the process of finding and selecting rental property. The most attractive assets are advertised on the Fund's website with up-to-date photos and presentation materials to collect proposals from interested parties and extend the circle of potential tenants.

The rules and procedure for approving the lease of insolvent bank property is determined by the Regulations on Lease of Insolvent Bank Property, approved by Decision No. 465 of the Executive Board of the Deposit Guarantee Fund dated February 15, 2018, registered with the Ministry of Justice of Ukraine on March 15, 2018 under No. 313/31765, as amended.

In 2021, taking into account a high efficiency of asset sales using the PROZORRO.SALES electronic trading system, the Fund ensured the introduction of its use for the purpose of leasing real estate of insolvent banks. Thus, on February 13, 2021, the Regulations on the Pilot Project on Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions) (hereinafter referred to as the Regulations), approved by Decision No. 2056 of the Executive Board of the Deposit Guarantee Fund dated December 07, 2020, registered with the Ministry of Justice of Ukraine on January 28, 2021 under No. 108/35730.

To minimize risks of the Fund, some "sensitive" asset categories are excluded from the pilot project. Thus, in accordance with Clause 1 of the Regulations, a pilot project applies to the lease of bank real estate, except for real estate that:

- ❖ is transferred to the Fund for use in accordance with Part 10 of Article 36 of the Law of Ukraine "On the Household Deposit Guarantee System";
- ❖ is leased to another bank, the liquidation procedure of which is carried out by the Fund;
- ❖ serves as a location of servers, other technical means, documents and information about the activities of such bank;
- ❖ is transferred to a third party under a property management agreement;
- ❖ belongs to the bank in respect of which the Fund's powers as a liquidator are exercised directly by the Fund.

For the purpose of practical implementation of the requirements of the Regulations, the Fund's Executive Board adopted Decision No. 336 on the interaction of structural divisions of the Deposit Guarantee Fund and officers of the Deposit Guarantee Fund authorized to carry out the liquidation of banks within the framework of the pilot project on leasing real estate of the bank liquidated by the Deposit Guarantee Fund, through open bidding (auctions), as well as certain issues of the pilot project implementation.

As part of the pilot project, the Fund placed announcements about holding open bidding (auctions) in the PROZORRO.SALES electronic trading system (hereinafter referred to as ETS), through 10 electronic platforms of the sponsors of bidding (auctions), with whom relevant contracts were concluded to minimize risks. As part of the pilot project, 14 decisions were made to transfer banks' real estate for lease, and a total of 30 auctions were held, including 9 successful ones. As a result of such auctions, 5 real estate objects were leased and corresponding lease agreements were concluded. Also, as part of the pilot project, real estate of JSC RODOVID BANK (apartments in Kyiv at Khreshchatyk Street) and real estate of JSC MISTO BANK (a residential building and a land plot in Kyiv region, Obukhiv district, Kozyn village) were successfully leased twice.

Based on the results of PROZORRO.SALES auctions, a preliminary rental rate at which the object in Kozyn village was leased increased in 2 times (up to UAH 161,108.50), and the rent for using the real estate of JSC MISTO BANK in Dnipro increased by almost 19% (to UAH 40,507.20). It should be noted that the leasehold right in relation to those objects was exercised from the first auction.

In 2021, the appeals of insolvent banks submitted to the Fund were processed with over 30 questions regarding the extension of lease relations (amendments to existing lease agreements) and the conclusion of new lease agreements with legal entities or individuals. Those issues were processed and submitted to the relevant collective bodies of the Fund.

In 2021, the Committee made 32 decisions on leasing real estate/continuing lease relations, as a result of which revenues to insolvent banks from property lease amounted to UAH 12.1



million during 2021 (including UAH 2.2 million in the pilot project), which exceeded the forecast figure by UAH 6.2 million, despite the large volume of sales of bank assets in the form of real estate.

Table 4.2.1. shows revenues of insolvent banks from the lease of property during 2021.

Table 4.2.2. shows the top 5 banks in terms of rental income in 2021.

**Table 4.2.1.**  
**Receipts to insolvent banks from property lease during 2021**

Period in 2021	Receipts, UAH million/month
January	1.0
February	1.2
March	1.3
April	1.4
May	1.2
June	1.7
July	1.5
August	0.5
September	0.5
October	0.8
November	1.0
December	0.1
<b>TOTAL</b>	<b>12.2</b>

**Table 4.2.2**  
**Top 5 banks by rental income for 2021**

№	Bank	Receipts, UAH million/year
1	PJSC DIAMANTBANK	3.8
2	JSC RODOVID BANK	3.0
3	JSC MISTO BANK	2.8
4	JSC JSCB ARKADA	2.1
5	JSC VTB BANK	0.3
6	Other banks	0.2
	<b>TOTAL</b>	<b>12.2</b>

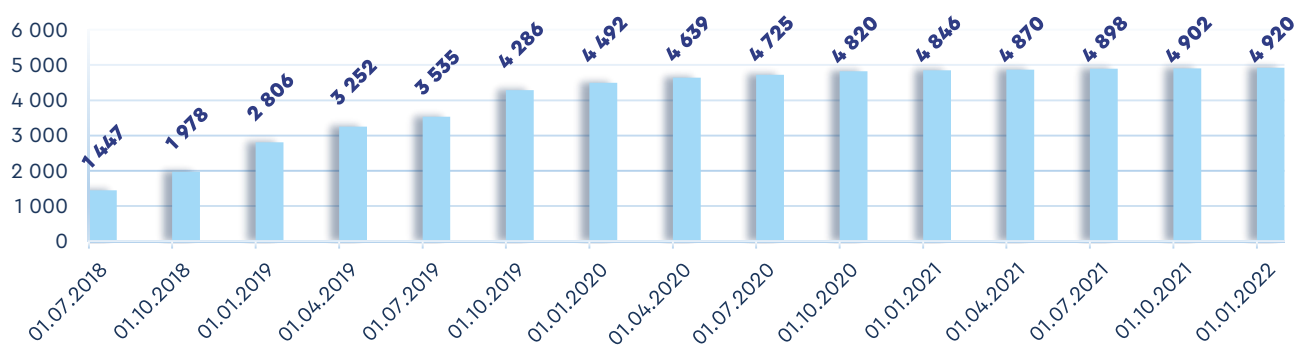
In addition, during 2021, the implementation of measures in the field of protecting the property of insolvent banks from illegal encroachments continued.

The value of such assets amounted to more than UAH 59 million.

Due to the previously implemented mechanism for monitoring registration actions in relation to the real estate of banks being liquidated by the Fund, using the Vkursi.pro service and information services, including tools of the applied software interface of the State Register of Property Rights to Real Estate provided by the State Enterprise "National Information Systems", during 2021, the Fund promptly recorded 49 cases of change of ownership or illegal encumbrance in respect of 18 real estate objects belonging to insolvent banks, which made it possible to respond to those incidents in a timely manner.

In previous years, the work was also started to present enforcement documents for enforcement to the agencies and persons, including private enforcement agents, which were established by the Ministry of Justice of Ukraine as an integral part of reforming the enforcement of court and other bodies' decisions and proved to be effective. The Fund distributes enforcement documents on debt collection from debtors of banks being liquidated by the Fund, and as of January 1, 2022, it distributed 4,920 enforcement documents. The trend of the enforcement documents distribution on a cumulative total basis is shown in Figure 4.2.1.

**Fig. 4.2.1. Trends of distributed enforcement documents**







**Table 4.2.3.**  
**Rating of banks based on distributed enforcement documents**

No	Bank	Number of ED distributed
1	JSC DELTA BANK	2852
2	Banks where the liquidation procedure has been completed (LB is approved)	1123
3	JSC RODOVID BANK	240
4	JSC BANK FINANCE AND CREDIT	217
5	Liquidated banks	208
6	JSC VTB BANK	111
7	PJSC FIDOBANK	100
8	PJSC DIAMANTBANK	18
9	JSC IMEXBANK	15
10	JSC MISTO BANK	11
11	Others	25
<b>Total</b>		<b>4 920</b>

Table 4.2.3. shows the number of distributed enforcement documents under which individual insolvent banks are recoverers.

As of January 1, 2022, funds totaling UAH 94,275,976.13 were collected in favor of banks withdrawn by the Fund from the market, including UAH 1,460,782.38 collected in 2021, or:  
❖ as of January 1, 2021 – UAH 92,882,963.24 (increase +UAH 67,769.49 (0.07%);  
❖ as of April 1, 2021 – UAH 93,091,253.13 (increase +UAH 208,289.89 (0.22%);  
❖ as of October 1, 2021 – UAH 94,198,680.85 (increase +UAH 1,107,427.72 (1.19%);  
❖ as of January 1, 2022 – UAH 94,275,976.13 (increase of +UAH 77,295.28 (0.08%).

In addition, as of January 1, 2022, in the course of enforcement in the enforcement proceedings, which was carried out by both private and state enforcement officers, insolvent banks acquired ownership of property worth UAH 218,205,371.42.

**Table 4.2.4.**  
**Rating of banks by the level of funds received from private enforcement officers**

No.	Bank	Collected funds, UAH	Relative share
1	JSC DELTA BANK	33,835,625.55	35.890%
2	JSC VTB BANK	32,093,794.61	34.042%
3	JSC BANK FINANCE AND CREDIT	18,180,405.69	19.284%
4	BANKS WITH LB APPROVED	4,727,408.25	5.014%
5	PJSC FIDOBANK	3,111,239.73	3.300%
6	PJSC DIAMANTBANK	1,597,405.01	1.694%
7	LIQUIDATED BANKS	542,854.94	0.576%
8	JSC IMEXBANK	136,400.00	0.145%
9	JSC RODOVID BANK	31,091.49	0.033%
10	PJSC CB PREMIUM	8,770.17	0.009%
11	OTHERS	10,980.69	0.006%
<b>TOTAL</b>		<b>94,275,976.13</b>	<b>100.00%</b>

The largest amount of funds collected in favor of such insolvent banks is shown in Table 4.2.4.

In 2020, the Fund started the liquidation procedure at JSC JSCB ARKADA, whose loan portfolio included over 600 mortgage loans of individual borrowers, which were properly serviced, despite the circumstances surrounding the construction of facilities in which mortgaged property (property rights to apartments) was located under such loan agreements. To create favorable conditions for borrowers to perform under mortgage loans, the Fund launched a restructuring program back in 2018: the Regulations on Restructuring Loan Debts of Individuals (Except Sole Proprietors) under Loan Agreements Performance under Which Is Secured with Mortgage, to Banks Being Liquidated by the Deposit Guarantee Fund (hereinafter – Regulations No. 372) No. 372 was approved by Decision of the Fund's Executive Board dated February 05, 2018, registered with the Ministry of Justice of Ukraine on February 28, 2018 under No. 254/31706, and entered into force from the date of

publication, namely, from March 23, 2018. At the end of December 2020, amendments to the said Regulations came into force, taking into account the current state of borrowers of banks whose liquidation was carried out by the Fund, in particular, borrowers of JSC JSCB ARKADA.

During 2021, the Fund received 477 packages of documents on carrying out or continuing previous restructuring of loan debt of individuals, which is secured with a mortgage of real estate or property rights to real estate, from JSC JSCB ARKADA. The authorized collective body of the Fund made a positive decision on 476 applications.

In total, in 2021, issues related to the restructuring of loan debt in the amount of more than UAH 258.60 million were considered, as a result of which revenues to banks in accordance with the Regulations amounted to about UAH 56.9



million, including UAH 14.16 million from the restructuring payment, and monthly receipts under loans restructured as of December 31, 2021 amount to UAH 2,34 million monthly.

As of December 31, 2021, 545 debt restructurings were carried out under loan agreements concluded between JSC JSCB ARKADA and individuals (taking into account the decisions taken by the Fund in 2020).

Moreover, during the reporting year, the Fund's Executive Board with its decision approved 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. The accumulation of considerable experience in the field of bank liquidation management served as a prerequisite for its creation. This document accumulates the best domestic experience in the field of implementation of the bank liquidation procedure by the Fund, contains the theoretical basis of bank liquidation procedures combined with practical aspects, contains information on innovative technologies used in bank liquidation, the methodology of the authorized person of the Fund for bank liquidation, and examples of bank and Fund documents generated in their bank liquidation activities.



## 5. Payments to depositors

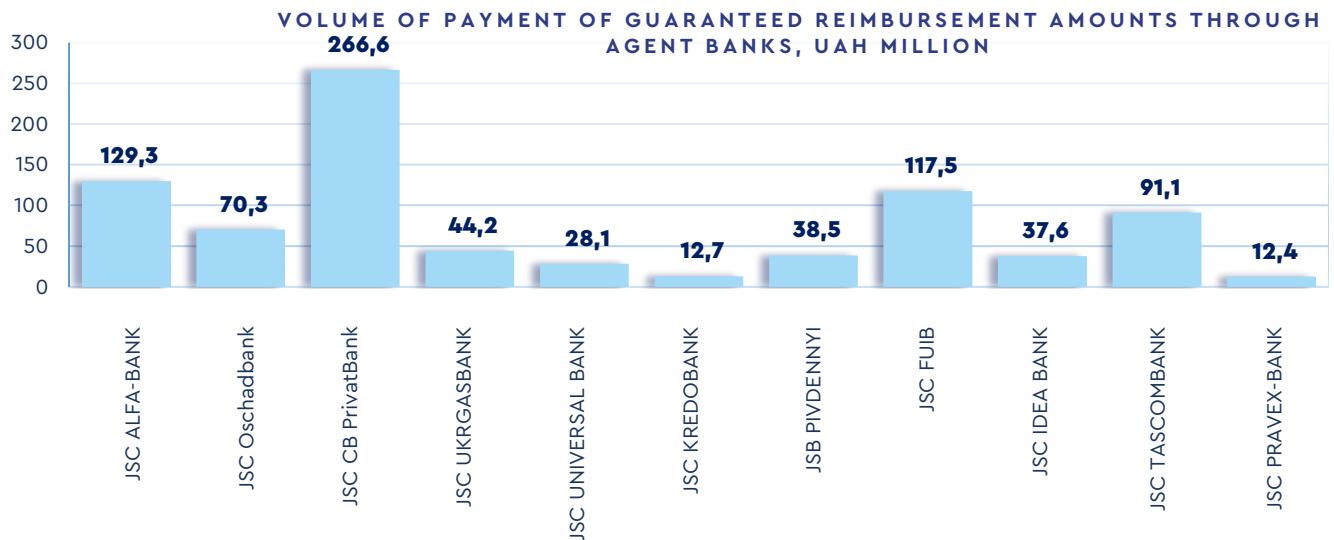
### 5.1. Insurance deposit payouts to insolvent banks' depositors

In compliance with the requirements of the Law of Ukraine "On the Household Deposit Guarantee System" (hereinafter – the Law) during 2021, deposit insurance amounts were paid to the depositors of 37 banks.

During 2021, 11 agent banks connected to the automated payment system of the fund (hereinafter referred to as the

System) were involved in receiving reimbursement by depositors (Fig. 5.1.1.). Agent banks were appointed in accordance with the requirements of the Regulations on Determining the Agent Banks of the Deposit Guarantee Fund, approved by Decision No. 6 of the Executive Board dated July 12, 2012.

**Fig. 5.1.1. Deposit insurance payouts by the Fund's agent banks in 2021, UAH million**



Due to the System payments through 4.7 thousand branches of eleven agent banks, depositors have the opportunity to receive reimbursement in any branch of any agent bank in the entire territory controlled by Ukraine. So far, individual applications need to be filed to the Fund only by heirs or in case it is necessary to update personal data in the Fund before the payment of funds to depositors of banks whose liquidation lasts more than 5 years.

The total guaranteed reimbursement amount paid during 2021 at the expense of the Fund was UAH 848.2 million (Table 5.1.1.).

95.7% of depositors received a guaranteed reimbursement amount, while only 4.3% did not apply for payment. The reimbursement amount for which depositors have not yet applied was about UAH 3.0 billion at the end of the reporting period.

The most common reasons for not receiving funds include a small reimbursement amount not exceeding UAH 100, so-called "forgotten" deposits, as well as deposits that belonged to

deceased depositors, until the certificate of inheritance is issued.

By the decision of the Board of the National Bank of Ukraine dated December 14, 2020, JSC Misto Bank was classified as insolvent, and from January 15, 2021, the Fund began paying funds to depositors under bank account agreements and bank deposit agreements, which had expired before the provisional administration was introduced at the bank. Since January 29, 2021, the Fund, without stopping payments, started payments under bank deposit agreements, regardless of their expiration date.

By the decision of the Board of the National Bank of Ukraine dated August 11, 2021, JSC CB ZEMELNY CAPITAL was classified as insolvent, and from September 8, 2021, the Fund began paying funds to depositors under bank account agreements and bank deposit agreements, which had expired before the provisional administration was introduced at the bank. Starting from September 16 of this year, the Fund started payments



under bank deposit agreements, regardless of their expiration date.

The Automated Payment System made it possible to speed up the start of payment of guaranteed amounts to several days after the bank was declared insolvent, and also provided depositors with the opportunity to receive funds in a convenient way – at the nearest branch of the Fund's agent

bank and without queues, due to a large number of payment points.

During September 2021, the total amount of funds received by depositors of JSC CB ZEMELNY CAPITAL amounted to almost UAH 342.8 million, which made 40.4% of the accrued amount, which is subject to reimbursement within the state-guaranteed amount of UAH 200,000.

**Table 5.1.1.**  
**Deposit guarantee settlements in 2021, UAH million**

Nº	List of liquidated banks	Balance of funds not received by depositors as of January 1, 2021	Accrued amount of reimbursement in 2021	Funds actually received in 2021	Balance of funds not claimed by depositors as of January 1, 2022
1	JSC GOLDEN GATE BANK	0,7	-	-	0,7
2	PJSC AKTABANK	9,0	0,04	0,2	8,8
3	PJSC BANK CAMBIO	36,6	2,5	3,4	35,8
4	PJSC VAB BANK	424,8	0,001	1,6	423,2
5	PJSC VBR	9,3	-	-	-
6	JSC ZLATOBANK	30,0	35,1	29,9	35,2
7	JSC IMEXBANK	402,2	1,2	3,5	399,9
8	PJSC CB NADRA	179,3	0,2	1,1	178,5
9	PJSC ENERGOBANK	15,5	0,3	0,3	15,5
10	PJSC BANK KYIVSKA RUS	214,6	2,9	4,3	213,1
11	PJSC UKRAINIAN PROFESSIONAL BANK	7,9	0,4	0,2	8,1
12	PJSC NATIONAL CREDIT BANK	12,3	0,2	0,2	12,3
13	JSC DELTA BANK	486,4	9,9	16,6	479,7
14	PJSC JSCB CAPITAL	46,3	-	1	45,4
15	PJSC RADIKAL BANK	45,9	2,5	30,6	17,8
16	PJSC INTEGRAL-BANK	3,1	0,3	0,2	3,2
17	JSC BANK NATIONAL INVESTMENTS	4,1	2,4	1,5	4,9
18	JSC BANK FINANCE AND CREDIT	502,3	2,6	6,6	498,3
19	JSC BANK VELES	0,1	-	-	0,1
20	PJSC BANK CONTRACT	3,3	0,5	0,5	3,3
21	PJSC CB PREMIUM	2,0	-0,001	0,001	2,0
22	PJSC UKRINBANK	66,1	-	-	66,1
23	PJSC BANK MYKHAYLIVSKY	15,9	4,8	5,8	15,0
24	PJSC FIDOBANK	55,7	2,1	1,4	56,4
25	PJSC CB EUROBANK	5,5	1,1	1,6	4,9
26	PJSC KSG BANK	1,5	-	-	1,5
27	PJSC BANK TRUST	5,2	-	0,2	5,0
28	PJSC CB INVESTBANK	2,8	-	0,1	2,7
29	PJSC PLATINUM BANK	66,5	0,2	1,4	65,2
30	PJSC VECTOR BANK	1,2	-	-	1,2
31	PJSC DIAMANTBANK	0,0	-	-	0,0
32	JSC BANK BOHUSLAV	3,7	-	0,05	3,6
33	PJSC CB FINANCIAL INITIATIVE	147,2	-	1	146,1
34	JSC VTB BANK	108,9	2,1	4,7	106,2
35	JSC JSCB ARKADA	80,8	28,2	38,9	70,2
36	JSC MISTO BANK	-	303,1	288,9	14,2
37	JSC CB ZEMELNY CAPITAL	-	418,4	402,4	16,0
<b>Total:</b>		<b>2 996,6</b>	<b>821</b>	<b>848,2</b>	<b>2 960,1</b>



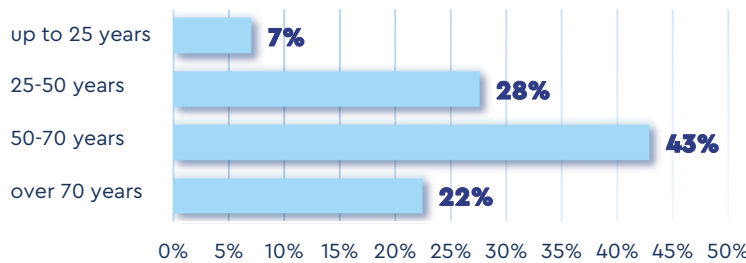
**Fig. 5.1.2. Breakdown of payments by the reimbursement amount in 2021**

Based on the payout results of 2021, the largest share accrued to reimbursement payments to depositors of JSC CB ZEMELNY CAPITAL (more than UAH 402 million), JSC Misto Bank (almost UAH 289 million), JSC JSCB ARKADA (almost UAH 39 million), PJSC RADICAL BANK (more than UAH 30 million), JSC ZLATOBANK (almost UAH 30 million) and JSC Delta Bank (more than UAH 16 million).

According to the figures of 2021, a more uniform receipt of reimbursement by the number of transactions according to the breakdown of deposits shown in Figure 5.1.2 is observed. The highest share of payments is seen in the group of deposits from UAH 10 thousand to UAH 100 thousand (25%) and from UAH 100 thousand to UAH 200 thousand (33%).



**Fig. 5.1.3. Deposit reimbursement payouts by age groups**



The largest share of depositors of insolvent banks who received a guaranteed reimbursement amount during 2021, namely 43%, falls on depositors aged 50 to 70 years, and 28% - from 25 to 50 years. The share of depositors over 70 years old who received the guaranteed reimbursement amount makes 22% of the total number of recipients. Young people under the age of 25 make up 7% of the total number (Fig. 5.1.3.).

**Table 5.1.2. Insolvent banks payments for which were completed 2021**

In accordance with Part 7 of Article 26 of the Law, in 2021, the Fund finished payments of guaranteed reimbursement amounts for deposits in three insolvent banks (Table 5.1.2.).

Nº	Bank	Reimbursed to depositors during the entire payment period, UAH million
1	PJSC VBR	35,1
2	PJSC VECTOR BANK	76,2
3	PJSC CB FINANCIAL INITIATIVE	3 763,4
<b>Total:</b>		<b>3 874,7</b>

**Fig. 5.1.4. Reimbursement to depositors of banks payouts in which were completed**



During 2021, depositors of those banks received a guaranteed reimbursement amount of more than UAH 1 million (Fig. 5.1.4.).



As part of implementing of the Fund's Development Strategy until 2022, according to the approved phased transition to the standards provided for in Directives 2014/49/EU and 2014/59/EU, in 2021, the start time of payouts to depositors of JSC Misto Bank and JSC CB ZEMELNY CAPITAL was reduced by a quarter (the register for payments was prepared on the 14th and 15th day, respectively, instead of the 20th business day), which minimized financial risks of the Fund upon starting payouts of guaranteed reimbursement amounts to depositors of insolvent as part of the Fund's transition to the EU standards and in accordance with the current international and European standards.

For the purpose of settling problematic issues to ensure an effective withdrawal of banks from the market based on the performance results of 2021, the following amendments to regulatory documents were developed:

- ✓ to the Regulations on the Reimbursement of Deposits by the Deposit Guarantee Fund, approved by Decision No. 14 of the Executive Board of the Deposit Guarantee Fund dated August 09, 2012, registered with the Ministry of Justice of Ukraine on September 07, 2012 under No. 1548/21860. These changes settled a number of important issues, namely:
  - defined the procedure for updating depositors' data, regulated the formation of the General Register, changes and additions to it, parts of the General Register only in electronic form and signing with an electronic digital signature;
  - procedures for termination (completion) of payments in accordance with the amendments to the Law of Ukraine On the Household Deposit Guarantee System;
  - reduction of time for considering payment applications sent (submitted) to the Fund before the date of publication of the information, within twenty days from the date of publication of the information and after the expiration of the twenty-day period after the publication of information about the upcoming approval of the bank's liquidation balance sheet;
  - the accounting of amounts on "accounts under arrest by a court decision" includes "accounts funds on which were seized by the enforcement officer within the framework of enforcement proceedings as the final stage of court proceedings and enforcement of court decisions";
  - took into account legislative changes to the documents based on which you can receive funds from the agent bank, namely:
    - ❖ passport document and information about the taxpayer identification number on an electronic medium, the criteria of which support the use of the mobile application "Diya", and the child's passport for traveling abroad;
    - ❖ detailed the list of documents that must be provided upon receipt of compensation on the basis of a power of attorney by a representative of the depositor whose registered place of residence is within the temporarily occupied territory of Ukraine, as well as upon receipt of compensation by parents (adoptive parents) or guardians (trustees) of a minor (child under 14 years of age), guardians (trustees) of a person recognized as legally incompetent;
- ✓ to the Regulations for Forming and Maintaining Depositor Databases, approved by Decision No. 3 of the Executive Board of the Deposit Guarantee Fund dated July 09, 2012, registered with the Ministry of Justice of Ukraine on August 23, 2012 under No. 1430/21742, which improved the process of forming and maintaining databases of Fund's members, namely:
  - normalized the introduction in the database of information about deposits confirmed by registered savings (deposit) certificates of the bank, which were issued before June 30, 2021;
  - took into account the proposals of banks "not to include" in the database any information about accounts with a negative or zero balance;
  - clarified the procedure for changing information in the database when opening an account in favor of a third party;
  - defined the procedure for reflecting funds raised under the same agreement, which have different types of encumbrances for different amounts;
  - clarified the procedure for reflecting funds that were seized by the enforcement officer within the framework of enforcement proceedings as the final stage of court proceedings and enforcement of court decisions;
  - defined the requirement for banks classified as problem to ensure the daily formation of depositor databases;
- ✓ to the Regulations on Drawing Up and Maintaining the Register of Accepted Creditors' Claims and Satisfying Creditors' Claims of Banks under Liquidation, approved by Decision No. 3711 of the Fund's Executive Board dated August 21, 2017, which particularly improved the definition of the mechanism for satisfying creditors' claims of the bank and/or compensating for damage (losses) in favor of the Deposit Guarantee Fund for further forwarding to creditors (former creditors) of the bank.

Pursuant to Decision No. 481 of the Fund's Executive Board dated May 17, 2021 "On Approval of the Compliance Risk Report Based on the Results of Maintaining the Fund's Event Database for the Period from October 01, 2020 to December 31, 2020 and the Action Plan to Minimize Compliance Risks Based on the Results of Maintaining the Database of Events for the Period from October 01, 2020 to December 31, 2020", a decision of the Fund's Executive Board "On Approval of the Regulations on the Execution of Court Decisions in Favor of Depositors by the Deposit Guarantee Fund by Means of an Automated Payment System Regarding the Recovery of the Guaranteed Reimbursement Amount for Deposits Placed with the Bank Payments to Depositors of Which Have Been



Suspended or Completed, and/or Other Amounts Related to Such Recovery, and Amendments to the Instruction for Financing Payment of the Guaranteed Reimbursement Amount for Deposits by Agent Banks."

Also, in order to create a technical possibility of executing court decisions on payments to the depositors of those banks in which guaranteed reimbursement amounts are no longer paid (have been already paid) in accordance with the Law, separate functions of the automated System were developed and tested to enable payments to applicants under court decisions through the processing center of the payment System. After putting this development into commercial operation, the applicant will be able to receive funds under a court decision at any branch of the Fund's agent banks.

A mechanism for updating data of bank depositors who have not received compensation due to the expiration of the three-year/five-year period from the initiation date of the bank liquidation procedure has been developed and implemented. Such measures helped to prevent fraudulent actions aimed at misappropriating money of the Fund.

The Depositor Database Inspector software used to process and verify depositor databases has been upgraded and updated to enable enhanced control of depositor databases by member banks of the Fund.

As part of introducing the early intervention system, an enhanced review of the state of databases in the banks classified as problem was carried out during the year.

Taking into account the trend of the growth of deposits in banks and financial resources of the Fund, and on the threshold of approval by the Verkhovna Rada of Ukraine of draft law No. 5542-1 "On Amending Certain Laws of Ukraine on Ensuring the Stability of the Household Deposit Guarantee System", on ensuring the stability of the deposit guarantee system, including improvement of the procedure for setting the maximum reimbursement amount for deposits and gradually increasing the maximum reimbursement amount for deposits up to UAH 600 thousand subject to ensuring the financial stability of the Guarantee Fund, the System was developed during the year to enable payouts of the guaranteed amount within the limit of reimbursement on deposits, taking into account its gradual increase.

The above-mentioned draft law also provides for the gradual acquisition by state-owned JSC Oschadbank of a status of a bank participating in the household deposit guarantee system. Thus, in order to switch to the standards provided for in Directives 2014/49/EU and 2014/59/EU and to include JSC Oschadbank in the household deposit guarantee system, preparatory work was carried out, which included consultations on the formation, consolidation, and further maintenance of the database of depositors of this bank



## 6. Financial management

### 6.1. Sources and utilization of financial resources

In order to ensure the functioning of the household deposit guarantee system and bank resolution, the Deposit Guarantee Fund continued to accumulate financial resources in 2021.

As of the end of December 31, 2021, the Fund's resources consisted of:

- ✓ funds on accounts with the NBU in the amount of UAH 674.9 million;
- ✓ funds in government securities in the amount of UAH 16,393.7 million.

In accordance with Article 19 of the Law of Ukraine "On the Household Deposit Guarantee System" (hereinafter referred to as the Law), the Fund's financial resources were formed during 2021 from the following sources:

- ❖ initial and regular fees from the Fund's members;
- ❖ income from investing the Fund's resources in government securities;
- ❖ income in the form of interest accrued on the balances of the Fund's accounts opened with the National Bank of Ukraine;
- ❖ funds received from the implementation of measures provided for in the resolution plan;
- ❖ other sources that are not prohibited by the legislation of Ukraine.

The sources of formation of the Fund's resources are shown in Table 6.1.1.

**Table 6.1.1**  
**Formation of the Fund's financial resources in 2021 and 2020**  
UAH million

Source of formation of the Fund's resources	2021	2020
Regular fee	4,539.30	4,065.60
Income from investing in government securities	1,300.92	1,107.90
Income in the form of interest on the balance of funds on current accounts with the NBU	69.91	192.50
Repayment of domestic government bonds	9,491.83	6,028.80
Funds received from the implementation of measures provided for in the resolution plan	1,030.63	2,303.10
Other receipts, including:	34.55	61.80
guarantee fees received	30.00	55.10
refund of paid court fees	3.01	5.70
fines and penalties collected	0.31	0.40
other receipts	1.17	0.60
<b>Total by sources</b>	<b>16,467.14</b>	<b>13,759.70</b>

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

- ❖ investment in government securities – UAH 11,498.55 million (66.8%);
- ❖ payment on the Fund's promissory notes – UAH 4,071.79 million (23.7%), including UAH 1,671.79 million of interest on promissory notes;

- ❖ transfer of funds for payments of the guaranteed reimbursement amount to bank depositors – UAH 848.22 million (4.9%);
- ❖ ensuring the current activities of the Fund according to the cost estimate for 2021 – UAH 757.36 million (4.4%), the implementation of the estimate for 2021 makes 94.3% of the planned amount.

The areas of using the Fund's financial resources are shown in Table 6.1.2.





**Table 6.1.2**  
**Use of the Fund's financial resources in 2021 and 2020**  
UAH million

Areas of use of the Fund's resources	2021	2020
Transfer of funds for making payments to depositors of insolvent banks	848.22	390.70
Payment under promissory notes (par value)	2,400.00	1,300.00
Interest expenses on the Fund's promissory notes	1,671.79	700.10
Investing in government securities	11,498.55	11,482.00
Estimated costs	757.36	915.80
Other expenses, including:	30.06	54.80
refund of guarantee fees	30.06	54.80
other expenses	-	-
<b>Total by areas</b>	<b>17,205.98</b>	<b>14,843.40</b>

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 159.2 million. Of these, according to the Annual Procurement Plan for 2021, the Tender Committee plans purchases in the amount of UAH 155.5 million, and an authorized officer – in the amount of UAH 3.7 million.

51 open bidding procedures were effectively carried out (including 17 procedures with an expected cost exceeding EUR 133 thousand), as well as 26 negotiation procurement procedures, 23 simplified procurement and 87 purchases without using an electronic procurement system. According to the results of the procurement procedures, contracts were concluded for a total amount of UAH 130.7 million, including for the purchase of goods in the amount of UAH 30.9 million, and services in the amount of UAH 99.8 million. In particular, the Fund's needs for technical support and modernization of

existing software products, copies of antivirus software such as McAfee, copies of VMware software, services for the development and implementation of the archive of the historical data database of the Prozorro.Sales electronic trading system for the organization and conduct of open bidding (auctions) for the sale of assets (property) of banks being withdrawn from the market and banks being liquidated, and the Register of Assets of the Deposit Guarantee Fund, services for building a comprehensive information security system in automated systems of the Deposit Guarantee Fund, memory modules for Lenovo SN550 servers and an additional set of disks for the existing disk subsystem NetApp FAS 8200, goods and services necessary for the operation of the Fund's premises, were met.

Cost savings from the procurement procedures amounted to UAH 19.1 million.



## 6.2. Settlement of DGF's creditor claims

As of the end of December 31, 2021, the debt of liquidated banks on paying creditors' claims to the Guarantee Fund amounted to UAH 55,744.2 million. The total number of banks

to which the Fund had registered creditors' claims was 65, of which 47 banks were managed by the Fund and 18 banks were managed by the NBU (Table 6.2.1).

**Table 6.2.1 Claims of the Fund against insolvent banks**

Banks under liquidation	As of December 31, 2021		As of December 31, 2020		Difference	
	Number of banks	Amount, UAH million	Number of banks	Amount, UAH million	Number of banks	Amount, UAH million
Banks managed by the Fund	47	51 961,6	45	52 090,9	2	-129,4
Banks managed by the NBU	18	3 782,6	18	3 782,6	0	0,0
<b>Total</b>	<b>65</b>	<b>55 744,2</b>	<b>63</b>	<b>55 873,5</b>	<b>2</b>	<b>-129,4</b>

During the reporting year, the amount of the creditor claims of the Fund against banks under liquidation decreased by UAH 129.4 million (changes occurred due to the repayment of the Fund's claims by banks, as well as due to raising claims by the Fund against JSC Misto Bank and JSC CB ZEMELNY CAPITAL).

The list of the largest creditors' claims of the Fund against banks under liquidation is given in Table 6.2.2.

**Table 6.2.2. Largest claims of the Fund against banks under liquidation as of December 31, 2021**

№	Bank name	Claims of the Fund against banks, UAH million	Total repayment of creditors' claims of the Fund, UAH million	including repayment of creditors' claims of the Fund for the reporting year, UAH million
1	JSC DELTA BANK	8 445,2	6 780,60	0,0
2	PJSC BANK FINANCE AND CREDIT	7 565,8	2 970,40	182,1
3	PJSC VAB BANK	5 594,6	1 589,50	0,0
4	PJSC CB FINANCIAL INITIATIVE	5 018,1	95,2	77,1
5	JSC IMEXBANK	4 345,9	375,7	12,8
6	PJSC PTB	3 637,8	1 270,80	18,7
7	PJSC CB NADRA	2 667,4	1 301,60	0,0
8	PJSC BANK MYKHAYLIVSKY	2 552,8	71,2	0,0
9	PJSC UKRINBANK	1 705,6	86	0,0
10	PJSC CB PIVDENCOMBANK	1 704,6	190,7	0,0
11	PJSC BANK KYIVSKA RUS	1 665,3	695,2	52,8
12	PJSC CB ACTIVE-BANK	1 219,5	120,9	0,0
13	JSC BANK NATIONAL INVESTMENTS	758,3	2,2	0,5
14	PJSC FIDOBANK	744,7	1 167,90	29,1
15	JSCB EUROPEAN	685,0	2,4	0,0
16	PJSC UPB	654,0	21,8	0,0
17	PJSC ZLATOBANK	645,2	290,5	51,8
18	Others (48 banks)	6 134,4	2 384,8	279,0
	<b>Total</b>	<b>55 744,2</b>	<b>19 417,4</b>	<b>703,9</b>

The largest amount in absolute terms accrues to PJSC DELTA BANK – UAH 8,434.0 million, which makes 15.1% of the total amount. The second and third places are occupied by PJSC BANK FINANCE AND CREDIT and PJSC VAB BANK with the amounts of UAH 7,565.8 million, or 13.6% of the total amount, and UAH 5,595.1 million, or 10.0% of the total amount, respectively. Table 6.2.2 shows data from 17 banks with a specific weight of claims of 1.0% or higher. The remaining 48 banks have creditors' claims of the Fund in the amount of UAH 6,134.4 million, which makes 11.0% of the total amount.

During the reporting year, the creditors' claims of the Fund totaling UAH 1,031.7 million were repaid. Repayment was carried out by 18 banks managed by the Guarantee Fund. Among the banks that had debt to the Fund at the end of the reporting year, repayment for the reporting year amounted to UAH 703.9 million (Table 6.2.2). During the reporting period, the Fund finished the liquidation of PJSC UBR the creditors' claims against which amounted to UAH 6,757.4 million, of which UAH 4,944.9 million, thus the repayment ratio made 73.2%.

During the reporting year, the creditors' claims of the Fund were not written off.



### 6.3. Public debt settlement

In order for the Fund to compensate the guaranteed amount of more than UAH 90 billion in the crisis years of 2014-2017, the Fund raised loans from the National Bank of Ukraine and the Ministry of Finance of Ukraine on market terms. In 2019, the Fund 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 Fund's promissory notes in the total amount of UAH 59.56 billion at an interest rate of 9.99% to 12.5% with the repayment dates from 2025 to 2031.

In 2018, the Fund 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 Fund began, upon accumulation of funds, to gradually repay its debts to the state. In 2021, the Fund's expenses for paying debt liabilities to the state accounted for almost 24% of the total amount of the

Fund's expenses. The Fund spent UAH 2,400.0 million to repay the nominal value of the promissory notes and UAH 1,671.8 million to pay interest on them.

It should be noted that as of December 31, 2021, the Fund 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.

At the end of 2021, the balance of debt owed to the state consisted of the promissory notes in the amount of UAH 45.741 million, on which UAH 62,542.7 million of interest will be accrued on the repayment date.

In 2020, the Financial Stability Board approved the Fund's Debt Restructuring Plan, which was supposed to be fully implemented in 2021. However, as of 2021 year-end, the draft law has not yet passed the second reading in the session hall of the Verkhovna Rada of Ukraine.



## 6.4. Assessment of DGF's financial stability

In accordance with Part 3 of Article 19 of the Law, the minimum amount of the Fund's resources cannot be less than 2.5 percent of the amount of depositors' funds guaranteed by the Fund within the limit of the reimbursement amount, taking into account the amount of fees from the Fund's members, which are expected to be received during the current quarter.

According to the calculations made in accordance with the Financial Stability Assessment Methodology of the Deposit Guarantee Fund, the financial stability of the Fund (FSF) as of December 31, 2021 was 4.68%, which is enough according to the law.

The assessment of the forecast financial stability of the Fund for the next (current) twelve months is carried out in accordance with the Financial Stability Assessment Methodology of the

Deposit Guarantee Fund and shows the forecast possibility of reducing the financial stability of the Fund to 2.0%, which is below the normative value. Nevertheless, upon materialization of such risks, the Fund will have enough own means to independently overcome the consequences without any additional attraction of funds from the state.

The state of financial stability of the Fund as of December 31, 2021 and the forecast state over the next 12 months are shown in Table 6.4.1.

The forecast calculation also includes potential risks of the Fund regarding the Fund's expenses on paying compensation to the depositors of banks that may be declared insolvent in 2022, in the amount of about UAH 11,459.8 million.

**Table 6.4.1.**  
**Calculation of the forecast FINANCIAL STABILITY OF THE FUND (FSF)**  
**UAH million**

	Information as of the date	Financial stability of the Fund (FSF=FR/FGF)	Deposit compensation funds guaranteed by the Fund (FGF)	FUND'S RESOURCES (FR)	Surplus/deficit of funds (+/-)
	01.01.2022	4,68%	388 675	18 209,2	8 492,3
forecast	01.02.2022	5,0%	371 000	18 459,5	9 184,5
	01.03.2022	5,0%	371 200	18 472,7	9 192,7
	01.04.2022	4,9%	371 800	18 176,5	8 881,5
	01.05.2022	4,4%	374 400	16 580,0	7 220,0
	01.06.2022	4,0%	374 600	15 085,1	5 720,1
	01.07.2022	4,0%	375 400	14 976,9	5 591,9
	01.08.2022	3,7%	373 200	13 685,0	4 355,0
	01.09.2022	3,3%	375 900	12 484,5	3 087,0
	01.10.2022	3,4%	375 900	12 793,5	3 396,0
	01.11.2022	3,1%	375 300	11 812,2	2 429,7
	01.12.2022	2,9%	375 000	10 828,8	1 453,8
	01.01.2023	3,1%	382 200	11 880,8	2 325,8



## 6.5. DGF's financial investments

In accordance with the functions of the Fund defined by the Law, and in order to protect against inflationary processes and to replenish funds, the Fund 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 Fund's liquidity conditions, transparency and efficiency of investment activities.

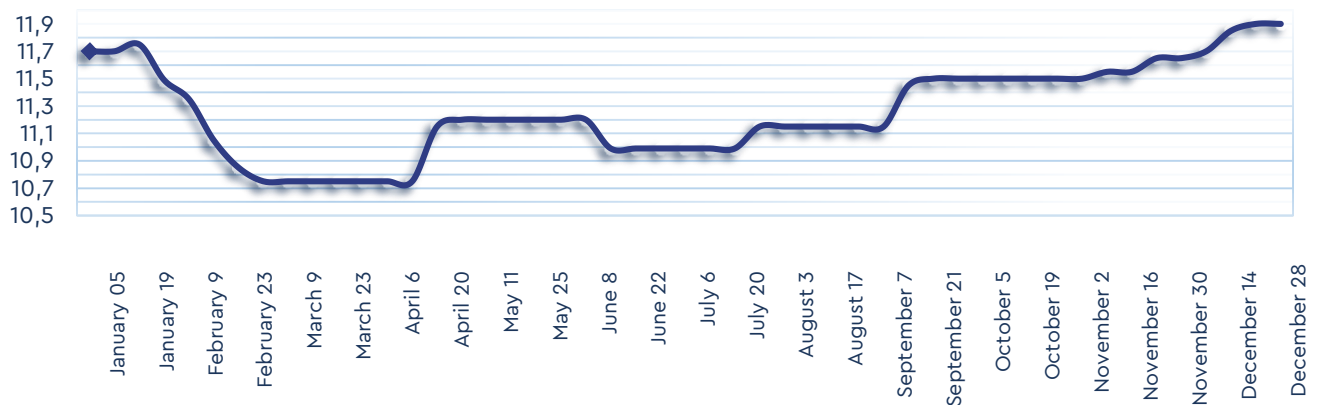
The investment of funds took place in accordance with the Investment Plan of the Deposit Guarantee Fund for 2021, approved by the decision of the Fund's Administrative Board No. 17 dated December 24, 2020, which provided for the investments in securities in the amount of UAH 13,000 million during 2021 and the formation of the authorized capital of the bridge bank in the amount of UAH 206 million. Due to the fact that in 2021 there was no withdrawal of banks from the market by creating a bridge bank, the Fund did not form the authorized capital of the bridge bank in the amount of UAH 206 million. Of the planned UAH 13,000 million of investments in securities

during the reporting period, UAH 11,498.5 million was invested in domestic government bonds with the maturity that did not exceed 469 days. The under-fulfillment of the Investment Plan was mostly due to the allocation of part of the available funds for early repayment of promissory notes at the request of the Ministry of Finance of Ukraine in the amount of more than UAH 2,069 million, which were not provided for by the initial financial plan of the Fund. Thus, the securities investment plan was fulfilled by 88.5% and the overall investment plan was fulfilled by 87.1%. In 2021, out of UAH 9,500 million of planned investments, taking into account reinvestment, UAH 8,799.8 million was invested, which makes 92.6 percent of the planned volume.

The level of yield on domestic government bonds in the stock market during 2021 was volatile from a significant decline in February-March to a significant increase at the end of the year. Figure 6.5.1 shows the trend of the yield on 1Y domestic government bonds in the primary market during 2021.

**Fig. 6.5.1.**

**Yield on 1Y domestic government bonds in the primary market in 2021 (percent per annum)**



The Fund's financial investments in domestic government bonds were made taking into account changes in the risks of possible bank failures and in compliance with the differentiation of investments by their maturity dates. The Fund

invested funds for a period of 84 to 469 days, which was reflected in the level of return on those investments from 8.48 to 11.5 percent per annum (Table 6.5.1.).



**Table 6.5.1**  
**Investing the Fund's resources in domestic government bonds in 2021**

№ з/п	ISIN code	Purchase date	Maturity date	Circulation period (days)	Yield, % per annum	Q-ty of domestic government bonds	Cost of domestic government bonds under the agreement, UAH
1	UA4000215495	03.03.2021	02.02.2022	336	10,65	1 096 717	998 802 106,24
2	UA4000215495	17.03.2021	02.02.2022	322	10,70	218 800	199 930 688,00
3	UA4000215156	31.03.2021	09.03.2022	343	10,75	98 503	100 000 245,60
4	UA4000215156	21.04.2021	09.03.2022	322	11,15	1 080 525	1 099 996 060,50
5	UA4000195176	19.05.2021	11.08.2021	84	8,48	436 831	462 826 812,81
6	UA4000204572	26.05.2021	03.08.2022	434	11,20	1 395 014	1 536 998 524,92
7	UA4000218325	09.06.2021	20.07.2022	406	11,20	863 052	899 999 256,12
8	UA4000218325	21.07.2021	20.07.2022	364	10,99	598 832	599 993 734,08
9	UA4000216774	11.08.2021	23.11.2022	469	11,30	685 743	699 999 596,97
10	UA4000204002	07.10.2021	11.05.2022	216	11,15	250 000	275 842 500,00
11	UA4000214506	07.10.2021	15.06.2022	251	11,15	201 237	209 709 077,70
12	UA4000219778	20.10.2021	03.08.2022	287	11,50	1 000 976	1 014 449 136,96
13	UA4000222145	10.11.2021	14.12.2022	399	11,54	860 585	899 999 793,00
14	UA4000222145	08.12.2021	14.12.2022	371	11,70	474 667	499 999 977,79
15	UA4000223457	08.12.2021	29.06.2022	203	10,70	1 165 451	1 099 999 271,84
16	UA4000223457	15.12.2021	29.06.2022	196	10,70	951 947	899 999 252,21
<b>Total investment</b>							<b>11 498 546 034,74</b>

In total, during 2021, the Fund received UAH 10,792.7 million of income from investments in domestic government bonds, namely:

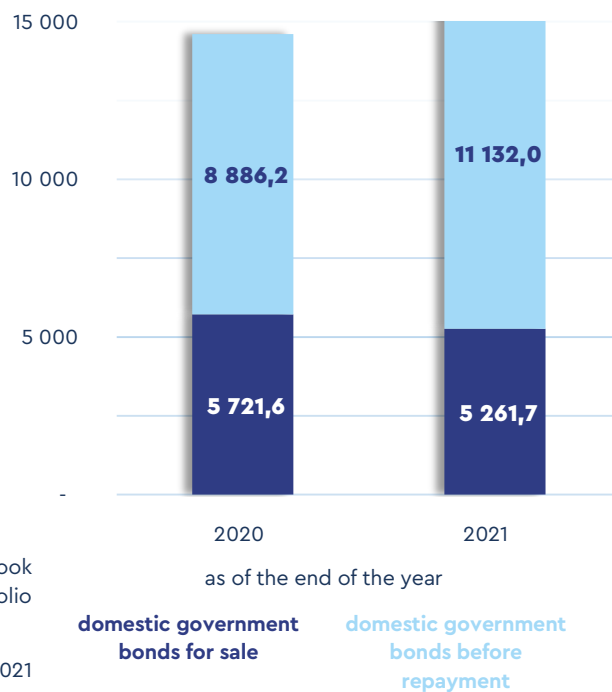
- ✓ coupon income – UAH 1,300.9 million;
- ✓ repayment of domestic government bonds – UAH 9,491.8 million.

At the beginning of the year, the book value of the Fund's securities portfolio was UAH 14,607.8 million, of which the value of domestic government bonds received by the Fund as a loan from the Ministry of Finance of Ukraine in exchange for the Fund's promissory notes and held in the portfolio for sale was UAH 5,721.6 million, or 39 percent. The remaining part of domestic government bonds, with a book value of UAH 8,886.2 million, or 61 percent, was held to maturity.

At the end of 2021, the total value of the Fund's securities portfolio increased to UAH 16,393.7 million, of which 32 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 Fund's promissory notes worth UAH 5,261.7 million. The Fund's financial investments in domestic government bonds held to maturity account for 68 percent of the investment portfolio, with a book value of UAH 11,132 million. The trend of the Fund's investment portfolio is shown in Figure 6.5.2.

The report on the implementation of the Fund's Investment Plan for 2021 is provided in the **Annex**.

**Fig. 6.5.2. Trends of the Fund's investment portfolio, UAH million**



## 7. Public relations and cross-border cooperation

### 7.1. Public relations and information policy of DGF

In 2021, quarantine restrictions to prevent the spread of the coronavirus disease COVID-19 remained a key factor influencing the situation in the banking sector and in the country as a whole. At the same time, the introduction of an adaptive quarantine, the start of vaccination of the population against coronavirus, and the active development of online banking services contributed to the revival of business processes. The Fund continued to provide the public with comprehensive information on the principles of functioning of the deposit guarantee system, inform of the procedure for obtaining guaranteed reimbursement, withdrawing insolvent banks from the market, satisfying creditors' claims, selling and managing banks' assets, as well as of the litigation and recovery of damages from bank-related persons, and legislative changes. Special attention was paid to communications on the need to raise the guaranteed reimbursement amount provided for by draft law No. 5542-1, which was registered and adopted by the Verkhovna Rada of Ukraine in the first reading during 2021.

In 2021, the Fund held the International Conference "Deposit Guarantee Fund: Updated Role and Strategy", during which, in particular, the updated brand and identity of the Fund were presented. Changes in the visual style reflect the internal transformations of the Fund. Finalizing the banking crisis of 2014-2017, the Fund set itself the goal of preventing the recurrence of such shocks, and to remain a reliable partner for all financial market members and a guarantor of depositors' rights in the future. The conference was attended by more than 100 members, including representatives of deposit insurance institutions from 15 countries of the world. At the same time, in accordance with the new identity, the Fund's website, social media pages were updated and an information campaign was launched regarding the use of the Fund's new logo by banks, partners, news agencies, and media representatives.



To convey the content of the new brand and strengthen the role of the Fund as a guarantor of financial security for users of financial services, a series of videos with well-known cultural figures of Ukraine (Ruslana, Ostap Stupka, and Akhtem Seitablaiev) was prepared. The videos were produced with the

financial support of the USAID Project "Transformation of the Financial Sector". These information videos were published on the Fund's social media pages, on YouTube, on the websites and pages in social networks of Ukrainian banks, and were also broadcast over a month on three highly rated TV channels with the national coverage.



In 2021, the Fund introduced the "Deposit Guaranteeing the Future" Initiative, in which it held two events together with the representatives of the banking community:

- ❖ on the anniversary of the Fund's establishment, the Fund's management together with the heads of banks planted 23 trees in the Gryshko National Botanical Garden in Kyiv. Thus, the Fund drew attention to the importance of preserving the environment and supporting the



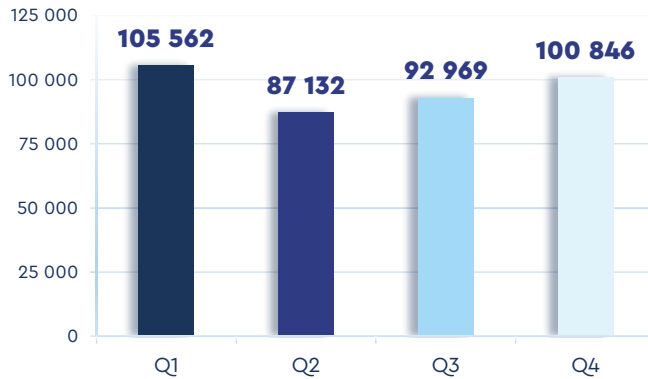
development of digital technologies;

- ❖ on St. Nicholas Day, the Fund together with Ukrainian banks prepared gift packages for babies born in Kyiv, which included books on financial literacy and cards and certificates from banks. The goal of the campaign was to draw attention to the importance of raising the level of financial awareness, spreading knowledge about the banking system and the deposit guarantee system from the very birth, and to contribute to the financial future of newborns in Kyiv and to the welfare of Ukrainian families.



During the year, the Fund's website actively published all information about the activities of the Fund and banks that are being liquidated, including news, press releases, announcements, statistics and reports, etc. In total, during 2021, the official page of the Fund was visited by more than 362,000 users (Fig. 7.1.1.).

**Fig. 7.1.1. Dynamics of visits to the Fund's website in 2021**



In 2021, the Fund continued to actively communicate in social networks. During the year, more than 400 posts were published on the Fund's Facebook page, of which 62 were videos (video comments by the Fund's speakers, animation, recordings of TV broadcasts with the participation of the Fund's speakers, etc.). For Facebook users, a weekly section "Legal ABC" was created on the Fund's page, information materials of which are devoted to covering the legal aspects of banks' activities and the deposit guarantee system, which directly concern depositors and creditors of banks. Also, during the year, previously introduced categories "I Want to Know", "Quote of the Day", "Figure of the Day" were regularly filled with information materials.

In 2021, the number of followers of the Fund's Facebook page almost doubled, to 62,000 people.

During 2021, the Fund prepared and sent to news agencies and media representatives about 240 press releases, organized more than 20 thematic interviews for the media, thematic speeches and comments, published 8 thematic columns of the Fund's speakers, and provided information materials to journalists to prepare 15 articles published in professional economic media.



## 7.2. Public advice and cooperation with public organizations

Interaction with the public is an important mechanism for ensuring the openness, accessibility and transparency of the Fund's activities.

Effective bilateral information interaction with the public in 2021 was maintained by the Fund by providing comprehensive information support and consulting assistance to people on the operation of the household deposit guarantee system in Ukraine.

In 2021, the work of the Fund's Information and Consulting Center was aimed at implementing proactive communications in order to protect rights and interests of depositors and creditors of banks, providing information support for individual consumers of financial services, raising the level of knowledge of citizens about the household deposit guarantee system, providing complete and up-to-date information on the withdrawal of insolvent banks from the market, and reference assistance.

Not only depositors of insolvent banks, but also persons who intend to participate in open bidding and to purchase assets (property) of insolvent banks received solid informational support on the expanded range of issues related to the operation of the deposit guarantee system in Ukraine.

The issues of payment of the guaranteed reimbursement, including on the basis court decisions, the need for explanations on the procedure for returning overdue loan

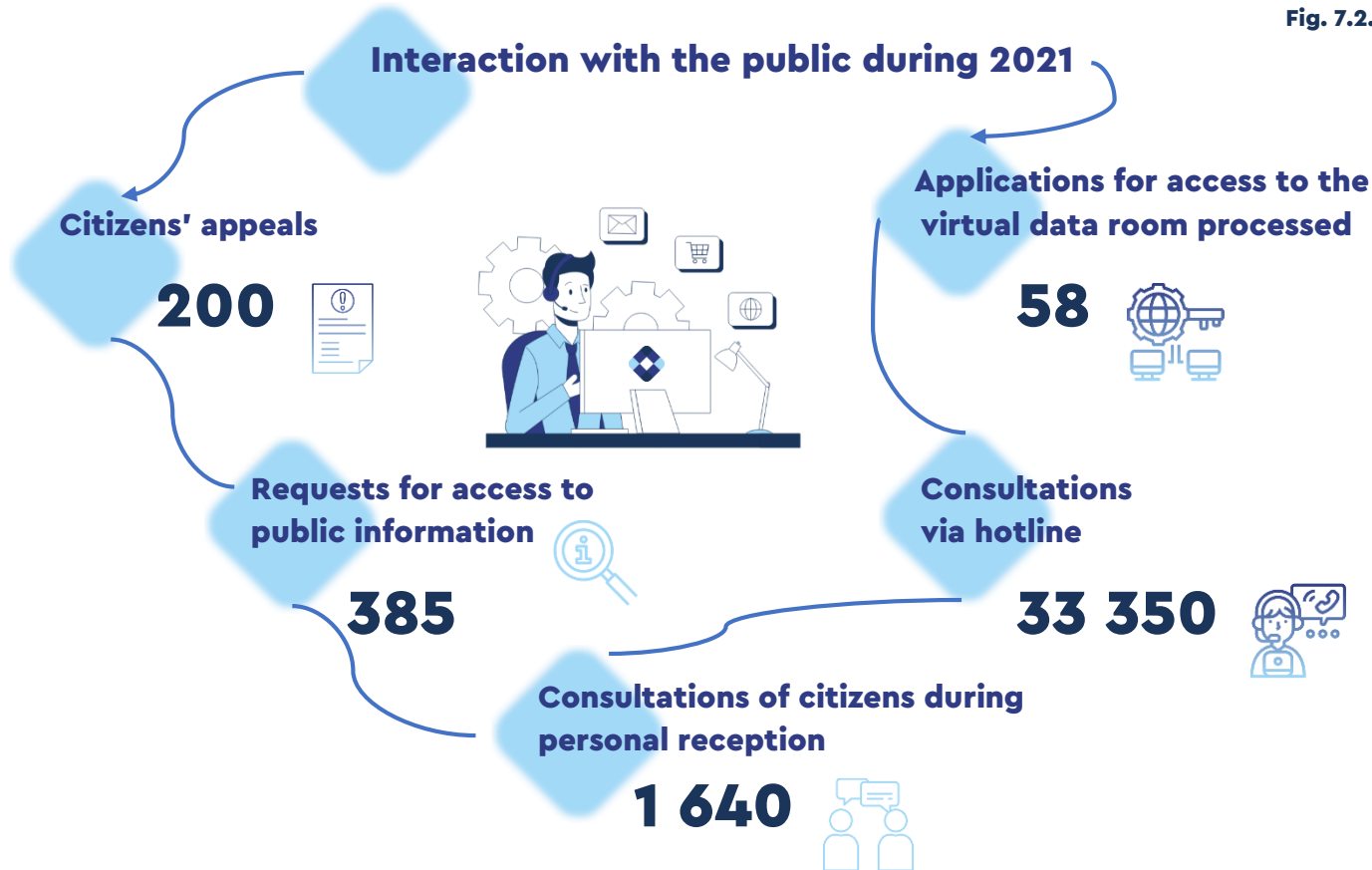
debts to insolvent banks, clarification by individuals and legal entities of information on the satisfaction of creditors' claims, did not lose their relevance in 2021.

Effective actions of the Fund's employees were aimed at organizing access to public information and providing citizens with professional advice, written responses to appeals and requests for information on the guarantee system in Ukraine, measures to protect rights and legally protected interests of depositors during the liquidation of insolvent banks, and providing explanations and comprehensive assistance in processing documents.

Despite the introduction of the quarantine throughout Ukraine to prevent the spread of the coronavirus disease COVID-19, the Information and Consulting Center maintained remote interaction with individuals and continued to perform all functions assigned to it by law.

Thus, during 2021, the Information and Consulting Center provided 1,640 consultations to people. In order to enable people's access to public information, the Fund provided 385 responses to requests for public information managed by the Fund and 200 responses to appeals from individuals and legal entities (Fig. 7.2.1).

**Fig. 7.2.1**





The hotline of the Fund is an accessible and popular communication channel for users that provides dialers with up-to-date, reliable and complete information about the Fund's activities. The total number of clarifications and consultations provided over the phone is 33,350. This communication channel is used to promptly provide individuals with information about the activities of insolvent banks and establish a feedback by the Fund with dialers, including from appeals that have signs of complaints.

With the help of the Fund's Hotline, depositors receive information support on the work of insolvent banks, on the procedure for obtaining a guaranteed amount in the Fund's agent banks, advice on the procedure for paying off loan arrears from insolvent banks, and information on the payment of a guaranteed reimbursement amount, explanations on the Fund's decisions, and obtaining professional advice on protecting rights and legally protected interests of depositors.

Employees of the Fund's Reference (Information) Service made outgoing calls and carried out other information events within the framework of information campaigns among borrowers of insolvent banks regarding the need to pay loan arrears and the possibility of loan debt restructuring.

During 2021, specialists of the Fund's Information and Consulting Center personally received and advised potential participants of open auctions for the sale of assets of liquidated banks, and borrowers, on the procedure for the restructuring

and repayment of loan debt in insolvent banks, and on the procedure for selling claims under such loans. In addition, employees of the Information and Consulting Center received applications from potential buyers for the non-disclosure of confidential information in order to get access to the Fund's virtual data room, and provided detailed explanations on the procedure for participating in auctions. In particular, in 2021, 58 applications were accepted for access to the Fund's virtual data room.

Interested parties were consulted on the procedure for conducting open bidding (auctions) and direct sale of assets.

In 2021, the Fund continued to work on establishing effective interaction between the Fund and representatives of public organizations of bank depositors.

The combination of efforts of the public and the Fund is aimed at establishing effective public control over the activities of authorized officers of the Fund, improving legislation and working with persons associated with insolvent banks in terms of damage caused to banks.

Also, in order to involve members of the public in the processes related to the sale of insolvent banks' assets, the Fund held meetings to discuss the quality of insolvent banks' assets and the issues problematic and sensitive for depositors regarding the sale of insolvent banks' assets through Prozorro. Sales.



### 7.3. Financial awareness and protection of depositors' rights

Improving the financial literacy of the population is identified as one of the priorities of the Fund's activities. The Fund implements this strategic goal using various tools, in particular, it encourages the dissemination of knowledge about the deposit guarantee system among the educational environment in all regions of Ukraine.

During the year, the work of the National Financial Literacy Project, which is implemented jointly with partners, the NGO "Business Club "Partner" and the University of Banking, continued. The main mission of the Project is to build financial culture in our society and a clear understanding of the value of creating their own family capital, as a guarantee of a dignified life and the exercise of rights and freedoms for everyone. In addition, on July 1, 2021, a Memorandum of Cooperation was signed within the framework of the National Financial Literacy Project, which was launched by the Fund together with partners in December 2019, and was joined by the State Enterprise "District Rotary International 2232".

The Fund's specialists together with representatives of the NGO "Business Club Partner" conducted 40 financial literacy trainings to improve skills of over 1000 teachers of the special Financial Literacy course in secondary schools, vocational schools, and colleges. The trainings were held on the basis of regional institutes of postgraduate education in Uzhhorod, Ivano-Frankivsk, Kherson, Rivne, Luhansk, Donetsk, Dnipro and Mykolaiv.

In order to spread complete and reliable knowledge about the functioning of the household deposit guarantee system in Ukraine and the activities of the Fund, the Fund's specialists developed a specialized training course "Deposit Guarantee System: Basics and Practice". The course is designed to improve the skills of trainers who conduct educational events on financial issues and teachers who organize financial literacy clubs in schools, etc.

The course was attended by members of the National Financial Literacy Project, which has been implemented by the Fund in partnership with the Business Club "Partner" (Kharkiv) since 2019. They became the first students of the course "Deposit Guarantee System: Basics and Practice" and received certificates.

In order to attract a wide audience, the online channels of the National Financial Literacy Project on Facebook and the pages of the Fund's Educational Project "Financial Culture" on Facebook and Instagram, as well as on YouTube and the Telegram channel, are actively working.

The Fund is actively involved in celebrating international financial literacy initiatives.

Thus, in 2021, the Fund conducted an information campaign as part of the celebration of GlobalMoneyWeek 2021, where, in particular, the following events were held: participation in the air of UA:Ukrainian Radio about the savings and secure use of financial instruments ("One Hundred Thousand" program,

training for high school students "Save Environmentally", guest lecture for students of the Banking University "Guarantee System. World Practice", online broadcast of the quiz lecture "Financial Plan and Savings" with the online audience of the department's communication channels (Financial Culture) and students of the Brovary Grammar School in cooperation with the Commissioner for Children's Rights, and others).

On the occasion of the World Savings Day, the Fund's specialists held an online training on the topic "Deposit Guarantee System in Ukraine" for teachers and students of the I-IV academic years of the Academic and Research Institute of Business, Economics and Management of Sumy State University, and a guest lecture "Current Trends in the Work of the Deposit Guarantee Fund" for teachers and students of the Cherkasy Institute of the Banking University.

For the audience of the Kyiv City Job Center, within the framework of the career online forum 2021, the Fund's specialists told the audience about how financial literacy affects our future. The organizers of the event realized the goal of helping young people find work, build a successful career, and increase the level of their competitiveness in the job market.

The purpose of the events was to familiarize students with the specifics of the functioning of the deposit guarantee system and the principles of the Fund's work.

In addition, the Fund has become a general partner of the all-Ukrainian Information Campaign for the Protection of Financial Service Consumer Rights "Know Your Rights", which is conducted by the National Bank of Ukraine with the support of the Verkhovna Rada Commissioner for Human Rights and international partners – the International Finance Corporation (IFC) in partnership with the Swiss State Secretariat for Economic Affairs (SECO) and the Effective Management Fund of the UK Government in Ukraine, as well as the European Union Technical Assistance Project "Strengthening the Regulation and Supervision of the Non-Bank Financial Market" (EU-FINREG).

The Deposit Guarantee Fund continues to join forces to further improve the level of financial literacy of Ukrainians and the formation of a financial culture in society.

On September 9, 2021, by the decision of the Fund's Executive Directorate, the Financial Literacy Ambassadors League Council was formed. The first nine specialists received the status of a Financial Literacy Ambassador of the Deposit Guarantee Fund. The Council is authorized to coordinate the activities of the Financial Literacy Ambassadors League. Serhii Volodymyrovych Ivahlo, President of the NGO DC "Partner" (Kharkiv), became the coordinator of the Ambassadors Council. As of the end of the year, a total of 55 specialists in the field of financial literacy received the status of a Financial Literacy Ambassador.



The Fund also set up an advisory body, the Financial Literacy Expert Council, which includes 10 representatives of the academic, financial and public sectors.

In 2021, creation of a financial literacy competence framework for adults, children and young people was started. These measures are included in the Financial Sector Development Strategy 2025 and the Fintech Development Strategy 2025.

### Protection of depositors' rights

According to the Fund's Strategic Development Areas, the Financial Sector Development Strategy until 2025, and the measures to harmonize the legislation of Ukraine with the requirements of European legislation, increasing confidence and protecting depositors' rights were identified as one of the priority and actively developing areas of the Fund's activities.

According to the results of the social research in 2019, the reliability and stability of the bank is a key factor for the depositors to decide to open an account there; it is from the bank the account is opened with that the depositor usually receives information about the household deposit guarantee system, and it is their bank that depositors consider the most convenient source for obtaining such information.

Thus, working with banks, improving the level of knowledge of bank employees about the guarantee system, and taking measures to protect the rights of depositors constitute one of the important tasks of the Fund.

In connection with the above, the Fund implements a program of measures aimed at protecting depositors' rights, the purpose of which is to:

- ❖ increase depositors' confidence in the Fund (perception of the Fund as a guarantor of financial stability);
- ❖ provide depositors with complete and transparent information for making an informed decision;
- ❖ ensure that depositors understand their rights;
- ❖ standardize and optimize requirements for banks;
- ❖ establish a high-quality system of interaction and communication with banks.

For this purpose, in 2021, the Fund:

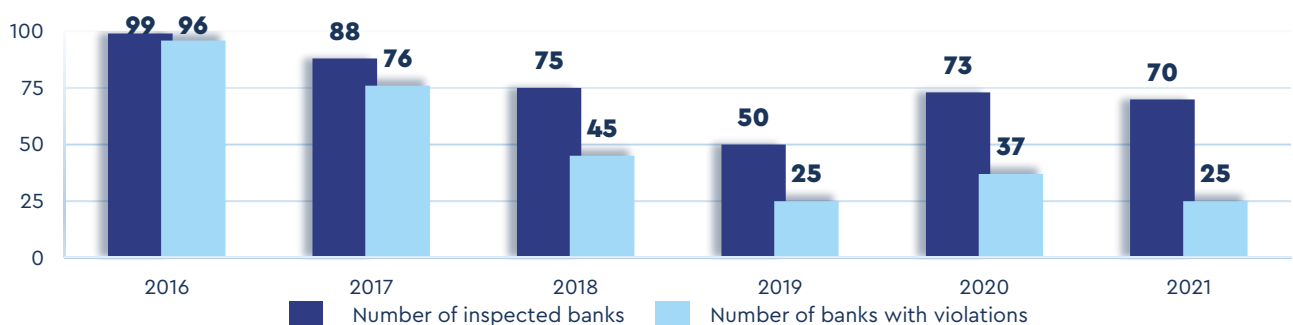
Work on preparing the competence framework is carried out by an interdepartmental working group, which, in addition to the Fund, includes representatives of the National Bank of Ukraine, the National Securities and Stock Market Commission and the Ministry of Education and Science of Ukraine. In addition, within the framework of the Interdepartmental Memorandum, the Fund's specialists participate in the work on the draft Financial Literacy Development Strategy.

- ✓ introduced a permanent system of training bank employees on the deposit guarantee system;
- ✓ prepared proposals for the standardization of public parts of accession agreements;
- ✓ made amendments to Instruction No. 825, which improved the procedure for disclosure by Fund's members of information about the household deposit guarantee system;
- ✓ provided constant methodological and consulting support to banks.

One of the Fund's tasks is also to ensure compliance by the Fund's member banks with the requirements for the content of bank deposit agreements, bank account agreements on the issues related to the functioning of the deposit guarantee system, requirements for disclosing information to depositors on the attraction of loans, as well as ensuring the observance of depositors' rights by the Fund's agent banks when paying guaranteed reimbursement amounts. One of its focuses is to control the disclosure of information about the deposit guarantee system on the websites of financial institutions.

In the reporting year, the Fund carried out remote monitoring of the activities of 72 member banks of the Fund for H1 and H2 2021 for compliance with the requirements of Instruction No. 825. The latest monitoring showed that the number of violations significantly decreased, from 97% of the total number of banks checked in 2016 to 35% in 2021. Thus, during 2021, no violations were identified in 45 banks (more than 64% of all banks) (Fig. 7.3.1). In particular, there are no violations of such criteria as the availability of a copy of the certificate of the bank participation in the Fund; the availability of information on the guaranteed amount, and the availability of the price of banking services.

**Fig. 7.3.1. Level of compliance by banks with the Fund's requirements for disclosure of information about the guarantee system**





Due to constant monitoring by the Fund, there is a positive trend in the level of compliance with the requirements for disclosure of information on the guarantee system by banks participating in the Fund for 2016-2021.

Based on the experience of previous years, the Fund has repeatedly revealed the facts of banks introducing risky products for depositors. At the same time, banks did not provide full and transparent information to customers about the content and price of such products and the risks and legal consequences associated with them. In 2021, appropriate work was carried out with banks and conclusions and proposals on banking products were provided. However, they did not take into account the deposit guarantee terms and created a risk for depositors to lose their right to receive guaranteed reimbursement.

To prevent such situations in the future, the Fund monitors trends in the banking market that may cause risks to the interests of depositors, actively cooperates with the regulator, in particular, on the issues of the Fund's participation in all-Ukrainian information campaigns aimed at spreading knowledge about financial services, consumer rights, and the guarantee system.

In order to build a legal culture, popularize legal ways to solve the problems of depositors, inform depositors about their rights and obligations, as well as about rights and obligations of financial service providers, the section "Legal ABC" was launched in 2021.

The Fund constantly implements preventive measures and projects aimed at protecting depositors' rights and preventing their violation.



## 7.4. Cross-border cooperation

As a permanent member of the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI), in the reporting year the Fund actively participated in the work of those organizations, in particular in online seminars, trainings, meetings of members, etc., which were held in an online format due to the pandemic caused by COVID-19. In addition, during the reporting period, the Fund actively cooperated with the international financial organizations, such as the International Monetary Fund and the World Bank, as well as international technical assistance projects of the United States Agency for International Development (USAID), the European Bank for Reconstruction and Development, and the Office of Technical Assistance of the U.S. Treasury. The Fund represented Ukraine at the general meeting of the IADI and the annual meeting of EFDI members, which were held in an online format, updated the report on significant news in the activities for the IADI European Committee on a quarterly basis, and filled out the annual IADI survey on the activities of deposit guarantee systems. In addition, the Fund organized several surveys of EFDI and IADI members on guaranteeing deposits in credit unions and insurance payments.

In June 2021, the Administrative Board of the Fund approved the decision of the Executive Board to join the International Forum of Insurance Payment Guarantee Systems, and in July of the same year, the Fund became an associate member of this organization. The membership in it will help to study international experience in the field of guaranteeing payments, in particular to clients of life insurance companies. Studying the experience in the field of guaranteeing insurance payments and credit unions is important for the Fund, since the Financial Sector Development Strategy until 2025 provides for the expansion of guarantees for these financial institutions.

In the reporting year, the Fund continued its active cooperation with the USAID Financial Sector Transformation Project in the

field of raising public awareness of the deposit guarantee system. Thus, with the support of the Project, an online conference "Guarantee Fund: Updated Role and Strategy" was held. The conference was attended online by representatives of deposit insurers from fifteen countries. Mr. Artur Radomsky, Director of the Office of the Banking Guarantee Fund of Poland, was one of the speakers of the conference and told the members about the implementation of the provisions of the EU Directives in the Polish legislation and the transformation of the Fund's functions in accordance with those directives.

In 2022, the Fund signed the Memorandum of Cooperation with the USAID Project "Credit for Agricultural Producers" (CAP), which is implemented in Ukraine by the World Council of Credit Unions (WOCCU). During the year, the CAP Project experts provided the Fund with technical assistance, in particular, in developing amendments to the legislation in order to expand guarantees for deposits of credit union members. Cooperation with the European Bank for Reconstruction and Development's Project "Assistance in Debt Restructuring and Compliance with Secondary EU Legislation" also continued. Within the framework of the project, an international consortium of consulting companies provided assistance to the Fund, in particular, in such areas as restructuring the Fund's debt to the Ministry of Finance of Ukraine. In addition, the Fund's specialists together with the colleagues from the National Bank of Ukraine, continued to cooperate with the World Bank experts in the implementation of the Financial Sector Technical Assistance Program, in particular, developed a new regulatory framework in the field of bank insolvency resolution and deposit guarantee in accordance with the EU Directives on these issues (BRRD and DGSD).

The Fund expresses its sincere gratitude to all international partners for their cooperation.



## 8. Legal and regulatory environment

### 8.1. Improving legislative framework and regulatory operations of DGF

The adoption of the two following laws of Ukraine on June 30, 2021, which were developed by the Fund in cooperation with other government bodies during 2020 – H1 2021, became the main event of 2021 in the field of improving the legislative framework of the Fund's activities:

1. Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine regarding the Improvement of Mechanisms for the Withdrawal of Banks from the Market and Satisfaction of Creditors' Claims of These Banks" No. 1588-IX dated June 30, 2021, which improved:

- ✓ the legislation governing the mechanisms for compensation of damage (recovery of losses) by persons associated with the bank and other persons who caused damage (loss) to the bank and its creditors;
- ✓ procedures aimed at preserving the property (assets) of the bank being withdrawn by the Fund from the market, and preventing the loss of property (assets) of such bank, procedures regarding the determination of void transactions, the procedure for conducting the liquidation procedure, legal protection of employees of the Fund and members of its Administrative Board, certain issues related to the payment of fees and state duty, and the settlement of the issue of secured creditors.

The law also provides for the settlement of certain procedural issues. Among those issues, in particular, the Fund was granted the right to apply to law enforcement agencies with a statement of a criminal offense upon detecting fraud and other illegal actions of bank employees and/or any other persons in relation to the bank and recognition of the bank as a victim, as well as to file civil claims on behalf of and in the interests of the bank for the compensation of damage (losses) caused to the bank; some procedural issues of enforcement proceedings were clarified; other clarifications were made to the relevant regulatory legal acts governing procedures and processes amended by this law. The law proposes to introduce a provision that will allow the Fund to initiate civil, administrative, criminal or arbitration proceedings to recover damage (losses) caused to the bank as a result of the nationalization, expropriation of property, requisition, destruction, damage or depreciation of the bank's property as a result of military operations, hostilities, or civil unrest.

2. The Law of Ukraine "On Amendments to Article 128 of the Criminal Procedure Code of Ukraine regarding the Specifics of the Acquisition by the Deposit Guarantee Fund of the Status of a Civil Plaintiff" No. 1589-IX dated June 30, 2021, which aims to provide the Fund with the opportunity to file civil claims in the

interests of creditors of an insolvent bank or a bank in respect of which a liquidation decision was made on the grounds defined by Article 77 of the Law of Ukraine "On Banks and Banking Activities". This law will provide an additional legal opportunity to return the property (assets) of failed banks and bring the former owners and managers of banks withdrawn by the Fund from the market to responsibility for the damage (losses) caused.

The adoption by the Verkhovna Rada of Ukraine of these laws makes a step towards ensuring the reliability and stability of the banking system and the financial system of Ukraine as a whole, restoring confidence in it on the part of depositors and creditors of banks.

In addition, during 2021, the Fund actively cooperated with the government agencies of Ukraine, international donors and consultants to determine possible ways to restore the Fund's solvency. Thus, as part of the implementation of the Memorandum on Economic and Financial Policy concluded by the Government of Ukraine with the International Monetary Fund, with the participation of the Ministry of Finance of Ukraine and the National Bank of Ukraine, measures were taken to determine the mechanism for restructuring the Fund's debt to the State, and ensuring its financial stability. As a result of such actions, it has become possible to increase the reimbursement amount for deposits and to join the household deposit guarantee system by Joint-Stock Company "State Savings Bank of Ukraine" (hereinafter – JSC OSCHADBANK), which will also help restore the confidence of depositors and creditors in the financial system of Ukraine.

To that end, the Fund, in cooperation with other government agencies, continued to work on improving the legislative norms.

Thus, due to this cooperation, the following draft laws were introduced to and registered in the Verkhovna Rada of Ukraine:

1. The draft Law of Ukraine "On Amendments to Certain Laws of Ukraine Ensuring the Stability of the Household Deposit Guarantee System" (registration number 5542-1, date of submission: May 28, 2021) was adopted as a basis in the first reading on June 30, 2021 and included in the draft agenda of the seventh session of the Verkhovna Rada of Ukraine of the ninth convocation. The draft law, in particular, defines:

- ❖ mechanism for restructuring the Fund's debt to the state;
- ❖ the legal basis for obtaining the status of a member bank of the Fund by JSC OSCHADBANK;



- ❖ an increase in the maximum reimbursement amount for deposits to UAH 600,000.

2. The draft Law "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2021" concerning the Obligations of the Deposit Guarantee Fund" (registration number 5575, date of submission: May 27, 2021) and the draft Law "On Amendments to Section VI "Final and Transitional Provisions" of the Budget Code of Ukraine concerning the Obligations of the Deposit Guarantee Fund" (registration number 5576, date of submission: May 27, 2021). Both draft laws aim to define at the legislative level effective mechanisms for restructuring the Fund's debt liabilities in order to ensure the financial stability of the Fund.

Those legislative initiatives were supported by the International Monetary Fund and the World Bank.

Pursuant to Article 14 of the Law of Ukraine "On Principles of the State Regulatory Policy in the Field of Economic Activity" during 2020 within the regulatory framework of the deposit guarantee system and bank resolution, the Deposit Guarantee Fund adopted and posted **11 regulatory acts** on the official website of the Fund in order to organize public consultations, namely:

- ❖ Draft decision of the Executive Board of the Fund "On Amendments to Decision No. 1158 of the Executive Board of the Deposit Guarantee Fund dated June 18, 2020 and Annex 8 to the Regulations for Reporting by Members of the Deposit Guarantee Fund". Date of posting on the website: December 24, 2021.
- ❖ Draft decision of the Fund's Executive Board "On Approval of Amendments to the Regulations for Forming and Maintaining Depositor Databases". Date of posting on the website: December 06, 2021.
- ❖ Decision of the Fund's Executive Board No. 1314 dated December 29, 2021 "On Approval of Amendments to the Regulations on the Procedure for Reimbursement of Deposit Funds by the Deposit Guarantee Fund". Date of posting on the website: November 05, 2021.
- ❖ Decision of the Fund's Executive Board No. 1306 dated December 23, 2021 "On Approval of Amendments to the Regulations on the Procedure for Informing the Public about the Household Deposit Guarantee System". Date of posting on the website: November 05, 2021.
- ❖ Decision of the Fund's Executive Board No. 1163 dated November 18, 2021 "On Amendments to Clause 3.33 of Section III of the Regulations on the Procedure for Conducting Inspections of Members of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on December 07, 2021 under No. 1581/37203. Date of posting on the website: September 29, 2021.
- ❖ Decision of the Fund's Executive Directorate No. 1162 dated November 18, 2021 "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 December 24, 2021 under No. 1666/37288. Date of posting on the website: September 29, 2021.
- ❖ Decision of the Fund's Executive Board No. 1137 dated November 11, 2021 "On Amendments to Table 2 of Annex 4 of the Regulations on the Procedure for Calculating, Accrual and Paying Fees to the Deposit Guarantee Fund and Approval of Amendments to the Regulations for Reporting to the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on December 01, 2021 under No. 1556/37178. Date of posting on the website: September 24, 2021.
- ❖ Decision of the Fund's Executive Board No. 1135 dated August 13, 2021 "On Approval of Amendments to the Instructions on the Procedure for the Deposit Guarantee Fund to Protect the Rights and Legally Protected Interests of Depositors", registered with the Ministry of Justice of Ukraine on November 30, 2021 under No. 1547/37169. Date of posting on the website: August 13, 2021.
- ❖ Decision of the Fund's Executive Board No. 625 of June 22, 2021 "On Approval of Amendments to the Regulations on the Procedure for Reimbursement of Deposit Funds by the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on August 17, 2021 under No. 1083/36705. Date of posting on the website: April 27, 2021.
- ❖ Decision of the Fund's Executive Board No. 465 dated May 11, 2021 "On Approval of 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 26, 2021 under No. 699/36321. Date of posting on the website: March 18, 2021.
- ❖ Decision of the Fund's Executive Board No. 495 dated May 20, 2021 "On Approval of Amendments to the Regulations for Reporting by Members of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on June 07, 2021 under No. 758/36380. Date of posting on the website: March 10, 2021.

In addition, in order to improve the legislative framework of the Fund's activities and bring it in line with the legislative amendments, **22 normative legal acts** were adopted, namely:

- ❖ Decision of the Fund's Executive Board No. 34 dated January 14, 2021 "On Approval of the Procedure for Checking Information about the Presence/Absence of Conflicts of Interest, Prevention of Conflicts of Interest in Employees of the Deposit Guarantee Fund in the Performance of Their Powers as a Provisional Administrator or Liquidator of the Bank", registered with the Ministry of Justice of Ukraine on February 26, 2021 under No. 252/35874.
- ❖ Decision of the Fund's Executive Board No. 50 dated January 18, 2021 "On Approval of the Regulations on the Specifics of the Implementation by Banks Classified as Insolvent of the Requirements of Legislation in the Field of Preventing and Countering the Legalization (Laundering) of Proceeds from Crime, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction, the Procedure for the Implementation by the Deposit Guarantee Fund of Supervision (Control) over these Banks in the Field of Preventing and Countering the Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism, and Financing of the Proliferation of Weapons of Mass Destruction, and the Procedure for Providing and





- Considering Reports on the Breach of Relevant Legislative Requirements", registered with the Ministry of Justice of Ukraine on April 01, 2021 under No. 420/36042.
- ❖ Decision of the Fund's Executive Board No. 99 dated February 01, 2021 "On Approval of Amendments to the Regulations on Personal Admission of Citizens to the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on April 01, 2021 under No. 426/36048.
  - ❖ Decision of the Fund's Executive Board No. 192 dated February 25, 2021 "On Approval of Amendments to the Regulations on the Procedure for Maintaining the Register of Member Institutions of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on March 22, 2021 under No. 357/35979.
  - ❖ Decision of the Fund's Executive Board No. 231 dated March 09, 2021 "On Amending Clause 2 of Decision No. 3117 of the Executive Board of the Deposit Guarantee Fund dated July 20, 2017", registered with the Ministry of Justice of Ukraine on March 25, 2021 under No. 396/36018.
  - ❖ Decision of the Fund's Executive Board No. 258 dated March 18, 2021 "On Amendments to Clause 11 of Section VIII of the Regulations on the Procedure for Drawing Up and Maintaining the Register of Accepted Creditors' Claims and Satisfaction of Creditors' Claims of Banks under Liquidation", registered with the Ministry of Justice of Ukraine on April 07, 2021 under No. 458/36080.
  - ❖ Decision of the Fund's Executive Board No. 496 dated May 20, 2021 "On Approval of Amendments to Certain Regulatory Legal Acts of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on June 07, 2021 under No. 755/36377.
  - ❖ Decision of the Fund's Executive Board No. 497 dated May 20, 2021 "On Approval of Amendments to the Regulations on Organizing the Sale of Assets (Property) of Banks under Liquidation", registered with the Ministry of Justice of Ukraine on July 16, 2021 under No. 921/36543.
  - ❖ Decision of the fund's Executive Board No. 614 dated June 17, 2021 "On Approval of Amendments to Decision No. 3117 of the Executive Board of the Deposit Guarantee Fund dated July 20, 2017", registered with the Ministry of Justice of Ukraine on August 10, 2021 under No. 1046/36668.
  - ❖ Decision of the Fund's Executive Board No. 692 dated July 05, 2021 "On Approval of the Regulations on the Procedure and Conditions for Granting a Loan to a Bridge Bank by the Deposit Guarantee Fund in accordance with Part 12 of Article 411 of the Law of Ukraine "On the Household Deposit Guarantee System", registered with the Ministry of Justice of Ukraine on August 04, 2021 under No. 1018/36640.
  - ❖ Decision of the Fund's Executive Board No. 717 dated July 12, 2021 "On Amendments to Clause 4 of Section II of the Instructions on the Procedure for Identifying Void Transactions (Including Contracts), as well as Actions of the Deposit Guarantee Fund upon Their Identification", registered with the Ministry of Justice of Ukraine on July 29, 2021 under No. 980/36602.
  - ❖ Decision of the Fund's Executive Board No. 858 dated August 19, 2021 "On Amendments to Clause 2 of the Regulations on the List of Information Submitted to the Credit Register of the National Bank of Ukraine by the Deposit Guarantee Fund Directly or by an Authorized Officer of the Fund in Case of Delegation of Authority Thereto", registered with the Ministry of Justice of Ukraine on September 17, 2021 under No. 1227/36849.
  - ❖ Decision of the Fund's Executive Board No. 859 dated August 19, 2021 "On Determining the Procedure for Selling the Debtor's Property during Enforcement Proceedings in Which the Bank, the Provisional Administration Is a Recoveror, or Liquidation of Which Is Carried Out in Accordance with the Law of Ukraine "On the Household Deposit Guarantee System", registered with the Ministry of Justice of Ukraine on September 07, 2021 under No. 1173/36795.
  - ❖ Decision of the Executive Board of the Fund of August 26, 2021 No. 871 "On Amendments to Clause 2 of Section IV of the Regulation on the Procedure for Restructuring Loan Debt of Individuals (Except Sole Proprietors) under Loan Agreements, Performance under Which is Secured by a Mortgage, to Banks Being Liquidated by the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on September 14, 2021 for No. 1205/36827.
  - ❖ Decision of the Fund's Executive Board No. 934 dated September 16, 2021 "On Approval of Amendments to the Regulation on Access and Internal Security Regimes in the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on October 01, 2021 under No. 1291/36913.
  - ❖ Decision of the Fund's Executive Board No. 983 dated September 23, 2021 "On Approval of Amendments to the Regulations on Organizing the Sale of Assets (Property) of Banks under Liquidation", registered with the Ministry of Justice of Ukraine on November 04, 2021 under No. 1431/37053.
  - ❖ Decision of the Fund's Executive Board No. 984 dated September 23, 2021 "On Approval of Amendments to the Regulations on the Commission for Consideration of Complaints and Preparation of Proposals for the Organization and Conduct of Open Bidding (Auctions) for the Sale of Assets (Property) of Banks Withdrawn from the Market or Liquidated", registered with the Ministry of Justice of Ukraine on October 11, 2021 under No. 1317/36939.
  - ❖ Decision of the Fund's Executive Board No. 993 dated September 27, 2021 "On Approval of the Regulations on the Procedure for Calculating the Amount of Expenses of the Deposit Guarantee Fund, by which the Amount To Be Transferred to the Pledgee of Property (Assets) Sold by the Deposit Guarantee Fund Is Reduced, Making Changes and Invalidating Certain Decisions of the Executive Board of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on November 05, 2021 under No. 1436/37058, 1437/37059.
  - ❖ Decision of the Fund's Executive Board No. 1075 dated October 25, 2021 "On Approval of Amendments to the Regulations on the Procedure for Drawing Up and Maintaining the Register of Accepted Creditors' Claims and Satisfaction of Creditors' Claims of Banks under Liquidation", registered with the Ministry of Justice of Ukraine on November 15, 2021 under No. 1494/37116.



- ❖ Decision of the Fund's Executive Board No. 1077 dated October 25, 2021 "On Amendments to Decision No. 2056 of the Executive Board of the Deposit Guarantee Fund dated December 07, 2020", registered with the Ministry of Justice of Ukraine on November 11, 2021 under No. 1482/37104.
- ❖ Decision of the Fund's Executive Board No. 1131 dated November 08, 2021 "On Amendments to Clause 7 of the Regulations on the Committee on Consolidation, Management and Sale of Property (Assets) of Banks of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on November 24, 2021 under No. 1535/37157.
- ❖ Decision of the Fund's Executive Board No. 1228 dated December 06, 2021 "On Amendments to Annexes 3 and 4 to the Regulations on Resolution of an Insolvent Bank",

registered with the Ministry of Justice of Ukraine on December 21, 2021 under No. 1646/37268.

The Fund is one of the key participants of the financial sector, which, together with other government agencies, ensures the financial stability of the country. The proper implementation of the tasks faced by the Fund directly depends on the state of its operating environment and the ability to effectively respond to potential risks and threats. The global pandemic caused by the SARS-CoV-2 coronavirus has become one of the new types of threats. Coronavirus has become a variable that has had an impact on the functioning of all bodies and institutions not only in Ukraine, but also around the world. The above served as an impetus for the revision of both the strategic plans of the state and, accordingly, the sectoral strategic plans for the development of institutions.

### **Financial Sector Development Strategy until 2025 and Development Strategy of the Deposit Guarantee Fund until 2022**

In furtherance of the decision of the Financial Development Working Group (Committee) under the Financial Stability Board, amendments were made to the Financial Sector Development Strategy of Ukraine until 2025 (hereinafter referred to as Strategy 2025) by revising the text thereof.

In accordance with the updated version, the Action Plan for the Implementation of the Strategy 2025 was supplemented with new measures for the Fund, in particular:

- ❖ implement measures to improve the institutional capacity of the Fund by preparing appropriate legislative amendments to ensure actions for compensation of damage (losses) to creditors, protection of depositors' rights, and other issues related to the Fund's functionality;
- ❖ ensure participation of JSC OSCHADBANK in the Fund;
- ❖ develop and implement mechanisms for credit unions and life insurance companies to acquire membership and to be withdrawn from the market of Ukraine;
- ❖ work out the issue of extending the Fund's guarantee to other categories of bank depositors, in particular legal entities, and gradually increase the reimbursement amount for deposits in banks;
- ❖ develop a financial literacy framework for adults, children and young people, broken down by age group (from 5 to 18 years).

Since the Fund participates actively in the implementation of the Strategy 2025 and the National Economic Strategy until 2030, the main goals and objectives of the Fund are defined by the Fund's Development Strategy until 2022, which are aimed at further institutional development of the Fund and active participation of the Fund in the life of the country.



## 8.2. Creation of guarantee systems for non-bank financial institutions

In accordance with the best international practices, Ukraine has started the process of creating guarantee systems for non-bank financial institutions, namely:

- deposit guarantee system for credit union members;
- systems for guaranteeing payments under universal life insurance contracts.

These initiatives were reflected in the Financial Sector Development Strategy of Ukraine until 2025 approved by the Financial Stability Board of Ukraine.

In 2021, the Fund, in cooperation with the National Bank of Ukraine and international organizations, developed and approved a concept for creating a deposit guarantee system for credit union members, as well as developed corresponding draft legislative amendments to extend the guarantee system to credit unions.

In general, a combination of updated approaches to the oversight (the National Bank of Ukraine is implementing a risk-based approach), the expansion of the list of financial services and the creation of a deposit guarantee system for credit unions members will give an impetus to the development of the currently stagnant credit cooperation market in Ukraine.

In 2021, the Fund also worked out the best international practices for implementing and operating a system for guaranteeing payments under universal life insurance contracts. In the near future, it is planned to develop the most optimal model of the guarantee system for life insurers, taking into account the specifics of the life insurance business and its significant concentration in Ukraine.

The introduction of the above-mentioned new guarantee systems will open up new opportunities, both for the members of these financial markets and for each individual depositor or policyholder, namely:

- ❖ growing confidence in non-bank financial institutions among the population of Ukraine;
- ❖ preventing risky activities of a non-bank financial institution;
- ❖ stimulating the attraction of funds to the market of non-bank financial institutions;
- ❖ participation in the program for financial education of the population, which has now been successfully implemented by the Fund, to make a positive contribution to the popularization of the institutions themselves and the financial services they provide;
- ❖ a system of payments of funds guaranteed by the Fund and the shortest possible time for these payments have been established;
- ❖ methods of organizing and implementing the settlement of the insolvency of a financial institution have been established.

One of the Fund's objectives is to accept non-bank financial institutions that raise funds as full-fledged partners of the guarantee system and are undoubtedly confident that, following the example of the banking system, this will only lead to the strengthening and growth of the relevant segments of the country's financial market.



## 9. Risk management and business operations

### 9.1 DGF risk management

In accordance with the strategic development priorities of the Deposit Guarantee Fund for 2021, they continued to create an effective and modern risk management system that meets the best practices in the field of deposit insurance. Preparations have begun for the stress testing of the household deposit guarantee system, the main goal of which is to increase the level of sustainability and functioning of the deposit guarantee system in the context of a serious economic downturn. The Fund has developed a draft concept for conducting the stress testing of the deposit guarantee system, which describes the main stages of conducting stress testing, risk assessment during stress testing, basic assumptions for stress testing, guidelines, final principles, etc., and suggests several stress scenarios.

Approaches to the methodology for assessing insurance risks have been improved, namely: a new methodology has been developed for calculating the bank insolvency risk, which is identified by calculating the predicted liquidation cost comprising the projected guaranteed reimbursement amount for deposits within 12 months and the projected amount of the Fund's expenses for withdrawing insolvent banks from the market and the costs of insolvent banks for liquidation within 12 months.

In compliance with the requirements of the Regulation on the Fund's Risk Management System, approved by Decision No. 772 of the Fund's Executive Board dated April 09, 2020, the Risk Exposure Statement of the Deposit Guarantee Fund was developed and approved. Its main purpose is to form in a concise informative presentation the projected scope of risks which the Fund is ready to assume in its activities. The implementation of this document helps to improve the quality of decision-making on the strategic issues of the Fund's activities, helps to build a culture of risk awareness in the Fund and ensure that the Fund performs functions defined by the legislation of Ukraine. The document provides summary information on the regulation of all types of risks in the Fund and approaches to risk reduction, defines the Fund's ability to take risks, its risk appetite, and thresholds for tolerance to financial losses which the Fund wants to keep within certain

limits in order to avoid excessive capital utilization during normal operations. The development of the Statement allows to determine the cumulative level of risk appetite and the types of risks which the Fund intends to assume and retain to perform its functions; the level of risk appetite for each of type of risks, which should become the basis for setting limits for each of the types of risk, as well as a minimum list of quantitative indicators of risk appetite for each of the types of risk; limit value; signal value; calculation of the value of risk appetite, and the list of assumptions that were used by the Fund in such calculation.

The fifth group of risks, "Public Risks", i.e. the probability of adverse consequences both for the Fund and for the whole financial system of Ukraine, due to the formation of false (distorted) ideas or negative opinions about the guarantee system and the Fund's activities, was developed and implemented in the groups of risks which the Fund classifies in its activities. At the same time, a methodology for identifying public risks has been developed and implemented, namely: the risk of reputational losses, the risk of low financial literacy of the population, and the risk of violation of the rights and interests of depositors, which is identified by: analyzing the materials of social surveys, analyzing measurements of the level of financial literacy and awareness of the population about the guarantee system, analyzing the materials of constant and periodic monitoring of banks' compliance with the legislative requirements for the household deposit guarantee system on the protection of rights and legally protected interests of depositors, monitoring the number and share of negative materials in the total number of mentions of the Fund in the media and social networks, etc. The development of this document required processing a large amount of information and holding a number of meetings with departments that are owners of risks belonging to the "Public Risks" group.

The implementation of the above-mentioned documents and methodologies makes it possible to improve risk management in the Fund in a structured and professional manner, and to minimize the occurrence of future risks and losses of the Fund.



## 9.2. Personnel management and development

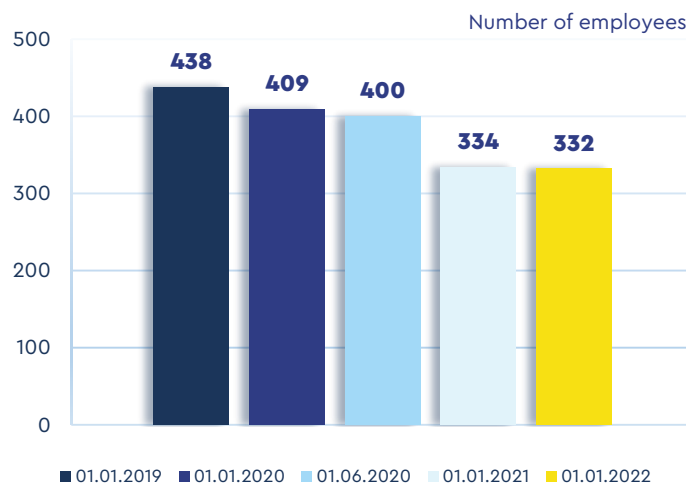
During 2021, the Fund extended the implementation of the personnel policy, one of the priorities of which was to support an effective personnel management system that would ensure a high-quality and timely implementation of tasks in all areas of the Fund's activities.

In 2021, in the context of the COVID-19 pandemic, much attention was paid to ensuring a reduction in the risk of infection of the team:

- ❖ information events were constantly held for employees about the state of COVID-19 incidence, and recommendations were given by the Ministry of Health of Ukraine by sending letters to employees' emails;
- ❖ the schedule and form of work organization in the Fund have been changed. Corporate events were introduced to ensure the participation of a significant number of members (meetings, committee meetings, meetings, etc.) via video calls using various modern IT resources;
- ❖ during the year, staff work was organized with the optimal number of employees working simultaneously in the Fund's premises;
- ❖ the Fund promptly responded to the appearance of diseases and changed the composition of employees working in the Fund's premises in an organized manner, providing PCR testing in order to detect the acute respiratory disease COVID-19 caused by the SARS-CoV-2 coronavirus, thereby ensuring safety at the workplace.

In 2021, the Fund continued the processes to optimize the number of employees in general, which were started back in 2019 and continued in 2020. As of December 31, 2021, the Fund's full-time staff consisted of 332 full-time equivalents, which is 1% less compared to the beginning of 2020. The trend of the decline in the number of full-time employees is shown in Figure 9.2.1.

**Fig. 9.2.1 Staff decline trend during 2019-2021**



During 2021, the structure of the Fund did not change. So, as of December 31, 2021, the Fund's structure consisted of 27 independent structural units, including 6 departments, 5 divisions, 5 services, 9 units, etc., which is identical compared to last year.

The Personnel Management and Development Department paid attention to performing functions within the competence defined by the legislation of Ukraine, amidst the existence of objective risks, maintaining the efficiency of processes, preserving the Fund's resources, ensuring the continuity of the division's activities, compliance with legislation and internal regulatory documents being an integral part of the functioning of the risk management system in the Fund.

In order to introduce modern HR management practices, an updated system of personnel motivation was introduced in 2021, the advantage of which was:

- ❖ more flexible execution system management;
- ❖ more motivated impact on the effectiveness of the Fund's employees. An opportunity for each employee to feel their contribution to achieving the Fund's strategic goals;
- ❖ an opportunity for managers to further motivate individual employees.

In 2021, the annual performance assessment of the Fund's employees was carried out taking into account the changes introduced, which generally increased the objectivity and ensured the successful implementation of the procedure. For the first time, employees of the internal audit service were evaluated by external experts.

Professional advancement and development of professional skills of personnel constitutes an integral part of the Fund's personnel policy. For this purpose, both internal corporate training and employee participation in various online seminars, round tables, conferences, and trainings organized by specialized training centers were provided throughout the year.

During 2021, a number of events were organized, including training on corruption prevention, for all employees of the Fund, including the management of the Fund, i.e. "Practical Aspects of Filling Out Statements", and other events attended by 47 employees of the Fund.

In 2021, the Fund's management continued to take care of the health and safety of employees and to minimize the risks of diseases. The Fund continued to demonstrate first to internal and then to external stakeholders a worthy test of quarantine restrictions and retained attractive offers for cooperation, ensuring their loyalty in the future.

In 2021, the Fund continued to rebuild and automate business processes and develop online communication with employees. Today, in an era of rapid changes, digitalization, and unpredictability, human relationships and communication have become the most demanded value. Consequently, internal communications are focused on improving employee



productivity and efficiency, especially those who work remotely.

In 2021, in order to effectively communicate with banks that are being liquidated by the Fund, and ensure the procedures for bank liquidation, which is directly carried out by the Fund, constant work was carried out to coordinate the

implementation of personnel administration of banks, including coordination of projects of structures, staff lists, individual salary levels and candidates for the positions of heads of key structural divisions of insolvent banks, compliance with the legislative requirements and current amendments thereto. Responses were provided to continuous requests and appeals from former employees of banks and authorities.

### 9.3. Internal audit

During 2021, in accordance with the audit plan, 9 audits were conducted in the main areas of activity of the structural units of the Deposit Guarantee Fund, including:

- ❖ financial and investment activities of the Fund;
- ❖ making payments to depositors;
- ❖ verification of compliance with procedures for withdrawing insolvent banks from the market;
- ❖ verification of control over the fulfillment of banks' obligations in connection with their participation in the household deposit guarantee system;
- ❖ verification of procedures for storing information assets.

The Internal Audit Service, guided by international standards of professional practice of internal audit, evaluated the internal

control system. The effectiveness of the management of risks inherent in the audited area of activity was checked, and recommendations were given to improve the existing internal control procedures.

Reports on the conducted inspections with conclusions and proposals were submitted for review to the Fund's management, heads of the audited structural units, as well as for approval by the Fund's Administrative Board.

The approved conclusions and proposals, based on the materials of inspections, were fully taken into account in the work of the Deposit Guarantee Fund.

### 9.4. Information technology

In 2021, the Fund improved and optimized the IT infrastructure in accordance with the strategic areas of IT development to ensure the business processes of functioning of the household deposit guarantee system and the withdrawal of insolvent banks from the market. The main tasks of the Fund's IT in accordance with the goals and objectives faced by the Fund include:

- ❖ ensuring the reliability of the Fund's IT systems for efficient and high-quality performance of the Fund's functions;
- ❖ reliable storage and quality of information (data) stored in the information systems of insolvent banks under the management of the Fund and banks that have already been migrated to the Fund's IT infrastructure, as well as data that support the Fund's business processes;
- ❖ guaranteeing the security of data and IT systems, which implies, first of all, the impossibility of unauthorized data manipulation.

In order to centralize the processes of resolving insolvent banks from the market (including organizing the storage of bank information) and optimize the costs of insolvent banks, in 2021, the Fund implemented the necessary measures to migrate data from the information systems of insolvent banks and to transfer such banks on a centralized basis to the following systems of the Fund:

- The Unified Operational Information System of Insolvent Banks (hereinafter referred to as the UOIS) is a consolidated software package containing data from

ODB/ABS and other information systems of insolvent banks and designed to ensure the operational activities of such banks;

- A software package for withdrawing insolvent banks from the market (data warehouse, DWH), which enables centralized processes for preparing assets of insolvent banks for sale, accounting for claims and claims work on the legal cases of insolvent banks, maintaining contracts and the register of creditors of insolvent banks, provides consolidation of the insolvent banks' data in the process of withdrawing them from the market.

During 2021, data from 6 insolvent banks were migrated, namely: PJSC CB PREMIUM, JSC JSCB ARKADA, JSC Misto Bank, PJSC ZLATOBANK, JSC DELTA BANK, JSC COMMERCIAL BANK ZEMELNY CAPITAL.

In total, at the end of 2021, 96 insolvent banks were migrated to the Fund's information systems (UOIS, DWH) and transferred to centralized operation in these systems.

The use of the UOIS by the Fund provides advantages in performing the functions of withdrawing insolvent banks from the market, namely:

- ✓ control over insolvent banks' activities, including financial flow control, transaction control, financial controlling of planning and expenses;
- ✓ maintaining a unified accounting policy in the insolvent banks;



- ✓ implementation of the 3rd model for insolvent banks;
- ✓ full information support for the bank's liquidation operations;
- ✓ providing operational monitoring of insolvent banks' assets;
- ✓ implementation of centralized management of insolvent banks;
- ✓ significant reduction of information systems in the insolvent banks, their maintenance and maintenance costs;
- ✓ preservation of operational data of insolvent banks.

In order to optimize control over the operating activities of insolvent banks, the UOIS was improved in 2021 in terms of expanding the functionality of the Budget of Insolvent Banks subsystem.

In order to increase the efficiency of the processes of withdrawing insolvent banks from the market in 2021, the DWH was improved in terms of:

- ✓ expansion of the functionality of the "Directory of Insolvent Banks" module;
- ✓ modernization of the procedure for generating indicators for the Bank Passport report set;
- ✓ modernization of the exchange mechanism with the ProZorro.Sales system;
- ✓ development of a complex filter in the Claim Processing and Court Cases modules;
- ✓ improvement of the mechanism for updating information from the UOIS in terms of work optimization and data unification;
- ✓ modernization of tools for monitoring insolvent banks' assets and the status of legal entities that are debtors of insolvent banks through the online services of such service providers;
- ✓ improvement of the developed modules for data replication from the UOIS to expand data on insolvent banks.

Modernization of the Software Package for withdrawing insolvent banks from the market (data warehouse, DWH) provides the Fund with the following opportunities:

- ✓ use of a complete unified information base of the Fund for making decisions to support the withdrawal of insolvent banks from the market;
- ✓ formation of reports 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 the Fund's specialists;
- ✓ analysis of performance indicators of problem banks in order to prevent the bank's critical condition;
- ✓ ensuring the processes of claim management work in the insolvent banks;
- ✓ monitoring the status of assets of insolvent banks and legal entities being insolvent banks' debtors in the state registers of Ukraine.

Improving the centralization of the Fund's processes in 2021 also includes upgrading the Data Analysis and Analytical

Reporting (MIS) System in terms of expanding information sources and output reporting forms, namely:

- ✓ modification of dashboards in the Finance section;
- ✓ modification of the procedures for writing logging data to logging structures;
- ✓ modification of file upload procedures, ensuring control over the occurrence of errors during uploading, recording relevant write information in logging structures;
- ✓ modification of the Excel file upload process in a scripting language;
- ✓ development of the procedures to record the state of loading processes (converting and intercepting errors) in the Oracle database;
- ✓ implementation of the 1st stage of the ETL process logging system in the VI system – recording of technological metadata on primary source updates;
- ✓ development of a mechanism for downloading data on the sale of assets of insolvent banks from the ProZorro.Sales system;
- ✓ improvement of the procedure for forecasting financial resources of the Fund;
- ✓ development of the procedure for downloading data from auctions of assets of insolvent banks from information land trading platforms;
- ✓ creating a publicly accessible dashboard with data on the Fund's member banks;
- ✓ creating dashboards with information on the Fund's internal risks;
- ✓ creating procedures for uploading data on the sale of securities and direct sale of assets and including this data in dashboards;
- ✓ implementation of dashboards for internal panels of the Fund;
- ✓ development of metadata content in Perfex and PowerDesigner systems.

The Fund's data analysis and analytical reporting systems enable:

- ✓ centralized management reporting of the Fund, timely provision of information of the required level of detail on the key processes of the Fund for the purpose of making subsequent managerial and strategic decisions;
- ✓ organizing a unified platform for each user for the purpose of prompt obtaining of data necessary for the generation and receipt of reports from various corporate and external sources of the Fund;
- ✓ users of this System can perform flexible data analysis, filtering, sorting, grouping and counting of indicators for any analytical section and time interval;
- ✓ construction of anchor reports, reports on finances and liquidity management, asset sales results, results of payments of guaranteed amounts to depositors for reporting periods, etc.;
- ✓ building forecast indicators for subsequent periods and calculating performance indicators;
- ✓ coverage of detailed information about the company as a whole and for each insolvent bank separately;
- ✓ implementation of data storage on the key functions of the Fund;



- ✓ implementation of automated ETL procedures for collecting, processing, and uploading required data on a regular basis.

To ensure payments of guaranteed reimbursement amounts for deposits placed in insolvent banks, the Fund uses the Automated Payment System of the Fund (hereinafter referred to as the APSF) software package, which contains both operational and historical data on payments of guaranteed amounts for the entire period of operation of the Fund.

In order to improve the process of paying guaranteed amounts to depositors of insolvent banks during 2021, the Fund upgraded the APSF in the following areas:

- ❖ modernization of AGENT BANK – PCF data exchange protocols;
- ❖ creation of a generalized on-screen form of record cards in the menu item "Organization of Payments";
- ❖ creation of a report "Extract on depositors according to the list downloaded from the file";
- ❖ creation of a record form for payments made under a SES court decision;
- ❖ development of the report "Reconciliation of the Creditor's Claims and Liabilities of the Fund as of \_\_\_\_\_, 01, 20\_\_";
- ❖ development of a mechanism for managing the technical password of the PCF database;
- ❖ modernization of the mechanism for recording the blocking of accounts on the PCF;
- ❖ adding the functionality of payment suspension to the PCF to the "Account Cards" form;
- ❖ development of an interface for interaction between the Unified Access Control System and the APSF;
- ❖ creation of a mechanism for managing the activity of Telegram versions of the AGENT BANK-PCF protocol;
- ❖ development of a separate functionality for payments through the PCF in furtherance of court decisions;
- ❖ full testing of APSF upon updating the database software to Oracle version 19;
- ❖ optimization of the algorithm for calculating the guaranteed amount in the APSF;
- ❖ changing the algorithm for processing blocked accounts when changing the amount with the D file;
- ❖ development of the report "Balance of Agent Banks as of the Date";
- ❖ development of a tool for suspending payments on all depositor accounts.

Modernization of the APSF makes it possible to use automated tools of the payment system in a more flexible manner, and makes the process of making payments of guaranteed amounts to depositors more optimal and efficient.

In 2021, the APSF introduced the use of a Qualified Electronic Signature (QES) to carry out the processes of preparing information for payments and transferring it to the Fund's Processing Center (PCF).

In furtherance of the government policy aimed at the digitalization and transfer of office work of state institutions to electronic form, in compliance with the Laws of Ukraine "On Electronic Documents and Electronic Document Management"

and "On Electronic Digital Signature", in accordance with the tasks defined by the Financial Sector Development Strategy of Ukraine until 2025, the Fund in 2021 continued to carry out measures to improve and expand paperless document management using QES.

In 2021, in the area of development of electronic document management, the Fund transferred correspondence between the Fund and authorized officers of the Fund for the liquidation of banks to the Electronic Document Management System of the ASCOD fund using a Qualified Electronic Signature or an enhanced electronic signature (except for documents containing information with restricted access).

In 2021, to ensure electronic document management, the Fund:

- ✓ exchanged electronic documents between the Fund and the NBU (and other state institutions and banks) (except for documents with restricted access (BT), documents subject to permanent storage, forwarding of citizens' appeals, etc.);
- ✓ maintained most of the Fund's internal document flow in the form of electronic documents using the qualified electronic signature.

The introduction and use of electronic document management provides the following advantages:

- ✓ electronic documents are certified with the qualified electronic signature in accordance with the requirements of the Law of Ukraine "On Electronic Documents and Electronic Document Management";
- ✓ reduction of the cost and time required for sending and processing documents;
- ✓ reduction of the number of intermediate procedures required for sending and receiving correspondence (electronic documents), i.e. electronic documents move directly from one ASKOD system to another;
- ✓ optimization of internal document approval and signing processes and improvement of the executive discipline;
- ✓ effective remote support of documentation processes in the Fund by employees in connection with the establishment of quarantine and the introduction of restrictive anti-epidemic measures in order to prevent the spread of acute respiratory disease COVID-19 caused by the SARS-CoV-2 coronavirus in the territory of Ukraine.

In order to increase the level of security of the reporting portal of the "Bank Reporting" software package, in 2021 the Fund implemented the following improvements to this complex, namely:

- ❖ development and implementation of the process of downloading scanned copies of certificates of Fund's members and transferring them along with a certain list of information to other software packages;
- ❖ development and implementation of internal reporting forms based on the RC report file;
- ❖ modernization of the mechanism for receiving and processing reporting files, changes to the reporting data control rules;
- ❖ development of a mechanism for regular automatic updating of currency exchange rates on the next banking day;





- ❖ development of a module for monitoring and uploading files of the 6Nx type;
- ❖ development of a mechanism for archiving files of submitted reports from banks.

The introduction of these changes in the "Bank Reporting" software package in 2021 made it possible to increase the information security of banks' work on providing electronic reporting to the Fund, optimize the speed of data processing, and expand the functionality of data processing.

During 2021, the Fund's call center and information resource were improved in terms of integrating a Facebook-type social network chatbot on the Internet.

In order to centralize the information resources of insolvent banks, the websites of all insolvent banks are functioning on the basis of the specified information resource of the Fund.

The Fund's information resource allows to introduce new tools for covering information on the Internet.

Currently, the Fund has strategic goals to centralize information resources and expand the functions of providing online services, including:

- ❖ centralization of information resources of insolvent banks;
- ❖ transfer of information flows from paper to electronic mode;
- ❖ providing the Fund's clients and insolvent banks with online services;
- ❖ automation of business processes of the Fund and insolvent banks.

In accordance with the action plans approved by the Fund's Executive Board to complete the liquidation procedure, in order to preserve information and minimize costs for computing capacities, the Fund adopted virtualized information systems of fourteen banks during 2021. As of the end of 2021, two hundred and ninety copies of banks' virtualized information systems were audited, underwent stock-taking, and were placed on the Fund's resources.

In order to organize access to the archived data of liquidated banks and to ensure their long-term and reliable storage, fifty-six banking systems (ODB and others) of ten banks were transferred to the Fund's cloud-based environment.

Taking into account the growing volumes of information processing and the need for duplication of key components, a deep modernization of the Fund's network infrastructure was carried out, which made it possible to significantly improve the performance of the local network, including wireless WiFi technologies, as well as to unite disk arrays into a single managed network, and to create a duplicate routing system for external communications, taking into account modern requirements for information protection.

In 2021, standardization of Oracle server settings for Fund systems and organization of hot database redundancy to improve fault tolerance were continued.

To ensure reliable storage of electronic information (data) contained in the Fund's information systems, backup and storage of such information was implemented:

- ❖ on cloud-based resources of external providers;
- ❖ on tape media in a remote storage location.

In order to automate, facilitate the management and control of the Fund's business processes, the following automated processes were developed and implemented:

- ❖ business processes for managing operational and compliance risks, as well as planning and monitoring relevant risk events;
- ❖ business processes for coordinating appropriate access to the Fund's information systems for employees and employees of insolvent banks;
- ❖ business process for automating the maintenance of the register of contracts (with all annexes) for the purchase and sale of assets of insolvent banks and banks under liquidation;
- ❖ processes for the Internal Audit Service.

In order to organize access to archived data, as well as ensure their long-term and reliable storage, an innovative process of developing and implementing an archive of the historical database of the ProZorro.Sales electronic trading system was initiated with regard to the organization and the implementation of open bidding (auctions) for the sale of assets (property) of banks being withdrawn from the market and banks under liquidation, and with regard to the register of assets of the Deposit Guarantee Fund.

Due to the growing number of targeted and complex attacks on state-owned enterprises, the Fund upgraded the protection of the Fund's mail system to modern Cisco email security equipment and software, and integrated them with the protection against malicious codes, such as "sandbox".

The latest Cisco Firepower security firewalls were installed and configured, and integration with the SIEM Fund system was performed. To ensure preventive protection, a connection to the Center for Anti-Virus Information Protection of the State Service for Special Communications of Ukraine and the Situation Center for Ensuring Cybersecurity of Ukraine of the Security Service of Ukraine was established.

The Deposit Guarantee Fund constantly cooperates with existing Ukrainian banks to improve and use the latest security mechanisms in information processing and remote inspections.

Significant upgrades have been made to the reporting protection mechanisms of existing banks on the Fund's Portal, in terms of working with a qualified and improved electronic signature.

The Deposit Guarantee Fund continues the procedure for building a comprehensive information protection system for the Fund's information systems.

To counteract complex fishing attacks, employees are constantly trained to improve their theoretical and practical knowledge of information security.



**Annex to the 2021 Annual Report of the Deposit  
Guarantee Fund**

## REPORT

**on the Implementation of the 2021 Investment Plan  
of the Deposit Guarantee Fund**

<b>Fund's Investments</b>	<b>Investment amount according to the 2021 Investment Plan, UAH million</b>	<b>Actual investment for 2021, UAH million</b>	<b>Execution, %</b>
<b>Total investment amount</b>	<b>13,206.0</b>	<b>11,498.5</b>	<b>87.1</b>
including:			
Formation of the authorized capital of the bridge bank	206.0	0.0	0.0
Amount of investment in government securities, total	13,000.0	11,498.5	88.5
including:			
government securities	X	11,498.5	x
bonds of international financial organizations placed in the territory of Ukraine	X	-	X



# FINANCIAL STATEMENTS and MANAGEMENT REPORT

for the year ended December 31, 2021

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## 2021 MANAGEMENT REPORT

### BACKGROUND INFORMATION ABOUT THE DEPOSIT GUARANTEE FUND

The Deposit Guarantee Fund (the Fund) is one of the key financial sector entities which, in cooperation with other authorized public bodies, ensures the country's financial stability.

The Fund operates in accordance with the Constitution of Ukraine, the Law of Ukraine "On the Household Deposit Guarantee System" (the Law), and other legislative acts of Ukraine.

The purpose of the Fund's operations is to ensure the protection of rights and legal interests of bank depositors as well as to promote the stability of the Ukrainian banking system.

The core objective of the Fund is to ensure the functioning of the household deposit guarantee system and insolvent bank resolution.

The Fund is a legal entity under public law, has separate property being the object of the state property right, and is under its economic jurisdiction. The Fund is a non-profit institution.

The Fund is an economically independent institution, has an independent balance sheet, current and other accounts with the National Bank of Ukraine, as well as securities accounts at the depository institutions – state-owned banks.

The Fund is located in Kyiv.

Details of the Fund's operations and functions are provided in Note 1 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2021 and for the year then ended.

### GOVERNANCE OF THE DEPOSIT GUARANTEE FUND

The Fund's governing bodies include the Administrative Board and the Executive Board.

#### Administrative Board

Pursuant to the Law, the Fund's Administrative Board shall:

- ❖ approve the development strategy of the Fund and the annual plan of its activity;
- ❖ approve the principles of the Fund's investment policy and the Fund's annual investment plan;
- ❖ approve the cost estimates of the Fund;
- ❖ approve the decision of the Fund's Executive Board on assigning a special fee to the Fund or differentiated fees to the Fund depending on bank risks;
- ❖ decide on increasing the maximum limit of compensation for deposits;
- ❖ approve the decision of the Fund's Executive Board to raise a loan or non-repayable financial aid;
- ❖ appoint an auditor on an annual basis to conduct an audit of the Fund;
- ❖ approve the annual report of the Fund;
- ❖ approve the procedure and conditions of remuneration for the Executive Board members of the Fund;
- ❖ approve the Fund's Executive Board report on the status of sale of assets (property) of the banks in respect of which a decision on banking license revocation and liquidation was made;
- ❖ approve the report of the Fund's Executive Board substantiating the least expensive for the Fund method of insolvent bank resolution and the status of the settlement plan.

The Administrative Board of the Fund performs other functions in accordance with the powers defined by the Law.

The Administrative Board of the Fund consists of five persons: a representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, a representative of the dedicated committee of the Verkhovna Rada of Ukraine, and the Managing Director of the Fund. The Administrative Board of the Fund shall be governed by a chairman, who is elected annually by the Administrative Board of the Fund from among its members. The Managing Director of the Fund may not be elected as the Chairman of the Administrative Board of the Fund. Members of the Administrative Board of the Fund shall exercise their functions on a pro bono basis.

#### The composition of the Administrative Board

**Vladyslav Bednenko**, Legal Department Director, National Bank of Ukraine, **Chairman of the Fund's Administrative Board.**

**Natalia Strakhova**, Deputy Director of the Financial Policy Department, Head of the Division of the Ministry of Finance for Banking Services and Interaction with the National Bank of Ukraine.

**Halyna Pakharchuk**, Director of the Financial Controlling Department, National Bank of Ukraine.

**Svitlana Rekrut**, Managing Director, Deposit Guarantee Fund.



### Executive Board of the Fund

The Executive Board of the Fund manages daily activities of the Fund and ensures the Fund's performance of the functions specified in the Law.

The Executive Board of the Fund consists of seven members. The Managing Director of the Fund and his deputies are members of the Executive Board of the Fund ex officio. The Managing Director is appointed by the decision of the Administrative Board of the Fund for a term of five years with the possibility of reappointment for no more than one term. Deputy Managing Directors of the Fund are appointed and dismissed by the Managing Director upon approval of the Fund's Administrative Board.

Decisions of the Fund's Executive Board are taken at the meetings by a simple majority of votes, provided that at least four members of the Executive Board participate in the meeting. In case of equal distribution of votes, the Managing Director of the Fund shall have a casting vote.

#### The Executive Board consists of:

**Svitlana Rekrut**, Managing Director of the Fund.

**Andriy Olenchuk**, Deputy Managing Director, in charge of strategic planning of the Fund's activities, improvement of the legal framework in the banking sector and the household deposit guarantee system, implementation of the information policy and communications with representatives of mass media and public organizations.

**Olha Bilay**, Deputy Managing Director, in charge of bank monitoring and inspection, early response, introduction of provisional administration and bank liquidation, and ensuring the work of the committee on consolidation, management and sale of bank property (assets).

**Natalia Rudukha**, Deputy Managing Director, in charge of operational and economic activities of the Fund and information technology functioning.

**Viktor Novikov**, Deputy Managing Director, in charge of the Fund's legal policy, including representation of interests of the Fund in court, organization and implementation of litigation activities.

**Olena Nuzhnenko**, Chief Financial Officer, directs (as well as coordinates) financial and investment procedures, procurement and contracting, organizes the risk management system and management reporting in the Fund.

## ORGANIZATIONAL STRUCTURE

In 2021, the organizational structure of the Fund did not change and as of December 31, 2021 comprised 27 independent structural units, including 6 departments, 5 divisions, 5 services, and 9 units. As of December 31, 2021, the Fund's staff totaled 332 full-time employees (as of December 31, 2020, they numbered 334).

Further information about the Fund's organizational structure is available on the Fund's website at:

<https://www.fg.gov.ua/articles/39919-organizaciyna-struktura.html>

## KEY ACHIEVEMENTS IN THE REPORTING PERIOD

To ensure the implementation of the Development Strategy of the Deposit Guarantee Fund for 2022 (hereinafter – the Strategy) approved by the Fund's Administrative Board (Minutes No. 16 dated December 24, 2020), the Fund adopted the Action Plan of the Deposit Guarantee Fund for 2021 (hereinafter – the 2021 Action Plan).

The 2021 Action Plan was approved by Decision No. 9 of the Fund's Administrative Board dated June 15, 2021, and contains a list of measures the Fund carried out during 2021.

According to the strategic areas of the 2021 Action Plan, the main achievements of the Fund in 2021 included:

Strategic area	Key achievements in 2021
<p><b>Elaboration and improvement of legislation on the deposit guarantee system and resolution of insolvent banks, restoration of the Fund's solvency</b></p>	<p>❖ Adoption of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Improving Mechanisms for Withdrawal of Banks from the Market and Satisfaction of Creditors' Claims of These Banks" No. 1588-IX dated June 30, 2021, which, inter alia:</p> <ol style="list-style-type: none"> <li>1) Improves the legislation governing the mechanisms for compensation of damage (recovery of losses) by persons associated with the bank and other persons who caused damage (loss) to the bank and its creditors</li> <li>2) Improves procedures aimed at preserving the property (assets) of the bank being withdrawn by the Fund from the market, and preventing the loss of property (assets) of such bank, procedures regarding the determination of void transactions, the procedure for conducting the liquidation procedure, legal protection of employees of the Fund and members of its Administrative Board, certain issues related to the payment of fees and state duty, and the settlement of the issue of secured creditors</li> </ol>



Strategic area	Key achievements in 2021
	<ul style="list-style-type: none"> <li>❖ Taking into account the proposals of the President of Ukraine, the Law of Ukraine "On Amending Article 128 of the Code of Criminal Procedure of Ukraine on the Specific Aspects of Obtaining the Status of a Civil Plaintiff by the Deposit Guarantee Fund" No. 1589-IX dated June 30, 2021 was finalized to give the Fund an additional legal opportunity to return the property (assets) of insolvent banks and to bring former owners and managers of the banks withdrawn by the Fund from the market to liability for the damages (losses) caused</li> <li>❖ Draft Law of Ukraine "On Amendments to Certain Laws of Ukraine on Ensuring the Stability of the Deposit Guarantee System" (reg. No. 5542-1) was introduced on May 28, 2021 and adopted by the Verkhovna Rada as a basis. Thus, the draft law defines:               <ol style="list-style-type: none"> <li>1) The mechanism for restructuring the Fund's debt on promissory notes</li> <li>2) The legal basis for JSC Oschadbank to acquire the status of a member bank of the Fund</li> <li>3) An increase in the maximum reimbursement amount for deposits to UAH 600,000.</li> </ol> </li> <li>❖ In order to improve the legislative framework of the Fund's activities and bring it in line with the legislative amendments, 22 regulatory legal acts were adopted</li> </ul>
<p><b>Ensuring the financial stability of the household deposit guarantee system, minimizing future expenses, optimizing operational performance of the Fund</b></p>	<ul style="list-style-type: none"> <li>❖ As part of the working group with the Ministry of Finance of Ukraine and the National Bank, the Fund continued to determine the mechanism for restructuring its debt on the promissory notes issued to the Ministry of Finance of Ukraine in 2015-2016 in exchange for a loan in the form of domestic government bonds</li> <li>❖ The risk management system was improved, namely:               <ol style="list-style-type: none"> <li>1) The Fund's Public Risk Identification Methodology (Decision of the Fund's Executive Board No. 982 dated September 23, 2021) was developed and approved</li> <li>2) The Fund's Human Resources Policy Risk Identification Methodology (Decision of the Fund's Executive Board No. 715 dated July 12, 2021) was developed and approved</li> <li>3) The Risk Exposure Statement for 2021 was approved</li> </ol> </li> </ul>
<p><b>Increase of the level of creditors' claims satisfaction</b></p>	<ul style="list-style-type: none"> <li>❖ Measures have been taken to prosecute and indemnify persons related to banks. In 2021, the Fund filed 22 lawsuits against 217 related parties in 15 banks worth UAH 32.7 billion</li> <li>❖ In 2021, the Fund received the first final court decision on this category of disputes, in particular, in Case No. 910/11027/18, the Fund's claims for the recovery of losses from former officials of JSB UKOOPSPILKA in the amount of more than UAH 76 million were fully satisfied.</li> <li>❖ In order to find and return funds (assets) of bankrupt banks withdrawn from Ukraine, agreements with international legal advisers specializing in the international law were concluded for the services of representing the Fund in the courts of foreign jurisdiction</li> </ul>
<p><b>Strengthening depositors' trust and improving public communication</b></p>	<ul style="list-style-type: none"> <li>❖ In cooperation with the National Bank of Ukraine and international organizations, the concept of creating a deposit insurance system for credit union members was developed and approved</li> <li>❖ Organization and holding of the International Conference "The Deposit Guarantee Fund: Renewed Role and Strategy", where the renewed brand and identity of the Fund were presented</li> <li>❖ Use of online communication channels: more than 400 posts of the Fund's speakers were published on the Fund's Facebook page; a weekly heading "Legal ABC" was created, the information materials of which are devoted to the coverage of the legal aspects of the banks and the deposit insurance system</li> <li>❖ About 240 press releases were published in mass media, 20 thematic interviews, thematic speeches and comments were made on TV, and 8 thematic columns of the Fund's speakers were published</li> <li>❖ As part of implementation of the National Project on Financial Literacy, 40 professional development training sessions on financial literacy were held for more than 1,000</li> </ul>



Strategic area	Key achievements in 2021
<p><b>Digitalization of business processes and improvement of the Fund's information security systems</b></p>	<p>teachers of the special course "Financial Literacy" of general secondary education institutions, vocational schools, and colleges</p> <ul style="list-style-type: none"> <li>❖ The Fund took the lead in creating a competency framework in financial literacy for adults, children and youth in cooperation with the National Bank of Ukraine, the National Securities and Stock Market Commission, and the Ministry of Education and Science of Ukraine</li> <li>❖ The system of data analysis and analytical reporting providing automated preparation of management reporting was improved by expanding the sources of information and initial reporting forms</li> <li>❖ The Fund's network infrastructure was upgraded, which made it possible to significantly increase the local network performance, including wireless WiFi technologies, to combine disk arrays into a single managed network, to create a redundant system for routing external communications taking into account modern information protection requirements</li> <li>❖ Backup and storage of electronic information (data) contained in the Fund's information systems on cloud-based resources of external providers and tape media in a remote storage location was implemented</li> <li>❖ To protect the postal information system of the Fund, it was upgraded with new modern Cisco email security equipment and software</li> <li>❖ Data was migrated to the Fund's information systems and 96 insolvent banks were transferred to centralized operation in those systems.</li> </ul>



## KEY PERFORMANCE INDICATORS REVIEW

The Fund prepares its financial statements in accordance with the International Financial Reporting Standards approved by the International Accounting Standards Board (IFRS), starting from 2016.

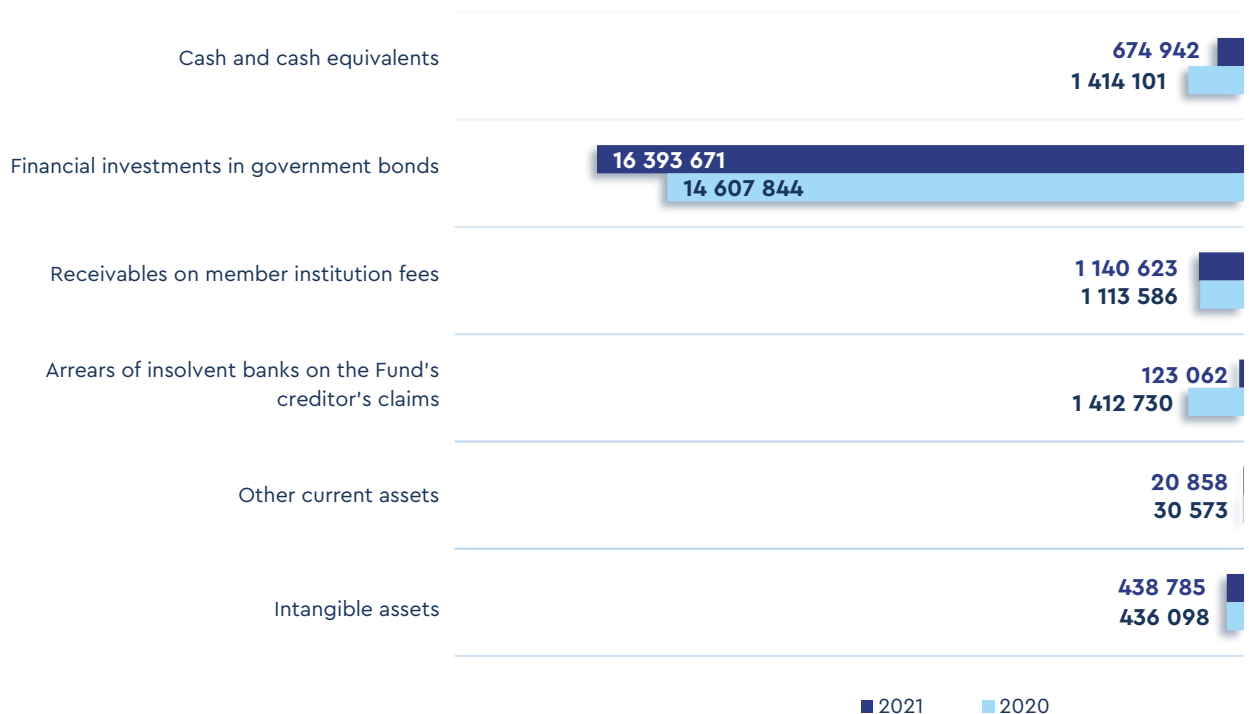
As at December 31, 2021, the balance sheet total increased by 1.17% and amounted to UAH 18,791,941 thousand (UAH 19,014,932 thousand as at December 31, 2020).

### Assets of the Fund

The main items of the Fund's assets are:

- ❖ cash and cash equivalents;
- ❖ other current financial assets (financial investments in domestic government bonds);
- ❖ receivable fees from the Fund's member institutions;
- ❖ arrears of insolvent banks on the Fund's creditor claims.

### Asset composition and Asset Dynamics of the Fund in 2020-2021, UAH thousand



In 2021, the Fund's assets underwent the following changes: The Fund's cash decreased by 52%, mainly due to the early repayment of promissory notes in the amount of UAH 2,400,000 thousand and payment of interest on promissory notes in the amount of UAH 1,671,794 thousand. Other current financial assets (financial investments in domestic government bonds) increased by 12%. Considering the economic expediency, the Fund continues to invest most of its temporarily available funds in domestic government bonds, as the average effective interest rate, at which the National Bank of Ukraine accrues interest on the daily balances of the Fund's resources on the current account is 5.14%, and the average effective rate on government securities is 11.35%. Debts of insolvent banks on the Fund's creditor claims decreased by 91%, which is associated with the downward revision of estimates of the expected amount of repayment of the Fund's payables and the completion of the liquidation procedures in five banks.

For more details on the Fund's major assets, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2021 and for the year then ended:

- ❖ Note 8: Other current financial assets
- ❖ Note 9: Receivable fees from Fund's member institutions
- ❖ Note 10: Debt of insolvent banks and banks liquidated by the Fund on the creditor's claims of the Fund

### Liabilities of the Fund

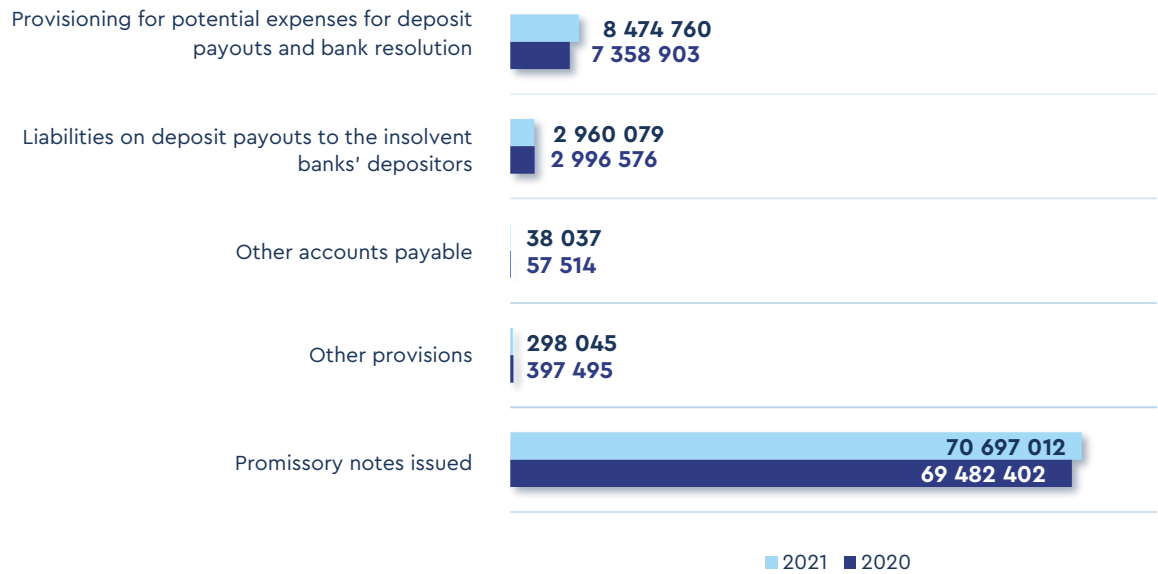
The main items of the Fund's liabilities are:

- ❖ ensuring the Fund's potential expenses for bank resolution and deposit payouts;
- ❖ liabilities of the Fund on paying compensation to the insolvent banks' depositors;
- ❖ other non-current financial liabilities (liabilities on promissory notes issued).





**Composition and Dynamics of the Fund's liabilities in 2020-2021, UAH thousand**



In 2021, the Fund's liabilities underwent the following changes:

The provision for the Fund's potential expenses for bank resolution and deposit payouts increased by 15%, which is due to the covered deposit amount increase by 10% (from UAH 353.5 billion to UAH 388.7 billion) and an increase of the probability of classifying banks as insolvent.

The main component of the Fund's liabilities is other non-current financial liabilities, which are represented by the liability on promissory notes issued by the Fund in 2015-2016 in exchange for loans in the form of domestic government bonds from the Ministry of Finance of Ukraine. The amount of liabilities on promissory notes increased by 2% due to an increase in interest accrued for payment on the issued promissory notes.

Liabilities of the Fund on paying compensations to depositors of insolvent banks changed insignificantly and decreased by 1% due to the implementation of payments of the guaranteed amount of compensation to depositors during 2021 in the amount of UAH 848,162 thousand and the write-off of liability

as a result of the completion of deposit compensations for depositors of one insolvent bank. In 2020, UAH 389,946 thousand was paid to depositors.

For more details on the Fund's major liabilities, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2021 and for the year then ended:

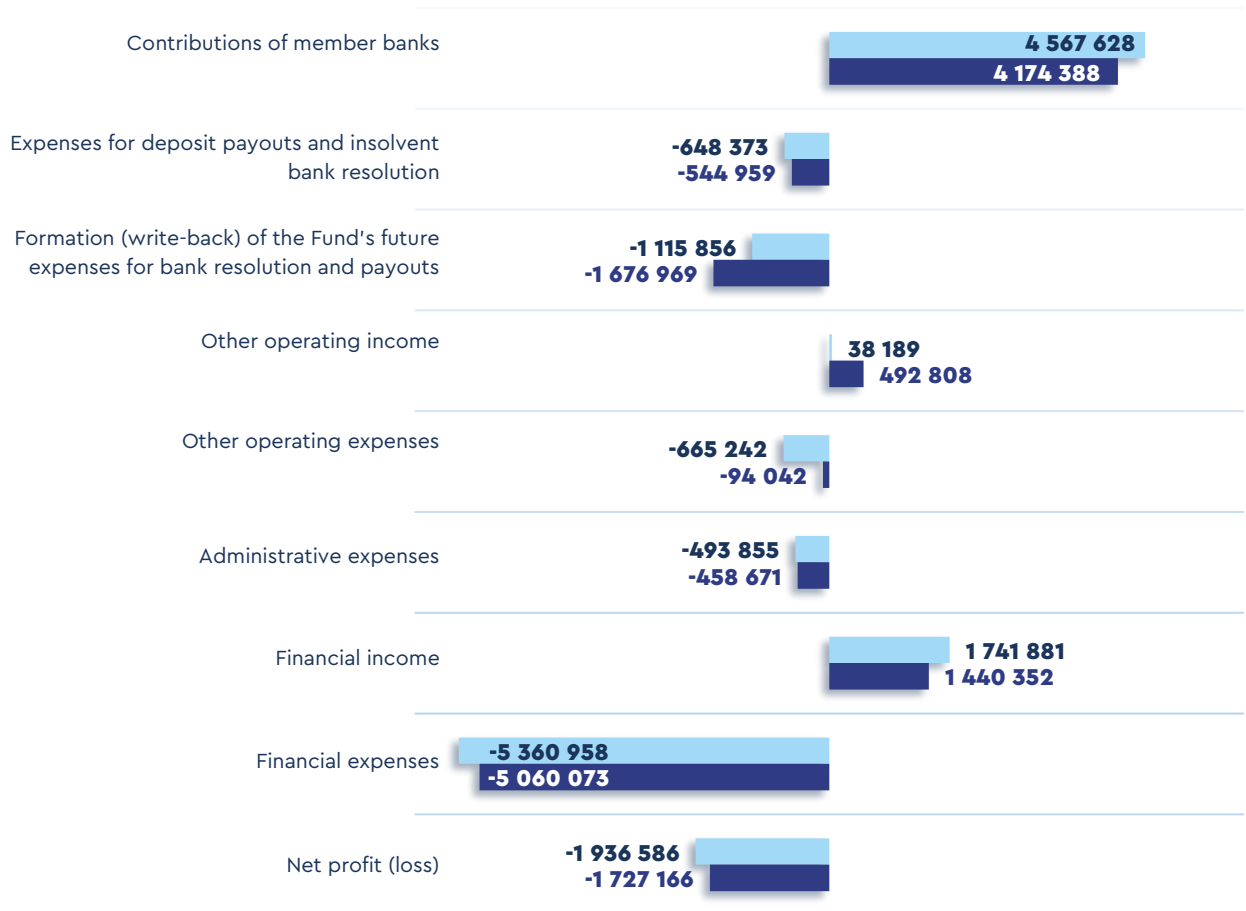
- ❖ Note 15: Provisioning for potential expenses of the Fund for deposit payouts and bank resolution
- ❖ Note 16: Liabilities of the Fund on deposit payouts to the insolvent banks' depositors
- ❖ Note 19: Other non-current financial liabilities.

**Financial performance**

The main factors influencing the financial performance include: fees from member institutions, provisioning for the Fund's future expenses for bank resolution and deposit payouts, financial income and expenses.



**Composition and dynamics of the Fund's financial performance in 2020-2021, UAH thousand**



■ 2021 ■ 2020

In 2021, fees from member banks increased by almost 10% compared to 2020, which is due to the increase in the deposit base of member banks in 2021. Interest expenses under promissory notes are the main component of financial costs. The main component of financial income is interest income on domestic government bonds. Financial income and costs in 2021 did not change significantly compared to 2020.

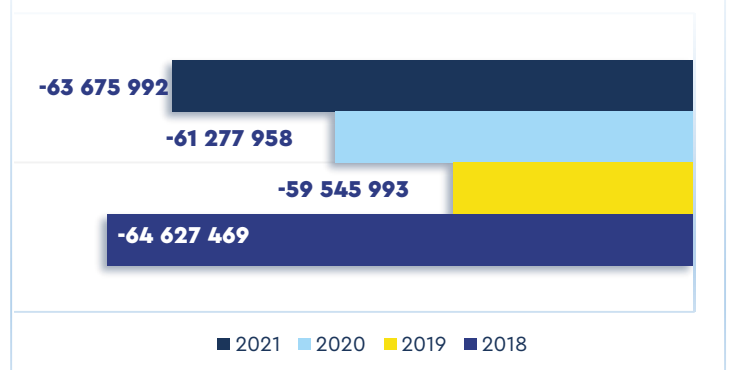
**Net assets of the Fund**

The Fund's net assets are a residual value of the Fund's assets after deduction of all its liabilities. Net profit (loss) is the main component of the Fund's net assets. During 2018-2021, the Fund's net assets were negative.

For more details on major items affecting the Fund's financial performance, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2021 and for the year then ended:

- ❖ Note 15: Provisioning for potential expenses of the Fund for deposit payouts and bank resolution
- ❖ Note 20: Contributions of member banks
- ❖ Note 22: Other operating income
- ❖ Note 25: Other operating expenses
- ❖ Note 21: Financial income
- ❖ Note 24: Financial expenses

**Dynamics of the Fund's net assets in 2018-2021, UAH thousand**





In 2021, the Fund's net deficit increased by almost 4%, and as at December 31, 2021, it amounted to UAH 63,675,992 thousand. The Fund's net deficit arose as a result of the Fund's reimbursement to the depositors of insolvent banks in the amount of over UAH 90 billion in the crisis years of 2014-2017, which engaged loans from the National Bank of Ukraine and the Ministry of Finance of Ukraine on market terms.

The main goal of the Fund with respect to its net asset management is to ensure its operational continuity in order to protect rights of bank depositors and ensure the stability of the financial system of Ukraine.

To achieve this goal, during 2019-2020 the Fund took the following measures:

- ❖ In January 2019, to cover the temporary liquidity deficit, a loan agreement was concluded with the National Bank of Ukraine to open a revolving credit facility for the Fund in the amount of UAH 2,000 million for the period until December 31, 2021

## RISK MANAGEMENT

The Fund classifies the following groups of risks in its operations: insurance, financial, operational, compliance risks, and social risks.

**Insurance risks** are risks related to the probability of bankruptcies in the banking sector and the Fund's performance of its deposit guarantee functions. Types of insurance risks include: macroeconomic and sectoral risks in economy, moral risk, bank insolvency risk, risks of late bank resolution, risk of significant reduction of the Fund's resources.

**Financial risks** are risks arising from financial instruments. Types of financial risks include: credit risk, market risk, which includes currency risk and interest rate risk, liquidity risk, and concentration risk.

**Operational risks** are risks of losses, additional losses associated with the adverse conditions for the Fund's performance due to inadequate or erroneous internal processes, actions of employees, systems, or external factors. Types of operational risks include: legal risk, information and technology risks, risk of failure to ensure operational continuity, risk of breach of requirements and process imperfections, risk of internal and external fraud, risk of damage to own assets, risk of personnel policy and occupational safety, risk of infrastructure required for the Fund's performance.

**Compliance risks** are risks of losses, additional losses, shortfall in planned income or loss of business reputation as a result of failure to comply with the requirements of legislation, regulatory legal acts, standards, orders or other internal regulations of the Fund, rules of the Corporate Code of Conduct, or conflict of interest. Types of compliance risks include: risk of loss of business reputation, risk of inadequate payment of the guaranteed compensation, risk of absence/lack of the Fund's authority to manage its insurance risks, risk of legislation flaws, risk of non-compliance with the norms and standards by the Fund in general and/or by its individual employees with the legislative requirements, risk of the conflict of interest, risk of non-compliance with ethical

- ❖ With the financial assistance of the European Bank for Reconstruction and Development, the Fund engaged a team of international consultants to provide the Fund with technical assistance in resolving the potential insolvency of the Fund by restructuring its existing debt liabilities.
- ❖ As part of the working group established by the Financial Stability Board in 2018, the Fund, in cooperation with the Ministry of Finance of Ukraine and the National Bank of Ukraine, continued to determine the mechanism for restructuring the Fund's debt on promissory notes issued to the Ministry of Finance in 2015-2016 in exchange for a loan in the form of domestic government bonds. As a result of this cooperation, draft Law of Ukraine "On Amendments to Certain Laws of Ukraine on Ensuring the Stability of the Deposit Guarantee System" (reg. No. 5542-1) was submitted to and registered by the Verkhovna Rada of Ukraine on May 28, 2021 and adopted by the Verkhovna Rada as a basis.

standards by employees of the Fund, and risk of information disclosure.

**Social risks** are the risk of occurrence of adverse consequences both for the Fund and for the whole financial system of Ukraine as a result of formation of wrong (distorted) ideas in people or a negative view on the household deposit guarantee system and/or on the Fund's activities. Social risks include: risk of low financial literacy of the population, risk of the breach of depositors' rights and interests, and risk of reputational loss.

The main purpose of the Fund's risk management system is to ensure the Fund's performance as defined by the legislation of Ukraine in light of the objective risks, to support process efficiency, to preserve resources of the Fund, to maintain continuous operation of the Fund, and to comply with the legislative requirements and internal regulations.

The Fund's risk management system consists in applying risk management procedures aimed at regular identification, measurement, monitoring, control, reporting, minimization and mitigation of all types of risks at all organizational levels of the Fund.

The Fund's risk management system is based on the concept of "three lines of defense".

Units of the Fund perform the "first line of defense" functions, they are owners of all risks arising in their area, and they are responsible for identifying events that cause risks, as well as for the assessment, preparation of proposals for the risk management measures and for the implementation of measures to minimize them.

The Risk Management Service and the Compliance Department perform the "second line of defense" functions and are responsible for methodological, coordination and organizational support of the risk management process in the Fund; they monitor compliance with the maximum values of limits and key risk indicators, control the development and



implementation of measures to prevent, transfer and mitigate risks, and prepare management risk reporting.

The Internal Audit Service performs the "third line of defense" functions; they inspect and evaluate the effectiveness and reliability of the risk management system in the Fund.

## RESEARCH AND INNOVATION

In October-November 2021, the Fund conducted a social survey to determine the level of people's awareness of the Deposit Guarantee System "Awareness of Ukrainian Consumers of Financial Services about the Deposit Guarantee System 2021". The research was carried out through a nationwide survey of the inhabitants of Ukraine. A total of 2,000 respondents aged 18 years and more (representative to the structure of the country's population) in all regions of Ukraine, except the Autonomous Republic of Crimea and the territories of Donetsk and Luhansk regions not controlled by the Government of Ukraine were interviewed.

The results of the study showed that 37% of respondents know that in the case of bankruptcy of the bank, the Deposit Guarantee Fund will reimburse their money at its own expense. At the same time, Ukrainians are quite aware of the amount of the guaranteed compensation: 44.2% of respondents answered correctly about the maximum amount of guaranteed deposits (UAH 200,000). In 2019, this indicator was 47.7% and in 2017, it was 49%. Compared with previous surveys, the percentage of those who believe that the Fund should guarantee the payment of a full amount of the deposit has decreased from 23% in 2017 and 29% in 2019 to 11% in 2021. In general, respondents gave the most of correct answers (83%) about the types of deposits guaranteed by the Fund and about the compensation of interest on deposits accrued before the bank is declared insolvent. Respondents were least aware of

## PERSONNEL POLICY AND SOCIAL ASPECTS

As at December 31, 2021, the actual number of employees of the Fund was 332 people: 203 women, 129 men. The average age of the Fund's employees is 41 years, 97.3% of employees have higher education, including 7 candidates of sciences.

During 2021, the priority of the Fund's personnel policy was to support an effective personnel management system that would ensure high-quality and timely implementation of tasks in all areas of the Fund's activities, especially during the introduction of quarantine restrictions related to the COVID-19 pandemic.

To ensure the operating continuity and protection of the Fund's employees, a remote mode of work was introduced. Remote work of employees was carried out using the control system of connections to the information network of the Fund through the VPN functionality, which allowed to securely connect to the resources of the Fund from the Internet.

In order to protect employees whose work schedules provided for a stay in the Fund's premises, the following measures were taken:

- ❖ personal protective equipment (disinfectants and other necessary materials) were purchased;
- ❖ thermometry of employees and visitors was organized at the entrance to the Fund's premises;

Information on financial risk management is provided in Note 31 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2021 and for the year then ended.

the questions related to the currency of the guaranteed payment (for foreign currency deposits) – 11.8%, and to the list of institutions, deposits in which are guaranteed by the Fund – 8.7%. The results of this research will help the Fund to plan its informational and educational activities in order to inform the public about the Deposit Guarantee System and increase the level of financial awareness of the citizens.

Information on the results of the research on determining the level of public awareness of the Deposit Guarantee System is available on the Fund's web page at the following link:

<https://www.fg.gov.ua/articles/51212-rezultati-vseukranskogo-doslidzhennya-spoznavachiv-finansovih-poslug--oprilyudneno-na-sayti.html>

In the area of IT technologies, in 2021, the Fund did the following:

- ❖ Transferred the correspondence between the Fund and insolvent banks to the Fund's ASKOD electronic document management system using a qualified electronic signature or an enhanced electronic signature (except for documents containing information with limited access)
- ❖ Set up a chat bot in the Fund's call center and the Fund's information resource for communications with citizens via Facebook Messenger, Viber and Telegram.

- ❖ corporate events (meetings, committee meetings, meetings, etc.) were held with the help of software for video conferencing.

### Labor remuneration

Remuneration of the Fund's employees is paid in accordance with the Regulations on the Remuneration of Employees of the Deposit Guarantee Fund, approved by Decision No. 3291 of the Fund's Executive Board dated December 23, 2019, the Procedure and Conditions of Remuneration of Members of the Fund's Executive Board approved by Decision of the Fund's Administrative Board No. 41 dated September 27, 2012, in compliance with the requirements of the Collective Agreement between the Executive Board and the staff of the Deposit Guarantee Fund for 2021-2023.

The Remuneration Policy for the Fund's employees provides for:

- ❖ creation of conditions and stimulation of employees for high-quality performance of official duties for the purpose of performance of basic tasks and functions of the Fund defined by the Law;



- ❖ establishment of uniform principles for determining the remuneration level of the Fund's employees, in particular, fairness, transparency, competitiveness, and flexibility.

Salaries of the Fund's employees consist of:

- ❖ basic salary, which is set in the form of wages. The size of the salary depends on the level of influence of the structural unit on the core activities of the Fund (grade of the structural unit) and the level of the employee qualification;
- ❖ additional salaries, which are set in the form of allowances and surcharges and bonuses for the performance of production tasks. The core criterion for paying bonuses to employees for the main results of production task performance is performance criterion of the Fund's employees in a respective month, which is measured by quantitative and qualitative key performance indicators and the share of these indicators in the overall performance indicator;
- ❖ other incentives and compensations not related to the specific work results, in particular: financial assistance for the rehabilitation of employees, birth of a child, burial of a husband/a wife, parents or children.

Information on labor remuneration of the Fund's employees is provided in the following Notes to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2021 and for the year then ended:

- ❖ Note 26: Administrative expenses
- ❖ Note 27: Related party transactions.

#### Personnel training

The main principle of the Fund's personnel policy is to promote the enhancement of special knowledge of personnel, improvement and development of the necessary skills to enable higher productivity and efficiency of their labor.

In 2021, the Fund's employees took part online in internal corporate training events and seminars, round tables, conferences, trainings organized by specialized training centers, including international companies.

#### Corporate Code

To establish corporate values of the Fund, moral norms and rules of conduct of the employees of the Fund, general standards of the Fund aimed at protecting the reputation, financial stability and efficiency of the Fund, the Corporate Code of the Deposit Guarantee Fund was approved (Order No. 317 of the Fund dated September 29, 2021) (hereinafter – the Corporate Code).

The Corporate Code regulates:

- ❖ corporate values of the Fund;
- ❖ standards of ethical behavior of the Fund's employees in their interaction with banks, government agencies, and other counterparties;
- ❖ compliance with the principle of transparency and openness in providing information to banks, government agencies, depositors and creditors of insolvent banks, and the public;
- ❖ standards of appearance of the Fund's employees;
- ❖ ensuring safe and healthy working conditions for the Fund's employees;
- ❖ avoidance of any real or potential conflict of interests in the performance of functional duties by employees.

#### Corruption prevention

The Fund comprehensively promotes prevention and counteraction measures against any type of corruption. The Fund's employees in their internal activities as well as in their legal relations with business partners, public authorities, local government authorities, shall be guided by the "zero tolerance" principle towards any signs of corruption, and shall take all measures prescribed by law to prevent, detect and counteract corruption-related actions (practices).

For the purpose of scrupulous implementation of all requirements of the anti-corruption legislation of Ukraine, the Fund has approved and applies the Fund's Anti-Corruption Program, which sets a scope of measures, standards and procedures for detecting, preventing and countering corruption in the Fund.

The Fund implements the following measures aimed at preventing, detecting, eliminating and countering corruption:

- ❖ regular assessment of corruption risks in the Fund's activities;
- ❖ implementation of anti-corruption standards and procedures in the Fund's activities.

The main anti-corruption standards and procedures of the Fund are:

- ❖ introducing the content of the Anti-Corruption Program of the Fund to new employees and conducting training events on preventing and countering corruption;
- ❖ conducting anti-corruption inspections of business partners in accordance with the criteria for their selection;
- ❖ restricting the Fund's support to political parties, charity activity;
- ❖ reporting the signs of violation of the Fund's Anti-Corruption Program, signs of committing a corruption or corruption-related offense, as well as the confidentiality of such reports and protection of whistleblowers;
- ❖ reviewing whistleblower reports, including internal investigations and disciplinary sanctions;
- ❖ standards of professional ethics, responsibilities and prohibitions for employees, restrictions on gifts;
- ❖ prevention and settlement of conflicts of interest;
- ❖ supervision and control over compliance with the requirements of the Anti-Corruption Program of the Fund.

In compliance with the Law of Ukraine "On Corruption Prevention", the Fund verifies submission of tax declarations by entities and individuals, and notifies the National Agency on Corruption Prevention about the cases of non-submission or late submission of such declarations in accordance with this law.

The Fund's Anti-corruption program is available on the Fund's website at <http://www.fg.gov.ua/about/antikoruptsiina-prohrama-fondu.pdf>

#### Occupational health and safety

The main principles of OHS in the Fund are:

- ❖ creating and keeping safe and harmless working conditions, ensuring the priority of life and health of employees in the process of production activities;
- ❖ ensuring the continuity and efficiency of the OHS management system and the implementation of the constitutional right of employees to the protection of their lives and health in the process of labor activities;



- ❖ organization and control of working conditions for compliance with the requirements of OHS regulations.

In order to prevent occupational injuries and create safe working conditions, the Fund has implemented and applies:

- ❖ OHS guidelines during the use of personal computers;

- ❖ OHS guidelines for work with copiers;
- ❖ OHS guidelines for electrical safety;
- ❖ fire safety guidelines in the Fund's premises;
- ❖ first aid guidelines.

The Fund regularly trains and instructs the Fund's employees on labor protection and fire safety.

## ENVIRONMENTAL PROTECTION

The Fund is concerned about the environment and tries to avoid any harm to nature.

In order to protect the environment, the Fund:

- ❖ introduced an electronic document management system to reduce the amount of office expenses (paper, plastic, mixed waste, etc.);

- ❖ maintains vehicles in good condition in order to reduce exhaust emissions;
- ❖ carries out utilization of decommissioned office and computer equipment by concluding a contract with a licensed enterprise for collection, transportation and transfer of waste for further utilization.

## DEVELOPMENT PROSPECTS

**The mission** of the Fund is to guarantee deposits, protect creditor rights, raise financial awareness to ensure confidence in the financial system and public welfare.

**The vision** of the Fund provides that the Fund is an open, innovative and reliable partner that prevents financial losses and sets world standards in the area of deposit guarantee.

**The prospects of the Fund's development** for the next year are set out in the Development Strategy of the Deposit Guarantee Fund until 2022, approved by the Fund's Administrative Board (Minutes No. 16 dated December 24, 2020) (hereinafter – the Strategy). The Strategy was developed taking into account the Ukrainian Financial Sector Development Strategy until 2025 (hereinafter – the 2025 Strategy) approved in 2019, which aims at reforming and developing the financial sector of Ukraine in accordance with the leading international practices and the subsequent implementation of measures provided for by the Association Agreement between Ukraine and the EU.

The implementation of the Strategy envisages measures to develop the deposit guarantee system as a whole, protect rights of depositors, build the institutional capacity of the Fund, and maximize the digitalization of its functionality.

**The Strategy identifies** the following strategic priorities for the development of the Fund during that period:

- ❖ ensuring the financial stability of the Fund;

- ❖ minimizing future expenses of the Fund;
- ❖ increasing satisfaction of creditor claims;
- ❖ strengthening investor confidence;
- ❖ digitalizing business processes.

The development of the Fund's institutional capacity provides for:

- ❖ introduction of an early response system in the Fund to ensure successful resolution of insolvent banks;
- ❖ creation of a deposit guarantee system for credit union members and a guarantee system for insurance companies' liabilities to policyholders under universal life insurance contracts;
- ❖ determining the mechanism for restructuring the Fund's debt;
- ❖ improving mechanisms for bank resolutions and work with persons related to banks and other persons who caused damage (losses) to the banks and were accessory to their bankruptcy.

Based on the Strategy, the Fund will develop and implement the Fund's action plans for the respective years, which will include a list of measures with performance indicators assigned for each event.

June 20, 2022

Managing Director

S.V. Rekrut



## FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### STATEMENT OF FINANCIAL POSITION

<i>(UAH thousand)</i>	Note	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	13	349,148	346,741
Intangible assets	14	89,637	89,357
Other non-current financial assets		-	99
<b>Total non-current assets</b>		<b>438,785</b>	<b>436,197</b>
<b>Current assets</b>			
Cash and cash equivalents	7	674,942	1,414,101
Other current financial assets	8	16,393,671	14,607,844
Receivable fees from member banks	9	1,140,623	1,113,586
Debt of insolvent banks on the creditor's claims of the Fund	10	123,062	1,412,730
Other accounts receivable	12	12,208	25,102
Other assets	11	8,650	5,372
<b>Total current assets</b>		<b>18,353,156</b>	<b>18,578,735</b>
<b>TOTAL ASSETS</b>		<b>18,791,941</b>	<b>19,014,932</b>



## STATEMENT OF FINANCIAL POSITION (*continue*)

<i>(UAH thousand)</i>	Note	December 31, 2021	December 31, 2020
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>			
Revaluation reserve		(305,800)	155,648
Income (loss)		(63,370,192)	(61,433,606)
<b>Total net assets</b>		<b>(63,675,992)</b>	<b>(61,277,958)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other non-current financial liabilities	19	70,697,012	69,482,402
<b>Total non-current liabilities</b>		<b>70,697,012</b>	<b>69,482,402</b>
<b>Current liabilities</b>			
Provisioning for potential expenses of the Fund for deposit payouts and bank resolution	15	8,474,760	7,358,903
Liabilities of the Fund on deposit payouts to insolvent banks' depositors	16	2,960,079	2,996,576
Other current provisions	17	298,045	397,495
Other current accounts payables	18	38,037	57,514
<b>Total current liabilities</b>		<b>11,770,921</b>	<b>10,810,488</b>
<b>Total liabilities</b>		<b>82,467,933</b>	<b>80,292,890</b>
<b>Total net assets and liabilities</b>		<b>18,791,941</b>	<b>19,014,932</b>

June 20, 2022

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis





## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

<i>(UAH thousand)</i>	Note	2021	2020
Contributions from member banks	20	4,567,628	4,174,388
Expenses on deposit payouts and bank resolution	23	(648,373)	(544,959)
(Formation) write-back of the provision for Fund's future expenses for bank resolution and deposit payouts	15	(1,115,856)	(1,676,969)
Other operating income	22	38,189	492,808
Administrative expenses	26	(493,855)	(458,671)
Other operating expenses	25	(665,242)	(94,042)
<b>Operating profit (loss)</b>		<b>1,682,491</b>	<b>1,892,555</b>
Financial income	21	1,741,881	1,440,352
Finance expenses	24	(5,360,958)	(5,060,073)
<b>Net profit (loss)</b>		<b>(1,936,586)</b>	<b>(1,727,166)</b>
Net change in fair value of financial assets measured at fair value through other comprehensive income		(461,448)	(4,799)
<b>Other comprehensive income (loss), net</b>		<b>(461,448)</b>	<b>(4,799)</b>
<b>Total comprehensive income (loss)</b>		<b>(2,398,034)</b>	<b>(1,731,965)</b>

June 20, 2022

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis



## STATEMENT OF CHANGES IN NET ASSETS

<i>(UAH thousand)</i>	Revaluation reserve	Accumulated loss	Total
<b>Balance as at December 31, 2019</b>	<b>160,447</b>	<b>(59,706,440)</b>	<b>(59,545,993)</b>
Profit (loss) for the year	-	(1,727,166)	(1,727,166)
<b>Other comprehensive income</b>	<b>(4,799)</b>	-	<b>(4,799)</b>
Net change in fair value of financial assets measured at fair value through other comprehensive income	(4,799)	-	(4,799)
<b>Other comprehensive income/(loss) for the year</b>	<b>(4,799)</b>	<b>(1,727,166)</b>	<b>(1,731,965)</b>
<b>Balance as at December 31, 2020</b>	<b>155,648</b>	<b>(61,433,606)</b>	<b>(61,277,958)</b>
Profit (loss) for the year	-	(1,936,586)	(1,936,586)
<b>Other comprehensive income</b>	<b>(461,448)</b>	-	<b>(461,448)</b>
Net change in fair value of financial assets measured at fair value through other comprehensive income	(461,448)	-	(461,448)
<b>Other comprehensive income/(loss) for the year</b>	<b>(461,448)</b>	<b>(1,936,586)</b>	<b>(2,398,034)</b>
<b>Balance as at December 31, 2021</b>	<b>(305,800)</b>	<b>(63,370,192)</b>	<b>(63,675,992)</b>

June 20, 2022

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis



## STATEMENT OF CASH FLOWS

<i>(UAH thousand)</i>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Contributions received from members	4,539,304	4,065,625
Proceeds from insolvent banks towards repayment of creditor claims	1,030,630	2,303,114
Funds transferred to agent banks for deposit payouts	(848,225)	(390,671)
Payments to employees and social insurance contributions	(303,929)	(309,333)
Payment of liabilities on other taxes and charges	(91,953)	(73,126)
Receipt of guarantee fees from potential investors to participate in the tender for insolvent bank resolution	30,000	-
Refund of guarantee fees to potential investors to participate in the tender for insolvent bank resolution	(30,000)	-
Other receipts from operating activities	8,936	10,414
Other expenditures of operating activities	(338,720)	(146,225)
<b>Net cash flows from operating activities</b>	<b>3,996,043</b>	<b>5,459,798</b>
<b>Cash flows from investing activities</b>		
Proceeds from domestic government bonds measured at amortized cost	9,491,831	6,028,788
Purchase of domestic government bonds measured at amortized cost	(11,498,546)	(11,481,993)
Purchase of non-current assets	(27,521)	(387,238)
Interest received	1,370,828	1,300,387
<b>Net cash flow from investing activities</b>	<b>(663,408)</b>	<b>(4,540,056)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans received from the National Bank of Ukraine	-	-
Repayment of promissory notes	(2,400,000)	(1,300,000)
Interest paid	(1,671,794)	(700,137)
Payments of lease liabilities	-	(3,233)
<b>Net cash flow from financing activities</b>	<b>(4,071,794)</b>	<b>(2,003,370)</b>
<b>Net flow of cash and cash equivalents</b>	<b>(739,159)</b>	<b>(1,083,628)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,414,101</b>	<b>2,497,690</b>
<b>Effect of exchange rate fluctuations on the balance of funds</b>	<b>-</b>	<b>39</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>674,942</b>	<b>1,414,101</b>

June 20, 2022

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis



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## 1. GENERAL

The Deposit Guarantee Fund (the Fund) operates in accordance with the Law of Ukraine "On the Household Deposit Guarantee System" (the Law).

The core objective of the Fund is to ensure the functioning of the household deposit guarantee system and insolvent bank resolution.

In order to reach its core objective, the Fund, in the manner prescribed by the Law, performs the following functions:

- ❖ maintains the Register of Member Institutions of the Fund;
- ❖ accumulates funds from the sources as set in Article 19 of the Law and supervises timely and full transfer of fees by each member of the Fund;
- ❖ invests resources of the Fund in the government securities of Ukraine;
- ❖ distributes bonds in the manner areas of fund raising specified in the Law, and issues promissory notes in the cases stipulated by the Law of Ukraine "On the State Budget of Ukraine" for the relevant year;
- ❖ takes measures to organize deposit payouts within the time limits specified by the Law and in the amount determined by the Administrative Board (since August 21, 2012, the reimbursement limit shall be no less than UAH 200,000);
- ❖ regulates the participation of banks in the household deposit guarantee system;
- ❖ inspects problem banks upon proposal of the National Bank of Ukraine;
- ❖ applies financial sanctions to and imposes administrative fines on banks and their senior executive management;
- ❖ resolves insolvent banks, including through provisional administration and liquidation of such banks, organizes the disposal of all or part of assets and liabilities of an insolvent bank, sale of an insolvent bank, or establishment and sale of a bridge bank;
- ❖ monitors banks in accordance with the Law;
- ❖ provides financial support to banks in accordance with the Law;

## 2. BUSINESS ENVIRONMENT

The Fund is one of the key subjects of the financial sector infrastructure, which along with other competent public authorities ensures the financial stability of the state. Proper implementation of the Fund's objective directly depends on its functional environment and its ability to respond effectively to potential risks and threats.

In 2021, the Ukrainian economy and banking sector continued to be significantly affected by the social, political and foreign political events that began in previous years. Since 2014, Ukraine has been under the influence of the unresolved armed conflict in certain areas of Luhansk and Donetsk regions and the Russia's annexation of the Autonomous Republic of Crimea. These circumstances make the normal business activities of business entities in these territories of Ukraine impossible.

The pandemic of the coronavirus COVID-19 remained the key factor affecting the global and Ukrainian economy in 2021. Responding to the threat of coronavirus to public health, the

- ❖ analyzes the financial position of banks in order to identify their risks and predict potential costs of the Fund on resolution of insolvent banks and deposit payouts;
- ❖ grants special-purpose loans to banks in order to ensure due and timely remuneration of persons under Clause 2 of Part 6 Article 36, Clauses 7 and 8 of Part 2 Article 37, and Part 4 of Article 47 of the Law, during the provisional administration;
- ❖ sends relevant inquiries to customers, depositors, and other creditors of the bank in accordance with the procedure established by the Fund;
- ❖ informs the public of the functioning of the household deposit guarantee system, protects the depositor's rights and legitimate interests, and promotes financial literacy among people in accordance with the Law;
- ❖ studies and analyzes trends in the market of financial resources raised from depositors by the Fund's members.

The Fund is a legal entity under public law, has separate property being the object of the state property right, and is under its economic jurisdiction.

The Fund is an economically independent institution, has an independent balance sheet, current and other accounts with the National Bank of Ukraine, as well as securities accounts at the depository institutions – state-owned banks.

The Fund is a non-profit institution.

The Fund's governing bodies include the Administrative Board and the Executive Board.

The Administrative Board of the Fund consists of five persons: a representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, a representative of the dedicated committee of the Verkhovna Rada of Ukraine, and the Managing Director of the Fund.

The Executive Board of the Fund consists of seven members. The Managing Director of the Fund and his deputies are members of the Executive Board of the Fund ex officio.

As at December 31, 2021, there were 70 member banks in the Fund (December 31, 2020: 73 banks).

Ukrainian government continued to take measures to contain the epidemic in Ukraine by imposing quarantine restrictions.

The spread of the coronavirus has already caused the recession in the global economy and a significant slowdown in the economic activity in Ukraine. At the end of 2020, Ukraine's GDP decreased by -4.2% y/y, in Q1 2021, GDP continued to decrease (-2.2% y/y). In Q2 2021, GDP grew by 5.7% y/y, in Q2, the growth rate slowed down to 2.7% y/y, but resumed in Q4 to 5.9% y/y (according to the preliminary estimates).

Inflation in 2021 accelerated significantly, from 5.0% y/y in December 2020 to 10.0% y/y in December 2021 due to a number of factors, both internal and external. The National Bank of Ukraine, after a period of monetary policy easing during 2019-2020, was forced to switch to a tighter monetary policy in 2021 in order to return inflation to its medium-term targets. To this end, the NBU raised its discount rate by 0.5 p.p. to 6.5% in March 2021, by 1.0 p.p. to 7.5% per annum in April, by 0.5



p.p. to 8.0% per annum in July, by 0.5 p.p. to 8.5% per annum in September, and by 0.5 p.p. to 9.0% per annum in December.

For the second year in a row, the banking sector was operating under the unstable macroeconomic situation caused by the coronavirus disease COVID-19. During that time, the system has adjusted to new challenges, adapted its business processes, and demonstrated the ability to function in a pandemic environment.

At the beginning of 2021, there was a moderate decline in its performance, but in Q2 the recovery began. In particular, balances in counterparty banks and on customer accounts increased, corporate and retail lending accelerated, investments in government securities were reduced with subsequent channeling of funds to support the economy. In H2, the positive changes continued. Banks increased their lending in the corporate and mortgage segments, and the annualized growth rate of retail loans exceeded the pre-crisis level. The balances in correspondent accounts grew thanks to receipts from businesses and individuals, although household funds grew at a slower pace due to the recovery of consumer spending. The securities portfolio was gradually shrinking during the year due to the reorientation of resources towards

lending, but in December, it grew rapidly after the receipt of substantial budget payments and their concentration in beneficiaries' accounts. According to the results of the reporting year, the consolidated financial result of the member banks of the Fund was the best in the history of the country's banking system.

The development of the political and economic situation in Ukraine, as well as the risk of a "new wave" of the COVID-19 pandemic in the world and in Ukraine, is extremely difficult to predict, but the management believes that they monitor the stream of events and take appropriate measures to maintain stable operation of the Fund and the deposit guarantee system in Ukraine. A possible negative stream of events may have an adverse effect on the performance results and the financial condition of the Fund, the nature and consequences of which cannot be determined at the moment. These financial statements reflect the current assessment by the management of the impact of operating conditions in Ukraine on the Fund's operations and financial condition. Future operating conditions may differ from the management's estimates.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a historical cost basis, except for:

- ❖ financial assets at fair value through other comprehensive income (FVOCI).

#### b) GOING CONCERN

As of December 31, 2021, the Fund's net deficit is UAH 63,675,992 thousand (December 31, 2020: UAH 61,277,958 thousand). Net loss for the year ended December 31, 2021 is UAH 1,936,586 thousand (net loss for the year ended December 31, 2020: UAH 1,727,166 thousand). Cash inflows from operations for the year ended December 31, 2021 amount to UAH 3,996,043 thousand (for the year ended December 31, 2020: UAH 5,459,798 thousand).

The management staff implement the following measures to ensure the fulfillment of the Fund's obligations in the near future:

- ❖ during 2019-2021, the Fund, together with the Ministry of Finance of Ukraine and the National Bank of Ukraine as part of the working group established by the decision of the Financial Stability Board in 2018, continued to take measures to determine the mechanism for restructuring the Fund's debt on promissory notes issued to the Ministry of Finance of Ukraine in 2015-2016 in exchange for a loan in the form of domestic government bonds. Thanks to this cooperation, on May 28, 2021, draft Law No. 5542-1 "On Amendments to Certain Laws of Ukraine on Ensuring the Stability of the Deposit Guarantee System" was introduced and registered in the Verkhovna Rada of Ukraine, which determines the mechanism for restructuring the Fund's debt on promissory notes; the legal basis for JSC Oschadbank to become the Fund's member; a gradual increase in the maximum amount of compensation for deposits from UAH 400,000 up to UAH 600,000;
- ❖ Pursuant to Article 25 of the Law, in case of a temporary liquidity deficit, the Fund has the right to apply to the National Bank of Ukraine to: 1) attract a loan; 2) redeem government securities owned by the Fund. In 2019, the Fund concluded a loan agreement with the National Bank of Ukraine to open a revolving credit facility for the Fund in the amount of UAH 2,000,000 thousand;
- ❖ pursuant to Article 25 of the Law, in case of insufficient funds, the Fund has the right to apply for a loan or a state contribution on a non-refundable basis from the state budget;
- ❖ during 2021, the Fund made early repayment of promissory notes in the amount of UAH 2,400,000 thousand issued by the Fund to the Ministry of Finance of Ukraine in 2015 in exchange for a loan in the form of domestic government bonds, and interest on the notes in the amount of UAH 1,671,794 thousand;
- ❖ during 2021, the Fund continued to improve the Fund's risk management system, the main purpose of which is to ensure the Fund's performance as defined by the legislation of Ukraine, amidst the objective risks, support of the process efficiency, protection of the Fund's resources, operational continuity of the Fund, compliance with the legislation and regulatory documents;
- ❖ in 2021, the Fund carried out work to identify damage caused to banks and their creditors by decisions, actions or omissions of persons related to such banks. As of December 31, 2021, the Fund has filed 72 lawsuits against 821 bank-related persons against 45 insolvent banks for a total amount exceeding UAH 100.8 billion;
- ❖ the Fund uses all possible ways to sell assets of insolvent banks within the shortest possible time at the highest value. Assets are sold through the electronic trading system Prozorro.sale, and international advisers and stock exchanges are engaged to organize sales; assets (property) are also sold directly to legal entities or individuals;
- ❖ the Fund also proceeds with the optimization and minimization of insolvent banks' expenses by strengthening operation control in insolvent banks and centralizing their



main functions that arise during the introduction of provisional administration or liquidation;

- ❖ the Fund initiates further changes in the legal framework of its operations aimed at increasing the institutional capacity of the Fund and ensuring the improvement of existing tools and methods of bank resolution.

The management assessed the impact of the full-scale military aggression of the Russian Federation against Ukraine started on February 24, 2022, on the Fund's ability to continue as a going concern in the future.

As of the date of the beginning of the military aggression, the Fund had already approved the Action Plan to Minimize the Risks in Case of the Military Conflict (War) Escalation (Minutes Decision of the Fund's Executive Board No. 013/22 dated February 10, 2022), which provided for the following measures:

- ❖ development of an internal regulatory document defining the procedure for organizing the Fund's uninterrupted operation;
- ❖ ensuring safety of the Fund's information by placing backup server equipment in the western region of Ukraine;
- ❖ ensuring the operation of the Fund's information and technical systems by organizing cloud services;
- ❖ organization of alternative communication channels, i.e. satellite Internet;
- ❖ organization of uninterrupted power supply to the Fund's premises and the installation of additional means of protection against intrusion therein;
- ❖ ensuring the safety of the Fund's property and the property of insolvent banks under the Fund's management;
- ❖ in case of a temporary liquidity deficit, filing a request to the National Bank of Ukraine to increase the amount of the credit facility determined by the agreement concluded between the Fund and the NBU on January 04, 2022;
- ❖ organization of work of the Fund's personnel, ensuring communications with the public, insolvent banks, member banks of the Fund, and other counterparties.

The management believes that, given all the measures described above, and taking into account that the Fund does not depend on the Russian and Belarusian markets, has no subsidiaries or assets in Russia or Belarus or in the area of hostilities, and that the Fund is not affiliated with any sanctioned legal entities or individuals, the Fund is able to continue as a going concern in the near future. In addition, the management personnel are unaware of any material uncertainties other than those described above that may cast significant doubt on the Fund's ability to conduct operations in the future.

#### **c) FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY**

These financial statements are presented in the national currency of Ukraine, UAH, which is the functional and the presentation currency of the Fund. All amounts in the financial statements are rounded to thousands.

Monetary assets and liabilities are translated into the functional currency at an official exchange rate of the National Bank of Ukraine (NBU) as of the respective reporting date. Profits or losses on foreign exchange differences that arise on transaction settlements and as a result of the translation of monetary assets and liabilities into the functional currency at the end of the year in accordance with the official NBU rates are recognized in the statement of profit and loss. Non-monetary items in foreign

currency measured at historical cost are translated at the exchange rate on the transaction date.

#### **d) CURRENT VERSUS NON-CURRENT CLASSIFICATION OF ASSETS AND LIABILITIES**

In the statement of financial position, the Fund presents assets and liabilities based on their classification into current and non-current.

An asset is current if:

- ❖ it is expected to be sold or intended to be sold or consumed within the normal operating cycle;
- ❖ it is kept mainly for the purpose of sale;
- ❖ it is expected to be sold within 12 months after the reporting period;
- ❖ an asset is cash or cash equivalents, unless there is a restriction on the exchange or use of that asset to repay the liability within at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current if:

- ❖ it is expected to be repaid during the normal operating cycle;
- ❖ it is kept mainly for the purpose of sale;
- ❖ it is subject to repayment within 12 months after the reporting period;
- ❖ the entity has no unconditional right to defer repayment of the liability for at least 12 months after the reporting period. The terms of the liability that may, at the option of the counterparty, result in its repayment through the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

#### **e) FAIR VALUE MEASUREMENT**

At each reporting date, the Fund measures at fair value financial instruments represented by domestic government bonds.

Fair value is the price that would have been received for sale of an asset or paid for transferring a liability in an ordinary transaction between market participants at the valuation date. Fair valuation assumes that the sale of an asset or the transfer of liability occurs either

- ❖ in the main market for that asset or liability; or
- ❖ in the absence of the main market, in the most favorable market for this asset or liability.

The market in which the Fund normally sells an asset or transfers a liability is considered to be the main market or, if there is no main market, the most favorable one. The Fund must have access to the main market or most favorable market on the valuation date.

The Fund estimates the fair value of an asset or a liability using the assumptions which the market participants would use to form the price of the asset or liability and assuming that market participants are acting in their economic interest.

The Fund applies valuation methods that are appropriate to the circumstances and for which there is sufficient data to measure a fair value, maximizing the use of relevant open inputs and minimizing the use of closed inputs.

If there is a main market for an asset or liability, the fair valuation represents the price in that market (regardless of whether that price is directly open or its valuation is obtained by another valuation technique), even if the price in another market is potentially more favorable on the date of valuation.



Valuation techniques such as discounted cash flow method and analysis of financial information about the objects of investment are used to measure the fair value of financial instruments for which there is no information about market prices from external sources. The application of valuation techniques may require assumptions that are not supported by market data. In these financial statements, information about assumptions is disclosed in the cases where replacing such an assumption with a possible alternative may result in a material change in the amounts of profit, income, expenses, total assets or liabilities.

The Fund applies valuation methods that are appropriate to the circumstances and for which there is sufficient data to measure a fair value, maximizing the use of relevant open inputs and minimizing the use of closed inputs. All assets and liabilities whose fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy set out below, based on the lowest level inputs that are material to the fair value measurement as a whole:

- ❖ level 1 – quotation prices of similar assets or liabilities in an active market (without any adjustments);
- ❖ level 2 – valuation models in which the inputs belonging to the lowest level of the hierarchy and material for the general fair value measurement are directly or indirectly observed in the market;
- ❖ level 3 – valuation models in which the inputs belonging to the lowest level of the hierarchy and material for the general fair value measurement are not observed in the market.

In the case of assets and liabilities that are revalued on a regular basis in the financial statements, the Fund determines the need to transfer them between levels of the fair value hierarchy by re-analyzing the classification (based on the lowest level hierarchy inputs that are material for the general fair value measurement) at the end of each reporting period.

In order to disclose fair value information, the Fund classifies assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

**f) FIXED ASSETS**

Fixed assets are recognized at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The expenses for improving own fixed assets, which increase initially expected benefits from their use, increase the initial value of those assets.

Accrual of asset depreciation begins on the first day of the month following the month in which a fixed asset becomes suitable for use, and stops on the first day of the month following the month in which the fixed asset was derecognized.

Depreciation is calculated on a straight-line basis for the following expected useful lives:

	Years
Buildings	40
Vehicles	5
Furniture	3-7

Office equipment	4-7
Computer equipment	3-5
Tools and household equipment	3-7
Other fixed assets	3-7

The liquidation value of fixed asset groups, which are not subject to sale after the end of their useful life, is 0% of their initial value. The liquidation value of fixed asset groups, which may be sold after the end of their useful life, is set at the level of the generalized statistics on the actual sales of such fixed assets for the last three years.

At the end of each fiscal year, the Fund reviews the liquidation value of fixed assets, their useful life, depreciation method, and analyzes fixed assets for impairment.

If there are any signs of fixed asset impairment, the Fund estimates the amount of expected reimbursement for this asset. If the amount of the expected reimbursement of the fixed asset is less than its book value, the book value of the fixed asset shall be reduced to the expected reimbursement. Such a reduction is an impairment loss. The impairment loss is included in expenses for the period as part of other expenses.

**g) LEASE**

Upon concluding an agreement, the Fund assesses whether a lease agreement as a whole or its individual components are a lease agreement. An agreement contract as a whole or its individual components is a lease agreement if the agreement transfers the right of control over the use of an identified asset for a certain period of time in exchange for compensation.

The Fund, as a lessee, applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and leases in which the underlying asset has a low value. The underlying asset has a low value if the fair value of this asset in a new condition is less than or equal to UAH 30,000.00. Lease payments on such leases are expenses for the period that are distributed on a straight-line basis over the lease term.

At the commencement date of the lease, the Fund recognizes the asset in the form of the right of use and a lease liability.

At the date of recognition, an asset in the form of the right of use is measured at its cost, and a lease liability is measured at the present value of lease payments not paid by that date.

Lease payments are discounted at the rate specified in the lease agreement, if such rate can be easily determined. Otherwise, the Fund uses an average interest rate for the last three months on long-term loans in the national currency for business entities, published on the official website of the National Bank of Ukraine, as a discount rate.

Subsequently, the Fund measures the asset in the form of the right of use according to the cost model: the initial value of the asset in the form of the right of use less accumulated depreciation and accumulated losses from its impairment. The carrying amount of the right-of-use asset is adjusted by the amount of revaluation of the lease liability.

Depreciation of a right-of-use asset is carried out on a straight-line basis over the shortest of the following periods: useful life or lease term.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount





of the lease liability is increased by the amount of interest on the lease liability and decreased by the amount of lease payments made.

The carrying amount of the lease liability is revalued as a result of a change in the lease term; revaluation of the probability of exercising the option to acquire the underlying asset; revaluation of amounts to be paid under liquidation value guarantees; revaluations of fixed payments and variable lease payments that depend on the index or rate.

In the statement of financial position, the asset in the form of a right of use is presented in the same line in which relevant underlying assets would have been presented if they had been owned by the Fund.

#### **h) INTANGIBLE ASSETS**

Intangible assets that were separately acquired (created) are initially recognized at fair value, which is the amount of cash paid or the fair value of any other consideration given as payment, and includes all direct costs of preparing the asset for use, namely:

- ❖ acquisition cost (less trade discounts), duties, non-refundable indirect taxes; and
- ❖ any costs that can be directly attributed to preparing this asset for its intended use.

After recognized as an asset, intangible assets are accounted for using the cost model: cost less accumulated depreciation and accumulated impairment losses.

The liquidation value of an intangible asset is zero.

The useful life of intangible assets is determined in accordance with the title document. The useful life of an intangible asset arising from contractual or other legal rights shall not exceed the period of validity of contractual or legal rights, but may be shorter than their period of validity depending on the period during which the Fund expects to use the asset.

Amortization of intangible assets starts to be charged during the useful life on a straight-line basis.

Amortization shall start to be charged on the first day of the month following the month in which such an asset has become available for use, and stops on the first day of the month following the month of derecognition of such asset.

Intangible assets that have an indefinite useful life or are classified as held for sale (for the period of such classification) are not subject to amortization.

At the end of each financial year, the following is performed: analysis of intangible assets for signs of impairment; revision of useful life, depreciation method; checking for future economic benefits from the use of the intangible asset.

If there are any signs of impairment of an intangible asset, the Fund estimates the amount of the expected compensation for such asset. The amount of the expected compensation for an asset is its carrying amount, unless there are grounds to believe that the benefits from use of the intangible asset outweigh the cost of its sale.

If it is not possible to determine the cost of sales, the amount of the expected compensation for the asset may be considered a benefit from its use (the value of the asset in use), defined as the discounted cash flow expected to be received from use and future disposal of the asset.

If the amount of the expected compensation for an intangible asset is less than its carrying amount, the carrying amount of the intangible asset is reduced to its expected compensation.

Such a reduction is an impairment loss. The impairment loss is included in expenses for the period as part of other expenses.

Intangible assets with indefinite useful lives and those under development are tested for impairment regardless of any signs of impairment.

#### **i) FINANCIAL INSTRUMENTS**

Financial instruments of the Fund are represented by financial assets and financial liabilities.

Financial assets include:

- ❖ cash (cash on the current account with the National Bank of Ukraine and cash in hand of the Fund);
- ❖ financial investments in government securities (domestic government bonds);
- ❖ Debt of insolvent banks and banks liquidated by the Fund, on special-purpose loans and interest on special-purpose loans granted to insolvent banks;
- ❖ other accounts receivable.

Financial liabilities include:

- ❖ borrowed funds (NBU loans, liabilities on promissory notes issued by the Fund).

#### **Classification of financial assets**

Financial assets are classified into the following categories:

- ❖ Financial assets at amortized cost
- ❖ Financial assets at fair value through OCI
- ❖ Financial assets at fair value through profit or loss.

A financial asset is classified as at amortized cost if both of the following conditions are true:

- ❖ the financial asset is held within the business model the purpose of which is to retain financial assets to obtain contractual cash flows;
- ❖ the contractual terms of the financial asset provide for cash flow receipts on certain dates, which are exclusively the payment of the principal amount and interest on the outstanding share of the principal amount.

A financial asset is classified as an asset measured at fair value through OCI if the following two conditions are met:

- ❖ the financial asset is held within the business model the purpose of which is both the retention of financial assets to obtain contractual cash flows and the sale of financial assets;
- ❖ the contractual terms of the financial asset provide for cash flow receipts on certain dates, which are exclusively the payment of the principal amount and interest on the outstanding share of the principal amount.

A financial asset is classified as an asset measured at fair value through profit or loss if:

- ❖ the financial asset is not classified as an asset at amortized cost or as an asset at fair value through OCI;
- ❖ the financial asset is held within the business model the purpose of which is to obtain cash flows from active sales of financial assets.

The classification of financial assets of the Fund by the said categories is based on the business model for financial asset management, and characteristics of cash flows on the financial asset provided for by the terms of the contract.



Determining the business model for financial asset management and testing the characteristics of cash flows under the terms of the agreements is carried out in accordance with the methodology approved by Decision No. 3357 of the Fund's Executive Board dated December 13, 2018.

The reclassification of recognized financial assets is carried out, as an exception, only in the event of a change in the financial asset management business model. A change in the business model is determined by the Fund's management staff as a result of external or internal changes, and shall be material to the Fund's activities and obvious to external parties. The reclassification of financial assets is applied prospectively from the reclassification date.

#### **Recognition and valuation of financial instruments**

A financial asset or a financial liability is recognized in the statement of financial position only when the Fund becomes a party to the contractual provisions regarding that financial instrument.

Ordinary acquisition or sale of a financial asset is accounted for on the settlement date.

Upon initial recognition, financial assets and financial liabilities are measured at fair value plus or minus (in the case of a financial asset or financial liability that is not measured at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The best indicator of the fair value of a financial instrument upon its initial recognition is the transaction price, i.e. the fair value of the funds paid or received. If the Fund determines that the fair value of a financial instrument upon its initial recognition differs from the transaction price and the fair value is not confirmed by the quoted price of an identical asset or liability in an active market or by a valuation method that uses only open market data, such financial instrument shall be first measured at fair value adjusted to defer the difference between the fair value upon initial recognition and the transaction price. Then the said difference shall be recognized in profit or loss on an appropriate basis over the life of the instrument, but not later than the moment when the valuation is fully confirmed by open market data or when the transaction is closed.

Further valuation of financial assets depending on their classification is carried out:

- ❖ at amortized cost;
- ❖ at fair value through OCI;
- ❖ at fair value through profit or loss.

Financial liabilities are classified as those that are subsequently measured at amortized cost. Financial liabilities cannot be reclassified after initial recognition.

#### **Impairment of financial assets**

At the end of each reporting period, financial assets (except financial assets measured at fair value through profit or loss) are reviewed for impairment.

An impairment of financial assets consists in the recognition of a loss provision for expected credit losses on financial instruments in the amount equal to:

- ❖ expected credit losses over the life of the financial instrument, if the credit risk has increased significantly since its initial recognition;

- ❖ 12-month expected credit losses, if as of the reporting date the credit risk has not increased significantly since the initial recognition or the conditions that led to a significant increase in credit risk are no longer met.

The provision for expected loan losses on financial investments in government securities is recognized in accordance with the method of impairment of financial investments in government securities approved by Decision No. 3357 of the Fund's Executive Board dated December 13, 2018.

The provision for expected loan losses on arrears of insolvent banks and banks liquidated by the Fund, on special-purpose loans and interest on special-purpose loans granted to insolvent banks is recognized in accordance with Annex 1 "Algorithm for calculating an expected amount of satisfaction of creditors' claims of the Deposit Guarantee Fund to banks liquidated by the Fund" to the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund approved by Decision No. 13 of the Executive Board of the Fund dated February 28, 2013 (as amended by Decision No. 3358 of the Executive Board of the Fund dated December 13, 2018), and is calculated based on the amount of the approved liquidation estate of insolvent banks and the conversion of the liquidation estate into cash flow.

The provision for expected loan losses on other receivables is calculated using a simplified practical approach for the entire life of the financial instrument using the matrix of the valuation provision. The valuation of expected loan losses depends on the number of days of delay in payment of other receivables.

The amount of the provision is reviewed at each balance sheet date and adjusted (decreased or increased) if necessary. An impairment loss (profit from utility renewal) is recognized in profit or loss.

#### **Derecognition**

The Fund derecognizes a financial asset when the rights to receive funds from this financial asset expire or when the Fund transfers this financial asset within a transaction under which the Fund transfers virtually all risks and benefits associated with the ownership of the financial asset or does not transfer or retain virtually all risks and benefits associated with the ownership of the financial asset but ceases to exercise control over it. The Fund derecognizes a financial liability when its liabilities under the agreement are repaid, cancelled, or expire.

#### **j) FUND'S LIABILITIES IN DEPOSIT PAYOUTS TO DEPOSITORS OF INSOLVENT BANKS AND BANKS LIQUIDATED BY THE FUND**

The Fund's obligation to pay reimbursement to the depositors of insolvent banks and banks liquidated by the Fund constitutes a statutory liability that arises in accordance with Article 26 of the Law "On the Household Deposit Guarantee System."

The liability is recognized in the amount of reimbursement approved by the Executive Board of the Fund in the register of reimbursements to depositors on the date of such approval, and is reflected in the total amount with regard to a particular insolvent bank.

The Fund's obligation to pay reimbursement to depositors whose deposits meet the signs stipulated by Article 38 of the Law of Ukraine "On the Household Deposit Guarantee System" is recognized as part of provisions.



The Fund's obligation to pay reimbursement to depositors of insolvent banks and banks liquidated by the Fund, which will remain unclaimed by depositors on the date of reimbursement payment, is recognized in other operating income.

The end date of reimbursement payment is the day of submitting documents for making a bank liquidation entry in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

**k) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Provisions**

Provision is recognized in the statement of financial position when the Fund has a current statutory or constructive liability due to the event that occurred in the past, and when repayment of the liability is likely to result in the outflow of resources that represent economic benefits. If the consequences are significant, the amount of the provision is determined by discounting expected future cash flows using a discount rate before tax, which reflects the current market measurement of the cost of funds over time and the risks inherent in a specific liability.

Provisions of the Fund are classified into the following categories:

- ❖ Provision for possible costs of the Fund for insolvent bank resolution and deposit payouts;
- ❖ Provision for possible costs of the Fund for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the signs specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee System";
- ❖ Provision for possible legal costs of the Fund.

Provisioning for potential expenses of the Fund for deposit payouts and bank resolution

Provision for potential expenses of the Fund for insolvent bank resolution and deposit payouts is determined in accordance with the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund approved by Decision No. 13 of the Executive Board of the Fund dated February 28, 2013 (as amended by Decision No. 3358 of the Executive Board of the Fund dated December 13, 2018), and is a projected covered reimbursement amount during twelve months, weighted by the ratio of expected losses of the Fund.

The projected guaranteed reimbursement of deposits during twelve months is calculated for banks that are not declared insolvent at the reporting date, and is the sum of products of the guaranteed reimbursement for depositors on deposits of each bank and the probability of declaring the bank insolvent within twelve months.

When the bank is declared insolvent, the provision for the Fund's potential expenses for the insolvent bank resolution and deposit payouts is reversed to the next reporting date. The guaranteed reimbursement payable to depositors of an insolvent bank shall be recognized in liabilities.

Provision for the Fund's potential expenses for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have signs defined by Article 38 of the Law of Ukraine "On the Household Deposit Guarantee System".

Provision for the Fund's potential expenses for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have signs specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee System" is determined for each insolvent bank in accordance with the list provided by the authorized bank officer in accordance with Subclause 5, Part 2 of Article 27 of the Law "On the Household Deposit Guarantee System", and is the sum of expenditures necessary for repaying the outstanding liability.

The provision is recognized as of the date of approval of the deposit payout register and reviewed at the end of each reporting period.

The unexpended balance of the provision is reversed as of the end date of payment of the guaranteed reimbursement.

The end date of reimbursement payment is the day of submitting documents for making a bank liquidation entry in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Provision for possible legal costs of the Fund

Provision for possible legal costs of the Fund is the sum of expenditures necessary to repay the outstanding liability on fines, administrative penalties, monetary indemnification of losses that may arise as a result of the Fund's breach or failure to comply with the laws, other regulations, agreements, approved practices, as well as due to the possibility of their ambiguous interpretation.

Provision for possible legal costs of the Fund is calculated based on the following factors: court instance legal authority considering the case; availability or absence of the lower court decision and the party in favor of which it was taken; judicial practice in similar legal relations; substantiation of legal stance of the Fund. The amount of possible costs of the Fund for litigations with a high legal risk is recognized at the reporting date in the financial statements in provisions. The amount of possible costs of the Fund for litigations with an average legal risk is recognized at the reporting date in the Notes to the Financial Statements.

**Contingent liabilities**

Contingent liability is a potential liability that results from past events and the existence of which will be confirmed only after one or more uncertain future events not fully controlled by the Fund will or will not occur, or an existing liability that results from the past events but is not recognized, because there is no probability that the repayment of a liability requires the disposal of resources that embody economic benefits, or the amount of the liability cannot be measured reliably.

**Contingent assets**

A contingent asset is a potential asset that results from past events and the existence of which will be confirmed only after one or more uncertain future events not fully controlled by the Fund will or will not occur.

Contingent assets and contingent liabilities are not recognized in the financial statements.

**l) DEBT OF INSOLVENT BANKS AND BANKS LIQUIDATED BY THE FUND ON THE CREDITOR'S CLAIMS OF THE FUND**

According to Article 29 of the Law of Ukraine "On the Household Deposit Guarantee System", the Fund acquires the rights of a bank creditor as follows:



- ❖ for the total amount to be reimbursed to depositors of such bank (including Clauses 3–5, Part 2 of Article 27 of the Law of Ukraine "On the Household Deposit Guarantee System") on the day of commencement of the resolution procedure by the Fund;
- ❖ for the amount of the special-purpose loan provided to the bank during the provisional administration;
- ❖ for the amount of financial support provided by the Fund to the receiving bank or bridge bank;
- ❖ for the amount of expenses related to the insolvent bank resolution procedure, which are paid by the Fund within the limits of the cost estimate approved by the Administrative Board of the Fund, including the consolidated sale of assets of the bank being liquidated;
- ❖ for the amount of the regular fee accrued but not paid to the Fund, as well as for the amount of fee, penalty, and/or fine arrears to the Fund accrued before the day preceding the date of commencement of the liquidation procedure.

The debt of insolvent banks and banks liquidated by the Fund on the Fund's creditor claims are an expected amount of discharge of the Fund's creditor claims, which is recognized in the financial statements as follows:

- ❖ the reimbursement of the Fund's expenses for fulfilling the obligation of the Fund to make payouts to depositors of insolvent banks and cover the expenses for the insolvent bank resolution procedure are recognized as a separate asset;
- ❖ outstanding special-purpose loans and interest thereon issued to insolvent banks are recognized net of the loss provision for default on special-purpose loans.

The reimbursement amount reduces the expenses associated with the fulfillment of the obligation by the Fund to make payouts to depositors of insolvent banks and cover the expenses associated with the insolvent bank resolution procedure.

The expected amount of creditor claims repayment is reviewed at the reporting date.

Funds received from insolvent banks and banks liquidated by the Fund to discharge the creditor claims of the Fund are credited in the following order:

- ❖ firstly, repayment of the outstanding special-purpose loan issued to the bank during the provisional administration;
- ❖ secondly, repayment of the outstanding interest on the special-purpose loan;
- ❖ thirdly, repayment of creditor claims on the funds to be reimbursed to depositors (including Clauses 3-5, Part 2 of Article 27 of the Law "On the Household Deposit Guarantee System");
- ❖ fourthly, repayment of creditor claims on the expenses related to the insolvent bank resolution procedure, spent within the cost estimate approved by the Administrative Board of the Fund, including the consolidated sale of assets of the bank being liquidated;
- ❖ fifthly, repayment of the outstanding fees, penalty and fines.

The debt of insolvent banks and banks liquidated by the Fund on the Fund's creditor claims that will remain outstanding at the date of completion of the liquidation procedure and exclusion of the bank from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine shall be considered bad and shall be written off.

#### m) INCOME

Income is classified by the following groups:

- ❖ Fund members' contributions;
- ❖ other operating income;
- ❖ financial income.

#### *Fund members' contributions*

Income from Fund members' contributions include the following: initial contributions; regular contributions; special contributions; additional contributions for the past periods.

Contributions are charged in accordance with the Regulation on the Procedure for Calculation, Accrual, and Payment of Fees to the Deposit Guarantee Fund approved by Decision No. 1 of the Executive Board of the Fund dated July 2, 2012 and registered with the Ministry of Justice of Ukraine No. 1273/21585 on July 27, 2012.

#### *Initial contributions*

Initial contributions are determined at the date of the banking license issue based on the Calculation of the Initial Fee Payable to the Deposit Guarantee Fund submitted by Fund members. The amount of the initial contribution is 1% of the share capital of the bank, except as otherwise stipulated by law. The initial contribution shall be paid within thirty calendar days from the date of issue of the banking license.

#### *Regular contributions*

Regular contributions are determined under the accrual principle on a quarterly basis on the last day of the reporting quarter based on the Calculation of the Regular Fee Payable to the Deposit Guarantee Fund provided by member institutions.

The amount of regular contributions depends on the deposit base and the risk level of the bank. Fund members calculate the fees as of the end of the last working day of the reporting quarter by weighing the base annual rate, which is 0.5 % of the base amount of deposits in national currency and 0.8 % of the base amount of deposits in foreign currency, by the risk level. The base amount for regular fee calculation is defined as the arithmetic mean for the calculation period of daily balances on the accounts of deposits and interest thereon. The calculation period for determining the base amount is a reporting quarter of the current year. The regular fee shall be paid to the Fund quarterly by the 15th day of the month following the reporting quarter.

The regular fees for the past periods additionally charged based on the results of the inspection of the Fund member shall be recognized within the period of its detection. However, if at the reporting date or date of approval of statements, the Fund reliably knew about the actual facts related to violations of regular fee calculation by the bank, such adjustments shall be recorded on the books in the reporting period.

Regular contributions of Fund members, regarding which the National Bank of Ukraine made a decision to revoke a banking license and liquidate the bank, shall be recognized on the day preceding the introduction of the bank liquidation procedure. Therefore, no regular fees shall be charged from the date of the introduction of the liquidation procedure.

Arrears of banks liquidated by the Fund on the fees payable to the Fund shall be a non-financial monetary asset. This asset is reviewed at the end of the reporting period for impairment. If there is an objective evidence of impairment or impossibility to



obtain an asset, the impairment loss shall be recognized with the formation of the loss provision.

The provision for impairment losses is created based on the individual assessment of certain debtors.

The amount of loss is determined as the difference between the book value of the asset and the present value of pre-estimated future cash flows. The amount of loss is recognized in the profit or loss. The amount of the provision is reviewed at each balance sheet date and adjusted (decreased or increased) if necessary.

#### *Special contributions*

Special contributions are established by the Fund in the following cases:

- ❖ reduction of the minimum amount of the Fund's resources below 2.5 % of the depositors' funds guaranteed by the Fund within the reimbursement amount, taking into account the amount of fees charged from Fund members, which are to be received during the current quarter, or the risk of a substantial decrease in the Fund's resources;
- ❖ for the purpose of repaying borrowed loans.

The total amount of the special fee paid by a Fund member during a year shall not exceed the amount of the regular fee such Fund member paid for the previous year.

Special contributions are recognized for the periods specified in the decision of the Executive Board of the Fund on the application of special fees to the banks.

#### *Other operating income*

Other operating income includes the following:

- ❖ penalty (fines) for the breach of the Law "On the Household Deposit Guarantee System";
- ❖ income in the form of interest on special-purpose loans issued to insolvent banks;
- ❖ income from implementation of measures specified in the resolution plan, in particular, from the sale of an insolvent bank or bank liquidation;
- ❖ income from writing off liabilities to pay reimbursement to depositors due to the completion of insolvent bank liquidation;
- ❖ other income.

Interest income is recognized during the reporting periods when it occurred, using the effective interest rate method. After writing off part of the financial asset or a group of similar financial assets as a result of impairment losses, interest income is determined based on the interest rate used to discount future cash flows for the purpose of evaluating the impairment losses.

Other income is recognized, if a separate transaction definitely increases the economic benefits.

#### *Financial income*

Financial income includes the following:

- ❖ interest income accrued by the National Bank of Ukraine on balances on the Fund's accounts opened with the National Bank of Ukraine;
- ❖ income from the Fund's investments in government securities of Ukraine;
- ❖ discount on compensating the Fund's expenses for deposit payouts and bank resolutions, which is expected

to be received from insolvent banks and banks liquidated by the Fund;

- ❖ income in the form of interest on loans granted to the Fund's employees.

Interest income is recognized during the reporting periods when it occurred, using the effective interest rate method.

#### **n) EXPENSES**

Expenses are classified into the following groups:

- ❖ expenses on creating a provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts;
- ❖ expenses for fulfilling the obligation to pay reimbursement to depositors and to withdraw insolvent banks from the market;
- ❖ expenses on creating a provision for impairment losses on financial assets;
- ❖ other operating expenses;
- ❖ financial expenses;
- ❖ administrative expenses;
- ❖ other expenses.

Other operating expenses include the following:

- ❖ litigation expenses;
- ❖ expenses on the provision for potential legal costs of the Fund;
- ❖ expenses on the provision for the Fund's potential expenses for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have signs defined by Article 38 of the Law of Ukraine "On the Household Deposit Guarantee System";
- ❖ expenses from writing off bad debts of insolvent banks, which remained outstanding on the date of completion of the bank liquidation procedure and its exclusion from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations;
- ❖ other operating expenses.

Financial expenses include the following:

- ❖ expenses for interest payment on loans of the National Bank of Ukraine and the state;
- ❖ expenses related to the issue, retention and circulation of the Fund's securities;
- ❖ interest expenses on lease liabilities;
- ❖ other financial expenses.

Other financial expenses include a discount on compensating the Fund's expenses for deposit payouts and bank resolutions, which is expected to be received from insolvent banks and banks liquidated by the Fund.

Administrative expenses include general expenses related to the Fund's functional performance: labor costs for the Fund's employees; provision for future expenses for the accrued payment of absence periods (annual leaves) of the Fund's employees; training and education costs; business trip expenses; hospitality expenses; expenses for maintenance of fixed assets and intangible assets (operating lease, property insurance, depreciation, repairs, etc.); depreciation of fixed assets, intangible assets and other non-current tangible assets; remuneration for professional services (legal, auditing, advertising and information services, property valuation, etc.); costs of communication services (postal, telephone, mobile, etc.); taxes, fees and other mandatory payments; cash and



settlement service fee; the cost of commissioned inventory; membership fees to international associations of deposit insurers; expenses for the provisions for costs for which at the time of compiling financial statements no primary documents have been received from counterparties; other administrative expenses.

Other expenses include the following:

- ❖ losses from non-current assets disposal;
- ❖ losses from non-current asset impairment;
- ❖ impairment losses on financial assets measured at amortized cost;

#### 4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

Preparation of financial statements requires the management to formulate judgments, estimates, and assumptions that affect the amounts of assets and liabilities, income and expenses recognized in the financial statements.

##### *Judgment*

When using the accounting policy, the Fund's management applied the following judgments, which had a significant impact on the amounts recognized in the financial statements:

Identification of a business model of financial asset management

The Fund identifies a financial asset as held within a business model that retains financial assets to obtain contractual cash flows, if the Fund:

- ❖ plans to hold the financial asset to maturity;
- ❖ considers the possibility of selling the asset in the event of a significant increase in the credit risk on the financial asset;
- ❖ does not plan to sell the asset under normal circumstances, but the sale is possible if the minimum amount of the Fund's assets reaches the minimum limit or if there is a risk of a significant reduction in the Fund's assets;
- ❖ does not monitor market prices for this asset and does not plan to sell it in a favorable market situation;
- ❖ does not plan to sell the financial asset in case of a need for liquid funds;
- ❖ does not plan to make active transactions of purchase and sale of financial assets with a frequency of at least five times a week.

The Fund identifies a financial asset as held within a business model whose purpose is both to hold assets for cash flows under the contract and to sell financial assets, if the Fund:

- ❖ plans to hold the financial asset to maturity;
- ❖ plans to sell the financial asset in case of a need for liquid funds;

#### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued but are not yet effective as at December 31, 2020:

- ✓ Amendments to IAS 16 Property, Plant and Equipment – Property, Plant and Equipment: Intended Use. The amendments prohibit deducting from the original cost of

- ❖ impairment losses on financial assets measured at fair value through other comprehensive income;
- ❖ negative result of revaluation of the book value of financial assets measured at fair value through profit or loss.

Expenses are recorded on the books and statements based on the income-and-expense matching principle. The expenses not matching to the income of a particular period are recognized in the reporting period in which they were incurred.

Interest expenses are recognized during the reporting periods when they occurred using the effective interest rate method.

- ❖ considers the possibility of selling the asset in the event of a significant increase in the credit risk on the financial asset;
- ❖ does not plan to sell the asset under normal circumstances, but the sale is possible if the minimum amount of the Fund's assets reaches the minimum limit or if there is a risk of a significant reduction in the Fund's assets;
- ❖ does not monitor market prices for this asset and does not plan to sell it in a favorable market situation;
- ❖ does not plan to make active transactions of purchase and sale of financial assets with a frequency of at least five times a week.

The Fund identifies a financial asset as held within other business models if the Fund:

- ❖ monitors market prices for this asset and plans to sell it in a favorable market situation;
- ❖ plans to carry out active transactions of purchase and sale of the financial asset with a frequency of at least five times a week.

##### *Estimates and assumptions*

Estimates and assumptions of the Fund's management are based on the initial data available at the time of preparing these financial statements. However, current circumstances and assumptions about the future may change due to the market changes or circumstances beyond the Fund's control. Such changes are reflected in assumptions as they occur.

Information about the estimates and assumptions used by the Fund that had the greatest impact on the amounts recognized in the financial statements is disclosed in the following notes:

- ❖ Note 8: Other current financial assets.
- ❖ Note 10: Debt of insolvent banks and banks liquidated by the Fund on the creditor's claims of the Fund.
- ❖ Note 15: Provisioning for potential expenses of the Fund for deposit payouts and bank resolution.

an item of property, plant and equipment any proceeds from selling items produced while bringing that asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling



- such items, and the cost of producing those items, in profit or loss<sup>1</sup>;
- ✓ Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Burdensome contracts - costs of performing the contract, which explain what costs should be taken into account when assessing whether the contract is burdensome or unprofitable<sup>1</sup>;
  - ✓ Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary that adopts the International Financial Reporting Standards for the first time<sup>2</sup>;
  - ✓ Amendment to IFRS 9 Financial Instruments – a commission fee for the "10% test" in the event of derecognition of financial liabilities<sup>2</sup>;
  - ✓ IFRS 17 Insurance Contracts – a new financial reporting standard for insurance contracts, which addresses the recognition and measurement, presentation and disclosure of information<sup>3</sup>;
  - ✓ Amendments to IAS 1 Presentation of Financial Statements – "Classification of Liabilities as Current or Non-Current", which clarifies the requirements for the classification of liabilities into current and non-current<sup>4</sup>;
  - ✓ Amendments to IFRS 3 Business Combinations – "Reference to the Conceptual Framework of IFRS Standards"<sup>1</sup>;
  - ✓ Amendment to IAS 41 Agriculture – taxation in fair value measurement<sup>2</sup>;
  - ✓ Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting

## 6. CHANGES IN ACCOUNTING POLICY AND PRINCIPLES OF DISCLOSURE

### *The effect from the first adoption of new standards*

In 2021, the Fund applied the following new standards and amendments for the first time:

- ❖ Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts, IFRS 16 Leases – Base Interest Rate Reform–Stage 2;
- ❖ Amendments to IFRS 16 Leases – Lease Assignments Related to Covid-19 Pandemic after June 30, 2021;

The application of the standards and amendments mentioned above did not have an impact on the Fund's financial statements.

The Fund has not applied ahead of time any standards, clarifications, or amendments that have been published have not yet become effective.

## 8. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets represented by the domestic government bonds, which the Fund, depending on a business

- estimates. The amendments define "accounting estimates" and clarify the difference between changes in accounting estimates and changes in accounting policies and correction of errors<sup>3</sup>;
- ✓ Amendments to IAS 1 Presentation of Financial Statements and Practice Statement No. 2 on the Application of IAS – Disclosure of Accounting Policies. The amendments provide clarifications and examples to assist entities in applying judgments about the materiality to accounting policy disclosures<sup>3</sup>.

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2022.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022. Early use is allowed.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2023. Early use is allowed.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2023.

Management plans to apply these standards from the date of their entry into force.

According to the Fund's estimates the application of the new standards and amendments will not materially affect the financial position or performance of the Fund.

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held on the current account of the Fund with the National Bank of Ukraine.

<i>(UAH thousand)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash at bank	674,942	1,414,101
<b>Total cash and cash equivalents</b>	<b>674,942</b>	<b>1,414,101</b>

The National Bank of Ukraine accrues interest on the Fund's daily cash balances on the current account at an weighted average interest rate for household demand deposits in the national currency. The average effective interest rate as at December 31, 2021 is 5.14% (as at December 31, 2020, 7.42%). Interest on cash placed with the National Bank of Ukraine is included in the financial income (Note 21).

Property rights for future cash inflows in the amount of UAH 10,963,000 are pledged as collateral for the Fund's liabilities under the loan agreement with the National Bank of Ukraine (Note 19).

model, classifies as financial assets at amortized cost and financial assets at fair value through OCI.



(UAH thousand)	December 31, 2021	December 31, 2020
Financial assets at amortized cost	11,131,934	8,886,207
Financial assets at fair value through OCI	5,261,737	5,721,637
<b>Total</b>	<b>16,393,671</b>	<b>14,607,844</b>

*Financial assets at depreciated cost*

Financial assets at amortized cost are represented by the domestic government bonds purchased in 2021 and held by the Fund within the business model aimed at the retention of financial assets to obtain contractual cash flows. Contractual cash flows under these financial assets are payments of the principal amount and interests on the outstanding principal amount.

(UAH thousand)	Effective interest rate	Maturity date	December 31, 2021	December 31, 2020
UA4000194377	9,78%	02/06/2021		833,729
UA4000204986	10,59%	29/09/2021		1,090,730
UA4000207989	10,10%	21/07/2021		1,320,668
UA4000209373	7,96%	24/02/2021		1,028,058
UA4000211957	7,93%	28/04/2021		2,043,917
UA4000213300	10,84%	27/10/2021		263,622
UA4000214498	11,64%	01/12/2021		2,305,483
UA4000204002	11,15%	11/02/2022	261,151	-
UA4000204572	11,55%	03/08/2022	1,524,011	-
UA4000214506	11,15%	15/06/2022	203,058	-
UA4000215156	11,28%	09/03/2022	1,223,207	-
UA4000215495	10,70%	02/02/2022	1,303,477	-
UA4000216774	11,65%	23/11/2022	692,179	-
UA4000218325	11,40%	20/07/2022	1,535,654	-
UA4000219778	11,86%	26/08/2022	1,037,134	-
UA4000222145	12,08%	14/12/2022	1,340,705	-
UA4000223457	10,95%	29/06/2022	2,011,358	-

**9. ACCOUNTS RECEIVABLE ON MEMBER FROM BANKS' CONTRIBUTIONS**

Accounts receivable on banks' contributions are represented by receivables on a regular fee payable by the banks in accordance with Article 22 of the Law of Ukraine "On the Household Deposit Guarantee System."

The Fund recognizes accounts receivable on regular fees on a quarterly basis based on the Calculation of the Regular Fee Payable to the Deposit Guarantee Fund provided by Fund

Total		11,131,934	8,886,207
(UAH thousand)	Effective interest rate	December 31, 2021	December 31, 2020
UA4000196513	10,27%	3,892,960	4,231,600
UA4000196521	10,27%	1,368,777	1,490,037
<b>Total</b>		<b>5,261,737</b>	<b>5,721,637</b>

The book value of financial assets measured at amortized cost includes accrued interest payable in the total amount of UAH 268,456 thousand (December 31, 2020: UAH 104,401 thousand).

*Financial assets at fair value through OCI*

Financial assets at fair value through OCI are represented by the domestic government bonds which the Fund received as a loan from the Ministry of Finance of Ukraine in 2016 in exchange for promissory notes issued by the Fund for the same amount (Note 19).

These financial assets are held by the Fund within the business model aimed at the retention of financial assets to obtain contractual cash flows, and at the sale of financial assets. The Fund plans to sell these financial assets in case it is necessary to obtain liquid assets in order to meet its obligations to pay reimbursement to depositors and incur bank resolution costs. The latest part of such bonds worth UAH 2,500,000 thousand was sold by the Fund in 2017.

The book value of financial investments measured at fair value through OCI includes accrued interest payable totaling UAH 126,537 thousand (December 31, 2020: UAH 124,989 thousand).

*Impairment of financial investments*

The Fund regularly reviews financial investments at amortized cost and financial investments at fair value through other comprehensive income for possible impairment.

To determine the need to recognize expenses for expected loan loss provision, the Fund's management applies estimates on the signs of a significant increase in credit risk and a decrease in future cash flows for such securities. These signs may include data characterizing the negative change in the issuer's solvency. Domestic government bonds denominated in the national currency are considered conditionally free of credit risk. The probability of default on domestic government securities within 12 months and for the entire term of the financial instrument is considered to be close to zero.

members. The arrears on regular fees shall be repaid by the bank by the 15th day of the month following the reporting quarter.

Regular contributions of Fund members, regarding which the National Bank of Ukraine made a decision to revoke a banking license and liquidate the bank, shall be recognized on the day preceding the introduction of the bank liquidation procedure.





Therefore, no regular fees shall be charged from the date of the introduction of the liquidation procedure.

Accounts receivable on insolvent banks' contributions as at December 31, 2021, December 31, 2020 were revised for impairment due to the existence of an objective evidence of the impossibility to obtain an asset. Funds received from insolvent banks are credited towards repayment of receivables on contributions last of all other creditor claims of the Fund against insolvent banks. The provision for impairment losses is established in the amount of 100% of receivables on insolvent banks' fees.

	December 31, 2021	December 31, 2020
(UAH thousand)		

Accounts receivable on contributions of Fund's member banks	1,140,623	1,113,586
Accounts receivable on insolvent banks' contributions	222,512	221,492
<b>Total accounts receivable on banks' fees, gross</b>	<b>1,363,135</b>	<b>1,335,078</b>
<b>Impairment of:</b>		
Arrears on insolvent banks' contributions	(222,512)	(221,492)
<b>Total impairment</b>	<b>(222,512)</b>	<b>(221,492)</b>
<b>Total accounts receivable on banks' contributions, net</b>	<b>1,140,623</b>	<b>1,113,586</b>

## 10. DEBT OF INSOLVENT BANKS ON THE CREDITOR'S CLAIMS OF THE FUND

The debt of insolvent banks and banks liquidated by the Fund on the Fund's creditor claims are an expected amount of discharge of the Fund's creditor claims, which is recognized in the financial statements as follows:

- ❖ the reimbursement of the Fund's expenses for fulfilling the obligation of the Fund to make payouts to depositors of insolvent banks and cover the expenses for the insolvent bank resolution procedure are recognized as a separate asset;
- ❖ outstanding special-purpose loans and interest thereon issued to insolvent banks are recognized net of the loss provision for default on special-purpose loans.

### Key assumptions and judgments for assessing the arrears of insolvent banks on the Fund's creditor claims

The assessment of accounts receivable of insolvent banks and banks liquidated by the Fund on the Fund's creditor claims provides for the assessment of the expected amount of repayment of creditor claims of the Fund.

The management assesses the expected amount of repayment of creditor claims of the Fund based on the approved liquidation estate of insolvent banks and the conversion of the liquidation estate into the cash flow.

The management has made the key assumptions and judgments regarding the following:

- ❖ expected time of cash flows;
- ❖ conversion rate of the liquidation estate into the cash flow;
- ❖ discount rates to estimate the arrears of insolvent banks on the creditor claims of the Fund according to the expected time of cash flow.

### Expected time of cash flow

The Fund's management assumes that cash flows from banks under liquidation will be received within 5 years after the start of liquidation. After five years from the date of bank liquidation, no cash inflows are expected.

### Conversion rate

The conversion rate is used to project the future cash flows which the Fund expects to receive from the liquidation of banks. The conversion rate for a given year is calculated as the

ratio of the proceeds to the banks from the sale and management of assets to the liquidation estate of banks for all banks in total. To calculate the conversion rate of the liquidation estate into the cash flow by years, the Fund used the actual historical information regarding the proceeds available at the date of assessment for all banks liquidated by the Fund. At the reporting date, future cash flows are projected on a monthly basis for each bank separately, taking into account the period left until the projected liquidation completion date, the liquidation estate, and the conversion rate.

Conversion rates used to estimate the arrears of insolvent banks on the creditor claims of the Fund according to the expected time of cash flow are represented as follows:

<i>(in percentage)</i>	December 31, 2021	December 31, 2020
1st year in liquidation	12,32	12,27
2nd year in liquidation	9,54	9,87
3rd year in liquidation	9,25	9,80
4th year in liquidation	7,13	6,92
5th year in liquidation	6,02	6,20

### Discount rate to calculate the expected amount of reimbursement of the Fund's expenses for the liquidation procedure

The Fund used the spot rate calculated based on the zero coupon yield curve for the Ukrainian domestic government bonds denominated in UAH for the period that corresponds to the period from the reporting date to the expected time of cash flow, as a discount rate to calculate the expected amount of reimbursement of the Fund's expenses for the liquidation procedure. The zero coupon yield curve was calculated based on the Nelson-Siegel parametric model and published on the website of the National Bank of Ukraine.

The discount rates used to estimate the arrears of insolvent banks on the creditor claims of the Fund according to the expected time of cash flow are represented as follows:



<i>(in percentage)</i>	December 31, 2021	December 31, 2020
1st year in liquidation	11,17	10,51
2nd year in liquidation	11,87	11,08
3rd year in liquidation	12,15	11,35
4th year in liquidation	12,13	11,42
5th year in liquidation	11,93	11,33

#### Discount rate to calculate the provision for losses from default on special-purpose loan granted to banks

The Fund used the rate for specific special-purpose loan agreements, which ranged from 12.5% to 14.0% per annum, as a discount rate to calculate the provision for losses from default on special-purpose loans provided to banks.

The arrears of insolvent banks on the Fund's creditor claims is represented in the financial statements as follows:

<i>(UAH thousand)</i>	December 31, 2021	December 31, 2020
<b>Arrears of insolvent banks on the Fund's creditor claims:</b>		
Reimbursement of the Fund's expenses for deposit payouts and bank resolution	123,062	448,888
Arrears of insolvent banks on special-purpose loans, net	-	963,842
<b>Total arrears of insolvent banks on the Fund's creditor claims, net</b>	<b>123,062</b>	<b>1,412,730</b>

Reimbursement of the Fund's expenses for deposit payouts and bank resolution reduces the expenses for the Fund's deposit payout and bank resolution obligation (Note 23).

The arrears of insolvent banks on special-purpose loans are given in the statements in the net amount less the provision for losses from default on special-purpose loans.

<i>(UAH thousand)</i>	December 31, 2021	December 31, 2020
<b>Arrears of insolvent banks on special-purpose loans:</b>		
Arrears of insolvent banks on special-purpose loans, gross	11,289,329	11,675,493
Provision for losses from default on special-purpose loans	(11,289,329)	(10,711,651)
<b>Total arrears of insolvent banks on special-purpose loans, net</b>	<b>-</b>	<b>963,842</b>

Flow of the provision for impairment losses on the arrears of insolvent banks on special-purpose loans for the reporting period is represented as follows:

<i>(UAH thousand)</i>	2021	2020
<b>Provision for impairment losses on the arrears of insolvent banks on special-purpose loans at the beginning of the reporting period</b>	<b>10,711,651</b>	<b>12,482,092</b>
Provision formed	577,678	-
Provision reversal	-	(223,803)
Write-off at the expense of provisions	-	(1,546,638)
<b>Provision for impairment losses on the arrears of insolvent banks on special-purpose loans at the end of the reporting period</b>	<b>11,289,329</b>	<b>10,711,651</b>

#### Analyzing the sensitivity of the arrears of insolvent banks on the Fund's creditor claims to the changes in key assumptions

Reasonably possible changes in one of the key assumptions at the reporting date, provided that other assumptions remain unchanged, would have an impact on the arrears of insolvent banks on the Fund's creditor claims in the amounts below.

<i>(UAH thousand)</i>	December 31, 2021		December 31, 2020	
	Increase	Decrease	Increase	Decrease
<b>Expected reimbursement of the Fund's expenses for the liquidation procedure</b>				
Discount rate (change by 1%)	(302)	303	(775)	778
Conversion rate (10% change)	13,749	(13,749)	23,705	(23,705)
<b>Provision for losses from default on special-purpose loan granted to banks</b>				
Discount rate (change by 1%)	0	0	0	0
Conversion rate (10% change)	0	0	(96,931)	96,931



### 11. OTHER ASSETS

<i>(UAH thousand)</i>	December 31, 2021	December 31, 2020
Inventory	1,150	1,071
Other current non-financial assets	7,500	4,301
<b>Total other assets, gross</b>	<b>8,650</b>	<b>5,372</b>
<b>Less: impairment loss</b>	<b>-</b>	<b>-</b>
<b>Total other assets, net</b>	<b>8,650</b>	<b>5,372</b>

### 12. OTHER ACCOUNTS RECEIVABLE

<i>(UAH thousand)</i>	December 31, 2021	December 31, 2020
Advances paid	11,293	23,214
Accounts receivable from sale of insolvent banks	2,000	2,000
Other	2,785	4,000
<b>Total other accounts receivable, gross</b>	<b>16,078</b>	<b>29,214</b>
<b>Less: impairment loss</b>	<b>(3,870)</b>	<b>(4,112)</b>
<b>Total other accounts receivable, net</b>	<b>12,208</b>	<b>25,102</b>

### 13. FIXED ASSETS

<i>(UAH thousand)</i>	Non-residential office premises	Computer and equipment	Vehicles	Furniture and supplies	Other fixed assets	Total
Acquisition cost as at December 31, 2019		56,798	1,420	2,173	9,718	<b>70,109</b>
Accumulated depreciation as at December 31, 2019		(20,786)	(1,230)	(1,935)	(6,478)	<b>(30,429)</b>
<b>Net book value as at December 31, 2019</b>		<b>36,012</b>	<b>190</b>	<b>238</b>	<b>3,240</b>	<b>39,680</b>
Receipts	308,860	15,290	-	228	-	<b>324,378</b>
Disposals	-	-	-	-	(9,718)	<b>(9,718)</b>
Accumulated depreciation on disposed fixed assets	-	-	-	-	9,155	<b>9,155</b>
Depreciation	(3,861)	(10,075)	(17)	(124)	(2,677)	<b>(16,754)</b>
Acquisition cost as at December 31, 2020	308,860	72,088	1,420	2,401	-	<b>384,769</b>
Accumulated depreciation as at December 31, 2020	(3,861)	(30,861)	(1,247)	(2,059)	-	<b>(38,028)</b>
<b>Net book value as at December 31, 2020</b>	<b>304,999</b>	<b>41,227</b>	<b>173</b>	<b>342</b>	<b>-</b>	<b>346,741</b>
Receipts	-	33,490	-	76	-	<b>33,566</b>
Disposals	-	(1,346)	-	(93)	-	<b>(1,439)</b>
Accumulated depreciation on disposed fixed assets	-	1,343	-	89	-	<b>1,432</b>
Other changes	-	(14,894)	-	-	-	<b>(14,894)</b>
Accumulated depreciation on fixed assets where changes occurred	-	6,831	-	-	-	<b>6,831</b>
Depreciation	(7,721)	(15,220)	(18)	(130)	-	<b>(23,089)</b>
Acquisition cost as at December 31, 2021	308,860	89,338	1,420	2,384	-	<b>402,002</b>
Accumulated depreciation as at December 31, 2021	(11,582)	(37,907)	(1,265)	(2,100)	-	<b>(52,854)</b>
<b>Net book value as at December 31, 2021</b>	<b>297,278</b>	<b>51,431</b>	<b>155</b>	<b>284</b>	<b>-</b>	<b>349,148</b>

Initial cost of fully depreciated fixed assets that remain in use is UAH 10,512 thousand (December 31, 2020: UAH 10,527 thousand). In 2019, other fixed assets were presented in the form of the right of use with the initial value of UAH 9,718 thousand (Note 29).



## 14. INTANGIBLE ASSETS

<i>(UAH thousand)</i>	<b>Software</b>	<b>Total</b>
Acquisition cost as at December 31, 2019	70,114	<b>70,114</b>
Accumulated depreciation as at December 31, 2019	(16,661)	<b>(16,661)</b>
<b>Net book value as at December 31, 2019</b>	<b>53,453</b>	<b>53,453</b>
Receipts	49,369	<b>49,369</b>
Disposals	(82)	<b>(82)</b>
Accumulated depreciation on disposed intangible assets	82	<b>82</b>
Depreciation	(13,465)	<b>(13,465)</b>
Acquisition cost as at December 31, 2020	119,401	<b>119,401</b>
Accumulated depreciation as at December 31, 2020	(30,044)	<b>(30,044)</b>
<b>Net book value as at December 31, 2020</b>	<b>89,357</b>	<b>89,357</b>
Receipts	11,421	<b>11,421</b>
Disposals	(352)	<b>(352)</b>
Accumulated depreciation on disposed intangible assets	352	<b>352</b>
Other changes	14,894	<b>14,894</b>
Accumulated depreciation on fixed assets where changes occurred	(6,831)	<b>(6,831)</b>
Depreciation	(19,204)	<b>(19,204)</b>
Acquisition cost as at December 31, 2021	145,364	<b>145,364</b>
Accumulated depreciation as at December 31, 2021	(55,727)	<b>(55,727)</b>
<b>Net book value as at December 31, 2021</b>	<b>89,637</b>	<b>89,637</b>

## 15. PROVISIONING FOR POTENTIAL EXPENSES OF THE FUND FOR DEPOSIT PAYOUTS AND BANK RESOLUTION

In 2021, the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts was calculated according to the Financial Stability Assessment Methodology of the Deposit Guarantee Fund approved by Decision No. 13 of the Executive Board of the Fund dated February 28, 2013 (as amended by Decision No. 3358 of the Executive Board of the Deposit Guarantee Fund dated December 13, 2018).

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts is a projected guaranteed amount of deposit payouts to bank depositors measured for the next 12 months, weighted by the ratio of expected losses of the Fund.

The projected guaranteed amount of deposit payouts during 12 months is the amount of products of the guaranteed amount of deposit payouts for each bank and the probability of declaring the bank insolvent within 12 months.

The guaranteed amount of deposit payouts is measured according to the data of the household deposits report – Reporting Form No. 1Φ, the form of which was approved by

Decision No. 5 of the Executive Board of the Deposit Guarantee Fund dated June 18, 2020, registered with the Ministry of Justice of Ukraine on August 31, 2020 under No. 831/35114, which is submitted by Fund member banks at the reporting date.

### **Key assumptions and judgments used in the estimation of the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts**

Formation of the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts involves an assessment of the two components by the management of the Fund:

- ❖ probability of declaring banks insolvent;
- ❖ expected loss ratio of the Fund.

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts will be influenced by the assessment of these components, because they (a) are highly



exposed to changes from time to time, and (b) may have a significant impact.

**Probability of declaring a bank insolvent**

The probability of declaring a bank insolvent is measured according to the following algorithm:

- ❖ measurement of the bank's risk level with the use of the bank scoring model;
- ❖ according to the risk level, the bank is added to the group of banks by intervals of scoring points (previously determined according to the scoring measurement of banks and actual bank defaults);
- ❖ the bank is assigned the probability of declaring it insolvent, taking into account the impact of the macroeconomic environment, which is determined for the group of banks at intervals of scoring points according to the internal statistics of the Fund on the actual level of bank defaults and taking into account the average level of defaults over the economic cycle. If there are any objective factors for the possibility of adverse changes in the macroeconomic environment, the Fund determines the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts in the amount necessary to cover the expected losses during the crisis years. For this purpose, the probability of default for the crisis period is determined by the scoring point for each group.

The bank's risk level is measured according to the scoring model by three blocks: financial and economic condition; liquidity; external influence.

These blocks contain a set of indicators, the total value of which determines the bank's risk level. The maximum total number of points of a particular bank by blocks is 100 points, which corresponds to 100% bank risk level.

The financial and economic block has 10 indicators, each of which is weighted by a certain ratio: coverage of risky arrears by equity, ability to generate income, portfolio quality, adequacy of accumulated loan provisions, calculation of the amount of received collateral in the form of real estate, efficient management of resources, cost level, net interest and fee-based income to net assets, net spread, share of non-performing assets. The maximum number of points for this block is 50 points.

The liquidity block has 7 indicators, the aggregate of which allows assessing the bank risk level of liquidity loss and, as a result, the inability to fulfill obligations to creditors. The maximum number of points gained for the liquidity block is 30 points. These indicators include interest rate on raised term funds in national currency, total value of liabilities, growth rate of liabilities, balance of cash flows, adequacy of funds, imbalance rate by maturity of assets and liabilities, and availability of documents of bank customers not executed in time through the fault of the bank (presence of amounts on this indicator increases the risk of liquidity disturbance to the maximum level, therefore, the bank gains 30 points for this block).

The external influence block has 12 indicators, each of which has the appropriate number of points. The external influence block is intended to take into account the negative factors that may affect the probability of declaring the bank insolvent. These indicators include application of measures of influence or detection of violations, restriction, suspension or termination of transactions of certain types, availability of information from the NBU on the breach of economic equity ratios, provision of a special regime of control over the activity, as implemented by the NBU, and/or appointment of a curator implemented, information on the ratings of the parent company of the bank and others. The total number of points for the external influence block is calculated by summing up the points gained by the bank in this block, but shall not exceed 20 points.

**Expected loss ratio**

The expected loss ratio is calculated based on the accumulated statistics on insolvent banks that were declared subject to liquidation after January 1, 2013, and their liquidation has already been completed or continued for at least one year as of the reporting date. It is calculated as the ratio of the outstanding creditor claims of the Fund to the banks being liquidated at the reporting date, reduced by the expected amount of creditor claims of the Fund at the reporting date and the total amount of creditor claims filed by the Fund.

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts is presented in the financial statements as follows::

(UAH thousand)	2021	2020
<b>Provision for the Fund's potential expenses at the beginning of the period</b>	7,358,903	5,681,935
Increase (decrease) in the provision for the Fund's potential expenses	1,115,857	1,676,968
<b>Provision for the Fund's potential expenses at the end of the period</b>	<b>8,474,760</b>	<b>7,358,903</b>

**Analysis of sensitivity of the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts to the changes in key assumptions**

Reasonably possible changes in one of the key assumptions at the reporting date, provided that other assumptions remain unchanged, would have an impact on the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts in the amounts below.



(UAH thousand)

	December 31, 2021		December 31, 2020	
	Increase	Decrease	Increase	Decrease
<b>Provision for the Fund's potential expenses</b>				
Probability of insolvency (change by 1%)	84 748	(84 748)	73 589	(73 589)
Expected loss ratio (change by 1%)	84 748	(84 748)	73 589	(73 589)

## 16. LIABILITIES OF THE FUND ON DEPOSIT PAYOUTS TO INSOLVENT BANKS' DEPOSITORS

The Fund's obligation to pay reimbursement to the depositors of insolvent banks and banks liquidated by the Fund constitutes a statutory liability that arises in accordance with Article 26 of the Law "On the Household Deposit Guarantee System."

The Fund guarantees deposit payouts to each depositor of the bank. The funds are reimbursed in the amount of the deposit, including interest, as of the commencement date of the bank resolution procedure by the Fund, but within the maximum deposit payout limit set on that date, regardless of the number of deposits at the same bank. The maximum deposit payout limit for 2020 and 2021 amounted to UAH 200,000.

The Fund begins to fulfill its obligations to depositors within no later than 20 working days (30 working days for banks whose depositors' database contains information on more than 500,000 accounts) from the commencement date of the bank resolution procedure by the Fund and ends on the date of

submitting the documents for making a bank liquidation entry in the Unified State Register of Legal Entities.

As of December 31, 2021, the financial statements represent the Fund's liabilities to depositors of 36 banks (December 31, 2020: 35 banks).

In 2021, the Fund completed deposit payouts in one insolvent bank due to the submission of documents for making a bank liquidation entry to the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations. Liabilities of the Fund remaining unclaimed by depositors in the amount of UAH 9,347 thousand were written off and recognized in other operating income (Note 22).

The movement of the Fund's liabilities for making deposit payouts to the depositors of insolvent banks and banks liquidated by the Fund is presented as follows:

(UAH thousand)	2021	2020
<b>Deposit payout liabilities as at the beginning of the reporting period</b>	<b>2,996,576</b>	<b>3,224,830</b>
Accrual of the deposit payout liability	745,017	327,354
Increase in the liability due to the utilization of the provision for the Fund's potential expenses for paying reimbursement on void deposits	75,995	57,049
Decrease in the liability by the deposit payout amount paid to depositors	(848,162)	(389,946)
Liability write-off due to the completion of the bank liquidation procedure	(9,347)	(222,711)
<b>Deposit payout liability as at the end of the reporting period</b>	<b>2,960,079</b>	<b>2,996,576</b>

## 17. OTHER CURRENT PROVISIONS

Other provisions are represented by provisions for possible legal costs of the Fund, provision for the Fund's potential expenses for deposit payout to depositors to insolvent banks and banks liquidated by the Fund, whose deposits have signs of nullity defined by Article 38 of the Law of Ukraine "On the Household Deposit Guarantee System".



<i>(UAH thousand)</i>	Provision for possible legal costs of the Fund	Provision for expenses on paying reimbursement for deposits with signs of nullity	TOTAL
<b>Balance as of December 31, 2019</b>	<b>52,692</b>	<b>443,929</b>	<b>496,621</b>
Accrued (formed)	-	-	-
Used in the reporting year	-	(57,049)	<b>(57,049)</b>
Reversed in the reporting year	(1,860)	(40,217)	<b>(42,077)</b>
<b>Balance as of December 31, 2020</b>	<b>50,832</b>	<b>346,663</b>	<b>397,495</b>
Accrued (formed)	-	2,706	<b>2,706</b>
Used in the reporting year	-	(75,995)	<b>(75,995)</b>
Reversed in the reporting year	(26,161)	-	<b>(26,161)</b>
<b>Balance as of December 31, 2021</b>	<b>24,671</b>	<b>273,374</b>	<b>298,045</b>

## 18. OTHER CURRENT ACCOUNTS PAYABLE

Other accounts payable are payables for goods received, work performed and services rendered, deferred income, payroll liabilities, and other accounts payable, including prepaid fees from the Fund's member banks, current tax liability etc.

<i>(UAH thousand)</i>	December 31, 2021	December 31, 2020
Accounts payable for goods received, work performed and services rendered	1,726	23,892
Deferred income	1,878	2,901
Payroll liabilities	31,386	24,617
Other accounts payable	3,047	6,104
<b>Total other accounts payable</b>	<b>38,037</b>	<b>57,514</b>

## 19. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities are represented by promissory notes issued by the Fund in 2015-2016 in exchange for loan in the form of domestic government bonds (Note 8).

<i>(UAH thousand)</i>	Effective interest rate	December 31, 2021	December 31, 2020
<b>Promissory notes issued:</b>			
1Y+ maturity	8,4%	45,741,000	48,141,000
Interest due on promissory notes issued	-	24,956,012	21,341,402
<b>Total promissory notes issued</b>		<b>70,697,012</b>	<b>69,482,402</b>
<b>Total borrowed funds</b>		<b>70,697,012</b>	<b>69,482,402</b>

As of December 31, 2021, promissory notes issued are represented as follows in the Fund's financial statements:

promissory notes in the amount of UAH 37,800,000, thousand issued by the Fund in 2015 in exchange for a loan in the form of domestic government bonds received by the Fund from the Ministry of Finance of Ukraine, in accordance with Article 17 of the Law of Ukraine "On the State Budget of Ukraine for 2015", Resolution No. 156 of the Cabinet of Ministers of Ukraine dated April 4, 2015 "On Granting a Loan to the Deposit Guarantee Fund," and Resolution No. 701 of the Cabinet of Ministers of Ukraine dated September 8, 2015 "On Granting a Loan to the Deposit Guarantee Fund". The average nominal rate for promissory notes issued is 11.57%, interest on promissory notes is accrued monthly, but will be paid on the maturity date of the promissory note. The average effective rate for promissory notes issued in 2015 is 7.66%, maturity dates fall on 2026 and 2028. In 2021, the Fund carried out early repayment of promissory notes in the amount of UAH 2,400,000 thousand in accordance with Resolution No. 559 of the Cabinet of Ministers of Ukraine dated July 18, 2018 "On Early Repayment of Promissory Notes of the Deposit Guarantee Fund." Along with the early repayment of promissory notes, the Fund repaid interest on the promissory notes in the amount of UAH 1,671,794 thousand;



promissory notes in the amount of UAH 7,941,000 thousand issued by the Fund in 2016 in exchange for a loan in the form of domestic government bonds received by the Fund from the Ministry of Finance of Ukraine, in accordance with Article 17 of the Law of Ukraine "On the State Budget of Ukraine for 2016," and Resolution No. 1003 of the Cabinet of Ministers of Ukraine dated December 28, 2016 "On Granting a Loan to the Deposit Guarantee Fund." The average nominal rate for promissory notes issued is 9.99%, interest on promissory notes is accrued monthly, but a full amount will be paid on the maturity date of the promissory note. The average effective rate for promissory notes issued in 2016 is 6.33%, and maturity dates fall on 2031.

#### Loans granted by the National Bank of Ukraine

In January 2019, in accordance with the Regulation On Lending by the National Bank of Ukraine to the Deposit Guarantee Fund, approved by the NBU Board Resolution No. 95 dated March 18, 2013 (hereinafter – the Resolution) and to cover the temporary

shortage of resources in the Fund to pay the guaranteed deposit reimbursement amount, the Fund entered into a loan agreement with the National Bank of Ukraine (hereinafter - NBU) to open a revolving credit facility in the amount of UAH 2,000,000 thousand at a nominal interest rate of 18.0%, which equalled the NBU discount rate as of the date of the loan agreement. According to the terms of the loan agreement, loan funds are provided by NBU in tranches at the request of the Fund to obtain a loan. During 2019-2021, the Fund did not apply to the NBU for a loan.

To ensure the fulfillment of contractual obligations under the revolving credit facility agreement, the Fund pledged to the NBU its property rights for future cash receipts to the Fund's current account with the NBU, which is estimated at UAH 10,963,000 thousand.

## 20. CONTRIBUTIONS FROM MEMBER BANKS

<i>(UAH thousand)</i>	2021	2020
Regular contributions	4,567,628	4,174,388
Initial contributions	-	-
Special contributions	-	-
<b>Total contributions from member banks</b>	<b>4,567,628</b>	<b>4,174,388</b>

Share of regular contributions additionally charged for the past periods in 2021 amounts to 0.16% (0.0% in 2020), based on the Fund's inspection results.

## 21. FINANCIAL INCOME

<i>(UAH thousand)</i>	2021	2020
Interest yield on domestic government bonds	1,541,475	1,096,771
Discount on the reimbursement of expenses for deposit payouts and bank resolution	130,481	151,033
Interest on cash and cash equivalents placed with the NBU	69,912	192,525
Total financial income	13	23
<b>Total financial income</b>	<b>1,741,881</b>	<b>1,440,352</b>

## 22. OTHER OPERATING INCOME

<i>(UAH thousand)</i>	2021	2020
Penalties and fines arising from member banks' fees	561	1
Income from writing off deposit payout liabilities due to the completion of the insolvent bank liquidation	9,347	222,711
Write-back of the provision for impairment losses on outstanding special-purpose loans	-	223,803
Write-back of provision for legal risks	26,161	1,861
Write-back of provision for void deposits	-	40,217
Other income	2,120	4,215
<b>Total other operating income</b>	<b>38,189</b>	<b>492,808</b>





## 23. EXPENSES ON DEPOSIT PAYOUTS AND BANK RESOLUTION

Expenses related to the fulfillment of deposit payout and bank resolution obligations are represented in the financial statements on a net basis and reduced by the amount of reimbursement, which is expected to be received from insolvent banks and banks liquidated by the Fund. A positive result from recognition of the reimbursement which is expected to be received from insolvent banks and banks liquidated by the Fund is recognized in other operating income.

<i>(UAH thousand)</i>	<b>2021</b>	<b>2020</b>
Expenses for deposit payouts and bank resolution, gross	911,616	434,790
Decrease (increase) in the compensation of the Fund's expenses for deposit payouts and bank resolution	(263,243)	110,169
<b>Expenses for deposit payouts and bank resolution, net</b>	<b>648,373</b>	<b>544,959</b>
<b>Positive result from recognition of the compensation of expenses for deposit payouts and bank resolution, net</b>	<b>-</b>	<b>-</b>

## 24. FINANCE EXPENSES

<i>(UAH thousand)</i>	<b>2021</b>	<b>2020</b>
Interest paid on promissory notes	5,286,404	4,965,894
Other financial expenses	74,554	94,179
<b>Total financial expenses</b>	<b>5,360,958</b>	<b>5,060,073</b>

Other financial expenses include a discount on compensating the Fund's expenses for deposit payouts and bank resolutions, which is expected to be received from insolvent banks and banks liquidated by the Fund, and interest on the lease liability.

## 25. OTHER OPERATING EXPENSES

<i>(UAH thousand)</i>	<b>2021</b>	<b>2020</b>
Formation of the provision for impairment loss on outstanding special-purpose loans of insolvent banks	577,678	-
Interest reversal on special-purpose loans granted to insolvent banks	-	76,327
Legal costs	81,829	17,013
Formation of the provision for void deposits	2,706	-
Other expenses	3,029	702
<b>Total other operating expenses</b>	<b>665,242</b>	<b>94,042</b>

## 26. ADMINISTRATIVE EXPENSES

<i>(UAH thousand)</i>	<b>2021</b>	<b>2020</b>
Salaries and other employment benefits	312,917	317,320
Contributions to funds	55,919	52,568
Utility and maintenance costs	8,123	5,615
Depreciation	42,293	30,219
Repair and modernization of fixed assets and maintenance of intangible assets	26,533	24,300
Business trips	1,082	579
Other expenses	46,988	28,070
<b>Total administrative expenses</b>	<b>493,855</b>	<b>458,671</b>

## 27. RELATED PARTY TRANSACTIONS

In the normal course of business, the Fund makes transactions with related parties. Parties shall be considered related when one party is able to control the other party or has a significant impact on the other party in making financial or operational decisions.

### Controlling relations

The Fund is a public legal entity, has separate property being the object of the state property right, and is under its economic jurisdiction.

The Fund is an economically independent institution, has an independent balance sheet, current and other accounts with

the National Bank of Ukraine, as well as securities accounts at the depository institutions – state-owned banks.

The relationships arising from the establishment and functioning of the household deposit guarantee system, the procedure of insolvent bank resolution, and the liquidation of banks are regulated by the Law, other laws of Ukraine, regulations of the Fund and the National Bank of Ukraine.

### Transactions with key management personnel

The leading managers are persons authorized and responsible, directly or indirectly, for the planning, management and control of the Fund's operations.



The leading managers of the Fund include the Chairman and members of the Administrative Board of the Fund, Managing Director, Deputy Managing Directors, members of the Executive Board of the Fund and of the Tender Committee.

For the years ended December 31, 2021 and December 31, 2020, the expenses for compensations to the leading management staff amounted to UAH 40,428 thousand and UAH 34,205 thousand, respectively.

Members of the Administrative Board of the Fund shall exercise their functions on a pro bono basis. The Law does not provide for the remuneration for the Administrative Board members.

### Transactions with entities under control, joint control or significant influence of government authorities

The Fund's main transactions with entities controlled by authorities are the receipt of loans by the Fund from the National Bank of Ukraine, loans from the state budget from the Ministry of Finance of Ukraine, and payment of interest on those loans. The nature of these transactions is described in Note 19.

Information on individually significant balances and transactions with entities under control, joint control, or significant influence of government authorities is given in the tables below.

<i>(UAH thousand)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
Cash and cash equivalents on accounts opened with the National Bank of Ukraine	674,942	1,414,101
Domestic government bonds issued by the Ministry of Finance of Ukraine	16,393,671	14,607,844
<b>TOTAL ASSETS</b>	<b>17,068,613</b>	<b>16,021,945</b>
<b>LIABILITIES</b>		
Promissory notes issued by the Fund to the Ministry of Finance of Ukraine	45,741,000	48,141,000
Interest due on promissory notes issued to the Ministry of Finance of Ukraine	24,956,012	21,341,402
<b>TOTAL LIABILITIES</b>	<b>70,697,012</b>	<b>69,482,402</b>
<i>(UAH thousand)</i>		
	2021	2020
<b>TRANSACTIONS DURING THE YEAR</b>		
Interest yield on domestic government bonds	1,541,475	1,096,771
Interest on cash and cash equivalents placed with the National Bank of Ukraine	69,912	192,525
Interest expenses on promissory notes issued to the Ministry of Finance of Ukraine	(5,286,404)	(4,965,894)

## 28. CONTINGENT LIABILITIES

**Lawsuits.** The management of the Fund analyzes the legal proceedings of property or non-property nature, in which the Fund acts as a defendant (except the proceedings involving depositors of insolvent banks, regarding the protection of depositors' rights related to the payment of the guaranteed reimbursement at the expense of the Fund) in order to assess the legal risk level and determine the probability of an outflow of economic benefits that arises from violations or non-compliance with the laws, other regulations, agreements, common practices, as well as the possibility of ambiguous interpretation thereof by the Fund.

## 29. LEASE

As of December 31, 2021, there were no lease agreements in the Fund's financial statements.

In 2018, the Fund entered into two leases of non-residential office premises for a period of two years. The agreements expired in 2020. The right-of-use asset was presented within

The Fund has recognized a provision (Note 17) for legal proceedings with a high probability of economic benefits' outflow. No provision is created for legal proceedings with a low probability of outflow of economic benefits. A potential outflow of economic benefits in such proceedings is disclosed in the financial statements: as at December 31, 2021 – UAH 126,042 thousand (UAH 465,871 thousand as at December 31, 2020).

other fixed assets in the statement of financial position (Note 13). Interest on the lease liability for the year ended December 31, 2020 amounted to UAH 154,000 and was presented as part of financial costs (Note 24).



### 30. NET ASSETS MANAGEMENT

The Fund's net assets constitute a residual value of the Fund's assets after deduction of all its liabilities.

The main goal of the Fund with respect to its net asset management is to ensure its operational continuity in order to protect rights of bank depositors and ensure the stability of the financial system of Ukraine.

### 31. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from financial instruments, to which the Fund is exposed at the end of the reporting period.

Financial risk management of the Fund aims at limiting potential losses of the Fund's financial assets to ensure the timely fulfillment of its financial obligations for the effective performance of the Fund as specified by the Law.

Financial risk management includes the following stages:

- ❖ organization of the financial risk management system;
- ❖ identification of financial risks;
- ❖ assessment of financial risks;
- ❖ development, implementation of measures aimed at minimizing financial risks;
- ❖ informing the management staff about financial risks;
- ❖ monitoring of the financial risk management system.

Measures applied by the Fund to minimize financial risks include:

- ❖ avoiding or preventing financial risk by willfully abandoning transactions and financial instruments that could lead to a critical level of risk;
- ❖ limitation or reduction of financial risk through diversification; setting limits on quantitative risk indicators; determining the conditions for qualitative risk indicators;
- ❖ transfer of financial risk through hedging;
- ❖ acceptance of financial risk by creating provisions and covering financial risks at the expense of the Fund's own resources.

Financial risks consist of credit risk, market risk and liquidity risk.

#### **Credit risk**

The Fund faces credit risk, which is the risk that one party in the transaction with a financial instrument will cause financial loss to the other party because of its non-fulfillment of contractual obligations.

Financial instruments in connection with which the Fund may incur a significant concentration of credit risk include cash and cash equivalents, financial investments to domestic government bonds, arrears of insolvent banks on special-purpose loans.

The maximum amount of the Fund's credit risk by asset classes is given as a book value of financial assets in the statement of financial position.

#### **Market risk**

Market risk means that changes in market rates, such as foreign exchange rates, interest rates and securities rates, will have an impact on the income or value of the Fund's financial

Retained profit (loss) is the main component of the Fund's net assets. If the Fund's current income is not enough to fulfill its obligations on deposit payouts and/or service and repayment of borrowed funds, the Fund shall decide on the assignment of a special fee or on raising a loan from the National Bank of Ukraine and a loan or a contribution from the state on a non-refundable basis at the expense of the state budget.

instruments. The market risk includes currency risk and interest risk.

Currency risk is a market risk that arises due to the adverse fluctuations in foreign exchange rates. All monetary assets and liabilities of the Fund are denominated in UAH. Possible changes in exchange rates applied at the end of the reporting period with regard to the functional currency of the Fund, with all other variables unchanged, will not have a significant impact on profit or loss.

Interest risk is a market risk that arises as a result of adverse changes in the market interest rates that have a negative effect on the value of the Fund's financial instruments or future cash flows from the financial instrument.

Changes in interest rates mostly affect financial investments and borrowings by changing their fair value. Revision of rates on financial instruments with fixed rates is carried out upon their maturity.

The Fund has no financial instruments with variable interest rates.

The Fund monitors interest rates on financial instruments. The table below shows the average effective interest rates on financial instruments on which interest is accrued, as of the relevant reporting dates:

<i>% per annum</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	5,14%	7,42%
Financial assets at amortized cost	11,35%	9,83%
Financial investments at fair value	10,27%	10,27%
Promissory notes issued	8,4%	8,4%

#### **Liquidity risk**

Liquidity risk means that the Fund will not be able to discharge its financial liabilities in due time. The liquidity management approach of the Fund implies, as much as possible, that sufficient liquidity is constantly available to meet its obligations as they fall due both under normal conditions and emergencies while avoiding unacceptable losses or risk of damage to the Fund's reputation. The liquidity policy shall be reviewed and approved by the management.

Generally, the Fund ensures the availability of sufficient cash on demand to pay for expected expenses associated with ensuring the operation of the household deposit guarantee system and insolvent bank resolution for a period of up to 3 months, including the servicing of financial liabilities..



As at December 31, 2021, undiscounted cash flows based on maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

<i>(UAH thousand)</i>	<b>Book value</b>	<b>Cash flow under agreements</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Promissory notes issued	70,697,012	108,310,605	-	36,907,176	71,403,429
<b>Total financial liabilities</b>	<b>70,697,012</b>	<b>108,310,605</b>	<b>-</b>	<b>36,907,176</b>	<b>71,403,429</b>

As at December 31, 2020, undiscounted cash flows based on maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

<i>(UAH thousand)</i>	<b>Book value</b>	<b>Cash flow under agreements</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Promissory notes issued	69,482,402	113,878,416	-	15,765,507	98,112,909
<b>Total financial liabilities</b>	<b>69,482,402</b>	<b>113,878,416</b>	<b>-</b>	<b>15,765,507</b>	<b>98,112,909</b>

### 32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Fund determines the fair value of financial assets and liabilities using market information, if available, and appropriate valuation techniques. Measurement of the estimated fair value requires professional judgment in interpreting market information.

#### Financial assets and liabilities at fair value

Financial instruments measured at fair value include domestic government bonds. These financial instruments do not have an active market, and the fair value of domestic government bonds is determined based on input data of the 2nd level of the hierarchy (spot rates calculated based on the coupon yield curve, which is based on actually concluded and executed agreements with domestic government bonds using Svensson's parametric model) using the discounted cash flow method.

Financial assets and liabilities not measured at fair value, but whose fair value is disclosed

Financial assets and liabilities not measured at fair value but whose fair value is disclosed include monetary funds; domestic government bonds measured at amortized cost; arrears of insolvent banks and banks liquidated by the Fund on special-purpose loans and interest thereon, granted to the insolvent banks; other accounts receivable; promissory notes issued by the Fund.

The Fund has determined that the fair value of some financial assets and liabilities measured at amortized cost does not differ materially from their book value for the purpose of fair value disclosure. These include cash; arrears of insolvent banks and banks liquidated by the Fund on special purpose-loans and interest thereon granted to insolvent banks; other receivables; promissory notes issued by the Fund.

Financial instruments measured at depreciated cost, the book value of which may differ materially from fair value, include domestic government bonds. These financial instruments do not have an active market. The fair value of such financial assets is determined based on input data of the 2nd level of the hierarchy (spot rates calculated based on the coupon-free yield curve, which is based on actually concluded and executed agreements with domestic government bonds using the Svensson's parametric model) using the discounted cash flow method. This method takes into account future interest payments and repayment of the principal debt, maturity and discount rate. The discount rate was applied at the level of 10.7% - 11.3% (9.8% - 11.3% in 2020).

The table below presents data on the book value and estimated fair value of financial assets that are not reflected in the statement of financial position of the Fund at their fair value:

<i>(UAH thousand)</i>	<b>2021</b>		<b>2020</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
Domestic government bonds	11,131,934	11,140,067	8,886,207	8,860,538

Given that fair value estimates are based on certain assumptions, one should consider that the information provided may not fully reflect the value that can be realized.



A fair value of financial instruments by levels of fair value hierarchy is distributed as follows:

(UAH thousand)	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets measured at fair value:</b>						
Domestic government bonds at fair value	-	5,261,737	-	-	5,721,637	-
<b>Assets with fair value disclosed:</b>						
Domestic government bonds	-	11,140,067	-	-	8,860,538	-

In 2021, there were no transfers of financial instruments between the levels of fair value hierarchy.

### 33. EVENTS AFTER THE REPORTING PERIOD

Within the period from January 1, 2022 to the date of approval of the financial statements for issue, there were the following events that did not require adjustments to the amounts recognized in the financial statements.

In order to cover a temporary shortage of resources of the Fund for reimbursements to the depositors, in January 2022, the Fund concluded a new revolving credit facility agreement with the NBU for an amount of UAH 3,000,000 thousand at a nominal interest rate of 9.0%, which was equal to the NBU discount rate as of January 4, 2022, the loan agreement date. For the purpose of fulfilling obligations under the loan agreement between the Fund and the NBU, they concluded a new pledge agreement for the property rights for future receipts to the current account of the Fund with the NBU. The property rights provided as a collateral are estimated at UAH 3,900,000 thousand.

In January 2022, the Fund invested temporarily available funds in the amount of UAH 1,700,000 thousand in short-term domestic government bonds maturing in April 2022.

During the period from January 1, 2022 to the date of approval of the financial statements for issue, due to the termination of reimbursement payments to the depositors of four insolvent banks for which the liquidation balance sheet had been approved, the Fund's deposit payout liability in the amount of UAH 546,746 thousand was written off.

On February 24, 2022, the President of the Russian Federation announced a "special military operation" in Ukraine, which actually meant the beginning of a deliberate, unprovoked war of Russia against Ukraine. Russian troops began a large-scale military attack against Ukraine. Decree No. 64/2022 of the President of Ukraine "On Introducing the Martial Law in Ukraine", approved by Law of Ukraine No. 2102-IX dated February 24, 2022, introduced the martial law in Ukraine. For more than a hundred days now, active hostilities have been going on in many regions of Ukraine, which account for 50% of Ukraine's GDP. The Armed Forces of Ukraine continue to resist Russian forces. Casualties among the population are increasing, and the destruction of infrastructure and production facilities continues. Russia's full-scale attack on Ukraine has also broken production ties between regions and significantly increased forced migration. All of this will have long-term implications for the Ukrainian economy and banking sector.

On February 25, 2022, the National Bank of Ukraine decided to withdraw banking licenses and liquidate banks controlled by

the Russian Federation (JSC International Reserve Bank and PJSC Joint-Stock Commercial Industrial and Investment Bank). In this regard, the Fund recognized liabilities on paying reimbursement to the depositors of those banks in the total amount of UAH 1,189,848 thousand. Besides, in June, 2022, the National Bank of Ukraine decided to declare JSC MEGABANK insolvent due to its failure to bring its activity in line with the legislative requirements. As of the date of approval of the financial statements for issue, the management estimates the expected amount of reimbursement to depositors of JSC MEGABANK in the amount of UAH 4.3 billion.

On April 12, 2022, the President of Ukraine signed the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Ensuring the Stability of the Household Deposit Guarantee System" No. 2180-IX dated April 1, 2022 (hereinafter – Law No. 2180-IX), which came into force on April 13, 2022.

Law No. 2180-IX provides for a number of significant steps to strengthen the protection of depositors' funds in banks of Ukraine, namely:

- ❖ it introduced a 100% guarantee for deposit payback in case of a decision to withdraw a bank from the market during the martial law in Ukraine and within three months after the martial law in Ukraine is terminated or cancelled. After the expiry of this period, the guaranteed amount of deposit refund will be UAH 600,000;
- ❖ JSC Oschadbank acquires the status of a member bank of the Fund from the effective date of the Law;
- ❖ the issue of restructuring the Fund's liabilities on promissory notes (including on accrued interest) issued in 2015 and 2016 in exchange for the domestic government bonds held by the Ministry of Finance of Ukraine, is being settled.

According to Law No. 2180-IX, the Fund's liabilities on promissory notes (including on accrued interest) issued in 2015 and 2016 in exchange for domestic government bonds held by the Ministry of Finance of Ukraine are terminated in full.

After termination of liabilities on the promissory notes, the Fund, upon decision of the Executive Board of the Fund, will transfer funds to the State Budget of Ukraine within the amount of terminated liabilities of the Fund on the promissory notes and on accrued interest in the total amount not exceeding UAH 62,542,731 thousand. The procedure for transferring funds to the State Budget of Ukraine is determined by the agreement



concluded between the Fund and the Ministry of Finance of Ukraine on April 15, 2022.

Taking into account that the Fund's liabilities on promissory notes (including on accrued interest) are terminated for the purpose of capitalization of the Fund, which is considered as the state contribution to the Fund, the terminated financial liability was recognized in other additional capital in the amount of UAH 78,507,375 thousand on April 13, 2022. At the same time, UAH 45,741,000 thousand was recognized as a liability on promissory notes; UAH 32,766,375 thousand – as interest accrued on promissory notes as of liability termination date.

The initial recognition of a new liability of the Fund to the Ministry of Finance of Ukraine according to the agreement on the procedure for transferring funds to the State Budget of Ukraine dated April 15, 2022 will take place on the date when the Fund will incur an obligation to transfer a certain amount of funds to the State Budget of Ukraine, namely, on the date of the corresponding decision of the Executive Board of the Fund to transfer funds. A liability of the Fund to the state represented by the Ministry of Finance of Ukraine, will be recognized at the expense of other additional capital, because it is considered as a refund of the state contribution made in accordance with the legislative requirements.

Full-scale military aggression of the Russian Federation against Ukraine may affect the performance and financial condition of the Fund. The management assessed this impact on the Fund's

ability to continue as a going concern and believes that the Fund has the ability to continue as a going concern in the near future (Note 3, clause b).

In connection with the introduction of martial law, the Fund's management modified its assessment of the probability of banks insolvency, which is used in determining the amount of the provision for the Fund's potential expenses for insolvent bank resolution and deposit payout. Taking into account the existence of objective factors of negative changes in the macroeconomic environment, such as the forecast of real GDP fall by 30% in 2022 according to the National Bank of Ukraine and 45.1% according to the World Bank, the probability of bank defaults is estimated for the crisis period. The change of estimates towards an increase in the probability of default led to an increase in the provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts in Q1 2022 by UAH 10,289,554 thousand.

As of the date of approval of the financial statements for issue there were no signs of impairment of the Fund's assets, since the Fund has no assets located in the zone of hostilities.

The consequences of the Russian military aggression against Ukraine are difficult to foresee and can have a further serious impact on the Ukrainian economy, performance and financial position of the Fund. The management of the Fund is monitoring the course of events and takes appropriate measures to maintain the stable operation of the Fund and the deposit insurance system in Ukraine.



## **INDEPENDENT AUDITOR'S REPORT**

Ref. No. 71-3  
as of 20.06.2022

## **INDEPENDENT AUDITOR'S REPORT**

**To: Administrative Council of  
DEPOSIT GUARANTEE FUND**

**Management of  
DEPOSIT GUARANTEE FUND**

### **Audit Report on Financial Statements**

#### **Opinion**

We have audited the financial statements of the DEPOSIT GUARANTEE FUND (further - the Fund), which comprise the Statement of Financial Position as at December 31, 2021, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended on a mentioned date, and the Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, and its financial performance and its cash flows for the year then ended on a mentioned date in accordance with International Financial Reporting Standards (IFRS) and meets the requirements of the Law of Ukraine *On Accounting and Financial Reporting in Ukraine* as of 16.07.1999, No. 996-XIV (further - the Law of Ukraine No. 996-XIV) on the preparation of financial statements.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements of the International Code of Ethics for Professional Accountants, including International Independence Standards (hereinafter referred to as the IESBA Code), adopted by the International Ethics Standards Board for Accountants and the ethical requirements applicable in Ukraine to our audit of financial statements, and have performed other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Explanatory Paragraph**

As mentioned in the Note No. 33, the Russian Federation carried out a military invasion in the territory of Ukraine on February 24, 2022. The course of the war could significantly affect the operational environment in the country, and the final settlement cannot be predicted with sufficient probability.

Our opinion on this issue has not been modified.



## Key Audit Matters

Key audit matters are matters that, in our professional judgment, were of most significance during our audit of the annual financial statements for the current period. These matters were considered in the context of our audit of the financial statements as a whole and were taken into account when forming an opinion on it, while we do not express a separate opinion on these matters.

We determined that the matters described below are key audit matters that should be reflected in our report.

Key Audit Matter	How a relevant key audit matter was addressed during our audit
<p><b>1. Provision for potential expenses of the Fund for withdrawing banks from the market and paying compensation to depositors</b></p> <p>Estimation of the size of the provision for potential expenses of the Fund for withdrawing insolvent banks from the market and reimbursement of funds to depositors is a key area of professional judgment of the Fund's management.</p> <p>Determination of the amounts of potential expenses includes certain assumptions and analysis of various factors, including the financial condition of banks, the risk of banks becoming insolvent, and the expected general condition of the banking system of Ukraine. The use of different assumptions may result in different estimates of provision for potential expenses.</p> <p>Taking into account the materiality of this item and a certain level of subjectivity of judgments, we determined the estimation of provision for potential expenses of the Fund for withdrawing insolvent banks from the market and reimbursement of funds to depositors as a key audit matter.</p>	<p>Our audit procedures related to the key assumptions used in management's estimation of the provision for potential expenses of the Fund for withdrawing banks from the market and reimbursement of funds to depositors included:</p> <ul style="list-style-type: none"><li>- analysis of general approaches and methodology of provision formation;</li><li>- examination of forecast financial information by tracking input macroeconomic parameters;</li><li>- examination of key assumptions of management personnel used in the calculation of the financial model;</li><li>- examination on a sample basis of the reliability of the initial data used in the calculation;</li><li>- testing the calculations included in the model and their mathematical accuracy.</li></ul> <p>We found that the key assumptions used in management's estimation of the size of the provision for potential expenses of the Fund for withdrawing banks from the market and reimbursement of funds to depositors are supported by available evidence.</p>

## Other Issues

The audit of the Fund's financial statements for the year ended on December 31, 2020 was conducted by another auditor, who on May 25, 2021 expressed an unqualified opinion on these financial statements.

## Information Other Than Financial Statements and the Auditor's Report on Them

Management is responsible for other information. Other information consists of the information contained in the Management Report in compliance with the Law of Ukraine No. 996-XIV, but is not the financial statements for 2021FY and our auditor's report thereon.

Our opinion on the financial statements does not cover other information, and we do not form an opinion with any level of certainty about this other information, which is contained in the Management Report.

In connection with our audit of financial statements, our responsibility is to familiarize ourselves with other information and at the same time consider whether there is a material inconsistency between other information and financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, on the basis of our work on other information, we conclude that there is a material misstatement of that other information, we are required to disclose that fact. We did not identify any facts that should be included in the report.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with the statement that we have met the relevant ethical requirements for independence, and we notify them of all relationships and other issues that might reasonably be considered to affect our independence and, where applicable, regarding appropriate precautionary measures.

From the list of all issues that were given to those charged with governance, we identified the ones that were most significant during the audit of the financial statements of current period, that is, those that are the key audit matters.

### **Report regarding Requirements of Other Legislative and Regulatory Acts**

In addition to the requirements of the International Standards on Auditing, the Independent Auditor's Report we also provide information in accordance with the requirements of the part 3 and 4 of the Article No. 14 of the Law of Ukraine *On Audit of Financial Statements and Audit Activity* No. 2258-VIII as of 21.12.2017 (hereinafter referred to as the Law of Ukraine No. 2258-VIII) on the provision of additional information on the results of the obligatory audit of the Fund of public interest:

- HLB UKRAINE LLC was appointed to perform this engagement on the obligatory audit by the Minutes No. 1 of the meeting of the Administrative Council of the Fund;
- The total duration of the audit engagement without interruption, taking into account the extension of authority and reappointment, is 1 year. This engagement is an engagement on obligatory audit of the financial statements of the Fund in accordance with the requirements of the Law of Ukraine No. 996-XIV;
- We planned the audit to be effective. We have directed the audit work to areas that are expected to have the highest risk of material misstatement due to fraud or error and, accordingly, to direct less work to other areas. We used testing and other methods of analyzing aggregates for distortions. Our audit assessments include, namely:
  - description and assessment of the risks of material misstatement of the information in the audited financial statements, in particular due to fraud;
  - a reference to the relevant article or other disclosure in the financial statements for each description and assessment of the risk of material misstatement of the information in the audited financial statements;
  - a brief description of the measures we have taken to address such risks;
  - main warnings about such risks are given by us in the section *Key Audit Matters* of this Independent Auditor's Report. During the audit we did not identify other issues related to audit assessments, on which we consider it necessary to disclose information in accordance with the requirements of item 3 of part 4 of the Article 14 of the Law of Ukraine No. 2258-VIII;
- According to the results of our audit, we did not detect violations and distortions above the level of materiality established by us. The matters set out in our Management Letter have been discussed by us with the management of the Fund and are not related to the risk of fraud. We are not aware of any actual or suspected fraud events;
- We confirm that the Independent Auditor's Report regarding the audit of the Fund's financial statements has been agreed with the Additional Report to the Administrative Council of the Fund;
- Management Report is consistent with the financial statements of the Fund;

- HLB UKRAINE LLC did not provide the Fund with services prohibited by law;
- The *Basis for Opinion* section of this independent auditor's report discloses information on the independence of HLB UKRAINE LLC and the Fund's engagement partner on the audit. During the audit we did not identify any additional facts or issues that could affect our independence and that we would consider necessary to pay attention to;
- HLB UKRAINE LLC did not provide the Fund or its controlled entities with services other than services on obligatory audit;
- The *Audit Report on Financial Statements* section of this Independent Auditor's Report (Auditor's Report) discloses information about the scope of the audit and the inherent limitations of the audit.

The engagement partner on the audit resulting in this Independent Auditor's Report is Oleksandr Voyat.

Engagement partner on the audit



Oleksandr Voyat

**HLB UKRAINE LLC**

11/11 Gusovskogo Street, office 3, Kyiv, Ukraine

Registration number in the Register of subjects of audit activity – 0283

June 20, 2022