

DEPOSIT  
GUARANTEE  
FUND



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ANNUAL REPORT



## Message from the chairman of the administrative board of the Deposit Guarantee Fund

The year 2020 for the Deposit Guarantee Fund was a year to sum up the results of banking crisis of 2014–2016 and move to the implementation of new tasks. At the beginning of the year, the Deposit Guarantee Fund, working together with other market representatives and regulators, signed the Strategy of Ukrainian Financial Sector Development until 2025, which defines the main goals the signatories are facing. In particular, it provides for the deposit guarantee system reform in accordance with EU directives, which should pave the way for insolvency settlement in the early stages; restructuring of the Fund's debt to the state, which will make it possible to increase the deposit guarantee amount, as well as enhancing public financial awareness.

Now we can state that the Deposit Guarantee Fund has successfully completed all its tasks, even though the work was carried out in a pandemic and its global consequences. In particular, ProZorro.Sales and Automated Payment System, created by the Fund several years ago, have proved their effectiveness in these new conditions.

Proceeds from sale and management of assets kept coming with no interruption, and settlements with creditors of insolvent banks continued. In addition, the Fund pursued prescheduled repayment of borrowings, made in 2014–2017 from the state, to pay deposited funds to the depositors of liquidated banks. In order to return the assets withdrawn by owners and related parties of the banks, the Fund engaged international advisers to represent the Fund's interests in courts of foreign jurisdictions. First competitions on attracting such consultants were held, and first contracts were signed.

An important step was the adoption in 2020 of the so-called "banking law" – amendments to Ukrainian legislation to improve some mechanisms for bank regulation. These amendments were developed jointly by experts from the Fund, the National Bank of Ukraine, the Ministry of Finance of Ukraine and international financial organizations. This document contains a number of key provisions in terms of protecting interests of depositors and creditors of insolvent banks.



First of all, its adoption made it possible to get things moving in the area of returning to the legal field of those banks that were wrongfully removed from the management of the Fund. In addition, the law improved the bank liquidation mechanism by reducing the period of bank liquidation and providing for the possibility to continue settlements with creditors beyond this period.

These steps contribute to strengthening public confidence in the banking system of Ukraine.

Furthermore, the Fund is an important link in the chain of spreading financial knowledge in society. In particular, in 2020 the three-year National Financial Literacy Project was launched, which marked the beginning of practical implementation of this aspect.

Today, the Fund faces new challenges aimed at further strengthening confidence in the banking system. Among the priorities is the adoption of legislative changes to address the Fund's debt to the state. This will allow not only to increase the guaranteed amount, but also to involve Oschadbank JSC in the guarantee system, which will promote equal conditions of competition in the banking sector and the same level of depositors protection. In addition, the Fund's priorities for 2021 include expanding guarantee system to non-banking institutions, such as credit unions and life insurance companies, and further implementation of provisions laid down in the Strategy of Ukrainian Financial Sector Development until 2025.

Sincerely,  
**Ihor Pryima**  
Chairman of the Administrative Board  
Deposit Guarantee Fund,  
Head of the Secretariat  
of the Parliamentary Committee of Ukraine  
On Financial Policy and Banking



## Message from the managing director of the Deposit Guarantee Fund



The year 2020 has become a real test of the ability to quickly adapt to changes in the corona virus crisis. In the midst of national quarantine in Ukraine, we managed to transfer the work of the Fund online in a short time period. This allowed us to maintain efficiency and business continuity on a daily basis. In addition, despite all the difficulties of the year, we were able to achieve a real breakthrough in several key areas of the Fund's work: resolving the issue of debts remaining after the crisis of 2014–2017, restoring control over banks, whose liquidation was challenged in courts, and beginning the work of finding and returning withdrawn assets in foreign jurisdictions.

Even during the corona crisis, we succeeded in ensuring uninterrupted settlements with depositors and creditors of liquidated banks. During the year, the Fund paid out UAH 390.7 million of covered deposits, and returned UAH 7,640.8 million to creditors of these financial institutions.

Despite some negative expectations from investors, the Fund did not stop the process of selling assets. In 2020, revenues from the sale of assets of insolvent banks amounted to UAH 4,016.6 million.

In addition, at the beginning of this year, the Fund repaid its liabilities to the Ministry of Finance in the amount of UAH 2 billion. These funds were used to support and develop domestic business within the framework of the Affordable Loans 5–7–9 public program.

Thus, the Fund continued early repayment of public debt on loans which were taken to ensure payouts to depositors in 2014–2017. Considering this repayment, the Fund settled a total of more than UAH 43 billion: fully repaid debt to NBU in the amount of UAH 25.6 billion, 5.5 billion UAH of which is interest paid; and transferred UAH 17.7 billion to the Ministry of Finance, of which about UAH 6.2 billion – interest paid. Due to this early settlement, the interest rate on loans also decreased.

And in September 2020, a really significant event took place in resolving the Fund's debt issue: the Financial Stability Board approved the Fund's Debt Restructuring Plan, which by the end of 2031 will have reached over UAH 113 billion, incl. UAH 65.7 billion of accrued interest. Under the terms of the Restructuring Plan, the outstanding balance will be converted into contingent liabilities. In this case, the accrued interest will be repaid at the expense of funds collected from the former owners and related parties of banks whose actions led to these institutions' failure. Further approval of the Restructuring Plan at the legislation level will offer opportunities for qualitative changes in the guarantee system.

This year, a real breakthrough has come in resolving the issue of appealing banks' resolution. Using court decisions, former bank shareholders blocked liquidation procedures and made it impossible for the Fund to work with depositors and creditors of these financial institutions, and the Fund even lost control of six financial institutions, the so-called "zombie banks". In May 2020, the Law of Ukraine №590 was adopted, which clearly stated that banks, whose liquidation has already begun, cannot return to the market, even by court decision. As a result, by the end of 2020, the Fund managed to regain control over two "zombie banks": JSC BANK VELES and PJSC CB PREMIUM. Liquidation of these financial institutions has been brought back in place, and settlements with their depositors and creditors are being resumed. The Fund continues its work on returning control over the remaining "zombie banks".

We have identified finding and returning withdrawn assets in foreign jurisdictions as one of the priorities of our operations for this year and for the near future. In 2020, we launched processes against four banks – JSC Delta Bank, JSC Finance and Credit Bank, JSC Imexbank, PJSC National Credit Bank. Leading law firms, forensic specialists and detectives are involved in this work. Two more tenders have been announced for the purchase of asset search and seizure services for two pools of banks. In the future, the pace of work in this direction will gain momentum.

In general, the Ukrainian banking system withstood the first tests of the corona crisis. Although two banks were transferred to the Fund's management during the year – JSC CB Arkada and JSC Misto Bank, the reasons for their resolution are not related to the crisis. What will the year 2021 bring for the banking system? This is still in question. But today the Fund has ambitious plans: to create a deposit guarantee system in all institutions that have the right to raise funds from public, to extend the Fund's deposit guarantees in all existing banks and to begin a gradual increase of deposit reimbursement amount. The work on implementing these steps has already begun.

Sincerely,  
**Svitlana Rekrut**  
Managing Director of the Deposit Guarantee Fund



## Administrative Board



### Ihor Pryima

Chairman of the Administrative Board

Head of the Secretariat  
of the Parliamentary Committee of Ukraine  
On Financial Policy and Banking



### Oleg Strynzh

Director, Financial Controlling Department,  
National Bank of Ukraine



### Vladyslav Bednenko

Director, Legal Department,  
National Bank of Ukraine



### Nataliia Strakhova

Deputy Director,  
Financial Policy Department,  
Ministry of Finance of Ukraine



### Svitlana Rekrut

Managing Director  
Deposit Guarantee Fund



## Executive Board



**Svitlana Rekrut**

Managing Director



**Andrii Olenchyk**

Deputy Managing Director



**Viktor Novikov**

Deputy Managing Director



**Olga Bilai**

Deputy Managing Director



**Natalia Rudukha**

Deputy Managing Director



**Olena Nuzhnenko**

Financial Director





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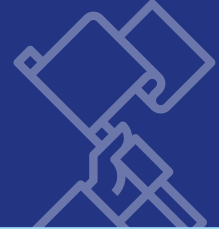
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## Mission, vision, policy objective and functions of the Deposit Guarantee Fund

### 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 and reliable partner for preventing financial losses and setting benchmarks for deposit insurance systems globally



### Policy objective

To insure operations of the households deposit guarantee system and bank resolution



### Functions

- Maintaining the register of member institutions;
- Accumulating funds from the sources as set in article 19 of the law "on households deposit guarantee system" (hereinafter referred to as the law) and supervising fee payments from dgf member institutions;
- Investing the dgf funds in the government bonds;
- Placing the bonds in the order and in the directions of funds allocation defined by the law, and issuing bills in the cases provided 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 to the households 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 banks for resolution procedure, including organizational measures for holding an open tender and determining the least expensive way to withdraw the bank from the market; carrying out the resolution procedure, including by the implementation of the settlement plan, introduction of the provisional administration and liquidation of the bank;
- Inspecting banks pursuant to the law;
- Providing financial support to the bank pursuant to the law;
- Analysing the financial position of the banks in order to detect 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 dgf;
- Taking measures to educate public about the households 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 analysing markets of financial resources raised by member institutions from depositors.





## 2020: The year in review

Two more failed banks transferred to the Fund's management; 16 banks liquidated; UAH 389.9 million of reimbursements paid to depositors; UAH 7.6 billion of accounts payable repaid and UAH 4.4 billion of receipts to insolvent banks; work to identify damage caused to insolvent banks and their creditors (former creditors) by decisions, actions or omissions of persons related to such banks and the launch of a new information resource of the Fund – the year 2020 for the Deposit Guarantee Fund was the one of persistent fruitful work and qualitative changes in the quarantine restrictions caused by the pandemic COVID-19.

All 22 years since the foundation of the Fund in 1998 on the basis of the Decree of the President of Ukraine "On Measures to Protect the Rights of Individual Depositors of Commercial Banks" it has been fulfilling its mission of protecting the rights and legitimate interests of bank depositors.

## 1. Key performance indicators

As of January 1, 2021, 46 banks were in the process of liquidation, of which 24 banks were under the direct management of the Fund and 1 banking institution had a provisional administration.

During the reporting year, the liquidation procedure of 16 banks that were transferred to the Fund's management was completed.

The total guaranteed amount of compensation paid to depositors of insolvent banks during 2020 at the expense of the Fund amounted to UAH 389.9 million, and as of January 1, 2021, in fact, 95.6% of depositors received a guaranteed amount of compensation, and only 4.4% did not apply for payment.

As of January 1, 2021 there are 73 member banks that have a license of the National Bank of Ukraine for the right to provide banking services (JSC "Oschadbank" is not a member of the Fund). During the reporting year, 1 bank was excluded from the Membership register.

The total assets of the Fund's members as of January 1, 2021 amounted to UAH 1941.9 billion, net assets – UAH 1,588.3 billion, total liabilities – UAH 1,399.5 billion, equity – UAH 188.9 billion. According to the results of the reporting year, the consolidated financial result of the Fund's members amounted to UAH 38.5 billion.

Number of depositors in the Fund's member banks – 46.6 million people, the amount of retail deposits – UAH 607.6 billion, possible reimbursement amount – UAH 353.5 billion.

In 2020, the Fund's costs on debt payments to the state accounted for 13.5% of the Fund's total costs. The Fund spent UAH 1,300.0 million to repay promissory notes and UAH 700.1 million of interest. As of January 1, 2021 the Fund paid a total of UAH 17,650.9 million of its debt obligations to the state, including payment of promissory notes – UAH 11,417.6 million, interest on promissory notes – UAH 6,233.3 million. The Fund completed loan settlement to the National Bank of Ukraine in 2019.

As of January 1, 2021 the total book value of assets of 40 banks managed by the Fund, in which the Fund's Executive Directorate approved the register of accepted creditors' claims, amounted to UAH 101.3 billion, while their estimated value was UAH 16.4 billion. The total amount of approved accepted creditors' claims as of January 1, 2021 amounted to UAH 287.1 billion (including banks in which liquidation was completed).

In 2020, UAH 7.6 billion was repaid for all accounts payable.

In 2020, the accounts of liquidated banks received UAH 4.4 billion, of which UAH 4.0 billion came from the sale of the banks' property; UAH 0.3 billion was received from loan repayments; UAH 0.02 billion from property lease, as well as 0.1 billion of other revenues.

The largest share in the amount of sold bank assets in 2020 according to the results of open bidding was the sale of claims under credit agreements, namely UAH 2.3 billion, in addition, fixed assets and receivables were sold respectively for UAH 1.2 billion and UAH 0.2 billion, securities/corporate rights – UAH 0.01 billion, other assets (paintings, coins, etc.) – UAH 0.004 billion, sale of assets directly to legal entities and individuals brought UAH 0.002 billion.

The process of selling lots from the pool of bank assets (the so-called "one bank = one pool" principle), included in the list of banks for which the liquidation procedure is planned to be completed, continued.

During the reporting year, the Fund continued to restructure the credit indebtedness of individuals secured by real estate mortgages. In 2020, 58 lots with a book value of UAH 206.3 billion were sold under this approach.

During 2020, the Fund received 94 packages of documents on the implementation or continuation of the previous restructuring of the retail credit debt secured by real estate mortgages.





During 2020, the Fund continued its work to identify damage caused to banks and their creditors by decisions, actions or omissions of persons related to such banks. As of January 1, 2021 the Fund filed 60 lawsuits against 751 bank-related persons against 41 insolvent banks totaling about UAH 97 billion. None of the initiated court proceedings has final court decisions.

During 2020, the Fund initiated the involvement of international legal advisers – specialists in the field of international law in order to find and return the withdrawn funds (assets) of failed banks outside Ukraine, to represent the Fund (banks) in the courts of foreign jurisdiction. As of January 1, 2021, in order to search for assets and actually recover from the guilty persons losses in the amount of more than UAH 25.7 billion, the Fund supports three agreements concluded with such foreign legal advisers.

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. Thus, in 2020 an updated information resource of the Fund was launched into industrial operation, 70 informational videos were made for posting on the Fund's social networks and YouTube video hosting channels, about 300 press releases were prepared and distributed to media representatives, more than 50 thematic interviews were organized for the media, television appearances and commentary.

In 2020, the Fund's Information and Consultation Center was launched and during the reporting year, 988 consultations were provided to citizens, more than 44,000 consultations were provided via the Fund's hotline, and more than 800 requests for public information were processed.

In 2020, work to increase the financial literacy of the population continued. The Fund systematically conducted educational activities for schoolchildren, students of higher educational institutions, employees of budgetary institutions, persons registered at employment centers, and entrepreneurs. The work of the National Financial Literacy Project has continued. At the same time, the list of online channels of interaction with the target audience has been expanded. In 2020, the Foundation launched the National Financial Literacy Project Facebook page and the Finkult Foundation educational project page on YouTube video hosting service and Telegram channel, which will allow it to more effectively attract various target audiences.



## 2. Banking sector overview and regulatory operations

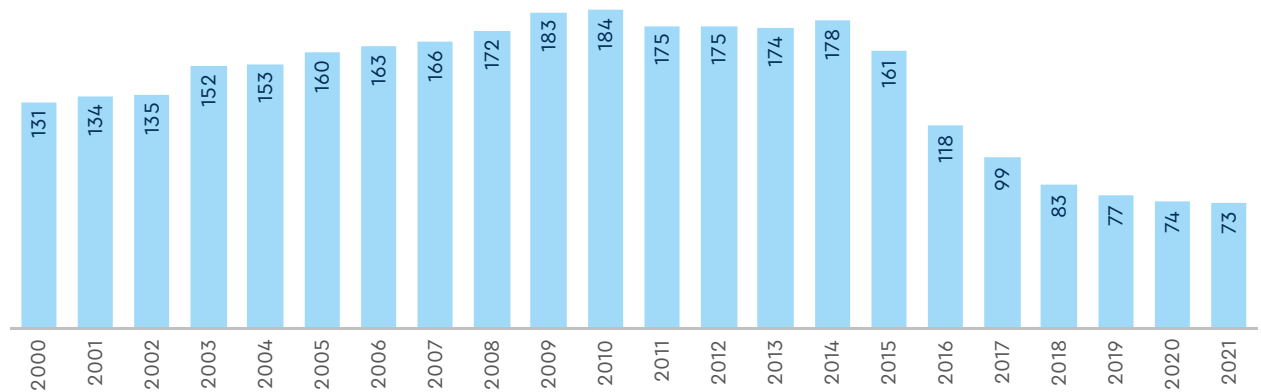
As of January 1, 2021, there are 73 DGF's member banks licensed by the National Bank of Ukraine (hereinafter – the National Bank or the NBU) to provide banking services.

The Law of Ukraine "On Households Deposit Guarantee System" provides for the mandatory membership of banks in the Fund. A bank acquires the status of the Fund's member on the day of obtaining a banking license.

The Fund excludes the bank from the membership in case of a decision to revoke the banking license and liquidate the bank. Oschadbank JSC is not a member of the Fund.

Number of DGF's members dynamics is shown in Fig. 2.1:

Fig. 2.1. Number of DGF's members dynamics

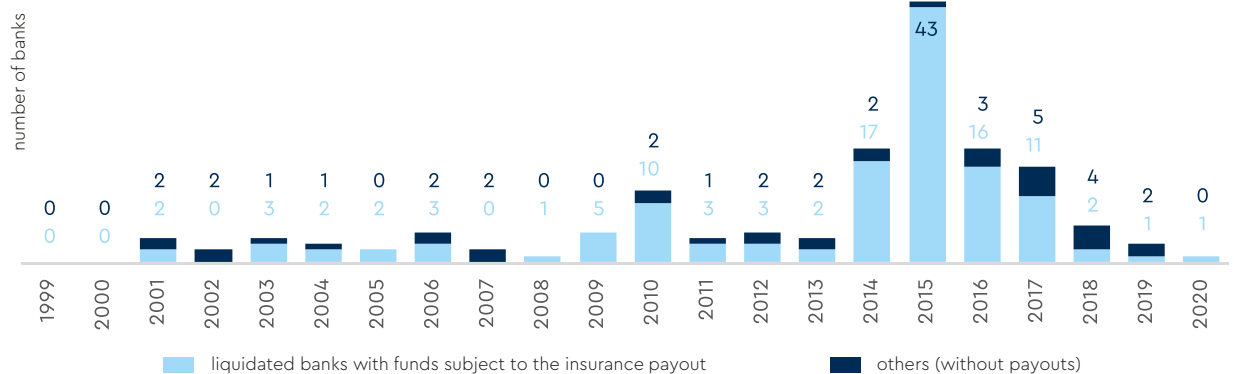


In 2020, two banks, which were classified by the National Bank as insolvent, had a provisional administration; later one bank (JSCB ARKADA) had its banking license revoked and was excluded from the Fund's membership, and the other continued to operate under interim administration until early 2021.

No bank was included in the membership register of the Fund during 2020.

The banks exclusion dynamics is shown in Fig. 2.2.

Fig. 2.2. Banks excluded from the Fund's Membership Register



In 2020, the number of banks with foreign capital (greater than or equal to 10.00%) decreased from 35 to 33, of which 19 banks had a share of foreign capital of 100%.

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

For 2020, the division of banks into groups (according to the decision of the Committee on Supervision and Regulation of Banking, Supervision (Oversight) of Payment Systems of the National Bank) was as follows:

50 banks with private capital – banks in which among the ultimate owners of significant share are one or more private investors who directly and/or indirectly own at least 50% of the authorized capital of the bank.

5 banks with a state share (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;

## 2.1. Overview of DGF members' financial indicators

Financial indicators analysis of the Fund's members was conducted on the basis of balance sheet data as of January 1 and October 1, 2020, as well as January 1, 2021.

At the beginning of 2020, the Fund's members were 74 banks licensed by the National Bank to conduct banking operations. No new members appeared during the year.

At the same time, in September, JSCB ARKADA was excluded from the membership register due to liquidation. Thus, as of January 1, 2021, there are 73 members of the Fund in the register.

The exclusion of this bank did not have a significant impact on the dynamics of systemic indicators due to the small share of this member (Table 2.1.1).

**Balance sheet ratios of the bank excluded from the DGF Register in 2020, as of January 1, 2020**

Table 2.1.1

Indicators	Net assets		Joint liability	Equity		
	Total	Including loan and investment portfolio with exemption of provisions		Total	including	
					paid authorized capital	performance in 2019
JSCB ARKADA	2 094,2	566,2	1 059,9	1 034,3	320,4	125,5
Relative share in total for the DGF, %	0,2	0,1	0,1	0,6	0,1	X
For reference:						
<b>Total amount for the DGF, UAH m</b>	<b>1 243 973,4</b>	<b>948 172,6</b>	<b>1 062 313,6</b>	<b>181 659,8</b>	<b>421 239,3</b>	<b>- 292 997,9</b>

During the first half of the year, the National Bank lowered the discount rate four times, which was 13.5% at the beginning of the year. The first time the rate was reduced to 11.0% from January 31, 2020, the second – from March 13, 2020 to 10.0%, the third – from April 24, 2020 to 8.0% and, finally, from June 12, 2020 it is set at 6.0% per annum – the lowest level in the history of independent Ukraine. After that, the rate remained unchanged for more than seven months. In 2019, it also showed a steady decline, falling from 18.0% to 13.5%.

This long-term decline was due to a slowdown in inflation amid a steady decline in consumer and investment demand, complicated by the COVID-19 pandemic. If in the first quarter the consumer price index was 0.7% (as of December of the previous year), and in the first half of the year it increased to 2.0%, then by the end of 9 months its value decreased to 1.7%. At the end of the year, inflation accelerated as expected, and according to the results of the last quarter,

the CPI rose again, reaching the medium-term target of 5.0%, declared by the National Bank in 2015.

The further dynamics of the key rate will depend on the development of the situation with the spread of COVID-19. If the negative effects of the coronavirus intensify, the NBU will be able to give the economy an additional impetus for growth by lowering the rate further. On the other hand, the likely increase in inflation risks will encourage the NBU to increase it.

From the beginning of 2020, the official exchange rate of the hryvnia against the US dollar decreased by UAH 4.5884 (the hryvnia depreciated by 19.4%) and as of January 1, 2021 amounted to UAH 28.2746 per dollar. The official exchange rate of the hryvnia against the euro fell by UAH 8.3176 (the hryvnia depreciated by 31.5%) and as of January 1, 2021 was equal to UAH 34.7396 per euro.

### Main trends of DGF members in 2020

In 2020, the banking sector operated in an unstable macroeconomic situation caused by coronavirus disease (COVID-19).

At the beginning of the year there was a moderate performance growth in the system. In particular, in January-February, balances on customers' accounts increased, banks accumulated hryvnia lending to the population and investments in government securities in the national currency, compensating for the seasonal decline in the corporate loan portfolio.

However, in March there was a significant decline in business activity due to the strict quarantine measures. As a result, the business loan portfolio began to shrink, the pace of new loans to households slowed down, and the hryvnia depreciated rapidly.

At the same time, due to the high liquidity of the sector, the negative consequences were minimized. The balances on clients' accounts and banks' investments in government securities also increased significantly. In autumn, banks revived lending and writing off non-performing loans from reserves.

According to the results of the year, the consolidated financial result of the Fund's members was positive despite the unprofitable operation during March, June and December.

Among the negative factors remained the high level of problem assets, including significant amount of overdue credit debt, reduction of corporate loan and investment portfolio, narrowing of the resource base, reduction of maturities.

The balance sheet currency of the banking system in 2020 increased by UAH 344.4 billion or 27.7%, including by UAH 74.6 billion due to revaluation. As of January 1, 2021, its volume amounted to UAH 1,588.3 billion vs. UAH 1,244.0 billion at the beginning of the year.

The main growth factors were the increase in the balances of highly liquid assets and investments in hryvnia IGLBs while increasing the amount of funds in customer accounts. At the same time, the portfolio of customer loans to businesses and individuals decreased.

The total assets of the Fund's members have increased by UAH 273.6 billion or 16.4% since the beginning of the year, incl. by UAH 108.4 billion as a result of revaluation, and as of January 1, 2021 amounted to UAH 1941.9 billion. At the same time, balances on correspondent accounts of banks and securities refinanced by the NBU increased the most.

The maximum contribution to asset growth was provided by an increase in investments in government securities. Since the beginning of the year, they have increased by UAH 216.8 billion or 53.2%, incl. securities refinanced by the NBU by UAH 192.3 billion or 70.8% (including UAH 11.2 billion of currency revaluation), and NBU certificates of deposit by UAH 24.5 billion or 18.0%.

The client loan portfolio actually decreased by UAH 102.9 billion (in UAH – by UAH 12.4 billion and FX – by UAH 90.5 billion), although due to the positive currency revaluation in the amount of UAH 66.8 billion, its formal decrease amounted to UAH 36.1 billion. From the beginning of the year, loans to legal entities, authorities and sole proprietors decreased by UAH 87.3 billion, and to individuals – by UAH 15.6 billion, excluding the positive currency revaluation of UAH 59.8 billion and UAH 7.0 billion, respectively. The net loan portfolio for the year formally increased by UAH 35.6 billion or 7.2% due to a positive currency revaluation in the amount of UAH 33.2 billion, ie, in fact, it increased by only UAH 2.4 billion.

## Asset analysis

Total assets as of January 1, 2021 amounted to UAH 1941.9 billion, incl. FX – UAH 659.6 billion, which is 34.0% of the structure. Net assets amounted to UAH 1,588.3 billion, reserves for total assets – UAH 353.6 billion. Changes in the volume and structure of assets of the Fund's members in 2020 are shown in Table 2.1.2.

During 2020, total assets increased by UAH 273.6 billion or 16.4% (for the fourth quarter increased by UAH 36.0 billion), net assets – by UAH 344.4 billion or 27.7% (for the fourth quarter increased by UAH 108.9 billion), and reserves for assets decreased by UAH 70.8 billion or 16.7% (decreased by UAH 72.9 billion in the fourth quarter). The main factors of total assets growth are an increase in balances on foreign currency correspondent accounts and investments in hryvnia domestic government bonds, and net assets – a significant increase in the provision of active transactions. The main reason for the reduction in reserves is the write-off of non-performing loans in the fall and an increase in the provision of active transactions.

The main reason for the reduction of the loan portfolio was the write-off of UAH 136.0 billion in non-performing loans, of which UAH 58.5 billion were in national currency and UAH 77.5 billion FX. If this factor is not taken into account, credit indebtedness in hryvnia in 2020, by contrast, increased by UAH 46.6 billion, and in foreign currency decreased by UAH 13.0 billion (another UAH 0.5 billion hryvnia portfolio lost after the liquidation of the ARKADA JSCB). At the same time, there was no significant improvement in its quality, as the volumes of overdue debt and non-performing loans in the "working" loan portfolio continued to grow.

Liabilities increased by UAH 337.2 billion or 31.7% last year, of which UAH 86.3 billion was revalued and amounted to UAH 1,399.5 billion as of January 1, 2021. This increase is primarily due to the customer balances growth and bank debt to the NBU.

Thus, hryvnia funds of economic entities increased by UAH 111.9 billion or 38.2% to UAH 404.8 billion, and FX funds – by UAH 73.6 billion or 46.5% to UAH 231.7 billion. UAH, incl. by UAH 30.6 billion due to revaluation. In turn, household funds in the national currency increased by UAH 66.8 billion or 26.1% to UAH 322.8 billion, and FX – by UAH 45.9 billion or 24.7% to UAH 231.6 billion, of which 36.0 billion UAH fell on revaluation.

Debts on NBU loans increased by UAH 48.7 billion or 6.2 times and as of January 1, 2021 amounted to UAH 56.5 billion. At the end of the year, 38 banks had this debt vs. 2 at the beginning of the year.

The equity of the Fund's members in 2020 increased by UAH 7.2 billion or 4.0% and as of January 1, 2021 amounted to UAH 188.9 billion. The level of capitalization increased, first of all, due to the profitable work of all banking groups, which according to the results of the year received a consolidated profit of UAH 38.5 billion. At the same time, the accrual of dividends by sixteen banks in 2019 in the amount of over UAH 34.5 billion. negatively affected the capital of the system (for example, JSC CB PRIVATBANK transferred to the budget UAH 24.5 billion).

The main challenges that still need to be addressed are the low quality of assets, the high level of non-performing loans, the concentration of significant funds in government securities instead of lending to the economy, the reduction of a solvent customer base, and weak level of creditors' rights protection.

The following changes took place in terms of currencies:

- in the national currency, the increase in total assets since the beginning of the year amounted to UAH 173.7 billion or 15.7% (including Q4 growth of UAH 95.7 billion), and during the pandemic (since March 2020 year) they increased by UAH 157.4 billion;
- in foreign currency from the beginning of the year total assets formally increased by UAH 99.9 billion or 17.8%, but in reality they decreased by UAH 8.5 billion, as UAH 108.4 billion "growth" was provided by a positive currency revaluation (including in Q4 real decrease amounted to UAH 59.2 billion without taking into account the negative revaluation of UAH 0.6 billion), and during the pandemic (since March 2020) they actually decreased by 24, UAH 2 billion, if not considering the positive revaluation of UAH 89.8 billion.

**Member institutions asset structure and dynamics in 2020**

 Table 2.1.2  
(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Fluctuations			
	amount	%	amount	%	amount	%	Q4		year	
							amount	%	amount	%
Cash, cheque card and banking metals	49 838,6	3,0	56 709,5	3,0	63 072,2	3,3	+ 6 362,7	+ 11,2	+ 13 233,6	+ 26,6
Funds in the NBU	46 811,5	2,8	48 732,2	2,5	33 186,0	1,7	- 15 546,2	- 31,9	- 13 625,5	- 29,1
- cash at correspondent accounts	46 802,0	2,8	48 635,1	2,5	33 186,0	1,7	- 15 449,1	- 31,8	- 13 616,0	- 29,1
- deposits invested	9,5	0,0	97,1	0,0	-	-	- 97,1	- 100,0	- 9,5	- 100,0
Funds in other banks	130 920,0	7,9	231 029,4	12,1	210 561,4	10,8	- 20 468,0	- 8,9	+ 79 641,4	+ 60,8
incl. accrued income	48,4	0,0	20,2	0,0	21,7	0,0	+ 1,5	+ 7,4	- 26,7	- 55,2
- funds on demand *	99 719,6	6,0	189 232,1	9,9	176 692,9	9,1	- 12 539,2	- 6,6	+ 76 973,3	+ 77,2
- granted loans and invested deposits	31 200,4	1,9	41 797,3	2,2	33 868,5	1,7	- 7 928,8	- 19,0	+ 2 668,1	+ 8,6
Loans granted to clients	910 890,6	54,6	933 870,1	49,0	874 793,7	45,0	- 59 076,4	- 6,3	- 36 096,9	- 4,0
incl. accrued income	113 744,3	6,8	118 185,4	6,2	91 725,5	4,7	- 26 459,9	- 22,4	- 22 018,8	- 19,4
- loans to legal entities, authorities and entrepreneurs	715 011,2	42,9	730 610,1	38,3	687 554,3	35,4	- 43 055,8	- 5,9	- 27 456,9	- 3,8
- loans to natural persons	195 879,4	11,7	203 260,0	10,7	187 239,4	9,6	- 16 020,6	- 7,9	- 8 640,0	- 4,4
Securities investments	425 505,2	25,5	540 018,7	28,3	661 005,3	34,1	+ 120 986,6	+ 22,4	+ 235 500,1	+ 55,3
incl. accrued income	5 569,7	0,4	7 366,8	0,4	8 468,7	0,5	+ 1 101,9	+ 15,0	+ 2 899,0	+ 52,0
- securities refinanced by the NBU	271 582,0	16,3	385 075,9	20,2	463 911,7	23,9	+ 78 835,8	+ 20,5	+ 192 329,7	+ 70,8
- securities issued by the NBU	136 188,5	8,2	121 168,1	6,3	160 645,5	8,3	+ 39 477,4	+ 32,6	+ 24 457,0	+ 18,0
- corporate and other securities	17 734,7	1,0	33 774,7	1,8	36 448,1	1,9	+ 2 673,4	+ 7,9	+ 18 713,4	+ 105,5
Investments in affiliates or subsidiaries	400,0	0,0	399,7	0,0	275,3	0,0	- 124,4	- 31,1	- 124,7	- 31,2
Fixed assets, intangible assets and right-of-use assets	51 704,5	3,1	49 177,1	2,6	50 295,1	2,6	+ 1 118,0	+ 2,3	- 1 409,4	- 2,7
Payables	16 923,0	1,0	22 047,4	1,2	21 220,4	1,1	- 827,0	- 3,8	+ 4 297,4	+ 25,4
Other accrued income	2 010,8	0,1	1 699,2	0,1	1 795,6	0,1	+ 96,4	+ 5,7	- 215,2	- 10,7
Other assets	33 328,6	2,0	22 241,6	1,2	25 689,8	1,3	+ 3 448,2	+ 15,5	- 7 638,8	- 22,9
<b>Total assets</b>	<b>1 668 332,8 100,0</b>		<b>1 905 924,9 100,0</b>		<b>1 941 894,8 100,0</b>		<b>+ 35 969,9</b>	<b>+ 1,9</b>	<b>+ 273 562,0</b>	<b>+ 16,4</b>
incl. accrued income	121 373,2	7,3	127 271,6	6,7	102 011,5	5,3	- 25 260,1	- 19,8	- 19 361,7	- 16,0
Provisions for active transactions	- 424 359,4	x	- 426 480,5	x	- 353 550,4	x	+ 72 930,1	- 17,1	+ 70 809,0	- 16,7
<b>Net assets</b>	<b>1 243 973,4</b>	<b>x</b>	<b>1 479 444,4</b>	<b>x</b>	<b>1 588 344,4</b>	<b>x</b>	<b>+ 108 900,0</b>	<b>+ 7,4</b>	<b>+ 344 371,0</b>	<b>+ 27,7</b>
<b>For reference:</b>										
Highly liquid assets	599 641,2	35,9	794 923,1	41,7	890 454,6	45,9	+ 95 531,5	+ 12,0	+ 290 813,4	+ 48,5



Cash, traveler's checks and banking metals in 2020 increased by UAH 13.2 billion or 26.6% to UAH 63.1 billion (3.3% of assets against 3.0% at the beginning of the year), including in Q4 – by UAH 6.4 billion. At the same time, funds in the NBU decreased by UAH 13.6 billion or 29.1% to UAH 33.2 billion, incl. in Q4 – by UAH 15.5 billion due to the active purchase of government securities by banks in December. As of January 1, 2021, they occupy 1.7% in the structure of assets of the Fund's participants against 2.8% as of January 1, 2020.

Over the past year, funds in other banks (except the NBU) increased by UAH 79.6 billion or 60.8% (in the IV quarter they decreased by UAH 20.5 billion), incl. by UAH 24.8 billion due to currency revaluation and amounted to UAH 210.6 billion (10.8% in the structure of assets against 7.9% at the beginning of the year). Almost all balances are concentrated in foreign currency. During the year, there was a significant real increase in demand deposits, which increased by UAH 77.0 billion or 77.2%, incl. by UAH 19.2 billion due to revaluation (in Q4 they decreased by UAH 12.5 billion) and as of January 1, 2021 reached UAH 177.0 billion. Funds in interbank term assets also increased, having increased by UAH 2.7 billion or 8.6% since the beginning of the year, incl. by UAH 5.6 billion due to revaluation (although in Q4 they actually decreased by UAH 7.9 billion) and as of January 1, 2021 amounted to UAH 33.9 billion. During the pandemic (starting in March 2020), funds in other banks increased by a total of UAH 44.2 billion, including UAH 24.8 billion revaluation.

From the beginning of the year, the client loan portfolio formally decreased by UAH 36.1 billion or 4.0%, taking into account the positive currency revaluation by UAH 66.8 billion (ie, it actually lost UAH 102.9 billion) and amounted to UAH 874.8 billion, and its share in assets decreased from 54.6% to 45.0%. The portfolio is formed by 63.3% from loans in hryvnia and by 36.7% from FX loans. During the IV quarter, the portfolio decreased by UAH 59.1 billion, mainly due to the write-off of UAH 83.1 billion (in equivalent) due to reserves. In general, during the pandemic (starting from March 2020) the portfolio of client loans formally decreased by UAH 32.6 billion, and without considering the positive currency revaluation in the amount of UAH 52.9 billion, its decrease is UAH 85.5 billion.

Investments in securities in 2020 increased by UAH 235.5 billion or 55.3% (by UAH 121.0 billion in Q4), incl. by UAH 13.1 billion due to currency revaluation and amounted to UAH 661.0 billion, occupying 34.1% in assets vs. 25.5% at the beginning of the year. Among them, the largest share falls on securities refinanced by the NBU (UAH 463.9 billion or 70.2% of the portfolio), which increased by UAH 192.3 billion or 70.8%, incl. by UAH 11.2 billion due to currency revaluation. During the IV quarter, the portfolio of these securities increased by UAH 78.8 billion, and during the pandemic (starting in March 2020) it increased by UAH 184.2 billion, taking into account UAH 7.9 billion in currency revaluation. Investments in NBU certificates of deposit increased by UAH 24.5 billion or 18.0% over the year due to an increase of UAH 39.5 billion in Q4.

Over the past year, receivables increased by UAH 4.3 billion or 25.4% to UAH 21.2 billion (1.1% in the structure of assets against 1.0% at the beginning of the year), although in Q4 it decreased by UAH 0.8 billion, and fixed assets and intangible assets decreased by UAH 1.4 billion or 2.7% to UAH 50.3 billion (2.6% in the structure vs. 3.1% at the beginning of the year) despite for growth in Q4 by UAH 1.1 billion. In turn, other assets in 2020 decreased by UAH 7.6 billion or 22.9%, and their share in the structure fell to 1.4% vs. 2.0% at the beginning of the year.

Return on assets during the year gradually decreased due to the expected decline in bank profitability. As of January 1, 2021, it amounted to 2.8%, which is lower than in 2019 (5.1%), but exceeds the level of 2018 (1.5%).

Since the beginning of the year, highly liquid assets of the Fund's members (cash, funds with the NBU, demand deposits with other banks together with funds in settlements, as well as securities refinanced or issued by the NBU without accrued income) increased by UAH 290.8 billion or 48.5% (including for Q4 – by UAH 95.5 billion) and on January 1, 2021 reached the level of UAH 890.5 billion, which amounted to 45.9% of total assets, while as of January 1, 2020, their amount and share were UAH 599.6 billion and 35.9%, respectively. Balances on foreign currency correspondent accounts, which increased by UAH 64.4 billion or 67.3%, taking into account the revaluation of UAH 18.5 billion, and investments in hryvnia domestic government bonds, which increased by UAH 152.8 billion or 72, 9%. In general, during the pandemic (since March 2020) highly liquid assets increased by UAH 235.5 billion or 35.9%.

The analysis of changes in the interbank loan and deposit portfolio of the Fund 's members, which took place in 2020, is given in Table 2.1.3.

The volume of interbank term assets in 2020 formally increased by UAH 2.7 billion or 8.6% and as of January 1, 2021 amounted to UAH 33.8 billion, although, in fact, it decreased by UAH 2.9 billion, therefore that UAH 5.6 billion of "growth" was provided by currency revaluation. The reduction occurred during the IV quarter, when the interbank portfolio decreased by UAH 7.9 billion. Currently, UAH 25.8 billion or 76.3% of it is occupied by interbank loans, and UAH 8.0 billion or 23.7% by interbank deposits.

Over the past year, interbank loans increased by UAH 9.0 billion or 53.8% (including UAH 1.6 billion in Q4), including a revaluation of UAH 2.8 billion. At the same time, interbank deposits formally decreased by UAH 6.3 billion or 44.2% (including UAH 9.5 billion in Q4), and if not consider the positive currency revaluation of 2, UAH 8 billion, the amount of their real reduction amounted to UAH 9.1 billion.

The net interbank portfolio grew by UAH 2.7 billion or 9.0% since the beginning of the year, although it decreased by UAH 7.9 billion in Q4, and reserves remained almost unchanged.

A detailed analysis of the client loan portfolio of the Fund's members in 2020 is shown in Table 2.1.4.

**Interbank loan and deposit portfolio of member institutions in 2020**

Table 2.1.3

(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Fluctuations			
	amount	%	amount	%	amount	%	Q4		year	
							amount	%	amount	%
Deposits in other banks	14 394,2	46,1	17 580,4	42,1	8 026,7	23,7	- 9 553,7	- 54,3	- 6 367,5	- 44,2
- deposits invested	14 390,2	46,1	17 578,9	42,1	8 026,5	23,7	- 9 552,4	- 54,3	- 6 363,7	- 44,2
of which overdue	0,3	0,0	-	-	-	-	-	-	- 0,3	- 100,0
- accrued income	4,0	0,0	1,5	0,0	0,2	0,0	- 1,3	- 86,7	- 3,8	- 95,0
of which overdue	0,0	0,0	-	-	-	-	-	-	- 0,0	- 100,0
Interbank loans	16 806,2	53,9	24 216,9	57,9	25 841,8	76,3	+ 1 624,9	+ 6,7	+ 9 035,6	+ 53,8
- granted loans	16 770,8	53,8	24 199,9	57,9	25 823,8	76,2	+ 1 623,9	+ 6,7	+ 9 053,0	+ 54,0
of which overdue	750,3	2,4	727,5	1,8	728,5	2,2	+ 1,0	+ 0,1	- 21,8	- 2,9
- accrued income	35,4	0,1	17,0	0,0	18,0	0,1	+ 1,0	+ 5,9	- 17,4	- 49,2
of which overdue	10,2	0,0	10,2	0,0	10,4	0,0	+ 0,2	+ 2,0	+ 0,2	+ 2,0
<b>Total interbank portfolio</b>	<b>31 200,4</b>	<b>100,0</b>	<b>41 797,3</b>	<b>100,0</b>	<b>33 868,5</b>	<b>100,0</b>	<b>- 7 928,8</b>	<b>- 19,0</b>	<b>+ 2 668,1</b>	<b>+ 8,6</b>
incl. overdue	760,8	2,4	737,7	1,8	738,9	2,2	+ 1,2	+ 0,2	- 21,9	- 2,9
Provisions for interbank loans and deposits	- 796,6	x	- 786,0	X	- 729,3	x	+ 56,7	- 7,2	+ 67,3	- 8,4
<b>Net interbank portfolio</b>	<b>30 403,8</b>	<b>x</b>	<b>41 011,3</b>	<b>X</b>	<b>33 139,2</b>	<b>x</b>	<b>- 7 872,1</b>	<b>- 19,2</b>	<b>+ 2 735,4</b>	<b>+ 9,0</b>

**Volume and structure of member institutions' loan portfolio in 2020**

Table 2.1.4

(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Fluctuations			
	amount	%	amount	%	amount	%	Q4		year	
							amount	%	amount	%
loans to legal entities, authorities and entrepreneurs	715 011,2	78,5	730 610,1	78,2	687 554,3	78,6	- 43 055,8	- 5,9	- 27 456,9	- 3,8
- loans granted	632 342,0	69,4	645 701,9	69,1	618 023,2	70,6	- 27 678,7	- 4,3	- 14 318,8	- 2,3
of which overdue	242 469,9	26,6	236 137,0	25,3	210 011,0	24,0	- 26 126,0	- 11,1	- 32 458,9	- 13,4
- accrued income	82 669,2	9,1	84 908,2	9,1	69 531,1	8,0	- 15 377,1	- 18,1	- 13 138,1	- 15,9
of which overdue	69 695,9	7,6	73 425,6	7,9	59 219,9	6,8	- 14 205,7	- 19,3	- 10 476,0	- 15,0
retail loans	195 879,4	21,5	203 260,0	21,8	187 239,4	21,4	- 16 020,6	- 7,9	- 8 640,0	- 4,4
- loans granted	164 804,3	18,1	169 982,8	18,2	165 045,0	18,9	- 4 937,8	- 2,9	+ 240,7	+ 0,1
of which overdue	23 930,7	2,6	25 615,8	2,7	18 082,2	2,1	- 7 533,6	- 29,4	- 5 848,5	- 24,4
- accrued income	31 075,1	3,4	33 277,2	3,6	22 194,4	2,5	- 11 082,8	- 33,3	- 8 880,7	- 28,6
of which overdue	27 803,4	3,1	30 116,5	3,2	18 858,3	2,1	- 11 258,2	- 37,4	- 8 945,1	- 32,2
<b>Total consumer loan portfolio</b>	<b>910 890,6</b>	<b>100,0</b>	<b>933 870,1</b>	<b>100,0</b>	<b>874 793,7</b>	<b>100,0</b>	<b>- 59 076,4</b>	<b>- 6,3</b>	<b>- 36 096,9</b>	<b>- 4,0</b>
incl. overdue	363 899,9	39,9	365 294,9	39,1	306 171,4	35,0	- 59 123,5	- 16,2	- 57 728,5	- 15,9
Provisions for consumer loans	- 413 680,4	x	- 415 475,6	X	- 342 004,0	x	+ 73 471,6	- 17,7	+ 71 676,4	- 17,3
- for loans to entities, authorities and entrepreneurs	- 352 887,5	x	- 347 830,9	X	- 294 501,8	x	+ 53 329,1	- 15,3	+ 58 385,7	- 16,5
- for retail loans	- 60 792,9	x	- 67 644,7	X	- 47 502,2	x	+ 20 142,5	- 29,8	+ 13 290,7	- 21,9
<b>Net consumer loan portfolio</b>	<b>497 210,2</b>	<b>x</b>	<b>518 394,5</b>	<b>X</b>	<b>532 789,7</b>	<b>x</b>	<b>+ 14 395,2</b>	<b>+ 2,8</b>	<b>+ 35 579,5</b>	<b>+ 7,2</b>

Since the beginning of the year, the total size of the client loan portfolio decreased by UAH 36.1 billion or 4.0% (including UAH 59.1 billion in Q4) and amounted to UAH 874.8 billion as of January 1, 2021. At the same time, the real portfolio decreased by UAH 102.9 billion, as UAH 66.8 billion of the positive revaluation of its currency component significantly "adjusted" such a decrease. The decline was particularly noticeable since September, when real volumes fell by UAH 93.8 billion over the last four months of the year due to write-offs of UAH 123.6 billion due to the provisions. As a result, the share of the loan portfolio in the structure of assets from the beginning of the year decreased to 45.0%, continuing last year's trend, when for the whole year it decreased from 61.3% to 54.6%.

The net loan portfolio for 2020 formally increased by UAH 35.6 billion or 7.2% due to a positive currency revaluation in the amount of UAH 33.2 billion, ie, in fact, it increased by UAH 2.4 billion. At the same time, during Q4, it actually increased by UAH 14.6 billion, if we do not take into account the negative revaluation of UAH 0.2 billion, and during the pandemic (since March 2020) increased by UAH 19.2 billion without considering the positive revaluation in the amount of UAH 25.7 billion.

Since the beginning of the year, the volume of provisions for credit risks decreased by UAH 71.7 billion or 17.3% and as of January 1, 2021 amounted to UAH 342.0 billion. Their hryvnia component decreased by UAH 36.3 billion, and the currency component – by UAH 69.1 billion without taking into account the positive revaluation of UAH 33.7 billion. During Q4, reserves decreased by UAH 73.5 billion, incl. by UAH 25.6 billion in hryvnia and UAH 47.9 billion FX with a positive revaluation of UAH 0.2 billion. The level of reserve coverage of the client loan portfolio from the beginning of the year fell from 45.4% to 39.1% (including loans to legal entities from 49.4% to 42.8%, retail loans from 31.0% up to 25.4%) due to the write-off of UAH 136.0 billion in non-performing loans.

Loans to legal entities, entrepreneurs and authorities decreased by UAH 27.5 billion or 3.8% during the year and amounted to UAH 687.6 billion (78.6% in the structure of the client loan portfolio). At the same time, in fact, the portfolio decreased by UAH 87.3 billion, as the fall of UAH 59.8 billion was offset by a positive currency revaluation. During this time, hryvnia loans decreased by UAH 10.4 billion to UAH 395.8 billion (57.6% of the portfolio of legal entities), and FX loans – by UAH 17.1 billion to UAH 291.8 billion (42.4% of the portfolio of legal entities), however, if we do not take into account the revaluation of UAH 59.8 billion, they actually decreased by UAH 76.9 billion. In Q4, loans in the national currency decreased by UAH 1.9 billion, and FX loans – by UAH 41.2 billion, taking into account the negative revaluation of UAH 0.3 billion (ie, they actually decreased by UAH 39.9 billion). In general, during the pandemic (since March 2020) the business loan portfolio lost UAH 19.2 billion, mainly due to a real decrease in the currency component by UAH 68.1 billion with a positive revaluation of UAH 47.3 billion, although it hryvnia share increased by UAH 1.6 billion.

Retail loans in 2020 decreased by UAH 8.6 billion or 4.4% to UAH 187.2 billion (21.4% in the structure of the client loan portfolio). At the same time, the real retail portfolio decreased by UAH 15.6 billion, as a positive currency

revaluation "adjusted" its decrease by UAH 7.0 billion. During this time, hryvnia loans decreased by UAH 2.0 billion to UAH 157.7 billion (84.3% of the retail portfolio), and FX loans – by UAH 6.6 billion to UAH 29.5 billion (15.7% of the portfolio of individuals), although, if we do not take into account the positive currency revaluation of UAH 7.0 billion, their actual decrease amounted to UAH 13.6 billion. During Q4, hryvnia loans to households lost UAH 5.5 billion, and FX loans – UAH 10.5 billion, and since the beginning of the pandemic (since March 2020) they have decreased by UAH 5.6 billion and UAH 13.4 billion, respectively.

Overdue debt on customer loans since the beginning of the year formally decreased by UAH 57.7 billion or 15.9% (for Q4 – by UAH 59.1 billion) taking into account the positive currency revaluation of UAH 29.2 billion (negative revaluation of UAH 0.1 billion in Q4) and on January 1, 2021 amounted to UAH 306.2 billion. Thus, its real reduction for the year amounted to UAH 86.9 billion (UAH 59.0 billion in the IV quarter), including UAH 27.8 billion in hryvnia and UAH 59.1 billion FX (UAH 27.1 billion and UAH 31.9 billion in Q4, respectively). The share of overdue debt in the total volume of customer loans also decreased: from 37.7% to 33.5% on hryvnia loans and from 43.7% to 37.6% on FX loans.

In terms of currencies and loan portfolios of customers, the following changes took place:

- on loans to legal entities, public authorities and entrepreneurs, the hryvnia overdue decreased by UAH 17.8 billion or 9.4% to UAH 172.1 billion from the beginning of the year (by UAH 17.6 billion in Q4), and real currency – by UAH 48.8 billion or 39.9% to UAH 97.1 billion (by UAH 22.6 billion in Q4) without taking into account the positive currency revaluation of UAH 23.7 billion (from revaluation of UAH 0.1 billion in Q4);
- on loans to natural persons, overdue in hryvnia for the year decreased by UAH 10.0 billion or 43.1% to UAH 13.3 billion (by UAH 9.5 billion in Q4), and real FX – by UAH 10.3 billion or 36.1% to UAH 23.7 billion (by UAH 9.3 billion in Q4) excluding the positive currency revaluation of UAH 5.5 billion (UAH 0.0 billion in Q4).

At the same time, a significant reduction in the amount of overdue credit debt does not mean an improvement in its servicing by borrowers, as it occurred due to the write-off of overdue non-performing loans due to the formed provisions.

Table 2.1.5. shows the changes in the client loan portfolio of the Fund's members and related indicators under the influence of certain factors during 2020.

According to the above data, in 2020 the volume of the client loan portfolio underwent significant changes due to the write-off of "bad" loans by banks. Its size decreased by UAH 36.1 billion despite the increase in credit indebtedness in hryvnia by UAH 46.6 billion due to the emergence of a new and the presence of a positive currency revaluation of UAH 66.8 billion. FX loans excluding write-offs and revaluations last year actually decreased by UAH 13.0 billion.





Factors influencing indicators of consumer loan portfolio in 2020

Table 2.1.5

(UAH million)

Indicators	Loans granted to consumers		Provisions for consumer loans		Arrears in consumer loans		Nonperforming consumer loans	
	UAH	currency (UAH eq.)	UAH	currency (UAH eq.)	UAH	currency (UAH eq.)	UAH	currency (UAH eq.)
<b>Balance on 1 Jan 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>
yearly 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	+ 1 209,4
- 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
- JSCB ARKADA liquidation	- 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 on 1 Jan 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>153 879,6</b>

During the year, the Fund's members wrote off UAH 136.0 billion of credit debts, of which UAH 58.5 billion were in the national currency, and UAH 77.5 billion – FX. The largest amount of write-offs was recorded by JSC CB PRIVATBANK (UAH 79.1 billion), JSC UKREXIMBANK (UAH 17.0 billion) and PJSC PROMINVESTBANK (UAH 13.0 billion). On the other hand, the provision of new loans accelerated in the autumn, as a result of which customer credit indebtedness increased by UAH 33.1 billion in Q4, incl. by UAH 32.2 billion in hryvnas and UAH 0.9 billion FX.

Reserves for customer loans decreased last year due to the write-off of "bad" debts. However, on other loans it increased by UAH 30.6 billion, incl. by UAH 22.2 billion, and FX by UAH 8.4 billion. This amount of completion in the conditions when the working hryvnia portfolio increased by UAH 46.6 billion, and the currency portfolio in general decreased by UAH 13.0 billion, indicates a deterioration in the quality of credit debt.

The growth of problem debts is directly indicated by the increase in arrears on the "working" client portfolio, which in 2020 increased by UAH 49.1 billion, including by UAH 30.7 billion, in UAH and UAH 18.4 billion, in currency. A similar situation is observed for non-performing loans, the volume of which added UAH 19.5 billion, if we do not take into account the write-off due to reserves and revaluation of the currency component.

Changes in the amount and share of non-performing customer loans and interbank loans and deposits in the portfolios of certain groups of banks in 2020 are shown in Table 2.1.6.

According to the above data, non-performing loans have actually dropped in all banking groups since the beginning of the year, except for insolvent ones, and as of January 1, 2021 amounted to UAH 373.5 billion against UAH 452.7 billion as of January 1, 2020. In general, their volume fell by UAH 79.2 billion (taking into account the effect of currency revaluation), and in Q4 it decreased by UAH 74.5 billion. The share of non-performing loans and accrued income in the total loan portfolio of each group of banks also decreased, although it increased in insolvent ones. The main reason for the decrease is the write-off of "bad" loans from reserves. Most of such loans were written off by state-owned banks, primarily JSC CB PRIVATBANK and banks with foreign capital.

As of January 1, 2021, UAH 253.3 billion of non-performing loans remained in banks with a state share (67.8% of their total volume), UAH 95.9 billion (25.7%) in banks of foreign banking groups, and UAH 24 in private banks, UAH 0 billion (6.4%) and insolvent – UAH 0.3 billion (0.1%). At the same time, as noted, a significant reduction in non-performing loans shall not mean an improvement in its servicing by borrowers, as it was due to write-offs from reserves, while the quality of the "working" portfolio continues to deteriorate.

An important component of the assets of the Fund's members are investments in securities, the volume and structure of which are given in table. 2.1.7.

**Nonperforming loans of member institutions in 2020**

Table 2.1.6

(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Amount fluctuations		
	amount	share of LP*, %	amount	share of LP*, %	amount	share of LP*, %	Q4	year	
<b>NPLs and accrued income</b>									
– in state-owned banks	total	318 791,7	65,8	313 847,2	64,7	253 324,8	60,2	– 60 522,4	– 65 466,9
	UAH	222 014,9	70,4	209 324,0	70,6	188 504,2	68,2	– 20 819,8	– 33 510,7
	currency	96 776,8	57,4	104 523,2	55,6	64 820,6	44,9	– 39 702,6	– 31 956,2
Incl. PRIVATBANK	total	239 196,5	78,4	247 979,4	79,2	181 195,9	74,0	– 66 783,5	– 58 000,6
	UAH	189 347,2	77,1	186 622,9	77,7	162 775,1	75,5	– 23 847,8	– 26 572,1
	currency	49 849,3	83,6	61 356,5	84,6	18 420,8	62,5	– 42 935,7	– 31 428,5
– in banks of foreign banking groups	total	107 476,1	32,5	106 679,9	30,7	95 890,8	27,9	– 10 789,1	– 11 585,3
	UAH	23 593,4	13,8	20 821,7	11,9	18 172,3	9,9	– 2 649,4	– 5 421,1
	currency	83 882,7	52,5	85 858,2	49,5	77 718,5	48,4	– 8 139,7	– 6 164,2
Incl. banks with Russian state capital	total	66 711,0	87,6	64 515,0	89,0	62 124,0	89,2	– 2 391,0	– 4 587,0
	UAH	7 673,3	80,3	5 545,6	82,3	5 477,7	85,5	– 67,9	– 2 195,6
	currency	59 037,7	88,6	58 969,4	89,7	56 646,3	89,5	– 2 323,1	– 2 391,4
– in privately-owned banks	total	26 401,1	18,6	27 468,1	16,8	23 975,0	14,6	– 3 493,1	– 2 426,1
	UAH	14 227,8	15,4	14 118,8	13,3	12 698,9	11,5	– 1 419,9	– 1 528,9
	currency	12 173,3	24,5	13 349,3	23,4	11 276,1	20,6	– 2 073,2	– 897,2
– 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 NPLs and accrued income</b>	<b>Total</b>	<b>452 668,9</b>	<b>47,3</b>	<b>447 995,2</b>	<b>45,0</b>	<b>373 470,2</b>	<b>40,2</b>	<b>– 74 525,0</b>	<b>– 79 198,7</b>
	<b>UAH</b>	<b>259 836,1</b>	<b>44,9</b>	<b>244 264,6</b>	<b>42,3</b>	<b>219 543,2</b>	<b>38,5</b>	<b>– 24 721,4</b>	<b>– 40 292,9</b>
	<b>currency</b>	<b>192 832,8</b>	<b>51,0</b>	<b>203 730,6</b>	<b>48,7</b>	<b>153 927,0</b>	<b>42,8</b>	<b>– 49 803,6</b>	<b>– 38 905,8</b>

\* LP – loan portfolio of a certain banking group without provisions deduction

**Securities portfolio of member institutions in 2020**

Table 2.1.7

(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Fluctuations			
	amount	%	amount	%	amount	%	Q4		year	
							amount	%	amount	%
Securities refinanced by the NBU	271 582,0	63,8	385 075,9	71,3	463 911,7	70,2	+ 78 835,8	+ 20,5	+ 192 329,7	+ 70,8
– IGLBs and other securities, refinanced by the NBU	267 315,2	62,8	379 178,1	70,2	456 905,1	69,1	+ 77 727,0	+ 20,5	+ 189 589,9	+ 70,9
– accrued income	4 266,8	1,0	5 897,8	1,1	7 006,6	1,1	+ 1 108,8	+ 18,8	+ 2 739,8	+ 64,2
Securities issued by the NBU	136 188,5	32,0	121 168,1	22,4	160 645,5	24,3	+ 39 477,4	+ 32,6	+ 24 457,0	+ 18,0
– NBU deposit certificates	135 965,3	31,9	121 072,9	22,4	160 601,9	24,3	+ 39 529,0	+ 32,6	+ 24 636,6	+ 18,1
– accrued income	223,2	0,1	95,2	0,0	43,6	0,0	– 51,6	– 54,2	– 179,6	– 80,5
Corporate and other securities	17 734,7	4,2	33 774,7	6,3	36 448,1	5,5	+ 2 673,4	+ 7,9	+ 18 713,4	+ 105,5
– corporate and other securities	16 655,0	3,9	32 400,9	6,0	35 029,6	5,3	+ 2 628,7	+ 8,1	+ 18 374,6	+ 110,3
– accrued income	1 079,7	0,3	1 373,8	0,3	1 418,5	0,2	+ 44,7	+ 3,3	+ 338,8	+ 31,4
<b>Securities portfolio total</b>	<b>425 505,2</b>	<b>100,0</b>	<b>540 018,7</b>	<b>100,0</b>	<b>661 005,3</b>	<b>100,0</b>	<b>+ 120 986,6</b>	<b>+ 22,4</b>	<b>+ 235 500,1</b>	<b>+ 55,3</b>
Provisions for securities	– 4 946,6	x	– 5 385,1	x	– 5 911,4	x	– 526,3	+ 9,8	– 964,8	+ 19,5
<b>Pure securities portfolio</b>	<b>420 558,6</b>	<b>x</b>	<b>534 633,6</b>	<b>x</b>	<b>655 093,9</b>	<b>x</b>	<b>+ 120 460,3</b>	<b>+ 22,5</b>	<b>+ 234 535,3</b>	<b>+ 55,8</b>

Securities investments continued to grow for the fifth year in a row and as of January 1, 2021 amounted to UAH 661.0 billion, which is UAH 235.5 billion or 55.3% more than at the beginning of the year (including due to currency revaluation in the amount of UAH 13.1 billion). During Q4, they increased by UAH 121.0 billion with a negative currency revaluation of UAH 0.1 billion. At present, they account for 34.1% of the total assets of the Fund's members vs. 25.5% last year. The net securities portfolio increased by UAH 234.5 billion or 55.8% (including UAH 120.5 billion in Q4) and amounted to UAH 655.1 billion as of January 1, 2021 vs. UAH 420.6 billion on January 1, 2020.

The main portfolio component still remains: investments in government securities, which are refinanced by the NBU. During the year, they increased by UAH 192.3 billion or 70.8% to UAH 463.9 billion, which increased their share in the portfolio from 63.8% to 70.2%. In hryvnia, the increase amounted to UAH 163.2 billion or 76.3%, and in FX – UAH 29.1 billion or 50.5%, of which UAH 11.2 billion was due to currency revaluation. During Q4, the portfolio of these securities increased by UAH 78.8 billion,

and during the pandemic (starting in March 2020) it increased by UAH 184.2 billion, considering UAH 7.9 billion in currency revaluation.

Banks also raised their investments in NBU deposit certificates, which added UAH 24.5 billion or 18.0% over the year and reached UAH 160.6 billion. The increase took place during the last quarter, when they increased sharply by UAH 39.5 billion, mainly in December after the government paid significant budget expenditures, which increased the liquidity of the Fund's members and their investments in certificates of deposit by UAH 42.5 billion. At the same time, despite this trend, the share of certificates of deposit in the portfolio structure in the reporting year decreased from 32.0% to 24.3%, as banks consider them as short-term assets and more actively direct funds to purchase domestic government bonds.

Corporate securities investments have increased by UAH 18.7 billion since the beginning of the year, or more than doubled to UAH 36.4 billion, but their share in total investments remains insignificant – only 5.5%.

## Liabilities analysis

Total liabilities as of January 1, 2021 amounted to UAH 1,399.5 billion, including in FX – UAH 563.8 billion, which is 40.3% in the structure of resources. The structure of liabilities and their dynamics during 2020 are shown in Table 2.1.8.

Over the past year, total liabilities increased by UAH 337.2 billion or 31.7% (including in Q4 – by UAH 104.0 billion), mainly due to an increase in customer funds and debt banks to the NBU.

Structure and dynamics of member institutions' liabilities in 2020

Table 2.1.8

(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Fluctuations			
	amount	%	amount	%	amount	%	Q4		year	
							amount	%	amount	%
Debt to the NBU	7 824,9	0,7	19 893,2	1,5	56 514,7	4,0	+ 36 621,5	+ 184,1	+ 48 689,8	+ 622,2
incl. accrued costs	100,5	0,0	0,4	0,0	0,4	0,0	+ 0,0	+ 0,0	- 100,1	- 99,6
Payables of other banks	26 056,7	2,5	27 316,6	2,1	26 030,0	1,9	- 1 286,6	- 4,7	- 26,7	- 0,1
incl. accrued costs	1 393,7	0,1	1 899,1	0,1	1 990,5	0,2	+ 91,4	+ 4,8	+ 596,8	+ 42,8
- payables on demand*	7 108,7	0,7	8 599,2	0,7	6 968,0	0,5	- 1 631,2	- 19,0	- 140,7	- 2,0
- loans received and deposits raised	18 948,0	1,8	18 717,4	1,4	19 062,0	1,4	+ 344,6	+ 1,8	+ 114,0	+ 0,6
Payables of entities, budget and entrepreneurs	450 969,0	42,5	588 727,4	45,5	636 495,1	45,5	+ 47 767,7	+ 8,1	+ 185 526,1	+ 41,1
incl. accrued costs	1 652,3	0,2	1 372,9	0,1	1 140,1	0,1	- 232,8	- 17,0	- 512,2	- 31,0
- payables on demand*	345 969,1	32,6	446 533,7	34,5	490 441,6	35,1	+ 43 907,9	+ 9,8	+ 144 472,5	+ 41,8
- fixed-term investments (term deposits)	104 999,9	9,9	142 193,7	11,0	146 053,5	10,4	+ 3 859,8	+ 2,7	+ 41 053,6	+ 39,1
Payables to natural persons	441 681,5	41,5	524 352,6	40,5	554 390,1	39,6	+ 30 037,5	+ 5,7	+ 112 708,6	+ 25,5
incl. accrued costs	2 832,9	0,3	2 211,7	0,2	1 871,9	0,1	- 339,8	- 15,4	- 961,0	- 33,9
- payables on demand*	188 543,2	17,7	261 330,4	20,2	294 303,4	21,0	+ 32 973,0	+ 12,6	+ 105 760,2	+ 56,1
- fixed-term investments (term deposits)	253 138,3	23,8	263 022,2	20,3	260 086,7	18,6	- 2 935,5	- 1,1	+ 6 948,4	+ 2,7

\* considering payables in calculations

**Structure and dynamics of member institutions' liabilities in 2019**

Table 2.1.8

(UAH million)

Indicators	January 1, 2020		October 1, 2020		January 1, 2021		Fluctuations			
							Q4		year	
	amount	%	amount	%	amount	%	amount	%	amount	%
Debt securities issued	6 537,4	0,6	3 195,6	0,2	3 053,8	0,2	- 141,8	- 4,4	- 3 483,6	- 53,3
incl. accrued costs	88,4	0,0	72,1	0,0	79,2	0,0	+ 7,1	+ 9,8	- 9,2	- 10,4
- saving (deposit) certificates	6 097,8	0,6	2 686,8	0,2	2 544,8	0,2	- 142,0	- 5,3	- 3 553,0	- 58,3
- other debt securities issued	439,6	0,0	508,8	0,0	509,0	0,0	+ 0,2	+ 0,0	+ 69,4	+ 15,8
Loans from international and other organisations	59 380,3	5,6	67 597,6	5,2	56 640,6	4,0	- 10 957,0	- 16,2	- 2 739,7	- 4,6
incl. accrued costs	1 610,4	0,2	1 414,9	0,1	1 301,5	0,1	- 113,4	- 8,0	- 308,9	- 19,2
Subordinated debt	9 245,5	0,9	8 904,4	0,7	8 623,6	0,6	- 280,8	- 3,2	- 621,9	- 6,7
incl. accrued costs	440,4	0,0	514,5	0,0	458,6	0,0	- 55,9	- 10,9	+ 18,2	+ 4,1
Accounts payable	27 085,3	2,5	28 396,9	2,2	25 985,6	1,9	- 2 411,3	- 8,5	- 1 099,7	- 4,1
Other accrued costs	814,2	0,1	808,5	0,1	953,4	0,1	+ 144,9	+ 17,9	+ 139,2	+ 17,1
Other liabilities	32 718,8	3,1	26 323,5	2,0	30 784,7	2,2	+ 4 461,2	+ 16,9	- 1 934,1	- 5,9
<b>Total liabilities</b>	<b>1 062 313,6</b>	<b>100,0</b>	<b>1 295 516,3</b>	<b>100,0</b>	<b>1 399 471,6</b>	<b>100,0</b>	<b>+ 103 955,3</b>	<b>+ 8,0</b>	<b>+ 337 158,0</b>	<b>+ 31,7</b>
incl. accrued costs	8 932,8	0,9	8 294,1	0,6	7 795,6	0,6	- 498,5	- 6,0	- 1 137,2	- 12,7

The following changes took place in terms of currencies:

- in the national currency the increase in liabilities since the beginning of the year amounted to UAH 218.8 billion or 35.5% (including in Q4 growth of UAH 112.0 billion), and during the pandemic (since March 2020) they increased by UAH 213.7 billion;
- in foreign currency, the increase in liabilities amounted to UAH 118.4 billion or 26.6%, of which UAH 86.3 billion was "provided" by a positive revaluation (including a decrease of UAH 8.0 billion in Q4, with regard to UAH 0.5 billion of negative revaluation), and during the pandemic (starting from March 2020) they increased by UAH 93.9 billion, with regard to UAH 71.0 billion of revaluation.

In 2020, the funds of legal entities, budget and entrepreneurs increased by UAH 185.5 billion or 41.1% (in Q4 - by UAH 47.8 billion) and amounted to UAH 636.5 billion, 5% in the structure). They are formed by 36.4% from foreign currency funds, which increased by UAH 73.6 billion or 46.5%, incl. by UAH 30.6 billion due to a positive revaluation. At the same time, in Q4, foreign currency balances increased by UAH 1.6 billion, with regard to the negative revaluation of UAH 0.2 billion, and hryvnia - by UAH 46.2 billion. During the pandemic (since March 2020), the funds of legal entities, budget and entrepreneurs increased by UAH 151.6 billion, incl. hryvnia - by UAH 100.9 billion, and FX - by UAH 50.7 billion, of which UAH 27.4 billion was added by revaluation.

Deposits of natural persons last year increased by UAH 112.7 billion or 25.5% (by UAH 30.0 billion in Q4) and amounted to UAH 554.4 billion (39.6% in the structure). They are formed by 41.8% from FX deposits, which increased by UAH 45.9 billion or 24.7%, incl. by UAH 36.0 billion due to revaluation. Thus, the main growth factor was the increase in deposits in the national currency by UAH 66.8 billion or 26.1%.

At the same time, during the pandemic (starting in March 2020), they increased by UAH 53.4 billion, while FX - only by UAH 36.6 billion, of which UAH 29.5 billion was added by revaluation. During Q4, hryvnia deposits increased by UAH 25.0 billion and FX deposits by UAH 5.0 billion, with regard to UAH 0.2 billion of negative revaluation (ie, they actually increased by UAH 5.2 billion).

Debts to the NBU in 2020 increased by UAH 48.7 billion or 6.2 times and amounted to UAH 56.5 billion (4.0% in the structure of resources). It grew especially significantly during Q4, increasing by UAH 36.6 billion or almost three times. Since the beginning of the year, 48 members of the Fund have received loans from the NBU, and as of January 1, 2021, 38 banks had debts to them. The largest was in JSC UKREXIMBANK (UAH 16.0 billion, of which UAH 12.6 billion was received in Q4) and JSC ALFA-BANK (UAH 9.9 billion, of which UAH 7 billion was received in Q4). It should be noted that at the beginning of the year only two banks received loans from the NBU (JSC CB PRIVATBANK and JSC MISTO BANK), and JSC CB PRIVATBANK fully repaid the loan of UAH 7.6 billion in April 2020.

From the beginning of the year, loans from international financial organizations decreased by UAH 2.7 billion or 4.6% and as of January 1, 2021 amounted to UAH 56.6 billion (4.0% in the structure). Their volume decreased both in UAH by UAH 0.1 billion and in FX by UAH 2.6 billion, despite a positive currency revaluation in the amount of UAH 9.7 billion (ie the real FX reduction amounted to UAH 12.3 billion). In Q4, the hryvnia component increased by UAH 0.3 billion, while the currency component decreased by UAH 11.2 billion due to the repayment of UAH 11.6 billion of JSC UKREXIMBANK, which concentrates the largest amount of debt to international financial institutions (UAH 44.0 billion or 75.9% of its total amount).

The reduction of liabilities of the Fund's members on debt securities by UAH 3.5 billion or 53.3% since the beginning of the year is due to the repayment of savings certificates of deposit, and the reduction of accounts payable by UAH 1.1 billion or 4.1 % and other liabilities by UAH 1.9 billion or 5.9% due to a decrease in balances on transit accounts for transactions with customers, which is a positive point.

According to Form 1F, the share of deposits (including entrepreneurs funds) in the total liabilities of the Fund's members in 2020 has not changed and amounted to 38.3% (in 2019 it was 38.1%). For 13 banks, it exceeds the average value in the system, of which one reaches more than 50.0%.

The share of term funds (excluding accrued interest) in the structure of liabilities of the Fund's members during 2020 continued to decrease for the sixth consecutive year and

on January 1, 2021 amounted to 38.8% vs. 42.6% on January 1, 2020. The drop is due to a decrease in the share of all term debts: to banks, clients and international financial organizations.

Thus, the trends that have emerged in previous years have generally remained: despite the overall increase in liabilities for the year and increasing credit support from the NBU, attracting consumer and budget funds remains the main source of resources for the Fund's members, which provides 80.0% of their liabilities. The downward trend in time resources, which has existed since the beginning of 2014, continues, and this is disturbing, as this situation requires the banking system to maintain increased liquidity and hinders long-term financing of the economy through accumulated funds.

## Analysis of fiscal results

Operations of the Fund's members in 2020 were profitable: as of January 1, 2021, their consolidated financial result amounted to UAH 38.5 billion, which is UAH 20.9 billion or 35.2% less than the profit for 2019. The coronary crisis worsened the financial condition of banks, but less significantly than expected in the spring. At the end of the year, 65 institutions were profitable, receiving a net profit of UAH 44.9 billion, which covered the losses of 8 banks for a total of UAH 6.4 billion (in 2019, 6 banks were unprofitable). The main source of profit is net interest income, which banks received in the amount of UAH 76.4 billion or UAH 1.6 billion more than in 2019. Net commission income amounted to UAH 32.8 billion, exceeding the level of 2019 by UAH 1.8 billion.

Despite this, the operational efficiency of the Fund's members deteriorated: the CIR ratio on January 1 2021 was 51.5% compared to 46.3% at the end of last year. The main reason is a moderate increase in administrative and other operating expenses, while the annual growth rates of net interest and commission income were the lowest in the last four years.

According to the results of 2020, the activity of all groups of banks was profitable:

- consolidated profit of state-owned banks amounted to UAH 20.3 billion, showing a decrease of UAH 14.7 billion compared to last year, with JSC CB PRIVATBANK earning UAH 25.3 billion or UAH 7.3 billion less, and JSC UKREXIMBANK suffered a loss of UAH 5.6 billion, although in 2019 it was profitable;
- banks with foreign capital recorded a net profit of UAH 12.6 billion, which is UAH 6.0 billion less than in 2019, and among Russian banks only PJSC PROMINVESTBANK showed a negative financial result in the amount of minus UAH 0,5 billion;
- as of January 1, 2021, private banks received a consolidated profit of UAH 5.6 billion or UAH 0.3 billion less than in 2019;
- even an insolvent bank reported small profits.

The dynamics of income and expenses of the Fund's members, as well as their financial results during 2020 are detailed in Table 2.1.9.

Revenues of the Fund's members in 2020 amounted to UAH 219.2 billion, having increased by UAH 0.7 billion or 0.3% over the year. Among revenues, the largest volume and share are interest (UAH 128.9 billion and 58.8%), commission income is in second position (UAH 62.6 billion and 28.5%). Compared to 2019, the former decreased by UAH 6.3 billion due to a general reduction in lending rates, while the latter, on the contrary, increased by UAH 7.0 billion. As a result, the share of interest income in the structure in 2020 decreased from 61.9% to 58.8%, and commissions increased from 25.5% to 28.5%.

The positive result of the revaluation in 2020 amounted to UAH 17.7 billion, exceeding last year's volume by UAH 1.3 billion. The main reason is a positive revaluation of investment securities with a built-in option in the portfolios of JSC CB PRIVATBANK and JSC UKREXIMBANK by UAH 16.0 billion and UAH 3.5 billion, respectively. On the other hand, both banks have a significant short currency position, the revaluation of which since the beginning of the year gave a negative result of UAH 7.3 billion and UAH 4.4 billion, respectively. At the same time, the consolidated profit of other banks from revaluation amounted to UAH 3.4 billion. From the purchase and sale of currency and metals in 2020, the Fund's members earned UAH 6.9 billion.

Among the expenditures, the main item is administrative expenditures (UAH 62.3 billion and 34.5%), which in 2020 increased by UAH 6.1 billion compared to last year. In the reporting year, they exceeded interest expenses for the first time, which now occupy the second position (UAH 52.5 billion and 29.0%), having decreased compared to 2019 by UAH 7.9 billion due to the general fall in interest rates.

Contributions to reserves in 2020 amounted to UAH 28.1 billion, which is more than 2.3 times their size at the end of 2019. At the same time, expenses for the formation of provisions for loans reached UAH 19.1 billion (plus UAH 7.8 billion to the level of 2019), and expenses for reserves for off-balance sheet transactions (guarantees, sureties and avals) increased to UAH 7.3 billion, although for the whole of 2019 they were only UAH 0.2 billion. In general, the formation of provisions for expected losses was the main reason for the deterioration of the financial result of the banking system in 2020.



Income, expenses and financial results of member institutions in 2019

Table 2.1.9

(UAH million)

Indicators	January 1, 2020	October 1, 2020	January 1, 2021	Fluctuations			
				Q4		year	
				amount	%	amount	%
<b>Total income, incl.:</b>	<b>218 520,4</b>	<b>165 600,6</b>	<b>219 244,9</b>	<b>+ 53 644,3</b>	<b>+ 32,4</b>	<b>+ 724,5</b>	<b>+ 0,3</b>
- interest income	135 250,6	97 282,0	128 927,4	+ 31 645,4	+ 32,5	- 6 323,2	- 4,7
- fee-based income	55 618,5	43 872,1	62 602,2	+ 18 730,1	+ 42,7	+ 6 983,7	+ 12,6
of which fee for settlement and cash services	47 046,1	37 832,8	53 974,3	+ 16 141,5	+ 42,7	+ 6 928,2	+ 14,7
- revaluation result and purchase and sale transactions	16 418,9	17 568,7	17 714,0	+ 145,3	+ 0,8	+ 1 295,1	+ 7,9
- other operating income	7 597,2	4 608,5	6 557,7	+ 1 949,2	+ 42,3	- 1 039,5	- 13,7
- other income	2 730,7	1 733,3	2 602,7	+ 869,4	+ 50,2	- 128,0	- 4,7
- refunding of charge-off	904,5	536,0	840,9	+ 304,9	+ 56,9	- 63,6	- 7,0
<b>Total costs, incl.:</b>	<b>159 163,8</b>	<b>132 662,2</b>	<b>180 776,1</b>	<b>+ 48 113,9</b>	<b>+ 36,3</b>	<b>+ 21 612,3</b>	<b>+ 13,6</b>
- interest costs	60 447,0	40 883,2	52 509,9	+ 11 626,7	+ 28,4	- 7 937,1	- 13,1
of which % of customer payables	50 880,6	35 127,5	44 738,4	+ 9 610,9	+ 27,4	- 6 142,2	- 12,1
- fee-based costs	15 848,2	14 783,2	21 031,1	+ 6 247,9	+ 42,3	+ 5 182,9	+ 32,7
of which fee for settlement and cash services	14 857,2	13 919,2	19 845,9	+ 5 926,7	+ 42,6	+ 4 988,7	+ 33,6
- other operating costs	10 025,8	9 214,5	13 305,9	+ 4 091,4	+ 44,4	+ 3 280,1	+ 32,7
- administrative costs	56 188,5	44 201,0	62 276,8	+ 18 075,8	+ 40,9	+ 6 088,3	+ 10,8
- allocations to reserves	11 970,7	20 810,2	28 070,6	+ 7 260,4	+ 34,9	+ 16 099,9	+ 134,5
of which allocations to reserves for customer loans	11 302,9	12 967,9	19 108,7	+ 6 140,8	+ 47,4	+ 7 805,8	+ 69,1
- income tax	4 683,6	2 770,1	3 581,8	+ 811,7	+ 29,3	- 1 101,8	- 23,5
<b>Financial result, incl.:</b>	<b>59 356,6</b>	<b>32 938,4</b>	<b>38 468,8</b>	<b>+ 5 530,4</b>	<b>+ 16,8</b>	<b>- 20 887,8</b>	<b>- 35,2</b>
- state-owned banks	34 925,5	19 721,9	20 256,8	+ 534,9	+ 2,7	- 14 668,7	- 42,0
of which Privatbank	32 609,2	21 279,4	25 305,9	+ 4 026,5	+ 18,9	- 7 303,3	- 22,4
- foreign banking groups	18 513,2	9 195,0	12 558,5	+ 3 363,5	+ 36,6	- 5 954,7	- 32,2
of which Russian state-owned banks	542,2	- 42,1	481,0	+ 523,1	x	- 61,2	- 11,3
- privately-owned banks	5 917,9	4 021,5	5 648,7	+ 1 627,2	+ 40,5	- 269,2	- 4,5
- insolvent banks	-	-	4,8	+ 4,8	x	+ 4,8	x
<b>For reference:</b>							
Operational efficiency (CIR), %	46,3	48,3	51,5	+ 3,2	x	+ 5,2	x

## The equity analysis

The equity of the Fund's members as of January 1, 2021 amounted to UAH 188.9 billion. Changes in its structure since the beginning of the year are shown in Table 2.1.10.

Since the beginning of the year, the equity of the Fund's members has increased by UAH 7.2 billion or 4.0%, incl. for Q4 - by UAH 4.9 billion. In 52 banks it increased by a total

of UAH 11.5 billion, and in 21 banks it decreased by UAH 3.3 billion. The system lost another UAH 1.0 billion as a result of the liquidation of JSCB ARKADA.

The main reason for the growth is the profitable activity of banks, which earned UAH 38.5 billion last year, although this is UAH 20.9 billion less than in 2019.



The increase in capitalization was also facilitated by additional shareholders' contributions to the statutory funds of nineteen banks totaling UAH 10.5 billion, of which UAH 6.8 billion was directed to the capital of the state-owned JSC UKREXIMBANK.

At the same time, the accrual of dividends by sixteen banks in 2019 in the amount of over UAH 34.5 billion had a negative impact on the capital of the system (for example, JSC CB PRIVATBANK transferred UAH 24.5 billion in dividends to the budget).

Last year, 19 banks increased the paid-up authorized capital by UAH 10.5 billion, which as of January 1, 2021 reached UAH 431.2 billion. At the same time, the shareholders of the three banks withdrew the funds previously contributed to the capital in the total amount of UAH 0.3 billion, which together with the liquidation of JSCB ARKADA reduced the paid-up authorized capital by UAH 0.6 billion.

Changes in the results of revaluation are explained mainly by two factors: fluctuations in the value of fixed assets and securities in the former portfolio for sale. As a result, both revaluations have been negative since the beginning of the year (minus UAH 0.5 billion and minus UAH 1.9 billion, respectively).

Losses of previous years decreased by UAH 16.7 billion due to the use of part of the profit for 2019 to cover them and now amount to UAH 335.7 billion. At the same time, total reserves and funds increased by UAH 3.8 billion after the distribution of financial results in 2019.

Return on capital during the year gradually decreased compared to the maximum at the end of 2019 (38.9%) due to the expected decline in bank profitability. At the same time, it remained quite high and amounted to 20.9% by the end of the year (on quarterly dates the ROE values were 28.3%, 21.8% and 24.0%).

According to the 6DX report file, the regulatory capital of the Fund's members has increased by UAH 26.2 billion or 19.0% since the beginning of the year and as of January 1, 2021 amounted to UAH 164.2 billion. It increased the most in JSC CB PRIVATBANK (by UAH 16.0 billion).

The regulatory capital adequacy ratio for all members of the Fund during the current year was twice the regulatory value, which is not less than 10.0%. At the beginning of the year it was equal to 20.6%, after the first quarter it was 19.8%, at the end of the first half of the year it increased to 22.6%, and after 9 months it amounted to 22.3%. At the end of 2020, the standard has hardly changed, remaining at 22.4%.

Changes in the equity structure of member institutions in 2020

Table 2.1.10

Table 2.1.10

(UAH million)

Indicators	January 1, 2020	October 1, 2020	January 1, 2021	Fluctuations			
				Q4		year	
				amount	%	amount	%
Paid authorized capital	421 239,3	430 927,9	431 171,3	+ 243,4	+ 0,1	+ 9 932,0	+ 2,4
of which authorized capital registered	420 581,9	424 023,4	431 094,7	+ 7 071,3	+ 1,7	+ 10 512,8	+ 2,5
Issue profit/loss and additional allocations	13 977,6	14 096,8	14 163,4	+ 66,6	+ 0,5	+ 185,8	+ 1,3
General reserves and funds	21 446,1	25 204,4	25 206,2	+ 1,8	+ 0,0	+ 3 760,1	+ 17,5
Revaluation results	17 994,7	16 432,9	15 588,8	- 844,1	- 5,1	- 2 405,9	- 13,4
Results from previous years	- 352 464,0	- 335 746,1	- 335 727,8	+ 18,3	- 0,0	+ 16 736,2	- 4,7
Reporting year result	109,5	73,8	2,1	- 71,7	- 97,2	- 107,4	- 98,1
Current year result	59 356,6	32 938,4	38 468,8	+ 5 530,4	+ 16,8	- 20 887,8	- 35,2
<b>Total equity</b>	<b>181 659,8</b>	<b>183 928,1</b>	<b>188 872,8</b>	<b>+ 4 944,7</b>	<b>+ 2,7</b>	<b>+ 7 213,0</b>	<b>+ 4,0</b>
For reference:							
Return on equity (ROE), %	38,9	24,0	20,9	- 3,1	x	- 18,0	x

In 2020, the share of equity in liabilities decreased to 11.9%, although in the previous year it increased to 14.6%. At the same time, the weight of subordinated debt is gradually lost to maintain the protective function of capital: the amount of this debt (except for accrued expenses) from the beginning of 2020 decreased by UAH 0.6 billion and on January 1, 2021 amounted to UAH 8.2 billion vs. UAH 8.8 billion UAH on January 1, 2020.

During 2020, the ratio of overdue credit debt to the equity of the Fund's members showed better results – having decreased from 200.7% to 162.5% (in 2019 it also decreased from 316.3% to 200.7%). At the same time, the number of members with overdue loans exceeds the amount of equity has also decreased and now there are 8 banks vs. 11 at the beginning of the year (after 2019, the corresponding figures were 14 and 11).

As of January 1, 2021, deposits of natural persons were 3.2 times higher than the equity of banks, which indicates an insufficient level of deposit protection by capital, while on January 1, 2020 this excess was 2.6 times. For 15 banks the value of this indicator was higher than the system average, including for one bank the excess was more than twice (at the beginning of the year there were 19 and 1 such banks, respectively).

Thus, despite the gradual increase in the capitalization of the banking system, the problem of increasing capital adequacy remains relevant due to the presence of such negative factors as low asset quality and a large amount of arrears.

## 2.2. Analysis of DGF members' deposit trends

On the basis of the monthly "Reports on deposits of natural persons in the DGF's members – reporting form #1F" (hereinafter – the reporting form #1F) the analysis of deposit transactions for 2020 was conducted for 73 participants of the Fund.

It should be noted that by the decision of the Executive Directorate of the Fund dated June 18, 2020 under #1158 "On approval of the Rules for reporting to the Deposit Guarantee Fund and recognition as invalid, the decisions

of the Executive Directorate of the Deposit Guarantee Fund from July 9, 2012 # 4 and 5", registered with the Ministry of Justice of Ukraine on August 31, 2020 under #831/35114, the submission of reports by the Fund's members according to the new standards was introduced.

During 2020, JSCB ARKADA was excluded from the Member Institutions Register with the following data on deposits (Table 2.2.1).

**Data on retail deposits in banks excluded from the DGF Membership Register in 2020 (as of January 1, 2020)**

Table 2.2.1

No.	Reg. No.	Name of the bank	Number of depositors	Amount of deposits, UAH		Potential reimbursement amount, UAH	Date of liquidation/exclusion decision
			persons	total	Incl. FX		
1	1	ARKADA	6 337	430 716 520	1 913 473	309 885 368	28.09.2020
<b>Total for 2020</b>			<b>6 337</b>	<b>430 716 520</b>	<b>1 913 473</b>	<b>309 885 368</b>	

### Deposit market trends

**The number of depositors** – in 2020 increased by 3.2 million people or by 7.5% to 46.6 million people. For comparison, in 2019 there was also an increase in the number of depositors by 2.7 million people or 6.6%.

The total number of depositors in state-owned banks is 25.5 million or 54.7% of the total number of the Fund.

In 9 banks, the number of depositors in each of which is more than 1 million people, a total of 40.6 million depositors are concentrated, which is 87.0% of the total number of depositors in the Fund (Table 2.2.2). Deposits of 22.6 million people are concentrated in JSC CB PRIVATBANK, which is 48.4% of the total number of depositors in the Fund.

**The amount of deposits** – in 2020 increased by UAH 133.1 billion or by 28.1% to UAH 607.6 billion. For comparison, in 2019 the increase in the amount of deposits amounted to UAH 36.1 billion or 8.2%.

The total amount of deposits in banks with a state share is UAH 312.3 billion or 51.4% of the total amount of deposits under the Fund.

In 11 banks, in each of which the amount of deposits exceeds UAH 10 billion, a total of UAH 522.9 billion or 86.1% of the total deposits of the Fund is concentrated, including 41.6% of JSC CB PRIVATBANK out of all members of the guarantee system (Table 2.2.3).

**Banks with the largest number of depositors as of January 1, 2021**

Table 2.2.2

No.	Reg. No.	Name of the bank	January 1, 2021					
			Number of depositors, thous. persons			Amount of deposits	Potential reimbursement amount	
			total	% of total	incl. FX	Total, UAH thous	Number, thous. persons	UAH thous
1	113	PRIVATBANK	22 555	48,4	4 356	252 742 678	18 070	179 548 905
2	27	UNIVERSAL BANK	3 192	6,8	604	23 201 730	1 562	16 024 608
3	121	RAIFFEISEN BANK AVAL	2 459	5,3	110	39 153 261	1 892	21 726 451
4	48	ALPHA BANK	2 439	5,2	206	43 800 451	813	18 638 227
5	111	PUMB	2 418	5,2	132	28 536 187	820	13 931 794
6	52	UKRGASBANK	2 299	4,9	123	30 237 445	595	13 964 435
7	90	UKRSIBBANK	2 254	4,8	231	31 884 826	1 382	16 315 228
8	98	ACCENT BANK	1 766	3,8	104	6 487 944	526	5 309 027
9	85	OTP BANK	1 191	2,6	93	21 883 610	452	7 687 134
<b>Total in banks</b>			<b>40 574</b>	<b>87,0</b>	<b>5 959</b>	<b>477 928 131</b>	<b>26 111</b>	<b>293 145 808</b>
<b>% of total in the Fund</b>			<b>87,0</b>	<b>87,0</b>	<b>86,4</b>	<b>78,7</b>	<b>91,0</b>	<b>82,9</b>
<b>TOTAL in the Fund</b>			<b>46 621</b>	<b>100,0</b>	<b>6 894</b>	<b>607 564 036</b>	<b>28 687</b>	<b>353 538 618</b>





As of January 1, 2021, the number of **natural persons-entrepreneurs** amounted to 1.5 million people or 3.3% of all depositors, which accounted for UAH 53.6 billion or 8.8% of their total amount. In 2020, the number of natural persons-entrepreneurs increased by 227.6 thousand people or by 17.5%, and their amount by UAH 21.3 billion or by 65.6%.

The **average amount of the deposit** for 2020 increased by UAH 2,094.8 to UAH 13,031.92. The average size of deposits on deposits guaranteed by the Fund (over UAH 10) in 2020 increased by UAH 3,247.3 to UAH 21,027.09.

The **amount of possible reimbursement** at the expense of the Fund in 2020 increased by UAH 62.7 billion or 21.5% and as of January 1, 2021 amounted to UAH 353.5 billion. For comparison, in 2019 the increase in the amount of possible compensation amounted to UAH 31.5 billion or 12.1%.

The total amount of possible reimbursement in banks with a state share is UAH 203.9 billion or 57.7% of the total amount of the Fund.

Banks with the largest amount of deposits as of January 1, 2021

Table 2.2.3

No.	Reg. No.	Name of the bank	January 1, 2020					Fluctuation for 2020	
			Number of depositors	Amount of deposits, UAH thous			Potential reimbursement amount (PRA), UAH thous	Amount of deposits	PRA
				thous. persons	Total	% of total			
1	113	PRIVATBANK	22 555	252 742 678	41,6	76 208 298	179 548 905	55 953 084	35 749 489
2	48	ALPHA BANK	2 439	43 800 451	7,2	22 597 290	18 638 227	7 641 346	1 510 393
3	121	RAIFFEISEN BANK AVAL	2 459	39 153 261	6,4	13 694 763	21 726 451	9 228 288	3 704 274
4	90	UKRSIBBANK	2 254	31 884 826	5,2	17 375 523	16 315 228	9 194 511	3 192 096
5	52	UKRGASBANK	2 299	30 237 445	5,0	17 202 397	13 964 435	5 228 960	942 831
6	22	UKREXIMBANK	627	29 302 716	4,8	19 302 345	10 386 652	3 237 292	28 601
7	111	PUMB	2 418	28 536 187	4,7	12 972 868	13 931 794	7 076 019	2 651 263
8	27	UNIVERSAL BANK	3 192	23 201 730	3,8	7 844 873	16 024 608	12 525 135	8 325 899
9	85	OTP BANK	1 191	21 883 610	3,6	12 370 870	7 687 134	5 763 008	1 155 702
10	16	PIVDENNYI	692	11 261 555	1,9	6 517 798	6 067 168	1 658 841	474 059
11	43	CREDIT AGRICOLE BANK	424	10 944 581	1,8	5 414 578	4 278 042	3 120 404	745 487
<b>Total in banks</b>			<b>40 550</b>	<b>522 949 040</b>	<b>86,1</b>	<b>211 501 603</b>	<b>308 568 644</b>	<b>522 949 040</b>	<b>308 568 644</b>
<b>% of total in the Fund</b>			<b>87,0</b>	<b>86,1</b>	<b>86,1</b>	<b>84,5</b>	<b>87,3</b>		
<b>TOTAL in the Fund</b>			<b>46 621</b>	<b>607 564 036</b>	<b>100,0</b>	<b>250 203 202</b>	<b>353 538 618</b>	<b>133 123 721</b>	<b>62 666 776</b>

Table 2.2.4 shows the dynamics of deposit operations of the Fund's members with individuals in 2020.

Table 2.2.5 shows the structure of contributions of the Fund's members since the beginning of 2014.

Table 2.2.6 shows the dynamics of deposit operations of the Fund's members since 2000.

In 2020, the trend of recent years of increased volume of deposit transactions (+133.1 billion UAH) and their growth rates (to + 28.1% per year) continued. Despite the pandemic and quarantine restrictions, such a significant increase in deposits has not been in the system for 10 years. The last time such growth rates of deposits were observed in 2010. This increase was due to an increase in the amount of deposits in the national currency by UAH 77.9 billion or 27.9% and in foreign currency in hryvnia equivalent by UAH 55.2 billion or 28.3% with a nominal increase in deposits in foreign currency in dollar terms amounted to 0.6 billion US dollars, or 7.5%, thus continuing the growth begun in 2019. The number of depositors is growing for the second year in a row (+ 3.2 million people or by 7.5%) and at the end of the year is 46.6 million people. This level of the number of depositors was typical for 2013-2015.

For comparison, 2019 was also characterized by an increase in the volume of deposit operations of banks with individuals (+ UAH 36.1 billion) and raise in their growth rates (up to 8.2% per year), which was due to a significant increase in the amount of deposits in national currency UAH 42.8 billion or by 18.1%, while the decrease in foreign currency deposits in hryvnia equivalent amounted to UAH 6.7 billion or by 3.3% due to the strengthening of the hryvnia but in dollar terms deposits in foreign currency increased (+ 0.9 billion US dollars or 13.0% to 8.23 billion US dollars). The number of depositors also increased (+ 2.7 million people or 6.6%).

- Most likely, the growth of retail deposits in 2020 was influenced by the following factors:
- increase in the minimum wage by 19.8% since the beginning of the year (from UAH 4,173 to UAH 5,000);
- increase in the wage bill by UAH 85.4 billion or 8.9% in 2020 compared to 2019;
- increase in budget payments for social protection and social security by UAH 24.9 billion or 7.7% in 2020 compared to 2019;
- increase in private bank transfers to Ukraine by USD 902.0 million or 23.7% for 12 months of 2020 compared to the same period in 2019.



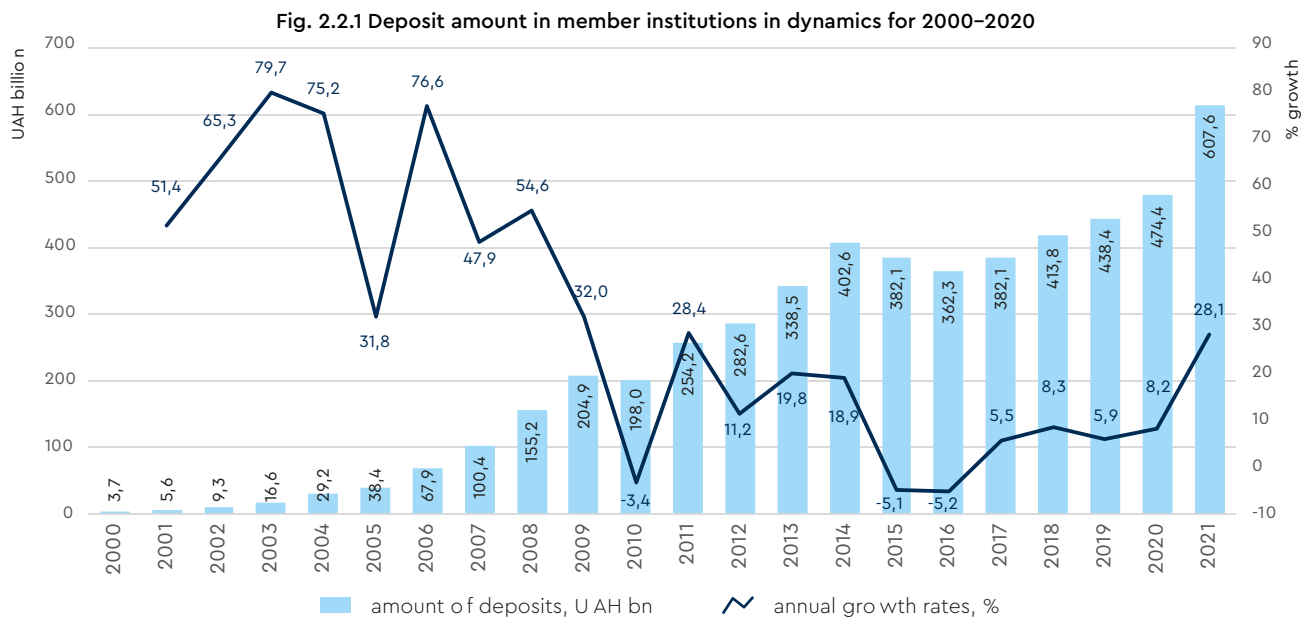
One of the factors in the growth of retail deposits is the increase in the monetary base, which is gaining momentum this year. This, in turn, is reflected in the growth of monetary indicators and the balance sheet currency.

The accumulation of household savings is taking place despite lower interest rates. This lays the foundation for a rapid recovery in consumer demand after the epidemic situation improves. In 2020, the weighted average monthly interest rate on deposits in the national currency decreased by 5.84 percentage points (42.5%) to 7.92% - in foreign currency - by 1.22 percentage points or by 50.8% to 1, 18%).

In 2018–2020, banks' deposit operations with individuals are characterized by the shortest maturity since the beginning of 2001. Following the results of 2020, the share of time deposits continues to decrease and decreased to the level below half and amounts to 47% (as of January 1, 2014 their level was 82%).

It should be noted that the introduction in Ukraine of measures to prevent the spread of acute respiratory disease caused by coronavirus 2019-nCoV, according to the resolution of the Cabinet of Ministers of Ukraine of March 11, 2020 #211 "On prevention of the spread of acute respiratory disease 19 SARS-CoV-2" (as amended), has not led to an outflow of funds from retail deposits since the beginning of 2020. On the contrary, the population's deposits are growing at a significant pace.

The increase is due to the raise in salaries, social budget expenditures, as well as a greater propensity of citizens to save during the coronacrisis (including due to the narrowing of tourism, restaurant business, transportation and services market). Thus, the amount of retail deposits for the period of quarantine restrictions by the end of the year increased by UAH 112.4 billion, including due to deposits in the national currency (an increase of UAH 67.1 billion) and in FX (UAH 45,2 billion, of which UAH 31 billion - revaluation due to a sharp fall in the hryvnia exchange rate). The decrease in deposits occurred only in short periods and affected the monthly dynamics only at the beginning of quarantine restrictions.



Deposit transactions in member institutions in dynamics since the beginning of 2020

Table 2.2.4

No	Retail deposit transactions (#1Ф)	January 1, 2020	January 1, 2021	Since the beginning of 2020	
				+/-	%
1.	<b>Number of member institutions, of which:</b>	<b>74</b>	<b>73</b>	<b>-1</b>	<b>x</b>
	insolvent	0	1	1	x
2.1.	<b>Retail deposit amount, UAH bn</b>	<b>474,4</b>	<b>607,6</b>	<b>133,1</b>	<b>28,1</b>
	incl. national currency, UAH bn	279,5	357,4	77,9	27,9
	incl. FX, UAH bn	195,0	250,2	55,2	28,3
2.2.	<b>Number of depositors, pax m</b>	<b>43,4</b>	<b>46,6</b>	<b>3,2</b>	<b>7,5</b>
2.3.	<b>Percentage of depositors full coverage by the DGF, %</b>	<b>98,4</b>	<b>98,0</b>	<b>-0,4</b>	<b>-0,4</b>
2.4.	<b>Potential reimbursement amount by the DGF, UAH bn</b>	<b>290,9</b>	<b>353,5</b>	<b>62,7</b>	<b>21,5</b>
2.5.	<b>Average deposit amount, UAH</b>	<b>10 937,1</b>	<b>13 031,9</b>	<b>2 094,8</b>	<b>19,2</b>



Retail deposit transactions by currency in monthly dynamics

Table 2.2.5

Date	Number of depositors, pax m	Total deposit amount, UAH bn	Potential reimbursement amount, UAH bn	Amount of national currency deposits, UAH bn	Amount of foreign currency deposits, UAH bn
Jan 1, 2014	47,4	402,6	245,6	224,3	178,4
Jan 1, 2015	46,5	382,1	209,9	172,1	210,0
Jan 1, 2016	44,7	362,3	191,9	164,5	197,8
Jan 1, 2017	41,1	382,1	203,3	169,9	212,3
Jan 1, 2018	41,0	413,8	238,0	203,7	210,0
Jan 1, 2019	40,7	438,4	259,4	236,7	201,7
Jan 1, 2020	43,4	474,4	290,9	279,5	195,0
Jan 1, 2021	46,6	607,6	353,5	357,4	250,2

Annual dynamics of retail deposit transactions

Table 2.2.6

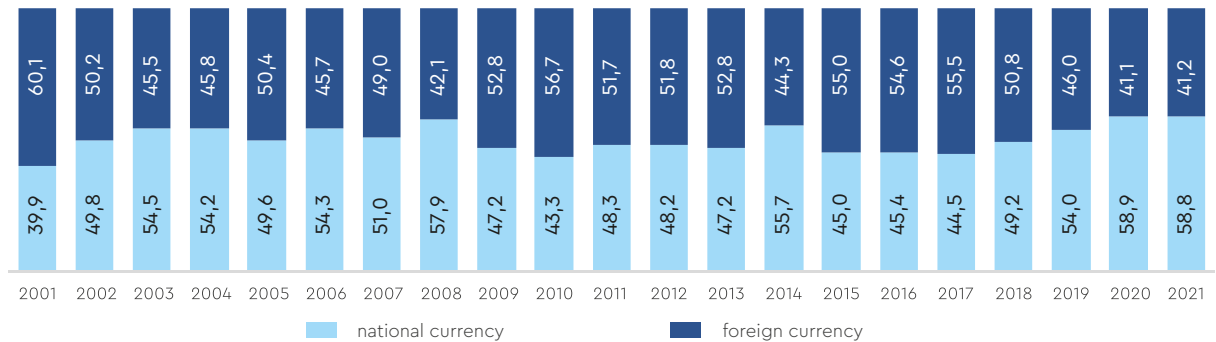
Time period	Number of depositors		Total deposit amount		Average deposit amount (ADA), UAH		ADA without UAH 1 or UAH 10	
	pax thous.	growth rates prior to the year start, %	UAH m	growth rates prior to the year start, %	UAH	growth rates prior to the year start, %	UAH	growth rates prior to the year start, %
Jan 1, 2000	4 558,9		3 675,58		806			
Jan 1, 2001	5 358,8	17,5	5 603,62	52,5	1 046	29,7		
Jan 1, 2002	4 837,4	-9,7	9 264,13	65,3	1 915	83,1		
Jan 1, 2003	7 005,5	44,8	16 645,80	79,7	2 376	24,1		
Jan 1, 2004	10 488,4	49,7	29 160,58	75,2	2 780	17,0	3 745	
Jan 1, 2005	15 021,2	43,2	38 432,07	31,8	2 559	-8,0	3 368	-10,1
Jan 1, 2006	18 570,2	23,6	67 885,22	76,6	3 656	42,9	4 561	35,4
Jan 1, 2007	24 239,9	30,5	100 416,06	47,9	4 143	13,3	4 945	8,4
Jan 1, 2008	29 607,8	22,1	155 236,15	54,6	5 243	26,6	6 105	23,5
Jan 1, 2009	34 532,3	16,6	204 934,68	32,0	5 935	13,2	7 001	14,7
Jan 1, 2010	31 568,0	-8,6	198 010,58	-3,4	6 273	5,7	7 455	6,5
Jan 1, 2011	32 577,8	3,2	254 180,28	28,4	7 802	24,4	9 400	26,1
Jan 1, 2012	35 007,8	7,5	282 596,88	11,2	8 072	3,5	9 594	2,1
Jan 1, 2013	44 428,9	26,9	338 496,80	19,8	7 619	-5,6	16 006	66,8
Jan 1, 2014	47 447,2	6,8	402 615,53	18,9	8 486	11,4	17 148	7,1
Jan 1, 2015	46 523,5	-1,9	382 081,64	-5,1	8 213	-3,2	16 487	-3,9
Jan 1, 2016	44 703,4	-3,9	362 277,96	-5,2	8 104	-1,3	15 338	-7,0
Jan 1, 2017	41 101,8	-8,1	382 149,86	5,5	9 298	14,7	16 378	6,8
Jan 1, 2018	40 951,6	-0,4	413 769,21	8,3	10 103	8,7	16 535	1,0
Jan 1, 2019	40 677,2	-0,7	438 352,51	5,9	10 776	6,7	17 270	4,4
Jan 1, 2020	43 379,0	6,6	474 440,31	8,2	10 937	1,5	17 780	3,0
Jan 1, 2021	46 621,2	7,5	607 564,04	28,1	13 032	19,2	21 027	18,3

## Deposits by currency

During 2020, there was some fluctuation in the ratio of deposits by currency and at the end of the year there was a significant advantage of deposits in national currency: the share of deposits in national currency in 2020 decreased slightly from 58.9 to 58.8%, and in FX increased slightly from 41.1 to 41.2%. (Fig. 2.2.2).

Deposits in the national currency in 2020 increased by UAH 77.9 billion or 27.9% and amounted to UAH 357.4 billion. Compared to the dynamics in 2019 (UAH + 42.8 billion or by 18.1%), the growth rate of the amount of deposits in the national currency continues to remain at a high level.

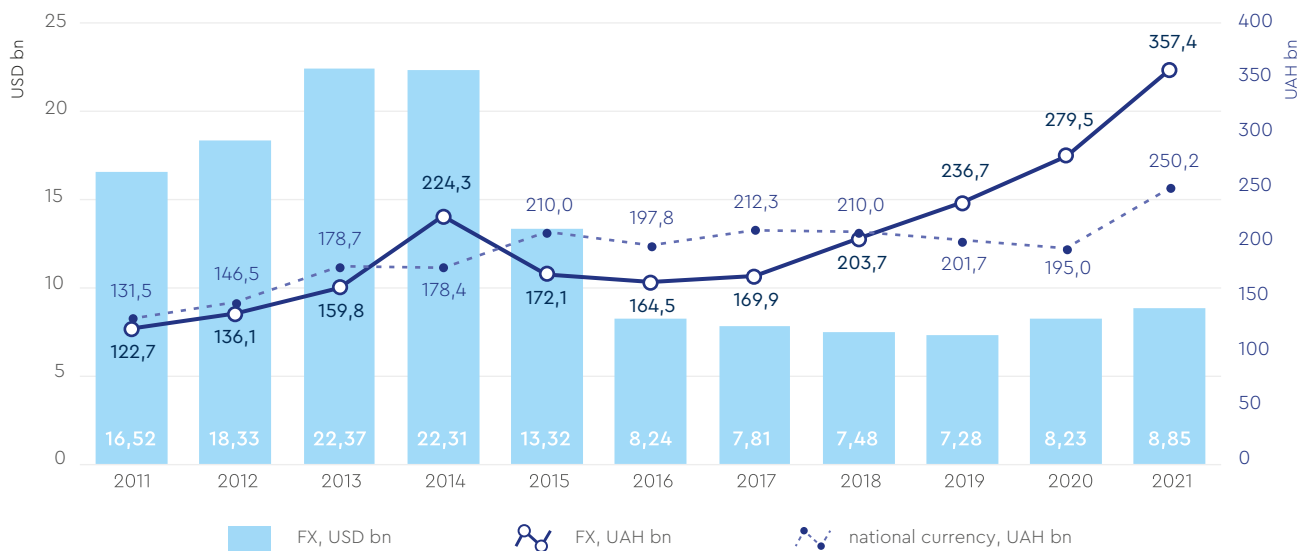
Fig. 2.2.2 Retail deposits by currencies in dynamics, %



The hryvnia equivalent of foreign currency deposits amount in 2020 increased by UAH 55.2 billion or 28.3% and amounted to UAH 250.2 billion. At the same time, in dollar terms, the increase in the amount of deposits amounted to 0.6 billion US dollars or 7.5% to 8.85 billion US dollars.

This is partly due to the strengthening of the official hryvnia exchange rate and the real increase in foreign currency deposits. (Fig. 2.2.3).

Fig. 2.2.3 Foreign currency deposits in dynamics





## Maximum reimbursement amount

According to Article 26 of the Law of Ukraine "On Households Deposit Guarantee System" the maximum reimbursement amount on retail deposits at the expense of the Fund is UAH 200,000 (7.1 thousand US dollars or 5.8 thousand euros as of January 1, 2021). During the entire period of the Fund's existence, the amount of the repayment limit on deposits has increased 400 times.

The structure of retail deposits by ranges as of January 1, 2021 has the following form (Table 2.2.7, Fig. 2.2.4, 2.2.5).

Analysis of the deposit structure by the size of deposits shows that the depositor is focused on the maximum level of deposit reimbursement: the vast majority have deposits within the guaranteed amount of reimbursement – from UAH 10 to UAH 200 thousand, which are fully protected (28.3 million people or 98.0% of depositors with their funds guaranteed). Such depositors have a total of UAH 238.6 billion or 39.3% of the amount of deposits. The number of people with deposits above the guaranteed amount increased by 32.6% and is about 575 thousand.

Among them, a quarter of depositors hold deposits in banks that exceed UAH 500,000.

The increase in the total amount of deposits took place in the part of the ranges:

- over UAH 500 thousand – by UAH 70.2 billion or by 39.4%
- from UAH 200,000 to UAH 500,000 – by UAH 28.6 billion or by 31.0%.

That is, 74.2% growth for the year (UAH 98.7 billion out of UAH 133.1 billion) falls on the ranges above the guaranteed level (over UAH 200,000).

Thus, the guaranteed level of reimbursement on deposits provides coverage of the majority of deposits of the population and indicates the intentions/capabilities of depositors to keep deposits in the range of funds guaranteed by the Fund.

Fig. 2.2.4 Number of depositors, %

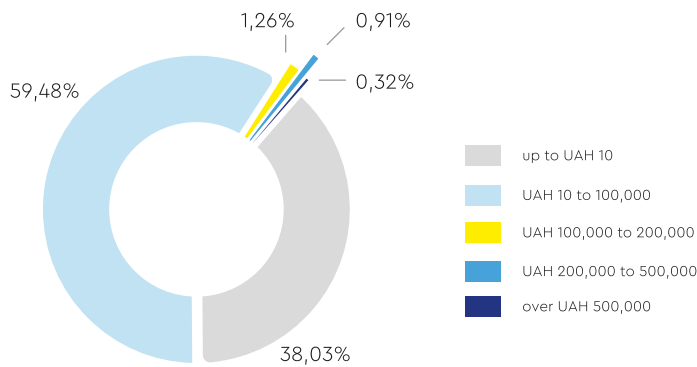
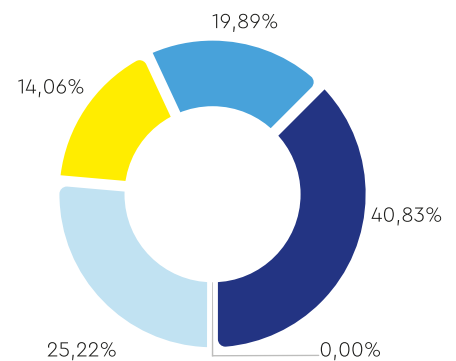


Fig. 2.2.5 Amount of deposits, %



Structure of member institutions' deposits by range as of January 1, 2021

Table 2.2.7

Amount of the deposit, UAH	Number of depositors		Amount of deposits		Average deposit amount
	pax	%	UAH thous	%	UAH
up to 10	17 727 888	38,03%	21 406,50	0,00%	1,21
10 to 100 000	27 729 042	59,48%	153 206 900,49	25,22%	5 525,14
100 000 to 200 000	589 398	1,26%	85 441 034,60	14,06%	144 963,22
200 000 to 500 000	426 007	0,91%	120 818 715,90	19,89%	283 607,35
over 500 000	148 887	0,32%	248 075 978,41	40,83%	1 666 203,08
<b>Total</b>	<b>46 621 222</b>	<b>100,0%</b>	<b>607 564 035,90</b>	<b>100,0%</b>	<b>13 031,92</b>
Total without «up to 10»	28 893 334	62,0%	607 542 629,41	100,00%	21 027,09
<b>10,000 to 200,000 (fully guaranteed)</b>	<b>28 318 440</b>	<b>98,0%</b>	<b>238 647 935,10</b>	<b>39,3%</b>	<b>8 427,30</b>



## Potential reimbursement amount and deposits guaranteed by the Fund

The amount of potential reimbursement (PRA) for the Fund's members in 2020 increased by UAH 62.7 billion or 21.5% and as of January 1, 2021 amounted to UAH 353.5 billion.

Potential reimbursement amount in 4 state-owned banks amounted to UAH 203.9 billion, which is 57.7% of the total amount of deposits.

The ratio of the potential reimbursement amount (PRA) to the total amount of deposits (DA) in the Fund as a whole for 2020 decreased from 61.3 to 58.2%.

According to the reporting forms 1F as of January 1, 2021 – the amount of compensation by structure is distributed as follows: the total amount of compensation – 353.5 billion UAH, the amount of deposits on term deposits amounted to 127.7 billion UAH or 36.1%, the amount deposits on current accounts – UAH 225.8 billion or 63.9 (Table 2.2.8). That is, in 2020, in terms of the amount of compensation, deposits on deposit accounts decreased and deposits on current accounts increased significantly.

Structure of potential reimbursement amount by maturity as of January 1, 2021

Table 2.2.8

No.	Indicator	January 1, 2020		January 1, 2021	
		Number	Amount of deposits	Number	Amount of deposits
1	Total deposit amount/number of depositors	43 379 004	474 440 314 508	46 621 222	607 564 035 904
2	in foreign currency	6 459 354	194 959 421 342	6 893 811	250 203 201 537
3	Total potential reimbursement amount, incl.:	26 471 259	290 871 842 308	28 686 772	353 538 617 952
3.1	Current account deposits, incl.:	22 943 119	157 031 396 564	25 431 659	225 805 984 455
3.1.1	Card account deposits	7 442 213	48 727 835 535	0	0
3.2	Registered saving certificates, including the following maturity period:	162	22 317 813	32	4 095 424
3.2.1	on demand	21	3 046 400	14	2 046 089
3.2.2	up to 1 month	24	3 088 999	13	1 610 212
3.2.3	1 to 2 months	11	1 377 938	1	86 267
3.2.4	2 to 3 months	20	2 819 985	0	0
3.2.5	3 to 4 months	17	2 405 984	0	0
3.2.6	4 to 5 months	16	2 031 515	0	0
3.2.7	5 to 6 months	15	1 627 787	0	0
3.2.8	6 to 7 months	15	2 136 709	0	0
3.2.9	7 to 8 months	10	1 353 364	0	0
3.2.10	8 to 9 months	2	346 800	0	0
3.2.11	9 to 10 months	8	1 280 998	0	0
3.2.12	10 to 11 months	2	328 149	0	0
3.2.13	11 to 12 months	1	66 895	0	0
3.2.14	over 12 months	4	406 291	4	352 856
3.3	Term deposits, including the following maturity period:	10 752 316	133 729 750 663	11 016 942	127 728 538 072
3.3.1	up to 1 month	1 974 279	21 365 509 777	2 159 102	21 851 719 337
3.3.2	1 to 2 months	640 438	14 608 357 837	467 094	14 397 167 267
3.3.3	2 to 3 months	449 151	14 338 879 390	459 710	14 365 849 246
3.3.4	3 to 4 months	357 612	9 012 431 577	315 994	8 105 496 689
3.3.5	4 to 5 months	372 501	10 197 381 290	348 956	8 861 163 045
3.3.6	5 to 6 months	434 743	10 525 893 633	395 499	9 700 520 963
3.3.7	6 to 7 months	199 271	5 028 952 010	189 776	5 361 410 102
3.3.8	7 to 8 months	206 636	6 285 088 984	178 656	4 988 528 846
3.3.9	8 to 9 months	232 581	6 730 143 597	190 440	5 171 742 766
3.3.10	9 to 10 months	255 861	8 012 861 595	210 168	5 988 958 701
3.3.11	10 to 11 months	286 861	8 024 813 324	226 175	5 616 565 552
3.3.12	11 to 12 months	361 018	8 045 788 338	354 310	7 906 232 877
3.3.13	over 12 months	84 890	4 572 223 958	43 551	3 590 548 667
3.3.14	with the contract term expired and not transferred to the current/card account	5 811 263	6 981 425 354	6 239 457	11 822 634 014

### 2.3 Control functions over DGF members' operations

As part of ensuring the functioning of the deposit guarantee system, protection of the rights and interests of depositors, the Fund monitors the fulfillment of obligations of banks regarding their participation in the deposit guarantee system, in the form of inspections and remote inspections of the Fund. Inspections in 2020 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 Households Deposit Guarantee System" and regulations of the Fund in accordance with the approved annual inspection plan.

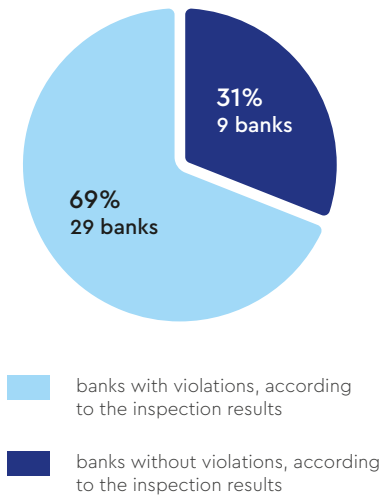
Employees of the Inspection Unit of the Department of Remote and Inspection Monitoring of the Fund's Banks in 2020 conducted 29 inspections of the Fund's members (including 17 remote ones), of which 20 banks were found to be in violation of the Fund's regulations.

Scheduled inspections and remote inspections were conducted on the following issues:

- 1. Reliability of reports submitted to the DGF;
- 2. Complete and on time payments of fees and assessed penalty to the DGF;
- 3. Complete and reliable database of depositors;
- 4. Compliance with the requirements for informing depositors about the bank's membership with the DGF;
- 5. Compliance with other requirements of the Law and DGF regulations.

The inspections were aimed at obtaining information on banks' compliance with the Law of Ukraine "On Households Deposit Guarantee System", including the accuracy of reporting provided to the Fund, compliance with the rules of accrual and payment of fees, providing information for maintaining the Fund's register, completeness and accuracy of information about depositors in the bank's database, as well as the procedure for informing depositors about the households deposit guarantee system in Ukraine. During the inspections, special attention was paid to the reliability

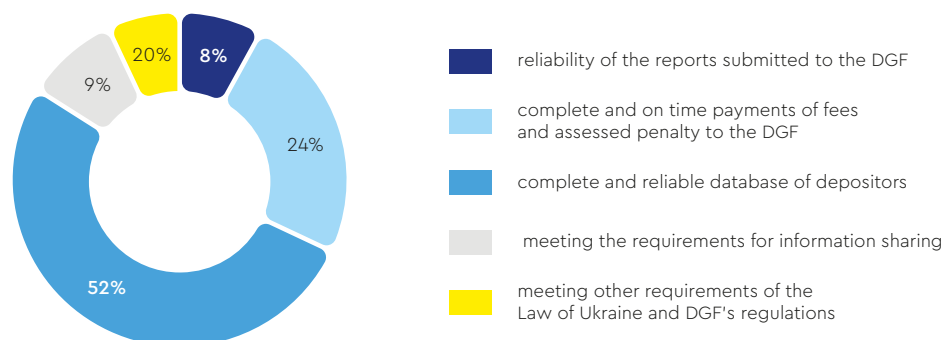
Fig. 2.3.1. Number of inspections carried out in 2020



of calculations on fees and reports provided to the Fund by banks and the ability of banks to properly form a database of depositors in the Fund's members in line with the Fund's regulations.

According to the results of 29 bank inspections conducted by the Inspection Unit in 2020, 25 facts of violations of the Law of Ukraine "On Households Deposit Guarantee System" and regulations of the Fund were identified. They are the following:

Fig. 2.3.2. Proportion of violations in certain issues inspected out of the total number of violations.



Banks, identified by the inspection results as those with violations, provided updated reporting forms, the necessary information for maintaining the register, informed the Fund about the measures taken to eliminate violations, etc.



## Reliability of reports submitted to the Fund

The main requirements for compiling and reporting # 1F are defined by the Instruction on the procedure for compiling a report on retail deposits in the Fund's members – reporting form #1F, approved by the Executive Directorate of the Fund on July 09, 2012 under #5, registered in the Ministry of Justice of Ukraine 02 August 2012 under #1314/21626 (in effect till October 12, 2020) and the Rules for reporting by participants of the Deposit Guarantee Fund approved by the decision of the Executive Directorate of the Fund from June 18, 2020 under #1158, registered in the Ministry of Justice of Ukraine on August 31, 2020 under #831/35114.

The results of the inspections show that the banks committed certain violations in compiling and submitting reports to the Fund, including:

- inaccurate information on the amount of funds and the number of individual depositors.

According to the results of inspections, 2 banks were identified as those with the facts of violations of the reliability (procedure of preparation) of reporting #1F out of all inspected banks; the violation proportion is 7% of all violations detected.

## Complete and on time payments of fees and assessed penalty of the Fund's members

The main requirements for timeliness and procedure for submitting the calculation of regular fee payable to the Fund are defined by the Regulation on the procedure for calculation, accrual and payment of fees to the Deposit Guarantee Fund, approved by the Executive Directorate of the Fund on July 2, 2012 under #1, registered with the Ministry of Justice of Ukraine 07/27/2012 under #1273/21585. As a result of inspections conducted in 2020, it was found that the Fund's members committed certain violations in calculating the amount of the regular fee, including:

- the basis for accrual of the regular fee for deposits in national and foreign currencies inaccurately determined and calculated;
- scores on quantitative (L1, L2) and qualitative (H1, H5) indicators incorrectly determined;

- total score on the sum of quantitative and qualitative indicators weighted in terms of the group of indicators incorrectly determined;
- the amount of the regular fee incorrectly calculated, which led to incomplete payment of regular fee to the Fund.

According to the bank inspection results on the issue of complete fee payments to the Fund, an understatement of the regular fee amount paid by banks to the Fund for the total amount of UAH 33.3 thousand was revealed.

In general, violations in terms of complete and on time fee payments to the Fund were found in 6 members; the violation proportion is 21% of all violations identified.

## Complete and reliable database of depositors

The Fund has established requirements for the formation of a database of individual depositors in the Fund's members. The main requirements are set out in the Rules for the formation and maintenance of databases of depositors, approved by the decision of the Executive Directorate of the Fund on July 9, 2012 under #3, registered with the Ministry of Justice of Ukraine on August 23, 2012 under #1430/21742 as amended. However, in this period there were cases of banks committing typical violations in the formation and maintenance of databases, including:

- errors regarding the absence, incompleteness and incorrectness of information about a depositor.

The total number of banks for which the above shortcomings in the database were identified in accordance with the Rules amounted to 13 banks; the violation proportion is 45% of all violations identified.

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

## Compliance with the requirements for informing depositors about the bank's membership with the DGF

Law of Ukraine "On Households Deposit Guarantee System" and the Instruction on the Procedure for Deposit Guarantee Fund to Protect the Rights and Interests of Depositors, approved by the decision of the Executive Directorate of the Deposit Guarantee Fund of May 26, 2016 under #825, registered with the Ministry of Justice of Ukraine on June 17, 2016 under #874/29004, there are requirements for the members of the Fund in terms of mandatory placement of information about the households deposit guarantee system.

The results of the inspections show that the banks committed some violations of the Fund's requirements for informing depositors about the bank's participation in the Fund, such as that:

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

During the inspections conducted in 2020, 2 banks were registered as those that violated the Fund's requirements for informing depositors about the household deposit guarantee system in Ukraine; the violation proportion is 7% of all violations detected.





## Compliance with other requirements of the Law "On Households Deposit Guarantee System" and DGF regulations

The Fund's members should submit the bank's information provided by the Regulations on the Procedure for Maintaining the Register of Member Institutions of the Deposit Guarantee Fund, approved by the decision of the Executive Directorate of the Fund of July 12, 2012 under #7, registered with the Ministry of Justice of Ukraine on September 7, 2012 under #1547/21859 and additions.

According to the Regulations, in case of changes in the information contained in the Fund's Membership Register, banks are obliged to notify the Fund of these changes within a specified period.

During inspections in 2020, it was found that, contrary to the established requirements, the members of the Fund:

- did not notify the Fund about the changes in the information contained in the Membership Register of the

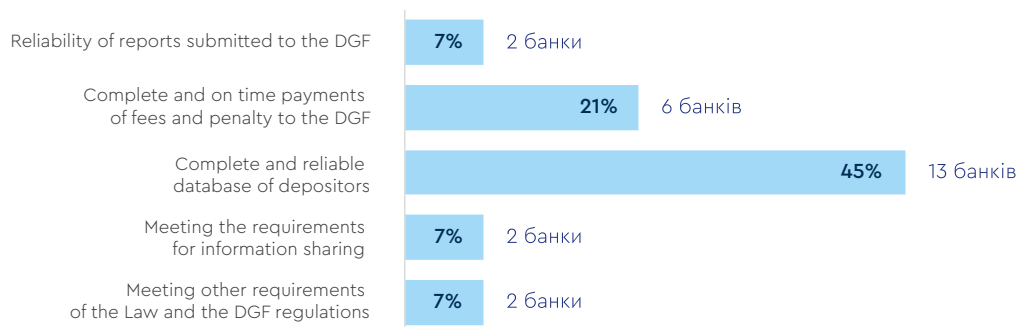
Fund, namely about the change of the administrative document, which confirms the fact of the actual commencement of official duties of the Management Board;

- did not notify the Fund about the changes in the information contained in the Membership Register of the Fund, namely changes in the composition of the Supervisory Board.

During the inspections conducted in 2020, 2 banks violated the Fund's requirements for providing information specified by the Regulations on the Procedure for Maintaining the Membership Register of the Fund; the violation proportion is 7% of all violations detected.

The proportion of banks-violators in the total number of banks inspected in 2020, in terms of issues to be inspected, is shown in Fig.2.3.3

Fig. 2.3.3. Proportions of banks-violators out of all banks inspected in 2020



Among the reasons of banks violating the rules of accrual and payment of fees, according to the explanations of banks, there are as follows:

- debugging and testing of software in which reporting files were formed, which could affect the entry of data into files;
- incorrect operation of the software due to the introduction of its new version;
- introduction of quarantine restrictions on the territory of Ukraine due to the spread of acute respiratory

disease COVID-19 delayed the receipt by the bank of the Decision of the Committee on Supervision and Regulation of Banks and, accordingly, the determination of the score on the quality indicator;

- the decision of the NBU according to which a measure of influence was applied, was not taken into account, which led to incorrect determination of the score on the qualitative indicator;
- incorrect entry of information into the ABS depositor card by employees responsible for that.

## Administrative and economic sanctions and administrative fines

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

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

As of January 1, 2021, the authorized employees of the Deposit Guarantee Fund drew up 13 reports on the commission of an administrative offense. Proceedings in cases of administrative offenses were carried out in accordance with the Code of Ukraine on Administrative Offenses, as it is provided that the grounds for bringing the bank directors to administrative responsibility are the commission of the following administrative offenses:

- violation by a bank director of the procedure for compiling information to the Fund (Part 1, Article 166–19 of the Code);
- violation by a bank director of the procedure for submitting information to the Fund (Part 1, Article 166–19 of the Code);
- failure of the bank director to execute legal decisions of the Fund (Part 2, Article 166–19 of the Code);
- untimely execution by the bank director of legal decisions of the Fund (Part 2, Article 166–19 of the Code);
- failure to pay the fee to the Fund by the bank (Part 3, Article 166–19 of the Code);
- failure to pay the fee to the Fund on time (Part 3, Article 166–19 of the Code).



Upon considering the results of administrative offence cases, the authorized official took with due regard to the Part 2, Article 36 of the Code of Ukraine on Administrative Offenses, namely:

- 11 resolutions on imposing administrative penalties on bank managers;
- 1 decision to close the case of an administrative offense, due to the lack of an administrative offense.

Thus, for:

- violation by the bank director of the procedure for compiling or submitting information to the Fund fines in the amount of UAH 85,000.00 were imposed by an authorized official;

- late fee payment by the bank to the Fund or failure to pay the fee to the Fund by the bank – fines in the amount of UAH 6,800.00 were imposed.

Thus, the total amount of fines imposed amounted to UAH 91,800.00, which was paid voluntarily to the State Budget of Ukraine.

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

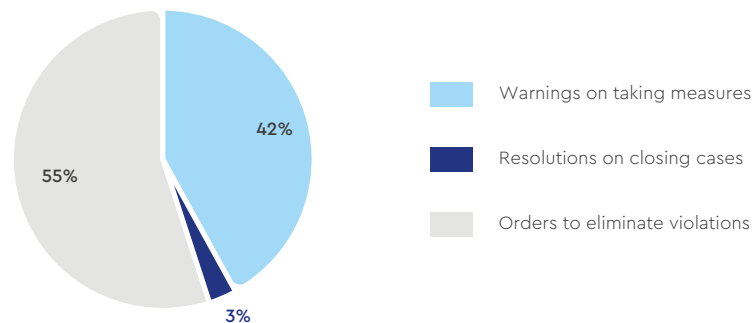
The Fund imposed sanctions on banks for the following violations:

- failure of the bank to provide information to the Fund, if the submission of such information was required by law and/or regulations;
- untimely submission of information to the Fund by the bank, if the submission of such information was required by the Law and/or regulations of the Fund;
- submission by the bank of unreliable information of the Fund, if the submission of such information was required by the Law and/or regulations of the Fund;
- violation by the bank of the procedure for maintaining the depositors' 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 guaranteeing deposits of natural persons;
- untimely 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 guaranteeing deposits of natural persons.

As of January 1, 2021, the official authorized to consider the cases, made 36 decisions, of which:

- 15 warnings on taking measures to prevent legislation violations of guaranteeing deposits of individuals in future operations;
- 20 orders to eliminate violations of the law in the field of guaranteeing deposits of individuals;
- 1 resolution on closing the case on offenses in the field of guaranteeing deposits of individuals.

**Fig. 2.3.4 Decisions adopted by the DGF authorized officers in proportion**



As of January 1, 2021, violations of the following regulations of the Fund were recorded:

- 7 banks violated the Regulations on the Procedure for calculation, accrual and payment of fees to the Deposit Guarantee Fund, approved by the decision of the Executive Directorate of the Fund of July 2, 2012 under #1, registered with the Ministry of Justice of Ukraine on July 27, 2012 under #1273/21585;
- 3 banks violated the Regulations on the Procedure for maintaining the Membership Register of the Deposit Guarantee Fund, approved by the decision of the Executive Directorate of the Fund of July 12, 2012 under #7, registered with the Ministry of Justice of Ukraine on September 7, 2012 under #1547/21859;
- 4 banks violated the Instruction on the Procedure for reporting on retail deposits to the Fund –

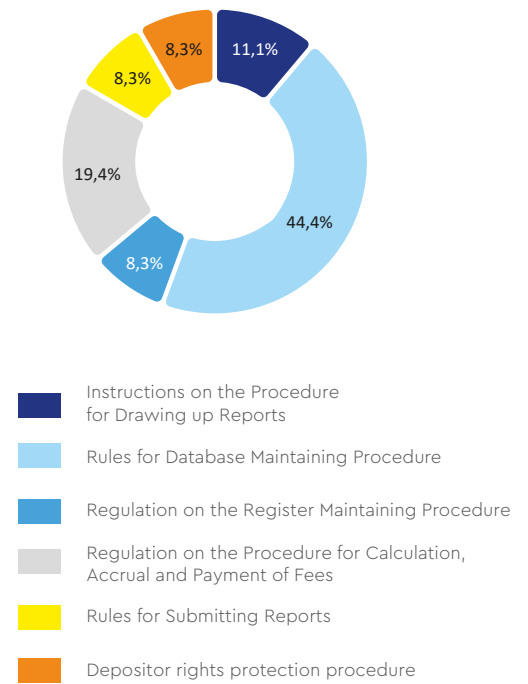
reporting form #1F, approved by the decision of the Executive Directorate of the Fund of July 9, 2012 under #5, registered with the Ministry of Justice of Ukraine on August 2, 2012 under #1314/21626 and Rules of reporting by members of the Deposit Guarantee Fund approved by the decision of the Executive Board of the Fund of July 9, 2012 under #4, registered with the Ministry of Justice of Ukraine on July 27, 2012 under #1269/21581, in terms of failure or late submission of the Report on deposits in members of the Deposit Guarantee Fund – reporting form # 1F;

- 16 banks violated the Rules of formation and maintenance of databases on depositors, approved by the decision of the Executive Directorate of the Deposit Guarantee Fund of July 9, 2012 under #3, registered with the Ministry of Justice of Ukraine on August 23, 2012 under # 1430/21742;



- 3 banks violated the Rules of reporting by members of the Deposit Guarantee Fund, approved by the decision of the Executive Directorate of the Fund of July 9, 2012 under #4, registered with the Ministry of Justice of Ukraine on July 27, 2012 under #1269/21581;
- 3 banks violated the Procedure for the Deposit Guarantee Fund to protect the rights and legally protected interests of depositors, approved by the decision of the Executive Directorate of the Fund of May 26, 2016 under #825, registered with the Ministry of Justice of Ukraine on June 17, 2016 under # 874/29004.

Fig. 2.3.5 Violations of DGF's regulations in proportion



## 3. Bank resolution

As of December 31, 2020, 46 banks were in the process of liquidation, of which 24 banks were under the direct management of the Fund and a provisional administration was introduced in 1 banking institution.

The condition of implementing plans for insolvent banks settlement, with liquidation procedure being initiated, as of the end of 2020, is given in Table 3.1.1.

**Condition of implementing plans for insolvent banks resolution, with liquidation procedure being started, as of the end of 2020**

Table 3.1.1

No.	Bank	Approved liquidation pool, UAH	Bank property sold		Creditors' claims satisfied	
			UAH	% <sup>1</sup>	thous UAH	% <sup>2</sup>
1	PJSC AKTABANK	1 533 919 492,14	171 663 024,10	11,19%	299 719,78	33,10%
2	PJSC CB ACTIVE-BANK	0,00	170 708 409,77	26,27%	204 872,75	8,60%
3	JSC ARTEM-BANK	0,00	46 854 873,41	37,45%	42 130,20	21,40%
4	JSCB ARKADA	-	0,00	0,00%	0,00	0,00%
5	JSC BANK BOHUSLAV	0,00	19 895 713,08	8,21%	41 062,01	17,19%
6	PJSC VBR	0,00	509 619 077,97	8,34%	4 944 867,71	73,18%
7	PJSC VEKTOR BANK	29 977 076,44	4 525 548,91	33,64%	2 391,73	2,91%
8	PJSC BANK VELES	8 528 142,56	4 361 593,63	51,00%	3 773,09	80,45%
9	PJSC VAB BANK	0,00	1 258 231 277,67	22,42%	4 048 856,48	21,84%
10	JSC VTB BANK	6 990 208 204,53	2 100 421 712,86	35,10%	1 958 763,19	36,64%
11	JSC DELTA BANK	29 299 447 678,22	4 795 041 570,57	16,37%	11 742 670,55	21,66%
12	PJSC DIAMANTBANK	1 595 487 376,31	368 409 821,97	23,1%	1 122 563,58	26,23%
13	PJSC ENERGOBANK	0,00	249 419 760,64	40,17%	282 201,19	19,75%
14	PJSC CB EUROBANK	0,00	83 649 855,39	34,62%	88 781,30	14,44%
15	JSC ZLATOBANK	1 550 913 955,04	170 871 266,85	9,60%	349 501,36	5,08%
16	JSC GOLDEN GATE BANK	133 671 022,08	81 179 895,52	60,73%	83 158,44	11,88%
17	JSC IMEXBANK	2 299 185 063,58	419 465 344,89	20,15%	553 386,48	5,97%
18	PJSC CB NVESTBANK	0,00	32 982 109,34	19,70%	19 302,23	9,23%
19	PJSC INTEGRAL BANK	0,00	76 517 031,61	39,00%	65 030,03	11,59%
20	PJSC BANK CAMBIO	1 078 213 598,96	171 981 528,14	15,95%	629 268,51	41,52%
21	PJSC JSCB CAPITAL	110 703 636,72	2 495 482,08	81,00%	0,00	0,00%
22	PJSC BANK KYIVSKA RUS	1 389 305 769,51	691 730 863,78	49,79%	954 407,77	17,00%
23	PJSC BANK CONTRACT	0,00	38 629 774,45	15,03%	72 335,59	23,49%
24	PJSC KSG BANK	152 534 116,53	272 100,2	0,05%	27 705,88	20,85%
25	PJSC BANK MYKHAYLIVSKY	0,00	33 028 395,77	23,51%	74 478,78	2,69%
26	PJSC BANK MORSKYI	n/a	0,00	0,00%	0,00	0,00%
27	PJSC CB NADRA	0,00	3 573 355 604,94	46,19%	4 716 279,58	18,59%
28	JSC BANK NATIONAL INVESTMENTS	1 119 159 294,94	14 636 267,67	3,05%	3 838,49	0,37%
29	PJSC NATIONAL CREDIT BANK	0,00	97 312 407,45	54,59%	131 645,99	15,48%
30	PJSC PETROKOMMERTS BANK – Ukraine	0,00	24 821 952,72	11,55%	10 904,77	5,00%
31	PJSC PIVDENCOMBANK	0,00	208 637 783,24	43,23%	190 687,14	5,86%

**Condition of implementing plans for insolvent banks resolution, with liquidation procedure being started, as of the end of 2020**

Table 3.1.1

No.	Bank	Approved liquidation pool, UAH	Bank property sold		Creditors' claims satisfied	
			UAH	% <sup>1</sup>	thous UAH	% <sup>2</sup>
32	PJSC PLATINUMBANK	2 327 258 055,92	579 639 904,91	24,91%	1 666 552,53	23,66%
33	PJSC CB PREMIUM	536 491 294,11	41 133 461,65	7,67%	402 547,02	53,12%
34	PJSC PROFIN BANK	0,00	34 710 291,50	24,43%	41 988,46	11,99%
35	PJSC RADICAL BANK	0,00	112 041 324,94	37,14%	104 948,59	13,41%
36	JSC RODOVID BANK	3 275 007 750,38	535 018 419,36	16,34%	166 026,45	3,50%
37	JSC CB SOYUZ	n/a	n/a	n/a	n/a	n/a
38	PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	n/a	0,00	0,00%	0,00	0,00%
39	PJSC BANK TRUST	0,00	67 907 153,43	23,71 %	278 775,72	41,38%
40	PJSC UKRAINIAN PROFESSIONAL BANK	0,00	37 532 285,74	20,90%	35 444,28	3,16%
41	PJSC UKRINBANK	0,00	0,00	0,00%	86 042,21	8,24%
42	PJSC UKRCOMUNBANK	0,00	3 194 269,84	n/a	0,00	0,00%
43	PJSC FIDOBANK	2 515 696 626,67	831 502 706,54	33%	1 138 797,30	22,24%
44	JSC BANK FINANCE AND CREDIT	9 966 718 118,81	2 230 775 427,20	22,36%	3 290 151,33	10,72%
45	PJSC CB FINANCIAL INITIATIVE	4 663 063 984,04	31 844 865,36	0,68%	22 368,07	0,16%
46	PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	n/a	0,00	0,00%	0,00	0,00%

<sup>1</sup> - The percentage of incomplete stages realization is calculated in proportion of the actual amount of sales to the estimated value of assets, determined on the date after the start of bank liquidation.

<sup>2</sup> - The percentage of incomplete stages realization is calculated in proportion of the actual amount of satisfied claims to the total amount of creditors' accepted claims of creditors.

### 3.1. Development of early intervention system, provisional administration and bank insolvency resolution planning

#### Development of early intervention system

During 2020, a set of measures was taken to implement the provisions of Directive 2014/49/EU of the European Parliament and of the Council on Deposit Guarantee Schemes in the new version of April 16, 2014 and Directive of the European Parliament and of the Council of May 15, 2014 #2014/59/EC (Bank Recovery and resolution Directive, BRRD) in the Fund's activities to implement new solvency recovery mechanisms, early response systems for early preparation for a possible settlement, including the introduction of MREL at the appropriate stage, and withdrawal from the market of banking institutions, as well as effective cooperation with consultants from USAID, US TREASURY and FDIC on the concept of improving bank resolution process, with due regard to the BRRD.

In accordance with international standards and acts of EU legislation, pursuant to the first part of Article 14 of the Law of Ukraine "On Households Deposit Guarantee System", the Deposit Guarantee Fund implemented a project to introduce new standards for reporting from banks and the National Bank of Ukraine.

In order to automate the preparation and submission to the Fund of analytical information for quality monitoring of on-balance sheet and off-balance sheet data of banks of Ukraine, as well as to develop draft settlement plans, the Rules for reporting by members of the Deposit Guarantee Fund (hereinafter – the Rules) were approved on June 18, 2020 by the Fund's Executive Directorate decision under #1158, registered with the Ministry of Justice of Ukraine under #831/35114 "On approval of the Rules for reporting to the Deposit Guarantee Fund and invalidation of decisions of the Executive Directorate of the Deposit Guarantee Fund of July 9, 2012 under #4 and 5", which provides for reporting by members of the Fund under the new standards and posting on the official website of the Fund information on the requirements for reporting files (XSD-schemes, descriptions of controls and component codes for reporting forms/files in XML format, and descriptions and controls of information lines (indicator codes and their values) for reporting files H, which banks generate directly for the Fund).

In accordance with the Rules, a new reporting form for problem banks has been introduced – the "PC" reporting file. File\_PC includes data on all accounts of analytical accounting, which are used by the bank on accounts of 1-7 and 9 classes, the balances of which at the reporting date are not equal to zero. For the formation of indicator codes and values of indicator codes of File\_PC data are used exclusively in accordance with the data of the Automated Banking System/Bank Operating Day (ABS /BOD) and other software packages used in the bank's operations.

During 2020, the Fund received "PC" reporting files from seven banks on a regular basis (every decade), which contributed to the successful testing of the newly introduced reporting file and, accordingly, a comprehensive analysis of banks' assets and liabilities. This aims to improve the preparation for the potential bank resolution, namely: to accelerate the inventory and preparation of plans for the settlement of insolvent banks during the provisional administration.

### Provisional administration

During 2020, two banks were declared insolvent – JOINT STOCK COMPANY COMMERCIAL BANK "ARKADA" (hereinafter – JSC CB ARKADA) and Public Joint Stock Company "Misto Bank" (hereinafter – JSC Misto Bank). As of January 1, 2021, a provisional administration continued in JSC Misto Bank.

JSCB ARKADA is classified as insolvent by the National Bank of Ukraine on the basis of the decision of August 25, 2020 under # 541-рш / БТ. The procedure of withdrawal of JSCB ARKADA from the market by introducing a temporary administration in it was initiated in accordance with the Decision of the Executive Directorate of the Fund under # 1583 from August 2, 2020 for a period of one month from August 26, 2020 to September 25, 2020 (inclusive). The book value of the assets of JSCB ARKADA as of the date of introduction of the interim administration amounted to UAH 1,537,806.95 thousand, the total guaranteed amount of compensation – UAH 288819.87 thousand.

JSC Misto Bank is classified as insolvent by the National Bank of Ukraine on the basis of the decision of December 14, 2020 under #735-рш/БТ.

The procedure of removing JSC Misto Bank from the market by introducing a provisional administration in it was initiated in accordance with the Decision of the Executive Directorate of the Fund under #2086 of December 14, 2020. The provisional administration in JSC Misto Bank was introduced for a one month period from December 15, 2020 to January 14, 2021 (inclusive) and extended for one month until February 14, 2021 (inclusive). The book value of JSC Misto Bank assets as of the date of introducing provisional administration amounted to UAH 1,253,516.95 thousand, the total guaranteed amount of compensation – UAH 302,156.92 thousand.

The book value of the assets of JSCB ARKADA and JSC Misto Bank is given in Table 3.1.2.

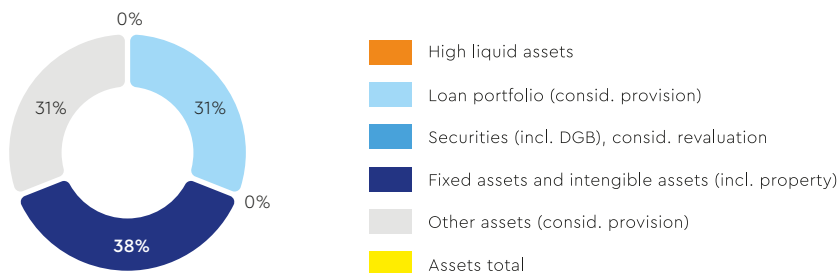
The structure of assets of JSCB ARKADA and JSC Misto Bank as of the date of introducing provisional administration (according to their balance sheets) is shown in Figures 3.1.1. and 3.1.2.

**Book value of insolvent banks assets as of the date of introducing provisional administration, UAH thous**

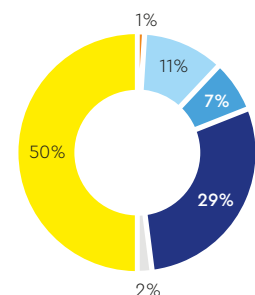
Table 3.1.2

Bank	High liquid assets	Loan portfolio (considering provision)	Securities (incl. DGB), considering revaluation	Fixed assets and intangible assets (incl. property)	Other assets (considering provision)	Assets total
JSC JSCB ARKADA	2 945,52	477 387,42	64,96	586 889,72	470 519,33	1 537 806,95
JSC Misto Bank	33 095,46	269 760,31	175 230,49	724 369,89	51 060,81	1 253 516,95
<b>Total</b>	<b>36 040,98</b>	<b>747 147,73</b>	<b>175 295,44</b>	<b>1 311 259,61</b>	<b>521 580,14</b>	<b>2 791 323,90</b>

**Fig. 3.1.1. Asset structure of the insolvent JSC JSCB ARKADA**



**Fig. 3.1.2. Asset structure of the insolvent JSC Misto Bank**





Liabilities of JSCB ARKADA and JSC Misto Bank as of the date of introducing provisional administration UAH 948,695.63 thousand and UAH 1,013,822.30 thousand, respectively (Table 3.1.3).

Liquidation with the Fund's deposit reimbursement has become the least cost way for the Fund to carry out resolution of JSC CB ARKADA; for JSC Misto Bank, as of the end of 2020, the temporary administration was not completed.

**Insolvent banks' liabilities as of the date of introducing provisional administration, UAH thous**

Table 3.1.3

No.	Bank	Liabilities	
		total	incl. reimbursement amount
1	JSC CB ARKADA	948 695,63	288 819,87
2	JSC Misto Bank	1 013 822,30	302 156,92
<b>Total</b>		<b>1 962 517,93</b>	<b>590 976,79</b>

### 3.2. Bank liquidation

The general indicators of 46 insolvent banks being in the process of liquidation, as of January 1, 2021 were as follows (Table 3.2.1):

- nominal value of assets – UAH 103,379.49 million;
- estimated value of assets – UAH 16,580.26 million.

**Nominal and estimated value of assets of banks under liquidation**

Table 3.2.1

No.	Bank under liquidation	Nominal (book) value of assets (excluding revaluation), UAH thousand	Estimated value of assets, UAH thousand
1	PJSC PROFIN BANK	0,00	0,00
2	PJSC BANK CONTRACT	0,00	0,00
3	PJSC CB EUROBANK	0,00	0,00
4	PJSC CB PIVDENCOMBANK	0,00	0,00
5	JSC ARTEM-BANK	0,00	0,00
6	PJSC BANK PETROKOMMERTS-UKRAINE	0,00	0,00
7	PJSC CB AKTIV-BANK	0,00	0,00
8	PJSC BANK TRUST	0,00	0,00
9	PJSC CB INVESTBANK	0,00	0,00
10	JSC BANK BOHUSLAV	0,00	0,00
11	PJSC RADIKAL BANK	0,00	0,00
12	PJSC INTEGRAL BANK	0,00	0,00
13	PJSC NATIONAL CREDIT BANK	0,00	0,00
14	PJSC ENERGOBANK	0,00	0,00
15	PJSC VBR	0,00	0,00
16	PJSC BANK MYKHAYLIVSKY	0,00	0,00
17	PJSC UKRAINIAN PROFESSIONAL BANK	0,00	0,00
18	PJSC VAB BANK	0,00	0,00
19	PJSC CB NADRA	0,00	0,00
20	JSC CB SOYUZ	43 228,14	43 047,99
21	PJSC UKRAINIAN MUNICIPAL BANK	55 202,08	9 337,85
22	PJSC MORSKY BANK	11 106,54	11 077,61
23	JSC BANK VELES	13 258,69	5 588,28



**Nominal and estimated value of assets of banks under liquidation**

Table 3.2.1

No.	Bank under liquidation	Nominal (book) value of assets (excluding revaluation), UAH thousand	Estimated value of assets, UAH thousand
24	PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	23 973,40	23 044,48
25	PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	108 528,74	107 776,79
26	PJSC VECTOR BANK	251 510,41	16 744,79
27	PJSC KSG BANK	455 096,00	122 824,24
28	PJSC CB PREMIUM	1 059 207,16	297 308,34
29	JSC GOLDEN GATE BANK	1 174,34	117,49
30	PJSC JSCB CAPITAL	1 343 742,15	110 642,80
31	PJSC DIAMANTBANK	880 172,34	376 706,78
32	JSC BANK NATIONAL INVESTMENTS	46 850,48	12 908,85
33	PJSC PLATINUM BANK	337 753,11	134 772,81
34	PJSC BANK KYIVSKA RUS	52 841,23	52 837,13
35	PJSC BANK CAMBIO	224 907,06	129 961,94
36	PJSC FIDOBANK	1 517 678,26	655 897,64
37	PJSC ACTABANK	10 939,13	11 206,16
38	PJSC UKRINBANK	5 322 424,60	0,00
39	JSC ZLATOBANK	13 493 076,43	1 227 178,68
40	JSC RODOVID BANK	16 390 529,24	2 486 467,58
41	PJSC CB FINANCIAL INITIATIVE	31 300 300,56	4 234 291,57
42	JSC IMEXBANK	329 979,71	166 705,81
43	JSC VTB BANK	3 632 461,83	1 117 921,94
44	JSC FINANCE AND CREDIT BANK	14 832 918,60	1 845 248,21
45	JSC DELTA BANK	9 781 578,15	3 380 643,25
46	JSCB ARKADA	1 859 061,53	0,00
	<b>Total</b>	<b>103 379 499,91</b>	<b>16 580 259,01</b>

In Table 3.2.2. and Figure 3.2.1. the distribution of insolvent banks assets by main types is given.

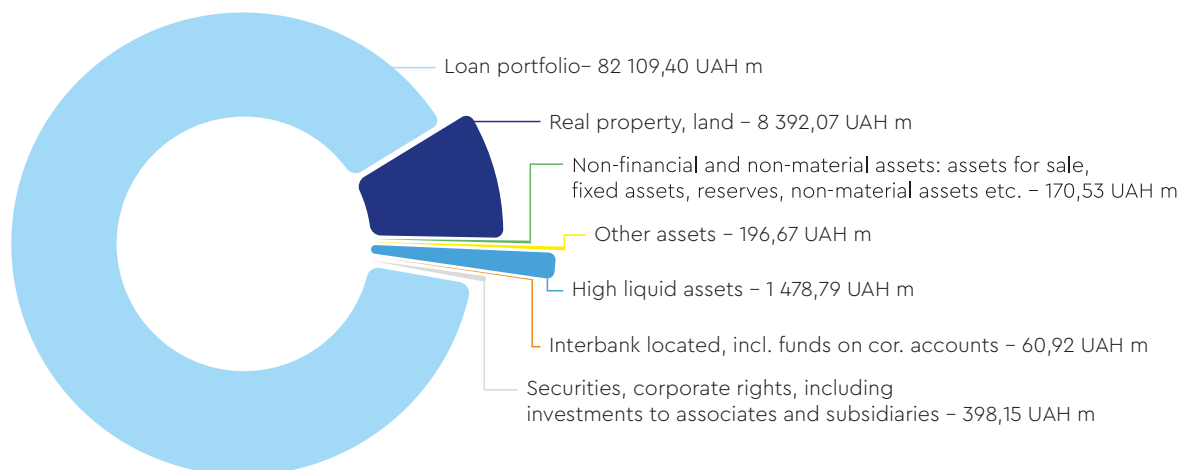
**Distribution of insolvent banks' assets by main types**

Table 3.2.2

Name	UAH million
Highly liquid assets	1 478,79
Interbank located, incl. funds on cor. accounts	60,92
Securities, corporate rights, including investments to associates and subsidiaries	398,15
Loan portfolio	82 109,40
Accounts receivable	10 572,98
	<i>Depreciation/appreciation*</i>
	- 79 378,60
Real property, land	8 392,07
Non-financial and non-material assets: assets for sale, fixed assets, reserves, non-material assets etc.	170,53
Other assets	196,67
<b>Total assets (considering revaluation)</b>	<b>23 986,92</b>
<b>Total assets (w/considering revaluation)</b>	<b>103 379,50</b>
Accounts receivable written off (off-balance sheet)	1 035,56
Other assets (off-balance sheet) (assets for sale)	0,09



Fig. 3.2.1. Distribution of insolvent banks' assets by main types



During 2020, measures were taken to approve liquidation balance sheets and reports on the implementation of liquidation procedures of 29 banks (Table 3.2.3.):

Approving the liquidation balance sheets of the banks Table 3.2.3

No	Bank	Date of liquidation balance approval
1	PJSC GREEN BANK	10.01.2020
2	JSC CB TC CREDIT	26.12.2019
3	JSC CB EXPOBANK	27.01.2020
4	PJSC LEGBANK	20.02.2020
5	JSC FORTUNA-BANK	01.02.2020
6	PJSC BG BANK	07.02.2020
7	PJSC UKRBUSINESSBANK	21.04.2020
8	PJSC UNISON BANK	01.04.2020
9	PJSC JSCB KYIV	03.02.2020
10	PJSC AVANT-BANK	01.04.2020
11	PJSC CREDITPROMBANK	01.05.2020
12	PJSC CB KHRESCHATYK	27.07.2020
13	JSCB NOVYI	01.09.2020
14	JSC NK BANK	01.10.2020
15	PJSC VBR	01.11.2020
16	PJSC NATIONAL CREDIT BANK	03.02.2020
17	PJSC CB EUROBANK	02.03.2020
18	PJSC PROFIN BANK	15.04.2020
19	PJSC BANK CONTRACT	15.04.2020
20	PJSC ENERGOBANK	15.05.2020
21	PJSC UKRAINIAN PROFESSIONAL BANK	15.07.2020
22	PJSC CB NADRA	01.09.2020
23	JSC BANK BOHUSLAV	01.07.2020
24	PJSC RADICAL BANK	01.08.2020
25	PJSC INTEGRAL BANK	01.08.2020
26	PJSC VAB BANK	12.11.2020
27	PJSC BANK TRUST	15.10.2020
28	PJSC BANK MYKHAYLIVSKY	05.10.2020
29	PJSC CB INVESTBANK	01.12.2020

## Completion of the liquidation procedure

In 2020, the Fund liquidated 16 banks, ie made entries in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations on the termination of these banks as legal entities, therefore, their liquidation

is considered complete, the banks themselves – liquidated, and the Fund's powers as liquidator terminated (Table 3.2.4.):

**Banks liquidated in 2020**

Table 3.2.4

No.	Bank	Liquidity balance approved	De facto exclusion from the registers	
			USRLE-IE	NBU
1	PJSC GREEN BANK	10.01.2020	29.01.2020	13.02.2020
2	DEMARK BANK	04.06.2019	23.01.2020	13.02.2020
3	PJSC CITY COMMERCIAL BANK	01.11.2019	30.01.2020	16.03.2020
4	JSC CB EXPOBANK	27.01.2020	15.02.2020	30.03.2020
5	JSC CB TC CREDIT	26.12.2019	03.02.2020	20.02.2020
6	PJSC LEGBANK	20.02.2020	03.03.2020	30.03.2020
7	JSC FORTUNA-BANK	01.02.2020	17.03.2020	25.06.2020
8	PJSC BG BANK	07.02.2020	27.03.2020	19.08.2020
9	PJSC UKRBUSINESSBANK	21.04.2020	08.05.2020	25.06.2020
10	PJSC UNISON BANK	01.04.2020	13.05.2020	25.06.2020
11	PJSC JSCB KYIV	03.02.2020	15.05.2020	25.06.2020
12	PJSC AVANT-BANK	01.04.2020	03.08.2020	14.09.2020
13	PJSC CREDITPROMBANK	01.05.2020	01.10.2020	-
14	PJSC CB KHRESCHATYK	27.07.2020	02.10.2020	30.12.2020
15	JSCB NOVY	01.09.2020	28.12.2020	-
16	JSC NK BANK	01.10.2020	21.12.2020	-

## Implementation of bank liquidation procedure directly by the Fund

In order to reduce costs and optimize the processes associated with the bank resolution process, the availability of unsold assets, and/or the implementation of measures referred to in Part 5 of Article 52 of the Law, for the time necessary for their full implementation, termination of such banks as legal entities, during 2020, 21 insolvent banks were admitted to the direct management of the Fund, in particular, PJSC AKTABANK, PJSC BANK CAMBIO, JSC ARTEM-BANK, PJSC CB AKTIV-BANK, PJSC BANK PETROCOMMERTS-UKRAINE, PJSC BANK KYIVSKA RUS, PJSC BANK CONTRACT, PJSC BANK NATIONAL CREDIT, PJSC ENERGOBANK, PJSC CB EUROBANK, JSC BANK NATIONAL INVESTMENTS, JSC IMEXBANK, PJSC UPB, PJSC VAB BANK, PJSC CB NADRA, JSC BANK BOHUSLAV, PJSC BANK MYKHAYLIVSKY, PJSC INTEGRAL-BANK, PJSC RADIKAL BANK, PJSC VBR, PJSC BANK TRUST.

Also during the reporting year in order to conduct a thorough analysis of the liquidation stages, consideration of problematic issues that prevent the proper completion of the liquidation procedure, consideration of current issues of bank liquidation, preparation of proposals for consideration by the Fund's collegial bodies and the Fund's Executive Directorate regarding current and/or problematic issues on bank liquidation, by the relevant order of the Fund, in February 2020 a working group was formed on the implementation of bank liquidation directly by the Deposit Guarantee Fund.

During 2020, project groups on the liquidation of PJSC AKTABANK, JSC GOLDEN GATE BANK, PJSC BANK CAMBIO, PJSC BANK KYIVSKA RUS and JSC BANK NATIONAL INVESTMENTS respectively.

In 2020, the Fund implemented a number of measures aimed at the liquidation of 24 banks under the direct management of the Fund. On a permanent basis, the debtor is listed in the direction of identification and completion of enforcement proceedings in which the banks are directly managed by the Fund, as the provisions of Article 28 of the Law of Ukraine "On State Registration of Legal Entities, Individuals-Entrepreneurs and Public Associations" in state registration, one of which is information on open enforcement proceedings, which makes it impossible to make an entry on the termination of the bank as a legal entity in the Unified State Register of Legal Entities, Individuals-Entrepreneurs and Public Associations. During the reporting period, the Fund prepared and submitted to the bodies of the state executive service 84 applications for termination of enforcement proceedings and initiated the submission of a number of necessary complaints to the courts. The Fund is taking measures to complete these enforcement proceedings.

In accordance with the provisions of Part 7 of Article 49 of the Law, tangible assets that were in the safekeeping of the bank and were not seized by the owners within the period specified in the notice are considered funds that can not be claimed by the bank's creditors. Such valuables are transferred to the Fund to be returned to the rightful owners. In pursuance of this provision of the Law, the Fund developed a draft Guidance for working with valuables in the liquidated bank, which was subsequently approved by the decision of the Executive Directorate of the Fund under #498 on March 02, 2020.

A permanent commission of the Fund on the transfer of tangible assets, which were in the safekeeping of insolvent banks to the Fund, was also established, about which the Fund issued Order # 95 of March 3, 2020. During the reporting period, tangible assets of clients of PJSC VAB BANK, PJSC UPB, PJSC CB NADRA, and JSC IMEXBANK were transferred to the Fund. Work is underway to find the owners of the valuables.

### 3.3. Proceeds to insolvent banks

During the reporting year, insolvent banks received UAH 4,434.3 million. The largest amount was received by JSC DELTA BANK – UAH 1,057.0 million, which is 23.8% of the total amount. PJSC CB NADRA and JSC VTB BANK took the second and third places with the amounts of UAH 841.5 million, or 19.0% of the total amount, and UAH 611.0 million, or 13.8% of the total amount, respectively.

Table 3.3.1 shows the data of 13 banks with a share of revenues of 1.0% and above. The remaining 43 banks received UAH 224.4 million, which is 5.1% of the total amount.

**Proceeds to the insolvent banks**

Table 3.3.1

Nº	Bank	Amount, UAH million	Relative share
1	JSC DELTA BANK	1 057,0	23,8%
2	PJSC CB NADRA	841,5	19,0%
3	JSC VTB BANK	611,0	13,8%
4	JSC BANK FINANCE AND CREDIT	412,3	9,3%
5	PJSC VAB BANK	389,0	8,8%
6	JSC IMEXBANK	222,1	5,0%
7	PJSC FIDOBANK	178,2	4,0%
8	JSC RODOVID BANK	154,0	3,5%
9	PJSC CB KHRESCHATYK	104,4	2,4%
10	PJSC DIAMANTBANK	81,2	1,8%
11	PJSC BANK KYIVSKA RUS	72,3	1,6%
12	PJSC PTB	43,8	1,0%
13	PJSC VBR	43,2	1,0%
14	Others (43 banks)	224,4	5,1%
<b>Total</b>		<b>4 434,3</b>	<b>100,0%</b>

Proceeds to insolvent banks in the reporting year largely (90.6%) consisted of revenues from the property sale (Table 3.3.2.).

During the reporting year, insolvent banks received UAH 4,016.0 million from the sale of property. The largest amount – UAH 971.2 million – was received by JSC DELTA BANK, which is 24.2% of the total amount. PJSC CB NADRA and JSC VTB BANK took the second and third places with the amounts of UAH 780.3 million, or 19.4% of the total amount, and UAH 561.9 million, or 14.0% of the total amount, respectively. Table 3.3.3 shows the data of 11 banks with a share of revenues of 1.0% and above. The remaining 45 banks received UAH 259.0 million, which is 6.4% of the total amount.

**Types of proceeds to the insolvent banks**

Table 3.3.2

Types of proceeds	Amount, UAH million	Relative share
Sale of property	4 016,0	90,6%
Loan repayment	285,9	6,4%
Rent	21,4	0,5%
Other proceeds (single proceeds)	111,1	2,5%
<b>Total</b>	<b>4 434,3</b>	<b>100,0%</b>



Revenues from the property sales

Table 3.3.3

Nº	Bank	Amount, UAH million	Relative share
1	JSC DELTA BANK	971,2	24,2%
2	PJSC CB NADRA	780,3	19,4%
3	JSC VTB BANK	561,9	14,0%
4	PJSC VAB BANK	380,9	9,5%
5	JSC BANK FINANCE AND CREDIT	321,5	8,0%
6	JSC IMEXBANK	218,7	5,4%
7	PJSC FIDOBANK	154,3	3,8%
8	JSC RODOVID BANK	136,6	3,4%
9	PJSC CB KHRESCHATYK	88,5	2,2%
10	PJSC DIAMANTBANK	72,3	1,8%
11	PJSC BANK KYIVSKA RUS	70,7	1,8%
12	Others (45 banks)	259,0	6,4%
<b>Total</b>		<b>4 016,0</b>	<b>100,0%</b>

### 3.4. Settlements with bank creditors

From the date of the appointment, the authorized person of the Fund for the bank liquidation begins to assess the bank's property by involving the subjects of valuation in the manner prescribed by the Regulation on the procedure for selecting persons who may perform work (provide services) to insolvent banks or banks under liquidation, by the Deposit Guarantee Fund, approved by the decision of the Fund's Executive Directorate under #434 of March 28, 2016 (as amended) and other regulations of the Fund.

This assessment is carried out in order to form the liquidation estate of the bank. The funds received as a result of liquidation and sale of the bank's property (assets) are directed by the Fund to satisfy creditors' claims in the following order:

1. obligations arising from harm to life and health of citizens;
2. monetary claims for wages arising from the bank's obligations to employees before the decision to revoke the banking license and liquidate the bank;
3. claims of the Fund arising in cases specified by law, including coverage of the Fund's expenses provided for in paragraph 7 of Part 2 of Article 20 of this Law, costs related to the consolidated sale of assets by the Fund;
4. claims of depositors-natural persons (including individual entrepreneurs), who are not related persons of the bank, in the part exceeding the amount paid by the Fund;
5. claims of the National Bank of Ukraine arising from the reduction of the value of collateral provided to secure refinancing loans;
6. claims of natural persons (including individual entrepreneurs) who are not related persons of the bank, whose payments or payments in the name of which are blocked;

7. claims of other depositors who are not related persons of the bank, legal entities-clients of the bank who are not related persons of the bank;
8. other requirements, except for claims on subordinated debt;
9. claims of the bank's creditors (individuals, including individual entrepreneurs, as well as legal entities) who are related persons of the bank;
10. claims on subordinated debt.

Claims to the bank, dissatisfied due to the property insufficiency, are considered repaid, which does not deprive the Fund or the Fund's authorized person of the right to apply to the person related to the bank in the manner prescribed by Part 5 of Article 52 of the Law.

The requirements of each subsequent turn are satisfied as the proceeds from the sale of property (assets) of the bank after full satisfaction of the requirements of the previous priority are received. If the amount of funds received from the sale of property (assets) is insufficient to fully satisfy all the claims of one priority, the claims are satisfied in proportion to the amount of claims belonging to each creditor of one priority. If a creditor refuses to satisfy a duly recognized claim, the Fund does not take into account the amount of monetary claims of this creditor.

Thus, as of January 1, 2021, the total book value of assets of 40 banks managed by the Fund, in which the decision of the Executive Directorate of the Fund approved the register of accepted creditors' claims, is UAH 101.28 billion, while their estimated value is UAH 16.39 billion or 16.18%, which, of course, is not enough to meet all the claims of bank creditors (Table 3.4.1.)



Book and estimated value of assets, UAH thous

Table 3.3.1

No.	Bank	Book value of assets	Estimated value of assets
1	JSC ARTEM-BANK (in the process of completion of liquidation)	0,00	0,00
2	PJSC CB PIVDENCOMBANK (in the process of completion of liquidation)	0,00	0,00
3	PJSC BANK PETROCOMMERZ-UKRAINE (in the process of completion of liquidation)	0,00	0,00
4	PJSC CB AKTIV-BANK (in the process of completion of liquidation)	0,00	0,00
5	PJSC NATIONAL CREDIT BANK (in the process of completion of liquidation)	0,00	0,00
6	PJSC CB EUROBANK (in the process of completion of liquidation)	0,00	0,00
7	PJSC PROFIN BANK (in the process of completion of liquidation)	0,00	0,00
8	PJSC BANK KONTRAKT (in the process of completion of liquidation)	0,00	0,00
9	PJSC ENERGOBANK (in the process of completion of liquidation)	0,00	0,00
10	PJSC UKRAINIAN PROFESSIONAL BANK (in the process of completion of liquidation)	0,00	0,00
11	JSC BANK BOGUSLAV (in the process of completion of liquidation)	0,00	0,00
12	PJSC RADIKAL BANK (in the process of completion of liquidation)	0,00	0,00
13	PJSC INTEGRAL-BANK (in the process of completion of liquidation)	0,00	0,00
14	PJSC VAB BANK (in the process of completion of liquidation)	0,00	0,00
15	PJSC CB NADRA (in the process of completion of liquidation)	0,00	0,00
16	PJSC BANK MYKHAYLIVSKY (in the process of completion of liquidation)	0,00	0,00
17	PJSC BANK TRUST (in the process of completion of liquidation)	0,00	0,00
18	PJSC VBR BANK (in the process of completion of liquidation)	0,00	0,00
19	PJSC CB INVESTBANK (in the process of completion of liquidation)	0,00	0,00
20	JSC GOLDEN GATE BANK (liquidation of the bank is carried out by the Fund)	1 174,34	117,49
21	PJSC ACTABANK (liquidation of the bank is carried out by the Fund)	10 939,13	11 206,16
22	PJSC BANK CAMBIO (liquidation of the bank is carried out by the Fund)	224 907,06	129 961,94
23	PJSC BANK KYIVSKA RUS (liquidation of the bank is carried out by the Fund)	52 841,23	52 837,13
24	JSC BANK NATIONAL INVESTMENTS (liquidation of the bank is carried out by the Fund)	46 850,48	12 908,85
25	JSC IMEXBANK (liquidation of the bank is carried out by the Fund)	329 979,71	166 705,81
26	JSC ZLATOBANK (latest data as of May 1, 2019)	13 493 076,43	1 227 178,68
27	JSC DELTA BANK	9 781 578,15	3 380 643,25
28	PJSC JSCB CAPITAL (latest data as of March 25, 2019)	1 343 742,15	110 642,80
29	JSC BANK VELES	13 258,69	5 588,28
30	JSC BANK FINANCE AND CREDIT	14 832 918,60	1 845 248,21
31	PJSC CB PREMIUM	1 059 207,16	297 308,34
32	PJSC UKRINBANK (latest data as of July 7, 2016)	5 322 424,60	-
33	PJSC FIDOBANK	1 517 678,26	655 897,64
34	PJSC KSG BANK (latest data as of April 10, 2017)	455 096,00	122 824,24
35	PJSC PLATINUM BANK	337 753,11	134 772,81
36	PJSC VECTOR BANK	251 510,41	16 744,79
37	PJSC DIAMANTBANK	880 172,34	376 706,78
38	JSC RODOVID BANK	16 390 529,24	2 486 467,58
39	VTB BANK JSC	3 632 461,83	1 117 921,94
40	PJSC CB FINANCIAL INITIATIVE	31 300 300,56	4 234 291,57
<b>Total amount, UAH thous</b>		<b>101 278 399,47</b>	<b>16 385 974,29</b>

The total amount of approved accepted creditors' claims as of January 1, 2021 is UAH 287,064,862.13 thousand (including banks in which liquidation has been completed), of which in terms of priorities (Table 3.4.2.):

**Status of creditor claims satisfied in terms of priorities, as of January 1, 2021**

Table 3.4.2

Total in terms of banks (incl. those liquidated)	Applied	Repayed	Remained
<b>The amount of approved accepted creditors' claims as of Jan 1, 2021, UAH thousand</b>	<b>287 064 862,13</b>	<b>52 314 797,13</b>	<b>234 750 065,00</b>
2 priority, UAH thous	65 613,83	60 135,15	5 478,68
3 priority, UAH thous	95 659 948,01	26 456 059,55	69 203 888,46
4 priority, UAH thous	38 776 427,48	3 654 228,23	35 122 199,25
5 priority, UAH thous	20 488 463,56	1 179 014,59	19 309 448,97
6 priority, UAH thous	66 552,22	3 028,38	63 523,84
7 priority, UAH thous	112 037 660,27	19 437 981,44	92 599 678,83
8 priority, UAH thous	11 150 978,73	209 230,60	10 941 748,13
9 priority, UAH thous	6 640 824,59	1 189 899,57	5 450 925,02
10 priority, UAH thous	2 178 393,43	125 219,61	2 053 173,82

As of January 1, 2021, the Fund manages 47 banks (including 19 banks for which the liquidation balance sheet and 1 bank with TA have been approved). The status of creditor claims satisfied for these banks is given in Table 3.4.3. In 2020, UAH 7,640,738.49 thousand was repaid for all priorities of creditor claims (Fig. 3.4.1.).

**Status of creditor claims satisfaction for banks managed by the Fund  
in terms of priorities as of January 1, 2021**

Table 3.4.3

Total in terms of banks	Applied	Repayed	Remaining
<b>The amount of approved accepted creditors' claims as of Jan 1, 2021, UAH thousand</b>	<b>222 581 926,89</b>	<b>39 898 226,57</b>	<b>182 683 700,32</b>
2 priority, UAH thous	48 634,65	45 013,19	3 621,46
3 priority, UAH thous	71 336 317,35	19 689 352,31	51 646 965,04
4 priority, UAH thous	28 956 850,58	2 313 063,36	26 643 787,22
5 priority, UAH thous	19 259 898,37	501 870,65	18 758 027,72
6 priority, UAH thous	51 492,04	1 502,97	49 989,07
7 priority, UAH thous	88 636 714,91	17 200 242,28	71 436 472,63
8 priority, UAH thous	81 72 184,33	147 126,25	8 025 058,08
9 priority, UAH thous	4 578 883,55	55,57	4 578 827,98
10 priority, UAH thous	1 540 951,10	0,00	1 540 951,10

**Fig. 3.4.1. Settlement of creditor claims in 2020**

**UAH 7 640 738,49 thous. – repaid to creditors in all priorities, of which:**

**UAH 2 303 116,59 thous.** – repaid to the DGF (priority 3)

**UAH 4 029 775,58 thous.** – refinancing loan debt paid to the NBU (priorities 5 and 7)

**UAH 552 381,62 thous.** – repaid to the depositors 200+ (priority 4)

**UAH 755 464,70 thous.** – repaid in other priorities (priorities 2, 6, 7, 8, 9 and 10), of which:

- **UAH 136 625,80 thous.** – out-of-schedule settlement of creditors' claims in priorities 7 and 8;
- **UAH 618 838,90 thous.** – scheduled repayment in priorities 2, 6, 7, 8, 9 and 10



## 2 priority of creditor claims settlement

The amount of accepted claims of 2 priority of creditors is UAH 65,613.83 thousand.

As of January 1, 2021, UAH 60,132.46 thousand was repaid, which is 91.65% of the total debt in the priority, of which in 2020 – UAH 12,946.70 thousand.

33 out of 42 banks of 2 priority received full repayment.

For 5 banks, full repayment did not take place due to the fact that some individuals did not show up on time for wages. The amount of funds deposited in such banks is UAH 3,624.16 thousand.

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

## 3 priority of creditor claims settlement (the Fund)

The amount of accepted creditor claims of the third priority – UAH 95 659 948.01 thousand.

As of January 1, 2021, UAH 26,456,059.55 thousand were repaid, which is 27.66% of the total debt in the priority, of which UAH 2,303,116.59 thousand was settled in 2020.

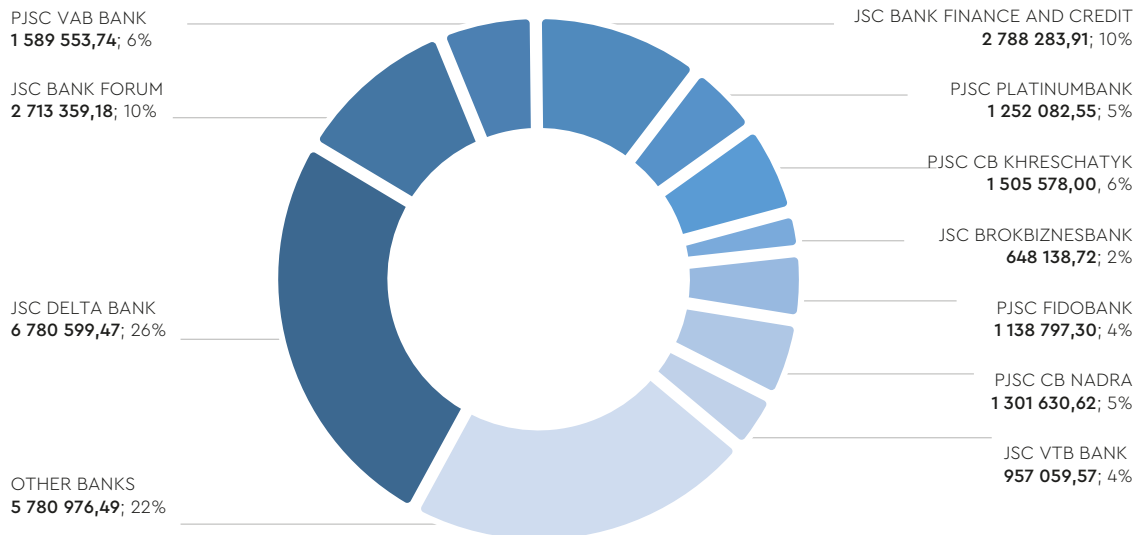
The leaders in repaying the third priority in 2020 were the following banks:

1. PJSC CB NADRA – UAH 625,985.52 thousand (27.18% of the repayment amount of the third priority for 2020);
2. JSC DELTA BANK – UAH 485 211.89 thousand (21.07% of the repayment amount of the third priority for 2020);

3. JSC BANK FINANCE AND CREDIT – UAH 347,332.60 thousand (15.08% of the repayment amount of the third priority for 2020);
4. JSC IMEXBANK – UAH 203,681.69 thousand (8.84% of the repayment amount of the third priority for 2020);
5. PJSC VAB BANK – UAH 174,497.84 thousand (7.58% of the repayment amount of the third priority for 2020).

In Figure 3.4.2. the leaders among banks in terms of the repayment amount of the third priority (for all time) as of January 1, 2021 (as a percentage of the amount of repayment of each bank to the total amount of repayment of the third priority of creditors – UAH 26,456,059.55 thousand):

Fig. 3.4.2. Top 10 banks in the third priority of creditor claims settlement as of January 1, 2021, UAH thous



## 4 priority of creditor claims settlement

The amount of accepted creditor claims of the fourth priority – UAH 38,776,427.48 thousand. In the fourth priority, UAH 3,654,228.23 thousand was repaid, which is 9.42%. In 2020, the fourth priority was repaid by UAH 552,381.62 thousand.

The following banks repaid the fourth priority in full:

1. PJSC PRIME BANK (claims of 18 depositors 200+ satisfied).
2. PJSC GREEN BANK (claims of 4 depositors 200+ satisfied).
3. PJSC UKRAINIAN BUSINESS BANK (claims of 65 depositors 200+ satisfied).
4. PJSC UNISON BANK (claims of 108 depositors 200+ satisfied).
5. PJSC KREDITPROMBANK (claims of 3 depositors 200+ satisfied).
6. PJSC NATIONAL CAPITAL BANK (claims of 4 depositors 200+ satisfied).
7. PJSC VBR (claims of 139 depositors 200+ satisfied).



As for PJSC CB PREMIUM, 99.52% of creditors' claims were satisfied – UAH 251,190.41 thousand.

As for JSC VTB BANK, 99.79% of creditors' claims were satisfied – UAH 642,991.72 thousand, of which UAH 418,078.01 thousand in 2020.

As for PJSC DIAMANTBANK, 89.99% of creditors' claims were satisfied – UAH 680,738.05 thousand, of which UAH 114,047.66 thousand in 2020.

## 5 priority of creditor claims settlement

The amount of accepted creditor claims of the fifth priority is UAH 20,488,463.56 thousand, consisting of debts to the NBU of the following banks: PJSC REAL BANK – UAH 551,395.94 thousand (the bank was liquidated), PJSC BANK FORUM – UAH 486,712.41 thousand (debt on refinancing loans repaid in full, the balance of debt to the NBU UAH 25.30 thousand – samples of coins owned by the NBU, the bank was liquidated), PJSC CB KHRESCHATYK – UAH 190,456.83 thousand (debt on refinancing loans repaid in full, the bank was liquidated), PJSC UKRAINIAN PROFESSIONAL BANK – UAH 107,667.89 thousand (liquidation balance approved),

PJSC VAB BANK – UAH 2,785,721.40 thousand (liquidation balance sheet approved), PJSC CB NADRA – UAH 9,425,385.75 thousand (liquidation balance sheet approved), JSC BANK FINANCE AND CREDIT – UAH 6,941,123.33 thousand (UAH 501,866.60 thousand repaid).

In total, the fifth priority was repaid by UAH 1,179,014.59 thousand, which is 5.75% of the total debt in the fifth priority. In 2020, the fifth priority was repaid by UAH 143,410.73 thousand (UAH 143,406.88 thousand – JSC BANK FINANCE AND CREDIT).

## 6 priority of creditor claims settlement

The amount of accepted creditor claims of the sixth priority – UAH 66 552.22 thousand.

The sixth priority was repaid by UAH 3,028.38 thousand, which is 4.55%, of which PJSC GREEN BANK – UAH 6.50 thousand (100% of accepted claims in the sixth priority), PJSC PRIME-BANK" – UAH 7.81 thousand (100% of accepted claims in the sixth priority, the bank was liquidated), PJSC JSCB NOVY – UAH 4.13 thousand (100% of accepted claims in the sixth priority), PJSC UNISON BANK – UAH 30,48 thousand (100% of

accepted claims in the sixth priority), PJSC KREDITPROMBANK – UAH 16.23 thousand (100% of accepted claims in the sixth priority), PJSC VBR – UAH 146.74 thousand of accepted claims in the sixth turn), PJSC BANK NARODNY KAPITAL – UAH 1,460.26 thousand (100% of claims accepted by the bank in the sixth priority), JSC VTB BANK – UAH 1,356.23 thousand % of claims accepted by the bank in the sixth priority).

In 2020, the sixth priority was repaid by UAH 1,367.04 thousand.

## 7 priority of creditor claims settlement

The amount of accepted creditor claims of the seventh priority – UAH 112,037,660.27 thousand, including the balance of the secured debt to the NBU, which is included in the seventh priority as of January 1, 2021 is – UAH 14,706,610.64 thousand (including UAH 688,643.54 thousand for banks in respect of which an entry has been made in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations on state registration of termination of a legal entity, and therefore the liquidation of banks is considered complete and banks liquidated).

The seventh priority was repaid by UAH 19,437,981.44 thousand (17.35%) (for 2020 the seventh priority was repaid by UAH 4,626,326.04 thousand), of which:

**– out-of-schedule satisfaction of creditors' claims (NBU in priority for the whole period (including due to the foreclosure on collateral and property of guarantors) – UAH 13,258,591.64 thousand repaid (in 2020 UAH 3,886,364.85 thousand repaid):**

- PJSC CB DANIEL – UAH 14,865.08 thousand for the whole period (the bank liquidated).
- PJSC BROKBUSINESSBANK – UAH 274,725.86 thousand for the whole period (the bank liquidated).
- PJSC AUTOKRAZBANK – UAH 13,801.65 thousand for the whole period (the bank liquidated).
- PJSC BANK DEMARK – UAH 26,519.41 thousand for the whole period (debt repaid in full, the bank liquidated).
- JSC PORTO-FRANCO – UAH 38,107,107.23 thousand for the whole period (debt repaid in full, the bank liquidated).
- PJSC BG BANK – UAH 135,851.17 thousand for the whole

period (debt repaid in full, the bank liquidated).

- PJSC UKRAINIAN BUSINESS BANK – UAH 184,368.49 thousand for the whole period (debt repaid in full, the bank liquidated).
- JSC EUROGASBANK – UAH 101,292.56 thousand for the whole period (the bank liquidated).
- JSC CB EXPOBANK – UAH 197,127.86 thousand for the whole period, for 2020 – UAH 113,053.12 thousand (the bank liquidated).
- PJSC LEGBANK – UAH 2,316.88 thousand for the whole period, for 2020 – UAH 16.88 thousand (the bank liquidated).
- PJSC ACTIVE BANK – UAH 80,423.07 thousand for all period (liquidation balance approved).
- PJSC VAB BANK – UAH 2,458,618.22 thousand for the whole period, for 2020 – UAH 2,228,889.96 thousand (liquidation balance approved).
- PJSC CB NADRA – UAH 3,261,675.30 thousand for the whole period, for 2020 – UAH 845,206.75 thousand (liquidation balance approved).
- PJSC UKRAINIAN PROFESSIONAL BANK – UAH 623.25 thousand for the whole period, for 2020 – UAH 623.25 thousand (liquidation balance 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 304,264.39 thousand for the whole period, for 2020 – UAH 1,516.79 thousand.





- JSC ZLATOBANK – UAH 51,230,46 thousand for the whole period.
- JSC IMEXBANK – UAH 173,483.47 thousand for the whole period, for 2020 – UAH 173,483.47 thousand.
- PJSC BANK KYIVSKA RUS – UAH,305,138.29 thousand for the whole period.
- JSC DELTA BANK –UAH 4,932,765.89 thousand for the whole period, for 2020 – UAH 482,112.56 thousand.
- JSC RODOVID BANK – UAH 156,907.93 thousand for the whole time, for 2020 – UAH 37,190.00 thousand.
- PJSC CB FINANCIAL INITIATIVE – UAH 4,272.08 thousand for the whole period, for 2020 – UAH 4,272.08 thousand.
- **extraordinary satisfaction of claims of secured creditors (third parties) for the whole period – UAH 1,046,686.29 thousand (for 2020 repaid – UAH 135,836.81 thousand):**
- PJSC BROKBUSINESSBANK – UAH 240,563.97 thousand for the whole period (of which UAH 1,213.50 thousand provided by MBK with PJSC Real Bank, UAH 118,758.91 thousand – JSC Oschadbank, UAH 120,591.56 thousand – SE Antonov) (the bank 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 liquidated ).
- PJSC BANK FORUM –UAH 35,377.80 thousand for the whole period (provided by MBK with PJSC VTB Bank, transfer to the ownership of VTB Bank Hotel "Bakkara") (the bank liquidated).
- PJSC AVTOKRAZBANK – UAH 6,694.63 thousand for the whole period (of which UAH 4,682.74 thousand – "Corporate Non-State Pension Fund of the National Bank of Ukraine", UAH 2,011.89 thousand – "State Mortgage Institution") (the bank liquidated).
- PJSC CB STANDARD – UAH 255.92 thousand (JSB Ukgasbank) for the whole period (the bank liquidated).
- PJSC STAROKYIVSKY BANK – UAH 2,905.17 thousand for the whole period (guarantee deposit of JSC Ukreximbank) (the bank liquidated).
- JSC FORTUNA-BANK – UAH 130,355.64 thousand (Ukreximbank) for the whole period (the bank liquidated).
- JSC EUROGASBANK – UAH 2,165.19 thousand ("Corporate Non-State Pension Fund of the National Bank of Ukraine") (the bank liquidated).
- JSC CB EXPOBANK – UAH 99,055.72 thousand for the whole period (of which UAH 8,200.08 thousand – guarantee deposit of JSC Ukreximbank, UAH 90,855.63 thousand – LLC FC Capital Capital Group), for 2020 – UAH 1,508.00 thousand (the bank 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 – guarantee deposit of JSB Ukgasbank) (liquidation balance approved).
- PJSC RADIKAL BANK – UAH 48,181.08 thousand for the whole period ("State Mortgage Institution") (liquidation balance sheet approved).
- PJSC INTEGRAL-BANK – UAH 27,256.79 thousand for the whole period (provided by MBK with PJSC CB Khreschatyk) (liquidation balance approved).
- PJSC ACTIV BANK – UAH 915.33 thousand for the whole period (JSC Ukreximbank) (liquidation balance 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, 105,405.32 – "State Mortgage Institution"), for 2020 – UAH 108,457.72 thousand (liquidation balance approved).
- PJSC ENERGOBANK – UAH 7,050.10 thousand for the whole period (of which UAH 7,050.10 thousand is a guarantee deposit of JSC Ukreximbank), for 2020 – UAH 7,050.10 thousand (liquidation balance approved) .
- PJSC UKRAINIAN PROFESSIONAL BANK – UAH 11,009.28 thousand for the whole period ("German – Ukrainian Fund") (liquidation balance approved).
- JSC BANK BOHUSLAV – UAH 907.83 thousand for the whole period (guarantee deposit of JSB Ukgasbank), for 2020 – 907.83 thousand UAH (liquidation balance approved).
- PJSC CB INVESTBANK – UAH 632.50 thousand for the whole period (guarantee deposit of Ukgasbank JSB), for 2020 – UAH 632.50 thousand (liquidation balance 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 11,114.80 thousand for the whole period ("Corporate non-state pension fund of the National Bank of Ukraine"), for 2020 – UAH 731.00 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-state pension fund of the National Bank of Ukraine") .
- PJSC BANK KYIVSKA RUS – UAH 6,944.63 thousand for the whole period ("German-Ukrainian Fund").
- JSC DELTA BANK – UAH 29,225.62 thousand for the whole period ("Ukreximbank"), for 2020 – UAH 12,744.73 thousand.
- PJSC PLATINUM BANK – UAH 3,804.94 thousand for the whole period (PJSC "MTS Ukraine" (PJSC "VF Ukraine")), for 2020 – UAH 3,804.94 thousand.
- **regular satisfaction of creditors' claims:**
- PJSC CLASSICBANK – UAH 2,207.64 thousand (100%) (the bank liquidated).
- PJSC SMARTBANK – UAH 21,286.20 thousand (36.39% of the total debt of the bank in priority) (the bank liquidated).
- PJSC PRIME BANK – UAH 110,677.47 thousand (64.26% of the bank's total debt in priority) (the bank liquidated).
- PJSC OMEGA BANK – UAH 2,736.45 thousand (100%) (the bank liquidated)
- PJSC GREEN BANK – UAH 102,784.18 thousand (97.35% of the total debt of the bank in priority) (the bank liquidated).
- JSC CB TC CREDIT – UAH 3,275.96 thousand (100%) (the bank liquidated).
- PJSC UKRAINIAN BUSINESS BANK – UAH 340,025.11 thousand (including repayment of debt on refinancing loans to the NBU repaid 49.84% of the total debt of the bank in the priority), for 2020 – UAH 154,368.34 thousand (the bank liquidated) .
- PJSC UNISON BANK – UAH 44,256.08 thousand (100%), for 2020 – UAH 23,827.72 thousand (the bank liquidated).
- PJSC CB KYIV – UAH 1,228.12 thousand (the bank liquidated).
- PJSC CREDITPROMBANK – UAH 40,952.13 thousand (6.83% of the total debt of the bank in the priority), for 2020 – UAH 40,952.13 thousand (the bank liquidated).
- PJSC NARODNY CAPITAL BANK – UAH 11,108.49 thousand (55.50% of the bank's total debt in the priority), for 2020 – UAH 9,478.09 thousand (the bank liquidated).
- PJSC CB NOVY – UAH 3,340.35 thousand (100%), for 2020 – UAH 1,896.35 thousand (the bank liquidated).
- JSC BANK VELES – UAH 849.30 thousand (48.71% of the bank's total debt in the priority).
- PJSC VBR – UAH 4,189,893.56 thousand (83.85% of the bank's total debt in the priority), for 2020 – UAH 115,519.15 thousand.
- JSC VTB BANK – UAH 258,082.59 thousand (19.82% of the bank's total debt in the priority), for 2020 – UAH 258,082.59 thousand.



## 8 priority of creditor claims settlement

The amount of accepted creditor claims of the eighth priority – UAH 11 150 978,73 thousand. The eighth priority was repaid by UAH 209,230.60 thousand (1.88% of the total debt in turn) (for 2020 – UAH 927.96 thousand), of which:

- UAH 10.71 thousand – scheduled satisfaction of PJSC CLASSICBANK (100% of the bank's debt was repaid in priority) (the bank was liquidated).
- UAH 218.55 thousand – another satisfaction of PJSC OMEGA BANK (0.04% of the bank's total debt was repaid in priority) (the bank was liquidated).
- UAH 39,030.00 thousand – another satisfaction of PJSC GREEN BANK (96.31% of the total debt of the bank was repaid in priority) (the bank was liquidated).
- UAH 22,348.14 thousand – satisfaction of the 8th priority of PJSC UNISON BANK, of which out-of-schedule UAH 10,177.86 thousand – JSB UKRGASBANK, UAH 12.12 thousand – JSC TASCOMBANK, next – UAH 12,158.16 thousand (in total, 100% of the bank's debt was repaid in priority, for 2020 – UAH 1.50 thousand) (the bank was liquidated).
- UAH 496.95 thousand – another satisfaction of PJSC JSCB NOVY (100% of the bank's total debt was repaid in priority, for 2020 – UAH 137.48 thousand) (the bank was liquidated).
- UAH 2,857.80 thousand – out-of-schedule satisfaction of PJSC PETROCOMMERTS-Ukraine (Ukreximbank) (in total 41.74% of the bank's debt was repaid in priority) (liquidation balance approved).
- UAH 400.14 thousand – out-of-schedule satisfaction of PJSC CONTRACT BANK (JSB Ukgasbank) (in total 18.13% of the bank's debt was repaid in priority, for 2020 – UAH 400.14 thousand) (liquidation balance approved).
- UAH 143,868.30 thousand – out-of-schedule satisfaction of PLATINUM BANK PJSC, of which UAH 65,312.69 thousand – International Finance Corporation, UAH 78,555.62 thousand – JSC OSCHADBANK (total repaid) 99.46% of the bank's debt in priority, for 2020 – UAH 388.84 thousand).

## 9 priority of creditor claims settlement

The amount of accepted creditor claims of the ninth priority is UAH 6,640,824.59 thousand.

As of January 1, 2021, the ninth priority was repaid by UAH 1,189,899.57 thousand – 17.92% of the total debt in the ninth priority, of which:

- UAH 972,632.68 thousand – another satisfaction of JSC CB TK CREDIT (57.62% of the bank's total debt in priority) (the bank was liquidated).
- UAH 204,795.88 thousand – another satisfaction of PJSC JSCB NOVY (100% of the bank's total debt in priority) (the bank was liquidated).
- UAH 12,395.95 thousand – another satisfaction of PJSC UNISON BANK (100% of the total debt of the bank in priority, repaid in 2020 – UAH 87.90 thousand) (the bank was liquidated).
- UAH 55.57 thousand – out-of-schedule satisfaction of PJSC VBR (0.01% of the total debt of the bank in priority, in 2020 the debt was not repaid) (liquidation balance was approved).
- UAH 19.49 thousand – another satisfaction of PJSC CLASSICBANK (100% of the total debt of the bank in priority) (the bank was liquidated).

## 10 priority of creditor claims settlement

The amount of accepted creditor claims of the tenth priority – 2,178,393.43 thousand UAH.

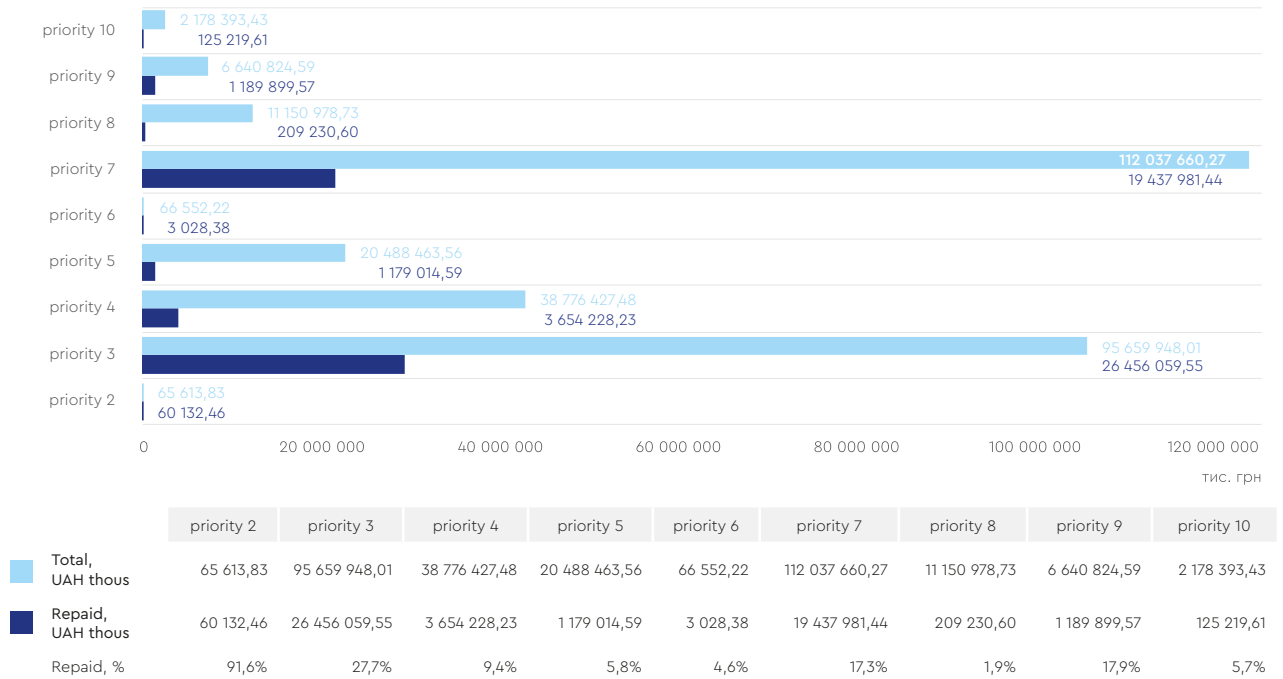
As of January 1, 2021, the tenth priority was repaid by 5.75% of the total debt in priority, namely by UAH 125,219.61 thousand, of which:

- UAH 10,063.93 thousand – another satisfaction of PJSC STATE ZEMBANK (100% of the total debt of the bank in priority) (the bank was liquidated).
- UAH 39,926.88 thousand – another satisfaction of PJSC JSCB NOVY (31.14% of the total debt of the bank in priority, repaid in 2020 – UAH 173.92 thousand) (the bank was liquidated).
- UAH 75,228.80 thousand – another satisfaction of PJSC UNISON BANK (100% of the bank's total debt in priority) (the bank was liquidated).

Settlement of creditor claims of the tenth priority as of January 1, 2021 is shown in Figure 3.4.3.



Settlement of creditor claims in terms of priorities as of January 1, 2021



The information on repayment of debts of insolvent banks on NBU loans should be noted separately.

In total, in 2020 the debt on NBU loans was repaid in the amount of UAH 4,029,775.58 thousand (including due to foreclosure on the collateral and property of guarantors), all repayments took place out-of-schedule, of which the largest repayments were UAH 2,228,894.01 thousand (PJSC VAB BANK) and UAH 845,206.75 thousand (PJSC CB NADRA).

For the whole period UAH 14,437,606.23 thousand on loans of the NBU was repaid (including due to foreclosure on the collateral and property of guarantors).

As of January 1, 2021, the debt of insolvent banks on NBU refinancing loans is accounted for on the accounts of 14 banks (excluding banks that have been liquidated and for which liabilities to the NBU remain), the total balance of debt on these banks is UAH 39,925,496.52 thousand.

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

In 2020, the Fund provided legal support to the processes related to 62 insolvent banks resolution in the following main areas:

- Restoring control and preventing loss of control over insolvent banks, namely:
  - litigation on appeals against decisions of the National Bank of Ukraine and/or the Fund regarding the resolution of 19 banks;
  - participation in the courts of Ukraine for review of court decisions on the abolition of provisional administration and liquidation of banks, which resulted in the application of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Improve Banking Regulation" under # 590-IX of May 13, 2020 with respect to, in particular, PJSC Bank VELES, PJSC CB PREMIUM, PJSC BANK KYIVSKA RUS, PJSC CB SOYUZ;

- restoring full control and follow-up in applying all rules and procedures provided by the Law of Ukraine "On Households Deposit Guarantee System" (hereinafter – the Law) regarding PJSC UKRINBANK, PJSC JSCB CAPITAL, PJSC KSG BANK, JSC ZLATOBANK, PJSC BANK VELES and PJSC CB PREMIUM;
  - restoring full control and application of all rules and procedures provided by the Law regarding PJSC BANK VELES and PJSC CB PREMIUM.
- Legal support for resolution of 38 banks, the powers of which are delegated to authorized persons of the Fund, as well as 24 banks, on which authorities defined by the Law were exercised during liquidation by the Fund directly and whose withdrawal from the market is accompanied by structural units of the Fund, namely:



- providing legal explanations, conclusions, recommendations on any issues of persons authorized to liquidate banks;
- coordination and development of strategies for working with assets;
- legal support of the sale and management of assets of insolvent banks, the result of which is the sale of assets and ensuring the receipt in 2020 of more than UAH 4 billion from their sale;
- coordination and control of the claim work of banks.

Thus, the total number of lawsuits against banks, the power to withdraw which is delegated to authorized persons of the Fund, according to the accounting system, in 2020 amounted to 6,677 cases with claims amounting to over UAH 185 million, including with the Fund.

At the same time, the proper representation of the interests of banks, the withdrawal of which from the market is carried out directly by the Fund, in courts and bodies of the state executive service, additionally in 2020 numbered 580 lawsuits and 120 enforcement proceedings.

The direct claim work of the Fund, where the latter is the plaintiff and defendant, in 2020 amounted to a total of 1383 lawsuits totaling more than UAH 90 million.

### 3.6. Recoveries from related parties involved in bank insolvencies and work with legal advisers

During 2020, the Fund analyzed (conducted an additional study) documents of 37 insolvent banks to identify damage caused to banks and their creditors (former creditors) by decisions, actions or omissions of persons related to such banks.

During this period, the facts of causing damage to banks and their creditors in the total amount exceeding UAH 85.7 billion were revealed, as well as more than 300 bank-related persons were identified, for whom there are grounds to claim that their decisions, actions or omissions caused such harm.

Thus, as of December 31, 2020, the Fund carried out a study (additional analysis) of the facts and circumstances of damage to more than 60 banks, the liquidation procedure of which is carried out by the Fund, as a result of which losses in the total amount of more than UAH 170 billion and identified more than 800 individuals whose decisions, actions or omissions could have caused such harm to banks and/or their creditors.

During 2020, the Fund filed 30 lawsuits against 253 related parties in 12 banks. The total amount of claims for damages amounted to about UAH 8.2 billion, including:

- lawsuits against PJSC BANK MYKHAYLIVSKY for damages in the total amount of over UAH 2.7 billion;
- a lawsuit against PJSC PLATINUM BANK for damages in the total amount of over UAH 1.5 billion;
- lawsuits against JSC FORTUNA-BANK for damages in the total amount of about UAH 0.9 billion.

Thus, in compliance with the provisions of Part 5 of Article 52 of the Law of Ukraine "On Households Deposit Guarantee System" in order to recover damages from persons related to the bank as of December 31, 2020 the Fund filed 60 lawsuits against 751 persons related to the bank against 41 insolvent banks for a total of about UAH 97 billion. None of the initiated court proceedings has final court decisions.

According to the results of pre-trial investigations in criminal proceedings, the Fund filed 16 civil lawsuits in 2020 (of which 11 – in court within criminal cases, and 5 – at the stage of pre-trial investigation) to 31 civil defendants (of whom 16 are accused, 15 people – suspects) in relation to 12 banks.

The total amount of claims was about UAH 11.8 billion, including:

- a civil lawsuit in the amount of UAH 597 million against officials of PJSC NATIONAL CREDIT BANK;
- a civil lawsuit in the amount of more than USD 9 million against one of the ex-managing directors of PJSC AUTOKRAZBANK.

Thus, as part of cooperation with law enforcement agencies, in order to compensate for the damage caused to banks by criminal offenses, as of December 31, 2020 the Fund filed 18 civil lawsuits against 39 civil defendants (suspects/accused) against 13 banks totaling more than UAH 13 billion.

At the same time, based on the results of the courts' consideration of criminal proceedings, on the basis of court decisions taken in 2020, the Fund initiated 4 lawsuits for compensation for damage caused by criminal offenses against 4 banks. The total number of defendants is 4 people. The total amount of claims is over UAH 2.6 billion, including:

- a claim in the amount of more than USD 26.5 million to one of the ex-managers of PJSC TAVRIKA BANK;
- a claim in the amount of more than USD 15.7 million to one of the ex-managers of PJSC ENERGOBANK.

During 2020, the Fund initiated the involvement of international legal advisers – specialists in international law in order to find and return the withdrawn funds (assets) of failed banks outside Ukraine, to represent the interests of the Fund (banks) in courts of foreign jurisdiction.

As of December 31, 2020, in order to search for assets and actually recover losses from the culpable persons in the amount of over UAH 25.7 billion, the Fund maintains three agreements concluded with foreign legal advisers to represent the Fund's interests and insolvent JSC BANK FINANCE and CREDIT, JSC IMEXBANK, PJSC BANK NATIONAL CREDIT in court proceedings (criminal, civil, economic) on compensation of losses caused to such banks and their creditors by persons related to the banks (owners, managers and/or other persons, defined by Part 1 of Article 52 of the Law of Ukraine "On Banks and Banking") in foreign jurisdictions.

## 4. Consolidated asset sales and asset management

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

During 2020, as a result of open bidding (auctions) and sale of assets (property) directly to legal entities or individuals, the assets (property) of insolvent banks were sold for a total amount of UAH 3.69 billion.

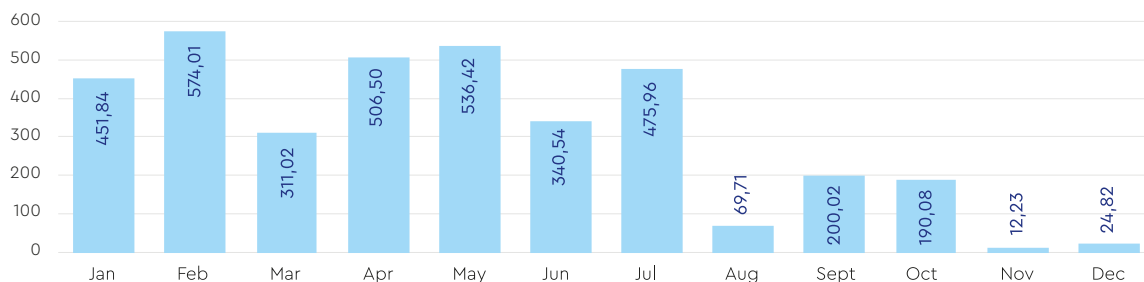
At the same time, revenues in 2020 from the sale of assets amounted to UAH 4.02 billion. Differences in the selling price based on the results of open auctions (auctions) and actual cash receipts from the sale of bank assets (property) are related to the time gap between the date of completion of open auctions (auctions) and actual cash receipts for the purchased asset. That is, the information on cash receipts from the sale of assets for 2020 includes auctions of 2019,

the funds of which came in January 2020, and no auctions of 2020, for which at the end of the year payment has not yet been received.

The sale of assets (property) of banks managed by the Fund during 2020 occurred with a decrease in sales by the end of the year (Fig. 4.1.1).

The book value of sold assets in 2020 amounted to UAH 283.2 billion. Thus, the ratio of the sale price of assets (property) to the book value averaged 1.3% (Table 4.1.1). This low figure is due to the active sale in 2020 of bank assets in pools.

Fig. 4.1.1. The asset sale price according to the results of open bidding (auction) and sale directly to legal entities or individuals in 2020, UAH million



Sale of bank assets (property) in 2020

Table 4.1.1

Month 2020	Book value of assets (property) sold, UAH thous.	Sales price of assets based on the open bidding (auctions) and sale directly to individuals or legal entities, UAH thous.	Ratio of sales price of assets to the book value of assets, %
<b>TOTAL</b>	<b>283 210 975</b>	<b>3 693 155</b>	<b>1,3%</b>
January	11 981 434	451 838	4%
February	46 092 964	574 012	1%
March	26 229 250	311 022	1%
April	29 328 107	506 505	2%
May	42 092 309	536 422	1%
June	23 212 427	340 543	1%
July	30 953 783	475 963	2%
August	39 379 884	69 710	0,2%
September	7 489 577	200 017	3%
October	26 102 826	190 077	1%
November	50 019	12 226	24%
December	298 395	24 820	8%

The high ratio of the sale price of assets to the book value in November 2020 is explained by the successful sale of individual assets at a price significantly exceeding the residual book value, namely: assets of JSC RODOVID BANK and PJSC FINANCIAL INITIATIVE (antiques, silver coins), PJSC DIAMANTBANK (apartment in Kyiv), PJSC FIDOBANK (land in Dnipropetrovsk region) and JSC VTB BANK (buildings in Donetsk region).

As already mentioned, the average ratio of the sale price of bank assets (property) to the book value of sold assets (property) was 1.3%, but this conversion rate for certain types of assets varies from 0.6% to 297%. To better understand the effectiveness of the sale of different types of assets (property) of banks, the table below shows separately the portfolio sale of loans to individuals and legal entities and portfolio sale of assets by "one bank = one pool" principle (table 4.1.2).

**Ratio of the sales prices of bank assets (property) by means of open bidding (auctions) and sale directly to legal entities or individuals in 2020**

Table 4.1.2

Type of assets	Book value, UAH million	Sales price according to the results of open bidding, UAH million	Sales price-to-book value ratio, %%
<b>TOTAL</b>	<b>283 210,97</b>	<b>3 693,16</b>	<b>1,3%</b>
Real property	2 452,40	966,41	39%
Land plots	1 310,18	159,51	12%
Vehicles	1,86	5,53	297%
Other assets (fixed assets, coins, intangible assets)	34,17	46,82	137%
Mortgage loans of individuals (individual sale)	200,66	61,64	31%
Other loans of individuals (individual sale)	3,86	1,23	32%
Corporate loans and accounts receivable (individual sale)	95,23	23,48	25%
Securities	108,56	8,81	8%
Direct asset sale to legal entities or individuals	2,61	2,70	103%
Pools of real property, land plots and other fixed assets	438,89	15,99	3,6%
"1 bank=1 pool" pools	206 313,48	1 149,59	0,56%
Retail loan pools (car loans)	5 231,26	38,32	0,7%
Retail loan pools (unsecured loans)	12 971,17	80,29	0,6%
Retail loan pools (mortgage loans)	32 453,98	770,46	2,4%
Corporate loan pools	21 592,65	362,37	1,7%

In 2020, in comparison with 2019 and 2018, there was a significant decrease in the total sales price. This is due to the sale of assets in pools and the low quality of assets remaining in the final stage of bank liquidations.

The sale price of bank assets (property) as a result of open bidding (auctions) and sales directly to legal entities or individuals in 2020 in the amount of UAH 3.69 billion is 46% of 2019 (UAH 7.97 billion) and 59% of 2018 (UAH 6.3 billion) (Table 4.1.3).

Comparing the sales prices of bank assets (property) by means of open bidding (auctions) and sale directly to legal entities or individuals in 2018 – 2020

Table 4.1.3

Type of assets	Sales price for 2018, UAH thous.	Sales price for 2019, UAH thous.	Sales price for 2020, UAH thous.
<b>TOTAL</b>	<b>6 278 121</b>	<b>7 977 141</b>	<b>3 693 155</b>
Real estate	1 656 858	2 786 571	985 131
Land plots	175 381	215 342	164 771
Vehicles	24 112	14 758	5 577
Rights of claim on loan agreement and accounts payable	4 091 016	4 798 697	2 455 617
Securities	145 315	8 143	14 208
Other assets and sale	185 440	153 629	67 851
<b>TOTAL bids sold, pcs.</b>	<b>5 218</b>	<b>2 442</b>	<b>1 144</b>

Currently, the Fund uses all possible ways to sell assets as soon as possible at the highest cost. In particular, in addition to the sale of assets through the electronic trading system Prozorro.sale, the organization of the sale of assets involves international advisers, stock exchanges, direct sale of assets (property) of banks to legal entities or individuals. Details on the contribution of each area of sales of assets (property) are shown in Figure 4.1.2.

According to the results of open bidding (auctions) and direct sale of bank assets (property) to legal entities or individuals in 2020 – 92% of sold assets (property) of banks out of the total amounted to 10 banks. The leader in the sale of assets (property) of banks is JSC DELTA BANK, which is 22% (at the selling price) out of all successful open bidding (auctions) for 2020 (Fig. 4.1.3.).

Fig. 4.1.2. Sales price based on the results of open bidding (auctions) and sales directly to legal entities or individuals for 2020 in terms of bidding organizers, UAH million.

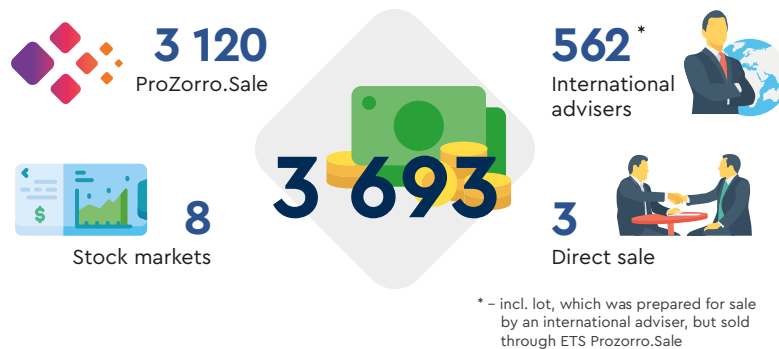
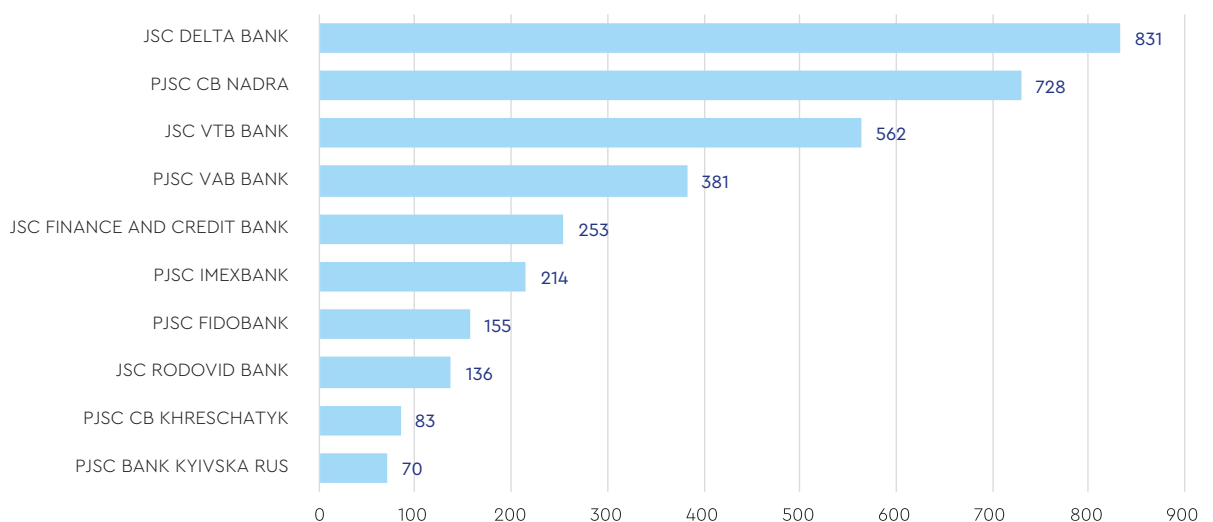


Fig. 4.1.3. Sales price based on the results of open bidding (auctions) and sales directly to legal entities or individuals during 2020, UAH million.





According to the results of open bidding (auctions) and sales directly to legal entities or individuals during 2020, the sold assets (property) of banks had the following structure by types of assets (property) of banks (Table 4.1.4.):

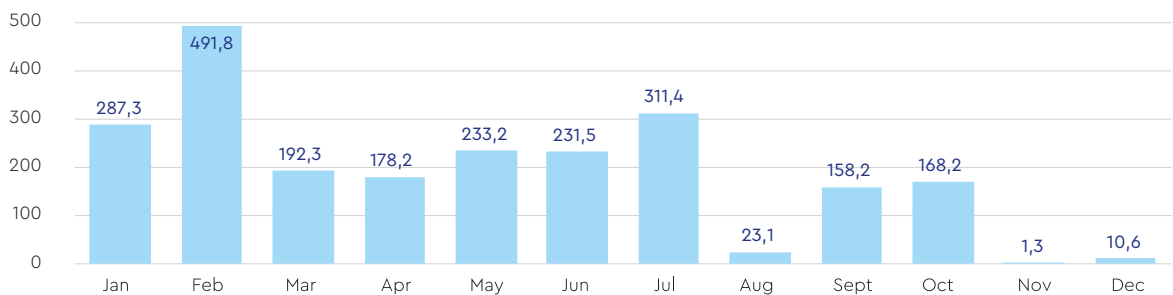
The largest share in the amount of banks' sold assets (property) as a result of open bidding (auctions) is the realization of claims under loan agreements, which is 62% (Fig. 4.1.4.).

The results of the banks' assets sale in terms of structure and types of assets

Table 4.1.4

Total, UAH million	3 693	100,00%
Rights of claim on loan agreements	2 287	61,93%
Real property, land plots, fixed assets and intangible assets	1 217	32,96%
Accounts receivable	169	4,57%
Securities/Corporate rights	14	0,38%
Other assets (paintings, coins, etc.)	4	0,11%
Direct sale to legal entities and individuals	2	0,05%

Fig. 4.1.4. Results of auctions for loan sales, monthly, UAH million 2020

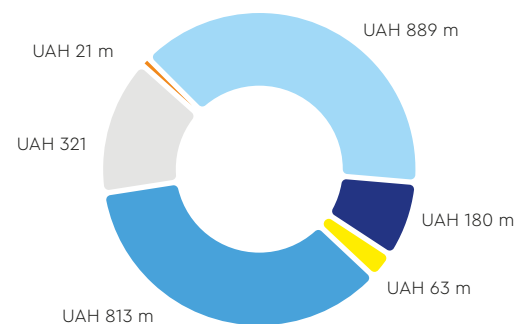


In the structure of realized rights, claims under loan agreements are 51% of the rights of claim under loan agreements with legal entities and 49% – rights of claim under loan agreements with individuals (Fig. 4.1.5.).

98% of the realized rights of claims under loan agreements with legal entities were sold as part of interbank pools of loans to legal entities and receivables and as part "one bank=one pool" pool.

It should be noted that in 2020, more than 470 thousand loans were sold, combined on common grounds into pools of retail loans (Fig. 4.1.6.; Table 4.1.5.).

Fig. 4.1.5. Distribution of auction results for sale of corporate and retail loan portfolios, UAH million, year 2020

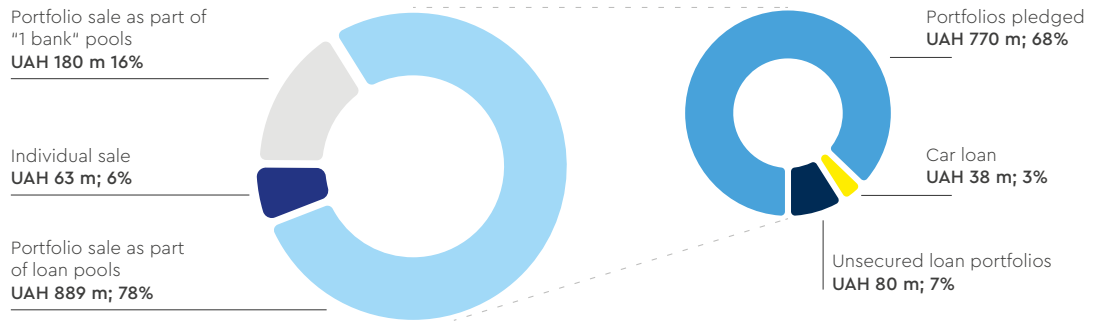


- Retail loan portfolio sale as part of loan pools
- Retail loan portfolio sale as part of "1 bank" pools
- Individual retail loan sale (98% - pledged)
- Corporate loan portfolio sale as part of "1 bank" pools
- Corporate loan portfolio sale as part of loan pools
- Individual corporate loan sale





Fig. 4.1.6. Auction results for the sale of retail loans, UAH million, year 2020



Sale of retail loan pools in 2020

Table 4.1.5

Type of assets	Number of loans sold	Book value, UAH m	Sales price through the open bidding, UAH m	Ratio of asset sales price to the asset book value, %
<b>TOTAL</b>	<b>473 919</b>	<b>50 656</b>	<b>889</b>	<b>1,8%</b>
Pool of retail loans (mortgage)	13 314	32 454	771	2,4%
Pool of retail loans (unsecured)	452 540	12 971	80	0,6%
Pool of retail loans (car loans)	8 065	5 231	38	0,7%

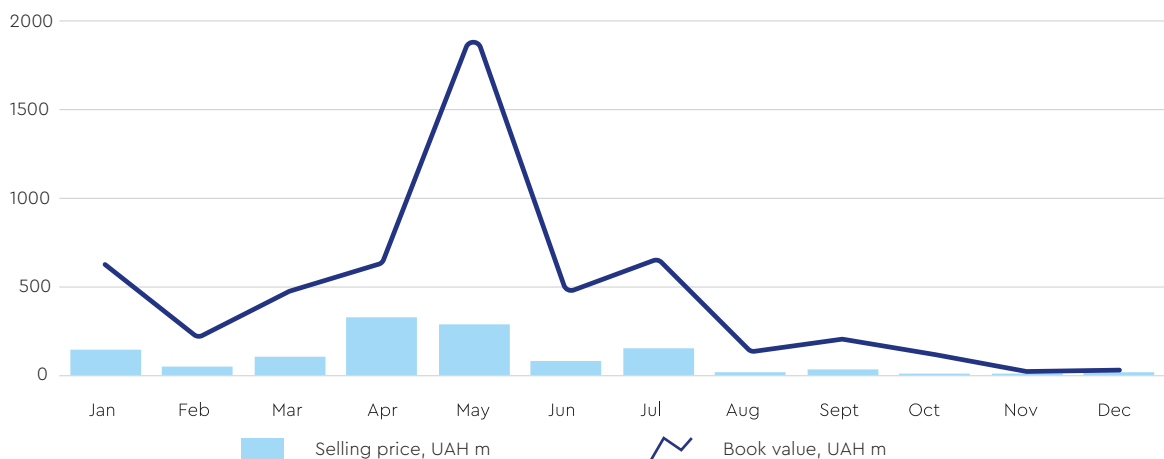
In 2017, the process of selling lots formed from the pool of banks' (the so-called "one bank = one pool" principle), included in the list of banks for which it is planned to complete the liquidation procedure. It should be noted that for one bank, being sold under the approach "one bank = one pool", from one to several such pools can be formed – a separate pool of assets pledged to each creditor (for example: National Bank of Ukraine, State Mortgage Institution (hereinafter – SMI), other), the pool of assets of the third group and assets such as property rights to securities, the pool of all other assets.

In 2020, 58 lots with a book value of UAH 206,313.48 million were sold under this approach with a sales price of UAH 1,149.59 million, the conversion was 0.56%.

Compared to 2019, there is a slight increase in 2020 in the percentage of the sale price to the book value ratio, which is associated with the sale of lots formed from assets with greater liquidity (assets pledged by the NBU).

According to the results of open bidding (auctions), the sale price of fixed assets – real estate, land, vehicles, other fixed assets and intangible assets (excluding direct sales to legal entities or individuals) – is 33% of the total mass of all open bidding (auctions). The average sale price to the book value ratio for all types of fixed assets in 2020 is 22%. In Figure 4.1.7. a comparison of the book value and the selling price of fixed assets in 2020 is given.

Fig. 4.1.7. Comparison of book value and selling price of fixed assets, UAH million, year 2020

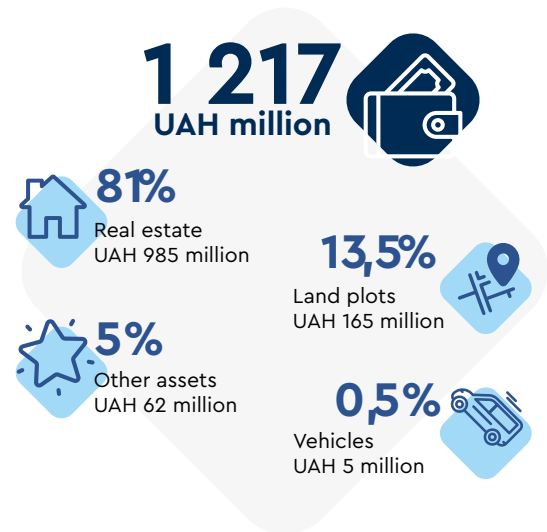


In May, fixed assets with the highest book value for 2020 were sold. This is due to the sale of non-residential buildings of the central stadium "Chornomorets" in Odessa (was on the balance of JSC IMEXBANK).

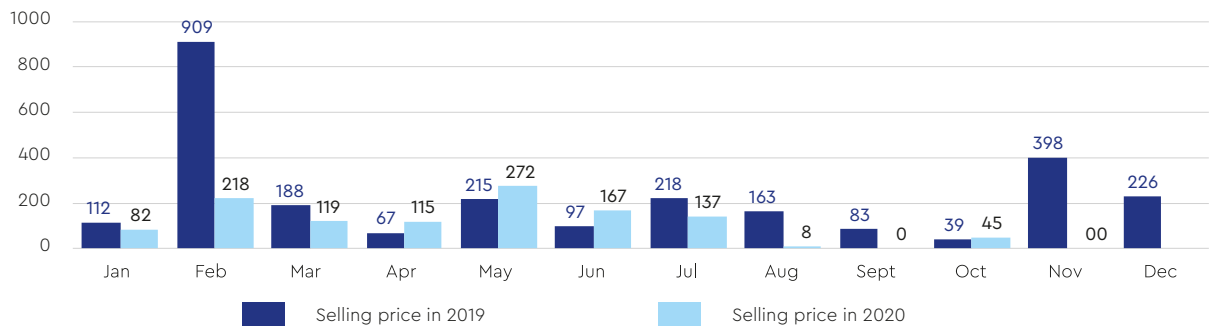
In the structure of sold fixed assets 81% are real estate (residential and non-residential), 0.5% – vehicles, 13.5% - land and 5% – other fixed assets (furniture, equipment, intangible assets, etc.) (Fig. 4.1.8.).

As for the sale by insolvent banks of assets (property) pledged by the NBU and other creditors, in 2020 UAH 1,164 million of assets (property) pledged by the NBU and other creditors was sold, which is 57% less than in 2019 (UAH 2,715 million). (Fig. 4.1.9.).

**Fig. 4.1.8. Distribution of the selling price based on the results of open bidding (auctions) of fixed assets (except for direct sales to legal entities or individuals) in 2020**



**Fig. 4.1.9. Auction results for sales of assets pledged to the NBU and other creditors in 2019–2020, UAH million**



Sold assets pledged by the NBU amount to UAH 1,115.6 million or 96% of the total sale by banks of insolvent assets (property) pledged in 2020.

In general, the mortgaged sold assets (property) of banks in 2020 have the following distribution by creditors (at the sale price): NBU – UAH 1,115.6 million; SMI – UAH 40.6 million; PJSC VF Ukraine – UAH 3.8 million; JSC Alfa Bank – UAH 3.1 million; KNPF NBU – UAH 0.7 million; JSC Ukreximbank – UAH 0.1 million.

The structure of sold assets pledged by the NBU and other creditors is shown in Figure 4.1.10:

The average ratio of all types of assets pledged to the NBU and other creditors, the selling price to their book value in 2020 was 1% (Fig. 4.1.11.).

**Fig. 4.1.10. Structure of sold assets pledged by the NBU and other creditors**

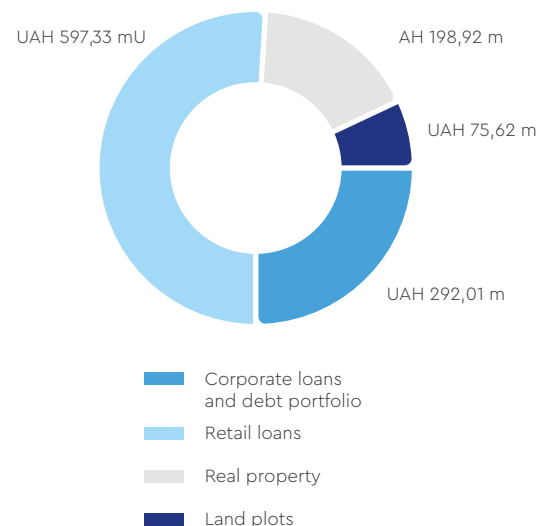
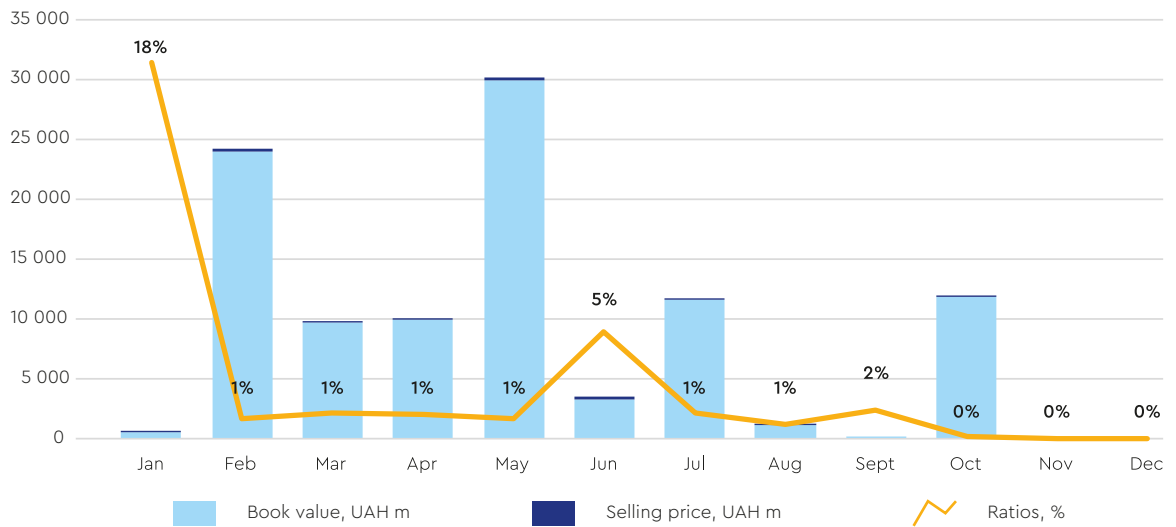




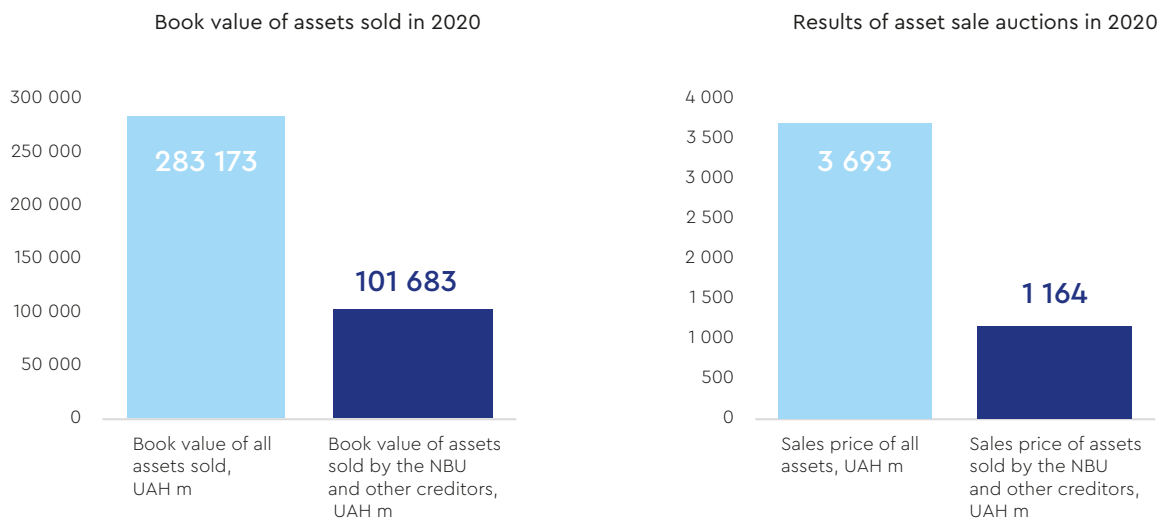
Fig. 4.1.11. The ratio of the sale price of assets pledged by the NBU and other creditors to their book value in 2020



The largest ratio of the sale price of assets pledged by the NBU and other creditors to their book value is observed in January 2020. It was during this period that a large number of mortgage loans of individuals pledged by the NBU and SMIs, as well as more than 40 land plots pledged by the NBU were sold at individual auctions.

It should be noted that according to the results of open bidding (auctions) and direct sale to legal entities or individuals of assets (property) of banks in 2020 – 32% of all sold assets (at selling price) were assets pledged by the NBU and other creditors. As for the book value of assets sold in 2020, the share of assets pledged by the NBU and other creditors is 36% (Fig. 4.1.12).

Fig. 4.1.12. Ratio of all assets and assets pledged to the NBU and other creditors



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

An important area of the Fund's work is to increase revenues to insolvent banks from the management and sale of assets to best meet the requirements of their creditors.

The Fund is consistently developing a comprehensive system for managing the assets of banks, the liquidation procedure of which is carried out in accordance with the requirements of the Law of Ukraine "On Households Deposit Guarantee System". Thus, after the establishment of a specialized structural unit in 2017 to implement the asset management system of insolvent banks, thorough work was carried out to improve the quality of asset management, in particular, the Fund's Committee on Consolidation, Management and Sale of Bank Assets was introduced.

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

After an updated information resource of the Fund was introduced, the Bank Liquidation Department provided migration of the archival component of the specialized site for renting premises ([orenda.fg.gov.ua](http://orenda.fg.gov.ua)) and filling the relevant section of the information resource of the Fund with relevant information on potential lease objects, which greatly simplifies the search and selection process for property rent. The most attractive assets are advertised on the Fund's website with photos and presentation materials to collect indicative proposals and expand the range of potential tenants.

The rules and procedure for approving the lease of insolvent bank property is determined by the Regulation on lease of insolvent bank property, approved by the decision of the Executive Directorate of the Deposit Guarantee Fund as of February 15, 2018 under # 465, registered with the Ministry of Justice of Ukraine on March 15, 2018 under # 313/31765, with changes and additions.

Additionally, the decision of the Executive Directorate of the Fund as of December 7, 2020 under # 2056 "On a pilot project for the lease of real estate of the bank, the liquidation procedure of which is carried out by the Deposit Guarantee Fund by open bidding (auctions)" has been developed and submitted for the state registration; in this regard in 2021 the property will be leased via electronic trading system Prozorro.Sales, which is expected to significantly expand the audience of potential tenants.

In 2020, the appeals of insolvent banks submitted to the Fund were processed with almost 120 questions regarding the extension of lease relations (amendments to existing lease agreements) and the conclusion of new lease agreements with legal entities or individuals. These issues were processed and submitted to the relevant collegial bodies of the Fund.

In 2020, the Fund's Committee for Consolidation, Management and Sale of Bank Property (Assets) made 56 decisions on leasing real estate/extension of lease relations, as a result of which revenues to insolvent banks from property lease amounted to UAH 21, 4 million in 2020, which exceeded the forecast by UAH 6.8 million, despite the large volume of sales of assets, including real estate.

Table 4.2.1. shows proceeds to insolvent banks from the lease of property in 2020.

In Table 4.2.2. the TOP-5 banks on rental income in 2020 are given.

**Proceeds to insolvent banks from the lease of property in 2020**

Table 4.2.1

Beginning of 2020	Proceeds, UAH m/mon	Number of lease objects	Total area of real estate leased
January	3,6	167	42 869,89
February	3,3	123	40 230,65
March	3,0	147	47 057,85
April	2,4	125	37 853,92
May	1,5	70	27 567,42
June	1,2	67	26 526,52
July	0,8	59	17 150,34
August	1,5	49	10 207,58
September	1,1	55	10 151,35
October	1,0	67	11 255,35
November	1,0	65	9 158,80
December	1,0	41	7 571,78
<b>Total</b>	<b>24,4</b>		

**TOP-5 banks on rental income in 2020**

Table 4.2.2

No.	Bank	Proceeds, UAH m/year
1	PJSC DIAMANTBANK	5,8
2	PJSC CB NADRA	4,7
3	JSC RODOVID BANK	3,7
4	PJSC VAB BANK	1,5
5	JSC DELTA BANK	1,2
6	Other banks	4,5
	<b>Total</b>	<b>21,4</b>



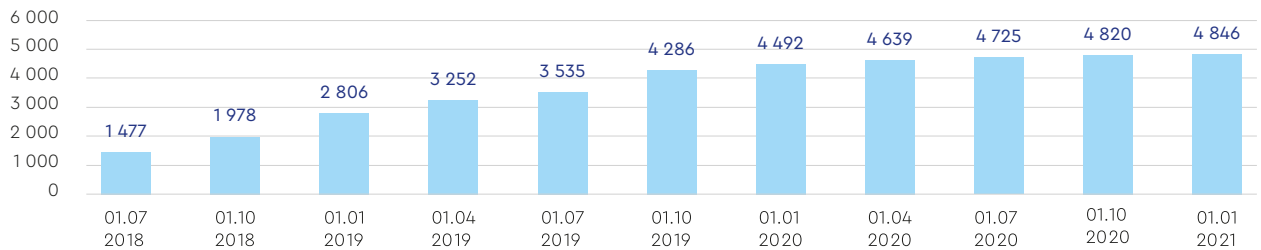
In the field of bank property protection from illegal encroachments, the Fund has implemented a number of measures. Timely counteraction to illegal seizure of real estate as a form of raiding begins with fixing the fact of change of ownership. To this end, the Fund, using the capabilities of a pilot project in the field of state registration of real property rights and their encumbrances, monitors registration actions with real estate owned by insolvent banks.

During 2020, in order to minimize the Fund's costs and expand the range of information obtained on real estate of banks, the liquidation procedure of which is carried out by the Fund, using the service "Vkursi.pro" implemented the interaction of internal real estate registers of insolvent banks with information real estate through services provided by the State Enterprise "National Information Systems", as well as with information from the system "Prozorro.Sales", at auctions of which the real estate of insolvent banks is sold.

Due to the mechanism introduced by the Fund, insolvent banks apply appropriate legal instruments in a timely manner if, as a result of the registration action on the real estate of an insolvent bank, there is an illegal change of owner, thus preventing the artificial creation of "bona fide purchasers".

In previous years the work has also begun to present enforcement documents for enforcement bodies and persons, including private enforcement agents, the institution of which was established by the Ministry of Justice of Ukraine as an integral part of reforming enforcement of courts and other bodies' decisions and has proven effective. The Fund distributes enforcement documents on debt collection from debtors of banks, the liquidation procedure of which is carried out by the Fund, and as of January 1, 2021 it distributed 4,846 enforcement documents (excluding terminated banks). The dynamics of the enforcement document distribution in the cumulative total is shown in Figure 4.2.1.

Fig. 4.2.1. The enforcement document distribution in dynamics



In Table 4.2.3. the number of distributed enforcement documents, according to which the collectors are individual insolvent banks, is given.

As of January 1, 2021, funds totaling UAH 92,882,963.24 were collected in favor of banks withdrawn from the market by the Fund, with a positive quarterly increase, in particular in 2020 for the total amount of UAH 48,069,094.17 million, or :

- as of January 1, 2020 – UAH 44,813,869.07 (increase +7,253,353.99 UAH (19.31%) to the previous quarter);
- as of April 1, 2020 – UAH 87,815,298.84 (increase of UAH +43,001,429.77 (95.96%) to the previous quarter);
- as of July 1, 2020 – UAH 88,170,699.96 (increase of UAH +355,401.12 (0.40%) to the previous quarter);
- as of October 1, 2020 – UAH 92,815,193.75 (increase +UAH 4,644,493.79 (5.27%) to the previous quarter);
- as of January 1, 2021 – UAH 92,882,963.24 (increase of UAH +67,769.49 (0.07%) to the previous quarter).

In addition, as of January 1, 2021, in the course of enforcement in enforcement proceedings carried out by both private and state executors, insolvent banks acquired property with a total value of UAH 218,205,371.42.

The largest amount of funds was collected in favor of the following insolvent banks, as shown in Table 4.2.4:

Bank rating in terms of distributed enforcement documents

Table 4.2.3

No	Bank	Number of ED distributed
1	JSC DELTA BANK	2851
2	BANKS WITH APPROVED LIQUIDATION BALANCE SHEET	1207
3	JSC BANK FINANCE AND CREDIT	216
4	JSC RODOVID BANK	205
5	LIQUIDATED BANKS	112
6	PJSC FIDOBANK	100
7	VTB BANK JSC	97
8	JSC IMEXBANK	15
9	PJSC DIAMANTBANK	13
10	PJSC PTB	12
11	Others	18
	<b>Total</b>	<b>4 846</b>



**Bank rating in terms of the level of inflows from private executors in 2020**

Table 4.2.4

No.	Bank	Funds collected, UAH m	Relative share
1	VTB BANK JSC	31,51	65,55%
2	JSC "DELTA BANK"	7,47	15,53%
3	JSC BANK FINANCE AND CREDIT	6,61	13,75%
4	PJSC "FIDOBANK"	2,49	5,17%
<b>Total</b>		<b>48,07</b>	<b>100,00%</b>

In 2020, the Fund started the procedure of liquidation of JSC CB ARKADA, in the loan portfolio of which there were more than 600 mortgage loans of individuals-borrowers, properly serviced, despite the circumstances surrounding the construction of facilities in which mortgages are located under such credit agreements. In 2018, the Fund launched a program of restructuring on mortgage loans of individuals: Regulation on the procedure for restructuring loan debts of individuals (except for individual entrepreneurs) under loan agreements, the fulfillment of obligations under which is secured by a mortgage, to banks, the liquidation procedure of which is carried out by the Deposit Guarantee Fund

(hereinafter – Regulation #372) #372 was approved by the decision of the Executive Directorate of the Fund on February 5, 2018, registered with the Ministry of Justice of Ukraine on February 28, 2018 under # 254/31706 and entered into force on March 23, 2018.

During 2020, the Fund received 94 packages of documents on the implementation or continuation of the previously conducted restructuring of loan debt of individuals, secured by real estate mortgages, from the following banks, which are listed in table 4.2.5.

**Distribution of restructurings in 2020 by creditor banks**

Table 4.2.5

№	Bank	Number of document packages in 2020	Number of document packages total
1	JSCB ARKADA	75	137
2	PJSC FIDOBANK	9	58
3	JSC VTB BANK	7	20
4	JSC RODOVID BANK	3	6
5	Other banks	-	199
<b>Total</b>		<b>94</b>	<b>420</b>

33% of all applications came from JSC CB ARKADA mainly during December 2020.

For 55 (including 36 borrowers of JSC CB ARKADA) a positive decision was made by the authorized collegial bodies of the Fund.

In total, in 2020, issues related to the restructuring of loan debt in the amount of over UAH 19.36 million were considered, as a result of which proceeds to banks in accordance with the Regulation amounted to UAH 1.79 million from restructuring payments for over UAH 154.83 thousand per month.

Each week, the Fund's Committee for Consolidation, Management and Sale of Property considers 20 to 40 issues of restructuring the debts of JSC CB ARKADA borrowers on mortgage loans, which contributes to their conscientious fulfillment of their obligations to the bank, maintaining a positive credit history, reducing social tensions and more. It should also be noted that based on the analysis of the practice of application of Regulation #372, the Fund initiated amendments to the "Regulation on the procedure for restructuring loan debt of individuals (except for individual entrepreneurs) under loan agreements secured by mortgages to banks, the liquidation procedure of which is carried out by the Deposit Guarantee Fund, in particular, the following:

- extension of the restructuring period;
- the opportunity to increase the security of the loan obligation during the restructuring by accepting additional real estate as collateral;
- the penalty, the right to which arose before the restructuring, is not applied when repaying the debt under the loan agreement;
- differentiated approach to the amount of advance payment during the restructuring depending on the type of property that is the subject of the mortgage. In particular, for property rights to real estate, including unfinished, it will be 5%;
- the possibility of restructuring for a period exceeding the term of liquidation of the bank, in accordance with the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Improve the Mechanisms of Banking Regulation" of May 13, 2020 # 590-IX;
- setting the amount of the minimum payment for the restructuring period – UAH 2,000;
- specifying the issue of terms for sale of claims on loans that are restructured during the completion of the liquidation procedure of the bank.

These changes were approved by the Executive Directorate of the Fund on December 7, 2020 and were submitted for state registration in the Ministry of Justice of Ukraine, after which they entered into force in early 2021.

## 5. Payments to depositors

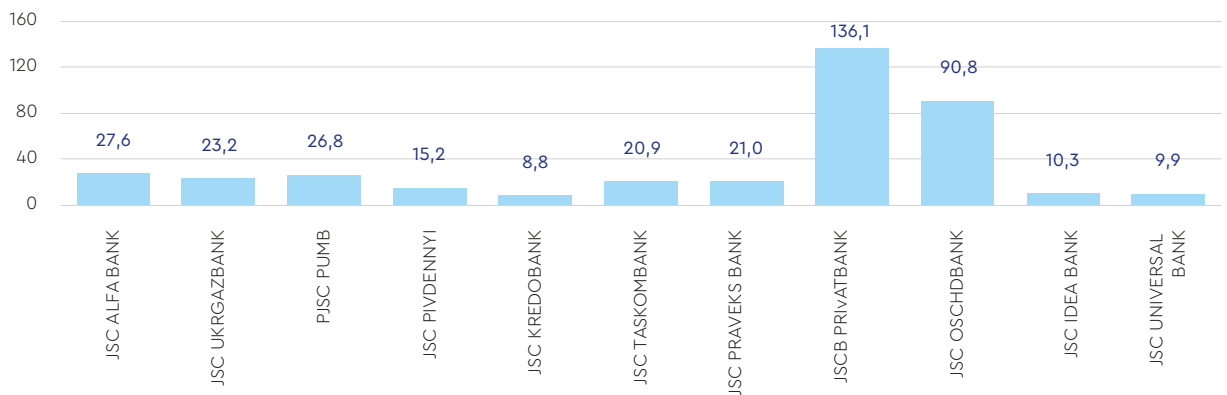
### 5.1. Insurance deposit payouts to insolvent banks' depositors

In compliance with the requirements of the Law of Ukraine "On Households Deposit Guarantee System" (hereinafter – the Law) during 2020, deposit insurance amounts were paid to the depositors of 52 banks.

During 2020, 11 agent banks (Fig. 5.1.1.) connected to the Fund's Automated Payment System (hereinafter referred to

as the System) were involved to receive reimbursement by depositors. Agent banks were identified in accordance with the requirements of the Regulation on the procedure for determining the agent banks of the Deposit Guarantee Fund, approved by the decision of the Executive Directorate of July 12, 2012 under # 6.

Fig. 5.1.1. Deposit insurance payouts by the Fund's agent banks



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 on the entire territory controlled by Ukraine. At present, only heirs need to apply to the Fund with individual applications.

The total deposit guarantee amount paid during 2020 at the expense of the Fund is UAH 389.9 million (Table 5.1.1.).

95.6% of depositors received a guaranteed amount of compensation, and only 4.4% did not apply for payment. The amount of compensation, for which depositors have not yet applied, at the end of the reporting period amounted to about UAH 3.0 billion. The most common reasons for not receiving funds are: a small amount of compensation, not exceeding UAH 100, the so-called "forgotten" deposits, as well as deposits belonging to deceased depositors – prior to the certificate of inheritance.

By the decision of the Board of the National Bank of Ukraine dated by August 25, 2020 JSC CB ARKADA was classified as insolvent, and from September 11, 2020 the Fund began paying funds to depositors under bank account agreements and bank deposit agreements, which expired before the introduction of provisional administration. On September 29, the Fund, without suspending payments, switched to payments under bank deposit agreements, regardless of their expiration.

The Automated Payment System accelerated the start of deposit insurance payouts up to several days after the bank was declared insolvent, and also gave depositors the opportunity to receive funds in a convenient way – in the nearest branch of the Fund's agent bank and without queues – due to a large number of payment points.

During September-December 2020, the total amount of funds received by depositors of JSC CB ARKADA amounted to almost UAH 178 million, which is 68.8% of the total amount of guaranteed deposit payments not exceeding UAH 200,000.



Deposit guarantee settlements in 2020, UAH million

Table 5.1.1

No.	List of liquidated banks	Balance of funds not received by depositors as of Jan 1, 2020	Amount of compensation accrued in 2020	Funds received in 2020	Balance of funds the depositors did not apply for as of Jan 1, 2021
1	JSC GOLDEN GATE BANK	0,66	-	-	0,66
2	PJSC ACTABANK	9,89	0,58	1,67	8,80
3	PJSC GREEN BANK	0,05	-	-	0,05
4	JSC CB EXPOBANK	3,52	-	0,20	3,32
5	DEMARK BANK	6,31	-	-	6,31
6	PJSC LEGBANK	2,36	-	-	2,36
7	PJSC BG BANK	7,88	0,20	0,58	7,49
8	PJSC BANK CAMBIO	45,30	3,75	13,40	35,65
9	PJSC CITY COMMERCIAL BANK	46,54	-	0,42	46,12
10	PJSC VAB BANK	434,36	1,51	11,09	424,78
11	PJSC VBR	9,53	-	0,19	9,35
12	PJSC PROFIN BANK	2,52	-	0,40	2,12
13	PJSC UKRBUSINESSBANK	26,17	-	2,97	23,19
14	JSC ZLATOBANK	29,97	-	-	29,97
15	JSC IMEXBANK	409,73	2,78	10,58	401,94
16	PJSC CREDITPROMBANK	11,91	-	1,04	10,86
17	PJSC CB NADRA	185,12	0,55	6,38	179,29
18	PJSC ENERGOBANK	16,82	-	1,34	15,47
19	PJSC BANK KYIVSKA RUS	218,46	1,96	5,82	214,60
20	PJSC UKRAINIAN PROFESSIONAL BANK	8,76	0,86	1,70	7,92
21	PJSC NATIONAL CREDIT BANK	12,89	-	0,55	12,33
22	JSC DELTA BANK	493,69	55,96	63,48	486,18
23	PJSC JSCB CAPITAL	46,34	-	-	46,34
24	PJSC RADIKAL BANK	32,35	14,85	1,73	45,47
25	PJSC INTEGRAL BANK	3,48	0,59	0,98	3,08
26	JSC NATIONAL INVESTMENT BANK	8,72	4,56	9,21	4,06
27	JSC BANK FINANCE AND CREDIT	508,25	1,33	7,30	502,28
28	JSC BANK VELES	0,06	-	-	0,06
29	PJSC BANK KONTRAKT	26,21	-	22,93	3,28
30	PJSC AVANT-BANK	36,01	1,72	1,20	36,53
31	PJSC CB PREMIUM	2,02	-	-	2,02
32	PJSC UKRINBANK	66,07	-	-	66,07
33	JSC CB TC CREDIT	0,11	-	-	0,11
34	PJSC PETROCOMMERTS-UKRAINE BANK	5,29	-	-	5,29
35	PJSC CB KHRESCHATYK	75,29	2,73	2,74	75,28
36	PJSC BANK MYKHAYLIVSKY	16,44	21,48	21,98	15,94
37	PJSC FIDOBANK	56,94	1,47	2,67	55,74
38	PJSC CB EUROBANK	6,68	3,20	4,40	5,48
39	PJSC KSG BANK	1,50	-	-	1,50
40	PJSC BANK TRUST	5,24	-	0,00	5,24
41	PJSC CB INVESTBANK	2,96	0,39	0,59	2,76
42	JSC FORTUNA-BANK	3,05	-	0,00	3,05
43	PJSC NARODNY CAPITAL BANK	0,20	-	-	0,20
44	PJSC PLATINUM BANK	68,32	0,04	1,91	66,45
45	PJSC VEKTOR BANK	1,20	-	0,00	1,20
46	PJSC DIAMANTBANK	0,05	-	-	0,05
47	JSC CB NOVY	-	-	-	-
48	JSC BANK BOHUSLAV	3,67	0,29	0,29	3,67
49	PJSC UNISON BANK	0,44	-	-	0,44
50	JSC VTB BANK	113,61	4,62	9,36	108,87
51	PJSC CB FINANCIAL INITIATIVE	149,80	0,20	2,84	147,15
52	JSC CB ARKADA	-	258,81	177,99	80,82
	<b>Total</b>	<b>3 222,72</b>	<b>384,40</b>	<b>389,95</b>	<b>3 217,18</b>





According to the results of payments in 2020, the largest share was occupied by compensation payments to depositors of JSC CB ARKADA (almost UAH 178 million), JSC DELTA BANK (over UAH 63 million), PJSC BANK KONTRAKT (almost UAH 23 million), PJSC BANK MYKHAYLIVSKY (almost UAH 22 million) and PJSC BANK CAMBIO (over UAH 13 million).

As a rule, depositors keep money in banks in the amount of up to UAH 200,000.00, as the depositors' protection system has a maximum amount of compensation. According to the indicators of 2020, there is a more even receipt of compensation for the following gradation of deposits (Fig. 5.1.2.).

The largest share of insolvent banks' depositors that received a guaranteed amount of compensation during 2020, namely 34% are depositors aged 25 to 50 years old, and 36% – from 50 to 70 years old. The share of depositors over the age of 70 who received a guaranteed amount of compensation is 27% of the total number of recipients. Young people under the age of 25 are only 2% of the total (Fig. 5.1.3.).

In accordance with Part 7 of Article 26 of the Law, during 2020 the Fund completed the payment of deposit insurance amounts in 17 insolvent banks (Table 5.1.2.).

During 2020, depositors of these banks received a guaranteed amount of compensation in the amount of over UAH 9.6 million. (Fig. 5.1.4.).

During the year, 21 insolvent banks were admitted to the direct management of the Fund. As of the reporting date, 24 insolvent banks were under the direct management of the Fund, 19 of which were paid to depositors (Fig. 5.1.5.).

Fig. 5.1.2. Reimbursement amount payout segmentation in 2020

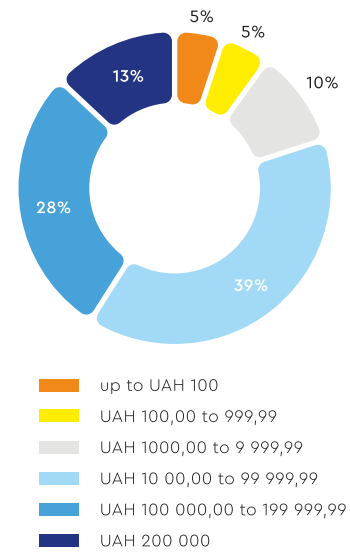
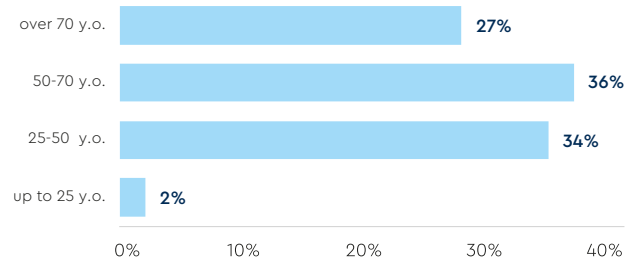


Fig. 5.1.3. Deposit reimbursement payouts in terms of different age groups



Insolvent banks with payments completed in 2020

Table 5.1.2

No.	Bank	Amounts reimbursed to depositors during the entire payout period, UAH m
1	DEMARK BANK	993,6
2	PJSC GREEN BANK	3,7
3	JSC CB EXPOBANK	295,7
4	PJSC CITY COMMERCIAL BANK	1 942,8
5	PJSC BANK PETROKOMMERTS-UKRAINE	13,6
6	JSC CB TC CREDIT	0,4
7	PJSC LEGBANK	111,9
8	PJSC BG BANK	270,8
9	JSC FORTUNA-BANK	88,6
10	PJSC PROFIN BANK	36,7
11	PJSC UKRBUSINESSBANK	80,5
12	PJSC UNISON BANK	118,5
13	PJSC CREDITPROMBANK	4,9
14	PJSC AVANT-BANK	530,0
15	PJSC CB KHRESCHATYK	2 746,7
16	PJSC NARODNY CAPITAL BANK	6,0
17	JSCB NOVY	0,9
	<b>Total:</b>	<b>7 245,5</b>

Fig. 5.1.4. Reimbursement to depositors of banks with payments completed

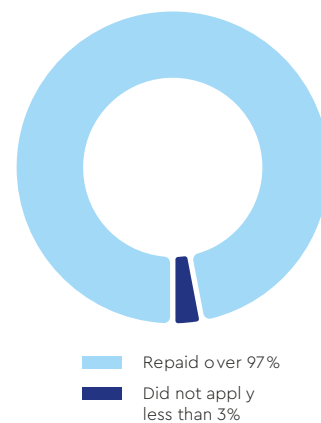
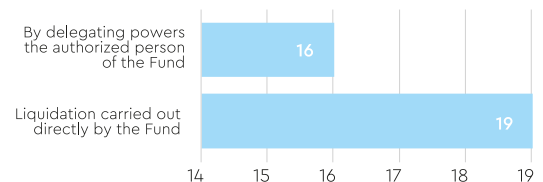


Fig. 5.1.5. Powers during liquidation relative to insolvent banks on which payments were made as of Jan 1, 2021





In the course of implementing Ukrainian legislation to the requirements of Directive (EU) 2015/849 of the European Parliament and of the Council "On prevention of financial system usage for money laundering and terrorist financing" on April 28, 2020 the Law of Ukraine "On prevention and counteraction to legalization (laundering) of proceeds from crime, terrorism financing and financing the proliferation of mass destruction weapons" under #361-IX of December 6, 2019 entered into force, which brings the standards of financial monitoring in line with current world and European norms. In turn, the decision of the Executive Directorate of the Deposit Guarantee Fund from March 31, 2020 under #696 adopted the relevant amendments to the "Rules for the formation and maintenance of depositors databases".

In connection with the amendments to the Chart of Accounts of commercial banks of Ukraine dated September 11, 2017 N89 adjustments to the algorithm for calculating the guaranteed amount in the software of the Fund were implemented: software "Depository Database Inspector" and the Fund's automated payment system depositors' databases are processed and checked.

An updated version of the "Depositors Database Inspector" software was developed and put into operation for the possibility of enhanced control by the member banks of the depositors data.

As part of digitalization and transition from paper to electronic media, a mechanism for signing with a qualified electronic signature and storing signed registers and changes to them in electronic form in the database of the Fund's automated Payment System was developed and put into commercial operation.

In accordance with the strategic directions of modernization of the Fund's Automated Payment System, preparatory measures have been taken for the introduction into commercial operation of the Fund's unique identifier mechanism – "FundID" for the possibility of further creation of a single database of depositors, "Unified Register of Fund Depositors" and further development of the Fund's WEB-portal for clients, in particular, the Fund 24/7. This generic depositor ID, called FundID, is independent of the bank, and combines the creditor's credentials in various insolvent banks. Such innovations will also help to simplify and effectively update information about a depositor and reduce the risk of fraud.

In order to strengthen confidence in the banking system of Ukraine, a gradual reduction of the terms of the beginning of access of depositors to the guaranteed amount in accordance with the standards provided by Directives 2014/49/EU and 2014/59/EU has been started.

Payment of compensation to depositors in accordance with applicable law shall begin no later than the 20th working day from the date of classifying the bank as insolvent. In 2020, the start date of payments was reduced by more than a quarter.

In order to prepare for the inclusion of JSC OSCHADBANK (hereinafter – OSCHADBANK) in the households deposit guarantee system and to implement the roadmap "Inclusion of Oschadbank in the deposit guarantee system" significant preparatory work has been conducted, which provided advice on the formation, consolidation and further management of depositors' database of this bank.

## 6. Financial management

### 6.1. Sources and usage of financial resources

In order to ensure the functioning of the households deposit guarantee system and bank resolution, the Deposit Guarantee Fund in 2020 continued to accumulate financial resources.

As of the end of December 31, 2020, the Fund's resources consisted of:

- funds on accounts with the NBU in the amount of UAH 1,413.8 million;
- funds in government securities in the amount of UAH 14,607.8 million.

In accordance with Article 19 of the Law, the formation of the Fund's financial resources during 2020 took place from the following sources (Table 6.1.1):

1. initial and regular fees of the Fund's members;
2. income from investing the Fund's funds in government securities;
3. income in the form of interest accrued on the fund balances on the Fund's accounts opened with the National Bank of Ukraine;
4. funds received from the implementation of measures provided for in the settlement plan;
5. other sources not prohibited by the legislation of Ukraine.

Formation of the Fund's financial resources in 2020 and 2019

Table 6.1.1  
UAH million

DGF's funding resources	2020	2019
Regular fee	4 065,6	3 692,9
Income from investment in government securities	1 107,9	661,7
Revenues from balance interest on the NBU accounts	192,5	163,2
Redemption of government bonds	6 028,8	2 805,4
Funds from implementation of measures provided in the settlement plan, including:	2 303,1	4 885,3
Other income, incl.:	61,8	14,2
• guarantee fees received	55,1	–
• return of paid court fees	5,7	–
• fines and penalties imposed	0,4	11,6
• other income	0,6	2,6
<b>Total for resources:</b>	<b>13 759,7</b>	<b>12 222,7</b>

During the reporting period, the Fund's funds were spent in the areas provided for in Article 20 of the Law (Table 6.1.2):

1. investment in government securities – UAH 11,482 million (77.4%);
2. payment on promissory notes of the Fund – UAH 2,000.1 million (13.5%), including UAH 700.1 million – interest on promissory notes;

3. ensuring the current activities of the Fund according to the cost estimate for 2020 – UAH 915.7 million (6.2%), the implementation of the budget for 2020 is 93% of the planned amount;
4. transfer of funds for deposit insurance amount payments to bank depositors – UAH 390.7 million (2.6%).

**Use of the Fund's financial resources in 2020 and 2019**

 Table 6.1.2  
 UAH million

Areas of the DGF's funds application	2020	2019
Transfer of funds for deposit insurance payouts to depositors of insolvent banks	390,7	834,0
Repayment of promissory notes	1 300,0	9 117,6
Interest on the Fund's promissory notes	700,1	505,6
NBU loan repayment	-	1 460,0
Interest on NBU loans	-	8,2
Investments in government securities	11 482,0	4 405,3
Budget expenses	915,7	476,4
Other expenses, including	54,9	0,1
• return of guarantee fees	54,8	-
• other expenses	0,1	0,1
<b>Total for areas</b>	<b>14 843,4</b>	<b>16 807,2</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 for a total amount of UAH 163.5 million. Of these, in accordance with the Annual Procurement Plan for 2020, the Tender Committee planned procurement in the amount of UAH 162.0 million, and by the authorized person – in the amount of UAH 1.5 million.

As a result, 49 open bidding procedures were carried out (including 6 procedures with an expected value exceeding 133 thousand euros), 20 negotiated procurement procedures, 14 simplified procurement and 40 procurement without the use of an electronic procurement system. According to the results of the procurement procedures, contracts were concluded for the total amount of UAH 144.1 million, including the purchase of goods for the amount of UAH 79.9 million, services for the amount of UAH 64.2 million. In particular, the Fund's needs for technical support and modernization of existing software products, copies of anti-virus software such as McAfee, copies of Oracle software, Cisco network equipment, goods and services necessary for the operation of the Fund's premises are met.

Savings from procurement procedures amounted to UAH 12.9 million.

Procurement not covered by the Law of Ukraine "On Public Procurement" and the needs of the Fund was made, in particular in the services of representing the interests of the Fund and/or insolvent banks in various jurisdictions to compensate for damage (losses) caused by related parties of the following insolvent banks: JSC DELTA BANK, JSC BANK FINANCE AND CREDIT, JSC IMEX BANK, JSC BANK NATIONAL CREDIT.

Tenders have been launched for the purchase of services for the search and seizure of assets and representation of the Fund and/or insolvent banks in various jurisdictions to compensate for damages caused by related parties of the following insolvent banks: PJSC VAB BANK and/or PJSC CB FINANCIAL INITIATIVE, PJSC FIDOBANK, AND/OR PJSC CB EUROBANK, and/or PJSC VECTOR BANK.

A tender has been launched for the purchase of litigation services in international arbitrations and other actions to recover compensation from the Russian Federation for the loss of banks liquidated by the Fund, investments in the Autonomous Republic of Crimea due to their expropriation, nationalization or measures equal to expropriation. Russian Federation, ensuring the recovery of this compensation (including by applying for recovery of property and assets of the Russian Federation in foreign jurisdictions).

## 6.2. Settlement of DGF's creditor claims

As of the end of December 31, 2020, the indebtedness of the liquidated banks for the payment of creditors' claims of the Fund amounted to UAH 55,873.5 million. The total number of banks to which the Fund had registered accounts payable amounted to 63 banks, of which 45 banks were managed by the Fund and 18 banks – by the NBU (Table 6.2.1).

During the reporting year, the amount of the Fund's accounts payable to banks in liquidation decreased by UAH 7,166.1 million (changes occurred due to the banks' repayment

of the Fund's claims and write-off of accounts payable, in connection with the completion of bank liquidation and their removal from the Unified State Register of Legal Entities and individual entrepreneurs, as well as the Fund's claims for JSCB ARKADA).

The list of the Fund's largest claims to banks in liquidation as of December 31, 2020 is presented in Table 6.2.2.



The Fund's claims to insolvent banks

Table 6.2.1

Banks under liquidation	as of Dec 31, 2020		as of Dec 31, 2019		Difference	
	Number of banks	Amount, UAH m	Number of banks	Amount, UAH m	Number of banks	Amount, UAH m
Banks under the DGF management	45	52 090,9	59	58 977,7	-14	-6 886,8
Banks under the NBU management	18	3 782,6	19	4 061,9	-1	-279,3
<b>Total</b>	<b>63</b>	<b>55 873,5</b>	<b>78</b>	<b>63 039,6</b>	<b>-15</b>	<b>-7 166,1</b>

The highest claims of the Fund to banks in liquidation

Table 6.2.2

No.	Bank	The DGF's claims to the banks, UAH m	Settlement of the DGF's creditors' claims total, UAH m	Including settlement of the DGF's creditors' claims for the reporting period, UAH m
1	JSC DELTA BANK	8 434,0	6 780,6	485,2
2	JSC BANK FINANCE AND CREDIT	7 623,2	2 788,3	347,3
3	PJSC VAB BANK	5 595,1	1 589,6	174,5
4	PJSC CB FINANCIAL INITIATIVE	5 094,1	18,1	18,1
5	JSC IMEXBANK	4 357,3	363,0	203,7
6	PJSC PtB	3 656,5	1 252,1	12,0
7	PJSC CB NADRA	2 667,8	1 301,6	626,0
8	PJSC BANK MYKHAYLIVSKY	2 553,7	71,2	3,0
9	PJSC BANK KYIVSKA RUS	1 717,6	642,3	17,2
10	PJSC UKRINBANK	1 705,6	86,0	0,0
11	PJSC CB PIVDENCOMBANK	1 704,6	190,7	0,0
12	PJSC CB ACTIVE-BANK	1 219,5	121,0	0,0
13	PJSC FIDOBANK	770,0	1 138,8	156,3
14	JSC BANK NATIONAL INVESTMENTS	756,6	1,7	0,4
15	JSC ZLATOBANK	693,9	238,7	0,0
16	JSCB EUROPEAN	685,0	2,4	0,0
17	PJSC UPB	654,4	21,8	10,9
18	Others (46 banks)	5 984,6	3 197,2	91,3
	<b>Total</b>	<b>55 873,5</b>	<b>19 804,9</b>	<b>2 145,9</b>

The largest amount in absolute terms is occupied by JSC DELTA BANK – UAH 8,434.0 million, which is 15.1% of the total amount. In the second and third place, respectively, JSC BANK FINANCE AND CREDIT and PJSC VAB BANK with amounts of UAH 7,623.2 million, or 13.6% of the total, and UAH 5,595.1 million, or 10.0% total amount, respectively. Table 6.2.2 shows the data of 17 banks with a share of claims of 1.0% and above. The remaining 46 banks have claims to the Fund in the amount of UAH 5,984.6 million, which is 10.7% of the total.

During the reporting year, the Fund's claims were repaid in the total amount of UAH 2,303.1 million. Repayment was made by 45 banks managed by the Deposit Guarantee Fund. Among the banks that owed the Fund at the end of the reporting year, the repayment for the reporting year amounted to UAH 2,145.9 million (Table 6.2.2).

During the reporting year, in accordance with Article 52 of the Law of Ukraine "On Households Deposit Guarantee System", the Fund's accounts payable in the amount of UAH 5,375.9 million were written off due to the exclusion of banks from the Unified State Register of Legal Entities and Individual Entrepreneurs (Table 6.2.3).

During the reporting period, the liquidation of 16 banks was completed, which is presented in Table 6.2.4.

The average liquidation period was 4 years and 4 months, the cost-to-revenue ratio of liquidation was 15.5%.

**DGF's outstanding creditor claims for the reporting year**

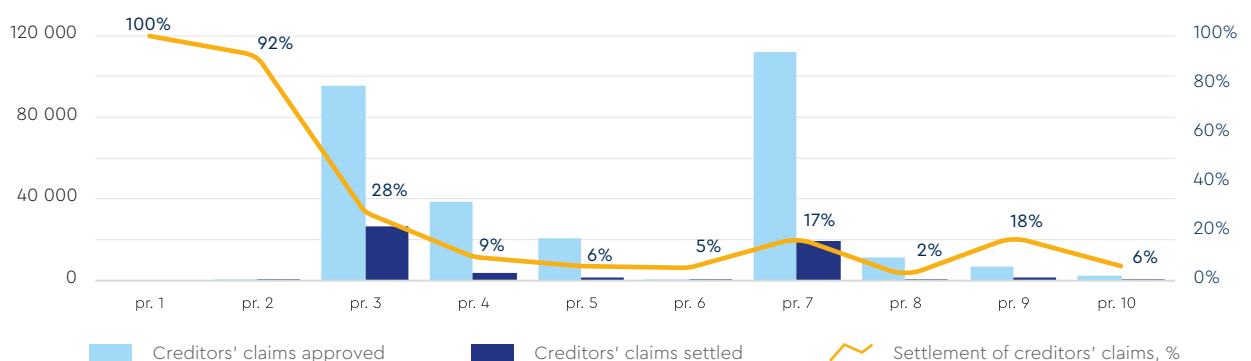
Table 6.2.3

No.	Bank name	Amount, UAH m	Relative share
1	PJSC CITY COMMERCIAL BANK	1 997,4	37,2%
2	PJSC CB KHRESCHATYK	1 342,3	25,0%
3	PJSC CB DEMARK	916,8	17,1%
4	PJSC AVANT BANK	533,4	9,9%
5	PJSC JSCB BASIS	279,3	5,2%
6	PJSC EXPOBANK	101,2	1,9%
7	PJSC LEGBANK	94,2	1,8%
8	PJSC BG BANK	85,1	1,6%
9	PJSC FORTUNA-BANK	24,7	0,5%
10	PJSC GREEN BANK	0,9	0,0%
11	PJSC NARODNY CAPITAL BANK	0,4	0,0%
	<b>Total</b>	<b>5 375,9</b>	<b>100,0%</b>

**Completed bank liquidations for the reporting year**

Table 6.2.4

No.	Bank	Creditors' claims to the banks, UAH m	Creditors' claims settled, UAH m	Settlement rate
1	PJSC CB KHRESCHATYK	6 322,3	1 696,9	26,8%
2	PJSC CITY COMMERCIAL BANK	2 648,9	23,4	0,9%
3	JSC CB EXPOBANK	1 735,2	498,8	28,7%
4	PJSC UKRBUSINESSBANK	1 706,2	748,7	43,9%
5	JSC CB TK CREDIT	1 695,7	980,4	57,8%
6	PJSC BG BANK	1 590,8	333,0	20,9%
7	PJSC AVANT-BANK	1 396,9	45,7	3,3%
8	DEMARK BANK	1 171,8	123,5	10,5%
9	JSC FORTUNA-BANK	1 023,0	202,7	19,8%
10	PJSC CREDITPROMBANK	923,7	60,2	6,5%
11	PJSC LEGBANK	580,2	31,6	5,5%
12	JSCB NOVY	340,7	252,4	74,1%
13	PJSC UNISON BANK	174,8	174,8	100,0%
14	PJSC GREEN BANK	174,7	169,5	97,0%
15	JSC NK BANK	90,5	21,2	23,4%
16	PJSC JSCB KYIV	3,9	3,9	100,0%
	<b>Total</b>	<b>21 579,4</b>	<b>5 366,9</b>	<b>24,9%</b>

**Fig.6.2.1. Settlement of creditors' claims as of December 31, 2020, UAH million**




### 6.3. Public debt settlement

In order for the Fund to make payments of the guaranteed amount of over UAH 90 billion in the crisis years of 2014–2017, the Fund attracted 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 totaled over UAH 20 billion. Government loans (Ministry of Finance of Ukraine) were received in exchange for promissory notes of the Fund in the total amount of UAH 59.56 billion at an interest rate of 9.99% to 12.5% with maturity dates within 2025–2031.

In 2018, the Fund initiated granting it permission to repay its promissory notes, which are owned by the Ministry of Finance of Ukraine, in order to reduce interest costs. Having received permission for early repayment of its promissory notes, the Fund began, as funds accumulate, to gradually repay its debts to the state. In 2020, the Fund's expenditures on debt payments to the state accounted for 13.5% of the Fund's total expenditures.

The Fund spent UAH 1,300.0 million to repay promissory notes and UAH 700.1 million to pay interest on them.

It should be noted that as of December 31, 2020, the Fund paid a total of UAH 17,650.9 million as repayment of its debt obligations to the state, including payment of promissory notes – UAH 11,417.6 million, interest on promissory notes – UAH 6,233.3 million.

At the end of 2020, the outstanding debt to the state consisted of promissory notes in the amount of UAH 48,141.0 million, on which UAH 65,710.5 million of interest will be accrued on the maturity date. According to the Fund's calculations, which were approved by a specially established working group under the Financial Stability Board, the Fund is unable to meet this credit load because the planned future receipts to the Fund are significantly lower than the loan amount and interest. Therefore, in September 2020, the Financial Stability Board approved the Fund's Debt Restructuring Plan, which should be fully implemented in 2021.

### 6.4. Assessment of DGF's financial stability

In accordance with Part 3 of Article 19 of the Law of Ukraine "On Households Deposit Guarantee System" (hereinafter – the Law), the minimum amount of the Fund's funds may not be less than 2.5 percent of the amount guaranteed by the Fund to depositors within the reimbursement amount considering the Fund's member fees to be received during the current quarter.

According to the calculations made in accordance with the Methodology for assessing the financial stability of the Deposit Guarantee Fund, the financial stability of the Fund (FFS) as of January 1, 2021 was 4.85%, which is sufficient in accordance with the law.

The assessment of the forecast financial stability of the Fund for the next (current) twelve months, carried out in accordance with the Methodology for assessing the financial stability 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, in case of realization of such risks, the Fund will have enough own means for independent overcoming of consequences without additional attraction of means from the state.

The status of financial stability of the Fund as of December 31, 2020 and the forecast of its status during the next 12 months are given in Table 6.4.1.

Calculation of the forecast financial stability of the Fund (FFS), UAH m

Table 6.4.1

Information as of the date	Financial stability of the Fund (FFS=FF/DPGF)	Deposit payout guaranteed by the Fund (FDPG)	Funds of the Fund (FF)	Profit/deficit of the Fund (+/-)
<b>31.12.2020</b>	<b>4,8%</b>	<b>353 539</b>	<b>17 135,2</b>	<b>8 296,7</b>
forecast	31.01.2021	354 000	16 997,0	8 147,0
	28.02.2021	359 300	13 373,2	4 390,7
	31.03.2021	366 500	13 348,0	4 185,5
	30.04.2021	373 500	12 128,0	2 790,5
	31.05.2021	381 500	10 988,0	1 450,5
	30.06.2021	387 700	11 218,1	1 525,6
	31.07.2021	395 000	10 249,4	374,4
	31.08.2021	402 500	9 351,1	-711,4
	30.09.2021	410 100	10 019,5	-233,0
	31.10.2021	417 900	9 266,4	-1 181,1
	30.11.2021	425 700	8 510,5	-2 132,0
	31.12.2021	433 800	9 824,4	-1 020,6

## 6.5. DGF's financial investments

In accordance with the functions of the Fund defined by the Law of Ukraine "On Households Deposit Guarantee System", and in order to protect against inflation and replenish funds, the Fund invested temporarily free funds in government securities of Ukraine (hereinafter – IGLBs) on the principles of financial investment security, compliance with the liquidity conditions of the Fund, transparency and efficiency of investment activities.

The funds were invested in accordance with the Investment Plan of the Deposit Guarantee Fund for 2020, approved by the Fund's Administrative Board on December 10, 2019 under #21, as amended by the Fund's Administrative Board dated December 3, 2020 under #15, according to which UAH 11,482 million were invested during the reporting period in IGLBs with a maturity of up to one year, with UAH 2,682.1 million being reinvested due to the fact that in the first half of 2020 there were short-term investments (up to 6 months), which had to be repaid for 2020, so there is an opportunity to reinvest these funds. Thus, in 2020, out of UAH 9,500 million of planned investments, including re-investment, UAH 8,799.8 million was invested, which is 92.6 percent of the volume planned.

The level of IGLBs yield on the stock market during 2020 was volatile from a significant decrease in June-September and a significant increase in October-December. The Fund's financial investments in IGLBs in the first half of the year had a return of 9.53 to 11.28 percent per annum. In the middle of the year there was a decrease to 7.82 percent per annum. At the end of the year, the level of profitability of IGLBs traded on the stock market rose to 10.8–11.6 percent per annum. Figure 6.5.1 shows the dynamics of the return on financial investments of the Fund during 2020.

Fig. 6.5.1. Investment returns in 2020

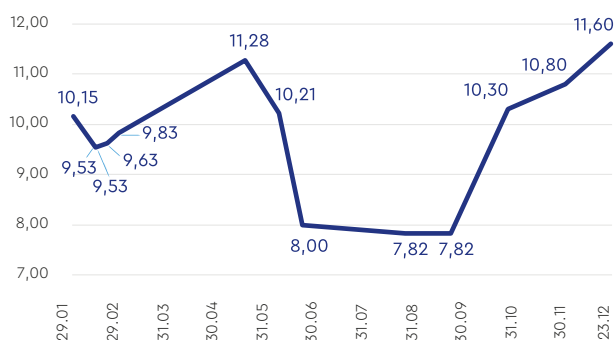
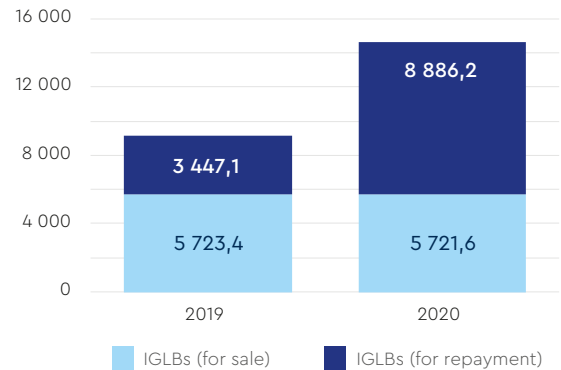


Fig. 6.5.2. DGF investment portfolio in dynamics, UAH million



In total, during 2020, the Fund received UAH 7,136.7 million in revenues from IGLBs investments, namely:

- coupon income – UAH 1,107.9 million;
- repayment of IGLBs – UAH 6,028.8 million.

At the beginning of the year, the book value of the Fund's securities portfolio amounted to UAH 9,170.5 million, of which the value of IGLBs received by the Fund as a loan from the Ministry of Finance of Ukraine in exchange for the Fund's promissory notes is held under a business model aimed at retention of assets to receive cash flows under the agreement and the sale of financial assets amounted to UAH 5,723.4 million, or 62.4 percent. The remaining part of IGLBs, with a book value of UAH 3,447.1 million, or 37.6 percent, was held within the business model aimed at retaining financial assets to obtain contractual cash flows.

At the end of 2020, the total value of the Fund's securities portfolio increased to UAH 14,607.8 million, of which 39.2 percent of the total amount – IGLBs received as a loan from the Ministry of Finance of Ukraine in exchange for the Fund's promissory notes, the value of which is UAH 5,721.6 million. The Fund's financial investments in IGLBs held under the business model, which aims to retain financial assets to obtain contractual cash flows, account for 60.8 percent of the investment portfolio, with a book value of UAH 8,886.2 million. In Figure 6.5.2. the dynamics of the Fund's investment portfolio is given.

The Fund's investment plan for 2020 provided for an amount of UAH 505 million for possible financial investments in bank resolution by creating a transition bank. As banks were not withdrawn from the market in this way in 2020, there was no investment in shares of the transition bank.

The report on the implementation of the Fund's Investment Plan for 2020 is given in Annex 1.



## 7. Public relations and cross-border cooperation

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

In 2020, the situation in the banking sector, as in the country as a whole, developed under the influence of quarantine restrictions introduced in March to prevent the spread of coronavirus COVID-19. In order to prevent a possible outflow of deposits due to the panic of the population, typical of previous crisis periods, one of the main communication tasks of the Fund was to provide the public with comprehensive information on the principles of the deposit guarantee system. The Fund also continued to provide information on the procedure for obtaining guaranteed compensation, bank resolution, settlement of creditors' claims, sale and management of bank assets, as well as litigation and recovery of damages from the bank-related persons. Particular attention was paid to anti-crisis communications, informing the Fund's position on urgent issues related to the liquidation of banks, the market for bad assets, etc.

In 2020, the Fund launched an updated version of its main communication channel – the official website of the Deposit Guarantee Fund on the Internet – [www.fg.gov.ua](http://www.fg.gov.ua). The advantages of the updated site include adaptation to various devices (convenient viewing not only from computers, but also from smartphones), modern design and user-friendly interface. There is also an adaptive version of the site for the visually impaired, which allows you to change the pages of the site to white and black high-contrast themes. The structurally updated site significantly simplifies access to information about the Fund's activities, insolvent banks and the sale of their assets, as well as payments to depositors and settlements with creditors. An individual "card" has been developed for each bank that is managed or withdrawn from the market by the Fund, in which comprehensive information about the institution is collected. In addition, the site has convenient access to documents, photos and videos, infographics. Visitors to the site can also use simplified forms of feedback and submission of applications.

During the year, all information on the Fund's activities and the banks in liquidation, including news, press releases, announcements, statistics and reports, etc. was actively published on the Fund's website. In total, during 2020, the official website of the Fund was visited by more than 325 thousand users (Fig. 7.1.1).

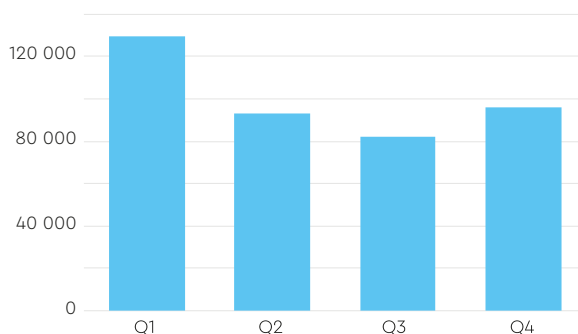
Given the revival of online communications as a result of the introduction of quarantine restrictions, during the reporting year the DGF Facebook page became the second most important communication channel, where the Fund publishes news, comments from the Fund's representatives, including video comments on current issues, clarifications for depositors, creditors and other users. A total of 70 informational videos were prepared to be posted on the Fund's social media pages and YouTube video hosting channel. Animated videos and infographics were also created to visualize the content. To structure information about the Fund's activities and the functioning of the deposit guarantee system, which is published on the Fund's Facebook page, the following sections have been introduced: "I want to know", "World experience", "Quote of the day", "Myths about the Fund", "DIS Terminology".

In 2020, the number of subscribers to the Fund's Facebook page increased 5 times – from 5.5 thousand people to 28 thousand people. During 2020, the Fund's message on the page on social networks was seen by more than 11 million people, while in 2019 – 90 thousand people.

In 2020, an online presentation of the Fund's study, conducted in 2019 with the support of the USAID Financial Sector Transformation Project, on public awareness on the deposit guarantee system and financial sentiment was given. According to the results of the survey, compared to 2017, the portion of respondents who keep more than half of their funds in the bank increased (from 8% to 13%), which indicates a gradual restoration of confidence in the banking sector. At the same time, the number of those who believe that the guaranteed amount should be raised has increased. Thus, in 2017, the portion of respondents who are satisfied with the current level of compensation was 47%, and in 2019 – dropped to 41%.

During 2020, the Fund prepared and sent to news agencies and media representatives about 300 press releases, organized more than 50 thematic interviews for the media, thematic speeches and comments, published 13 thematic columns of the Fund's speakers, provided information materials to journalists to prepare 10 articles published in professional economic media.

Fig. 7.1.1. The DGF website visits in dynamics in 2020





## 7.2. Public advice and cooperation with public organizations

Public consultation is an important mechanism for ensuring the openness, accessibility and transparency of the Fund's operations.

In 2020 the Fund was informing the public by providing comprehensive information support and consulting assistance to citizens on the operation of the deposit guarantee system in Ukraine.

In 2020, the Information and Consulting Center of the Fund (hereinafter – the Center) started its operations. The work of the Center is aimed at proactive communication to protect the rights and interests of depositors and creditors of banks, information support for citizens-consumers of financial services, increasing citizens' knowledge of the deposit guarantee system, providing complete and relevant information on bank resolution procedure and reference assistance.

Not only depositors of insolvent banks, but also persons who intend to participate in open bidding and 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.

Also, in 2020, the issue of deposit insurance payment, including court decisions, the need for clarification on the procedure for repayment of overdue loans to insolvent banks, clarification of information by individuals and legal entities to satisfy creditors' claims were still urgent and important to be addressed.

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 the rights and legally protected interests of depositors in liquidation of insolvent banks and providing explanations and comprehensive assistance in processing documents.

Despite the introduction of quarantine throughout Ukraine in order to prevent the spread of coronavirus COVID-19, the Center provided remote interaction with citizens and continued to perform all functions assigned to it by law.

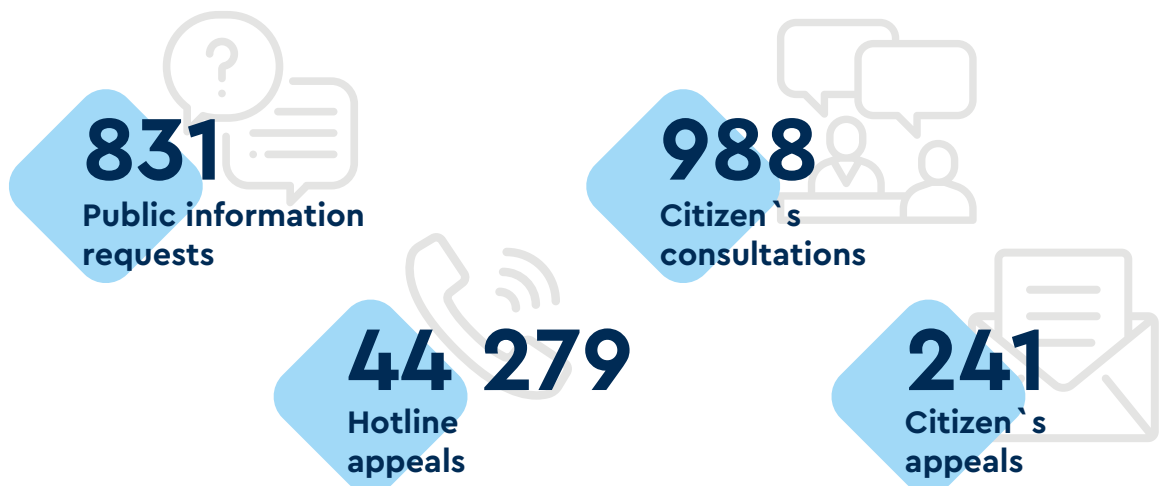
Thus, during 2020, the Information and Consultation Center provided 988 consultations to citizens. In order to ensure citizens' access to public information, the Information Policy Department provided 831 responses to requests for public information managed by the Fund (Fig. 7.2.1.).

The DGF hotline is an accessible and popular communication channel for users, which provides callers with up-to-date, reliable and complete information on the Fund's operations. The total number of explanations and consultations provided by telephone is 44,279. This communication channel is used to promptly provide citizens with information on the activities of insolvent banks and to establish feedback by the Fund with callers, including from appeals to signs of complaints.

Through the Fund's Hotline, depositors receive informational support on the operation of insolvent banks, on the procedure for obtaining a guaranteed amount in the Fund's agent banks, advice on the procedure for repayment of loans from insolvent banks and information on the deposit insurance payout, clarification on the decisions of the Fund and obtaining professional advice on the protection of rights and interests of depositors protected by law.

Employees of the reference (information) service of the Fund made outgoing calls and other information activities within the framework of information campaigns among borrowers of insolvent banks on the need to repay loans and loan restructuring possibilities.

Fig. 7.2.1. Interaction with public in 2020





During 2020, the Fund's employees personally received and advised potential bidders on the sale of assets of liquidated banks, borrowers, on the procedure for restructuring and repayment of loans in insolvent banks, the procedure for selling claims on such loans. In addition, the staff of the Fund's Information and Consulting Center provided applications from potential buyers for non-disclosure of confidential information in order to gain access to the Fund's virtual data room, and provided thorough explanations on how to participate in auctions. In particular, in 2020, 54 applications were received for access to the Fund's virtual data room.

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

In 2020, the Fund continued to work to establish effective interaction between the Fund and representatives of public organizations of bank depositors.

The combined efforts of the public and the Fund are aimed at establishing effective public control over the activities of the Fund's authorized persons, issues of improving legislation and working with persons related to 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, problematic and sensitive for depositors, the sale of insolvent banks' assets through ProZorro.Sales.

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

In 2020, an important area of the Fund's work was to increase the financial literacy of the population and public awareness on the deposit guarantee system, the rights and obligations of consumers of financial services.

The Fund systematically conducted educational activities for schoolchildren, students of higher educational institutions, employees of budgetary institutions, persons registered at employment centers, and entrepreneurs.

In addition, in 2020, the Fund continued its cooperation with the International Technical Assistance Project "Financial Sector Transformation", implemented with the participation of the United States Agency for International Development (USAID).

Together with other partners of the Project, the winners of the Video Competition on "Financial Literacy" among students of higher educational institutions of Ukraine were held and determined. The competition was held as part of the celebration of Global Money Week-2020 in Ukraine.

The work of the National Financial Literacy Project is underway, which is being implemented jointly with partners – the NGO "Business Club "Partner" and the University of Banking. The project will last for three years. The main mission of the Project is to form 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 realization of the rights and freedoms for everyone.

Specialists of the Fund together with representatives of the NGO "Business Club "Partner" conducted a series of trainings on financial literacy to improve the skills of 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, Cherkasy, Ivano-Frankivsk, Kramatorsk, Kherson.

In addition, in September 2020, the Fund's specialists together with representatives of the NGO "Business Club "Partner" took part in the online (non)conference EdCamp Odessa "Financial literacy and entrepreneurship: it can not be ignored".

The circle of strategic partners of the Fund is expanding in the direction of increasing the financial literacy of the population. Thus, the Fund signed a Memorandum of Partnership and Cooperation with the Presidential Commissioner for Children's Rights. As part of the cooperation, methodological materials were developed for a financial literacy training manual for tenth-graders, as well as a series of online trainings for trainers and representatives of the National Children's Council.

During the celebration of World Savings Day, information events were held on social networks, including a special mini-marathon "World Savings Day 2020".

The online event was held as part of the celebration of World Savings Day 2020 with the participation of a representative of the Office of the Presidential Commissioner for Children's Rights. Specialists of the Department of Financial Education of the Information Policy Department gave training lectures on "History of World Savings Day", "History of Ukraine's money", "Savings is your confidence in the future" and "Save ecologically".

The list of online channels of interaction with the target audience has been expanded. Thus, in 2020, the Fund launched a page of the National Financial Literacy Project on Facebook, and a page of the Fund's educational project "Finkult" on the YouTube video hosting service and Telegram channel, which will more effectively attract different target audiences.



## Protection of depositors' rights

In accordance with the strategic objectives of the financial sector until 2025, one of the most important tasks for the Fund is to ensure financial stability and restore confidence in the banking system, protect the interests of depositors and creditors, perform tasks to identify, correct and prevent violations of depositors' rights and interests, control over the observance by banks of the requirements established by the Fund.

According to the results of a nationwide survey among Ukrainian consumers of financial services on their awareness of the deposit guarantee system, the availability of guarantees of the Fund is a key factor for a consumer to choose a bank to open an account (57% of respondents). That is, the consumer confidence of the financial services in the additional protection and security of their funds is one of the main factors for storing funds in the bank. Thus, the level of consumer awareness of the deposit guarantee system directly affects the restoration of confidence in the banking sector and the Fund. Moreover, it is the banks that consumers prefer as the most reliable source of information about banking services (50%).

In connection with the above, the Department of Depositors' Rights has developed a Program of measures aimed at protecting the rights of depositors, the main expected results of which will be:

- increasing the confidence of depositors in the Fund (perception of the Fund as a guarantor and defender);
- receiving complete and transparent information by investors to make an informed decision;
- investors' understanding of their rights;
- standardization and optimization of requirements for banks;
- a quality system of interaction and communication with banks has been established.

The implementation of the above measures will reduce risks for depositors in terms of obtaining untimely and inaccurate information about the deposit guarantee system, regulate communication with participating banks, improve the Fund's work to protect depositors' rights with participating banks and strengthen financial services consumer's confidence for the Fund and strengthen the role of the Fund as a reliable partner in the implementation of investor protection functions.

During the reporting period, the Fund has already implemented the following measures.

In order to improve the Fund's control system over the implementation by the Fund's member banks of measures to protect the rights and legally protected interests of depositors, to simplify paperwork when concluding agreements with depositors, a draft amendment to the Instruction on the Fund's procedure of protecting rights and law-protected interests of depositors, approved by the decision of the Executive Directorate of the Fund of May 26, 2016 under #825 (hereinafter – the Instruction).

The changes were due to the need to simplify the procedure for publishing information and documents on the bank's website, optimizing the work of banks to get bank customers to be aware of the guarantee system, the need to clarify the Fund's control over the Fund's measures to protect the rights and interests of depositors and fulfil Ukraine's obligations in the area of European integration. The decision of the Executive Directorate of the Fund dated July 23, 2020 under #1399 approved the Amendments to the Instruction, which were registered with the Ministry of Justice of Ukraine on August 11, 2020 under # 773/35056, and entered into force on August 26, 2020.

Requirements and materials for the creation of a separate section on the Fund's website and on the official website of the Fund, which was put into commercial operation on August 13, 2020, were also developed, the section "Protection of depositors' rights" was created.

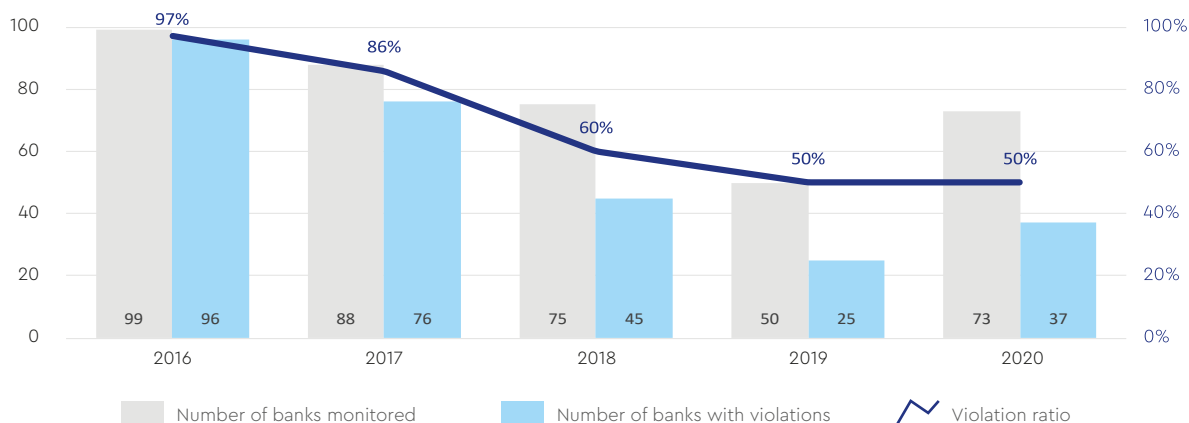
One of the tasks of the Fund is also to ensure compliance by the Fund's member banks with the requirements for the content of bank deposit agreements, bank account agreements on issues related to the functioning of the deposit guarantee system, requirements for disclosure of information to depositors on attracting loans, as well as ensuring compliance by the Fund's agent banks with the rights of depositors when paying guaranteed amounts of compensation. One of the emphases is the control over 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 73 member banks of the Fund for the first and second half of 2020 for compliance with the requirements of the Instruction. Based on the results of the monitoring, letters were sent to banks that violated the Instruction, feedback was received from banks and control was introduced to remove violations in the field of guaranteeing deposits.

The latest monitoring showed that the number of violations has almost halved – from 97% of the total number of banks supervised in 2016 to 50% in 2020. Thus, during 2020, no violations were detected in 36 banks (almost 50% of all banks). In particular, there are no comments on such criteria as the presence of a separate section with information about the guarantee system and a link on the main page of the bank's website; availability of a copy of the certificate of the member bank of the Fund; availability of information on the guaranteed amount and most importantly – the availability of the price of banking services.

Due to the constant control by the Fund, there is a positive dynamics of the level of compliance with the requirements for disclosure of information on the guarantee system by the Fund's member banks for 2016–2020 (Fig. 7.3.1.).

Fig. 7.3.1. Banks meeting the Fund's requirements on the guarantee system information disclosure



At the same time, the Fund prevents the violation of depositors' rights by constantly monitoring banking products and information on websites related to the provision of financial services. From the experience of previous years, the Fund has repeatedly revealed the facts of the introduction of risky products by banks 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 associated risks and legal consequences. Based on the results of the analysis, appropriate work is carried out with banks and conclusions and proposals are provided on banking products that do not take into account the conditions of deposit guarantee and create a risk for depositors to lose their right to receive a guaranteed amount of compensation.

In addition, in the reporting year, the Fund, during regular monitoring of information on websites related to the provision of financial services, identified risks that could lead to financial losses for consumers of financial services. For example, one such company developed an online platform that offered consumers to earn 23% per annum in hryvnia on an online MFI by making a "deposit" on certain terms. At the same time, in advertising and description of this service the terms "deposit" and "depositor" were manipulated, despite the fact that the service is not a deposit, but a loan of one individual to another individual (P2P-lending). This leads to a violation of the rights of consumers of financial services, namely: the right to necessary, accessible and reliable information on obtaining financial services (determination of the parties, the subject of the contract, terms of payment, liability and guarantee). In addition, forums and feedback from consumers who used P2P lending on other online platforms were processed, and the following conclusions were made: consumers who acted as investors do not receive reliable and complete information about the service and risks; lack of call centers that would provide advice; loss of investors from 30–95% of own funds. The Fund informed the Department of Consumer Protection of Financial Services of the NBU about the risks identified by the Fund of violating the rights of depositors provided they use the services of such a company to implement joint measures of the Fund and the NBU to protect the rights of consumers of financial services (depositors) and take necessary measures.

The COVID-19 pandemic has been a driving force for financial service providers to focus on creating new digital services and promoting them through online channels. Such services attract attention with their ease of use and/or high profitability, however, they are quite risky for the consumer. In order to minimize risks for depositors/potential investors, the Fund intensifies monitoring of such proposals. Thus, a significant amount of materials on e-wallets and e-funds (regulations, websites of service providers, websites of e-money issuing banks) was analyzed, on the basis of which information materials were prepared for placement on social networks.

Also, the analysis of information portals and forums of consumers of financial services revealed problematic issues that required clarification by professional participants in the financial system. The Fund provides methodological recommendations for depositors on the mechanisms for out-of-court settlement of disputes arising during the conclusion/validity of agreements with banks, and "Crib for depositors". Such initiatives have been implemented through the creation of separate tabs on the Fund's website and promotion on social networks. In addition, materials were prepared for the Fund's section on the social network Facebook on non-guaranteed deposits, namely: on deposits on individual terms (paragraph 7 of Part 4 of Article 26 of the Law), on deposits used as collateral for the loan (paragraph 8 of Part 4 of Article 26 of the Law), on deposits placed on the account in the bank by a person who provided the bank with professional services as an auditor, appraiser (paragraph 5 of Part 4 of Article 26 of the Law). Also, rubrics with heading "Deposits that are not to be guaranteed" were created on the Fund's Facebook page.

In the framework of cooperation between the Fund and the NBU, there is active participation in seminars and working groups on the preparation of the National Strategy for Financial Inclusion in Ukraine on the following topics: "Financial Products", "CFP Products and Providers", "Protection of Financial Consumers", while providing a number of proposals regarding the need to change the characteristics of products; creation of uniform standards of deposit agreements; the need for regulations on fintech projects – mobile applications (banks without branches, neo-banks) and the establishment of individual interest rates by banks.

## 7.4. Cross-border cooperation

The Fund, as a permanent member of the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI), actively participated in the work of these organizations in the reporting year. In addition, during the reporting period, the Fund actively cooperated with international financial and donor organizations – the World Bank, the International Monetary Fund, the United States Agency for International Development (USAID), the European Bank for Reconstruction and Development, the US Treasury Department.

Despite the introduction of quarantine in March 2020 throughout Ukraine, in order to prevent the spread of COVID-19, the Deposit Guarantee Fund continued to perform all the functions assigned to it by law. For this purpose, remote work of the Fund's staff was provided, and international cooperation was translated into an online format.

In 2020, the Fund continued to chair the IADI Eurasian Regional Committee (IADI EARC). Thus, on November 26, 2020, the regular annual meeting of the IADI EARC was held online, the main objectives of which were to exchange experiences in counteracting the crisis related to the pandemic and to determine the further direction of the Eurasian Committee. The main focus of the discussion was made by EARC members on how organizations operate in a pandemic and what measures are being taken to protect the financial system from the crisis that has arisen as a result of quarantine restrictions.

The Deposit Guarantee Fund chaired the IADI Eurasian Committee for two years. In 2020, the term of the presidency came to an end and a new Chairman of the Committee was elected, Valery Telipko, the director of the Belarusian Deposit Reimbursement Agency.

In 2020, the Fund represented Ukraine at the IADI General Meeting and the EFDI Annual Meeting held online in November and June 2020, respectively.

On a regular basis, the Fund carried out a quarterly update of the report on significant news in the activities for the IADI European Committee, and completed a large-scale annual IADI survey on the operation of deposit guarantee schemes.

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.

We also collaborated on an ongoing basis with the US Treasury Department's Technical Assistance Division to provide expert advice on various aspects of the process of removing insolvent banks from the market and dealing with distressed assets.

In addition, the European Bank for Reconstruction and Development's "Assistance in Debt Restructuring and Compliance with EU Secondary Legislation" project, selected by an international consortium of leading consulting companies, continued its work. The project is to provide assistance to the Fund, in particular, in such areas as debt restructuring of the Deposit Guarantee Fund to the Ministry of Finance of Ukraine and implementation of the Fund's requirements of European Parliament directives on systems for guaranteeing and resolving insolvency of banking institutions.

In order to build an effective deposit guarantee and bank settlement system, Ukraine seeks to implement international standards and takes into account the best practices gained by different countries in this area. Implementation of the provisions of basic international documents will help to better protect investors, more effectively address the problems of insolvent financial institutions.

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

## 8. Legal and regulatory environment

### 8.1. Improving legislative framework and regulatory operations

The main event of 2020 in the field of improving the legal framework of the Fund was the adoption on May 13, 2020 of the Law "On Amendments to Certain Legislative Acts of Ukraine to Improve Certain Mechanisms for Banking Regulation" under #590-IX. This law introduces, among other things, updated mechanisms for bank resolution, which are aimed at improving the liquidation procedure and meeting the requirements of as many creditors of liquidated banks as possible, improving mechanisms for possible state participation in the bank resolution, as well as a set of rules in cases of bank resolution. This step will contribute to the reliability and stability of the banking system, restoring confidence in it by depositors and creditors.

In order to continue developing the direction of restoring depositors' confidence in the banking system of Ukraine, the Fund continued to take measures in 2020 to identify persons who proved or were involved in the bankruptcy of banks being resolved, as well as to improve judicial and out-of-court settlement mechanisms of damage (loss) recoveries from such persons and meet the requirements of as many depositors and creditors of such banks as possible. To this end, the Fund, in cooperation with other government agencies, continued to work on improving legislation.

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

- Draft Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning the Improvement of Bank Resolution Mechanisms and Settlement of Creditors' Claims of These Banks" (reg. number 4546, filing date: December 24, 2020).
- - Draft Law of Ukraine "On Amendments to Article 128 of the Criminal Procedure Code of Ukraine Concerning the Peculiarities of Acquisition of the Status of a Civil Plaintiff by the Deposit Guarantee Fund " (reg. number 4547, filing date: December 24, 2020).

These legislative initiatives have been supported by and are currently being improved with the participation of the International Monetary Fund.

In addition, the Fund in the framework of the Memorandum on Economic and Financial Policy approved by the Board of Directors of the International Monetary Fund on June 9, 2020, containing measures and conditions implemented and planned to implement and adhere to the Government of Ukraine and the National Bank of Ukraine during the 2020–2021 program, as well as specific steps required to successfully pass the reviews and receive the next tranches of the program (hereinafter – the Memorandum), with the participation of the International Monetary Fund and the National Bank of Ukraine are taking measures to determine the mechanism of debt restructuring to the state, and, as a consequence, an increase in the amount of refunds on deposits, and the entry of JSC "Oschadbank" state savings bank in the deposit guarantee system, which will also help restore the confidence of depositors and creditors in the financial system of Ukraine.

Pursuant to Article 14 of the Law of Ukraine "On principles of state regulatory policy in the sphere of economic activity" during 2020 in the framework of regulations of the deposit guarantee system and bank resolution, the Deposit Guarantee Fund adopted and posted **8 regulatory acts** on the official website of the Fund in order to organize public consultations, namely:

1. Draft decision of the Executive Directorate of the Deposit Guarantee Fund "On approving amendments to the regulations on personal reception of citizens in the Deposit Guarantee Fund". Date of posting on the website: December 28, 2020.
2. Draft decision of the Executive Directorate of the Deposit Guarantee Fund "On approving amendments to the regulations on the procedure for maintaining the member register of the Deposit Guarantee Fund". Date of posting on the website: December 14, 2020.
3. Decision of the Executive Directorate of the Deposit Guarantee Fund of November 17, 2020 under #1967 "On approving amendments to the regulations on the procedure for imposing administrative fines by the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on December 30, 2020 under #1326/35609. Date of posting on the website: October 1, 2020.
4. Draft decision of the Executive Directorate of the Deposit Guarantee "On approving the regulations on banks classified as insolvent implementating the requirements of legislation in the field of preventing and combating legalization (laundering) of proceeds from crime, terrorist financing and proliferation, the procedure for the Deposit Guarantee Fund to supervise (control) these banks in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction and the procedure for providing and reviewing reports of violations of legislation in this area». Date of posting on the website: June 17, 2020.
5. Decision of the Executive Directorate of the Deposit Guarantee Fund of July 23, 2020 under #1399 "On approving amendments to the instruction 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 August 11, 2020 under #773/35056. Date of posting on the website: June 16, 2020.
6. Draft decision of the Executive Directorate of the Deposit Guarantee Fund of June 18, 2020 #1159 "On approving the amendments to the regulations on the procedure for inspections of the Deposit Guarantee Fund's members", registered with the Ministry of Justice of Ukraine on August 7, 2020 under #756/35039. Date of posting on the website: April 27, 2020.
7. Draft decision of the Executive Directorate of the Deposit Guarantee Fund of March 31, 2020 under #696 "On amendments to the Rules for the formation and maintenance of depositors databases", registered with the Ministry of Justice of Ukraine on April 16, 2020 under # 351/34634. Date of posting on the website: February 7, 2020.
8. Draft decision of the Executive Board of the Deposit Guarantee Fund of June 18, 2020 under #1158 "On approving the Rules for reporting to the Deposit Guarantee Fund and invalidation of decisions of the Executive Directorate of the Deposit Guarantee Fund of July 09, 2012 under #4 and 5", registered with the Ministry of Justice of Ukraine on August 31, 2020 under #831/35114. Date of posting on the website: February 5, 2020.

In addition, in order to improve the legal framework of the Fund, **18 regulations** were adopted, namely:

1. Decision of the Executive Directorate of the Deposit Guarantee Fund of January 9, 2020 under #35 "On amendments to the Regulations on the procedure for Determining Agent Banks of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on February 27, 2020 under # 212/34495.
2. - Decision of the Executive Directorate of the Deposit Guarantee Fund of January 23, 2020 under #148 "On approving amendments to certain Regulations of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on February 18, 2020 under #181/34464.
3. - Decision of the Executive Directorate of the Deposit Guarantee Fund of January 23, 2020 under #149 "On approving amendments to the Regulations on an insolvent bank resolution", registered with the Ministry of Justice of Ukraine on March 5, 2020 under # 239/34522.
4. - Decision of the Executive Directorate of the Deposit Guarantee Fund of January 23, 2020 under #150 "On amendments to the Appendix to the Instruction on protection of rights and legally protected interests of depositors", registered with the Ministry of Justice of Ukraine on March 11, 2020 under # 259/34542.
5. - Decision of the Executive Directorate of the Deposit Guarantee Fund of January 23, 2020 under #151 "On approving amendments to the Regulations on the deposit reimbursement by the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on February 11, 2020 under #158/3444.
6. - Decision of the Executive Board of the Deposit Guarantee Fund of March 2, 2020 under #495 "On approving amendments to certain Regulations of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on March 11, 2020 under #253/34536.
7. - Decision of the Executive Directorate of the Deposit Guarantee Fund of March 12, 2020 under #575 "On approving amendments to the Rules of access and in-facility regimes in the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on March 30, 2020 under #317/34600 .
8. - Decision of the Executive Directorate of the Deposit Guarantee Fund of March 23, 2020 under #652 "On approving amendments to the Regulations on insolvent bank resolution", registered with the Ministry of Justice of Ukraine on April 24, 2020 under #376/34659.
9. - Decision of the Executive Directorate of the Deposit Guarantee Fund of April 2, 2020 under #727 "On amendments to the Regulations on the procedure for implementing and calculating the expenses of the Deposit Guarantee Fund for the maintenance and sale of pledged property" under #366/34649.
10. - Decision of the Executive Directorate of the Deposit Guarantee Fund of April 23, 2020 under #842 "On Amendments to p. 1.2 of Chapter 1 of Section VI of the Regulations on insolvent bank resolution", registered with the Ministry of Justice of Ukraine on May 08, 2020 under #423/34706.
11. - Decision of the Executive Directorate of the Deposit Guarantee Fund of July 9, 2020 under #1312 "On approving amendments to the Regulations on the procedure for compiling and maintaining the register of accepted creditors 'claims and satisfying creditors' claims of banks under liquidation", registered with the Ministry of Justice of Ukraine on August 31, 2020 under # 829/35112.
12. - Decision of the Executive Directorate of the Deposit Guarantee Fund of September 21, 2020 under #1715 "On approving the Regulations on the procedure for creating, registering shares, issuing a banking license to a transitional bank", registered with the Ministry of Justice of Ukraine on January 06, 2021 under #19/35641.
13. - Decision of the Executive Directorate of the Deposit Guarantee Fund of November 3, 2020 under #1912 "On recognizing as invalid the decision of the Executive Directorate of the Deposit Guarantee Fund of August 20, 2013 under #26 "On approving the Regulations on the procedure for creation, registration of the issue shares, issuance of a banking license to a transitional bank", registered with the Ministry of Justice of Ukraine on September 11, 2013 under #1568/24100 (as amended)", registered with the Ministry of Justice of Ukraine on January 06, 2021 under #20/35642.
14. - Decision of the Executive Directorate of the Deposit Guarantee Fund of November 17, 2020 under #1965 "On amendments to the Regulations on the procedure for calculation, accrual and payment of fees to the Deposit Guarantee Fund and Methodology for assessing the financial stability of the Deposit Guarantee Fund", registered with Ministry of Justice of Ukraine on December 30 under #1328/35611.
15. - Decision of the Executive Directorate of the Deposit Guarantee Fund of November 17, 2020 under #1966 "On approving the Regulations on the procedure for delegating by the managing director of the Deposit Guarantee Fund of some of his/her powers to other employees of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine 2021 under #18/35640.
16. - Decision of the Executive Directorate of the Deposit Guarantee Fund of November 30, 2020 under #2031 "On approving amendments to the Regulations on the procedure for restructuring retail loan debt (except for individuals-entrepreneurs) under loan agreements secured by mortgages, to the banks, the liquidation procedure of which is carried out by the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on December 18, 2020 under #1262/35545.
17. - Decision of the Executive Directorate of the Deposit Guarantee Fund of December 7, 2020 under #2056 "On a pilot project for leasing real estate of the bank, the liquidation procedure of which is carried out by the Deposit Guarantee Fund through open bidding (auctions)", registered with the Ministry of Justice of Ukraine on January 28, 2021 under #108/35730.
18. - Decision of the Executive Directorate of the Deposit Guarantee Fund of December 24, 2020 under #2155 "On amendments to section VII of the Regulations on the organization of assets (property) sale of the banks under liquidation", registered with the Ministry of Justice of Ukraine on January 20, 2021 under #87/35709.



## Strategy for Ukrainian Financial Sector Development until 2025

In pursuance of the Memorandum of Understanding and Cooperation between the National Bank of Ukraine, the National Securities and Stock Market Commission, the National Commission for State Regulation of Financial Services Markets, the Deposit Guarantee Fund and the Ministry of Finance of Ukraine on preparation and implementation of strategy for financial sector development in Ukraine until 2025, concluded in Kyiv on May 28, 2019, by the decision of the Executive Directorate of the Fund dated January 13, 2020 under #67, the Strategy for Ukrainian Financial Sector Development until 2025 was approved (hereinafter – Strategy 2025).

In order to ensure the implementation of the measures set out in the Roadmap for the Strategy 2025, the Fund initiated a working group, which launched a number of projects, including credit unions and life insurance companies to acquire the status of a Fund member, preparatory activities for JSC Oschadbank entrance into the deposit guarantee system, ensuring the financial stability of the Fund.

### 8.2. Corporate Strategy of the Deposit Guarantee Fund until 2022

In order to build the institutional capacity of the Fund and taking into account the areas set by the Strategy 2025, in 2020 the Fund developed a Strategy for the Fund's development until 2022, according to which the strategic development priorities were determined:

1. Ensuring the financial stability of the Fund by changing the terms of financial planning of the Fund, settlement of the Fund's debt and development of the Fund's risk management system;
2. Minimization of future expenses of the Fund through proper cooperation of financial stability institutions, comprehensive implementation of EU legislation, application of the bank resolution procedure directly by the Fund and human resources management;
3. Increasing the satisfaction of creditors' claims by implementing an effective mechanism for recovering damages, improving the methodology of working with assets, minimizing the current costs of the Fund and selling of assets in the shortest possible time;
4. Increasing the confidence of depositors by reducing the deadlines for guaranteed amount payment, increasing the level of access of consumers of financial services to information about the deposit guarantee system and current issues of the Fund, awareness and financial literacy of society, as well as building a guarantee system for new participants.
5. Digitalization of business processes through the introduction of a business process management system of the Fund and banks under resolution (BPM system) and creation of the Fund's WEB-portal for clients (Corporate portal site).

Since an effectively functioning deposit guarantee system and the regulation authority for insolvent credit institutions is an integral part of the country's financial stability system, the Fund is obliged to ensure the level of development of both the deposit guarantee system and the institution of credit insolvency in response to external challenges. transformation of the Fund's mandate. To this end, the strategy provides:

1. Full acquisition by the Fund of the "risk minimizer" mandate for the deposit insurance system.
2. Expansion of the Fund's mandate in terms of creating a guarantee system:
  - for deposits of members of credit unions;
  - under the obligations of insurance companies to policyholders under savings life insurance contracts.
3. Improving the internal organizational processes of the Fund by transforming its mandate from a cost minimizer ("loss minimizer") to a "risk minimizer".

The implementation of the Strategy envisages measures to develop the deposit guarantee system as a whole, protect the rights of the depositors, change the Fund's mandate and institutional development of the Fund, as well as maximize the digitalization of its functionality. In addition, in order to implement the strategy, the Fund will cooperate with international organizations, Ukrainian organizations in related fields, as well as attract international technical assistance.

## 9. Risk management and business operations

### 9.1. Risk management

In accordance with the requirements of Directive 2014/49/EU and international standards ISO 31000, in 2020 the development of an effective and modern risk management system in the Fund, which corresponds to the best practices in the field of deposit insurance, was continued. An independent subdivision was created – the Risk Management Service and a collegial body, the Committee of the Deposit Guarantee Fund for Risk Management, which allows structured and professional integration of risk management into the management system of the Fund.

Taking into account the world experience and recommendations of KPMG-Ukraine LLC, a risk management system with three lines of protection has been created:

1. at the level of structural units – risk owners, which includes management of risks that arise in the activities of these units. In order to consolidate the responsibility for risk management in each structural unit, risk controllers have been identified in order to involve the Fund's employees in daily continuous risk control;
2. at the level of the Fund, which includes the management of risks arising in the activities of the Fund, the risk management service, the Fund's Risk Management Committee, the Managing Director and the Executive Directorate of the Fund;
3. at the level of the internal audit service through an independent assessment of the adequacy, effectiveness and reliability of the risk management system at the level of structural units of the Fund and the Fund as a whole..

The internal regulatory document of the Fund (Regulations on the Risk Management System of the Deposit Guarantee Fund) approved the following groups and subtypes of risks, which are managed by the Fund::

- **insurance risks:** macroeconomic and sectoral risks in the economy; moral hazard; the risk of banks being declared insolvent; the risk of timely bank resolution; liquidation cost risk; the risk of a significant reduction in funds; currency risk;
- **other financial risks:** liquidity risk; credit risk when investing in assets; the risk of non-repayment of bank debt; market risk of asset impairment; risk of concentration;
- **operational risks:** legal risk; information and technological risks; risk of failure to ensure continuous operating activities; risk of violation of requirements and imperfection of processes; risk of internal fraud; risk of external fraud; risk of damage to own assets; risk of personnel policy and labor safety; risk of having the infrastructure necessary to perform its functions;
- **compliance risks:** risk of low financial literacy of the population; risk of declining confidence in the deposit guarantee system; risks of reputational losses; risk of absence/insufficiency of the Fund's authority to manage its insurance risks; risk of other imperfections in the legislation;

risk of non-compliance with the norms and standards of the Fund as a whole and/or its individual employees; collection risk; risk of conflict of interest; risk of non-compliance by employees of the Fund with ethical norms (including professionalism); risk of information disclosure (including information with limited access, personal data, secrecy of financial monitoring, etc.).

One of the most important tasks in the risk management system of the Fund is risk identification.

Identification of insurance and other financial risks is carried out in accordance with the approved methods of identification of these risks by conducting appropriate calculations.

Identification of operational risks and compliance risks is carried out by identifying structural units of risk events (events that characterize the implementation of risk) and including them in the database of operational and compliance risk events. The event database operates in the form of specially developed software that allows you to automate the process of collecting and analyzing data on risk events, perform quantitative and qualitative risk assessment, provide continuous monitoring of risks in the Fund and prompt response to its implementation based on key risk indicators. During the reporting year, appropriate trainings were conducted for employees of structural units to work with the Event Database.

The identification of operational risks is additionally carried out through the procedure of self-assessment of operational risks (Risk Self Assessments) of the most important processes of the Fund. For this end, every year the Executive Directorate determines the processes of the Fund, which shall be self-assessed. As part of the operational risk self-assessment, the working groups established for each process analyze the relevant processes, taking into account information on possible threats and vulnerabilities, and assess the risks of the Fund's processes. In 2020, a self-assessment of the following most important processes of the Fund was conducted: the process of selling assets (property) of liquidated banks; the process of managing the assets (property) of liquidated banks, including the process of litigation and enforcement proceedings of insolvent banks; the process of deposit compensation payouts in insolvent banks and payments to insolvent banks' creditors; the budgeting process of insolvent banks; the process of judicial work and enforcement proceedings of the Fund.



The results of risk identification with determination of materiality (assessment) of risks in the form of reports together with the developed action plans for risk minimization are submitted quarterly to the Fund's Risk Management Committee and the Fund's Executive Directorate. Based on the results of the approved reports and action plans, the implementation of the approved measures is monitored and the effectiveness of the measures taken to minimize risks is determined by monitoring the risks. If, after the implementation of these measures, the risk assessment has not decreased or increased, such measures are considered ineffective and shall be reviewed.

As part of the development of the Fund's risk management culture, information and training events were organized and conducted for risk controllers, heads of divisions and members of the Fund's Executive Directorate with the participation of consultants-auditors of KPMG-Ukraine LLC. An annual test of the Fund's employees was also conducted, one of the topics of which was "Fund Risk Management".

The evaluation of the effectiveness of the risk management system is carried out at least once a year by the internal audit service, the results of which are brought to the notice of the Fund's Administrative Board.

## 9.2. Personnel management

During 2020, one of the priorities in the direction of 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 operation. In 2020, the focus of the HR role changed and the HR department became a "change agent".

Due to the introduction of quarantine, the Fund, like most other institutions and organizations in the country, faced the need to organize on-site and distance work for its employees. A new challenge for the Fund was the gradual provision of safe work both in the office and outside of it. Since the beginning of the COVID-19 pandemic, the following have been done:

- remote form of work of the Fund's employees was introduced. That is why a number of normative documents have been developed that have allowed to regulate the implementation of labor relations within the framework of the legislation;
- additional partial corporate delivery of employees to work and home was organized;
- informational activities for employees on the state of morbidity at COVID-19, recommendations of the Ministry of Health of Ukraine by sending letters to e-mail addresses of employees;
- the schedule and form of organization of work in the Fund were changed. Corporate events were introduced, which provided for the participation of a significant

number of participants (meetings, committee meetings, conferences, etc.) through video calls using various modern IT resources;

- the optimal number of employees working at the Fund's premises was planned and COVID-19 testing of the Fund's employees was organized, the form of work of which envisages staying in the Fund's premises, thus ensuring safety at the workplace;
- procedures have been developed that allow drawing up, approving and signing draft documents in remote access (report cards, letters, orders, internal documents, etc.).

Despite the objective difficulties and challenges faced by the institution in 2020, the Fund continued the process of optimizing the structure and staffing in general, which began in 2019.

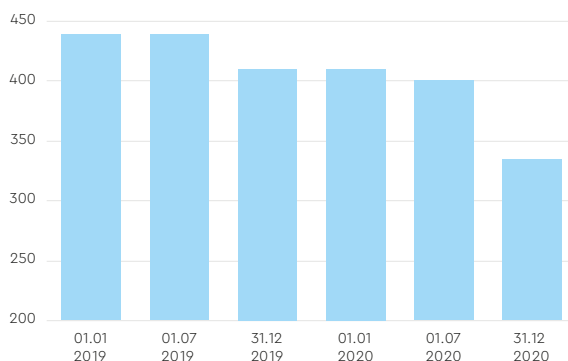
As of December 31, 2020, the staff of the Fund was 334, which is 18.3% less than at the beginning of 2020. The dynamics of staff reduction is shown in Figure 9.2.1.

In order to optimize the provision of the Fund's processes, the Fund's structure was amended several times during the year, depending on urgent external and internal factors. Thus, as of December 31, 2020, the structure of the Fund consisted of 27 independent structural units, including: 6 departments, 5 departments, 5 services, 9 departments, etc., which is smaller compared to last year.

The Fund paid attention to the performance of functions within the competence defined by the legislation of Ukraine, in the presence of objective risks, maintaining the efficiency of processes, conserving the Fund's resources, ensuring the continuity of the unit, compliance with legislation and internal regulations, which is an integral part of management system risks in the Fund.

In order to ensure the minimization of risks, the Fund in 2020 has developed: Personnel policy of the Fund; Draft Methodology of personnel policy risk management; Algorithm of actions of the head of the structural unit in case of non-compliance by the employee with the rules of internal labor regulations; Methodical recommendations on the organization of the test for employment in the Fund; Methodical recommendations on the interaction of structural subdivisions of the Deposit Guarantee Fund when the Deposit Guarantee Fund is involved in the work of bank employees, the liquidation procedure of which is carried out by the Fund; Regulations on DGF's Personnel development.

Fig. 9.2.1. Staff reduction in dynamics, 2019-2020





In order to improve the procedure of annual staff appraisal to improve objectivity, amendments were made to the Regulations on the procedure for evaluating the performance of employees of the Deposit Guarantee Fund, which were successfully implemented in conjunction with colleagues from the Department of Information Technology, automated and successful.

An integral part of the Fund's personnel policy is training and development of professional skills of staff. To this end, both internal corporate training was provided during the year, and employees participated in various online seminars, round tables, conferences, and trainings organized by specialized training centers.

During 2020, the Fund organized 31 training events, including:

1. workshop "Practical aspects of filling out declarations" on the prevention of corruption – for all employees of the Fund, including the Fund's senior management;
2. strategic session for 29 heads of independent structural subdivisions;
3. trainings for risk controllers and participants of three lines of control over the Fund's risk management system;
4. other events attended by 26 managers and 60 employees of the Fund.

### 9.3. Internal audit

During 2020, in accordance with the audit plan, 14 audits were conducted in the main areas of activity of the structural units of the Deposit Guarantee Fund of individuals, including:

- financial and investment operations of the Fund;
- making payments to depositors;
- verification of compliance with bank resolution procedures;
- verification of control over the fulfillment of banks' obligations in connection with their participation in the households deposit guarantee system;
- verification of procedures for information assets safekeeping.

### 9.4. Information technology

In 2020, the Fund continued to improve and optimize its IT infrastructure in accordance with the recommendations of KPMG and strategic directions of IT development to ensure the business processes of the deposit guarantee system and bank resolution.

The main tasks of the IT Fund in accordance with the main goals and objectives of the Fund are:

- ensuring the reliability of the Fund's IT systems;
- reliable storage and quality of information (data), especially data that are in the information systems of insolvent banks, which in turn are managed by the Fund, or already migrated to the IT infrastructure of the Fund;

In 2020, the main focus of the Fund's management remained on constant care for the health, safety of employees and minimization of disease risks. The Fund demonstrated, first to internal and then to external stakeholders, a worthy test of quarantine restrictions and maintained attractive offers for cooperation, ensuring their loyalty in the future.

Today, in an era of rapid change, digitalization and unpredictability, human relations and communications have become the most sought after value.

In 2020, in order to effectively communicate with banks liquidated by the Fund and ensure the liquidation procedures of banks directly carried out by the Fund, ongoing work was carried out to coordinate the approval of draft structures, staffing, individual salary levels and candidates for heads of key insolvent units of insolvent banks. Responses to constant inquiries and appeals of former employees of banks and authorities were provided.

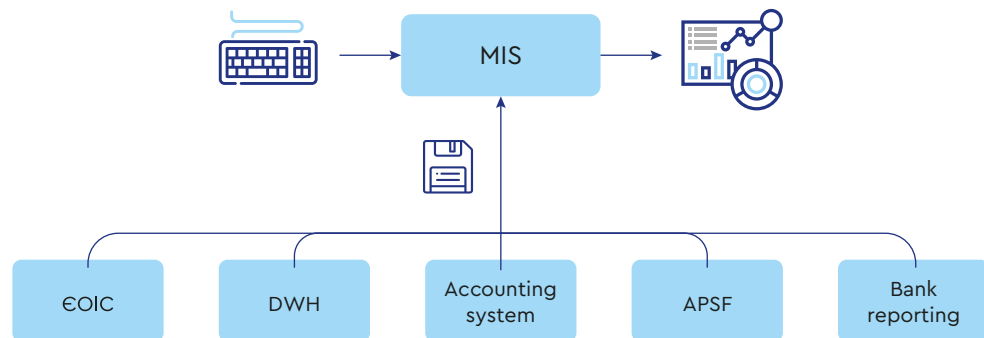
The Internal Audit Service, focusing on international standards and best practices of internal audit, evaluated the internal control system. The effectiveness of risk management inherent in the audited area of activity was audited, and recommendations were made to improve the existing internal control procedures.

Reports on the conducted inspections with conclusions and proposals were submitted for acquaintance to the management of the Fund, heads of the inspected structural divisions, and also for the approval by the Fund's Administrative Board.

- ensuring the security of data and IT systems, which primarily involves ensuring the impossibility of unauthorized data manipulation.

As part of the improvement of the IT infrastructure and centralization, in 2020 the Fund successfully implemented a project to implement the Fund's Data Analysis and Analytical Reporting System (MIS) (Fig. 9.4.1.).

Fig. 9.4.1. Data analysis and analytical reporting system (MIS) in the scheme with systems being original information sources



Implementation of the Data Analysis and Analytical Reporting System provided an opportunity to:

- centralized construction of management reporting of the Fund, ensuring the timely provision of information of the required level of detail on the key processes of the Fund in order to further make management and strategic decisions;
- organization of a single platform for each user to quickly obtain the data necessary for the formation and receipt of reports from various corporate and external sources of the Fund;
- users of this System of flexible data analysis, filtering, sorting, grouping and calculation of indicators by any analytical section and time interval;
- construction of anchor reports, reports on finances, liquidity management, results of sale of assets for the reporting periods;
- construction of forecast indicators for the following periods and calculation of efficiency indicators;
- reveal detailed information as a whole and for each insolvent bank separately;
- implement data storage on key functions of the Fund;
- implement automated ETL procedures for collecting, processing and downloading the necessary data on a regular basis.

In order to centralize the processes of bank resolution (including keeping the information of such banks) and optimize the costs of such banks, the Fund in 2020 took measures to migrate data and transfer banks on a centralized basis to the following systems:

- The Unified Operational Information System of Insolvent Banks (hereinafter – UOIS) on the basis of the Fund is a consolidated software package containing data from ODB/ABS and other information systems of insolvent banks and is designed to ensure the operational activities of such banks:
- software package for working with insolvent banks (data warehouse, DWH), which provides centralized processes of preparation and sale of IB (insolvent banks) assets, claims work on IB assets, maintaining agreements and the register of NB creditors and generally ensures consolidation of data on IB in the process of bank resolution.

At the end of 2020, data in UOIS and DWH was migrated to UOIS and DWH and 90 insolvent banks were transferred to centralized operation in these systems.

The use of the UOIS by the Fund provides advantages in the performance of its bank resolution functions, namely:

- ensuring control over the activities of the National Bank, including control of financial flows, transaction control, financial control over planning and expenses;
- maintaining a unified accounting policy in the National Bank;
- implementation of the 3rd model for the National Bank;
- full information support of operational processes of bank liquidation;
- ensuring operational monitoring of IB assets;
- implementation of centralized management of the National Bank;
- significant reduction of information systems in the National Bank, their maintenance and maintenance costs.

In order to optimize the processes of bank resolution in 2020, DWH was improved in terms of:

- modernization of the mechanism of data import on IB assets (expansion of sources and completeness of information)
- modernization of the module "Register of contracts" (added functionality to work with external document files);
- modernization of the module "Claims work" (added functionality for prompt response to court cases on the assets of IB);
- improving the mechanism for updating information from the UOIS in terms of optimization and unification of data;
- development and implementation of tools for monitoring the IB's assets and the status of legal entities-debtors of the IB through online services of providers of such services;
- improving the developed modules for data replication with the UOIS in terms of expanding data on loan agreements.

Modernization of the software package for working with insolvent banks provides the Fund with opportunities to:

- use the integral unified information base of the Fund for decision-making to ensure the processes of bank resolution;
- formation of reporting of insolvent banks, which is provided to the Fund in various areas of activity;
- ensuring automation of control over the activities of insolvent banks;
- centralized work with the assets of insolvent banks;



- improving the quality of information for decision-making and practical actions by the Fund's specialists;
- providing analysis of performance indicators of problem banks in order to prevent the critical state of the bank;
- ensuring the processes of claims work with the assets of IB;
- ensuring monitoring of the status of both IB assets and legal entities that are debtors of the IB.

In order to improve the process of making deposit insurance payouts to depositors of insolvent banks, during 2020 the Fund modernized the software complex "Automated Payment System of the Fund" (hereinafter – APSF).

Work on the modernization of the APSF was carried out in the following areas:

- development and implementation of a mechanism for comparing and analyzing balances on balance accounts on the list of IB depositors with a balance sheet to optimize the verification of the correctness of the formation of data on depositors;
- improving the work to ensure the resilience of the payment system by automated electronic notification of responsible employees of the Fund;
- improving the system of payments in the direction of prevention of illegal payments by blocking all records on the depositor on all banks at the request of the notary;
- introduction in the system of payments of electronic documents and reports with the use of a qualified electronic signature, which will allow to abandon paper analogues;
- improvement of mechanisms for creating a unique depositor identifier at the Fund level throughout all IB;
- expansion of functionality for the formation of additional reporting;
- making changes in the exchange with agent banks;
- improvement of the mechanism for processing large amounts of information;
- development of the interface of information exchange with other systems of the Fund.

These measures to modernize the payment system allow the use of APSF in a more flexible mode, which allows you to optimize the overall process of making payments of guaranteed amounts to depositors.

The Fund has almost completed migration processes to consolidate payment data into a single complex of automated payment system from various automated systems, which have historically been used by the Fund to ensure payment of guaranteed amounts to depositors of insolvent banks at different stages of the Fund's development.

To implement the state policy aimed at translating the records of state institutions into electronic form, and to implement the Laws of Ukraine "On electronic documents and electronic document management", "On electronic digital signature", taking into account the tasks set by the Comprehensive Program for Financial Sector Development until 2020, in 2020 the Fund took measures to improve and expand the Fund's paperless circulation with the use of qualified electronic signatures (hereinafter – QES).

The use of paperless paperwork by the Fund in 2020 provided an opportunity to:

- to exchange electronic documents between the Fund and the NBU (and other state institutions) (except for documents with limited access (BT), permanent storage and forwarding of citizens' appeals, etc.);
- all electronic documents are certified by QES in accordance with the requirements of the Law of Ukraine "On electronic documents and electronic document management";
- reducing the cost of sending documents;
- reduction of time for sending documents and their processing;
- the number of intermediate procedures for sending and receiving correspondence (electronic documents) has decreased – practically electronic documents move directly from one ASKOD SED to another.
- introduction by the Fund of approval and signing of internal QES documents, which provided an opportunity to optimize the process of approval and signing of such documents;
- the use of document management in the Fund with the use of QES allowed to successfully ensure the documentation processes of the Fund in the mode of remote work of employees related to the quarantine and introduction of restrictive anti-epidemic measures to prevent the spread of acute respiratory disease COVID-19 caused by SARS-CoV-2.

In order to increase the level of security of the reporting portal of the software complex "Reporting of Banks" in 2020, the Fund made the following improvements to the software of this complex, namely:

- development and implementation of a pre-authentication verification tool (IP address filtering, additional filters of valid values of logins and passwords, access control by time);
- development and implementation of the module "Administrator Panel" as a subsystem for monitoring the work and administration of the complex;
- modernization of the module on file processing according to the updated data system with expansion of data detailing;
- creation of a mechanism for downloading and updating electronic directories from the portal of the National Bank of Ukraine;
- expanding the functionality of the data exchange interface with the Data Analysis and Analytical Reporting System;
- modernization of server and client software of the complex for new software platforms: DBMS Oracle 19c, application server GlassFish, Java 8.

The introduction of these changes in the software package "Reporting of banks" in 2020 allowed to increase the information security of banks to provide electronic reporting to the Fund, optimize the speed of data processing and expand the functionality of data processing.



During 2020, the Fund's comprehensive information resource was introduced on the Internet (the Fund's website), which was built on new software tools.

Within the framework of centralization of information resources of insolvent banks on the basis of the specified information resource of the Fund the functioning of websites of all insolvent banks is provided.

The created information resource of the Fund on the Internet allows to introduce new tools of information coverage on the Internet.

In general, 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.

As part of the liquidation of insolvent banks, virtualized information systems of fifteen banks were adopted for computing capacity of the Deposit Guarantee Fund in accordance with the plans of measures approved by the Fund's Executive Directorate to complete the liquidation procedure in order to preserve information and minimize costs.

Work continued on standardizing Oracle server settings for other systems, and organizing hot database redundancy to improve fault tolerance.

As part of the completion of the liquidation of insolvent banks, in accordance with the plans approved by the Fund's Executive Directorate to complete the liquidation procedure, in order to preserve information and minimize costs, the computing capacity of the Deposit Guarantee Fund was audited, inventoried and placed on the Fund's resources one hundred and forty-eight copies of virtualized information systems of banks.

In order to organize access to the archival data of the liquidated banks and ensure their long-term and reliable storage, the banking systems (ODB and others) of thirty-seven banks were transferred to the cloud environment of the Fund.

In order to automate, facilitate the management and control of the Fund's business processes, the following automated processes were developed and implemented:

- processes for operational and compliance risk management, as well as planning and control of relevant risk events;
- business processes of coordination of appropriate access to information systems of the fund for employees and employees of insolvent banks;
- business process for automation of maintaining the register of agreements (with all appendices) of purchase and sale of assets of insolvent banks and liquidated banks;
- processes for the internal audit service.

In the direction of ensuring information security by the Fund in 2021:

- the procedure of socio-technical testing for penetration Penetration test was introduced (procedure for assessing the real security of the Fund's postal information system using controlled and maximally safe for infrastructure and workflows actions). In general, in 2020, 2 tests were conducted, in-depth trainings were conducted based on the test results;
- a modern McAfee Exchange Antispam complex on the Fund's mail server has been implemented. This has reduced the number of spam messages by 70%;
- a mechanism introduced for secure transfer of documents during remote inspections by inspectors of the Fund of existing banks, which allowed the Fund to continue to perform its functions in quarantine, for bank inspections;
- a procedure for secure remote work of the Fund's employees has been developed, in terms of policy preparation, information protection procedures and monitoring of employees' actions during remote work.
- in the conditions of quarantine the transfer of NDA agreements with operating banks into electronic form has begun. By the end of 2020, 90% of banks have been transferred to the paperless format of exchange on information security events and quick resolution of issues related to the restoration of access of existing banks to the Fund's information resources.



approved by the decision  
of the DGF Administrative Board

## Annex 1: Report DGF Investment Plan 2020

The DGF's investments	Investment amount according to the Investment Plan 2020, UAH m	Actual investment amount in 2019, UAH m*	Fulfilment, %
<b>Investment amount total</b>	<b>10 005,0</b>	<b>8 799,8</b>	<b>88,0</b>
including:			
Share capital formation of the bridge bank	505,0	0,0	0,0
Investments in securities, total	9 500,0	8 799,8	92,6
including by IGLB types:			
• short-term IGLBs	x	5 559,5	x
• intermediate-term IGLBs	x	3 240,3	x

\* – absolute amount of investment in 2020 – UAH 11,482.0 million; UAH 2,682.1 million were re-invested funds due to the repayment of short-term investments in 2020 in the amount of UAH 2,682.1 million.





# Financial statements and Management Report

for the year ended December 31, 2020

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## 2020 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 authorised public bodies ensures the country's financial stability.

The Fund operates in accordance with the Constitution of Ukraine, the Law of Ukraine "On Households Deposit Guarantee System" (the Law) and other legislative instruments.

The purpose of the Fund's operations is to ensure protection and legal interests of bank depositors as well as to promote stability of Ukrainian banking system.

The core objective of the Fund is to ensure the functioning of the households deposit guarantee system and insolvent bank resolution.

The Fund is a legal entity under public law, has its separate property, which is an item of state property and stands 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 depository institutions – state-owned banks.

The Fund is located in the city of Kyiv.

Details of the Fund's operations and functions see in Note 1 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

### Governance of the Deposit Guarantee Fund

The Fund's governing bodies are the Administrative Board and the Executive Directorate.

#### Administrative Board

In conformity with 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 Directorate on assigning a special fee to the Fund or differentiated fees to the Fund depending on bank risks;
- decide on increasing the limit of covered deposit amount;
- approve the decision of the Fund's Executive Directorate to get a loan or a non-repayable financial assistance;
- annually appoint an auditor to conduct an audit of the Fund;
- approve the annual report of the Fund;
- approve the procedure and conditions of remuneration for the Executive Directorate members of the Fund;
- approve the Fund's Executive Directorate report on bank asset (property) sales in respect of which a decision on banking license revocation and liquidation was made;
- approve the Fund Executive Directorate report on the least expensive for the Fund method of insolvent bank resolution, and the state of settlement plan implementation;

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 5 persons: one representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, one representative of the relevant committee of the Parliament of Ukraine and the Deposit Guarantee Fund Managing Director. The Administrative Board of the Fund shall be governed by a chairperson, who is annually elected 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 perform their functions on a voluntary basis.

#### The Administrative Board Composition:

*Ihor Pryjma*, Head of the Secretariat of the Parliamentary Committee of Ukraine on Financial, Tax and Customs Policy, Chairman of the Fund's Administrative Board.

*Natalia Strakhova*, Deputy Director of the Financial Policy Department, Head of the Division of Banking Services and Interaction with the NBU and the Ministry of Finance of Ukraine.

*Oleg Strynzha*, Director of the Financial Controlling Department, National Bank of Ukraine.

*Vladyslav Bednenko*, Legal Department Director, National Bank of Ukraine.

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



## Executive Directorate of the Fund

The Executive Directorate of the Fund manages the current activities of the Fund and ensures the Fund's performance of the functions specified in the Law.

The Executive Directorate of the Fund consists of seven members. The Managing Director of the Fund and his deputies are members of the Executive Directorate 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 Administrative Board.

Decisions of the Fund Executive Directorate are made at 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 vote of the Managing Director of the Fund is decisive.

The Executive Directorate 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

legal framework in the banking sector and the households deposit guarantee system, implementation of information policy and communication with media and public organizations representatives.

**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 legal policy of the Fund, including representing interests of the Fund in court, organizing and implementing litigation activities.

**Olena Nuzhnenko**, Chief Financial Officer, directs (as well as coordinates) the procedures of financial and investment direction, procurement and contracting, organizes the risk management system and management reporting in the Fund.

## Organizational structure

In order to improve business processes and differentiate the functional load of structural units, the Fund continued to optimize the organizational structure of the Fund.

As at December 31, 2020, the organizational structure of the Fund consisted of 27 independent structural units, including: 6 departments, 5 divisions, 5 services, 9 units. The staff of the Fund in 2020 decreased by 18.3% and as at December 31, 2020 numbered 334 full-time employees.

During 2020, the organizational structure underwent the following major changes:

- Division of Deposit Payouts and Operational Support for liquidated banks was created. The purpose of the Division is to optimize business processes related to covered amount payments to depositors and provide support for insolvent banks' operations;
- Public Relations and International Organizations Division was established. The purpose of the Division is to ensure effective communication with the public and international organizations, monitoring and analysis of the information space and social networks;

- Internal Control Division was reorganized into the Compliance Department. The purpose of the reorganization is to improve the functioning of the risk management system in the Fund;
- Information and Consultation Center has been established within the Information Policy Department, the purpose of which is to provide information support to citizens and their public associations on an expanded range of issues related to the functioning of the households deposit guarantee system;
- Legal Department was reorganized into Legal Support Department. The reorganization is related to the optimization of the Fund's structure.

These structural changes have brought staff reduction by 66 full-time employees.

Further information about the Fund's organizational structure is available on the Fund's web-site at:

<https://www.fg.gov.ua/articles/39919-organizaciyna-struktura.html>

## Key achievements in the reporting period

To ensure the implementation of the Strategic Development of the Deposit Guarantee Fund for 2020-2022, approved by the decision of the Fund's Administrative Board #20 dated December 10, 2019, the Fund adopted the Action Plan of the Deposit Guarantee Fund for the current year; it contains list of measures the Fund undertakes to perform in the current year.

According to the Fund's 2020 Action Plan, approved by the decision of the Fund's Administrative Board (Minutes of April 23, 2020 #10), the main achievements of the Fund in 2020 are:



Strategic area	Key achievements in 2020
<p>Elaboration and improvement of legislation, including mechanisms for effective bank resolution, with regard to the best world practice and Ukrainian realities; methodology improvement for identifying reasons of bank insolvency, the DGF's development strategy</p>	<ul style="list-style-type: none"> <li>• adoption of the Law of Ukraine On amendments to certain legislative acts of Ukraine on improving certain mechanisms for banking regulation #590-IX dated May 13, 2020, which, inter alia:               <ol style="list-style-type: none"> <li>1. introduces updated mechanisms for bank resolution, which are aimed at improving the liquidation procedure and compliance with as many creditors of liquidated banks as possible;</li> <li>2. improves the mechanism of possible state participation in bank resolution;</li> <li>3. introduces a set of norms to regulate court proceedings in bank resolution cases.</li> </ol> </li> <li>• within the regulatory framework of the households deposit guarantee system and bank resolution, 18 regulatory acts were adopted;</li> </ul>
<p>Ensuring the financial stability of the households deposit guarantee system, minimizing future expenses, the Fund's operational efficiency optimization</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, work continued 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 bonds;</li> <li>• early repayment of promissory notes in the amount of UAH 1,300 million and interest on promissory notes in the amount of UAH 700 million was made;</li> <li>• risk management system was implemented;</li> <li>• an approach to drawing up the Fund's cost estimate for three budget years is realized;</li> </ul>
<p>Increase of creditor settlement level</p>	<ul style="list-style-type: none"> <li>• measures have been taken to prosecute and compensate persons related to banks. During 2020, the Fund filed 30 lawsuits against 253 related parties in 12 banks worth UAH 8.2 billion;</li> <li>• in order to find and return funds (assets) of bankrupt banks withdrawn from Ukraine, agreements with international legal advisers-specialists in the field of international law, to provide services to represent the interests of the Fund in the courts of foreign jurisdiction were concluded;</li> </ul>
<p>Strengthening depositors' trust and improving public communication</p>	<ul style="list-style-type: none"> <li>• the Information and Consultation Center of the Fund was established as the only window of communication of the Fund with depositors and public associations;</li> <li>• official Internet page of the Fund was updated;</li> <li>• online communication channels expanded: the Fund's Facebook page, YouTube video hosting service and Telegram channels were created; the educational project of the Finkult Foundation in the YouTube video hosting service and Telegram channel were created;</li> <li>• about 300 press releases were published in the mass media, 50 thematic interviews, thematic speeches and comments were made on television, 13 thematic columns of the Fund's speakers were published;</li> <li>• in the framework of the celebration of the World Money Week in Ukraine-2020 (Global Money Week-2020) a competition of video works on the topic "Financial Literacy" was held among students of higher educational institutions of Ukraine;</li> </ul>
<p>Digitalization of business processes and improvement of the Fund's information security systems</p>	<ul style="list-style-type: none"> <li>• a system of data analysis and analytical reporting was introduced, it provides automated preparation of management reports required for management decisions of the governing bodies of the Fund;</li> <li>• electronic document management was introduced;</li> <li>• automated business processes for: operational and compliance risk management; coordination of access to the Fund's information systems for employees and employees of insolvent banks; maintaining a register of contracts of insolvent banks and liquidated banks' asset sale;</li> <li>• in order to assess the security of the postal information system of the Fund, two Penetration Tests were conducted;</li> <li>• a mechanism for secure transfer of documents was introduced during the Fund's remote inspections of the Fund's participating banks;</li> <li>• a procedure for secure remote work of the Fund's employees under quarantine conditions has been developed;</li> </ul>



Strategic area	Key achievements in 2020
Development of the Fund's staff potential	<ul style="list-style-type: none"> <li>introduced a new structure of the Fund was implemented to delimitate the functional load of structural units;</li> <li>Personnel policy of the Deposit Guarantee Fund (decision of the Fund's Executive Directorate of November 12, 2020 #1953) was approved;</li> <li>Regulations on the staff development of the Deposit Guarantee Fund were approved (order of the Fund dated June 30, 2020 #238);</li> <li>31 events were held to improve and develop professional skills of the Fund's employees;</li> </ul>
International cooperation	<ul style="list-style-type: none"> <li>as the Chairman of the Eurasian Regional Committee of the International Association of Deposit Insurers (IADI) in November 2020, the regular annual meeting of the Eurasian Regional Committee of IADI was held online, the main purpose of which was to exchange experiences in dealing with pandemic crises and determine further direction of the IADI Eurasian Regional Committee;</li> <li>cooperation with the USAID Financial Sector Transformation Project in the field of raising financial awareness of citizens continues;</li> <li>cooperation with the US Treasury Department's Technical Assistance Office, advisors and experts on various aspects of bank resolution process and working with distressed assets continues.</li> </ul>

In addition, in 2020 the Fund together with the Ministry of Finance of Ukraine, the National Bank of Ukraine, the National Securities and Stock Market Commission worked on the implementation of the Strategy of Ukrainian Financial Sector Development until 2025 (the 2025 Strategy), approved in 2019; its purpose is to reform and develop the financial sector of Ukraine in accordance with leading international practices and further implementation of measures provided for in the Association Agreement between Ukraine and the EU.

According to the roadmap for the 2025 Strategy implementation, the Fund is responsible for the following key measures: creating a deposit guarantee system for credit union members and guaranteeing payments under savings life insurance contracts, expanding the range of participants and categories of deposits to be guaranteed; gradual increase of the covered deposit amount, settlement of the Fund's debt.

In 2020, to implement the 2025 Strategy, the Fund:

- ensured preparation of the Fund's draft Action Plan for creation of a system of guaranteeing deposits of members of credit unions and guaranteeing payments under accumulative life insurance contracts;

- presented a conceptual model of the guarantee system of credit unions and life insurance companies with the Fund as a base;
- developed an Action Plan within the project to ensure membership of JSC Oschadbank in the Fund;
- presented to the Financial Stability Board the mechanism of the Fund's debt restructuring to the state and got it approved by the Financial Stability Board.

Also, work was carried out to prepare proposals for:

- legislative amendments regarding the Fund's debt settlement, ensuring the participation of JSC Oschadbank in the Fund, increasing the limit of covered deposit amount;
- legislative amendments on the regulating mechanisms of dealing with bank-related persons and on damage (loss) recoveries to creditors;

The 2020 Implementation Report within the framework of the Strategy of Ukrainian Financial Sector Development until 2025 is posted on the Fund's website at the link

[https://www.fg.gov.ua/storage/files/zvit-strategija-finsectoru-ua-30\\_1617183644.pdf](https://www.fg.gov.ua/storage/files/zvit-strategija-finsectoru-ua-30_1617183644.pdf)

## 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), as at 2016.

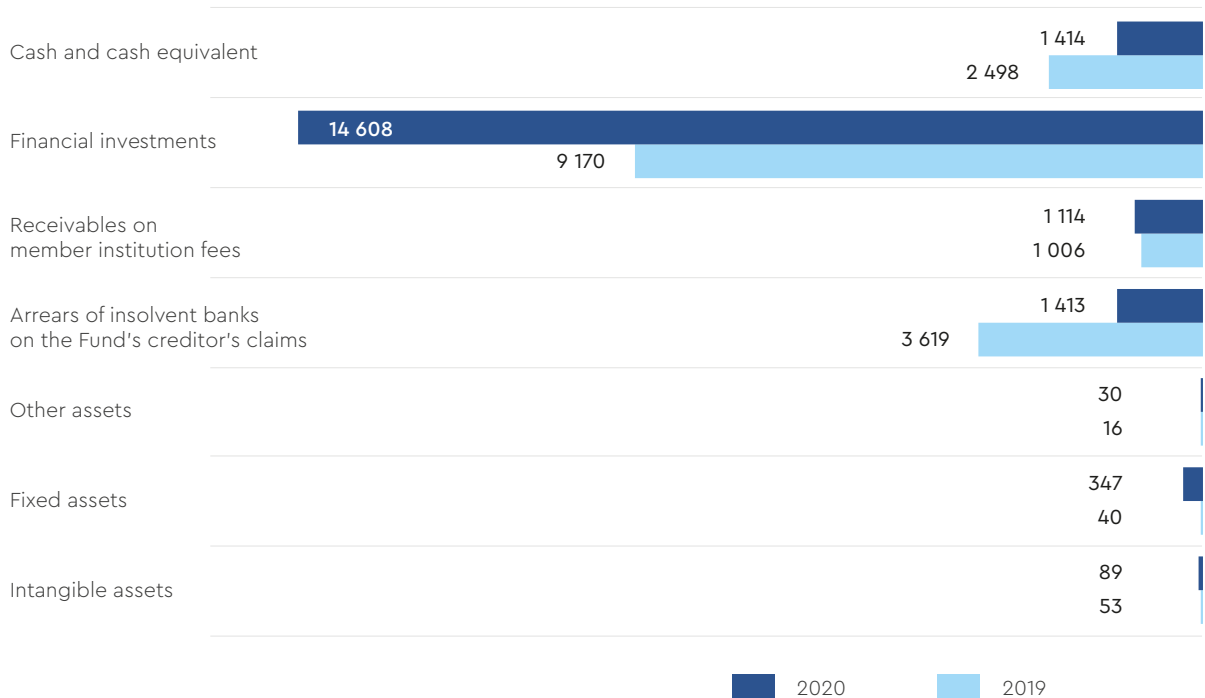
As at December 31, 2020, the balance sheet currency increased by 15.9% and amounted to UAH 19,015 million (UAH 16,402 million as at December 31, 2019).

**Assets of the Fund.** The main items of the Fund's assets are:

- cash and cash equivalents;
- financial investments into securities (domestic government loan bonds);
- receivables on the Fund's member institutions fees;
- arrears of insolvent banks on the Fund's creditor's claims.



**Asset composition and Asset Dynamics of the Fund in 2019–2020, UAH million**



During 2020, the Fund's assets underwent the following changes:

The Fund's cash decreased by 43%, mainly due to the early repayment of promissory notes and final repayment of the loan received from the National Bank of Ukraine in 2014, as well as due to the investment of temporarily free funds in government securities of Ukraine.

For more details on the cash flow, see Cash Flow Statement in the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

The Fund's financial investments in government securities (domestic government loan bonds) increased by 59%. The impetus for the resumption of investment was the absence of new bank bankruptcies and economic feasibility, caused by the fact that the average effective interest rate at which the National Bank of Ukraine accrues interest on the Fund's daily cash balances on the current account is 7.42%, and the yield on government securities is 7.93% – 11.64%.

For more details on the Fund's financial investments, see Note 8 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

Accounts receivable on member institutions fees to the Fund increased by almost 11%, which is due to the increase in the fee deposit base in 2020.

For more details on accounts receivable on member institution fees to the Fund, see Note 9 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

The arrears of insolvent banks on the Fund's accounts payable decreased by 61% due to the receipt of funds to repay the Fund's creditor claims from insolvent banks, revision of the estimated amount of repayment of the Fund's accounts payable in the direction of reduction and completion of the liquidation procedure for 16 banks. As at December 31, 2020, 46 banks were in the process of liquidation under the Fund's management (61 banks as at December 31, 2019).

For more details on arrears of insolvent banks on creditor claims of the Fund, see Note 11 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

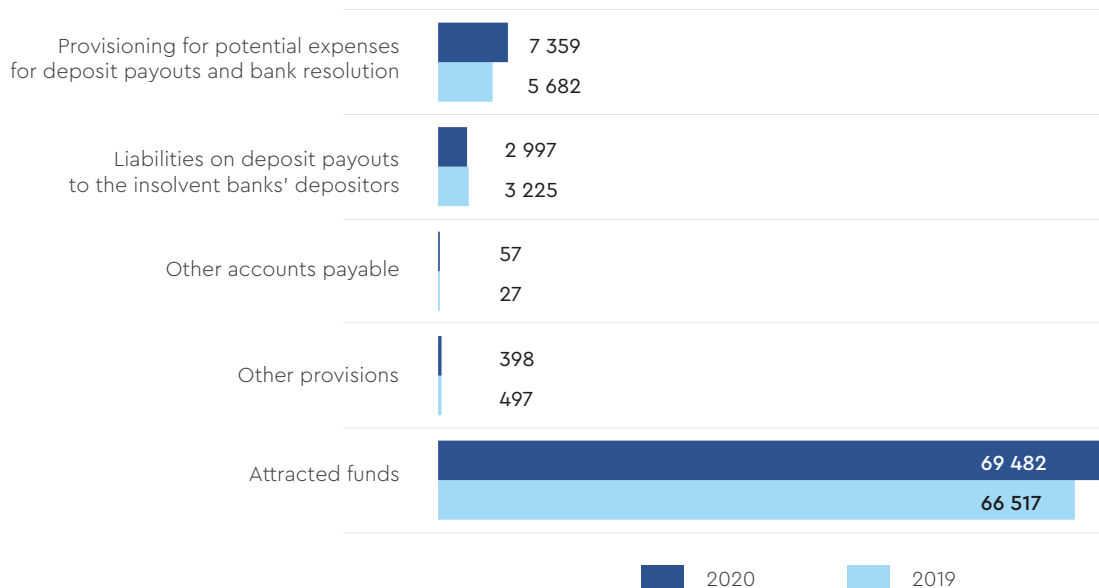
**Liabilities of the Fund**

The main items of the Fund's liabilities are:

- ensuring the Fund's potential expenses for bank resolution and deposit payouts;
- obligations of the Fund to pay compensation to the insolvent banks' depositors;
- attracted funds.



Composition and Dynamics of the Fund's liabilities in 2019–2020, UAH million



In 2020, the Fund's liabilities underwent the following changes:

The provision for the Fund's potential expenses for bank resolution and deposit payouts increased by 29%, which is due to the covered deposit amount increase by 22% (from UAH 290,9 billion to UAH 353,5 billion) and increase of probability of classifying banks as insolvent.

For more details on ensuring the Fund's potential expenses for bank resolution and deposit payouts, see Note 14 of the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

The main component of the Fund's liabilities – attracted funds represented by liabilities under promissory notes issued by the Fund in 2015–2016 in exchange for domestic loan bonds from the Ministry of Finance of Ukraine. The amount of the promissory note liability increased by 4% due to the increase in interest accrued on promissory notes issued.

For more details on attracted funds, see Note 18 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

The Fund's liability to pay compensation to depositors of insolvent banks decreased by 7%, which is due to covered deposit payouts to the depositors and the write-off of liabilities due to the termination of deposit payouts to the depositors of 17 insolvent banks. During 2020, UAH 389 million were paid to the depositors (UAH 833 million in 2019).

For more details on the Fund's liabilities to reimburse depositors of insolvent banks, see Note 15 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

**Financial performance**

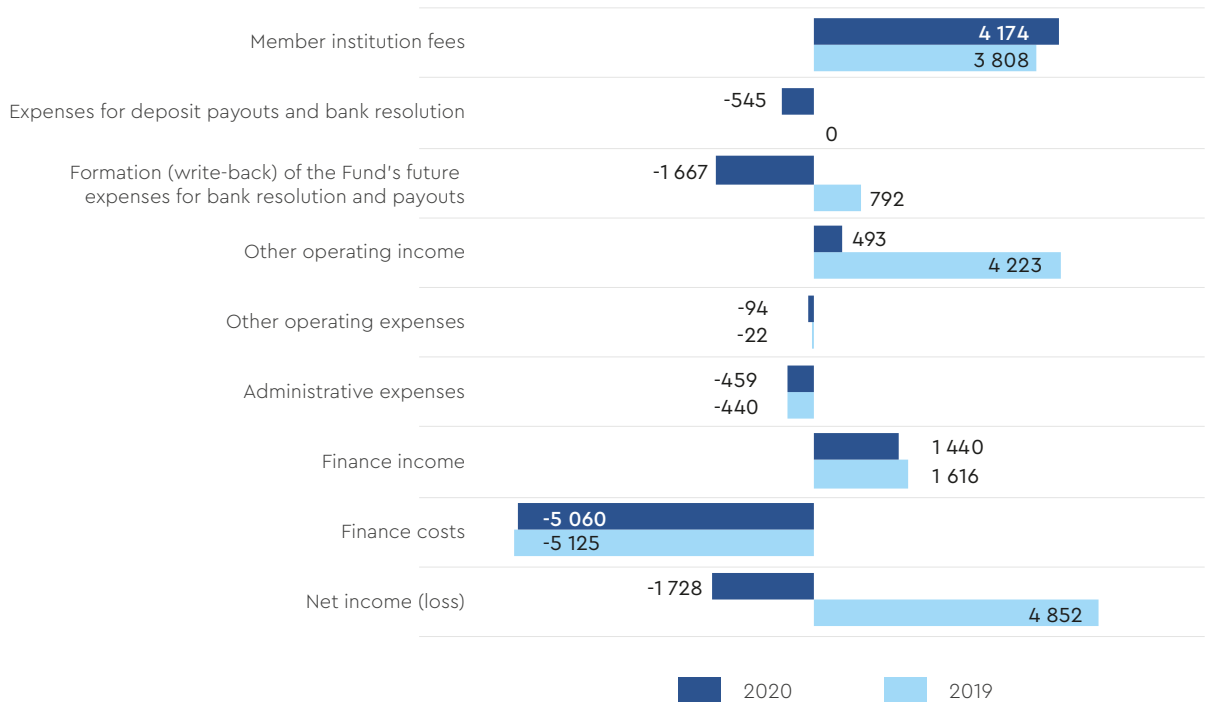
The main factors influencing the financial results are: fees from member institutions, provisioning for the Fund's future expenses for bank resolution and deposit payouts.

In 2020, fees from member banks increased by almost 10 compared to 2019, which is due to the increase in the deposit base of member banks in 2020.

The main component of financial costs is interest costs on promissory notes. The main component of financial income is investment income on deposit government bonds interest. Financial income and costs in 2020 have not changed significantly compared to 2019.



Composition and dynamics of the Fund's financial performance in 2019–2020, UAH million



Net assets of the Fund

The Fund's net assets are the residual value of the Fund's assets after deducting all of its liabilities. The main component of the Fund's net assets is net profit (loss). During 2017–2020, the Fund's net assets were negative.

In 2020, the Fund's net deficit increased by almost 3%, but as at December 31, 2019, it amounted to UAH 61,278 million. 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.

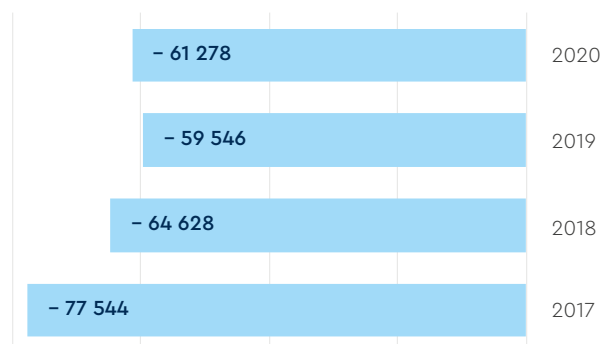
The main purpose of the Fund's net assets management is to ensure the possibility of operational continuity for protecting the rights of bank depositors and promote the financial system stability in Ukraine.

To achieve this goal, during 2019–2020 the Fund took the following measures:

- in January 2019, in order to cover the temporary liquidity deficit, a loan agreement was concluded with the National Bank of Ukraine to open a renewable credit line for the Fund in the amount of UAH 2,000 million for the period until December 31, 2021;

- 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 develop and agree on methods 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 government bonds;
- with the financial assistance of the European Bank for Reconstruction and Development, the Fund engaged a team of consultants with significant world experience to provide the Fund with technical assistance in resolving the potential insolvency of the Fund by restructuring existing debt obligations of the Fund.

Dynamics of the Fund's net assets in 2017–2020, UAH million





## Risk management

The Fund classifies the following groups of risks in its operations: insurance, financial, operational and compliance 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 are: macroeconomic and sectoral risks in the economy, moral hazard, the risk of declaring banks insolvent, the risk of timely bank resolution, the risk of liquidation costs, the risk of significant reduction of the Fund's funds.

**Financial risks** are risks arising from financial instruments. Types of financial risks are: 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 adverse conditions for the Fund to perform its functions due to inadequate or erroneous internal processes, actions of employees, systems or external factors. Types of operational risks are: 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 safety, risk of infrastructure required for the Fund's functional performance.

**Compliance risks** are risks of losses, additional losses or loss of reputation due to non-compliance with the requirements of legislation and regulatory documents of the Fund, conflicts of interest. Types of compliance risks are: risk of low financial literacy of the population, risk of loss of confidence in the guarantee system, risk of image losses, risk of absence/insufficiency of the Fund's authority to manage its insurance risks, risk of legislation flaws, risk of non-compliance of the norms and standards of the Fund as a whole or its individual employees with the requirements of the law.

The main purpose of the Fund's risk management system is to ensure the Fund's functional performance defined by the legislation of Ukraine in the environment of objective risks, the process efficiency support, preservation of the Fund's resources, the Fund's continuous operation, compliance with legislation and internal regulations.

The Fund's risk management system consists of applying risk management procedures aimed at a systematic process of 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 functions of the "first line of defense", they are the owners of all risks arising in their field, and they are responsible for identifying events that cause risks, assessment, preparation of proposals for risk management and implementation of measures to minimize them.

The Risk Management Service performs the functions of the "second line of defense" and is responsible for methodological, coordination and organizational support of the risk management process in the Fund; it monitors compliance with the maximum values of limits and key risk indicators; it monitors the development and implementation of measures to prevent, transfer and mitigate risks; prepares management risk reporting.

The Internal Audit Service performs the functions of the "third line of defense"; it inspects and evaluates the effectiveness and reliability of the risk management system in the Fund.

Information on financial risk management is provided in Note 30 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

## Research and innovation

In 2020, the Fund conducted research and educational activities to improve the financial literacy of the population and public awareness of the deposit guarantee system, the rights and responsibilities of consumers of financial services.

In cooperation with the Financial Sector Transformation International Technical Assistance Project, implemented with the participation of the United States Agency for International Development (USAID), the winners of the Financial Literacy Video Contest among Ukrainian university students were identified. The competition was held as part of the celebration of Global Money Week-2020 in Ukraine.

The Fund, together with partners – the NGO "Partner Business Club" and the University of Banking, implements the National Financial Literacy Project (hereinafter – the Project), whose main mission is to form a financial culture in society and a clear understanding of the value of creating family capital as a guarantee for a dignified life and realization of the rights and freedoms of every human being. Within the framework of the Project, a series of financial literacy trainings was conducted to improve the qualification of

teachers of the "Financial Literacy" special course in general secondary education institutions, vocational lyceums and colleges. The trainings were held on the basis of regional institutes of postgraduate education in Uzhhorod, Cherkasy, Ivano-Frankivsk, Kramatorsk, Kherson. In September 2020, the Fund took part in the online (non)conference EdCamp Odessa "Financial literacy and entrepreneurship: it cannot be ignored".

In the field of IT technologies in 2020 the Fund introduced a system of data analysis and analytical reporting (MIS), which provided the opportunity for:

- centralized management reporting of the Fund, ensuring the timely provision of information of the required level of detail on the key processes of the Fund in order to further make management and strategic decisions;
- organization of a single platform for each user to quickly obtain the data needed to generate and receive reports from various corporate and external sources of the Fund.

## Personnel policy and social aspects

As at December 31, 2020, the actual number of employees of the Fund was 340 people: 206 women, 134 men. The average age of the Fund's employees is 40 years, 98.5% of employees have higher education, including 7 candidates of sciences.

During 2020, 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 schedule provided for a stay in the Fund's premises, the following measures were taken:

- purchase of personal protective equipment (disinfectants and other necessary materials);
- thermometry of employees and visitors organized at the entrance to the Fund's premises;
- corporate events (meetings, committee meetings, meetings, etc.) held with the help of software for video conferencing.

### Labour remuneration

Remuneration of the Fund's employees is carried out in accordance with the Regulations on remuneration of employees of the Deposit Guarantee Fund, approved by the decision of the Fund's Executive Directorate #3291 dated December 23, 2019, the Procedure and conditions of remuneration of members of the Fund's Executive Directorate approved by the decision of the Fund's Administrative Board #41 dated September 27, 2012, in compliance with the requirements of the Collective Agreement between the Executive Directorate and the staff of the Deposit Guarantee Fund for 2018–2020.

Remuneration policy for the Fund's employees:

- creation of conditions and stimulation of employees to 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, 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 main 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;

- other incentive and compensation payments not related to the specific work results, in particular: financial assistance for the rehabilitation of employees, the birth of a child, the burial of a husband/a wife, parents or children.

Information on labor remuneration of the Fund's employees is provided in Notes 25 and 26 to the Financial Statements of the Deposit Guarantee Fund as at December 31, 2020 and for the year then ended.

### Personnel training

The main principle of the Fund's personnel policy is to promote enhancement of professional ability and practical skills of its personnel.

During 2020, the Fund's employees took part in internal corporate training events and seminars, round tables, conferences, trainings organized by specialized training centers, including international companies.

### The Corporate Code

In order to establish general ethical standards of the Fund's activity, to form a high corporate culture in the Fund's employees, to protect and form a positive image and reputation of the Fund, the Corporate Code of the Deposit Guarantee Fund (the Corporate Code) was approved.

The Corporate Code regulates:

- corporate style of the Fund;
- rules of corporate communication and behavior of the Fund's employees in daily working relations and in interaction with banks, government agencies and other counterparties;
- freedoms and rights of the Fund's employees in accordance with the legislation of Ukraine;
- rules for the use of property owned by the Fund;
- social protection of the Fund's employees;
- responsibility for compliance with the norms and principles set out in the Corporate Code.

### 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 self-government authorities, shall be guided by the "zero tolerance" principle in dealing with any sign of corruption and take all measures prescribed by law to prevent, detect and counteract corruption related actions (practices).

For the purpose of steadfast implementation of all requirements of the anti-corruption legislation of Ukraine, the Fund has approved and operated the Fund's Anti-Corruption Program, which is a set of measures, standards and procedures for detecting, preventing and counteracting corruption in the Fund.



The Fund implements the following measures aimed at preventing, detecting, eliminating and counteracting corruption:

- conduct periodic assessment of corruption risks in the Fund's activities;
- implement 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 counteracting corruption;
- conducting anti-corruption inspections of business partners in accordance with the criteria for their selection;
- restricting the Fund's support for political parties, charity activity;
- notifying about the signs of violation of the Fund's Anti-Corruption Program, signs of committing a corruption or corruption-related offense, as well as confidentiality of such notifications and protection of whistleblowers;
- reviewing whistleblower reports, including internal investigations and disciplinary action;
- 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 the fact of declaration submission by entities and notifies the National Agency for Prevention of Corruption of 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

<https://www.fg.gov.ua/storage/files/antikorpicijna-programa-fondu.pdf>

## 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, reduces the amount of office expenses (paper, plastic, mixed waste, etc.);

## Labor protection

The main principles of the labor protection in the Fund are:

- creating and keeping safe and harmless working conditions, ensuring the priority of life and health of workers in the process of production activities;
- ensuring the continuity and efficiency of the management system of labor protection and the implementation of the constitutional right of employees to protection of their lives and health in the process of employment;
- organization and control of working conditions for compliance with the requirements of regulations on labor protection.

In order to prevent occupational injuries and create safe working conditions, the Fund has implemented and applied:

- instructions on labor protection during the operation of personal computers;
- instructions on labor protection when working with copiers;
- instructions on labor protection on electrical safety;
- instructions on fire safety measures in the Fund's premises;
- instructions on first aid.

The Fund regularly trains and instructs the Fund's employees on labor protection and fire safety.

## 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 society's 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.

In 2020, in view of the Strategic Development Directions of the Deposit Guarantee Fund for 2020–2022, the Fund developed a Strategy for the Development of the Deposit Guarantee Fund until 2022 (hereinafter – the Strategy), which was approved by the Fund's Administrative Board (Minutes #16 dated December 24, 2020).

The Strategy is developed with due consideration of the Strategy of Ukrainian Financial Sector Development until 2025 (hereinafter – the 2025 Strategy), approved in 2019, which aims to reform and develop the financial sector of Ukraine in accordance with leading international practices and further implementation of measures under the EU Association Agreement.

The implementation of the Strategy envisages measures to develop the deposit guarantee system as a whole, protect the rights of the depositor, build the institutional capacity of the Fund, as well as maximize the digitalization of its functionality.

The strategy identifies the following strategic priorities for the development of the Fund in this period:

- ensuring the financial stability of the Fund;
- minimizing future expenses of the Fund;
- expanding satisfaction of creditor claims;
- strengthening investor confidence;
- digitalizing business processes.

The main strategic perspective of the Fund's development is the development of the Fund's institutional capacity in terms of:

- introduction of an early response system in the Fund to ensure successful settlement of insolvent banks;
- creation of a deposit guarantee system for members of credit unions and for insurance companies' obligations to policyholders under accumulative life insurance contracts;
- determination of the mechanism of the Fund's debt restructuring;
- improvement mechanisms for bank resolutions and working with persons related to banks and other persons who caused damage (losses) to the banks and were involved in their bankruptcy.

The institutional capacity of the Fund is being developed in accordance with the roadmap for the implementation of the Strategy. The measures taken by the Fund in this direction in 2020 are listed in section 4 of this Report.

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.

25 May 2021

Managing Director

**S. V. Rekrut**



## Financial Statements for the year ended December 31, 2020

### Statement of financial position

<i>(UAH million)</i>	Note	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	347	40
Intangible asstes	13	89	53
<b>Total non-current assets</b>		<b>436</b>	<b>93</b>
<b>Current assets</b>			
Cash	7	1,414	2,498
Financial assets	8	14,608	9,170
Accounts receivable from banks' contributions	9	1,114	1,006
Accounts receivable from insolvent banks on the Fund's creditor's claims	11	1,413	3,619
Other accounts receivable	10	25	11
Other assets		5	5
<b>Total current assets</b>		<b>18,579</b>	<b>16,309</b>
<b>TOTAL ASSETS</b>		<b>19,015</b>	<b>16,402</b>

**Statement of financial position (cont.)**

<i>(UAH million)</i>	Note	31 Dec 2020	31 Dec 2019
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Revaluation reserve		156	160
Accumulated Net Income (Loss)		(61,434)	(59,706)
<b>Total Funds</b>		<b>(61,278)</b>	<b>(59,546)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities	18	69,482	66,517
<b>Total non-current liabilities</b>		<b>69,482</b>	<b>66,517</b>
<b>Current liabilities</b>			
Provision for a bank resolution and deposit payouts	14	7,359	5,682
Account payables to insolvent banks' depositors	15	2,997	3,225
Other provisions	16	398	497
Other account payables	17	57	27
<b>Total current liabilities</b>		<b>10,811</b>	<b>9,431</b>
<b>Total liabilities</b>		<b>80,293</b>	<b>75,948</b>
<b>Total net assets and liabilities</b>		<b>19,015</b>	<b>16,402</b>

25 May 2021

Managing Director

S.V. Rekrut

Chief Accountant

O. S. Perebyinis



## Statement of comprehensive income

<i>(UAH million)</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Banks' contributions	19	4,174	3,808
Expenses for deposit payouts and bank resolutions	22	(545)	-
Changes on the Provision for a bank resolution and deposit payouts	14	(1,677)	792
Other operating income	21	493	4,223
Administrative expenses	25	(459)	(440)
Other operating expenses	24	(94)	(22)
<b>Operating income (loss)</b>		<b>1,892</b>	<b>8,361</b>
Finance income	20	1,440	1,616
Finance costs	23	(5,060)	(5,125)
<b>Net income/(loss)</b>		<b>(1,728)</b>	<b>4,852</b>
Net gain/(loss) on financial assets available for sale		(4)	230
<b>Other comprehensive income/(loss)</b>		<b>(4)</b>	<b>230</b>
<b>Total comprehensive income/(loss)</b>		<b>(1,732)</b>	<b>5,082</b>

25 May 2021

Managing Director

S.V. Rekrut

Chief Accountant

O. S. Perebyinis



## Statement of changes in funds

<i>(UAH million)</i>	Revaluation reserve	Accumulated Net Income (Loss)	Total
<b>Balance as at 31 Dec 2018</b>	<b>(70)</b>	<b>(64,558)</b>	<b>(64,628)</b>
Net income/(loss) for the year	-	4,852	4,852
<b>Other comprehensive income</b>	<b>230</b>	-	<b>230</b>
<b>Balance as at 31 Dec 2019</b>	<b>160</b>	<b>(59,706)</b>	<b>(59,546)</b>
Net income/(loss) for the year	-	(1,728)	(1,728)
<b>Other comprehensive income</b>	<b>(4)</b>	-	<b>(4)</b>
<b>Balance as at 31 Dec 2020</b>	<b>156</b>	<b>(61,434)</b>	<b>(61,278)</b>

25 May 2021

Managing Director

S.V. Rekrut

Chief Accountant

O. S. Perebyinis



## Statement of cash flows

<i>(UAH million)</i>	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Banks' contributions	4,066	3,693
Proceeds from insolvent banks for creditor claims settlement	2,303	4,407
Funds transferred to agent banks for deposit payouts	(391)	(834)
Payments to employees	(310)	(307)
Payment of liabilities of other taxes and charges	(73)	(61)
Other operating receipts	10	497
Other operating payments	(146)	(69)
<b>Net cash flows from operating activities</b>	<b>5,459</b>	<b>7,326</b>
<b>Investing activities</b>		
Proceeds from government bonds	6,029	2,805
Purchase of government bonds	(11,482)	(4,405)
Purchase of fixed assets	(387)	(34)
Interest received	1,300	825
<b>Net cash flow from investing activities</b>	<b>(4,540)</b>	<b>(809)</b>
<b>Financing activities</b>		
Repayment of loans received from the National Bank of Ukraine	-	(1,460)
Repayment of promissory notes	(1,300)	(9,118)
Interest paid	(700)	(514)
Payments of lease liabilities	(3)	(9)
<b>Net cash flow from financing activities</b>	<b>(2,003)</b>	<b>(11,101)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,084)</b>	<b>(4,584)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2,498</b>	<b>7,082</b>
<b>Cash and cash equivalents at 31 December</b>	<b>1,414</b>	<b>2,498</b>

25 May 2021

Managing Director

*S.V. Rekrut*

Chief Accountant

*O. S. Perebyinis*



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## Background information

The Deposit Guarantee Fund (the Fund) operates in accordance with the Law of Ukraine On Households Deposit Guarantee System (the Law).

The main objective of the Fund is to ensure the functioning of the households deposit guarantee system and resolution of insolvent banks.

In order to reach its main objective, the Fund, in the manner prescribed by the Law, carries out the following functions:

- maintaining the Register of Member Institutions;
- accumulating funds from the sources as set in Article 19 of the Law and supervising the payment of fees from the Fund's member intuitions;
- investing the funds of the Fund in securities;
- distributing bonds under the procedures and areas of attracting funds specified in the Law, and issuing bills in cases provisioned by the Law On State Budget of Ukraine for the relevant year.
- taking measures to organise 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 at least UAH 200.000);
- regulating the banks' membership with the households deposit guarantee system;
- inspecting problem banks upon an initiative of the National Bank of Ukraine;
- applying financial sanctions to and imposing fines on banks and bank senior executive management;
- resolving insolvent banks, including through provisional administration and liquidation of such banks, organising the disposal of assets and liabilities of an insolvent bank, sale of an insolvent bank, or establishment and sale of a bridge bank;
- monitoring member banks in accordance with the Law;
- providing financial support to member banks in accordance with the Law;
- analysing the financial position and performance of the member banks in order to elicit their potential risks, and project the potential costs associated with the resolution of insolvent banks and deposit payouts;

- granting a special purpose loan to a bank in order to ensure due and timely remuneration of labour under the terms and conditions set in p. 2, Part 6 of Article 36, p. 7 and 8, Part 2 of Article 37, and Part 4, Article 47 of the Law during provisional administration;
- sending relevant inquiries to customers, depositors, and other creditors of the bank in accordance with the procedure established by the Fund;
- informing the public of the functioning of the households deposit guarantee system, protecting the depositor's rights and legitimate interests, and promoting financial literacy among the citizens in accordance with the Law;
- studying and analyzing the markets of financial resources raised from depositors by the Fund's member banks.

The Fund is a legal entity under public law, has its separate property, which is an item of state property 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 depository institutions – state-owned banks.

The Fund is a non-profit institution.

The governing bodies of the Fund are the Administrative Board and the Executive Directorate.

The Administrative Board of the Fund comprises five persons: a representative of the Cabinet of Ministers of Ukraine, two representatives of the National Bank of Ukraine, a representative of the special-purpose committee of the Verkhovna Rada of Ukraine, and the Managing Director of the Fund.

The Executive Directorate of the Fund comprises seven members. The Fund's Managing Director and his/her deputies are members of the Executive Directorate of the Fund ex officio.

As at December 31, 2020 (December 31, 2019: 74 banks), the number of the Fund's member institutions is 73 banks.

## Business environment

The Fund is one of the key actors in the financial sector infrastructure, which along with other public authorities, ensures the financial stability of the country. Proper implementation of the Fund's objective directly depends on its functional environment and its ability to respond effectively to potential risks and threats.

Since 2014, Ukraine has been affected by unresolved armed conflict in some areas of Luhansk and Donetsk regions, the annexation of the Autonomous Republic of Crimea by Russia, which still limits political and economic relations with Russia.

Nevertheless, during 2019 Ukrainian economy has demonstrated some good signs of stabilization. The inflation rate in Ukraine decreased to 4.1% in 2019 cf. to 9.8% in 2018, and real GDP in 2019 increased by 3.2% compared to 2018. The key factors that influenced the improvement of these indicators are successful launch of the International Monetary Fund program at the end of 2018, consistent monetary policy of the National Bank of Ukraine aimed at achieving price stability, high incomes of agro-industrial exporters, and restraint of hryvnia liquidity and consistently high level of foreign exchange earnings through government debt securities.

Since 2016, the Ukrainian economy has shown signs of stabilization. However, the spread of the COVID-19 pandemic in the world and in Ukraine in early 2020 and the quarantine restrictions imposed by the governments of most countries have led to a sharp decline in economic activity in most countries, including Ukraine. In 2020, real GDP decreased by 4.0% compared to 2019, consumer inflation was moderate and amounted to 5.0%.

The level of macroeconomic uncertainty in Ukraine in 2020 continued to remain high due to the existence of a significant amount of public debt to be repaid in 2021, which requires the mobilization of significant domestic and external financing in the environment, where emerging markets, including Ukrainian, face more problems with sources of funding. To a large extent, further economic growth depends on the success of the Ukrainian government in implementing the planned structural reforms and effective cooperation with the International Monetary Fund.

In April 2020, the rating agency Fitch confirmed the current long-term rating of the default of the issuer of Ukraine in foreign currency at the level of "B", and the forecast for it worsened from "positive" to "stable". The revision of the forecast reflects the significant impact of the COVID-19 pandemic, which nullified the improvements made by Ukraine in recent years, in reducing the debt burden, normalizing growth prospects after the geopolitical and economic crisis of 2014–2015.

In 2020, the banking sector operated in an unstable macroeconomic situation caused by the COVID-19 pandemic. As banks entered the period of the COVID-19 pandemic without significant imbalances, sufficiently capitalized and highly liquid, the banking sector is undergoing a coronary crisis successfully, properly performing its functions. For the first time in history during the crisis, Ukrainian banks did not become a factor in increasing economic instability, due to the cleansing and stability of the banking system, conducted in 2014–2017. In 2020, only two banks were declared insolvent and transferred under the Fund's management.

The development of the political and economic situation in Ukraine, as well as the consequences of the spread of the COVID-19 pandemic in the world and in Ukraine is extremely difficult to predict, but the management believes that it monitors developments and takes appropriate measures to maintain stable operation of the Fund and deposit guarantee system in Ukraine. Possible negative developments may have an adverse effect on the results of operations and financial condition of the Fund, the nature and consequences of which are currently impossible to determine. These financial statements reflect the current assessment of management about the impact of operating conditions in Ukraine on the Fund's operations and financial condition. Future operating conditions may differ from the management estimates.

## 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, 2020, the Fund's net deficit is UAH 61.278 million (December 31, 2019: deficit of UAH 59.546 million). Net loss for the year ended 31 December 2020 is UAH 1.728 million (net profit for the year ended 31 December 2019: UAH 4.852 million). Cash inflows from operations for the year ended 31 December 2020 amount to UAH 5.459 million (for the year ended 31 December 2019 – UAH 7.326 million).

The management board implements the following measures to insure the fulfilment of the Fund's obligations in the near future:

- In conformity with Article 25 of the Law, in case of a temporary liquidity crisis the Fund has the right to apply to the National Bank of Ukraine to: 1) attract a loan; 2) redeem securities owned by the Fund. In 2019, the Fund concluded a loan agreement with the National Bank of Ukraine on the opening of the renewable credit line for the Fund in the amount of UAH 2,000 million.
- In conformity with Article 25 of the Law, in case of insufficient funds, the Fund has the right to apply for a loan or state contribution on a non-refundable basis from the state budget.
- During 2020, the Fund made early repayment of promissory notes in the amount of UAH 1.300 million 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 UAH 700 million.
- Over the course of 2020, the Fund in cooperation with the Ministry of Finance of Ukraine and the National Bank of Ukraine as part of a working group established by the Financial Stability Board in 2018, continued to develop and agree on methods of debt restructuring on promissory notes issued to the Ministry of Finance of Ukraine in 2015–2016 years in exchange for a loan in the form of domestic government bonds.
- In 2020, the development of the Fund's risk management system has begun, the main purpose of it is to ensure the Fund's performance of the functions defined by the legislation of Ukraine, in the presence of 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 2020, 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, 2020, the Fund has filed 60 lawsuits against 751 bank-related persons against 41 insolvent banks totaling about UAH 97,000 million.

- The Fund uses all possible ways to sell the assets of insolvent banks in the shortest possible time at the highest value. The sale of assets is carried out through the electronic trading system Prozorro.sale, also international advisers, stock exchanges have been involved into the process and direct sale of banks' assets (property) to legal entities or individuals has been arranged;
- The Fund also proceeds to optimize and minimize the insolvent banks' expenses by strengthening operation control in insolvent banks and centralizing their main functions that arise during the introduction of temporary 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 believes that, given all the measures described above, the Fund has the resources to keep operational continuity in the near future. In addition, management is not aware of any material uncertainties, other than those listed above, that may cast significant doubt on the Fund's ability to operate in the near future.

### c) Functional currency and presentation currency

These financial statements are presented in the national currency of Ukraine, UAH, which is the functional and presentation currency of the Fund. All amounts in the financial statements are rounded to millions.

Monetary assets and liabilities are translated into the functional currency at 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 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 estimated at historical cost are translated at the exchange currency rate on the transaction date.

### d) Current versus non-current classification

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 for 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 for at least 12 months after the reporting period. The terms of a 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 of selling an asset or transferring a liability in an ordinary transaction between market participants at the date of valuation. Fair valuation assumes that the sale of an asset or the transfer of a liability occurs either

- in the underlying 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 carries out the sale of an asset or the transfer of a liability is considered to be the principal, or if there is no principal market, the most favorable. The Fund must have access to the leader market or most favorable market on the date of valuation.

The Fund estimates the fair value of an asset or liability using the assumptions that 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 techniques that are appropriate to the circumstances and for which there is sufficient data to estimate fair value, maximizing the use of relevant open inputs and minimizing the use of closed inputs.

If there is a leader 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 discounting cash flows and analyzing financial information about investments are used to determine 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 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 techniques that are appropriate to the circumstances and for which there is sufficient data to estimate fair value, maximizing the use of relevant open input and minimizing the use of closed input. 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 identical 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 are relevant for estimating fair value in general and are directly or indirectly observed in the market;
- level 3 – valuation models in which the inputs belonging to the lowest level of the hierarchy are essential for estimating fair value in general, are not observed in the market.

In the case of assets and liabilities that are revalued on a periodic 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 relevant to measuring fair value as a whole) 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) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The expenses for improving own fixed assets, which lead to an increase in the initially expected benefits from their use, increase the initial value of these facilities.

Accrual of the 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 useful life periods expected:

	Years
Buildings	40
Vehicles	5
Furniture	3–7
Office supplies	4–7
Computer equipment	3–5
Tools and household equipment	3–7
Other fixed assets	3–7

The liquidation value of the fixed asset groups, which are not subject to be sold after the end of useful life is 0 % of their initial value. The liquidation value of the fixed asset groups, which may be sold after the end of useful life, is set at the level of statistics roundup 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, useful life period, depreciation method, and analyses fixed assets for impairment.

If there is an evidence 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 of the period as part of other expenses.

#### g) Lease

At concluding an agreement, the Fund assesses whether the lease agreement as a whole or its individual components is a lease agreement. The contract as a whole or its individual components is a lease agreement if the contract transfers the right of control over the use of the identified asset for a certain period of time in exchange for compensation.

The Fund, as a lessee, applies a single 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 the 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 date of the lease commenced, the Fund recognizes the asset in the form of right of enjoyment and lease liability.

At the date of recognition, the asset in the form of right of enjoyment is measured at basic value, and the lease liability is measured at the present value of the lease payments not paid at that date.

Lease payments are discounted at the rate specified in the lease agreement, if such a rate can be easily determined. Otherwise, the Fund uses the 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 minus the accumulated depreciation and accumulated losses from impairment. The carrying amount of the asset is adjusted by the amount of the revaluation of the lease.

Depreciation of an asset in the form of a right of use is carried out on a straight-line basis over the shortest period of time: useful life or lease term.

The lease liability is subsequently measured at amortized cost using the effective interest method. The carrying amount of the lease is increased by the amount of interest on the lease and decreased by the amount of the lease payments made.

The carrying amount of the lease 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 the relevant underlying assets would be presented if they were 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 for consideration, and includes all direct costs of preparing the asset for use, namely:

- invoice cost (less trade discounts), duties, indirect taxes that are not refundable; and
- any costs that can be directly attributed to the preparation of this asset for its intended use.

After recognition of assets as intangible they are accounted for using the cost model: cost less accumulated amortization 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 the 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 is accrued over the useful life using the straight-line method.

Depreciation begins on the first day of the month following the month in which such an asset became available for use and ceases on the first day of the month following the month in which the asset is derecognised.

Intangible assets that have an indefinite useful life are not subject to amortization; classified as held for sale (for the period of such classification).

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 is any indication that an intangible asset may be impaired, the Fund estimates the amount of the expected return on the asset. The amount of the expected return on an asset is its carrying amount if there is no reason to believe that the benefits of using the intangible asset outweigh its cost.

If it is not possible to determine the cost of sales, the amount of the expected return on the asset may be the benefit from its use (the value of the asset in use), defined as the discounted cash flow expected to be received from the use and future disposal of the asset.

If the amount of the expected return on an intangible asset is less than its carrying amount, the carrying amount of the intangible asset is reduced to its recoverable amount. Such a reduction is a loss from the reduction in utility. Impairment loss is included in other expenses 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

The Fund's financial instruments 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 at the Fund's cash account);
- financial investments in government securities (domestic government bonds);
- arrears of insolvent banks and banks under the liquidation procedure carried out by the Fund, on special-purpose loans and interest on special-purpose loans granted to insolvent banks;
- other receivables.

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 amortised 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 a 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 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 a 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 at fair value through profit or loss if:

- a financial asset is not classified as at amortized cost or 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 the Fund's financial assets by these categories is based on: business models for financial asset management; characteristics of cash flows on the financial asset, provided 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 the decision of the Fund's Executive Directorate #3357 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 as a result of external or internal changes and must be significant to the Fund's activities and obvious to external parties. The reclassification of financial assets is applied prospectively from the date of reclassification.

### *Recognition and evaluation of financial instruments*

A financial asset or financial liability is recognized in the statement of financial position only when the Fund becomes a party to the contractual provisions of the financial instrument.

Ordinary acquisition or sale of a financial asset is accounted for using the settlement date.

On 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 acquisition or issue of a financial asset or financial liability.

The best indication of the fair value of a financial instrument at initial recognition is the transaction price, ie the fair value of the funds paid or received. If the Fund determines that the fair value of a financial instrument at 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 is measured at fair value adjusted for the difference between the fair value at initial recognition and the transaction price. Thereafter, the difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is fully confirmed by open market data or when the transaction is closed.

Further evaluation 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 (other than financial assets at fair value through profit or loss) are reviewed for impairment.

A decrease in the usefulness of financial assets is the recognition of a provision for losses on 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 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 losses on expected credit losses on financial investments in government securities is recognized in accordance with the method of reducing the usefulness of financial investments in government securities, approved by the decision of the Fund's Executive Directorate #3357 dated December 13, 2018.

Provision for losses on expected credit 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 the expected amount of creditor satisfaction of the Deposit Guarantee Fund for banks whose liquidation procedure is carried out by the Fund" to the Methodology for assessing the financial stability of the Deposit Guarantee Fund, approved by the decision of the Executive Directorate #13 dated February 28, 2013 (as amended by the decision of the Executive Directorate #3358 dated December 13, 2018) and 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 estimated reserve. The assessment of expected credit losses depends on the number of days in arrears 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 announces derecognition of the 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 the 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 the financial asset. The Fund derecognizes the financial liability when its liabilities under the contract are repaid, cancelled or expired.

### j) Fund's liabilities in deposit payouts to depositors of insolvent banks and banks under the fund's liquidation procedure

The Fund's obligation to pay compensation to depositors of insolvent banks and banks liquidated by the Fund is a legal obligation arising under Article 26 of the Law of Ukraine On Households Deposit Guarantee System.

The liability is recognized in the amount of reimbursement approved by the Executive Directorate of the Fund in the Register of reimbursement payments to depositors, on the date of such approval and is reflected in the total amount in terms of an insolvent bank.

The Fund's obligation to pay compensation to depositors with deposits specified in Article 38 of the Law of Ukraine On Households Deposit Guarantee System is recognized as part of the provision.

The Fund's obligation to pay compensation to depositors of insolvent banks and banks under the Fund's liquidation procedure, which will remain unclaimed by depositors on the date of reimbursement payment is recognized in other operating income.

The date of reimbursement payment is the day of submitting documents for record about the bank's liquidation in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations of the record.

### k) Provision, contingent liabilities and contingent assets

#### Provision

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 it is probable that repayment of the obligation will result in the outflow of resources that represent economic benefits. If the consequences are significant, the amount of provision is determined by discounting the expected future cash flows using a discount rate, net of tax that reflects the current market measurement of the funds cost over time and the risks inherent in a specific liability.

Provisions of the Fund are classified by the following categories:

- Provision for a bank resolution and deposit payouts;
- provision for the Fund's potential expenses for deposit payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the features specified in Article 38 of the Law of Ukraine On Households Deposit Guarantee System;
- Provision for legal claims.

Provision for the potential expenses of the Fund for insolvent bank resolution and deposit payouts





Provision for the potential expenses of the Fund for insolvent bank resolution and deposit payouts is determined in accordance with the Methodology for financial stability assessment of the Deposit Guarantee Fund approved by the decision of the Executive Directorate of the Fund #13 dated February 28, 2013 (as amended by the Decision of the Executive Directorate of the Fund #3358 dated December 13, 2018) and is a projected covered reimbursement amount during twelve months measured at the expected loss ratio level of the Fund.

Projected covered reimbursement amount during twelve months is calculated for banks which are not declared insolvent at the reporting date and is the sum of products of covered reimbursement amount according to the deposit of each bank and the probability that bank will be declared insolvent during 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 disestablished on the next reporting date. The covered reimbursement amount payable to depositors of the insolvent bank is recognized in the 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 the features specified in Article 38 of the Law of Ukraine On Households 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 the features specified in Article 38 of the Law of Ukraine On Households Deposit Guarantee System is determined for each insolvent bank in accordance with the list provided by the authorized bank officer in accordance with paragraph 5, Part 2 of Article 27 of the Law, and is the sum of expenditures necessary for repaying the outstanding liability.

The provision is recognized as of the date of the Deposit Payout Register approval and reviewed at the end of each reporting period.

The unexpended balance of the provision is disestablished as of the date of final covered deposit payout.

The date of completion of the covered deposit payout is the date of submitting documents for making an entry of the bank liquidation in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine.

Provision for legal claims

Provision for legal claims is the sum of expenditures necessary to repay the outstanding liability to pay fines, administrative penalties, cash indemnity of losses that may arise as a result of the Fund's breaching or failing to comply with the laws, other regulations, agreements, approved practices, as well as the possibility of ambiguous interpretation thereof.

Provision for legal claims is calculated because of the following factors: legal authority considering the case; availability of the lower court decision and its content; judicial practice in similar legal relations; reasonable legal stance of the Fund. The amount of potential expenses of the Fund for litigations with high legal risk is recognized at the reporting date in the financial statements in the part of Provisions. The amount of potential expenses of the Fund for litigations with average legal risk is recognized at the reporting date in the Notes to the financial statements.

### Contingent liabilities

Contingent liability is a potential obligation that results from the past events, and existence of which is confirmed only after one or more uncertain future events not fully controlled by the Fund will or will not occur, or an existing obligation that results from the past events but is not recognized, because there is no probability that the repayment of an obligation requires the disposal of resources that embody economic benefits, or the amount of obligation cannot be reliably measured.

### Contingent assets

Contingent asset is a potential asset that results from the past events and existence of which will be confirmed only after one or more uncertain future events not fully controlled by the Fund occurs or does not occur.

Contingent assets and contingent liabilities are not recognized in the financial statements.

### l) Accounts receivable from insolvent banks on the fund's creditor's claims

According to Article 29 of the Law, the Fund acquires the rights of a bank creditor as follows:

- for the total amount to be reimbursed to depositors of such a bank (including paragraphs 3-5, Part 2 of Article 27 of the Law) 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 arrears of fee payments, penalties and/or fines to the Fund accrued before the day preceding the date of commencement of the liquidation procedure.

The arrears of insolvent banks and banks liquidated by the Fund on the creditor claims of the Fund are the expected amount of discharging the creditor claims of the Fund, 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 provision for losses from non-repayment of special purpose loans.

The reimbursement amount reduces the expenses associated with fulfilling the obligation of the Fund to disburse payouts to depositors of insolvent banks and cover the expenses associated with the insolvent bank resolution procedure.

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 accredited in the following order:

- the first priority is repayment of the outstanding special purpose loan issued to the bank during the provisional administration;
- the second priority is repayment of the interest arrears on the special purpose loan;
- the third priority is repayment of creditor claims on funds to be reimbursed to depositors (including paragraphs 3–5, Part 2 of Article 27 of the Law);
- the fourth priority is 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;
- the fifth priority is repayment of the arrears on fees, penalty and fines.

#### m) Income

Income is classified by the following groups:

- Banks' contributions;
- other operating income;
- financial income.

##### *Banks' contributions*

Banks' contributions include the following: initial contributions; regular contributions; special contributions; additional contributions for the past periods.

The 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 the Decision of the Executive Directorate of the Fund #1 dated July 2, 2012 and registered with the Ministry of Justice of Ukraine #1273/21585 on July 27, 2012.

##### *Initial contributions*

Initial contributions are determined at the date of the banking license issue based on the Initial Fee Calculation Report provided by the member institutions. The amount of the initial fee is 1 % of the share capital of the bank, except in cases stipulated by law. The initial fee is 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 Regular Fee Calculation Report provided by member institutions.

The amount of regular contributions depend on the deposit base and the risk level of the bank. Member institutions 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 charging base of deposits in national currency and 0.8 % of the charging base of deposits in foreign currency, at the risk level. The charging base for the regular fee calculation is defined as the arithmetic average for the calculation period of daily balances on the accounts of deposits and interest thereon. The calculation period for

determining the charging base is the reporting quarter of the current year. The regular fee is paid to the Fund on a quarterly basis by the 15th day of the month following the reporting quarter.

The regular contributions for the past periods additionally charged on the results of the inspection of the member institution is 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 the member institutions, regarding which the National Bank of Ukraine made a decision on revoking banking license and liquidation, are recognized on the day preceding the introduction of the bank liquidation procedure. Accordingly, no regular fees are charged since the date of introduction of the liquidation procedure.

Arrears of liquidated banks on fees to the Fund are 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 is recognized with the formation of the provision for losses.

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 provision is reviewed on each balance sheet date and adjusted (decreased/increased), if necessary.

##### *Special contributions*

Special contributions are assigned by the Fund in the following cases:

- reduction of the minimum amount of the Fund's funds below 2.5 % of the depositors' funds guaranteed by the Fund within the reimbursement amount, taking into account the amount of fees from member institutions to be received during the current quarter, or the risk of a substantial decrease in the funds of the Fund;
- for the purpose of repaying borrowed loans.

Special contributions are recognized for the periods specified in the decision of the Executive Directorate of the Fund on application of special fee to the banks.

##### *Other operating income*

Other operating income includes the following:

- penalty (fines, penalties) for violation of the Law;
- 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, bank liquidation;
- income from reimbursement payout liabilities' write-off due to the termination of liquidation procedure;
- other income.



Other income is recognized, if a separate transaction definitely increases the economic benefits.

#### **Financial income**

Financial income includes the following:

- income from interest accrued by the National Bank of Ukraine on balances on the Fund's accounts opened with the NBU;
- 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 under liquidation procedure 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 by the effective interest rate method.

#### **n) Expenses**

Expenses are classified by the following groups:

- provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts;
- expenses for fulfilling the obligation of deposit payouts and bank resolution;
- provision for impairment losses on financial assets;
- other operating expenses;
- financial expenses;
- administrative expenses;
- other expenses.

Other operating expenses include the following:

- expenses for litigation;
- expenses for the provision of the potential legal fees of the Fund;
- expenses for the provision of the Fund's potential expenses for payouts to depositors of insolvent banks and banks liquidated by the Fund, whose deposits have the features specified in Article 38 of the Law;
- expenses due to the writing off bad debts of insolvent banks, which remained outstanding on the date of completion of the liquidation procedure of the bank 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 using the 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 obligations;
- other financial expenses.

Other financial expenses include discount on reimbursement of the Fund's expenses for deposit payouts and bank resolution 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 of the Fund's employees; provision for future expenses for the accrued payment of absence periods (annual leave) of the Fund's employees; training and education costs; business trip expenses; entertainment expenses; expenses for maintenance of fixed assets and intangible assets (operating lease, property insurance, depreciation, repairs, etc.); amortization 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; commission for settlement and cash service; the cost of commissioned inventory; membership fees to international associations of deposit insurers; costs for the creation of security costs for which at the time of preparation of financial statements have not received primary documents 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 evaluated at amortized cost
- impairment losses on financial assets evaluated at fair value by revaluation of other comprehensive income
- depreciated book value of financial assets evaluated at fair value by revaluation of profit and 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 by the effective interest rate method.



## Significant accounting judgements, estimates and assumptions

Preparation of financial statements requires the management to formulate judgements, estimates and assumptions that affect the amounts of assets and liabilities, income and expenses recognized in the financial statements.

### Judgement

In the process of applying the accounting policy, the Fund's management used 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 until maturity;
- considers the possibility of selling the asset in the event of a significant increase in 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 need for liquid funds;
- does not plan to carry out active transactions for the purchase and sale of financial assets with a frequency of at least five times a week.

The Fund identifies a financial asset as held under 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 until maturity;
- plans to sell the financial asset in case of need for liquid funds;

- considers the possibility of selling the asset in the event of a significant increase in 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 carry out active transactions for the purchase and sale of financial assets with a frequency of at least five times a week.

The Fund identifies a financial asset as held under 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 for the purchase and sale of financial assets 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 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: Financial investments;
- Note 11: Arrears of insolvent banks and banks under the Fund's liquidation procedure, according to the Fund's accounts payable;
- Note 14: Provisioning for the potential costs of the Fund for bank resolutions and covered deposit payouts.

## 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 an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises 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 is a first-time subsidiary of International Financial Reporting Standards;<sup>2</sup>
- Amendment to IFRS 9 Financial Instruments - the 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 Statement - "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 estimating fair value.<sup>2</sup>

<sup>1</sup> - Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> - Effective for annual periods beginning on or after 1 January 2022. Early use is allowed.

<sup>3</sup> - Effective for annual periods beginning on or after 1 January 2023. Early use is allowed.

<sup>4</sup> - Effective for annual periods beginning on or after 1 January 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.

## Changes in accounting policy and principles of disclosure

### Effect from the first adoption of new standards

In 2020, the Fund applied the following new standards and amendments for the first time:

- Amendments to IFRS 3 Business Combinations - Definitions of Business;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Determination of Materiality;
- Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement - Basic Interest Rate Reform;
- Amendments to references to the IFRS Conceptual Framework;

- Amendments to IFRS 16 Leases - Lease Assignments Related to Covid-19 Pandemic.

Application of the standards and amendments mentioned above did not have an impact on the Fund's financial statements.

### Changes in disclosure principles in financial statements

In 2020, the Fund changed the principles of disclosure in financial statements. Future expenses for the annual leave of the Fund's employees are not included in other provisions, but are presented as part of other accounts payable. According to the Fund's management, such a presentation more appropriately reflects the nature and economic substance of these commitments.

As at December 31, 2019, the following reclassifications were made to match the presentation in the statement of financial position as at December 31, 2020.

(UAH million)	Presented in financial statements as at 31 December 2019	Reclassifications	Comparable data amended and presented as at 31 December 2019
<b>Liabilities</b>			
Other provisions	516	(19)	497
Other accounts payable	8	19	27

## Cash and cash equivalents

Cash and cash equivalents are held on the current account of the Fund with the NBU.

The National Bank of Ukraine accrues interest on the Fund's daily cash balances on the current account at the weighted average interest rate on funds at the request of individuals in the national currency. The average effective interest rate as at December 31, 2020 is 7.42% (as at December 31, 2019 – 9.37%).

Interest on cash placed with the National Bank of Ukraine is included in finance income (Note 20).

Property rights for future cash inflows in the amount of UAH 10.963 million are pledged as collateral for the Fund's obligations under the loan agreement with the National Bank of Ukraine (Note 18).

(UAH million)	31 Dec 2020	31 Dec 2019
Cash at banks	1,414	2,498
<b>Total cash and cash equivalents</b>	<b>1,414</b>	<b>2,498</b>

## Financial investments

Financial investments represented by the government bonds, which the Fund, according to a business model, classifies as financial investments at amortised cost and financial investments at fair value through OCI.

### Financial investments at amortised cost

Financial investments at amortised cost, represented by the government bonds purchased by the Fund in 2019, and are held by the Fund within the business model, its aim is retention of financial assets for the obtaining of contractual cash flows. The contract cash flows under these financial assets are payments of the principal amount and interests to the unpaid part of the principal amount.

The book value of financial investments estimated at amortized cost includes accrued interest for a total of UAH 104 million (31 December 2019: UAH 158 million).

(UAH million)	31 Dec 2020	31 Dec 2019
Financial investments at amortised cost	8,886	3,447
Financial investments at fair value through OCI	5,722	5,723
<b>Total</b>	<b>14,608</b>	<b>9,170</b>

(UAH million)	Effective interest rate	Maturity date	31 Dec 2020	31 Dec 2019
UA4000157671	16,30%	12/02/2020	-	210
UA4000165773	16,03%	08/04/2020	-	504
UA4000171094	16,92%	08/07/2020	-	698
UA4000196620	16,44%	15/01/2020	-	654
UA4000202469	14,953%	30/09/2020	-	1,054
UA4000203244	17,30%	29/01/2020	-	327
UA4000194377	9,78%	02/06/2021	834	-
UA4000204986	10,59%	29/09/2021	1,091	-
UA4000207989	10,10%	21/07/2021	1,321	-
UA4000209373	7,96%	24/02/2021	1,028	-
UA4000211957	7,93%	28/04/2021	2,044	-
UA4000213300	10,84%	27/10/2021	263	-
UA4000214498	11,64%	01/12/2021	2,305	-
<b>Total</b>			<b>8,886</b>	<b>3,447</b>



*Financial investments at fair value through OCI*

Financial investments at fair value through OCI represented by the 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 18).

The financial assets are held by the Fund within the business model; its aim is retention of financial assets for obtaining of contractual cash flows such as sale of financial assets. The Fund plans to implement these financial investments in case it is necessary to obtain liquid assets to meet its obligations to pay compensation to depositors and incur the costs of bank resolutions. The latest part of such bonds, sold by the Fund worth UAH 2,500 million in 2017.

The book value of financial investments estimated at fair value with recognition of the revaluation of other comprehensive income includes accrued interest payable totaling UAH 125 million (31 December 2019: UAH 122 million).

(UAH million)	Effective interest rate	31 Dec 2020	31 Dec 2019
UA4000196513	10,27%	4,232	4,234
UA4000196521	10,27%	1,490	1,489
<b>Total</b>		<b>5,722</b>	<b>5,723</b>

## Accounts receivable from banks' contributions

Accounts receivable from banks' contributions are represented by receivables from the regular contributions payable by the banks in accordance with Article 22 of the Law.

The Fund recognizes the accounts receivable from regular contributions on a quarterly basis based on the Regular Fee Calculation Report provided by member institutions. The arrears on regular fees shall be repaid by the bank by the 15th day of the month following the reporting quarter.

The regular contributions of the banks, regarding which the National Bank of Ukraine decides to revoke the banking license and liquidate the bank, is recognized on the day preceding the introduction of the bank liquidation procedure. Accordingly, no regular contributions are charged since the date of the liquidation procedure introduction.

<i>(UAH million)</i>	31 Dec 2020	31 Dec 2019
Accounts receivable from banks' contributions	1,114	1,006
Accounts receivable from insolvent banks' contributions	221	254
<b>Total accounts receivable from banks' fees, gross amount</b>	<b>1,335</b>	<b>1,260</b>
<b>Impairment:</b>		
Arrears on insolvent banks' contributions	(221)	(254)
<b>Total impairment</b>	<b>(221)</b>	<b>(254)</b>
<b>Total accounts receivable from the banks' contributions, net amount</b>	<b>1,114</b>	<b>1,006</b>

Accounts receivable from insolvent banks' contributions as at December 31, 2020, December 31, 2019 were revised for impairment due to the existence of objective evidence that it was impossible to obtain an asset. Funds received from insolvent banks are credited to repayment of receivables from the contributions last of all the other creditor claims of

the Fund to insolvent banks. The provision for impairment losses is established at a rate of 100 % of receivables from the insolvent banks' fees.

## Other accounts receivable

<i>(UAH million)</i>	31 Dec 2020	31 Dec 2019
Advances paid out	23	9
Accounts receivable from the sale of insolvent banks	2	2
Other	4	4
<b>Total other accounts receivable, gross amount</b>	<b>29</b>	<b>15</b>
Impairment	(4)	(4)
<b>Total other accounts receivable, net amount</b>	<b>25</b>	<b>11</b>



## Accounts receivable from insolvent banks on the fund's creditor's claims

The Accounts receivable from insolvent banks on the Fund's creditor's claims are the expected amount of discharging the creditor claims of the Fund, 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 provision for losses from non-repayment of special purpose loans.

### Key assumptions and judgements for assessing the arrears of insolvent banks on the Fund's creditor claims

The assessment of Accounts receivable from insolvent banks on the Fund's creditor's claims provides for the assessment of the expected amount of discharging the creditor claims of the Fund.

The management board assesses the expected amount of discharging the creditor claims of the Fund based on the approved liquidation estate of insolvent banks and conversion of the liquidation estate into the cash flow.

The management board has made key assumptions and judgements regarding the following:

- expected time of cash flows;
- conversion rate of the liquidation pool 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 timeframe for 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 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 sale and management of assets to the liquidation pool for all banks in total. To calculate the conversion rate of the liquidation estate in the cash flow over the 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 remaining period 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 the following:

(%)	31 Dec 2020	31 Dec 2019
1 year in liquidation	12,27	13,42
2 year in liquidation	9,87	9,90
3 year in liquidation	9,80	10,34
4 year in liquidation	6,92	6,67
5 year in liquidation	6,20	7,68

### Discount rate to calculate the expected amount of reimbursement of the Fund's expenses for the liquidation procedure

As a discount rate for the calculation of the expected amount of reimbursement of the Fund's expenses for the liquidation procedure, the Fund used the spot rate calculated on the basis of the zero coupon yield curve for the Ukrainian government bonds (OVDPs) denominated in UAH for the period that corresponds to the period from the reporting date to the expected time of cash flow. The zero coupon yield curve was calculated using the methodology of the National Bank of Ukraine developed on the basis of the Nelson-Siegel parametric model.

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 as follows:

(%)	31 Dec 2020	31 Dec 2019
1 year in liquidation	10,51	11,68
2 year in liquidation	11,08	11,42
3 year in liquidation	11,35	11,17
4 year in liquidation	11,42	10,92
5 year in liquidation	11,33	10,67

### Discount rate to calculate the provision for losses from failure to return a special purpose loan granted to banks

As a discount rate for the calculation of the provision for losses from the failure to return the special purpose loan provided to banks, the Fund used the rate for specific special purpose loan agreements, which ranged within 6.5 % to 14.2 % per annum.

The arrears of insolvent banks on the Fund's creditor claims is given in the financial statements:

(UAH million)	31 Dec 2020	31 Dec 2019
<b>Arrears of insolvent banks on the Fund's creditor claims:</b>		
Reimbursement of the Fund's expenses for deposit payouts and bank resolution	449	904
Arrears of insolvent banks on special purpose loans, net amount	964	2,715
<b>Total arrears of insolvent banks on the Fund's creditor claims, net amount</b>	<b>1,413</b>	<b>3,619</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 22).

The arrears of insolvent banks on special purpose loans are given in the statements in the net amount less the provision for losses from failure to return special purpose loans.

(UAH million)	31 Dec 2020	31 Dec 2019
<b>Arrears of insolvent banks on special purpose loans:</b>		
Arrears of insolvent banks on special purpose loans, gross amount	11,676	15 197
Provision for losses from special purpose loan default	(10,712)	(12 482)
<b>Total arrears of insolvent banks on special purpose loans, net amount</b>	<b>964</b>	<b>2,715</b>

Flow of the provision for impairment losses of the arrears of insolvent banks on special purpose loans for the reporting period is given as follows:

(UAH million)	2020	2019
<b>Provision for impairment losses from the arrears of insolvent banks on special purpose loans at the beginning of the reporting period</b>	<b>12,482</b>	<b>18,614</b>
Provision formed	-	-
Provision reversed	(224)	(3,068)
Write-off at the expense of provision	(1,546)	(3,064)
<b>Provision for impairment losses from the arrears of insolvent banks on special purpose loans at the end of the reporting period</b>	<b>10,712</b>	<b>12,482</b>

Analyzing sensitivity of the arrears of insolvent banks on the Fund's creditor claims to the changes in key assumptions

remain unchanged, would have an impact on the arrears of insolvent banks on the Fund's creditor claims by the amounts below.

Reasonably possible changes in one of the key assumptions at the reporting date, provided that other assumptions

(UAH million)	2020		2019	
	Increase	Decrease	Increase	Decrease
<b>Expected reimbursement amount of the Fund's expenses for the liquidation procedure</b>				
Discount rate (change by 1%)	(1)	1	(1)	1
Conversion rate (change 10%)	24	(24)	109	(109)
<b>Amount of provision for losses from failure to return a special purpose loan granted to banks</b>				
Discount rate (change by 1%)	0	0	0	0
Conversion rate (change 10%)	(97)	97	(282)	282



## Property, plant and equipment

(UAH million)	Office properties	Computer and equipment	Vehicles	Furniture and supplies	Other PPE	Total
Cost as at December 31, 2018		51	1	2	-	54
Accumulated depreciation as at December 31, 2018		(13)	(1)	(2)	-	(16)
<b>Net book value as at December 31, 2018</b>		<b>38</b>				<b>38</b>
Additions		6	-	-	10	16
Disposals		-	-	-	-	-
Accumulated depreciation on disposed fixed assets		-	-	-	-	-
Depreciation		(8)	-	-	(6)	(14)
Cost as at December 31, 2019		57	1	2	10	70
Accumulated depreciation as at December 31, 2019		(21)	(1)	(2)	(6)	(30)
<b>Net book value as at December 31, 2019</b>		<b>36</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>40</b>
Additions	309	15	-	1	-	325
Disposals		-	-	-	(10)	(10)
Accumulated depreciation on disposed fixed assets		-	-	-	(9)	(9)
Depreciation	(4)	(10)	-	-	(3)	(17)
Cost as at December 31, 2020	309	72	1	3	-	385
Accumulated depreciation as at December 31, 2020	(4)	(31)	(1)	(2)	-	(38)
<b>Net book value as at December 31, 2020</b>	<b>305</b>	<b>41</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>347</b>

The initial value of fully depreciated PPE, which are still being used, is UAH 10 million (December 31, 2019: UAH 5 million). Other PPE are presented in the form of the right of enjoyment at initial value of UAH 10 million (Note 28).

## Intangible assets

<i>(UAH million)</i>	Software	Total
Cost as at December 31, 2018	42	42
Accumulated depreciation as at December 31, 2018	(9)	(9)
<b>Net book value as at December 31, 2018</b>	<b>33</b>	<b>33</b>
Additions	29	29
Disposals	(1)	(1)
Accumulated depreciation on disposed intangible assets	(1)	(1)
Depreciation	(9)	(9)
Cost as at December 31, 2019	70	70
Accumulated depreciation as at December 31, 2019	(17)	(17)
<b>Net book value as at December 31, 2019</b>	<b>53</b>	<b>53</b>
Additions	49	49
Disposals	-	-
Accumulated depreciation on disposed intangible assets	-	-
Depreciation	(13)	(13)
Cost as at December 31, 2020	119	119
Accumulated depreciation as at December 31, 2020	(30)	(30)
<b>Net book value as at December 31, 2020</b>	<b>89</b>	<b>89</b>

## Provision for bank resolutions and deposit payouts

In 2019, provision for the Fund's potential expenses for bank resolutions and deposit payouts was estimated according to the Financial Stability Assessment Methodology of the Deposit Guarantee Fund approved by the Decision of the Executive Directorate of the Fund #13 dated February 28, 2013 (as amended by the Decision of the Executive Directorate of the Deposit Guarantee Fund #3358 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 the expected losses of the Fund.

Projected guaranteed amount of deposit payouts during 12 months is the amount of products of the guaranteed amount of deposit payouts of every bank and the probability of declaring the bank insolvent during 12 months.

The guaranteed amount of deposit payouts is measured according to the data of the retail deposits report – Reporting Form No. 1Φ; the form is approved by the Decision of the Executive Directorate of the Deposit Guarantee Fund No. 5 of July 9, 2012, registered in the Ministry of Justice on August 2, 2012 #1314/21626, that is provided by member institutions at the reporting date.

### Key assumptions and judgements used in estimation of 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 Fund management board:

- probability for the banks to be declared insolvent;
- expected loss ratio of the Fund.

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts has been 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 as 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 objective factors for the possibility of negative 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 estimated 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. Maximum total number of points of a particular bank by blocks is 100 points, which equals to 100 % bank risk level.

The financial and economic block has 10 indicators, each of them is weighted to the certain rate: cover of risk arrears by equity, ability to generate income, the portfolio quality, adequacy of the accumulated provisions for loans, calculation of the amount of received collateral in the form of real estate, rational management of resources, loss level, net interest and fee-based income to net assets, net spread, part of non-performing assets. Maximum number of points for this block is 50 points.

The liquidity block has 7 indicators, the aggregate of which allows to assess the bank risk level of liquidity loss and, as a result, inability to fulfil obligations to creditors. Maximum number of points gained for the liquidity 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 clients not executed in time due to the bank's fault (presence of amounts on this indicator increases the risk of liquidity disturbance to the maximum level that is why 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 violation of prudential regulations, provision a special regime of control over the activity and/or appointment of a curator implemented by the NBU, information on the ratings of the parent company of the bank and others. 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

Expected loss ratio is calculated on the basis of accumulated statistics on insolvent banks that were declared subject to liquidation after 1 January 2013 and the 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 creditor's claims balance to the banks liquidated at the reporting date, decreased by the expected amount of creditor's claims maturity at the reporting date and the total amount of the filed creditor claims of the Fund.

Provision for the Fund's potential expenses for insolvent bank resolution and deposit payouts is given in the financial statements:

(UAH million)	2020	2019
<b>Provision for the Fund's potential expenses at the beginning of the period</b>	<b>5,682</b>	<b>6,474</b>
Increase/decrease in the provision for the Fund's potential expenses	1,677	(792)
<b>Provision for the Fund's potential expenses at the end of the period</b>	<b>7,359</b>	<b>5,682</b>

### Analyzing sensitivity of the provision amount for the Fund's potential expenses for 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 bank resolution and deposit payouts by the amounts below.

(UAH million)	31 Dec 2020		31 Dec 2019	
	Increase	Decrease	Increase	Decrease
<b>Provision for the Fund's potential expenses</b>				
Probability of insolvency (change by 1%)	74	(74)	57	(57)
Expected loss ratio (change by 1%)	74	(74)	57	(57)

## Account payables to insolvent banks' depositors

Obligation of the Fund to make payouts to the depositors of insolvent banks and banks liquidated by the Fund is a statutory liability that arises in accordance with Article 26 of the Law.

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 2018 and 2019 amounted to UAH 200.000.00.

The Fund begins to fulfil its obligations to depositors 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 an entry on liquidation of the bank as a legal entity in the Unified State Register of Legal Entities.

As at December 31, 2020, the financial statements represent the Fund's obligations to depositors of 50 banks (December 31, 2019: 50 banks).

In 2019, the Fund completed the deposit payouts in 30 insolvent banks, due to the completion of the liquidation of these banks and entries on the bank liquidation made in 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 223 million have been charged off and recognized in other operating income (Note 21).

The movement of the Fund's liabilities for making deposit payouts to the insolvent banks's depositors and banks under liquidation by the Fund is presented as follows:

(UAH million)	2020	2019
<b>Account payables as at 1 January</b>	3,225	3,710
Accruals of the liability to make deposit payouts	327	267
Increased liability due to the provision for the Fund's potential expenses on repayment of void deposits	57	442
Decreased liability at the reimbursement amount paid to the depositors	(389)	(883)
The liability write-off due to the termination of the liquidation procedure	(223)	(361)
<b>Account payables as at 31 December</b>	<b>2,997</b>	<b>3,225</b>



## Other provisions

Other provisions present provision for legal claims, potential costs of the Fund to compensate depositors of insolvent banks and banks whose liquidation procedure is carried out

by the Fund, whose deposits have signs of voidness, defined by Article 38 of the Law of Ukraine On households deposit guarantee system.

<i>(UAH million)</i>	Provision for legal claims	Provision for expenses to make payouts of deposits with signs of voidness	Total
<b>As at 31 Dec 2018</b>	<b>52</b>	<b>1,502</b>	<b>1,554</b>
Accrued (formed)	1	-	1
Used in the reporting year	-	(442)	(442)
Reversed in the reporting year	-	(616)	(616)
<b>As at 31 Dec 2019</b>	<b>53</b>	<b>444</b>	<b>497</b>
Accrued (formed)	-	-	-
Used in the reporting year	-	(57)	(57)
Reversed in the reporting year	(2)	(40)	(42)
<b>As at 31 Dec 2020</b>	<b>51</b>	<b>347</b>	<b>398</b>

## Other accounts payable

Other accounts payable are lease liabilities (Note 28), accounts payable for goods received, work performed and services rendered, deferred income, employee benefit obligations and other accounts payable, including prepaid fees from the Fund's member banks, etc.

<i>(UAH million)</i>	31 Dec 2020	31 Dec 2019
Lease liabilities	-	3
Accounts payable for goods received, work performed and services rendered	24	-
Deferred income	3	4
Employee benefit obligations	24	19
Other accounts payable	6	1
<b>Total other accounts payable</b>	<b>57</b>	<b>27</b>

## Financial liabilities

<i>(UAH million)</i>	Effective interest rate	31 Dec 2020	31 Dec 2019
<b>Promissory notes issued:</b>			
Over 1 year maturity	8,4%	48,141	49,441
Interest due on promissory notes issued	-	21,341	17,076
<b>Total promissory notes issued</b>		<b>69,482</b>	<b>66,517</b>
<b>Total borrowed funds</b>		<b>69,482</b>	<b>66,517</b>

### Promissory notes issued

In accordance with the resolution of the Cabinet of Ministers of Ukraine On advance repayment of the Deposit Guarantee Fund's promissory notes #559 dated July 18, 2018, during 2020 the Fund repaid promissory notes in the amount of UAH 1.300 million issued by the Fund in 2015 in exchange for a loan in the form of domestic government bonds. Concurrently with the advance repayment of promissory notes, the Fund repaid interest on promissory notes in the amount of UAH 700 million.

As at December 31, 2019 in the financial statements of the Fund promissory notes issued are presented:

by promissory notes in the amount of UAH 40,200 million, 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 State Budget of Ukraine for 2015, Resolution of the Cabinet of Ministers of Ukraine Ukraine #156 dated April 4, 2015 On granting a loan to the Deposit Guarantee Fund and Resolution of the Cabinet of Ministers of Ukraine #701 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 being accrued monthly, but interest is paid on the maturity date of the promissory note. The average effective rate for promissory notes issued in 2015 is 7.66%, maturity dates are 2026 and 2028. The domestic government bonds received were sold in 2015 to fulfill the Fund's obligation to pay compensation to depositors of insolvent banks and banks whose liquidation procedure is carried out by the Fund;

by promissory notes in the amount of UAH 7.941 million 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 State Budget of Ukraine for 2016 and Resolution of the Cabinet of Ministers of Ukraine #1003 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 the full amount is paid on the maturity date of the promissory note. The average effective rate for promissory notes issued in 2016 is 6.33%, maturity dates are 2031. The domestic government bonds received were partially sold in 2017 to fulfill the Fund's obligation to pay compensation to depositors of insolvent banks and banks whose liquidation procedure is carried out by the Fund.

### Loans granted by the National Bank of Ukraine

In January 2019 in accordance with the Regulation On lending from the National Bank of Ukraine to the Deposit Guarantee Fund, approved by the NBU Board's decision, #95 dated March 18, 2013 (hereinafter – the Resolution) and to cover the temporary deficit of the Fund to pay the deposit reimbursement amount, the Fund entered into a loan agreement with the National Bank of Ukraine (hereinafter - NBU) to open a revolving credit line in the amount of UAH 2,000 million at a nominal interest rate of 18.0%, equal to NBU discount rate on the date of the loan agreement. According to the terms of the loan agreement, the loan funds are provided by NBU in tranches at the request of the Fund to obtain a loan. During 2019–2020, the Fund did not apply to NBU for a loan.

To ensure the fulfillment of contractual obligations under the loan agreement on opening a revolving credit line, the Fund pledged property rights to NBU for future cash receipts to the Fund's current account with NBU, estimated at UAH 10.963 million.





## Banks' contributions

<i>(UAH million)</i>	2020	2019
Regular contributions	4,174	3,808
Initial contributions	-	-
Special contributions	-	-
<b>Total contributions from member banks</b>	<b>4,174</b>	<b>3,808</b>

Share of regular contributions additionally charged for the past periods in 2020 amounts to 0,0% (2,4% in 2019), based on the Fund's inspection results.

## Financial income

<i>(UAH million)</i>	2020	2019
Interest on government bonds	1,097	745
Discount on reimbursement of expenses for deposit payouts and bank resolution	151	707
Interest on cash placed with the NBU	192	164
<b>Total financial income</b>	<b>1,440</b>	<b>1,616</b>

## Other operating income

<i>(UAH million)</i>	2020	2019
Penalties and fines arising from member banks' fees	-	12
Interest on special purpose loans granted to insolvent banks	-	81
Positive result from the recognition of compensation for the expenses of making deposit payouts and bank resolution	-	81
Income from write-off of liabilities to make deposit payouts due to the termination of the insolvent bank liquidation	223	361
Deconsolidation of provision for impairment losses on outstanding special purpose loans	224	3,068
Deconsolidation of provision for legal risks	2	-
Deconsolidation of provision for void deposits	40	616
Other income	4	4
<b>Total other operating income</b>	<b>493</b>	<b>4,223</b>



## Expenses for bank resolutions and deposit payouts

Expenses related to the fulfilment 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.

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 another operating income (Note 21).

<i>(UAH million)</i>	2020	2019
Expenses for deposit payouts and bank resolution, gross amount	435	277
Decrease and (increase) of the Fund's reimbursement for deposit payouts and bank resolution	110	(358)
<b>Expenses for deposit payouts and bank resolution, net amount</b>	<b>545</b>	<b>-</b>
<b>Positive result from recognition of the reimbursement on deposit payouts and bank resolution, net amount</b>	<b>-</b>	<b>(81)</b>

## Financial expenses

<i>(UAH million)</i>	2020	2019
Interest paid on loans granted by the NBU	-	8
Interest paid on promissory notes	4,966	4,936
Other financial expenses	94	181
<b>Total financial expenses</b>	<b>5,060</b>	<b>5,125</b>

Other financial expenses include interest on lease obligation for 2020 in the amount of UAH 0,1 million ((UAH 1 million in 2019) (Note 28) and the discount on reimbursement of the Fund's expenses for deposit payouts and bank resolution to be received from insolvent banks and banks liquidated by the Fund.

## Other operating expenses

<i>(UAH million)</i>	2020	2019
Write-off of the insolvent banks' unrecoverable debt on special purpose loans	-	12
Interest reversal on special purpose loans granted to insolvent banks	76	-
Legal costs	17	9
Increase of provision for potential legal costs	-	1
Other expenses	1	-
<b>Total other operating expenses</b>	<b>94</b>	<b>22</b>

## Administrative expenses

(UAH million)	2020	2019
Salaries and other employment benefits	295	293
Social insurance fees	49	49
Office maintenance	6	6
Depreciation	30	23
Repair and modernization of fixed assets and intangible assets	24	10
Business trips	1	1
Other expenses	54	58
<b>Total administrative expenses</b>	<b>459</b>	<b>440</b>

## Related party disclosures

In the normal course of activities, the Fund carries out transactions with related parties. Related parties are the parties in such relations when one party has the ability to control the other party or has a significant impact on the other party when making financial or operational decisions.

### Controlling relations

The Fund is a legal entity under public law, has a separate property, which is an item of state property 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 households deposit guarantee system, the procedure of insolvent bank resolution and 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 as follows: Chairman and members of the Administrative Board of the Fund, Managing Director, Deputy Managing Directors, members of the Executive Directorate of the Fund and of the Tender Committee.

For the years ended December 31, 2020 and December 31, 2019, the expenses for compensation to the leading management board amounted to UAH 34 and 30 million, accordingly.

Members of the Administrative Board of the Fund exercise their functions on a pro-bono basis. The Law does not provide for the remuneration of the Administrative Board members.

### Transactions with entities under control, joint control or significant influence by authorities

The Fund's main transactions with entities controlled by authorities are the receipt of loans from the National Bank of Ukraine, loans from the state budget from the Ministry of Finance of Ukraine and payment of interest on relevant loans. The nature of these transactions is described in Note 18.

Information on individually significant balances and transactions with controlled entities under joint control or significant influence of authorities is given in the tables below.



(UAH million)	31 Dec 2020	31 Dec 2019
<b>Assets</b>		
Cash and cash equivalents on accounts opened with NBU	1,414	2,498
Government bonds issued by the Ministry of Finance of Ukraine	14,608	9,170
<b>Total assets</b>	<b>16,022</b>	<b>11,668</b>
<b>Liabilities</b>		
Promissory notes issued by the Fund to the Ministry of Finance of Ukraine	48,141	49,441
Interest due on promissory notes issued to the Ministry of Finance of Ukraine	21,341	17,076
<b>Total liabilities</b>	<b>69,482</b>	<b>66,517</b>

(UAH million)	2020	2019
<b>Transactions during the year</b>		
Investment income from interest on government bonds	1,097	745
Interest on cash and cash equivalents placed with the National Bank of Ukraine	192	164
Interest expenses on loans granted by the National Bank of Ukraine	-	(8)
Interest expenses on promissory notes issued to the Ministry of Finance of Ukraine	(4,966)	(4,936)

## Contingent liabilities

### Legal claim contingency

The management of the Fund analyses the legal proceedings of property or non-property nature, to which the Fund acts as a defendant (except for proceedings, the parties to which are depositors of insolvent banks, regarding the protection of the rights of depositors related to the payment of a guaranteed reimbursement amount 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, approved practices, as well as the possibility of ambiguous interpretation thereof by the Fund.

The Fund has recognized provision (Note 17) for legal proceedings with high probability of economic benefits' outflow. Provision for legal proceedings with a low probability of outflow of economic benefits is not recognized. Potential legal expenses of the Fund on such proceedings is reflected in the financial statements: as at December 31, 2020 – UAH 465 million (UAH 325 million as at December 31, 2019).

## Lease

The financial statements present two lease agreements on nondomestic facilities for office space. The agreements were concluded in 2018 for two years. In 2020 the agreements expired.

The asset in the form of right of enjoyment is given in the statement of financial position as part of other fixed assets (Note 12). The lease liability is presented as part of other accounts payable (Note 17).

Interest on lease liability for the year ended December 31, 2020 amounted to UAH 0,1 million (for the year ended December 31, 2019 – UAH 1 million) and is included in the financial expenses (Note 23).

## Own funds management

The Fund's own funds are the residual value of the Fund's assets after deduction of all their liabilities.

The main goal of the Fund on own funds management is to ensure operational continuity in order to protect the rights of the bank depositors and ensure the stability of the financial system of Ukraine.

The main component of the Fund's own funds is the retained income (loss). If the Fund's current income is insufficient to fulfil its full obligations on deposit payouts and/or service and repayment of borrowed funds, the Fund shall decide on the assignment of a special fee or using the loan from the National Bank of Ukraine and loan or contribution from the state on a non-refundable basis at the expense of the state budget.

## Financial risk management

Financial risks are the risks arising from financial instruments and to which the Fund is exposed at the end of the reporting period.

Financial risk management of the Fund aims at limiting the potential losses of the Fund's financial assets, to ensure the timely fulfillment of its financial obligations for the effective performance of the Fund's functions specified by law.

Financial risk management process 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 board 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 wilfully abandoning transactions and financial instruments that could lead to a critical level of risk;
- limitation or reduction of financial risk by: 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 non-fulfilment of contractual obligations.

Financial instruments in connection with which the Fund may have a significant concentration of credit risk include cash and cash equivalents, financial investments to the government bonds, arrears of insolvent banks on special purpose loans.

The maximum amount of the Fund's credit risk by asset class 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 instruments. The market risk includes currency risk and interest risk.

Currency risk is market risk that arises due to 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 in regard with the functional currency of the Fund, with all other variables unchanged, will not have a significant impact on profit or loss.

Interest risk is market risk that arises as a result of adverse changes in 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 mainly affect financial investments and borrowings by changing their fair value. Revision of rates on financial instruments with fixed rates is carried out in 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>	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	7,42%	9,37%
Financial investments at depreciated production cost	9,83%	16,32%
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 meet its liabilities in due time. The approach of the Fund to the liquidity management is to ensure, as much as possible, the sufficient liquidity constantly available to meet its obligations as they fall due both under normal conditions and emergencies, while avoiding unacceptable losses or risk of damaging the Fund's reputation. The liquidity policy shall be reviewed and approved by the management personnel.

Generally, the Fund ensures the availability of sufficient cash on demand to pay for expected expenses associated with ensuring the functioning of the households deposit guarantee system and insolvent bank resolution for a period up to 3 months, including performance of financial liabilities.

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 million)</i>	Book value	Cash flow under agreements	Up to 1 year	1 to 5 years	Over 5 years
Promissory notes issued	69,482	113,878	-	15,765	98,113
<b>Total financial liabilities</b>	<b>69,482</b>	<b>113,878</b>	<b>-</b>	<b>15,765</b>	<b>98,113</b>

As at December 31, 2019, undiscounted cash flows based on maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

<i>(UAH million)</i>	Book value	Cash flow under agreements	Up to 1 year	1 to 5 years	Over 5 years
Promissory notes issued	66,517	116,884	-	-	116,884
<b>Total financial liabilities</b>	<b>66,517</b>	<b>116,884</b>	<b>-</b>	<b>-</b>	<b>116,884</b>

## Fair value of financial assets and liabilities

The Fund determines fair value of financial assets and liabilities using market information, if available, and appropriate valuation techniques. Determining the estimated fair value requires professional judgment in interpreting market information.

### *Financial assets and liabilities at fair value*

Government bonds are classified as the financial instruments estimated at fair value. These financial instruments do not have an active market, the fair value of government bonds is determined on the basis of input data of the 2nd level of the hierarchy (spot rates calculated on the basis of the coupon yield curve, which is based on actually concluded and executed agreements with OVDPs using parametric Svensson's model) using the method of discounting cash flows.

### *Financial assets and liabilities not estimated at fair value but their fair value is disclosed*

Financial assets and liabilities not estimated at fair value but their fair value is disclosed include monetary funds; government bonds estimated at the depreciated production 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 estimated at depreciated production cost does not differ materially from their book value for disclosing fair value. 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 estimated at depreciated production 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 on the basis of input data of the 2nd level of the hierarchy (spot rates calculated on the basis of the coupon-free yield curve, which is based on actually concluded and executed OVDPs using the parametric Svensson model) using the cash discount method.

This method takes into account future interest payments and repayment of the principal amount of the debt, maturity and discount rate. The discount rate was applied at the level of 9.8% -11.3% (20.3% in 2019).

The following table presents data on 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:

(UAH million)	2020		2019	
	Book value	Fair value	Book value	Fair value
Domestic government bonds	8,886	8,861	3,447	3,477

Given that estimates of fair value are based on certain assumptions, there is to consider that the information provided may not fully reflect the value that can be realized.

In 2020, there were no transfers of financial instruments between levels of the fair value hierarchy.

Fair value of financial instruments at the levels of fair value hierarchy is distributed as follows:

(UAH million)	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets estimated at fair value:</b>						
Government bonds at fair value	-	5,722	-	-	5,723	-
<b>Assets with fair value disclosed:</b>						
Government bonds	-	8,861	-	-	3,477	-

## Events after the reporting period

Within the period from January 1, 2021 to the date of approval of the financial statements' date of issue, the following events occurred that do not require adjustment of the amounts recognized in the financial statements:

- early repayment of promissory notes issued by the Fund in 2015 in the amount of UAH 2,002 million, including 802 million interest on promissory notes;
- investing UAH 2,862 million in government securities of Ukraine;
- completion of the liquidation procedure of one insolvent bank, as a result of which the Fund's liabilities to pay compensation to depositors decreased by UAH 9 million;

A return to strict quarantine measures in most of Ukraine in March-April 2021 to prevent the spread of COVID-19 may have a negative impact on the Ukrainian economy and financial sector. Although vaccination reduces the risk of recurrent lockdowns, the slowness and unevenness of this process preserves the possibility of quarantine in some regions of Ukraine.

These crises may affect the Fund's operations and financial condition. The Fund monitors the course of events and takes appropriate measures to support the stable operation of the Fund and the deposit guarantee system in Ukraine.



# Independent auditor's report



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TRANSLATION FROM THE UKRAINIAN ORIGINAL

## INDEPENDENT AUDITOR'S REPORT

To the Administrative Board of the DEPOSIT GUARANTEE FUND  
To the Management of the DEPOSIT GUARANTEE FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the DEPOSIT GUARANTEE FUND (the Fund), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and 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, 2020, and (of) its financial performance and its cash flows for the year then ended in accordance with the Law of Ukraine On Accounting and Financial Reporting in Ukraine and International Financial Reporting Standards (IFRSs).

#### 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 International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our 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.

#### Other Matters

The financial statements of the Fund for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on May 25, 2020.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a opinion on these matters.

##### Key audit matters

*Provision for the Fund's potential expenses for bank resolution and deposit payouts (Note 14)*

Evaluating the provision amount of the Fund's potential expenses for bank resolution and deposit payouts is a key area of professional judgment of the Fund's management.

Determining the potential expenses amount includes certain assumptions and analysis of various factors, including the banks' financial position, the risk of banks becoming insolvent, the expected overall condition of the Ukrainian banking system. Different assumptions may result in different estimations of potential expenses for the provision.

##### How our audit addressed the key audit matters

Our auditing procedures in regard with key assumptions used by the management in evaluating the Fund's expenses for bank resolutions and deposit payouts included the following:

- analysis of common approaches and methodology for provision formation;
- verification of projected financial information by tracking incoming macroeconomic parameters;
- verification of key management assumptions used for the financial model calculation;
- selective verification of the accuracy of the initial data used in the calculation;
- testing the calculations, and their mathematical accuracy, embedded in the model.





Given the materiality of this article and the judgments' degree of subjectivity, we have identified evaluation of the Fund's provision for potential expenses for bank resolution and deposit payouts as the key audit aspect.

We have identified that key assumptions used by the management in evaluating the Fund's expenses for bank resolutions and deposit payouts, are confirmed by available evidence.

#### Other Information

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charges with Governance for the Financial Statements

Management is responsible for preparation and fair presentation of these financial statements in accordance with the Law of Ukraine On Accounting and International Financial Reporting Standards 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.

Preparing the financial statements, management is responsible for assessment Fund's ability to continue as a going concern, disclosure, if applicable, issues regarding going concern and apply going concern as a basis for accounting, except, if the management plans to liquidate the Fund or discontinue the activity or have not any other real alternatives for it.

Administrative Board is responsible for overseeing the process of financial reporting of the Fund.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to release the auditor's report in which we express our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee than an audit conducted 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;
- 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 a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Requirements of Other Laws and Regulations

### Law of Ukraine "On Audit of Financial Statements and Auditing Activities"

In accordance with the Law of Ukraine "On Auditing Financial Statements and Auditing Activities", auditors must provide additional information and assurances.

#### Basic information about the audit firm

Full name	AC CROWE UKRAINE
Location	03040, Kyiv, 1A Zadorozhnyi Ln.
Information on inclusion in the Register of audit firms and auditors	Registration number in the Register of Auditors and Audit Entities 3681 An auditing entity that has the right to conduct a statutory audit of financial statements An auditing entity that has the right to conduct a statutory audit of the financial statements of public interest entities
Name of the body that appointed the auditing entity to conduct the statutory audit	Administrative Board of the Fund
Date of appointment of the audit entity	21.04.2021
Duration of the audit task	1 year

The audit report is consistent with the supplementary report for the Administrative Board.

We did not provide services prohibited by law.

The key audit partner and audit entity are independent of the Fund in conducting the audit.

We did not provide services other than statutory audit services and services disclosed in the management report or financial statements.

ISAs require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The term "sufficient certainty" allows for some risk of significant monetary inconsistencies that may remain undetected; it is also assumed that the auditor cannot provide an absolute guarantee of the accuracy and completeness of the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The terms of the ISAs require that the audit be planned in such a way as to ensure that errors and inconsistencies that could materially affect the financial statements are sufficiently probable. However, because the auditor will not audit all transactions performed by the entity during the year, the audit may not provide complete assurance that errors and inconsistencies, including fraud, will be identified.



The engagement partner on the audit resulting in this independent auditor's report is Vitaliy Havrysh.

Partner

Vitaliy Havrysh

Registered Auditor #100594

Kyiv, Ukraine

May 25, 2021