



DEPOSIT
GUARANTEE
FUND

ANNUAL REPORT 2023



Message from the chairman of the Administrative Board of the Deposit Guarantee Fund



Despite the continued full-scale aggression of the Russian Federation, including missile attacks, electricity shortages and blackouts, we saw a macroeconomic stabilisation of the situation and a revival of economic activity in Ukraine last year. The financial sector, particularly the banking sector, displayed a remarkable capacity for adaptation and resilience. As a result, the obstacles presented by the second year of the full-scale invasion were successfully navigated with a sense of resilience and determination.

The joint work of the DGF and the NBU in 2023 was instrumental in maintaining public confidence in the financial sector and the stability of the financial sector. One indication of this is the growth in bank balances of private individuals over the course of the year. Consequently, the total reached a record high of almost UAH 1.1 billion at the end of 2023.

The transfer of some banks to the management of the DGF has not resulted in any instability within the banking system. Thus, it was decided to resolve four banks during the year. Two of them – JSC Bank Forward and JSC Ukrbudinvestbank, have been declared insolvent, two more – PJSC IBOX Bank and JSCB Concord – have had the banking licences revoked and are being liquidated in accordance with Article 77 of the Law of Ukraine On Banks and Banking in connection with the banks' systematic violation of the requirements of the legislation in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction.

The DGF played a pivotal role in maintaining public confidence by effectively organising and ensuring the timely and full payment of guaranteed compensation to bank depositors. In April 2022, Ukraine introduced a new rule providing for full compensation for household deposits in banks, including those of Sole Proprietors in the event of a bank resolution. This was introduced by the Law of Ukraine No. 2180-IX "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme".

The launch of the Deposit Payout service, a joint service the DGF with the Ministry of Digital Transformation, has made the settlement process as convenient as possible for depositors. This service allows users to receive guaranteed payments remotely in a few clicks via the Diia app.

In total, the DGF has paid out approximately UAH 3.1 billion in guaranteed compensation for the year to date. Since the beginning of the full-scale invasion, this figure has risen to UAH 8.9 billion.

A significant development in 2023 was the final cleansing of Ukraine banking sector from banks with a "Russian trace." In July of the reporting year, the state acquired ownership of the systemically important JSC Sens Bank.

The coordinated actions of the National Bank, the Government, the DGF, the National Securities and Stock Market Commission, the National Depository, depository institutions, and the employees of the bank enabled the the procedure of bank resolution with the participation of the state to be completed in less than three days, with a positive impact on maintaining financial stability.

The DGF continued to implement measures to hold accountable parties related to banks in liquidation, with the goal of compensating banks and their creditors for incurred losses. As of the end of 2023, the DGF had filed a total of approximately 90 claims in commercial proceedings, with a total value exceeding UAH 170 billion. The number of defendants related parties to these banks exceeded 1,000. Furthermore, the DGF has initiated over 40 claims related to criminal proceedings, collectively valued at over UAH 30 billion. The total amount of the DGF claims satisfied by court decisions that have entered into force is almost UAH 3.9 billion. Judicial practice is developing positively, resulting in an increase in the number of positive decisions in such cases. However, related parties are attempting to delay these processes in every possible way.

At the same time, the DGF continued to actively sell the assets of liquidated banks in order to accumulate funds to pay off the creditors of these banks, which allowed it to receive UAH 5.21 billion in 2023.

Despite the ongoing hostilities in the country, the NBU, the DGF, and other financial sector participants have not ceased operations. Their objective is to build an efficient financial sector capable of integrating into the single European system and providing reliable support to economy of Ukraine during the post-war reconstruction phase. This year, an updated Strategy for the Development of the Financial Sector of Ukraine was presented, with a particular focus on the implementation of European legislation and best international practices in the areas of regulation and supervision of the financial sector, as well as the financial institutions resolutions.

The ongoing full-scale aggression by Russia against Ukraine remains a key source of uncertainty for the country and its financial sector, in particular. Nevertheless, we remain committed to strengthening and reforming the banking system, which will enable us to continue to meet all potential new challenges with dignity.

Oleksandr ZYMA

**Chairman of the Administrative Board
of the Deposit Guarantee Fund,**

**Director of the Legal Department
of the National Bank of Ukraine**

Message from the Managing Director of the Deposit Guarantee Fund



2023 marked the second year of Russia full-scale war against Ukraine. At the same time, the results demonstrated that the anti-crisis measures taken in 2022 yielded the expected positive result, strengthened the resilience of the Deposit Guarantee Scheme, and helped to maintain public confidence in the banking system. As a result, in 2023 for the first time the amount of household deposits (including those of Sole Proprietors) in banks exceeded the UAH 1 trillion mark, reaching UAH 1,234.8 billion by the end of the year.

The Law of Ukraine 2180-IX, "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme," has led to the full reimbursement of depositors of six banks by the end of 2023. The total amount of these funds paid out is UAH 7.9 billion, which represents 100% of the deposits.

The DGF provides ongoing support to the state through investments in government securities. As of January 1, 2024, the carrying value of the Fund investments in domestic government bonds was UAH 23.6 billion, representing a year-over-year increase of UAH 10.6 billion, or 55%.

In 2023, the DGF started the liquidation of four banks. Two of these banks were liquidated by the NBU for violating financial monitoring rules. Additionally, the DGF ensured the transfer of JSC SENS BANK to state ownership. In the initial stages of the liquidation of these banks, nearly all depositors received compensation in the amount of 100% of their deposits, including interest. Furthermore, settlements with creditors sometimes reached the 9th tiers. In regard to JSC SENS BANK, during the provisional administration by the DGF, there was no outflow of deposits, and the amount of deposits actually increased.

In 2023, the Deposit Guarantee Fund proceeded with the transfer of the assets of two Russian banks that were liquidated in 2022 (JSC MR Bank and PJSC Prominvestbank) to the State of Ukraine. This was done in accordance with the Decision of the National Security and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" and the relevant order of the Cabinet of Ministers of Ukraine. The assets transferred included shares, domestic government bonds, funds paid for maturing domestic government bonds, and coupon income. The total amount of funds transferred to the state by these banks during the full-scale war reached UAH 26 billion.

The DGF is continuously striving to accelerate the process of guaranteed deposits reimbursement. In all banks whose liquidation commenced in 2023, reimbursement commenced as early as 13–15 days after the commencement of the procedure of liquidation banks, while the legislation allows up to 20 business days. In total, the DGF disbursed UAH 3.1 billion to depositors in 2023.

In order to streamline depositors' access to their funds, the DGF has taken further steps to enhance the remote payment system, which was launched in April 2022. In October 2023, the Ministry of Digital Transformation was also launched the payment of guaranteed deposit compensation through the Diia app.

The settlements with creditors for the liquidation of banks resolved by the DGF reached almost 8.8 billion UAH in 2023. In addition, almost UAH 0.9 billion was transferred to the state budget through the repayment of debts of state-owned enterprises, debts of the State Tax Service, etc.

The DGF extended the preferential program for the restructuring of credit agreements with individuals and also extended the program for debt restructuring of business entities, which restructured loans in the total amount of UAH 8.6 billion, and in 2023, UAH 0.2 billion of these loans have already been repaid.

In total, recoveries of banks being liquidated by the DGF in 2023 exceeded UAH 7 billion, the lion's share of which came from the sale of assets. At the same time, the DGF continues to improve its processes and in August 2023 launched a pilot project under which corporate loans pools are formed using a new sectoral approach.

The DGF is continuing to fulfill the tasks set out in the Financial Sector Development Strategy. It is also consistently performing its part of the work on approximation of the legislation to EU standards, in particular in view of Ukraine prospects for EU membership. Moreover, the DGF maintains continuous communication with financial services users, ensuring they are promptly informed about the guarantees of protection for their funds in the Ukrainian banking system, despite any shocks to the system resulting from wartime conditions.

The Deposit Guarantee Scheme is effectively addressing the challenges posed by the full-scale invasion of Russia and active counteraction of "internal" opponents—related persons of banks involved in bringing these banks to insolvency. In particular, claims are being filed to recover damages from such persons in accordance with Article 52 of the Law of Ukraine "On Household Deposit Guarantee Scheme." As of the end of 2023, the DGF has filed over 80 claims, collectively valued at over UAH 171 billion, excluding civil claims in criminal proceedings.

The DGF will continue to fulfill its duties in a manner that will enhance public confidence in the banking system.

Svitlana REKRUT
Managing Director
Deposit Guarantee Fund

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



Mission of the DGF

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



Vision of the DGF

The Deposit Guarantee Fund (the DGF) is a transparent, innovative, and reliable partner for preventing financial losses and setting benchmarks for deposit insurance systems globally



Policy objective of the DGF

To ensure operations of the Household Deposit Guarantee Scheme, insolvent bank resolution and liquidation of banks



Functions of the DGF

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

1. maintaining the Register of DGF members;
2. accumulating funds from the sources as set in Article 19 of the Law "On Household Deposit Guarantee Scheme" and supervising premium payments from the DGF member;
3. investing the DGF monetary funds in government securities of Ukraine and bonds of international financial organizations placed in the territory of Ukraine;
- 3¹. placing corporate bonds in the manner and in the spheres of funds allocation defined by the Law, and issuing promissory notes in the cases provided for by the Law on the State Budget of Ukraine for the corresponding year;
4. taking measures to facilitate deposit payouts within the time limits specified in the Law;
5. regulating the banks' membership in the household deposit guarantee scheme;
6. participating in problem banks inspections upon the proposal of the National Bank of Ukraine;
7. applying financial sanctions to and imposing fines on banks and bank senior executive management as appropriate;
8. taking measures to:
 - prepare for the introduction of the procedure for bank resolution, including organizational measures for holding an open auction and determining the least expensive method of bank resolution;
 - carry out insolvent bank resolution, including through the implementation of the resolution plan, implementation of the provisional administration, and bank liquidation;
9. inspecting banks pursuant to the Law;
10. providing financial support to banks pursuant to the Law;
11. analyzing the financial position of banks in order to identify their operational risks, and project DGF potential costs of insolvent banks resolution and deposit compensation;
- 12¹. sending relevant inquiries to clients, depositors, and other bank creditors in accordance with the procedure established by the DGF;
13. taking measures to educate the public about the household deposit guarantee scheme, protection of rights and legally protected interests of depositors, increasing the level of financial literacy of the population in accordance with the Law;
14. studying and analyzing markets of financial resources raised by DGF members from depositors.

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

1. HOUSEHOLD DEPOSIT GUARANTEE SCHEME IN THE SECOND YEAR OF FULL-SCALE WAR

2023 THE YEAR IN REVIEW

Four new banks transferred to the DGF management, whose depositors were paid guaranteed compensation in the full amount of their deposits; transfer of a systemically important bank, JSC SENS BANK, to the state, represented by the Ministry of Finance of Ukraine; 3 liquidated banks; launch of remote payments via the Diia app and almost UAH 3.1 billion of compensation paid by the DGF; UAH 8.9 billion of repaid accounts payable and UAH 7.2 billion of proceeds from insolvent banks, transfer of assets of Russian banks' subsidiaries to the state and property of insolvent banks to the Ukrainian Defense Forces – 2023 was a year of hard work and qualitative changes for the DGF under martial law in the country.

In the second year of the full-scale invasion, on September 10, 2023, the DGF celebrated the 25th anniversary of its foundation, and throughout these years it has been honorably fulfilling its mission of protecting the rights and legitimate interests of bank depositors.

Main indicators of the DGF operations

As of January 1, 2024, the DGF capital (net assets) amounted to UAH 18.955 billion.

As of January 1, 2024, the DGF assets exceeded UAH 33.2 billion, an increase of UAH 10.9 billion, or 49%, over the previous year.

During 2023, the DGF received:

- contributions from member banks in the deposit guarantee scheme: UAH 7.8 billion;
- income from interest on domestic government bonds in the amount of UAH 3.4 billion;
- interest on cash and cash equivalents placed with the National Bank of Ukraine (hereinafter referred to as the "NBU") in the amount of UAH 96 million;

The DGF adjusted capital as of January 1, 2024, is valued at UAH 29.7 billion.

In order to ensure the financial stability of the DGF in 2023, a stress test of the guarantee scheme was conducted. The DGF has calculated and set a target indicator of 3.5% and a period for achieving this target of 29 months, based on the results of this testing.

As of January 1, 2024, the DGF had 63 banks licensed by the NBU to provide banking services. At the beginning of 2023, 67 banks were members of the DGF. During March, PJSC IBOX BANK and JSC BANK FORWARD were removed from the register of participants. In August and October, JSCB CONCORD and JSC UKRBUDINVESTBANK, respectively, were excluded due to the revocation of their banking licenses and liquidation.

The amount of deposits in 2023 increased by UAH 183.3 billion, or 17.4%, to UAH 1,234.8 billion. The total amount of deposits in banks with a state share is UAH 780.5 billion, representing 63.2% of the total amount of deposits in the DGF. In 2023, the number of depositors in DGF member banks increased by 2.3 million individuals, or 3.6%, to reach 67.7 million. As of January 1, 2024, the number of individual entrepreneurs reached 2.2 million, representing 3.2% of all depositors with deposits of UAH 149.9 billion, or 12.1% of total deposits.

As of January 1, 2024, the total assets of the DGF participants amounted to UAH 3310.4 billion, including UAH 922.6 billion in foreign currency, which is 27.9% of the structure. Net assets amounted to UAH 2944.9 billion, provisions for total assets amounted to UAH 365.6 billion. During 2023, total assets increased by UAH 593.6 billion, or 21.9%, primarily due to an increase in investments in government securities and balances on correspondent accounts.

As of January 1, 2024, the total liabilities of the DGF participants amounted to UAH 2648.7 billion, including UAH 867.6 billion in foreign currency, representing 32.8% of the resource structure. In 2023, the obligations of the DGF participants increased by UAH 512.9 billion, or 24.0%, due to the predominant attraction of client funds, which account for more than 90% of total liabilities.

In 2023, the equity capital of the DGF members increased by UAH 80.3 billion, or 37.2%, to UAH 296.2 billion. The capital of 56 banks increased by a total of UAH 83.2 billion, while that of seven banks decreased by UAH 0.2 billion. The system sustained another UAH 2.7 billion loss due to the termination of four banks. The primary rationale for the capital increase is the profitable operations of the banks, which achieved a record UAH 83.2 billion in revenue during the reporting year, a new high for the Ukrainian banking system.

During 2023, the DGF paid out guaranteed amounts of compensation to depositors of 38 banks. The total guaranteed amount of compensation paid out in 2023 at the expense of the DGF amounted to almost UAH 3.1 billion. Of this amount, UAH 0.9 billion was paid out remotely by five DGF agent banks in 2023. The share of online payments of the guaranteed compensation amount amounted to 30% of the total amount of payments made by agent banks of the DGF in the reporting year.

In the autumn of 2023, the DGF and the Ministry of Digital Transformation of Ukraine, launched a new service, "Deposit Payout", within the Diia app. This initiative expanded the scope for remote payments of guaranteed compensation amounts through the Diia app by four agent banks of the DGF, resulting in payments of UAH 0.03 billion.

During the reporting year, 5 banks were transferred to the DGF management. Two banks were recognized as insolvent by the NBU – JOINT STOCK COMPANY BANK FORWARD and JOINT STOCK COMPANY UKRAINIAN CONSTRUCTION AND INVESTMENT BANK. Two other banks – PJSC IBOX BANK and JSC JSCB CONCORD were transferred to the DGF management based on the decision to revoke the banking license and liquidate them.

In 2023, after the adoption of the relevant amendments to the Laws of Ukraine "On Household Deposit Guarantee Scheme" and "On Banks and Banking" on the nationalization of banks of owners sanctioned under martial law in Ukraine, the Board of the NBU decided to resolve the systemically important bank, JSC Sens Bank. The Cabinet of Ministers of Ukraine, upon the proposal of the NBU, adopted the procedure for the resolution of systemically important banks. As a result, the state, represented by the Ministry of Finance of Ukraine, and the DGF entered into a contract for the sale and purchase of 100% of the shares of systemically important JSC SENS BANK on July 22, 2023, as a result of which the bank became state owned.

As of January 1, 2024, the DGF managed 54 banks the DGF directly managed 36 banks), of which 25 banks were in liquidation, and 29 banks the liquidation was completed¹.

During 2023, 4 banks were accepted under the DGF Executive Board – JSC BANK VELES, PJSC DIAMANTBANK, JSC DELTA BANK, PJSC JSCB CAPITAL. The liquidation procedure was completed in 3 banks, which were under the DGF supervision, namely: the liquidation balance sheets and reports on the liquidation procedure of the following banks were drawn up and approved: JSC CB SOYUZ, PJSC DIAMANTBANK and PJSC AKTABANK, as well as 2 banks were liquidated (entries were made in the Unified State Register of Legal Entities, Sole Proprietors and Public Organizations on the termination of banks as legal entities) – PJSC CB PREMIUM and JSC CB SOYUZ.

Pursuant to the Decision of the National Security and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" of May 11, 2022 (hereinafter referred to as the "NSDC of Ukraine") approved by the Decree of the President of Ukraine No. 326/2022 dated May 11, 2022, and enacted by the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Decision of the National Security and Defense Council of Ukraine dated May 11, 2022 "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" in early 2023, the DGF ensured the completion of the transfer of domestic government bonds of Ukraine with a nominal value of UAH 1.1 billion to the account of the Ministry of Finance of Ukraine as an issuer opened with the NBU (depository of government securities); transfer of funds paid by JSC MR BANK on domestic government bonds, including accrued and paid coupon on domestic government bonds, to the special fund of the State Budget of Ukraine in the amount of UAH 8.8 billion; transfer of the State Enterprise NATIONAL INVESTMENTS FUND OF UKRAINE, on the right of economic management, the corporate rights of PJSC SBERBANK OF RUSSIA in the amount of 24,065,460,500 ordinary registered shares (100 % of the authorized capital of JSC MR BANK with a nominal value of UAH 24.1 billion) and credited them to the corresponding securities account opened with the depository institution JSC UKREXIMBANK;

change of the ultimate beneficial owner, who owns 100 percent of the property of JSC MR BANK, from the Public

Joint-Stock Company Sberbank of Russia (address: 19 Vavilova st., Moscow, 117997, Russian Federation, registration number 1027700132195) of the new ultimate beneficial owner — the State of Ukraine represented by the SOE National Investment Fund of Ukraine.

During 2023, the DGF made 159 decisions to lease the property of liquidating banks, and held 250 auctions in total, of which 114 were successful.

As of January 1, 2024, the total book value of property (assets) of 20 banks² under the management of the DGF, where the register of accepted creditors' claims was approved by the decision of the DGF Executive Board, is UAH 115.33 billion. Their estimated value is UAH 20.32 billion, or 17.0%, which is insufficient to satisfy all claims of bank creditors.

As of January 1, 2024, the total amount of approved and accepted creditors' claims was UAH 342.63 billion. Of this amount, UAH 68.78 billion had been repaid. Furthermore, in 2023, a total of UAH 8.93 billion was repaid across all creditor claims.

In 2023, a total of UAH 7.17 billion was transferred to the accounts of the banks being liquidated. The largest amount was received by JSC MR BANK, amounting to UAH 2.48 billion, which represents 34.6% of the total revenue for the year. In terms of revenue, PJSC Prominvestbank ranks second with UAH 1.59 billion, representing 22.1% of the total revenue for the year. The proportion of receipts from other banks was less than 10% of the total amount. In 2023, the largest share (72.6%) of receipts from insolvent banks was derived from the sale of insolvent banks' property, amounting to UAH 5.21 billion.

During 2023, the Foundation conducted over 10,670 open electronic auctions in the Prozorro.Sale system. Of these, over 680 auctions were successfully concluded. The results of open bidding (auctions) and the sale of banks' property (assets) directly to legal entities or individuals in 2023 indicate that 97% of the total amount of sold property (assets) of banks belongs to five banks. Approximately 76% of the total annual amount was generated from the sale of property (assets) of former subsidiaries of Russian state-owned banks in Ukraine. JSC MR Bank sold property (assets) valued at UAH 2.3 billion, while PJSC Prominvestbank sold property (assets) valued at UAH 1.4 billion.

The largest share in the amount of property sold (assets) of banks as a result of open tenders (auctions) was the sale of claims for credit agreements concluded with individuals and legal entities, which accounted for more than 73% of the total number of all successful open tenders (auctions). Sales of real estate, land plots, vehicles, other fixed and intangible assets (excluding sales directly to legal entities or individuals) accounted for 26.2%.

In 2023, the DGF implemented new strategies for the sale of property (assets) during martial law in Ukraine. One such initiative was the pilot project, which involved the formation of loan pools for business entities on the balance sheets of liquidated banks were formed using a new industry approach (a common feature of all borrowers is the type of activity according to the Classifier of Economic Activities).

The "one bank = one pool" approach resulted in the sale of seven lots with a carrying value of UAH 2.03 billion and a selling price of UAH 0.03 billion at a conversion rate of 1.4%.

The total amount of proceeds from repayment of loans issued by insolvent banks in 2023 amounted to UAH 0.92 billion.

¹ The bank liquidation procedure shall be deemed completed from the moment of approval of the liquidation balance sheet, and the bank shall be deemed liquidated from the moment of entry of the termination of the bank in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations (part 3, Article 53 of the Law)

² Number of banks without approved liquidation balance sheets

Due to the continuation of the full-scale war in 2023, the DGF extended the terms of debt repayment for individual borrowers until August 31, 2024 and started restructuring the debt on loans to business entities. In 2023, revenues to the liquidated banks under loan agreements of individuals who joined the terms of debt repayment amounted to UAH 0.13 billion, and to business entities – UAH 0.26 billion.

In view of the continuation of hostilities in 2023 and taking into account the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine", approved by the Law of Ukraine No. 2102-IX dated February 24, 2022, (as amended), the provisions of the Law of Ukraine "On the Legal Regime of Martial Law", the Law of Ukraine "On Mobilization Preparation and Mobilization", the Resolution of the Cabinet of Ministers of Ukraine dated December 28, 2000 No. 1921, the Law of Ukraine "On the Transfer, Compulsory Alienation or Seizure of Property under the Legal Regime of Martial Law or a State of Emergency" and, in accordance with the requests, the DGF took measures to assist the Security and Defense Forces of Ukraine. In 2023, the DGF transferred the property of insolvent banks to the Security and Defense Forces of Ukraine for temporary free use during the period of martial law. The transfer included 17 real estate properties with a total market value of UAH 0.46 billion, 28 vehicles with a total market value of UAH 19.5 million, and other assets in accordance with orders from the military command. In accordance with the relevant local council decision, the property of insolvent banks was transferred to the Security and Defense Forces of Ukraine (the total market value of the transferred property to the military formations amounted to UAH 0.16 billion).

During 2023, the DGF conducted 44 investigations of 40 insolvent banks to identify any damage (losses) caused to banks and their creditors (former creditors) by decisions, actions, or omissions of persons related to such banks. In 2023, the following facts were revealed, causing damage (losses) to banks and their creditors in the total amount of UAH 40.9 billion.

As of January 1, 2024, the DGF filed 87 claims in commercial proceedings against 1,001 bank-related entities in respect of 54 insolvent banks for a total amount of over UAH 172.6 billion. To date, the total amount of the DGF claims satisfied by court decisions that have entered into force is in excess of UAH 1.7 billion.

As of January 1, 2024, the DGF initiated two legal proceedings against the Russian Federation to recover damages (losses) incurred by two banks, with a total claim amount exceeding UAH 2.5 billion.

In 2023, the Grand Chamber of the Supreme Court adopted a resolution in court case No. 910/18214/19 regarding a dispute over the invalidation of share purchase and sale agreements

of JSC CB PrivatBank in the the procedure insolvent banks resolution with the participation of the State. The resolution effectively stated that such transactions are not subject to invalidation and that proceedings in such cases are subject to closure.

During 2023, the DGF prepared and distributed approximately 220 press releases to news agencies and media officers, conducted more than 26 thematic interviews and comments for the media, made appearances on TV, published three thematic columns by the DGF speakers, and provided information materials to journalists of professional economic media for the preparation of seven articles. The DGF website remained a primary communication channel.

During the past year, the DGF Facebook page saw the publication of over 400 posts, 33 of which were videos. These included comments by DGF speakers, animations, and recordings of TV broadcasts in which the speakers were involved. In 2023, the number of followers on the DGF Facebook page grew to 88 thousand.

In 2023, the DGF telephone hotline was consistently operational, maintaining its status as the most accessible and popular communication channel. In total, the Foundation hotline provided 32,965 explanations and consultations in 2023. Additionally, 223 requests for public information managed by the DGF were satisfied, and 1,518 requests were processed through electronic means of communication, of which 624 consultations and explanations were provided by e-mail.

In 2023, the DGF identified financial awareness as a strategic direction of its activities until 2025. The National Financial Literacy Project continued its active work. As part of the implementation of the National Financial Literacy Project, in 2023, the DGF specialists conducted more than 100 financial literacy training events for more than 3,000 Ukrainian teachers. Furthermore, in 2023, the National Financial Literacy Project 2.0 welcomed new partners: the Executive Committee of the Kryvyi Rih City Council and FUIB Bank.

To guarantee consistent engagement with the educational sector at all levels, the DGF and the Ministry of Education and Science of Ukraine signed a Memorandum of Cooperation in the Field of Financial Literacy in December 2023. Furthermore, the DGF has implemented a program of measures aimed at protecting the rights of depositors.

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2. BANKING SECTOR OVERVIEW AND REGULATORY OPERATIONS

As of January 1, 2024, 63 banks with a banking license were by the NBU to provide banking services were members of the DGF.

The Law of Ukraine stipulates that the participation of banks in the DGF is mandatory. The bank shall acquire the status of a DGF member on the day of obtaining its banking license. The DGF shall exclude a bank from the number of DGF members in case of a decision to revoke the banking license and liquidate the bank.

In 2023, 4 banks were excluded from register of the DGF members: JSC BANK FORWARD BANK, PJSC IBOX BANK, JSC JSCB CONCORD and JSC UKRAINIAN CONSTRUCTION AND INVESTMENT BANK (hereinafter referred to as the - JSC UKRBUDINVESTBANK). JSC BANK FORWARD and JSC UKRBUDINVESTBANK were placed under provisional administration and subsequently decided to revoke their banking licenses and liquidate the institutions. In contrast, JSC JSCB CONCORD and PJSC IBOX BANK initiated the liquidation process without provisional administration.

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

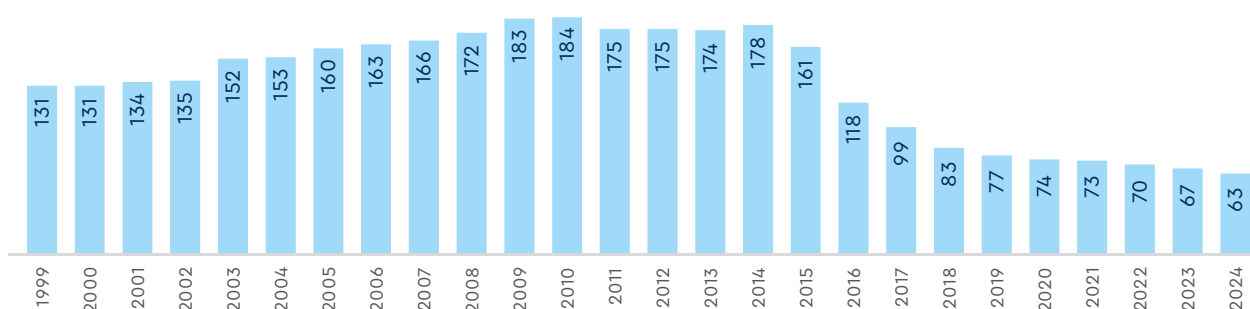


Figure 2.1 Trends of the number of DGF members

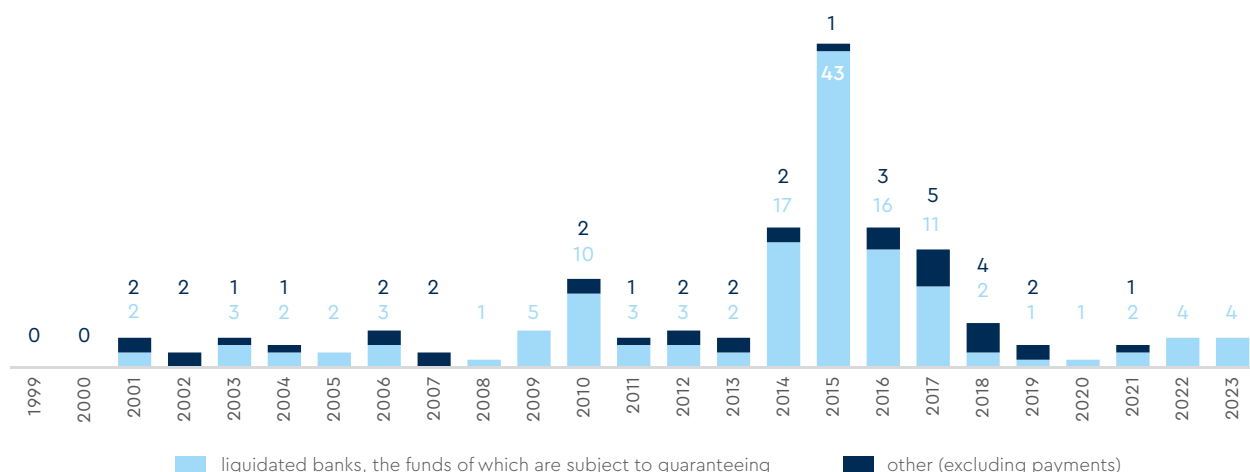


Figure 2.2 Exclusion of banks from the register of DGF members

In 2023, the number of banks with foreign capital (greater than or equal to 10.00 % or more) decreased from 30 to 27, primarily due to banks with former Russian capital.

For 2023, the division of operating banks into groups (accordance to the decision of the Committee on Banking Supervision and Regulation, Supervision (Oversight) of Payment Systems of the National Bank of Ukraine No. 20/399-пк dated February 13, 2023) was as follows:

- 4 — banks with state-owned share – banks in which the state directly or indirectly owns more than 75% of the authorized capital of the bank. At the end of the year, the number of banks amounted to 5. In 2023, the NBU concluded a contract for the sale and purchase of 100% of the shares of the systemically important JSC SENS BANK, under which

the State of Ukraine, represented by the Ministry of Finance of Ukraine, became the sole owner of 100% of the bank shares. The relevant changes were duly registered in the Unified State Register of Legal Entities, Sole Proprietors and Public Organizations (USR) on July 26, 2023.

- 15 – banks of foreign banking groups – banks, the controlling stakes of which belong to foreign banks or foreign financial and banking groups. At the end of the year, the number of banks was 14;
- 47 – banks with private capital – banks in which one or more private investors are among the ultimate owners of major shareholding, which directly and/or indirectly own at least 50% of the authorized capital of the bank. At the end of the year, the number of banks was 44.

2.1. Overview of the DGF members' financial indicators

The analysis of the financial indicators of the DGF members was carried out on the basis of balance sheet data as of January 1, 2022, January 1, 2023 and January 1, 2024.

At the beginning of 2023, the DGF members included 67 banks that had a NBU license to conduct banking operations. During March, PJSC IBOX BANK and JSC BANK FORWARD were excluded from the register of members, and in August

and October — respectively JSC JSCB CONCORD and JSC UKRBUDINVESTBANK due to the revocation of the banking license and liquidation. Thus, as of January 1, 2024, there were 67 banks in the register.

The exclusion of these banks did not have a significant impact on the trends of systemic indicators due to the small share of these DGF members (Table 2.1.1). In 2023, the NBU changed

Balance sheet indicators of banks excluded from and included in the DGF Register in 2023

Table 2.1.1
(UAH million)

Indicators	As of January 1, 2023		
	for four excluded banks	share in the total amount by participants	total amount by participant
Net assets	14 130,7	0,6%	2 351 678,0
including loan and investment portfolio less provisions	8 631,5	0,5%	1 741 474,1
Total liabilities	11 456,2	0,5%	2 135 838,2
including household deposits	4 016,6	0,4%	1 051 499,9
Equity	2 674,5	1,2%	215 839,8
including paid authorized capital	2 562,8	0,6%	407 020,5

the discount rate four times, which was set at 25.0% starting from June 3, 2022. During the first half of the year, the rate remained unchanged, and then it was successively reduced to 22.0% (from July 28, 2023), 20.0% (from September 09, 2023), 16.0% (from October 27, 2023), and 15.0% (from December 12, 2023) due to slowing inflation and stabilization of the foreign exchange market.

In 2023, food supply factors, the strengthening of the hryvnia in the cash foreign exchange market, and improved inflation and exchange rate expectations contributed to a significant reduction in inflation, which amounted to 5.1% at year-end, compared to 26.6% last year. In the context of the armed conflict, the risk of an increase in inflation remains significant. Nevertheless, the NBU baseline scenario for the future assumes a gradual reduction of inflationary pressure on the Ukrainian economy.

The projected inflation rate for 2024, published in the January 2024 Inflation Report, is expected to be within 8.6%, with a further decline to 5.8% over 2025.

Over the past year, the official UAH/USD exchange rate increased by UAH 1.4138 (UAH depreciated by 3.9%) and amounted to UAH 37.9824 per USD 1, at the end of the year. In 2023, the official UAH/EUR exchange rate increased by UAH 3.2569 (UAH depreciated by 8.4%) and amounted to UAH 42.2079 per EUR 1, at the end of the year. Starting from October 03, 2023, the NBU switched to a managed exchange rate flexibility regime, whereby the official exchange rate is determined based on the following exchange rates for transactions in the interbank market, rather than being set by directive, as was the case from February 24, 2022.

Main trends of the DGF members in 2023

For the second year in a row, the banking sector was operating under extremely difficult conditions caused large-scale russian military invasion of Ukraine. During this time, the system has adapted to new challenges, maintained financial stability, adapted business processes, and demonstrated its ability to function in a war. At present, the military confrontation continues, and the scope of its further development and terms of completion remain uncertain.

Nevertheless, in the reporting year, banks increased their own assets and liabilities, and improved their liquidity and profitability. Demand deposits with the NBU and other banks, funds on customer accounts, and investments in government securities grew. For the first time in many years, the maturity of liabilities increased, with a significant increase in corporate deposits. The loan portfolio continued to decline, but the rate of decline slowed down, and in the second half of the year it began to recover. At the end of the reporting year, the consolidated financial result of the DGF members was the best in the history of the country banking system.

In 2023, the balance sheet currency of the DGF participants increased by UAH 593.2 billion or 25.2% to UAH 2,944.9 billion. At the same time, total assets increased by UAH 593.6 billion or 21.9% to UAH 3,310.4 billion. The main factors behind the growth were an increase in investments in government securities (government bonds and NBU certificates of deposit) and balances on correspondent accounts with the NBU.

As of January 1, 2024, the total customer loan portfolio amounted to UAH 1,024.6 billion, which is UAH 11.6 billion or 1.1% less than as of January 1, 2023. Loans to legal entities, government agencies, and private individuals decreased by UAH 24.2 billion to UAH 802.0 billion, while loans to individuals increased by UAH 12.6 billion to UAH 222.6 billion. After the start of the full-scale invasion, the portfolio was constantly shrinking for 1.5 years, but the situation changed for the better in the second half of 2023 due to the growth of hryvnia lending.

The amount of provisions for credit risks decreased by UAH 12.2 billion or 3.5% over the year and amounted to UAH 337.1 billion as of January 1, 2024. The main reason for the reduction of provisions is the write-off of UAH 26.5 billion of loan debts since the beginning of the year, of which UAH 18.9 billion were in national currency and UAH 7.6 billion were in foreign currency. Excluding write-offs, provisions for the working portfolio increased in both national and foreign currencies.

In 2023, overdue loans to customers increased by UAH 7.1 billion or 2.9% to UAH 256.7 billion (25.1% of the total portfolio), of which UAH 202.3 billion was in national currency and UAH 54.4 billion was in foreign currency.

Since the beginning of 2023, NPLs have formally decreased by UAH 9.7 billion, or 2.3%, and amounted to UAH 422.4 billion as of January 1, 2024, compared to UAH 432.1 billion as of January 1, 2023. However, they actually increased by UAH 13.1 billion, excluding the impact of currency revaluation (+UAH 4.8 billion), the termination of four banks (-1.1 billion), and bad debt write-offs (-UAH 26.5 billion). The share of non-performing loans and income accrued on them in the total loan portfolio of the DGF members decreased to 37.4% compared to the previous year (38.1%), but remained higher than two years ago (29.7%).

Banks' investments in securities continued to grow for the eighth consecutive year and as of January 1, 2024 reached UAH 1,467.5 billion, adding UAH 440.7 billion or 42.9% since the beginning of the year. For the first time, their amount exceeded the volume of the customer loan portfolio. The main component of these investments is the portfolio of securities refinanced by the NBU. In the reporting year, it increased by UAH 201.6 billion or 37.8% to UAH 734.3 billion. Starting from January 11, 2023, banks were able to include a certain list of benchmark government bonds in the coverage of up to 50% of the required reserves, which increased the attractiveness of such securities for the DGF participants. These circumstances, together with a decline in the yield on NBU certificates of deposit due to the key policy rate cut, led to a recovery in the banks' balance sheets of the portfolio of securities refinanced by the NBU after its real decline in 2022.

In the reporting year, investments in NBU certificates of deposit increased by UAH 164.2 billion or 35.9% to UAH 621.6 billion, although their share in the portfolio structure decreased from 44.6% to 42.4%. Despite the gradual decline in yields due to the key policy rate cut, they, along with hryvnia domestic government bonds, remain the most convenient asset for banks, combining maximum yield with minimum risk, while lending during the war became problematic.

In the reporting year, the DGF liabilities increased by UAH 512.9 billion or 24.0% to UAH 2,648.7 billion due to the predominant attraction of client funds, which account for more than 90.0% of total liabilities.

Analysis of assets

As of January 1, 2024, total assets amounted to UAH 3,310.4 billion, including UAH 922.6 billion in foreign currency, which is 27.9% of the structure. Net assets amounted to UAH 2,944.9 billion, provisions for total assets amounted to UAH 365.6 billion. Changes in the volume and structure of assets of the DGF members since the beginning of the year are shown in Table 2.1.2.

During the reporting year, total assets increased by UAH 593.6 billion or 21.9% (in 2022 – by UAH 607.8 billion or 28.8%), net assets by UAH 593.2 billion or 25.2% (in 2022 – by UAH 534.6 billion or 29.4%), and provisions for assets by UAH 0.46 billion or 0.1% (in 2022 – by UAH 73.1 billion or 25.0%).

Funds of legal entities, the budget, and Sole Proprietors increased by UAH 353.7 billion, or 35.4%, to UAH 1,351.7 billion. Funds of individuals in 2023, increased by UAH 150.9 billion or 16.2% and amounted to UAH 1,083.0 billion as of January 1, 2024.

Debt to the NBU continued to decline rapidly and amounted to UAH 2.5 billion as of January 1, 2024. Over the year, it fell by UAH 35.7 billion, or 15.4 times. Immediately after the start of the full-scale war, the NBU increased refinancing of banks to support their liquidity, but further stabilization of the situation contributed to a decrease in demand for cash resources. During 2023, only 5 DGF members received loans from the NBU totaling UAH 0.3 billion, while in 2022 there were 43 of them with a volume of UAH 358.5 billion, and only 6 banks had debt on such loans as of January 1, 2024, compared to 21 as of January 1, 2023.

The share of term funds in the structure of the DGF members' liabilities increased for the first time in the last nine years and amounted to 29.2% as of January 1, 2024, compared to 27.7% as of January 1, 2023. The increase was achieved due to an increase in the share of deposits of business entities, while the share of other term debts decreased again.

In the reporting year, the amount of accounts payable in the balance sheets of the DGF members increased by UAH 54.6 billion, or almost 2.5 times. The main reason for this is a significant increase in the tax burden on banks at the end of 2023, when the corporate income tax rate increased from 18% to 50%, which led to an increase in debt to the budget by UAH 50.8 billion.

In 2023, the equity capital of the DGF members increased by UAH 80.3 billion or 37.2% to UAH 296.2 billion, which allowed not only to recover the losses of the previous year but also to significantly increase its size. In 56 banks, capital increased by a total of UAH 83.2 billion, while in 7 banks it decreased by UAH 0.2 billion. The system lost another UAH 2.7 billion as a result of the liquidation of four banks. The increase in capital is primarily due to the profitable activities of banks, which earned a record UAH 83.2 billion in the reporting year.

The return on equity for the reporting year reached 30.4%, which is a notable improvement over 2022 (9.7%), but slightly below the level seen two years ago (38.4%). The DGF regulatory capital participants increased by UAH 47.2 billion, or 22.4%, to a total of UAH 258.3 billion as of January 1, 2024. The regulatory capital adequacy ratio has improved, remaining above the regulatory value of at least 10.0%. As of January 1, 2024, it stood at 21.1%, up from 19.7% as of January 1, 2023, and 18.3% as of January 1, 2022.

The near-term outlook for the country banking system is positive. The sector continues to operate in a stable manner, with an inflow of customer funds, renewed demand for customer loans, and profit generation. Going forward, credit risk will remain a significant concern, liquidity will generally be high, and the risk of losing solvency will be low.

The main factors growth of total assets are the increase of investments in government securities and balances on correspondent accounts.

The following changes occurred in terms of currencies:

- in the national currency, the growth of total assets since the beginning of the year amounted to UAH 490.7 billion or 25.8% to UAH 2,387.9 billion;
- in foreign currency, the formal increase in total assets amounted to UAH 102.9 billion or 12.6% to UAH 922.6 billion, of which UAH 31.7 billion was due to positive currency revaluation, meaning that they actually increased by UAH 71.2 billion.

Cash, traveler checks, and banking metals for 2023 increased by UAH 4.4 billion or 5.9% to UAH 79.3 billion (2.4% of assets against 2.8% in the same period of the previous year). At the same time, balances on accounts with the NBU added UAH 131.0 billion, up 2.6 times, and amounted to UAH 213.5 billion (6.5% of the asset structure vs. 3.0% in the same period of the previous year). This rapid increase is due to the NBU successive decisions to gradually increase the mandatory reserve requirements, which resulted in an increase in the banks' correspondent account balances with the NBU from UAH 77.2 billion as of January 1, 2023 to UAH 212.2 billion as of January 1, 2024.

Funds in other banks (except NBU) increased by UAH 39.5 billion or 10.8% in the reporting year. As of January 1, 2024, they amounted to UAH 405.6 billion and accounted for 12.3% of the asset structure, compared to 13.5% in the same period of the previous year. Almost all balances are concentrated in foreign currency.

As of January 1, 2024, the client loan portfolio amounted to UAH 1,024.6 billion, which is UAH 11.6 billion or 1.1% less than as of January 1, 2023. The share of customer loans in assets in 2023 also decreased from 38.1% to 31.0%. The portfolio consists of 71.5% of loans in hryvnia and 28.5% of loans in foreign currency. After the start of the full-scale invasion, the portfolio was constantly shrinking for 1.5 years, but since the second half of 2023, the situation has changed for the better due to the growth of hryvnia lending.

Investments in securities continued to grow rapidly for the second year in a row. In 2023, they increased by UAH 440.7 billion or 42.9%. For the first time, their volume exceeded the size of the DGF members' customer loan portfolio, and they have now become the main source of income for most banks. Since the beginning of the year, all components of these investments have increased: securities refinanced by the NBU (by UAH 201.6 billion or 37.8%), securities issued by the NBU (by UAH 164.2 billion or 35.9%), and corporate and other securities (by UAH 75.0 billion or 20.9%).

Structure and trends of assets of the DGF members

Table 2.1.2

(UAH million)

Indicators	January 1, 2022		January 1, 2023		January 1, 2024		Late changes			
	amount	%	amount	%	amount	%	for 2022		for 2023	
							amount	In %	amount	In %
Cash, traveler's checks and banking metals	65 060,3	3,1	74 915,8	2,8	79 337,6	2,4	9 855,5	15,1	4 421,8	5,9
Funds with the NBU	33 527,6	1,6	82 494,7	3,0	213 493,1	6,4	48 967,1	146,1	130 998,5	158,8
Funds with the other banks	226 818,6	10,8	366 095,8	13,5	405 618,1	12,3	139 277,2	61,4	39 522,3	10,8
Loans granted to clients	977 961,6	46,4	1 036 213,3	38,1	1 024 646,6	31,0	58 251,7	6,0	-11 566,7	-1,1
- loans to legal entities, authorities, and sole proprietors	751 972,3	35,7	826 270,0	30,4	802 056,9	24,2	74 297,7	9,9	-24 213,1	-2,9
- loans to individuals	225 989,3	10,7	209 943,2	7,7	222 589,6	6,7	-16 046,1	-7,1	12 646,4	6,0
Investments in affiliates and subsidiaries	701 101,9	33,2	1 026 763,1	37,8	1 467 509,0	44,3	325 661,2	46,4	440 745,9	42,9
- securities refinanced by the NBU	496 196,3	23,5	532 704,3	19,6	734 296,7	22,2	36 508,0	7,4	201 592,4	37,8
- securities issued by the NBU	195 424,9	9,3	457 464,2	16,8	621 633,2	18,8	262 039,3	134,1	164 169,0	35,9
- corporate and other securities	9 480,7	0,4	36 594,6	1,3	111 579,0	3,4	27 113,9	286,0	74 984,4	204,9
Investments in affiliates and subsidiaries	285,3	0,0	267,6	0,0	292,6	0,0	-17,7	-6,2	25,0	9,3
Fixed assets, intangible assets, and right-of-use assets	47 006,8	2,2	50 277,3	1,9	56 189,9	1,7	3 270,5	7,0	5 912,6	11,8
Other assets	57 282,3	2,7	79 766,8	2,9	63 336,5	1,9	22 484,5	39,3	-16 430,2	-20,6
- accounts receivable	26 166,3	1,2	34 085,4	1,3	18 771,8	0,6	7 919,1	30,3	-15 313,7	-44,9
- other funds	31 116,0	1,5	45 681,4	1,7	44 564,8	1,3	14 565,4	46,8	-1 116,6	-2,4
Total assets	2 109 044,4	100,0	2 716 794,3	100,0	3 310 423,5	100,0	607 749,9	28,8	593 629,2	21,9
Provisions for active transactions	-292 004,1		-365 116,2		-365 571,2		-73 112,1	25,0	-455,0	0,1
Net assets	1 817 040,3		2 351 678,0		2 944 852,2		534 637,7	29,4	593 174,2	25,2
For reference:										
Highly liquid assets	947 840,3	44,9	1 447 969,22	53,3	1 969 718,3	59,5	500 128,9	52,8	521 749,1	36,0

* including receivables

Property, plant and equipment, intangible assets and right-of-use assets increased by UAH 5.9 billion or 11.8% to UAH 56.2 billion in the reporting year, and their share in the asset structure fell to 1.7% compared to 1.9% at the beginning of 2023. At the same time, accounts receivable decreased by UAH 15.3 billion or 44.9% to UAH 18.8 billion (0.6% in the structure vs. 1.3% at the beginning of 2023), and other funds decreased by UAH 1.1 billion or 2.4% to UAH 44.6 billion (1.3% in the structure as of January 1, 2024 against 1.7% as of January 1, 2023).

Highly liquid assets of the DGF members (cash and precious metals, which are confirmed to be available, funds on correspondent accounts with the NBU and other banks, as well as securities refinanced or issued by the NBU, without accrued income) increased by a huge UAH 521.8 billion or 36.0% in 2023. Last year, their growth was also impressive (UAH 500.1 billion, including UAH 144.0 billion from the merger

of JSC Oschadbank). Thus, over the past two years, the growth of highly liquid assets amounted to more than UAH 1.0 trillion and as of January 1, 2024, they reached UAH 1,969.7 billion. Their share in total assets also increased significantly from 44.9% as of January 1, 2022 to 53.3% as of January 1, 2023 and 59.5% as of January 1, 2024.

According to the above data, in the reporting year, the main drivers of growth of the DGF members' assets were investments in hryvnia securities refinanced or issued by the NBU, which increased in all groups of banks. At the same time, the customer loan portfolio, as in the previous year, showed a downward trend, except for hryvnia lending to businesses by banks with private capital and to households by state and private banks. At the same time, the slowdown in its decline in the spring and a real increase in lending in the second half of the year indicate a change in the negative trend from the second half of the year.

Analysis of liabilities

As of January 1, 2024, total liabilities amounted to UAH 2,648.7 billion, including UAH 867.6 billion in foreign currency, which is 32.8% of the resource structure. The structure of liabilities and their dynamics are shown in Table 2.1.3.

In 2023, total liabilities increased by UAH 512.9 billion or 24.0% (in 2022 – by UAH 552.6 billion or 34.9%) due to the predominant attraction of customer funds and currency revaluation.

The following changes took place:

- In the national currency, the increase amounted to UAH 444.3 billion or 33.2% to UAH 1,781.1 billion;
- In foreign currency, the formal increase amounted to UAH 68.6 billion or 8.6% to UAH 867.6 billion, of which UAH 30.9 billion was due to currency revaluation, meaning that in fact, liabilities increased by UAH 37.7 billion.

Funds of legal entities, budget, and sole proprietors in 2023 increased by UAH 353.7 billion or 35.4% (in 2022 – by UAH 252.5 billion) and amounted to UAH 1,351.7 billion (51.0% in the structure of liabilities).

In terms of maturity, these funds are dominated by outstanding balances, which increased by UAH 198.8 billion or 23.8% to UAH 1,035.4 billion since the beginning of the year.

Time deposits increased by UAH 154.8 billion or 95.9% to UAH 316.2 billion over the year.

Funds of individuals in 2023 increased by UAH 150.9 billion or 16.2% (in 2022 – by UAH 328.5 billion) and amounted to UAH 1,083.0 billion as of January 1, 2024 (40.9% of the structure of liabilities).

As of January 1, 2024, payables on demand of individuals reached UAH 694.1 billion, which is UAH 87.6 billion or 14.4% higher than on January 1, 2023. Compared to 2022, their growth rate has almost tripled.

In 2023, household time deposits increased by UAH 63.3 billion or 19.5% to UAH 388.9 billion.

In the reporting year, the debt to the NBU continued to decline rapidly and amounted to UAH 2.5 billion (0.1% of the resource structure) as of January 1, 2024. During the year, its volume fell by UAH 35.7 billion or 15.4 times (in 2022, it decreased by UAH 50.2 billion). After the outbreak of a full-scale war, the NBU increased refinancing of banks to support their liquidity, but further stabilization of the situation helped to reduce the demand for cash resources and led to a significant reduction in bank debt. During 2023, only 5 DGF members received loans from the NBU totaling UAH 0.3 billion, while in 2022 there were 43 of them with a total of UAH 358.5 billion, and only 6 banks had debt on such loans as of January 1, 2024, compared to 21 as of January 1, 2023.

The loans from international financial organizations in 2023 increased by UAH 4.4 billion or 8.7% to UAH 54.3 billion (2.1% in the structure).

The increase in accounts payable in the reporting year by UAH 54.6 billion, or almost 2.5 times, is due to a significant increase in the tax burden on banks at the end of 2023, when the corporate income tax rate increased from 18% to 50%, and the debt to the budget increased by UAH 50.8 billion. In turn, the decrease in liabilities on other funds by UAH 11.5 billion or 23.1% is primarily due to a decrease in transit account balances from UAH 33.0 billion as of January 1, 2023 to UAH 19.9 billion as of January 1, 2024.

Structure and trends of liabilities of the DGF members

Table 2.1.3

(UAH million)

Indicators	January 1, 2022		January 1, 2023		January 1, 2024		Late changes			
	amount	%	amount	%	amount	%	for 2022		for 2023	
							amount	In %	amount	In %
Debt to the NBU	88 353,0	5,6	38 145,9	1,8	2 482,7	0,1	-50 207,1	-56,8	-35 663,1	-93,5
Payables to other banks	33 030,7	2,1	21 218,6	1,0	20 789,6	0,8	-11 812,1	-35,8	-429,0	-2,0
- payables on demand*	12 625,0	0,8	18 002,8	0,8	17 067,4	0,6	5 377,8	42,6	-935,4	-5,2
- loans received and deposits raised	20 405,7	1,3	3 215,8	0,2	3 722,2	0,1	-17 189,9	-84,2	506,4	15,7
Funds of legal entities, the budget, and sole proprietors	745 534,8	47,1	998 018,6	46,7	1 351 679,5	51,0	252 483,8	33,9	353 661,0	35,4
- payables on demand*	599 376,9	37,9	836 614,5	39,2	1 035 444,0	39,1	237 237,6	39,6	198 829,5	23,8
- fixed-term investments (term deposits)	146 157,9	9,2	161 404,0	7,6	316 235,0	11,9	15 246,1	10,4	154 831,0	95,9
Payables to individuals	603 641,3	38,1	932 137,8	43,6	1 083 030,1	40,9	328 496,5	54,4	150 892,3	16,2
- payables on demand*	359 623,0	22,7	606 584,9	28,4	694 136,8	26,2	246 961,9	68,7	87 551,9	14,4
- fixed-term investments (term deposits)	244 018,3	15,4	325 552,9	15,2	388 893,3	14,7	81 534,6	33,4	63 340,4	19,5
Debt securities issued	2 243,7	0,1	1 123,5	0,1	816,1	0,0	-1 120,2	-49,9	-307,5	-27,4
- certificates of deposit	1 610,7	0,1	1 102,5	0,1	727,6	0,0	-508,2	-31,6	-374,8	-34,0
- other debt securities issued	633,0	0,0	21,1	0,0	88,5	0,0	-611,9	-96,7	67,4	319,8
Loans from international and other organizations	45 572,9	2,9	49 983,0	2,3	54 338,0	2,1	4 410,1	9,7	4 355,0	8,7
Subordinated debt	7 517,7	0,5	10 387,0	0,5	7 575,0	0,3	2 869,3	38,2	-2 812,1	-27,1
Other liabilities	57 392,0	3,6	84 823,7	4,0	127 990,4	4,8	27 431,7	47,8	43 166,7	50,9
- accounts payable	30 281,5	1,9	35 201,4	1,6	89 818,4	3,4	4 919,9	16,2	54 617,0	155,2
- other funds	27 110,5	1,7	49 622,3	2,3	38 172,0	1,4	22 511,8	83,0	-11 450,3	-23,1
Total liabilities	1 583 286,1	100,0	2 135 838,2	100,0	2 648 701,4	100,0	552 552,1	34,9	512 863,2	24,0

* including receivables

Analysis of financial results

Despite the ongoing military confrontation, the DGF members were profitable in the reporting year. Their consolidated annual financial result amounted to UAH 83.2 billion and became a record in the history of the Ukrainian banking system. It exceeded the profit of the last pre-war year by UAH 6.8 billion, when they earned UAH 76.4 billion, and increased by UAH 61.3 billion or 3.8 times compared to 2022.

At the end of 2023, 55 banks made a profit totaling UAH 83.4 billion, and 8 banks made a loss totaling UAH 0.2 billion. In 2022, 45 institutions were profitable with a result of plus UAH 45.0 billion, and 22 institutions were unprofitable with a result of minus UAH 23.1 billion.

The main source of profit is net interest income, which banks received in the amount of UAH 201.4 billion, exceeding the level of 2022 by UAH 49.7 billion. Net fee and commission income amounted to UAH 50.0 billion (UAH 50.2 billion in 2022).

Operating income of banks increased by UAH 87.5 billion or 24.7%, operating expenses by UAH 49.9 billion or 42.0%, and

net operating profit before provisions by UAH 37.6 billion or 16.0%. The operating efficiency of the DGF participants improved in the reporting year: CIR as of January 1, 2024 amounted to 37.8% compared to 39.5% as of January 1, 2023 and 50.2% as of January 1, 2022.

Following the results of 2023, the financial result of certain groups of banks was as follows:

- consolidated profit of state-owned banks amounted to UAH 51.8 billion, which is UAH 32.5 billion higher than in 2022, with all banks ending the year profitable, while only two banks were profitable in the previous year;
- Banks with foreign capital recorded a total profit of UAH 22.4 billion against last year loss of UAH 0.4 billion;
- private banks received a consolidated profit of UAH 9.0 billion, which is UAH 6.0 billion more than in 2022.

The trends of income and expenses of the DGF participants, as well as their financial results, are shown in Table 2.1.4.

The income of the DGF members in 2023 amounted to UAH 446.4 billion, an increase of UAH 88.8 billion or 24.8% compared to 2022.

Among income, the largest amount interest income (UAH 304.4 billion), commission income is in second place (UAH 97.1 billion). Against the level of 2022, they increased by UAH 87.4 billion or 40.3% and UAH 11.4 billion or 13.4%, respectively. The share of interest income in total income increased from 60.7% to 68.2%, and commission income decreased from 23.9% to 21.7%.

The significant increase in the volume and share of interest income is explained by the dramatic growth of banks' investments in government securities amid a shrinking customer loan portfolio.

While interest income from loans to customers increased by UAH 3.2 billion or 2.5% to UAH 128.8 billion (and their share in interest income decreased from 57.9% to 42.3%), income from securities soared by UAH 72.9 billion or 82.2% to UAH 161.7 billion (and their share in interest income increased from 40.9% to 53.1%). For the first time, income from securities exceeded income from customer loans, increasing by UAH 115.2 billion or 2.5 times over the two war years.

The result of revaluation and purchase and sale transactions in the reporting year was positive and amounted to UAH 30.3 billion, which is UAH 13.2 billion or 30.4% less than last year. Its main components were:

- UAH 26.0 billion of profit from transactions of purchase and sale of foreign currency and precious metals;

- UAH 4.4 billion of profit from revaluation of domestic government bonds in the former trading portfolios of the DGF members;
- UAH 2.1 billion of profit from the purchase and sale of interest rate swap contracts;
- UAH 2.8 billion loss on revaluation of interest rate swap contracts.

Expenses of banks in 2023 amounted to UAH 363.1 billion, up by UAH 27.5 billion or 8.2% compared to 2022.

Their main item was the allocation to provisions, which increased by UAH 37.7 billion or 57.7% to UAH 103.1 billion (28.4% of the structure). The lion's share of interest expense is accounted for by interest on customer accounts, which increased by UAH 48.8 billion or 2.1 times to UAH 95.2 billion. The main reason for the growth is a significant increase in term deposits of legal entities and individuals, while interest rates fluctuations were insignificant.

The volume of administrative expenses in the reporting year increased by UAH 12.5 billion or 14.2% to UAH 100.9 billion, and their share in the structure increased from 26.4% to 27.8% (second place after interest expenses). The third place was taken by income tax expenses, which reached UAH 76.6 billion after a sharp increase in the tax rate at the end of the year.

Provisioning, which was the main item of expenses last year, decreased by 7.2 times to UAH 16.9 billion, of which UAH 14.2 billion were expenses for securities provisions and only UAH 2.6 billion were expenses for provisions for customer loans. Banks recognized most of the losses from impairment of loan portfolios in the first year of the war, so in 2023, provisioning was minimal.

Income, expenses, and financial results of the DGF members

Table 2.1.4

(UAH million)

Indicators	January 1, 2022	January 1, 2023	January 1, 2024	Late changes			
				for 2022		for 2023	
				amount	in %	amount	in %
Total income, including:	246 688,5	357 549,1	446 361,7	110 860,6	44,9	88 812,6	24,8
- interest income	147 400,2	217 052,6	304 437,0	69 652,4	47,3	87 384,4	40,3
of these, interest income on loans granted to clients	100 523,1	125 654,4	128 814,8	25 131,3	25,0	3 160,4	2,5
interest income on transactions with securities	46 453,9	88 709,5	161 656,2	42 255,6	91,0	72 946,7	82,2
- fee-based income	83 403,4	85 622,1	97 061,5	2 218,7	2,7	11 439,4	13,4
of which fees for cash and settlement services	72 260,7	74 448,7	84 644,4	2 188,0	3,0	10 195,7	13,7
- result of revaluation and purchase and sale transactions	4 361,8	43 482,3	30 264,3	39 120,5	896,9	- 13 218,0	- 30,4
- Other operating income	7 125,2	8 125,9	9 954,8	1 000,7	14,0	1 828,9	22,5
- other income	3 033,0	2 413,4	2 587,8	- 619,6	- 20,4	174,4	7,2
- recovery of written-off assets	1 364,9	852,8	2 056,3	- 512,1	- 37,5	1 203,5	141,1
Total costs, including:	170 268,3	335 627,8	363 130,8	165 359,5	97,1	27 503,0	8,2
- interest costs	43 118,9	65 357,8	103 050,0	22 238,9	51,6	37 692,2	57,7
of which interest on clients' funds	33 396,5	46 419,2	95 188,6	13 022,7	39,0	48 769,4	105,1

Income, expenses, and financial results of the DGF members

Table 2.1.4

(UAH million)

Indicators	January 1, 2022	January 1, 2023	January 1, 2024	Late changes			
				for 2022		for 2023	
				amount	in %	amount	in %
- fee-based costs	31 553,7	35 449,4	47 083,7	3 895,7	12,3	11 634,3	32,8
of which fees for cash and settlement services	29 796,1	32 582,3	42 233,5	2 786,2	9,4	9 651,2	29,6
- Other operating costs	16 361,8	17 875,3	18 500,1	1 513,5	9,3	624,8	3,5
- administrative costs	71 534,4	88 385,0	100 917,4	16 850,6	23,6	12 532,4	14,2
- allocations to provisions	1 322,5	121 204,3	16 935,8	119 881,8	9 064,8	- 104 268,5	- 86,0
of which allocations to provisions for client loans	6 874,6	107 383,4	2 588,4	100 508,8	1462,0	- 104 795,0	- 97,6
allocations to provisions for impairment of securities	188,4	7 456,5	14 217,1	7 268,1	3 857,8	6 760,6	90,7
- income tax	6 377,0	7 356,0	76 643,8	979,0	15,4	69 287,8	941,9
Financial performance, including:	76 420,2	21 921,3	83 230,9	- 54 498,9	- 71,3	61 309,6	279,7
- banks with state-owned share	41 553,5	19 258,0	51 785,8	- 22 295,5	- 53,7	32 527,8	168,9
of which JSC CB PRIVATBANK	35 050,4	30 198,0	37 764,7	- 4 852,4	- 13,8	7 566,7	25,1
- banks of foreign banking groups	22 277,4	- 387,8	22 418,4	- 22 665,2	- 101,7	22 806,2	- 5 880,9
- banks with private capital	12 589,3	3 051,1	9 026,7	- 9 538,2	- 75,8	5 975,6	195,9
For reference:							
Operational efficiency (CIR), in %.	50,2	39,5	37,8	- 10,7	x	- 1,7	x

Analysis of capital

The equity of the DGF members as of January 1, 2024, amounted to UAH 296.2 billion. Changes in its structure over the past two years are shown in Table 2.1.5.

From the beginning of 2023, the equity capital of the DGF members has increased by UAH 80.3 billion, or 37.2%, which allowed not only to recover the losses of the previous year but also to significantly increase its size. In 56 banks, the capital increased by a total of UAH 83.2 billion, and in 7 banks it decreased by UAH 0.2 billion (after 2022, the respective number of banks was 37 and 30). The system lost another UAH 2.7 billion due to the termination of PJSC IBOX BANK, JSC BANK FORWARD, JSC JSCB CONCORD and JSC UKRBUDINVESTBANK.

The main reason for the capital increase is the profitable activity of banks, which earned UAH 83.2 billion in the reporting year. The increase in capitalization was also facilitated by a positive revaluation of securities in the former portfolio available for sale in the amount of UAH 23.2 billion. At the same time, the accrual of dividends in the amount of UAH 24.4 billion in 2022 (including UAH 24.2 billion from JSC CB PrivatBank) had a negative impact on the capital of the system.

As of January 1, 2024, the paid authorized capital amounted to UAH 404.8 billion, having lost UAH 2.3 billion or 0.6% during the year due to the liquidation of four banks. Over the same period, issue profit/loss and additional contributions increased by UAH 3.6 billion or 8.5% to UAH 46.2 billion due to the distribution of profits for 2022.

The consolidated negative result of previous years, which consists separately of retained earnings and uncovered losses, deteriorated by UAH 5.8 billion in 2023 as a result of an increase in profits by UAH 6.6 billion and losses by UAH 12.4 billion and currently stands at minus UAH 276.1 billion.

Return on equity in the reporting year deteriorated significantly, falling to 30.4%, which is significantly better than in 2022 (9.7%), but lower than two years ago (38.4%).

From the beginning of 2023, the regulatory capital of the DGF members has increased by UAH 47.2 billion or 22.4% and amounted to UAH 258.3 billion as of January 1, 2024. The regulatory capital adequacy ratio for all DGF members improved in the reporting year, remaining above the regulatory value of at least 10.0%. As of 01.01.2024, it was equal to 21.1% compared to 19.7% as of 01.01.2023 and 18.3% as of 01.01.2022.

In 2023, the share of equity in liabilities increased to 10.1%, up from 9.3% last year, although it was 12.9% in 2021. As of January 01, 2024, household deposits were 4.2 times higher than the equity of the banking system, which indicates an insufficient level of protection of deposits. At the same time, as of January 1, 2023, this excess was 4.8 times, and as of January 1, 2022, it was 2.9 times. In 2023, the value of this indicator for 10 banks was higher than the system average, in 2022 there were 8 such banks, and in 2021 - 19.

Thus, given the rapid increase in the volume of deposits and the growing risks from the ongoing war, increasing the capital adequacy of the DGF members remains relevant.

Changes in the equity structure of the DGF members

Table 2.1.5

(UAH million)

Indicators	January 1, 2022	January 1, 2023	January 1, 2024	Late changes			
				for 2022		for 2023	
				amounts	in %	amounts	in %
Paid authorized capital	432 062,2	407 020,5	404 751,2	- 25 041,7	- 5,8	- 2 269,3	- 0,6
Issue profit/loss and additional allocations	15 262,4	14 541,7	14 515,3	- 720,7	- 4,7	- 26,4	- 0,2
General provisions and funds	32 927,0	42 602,4	46 242,6	9 675,4	29,4	3 640,2	8,5
Results of revaluation	12 097,6	127,3	23 551,8	- 11 970,3	- 98,9	23 424,5	18 401,0
Results of previous years	- 335 015,2	- 272 865,3	- 268 906,5	62 149,9	- 18,6	3 958,8	- 1,5
Result of the reporting year	-	2 491,9	- 7 234,5	2 491,9	x	- 9 726,4	- 390,3
Current year result	76 420,2	21 921,3	83 230,9	- 54 498,9	- 71,3	61 309,6	279,7
Total equity	233 754,2	215 839,8	296 150,8	- 17 914,4	- 7,7	80 311,0	37,2
For reference:	41 553,5	19 258,0	51 785,8	- 22 295,5	- 53,7	32 527,8	168,9
Return on equity (ROE), in %.	38,4	9,7	30,4	- 28,7	x	20,7	x
Adequacy of regulatory capital, in %	18,3	19,7	21,1	1,4	x	1,4	x

2.2. Analysis of the DGF members' deposit trends

The analysis of deposit transactions as of January 1, 2024 was conducted for 63 DGF members on the basis of the received monthly "Reports on Household Deposits in the Members of the Deposit Guarantee Fund — reporting form No. 1F" (hereinafter referred to as "form No. 1F").

liquidation with the total amount of deposits of UAH 4,016.6 million (JSC BANK FORWARD – March 09, 2023, PJSC IBOX BANK – March 09, 2023, JSC JSCB CONCORD – August 03, 2023 and JSC UKRBUDINVESTBANK – October 09, 2023) (Figure 2.2.1).

During 2023, 4 banks were excluded from the register of DGF members due to the revocation of the banking license and

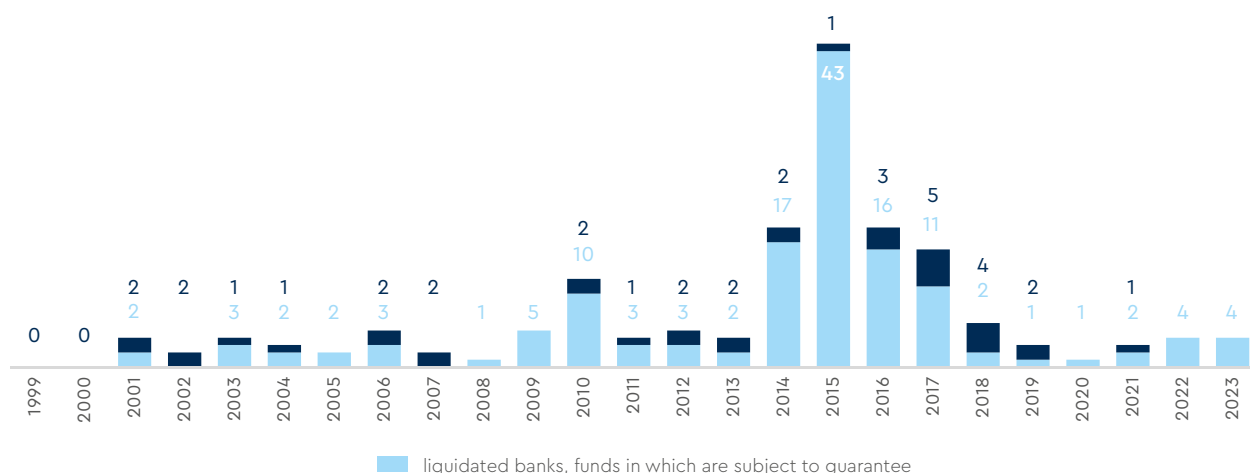


Figure 2.2.1 Exclusion of banks from the register of DGF members

Data on household deposits in banks excluded from the register of DGF members and included in the register of DGF members during 2023

Table 2.2.1

No.	Reg No.	Bank	Number of depositors	Amount of deposits, UAH million		Potential compensation amount, UAH million	Date of NBU liquidation decision
			persons	total	including in foreign currency		
Reporting as of January 1, 2023							
1	188	JSC BANK FORWARD	222 990	1 580,6	122, 5	1 580,5	07.03.2023
2	3	PJSC IBOX BANK	16 839	548,1	203,8	548,1	07.03.2023
3	193	JSC JSCB CONCORDE	232 047	1 282,4	683,5	1 282,3	01.08.2023
4	175	JSC UKRBUDINVESTBANK	12 379	605,6	265,4	605,6	05.10.2023
Total for banks excluded in 2023			484 255	4 016,6	1 275,2	4 016,41	

Trends in the deposit market

» **the number of depositors** – increased by 2.3 million people in 2023 or by 3.6% to **67.7 million people**. For comparison, in 2022, the increase in the number of depositors amounted to 15.6 million people or 31.4%, including due to the recruitment of JSC Oshchadbank was granted the DGF member status, which concentrated 12.5 million depositors as of January 1, 2023.

The total number of depositors in banks with state-owned share is 42.1 million, or 62.2% of the total number for the DGF.

A total of 61.9 million depositors, accounting for 91.5% of the total number of depositors, are concentrated in 10 banks, each with more than 1 million depositors (Table 2.2.2). JSC CB PrivatBank has 24.2 million deposits, which is 35.8% of the total number of depositors.

» **the amount of deposits** – in 2023 increased by UAH 183.3 billion or 17.4% to **UAH 1,234.8 billion**. For comparison, in 2022, the increase in deposits amounted to UAH 375.9 billion or 55.6%, including due to the acquisition of the DGF member status by JSC Oschadbank, where the amount of deposits amounted to UAH 169.8 billion as of January 01, 2023.

The total amount of deposits in banks with state-owned share is UAH 780.5 billion, or 63.2% of the total deposits for the DGF.

The 16 banks, in each of which the amount of deposits exceeds UAH 10,000 million, together account for UAH 1,171.9 billion, or 94.9% of the total deposits of the DGF, including 37.6% of the total deposits of all participants in the guarantee scheme (Table 2.2.3).

» The number of **sole proprietors** as of January 1, 2024, amounted to 2.2 million people or 3.2% of all depositors with the amount of deposits of UAH 149.9 billion or 12.1% of total deposits. In 2023, the number of Sole Proprietors increased by 236.1 thousand people, or 12.1%, and their deposits increased by UAH 31.1 billion, or 26.1%.

» **The average deposit amount was** UAH 18,242.62. The average amount of the deposit on the deposits guaranteed by the DGF (over UAH 10) amounted to UAH 30,642.01.

» **The potential compensation amount** at the expense of the DGF for 2023 increased by UAH 181.6 billion or 17.3% and amounted to UAH 1,232.1 billion as of January 1, 2024. In accordance with Law No. 2180-IX, as of April 13, 2022, during the martial law in Ukraine and three months after the termination or cancellation of martial law in Ukraine, the DGF compensates each depositor of the bank the full amount of the deposit, and including interest accrued as of the end of the day preceding the day of the start of the procedure insolvent banks resolution.

» The total potential compensation amount in banks with a state share is UAH 780.5 billion, or 63.3% of the total potential compensation amount for the DGF.

Banks with the largest number of depositors as of January 1, 2024

Table 2.2.2

No.	Reg No.	Bank	January 1, 2024				Change for 2023
			Number of depositors, persons			Amount of deposits	Number of depositors
			total	% of total	incl. in foreign currencies	total, UAH million	persons
1	113	JSC CB PRIVATBANK	24 218 824	35,8	4 461 952	464 132,2	318 429
2	240	JSC OSCHADBANK	12 834 594	19,0	531 846	192 748,6	336 392
3	027	JSC UNIVERSAL BANK	7 960 179	11,8	1 976 362	85 453,7	1 179 972
4	098	JSC ACCENT-BANK	3 171 962	4,7	436 517	16 351,8	392 102
5	121	JSC RAIFFEISEN BANK	2 996 660	4,4	164 234	68 986,1	47 045
6	048	JSC SENS BANK	2 892 276	4,3	293 137	49 205,2	-164 339
7	111	JSC FUIB	2 822 573	4,2	336 403	52 611,6	266 844
8	090	JSC UKRSIBBANK	2 111 296	3,1	271 910	58 805,9	162 732
9	052	JSB UKRGASBANK	1 540 418	2,3	162 084	35 501,0	141 766
10	085	JSC OTP BANK	1 358 521	2,0	119 886	30 794,2	-116 265
Total for banks			61 907 303	91,5	8 754 331	1 054 590,2	2 564 678
% to total for the DGF			91,5	-	89,0	85,4	-
Total for the DGF			67 687 700	100,0	9 837 362	1 234 800,9	2 335 690

Banks with the largest amount of deposits as of January 1, 2024

Table 2.2.3

No.	Reg No.	Bank	January 1, 2024				Change for 2023
			Number of depositors	Amount of deposits, UAH million			Amount of deposits
				persons	total	% of total	incl. in foreign currency
1	113	JSC CB PRIVATBANK	24 218 824	464 132,2	37,6	127 400,1	73 549,1
2	240	JSC OSCHADBANK	12 834 594	192 748,6	15,6	41 391,1	22 957,7
3	027	JSC UNIVERSAL BANK	7 960 179	85 453,7	6,9	40 149,6	23 078,7
4	121	JSC RAIFFEISEN BANK	2 996 660	68 986,1	5,6	29 429,1	3 535,2
5	090	JSC UKRSIBBANK	2 111 296	58 805,9	4,8	33 742,0	7 334,1
6	111	JSC FUIB	2 822 573	52 611,6	4,3	18 721,6	11 422,8
7	048	JSC SENS BANK	2 892 276	49 205,2	4,0	25 040,6	5 476,0
8	022	JSC UKREXIMBANK	629 192	38 936,1	3,2	23 969,9	5 499,9
9	052	JSB UKRGASBANK	1 540 418	35 501,0	2,9	12 426,8	1 937,7
10	085	JSC OTP BANK	1 358 521	30 794,2	2,5	16 826,4	454,4
11	054	JSC KREDOBANK	608 067	20 209,4	1,6	11 017,4	4 306,6
12	043	JSC CREDIT AGRICOLE BANK	397 598	19 009,2	1,5	10 916,3	3 570,3
13	098	JSC ACCENT-BANK	3 171 962	16 351,8	1,3	4 698,5	4 175,2
14	016	PJSC PIVDENNYI	732 595	16 189,1	1,3	9 002,8	4 021,6
15	141	JSC PROCREDIT BANK	40 818	11 748,0	1,0	6 708,9	1 440,1
16	031	JSC TASCOMBANK	813 804	11 193,7	0,9	5 711,4	-59,9
Total for banks			65 129 377	1 171 875,7	94,9	417 152,5	172 699,5
% of total for the DGF			96,2	94,9	-	95,1	-
Total for the DGF			67 688 700	1 234 800,9	100,0	438 447,3	183 301,0

The trends of the number of depositors and the amount of deposits in the DGF members during 2000–2023 are shown in Figures 2.2.2 and 2.2.3.

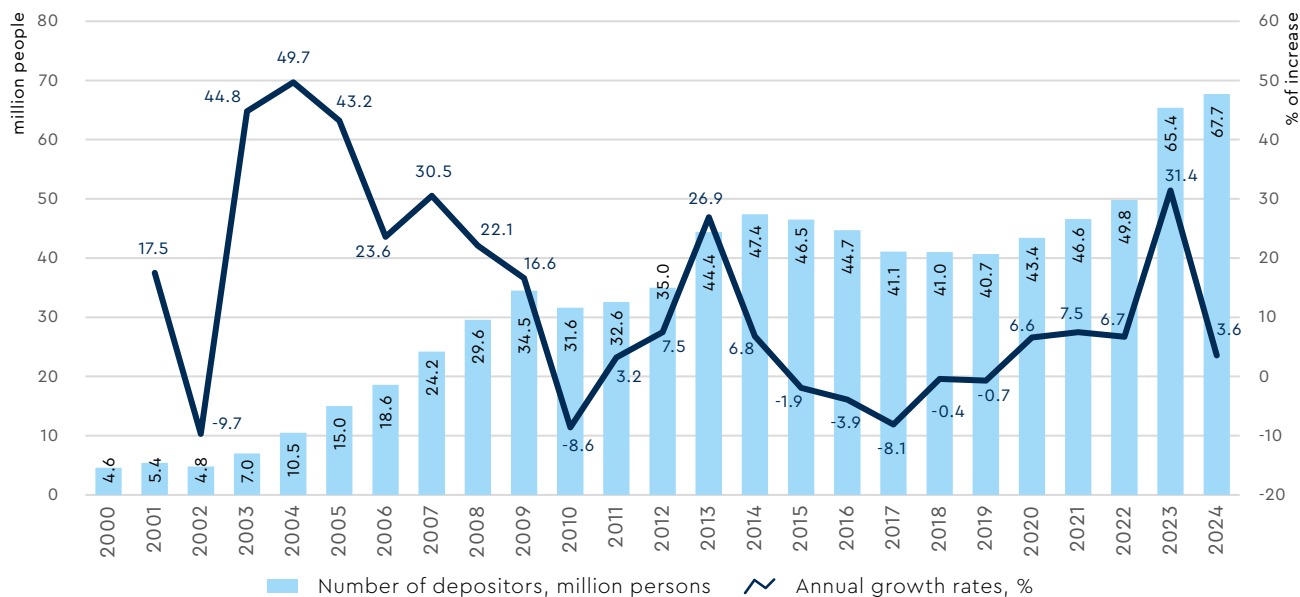


Figure 2.2.2 Trends of the amount of deposits in the DGF members during 2000–2023

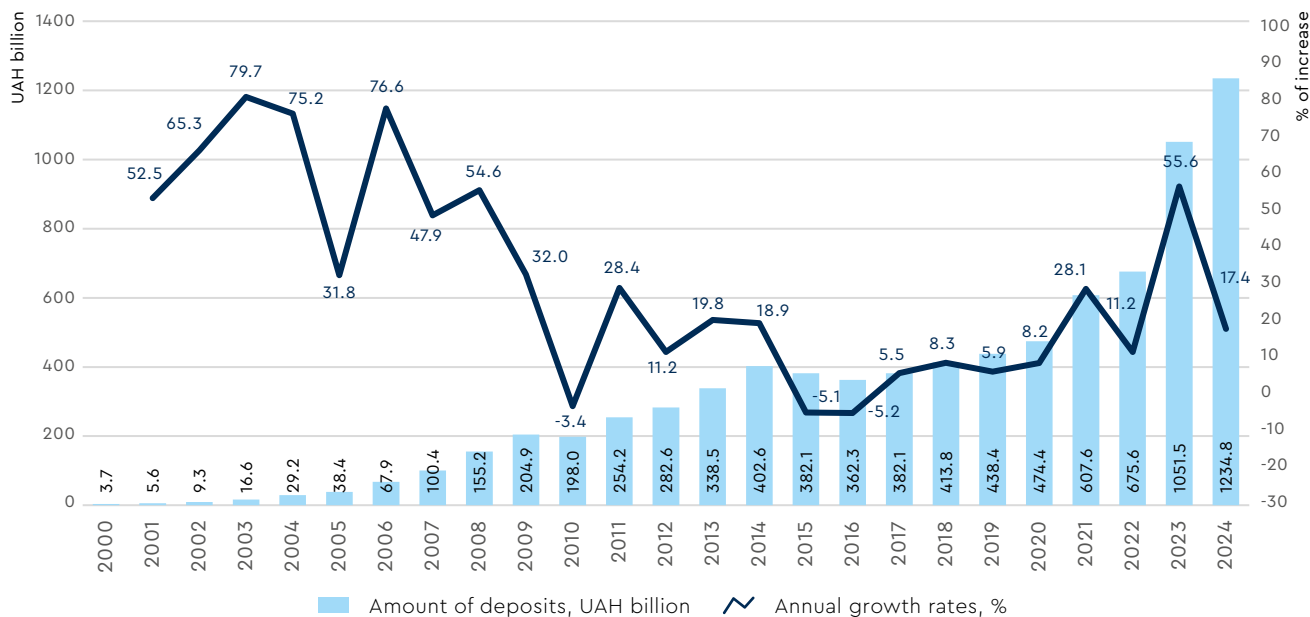


Figure 2.2.3 Trends of the amount of deposits in the DGF members during 2000–2023

Table 2.2.4 shows the trends of deposit transactions of the DGF members with individuals for 2023.

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

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

In 2023, despite the hostilities, the household deposits increased by UAH 183.3 billion or 17.4%. There was an increase both in the amount of deposits in the national currency by UAH 142.3 billion or by 21.8%, and in foreign currency in the UAH, equivalent by UAH 41.0 billion or 10.3%. In USD equivalent, the increase in 2023 amounted to USD 0.7 billion or 6.2%. The number of depositors continues to grow (+ 2.3 million people or 3.6%) and at the end of the year amounted to 67.7 million people, which is the highest level since the establishment of the guarantee scheme.

The trends of the increase in deposit transactions were influenced by: 100% guarantee on deposits of individuals (including sole proprietors), reduction of cash withdrawals abroad using cards of Ukrainian banks, social payments to the population, financial assistance from the state and international organizations, payments to military personnel, and increase in average wages. In addition, starting from October 03, 2023, the NBU switched to a regime of managed exchange rate flexibility, which had a certain impact on the dynamics of revaluation of foreign currency deposits.

During 2023, the share of time deposits grew fluctuatingly (Figure 2.2.4) and rose for the first time since the beginning of 2014 at the end of the reporting year. As of January 1, 2024,

the share of such deposits amounted to 35.8% (as of January 1, 2023, it was 34.8%). In 2022 and 2023, banks' deposit operations with individuals are characterized by the shortest maturity since the beginning of 2001.

In the first half of the year, there was a gradual increase in interest rates, and after the NBU started to reduce its discount rate (from 25.0% to 15.0% in 2023), interest rates began to decline slightly in the second half of the year, but at the end of the year their level remained higher than at the beginning. In 2023, the weighted average monthly interest rate on deposits in the national currency increased by 0.93 percentage points to 11.2%, and in foreign currency by 0.39 percentage points to 0.98% (Figure 2.2.5).

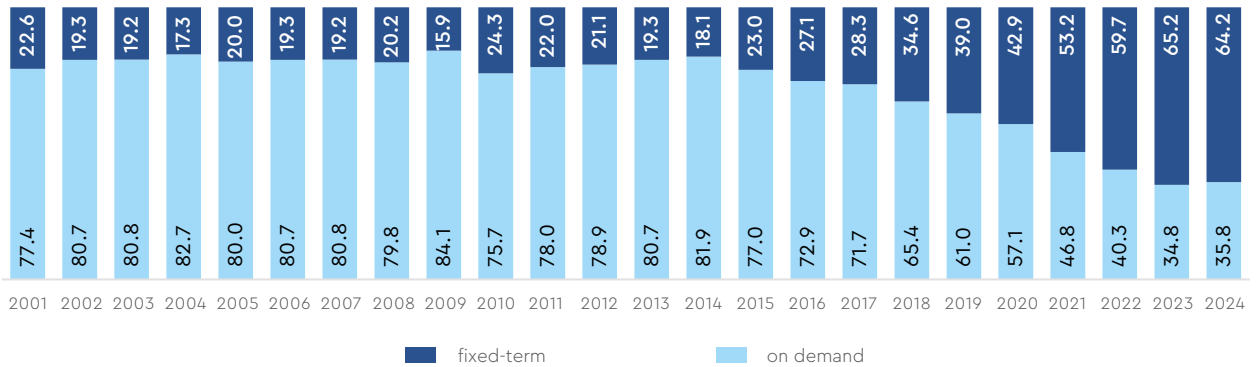


Figure 2.2.4 Trends of the amount of deposits in the DGF members during 2000–2023

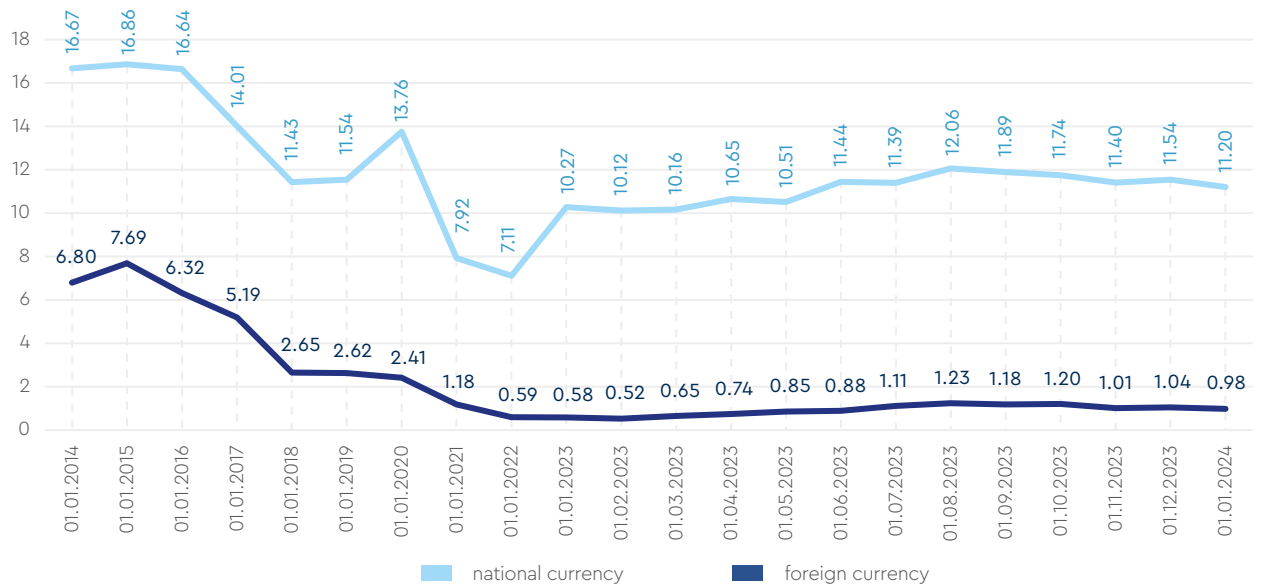


Figure 2.2.5 Trends of weighted average monthly rates on household deposits during 2014–2023

Trends of deposit operations of the DGF members since the beginning of 2023

Table 2.2.4

№	Deposit operations of banks with individuals (No. 1F)	January 1, 2023	January 1, 2024	from the beginning of 2023	
				+/-	%
1	Number of the DGF members*	67	63	-4	x
2.1.	Amount of household deposits, UAH billion	1 051,5	1 234,8	183,3	17,4
-	including in national currency, UAH billion	654,0	796,4	142,3	21,8
-	in foreign currency, UAH billion	397,5	438,4	41,0	10,3
2.2.	Number of depositors, million persons	65,4	67,7	2,3	3,6
2.3.	Potential compensation amount by the DGF, UAH billion	1 050,5	1 232,1	181,6	17,3
2.4.	Average deposit amount, UAH	16 089,8	18 242,6	2 152,8	13,4

* - 4 banks are excluded from the register of the DGF members

Annual trend of household deposit operations by currency

Table 2.2.5

Date	Number of depositors, million persons	Total amount of deposits, UAH billion	Potential compensation amount, UAH billion	Amount of deposits in national currency, UAH billion	Amount of deposits in foreign currency, UAH billion
01.01.2014	47,4	402,6	245,6	224,3	178,4
01.01.2015	46,5	382,1	209,9	172,1	210,0
01.01.2016	44,7	362,3	191,9	164,5	197,8
01.01.2017	41,1	382,1	203,3	169,9	212,3
01.01.2018	41,0	413,8	238,0	203,7	210,0
01.01.2019	40,7	438,4	259,4	236,7	201,7
01.01.2020	43,4	474,4	290,9	279,5	195,0
01.01.2021	46,6	607,6	353,5	357,4	250,2
01.01.2022	49,8	675,6	388,7	422,8	252,8
01.01.2023	65,4	1 051,5	1 050,5	654,0	397,5
01.01.2024	67,7	1 234,8	1 232,1	796,4	438,4

Annual trends of household deposit operations

Table 2.2.6

Period	Number of depositors		Total amount of deposits		Average deposit amount (ADA), UAH	
	million persons	growth rates before the beginning of the year, %	UAH billion	growth rates before the beginning of the year, %	UAH	growth rates before the beginning of the year, %
01.01.2000	4,6		3,7		806	
01.01.2001	5,4	17,5	5,6	52,5	1 046	29,7
01.01.2002	4,8	-9,7	9,3	65,3	1 915	83,1
01.01.2003	7,0	44,8	16,6	79,7	2 376	24,1
01.01.2004	10,5	49,7	29,2	75,2	2 780	17,0
01.01.2005	15,0	43,2	38,4	31,8	2 559	-8,0
01.01.2006	18,6	23,6	67,9	76,6	3 656	42,9
01.01.2007	24,2	30,5	100,4	47,9	4 143	13,3
01.01.2008	29,6	22,1	155,2	54,6	5 243	26,6
01.01.2009	34,5	16,6	204,9	32,0	5 935	13,2

Annual trends of household deposit operations

Table 2.2.6

Period	Number of depositors		Total amount of deposits		Average deposit amount (ADA), UAH	
	million persons	growth rates before the beginning of the year, %	UAH billion	growth rates before the beginning of the year, %	UAH	growth rates before the beginning of the year, %
01.01.2010	31,6	-8,6	198,0	-3,4	6 273	5,7
01.01.2011	32,6	3,2	254,2	28,4	7 802	24,4
01.01.2012	35,0	7,5	282,6	11,2	8 072	3,5
01.01.2013	44,4	26,9	338,5	19,8	7 619	-5,6
01.01.2014	47,4	6,8	402,6	18,9	8 486	11,4
01.01.2015	46,5	-1,9	382,1	-5,1	8 213	-3,2
01.01.2016	44,7	-3,9	362,3	-5,2	8 104	-1,3
01.01.2017	41,1	-8,1	382,1	5,5	9 298	14,7
01.01.2018	41,0	-0,4	413,8	8,3	10 103	8,7
01.01.2019	40,7	-0,7	438,4	5,9	10 776	6,7
01.01.2020	43,4	6,6	474,4	8,2	10 937	1,5
01.01.2021	46,6	7,5	607,6	28,1	13 032	19,2
01.01.2022	49,8	6,7	675,6	11,2	13 578	4,2
01.01.2023	65,4	31,4	1051,5	55,6	16 090	18,5
01.01.2024	67,7	3,6	1234,8	17,4	18 243	13,4

Deposits by currency

The beginning of 2023 was characterized by a slight decrease in the share of national currency deposits, but from March to the end of the year, there was a gradual increase in their share in the structure of deposits and an increase in their preference over foreign currency deposits (Figure 2.2.6).

Deposits in national currency increased by UAH 142.3 billion or 21.8% to UAH 796.4 billion, and as of January 1, 2024, their share was 64.5%.

In 2023, the UAH equivalent of foreign currency deposits increased by UAH 41.0 billion or 10.3% to UAH 438.4 billion. At the same time, the increase in the USD equivalent of deposits amounted to USD 0.7 billion or 6.2% to USD 11.54 billion. This dynamics of foreign currency deposits was somewhat influenced by the NBU transition to a managed exchange rate flexibility regime from October 3, 2023, and their real increase (Figure 2.2.7).

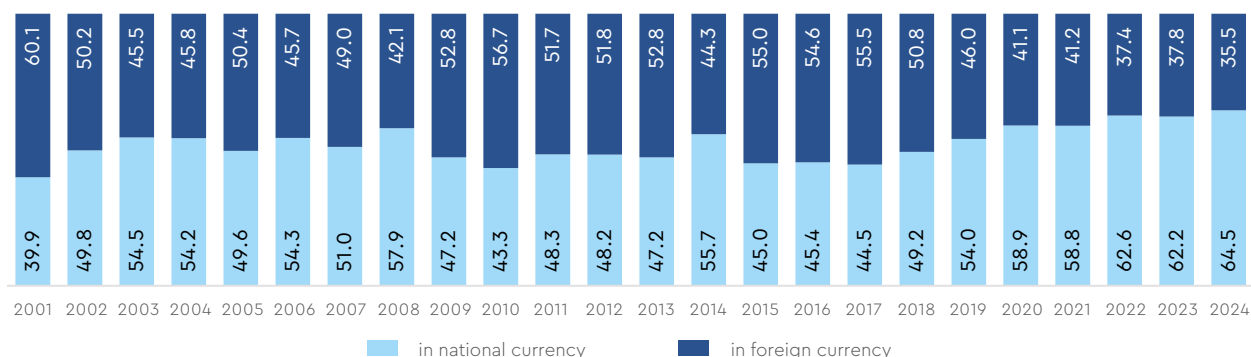


Figure 2.2.6 Structure of household deposits by currency, %

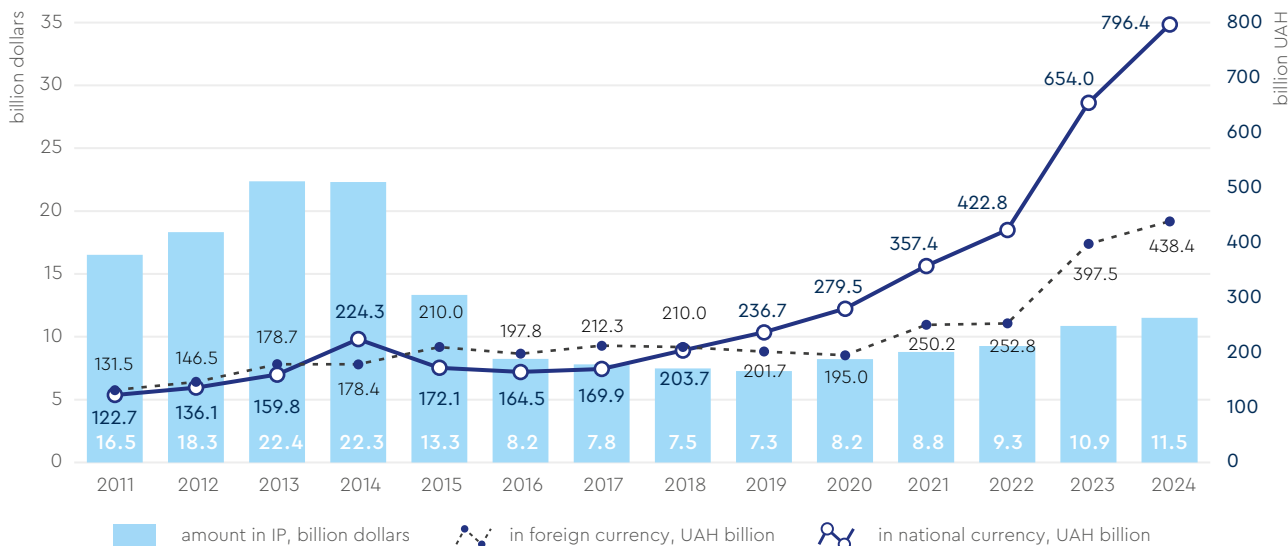


Figure 2.2.7 Trends of foreign currency deposits

Deposit compensation ceiling

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

In addition, according to Article 26 of the Law " (subject to the Law No. 2180) after the expiration of three months from the date of termination or cancellation of martial law in Ukraine, the household deposit compensation ceiling at the expense of funds of the DGF will amount to UAH 600,000 (USD 15.8 thousand or EUR 14.2 thousand as of January 1, 2024).

The structure of household deposits by ranges as of January 1, 2024 is given in (Table 2.2.7, Figure 2.2.8, 2.2.9).

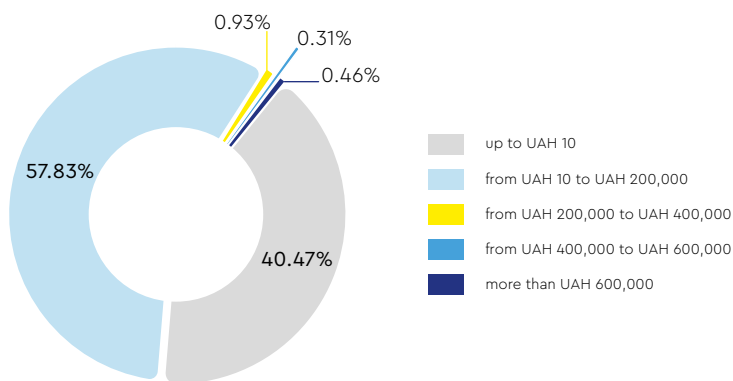


Figure 2.2.8 The number of depositors, %

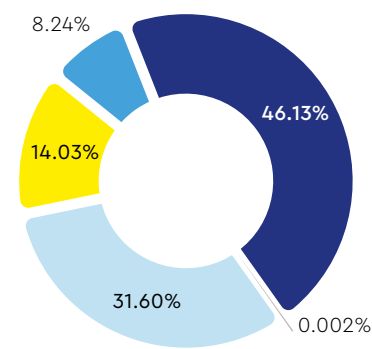


Figure 2.2.9 Amount of deposits, %

Structure of deposits by ranges in the DGF members as of January 1, 2024

Table 2.2.7

Deposit amount, UAH	Number of depositors		Amount of deposits		Average deposit amount
	persons	%	UAH million	%	UAH
up to 10 UAH	27 390 939	40,47	27,1	0,002	0,99
from UAH 10 to 200,000	39 146 396	57,83	390 177,5	31,60	9 967,14
from UAH 200,000 to 400,000	630 282	0,93	173 268,6	14,03	274 906,54
from 400,000 to 600,000 UAH	210 322	0,31	101 733,3	8,24	483 702,65
more than UAH 600,000	309 761	0,46	569 594,3	46,13	1 838 818,58
Total	67 687 700	100,00	1 234 800,9	100,00	18 242,62

Potential compensation amount and deposits guaranteed by the DGF

The potential compensation amount (PRA) for the DGF members in 2023 increased by UAH 181.6 billion or 17.3% and amounted to UAH 1,232.1 billion as of January 1, 2024.

The potential compensation amount in 5 state-owned banks amounted to UAH 780.5 billion, which is 63.3% of the total amount of deposits.

According to the reporting forms 1F as of January 01, 2024, the amount of maturity compensation was distributed as follows: the amount of deposits on term deposits amounted to UAH 391.0 billion or 31.7%, the amount of deposits on current accounts – UAH 841.1 billion or 68.3% (Table 2.2.8). As of the end of 2023, in terms of potential compensation amount, deposits on current accounts continue to exceed deposits on deposit accounts by more than twice.

Structure of the potential compensation amount by maturity date as of January 1, 2024

Table 2.2.8

No.	Indicator	January 1, 2023		January 1, 2024	
		Quantity	Amount of deposits, UAH million	Quantity	Amount of deposits, UAH million
1	Amount of deposits/number of depositors, total	65 352 010	1 051 499,9	67 687 700	1 234 800,9
2	In foreign currency	8 869 620	397 479,7	9 837 362	438 447,0
	Part IV		0,0		0,0
3	Total potential compensation amount, including:	39 479 610	1 050 534,0	40 079 314	1 232 105,3
3.1	Current account deposits, including:	36 578 999	724 323,3	39 634 765	841 061,2
3.2	Registered certificates of deposit, including those with maturity:	11	4,3	5	2,2
3.2.1	on demand	7	3,9	4	2,0
3.2.2	up to 1 month	4	0,4	1	0,2
3.3	Term deposits, including with the following maturity periods:	11 195 262	326 206,4	1 947 659	391 041,9
3.3.1	up to 1 month	1 064 411	59 675,8	314 282	65 861,9
3.3.2	from 1 to 2 months	1 063 354	47 189,5	256 138	53 978,5
3.3.3	from 2 to 3 months	1 068 189	48 938,8	270 671	58 131,5
3.3.4	from 3 to 4 months	791 707	18 690,7	132 653	26 924,3
3.3.5	from 4 to 5 months	807 264	20 711,0	128 164	26 550,8
3.3.6	from 5 to 6 months	855 251	23 443,5	125 997	25 790,6
3.3.7	from 6 to 7 months	705 050	11 945,9	46 934	8 467,5
3.3.8	from 7 to 8 months	709 419	10 628,4	40 313	7 239,1
3.3.9	from 8 to 9 months	782 546	11 675,7	39 729	7 188,3
3.3.10	from 9 to 10 months	957 154	16 587,1	40 685	6 571,3
3.3.11	from 10 to 11 months	1 143 254	17 224,5	35 844	5 953,1
3.3.12	from 11 to 12 months	2 075 550	23 275,6	38 095	6 619,6
3.3.13	more than 12 months	72 919	14 012,3	890 937	90 443,0
3.3.14	with the contract term expired, and not transferred to the current/card account	194 527	2 207,5	15 925	1 322,5

2.3. Control functions over the DGF members' operations

To ensure the functioning of the deposit guarantee scheme and protect the rights and interests of depositors, the DGF monitors the fulfillment of obligations of the banks of the DGF members in connection with their participation in the deposit guarantee scheme through scheduled and extraordinary inspections of the DGF members.

The inspections in 2023 were carried out in order to determine the proper performance of the duties of the DGF members assigned to them by the Law of Ukraine and DGF regulatory acts.

The introduced mechanism of secure transfer of documents and information to the DGF inspectors from banks during remote inspections allowed the DGF to continue performing its functions under the martial law introduced by the Decree of the President of Ukraine No. 64/2022 "On the introduction of martial law in Ukraine" dated February 24, 2022, approved by the Law of Ukraine No. 2102-IX dated February 24, 2022 (as amended).

Thus, in 2023, the DGF conducted 30 scheduled inspections of banks and 2 unscheduled inspections.

In 2023, 31 banks were inspected, of which 6 DGF members were found to have violated the DGF regulations. Figure 2.3.1 shows the number of inspections conducted in 2023.

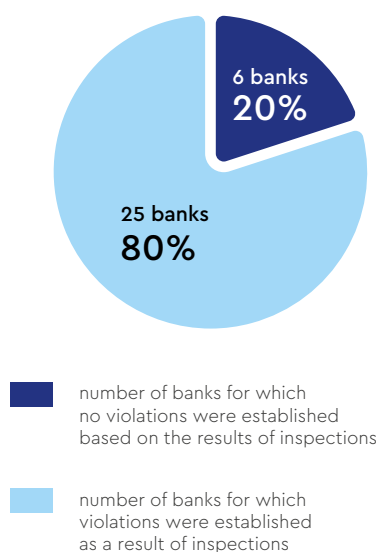


Figure 2.3.1 Number of inspections carried out during 2023

Scheduled and extraordinary remote inspections were carried out on the following issues:

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

The inspections were aimed at obtaining information on the banks' compliance with the Law, including compliance with

the rules of accrual and payment of premiums, completeness and accuracy of information about depositors in the bank's database, the procedure for informing depositors about the deposit guarantee scheme in Ukraine, as well as the procedure for informing depositors about the household deposit guarantee scheme. Special attention was paid to the accuracy of calculations based on fees and reports submitted to the DGF by banks and the ability of banks to properly form a database of depositors in the DGF members in accordance with the requirements of the DGF regulatory acts.

Based on the results of 32 inspections of banks conducted by the DGF in 2023, 9 facts of violations of the Law and the DGF regulatory acts were established:

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

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

- the basis for accrual of the regular premium on deposits in the national currency is incorrectly determined and calculated;
- incorrectly determined points by qualitative indicators (Q1, Q5);
- incorrectly determined points by quantitative indicators (K1, K2, ЯА1, ЯА2, ЯА3, Л1, Л2, Л3, Е1, Е3, П1);
- the total score on the sum of quantitative and qualitative indicators was incorrectly determined;
- the degree of risk on which the basic annual premium rate to the DGF is weighed is inaccurately determined;
- the amount of the regular premium was incorrectly calculated, which resulted in incomplete payment to the Regular Premium Fund.

According to the results of inspections of banks on the completeness of settlements with the DGF, an understatement of the amount of regular premium paid by banks to the DGF for the total amount of UAH 0.08 million was discovered.

In general, violations in terms of completeness and timeliness of payment of fees to the DGF were found in 3 DGF members, the share of this violation is 33% of all identified violations.

Completeness and reliability of maintaining a database of depositors

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

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

- errors regarding incompleteness and incorrect information about the depositor in the amount exceeding the maximum permissible values of errors;
- the procedure for forming database files "M", "N";
- failure to include in the depositor database files the funds that meet the definition of the term "deposit" in accordance with the Law.

The total number of the DGF members for which the above shortcomings in the database in accordance with the Regulations amounted to 5 banks, the share of this violation is 56% of all detected violations.

In general, the DGF member banks covered by the inspection have developed a software and hardware complex that allows accumulating and storing information about depositors, to ensure the storage of data in the archive file on external media, separated both logically and physically

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

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

In the course of inspections of the DGF member in 2023, 1 participant of the DGF was found to have violated the DGF requirements for informing depositors about the household deposit guarantee scheme in Ukraine, with the share of this violation amounting to 11% of all violations identified.

The share of violating banks in the total number of banks inspected in 2023, in terms of issues to be inspected is shown in Figure 2.3.2.

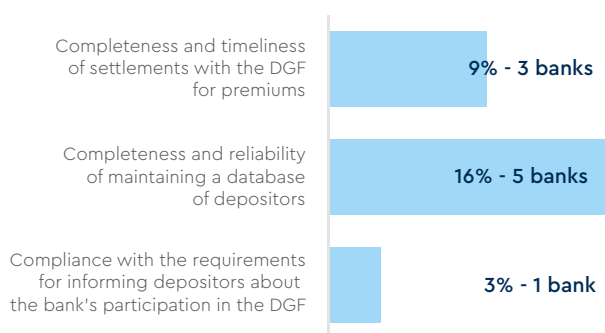


Figure 2.3.2 Share of violating banks in the total number of banks inspected in 2023

As for the causes of violations, according to the explanations of banks:

- on calculating the amount of the regular premium payable to the DGF:
 - use of internal analytical banking data, which reflects the balances on the accounts, taking into account the movement of funds on weekends and holidays, which does not correspond to the data on account balances in accordance with the file daily balance sheet file;
 - incorrect determination of the score on the qualitative indicator that characterizes the application of measures of influence to the bank;
 - disabling the feature of automatic inclusion of all accounts in the calculation of the quantitative indicator;
 - not including in the accrual base a part of the depositors' balances that meet the definition of the term "deposit";
 - due to an error in collecting the data archive, the indicator was calculated as of the end of the last month of the reporting quarter instead of the arithmetic mean for the last days of the last three months of the quarter
 - inaccurately determined balance sheet balances on accounts for deposits and interest on them for the first days of the month that fall on the weekend of the beginning of the reporting quarter;
 - data from the NBU statistical reporting files were used to calculate the amount of daily balance sheet balances on accounts for deposits and interest on them of Sole Proprietors.
- in the formation and maintenance of depositors' databases:
 - incorrect entry of information into the depositor's card in the CBS by responsible bank employees;
 - updating the algorithms for selecting seizures of accounts in the general depositor database, which was not adjusted by the bank in a timely manner;
 - technical failure due to the transition to a new ABS and data migration;
 - when synchronizing data from different bank systems;
 - technical failure in the verification of ABS data with primary documents related to the workload of employees during COVID-19, military aggression by Russia and blackout;
 - customers' reluctance to contact the bank to update their data and the problem of martial law, when many customers have physically left the country and are mobilized;
 - batch accounts opened for the benefit of recipients of housing subsidies, pensions and other social benefits;
- in compliance with the requirements for informing depositors about the bank's participation in the DGF:
 - the absence in the content of the agreements of a way to familiarize depositors with the certificate on the guarantee scheme on an annual basis.

Administrative and economic sanctions and administrative fines

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

In connection with the introduction of martial law in Ukraine, the DGF decided to suspend consideration of pending cases and open new cases on offenses in the field of deposit guarantee. However, in the summer of 2023, this decision was canceled and the consideration of suspended proceedings in cases of offenses in the field of deposit guarantee was resumed on September 1, 2023.

As of January 01, 2024, the DGF authorized employees drew up 1 report on committing an administrative offense. Proceedings in the case of an administrative offense were carried out in accordance with the Code of Ukraine on Administrative Offenses, as it stipulated that the grounds for bringing bank managers to administrative responsibility are the commission of the following administrative offenses:

- violation of the procedure for submitting information to the DGF by a bank manager (part one of Article 166–19 of the Code);
- violation by the head of the bank of the procedure for submitting information to the DGF (part one of Article 166–19 of the Code);
- failure of the head of the bank to comply with lawful decisions of the DGF (part two of Article 166–19 of the Code);
- untimely execution by the head of the bank of lawful decisions of the DGF (part two of Article 166–19 of the Code);
- failure of the bank to pay the premium to the DGF (part three of Article 166–19 of the Code);
- untimely payment of the premium to the DGF by the bank (part three of Article 166–19 Code).

Based on the results of consideration of the case on administrative offense, the authorized official issued 1 decision, namely: 1 resolution on imposing an administrative penalty in the form of a fine on the heads of banks for failure to pay the fee to the DGF, for which a fine of UAH 6,800.00 was imposed and paid voluntarily to the State Budget of Ukraine.

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

The DGF imposed sanctions on banks for such violations:

- violation by the bank of the procedure for maintaining the depositors database;
- non-fulfillment by the bank of decisions and/or regulatory acts of the DGF or orders on elimination by the bank of violations of the requirements of the legislation on guaranteeing household deposits.

As of January 1, 2024, an officer authorized to consider cases made 19 decisions, of which:

- 16 – a warning on taking measures to prevent violations of the legislation on the household deposit guarantee scheme in further activities
- 2 – order to eliminate violations of the requirements of the legislation in the field of guaranteeing household deposits;
- 1 – closure of the case on the offense in the field of guaranteeing household deposits.

As of January 1, 2024, violations of the following DGF regulatory acts were recorded in:

- 10 banks violated the provisions of the Regulations for Forming and Maintaining Databases of Depositors approved by the Decision of the Executive Board of the Deposit Guarantee Fund on July 9, 2012, No. 3, registered with the Ministry of Justice of Ukraine on August 23, 2012, No. 1430/21742;
- 1 bank violated the provisions of the Regulations for Reporting by the Deposit Guarantee Fund, approved by the decision of the Executive Board of the Deposit Guarantee Fund dated July 18, 2020 No. 1158, registered with the Ministry of Justice of Ukraine on August 31, 2020, No. 831/35114;
- 8 banks violated the provisions of the Regulations on the Procedure for Calculating, Charging and Paying Fees to the Deposit Guarantee Fund, approved by the decision of the Executive Board of the Deposit Guarantee Fund dated July 2, 2012, No. 1, registered with the Ministry of Justice of Ukraine on July 27, 2012, No. 1273/21585.

3. BANK RESOLUTION

3.1. Implementation of provisional administration and implementation of bank resolution plans

The Deposit Guarantee Fund is the body that manage of liquidation procedures insolvent bank resolution in accordance with the resolution plan in the manner specified in Article 39 of the Law, in particular,

- liquidation of a bank with the alienation of all or part of its assets and liabilities in favor of the receiving bank in the process of liquidation;
- alienation of all or part of the assets and liabilities of the insolvent bank in favor of the receiving bank with revocation of the insolvent bank's banking license and its subsequent liquidation;
- establishment and sale of a transitional bank to an investor with the transfer of assets and liabilities of the insolvent bank to the investor and subsequent liquidation of the insolvent bank;
- sale of an insolvent bank to an investor.

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

During 2023, the NBU declared two banks insolvent: JOINT STOCK COMPANY BANK FORWARD (hereinafter referred to as JSC BANK FORWARD) and JOINT STOCK COMPANY UKRAINIAN CONSTRUCTION AND INVESTMENT BANK (hereinafter referred to as JSC UKRBUDINVESTBANK).

In order to establish control over insolvent banks, properly organize work during the period of provisional administration, including for he implementation of the settlement plan, the DGF authorized officers took a number of relevant measures, in particular:

1. control over insolvent banks was established:
 - the transfer of accounting and other documents, registration and constituent documents of banks, as well as the main seals was ensured;
 - control was established over transfers and payments in national and international systems, as well as over expenditure transactions and payments under concluded transactions;

- appointed responsible persons for working with information security equipment;
 - set limits (minimum balance) on the amount of balances on all customer accounts, including payment cards;
 - all issued powers of attorney were canceled;
 - it is prohibited to cancel/write off/forgive borrowers' debts as part of measures to resolve bad debts;
 - personal reception of citizens by the DGF authorized representatives was organized;
 - work was done to organize and control the operation of the bank's hotline, which customers can call without hindrance;
 - an inventory of assets and liabilities (including those accounted for on off-balance sheet accounts), including an inventory (audit) of cash and other valuables stored in operating cash desks and valuables vaults (safes) and all separate divisions;
 - unloading and disabling of all ATM was organized;
 - the process of withdrawing any original documents (and/or notarized copies of documents) from the repositories has been regulated;
 - ensuring that contracts/transactions are reviewed for provisioning for void deposits (within one year before the date of introduction of the provisional administration), including those concluded with or in favor of related parties (within 3 years before the date of introduction of the provisional administration);
 - new claim were initiated in the area of claims and lawsuits;
2. preparations were made to start paying the guaranteed compensation by the DGF:
 - the database reflects the amounts of balances on depositors' accounts, taking into account expenditure transactions (including amounts for transactions that have successfully passed the authorization procedure but were not included in the clearing transactions) and without taking into account the amounts of profitable transactions carried out after the start of the insolvent bank resolution procedure by the DGF;
 - consolidation of information on depositors at the level of bank headquarters;
 3. data rooms for investors have been organized and formed.
 - The authorized officers for the provisional administration ensured the establishment and operation of the data room and the preparation of information for potential investors, subject to the conclusion of non-disclosure agreements. The data room was filled with information on the bank's assets and liabilities, and the bank provided answers to investors' inquiries.

4. the bank's assets were evaluated for the resolution plan.

Lists of property (assets), share issues and inputs to be evaluated were prepared. The valuation of assets and 100% of the value of shares was carried out with the involvement of independent appraisers.

JSC BANK FORWARD

Based on the Decision of the NBU dated February 07, 2023 No. 49-рш/БТ "On classification of JOINT STOCK COMPANY BANK FORWARD as insolvent", the DGF Executive Board made Decision No. 155 dated on February 07, 2022 "On the Introduction of Provisional Administration in JSC BANK FORWARD Delegation of Powers of the Provisional Administrator of the Bank". In accordance with clause 1 of the above decision of the DGF Executive Board, the provisional administration was introduced for a period of 1 month from February 08, 2023 to March 07, 2023 (inclusive).

The total book value of assets of JSC BANK FORWARD, as of February 08, 2023 amounted to UAH 1,747.12 million, the total guaranteed compensation ceiling was – UAH 1,479.80 million.

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

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

Liabilities of JSC BANK FORWARD as of the day of the introduction of the provisional administration amounted to UAH 1,527.34 million (Table 3.1.2).

The total amount of revenues to JSC BANK FORWARD during the period of provisional administration amounted to UAH 24.71 million.

On February 10, 2023, the DGF began searching for investors and host banks and announced an open tender to the insolvent bank JSC BANK FORWARD resolved in the manner prescribed by the Law.

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

Payments to the bank depositors within the guaranteed amount began on time – from March 01, 2023.

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

Table 3.1.1
(UAH million)

Bank name	Highly liquid assets	Loan portfolio (including provisions)	Fixed assets and intangible assets (including real estate)	Other assets (including provisions)w	TOTAL assets
JSC BANK FORWARD	37,92	1 280,66	373,32	55,21	1 747,12

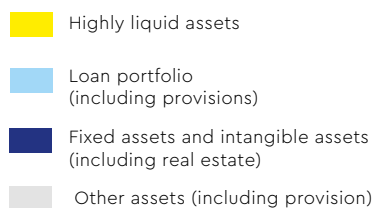
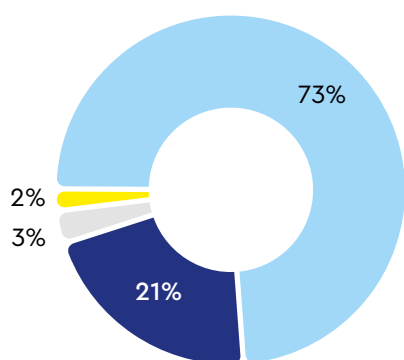


Figure 3.1.1 Asset structure of the insolvent bank JSC BANK FORWARD

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

Table 3.1.2
(UAH million)

Bank name	Liabilities	
	total	including guaranteed compensation amount
JSC BANK FORWARD	1 527,34	1 479,80

JSC UKRBUDINVESTBANK

Based on the Decision of the Board of the NBU dated September 07, 2023 No. 310-рш/БТ "On Classifying JOINT STOCK COMPANY UKRAINIAN CONSTRUCTION AND INVESTMENT BANK as Insolvent", the DGF Executive Board made Decision dated September 07, 2023 No. 1105" On the Introduction of Provisional Administration in JSC UKRBUDINVESTBANK and Delegation of Powers of the Provisional Administrator of the Bank". In accordance with clause 1 of the above decision of the DGF Executive Board, the provisional administration was introduced for a period of 1 month from September 08, 2023 to October 07, 2023 (inclusive).

As of September 08, 2023, the total book value of the assets of JSC UKRBUDINVESTBANK, amounted to UAH 1,181.69 million, the total guaranteed compensation ceiling was UAH 552.45 million.

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

The structure of JSC UKRBUDINVESTBANK as of the date of introduction of the provisional administration (according to its balance sheet data) is shown in Figure 3.1.2.

Liabilities of JSC UKRBUDINVESTBANK as of the date of introduction of the provisional administration amount to UAH 879.79 million (Table 3.1.4).

On the first day of the provisional administration, an audit of the bank's cash on hand revealed a shortfall of UAH 365.66 million. In order to identify the persons who should compensate for the shortages and losses of fixed and non-current assets identified during the inventory of the bank's assets and liabilities, the authorized person for the provisional administration filed a statement with the Economic Security Bureau of Ukraine on the commission of a criminal offense in this bank.

The book value of assets to JSC UKRBUDINVESTBANK during the period of provisional administration amounted to UAH 47.32 million.

On September 12, 2023, the DGF began searching for investors and host banks and announced the launch of an open tender to remove the insolvent bank JSC UKRBUDINVESTBANK in the manner prescribed by Article 39 of the Law.

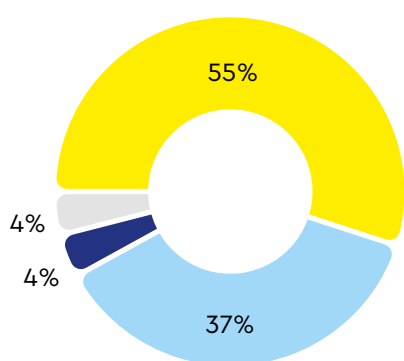
On September 29, 2023, no bid was received from the only potential host bank that expressed interest in participating in the open tender, so the only possible way to resolve JSC UKRBUDINVESTBANK was liquidation with compensation by the DGF of funds on household deposits, as the least costly for the DGF.

The provisional administration in JSC UKRBUDINVESTBANK was terminated in advance, and the DGF began liquidation on October 06, 2023. Payments to the bank's depositors within the guaranteed amount began on time – from October 29, 2023.

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

Table 3.1.3 (UAH million)

Bank name	Highly liquid assets	Loan portfolio (including provisions)	Fixed assets and intangible assets (including real estate)	Other assets (including provision)	TOTAL assets
JSC UKRBUDINVESTBANK	650,76	442,78	46,13	42,01	1 181,69



- Highly liquid assets
- Loan portfolio (including provisions)
- Fixed assets and intangible assets (including real estate)
- Other assets (including provisions)

Figure 3.1.2 Asset structure of the insolvent bank JSC UKRBUDINVESTBANK

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

Table 3.1.4 (UAH million)

Bank name	Liabilities	
	total	including guaranteed compensation amount
JSC UKRBUD- INVESTBANK	879,79	552,45

JSC SENS BANK

The Law of Ukraine "On Amendments to Certain Laws of Ukraine on Streamlining the Procedure for Bank Resolution under Martial Law" No. 3111-IX dated May 29, 2023 introduced provisions related to the nationalization of banks of sanctioned owners under martial law in Ukraine. In particular, the Amendments to the Law of Ukraine "On Banks and Banking" and the Law provide for the possibility of removing a systemically important bank from the market without declaring it insolvent by selling it to the state. At the same time, such a bank shall be resolved in accordance with the procedure and on the terms and conditions established by the legislation on insolvent banks, taking into account the specifics provided for in the said paragraph.

Based on the decision of the Board of the NBU dated March 08, 2023 No. 95-рш, JSC SENS BANK was designated as a systemically important bank.

On July 20, 2023, the Board of the NBU adopted Decision No. 248-рш "On the classifying of the systemically important bank JOINT STOCK COMPANY SENS BANK as insolvent, and approved by the decision No. 872 of the DGF Executive Board dated July 20, 2023 "On the Introduction of Provisional Administration in JSC SENS BANK Delegation of Powers of the Provisional Administrator of the Bank".

In its turn, the Cabinet of Ministers of Ukraine (CMU), upon the proposal of the NBU dated July 20, 2023 No. 249-рш, submitted to it in accordance with paragraph 23 of Section X "Final and Transitional Provisions" of the Law, Resolution No. 739 dated July 21, 2023 "On State Participation in Resolving the Systemically Important Bank" was adopted, according to which the state, represented by the Ministry of Finance of Ukraine (MFU), participates in resolving of JSC Sens Bank from in the manner specified in paragraph 5 of part two of Article 39 of the Law.

The total book value of the assets of JSC SENS BANK as of July 21, 2023 amounted to UAH 78,654.87 million, the total guaranteed amount of compensation – UAH 44,797.98 million.

The carrying amount of assets of JSC SENS BANK is shown in Table 3.1.5.

The structure of assets of JSC SENS BANK as of the date of introduction of the provisional administration (according to its balance sheet) is shown in Figure 3.1.3.

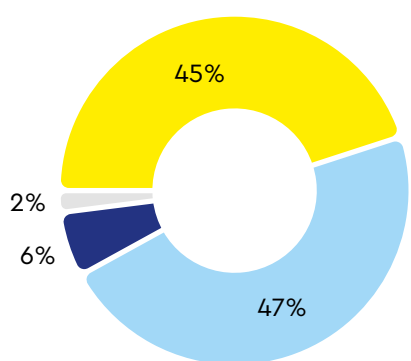
The liabilities of JSC SENS BANK as of the day of introduction of the provisional administration amounted to UAH 70,226.64 million (Table 3.1.6).

The DGF, in cooperation with the NBU, the CMU, IFIs, the National Securities and Stock Market Commission, the National Depository of Ukraine, and other government agencies and institutions involved, nationalized JSC SENS BANK.

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

Table 3.1.5 (UAH million)

Bank name	Highly liquid assets	Loan portfolio (including provisions)	Fixed assets and intangible assets (including real estate)	Other assets (including provisions)	TOTAL assets
JSC SENS BANK	35 258,63	37 056,04	4 378,79	1 961,40	78 654,87



- Highly liquid assets
- Loan portfolio (including provisions)
- Fixed assets and intangible assets (including real estate)
- Other assets (including provisions)

Figure 3.1.3 Asset structure of the insolvent bank JSC SENS BANK

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

Table 3.1.6 (UAH million)

Bank name	Liabilities	
	total	including guaranteed compensation amount
JSC SENS BANK	70 226,64	44 797,98

In particular, the DGF successfully implemented the following activities:

- control over JSC SENS BANK was established. The DGF provisional administration took over control of the bank at 9 am on July, 2023, having acquired all the powers of the Management Board and Supervisory Board of the bank;
- In accordance with the requirements of the Law, the funds of related parties were blocked. During the period of provisional administration, no payments were made from the bank in favor of a related party. In addition to technical blocking, additional payment verification was introduced;
- to ensure bank's operational continuity. The DGF decided not to stop the bank's active operations (with certain exceptions), to provide financial and payment services and to carry out other activities of the bank in the normal course. Transactions with the bank's customers, including legal entities, were not suspended. The provisional administration implemented a verification procedure that allowed for quick customer payments. ATMs, online services, and card payments in retail chains operated as usual;
- all customer payments made via EPS were promptly unblocked. Usually, the unblocking procedure in the provisional administration takes more than 1 day, in the case of JSC SENS BANK payments were already unblocked at 13:00 on the first day of the provisional administration (July 21, 2023), including due to the coordinated and

efficient work of the DGF employees involved in the provisional administration and the NBU relevant officers;

- the bank's personnel. The DGF provisional administration retained the bank's personnel, implemented the provisions of the Law and dismissed the bank's current management. New managers were approved by the NBU and appointed by the Ministry of Finance of Ukraine, whose powers came into effect after the termination of the DGF provisional administration;
- the bank was sold to the state ahead of schedule. As a result of the coordinated cooperation of the DGF with the IFU and the National Depository of Ukraine, the agreement on the sale of 100% of the shares to the state was signed on July 22, 2023, and the bank's shares were credited to the state account, i.e. nationalization was carried out in 2 days, instead of 3 days required by law;
- The decisions and measures taken by the DGF helped to avoid panic among customers, as evidenced by the bank liquidity level at the end of the bank's resolution procedure: the volatility of highly liquid assets was only -1.5% and UAH 330 million of new deposits;

The DGF took all the necessary measures in relation to JSC SENS BANK without being noticed by the bank customers to maintain financial stability.

3.2. Bank liquidation

Pursuant to parts four and five of Article 44 of the Law, the DGF shall start the bank liquidation procedure no later than the next business day after official receipt of the NBU decision to revoke the banking license and liquidate the bank, unless the liquidation is initiated by the bank owners.

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

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

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

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

In accordance with parts one and four of Article 50 of the Law, from the date of commencement of the bank liquidation procedure, the DGF starts inventorying and valuing the bank property (assets) in order to form the bank liquidation estate. The inventory of the bank property (assets) and the formation of the liquidation estate must be completed within six months from the date of the decision to liquidate the bank and revoke the banking license. The results of the inventory and the formation of the liquidation estate are reflected in an act subject to approval by the DGF Executive Board.

The funds received as a result of the liquidation and sale of the bank's property (assets) are directed by the authorized person of the DGF to satisfy the creditor claims in the order of priority set forth in Article 52 of the Law. Part four of the same article stipulates that the claims of each subsequent priority shall be satisfied as soon as the proceeds from the sale of the bank's property (assets) are received after the claims of the previous priority have been fully satisfied. If the amount of funds received from the sale of property (assets) is insufficient to fully satisfy all claims of one priority, the claims shall be satisfied in proportion to the amount of claims belonging to each creditor of the same priority.

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

Pursuant to the provisions of parts 2 and 3, Article 53 of the Law, based on the results of the bank liquidation, the DGF shall prepare a liquidation balance sheet and a report to be approved by the DGF Executive Board. The bank liquidation procedure shall be deemed completed from the moment of approval of the liquidation balance sheet, and the bank shall be deemed liquidated from the moment of entry of the termination of the bank in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations (hereinafter referred to as the "USR").

As of January 1, 2023, the DGF managed 52 banks (the DGF directly managed 32 banks), of which 24 banks were in liquidation and in 28 banks the liquidation was completed (the DGF Executive Board approved the liquidation balance sheets and reports on the implementation of the liquidation procedure).

During 2023, the DGF commenced liquidation procedures in 4 (four) insolvent banks: JSC IBOX BANK (decision of the DGF Executive Board No. 277 dated March 07, 2023), JSC BANK FORWARD (decision of the DGF Executive Board No. 276 dated March 07, 2023), JSC JSCB CONCORD (decision of the DGF Executive Board No. 932 dated August 01, 2023), JSC UKRBUDINVESTBANK (decision of the DGF Executive Board No. 1235 dated October 05, 2023), in which stock-taking of property (assets) and the formation of their liquidation estate was carried out in a short time (Table 3.2.1).

Data on the liquidation estate of banks, the liquidation of which started in 2023

Table 3.2.1

Bank	Book value of assets (UAH million)	Market value of assets (UAH million)
JSC IBOX BANK	2 409,5	2 235,3
JSC BANK FORWARD	2 677,3	562,0
JSC JSCB CONCORDE	2 761,9	2 354,0
JSC UKRBUDINVESTBANK	1 259,7	535,5

In order to minimize potential obstacles to the state registration of bank liquidation in the Unified State Register in the future, the DGF ensured the closure of 35 enforcement proceedings, the debtors of which are banks directly managed by the DGF, were also secured in 5 insolvent banks (PJSC CB FINANCIAL INITIATIVE, JSC RODOVID BANK, PJSC DIAMANTBANK, PJSC ACTABANK, JSC CB SOYUZ) securities and revocation issue of the relevant certificates at the National Securities and Stock Market Commission.

The records of registration of encumbrances on movable property (medical and production equipment) in the State Register of Encumbrances on Movable Property, which serve as collateral for fulfillment of obligations under credit agreements concluded with the debtors of JSC BANK FINANCE AND CREDIT, were restored, which improved the quality of the asset (right of claims on loans of the bank debtors).

Pursuant to the Decision of the National Security and Defense Council of Ukraine (hereinafter referred to as the "NSDC") "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" dated May 11, 2022 (hereinafter referred to as the "Decision of the NSDC of Ukraine") approved by the Decree of the President of Ukraine No. 326/2022 dated May 11, 2022, and enacted by the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Decision of the National Security and Defense Council of Ukraine dated May 11, 2022 "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" in early 2023, the DGF ensured its completion:

- transfer of Ukrainian domestic government bonds with a nominal value of UAH 1,138.77 million to the account of the Ministry of Finance of Ukraine as the issuer opened with the NBU (depository of government securities);
- transfer of funds paid by JSC MR BANK on domestic government bonds, including accrued and paid coupon on domestic government bonds, to the special fund of the State Budget of Ukraine in the amount of UAH 8,811.12 million;
- transferring to the State Enterprise NATIONAL INVESTMENT FUND OF UKRAINE, on the right of economic management, the corporate rights of PJSC SBERBANK OF RUSSIA in the amount of 24,065,460,500 ordinary registered shares (100% of the authorized capital of JSC MR BANK with a nominal value of UAH 24,065.46 million) and crediting them to the corresponding securities account opened with the depository institution JSC UKREXIMBANK;
- the state registrar making changes to the information about the legal entity contained in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations in terms of changing the composition of the founders (members) of the legal entity, namely, the change of the ultimate beneficial owner who owns 100 percent of the property of JSC MR BANK, from the Public Joint Stock Company Sberbank of Russia a (address: 19 Vavilova st., Moscow, 117997, Russian Federation, registration number 1027700132195) of the new ultimate beneficial owner — the State of Ukraine represented by the SOE National Investment Fund of Ukraine.

At the same time, during 2023, 4 (four) banks were accepted into the DGF Executive Board – JSC BANK VELES (decision of the DGF Executive Board No. 298 dated March 13, 2023), PJSC DIAMANTBANK (decision of the DGF Executive Board No. 517 dated May, 01, 2023), JSC Delta Bank (decision of the DGF Executive Board No. 746 dated June 22, 2023), PJSC JSCB CAPITAL (decision of the DGF Executive Board No. 1088 dated December 28, 2022).

In order to complete the liquidation procedure, 4 banks were included in the List³: JSC IBOX BANK, PJSC CB LAND CAPITAL, JSC CB SOYUZ, ARKADA JSC.

For the purpose of liquidation of the banks included in the List, the DGF Executive Board approved action plans for the completion of the liquidation procedure of the following banks: PJSC IBOX BANK, JSC Delta Bank, PJSC JSCB CAPITAL, JSC BANK FINANCE AND CREDIT, PJSC CB LAND CAPITAL, JSC BANK ARKADA, JSC MISTO BANK, JSC CB SOYUZ, developed by the Bank Liquidation Department.

It should be noted that in the course of the liquidation procedure of JSC CB Soyuz, the creditor claims included in the List (Register) of Accepted Creditor Claims of PJSC CB Soyuz were settled in full. In this regard, pursuant to the Regulation on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying Creditor Claims of Liquidated Banks approved by the decision of the DGF Executive Board on August 21, 2017 No. 3711 and registered with the Ministry of Justice of Ukraine on September 07, 2017 under No. 1104/30972, the DGF authorized officer transferred for liquidation of JSC CB Soyuz on June 22, 2023 to the shareholders of JSC CB Soyuz the remaining property of the bank, which remained after satisfaction of claims of all creditors, according to Article 52 of the Law.

³ LIST OF BANKS for which it is planned to complete the liquidation procedure in the period from August 07, 2023 to August 06, 2024 (inclusive)

During 2023, the liquidation procedure was completed in three insolvent banks, namely: liquidation balance sheets and reports on the implementation of the liquidation procedure of the following banks were drawn up and approved: JSC CB SOYUZ (decision of the DGF Executive Board No. 967 dated August 07, 2023), PJSC DIAMANTBANK (decision of the DGF Executive Board No. 150 dated February 06, 2023), PJSC JSC AKTABANK (decision of the DGF Executive Board No. 357 dated March 27, 2023).

In addition, two insolvent banks were liquidated (entries were made in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations on the termination of banks as legal entities) – PJSC CB PREMIUM (February 07, 2023) and JSC CB Soyuz (September 12, 2023).

As of January 01, 2024, the DGF managed 54 banks (36 banks are directly managed by the DGF), of which 25 banks were in liquidation, and 29 banks completed the liquidation procedure⁴.

3.3. Proceeds to the insolvent banks

During the reporting year, insolvent banks received UAH 7174.9 million. The largest amount was received by JSC MR BANK – UAH 2,481.4 million, which accounts for 34.6% of the total amount. The second place among the banks in terms of revenues is held by PJSC Prominvestbank with the amount of UAH 1,588.3 million, which is 22.1% of the total revenues for the year. The share of proceeds from other banks was less than 10% of the total amount. Table 3.3.1 shows the data

of 12 banks with a share of proceeds of 1.0% and more. The remaining 9 banks received UAH 67.2 million, which is 1.0% of the total amount.

In the reporting year, the largest share (72.6%) of proceeds to the banks managed by the DGF accounted for proceeds the sale of property (assets) of banks undergoing liquidation (Table 3.3.2).

Proceeds to the insolvent banks by the DGF

Table 3.3.1

No	Bank name	Amount, UAH million	Relative share
1	JSC MR BANK	2 481,4	34,6%
2	PJSC PROMINVESTBANK	1 588,3	22,1%
3	JSC MEGABANK	587,2	8,2%
4	JSC JSCB CONCORDE	515,8	7,2%
5	PJSC ZLATOBANK	486,1	6,8%
6	JSC BANK SICH	369,0	5,1%
7	JSC IBOX BANK	266,7	3,7%
8	JSC BANK FORWARD	215,8	3,0%
9	JSC DELTA BANK	188,1	2,6%
10	JSC UKRBUDINVESTBANK	164,2	2,3%
11	JSCB ARCADA	138,7	1,9%
12	JSC CB LAND CAPITAL	106,4	1,5%
13	Other 9 banks	67,2	1,0%
Total		7 174,9	100%

Types of proceeds to the insolvent banks

Table 3.3.2

Types of income	Amount, UAH million	Relative share
Sale of property	5 211,5	72,6%
Loan repayment	919,1	12,8%
Other proceeds (proceeds from correspondent accounts)	472,8	6,6%
Securities	443,8	6,2%
Lease	127,7	1,8%
Total	7 174,9	100,0%

⁴ The liquidation procedure of a bank is considered completed from the moment of approval of the liquidation balance sheet, and the bank is liquidated from the moment of making an entry on the termination of the bank in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations (part 3 of Article 53 of the Law).

During the reporting year, the banks managed by the DGF received UAH 5211.5 million from the sale of property. The largest amount was received by JSC MR BANK – UAH 2281.8 million, which is 43.8% of the total amount. The second and third places were taken by PJSC Prominvestbank and PJSC ZLATOBANK with the amounts of UAH 1,495.6 million, or 28.7% of the total amount, and UAH 481.4 million, or 9.2% of the total amount, respectively. Table 3.3.3 provides information

Proceeds from the property (assets) sale Table 3.3.3

№	Bank name	Amount, UAH million	Relative share
1	JSC MR BANK	2 281,8	43,8%
2	PJSC PROMINVESTBANK	1 495,6	28,7%
3	PJSC ZLATOBANK	481,4	9,2%
4	JSC MEGABANK	350,6	6,7%
5	JSC BANK SICH	187,4	3,6%
6	JSC DELTA BANK	184,4	3,5%
7	JSC CB LAND CAPITAL	106,1	2,0%
8	JSCB ARCADA	81,8	1,6%
9	Other 9 banks	42,4	0,9%
	Total	5 211,5	100,0%

on 8 banks with a share of proceeds of 1.0% and more. The remaining 9 banks received UAH 42.4 million, or 0.9% of the total amount.

During the reporting year, the banks managed by the DGF received UAH 919.1 million from loan repayments. Table 3.3.4 shows the data of 10 banks with a share of proceeds of 1.0% and more. The remaining 4 banks received 0.6% of the total amount.

Proceeds from loan repayments Table 3.3.4

№	Bank name	Amount, UAH million	Relative share
1	JSC BANK FORWARD	196,6	21,4%
2	JSC MEGABANK	170,8	18,6%
3	JSC JSCB CONCORDE	148,2	16,1%
4	JSC MR BANK	119,1	13,0%
5	JSC BANK SICH	99,8	10,9%
6	JSCB ARCADA	55,4	6,0%
7	JSC IBOX BANK	33,9	3,7%
8	PJSC BANK FINANCE AND CREDIT	33,8	3,7%
9	JSC PROMINVESTBANK	31,4	3,4%
10	JSC UKRBUDINVESTBANK	24,3	2,6%
11	Other 4 banks	5,8	0,6%
	Total	919,1	100,0%

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

In order to protect the rights and legitimate interests of bank depositors, strengthen confidence in the banking system of Ukraine, stimulate the attraction of funds to the banking system of Ukraine, legal support of the DGF activities, the procedure insolvent banks resolution (hereinafter referred to as Bank Resolution), control over the correct application, strict observance and prevention of violations of the requirements of legislation and other regulations during the the Bank Resolution and the performance of the DGF main tasks and functions are determined by the Law are strategically necessary processes.

During 2023, the DGF initiated legislative changes and developed a number of strategic regulations governing the operation of the DGF and the banks under its management under martial law in order to ensure the continuous operation of the DGF and protect national interests in connection with military aggression, which took measures to comply with the moratorium (ban) on the fulfillment of monetary and other obligations, creditors (claimants) for which the Russian Federation or persons associated with the aggressor state are the creditors (claimants), when paying guaranteed compensation and satisfying accepted creditor claims.

As part of the implementation of the strategic direction "Increase of depositors' confidence and level of communication with the public" of the Development Strategy of the Deposit Guarantee Fund, legal support was provided for the signing of a memorandum between the Ministry of Digital Transformation and the DGF on the launch of a new service "Deposit Payout" in the Diia app and the development of a mechanism for cooperation and organization of the process of remote identification of depositors to receive guaranteed amounts of compensation using the Diia app.

During 2023, the DGF provided legal support for the resolution of 18 insolvent banks, the powers of which were delegated to the DGF authorized officers, as well as 35 banks which are defined by the Law powers during liquidation carried out by the DGF directly and the resolution of which was accompanied by structural units of the DGF, namely:

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

- in order to ensure the stable operation of JSC SENS BANK, protect the interests of depositors and other creditors of the bank, in connection with the application of sanctions to the owners of significant participation in the bank, and prevent negative consequences in the financial market, taking into account the Resolution of the Cabinet of Ministers of Ukraine "On State Participation in Resolving the Systemically Important Bank", legal support was provided for the insolvent JSC SENS BANK resolution, including the introduction of a provisional administration and the conclusion of an agreement between the Ministry of Finance of Ukraine and the DGF on July 22, 2023.
- prompt consideration and timely provision of answers to deputies' requests, attorney's inquiries, inquiries of notaries, letters of legal entities and individuals, preparation of legal explanations, conclusions, recommendations on any issues related to the insolvent bank resolution during the provisional administration or liquidation of banks;
- effective legal support and implementation of registration actions inextricably linked with the proper implementation of the processes of liquidation of insolvent banks;
- agreeing and developing strategies for dealing with assets;
- legal support of the processes of sale and property (assets) management of insolvent banks, the consequence of which is the sale of property (assets) and ensuring the receipt of funds from their sale;
- coordination and control of the claims of insolvent banks managed by the DGF.

During 2023, the DGF did not stop carrying out litigation work, as a result of which the key achievements include a number of positive decisions in court cases, adopted both in favor of the DGF and in favor of insolvent banks, as well as legal conclusions formed by the Grand Chamber of the Supreme Court, which made clear the law enforcement and legal relations arising during the liquidation of banks.

In particular, on February 15, 2023, the Grand Chamber of the Supreme Court adopted the Resolution in court case No. 910/18214/19 on the dispute over the in procedure insolvent bank resolution on State participation, which actually stated that such transactions are not subject to invalidation and proceedings in such cases are subject to closure. Thus, the Grand Chamber of the Supreme Court ensured the protection of the State's interests as an investor in the procedure insolvent banks resolution. These conclusions were actively used by the DGF in similar court cases in 2023.

3.5. Recovery of damages from related parties involved in bringing banks to insolvency

During 2023, the DGF conducted 44 investigations of 40 insolvent banks to identify damages caused to banks and their creditors (former creditors) by decisions, actions, or inaction of persons related to such banks. In the period under review, the NBU identified the facts of causing damage (losses) to banks and their creditors in the total amount UAH 40,902.05 million.

The Resolution of the Supreme Court dated June 14, 2023 in case No. 910/13250/21 on the claim of Pravochyn LLC against the DGF for invalidation of the transaction and application of the consequences of invalidity of the transaction, which actually provided legal guarantees to the DGF in legal relations regarding the sale of an insolvent bank to an investor, in particular, in case of the investor's inability to bring its activities in line with the requirements of banking legislation, cannot be ignored. Thus, the Supreme Court noted that *"the standard of reasonable and prudent behavior of the plaintiff in the disputed legal relations provided for the need to predict changes in the financial condition of the Bank that may occur after the termination of the plaintiff's access to the information room and before the conclusion of the Bank sale and purchase agreement"*.

In addition, the Resolution of the Sixth Administrative Court of Appeal dated November 15, 2023 in case No. 826/7432/17 closed the proceedings in the case of the shareholders claim to appeal against the Decisions insolvent bank resolution on State participation of JSC CB PrivatBank. The court applied a new legal regulation, which prohibits the return insolvent bank that has been subject to a liquidation procedure. Given that similar court appeals have been initiated against more than three dozen banks, this position is relevant in ensuring the DGF judicial work.

In addition, due to the application of the provisions of the Law of Ukraine "On Amendments to Legislative Acts of Ukraine on Improv Specific Mechanisms for Banking Regulation" No. 590-IX dated May 13, 2020 and the position of the Grand Chamber of the Supreme Court in case No. 925/698/16, the decision of the Economic Court of Odesa Region dated October 10, 2023 in case No. 916/835/21 satisfied the DGF claim against state registrars, declared illegal and canceled the registration actions, as a result of which PJSC CSG BANK was transformed into ALC Savecost.

In addition, in 2023, the DGF developed a positive and sustainable judicial practice in terms of appealing the results of the sale of property (assets) of insolvent banks, which has a positive impact on the investment climate, the inflow of funds and their use to settle accounts with creditors of banks in liquidation.

In 2023, the DGF claims and lawsuits, where the latter is a participant, excluding litigation to recover damages from related parties, included more than 3,000 court cases with a claim value of more than UAH 40 billion.

Thus, as of December 31, 2023, the DGF carried out research and additional analysis of the facts and circumstances of causing damages (losses) in respect of 94 banks, which resulted in the detection of damage (losses) in the total amount of UAH 288,459.85 million and the identification of 1,202 persons whose decisions, actions or inaction could have caused such damage (losses) to banks and/or their creditors (Figure 3.5.1).

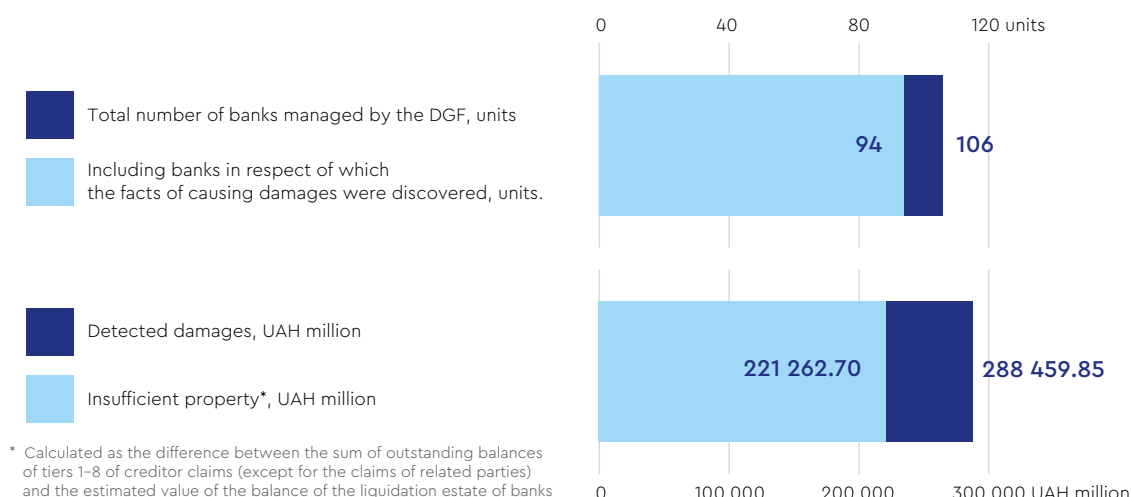


Figure 3.5.1 Detection of damages (losses) caused to banks and their creditors as of December 31, 2023

During 2023, the DGF, in accordance with Article 52 of the Law, filed 11 claims for damages against 125 related parties against 8 banks of claims for damages (losses). The total amount of the DGF claims amounted to UAH 82,649.06 million, in particular:

- claim against JSC BANK FINANCE AND CREDIT for recovery of damage (losses) in the total amount of UAH 45,979.80 million;
- claim against PJSC CB FINANCIAL INITIATIVE to recover damages (losses) in the total amount of UAH 13,852.04 million;
- 2 claims against PJSC VAB BANK for recovery of damage (losses) in the total amount of UAH 12,584.76 million;
- claim against PJSC IMEXBANK for recovery of damages (losses) in the total amount of UAH 8,407.50 million;
- 3 claims against PJSC UPB for the recovery of damage (losses) in the total amount of UAH 1,218.00 million.

Thus, pursuant to the provisions of Article 52 of the Law, in order to recover damage (losses) from persons related to banks and other persons in relation to these banks, as of December 31, 2023, the DGF filed 87 claims in commercial proceedings against 1,001 persons related to banks⁵ in relation to 54 insolvent banks for a total amount of UAH 172,578.30 million (Figure 3.5.2). The total amount of the DGF claims satisfied by court decisions that have entered into force is UAH 1,761.96 million, including UAH 29.98 million in the case of No. 916/1489/22 against JSC Finrostbank based on the decision of the Commercial Court of Cassation of the Supreme Court dated November 08, 2023, which is final and not subject to appeal. Measures shall be taken to enforce such court decisions.

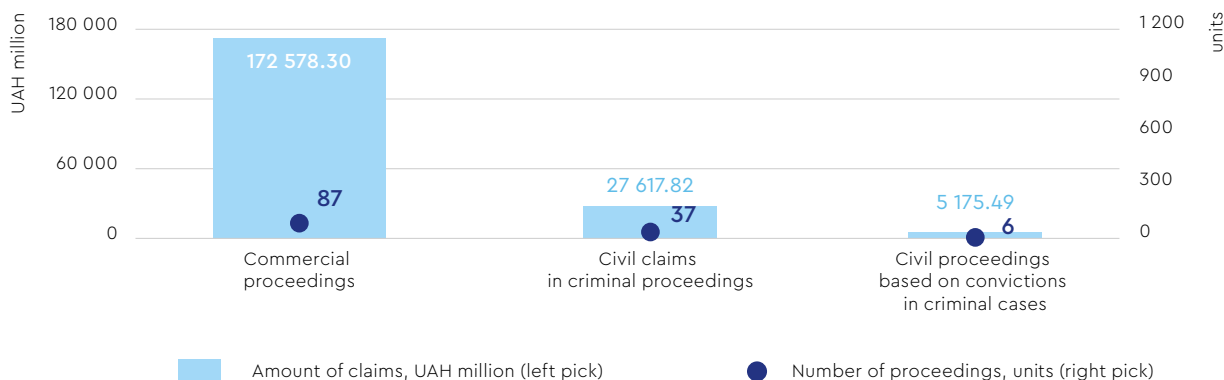


Figure 3.5.2 Litigation to recover damages caused to banks and their creditors as of December 31, 2023

⁵ One person can be both defendant for several proceedings and/or several insolvent banks.

Based on the results of pre-trial investigations in criminal proceedings, the DGF filed 3 civil claims against 7 civil defendants against 3 banks in 2023. The total amount of claims amounted to UAH 780.82 million, including:

- a civil claim in the amount of UAH 90.10 million against an official of PJSC MUNICIPAL COMMERCIAL BANK;
- a civil claim in the amount of UAH 476.76 million against an official of PJSC CB STANDARD;
- a civil claim in the amount of UAH 213.96 million against an official of JSC Delta Bank.

Thus, as part of its cooperation with law enforcement agencies, in order to compensate the damage (losses) caused to banks by criminal offenses, as of December 31, 2023, the DGF filed 37 civil claims against 74 civil defendants (suspects/accused) against 24 banks for a total amount of over UAH 27,617.82 million (Figure 3.5.2).

At the same time, as of December 31, 2023, based on the results of consideration of criminal proceedings by the courts on the basis of court decisions, the DGF filed 6 claims against 6 defendants against 6 banks for the total amount of UAH 5,175.49 million (Figure 3.5.2). The total amount of the DGF claims satisfied according to court decisions that have entered into force is over UAH 2,116.08 million. Measures are taken to actually enforce court decisions.

During 2023, the DGF conducted a study of 30 banks and identified damage (losses) caused to insolvent banks as a result of the Russian Federation aggression against Ukraine, totaling UAH 8,966.10 million. As of December 31, 2023, the DGF filed 2 claims against the Russian Federation to recover damages (losses) in respect of 2 banks in total UAH 2,594.54 million.

During 2023, the DGF continued to cooperate with international legal advisors – specialists in international law – to find and return funds (assets) of bankrupt banks withdrawn from Ukraine, and to represent the interests of the DGF (banks) in foreign jurisdiction. As of December 31, 2023, 12 agreements were in force with the following banks: PJSC FORTUNA-BANK, PJSC RODOVID BANK, PJSC PROMINVESTBANK, PJSC NADRA BANK, PJSC FINANCE AND CREDIT BANK, PJSC NATIONAL CREDIT BANK, PJSC IMEXBANK, PJSC BROKBUSINESSBANK, PJSC REAL BANK, PJSC FIDOBANK, PJSC CB EUROBANK, PJSC VECTOR BANK, PJSC UPB, PJSC PLATINUM BANK, PJSC FINBANK, PJSC ENERGOBANK, JSC DELTA BANK.

4. CONSOLIDATED SALES AND ASSET MANAGEMENT

4.1. Banks' asset sale results

During 2023, as a result of open auctions and sale directly to legal entities or individuals of property (assets) by insolvent banks, the property (assets) of banks were sold for the total amount of UAH 4,908.10 million (see Figure 4.1.1 for monthly information).

During 2023, the DGF conducted more than 10,670 open e-auctions in the Prozorro.Sale system, of which more than 680 auctions were effective.

In 2023, the carrying value of property (assets) sold at open tenders (auctions) and directly to legal entities or individuals amounted to UAH 23,865.73 million. Thus, the ratio of the sale price of property (assets) to the book value amounted to about 21% in the year (Table 4.1.1).

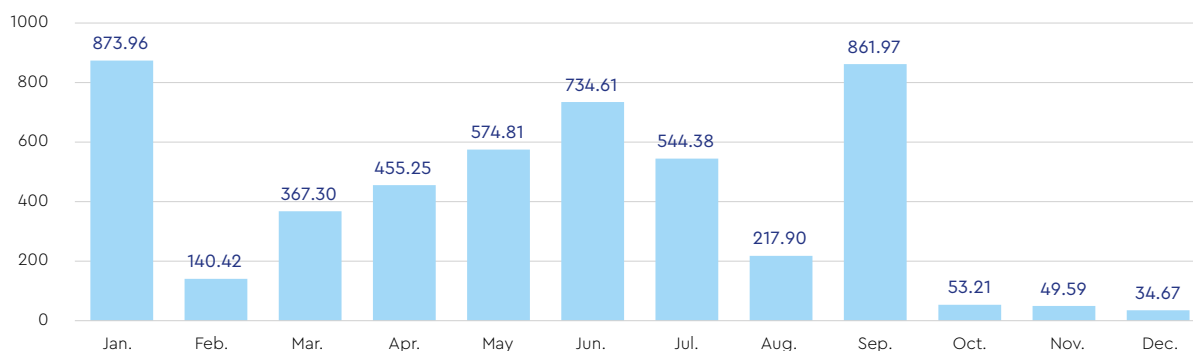


Figure 4.1.1 Asset sale price in 2023, UAH million

Sale of property (assets) of banks in 2023

Table 4.1.1

Month 2023	Book value, UAH million	Property (assets) sale price based on the results of open auctions and sale directly to legal entities or individuals, UAH million	Ratio of property (assets) sale price to the asset book value
TOTAL	23 865,73	4 908,10	21%
January	1 737,93	873,96	50%
February	161,34	140,42	87%
March	1 075,63	367,30	34%
April	669,19	455,25	68%
May	2 869,24	574,81	20%
June	3 368,03	734,61	22%
July	4 653,46	544,38	12%
August	1 727,29	217,90	13%
September	5 542,14	861,97	16%
October	1 280,58	53,24	4%
November	612,67	49,59	8%
December	168,23	34,67	21%

During February and April showed the highest conversion rates from the sale of property (assets). This is due to the fact that during this period, more than 20 lots of commemorative/ investment coins and lots formed from fixed assets were sold, with a sales conversion of more than 400% on average. In addition, during these months, some real estate items were sold for a price that significantly exceeded the carrying value of the property (assets), in particular:

- in April, JSC BANK SICH sold a three-room apartment in Kyiv (total area 77.6 sq. m) – the sale price was UAH 7.60 million, conversion rate – 388%;
- in February, the office building of PJSC Prominvestbank in Mykolaiv region (Pervomaisk) was sold for a total sale price of UAH 6.50 million, with a conversion rate of 397%;

- in April – 4 townhouses of PJSC Prominvestbank in Obukhiv district of Kyiv region (Kozyn village) with a selling price of UAH 10.43 million and an average conversion rate of 300%.

As noted above, the ratio of the sale price of banks property (assets) to the book value of sold property (assets) in 2023 was 21%, but this conversion rate for certain types of property (assets) varies from 1.0% to 300%. The efficiency of selling different types of property (assets) of banks is given in more detail in Table 4.1.2.

Ratio of the sale prices of bank property (assets) based on the results of open auctions to their book value in 2023

Table 4.1.2

Asset type	Book value, UAH million	Sale price, UAH million	Ratio of asset sale price to the property (assets) book value
TOTAL	23 865,73	4 908,10	21%
Real estate (individual sale)	1 494,16	1 059,60	71%
Land plots (individual sale)	233,62	104,21	45%
Vehicles (individual sales)	8,38	16,93	202%
Other assets (fixed assets, coins, intangible assets) (individual sale)	73,67	92,11	125%
Corporate loans (individual sales)	15 156,86	3 058,79	20%
Mortgage loans to individuals (individual sales)	185,95	41,00	22%
Other loans to individuals (individual sales)	27,19	4,11	15%
Accounts receivable (individual sales)	21,94	2,64	12%
Securities (individual sale)	0,65	0,25	38%
Retail loan pools (mortgages)	179,31	45,55	25%
Legal entity loan pools	4 434,24	443,42	10%
Real estate pools	18,21	1,33	7%
Pools "1 bank – 1 pool"	2 027,78	27,71	1%
Direct property (assets) sale to legal entities or individuals	3,77	10,45	277%

In 2023, despite the second year of the full-scale military aggression of the Russian Federation against Ukraine, there was an increase in the sale price of property (assets), which exceeded the result for the two previous years combined. This is due to the successful auctions for the sale of real estate, in particular, the Magellan shopping and entertainment center in Kyiv, a hotel complex in Kozyn, a non-residential building with an extension for a private secondary school in Kyiv, claims under credit agreements of legal entities secured by solar power plants, etc.

The selling price of bank property (assets) as a result of open bidding (auctions) and direct sales to legal entities or individuals in 2023 in the amount of UAH 4,908.10 million is 318% of the 2022 (UAH 1,535.20 million) and 202% of 2021 (UAH 2,415.25 million) (see Table 4.1.3).

Comparison of the sale prices of bank property (assets) by means of open auctions and sale directly to legal entities or individuals in 2021–2023

Table 4.1.3

Asset type	Sale price, UAH million		
	2021	2022	2023
Total, including:	2 415,25	1 535,20	4 908,10
Real estate	1 021,69	966,49	1 060,96
Property rights to real estate	39,78	351,00	0,05
Land plots	569,74	42,77	112,74
Vehicles	7,76	11,15	16,93
Claims under credit agreements and accounts receivable	708,17	118,45	3 614,51
Securities	0,66	0	0,32
Other assets and direct sales	67,45	45,34	102,59
TOTAL lots sold, pcs.	291	153	685

In the conditions of the military aggression of the Russian Federation against Ukraine, the DGF uses all possible ways to sell property (assets) as required by the Law "at the highest cost in the shortest possible time".

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

According to the results of open bidding (auctions) and the sale of bank property (assets) directly to legal entities or individuals in 2023, 97% of the total amount of bank property (assets) sold belonged to 5 banks. Almost 76% of the annual amount was received from the sale of property (assets) of former subsidiaries of Russian state-owned banks in Ukraine: UAH 2,280.16 million – the amount of property (assets) sold by JSC MR Bank and UAH 1,448.36 million – by PJSC Prominvestbank (Figure 4.1.2).

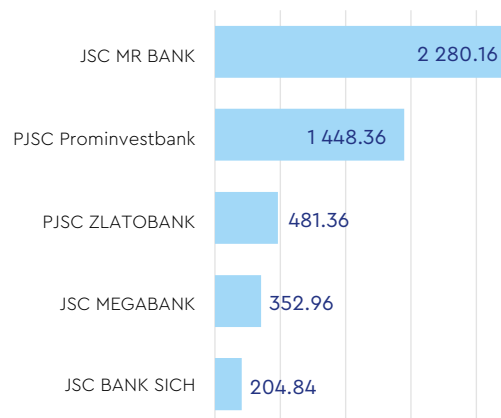


Figure 4.1.2 Sale price in 2023, UAH million

According to the results of open bidding (auctions) and sales directly to legal entities or individuals during 2023, the sold property (assets) of banks had the following structure by types of property (assets) (Table 4.1.4):

Results of sale of bank property (assets) by structure and types of property (assets)

Table 4.1.4

TOTAL:	Sale price, UAH million	Share in the total sale price
		4 908,10
Claims under credit agreements	3 611,63	73,49%
Real estate, land plots, property, plant and equipment and intangible assets	1 280,98	26,20%
Property rights to real estate / accounts receivable	2,93	0,06%
Sales directly to legal entities or individuals	8,45	0,17%
Other assets (paintings, coins, etc.)	3,79	0,08%
Securities / Corporate rights	0,32	0,01%

The largest share in the amount of property (assets) sold by banks as a result of open tenders (auctions) is the sale of claims under credit agreements concluded with individuals and legal entities – over 73% of the total amount of all successful open tenders (auctions). The dynamics of the sale of this property (assets) during the year is shown in Figure 4.1.3.

In the structure of realized claims under credit agreements, 97% are claims under credit agreements concluded with legal entities and 3% are claims under credit agreements concluded with individuals (Figure 4.1.4).

In September, the amount of claims realized under credit agreements with individuals and legal entities was the highest in 2023. This is due to the sale of a lot that included claims under credit agreements concluded with two legal entities, which were secured by 2 solar power plants in Odesa and Mykolaiv regions. The sale price amounted to UAH 683.00 million.

In 2023, the DGF applied new approaches to the sale of property (assets) during martial law in Ukraine, in particular, it launched a pilot project under which pools of loans to business entities on the balance sheet of banks undergoing liquidation were formed using a new industry approach (a common feature of all borrowers is the type of activity according to the Classifier of Economic Activities).

In 2023, a successful auction was held to sell a pool of claims under credit agreements of JSC ZLATOBANK borrowers, legal entities belonging to the same business group and engaged in the production of mineral fertilizers and other chemical products, agriculture, construction and energy saving. The sale price of the pool amounted to UAH 443.42 million, which is 13% of all legal entity loans sold in 2023.

As for the portfolio sale of retail loans, in 2023, one successful auction was held to sell a pool of mortgage loans of JSC JSCB ARKADA. The lot included 400 loans, the sale price amounted to UAH 45.55 million, and the conversion to book value was 25%. The lot included 400 loans, the sale price amounted to UAH 45.55 million, and the conversion to book value was 25%.

It should be noted that in 2023, auctions under the "one bank = one pool" approach were held again. It is worth reminding that for one bank, which is sold under the "one bank = one pool", from one to several such pools may be formed – a separate pool of assets pledged by each creditor (e.g., NBU, State Mortgage Institution, etc.), a pool of retail loans, a pool of corporate loans, a pool of real estate, a pool of other assets, etc.

Thus, this approach was used to sell 7 lots with a carrying value of UAH 2,027.78 million and a selling price of UAH 27.71 million, with a conversion rate of 1.4%, as detailed in Table 4.1.5.

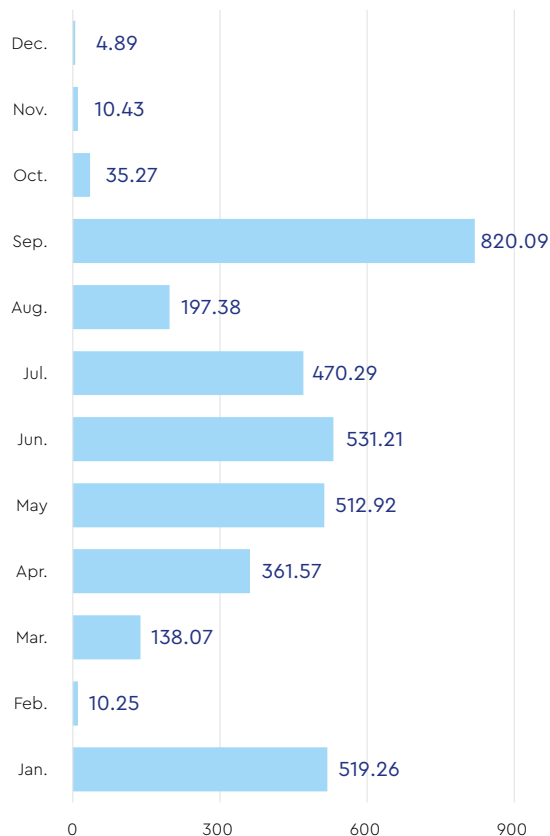


Figure 4.1.3 Results of loan auctions, monthly, UAH million in 2023

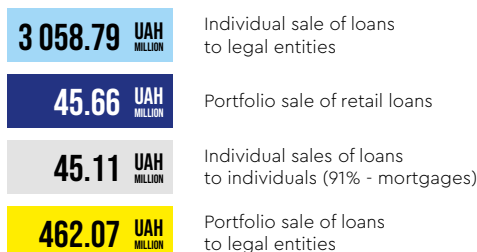
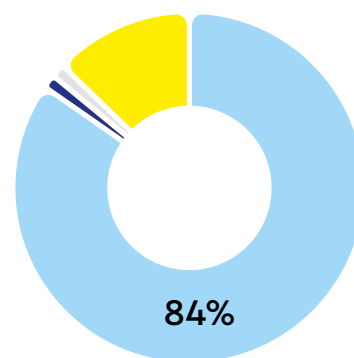


Figure 4.1.4 Breakdown of the results of auctions for the sale of loans for individual and portfolio sale, UAH million in 2023

Lots sold under the "one bank = one pool" approach in 2023

Table 4.1.5

Bank name	Type of pool "one bank = one pool"	Carrying amount, UAH million	Sale price, UAH million	Conversion
JSCB ARCADA	Pool of receivables from individuals	0,002	0,0002	10%
JSCB ARCADA	Land plot pool	37,05	8,54	23%
JSCB ARCADA	Pool of loans to individuals and legal entities	307,01	0,64	0,2%
JSC MISTO BANK	Pool of fixed assets	0,28	0,01	4%
JSC MISTO BANK	Pool of loans to individuals and legal entities	1 061,50	7,95	0,7%
PISC BANK CAMBIO	Retail loan individuals / legal entities and real estate pools	76,38	0,37	0,5%
JSC CB ZEMELNY CAPITAL	Pool of corporate loans	545,56	10,20	1,9%

According to the results of open tenders (auctions), the sale price of real estate, land plots, vehicles, other fixed and intangible assets (excluding sales directly to legal entities or individuals) accounted for more than 26% of the total sale price of assets. The ratio of the sale price of these assets to their book value in 2023 is 68% (Figure 4.1.5).

In January, the amount of real estate and movable property sold was the highest in 2023. This was due to the sale of a country complex in the elite suburb of the capital, Kozyn (Koncha Zaspá), by PSC Prominvestbank. The lot includes a furnished villa with a total area of 1128 square meters, a spa center, residential (guest) houses, a boathouse (hangar for storing yachts and motor boats), a two-storey restaurant with 140 seats, an administrative and a sleeping building, as well as 4 land plots, fixed assets and movable property, 39% of the corporate rights of the legal entity.

In the structure of real estate and movable property sold, 82% were residential and non-residential real estate, 1.0% were vehicles, 9.0% were land plots, and 7.0% were other fixed assets (furniture, equipment, intangible assets, etc.) (Figure 4.1.6).

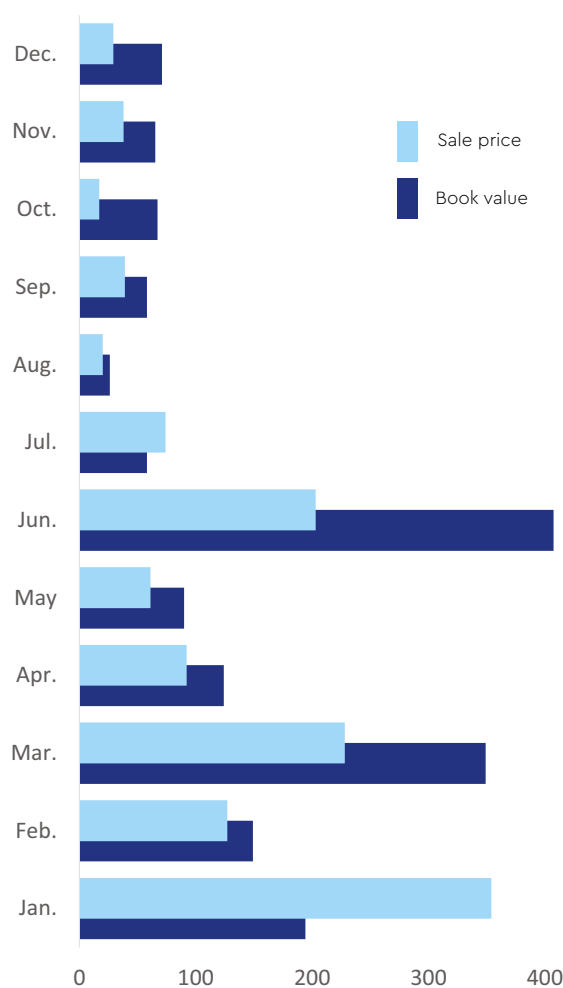


Figure 4.1.5 Comparison of book value and sale price of real estate, land plots, property, plant and equipment and intangible assets in UAH million in 2023

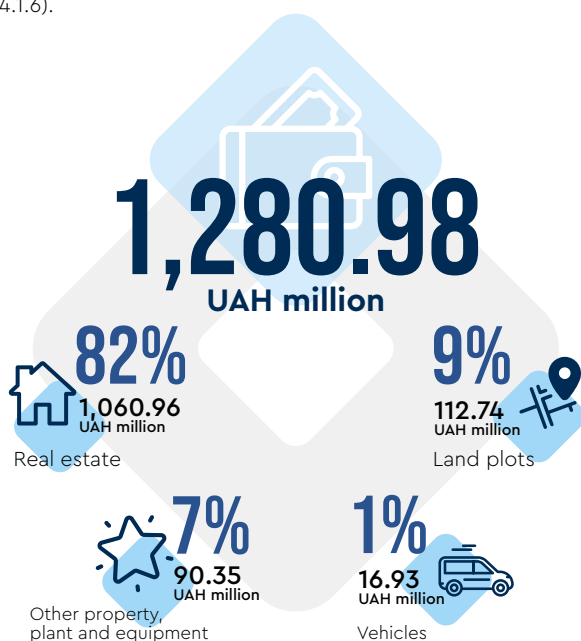


Figure 4.1.6 Distribution of the sale price based on the results of open tenders (auctions) of fixed assets (not including direct sales to legal entities or individuals) in 2023

The real estate objects (residential and non-residential) and land plots that were sold were located mainly in Kyiv, Kharkiv and Dnipropetrovsk regions. Kyiv, Kharkiv and Zaporizhzhya regions are the leaders in terms of the sale price. The geography of the sale of these property (assets) is shown in more detail in Table 4.1.6 and Figure 4.1.7.

Distribution of sales real estate objects and land plots in 2023 by regions of Ukraine

Table 4.1.6

Region of Ukraine	Number of objects sold, pcs.	Book value of objects sold, UAH million	Sales price of objects, UAH million	Ratio of the sale price of objects to the book value of objects
city of Kyiv	37	941,39	439,80	47%
Kyiv region	98	431,11	340,00	79%
Kharkiv region	66	122,24	111,66	91%
Zaporizhzhya region	18	34,88	57,86	166%
Mykolayiv region	10	37,42	48,79	130%
Poltava region	7	53,69	44,85	84%
Dnipropetrovsk region	25	60,63	32,48	54%
Cherkasy region	15	15,11	23,99	159%
Sumy region	11	21,44	22,55	105%
Donetsk region	21	19,79	14,82	75%
Odesa region	8	17,49	12,88	74%
Ivano-Frankivsk region	5	9,78	10,22	104%
Chernihiv region	6	4,39	7,03	160%
Kirovohrad region	5	3,75	3,27	87%
Khmelnyskiy region	1	8,91	2,09	23%
Vinnitsia region	3	0,64	0,67	105%
Lviv region	1	0,14	0,30	214%
Luhansk region	1	0,00	0,28	-
Autonomous Republic of Crimea	1	0,31	0,15	48%
Chernivtsi region	1	0,08	0,02	25%
TOTAL	340	1 783,19	1 173,71	66%

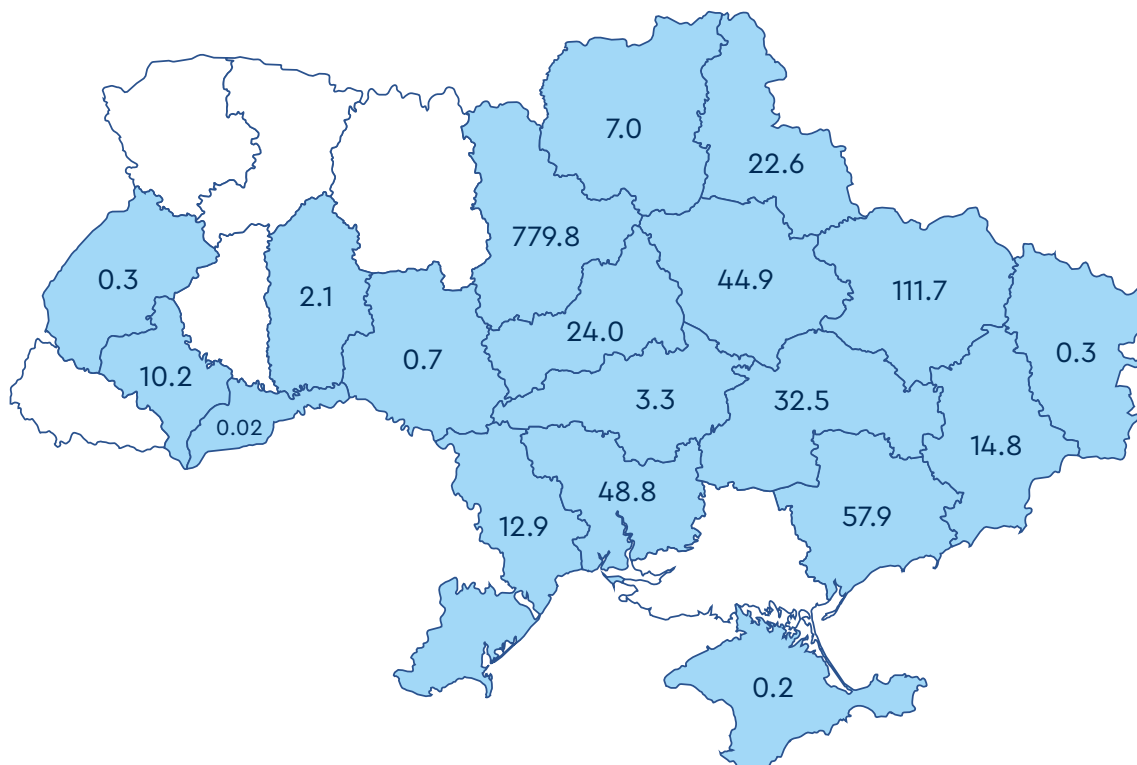


Figure 4.1.7 Geography of sales of real estate and land plots (at the sale price) UAH million, in 2023

It should be noted that in 2023, there was an increase in the volume of sales of real estate located in the eastern and southern regions of Ukraine. According to the results of 2023, 117 such properties were sold for UAH 233.57 million, which accounted for 20% of the total real estate sales price of the year. For comparison, in 2022, no properties in the same regions were sold at all, while 32 properties located in the western regions of Ukraine were sold for UAH 267.58 million or 26% of the real estate sales price in 2022 (Figure 4.1.8).

As for the sale by insolvent banks of property (assets) pledged by the NBU and other creditors, in 2023, such property (assets) was sold for UAH 499.09 million, which is 18% less than in 2021 (no such lots were sold in 2022). The sale of pledged assets took place in May, July and September 2023. The conversion rate of the sold assets was about 10%.

The highest sale price of property (assets) pledged by the NBU and other creditors was recorded in July. It was during this period that the pool of loans to legal entities of PJSC ZLATOBANK, which was mentioned above in the report, was sold.

As for the conversion rate, the highest ratio of the sale price of property (assets) pledged by the NBU and other creditors to their book value was observed in September 2023 at 15%. During this period, an asset of JSC ZLATOBANK was also sold - the right to claim a loan from a legal entity operating in the field of production of special-purpose machinery and equipment. The loan was pledged as collateral for the plant buildings (with a total area of more than 58.8 thousand square meters) in Stryi, Lviv region, as well as property rights to a 99.999% stake in the debtor's authorized capital.

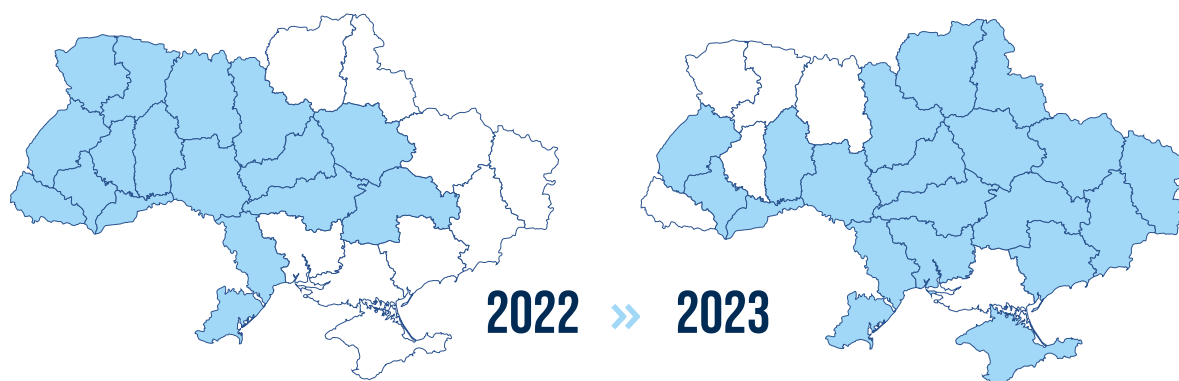


Figure 4.1.8 Regions of real estate and land plots sales in 2022–2023

4.2. Management of property (assets) of banks being liquidated by the DGF and handling of bad debts

An important area of the DGF work is to increase the proceeds to insolvent banks from the management and sale of assets to maximize the satisfaction of their creditor claims and cover the costs of the liquidation procedure.

Over the past few years, the DGF has been consistently developing a comprehensive asset management system for liquidated banks, taking into account the volume of banks' assets and the dynamics of their changes. The implementation of the system of property (asset) management of the banks undergoing liquidation ensured high-quality property (asset) management with centralization of decision-making functions by DGF Committee on Consolidation, Management, and Sale of Property (Assets) of Banks (hereinafter referred to as the "Committee") liquidated by the DGF.

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

In order to expand the audience of potential tenants and ensure the possibility of increasing revenues to liquidated banks from the lease of property, the Executive Board approved the Regulation on the lease of real estate of a bank, the liquidation procedure of which is carried out by the Deposit Guarantee Fund, through open bidding (auctions) by Decision No. 966 dated November 28, 2022.

In 2023, the DGF made 159 decisions to lease the property of liquidating banks, and held 250 auctions in total, of which 114 were successful.

In 2023, proceeds to the banks undergoing liquidation from the lease of property amounted to UAH 127.7 million. The monthly breakdown of revenues and the banks' ranking by revenues are shown in the respective Tables 4.2.1 and 4.2.2.

Proceeds from property lease in 2023 Table 4.2.1

№	Period	Proceeds (UAH million)
1	January	10,9
2	February	6,5
3	March	7,3
4	April	8,7
5	May	32,3
6	June	11,2
7	July	4,6
8	August	5,5
9	September	4,7
10	October	4,3
11	November	23,2
12	December	8,5
Total		127,7

In addition, measures to protect the property of insolvent banks liquidated by the DGF from unlawful encroachments continued in 2023.

Due to the previously implemented mechanism of monitoring registration actions on real estate of banks liquidated by the DGF, using the service Vkursi.pro and information services, including the means of the application software interface of the State Register of Proprietary Rights to Real Estate provided by the State Enterprise National Information Systems, during 2023 the DGF timely registered cases of change of ownership or illegal encumbrance in respect of 8 real estate object owned by an insolvent bank, that are taking steps to cancel unlawful registration actions.

In 2023, proceeds to the banks undergoing liquidation from loan repayments amounted to UAH 919.1 million (UAH equivalent). A monthly breakdown of proceeds is shown in Table 4.2.3.

At the same time, out of the total proceeds from loan repayments in 2023, UAH 443.28 million (UAH equivalent) was received by the banks undergoing liquidation as a result of loan restructuring programs.

Thus, in 2023, individuals continued to fulfill their obligations under restructured mortgage loans in accordance the Regulations on the Procedure for Restructuring the Loan Debt of Individuals (Except for Sole Proprietors) under credit agreements, the Obligations under Which are Secured with Mortgage, to Banks Liquidated by the Deposit Guarantee Fund approved by Decision of the DGF Executive Board No. 372 dated February 5, 2018 (hereinafter referred to as "Regulations No. 372").

In 2023, proceeds to insolvent banks under restructured loans in accordance with Regulations No. 372 amounted to UAH 52.0 million (UAH equivalent). A monthly breakdown of proceeds and the rating of banks by proceeds are shown in the respective Tables 4.2.4 and 4.2.5.

Rating of banks by property lease income in 2023 Table 4.2.2

№	Period	Revenues (UAH million)
1	JSC MR BANK	67,4
2	PJSC PROMINVESTBANK	49,2
3	JSC MEGABANK	6,0
4	JSC UKRBUDINVESTBANK	1,6
5	JSC BANK SICH	1,5
6	Other banks	2,0
Total		127,7

Proceeds from repayment of loan debt in 2023 Table 4.2.3

№	Period	Proceeds (UAH million equivalent)
1	January	38,1
2	February	46,2
3	March	92,4
4	April	73,5
5	May	104,2
6	June	83,5
7	July	45,8
8	August	69,3
9	September	116,6
10	October	63,2
11	November	110,3
12	December	76,0
Total		919,1

Proceeds from restructuring under Regulation No. 372 for 2023 Table 4.2.4

№	Period	Revenues (UAH million equivalent)
1	January	3,6
2	February	6,8
3	March	22,3
4	April	5,5
5	May	7,2
6	June	6,4
7	July	0,0
8	August	0,0
9	September	0,0
10	October	0,0
11	November	0,0
12	December	0,2
Total		52,00

Rating of banks by restructuring proceeds under the Regulation No. 372 for 2023 Table 4.2.5

№	Period	Revenues (UAH million equivalent)
1	JSC AKB ARCADA	51,8
2	JSC IBOX BANK	0,2
Total		52,00

In connection with the full-scale military aggression of the Russian Federation against Ukraine and the introduction of martial law in Ukraine, the DGF Executive Board adopted Decision No. 671 dated September 1, 2022, "On Minimizing the Adverse Impact of Consequences Military Aggression of the Russian Federation against Ukraine", which established the terms of repayment of loan debt for individual borrowers (hereinafter referred to as Debt Repayment Terms), which were determined to be valid until August 31, 2023. Starting from September 01, 2023, by the Decision of the DGF Executive Board dated August 21, 2023, No. 1040 Loan Debt Repayment Terms and Conditions have been extended until August 31, 2024.

In 2023, proceeds from debt repayment under credit agreements of individuals who joined the Loan Debt Repayment Terms and Conditions amounted to UAH 130.6 million (UAH equivalent). A monthly breakdown of proceeds and the rating of banks by proceeds are given in the respective Tables 4.2.6 and 4.2.7.

In 2023, the DGF started restructuring loans to business entities.

In 2023, receipts to the banks undergoing liquidation under restructured loans to business entities amounted to UAH 260.7 million (UAH equivalent). The monthly breakdown of revenues and the banks' ranking by revenues are given in Tables 4.2.8 and 4.2.9.

The work started in previous years to submit enforcement documents for enforcement to bodies and individuals, including private enforcement officers, whose institution was established by the Ministry of Justice of Ukraine as a component of reforming the enforcement of decisions of courts and other bodies and which has proved its effectiveness, continues. The DGF distributes enforcement documents to recover debts from debtors of banks undergoing liquidation, and as of January 1, 2024, distributed 5219 enforcement documents, including 110 in 2023. The trends of the distribution of enforcement documents during 2023 is shown in Figure 4.2.1.

Proceeds from fulfillment of the Debt Repayment Terms for 2023 Table 4.2.6

№	Period	Proceeds (UAH million equivalent)
1	January	4,4
2	February	9,6
3	March	24,5
4	April	6,8
5	May	9,7
6	June	6,5
7	July	9,2
8	August	11,7
9	September	12,3
10	October	13,3
11	November	12,9
12	December	9,7
Total		130,6

Rating of banks by proceeds from fulfillment of the Debt Repayment Terms for 2023

Table 4.2.7

№	Period	Proceeds (UAH million equivalent)
1	JSC BANK FORWARD	42,5
2	JSC MEGABANK	34,1
3	JSCB ARCADA	23,4
4	JSC BANK SICH	13,1
5	JSC JSCB CONCORDE	11,4
6	JSC MR BANK	5,2
7	PJSC PROMINVESTBANK	0,6
8	JSC MISTO BANK	0,2
9	JSC CB LAND CAPITAL	0,1
Total		130,6

Proceeds from restructured loans to business entities for 2023

Table 4.2.8

№	Period	Proceeds (UAH million equivalent)
1	January	1,2
2	February	0,8
3	March	1,4
4	April	4,6
5	May	4,0
6	June	34,7
7	July	10,8
8	August	13,0
9	September	21,8
10	October	49,9
11	November	83,5
12	December	35,0
Total		260,7

Rating of banks by proceeds from restructured loans of business entities for 2023

Table 4.2.9

№	Period	Proceeds (UAH million equivalent)
1	JSC MR BANK	151,5
2	JSC MEGABANK	41,5
3	JSC BANK SICH	33,5
4	JSC UKRBUDINVESTBANK	13,6
5	JSC JSCB CONCORDE	12,5
6	PJSC PROMINVESTBANK	8,1
Total		260,7

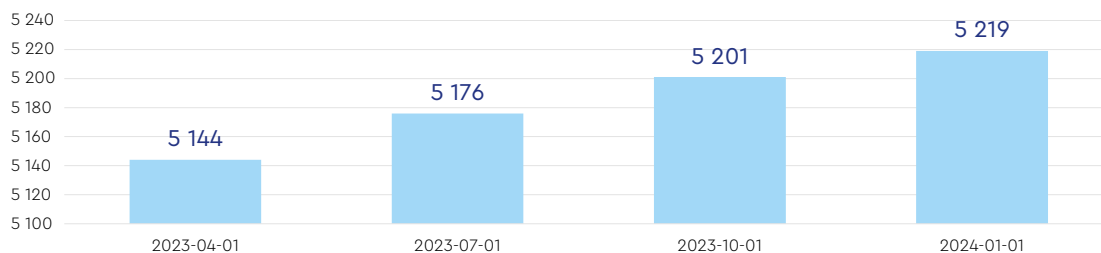


Figure 4.2.1 Trends of distributed enforcement documents, units

Table 4.2.10 shows the total number of distributed enforcement documents as of January 01, 2024 by bank.

As of January 01, 2024, funds in total UAH 154.4 million were recovered in favor of the banks undergoing liquidation, including UAH 55.8 million in 2023, or cumulatively:

- as of April 01, 2023 – UAH 130.5 million (increase +UAH 31.8 million);
- as of July 01, 2023 – UAH 149.5 million (increase +UAH 19.0 million);
- as of October 01, 2023 – UAH 151.6 million (increase +UAH 2.1 million);
- as of January 01, 2024 – UAH 154.4 million (increase +UAH 2.8 million).

The dynamics of receipt of funds recovered under the distributed enforcement documents in 2023 is shown in the following figure on a cumulative basis 4.2.2. The rating of banks by the level of receipt of funds from enforcement under distributed enforcement documents is shown in Table 4.2.11.

In total, in 2023, as a result of various methods of asset management, proceeds to insolvent banks amounted to UAH 1,102.5 million.

Rating of banks based on distributed enforcement documents as of January 01, 2024

Table 4.2.10

Nº	Bank	Number of ED distributed
1	JSC DELTA BANK	2852
2	BANKS WITH APPROVED LIQUIDATION BALANCE SHEETS	1376
3	LIQUIDATED BANKS	232
4	JSC BANK FINANCE AND CREDIT	218
5	PJSC PROMINVESTBANK	129
6	JSC VTB BANK	111
7	PJSC FIDOBANK	100
8	JSC MR BANK	67
9	JSC MEGABANK	47
10	JSC MISTO BANK	25
11	OTHERS	62
Total		5 219

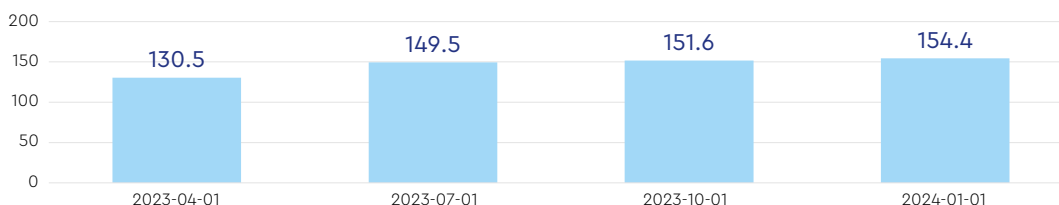


Figure 4.2.2 Trends of receipt of funds under distributed enforcement documents during 2023, UAH million

Rating of banks by the level of funds received from private enforcement officers as of January 01, 2024

Table 4.2.11

Nº	Bank	Recovered funds (UAH million)	Relative share
1	JSC BANK FINANCE AND CREDIT	48,7	31,5%
2	JSC DELTA BANK	34,0	22,0%
3	JSC VTB BANK	32,1	20,8%
4	PJSC PROMINVESTBANK	22,7	14,7%
5	BANKS WITH APPROVED LIQUIDATION BALANCE SHEETS	6,5	4,2%
6	JSC MEGABANK	4,0	2,6%
7	PJSC FIDOBANK	3,2	2,1%
8	JSC JSCB CONCORDE	1,7	1,1%
9	JSC MR BANK	0,6	0,4%
10	LIQUIDATED BANKS	0,6	0,4%
11	OTHERS	0,3	0,3%
TOGETHER		154,4	100,0%

5. PAYMENTS TO DEPOSITORS AND SETTLEMENTS WITH CREDITORS

5.1. Guaranteed deposit payouts to depositors of insolvent banks liquidated by the DGF

During the second year of the full-scale invasion, the DGF fully performed its main function – reimbursing depositors of the liquidated banks. All payments were made in a timely, stable and full manner by means of the DGF Automated Payment System (hereinafter referred to as the "System").

During 2023, the DGF the guaranteed deposit payouts were made to the depositors of 38 banks. The total guaranteed amount of reimbursement paid out in 2023 at the expense of the DGF amounted to almost UAH 3,087.32 million. For this purpose, 12 agent banks were involved (Figure 5.1.1), which were determined in accordance with the requirements of the Regulations on the Procedure for Determining Agent Banks of the Deposit Guarantee Fund approved by Decision of the Executive Board No. 6 dated July 12, 2012, registered with the Ministry of Justice of Ukraine on September 4, 2012, under No. 1494/21806.

In total, 95% of depositors received the guaranteed amount of compensation and only 5% did not apply for payment. As of the end of the reporting period, the amount of compensation for which depositors have not yet applied amounted to about UAH 3,111.86 million. The most common reasons for not receiving funds are: military actions in Ukraine, a small amounts of compensation not exceeding UAH 100, and so-called "forgotten" deposits, as well as deposits belonging to deceased depositors – until the certificate of the right to inheritance.

Due to disbursements by means of the System through the branches of agent banks, depositors were able to receive compensation at any branch of the agent bank covering the entire territory controlled by Ukraine, as well as remotely – by crediting the guaranteed amount to the recipient's own account at the agent bank, without visiting the branches. Individual applications must be submitted directly to the DGF either by heirs of depositors or depositors whose details in the register of depositors' compensation for payments differ from the details of their documents, or by depositors of banks whose liquidation procedure has been in progress for three years (in case of liquidation of a systemically important bank - five years) – for the DGF to carry out the procedure for updating the data for the possibility of paying out funds.

The guaranteed compensation amount paid in 2023 by the five DGF agent banks that introduced remote payments amounted to UAH 931.65 million (Table 5.1.1).

The share of online payments of the guaranteed compensation amount in the reporting year amounted to 30% of the total amount of payments made by the DGF agent banks.

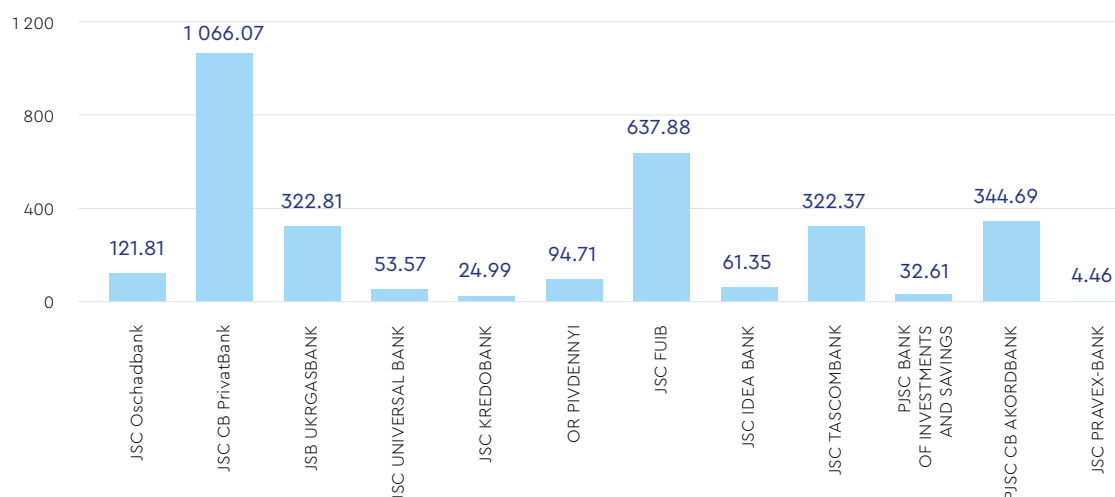


Figure 5.1.1 Breakdown of guaranteed deposit payouts by the DGF agent banks in 2023, UAH million

Online payments of the guaranteed amount of compensation by agent banks

Table 5.1.1

Agent banks	Guaranteed compensation amounts, UAH million		Share of online guaranteed compensation amounts
	general	online	
JSC CB PrivatBank	1 066,07	548,20	51,4%
JSC FUIB	637,88	323,39	50,7%
JSB UKRGASBANK	322,81	59,07	18,3%
JSC TASCOMBANK	322,37	0,37	0,1%
OR PIVDENNYI	94,71	0,62	0,7%
Total	2 443,84	931,65	



Together with the Ministry of Digital Transformation of Ukraine, in the fall of 2023, the DGF introduced a new service "Deposit Payout" in the Diia application (the Unified Portal of Public Services). It allows a depositor of a failed bank, regardless of his or her location, to receive compensation either to an existing card of one of the DGF agent banks or to a new ePay card opened with an agent bank.

A citizen of Ukraine or a foreigner who legally resides on the territory of Ukraine, according to documents that proof of his/her identity – a passport of a citizen of Ukraine or a permanent or temporary residence permit (issued exclusively using the means of the Unified Demographic Register), and who has reached the age of 18 and has been assigned a taxpayer registration number in accordance with the procedure established by law.

This development made it possible to ensure the payment of guaranteed compensation amounts through the Diia app by four of the DGF agent banks in the amount of UAH 30.74 million (Table 5.1.2).

Payments of the guaranteed compensation amount using the Diia app

Table 5.1.2

Agent banks	Guaranteed compensation amounts, UAH million		Share of guaranteed compensation through the Diia Portal
	general	by means of Portal Diia	
JSC CB PrivatBank	1 066,07	11,67	1,1%
JSB UKRGASBANK	322,81	0,57	0,2%
JSC UNIVERSAL BANK	53,57	18,46	34,5%
JSC IDEA BANK	61,35	0,04	0,1%
Total	1 503,80	30,74	

The share of payments of the guaranteed compensation amount through the DGF agent banks using the Diia application amounted to 1% of the total amount of payments.

Currently, there are three ways to receive the guaranteed compensation amount:

- directly at the branches of any of the 12 agent banks of the DGF;
- remotely;
- using the Diia app on your smartphone.

Throughout 2023, the DGF pursued a policy of shortening the period from the beginning of a the liquidated banks to the start of guaranteed payments. The legislation gives the DGF 20 business days to start paying out, but in fact the reimbursement process starts much faster – on the 13th or 14th business day. As part of the implementation of the DGF Development Strategy until 2025, in accordance with the approved phased transition to the standards set out in Directive 2014/49/EU, in accordance with the current global and European standards, payments to depositors of PJSC IBOX BANK and JSC JSCB CONCORD were started on the 13th and 14th day, respectively, instead of the 20th business day.

In connection with the start of the bank resolution process in 2023, the DGF started paying out to depositors of four banks:

- JSC BANK FORWARD;
- JSC IBOX BANK;
- JSCB CONCORDE;
- JSC UKRBUDINVESTBANK

According to the results of payments in 2023, the largest share of total payments in the reporting year was made to depositors of JSC BANK FORWARD (45%), JSCB CONCORD (19%) and JSC UKRBUDINVESTBANK (17%). (Table 5.1.3).

Amounts of guaranteed compensation payments by insolvent entities banks, UAH million

Table 5.1.3

List of liquidated banks	Balance of funds not claimed by depositors as of December 31, 2022	Accrued amount of compensation in 2023	Funds actually received in 2023	Funds written off in 2023 year	Balance of funds not claimed by depositors as of December 31, 2023
PJSC AKTABANK	8,80	-	-	8,80	-
PJSC VAB Bank	423,03	- 0,11	0,60		422,31
PJSC Bank Cambio	38,84	0,85	4,09		35,60
PJSC CB NADRA	177,91	- 0,28	0,13		177,49
PJSC ENERGOBANK	15,44	- 0,03	0,01		15,41
JSC ZLATOBANK	31,58	0,14	2,59		29,13
JSC Delta Bank	476,19	11,27	4,66		482,81
PJSC Bank Kyivska Rus	213,05	0,69	0,46		213,28
PJSC UKRAINIAN PROFESSIONAL BANK	8,11	-	0,0001		8,11
PJSC BANK NATIONAL CREDIT	12,30	- 0,02	0,01		12,26
PJSC RADICAL BANK	29,03	1,96	4,79		26,20
PJSC JSC CAPITAL	44,81	-	0,39		44,43
PJSC Integral-Bank	3,08	-	0,0002		3,08
JSC Bank National Investments	4,72	-	0,14		4,58
JSC BANK FINANCE AND CREDIT	498,70	0,13	1,83		497,01
PJSC Bank Kontrakt	3,27	-	-		3,27
PJSC UKRINBANK	66,07	-	-		66,07
PJSC FIDOBANK	54,79	- 0,14	0,0332		54,62
PJSC BANK MYKHAYLIVSKY	14,33	0,95	1,10		14,17
PJSC CB EUROBANK	4,91	0,20	0,0047		5,10
PJSC KSG BANK	1,50	-	-		1,50
PJSC BANK TRUST	5,04	- 0,0033	-		5,04
PJSC CB INVESTBANK	2,68	-	0,0014		2,68
PJSC PLATINUM BANK	64,78	- 0,12	0,0259		64,63
PJSC DIAMONDBANK	0,05	-	-	0,0475	-
JSC BANK BOHUSLAV	3,58	-	0,0038		3,57
VTB BANK JSC	105,09	0,07	1,04		104,12
JSCB ARCADA	64,51	- 0,19	3,35		60,98
JSC Misto Bank	12,16	0,20	0,46		11,90
JSC CB LAND CAPITAL	4,35	-	1,19		3,16
JSC MR BANK	357,45	- 13,86	55,63		287,96
PJSC Prominvestbank	2,83	-	0,51		2,32
JSC MEGABANK	348,58	26,74	182,80		192,52
JSC BANK SICH	71,27	10,42	47,00		34,69
JSC BANK FORWARD	-	1 479,80	1 387,62		92,18
JSC IBOX BANK	-	297,63	283,93		13,70
JSC JSCB CONCORDE	-	666,45	592,46		73,99
JSC UKRBUDINVESTBANK	-	552,45	510,46		41,99
Total:	3 172,82	3 035,20	3 087,32	8,84	3 111,86

There is a tendency for banks to keep money in the amount of UAH 1,000.00 to UAH 100,000.00, despite the 100% deposit guarantee. The 2023 figures reveal uneven receipt of the guaranteed amount of compensation according to the following gradation of deposits and the number of transactions (Figure 5.1.2).

According to part three of Article 28 of the Law, the DGF stops paying guaranteed amounts of deposit compensation on the day of approval of the bank's liquidation balance sheet. In 2023, the NBU completed the repayment of the guaranteed amount of compensation to depositors of two banks: PJSC AKTABANK and PJSC DIAMANTBANK. The DGF liabilities to depositors of these banks who did not apply for compensation amounted to UAH 8.84 million (Table 5.1.3). The owners of those banks for which payments were completed in 2023 received a total of UAH 678.32 million, which amounted to 99% of the total guaranteed amount (Figure 5.1.3).

The DGF is also constantly working to identify new DGF agent banks in accordance with the relevant requirements and criteria, especially the ability to pay the guaranteed amount of compensation to depositors of insolvent banks. In 2023, three applicant banks from among the DGF member banks were tested, namely JSC AB RADABANK, JSC UNEX BANK and JSC SENS BANK.

During the two years of hostilities in Ukraine, the DGF has done a lot of work to implement the national sanctions policy.

In 2023, in accordance with the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine" approved by the Law of Ukraine No. 2102-IX dated February 24, 2022

(as amended), the Resolution of the Cabinet of Ministers of Ukraine "On Ensuring the Protection of National Interests in Future Claims of the State of Ukraine in Connection with the Military Aggression of the Russian Federation", the Resolution of the NBU Board "On the Operation of the Banking System during the Period of Martial Law", the DGF Executive Board adopted a decision establishing that during the period of martial law the Fund does not reimburse funds to depositors. To enable the implementation of sanctions, the decision of the DGF Executive Board No. 1618 dated December 18, 2023 approved amendments to the Rules for the Formation and Maintenance of Depositors' Databases, which expand the list of information that makes up the database. From now on, banks are obliged to reflect information on sanctioned customers and citizens of the Russian Federation and the Republic of Belarus (except for those who legally reside in Ukraine) in their databases. By the regulatory act, in particular, is aimed at reducing the timeframe for starting the payment of guaranteed compensation by improving the process of creating and maintaining a database of depositors in banks.

In addition, the DGF regularly monitors the Decrees of the President of Ukraine approving the sanctions lists of the National Security and Defense Council of Ukraine and promptly blocks the payment of guaranteed compensation to the persons listed in these lists.

Also in 2023, as part of the stress testing of the Deposit Guarantee Scheme for 2023-2025, the DGF assessed the quality of information on depositors in the databases of certain DGF member banks.

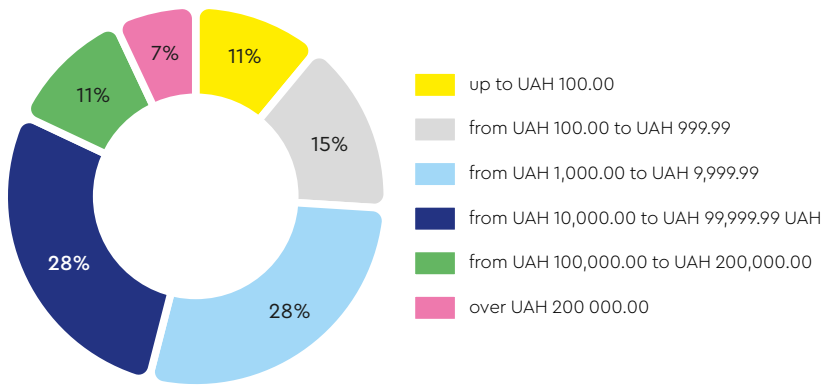


Figure 5.1.2 Breakdown of payments by the compensation amount in 2023

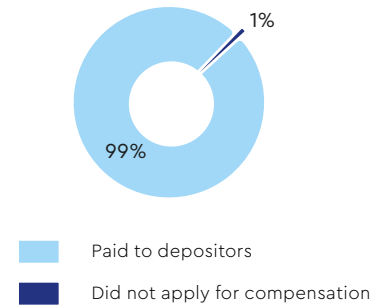


Figure 5.1.3 Compensation to depositors of banks payouts in which were completed

5.2. Settlements with bank creditors

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

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

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

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

8. other claims, except for claims for subordinated debt;
9. claims of the bank creditors (individuals, including sole proprietors, as well as legal entities) who are related parties of the bank;
10. subordinated debt claims;
11. claims under instruments with debiting/conversion conditions.

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

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

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

Thus, as of January 01, 2024, the total book value of the assets of 50 banks managed by the DGF, in which the Register of Accepted Creditor Claims was approved by the Decision of the DGF Executive Board, amounted to UAH 115,329.92 million, while their estimated value amounted to UAH 20,322.31 million, or 17.0%, which is insufficient to satisfy all claims of bank creditors (Table 5.2.1).

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

Table 5.2.1

No.	BANK	Book value of assets UAH million	Estimated value of assets, UAH million
1	PJSC CB STANDARD (state registration of dissolution of a legal entity was canceled by a court decision)	0,00	0,00
2	JSC ARTEM-BANK (the bank is in the process of completing liquidation)	0,00	0,00
3	PJSC CB PIVDENCOMBANK (the bank is in the process of completing liquidation)	0,00	0,00
4	PJSC BANK PETROCOMMERCE- (the bank is in the process of completing liquidation)	0,00	0,00
5	PJSC CB ACTIVE-BANK (the bank is in the process of completing liquidation)	0,00	0,00
6	PJSC NATIONAL CREDIT BANK (the bank is in the process of completing liquidation)	0,00	0,00
7	PJSC CB EUROBANK (the bank is in the process of completing liquidation)	0,00	0,00
8	PJSC PROFIN BANK (the bank is in the process of completing liquidation)	0,00	0,00
9	PJSC BANK KONTRAKT (the bank is in the process of completing liquidation)	0,00	0,00
10	PJSC ENERGOBANK (the bank is in the process of completing liquidation)	0,00	0,00

Table 5.2.1

No.	BANK	Book value of assets UAH million	Estimated value of assets, UAH million
11	PJSC UKRAINIAN PROFESSIONAL BANK (the bank is in the process of completing liquidation)	0,00	0,00
12	JSC BANK BOHUSLAV (the bank is in the process of completing liquidation)	0,00	0,00
13	PJSC RADIKAL BANK (the bank is in the process of completing liquidation)	0,00	0,00
14	PJSC INTEGRAL-BANK (the bank is in the process of completing liquidation)	0,00	0,00
15	PJSC VAB BANK (the bank is in the process of completing liquidation)	0,00	0,00
16	PJSC CB NADRA (the bank is in the process of completing liquidation)	0,00	0,00
17	PJSC BANK MYKHAYLIVSKY (the bank is in the process of completing liquidation)	0,00	0,00
18	PJSC BANK TRUST (the bank is in the process of completing liquidation)	0,00	0,00
19	PJSC CB INVESTBANK (the bank is in the process of completing liquidation)	0,00	0,00
20	PJSC PLATINUM BANK (the bank is in the process of completing liquidation)	0,00	0,00
21	PJSC BANK KYIVSKA RUS (the bank is in the process of completing liquidation)	0,00	0,00
22	JSC BANK NATIONAL INVESTMENTS (the bank is in the process of completing liquidation)	0,00	0,00
23	PJSC VECTOR BANK (the bank is in the process of completing liquidation)	0,00	0,00
24	PJSC CB FINANCIAL INITIATIVE (the bank is in the process of completing liquidation)	0,00	0,00
25	JSC BANK VELES (the bank is in the process of completing liquidation)	0,00	0,00
26	PJSC IMEXBANK (the bank is in the process of completing liquidation)	0,00	0,00
27	JSC GOLDEN GATE BANK (assets transferred to PJSC CB STANDARD, the bank is in the process of liquidation)	0,00	0,00
28	PJSC DIAMANTBANK (part of the assets were transferred to JSC TASKOMBANK, a bank in the process of completing liquidation)	0,00	0,00
29	PJSC AKTABANK (bank in the process of completing liquidation)	0,00	0,00
30	JSC RODOVID BANK (by the Decision of the DGF General Meeting of Shareholders dated December 27, 2023 No. 1698, the previous Decision of the General Meeting of Shareholders dated February 13, 2023 No. 183 On Approval of the liquidation balance sheet and report on the implementation of the liquidation procedure of JSC RODOVID BANK)	0,00	0,00
31	PJSC BANK CAMBIO (liquidation of the bank is carried out by the DGF)	0,34	0,34
32	JSC VTB Bank (liquidation of the bank is carried out by the DGF)	45,62	25,32
33	PJSC FIDOBANK (liquidation of the bank is carried out by the DGF)	43,09	42,27
34	JSC BANK FINANCE AND CREDIT (liquidation of the bank is carried out by DGF)	2 979,10	358,15
35	PJSC JSCB CAPITAL (liquidation of the bank is carried out by the DGF)	1 853,15	66,30
36	JSC Delta Bank (liquidation of the bank is carried out by the DGF)	2 059,25	1 178,50
37	PJSC ZLATOBANK	18 019,10	807,00
38	PJSC UKRINBANK (latest data as of July 07, 2016)	5 322,42	0,00
39	PJSC CSG BAN" (last updated as of April 10, 2017)	455,10	122,83
40	JSCB ARCADA	177,00	177,87
41	JSC MISTO BANK	35,17	34,27
42	JSC CB ZEMELNY CAPITAL	78,04	57,33
43	PJSC PROMINVESTBANK	39 881,63	3 892,12
44	JSC MR BANK	26 954,71	3 962,52
45	JSC MEGABANK	9 848,12	5 910,97
46	JSC BANK SICH	1 285,73	805,68
47	JSC BANK FORWARD	2 220,83	530,67
48	JSC IBOX BANK	1 305,50	1 121,49
49	JSC JSCB CONCORDE	1 555,49	1 228,68
50	JSC UKRBUDINVESTBANK	1 210,53	0,00
	Total amount, UAH million	115 329,92	20 322,31

The total amount of approved accepted creditor claims as of January 1, 2024 is UAH 342,634.65 million (including banks in which liquidation was completed) of which (given in terms) of tiers in Table 5.2.2.

As of January 1, 2024, the DGF managed 54 banks (including 29 banks for which the liquidation balance sheet has been approved), the status of settlement of creditor claims for these banks is shown in Table 5.2.3 below.

Status of creditor claims settlement by tiers, as of January 1, 2024

Table 5.2.2

TOTAL FOR BANK (including liquidated)	APPLY	PAYED	BALANCE
Amount of approved accepted creditor claims as of January 01, 2024, UAH million	342 634,65	68 779,55	273 855,10
Tier 1, UAH million	7,06	7,06	0,00
Tier 2, UAH million	79,53	75,54	3,99
Tier 3, UAH million	106 645,80	31 569,17	75 076,63
Tier 4, UAH million	40 527,21	5 047,70	35 479,51
Tier 5, UAH million	28 425,74	2 363,55	26 062,19
Tier 6, UAH million	103,95	18,91	85,04
Tier 7, UAH million	117 195,26	27 499,08	89 696,18
Tier 8, UAH million	18 851,58	794,15	18 057,43
Tier 9, UAH million	28 431,81	1 279,17	27 152,64
Tier 10, UAH million	2 366,71	125,22	2 241,49
Tier 11, UAH million	0,00	0,00	0,00

Status of creditor claims settlement for banks managed by the DGF by tiers as of January 1, 2024

Table 5.2.3

TOTAL FOR BANK (including liquidated)	FILED	SETTLED	OUTSTANDING
Amount of approved accepted creditor claims as of January 01, 2024, UAH million	271 240,55	50 725,29	220 515,26
Tier 1, UAH million	7,06	7,06	0,00
Tier 2, UAH million	63,44	61,31	2,13
Tier 3, UAH million	82 638,65	24 623,37	58 015,28
Tier 4, UAH million	29 744,25	2 734,09	27 010,16
Tier 5, UAH million	27 197,17	1 686,40	25 510,77
Tier 6, UAH million	88,19	16,67	71,52
Tier 7, UAH million	88 549,70	20 801,01	67 748,69
Tier 8, UAH million	15 670,27	728,04	14 942,23
Tier 9, UAH million	25 788,02	67,34	25 720,68
Tier 10, UAH million	1 493,80	0,00	1 493,80
Tier 11, UAH million	0,00	0,00	0,00

In 2023, **UAH 8,925.79 million** were settled for all tiers of accounts payable

UAH 8,925.79 million

settled to all creditors tiers, including:

UAH 2,871.80 million settled to the DGF (tier 3)

UAH 203.05 million paid to depositors (tier 4)

UAH 546.63 million – debt to NBU on refinancing loans repaid (tiers 5 and 7)

UAH 5,304.31 million

were settled in other tiers (tiers 1, 2, 6, 7, 8, 9), of which:

- **UAH 85.05 million** – early satisfaction of secured creditor claims in tier 7
- **UAH 5,219.26 million** – regular payment of tiers 1, 2, 6, 7, 8, 9

Figure 5.2.1 Settlement of creditor claims for 2023

Settlement of tier 1 creditor claims

The amount of accepted tier 1 creditor claims — UAH 7.06 million.

As of January 1, 2024, UAH 7.06 million were settled, which is 100.00% of the total debt in the tier, of which UAH 5.40 million thousand were settled in 2023.

Out of 2 banks, tier 1 was fully settled in full in both insolvent banks, namely: JSC MEGABANK and PJSC Prominvestbank.

Settlement of tier 2 creditor claims

Amount of accepted tier 2 creditor claims is UAH 79.53 million.

As of January 1, 2024, UAH 75.54 million were settled, which is 94.98% of the total debt in tier, including UAH 9.46 million in 2023.

Tier 2 was completely settled in 40 insolvent banks. For 7 banks, full payment did not take place, due to the fact that some individuals did not show up on time for salary.

Payment of tier 2 was not started in 2 banks, namely: PJSC Commercial Bank GEFEST (the bank was liquidated), PJSC UKRBUDINVESTBANK.

Settlement of tier 3 creditor claims (of the Deposit Guarantee Fund)

Amount of accepted tier 3 creditor claims — UAH 106,645.80 million.

As of January 1, 2024, UAH 31,569.17 million were settled, which is 29.60% of the total debt in tier, including UAH 2,871.80 million in 2023.

The leaders in payment of tier 3 for 2023 were the following banks:

1. JSC BANK SICH – UAH 918.85 million (31.99% of the settlement amount of tier 3 for 2023);
2. JSC JSCB CONCORD – UAH 666.82 million (23.22% of the settlement amount of tier 3 for 2023);
3. JSC MEGABANK – UAH 569.70 million (19.84% of the settlement amount of tier 3 for 2023);
4. JSC IBOX BANK – UAH 318.80 million (11.10% of the settlement amount of tier 3 for 2023);
5. JSC CB ZEMELNY CAPITAL – UAH 113.69 million (3.96% of the settlement amount of tier 3 for in 2023).

The following diagram (Figure 5.2.2) contains leaders among banks in terms of the volume of settlement of tier 3 (for all time) as of January 1, 2024 (in percentage ratio of the amount of settlement of each bank to the total amount of settlement of tier 3 creditors – UAH 31,569.17 million):

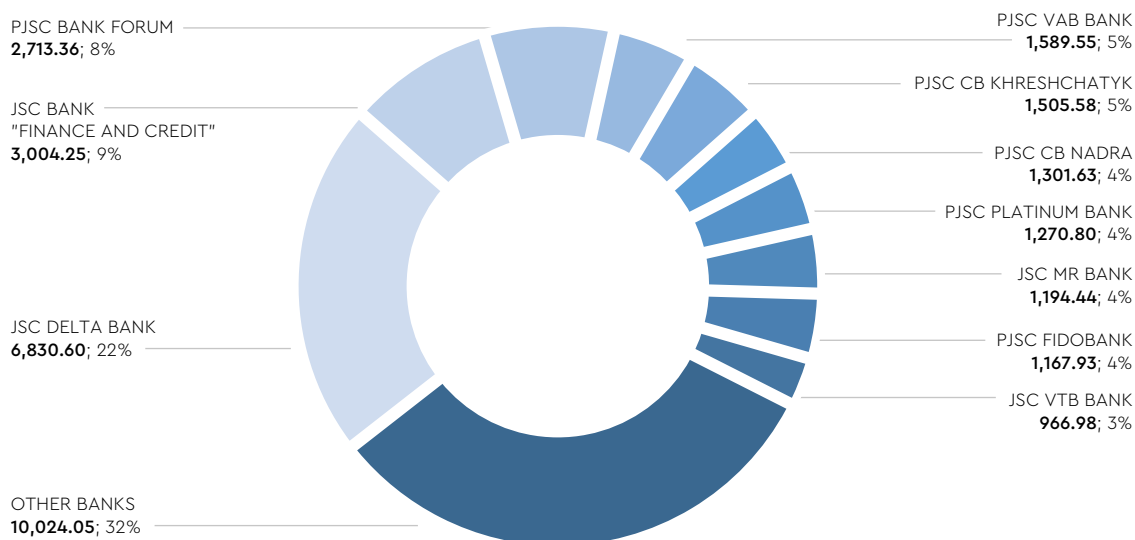


Figure 5.2.2 TOP-10 banks of settlement of tier 3 of creditors as of January 1, 2024, UAH million

Settlement of tier 4 creditor claims

The amount of accepted tier 4 creditor claims is UAH 40,527.21 million. In tier 4, UAH 5,047.70 million were settled, which is 12.46%.

In 2023 tier 4 was settled by UAH 203.05 million. The following banks repaid tier 4 in full:

1. PJSC Prime Bank (claims of 18 depositors 200+ were satisfied).
2. PJSC GREEN BANK (claims of 4 depositors 200+ were satisfied).
3. PJSC UKRAINIAN BUSINESS BANK (claims of 65 depositors of 200+ were satisfied).
4. PJSC UNISON BANK (claims of 108 depositors 200+ were satisfied).
5. PJSC CREDITPROMBANK (claims of 3 depositors 200+ were satisfied).

6. PJSC NATIONAL CAPITAL BANK (claims of 4 depositors 200+ were satisfied).
7. PJSC VBR (claims of 139 depositors 200+ were satisfied).
8. PJSC CB PREMIUM (claims of 311 depositors 200+ were satisfied).
9. PJSC DIAMANTBANK (claims of 1080 depositors 200+ were satisfied).
10. JSC CB SOYUZ (claims of 11 depositors of 200+ were satisfied).

For JSC VTB Bank 99.81% of creditor claims were satisfied — UAH 646.94 million, of which UAH 1.77 million for 2023.

For JSC MR BANK, 86.80% creditor claims were satisfied — UAH 1,227.37 million, of which UAH 143.71 million for 2023.

For JSCB ARKADA, 90.48% creditor claims were satisfied — UAH 39.04 million, of which UAH 39.04 million for 2023.

Settlement of tier 5 creditor claims

Amount of accepted claims of tier 5 creditors — UAH 28,425.74 million, consisting of debt to the NBU of the following banks: PJSC REAL BANK — UAH 551.40 million (the bank was liquidated), PJSC BANK FORUM — UAH 486.71 million (debt on refinancing loans repaid in full, the balance of the debt to the NBU is UAH 0.03 million — samples of coins owned by the NBU, the bank was liquidated), PJSC CB KHRESHCHATYK — UAH 190.46 million (debt on refinancing loans was repaid in full, the bank was liquidated), PJSC UKRAINIAN PROFESSIONAL BANK — UAH 107.67 million (liquidation balance sheet approved), PJSC VAB Bank — UAH 2,785.72 million (liquidation balance sheet approved), PJSC CB NADRA — UAH 9,425.39 million UAH

(liquidation balance sheet approved), PJSC CB FINANCIAL INITIATIVE — 1 255.38 million UAH (liquidation balance sheet approved), JSC RODOVID BANK — 3 986.78 million UAH, JSC BANK FINANCE AND CREDIT — UAH 6,941.12 million (UAH 741.40 million repaid), PJSC IMEXBANK — UAH 2,695.11 million (liquidation balance sheet approved).

In total, tier 5 was settled by UAH 2,363.55 million, which is 8.31% of the total debt under the tier 5.

In 2023, tier 5 was settled by UAH 0.15 million (JSC BANK FINANCE AND CREDIT).

Settlement of tier 6 creditor claims

The amount of accepted tier 6 creditor claims is UAH 103.95 million. Tier 6 was settled by UAH 18.91 million, or 18.19%, of which:

PJSC GREEN BANK – UAH 0,01 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC PRIME-BANK – UAH 0,01 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC JSCB NOVY – UAH 0,01 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC UNISON BANK – UAH 0.03 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC KREDITPROMBANK – UAH 0.02 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC VBR – UAH 0.15 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC NATIONAL CAPITAL BANK – UAH 1.46 million (100% of accepted tier 6 claims, the bank was liquidated), JSC

VTB Bank – UAH 1.58 million (95.90% of tier 6 claims accepted by the bank), PJSC CB Premium – UAH 0.02 million (100% of accepted tier 6 claims, the bank was liquidated), JSC CB SOYUZ – UAH 0.54 million (100% of accepted tier 6 claims, the bank was liquidated), PJSC DIAMANTBANK – UAH 6.78 million (100% of tier 6 claims accepted by the bank, the liquidation balance sheet was approved), JSC JSCB ARKADA – UAH 0.01 million (57.22% of tier 6 claims accepted by the bank), JSC MR BANK – UAH 2.78 million (70.12% of tier 6 claims accepted by the bank), PJSC IBOX BANK – UAH 3.07 million (95.39 of tier 6 claims accepted by the bank), JSC JSCB CONCORD – UAH 2.43 million (71.55% of tier 6 claims accepted by the bank), PJSC Prominvestbank – UAH 0.01 million (25.65% of tier 6 claims accepted by the bank).

In 2023, tier 6 was settled by UAH 8.79 million.

Settlement of tier 7 creditor claims

The amount of accepted tier 7 creditor claims is UAH 117,195.26 million. The balance of the secured debt to the NBU included in tier 7 as of January 1, 2024 amounted to UAH 12,546.04 million (including UAH 1,489.45 million for banks in respect of which an entry was made in the Unified State Register of Legal Entities, Sole Proprietors, and Public Associations on state registration of termination of a legal entity, and therefore, liquidation of banks is considered completed and banks are liquidated).

The 7 was settled by UAH 27,499.08 million (23.46% (for 2023, tier 7 was settled by UAH 5,153.68 million), of which:

» **early satisfaction of creditor claims (NBU) in the tier for the entire period (including due to foreclosure on collateral and property of guarantors) — UAH 16,292.75 million (UAH 546.48 million repaid in 2023):**

- PJSC CB DANIEL – UAH 14.87 million for the entire period (the bank was liquidated).
- PJSC BROKBUSINESSBANK – UAH 274.73 million for the entire period (the bank was liquidated).
- PJSC AVTOKRAZBANK – UAH 13.80 million for the entire period (the bank was liquidated).
- BANK DEMARK PJSC – UAH 26.52 million for the entire period (debt repaid in full, the bank was liquidated).
- JSC PORTO FRANCO – UAH 38.11 million for the entire period (debt repaid in full, the bank was liquidated).
- PJSC BG Bank – UAH 135.85 million for the entire period (debt repaid in full, the bank was liquidated).
- PJSC UKRAINIAN BUSINESS BANK – UAH 184.37 million for the entire period (debt repaid in full, the bank was liquidated).
- JSC EUROGASBANK – UAH 101.29 million for the entire period (the bank was liquidated).
- JSC CB EXPOBANK – UAH 197.13 million for the entire period (the bank was liquidated).
- PJSC LEGBANK – UAH 2.32 million for the whole period (the bank was liquidated).
- PJSC Aktiv Bank – UAH 80.42 million for the entire period (liquidation balance sheet approved).
- PJSC VAB BANK – UAH 2,458.62 million for the entire period (liquidation balance sheet approved).
- PJSC CB NADRA – UAH 3,261.68 million for the entire period (liquidation balance sheet approved).

- PJSC UKRAINIAN PROFESSIONAL BANK – UAH 0.62 million for the entire period (liquidation balance sheet approved).
- PJSC DIAMANTBANK – UAH 291.60 million for the entire period (the debt repaid in full liquidation balance sheet approved).
- PJSC PLATINUM BANK – UAH 248.62 million for the entire period (the debt repaid in full liquidation balance sheet approved).
- PJSC BANK CAMBIO – UAH 322.79 million for the entire period, UAH 0.07 million for 2023
- PJSC ZLATOBANK – UAH 545.97 million for the entire period, UAH 475.91 million for 2023
- PJSC IMEXBANK – for all time 467.50 million UAH (liquidation balance sheet approved).
- PJSC BANK KYIVSKA RUS – UAH 305.14 million for the entire period (liquidation balance sheet approved).
- JSC Delta Bank – UAH 5,162.13 million for the whole period, UAH 70.50 million for 2023.
- JSC RODOVID BANK – UAH 433.60 million for the entire period.
- PJSC CB FINANCIAL INITIATIVE – UAH 145.67 million for the entire period (liquidation balance sheet approved).
- JSC MISTO BANK – UAH 160.87 million for the entire period (the debt repaid in full).

» **early satisfaction of claims of secured creditors (third parties) for the entire period — UAH 1,365.80 million (UAH 85.05 million repaid for 2023):**

- PJSC BROKBUSINESSBANK – UAH 240.56 million for the entire period (of which UAH 1.21 million is secured by MBK from PJSC REAL BANK, UAH 118.76 million – JSC Oshchadbank, UAH 120.59 million – SE Antonov) (the bank was liquidated).
- JSC BANK MERCURY – UAH 47.51 million for the entire period (of which UAH 35.96 million to the State Mortgage Institution and UAH 11.55 million to LLC PLANETA COMFORT) (the bank was liquidated).
- PJSC FORUM – UAH 35.38 million for the entire period (secured by an MBK from VTB Bank PJSC, transfer to the ownership of VTB Bank of the hotel Baccarat) (the bank was liquidated).
- PJSC AVTOKRAZBANK – UAH 6.69 million for the entire period (of which UAH 4.68 million — Corporate Non-State Pension Fund of the National Bank of Ukraine, UAH 2.01 million to the State Mortgage Institution) (the bank was liquidated).

- PJSC CB STANDARD – UAH 0.26 million for the entire period (JSB UKRGASBANK).
 - PJSC STAROKIYIVSKYI BANK – UAH 2.91 million for the entire period (guarantee deposit of JSC UKREXIMBANK) (the bank was liquidated).
 - JSC FORTUNA-BANK – UAH 130.36 million for the entire period (JSC UKREXIMBANK) (the bank was liquidated).
 - JSC Eurogasbank – UAH 2.17 million for the entire period (NBU Corporate Non-State Pension Fund) (the bank was liquidated).
 - JSC CB EXPOBANK – UAH 99.06 million for the entire period (of which UAH 8.20 million is a guarantee deposit of JSC UKREXIMBANK, UAH 90.86 million – LLC
 - FC Prime Capital Group) (the bank was liquidated).
 - PJSC BANK NATIONAL CREDIT – for the entire period UAH 2.00 million (including UAH 0.03 million to PJSC ALFA BANK, UAH 1.97 million – guarantee deposit of JSB UKRGASBANK)(liquidation balance sheet approved).
 - PJSC RADICAL BANK – UAH 48.18 million for the entire period (State Mortgage Institution) (liquidation balance sheet approved).
 - PJSC INTEGRAL-BANK – UAH 27.26 million for the entire period (secured by an MBK from PJSC CB KHRESCHATYK) (liquidation balance sheet approved).
 - PJSC ACTIVE BANK – UAH 0.92 million for the entire period (JSC UKREXIMBANK)(liquidation balance sheet approved).
 - PJSC CB NADRA – UAH 152.17 million for the entire period (of which UAH 36.81 million – German-Ukrainian Fund, UAH 9.95 million – PJSC ALFA BANK, UAH 105.41 million - State Mortgage Institution) (liquidation balance sheet approved).
 - PJSC ENERGOBANK – UAH 7.05 million for the entire period (guarantee deposit of JSC UKREXIMBANK) (approved liquidation balance sheet).
 - PJSC UKRAINIAN PROFESSIONAL BANK – UAH 11.01 million for the entire period (German-Ukrainian Fund) (liquidation balance sheet approved).
 - JSC BANK BOHUSLAV – UAH 0.91 million for the entire period (guarantee deposit of UKRGASBANK JSB) (liquidation balance sheet approved).
 - PJSC CB Investbank – UAH 0.63 million for the entire period (guarantee deposit of JSB UKRGASBANK) (approved liquidation balance sheet).
 - JSC GOLDEN GATE BANK – UAH 0.29 million for the entire period (guarantee deposit of PJSC Raiffeisen Bank Aval) (liquidation balance sheet approved).
 - PJSC Diamantbank – UAH 15.36 million for the entire period (PJSC Raiffeisen Bank Aval) (liquidation balance sheet approved).
 - JSC VTB Bank – UAH 95.30 million for the entire period (JSC TASCOMBANK).
 - PJSC BANK CAMBIO – UAH 11.12 million for the entire period (Corporate Non-State Pension Fund of the National Bank of Ukraine).
 - PJSC ZLATOBANK – UAH 59.60 million for the entire period (of which UAH 57.37 million from the German-Ukrainian Fund, UAH 2.23 million from LLC Porsche Mobility).
 - PJSC IMEXBANK – UAH 10.04 million for the entire period (of which UAH 0.28 million guarantee deposit of JSC UKREXIMBANK, UAH 9.76 million – Corporate Non-State Pension Fund of the NBU). (liquidation balance sheet approved)
 - PJSC BANK KYIVSKA RUS – UAH 6.94 million for the entire period (German-Ukrainian Fund) (liquidation balance sheet approved).
 - JSC Delta Bank – UAH 109.81 million for the entire period (JSC Ukreximbank),
 - of which UAH 80.58 million for 2023 (JSC UKREXIMBANK).
 - PJSC PLATINUM BANK – UAH 3.80 million for the entire period (PJSC VF Ukraine) (PJSC MTS Ukraine) (liquidation balance sheet approved).
 - JSC Misto Bank – UAH 50.63 million (JSC Alpari Bank, JSC FUIB).
 - JSC CB ZEMELNY CAPITAL – UAH 0.19 million for the entire period (JSC FUIB).
 - JSC MEGABANK – UAH 4.47 million for the whole period, including UAH 4.47 million for 2023 (JSC UKREXIMBANK).
- » **regular satisfaction of creditor claims:**
- PJSC CLASSICBANK – UAH 2.21 million (100%) (the bank was liquidated);
 - PJSC SMARTBANK – UAH 21.29 million (36.39% of the total debt of the bank in the tier) (the bank was liquidated);
 - PJSC Prime-Bank – UAH 110.68 million (64.26% of the total debt of the bank in the tier) (the bank was liquidated);
 - PJSC OMEGA BANK – UAH 2.74 million (100%) (the bank was liquidated);
 - PJSC GREEN BANK – UAH 102.78 million (97.35% of the total debt of the bank in the tier) (the bank was liquidated);
 - JSC CB TK CREDIT – UAH 3.28 million (100%) (the bank was liquidated);
 - PJSC UKRAINIAN BUSINESS BANK – UAH 340.03 million (including repayment of refinancing loans to the NBU, 49.84% of the total debt of the bank in the tier) (the bank was liquidated);
 - PJSC UNISON BANK – UAH 44.26 million (100%) (the bank was liquidated).
 - PJSC JSCB KYIV – UAH 1.23 million (100%) (the bank was liquidated);
 - PJSC KREDITPROMBANK – UAH 40.95 million (6.83% of the total debt of the bank in the tier) (the bank was liquidated);
 - PJSC NATIONAL CAPITAL BANK – UAH 11.11 million (55.50 of the total debt of the bank in the tier) (the bank was liquidated);
 - PJSC JSCB NOVY – UAH 3.34 million (100%) (the bank was liquidated);
 - JSC BANK VELES – UAH 0.85 million (52.05% of the total debt of the bank in the tier);
 - PJSC VBR (the bank was liquidated) – UAH 4,189.89 million (83.85% of the total debt of the bank in the tier);
 - VTB Bank JSC – UAH 737.33 million (52.65% of the total debt of the bank in the tier);
 - PJSC DIAMANTBANK – UAH 81.12 million (3.60% excluding early repayment and 15.15% of the bank's total debt in turn including early repayment);
 - PJSC CB PREMIUM – UAH 257.33 million (100% of the total debt of the bank in the tier) (the bank was liquidated);
 - JSC CB SOYUZ – UAH 13.37 million, for 2023 – UAH 13.37 million (100%) (the bank was liquidated);
 - JSC Delta Bank – UAH 538.88 million (early satisfaction of the State Mortgage Institution creditor claims by court decision);

- PJSC Prominvestbank – UAH 2,164.15 million (49.66% of the total debt of the bank in the tier) for 2023 – UAH 1,802.41 million;
- JSC MR BANK – UAH 1,679.40 million (60.01% of the total debt of the bank in the tier), for 2023 – UAH 1,514.94 million;
- JSCB ARKADA – UAH 263.84 million (91.16% of the total debt of the bank in the tier), for 2023 – UAH 263.84 million;
- JSC BANK SICH – UAH 90.15 million (5.75% of the total debt of the bank in the tier, for 2023 – UAH 90.15 million);
- JSC IBOX BANK – UAH 454.70 million (91.42% of the total debt of the bank in the tier), for 2023 – UAH 454.70 million;
- JSCB CONCORD – UAH 382.74 million (62.18% of the total debt of the bank in the tier), for 2023 – UAH 382.74 million.

Settlement of tier 8 creditor claims

The amount of accepted tier 8 creditor claims is UAH 18,851.58 million, including UAH 2.33 million of debt (fines) of JSC BANK FINANCE AND CREDIT to the NBU on refinancing loans.

As of January 1, 2024, tier 8 was settled by UAH 794.15 million, which is 4.21% of the total debt in the tier, of which:

UAH 0.01 million – another satisfaction of PJSC CLASSICBANK (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 0.22 million – another satisfaction of PJSC OMEGA BANK (0.04% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 39.03 million – another satisfaction of PJSC GREEN BANK (96.31% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 22.35 million – PJSC BANK UNISON, of which UAH 10.18 million was an extraordinary share for PJSC JSB UKRGASBANK, UAH 0.01 million – JSC TASKOMBANK, and UAH 12.16 million was an ordinary share million UAH (in total, 100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 0.50 million – another satisfaction of PJSC JSCB NOVY (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 2.86 million – extraordinary satisfaction of PJSC BANK PETROKOMMERTS-UKRAINE (JSC UKREXIMBANK) (in total, 41.75% of the bank's debt was settled in the tier, liquidation balance sheet approved).

UAH 0.40 million – extraordinary satisfaction of PJSC BANK KONTRACT (PJSC JSB UKRGASBANK) (18.13% of the bank's debt was settled in the tier, liquidation balance sheet approved).

UAH 143.87 million – extraordinary satisfaction of PJSC PLATINUM BANK, of which UAH 65.31 million – International Finance Corporation, UAH 78.56 million – JSC Oshchadbank (99.34% of the bank's debt was settled in the tier, liquidation balance sheet approved).

UAH 0.29 million – another satisfaction of PJSC CB PREMIUM (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 3.71 million – another satisfaction of JSC CB Soyuz (100% of the bank's debt was settled in the tier, the bank was liquidated), for 2023 – UAH 3.71 million.

UAH 1.78 million – another satisfaction of JSCB ARKADA (97.00% of the bank's debt was settled in the tier), for 2023 – UAH 1.78 million.

UAH 559.83 million – another satisfaction of PJSC IBOX BANK (7.73% of the bank's debt was settled in the tier), for 2023 – UAH 559.83 million.

UAH 18.71 million – another satisfaction of JSC MR BANK (4.51% of the bank's debt was settled in the tier), for 2023 – UAH 18.71 million;

UAH 0.59 million – another satisfaction of JSCB CONCORD (5.22% of the bank's debt was settled in the tier), for 2023 – UAH 0.59 million.

Settlement of tier 9 creditor claims

Amount of accepted tier 9 creditor claims is UAH 28,431.81 million.

As of January 1, 2024, tier 9 was settled by UAH 1,279.17 million, which is 4.50% of the total debt in tier 9, of which:

UAH 972.63 million – another satisfaction of JSC CB TK CREDIT (57.62% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 204.79 million – another satisfaction of PJSC JSCB NOVY (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 12.39 million – another satisfaction of PJSC BANK UNISON (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 0.06 million – extraordinary satisfaction of PJSC VBR (0.01% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 0.02 million – another satisfaction of PJSC CLASSICBANK (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 0.44 million – another satisfaction of PJSC CB PREMIUM (100% of the bank's debt was settled in the tier, the bank was liquidated).

UAH 21.50 million – another satisfaction of JSC CB SOYUZ (100% of the bank's debt was settled in the tier, the bank was liquidated), for 2023 – UAH 21.50 million.

UAH 10.35 million – another repayment of PJSC IBOX BANK (89.78% of the bank's debt was settled in the tier), for 2023 – UAH 10.35 million.

UAH 56.99 million – another repayment of JSCB CONCORD (24.96% of the bank's debt was settled in the tier), for 2023 – UAH 56.99 million.

Settlement of tier 10 creditor claims

Amount of accepted tier 10 creditor claims — UAH 2,366.71 million.

As of January 1, 2024, tier 10 was settled by 5.29% of the total debt in the tier, namely UAH 125.22 million, UAH 125.22 million of which:

UAH 10.06 million – another satisfaction of PJSC STATE ZEMBANK (100% of the total debt of the bank in the tier) (the bank was liquidated).

UAH 39.93 million – another satisfaction of PJSC JSCB NOVY (31.14% of the total debt of the bank in the tier, the bank was liquidated).

UAH 75.23 million – another satisfaction of PJSC BANK UNISON (100% of the total debt of the bank in the tier, the bank was liquidated).

Settlement of creditor claims as of January 1, 2024 is shown in the Figure 5.2.3.

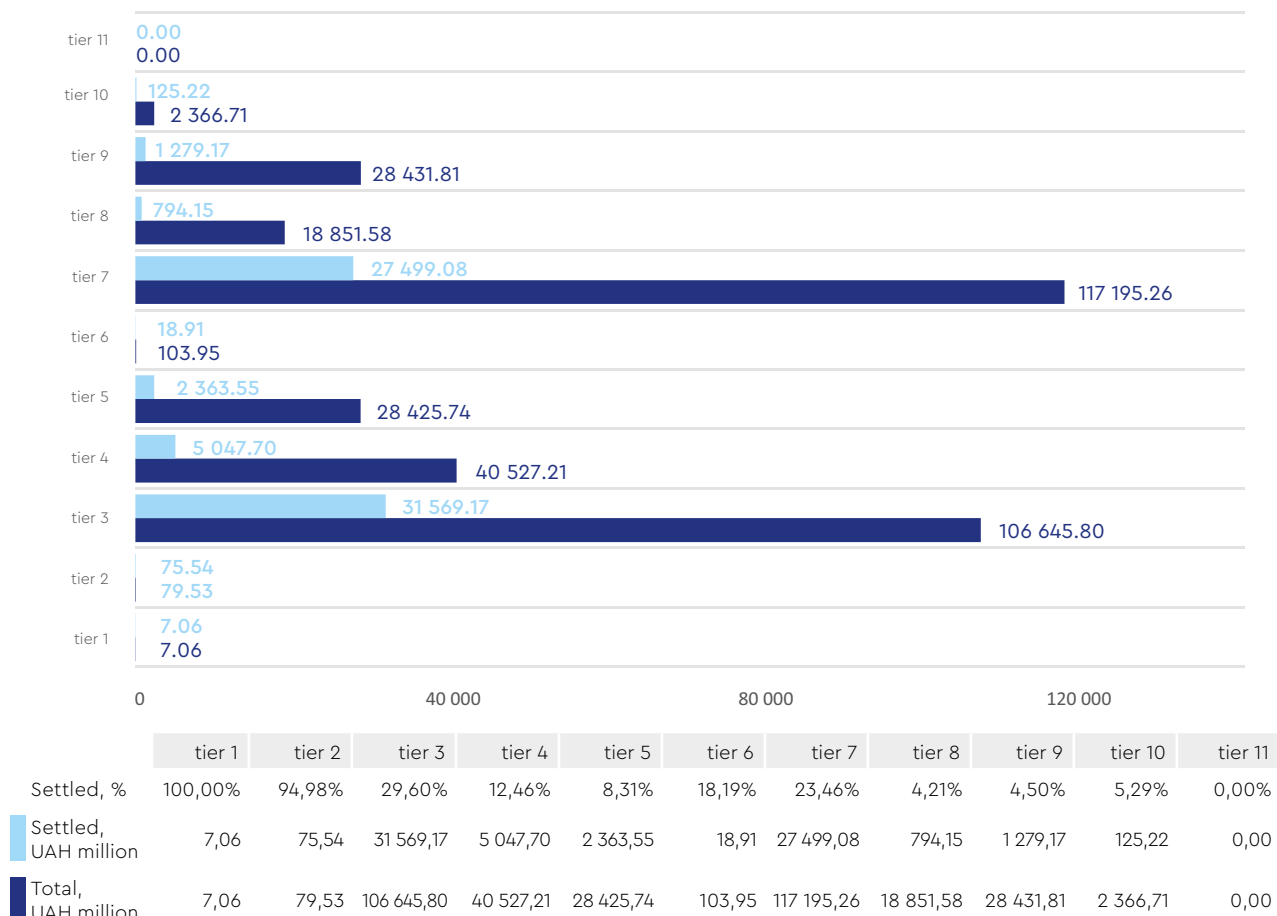


Figure 5.2.3 Settlement of creditor claims by tiers, as of January 1, 2024

We should also note the information on repayment of debts of insolvent banks on NBU loans.

In total, in 2023, the NBU loans amounting to UAH 546.63 million was repaid (including due to foreclosure on the collateral and property of the guarantors), of which: UAH 70.50 million were repaid out of turn (JSC Delta Bank); UAH 0.07 million (PJSC BANK CAMBIO); UAH 475.91 million (PJSC ZLATOBANK); UAH 0.15 million (JSC BANK FINANCE AND CREDIT).

UAH 16,292.75 million has been repaid on the NBU loans over the entire period (including through foreclosure on collateral and property of guarantors).

As of January 1, 2024, the debt of insolvent banks on NBU refinancing loans is recorded on the accounts of 13 banks (excluding banks that have been liquidated and for which liabilities to the NBU remain), the total balance of debt on these banks is UAH 37,121.08 million.

6. FINANCIAL MANAGEMENT

6.1. Sources and utilization of financial resources

In 2023, the DGF continued to accumulate financial resources to ensure the functioning of the household deposit guarantee scheme and bank resolution.

As of the end of the day on December 31, 2023, the DGF resources consisted of:

- funds on accounts with the NBU in the amount of UAH 539 million;
- funds in government securities in the amount of UAH 28,030 million.

In accordance with Article 19 of the Law, the formation of the DGF financial resources in 2023 was carried out from the following sources:

1. initial and regular premiums from the DGF members;
2. income from investing the DGF resources in government securities;
3. income in the form of interest accrued on the balances of the DGF accounts opened with the National Bank of Ukraine;
4. funds received from the implementation of measures provided for in the resolution plan;

5. funds received from banks, the procedure of provisional administration or liquidation of which is carried out by the DGF, within the approved cost estimates, to compensate the costs incurred by the DGF on their resolution;

6. sources that are not prohibited by the legislation of Ukraine.

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

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

- investments in government securities – UAH 22,585 million (85.5%);
- transfer of funds for the guaranteed deposit payouts to bank depositors – UAH 3,091 million (11.7%).
- ensuring the current activities of the DGF according to the cost estimate for 2023 – UAH 725 million (2.7%), the implementation of the estimate for 2023 is 82.7% of the planned amount (Table 6.1.2).

Use of the DGF financial resources in 2023 and 2022

Table 6.1.1
(UAH million)

Areas of use of the Fund's resources	2023	2022
Initial and regular premiums from the members	7 565	5 493
Income from investing in government securities	2 661	1 636
Income in the form of interest on the balance of funds on current accounts with the NBU	96	210
Repayment of domestic government bonds	12 701	12 691
Funds received from the implementation of measures provided for in the resolution plan	2 872	1 211
Funds received from banks, the procedure of provisional administration or liquidation of which is carried out by the DGF, within the approved cost estimates, to compensate the costs incurred by the DGF on their resolution	69	185
Other proceeds, including:	30	3
<i>refund of paid court costs in foreign currency</i>	0	2
<i>refund of court fees</i>	28	1
<i>funds recovered from related parties</i>	2	0
Total by source	25 994	21 429

Use of the DGF financial resources in 2023 and 2022

Table 6.1.2
(UAH million)

Areas of use of the Fund's resources	2023	2022
Transfer of funds for making payments to depositors of insolvent banks	3 091	5 833
Payment to the State Budget of Ukraine	2	0
Investing in government securities	22 585	14 657
Estimated costs	725	662
Other expenses (unbudgeted court fees)	0	5
Total by areas	26 403,0	21 157

In 2023, in accordance with the requirements of the Law of Ukraine "On Public Procurement", taking into account the provisions of the document "Peculiarities of Public Procurement of Goods, Works and Services for Customers Provided for by the Law of Ukraine "On Public Procurement" for the period of martial law in Ukraine and within 90 days from the date of its termination or cancellation", approved by the by the Resolution of the Cabinet of Ministers of Ukraine No. 1178 of October 12, 2022 (as amended), it is planned to procure goods, works and services with a total expected value of UAH 170.3 million.

During the reporting year, 208 procurements were made, including 79 open tenders, 107 procurements without the use of an electronic procurement system and 8 procurements using an electronic catalog. Based on the results of the procurement procedures, contracts totaling UAH 150.7 million were concluded, including UAH 91.0 million for the purchase of goods, UAH 1.5 million for works, and UAH 58.2 million for services. In particular, the DGF needs for technical support services and modernization of existing software products, server equipment, software, goods and services necessary for the operation of the DGF office premises were met.

The cost savings from the open bidding procedures amounted to 8.6 million UAH.

6.2. Settlement of DGF creditor claims

As of the end of the day on December 31, 2023, the debt of liquidated banks on paying creditor claims to the DGF amounted to UAH 28,798.0 million. The total number to which the DGF had registered creditor claims was 35 banks, of which of which 18 banks were managed by the DGF and 17 banks were managed by the NBU (Table 6.2.1).

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

DGF claims against insolvent banks

Table 6.2.1

Banks under liquidation	As of December 31, 2023		As of December 31, 2022		Difference	
	Number of banks	Amount, UAH million	Number of banks	Amount, UAH million	Number of banks	Amount, UAH million
Banks managed by the DGF	18	25 515,5	19	25 657,7	-1	-142,2
Banks managed by the NBU	17	3 282,5	18	3 782,6	-1	-500,1
Total	35	28 798,0	37	29 440,3	-2	-642,3

Largest claims of the DGF against banks under liquidation as of December 31, 2023

Table 6.2.2

Nº	Bank name	Amount, UAH million	Relative share
1	PJSC DELTA BANK	8 342,2	29,0%
2	PJSC BANK FINANCE AND CREDIT	7 530,1	26,1%
3	JSC MEGABANK	3 547,8	12,3%
4	PJSC UKRINBANK	1 705,6	5,9%
5	JSC BANK FORWARD	1 379,5	4,8%
6	PJSC FIDOBANK	744,8	2,6%
7	JSC European	685,0	2,4%
8	PJSC ZLATOBANK	579,4	2,0%
9	JSC UKRBUDINVESTBANK	562,8	2,0%
10	JSC TRANSBANK	436,9	1,5%
11	Other (25 banks)	3 283,9	11,4%
Total		28 798,0	100,0%

The largest amount in absolute terms accrues to PJSC Delta Bank (UAH 8,342.2 million), which is 29% of the total amount. The second and third places are occupied by PJSC BANK FINANCE AND CREDIT and JSC MEGABANK with the amounts of UAH 7,530.1 million, or 26.1% of the total amount, and UAH 3,457.8 million, or 12.3% of the total amount, respectively. Table 6.2.2 shows the data of 10 banks with a share of claims of 1.5% and above. The remaining 25 banks have accounts payable to the DGF in the amount of UAH 3,283.9 million, or 11.4% of the total amount.

During the reporting year, the creditor claims of the DGF totaling UAH 2,871.8 million were settled. The total settlement was made by 13 banks managed by the DGF, 31.99% of the settlements accounted for the settlement of creditor claims of JSC BANK SICH in the amount of UAH 918.8 million, 23.22% - to repay the accounts payable of JSCB JSC CONCORD in the amount of UAH 666.8 million (Table 6.2.3).

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

Table 6.2.3

Nº	Bank name	Amount, UAH million	Relative share
1	JSC BANK SICH	918,8	32,00%
2	JSC JSCB CONCORDE	666,8	23,22%
3	JSC MEGABANK	569,7	19,84%
4	JSC IBOX BANK	318,8	11,10%
5	JSC CB ZEMELNY CAPITAL	113,7	3,96%
6	JSC BANK FORWARD	108,0	3,76%
7	PJSC ZLATOBANK	65,1	2,27%
8	JSC DELTA BANK	50,0	1,74%
9	PJSC BANK FINANCE AND CREDIT	33,8	1,18%
10	JSCB ARCADA	24,7	0,86%
11	JSC CB SOYUZ	1,1	0,04%
12	JSC VTB BANK	1,0	0,03%
13	JSC MISTO BANK	0,3	0,01%
Total		2 871,8	100,0%

6.3. Implementation of the agreement between the DGF and the Ministry of Finance of Ukraine

Pursuant to the Agreement on the Procedure for the Transfer of Funds by the Deposit Guarantee Fund to the State Budget of Ukraine dated April 15, 2022, the DGF calculated the amount of UAH 150.31 million received by the DGF in 2023 to satisfy the DGF claims against banks that were declared insolvent in 2014–2017 or in respect of which a decision was made to liquidate on the grounds specified in part two of Article 77 of the Law of Ukraine "On Banks and Banking" in 2014–2017.

Subsequently, after receiving the auditor's report on the financial statements of the DGF for 2023, the DGF Executive Board decide to transfer these funds to the general fund of the State Budget of Ukraine. The calculation of the above amount by in terms of banks is given in Table 6.3.1.

In accordance with the Agreement on the Procedure for Transfer of Funds to the State Budget of Ukraine by the Deposit Guarantee Fund dated April 15, 2022, the DGF did not calculate the excess adjusted capital, given that the DGF conducted stress testing and calculated the value of the DGF target indicator and the deadline for its further establishment and consideration by the Financial Stability Board (hereinafter referred to as the FSB).

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

Table 6.3.1

№	Bank	Repayment in the reporting year, UAH
1	PJSC ZLATOBANK	65 076 311,79
2	PJSC DELTA BANK	49 997 772,66
3	PJSC FINANCE AND CREDIT	33 826 852,57
4	PJSC CB SOYUZ	1 078 038,80
5	PJSC CB NADRA	87 756,65
6	JSC GOLDEN GATE BANK	75 477,00
7	PJSC BANK TRUST	68 494,99
8	PJSC CB ASSET BANK	37 230,00
9	JSC BROKBUSINESSBANK	27 771,15
10	PJSC UKRGAZPROMBANK	11 189,22
11	PJSC BANK KYIVSKA RUS	9 283,47
12	PJSC CB STANDARD	7 446,00
13	PJSC BANK KONTRAKT	2 436,00
14	PJSC VAB BANK	364,58
15	PJSC ENERGOBANK	243,60
Total		150 306 668,48

6.4. Assessment of DGF financial stability

The DGF assesses its financial stability based on the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund during Martial Law introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by Law of Ukraine No. 2102-IX dated February 24, 2022, (as amended), which was approved by Decision of the DGF Executive Board No. 1107 dated December 29, 2022. This methodology establishes the mechanism for assessing the DGF ability to cover the projected amount of risks in the banking system in the future, the procedure, conditions, and period for calculating the target fund size, liquidity risk, adjusted capital.

In the short-term period up to 1 year, the DGF may expect

expenses in the form of compensation payments in the amount of UAH 22.3 billion. If these risks are realized in full, the DGF will suffer a capital loss of UAH 17.3 billion, which is not critical for the financial condition of the DGF, as the adjusted capital of the DGF over the next 12 months significantly exceeds the potential for its loss. As of January 01, 2024, the adjusted capital is over UAH 29.7 billion. Therefore, the DGF is considered financially stable in the short term.

In the current period, the financial stability of the DGF is ensured by liquid funds during the current and next two months, so the DGF does not see a potential shortage of them. The balance of funds will not decrease below the level of UAH 670 million, which indicates the absence of financial threats during the current 3 months.

6.5. DGF financial investments

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

The investment of funds took place in accordance with the Investment Plan of the Deposit Guarantee Fund for 2022–2024 approved by the decision of the DGF Administrative Board No. 18 dated December 14, 2021, which provided for the investments in securities in the amount of UAH 23,000 million in 2023 and the formation of the authorized capital of the transitional bank in the amount of UAH 6 million.

Since no banks were removed from the market by establishing a transitional bank in 2023, the DGF did not form the authorized capital of the transitional bank in the amount of UAH 6 million. Out of the planned UAH 23,000 million of investments in securities during the reporting period, UAH 22,584.8 million was invested in domestic government bonds. The fulfillment of the investment plan amounted to 98.2%.

The DGF financial investments in domestic government bonds were made taking into account changes in the risks of potential bankruptcies of banks and observance of investment differentiation in terms of their maturity dates. The DGF invested funds for the period from 189 to 434 days, which was reflected in the levels of return on these investments from 16.49 to 19.25 percent per annum (Table 6.5.1).

Investing the DGF resources in domestic government bonds in 2023

Table 6.5.1

No.	ISIN code	Purchase date	Maturity date	Circulation period (days)	Yield, % per annum	Quantity of domestic government bonds	Cost of domestic government bonds under the agreement, UAH
1	UA4000224380	25.01.2023	14.02.2024	385	18,5	1 491 572	1 499,999 381,80
2	UA4000226450	19.04.2023	13.03.2024	329	18,5	1 507 734	1 500 014 401,92
3	UA4000226286	19.04.2023	26.06.2024	434	19	1 513 454	1 500 014 528,48
4	UA4000226450	26.04.2023	13.03.2024	322	18,5	1 500 000	1 497 391 500,00
5	UA4000226286	26.04.2023	26.06.2024	427	19	1 500 000	1 491 871 500,00
6	UA4000226450	10.05.2023	13.03.2024	308	18,5	596 700	599 731 832,70
7	UA4000207880	12.06.2023	22.05.2024	345	19,25	490 000	458 233 790,00
8	UA4000226286	14.06.2023	26.06.2024	378	18,4	528 800	541 729 688,80
9	UA4000227763	12.07.2023	01.05.2024	294	18	983 712	859 145 533,15
10	UA4000187207	26.07.2023	02.10.2024	434	18,3	589 300	599 943 347,30
11	UA4000187207	04.10.2023	02.10.2024	364	17,55	3 942 633	3 871 314 711,66
12	UA4000227045	11.10.2023	07.08.2024	301	18	954 580	999 999 870,98
13	UA4000187207	18.10.2023	02.10.2024	350	17,53	910 000	899 499 510,00
14	UA4000229025	01.11.2023	05.06.2024	217	17	252 000	228 869 172,00
15	UA4000229025	22.11.2023	05.06.2024	196	16,8	336 513	336 184 415,76
16	UA4000229470	06.12.2023	20.11.2024	350	16,92	2 188 698	1 883 157 947,90
17	UA4000229470	13.12.2023	20.11.2024	343	16,88	326 161	281 506 623,65
18	UA4000229470	20.12.2023	20.11.2024	336	16,84	1 681 876	1 456 153 103,92
19	UA4000219208	27.12.2023	03.07.2024	189	16,49	2 002 000	2 080 019 942,00
Total investments							22 584 780 802,02

In total, during 2023, the DGF received UAH 15,362.3 million of income from investments in domestic government bonds, namely:

- coupon income – UAH 2,661.4 million;
- repayment of domestic government bonds – UAH 12,700.9 million.

At the beginning of 2023, book value of the DGF securities portfolio was UAH 16,893.4 million, of which the value of government bonds received by the DGF as a loan from the Ministry of Finance of Ukraine in exchange for the DGF promissory notes and held in the portfolio for sale was UAH 3,870.5 million, or 23%. remaining part of domestic government bonds with the book value of UAH 13,022.9 million, or 77%, was held to maturity.

As of the end of 2023, the total value of the DGF securities portfolio increased to UAH 28,029.8 million, of which the share of domestic government bonds received as a loan from the Ministry of Finance of Ukraine in exchange for the DGF promissory notes and accounted for in the DGF trading portfolio amounted to 15.8%, and their fair value was UAH 4,417.8 million. The DGF financial investments in domestic government bonds held to maturity account for 84.2% of the investment portfolio, with a book value of UAH 23612.0 million (Figure 6.5.1).

The report on the implementation of the DGF Investment Plan for 2023 is provided in the Annex to the Annual Report of the Deposit Guarantee Fund for 2023.

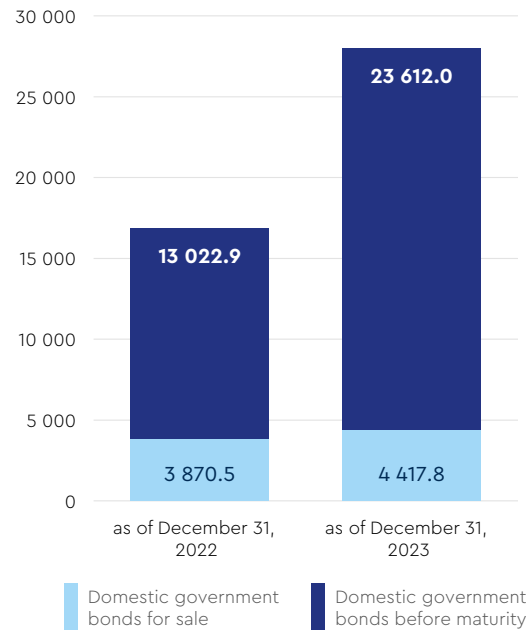


Figure 6.5.1 Trends of the DGF investment portfolio as of the end of the year, UAH million

7. PUBLIC AND RELATIONS

7.1. DGF public relations and information policy of the DGF

In 2023, the DGF celebrated 25th anniversary.

In 2023, the key factor that influenced the situation in the country in general and the formation of the DGF information policy, in particular, as in the previous year, was the full-scale military invasion of Ukraine by Russia. Throughout the year, the Russian Federation repeatedly attacked critical and civilian infrastructure, as well as residential buildings with missiles and UAV. Reports about the shelling and its consequences remained the key information messages in the media field, at the same time, one of the main topics of interest to the audience was the issue of financial security and protection of personal savings amid the war.

In order to ensure the stability of the banking system and contribute to the financial stability of the country as a whole, the DGF continued to inform the public about the 100% guarantee on deposits of individuals and private entrepreneurs. In particular, with the support of the USAID Financial Sector Reform Project, informational videos were created with the participation of well-known Ukrainian artists - Olesya Zhurakivska and Serhiy Tanchynets. These videos were distributed through the DGF social media pages and the DGF YouTube channel, and were also sent to banks for distribution.

In June 2023, the DGF, together with the Ministry of Digital Transformation, announced the launch of a new service in the Diia app, and in October held a joint presentation of the announced service. From now on, guaranteed compensation payments have become even more accessible for depositors of banks liquidated by the DGF – all they need to do is log in to the Diia app and select the Deposit Payout service in the menu. The announcement and launch of this service allowed us to further draw the attention of citizens to 100% deposit guarantees.

In July 2023, the shares of Sens Bank were sold to the state. In order to ensure maximum transparency of the process, the bank was placed under the DGF management for the duration of the provisional administration until the sale and purchase agreement with the Ministry of Finance of Ukraine was concluded:

- Established communication with the bank PR service to simultaneously release information on the procedure for transferring the bank's shares to the state;
- Ensured communication with all target audiences and media coverage of all significant procedures carried out during the provisional administration.

As a result of coordinated actions and transparent procedures during the provisional administration, not only was there no outflow of funds from the bank, but its deposit portfolio grew – within the first day of the bank's clients increased the amount of deposits by UAH 330 million, which is evidence that we managed to prevent possible panic on the part of the bank's depositors and, as a result, capital outflow.

In 2023, on the occasion of the 25th anniversary of the introduction of the Deposit Guarantee Scheme in Ukraine, 2 special projects were implemented for different target audiences:

- In the spring of 2023, a project of the DGF and the financial portal Minfin was launched, which included video interviews of the DGF speakers on the YouTube video hosting site, entitled "Bank Liquidation: How the DGF Manages and Sells Assets" and "War vs. Ukrainian Banks: What is the Secret of Stability?";
- In September 2023, with the support of the USAID Financial Sector Reform Program, the NBU and the online publication Economichna Pravda implemented a special project "Funds are Safe". As part of this project, four articles on the deposit guarantee scheme in Ukraine and the activities of the Deposit Guarantee Fund were published on the website of the online publication: "Wartime Banks: Who Protects the Public's Deposits", "What and How the Deposit Guarantee Fund Sells", "The Deposit Guarantee Scheme on the Way to European Standards", and "25 Years of the Ukrainian Deposit Guarantee Scheme in 25 Facts".

In the second half of the year, the DGF provided a number of publications in the media covering the DGF pilot project for the sale of industry pools, which was launched in the fall of 2023. The peculiarity of these pools is that the assets included in them are selected on a sectoral basis – they belong to the same type of economic activity. The purpose of covering this project was to draw attention to it to the widest possible range of potential investors and to comprehensively inform all interested target audiences about it.

In total, during 2023, the DGF prepared, posted on the official website of the DGF and sent to the media about 220 press releases, organized more than 25 thematic interviews and comments in the media, television appearances, published 3 thematic columns by the DGF speakers, provided information materials to journalists for the preparation of 7 articles published in professional economic media. In order to reach a wide audience of financial services users, Svitlana Rekrut, Managing Director of the DGF, took part in TV broadcasts and provided comments for news stories, in particular, on the introduction of 100% guarantees during the martial law and within three months after its lifting, the sale of shares of JSC Sens Bank to the state, and the start of guaranteed compensation payments using the Diia application. In addition, to expand the range of potential buyers, popularize auctions for the sale of bank assets in liquidation and, as a result, increase the proceeds to satisfy the claims of bank creditors, the media disseminated comments and columns by representatives of the Consolidated Asset Sales Department.

7.2. Development of digital communication channels

Throughout the year, the DGF website regularly published all information on the activities of the DGF and the liquidated banks, including news, press releases, announcements, statistics and reports, etc. In total, over 285 thousand users visited the DGF official website in 2023.

In 2023, the DGF continued to actively communicate with the public on social media. During the year, more than 400 posts were published on the DGF Facebook page, 33 of which were videos (video comments by the DGF speakers, animation, recordings of TV broadcasts with the participation of the DGF speakers, etc.) For the users of the social network Facebook, the DGF page published materials within the previously launched "I want to know" sections, "Financial Weekly", "Number of the Day", "Quote of the Day". The format of the Legal Alphabet section was updated to increase interaction with the articles. In addition, additional sections "No worries" and "Clearly about bidding", which was aimed at providing more detailed information on the functioning of the deposit guarantee scheme as a mechanism for protecting citizens' funds and on the organization of open electronic auctions for the sale of property of liquidated banks by the DGF.

In 2023, the number of subscribers to the DGF Facebook page increased to 88 thousand people. During the year, about 10 million Facebook users viewed posts on the DGF Facebook page. The target audiences of the published content were financial services users (in particular, depositors and borrowers of banks), potential investors who can participate in the DGF auctions, and media representatives.

In order to improve the operation of the DGF website, in particular, to facilitate the use and search of information posted on the DGF website, in 2023, with the assistance of the USAID Financial Sector Transformation Project, a comprehensive analysis of the DGF website was conducted, including usability, search engine optimization (SEO) and technical analysis. Based on the results of the comprehensive analysis, the DGF received a list of problematic issues in the operation of the DGF website and recommendations for its improvement. Work on improving the DGF website is planned for 2024.

At the same time, in 2023, there were peaks in user activity on the DGF website:

- in the spring (from 2,383 to 3,025 users per day with an average of 1,544 users in the first half of 2023), during the periods of informing about the liquidation of JSC BANK FORWARD and JSC IBOX BANK and the start of guaranteed compensation payments to depositors of these banks;
- in the summer (from 2,222 to 4,258 users per day with an average attendance of 1,286 users in the second half of 2023), during periods of information on nationalization of JSC SENS BANK, liquidation of JSC CONCORD BANK and JSC UKRBUDINVESTBANK, the start of guaranteed compensation payments to depositors of these banks, as well as the DGF expansion of opportunities for depositors to receive guaranteed compensation in the Diia application by launching the service "Deposit Payout".

7.3. Information and consulting center management

One of the functions of the DGF, as defined by the Law, is to take measures to inform the public about the functioning of the deposit guarantee scheme, protect the rights and legally protected interests of depositors, and raise the level of financial literacy of the population.

In 2023, despite the second year of full-scale hostilities in Ukraine, the DGF provided full information support to the public by providing information, consulting and reference services to depositors of insolvent banks or liquidated by the DGF, as well as to other interested parties.

Members of the public had the opportunity to contact the DGF information and consultation center in any way convenient for them, namely

- by calling the DGF hotline;
- by phone to make an appointment for a personal appointment and address problematic issues;
- through chatbots on Viber and Telegram social networks;
- via the messenger on the DGF Facebook page;
- by e-mail;
- through personal reception of citizens at the DGF.

In 2023, the DGF telephone hotline operated continuously and steadily, remaining the most accessible and popular communication channel. Most often, members of the public contacted the DGF with questions about receiving guaranteed compensation, the possibility of using the program of restructuring loan debt to banks in liquidation, providing information on settlements between banks and creditors, and the sale of assets by banks in liquidation.

Depositors who wanted to receive guaranteed compensation on their deposits were interested in the procedure for receiving funds, the terms and maximum amount of compensation, and the possibility of receiving payments remotely, in particular through the Diia mobile application. Employees of the Information and Consultation Center actively explained the 100% guarantee on deposits during martial law.

Depositors of solvent banks were interested in the stability of the banking system as a whole, the DGF guarantees for deposits, and information on depositor rights.

In addition to the informational function, the Hotline operators also provided qualified assistance in writing appeals (applications), resolving problematic issues related to the payment of guaranteed compensation through the DGF agent banks, repayment of creditor claims, and other issues. In total, through "In 2023, the DGF hotline provided 32,965 explanations and consultations.



In 2023, online communication channels remained popular. In particular, citizens could get answers to common questions by writing to chatbots in Viber and Telegram messengers or on the DGF Facebook page. If the question was complicated and the bot did not find an answer, the requesters of information could connect with the operator and get help from the operator of the DGF information and consultation center. Electronic means of communication were especially relevant for employed persons, citizens who were abroad or in the temporarily occupied territories.

In total, 1518 applications were processed through electronic means of communication, of which 624 consultations and explanations were provided by e-mail. The opportunity to receive information and qualified assistance through the messenger on the DGF Facebook page, chatbots of the DGF information and consultation center on Viber and Telegram social networks was used by 894 people.

In 2023, the DGF ensured proper public access to public information managed by the DGF, in particular by providing information upon requests for public information, regularly updating the Unified State Open Data Portal and taking other measures provided for by the legislation on access to public information.

Thus, last year, the DGF satisfied 223 requests for public information managed by the DGF. It is worth noting that 33% of requests were received by the DGF in electronic form – by e-mail or through the request form on the DGF website.

In order to protect the rights of depositors, the DGF information and advisory center collected and analyzed information from citizens about violations of depositor rights by operating banks.

In 2023, the employees of the DGF information and consultation center held personal reception of citizens at the DGF. The opportunity to communicate directly with the management or other officials of the DGF and receive professional advice, clarification on certain issues or assistance in filling out a request or application, or to submit a written appeal in person, was used by 597 people. During the personal reception of citizens, the DGF received 252 appeals (applications).

In 2023, not only depositors and creditors of insolvent banks applied to the DGF, but also interested parties who intended to participate in open bidding and purchase property (assets) of insolvent banks. Thus, the employees of the Information and Consultation Center accepted applications from potential buyers for non-disclosure of confidential information to gain access to the DGF virtual data room, and provided detailed explanations on the procedure for participating in open bidding. In particular, in 2023, 57 expressions of interest in acquiring assets and gaining access to the DGF virtual data room were accepted. By the way, the DGF also ensured the acceptance of such applications in electronic form.

Last year, in order to calm public opinion and prevent destabilizing processes in the banking sector, the DGF promptly prepared questions and answers and other information materials on the liquidation of the systemically important JSC SENS BANK with the participation of the state, which were used by the Information and Consultation Center.



Due to this, in particular, depositors and other clients of this bank, having addressed the DGF or directly to JSC SENS BANK, received reliable and complete information about the security of their savings, the further operation of the bank, etc.

In 2023, the DGF continued its constructive interaction with representatives of public organizations and initiative groups of insolvent banks to protect the rights of depositors and creditors of insolvent banks.

In view of the above, the DGF information and consultation center, even during martial law, remains open to all those wishing to receive reliable and comprehensive information about the DGF activities in a way convenient for everyone: in person, by phone or through online communication channels.

7.4. Financial awareness and protection of depositors' rights

According to the Law, one of the functions of the DGF is to increase the level of financial literacy of citizens.

In order to reduce the risks of citizens losing their savings and improve their financial literacy, the DGF has identified financial education as a strategic area of its activities until 2025.

To realize this goal, the DGF activities are carried out in three main areas:

1. Development and implementation of state standards for financial literacy in Ukraine:

a) *creating a Financial Competency Framework for different age groups;*

An interagency working group led by the DGF, which also included experts from the NBU, the National Securities and Stock Market Commission and the Ministry of Education and Science of Ukraine, created the Financial Competences Framework for Adults of Ukraine and the Financial Competences Framework for Children and Youth of Ukraine. The Financial Competences Framework was published in 2022, while the Financial Competences Framework for Children and Youth (hereinafter referred to as the "Framework") was developed during 2023 and published in January 2024.

The development of such documents in Ukraine was carried out for the first time and was another step towards building a national consolidated system for the development and implementation of basic financial education. The Framework describes the key financial competencies of children and young people in Ukraine aged 5 to 18. This includes a set of knowledge, skills, abilities, and attitudes in the area of personal finance management and consumption of financial services. For example, future users of financial services will not be introduced to information about banking services and deposit protection in Ukraine in adulthood, but gradually, starting from primary school, which will allow them to absorb this knowledge more effectively and form responsible financial behavior in a timely manner, which, in turn, is the basis for building the financial stability of the Ukrainian population.

The widespread practical use of the Framework will contribute to the implementation of the state policy in the field of financial literacy and financial inclusion, as well as to the creation of a platform for the exchange of best practices and experience in the implementation of financial education. In addition, the Framework will ensure the implementation of the competency-based approach and serve as a basis for the implementation of the cross-cutting content area "Entrepreneurship and Financial Literacy" in the New Ukrainian School.

The framework is available for free use by government agencies, private organizations and civil society.

b) *increase financial literacy and awareness of the deposit guarantee scheme through systematic interaction with the educational environment;*

In order to increase financial literacy and public awareness of the deposit guarantee scheme, interaction with the educational environment is very important, both to reach the adult population (in our case, teachers) and to extend it to young people (high school and university students) who will become active users of financial services in the coming years. Therefore, as part of the National Financial Literacy Project, in 2023, the DGF specialists conducted more than 100 financial literacy training events for more

than 3,000 teachers in Ukraine. The events were held at regional institutes of postgraduate education in 13 regions of Ukraine, including Mykolaiv, Kherson, and Zaporizhzhia, both in the form of separate thematic lectures and comprehensive courses on topics related to budget planning, savings, use of bank deposits and deposit guarantee in Ukraine, financial security, etc. In particular, the topic "Protection of funds in banks under martial law. Procedures to be followed if a bank becomes insolvent during the war" is part of a comprehensive course dedicated to building personal financial resilience of Ukrainians.

In addition, the DGF systematically conducts educational activities for schoolchildren, university students, employees of budgetary institutions, persons registered with employment centers, entrepreneurs, and participates in partnership educational events. In particular, in 2023, the DGF specialists became lecturers at the School of Financial Literacy for teachers of the Center for Financial Knowledge.

"Talan" (NBU), gave a lecture for students of Sumy State University on "Deposits and the Deposit Guarantee Scheme", and participated in the FinEducation-2023 event for students of economic specialties of Ukrainian universities, where they delivered a lecture on "The Deposit Guarantee Scheme in Ukraine. Myths Busting".

To ensure systematic interaction with the educational environment at all levels of education, in December 2023, the DGF signed a Memorandum of Cooperation in the Field of Financial Literacy with the Ministry of Education and Science of Ukraine.

2. Expanding interaction with financial services users through online knowledge dissemination channels:

a) *disseminating information through the Deposit Guarantee Fund financial literacy social media;*

According to the DGF 2021 survey "Awareness of Financial Services Consumers of Ukraine about the Deposit Guarantee Scheme in Ukraine", the Internet and information directly from banks were named the main channels of information that Ukrainians trust most regarding financial and banking services: 27% and 21% respectively.

Among the reasons why they do not keep money in a bank, people aged 61 and older mentioned a lack of savings, and young people (18-29 years old) mentioned low confidence in banking institutions. 12% of respondents prefer other ways of saving money (real estate, securities, cash foreign currency, antiques, etc.).

However, compared to 2019, in 2021, the share of respondents who cited distrust of banks as a reason for not keeping money in banks decreased (from 30.3% to 25.3%), and the share of those who said they had no savings due to low income increased from 51.7% in 2019 to 60.5% in 2021.

Therefore, in order to reach a wide audience of citizens, in 2023, the pages of the Fincult DGF educational project on Facebook and Instagram, as well as on the YouTube video hosting service and the Telegram channel, were actively updated with information materials. The topics of the posts are aimed at increasing confidence in the banking system (topics on the use of deposits and information on deposit insurance in Ukraine) and building savings (planning, budgeting, using loans, and financial security). In addition, during the celebration of international financial initiatives, the DGF conducts

thematic information campaigns on social media dedicated to the use of deposits and certain issues of deposit guarantee in Ukraine, reaching about 1.1 million social media users per month of the campaign.

b) creating a separate educational website, the Guide to Savings;

To popularize knowledge about the deposit guarantee scheme and increase the level of financial literacy of citizens, the DGF has created a thematic educational website on financial literacy called "Guide to Savings". This website contains useful tips and practical advice to help you better understand your personal finances and make effective financial decisions. This is an online platform with educational materials of the DGF, which allows participants to study financial literacy materials and awareness of the guarantee scheme on their own.

3. Create a system of financial education centers at the regional level for different age categories and social groups:

a) creation of the DGF Financial Literacy League of Ambassadors;

Since the beginning of 2020, almost all DGF educational activities specialists have been conducted online, first due to pandemic restrictions, and then due to the full-scale invasion. Therefore, in order to better cover the regions, at the end of 2021, the DGF created the Financial Literacy League of Ambassadors, an association of volunteer specialists who are systematically and actively engaged in financial education through educational events of various formats (online, gaming, lectures, etc.) throughout Ukraine. As of the end of 2023, the League unites 94 members who are making efforts to build financial culture and financial sustainability skills in every Ukrainian family and society as a whole.

In order to disseminate complete and reliable knowledge about the functioning of the Household Deposit Guarantee Scheme in Ukraine and the activities of the Deposit Guarantee Fund, all candidates for Ambassadors must take a specialized training course "Deposit Guarantee Scheme: Fundamentals and Practice". The course was developed by the DGF specialists and is designed to improve the skills of trainers who conduct educational events on financial topics, familiarizing students with the peculiarities of the deposit guarantee scheme and the principles of the DGF operation.

The creation of the League of Ambassadors was in fact the first step in building a system of basic financial education, and the DGF Financial Literacy League of Ambassadors became the main human capital in creating financial literacy clubs and other financial education centers.

Protection of depositors' rights

In 2023, the DGF activities were aimed at maintaining the financial peace of depositors, as the security and protection of their funds was, is and remains important for them.

After the introduction of 100% guarantee on bank deposits for the period of martial law in Ukraine and for three months from the date of its termination or cancellation, the DGF carried out active cooperate with banks on informing depositors about the DGF legislative initiatives.

The best performance of the banking system in such conditions is an increase in deposits of more than 30%. This result demonstrates public trust in the banking sector and the confidence of depositors in the protection of their funds.

Overall, there are currently about 100 financial literacy clubs in all regions of Ukraine. Some of them continued working after the start of the full-scale invasion, there are those that worked in the occupied territories, and others resumed their activities in 2023. The main objective of financial literacy clubs is to develop sustainable financial habits and personal finance management skills among adults and young people.

b) implementation of the National Financial Literacy Project 2.0;

As the next step in the development of a consolidated system of basic financial education, the DGF, together with the NGO Business Club Partner, launched the National Financial Literacy Project 2.0.

The mission of the National Financial Literacy Project 2.0 is to increase the level of financial literacy of citizens and create a system of financial education centers at the regional level for different age categories and social groups.

In 2023, new partners joined the National Financial Literacy Project 2.0 – the Executive Board of the Kryvyi Rih City Council and FUIB Bank. In cooperation with the Department of Education and Science of the Kryvyi Rih City Council, a pilot project was launched to open financial literacy clubs in lyceums in Kryvyi Rih. Currently, 7 financial literacy clubs are operating in lyceums in Kryvyi Rih as part of the project. Their activities are carried out on the basis of a special program based on the use of innovative teaching methods, taking into account the Financial Competence Framework for Children and Youth of Ukraine.

In addition to the financial literacy clubs, another structural element of the National Project operates in Kryvyi Rih – FinHub, which is the center for developing the project's methodological development and coordinating efforts to scale the project in the region.

In the near future, it is planned to open a Financial Education Center in Kryvyi Rih, a financial education center aimed at adults, including vulnerable social groups.

Disclosure of information about the Deposit Guarantee Scheme is carried out through DGF establishing requirements for the content of bank account/bank deposit agreements, posting information on the bank premises and websites. In the reporting year, the Depositors' Rights Protection Department remotely monitored the activities of 63 DGF member banks for compliance with the law. The number of violations decreased significantly – from 97% of the total number of inspected banks in 2016 to 9% in 2023 (Figure 7.3.1). In 2023, no violations were detected in 57 banks (91% of all banks).

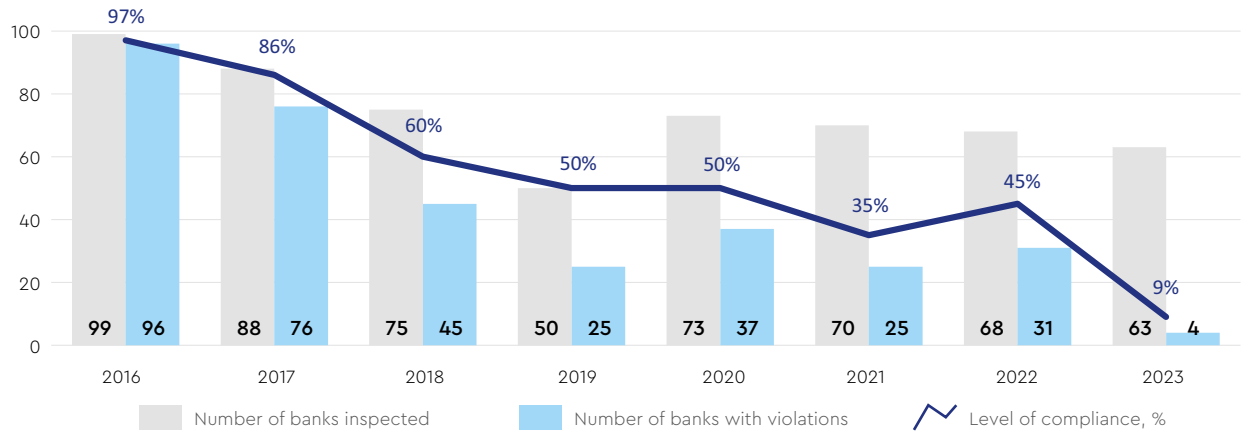


Figure 7.3.1 Level of compliance by the member banks with the DGF requirements for disclosure of information on the deposit guarantee scheme

In 2023, the DGF continued to communicate with banks, as they are the main source of information for citizens on how the guarantee scheme works. This is confirmed by the results of the latest sociological survey on the awareness of Ukrainian financial services consumers about the deposit guarantee system, according to which 57.3% of respondents learn about the guarantee system from the bank where they opened their account.

The survey results show that in most cases, depositors exercise their right to receive information on guarantees by contacting banks. In order to ensure that depositors receive complete and up-to-date information, the DGF constantly updates training materials for banks to provide internal training on the deposit guarantee scheme.

The rapid development of modern technologies and the expansion of sales channels for banking products are convenient for depositors, but there are cases when banks fail to provide full and transparent information about depositors' rights, content, risks and legal consequences of losing the right to funds in the event of bank liquidation. In order to prevent such situations, the DGF monitors trends in the banking market that may pose risks to the interests of depositors and actively cooperates with the regulator.

The DGF is adapting to the new realities and continues to work on the implementation of EU directives aimed at protecting the rights of depositors, as full and transparent information of citizens is and remains the main focus of the DGF's activities in this area.

8. EUROPEAN INTEGRATION AND INTERNATIONAL COOPERATION

DGF participation in the nationwide European integration processes

Throughout 2023, the DGF, within its competence, represented the interests of the state and society in communications with the EU at all levels as the body responsible for the implementation of EU legislation on deposit insurance schemes and the liquidation of credit institutions. These activities were implemented and guided within the framework of the national European integration policy, in particular, within the following two key parallel tracks:

Track 1: Continued implementation of the EU-Ukraine Association Agreement.

Track 2: Negotiations on Ukraine full membership in the EU.

Track 1:

Updating the Annex to the Association Agreement with the EU

The DGF, with other responsible authorities in the financial services sector, has started work on updating Annex XVII-2 "Rules Applicable to Financial Services" of the EU-Ukraine Association Agreement. The work is carried out in direct cooperation with the European Commission's Board-General for Financial Stability, Financial Services and Capital Markets Union and the EU Delegation to Ukraine. As part of this activity, the possibility of implementing 722 EU acts, including those of the second level, is to be analyzed. Today, this measure

is one of the priorities for strengthening implementation for 2023–2024⁶.

Also, this task has gained additional importance and gradually moved to Track 2 of the European integration process, taking into account the report of MEPs of January 23, 2024, in which they emphasized changes in the mechanism of integration of candidate countries based on the achievement of single market standards.

Action Plan for the Implementation of the EU-Ukraine Association Agreement

The DGF, within its competence, is actively implementing measures to implement the Association Agreement, which were approved by the Cabinet of Ministers of Ukraine in 2017⁷, namely:

No. s/n	Action	EU	UA
1.	Increase in the maximum amount of deposit insurance	100 000 euros	For the duration of martial law without a limit on the amount of compensation. Three months after the end of martial law – 600,000 (before the introduction of martial law was 200,000)
2.	Introduction of mandatory participation in the credit union deposit insurance system	All credit institutions soliciting deposits must be members of deposit insurance systems Deposit insurance systems	Credit unions which not involved in the deposit guarantee scheme. Implementation is postponed on the basis of the position of the International Monetary Fund until the martial law is lifted or terminated of martial law.
3.	Bringing the the deposit compensation procedure in line with EU law	Payments are made on 7 days after the decision is made about the unavailability of deposits.	No later than 20 business days (for banks whose depositor database contains information on more than 500,000 accounts – no later than 30 business days) from the date of commencement of the procedure for the DGF liquidated bank. Full compliance is expected by 2026.
4.	Establish requirements for written disclosures to depositors about the terms of deposit insurance.	Requirements for written notification on deposit insurance (including on the account statement)	Bringing it into full compliance
5.	Improvement of health improvement procedures and resolving of insolvent banks	Improving the mechanism for resolving insolvent banks	The following are being prepared relevant proposals to eliminate gaps in the current legislation

⁶ Clause 4.1 of the Priority Action Plan to Enhance the Implementation of the EU-Ukraine DCFTA in 2023–2024.

⁷ Resolution of the Cabinet of Ministers of Ukraine dated October 25, 2017 No. 1106 "On the Implementation of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand"

Institutional cooperation between Ukraine and the EU

- The DGF actively cooperates with the European Party within the framework of the meetings of the EU-Ukraine Subcommittee on Economic and Other Sectoral Cooperation (Cluster 1 "Macroeconomic Cooperation, Public Finance Management: Budget Policy, Internal Control and External Audit, Statistics, Accounting and Audit, Anti-Fraud"). In 2023, the main focus of this institutional cooperation within the DGF competence was:
 - creating a guarantee schem for credit unions after revising the legal framework for their regulation, which will create the potential for further development of the credit union movement in Ukraine; and
 - improvement of legislation in the financial sector, information on the progress of which should be presented annually by the DGF at the next meeting of the Subcommittee Cluster (the last 7th meeting was held in May 2023).

Involvement of EU technical assistance instruments

During 2023, the DGF, as the main beneficiary and to ensure European integration processes, actively used the European Commission technical assistance instrument TAIEX. Two TAIEX missions were conducted, during which colleagues from European regulators presented the European experience of resolving insolvency of credit institutions (both banks and credit unions).

The experts were representatives of 4 European countries and 5 regulators. The Delegation of the European Union to Ukraine approved the engagement of TAIEX for the purposes of digitalization of public administrative processes.

Track 2:

The DGF takes an active part in the national processes aimed at gaining full membership in the EU.

Self-screening of the adaptation of Ukrainian legislation to EU law

The DGF took part in a two-stage self-screening process that lasted more than 6 months in 2023. The DGF was designated responsible⁸ for conducting self-screening in the areas of insolvency resolution of credit institutions and deposit insurance schemes⁹. The DGF, as the main executor and co-executor, participated in the development of the following sections of the self-assessment:

Proper implementation of the provisions of Directive 2014/59/EU will require the development of comprehensive amendments to Ukrainian legislation, which will be developed with the participation of the DGF and other bodies, justifying the feasibility of implementing Directive 2014/59/EU after the termination or lifting of martial law in Ukraine and consistent with the Memorandum of Cooperation with the IMF.

- the free movement of capital;
- financial services;
- freedom of entrepreneurship and service provision;
- economic and monetary policy;
- corporate law.

EU Enlargement Report and Action Plan for its implementation

The DGF participated in the development of an action plan to implement the recommendations of the European Commission presented in the Ukraine Progress Report under the 2023 EU Enlargement Package. The key proposals concerned the implementation of the recommendation to continue efforts to harmonize Ukrainian legislation with EU banking law (in particular, the insplvent banks and the deposit guarantee scheme in banking institutions).⁹

⁸ in accordance with clause 7 of Part I "Definition of Roles" of the Methodology for working with the spreadsheet for conducting an initial assessment of the state of implementation of the EU acquis, received by order of the Vice Prime Minister for European and Euro-Atlantic Integration of Ukraine No. 7639/0/1-23 dated March 14, 2023, to ensure the implementation of the Resolution of the Cabinet of Ministers of Ukraine No. 189 "On Approval of the Procedure for Conducting an Initial Assessment of the State of Implementation of the EU Acquis" dated February 28, 2023

⁹ The third recommendation on page 100 of Section 9 "Financial Services" of the Report to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2023 on EU Enlargement Policy dated November 08, 2023 (COMMISSION STAFF WORKING DOCUMENT Ukraine 2023 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2023 Communication on EU Enlargement policy) is formulated as follows: "continue efforts in alignment with the EU acquis, related to the regulation of the banking and insurance sectors (including bank resolution and bank deposit guarantee schemes) and the regulation of securities markets, investment funds and investment services."

International cooperation

During the reporting year, the DGF continued to participate in the work of professional associations – the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI). The DGF Managing Director, who was elected to the Executive Board of the European Forum of Deposit Insurers last year, regularly participated in the meetings of this governing body, representing organizations from non-European Union countries. In May 2023, at the EFDI International Conference in Budapest, attended by representatives of 68 countries, during one of the panel discussions, the DGF Managing Director presented the unique experience of the Ukrainian financial and banking system in overcoming the challenges posed by the Russian aggression against Ukraine. As a result of this speech, the Hungarian online business publication portfolio.hu published an article "Consequences of war: deposits in Ukrainian banks increased by 55%" about the DGF work in the conditions of a full-scale war in Hungarian and English, which was actively distributed among colleagues from the international community of deposit insurers. An article about the DGF work under martial law was also published in the corporate magazine of the Korea Deposit Insurance Corporation. In addition, the experience of organizing communications and information campaigns of the DGF to maintain the confidence of depositors was presented at the meeting of the Public Relations Committee of the EFDI.

As part of the work of the European Regional Committee of the DGF, reports on significant developments in the deposit insurance system in Ukraine were updated on a quarterly basis. Information from the DGF was also regularly included in the EFDI newsletter, which is sent to all members on a quarterly basis. Traditionally, the DGF participated in the annual survey of IADI members on the deposit insurance system, the main tool for research and policy development. In addition, in order to study the experience of implementing paragraph 3 of Article 16 of Directive 2014/49/EU on the disclosure of information on deposit insurance in statements by credit institutions of the EU member states, inquiries were sent to the EFDI members. The responses with examples of account statements formats received from colleagues from the EU member states were used by the DGF specialists to develop amendments to the regulations on informing depositors about the deposit guarantee system.

Last year, the DGF also actively cooperated with international financial organizations and international technical assistance projects. Thus, in cooperation with advisers from the U.S. Department of the Treasury's Office of Technical Assistance, two strategic planning sessions were held with members

of the Executive Board and heads of key structural units, during which the DGF priority needs for technical assistance were identified and changes were considered, necessary to improve the mechanism for resolving insolvent banks and to ensure the effectiveness of the relevant resolution methods, in particular, such an instrument as a transitional bank. In addition, the NBU discussed with representatives of the State Property Fund the issue of improving the system of valuation of the assets of banks transferred to the DGF management.

In cooperation with the USAID Financial Sector Reform Project, the DGF staff was trained on information security and EY consultants were engaged to improve the models to ensure a higher reliability of the assessment of the probability of bank default in order to improve the quality of the DGF cash flow forecasting. With the support of the Project, the translation of Directive 2014/59/EU was also updated and an index in Ukrainian of the provisions of EU regulations referenced in the Directive was prepared. In addition, in cooperation with the USAID Financial Sector Reform Project, a number of initiatives were implemented to inform the public about the deposit guarantee system and an audit of the anti-bribery management system in accordance with the requirements of the international standard ISO 37001:2016 was launched.

In the reporting year, the DGF also continued its cooperation with the World Bank, in particular with the experts of the Financial Sector Advisory Center (FinSAC). The main area of cooperation was the development of amendments to the relevant laws and bylaws to implement the provisions of the EU directives in the field of resolution of insolvent banks and deposit insurance. This area has gained particular importance as Ukraine has been granted the status of a candidate for EU membership. In addition, the DGF experts were invited to participate in the FinSAC seminar on "Deposit Guarantee Scheme Funds and Reserve Funding Mechanisms", which discussed the challenges for deposit guarantee schemes in the new macroeconomic environment, as well as the use of guarantee scheme funds in the resolution and liquidation of financial institutions. It is also worth noting that over the past year, as in previous years, the DGF ensured the effective implementation of a number of measures and proper and timely reporting to the Ministry of Finance as part of Ukraine fulfillment of its obligations under the IMF Extended Fund Facility Program.

The DGF expresses its sincere gratitude to all international partners for their cooperation and assistance to Ukraine.

¹⁰ <https://op.europa.eu/en/publication-detail/-/publication/a0f3eaa6-7eee-11ee-99ba-01aa75ed71a1/language-en>

9. LEGAL AND REGULATORY ENVIRONMENT

9.1. Improving the legal framework

In the context of the full-scale military invasion of Ukraine by the Russian Federation and the extension of the martial law, the DGF remains one of the key participants in the financial market of Ukraine, which ensures the functioning of the deposit guarantee system, the resolving of insolvent banks and the liquidation of banks in order to maintain the stability of the financial system of Ukraine.

To achieve the above, the DGF, in close cooperation with other government agencies of Ukraine, is confronting the challenges of today. The war constantly makes adjustments and significantly affects the work and functioning of the banking system, which continues to prove its resilience. The DGF, as well as other state bodies (institutions), within the framework of fulfilling its tasks and functions, continues to work in a coordinated manner and take measures to ensure stable and effective work towards ensuring the stability of the financial system of Ukraine.

In 2023, the DGF activities were aimed at strengthening the regulatory framework, ensuring uninterrupted operations, increasing operational independence and efficiency in fulfilling the tasks assigned to the DGF.

Guided by the provisions of the **Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning the Specifics of the Financial Sector Activities in Connection with the Imposition of Martial Law in Ukraine" dated July 27, 2022 No. 2463-IX**, which, among other things, granted the DGF the right to determine the specifics of the functioning of the deposit guarantee scheme, to insolvent bank resolution, and to liquidate banks under martial law or during a special period. These changes allowed the DGF to effectively respond to challenges related to the performance of its functions in terms of reimbursing depositors and satisfying creditors claims, to make remote payments and promptly form up-to-date registers of creditors based on balance sheet data, to restructure the debt of certain categories of bank debtors, which, on the one hand, allowed preserving the value of assets and, on the other hand, to ease the debt burden of these borrowers. Thus, the DGF introduced loan repayment holidays for borrowers of banks in liquidation. In 2023, the DGF improved its approaches to restructuring the loan debt of borrowers of insolvent banks, namely, it updated the Terms of Debt Repayment for individual borrowers.

The DGF involvement in the preparation of legislative changes to the procedure for resolving a systemically important bank (**Law of Ukraine "On Amendments to Certain Laws of Ukraine on Streamlining the Procedure for Bank Resolution under Martial Law" of May 29, 2023 No. 3111-IX**) allowed it to successfully cope with the task assigned to it by the Government the task of nationalizing a systemically important bank that was under sanctions. The well-coordinated work on the sale of the bank's shares to the Ministry of Finance of Ukraine allowed us to ensure the uninterrupted operation of the banking institution, uninterrupted access to clients' funds, and avoidance of panic in society due to fear of losing their funds.

In 2023, the DGF, in cooperation with the Ministry of Finance of Ukraine and the NBU, took a significant step towards improving corporate governance and the performance of its governing bodies by taking an active part in the preparation of the Draft Law "On Amendments to the Law of Ukraine "On Household Deposit Guarantee Scheme" to improve the powers of the governing bodies of the Deposit Guarantee Fund" (Reg. No. 10412). Thus, this draft law proposes to improve the legislative norms on the powers of the DGF Executive Board and the Administrative Board, in particular in terms of approving and approving the DGF cost estimate and report on its implementation, the DGF Administrative Board exercising the powers of the audit committee, and the procedure for the DGF to submit a proposal to the NBU to revoke a banking license and liquidate a bank.

In 2023, the DGF introduced significant regulatory changes in accordance with the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" No. 2180-IX dated April 1, 2022. The amendments were aimed at restructuring the DGF debt obligations, improving its financial stability, increasing the maximum amount of deposit compensation to UAH 600,000 after the end of martial law, and improving the financial stability mechanism through a target indicator and basic annual fee rates, as well as introducing a stress testing mechanism for the deposit guarantee system, strengthening reserves for credit support from the NBU and the state, and ensuring the participation of Oschadbank in the guarantee scheme.

9.2. Regulatory activities of the DGF

The DGF has prepared a legal framework for measures aimed at maintaining the financial stability of the state under martial law and mitigating the risks of panic in society due to the threat of lack of access to funds deposited in bank accounts. In 2023, the DGF effectively dealt with the challenges of martial law by implementing important legislative reforms to stabilize the financial system. These reforms included simplifying the withdrawal of systemically important banks from the market under martial law, ensuring transparency and

efficiency of the processes of provisional administration and liquidation of banks, and creating a framework for ensuring the reimbursement of funds to depositors and satisfaction of claims of creditors of insolvent banks liquidated by the DGF. Adapting to the challenges, changing conditions and cooperating with key financial and governmental authorities, the DGF pursued an effective regulatory policy, which is the key to ensuring the sustainability of banking sector of Ukraine, and protecting the interests of depositors and creditors.

Thus, pursuant to Article 14 of the Law of Ukraine "On Principles of State Regulatory Policy in the Sphere of Economic Activity", in 2023, as part of the of the household deposit guarantee scheme and bank resolution system, the DGF adopted and posted on the official website of the DGF to ensure openness and transparency of its activities and to organize public consultations, namely

- Decision of the DGF Executive Board dated May 25, 2023, No. 619 "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund and the the Regulations for Reporting by the Members of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on June 13, 2023, No. 985/40041;
- Decision of the DGF Executive Board dated June 28, 2023 No. 779 "On Approval of Amendments to the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests", registered with the Ministry of Justice of Ukraine on August 09, 2023, No. 1357/40413;
- Decision of the DGF Executive Board dated September 21, 2023, No. 1160 "On Amendments to the Regulations on the Procedure for Conducting Inspections of Members of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on October 6, 2023, No. 1750/40806;
- Decision of the DGF Executive Board dated November 2, 2023 No. 1400 "On Approval of Amendments to the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on November 17, 2023, No. 1988/41044;
- Decision of the DGF Executive Board dated December 18, 2023, No. 1618 "Regulations for Forming and Maintaining Databases of Depositors approved by the Decision of the Executive Board of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on January 2, 2024, No. 10/41355.

In order to improve the regulatory framework of the DGF activities and bring them in line with the laws of Ukraine, a number of regulations were developed and approved. Thus, a number of decisions were made, in particular:

- Decision of the DGF Executive Board dated February 16, 2023 No. 194 "Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying the Creditor Claims of Liquidated Banks", registered with the Ministry of Justice of Ukraine on March 6, 2023, No. 398/39454;
- Decision of the DGF Executive Board dated April 27, 2023 No. 491 "On Amendments to Clause 1 of Section VII of the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying the Creditor Claims of Liquidated Banks", registered with the Ministry of Justice of Ukraine on May 12, 2023 , No. 802/39858;
- Decision of the DGF Executive Board dated May 25, 2023, No. 619 "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on June 13, 2023, No. 985/40041;
- Decision of the DGF Executive Board dated June 1, 2023, No. 651 "On Approval of the Regulation on Determination by the Deposit Guarantee Fund of Banks, Provisional Administration or Liquidation Procedure of Which is Carried Out by it, Which are Critical for the Functioning of the Economy and Ensuring the Life of the Population in a Special Period", registered with the Ministry of Justice of Ukraine on June 13, 2023, No. 980/40036;

- Decision of the DGF Executive Board dated June 08, 2023 No. 677 "Regulations on Lease of Insolvent Bank Property approved by the Decision of the Executive Board of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on June 23, 2023, No. 1051/40107;
- Decision of the DGF Executive Board dated June 28, 2023 No. 779 "On Approval of Amendments to the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests", registered with the Ministry of Justice of Ukraine on August 09, 2023, No. 1357/40413;
- Decision of the DGF Executive Board dated August 23, 2023, No. 1042 "On Approval of the Amount of Actual Costs for Copying or Printing Documents Provided Upon Request for Information Managed by the Deposit Guarantee Fund and the Procedure for Reimbursement of These Costs", registered with the Ministry of Justice of Ukraine on September 20, 2023, No. 1658/40714, 1659/40715;
- Decision dated August 25, 2023, No. 1048 "On Amendments to the Regulation on the Organization of the Sale of Assets (Property) of Banks in Liquidation", registered with the Ministry of Justice of Ukraine on September 12, 2023, No. 1609/40665;
- Decision of the DGF Executive Board dated September 14, 2023 No. 1124 "On Amendments to Clause 1 of the Decision of the Deposit Guarantee Fund Executive Board of the dated August 25, 2023 No. 1048", registered with the Ministry of Justice of Ukraine on September 20, 2023, No. 1654/40710;
- Decision of the DGF Executive Board dated September 21, 2023, No. 1160 "On Amendments to the Regulations on the Procedure for Conducting Inspections of Members of the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on October 6, 2023, No. 1750/40806;
- Decision of the DGF Executive Board dated September 28, 2023, No. 1204 "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund", registered with the Ministry of Justice of Ukraine on October 12, 2023, No. 1788/40844;
- Decision of the DGF Executive Board dated November 2, 2023 No. 1400 "On Approval of Amendments to the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund ", registered with the Ministry of Justice of Ukraine on November 17, 2023 under No. 1988/41044;
- Decision of the DGF Executive Board dated November 13, 2023, No. 1460 "On Approval of the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund and Invalidation of Certain Decisions of the Deposit Guarantee Fund Executive Board ", registered with the Ministry of Justice of Ukraine on November 30, 2023, No. 2073/41129;
- Decision of the DGF Executive Board dated December 11, 2023 No. 1584 "On Approval of the Regulation on Provision of Financial Support by the Deposit Guarantee Fund to the Receiving or Transition Bank, Amendments to the Regulation on Removal of Insolvent Bank and Invalidation of Certain Decisions of the Deposit Guarantee Fund Executive Board", registered with the Ministry of Justice of Ukraine on December 29, 2023 under No. 2282/41338;
- Decision of the DGF Executive Board dated December 18, 2023, No. 1618 "Regulations for Forming and Maintaining Databases of Depositors approved by the Decision of the DGF Executive Board", registered with the Ministry of Justice of Ukraine on January 2, 2024, No. 10/41355.

Guided by the provisions of part four of Article 6 of the Law, introduced by the Law of Ukraine " On Amendments to Certain Legislative Acts of Ukraine Concerning the Specifics of the Financial Sector Activities in Connection with the Imposition of Martial Law in Ukraine" (hereinafter referred to as the Law No. 2463), the DGF Executive Board adopted a number of decisions that determine the specifics of the functioning of the deposit guarantee system, the removal of insolvent banks and the liquidation of banks under martial law or during a special period, namely

- Decision of the DGF Executive Board dated February 13, 2023 No. 178 "On Amendments to Certain Legislative Acts of Ukraine Concerning the Specifics of the Financial Sector Activities in Connection with the Imposition of Martial Law in Ukraine", introduced by the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022 "On the Imposition of Martial Law in Ukraine";
- Decision of the DGF Executive Board dated February 23, 2023 No. 220 "On Some Peculiarities of Removing Insolvent Banks of Banks in Terms of Lease of Property of Banks in Which Provisional Administration is Introduced in Accordance with the Law or Liquidation Procedure is Carried Out by the Deposit Guarantee Fund under the Conditions of Martial Law Imposed Decree of the President of Ukraine of February 24, 2022, No. 64/2022 "On the Imposition of Martial Law in Ukraine";
- Decision of the DGF Executive Board dated April 03, 2023 No. 386 1400 "On Approval of Amendments to the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund", introduced by the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022 " On the Imposition of Martial Law in Ukraine ";
- Decision of the DGF Executive Board dated April 27, 2023 No. 490 "On Amendments to the Regulation on the Peculiarities of the Functioning of the Deposit Guarantee System during a Special Period in Terms of Reporting by the Participants of the Deposit Guarantee Fund";
- Decision of the DGF Executive Board dated June 15, 2023 No. 704 "On the Peculiarities of Paying Guaranteed

Amounts of Compensation in the Conditions of Martial Law in Ukraine, introduced by the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022 " On the Imposition of Martial Law in Ukraine ", through the Automated Payment System of the Deposit Guarantee Fund using the means of the Unified State Web Portal of Electronic Services";

- Decision of the DGF Executive Board dated June 28, 2023 No. 780 "On Amendments to Clause 3 of the Decision of the Deposit Guarantee Fund Executive Board dated December 29, 2022 No. 1107";
- Decision of the DGF Executive Board dated July 13, 2023 No. 835 "On Invalidation of the Decision of the Deposit Guarantee Fund Executive Board dated June 30, 2022 No. 444";
- Decision of the DGF Executive Board dated July 24, 2023 No. 898 "On Approval of Amendments to Annex 1 to the Methodology for Assessing the Deposit Guarantee Fund Financial Stability, introduced by the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022 " On the Imposition of Martial Law in Ukraine", approved by the Law of Ukraine dated February 24, 2022 No. 2102-IX (as amended)";
- Decision of the DGF Executive Board dated August 21, 2023 No. 1040 "On Restructuring the Debt of Individuals – Borrowers of Banks Liquidated by the Deposit Guarantee Fund";
- Decision of the DGF Executive Board dated October 12, 2023 No. 1280 "On Amendments to the Annex to the Decision of the Deposit Guarantee Fund Executive Board dated December 29, 2022 No. 1107";
- Decision of the DGF Executive Board dated November 13, 2023 No. 1461 "On Amendments to the Decision of the Deposit Guarantee Fund Executive Board dated August 21, 2023 No. 1040";
- Decision of the DGF Executive Board dated December 14, 2023 No. 1600 "On Amendments to the Decision of the Deposit Guarantee Fund Executive Board dated December 29, 2022 No. 1107".

9.3. Institutional Development of the Household Deposit Guarantee Scheme in Ukraine

Directions for the development of the deposit guarantee system during the war

During 2023, the DGF, along with other financial sector regulators, was an active participant in the preparation and implementation of the new Strategy for the Development of the Financial Sector of Ukraine. This updated Strategy is focused on resisting Russian aggression and restoring the country. The Strategy was approved by the Financial Stability Council on July 19, 2023, and replaced the pre-war Strategy for the Development of the Financial Sector of Ukraine until 2025.

It is based on the current context, takes into account the increased risks and uncertainty, and takes into account the factors that influence the conditions of the financial system. The Strategy sets common priorities for financial system regulators that will allow them to coordinate actions to ensure the country financial stability, expand financial inclusion, and make financial services accessible and barrier-free.

The main guidelines for the DGF activities, as defined by the Strategy, are:

- prompt measures to stabilize the financial sector and minimize the negative effects of the war;
- development with an emphasis on preparing the basis for post-war recovery and building a new economy;
- implementing European legislation and best international practices in the areas of deposit guarantee scheme and insolvent banks resolution.

In order to plan its activities and implement the measures assigned to the DGF in accordance with the Strategy for the Development of the Financial Sector of Ukraine, the DGF Executive Board developed and approved the Strategy for the Development of the Deposit Guarantee Fund until 2025.

The updated Development Strategy of the KDIF is designed until 2025 and includes goals and measures that correspond to the goals and measures of the Financial Sector Development Strategy of Ukraine.

Implementation of the Strategy envisages measures to develop the deposit guarantee scheme as a whole, protect the rights of depositors and institutional development of the DGF, as well as maximize the digitalization of its functionality and ensure its continuous operation.

In order to ensure the proper process of medium-term development planning, in 2023 the DGF carried out its activities in accordance with the DGF Action Plan for 2023 approved by the Executive Board.

Creation of guarantee systems for non-bank financial institutions

During 2023, the DGF continued to study the European experience of guarantee scheme for credit unions, participated in a number of events with representatives of the Ukrainian credit union market to fruitfully discuss the concept of the future guarantee scheme.

Based on the results of the above measures and with the involvement of the NBU and international organizations, in 2023 the DGF continued to develop the framework for the future extension of the guarantee system to credit unions.

In addition, in order to ensure a quick and "painless" entry of certain non-banking financial market participants into the DGF membership and to ensure their functioning in the guarantee system, technical improvements are continuously being made to the DGF internal IT systems.

In 2023, in order to achieve one of the initiatives of the approved Financial Sector Development Strategy of Ukraine in terms of strengthening the sustainability and efficiency of deposit and investment guarantee systems, the DGF, in terms of implementing the measure to introduce a guarantee system for life insurers, familiarized itself with the relevant practices of European countries and trends in the development of insurer guarantee scheme.

This document defined the following key areas of activity:

1. Developing and improving legislation on the guarantee scheme, insolvent banks resolution, and liquidating banks, including the DGF regulations and internal acts.
2. Ensuring the economic independence of the Deposit Guarantee Fund.
3. European integration focus of the Deposit Guarantee Fund.
4. Minimizing future expenses of the Deposit Guarantee Fund.
5. Increasing the level of creditor claim satisfaction.
6. Increasing the level of confidence of depositors and other creditors of banks and the level of communication with the public.
7. Financial inclusion.
8. Digitalization of the DGF business processes and cyber security.
9. Improving internal security and access control to the DGF building.
10. Activities in the field of preventing and combating corruption in the DGF.

The analysis of the activities for 2023 shows that the DGF effectively carried out its activities in the defined areas and was open to changes.

We believe that the study of the best international experience, together with the direction of joint professional efforts with other departments and institutions of our country, will certainly lead to the fulfillment of all these goals and measures, which, in turn, will be reflected in the implementation of an advanced guarantee system in Ukraine, both for deposits placed in all credit institutions and for other objects of financial investment, such as contributions under life insurance contracts.

At the same time, given the circumstances of wartime and the challenges it poses, the DGF, understanding its responsibility to society and being an organization designed to strengthen confidence in the financial sector of Ukraine, in 2023, in order to effectively further implement guarantee systems for individual participants in the non-banking financial market, continued to analyze the performance of non-banking financial institutions (credit unions and life insurers), including with the involvement of NBU specialists, studying updated legislative

In particular, the DGF, with the involvement of international experts, initiated the development of a financial model to assess the required initial capitalization for the creation of financially sound and operationally efficient Household Deposit Guarantee Scheme for new entrants to the Ukrainian financial sector, such as credit unions and life insurance companies.

10. RISK MANAGEMENT AND BUSINESS OPERATIONS

10.1. Stress testing of the guarantee scheme

In accordance with part four of Article 31 of the Law, the guidelines for stress testing of Household Deposit Guarantee Scheme EBA/GL/2021/10 and Directive 2014/49/EU of the European Parliament and of the Council of April 16, 2014 on Household Deposit Guarantee Scheme, the DGF has developed and approved the Methodology for conducting stress testing of the Household Deposit Guarantee Scheme (hereinafter referred to as the Methodology), which defines the scope of stress testing of the Household Deposit Guarantee Scheme (hereinafter referred to as the DGF); minimum standards and tests that the DGF must achieve and fulfill; conditions for the DGF to be able to reimburse depositors; and the possibility of raising funds from all permissible sources of funding, including funds received from a special levy and alternative methods. The methodology also defines stress testing scenarios for the DGF with additional business continuity issues or external circumstances that create additional stress for the DGF in performing its functions.

In 2023, the Stress Testing Program for the Guarantee System covering the 2023–2025 stress testing cycle (hereinafter referred to as the Program) was developed and approved, which describes the main assumptions and scenarios for stress testing, namely: the timing of stress testing, stress testing formats, the DGF tasks for which stress testing is carried out, etc. The Program also contains provisions for calculating the value of the target indicator, the forecast of the target fund and the calculation of the period for achieving the target indicator, describes the necessary tasks, tests, assumptions and deadlines for stress testing. Taking into account the macroeconomic situation in the country and the financial condition of the banking sector at the time of the calculation, the Program sets out the procedure, conditions, and justification for choosing or rejecting a particular calculation method.

The next step was to develop a methodology for calculating the value of the DGF target indicator and the timeframe for achieving it, which is included in the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund, which was also developed in 2023 and approved by the decision of the DGF Executive Board on November 13, 2023, No. 1460 and registered with the Ministry of Justice of Ukraine on November 30, 2023, No. 2073/41129.

The above methodology was developed based on the best international practices, in particular, the World Bank document "Deposit insurance systems: addressing emerging challenges in funding, investment, risk-based contributions and stress testing, 2017", and the calculation of the DGF target indicator was based on the method of calculating expected losses.

In 2023, stress testing of the guarantee system was launched, and within the framework of the technical and financial support project of the European Bank for Reconstruction and Development "Deposit Guarantee Fund in Ukraine: Assistance in Organizing Stress Testing of the Guarantee System", the DGF, together with independent experts conducted stress testing of a number of indicators, namely: adequacy of staff and other operational resources; communication with depositors and the general public; continuous operation of the DGF; means of financing; calculation of the target value; forecast of the trust fund; calculation of the timeframe for achieving the target, etc. The main purpose of stress testing is to increase the level of resilience and create conditions for maintaining the functioning of the deposit guarantee system even in the event of a serious economic downturn, identify shortcomings in the processes of the deposit guarantee system and their further optimization, and determine the level of the required capitalization of the DGF to ensure that it performs its functions in the event of a serious economic downturn.

Pursuant to Clause 4 of Section II of the Final and Transitional Provisions of the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" dated April 01, 2022 No. 2180-IX, in 2023, based on the results of the stress testing conducted by the DGF, the DGF calculated the value of the target indicator and the period for its achievement, which aims to respond in advance to the growth of the expected level of risks in the banking system by developing a set of measures to accumulate adjusted capital to cover them.

In accordance with paragraph 8 of part two of Article 12 and part three of Article 19 of the Law and the Methodology for Assessing the Deposit Guarantee Fund Financial Stability, the DGF Executive Board set the target at 3.5% and the period for achieving the target at 29 months.

10.2. DGF Risk management

During 2023, the DGF ensured the functioning of the risk management system by timely identifying, measuring, monitoring, controlling, reporting and providing recommendations for mitigating insurance, other financial, operational, social and compliance risks. At least once a quarter, reporting on compliance with the risk appetite indicators for all types of risks in accordance with the Declaration of Risk Appetite of the DGF was carried out, which allows the DGF to respond in a timely manner to the risks arising in its activities.

In order to monitor compliance with the principle of zero tolerance for the risk of conflict of interest in the DGF processes in 2023, the control, identification and prevention of conflicts of interest were ensured, information on the presence/absence of a conflict of interest was verified and measures were taken to prevent such a conflict.

An in-depth analysis of the DGF internal regulations was conducted and proposals were submitted to amend the Collective Agreement between the Executive Board and the Trade Union of the Deposit Guarantee Fund for 2024–2026, the Regulation on the Disciplinary Commission of the Deposit Guarantee Fund, and the Code of Corporate Ethics of the Deposit Guarantee Fund. The Development, Approval and Publication of the Compliance Policy of the Deposit Guarantee Fund on the official website of the DGF was ensured.

In order to improve the efficiency of the DGF internal control system, in particular in terms of identification (definition) of operational and compliance risks in the operational and compliance risk management procedures, the process of self-assessment of operational and compliance risks was carried out.

The DGF constantly monitors compliance with the requirements of the legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction, and has developed internal regulations governing compliance with the requirements of the legislation in this area by insolvent banks that are removed from the market by the DGF.

In order to unify data on sanctioned persons, the NBU created and updated a database of persons subject to personal special economic and other restrictive measures (sanctions) by decisions of the National Security and Defense Council of Ukraine. In 2023, the NBU verified the results of the investigation of persons identified in insolvent banks who were subject to restrictive measures (sanctions).

10.3. Personnel management and development

2023 was a difficult year for Ukraine. Our country has experienced its second year of full-scale war. During this time, the DGF employees managed to adapt to various problems and learned to overcome various obstacles, remained united and unbreakable and ensured the smooth operation of the DGF in all areas.

During 2023, the DGF continued to implement its personnel policy, one of the main priorities of which was to maintain an effective personnel management system that would ensure the quality and timely fulfillment of the tasks provided for by the Law using adaptive innovation. To this end, during the year, we mixed models of the working environment: from working in a full remote format, on particularly dangerous days, to working offline at the DGF premises. The mechanism of effective communication with employees was used, communication channels were defined, information was exchanged promptly, and personnel documents were administered and standardized.

Despite the changes in the country related to Russia military aggression against Ukraine, the structure and staffing of the DGF remained stable in 2023. Thus, as of January 01, 2024, the structure of the DGF was similar to that of 2022 and consisted of 27 independent structural units, including 6 departments, 5 offices, 5 services, 9 divisions, etc., and the staffing of the DGF amounted to 332 full-time equivalent units, which is the same as in 2022.

The stability of the DGF fulfillment of its main tasks during the war is confirmed by the fact that the DGF did not stop its activities for a single day.

To ensure effective communication with the banks liquidated by the DGF and to ensure the liquidation procedures of the banks directly carried out by the DGF, the Department was constantly working to coordinate the personnel administration of the banks, including approval of draft structures, staffing lists, individual salaries and candidates for the positions of heads of key structural units of insolvent banks, compliance with the requirements of the law and relevant amendments thereto. In 2023, the department's employees were involved in working groups during the introduction of the provisional administration of banks to ensure the process of monitoring the implementation of effective personnel administration and communication in the bank. The department responded to regular inquiries and requests from former employees of banks and government agencies. In order to improve and update the Procedure for Interaction of Structural Units and Employees of the Deposit Guarantee Fund in Approving the Organizational Structure and Staffing, Appointing and Dismissing Heads of Structural Units, and Regulating Remuneration of Employees of a Bank under Provisional Administration or Liquidation Procedure by the Deposit Guarantee Fund, which regulates the procedure for the actions of the concerned units, was amended.

The DGF personnel policy is based on professional development and training of the staff. The Personnel Management and Development Department gave preference to online organization and conduct of training and development activities in the current conditions.

To this end, during the year, mainly corporate training was provided, including training on corruption prevention; practical measures of information security and cyber hygiene;

specialized training, which is defined by law as mandatory, and a session of tactical medicine training was organized for all interested employees of the Foundation. Trainers of the 135th Battalion of the Tactical Logistics of the Armed Forces of Ukraine explained in detail, showed and trained how to stop massive blood loss (fortunately, imaginary) in different parts of the body, using a tourniquet in just 30 seconds. The instructors shared life-saving life hacks.

In general, the DGF support during the war was based on two main objectives: to give people a sense of security and to communicate more, so that everyone felt part of the team.

During the year, the team became even more united and cohesive due to the help provided to the defenders at the front. The employees of the DGF initiated the creation of a public Volunteer Committee from among the publicly elected

members of the team. Its tasks were: to collect and analyze the needs to help the employees of the Fund who were mobilized, to determine the range of people whom the DGF will help during the campaign (employees, family members, relatives, friends, etc.), to determine a charitable organization that will help the DGF in purchasing the necessary items for the military, to monitor and report on the purchase of the necessary items.

In addition, in the event of an urgent need for assistance to the Armed Forces of Ukraine, the DGF employees unitedly raised funds through donations in a short time.

10.4. Improving IT infrastructure

In 2023, the functioning of the DGF IT infrastructure was carried out in the context of the armed aggression of the Russian Federation against Ukraine, which was accompanied by risks associated with missile attacks, bombing by unmanned aerial vehicles, power outages, and interruption of communication channels.

In order to ensure the business processes of the deposit guarantee system and the withdrawal of insolvent banks from the market, in 2023 the DGF improved and optimized the IT infrastructure in accordance with the strategic directions of IT development and the risks caused by the military aggression of the Russian Federation.

Actions to support and develop the DGF IT systems in 2023 were aimed at on:

- Ensuring reliability and continuity of IT systems
- The DGF management is responsible for the efficient and high-quality performance of the DGF functions in the face of high risks of external factors of negative impact;
- Reliable storage and quality of information (data) transferred from the information systems of insolvent banks to the DGF IT infrastructure, as well as data supporting the DGF business processes;
- Guaranteed security of data and IT systems, which means, first of all, the impossibility of unauthorized data manipulation.

The following measures were taken to maintain and improve the reliability and continuity of the DGF IT:

- Improvements were made to the IT infrastructure of the main data center and its independent power supply (backup power supply);
- The backup data center was improved to ensure the continuous operation of the DGF in case of physical damage or inability to continue the operation of the main data center of the DGF;
- Communication channels were provided for continuous synchronization of information systems data between the DGF data centers – main and backup, as well as channels for information exchange with external information systems;
- Continuous support of a backup cloud data center on Amazon Web Services (AWS) resources for disaster recovery of information systems in case of physical damage or inability to continue operation of the main and backup data centers;

- Ensured constant data synchronization from the main data center of the Fund to the cloud data center to minimize the risk of data loss;
- The implementation of the virtual desktop infrastructure (VDI) was started to provide the DGF employees with access to information systems in the backup data center in case the main data center and workstations located in the DGF office cannot be used;
- Successful testing of the transfer of the DGF mail system to Microsoft Office365 cloud resources in the direction of the possibility of backing up the DGF mail system was carried out;
- Modernization of computing capacities and disk arrays to meet the growing resource requirements of information systems.

In the context of extreme functioning of IT systems during the wartime period, in order to centralize the processes of removing insolvent banks from the market (including the organization of bank information storage) and optimize the costs of insolvent banks, the DGF in 2023 took the necessary measures to migrate data from the information systems of insolvent banks and connect them on a centralized basis to the following DGF systems:

- The Unified Operational Information System of Insolvent Banks (hereinafter referred to as the UOSIS) is a consolidated software package containing data from the DBS/ABS and other information systems of insolvent banks and designed to support their operational activities;
- A software package for the resolution of insolvent banks (data warehouse, DWH), which provides centralized processes for preparing assets of insolvent banks for sale, accounting for claims and lawsuits in legal cases of insolvent banks, maintaining contracts and a register of their creditors, and consolidating data on insolvent banks in the process of their resolution.

In 2023, the data of four insolvent banks were transferred to the DGF centralized systems, namely: JSC BANK SICH, JSC BANK FORWARD, JSC IBAX BANK, and JSC JSCB CONCORD.

In total, by the end of 2023, 103 insolvent banks had transferred their data to the DGF's information systems (UEIS, DWH) and switched to centralized operation in these systems.

The DGF use of the centralized operation of insolvent banks in the UEIS enables the DGF to effectively perform its functions of insolvent banks removing, namely

- ensuring the operational activities of banks undergoing liquidation until the end of their operations;
- ongoing control over the activities of the banks being liquidated, including control of financial flows, transaction control, financial controlling of planning and expenses;
- maintaining a unified accounting policy for banks in liquidation;
- implementing a single 3rd model for banks in liquidation;
- providing full information support for the operational processes of bank liquidation;
- ensuring operational monitoring of the assets of banks undergoing liquidation;
- implementation of real-time centralized management of banks undergoing liquidation;
- a significant reduction in information systems in the banks undergoing liquidation, and, accordingly, in the costs of their support and maintenance;
- guaranteed centralized storage of operational data of banks undergoing liquidation;
- a centralized data source for generating the necessary reports for making operational and management decisions.

In connection with the need for the DGF to meet the requirements of the legislation of Ukraine on issues of ensuring the protection of national interests in future lawsuits of the State of Ukraine in connection with the military aggression of the Russian Federation, in terms of identification of persons associated with the aggressor state; the legislation of Ukraine on prevention and countermeasures against legalization (laundering) of proceeds of crime, financing of terrorism and financing of proliferation of weapons of mass destruction, in terms of identification of persons included in the list of persons connected with the conduct of terrorist activities or subject to international sanctions; In 2023, the Law of Ukraine "On Sanctions" improved the EOIS with regard to the implementation of a mechanism for checking counterparties of insolvent banks for their presence in the lists of natural and legal persons connected with terrorist activities and persons to whom restrictive measures (sanctions) of the National Security and Social Security Administration have been applied, and further implementation of appropriate measures upon detection of such aspects.

To improve the efficiency of the process of removing insolvent banks from the market in 2023, the NBU enhanced the DWH by improving the modules developed to replicate data from the UEIS of such insolvent banks: JSC BANK SICH, JSC BANK FORWARD, JSC IBOX BANK, JSC JSCB CONCORDE.

The use of the data warehouse (DWH) by the DGF and insolvent banks enables the DGF and the banks being liquidated to use a software package for removing insolvent banks from the market:

- use of a comprehensive, unified information framework for decision-making to ensure the process of removing insolvent banks from the market;
- automation of control over the activities of banks in liquidation;
- centralized work with the assets of banks undergoing liquidation;
- improving the quality of information for decision-making and practical actions by the DGF employees;
- support of the claims process of banks undergoing liquidation;

- monitoring the status of assets of banks undergoing liquidation and legal entities that are their debtors in the state registers of Ukraine.

Improving the centralization of the DGF processes in 2023 also includes the modernization of the Data Analysis and Analytical Reporting System (DAS) in terms of:

- improving the functional unit for recovery of damages from persons related to banks;
- creation of information panels (dashboards) on sales from the UEIS;
- development of information panels (dashboards) "Financial stability";
- development of an information package to reflect the cost estimates for the period of completion of the liquidation procedure;
- finalizing the package for displaying data on operational risks.

The DGF data analysis and analytical reporting system provides:

- centralized preparation of the DGF management reporting, ensuring timely provision of information at the required level of detail on the DGF key processes for further management and strategic decision-making;
- 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 to perform flexible data analysis and filtering, sorting, grouping, and calculating indicators by any analytical section and time interval;
- preparation of anchor reports, reports on various areas of the DGF activities: finance, liquidity management, results of asset sales, results of guaranteed amounts paid to depositors for the reporting periods, etc.;
- building forecasts for the following periods and calculating performance indicators;
- disclosure of detailed information both in general for all banks being liquidated and for each bank being liquidated separately;
- implementation of data storage for the key functions of the DGF;
- implementation of an automated ETL (Extract, Transform, Load) procedure for collecting, processing, and loading the necessary data on a regular basis.

The DGF uses the Automated System of Fund Payments (ASFP) software package to ensure the payment of guaranteed amounts to depositors of banks in liquidation, which contains both operational and historical data on the payment of guaranteed amounts for the entire period of the DGF's operations.

In order to provide remote customer service for paying compensation to depositors of banks undergoing liquidation and to increase public confidence in the banking system under martial law, the DIA has been interconnected with the online service of the state service portal Diia.

The introduction of such an interchange enabled clients of insolvent banks using the Diia portal to receive compensation for deposits in banks undergoing liquidation remotely, regardless of their location.

In order to improve the process of paying out guaranteed amounts to depositors of banks undergoing liquidation, the DGF modernized the DGF in the following areas in 2023:

- improving the mechanism for working with data from the bank being liquidated and the mechanism for creating tranches for payment;
- expanding the range of reporting on payments to depositors depending on the method of receiving compensation;
- introducing a mechanism to control the integrity of the DIAF database;
- expanding the DIA's functionality for making payments using the app;
- development and implementation of the DGF functionality to correctly reflect data on depositors of banks undergoing liquidation;
- improvement mechanisms of work with electronic lists to ensure prompt changes in the availability status of reimbursement amounts.

Modernization of the DGF makes it possible to use automated tools of the payout system in a more flexible mode and makes the process of paying out guaranteed amounts to depositors more optimal and efficient.

To implement the state policy aimed at digitalization and transfer of office work of state institutions into electronic form, in pursuance of the Laws of Ukraine "On Electronic Documents and Electronic Document Management" and "On Electronic Digital Signature", in accordance with the tasks set out in the Strategy for the Development of the Financial Sector of Ukraine, in 2023 the DGF continued to take measures to improve and expand paperless document management using a qualified electronic signature (hereinafter referred to as the QES) in the DGF electronic document management system ASKOD (hereinafter referred to as ASKOD).

In 2023, the DGF expanded the range of QES application in ASCOD to include work with personnel documents, documents of working groups and commissions, extracts from the register of DGF participants and exchange of documents with counterparties.

In order to optimize the process of mailing through the Ukrposhta system, in 2023 the Fund introduced a paperless exchange of information between the ASKOD and the Ukrposhta system through the API software interface.

Fund in 2023 to ensure electronic document management:

- electronic documents were exchanged between the Fund, the NBU, and other government agencies and banks, with the exception of restricted documents (RT), permanent storage, forwarding of citizens' appeals, etc;
- correspondence between the DGF and the DGF authorized persons for bank liquidation was carried out in the DGF electronic document management system using a qualified electronic signature or an advanced electronic signature (except for documents containing restricted information);
- most of the documents of the DGF internal workflow were executed in the form of electronic documents using QES.

The introduction and use of electronic document management has provided the following benefits:

- the authenticity of electronic documents is ensured through the use of QES in accordance with the requirements of the Law of Ukraine "On Electronic Documents and Electronic Document Management";
- reducing the cost and time for sending documents and processing them;
- reducing the number of intermediate procedures required to send and receive correspondence (electronic documents), i.e. electronic documents move from or to the DGF ACSD to or from the correspondent's electronic document management system;
- optimization of the processes of approval, review and execution of electronic documents and improvement of executive discipline;
- improving the efficiency of document circulation in the DGF during remote work of employees in connection with the military aggression of the Russian Federation against Ukraine.

In order to optimize the work of the reporting portal of the software package "Bank Reporting" and adaptation to external changes in 2023, the DGF made the following improvements to this complex, namely

- improving the mechanism for receiving and processing reporting files from the National Bank of Ukraine;
- improving the mechanism for receiving and processing credit union reporting data, including the ability to process an expanded range of data;
- modernization of the module for working with electronic signatures in terms of optimizing the work algorithm;
- adaptation of banks' reporting in connection with the introduction by the National Bank of Ukraine of a new generation of the electronic payment system SEP-4.0 based on the international standard ISO 20022;
- improving the mechanism for filtering data and creating output reporting forms;
- modernization of the mechanism for verifying the data in the reporting files received from banks;
- modernization of the reporting portal as a part of the Bank Reporting software.

The implementation of these changes to the Bank Reporting software package in 2023 allowed to expand the range of reporting information received by the DGF, optimize the speed of data processing and expand the functionality of data processing and improve the analysis of bank performance indicators to prevent a critical state of the bank.

In order to optimize the exchange of information systems of the DGF with state information systems, pursuant to the Resolution of the Cabinet of Ministers of Ukraine No. 606 dated September 08, 2016, the DGF connected to the Trembita system of electronic interaction of state electronic information resources.

In the near future, the Fund plans to implement the exchange of information through the Trembita system in part:

- ensuring the payment of compensation and the exchange of information between the DGF automated payment system and the Diia portal;
- publication of the register of members of the Deposit Guarantee Fund people.

In accordance with the action plans approved by the DGF Executive Board on the completion of the liquidation procedure, in order to preserve information and to minimize the cost of computing power, in 2023, the DGF adopted virtualized information systems of three banks.

In order to ensure uninterrupted transfer of archived virtualized banking systems under martial law, a mechanism for remote (online) migration of insolvent banks' data to the DGF resources was introduced.

The following automated processes were modernized to facilitate the management and control of the DGF business processes during the war:

- business processes for managing operational and compliance risks, as well as planning and controlling the relevant risk event response;
- business processes for approving appropriate access to the DGF information systems for employees and staff of banks undergoing liquidation;
- the process of ensuring the management and development of personnel;
- a business process for preparing the assets of liquidated banks for sale.

In order to organize access to archival data and ensure their long-term and reliable storage, the process of developing and implementing the archive of the historical database of the electronic trading system Prozorro.Sales to organize and conduct open bidding (auctions) for the sale of assets (property) of banks undergoing liquidation and the register of the DGF assets is underway.

In order to implement the most effective business process management systems of the Fund, as well as to expand their functionality, the process of replacing the existing automated business process management system with modern analogues was initiated.

Due to the growing number of targeted cyberattacks on state-owned enterprises during the military aggression by the Russian Federation, the DGF has modernized the security of the internal portal.

In 2023, work continued on standardizing the settings of Oracle servers for the Foundation's systems and organizing urgent database backups to improve fault tolerance.

To ensure the reliable storage of electronic information (data) contained in the DGF information systems, backup and storage of such information was implemented:

- on the cloud resources of external providers;
- on tape storage media at a remote storage facility.

In order to improve the effective functioning of the identification system, in 2023, two-factor identification was modernized for privileged accounts and remote work with the Foundation's information resources.

To ensure the reliable operation of the two-factor authentication software tool, a backup server was deployed and configured on the Amazon Web Services (AWS) cloud platform.

In order to strengthen the protection of the DGF network and information, the working segment of system administrators was reorganized with the creation of separate workstations for administration, a solution for detecting targeted attacks (ART), botnets, zero-day attacks and insiders was deployed and configured, a PAM system was implemented to monitor the actions of contractor users, and a PAM system fault tolerance cluster was created.

To ensure preventive protection, the Group continues to cooperate with the Center for Anti-Virus Information Protection of the State Special Communications Service of Ukraine and the Situation Center for Cybersecurity of Ukraine of the Security Service of Ukraine, which allows it to receive timely markers of cyberattacks currently deployed in cyberspace.

The DGF is constantly cooperating with Ukrainian banks to improve and use the latest security mechanisms in processing information and conducting remote inspections. Additional settings have been made to protect the reporting mechanisms of operating banks on the DGF Portal, in terms of working with qualified and advanced electronic signatures.

The Fund continues the procedure of building an integrated information security system of information systems (ISIS), including the work on modernization of the previously created ISIS in connection with the modernization of these systems.

To counteract sophisticated attacks (phishing attacks), information systems are tested for unauthorized access and hacking on an ongoing basis. Based on their results, employees are trained to improve their theoretical and practical knowledge and skills in cybersecurity.



11. INTERNAL AUDIT

The DGF has established an internal audit service, which periodically audits the DGF activities for compliance with the requirements of the law, the DGF regulations and decisions of the DGF governing bodies, reviews the results of the DGF financial and investment activities, and performs other functions in accordance with the Regulation on the Internal Audit Service.

In 2023, the DGF internal audit evaluated the processes and provided recommendations for improving their organization.

The inspections were carried out in accordance with the plan of internal audit in the structural units of the DGF in 2023.

Annex to the Annual Report of the Deposit Guarantee Fund for 2023

REPORT

on the implementation of the Investment Plan
of the Deposit Guarantee Fund
for 2022 – 2024

DGF investments	Amount of investment according to the investment plan for 2023, UAH million	Actual investment in 2023, UAH million	Implementation, %
Total investment amount, including:	23 006,0	22 584,8	98,2
Formation of the authorized capital of the bridge bank	6,0	0,0	0,0
Amount of invested in government securities, total	23 000,0	22 584,8	98,2
including:			
• government securities	x	22 584,8	x
• bonds of international financial organizations placed on the territory of Ukraine	x	-	x

DGF Managing Director

Olga BILAY



FINANCIAL STATEMENTS AND MANAGEMENT REPORT

for the year ended December 31, 2023

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MANAGEMENT REPORT FOR 2023

BACKGROUND INFORMATION ABOUT THE DEPOSIT GUARANTEE FUND

The Deposit Guarantee Fund (hereinafter referred to as the "DGF") is one of the key financial sector entities that, in cooperation with other authorized public bodies, ensures the country's financial stability.

The DGF operates in accordance with the Constitution of Ukraine, the Law of Ukraine "On the Household Deposit Guarantee Scheme" (the Law), and other legislative acts of Ukraine.

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

The core objective of the DGF is to ensure the functioning of the household deposit guarantee scheme and insolvent bank resolution.

The DGF is a legal entity under public law, has separate property that is the object of the state property right, and is under its economic jurisdiction. The DGF is a non-profit institution.

The DGF is an economically independent institution and 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 DGF is located in Kyiv.

Details of the DGF operations and functions are provided in Note 1 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2023, and for the year then ended

GOVERNANCE OF THE DEPOSIT GUARANTEE FUND

The DGF governing bodies include the Administrative Board and the Executive Board.

DGF Administrative Board

In accordance with the Law, the DGF Administrative Board shall:

- approve the DGF development strategy and annual plan of its activities;
- approve the principles of the DGF investment policy and the DGF annual investment plan;
- approve the DGF cost estimates;
- approve the decision of the DGF Executive Board on setting a special premium for the DGF or differentiated riskbased premiums paid by banks to the DGF;
- approve the decision of the DGF Executive Board on establishing the basic annual rate of the regular premium higher than the one established by part 1, Article 22 of the Law;
- decide to increase the household deposit compensation ceiling or set a temporary maximum amount of compensation on deposits;
- approve the decision of the DGF Executive Board on setting the DGF target level and timeframes for reaching it, taking into account the Financial Stability Board's recommendations;
- approve the decision of the DGF Executive Board to attract a loan or non-repayable financial assistance;
- annually appoint an auditor to audit the DGF;
- approve the annual report of the DGF;
- approve the procedure and terms of remuneration of the members of the DGF Executive Board;
- endorse the report of the DGF Executive Board on the progress in disposal of assets (property) of the banks subject to license withdrawal and liquidation for the previous quarter — by the end of the first month following the reporting quarter;

- endorse the report of the DGF Executive Board justifying the least-cost resolution method for a bank classified as insolvent and the progress in implementing the resolution plan;
- endorse the report of the DGF Executive Board justifying the least-cost resolution method for a bank classified as insolvent and the progress in implementing the resolution plan.

The DGF Administrative Board shall perform other functions in accordance with the powers defined by the Law.

The DGF Administrative Board shall consist of five members: 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 Verkhovna Rada of Ukraine, and the DGF Managing Director. The DGF Administrative Board shall be governed by the Chairman to be annually elected by the DGF Administrative Board from among its members. The DGF Managing Director cannot be elected Chairman of the DGF Administrative Board. Members of the DGF Administrative Board shall exercise their functions on a pro bono basis.

Members of the DGF Administrative Board:

Oleksandr Zyma – Legal Department Director, National Bank of Ukraine, Chairman of the DGF Administrative Board.

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

Tetyana Botsula – Deputy Head of the Secretariat of Verkhovna Rada Committee on Finance, Taxation and Customs Policy.

Galyna Pakhachuk – Financial Controlling Department Director of the National Bank of Ukraine.

Svitlana Rekrut – DGF Managing Director.

DGF Executive Board:

The DGF Executive Board shall manage the daily activities of the DGF and ensure that the DGF performs the functions specified in the Law.

The DGF Executive Board shall consist of seven members. The DGF Managing Director and her deputies are ex officio members of the DGF Executive Board. The Managing Director shall be appointed by the decision of the DGF Administrative Board for a term of five years, with the option of reappointment for no more than one term. The DGF Deputy Managing Directors shall be appointed and dismissed by the Managing Director upon approval of the DGF Administrative Board.

The decisions of the DGF Executive Board shall be adopted at meetings by a simple majority of votes, provided that at least four members of the Executive Board participate in the meeting. In the event of a tie vote, the vote of the DGF Managing Director shall be decisive.

Members of the DGF Executive Board:

Svitlana Rekrut – DGF Managing Director.

Andriy Olenchuk – Deputy Managing Director, responsible for the strategic planning of the DGF activities, improvement of the legislative framework in the banking sector and the household deposit guarantee scheme, implementation of the information policy, and communications with the media and NGOs.

Olha Bilay – Deputy Managing Director in charge of monitoring and inspecting banks, early response, introduction of provisional administration and liquidation of banks, as well as ensuring the organization of the work of the committee on consolidation, management, and sale of property (assets) of banks and information technology.

Viktor Novikov – Deputy Managing Director, in charge of the legal policy of the DGF, including representation of the DGF interests in courts, organization, and implementation of litigation activities.

Olena Nuzhenko – Chief Financial Officer, directs (including coordinates) the procedures of financial and investment direction, procurement, and contracting, organizes the risk management and management reporting system in the DGF.

ORGANISATIONAL STRUCTURE

During 2023, the organizational structure of the DGF did not change, and as of December 31, 2022, consisted of 27 independent structural units, including: 6 departments, 5 divisions, 5 services, 9 units. As of December 31, 2023, DGF staff totaled 332 full-time employees (as of December 31, 2022, they numbered 332).

Further information about the DGF organizational structure is available on the DGF website at:

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

KEY ACHIEVEMENTS OF THE REPORTING PERIOD

The DGF, as one of the guarantors of the stability of the financial system in Ukraine, is taking measures to improve and introduce innovations to the existing mechanisms of the guarantee scheme and bank resolution in order to protect the rights of depositors and other creditors of banks that are DGF members.

The DGF is one of the participants in the implementation of the Strategy of the Ukrainian Financial Sector Development. In order to ensure the implementation of the Strategy of Financial Sector Development, the DGF operates within the framework of the Development Strategy of the Deposit Guarantee Fund for 2025 (hereinafter referred to as the

"Strategy") approved by the DGF Executive Board (Minutes No. 032/23 dated March 27, 2023) as amended (Minutes No. 109/23 dated September 21, 2023) (hereinafter referred to as the "DGF Strategy").

During 2023, the DGF operated in accordance with the Action Plan of the Deposit Guarantee Fund for 2023 (hereinafter referred to as the "2023 Action Plan"), which was approved by the DGF Executive Board on September 14, 2021 (Minutes No. 105/23).

According to the strategic areas of the 2023 Action Plan, the main achievements of the DGF in 2023 included:

Strategic area	Key achievements in 2023
<p>Elaboration and improvement of legislation on the deposit guarantee scheme and resolution and liquidation of insolvent banks</p>	<ul style="list-style-type: none"> • adoption of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Improve the Procedure for Removing a Bank from the Market under Martial Law" No. 3111-IX dated May 29, 2023 allowed the DGF to successfully withdraw the systemically important bank JSC "SENS BANK" from the market with the participation of the state (100% of the bank's shares were sold to the state represented by the Ministry of Finance of Ukraine for UAH 1) and ensure the smooth operation of the banking institution; • in order to improve the legal framework of the DGF activities and bring them in line with the changes in the legislation, 32 regulatory acts were adopted
<p>Ensuring the financial independence of the DGF, minimizing future expenses the DGF operations</p>	<ul style="list-style-type: none"> • the Methodology for conducting DGF Stress Testing was approved (decision of the DGF Executive Board No. 703 dated June 15, 2023); • in accordance with the Programme of DGF Stress Testing for 2023–2025, approved by the decision of the DGF Executive Board (Minutes No. 065/23 dated June 28, 2023), the first stage of DGF Stress Testing was conducted, which tested 10 operational risk indicators; • the Methodology for assessing the financial stability of the DGF was approved (decision of the DGF Executive Board No. 1460 dated November 13, 2023); • as part of the agreement on the procedure for transferring funds to the State Budget of Ukraine dated April 15, 2022, concluded between the DGF and the Ministry of Finance of Ukraine, UAH 1,798 thousand was transferred to the State Budget of Ukraine;
<p>Increasing the level of creditor claim satisfaction</p>	<ul style="list-style-type: none"> • taking measures for bringing to justice and getting compensation for damages from parties related to banks. In 2023, the DGF filed 11 claims against 125 related parties of 8 banks in the amount of UAH 82.6 billion; • 2 lawsuits were filed against the Russian Federation to recover damage (losses) caused to 2 insolvent banks as a result of the Russian Federation's aggression against the state of Ukraine in the total amount of over UAH 2.5 billion; • following open bidding (auctions) and the sale of assets (property) of insolvent banks directly to legal entities or individuals, banks received UAH 4,908.1 billion in proceeds from the sale of assets (property) of insolvent banks;
<p>Increase of depositors' and other creditors confidence and level of communication with the public</p>	<ul style="list-style-type: none"> • in order to assess the level of public awareness of the DGF, in December 2023, at the request of the DGF and with the support of the USAID "Investment for Business Resilience Project", the sociological group Rating conducted a representative survey of financial services consumers about the household deposit guarantee scheme; • At the request of the DGF and with the support of the USAID "Financial Sector Transformation" Project, a comprehensive audit of the DGF website was conducted; • use of online communication channels: more than 400 posts by the DGF speakers were published on the DGF Facebook page; a temporary section "Without any worries" and "Clearly about bidding" was introduced, with information materials dedicated to the protection of citizens' funds and the organisation of open electronic auctions for the sale of property of insolvent bank resolution; • about 220 press releases were published in the media; 26 thematic interviews, TV appearances, and commentaries were conducted; 3 thematic columns by the DGF speakers were published;
<p>Financial inclusion</p>	<ul style="list-style-type: none"> • creating a thematic educational page on financial literacy called "Savings Guide" (https://savingsday.fg.gov.ua/); • approval of the project "Financial Literacy Competency Framework for Children and Youth" (decision of the Executive Board No. 062/23 dated June 5, 2023); • as part of the National Financial Literacy Project, 100 training sessions on financial literacy were held for 3,000 teachers of the special course "Financial Literacy" at general secondary education institutions, from 13 regions of Ukraine;

Strategic area	Key achievements in 2023
Digitalization of business processes and cyber protection	<ul style="list-style-type: none"> measures were taken to ensure the safety of the DGF information, namely: <ol style="list-style-type: none"> a remote backup data center was created to ensure the continuous operation of the DGF in case of physical damage or inability to continue the operation of the main data center of the DGF; communication channels were built to continuously synchronize information systems data between the main and backup data centers of the DGF; communication channels were built from the backup data centre to the NBU network and the Internet in case of physical damage or inability to continue the operation of the main data centres of the DGF; the operation of the DGF information and technical systems was ensured, namely: <ol style="list-style-type: none"> a backup cloud data center was created based on the AWS (Amazon Web Services) resources for emergency recovery of information systems in case of physical damage or inability to continue the functioning of the main and backup data centers; continuous data synchronization from the main data center of the DGF to the cloud data center was created and launched; information exchange between JSC Ukrposhta and the DGF Electronic Document Management ASKOD software via the API software interface was introduced; a mechanism was introduced to check the counterparties of insolvent banks for their presence on the lists of individuals and legal entities associated with terrorist activities and persons subject to restrictive measures (sanctions) imposed by the National Security and Defence Council in the Unified Operational and Information System of Insolvent Banks software; Labyrinth, a Deception class software solution for detecting targeted attacks (APT), botnets, zero-day attacks and insiders, was implemented

KEY PERFORMANCE INDICATORS REVIEW

The DGF has been preparing its financial statements in accordance with the International Financial Reporting Standards approved by the International Accounting Standards Board (hereinafter referred to as the "IFRS") since 2016.

As of December 31, 2023, the balance sheet currency had increased by 49.0% to UAH 33,247,030 thousand (UAH 22,306,157 thousand as of December 31, 2022).

Assets of the DGF

The main items of the DGF assets are:

- cash and cash equivalents;
- other current financial assets (financial investments in domestic government bonds);
- receivable contributions from the DGF member banks;
- debts of insolvent banks on the DGF creditor claims.

Cash and cash equivalents	538 906	947 189
Other financial assets	28 029 767	16 893 397
Contribution receivables from member banks	2 063 565	1 773 195
Debt of insolvent banks on the DGF creditors' claims	2 084 960	2 182 159
Other current assets	72 191	61 413
Non-current assets	457 641	448 804

■ 2023 ■ 2022

Composition and dynamics of the DGF assets in 2023–2022, UAH thousand

During 2023, the DGF assets underwent the following changes.

Other current financial assets (financial investments in domestic government bonds) increased significantly by 65,9%. Considering the economic expediency, the DGF continues to invest most of its temporarily available funds in domestic government bonds, as the average effective interest rate, at which the National Bank of Ukraine accrues interest on the daily balances of the DGF resources on the current account is 4.24%, and the average effective rate on government securities is 18.63%.

The value of receivables for contributions from member banks increased by 16.4% due to an increase in the accrual base for calculating the regular fee. This is defined as the arithmetic average for the calculation period of the daily balances on deposit accounts and interest on them.

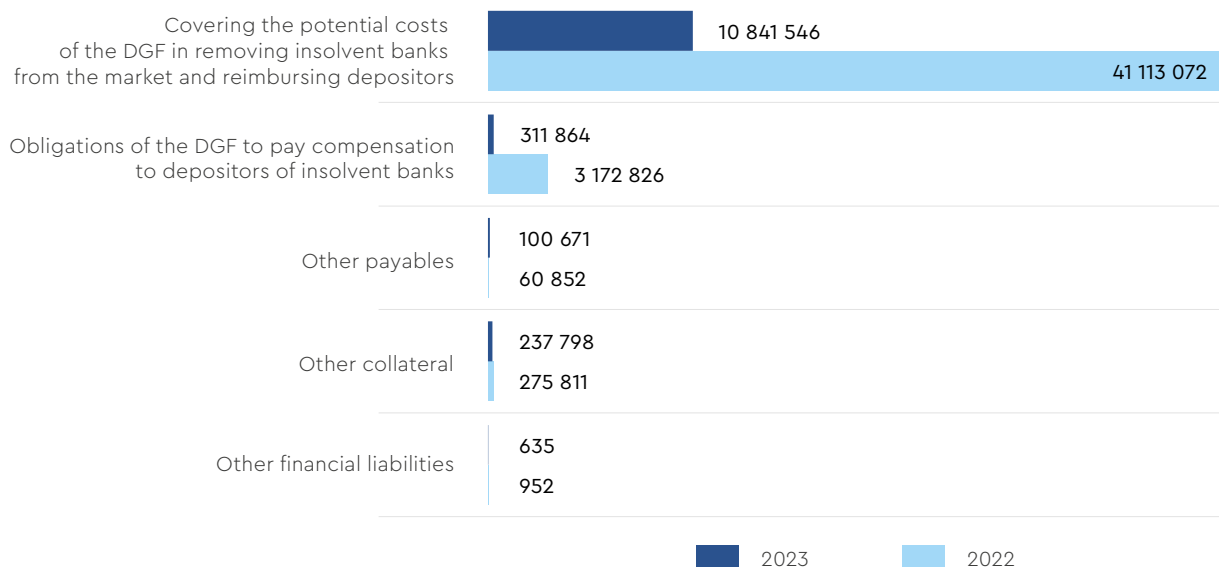
For more details on the DGF major assets, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2023, and for the year then ended:

- Note 8: Other financial assets;
- Note 9: Receivable contributions from the DGF member banks;
- Note 10: Debts of insolvent banks on the DGF creditor claims Liabilities of the DGF

Liabilities of the DGF

The main items of the DGF liabilities are:

- provision for DGF potential expenses on insolvent bank resolution and deposit payouts to depositors;
- liabilities of the DGF on deposit payouts to depositors to the insolvent banks' depositors;
- other financial liabilities.



Composition and dynamics of the Fund's liabilities in 2023–2022, UAH thousand

During 2023, the DGF assets underwent the following changes.

The provision for the DGF potential expenses on insolvent bank resolution and deposit payouts to depositors decreased by 73.6%, which is due to the DGF change in its assessment of the provision amount.

From January 1, 2023, provision for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors is the potential amount of expenditures that the DGF is likely to make to meet its obligation on deposit payouts to bank depositors in the event that the banks are recognized as insolvent during the next reporting period by 50 percent or more.

The change in approaches to provision valuation was due to a change in the approach to assessing the probability the banks are recognized as insolvent during the next reporting period, which assesses the individual probability of default of each particular bank in the next reporting period.

For more details on the DGF major liabilities, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2023, and for the year then ended:

- Note 6: Changes in accounting policies and disclosure principles;
- Note 15: Provisioning for DGF potential expenses on insolvent bank resolution and deposit payouts;
- Note 16: Liabilities of the DGF on deposit payouts to the insolvent banks' depositors;
- Note 18: Other current payables;
- Note 19: Other financial liabilities

Financial performance

For the first time in the last four years, the financial result of the Fund's activities is positive. Net profit for 2023 amounted to UAH 40,727,909 thousand.

The main items affecting the financial performance include: premiums from member banks, provisioning for the DGF future expenses on bank resolution and deposit payouts, financial income and expenses.

In 2023, contributions from member banks increased by 26.1% compared to 2022, due to an increase in deposit and interest balances. In 2023, the amount of deposits increased by UAH 183.3 billion, or 17.4%.

In 2023, income from the disbandment covering the potential costs of the DGF in removing insolvent banks from the market payment of compensation depositors is linked to the review of the valuation of the amount of assets.

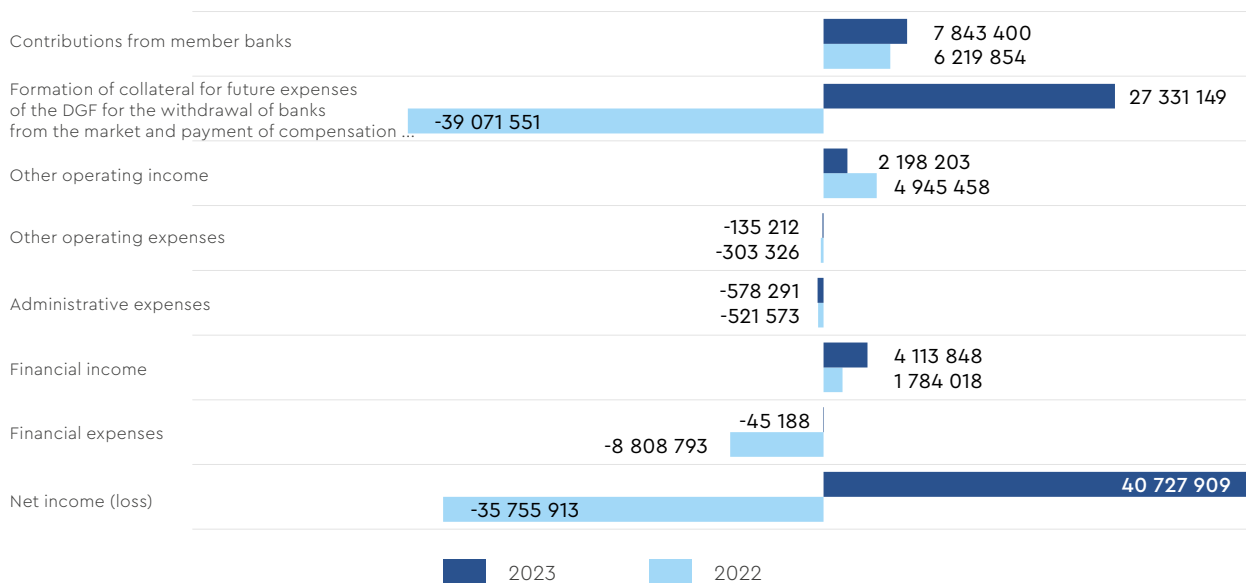
Due to the termination in 2022 the liability on promissory notes introduced by the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" No. 2180-IX dated April 1, 2022 (hereinafter referred to as "Law No. 2180-IX"), the DGF financial expenses decreased significantly in

2023. The main component of financial expenses in 2023 is interest on lease liabilities and discount on compensation of the expenses of the DGF for removing insolvent banks from the market and payment of compensation to depositors, expected to be received by the DGF from insolvent banks and banks in liquidation.

In 2023, the financial income of the DGF is more than twice as high as in 2022. Since the main component of financial income is interest income on domestic government bonds, the growth in financial income is due to an increase in the DGF investment in government securities.

For more details on major items affecting the DGF financial performance, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2023, and for the year then ended:

- Note 15: Provisioning for DGF potential expenses on insolvent bank resolution and deposit payouts;
- Note 20: Contributions of member banks;
- Note 21: Other operating income;
- Note 23: Other operating expenses;
- Note 24: Finance income;
- Note 25: Finance expenses;



Composition and dynamics of the DGF financial results in 2023-2022, UAH thousand



DGF net assets

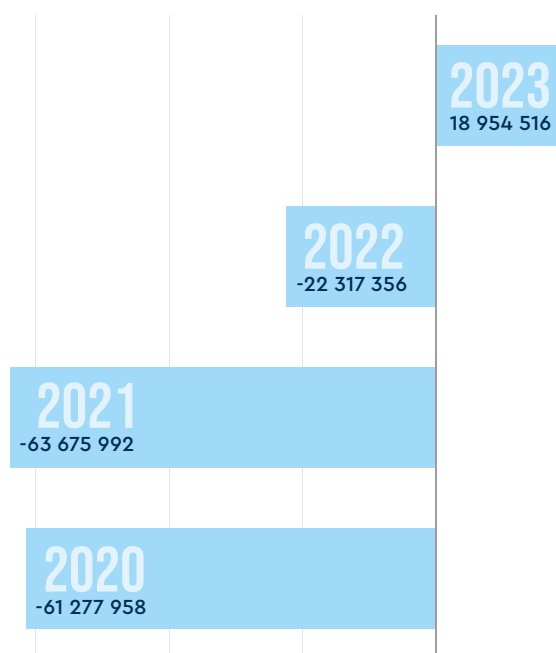
DGF net assets are the residual value of the DGF assets after the deduction of all its liabilities. For the purpose of managing net assets, the main component of the DGF net assets is retained earnings (loss) and other additional capital.

In 2023, for the first time in four years, the DGF net assets were positive.

The DGF main goal with respect to its net asset management is to ensure its operational continuity in order to protect the rights of bank depositors and ensure the stability of the financial system of Ukraine.

To achieve this goal, the DGF takes the following measures:

- assess the financial stability of the DGF in the long-term, short-term, and current periods in order to determine:
 1. the existence of the DGF deficit and the choice of tools to overcome it in the future;
 2. the need to take measures to accumulate adjusted capital by raising the basic rates of regular premium, introducing a special premium;
- In case of a temporary liquidity shortage, the DGF applies to the National Bank of Ukraine:
 1. to attract a loan;
 2. to redeem government securities owned by the DGF. In 2022, the DGF concluded a credit agreement with the National Bank of Ukraine to open a revolving credit line to the DGF in the amount of UAH 3,000,000 thousand;



Dynamics of the DGF net assets for 2020–2023, UAH thousand

- in case of need for liquidity support and subject to exhaustion of the possibilities of replenishment of the DGF resources from the sources specified in Article 19 of the Law of Ukraine "On the Household Deposit Guarantee Scheme", the DGF has the right to apply for a loan or contribution from the state on a non-refundable basis at the expense of the state budget.

RISK MANAGEMENT

In its activities, the DGF classifies the following groups of risks in its operations: insurance, financial, operational, compliance, and social risks.

Insurance risks are risks related to the probability of bankruptcies in the banking sector and the DGF performance of its deposit guarantee functions. Types of insurance risks include: macroeconomic and sectoral risks in the economy, moral risk, bank insolvency risk, risk of late bank resolution, risk of significant reduction of the DGF resources.

Financial risks are risks arising from financial instruments. Types of financial risks include: credit risk, market risk, which includes currency risk and interest rate risk, liquidity risk, and concentration risk.

Operational risks are risks of losses, additional losses associated with the adverse conditions for the DGF performance due to inadequate or erroneous internal processes, actions of employees, systems, or external factors. Types of operational risks include: legal risk, information and technology risks, risk of failure to ensure operational continuity, risk of breach of requirements and process imperfections, risk of internal and external fraud, risk of damage to own assets, risk of personnel policy and occupational safety, risk of infrastructure required for the DGF performance.

Compliance risks are risks of losses, additional losses, shortfalls in planned income, or loss of business reputation

as a result of failure to comply with the requirements of legislation, regulatory legal acts, standards, orders, or other internal regulations of the DGF, rules of the Corporate Code of Conduct, or conflict of interest. Types of compliance risks include: risk of loss of business reputation, risk of inadequate payment of the guaranteed compensation, risk of absence/lack of the DGF authority to manage its insurance risks, risk of legislation flaws, risk of non-compliance with the norms and standards by the DGF in general and/or by its individual employees with the legislative requirements, risk of conflict of interest, risk of non-compliance with ethical standards by employees of the DGF, and risk of information disclosure.

Social risks are the risk of occurrence of adverse consequences both for the DGF and for the whole financial system of Ukraine as a result of the formation of wrong (distorted) ideas or opinions about the household deposit guarantee scheme and/or the DGF activities in society. Social risks include: risk of low financial literacy of the public, risk of the breach of depositors' rights and interests, and the risk of reputational loss.

In order to ensure comprehensive, adequate and effective risk management, the DGF has developed a risk management system. The goals, objectives, principles of building the risk management system, distribution of responsibilities among its participants are defined by the Regulation on the Risk Management System of the Deposit Guarantee Fund, approved by the decision of the DGF Executive Board dated April 09, 2020 No. 772.

The main purpose of the DGF risk management system is to ensure the DGF performance as defined by the legislation of Ukraine in light of the objective risks, to support process efficiency, to preserve DGF resources, to maintain the continuous operation of the DGF, and to comply with the legislative requirements and internal regulations.

Fulfillment of the objectives of the risk management system in DGF is achieved through the application of procedures aimed at carrying out a systematic process of identifying, measuring, monitoring, controlling, reporting, minimising and mitigating all types of risk at all organisational levels of DGF activities.

The DGF risk management system is based on the concept of "three lines of defense".

Units of the DGF perform the "first line of defense" functions, they are owners of all risks arising in their area, and they are responsible for identifying events that cause risks, as well as for the assessment, preparation of proposals for risk management measures, and implementation of measures to minimize them.

The Risk Management Service and the Compliance Department perform the "second line of defense" functions and are responsible for methodological, coordination, and organizational support of the risk management process in the DGF; they monitor compliance with the maximum values of limits and key risk indicators, control the development and implementation of measures to prevent, transfer, and mitigate risks, and prepare management risk reporting.

The Internal Audit Service performs the "third line of defense" functions; they inspect and evaluate the effectiveness and reliability of the risk management system in the DGF.

In order to ascertain the upper limit of risk that the DGF is prepared to assume, the DGF Executive Board has approved the Declaration of Risk Appetite. This document defines the overall level of risk appetite and the categories of risk that the DGF is willing to accept and retain in order to fulfil its functions. It also specifies the level of risk appetite for each risk category.

In 2023, the DGF conducted the initial phase of the DGF Stress Testing in accordance with Part 4 of Article 31 of the Law of Ukraine "On Household Deposit Guarantee Scheme", in collaboration with the EBA/GL/2021/10 Guidelines on DGF Stress Testing and Directive 2014/49/EU of the European Parliament and of the Council of April 16, 2014 on deposit guarantee schemes.

The following documents were created and approved by the DGF during the specified reporting period:

- Methodology for DGF Stress Testing (hereinafter referred to as the "Methodology"), which defines the field of DGF Stress Testing (hereinafter referred to as the "DGF"), the minimum standards and tests that the DGF performs, the DGF ability to reimburse depositors and its ability to access all funding sources, including funds received from

the special levy and alternative funding mechanisms, in a timely manner. The methodology also identifies stress test scenarios for the DGF, including additional issues in the continuous functioning business field or external challenges that place additional stress on the DGF in performing its functions;

- The DGF Stress Testing, covering the 2023–2025 stress testing cycle, which describes the main assumptions and scenarios for stress testing. These include the timing of stress testing, stress testing formats, the DGF tasks for which stress testing is carried out, etc;
- A methodology for assessing the financial stability of the Deposit Guarantee Fund, including a methodology for calculating the value of the DGF target indicator and the timeframe for achieving it.

In 2023, the DGF carried out the first stage of the DGF Stress Testing:

- Calculation of the value of the target indicator, which determines the level of assets required by the Deposit Guarantee Scheme to perform its functions and powers, sufficient to cover the expected expenses of the DGF, taking into account the possibility of crisis phenomena in the future, in relation to the amount of funds guaranteed by the DGF to depositors of member banks within the amount of compensation for the relevant period;
- target fund forecast – the required amount of adjusted capital as of a certain date, determined as the product of the amount of funds guaranteed by the DGF to depositors of member banks within the amount of compensation as of a certain date and the target indicator;
- the calculation of the period required for the adjusted capital to reach the target fund value;
- the tests cover a number of operational phases within the DGF activities. These include personnel and operational resources, communication with depositors and the general public, going concern and analysis of the DGF financing.

Information on financial risk management is provided in Note 30 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2023, and for the year then ended..

RESEARCH AND INNOVATION

In the field of IT technologies, in 2023, the DGF, together with the Ministry of Digital Transformation of Ukraine, introduced a new "Deposit Compensation" service in the Diia app. The new online service speeds up and simplifies people's interaction with the state. The "Deposit Compensation" service in Diia app allows depositors of a failed bank, regardless of their location, to receive a refund on their

deposits to an existing card of one of the DGF agent banks or to open a new card ePidtrymka opened at one of the DGF agent banks. In 2023, depositors received UAH 30.7 million from the DGF using the "Deposit Compensation" service in the Diia app, which is 1% of the total amount of depositors' compensation.

PERSONNEL POLICY AND SOCIAL ASPECTS

As of December 31, 2023, the actual number of employees of the DGF was 332: 203 women and 129 men. The average age of DGF employees is 42 years, 97.3% of employees have higher education, including 7 people with Ph.D. degrees.

In 2023, the priority of DGF personnel policy was to ensure the safety of DGF employees and to organize an effective personnel management system in the context of full-scale war.

The following measures were taken to ensure the uninterrupted operation of the DGF and minimize risks to the lives of DGF employees:

- employees were divided into groups and a working mode was established for each group (work at the DGF premises, remote work);
- the procedure for actions of DGF employees in case of long-term absence of power supply in the DGF premises was determined;
- a mechanism for effective communication with employees was introduced: databases of contact information for employees and their immediate family members were created;
- a shelter was set up at the DGF premises; an evacuation plan was developed and personnel were trained;
- personal protective equipment was purchased to minimize the risks in case of chemical or nuclear weapons (protective suits, gas masks);
- employees were trained in first aid

Labor remuneration

Remuneration of DGF employees is paid in accordance with the Regulations on the Remuneration of Employees of the Deposit Guarantee Fund, approved by Decision No. 3291 of the DGF Executive Board dated December 23, 2019, the Procedure and Conditions of Remuneration of Members of the DGF Executive Board approved by Decision of the DGF Administrative Board No. 41 dated September 27, 2012, in compliance with the requirements of the Collective Agreement between the Executive Board and the staff of the Deposit Guarantee Fund for 2021-2023.

The Remuneration Policy for DGF employees provides for:

- creation of conditions and stimulation of employees for high-quality performance of official duties for the purpose of performing the basic tasks and functions of the DGF defined by the Law of Ukraine "On the Household Deposit Guarantee Scheme";
- establishment of uniform principles for determining the remuneration level of DGF employees, in particular, fairness, transparency, competitiveness, and flexibility.

The salaries of DGF employees consist of:

- basic salary, which is set in the form of wages. The size of the salary depends on the level of influence of the structural unit on the core activities of the DGF (grade of the structural unit) and the level of the employee qualification;
- additional salaries, which are set in the form of allowances, surcharges, and bonuses for the performance of production tasks. The core criterion for paying bonuses to employees for the main results of production task performance is the performance criterion of DGF employees in a respective month, which is measured by quantitative and qualitative key performance indicators and the share of these indicators in the overall performance indicator;
- other incentives and compensations not related to the specific work results, in particular: financial assistance for the rehabilitation of employees, birth of a child, burial of a spouse, parents, or children.

Information on the labor remuneration of DGF employees is provided in the following Notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2023, and for the year then ended:

- Note 22: Administrative expenses;
- Note 26: Related party transactions

Personnel training

The main principle of DGF personnel policy is to promote the enhancement of personnel's special knowledge, improvement, and development of the necessary skills to enable higher productivity and efficiency of their labor.

In 2023, DGF employees participated online in internal corporate events on corruption prevention, procurement planning, and conduct, information security, and cyber hygiene measures.

Corporate Code

To establish the corporate values of the DGF, moral norms and rules of conduct of the employees of the DGF, general standards of the DGF aimed at protecting the reputation, financial stability, and efficiency of the DGF, the Corporate Code of the Deposit Guarantee Fund was approved (Order No. 317 of the DGF dated September 29, 2021) (hereinafter referred to as the "Corporate Code").

The Corporate Code regulates:

- corporate values of the DGF;
- standards of ethical behavior of DGF employees in their interaction with banks, government agencies, and other counterparties;
- compliance with the principle of transparency and openness in providing information to banks, government agencies, depositors and creditors of insolvent banks, and the public;

- standards of appearance for DGF employees; • ensuring safe and healthy working conditions for DGF employees;
- avoidance of any actual or potential conflict of interests in the performance of functional duties by employees.

Corruption prevention

The DGF comprehensively promotes prevention and counteraction measures against any type of corruption. DGF employees, in their internal activities as well as in their legal relations with business partners, public authorities, local government authorities, shall be guided by the "zero tolerance" principle towards any signs of corruption, and shall take all measures prescribed by law to prevent, detect, and counteract corruption-related actions (practices).

For the purpose of scrupulous implementation of all requirements of the anti-corruption legislation of Ukraine, the DGF has approved and applies the DGF Anti-Corruption Program, which sets a scope of measures, standards, and procedures for detecting, preventing, and countering corruption in the DGF.

The DGF implements the following measures aimed at preventing, detecting, eliminating, and countering corruption:

- regular assessment of corruption risks in the DGF activities;
- implementation of anti-corruption standards and procedures in the DGF activities. The main anti-corruption standards and procedures of the DGF are:
 - introducing the content of the DGF Anti-Corruption Program to new employees and conducting training events on preventing and countering corruption;
 - conducting anti-corruption inspections of business partners in accordance with the criteria for their selection;
 - restricting the DGF support to political parties, charitable activity;
 - reporting the signs of violation of the DGF Anti-Corruption Program, signs of committing a corruption or corruption-related offense, as well as the confidentiality of such reports and protection of whistleblowers;
 - reviewing whistleblower reports, including internal investigations and disciplinary sanctions;
 - standards of professional ethics, responsibilities, and prohibitions for employees, restrictions on gifts;
 - prevention and settlement of conflicts of interest;
 - supervision and control over compliance with the requirements of the DGF Anti-Corruption Program.

In compliance with the Law of Ukraine "On Corruption Prevention", the DGF verifies the submission of tax declarations by business entities and individuals, and notifies the National Agency on Corruption Prevention about cases of non-submission or late submission of such declarations in accordance with this law.

In 2023, the DGF began preparations for the certification of the DGF according to the international standard ISO 37001:2016 Anti-bribery management systems – Requirements with guidance for use.

The DGF Anti-Corruption Program is available on the DGF website at <https://www.fg.gov.ua/storage/files/antikorupcijna-programa-fondu.pdf>

Occupational health and safety

The main principles of OHS in the DGF are:

- creating and keeping safe and harmless working conditions, ensuring the priority of life and health of employees in the process of production activities;
- ensuring the continuity and efficiency of the OHS management system and the implementation of the constitutional right of employees to the protection of their lives and health in the process of labor activities;
- organization and control of working conditions for compliance with the requirements of OHS regulations.

In order to prevent occupational injuries and create safe working conditions, the DGF has implemented and applies:

- OHS guidelines during the use of personal computers;
- OHS guidelines for work with copiers;
- OHS guidelines for electrical safety;
- fire safety guidelines in the DGF premises;
- first aid guidelines.

The DGF regularly trains and instructs DGF employees on labor protection and fire safety.

ENVIRONMENTAL PROTECTION

The DGF direct impact on the environment in the course of its operations is limited. In 2022, the DGF did not carry out any activities that would have a significant impact on the environment. However, since the environmental impact depends on the amount of natural resources consumed by the DGF in the course of its activities, the DGF monitors the consumption of such resources, tries to use water, electricity, and paper rationally, and takes measures to reduce their consumption.

In order to protect the environment, the DGF:

- introduced an electronic document management system to reduce the amount of office expenses (paper, plastic, mixed waste, etc.);
- maintains vehicles in good condition in order to reduce exhaust emissions; uses vehicles with an electric motor;
- carries out utilization of decommissioned office and computer equipment by concluding a contract with a licensed enterprise for the collection, transportation, and transfer of waste for further utilization to an enterprise holding a license for such type of activity.

DEVELOPMENT PROSPECTS

The DGF mission is to guarantee deposits, protect creditor rights, raise financial awareness to ensure confidence in the financial system and public welfare.

The DGF vision provides that the DGF is an open, innovative, and reliable partner for preventing financial losses and setting benchmarks for deposit guarantee schemes globally.

The prospects of the DGF development for the next year are set out in the Development Strategy of the Deposit Guarantee Fund until 2025, approved by the DGF Administrative Board (Minutes No. 032/23 dated March 27, 2023) as amended (Minutes No. 109/23 dated 21.09.2023) (hereinafter referred to as the "DGF Strategy").

The DGF Strategy is developed in accordance with the strategic objectives of the Strategy of the Ukrainian Financial Sector Development (hereinafter referred to as the – the Strategy), approved on July 19, 2023 at the meeting of the Financial Stability Council, which sets out current priorities and objectives for the development of the financial sector focused on countering Russian aggression and restoring the country. The Strategy stipulates that joint actions of the regulators and the DGF in the financial sector will be aimed at achieving the following five strategic goals: macroeconomic stability, financial stability, orientation of the financial system towards the country's recovery, modern financial services, and institutional capacity of the regulators and the DGF.

The DGF focuses on the political, economic, social and technological factors that will determine the development of Ukraine's economy and financial system in the coming years.

The Strategy identifies the following strategic priorities for the development of the DGF during next two years:

- ensuring the financial independence of the DGF
- european integration focus of the DGF development;
- minimising the Fund's expenses;
- Increasing the level of creditor claim satisfaction
- Increase of depositors' confidence and level of communication with the public
- financial inclusion;
- digitalisation of business processes and cyber defence

Each area has its own strategic goals and performance indicators:

Strategic area	Objective.
Ensuring the financial independence of the DGF	<ul style="list-style-type: none"> • Ensuring the financial stability of the DGF • Ensuring the DGF continuity of operations • Maintaining the institutional independence of the DGF • Improving the level of corporate governance
European integration focus of the DGF development	<ul style="list-style-type: none"> • Creating a legal framework for the implementation of EU legislation and international best practices
Minimizing expenses of the DGF	<ul style="list-style-type: none"> • Forecasting potential risks of insolvent banks • Increase the level of information exchange between financial sector regulators and the DGF • Unification of legislative approaches to the application of sanctions measures • Reducing the share of non-performing assets

Strategic area	Objective.
Increasing the level of creditor claim satisfaction	<ul style="list-style-type: none"> Improving the institution of ensuring the performance of obligations Satisfaction of the DGF claims against banks for which the DGF decisions to resolve the bank are being challenged or canceled Bringing to justice related parties and other persons who have caused damages (losses) to the bank and/or its creditors or received property benefits Recovery from the Russian Federation of damages (losses) caused to insolvent banks as a result of aggression that led to damage, destruction, or impairment of property, property rights, and other assets of insolvent banks
Increase of depositors' confidence and level of communication with the public	<ul style="list-style-type: none"> Shaping public opinion on the effectiveness of the household deposit guarantee scheme Representation of the DGF in the international arena, cooperation with international partners
Financial inclusion	<ul style="list-style-type: none"> Strengthening the protection of financial services consumers Improving the financial literacy of the public Effective communications with the public and introduction of new channels of work with bank depositors
Digitalisation of business processes and cyber defence	<ul style="list-style-type: none"> Ensuring the reliability of the DGF operating IT systems for efficient and high-quality performance of the DGF functions Ensuring the continuous of operations Implementation of electronic services of the DGF for clients and counterparties of the DGF Organizing and ensuring the functioning of automated processes related to the introduction of a deposit guarantee scheme for credit union members and guaranteeing payments under life insurance contracts Improving the DGF cybersecurity Preparation and phased implementation of technological software such as BPM to automate the management of the DGF business processes

The prospects for the DGF development in 2024 are set out in the Action Plan of the Deposit Guarantee Fund for 2024, approved by the DGF Executive Board (Minutes No. 150/23 dated December 25, 2023) (hereinafter referred to as the "2024 Action Plan").

The 2024 Plan contains a list of activities to be carried out by the DGF during 2024 in the strategic areas set out in the Strategy and the DGF Strategy.

The main measures in the 2024 Action Plan for each area are:

Strategic area	Main events
Elaboration and improvement of legislation on the deposit guarantee scheme and resolution and liquidation of insolvent banks, restoration of the DGF solvency	<ul style="list-style-type: none"> Preparation of proposals for amendments to the Laws of Ukraine on the activities of the DGF on the following issues: <ol style="list-style-type: none"> introducing a Credit Guarantee Scheme for credit unions, resolving insolvency and liquidation; improving the deposit guarantee scheme, bank insolvency resolution and bank liquidation in accordance with Directives 2014/49/EU and 2014/59/EU, 2001/24/EU Preparation of new or amendments to the DGF regulatory acts, in particular on the following issues: <ol style="list-style-type: none"> improving the processes of removing insolvent banks from the market; improving the reporting procedure for the DGF participants; peculiarities of compliance by banks classified as insolvent with the requirements of the legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction
Ensuring the economic independence the household deposit guarantee scheme	<ul style="list-style-type: none"> Setting the value of the target indicator and the timeframe for its achievement; assessing the financial stability of the DGF; Continuation of DGF Stress Testing

Strategic area	Main events
European integration focus of the DGF development	<ul style="list-style-type: none"> Performing the necessary calculations and approving the concept of a payments Guarantee Scheme under life insurance contracts; Consideration of expanding the objects and subjects of the Guarantee Scheme
Minimising the DGF expenses	<ul style="list-style-type: none"> Improving the process of preparing for the sale of property (assets) of banks that are being withdrawn from the market by the DGF; Modification of the DGF early response model indicators
Increasing the level of creditor claim satisfaction	<ul style="list-style-type: none"> Taking measures to restore the possibility of managing and liquidating banks for which the DGF and/or the NBU's decisions to withdraw the bank from the market have been cancelled; Taking a range of measures to bring to justice related parties of insolvent banks and/or other persons; Introduce a mechanism for voluntary settlement of damage (losses) by related parties of insolvent banks and/or other persons
Increase of depositors' confidence and level of communication with the public	<ul style="list-style-type: none"> Improvement of the DGF website by implementing the recommendations of the comprehensive audit conducted with the support of the USAID Financial Sector Reform Project
Financial inclusion	<ul style="list-style-type: none"> The interagency working group agreed on the structure and content of the document on standardisation of key financial competences of entrepreneurs; Development of educational products for individuals and entrepreneurs (including financial management of individuals and entrepreneurs in crisis conditions); Ensure that educational activities reach different target groups (including teachers, veterans, IDPs, etc.)
Digitalisation of business processes and cyber defence	<ul style="list-style-type: none"> Integration of the DGF software PC "Bank Reporting" and software "Automated Fund Payments System" with the electronic interaction system of state electronic information resources "Trembita"; Formation of technical requirements for the implementation of technological software such as BPM to automate the management of the DGF business processes; Implementation of a new software for accounting in DGF. Implementation of a software and hardware complex of virtual workstations (software and hardware complex VDI) Implementation of DGF software to protect workstations, servers and cloud-based virtual systems in the backup data centre.

May 24, 2024

Managing Director

S.V. Rekrut

FINANCIAL STATEMENTS

for the year ended december 31, 2023

STATEMENT OF FINANCIAL POSITION

<i>(UAH thousands)</i>	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	377,171	370,286
Intangible assets	14	80,470	78,518
Other non-current financial assets	8	-	476,965
Total non-current assets		457,641	925,769
Current assets			
Cash and cash equivalents	7	538,906	947,189
Other current financial assets	8	28,029,767	16,416,432
Receivable contribution from member banks	9	2,063,565	1,773,195
Debt of insolvent banks on the DGF credit claims	10	2,084,960	2,182,159
Other accounts receivables	11	49,585	48,491
Other assets	12	22,606	12,922
Total current assets		32,789,389	21,380,388
TOTAL ASSETS		33,247,030	22,306,157

STATEMENT OF FINANCIAL POSITION (continued)

<i>(UAH thousands)</i>	Note	December 31, 2023	December 31, 2022
NET ASSETS AND LIABILITIES			
Net assets			
Revaluation reserve		(1,152,865)	(1,698,626)
Profit (loss)		(58,398,196)	(99,126,105)
Other additional capital		78,505,577	78,507,375
Total net assets		18,954,516	(22,317,356)
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	19	-	635
Total non-current liabilities		-	635
Current liabilities			
Provision for DGF potential expenses on insolvent bank resolution and compensation of funds to depositors	15	10,841,546	41,113,072
DGF obligations on deposit payouts to the insolvent banks' depositors	16	3,111,864	3,172,826
Other current provisions	17	237,798	275,811
Other current payables	18	100,671	60,852
Other current financial liabilities	19	635	317
Total current liabilities		14,292,514	44,622,878
Total liabilities		14,292,514	44,623,513
Total net assets and liabilities		33,247,030	22,306,157

May 24, 2024

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

<i>(UAH thousand)</i>	Note	2023	2022
Contributions from participating banks	20	7,843,400	6,219,854
(Formation) write-back of the provision for DGF future expenses on bank resolution and deposit payouts	15	27,331,149	(39,071,551)
Other operating income	21	2,198,203	4,945,458
Administrative expenses	22	(578,291)	(521,573)
Other operating expenses	23	(135,212)	(303,326)
Operating profit (loss)		36,659,249	(28,731,138)
Financial income	24	4,113,848	1,784,018
Financial expenses	25	(45,188)	(8,808,793)
Net profit (loss)		40,727,909	(35,755,913)
Net change in fair value of financial assets measured at fair value through other comprehensive income		545,761	(1,392,826)
Other comprehensive income (loss), net		545,761	(1,392,826)
Total comprehensive income (loss)		41,273,670	(37,148,739)

May 24, 2024

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis



STATEMENT OF CHANGES IN NET ASSETS

<i>(UAH thousand)</i>	Other additional capital	Revaluation reserve	Accumulated loss	Total
Balance as of December 31, 2021	-	(305,800)	(63,370,192)	(63,675,992)
Profit (loss) for the year	-	-	(35,755,913)	(35,755,913)
Other comprehensive income	-	(1,392,826)	-	(1,392,826)
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	(1,392,826)	-	(1,392,826)
Total comprehensive income/(loss) for the year	-	(1,392,826)	(35,755,913)	(37,148,739)
Increase (decrease) due to other changes in equity	78,507,375	-	-	78,507,375
Balance as at December 31, 2022	78,507,375	(1,698,626)	(99,126,105)	(22,317,356)
Profit (loss) for the year	-	-	40,727,909	40,727,909
Other comprehensive income	-	545,761	-	545,761
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	545,761	-	545,761
Total comprehensive income/(loss) for the year	-	545,761	40,727,909	41,273,670
Increase (decrease) due to other changes in equity	(1,798)	-	-	(1,798)
Balance as at December 31, 2023	78,505,577	(1,152,865)	(58,398,196)	18,954,516

May 24, 2024

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis

STATEMENT OF CASH FLOWS

<i>(UAH thousand)</i>	2023	2022
Cash flows from operating activities		
Contributions received from members	7,565,132	5,492,695
Proceeds from insolvent banks towards repayment of creditor claims	2,871,804	1,210,681
Funds transferred to agent banks for deposit payouts	(3,090,857)	(5,832,641)
Payments to employees and social insurance contributions	(415,543)	(363,367)
Payment of liabilities on other taxes and duties	(19,389)	(15,963)
Other receipts from operating activities	99,104	191,134
Other expenditures of operating activities	(240,808)	(234,115)
Net cash flows from operating activities	6,769,443	448,424
Cash flows from investing activities		
Proceeds from domestic government bonds measured at amortized cost	12,700,857	12,690,768
Purchase of domestic government bonds measured at amortized cost	(22,584,781)	(14,656,817)
Purchase of non-current assets	(49,315)	(55,901)
Proceeds from non-current assets sale	61	-
Interest received	2,757,145	1,845,829
Net cash flows from investing activities	(7,176,033)	(176,121)
Cash flows from financing activities		
Repayment of liability to the Ministry of Finance of Ukraine	(1,798)	-
Interest paid	(108)	-
Repayment of lease liability	(379)	-
Net cash flows from financing activities	(2,285)	-
Net flow of cash and cash equivalents	(408,875)	272,303
Cash and cash equivalents at the beginning of the year	947,189	674,942
Effect of change rate fluctuations on the balance of funds	592	(56)
Cash and cash equivalents at the end of the year	538,906	947,189

May 24, 2024

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis



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1. BACKGROUND INFORMATION

The Deposit Guarantee Fund (the "DGF") operates in accordance with the Law of Ukraine "On the Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law").

The DGF core objective is to ensure the functioning of the household deposit guarantee scheme and insolvent bank resolution.

In order to reach its core objective, the DGF, in the manner prescribed by the Law, performs the following functions:

- maintaining the Register of DGF members;
- accumulating funds from the sources as set in Article 19 of the Law "On Household Deposit Guarantee Scheme" and supervising premium payments from the DGF member;
- investing the DGF monetary funds in government securities of Ukraine and bonds of international financial organizations placed in the territory of Ukraine;
- placing corporate bonds in the manner and in the spheres of funds allocation defined by the Law, and issuing promissory notes in the cases provided for by the Law on the State Budget of Ukraine for the corresponding year;
- taking measures to facilitate deposit payouts within the time limits specified in the Law;
- regulating the banks' membership in the household deposit guarantee scheme;
- participating in problem bank inspections upon the proposal of the National Bank of Ukraine;
- applying financial sanctions to and imposing fines on banks and bank senior executive management as appropriate;
- taking measures to prepare for the introduction of the procedure for bank resolution, including organizational measures for holding an open auction and determining the least expensive method of bank resolution;
- taking measures to carry out insolvent bank resolution, including through the implementation of the resolution plan, implementation of the provisional administration, and bank liquidation;
- inspecting banks pursuant to the Law;
- providing financial support to banks pursuant to the Law;
- analyzing the financial position of banks in order to identify their operational risks, and project DGF potential costs of insolvent bank resolution and deposit compensation;
- sending relevant inquiries to clients, depositors, and other bank creditors in accordance with the procedure established by the DGF;
- taking measures to educate the public about the household deposit guarantee scheme, protection of rights and legally protected interests of depositors, increasing the level of financial literacy of the public in accordance with this Law;
- studying and analyzing markets of financial resources raised by DGF members from depositors. The DGF is a legal entity under public law, has separate property that is the object of the state property right, and is under its economic jurisdiction.

The DGF is an economically independent institution and 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 DGF is a non-profit institution.

The DGF governing bodies include the Administrative Board and the Executive Board. The DGF Administrative Board shall consist of five members: 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 Verkhovna Rada of Ukraine, and the DGF Managing Director.

The DGF Executive Board shall consist of seven members. The DGF Managing Director and her deputies are ex officio members of the DGF Executive Board.

The number of the DGF member banks as of December 31, 2023, was 63 banks (December 31, 2022: 67 banks).

2. BUSINESS ENVIRONMENT

The DGF is one of the key financial sector entities that, in cooperation with other authorized public bodies, ensures the country's financial stability. Proper implementation of the DGF objective directly depends on its functional environment and its ability to respond effectively to potential risks and threats.

On February 24, 2022, Russian troops launch a large-scale military offensive against Ukraine. By the Decree of the President of Ukraine No. 64/2022 "On the Imposition of Martial Law in Ukraine" approved by the Law of Ukraine No. 2102-IX dated February 24, 2022, martial law was imposed in Ukraine. Currently, active hostilities have been going on for more than two years in many regions of Ukraine. The Armed Forces of Ukraine continue to resist Russian troops. Thousands of Ukrainian citizens were tragically killed, and millions of citizens became refugees.

The war has led to the large-scale destruction of residential and non-residential buildings, industrial enterprises, and infrastructure facilities in Ukraine. Production facilities were destroyed, supply chains were disrupted, and certain territories of the country were temporarily occupied. Many businesses in the occupied territories have suspended their operations. The armed attack by the Russian Federation has had extremely significant adverse consequences for Ukraine's economy and its banking sector, but Ukraine is showing resilience in the face of economic and financial challenges. According to preliminary estimates by the State Statistics Service of Ukraine, real GDP grew by 5.3% compared to 2022. This represents a recovery following a significant decline of 28.8% in 2022. The growth was driven by the high level of adaptability of businesses and households to operate in wartime conditions and a loose fiscal policy, which fuelled domestic consumer and investment demand. Inflation in Ukraine in 2023 fell to 5.1% after jumping to 26.6% in 2022 from 10.0% in 2021. The introduction of fixed tariffs for certain utility services, such as supplies of natural gas, hot water, and heating, restrained the rise in inflation. Additionally, a good harvest contributed to a significant slowdown in inflation. The NBU's measures to maintain the sustainability of the foreign exchange market also contributed significantly to the slowdown in inflation.

For the second year in a row, the banking sector was operating under extremely difficult conditions. During this period, the banking system has demonstrated its resilience in the face of new challenges, maintaining financial stability, adapting business processes, and proving its ability to function effectively in a time of war. According to the results of the reporting year, the banking sector generated UAH 86.5 billion of net profit, which is UAH 61.8 billion more than in 2022. Banks' operating profits grew moderately: operating income for the year increased by 15% year-on-year, while net operating profit before provisions increased by 19%. The sector's revenue growth is sustained by an increase in interest income from both highly liquid assets and lending.

The main factor behind the significant difference in profitability, compared to the previous year, was significantly lower allocations to provisions for losses from active operations, which decreased by 86% over the year. In total, since the beginning of the full-scale invasion, banks have formed reserves of UAH 133 billion, of which only UAH 17 billion in 2023. In accordance with the changes to the legislation in December 2023, banks additionally charged the annual amount of income tax based on the results of 2023 at a higher rate of 50%. The banking sector's return on equity was 31.6% as of December 31, 2023. (as of December 31, 2022 this figure was 9.7%). The near-term outlook for the country's banking system is cautiously optimistic: most banks in Ukraine have sufficient capital, and the banking system as a whole has a high safety margin.

In 2023, the DGF continued to ensure the sustainability of the guarantee scheme and maintain depositors' confidence in the Ukrainian banking system. In accordance with the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring the Stability of the Household Deposit Guarantee Scheme" No. 2180-IX dated April 1, 2022 (Law No. 2180-IX) came into force, DGF provides 100% deposit guarantee in case of a decision to resolve a bank during the martial law in Ukraine and three months after the termination or cancellation of martial law in Ukraine. After the expiration of this period, the guaranteed amount of compensation of funds on deposits will be UAH 600 thousand. During 2023, depositors of banks received from the DGF a total of UAH 3,087 million in deposit compensation, of which UAH 2,774 million was the amount of compensation to depositors of 4 banks declared insolvent during the reporting period (JSC BANK FORWARD, PJSC IBOX Bank, JSC JSCB CONCORD and JSC UKRAINIAN CONSTRUCTION AND INVESTMENT BANK). In addition, a systemically important bank, JSC SENS BANK, was withdrawn from the market with the state's participation. The state, represented by the Ministry of Finance of Ukraine, purchased 100% of the bank's shares for UAH 1.

The potential development of crises in the economy and banking sector of Ukraine caused by military actions in Ukraine may have an adverse effect on the results of operations and the financial position of the DGF, however, management believes that it monitors its activities and ensures quick response to current events and changes in the situation to support the stable operation of the DGF and the household deposit guarantee scheme in Ukraine.

These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and financial position of the DGF. The future business environment may differ from management's assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a historical cost basis, except for:

- financial assets at fair value through other comprehensive income (FVOCI).

b) GOING CONCERN

As at December 31, 2023, the net assets of the Fund amounted to UAH 18,954,516 thousand (December 31, 2022: deficit of UAH 22,317,356 thousand). Net profit for the year ended December 31, 2023 amounted to UAH 40,727,909 thousand (net loss for the year ended 31 December 2022: UAH 35,755,913 thousand). Cash flows from operating activities for the year ended December 31, 2023 amounted to UAH 6,769,443 thousand (for the year ended December 31, 2022: UAH 448,424 thousand).

The management staff implements the following measures to ensure the performance of the DGF obligations in the near future:

- assess the financial stability of the DGF in the long-term, short-term, and current periods in order to determine: 1) the existence of the DGF deficit and the choice of tools to overcome it in the future; 2) the need to take measures to accumulate adjusted capital by raising the basic rates of regular premium, introducing a special premium;
- in case of a temporary liquidity shortage, the DGF has the right to apply to the National Bank of Ukraine: 1) to attract a loan; 2) to redeem government securities owned by the DGF. In 2022, the DGF concluded a credit agreement with the National Bank of Ukraine to open a revolving credit line to the DGF in the amount of UAH 3,000,000 thousand;
- in case of need for liquidity support and subject to exhaustion of the possibilities of replenishment of the DGF resources from the sources specified in Article 19 of the Law of Ukraine "On the Household Deposit Guarantee Scheme", the DGF has the right to apply for a loan or contribution from the state on a non-refundable basis at the expense of the state budget;
- in case of an urgent need for liquidity support caused by the presence of signs of an unstable financial condition of the banking system, as well as circumstances that threaten the stability of the banking and/or financial system of the country, confirmed by the relevant decision of the Financial Stability Board, the DGF has the right to receive funding from the state in the form of a non-refundable contribution;
- improve the risk management system, the main purpose of which is to ensure the DGF performance as defined by the legislation of Ukraine in light of the objective risks, to support process efficiency, to preserve DGF resources, to maintain the continuous operation of the DGF, and to comply with the legislative requirements and internal regulations;
- work to identify damages caused to banks and their creditors by the decisions, actions, or inaction of persons related to such banks. As of December 31, 2023, the DGF filed 87 claims against 1,001 related parties in respect of 54 insolvent banks for a total amount of over UAH 172.6 billion. The total amount of claims of the DGF satisfied according to court decisions that have entered into force is over 1.7 billion;

- work to optimize and minimize the costs of insolvent banks by strengthening control over operational processes in insolvent banks and centralizing their core functions that arise during the introduction of provisional administration or liquidation;

- The DGF is initiating further changes to the legal framework for its operations to enhance the DGF institutional capacity and improve the existing tools and methods for bank resolution.

The management assessed the impact of the full-scale military aggression of the Russian Federation against Ukraine on the DGF ability to continue as a going concern in the future.

As of the date of the beginning of the military aggression, the DGF had already approved the Action Plan to Minimize the Risks in Case of the Military Conflict (War) Escalation (Minutes Decision of the DGF Executive Board No. 013/22 dated February 10, 2022), which provided for the following measures in 2022–2023:

- development of an internal regulatory document defining the procedure for organizing the DGF ongoing concern;
- measures were taken to ensure the safety of the DGF information, namely:
 1. a remote backup data center was created to ensure the continuous operation of the DGF in case of physical damage or inability to continue the operation of the main data center of the DGF;
 2. communication channels were built to continuously synchronize information systems data between the main and backup data centers of the DGF;
 3. communication channels were built from the backup data center to the NBU network and the Internet in case of physical damage or inability to continue the operation of the main data center of the DGF;
- the operation of the DGF information and technical systems was ensured, namely:
 - a backup cloud data center was created based on the AWS (Amazon Web Services) resources for emergency recovery of information systems in case of physical damage or inability to continue the functioning of the main and backup data centers;
 - continuous data synchronization from the main data center of the DGF to the cloud data center was created and launched;
- organization of alternative communication channels, i.e., the conclusion of a satellite Internet service agreement in case of disconnection of the main communication channels;
- organization of uninterrupted power supply to the DGF premises and the installation of additional means of protection against intrusion therein;
- ensuring the safety of the DGF property and the property of insolvent banks under the DGF management;
- organization of the work of DGF personnel; provision of DGF personnel with protective equipment in case of damage by weapons of mass destruction;
- organization of communications with the public, insolvent banks, DGF member banks, and other counterparties

The management believes that, given all the measures described above, and taking into account that the DGF does not depend on the Russian and Belarusian markets, has no subsidiaries or assets in Russia or Belarus or in the

area of hostilities, and that the DGF is not affiliated with any sanctioned legal entities or individuals, the DGF is able to continue as a going concern in the near future. In addition, the management personnel are unaware of any material uncertainties other than those described above that may cast significant doubt on the DGF ability to conduct operations in the future.

c) FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

These financial statements are presented in the national currency of Ukraine, the UAH, which is the functional and presentation currency of the DGF. All amounts in the financial statements are rounded to thousands.

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the National Bank of Ukraine (NBU) as of the respective reporting date. Profits or losses on foreign exchange differences that arise on transaction settlements and as a result of the translation of monetary assets and liabilities into the functional currency at the end of the year in accordance with the official NBU rates are recognized in the statement of profit and loss. Non-monetary items in foreign currency measured at historical cost are translated at the exchange rate on the transaction date.

d) CURRENT VERSUS NON-CURRENT CLASSIFICATION OF ASSETS AND LIABILITIES

In the statement of financial position, the DGF presents assets and liabilities based on their classification into current and non-current.

e) FAIR VALUE MEASUREMENT

At each reporting date, the DGF measures financial instruments represented by domestic government bonds at fair value.

Fair value is the price that would have been received for the sale of an asset or paid for transferring a liability in an ordinary transaction between market participants at the valuation date. A fair valuation assumes that the sale of an asset or the transfer of a liability occurs either

- in the main market for that asset or liability; or
- in the absence of the main market, in the most favorable market for this asset or liability.

The market in which the DGF normally sells an asset or transfers a liability is considered to be the main market or, if there is no main market, the most favorable one. The DGF must have access to the principal or most favorable market on the valuation date.

The DGF estimates the fair value of an asset or a 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 interests.

The DGF applies valuation methods that are appropriate to the circumstances and for which there is sufficient data to measure a fair value, maximizing the use of relevant open inputs and minimizing the use of closed inputs. If there is a main market for an asset or liability, the fair valuation represents the price in that market (regardless of whether that price is

directly open or its valuation is obtained by another valuation technique), even if the price in another market is potentially more favorable on the date of valuation.

Valuation techniques such as discounted cash flows and analysis of financial information about the investees are used to determine the fair value of financial instruments for which external market prices are not available. The application of Notes Financial statements Annual report 2022 118 valuation techniques may require assumptions that are not supported by market data. In these financial statements, information about assumptions is disclosed whenever changing a reasonable alternative assumption to a reasonably possible one would result in significantly different profit, income, expenses, total assets, or total liabilities.

The DGF applies valuation methods that are appropriate to the circumstances and for which there is sufficient data to measure a fair value, maximizing the use of relevant open inputs and minimizing the use of closed inputs. All assets and liabilities whose fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy set out below, based on the lowest level inputs that are material to the fair value measurement as a whole:

- level 1 — quotation prices of similar assets or liabilities in an active market (without any adjustments);
- level 2 — valuation models in which the inputs belonging to the lowest level of the hierarchy and material for the general fair value measurement are directly or indirectly observed in the market;
- level 3 — valuation models in which the inputs belonging to the lowest level of the hierarchy and material for the general fair value measurement are not observed in the market.

In the case of assets and liabilities that are revalued on a regular basis in the financial statements, the DGF determines the need to transfer them between levels of the fair value hierarchy by re-analyzing the classification (based on the lowest level hierarchy inputs that are material for the general fair value measurement) at the end of each reporting period.

In order to disclose fair value information, the DGF classifies assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy.

Refer to Note 32 for the fair value of financial instruments measured at fair value or whose fair value is required to be disclosed in the financial statements: Fair Value of Financial Assets and Liabilities.

f) FIXED ASSETS

Fixed assets are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any.

The expenses on improving own fixed assets, which increase the initially expected benefits from their use, increase the initial value of those assets.

Accrual of asset amortization begins on the first day of the month following the month in which a fixed asset becomes suitable for use and stop on the first day of the month following the month in which the fixed asset is derecognized.

Amortization is calculated on a straight-line basis for the following expected useful lives:

	Years
Buildings	40
Vehicles	5
Furniture	3-7
Office equipment	4-7
Computer equipment	3-5
Tools and household equipment	3-7
Other fixed assets	3-7

The liquidation value of fixed asset groups, which are not subject to sale after the end of their useful life, is 0% of their initial value. The liquidation value of fixed asset groups, which may be sold after the end of their useful life, is set at the level of the generalized statistics on the actual sales of such fixed assets for the last three years.

At the end of each fiscal year, the DGF reviews the liquidation value of fixed assets, their useful life, amortization method, and analyzes fixed assets for impairment.

If there are any signs of fixed asset impairment, the DGF estimates the amount of expected reimbursement for this asset. If the amount of the expected reimbursement of the fixed asset is less than its book value, the book value of the fixed asset shall be reduced to the expected reimbursement. Such a reduction is an impairment loss. The impairment loss is included in expenses for the period as part of other expenses.

g) LEASE

Upon concluding an agreement, the DGF assesses whether a lease agreement as a whole or its individual components are a lease agreement. An agreement as a whole or its individual components is a lease agreement if the agreement transfers the right of control over the use of an identified asset for a certain period of time in exchange for compensation.

The DGF, as a tenant, applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and leases in which the underlying asset has a low value. The underlying asset has a low value if the fair value of this asset in a new condition is less than or equal to UAH 30,000.00. Lease payments on such leases are expenses for the period that are distributed on a straight-line basis over the lease term.

At the commencement date of the lease, the DGF recognizes the asset in the form of the right of use and a lease liability.

At the date of recognition, an asset in the form of the right of use is measured at its cost, and a lease liability is measured at the present value of lease payments not paid by that date.

Lease payments are discounted at the rate specified in the lease agreement, if such rate can be easily determined. Otherwise, the DGF uses an average interest rate for the last three months on long-term loans in the national currency for business entities, published on the official website of the National Bank of Ukraine, as a discount rate.

Subsequently, the DGF measures the asset in the form of the right of use according to the cost model: the initial value of the asset in the form of the right of use less accumulated amortization and accumulated losses from its impairment. The carrying amount of the right-of-use asset is adjusted by the amount of the revaluation of the lease liability.

Amortization of a right-of-use asset is carried out on a straightline basis over the shortest of the following periods: useful life or lease term.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount of the lease liability is increased by the amount of interest on the lease liability and decreased by the amount of lease payments made.

The carrying amount of the lease liability is revalued as a result of a change in the lease term; revaluation of the probability of exercising the option to acquire the underlying asset; revaluation of amounts to be paid under liquidation value guarantees; revaluations of fixed payments and variable lease payments that depend on the index or rate.

In the statement of financial position, the asset in the form of a right of use is presented in the same line in which relevant underlying assets would have been presented if they had been owned by the DGF.

h) INTANGIBLE ASSETS

Intangible assets that were separately acquired (created) are initially recognized at fair value, which is the amount of cash paid or the fair value of any other consideration given as payment and includes all direct costs of preparing the asset for use, namely:

- acquisition cost (less trade discounts), duties, non-refundable indirect taxes; and
- any costs that can be directly attributed to preparing this asset for its intended use.

Once recognized as an asset, intangible assets 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 contractual or legal rights, but may be shorter than their period of validity depending on the period during which the DGF expects to use the asset.

Amortization of intangible assets starts to be charged during their useful life on a straight-line basis.

Amortization shall start to be charged on the first day of the month following the month in which such an asset has become available for use and stop on the first day of the month following the month of derecognition of such asset.

Intangible assets that have an indefinite useful life or are classified as held for sale (for the period of such classification) are not subject to amortization.

At the end of each financial year, the following is performed: analysis of intangible assets for signs of impairment; revision of useful life, amortization method; checking for future economic benefits from the use of the intangible asset.

If there are any signs of impairment of an intangible asset, the DGF estimates the amount of the expected compensation for such asset. The amount of the expected compensation for an asset is its carrying amount, unless there are grounds to believe that the benefits from the use of the intangible asset outweigh the cost of its sale.

If it is not possible to determine the cost of sales, the amount of the expected compensation for the asset may be considered a benefit from its use (the value of the asset in use), defined as the discounted cash flow expected to be received from the use and future disposal of the asset.

If the amount of the expected compensation for an intangible asset is less than its carrying amount, the carrying amount of the intangible asset is reduced to its expected compensation. Such a reduction is an impairment loss.

The impairment loss is included in expenses for the period as part of other expenses. Intangible assets with indefinite useful lives and those under development are tested for impairment regardless of any signs of impairment.

i) FINANCIAL INSTRUMENTS

A financial instrument is any agreement that gives rise to a financial asset for one business entity and a financial liability or equity instrument for another business entity.

Financial instruments of the DGF are represented by financial assets and financial liabilities.

Financial assets include:

- cash (cash on the current account with the National Bank of Ukraine and cash in hand of the DGF);
- financial investments in government securities (domestic government bonds);
- debt of insolvent banks and banks liquidated by the DGF, on special-purpose loans and interest on special-purpose loans granted to insolvent banks;
- other accounts receivable, including:
 - indebtedness of the DGF agent banks for the payment of the guaranteed deposit payout;
 - accounts receivable from the DGF business operations, for which cash is expected to be received;
 - capital instruments: investments in the authorized capital of a bridge bank.

Financial liabilities include:

- borrowed funds (NBU loans, liabilities on promissory notes issued by the DGF);
- obligations of the DGF to provide financial support to the assuming/bridge bank;
- the DGF obligations to the state, on behalf of which the Ministry of Finance of Ukraine acts, within the amount of the DGF terminated obligations under promissory notes and interest accrued on the amounts specified in the promissory notes;
- lease obligations;
- other accounts payable.

Classification of financial assets

Financial assets are classified into the following categories:

- financial assets at amortized cost
- financial assets at fair value through other comprehensive income.
- financial assets at fair value through profit or loss.

A financial asset is classified as of amortized cost if both of the following conditions are true:

- - the financial asset is held within the business model, the purpose of which is to retain financial assets to obtain contractual cash flows;
- - the contractual terms of the financial asset provide for cash flow receipts on certain dates, which are

exclusively the payment of the principal amount and interest on the outstanding share of the principal amount.

A financial asset is classified as an asset measured at fair value through other comprehensive income if the following two conditions are met:

- the financial asset is held within the business model, the purpose of which is both the retention of financial assets to obtain contractual cash flows and the sale of financial assets;
- the contractual terms of the financial asset provide for cash flow receipts on certain dates, which are exclusively the payment of the principal amount and interest on the outstanding share of the principal amount.

A financial asset is classified as an asset measured at fair value through profit or loss if:

- the financial asset is not classified as an asset at amortized cost or as an asset at fair value through other comprehensive income;
- the financial asset is held within the business model, the purpose of which is to obtain cash flows from active sales of financial assets.

The classification of financial assets of the DGF by the said categories is based on the business model for financial asset management and characteristics of cash flows on the financial asset provided for by the terms of the contract.

Determining the business model for financial asset management and testing the characteristics of cash flows under the terms of the agreements is carried out in accordance with the methodology approved by Decision No. 3357 of the DGF Executive Board dated December 13, 2018.

The reclassification of recognized financial assets is carried out, as an exception, only in the event of a change in the financial asset management business model. A change in the business model is determined by the DGF management staff as a result of external or internal changes, and shall be material to the DGF activities and obvious to external parties. The reclassification of financial assets is applied prospectively from the reclassification date.

Recognition and valuation of financial instruments

A financial asset or a financial liability is recognized in the statement of financial position only when the DGF becomes a party to the contractual provisions regarding that financial instrument.

The ordinary acquisition or sale of a financial asset is accounted for on the settlement date.

Upon initial recognition, financial assets and financial liabilities are measured at fair value plus or minus (in the case of a financial asset or financial liability that is not measured at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The best indicator of the fair value of a financial instrument upon its initial recognition is the transaction price, i.e., the fair value of the funds paid or received. If the DGF determines that the fair value of a financial instrument upon its initial recognition differs from the transaction price and the fair value is not confirmed by the quoted price of an identical asset or liability in an active market or by a valuation method that uses only open market data, such financial instrument shall be first measured at fair value, adjusted to defer the

difference between the fair value upon initial recognition and the transaction price. Then the said difference shall be recognized in profit or loss on an appropriate basis over the life of the instrument, but not later than the moment when the valuation is fully confirmed by open market data or when the transaction is closed.

Further valuation of financial assets, depending on their classification, is carried out:

- at amortized cost;
- at fair value through other comprehensive income;
- at fair value through profit or loss.

Financial liabilities are classified as those that are subsequently measured at amortized cost. Financial liabilities cannot be reclassified after initial recognition.

Impairment of financial assets

At the end of each reporting period, financial assets (except financial assets measured at fair value through profit or loss) are reviewed for impairment.

An impairment of financial assets consists in the recognition of a loss provision for expected credit losses on financial instruments. Expected credit losses are calculated as the difference between all cash flows due to the business entity under the agreement and all cash flows that the business entity expects to receive, discounted at the original effective interest rate.

The provision for expected credit losses on a financial instrument is equal to:

- expected credit losses over the life of the financial instrument, if the credit risk has increased significantly since its initial recognition;
- 12-month expected credit losses, if as of the reporting date, the credit risk has not increased significantly since the initial recognition or the conditions that led to a significant increase in credit risk are no longer met.

The provision for expected credit losses on financial investments in government securities is recognized in accordance with the method of impairment of financial investments in government securities approved by Decision No. 3357 of the DGF Executive Board dated December 13, 2018 (as amended).

The provision for 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 2 "Algorithm for calculating an expected amount of satisfaction of creditor claims of the Deposit Guarantee Fund to banks liquidated by the DGF" to the Methodology for Assessing the Financial Stability of the Individual Deposit Guarantee Fund under Martial Law Imposed by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by the Law of Ukraine No. 2102-IX dated February 24, 2022, approved by Decision of the DGF Executive Board No. 1107 dated December 29, 2022, and is calculated based on the amount of the approved liquidation estate of insolvent banks and the conversion of the liquidation estate into cash flow.

The provision for expected credit losses on other receivables is calculated using a simplified practical approach for the entire life of the financial instrument, using the matrix of the valuation provision. The valuation of expected credit losses depends on the number of days of delay in payment of other receivables.

The amount of the provision is reviewed at each balance sheet date and adjusted (decreased or increased) if necessary. An impairment loss (profit from utility renewal) is recognized in profit or loss.

Derecognition

The DGF derecognizes a financial asset when the rights to receive funds from this financial asset expire or when the DGF transfers this financial asset within a transaction under which the DGF transfers virtually all risks and benefits associated with the ownership of the financial asset or does not transfer or retain virtually all risks and benefits associated with the ownership of the financial asset but ceases to exercise control over it. The DGF derecognizes a financial liability when its liabilities under the agreement are repaid, canceled, or expire.

j) DGF LIABILITIES ON DEPOSIT PAYOUTS TO DEPOSITORS OF INSOLVENT BANKS AND BANKS LIQUIDATED BY THE DGF

The DGF liability on deposit payouts to the depositors of insolvent banks and banks liquidated by the DGF constitutes a statutory liability that arises in accordance with Article 26 of the Law "On the Household Deposit Guarantee Scheme."

The liability is recognized in the amount of reimbursement approved by the DGF Executive Board in the register of reimbursements to depositors on the date of such approval, and is reflected in the total amount with regard to a particular insolvent bank.

The DGF liability on deposit payouts to depositors whose deposits have the characteristics specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee Scheme" is recognized as a provision until the analysis of such characteristics is completed and confirmation of their absence is received.

The DGF liability on deposit payouts to depositors of insolvent banks and banks undergoing liquidation by the DGF that will remain unclaimed by depositors after the termination of guaranteed amounts of compensation is recognized in other operating income.

The date of termination of guaranteed deposit payouts is the date of approval of the bank's liquidation balance sheet.

k) COLLATERAL, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provision is recognized in the statement of financial position when the DGF has a current statutory or constructive liability due to an event that occurred in the past, and when the repayment of the liability is likely to result in the outflow of resources that represent economic benefits. If the consequences are significant, the amount of the provision is determined by discounting expected future cash flows using a discount rate before tax, which reflects the current market measurement of the cost of funds over time and the risks inherent in a specific liability.

Provisions of the DGF are classified into the following categories:

- provision for DGF potential expenses on insolvent bank resolution and deposit payouts to depositors;
- provision for potential expenses of the DGF for the deposit payouts to depositors of insolvent banks and banks liquidated by the DGF, whose deposits have the signs specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee Scheme";
- provision for potential legal costs of the DGF.

Provision for DGF potential expenses on insolvent bank resolution and compensation of funds to depositors

Provision for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors is the potential amount of expenditures that the DGF is likely to make to meet its obligation on deposit payouts to bank depositors in the event that the banks are recognized as insolvent during the next reporting period by 50 percent or more.

When a bank is classified as insolvent, provisions for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors are used to perform the DGF liability on deposit payouts to depositors of a bank classified as insolvent.

The provision is reviewed at the end of each reporting period in the following cases:

1. revision of the individual probability of default of the bank;
2. changes in the amount of possible compensation of funds on household deposits, where the probability of default is 50 percent or more.

Provision for the DGF potential expenses on deposit payouts to depositors of insolvent banks and banks liquidated by the DGF, whose deposits have the signs specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee Scheme"

Provisions for the DGF potential expenses on the compensation of funds to depositors of insolvent banks and banks liquidated by the DGF, whose deposits have the signs specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee Scheme", are determined for each insolvent bank in accordance with the list provided by the bank's authorized representative in accordance with sub-clause 5, part 2, Article 27 of the Law of Ukraine "On the Household Deposit Guarantee Scheme" and shall be the amount of expenses required to repay the existing liability.

The provision is recognized at the date of commencement of the bank resolution procedure and is reviewed at the end of each reporting period.

The unused provision balance is reversed when the guaranteed deposit payouts cease to be paid.

The date of termination of guaranteed deposit payouts is the date of approval of the bank's liquidation balance sheet.

Provisions for potential legal costs of the DGF

Provision for possible legal costs of the DGF is the sum of expenditures necessary to repay the outstanding liability on fines, administrative penalties, monetary indemnification of losses that may arise as a result of the DGF breach or failure to comply with the laws, other regulations, agreements, approved practices, as well as due to the possibility of their ambiguous interpretation.

Provision for possible legal costs of the DGF is calculated based on the following factors: court instance where the case is under consideration; availability or absence of the lower court decision and the party in favor of which it was taken; case-law in similar legal relations; substantiation of a legal stance of the DGF. The amount of possible costs of the DGF for litigations with a high legal risk is recognized at the reporting date in the financial statements in provisions. The amount of possible costs of the DGF for litigations with an average legal risk is recognized at the reporting date in the Notes to the Financial Statements.

Contingent liabilities

Contingent liability is a potential liability that results from past events and the existence of which will be confirmed only after one or more uncertain future events not fully controlled by the DGF will or will not occur, or an existing liability that results from past events but is not recognized because there is no probability that the repayment of the liability requires the disposal of resources that embody economic benefits or the amount of the liability cannot be measured reliably.

Contingent assets

A contingent asset is a potential asset that results from past events and whose existence will be confirmed only after one or more uncertain future events not fully controlled by the DGF will or will not occur.

Contingent assets and contingent liabilities are not recognized in the financial statements.

I) DEBT OF INSOLVENT BANKS AND BANKS WHOSE LIQUIDATED BY THE DGF ON THE DGF CREDITOR CLAIMS

The debt of insolvent banks and banks liquidated by the DGF on the DGF creditor claims is an expected amount of discharge of the DGF creditor claims, which is recognized in the financial statements as follows:

- the reimbursement of the DGF expenses on performing the DGF liability to make deposit payouts to depositors of insolvent banks;
- outstanding special-purpose loans and interest thereon issued to insolvent banks are recognized net of the loss provision for default on special-purpose loans.

The reimbursement amount reduces the expenses associated with the performance of the obligation by the DGF to make deposit payouts to depositors of insolvent banks.

The expected amount of creditor claims repayment is reviewed at the reporting date.

Funds received from insolvent banks and banks liquidated by the DGF to discharge the DGF creditor claims are credited in the following order:

- firstly, repayment of the outstanding special-purpose loan issued to the bank during the provisional administration;
- secondly, repayment of the outstanding interest on the special-purpose loan;
- thirdly, repayment of creditor claims on the funds to be reimbursed to depositors (including clauses 3-5, part 2, Article 27 of the Law "On the Household Deposit Guarantee Scheme");
- fourthly, repayment of creditor claims on the expenses related to the insolvent bank resolution procedure, spent within the cost estimate approved by the DGF Administrative Board, including the consolidated sale of assets of the bank being liquidated;
- fifthly, repayment of the outstanding premiums, penalties, and fines.

Debts of insolvent banks and banks liquidated by the DGF on the DGF creditor claims that remain outstanding as of the date of approval of the bank's liquidation balance sheet and are uncollectable are excluded from the assets:

- in terms of debt on special-purpose loans and interest on special-purpose loans granted to insolvent banks, at the expense of the provision for impairment losses or at the

expense of the reporting period;

- in terms of reimbursement of the DGF expenses on performing the DGF obligation on deposit payouts to depositors of insolvent banks — at the expense of the costs of the reporting period;
- debts in premiums, penalties, and fines — at the expense of the provision for impairment losses or at the expense of the costs of the reporting period.

m) REVENUE

Income is classified into the following groups:

- DGF members' contributions;
- other operating income;
- financial income.

DGF members' contributions

Income from DGF members' contributions includes the following: initial premiums; regular premiums; special premiums; additional premiums for past periods.

Premiums are charged in accordance with the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund approved by Decision of the DGF Executive Board No. 1 dated July 2, 2012, and registered with the Ministry of Justice of Ukraine under No. 1273/21585 on July 27, 2012.

Initial premiums

Initial premiums are determined at the date of the banking license issue based on the Calculation of the Initial Premium Payable to the Deposit Guarantee Fund provided by the DGF members. The amount of the initial premium is 1% of the share capital of the bank, except as otherwise stipulated by law. The initial premium shall be paid within thirty calendar days from the date of issue of the banking license.

Regular premiums

Regular premiums are determined under the accrual principle on a quarterly basis on the last day of the reporting quarter based on the Calculation of the Regular Premium Payable to the Deposit Guarantee Fund provided by the DGF members.

The amount of regular premiums depends on the deposit base and the risk level of the bank. The DGF members calculate the premiums as of the end of the last business day of the reporting quarter by weighing the base annual rate, which is 0.5 % of the base amount of deposits in national currency and 0.8 % of the base amount of deposits in foreign currency, by the risk level. The base amount for regular premium calculation is defined as the arithmetic mean for the calculation period of daily balances on the accounts of deposits and interest thereon. The calculation period for determining the base amount is a reporting quarter of the current year. The regular premium shall be paid to the DGF quarterly by the 15th day of the month following the reporting quarter.

The regular premiums for past periods, additionally charged based on the results of the inspection of the DGF member, shall be recognized within the period of their detection. However, if, on the reporting date or date of approval of statements, the DGF reliably knew about the actual facts related to violations of regular premium calculation by the bank, such adjustments shall be recorded on the books in the reporting period.

Regular premiums of the DGF members, regarding which the National Bank of Ukraine made a decision to revoke a banking license and liquidate the bank, shall be recognized on the day preceding the introduction of the bank liquidation procedure. Therefore, no regular premiums shall be charged from the date of the introduction of the liquidation procedure.

Arrears of banks liquidated by the DGF on the premiums payable to the DGF shall be a non-financial monetary asset. This asset is reviewed at the end of the reporting period for impairment. If there is objective evidence of impairment or the impossibility of obtaining an asset, the impairment loss shall be recognized with the formation of the loss provision.

The provision for impairment losses is created based on the individual assessment of certain debtors.

The amount of loss is determined as the difference between the book value of the asset and the present value of pre-estimated future cash flows. The amount of the loss is recognized in the profit or loss. The amount of the provision is reviewed at each balance sheet date and adjusted (decreased or increased) if necessary.

Special premiums

Special premiums are established by the DGF in the following cases:

- reduction of the minimum amount of the DGF resources below 2.5% of the depositors' funds guaranteed by the DGF within the reimbursement amount, taking into account the amount of premiums charged from DGF members, which are to be received during the current quarter, or the risk of a substantial decrease in the DGF resources;
- for the purpose of repaying borrowed loans.

The total amount of the special premium paid by a DGF member during a year shall not exceed the amount of the regular premium such a DGF member paid for the previous year.

Special premiums are recognized for the periods specified in the decision of the DGF Executive Board on the application of special premiums to the banks.

Other operating income

Other operating income includes the following:

- forfeits (fines, penalties) for the breach of the Law "On the Household Deposit Guarantee Scheme";
- income in the form of interest on special-purpose loans issued to insolvent banks;
- income from the implementation of measures specified in the resolution plan, in particular, from the sale of an insolvent bank or bank liquidation;
- income from writing off liabilities on deposit payouts to depositors due to the completion of insolvent bank liquidation;
- reimbursement of the DGF expenses related to the provisional administration and/or liquidation of banks;
- other income.

Interest income is recognized during the reporting periods when it occurs, using the effective interest rate method. After writing off part of the financial asset or a group of similar financial assets as a result of impairment losses, interest income is determined based on the interest rate used to discount future cash flows for the purpose of evaluating the impairment losses.

Other income is recognized when it is probable that the economic benefits associated with a particular transaction will increase.

Financial income

Financial income includes the following:

- interest income accrued by the National Bank of Ukraine on balances on the DGF accounts opened with the National Bank of Ukraine;
- income from the DGF investments in government securities of Ukraine;
- other financial income.

Interest income is recognized during the reporting periods when it occurs, using the effective interest rate method..

n) EXPENSES

Expenses are classified into the following groups:

- expenses on the provision for DGF potential expenses on insolvent bank resolution and deposit payouts to depositors;
- expenses on performing the liability on deposit payouts and insolvent bank resolution;
- expenses on provision for impairment losses on financial assets;
- other operating expenses;
- financial expenses;
- administrative expenses;
- other expenses.

Other operating expenses include the following:

- litigation expenses;
- expenses on the provision for potential legal costs of the DGF;
- expenses on the provision for the DGF potential expenses on deposit payouts to depositors of insolvent banks and banks liquidated by the DGF, whose deposits have the signs specified in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee Scheme";

- expenses from writing off uncollectable debts of insolvent banks that remained outstanding as of the date of approval of the bank's liquidation balance sheet;
- DGF expenses related to the provisional administration and/or liquidation of banks;
- other operating expenses

Financial expenses include the following :

- expenses on interest payment on loans of the National Bank of Ukraine and the state;
- expenses related to the issue, retention, and circulation of the DGF securities;
- interest expenses on lease liabilities;
- other financial expenses.

Administrative expenses include general expenses related to the DGF functional performance: labor costs for DGF employees; training and education costs; business trip expenses; hospitality expenses; expenses on maintenance of fixed assets and intangible assets (operating lease, property insurance, amortization, 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, duties, and other mandatory payments; cash and settlement service fee; cost of commissioned inventory; membership fees to international associations of deposit insurers; other administrative expenses. Other expenses include the following:

Other expenses include the following:

- losses from non-current asset disposal;
- losses from non-current asset impairment;
- impairment losses on financial assets measured at amortized cost;
- impairment losses on financial assets measured at fair value through other comprehensive income;
- negative result of revaluation of the book value of financial assets measured at fair value through profit or loss

Expenses are recorded on the books and statements based on the income-and-expense matching principle. The expenses not matching the income of a particular period are recognized in the reporting period in which they were incurred.

Interest expenses are recognized during the reporting periods when they occurred using the effective interest rate method.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the management to formulate judgments, estimates, and assumptions that affect the amounts of assets and liabilities, income, and expenses recognized in the financial statements.

Judgment

When using the accounting policy, the DGF management applied the following judgments, which had a significant impact on the amounts recognized in the financial statements:

Identification of a business model of financial asset management

The DGF identifies a financial asset as being held within a business model that retains financial assets to obtain contractual cash flows, if the DGF:

- plans to hold the financial asset to maturity;
- considers the possibility of selling the asset in the event of a significant increase in the credit risk on the financial asset;
- does not plan to sell the asset under normal circumstances, but the sale is possible if the minimum amount of the DGF assets reaches the minimum limit or if there is a risk of a significant reduction in the DGF assets;
- does not monitor market prices for this asset and does not plan to sell it in a favorable market situation;
- does not plan to sell the financial asset in case of a need for liquid funds;
- does not plan to make active transactions in the purchase and sale of financial assets with a frequency of at least five times a week.

The DGF identifies a financial asset as being held within a business model whose purpose is both to hold assets for cash flows under the contract and to sell financial assets, if the DGF:

- plans to hold the financial asset to maturity;
- plans to sell the financial asset in case of a need for liquid funds
- considers the possibility of selling the asset in the event of a significant increase in the credit risk on the financial asset;
- does not plan to sell the asset under normal circumstances, but the sale is possible if the minimum amount of the DGF assets reaches the minimum limit or if there is a risk of a significant reduction in the DGF assets;
- does not monitor market prices for this asset and does not plan to sell it in a favorable market situation;
- does not plan to make active transactions in the purchase and sale of financial assets with a frequency of at least five times a week.

The DGF identifies a financial asset as being held within other business models if the DGF:

- monitors market prices for this asset and plans to sell it in a favorable market situation;
- plans to carry out active transactions in the purchase and sale of the financial asset with a frequency of at least five times a week.

Estimates and assumptions

Estimates and assumptions of the DGF 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 DGF control. Such changes are reflected in assumptions as they occur.

Information about the estimates and assumptions used by the DGF that had the greatest impact on the amounts recognized in the financial statements is disclosed below.

Provision for expected credit losses on financial investments in government securities

The provision for expected credit losses on financial investments in government securities is recognized in accordance with the method of impairment of financial investments in government securities approved by Decision No. 3357 of the DGF Executive Board dated December 13, 2018 (as amended).

The calculation of the provision amount takes into account:

1. the probability of default by the issuer of government securities;
2. the presence of signs indicating a significant increase in credit risk on government securities;
3. the expected level of possible losses of the DGF as a result of the default by the issuer.

The probability of default by the issuer of government securities, represented by the Ministry of Finance of Ukraine on behalf of the state, is assessed on the date of initial recognition of the financial instrument and on each reporting date thereafter in accordance with the long-term sovereign credit rating of Ukraine as determined by the international rating agency "Moody's".

At the date of initial recognition of a financial instrument, the 12-month expected credit losses model is applied, according to which the allowance for expected credit losses on financial investments in government securities is recognised in an amount equal to 12-month expected credit losses. Subsequently, at each reporting date, the DGF determines whether there is evidence of a significant increase in credit risk on government securities. A significant increase in credit risk on government securities is considered to be a decrease in the long-term sovereign credit rating of Ukraine by two or more positions compared to the date of initial recognition of the financial instrument. If, as at the reporting date, there has been a significant increase in credit risk on government securities, a provision for expected credit losses on financial investments in government securities is recognised in an amount equal to the expected credit losses over the entire life of the financial instrument.

The expected level of possible losses of the DGF as a result of default by the issuer of government securities, the level of possible losses of the DGF is applied at the level of zero percent, based on the following estimates and assumptions:

1. during the period from 1999 to the present, the issuer of government securities has never defaulted on its obligations to settle payments on government securities;
2. the economic relations between the DGF and the issuer of government securities are considered relations between related parties controlled by the state and belonging to a unified system of government bodies, since in accordance with the Law of Ukraine "On the Household Deposit Guarantee Scheme" the

DGF performs the functions of the state to ensure the functioning of the household deposit guarantee scheme, if necessary, DGF receives funding from the state budget of Ukraine. In the event of default by the issuer of government securities, losses of the DGF from the issuer's default will be covered by the state in order to ensure the continuation of the DGF functions.

Accordingly, the provision for expected credit losses on domestic government bonds denominated in the national currency is zero.

DEBT OF INSOLVENT BANKS AND BANKS LIQUIDATED BY THE DGF ON THE DGF CREDITOR CLAIMS

The debt of insolvent banks and banks liquidated by the DGF on the DGF creditor claims is recognized in the amount of the DGF creditor claims expected to be repaid by the banks as a result of the liquidation procedure.

The management estimates the expected amount of repayment of the DGF creditor claims based on the amount of the approved liquidation estate of insolvent banks and the conversion (transformation) of the liquidation estate into cash flow.

Management has made key assumptions regarding:

- the expected timing of cash flows;
- the conversion rate (transformation) of the liquidation estate into cash flow;
- discount rates used to estimate the amount of debt owed by insolvent banks on the DGF credit claims, according to the term of the expected cash flow.

It is expected that cash flows from banks in liquidation will be received within 5 years after the start of liquidation. After five years from the date of the bank's liquidation, no cash inflows are expected.

The conversion (transformation) rate of the liquidation estate into cash flow during the relevant year of the liquidation procedure is calculated in total for all banks as the ratio of the amount of income to banks from the management and sale of assets for the relevant year to the amount of the liquidation estate of banks. To calculate the rate of conversion of the liquidation estate to cash flow by year, the DGF used actual historical information available at the valuation date on the amount of proceeds for all banks in the process of liquidation of which the DGF participates. As of the reporting date, future cash flows are projected on a monthly basis for each bank separately, taking into account the period remaining until the projected completion of liquidation, the amount of the liquidation estate, and the conversion rate.

The conversion rates used to estimate the amount of debt owed by insolvent banks on the DGF claims according to the expected cash flows are as follows:

<i>(in percent)</i>	December 31, 2023	December 31, 2022
1st year in liquidation	14,15	12,72
2nd years in liquidation	9,94	9,45
3rd years in liquidation	9,57	9,25
4th years in liquidation	6,69	6,69
5th years in liquidation	5,70	5,96

The discount rates used to estimate the amount of debt owed by insolvent banks on the DGF claims according to the expected cash flows are as follows:

<i>(in percent)</i>	December 31, 2023	December 31, 2022
1st year in liquidation	11,16	17,67
2nd years in liquidation	9,6	18,96
3rd years in liquidation	7,9	18,26
4th years in liquidation	6,5	16,84
5th years in liquidation	5,2	15,29

As of December 31, 2023, the amounts due from insolvent banks and banks liquidated by the DGF on the DGF creditor claims were recognized in the amount of UAH 2,084,960 thousand (as of December 31, 2012: UAH 2,182,159 thousand).

Possible changes in one of the key assumptions at the reporting date, assuming that other assumptions remain unchanged, that would have an impact on the DGF claims on insolvent banks by the amounts shown below.

<i>(UAH thousand)</i>	December 31, 2023		December 31, 2022	
	Increase	Reduction	Increase	Reduction
Expected amount of reimbursement of the DGF expenses on the liquidation procedure				
Discount rate (change of 1%)	(39 196)	40 521	(7 377)	7 419
Conversion rate (change of 10%)	190 580	(190 580)	251 309	(251 309)
Amount of provision for losses from non-repayment of special-purpose loans to banks				
Discount rate (change of 1%)	0	0	0	0
Conversion rate (change of 10%)	0	0	0	0

Provision for DGF potential expenses on insolvent bank resolution and deposit payouts to depositors.

Provision for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors is the potential amount of expenditures that the DGF is likely to make to meet its obligation on deposit payouts to bank depositors in the event that the banks are recognized as insolvent during the next reporting period by 50 percent or more.

An estimate is required to determine the fair value of collateral for the DGF potential costs of insolvent bank resolution and compensation of funds to depositors:

1. assessing the probability of the bank becoming insolvent within the next reporting period;
2. determination the projected guaranteed amount of compensation of funds to depositors that are likely to be declared insolvent within the next reporting period by 50 percent or more.

The probability of the bank becoming insolvent within the next reporting period (assessment of the probability of a bank default) is assessed according to the following algorithm:

- - banks are divided into five default risk groups based on financial indicators characterising their activities using a logistic model. The first group includes banks with the lowest default risk, while the fifth group includes banks with the highest default risk;
- - based on calculations using the Merton-Vasicek model, which is a statistical methodology for dynamic assessment of default risk depending on macroeconomic conditions, the group default probability of banks in each risk group is determined;
- - determines the individual probability of bank default in each group within 12 months.

The projected guaranteed amount of compensation of funds to depositors with a probability of insolvency of 50 percent or more during the next reporting period is determined based on the data of the report on deposits of individuals— reporting form No. 1Ф, the form of which is approved by the decision of

the Executive Board of the Deposit Guarantee Fund No. 1158 dated June 18, 2020, registered with the Ministry of Justice of Ukraine on August 31, 2020, under No. 831/35114, provided by the DGF member banks as of the reporting date.

As of December 31, 2023, provision for the DGF potential expenses on for the insolvent bank resolution and compensation of funds to depositors was recognized in the amount of UAH 10,841,546 thousand (as of December 31, 2022: UAH 41,113,072 thousand).

Lease — an estimate of the rate of additional borrowing..

The DGF cannot readily determine the assumed lease interest rate from the lease agreement, so it uses the incremental borrowing rate to measure the lease liability.

As an additional borrowing rate, the DGF uses the average interest rate for the last three months preceding the date of the lease agreement for long-term loans in national currency for business entities published on the official website of the National Bank of Ukraine.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued but are not yet effective as of December 31, 2023:

- Amendments to IFRS 16 Lease – Lease Liability in a Sale and Leaseback. The amendments clarify the requirements that a seller-lessee uses when measuring a lease liability arising from a sale and leaseback transaction to exclude the recognition by the seller-lessee of any gain or loss relating to a right of use retained by the seller-lessee;
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, which clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:
 1. what is meant by the right to defer settlement of a liability;
 2. the right to defer settlement must exist at the end of the reporting period;
 3. the classification of a liability is not affected by the likelihood that an entity will exercise its right to defer settlement;
 4. the terms of a liability will not affect its classification only if the derivative embedded in the convertible liability is itself an equity instrument²;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements, which specify the characteristics of supplier finance arrangements and require additional disclosures about such arrangements. The additional disclosures are intended to enable users of financial statements to understand the impact of supplier financing arrangements on an entity's liabilities, cash flows and liquidity risk exposure¹.

¹ Effective for annual periods beginning on or after January 1, 2024. Early application is allowed.

² Effective for annual periods beginning on or after January 1, 2024.

Management plans to adopt these standards when they become effective.

The DGF does not expect the adoption of the new standards and amendments to have a material impact on its financial position or performance.

6. CHANGES IN ACCOUNTING POLICY AND PRINCIPLES OF DISCLOSURE

The effect of the first adoption of new standards

In 2023, the DGF applied the following new standards and amendments for the first time:

- IFRS 17 Insurance Contracts: IFRS 17 replaces IFRS 4 Insurance Contracts, issued in 2005, and aims to improve transparency in the accounting for insurance contracts. IFRS 17 sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance contracts (i.e. life and non-life insurance, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 did not have any impact on the DGF financial statements as the DGF does not have:
 1. insurance contracts issued, including reinsurance;
 2. reinsurance contracts held;
 3. investment contracts issued with discretionary participation terms subject to the issuance of insurance contracts.
- Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 Disclosures of Accounting Policies. The amendments provide clarification and examples on the application of judgements about materiality in accounting policy disclosures. These amendments had an impact on the DGF accounting policy disclosures but did not affect the measurement, recognition or presentation of items in the DGF financial statements.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates. The amendments define "accounting estimates" and clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. These amendments did not have any impact on the DGF financial statements.
- Amendments to IAS 12 Income Taxes – Deferred Taxes on Assets and Liabilities Arising from a Single Transaction. The amendments narrow the scope of the initial recognition exemption under IAS 12 so that the standard no longer applies to transactions that give rise to the same taxable and deductible temporary differences. The DGF is a not-for-profit entity, so these amendments did not have any impact on the DGF financial statements.
- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar 2 Model Rules. The amendments specify the accounting and disclosures for income taxes resulting from the implementation of tax legislation based on the Pillar 2 model rules issued by the Organisation for Economic Co-operation and Development. These amendments did not have any impact on the DGF financial statements.

Changes in accounting policies

In 2023, the DGF changed its approaches to assessing accounting policy regarding the use of collateral for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors.

Previously, the provision for the DGF potential expenses on the insolvent bank is recognized in the amount of the

projected guaranteed deposit payouts to depositors of banks weighted by the DGF expected loss rate and increased by the amount of unexpected expenses that may arise as a result of the possible insolvency of banks.

The following algorithm was used to determine the projected guaranteed amount of compensation to depositors:

- Banks were divided into five scoring groups based on the quality of their assets, the adequacy of their own and regulatory capital, the amount of outstanding non-performing loans, and other indicators. The frequency of banks in the respective scoring group being classified as insolvent within 12 months was assessed. The assessment was based on statistical data on the insolvency of banks from certain scoring groups in the previous reporting periods from 2014 to 2017, taking into account the macroeconomic situation in the country
- The volume of deposits of each scoring group (the guaranteed amount of compensation of funds to depositors) is determined based on the data of the report on deposits of individuals —reporting form No. 1Φ, the form of which is approved by the decision of the Executive Board of the Deposit Guarantee Fund No. 1158 dated June 18, 2020, registered with the Ministry of Justice of Ukraine on August 31, 2020, under No. 831/35114, provided by the DGF member banks as of the reporting date.
- the projected guaranteed amount of payments, was determined as the volume of deposits of each scoring group is weighted by the frequency of banks in the respective scoring group being classified as insolvent within 12 months.

From January 1, 2023, provision for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors is the potential amount of expenditures that the DGF is likely to make to meet its obligation on deposit payouts to bank depositors in the event that the banks are recognized as insolvent during the next reporting period by 50 percent or more. The change in approaches to provision valuation was due to a change in the approach to assessing the probability the banks are recognized as insolvent during the next reporting period, which assesses the individual probability of default of each particular bank in the next reporting period. The DGF believes that the change in the approach to assessing probability the banks provides a more reliable assessment of the DGF potential costs of removing insolvent banks from the market and reimbursing depositors.

The DGF applied changes in accounting estimates to provide for the DGF potential expenses on the insolvent bank resolution and reimbursing depositors on a prospective basis.

Changes in disclosure of information

In 2023, the DGF changed the principles of disclosure in the financial statements for the year ended December 31, 2023. In the statement of cash flows, the title of the item "Payments to employees and social insurance contributions" was changed to the title of the item "Payments to employees and payments on their behalf", and therefore the amounts of personal income tax and military duty were transferred from the item "Payment of liabilities on other taxes and duties" to the item "Payments to employees and payments on their behalf". The DGF management believes that such presentation more appropriately reflects the nature and economic substance of cash flows from operating activities.

The reclassifications of statement items of cash flows for the year ended December 31, 2022 are as follows

<i>(UAH millions)</i>	Presentation in the financial statements for the year ended December 31, 2022	Reclassification	Presentation of restated comparative information for the year ended December 31, 2022 in the financial statements for the year ended December 31, 2023
Cash flows from operating activities			
Payments to employees and payments on their behalf	(301,137)	(62,230)	(363,367)
Payment of liabilities on other taxes and duties	(78,193)	62,230	(15,963)

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held on the current account of the DGF with the National Bank of Ukraine.

The National Bank of Ukraine accrues interest on the DGF daily cash balances on the current account at a weighted average interest rate for household demand deposits in the national currency. The average effective interest rate as of December 31, 2023, is 4.24% (as of December 31, 2022 — 4.18%).

Interest on cash placed with the National Bank of Ukraine is included in the financial income (Note 24).

Property rights for future cash inflows in the amount of UAH 3,900,000 are pledged as collateral for the DGF liabilities under the loan agreement with the National Bank of Ukraine (Note 26).

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Cash at bank	538,906	947,189
Total cash and cash equivalents	538,906	947,189

8. OTHER FINANCIAL ASSETS

Other financial assets are represented by domestic government loan bonds, which the DGF classifies, depending on its business model, as financial assets at amortized cost and financial assets at fair value through other comprehensive income.

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost	23,611,982	13,022,933
Financial assets at fair value through other comprehensive income	4,417,785	3,870,464
Total other financial assets	28,029,767	16,893,397
Total current	28,029,767	16,416,432
Total non-current	-	476,965

Financial assets measured at amortized cost

Financial assets at amortized cost are represented by the domestic government bonds and held by the Fund within the business model aimed at the retention of financial assets to obtain contractual cash flows. Contractual cash flows under these financial assets are payments of the principal amount and interest on the outstanding principal amount.

The book value of financial assets measured at amortized cost includes accrued interest payable in the total amount of UAH 683,989 thousand (December 31, 2022: UAH 228,334 thousand).

<i>(UAH thousand)</i>	Effective interest rate	Maturity date	December 31, 2023	December 31, 2022
UA4000173371	19,00%	23/08/2023	-	158,000
UA4000200885	18,10%	19/04/2023	-	205,503
UA4000206460	18,15%	22/11/2023	-	4,180,855
UA4000207682	17,80%	15/02/2023	-	460,837
UA4000219208	22,00%	03/07/2024	-	476,965
UA4000226195	14,45%	05/07/2023	-	529,127
UA4000226260	16,69%	27/09/2023	-	2,959,665
UA4000226427	14,63%	05/04/2023	-	4,051,981
UA4000187207	18,37%	02/10/2024	5,562,439	-
UA4000207880	19,25%	22/05/2024	480,187	-
UA4000219208	19,61%	03/07/2024	2,594,209	-
UA4000224380	19,41%	14/02/2024	1,553,717	-
UA4000226286	19,74%	26/06/2024	3,469,691	-
UA4000226450	19,41%	13/03/2024	3,757,083	-
UA4000227045	18,00%	02/10/2024	1,037,412	-
UA4000227763	18,30%	01/05/2024	929,967	-
UA4000229025	17,52%	05/06/2024	577,056	-
UA4000229470	16,96%	20/11/2024	3,650,221	-
Total other financial assets measured at amortized cost			23,611,982	13,022,933
Total current			23,611,982	12,545,968
Total non-current			-	476,965

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are represented by the domestic government bonds, which the DGF received as a loan from the Ministry of Finance of Ukraine in 2016 in exchange for promissory notes issued by the DGF for the same amount.

These financial assets are held by the DGF within the business model aimed at the retention of financial assets to obtain contractual cash flows, and at the sale of financial assets. The DGF plans to sell these financial assets in case it is

necessary to obtain liquid assets in order to meet its liabilities on deposit payouts to depositors and incur insolvent bank resolution expenses. The latest part of such bonds, worth UAH 2,500,000 thousand, was sold by the DGF in 2017.

The book value of financial investments measured at fair value through other comprehensive income includes accrued interest payable totaling UAH 129,650 thousand (December 31, 2022: UAH 128,090 thousand).

<i>(UAH thousand)</i>	Effective interest rate	December 31, 2023	December 31, 2022
UA4000196513	10,27%	3,271,960	2,869,560
UA4000196521	10,27%	1,145,825	1,000,904
Total		4,417,785	3,870,464

Impairment of other financial assets

The DGF regularly reviews its other financial assets, which are represented by domestic government loan bonds, measured at amortized cost and at fair value through other comprehensive income, for possible impairment.

Estimates and assumptions used by the DGF in calculating the provision for expected credit losses on financial investments in government securities are disclosed in Note 4.

9. RECEIVABLE CONTRIBUTIONS FROM MEMBERS BANKS

Receivables on deposits from banks are represented by receivables on regular fees payable by banks in accordance with Article 22 of the Law of Ukraine "On the Deposit Guarantee Scheme".

The DGF recognises regular fee receivables on a quarterly basis based on the report "Calculation of the amount of regular fee payable to the Deposit Guarantee Fund" provided by the DGF member. The bank must repay the regular fee by the 15th day of the month following the reporting quarter.

The regular fee of the Fund's members in respect of which the National Bank of Ukraine has made a decision to revoke the banking licence and liquidate the bank is recognised on the day preceding the commencement of the bank liquidation procedure. Accordingly, regular fees are not accrued from the date of the bank liquidation procedure.

Receivable contributions from insolvent banks as of December 31, 2023, December 31, 2022, were revised for impairment due to the existence of objective evidence of the impossibility to obtain an asset. Funds received from insolvent banks are credited towards the repayment of receivable contributions last of all other creditor claims of the DGF against insolvent banks. The provision for impairment losses is established in the amount of 100% of receivable contributions from insolvent banks.

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Receivable contributions from the DGF member banks	2,063,565	1,773,195
Receivable contributions from insolvent banks	66,102	67,205
Total receivable contributions from banks, gross	2,129,667	1,840,400
Impairment loss:		
On receivable contributions from insolvent banks	(66,102)	(67,205)
Total impairment loss	(66,102)	(67,205)
Total receivable contributions from banks, net	2,063,565	1,773,195

10. DEBTS OF INSOLVENT BANKS ON THE DGF CREDITOR CLAIMS

The debt of insolvent banks and banks liquidated by the DGF on the DGF creditor claims is an expected amount of discharge of the DGF creditor claims, which is recognized in the financial statements as follows

- the reimbursement of the DGF expenses on performing the DGF liability to make deposit payouts to depositors of insolvent banks;
- outstanding special-purpose loans and interest thereon issued to insolvent banks are recognized net of the loss provision for default on special-purpose loans.

The assumptions used by the DGF to estimate the amounts due from insolvent banks and banks liquidated by the DGF to the DGF creditors are disclosed in Note 4.

The debts of insolvent banks on the DGF credit claims are presented in the financial statements:

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Debt of insolvent banks on the DGF creditor claims:		
Compensation for the DGF expenses on deposit payouts to depositors and bank resolution	2,084,960	2,182,159
Debt of insolvent banks under special-purpose loans, net	-	-
Total debt of insolvent banks on the DGF credit claims, net	2,084,960	2,182,159

The compensation of the DGF expenses on deposit payouts to depositors and bank resolution reduces the expenses for the performance of the DGF obligation to pay compensation to depositors and to resolve banks. The positive result from the recognition of compensation expected to be received from insolvent banks and banks under liquidation by the DGF is recognised in other operating income (Note 21).

The debt of insolvent banks on special-purpose loans is presented in the financial statements net of provisions for losses from non-repayment of special-purpose loans.

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Debt of insolvent banks under special-purpose loans:		
Debt of insolvent banks under special-purpose loans, gross	1,624,700	1,990,173
Provision for losses from non-repayment of special-purpose loans	(1,624,700)	(1,990,173)
Total debt of insolvent banks under special-purpose loans, net	-	-

The movement in the provision for impairment losses on special-purpose loans due from insolvent banks during the reporting period is presented as follows:

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Provision for impairment losses on special-purpose loans due from insolvent banks as of the beginning of the reporting period	1,990,173	11,289,329
Accrual of provisions	-	-
Provision reversal	(216,572)	(2,542)
Write-offs against provisions	(148,901)	(9,296,614)
Provision for impairment losses on special-purpose loans due from insolvent banks as of the end of the reporting period	1,624,700	1,990,173

11. OTHER ASSETS

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Inventory	1,122	1,439
Other current non-financial assets	21,484	11,483
Total other assets, gross	22,606	12,922
Less: impairment loss	-	-
Total other assets, net	22,606	12,922

12. OTHER ACCOUNT RECEIVABLES

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Advances paid	49,162	48,044
Accounts receivable in connection with the sale of insolvent banks	2,000	2,000
Other	2,258	2,303
Total other accounts receivable, gross	53,420	52,347
Less: impairment loss	(3,835)	(3,856)
Total other accounts receivable, net	49,585	48,491

13. FIXED FACILITIES

<i>(UAH thousand)</i>	Non-residential office space	Computers and equipment	Vehicles	Furniture and supplies	Other fixed assets	Total
Acquisition cost as of December 31, 2021	308,860	89,338	1,420	2,384	-	402,002
Accumulated amortization as of December 31, 2021	(11,582)	(37,907)	(1,265)	(2,100)	-	(52,854)
Net book value as of December 31, 2021	297,278	51,431	155	284	-	349,148
Receipts	1,619	36,603	2,373	69	1,241	41,905
Disposals	-	-	-	-	-	-
Accumulated amortization on disposed fixed assets	-	-	-	-	-	-
Amortization	(7,743)	(12,784)	(75)	(113)	(52)	(20,767)
Acquisition cost as of December 31, 2022	310,479	125,941	3,793	2,453	1,241	443,907
Accumulated amortization as of December 31, 2022	(19,325)	(50,691)	(1,340)	(2,213)	(52)	(73,621)
Net book value as of December 31, 2022	291,154	75,250	2,453	240	1,189	370,286
Receipts	-	34,911	-	275	-	35,186
Disposals	-	-	80	-	-	80
Accumulated amortization on disposed fixed assets	-	-	72	-	-	72
Amortization	(7,764)	(19,525)	(250)	(134)	(620)	(28,293)
Acquisition cost as of December 31, 2023	310,479	160,852	3,713	2,728	1,241	479,013
Accumulated amortization as of December 31, 2023	(27,089)	(70,216)	(1,518)	(2,347)	(672)	(101,842)
Net book value as of December 31, 2023	283,390	90,636	2,195	381	569	377,171

The cost of fully amortized fixed assets that are still in use is UAH 12,284 thousand (December 31, 2022: UAH 11,156 thousand). Other fixed assets are represented by right-of-use assets with an initial cost of UAH 1,241 thousand (Note 28).

14. INTANGIBLE ASSETS

<i>(UAH thousand)</i>	Software	Total
Acquisition cost as of December 31, 2021	145,364	145,364
Accumulated amortization as of December 31, 2021	(55,727)	(55,727)
Net book value as of December 31, 2021	89,637	89,637
Receipts	9,128	9,128
Disposals	(1,829)	(1,829)
Accumulated amortization on fixed assets where changes occurred	1,829	1,829
Amortization	(20,247)	(20,247)
Acquisition cost as of December 31, 2022	152,663	152,663
Accumulated amortization as of December 31, 2022	(74,145)	(74,145)
Net book value as of December 31, 2022	78,518	78,518
Receipts	18,522	18,522
Disposals	(967)	(967)
Accumulated amortization on disposed intangible assets	877	877
Amortization	(16,480)	(16,480)
Acquisition cost as of December 31, 2023	170,218	170,218
Accumulated amortization as of December 31, 2023	(89,748)	(89,748)
Net book value as of December 31, 2023	80,470	80,470

15. PROVISION FOR DGF POTENTIAL EXPENSES ON INSOLVENT BANK RESOLUTION AND COMPENSATION OF FUNDS TO DEPOSITORS

Provision for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors is the potential amount of expenditures that the DGF is likely to make to meet its obligation on deposit payouts to bank depositors in the event that the banks are recognized as insolvent during the next reporting period by 50 percent or more.

Estimates and assumptions used by the DGF in calculating the provision for expected credit losses on financial investments in government securities are disclosed in Note 4.

The nature of changes in the provision for DGF potential expenses on insolvent bank resolution and deposit payouts to depositors is disclosed in Note 6.

When a bank is classified as insolvent, provisions for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors are used to perform the DGF liability on deposit payouts to depositors of a bank classified as insolvent. In 2023, the provision for DGF potential expenses on deposit payouts to depositors of insolvent banks and banks liquidated by the DGF was used to fulfil the DGF obligation to pay compensation to depositors of four banks that were declared insolvent in 2023.

Provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors is presented in the financial statements:

<i>(UAH thousand)</i>	2023	2022
Provision for DGF potential expenses as of the beginning of the period	41,113,072	8,474,760
Increase (decrease) in provision for DGF potential expenses	(27,331,149)	39,071,551
Provision for DGF potential expenses used	(2,940,377)	(6,433,239)
Provision for DGF potential expenses as of the end of the period	10,841,546	41,113,072

16. DGF OBLIGATIONS ON DEPOSIT PAYOUTS TO THE INSOLVENT BANKS' DEPOSITORS

The DGF liability on deposit payouts to the depositors of insolvent banks and banks liquidated by the DGF constitutes a statutory liability that arises in accordance with Article 26 of the Law "On the Household Deposit Guarantee Scheme."

The DGF guarantees deposit payouts to each depositor of the bank. The funds are compensated in the amount of the deposit, including interest, as of the commencement date of the bank resolution procedure by the DGF, but within the maximum deposit payout ceiling set on that date, regardless of the number of deposits at the same bank.

The DGF begins to perform its obligations to depositors within no later than 20 business days (30 business 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 DGF and ends on the date of submitting the documents for making a bank liquidation entry in the Unified State Register of Legal Entities.

As of December 31, 2023, the financial statements represent the DGF liabilities to depositors of 36 banks (December 31, 2022: 34 banks).

In 2023, the DGF completed deposit payouts in 2 insolvent banks due to the approval of the liquidation balance sheet and the completion of the liquidation procedure. The DGF liabilities remaining unclaimed by depositors in the amount of UAH 8,844 thousand were written off and recognized in other operating income (Note 21).

The movement of the DGF liabilities for making deposit payouts to the depositors of insolvent banks and banks liquidated by the DGF is presented as follows:

<i>(UAH thousand)</i>	2023	2022
Deposit payout liabilities as of the beginning of the reporting period	3,172,826	2,960,079
Increase in the liability by using the provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors;	2,940,377	6,433,238
Increase in the deposit payout liability at the expense of the costs of the reporting period	85,465	51,387
Increase in the liability due to the utilization of the provision for the DGF potential expenses on deposit payouts on void deposits	9,362	105,266
Decrease in the liability by the deposit payout amount paid to depositors	(3,087,322)	(5,827,724)
Liability write-off due to the completion of the bank liquidation procedure	(8,844)	(549,420)
Deposit payout liability as of the end of the reporting period	3,111,864	3,172,826

Expenses related to the performance of obligations on deposit payouts to depositors and bank resolution are presented on a net basis and are shown net of compensation expected to be received from insolvent banks and banks in the process of liquidation by the DGF.

A positive result from the recognition of the reimbursement that is expected to be received from insolvent banks and banks liquidated by the DGF is recognized in other operating income (Note 21).

<i>(UAH thousand)</i>	2023	2022
Expenses on deposit payouts and bank resolution, gross	85,465	51,387
Reducing (increasing) compensation for the DGF expenses on deposit payouts to depositors and bank resolution	(2,019,602)	(4,254,619)
Expenses on deposit payouts and bank resolution, net	-	-
Positive result from the recognition of compensation for expenses on deposit payouts to depositors and bank resolution, net	(1,934,137)	(4,203,232)

17. OTHER CURRENT PROVISIONS

Other provisions are represented by provisions for potential legal expenses of the DGF, provision for the DGF potential expenses on deposit payouts to depositors of insolvent banks, and banks under liquidation by the DGF, whose deposits have

signs of insignificance as defined in Article 38 of the Law of Ukraine "On the Household Deposit Guarantee Scheme".

<i>(UAH thousand)</i>	Provisions for potential legal costs of the DGF	Provision for the expenses on deposit payouts on void deposits	TOTAL
Balance as of December 31, 2021	24,671	273,374	298,045
Accrued (formed)	91,008	84,193	175,201
Used in the reporting year	(92,169)	(105,266)	(197,435)
Reversed in the reporting year	-	-	-
Balance as of December 31, 2022	23,510	252,301	275,811
Accrued (formed)	2,094	-	2,094
Used in the reporting year	(390)	(9,362)	(9,752)
Reversed in the reporting year	-	(30,355)	(30,355)
Balance as of December 31, 2023	25,214	212,584	237,798

18. OTHER CURRENT PAYABLES

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
Accounts payable for goods received, work performed and services rendered	32,026	9,003
Deferred income	649	977
Payroll liabilities	48,094	43,635
Accounts payable for social security and taxes other than income tax	6,649	6,375
Other accounts payables	13,253	862
Total other accounts payables	100,671	60,852

19. OTHER FINANCIAL LIABILITIES

<i>(UAH thousand)</i>	Effective interest rate	December 31, 2023	December 31, 2022
Lease liabilities	17,16%	635	952
Total other financial liabilities		635	952
Total current		635	317
Total non-current		-	635

Other financial liabilities are represented by lease liabilities (Note 28).

20. CONTRIBUTIONS FROM MEMBER BANKS

<i>(UAH thousand)</i>	2023	2022
Regular premiums	7,843,400	6,066,659
Initial premiums	-	153,195
Total contributions from member banks	7,843,400	6,219,854

The hare of regular premium additionally charged for the past periods amounts to 0.00% based on the DGF inspection results (2022 — 0.01%).

21. OTHER OPERATING INCOME

<i>(UAH thousand)</i>	2023	2022
Positive result from the recognition of compensation for expenses on deposit payouts to depositors and bank resolution	1,934,137	4,203,232
Penalties and fines arising from contributions from banks	22	280
Income from writing off liabilities on deposit payouts to depositors due to the completion of insolvent bank liquidation	8,844	549,420
Write-back of the provision for impairment losses on outstanding specialpurpose loans	148,901	2,542
Dissolution of legal risk provision	30,355	-
Reimbursement of insolvent bank resolution expenses	69,838	185,669
Other income	6,106	4,315
Total other operating income	2,198,203	4,945,458

Other income includes reimbursement of legal expenses, fines, and penalties under commercial agreements, income from repayment of written-off debts of insolvent banks under the DGF credit claims, and recognition of income from donated non-current assets.

22. ADMINISTRATIVE EXPENSES

<i>(UAH thousand)</i>	2023	2022
Salaries and other employment benefits	359,594	318,160
Contributions to funds	60,430	55,957
Utility and operating costs	10,453	8,793
Amortization	44,773	41,014
Repair and modernization of fixed assets and maintenance of intangible assets	54,695	41,368
Business trips	9,344	18,665
Other expenses	39,002	37,616
Total administrative expenses	578,291	521,573

23. OTHER OPERATING EXPENSES

<i>(UAH thousand)</i>	2023	2022
Provisioning for legal risks	2,094	91,008
Court costs	10,172	12,941
Provisioning for void deposits	-	84,193
Insolvent bank resolution expenses	119,026	100,467
Other expenses	3,920	14,717
Total other operating expenses	135,212	303,326

Other expenses include expenses related to the enforcement of court decisions, operating foreign exchange differences, and impairment losses on accounts receivable from insolvent banks, and negative result from the write-off of intangible assets.

24. FINANCIAL INCOME

<i>(UAH thousand)</i>	2023	2022
Interest yield on domestic government bonds	3,368,082	1,562,120
Discount for compensation of expenses on deposit payouts to depositors and withdrawal of banks from the market	650,017	11,683
Interest on cash and cash equivalents placed with the NBU	95,749	210,212
Other financial income	-	3
Total financial income	4,113,848	1,784,018

25. FINANCIAL EXPENSES

<i>(UAH thousand)</i>	2023	2022
Interest expense on promissory notes	-	7,810,363
Other financial expenses	45,188	998,430
Total financial expenses	45,188	8,808,793

Other financial expenses include a discount on compensating the DGF expenses on deposit payouts and bank resolutions, which is expected to be received from insolvent banks and banks liquidated by the DGF, and interest on lease liabilities (Note 28).

26. RELATED PARTY TRANSACTIONS

The normal course of business, the DGF makes transactions with related parties. Parties shall be considered related when one party is able to control the other party or has a significant impact on the other party in making financial or operational decisions.

Controlling relations

The DGF is a legal entity under public law, has separate property that is the object of the state property right, and is under its economic jurisdiction.

The DGF is an economically independent institution and has an independent balance sheet, current and other accounts with the National Bank of Ukraine, as well as securities accounts at the depository institutions — state-owned banks.

The relationships arising from the establishment and functioning of the household deposit guarantee scheme, the procedure of insolvent bank resolution, and the liquidation of banks are regulated by the Law, other laws of Ukraine, the regulations of the DGF, 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 DGF operations.

The leading managers of the DGF include the Chairman and members of the DGF Administrative Board, the Managing Director, Deputy Managing Directors, members of the DGF Executive Board, and members of the Tender Committee.

For the years ended December 31, 2023, and December 31, 2022, the compensation expenses for key management personnel amounted to UAH 51,177 thousand and UAH 45,461 thousand, respectively.

Members of the DGF Administrative Board shall exercise their functions on a pro bono basis. The Law does not provide for the remuneration for the Administrative Board members.

Transactions with entities under the control, joint control, or significant influence of government authorities

The DGF performs the functions of the state to ensure the functioning of the household deposit guarantee scheme in accordance with the Law of Ukraine "On the Household Deposit Guarantee Scheme". In order to perform its functions and powers, the DGF may receive funding from the state budget of Ukraine and attract loans from the National Bank of Ukraine, therefore, economic relations between the DGF and the Ministry of Finance of Ukraine and the National Bank of Ukraine are considered relations between related parties controlled by the state and belonging to the unified system of public administration.

Loans granted by the National Bank of Ukraine

In January 2022, in accordance with the Regulations "On Lending by the National Bank of Ukraine to the Deposit Guarantee Fund" approved by the NBU Board Resolution No. 95 dated March 18, 2013 (hereinafter referred to as the "Resolution") and to cover the temporary shortage of resources in the DGF to pay the guaranteed deposit reimbursement amount, the DGF entered into a loan agreement with the National Bank of Ukraine (hereinafter referred to as the "NBU") to open a revolving credit facility in the amount of UAH 3,000,000 thousand at a nominal interest

rate of 9.0%, which equaled the NBU discount rate as of the date of the loan agreement. According to the terms of the loan agreement, loan funds are provided by NBU in tranches at the request of the DGF to obtain a loan. In 2022, the DGF did not apply to the NBU for a loan.

To ensure the performance of contractual obligations under the revolving credit facility agreement, the DGF pledged to the NBU its property rights for future cash receipts to the DGF current account with the NBU, which is estimated at UAH 3,900,000 thousand.

The procedure for transferring funds to the State Budget of Ukraine shall be determined by an agreement concluded between the DGF and the Ministry of Finance of Ukraine on April 15, 2022

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

The termination of the DGF liability on promissory notes was made for the purpose of capitalization of the DGF and is considered a contribution of the state to the DGF, therefore, the terminated liability is recognized in other additional paid capital in the amount of UAH 78,507,375 thousand. At the same time, UAH 45,741,000 thousand million — in terms of liabilities under promissory notes; UAH 32,766,375 thousand million — in terms of the interest accrued on promissory notes on the date of termination of the obligation.

Simultaneously with the termination of the DGF liability on promissory notes, the DGF and the Ministry of Finance of Ukraine entered into an agreement on the procedure for transferring funds to the State Budget of Ukraine dated April 15, 2022 (hereinafter referred to as the "Agreement"), according to which the DGF, during the term of the Agreement, annually, by decision of the DGF Executive Board, transfers funds to the State Budget of Ukraine within the amount the termination of the DGF liability on promissory notes and accrued interest. The procedure for calculating the amount of funds to be transferred to the State Budget of Ukraine is established by the terms of the Agreement.

The DGF liability to the Ministry of Finance of Ukraine under the Agreement is recognised on the date when the DGF becomes obliged to transfer a certain amount of money to the State Budget of Ukraine, namely on the date when the DGF Executive Board makes the relevant decision to transfer money. The DGF liability to the state, on behalf of which the Ministry of Finance of Ukraine acts, is recognised by reducing other additional paid-in capital, as it is considered as a return of the state contribution made in accordance with the requirements of the law. In June 2023, the DGF, in accordance with the decision of the DGF Executive Board dated June 29, 2023 No. 789, recognised a liability under the Agreement in the amount of UAH 1,798 thousand and transferred UAH 1,798 thousand to the State Budget of Ukraine.

Information on individually significant balances and transactions with entities under the control, joint control, or significant influence of government authorities is given in the tables below

<i>(UAH thousand)</i>	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents on accounts opened with the National Bank of Ukraine	538,906	947,189
Domestic government bonds issued by the Ministry of Finance of Ukraine	28,029,767	16,893,397
TOTAL ASSETS	28,568,673	17,840,586
LIABILITIES		
TOTAL LIABILITIES	-	-

<i>(UAH thousand)</i>	2023	2022
TRANSACTIONS DURING THE YEAR		
Interest yield on domestic government bonds	3,368,082	1,562,120
Interest on cash and cash equivalents placed with the National Bank of Ukraine	95,749	210,212
Interest expenses on promissory notes issued to the Ministry of Finance of Ukraine	-	(7,810,363)
Termination of liabilities under promissory notes issued by the DGF to the Ministry of Finance of Ukraine (including accrued interest)	-	78,507,375
Repayment of liability to the Ministry of Finance of Ukraine	(1,798)	-

27. CONTINGENT LIABILITIES

Lawsuits. The DGF management analyzes the legal proceedings of property or non-property nature, in which the DGF acts as a defendant (except the proceedings involving depositors of insolvent banks, regarding the protection of depositors' rights related to the payment of the guaranteed reimbursement at the expense of the DGF) in order to assess the legal risk level and determine the probability of an outflow of economic benefits that arises from violations or noncompliance with the laws, other regulations, agreements, common practices, as well as the possibility of ambiguous interpretation thereof by the DGF.

For litigation cases with a high probability of an outflow of economic benefits, the DGF recognized a provision (Note 17). No provision is created for legal proceedings with a low probability of an outflow of economic benefits. A potential outflow of economic benefits in such proceedings is disclosed in the financial statements: as of December 31, 2023 – UAH 60,342 thousand (UAH 208,783 thousand as of December 31, 2022).

28. LEASE

In 2022, the DGF entered into a lease agreement for a land plot with a temporary structure located on it for use in the DGF business activities to accommodate a shielded modular container-type data center, MDCEX 20/2 20-22-010, for a period of two years.

The right-of-use asset is presented in the statement of financial position within other fixed assets (Note 13). The lease liability is presented within other financial liabilities (Note 19).

The book value of the lease liability and changes therein during the reporting period are presented in the table below:

<i>(UAH thousand)</i>	2023	2022
Lease liabilities at the beginning of the period	952	-
Increase in liability	-	937
Accrual of interest on lease liabilities	170	15
Rental payments	487	-
Lease liabilities at the end of the period	635	952
Current liabilities	635	317
Non-current liabilities	-	635

Interest on the lease liability for the year ended December 31, 2023, amounted to UAH 170 thousand and is presented in financial expenses (Note 25).

29. NET ASSET MANAGEMENT

DGF net assets are the residual value of the DGF assets after the deduction of all its liabilities.

For the purpose of managing net assets, the main component of the DGF net assets is retained earnings (loss) and other additional capital.

The main goal of the DGF in terms of net asset management is to ensure the DGF financial stability in the long term — the DGF ability to ensure the functioning of the household deposit guarantee scheme, to resolve insolvent banks, and to liquidate banks in the long term.

In case the current income of the DGF is insufficient to fulfil its obligations in full to pay compensation on deposits and/or to service and repay the attracted loans, the DGF shall decide to establish a special fee or to attract a loan from the National Bank of Ukraine and a loan or contribution from the state on a non-refundable basis at the expense of the state budget.

30. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from financial instruments, to which the DGF is exposed at the end of the reporting period.

Financial risk management of the DGF aims at limiting potential losses of the DGF financial assets to ensure the timely fulfillment of its financial obligations for the effective performance of the DGF as specified by the Law.

Financial risk management includes the following stages:

- organization of the financial risk management system;
- identification of financial risks;
- assessment of financial risks;
- development, implementation of measures aimed at minimizing financial risks;
- informing the management staff about financial risks;
- monitoring of the financial risk management system.

Measures applied by the DGF to minimize financial risks include:

- avoiding or preventing financial risk by willfully abandoning transactions and financial instruments that could lead to a critical level of risk;
- limitation or reduction of financial risk through diversification; setting limits on quantitative risk indicators; determining the conditions for qualitative risk indicators;
- transfer of financial risk through hedging;
- acceptance of financial risk by creating provisions and covering financial risks at the expense of the DGF own resources.

Financial risks consist of credit risk, market risk, and liquidity risk.

Credit risk

The DGF faces credit risk, which is the risk that one party in the transaction with a financial instrument will cause financial loss to the other party because of its non-fulfillment of contractual obligations.

Financial instruments in connection with which the DGF may incur a significant concentration of credit risk include cash and cash equivalents, financial investments in domestic government bonds, arrears of insolvent banks on specialpurpose loans.

The maximum amount of the DGF credit risk by asset classes is given as the 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 DGF financial instruments. Market risk includes currency risk and interest risk.

Currency risk is a market risk that arises due to adverse fluctuations in foreign exchange rates. All monetary assets and liabilities of the DGF are denominated in UAH.

Possible changes in exchange rates applied at the end of the reporting period with regard to the functional currency of the DGF, with all other variables unchanged, will not have a significant impact on profit or loss. Interest risk is a market risk that arises as a result of adverse changes in market interest rates that have a negative effect on the value of the DGF financial instruments or future cash flows from the financial instrument.

Changes in interest rates mostly affect financial investments and borrowings by changing their fair value. The revision of rates on financial instruments with fixed rates is carried out upon their maturity.

The DGF has no financial instruments with variable interest rates. The DGF 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:

2% per annum	December 31, 2023	December 31, 2022
Cash and cash equivalents	4,24%	4,18%
Financial assets measured at amortized cost	18,63%	17,40%
Financial assets measured at fair value	10,27%	10,27%

Liquidity risk

Liquidity risk means that the DGF will not be able to discharge its financial liabilities in due time. The liquidity management approach of the DGF implies, as much as possible, that sufficient liquidity is constantly available to meet its obligations as they fall due, both under normal conditions and in emergencies, while avoiding unacceptable losses or the risk of damage to the DGF reputation. The liquidity policy shall be reviewed and approved by management.

Generally, the DGF ensures the availability of sufficient cash on demand to pay for expected expenses associated with ensuring the operation of the household deposit guarantee scheme and insolvent bank resolution for a period of up to 3 months, including the servicing of financial liabilities.

As of December 31, 2023, undiscounted cash flows based on the maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

(UAH thousand)	Book value	Cash flow under agreements	Up to one year	From one to five years	Over five years
Lease liabilities	635	669	669	-	-
Total financial liabilities	635	669	669	-	-

As of December 31, 2022, the undiscounted cash flows based on contractual maturities of non-derivative financial liabilities (including interest payments) are as follows:

(UAH thousand)	Book value	Cash flow under agreements	Up to one year	From one to five years	Over five years
Lease commitments	952	1,156	487	669	-
Total financial liabilities	952	1,156	487	669	-

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The DGF determines the fair value of financial assets and liabilities using market information, if available, and appropriate valuation techniques. Measurement of the estimated fair value requires professional judgment in interpreting market information.

Financial assets and liabilities at fair value

Financial instruments measured at fair value include domestic government bonds. These financial instruments do not have an active market, and the fair value of domestic government bonds is determined based on input data of the 2nd level of the hierarchy (spot rates calculated based on the coupon yield curve, which is based on actually concluded and executed agreements with domestic government bonds using Svensson's parametric model) using the discounted cash flow method.

Financial assets and liabilities not measured at fair value but whose fair value is disclosed

Financial assets and liabilities that are not measured at fair value but whose fair value is disclosed include cash; Ukrainian government bonds measured at amortized cost; amounts due from insolvent banks and banks under liquidation by the DGF on special-purpose loans and interest on special-purpose loans granted to insolvent banks; other receivables; promissory notes issued by the DGF; and lease obligations.

The DGF has determined that the fair value of some financial assets and liabilities measured at amortized cost does not differ materially from their book value for the purpose of fair value disclosure. These include: cash; amounts due from insolvent banks and banks under liquidation by the DGF on special-purpose loans and interest on special-purpose loans

granted to insolvent banks; other receivables; promissory notes issued by the DGF; and lease obligations.

Financial instruments measured at depreciated cost, the book value of which may differ materially from fair value, include domestic government bonds. These financial instruments do not have an active market. The fair value of such financial assets is determined based on input data of the 2nd level of the hierarchy (spot rates calculated based on the coupon-free yield curve, which is based on actually concluded and executed agreements with domestic government bonds using the Svensson's parametric model) using the discounted cash flow method. This method takes into account future interest payments and repayment of the principal debt, maturity, and discount rate. The discount rate was applied at the level of 14,6% -17,3% (14,7% -20,1% in 2022).

The table below presents data on the book value and estimated fair value of financial assets that are not reflected in the statement of financial position of the DGF at their fair value:

(UAH thousand)	2023		2022	
	Book value	Fair value	Book value	Fair value
Domestic government bonds	13,022,933	12,956,772	11,131,934	11,140,067

Given that fair value estimates are based on certain assumptions, one should consider that the information provided may not fully reflect the value that can be realized.

A fair value of financial instruments by levels of fair value hierarchy is distributed as follows:

(UAH thousand)	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Domestic government bonds at fair value	-	4,417,785	-	-	3,870,464	-
Assets with fair value disclosed:						
Domestic government bonds	-	23,746,768	-	-	12,956,772	-

In 2023, there were no transfers of financial instruments between the levels of the fair value hierarchy.

32. EVENTS AFTER THE REPORTING PERIOD

Within the period from January 1, 2024, to the date of approval of the financial statements for the issue, there were the following events that did not require adjustments to the amounts recognized in the financial statements.

In the period from January 1, 2024, to the date of approval of the financial statements for the issue, the DGF invested temporarily available funds in the amount of UAH 10,886,163 thousand in medium-term domestic government bonds maturing in March-June 2025.

In the period from January 1, 2024, to the date of approval of the financial statements for the issue, due to the approval of the bank's liquidation balance sheet and the completion of the liquidation procedure, the deposit payouts of two insolvent banks (JSC Misto Bank, JSC CB "Zemelny Capital") were terminated, and the DGF liabilities to make deposit payouts to depositors in the amount of UAH 14,300 thousand were written off.

A full-scale military aggression of the Russian Federation against Ukraine may affect the DGF results of operations and financial position. The management has made an assessment of the impact on the DGF ability to continue as a going concern and believes that the DGF has the ability to continue as a going concern for the foreseeable future (Note 3, paragraph b).

As of the date of approval of the financial statements for the issue, there are no signs of impairment of the DGF assets, as the DGF has no assets located in the war zone.

The consequences of Russia's military aggression against Ukraine are difficult to predict and may have a further serious impact on the Ukrainian economy, the results of operations, and the financial position of the DGF. The DGF management monitors developments and takes appropriate measures to support the stable operation of the DGF and the household deposit guarantee scheme in Ukraine.

INDEPENDENT AUDITOR'S REPORT



INTERNATIONAL
AUDIT COMPANY

Administrative Board
OF THE DEPOSIT GUARANTEE FUND

Ref. № 109-3
dated May 24, 2024

To the Management
OF THE DEPOSIT GUARANTEE FUND

AUDIT REPORT ON FINANCIAL STATEMENTS

Qualified opinion

We have audited the financial statements of the DEPOSIT GUARANTEE FUND (hereinafter referred to as the "DGF"), which comprise the Statement of Financial Position as of December 31, 2023, the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended on the mentioned date, and the Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the DGF as of December 31, 2023, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter referred to as the "IFRS") as issued by the International Accounting Standards Board and comply with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV dated July 16, 1999 (hereinafter referred to as "Law No. 996-XIV") on the preparation of financial statements.

The basis for Qualified opinion

The book value of Ukrainian securities (debt securities at amortized cost and at fair value through other comprehensive income) amounted to UAH 28,029,767 thousand and UAH 16,893,397 thousand as of December 31, 2023 and 2022, respectively. As disclosed in Notes 4 and 8 to the financial statements, no provision for expected credit losses was recognized for such securities. In our opinion, in accordance with the requirements of IFRS 9 Financial Instruments, a provision for expected credit losses on Ukrainian securities should have been recognized. Given the existence of several possible scenarios and uncertainty about their likelihood, we were unable to determine the negative impact of this issue on the financial position of the DGF as of December 31, 2023 and 2022, as well as on the financial result for the year ended.

We conducted our audit in accordance with International Standards on Auditing (hereinafter referred to as "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 DGF in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (hereinafter referred to as the "IESBA Code") adopted by the International Ethics Standards Board for Accountants (IESBA) and the 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 those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



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Explanatory paragraph

We draw your attention to Note 2 to the financial statements, which describes the economic conditions in Ukraine due to the ongoing military aggression of the Russian Federation and their impact on the DGF operations. The circumstances referred to in Note 2 may adversely affect the DGF financial position and results of operations in a manner and to an extent not currently determinable. Our opinion has not been modified in this regard.

Key audit matters covering the most significant risks of material misstatement, including the assessed risks of material misstatement due to fraud

Key audit matters are those matters that, in our professional judgment, were of the utmost significance in our audit of the financial statements for the current period. In addition to the matter described in the Basis for Qualified Opinion section, we have determined that the following matter is a key audit matter that should be addressed in our report. This matter was considered in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on it. In respect of the matter described below, our description of how the matter was addressed in our audit is set in this context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed in response to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including those performed in the matter described below, provide a basis for our audit opinion on the accompanying financial statements.

Key Audit Matter

Provisioning for the DGF potential expenses on bank resolution and deposit payouts to depositors

Assessing the amount of provision for the DGF potential expenses on insolvent bank resolution and deposit payouts is a key area of professional judgment.

The determination of the amounts of potential losses involves certain assumptions and the analysis of various factors, including the financial position of banks, the risk of banks becoming insolvent, and the expected overall condition of the Ukrainian banking system. The use of different assumptions may result in different estimates of potential expenses.

Given the materiality of this item and a certain level of judgment involved, we identified the assessment of the provision for the DGF potential expenses on insolvent bank resolution and deposit payouts to depositors as a key audit matter.

The following key matters were considered relevant during our audit

Our audit procedures in relation to the key assumptions used in management's assessment of the amount of provision for the DGF potential expenses of bank resolution and deposit payouts to depositors included:

- analysis of general approaches and methodology for provisioning;
- verification of forecast financial information by tracking input macroeconomic parameters;
- reviewing key assumptions made by management used in the calculation of the financial model;
- checking the reliability of the source data used in the calculation on a sample basis;
- testing the calculations included in the model and their mathematical accuracy.

We found that the key assumptions used by management in estimating the amount of provision for the DGF potential expenses on bank resolution and deposit payouts to depositors were supported by available evidence.

Information that is not financial statements and the auditor's report thereon

Management personnel are responsible for other information. The other information consists of the information contained in the Management Report in accordance with Law No. 996-XIV but does not constitute the 2022 financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance on that other information contained in the Management Report.

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 our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We conclude that the amounts or other figures stated in the DGF Management Report that are affected by the matter described in the Basis for Qualified Opinion section are materially misstated for the same reasons.

The financial information in the Management Report is consistent with the financial statements for the reporting period and with other information obtained during our audit.

Responsibilities of management and those charged with governance for financial reporting

Management personnel are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Law No. 996-XIV, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the DGF ability to continue as a going concern, disclosing, where applicable, matters related to the going concern, and using the going concern assumptions as the basis of accounting unless the management either plans to liquidate the DGF or cease operations, or has no realistic alternative but to do so.

Those with the highest level of authority are responsible for overseeing the DGF financial reporting process.

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In performing an audit in accordance with ISAs, we use professional judgment and professional skepticism throughout the audit engagement. In addition, we:

- 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 due to fraud is higher than that of a misstatement due to error because
- Fraud can include collusion, forgery, intentional omissions, misrepresentations, or neglect of internal controls;
- 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 DGF 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 require the DGF to cease operations on a going-concern basis;
- Evaluate the overall presentation, structure, and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with supreme powers, inter alia, 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 supreme powers with the assurance that we have met the relevant ethical requirements for independence and disclose to them all relationships and other matters that could reasonably be expected to affect our independence and, where applicable, appropriate safeguards.

From the list of all matters communicated with those charged with supreme powers, we identified those matters that were of the utmost significance in the audit of the current period's financial statements, i.e., those that are the key audit matters.



Report on the requirements of other laws and regulations

In addition to the requirements of the International Standards on Auditing, in the independent auditor's report we also provide information in accordance with the requirements of parts 3 and 4, Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities" No. 2258-VIII dated December 21, 2017 (hereinafter referred to as "Law No. 2258-VIII") on the provision of additional information based on the results of the mandatory audit of the DGF that is of public interest:

- *Appointment of the auditor and the total duration of the extension*

HLB Ukraine LLC was appointed to perform this statutory audit engagement by the Decision of the Administrative Board No. 1 dated December 31, 2024. The total duration of the audit engagement without interruption, taking into account the extension of the powers that have taken place and reappointments, is 3 years.

- *Concerning the coordination of the independent auditor's report with the additional report for the audit committee*

We confirm that the independent auditor's report on the audit of the financial statements of the DGF is consistent with the Supplementary Report to the DGF Administrative Board, which we issued on May 24, 2024, in accordance with the requirements of Article 35 of Law No. 2258-VIII.

- *Provision of non-audit services*

We confirm that we did not provide services prohibited by ISAs or clause 4, Article 6 of Law No. 2258-VIII and that the key audit partner and the audit firm were independent of the DGF in conducting the audit. We have not provided any other services to the DGF other than the statutory audit of these financial statements.

The engagement partner on the audit resulting in this Independent Auditor's Report is Oleksandr Voyat.

Engagement partner on the audit



Oleksandr Voyat

HLB UKRAINE LIMITED LIABILITY COMPANY

(Legal entity identification code — 23731031).

HLB Ukraine LLC, under No. 0283, is included in the Sections of the Register of Auditors and Audit Entities "Audit Entities Entitled to Conduct the Statutory Audit of Financial Statements" and "Audit Entities Entitled to Conduct the Statutory Audit of Financial Statements of Enterprises of Public Interest".

11/11 Husovskoho St., office 3, Kyiv, 01011.

May 24, 2024



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