



**DEPOSIT
GUARANTEE
FUND**



ANNUAL REPORT

20

22





Message from the managing director of the deposit guarantee fund



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

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

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

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

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

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

During 2022, the DGF has started liquidation of four banks. Two of them — JSC IR Bank and PJSC Prominvestbank — were subsidiaries of russian state-owned banks in Ukraine, the resolution of which was initiated on the second day of the full-scale russian invasion pursuant to the NBU Resolution "On the Specifics of Termination of Banks During Martial Law". The DGF ensured the transfer to the special fund of the State Budget of funds in the amount of UAH 17 billion from the accounts of these banks pursuant to the Decision of the National Security

and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" and the relevant Order of the Cabinet of Ministers of Ukraine. And as soon as at the beginning of 2023, the DGF, within the framework of the same decision of the National Security and Defense Council, also transferred to the state the shares of these russian banks, domestic government bonds for UAH 1.1 billion and over UAH 8.8 billion of funds paid for domestic government bonds due, and coupon income under domestic government bonds.

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

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

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

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

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

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

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

In addition, legislative changes adopted in 2022 have unblocked the possibility of restructuring the DGF debt to the state, which emerged as a result of the crisis of 2014–2016. Restructuring of the DGF debts envisages that the repayment of promissory notes will be made from the DGF resources in excess of the amount necessary to cover potential risks in the banking system. And in the part corresponding to the accrued interest, the repayment will take place through the recovery



of losses from the former owners and related parties, whose activities have led to the insolvency of these institutions. Such repayment mechanisms ensured the balance of the deposit guarantee scheme.

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

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

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

In addition, European integration has always remained our strategic direction. These include harmonizing our regulations with European requirements, strengthening the institutional independence of the Deposit Guarantee Fund and developing the concept of insolvency of credit institutions.

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

Svitlana REKRUT

Managing Director
Deposit Guarantee Fund



Message from the chairman of the administrative board of the Deposit guarantee fund

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

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

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

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

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

During 2022, in pursuance of this norm, depositors of two banks JSC MEGABANK and JSC BANK SICH, which were declared insolvent after the amendments to the legislation came into force, already received their funds from the DGF in the amount of the full deposit and accrued interest. In total, following the results of 2022, the DGF paid over UAH 5.8 billion in compensation to the depositors of the liquidated banks.

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

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

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

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

Oleksandr ZYMA

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



I Report on activities of the Deposit Guarantee Fund operations for 2022

Mission, vision, policy objectives, functions of the Deposit Guarantee Fund, — 6

1. Household Deposit Guarantee Scheme during martial law in 2022, — 7

2. Banking sector overview and regulatory operations, — 9

- 2.1. Overview of the DGF members' financial indicators, — 10
- 2.2. Analysis of the DGF members' deposit trends, — 27
- 2.3. Control functions over the DGF members' operations, — 34

3. Bank resolution

- 3.1. Implementation of provisional administration, implementation of bank resolution plans, — 39
- 3.2. Bank liquidation, — 43
- 3.3. Proceeds to the insolvent banks, — 47
- 3.4. Settlements with bank creditors, — 49
- 3.5. Legal support for insolvent bank resolution and DGF litigation activity, — 57
- 3.6. Recovery of damages from related parties involved in bringing banks to insolvency and work with legal advisers, — 58

4. Consolidated sale and asset management

- 4.1. Results of insolvent banks' asset sale, — 60
- 4.2. Management of insolvent banks' assets, — 65

5. Payments to depositors

- 5.1. Guaranteed deposit payouts to depositors of insolvent banks, — 70

6. Financial management

- 6.1. Sources and utilization of financial resources, — 73
- 6.2. Settlement of DGF creditor claims, — 74
- 6.3. Public debt settlement. Debt restructuring, — 76
- 6.4. Assessment of DGF financial stability, — 77
- 6.5. DGF financial investments, — 77

7. Public and International Relations

- 7.1. DGF public relations and information policy, — 79
- 7.2. Public advice and cooperation with NGOs, — 80
- 7.3. Financial awareness and protection of depositors' rights, — 82
- 7.4. International cooperation, — 84

8. Legal and regulatory environment

- 8.1. Improvement of the legal framework, — 85
- 8.2. DGF regulatory operations, — 86
- 8.3. Establishment of guarantee schemes for non-bank financial institutions, — 88

9. Risk management and business operations

- 9.1. DGF risk management, — 89
- 9.2. Personnel management and development, — 89
- 9.3. Internal audit, — 90
- 9.4. Information technology, — 91

10. European integration

- 10.1 DGF role in the nationwide European integration processes, — 94

Annex: Report on the implementation of the Investment Plan of the Deposit Guarantee Fund for 2022, — 95

II Financial Statements 2022 confirmed by the audit report, — 96



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

Mission of the DGF

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

Vision of the DGF

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

Policy objective of the DGF

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

Functions of the DGF

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

- 1) maintaining the Register of DGF members;
- 2) accumulating funds from the sources as set in Article 19 of the Law "On Household Deposit Guarantee Scheme" and supervising premium payments from the DGF member;
- 3) investing the DGF monetary funds in government securities of Ukraine and bonds of international financial organizations placed in the territory of Ukraine;
- 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.



Household deposit guarantee scheme during martial law: 2022 the year in review

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

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

1. Main indicators of the DGF operations

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

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

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

The total assets of the DGF members as of January 1, 2023, amounted to UAH 2,716.9 billion, net assets amounted to UAH 2,353.6 billion, provisions for total assets — UAH 363.3 billion, total liabilities — UAH 2,135.0 billion, equity — UAH 218.5 billion. According to the results of the reporting year, the consolidated annual financial result amounted to UAH 24.7 billion.

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

In April 2022, the DGF introduced remote payments to depositors of insolvent banks. The guaranteed compensation amount paid during the reporting year by the 4 DGF agent banks, which introduced such remote payments, amounted to UAH 1.6 billion. The share of online payments of the guaranteed compensation amount was 28% of the total amount of all payments.

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

were transferred to the DGF management on the basis of the decision to classify them as insolvent.

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

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

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

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

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

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

In response to the full-scale war, the DGF introduced payment holidays for the borrowers of the liquidated banks. In September 2022, these payment holidays were transformed into updated Debt Repayment Terms for Individual Borrowers, which at the end of 2022 were complied with by Borrowers under



796 agreements. During this period, the debt under 110 credit agreements was fully repaid. The total repayment amount was UAH 10.8 million.

At the end of 2022, the DGF ensured the transfer to the special fund of the State Budget of funds in the equivalent of UAH 17 billion from the accounts of liquidated banks of PJSC Prominvestbank and JSC IR BANK. The transfer took place pursuant to the Decision of the National Security and Defense Council "On the Forcible Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents" and the relevant Order of the Cabinet of Ministers of Ukraine.

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

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

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

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

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

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

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

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

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

2. Banking sector overview and regulatory operations

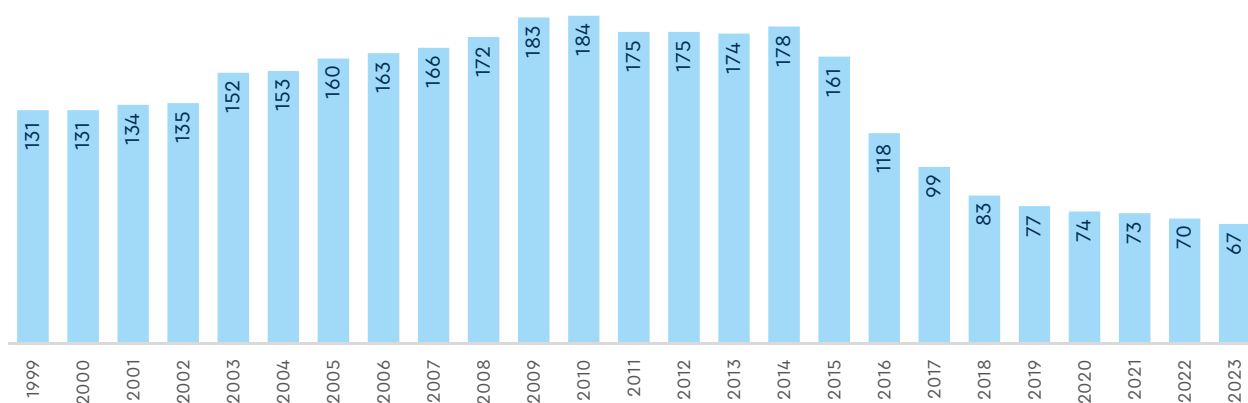
As of January 1, 2023, 67 banks with a banking license were the members of the Deposit Guarantee Fund.

The Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law") stipulates that the participation of banks in the DGF is mandatory. The bank

shall acquire the status of a DGF member on the day of obtaining its banking license. The DGF shall exclude a bank from the number of DGF members in case of a decision to revoke the banking license and liquidate the bank.

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

Figure 2.1. Trends of the number of DGF members

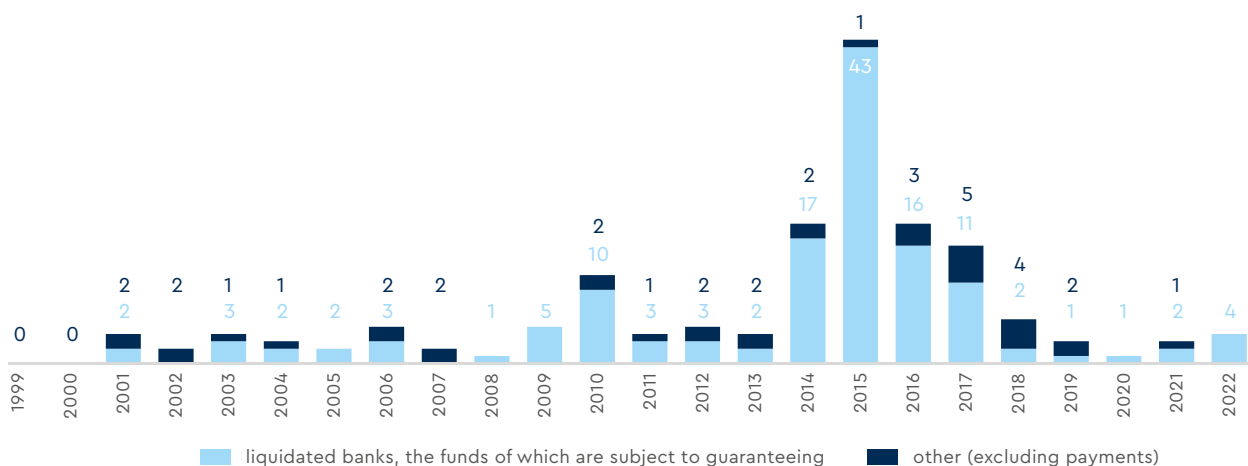


In 2022, 4 banks were excluded from the register of the DGF members: PJSC Prominvestbank, JSC IR BANK, JSC MEGABANK and JSC BANK SICH (where there was a provisional administration and subsequently a decision was made to revoke the banking license and liquidate it), in addition, as of April 13,

2022, JSC Oschadbank acquired the status of a DGF member in accordance with Law No. 2180-IX.

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

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



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

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

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

- 18 — banks of foreign banking groups — banks, the controlling stakes of which belong to foreign banks or foreign financial and banking groups. At the end of the year, the number of banks was 16;
- 49 — banks with private capital — banks in which one or more private investors are among the ultimate owners of major shareholding, which directly and/or indirectly own at least 50% of the authorized capital of the bank. At the end of the year, the number of banks was 47.

2.1. Overview of the DGF members' financial indicators

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

At the beginning of 2022, the DGF members included 70 banks that had a banking license to conduct banking operations. During February, PJSC PROMINVESTBANK and JSC IR BANK were excluded from the register of members, and in July and October — respectively JSC MEGABANK and JSC BANK SICH due to the revocation of the banking license and

liquidation. Instead, on April 13, 2022, JSC OSCHADBANK acquired the status of a DGF member. Thus, as of January 1, 2023, there were 67 banks in the register.

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

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

Table 2.1.1
(UAH million)

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

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

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

During the war, consumer inflation accelerated significantly, and by the end of 2022, the consumer price index was 26.6% against 7.6% on April 1, 2022, 17.4% on July 1, 2022, and 21.8% on October 1, 2022. For comparison, the consumer price index for 2021 was 10.0%.

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

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

Main trends of the DGF members in 2022

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

From the first day of the war, the country's leadership took the necessary measures to prevent the collapse of the economy. Thus, in accordance with Law No. 2180-IX, during the martial law in Ukraine and for three months from the date of its termination or cancellation, the DGF shall compensate each depositor of the bank the full amount of the deposit, including interest accrued as of the end of the day preceding the day of



the bank resolution procedure, except for the cases provided for in part 4, Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme".

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

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

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

The total size of the client loan portfolio suffered significant losses as a result of the war. From the beginning of 2022, it formally increased by UAH 58.2 billion or 5.9% and amounted to UAH 1,036.1 billion as of January 1, 2023. However, considering that the increase of UAH 89.3 billion due to the joining of JSC OSCHADBANK and the increase of UAH 107.8 billion by a positive currency revaluation, the portfolio actually lost UAH 138.9 billion. Excluding the impact of these formal factors, loans to legal entities, authorities, and sole proprietors actually decreased by UAH 98.9 billion and to individuals by UAH 40.0 billion. At the same time, only the UAH component of the corporate portfolio increased by UAH 11.0 billion, while the foreign currency component lost UAH 109.9 billion. UAH and foreign currency loans to households also decreased: by UAH 25.2 billion and by UAH 14.8 billion, respectively.

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

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

At the same time, the reduction of overdue loan debt, which has been going on for the third year in a row, does not mean

an improvement of its servicing by borrowers, as it is due to the write-off of overdue non-performing loans at the expense of formed provisions. Since the beginning of 2022, the DGF members have written off UAH 43.0 billion of loan debts, of which UAH 13.2 billion were in national currency and UAH 29.8 billion in foreign currency (for comparison: in 2021, UAH 63.1 billion of loans were written off, including UAH 18.2 billion in UAH and UAH 44.9 billion in foreign currency, and in 2020 — UAH 136.0 billion, of which UAH 58.5 billion in UAH and UAH 77.5 billion in foreign currency).

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

Banks' investments in securities continued to grow for the seventh consecutive year and as of January 1, 2023, amounted to UAH 1,021.5 billion, which is by UAH 320.4 billion or 45.7% more than on January 1, 2022. Excluding the effect of a positive currency revaluation (+ UAH 29.5 billion) and the joining of JSC OSCHADBANK (+ UAH 116.0 billion), the actual increase in these investments in the reporting year amounted to UAH 174.9 billion. The main reason is a significant increase in investments in NBU certificates of deposit, which currently look like the most convenient asset that combines maximum return with minimum risk. In the reporting year, their balances in the balance sheets of the DGF members increased by UAH 262.0 billion or 2.3 times, and the joining of JSC OSCHADBANK added only UAH 16.5 billion. At the same time, another component of the portfolio — investments in securities refinanced by the NBU — with a formal increase in UAH 35.3 billion in 2022 or 7.1% actually decreased by UAH 100.5 billion, as UAH 108.3 billion of "growth" is explained by the joining of JSC OSCHADBANK, and UAH 27.5 billion — by a positive currency revaluation.

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

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

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

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

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

In 2022, the equity of the DGF members decreased by UAH 15.2 billion or 6.5% due to a decrease of UAH 47.4 billion during

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

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

Analysis of assets

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

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

In terms of currencies, the following changes took place:

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

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

Structure and trends of assets of the DGF members

Table 2.1.2
(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Cash, traveler's checks and banking metals	63,072.2	3.3	65,060.3	3.1	75,252.4	2.8	+ 1,988.1	+ 3.2	+ 10,192.1	+ 15.7
Funds with the NBU	33,186.0	1.7	33,527.6	1.6	82,494.7	3.1	+ 341.6	+ 1.0	+ 48,967.1	+ 146.1
including accrued income	–	–	–	–	9.5	0.0	–	–	+ 9.5	x
– payables on demand	33,186.0	1.7	33,527.6	1.6	82,494.7	3.1	+ 341.6	+ 1.0	+ 48,967.1	+ 146.1
Funds with other banks	210,561.4	10.8	226,818.6	10.8	366,095.8	13.5	+ 16,257.2	+ 7.7	+ 139,277.2	+ 61.4
including accrued income	21.7	0.0	15.1	0.0	253.0	0.0	– 6.6	– 30.4	+ 237.9	+1,575.5
– payables on demand*	176,692.9	9.1	196,238.4	9.3	329,177.5	12.1	+ 19,545.5	+ 11.1	+ 132,939.1	+ 67.7
– loans granted and deposits invested	33,868.5	1.7	30,580.2	1.5	36,918.3	1.4	– 3,288.3	– 9.7	+ 6,338.1	+ 20.7

Table 2.1.2

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Loans granted to clients	874,793.7	45.0	977,961.6	46.4	1,036,128.7	38.1	+ 103,167.9	+ 11.8	+ 58,167.1	+ 5.9
including accrued income	91,725.5	4.7	76,677.3	3.6	86,762.5	3.2	- 15,048.2	- 16.4	+ 10,085.2	+ 13.2
- loans to legal entities, authorities, and sole proprietors	687,554.3	35.4	751,972.3	35.7	826,184.4	30.4	+ 64,418.0	+ 9.4	+ 74,212.1	+ 9.9
- loans to individuals	187,239.4	9.6	225,989.3	10.7	209,944.3	7.7	+ 38,749.9	+ 20.7	- 16,045.0	- 7.1
Securities investments	661,005.3	34.1	701,101.9	33.2	1,021,519.9	37.6	+ 40,096.6	+ 6.1	+ 320,418.0	+ 45.7
including accrued income	8,468.7	0.5	9,121.8	0.4	8,659.3	0.3	+ 653.1	+ 7.7	- 462.5	- 5.1
- securities refinanced by the NBU	463,911.7	23.9	496,196.3	23.5	531,479.4	19.6	+ 32,284.6	+ 7.0	+ 35,283.1	+ 7.1
- securities issued by the NBU	160,645.5	8.3	195,424.9	9.3	457,464.2	16.8	+ 34,779.4	+ 21.6	+ 262,039.3	+ 134.1
- corporate and other securities	36,448.1	1.9	9,480.7	0.4	32,576.3	1.2	- 26,967.4	- 74.0	+ 23,095.6	+ 243.6
Investments in affiliates and subsidiaries	275.3	0.0	285.3	0.0	267.6	0.0	+ 10.0	+ 3.6	- 17.7	- 6.2
Fixed assets, intangible assets, and right-of-use assets	50,295.1	2.6	47,006.8	2.2	49,701.1	1.8	- 3,288.3	- 6.5	+ 2,694.3	+ 5.7
Other assets	48,705.8	2.5	57,282.3	2.7	85,422.5	3.1	+ 8,576.5	+ 17.6	+ 28,140.2	+ 49.1
including accrued income	1,795.6	0.1	1,868.2	0.1	1,792.6	0.1	+ 72.6	+ 4.0	- 75.6	- 4.0
- accounts receivable	21,220.4	1.1	26,166.3	1.2	35,942.3	1.3	+ 4,945.9	+ 23.3	+ 9,776.0	+ 37.4
- other funds	27,485.4	1.4	31,116.0	1.5	49,480.2	1.8	+ 3,630.6	+ 13.2	+ 18,364.2	+ 59.0
Total assets	1,941,894.8	100.0	2,109,044.4	100.0	2,716,882.7	100.0	+ 167,149.6	+ 8.6	+ 607,838.3	+ 28.8
including accrued income	102,011.5	5.3	87,682.4	4.1	97,476.9	3.6	- 14,329.1	- 14.0	+ 9,794.5	+ 11.2
Provisions for active transactions	- 353,550.4	x	- 292,004.1	x	- 363,291.1	x	+ 61,546.3	- 17.4	- 71,287.0	+ 24.4
Net assets	1,588,344.4	x	1,817,040.3	x	2,353,591.6	x	+ 228,695.9	+ 14.4	+ 536,551.3	+ 29.5
For reference:										
Highly liquid assets	873,821.7	45.0	947,840.3	44.9	1,447,217.4	53.3	+ 74,018.6	+ 8.5	+ 499,377.1	+ 52.7

* including receivables

Funds in other banks (except NBU) formally increased by UAH 139.3 billion during the reporting year, or 61.4%, although without taking into account the positive revaluation of UAH 77.2 billion and UAH 4.3 billion from the joining of JSC OS-CHADBANK, they increased by UAH 57.8 billion (in 2021 this increase was by UAH 23.5 billion) and as of January 1, 2023, amounted to UAH 366.1 billion (13.5% in the structure of assets against 10.8% at the beginning of the year). Almost all balances are concentrated in foreign currency. Following the results of the year, there was a significant increase in the amount of

interbank payables on demand, which increased by UAH 132.9 billion or 67.7% to UAH 329.2 billion with a positive revaluation of UAH 67.5 billion. In 2022, interbank fixed-term assets formally increased by UAH 6.3 billion or 20.7% to UAH 36.9 billion, however, if a positive revaluation of UAH 9.7 billion is not taken into account, they actually decreased by UAH 3.4 billion.

As of January 1, 2023, the client loan portfolio amounted to UAH 1,036.1 billion and suffered significant losses due to the



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

Investments in securities increased dramatically by UAH 320.4 billion or 45.7% in 2022, including due to a positive currency revaluation of UAH 29.5 billion and UAH 127.1 billion from the joining of JSC OSCHADBANK, and as of January 1, 2023, amounted to UAH 1,021.5 billion, accounting for 37.6% of assets against 33.2% at the beginning of the year (in 2021 they increased by UAH 40.1 billion despite a negative currency revaluation of UAH 3.5 billion). The main reason is a significant increase in investments in NBU certificates of deposit, which currently look like the most convenient asset that combines maximum return with minimum risk. In the reporting year, their balances in the balance sheets of the DGF members increased by UAH 262.0 billion or 2.3 times, and the joining of JSC OSCHADBANK added only UAH 16.5 billion. At the same time, another component of the portfolio — investments in securities refinanced by the NBU — with a formal increase in UAH 35.3 billion in 2022 or 7.1% actually decreased by UAH 100.5 billion, as UAH 108.3 billion of "growth" is explained by the joining of JSC OSCHADBANK, and UAH 27.5 billion — by a positive currency revaluation.

During the reporting year, fixed assets, intangible assets, and right-of-use assets increased by UAH 2.7 billion or 5.7% and amounted to UAH 49.7 billion, and their share in the structure of assets fell to 1.8% against 2.2% at the beginning of the year. At the same time, accounts receivable increased by UAH

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

Table 2.1.3

(UAH million)

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



9.8 billion or 37.4% to UAH 35.9 billion (1.3% in the structure against 1.2% at the beginning of the year), and other funds — by UAH 18.4 billion, or 59.0%, to UAH 49.5 billion (1.8% in the structure as of January 1, 2023, against 1.5% as of January 1, 2022).

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

Return on assets in the reporting year decreased as expected due to lower profitability of banks. As of January 1, 2023, it was 1.2%, which is lower than on January 1, 2022 (4.6%) and as of January 1, 2021 (2.8%). At the same time, in the second half of the year its dynamics was positive after the return became negative in the second quarter. Net interest margin reached

7.5% in 2022, exceeding the levels of 2021 (6.3%) and 2020 (5.5%), due to the investment of free liquidity in high-yield certificates of deposit, while the increase in the cost of funding was moderate.

Changes in the main components of assets, which account for more than ¾ of their total volume, by individual groups of banks, national and foreign currencies are shown in Table 2.1.3.

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

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

Interbank loan and deposit portfolio of the DGF members

Table 2.1.4
(UAH million)

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



During 2022, the volume of interbank fixed-term assets formally increased by UAH 6.3 billion or 20.7% to UAH 36.9 billion, although in reality it decreased by UAH 3.4 billion, if we do not take into account the positive currency revaluation in the amount of UAH 9.7 billion. There was an actual decrease both in the national currency by UAH 1.5 billion and in the foreign currency by UAH 1.9 billion. At the same time, interbank deposits actually increased by UAH 9.6 billion, while interbank

loans, on the contrary, decreased by UAH 13.0 billion. The net interbank portfolio for the reporting year formally added UAH 6.6 billion or 21.9%, while provisions decreased by UAH 0.3 billion due to the write-off of overdue debt.

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

Volume and structure of the DGF members' loan portfolio

Table 2.1.5

(UAH million)

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

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

Net client loan portfolio formally decreased by UAH 4.0 billion or 0.6% with a positive currency revaluation of UAH 75.8 billion and taking into account UAH 75.4 billion from the joining

of JSC OSCHADBANK, and as of January 1, 2023, amounted to UAH 688.1 billion, having actually decreased by UAH 155.2 billion (for comparison: the net loan portfolio for 2021 actually increased by UAH 165.7 billion).

The amount of provisions for credit risks in 2022 formally increased by UAH 62.2 billion or 21.8% (in 2021, on the contrary, provisions decreased by UAH 56.2 billion) and as of January 1, 2023, reached UAH 348.0 billion. Excluding the effect of revaluation and joining of JSC OSCHADBANK, which increased provisions by UAH 32.0 billion and UAH 13.9 billion, respectively, the increase in provisions amounted to UAH 16.3 billion.



Their UAH component actually increased by UAH 60.1 billion, while their foreign currency component actually decreased by UAH 43.8 billion. The level of provisioning of the client loan portfolio from the beginning of the year increased from 29.1% to 33.6%, and on loans to legal entities it rose from 28.8% to 33.0%, and on loans to individuals increased from 30.2% up to 36.0%.

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

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

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

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

billion. At the same time, the level of foreign exchange portfolio provisioning increased slightly and amounted to 89.7% as of January 1, 2023, against 88.7% as of January 1, 2022.

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

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

- on loans granted to legal entities, authorities, and sole proprietors, overdue debts formally decreased by UAH 12.6 billion or 5.6% to UAH 214.1 billion, and its share in the business loan portfolio fell to 25.9% as of January 1, 2023, from 30.2% as of January 1, 2022, the UAH delay from the beginning of the year increased by UAH 8.6 billion or 5.1% to UAH 176.4 billion, including by UAH 1.1 billion from the joining of JSC OSCHADBANK, while foreign currency decreased by UAH 21.2 billion or 36.0% to UAH 37.7 billion, taking into account UAH 21.0 billion of positive currency revaluation and UAH 3.8 billion from the joining of JSC OSCHADBANK (i.e., in general, overdue loans to businesses have actually decreased by UAH 38.5 billion since the beginning of the year);
- on loans granted to individuals, overdue debts formally increased by UAH 8.1 billion or 29.7% to UAH 35.5 billion, and its share in the retail loan portfolio increased from 12.1% as of January 1, 2022, to UAH 16.9% as of January 1, 2023, with the delay in UAH since the beginning of the year increased by UAH 13.6 billion or 124.1% to UAH 24.6 billion, including by UAH 1.5 billion from the joining of JSC OSCHADBANK, while foreign currency decreased by UAH 5.5 billion or 33.8% to UAH 10.9 billion, taking into account UAH 5.9 billion of positive currency revaluation and UAH 1.2 billion from the joining of JSC OSCHADBANK (i.e., in general, overdue loans to households have actually decreased by UAH 0.5 billion since the beginning of the year).

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

Changes in the individual components of the client loan portfolio

Table 2.1.6

(UAH million)

Indicators	Loans granted to clients		Provisions for client loans		Overdue loans to clients		Non-performing client loans	
	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)
Balance as of January 1, 2021	553,561.7	321,232.0	- 203,593.7	- 138,410.3	185,388.6	120,782.8	218,795.8	153,879.9
year-on-year changes due to:								
- volume increase/decrease*	+ 149,201.2	+ 29,460.1	- 11,632.4	- 320.0	+ 11,773.3	+ 3,825.1	+ 8,436.2	- 5,705.5
- debt write-off	- 18,184.9	- 44,908.3	+ 18,184.9	+ 44,908.3	- 18,184.9	- 44,908.3	- 18,184.9	- 44,908.3
- dissolution of banks	- 908.5	- 171.5	+ 121.3	+ 25.0	- 217.9	- 107.5	- 517.1	- 112.9
- currency revaluation	x	- 11,320.2	x	+ 4,877.6	x	- 4,256.4	x	- 5,422.7
Balance as of January 1, 2022	683,669.5	294,292.1	- 196,919.9	- 88,919.4	178,759.1	75 335.7	208,530.0	97,730.5
year-on-year changes due to:								
- volume increase/decrease*	+ 9,728.5	- 42,687.8	- 77,735.6	- 27,605.3	37,905.9 ⁺	+ 11,787.3	+ 91,591.3	+ 50,562.7
- debt write-off	- 13,202.4	- 29,766.6	+ 13,202.4	+ 29,766.6	13,202.4 ⁻	- 29,766.6	- 13,202.4	- 29,766.6
- joining of Oschadbank	+ 58,875.0	+ 30,360.1	- 7,113.0	- 6,759.1	+ 2,566.4	+ 5,029.2	+ 27,560.7	+ 12,051.6
- dissolution of banks	- 10,692.6	- 52,267.0	+ 4,398.3	+ 41,602.2	- 5,008.2	- 40,754.1	- 5,422.2	- 43,833.1
- currency revaluation	x	+ 107,819.9	x	- 31,973.9	x	+ 26,915.1	x	+ 36,297.9
Balance as of January 1, 2023	728,378.0	307,750.7	- 264,167.8	- 83,888.9	201,020.8	48,546.6	309,057.4	123,043.0

* excluding debt write-offs

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

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

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

From the beginning of 2022, non-performing loans formally increased by UAH 125.6 billion and as of January 1, 2023, amounted to UAH 432.1 billion against UAH 306.5 billion as of

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

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

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

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

Table 2.1.7

(UAH million)

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

*

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

Portfolio of securities of the DGF members

Table 2.1.8

(UAH million)

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



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

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

foreign currency. As of January 1, 2023, the maximum balances of securities refinanced by the NBU are concentrated in state-owned banks.

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

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

Analysis of liabilities

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

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

In terms of currencies, the following changes took place:

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

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

In terms of maturity, these funds are dominated by outstanding balances, which increased by UAH 237.2 billion or 39.6% to UAH 836.6 billion since the beginning of the year. In UAH

they increased by UAH 112.1 billion or 27.9% to UAH 514.6 billion (including by UAH 52.6 billion from the joining of JSC OSCHADBANK), and in foreign currency — by UAH 125.1 billion or 63.5% to UAH 322.0 billion (with a positive revaluation of UAH 68.5 billion and UAH 5.8 billion from the joining of JSC OSCHADBANK).

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

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

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

Structure and trends of liabilities of the DGF members

Table 2.1.9

(UAH million)

Indicators	January 1, 2021		January 1, 2022		January 1, 2023		Late changes			
	amount	%	amount	%	amount	%	for 2021		for 2022	
							amounts	in %	amounts	in %
Debt to the NBU	56,514.7	4.0	88,353.0	5.6	38,145.9	1.8	+ 31,838.3	+ 56.3	- 50,207.1	- 56.8
including accrued costs	0.4	0.0	0.1	0.0	-	-	- 0.3	- 75.0	- 0.1	-100.0
Payables to other banks	26,030.0	1.9	33,030.7	2.1	21,218.6	1.0	+ 7,000.7	+ 26.9	- 11,812.1	- 35.8
including accrued costs	1,990.5	0.2	2,227.7	0.1	28.8	0.0	+ 237.2	+ 11.9	- 2,198.9	- 98.7
- payables on demand*	6,968.0	0.5	12,625.0	0.8	18,002.8	0.8	+ 5,657.0	+ 81.2	+ 5,377.8	+ 42.6
- loans received and deposits raised	19,062.0	1.4	20,405.7	1.3	3,215.8	0.2	+ 1,343.7	+ 7.0	- 17,189.9	- 84.2
Funds of legal entities, the budget, and sole proprietors	636,495.1	45.5	745,534.8	47.1	998,018.5	46.7	+ 109,039.7	+ 17.1	+252,483.7	+ 33.9
including accrued costs	1,140.1	0.1	1,213.6	0.1	2,742.4	0.1	+ 73.5	+ 6.4	+ 1,528.8	+126.0
- payables on demand*	490,441.6	35.1	599,376.9	37.9	836,614.5	39.2	+ 108,935.3	+ 22.2	+237,237.6	+ 39.6
- fixed-term investments (term deposits)	146,053.5	10.4	146,157.9	9.2	161,404.0	7.5	+ 104.4	+ 0.1	+ 15,246.1	+ 10.4
Payables to individuals	554,390.1	39.6	603,641.3	38.1	932,450.3	43.7	+ 49,251.2	+ 8.9	+328,809.0	+ 54.5
including accrued costs	1,871.9	0.1	1,326.9	0.1	1,557.5	0.1	- 545.0	- 29.1	+ 230.6	+ 17.4
- payables on demand*	294,303.4	21.0	359,623.0	22.7	606,897.4	28.4	+ 65,319.6	+ 22.2	+247,274.4	+ 68.8
- fixed-term investments (term deposits)	260,086.7	18.6	244,018.3	15.4	325,552.9	15.3	- 16,068.4	- 6.2	+ 81,534.6	+ 33.4
Debt securities issued	3,053.8	0.2	2,243.7	0.1	1,123.6	0.1	- 810.1	- 26.5	- 1,120.1	- 49.9
including accrued costs	79.2	0.0	81.1	0.0	81.0	0.0	+ 1.9	+ 2.4	- 0.1	- 0.1
- certificates of deposit	2,544.8	0.2	1,610.7	0.1	1,102.5	0.1	- 934.1	- 36.7	- 508.2	- 31.6
- other debt securities issued	509.0	0.0	633.0	0.0	21.1	0.0	+ 124.0	+ 24.4	- 611.9	- 96.7
Loans from international and other organizations	56,640.6	4.0	45,572.9	2.9	49,983.8	2.3	- 11,067.7	- 19.5	+ 4,410.9	+ 9.7
including accrued costs	1,301.5	0.1	850.8	0.1	1,182.1	0.1	- 450.7	- 34.6	+ 331.3	+ 38.9
Subordinated debt	8,623.6	0.6	7,517.7	0.5	10,387.0	0.5	- 1,105.9	- 12.8	+ 2,869.3	+ 38.2
including accrued costs	458.6	0.0	360.4	0.0	622.2	0.0	- 98.2	- 21.4	+ 261.8	+ 72.6
Other liabilities	57,723.7	4.2	57,392.0	3.6	83,714.8	3.9	- 331.7	- 0.6	+ 26,322.8	+ 45.9
including accrued costs	953.4	0.1	1,484.8	0.1	1,841.2	0.1	+ 531.4	+ 55.7	+ 356.4	+ 24.0
- accounts payable	25,985.6	1.9	30,281.5	1.9	35,108.9	1.6	+ 4,295.9	+ 16.5	+ 4,827.4	+ 15.9
- other funds	31,738.1	2.3	27,110.5	1.7	48,605.9	2.3	- 4,627.6	- 14.6	+ 21,495.4	+ 79.3
Total liabilities	1,399,471.6	100.0	1,583,286.1	100.0	2,135,042.5	100.0	+ 183,814.5	+ 13.1	+ 551,756.4	+ 34.8
including accrued costs	7,795.6	0.6	7,545.4	0.5	8,055.2	0.4	- 250.2	- 3.2	+ 509.8	+ 6.8

* including receivables

son: in 2021 the actual growth of UAH balances amounted to UAH 36.5 billion, and in foreign currency — UAH 32.7 billion).

Term deposits of individuals in UAH in 2022 formally increased by UAH 24.7 billion or 15.9% to UAH 180.0 billion (including by UAH 37.0 billion from the joining of JSC OSCHADBANK),

and in foreign currency — by UAH 56.8 billion or 64.0% to UAH 25.3 billion (including a positive revaluation of UAH 36.5 billion and UAH 25.3 billion from the joining of JSC OSCHADBANK), but in fact their volume decreased by UAH 12.3 billion and UAH 5.0 billion, respectively (for comparison: in 2021 the

actual increase in UAH deposits was UAH 16.0 billion, and the decrease in foreign currency deposits was UAH 27.8 billion).

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

From the beginning of the reporting year, funds of other banks decreased by UAH 11.8 billion or 35.8% and amounted to UAH 21.2 billion (1.0% in the structure of resources). The reduction was due to borrowed term funds, which formally decreased by UAH 17.2 billion or 84.2% to UAH 3.2 billion, taking into account UAH 7.1 billion of positive currency revaluation and UAH 2.3 billion of debt upon the joining of JSC OSCHADBANK actually decreased by UAH 26.6 billion, including in UAH — by UAH 1.2 billion and in foreign currency — by UAH 25.4 billion. In contrast to interbank loans and deposits, payables of other banks on demand increased by UAH 5.4 billion or 42.6% to UAH 18.0 billion due to an increase in UAH balances by UAH 3.2 billion and foreign currency balances by UAH 2.2 billion, although in the presence of a positive currency revaluation of UAH 3.9 billion and a debt of UAH 0.2 billion upon the joining of JSC OSCHADBANK, the currency balances actually decreased by UAH 1.9 billion.

Among the DGF members, the debt on loans from international financial organizations formally increased, which increased by UAH 4.4 billion or 9.7% in 2022 and amounted to UAH 50.0 billion (2.3% in the structure) as of January 1, 2023. In UAH, it actually decreased by UAH 1.1 billion or 14.0% to UAH 6.6 billion, while in foreign currency it formally increased by UAH

5.5 billion or 14.4% to UAH 43.4 billion, including by UAH 14.6 billion due to a positive currency revaluation and UAH 6.5 billion from the joining of JSC OSCHADBANK, without which its actual decrease amounted to UAH 15.6 billion.

Changes in the main components of liabilities, which account for more than ¾ of their total volume, by individual groups of banks, national and foreign currencies are shown in Table 2.1.10.

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

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

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

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

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

Table 2.1.10

(UAH million)

Indicators	Funds of legal entities, the budget, and sole proprietors				Payables to individuals			
	on demand		fixed-term		on demand		fixed-term	
	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)
Balance as of January 1, 2021	303,874.4	186,567.2	100,882.0	45,171.5	183,482.2	110,821.2	139,301.2	120,785.5
year-on-year changes due to:								
– currency revaluation	x	– 6,574.6	x	– 1,591.9	x	– 3,905.3	x	– 4,256.5
– dissolution of banks	– 268.3	– 18.1	– 155.2	– 50.9	– 31.8	– 32.7	– 605.2	– 377.4
– volume increase/decrease	+ 98,846.6	+ 16,949.7	+ 5,237.0	– 3,334.6	+ 36,563.2	+ 32,726.2	+ 16,569.4	– 27,398.7
including in banks:								
with state-owned share	+ 22,352.0	– 3,282.9	– 19,964.2	– 2,726.0	+ 8,336.5	+ 12,831.4	+ 1,548.6	– 22,227.2
of foreign banking groups	+ 35,040.2	+ 6,482.7	+ 11,066.7	– 434.9	+ 16,311.3	+ 11,552.0	+ 1,674.1	– 3,702.9
with private capital	+ 41,454.4	+ 13,749.9	+ 14,134.5	– 173.7	+ 11,915.4	+ 8,342.8	+ 13,346.7	– 1,468.6

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

Table 2.1.10

(UAH million)

Indicators	Funds of legal entities, the budget, and sole proprietors				Payables to individuals			
	on demand		fixed-term		on demand		fixed-term	
	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)	in UAH	in foreign currency (UAH equivalent)
Balance as of January 1, 2022	402,452.7	196,924.2	105,963.8	40,194.1	220,013.6	139,609.4	155,265.4	88,752.9
year-on-year changes due to:								
- currency revaluation	x	+ 68,524.5	x	+ 13,942.6	x	+ 50,685.8	x	+ 36,544.6
- dissolution of banks	- 5,266.0	- 761.8	- 1,966.6	- 632.0	- 1,610.6	- 1,677.0	- 3,214.8	- 2,076.9
- joining of Oschadbank	+ 52,574.9	+ 5,824.8	+ 7,419.9	+ 1,013.1	+ 50,001.3	+ 12,550.9	+ 36,996.1	+ 25,268.6
- volume increase/ decrease	+ 64,839.6	+ 51,501.6	+ 2,119.0	- 6,649.9	+ 145,024.5	- 7,700.5	- 9,090.2	- 2,892.8
including in banks:								
with state-owned share	+ 31,954.6	+ 28,668.3	+ 2,217.8	- 7,415.6	+ 122,913.0	+ 6,448.8	- 1,574.1	- 8,152.3
of foreign banking groups	+ 17,960.4	+ 24,201.6	+ 2,377.1	+ 2,081.4	+ 5,824.0	- 12,683.1	- 1,542.8	+ 4,453.7
with private capital	+ 14,924.6	- 1,368.3	- 2,475.9	- 1,315.7	+ 16,287.5	- 1,466.2	- 5,973.3	+ 805.8
Balance as of January 1, 2023	514,601.2	322,013.3	113,536.1	47,867.9	413,428.8	193,468.6	179,956.5	145,596.4

Analysis of financial results

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

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

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

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

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

- consolidated profit of state-owned banks amounted to UAH 21.3 billion, which is UAH 20.3 billion below the level of 2021;

- banks with foreign capital recorded a total loss of UAH 0.1 billion, reducing its result for 2021 by UAH 22.3 billion;
- private banks received consolidated profit of UAH 3.5 billion, which is UAH 9.1 billion less than in 2021.

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

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

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

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



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

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

Their main item was the allocation to provisions, which in comparison with 2021 increased rapidly by UAH 117.5 billion or 89.8 times and reached UAH 118.8 billion (35.7% in the struc-

ture). Among them, the lion's share is allocated to provisions for loans to clients, which in 2022 increased by UAH 99.2 billion or 15.4 times and amounted to UAH 106.1 billion.

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

Income, expenses, and financial results of the DGF members

Table 2.1.11

(UAH million)

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

Доходи, витрати та фінансові результати учасників Фонду

Продовження таблиці 2.1.11

(суми в млн грн)

Indicators	January 1, 2021	January 1, 2022	January 1, 2023	Late changes			
				for 2021		for 2022	
				amount	in %	amount	in %
- insolvent banks	4.8	-	-	- 4.8	- 100.0	-	-

For reference:

Operational efficiency (CIR), in %	51.5	50.2	39.5	- 1.3	x	- 10.7	x
------------------------------------	------	------	------	-------	---	--------	---

Analysis of capital

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

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

The main reasons for the decrease in capital in the reporting year, apart from the termination of banks, were unprofitable activities of 21 DGF members for the total amount of UAH 20.8 billion, negative revaluation of securities in the former portfolio for sale in the amount of UAH 15.2 billion and accrual of

dividends by banks based on the results of 2021 in the amount of UAH 28.9 billion. At the same time, in addition to the joining of JSC OSCHADBANK, the profitable activity of 46 DGF members for the total amount of UAH 45.5 billion contributed to the increase in capitalization.

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

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

The consolidated negative result of previous years, which consists separately of retained earnings and uncovered losses, improved by UAH 60.8 billion in 2022 due to an increase in

Changes in the equity structure of the DGF members

Table 2.1.12

(UAH million)

Показники	January 1, 2021	January 1, 2022	January 1, 2023	Late changes			
				for 2021		for 2022	
				amounts	in %	amounts	in %
Paid authorized capital	431,171.3	432,062.2	407,020.5	+ 890.9	+ 0.2	- 25,041.7	- 5.8
Issue profit/loss and additional allocations	14,163.4	15 262.4	14,541.7	+ 1,099.0	+ 7.8	- 720.7	- 4.7
General provisions and funds	25,206.2	32 927.0	42,602.4	+ 7,720.8	+ 30.6	+ 9,675.4	+ 29.4
Results of revaluation	15,588.8	12 097.6	- 1,319.2	- 3,491.2	- 22.4	- 13,416.8	- 110.9
Results of previous years	- 335,727.8	- 335,015.2	- 274,232.1	+ 712.6	- 0.2	+ 60,783.1	- 18.1
Result of the reporting year	2.1	-	5,220.3	- 2.1	- 100.0	+ 5,220.3	x
Current year result	38,468.8	76,420.2	24,715.5	+ 37 951.4	+ 98.7	- 51,704.7	- 67.7
Total equity	188,872.8	233,754.2	218,549.1	+ 44,881.4	+ 23.8	- 15,205.1	- 6.5

For reference:

Return on equity (ROE), %	20.9	38.4	11.3	+ 17.5	x	- 27.1	x
Adequacy of regulatory capital, in %	22.4	18.3	19.7	- 4.1	x	+ 1.4	x



profits by UAH 9.3 billion and coverage of losses of UAH 51.5 billion, and currently stands at minus UAH 274.2 billion.

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

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

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

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

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



2.2. Analysis of the DGF members' deposit trends

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

During 2022, 4 banks were excluded from the register of DGF members due to the revocation of the banking license and

liquidation with the total amount of deposits of UAH 9,100.1 million (PJSC Prominvestbank — February 28, 2022, JSC IR BANK — February 28, 2022, JSC MEGABANK — July 25, 2022, and JSC BANK SICH — October 10, 2022), in addition, as of April 13, 2022, JSC Oschadbank acquired the status of a DGF member in accordance with Law No. 2180-IX (Table 2.2.1).

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

Table 2.2.1

No.	Reg. No.	Bank	Number of depositors	Amount of deposits, UAH		Potential compensation amount, UAH	Date of NBU liquidation decision/ date of participation
			persons	total	including in foreign currency		
Звітність станом на 01.01.2022							
1	126	PROMINVESTBANK	4,771	11,988,460	4,476,621	4,955,993	February 25, 2022
2	143	IR BANK	343,704	3,122,463,903	1,404,885,332	1,416,720,512	February 25, 2022
3	72	MEGABANK	155,735	4,599,967,946	1,726,219,248	3,093,541,445	July 21, 2022
4	223	BANK SICH	14,189	1,365,701,153	652,255,563	730,419,300	October 6, 2022
Total for banks excluded for 2022			518,399	9,100,121,461	3,135,581,201	5,245,637,250	
Reporting as of January 1, 2023							
3	240	OSCHADBANK	12,498,202	169,790,872,537	42,687,990,901	169,784,383,643	April 13, 2022

Trends in the deposit market

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

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

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

The amount of deposits increased by UAH 375.9 billion or by 55.6% to **UAH 1,051.5 billion** in 2022, including due to the acquisition by JSC Oschadbank of the DGF member status, in which the amount of deposits amounted to UAH 169.8 billion as of January 1, 2023. For comparison, in 2021 the increase in the amount of deposits amounted to UAH 68.0 billion or 11.2%.

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

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

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

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

The **potential compensation amount** at the expense of the DGF for 2022 increased by UAH 661.9 billion or by 170.4% and as of January 1, 2023, amounted to

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

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



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

Table 2.2.2

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

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

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

Table 2.2.3

No.	Reg. No.	Bank	January 1, 2023				Change for 2022
			Number of depositors thousand persons	Amount of deposits, UAH thousand			Amount of deposits
				total	% of total	including in foreign currency	UAH thousand
1	113	PRIVATBANK	23,900	390,583,164	37.1	111,324,517	127,015,426
2	240	OSCHADBANK	12,498	169,790,873	16.1	42,687,991	*169,790,873
3	121	RAIFFEISEN BANK	2,950	65,450,873	6.2	27,190,580	16,700,652
4	27	UNIVERSAL BANK	6,780	62,374,980	5.9	30,359,486	25,108,229
5	90	UKRSIBBANK	1,949	51,471,796	4.9	28,199,463	14,886,647
6	48	SENSE BANK	3,057	43,729,113	4.2	22,615,655	-6,785,057
7	111	FUIB	2,556	41,188,740	3.9	15,312,335	4,251,955
8	52	UKRGASBANK	1,399	33,563,280	3.2	15,586,876	5,253,696
9	22	UKREXIMBANK	608	33,436,173	3.2	22,527,371	6,401,715
10	85	OTP BANK	1,475	30,339,836	2.9	17,912,045	6,653,297
11	54	KREDOBANK	562	15,902,796	1.5	9,416,083	3,827,200
12	43	CREDIT AGRICOLE BANK	417	15,438,880	1.5	8,592,281	2,910,066
13	98	ACCENT-BANK	2,780	12,176,637	1.2	4,073,374	2,782,479
14	16	PIVDENNYI	723	12,167,566	1.2	7,351,301	-1,261,150
15	31	TASCOMBANK	849	11,253,636	1.1	5,884,920	2,002,698
16	141	PROCREDIT BANK	39	10,307,888	1.0	6,487,642	1,690,131
Total for banks			62,541	999,176,230	95.0	375,521,920	211,437,984
% of total for the DGF			95.7	95.0	-	94.5	-
TOTAL for the DGF			65,352	1,051,499,855	100.0	397,479,738	375,925,321

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



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

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

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

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

the number of depositors is the largest since the beginning of the guarantee scheme.

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

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

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

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

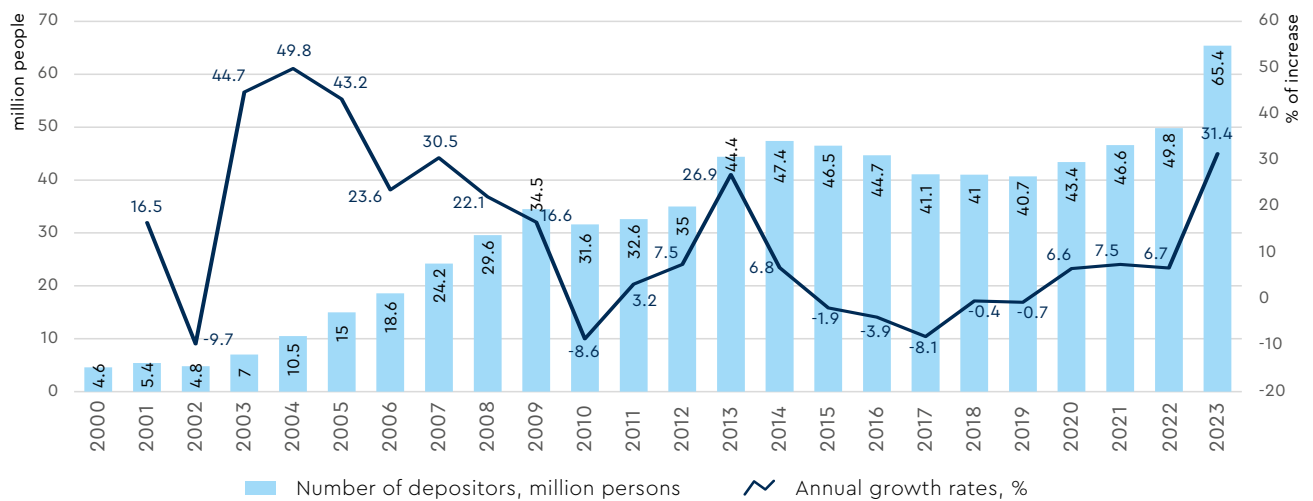


Figure 2.2.2 Trends of the amount of deposits in the DGF members during 2000–2022.

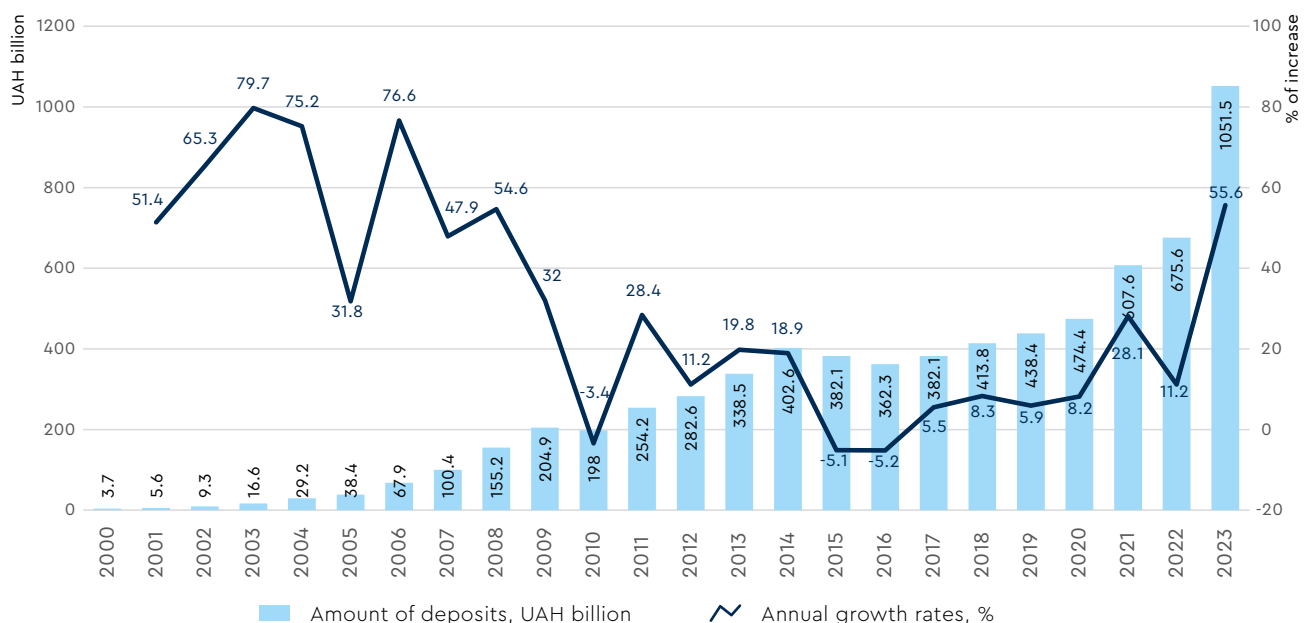
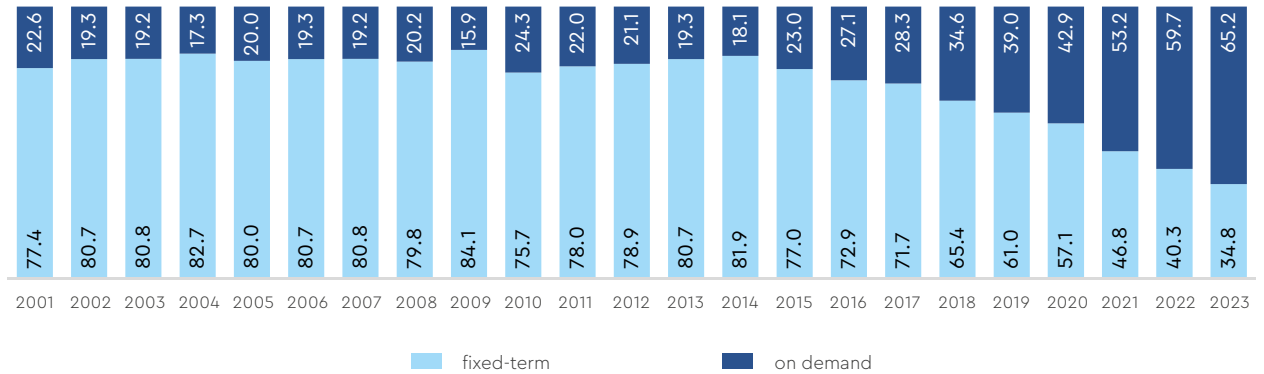




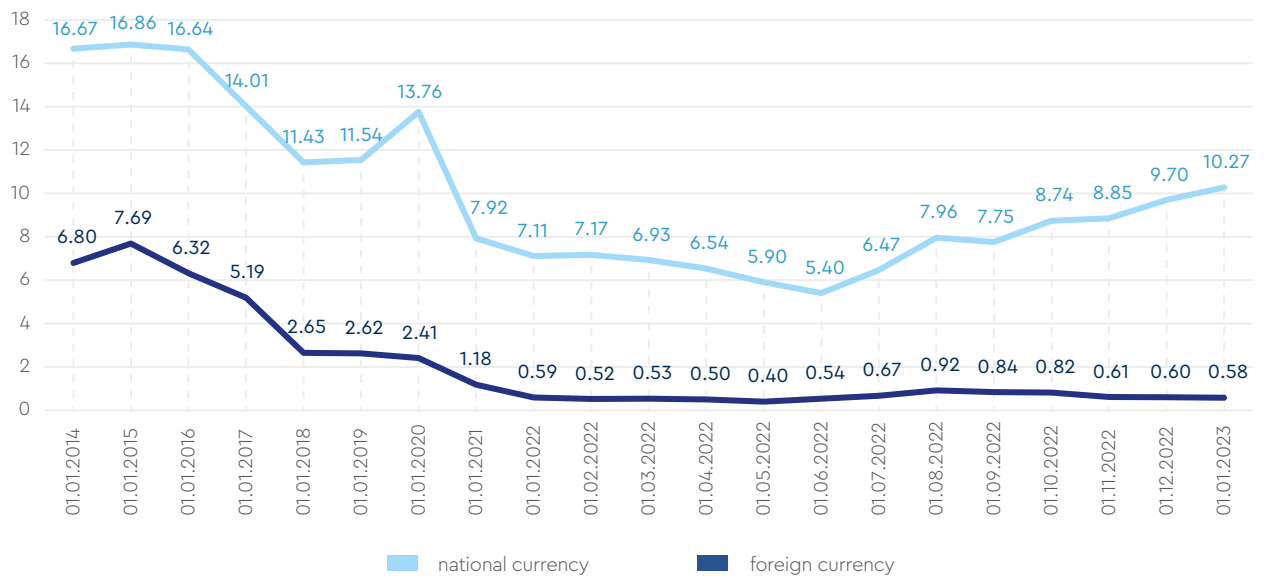
Figure 2.2.3 Trends of the amount of deposits in the DGF members during 2000–2022.



From the beginning of 2022 there was a decrease in interest rates, but after the increase in the discount rate from June 3, 2023 (up to 25%), their gradual increase began. In 2022, the weighted average monthly interest rate on deposits in nation-

al currency increased by 3.17 percentage points to 10.27%, and in foreign currency slightly decreased by 0.01 percentage points to 0.58% (Figure 2.2.4).

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



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

Table 2.2.4

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

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

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
January 1, 2014	47.4	402.6	245.6	224.3	178.4
January 1, 2015	46.5	382.1	209.9	172.1	210.0
January 1, 2016	44.7	362.3	191.9	164.5	197.8
January 1, 2017	41.1	382.1	203.3	169.9	212.3
January 1, 2018	41.0	413.8	238.0	203.7	210.0
January 1, 2019	40.7	438.4	259.4	236.7	201.7
January 1, 2020	43.4	474.4	290.9	279.5	195.0
January 1, 2021	46.6	607.6	353.5	357.4	250.2
January 1, 2022	49.8	675.6	388.7	422.8	252.8
January 1, 2023	65.4	1 051.5	1 050.5	654.0	397.5

Annual trends of household deposit operations

Table 2.2.6

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



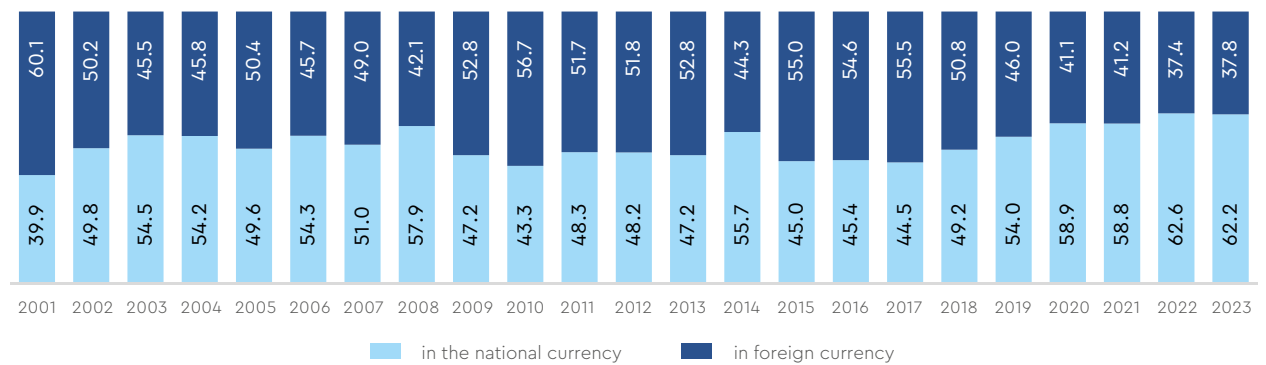
Deposits by currency

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

36.5686), which in general led to an annual increase in the share of foreign currency deposits from 37.4 to 37.8%, and the share of deposits in national currency decreased from 62.6 to 62.2%. (Figure 2.2.5).

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

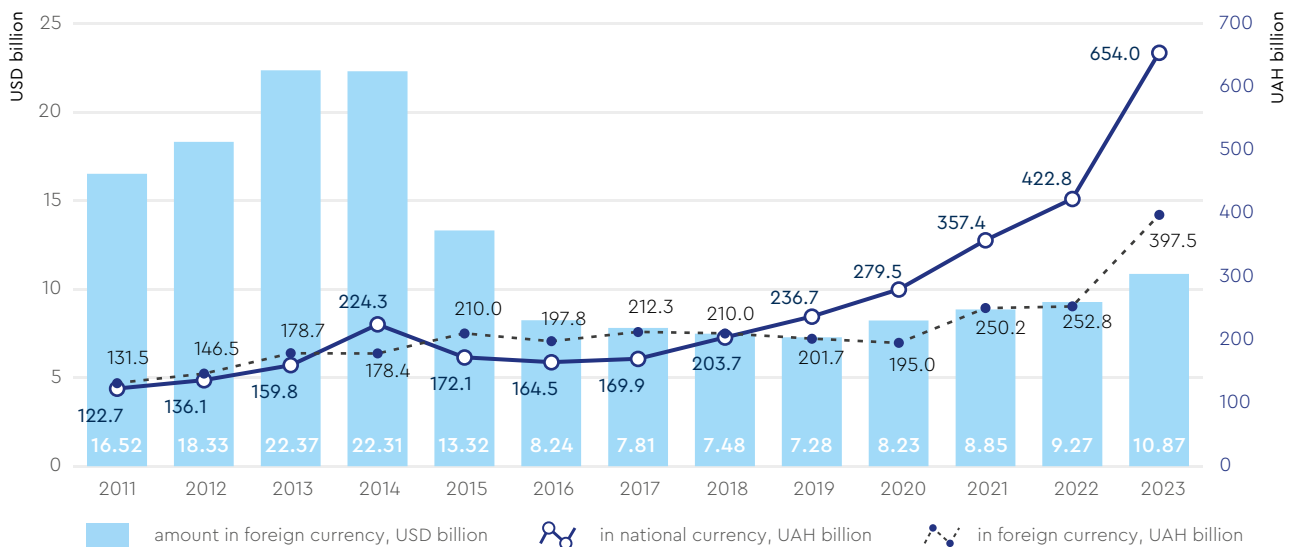
Figure 2.2.5 Structure of household deposits by currency, %



The UAH equivalent of the amount of deposits in foreign currency for 2022 increased by UAH 144.7 billion or by 57.2% and amounted to UAH 397.5 billion, including due to the acquisition by JSC Oschadbank of the DGF member status in which the UAH equivalent of the amount of foreign currency deposits amounted to UAH 42.7 billion as of January 1, 2023. At the same time, in the USD equivalent, the increase in the

amount of deposits amounted to USD 1.6 billion or 17.3% to USD 10.9 billion, including at the expense of JSC Oschadbank, in which such equivalent as of January 1, 2023, amounted to USD 1.2 billion. This is explained by the depreciation of the official UAH exchange rate (depreciation) and the actual increase in foreign currency deposits (Figure 2.2.6).

Figure 2.2.6 Trends of foreign currency deposits





Deposit compensation ceiling

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

In addition, according to Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme" (subject to the Law No. 2180-IX) after the expiration of three months from the

date of termination or cancellation of martial law in Ukraine, the household deposit compensation ceiling at the expense of funds of the DGF will amount to UAH 600,000 (USD 16.4 thousand or EUR 15.4 thousand as of January 1, 2023).

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

Figure 2.2.7 Number of depositors, %

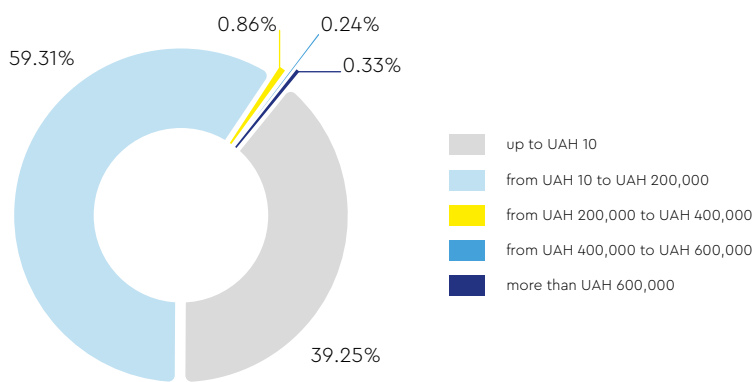
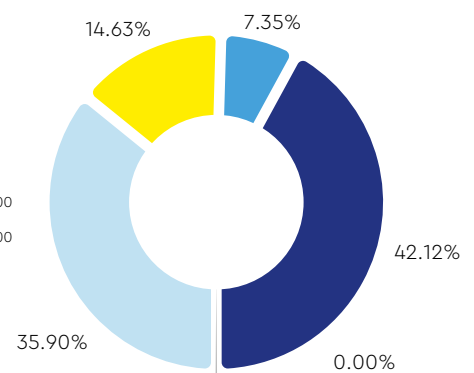


Figure 2.2.8 Amount of deposits, %



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

Table 2.2.7

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

Potential compensation amount and deposits guaranteed by the DGF

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

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

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

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

Table 2.2.8

No.	Indicator	January 1, 2022		January 1, 2023	
		Quantity	Amount of deposits	Quantity	Amount of deposits
1	Amount of deposits/number of depositors, total	49,753,629	675,574,533,344	65,352,010	1,051,499,854,676
2	In foreign currency	6,993,553	252,784,211,986	8,869,620	397,479,738,408
	Part IV				
9	Total potential compensation amount, including:	31,984,759	388,674,906,524	39,479,610	1,050,534,006,801
9.1	Current account deposits, including:	29,168,318	263,659,214,943	36,578,999	724,323,321,460
9.2	Registered certificates of deposit, including those with maturity:	17	2,183,184	11	4,265,672
9.2.1	on demand	10	1,387,239	7	3,862,518
9.2.2	fixed-term	7	795,945	4	403,154
9.3	Term deposits, including with the following maturity periods:	11,136,421	125,013,508,397	11,195,262	326,206,419,669
9.3.1	up to 1 month	228,410	12,213,394,401	1,064,411	59,675,807,671
9.3.2	from 1 to 2 months	145,844	8,775,572,120	1,063,354	47,189,464,563
9.3.3	from 2 to 3 months	147,449	8,367,706,917	1,068,189	48,938,839,100
9.3.4	from 3 to 4 months	101,750	5,298,531,705	791,707	18,690,744,285
9.3.5	from 4 to 5 months	109,009	5,457,720,791	807,264	20,710,973,170
9.3.6	from 5 to 6 months	119,613	5,807,031,375	855,251	23,443,521,406
9.3.7	from 6 to 7 months	52,631	3,611,454,658	705,050	11,945,937,471
9.3.8	from 7 to 8 months	45,644	3,146,569,353	709,419	10,628,430,140
9.3.9	from 8 to 9 months	48,244	3,289,519,511	782,546	11,675,657,856
9.3.10	from 9 to 10 months	46,701	3,083,042,129	957,154	16,587,134,181
9.3.11	from 10 to 11 months	55,444	3,332,194,919	1,143,254	17,224,516,731
9.3.12	from 11 to 12 months	69,476	3,966,153,609	2,075,550	23,275,638,798
9.3.13	more than 12 months	10,173,300	58,592,240,439	72,919	14,012,303,481
9.3.14	with the contract term expired, and not transferred to the current/card account	21,680	72,376,471	194,527	2,207,450,818

2.3. Control functions over the DGF members' operations

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

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

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

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

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

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

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

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

banks and the ability of banks to properly form a database of depositors in the DGF members in accordance with the requirements of the DGF regulatory acts.

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

Figure 2.3.1. Number of inspections carried out during 2022

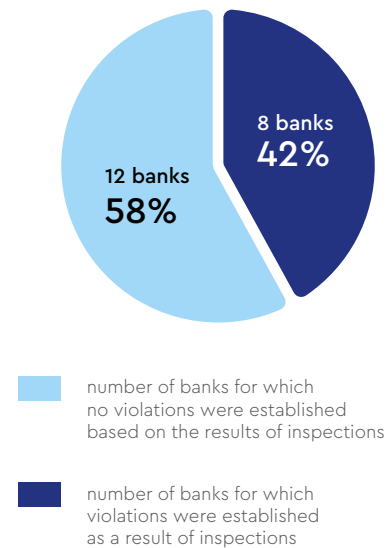
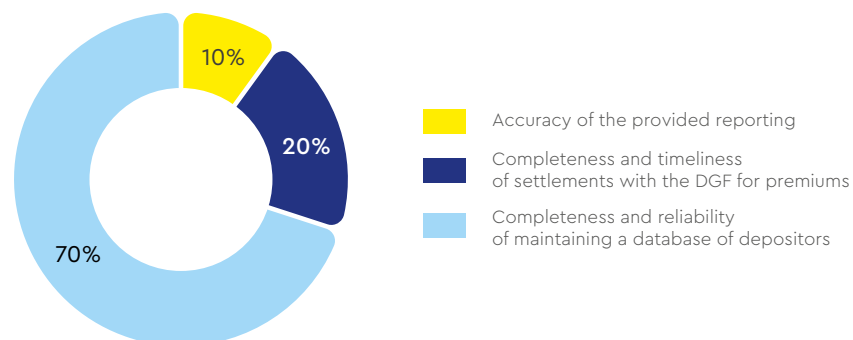


Figure 2.3.2. Proportion of violations on individual issues that were checked in the total number of detected violations.



Accuracy of reporting provided to the DGF

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

The results of the conducted inspections show that the banks committed violations in compiling and submitting reports

to the DGF, namely, inaccurate information about the total amount of deposits of depositors was included in the decadal reporting forms No. 1Ф.

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

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

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

- the basis for accrual of the regular premium on deposits in the national currency is incorrectly determined and calculated;
- incorrectly determined points by qualitative indicators (Я1, Я5);

- the total score on the sum of quantitative and qualitative indicators was incorrectly determined;
- the degree of risk on which the basic annual premium rate to the DGF is weighed is inaccurately determined;
- the amount of the regular premium was incorrectly calculated, which resulted in incomplete payment to the Regular Premium Fund.

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

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

Completeness and reliability of maintaining a database of depositors

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

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

- errors regarding incompleteness and incorrect information about the depositor in the amount exceeding the maximum permissible values of errors;

- the procedure for forming database files "M", "N".

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

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

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

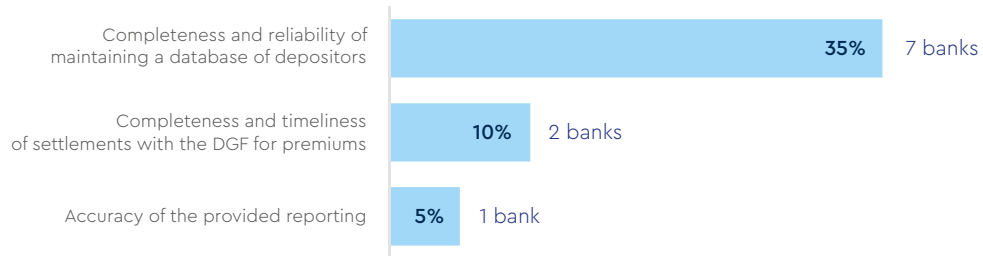
The Law and the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests approved by the Decision of the Executive Board of the Deposit Guarantee Fund No. 825 dated May 26, 2016, registered with the Ministry of Justice of Ukraine on June 17, 2016, under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

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

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



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



Causes of violations, according to the explanations of banks:

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

Administrative and economic sanctions and administrative fines

One of the DGF functions is to impose financial sanctions and impose administrative fines on banks and their supervisors, respectively. As of January 1, 2023, the DGF authorized employees drew up 2 reports on committing an administrative offense. Proceedings in cases of administrative offenses were carried out in accordance with the Code of Ukraine on Administrative Offenses, as it is stipulated that the grounds for bringing bank managers to administrative responsibility are the commission of the following administrative offenses:

- violation by the head of the bank of the procedure for compiling information to the DGF (part 1, Article 166–19 of the Code);
- violation by the head of the bank of the procedure for submitting information to the DGF (part 1, Article 166–19 of the Code);
- failure of the head of the bank to comply with lawful decisions of the DGF (part 2, Article 166–19 of the Code);
- untimely execution by the head of the bank of lawful decisions of the DGF (part 2, Article 166–19 of the Code);
- failure of the bank to pay the premium to the DGF (part 3, Article 166–19 of the Code);
- untimely payment of the premium to the DGF by the bank (part 3, Article 166–19 of the Code)..

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

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

The DGF imposed sanctions on banks for the following violations:

- failure of the bank to provide information to the DGF, if such information was required by the Law and/or regulatory acts;
- untimely submission of the DGF information by the bank, if such information was required by the Law and/or DGF regulatory acts;
- violation by the bank of the procedure for maintaining the depositors database;
- non-fulfillment by the bank of decisions and/or regulatory acts of the DGF or orders on elimination by the bank of violations of the requirements of the legislation on guaranteeing household deposits.

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

- 4 — a warning on taking measures to prevent violations of the legislation on the household deposit guarantee scheme in further activities;
- 2 — order to eliminate violations of the requirements of the legislation in the field of guaranteeing household deposits;



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

- 2 banks violated the Regulations on the Procedure for Maintaining the Register of Members of the Deposit Guarantee Fund approved by Decision of the DGF Executive Board No. 7 dated July 12, 2012, registered with the Ministry of Justice of Ukraine on September 7, 2012, under No. 1547/21859;
- 1 bank violated the provisions of the Regulations for Forming and Maintaining Databases of Depositors approved by the Decision of the Executive Board of the Deposit Guarantee Fund on July 9, 2012, No. 3 registered with the Ministry of Justice of Ukraine on August 23, 2012, under No. 1430/21742;
- 3 banks violated the provisions of the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests approved by Decision of the DGF Executive Board No. 825 dated May 26, 2016, registered with the Ministry of Justice of Ukraine on June 17, 2016, under No. 874/29004.

It should be noted that in connection with the military aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defense Council of Ukraine, pursuant to clause 20, part 1, Article 106 of the Constitution of Ukraine, Law of Ukraine No. 2102-IX dated February 24, 2022, "On Approval of the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine", Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine", Decree of the President of Ukraine No. 133/2022 dated March 14, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 259/2022 dated April 18, 2022, "On the Extension of Martial Law in Ukraine", Decree of the Pres-

ident of Ukraine No. 341/2022 dated May 17, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 573/2022 dated March 12, 2022, "On the Extension of Martial Law in Ukraine", Decree of the President of Ukraine No. 757/2022 dated November 7, 2022, "On the Extension of Martial Law in Ukraine" imposed martial law in Ukraine, therefore the Executive Board of the Deposit Guarantee Fund for Individuals No. 444 dated June 30, 2022, adopted a decision "On the Specifics of Consideration of Administrative and Economic Sanctions for Violation of the Legislation on Household Deposit Guarantees in Connection with the Martial Law in Ukraine or Its Individual Localities", which was registered with the Ministry of Justice of Ukraine on July 15, 2022, under No. 789/38125, which stipulates that during the period of martial law at the bank's location, as well as within three months after its termination or cancellation, proceedings in cases of violations in the sphere of household deposit guarantees violated in accordance with the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund approved by Decision of the Executive Board of the Deposit Guarantee Fund No. 11 dated July 23, 2012, registered with the Ministry of Justice of Ukraine on September 14, 2012, under No. 1584/21896, but not completed as of the day of the introduction of martial law, shall be suspended without the adoption by the officer authorized to consider cases of resolutions on suspension of proceedings in cases of offenses, and no new cases on offenses shall be commenced.

3. Bank resolution

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

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

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

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

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

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

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

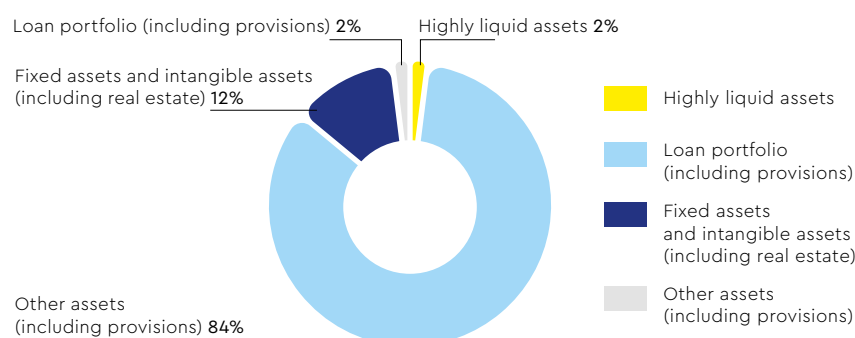
Liabilities of JSC MEGABANK as of the date of introduction of the provisional administration amount to UAH 8,082,065.0 thousand (Table 3.1.2.).

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

Table 3.1.1
(UAH thousand)

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

Figure 3.1.1. Asset structure of the insolvent bank JSC MEGABANK





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

Table 3.1.2
(UAH thousand)

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

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

Based on the decision of the Board of the National Bank of Ukraine No. 405-рш/БТ dated August 9, 2022, "On Classifying JOINT-STOCK COMPANY BANK SICH as Insolvent", the DGF Executive Board adopted Decision No. 579 "On Introduction of Provisional Administration in JSC BANK SICH and Delegation of Powers of the Provisional Administrator of the Bank." In accordance with clause 1 of the above decision of the DGF Executive Board, the provisional administration was introduced for a period of 1 month from August 10, 2022, to September 9, 2022 (inclusive), on August 29, 2022, the DGF adopted decision No. 654, according to which the term of the provisional administration of the insolvent bank JSC BANK SICH was extended for one month until October 9, 2022 (inclusive).

As of August 10, 2022, the total book value of assets of JSC BANK SICH, free from encumbrances and prohibitions im-

posed by third parties (according to available information), amounted to UAH 2,466,980.7 thousand, the total guaranteed compensation amount was UAH 1,210,485.8 thousand.

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

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

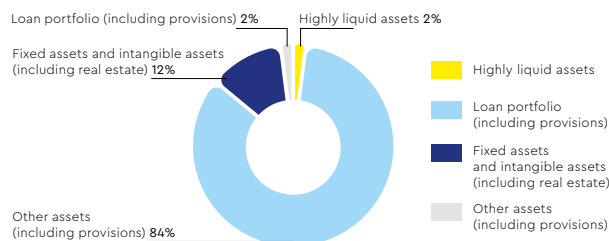
Liabilities of JSC BANK SICH as of the date of introduction of the provisional administration amount to UAH 2,784,625.5 thousand (Table 3.1.4.).

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

Table 3.1.3
(UAH thousand)

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

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





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

Table 3.1.4
(UAH thousand)

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

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

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

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

Table 3.1.5

№	Bank	Approved liquidation estate, ¹ UAH thousand	Bank property sold		Creditor claims satisfied	
			UAH thousand	% ²	UAH thousand	% ³
1.	PJSC AKTABANK	1,533,919.5	171,683.7	11.19%	307,742.0	33.91%
2.	PJSC CB ACTIVE-BANK	0.0	170,708.4	-	204,872.7	8.60%
3.	JSC ARTEM-BANK	0.0	46,854.9	-	42,130.2	21.40%
4.	JSC JSCB ARKADA	1,337,896.2	228,167.7	17,05%	278,896.9	44.29%
5.	JSC BANK BOHUSLAV	0.0	19,895.7	-	41,062.0	17.19%
6.	PJSC VECTOR BANK	0.0	5,536.8	-	3,552.0	4.26%
7.	JSC BANK VELES	0.0	5,655.9	-	4,675.78	64.16%
8.	PJSC VAB BANK	0.0	1,258,231.3	-	4,048,856.5	21.84%
9.	JSC VTB BANK	6,991,348.7	2,454,244.1	35.10%	2,354,061.0	43.92%
10.	JSC DELTA BANK	29,299,447.7	4,836,074.1	16.51%	12,440,410.0	22.93%
11.	PJSC DIAMANTBANK	1,595,489.5	451,378.8	28.29%	1,289,173.0	36.16%
12.	PJSC ENERGOBANK	0.0	249,419.8	-	282,201.2	19.75%
13.	PJSC CB EUROBANK	0.0	83,649.9	-	88,781.3	14.44%
14.	JSC CB ZEMELNY CAPITAL	452,287.4	53,360.3	11.80%	191.2	0.04%
15.	PJSC ZLATOBANK	1,549,524.0	213,058.1	13.75%	420,855.7	6.12%
16.	JSC GOLDEN GATE BANK	0.0	81,979.4	-	83,618.3	11.91%
17.	PJSC IMEXBANK	0.0	419,465.3	-	861,458.9	9.29%
18.	PJSC CB INVESTBANK	0.0	32,982.1	-	19,302.2	9.23%
19.	PJSC INTEGRAL-BANK	0.0	76,517.0	-	65,030.0	11.59%
20.	PJSC BANK CAMBIO	1,078,213.6	172,582.1	16,00%	647,733.0	42.41%

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

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

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



Продовження таблиці 3.1.5.

№	Bank	Approved liquidation estate, ¹ UAH thousand	Bank property sold		Creditor claims satisfied	
			UAH thousand	% ²	UAH thousand	% ³
21.	PJSC JSCB CAPITAL	86,619.4	3,582.3	4.14%	0	0%
22.	PJSC Bank Kyivska Rus	0.0	691,730.9	-	1,007,244.4	17.93%
23.	PJSC BANK CONTRACT	0.0	38,629.8	-	72,335.6	23.49%
24.	PJSC KSG BANK	152,534.1	272.1	0.18%	27,705.9	20.85%
25.	JSC MEGABANK	7,251,391.3	13,554.1	0.19%	0	0%
26.	PJSC BANK MYKHAYLIVSKY	0.0	33,028.4	-	74,478.8	2.69%
27.	JSC Misto Bank	839,211.8	429,958.9	51.23%	549,163.6	57.41%
28.	PJSC BANK MORSKYI ⁴	0.0	0.0	-	0.0	0%
29.	JSC IR BANK	9,734,176.1	14,328.3	0.15%	2,442,607.5	11.98%
30.	PJSC CB NADRA	0.0	3,573,355.6	-	4,716,279.6	18.59%
31.	JSC BANK NATIONAL INVESTMENTS	0.0	14,918.6	-	4,350.1	0.42%
32.	PJSC NATIONAL CREDIT BANK	0.0	97,312.4	-	131,646.0	15.48%
33.	PJSC PETROCOMMERCE BANK – UKRAINE	0.0	24,822.0	-	10,904.8	5.00%
34.	PJSC PIVDENCOMBANK	0.0	208,637.8	-	190,687.1	5.86%
35.	PJSC PLATINUMBANK	0.0	579,639.9	-	1,685,269.2	23.92%
36.	PJSC CB PREMIUM	0.0	43,638.5	-	665,778.2	100%
37.	PJSC PROMINVESTBANK	6,017,658.8	1,009,026.7	16.77%	367,680.9	7.46%
38.	PJSC PROFIN BANK	0.0	34,710.3	-	41,988.5	11.99%
39.	PJSC RADIKAL BANK	0.0	112,041.3	-	104,948.6	13.41%
40.	JSC RODOVID BANK	3,281,777.2	1,304,644.6	39.75%	1,393,932.2	29.00%
41.	JSC BANK SICH	-	0.0	-	0	0%
42.	JSC CB SOYUZ ⁵	43,020.0	24.8	0.06%	0.0	0.0%
43.	PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	0.0	0.0	-	0.0	0.0%
44.	PJSC CB STANDARD	0.0	15,912.9	-	13,239.2	2.40%
45.	PJSC BANK TRUST	0.0	67,907.2	-	278,775.7	41.38%
46.	PJSC UKRAINIAN PROFESSIONAL BANK	0.0	37,532.3	-	35,444.3	3.16%
47.	PJSC UKRINBANK	0.0	0.0	-	86,042.2	2.84%
48.	PJSC UKRCOMUNBANK	0.0	3,224.3	-	0.0	0%
49.	PJSC FIDOBANK	2,514,397.3	854,039.5	33.97%	1,167,935.1	22.78%
50.	JSC BANK FINANCE AND CREDIT	10,011,981.0	2,593,422.4	25.90%	3,711,671.3	11.90%
51.	PJSC CB FINANCIAL INITIATIVE	0.0	189,056.5	-	240,845.4	1.71%
52.	PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	0.0	2,585.9	-	0	0%

⁴ No access to information about the bank

⁵ No control over the bank established

Development of an early response system

During 2022, the DGF continued to implement measures for the development and implementation of the early response system: a set of measures aimed at implementing the provisions of Directive 2014/49/EC of the European Parliament and of the Council deposit guarantee schemes (recast) dated April 16, 2014, and the Directive 2014/59/EU of the European Parliament and of the Council dated April 15, 2014 (Bank Recovery and resolution Directive, BRRD) in the activities of the DGF for the implementation of new mechanisms for restoring solvency, early response system for early preparation for a possible resolution.

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

3.2. Bank liquidation

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

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

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

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

- impossibility of access of the DGF or the DGF authorized officer to the bank during liquidation, to its property (assets), books, records, documents, databases;
- entry into force of a court decision to cancel or invalidate the decision of the DGF Executive Board to initiate the

bank liquidation procedure, if the DGF is challenging such a court decision;

- failure to satisfy the claims of all creditors of the bank in the presence of property (assets) of the bank, not sold due to court decisions or other competent authority, which resulted in the impossibility of selling the property (assets) in the manner prescribed by parts 6 to 13, Article 51 of the Law, or due to refusal to provide such as required by law, permission, or consent to enter into a transaction for the alienation of property (assets).

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

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

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

Table 3.2.1

No.	Bank under liquidation	Nominal value of assets, UAH	Estimated value of assets, UAH	Authority (DGF directly/DGF officer authorized to liquidate the bank (AO))	Завершення процедури ліквідації банку (Так/Ні)
Total		139,165,840,085.42	27,010,558,945.40	32 DGF/20 AO	28
1	PJSC CB STANDARD	0.00	0.00	DGF	Yes

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



Продовження таблиці 3.2.1

No.	Bank under liquidation	Nominal value of assets, UAH	Estimated value of assets, UAH	Authority (DGF directly/DGF officer authorized to liquidate the bank (AO))	Завершення процедури ліквідації банку (Так/Ні)
2	JSC ARTEM-BANK	0.00	0.00	DGF	Yes
3	PJSC CB PIVDENCOMBANK	0.00	0.00	DGF	Yes
4	PJSC PETROCOMMERCE BANK - UKRAINE	0.00	0.00	DGF	Yes
5	PJSC CB ACTIVE-BANK	0.00	0.00	DGF	Yes
6	PJSC NATIONAL CREDIT BANK	0.00	0.00	DGF	Yes
7	PJSC CB EUROBANK	0.00	0.00	DGF	Yes
8	PJSC PROFIN BANK	0.00	0.00	DGF	Yes
9	PJSC BANK CONTRACT	0.00	0.00	DGF	Yes
10	PJSC ENERGOBANK	0.00	0.00	DGF	Yes
11	PJSC UKRAINIAN PROFESSIONAL BANK	0.00	0.00	DGF	Yes
12	JSC BANK BOHUSLAV	0.00	0.00	DGF	Yes
13	PJSC RADIKAL BANK	0.00	0.00	DGF	Yes
14	PJSC INTEGRAL-BANK	0.00	0.00	DGF	Yes
15	PJSC VAB BANK	0.00	0.00	DGF	Yes
16	PJSC CB NADRA	0.00	0.00	DGF	Yes
17	PJSC BANK MYKHAYLIVSKY	0.00	0.00	DGF	Yes
18	PJSC BANK TRUST	0.00	0.00	DGF	Yes
19	PJSC CB INVESTBANK	0.00	0.00	DGF	Yes
20	PJSC PLATINUM BANK	0.00	0.00	DGF	Yes
21	PJSC BANK KYIVSKA RUS	0.00	0.00	DGF	Yes
22	JSC BANK NATIONAL INVESTMENTS	0.00	0.00	DGF	Yes
23	PJSC VECTOR BANK	0.00	0.00	DGF	Yes
24	PJSC CB FINANCIAL INITIATIVE	0.00	0.00	DGF	Yes
25	JSC BANK VELES	0.00	0.00	DGF	Yes
26	PJSC IMEXBANK	0.00	0.00	DGF	Yes
27	JSC GOLDEN GATE BANK	0.00	0.00	DGF	Yes
28	PJSC AKTABANK	0.00	0.00	DGF	No
29	PJSC BANK CAMBIO	24,998,780.84	14,039,836.31	DGF	No
30	JSC BANK FINANCE AND CREDIT	2,800,155,111.98	365,575,759.51	DGF	No
31	PJSC FIDOBANK	42,898,016.03	43,281,744.08	DGF	No
32	JSC VTB BANK	48,704,558.97	30,048,735.28	DGF	No
33	PJSC CB PREMIUM	0.00	0.00	AO	Yes
34	PJSC JSCB CAPITAL	1,762,171,024.77	85,591,754.30	AO	No
35	PJSC ZLATOBANK	21,104,906,933.41	1,140,428,353.25	AO	No
36	JSC DELTA BANK	8,725,914,807.97	2,297,075,421.91	AO	No
37	JSC CB SOYUZ	44,716,886.35	44,716,886.35	AO	No
38	PJSC UKRINBANK	5,322,424,608.25	0.00	AO	No
39	PJSC KSG BANK	455,096,000.00	122,824,240.00	AO	No
40	PJSC DIAMANTBANK	0.00	0.00	AO	No



Продовження таблиці 3.2.1

No.	Bank under liquidation	Nominal value of assets, UAH	Estimated value of assets, UAH	Authority (DGF directly/DGF officer authorized to liquidate the bank (AO))	Завершення процедури ліквідації банку (Так/Ні)
41	JSC RODOVID BANK	0.00	0.00	AO	No
42	JSC JSCB ARKADA	1,805,516,032.96	1,433,210,909.79	AO	No
43	JSC MISTO BANK	776,375,798.79	207,859,121.71	AO	No
44	JSC CB ZEMELNY CAPITAL	811,685,357.57	412,859,788.90	AO	No
45	PJSC PROMINVESTBANK	37,087,272,519.78	5,960,578,802.05	AO	No
46	JSC IR BANK	44,046,570,286.43	7,092,638,730.62	AO	No
47	JSC MEGABANK	11,190,051,473.51	7,332,202,001.70	AO	No
48	JSC BANK SICH	2,640,757,607.39	0.00	AO	No
49	PJSC BANK MORSKYI	156,802,493.28	156,772,921.93	AO	No
50	PJSC BLACK SEA BANK FOR DEVELOPMENT AND RECONSTRUCTION	183,292,763.89	182,382,248.54	AO	No
51	PJSC EASTERN INDUSTRIAL COMMERCIAL BANK	21,957,718.13	20,948,456.11	AO	No
52	PJSC UKRAINIAN MUNICIPAL BANK	113,571,305.12	67,523,233.06	AO	No

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

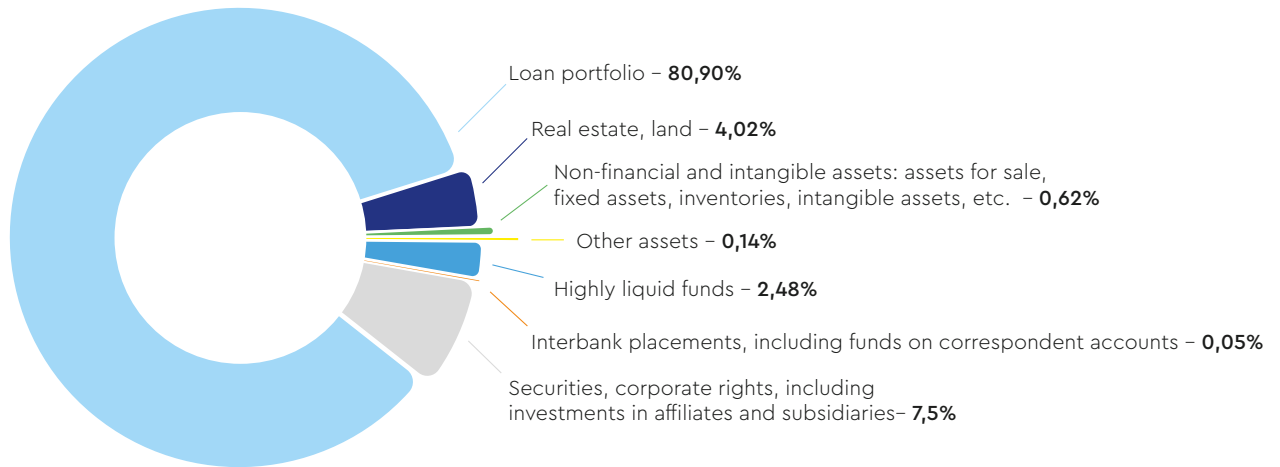
Breakdown of assets of insolvent banks by main types

Table 3.2.2

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



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



During 2022, the DGF commenced liquidation proceedings in 4 insolvent banks: JSC IR BANK (decision of the DGF Executive Board No. 131 dated February 25, 2022), PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK (decision of the DGF Executive Board No. 130 dated February 25,

2022), JSC MEGABANK (decision of the DGF Executive Board No. 506 dated July 21, 2022), JSC BANK SICH (decision of the DGF Executive Board No. 803 dated October 7, 2022) in which stock-taking of assets and formation of their liquidation estate was carried out in a short time. Table 3.2.3).

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

Table 3.2.3

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

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

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

During 2022, 5 banks were admitted to the DGF direct management — PJSC CB FINANCIAL INITIATIVE, JSC RODOVID

BANK, PJSC FIDOBANK, JSC VTB BANK, JSC BANK FINANCE AND CREDIT. At the end of the reporting year, namely on December 28, 2022, the DGF Executive Board made a decision on further implementation of the liquidation procedure of PJSC JSCB CAPITAL directly by the DGF, starting from January 6, 2023.

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



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

As part of the implementation of the Decision of the NSDC of Ukraine, with the participation of the DGF on December 15, 2022, the transfer to SOE NATIONAL INVESTMENT FUND OF UKRAINE of corporate rights was secured, on the basis of the right of economic management, in the amount of 5,080,310,373 ordinary registered shares representing 99.77

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

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

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

Table 3.2.4

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

During the liquidation procedure of PJSC CB PREMIUM, the creditor claims included in the List (Register) of Accepted Creditor Claims of PJSC CB PREMIUM were settled in full. In this regard, pursuant to the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying Creditor Claims of Liquidated Banks approved by the DGF Executive Board on August 21, 2017, No. 3711 and registered with the Ministry of Justice of Ukraine on

September 7, 2017, under No. 1104/30972, the Deposit Guarantee Fund authorized officer transferred for liquidation of PJSC CB PREMIUM on October 21, 2022, to the shareholders of PJSC CB PREMIUM the remaining property of the bank (at the value determined by an independent valuer in the amount of UAH 66,771,675.06), which remained after satisfaction of claims of all creditors, according to Article 52 of the Law.

3.3. Proceeds to the insolvent banks

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

UAH 1,109.7 million, or 25.1% of the total amount, and UAH 642.9 million, or 14.5% of the total amount, respectively. Table 3.3.1 shows data of 7 banks with a share of proceeds of 1.0% and more. The remaining banks received UAH 42.0 million, which is 0.9% of the total amount.



Proceeds to the insolvent banks

Table 3.3.1

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

The largest share (34.1% each) of proceeds to insolvent banks in the reporting year accounted for proceeds from the sale of

property and from repayment of securities, respectively (Table 3.3.2).

Types of proceeds to the insolvent banks

Table 3.3.2

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

During the reporting year, insolvent banks received UAH 1,511.8 million. The largest amount was received by JSC Prominvestbank, i.e., UAH 1,009.0 million, which accounts for 66.8% of the total amount. The second and third places are taken by JSC JSCB ARKADA and JSC CB ZEMELNY CAPITAL

with the amounts of UAH 360.8 million, or 23.9% of the total amount, and UAH 51.8 million, or 3.4% of the total amount, respectively. Table 3.3.3 provides information on 4 banks with a share of proceeds of 1.0% and more. The remaining banks received UAH 39.0 million, which is 2.5% of the total amount.

Proceeds from property sale

Table 3.3.3

No.	Bank name	Amount, UAH million	Relative share
1	JSC Prominvestbank	1,009.0	66.8%
2	JSC JSCB ARKADA	360.8	23.9%
3	JSC CB ZEMELNY CAPITAL	51.8	3.4%
4	PJSC ZLATOBANK	51.2	3.4%
5	Other banks	39.0	2.5%
	Total	1,511.8	100.0%

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

3.4. Settlements with bank creditors

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

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

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

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

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

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

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

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

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

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

Table 3.4.1

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



No.	BANK	Book value of assets, UAH thousand	Estimated value of assets, UAH thousand
10	PJSC ENERGOBANK (the bank is in the process of completing liquidation)	0.00	0.00
11	PJSC UKRAINIAN PROFESSIONAL BANK (the bank is in the process of completing liquidation)	0.00	0.00
12	JSC BANK BOHUSLAV (the bank is in the process of completing liquidation)	0.00	0.00
13	PJSC RADIKAL BANK (the bank is in the process of completing liquidation)	0.00	0.00
14	PJSC INTEGRAL-BANK (the bank is in the process of completing liquidation)	0.00	0.00
15	PJSC VAB BANK (the bank is in the process of completing liquidation)	0.00	0.00
16	PJSC CB NADRA (the bank is in the process of completing liquidation)	0.00	0.00
17	PJSC BANK MYKHAYLIVSKY (the bank is in the process of completing liquidation)	0.00	0.00
18	PJSC BANK TRUST (the bank is in the process of completing liquidation)	0.00	0.00
19	PJSC CB INVESTBANK (the bank is in the process of completing liquidation)	0.00	0.00
20	PJSC PLATINUM BANK (the bank is in the process of completing liquidation)	0.00	0.00
21	PJSC BANK KYIVSKA RUS (the bank is in the process of completing liquidation)	0.00	0.00
22	JSC BANK NATIONAL INVESTMENTS (the bank is in the process of completing liquidation)	0.00	0.00
23	PJSC VECTOR BANK (the bank is in the process of completing liquidation)	0.00	0.00
24	PJSC CB FINANCIAL INITIATIVE (the bank is in the process of completing liquidation)	0.00	0.00
25	JSC BANK VELES (the bank is in the process of completing liquidation)	0.00	0.00
26	PJSC IMEXBANK (the bank is in the process of completing liquidation)	0.00	0.00
27	JSC GOLDEN GATE BANK (the bank is in the process of completing liquidation)	0.00	0.00
28	PJSC CB PREMIUM (the bank is in the process of completing liquidation)	0.00	0.00
29	PJSC AKTABANK (liquidation of the bank is carried out by the DGF)	0.00	0.00
30	PJSC BANK CAMBIO (liquidation of the bank is carried out by the DGF)	24,998.78	14,039.83
31	JSC RODOVID BANK (liquidation of the bank is carried out by the DGF)	0.00	0.00
32	JSC VTB BANK (liquidation of the bank is carried out by the DGF)	48,704.56	30,048.74
33	PJSC FIDOBANK (liquidation of the bank is carried out by the DGF)	42,898.02	43,281.74
34	JSC BANK FINANCE AND CREDIT (liquidation of the bank is carried out by the DGF)	2,800,155.11	365,575.76
35	PJSC ZLATOBANK	21,104,906.93	1,140,428.35
36	JSC DELTA BANK	8,725,914.81	2,297,075.42
37	PJSC JSCB CAPITAL	1,762,171.02	85,591.75
38	PJSC UKRINBANK (latest data as of July 7, 2016)	5,322,424.61	0.00
39	PJSC KSG BANK (latest data as of April 10, 2017)	455,096.00	122,824.24
40	PJSC DIAMANTBANK	0.00	0.00
41	JSC JSCB ARKADA	1,805,516.03	1,433,210.12
42	JSC MISTO BANK	776,375.80	207,859.79
43	JSC CB ZEMELNY CAPITAL	811,685.36	412,859.79
44	PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK	37,087,272.52	5,960,578.80
45	JSC IR BANK	44,046,570.29	7,092,638.73
46	JSC MEGABANK	11,190,051.47	7,332,202.00
47	JSC BANK SICH	2,640,757.61	0.00
Total amount, UAH thousand		138,645,498.92	26,538,215.20



The total amount of approved accepted creditor claims as of January 1, 2023, amounted to UAH 325,264,060.34 thou-

sand (including banks in which liquidation was completed), of which (given in terms of tiers in Table 3.4.2.):

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

Table 3.4.2

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

As of January 1, 2023, the DGF manages 52 banks (including 28 banks for which the liquidation balance sheet has been ap-

proved), the status of settlement of creditor claims for these banks is shown in Table 3.4.3:

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

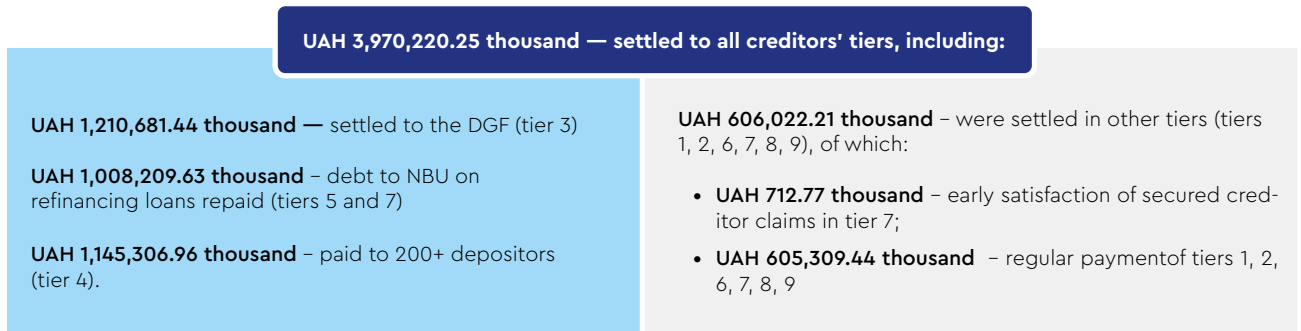
Table 3.4.3

TOTAL FOR BANKS (including banks managed by the DGF)	Filed	Settled	Outstanding
Amount of approved and accepted creditor claims as of January 1, 2023, UAH thousand	254,576,026.45	42,505,557.90	212,070,468.55
Tier 1, UAH thousand	7,061.95	1,666.78	5,395.17
Tier 2, UAH thousand	53,350.35	51,841.47	1,508.88
Tier 3, UAH thousand	79,749,655.76	21,907,947.44	57,841,708.32
Tier 4, UAH thousand	29,935,205.23	2,783,520.07	27,151,685.16
Tier 5, UAH thousand	27,197,170.41	1,686,251.62	25,510,918.79
Tier 6, UAH thousand	68,158.59	8,447.77	59,710.82
Tier 7, UAH thousand	85,961,086.88	15,918,028.26	70,043,058.62
Tier 8, UAH thousand	8,013,837.56	147,417.39	7,866,420.17
Tier 9, UAH thousand	22,096,698.04	437.09	22,096,260.95
Tier 10, UAH thousand	1,493,801.66	0.00	1,493,801.66
Tier 11, UAH thousand	0.00	0.00	0.00



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

Figure 3.4.1. Settlement of creditor claims for 2022



Settlement of tier 1 creditor claims

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

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

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

Settlement of tier 2 creditor claims

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

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

Tier 2 was completely settled in 38 insolvent banks. For 3 banks, full payment did not take place, due to the fact that

some individuals did not show up on time for salary. Amount of funds deposited with such banks — UAH 1,270.32 thousand.

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

Settlement of tier 3 creditor claims (of the DGF)

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

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

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

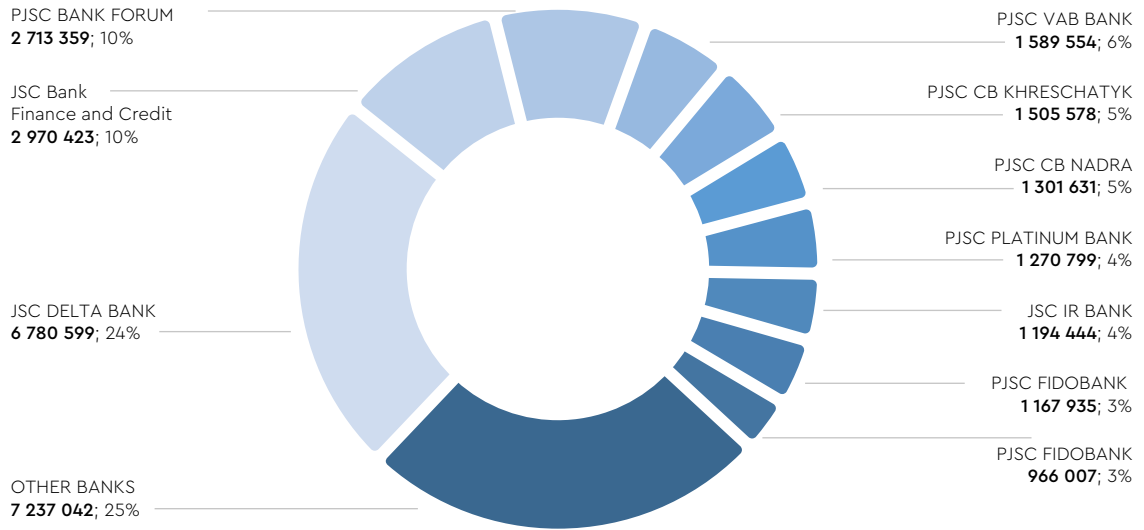
1. JSC IR BANK — UAH 1,194,444.40 thousand (98.66% of the settlement amount of tier 3 for 2022);
2. JSCB ARKADA — UAH 7,639.41 thousand (0.63% of the settlement amount of tier 3 for 2022);

3. PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK — UAH 4,211.47 thousand (0.35% of the settlement amount of tier 3 for 2022);
4. PJSC IMEXBANK — UAH 1,285.72 thousand (0.11% of the settlement amount of tier 3 for 2022);
5. PJSC CB PREMIUM — UAH 837.47 thousand (0.07% of the settlement amount of tier 3 for 2022).

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



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



Settlement of tier 4 creditor claims

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

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

The following banks repaid tier 4 in full:

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

were satisfied).

6. PJSC NATIONAL CAPITAL BANK (claims of 4 depositors 200+ were satisfied).
7. PJSC VBR (claims of 139 depositors 200+ were satisfied).
8. PJSC CB PREMIUM (claims of 311 depositors 200+ were satisfied).
9. PJSC DIAMANTBANK (claims of 1,080 depositors 200+ were satisfied).

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

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

Settlement of tier 5 creditor claims

Amount of accepted claims of tier 5 creditors — UAH 28,425,735.59 thousand, consisting of debt to the NBU of the following banks: PJSC REAL BANK — UAH 551,395.94 thousand (the bank was liquidated), PJSC BANK FORUM — UAH 486,712.41 thousand (debt on refinancing loans repaid in full, the balance of debt to the NBU — UAH 25.30 thousand — samples of coins owned by the NBU, the bank was liquidated), PJSC CB Khreschatyk — UAH 190,456.83 thousand (debt on refinancing loans repaid in full, the bank was liquidated), PJSC UKRAINIAN PROFESSIONAL BANK — UAH 107,667.89 thousand (liquidation balance sheet approved), PJSC VAB BANK — UAH 2,785,721.40 thousand (liquidation balance sheet approved), PJSC CB NADRA — UAH 9,425,385.75 thousand (liquidation

balance sheet approved), PJSC CB FINANCIAL INITIATIVE — UAH 1,255,381 thousand (liquidation balance sheet approved), JSC RODOVID BANK — UAH 3,986,779.43 thousand, JSC FINANCE AND CREDIT BANK — UAH 6,941,123.33 thousand (UAH 741,247.57 thousand repaid), PJSC IMEXBANK — UAH 2,695,110.74 thousand (liquidation balance sheet approved).

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

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



Settlement of tier 6 creditor claims

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

Tier 6 was settled by UAH 10,119.92 thousand, which is 12.14%, of which: PJSC GREEN BANK — UAH 6.50 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC PRIME-BANK — UAH 7.81 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC JSCB NOVY — UAH 4.13 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC UNISON BANK — UAH 30.48 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC KREDITPROMBANK — UAH 16.23 thousand (100% of accepted tier 6 claims, the bank was liquidated), PJSC VBR — UAH

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

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

Settlement of tier 7 creditor claims

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

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

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

- PJSC CB DANIEL — UAH 14,865.08 thousand for the entire period (the bank was liquidated).
- PJSC BROKBUSINESSBANK — UAH 274,725.86 thousand for the entire period (the bank was liquidated).
- PJSC AUTOKRAZBANK — UAH 13,801.65 thousand for the entire period (the bank was liquidated).
- PJSC BANK DEMARK — UAH 26,519.41 thousand for the entire period (the debt was repaid in full, the bank was liquidated).
- JSC PORTO-FRANCO — UAH 38,107.23 thousand for the entire period (the debt was repaid in full, the bank was liquidated).
- PJSC BG BANK — UAH 135,851.17 thousand for the entire period (the debt was repaid in full, the bank was liquidated).
- PJSC UKRAINIAN BUSINESS BANK — UAH 184,368.49 thousand for the entire period (the debt was repaid in full, the bank was liquidated).
- JSC EUROGASBANK — UAH 101,292.56 thousand for the entire period (the bank was liquidated).
- JSC CB EXPOBANK — UAH 197,127.86 thousand for the entire period (the bank was liquidated).
- PJSC LEGBANK — UAH 2,316.88 thousand for the entire period (the bank was liquidated).
- PJSC ACTIVE BANK — UAH 80,423.07 thousand for the entire period (the liquidation balance sheet was approved).
- PJSC VAB BANK — UAH 2,458,618.22 thousand for the entire period (the liquidation balance sheet approved).

- PJSC CB NADRA — UAH 3,261,675.30 thousand for the entire period (the liquidation balance sheet was approved).
- PJSC UKRAINIAN PROFESSIONAL BANK — UAH 623.25 thousand for the entire period (the liquidation balance sheet was approved).
- PJSC DIAMANTBANK — UAH 291,597.95 thousand for the entire period (the debt was repaid in full).
- PJSC PLATINUM BANK — UAH 248,615.18 thousand for the entire period (the debt was repaid in full).
- PJSC BANK CAMBIO — UAH 322,720.47 thousand for the entire period, UAH 8,209.73 thousand for 2022.
- PJSC ZLATOBANK — UAH 70,062.77 thousand for the entire period.
- PJSC IMEXBANK — UAH 467,495.66 thousand for the entire period, for 2022 — UAH 42,533.00 thousand (the liquidation balance sheet was approved).
- PJSC BANK KYIVSKA RUS — UAH 305,138.29 thousand for the entire period (the liquidation balance sheet was approved).
- JSC DELTA BANK — UAH 5,091,627.00 thousand for the entire period, UAH 12,466.90 thousand for 2022.
- JSC RODOVID BANK — UAH 433,604.73 thousand for the entire period.
- PJSC CB FINANCIAL INITIATIVE — UAH 145,673.49 thousand for the entire period (the liquidation balance sheet was approved).
- JSC MISTO BANK — UAH 160,868.36 thousand for the entire period (the debt was repaid in full).

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

- PJSC BROKBUSINESSBANK — UAH 240,563.97 thousand for the entire period (of which UAH 1,213.50 thousand — provided by MBK from PJSC Real Bank, UAH 118,758.91 thousand — JSC Oschadbank, UAH 120,591.56 thousand — SE Antonov) (the bank was liquidated).
- JSC BANK MERCURY — for all time UAH 47,510.78 thousand (of which UAH 35,957.36 thousand — State Mortgage Institution, UAH 11,553.42 thousand — LLC PLANETA COMFORT) (the bank was liquidated).
- PJSC FORUM — UAH 35,377.80 thousand for the entire period (secured by MBK from PJSC VTB Bank, transfer to the ownership of VTB Bank of the hotel Baccarat) (the bank was liquidated).



- PJSC AUTOKRAZBANK — UAH 6,694.63 thousand for the entire period (of which UAH 4,682.74 thousand — Corporate Non-State Pension Fund of the National Bank of Ukraine, UAH 2,011.89 thousand — State Mortgage Institution) (the bank was liquidated).
 - PJSC CB STANDART — UAH 255.92 thousand for the entire period (JSB UkrGasbank).
 - PJSC STAROKYIVSKYI BANK — UAH 2,905.17 thousand for the entire period (guarantee deposit of JSC Ukreximbank) (the bank was liquidated).
 - JSC FORTUNA-BANK — UAH 130,355.64 thousand for the entire period (JSC Ukreximbank) (the bank was liquidated).
 - JSC EUROGASBANK — UAH 2,165.19 thousand for the entire period (Corporate Non-State Pension Fund of the National Bank of Ukraine) (the bank was liquidated).
 - JSC CB EXPOBANK — UAH 99,055.72 thousand for the entire period (of which UAH 8,200.08 thousand — guarantee deposit of JSC Ukreximbank, UAH 90,855.63 thousand — LLC FC Capital Group) (the bank was liquidated).
 - PJSC BANK NATIONAL CREDIT — UAH 2,003.99 thousand for the entire period (of which UAH 31.82 thousand — PJSC Alfa Bank, UAH 1,972.17 thousand — guarantee deposit of JSB UkrGasbank) (the liquidation balance sheet was approved).
 - PJSC RADICAL BANK — UAH 48,181.08 thousand for the entire period (State Mortgage Institution) (the liquidation balance sheet was approved).
 - PJSC INTEGRAL-BANK — UAH 27,256.79 thousand for the entire period (provided by MBK from PJSC CB Khreshchatyk) (the liquidation balance sheet was approved).
 - PJSC ACTIVE BANK — UAH 915.33 thousand for the entire period (JSC Ukreximbank) (the liquidation balance sheet was approved).
 - PJSC CB NADRA — UAH 152,166.38 thousand for the entire period (of which UAH 36,808.66 thousand — German-Ukrainian Fund, UAH 9,952.40 thousand — PJSC Alfa Bank, UAH 105,405.32 thousand — State Mortgage Institution) (the liquidation balance sheet was approved).
 - PJSC ENERGOBANK — UAH 7,050.10 thousand for the entire period (guarantee deposit of JSC Ukreximbank) (the liquidation balance sheet was approved).
 - PJSC UKRAINIAN PROFESSIONAL BANK — UAH 11,009.28 thousand (German-Ukrainian Fund) (the liquidation balance sheet was approved).
 - JSC BANK BOGUSLAV — UAH 907.83 thousand for the entire period (guarantee deposit of JSB UkrGasbank) (the liquidation balance sheet was approved).
 - PJSC CB INVESTBANK — UAH 632.50 thousand for the entire period (guarantee deposit of JSB UkrGasbank) (the liquidation balance sheet was approved).
 - JSC GOLDEN GATE BANK — UAH 287.66 thousand for the entire period (guarantee deposit of PJSC Raiffeisen Bank Aval).
 - PJSC DIAMANTBANK — UAH 15,362.98 thousand for the entire period (PJSC Raiffeisen Bank Aval).
 - JSC VTB BANK — UAH 95,303.76 thousand for the entire period (JSC TASCOMBANK).
 - PJSC BANK CAMBIO — UAH 11,123.23 thousand for the entire period (Corporate Non-State Pension Fund of the National Bank of Ukraine).
 - PJSC ZLATOBANK — UAH 59,597.95 thousand for the entire period (of which UAH 57,366.81 thousand — German-Ukrainian Fund, UAH 2,231.14 thousand — LLC Porsche Mobility).
 - PJSC IMEXBANK — UAH 10,035.85 thousand for the entire period (of which UAH 278.85 thousand — guarantee deposit of JSC Ukreximbank, UAH 9,757.00 thousand — Corporate Non-State Pension Fund of the National Bank of Ukraine).
 - PJSC BANK KYIVSKA RUS — UAH 6,944.63 thousand for the entire period (German-Ukrainian Fund) (the liquidation balance sheet was approved).
 - JSC DELTA BANK — UAH 29,225.62 thousand for the entire period (Ukreximbank).
 - PJSC PLATINUM BANK — UAH 3,804.94 thousand (PJSC MTS Ukraine) (PJSC VF Ukraine) (the liquidation balance sheet was approved).
 - JSC MISTO BANK — UAH 50,628.08 thousand, including UAH 521.52 thousand for 2022 (JSC ALPARI BANK, JSC FUIB).
 - JSC CB ZEMELNY CAPITAL — UAH 191.25 thousand for the entire period (JSC FUIB).
- regular satisfaction of creditor claims:**
- PJSC CLASSICBANK — UAH 2,207.64 thousand (100%) (the bank was liquidated).
 - PJSC SMARTBANK — UAH 21,286.20 thousand (36.39% of the total debt of the bank in the tier) (the bank was liquidated).
 - PJSC PRIME-BANK — UAH 110,677.47 thousand (64.26% of the total debt of the bank in the tier) (the bank was liquidated).
 - PJSC OMEGA BANK — UAH 2,736.45 thousand (100%) (the bank was liquidated).
 - PJSC GREEN BANK — UAH 102,784.18 thousand (97.35% of the total debt of the bank in the tier) (the bank was liquidated).
 - JSC CB TK CREDIT — UAH 3,275.96 thousand (100%) (the bank was liquidated).
 - PJSC UKRAINIAN BUSINESS BANK — UAH 340,025.11 thousand (taking into account the repayment of debt on refinancing loans to the NBU, 49.84% of the total debt of the bank was repaid in the tier) (the bank was liquidated).
 - PJSC UNISON BANK — UAH 44,256.08 thousand (100%) (the bank was liquidated).
 - PJSC JSCB KYIV — UAH 1,228.12 thousand (100%) (the bank was liquidated).
 - PJSC KREDITPROMBANK — UAH 40,952.13 thousand (6.83% of the total debt of the bank in the tier) (the bank was liquidated).
 - PJSC NATIONAL CAPITAL BANK — UAH 11,108.49 thousand (55.50% of the total debt of the bank in the tier) (the bank was liquidated).
 - PJSC JSCB NOVY — UAH 3,340.35 thousand (100%) (the bank was liquidated).
 - JSC BANK VELES — UAH 849.30 thousand (52.05% of the total debt of the bank in the tier).
 - PJSC VBR — UAH 4,189,893.56 thousand (83.85% of the total debt of the bank in the tier) (the bank was liquidated).
 - JSC VTB BANK — UAH 642,025.70 thousand (52.70% of the total debt of the bank in the tier), for 2022 — UAH 1.81 thousand.
 - PJSC DIAMANTBANK — UAH 81,123.56 thousand (3.60% excluding early repayment and 15.15% of the total debt of the bank in the tier, including early settlement), for 2022 — UAH 22.612.69 thousand.
 - PJSC CB PREMIUM — UAH 257,326.22 thousand (100% of



the total debt of the bank in the tier), for 2022 — UAH 51,772.89 thousand.

- JSC DELTA BANK — UAH 538,878.38 thousand (early satisfaction of SMI creditor claims by court decision).
- PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK — UAH 361,735.30 thousand (9.09 % of

the total debt of the bank in the tier), for 2022 — UAH 361,735.30 thousand.

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

Settlement of tier 8 creditor claims

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

- UAH 10.71 thousand — another satisfaction of PJSC CLAS-SICBANK (100% of the bank's debt was settled in the tier) (the bank was liquidated).
- UAH 218.55 thousand — regular satisfaction of PJSC OMEGA BANK (0.04% of the total debt of the bank was settled in the tier) (the bank was liquidated).
- UAH 39,030.00 thousand — regular satisfaction of PJSC GREEN BANK (96.31% of the total debt of the bank was settled in the tier) (the bank was liquidated).
- UAH 22,348.14 thousand — PJSC UNISON BANK, of which early UAH 10,177.86 thousand — JSB UkrGasbank, UAH 12.12 thousand — JSC TASCOMBANK, regular — UAH 12,158.16 thousand (in total, 100% of the bank's debt was repaid in the tier) (the bank was liquidated).
- UAH 496.95 thousand — regular satisfaction of PJSC JSCB NOVY (100% of the total debt of the bank was settled in the tier) (the bank was liquidated).
- UAH 2,857.80 thousand — early satisfaction of PJSC BANK PETROCOMMERCE-Ukraine (JSC Ukreximbank) (in total 41.75% of the bank's debt was settled in the tier) (liquidation balance sheet was approved).
- UAH 400.14 thousand — early satisfaction of PJSC BANK CONTRACT (PJSC JSB UkrGasbank) (18.13% of the bank's debt was settled in the tier) (liquidation balance sheet was approved).
- UAH 143,868.30 thousand — early satisfaction of PLATINUM BANK PJSC, of which UAH 65,312.69 thousand — International Finance Corporation, UAH 78,555.62 thousand — JSC Oschadbank (total settled) 99.34% of the bank's debt in the tier) (liquidation balance sheet approved).
- UAH 291.14 thousand — regular satisfaction of PJSC CB PREMIUM (100% of the total debt of the bank was settled in the tier).

Settlement of tier 9 creditor claims

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

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

- UAH 972,632.68 thousand — another satisfaction of JSC CB TK CREDIT (57.62% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 204,795.88 thousand — regular satisfaction of PJSC JSCB NOVY (100% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 12,395.95 thousand — regular satisfaction of PJSC UNISON BANK (100% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 55.57 thousand — early satisfaction of PJSC VBR (0.01% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 19.49 thousand — regular satisfaction of PJSC CLAS-SICBANK (100% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 437.09 thousand — regular satisfaction of PJSC CB PREMIUM (100% of the total debt of the bank in the tier).
-

Settlement of tier 10 creditor claims

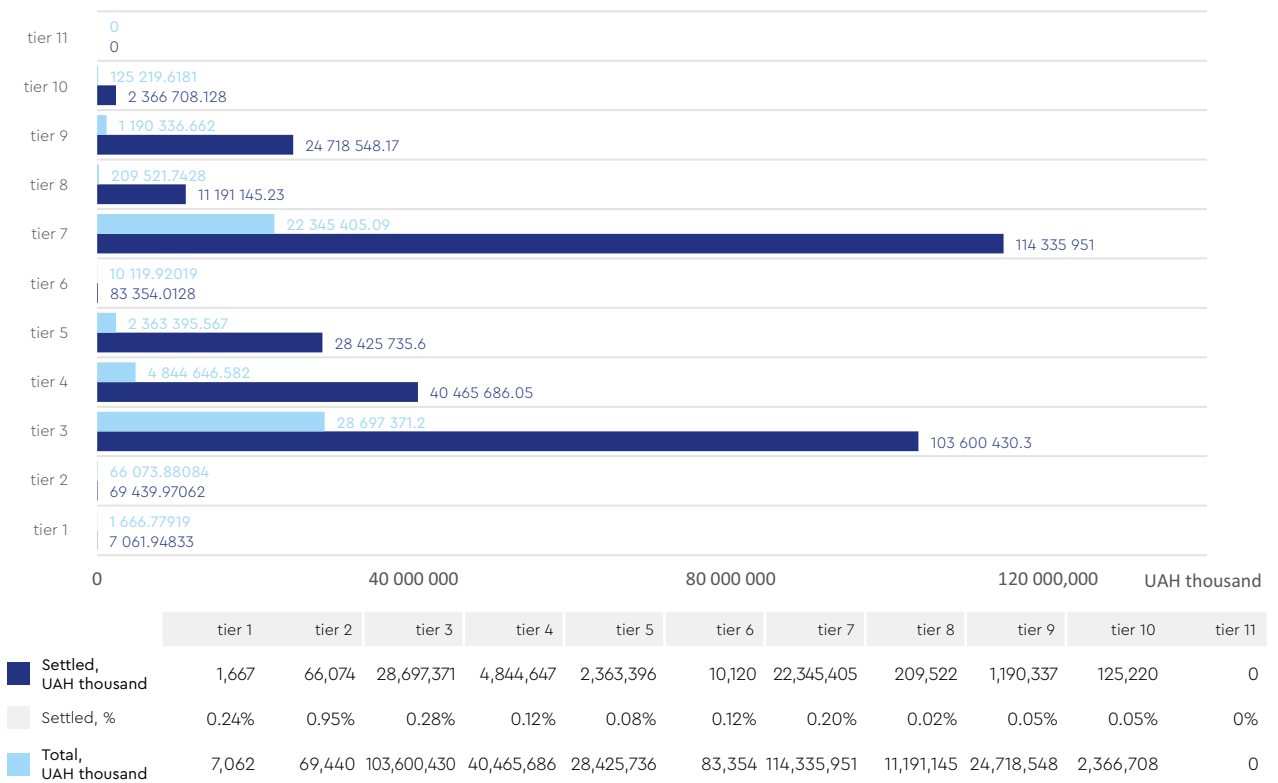
Amount of accepted tier 10 creditor claims — UAH 2,366,708.13 thousand.

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

- UAH 10,063.93 thousand — regular satisfaction of PJSC STATE ZEMBANK (100% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 39,926.88 thousand — regular satisfaction of PJSC JSCB NOVY (31.14% of the total debt of the bank in the tier) (the bank was liquidated).
- UAH 75,228.80 thousand — regular satisfaction of PJSC UNISON BANK (100% of the total debt of the bank in the tier) (the bank was liquidated).

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

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



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

In total, the debt on NBU loans in the amount of UAH 1,008,222.40 thousand was repaid in 2022 (including due to foreclosure on the collateral and property of the guarantors), of which: outstanding payments were made early in the amount of: UAH 42,533.00 thousand (PJSC IMEXBANK); UAH 12,479.67 thousand (JSC DELTA BANK); UAH 8,209.73 thousand (PJSC BANK CAMBIO) and repaid in the order of prior-

ity — UAH 945,000.00 thousand (JSC RODOVID BANK). For the whole period, NBU loans amounted to UAH 16,691,128.24 thousand (including through foreclosure on collateral and property of guarantors).

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

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

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

- legal support of proceedings to protect the national interests of Ukraine during the bank resolution and ensuring the forcible seizure/alienation of assets (property) of banks and other persons related to the aggressor state;
- prompt consideration and timely provision of answers to deputies' requests, attorney's inquiries, inquiries of notaries, letters of legal entities and individuals, preparation of legal explanations, conclusions, recommendations on any issues related to the insolvent bank resolution during the provisional administration or liquidation of banks;
- effective legal support and implementation of registration

actions inextricably linked with the proper implementation of the processes of liquidation of insolvent banks;

- agreeing and developing strategies for dealing with assets;
- legal support of the processes of sale and asset management of insolvent banks, the consequence of which is the sale of assets and ensuring the receipt of funds from their sale;
- coordination and control of the claims of insolvent banks.

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

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



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

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

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

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

The Resolution of the Grand Chamber of the Supreme Court dated January 11, 2022, in case No. 910/10784/16, which in fact

confirms that transactions of the problem bank and its clients should be carried out through a correspondent account of the bank opened with the NBU with reflection as their write-off/receipt from the client account, as well as receipts to the bank's own account, and payment on such accounts outside the correspondent account indicates the gratuitousness of the transaction.

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

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

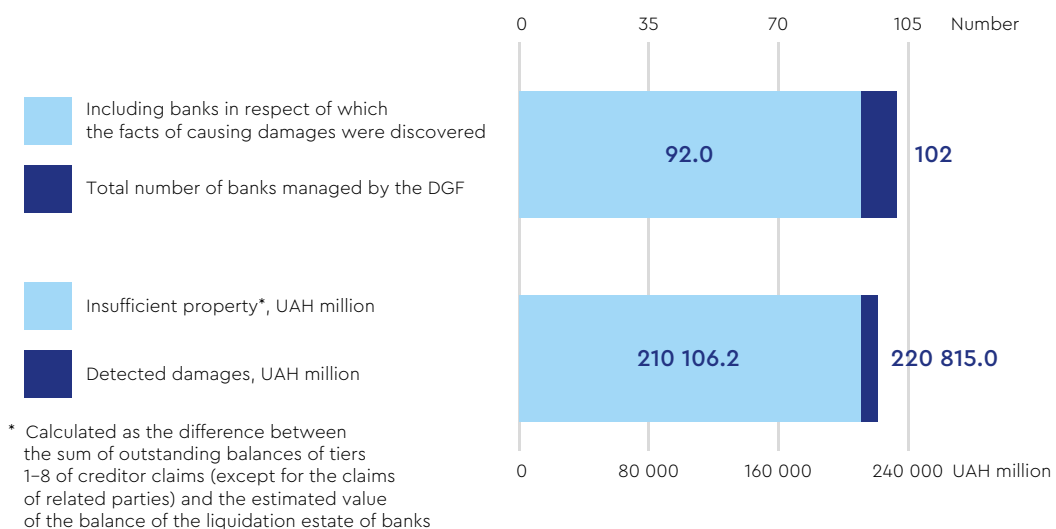
At the same time, the litigation work directly on the DGF, including cases to which the latter is a party, in 2022 numbered more than 2,600 court cases, with the value of the claim being over UAH 43 billion.

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

During 2022, the DGF analyzed the documents of 29 insolvent banks to identify damages caused to banks and their creditors (former creditors) by decisions, actions, or inaction of persons related to such banks. During this period, the facts of causing damage to banks and their creditors in the total amount of UAH 26.7 billion were revealed, as well as more than 300 persons related to banks were identified, in respect of which there are grounds to claim that their decisions, actions, or inaction caused such damages.

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

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



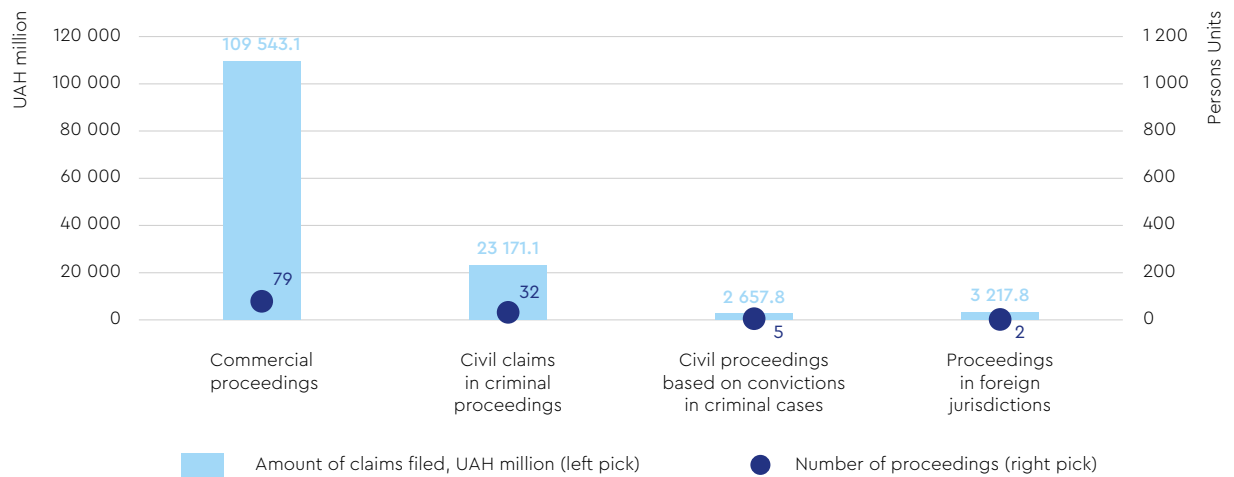
During 2022, in accordance with the procedure established by Article 52 of the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"), the DGF filed 10 claims against 147 related parties in respect of 8 banks. The total amount of claims for damages (losses) amounted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

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

- claim against PJSC VAB Bank for recovery of damages (losses) in the total amount of over UAH 0.5 billion.

Thus, pursuant to the provisions of Article 52 of the Law, in order to recover damages (losses) from persons related to banks, as of December 31, 2022, the DGF filed 79 claims in commercial proceedings against 933 bank related parties against 50 insolvent banks in order to recover damages (losses) from persons related to banks for the total amount of over UAH 109.5 billion (Figure 3.6.2). The total amount of claims of the DGF satisfied according to court decisions that have entered into force is over UAH 434 million. Measures shall be taken to enforce such court decisions.

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



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

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

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

At the same time, based on the results of consideration of criminal proceedings by the courts, on the basis of court decisions as of December 31, 2022, the DGF filed 5 claims against 5 defendants in 5 banks for the total amount of claims over

UAH 2.6 billion. The total amount of claims of the DGF satisfied according to court decisions that have entered into force is over UAH 1.2 billion. Measures are taken to enforce court decisions.

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

4. Consolidated sale and asset management

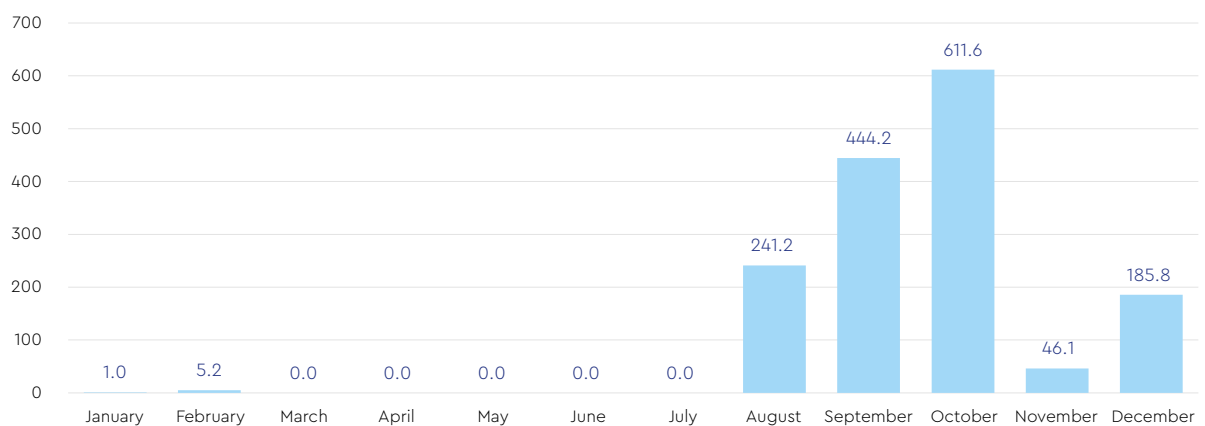
4.1. Results of insolvent banks' asset sale

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

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

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

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



Sale of assets (property) of banks in 2022

Table 4.1.1

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



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

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

- in August, a loan from PJSC Prominvestbank was sold that was secured with property complexes for milk processing with a total area of 52.2 thousand sq.m. — selling price of UAH 75.7 million, conversion of 23%;
- in October — 5 lots of claims under the credit agreements of JSC JSCB Arkada and JSC CB ZEMELNY CAPITAL with the total sale price of UAH 30.4 million, average conversion of 23% and property rights to the real estate of the bank JSC JSCB Arkada were sold in the city of Kyiv, selling price UAH 351 million, conversion — 47%;

- in December — a loan from PJSC Prominvestbank to a borrower of a legal entity engaged in the lease and operation of its own or leased real estate, selling price UAH 12.8 million, conversion — 50%, loan from JSC IR BANK to an individual borrower with conversion 22 %, there was also a successful auction for the construction of unfinished construction of JSC CB ZEMELNY CAPITAL in the city of Zolotonosha with a sale price of UAH 92 million and a conversion of 45%.

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

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

Table 4.1.2

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

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

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



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

Table 4.1.3

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

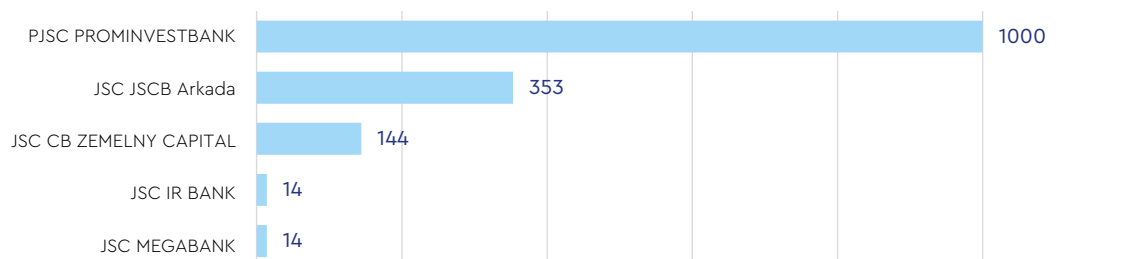
In the conditions of military aggression of the Russian Federation against Ukraine, the DGF uses all possible ways to sell assets (property) as required by the Law of Ukraine "On Household Deposit Guarantee Scheme" in the shortest possible time at the highest cost. Thus, in 2022, the DGF applied new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

In addition to the sale of assets through the Prozorro.Sale electronic trading system, the direct sale of assets (property) of banks to legal entities or individuals is also carried out. For the convenience of potential buyers, it is possible to use the letter of credit form of payment for the acquired asset

(property) of banks. Furthermore, for the convenience of bidders, it is possible to pay a guarantee fee for participation in open bidding (auction) by depositing funds to the current account of the organizer of open auction and/or providing an electronic bank guarantee in favor of the organizer of open auction.

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

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



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

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

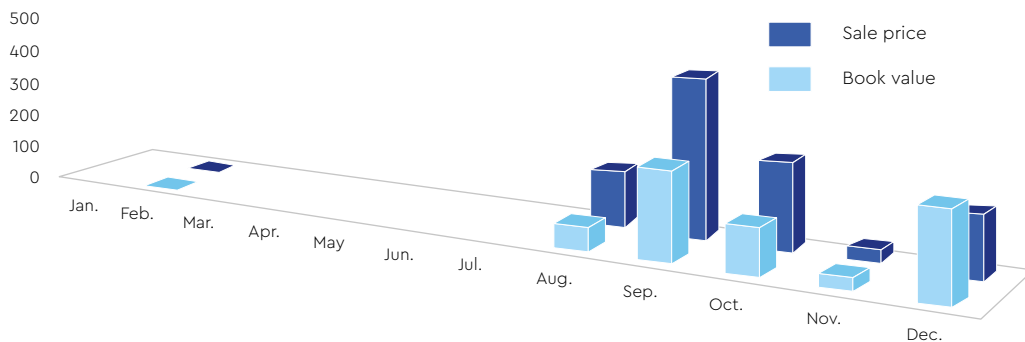
Table 4.1.4

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

The largest share in the amount of sold assets (property) of banks based on the results of open auctions accrues to the sales of fixed assets — real estate, land plots, vehicles, other fixed assets, and intangible assets (excluding sales directly to

legal entities or individuals) — 68%. The annual ratio of the sale price to the book value for all types of fixed assets for 2022 is 145%, as shown in detail in Figure 4.1.3.

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

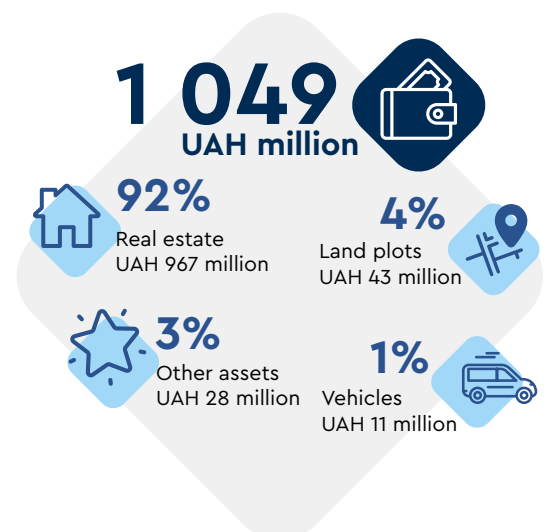


In September, fixed assets with the highest book value for in 2022 were sold. This was due to the sale of several large real estate facilities of PJSC Prominvestbank, namely the sale of:

- non-residential buildings with a total area of 5,641.0 sq.m. in the city of Dnipro on Voskresenska Street (Lenina Street), buildings 17 and 17a, for UAH 72.6 million;
- non-residential building with a total area of 2,152 sq.m., located in the city of Kyiv, Drahomanova Street, building 21-A, for UAH 72.3 million;
- bank building in the center of the city of Ivano-Frankivsk with a total area of 3,786.3 sq.m. for UAH 70.0 million;
- bank building in the city of Khmelnytskyi with an area of 7,235.4 sq.m. for UAH 61.0 million;
- non-residential premises with a total area of 2,407.1 sq.m. in the city of Zhytomyr, Novyi Boulevard, buildings 5 and 7, for UAH 43.5 million;
- non-residential building with a total area of 1,623.2 sq.m. in the city of Kyiv at 29a Chervonotkatska Street, for UAH 32.5 million.

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

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





Real estate objects (residential and non-residential) and sold land plots are located mainly in Kyiv, Zhytomyr, and Dnipropetrovsk regions. Although Cherkasy, Khmelnytskyi, and Iva-

no-Frankivsk regions are also leaders in terms of sale price. The geography of those assets (property) sold is shown in detail in Table 4.1.5 and Figure 4.1.5.

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

Table 4.1.5

Location region of the object	Number of objects sold, pcs.	Book value of objects sold, UAH million	Sale price of objects, UAH million	Ratio of the sale price of objects to the book value of objects, %
TOTAL	113	713.2	1,009.3	142%
city of Kyiv	15	191.45	289.97	152%
Dnipropetrovsk region	19	82.79	125.88	152%
Cherkasy region	5	210.85	107.81	51%
Khmelnytskyi region	8	62.61	84.49	135%
Ivano-Frankivsk region	3	20.34	72.66	357%
Zhytomyr region	14	29.10	65.22	224%
Vinnitsia region	3	19.49	56.04	287%
Zakarpattia region	4	9.28	45.05	486%
Odesa region	7	19.74	32.95	167%
Poltava region	6	18.44	32.26	175%
Volyn region	6	9.27	24.92	269%
Kirovohrad region	9	11.38	24.72	217%
Chernivtsi region	1	12.39	15.64	126%
Ternopil region	4	9.37	13.28	142%
Kyiv region	3	2.29	6.83	298%
Rivne region	2	1.89	6.53	345%
Lviv region	4	2.52	5.03	199%

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

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

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

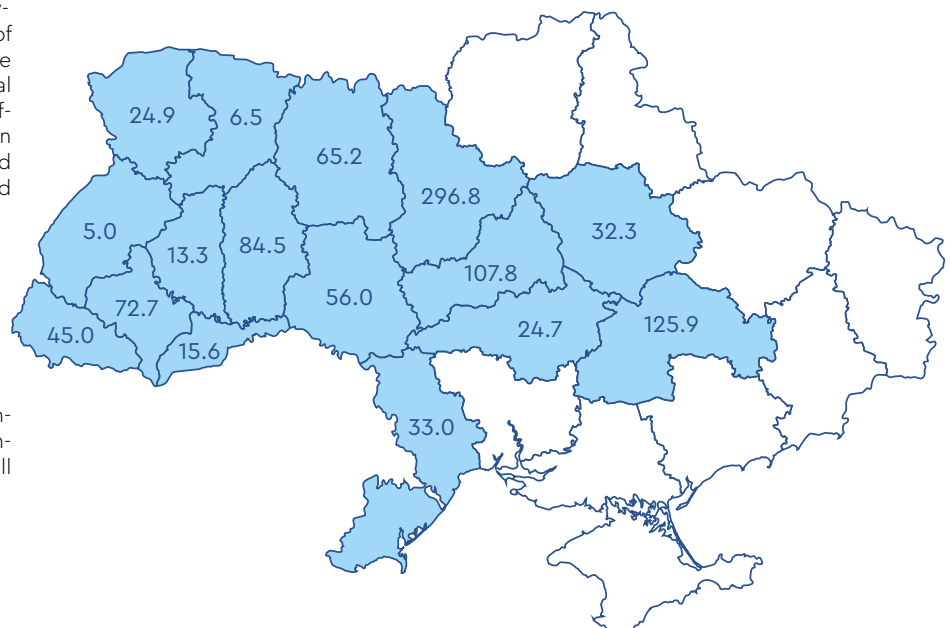
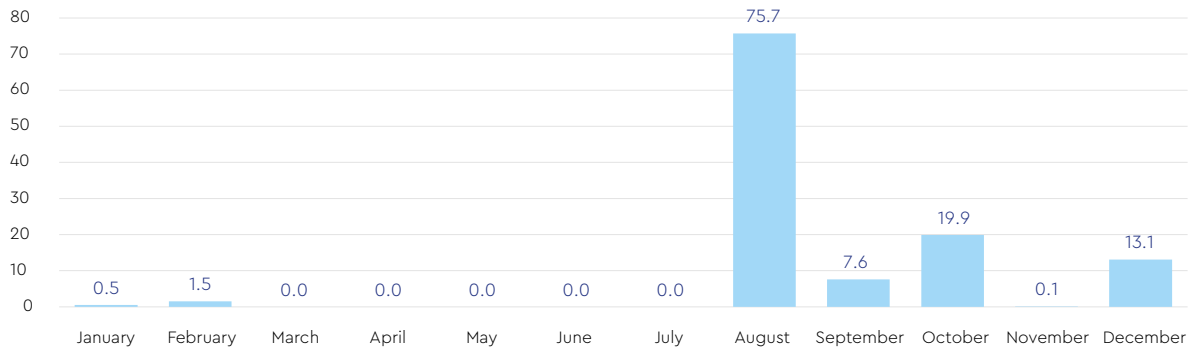




Figure 4.1.6. Results of auctions for loan sales, monthly, UAH million for 2022

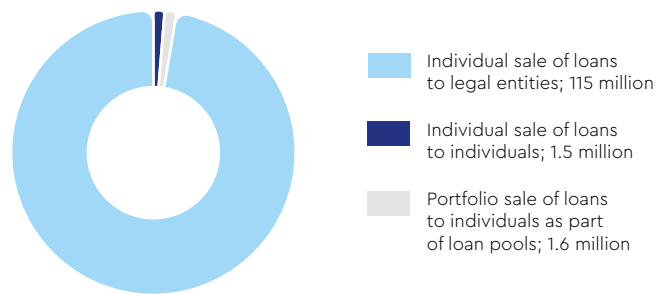


In the structure of exercised claims under credit agreements, 97% accrues to claims under credit agreements with legal entities and 3% accrues to claims under credit agreements with individuals (Figure 4.1.7).

In August, the amount of sale of claims under credit agreements concluded with individuals and legal entities was the highest in 2022. This is due to the sale of the claims under the credit agreement of the borrower — a legal entity belong-

ing to the group of companies, which is the leader in milk processing in Ukraine. The agreement includes industrial real estate (property complexes for milk processing) with a total area of 52.2 thousand sq.m. with land plots with a total area of over 9.5 hectares, equipment and vehicles in Kyiv, Poltava, Vinnytsia, and Mykolaiv regions and other assets. The agreement implementation price is UAH 75.7 million.

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



It should be noted that in the conditions of military aggression of the Russian Federation towards Ukraine in 2022, there was almost no sale of loans, grouped on common grounds into pools of loans to individuals or legal entities. Only three pools of mortgage loans of individuals were sold — in January the pool of assets of PJSC ZLATOBANK (4 loans) for UAH 476.1

thousand with conversion of sales to the book value of 2%, in February the pool of assets of JSC City Bank (9 loans) for UAH 282.5 thousand with conversion of sales to book value of 3.4%, and pool of assets of JSC GOLDEN GATE BANK (2 loans) for UAH 799.5 thousand with conversion of sales to book value of 4%.

4.2. Management of insolvent banks' assets

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

In recent years, the DGF has been consistently developing a comprehensive system for managing the assets of banks liquidated in accordance with the requirements of the Law of Ukraine "On Household Deposit Guarantee Scheme" (hereinafter referred to as the "Law"), taking into account the volume of banks' assets and the trends of their changes. As a result of the introduction of the asset management system of insolvent banks, high-quality asset management was ensured with centralization of decision-making functions by the DGF Committee on Consolidation, Management, and Sale of Property

(Assets) of Banks (hereinafter referred to as the "Committee") liquidated by the DGF.

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

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

The order and procedure for approving the lease of the insolvent bank's property were determined by the Regulations on the Pilot Project on Leasing Real Estate of the Bank Liquidat-

ed by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions) approved by the Decision of the DGF Executive Board on December 7, 2020, No. 2056 (hereinafter referred to as the "Pilot Project") and the Regulations on Lease of Insolvent Bank Property approved by the Decision of the Executive Board of the Deposit Guarantee Fund No. 465 dated February 15, 2018.

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

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

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

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

According to the lease agreements concluded in 2022 within the framework of the Pilot Project, the estimated amount of monthly proceeds from the lease of premises is UAH 1,787,068.85 per month. The total amount of proceeds from the management and lease of real estate in 2022 amounted to UAH 73.7 million, including from facilities leased under the Pilot Project — UAH 6.6 million. According to the DGF Activity Plan for 2022, proceeds from property lease in the amount of UAH 2.96 million are planned, thus the level of fulfillment of the planned indicator is (2489%), which is also related to the commencement of liquidation of insolvent banks of MEGABANK JSC in 2022, PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK, JSC IR BANK on the balance sheet of which a considerable number of real estate objects leased was accounted for.

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

Proceeds to insolvent banks from property management and lease during 2022

Table 4.2.1

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

Rating of banks by management and lease income in 2022

Table 4.2.2

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

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

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

Due to the previously implemented mechanism of monitoring registration actions on real estate of banks liquidated by the DGF, using the service Vkursi.pro and information services, including the means of the application software interface of the State Register of Proprietary Rights to Real Estate provided

by the State Enterprise National Information Systems, during 2022 the DGF timely registered 1 case of change of ownership or illegal encumbrance in respect of 1 real estate object owned by an insolvent bank.

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

Figure 4.2.1. Trends of distributed enforcement documents

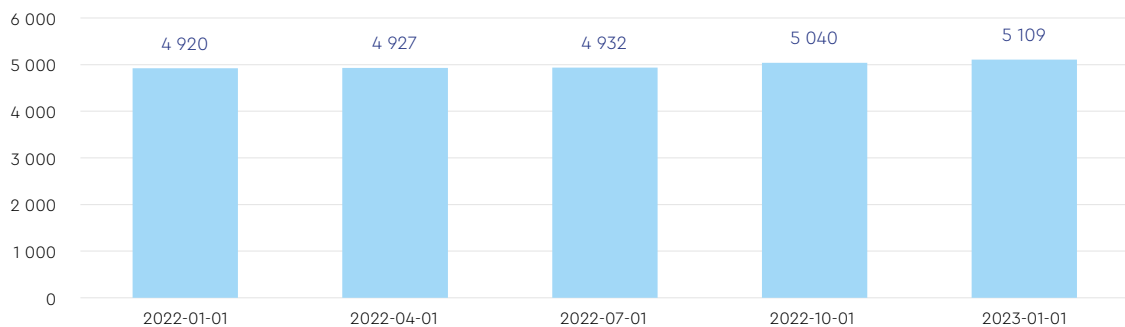


Table 4.2.3 shows the total number of distributed enforcement documents as of December 31, 2022, which are collected by individual insolvent banks.

As of December 31, 2022, funds totaling UAH 98,659,010.17 were collected in favor of banks resolved by the DGF, including UAH 4,383,034.04 or year-to-date total:

- as of April 1, 2022 — UAH 94,400,256.34 (increase + UAH 124,280.21);
- as of July 1, 2022 — UAH 94,411,531.93 (increase + UAH 11,275.59);
- as of October 1, 2022 — UAH 98,519,814.83 (increase + UAH 4,108,282.90);
- as of January 1, 2023 — UAH 98,659,010.17 (increase + UAH 139,195.34).

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

During 2022, the DGF received 1 set of documents on the restructuring of loan debt of individuals in accordance with the Regulations on the Procedure for Restructuring the Loan Debt of Individuals (Except for Sole Proprietors) under credit agreements, the Obligations under Which are Secured with Mortgage, to Banks Liquidated by the Deposit Guarantee Fund approved by Decision of the DGF Executive Board No. 372 dated February 5, 2018 (hereinafter referred to as "Regulations No. 372"). In 2022, proceeds to insolvent banks under restructured loans in accordance with Regulations No. 372 amounted to UAH 32.6 million, the average value of monthly proceeds is UAH 2.7 million per month.

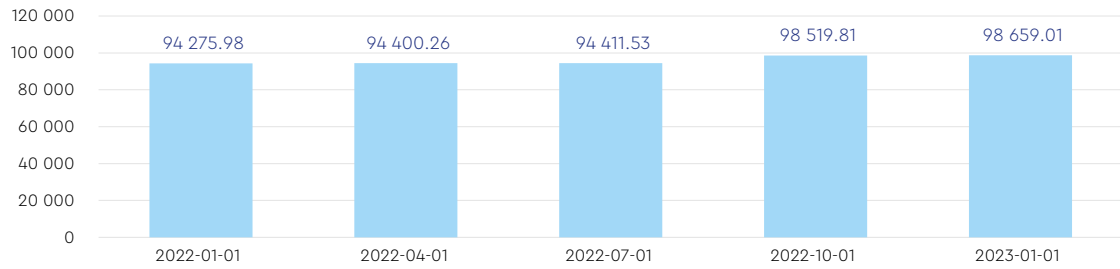
Rating of banks based on distributed enforcement documents

Table 4.2.3

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



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



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

Table 4.2.4

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

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

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

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

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

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

Breakdown of repayments by months

Table 4.2.5

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



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

Breakdown of repayments by banks

Table 4.2.6

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

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

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

5. Payments to depositors

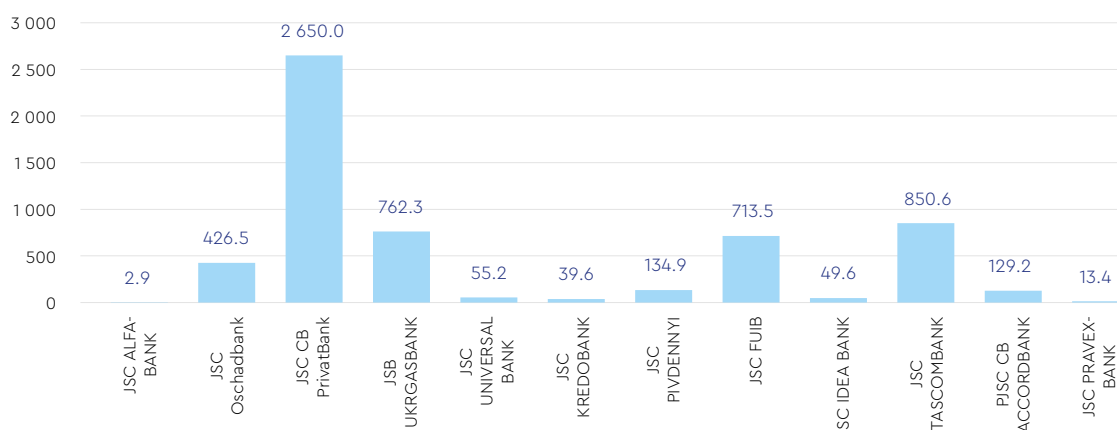
5.1. Guaranteed deposit payouts to depositors of insolvent banks

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

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

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

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



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

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

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

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

Settlements with depositors for online compensation, UAH million

Table 5.1.1

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



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

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

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

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

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

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

Deposit guarantee settlements in 2022, UAH million

Table 5.1.2

Item No.	List of liquidated banks	Balance of funds not received by depositors as of January 1, 2022	Accrued amount of compensation in 2022	Funds actually received in 2022	Liabilities to depositors written off in 2022	Balance of funds not claimed by depositors as of December 31, 2022
1	JSC GOLDEN GATE BANK	0.7	-	-	0.7	-
2	PJSC AKTABANK	8.8	0.1	0.1	-	8.8
3	PJSC VAB BANK	423.2	0.2	0.4	-	423.0
4	PJSC BANK CAMBIO	35.8	7.3	4.2	-	38.8
5	JSC IMEXBANK	399.9	0.5	1.1	399.4	-
6	PJSC CB NADRA	178.5	0.1	0.6	-	177.9
7	PJSC ENERGOBANK	15.5	-	0.0	-	15.4
8	JSC ZLATOBANK	35.2	3.0	6.6	-	31.6
9	JSC DELTA BANK	479.7	4.0	7.5	-	476.2
10	PJSC BANK KYIVSKA RUS	213.1	0.5	0.6	-	213.0
11	PJSC UKRAINIAN PROFESSIONAL BANK	8.1	-	-	-	8.1
12	PJSC NATIONAL CREDIT BANK	12.3	-	0.03	-	12.3
13	PJSC CB FINANCIAL INITIATIVE	146.1	-	-	146.1	-
14	PJSC RADIKAL BANK	17.8	16.2	4.9	-	29.0
15	PJSC JSCB CAPITAL	45.4	0.2	0.8	-	44.8
16	PJSC INTEGRAL-BANK	3.2	-	0.1	-	3.1
17	JSC BANK NATIONAL INVESTMENTS	4.9	-	0.2	-	4.7
18	JSC BANK FINANCE AND CREDIT	498.3	0.6	0.1	-	498.7
19	PJSC BANK CONTRACT	3.3	-	-	-	3.3
20	JSC BANK VELES	0.1	-	0.0004	0.1	-
21	PJSC UKRINBANK	66.1	-	-	-	66.1
22	PJSC CB PREMIUM	2.0	-	0.005	2.0	-
23	PJSC FIDOBANK	56.4	-	1.6	-	54.8
24	PJSC BANK MYKHAYLIVSKY	15.0	1.7	2.4	-	14.3
25	PJSC CB EUROBANK	4.9	-	0.0	-	4.9
26	PJSC KSG BANK	1.5	-	-	-	1.5
27	PJSC BANK TRUST	5.0	-	-	-	5.0
28	PJSC CB INVESTBANK	2.7	-	-	-	2.7
29	PJSC PLATINUM BANK	65.2	-	0.4	-	64.8
30	PJSC VECTOR BANK	1.2	-	-	1.2	-
31	PJSC DIAMANTBANK	0.0	-	-	-	0.05
32	JSC BANK BOHUSLAV	3.6	-	0.04	-	3.6



Table 5.1.2

Item No.	List of liquidated banks	Balance of funds not received by depositors as of January 1, 2022	Accrued amount of compensation in 2022	Funds actually received in 2022	Liabilities to depositors written off in 2022	Balance of funds not claimed by depositors as of December 31, 2022
33	JSC VTB BANK	106.2	1.0	2.1	-	105.1
34	JSC JSCB ARKADA	70.2	0.05	5.7	-	64.5
35	JSC Misto Bank	14.2	-	2.0	-	12.2
36	JSC CB ZEMELNY CAPITAL	16.0	0.2	11.9	-	4.3
37	JSC IR BANK	-	1,186.5	829.0	-	357.4
38	PJSC PROMINVESTBANK	-	3.4	0.5	-	2.8
39	JSC MEGABANK	-	4,088.0	3,739.4	-	348.6
40	JSC BANK SICH	-	1,276.5	1,205.2	-	71.3
	Total:	2,960.1	6,589.9	5,827.7	549.4	3,172.9

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

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

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

As part of the implementation of the DGF Development Strategy until 2022, in accordance with the approved gradual tran-

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

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

Figure 5.1.2 Breakdown of payments by the compensation amount in 2022

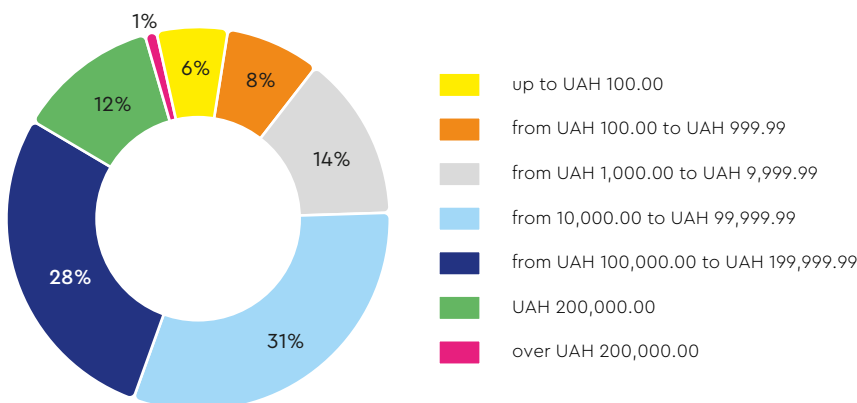
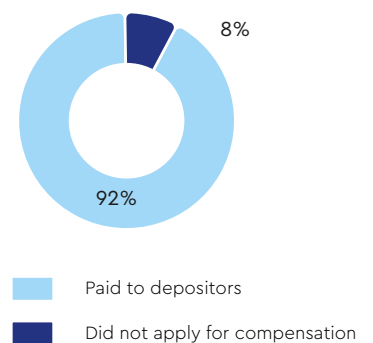


Figure 5.1.3. Compensation to depositors of banks, payouts in which were completed



6. Financial management

6.1. Sources and utilization of financial resources

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

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

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

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

- initial and regular premiums from the DGF members;

- income from investing the DGF resources in government securities;
- income in the form of interest accrued on the balances of the DGF accounts opened with the National Bank of Ukraine;
- funds received from the implementation of measures provided for in the resolution plan;
- 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;
- other sources that are not prohibited by the legislation of Ukraine.

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

Formation of the DGF financial resources in 2022 and 2021

Table 6.1.1
(UAH million)

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

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

- investment in government securities — UAH 14,657 million (69%);
- transfer of funds for the guaranteed deposit payouts to bank depositors — UAH 5,833 million (28%).

- ensuring the current activities of the DGF according to the cost estimate for 2022 — UAH 662 million (3%), the implementation of the estimate for 2022 makes 74% of the planned amount;
- court fees not provided for in the estimate amounted to UAH 5 million.



Use of the DGF financial resources in 2022 and 2021

Table 6.1.2
(UAH million)

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

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

Effectively conducted:

- 65 open auction procedures, including 13 procedures with an expected cost exceeding EUR 133,000 and 21 procedures with special features stipulated by the Resolution of the Cabinet of Ministers of Ukraine No. 1178 of October 12, 2022 (as amended) for the period of martial law in Ukraine and for 90 days from the date of its termination or cancellation;
- 17 negotiation procurement procedures;
- 14 simplified purchases;
- 88 purchases without using an electronic procurement system.

According to the results of the procurement procedures, contracts were concluded for a total amount of UAH 113.6 million,

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

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

6.2. Settlement of DGF creditor claims

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

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

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

DGF claims against insolvent banks

Table 6.2.1

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



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

Table 6.2.2

No.	Bank name	Amount, UAH million	Relative share
1	PJSC DELTA BANK	8,447.8	28.7%
2	PJSC BANK FINANCE AND CREDIT	7,565.8	25.7%
3	JSC MEGABANK	4,115.8	14.0%
4	PJSC UKRINBANK	1,705.6	5.8%
5	JSC BANK SICH	1,286.4	4.4%
6	PJSC FIDOBANK	744.7	2.5%
7	JSCB European	685.0	2.3%
8	PJSC ZLATOBANK	644.5	2.2%
9	OJSC Bank BIG Energy	500.0	1.7%
10	JSCB Transbank	436.9	1.5%
11	JSC CB ZEMELNY CAPITAL	419.7	1.4%
12	PJSC BANK CAPITAL	379.5	1.3%
13	OJSC SCB Dnister	340.1	1.2%
14	OJSC EBRS	327.4	1.1%
15	JSCB BRD	290.2	1.0%
16	Others (27 banks)	1,550.9	5.2%
	Total	29,440.3	100.0%

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

During the reporting year, the creditor claims of the DGF totaling UAH 1,210.7 million were settled. The total settlement was

made by 14 banks managed by the DGF, 98.7% of the settlements accounted for the settlement of creditor claims of JSC IR BANK in the amount of UAH 1,194.4 million, the remaining settlements of claims amounted to UAH 16.3 million or 1.3%.

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

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

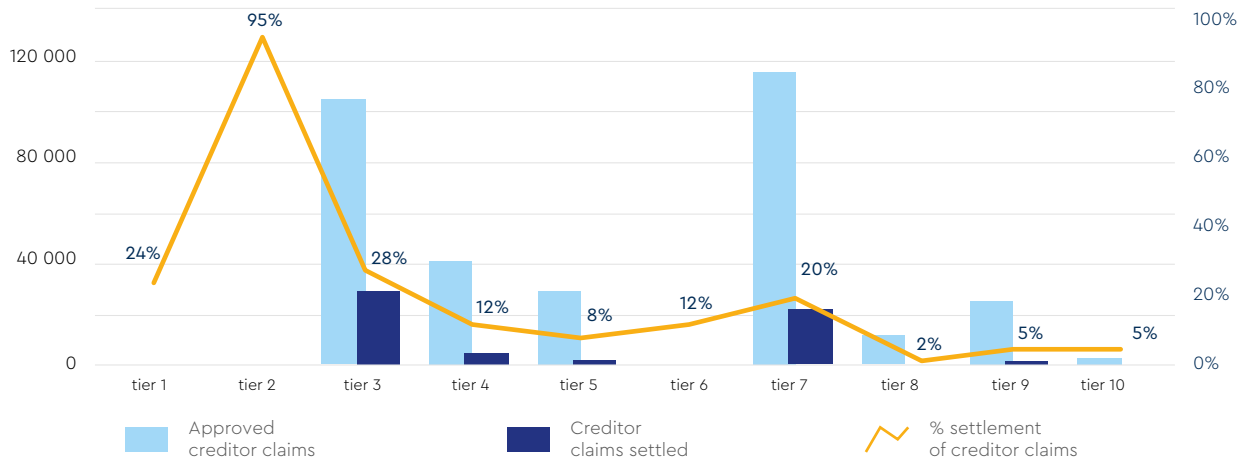
Written-off creditor claims of the DGF for the reporting year

Table 6.2.3

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



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



6.3. Public debt settlement

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

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

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

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

same time, UAH 45,741 million — in terms of liabilities under promissory notes; UAH 32,766 million — in terms of the interest accrued on promissory notes on the date of termination of the obligation.

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

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

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

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

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

6.4. Assessment of DGF financial stability

The DGF assesses financial stability based on the Methodology for Assessing the Financial Stability of the Deposit Guarantee Fund during Martial Law introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by Law of Ukraine No. 2102-IX dated February 24, 2022, (as amended), which was approved by Decision of the DGF Executive Board No. 1107 dated December 29, 2022. This methodology establishes the mechanism for assessing the DGF ability to cover the projected amount of risks in the banking system in the future, the procedure, conditions, and period for calculating the target fund size, liquidity risk, adjusted capital under martial law, introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine" approved by the Law of Ukraine No. 2102-IX dated February 24, 2022 (as amended). The Law of Ukraine "On Household Deposit Guarantee Scheme" stipulates that the value of the target indicator shall be approved by a decision of the DGF administrative board, together with which the law shall set its minimum value at 2.5%. The DGF is in the process of preparation for the stress testing of the

guarantee scheme that will allow setting a different value of the target indicator for its approval by the DGF administrative board. Therefore, the decision of the DGF Executive Board No. 1107 dated December 29, 2022, set the value of the target indicator at the level of 2.5 percent, which is its minimum value according to the Law "On Household Deposit Guarantee Scheme", and the term of its achievement is 1 year. The forecast level of the DGF capitalization indicates acceptable capitalization rates, which do not require additional measures to increase the amount of contributions from participating banks.

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

6.5. DGF financial investments

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

The investment of funds took place in accordance with the Investment Plan of the Deposit Guarantee Fund for 2022–2024 approved by the decision of the DGF Administrative Board No. 18 dated December 14, 2021, which provided for the in-

vestments in securities in the amount of UAH 16,500 million during 2022 and the formation of the authorized capital of the bridge bank in the amount of UAH 206 million. Due to the fact that in 2022 there was no resolution of banks by creating a bridge bank, the DGF did not form the authorized capital of the bridge bank in the amount of UAH 206 million. Of the planned UAH 16,500 million of investments in securities during the reporting period, UAH 14,656.8 million was invested in domestic government bonds. The main reason for the non-fulfillment of the investment plan was the recognition of insolvency of four banks and the allocation of part of the free funds for the guaranteed deposit payouts. The plan of investment in securities was fulfilled by 88.8%, and the general plan of investment was fulfilled by 87.7%.



The DGF financial investments in domestic government bonds were made taking into account changes in the risks of potential bankruptcies of banks and observance of investment differentiation in terms of their maturity dates. The DGF invested

funds for the period from 91 to 566 days, which was reflected in the levels of return on these investments from 11.5 to 22 percent per annum (Table 6.5.1).

Investing the DGF resources in domestic government bonds in 2022

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	UA4000221436	January 26, 2022	27.04.2022	91	11,50	1 748 719	1 699 999 688,66
2	UA4000226260	August 3, 2022	27.09.2023	420	16,00	2 844 302	2 999 999 091,48
3	UA4000173371	August 15, 2022	23.08.2023	373	19,00	160 000	155 908 800,00
4	UA4000206460	August 24, 2022	22.11.2023	455	19,60	158 935	151 552 469,25
5	UA4000207682	August 30, 2022	15.02.2023	169	17,00	348 390	338 858 049,60
6	UA4000207682	September 23, 2022	15.02.2023	145	17,00	100 000	98 283 000,00
7	UA4000200885	September 23, 2022	19.04.2023	208	18,10	200 000	212 218 000,00
8	UA4000226427	November 16, 2022	05.04.2023	140	14,00	1 053 685	999 999 749,25
9	UA4000226427	November 30, 2022	05.04.2023	126	14,00	3 144 950	2 999 999 254,50
10	UA4000206460	December 14, 2022	22.11.2023	343	16,00	4 123 796	3 999 999 644,08
11	UA4000219208	December 15, 2022	03.07.2024	566	22,00	500 000	472 825 000,00
12	UA4000226195	December 21, 2022	05.07.2023	196	14,00	566 799	527 174 081,91
Total investment							14 656 816 828,73

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

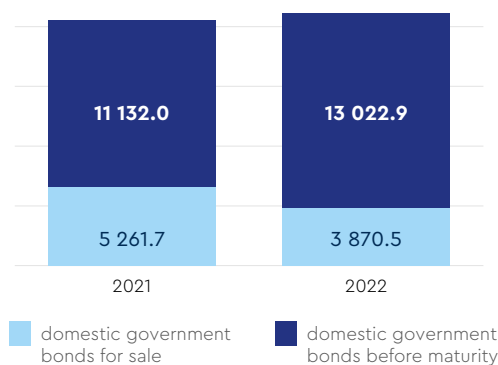
- coupon income — UAH 1,635.62 million;
- repayment of domestic government bonds — UAH 12,690.77 million.

At the beginning of the year, the book value of the DGF securities portfolio was UAH 16,393.7 million, of which the value of domestic government bonds received by the DGF as a loan from the Ministry of Finance of Ukraine in exchange for the DGF promissory notes and held in the portfolio for sale was UAH 5,261.7 million, or 32 percent. The remaining part of domestic government bonds, with a book value of UAH 11,132 million, or 68 percent, was held to maturity.

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

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

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





7. Public and international relations

7.1. DGF public relations and information policy

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

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

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

- for the duration of martial law and for three months after its cancellation or termination, a 100% guarantee on household deposits and deposits of sole proprietors was introduced, and after the termination of 100% of guarantees, a guaranteed amount of UAH 600,000 is stipulated;
- JSC OSCHADBANK Bank JSC has been granted the status of a member of the Deposit Guarantee Fund;

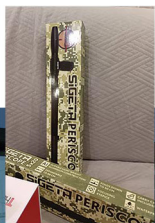
- provides for a mechanism for restructuring the DGF debt obligations to the Ministry of Finance of Ukraine, which arose due to the crisis of 2014–2017.

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

Resumption of auctions for the sale of assets of the liquidated banks (the bidding was suspended due to the closure of registers after February 24, 2022, and, as a consequence, the impossibility of execution of purchase and sale agreements) and the transition to management of the DGF in 2022 of four banks and the beginning of the procedure of their liquidation required additional:

- information support of key auctions for the sale of liquidated banks' property in order to inform the general public about the lots put up for sale and the conditions of participation in the bidding;
- informing the public about the procedure and priority of satisfaction of creditor claims of banks liquidated by the DGF.

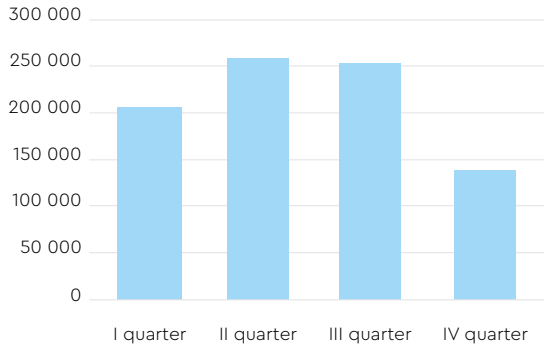
In 2022, at the initiative of the DGF employees, a volunteer project "Contribution to Victory" was organized. Within the framework of this project, in cooperation with charitable foundations, cars, optical equipment, drones, and basic necessities were purchased and handed over to the military at the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





During the year, the DGF website regularly published all information about the DGF activities and the banks being liquidated, including news, press releases, announcements, statistics, and reporting, etc. In total, over 886 thousand users visited the official website of the DGF in 2022 (Figure 7.1.1).

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



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

7.2. Public advice and cooperation with NGOs

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

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

Despite the hostilities, the efforts of the staff of the DGF in-

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

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

During 2022, the DGF prepared and sent to news agencies and media representatives about 220 press releases, organized more than 30 thematic interviews and comments for media, appearances on television, published 13 thematic columns of the DGF speakers, provided information materials to journalists for the preparation of 2 articles, published in professional economic media. According to a nationwide survey conducted in 2021 on the awareness of consumers of financial services about the deposit guarantee scheme, among the communication channels that Ukrainians trust to receive information about financial and banking services, television is one of the most popular communication channels, which respondents prefer. In this regard, in order to reach a wide audience of users of financial services, Svitlana Rekrut, DGF Managing Director, took part in TV broadcasts and provided comments for news stories about the imposition of martial law and within three months after its abolition, 100% guarantees. In addition, Oleksandr Kulchytskyi, Director of the DGF Consolidated Asset Sales Department, provided comments for the TV news stories about the planned auctions in order to expand the range of potential buyers, to promote auctions for the sale of assets of the bank under liquidation and as a result of the increase in receipts of funds to satisfy the claims of bank creditors.

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

In the first months of the full-scale invasion, the DGF information and consulting center provided remote interaction with citizens and continued to perform all tasks related to information and consulting activities. The operation of the DGF hotline did not stop on any given day and ensured constant communication of the DGF with depositors and creditors from all regions of Ukraine, including the temporarily occupied ter-



ritories. Very often, the hotline specialists, in addition to providing background information about banks or the DGF, also provided moral support to citizens who applied from territories where there was active hostilities or which were temporarily occupied.

The most accessible and popular channel of communication for citizens in 2022 was the DGF telephone hotline. Callers, mostly concerned about the state of the banking system of Ukraine, were interested in the DGF operation and guarantees on deposits during martial law, the amount of guaranteed compensation, information on the procedure for obtaining guaranteed payouts, as well as asked questions related to the liquidation of banks resolved by the DGF, especially for banks, the liquidation of which commenced in 2022. In addition, the specialists of the hotline provided effective assistance in written statements, creditor claims, and provided prompt interaction with depositors facing various challenges in the process of obtaining DGF guaranteed compensation. Employees of the DGF information and consultation center actively contributed to solving similar problems by recording the appeal, transferring information about the problem to the relevant unit of the DGF, monitoring and maintaining feedback with depositors.

In 2022, the DGF information and consultation center began to inform creditors of banks, the liquidation of which was started in 2022, in addition to general questions about the procedure for satisfaction of creditor claims against the bank, as well as the status of acceptance of their creditor claims and inclusion of individuals or legal entities in the register of creditors. The total number of explanations and consultations provided by the hotline in 2022 increased by 73% compared to the previous year and amounted to 59,150 appeals.

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

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

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

In 2022, the DGF was approached not only by depositors and creditors of insolvent banks, but also by interested parties who intended to participate in open auction and purchase assets (property) of insolvent banks. Thus, the employees of the information and consultation center ensured the receipt of applications from potential buyers for non-disclosure of confidential information in order to gain access to the virtual data room of the DGF, provided thorough explanations on the procedure for participation in open auction. In particular, in 2022, 23 applications were received for access to the virtual data room of the DGF. By the way, the DGF also ensures the receipt of such applications in electronic form.

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

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



59 150

**Consultations are provided
by the DGF hotline**
+73% compared to 2021



2 661

**Consultations via
social media and e-mail**



423

**Citizens' appeals and
requests for public
information**



7.3. Financial awareness and protection of depositors' rights

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

Thus, in 2022, an online conference was held summarizing the results of the first three years of implementation of the National Financial Literacy Project, which was launched by the DGF together with partners—the "Business Club Partner" NGO and the Banking University. The main mission of the Project is to create a financial culture in society and a clear understanding of the value of creating one's own family capital as a guarantee of a dignified life and realization of the rights and freedoms of every person.

During the project implementation, the DGF specialists together with representatives of "Business Club Partner" NGO conducted 86 financial literacy training sessions (36 of them in 2022) with a total duration of over 550 lecture hours for advanced training of teachers of the special course "Financial Literacy" of general secondary education institutions, vocational and technical lyceums and colleges. The trainings, which were attended by more than 2,500 teachers, were held at the regional institutes of postgraduate education in Uzhhorod, Ivano-Frankivsk, Kherson, Rivne, Luhansk and Mykolaiv, Zhytomyr, Lutsk, and Dnipro. In addition, 87 financial literacy clubs were opened in all regions of Ukraine as part of the project.

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

In 2022, the DGF, together with the National Bank of Ukraine and the National Securities and Stock Market Commission, developed and published the Financial Competences Framework for Adults (hereinafter referred to as the "Framework"). The Framework is a document that describes the key competencies of the population over the age of 18, in particular the set of knowledge, skills, abilities, and specifics of attitude to issues in the field of personal finance management, consump-

tion of financial services, which is the basis for making responsible financial decisions, ensuring and improving welfare. This document was developed in Ukraine for the first time and took place within the framework of the implementation of the Strategy of Financial Sector Development until 2025. This tool is designed to develop and improve the financial competencies of Ukrainians, in particular through the development of educational programs, training and methodological materials, the organization of educational activities and other initiatives aimed at raising the level of financial awareness and effective use of financial services by various target groups.

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

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



National Financial Literacy Project is three years, results of work:

86

Educational events held

550

Lecture hours

87

Financial literacy clubs opened

36

Educational events held in 2022



The Financial Competences Framework for Adults has been developed and published

Involved institutions of postgraduate education in the city of:

[Uzhhorod](#) [Ivano-Frankivsk](#) [Kherson](#)
[Rivne](#) [Luhansk](#) [Mykolaiv](#) [Zhytomyr](#)
[Lutsk](#) [Dnipro](#)



The development of the DGF educational project on social media was continued



In order to attract a wide audience, the online channels of the National Financial Literacy Project are actively working on Facebook and page of the DGF educational project Fincult on the YouTube video hosting service and the Telegram channel. Thus, during 2022, more than 900 publications on financial literacy and awareness of the guarantee scheme, as well as information on financial literacy activities were posted on DGF social media on financial literacy. In addition, 26 educational videos were recorded and posted on the Fincult channel on the YouTube video hosting service, as well as 32 video lectures for financial literacy teachers.

In 2022, the DGF will strengthen its cooperation with economic higher education institutions and take an active part in partner educational activities. Thus, in particular, in 2022 the DGF specialists became lecturers of the Talan School of Financial Literacy for Teachers of the Financial Knowledge Center (organized by the NBU), the online forum for financial

literacy educators Open Finance Time (organized by the State Tax University) and the series of lectures and workshops Fin-education (organized by Taras Shevchenko National University of Kyiv). In addition, representatives of the DGF took part in the XIV International Scientific and Practical Conference "December Readings", which is traditionally organized by Taras Shevchenko National University of Kyiv. The topic was "Business Sustainability and Household Welfare: Financial and Social Aspects". DGF specialists made a report on "Work of the Guarantee Fund During the War" and acquainted the students with the changes that took place in the legislation on the guarantee scheme for the period of martial law and after it.

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

Protection of depositors' rights

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

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

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

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

- legislative initiatives were implemented to increase the amount of guaranteed compensation;

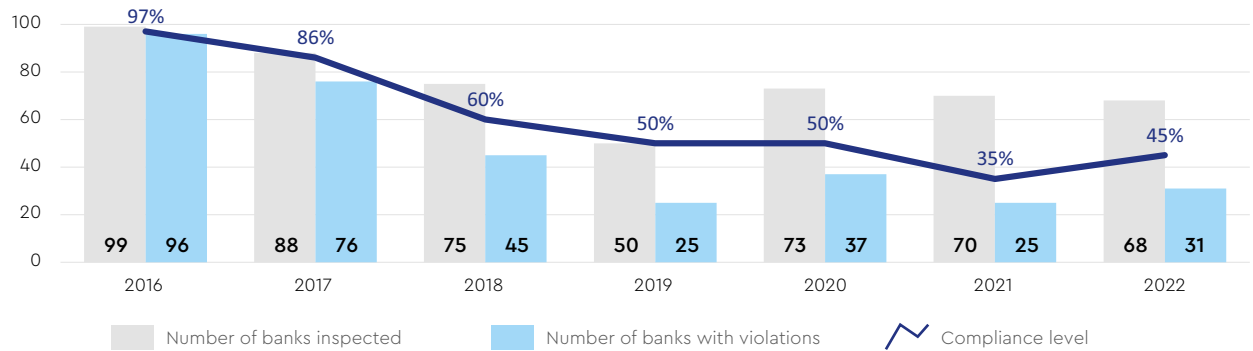
- a 100% deposit guarantee was introduced during martial law and three months after its termination or cancellation;
- interaction with the regulator and banks is ensured;
- control over the fulfillment by banks of the DGF requirements for disclosure of information on the deposit guarantee scheme was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

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

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



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



Furthermore, taking into account the prospects of our country's accession to the EU, digitalization and the emergence of new innovative financial services on the financial market, the DGF adjusts to new realities and continues to work on the implementation of EU directives aimed at protecting the rights of depositors, as well as monitors trends in the financial

market, which may cause risks for the interests of investors, as full and transparent informing of citizens is and remains the main focus of the DGF activities in this area.

7.4. International cooperation

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

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

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

Special mention should be made of the DGF communication with international partners at the bilateral level. In September 2022, a Memorandum of Understanding was signed with the Bank Guarantee Fund of Poland in order to facilitate cooper-

ation and interaction in areas of common interest, as well as to coordinate the efforts of the parties in the development of their deposit insurance systems. A number of thematic inquiries were also provided by IUCN members (including the Azerbaijan Deposit Insurance Foundation regarding the sale of collateral collected on the bank's balance sheet and the types of reporting submitted by the DGF member banks; the Deposit Insurance System of Croatia regarding the accrual of interest on the DGF funds placed on DGF account with the NBU, etc.).

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

Furthermore, cooperation with the US Department of the Treasury's Office of Technical Assistance was continued, including two strategic planning sessions, during which the current state of the banking system and prospects of bank insolvency were considered, various strategies for resolved banks were analyzed, mechanisms of financial support of the DGF were determined, etc.

As part of the Financial Sector Technical Assistance Program, the DGF specialists together with colleagues from the National Bank of Ukraine continued cooperation with World Bank experts on the implementation of the provisions of the EU directives on the bank insolvency resolution and deposit guarantee (BRRD and DGSD) into Ukrainian legislation. Special mention should be made of the DGF cooperation with the World Bank aimed at overcoming the consequences of the Russian military aggression, determining the DGF current and priority needs for technical assistance, assessing potential economic losses, etc. Thus, DGF representatives took an active part in the work of the Coordination Committee of the Project for the Recovery and Sustainability of the Financial Sector of Ukraine.

8. Legal and regulatory environment

8.1. Improvement of the legal framework

The main achievements of 2022 in improving the DGF legal framework were the adoption by the Verkhovna Rada of Ukraine of the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring Stability of the Household Deposit Guarantee Scheme" No. 2180-IX on April 1, 2022, on the development of the norms of this law the DGF cooperated with state authorities and international partners. This law defines the legal grounds for:

- introduction of a mechanism for restructuring the DGF debt to the state;
- increase of the deposit compensation ceiling to UAH 600,000;
- acquisition of the status of the DGF member bank by JSC State Savings Bank of Ukraine;

Law No. 2180-IX also regulates such issues as:

- improvement of the mechanism for ensuring the DGF financial stability by calculating the DGF financial indicators, in particular the required value of the target indicator and the deadline for its achievement, setting the size of the basic annual rate of regular collection, introduction of mechanisms for their calculation and the procedure for establishing them;
- introduction of provisions on the procedure for conducting stress testing of the household deposit guarantee scheme;
- improvement of mechanisms for the provision of the Financial Support Fund by the National Bank of Ukraine and the state;
- improvement of the credit support mechanism provided by the DGF.

In order to avoid panic in the country and to ensure financial stability during the martial law in Ukraine, introduced by the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine" No. 64/2022 dated February 24, 2022, approved by the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine" No. 2102-IX dated February 24, 2022 (as amended), the Final Provisions of the said Law stipulate that during the martial law in Ukraine and for three months from the date of termination or cancellation of martial law in Ukraine, the DGF shall compensate each to the depositor of the bank the funds in the full amount of the deposit, including interest accrued as of the end of the day preceding the day of commencement of the bank resolution procedure, except for the cases provided for in part 4, Article 26 of the Law of Ukraine "On Household Deposit Guarantee Scheme".

The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Concerning the Specifics of the Systemically Important Bank Resolution under Martial Law" introduced the systemically important bank resolution procedure with the participation of the state in case of loss of liquidity during martial law in Ukraine. Thus, the law stipulates that:

- the nationalization of a systemically important bank will take place through the procedure of classifying the bank as insolvent, but will not require capital injection by the state — the sale of the bank for UAH 1 will be carried out regardless of the actual size of the bank's regulatory cap-

ital on the day the National Bank of Ukraine adopts the relevant decision;

- the DGF will not change the size of the authorized capital of an insolvent systemically important bank, the denomination of shares of such a bank, including will not exchange monetary liabilities of the bank for shares of additional issue;
- the bank's provisions for covering losses on active banking operations will not be formed, and credit risk will not be determined on all active banking operations;
- instead of exchanging deposits for shares with their subsequent repayment, the state introduces termination of the bank's obligations to controllers and owners of major shareholding in such a bank, as well as sanctioned persons with subsequent crediting of funds under these obligations to the bank's income (the bank's capital is also increased);
- compensation of the value of shares to shareholders (if it exceeds UAH 1 according to the audit company) will be possible only after compensation for losses to the state of Ukraine from the Russian Federation and only at the expense of such funds.

The Law also removes all prohibitions (encumbrances/arrests, etc.) on alienation of shares and termination of the bank's obligations to controllers, owners of major shareholding and sanctioned persons. Assessment of the bank's assets, damage (losses) of the bank's shareholders and creditors will be carried out by an internationally recognized auditor without taking into account the provisions of the law on property valuation, based on the actual financial condition of the bank on the date of sale.

In addition, in order to enable the DGF to fulfill its task of ensuring the functioning of the household deposit guarantee scheme, insolvent banks resolution, and liquidation of banks under martial law, in order to require DGF prompt response to the circumstances of martial law or during a special period, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning the Specifics of the Financial Sector Activities in Connection with the Imposition of Martial Law in Ukraine" amended part 4, Article 6 of the Law of Ukraine "On Household Deposit Guarantee Scheme". The amendments stipulate that the DGF regulations on the specifics of the household deposit guarantee scheme, insolvent bank resolution, and liquidation of banks under martial law or during a special period are not subject to state registration in the manner prescribed by law. They will come into force on the day of their official publication, unless a later date of entry into force is provided for by such act. The official publication of such a legal act of the DGF shall be the first publication of its full text in one of the periodicals — the Official Gazette of Ukraine, *Uriadovyi Kurier*, *Holos Ukrainy*, or the first publication on the DGF official website.

The adoption by the Verkhovna Rada of Ukraine of these laws is a step towards ensuring the reliability and stability of the banking system and the financial system of Ukraine in general, restoring confidence in it by depositors and creditors of banks, especially in martial law.

During 2022, the DGF continued to work on the implementation of the measures of the Roadmap of the Strategy of Finan-



cial Sector Development until 2025 and on the activities of the DGF Development Strategy for 2022.

The DGF, in cooperation with stakeholders, has prepared the draft DGF Development Strategy for 2023–2025.

8.2. DGF regulatory activities

Pursuant to Article 14 of the Law of Ukraine "On Principles of State Regulatory Policy in the Sphere of Economic Activity" during 2022, as part of normative regulation of the household deposit guarantee scheme and bank resolution system, the DGF adopted and posted on the official website of the DGF in order to organize public consultations 5 regulatory acts, namely:

- Decision of the DGF Executive Board No. 795 dated October 6, 2022, "On Amendments to the Regulations on the Procedure for Conducting Inspections of Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on October 24, 2022, under No. 1311/38647. Date of posting on the website: August 29, 2022;
- Decision of the DGF Executive Board No. 796 dated October 6, 2022, "On Approval of Amendments to the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on November 1, 2022, under No. 1350/38686; Date of posting on the website: August 29, 2022;
- Decision of the DGF Executive Board No. 854 dated October 24, 2022, "On Approval of Amendments to the Instructions on the Procedure for Ensuring Access to Public Information in the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on November 9, 2022, under No. 1391/38727. Date of posting on the website: September 13, 2022;
- Decision of the DGF Executive Board No. 894 dated November 8, 2022, "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on November 21, 2022, under No. 1437/38773. Date of posting on the website: September 26, 2022;
- Draft Decision of the DGF Executive Board "On Approval of Amendments to the Regulations on the Procedure for Maintaining the Register of Members of the Deposit Guarantee Fund and the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests". Date of posting on the website: November 21, 2022.

In addition, in order to improve the legal framework of the DGF activities and bring it in line with the changes in the legislation, 25 regulatory acts were adopted, namely:

- Decision of the DGF Executive Board No. 27 dated February 17, 2022, "On Approval of Amendments to the Regulations on Insolvent Bank Resolution" registered with the Ministry of Justice of Ukraine on December 3, 2022, under No. 138/37474;
- Decision of the DGF Executive Board No. 87 of February 3, 2022, "On Approval of the Regulations on the Enforcement by the Deposit Guarantee Fund by Means of the Automated System of Payments of Court Decisions in Favor of Depositors to Recover the Guaranteed Compensation Amount for a Deposit Placed with a Bank Payments to the Depositors of Which Have Been Suspended or Completed, and/or Other Amounts Related to Such Recovery and Amendments to the Instructions on the Procedure for Fi-

nancing the Process of Payments by Agent Banks of the Guaranteed Amount of Compensation for Depositors" registered with the Ministry of Justice of Ukraine on February 23, 2022, under No. 253/37589;

- Decision of the DGF Executive Board No. 122 dated February 17, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 1158 dated June 18, 2020, and Annexes 1 and 8 to the Regulations for Reporting by the Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on March 7, 2022, under No. 305/37641;
- Decision of the DGF Executive Board No. 147 of March 2, 2022, "On Amendments to the Decision of the DGF Executive Board No. 87 of February 3, 2022, "On Approval of the Regulations on the Enforcement by the Deposit Guarantee Fund by Means of the Automated System of Payments of Court Decisions in Favor of Depositors to Recover the Guaranteed Compensation Amount for a Deposit Placed with a Bank Payments to the Depositors of Which Have Been Suspended or Completed, and/or Other Amounts Related to Such Recovery and Amendments to the Instructions on the Procedure for Financing the Process of Payments by Agent Banks of the Guaranteed Amount of Compensation for Depositors" registered with the Ministry of Justice of Ukraine on March 7, 2022, under No. 301/37637;
- Decision of the DGF Executive Board No. 201 dated March 24, 2022, "On the Specifics of the Guaranteed Deposit Payouts During Martial Law in Ukraine" registered with the Ministry of Justice of Ukraine on March 31, 2022, under No. 371/37707;
- Decision of the DGF Executive Board dated March 29, 2022, No. 205 "On Amendments to Section III of the Regulations on the Complaints Review Commission and Preparation of Proposals for Organizing and Conducting Open Bidding (Auctions) for the Sale of Assets (Property) of Resolved or Liquidated Banks" registered with the Ministry of Justice of Ukraine on April 7, 2022, under No. 394/37730;
- Decision of the DGF Executive Board No. 243 dated April 13, 2022, "On Approval of Amendments to the Regulations on the Procedure for Informing the Public about the Household Deposit Guarantee Scheme" registered with the Ministry of Justice of Ukraine on April 28, 2022, under No. 464/37800;
- Decision of the DGF Executive Board No. 267 dated April 26, 2022, "On Approval of Amendments to the Regulations on the Calculation, Accrual and Payment of Premiums to the Deposit Guarantee Fund and Regulations for Reporting by the Members of the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on May 24, 2022, under No. 558/37894;
- Decision of the DGF Executive Board No. 268 dated April 24, 2022, "On Amendments to the Regulations on the Procedure for Imposing Administrative and Economic Sanctions by the Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on May 13, 2022, under No. 518/37854;
- Decision of the DGF Executive Board No. 269 dated April 26, 2022, "On Amendments to the Regulations on the Procedure for Conducting Inspections of Members of the



- Deposit Guarantee Fund" registered with the Ministry of Justice of Ukraine on May 13, 2022, under No. 513/37849.
- Decision of the DGF Executive Board No. 291 dated May 29, 2022, "On the Specifics of the Implementation During the Martial Law in Ukraine of the Pilot Project for Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions)" registered with the Ministry of Justice of Ukraine on May 21, 2022, under No. 550/37886;
 - Decision of the DGF Executive Board No. 348 dated May 17, 2022, "On Amendments to Clause 1 of the Decision of the Executive Board of the Deposit Guarantee Fund No. 268 dated April 26, 2022" registered with the Ministry of Justice of Ukraine on May 20, 2022, under No. 544/37880;
 - Decision of the DGF Executive Board No. 349 dated May 17, 2022, "On Amendments to Clause 1 of the Decision of the Executive Board of the Deposit Guarantee Fund No. 269 dated April 26, 2022" registered with the Ministry of Justice of Ukraine on May 20, 2022, under No. 546/37882;
 - Decision of the DGF Executive Board No. 366 dated May 26, 2022, "On Amendments to the Regulations on Insolvent Bank Resolution and the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying the Creditor Claims of Liquidated Banks" registered with the Ministry of Justice of Ukraine on June 6, 2022, under No. 603/37939;
 - Decision of the DGF Executive Board No. 394 dated June 7, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 366 dated May 26, 2022" registered with the Ministry of Justice of Ukraine on June 6, 2022, under No. 622/37958;
 - Decision of the DGF Executive Board dated June 30, 2022, No. 444 "On the Specifics of Consideration of Administrative and Economic Sanctions for Violation of the Legislation on Household Deposit Guarantees in Connection with the Martial Law in Ukraine or Its Individual Localities" registered with the Ministry of Justice of Ukraine on July 15, 2022, under No. 789/38125;
 - Decision of the DGF Executive Board No. 459 dated July 4, 2022, "On Approval of Amendments to the Instructions on the Procedure for the Deposit Guarantee Fund to Protect Depositors' Rights and Interests" registered with the Ministry of Justice of Ukraine on July 26, 2022, under No. 837/38173;
 - Decision of the DGF Executive Board No. 592 dated August 11, 2022, "On Amendments to the Regulations on the Procedure for Compiling and Maintaining the Register of Accepted Creditor Claims and Satisfying the Creditor Claims of Liquidated Banks" registered with the Ministry of Justice of Ukraine on August 29, 2022, under No. 976/38312;
 - Decision of the DGF Executive Board No. 876 dated October 31, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 795 dated October 6, 2022" registered with the Ministry of Justice of Ukraine on November 3, 2022, under No. 1359/38695;
 - Decision of the DGF Executive Board No. 895 dated November 3, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 796 dated October 6, 2022" registered with the Ministry of Justice of Ukraine on November 7, 2022, under No. 1378/38714;
 - Decision of the DGF Executive Board No. 899 dated November 7, 2022, "On Amendments to Clause 4.14 of Chapter 4, Section V of the Regulations on Insolvent Bank Resolution", registered with the Ministry of Justice of Ukraine on November 24, 2022, under No. 1460/38796;
 - Decision of the DGF Executive Board No. 922 dated November 14, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 854 dated October 24, 2022" registered with the Ministry of Justice of Ukraine on November 18, 2022, under No. 1433/38769;
 - Decision of the DGF Executive Board No. 954 dated November 24, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 894 dated November 3, 2022" registered with the Ministry of Justice of Ukraine on November 28, 2022, under No. 1490/38826;
 - Decision of the DGF Executive Board No. 966 dated November 28, 2022, "On Approval of the Regulations on Leasing Real Estate of the Bank Liquidated by the Deposit Guarantee Fund, by Holding Open Bidding (Auctions), Amending and Recognition as Invalid of Certain Decisions of the Executive Board of the Guarantee Fund" registered with the Ministry of Justice of Ukraine on December 14, 2022, under No. 1605/38941;
 - Decision of the DGF Executive Board No. 1043 dated December 19, 2022, "On Amendments to the Decision of the Executive Board of the Deposit Guarantee Fund No. 966 dated November 28, 2022" registered with the Ministry of Justice of Ukraine on December 22, 2022, under No. 1657/38993;
- Based on part 4, Article 6 of the Law of Ukraine "On Household Deposit Guarantee Scheme", 6 regulatory acts were adopted, namely:
- Decision of the DGF Executive Board No. 680 dated September 2, 2022, "On the Specifics of Participation in an Open Auction for the Purpose of Insolvent Bank Resolution under Martial Law in Ukraine";
 - Decision of the Executive Board No. 789 dated October 6, 2022, "On the Specifics of Liquidation of Banks in Accordance with the Law of Ukraine "On Household Deposit Guarantee Scheme" in Terms of Sale of Their Property under Martial Law";
 - Decision of the Executive Board No. 863 dated October 27, 2022, "On Certain Specifics of the Functioning of the Household Deposit Guarantee Scheme in Terms of Conducting Inspections of Banks under Martial Law Introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine";
 - Decision of the Executive Board of Ukraine No. 893 dated November 3, 2022 "On Certain Specifics of Insolvent Bank Resolution and Bank Liquidation Regarding the Procedure for Selection of Persons Who Can Perform Works (Provide Services) to Insolvent Banks or Liquidated Banks by the Deposit Guarantee Fund in the Conditions of Martial Law Imposed by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine";
 - Decision of the Executive Board of Directors No. 1044 dated December 19, 2022, "On Approval of the Regulations on the Specifics of the Functioning of the Household Deposit Guarantee Scheme during a Special Period in Terms of Reporting by the Members of the Deposit Guarantee Fund and Recognition as Invalid of Certain Decisions of the Executive Board of the Guarantee Fund";
 - Decision of the Executive Board dated December 29, 2022, No. 1107 "On the Specifics of the Functioning of the Household Deposit Guarantee Scheme in Terms of Assessing the Financial Stability of the Deposit Guarantee Fund during Martial Law Introduced by the Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, "On the Imposition of Martial Law in Ukraine";



The DGF actively cooperated with the experts of the International Monetary Fund in the framework of the implementation of the letter of intent and the Memorandum of Economic and Financial Policies concluded between the Government of Ukraine and the International Monetary Fund. The result of this work included:

- adoption of the Law of Ukraine "On Amendments to Certain Laws of Ukraine Regarding Ensuring Stability of the Household Deposit Guarantee Scheme" No. 2180-IX dated April 1, 2022;
- Preparation by the DGF of an action plan in case of potential adverse court decisions on circumstances in

the direction of work on non-validation of forecasted consequences for the banking system of Ukraine, the DGF and other bodies from potential decisions of the CCU in order to minimize the consequences of withdrawal for the Law of Ukraine "On Household Deposit Guarantee Scheme" beyond the legal field of institutions of the Deposit Guarantee Scheme, insolvent bank resolution, and liquidation of banks, namely: prepared an action plan in case of emergencies aimed at minimizing risks to the stability of the financial system of Ukraine as a result of the adoption of adverse decisions by the CCU.

8.3. Establishment of guarantee schemes for non-bank financial institutions

In 2022, the DGF, in close cooperation with the National Bank of Ukraine and fruitful cooperation with international stakeholders, worked out all the initiatives on legislative changes in the creation of a deposit guarantee scheme for members of credit unions.

At the same time, the DGF started the process of necessary internal technical improvements in order to effectively support future members of the guarantee scheme — non-bank financial institutions. The aim is to introduce the whole landscape of automation of the necessary processes to create a modern ecosystem of interaction of the DGF with the National Bank of Ukraine, as the Regulator, and non-bank financial institutions — future members of the guarantee scheme.

In 2022, the DGF continued to develop international practices on the functioning of insurance guarantee schemes under insurance contracts, as well as familiarization with the main trends of the European Community in the areas of development of guarantee schemes and insolvency of insurers. The gained world experience will form the basis of the future concept of the payment guarantee scheme in the insurance services market of Ukraine.

The next step in building the guarantee scheme as a whole, and the DGF as a key element, will be to cover new segments of the financial market of Ukraine, namely to expand its mandate to a significant part of the market of non-banking financial services.



9. Risk management and business operations

9.1. DGF risk management

In accordance with the strategic priorities of the DGF development in 2022, work was carried out to improve the efficiency of the risk management system and the creation of a modern risk management system, which corresponds to the best practices in the field of deposit insurance, continued.

Together with the European Bank for Reconstruction and Development, the DGF is implementing a project to organize stress testing of the guarantee scheme, in which KPMG-Ukraine LLC acts as a consultant. The main purpose of stress testing is to increase the level of stability and functioning of the deposit guarantee scheme in conditions of severe economic downturn, to identify deficiencies in the processes in the functioning of the deposit guarantee scheme and their further optimization, as well as to determine the level of capitalization required by the DGF at any time of performing its functions in the event of a severe economic downturn, as well as ensuring that the DGF complies with the EU Directives.

The project in 2022 analyzed the financial situation in Ukraine, taking into account the macroeconomic forecasts of the National Bank of Ukraine, the Ministry of Finance of Ukraine, the World Bank; the key assumptions about the potentially severe economic downturn and its impact on the deposit insurance system were introduced; the draft Methodology for conducting stress testing of the household deposit guarantee scheme has been developed, which provides for stages of stress testing, stress testing indicators, relevant tests and a system for evaluating the results of these indicators and tests; a draft of the Stress Test Program (2023-2025) was prepared, which provides a time frame for testing and determines the scope of each exercise in terms of formats and assumptions; a test version of the DGF financial model was developed, which includes a set of tools for calculating the target indicator and the deadline for its achievement.

In order to minimize the risks of military aggression, the Emergency Response Plan (escalation of the military conflict) was developed and approved, which provides for the adoption of legal, information technology and organizational measures, which increased the DGF ability to perform its functions in emergency situations. In particular, the Plan envisages a set of measures to minimize the risk of information loss by the DGF.

Pursuant to the requirements of the Regulations on the DGF risk management system approved by Decision of the DGF Executive Board No. 772 dated April 9, 2020, the Declaration of Risk Exposure of the Deposit Guarantee Fund for 2022 was developed and approved, which the DGF is ready to undertake in its activities. The implementation of this document contributes to improving the quality of decision-making on strategic issues of the DGF activities, helps to create a culture of risk awareness in the DGF and to ensure that the DGF

performs the functions defined by the legislation of Ukraine. Furthermore, reports on compliance with risk appetite indicators for insurance, other financial, operational and social risks were approved on a quarterly basis, according to the above declaration.

At the same time, in order to increase the efficiency of the DGF internal control system, in particular in terms of identification (determination) of compliance risks and compliance risk management procedures, amendments to the Regulations on the DGF Risk Management System in terms of defining new methods of identification (determination) of compliance risks were developed and approved, taking into account the best practices of risk management, as well as the process of self-assessment of compliance risks. The functioning of the risk management system is ensured by timely detection, measurement, monitoring, control, reporting and providing recommendations on compliance risk mitigation. At least once a quarter, reporting on compliance with the risk appetite indicators for compliance risks is carried out in accordance with the Declaration of DGF Risk Propensity, which allows the DGF to respond in a timely manner to compliance risks arising in its activities.

In order to control compliance with the principle of zero tolerance for the risk of conflict of interest in the relevant processes of the DGF during the reporting year, control, detection, and prevention of conflicts of interest, verification of information on the presence/absence of conflicts of interest, prevention of conflicts of interest.

In addition, an in-depth analysis of the DGF internal regulatory documents on the use of information assets and information systems was provided, with recommendations on the need for changes, taking into account the increasing threat of constant cyberattacks by the aggressor state. Moreover, current monitoring of compliance with the requirements of the legislation in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction was carried out, as well as monitoring of compliance with the requirements of the legislation in this area by insolvent banks resolved by the DGF.

9.2. Personnel management and development

The beginning of 2022 was burdened by the continuation of the COVID-19 pandemic, and in February the aggression and full-scale Russian invasion of Ukraine began. This required decisive action from the DGF management, namely: acceleration of management decisions, flexibility of leadership style, im-

provement of communication processes, ensuring the safety of employees, maintaining their performance and mental health, ensuring the smooth performance of the DGF tasks and responsibilities.



All this required the development of new personnel management tools in response to force majeure. Due to the fact that the DGF, as well as other Ukrainian organizations, did not have experience of personnel management under martial law, the DGF developed its own adaptive innovation.

During 2022, the DGF extended the implementation of the personnel policy, one of the priorities of which was to maintain an effective personnel management system, which would ensure high-quality and timely performance of tasks provided for by the Law of Ukraine "On Household Deposit Guarantee Scheme". For this purpose, the models of the working environment were changed during the year: from full-time work to the off-line mode in the DGF premises.

In order to diversify the risks associated with the need to ensure the activities of the DGF under martial law, taking into account the constant missile strikes and power outages in the city of Kyiv, since March 2022 the DGF has started functioning of the DGF situational center in the city of Ivano-Frankivsk.

Under martial law, the DGF priority in working with personnel was to ensure the safety of employees and their families in order for them to perform their tasks and responsibilities without interruption. A mechanism for effective communication with employees was introduced, channels of communication, prompt exchange of information and administration and standardization of personnel documents were defined.

The stability of the DGF performance of its main tasks during the war is confirmed by the fact that the DGF did not stop its activities for a single day. Since February 25, 2022, the DGF has successfully started the liquidation of two new banks, the liquidation decision of which was taken by the National Bank of Ukraine on the second day of the full-scale invasion. And this was made possible by the highly professional teamwork of the DGF employees.

Despite the changes in the country related to Russia's military aggression against Ukraine, the structure and staffing of the DGF remained stable during 2022. Thus, as of December 31, 2022, the DGF structure consisted of 27 independent

structural units, including 6 departments, 5 administrations, 5 services, 9 divisions, etc., which is identical compared to the previous year, and the DGF staff included 332 full-time employees, which is similar to the beginning of 2021.

Training and development of professional skills of the staff remained an integral part of the DGF personnel policy. The Department of HR Management and Development faced the issue of determining the forms of their organization and implementation in the current conditions. For this purpose, mainly corporate training was provided during the year, including training on anti-corruption issues; new in order to organize, plan and conduct procurement; practical measures of information security and cyber hygiene; specialized training, which is defined by law as mandatory, as well as a free online event on psychological and emotional support was organized for all interested employees of the DGF, etc.

In 2022, in order to communicate effectively with the banks being liquidated by the DGF and to ensure the procedures for liquidation of banks carried out directly by the DGF, ongoing work was carried out to coordinate the implementation of personnel administration of banks, including approval of draft structures, staffing lists, individual salary levels and candidates for the positions of heads of key structural units of insolvent banks, compliance with the requirements of the legislation and current amendments thereto. Responses to ongoing inquiries and requests from former employees of banks and authorities were provided.

Furthermore, new methods of motivating employees in martial law, such as mutual assistance and mutual support of homeless workers, joint periodic volunteer projects in the DGF, fundraising for DGF mobilized employees, acquisition of items much needed for fighters at the front, and personal assistance to the Armed Forces of Ukraine.

9.3. Internal audit

During 2022, the Internal Audit Service evaluated and contributed to the improvement of corporate governance, risk management and internal control processes through DGF audits.

In 2022, 8 audits of the effectiveness of the processes of risk management, internal control and performance of functions in the main areas of activity of structural units were conducted:

- management of liquidation procedures (insolvent bank resolution);
- maintaining by the DGF of a generalized database of depositors of insolvent banks and resolved banks;
- monitoring of the activity of banks participating in the DGF (control of fulfillment of obligations in connection with participation in the household deposit guarantee scheme);
- conducting qualification selection of persons by the DGF to ensure the exercise of the powers vested in the DGF;
- financial and investment activities of the Deposit Guarantee Fund.

These inspections were carried out in accordance with the Plan approved by the Administrative Board.

Scheduled audits were performed using a process and risk-oriented approach to the objects of audit.

The DGF regularly (on the first day of each quarter) submitted reports for approval to the DGF Administrative Board with conclusions and proposals on issues within its competence.

The conclusions and proposals of the internal audit service approved by the DGF Administrative Board must have been taken into account in the DGF activities.

9.4. Information technology

In 2022, the DGF improved and optimized the IT infrastructure in accordance with the strategic directions of IT development in order to ensure the business processes of functioning of the household deposit guarantee scheme and bank resolution system.

Accordingly, the main tasks of the DGF IT include:

- ensuring the reliability of the DGF IT systems for efficient and high-quality performance of the DGF functions;
- reliable storage and quality of information (data) migrated from the information systems of insolvent banks to the DGF IT infrastructure, as well as data that support the DGF business processes;
- guarantee of security of data and IT systems, which provides, first of all, the impossibility of unauthorized manipulation of data.

In connection with the armed aggression of the Russian Federation against Ukraine and in order to ensure the smooth operation of the IT infrastructure to ensure the business processes of the DGF during hostilities on the territory of Ukraine, the DGF took the following measures:

- creation of a remote backup data center, which is designed to ensure the continuous operation of the DGF in case of physical damage or impossibility to continue the operation of the DGF main data center;
- creation of communication channels for continuous synchronization of information systems data between the DGF data centers — main and backup;
- creation of a backup cloud data center on AWS (Amazon Web Services) resources for emergency recovery of information systems in case of physical damage or impossibility to continue the operation of the main and backup data centers;
- created and launched continuous synchronization of data from the DGF main data center to the cloud data center to minimize the risks of data loss;
- successful testing of the transition of the DGF mail system to Microsoft Office 365 cloud resources in the direction of the possibility of reserving the DGF mail system;
- upgraded computing power and disk arrays to meet the growing demands of information systems on resources.

In the conditions of extreme functioning of IT systems during the war period in order to centralize the processes of insolvent bank resolution (including the organization of storage of information of banks) and optimization of costs of insolvent banks, the DGF in 2022 took the necessary measures to migrate data from information systems of insolvent banks and to transfer such banks on a centralized basis to the following DGF systems:

- The Unified Operational Information System of Insolvent Banks (hereinafter referred to as the "UOIS") is a consolidated software package containing data from the ODS/ABS and other information systems of insolvent banks and is designed to support the operational activities of such banks;
- Software warehouse for insolvent bank resolution (data warehouse, DWH), which provides centralized processes of preparation of assets of insolvent banks for sale, accounting of claims work on legal cases of insolvent banks, maintenance of agreements and register of their creditors, ensures consolidation of data on insolvent banks in the resolution process.

During 2022, data of three insolvent banks were migrated, namely: JSC IR BANK, PJSC PROMINVESTBANK, JSC MEGABANK.

In total, by the end of 2022, 99 insolvent banks had migrated data to the DGF information systems (UOIS, DWH) and transferred to centralized operation in these systems.

Application by the DGF of UOIS provides advantages in performing functions on insolvent bank resolution, namely:

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

In order to create additional financial controlling during the execution of CASH_OUT documents by the insolvent bank in order to prevent the excess of expenses over the termination estimate and/or the estimated estimate of the liquidation costs of the bank in 2022, the UOIS was improved in terms of expanding the functionality of the subsystem of the insolvent bank estimates.

In order to reliably preserve the historical data of insolvent banks, provide fast and high-quality access to such data to the DGF responsible employees for further formation of official documents at the request of DGF structural units and third parties in accordance with the current legislation, in 2022 the DGF introduced the UOIS-ARCHIVES module as part of the Unified operational information system of insolvent banks.

In order to increase the efficiency of the processes of insolvent bank resolution, in 2022 DWH was improved in terms of improving the developed modules for replication of data from the UOIS on the expansion of data on insolvent banks: JSC DELTA BANK, JSC CB ZEMELNY CAPITAL, JSC IR BANK, PJSC PROMINVESTBANK, JSC MEGABANK).

Modernization of the Software Complex for Insolvent Bank Resolution (DWH) provides the DGF with the following opportunities:

- use of the DGF integral unified information base for making decisions on ensuring the insolvent bank resolution processes;
- formation of reporting of insolvent banks in various areas of activity;
- automation of control over the activities of insolvent banks;
- centralized work with assets of insolvent banks;
- improving the quality of information for decision-making and practical actions by DGF employees;
- analysis of the performance indicators of problem banks in order to prevent a critical state of the bank;
- ensuring the processes of litigation work of insolvent banks;



- monitoring the status of assets of insolvent banks and legal entities that are their debtors in the state registers of Ukraine.

Improving the centralization of the DGF processes in 2022 also includes the modernization of the Data Analysis and Analytical Reporting System (MIS) in terms of expanding the sources of information and source reporting forms, namely:

- modification of dashboards of the Monitoring section;
- development of metadata content in Perfex and PowerDesigner systems;
- implementation of dashboards under the Payments, Legal Work sections;
- creation of dashboards Debt obligations and Deposits by ranges;
- implementation of info panels (4 pcs.) under the Provisional Administration and Liquidation section;
- implementation of 10 dashboards and creation of content in Perfex and PowerDesigner under the Investigations section;
- making changes to the dashboards of the Monitoring section;
- download and control input data from two sources for dashboards of the Investigations section;
- creating a model of the data processing process in Power Designer;
- creation of user notifications for data updates.

The DGF data analysis and analytical reporting system enables:

- centralized construction of DGF management reporting, ensuring timely provision of information of the required level of detail on the DGF key processes in order to further make management and strategic decisions;
- organization for each user of a single platform for prompt retrieval of data necessary for the formation and receipt of reports from various corporate and external sources of the DGF;
- users of this System to perform flexible data analysis, filtering, sorting, grouping, and calculation of indicators according to any analytical section and time interval;
- construction of anchor reports, reports on finance, liquidity management, results of sale of assets, results of guaranteed deposit payouts to depositors for reporting periods, etc.;
- construction of forecast indicators for the following periods and calculation of efficiency indicators;
- coverage of detailed information in general and for each insolvent bank separately;
- implement data storage on DGF key functions;
- implement automated ETL procedures for collecting, processing and uploading the required data on a regular basis.

To ensure the guaranteed deposit payouts to the depositors of insolvent banks, the DGF uses the software complex "DGF Automated Payment System" (hereinafter referred to as the "APSF"), which contains both operational and historical data on guaranteed deposit payouts for the entire period of the DGF operations.

In order to ensure the continuous operation of the household deposit guarantee scheme and increase public confidence in the banking system under martial law, the data exchange protocols of BANK-AGENT — FPC in APSF were modernized and a system of remote payments was developed. The introduction

of online payments was a necessary and important step that enabled depositors to receive payments in different parts of Ukraine, even where it was impossible to organize the work of branches of agent banks.

In order to improve the process of guaranteed deposit payouts to depositors of insolvent banks during 2022, the DGF modernized APSF in the following areas:

- implementation of the mechanism of extended logging of errors of the APSF workstation and modernization of the mechanism of work with errors, information messages and warnings of the APSF workstation;
- development of EDS emulation technology on APSF test complexes;
- development of a verification module in the industrial version of APSF Payment Operations Module, including modernization of the industrial version of APSF Payment Operations Module to support data cloning of insolvent banks; refactoring of the Payment Operations Module database to ensure efficient and consistent cloning of data from the main scheme to the verification module; implementation of the conditions of operation of the verification module in the Payment Operations Module database (development of functional constraints and software emulation of the interaction of the verification module with other systems; modernization of the APSF workstation for the possibility of working with the verification module);
- development of the web version of APSF, namely design and development of web application architecture; development of web-forms of authorization, application menu and auxiliary forms; development of a web-form global search for a depositor; development of the web-form of the client's card.

The modernization of the APSF enables the use of automated payment system tools in a more flexible mode, and makes the process of making guaranteed deposit payouts to depositors more optimal and efficient.

To implement the state policy aimed at digitalization and transfer of records of state institutions to electronic form, to implement the Laws of Ukraine "On Electronic Documents and Electronic Document Management" and "On Electronic Digital Signature", in accordance with the tasks set by the Strategy of Financial Sector Development until 2025, in 2022, the DGF continued to take measures to improve and expand paperless document management with the use of QES. In 2022, the DGF introduced the use of QES in the direction of dealing with citizens' appeals, personnel documents, documents of working groups and commissions, extracts from the register of DGF members, exchange of documents with contractors under agreements.

In 2022 to ensure electronic document management, the DGF:

- carried out electronic document exchange between the DGF, NBU, and other state institutions and banks, except for restricted documents (BT), permanent storage period, forwarding of citizens' appeals, etc.;
- carried out correspondence between the DGF and the DGF authorized officers for liquidation of banks in the ASKOD electronic document management system of the DGF using a qualified electronic signature or an advanced electronic signature (except for documents containing restricted information);
- executed most of the DGF internal documents in the form of electronic documents on the application of QES.

Introduction and use of electronic document management provides the following advantages:



- electronic documents are certified with QES in accordance with the requirements of the Law of Ukraine "On Electronic Documents and Electronic Document Management";
- the cost and time for sending documents and processing them significantly reduced;
- the number of intermediate procedures required for sending and receiving correspondence (electronic documents) has decreased, i.e., electronic documents move directly from one ASKOD EMS to another.
- processes of approval and signing of internal documents and source documents and improvement of executive discipline were optimized;
- the documentation processes in the DGF in the mode of remote work of employees in connection with the military aggression of the Russian Federation against Ukraine are effectively provided.

In order to operate the reporting portal of the Banking Reporting software package in 2022, the DGF made the following improvements to this reporting package, namely:

- expanding the functionality of reports Z112, Z114, FR625, FR613;
- supplementing the functionality and ensuring the reliability and flexibility of DBGuide data table editor settings;
- creation of a new/separate menu for life insurers;
- creation of a new/separate register for life insurers;
- conducting a feasibility study for the development and implementation of two-factor authentication for privileged accounts of the software package;
- modification of information processing algorithm and optimization of data control systems during RC file processing;
- development of the functionality of control and loading of files of type 07X and further work with this data;
- extension of the functionality for downloading data from the F4X file;
- development of a structured report with a selection function;
- completion of NBU reporting files, according to changes to the data on statistical reporting indicators on the NBU website.

The implementation of these changes in the Banking Reporting software package in 2022 allowed to optimize the data processing speed and expand the data processing functionality.

In accordance with the action plans to complete the liquidation procedure approved by the DGF Executive Board, in order to preserve information and minimize the cost of computing power, the DGF adopted virtualized information systems of four banks in 2022.

In order to facilitate the management and control of the DGF business processes during the war, the following automated processes were upgraded:

- business processes for operational and compliance risk management, as well as planning and control of relevant risk events;
- business processes for approving appropriate access to fund information systems for employees and workers of insolvent banks;
- process for HR management and development department;
- business process of preparation of assets of insolvent banks for sale.

In order to organize access to archival data, as well as to ensure their long-term and reliable storage, the process of development and implementation of the archive of the historical database of Prozorro.Sale electronic trading system on the organization and conduct of open auctions (auctions) for the sale of assets (property) of resolved banks and liquidated banks and the register of the DGF assets.

In order to implement the most effective business process management systems of the DGF, as well as to expand their functionality, the process of replacing the existing automated business process management system with modern analogues was initiated.

Due to the growing number of targeted cyberattacks on state-owned enterprises during the military aggression by the Russian Federation, the DGF has modernized the protection of the internal portal.

In 2022, work continued on standardization of Oracle server settings for DGF systems, organization of hot database redundancy to improve fault tolerance.

To ensure reliable storage of electronic information (data) contained in the DGF information systems, the following information was backed up and stored:

- on cloud resources of external providers;
- on tape media at a remote storage location.

Due to the growing number of targeted and complex attacks on state-owned enterprises, the DGF has introduced two-factor identification for remote work with the DGF information resources and for privileged accounts. A backup server for two-factor authorization in the AWS cloud has been deployed and configured. The work segment of system administrators was also reorganized with the creation of separate workstations for administration. In addition, Labyrinth has a comprehensive and customized solution for detecting targeted attacks (ART), botnets, zero-day attacks and insiders.

To ensure preventive protection, cooperation with the Center for Anti-Virus Information Protection of the State Service of Special Communications and Information Protection of Ukraine and the Situational Center for Cybersecurity of Ukraine of the Security Service of Ukraine continues.

The DGF constantly cooperates with the existing banks of Ukraine to improve and use the latest security mechanisms when processing information and conducting remote inspections. Additional settings of mechanisms for protecting the reporting of existing banks on the DGF Portal have been introduced, in terms of working with qualified and improved electronic signatures.

The DGF is in the process of building a comprehensive system of information protection of the DGF information systems, in 2022 3 certificates of conformity were received.

In order to counter complex phishing attacks, an intrusion test was conducted, based on the results of which employees were trained to improve their theoretical and practical knowledge on information security.

10. European integration

10.1. DGF role in the nationwide European integration processes

A key event took place on June 23, 2022, as part of the implementation of the state course set by the Constitution of Ukraine for Ukraine's full membership in the European Union — the leaders of the 27 EU member states decided to grant Ukraine the status of a candidate for membership in the European Union.

This event was preceded by extensive preparatory work of all institutions and organizations representing state institutions, including the DGF. The DGF, within the competence defined by the Law of Ukraine "On Household Deposit Guarantee Scheme", participated in the preparation of the relevant sections of the European Union Questionnaire for the decision to grant Ukraine the status of a candidate for membership in the European Union.

Obtaining a new status for Ukraine requires intensification of all processes, including the operational level, as well as actu-

alization of Ukraine's obligations under the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other parties (hereinafter referred to as the "Association Agreement"). The reason for such an update is a number of reforms that have taken place in the EU since the date of ratification by Ukraine of the Association Agreement, and the legislation on the implementation of which is currently not taken into account in its current version. Accordingly, the DGF, together with other bodies responsible for the implementation of European legislation in the field of financial services, started work on updating Annex XVII-2 "Rules Applicable to Financial Services". The work was initiated following consultation with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and is ongoing.

Status of approximation of legislation and involvement of the European External Aid Instrument of the European Commission under TAIEX

The Single Resolution Mechanism (SRM) and the functioning Deposit Guarantee Scheme (DGS) in the European Union are separate pillars of banking stability. The DGF powers under the Law of Ukraine "On Household Deposit Guarantee Scheme" determine its responsibility for the implementation of the above European mechanisms in full compliance with the requirements of the European Union.

Full and proper implementation of such mechanisms, as provided for in the two key directives⁷ of the European Union, require strengthening the institutional capacity of the DGF in terms of independence of the DGF and its financial stability, as well as the obligation to extend the guarantee scheme to all credit institutions⁸.

Therefore, during 2022, the issue of independence of the DGF and its financial stability became the subject of the relevant draft law, which is to be submitted to the Verkhovna Rada of Ukraine in November 2023. In addition, with the direct participation of European experts, work is underway to transition to stress testing of guarantee schemes in accordance with the technical regulations of the European Banking Regulator.

The issue of extending the deposit guarantee scheme to all credit institutions has been partially fulfilled by including the deposit guarantee scheme of Joint-Stock Company State Savings Bank of Ukraine in the register of members of the deposit guarantee scheme.

In order to fully implement the reforms in 2022, work was carried out with the involvement of external assistance from the European Commission under TAIEX:

- for the purposes of the insolvency reform of credit institutions (completion of the project postponed to 2023);
- for the purposes of the reform on guaranteeing and settling insolvency of insurance companies (the project was implemented in November 2022 with the involvement of fellow experts from countries such as France, Germany, the Netherlands, Poland⁹).

⁷ Directive 2014/59/EC of the European Parliament and of the Council dated May 15, 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council;

⁸ Credit institution within the meaning of the term credit institution according to EU legislation.

⁹ German Federal Financial Supervisory Authority (BaFin), Germany; Autorité de Contrôle Prudentiel et de Résolution (ACPR), France; De Nederlandsche Bank/Dutch Central Bank, the Netherlands; Polish Financial Supervision Authority (UKNF), Poland.



Annex to the Annual Report of the Deposit Guarantee Fund for 2022

APPROVED

Decision of the Administrative Board of the
Deposit Guarantee Fund

_____, 20__ No. ____

REPORT

on the implementation of the Investment Plan
of the Deposit Guarantee Fund for 2022–2024

DGF investments	Amount of investment according to the investment plan for 2022, UAH million	Actual investment for 2022, UAH million	Implementation, %
Total investment amount,	16,706.0	14,656.8	87.7
including:			
Formation of the authorized capital of the bridge bank	206.0	0.0	0.0
Amount of investment in government securities, total	16,500.0	14,656.8	88.8
including:			
• government securities	x	14,656.8	x
• bonds of international financial organizations placed on the territory of Ukraine	x	-	x

DGF Managing Director

Svitlana REKRUT



Financial statements and Management report

for the year ended December 31, 2022

Management report for 2022

- Background information about the deposit guarantee fund, – 97
- Governance of the deposit guarantee fund, – 97
- Organizational structure, – 98
- Key achievements in the reporting period, – 98
- Key performance indicators review, – 100
- Risk management, – 104
- Research and innovation, – 105
- Personnel policy and social aspects, – 105
- Environmental protection, – 107
- Development prospects, – 107

Financial statements for the year ended december 31, 2022

- Statement of financial position, – 109
- Statement of profit and loss and other comprehensive income, – 111
- Statement of changes in net assets , – 112
- Statement of cash flows, – 113
- Notes to the financial statements, – 114

Independent auditor's report, – 150

Management report for 2022

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 co-operation 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, 2022, 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 risk-based 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.

Olena Zubchenko — Director of the Financial Policy Department, Ministry of Finance of Ukraine.

Halyna Pakhachuk — Director of the Financial Controlling Department, 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.

Natalia Rudukha — Deputy Managing Director, in charge of the DGF operational and business activities and information technology functioning.

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 Nuzhnenko — 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.

Organizational structure

During 2022, 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, 2022, DGF staff totaled 332 full-time employees (as of December 31, 2021, 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 in 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 until 2025 and other strategic projects implemented in Ukraine. 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 2022 (hereinafter referred to as the "Strategy")

approved by the DGF Administrative Board (Minutes No. 16 dated December 24, 2020).

During 2022, the DGF operated in accordance with the Action Plan of the Deposit Guarantee Fund for 2022 (hereinafter referred to as the "2022 Action Plan"), which was approved by the DGF Executive Board on December 23, 2021 (Minutes No. 116/21).

According to the strategic areas of the 2022 Action Plan, the main achievements of the DGF in 2022 included:



Strategic area	Key achievements in 2022
<p>Elaboration and improvement of legislation on the deposit guarantee scheme and resolution and liquidation of insolvent banks, restoration of the DGF solvency</p>	<ul style="list-style-type: none"> • adoption of 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, that defines legal grounds for: <ol style="list-style-type: none"> 1. a mechanism for restructuring the DGF debt on promissory notes; 2. JSC Oschadbank becomes a member bank of the DGF; 3. reimbursement by the DGF of funds on deposits in full (deposit and accrued interest thereon) during the period of martial law and three months after its termination or cancellation, for those banks the decision to resolve which was made during the period of martial law in Ukraine; 4. increasing the amount of the deposit compensation ceiling to UAH 600,000 after three months after the termination or cancellation of martial law; 5. improving the mechanism for ensuring the financial stability of the DGF by calculating the required target value, setting the amount of the basic annual rate of regular fees, introducing mechanisms for their calculation, and setting the procedure; 6. introduction of provisions on the procedure for conducting stress testing of the household deposit guarantee scheme; 7. improvement of mechanisms for the provision of the Credit Support Fund by the National Bank of Ukraine and the state; • in order to improve the legal framework of the DGF activities and bring them in line with the changes in the legislation, 25 regulatory acts were adopted
<p>Ensuring the financial stability of the household deposit guarantee scheme, minimizing future expenses, optimizing the DGF operations</p>	<ul style="list-style-type: none"> • conclusion of the agreement between the DGF and the Ministry of Finance of Ukraine dated April 15, 2022, that regulates the procedure for transferring funds by the DGF to the State Budget of Ukraine within the terminated obligation of the DGF under the promissory notes; • implementation of the updated methodology for assessing the financial stability of the DGF (decision of the DGF Executive Board No. 1107 dated December 29, 2022); • determination of processes for conducting self-assessment of operational risk (decision of the Executive Board approved by minutes No. 067/22 dated July 14, 2022); approval of the Risk Exposure Declaration for 2022 (decision of the Executive Board approved by minutes No. 045/22 dated May 19, 2022); • development of a strategy for organizing the sale of assets (property) of banks during martial law in Ukraine (decision of the Executive Board approved by minutes No. 064/22 dated July 7, 2022)
<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 2022, the DGF filed 10 claims against 147 related parties of 8 banks in the amount of UAH 9.3 billion; • in order to track and return funds (assets) of bankrupt banks transferred outside Ukraine, during 2022, four agreements were concluded with international legal advisers — specialists in the field of international law, to provide services for representation of the DGF interests in the judicial authorities of the foreign jurisdiction in respect of JSC FORTUNA-BANK, JSC RODOVID BANK, PJSC JOINT-STOCK COMMERCIAL INDUSTRIAL AND INVESTMENT BANK, PJSC CB NADRA
<p>Increase of depositors' confidence and level of communication with the public</p>	<ul style="list-style-type: none"> • on its official website, DGF presented the results of a nationwide representative survey of citizens of Ukraine — users of financial services concerning their level of awareness of various aspects of the deposit guarantee scheme, attitude to banks, the need for additional information and the desired channels for its receipt, peculiarities of financial behavior, in particular in the field of savings; • use of online communication channels: more than 400 posts by the DGF speakers were published on the DGF Facebook page; a weekly section "Legal Alphabet under Martial Law" was created, with information materials dedicated to covering legal aspects of the banks' activities and the household deposit guarantee scheme under martial law; • about 220 press releases were published in the media; 30 thematic interviews, TV appearances, and commentaries were conducted; 13 thematic columns by the DGF speakers were published;



Strategic area	Key achievements in 2022
<p>Digitalization of business processes and improvement of information security systems of the DGF information systems</p>	<ul style="list-style-type: none"> As part of the National Financial Literacy Project, 36 training sessions on financial literacy were held for teachers of the special course "Financial Literacy" at general secondary education institutions, vocational lyceums, and colleges; development, approval, and publication of the "Financial Competences Framework for Adults" (decision of the Executive Board No. 103/2 dated October 3, 2022); in cooperation with the National Bank of Ukraine, the National Securities and Stock Market Commission, and the Ministry of Education and Science of Ukraine, the project "Financial Literacy Competency Framework for Children and Youth" was approved <ul style="list-style-type: none"> 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; the operation of the DGF information and technical systems was ensured, namely: 1) 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; 2) continuous data synchronization from the main data center of the DGF to the cloud data center was created and launched; the transfer of the DGF mail system to Microsoft Office365 cloud resources was tested to check the possibility of backing up the DGF mail system; two-factor identification was introduced for remote work with the DGF information resources and for privileged accounts. A backup server for two-factor authorization in the AWS cloud has been deployed and configured. The work segment of system administrators was reorganized with the creation of separate workstations for administration. Labyrinth has a comprehensive and customized solution for detecting targeted attacks (ART), botnets, zero-day attacks, and insiders; data of 3 banks declared insolvent in 2022 were migrated to the DGF information systems and transferred to the centralized work in these systems

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, 2022, the balance sheet currency had increased by 18.7% to UAH 22,306,157 thousand (UAH 18,791,941 thousand as of December 31, 2021).

Assets of the DGF

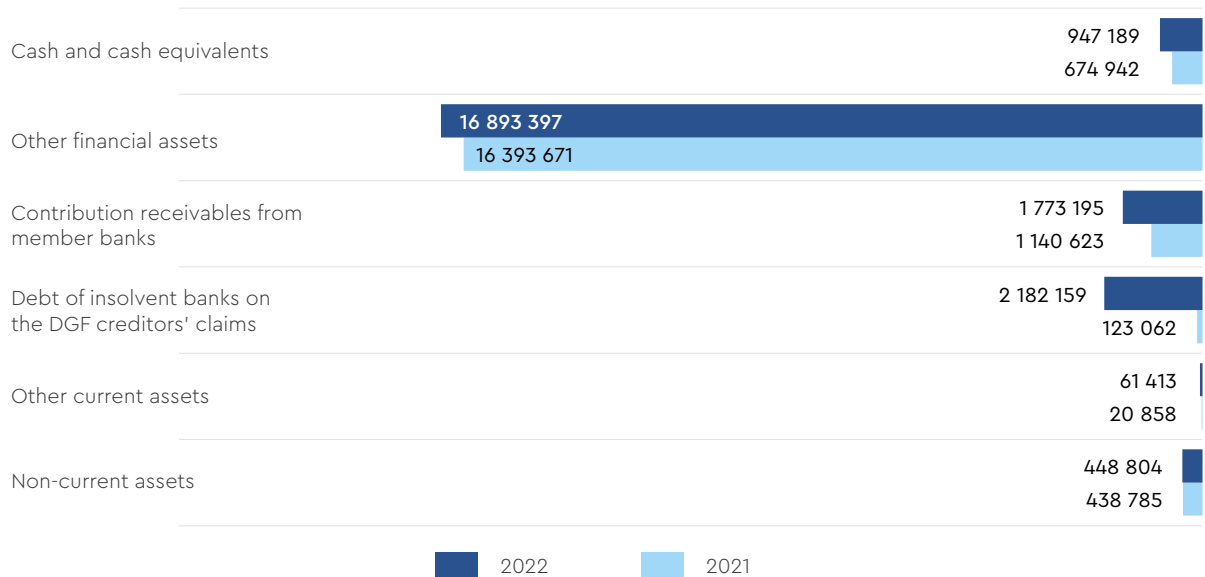
The main items of the DGF assets are:

- 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.



Composition and dynamics of the DGF assets in 2021–2022, UAH



During 2022, the DGF assets underwent the following changes.

Other current financial assets (financial investments in domestic government bonds) increased slightly by 3%. 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 4.18%, and the average effective rate on government securities is 17.40%.

Debts of insolvent banks on the DGF creditor claims decreased by almost 18 times, which is associated with the downward revision of estimates of the expected amount of repayment of the DGF creditor claims, in particular for banks whose liquidation procedure began in 2022 (PJSC Prominvestbank, JSC IR Bank, JSC MEGABANK, and JSC BANK SICH)..

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, 2022, 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

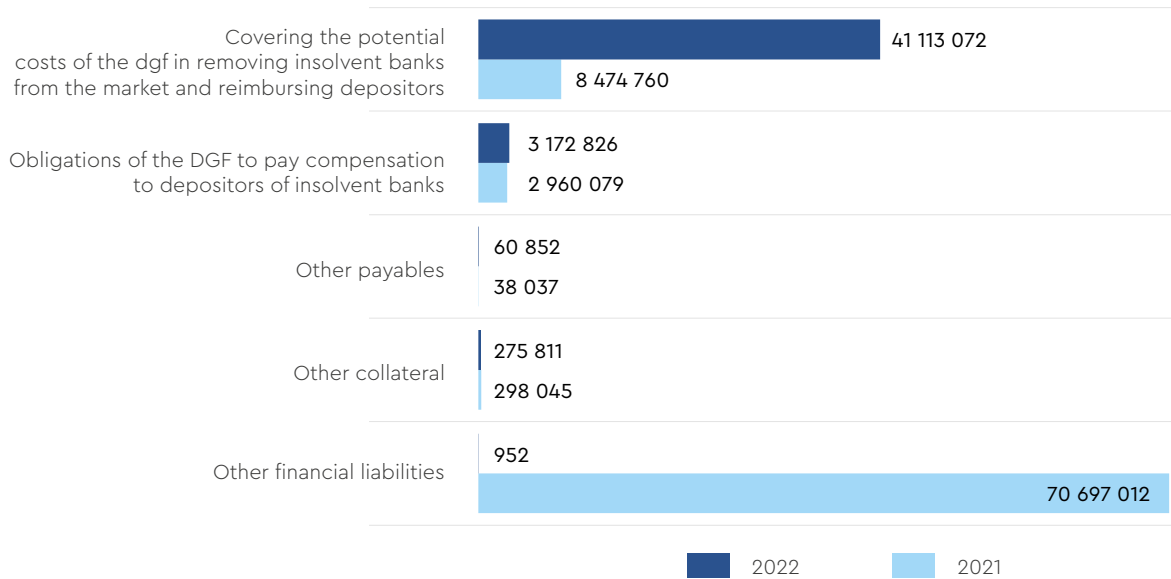
Liabilities of the DGF

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 DGF liabilities in 2021–2022, thousand UAH



During 2022, the DGF liabilities underwent the following changes.

The provision for the DGF potential expenses on insolvent bank resolution and deposit payouts increased almost five-fold, which is related:

- to the increase of the guaranteed amount of compensation of funds to depositors by 170% (from UAH 388.7 billion to UAH 1,050.5 billion) 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"). Pursuant to Law No. 2180-IX, the guaranteed deposit payouts to depositors for the period of martial law in Ukraine and three months from the date of its termination or cancellation in Ukraine are 100% of the deposit amount;
- the use of a crisis scenario in assessing the country's macroeconomic situation, which significantly increased the frequency of banks being classified as insolvent.

Three months after the termination of martial law in Ukraine, the guaranteed deposit payouts will be UAH 600 thousand, and the frequency of banks being classified as insolvent is likely to return to the normal pre-crisis level.

The DGF liability to make deposit payouts to depositors of insolvent banks increased by 7%, which is in particular due to the recognition of an obligation to depositors of banks recognized as insolvent in 2022 (PJSC Prominvestbank, JSC IR Bank, JSC MEGABANK, and JSC BANK SICH).

The DGF liability under promissory notes (including accrued interest) issued in 2015 and 2016 in exchange for domestic government bonds, recognized in the financial statements as of December 31, 2021, within other financial liabilities, were fully terminated in accordance with Law No. 2180-IX.

The termination of the DGF liability on promissory notes (including accrued interest) 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.

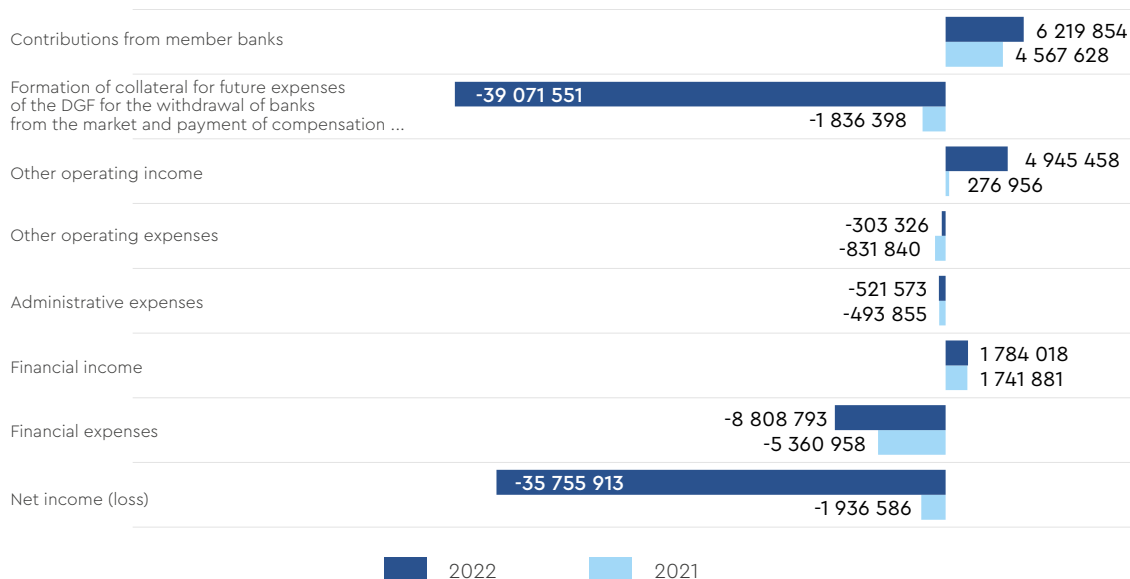
For more details on the DGF major liabilities, see the following notes to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2022, and for the year then ended::

- Note 4: Critical accounting judgments, estimates, and assumptions;
- 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 19: Other financial liabilities

Financial performance

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.

Composition and dynamics of the DGF financial results in 2021–2022 years, UAH thousand



In 2022, contributions from member banks increased by 36% compared to 2021, due to an increase in deposit and interest balances. In 2022, the amount of deposits increased by UAH 375.9 billion, or 55.6% to UAH 1,051.5 billion, in particular, due to JSC Oschadbank becoming a member of the DGF.

In 2022, expenses on provisioning for the DGF future expenses on bank resolution and deposit payouts increased by UAH 37,235,153 thousand compared to 2021, due to the revision of estimates in determining the projected guaranteed amount of compensation of funds to depositors of banks that are likely to be recognized as insolvent during the next reporting period.

The main component of financial expenses in 2022 is the interest expense on promissory notes accrued from the beginning of the year to April 13, 2022, the date of termination of the promissory note obligation in accordance with Law No. 2180-IX. The main component of financial income is interest income on domestic government bonds.

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, 2022, 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 22: Other operating income;
- Note 25: Other operating expenses;
- Note 21: Finance income;
- Note 24: Finance expenses

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 2019–2022, the DGF net assets were negative.

In 2022, the DGF net deficit decreased by almost 65% and, as of December 31, 2022, amounted to UAH 22,317,356 thousand. The decrease in the DGF net deficit is due to the termination of the DGF liability on promissory notes (including accrued interest), which is recognized in other additional paid capital in the amount of UAH 78,507,375 thousand, as it was made for the purpose of capitalization of the DGF and is considered a contribution of the state to the DGF.

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.

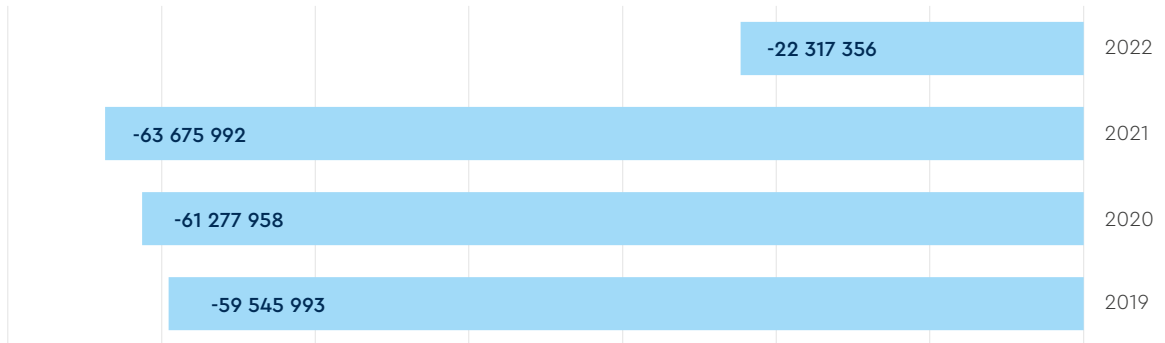
To achieve this goal, the DGF takes the following measures:

- 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;
- 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.



Detailed information on the management of the DGF net assets is disclosed in Note 30 "Net asset management" to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2022, and for the year then ended.

Dynamics of the DGF net assets for 2019–2022, UAH thousand



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.

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.

The DGF risk management system consists in applying risk management procedures aimed at regular identification, measurement, monitoring, control, reporting, minimization, and mitigation of all types of risks at all organizational levels of the DGF.

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.

Information on financial risk management is provided in Note 31 to the Financial Statements of the Deposit Guarantee Fund as of December 31, 2022, and for the year then ended.

Research and innovation

In the field of IT technologies, in 2022, the DGF improved the mechanism for guaranteed deposit payouts to depositors during the period of martial law in Ukraine: depositors of banks that are being liquidated were given the opportunity

to receive the guaranteed amount remotely by crediting it to their own account in an agent bank, without visiting agent bank branches.

Personnel policy and social aspects

As of December 31, 2022, the actual number of employees of the DGF was 332: 203 women and 129 men. The average age of DGF employees is 41 years, 97.3% of employees have higher education, including 7 people with Ph.D. degrees.

In 2022, 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 Russian aggression and 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:

- In March 2022, the DGF Situation Center was launched in Ivano-Frankivsk;
- 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, 2022, and for the year then ended:

- Note 26: Administrative expenses;
- Note 27: 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 2022, 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.

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;
- 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) (hereinafter referred to as the "Strategy"). The Strategy was developed taking into account the Strategy of the Ukrainian Financial Sector Development until 2025 (hereinafter referred to as the "2025 Strategy") approved in 2019, which aims at reforming and developing the financial sector of Ukraine in accordance with leading international practices and the subsequent implementation of measures provided for by the Association Agreement between Ukraine and the EU.

The implementation of the Strategy envisages measures to develop the deposit guarantee scheme as a whole, protect the rights of depositors, build the institutional capacity of the DGF, and maximize the digitalization of its functionality.

The Strategy identifies the following strategic priorities for the development of the DGF during that period:

- ensuring the financial stability of the DGF;
- European integration focus of the DGF institutional development;
- minimizing future expenses of the DGF;
- increasing the level of creditor claim satisfaction
- financial inclusion;
- Increasing the confidence of depositors and the level of communication with the public;
- digitalization of business processes.

Each area has its own strategic goals and performance indicators:



Strategic area	Objective
Ensuring the financial stability of the DGF	<ul style="list-style-type: none"> Ensuring the financial stability of the DGF Improving the level of corporate governance Corporate risk management and personnel potential development
European integration focus of the DGF institutional development	<ul style="list-style-type: none"> Creating a legal framework for the implementation of EU legislation Preparation for the creation and implementation of mechanisms for the functioning of the deposit guarantee schemes of credit union members, payments under life insurance contracts, resolving the insolvency of the DGF members, and expanding the range of depositors
Minimizing future 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
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
Digitalization of business processes	<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 Reliable storage of information (data) of insolvent banks on the DGF resources and in the DGF information systems 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 Ensuring the continuous operation of the DGF during the state of emergency Improving the DGF cybersecurity Preparation and phased implementation of technological software such as BPM to automate the management of the DGF business processes

Based on the Strategy, the DGF will develop and implement the DGF action plans for the respective years, which will include a list of measures with performance indicators assigned for each event.

June 15, 2023

Managing Director

S.V. Rekrut

Financial statements for the year ended december 31, 2022

Statement of financial position

<i>(UAH thousand)</i>	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Fixed assets	13	370,286	349,148
Intangible assets	14	78,518	89,637
Other non-current financial assets	8	476,965	-
Total non-current assets		925,769	438,785
Current assets			
Cash and cash equivalents	7	947,189	674,942
Other current financial assets	8	16,416,432	16,393,671
Receivable contributions from member banks	9	1,773,195	1,140,623
DEBT OF INSOLVENT BANKS ON THE DGF CREDITOR CLAIMS	10	2,182,159	123,062
Other accounts receivables	12	48,491	12,208
Other assets	11	12,922	8,650
Total current assets		21,380,388	18,353,156
TOTAL ASSETS		22,306,157	18,791,941

Statement of financial position (continued)

<i>(UAH thousand)</i>	Note	December 31, 2022	December 31, 2021
NET ASSETS AND LIABILITIES			
Net assets			
Revaluation reserve		(1,698,626)	(305,800)
Profit (loss)		(99,126,105)	(63,370,192)
Other additional capital		78,507,375	-
Total net assets		(22,317,356)	(63,675,992)
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	19	635	70,697,012
Total non-current liabilities		635	70,697,012
Current liabilities			
Provision for DGF potential expenses on insolvent bank resolution and compensation of funds to depositors	15	41,113,072	8,474,760
DGF obligations on deposit payouts to the insolvent banks' depositors	16	3,172,826	2,960,079
Other current provisions	17	275,811	298,045
Other current payables	18	60,852	38,037
Other current financial liabilities	19	317	-
Total current liabilities		44,622,878	11,770,921
Total liabilities		44,623,513	82,467,933
Total net assets and liabilities		22,306,157	18,791,941

June 15, 2023

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis

Statement of profit and loss and other comprehensive income

<i>(UAH thousand)</i>	Note	2022	2021
Contributions from member banks	20	6,219,854	4,567,628
Expenses on deposit payouts and bank resolution	23	-	-
(Formation) write-back of the provision for DGF future expenses on bank resolution and deposit payouts	15	(39,071,551)	(1,836,398)
Other operating income	22	4,945,458	276,956
Administrative expenses	26	(521,573)	(493,855)
Other operating expenses	25	(303,326)	(831,840)
Operating profit (loss)		(28,731,138)	1,682,491
Financial income	21	1,784,018	1,741,881
Financial expenses	24	(8,808,793)	(5,360,958)
Net profit (loss)		(35,755,913)	(1,936,586)
Net change in fair value of financial assets measured at fair value through other comprehensive income		(1,392,826)	(461,448)
Other comprehensive income (loss), net		(1,392,826)	(461,448)
Total comprehensive income (loss)		(37,148,739)	(2,398,034)

June 15, 2023

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, 2020	-	155,648	(61,433,606)	(61,277,958)
Profit (loss) for the year	-	-	(1,936,586)	(1,936,586)
Other comprehensive income	-	(461,448)	-	(461,448)
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	(461,448)	-	(461,448)
Total comprehensive income/(loss) for the year	-	(461,448)	(1,936,586)	(2,398,034)
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 of December 31, 2022	78,507,375	(1,698,626)	(99,126,105)	(22,317,356)

June 15, 2023

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis

Statement of cash flows

(UAH thousand)	2022	2021
Cash flows from operating activities		
Contributions received from members	5,492,695	4,539,304
Proceeds from insolvent banks towards repayment of creditor claims	1,210,681	1,030,630
Funds transferred to agent banks for deposit payouts	(5,832,641)	(848,225)
Payments to employees and social insurance contributions	(301,137)	(303,929)
Payment of liabilities on other taxes and duties	(78,193)	(91,953)
Receipt of guarantee fees from potential investors to participate in the auction for insolvent bank resolution	-	30,000
Refund of guarantee fees to potential investors to participate in the tender for insolvent bank resolution	-	(30,000)
Other receipts from operating activities	191,134	8,936
Other expenditures of operating activities	(234,115)	(338,720)
Net cash flows from operating activities	448,424	3,996,043
Cash flows from investing activities		
Proceeds from domestic government bonds measured at amortized cost	12,690,768	9,491,831
Purchase of domestic government bonds measured at amortized cost	(14,656,817)	(11,498,546)
Purchase of non-current assets	(55,901)	(27,521)
Interest received	1,845,829	1,370,828
Net cash flow from investing activities	(176,121)	(663,408)
Cash flows from financing activities		
Repayment of promissory notes	-	(2,400,000)
Interest paid	-	(1,671,794)
Net cash flow from financing activities	-	(4,071,794)
Net flow of cash and cash equivalents	272,303	(739,159)
Cash and cash equivalents at the beginning of the year	674,942	1,414,101
Effect of exchange rate fluctuations on the balance of funds	(56)	-
Cash and cash equivalents at the end of the year	947,189	674,942

June 15, 2023

Managing Director

S.V. Rekrut

Chief Accountant

O.S. Perebyinis



Notes to the financial statements

Background information, 114	Other current provisions, 139
Business environment, 115	Other current payables, 139
Summary of significant accounting policies, 116	Other financial liabilities, 140
Critical accounting judgments, estimates, and assumptions, 124	Contributions from member banks, 141
Standards issued but not yet effective, 127	Financial income, 141
Changes in accounting policy and principles of disclosure, 127	Other operating income, 141
Cash and cash equivalents, 131	Expenses on deposit payouts and bank resolution, 142
Other financial assets, 131	Financial expenses, 142
Receivable contributions from member banks, 133	Other operating expenses, 142
Debt of insolvent banks on the DGF creditor claims, 133	Administrative expenses, 143
Other assets, 135	Related party transactions, 143
Other accounts receivables, 135	Contingent liabilities, 144
Fixed assets, 136	Lease, 145
Intangible assets, 137	Net asset management, 145
Provision for DGF potential expenses on insolvent bank resolution and compensation of funds to depositors, 137	Financial risk management, 146
DGF obligations on deposit payouts to the insolvent banks' depositors, 138	Fair value of financial assets and liabilities, 148
	Events after the reporting period, 149

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, 2022, was 67 banks (December 31, 2021: 70 banks).

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, the President of the Russian Federation announced a "special military operation" in Ukraine, which effectively meant the beginning of Russia's deliberate, unprovoked war against Ukraine. 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 four hundred days 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, which continue to grow. In 2022, real GDP declined by 29.2%, with actual inflation amounting to 26.6% in 2022.

In 2022, the banking sector was operating under extremely difficult conditions caused by the large-scale Russian military invasion of Ukraine. In 2022, solvent banks earned UAH 24.7 billion in net profit, compared to UAH 77.4 billion in 2021. The sector's return on equity amounted to 10.9%, compared to 35.1% a year ago. The main factor behind the decline in profitability was a significant increase in provisions for incurred and expected losses as a result of the war. Thus, loan provisions amounted to UAH 107.1 billion for the year, and another UAH 11.7 billion was formed for other assets and risks. Net interest income increased by 29% year-on-year. Interest income increased largely due to a significant inflow of liquidity into

the banking sector and its placement in assets with higher yields than in 2021. After a sharp decline in the first months of the full-scale war, fee and commission income resumed growth due to stable demand for banking services and a gradual recovery of tariffs. During the second half of the year, net fee and commission income almost recovered to the level of 2021, but at year-end, it decreased by 14% year-on-year. Operating expenses accounted for about half of the total net interest and fee and commission income. Net operating profit before provisions increased by 75% over the year. As of December 31, 2022, out of 67 solvent banks, 46 were profitable and earned a net profit of UAH 45.6 billion, which covered the losses of 21 banks totaling UAH 20.8 billion.

In 2022, the DGF main task was to ensure the sustainability of the guarantee scheme and maintain depositors' confidence in the Ukrainian banking system. In the first days of the full-scale invasion, the DGF made a number of decisions that made it easier for banks to perform their obligations to the guarantee scheme: it eased the requirements for the timing and methods of reporting; optimized the payment of premiums to the DGF; and suspended inspections.

On April 13, 2022, 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, which introduced a 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. The adoption of the Law of Ukraine 2180-IX not only prevented the outflow of deposits from the banking system as a result of Russia's full-scale invasion, but even contributed to a steady increase in the amount of deposits. The amount of deposits for 2022 increased by UAH 375.9 billion, or by 55.6% to UAH 1,051.5 billion, including due to the acquisition by JSC Oschadbank of the DGF member status under the Law of Ukraine 2180-IX, in which as of December 31, 2022, the amount of deposits accounted for UAH 169.8 billion.

During the reporting year, four banks were transferred to the DGF management. On February 25, 2022, the National Bank of



Ukraine revoked the banking license and liquidated two banks with Russian capital (JSC IR Bank, PJSC Prominvestbank). Two banks (JSC Megabank and JSC Bank Sich) were recognized as insolvent by the National Bank of Ukraine. In 2022, depositors of these banks received UAH 5,774.1 million of guaranteed deposit payout from the DGF. As of December 31, 2022, the DGF managed 52 banks.

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.

Summary of significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a historical cost basis, except for:

- financial assets at fair value through other comprehensive income (FVOCI).

b) Going concern

As of December 31, 2022, the net deficit of the DGF amounted to UAH 22,317,356 thousand (December 31, 2021: deficit of UAH 63,675,992 thousand). Net loss for the year ended December 31, 2022, amounted to UAH 35,755,913 thousand (net loss for the year ended December 31, 2021: UAH 1,936,586 thousand). Cash flows from operating activities for the year ended December 31, 2022, amounted to UAH 448,424 thousand (for the year ended December 31, 2021: UAH 3,996,043 thousand).

The management staff implements the following measures to ensure the performance of the DGF obligations in the near future:

- On April 13, 2022, 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") came into force, according to which the DGF obligations under promissory notes (including accrued interest) issued to the Ministry of Finance of Ukraine in 2015–2016 in exchange for a loan in the form of domestic government bonds were terminated. The termination of the DGF liability on promissory notes (including accrued interest) 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.
- 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, 2022, the DGF filed 79 claims against 933 related parties in respect of 50 insolvent banks for a total amount of over UAH 109.5 billion. The total amount of claims of the DGF satisfied according to court decisions that have entered into force is over UAH 434 million;
- 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 started on February 24, 2022, 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:

- 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;
- the operation of the DGF information and technical systems was ensured, namely: 1) 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; 2) 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;
- 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 noncurrent.

An asset is current if:

- it is expected to be sold or intended to be sold or consumed within the normal operating cycle;
- it is kept mainly for the purpose of sale;
- it is expected to be sold within 12 months after the reporting period;
- an asset is cash or cash equivalents, unless there is a restriction on the exchange or use of that asset to repay the liability within at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current if:

- it is expected to be repaid during the normal operating cycle;
- it is kept mainly for the purpose of sale;
- it is subject to repayment within 12 months after the reporting period;
- the entity has no unconditional right to defer repayment of the liability for at least 12 months after the reporting period. The terms of the liability that may, at the option of the counterparty, result in its repayment through the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

e) Fair value measurement

At each reporting date, the 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



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 straight-line basis over the shortest of the following periods: useful life or lease term.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount of the lease liability is increased by the amount of interest on the lease liability and decreased by the amount of lease payments made.

The carrying amount of the lease liability is revalued as a result of a change in the lease term; revaluation of the probability of exercising the option to acquire the underlying asset; revaluation of amounts to be paid under liquidation value guarantees; revaluations of fixed payments and variable lease payments that depend on the index or rate.



In the statement of financial position, the asset in the form of a right of use is presented in the same line in which relevant underlying assets would have been presented if they had been owned by the 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) Provisions, 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.

Provision for the DGF potential expenses on the insolvent bank resolution is calculated for banks that are not classified as insolvent as of the reporting date and is recognized in the amount of the projected guaranteed deposit payouts to de-

positors 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.

To determine the projected guaranteed amount of compensation of funds to depositors, banks are 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 projected guaranteed amount of compensation of funds to depositors is the expected outflow of resources for all scoring groups, taking into account the frequency of banks being classified as insolvent (bank defaults) in each group, i.e., in determining the projected guaranteed amount of payments, 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. The frequency of banks being classified as insolvent (bank defaults) is based on statistical data on insolvencies of banks from certain scoring groups in the previous reporting periods from 2014 to 2017, taking into account the macroeconomic situation in the country.

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.

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.

l) 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 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) INCOME

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.

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.



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:

- 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.

Critical accounting judgments, 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 expected level of possible losses of the DGF as a result of the default by the issuer, which is the Ministry of Finance of Ukraine on behalf of the state; 2) the probability of default by the issuer of government securities; 3) the presence of signs indicating a significant increase in credit risk on government securities.

When determining the expected level of possible losses of the DGF as a result of default by the issuer of government securities, the management of the DGF came to the following conclusion. Due to the fact that 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" and to ensure the performance of its functions and powers, the DGF receives funding from the state budget of Ukraine, therefore, 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. In the event of default by the issuer of government securities, the level of possible losses of the DGF is applied at the level of zero percent, since the 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.

<i>(in percent)</i>	December 31, 2022	December 31, 2021
1st year in liquidation	12.72	12.32
2nd years in liquidation	9.45	9.54
3rd years in liquidation	9.25	9.25
4th years in liquidation	6.69	7.13
5th years in liquidation	5.96	6.02

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, 2022	December 31, 2021
1st year in liquidation	17.67	11.17
2nd years in liquidation	18.96	11.87
3rd years in liquidation	18.26	12.15
4th years in liquidation	16.84	12.13
5th years in liquidation	15.29	11.93

As of December 31, 2022, the amounts due from insolvent banks and banks liquidated by the DGF on the DGF creditor claims were recognized in the amount of UAH 2,182,159 thousand (as of December 31, 2021 — UAH 123,062 thousand).

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:

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.

(UAH thousand)	December 31, 2022		December 31, 2021	
	Increase	Reduction	Increase	Reduction
Expected amount of reimbursement of the DGF expenses on the liquidation procedure				
Discount rate (change of 1%)	(7,377)	7,419	(302)	303
Conversion rate (change of 10%)	251,309	(251,309)	13,749	(13,749)
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.

Provision for the DGF potential expenses on the insolvent bank resolution is calculated for banks that are not classified as insolvent as of the reporting date and 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.

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:

- the projected guaranteed amount of compensation to bank depositors;
- the DGF expected loss rate;
- unexpected expenses that may arise as a result of the possible bank insolvency.

To determine the projected guaranteed amount of compensation of funds to depositors, banks are 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 projected guaranteed amount of compensation of funds to depositors is the expected outflow of resources for all scoring groups, taking into account the frequency of banks being classified as insolvent (bank defaults) in each group, i.e., in determining the projected guaranteed amount of payments, 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. The frequency of classification of banks as insolvent (bank defaults) is 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. 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.

The expected loss rate is calculated on the basis of accumulated statistical data on insolvent banks for which a decision

was made to liquidate after January 1, 2013, and whose liquidation has been completed or is ongoing for at least one year as of the reporting date. The rate is calculated as the ratio of the balance of the DGF claims to banks undergoing liquidation as of the reporting date, reduced by the expected amount of repayment of the DGF claims as of the reporting date, to the total amount of the DGF claims. The assumptions used to estimate the expected amount of repayment of the DGF claims at the reporting date are described in this note above in the discussion of assumptions for estimating the amounts due from insolvent banks, and banks under liquidation by the DGF on the DGF claims.

Unexpected losses that may arise from a possible bank failure are calculated using the Monte Carlo statistical method as an average of all tests.

As of December 31, 2022, provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors was recognized in the amount of UAH 41,113,072 thousand (as of December 31, 2021 — UAH 8,474,760 thousand).

Possible changes in one of the key assumptions at the reporting date, assuming that other assumptions remain unchanged, would have an impact on the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors in the amounts shown below.

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.

(UAH thousand)	December 31, 2022		December 31, 2021	
	Increase	Reduction	Increase	Reduction
Provisions for potential expenses of the DGF				
Frequency of banks being classified as insolvent (change in 1%)	411,131	(411,131)	84,748	(84,748)
Expected loss rate (change in 1%)	411,131	(411,131)	84,748	(84,748)

Standards issued but not yet effective

The following standards have been issued but are not yet effective as of December 31, 2022:

- IFRS 17 Insurance Contracts — In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new financial reporting standard for insurance contracts that addresses recognition and measurement, presentation, and disclosure. When IFRS 17 becomes effective, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. 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. There are a few exceptions to the scope of application. The main objective of IFRS 17 is to provide an insurance contract accounting model that is more efficient and consistent for insurers. Unlike the requirements of IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a comprehensive model for accounting for insurance contracts, covering all relevant accounting aspects¹;
- 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-current¹;
- 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, changes in accounting policies, and corrections of errors²;

- Amendments to IAS 1 Presentation of Financial Statements and Practice Note No. 2 on the application of IFRS — Accounting Policies Disclosures. The amendments provide clarifications and examples to help entities apply materiality judgments in accounting policy disclosures²;
- Amendments to IAS 12 Income Taxes — Deferred Tax Related to 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 differences².

¹ Effective for annual periods beginning on or after January 1, 2023.

² Effective for annual periods beginning on or after January 1, 2023. Early application is allowed.

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.

Changes in accounting policy and principles of disclosure

The effect of the first adoption of new standards

In 2022, the DGF applied the following new standards and amendments for the first time:

- Amendments to IAS 16 Property, Plant, and Equipment — Property, Plant, and Equipment: Proceeds from the sale of goods produced in the process of delivering an item of property, plant, and equipment to its place of use and bringing it to a condition suitable for its intended use, which prohibited deducting from the cost of an item of property, plant, and equipment any proceeds from the sale of goods produced in the process of delivering that item to its place of use and bringing it to a condition suitable for its intended use. Instead, proceeds from the sale of such items and the cost of their production are recognized in profit or loss. These amendments did not have any impact on the DGF financial statements, as the DGF

does not sell products produced by property, plant, and equipment.

- Amendments to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets — Onerous Contracts — Contract Performance Costs. These amendments did not have any impact on the DGF financial statements, as the DGF does not consider any contracts to be onerous.
- Amendments to IFRS 3 Business Combinations — References to the IFRS Conceptual Framework. These amendments did not affect the DGF financial statements, as the DGF had no contingent assets, liabilities, or contingent liabilities under these amendments that arose during the reporting period.
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards — a subsidiary that adopts International Financial Reporting Standards for the first



time. These amendments did not have any impact on the DGF financial statements, as the DGF is not a first-time adopter of IFRS.

- Amendment to IFRS 9 Financial Instruments — Fees in the '10 per cent' Test for Derecognition of Financial Liabilities. The amendment clarifies the amount of fee and commission that a business entity considers when assessing whether the terms of a new or modified financial liability are substantially different from those of the original financial liability. Such amounts include only those fees paid or received between a particular lender and a borrower, including fees paid or received by a lender or borrower on behalf of another party. These amendments did not have any impact on the DGF financial statements, as during the reporting period the DGF did not exchange debt instruments or modify financial liabilities on significantly different terms.
- Amendment to IAS 41 Agriculture — Taxation in Fair Value Measurement. This amendment did not have any impact on the DGF financial statements, as the DGF has no assets that fall within the scope of IAS 41 as of the reporting date.

The DGF has not early adopted standards, interpretations, or amendments that have been issued but are not yet effective.

Changes in accounting policies

In 2022, the DGF changed its accounting policy regarding the use of collateral for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors.

The provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors is created for banks that are not classified as insolvent as of the reporting date and represents the forecast guaranteed amount of compensation weighted by the DGF expected loss rate.

Previously, when a bank was classified as insolvent, the provision for the DGF potential expenses on the insolvent bank resolution and deposit payouts to depositors was reversed at the next reporting date, and the liability to pay depositors was recognized as an expense in the reporting period.

Starting January 1, 2022, 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 obligation on deposit payouts to depositors of a bank classified as insolvent. The management believes that this change provides more relevant information about the nature and economic content of the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors.

The DGF has applied the changes in accounting policy retrospectively, and therefore the comparative information for the year ended December 31, 2021, has been adjusted.

Effects of changes in accounting policies on the statement of profit or loss and other comprehensive income (increase/(decrease) in net profit (loss)):

<i>(UAH thousand)</i>	Note	Presentation in the financial statements for the year ended December 31, 2021	Effect of changes in accounting policies	Presentation of restated comparative information for the year ended December 31, 2021
Expenses on deposit payouts and bank resolution	23	(648,373)	648,373	-
(Formation) write-back of the provision for DGF future expenses on bank resolution and deposit payouts	15	(1,115,856)	(720,542)	(1,836,398)
Other operating income	22	38,189	238,767	276,956
Other operating expenses	25	(665,242)	(166,598)	(831,840)
Increase/(decrease) in net profit (loss)		(2,391,282)	-	(2,391,282)



The effect of the changes in accounting policies on the disclosure of comparative information for the year ended December 31, 2021, is presented in Note 23: Costs of performing obligations on deposit payouts to depositors and bank resolution:

<i>(UAH thousand)</i>	Presentation in the financial statements for the year ended December 31, 2021	Effect of changes in accounting policies	Presentation of restated comparative information for the year ended December 31, 2021
Expenses on deposit payouts and bank resolution, gross	911,616	(887,140)	24,476
Reducing (increasing) compensation for the DGF expenses on deposit payouts to depositors and bank resolution	(263,243)	-	(263,243)
Expenses on deposit payouts and bank resolution, net	648,373	(648,373)	-
Positive result from the recognition of compensation for expenses on deposit payouts to depositors and bank resolution, net	-	(238,767)	(238,767)

The effect of the changes in accounting policies on the disclosure of comparative information for the year ended December 31, 2021, is presented in Note 15: Provision for DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors.

<i>(UAH thousand)</i>	Presentation in the financial statements for the year ended December 31, 2021	Effect of changes in accounting policies	Presentation of restated comparative information for the year ended December 31, 2021
Provision for DGF potential expenses as of the beginning of the period	7,358,903		7,358,903
Increase (decrease) in provision for DGF potential expenses	1,115,857	720,542	1,836,398
Provision for DGF potential expenses used	-	(720,542)	(720,542)
Provision for DGF potential expenses as of the end of the period	8,474,760	-	8,474,760

The effect of the changes in accounting policies on the disclosure of comparative information for the year ended December 31, 2021, is presented in Note 22: Other operating income.

<i>(UAH thousand)</i>	Presentation in the financial statements for the year ended December 31, 2021	Effect of changes in accounting policies	Presentation of restated comparative information for the year ended December 31, 2021
Positive result from the recognition of compensation for expenses on deposit payouts to depositors and bank resolution	-	238,767	238,767
Penalties and fines arising from contributions from banks	561	-	561
Income from writing off liabilities on deposit payouts to depositors due to the completion of insolvent bank liquidation	9,347	-	9,347
Dissolution of legal risk provision	26,161	-	26,161
Other income	2,120	-	2,120
Total other operating income	38,189	238,767	276,956

The effect of the changes in accounting policies on the disclosure of comparative information for the year ended December 31, 2021, is presented in Note 25: Other operating expenses.

<i>(UAH thousand)</i>	Presentation in the financial statements for the year ended December 31, 2021	Effect of changes in accounting policies	Presentation of restated comparative information for the year ended December 31, 2021
Provisioning for impairment losses on the debt of insolvent banks on special-purpose loans	577,678		577,678
Court costs	81,829	-	81,829
Provisioning for void deposits	2,706	-	2,706
insolvent bank resolution expenses	-	166,598	166,598
Other expenses	3,029	-	3,029
Total other operating expenses	665,242	166,598	831,840

Cash and cash equivalents

Cash and cash equivalents are held in the current account of the DGF with the National Bank of Ukraine.

<i>(UAH thousand)</i>	December 31, 2022	December 31, 2021
Cash at bank	947,189	674,942
Total cash and cash equivalents	947,189	674,942

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, 2022, is 4.18% (as of December 31, 2020 — 5.14%). Interest on cash placed with the National Bank of Ukraine is included in the financial income (Note 21).

Property rights for future cash inflows in the amount of UAH 3,900,000 are pledged as collateral for the DGF liabilities under the loan agreement with the National Bank of Ukraine (Note 19).

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, 2022	December 31, 2021
Financial assets measured at amortized cost	13,022,933	11,131,934
Financial assets at fair value through other comprehensive income	3,870,464	5,261,737
Total other financial assets	16,893,397	16,393,671
Total current	16,416,432	16,393,671
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.

<i>(UAH thousand)</i>	Effective interest rate	Maturity date	December 31, 2022	December 31, 2021
UA4000204002	11,15%	11/02/2022	-	261,151
UA4000204572	11,55%	03/08/2022	-	1,524,011
UA4000214506	11,15%	15/06/2022	-	203,058
UA4000215156	11,28%	09/03/2022	-	1,223,207
UA4000215495	10,70%	02/02/2022	-	1,303,477
UA4000216774	11,65%	23/11/2022	-	692,179
UA4000218325	11,40%	20/07/2022	-	1,535,654
UA4000219778	11,86%	26/08/2022	-	1,037,134
UA4000222145	12,08%	14/12/2022	-	1,340,705
UA4000223457	10,95%	29/06/2022	-	2,011,358
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	-
Total other financial assets measured at amortized cost			13,022,933	11,131,934
Total current			12,545,968	11,131,934
Total non-current			476,965	-

The book value of financial assets measured at amortized cost includes accrued interest payable in the total amount of UAH 228,334 thousand (December 31, 2021: UAH 268,456 thousand).

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.

<i>(UAH thousand)</i>	Effective interest rate	December 31, 2022	December 31, 2021
UA4000196513	10,27%	2,869,560	3,892,960
UA4000196521	10,27%	1,000,904	1,368,777
Total		3,870,464	5,261,737

The book value of financial investments measured at fair value through other comprehensive income includes accrued interest payable totaling UAH 128,090 thousand (December 31, 2021: UAH 126,537 thousand).

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.

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.

Receivable contributions from member banks

Receivable contributions from banks are represented by accounts receivable on regular premiums payable by banks in accordance with Article 22 of the Law of Ukraine "On the Household Deposit Guarantee Scheme".

The DGF recognizes accounts receivable on regular premiums on a quarterly basis based on the Calculation of the Regular Premium Payable to the Deposit Guarantee Fund provided by DGF members. The arrears on regular premiums must be repaid by the bank by the 15th day of the month following the reporting quarter.

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.

<i>(UAH thousand)</i>	December 31, 2022	December 31, 2021
Receivable contributions from the DGF member banks	1,773,195	1,140,623
Receivable contributions from insolvent banks	67,205	222,512
Total receivable contributions from banks, gross	1,840,400	1,363,135
Impairment loss:		
On receivable contributions from insolvent banks	(67,205)	(222,512)
Total impairment loss	(67,205)	(222,512)
Total receivable contributions from banks, net	1,773,195	1,140,623

Receivable contributions from insolvent banks as of December 31, 2022, December 31, 2021, 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.

Debt 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, 2022	December 31, 2021
Debt of insolvent banks on the DGF creditor claims:		
Compensation for the DGF expenses on deposit payouts to depositors and bank resolution	2,182,159	123,062
Debt of insolvent banks under special-purpose loans, net	-	-
Total debt of insolvent banks on the DGF credit claims, net	2,182,159	123,062

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 (Note 23).

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, 2022	December 31, 2021
Debt of insolvent banks under special-purpose loans		
Debt of insolvent banks under special-purpose loans, gross	1,990,173	11,289,329
Provision for losses from non-repayment of special-purpose loans	(1,990,173)	(11,289,329)
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>	2022	2021
Provision for impairment losses on special-purpose loans due from insolvent banks as of the beginning of the reporting period	11,289,329	10,711,651
Accrual of provisions	-	577,678
Provision reversal	(2,542)	-
Write-offs against provisions	(9,296,614)	-
Provision for impairment losses on special-purpose loans due from insolvent banks as of the end of the reporting period	1,990,173	11,289,329



Other assets

<i>(UAH thousand)</i>	December 31, 2022	December 31, 2021
Inventory	1,439	1,150
Other current non-financial assets	11,483	7,500
Total other assets, gross	12,922	8,650
Less: impairment loss	-	-
Total other assets, net	12,922	8,650

Other accounts receivables

<i>(UAH thousand)</i>	December 31, 2022	December 31, 2021
Advances paid	48,044	11,293
Accounts receivable in connection with the sale of insolvent banks	2,000	2,000
Other	2,303	2,785
Total other accounts receivable, gross	52,347	16,078
Less: impairment loss	(3,856)	(3,870)
Total other accounts receivable, net	48,491	12,208



Fixed assets

<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, 2020	308,860	72,088	1,420	2,401	-	384,769
Accumulated amortization as of December 31, 2020	(3,861)	(30,861)	(1,247)	(2,059)	-	(38,028)
Net book value as of December 31, 2020	304,999	41,227	173	342	-	346,741
Receipts	-	33,490	-	76	-	33,566
Disposals	-	(1,346)	-	(93)	-	(1,439)
Accumulated amortization on disposed fixed assets	-	1,343	-	89	-	1,432
Other changes	-	(14,894)	-	-	-	(14,894)
Accumulated amortization on fixed assets where changes occurred	-	6,831	-	-	-	6,831
Amortization	(7,721)	(15,220)	(18)	(130)	-	(23,089)
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

The cost of fully amortized fixed assets that are still in use is UAH 11,156 thousand (December 31, 2021: UAH 10,512 thousand). Other fixed assets are represented by right-of-use assets with an initial cost of UAH 1,241 thousand (Note 29).

Intangible assets

<i>(UAH thousand)</i>	Software	Total
Acquisition cost as of December 31, 2020	119,401	119,401
Accumulated amortization as of December 31, 2020	(30,044)	(30,044)
Net book value as of December 31, 2020	89,357	89,357
Receipts	11,421	11,421
Disposals	(352)	(352)
Accumulated amortization on disposed intangible assets	352	352
Other changes	14,894	14,894
Accumulated amortization on fixed assets where changes occurred	(6,831)	(6,831)
Amortization	(19,204)	(19,204)
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 disposed intangible assets	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

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.

The DGF recognized a provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors in the amount of the projected guaranteed amount of compensation of funds 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 bank insolvency.

The assumptions used by the DGF to estimate the provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors are disclosed in Note 4.

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>	2022	2021
Provision for DGF potential expenses as of the beginning of the period	8,474,760	7,358,903
Increase (decrease) in provision for DGF potential expenses	39,071,551	1,836,398
Provision for DGF potential expenses used	(6,433,239)	(720,541)
Provision for DGF potential expenses as of the end of the period	41,113,072	8,474,760

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, 2022, the financial statements represent the DGF liabilities to depositors of 34 banks (December 31, 2021: 36 banks).

In 2022, the DGF completed deposit payouts in 4 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 549,420 thousand were written off and recognized in other operating income (Note 22).

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>	2022	2021
Deposit payout liabilities as of the beginning of the reporting period	2,960,079	2,996,576
Increase in the liability by using the provision for the DGF potential expenses on the insolvent bank resolution and compensation of funds to depositors;	6,433,238	720,541
Increase in the deposit payout liability at the expense of the costs of the reporting period	51,387	24,476
Increase in the liability due to the utilization of the provision for the DGF potential expenses on deposit payouts on void deposits	105,266	75,995
Decrease in the liability by the deposit payout amount paid to depositors	(5,827,724)	(848,162)
Liability write-off due to the completion of the bank liquidation procedure	(549,420)	(9,347)
Deposit payout liability as of the end of the reporting period	3,172,826	2,960,079

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, 2020	50,832	346,663	397,495
Accrued (formed)	-	2,706	2,706
Used in the reporting year	-	(75,995)	(75,995)
Reversed in the reporting year	(26,161)	-	(26,161)
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

Other current payables

<i>(UAH thousand)</i>	December 31, 2022	December 31, 2021
Accounts payable for goods received, work performed, and services rendered	9,003	1,726
Deferred income	977	1,878
Payroll liabilities	43,635	31,558
Accounts payable for social security and taxes other than income tax	6,375	2,094
Other accounts payable	862	781
Total other accounts payable	60,852	38,037

Other financial liabilities

<i>(UAH thousand)</i>	Effective interest rate	December 31, 2022	December 31, 2021
Promissory notes issued	8,4%	-	45,741,000
Interest due on promissory notes issued	-	-	24,956,012
Lease liabilities	17,16%	952	
Total other financial liabilities		952	70,697,012
Total current		317	-
Total non-current		635	70,697,012

As of December 31, 2022, other financial liabilities are represented by lease liabilities (Note 29).

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, recognized in the financial statements as of December 31, 2021, were fully terminated 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 (hereinafter referred to as "Law No. 2180-IX"), which entered into force on April 13, 2022.

The termination of the DGF liability on promissory notes (including accrued interest) 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. Interest expenses on the promissory notes for the year ended December 31, 2022, are included in finance expenses (Note 24).

After the termination of the liability under the promissory notes, the DGF, upon the decision of the DGF Executive Board, will transfer funds to the State Budget of Ukraine within the amount of the DGF terminated liabilities under the promissory notes and accrued interest. The procedure for transferring funds to the State Budget of Ukraine is determined by an agreement concluded between the DGF and the Ministry of Finance of Ukraine on April 15, 2022.

The initial recognition of the new liability of the DGF to the Ministry of Finance of Ukraine under the agreement on the procedure for transferring funds to the State Budget of Ukraine dated April 15, 2022, will take place on the date when

the DGF is obliged to transfer a certain amount of funds to the State Budget of Ukraine, namely, on the day the DGF Executive Board makes a decision on the transfer of funds. The DGF liability to the state on behalf of which the Ministry of Finance of Ukraine acts will be recognized by reducing other additional paid capital as it is considered a return of the state's contribution made in accordance with the requirements of the law.

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.



Contributions from member banks

<i>(UAH thousand)</i>	2022	2021
Regular premiums	6,066,659	4,567,628
Initial premiums	153,195	-
Special premiums	-	-
Total contributions from member banks	6,219,854	4,567,628

The share of regular premium additionally charged for the past periods in 2022 amounts to 0.01% based on the DGF inspection results (2021 — 0.16%).

Financial income

<i>(UAH thousand)</i>	2022	2021
Interest yield on domestic government bonds	1,562,120	1,541,475
Discount for compensation of expenses on deposit payouts to depositors and withdrawal of banks from the market	11,683	130,481
Interest on cash and cash equivalents placed with the NBU	210,212	69,912
Other financial income	3	13
Total financial income	1,784,018	1,741,881

Other operating income

<i>(UAH thousand)</i>	2022	2021
Positive result from the recognition of compensation for expenses on deposit payouts to depositors and bank resolution	4,203,232	238,767
Penalties and fines arising from contributions from banks	280	561
Income from writing off liabilities on deposit payouts to depositors due to the completion of insolvent bank liquidation	549,420	9,347
Write-back of the provision for impairment losses on outstanding special-purpose loans	2,542	-
Dissolution of legal risk provision	-	26,161
Reimbursement of insolvent bank resolution expenses	185,669	-
Other income	4,315	2,120
Total other operating income	4,945,458	276,956

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.



Expenses on deposit payouts and bank resolution

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 22).

<i>(UAH thousand)</i>	2022	2021
Expenses on deposit payouts and bank resolution, gross	51,387	24,476
Reducing (increasing) compensation for the DGF expenses on deposit payouts to depositors and bank resolution	(4,254,619)	(263,243)
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	(4,203,232)	(238,767)

Financial expenses

<i>(UAH thousand)</i>	2022	2021
Interest expense on promissory notes	7,810,363	5,286,404
Other financial expenses	998,430	74,554
Total financial expenses	8,808,793	5,360,958

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 29).

Other operating expenses

<i>(UAH thousand)</i>	2022	2021
Provisioning for impairment losses on the debt of insolvent banks on special-purpose loans	-	577,678
Provisioning for legal risks	91,008	-
Court costs	12,941	81,829
Provisioning for void deposits	84,193	2,706
insolvent bank resolution expenses	100,467	166,598
Other expenses	14,717	3,029
Total other operating expenses	303,326	831,840

Other expenses include expenses related to the enforcement of court decisions, operating foreign exchange differences, and impairment losses on accounts receivable from insolvent banks.



Administrative expenses

(UAH thousand)	2022	2021
Salaries and other employment benefits	318,160	312,917
Contributions to funds	55,957	55,919
Utility and operating costs	8,793	8,123
Amortization	41,014	42,293
Repair and modernization of fixed assets and maintenance of intangible assets	41,368	26,533
Business trips	18,665	1,082
Other expenses	37,616	46,988
Total administrative expenses	521,573	493,855

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, 2022, and December 30, 2021, the compensation expenses for key management per-

sonnel amounted to UAH 45,461 thousand and UAH 40,428 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.

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, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents on accounts opened with the National Bank of Ukraine	947,189	674,942
Domestic government bonds issued by the Ministry of Finance of Ukraine	16,893,397	16,393,671
TOTAL ASSETS	17,840,586	17,068,613
LIABILITIES		
Promissory notes issued by the Fund to the Ministry of Finance of Ukraine	-	45,741,000
Interest due on promissory notes issued to the Ministry of Finance of Ukraine	-	24,956,012
TOTAL LIABILITIES	-	70,697,012

<i>(UAH thousand)</i>	2022	2021
TRANSACTIONS DURING THE YEAR		
Interest yield on domestic government bonds	1,562,120	1,541,475
Interest on cash and cash equivalents placed with the National Bank of Ukraine	210,212	69,912
Interest expenses on promissory notes issued to the Ministry of Finance of Ukraine	(7,810,363)	(5,286,404)
Termination of liabilities under promissory notes issued by the DGF to the Ministry of Finance of Ukraine (including accrued interest)	78,507,375	-

Detailed information on the transaction of termination of the liability under the promissory notes issued by the DGF to the Ministry of Finance of Ukraine (including accrued interest) is disclosed in Note 19.

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' 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, 2022 – UAH 208,783 thousand (UAH 126,042 thousand as of December 31, 2021).



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>	2022	2021
Lease liabilities at the beginning of the period	-	-
Increase in liability	937	-
Accrual of interest on lease liabilities	15	-
Rental payments	-	-
Lease liabilities at the end of the period	952	-
Current liabilities	317	-
Non-current liabilities	635	-

Interest on the lease liability for the year ended December 31, 2022, amounted to UAH 15 thousand and is presented in financial expenses (Note 24).

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.

The DGF financial stability in the long term is assessed using the DGF target indicator and the target fund, as defined by the Law of Ukraine "On the Household Deposit Guarantee Scheme".

The DGF target indicator is calculated as the ratio of the expected future expenses of the DGF, taking into account the possibility of future crisis events, to the amount of funds guaranteed by the DGF to depositors of member banks within the amount of compensation. The value of the DGF target indicator and the deadline for achieving it are set by a decision of the DGF Administrative Board and may not be less than 2.5 percent of the amount of funds guaranteed by the DGF to depositors of member banks within the amount of compensation. The target fund as of the date of achievement of the target set by the decision of the DGF Administrative Board is determined as the product of the forecast amount of funds guaranteed by the DGF to depositors of member banks within the amount of compensation as of the date of achievement of the target indicator.

The DGF financial sustainability in the long term is achieved by accumulating adjusted equity equal to the excess of the carrying amount of assets, reduced by the value of intangible assets, over the book value of liabilities, excluding the provision for the DGF potential expenses for the insolvent bank resolution and deposit payouts to depositors to the level of the target fund.

The DGF is considered financially sustainable in the long term if the projected amount of the DGF adjusted equity calculated as of the date of achievement of the target is greater than or equal to the value of the target fund as of the relevant date.

The DGF assesses the financial stability of the DGF in the long term by calculating the value of adjusted equity as of the reporting date and as of the date of achievement of the target and comparing it with the value of the target fund. In case the DGF is unable to reach the target fund value by the date of achievement of the target indicator set by the decision of the DGF Administrative Board, the DGF shall consider increasing the basic annual rate of the regular premium or establishing a special premium for the DGF in order to accelerate its capitalization and reach the target fund within the established period.

As of December 31, 2022, the minimum target value is 2.5% of the amount of funds guaranteed by the DGF to depositors of member banks within the amount of compensation, and the period for achieving the target is 12 months. The value of the target fund as of December 31, 2022, is UAH 26,263,000 thousand, and as of December 31, 2023, the date of achievement of the target, it will be UAH 20,900,000 thousand.

As of December 31, 2022, the value of adjusted equity is as follows:

<i>(UAH thousand)</i>	2022
Net assets	(22,317,356)
Less: book value of intangible assets	(78,518)
Provision for DGF potential expenses on insolvent bank resolution and compensation of funds to depositors	41,113,072
Adjusted equity	18,717,198

The DGF management believes that as of December 31, 2022, the DGF is financially sustainable in the long term, as the projected income from contributions from member banks and interest income on domestic government bonds is sufficient to

achieve the adjusted equity of UAH 31,726,000 thousand as of December 31, 2023, which is higher than the value of the target fund as of that date.

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 special-purpose 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:

<i>% per annum</i>	December 31, 2022	December 31, 2021
Cash and cash equivalents	4,18%	5,14%
Financial assets measured at amortized cost	17,40%	11,35%
Financial assets measured at fair value	10,27%	10,27%
Promissory notes issued	8,4%	8,4%

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, 2022, undiscounted cash flows based on the maturity of non-derivative financial liabilities under the agreements (including interest payments) are represented as follows:

<i>(UAH thousand)</i>	Book value	Cash flow under agreements	Up to 1 year	1 to 5 years	Over 5 years
Lease liabilities	952	1,156	487	669	-
Total financial liabilities	952	1,156	487	669	-

As of December 31, 2021, the undiscounted cash flows based on contractual maturities of non-derivative financial liabilities (including interest payments) are as follows:

<i>(UAH thousand)</i>	Book value	Cash flow under agreements	Up to 1 year	1 to 5 years	Over 5 years
Promissory notes issued	70,697,012	108,310,605	-	36,907,176	71,403,429
Total financial liabilities	70,697,012	108,310,605	-	36,907,176	71,403,429

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 14.7%–20.1% (10.7%–11.3% in 2021).

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)	2022		2021	
	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)	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Domestic government bonds at fair value	-	3,870,464	-	-	5,261,737	-
Assets with fair value disclosed:						
Domestic government bonds	-	12,956,772	-	-	11,140,067	-

In 2022, there were no transfers of financial instruments between the levels of the fair value hierarchy.



Events after the reporting period

Within the period from January 1, 2023, 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, 2023, to the date of approval of the financial statements for the issue, the DGF invested temporarily available funds in the amount of UAH 9,088,987 thousand in medium-term domestic government bonds maturing in March–June 2024.

In the period from January 1, 2023, 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 (PJSC DIAMANTBANK, PJSC AKTABANK) were terminated, and the DGF liabilities to make deposit payouts to depositors in the amount of UAH 8,843 thousand were written off.

On February 8, 2023, the DGF began the procedure for the resolution of JSC BANK FORWARD based on the decision of the Board of the National Bank of Ukraine No. 49-рш/БТ dated February 7, 2023, "On Classification of JOINT STOCK COMPANY BANK FORWARD as Insolvent", on March 8, 2023, the DGF began the procedure for the liquidation of PJSC IBOX BANK based on the decision of the Board of the National Bank of

Ukraine No. 89-рш dated March 7, 2023, "On Revocation of the Banking License and Liquidation of PRIVATE JOINT STOCK COMPANY IBOX BANK", in connection with which the DGF recognized an obligation to make deposit payouts to depositors of these two banks in the amount of UAH 1,771,606 thousand.

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

Ref. №
dated June 15, 2023

To the Administrative Board
OF THE DEPOSIT GUARANTEE FUND

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, 2022, 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, 2022, 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") 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 16,893,397 thousand as of December 31, 2022. 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, 2022, as well as on the financial result for the year ended December 31, 2022.

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.

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

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 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 May 3, 2023.

The total duration of the audit engagement without interruption, taking into account the extension of the powers that have taken place and reappointments, is 2 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 June 15, 2023, 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.



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

June 15, 2023