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BREAKING NEWS

“The NBU has repeatedly communicated and held meetings with the international financial community, calling on the banking and insurance sector to stop doing business in RF and Belarus. Such calls have been addressed to Raiffeisen Bank International, Intesa Sanpaolo, OTP Bank, ING Bank, and Credit Agricole.” See below for details.

MACRO INDICATORS

- CMU: In 2022, Ukraine received ~ UAH 1 trillion from international partners. Of these, UAH 410 B were provided by the US, UAH 390 B by the EU and its institutions together with the European Investment Bank. Another UAH 88 B was received from the IMF, UAH 60 B from the World Bank, and UAH 17 B from Japan.
- As of January 1, 2023, Ukraine's international reserves totaled USD 28.5 B.
- Tax and Customs Policy Committee of VR: During 2022, Ukrainian businesses paid UAH 694.4 B in taxes, which is UAH 80 B more than in the peaceful year of 2021.
- MoF: The volume of VAT reimbursements in 2022 amounted to UAH 84.6 B, a reduction by 47% (down by UAH 75.1 B) from 2021.
- NBU: As of December 1, 2022, the share of non-performing loans (NPL) in Ukraine's banking system was 36.8% compared to 35.5% as of November 1, 2022 (up by UAH 12 B).

TOP EVENTS

- MoE: On December 30, 2022, the Cabinet of Ministers suspended auctions on the Prozorro State Procurement system for the period of martial law. This controversial decision was supposedly made due to the problems with access to the bidding system for tender participants as a result of attacks on the Ukrainian power grid. All public procurement tenders announced via Prozorro from now on will be conducted without holding auctions. All sealed bids will be final. The lowest priced offer will be determined to be the winner.
- The first bond placement in 2023: On January 3, MoF was able to attract a meager UAH 1.077 B via a 1.5-yr war bond sale at an increased interest rate of 19.25% (up from 19%).
- In January 2023, the NBU allowed banks to cover up to 50% of required reserves with domestic bonds. It is expected that

such a step will boost participation by banks in the primary market of domestic bonds and absorb some liquidity from the banking system.

- On December 29, 2022, the NBU revoked the licenses of 29 NBFIs.
- In 2022, the market for new passenger cars in Ukraine fell by 63%, as Ukrainians bought only ~38,000 new cars (the lowest since 2000). Also, in 2022, Ukrainians registered more than 388,000 used cars imported from abroad (down by 25% from 2021).
- The DGF has filed a lawsuit in the amount of UAH 46 B against the oligarch and ex-owner of the Finance & Credit Bank, Kostyantyn Zhevago, to compensate for losses of the bank and its creditors.
- MinFin: In 2022, more than 63% of Ukraine's exports were made to EU countries, 21.6% to Asian countries, and 4.9% to Africa.

TOP TRENDS

- Ekonomichna Pravda: Ukraine has suspended most regulatory inspections under martial law. For the last nine months, regulatory agencies may conduct only unscheduled inspections in the areas of health care, environmental protection, transportation safety, social security, etc. In 2021, more than 200,000 business inspections took place, while as of December 2022, slightly more than 10,000 inspections have been conducted (<5% of the 2021 figure). As it turned out, the 'apocalypse' did not happen and most businesses operated responsibly and within the established rules.
- Ekonomichna Pravda: The State Property Fund may be transformed into the Sovereign Fund (following in the footsteps of Kuwait, Norway, and UAE) and will manage the largest state-owned enterprises and confiscated Russian assets. There are ~3600 state-owned enterprises in Ukraine that make up ~13% of the assets of all companies in the country (~UAH 2 trillion portfolio in state-owned assets). The management of state-owned companies is currently divided among dozens of ministries and state agencies.
- Opendatabot: Purchases of apartments and residential buildings fell by almost 3.5 times in 2022 - from 218,000 to 63,000 transactions, while Q2 2022 turned out to be a complete failure - only 9,400 contracts were concluded between April and May.

- SPF: In 2022, the State Property Fund earned UAH 3.6 B for the state budget, of which UAH 2 B came from small privatization and leasing of state property.
- UkrInform: The Ukrainian Government will direct UAH 17 B confiscated from Russian banks to rebuild housing.
- Interfax Ukraine: In 2022, stock prices of all 10 Ukrainian agricultural holdings whose shares are listed on the Warsaw and London stock exchanges decreased by between 1.4 times (for Ukrprodukt) and 3.15 times (for Kernel).
- Ministry of Agrarian Policy: Between February 24 and the end of 2022, Ukraine exported almost 39 M tons of grains and oil crops. The top 3 products were:
 - corn – 15.6 M tons;
 - wheat – 8.6 M tons;
 - sunflower oil – 3.3 M tons.

CLOSER LOOK

NBU: International Banks Should Finally Fulfill Their Promises and Exit the Russian Market



- Goldman Sachs, ING, Credit Agricole, Societe Generale, Commerzbank, BNP Paribas, SEB, Intesa Sanpaolo, PPF Group, Bayerische Landesbank, Iccrea Bancalmpresa S.p.A., and Lombard Odier announced the suspension of business in Russia immediately after the full-scale Russian invasion of Ukraine. Hellenic Bank and Hokkaido Bank left one branch each. Visa, Mastercard, JCB, American Express, PayPal, Payoneer, Western Union left the Russian market.
- The National Bank of Ukraine considers the strengthening of sanctions and external pressure on the economy of Russia to be one of the priorities of its international activities. Below is the NBU's Official Position regarding international banks' presence in the RF and Belarus:
 - "The NBU has met with the leadership and shareholders of these groups and received multiple assurances that they "continue to explore all strategic options for the future of their business in Russia, including ways of exiting this market."
 - Eleven months into the war, the NBU reassessed the situation and found that these groups have made no progress in making final decisions about leaving the Russian market. Moreover, the Russian banks that are part of the international financial groups have provided preferential lending conditions to the participants of the so-called

"special military operation." It appears that these banks remain active players in Russia's banking market and are competing to expand their loan portfolios. In their publications, these banks openly use the Luhansk People's Republic and Donetsk People's Republic names as if these names stand for names of separate countries – and thus virtually tolerate Russia's blatant violations of international law.

- The NBU made another public appeal to the management of these international banking groups to be advised that by staying in Russia they had chosen to support the aggressor and its war crimes. In this regard, efforts to make profits in the aggressor country pose significant risks to the activities of these institutions in their main jurisdictions. Therefore, the NBU requested that the relevant governments and regulators initiate an appropriate response to the aforesaid actions of international financial groups."

- 'For reputable European companies, having any association at all with the terrorist state's economy is toxic. War is a time to choose between profits and dignity,' said NBU Governor Andriy Pyshnyy.
- Ukraine's Minister of Foreign Affairs Dmytro Kuleba has made it clear that 'international companies which remain working in Russia are directly funding Russian war crimes and genocide of Ukrainians.'

The NBU's Official Position Document can be found at: <https://bank.gov.ua/en/news/all/ofitsiy-na-pozitsiya-natsionalnogo-banku-ukrayini--mijnarodni-banki-povinni-nareshiti-realizuvati-svoji-zavavi-ta-vivti-z-rosiyskogo-rinku>

Position of Raiffeisen Bank Ukraine



- The Official Position of Raiffeisen Bank Ukraine is as follows:

"Raiffeisen Bank Ukraine is a separate legal entity that operates in accordance with Ukrainian legislation and complies with all established requirements of martial law. The bank terminated relations with those clients and money of Russian and Belarusian origin. We support sanctions against the aggressor country and provide critical infrastructure. One of our shareholders is the universal banking group "Raiffeisen Bank International" (RBI), which carries out financial activities in the markets of 13 countries of Central and Eastern

Europe. Unlike most companies in other industries, it is virtually impossible for banks to cease operations in any country in the short term due to complex banking regulations. However, the RBI Group was the first of the international retail banks operating in Ukraine to announce a review of its presence in Russia, in particular, the Group is considering a carefully planned withdrawal of the bank from Russia."

- Oleksandr Pizaruk, Chairman of the Board of Raiffeisen Bank Ukraine, emphasized that their parent company "is not actively attracting clients in Russia and is significantly reducing its loan portfolio."

Source: <https://thepage.ua/ua/news/raiffeisen-v-rosiyi-viznav-tak-zvani-ldnr-reakciya-raiffajzen-bank-ukrayina>

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