



FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- KSE Institute: As of March 1, 2023, only 15.3% of international companies operating in Russia prior to the war have completely closed down their activities and exited the Russian market. 24.3% of companies with foreign investments continue to operate in Russia without restrictions.
- The French retailer Auchan plans to open new stores in Russia under the name 'My Auchan' and double its presence on the Russian market. Auchan Retail Russia reported that the new 'My Auchan' stores will offer an assortment of about 900 items, 90% of which will be food products under Auchan's own brands.
- Der Spiegel: German supplier of automotive and industrial products Schaeffler intends to sell its business in Russia to Austrian entrepreneur Siegfried Wolff, who is a business partner of Russian oligarch Oleg Deripaska.

MACRO INDICATORS

- The Ministry of Economy revised its forecast for economic growth in 2023, now saying Ukraine's GDP growth in 2023 will be 1%. As for inflation, it is forecast to be 24% in 2023 (down from 26.6% in 2022).
- NBU: Average interest rate for corporate hryvnia loans in October-December 2022 averaged to ~20% per year.
- MoE: In February 2023, Ukraine exported 9.1 million tons of goods worth USD 3.32 B (vs. 12.8 million tons in February 2022).
- NBU: Ukraine's International reserves decreased by 3.5% in February to USD 28.8 B.

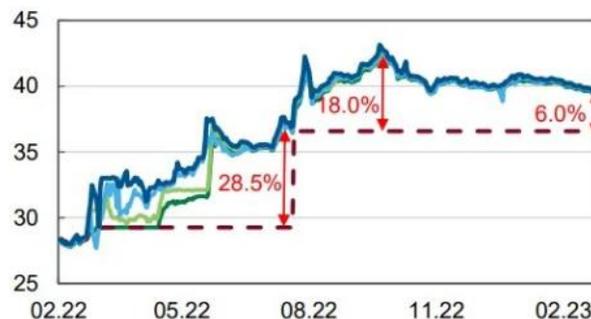


- Opendatobot: Since the beginning of 2023, 51% (18,776) of all new private entrepreneur (FOP) registrations in Ukraine were

women. A third of new women FOPs registrants are in retail, almost twice as many as men in this category.

TOP EVENTS

- According to the results of the annual revision of the List of Ukraine's Systemically Important Banks, the NBU added CREDI AGRICOLE to the List that now contains 15 banks: A-BANK, CREDI AGRICOLE BANK, KREDOBANK, OTP BANK, Oschadbank, Pivdenny, PrivatBank, PUMB, Raiffeisen Bank, SENSE BANK, TASKOMBANK, UKRGASBANK, Ukreximbank, UKRSIBBANK, UNIVERSAL BANK.
- On March 7, the NBU revoked the banking license and started the process of liquidation of 'IBOX BANK'. This small bank was deprived of its license due to repeated AML/KYC violations and helping the gambling industry to avoid paying taxes in the amount of UAH 400 M.
- On March 8, 2023, the NBU revoked the banking license and started liquidation of 'Bank Forward' owned by a sanctioned Russian businessman Rustam Tariko.
- During the business week of March 6-10, the NBU sold USD 280 M from its reserves and bought USD 2.4 M on the interbank foreign exchange market.
- The hryvnia strengthened on the cash market, and the yield on hryvnia deposits and war bond interest rates continue to gradually increase. UAH/USD street (blue) and official (burgundy) exchange rate dynamics:



Source: the NBU.

- On March 7, 2023, the MoF sold UAH 16 B worth of war bonds (mostly for 2.7 years at 19.65% per year).
- On April 1, 2023, the NBU will start operating a new generation (ISO 20022-based) of the electronic payment system (SEP), which will work around the clock.

- NBU developed a draft law that will allow the nationalization of 'Sense Bank' (formerly 'Alfa-Bank Ukraine'). The draft law proposes to amend the Civil Procedure Code, the Economic Code, the Code of Administrative Procedure of Ukraine, as well as the laws "On Banks and Banking" and "On the Deposit Guarantee System of Individuals". The key change proposed by the NBU is to oblige the regulator to declare a bank insolvent and withdraw it from the market if Ukrainian and international sanctions are applied against the owners of such an institution.
- DGF: The Economic Court of Kyiv City decided to seize the assets of the owner of 'Finance and Credit' Bank Kostyantyn Zhevago to compensate for the bank's losses of UAH 46 B.
- Bloomberg: The largest shareholder of Ukrainian agricultural giant Kernel Holding (one of the world's biggest producers of sunflower oil) proposed to its Board of Directors to consider delisting Kernel from the Warsaw Stock Exchange (WSE) and buying back shares from other shareholders. The rationale behind going private is primarily related to Russia's invasion, which disrupted Kernel's operations and caused its market value to drop by >60%. The statement announcing the move also cited disappointments with the WSE, where the number of traded stocks is now the lowest in more than a decade.

TOP TRENDS

- NATO Secretary General Jens Stoltenberg: In 2022, NATO allies provided military and financial/economic support to Ukraine in the amount of ~EUR 150 B, of which EUR 65 B was military aid.
- Associations of Retailers of Ukraine: A year after the beginning of the war in Ukraine, 95% of retailers are open (in March 2022, this figure was only 29%).



- 92,400 people work in the Top 50 Ukrainian IT companies vs 100,000 in January 2022 (down by 7.6%). This reduction probably reflects the movement of many of them abroad to work in other branch offices. They are legalized there and therefore stopped paying taxes to Ukraine.

- The Ministry of Environmental Protection and Natural Resources: The Russian Army has caused damage to Ukraine's nature/environment in the amount of >UAH 2 trillion. In Ukraine, the forests are currently suffering the most. Almost 3 M hectares of forests have been damaged in the past year (~35% of the forested territory of Ukraine).

CLOSER LOOK

The Cost of De-Mining Agricultural Land Can Be as High as USD 5000 per Hectare

- According to the estimates, 139 thousand square km of Ukrainian land are contaminated with explosives. In other words, 20% of the country's territory requires inspection and de-mining.
- According to the assessment of the Ukrainian Agrarian Business Club, about 2 million hectares have been mined in the liberated regions. Each year of idleness of these lands will cost the country's economy up to USD 800 M.
- There are 6 M hectares under temporary occupation, which will also require inspection after de-occupation.
- The land surface needs to be leveled and recultivated to restore soil fertility. Earlier, the KSE estimated the total cost of such works at USD 40 M.

Source: Ekonomichna Pravda

FSR PROJECT NEWS

- Yulia Vitka, FSR's DCOP, is included in the expert jury of Fintech Awards, an annual professional award designed by Ukrainian Association of Fintech and Innovation Companies (UAFIC) to recognize the contribution of leading companies to the development of the Ukrainian fintech ecosystem. The winners were announced on March 15 in Kyiv. More information here: <https://fintechawards.com.ua/>
- FSR supported the Digital Lending Conference, the largest conference in Ukraine on digital lending and finance organized annually by UAFIC. More than 200 participants attended the conference offline, and over 300 online. The event was canceled last year due to the war and resumed this year with the sponsorship support of FSR.

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