



FINANCIAL SERVICES INDUSTRY WEEKLY

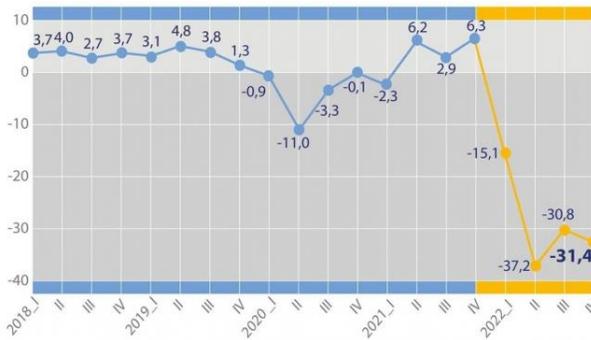
2023: ISSUE 11 March 12 – March 18

FOLLOW UP ON THE NEWS

- Falter: Raiffeisen Bank International has discussed a possible asset swap scheme with Russia's Sberbank to obtain blocked earnings it received in Russia in 2022. Sberbank is under international sanctions, and some of its assets were frozen by the European authorities. RBI discussed the idea of transferring dividends (EUR 2 B) from its Russian operations to Sberbank in exchange for the assets of Sberbank Europe (registered in Austria).

MACRO INDICATORS

- State Statistics Service: In Q4 2022, Ukraine's real GDP fell by 31.4% compared to Q4 2021, after a 30.8% drop in Q3 2022. Change in Real GDP (in % to the respective quarter of the previous year):



- Agricultural products in Ukraine are produced by > 50,000 agricultural enterprises, 92% of which are farms. The number of 'statistically' active farms is 32,452, of which 28,788, according to the State Statistics Service, cultivate 4.7 million hectares of land.
- On March 16, the NBU decided to keep the interest rate at 25%. Inflation is slowing down faster than predicted, but it is still high.
- Opendatabot: Due to the full-scale war in 2022, the share of NPLs in the Ukrainian banking system increased from 34% to 39%.

TOP EVENTS

- Oleksandr Kubrakov, Deputy Prime Minister for Reconstruction: The Black Sea Grain initiative Agreement was extended for 120 days primarily thanks to the UN and Turkey.
- DGF: In February 2023, guaranteed compensation payments to depositors of banks liquidated by the DGF amounted to UAH 46.5 M (vs. UAH 43.8 M in January 2023).

- On March 13, the DGF began compensating depositors of JSC 'Forward Bank' under bank deposit contracts, regardless of their expiration date.
- On March 14, 2023, the MoF sold UAH 2.7 B worth of war bonds (mostly at 19.7% for 2.3 years).
- Andriy Pishnyi, NBU Governor: The NBU plans to relax restrictions on the foreign exchange market, which were introduced at the beginning of 2022 in connection with the war.
- The NBU was recognized as the Central Bank of the Year 2023 by Central Banking Awards. International experts highly praised the complex efforts of the NBU team for ensuring the stability and continuity of the financial system in the midst of a full-scale war.



- The EU announced it would release the second tranche of the macro financial aid to Ukraine (EUR 1.5 B from the EUR 18 B package) during the week of March 12-18.
- The State Property Fund will replace the top management of 65 state-owned enterprises based on their financial results.
- Prozorro.Sales: On March 13, 'Ukrdoninvest' was announced as the winner of the privatization auction for Belgorod-Dniester Sea Trade Port. Its bid of UAH 220 M was more than double the starting price of UAH 94 M.
- Nova Poshta: The NovaPay Financial Company, a part of the Nova Poshta Group, is in the process of obtaining an Electronic Money Institution (EMI) electronic license. An EMI license allows companies to offer money transfers/ payments and certain other financial services without operating as a bank or using the word 'bank' in their name or marketing materials.

TOP TRENDS

- Opendatabot: January 2023 became very profitable for Ukraine's banking system with earnings of UAH 14.7 B, which is more than twice as much as in January 2022 (UAH 7.1 B).
- According to the National Reconstruction Council, the post-war reconstruction of the de-occupied territories will take >10 years. The scale of housing destruction in Ukraine is very large – >149,000 houses were damaged or destroyed. The KSE estimates damages from housing destruction at USD 54 B as of December 2022. According to the Ministry of Regions, >2.4 M Ukrainians currently live in damaged homes because of Russian aggression. According to the UN Refugee Agency, currently >6.5 M Ukrainians are IDPs, and >8 M people have left the country.
- The NBU introduces a 3-mo CD at 25% per year.
- NBU: Loans have become even more expensive for individual borrowers. In February 2023, average interest rates on new UAH loans for households amounted to 36% per annum. Interest rates for corporate UAH loans increased from 19.5% to 20.5% per annum in February, while interest rates for foreign currency loans fell from 5.9% to 5.5%. The loan portfolio of banks decreased by 1.3% to UAH 987 B in February (corporate loans amounted to ~UAH 757 B).
- According to NBU forecasts, private remittances to Ukraine in 2023 will amount to USD 15.9 B (vs. USD 13 B in 2022). In 2022, the largest amounts of funds came from Italy (23%), Israel (18%), USA (16%), Germany (7%), and Poland (4%) with an average transfer amount of USD 206. The leaders in terms of the number of transfers to Ukraine were Western Union (USA) - 50% of all transfers, PrivatMoney (PrivatBank) – 20%, and MoneyGram (USA) – 17%.
- Pension Fund of Ukraine: As of March 1, 2023, 8.3 million pensioners received pension payments through current bank accounts: Privatbank - 4.527 million (54.2%), OschadBank - 2.989 million (35.8%), Raiffeisen Bank - 0.33 million (4.0%). Another 2.3 million pensioners received pension payments through Ukrposhta.
- In 2022, the revenues of the Ferrexpo Group (the third largest exporter of high-grade iron ore pellets in the world) decreased by 50% from 2.5B to USD 1.2 B, as operational and logistical restrictions were imposed due to the war in Ukraine.
- Ministry of Energy: Ukraine plans to start producing nuclear fuel in 3 years.

CLOSER LOOK

In February 2023, 53 NBFIs left the market

- The number of NBFIs in February 2023 decreased from 1,436 (January 31, 2023) to 1,384 (February 28, 2023). The number of banks remained unchanged at 67 in February.
- As of February 28, there were 115 non-life insurers, 12 life insurers, 1 insurer with a special status, 176 pawn shops, 159 credit unions, 95 leasing companies, 701 financial companies, 58 insurance brokers, and 67 collection companies. In addition, 25 banking groups and 22 non-banking financial groups were recognized on the market.

- There are 37 payment systems (down from 38) operated by residents (including state-owned ones), and 16 international payment systems on the Ukrainian payments market.

Source: NBU

FSR PROJECT NEWS

- On March 20, FSR and the NBU kicked off the annual Global Money Week (GMW) campaign to raise financial awareness of Ukrainian youth and assist them in making reasoned financial decisions. Between March 20 and March 31 multiple educational activities for school children, students and teachers will be held within the frame of the GMW. USAID has supported financial education in Ukraine since 2011 and GMW – since 2012. Last year the GMW was canceled due to the Russian invasion. More details about the GMW 2023 program [here](#).



- On March 16, FSR co-hosted with the Ukrainian Bar Association (UBA) a round table discussion on the issue of individual over-indebtedness and options for debt restructuring. Anastasia Voronova, FSR's Legal and Regulatory Expert, moderated the discussion involving representatives of the Ministry of Justice, UBA, the Independent Association of Banks of Ukraine, and two Ukrainian banks.

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