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FINANCE AND CREDIT

Comparative Analysis of Retail Financial Instruments in Ukraine: Bank Deposits, Domestic Government Bonds, and Investment Fund Certificates

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Abstract. Household wealth preservation in Ukraine faces acute pressures from high inflation and ongoing wartime financial volatility. This paper examines whether conventional retail banking products or alternative instruments offer viable capital protection for private individuals. By evaluating retail bank deposits, Domestic Government Bonds (OVDP), and fractional commercial real estate certificates issued by Inzhur REIT, we analyze key trade-offs across nominal and after-tax yields, liquidity access, and statutory guarantee mechanisms. Our calculations demonstrate that nominal yields provide a misleading picture: while 12-month deposits suffer from a combined 23% fiscal burden (personal income tax and military levy), sovereign domestic bonds retain full post-tax coupon yield alongside superior secondary market flexibility. Meanwhile, real estate mutual funds offer an accessible equity route into commercial assets with reduced dividend taxation, though they introduce specific non-exchange liquidity and wartime asset-valuation risks. Ultimately, we outline a pragmatic framework combining fixed-income sovereign debt with selective equity diversification for retail portfolios.
Keywords: *retail investments, bank deposits, Domestic Government Bonds, OVDP, Inzhur REIT, effective yield, household finance, portfolio diversification.*

The issue of preserving savings in Ukraine currently has not only theoretical but also practical significance. Due to inflation, martial law, and instability in the financial market, money that is simply kept in cash or in a current account gradually loses its purchasing power. At the same time, for most private investors, the choice of an instrument is not obvious: it is necessary to consider not only the interest rate, but also taxes, the ability to quickly recover funds, guarantees, and risks. Therefore, it is advisable to invest only those funds that are not needed for daily expenses and whose partial loss would not be critical for the personal budget. It should also be noted separately that, thanks to mobile banking and public digital services, access to investment has become easier even for people with small amounts of money.

From the perspective of a portfolio approach, it is important for an investor not to keep all savings in one instrument. Different options should be combined so that part of the funds remains liquid while another part can generate higher income. Bank deposits and domestic government bonds remain the most familiar instruments for Ukrainians. Both instruments are connected with state guarantees, but they differ in terms of taxation, yield, and early-exit conditions. In addition to them, private instruments are emerging on the market, including investment certificates of Inzhur real estate funds. They make it possible to invest not in a separate apartment, but in a share of a commercial real estate portfolio. The purpose of this paper is to compare deposits, domestic government bonds, and Inzhur certificates by net yield, tax burden, liquidity, and risks in order to determine which option may be appropriate for a private investor.

Comparative Analysis of Bank Deposits and Domestic Government Bonds (OVDP)

To begin with, it is appropriate to compare the two most common hryvnia-denominated instruments: term bank deposits and domestic government bonds. Deposits are understandable to most depositors: they are easy to open through a bank, and the minimum amount is usually small. According to the Ukrainian Index of Retail Deposit Rates (UIRD) [1], the average nominal yield on 12-month hryvnia term deposits is 13.99% per annum, and for 6-month deposits it is 14.21%. However, this rate cannot be equated with the depositor’s real income, since 18% personal income tax and a 5% military levy are withheld from interest income [2]. After taxation, the net yield of a deposit decreases to approximately 10.77% per annum $(13{,}99\% * (1 - 0{,}23))$. Another drawback of a deposit is its limited flexibility: in the event of early termination of the agreement, the bank often does not pay the accrued interest or significantly reduces it.

Domestic government bonds appear more attractive due to their higher net yield and tax advantages. On the secondary market, hryvnia bonds with maturities of approximately one to two years yield between 15.50% and 16.20% per annum. For individuals, it is important that income from government bonds is not subject to personal income tax or the military levy, so the investor receives the coupon virtually without tax losses. In addition, domestic government bonds can be sold before maturity through a broker or banking application while retaining the right to the coupon for the period of ownership. In terms of guarantees, the two instruments are similar: deposits are covered by the Deposit Guarantee Fund during martial law, while payments on domestic government bonds are backed by the state.

Table 1

Comparative Characteristics of Bank Deposits and Domestic Government Bonds in Hryvnia

Comparison parameter	**Term bank deposit (12 months)**	**Hryvnia domestic government bonds (1-2-year maturity)**
Economic category	Financial liability (money market)	Financial liability (money-market security)
Nominal yield, % per annum	13.99% (official NBU UIRD index)	15.50-16.20% (average on the secondary market)
Tax burden	18% personal income tax + 5% military levy (23% total)	0% (fully exempt under the Tax Code of Ukraine)
Actual net yield, % per annum	10.77%	15.50-16.20%
Entry threshold (minimum investment)	from UAH 1,000	from UAH 1,000 (one security in apps / Diia)
Liquidity and exit from investment	Low (loss of interest in case of early termination)	High (sale on the exchange without loss of coupon)
Guarantee of repayment	100% of principal and interest (Deposit Guarantee Fund during martial law)	100% of nominal value and coupon (State Budget of Ukraine)

The comparison presented above shows that, with a similar level of reliability, domestic government bonds provide a higher net result than a traditional bank deposit. The difference is formed primarily through taxation, since the deposit rate decreases much more significantly after taxes are paid. For clarity, this relationship is shown in Figure 1.

FINANCE AND CREDIT

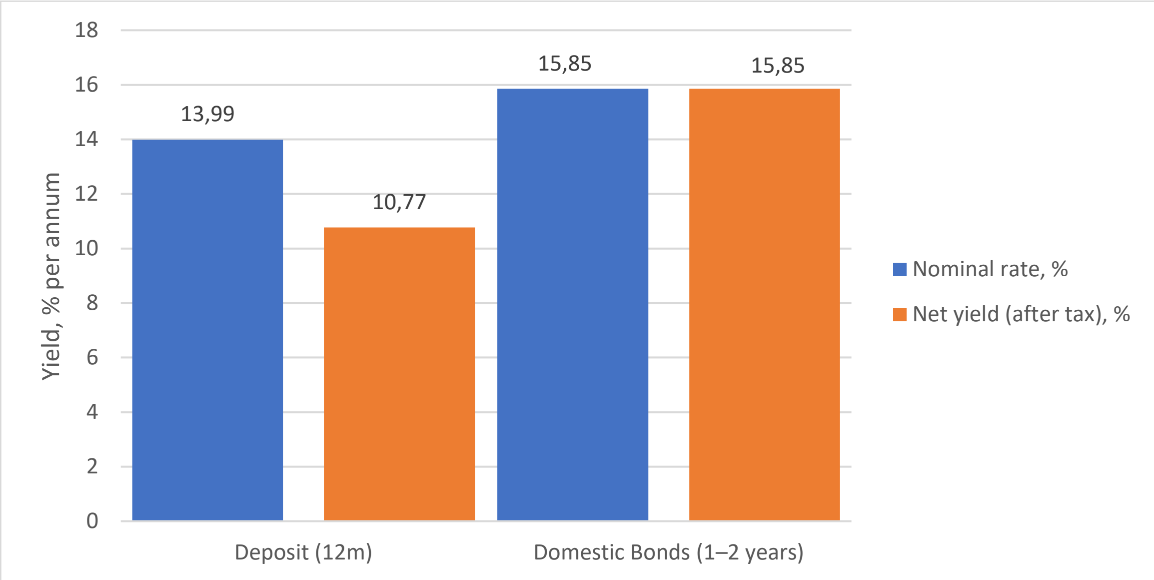

Figure 1
Comparison of nominal and net yields of bank deposits and domestic government bonds (as of September 2026)

Figure 1 shows that the nominal rates on deposits and domestic government bonds do not differ very sharply; however, after taxes are taken into account, the gap becomes significant. A deposit with a nominal rate of 13.99% yields approximately 10.77% per annum after taxation, whereas income from domestic government bonds for an individual remains at the level of 15.50-16.20%. Therefore, when choosing between these instruments, it is worth assessing not only the announced rate but also the tax regime. At the same time, both options remain hryvnia-denominated, so they do not protect the investor from possible devaluation of the national currency.

Financial Capital Instruments: The Case of Inzhur Real Estate Funds

To protect against inflation and currency fluctuations, investors often consider real estate. This asset is understandable and tangible: it can be rented out and generate regular payments. However, buying an apartment requires a significant initial amount, often from USD 30,000-50,000, and also involves additional expenses for repairs, finding tenants, and maintaining the property. In addition, during wartime, the risk of a single property is highly concentrated. An alternative to the direct purchase of housing may be real estate investment funds, which make it possible to buy not an entire property but a small share in a real estate portfolio.

An example of this approach in Ukraine is Inzhur. The company develops commercial real estate funds and offers investors the opportunity to purchase certificates whose value is linked to a portfolio of properties. In its public materials, Inzhur states that the fund works with commercial real estate and long-term tenants. For this paper, it is important not so much to present the company as a risk-free instrument, but to evaluate it as an alternative to the direct purchase of real estate. The fund's performance indicators — the expansion of the circle of co-owners, the valuation of the consolidated portfolio, and the level of dividends paid — are confirmed by the company's public reporting [3] and regulatory acts of the National Securities and Stock Market Commission [4].

Table 2

Comparative Analysis of Direct Real Estate Purchase and Inzhur REIT Investment Certificates

Comparison parameter	Direct purchase of housing for rental	Inzhur REIT investment certificates
Economic essence	Real tangible asset	Financial capital instrument (equity security)
Minimum entry threshold	from USD 30,000-50,000 (cost of an apartment)	from UAH 10 (value of 1 certificate: NAV + 1%)
Expected yield	5-8% per annum in USD (nominal)	from 9.5% projected (actual over the previous 12 months – 12.96% in USD)
Income taxation	18% personal income tax + 5% military levy (23%)	9% personal income tax + 5% military levy (14% total on dividends)
Actual net yield	4.5-6.0% per annum in USD	8.17% (projected) / 11.15% (actual 12 months) in USD
Regularity of inflows	Monthly from the tenant (if occupied)	Monthly automatic dividend distribution
Management and operating expenses	Independent repairs, administration, vacancy risk	Fully passive income (managed by a licensed AMC)
Level of diversification	None (risk tied to one address)	Higher than when purchasing a single property; depends on the actual portfolio composition
Specific risks	Property damage, vacancies, tenant non-payment	Non-exchange liquidity, sensitivity of NAV valuation, wartime risks

FINANCE AND CREDIT

The advantage of this model is that the investor does not need to purchase an entire real estate property: the minimum entry amount is significantly lower, while operational management is undertaken by the asset management company. In addition, dividends received by individuals from such certificates are taxed at a preferential rate of 9% personal income tax and a 5% military levy, meaning that the total tax burden is 14%. This provides an expected net yield of 8.17% $(9{,}50\% * (1 - 0{,}14))$ under the baseline forecast and up to 11.15% $(12{,}96\% * (1 - 0{,}14))$ based on actual payments from the previous period, which is considerably more favorable than income from deposits or direct residential rental.

For a visual comparison of net income from renting out housing and from real estate fund certificates, taking the tax factor into account, Figure 2 was prepared.

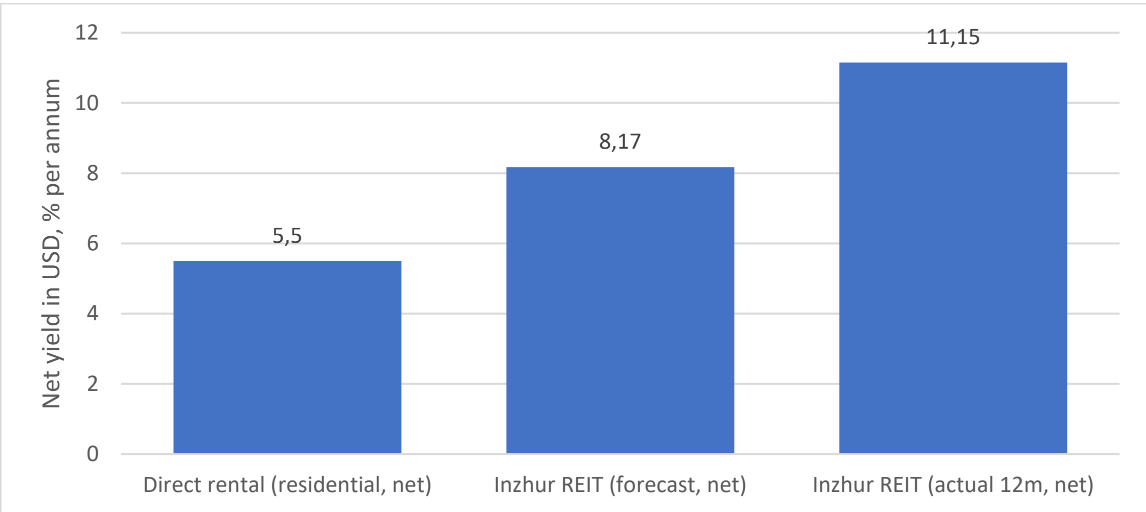

Figure 2
Comparison of net yields from direct investment and Inzhur REIT (in U.S. dollars)

According to the data used to construct Figure 2, the baseline forecast for Inzhur REIT provides a higher net yield in foreign currency than direct residential rental. At the same time, this result should not be viewed as guaranteed. It depends on the actual performance of tenants, occupancy rates, property valuation, and the overall situation in the real estate market.

Along with its advantages, this instrument also has significant risks. First of all, Inzhur certificates are not as liquid as a bank deposit or domestic government bonds. The company may declare a buyback mechanism, but under market stress, quick recovery of funds may not always be simple. In addition, the fund's yield depends not only on rental payments but also on the valuation of real estate. During martial law, commercial properties are affected by security risks, changes in consumer demand, vacancy rates, and possible delays in the development of new projects. Therefore, such certificates should be considered a riskier instrument rather than a complete substitute for deposits or domestic government bonds.

Thus, investment certificates of real estate funds may be attractive for an investor who wants to receive income linked to real estate but does not have the ability or desire to independently purchase and maintain a property. At the same time, the absence of state guarantees, wartime risks, and limited liquidity make this instrument less protected compared with deposits and domestic government bonds.

The comparison conducted shows that there is no universal solution for all savings. A bank deposit remains a simple and understandable instrument, but after taxes are paid, its net yield is lower than it appears based on the nominal rate. In addition, early withdrawal of funds often leads to the loss of interest. Against this background, hryvnia-denominated domestic government bonds look more advantageous for the conservative part of a portfolio, as they provide a higher net yield, are not taxed for individuals, and remain relatively liquid.

Real estate fund certificates, including Inzhur REIT, may complement such a portfolio because they provide access to real estate with a low entry amount and a lower tax burden on dividends. Their advantage lies in the opportunity to receive income linked to commercial properties without independently managing real estate. However, this instrument has no state guarantees and depends on market conditions, tenant performance, and the fund's ability to maintain liquidity.

In view of this, the most balanced approach may be to combine several instruments. Domestic government bonds should be used for the more stable part of hryvnia savings, while real estate fund certificates may serve as an additional option for diversification and partial protection against currency risks. Deposits, meanwhile, can remain a reserve instrument for funds that the investor wants to keep in the simplest and most understandable form.

FINANCE AND CREDIT

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