



MINISTRY OF
FINANCE OF
UKRAINE

STATE-OWNED BANKS

NON-PERFORMING LOANS STATUS AND RESOLUTION REPORT

August 2020



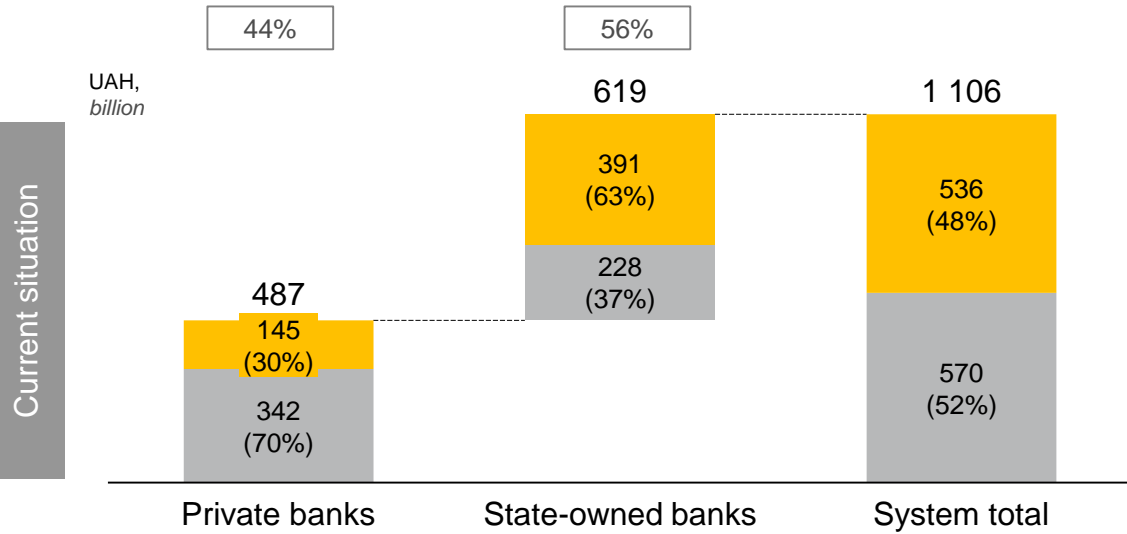
1	General overview	2
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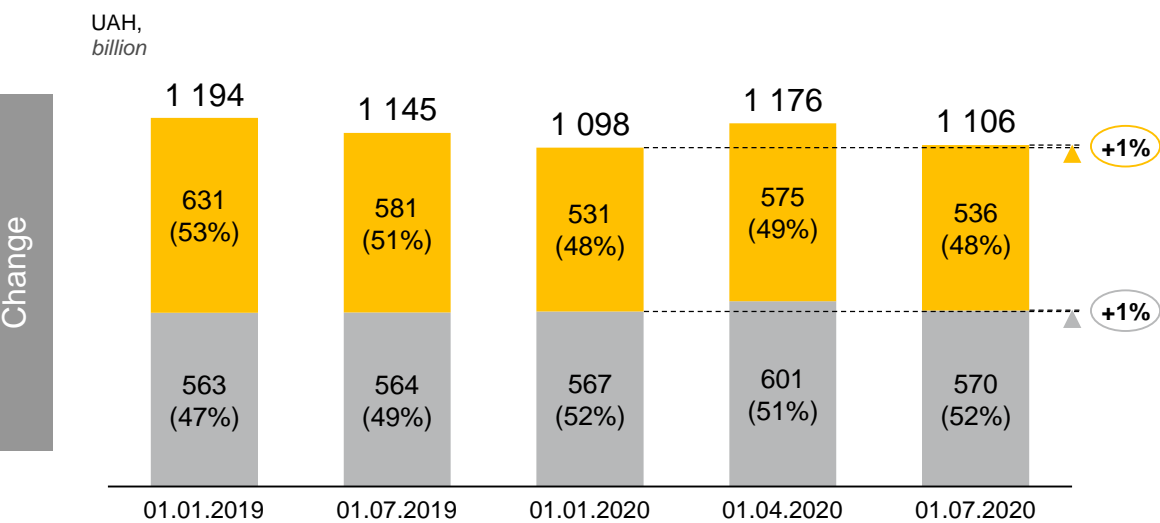
Banking sector loan portfolio

■ Non-performing ■ Performing

xx% – share of the sector in the banking system



- The level of Ukrainian banks' NPL remains quite high
- NPLs account for almost half of the total banks' loan portfolio (**48%** or **UAH 536 billion**), of which **73%**, or **UAH 391 billion**, is accumulated in public sector banks.
- State-owned banks now have new independent Supervisory Boards, one of the key tasks of which is to approve the Problem Asset Management Strategy and Operational Plan for its implementation, aimed at resolving large volumes of problem assets.



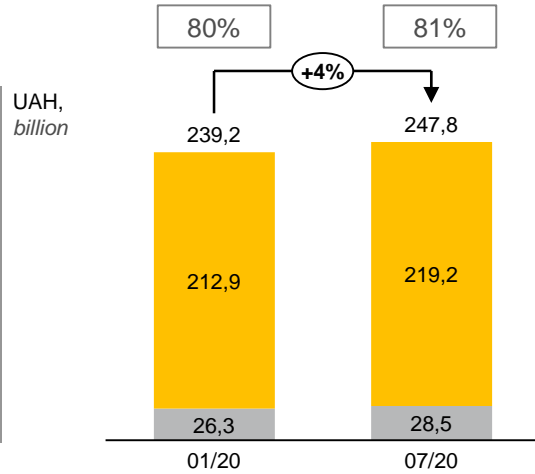
- In the 1st half of 2020 the level of Ukrainian banks' NPL and PL increased
- Volume of NPL in banks increased by **1%**, or **UAH 5,5 billion**
- Volume of PL – by **1%**, or **UAH 3 billion**
- SOBs reduced their NPL level by **2%**, or **UAH 6 billion**



Public sector banks' NPL: current situation

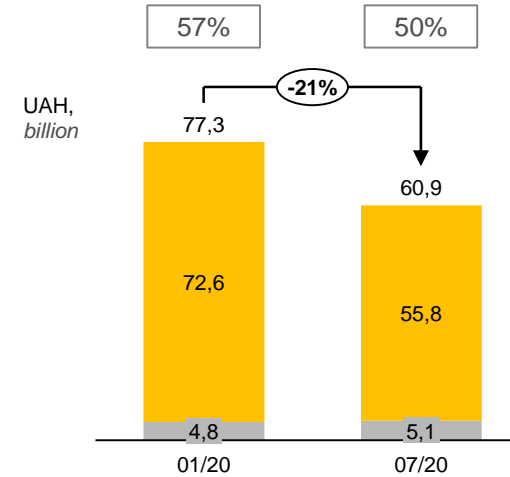
■ Legal entities
■ Private individuals
xx% – share of loan portfolio

Privatbank



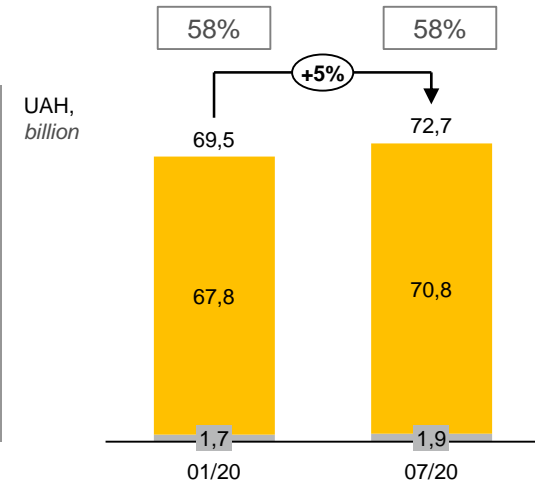
- In the 1st half of 2020 the bank's NPL increased by 4%, or UAH 8,6 billion
- NPL constitute 81% of the bank's loan portfolio, of which 88% are loans to legal entities related to the former owners of the bank and "Privat" Group

Oschadbank



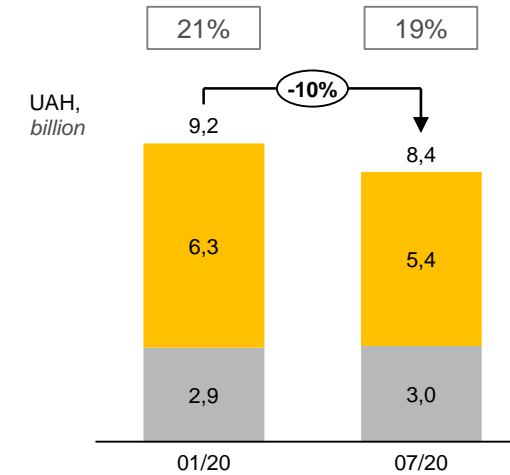
- In the 1st half of 2020 the bank's NPL reduced by 21%, or UAH 16,4 billion
- The bank wrote off against provisions UAH 25 billion of debt of borrowers resulting from the annexation of the Autonomous Republic of Crimea
- NPL is concentrated in the corporate loan portfolio

Ukreximbank



- In the 1st half of 2020 the bank's NPL increased by 5%, or UAH 3,2 billion
- At present, the bank's loan portfolio is actually composed entirely of corporate loans– 98%
- The main component of the NPL portfolio is loans issued before 2014 and loans in the Autonomous Republic of Crimea

Ukrigasbank



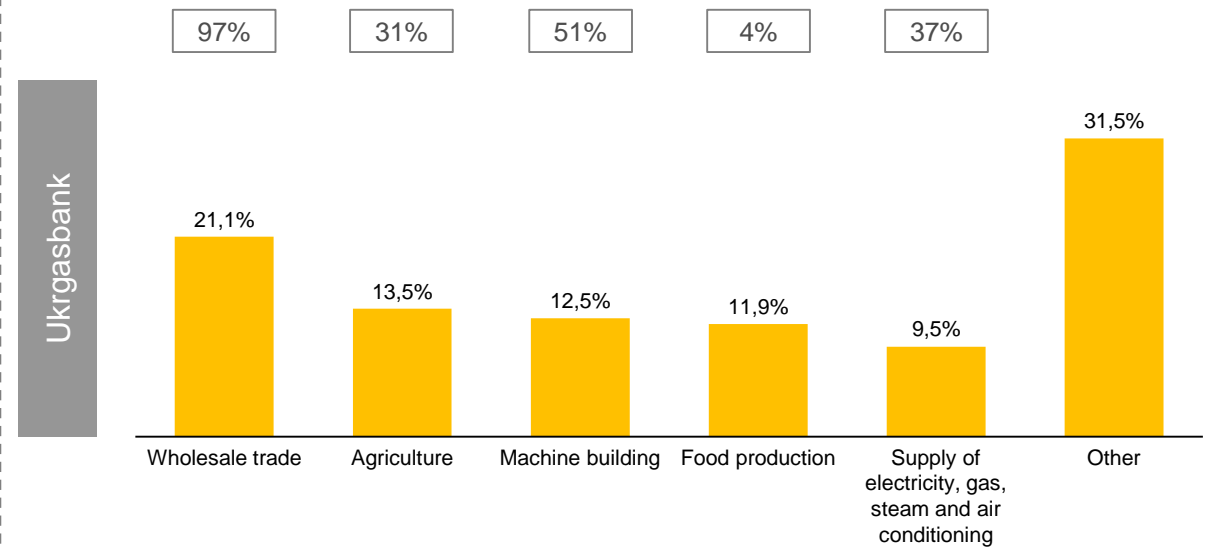
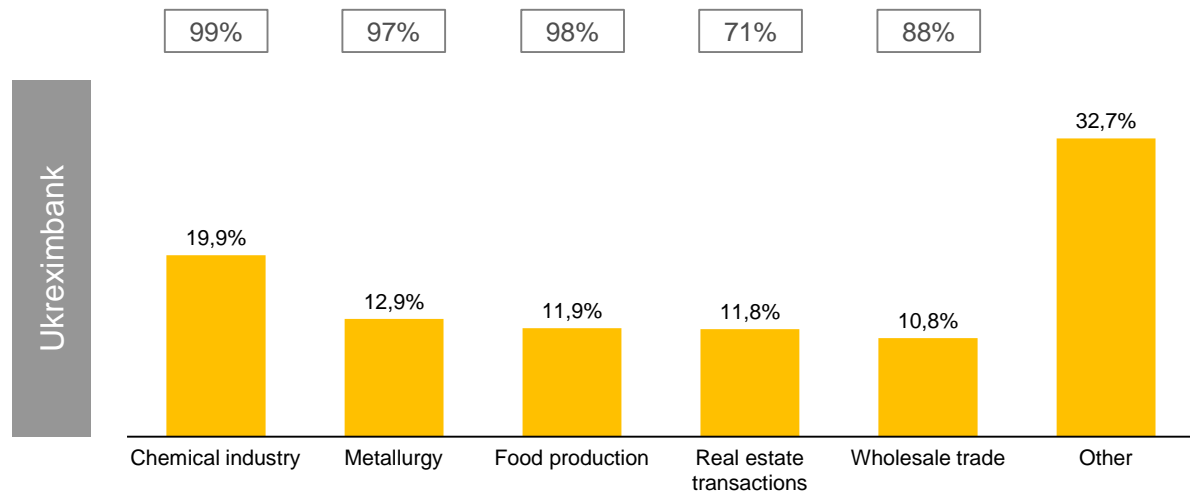
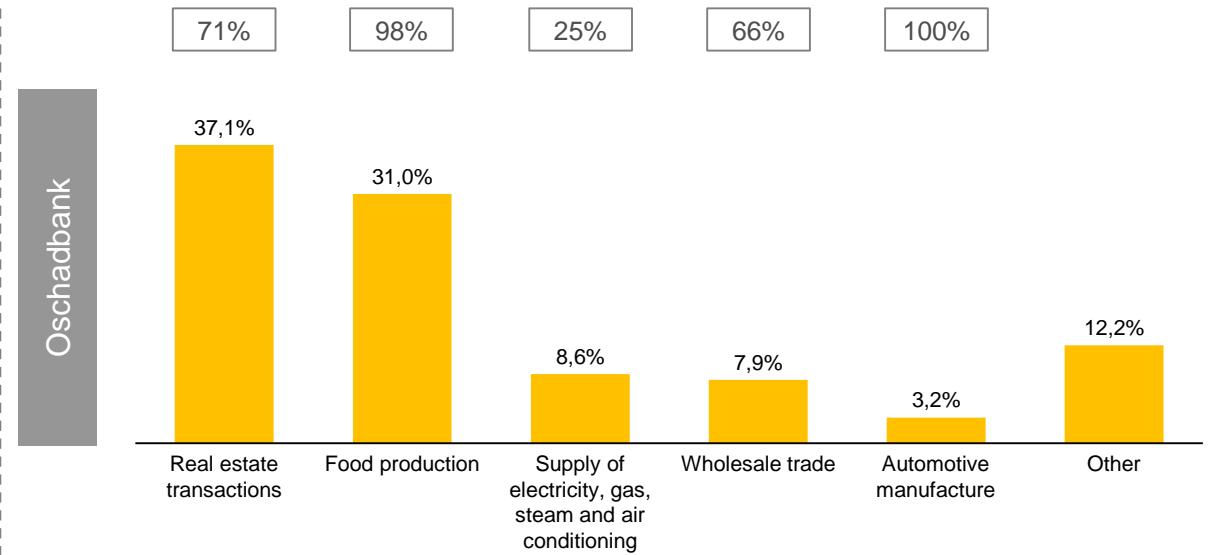
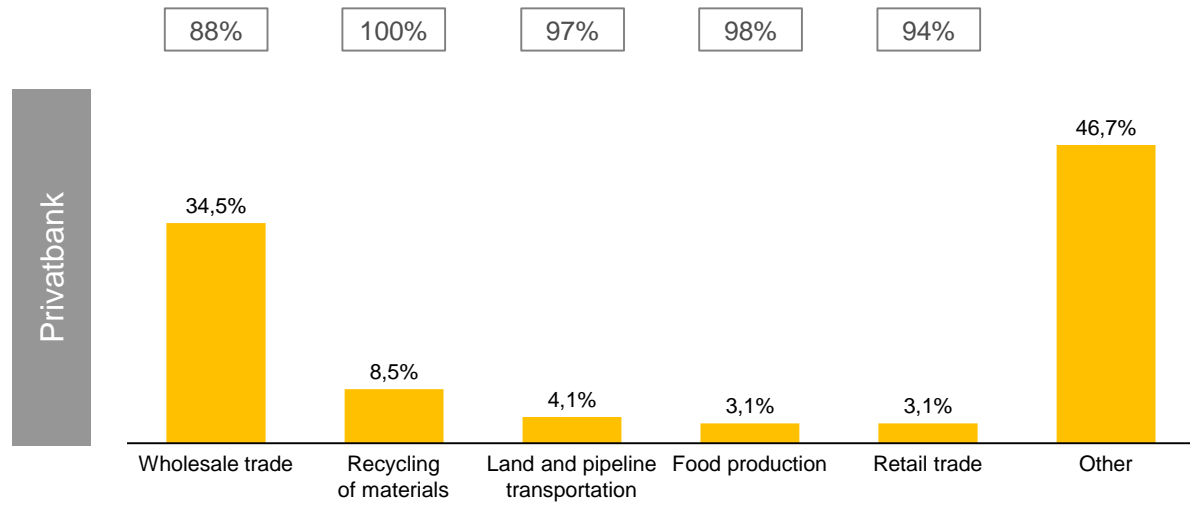
- In the 1st half of 2020 bank's NPL reduced by 10%, or UAH 0,8 billion
- The bank has the smallest amount and share of the NPL portfolio among public sector banks



Corporate NPL by sector of economy

■ Share of the sector in the corporate NPL portfolio

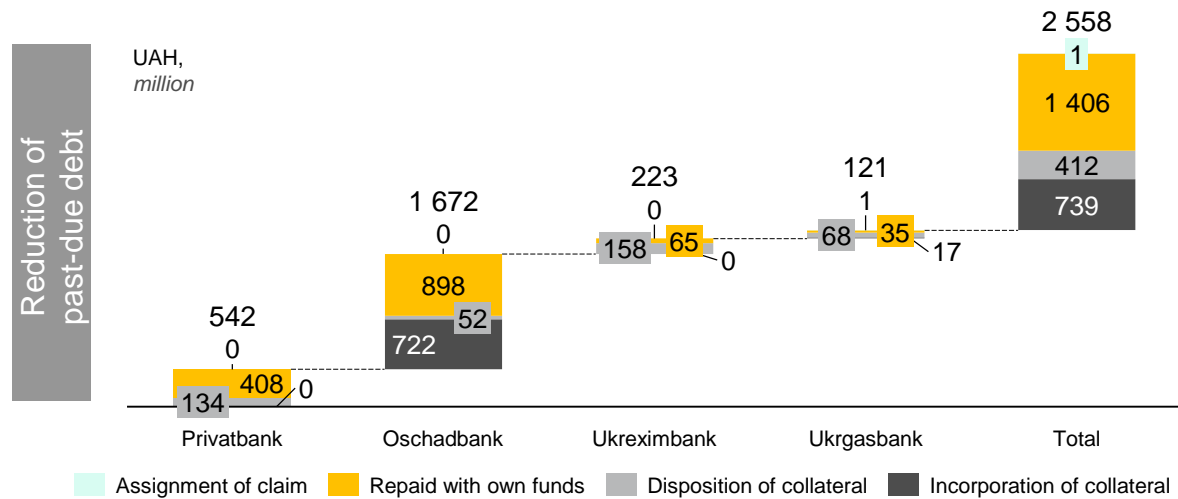
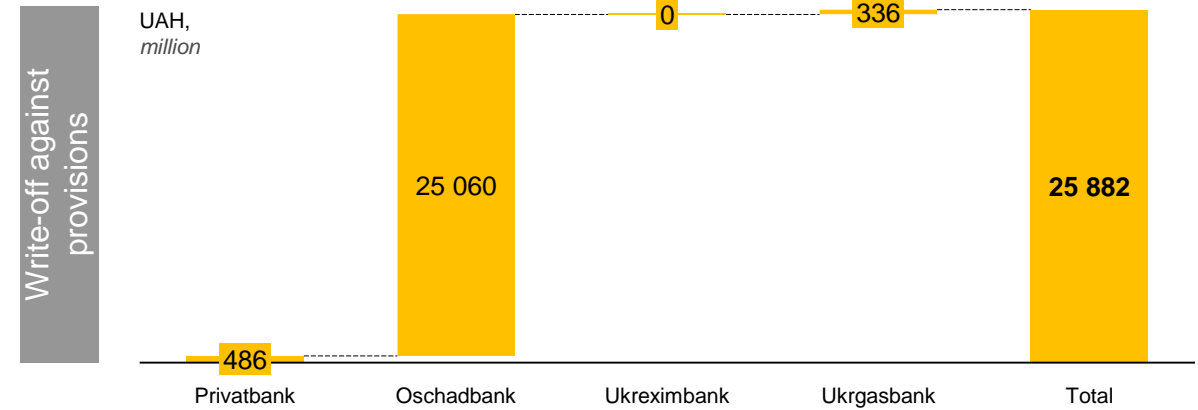
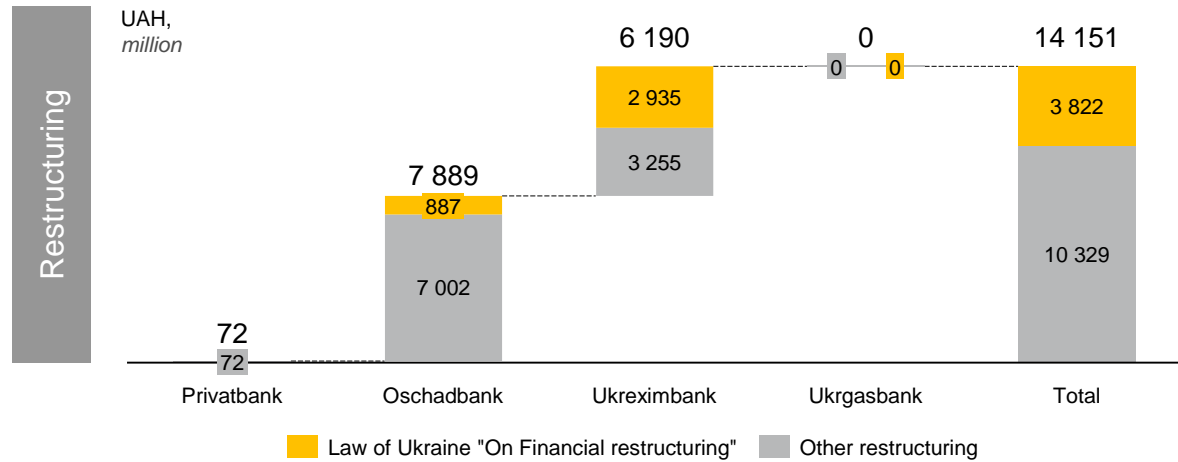
□ xx% – provision coverage



Source: Oschadbank, Privatbank, Ukreximbank, Ukrgasbank



Public sector banks' NPL: efforts taken in the 1st half of 2020



Litigation

Bank	New lawsuits filed in the 1 st half of 2020		Got court decisions in the 1 st half of 2020		Enforcement proceedings in the 1 st half of 2020		Lawsuits in courts as of 01.07.2020	
	number	UAH, billion	number	UAH, billion	number	UAH, billion	number	UAH, billion
Privatbank	24 432	1,3	51 519	2,2	149 578	51,1	48 930	3,9
Oschadbank	4 060	1,9	1 672	1,9	12 527	1,9	4 918	6,7
Ukreximbank	233	5,8	169	3,0	617	17,5	380	20,3
Ukrgasbank	666	0,8	860	0,5	1 169	1,0	2 523	7,1
Total	29 391	9,8	54 220	7,6	163 891	71,5	56 751	38,0

Source: Oschadbank, Privatbank, Ukreximbank, Ukrgasbank

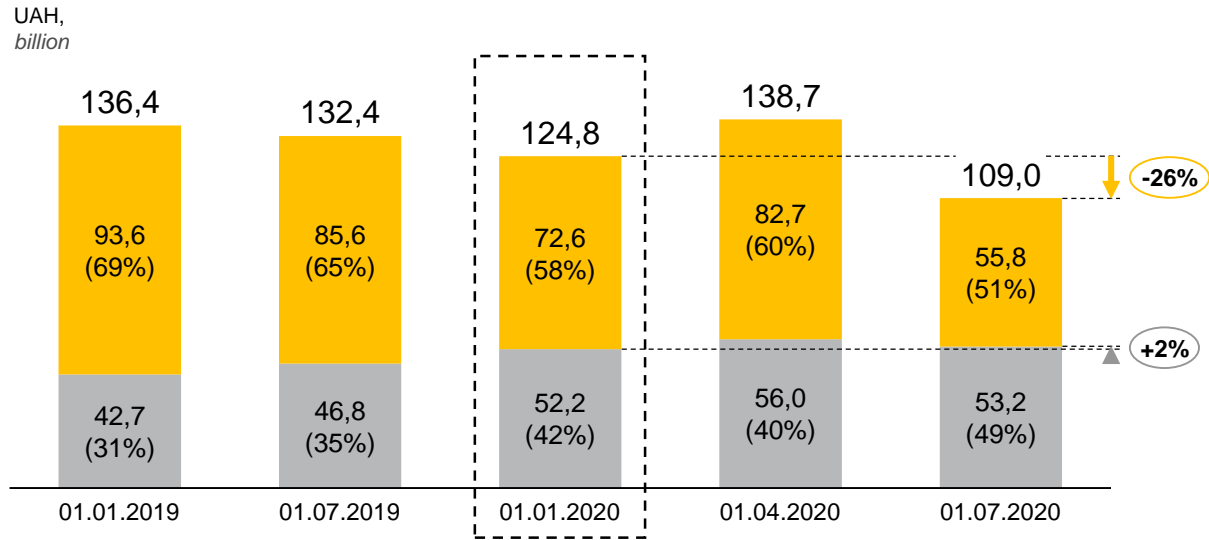


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Oschadbank: corporate loan portfolio

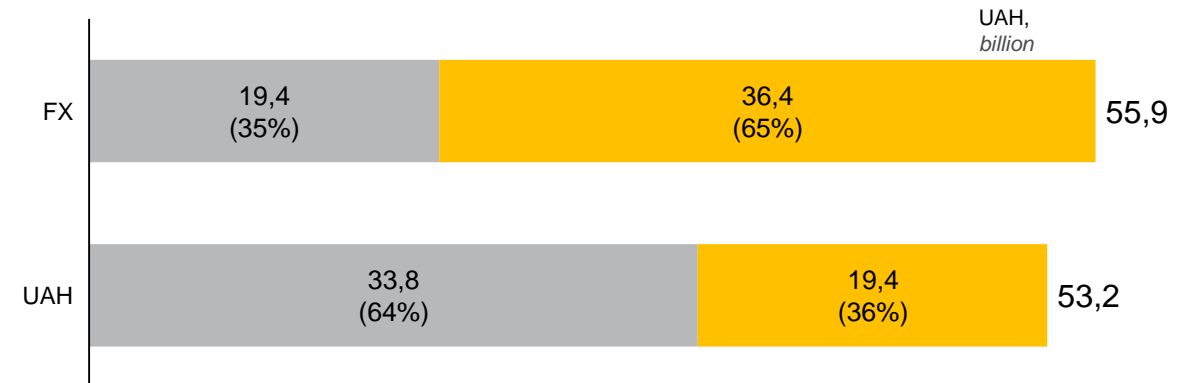
■ Non-performing
 ■ Performing
 Base of comparison



- As of July 01, 2020 half of corporate loan portfolio consisted of NPL
- In the 1st half of 2020 **the non-performing corporate loan portfolio reduced by 26%**, or UAH 17 billion, to UAH 56 billion
- **Performing corporate loan portfolio** in the 1st half of 2020 **increased by 2%**, or UAH 1 billion, to UAH 53 billion
- Credit risk coverage of the non-performing corporate loan portfolio under NBU Resolution No.351 (provisions under IFRS + capital coverage) made **86,2%**

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	0,5%	1,0%	1,4%	15,3%	5,8%	10,4%	0,4%	0,1%	13,8%	51,2%
Loan portfolio	0,5	1,1	1,5	16,7	6,3	11,4	0,5	0,1	15,1	55,8
Credit risk ²	0,0	0,0	0,0	0,4	0,4	0,9	0,0	0,0	4,8	48,1
Coverage	1,2%	0,6%	1,0%	2,3%	6,0%	8,3%	0,4%	6,0%	32,1%	86,2%

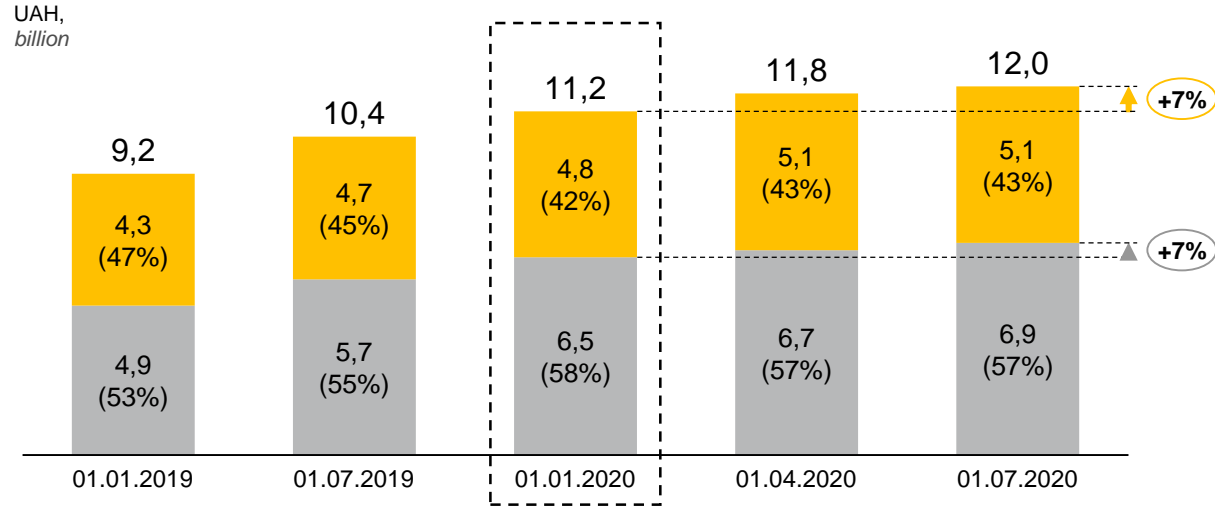
1 – NPL deemed class 10 loans according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





Oschadbank: retail loan portfolio

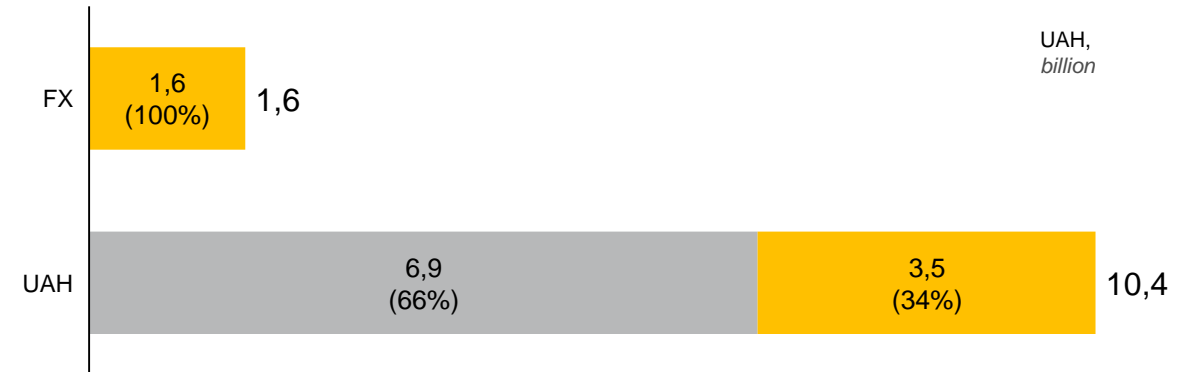
■ Non-performing
 ■ Performing
 Base of comparison



- As of 01.07.2020 the **share of NPL** in the retail loan portfolio made **43%**
- In the 1st half of 2020 **non-performing retail loan portfolio increased by 7%**, or **UAH 0,3 billion**, to **UAH 5,1 billion**
- **Performing retail loan portfolio** in the 1st half of 2020 **increased by 7%**, or **UAH 0,5 billion**, to **UAH 6,9 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 68,1%**

Class ¹ UAH, billion	1	2	3	4	5
Share of the class	42,4%	9,1%	3,8%	2,1%	42,5%
Loan portfolio	5,1	1,1	0,5	0,3	5,1
Credit risk ²	0,6	0,0	0,1	0,1	3,5
Coverage	12,3%	3,1%	11,5%	26,7%	68,1%

1 – NPL deemed class 5 loans according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





Oschadbank: key achievements in restructuring and collection

Implemented

In the 1st half of 2020 past-due debt reduced by **UAH 1,7 billion, o/w:**

- **repayment with own funds – UAH 0,9 billion**
- **disposition of collateral – UAH 52,3 million**
- **incorporation of collateral into the bank`s balance sheet – UAH 0,7 billion**

UAH 7,9 billion of problem debt was restructured, of which **UAH 0,9 billion** - under the Law of Ukraine "On Financial Restructuring"

Restructured in the 1st half of 2020 under the Law of Ukraine «On Financial Restructuring»

Debtor company:

«**CONSTRUCTION COMPANY «MISKBUDINVEST»**»

Achievements in the 1st half of 2020, UAH billion



■ Restructured ■ Written-off against provisions ■ Reduction of past-due debt

Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Got court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2019	3 767	12,5	2 878	11,6	14 427	23,1
1 st half of 2020	4 060	1,9	1 672	1,9	12 527	1,9

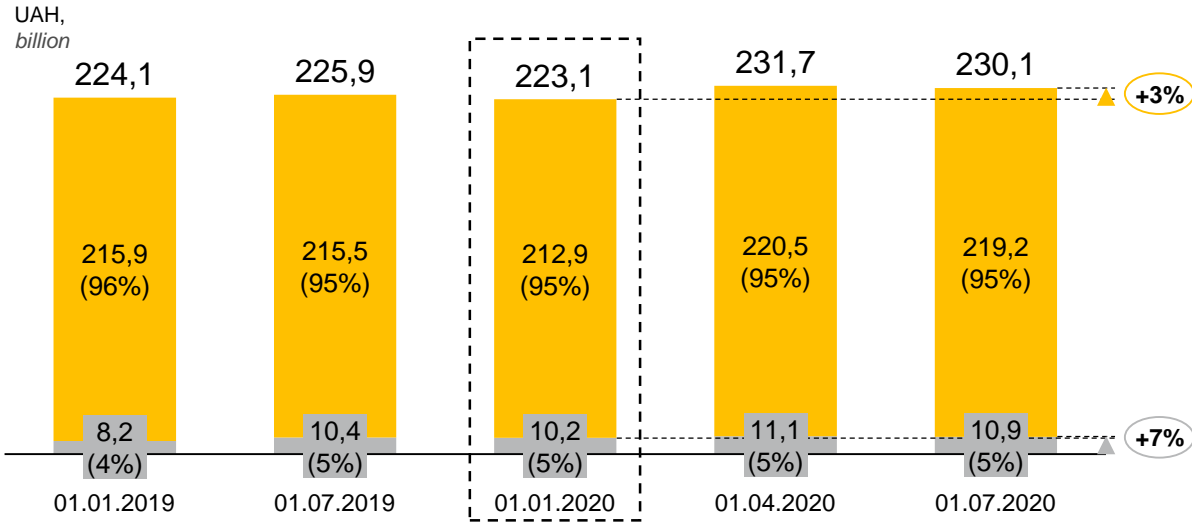


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Privatbank: corporate loan portfolio

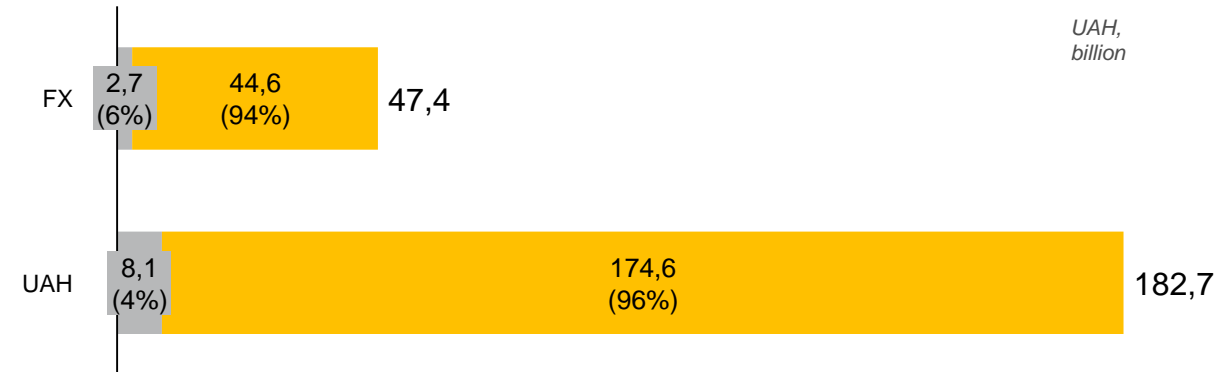
■ Non-performing ■ Performing
 Base of comparison



- As of July 01, 2020 **95%**, or UAH **219 billion** of corporate loan portfolio consisted of NPL
- In the 1st half of 2020 the **non-performing corporate loan portfolio increased by 3%**, or UAH **6 billion**, to UAH **219 billion**
- **Performing corporate loan portfolio** in the 1st half of 2020 **increased by 7%**, or UAH **0,7 billion**, to UAH **11 billion**
- Credit risk **coverage of the non-performing corporate loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) made **100%**

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	2,1%	0,5%	1,2%	0,5%	0,0%	0,1%	0,1%	0,0%	0,1%	95,3%
Loan portfolio	4,8	1,2	2,8	1,2	0,1	0,2	0,2	0,0	0,3	219,2
Credit risk ²	0,4	0,0	0,2	0,1	0,0	0,0	0,0	0,0	0,1	219,2
Coverage	7,6%	1,7%	5,5%	3,7%	7,4%	12,2%	5,6%	29,0%	40,8%	100,0%

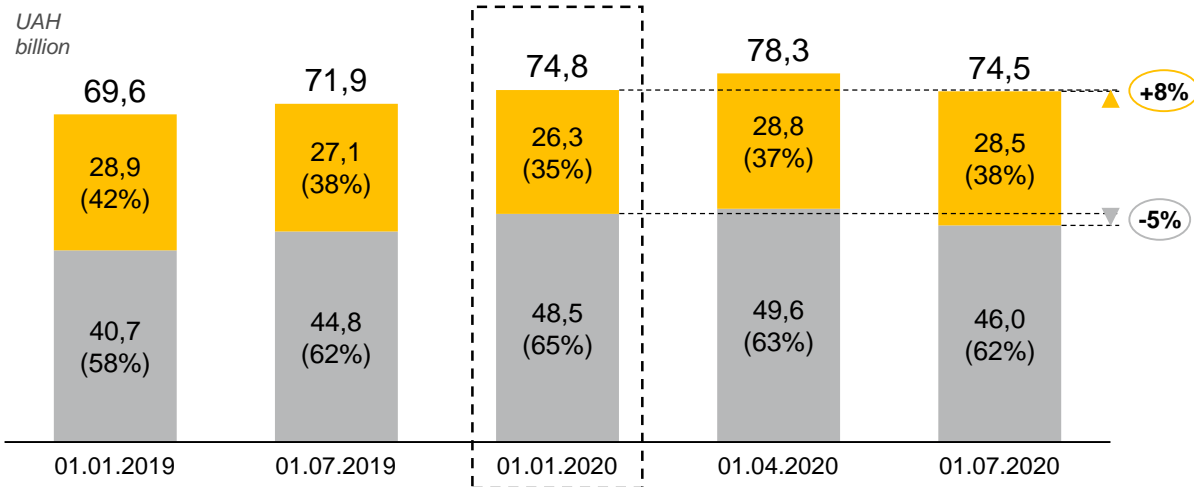
1 – NPL deemed class 10 loans according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





Privatbank: retail loan portfolio

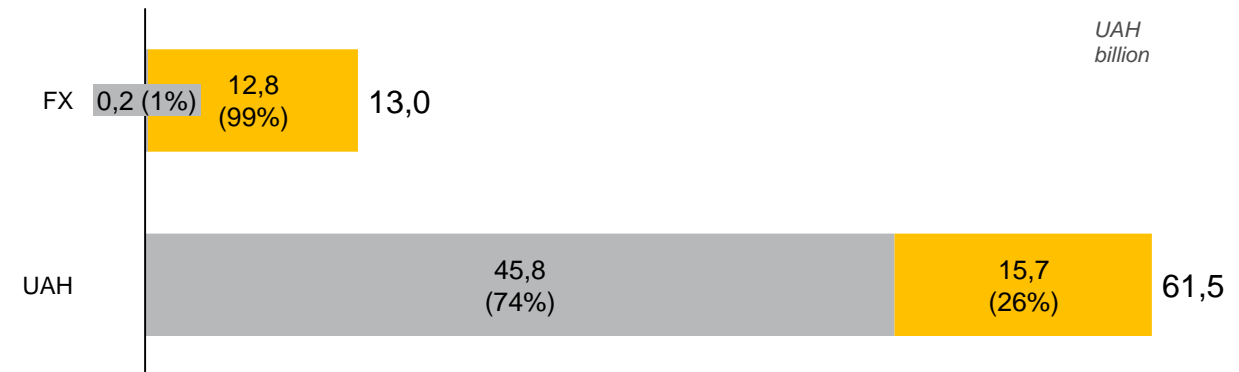
■ Non-performing
 ■ Performing
 Base of comparison



- As of 01.07.2020 the **share of NPL** in the retail loan portfolio made **38%**
- In the 1st half of 2020 **non-performing retail loan portfolio increased by 8%**, or **UAH 2 billion**, to **UAH 28 billion**
- **Performing retail loan portfolio** in the 1st half of 2020 reduced by **5%**, or **UAH 2,5 billion**, to **UAH 46 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 98,3%**

Class ¹ UAH, billion	1	2	3	4	5
Share of the class	60,5%	0,7%	0,1%	0,4%	38,3%
Loan portfolio	45,1	0,5	0,0	0,3	28,5
Credit risk ²	0,8	0,1	0,0	0,2	28,0
Coverage	1,7%	13,2%	31,4%	60,9%	98,3%

1 – NPL deemed class 5 according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





Privatbank: key achievements in restructuring and collection

Implemented

In the 1st half of 2020 **past-due debt reduced only** by **UAH 0,5 billion**, o/w:

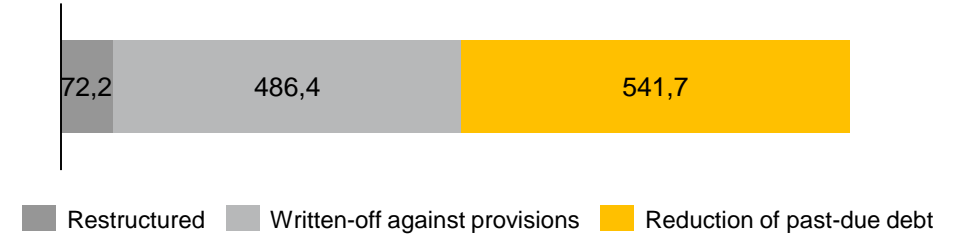
- **repayment with own funds – UAH 0,4 billion**
- **disposition of collateral – UAH 0,1 billion**

UAH 72 million of problem debt was restructured

Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Got court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2019	92 725	3,9	116 004	5,4	180 906	14,3
1 st half of 2020	24 432	1,3	51 519	2,2	149 578	51,1

Achievements in the 1st half of 2020, UAH million



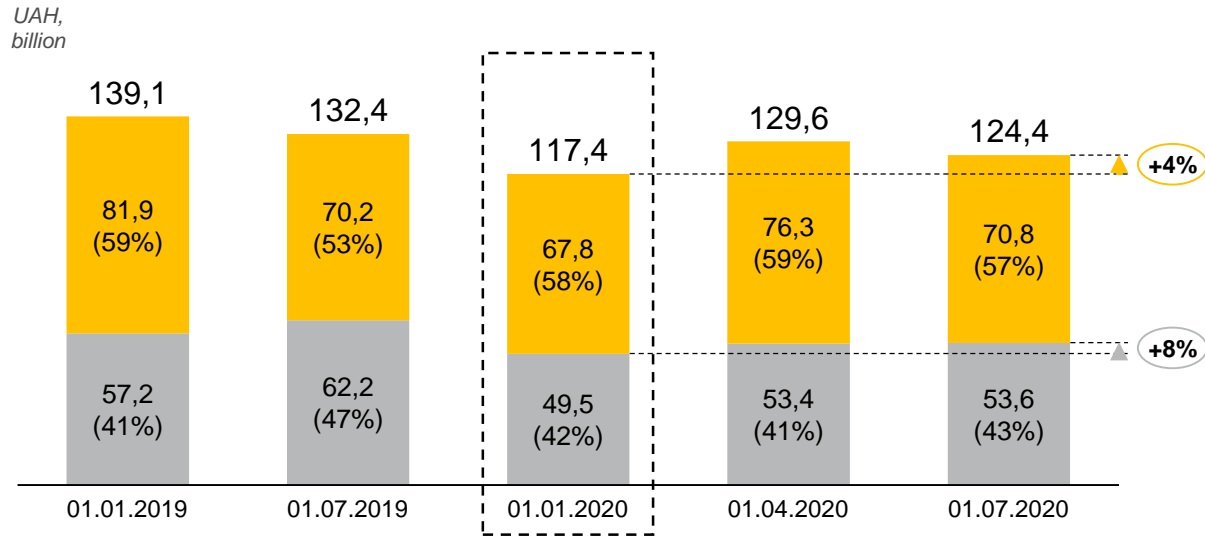


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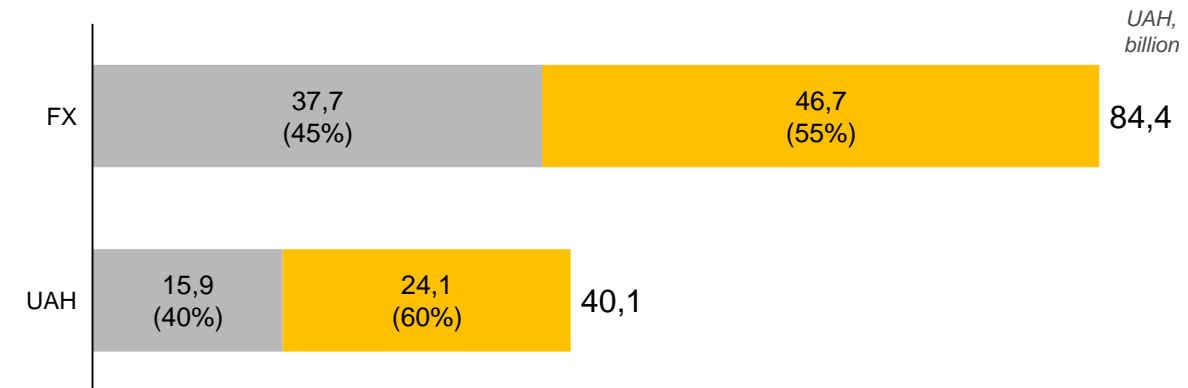
Ukreximbank: corporate loan portfolio

■ Non-performing
 ■ Performing
 Base of comparison



- As of July 01, 2020 **57%** of corporate loan portfolio consisted of NPL
- In the 1st half of 2020 **the non-performing corporate loan portfolio increased by 4%**, or UAH **3 billion**, to UAH **71 billion**
- **Performing corporate loan portfolio** in the 1st half of 2020 **increased by 8%**, or UAH **4 billion**, to UAH **54 billion**
- Credit risk coverage of the non-performing corporate loan portfolio under NBU Resolution No.351 (provisions under IFRS + capital coverage) made **94,5%**

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	0,4%	2,7%	9,8%	6,6%	3,8%	2,8%	0,1%	2,2%	14,8%	56,9%
Loan portfolio	0,4	3,4	12,1	8,2	4,7	3,5	0,2	2,7	18,4	70,8
Credit risk ²	0,0	0,0	0,2	0,2	0,0	0,2	0,0	0,2	4,5	66,9
Coverage	0,4%	1,2%	1,8%	2,4%	1,0%	7,0%	3,8%	8,0%	24,5%	94,5%



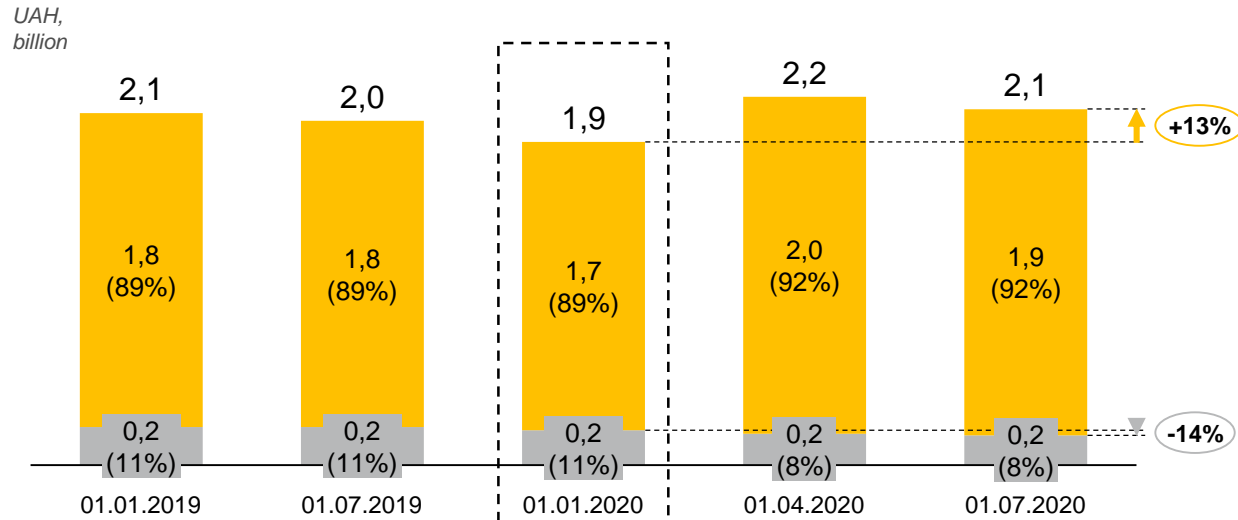
1 – NPL deemed class 10 loans according to NBU Resolution No.351

2 – estimated exposure at risk under NBU Resolution No.351



Ukreximbank: retail loan portfolio

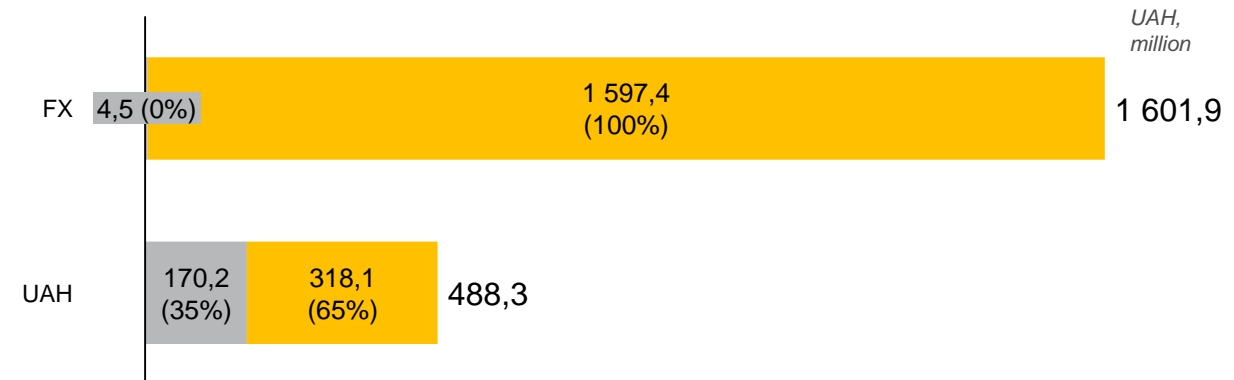
■ Non-performing
 ■ Performing
 Base of comparison



- As of 01.07.2020 **share of NPL** in the retail loan portfolio made **92%**
- In the 1st half of 2020 **non-performing retail loan portfolio increased by 13%**, or **UAH 0,2 billion**, to **UAH 2 billion**
- In the 1st half of 2020 **performing retail loan portfolio reduced by 14%**, or **UAH 29 million**, to **UAH 0,17 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 98%**
- **Almost entire volume of retail loans in foreign currency is defaulted**

Class ¹ UAH, billion	1	2	3	4	5
Share of the class	4,7%	2,2%	1,3%	0,1%	91,6%
Loan portfolio	0,10	0,05	0,03	0,00	1,92
Credit risk ²	0,01	0,01	0,01	0,00	1,88
Coverage	14,2%	15,9%	19,6%	65,2%	98,0%

1 – NPL deemed class 5 loans according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





Ukreximbank: key achievements in restructuring and collection

Implemented

In the 1st half of 2020 past-due debt reduced by UAH 222 million, o/w:

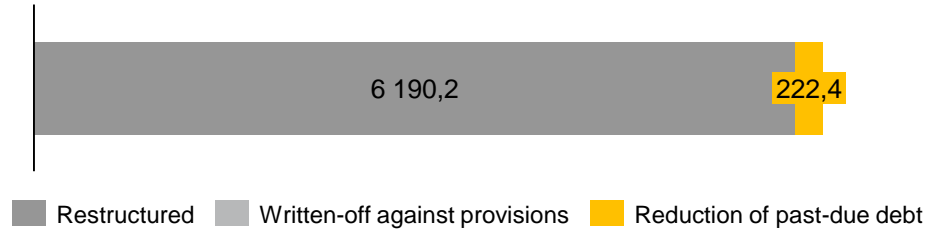
- repayment with own funds – UAH 65 million
- disposition of collateral – UAH 158 million
- UAH 6,2 billion of problem debt was restructured, of which UAH 2,9 billion - under the Law of Ukraine "On Financial Restructuring"

Restructured in the 1st half of 2020 under the Law of Ukraine «On Financial Restructuring»

Debtor companies:

- “PRIME DISTILLERY”, LTD
- “ALTKOM” ROAD CONSTRUCTION”, LTD

Achievements in the 1st half of 2020, UAH million



Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Got court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2019	327	7,1	306	12,1	1 248	22,6
1 st half of 2020	233	5,8	169	3,0	617	17,5

Source: Ukreximbank, Financial Restructuring Secretariat

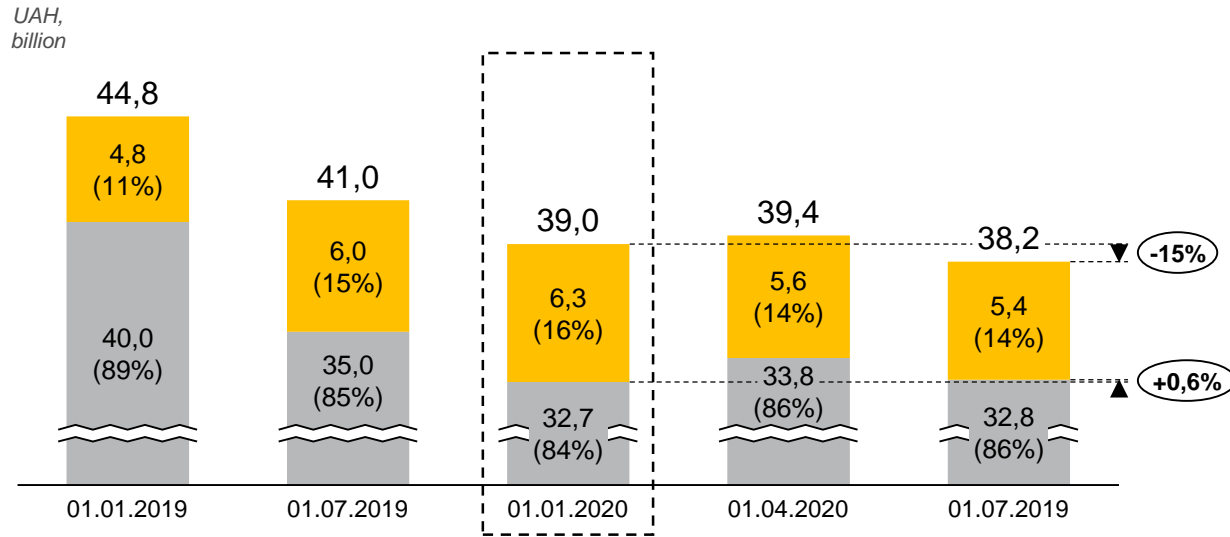


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UkrGasbank: corporate loan portfolio

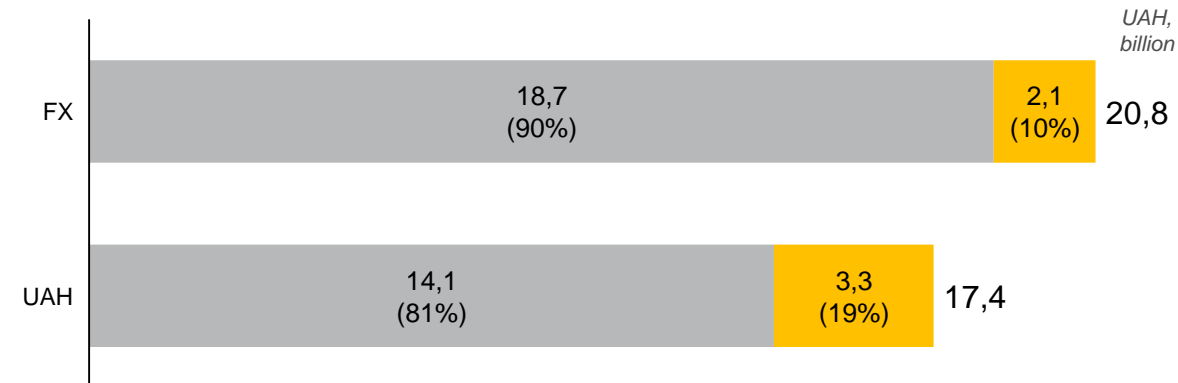
■ Non-performing
 ■ Performing
 Base of comparison



- In the 1st half of 2020 the non-performing corporate loan portfolio reduced by 15%, or UAH 1 billion, to UAH 5 billion
- Performing corporate loan portfolio in the 1st half of 2020 increased by 1%, or UAH 0,2 billion, to UAH 33 billion
- Credit risk coverage of the non-performing corporate loan portfolio under NBU Resolution No.351 (provisions under IFRS + capital coverage) made 72%

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	1,0%	14,4%	7,0%	21,6%	4,3%	9,0%	3,6%	0,8%	24,2%	14,1%
Loan portfolio	0,4	5,5	2,7	8,2	1,6	3,4	1,4	0,3	9,3	5,4
Credit risk ²	0,04	0,05	0,05	0,1	0,02	0,1	0,02	0,01	0,2	3,9
Coverage	11,8%	0,9%	1,8%	1,7%	1,4%	2,1%	1,8%	2,3%	1,9%	72,1%

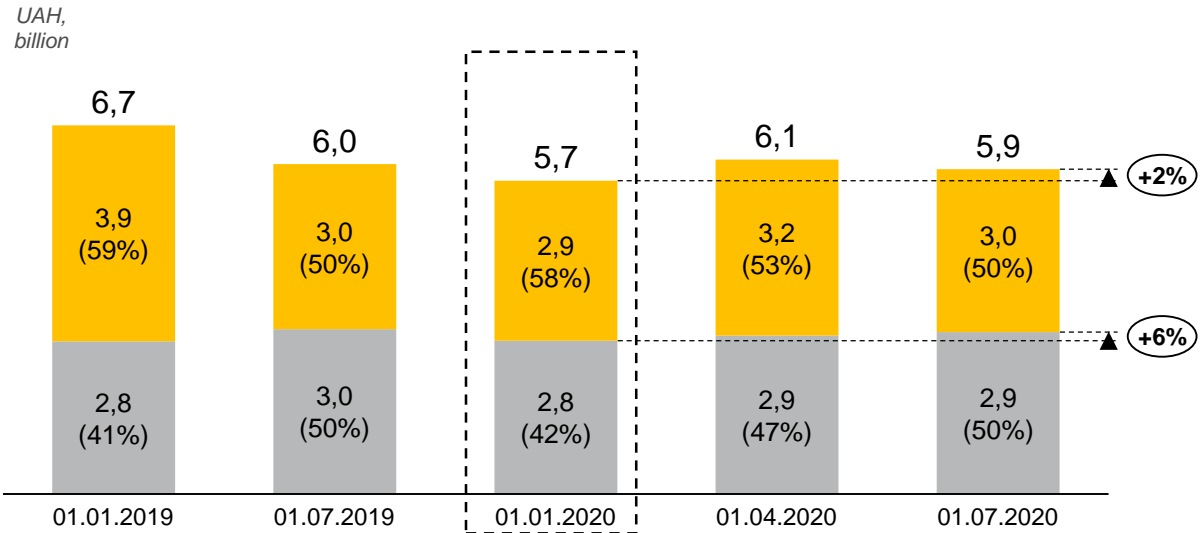
1 – NPL deemed class 10 loans according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





UkrGasbank: retail loan portfolio

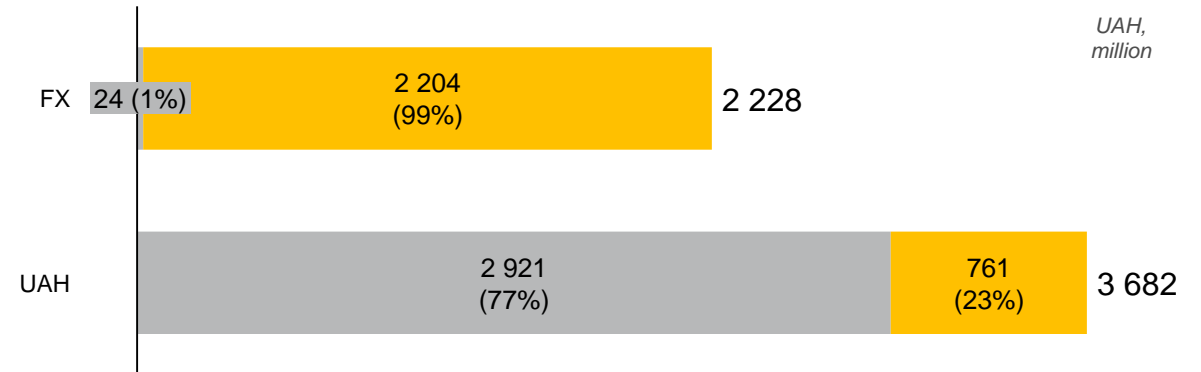
■ Non-performing
 ■ Performing
 Base of comparison



- As of 01.07.2020 the share of NPL in the retail loan portfolio made 50%
- In the 1st half of 2020 **the non-performing retail loan portfolio increased by 2%**, or UAH 54 million, to UAH 3 billion
- **Performing retail loan portfolio increased by 6%**, or UAH 0,2 billion, to UAH 2,9 billion
- Credit risk **coverage of the non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) made **94,8%**
- Almost entire volume of retail loans in foreign currency is defaulted

Class ¹	1	2	3	4	5
UAH, billion					
Share of the class	47,2%	1,9%	0,6%	0,2%	50,2%
Loan portfolio	2,8	0,1	0,03	0,01	3,0
Credit risk ²	0,03	0,01	0,01	0	2,8
Coverage	1,2%	5,2%	23,0%	38,7%	94,8%

1 – NPL deemed class 5 loans according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





UkrGasbank: key achievements in restructuring and collection

Implemented

In the 1st half of 2020 past-due debt reduced by UAH 120 million, o/w:

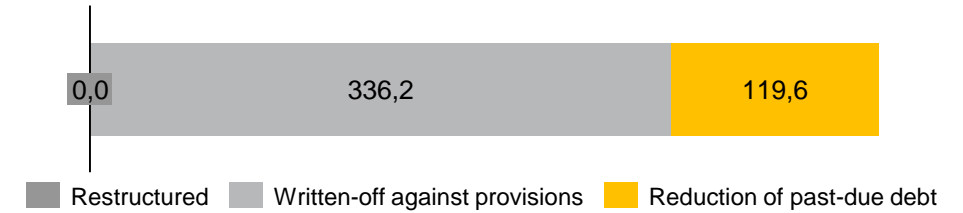
- repayment with own funds – UAH 35 million
- disposition of collateral – UAH 68 million
- incorporation of collateral into the bank's balance sheet – UAH 17 million

Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Got court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2019	2 469	2,1	1 876	1,0	1 917	2,3
1 st half of 2020	666	0,8	860	0,5	1 169	1,0

Source: UkrGasbank

Achievements in the 1st half of 2020, UAH million





Parameters of data presentation on slides 6,10,14,18,22

- Information is given on credit transactions with legal entities (except banks) and private individuals
 - Information is given on credit transactions, except for transactions with debt securities
 - “Debt” shall mean principal plus accrued interest
 - “Reduction of past-due debt” includes debt on assets carried on the balance sheet of the bank, and assets written-off to off-balance sheet accounts against provisions (cumulative for the period).
 - “Restructuring” displays the amount of loans restructured in the period. The amount of the restructured asset is reflected as the amount of the asset debt on the date of restructuring
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- 1. Proceedings during the period.** If a bank sues the asset during the period (Stage 1), and in the same year the case is considered and judgment passed (Stage 2), and the relevant enforcement proceeding is started (Stage 3), then the information about such asset is only displayed in relation to the last stage of the claim, namely, in the "Launched enforcement proceedings " line (Stage 3).
- 2. Number.** If several claims have been filed for recovering the debt on the asset (to the borrower, to the guarantor, with claims for debt recovery/foreclosure of collateral, and the bank’s monetary claims on debtors in bankruptcy cases), then the information about such asset is displayed by each claim, corresponding to the stage of its consideration. That is, the number of claims related to one asset may be more than one. In this case, all submitted claims are displayed in the “Number” columns at their appropriate stages.
- 3. Amount.** If several events (lawsuit/judgment/enforcement proceeding) are associated with an asset being in one stage, then the amounts of each event are not added. To avoid doubling, only the amount due on the asset is displayed. Should the asset be in several stages at a time, the asset amount is displayed for each of those stages respectively, subject to the rules on non-doubling.