



МІНІСТЕРСТВО
ФІНАНСІВ
УКРАЇНИ

STATE-OWNED BANKS

NON-PERFORMING LOANS STATUS AND RESOLUTION REPORT

April 2019



PRINCIPLES FOR STRATEGIC REFORM OF THE STATE BANKING SECTOR

The Strategy for the Development of the State Banking Sector is based on 4 pillars*:

1. Increasing the effectiveness of the public sector banks governance model via enhancing discipline and implementing the Strategy, and increasing value for the state before the state divestment from banks

2. Implementing the state divestment plans with the view to increase the value of banks

**Updated Principles for Strategic Reform of the State Banking Sector,
approved by the Resolution of the Cabinet of Ministers of Ukraine dated
February 21, 2018**

3. **Implementing strategies** of each individual bank with the aim of their operational recovery as stable, profitable institution operating on a commercial market basis

4. Developing and implementing approaches to **decreasing the share of NPLs** with the view to reduce the burden on the banks' balance sheets and maximize their residual value.

* The Ministry of Finance annually before 1 March publishes a report on Public Sector Banks Reforms



DEFINITION OF NON-PERFORMING LOANS

The National Bank of Ukraine by its [Resolution No. 351 dated 30 June 2016](#) approved the Regulation for Measuring Credit Risk Generated by Banks' Asset Operations (hereinafter - the Regulation).

The aim of the Regulation is to ensure proper and timely assessment of credit risk by banks, which will enable them to calculate their capital accurately, and, as a consequence, will support the resilience of the banking sector.

Non-performing assets are credit operations, purchase of debt securities, including income accrued on all these operations, deemed non-performing in accordance with the provisions of the Regulation.

Changes in the classification of banks' assets. Non-performing assets/loans are assets classified as the lowest class of the debtor (10, 5 and 2 for legal entities, individuals and accounts receivable, respectively). In addition, the adjustment of the debtor's class is possible taking into account the judgment of the bank and the limitations established by the Regulation.



NON-PERFORMING LOANS MANAGEMENT

Action plan for the NPL management as indicated in the Integrated Road Map for the implementation of the Strategy of State-Owned Banks

2018

Develop of the amendments to the legislation required to improve the efficiency of non-performing loans resolution efforts

Developing mechanism for managing non-performing loans in state-owned banks

2019

Implementation of the mechanism for NPL management by state-owned banks



NON-PERFORMING LOANS MANAGEMENT DEVELOPING LEGAL AMENDMENTS

2015

Financial Stability Board created

- Decree of the President No.170/2015 dated 24.03.2015,
- to ensure the timely identification and minimization of risks that threaten the stability of the banking and financial system of the state
- Participants: NBU, Minfin, NSSMC, NFSC, DGF
- Board decisions are of a recommendatory nature

2016

The Law "On Financial Restructuring" passed

- No. 1414-VIII dated 14.06.2016
- Effective starting 19.10.2016
- Valid till 19.10.2019
- enables creditors and borrowers to restructure their loan agreements through voluntary out-of-court proceedings

2017

- De-facto effective starting 03.04.2017 (after full establishment of all executive agencies necessary for its enforcement: the Secretariat, the Supervisory Board, the Arbitration Committee, the Arbitrators)

2018

Amendments to the Article 7 "State Banks" of Law of Ukraine "On Banks and Banking" passed

- No. 2491-VIII dated 05.07.2018 ,
- Effective starting 10.11.2018
- Provides for:
 - review of principles and mechanisms of corporate governance of state-owned banks;
 - bringing corporate governance in line with the best international standards (EU, OECD, Basel Committee) by establishing a corporate governance system free from political influence
 - establishment of supervisory boards with a majority of independent members

Committee (working group) on NPL settlement of state-owned banks created

- Financial Stability Board decision dated July 2018
- The main objectives are the development and provision of recommendations to the management of state-owned banks on NPL resolution issues
- Participants: representatives of the NBU, the Ministry of Finance and the Deposit Guarantee Fund



NON-PERFORMING LOANS MANAGEMENT

ESTABLISHING MECHANISM FOR MANAGING NON-PERFORMING LOANS IN STATE-OWNED BANKS

2017

The Law on Financial Restructuring

15.05.2017 – the first case of restructuring under the financial restructuring procedure

14.07.2017 – letter of the Ministry of Finance of Ukraine regarding the recognition of debt by banks as non-performing only for the part that is more than 360 days due

29.12.2017 – **explanatory** letter of SFS regarding the taxation of operations carried out under the financial restructuring procedure

Over 10 months of 2017, UAH 13 bn. of loans were restructured (<https://fr.org.ua/ua/karta-rizikiv-zakonu-pro-finansovu.html>)

2018

07.03.2018 – clarification issued by the Ministry of Justice regarding the taxation issues

18.04.2018 – NBU explanatory letter re partial write-off of debt by state-owned banks

In 2018, procedures for restructuring amounted UAH 28.5 bln.

2019

Amendments to the Article 7 "State Banks" of Law of Ukraine "On Banks and Banking" passed

A series of laws and regulations passed, namely:

- requirements to the members of the Selection Commission to select the independent members of the Supervisory Boards of the state-owned banks (CMU Resolution No.8, dated January 10, 2019);
- the procedure for the selection of the recruitment company (CMU Resolution No.159, dated January 10, 2019);
- the procedure for the competitive selection of candidates for the positions of independent members of the Supervisory Board of the state-owned banks (CMU Resolution no. 267, dated March 27, 2019)

The competitive selection of candidates for the positions of independent members of Supervisory Boards of state-owned banks by recruitment companies, which were selected on a competitive basis is launched

Committee (working group) on NPL settlement of state-owned banks created

- "Recommendations (Principles) on NPL resolution for state-owned banks (09.01.2019) approved and notified to banks (https://bank.gov.ua/control/uk/publish/category?cat_id=85642620)

All publications on the procedure of financial restructuring released in 2017-2019 – see at <https://fr.org.ua/ua/publikatsiyi-po-protseduri-finansovoyi-restrukturizatsiyi.html>



RECOMMENDATIONS (PRINCIPLES) NPL RESOLUTION BY THE STATE-OWNED BANKS

The recommendations have been developed in elaboration of the provisions of the Law of Ukraine "On Financial Restructuring". They set the basic principles, which will ensure the fairness and transparency of the restructuring process, as well as protecting the interests of the state (applicable to large loans).

The following principles were highlighted:

- **preconditions for restructuring of NPLs:** decision of the bank (based on the analysis made by an external advisor) on the inability of the debtor to service his obligations and the viability of his business; choosing the best restructuring option from the bank standpoint (based on the analysis of the economic and financial performance of the debtor); approval of the restructuring plan based on the consolidated financial statements of the debtors over the last 2 years, confirmed by the independent auditor's opinion, and the projection of cash flows for the next 2-3 years; termination of the restructuring process in case of debtor's unwillingness to cooperate (intentional bankruptcy filing, false reporting, etc.) and the use of forced debt collection;
- **consistency** (the restructuring plan should envisage the engagement of the owners of debtor companies in restoring their operations by injecting their own funds or other assets);
- **strengthening monitoring** (the restructuring plan should provide for the ability of banks to continuously monitor business performance of debtors after restructuring; (inclusion of bank representatives to the Supervisory Boards of debtor companies);
- **coordination of creditors' efforts** (coordinated actions of state-owned banks through forming committees of creditors of same debtors, in order to maximize cumulative effect);
- **strengthening the position of the creditor** (strengthening the legal position of the bank as a creditor, to foreclose collateral in case of the debtor's failure to perform under conditions of restructuring; partial channeling of cash generated by the business(exceedingthe amount necessary to cover its operational cost) to loans repayment);
- **management** (the restructuring group for each group of related borrowers should be independent from parties who proposed or made a decisions on loan issue, which further became non-performing; final decisions on NPL restructuring should be made by independent Supervisory Boards);
- **reporting** (every six months state-owned banks should report on the progress of NPL resolution efforts to contribute to the Ministry of Finance consolidated report).



NON-PERFORMING LOANS MANAGEMENT CONTINUED

Draft of Resolution of the Cabinet of Ministers of Ukraine "On certain issues of NPL resolution by the state-owned banks" was developed aimed at expanding the toolkit and mechanisms for effective NPL resolution. The Resolution provides for the possibility of selling "non-performing assets" via the "Dutch auction" procedure through the Deposit Guarantee Fund.

In May 2019, new Supervisory Boards will be formed of JSC "Oschadbank", JSC "Ukreximbank" and PJSC CB "PRIVATBANK". Supervisory Boards will consist mainly of independent members and comply with the new principles of corporate governance established by the Law of Ukraine "On Banks and Banking".

It is anticipated that list of assets for sale will be approved by the Management Board and newly established Supervisory Boards, which will also approve credit risk management strategies.

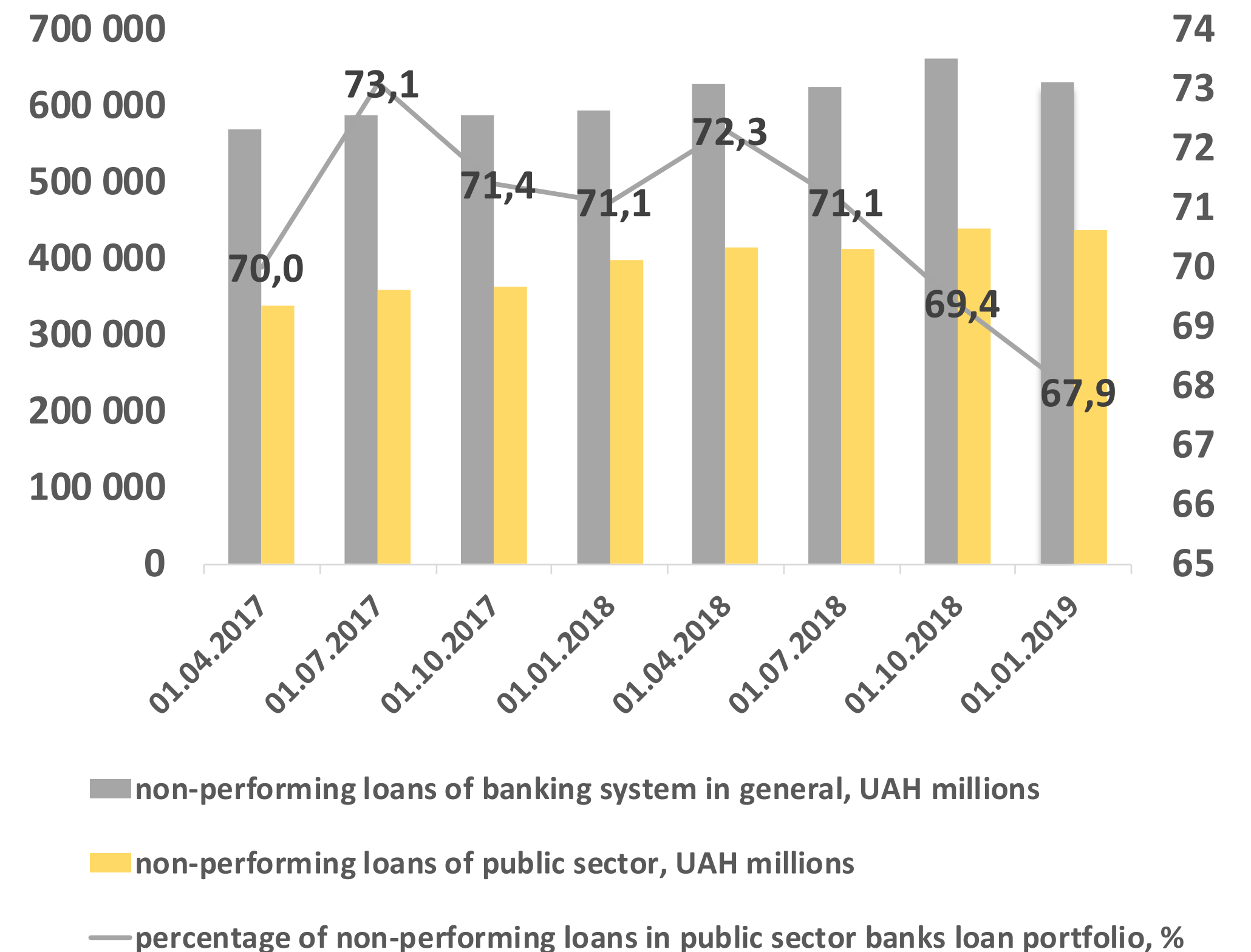


GENERAL INFORMATION ON THE AMOUNT OF NON-PERFORMING LOANS*

To date, the banking system of Ukraine has accumulated a significant amount of non-performing loans, which creates a threat to the financial system and prevents the recovery of lending to the real sector of the economy.

As of 01.01.2019 the share of non-performing loans of the state owned banks in the banking system amounted 69%, including 42% in foreign currency.

The amount of non-performing loans of state-owned banks grew slightly in 2018, but their share in the lending portfolios gradually reduced due to the growth of performing loans and the implementation of repayment and restructuring measures by state-owned banks.





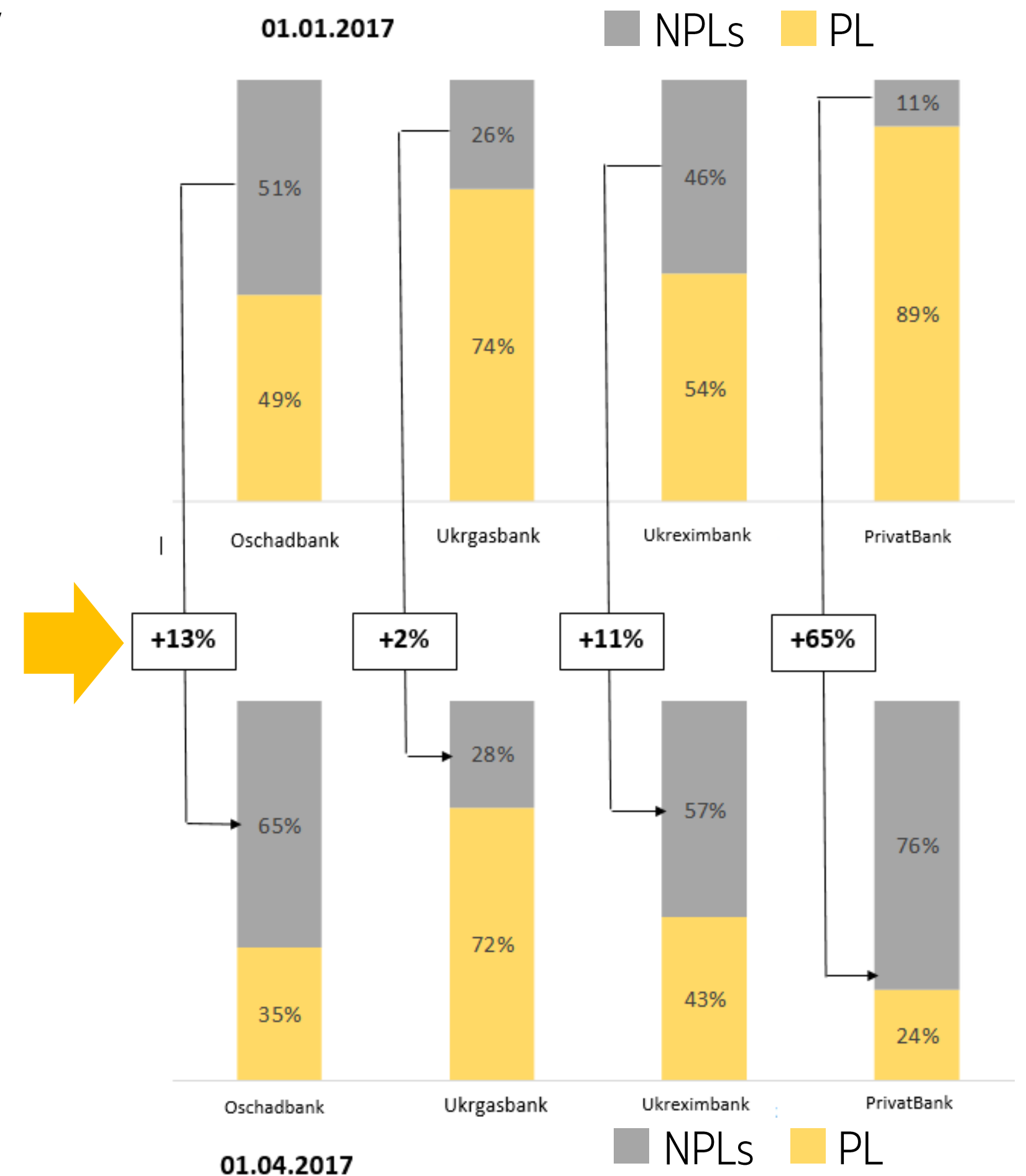
MAIN FACTORS OF NPL GROWTH

The growth of non-performing assets and changed provisions was caused not only by the loan portfolio deterioration, but also by a number of legislative and economic changes

Changed exchange rate. From **01.01.2016 to 01.01.2019** the USD/UAH exchange rate increased by UAH 3.69 (to 27.69 UAH/USD), the EUR/UAH exchange rate increased by UAH 5.49 (to 31.71 UAH/EUR).

In 2017 a share of non-performing loans of the state-owned banks increased mostly due to changes in the NBU regulatory requirements regarding the credit risks assessment*: the largest increase in Privatbank (65%), the lowest in Ukrgasbank (2%), in Oschadbank and Ukreximbank 13% and 11% respectively.

In 2018 a gradual transfer to the IFRS 9 "Financial instruments"*** took place



*the NBU Board decree dated 30.06.2016 #351 "On approval the provision on calculating the loan risks on active banking operations by the banks of Ukraine". The first reporting date for banks according the Resolution No. 351 was 01.02.2017

** the NBU Board decree dated 11.09.2017 #89 "On approval the NBU acts on accounting"



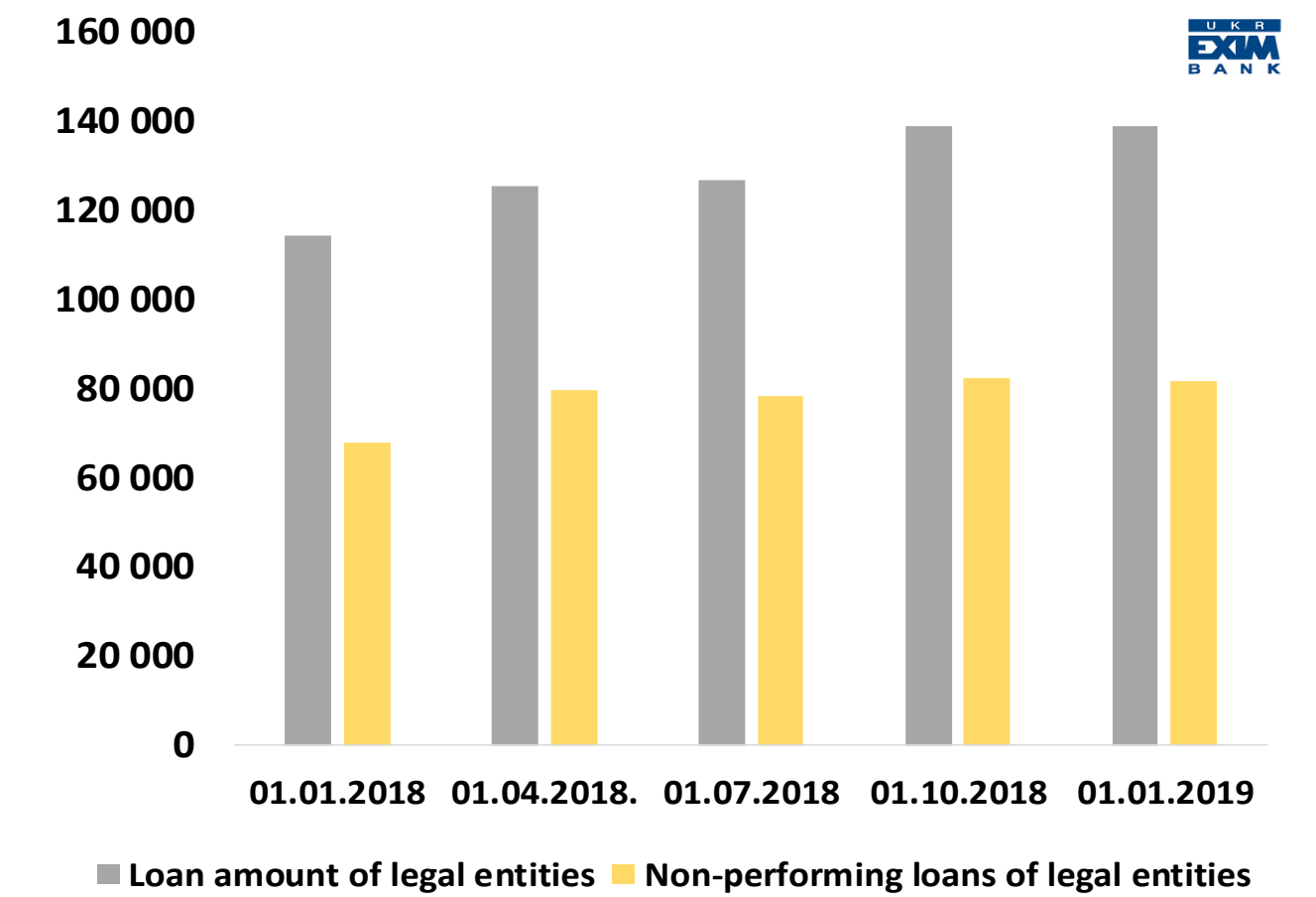
NON-PERFORMING LOANS*

The loan portfolio consists mostly of the corporate clients' loans. 59% (UAH 82 bn.) of the loans are classified as default class with the credit risks coverage of 88% (UAH 72 bn.)

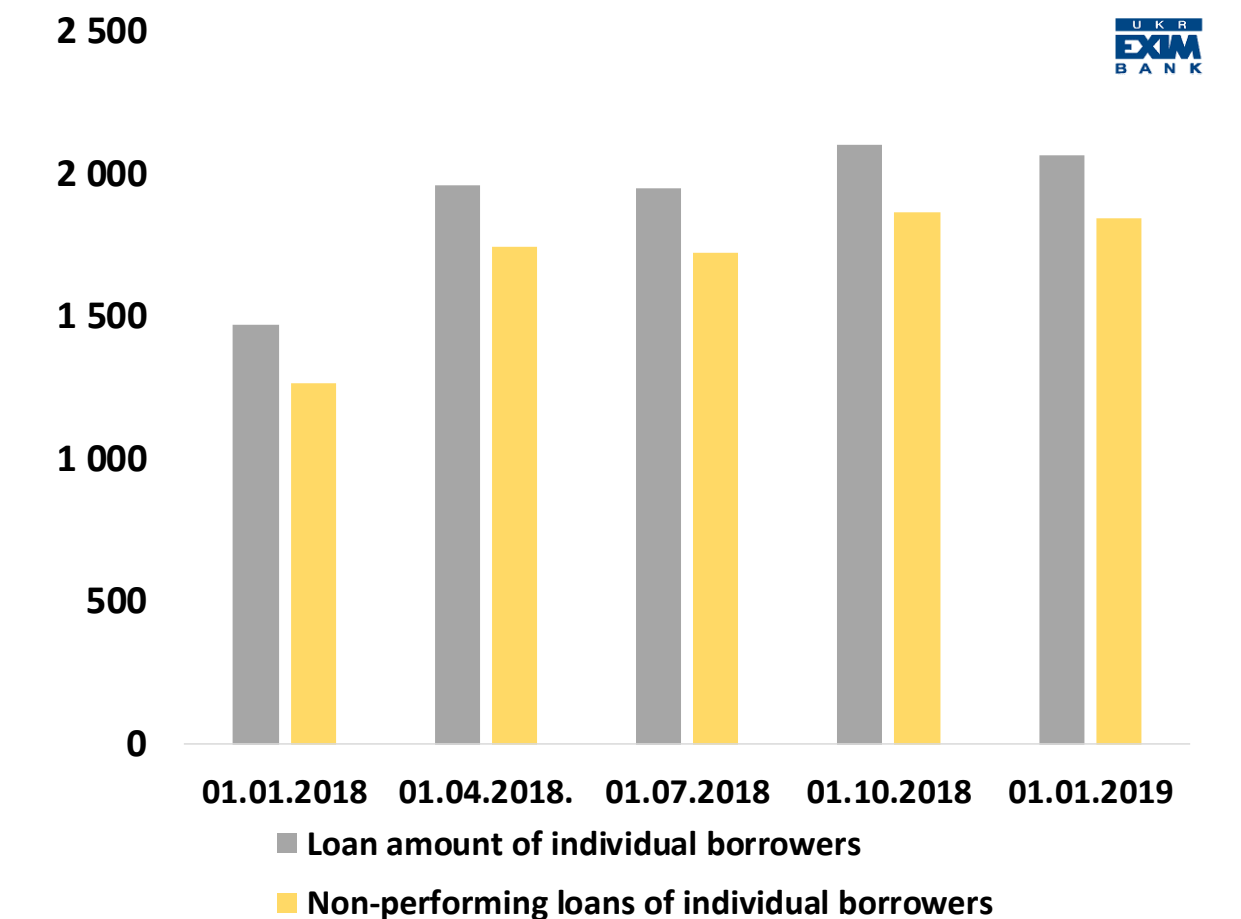
Such amount indicates a high risk level of those loans (the share of other classes of loans with a lower risk is low).

As of 01.01.2019,
MUAH

Individual borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage	Legal entity borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage
1	109	15	5%	14%	1	17 861	88	13%	0%
2	82	8	4%	9%	2	4 120	27	3%	1%
3	29	11	1%	38%	3	8 277	77	6%	1%
4	3	2	0%	59%	4	14 375	348	10%	2%
5	1 845	1 785	89%	97%	5	6 363	178	5%	3%
					6	1 151	54	1%	5%
					7	1 703	27	1%	2%
					8	1 698	200	1%	12%
					9	1 648	81	1%	5%
					10	81 874	72 388	59%	88%
Total	2 069	1 821	100%	88%	Total	139 070	73 466	100%	53%



Class 5 (default) constitutes 89% (UAH 1.8 bn.) of total individual clients' loans, the credit risks coverage is 97%



* NON-PERFORMING LOANS ARE CLASS 10 FOR THE CORPORATE CLIENTS AND CLASS 5 FOR PRIVATE CLIENTS ACCORDING TO THE NBU DECREE DATED 30.06.2016 #351

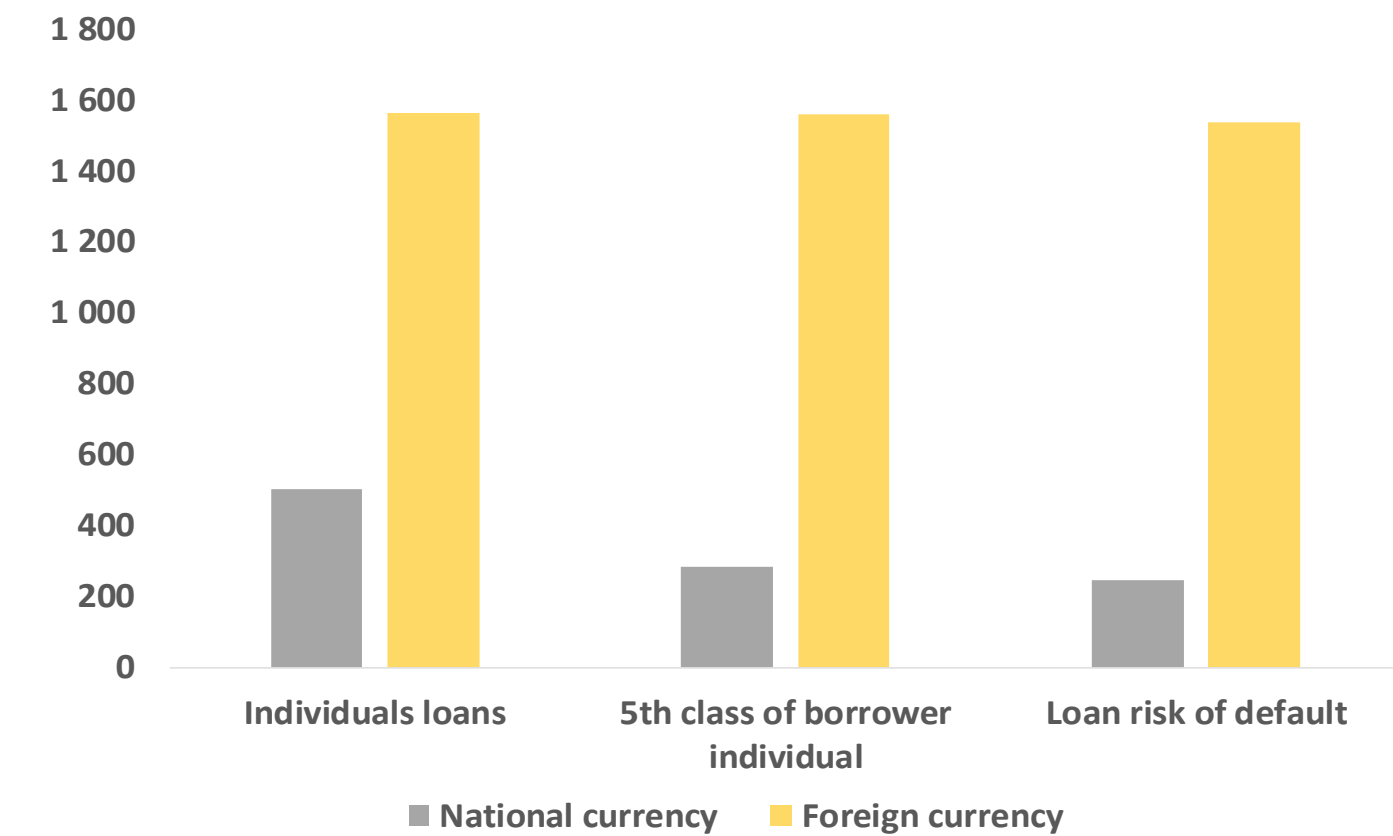
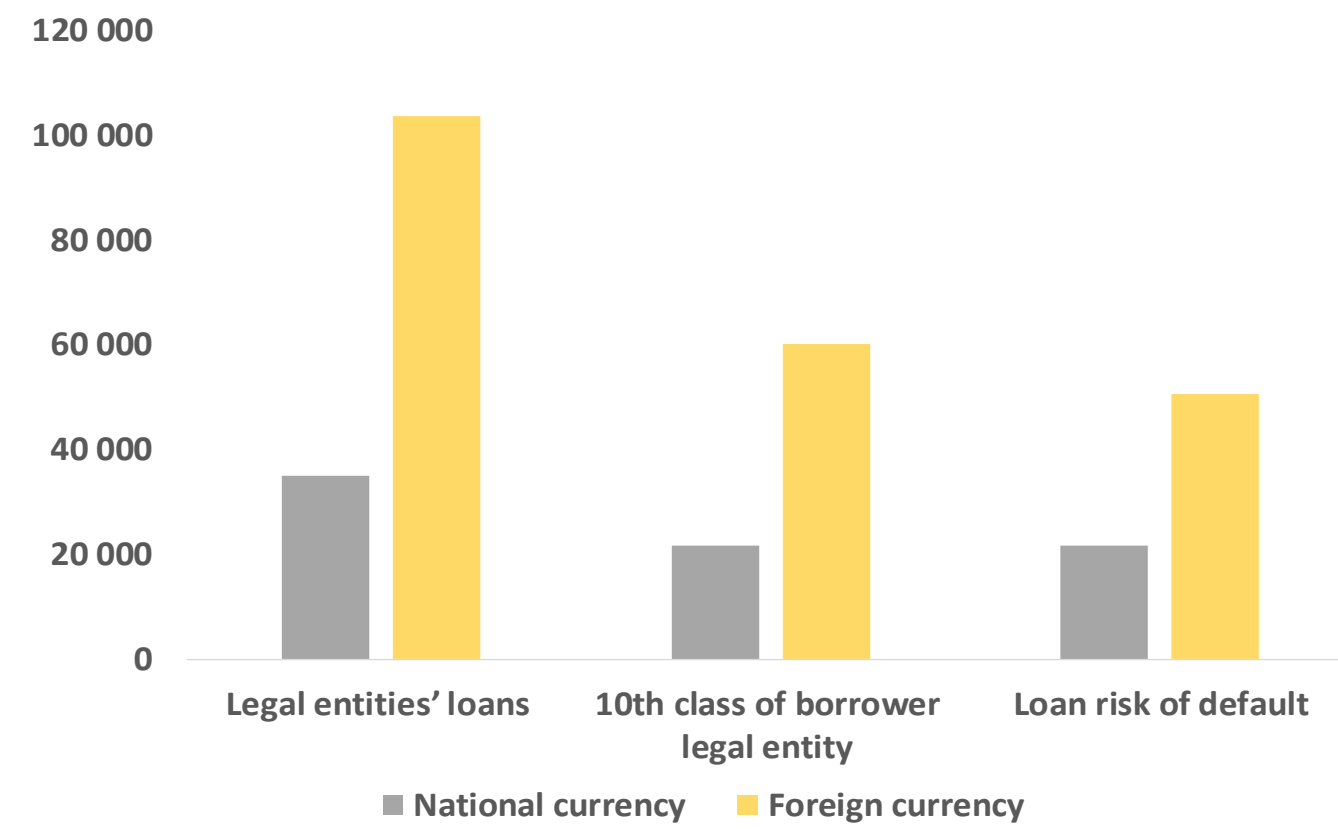
*Source: the official NBU website



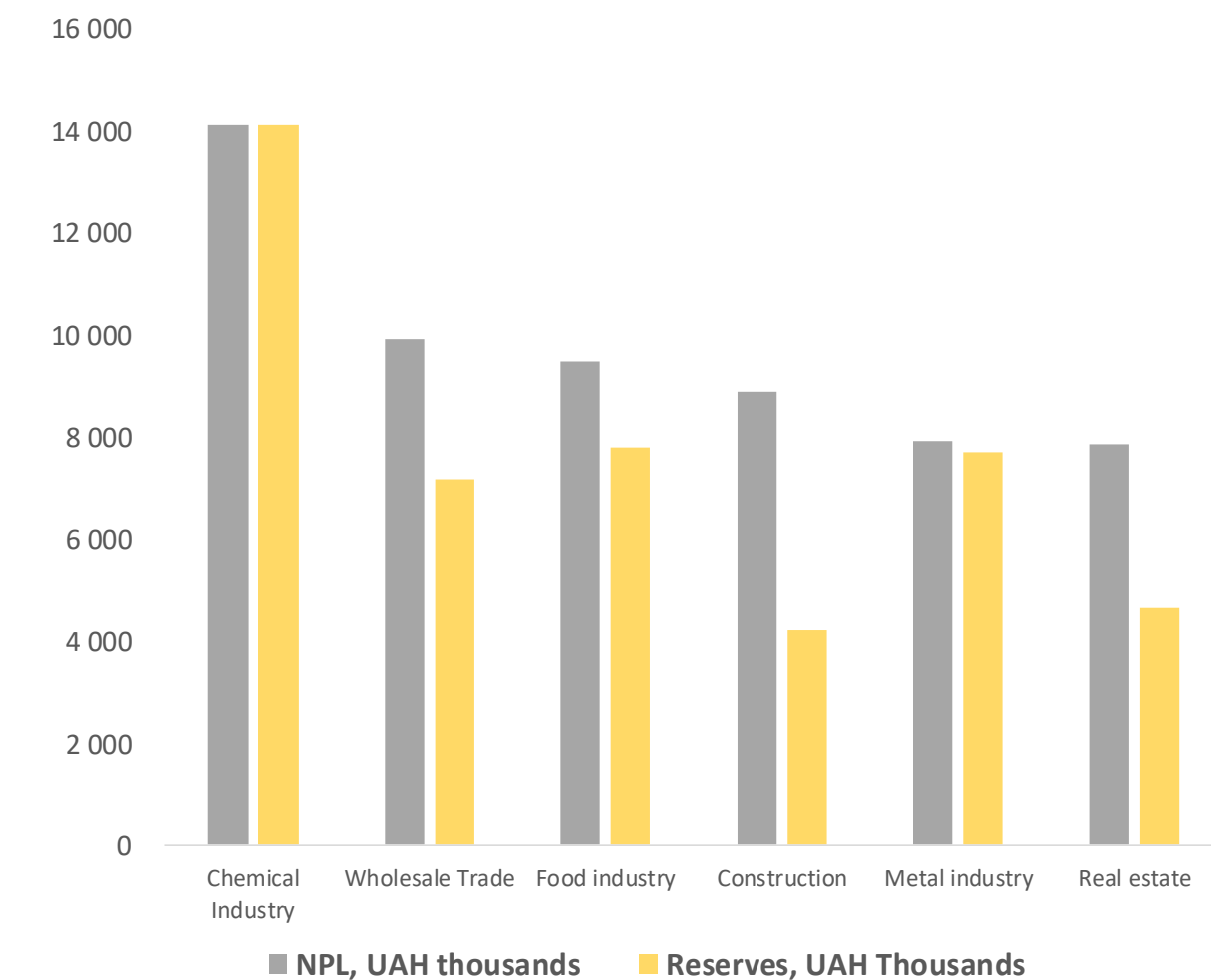
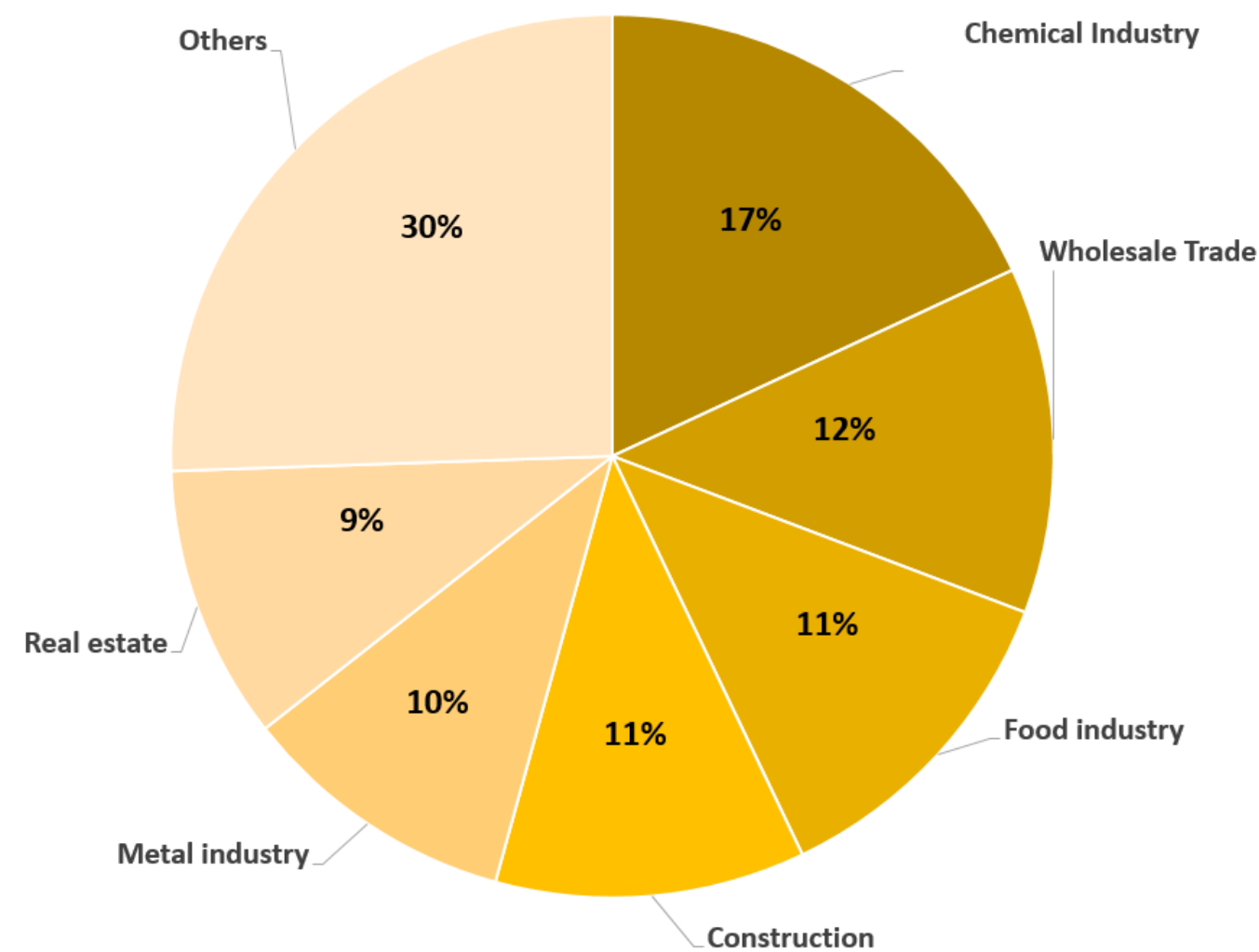
NON-PERFORMING LOANS CONTINUED

About 75% of total corporate loans is FX denominated, of which 58% are deemed default (credit risks coverage 84%).*

76% of total individual clients' loan portfolio is FX denominated of which 99.6% are default, with almost full credit risks coverage (98,6%).*



The largest share of non-performing loans by the economy sector is concentrated in chemical production, wholesale trade and food industry



* Source: the official NBU website



RESOLUTION OF DEBT 90+ DAYS OVERDUE

In 2018 the bank restructured UAH 5.3 bn worth of non-performing loans. As a result of a restructuring performed in 2017, a number of debtors renewed their debt servicing; which in 2008 allowed to transfer back to operational category loans to the total amount of UAH 2 bn.

Due to repayments with own funds of the debtors and disposition of collateral the past-due debt reduced by UAH 0.4 bn.

№	Indicator	During 2018 p, UAH, mln
1.	Reduction of overdue debt	408
	Including at the expense of	x
1.1.	repayment by the borrower's own funds	293
1.2.	realization of the collateral property	114
1.3.	recording collateral property on bank's balance sheet	0
2.	Restructuring, including	5 303
2.1.	restructuring according to Ukrainian Law About financial restructuring	0
3.	Write-off at the expense of the reserve	0
4.	Transfer to the operational category	2 166

At the beginning of 2019 the bank launched its first financial restructuring case under the Law "On the financial restructuring" and the case became one of the largest in terms of debt amount subject to restructuring (<https://goo.gl/NrYgv1>).

Parameters of data presentation in the table:

1. The table contains data on credit transactions with corporates (except banks) and private individuals.
2. The table contains data on credit transactions, excluding transactions with debt securities.
3. "Debt" shall be deemed the principal plus accrued interest.
4. "Reduction of overdue debt" indicator 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).
5. The "Restructuring" indicator 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.
6. Transfer to the operational category: book value of loans to debtors, which in the past had been declared defaulted, but due to restructurings (in previous periods) have restored due debt servicing and, accordingly, the declaration of default terminated.



BANK'S LITIGATION EFFORTS



The Bank has been performing active litigation regarding debt collection

The tables contain data on credit transactions with corporates (except banks) and private individuals. In this case, data on credit transactions with debt securities has excluded

The bank`s work in the courts during 2018	Stage 1		Stage 2		Stage 3	
	Filed lawsuits		Received court decisions		Opened execution proceedings	
	amount	UAH mln	amount	UAH mln	amount	UAH mln
Ukreximbank	474	29 576	318	7 442	1 167	21 923

The principles for filling the table are indicated on slide 15

As of 01.01.2019	Court claims	
	amount	UAH mln
Ukreximbank	513	30 947

As of 01.01.2019, in courts there are **513 claims** for the total amount of **UAH 30 947 million** filed by the bank (claims of prior periods and reporting period), and which as of 01.01.2019 did not reach the stage 2.



BANK'S LITIGATION EFFORTS

Principles of display in the table



Principles of display in the table :

- 1. With regards to procedures for 2018.** If an asset in 2018 was filed with a claim (stage 1), on the results of which a court decision was received in the same year (stage 2) and the procedure for its enforcement was started (stage 3), then the information about such an asset is only displayed in relation to the last stage of the claim, namely the "Open execution proceedings" line (stage 3).
- 2. As for the quantity ("amount").** If several claims have been filed for the purpose of recovering the debt on the asset (to the borrower, to the guarantor, claims for debt recovery/ foreclosure of collateral, and the bank's monetary claims on debtors in bankruptcy cases), then the information about such an asset is displayed for each claim, depending on the stage of its consideration. That is, the number of claims for one asset may be more than one. In this case, all submitted claims are displayed in the "amount" columns at the appropriate stages.
- 3. As for the sum ("UAH mln").** If the asset under different lawsuits is at different stages, the sum of each of the stages will not fail. To prevent reversal of amounts, only the amount of the asset's liability in the last characteristic for such a claim stage is displayed. If multiple claims for one asset are at the same stage, the amount of the penalty is displayed only once in order to avoid repossession.



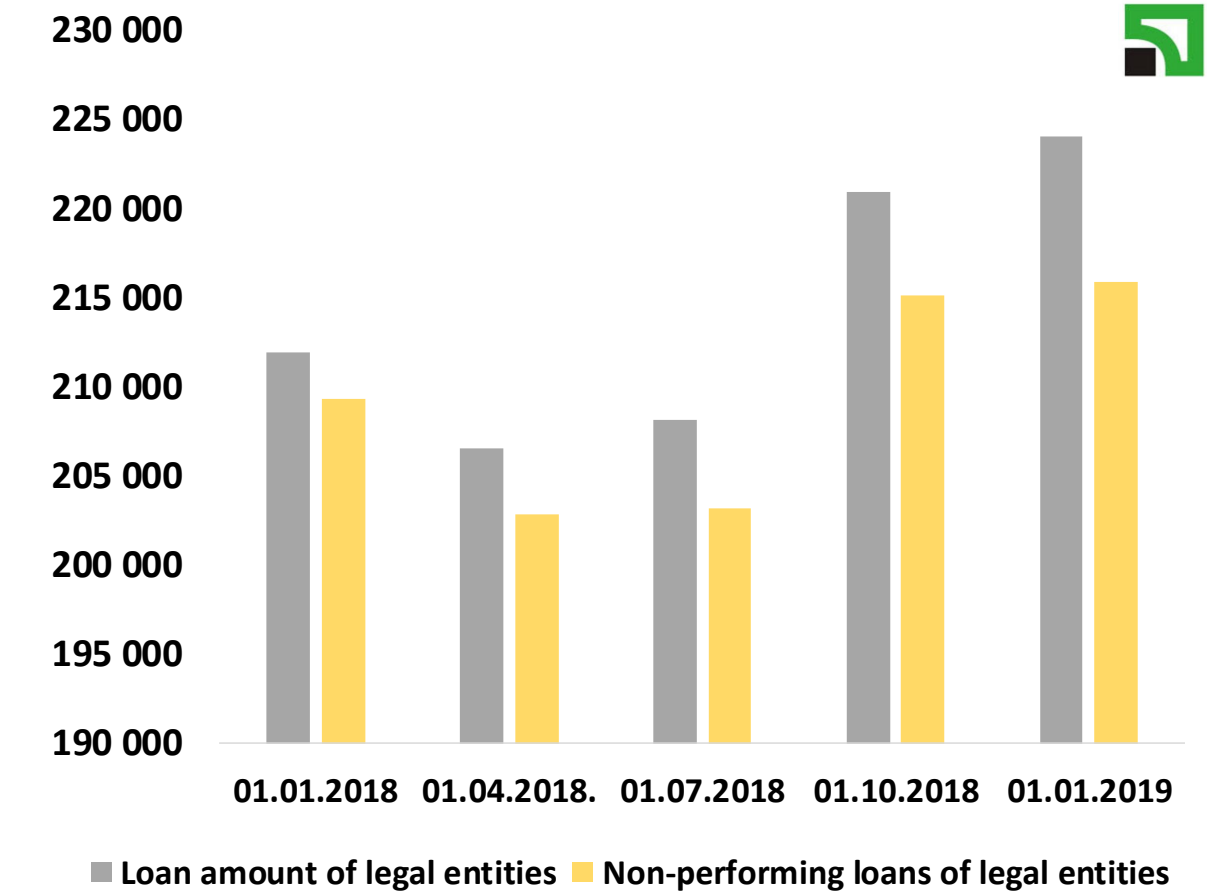
NON-PERFORMING LOANS*



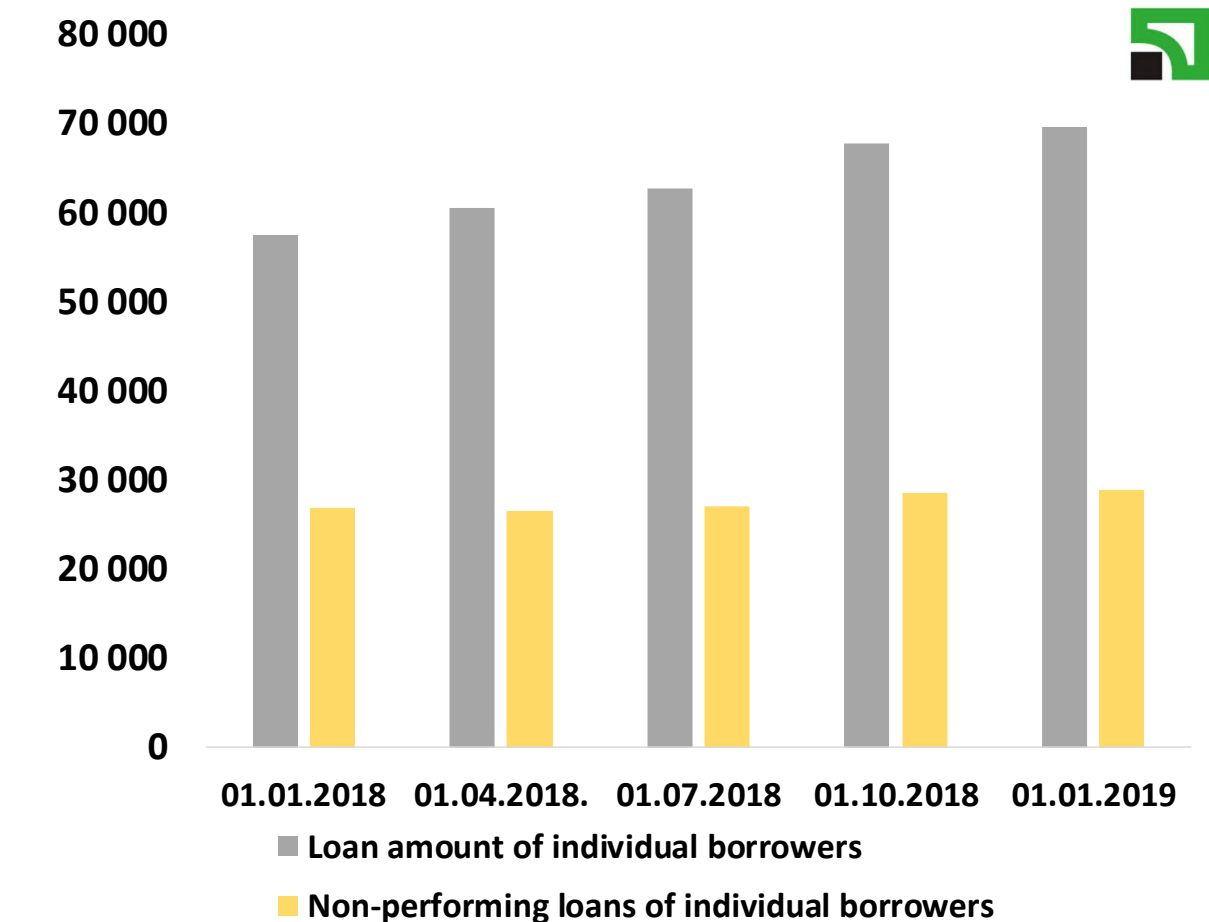
The loan portfolio of the corporate clients of the bank is 76% (UAH 224 bn.), of which 96% are the default loans, most of which are related to the former owners of the bank. The portfolio's credit risk coverage is 99% (UAH 215 bn.)

As of 01.01.2019,
M. UAH

Individual borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage	Legal entity borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage
1	39 864	878	57%	2%	1	3 216	253	1%	8%
2	148	23	0%	15%	2	792	10	0%	1%
3	419	145	1%	35%	3	2 399	113	1%	5%
4	257	165	0%	64%	4	908	16	0%	2%
5	28 942	26 297	42%	91%	5	563	19	0%	3%
					6	43	0	0%	1%
					7	194	29	0%	15%
					8	55	2	0%	3%
					9	43	25	0%	57%
					10	215 882	214 637	96%	99%
Total	69 630	27 507	100%	40%	Total	224 095	215 103	100%	96%



Class 5 (default) constitutes 42% (UAH 29 bn.) of the total corporate portfolio, the credit risks coverage is 91% (UAH 26 bn.)



* NON-PERFORMING LOANS ARE CLASS 10 FOR THE CORPORATE CLIENTS AND CLASS 5 FOR PRIVATE CLIENTS ACCORDING TO THE NBU DECREE DATED 30.06.2016 #351

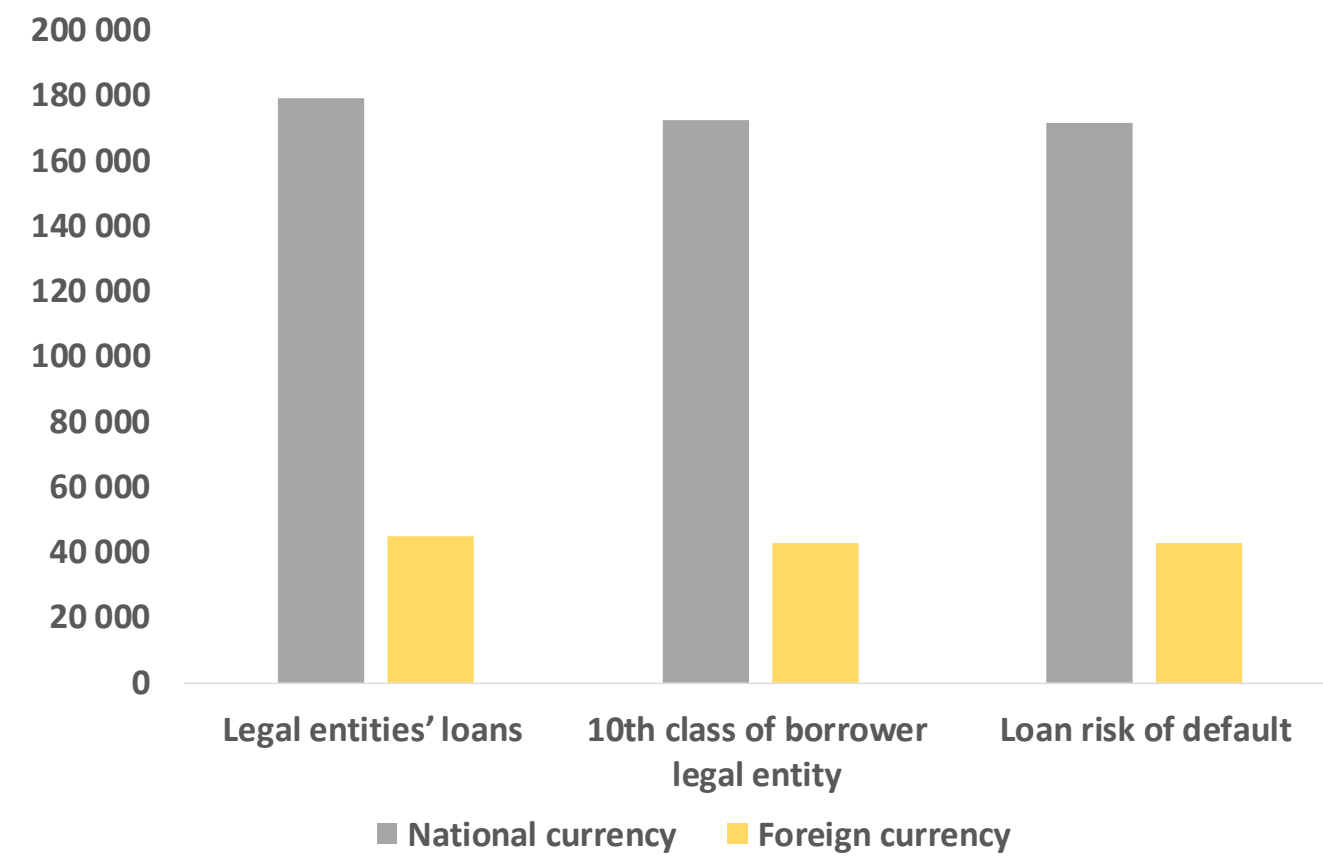
*Source: the official NBU website



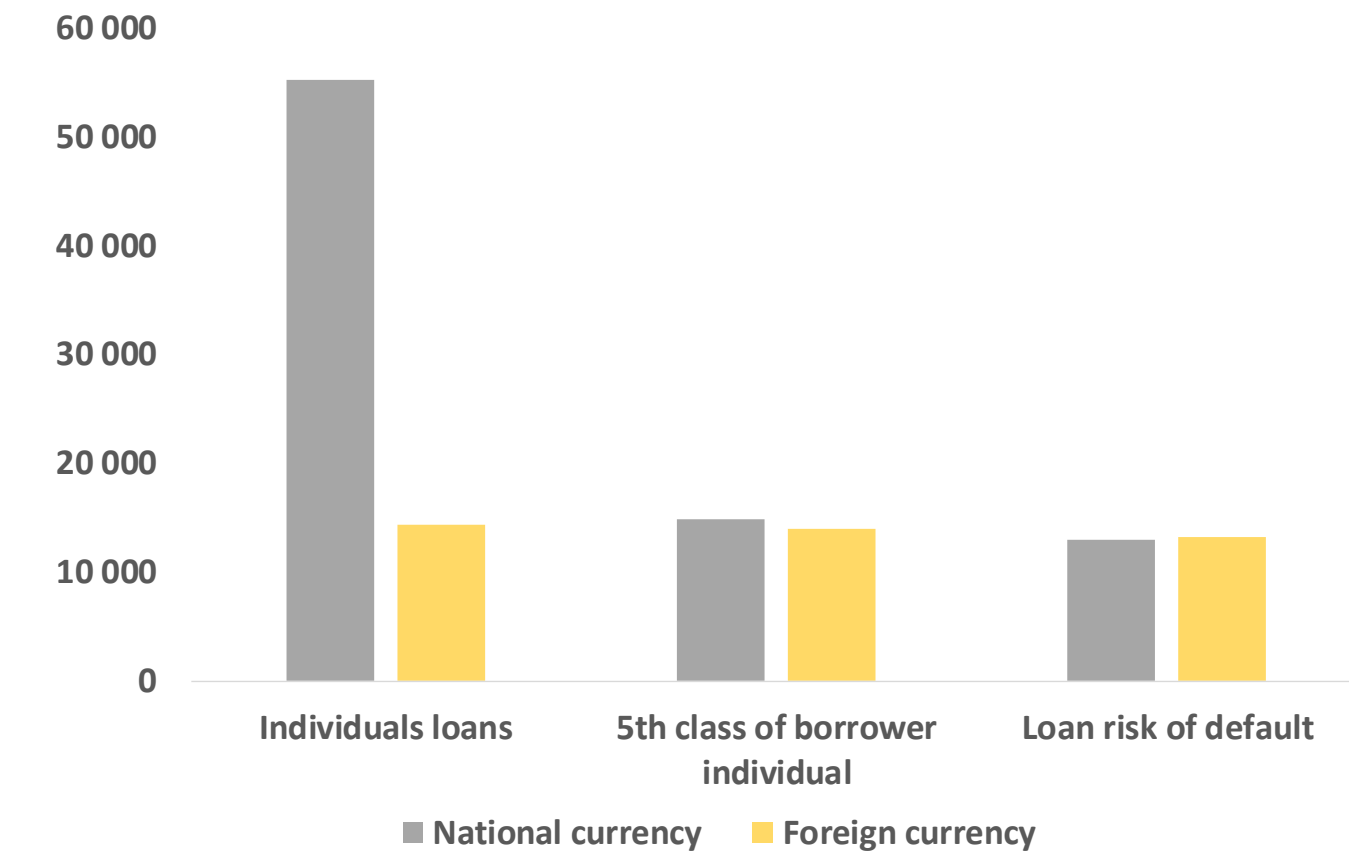
NON-PERFORMING LOANS CONTINUED



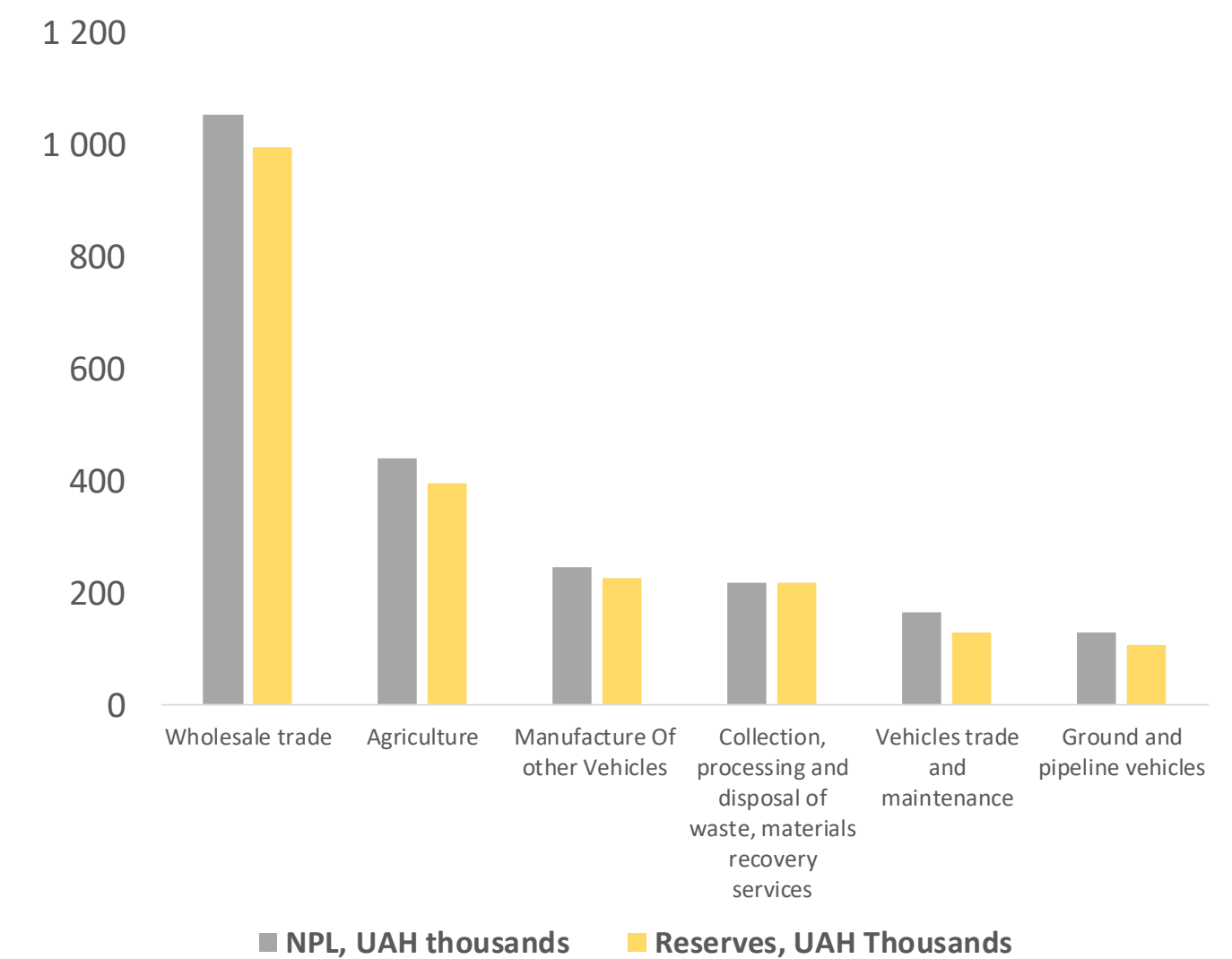
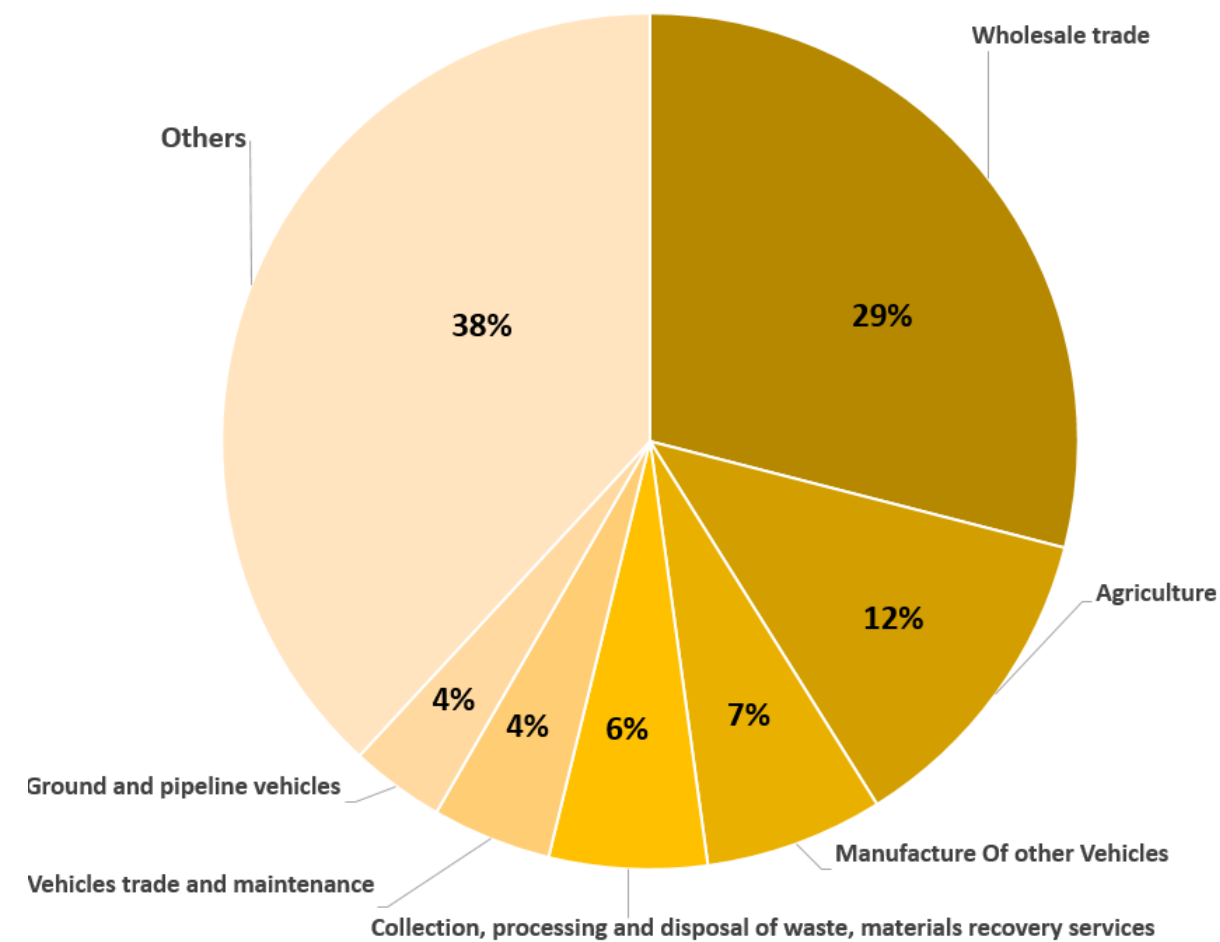
20% of the total amount of corporate loans are FX denominated, 96% of which are the default loans (credit risks coverage 99%)*.



A share of private clients loans in a foreign currency is 21%. Almost all (98%) of these loans are the default loans (credit risks coverage 94%)



The largest amount of non-performing loans by sectors of economy is concentrated in wholesale trade sector**



*Source: the official NBU website
** EXCLUDING RELATED PARTIES



RESOLUTION OF DEBT 90+ DAYS OVERDUE



Due to repayments with the debtors own funds, **the amount of past-due debt decreased by UAH 1.2 bn.**

№	Indicator	During 2018 p, UAH, mln
1.	Reduction of overdue debt	1 199
	Including at the expense of	x
1.1.	repayment by the borrower's own funds	1 140
1.2.	realization of the collateral property	55
1.3.	recording collateral property on bank's balance sheet	4
2.	Restructuring, including	226
2.1.	restructuring according to Ukrainian Law About financial restructuring	0
3.	Write-off at the expense of the reserve	24

Parameters of data presentation in the table:

1. The table contains data on credit transactions with corporates (except banks) and private individuals.
2. The table contains data on credit transactions, excluding transactions with debt securities.
3. "Debt" shall be deemed the principal plus accrued interest.
4. "Reduction of overdue debt" indicator 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).
5. The "Restructuring" indicator 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.



BANK'S LITIGATION EFFORTS



The Bank has been performing active litigation regarding debt collection

The tables contain data on credit transactions with corporates (except banks) and private individuals. In this case, data on credit transactions with debt securities has excluded

The bank`s work in the courts during 2018	Stage 1		Stage 2		Stage 3	
	Filed lawsuits		Received court decisions		Opened execution proceedings	
	amount	UAH mln	amount	UAH mln	amount	UAH mln
Privatbank	116 452	11 253	118 778	25 310	137 140	32 545

The principles for filling the table are indicated on slide 15

As of 01.01.2019	Court claims	
	amount	UAH mln
Privatbank	237 085	54 428

As of 01.01.2019, in courts there are **237 085 claims** for the total amount of **UAH 54 428 million** filed by the bank (claims of prior periods and reporting period), and which as of 01.01.2019 did not reach the stage 2.



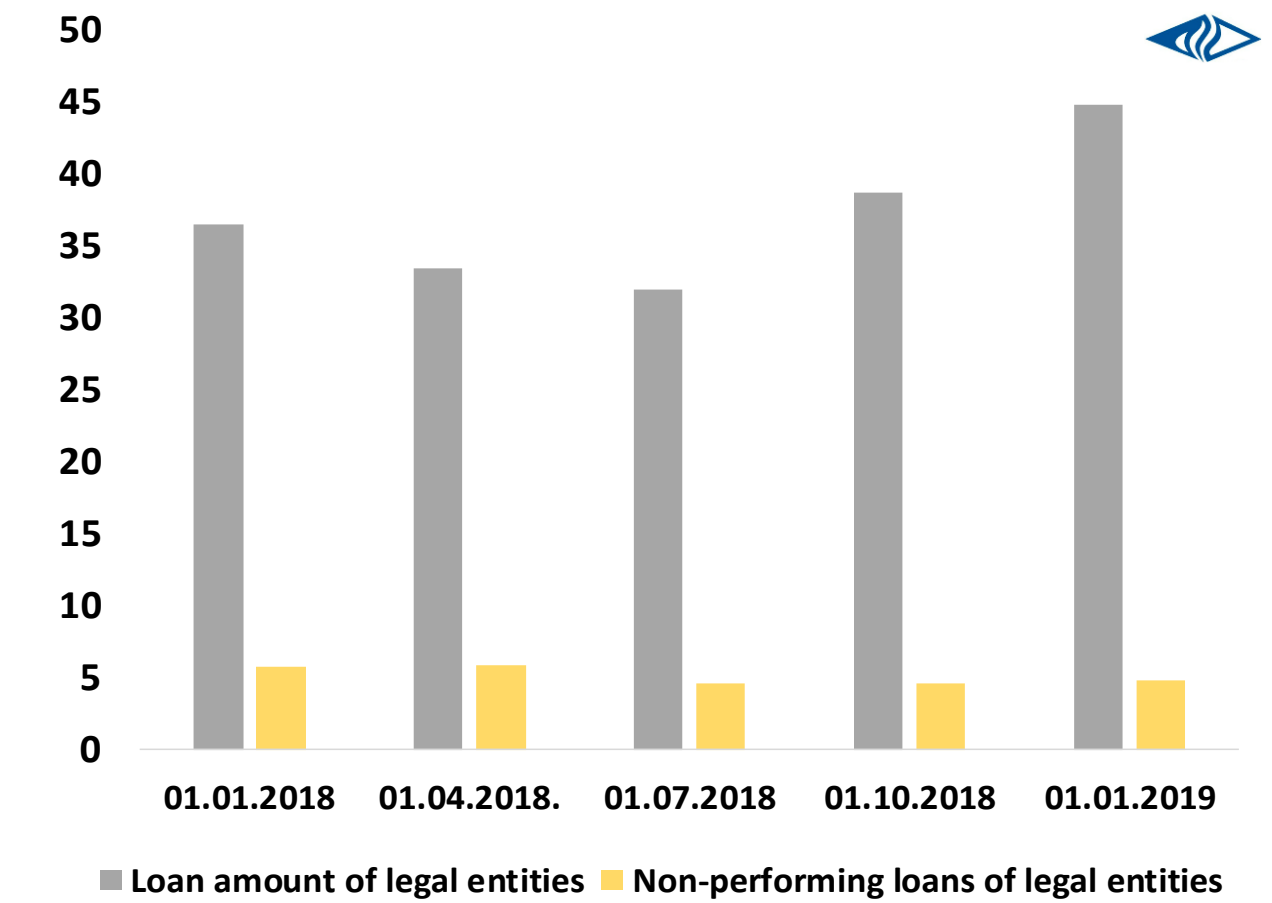
NON-PERFORMING LOANS*



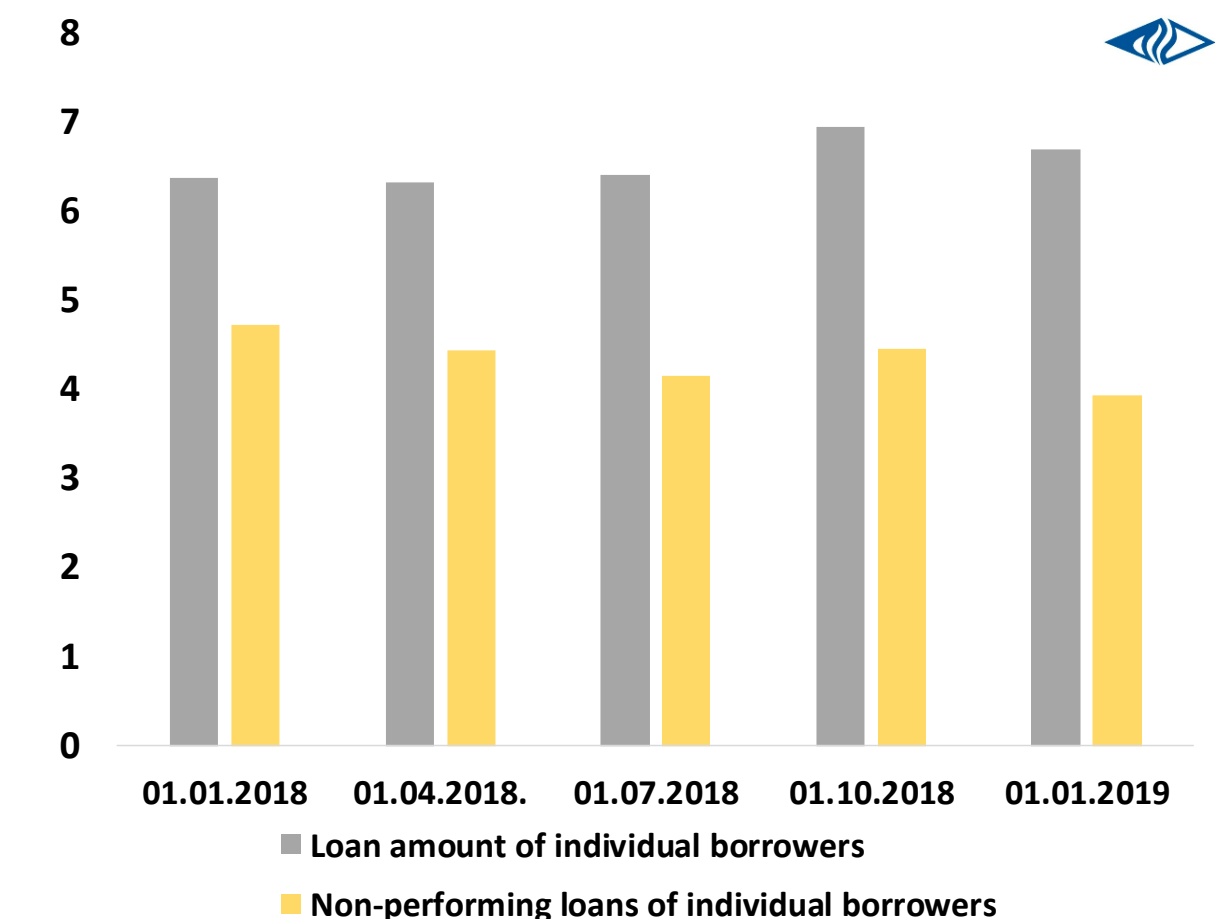
Loan portfolio of corporate clients constitutes 87% (UAH 45 bn.), out of which only 11% of mentioned loans (UAH 5 bn.) are default loans, that are covered by loan risks of 73% (UAH 3.5 bn.)

As of 01.01.2019,
M. UAH

Individual borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage	Legal entity borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage
1	2 631	89	39%	3%	1	510	13	1%	3%
2	86	12	1%	14%	2	10 427	172	23%	2%
3	33	3	0%	11%	3	2 989	22	7%	1%
4	25	5	0%	18%	4	9 007	191	20%	2%
5	3 932	3 666	59%	93%	5	2 454	25	5%	1%
					6	1 473	66	3%	5%
					7	3 050	196	7%	6%
					8	796	39	2%	5%
					9	9 301	557	21%	6%
					10	4 827	3 517	11%	73%
Total	6 706	3 775	100%	56%	Total	44 833	4 799	100%	11%



The amount of 5th (default) class in total private clients' loans makes 59% (UAH 4 bn.) which is 93% covered by credit risk



* NON-PERFORMING LOANS – CLASS 10 FOR CORPORATE CLIENTS AND CLASS 5 FOR PRIVATE CLIENTS ACCORDING TO NBU DECREE #351 DATED 30.06.2016

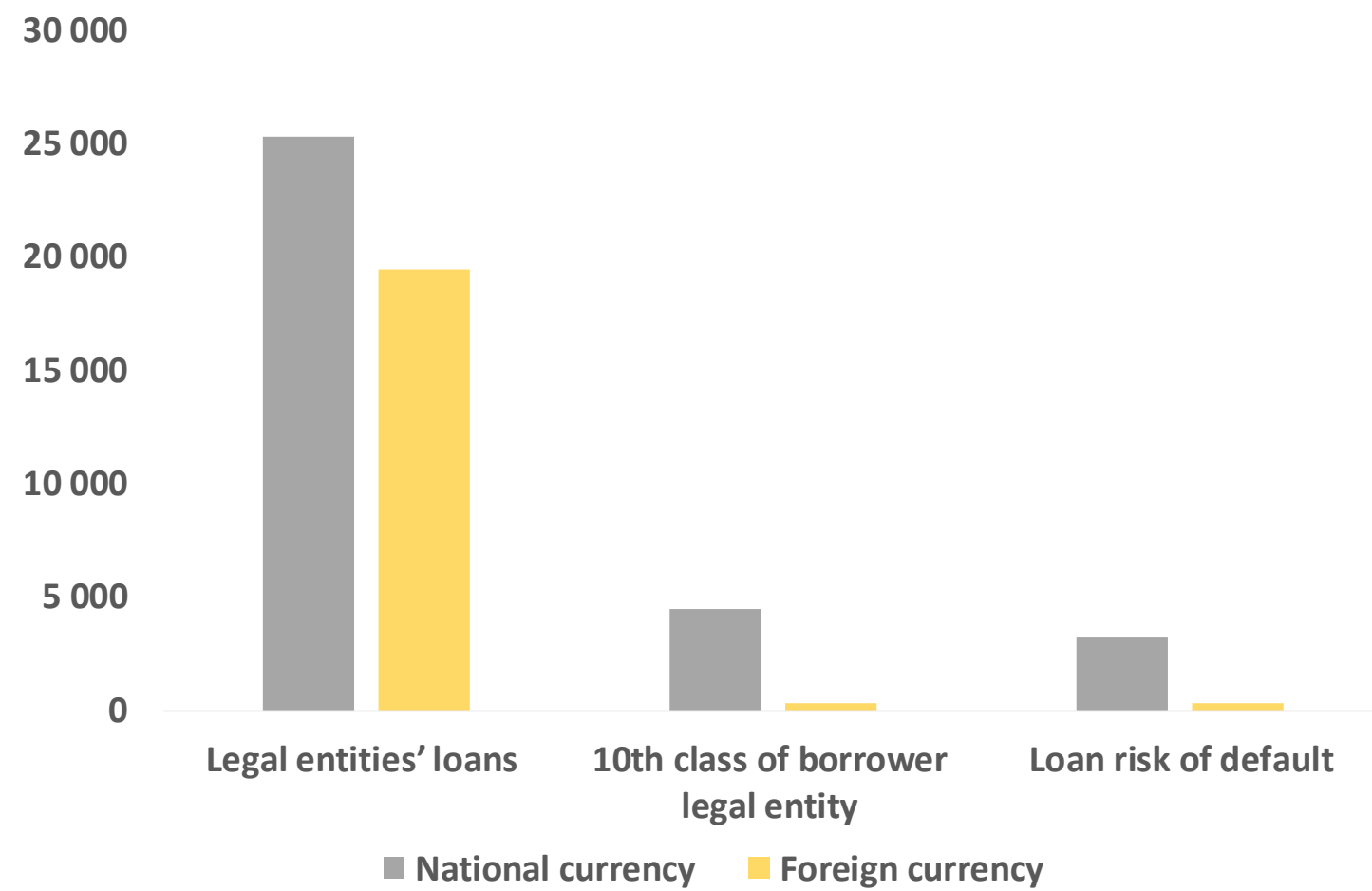
*Source: official NBU website



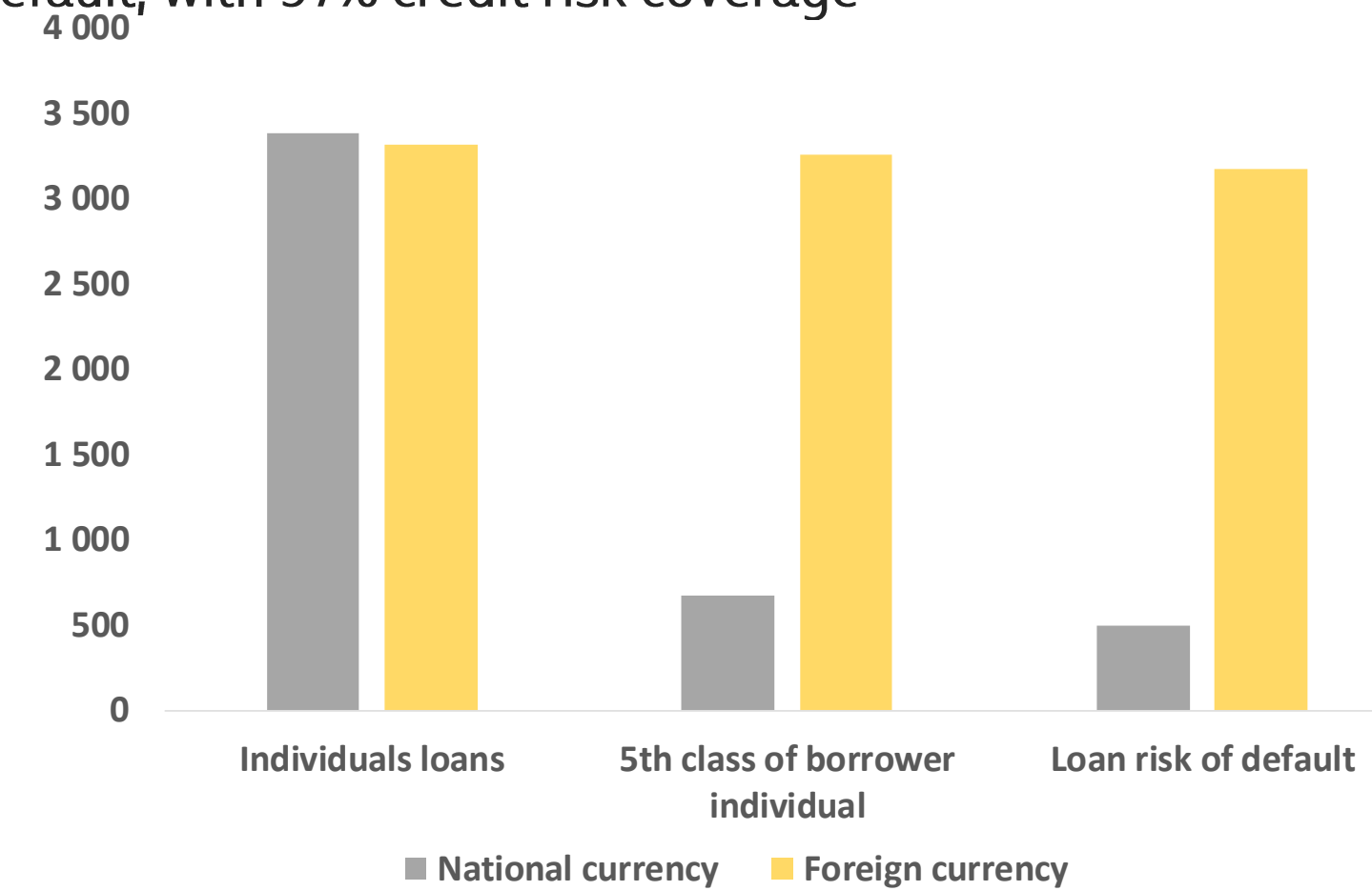
NON-PERFORMING LOANS CONTINUED



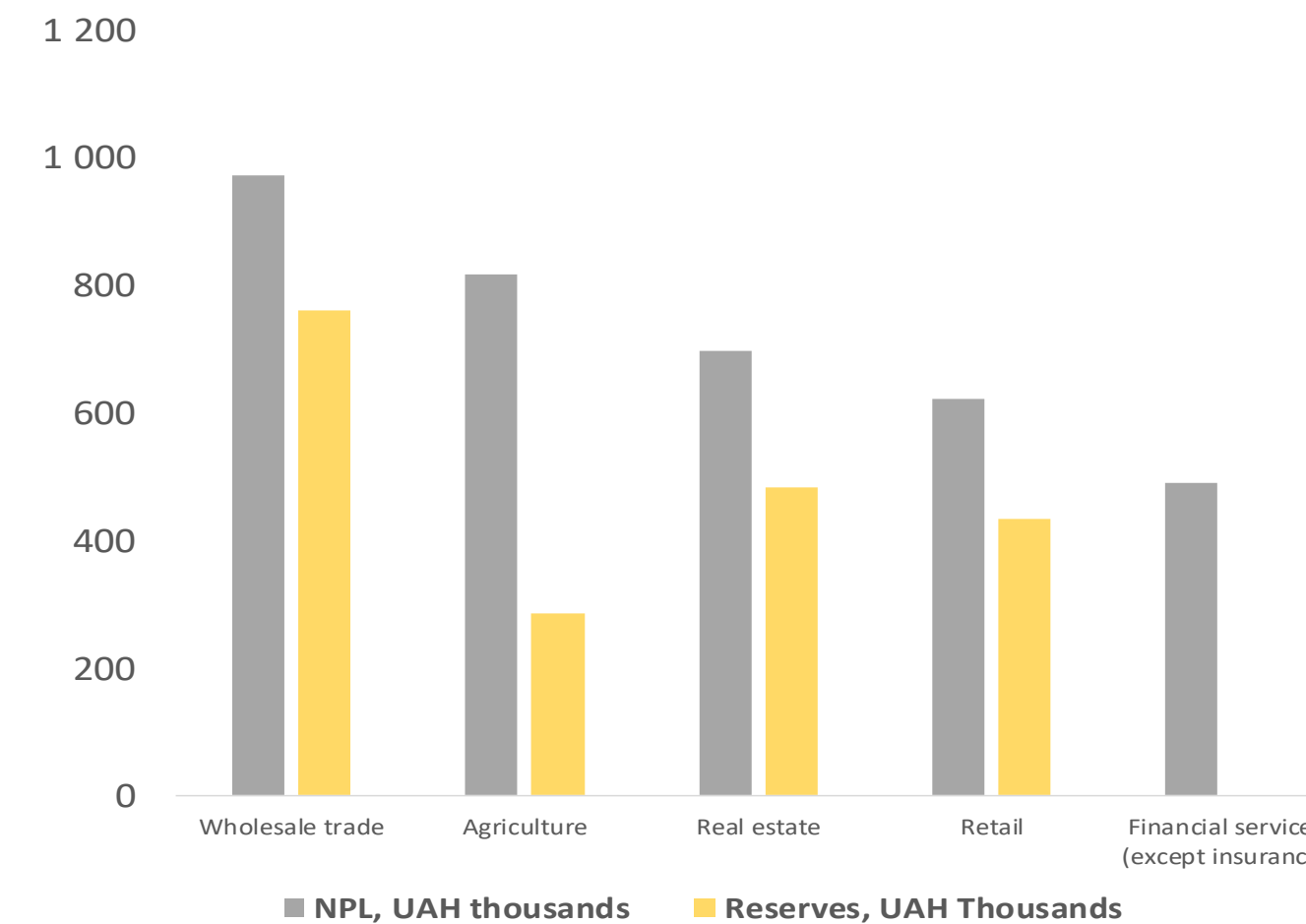
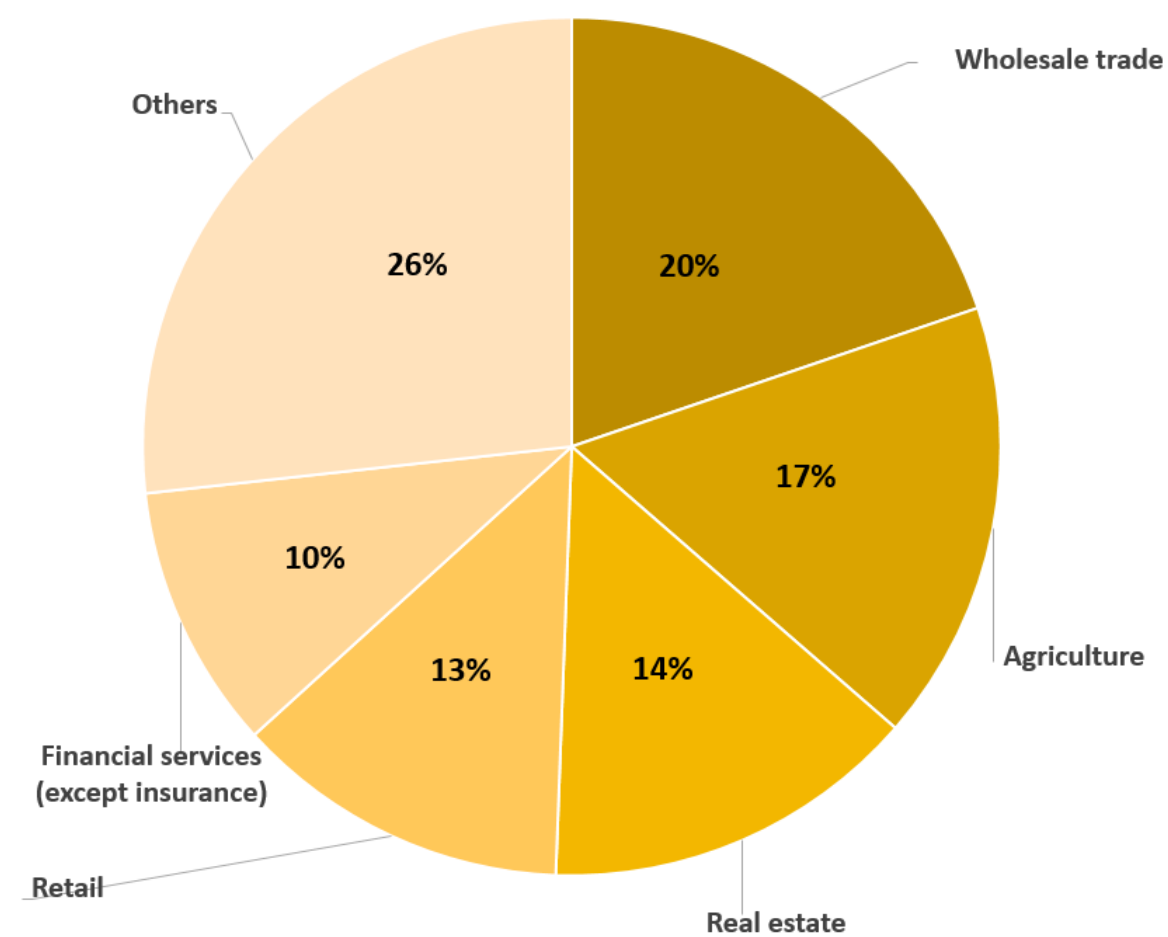
44% of the total volume of corporate loans is in foreign currency. Only 2% of these loans are default (coverage by credit risk by 95%) *.



Almost half of individuals' loans are in foreign currency. Almost all of them (98%) are default, with 97% credit risk coverage *



The largest volume of non-performing loans by sectors of the economy composes the wholesale trade, agriculture, real estate operations.



*Source: official NBU website



RESOLUTION OF DEBT 90+ DAYS OVERDUE



During 2018 the bank written-off UAH 1.4 bn. to off-balance sheet accounts at the expense of provisions. Restructuring was carried out in the amount of UAH 0.7 bn., incl. UAH 0.3 bln under the Law "On Financial Restructuring". **Overdue debt decreased by UAH 0.3 bln**, mainly due to disposition of collateral (UAH 0.1 bn.).

№	Indicator	During 2018 p, UAH, mln
1.	Reduction of overdue debt	317
	Including at the expense of	x
1.1.	repayment by the borrower's own funds	90
1.2.	realization of the collateral property	148
1.3.	recording collateral property on bank's balance sheet	79
2.	Restructuring, including	696
2.1.	restructuring according to Ukrainian Law About financial restructuring	313
3.	Write-off at the expense of the reserve	1 421

Parameters of data presentation in the table:

1. The table contains data on credit transactions with corporates (except banks) and private individuals.
2. The table contains data on credit transactions, excluding transactions with debt securities.
3. "Debt" shall be deemed the principal plus accrued interest.
4. "Reduction of overdue debt" indicator 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).
5. The "Restructuring" indicator 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.



BANK'S LITIGATION EFFORTS



The Bank has been performing active litigation regarding debt collection

The tables contain data on credit transactions with corporates (except banks) and private individuals. In this case, data on credit transactions with debt securities has excluded

The bank's work in the courts during 2018	Stage 1		Stage 2		Stage 3	
	Filed lawsuits		Received court decisions		Opened execution proceedings	
	amount	UAH mln	amount	UAH mln	amount	UAH mln
Ukrigasbank	1 904	1 270	1 110	879	686	1 189

The principles for filling the table are indicated on slide 15

As of 01.01.2019	Court claims	
	amount	UAH mln
Ukrigasbank	2 702	2 053

As of 01.01.2019, in courts there are **2 702 claims** for the total amount of **UAH 2 053 million** filed by the bank (claims of prior periods and reporting period), and which as of 01.01.2019 did not reach the stage 2.

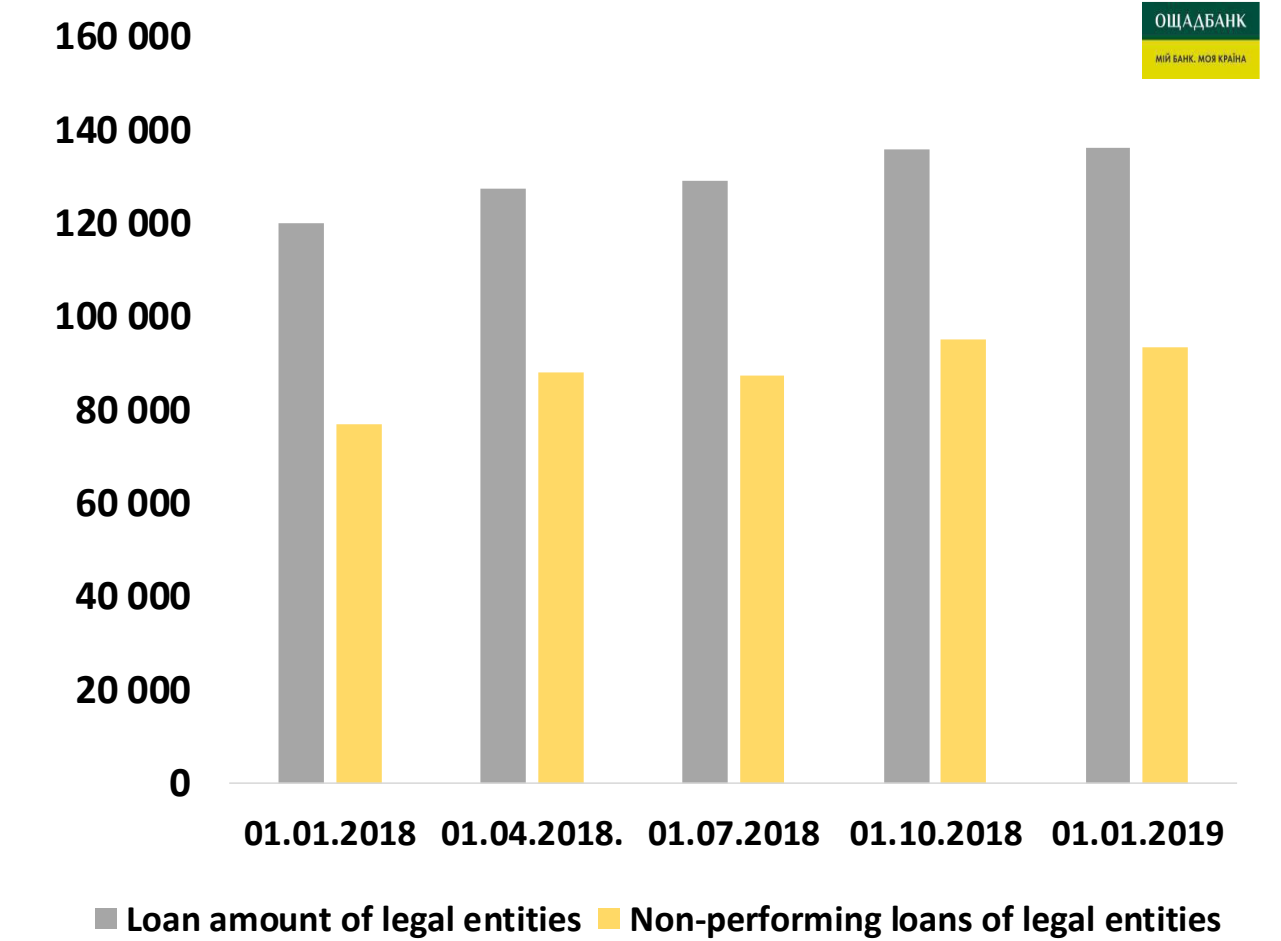


NON-PERFORMING LOANS*

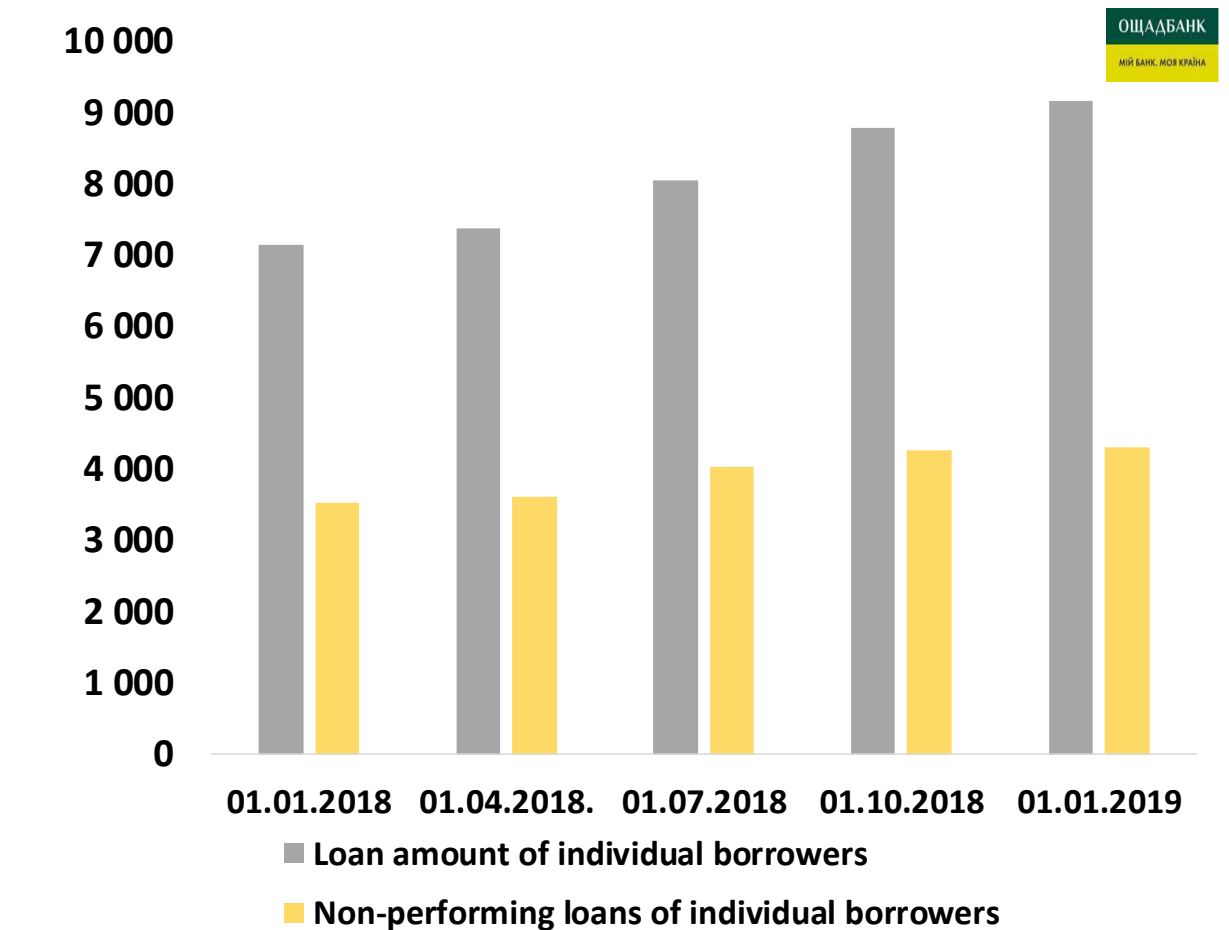
More than 90% of the loan portfolio of the bank are loans to legal entities. At the same time, 69% (UAH 94 bn.) of their amount is classified as default with 84% (UAH 79 bn.) are covered by credit risk.

As of 01.01.2019,
M. UAH

Individual borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage	Legal entity borrower's class	Loans	Loan risk	Percentage of the class in the general amount of individual borrower's loans	Percentage of coverage
1	3 760	463	41%	12%	1	259	3	0%	1%
2	687	64	7%	9%	2	15 794	85	12%	1%
3	265	51	3%	19%	3	5 047	293	4%	6%
4	167	41	2%	24%	4	9 259	252	7%	3%
5	4 308	3 144	47%	73%	5	2 403	89	2%	4%
					6	2 425	45	2%	2%
					7	470	29	0%	6%
					8	1	0	0%	22%
					9	7 058	2 464	5%	35%
					10	93 637	78 619	69%	84%
Total	9 186	3 763	100%	41%	Total	136 354	81 879	100%	60%



The volume of the 5 (default) class of loans to individuals constitutes 47% (UAH 4 bn.), which is covered by credit risk by 73%



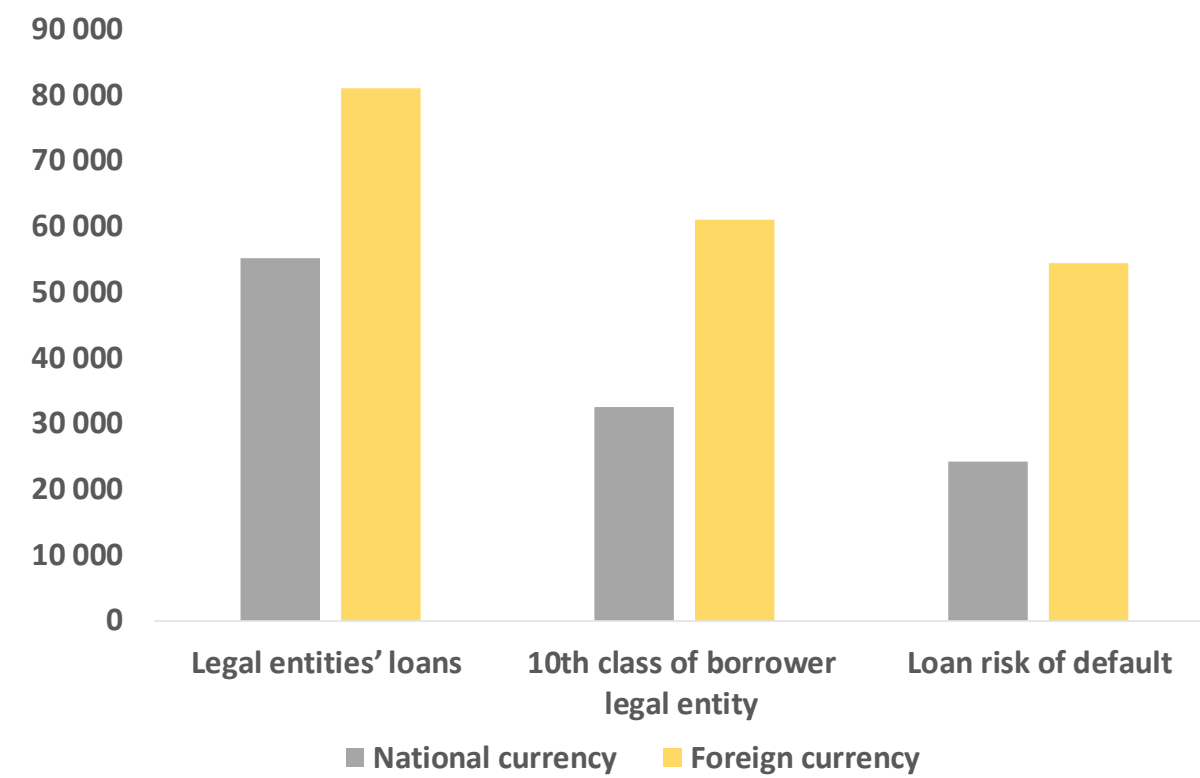
*Non-performing loans are qualified as Class 10 for legal entities and Class 5 for individuals in accordance with the NBU Regulation No. 351 dated June 30, 2016

*Source: official NBU website

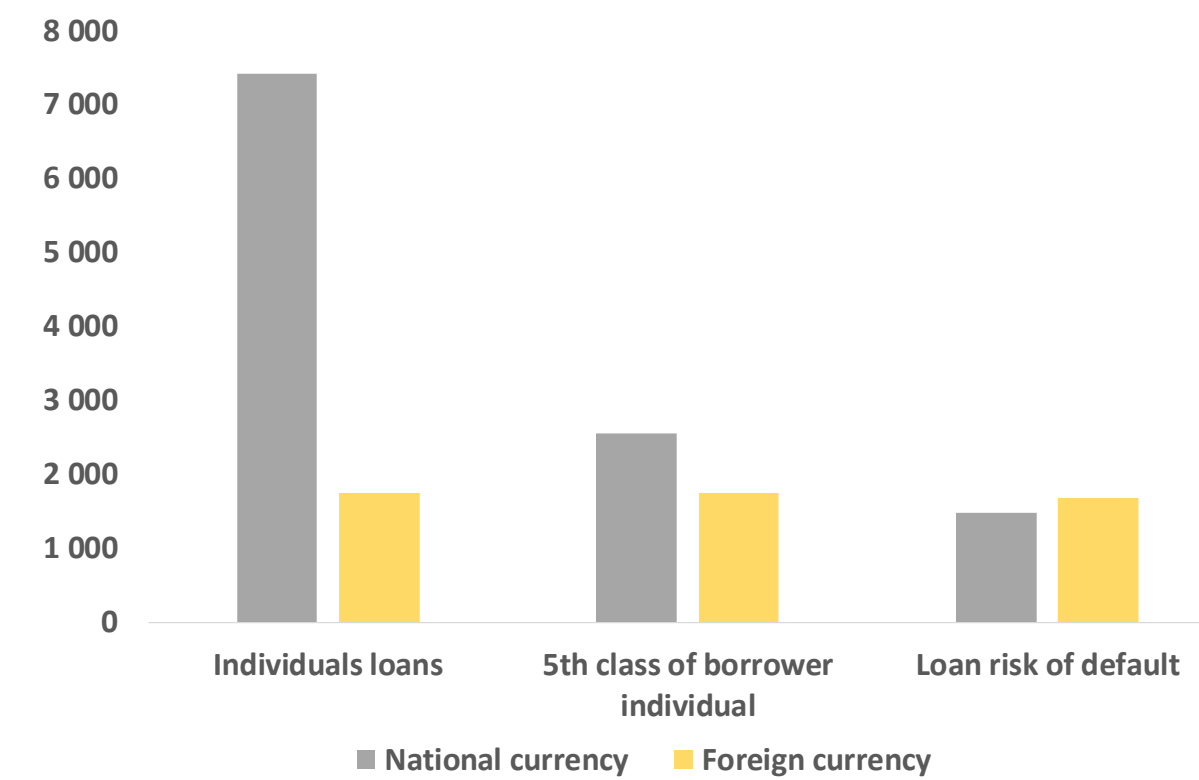


NON-PERFORMING LOANS CONTINUED

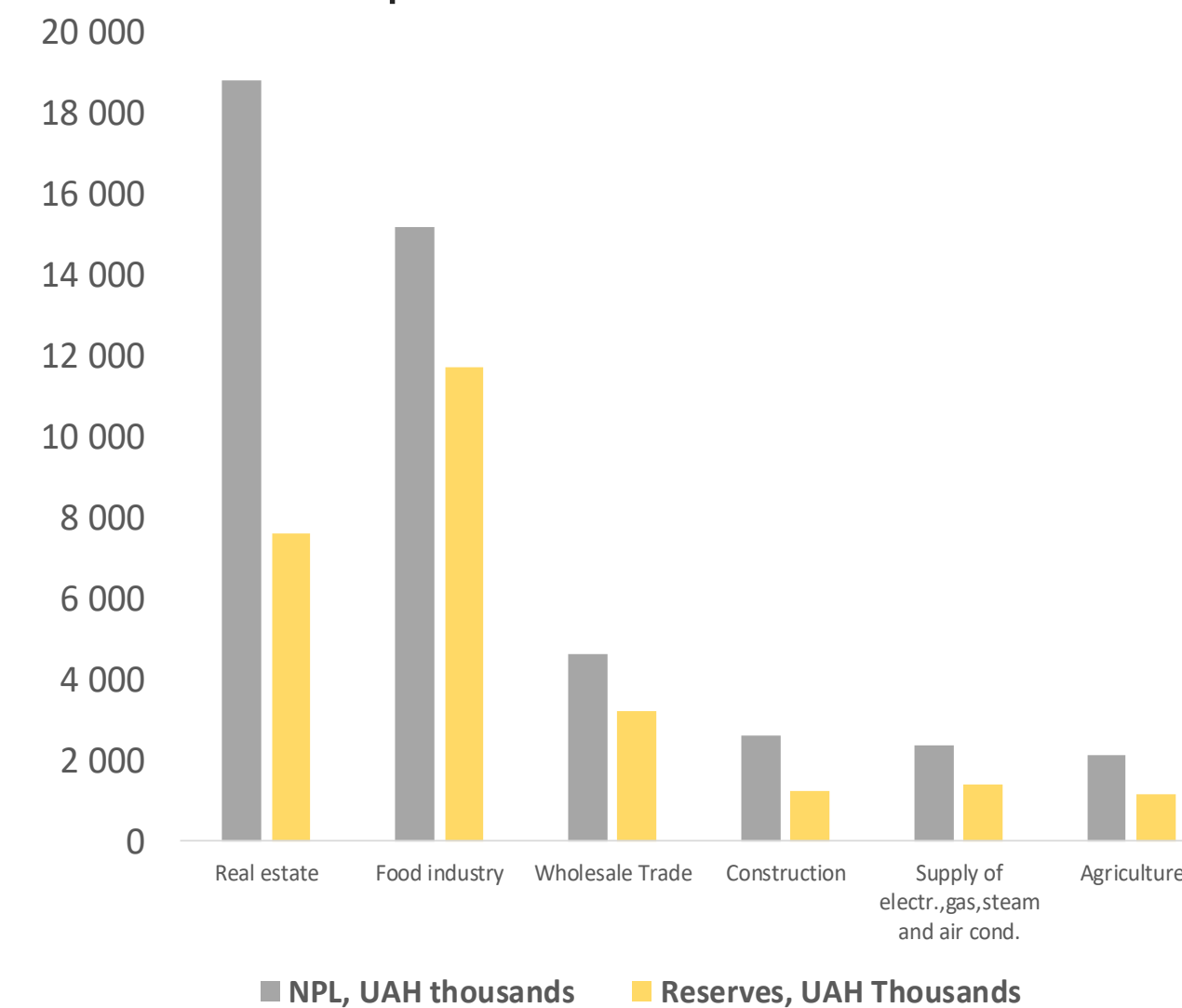
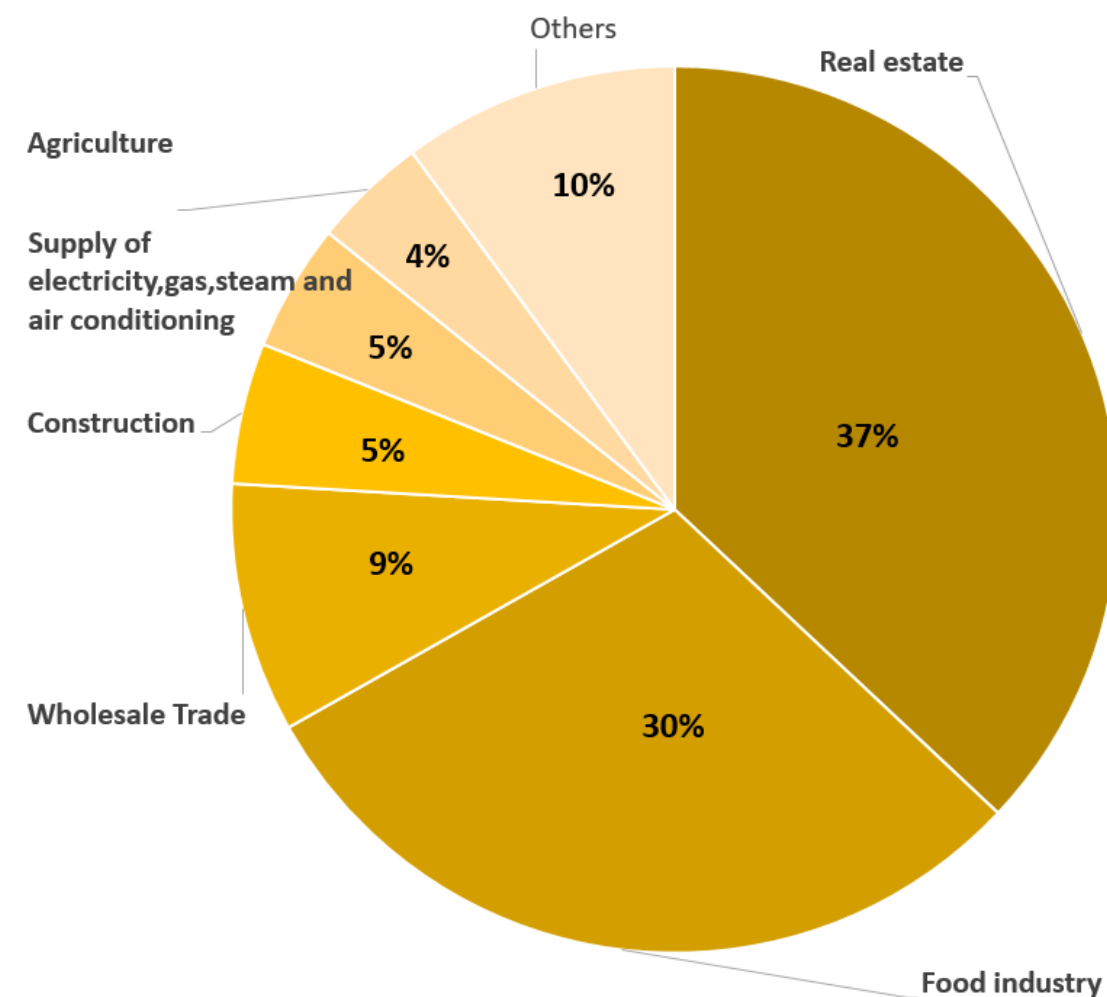
60% of the total volume of corporate loans is in foreign currency. 75% of these loans are default (credit risk coverage by 89%) *.



Individual' loans in foreign currency constitute 19%. Almost all of these loans (99.9%) are default loans with a credit risk coverage of 95% *.



The largest volume of non-performing loans by sectors of the economy composes the real estate operations and food production



*Source: official website of NBU

** WITHOUT TAKING INTO ACCOUNT THE ZONE JFO AND CRIMEA



RESOLUTION OF DEBT 90+ DAYS OVERDUE

ОЩАДБАНК

МІЙ БАНК. МОЯ КРАЇНА

During 2018 the bank conducted restructuring to the amount of UAH 16 bn. in accordance with the Law "On Financial Restructuring". Overdue debt decreased by UAH 3 bln, mainly due to incorporating collateral on the balance sheet of the bank (UAH 1,5 bn.) and repayment by debtors with their own funds (UAH 1.3 bn).

№	Indicator	During 2018 p, UAH, mln
1.	Reduction of overdue debt	2 960
	Including at the expense of	x
1.1.	repayment by the borrower's own funds	1 260
1.2.	realization of the collateral property	208
1.3.	recording collateral property on bank's balance sheet	1 492
2.	Restructuring, including	16 030
2.1.	restructuring according to Ukrainian Law About financial restructuring	16 030
3.	Write-off at the expense of the reserve	38

Parameters of data presentation in the table:

1. The table contains data on credit transactions with corporates (except banks) and private individuals.
2. The table contains data on credit transactions, excluding transactions with debt securities.
3. "Debt" shall be deemed the principal plus accrued interest.
4. "Reduction of overdue debt" indicator 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).
5. The "Restructuring" indicator 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.



BANK'S LITIGATION EFFORTS

ОЩАДБАНК

МІЙ БАНК. МОЯ КРАЇНА

The Bank has been performing active litigation regarding debt collection

The tables contain data on credit transactions with corporates (except banks) and private individuals. In this case, data on credit transactions with debt securities has excluded

The bank`s work in the courts during 2018	Stage 1		Stage 2		Stage 3	
	Filed lawsuits		Received court decisions		Opened execution proceedings	
	amount	UAH mln	amount	UAH mln	amount	UAH mln
Oschadbank	2 406	3 921	1 537	49 071	4 022	36 036

The principles for filling the table are indicated on slide 15

As of 01.01.2019	Court claims	
	amount	UAH mln
Oschadbank	2 555	19 315

As of 01.01.2019, in courts there are **2 555 claims** for the total amount of **UAH 19 315 million** filed by the bank (claims of prior periods and reporting period), and which as of 01.01.2019 did not reach the stage 2.



MANAGEMENT OF NON-PERFORMING LOANS PORTFOLIO OF STATE OWNED BANKS IN 2018

According to the results of 2018, state owned banks:

- reduced overdue debts by UAH 5 bn.;
- conducted restructuring in the amount of UAH 22bn.;
- UAH 1,5 bn. were written off at the expense of provisions.

Banks	Reduction of overdue debt (UAH mln)	Restructuring (UAH mln)	Write-off at the expense of the reserve (UAH mln)
PrivatBank	1 199	226	24
UkrGasbank	317	696	1 421
Oschadbank	2 960	16 030	38
Ukreximbank	408	5 303	0
Total	4 884	22 255	1 483

State owned banks of Ukraine conducted restructuring to the total amount of UAH 22 bln, of which 73% (UAH 16 bln) under the Law of Ukraine "On Financial Restructuring"

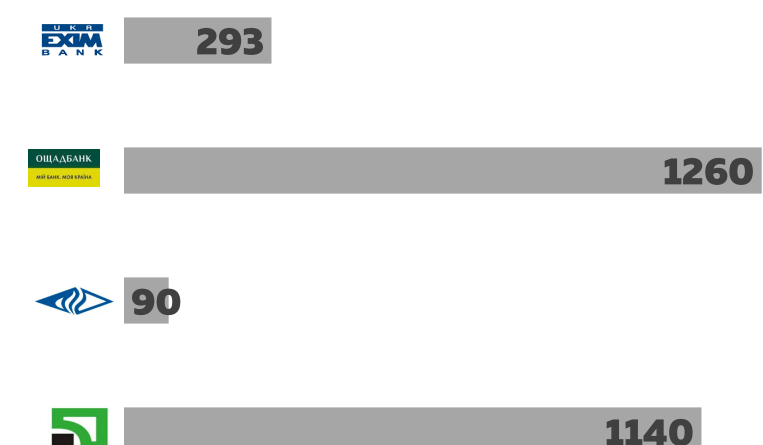
Banks	Filed lawsuits during 2018		Received court decisions during 2018		Opened execution proceedings during 2018		Court claims (as of 01.01.2019)	
	amount	UAH mln	amount	UAH mln	amount	UAH mln	amount	UAH mln
PrivatBank *	116 452	11 253	118 778	25 310	137 140	32 545	237 085	54 428
UkrGasbank	1 904	1 270	1 110	879	686	1 189	2 702	2 053
Oschadbank**	2 406	3 921	1 537	49 071	4 022	36 036	2 555	19 315
Ukreximbank	474	29 576	318	7 442	1 167	21 923	513	30 947
Total	121 236	46 020	121 743	82 702	143 015	91 693	242 855	106 743

Parameters of data presentation in the tables see slides 14, 15, 19, 23, 27.

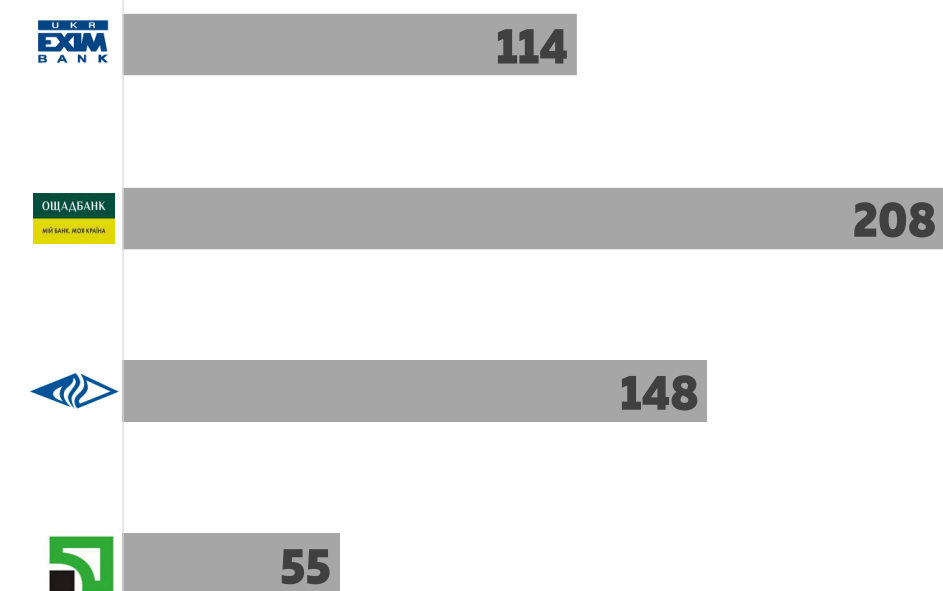
*Information on non-performing loans portfolio of JS SC CB "Privatbank" is provided without taking into account the non-performing loans portfolio prior to its nationalization. More than 90% of the court claims are the individuals' debts

** Added (column "Received court decisions during 2018") 1 court decision in court against the Russian Federation, in the amount that equates to 36 bn. UAH. (a an alternative tool for debts collection under the assets of a branch - Crimean regional administration of JSC "Oschadbank")

Reduction of overdue debt at the expense of repayment by the borrower's own funds, UAH mln



Reduction of overdue debt at the expense of realization of collateral property, UAH mln



Reduction of overdue debt at the expense of recording collateral property on bank's balance sheet, UAH mln





STATE OWNED BANKS ARBITRATION AGAINST THE RUSSIAN FEDERATION

In November 2018, the Arbitral Tribunal in Paris made a decision in favor of JSC "Oschadbank" in a case concerning compensation for losses incurred by the bank as a result of the annexation of the Crimea by the Russian Federation. The Tribunal determined compensation in the amount of almost USD1.3 bn., and a fine is calculated on a daily basis from this amount. The fine is almost USD100 thousand.

In a partial arbitration award by the Permanent Court of Arbitration at the Hague (The Netherlands) dated February 4, 2019, it was recognized that the Russian Federation had violated its obligations under the bilateral agreement on the promotion and mutual protection of investments, illegally expropriating the assets of the **JSC CB "PRIVATBANK" in the Crimea, and that JSC CB "PRIVATBANK" has the right to compensation for such expropriation in full amount.**

The Arbitral Tribunal left the issue regarding the amount of compensation to be paid to JSC CB "PRIVATBANK" for illegal actions of the Russian Federation to the next stage of arbitration. The Bank seeks to receive reimbursements **in the amount over of \$ 1 bn.**



REFERENCE TO COURT DECISIONS

All legal cases are registered in the Unified State Register of Judgments in the public domain:

<http://www.reyestr.court.gov.ua>,

Banks, as owners of information, disclose their information on legal cases and non-performing loans (NPLs) on their own web sites, for example:

[Example 1 \(Oschadbank\)](#)

[Example 2 \(Oschadbank\)](#)

[Example 3 \(Oschadbank\)](#)

[Example 4 \(Privatbank\)](#)

[Example 5 \(Privatbank\)](#)

[Example 6 \(Ukrigasbank\)](#)

[Example 7 \(Ukrigasbank\)](#)

[Example 8 \(Ukrigasbank\)](#)

Moreover, there exist a separate analytical facility "Court in plain sight" for the convenience of searching, tracking and access to judgments (<https://conp.com.ua>)

- ✓ Quick search of court decisions at any specific request;
- ✓ Data of public state registers;
- ✓ Structured texts of court decisions.

The screenshot displays the website interface for the Unified State Register of Judgments. It shows a search bar with the query '00032112' and a list of search results. The first result is a court decision from 16.04.2018, case №910/9938/17, involving 'Публічного акціонерного товариства "Державний експортно-імпортерний банк"'. The second result is a decision from 20.09.2018, case №905/3071/17, regarding a mortgage. The interface includes a sidebar with filters and a main content area with detailed information about the selected case.



MINISTRY OF FINANCE OF UKRAINE
