



MINISTRY OF
FINANCE OF
UKRAINE

STATE-OWNED BANKS

NON-PERFORMING LOANS STATUS AND RESOLUTION REPORT

March 2020



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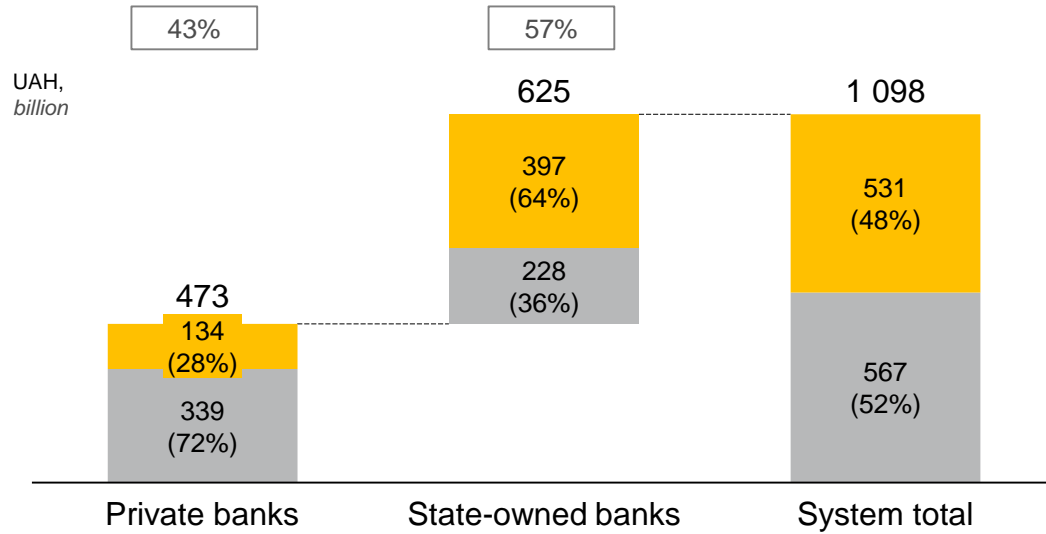


Banking sector loan portfolio

■ Non-performing ■ Performing

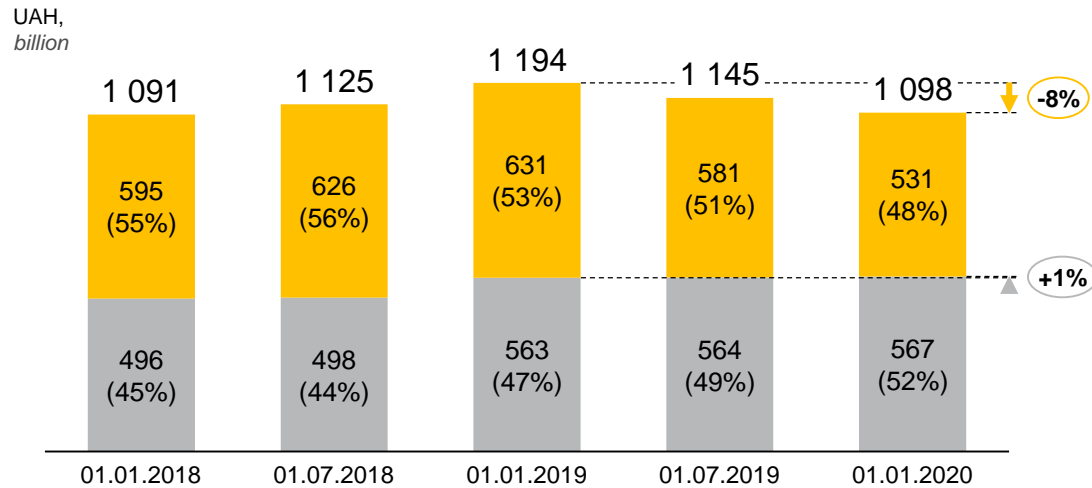
xx% – share of the sector in the system

Current situation



- The level of Ukrainian banks' NPL remains quite high
- NPLs account for almost half of the banks' loan portfolio (**48%** or **UAH 531 billion**), of which **75%**, or **UAH 397 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.

Change



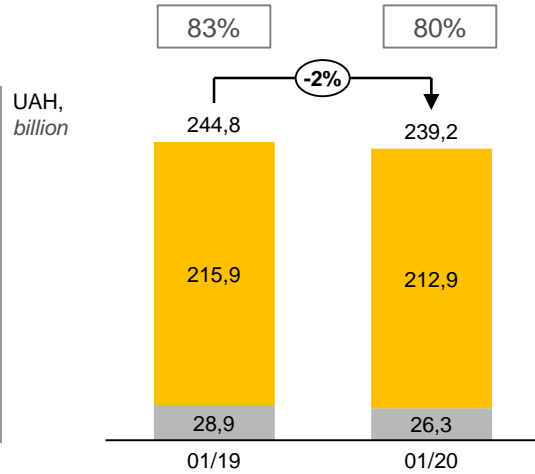
- In 2019, a trend of gradual decrease in the amount of non-performing loans in Ukrainian banks was registered
- Volume of NPL in banks reduced by **8%**, or **UAH 100 billion**, of which public sector banks accounted for **UAH 40 billion**
- The share of NPL in the loan portfolio of the banking system reduced by **5 p.p.** to **48%**, first of all, due to the growth of the volume of performing loans, including retail lending, strengthening of the national currency and implementation by banks of measures to repay and restructure non-performing loans



Public sector banks' NPL: current situation

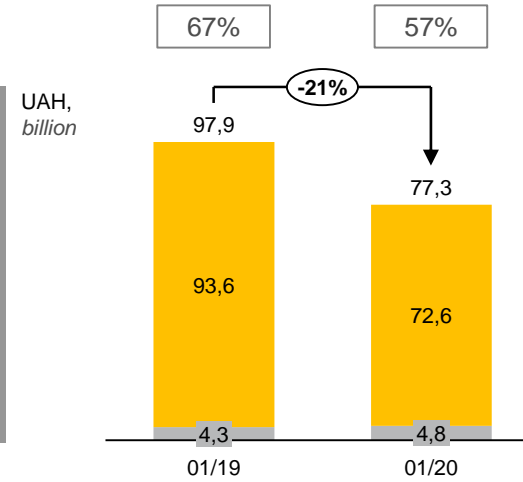
■ Legal entities
■ Private individuals
xx% – share of loan portfolio

Privatbank



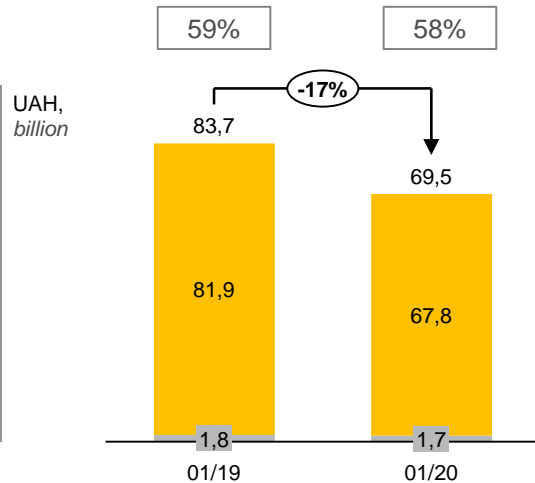
- In 2019 bank's NPL reduced by 2%, or UAH 5,6 billion
- NPL constitute 80 % of the bank's loan portfolio of which 90% are loans to legal entities related to the former owners of the bank and "Privat" Group

Oschadbank



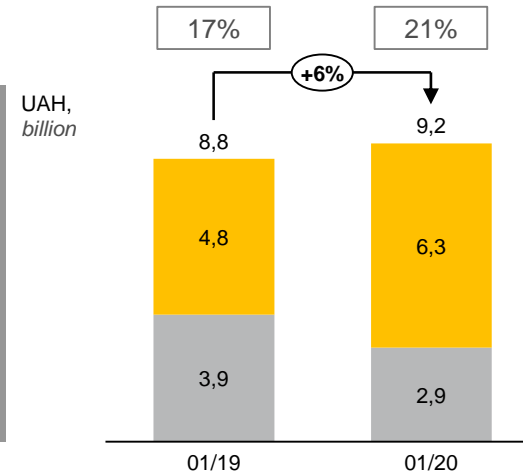
- In 2019 bank's NPL reduced by 21% or UAH 20,6 billion
- The main component of the NPL portfolio is loans issued before 2014 and loans in the Autonomous Republic of Crimea
- NPL concentrated in the corporate loan portfolio make 94% of the total NPL portfolio

Ukreximbank



- In 2019 bank's NPL reduced by 17% or UAH 14,2 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

Ukrgasbank



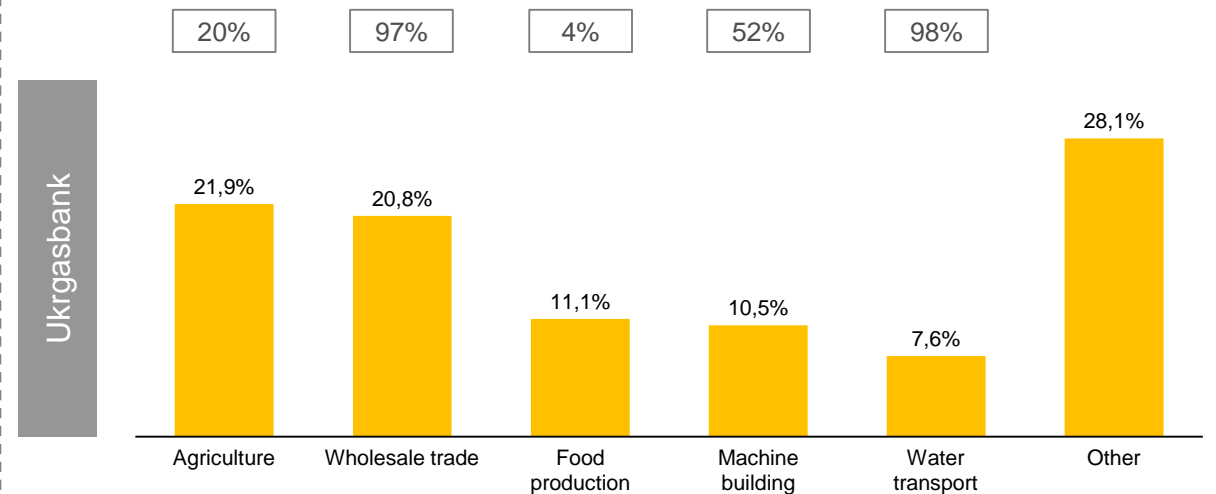
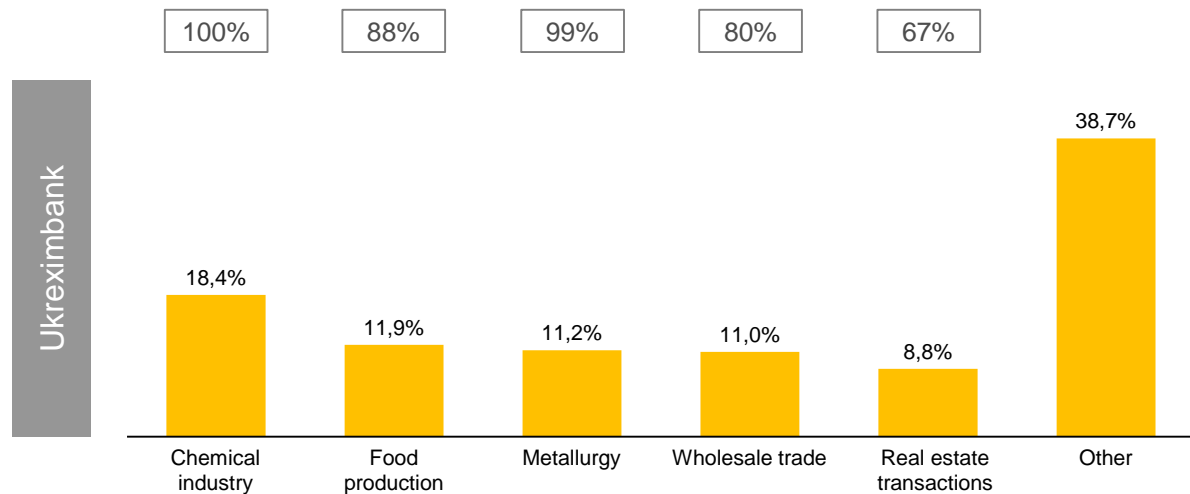
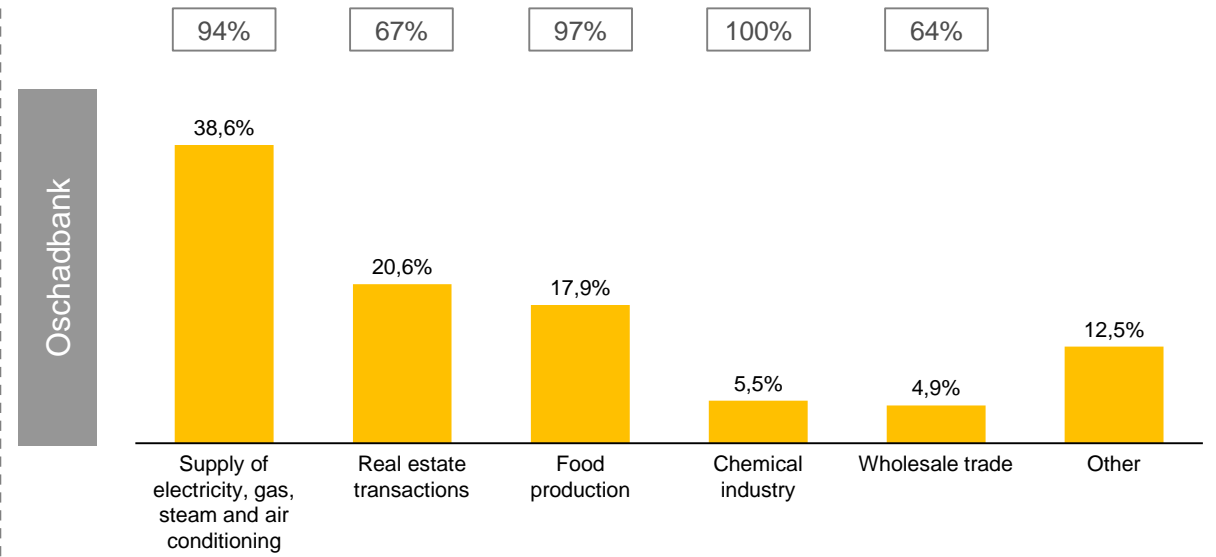
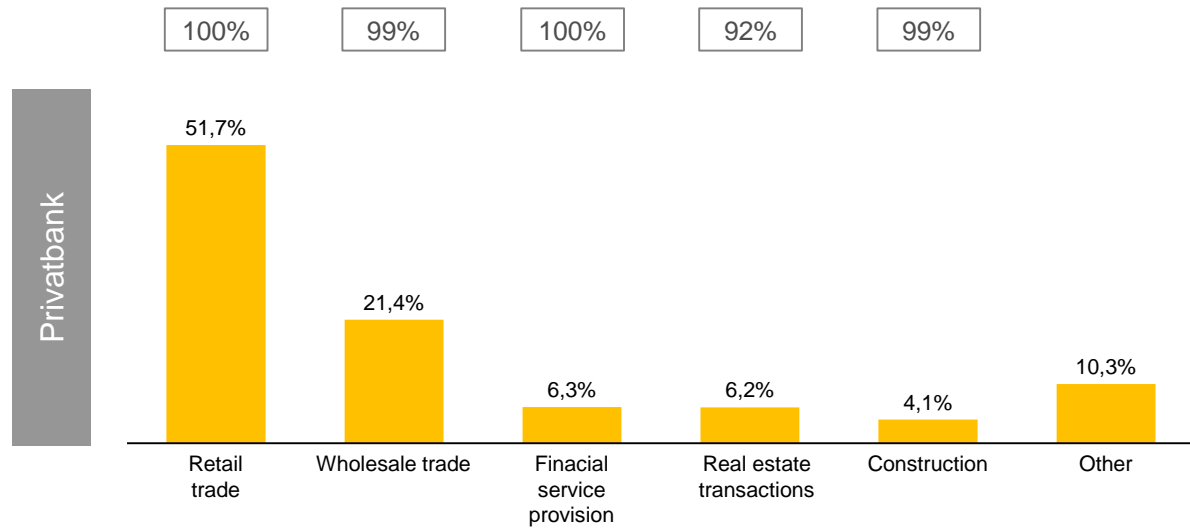
- In 2019 bank's NPL increased by 6%, or UAH 0,4 billion
- The bank has the smallest amount and share of the NPL portfolio among public sector banks



Corporate NPL by sector of economy

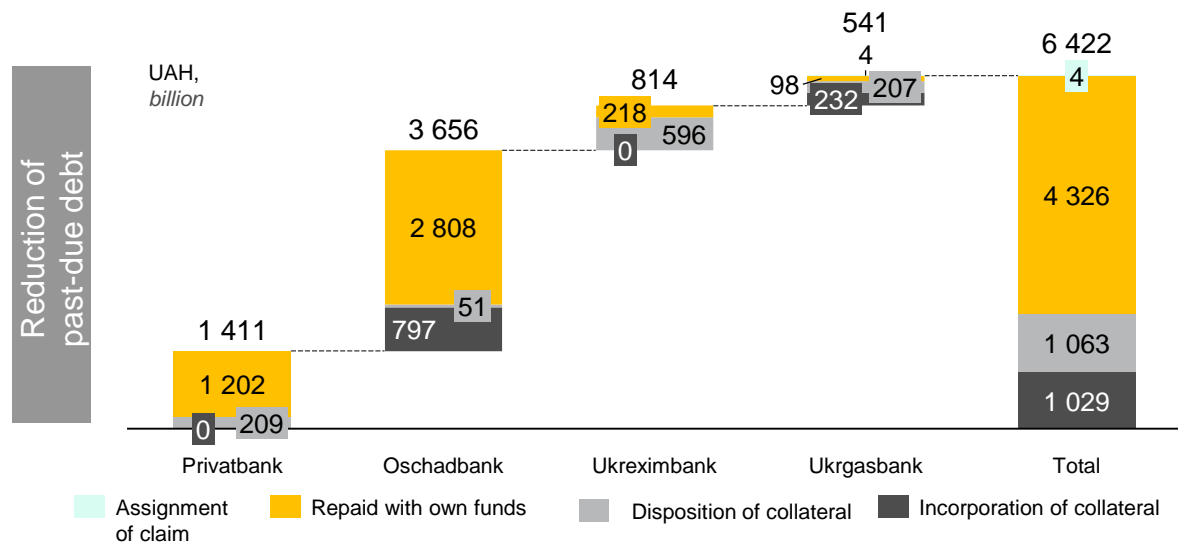
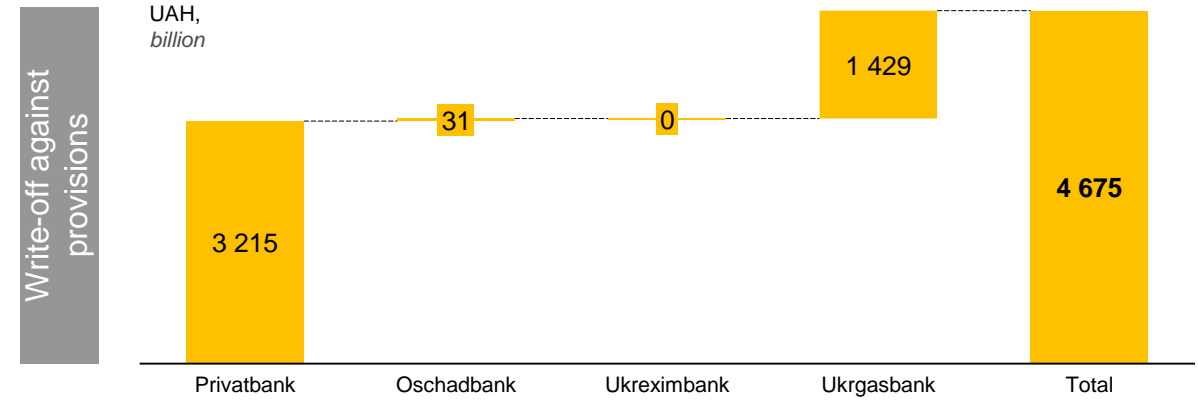
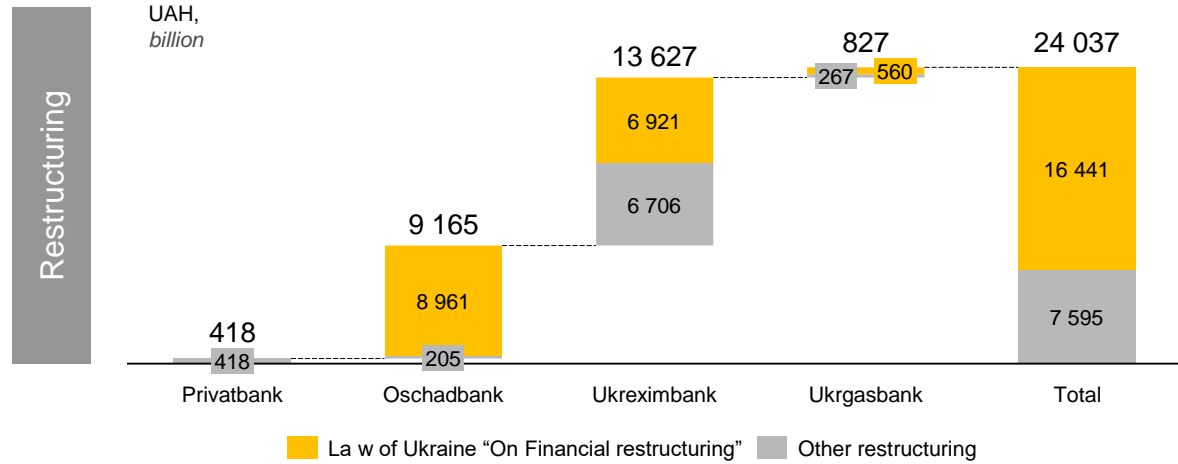
■ Share of the sector in the corporate NPL portfolio

xx% – provision coverage





Public sector banks NPL: efforts taken in 2019



Litigation

Bank	New lawsuits filed in 2019		Received court decisions in 2019		Enforcement proceedings in 2019		Lawsuits in courts as of 01.01.2020	
	number	UAH, billion	number	UAH, billion	number	UAH, billion	number	UAH, billion
Privatbank	92 725	3,9	116 004	5,4	180 906	14,3	65 019	6,7
Oschadbank	3 767	12,5	2 878	11,6	14 427	23,1	2 266	12,4
Ukreximbank	327	7,1	306	12,1	1 248	22,6	316	17,6
Ukrgasbank	2 469	2,1	1 876	1,0	1 917	2,3	3 484	6,8
Total	99 288	25,6	121 064	30,1	198 498	62,3	71 085	43,5

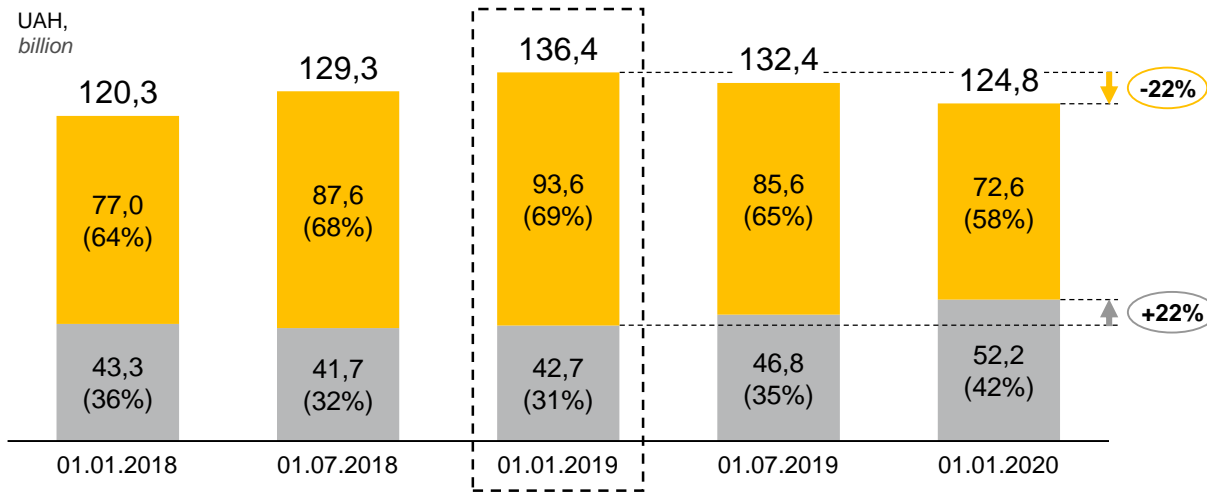


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Oschadbank: corporate loan portfolio

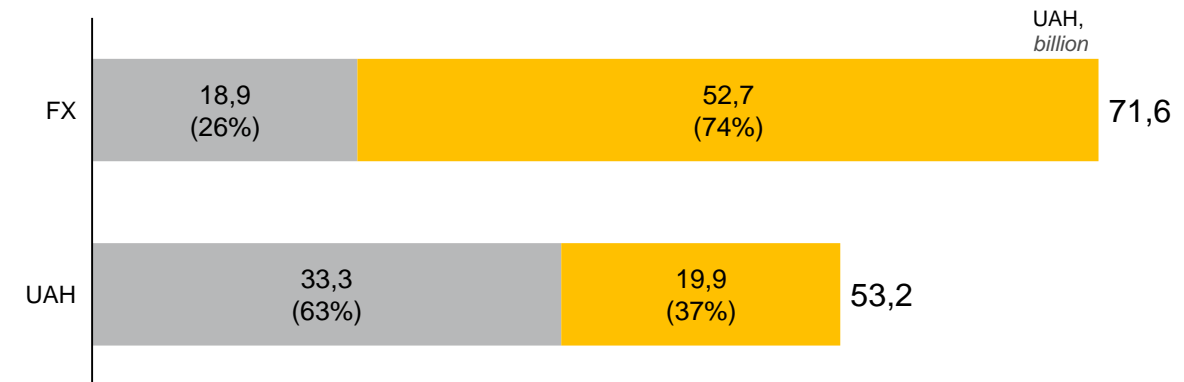
■ Non-performing
 ■ Performing
 Base of comparison



- As of January 01, 2020 the share of NPL in the corporate loan portfolio remains high – 58%
- In 2019 the non-performing corporate loan portfolio reduced by 22%, or UAH 21 billion to UAH 73 billion
- Performing corporate loan portfolio in 2019 increased by 22%, or UAH 9,5 billion to UAH 52 billion
- Credit risk coverage of the non-performing corporate loan portfolio under NBU Resolution No.351 (provisions under IFRS + capital coverage) made 91,5%

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	0,4%	0,9%	1,8%	11,1%	2,2%	6,7%	1,5%	2,0%	15,4%	58,1%
Loan portfolio	0,5	1,1	2,2	13,8	2,7	8,3	1,8	2,5	19,3	72,6
Credit risk ²	0,0	0,0	0,0	0,4	0,2	0,4	0,0	0,7	5,6	66,4
Coverage	1,4%	0,6%	0,5%	3,1%	8,1%	5,3%	2,7%	27,1%	29,0%	91,5%

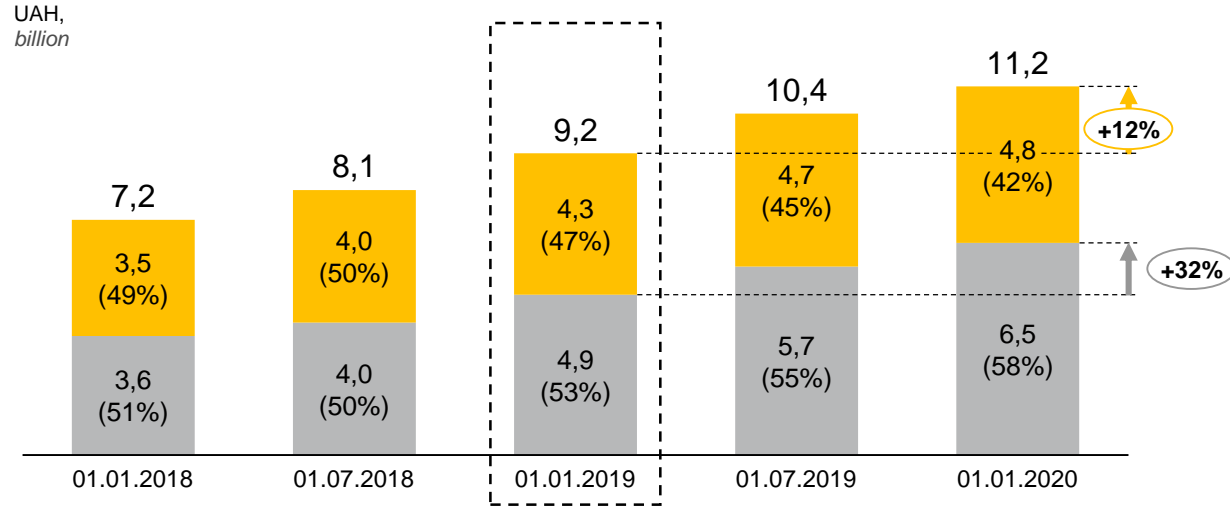
1 – NPL deemed class 10 according to NBU Resolution No.351
 2 – estimated exposure at risk under NBU Resolution No.351





Oschadbank: retail loan portfolio

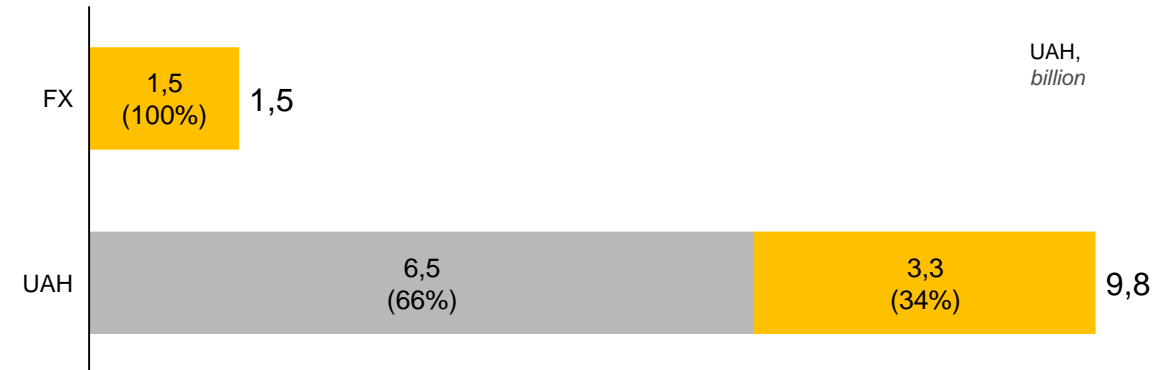
■ Non-performing
 ■ Performing
 Base of comparison



- As of 01.01.2020 **share of NPL** in the retail loan portfolio made **42%**
- In 2019 **non-performing retail loan portfolio increased** by 12%, or **UAH 0,5 billion to UAH 4,8 billion**
- **Performing retail loan portfolio** in 2019 **increased** by 32%, or **UAH 1,6 billion to UAH 6,5 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 69,3%**
- The entire volume of retail loans in foreign currency is defaulted

Class ¹ UAH, billion	1	2	3	4	5
Share of the class	41,0%	9,9%	4,5%	2,2%	42,5%
Loan portfolio	4,6	1,1	0,5	0,2	4,8
Credit risk ²	0,6	0,1	0,1	0,1	3,3
Coverage	12,3%	7,6%	18,8%	22,2%	69,3%

1 – NPL deemed class 10 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 2019 **past-due debt reduced** by **UAH 3,7 billion**, o/w:

- **repayment with own funds – UAH 2,8 billion**
- **disposition of collateral – UAH 51,2 million**
- **incorporation of collateral into the bank's balance sheet – UAH 0,8 billion**

UAH 9,2 billion of problem debt restructured, of which **UAH 9,0 billion** under the Law of Ukraine "On Financial Restructuring"

Restructured in 2019 under the Law of Ukraine «On Financial Restructuring»

Debtor companies – «WOG» Group:

- «Import Trans Service» LLC (details at: <https://u.to/AhhJFg>), «WOG TRADING» (<https://u.to/URhJFg>) – completed 4 financial restructuring procedures

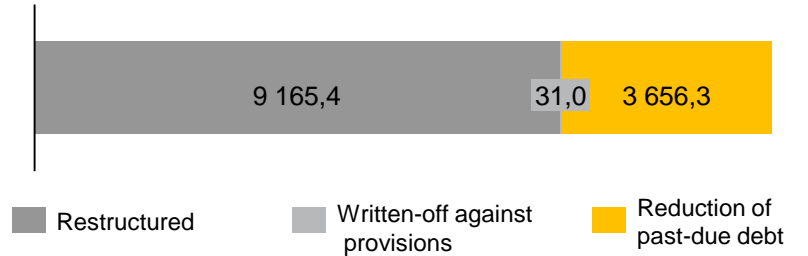
Debtor companies – «Ukrlandfarming» group:

- «IMPEROVO FOODS» LLC (<https://u.to/jBdJFg>)
- «AGROHOLDING AVANGARD» PJSC (<https://u.to/aRIJFg>)
- «RAIZ-MAXIMKO» PJSC (<https://u.to/RBpJFg>)

Debtor companies:

- FIRM «T.M.M.» LLC (<https://u.to/yh1JFg>)
- «PACCO HOLDING» (<https://u.to/ayZJFg>)

Achievements in 2019, UAH million



Litigations

	Stage 1		Stage 2		Stage 3	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2018	2 406	3,9	1 537	49,1	4 022	36,0
2019	3 767	12,5	2 878	11,6	14 427	23,1

In addition, the decision of the Arbitration Court in Paris to compensate JSC Oschadbank for losses of \$1.3 billion inflicted on the Bank by the Russian Federation due to the annexation of Crimea has been sent to the compulsory enforcement agencies.



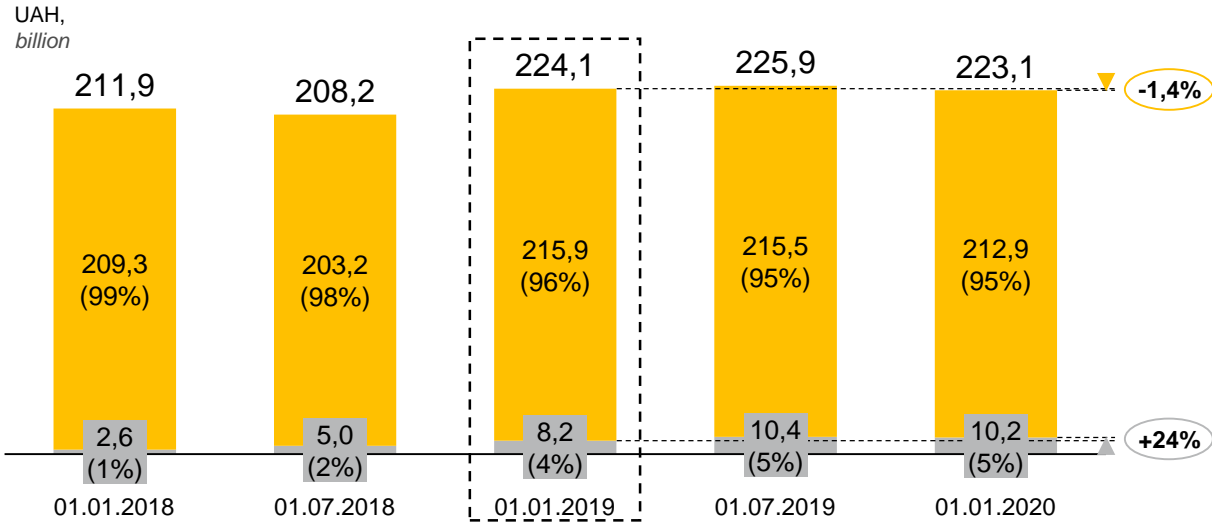
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Privatbank: corporate loan portfolio

■ Non-performing
 ■ Performing

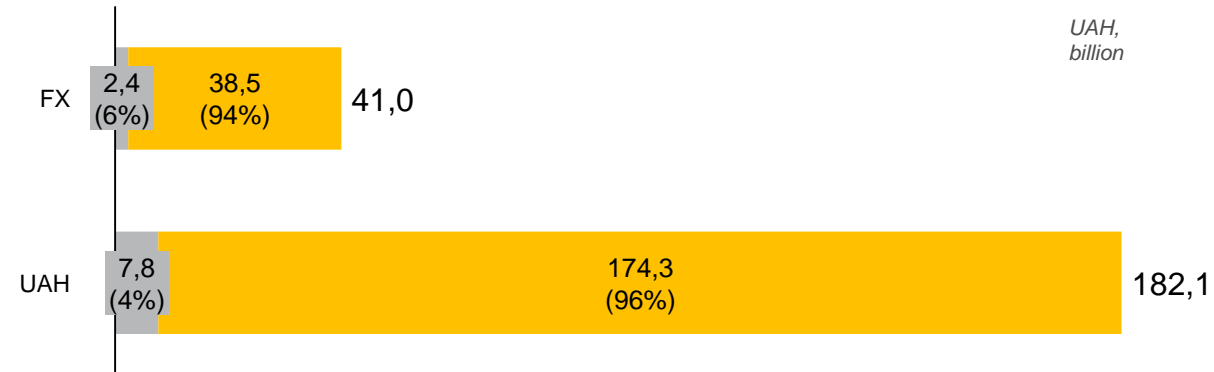
 Base of comparison



- **95%** or **UAH 213 billion** of the corporate loan portfolio is defaulted
- In 2019 **non-performing corporate loan portfolio reduced by 1,4%** or **UAH 3 billion to UAH 213 billion**
- **Performing corporate loan portfolio** in 2019 **increased by 24%** or **UAH 2 billion to UAH 10 billion**
- Credit risk **coverage of the non-performing corporate loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 100%**
- Almost entire volume (94% or UAH 38,5 billion) of corporate loans in foreign currency is defaulted

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	2,0%	0,7%	1,0%	0,5%	0,2%	0,0%	0,0%	0,0%	0,1%	95,4%
Loan portfolio	4	1,6	2,2	1,2	0,6	0,03	0,03	0,01	0,2	212,8
Credit risk ²	0,3	0,04	0,1	0,1	0,01	0,0	0,0	0,0	0,1	212,8
Coverage	7,4%	2,7%	4,8%	5,0%	2,3%	10,7%	4,6%	27,8%	30,5%	100,0%

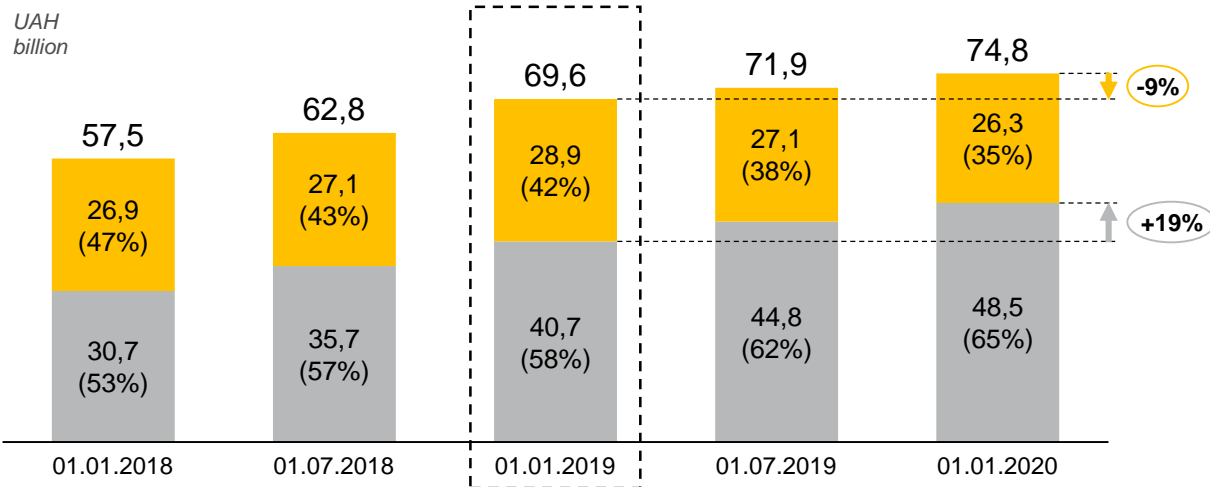
1 – NPL deemed class 10 according to NBU Resolution No.351
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Privatbank: retail loan portfolio

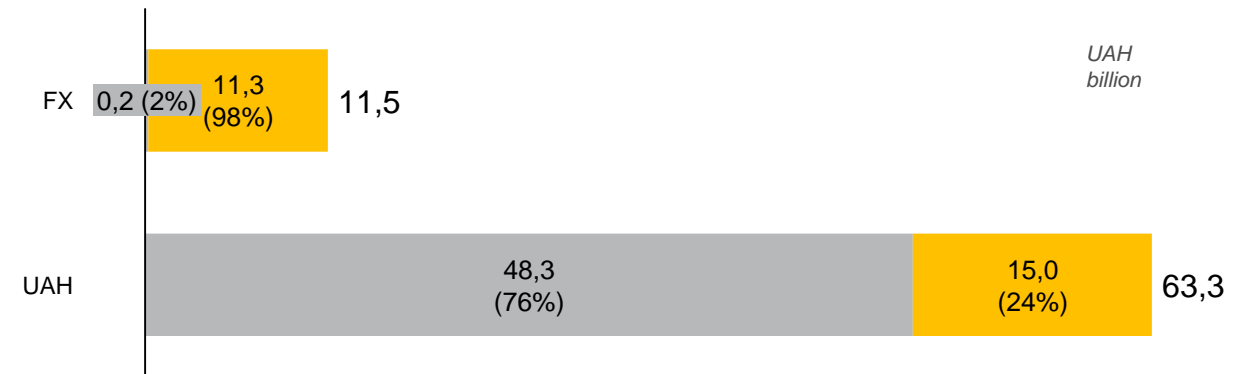
■ Non-performing
 ■ Performing
 Base of comparison



- As of 01.01.2020 share of NPL in the retail loan portfolio made **35%**
- In 2019 **non-performing retail loan portfolio reduced** by **9%** or **UAH 2,6 billion** to **UAH 26 billion**
- **Performing retail loan portfolio** in 2019 **increased** by **19%** or **UAH 8 billion** to **UAH 48,5 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 98,3%**
- Almost entire volume (98% or UAH 11 billion) of the retail loans in foreign currency **is defaulted**

Class ¹ UAH,billion	1	2	3	4	5
Share of the class	63,9%	0,1%	0,5%	0,3%	35,2%
Loan portfolio	47,8	0,1	0,4	0,2	26,3
Credit risk ²	0,9	0,0	0,1	0,1	25,9
Coverage	1,9%	19,6%	32,9%	61,5%	98,3%

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





Privatbank: key achievements in restructuring and collection

Implemented

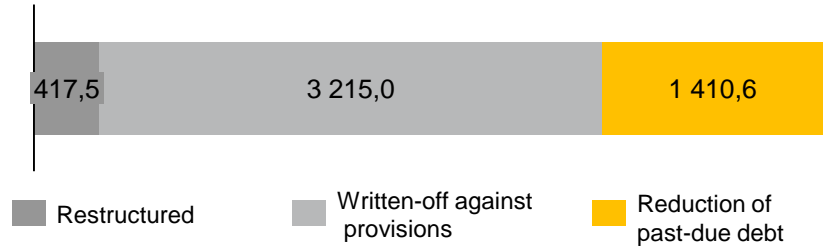
In 2019 **past-due debt reduced only** by **UAH 1,4 billion**, o/w:

- **repayment with own funds – UAH 1,2 billion**
- **disposition of collateral – UAH 0,2 billion**

UAH 0,4 billion of problem debt restructured

The Bank received a partial arbitration decision by The Hague Court (Netherlands) on the right to compensation for losses resulting from annexation of Crimea (compensation amounting to more than US\$ 1 billion)

Achievements in 2019, UAH million



Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Received court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2018	116 452	11,2	118 788	25,3	137 140	32,5
2019	92 725	3,9	116 004	5,4	180 906	14,3

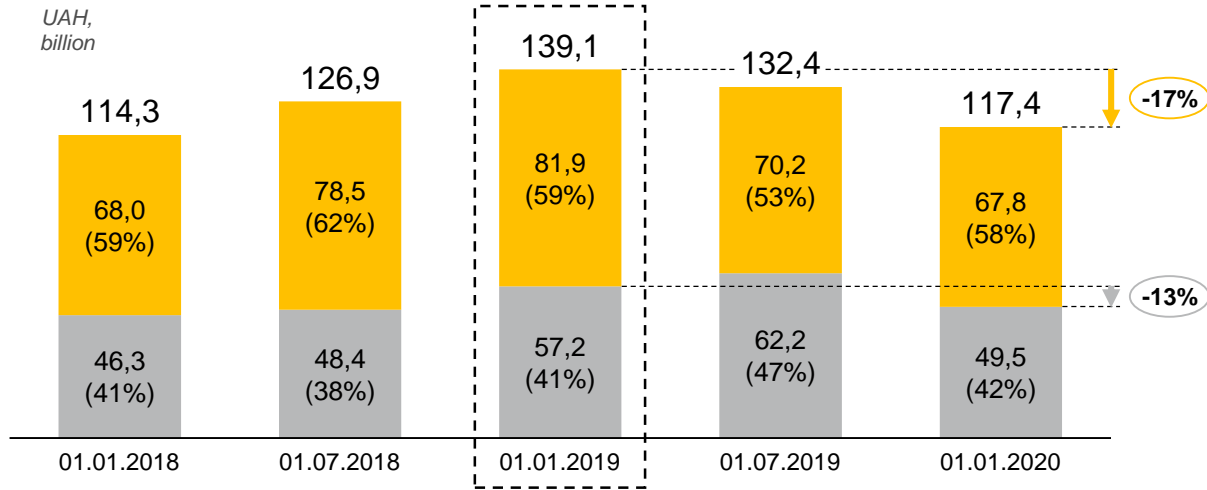


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Ukreximbank: corporate loan portfolio

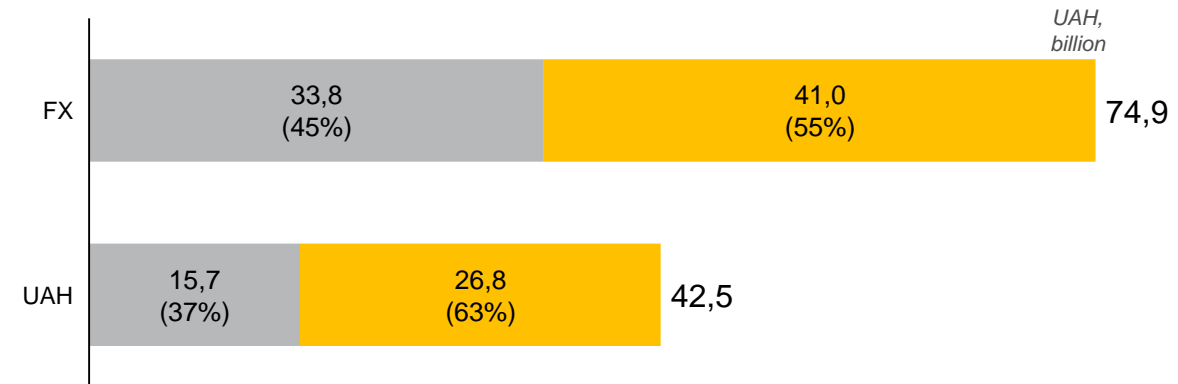
■ Non-performing ■ Performing
 Base of comparison



- As of 01.01.2020 the share of NPL in the corporate loan portfolio made 58%
- In 2019 non-performing corporate loan portfolio reduced by 17% or UAH 14 billion to UAH 68 billion
- Performing corporate loan portfolio reduced by 13% or UAH 8 billion to UAH 49,5 billion
- Credit risk coverage of the non-performing corporate loan portfolio under NBU Resolution No.351 (provisions under IFRS + capital coverage) made 92,3%

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	4,3%	3,4%	6,9%	6,8%	2,4%	3,1%	0,1%	3,0%	12,0%	57,8%
Loan portfolio	5,1	4,0	8,1	7,9	2,8	3,7	0,2	3,5	14,1	67,8
Credit risk ²	0,0	0,0	0,1	0,2	0,1	0,2	0	0,2	2,6	62,6
Coverage	0,5%	0,4%	1,3%	2,3%	1,7%	5,1%	0,7%	5,7%	18,4%	92,3%

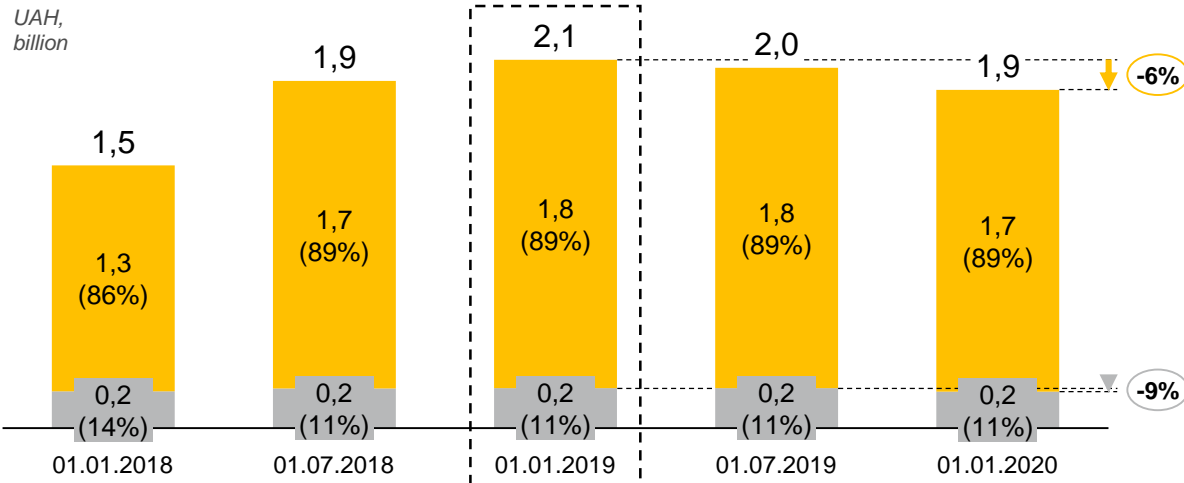
1 – NPL deemed class 10 according to NBU Resolution No.351
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Ukreximbank: retail loan portfolio

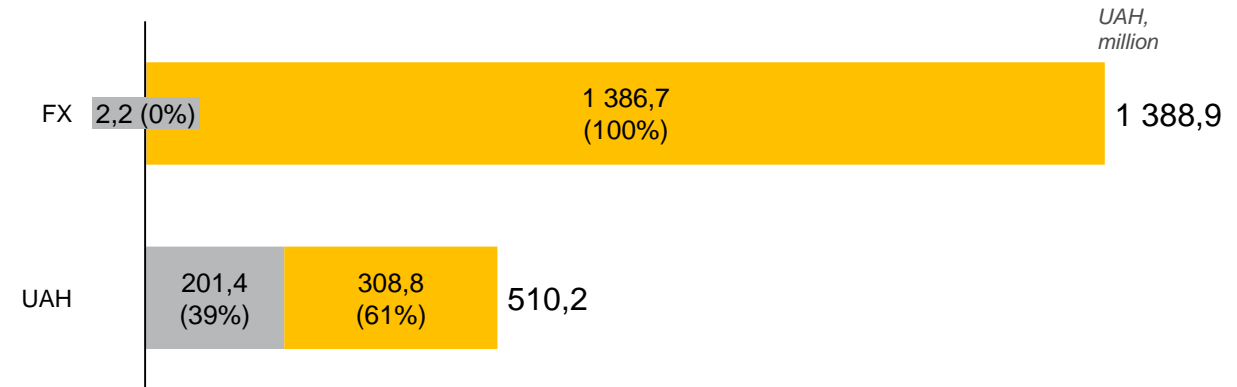
■ Non-performing ■ Performing
 Base of comparison



- As of 01.01.2020 share of **NPL** in the retail loan portfolio made **89%**
- In 2019 **non-performing retail loan portfolio reduced** by 6% or **UAH 0,1 billion** to **UAH 1,7 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 96,7%**
- The entire volume of retail loans in foreign currency is defaulted

Class ¹	1	2	3	4	5
UAH, million					
Share of the class	6,5%	3,0%	1,2%	0,1%	89,3%
Loan portfolio	122,8	57,0	21,9	1,9	1 695,5
Credit risk ²	16,1	5,9	4,9	1,0	1 639,5
Coverage	13,1%	10,4%	22,5%	53,6%	96,7%

1 – NPL deemed class 10 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 2019 **past-due debt reduced** by **UAH 0,8 billion**, o/w:

- **repayment with own funds – UAH 0,2 billion**
- **disposition of collateral – UAH 0,6 billion**

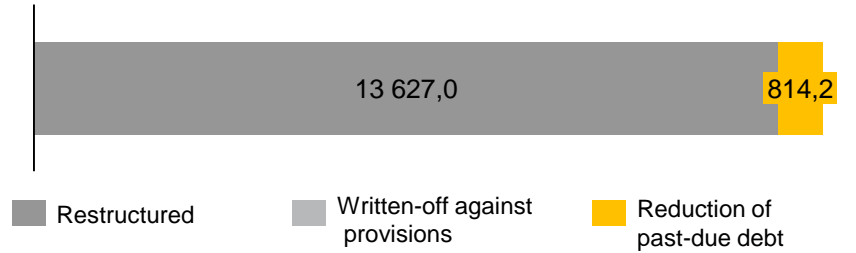
UAH 13,6 billion of problem debt restructured, of which **UAH 6,9 billion** under the Law of Ukraine "On Financial Restructuring"

Restructured in 2019 under the Law of Ukraine «On Financial restructuring»

Debtor companies:

- «OFFICE BUILDING AGENCY» LLC (<https://u.to/sBxJFg>)
- «PRODUCTION GROUP «KONTI» PJSC (<https://u.to/oE5JFg>)

Achievements in 2019, UAH million



Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Received court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2018	474	29,6	318	7,4	1 167	21,9
2019	327	7,1	306	12,1	1 248	22,6

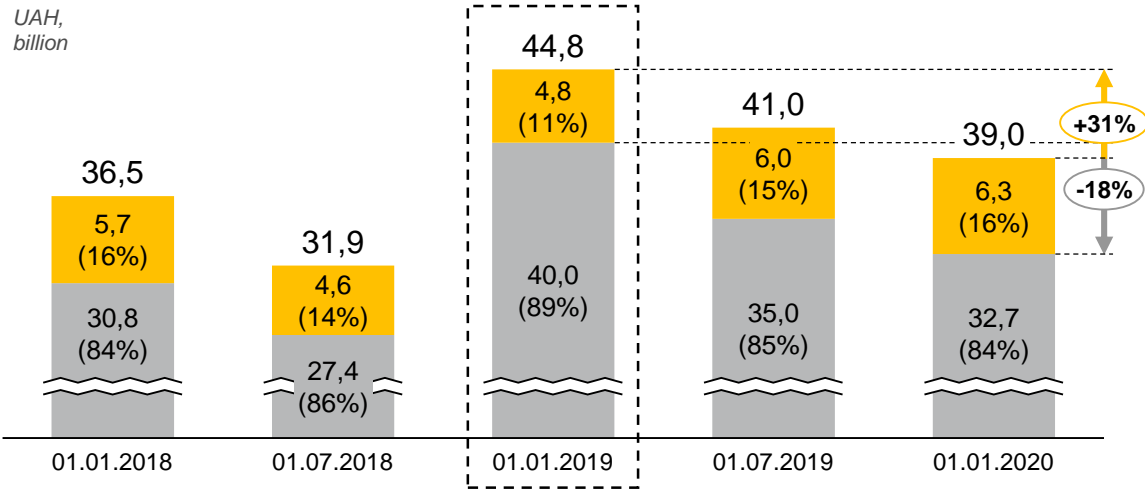


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UkrGasbank: corporate loan portfolio

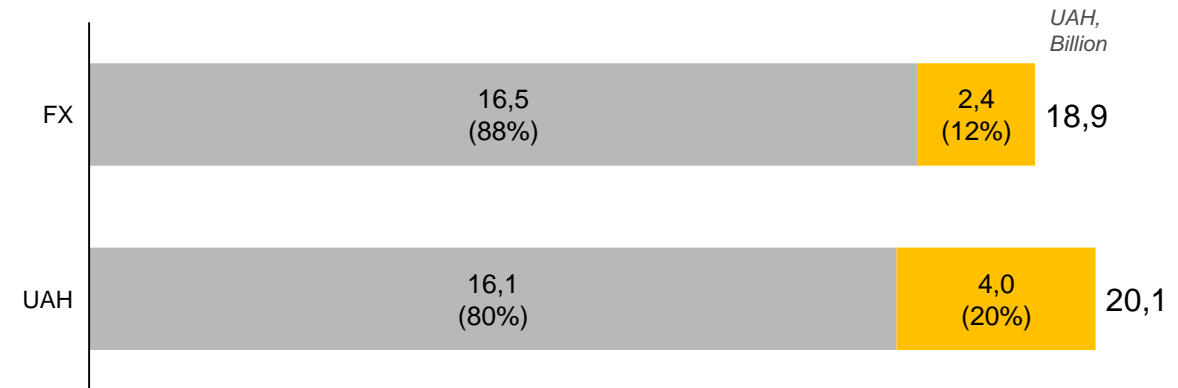
■ Non-performing
 ■ Performing
 Base of comparison



- In 2019 **non-performing corporate loan portfolio increased by 31%** or **UAH 1,5 billion to UAH 6 billion**
- **Performing corporate loan portfolio reduced by 18%** or **UAH 7 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 63%**

Class ¹ UAH, billion	1	2	3	4	5	6	7	8	9	10
Share of the class	2,8%	22,8%	12,7%	7,6%	6,5%	4,6%	1,2%	0,8%	24,7%	16,3%
Loan portfolio	1,1	8,9	4,9	2,9	2,5	1,8	0,5	0,3	9,6	6,3
Credit risk ²	0,02	0,1	0,04	0,04	0,1	0	0,03	0,01	0,3	4,0
Coverage	1,5%	1,1%	0,8%	1,3%	2,3%	0,2%	5,6%	3,7%	3,1%	63,1%

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

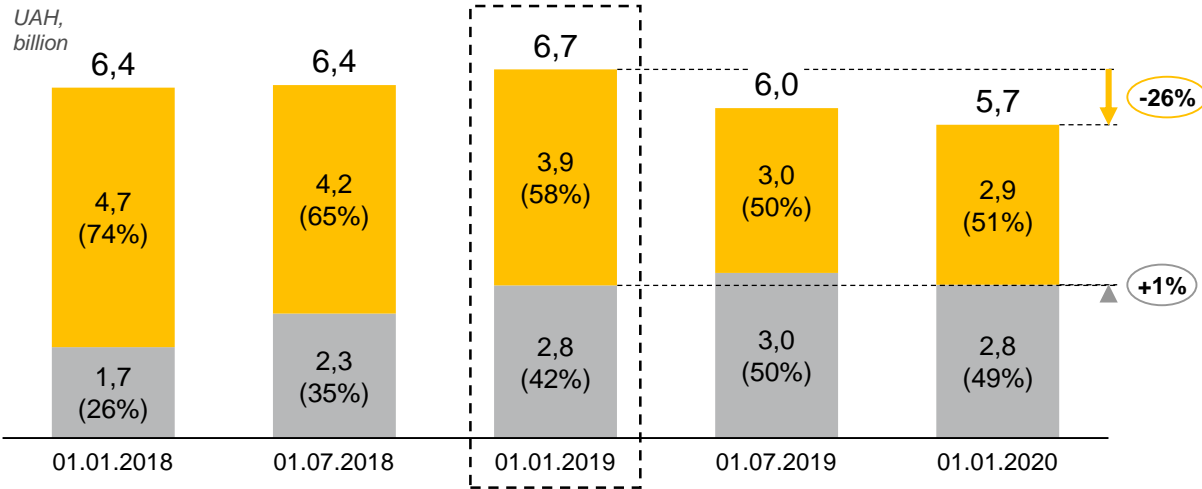




UkrGasbank: retail loan portfolio

■ Non-performing ■ Performing

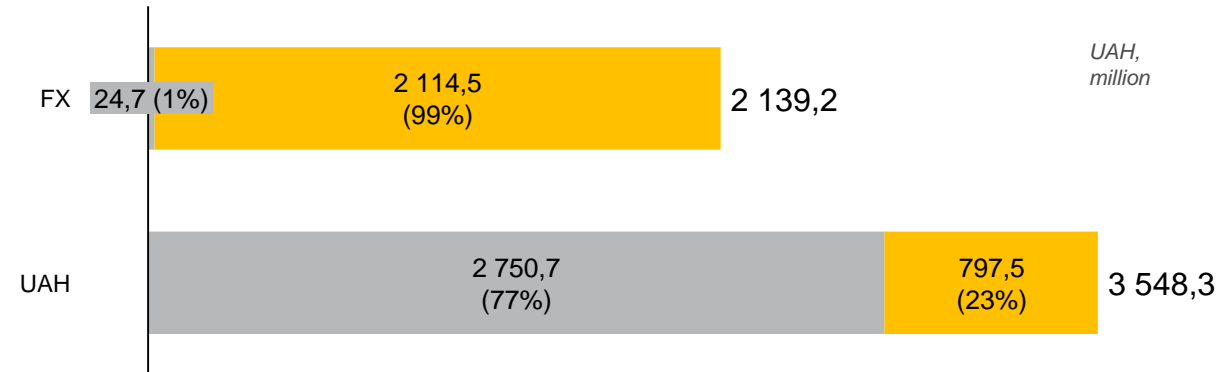
⌋ Base of comparison



- As of 01.01.2020 **non-performing loans** accounted for a half or the retail loan portfolio
- In 2019 **non-performing retail loan portfolio reduced by 26% or UAH 1 billion to UAH 2,9 billion**
- Credit risk **coverage of non-performing retail loan portfolio** under NBU Resolution No.351 (provisions under IFRS + capital coverage) **made 91,7%**
- The entire volume of retail loans in foreign currency is defaulted

Class ¹	1	2	3	4	5
UAH, million					
Share of the class	46,3%	2,1%	0,3%	0,1%	51,2%
Loan portfolio	2 631,1	119,2	16,8	8,4	2 912,1
Credit risk ²	30,9	7,0	4,4	3,8	2 671,2
Coverage	1,2%	5,9%	26,1%	45,2%	91,7%

1 – NPL deemed class 10 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 2019 **past-due debt reduced** by UAH 541 million, o/w:

- **repayment with own funds – UAH 98 million**
- **disposition of collateral – UAH 207 million**
- **incorporation of collateral into the bank's balance sheet – UAH 232 million**

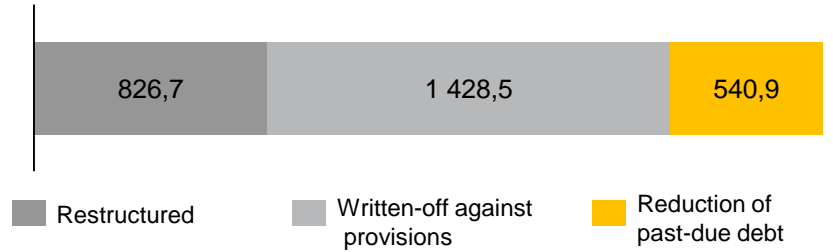
827 million hryvnia of problem debt restructured, of which – **UAH 560 million** under the Law of Ukraine "On Financial Restructuring"

Restructured in 2019 under the Law of Ukraine «On Financial Restructuring»

Debtor companies:

- «AGROSYNERGIA» LLC (<https://u.to/8n1ZFG>)

Achievements in 2019, UAH, million



Litigations

	Stage 1		Stage 2		Stage 3	
	Lawsuits filed		Received court decisions		Launched enforcement proceedings	
	number	UAH, billion	number	UAH, billion	number	UAH, billion
2018	1 904	1,3	1 110	0,9	686	1,2
2019	2 469	2,1	1 876	1,0	1 917	2,3



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 the 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.