

From: Gary Cartwright

Publishing Editor

EU Today

.....

To: Andriy Pyshnyi

Governor of the National Bank of Ukraine

Dear Mr. Pyshnyi!

On behalf of the independent European media EU Today, I express my respect to you and would like to address you with the following.

The events of Russian aggression against the state of Ukraine do not leave the European press and readers indifferent.

At the same time, given Ukraine's progress towards EU membership, we cannot help but be concerned about the readiness of Ukrainian political and economic institutions to function within the European legal framework and in conditions of zero tolerance for lawbreaking, corruption and oligarchic influence.

Over the past few months, our media has been following the situation surrounding the embezzlement of over UAH 1 billion in public funds from Ukrenergo, which was investigated by the National Anti-Corruption Bureau of Ukraine in 2022-2024. Such investigations undoubtedly demonstrate the state's policy of combating the influence of oligarchs.

However, our attention was drawn to one aspect of the case related to the situation in the Ukrainian banking sector, namely the role played by Alliance Bank, in the scheme to steal funds from Ukrenergo. As you know, Alliance Bank rejected to repay the debt on guarantee, issued in favour of Ukrenergo.

At the same time, the Ukrainian media have repeatedly drawn attention to the illegal actions of the financial institution, in particular, to the facts of Alliance Bank's regular refusal to pay the bank guarantee, falsification of bank documentation, repeated violations of banking regulations, the bank's involvement in illegal money laundering, and criminal proceedings involving the banking institution and the bank's management. However, all these facts were not assessed by the National Bank of Ukraine.

In addition, the results of the NBU's inspection in January 2023, which concluded that "the bank takes excessive credit risks that exceed the regulatory limits set by the regulator, and the accounting of guarantees provided on certain dates allowed the Bank to avoid violation of the H7 ratio," did not have any consequences for Alliance Bank. Such a conclusion would certainly be grounds for imposing sanctions on a banking institution in the European Union.

The absence of assessment and measures by the National Bank of Ukraine regarding such activities of a banking institution looks, in fact, incomprehensible to a European observer and, in our opinion, can be seen as a rather serious symptom.

We are well aware that over the past 10 years, Ukraine has made significant progress in cleansing of the banking sector. However, the situation with the Alliance Bank appears to be another example of how oligarchic influence on the Ukrainian government can be preserved.

According to journalistic investigations, Alliance Bank is associated with influential Ukrainian oligarchs and enjoys patronage from the former NBU governor and certain politicians.

A clear example of such patronage is the refinancing amount received by Alliance Bank from the National Bank during the war. In our opinion, the disproportionate amount of loans to the size and importance of the financial institution may be an additional indication of both the interest of certain oligarchic groups and their influence on the NBU's decisions.

Due to the amount of international financial assistance that Ukraine receives and will receive for its future recovery, it is obvious that the potential risks of misuse of funds in the country should be prevented not only by the activities of powerful anti-corruption authorities, but also by the NBU's proactive position to clean up the Ukrainian banking market from unscrupulous participants and rid it of the influence of old and new tycoons.

For the reasons described above, the editorial board of our publication has twice requested an official comment from the press service of the National Bank of Ukraine to comment on specific issues related to the actions of Alliance Bank in the context of the Ukrenergo case.

Despite the importance and necessity of such a comment from the regulator for understanding the real situation in the banking sector of Ukraine, we, unfortunately, have not received any answers. Therefore, we are forced to publicly address you, dear Mr. Pyshnyi, with the same list of questions.

So, please provide your comments to the next questions:

1) what measures were taken by the NBU based on the results of the 2023 inspection of Alliance Bank?

2) what measures were taken by the NBU to verify the current condition and compliance of bank documentation with the real state of affairs at Alliance Bank in the period from January 2023 to May 2024?

3) How does the NBU assess the level of management and control of the bank's activities by the management and Supervisory Board of Alliance Bank?

4) what measures does the NBU take to protect government agencies and enterprises from using banking products of Alliance Bank (which continues to issue bank guarantees) and to prevent losses from the bank's failure to fulfill the terms of the issued bank guarantees in the future, given that the failure to fulfill bank guarantees previously occurred in relation to obligations provided by the Ministry of Defense, Naftogaz Trading, Ukgazvydobuvannya, etc.

We ask you to provide answers in a way convenient for you as soon as possible

Yours sincerely

Gary Cartwright