In the present version of the Clarification letter, the SRB, following consultation with Sberbank d.d, has redacted certain information, pursuant to Articles 88 and 89 of Regulation (EU) No 806/2014, in order to protect confidential information covered by professional secrecy and personal data.

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[redacted]

Single Resolution Board
Treurenberg 22
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18 November 2024

Clarification letter - Valuation of difference in treatment - Sberbank d.d.

Dear Board members,

on 1 March 2022, following a failing or likely to fail (**FOLTF**) assessment by the European Central Bank (ECB) and the Croatian National Bank's (**CNB**) moratorium decision (28 February 2022; refer to section 3 (44) of the Resolution Decision1, the SRB took resolution action in respect of Sberbank d.d. (the **Bank**), resulting in transferring all shares issued by the Bank (section 4.3.4 of the Resolu- tion Decision) to Hrvatska poštanska banka d.d. (HPB d.d., hereinafter "the **Purchaser**").

According to Article 20(17) of Regulation (EU) No 806/2014 (SRMR), for the purposes of the valuation referred to in Article 20(16) SRMR, an independent valuer shall determine (a) the treatment that shareholders and creditors would have received if the entity placed under resolution had entered normal insolvency proceedings ("NIP") at the time when the decision on the resolution action was taken, (b) the actual treatment that shareholders and creditors have received in resolution and (c) whether there is any difference between the treatment referred to in points (a) and (b) above[1].

Under the specific contract concluded under the Framework Contract (**FWC**) between RSM

[1] Decision of the Single Resolution Board: "Adoption of a resolution scheme in respect of Sberbank d.d.", 1 March 2022

[2] See also Article 3 of Commission Delegated Regulation (EU) 2018/344.fußzeo

Ebner Stolz (formerly "Ebner Stolz") and the SRB RSM Ebner Stolz was mandated by the SRB to perform the independent valuation according to Article 20(16)-(18) SRMR and CDR 2018/344.

In preparing the Report and this clarification letter, RSM Ebner Stolz has acted as an independent valuer pursuant to Articles 37 et seq. of CDR 2016/1075.

We have provided our valuation report with respect to the Bank ("the Report") as of 11 April 2024 to the SRB.

According to the results of our valuation it is reasonable to conclude that under the resolution the shareholder of the Bank in respect of which the resolution action has been effected ("**Affected Shareholder**") has not incurred greater losses than he would have incurred it if the Bank had been wound up under NIP.

Subsequently, the SRB commenced a Right to be Heard process for the Affected Shareholder regarding the SRB's preliminary decision determining whether compensation needs to be granted to the shareholder affected by the resolution of Sberbank d.d., and its underlying reasoning.

We have not had any interaction with the Affected Shareholder during this process.

During the Right to be Heard process, one respondent submitted the following comment on the substance of the report:

"[i]t is obviously not true that in an insolvency situation every asset needs to be sold separately or in a value destructive manner."

The purpose of this Clarification Letter is to analyse the comment above and independently assess whether said comment has any impact on the content or the conclusions of the Report.

As an independent valuer we do not provide any advice to the SRB as to the content of its decision under Article 76(1)(e) of SRMR. This decision remains a matter for the SRB.

We have analysed the impact of the comment referred above on our valuation as an independent valuer. The result of our analysis is as follows:

Initially, it must be noted that no such statement is contained in the Report. Instead, the Report describes our considerations for a valuation to be applied in the context of a hypothetical insolvency scenario under local law and regulations, as prescribed by the Resolution framework, taking into account evidence from historical bank insolvency cases, where relevant. In doing so, we have considered the potential options of a sale of business as well as a sale of portfolios or single assets.

As of 1 January 2021, Croatia implemented several laws regulating the resolution and compulsory liquidation of the credit institutions, as well as a deposit insurance scheme into Croatian law:

- Act on Resolution of Credit Institutions and Investments Firms (Zakon o sanaciji kreditnih institu- cija i investicijskih društvo, OG 146/2020, 21/2022) (CARCI),
- Act on Compulsory Liquidation of Credit Institution (Zakon o prisilnoj likvidaciji kreditnih institu- cija, OG 146/2020) (CACLCI)
- Deposit Guarantee Scheme Act (OG 146/2020).

In addition to this legislation, the Bankruptcy Act (OG 71/2015, 104/2017) forms part of the relevant legal framework for the insolvency of banks in Croatia.

For the purpose of the Report, we have concluded that a compulsory liquidation of the Bank under the CACLCI is the appropriate basis, because:

- Article 20 (18) of SRMR states that a Valuation of Differences in Treatment should be performed assuming that the entity has entered into NIP (under the national law; Article 4(2)(94) of CARCI).
- The applicable national law in this instance is the CACLCI which provides a termination of a bank by compulsory liquidation.

The opening of normal insolvency proceedings for the Bank on 1 March 2022 would have resulted in an unplanned liquidation leading to the discontinuance of its business with the following consequences:

The Bank’s assets and liabilities may no longer be valued under the assumption of a going concern. For example, typically goodwill or deferred tax assets may have zero value due to the discontinuance of the business.

[redacted]

It is not reasonable for us to assume that the Bank's business can be continued and can be sold as a whole while it is undergoing NIP because the banking license is terminated with the beginning of the compulsory liquidation (Article 68(1) Credit Institutions Act).

Furthermore, NIP expressly forbids pre-insolvency procedures over credit institutions (Article 3(6) Insolvency Act) and the only applicable procedure is under CALCI which involves liquidating all as- sets, terminating accounts and closing off operations. Art 81 CALCI prescribes that on-going insol- vency procedures will be finalized under previous laws, but new procedures will be applicable un- der the compulsory liquidation scenario.

If the plan for the compulsory liquidation proceeding does not deviate from methods of monetization set by Bankruptcy Act, then sales options are as follows:

1. Individual sale of assets through a public auction conducted by the Financial Agency (four rounds with following minimal prices 75%, 50%, 25% and 1 HRK),
2. The sale of a larger or smaller units (loan portfolios),
3. The sale of the credit institution's assets as a whole.

A sale as a going concern is not possible. Art 37 (2) CARCI prescribes the mode of sale, and expressly prohibits of entire credit institution ("..., the sale of the credit institution in compulsory liquidation as a legal entity to the debtor is not allowed, but only the sale of its assets and the trans- fer of obligations in whole or in part.")

Also, the initiation of compulsory liquidation leads to the loss of the banking license. This means that units may not be sold as there would be no banking license. Also, the liquidator has the duty to cease operation and realize the assets for the creditors. This does not allow operation of the Bank as going concern.

Based on the counterfactual assumption of the opening of normal insolvency proceedings and pursuant to Article 20(18) SRMR, we have concluded that a compulsory liquidation of the Bank would be the relevant insolvency scenario.

Hence, we assume that the procedure would provide for the disposal of assets on a portfolio basis or piecemeal. This assumption also takes a balanced perspective with neither advantage nor disadvantage to the shareholder. The reason being that our approach, based on the asset based approach, relies the most on available facts and values (especially book values or fair values accord- ing to the Notes to the Financial Statements) and the least on future speculative assumptions. The approach used for the valuation of the specific assets is described in our report, e.g. the application of a portfolios approach is described in section 5.4.1 (loans to customers).

Our report shows that a significant number of assets has been valued at least at their accounting value and, in some instances, undisclosed reserves have been identified leading to a value in excess of the value stated in the financial statements of the Bank (e.g. financial assets held for trading (section 5.2), loans and advances to banks (section 5.4.2), investments (section 5.6)).

In instances where a destruction of value takes place, we have described the underlying assumptions and considerations in the respective section of our report (e.g. tangible assets (section 5.7) and tax assets (section 5.8)). Further, costs of the insolvency process and the realization of contingent liabilities have a negative value effect.

The results of the valuation of the specific assets are summarized in section 6 of the report.

According to our assessment, the comment stated above does not change the result of our valuation as an independent valuer. The conclusions of the Report remain unaffected.

Furthermore,

- this Clarification Letter is exclusively addressed to our client, the SRB,
- this Clarification Letter and the information contained herein, does not constitute, and cannot be understood or construed as, any recommendation or advice as to whether any kind of action or process should be initiated by any party,
- this Clarification Letter does not amend or affect in any way the valuation report. RSM Ebner Stolz has not analysed any new additional documentation other than the documents used for the purpose of issuing the Report, and
- this Clarification Letter should be read in conjunction with the Report. The limitations set out in the Report (as described in section 2 of the Report apply also to this letter.

Yours faithfully

[redacted]

[redacted]