

Rating action: Update of a long-term credit rating according to the national scale

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The issuer: PSC Prominvestbank

USREOU code of the issuer: 00039002

Web-site of the issuer: www.pib.com.ua



Ratings of PSC Prominvestbank are updated

May 20, 2016 at the meeting of the Rating committee of RA “Expert-Rating” it was decided to update a long-term credit rating of PSC Prominvestbank (00039002) at the level **uaBBB** according to the Ukrainian national scale. Updating the rating, the Agency was guided by the results of the Bank’s activity for the first quarter of 2016, regular and particular information of the Bank as an issuer, as well as by the results of analysis of specific forms of statistical statements of the Bank for April of 2016.

Equity

Throughout April of 2016 the Bank's regulatory capital adequacy standard fluctuated in the range 6,93-10,76%. At the same time, as of 04.05.2016 the Bank’s N2 ratio amounted to 10,76% that was by 0,76 p.p. higher than the normative value, set by NBU.

Additionally, it should be drawn attention that on May 18, 2016 PSC Prominvestbank published the agenda of a new meeting of shareholders, which will be held on June 3, 2016. The agenda of the meeting of shareholders proposes “To take decision to increase the authorized capital of PSC Prominvestbank by UAH 1,8 bn due to private offering of additional shares of the existing nominal value from additional contributions”.

Considering that on 04.05.2016 the regulatory capital standard of PSC Prominvestbank amounted to UAH 4,571 bn. The Agency expects that after the increase in the Bank’s authorized capital by UAH 1,8 bn, the Bank’s N1 ratio will increase and the reserve on the regulatory capital standard N2 will considerably grow.

Liquidity

Up to 04.05.2016 the liquidity ratios of PSC Prominvestbank N4 and N5 were in unbalanced state. At the same time, the Agency draws attention to the fact that as of 04.05.2016 the Bank’s short-term liquidity standard was at the level 131,09%, with the average value on the banking system 89,56%. Therefore, PSC Prominvestbank was very well provided with short-term liquidity.

External support

Vnesheconombank of the RF at the present moment has credit ratings from the international rating agencies according to the international scale:

- Standard&Poor's BB+ (a sovereign credit rating of Ukraine B-)
- Moody's Ba1 (a sovereign credit rating of Ukraine Caa3)
- **Fitch BBB- (a sovereign credit rating of Ukraine CCC)**

The Agency draws attention that Fitch still maintains the ratings of Vnesheconombank of the RF at the investment level according to the international scale. Standard&Poor's and Moody's maintains the ratings of VEB at a barrier level (in one step from an investment level). But any of versions of the ratings from the international rating agencies remains to be considerably higher than a sovereign rating of Ukraine which cannot but have a positive pressure on the rating of PSC Prominvestbank according to the national (Ukrainian) scale.

From January to May of 2016 Vnesheconombank of the RF continued to meet its commitments, also its shareholder provided support to the bank:

- February 17, 2016 Vnesheconombank of the RF repaid the five-year bonds in the amount of 0,5 bn Swiss francs;
- February 26, 2016 the authorities of the RF officially confirmed that Vnesheconombank of the RF remains to operate as an institute of development and will be additionally capitalized by RUB 150 bn;
- On May 05, 2016 Vnesheconombank completed passing of the offer for the purchase of bonds from investors on the issue of exchange bonds series BO-16c with a total nominal value of USD 500 mln. During the execution of the current offer Vnesheconombank it was bought out 39 010 bonds totaling par value USD 39,01 mln.

The Agency draws attention to the fact that in May of 2016 the liquidity ratios N4 and N5 still were in unbalanced state that during the second half of February-April of 2016 it obvious required an intervention of the shareholder of PSC Prominvestbank. Undoubtedly, the willingness of the shareholder of PSC Prominvestbank to provide it with external support is fixed in the protocol of the Bank's shareholders' meeting, planned for June 3, 2016. However, the Agency notes that the factor of external support of PSC Prominvestbank significantly stretched by time that negatively affected the Bank's ability to balance the liquidity ratios throughout the second half of February-April of 2016.

The Agency understands the position of Vnesheconombank with respect to the external support of PSC Prominvestbank, since in the first quarter of 2016 Vnesheconombank received the support from its shareholder, and also there was a change of TOP-management at Vnesheconombank. In March-April of 2016 PSC Prominvestbank already received from Vnesheconombank the funds in the amount of USD 120 mln, aimed at maintaining the bank's liquidity.

The Agency leaves the Bank's rating under monitoring, this action reflects the Agency's expectation on a significant change of the rating in future. The Agency once again draws attention that the shareholder's intentions to support the Bank are fixed in the national system of information disclosure after publication of the agenda of the shareholders' meeting by PSC Prominvestbank, but this support appears to be slower than the agency expected.

Analytical service of RA "Expert-Rating"