

**Rating action:** Update of a long-term credit rating according to the national scale  
 Date of rating action: 18.06.2019  
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**The issuer:** PSC Prominvestbank  
 USREOU code of the issuer: 00039002  
 Web-site of the issuer: [www.pib.ua](http://www.pib.ua)



## Credit rating of PSC Prominvestbank is updated

**June 18, 2019** 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 **uaAA+** according to the Ukrainian national scale. Updating the Bank’s credit rating, the Agency was guided by the results of the Bank’s activity for the first quarter of 2019, 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 the 2018 and January-May of 2019.

### Equity and capital adequacy

Throughout the 2018 year and January-May of 2019 the regulatory capital of PSC Prominvestbank (N1) has demonstrated multidirectional dynamics and has fluctuated in the range UAH 1.322-4.255 bn. In the period from 02.01.2019 to 03.06.2019 the Bank’s N1 ratio has decreased by 39.23% and has amounted to UAH 2.038 bn., that in 10 times exceeds the limit value, set by NBU.

The Bank’s regulatory capital adequacy normative (N2) in the period from 02.01.2019 to 03.06.2019 has grown by 1.37 p.p. and has amounted to 18.72% that by 8.72 p.p. exceeds the limit value, set by NBU. Throughout the 2018 year and January-May of 2019 the Bank’s N2 ratio has fluctuated in the range 11.95-20.15%, i.e. the Bank didn’t allow the violations of this normative.

Therefore, throughout the 2018 year and January-May of 2019 PSC Prominvestbank has been very well provided with regulatory capital, as indicated by the normative values, which with a noticeable reserve has exceeded the values, set by NBU.

Fig. 1. Dynamics of the regulatory capital (N1) of PSC Prominvestbank compared to a total value N1 ratio of the banking system

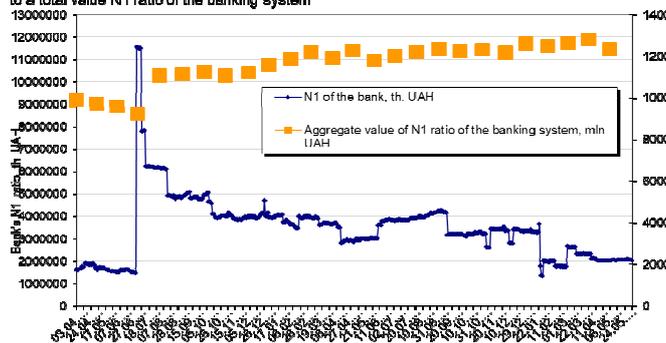
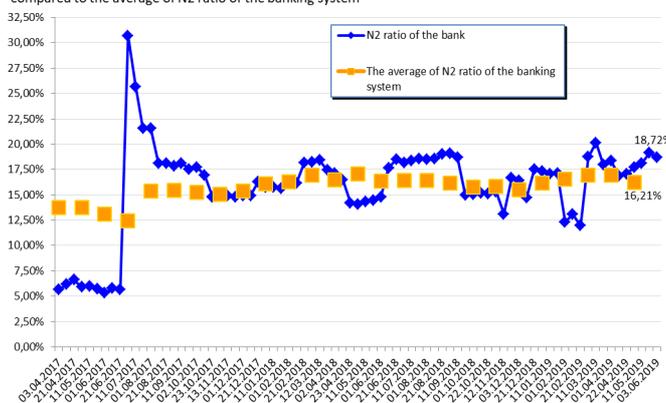


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of PSC Prominvestbank compared to the average of N2 ratio of the banking system

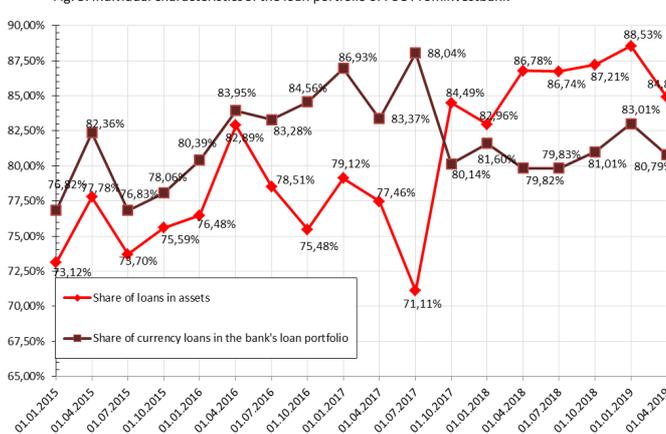


### Asset structure and quality

As of 01.04.2019, based on the NBU data, the proportion of loans in the Bank’s assets (including provisions) was assessed 84.89%, and the proportion of currency loans in the loan portfolio amounted to 80.79%.

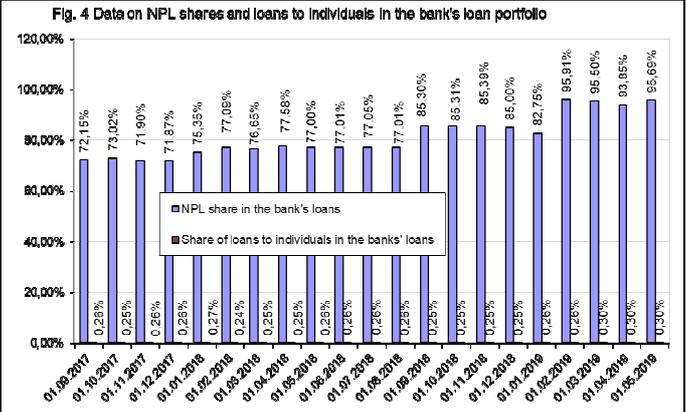
In the period from 01.09.2017 to 01.05.2019 the proportion of loans to individuals in the Bank’s loans fluctuated in the range 0.24%-0.30%. At the same period the proportion of non-performing loans (NPL), which are calculated by the Agency as a sum of the fifth class for loans to individuals and the tenth class for loans to legal entities, fluctuated in the range 71.87%-95.91%.

Fig. 3. Individual characteristics of the loan portfolio of PSC Prominvestbank



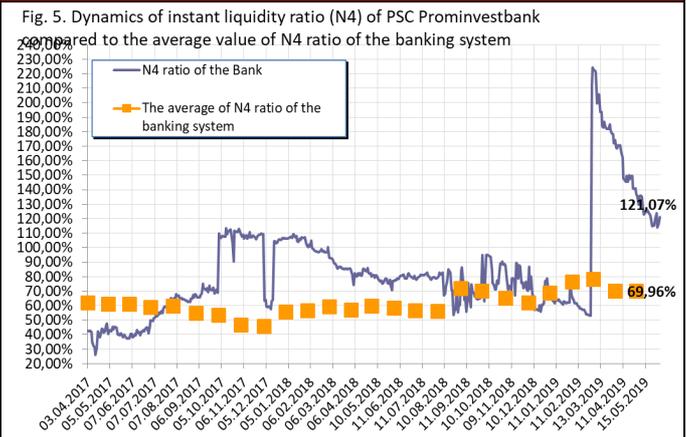
As of 01.05.2019 the NPL share amounted to 95.69% in the Bank's loan portfolio.

At the same time, the Agency emphasizes that a considerable volume of PSC Prominvestbank's NPL relates to a large amount of provisions for impairment of loans and debt, generated by the Bank.

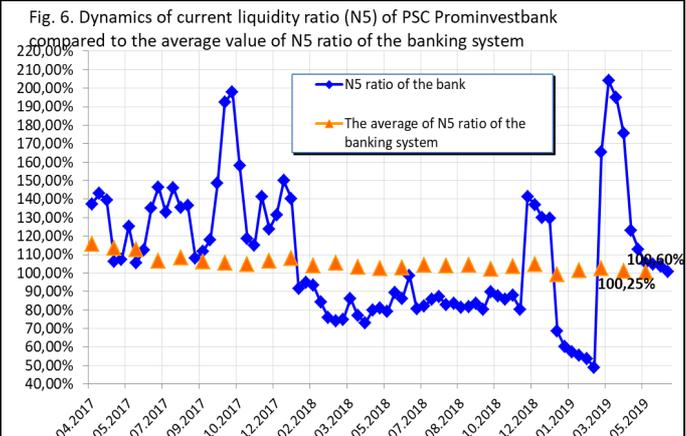


## Liquidity

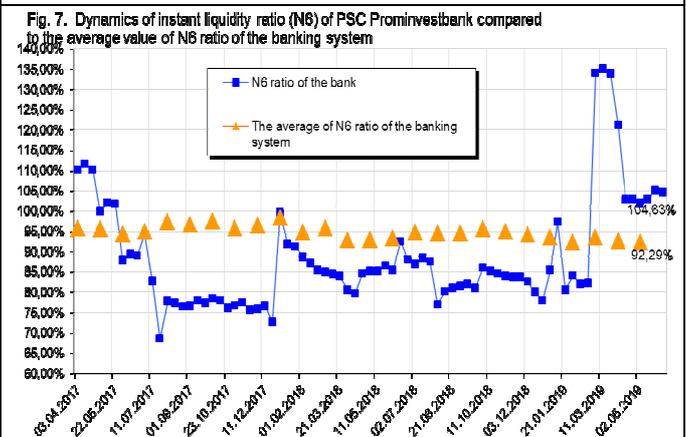
For the period from 02.01.2018 to 03.06.2019 instant liquidity ratio of PSC Prominvestbank fluctuated in the range 52.95%-224.3%. As of 03.06.2019 the Bank's N4 ratio amounted to 121.07% that was by 101.07 p.p. more than the limit value of the normative, set by NBU. A significant rise of the Bank's instant liquidity ratio (N4) took place on 27.02.2019, when its value grew up to 212.54% against 53.03% as of 26.02.2019. Throughout the given period the Bank's N4 ratio with a noticeable reserve exceeded the limit values, set by NBU, and mostly was significantly higher than the averages of this normative on the Ukrainian banking system.



For the period from 02.01.2018 to 03.06.2019 current liquidity ratio of the Bank (N5) fluctuated in the range 48.99%-203.98%. As of 03.06.2019 the Bank's N5 ratio amounted to 100.60%, that is by 40.60 p.p. more than the minimal acceptable values of the normative, set by NBU.



For the period from 02.01.2018 to 03.06.2019 short-term liquidity ratio of the Bank (N6) fluctuated in the range 77%-135.13%. As of 03.06.2019 the Bank's N6 ratio amounted to 104.63%, that is by 44.63 p.p. more than a minimal acceptable value of the normative, set by NBU.



The Agency draws attention to the fact that the values of instant (N4), current (N5) and short-term (N6) liquidity ratios of the Bank throughout the entire analyzed period significantly exceeded the limit values, set by NBU. Besides, the N4, N5 and N6 ratios periodically exceeded the averages of these ratios on the banking system, and since March, 2019 such excess has been observed on a constant basis. As well, the Agency draws attention to a very considerable growth of the Bank's instant liquidity normative.

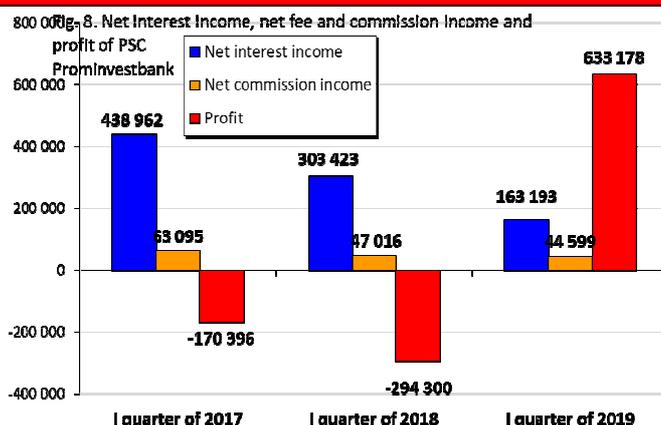
Therefore, in the Agency's opinion, the Bank formed and maintained a very good provision on all the three liquidity ratios.

## Profitability of operations

According to the results of the first quarter of 2019 PSC Prominvestbank showed profit of UAH 633.178 mln, while according to the results of the first quarter of 2018 the Bank's loss amounted to UAH 294.3 mln. In the Agency's opinion, the key factor, which positively affected the Bank's financial result, became a disbandment of the provision for impairment of interest-bearing financial assets in the amount of UAH 705.731 mln.

The Agency also draws attention that the Bank continues to generate revenues, although its volume according to the results of the first quarter of 2019 compared to the first quarter of 2018 slightly changed: the Bank's net interest income decreased by 46.22%, and net commission income reduced by 5.14%.

The Agency also reminds that according to the results of 2018 compared to the 2017 the Bank managed to decrease loss by 56.37%: from UAH 7.656 bn down to UAH 3.340 bn. Unprofitable activity was related to the need to additionally form provisions on the Bank's loan portfolio.



## Other factors

Verification on the Unified State Register of court decisions showed that with respect to PSC Prominvestbank there are no court decisions which would have a significant impact on its stability or the results of its activity. The Bank as a lender actively defends its rights in the courts of Ukraine.

The Agency reminds that sanctions, provided by the Ukrainian authorities with respect to the Ukrainian banks with indirect participation of Russian government capital, as before introduce additional tension in the Ukrainian-Russian relations. In the Agency's opinion, tensions in Russian-Ukrainian relations can create risks for PSC Prominvestbank, the nature of which do not depend on PSC Prominvestbank, and which cannot be quantified or analyzed.

The management of the key shareholder PSC Prominvestbank is Vnesheconombank. The Russian Federation has more than once announced the intention to sell its subsidiary bank in Ukraine. At the same time, while the deal has not been officially announced by both parties (the seller and the buyer) and has not passed all the permitting stages in the NBU, RA "Expert-Rating" has no reason to expect changes in the Bank's rating in the future. The agency reminds that Vnesheconombank RF has an international investment level credit rating from the international rating agency Fitch, and unlike JSC VTB Bank, forcibly removed from the market, PSC Prominvestbank at the time of updating the rating, as shown by the analysis of the respective normative values, was very well provided with equity and liquidity.

## Generalization

At the moment of rating update PSC Prominvestbank performed its commitments to clients and lenders according to its own internal rules and regulations, as well as according to current legislation.

At the beginning of May, 2019 PSC Prominvestbank:

- Was very well provided with regulatory capital, as indicated by its normative values, which with a noticeable reserve exceeded the limit values, set by NBU;
- Formed and maintained a very good provision on all the three liquidity ratios (N4, N5 and N6);
- In summer, 2017 the Bank was provided with support (additional capitalization) by its key shareholder, which positively affected the key financial indicators of the Bank and its dynamics;
- According to the results of the first quarter of 2019 PSC Prominvestbank showed profit of UAH 633.178 mln.;
- NPL share in the Bank's loan portfolio amounted to 95.69%, at the same time the Agency repeatedly emphasizes that a considerable volume of NPL is correlated with a great volume of provisions formed by the Bank.

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