

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.ua



Credit rating of PSC Prominvestbank is updated

March 29, 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 12 months of 2018, 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-March of 2018.

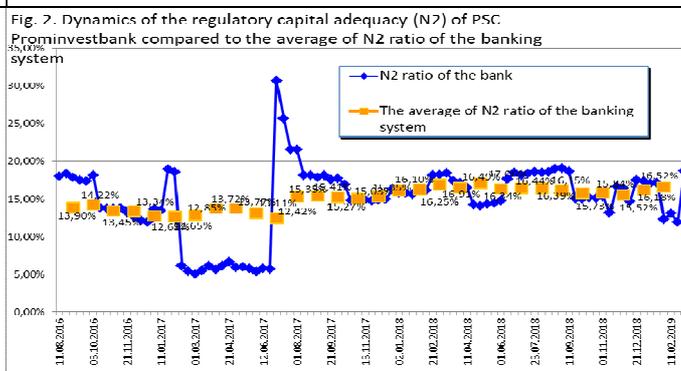
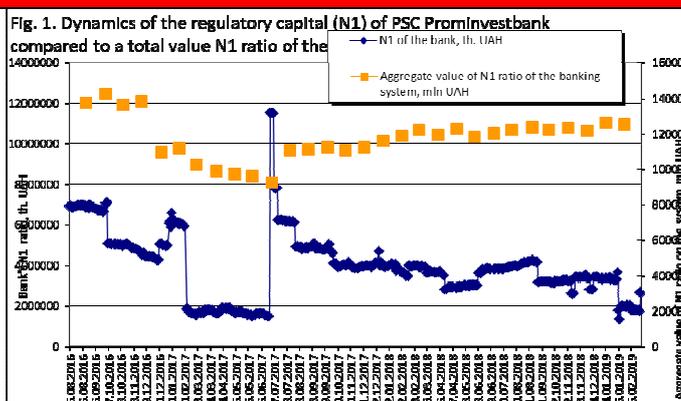
Equity and capital adequacy

As of 01.03.2019 the Bank’s regulatory capital (N1) has amounted to UAH 2.621 bn. From January, 2019 to the beginning of March, 2019 the Bank’s N1 ratio has reduced by 21.82%. Throughout January, 2018 - February, 2019 the Bank’s regulatory capital has shown multidirectional dynamics. The revealed trends have reflected in the dynamics of the regulatory capital adequacy ratio of the Bank (N2).

After the Bank’s additional capitalization and the growth of N2 ratio from 5.67% (21.06.2017) up to 30.68% (03.07.2017), this normative showed a relatively stable dynamics up to 01.03.2019.

As of 01.03.2019 the Bank’s N2 ratio reached 18.75%, having exceeded by 8.75 p.p. the limit value, set by NBU for this normative. As well, one may notice that the Bank’s N2 ratio from October, 2017 till March, 2019 fluctuated around the average of N2 ratio on the banking system.

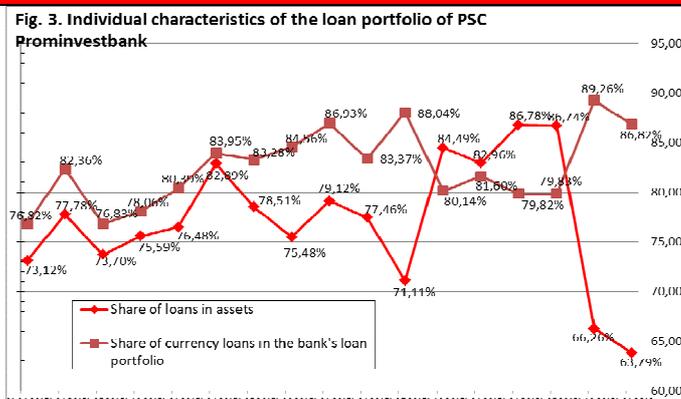
Thus, at the beginning of March, 2019 PSC Prominvestbank still has been very well provided with regulatory capital.



Asset structure and quality

As of 01.01.2019, based on the NBU data, the proportion of loans in the Bank’s assets was assessed 88.5% by the Agency, and the proportion of currency loans in the loan portfolio – 83.01%.

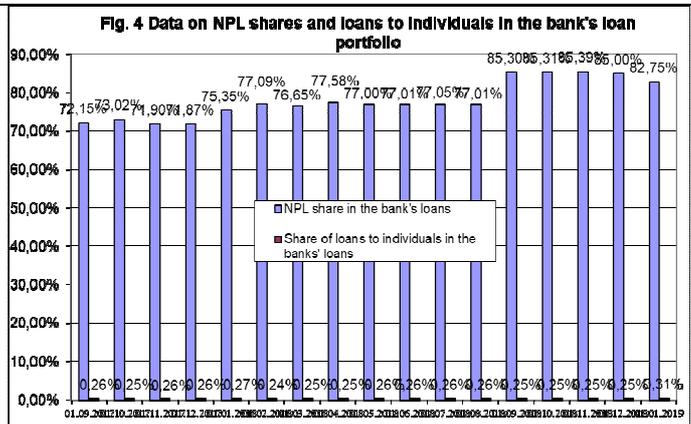
Besides, one should note that in the period from 01.09.2017 to 01.01.2019 the proportion of loans to individuals in the Bank’s loans fluctuated in the range 0.24%-0.27%. At the same period the proportion of non-performing loans (NPL), which are calculated by the Agency as a sum of the fifth class for loans to individuals and the tenth class for loans to legal entities, fluctuated in the range



71.87%-85.39%.

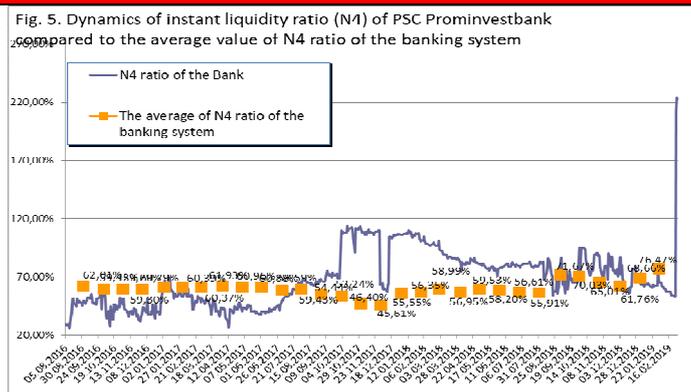
A significant amount of NPL of PSC Prominvestbank correlates with the large amount of provisions formed by the Bank.

The Agency considers that the peak stage of devaluation in Ukraine is passed, that will help to reduce pressure of the negative trends on the Bank in the transformation of currency risks into loan ones due to the devaluation processes. Besides, a significant share of the Bank's loan portfolio is already covered by provisions that decrease the probability of the further deterioration of the Bank's asset quality.

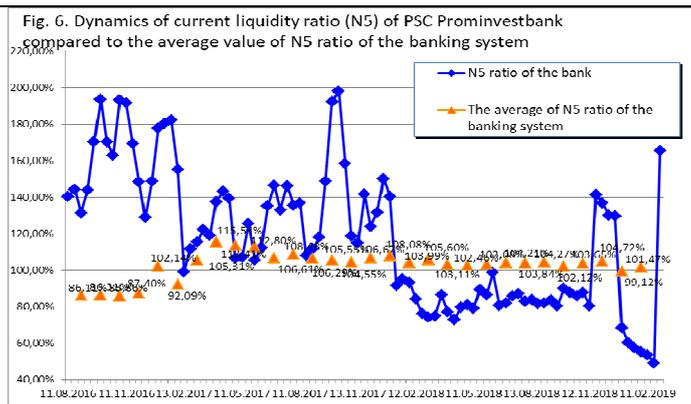


Liquidity

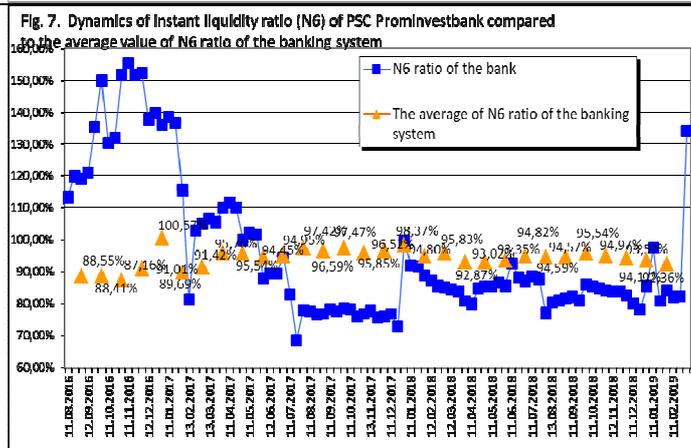
For the period from 05.08.2016 to 01.03.2019 instant liquidity ratio of the Bank fluctuated in the range 25.43%-222.36%. As of 01.03.2019 the Bank's N4 ratio amounted to 222.36% that is by 202.36 p.p. more than a minimal acceptable value of the normative, set by NBU, and significantly higher than the average of this normative on the banking system.



For the period from 11.08.2016 to 01.03.2019 current liquidity ratio of the Bank (N5) fluctuated in the range 48.99%-198.03%. As of 01.03.2019 the Bank's N5 ratio amounted to 165.44%, that is by 125.44 p.p. more than a minimal acceptable value of the normative, set by NBU.



For the period from 11.08.2016 to 01.03.2019 short-term liquidity ratio of the Bank fluctuated in the range 68.5%-155.19%. As of 01.03.2019 the Bank's N6 ratio amounted to 134.1%, that is by 74.1 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, short-term and current liquidity ratios of the Bank throughout the entire analyzed period were significantly more than the limit values, set by NBU. As well, they periodically exceeded the averages of these ratios on the banking system.

The Agency also draws attention to a significant increase in the reserve on the Bank's instant liquidity ratio.

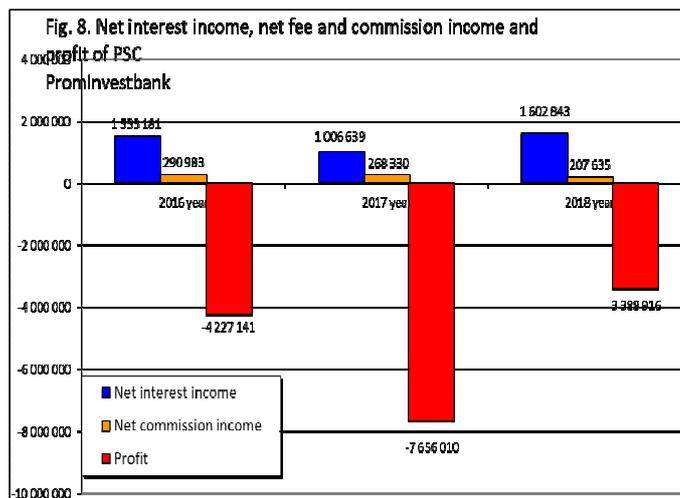
The Bank's provision with liquidity at a very high level combined with good provision of regulatory capital significantly reduces the Bank's own loan risks in the foreseeable future.

Profitability of operations

The Agency reminds that according to the data, published by the Bank, PSC Prominvestbank finished the twelve months of 2017 with loss of UAH 7.656 bln. The Bank's unprofitable activity was related to the need for additional forming provisions on the Bank's loan portfolio.

PSC Prominvestbank in 2018 managed to reduce loss down to UAH 3.389 bln or by 55.73% compared to 2017.

The Agency draws attention to the fact that the Bank didn't lose the ability to generate key items of income. In particular, the Bank finished the 2018 year with net interest income of UAH 1.603 bln and net commission income of UAH 207.635 mln.



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 participation of Russian government capital, still 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. Meanwhile, the Agency draws attention to the fact that the shareholder of PJSC Prominvestbank at the end of June, 2017 carried out the additional capitalization of the Bank, thereby significantly having improved the Bank's capital ratios and having had a positive impact on the dynamics of its liquidity ratios. These trends also were observed as at the beginning of March, 2019.

The management of the key shareholder PSC Prominvestbank — Vnesheconombank of 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 VTB, forcibly removed from the market, at the time of updating the rating. PSC Prominvestbank was very well provided with equity and liquidity, and in the foreseeable future did not require external support.

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 March, 2019 PSC Prominvestbank:

- Was very well provided with regulatory capital;
- Possessed a very high level of instant liquidity, as well as a high level of current and short-term liquidity;
- 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 till March, 2019;
- The Bank's activity remained unprofitable according to the results of the 2018, but the Bank managed to reduce a loss by 55.73%.

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