

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

Date of rating action: 13.11.2017

Date of publication: 13.11.2017

**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

**November 13, 2017** 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 9 months of 2017, 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 January-October of 2017.

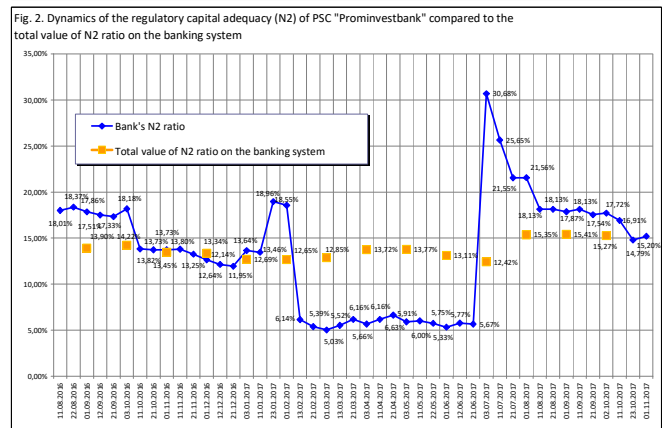
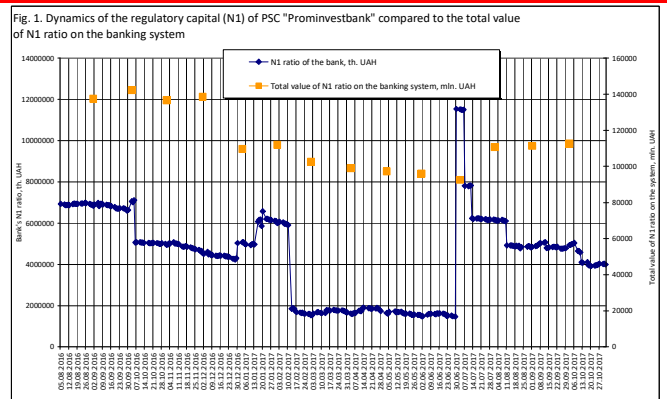
### Equity and capital adequacy

As of 01.11.2017 the Bank’s regulatory capital (N1) has amounted to UAH 3.99 bn. In general, from January, 2017 to the beginning of November, 2017 the Bank’s N1 ratio has reduced by 21.23%. The Bank’s N1 ratio has increased after its additional capitalization on 30.06.2017 (in the moment of additional capitalization the regulatory capital has grown from UAH 1.47 bn up to UAH 11,536 bn). The increase in the regulatory capital was related to the planned additional capitalization of the Bank. Throughout July-October, 2017 the Bank’s regulatory capital has gradually decreased. The revealed trends have reflected in the dynamics of the regulatory capital adequacy ratio of the Bank (N2).

From August, 2016 till February 01, 2017 the Bank’s N2 ratio has significantly exceeded the limit value, set by NBU. At the same time, for the period from the second half of February till June, 2017 this normative has fluctuated in the range from 5.03 up to 6.63%.

After the growth of N2 ratio from 5.67% (21.06.2017) up to 30.68% (03.07.2017), this normative showed a trend towards gradual decrease. As of 01.11.2017 the Bank’s N2 ratio reached 15.2%, almost having equaled to the average of N2 ratio on the banking system at the beginning of October.

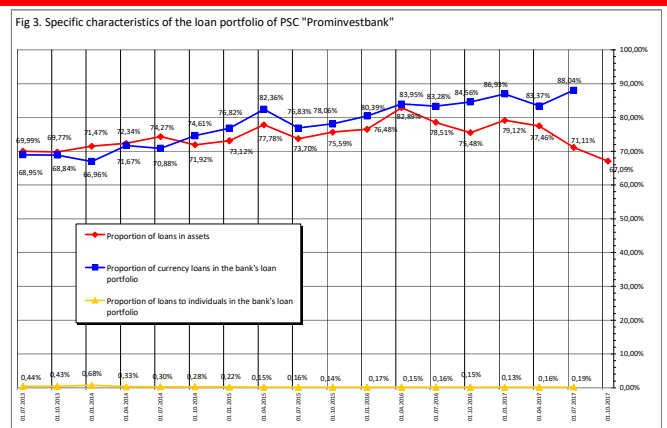
Thus, at the beginning of November, despite the decrease in N1 and N2 ratios PSC Prominvestbank still has been very well provided with regulatory capital.



### Asset structure and quality

For the last 4 quarters the proportion of loans in the Bank’s assets and the proportion of currency loans in the Bank’s loan portfolio, demonstrated a steady growth. As of 01.10.2017, based on the NBU data, the proportion of loans in the Bank’s assets was assessed by the Agency as 67.09%, and the proportion of currency loans in the loan portfolio – 78.57%.

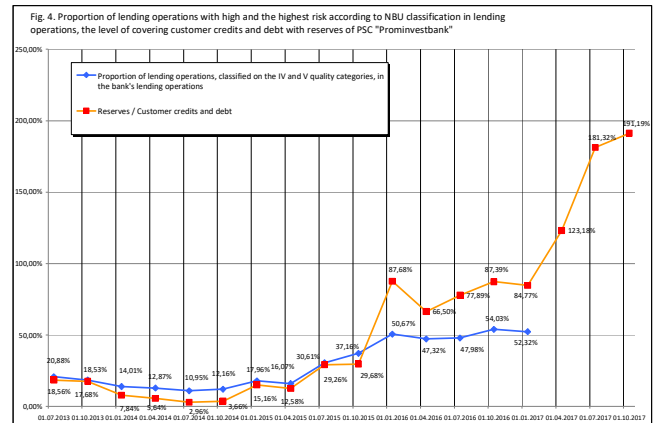
For the last 18 quarters the level of covering customer credits and debt with reserves grew from 15.65% up to 65.66%. The greatest increase of this indicator was performed for the second-fourth quarter of 2015, as well as in the first half of 2017. This statistics still reflects sharp trends of the fall of quality of the banks’ loan portfolios in the banking system of Ukraine and has a



negative pressure on the Bank's financial result due to the need of costs for additional forming the provisions.

As of 01.10.2017, according to NBU data, 17.96% of the Bank's loans to legal entities belonged to the 1-6 class of debtors that correlates with the large amount of reserves formed by the Bank at this date.

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 was already covered by provisions that decrease the probability of the further deterioration of the loan portfolio quality.



## Liquidity

For the period from 05.08.2016 to 01.11.2017 instant liquidity ratio of the Bank has fluctuated in the range 25.43%–113.67%. As of 01.11.2017 the Bank's N4 ratio has amounted to 109.46% that is by 89.46 p.p. more than a minimal acceptable value of the normative, set by NBU.

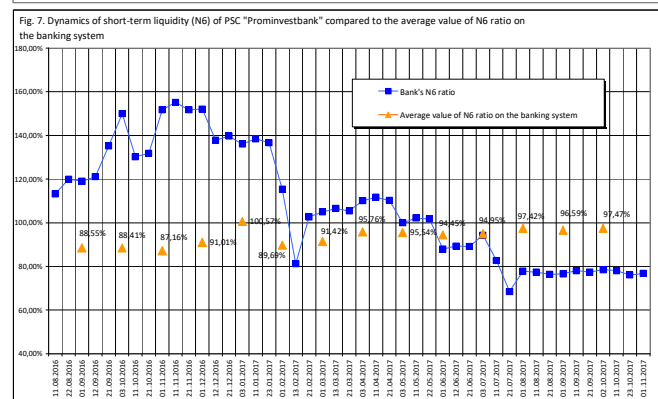
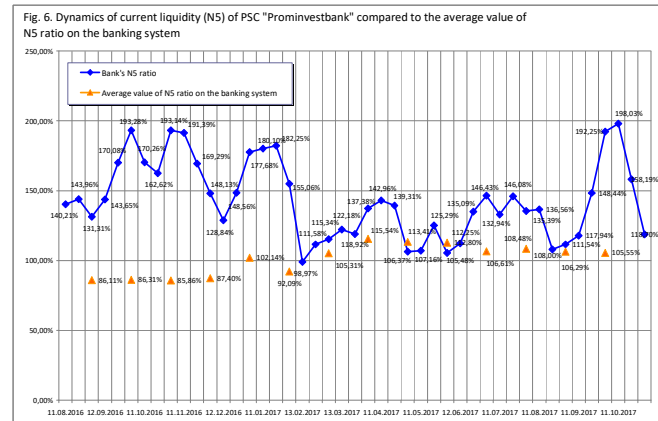
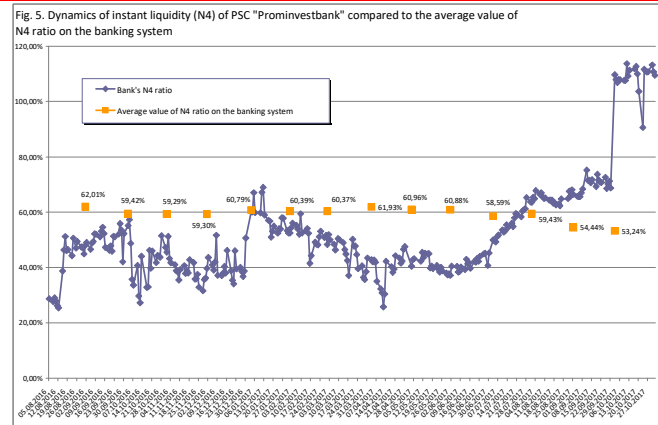
For the period from 05.08.2016 to 01.11.2017 current liquidity ratio of the Bank (N5) has fluctuated in the range 98.97%–198.03%. As of 01.11.2017 the Bank's N5 ratio has amounted to 118.7%, that is by 78.7 p.p. more than a minimal acceptable value of the normative, set by NBU.

For the period from 05.08.2016 to 01.11.2017 short-term liquidity ratio of the Bank has fluctuated in the range 68.5%–155.19%. As of 01.11.2017 the Bank's N6 ratio has amounted to 76.78%, that is by 16.78 p.p. more than a minimal acceptable value of the normative, set by NBU.

Additionally, the Agency draws attention to the fact that the values of instant, short-term and current liquidity ratios throughout the entire analyzed period were significantly more than the limit values, set by NBU, and also periodically exceeded the averages of these ratios on the banking system.

The Agency also draws attention to the short-term significant increase in the reserve on instant and current liquidity ratios after additional capitalization of the Bank.

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.

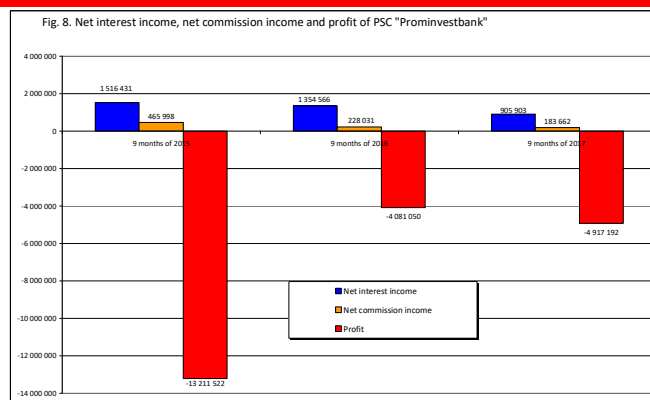


## Profitability of operations

According to data, published by NBU, PSC Prominvestbank has finished the nine months of 2017 with loss of UAH 4.917 bn. The Agency reminds that the main amount of loss (UAH 4.5499 bn) was obtained by the Bank in the second quarter of 2017. For the third quarter the Bank managed to reduce the Bank's loss down to UAH 196.9 mln.

The Bank's unprofitable activity was related to the need for additional forming provisions on the Bank's loan portfolio. For the 9 months of 2017 loan provisions of the Bank grew by UAH 4.780 bn.

Additionally 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 9 months of 2017 with net interest income of UAH 0.906 bn and net commission income of UAH 0.184 bn.



## 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. At the same time, 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 improving the Bank's capital ratios and having a positive impact on the dynamics of its liquidity ratios. These trends also were observed as at the beginning of November, 2017.

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.

## 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 November, 2017 PSC Prominvestbank was:

- Very well provided with regulatory capital;
- Possessed a very high level of instant and current liquidity, as well as a high level of 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;
- the Bank's activity was unprofitable mostly due to the need to increase provisions on the loan portfolio.

The above factors made possible to update a long-term credit rating of the Bank at the level uaAA+ according to the national scale.

**Disclaimer:** Credit ratings of RA "Expert-Rating" is an opinion that reflects the ability of an issuer (an issue of securities) to comply with financial commitments. Credit ratings are of probabilistic nature, therefore cannot be a recommendation to buy or sell securities or to use the services of the issuer. When assigning and maintaining the ratings and outlooks on ratings, RA "Expert-rating" relies on factual information which the Agency receives from issuers and underwriters and from other sources that the Agency considers reliable. The issuer, its auditor and underwriter, as well as other consultants are responsible for the accuracy of the information they provide to RA "Expert-Rating" and publish according to current normative requirements. Credit ratings do not reflect the risks of a political or military nature.