

# The rating report

(version for publication)



Credit rating of the Bank according to Ukrainian national scale:	<b>uaAA+</b>
Credit rating of Bank bonds series A, C and F according to Ukrainian national scale:	<b>uaAA+</b>
Interpretation of rating according to the national scale:	A bank or a debt instrument with the rating uaAA+ has very high credit status as compared with other Ukrainian borrowers or debt instruments.
Deposit rating:	<b>ua1</b> (the highest possible assessment of deposit reliability)
Rating date:	November, 12, 2013
Rating review:	Quarterly

## Public stock company

### «Joint-Stock Commercial Industrial & Investment Bank»

(full name of the bank)

### PSC Prominvestbank

(short name of the bank)

12, Shevchenko lane, Kiev, 01001, Ukraine  
(bank address)

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Incorporation date	26.08.1992
USREOU code	00039002
Auditors	Ernst and Young Audit services LTD
Phone /Fax	+38 (044) 279-51-61
Contact center	0 800 21-51-61
Chairman of Board	Bashkirov Viktor
Contact persons	Andreyeva Tatyana, Wholesale Banking Division International Business Department +38 (044) 364-65-06
E-mail	<a href="mailto:Bank@pib.ua">Bank@pib.ua</a>
Web-site	<a href="http://www.pib.com.ua">http://www.pib.com.ua</a>

#### Bank bonds

As of 12.11.2013 bonds of A,C and F series emitted by PSC Prominvestbank were in circulation.

**PSC Prominvestbank bonds of A series - ordinary (unsecured) registered uncertified interest bonds;**  
Emission registration date and emission certificate number - January, 14<sup>th</sup>, 2011 no. 02/2/11, ISIN - UA 4000107213;  
Quantity of bonds of A series - 500 000 (five hundred thousand) pieces;  
Bond face-value - UAH 1 000 (one thousand).;  
Total emission face-value - UAH 500 000 000 (five hundred millions) 00 copecks;  
Redemption period of A series bonds – from 27.01.2014 to 31.01.2014.

**PSC Prominvestbank bonds of C series - ordinary (unsecured) registered uncertified interest bonds;**  
Emission registration date and emission certificate number - January, 14<sup>th</sup>, 2011 no. 04/2/11, ISIN - UA 4000107247;  
Quantity of bonds of C series - 500 000 (five hundred thousand) pieces;  
Bond face-value – UAH 1 000 (one thousand).;  
Total emission face-value – UAH 500 000 000 (five hundred millions). 00 copecks;  
Redemption period of C series bonds – from 24.03.2014 to 28.03.2014.

**PSC Prominvestbank bonds of F series - ordinary (unsecured) registered interest uncertified bonds ;**  
Emission registration date and emission certificate number - September, 5<sup>th</sup>, 2011 no. 130/2/2011, ISIN - UA 4000128052;  
Quantity of bonds of F series - 500 000 (five hundred thousand) pieces;  
Bond face-value UAH - 1 000 (one thousand).;  
Total emission face-value - 500 000 000 (five hundred millions) UAH. 00 copecks;  
Redemption period of F series bonds – from 30.07.2014 to 01.08.2014

*The present report is the rating research expressing opinion of Expert Rating RA analysts.  
The report is a substantiation of the rating assigned, the later being also an opinion of Expert Rating RA analysts.  
See the last page of the report for use limitations*

## 1. Bank overview

On August, 26th, 1992, the Ukrainian Public stock company «Joint-Stock Commercial Industrial and Investment Bank» (PSC Prominvestbank of Ukraine) was created in Ukraine. The bank was headed by Professor Vladimir Matvienko. The bank was deriving from the Ukrainian republican bank PSC Promstroybank of the USSR, which has been actively functioning in Ukrainian SSR during the period from 1987 to 1991. Branched filial network, strong ties with large industrial companies provided for fast rates of PSC Prominvestbank development and its importance for the economy of Ukraine.

Key event occurred in the second half of 2008. In October, 2008, bank liquidity has considerably decreased due to quick outflow of funds of clients; therefore the resolution of Board of National Bank of Ukraine from October, 7th, 2008 introduced temporary administration in the Bank. In December, 2008 the State Corporation 'Bank for Development and Foreign Economic Affairs' (Vnesheconombank, Russian Federation) together with the Temporary Administration of PSC Prominvestbank have developed Bank rehabilitation plan.

On January, 15<sup>th</sup>, 2009, after transferring UAH 1,1 billion to increase the statutory capital of Bank, Vnesheconombank became majority shareholder of PSC Prominvestbank (75 % + 3 shares). In January, 2009, the total statutory capital of the Bank amounted to UAH 1,3 billion. In September, 2009, Vnesheconombank transferred USD 500 mln to further increase the authorised capital of Bank to UAH 5,3 billion. Thus, the share of Vnesheconombank in the authorised capital of PSC Prominvestbank made up 93,84%, and PSC Prominvestbank returned to the number of largest banks of Ukraine.

Due to prompt actions of Russian Vnesheconombank in 2008 it became possible to rescue one of the largest banks of Ukraine. During the crisis of 2008–2009 this event has essentially reduced the pressure upon Depositors Insurance Fund and relieved the tension in bank system of Ukraine. With arrival of the new shareholder crediting was renewed, the inflow of funds of clients recovered.

In 2010 the activity of PSC Prominvestbank continued to become more stable. Carrying out of balanced resource policy allowed providing for sufficient level of liquidity and prematurely returning to the National Bank of Ukraine the the total amount of UAH 7 billion refinancing funds. In August the Vnesheconombank issued a subordinated \$300 million loan for the period of 10 years to provide for further growth of PSC Prominvestbank. In 2010 rating of "Expert-Rating" PSC Prominvestbank entered the TOP-20 most reliable bank entities of Ukraine.

In 2011 the Bank changed from Closed Joint stock company to Public stock company «Joint-Stock Commercial Industrial and Investment Bank» (PSC Prominvestbank). The bank announced a retail business development strategy, based on best world practices of retail banking and upon the principle "the client is in the focus of attention". According to this strategy the Bank undertook to prepare technical and organizational structure and processes for a large scale launch of renewed retail project. Besides that, the volumes of corporate crediting were increased: in 2011 PSC Prominvestbank issued loans to legal entities by UAH 4,5 billion more than a year before.

In 2012 the Bank continued to strengthen the positions on the Ukrainian financial market. PSC Prominvestbank was recognized second in the rating of reliability of Ukrainian banks, compiled by RA "Standard-rating". Also the Bank entered the TOP-10 most reliable financial organizations of the country (from the list of 82 banks) in "Expert" magazine rating. High positions of the Bank in the ratings were explained by the support of the shareholder and by active growth of activity indicators.

In 2013 Vnesheconombank contributed to the authorized capital of PSC Prominvestbank USD 365 mln; the share of Vnesheconombank in Bank authorised capital grew to 98,6 %. Also Vnesheconombank has concluded with PSC Prominvestbank a framework agreement on general conditions of provision of credit facilities, specifying general conditions of credit facilities issuance by Vnesheconombank aiming the financing of supplies of Russian industrial production (goods, works, services) to Ukraine.

Currently PSC Prominvestbank is a large, reliable and versatile financial entity with very high level of external support by the shareholder.

## 2. Market share and business activity

As the analysis of PSC Prominvestbank key business performance indicators proves, in the last 3–4 years the Bank managed to hold very stable positions in the bank system of Ukraine. From 01.01.2010 to 01.10.2013 PSC Prominvestbank occupied alternately fifth, sixth, and seventh position in NBU assets rating.

The share of PSC Prominvestbank assets in assets and liabilities of bank system can also be deemed stable. So, from 01.01.2010 to 01.10.2013 the share of Bank assets in system assets decreased only by 0,22 p.p. to 3,27 %, and in the past periods this share was stably kept at the level of 3,48–3,67 %.

Bank share in liabilities, on the contrary, grew by 0,02 p.p. making up 3,32 % as of 01.10.2013. At the same time for the analyzed period Bank share in system liabilities fluctuated from 3,3 to 3,77 % that is also proving to the stability of the ratio of PSC Prominvestbank work scale to the scale of operations in bank system of Ukraine (*tab. 1*).

Table 1

## PSC Prominvestbank assets and liabilities for 9 months of 2013

(UAH mln., %)

Indicators	01.10.2013	01.01.2013	01.01.2012	01.01.2011	01.01.2010	Change	Growth rate, %
Bank assets	40236,687	41318,058	38160,931	34612,855	30437,197	9799490	32.20%
Banking system assets	1232004,212	1127179,379	1054272,287	942083,994	873449,574	358554,638	41.05%
<b>Share of Bank in system assets</b>	<b>3.27%</b>	<b>3.67%</b>	<b>3.62%</b>	<b>3.67%</b>	<b>3.48%</b>	<b>-0.22 p.p.</b>	-
Bank liabilities	34915,174	36044,661	33079,043	30023,113	24827,624	10087,550	40.63%
Banking system liabilities	1053226,265	956983,118	898785,345	804358,877	753241,949	299984,316	39.83%
<b>Share of Bank in system liabilities</b>	<b>3.32%</b>	<b>3.77%</b>	<b>3.68%</b>	<b>3.73%</b>	<b>3.30%</b>	<b>0.02 p.p.</b>	-
Position in NBU assets ranking	6	5	6	7	7	-	-

Source: the data by PSC Prominvestbank, NBU, RA Expert Rating calculations

Thus, the analysis of PSC Prominvestbank scale of work indicates clearly Bank's stable position in the banking system of Ukraine, and substantial share of assets and liabilities indicators' volume. The analysis of PSC Prominvestbank scale of work also allows concluding that its activity in Ukraine has systemic character (i.e. Bank's activity is essential for the economy of Ukraine and for its stability).

### 3. Capital adequacy and external support

As analysis has shown, for the 9 months of 2013 shareholders' equity of PSC Prominvestbank grew on 5,76%. Strengthening of Bank capital base continued mainly at the expense of such balance item as 'unregistered equity payments'. As PSC Prominvestbank accounts show, from the beginning of 2013 its major shareholder — the Russian Vnesheconombank raised unregistered equity payments to UAH 2,918378 billion. Such step allowed not only compensating UAH 2,63 billion loss, but also led to the growth of Bank shareholders' equity.

Table 2

## PSC Prominvestbank shareholders' equity for 9 months of 2013

(UAH th, %)

Indicators	01.10.2013	01.01.2013	Change	Growth rate, %
Bank statutory capital	5 280 919	5 298 715	-17 796	-0,34%
Additional paid-in capital	18 861	5 300	13 561	255,87%
Unregistered equity payments	2 918 378	0	2 918 378	-
Unallocated profit	(4 987 551)	(2 357 918)	2 629 633	111,52%
Reserve fund and other funds	0	0	-	-
Revaluation reserve	2 090 906	2 085 535	5 371	0,26%
<b>Total shareholders' equity</b>	<b>5 321 513</b>	<b>5 031 632</b>	<b>289 881</b>	<b>5,76%</b>

Source: the data by PSC Prominvestbank, NBU, RA Expert Rating calculations

Throughout 9 months of 2013 Vnesheconombank provided an evident external support to the business in Ukraine. This support was sufficient for the Bank to enable it observing N2 and N3 normatives with a margin that was substantial and sufficient for a major bank. Though N2 and N3 of PSC Prominvestbank as of 01.10.2013 were below the mean value of these normatives in banking system, nevertheless such situation is intrinsic practically for all the banks of first group upon NBU classification (tab. 3).

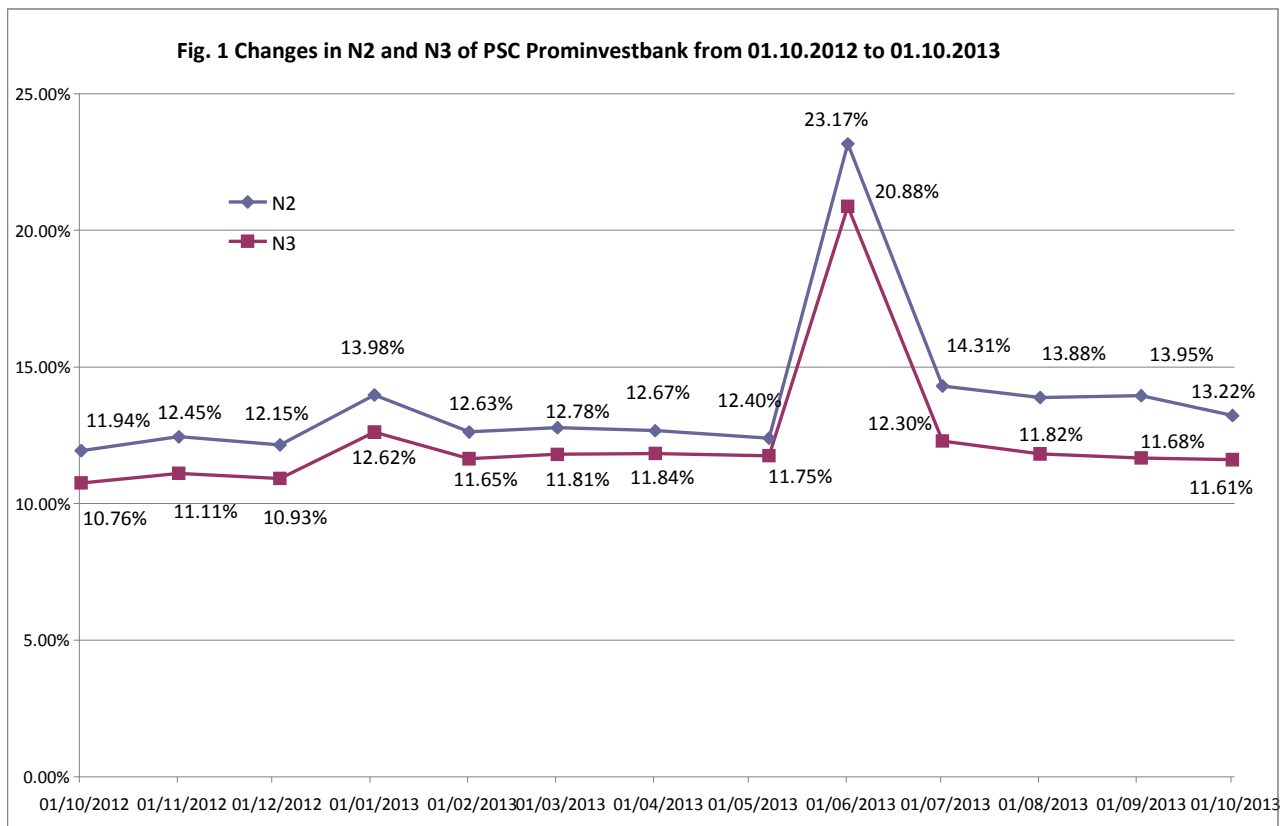
Table 3

## The data on the changes of capital normatives in PSC Prominvestbank for 9 months 2013

Indicator	Normative value	01.10.2013		01.01.2013	
		Bank value	System value	Bank value	System value
Regulatory capital (N1)	>120 mln.	5 238 795	-	5 364 630	-
Regulatory capital adequacy normative (N2)	>10%	13,22%	17,92%	13,98%	18,06%
Normative ratio regulatory capital/total assets (N3)	>9%	11,61%	13,87%	12,62%	14,89%

Source: the data by PSC Prominvestbank, NBU, RA Expert Rating calculations

The analysis of N2 and N3 changes for the last 12 months has shown that throughout this period these normatives were also observed with substantial margin, and were stable enough. As of 01.06.2013 they were 23,17% and 20,88% accordingly. But in August-September N2 and N3 values returned to the earlier range.



By RA Expert Rating estimates, Vnesheconombank of the Russian Federation possesses sufficient resource base to provide external support to the business in Ukraine. On the beginning of 2013 Vnesheconombank assets constituted 2588,9 billion rubles (ca. USD 85 billion). For comparison, it makes approximately 60% of the assets of the whole bank system of Ukraine as of 01.01.2013 (*tab. 4*).

Table 4

#### Separate performance indicators of Vnesheconombank of Russian Federation for 2008–2012.

(billion Russian rubles, %)

Indicators	2012	2011	2010	2009	2008	Change	Growth rate, %
Assets	2588,9	2296,5	1891,2	1868,6	1613,9	975,0	60,41%
Vnesheconombank loan portfolio	720,2	505,4	348,9	281,6	191,2	529,0	276,67%
Volume of raised funds in capital market	527,8	402,1	254	138,8	103,5	424,3	409,95%

Source: Annual report of Vnesheconombank of Russian Federation for 2012

The extent of external support which Vnesheconombank of the Russian Federation can provide to the business in Ukraine is enhanced by that fact that Vnesheconombank of the Russian Federation is totally owned by Russian Federation and is controlled by the government of this country. Moreover, Vnesheconombank of the Russian Federation is officially the agent of the government of Russian Federation and is not simply close to, but actually integrated into Russian ruble emission area, i.e. has the possibility both to receive injections in its capital from the state, and to have guaranteed access to refinancing by Central Bank of the Russian Federation.

## 4. Quality of assets

The analysis of dynamics and structure of PSC Prominvestbank main asset items for 9 months 2013 proves to the following:

- insignificant correction of Bank active transactions' volume can be noted. So, cash and cash equivalents from the beginning of the year reduced by 11,34%, funds in other banks — by 3,24%, and credits and debts of clients — on 4,79 %;
- PSC Prominvestbank, despite obvious advancement of households' crediting, still remains a corporate bank: credits to legal persons as of 01.10.2013 occupied 99,57% of loan portfolio or 69,77% of Bank assets (*tab. 5*).

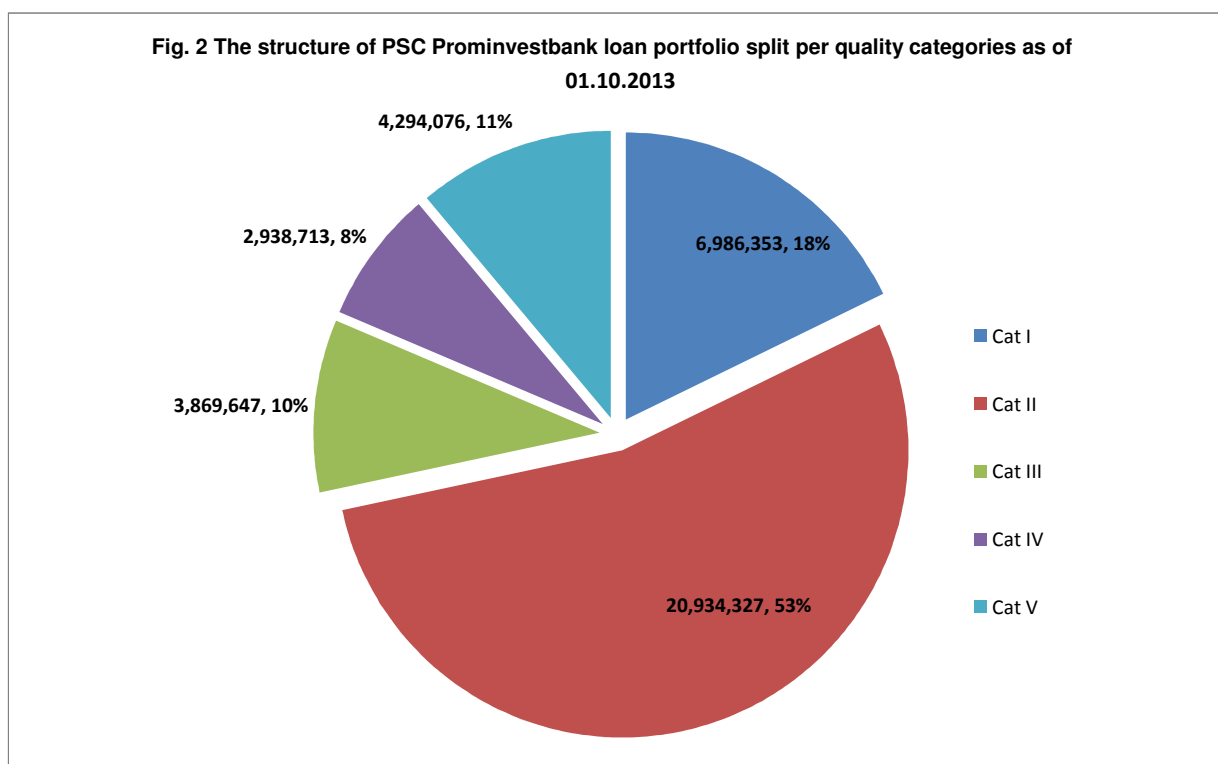
## PSC Prominvestbank assets for 9 months of 2013

(UAH th, %)

Indicator	01.10.2013	01.01.2013	Change	Growth rate, %
Cash and cash equivalents	2 692 221	3 036 659	-344 438	-11,34%
Reserve funds in NBU	141 915	74 714	67 201	89,94%
Funds in other banks	1 405 062	1 452 059	-46 997	-3,24%
Loans and debt of clients, incl:	28 074 002	29 486 466	-1 412 464	-4,79%
- loans and debts of legal entities	27 954 243	29 379 771	-1 425 528	-4,85%
- loans and debts of individuals	119 759	106 695	13 064	12,24%
Loan loss and clients debt provisioning	4 962 892	1 813 466	3 149 426	173,67%
Portfolio securities for sale	3 370 616	2 835 756	534 860	18,86%
Portfolio securities to redeem	0	0	-	-
Fixed capital and intangible assets	2 859 711	2 695 696	164 015	6,08%
Other financial assets	346 631	279 616	67 015	23,97%
<b>Total assets:</b>	<b>40 236 687</b>	<b>41 193 480</b>	<b>-956 793</b>	<b>-2,32%</b>

Source: the data by PSC Prominvestbank, NBU, RA Expert Rating calculations

Loan portfolio quality remains one of the weak spots of PSC Prominvestbank. 8 % of credits belonged to the fourth category of credits, and 11% — to the fifth category upon NBU classification as of 01.10.2013. I.e. about fifth part of PSC Prominvestbank loan portfolio was referable to negatively classified assets (fig. 2).



The Agency believes that the satisfactory level of quality of PSC Prominvestbank loan portfolio is not a key problem of the Bank, it rather belongs to a category of predictable challenges. When acquiring PSC Prominvestbank in 2009, Vnesheconombank was totally aware that this financial institution needs serious rehabilitation and the problem indebtedness accumulated by the Bank from the beginning of 90-s, cannot be instantly removed from the portfolio. Judging by dynamics of PSC Prominvestbank reserves this process of Bank assets detoxification extended for several years. In this situation it is crucial that the major shareholder of PSC Prominvestbank — the Russian Vnesheconombank actively participates in rehabilitation process of the affiliated Ukrainian bank and provides it with resources needed for stable functioning.

Moreover, according to the Agency, throughout 2013 PSC Prominvestbank showed growth of credit activity, developing operations with new borrowers. So, from the beginning of year issue of loans has been announced to such companies as state enterprise “Electrotyazhmash plant” (Kharkov), state enterprise NAEK “Energoatom” etc.

## 5. Liquidity

The situation with liquidity provision in PSC Prominvestbank can be characterized as excellent. As of 01.10.2013 PSC Prominvestbank instant liquidity normative (N4) exceeded the mean value in the system by 13,08 p.p., N5 was observed in excess to specification by 31,91 p.p., and N6 was above normative value by 7,41 p.p. (tab. 6).

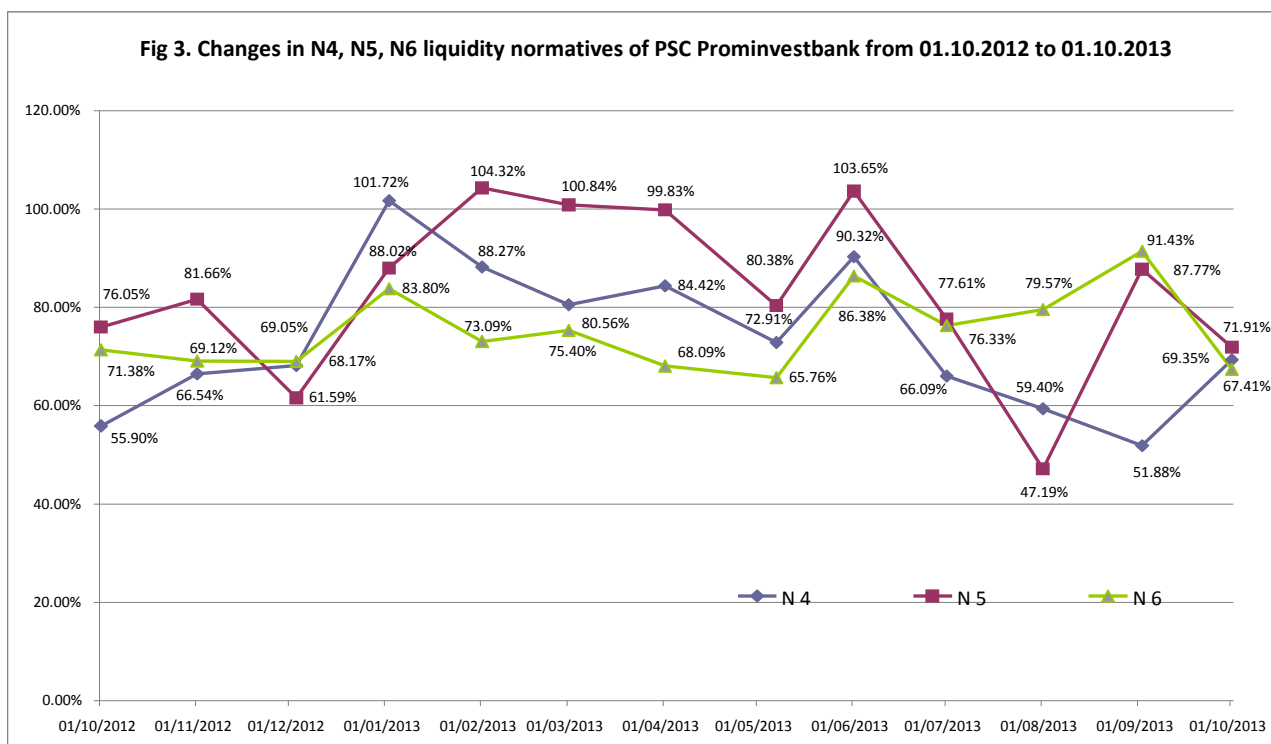
Table 6

**Data on changes in liquidity normatives of PSC Prominvestbank for 9 months 2013**

Indicator	Normative value	01.10.2013		01.01.2013	
		Bank value	System value	Bank value	System value
Instant liquidity normative (N4)	>20%	69,35%	56,27%	101,72%	69,26%
Current liquidity normative (N5)	>40%	71,91%	87,95%	88,02%	79,09%
Short term liquidity normative (N6)	>60%	67,41%	88,27%	83,80%	90,28%

Source: the data by PSC Prominvestbank, NBU, RA Expert Rating calculations

The analysis of monthly changes of liquidity proves to that PSC Prominvestbank throughout the last 12 months adhered to N4, N5 and N6 normatives with a good margin above the boundary value established by NBU (fig. 3).



Therefore, the Agency concludes that throughout the last 12 months the Bank has been well provided with quick assets, and the above is positively influencing its credit rating.

## 6. Bank incomes, expenses and profit

The analysis of dynamics of some income and expenses items of PSC Prominvestbank has revealed a number of trends outlining the situation developed in the Bank following the results of 9 months 2013. So, for 9 months 2013 net interest income of PSC Prominvestbank decreased on 7,96% compared versus same period of 2012, on the contrary the net commission of Bank has grown on UAH 86,947 million, or on 43,8%. The growth of net commission income has with excess covered NII decrease. Significant growth of results from foreign currency transactions by UAH 108,226 million should be also regarded as positive trend. (Tab. 7).

However, despite of generally positive trends of 9 months of 2013, PSC Prominvestbank ended this period with UAH 2,631 billion dead loss. According to the Agency, this loss is of technical nature and is due to considerable expenses of the Bank for provisioning credit operations. The agency reminds that from the beginning of 2013 loan and debts of clients impairment reserves of PSC Prominvestbank have grown by UAH 3,149 billion. (see tab. 5).

Table 7

**Data on the changes in separate income and expenses items and net profit  
of PSC Prominvestbank for 9 months of 2013**

(UAH th, %)

Indicators	9 m 2013	9 m 2012	Change	Growth rate, %
Net interest income	920 551	1 000 191	-79 640	-7,96%
Net fee and commission income	285 434	198 487	86 947	43,80%
Foreign currency transactions	117 078	8 852	108 226	1222,62%
Administrative and other operative costs	962 308	926 826	35 482	3,83%
<b>Net profit (loss)</b>	<b>(2 630 664)</b>	<b>(10 737)</b>	-	-

Source: the data by PSC Prominvestbank, NBU, RA Expert Rating calculations

Thus, despite a considerable loss following the results of 9 months of 2013, the Agency draws attention to the technical character of the given loss and reminds that the Bank was in due time refinanced by the shareholder, and its result excluding growth of reserves on credit operations is positive.

## 7. Other factors considered at rating

### *Interaction with state authorities*

The analysis of bank reports to NSSMC and of the register of court decisions has not revealed any substantial risks connected with participation of Bank in litigations with authorities in Ukraine.

### *Management*

With arrival of the new shareholder to PSC Prominvestbank in 2009 Bank management also was changed. The Agency estimates as high the qualification of the team of executives (board) which members have extensive work experience both in Ukraine, and abroad.

#### **Bashkirov Victor** — Chairman of Board of PSC Prominvestbank.

Born on February, 14th, 1971.

- In 1994 graduated from Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russian Federation with the specialty “International economic relations” and obtained the qualification of international economic relations economist.
- The experience of work of Bashkirov V. in bank system totals 18 years, on managing positions — over 10 years.
- From November, 1993 till September, 1997 worked on the positions of dealer, senior dealer of Currency and Finance Department in CITIBANK CB.
- In August, 1997 enters the Board of CITYBANK CB.
- September, 1997 – December, 1998 — Deputy Head of Currency and Finance Department in CITIBANK CB.
- January, 1999 – January, 2000 — Member of Board – Head of Currency and Finance Department in CJSC CITYBANK Ukraine.
- January, 2000 – September, 2002 — Manager of St.-Petersburg Branch, Vice-President of CITYBANK CB.
- September, 2002 – March, 2004 — Head of Department of private clients services of CITYBANK CB in Moscow.
- March, 2004 – September, 2004 — President of CITYBANK Egypt Retail bank.
- September, 2004 – April, 2007 — member of Board - Head of Retail Business Unit of JSC “Alpha Bank”.
- May, 2007 – March, 2009 — Head of Representative Office of Limited company with share capital Cranwell Investments Pte. Ltd. (Temasek Holding).
- March, 2009 — appointed Chairman of Board of ‘Joint-Stock Commercial Industrial and Investment Bank’ — PSC Prominvestbank (Ukraine).

#### **Yutkin Vyacheslav** — First Deputy Chairman of Board of PSC Prominvestbank.

Born on October, 11th, 1952 in Daugavpils (Latvia).

- In 1999 graduated from the Ukrainian Academy of Foreign Trade upon the specialty “Foreign trade activities Management”.
- In 1979 graduated from Taras Shevchenko National University of Kiev upon the speciality ‘Journalism’.
- January, 1976 – December, 1996 — service in State Security bodies.
- January, 2002 – March, 2008 — Chairman of Supervisory Board of Joint-Stock Company ‘Commercial bank NRB-Ukraine’.
- March, 2008 – April, 2008 — adviser of the Chairman of the Supervisory Board of Joint-Stock Company ‘NRB BANK’.
- April, 2008 – June, 2008 — Interim Chairman of Board of Joint-Stock Company ‘NRB BANK’.
- June, 2008 – November, 2008 — Chairman of Board of JSC ‘SB Savings Bank of Russia’.
- March, 2009 – appointed First Deputy Chairman of Board of PSC Prominvestbank.

Also a number of authoritative specialists in the area of risk management and management of operational and financial activity of bank make part of the Board.



## 8. Summary of rating results

At the meeting of rating committee decision was taken to assign PSC Prominvestbank (USREOU code 00039002) a credit rating at the level **uaAA+** according to the national Ukrainian scale. Also the rating was assigned to the bonds of Bank of series A, C and F. The borrower or the separate debt instrument with uaAA+ rating is characterized by very high credit status in comparison with other Ukrainian borrowers or debt instruments. Also the agency decided to assign the deposits of PSC Prominvestbank the rating at the level **ua1** — highest possible one.

Summarizing the results of rating, and assigning so high level of credit rating the Agency was guided by the following key conclusions:

1. The analysis of PSC Prominvestbank scale of work indicates clearly Bank's stable position in the banking system of Ukraine, and that Banks' activity has essential nature for the economy of Ukraine. So, from 01.01.2010 to 01.10.2013 the share of assets of Bank in assets of bank system of Ukraine has decreased only on 0,22 p.p. to 3,27%, and during the previous periods this share was stably kept at the level of 3,48–3,67%. Bank share in system liabilities, on the contrary, has grown on 0,02 p.p., having reached 3,32% as of 01.10.2013.

2. As of 01.10.2013, the regulatory capital of PSC Prominvestbank constituted UAH 5,239 billion, regulatory capital adequacy normative was equal to 13,22% that on 3,22 p.p. exceeded the standard value established by NBU. As of the same date equity/assets ratio constituted 11,61% that was above standard value on 2,61 p.p.

3. The liquidity provision in PSC Prominvestbank is characterized as high. As of 01.10.2013 PSC Prominvestbank instant liquidity normative exceeded the NBU established normative by 49,35 p.p., and the mean system value by 13,08 p.p. As of the same date short liquidity normative was observed in excess of boundary value by 7,41 p.p. As a whole, throughout the last 12 months PSC Prominvestbank supported an essential stock of liquidity normatives.

4. For 9 months of 2013 net interest income of PSC Prominvestbank decreased on 7,96% compared versus same period of 2012. The net commission of Bank has grown on UAH 86,947 million, or on 43,8%. The growth of net commission income has covered NII decrease. Significant growth of results from foreign currency transactions by UAH 108,226 million should be also regarded as positive trend. However, despite of generally positive trends of 9 months of 2013, PSC Prominvestbank ended this period with UAH 2,631 billion dead loss. According to the Agency, this loss is of technical nature and is due to considerable expenses of Bank for provisioning credit operations. So, from the beginning of 2013 loan and debts of clients' impairment reserves of PSC Prominvestbank have grown by UAH 3,149 billion.

5. Loan portfolio quality is one of the factors constraining PSC Prominvestbank credit rating. 8% of credits belonged to the fourth category of credits, and 11% — to the fifth category upon NBU classification as of 01.10.2013. I.e. about fifth part of PSC Prominvestbank loan portfolio was referable to negatively classified assets.

6. In 2009 the State corporation 'Bank for Development and Foreign Economic Affairs' (Vnesheconombank of Russian Federation) became key shareholder of PSC Prominvestbank. For the 5 years Vnesheconombank has repeatedly in practice provided external support to PSC Prominvestbank. The extent of external support which Vnesheconombank of the Russian Federation can provide to the business in Ukraine is enhanced by that fact that Vnesheconombank of the Russian Federation is totally owned by Russian Federation and is controlled by the government of this country and has the possibility both to receive injections in its capital from the state, and to have guaranteed access to refinancing by Central Bank of the Russian Federation. As of 01.11.2013 Vnesheconombank owned 98,6% of PSC Prominvestbank stocks.

*See the complete substantiation of RA 'Expert Rating' rating in the rating report.*



## Appendix A

### Use limitations of the rating report

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1. At rating some factors are taken into attention which can positively or negatively affect the stability of the bank. Therefore, RA Expert Rating Ltd estimates the level of bank resistance to adverse factors of influence. The estimation is made for banks according to the international scale of RA Expert Rating Ltd (table A) and the national scale of Agency which is defined according to the scale approved by the Resolution of the Cabinet of Ukraine of April 26, 2007 no. 665. The parity between the international scale and the national scale is determined by the Agency independently.

2. The information provided in the rating report which source are the rated Bank and the National Bank of Ukraine, can slightly differ because of distinctions in system of account or methodology of calculation of indicators.

3. The information provided in the given report on foreign shareholders of financial entity is given in that currency in which the official annual report of the company-shareholder is made. Comparing such financial information with the data of Bank or of the similar foreign companies the difference in the systems of account and accounting policy should be considered.

Table A

**National rating scale**

Rating	Credit status level	Interpretation of stability level
uaAAA	Highest	The borrower or a debt instrument with uaAAA rating is characterized by very high credit status compared to other Ukrainian borrowers or debt instruments
uaAA	Very high	The borrower or a debt instrument with uaAA rating is characterized by very high credit status compared to other Ukrainian borrowers or debt instruments
uaA	High	The borrower or a debt instrument with uaA rating is characterized by high credit status compared to other Ukrainian borrowers or debt instruments Credit status level is sensitive to influence of adverse commercial, financial and economic factors
uaBBB	Sufficient	The borrower or a debt instrument with uaBBB rating is characterized by sufficient credit status compared to other Ukrainian borrowers or debt instruments. Credit status level depends upon influence of adverse commercial, financial and economic factors
uaBB	Below sufficient	The borrower or a debt instrument with uaBB rating is characterized by credit status lower than sufficient one compared to other Ukrainian borrowers or debt instruments. There is high dependence of status level upon influence of adverse commercial, financial and economic factors.
uaB	Low	The borrower or a debt instrument with uaB rating is characterized by low credit status compared to other Ukrainian borrowers or debt instruments. There is very high dependence of credit status level upon influence of adverse commercial, financial and economic factors.
uaCCC	Very low	The borrower or a debt instrument with uaCCC rating is characterized by very low credit status compared to other Ukrainian borrowers or debt instruments. Potential default is probable.
uaCC	High probability of default	The borrower or a debt instrument with uaCC rating is characterized by high default probability
uaC	Expected default	The borrower is approaching default
uaD	Default	Default status. Payment of interest and of principal amount under borrower's liabilities has been suspended without reaching agreement with creditors concerning debt re-structuring before maturity date.

\* — rating scale was approved by the Resolution of the Cabinet of Ukraine no 665 of April 26, 2007

"-" or "+" are intermediate categories of rating related to main categories.

Every type of letter corresponds to three kinds of outlook:

- Positive (+);
- Neutral ( );
- Negative (-).

When the Agency doesn't provide rating outlook in the materials, is is by default deemed stable.

This appendix makes integral part of any rating report.