

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

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The issuer: "AGROPROSPERIS BANK"

USREOU code of the issuer: 35590956

Web-site of the issuer: www.ap-bank.com



www.expert-rating.com

Long-term credit rating of PJSC "AGROPROSPERIS BANK" is confirmed

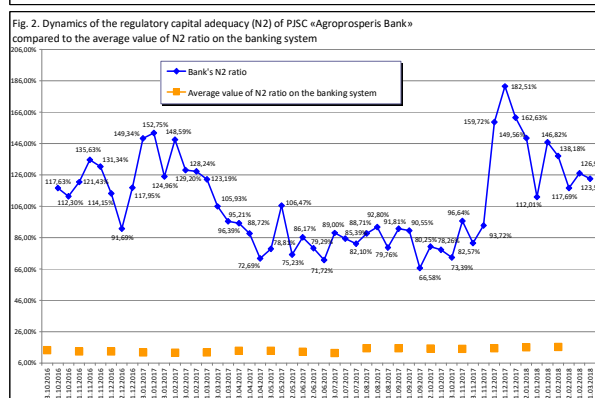
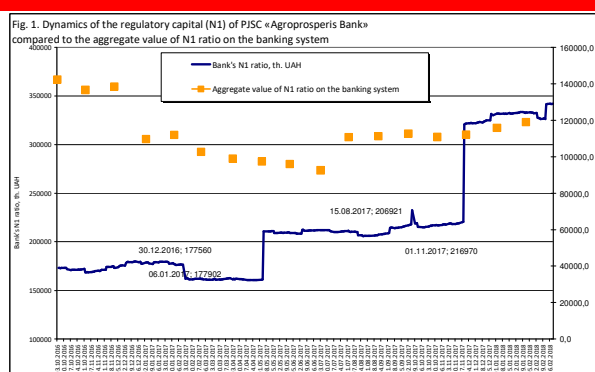
March 22, 2018 at the meeting of the rating committee of Rating agency "Expert-Rating" it was decided to confirm a long-term credit rating of PJSC "AGROPROSPERIS BANK" (35590956) at the level uaAA according to the national scale and a deposit rating at the level ua1 according to the Agency's national scale. Bank (borrower) or separate bond instrument with rating uaAA is characterized by a very high solvency compared to other Ukrainian banks (borrowers) or bond instruments. When confirming the rating the Agency was guided by the analysis of the Bank's statements for the 12 months of 2017, as well as by conclusions drawn by the analysis of the Bank's financial and statistical reports for 2017 and January-February, 2018.

Equity and capital adequacy

Throughout the 12 months of 2017 and January-February, 2018 the regulatory capital normative (N1) fluctuated in the range from UAH 160,62-341,989 mln. From April, 2017 the Bank's N1 ratio demonstrated a sharp growth. Throughout the entire analysis period the Bank's regulatory capital stably exceeded the average indicator on the market. The Bank's N1 ratio as of 01.03.2018 amounted to UAH 341,989 mln that considerably exceed the limit value of N1 ratio, set by NBU, at the level UAH 200 mln.

In 2017 the regulatory capital adequacy normative of PJSC "AGROPROSPERIS BANK" in times exceeded the limit value of N2 ratio, set by the Resolution of NBU Board № 368 from 28.08.2001 (hereinafter – Resolution №368; $N2 > 10\%$). Throughout the entire analysis period the Bank's N2 ratio stably exceeded the average market value of the regulatory capital adequacy. Since the beginning of 2018 the N2 ratio didn't drop lower than 112%.

Since the beginning of 2017 the Bank's N2 ratio reached its minimum of 66,58% on 21.09.2017, and as of March 1, 2018 this indicator amounted to 123,59%. At the beginning of 2018 the Bank was very well provided with regulatory capital.

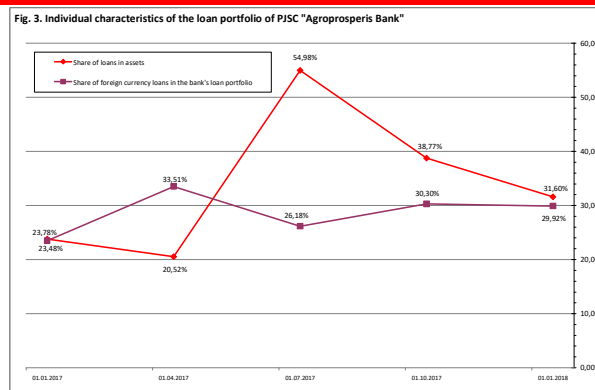


Asset structure and quality

Throughout the last 5 quarters in the Bank's loan portfolio there were the following trends:

- Proportion of loans in the Bank's assets (in hryvnia equivalent) fluctuated in the range 20,52-54,98%;
- Proportion of currency loans (in hryvnia equivalent) in the Bank's loan portfolio fluctuated in the range 23,48%-33,51%;

Besides, one should note that in the period from 01.01.2017-01.01.2018 in the Bank's portfolio there were no loans to individuals. 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 0,02%-0,25%.

As of 01.02.2018 the proportion of NPL in the Bank's loans amounted to 0,02%. This rather small indicator indicates a very high quality of the loan portfolio of PJSC "AGROPROSPERIS BANK". The average value of NPL share on the banking system as of 01.02.2018, according to NBU data, amounted to 57,57%.

Liquidity

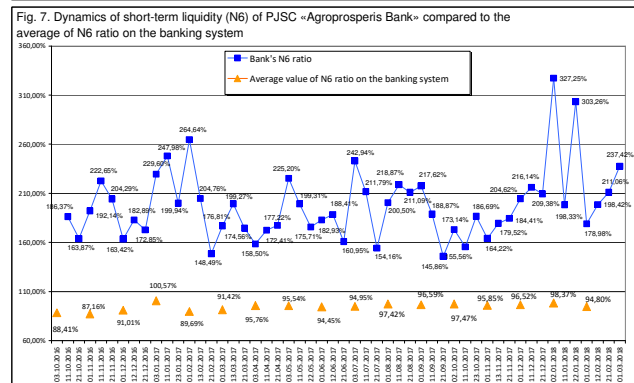
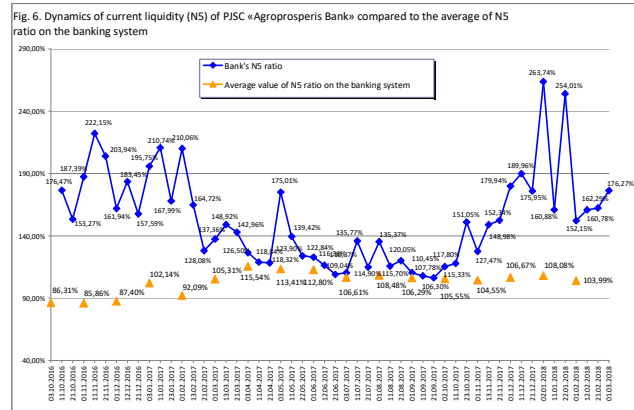
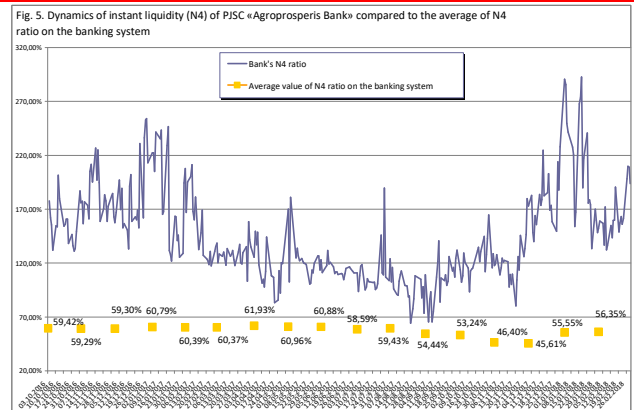
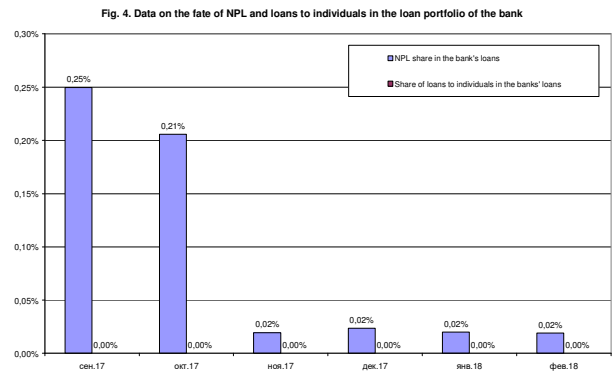
Throughout the 2017 and the first two months of 2018 PJSC "AGROPROSPERIS BANK" was provided with liquidity with a noticeable reserve with respect to the ratios, set by NBU, and the averages on the system, as indicated by the analysis of the Bank's liquidity ratios.

Thus, instant liquidity ratio of the Bank (N4) from October, 2016 on a constant basis exceeded the average of N4 ratio on the banking system and in times was higher than the minimal acceptable value, set by NBU (20%). As of 01.03.2018 the Bank's N4 ratio amounted to 193,7% that almost in 10 times exceeds the limit value of N4 ratio, set by NBU, and is by 137,35 p.p. higher than the average on the banking system.

Throughout the 12 months of 2017 and January-February, 2018 current liquidity ratio (N5) of PJSC "AGROPROSPERIS BANK" all the time was higher than the limit value, set by NBU, and the average value on the banking system. Throughout the entire analysis period the Bank created a sustainable reserve of N5 ratio with respect to the limit value, set by NBU. On 01.03.2018 the Bank's N5 ratio amounted to 176,27% that by 136,27 p.p. exceeds the limit value, set by NBU, and is by 72,28 p.p. higher than the average market value.

Throughout the 12 months of 2017 and January-February, 2018 short-term liquidity ratio (N6) of PJSC "AGROPROSPERIS BANK" all the time was higher than the limit value, set by NBU, and in several times exceeded the average value on the banking system. As of 01.03.2018 the Bank's N6 ratio amounted to 237,42% that is by 177,42 p.p. more than the limit value, set by NBU for this normative.

When assessing dynamics of the Bank's liquidity ratios one should mandatory take into consideration that, starting from October, 2016 the Bank maintained a significant reserve on the N4, N5 and N6 ratios with respect to the limit values, set by NBU, and with respect to the averages on the banking system.



Profitability of operations

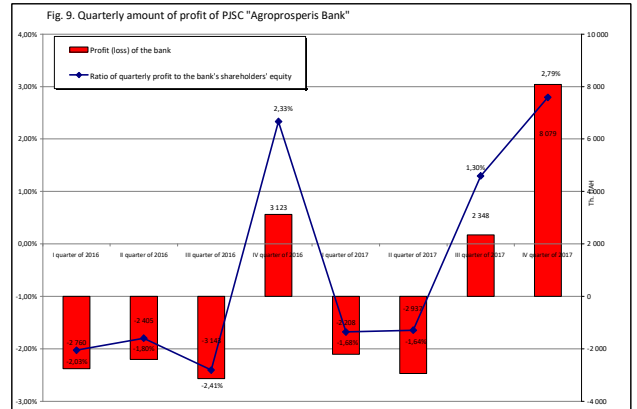
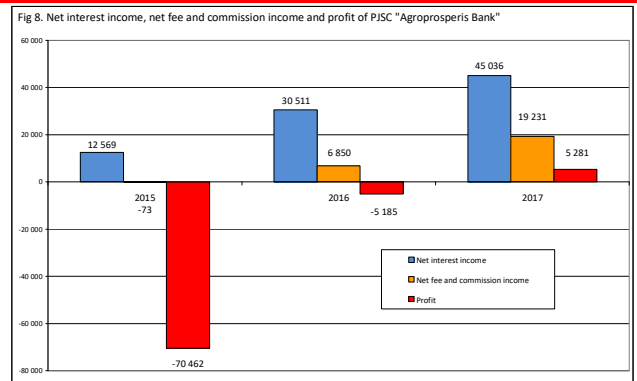
According to the results of 2017 PJSC "AGROPROSPERIS BANK" received profit of UAH 6,392 mln. The Agency notes that the Bank returned to the profitable activity in the third quarter of 2017.

The Agency appreciates the Bank's return to the practice of profitable activity and additionally draws attention to a noticeable increase in net interest and net fee and commission income of the Bank.

Thus, for the 12 months of 2017 net interest income of the Bank grew up to UAH 44,878 mln that was in 1,48 times more than for the same period of 2016. Net commission income also demonstrated an upward trend: for the same period NCI grew in 2,81 times up to UAH 19,230 mln.

Additionally, one should pay attention to the fact that the entire 2016 year and the first two months of 2017 were unprofitable and only in the third quarter of 2017 the Bank began to show profit.

The Agency expects that in the future the Bank's activity will remain profitable. This is facilitated by, although a weak, but economic growth, as well as the market-oriented business model of the Bank.



Other factors

Verification on public databases of the State Fiscal Service showed that PJSC "AGROPROSPERIS BANK" was registered in authorities of the SFS. At the moment of rating update the Bank, as a tax payer, didn't have any tax debt.

Analysis of the unified state court register showed that there were no court decisions, which could have a considerable negative impact on the Bank's activity.

Generalization

At the moment of updating the rating the Bank fulfilled its commitments to clients and lenders according to the applicable legislation and was not referred by the NBU to the category of problem banks.

PJSC "AGROPROSPERIS BANK" for the 12 months of 2017 demonstrated a noticeable increase in net interest and commission income compared to the results for the 12 months of 2016. In the third quarter of 2016 PJSC "AGROPROSPERIS BANK" returned to the profitable activity. For the 12 months of 2017 the Bank received profit of UAH 6,392 mln.

In the Agency's opinion, PJSC "AGROPROSPERIS BANK" was very well provided with liquidity and regulatory capital. The Bank on a constant basis maintained a noticeable reserve on all the liquidity ratios with respect to the limit value, set by NBU and to the averages of liquidity ratios on the banking system.

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