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PRESS-RELEASE
(Translation from Russian)

RA «Expert-Rating» improves the credit rating of PJSC «Creditprombank» up to uaBBB+ following the results of 2011

February 27, 2012 RA «Expert-Rating» improves the credit rating of PJSC «Creditprombank» up to the level **uaBBB+** according to the national scale, and also changes the rating outlook to “positive”. When improving the credit rating, the Agency was guided by the data on the results of the Bank’s activity for the 2011 (table).

Table

Key performance indicators of PJSC «Creditprombank» (th. UAH, %)

Indicator	2011 (01.01.2012)	2010 (01.01.2011)	Change, th. UAH, p.p.	Growth rate, %
Total assets	12 507 722	14 234 951	(1 727 229)	(12,13)
Cash and cash equivalents	1 009 127	1 387 168	(378 041)	(27,25)
Clients' credits and debts	12 251 973	11 072 218	1 179 755	10,66
Loans provisions	2 323 306	1 603 439	719 867	44,90
Total liabilities	10 378 817	12 377 936	(1 999 119)	(16,15)
Commitments to other banks	2 007 980	2 805 396	(797 416)	(28,42)
Funds of legal entities	1 717 139	1 837 871	(120 732)	(6,57)
Funds of individuals	5 354 027	4 772 127	581 900	12,19
Shareholders' equity	2 128 905	1 857 015	271 890	14,64
Net interest income	380 948	562 015	(181 067)	(32,22)
Net profit	-683 808	25 294	-	-
Loans provisions/Loan portfolio ratio	18,96%	14,48%	4,48 p.p.	-
Equity/Assets ratio	17,02%	13,05%	3,98 p.p.	-
ROE	-32,12%	1,36%	(33,48 p.p.)	-

Source: data of NBU, calculations by RA «Expert-Rating»

When improving the rating, the Agency was based on the following conclusions:

1. The Bank’s assets have constituted UAH 12,5 bn. on 01.01.2012, that is by 12,13% less, than on 01.01.2011. The key reason of reducing the Bank’s assets has become additional reserves for active operations formed by the Bank. Besides, cash has decreased by 27,25% in 2011, its proportion in total assets has decreased insignificantly – from 9,74% as of 01.01.2011 up to 8,07% as of 01.01.2012. At the same time, the Bank’s loan portfolio has increased by 10,66% or by UAH 1,2 bn. for the same period and it has constituted UAH 12,3 bn, as of 01.01.2012. The Bank has continued to increase its loans provisions in the analyzed period. Thus, they have grown by 44,9% or by UAH 719,9 mln. for the period from 01.01.2011 to 01.01.2012 and they have amounted to UAH 2,3 bn. following the results of 2011, that corresponds to 18,96% of the loan portfolio and exceeds a little the market average level of this indicator on the banking system of Ukraine (18,16%). The Agency positively estimates the rise of the loan portfolio of PJSC «Creditprombank», that must positively affect the increase in the Bank’s interest income in future and positively impact its indicators of profitability.

2. The Bank’s liabilities have constituted UAH 10,4 bn. following the results of 2011, that is by 16,15% or by UAH 2 bn. less, than following the results of 2010. The reduction in the Bank’s total liabilities has occurred due to the decrease in commitments to other banks (by 28,42% or by UAH 797,4 mln.), the reduction in funds of legal entities (by 6,57% or by UAH 120,7 mln.). Besides, the Bank has succeeded to increase its deposit portfolio of individuals, its volume has increased by UAH 581,9 mln. (or by 12,19%) and it has constituted UAH 5,4 bn. as of 01.01.2012.

3. The reduction in net interest income (by 32,22% or by UAH 181,1 mln.) and the significant rise of loans provisions (by 44,9% or by UAH 719,9 mln.), which are noted by the results of 2011 comparing to the results of 2010, negatively affected the Bank's financial result. Thus, the loss of the company has amounted to UAH 683,8 mln. for the 2011, while the Bank worked profitably the year earlier. At the same time, it should be taken into account that a similar state is typical not only for Creditprombank, difficult conditions of conducting banking business and necessity of forming the adequate reserves for covering credit risks have led to that the total financial result of the Ukrainian banking system is negative following the results of 2011. The Agency negatively estimates the Bank's unprofitable activity, although the loss, shown by the Bank following the results of 2011, can't have a significant impact on the stability of financial institution.

4. The Bank's shareholders' equity has constituted UAH 2,1 bn. as of 01.01.2012, that is by 14,64% or by UAH 271,9 mln. more, than as of 01.01.2011. The increase in equity has contributed to the rise of the equity/assets ratio, which has reached 17,02% as of 01.01.2012, while this indicator was at 13,05% as of 01.01.2011. Let's remind that in 2011 there has been an additional capitalization of financial institution in the form of additional issue of shares. This issue has resulted in the following structure of Bank's shareholders: the company «Homertron Trading Limited» owns 23,5% of shares, the company «Fintest Holding Limited» owns 28,72% of shares, the company «Kalouma Holdings Limited» controls 47,78% of the Bank's authorized capital. At the same time, the shareholders of the company «Kalouma Holdings Limited» are the 28 leading international financial institutions, among which, in particular, are: the European Bank of Reconstruction and Development, BNP Paribas (Suisse) SA, ING Belgium S.A./N.V., UniCredit Bank Austria AG, Pireus Bank S.A., Erste Bank Internationale Beteiligung GmbH, Cargill Incorp. etc. In the Agency's opinion, the completion of the restructuring of shareholders in PJSC «Creditprombank» has brought fundamental changes to the Bank, which have already had a positive and clear impact on its solvency and provide the Bank with a high level of external support in future.

Therefore, the analysis of key performance indicators of PJSC «Creditprombank» and dynamics of its changes indicate that the 2011 year has brought the strengthening of competitive positions to the Bank. The most important achievement of 2011 remains the completion of debt restructuring to international lenders and the appearance of EBRD and group of international banks in the shareholders' structure. It is this factor has had a decisive impact on making decision about improving the credit rating of the Bank according to the national scale.

At the same time, the Bank's management and shareholders have succeeded to promptly and efficiently concentrate necessary resources to neutralize the still manifested negative consequences of financial crisis as evidenced by the level of formed loans provisions and by the increase in shareholders' equity. As a result, having formed a sufficient reserve of safety and solvency, the Bank continues to confidently develop: by attracting the financial resources and by increasing its loan portfolio, it strengthens its business-positions in the domestic market of banking services.

Analytical service of RA «Expert-Rating»