

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.com.ua



www.expert-rating.com

Ratings of PSC Prominvestbank are confirmed

September 7, 2015 at the meeting of the Rating committee of RA “Expert-Rating” it was decided to confirm a long-term credit rating of PSC Prominvestbank (00039002) at the level uaAAA according to the Ukrainian national scale, as well as the rating of deposits of PSC Prominvestbank at the level ua1 that is the highest of the possible assessments of deposit reliability according to the Agency’s scale.

The borrower or the separate bond instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian borrowers or bond instruments. Updating the ratings, the Agency was guided by the results of the Bank’s activity for the first half of 2015, the regular and particular information of the Bank as an issuer, as well as the results of analysis of certain forms of statistical reporting of the Bank for the first 7 months of 2015.

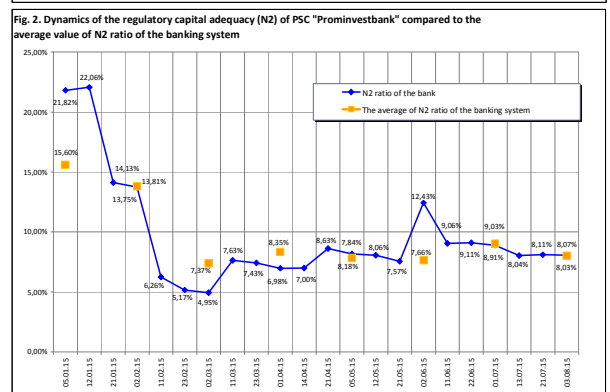
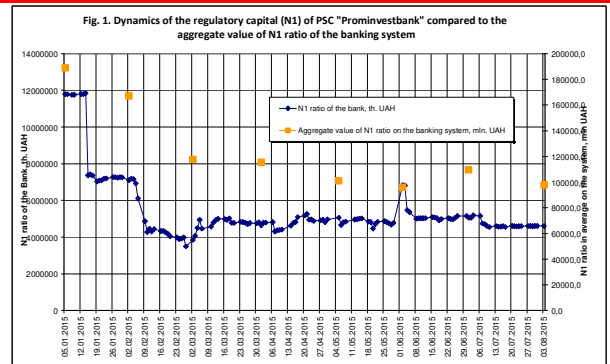
Equity and capital adequacy

During the first seven months of 2015 the Bank, including external support from the shareholder, was provided with the regulatory capital at an acceptable level. Dynamics of the Bank’s equity ratios (N1 and N2) corresponded to the general market trends.

For the period from 05.01.2015 to 03.08.2015 the normative of the Bank’s regulatory capital (N1) decreased by 60,97%, while an aggregate value of N1 ratio of the banking system decreased by 48,24%. From the beginning of March till the beginning of August of 2015 the dynamics of the Bank’s N1 ratio corresponded to the dynamics of the aggregate value of N1 ratio of the banking system.

Dynamics of the Bank’s N2 ratio corresponded to the average of N2 ratio of the banking system during the entire period of analysis, exceeding the average of N2 ratio of the banking system, and then lagging behind it. As of 03.08.2015 the Bank’s N2 ratio amounted to 8,03% with the average of the banking system 8,07%.

The Agency also reminds that PSC Prominvestbank in April of 2015 announced that increased the authorized capital by UAH 9,2 bn, or by 72,8% - up to UAH 21,833 bn. The Agency expects an improvement of values of the Bank’s equity ratios after completing the already announced process of additional capitalization.

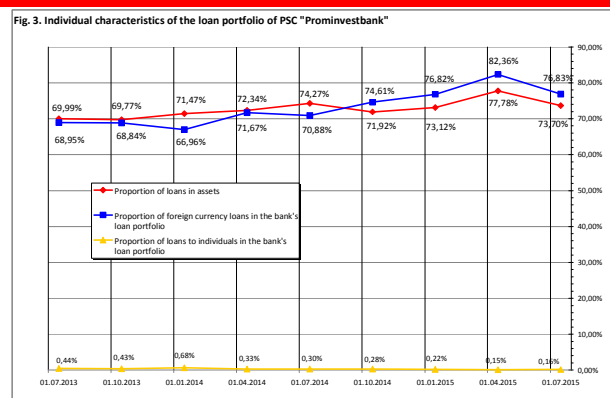


Asset structure and quality

In the first half of 2015 assets of PSC Prominvestbank in hryvnia equivalent grew by 7,7%, customers’ credits and debt increased by 8,53%, while loan provisions grew by 13,79%. The proportion of loans in the Bank’s assets for the period from 01.07.2013 to 01.07.2015 grew from 69,99% to 73,70%. Loans to clients remained the main item of the Bank’s assets.

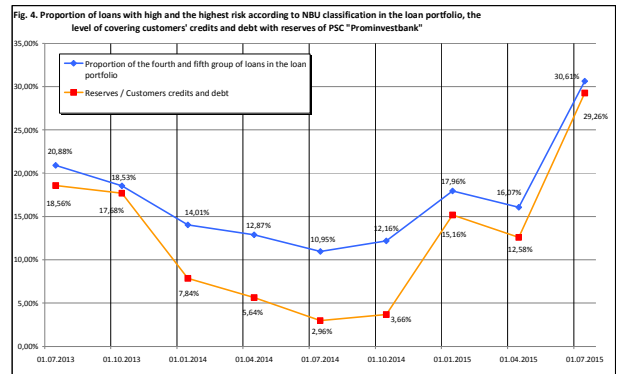
For the same period the proportion of foreign currency loans in the Bank’s loan portfolio grew from 68,95% to 76,83% that is a little bit within significant rates of hryvnia devaluation. But foreign currency loans occupy a great volume of the Bank’s loan portfolio that is why the quality of its loan portfolio can be sensitive to devaluation processes.

For the period from 01.07.2013 to 01.07.2015 the



proportion of loans to individuals in the Bank's loan portfolio decreased from 0,44% to 0,16%.

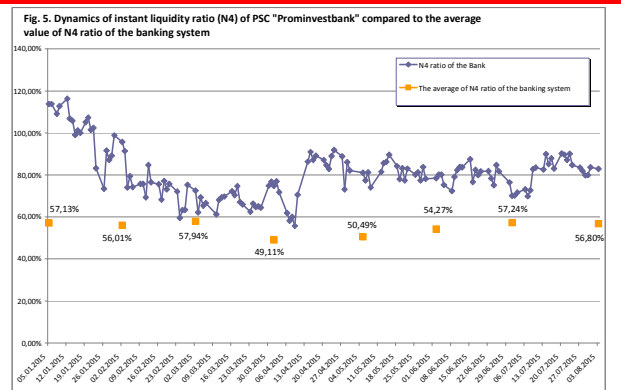
For the same period the proportion of non-performing loans grew from 20,88% to 30,61%. The fall of the loan portfolio quality was under the Bank's control, and its loan risks were partially compensated due to revenues from lending and other banking operations, and partially – due to funds of shareholders in the form of additional capitalization.



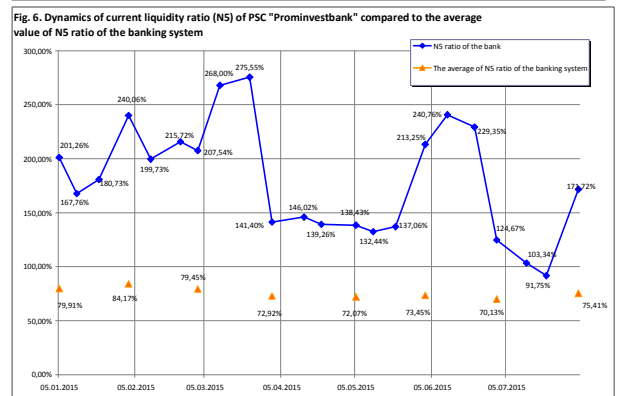
Liquidity

During the first seven months of 2015 PSC Prominvestbank was very well provided with liquidity.

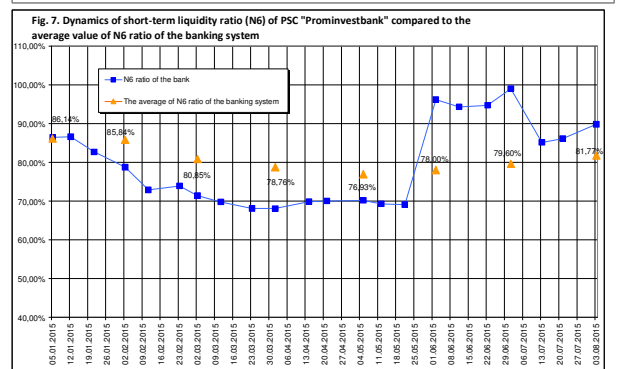
During the entire analysis period the Bank complied with N4 ratio within the normative values, set by NBU. For the period from 05.01.2015 to 03.08.2015 instant liquidity ratio (N4) of the Bank was always higher than the average of N4 ratio on the banking system of Ukraine. As of 03.08.2015 the Bank's N4 ratio amounted to 82,87% with the average of the system 56,80% and the limit value 20%, set by NBU.



For the period from 05.01.2015 to 03.08.2015 the normative of current liquidity ratio of the Bank (N5) was met within the limit values, set by NBU. As well, the Bank's N5 ratio stably exceeded the averages of this normative on the banking system. As of 03.08.2015 the Bank's N5 ratio amounted to 171,72% with the average of the system 75,41% and the limit value 40%, set by NBU.



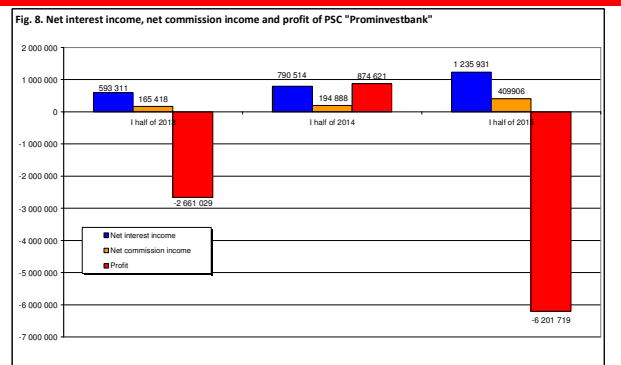
For the period from 05.01.2015 to 03.08.2015 short-term liquidity ratio of the Bank (N6) was met within the limit values, set by NBU. During June-August of 2015 the Bank's N6 ratio was more than the average value of this normative of the banking system of Ukraine.



In view of the difficult period in economics of Ukraine and the escalating risks in the banking sector, the policy of liquidity management of PSC Prominvestbank can be considered optimal, oriented on the negative scenario of the development of economics and a further fall in the quality of bank assets.

Profitability of operations

PSC Prominvestbank finished the first half of 2015 with a loss of UAH 6,2 bn against a profit of UAH 0,87 bn in the first half of 2014. In the Agency's opinion, the Bank's unprofitable activity was influenced by: the need to increase loan provisions and the devaluation of hryvnia.

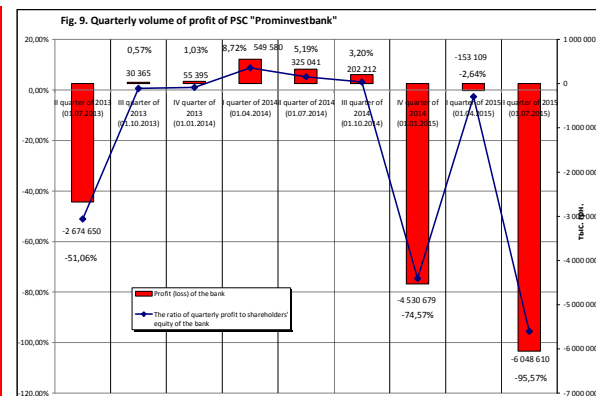


The Agency draws attention to the Bank's ability to provide a constant increase in net interest income (NII). Thus, the Bank's NII for the first half of 2013 amounted to UAH 0,59 bn, for the first half of 2014 UAH 0,79 bn, for the first half of 2015 UAH 1,24 bn. The same trend was also revealed with the analysis of net commission income that indicates the

Bank's ability to provide the increase in key items of revenues in a crisis.

Analysis of dynamics of quarterly profit volume shows that for the Bank only three of the last nine months were unprofitable for the Bank. The volume of loss advantageously depended on the Bank's costs for additional formation of loan provisions.

The above statistics confirms the Bank's ability to generate key items of revenues in difficult economic conditions.



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.

According to the Agency, the expansion of US sanctions against the Russian Federation and adding to the sanctions lists of Vnesheconombank (VEB, Russia) will not affect the operating activities of PSC Prominvestbank. Restrictions concern the settlements with individuals and legal entities engaged in economic and other activities in the Crimea. PSC Prominvestbank, in accordance with the requirements of the public authorities, does not operate in the Crimea and has no assets and customers in the region. Restrictions on borrowings in international capital markets also do not affect the activity of PSC Prominvestbank, since PSC Prominvestbank doesn't perform such borrowings already over a year.

In addition, the Agency notes that the tension in Russian-Ukrainian relations can create risks for PSC Prominvestbank, the character and the nature of which is independent of PSC Prominvestbank and which are difficult measurable to numerical estimates. Studying these forms of risks, the Agency was guided by the normative documents of the National Bank and the facts of the interaction of PSC Prominvestbank with state institutions in Ukraine. The Agency reminds that since January of 2015 PSC Prominvestbank was recognized by NBU as a systemically important bank. On July 10, 2015 The Deposit Guarantee Fund of individuals chose PSC Prominvestbank as one of its agent banks in the years 2015-2016 to make payments of guaranteed amounts on deposits to depositors of insolvent banks that are under liquidation.

Generalization

As of 07.09.2015 PSC Prominvestbank performed its commitments to clients and lenders according to the current legislation.

During the first seven months of 2015 the Bank, including external support from the shareholder, was provided with the regulatory capital at an acceptable level. Dynamics of the Bank's equity ratios (N1 and N2) corresponded to the general market trends.

For the period from 01.07.2013 to 01.07.2015 the proportion of non-performing loans grew from 20,88% to 30,61%. The fall of the loan portfolio quality was under the Bank's control, and its loan risks were partially compensated due to revenues from lending and other banking operations, and partially – due to funds of shareholders in the form of additional capitalization.

During the first seven months of 2015 PSC Prominvestbank was very well provided with liquidity. As of 03.08.2015 the Bank's N4 ratio amounted to 82,87% with the average of the system 56,80% and the limit value 20%, set by NBU. As of 03.08.2015 the Bank's N5 ratio amounted to 171,72% with the average value of the system 75,41% and the limit value 40%, set by NBU.

The Agency draws attention to the Bank's ability to provide a constant increase in net interest income (NII). The Bank's NII for the first half of 2013 amounted to UAH 0,59 bn, for the first half of 2014 UAH 0,79 bn, for the first half of 2015 UAH 1,24 bn. The same trend was also revealed with the analysis of net commission income that indicates the Bank's ability to provide the increase in key items of revenues in a crisis.

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