

18.03.2015

Credit rating of PSC Prominvestbank is confirmed

March 18, 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) and also a credit rating of the Bank's bonds, which are in circulation, at the level uaAAA according to the Ukrainian national 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. Improving the ratings, the Agency was guided by the results of the Bank's activity for 2014, 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 at the beginning of 2015.

Table 1. Key balance sheet indicators of PSC Prominvestbank according to 2014, th. UAH, %, p.p.

Indicators	01.01.2015	01.01.2014	Change	Growth rate, %
Shareholders' equity	6 075 542	5 377 144	698 398	12,99%
Authorized capital	8 212 007	8 199 297	12 710	0,16%
Shareholders' equity/Assets ratio, %	11,54%	13,53%	-1,99 p.p.	-
Total liabilities	46 580 682	34 357 256	12 223 426	35,58%
<i>Including liabilities in foreign currency</i>	<i>37 475 127</i>	<i>23 180 894</i>	<i>14 294 233</i>	<i>61,66%</i>
Funds of banks	27 022 065	16 376 358	10 645 707	65,01%
Funds of individuals	7 624 943	8 105 549	-480 606	-5,93%
Funds of legal entities	6 057 676	5 792 375	265 301	4,58%
Total assets	52 656 224	39 734 400	12 921 824	32,52%
Liquid assets (Cash and cash equivalents + Funds of mandatory reserves in NBU + Trading securities + Funds in other banks)	5 696 770	4 125 690	1 571 080	38,08%
Customer credits and debt, including reserves	44 336 293	30 620 654	13 715 639	44,79%
Loan provisions	5 835 614	2 224 754	3 610 860	162,30%
Loan provisions/ customer credits and debt ratio, %	13,16%	7,27%	5,89 p.p.	-
Securities for sale	3 332 142	2 845 221	486 921	17,11%
Securities for sale provisions	88 728	90 053	-1 325	-1,47%
Liquid assets/Liabilities ratio, %	12,23%	12,01%	0,22 p.p.	-

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

1. According to the results of 2014 the key balance sheet indicators of PSC Prominvestbank in hryvnia equivalent have demonstrated the following changes:

- Shareholders' equity has increased by UAH 698,4 mln or by 12,99% and as at the beginning of 2015 has amounted to UAH 6,08 bn (the main source of the increase in shareholders' equity has become additional contributions of the main shareholder to the authorized capital of the Bank: as of 01.01.2015 the unregistered contributions to the authorized capital have amounted to UAH 4,42 bn);
- Liabilities have grown by 35,58% – up to UAH 46,58 bn, at the same time, the main sources of the increase in the Bank's resource base have become funds of banks and funds of legal entities, whose volumes have increased by 65,01% (or by UAH 10,65 bn) and 4,58% (or UAH 265,3 mln) respectively. At the same time, funds of individuals have decreased by 5,93% (or UAH 480,61 mln);
- Assets have increased by 32,52% and have amounted to UAH 52,66 bn, while customer credits and debt of the Bank's clients including reserves has grown by 44,79% or by UAH 13,72 bn.

According to the data of financial statements of PSC Prominvestbank for the fourth quarter of 2014, as of 01.01.2015 the 70,67% of the credit operations of the Bank have been attributed to the first (UAH 7,86 bn) and second (UAH 29,38 bn) categories of quality, i.e. have differed by minimal (the first category of quality) and moderate (the second category of quality) levels of risks. As of 01.01.2015 the proportion of NPLs of the Bank (attributed to the fourth and fifth categories of quality) has amounted to 17,96% that is by 3,95 p.p. more than as of 01.01.2014.

2. Dynamics of key balance sheet indicators of PSC Prominvestbank have reflected in the change of its equity norms. Thus, the Bank's regulatory capital (N1) as of 01.01.2015 compared to 01.01.2014 has increased by UAH 6,54 bn or by 124,38% and has amounted to UAH 11,79 bn. one of the key sources of increasing the

regulatory capital has become additional contributions of shareholders to the authorized capital of PSC Prominvestbank. The Agency reminds that on November 27, 2014 by the extraordinary general shareholders meeting it was decided about additional capitalization of PSC Prominvestbank through additional issue of shares amounting to UAH 4,7 bn. Synchronously with the increase in N1 the Bank's norm of the regulatory capital adequacy (N2) has grown. Thus, as of 01.01.2015 N2 has amounted to 21,82% that is by 8,14 p.p. more than as of 01.01.2014. Therefore, as at the beginning of 2015 the norm of the regulatory capital adequacy of PSC Prominvestbank (N2) has exceeded the limit level set by NBU and the average of this norm on the banking system of Ukraine.

Table 2. Key norms of PJSC «Prominvestbank» according to 2014, th. UAH, %, p.p.

Norms	The norm set by NBU	01.01.2015		01.01.2014		Change, th. UAH, p.p.
		The Bank's norm	The average of the system	The Bank's norm	The average of the system	
Regulatory capital (N1), th. UAH	Not less than UAH 120 000 th.	11 790 572	-	5 254 825	-	6 535 747
Regulatory capital adequacy (N2), %	Not less 10%	21,82%	15,60%	13,68%	18,26%	8,14 p.p.
Instant liquidity (N4), %	Not less 20%	113,76%	57,13%	76,14%	56,99%	37,62 p.p.
Current liquidity (N5), %	Not less 40%	201,26%	79,91%	67,50%	80,86%	133,76 p.p.
Short-term liquidity (N6), %	Not less 60%	86,48%	86,14%	75,79%	89,11%	10,69 p.p.
Norm of large loan risks (N8), %	Not more 800%	178,59%	250,04%	429,37%	172,05%	-250,78 p.p.
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders (N10), %	Not more 30%	0,03%	1,37%	0,06%	1,63%	-0,03 p.p.

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

3. Liquidity norms of PSC Prominvestbank as of 01.01.2015 compared to 01.01.2014 have demonstrated the increase in values:

- Norm of instant liquidity (N4) has increased by 37,62 p.p. and has amounted to 113,76%;
- Norm of current liquidity (N5) has grown by 133,76 p.p. – up to 201,26%;
- Norm of short-term liquidity (N6) has added 10,69 p.p. and has amounted to 86,48%.

Therefore, as at the beginning of 2015 the liquidity norms of PSC Prominvestbank have been complied with a noticeable reserve not only with respect to the limits, set by the regulator, but to the averages of these norms on the banking system of Ukraine (N4 has exceeded the average indicator of the market by 56,63 p.p., N5 – by 121,35 p.p., N6 – by 0,34 p.p.).

Table 3. Separate indicators of income and expenses of PSC Prominvestbank according to 2014

Indicators	For 2014	For 2013	Change	th. UAH, %, p.p.	
				Change	Growth rate, %
Net interest income	1 734 107	1 226 226	507 881		41,42%
Net commission income	594 795	373 319	221 476		59,33%
Net commission income/ Net interest income ratio	34,30%	30,44%	3,86 p.p.		-
Result from operations with foreign currency	1 437 051	151 584	1 285 467		848,02%
Administrative and other operating expenses	1 540 188	1 442 499	97 689		6,77%
Net profit	(3 453 846)	(2 568 077)	-		-
ROE, %	(56,85%)	(47,76%)	-		-

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

4. Key items of income of PSC Prominvestbank according to the results of 2014 compared to 2013 have shown a significant increase, namely:

- Net interest income has increased by UAH 507,88 mln or by 41,42%;
- Net commission income has grown by UAH 221,48 mln or by 59,33%;
- Result from operations with foreign currency has grown by UAH 1,29 bn or in 9,5 times.

Nevertheless, despite the increase in the volume of key items of income, according to the results of 2014 PSC Prominvestbank has shown a loss of UAH 3,45 bn that is by 34,49% higher than the Bank's loss according to the results of 2013. One of the key factors of increasing the Bank's loss has become the growth of deductions to the loan provisions and funds in other banks.

Therefore, according to the results of 2014 the key balance sheet indicators of PSC Prominvestbank in hryvnia equivalent have demonstrated rather high growth rates. In the fourth quarter of last year the shareholders of PSC Prominvestbank have contributed additional funds to the authorized capital of the Bank that has positively affected the dynamics of shareholders' equity and regulatory capital. Besides, PSC Prominvestbank has considerably increased the resource base due to funds raised from other banks that has

enabled to compensate the outflow of funds of individuals. As at the beginning of 2015 the equity norms (N2) and the liquidity norms (N4, N5 and N6) of PSC Prominvestbank have been complied with a noticeable reserve not only with respect to the limits set by NBU, but to the average indicators of these norms on the banking system of Ukraine. Key items of the Bank's income according to the results of 2014 compared to 2013 have demonstrated a significant increase. One of the risk factors in activity of PSC Prominvestbank remains the tension in Russian-Ukrainian relations. Nevertheless, the shareholders of PSC Prominvestbank have performed the increase in the authorized capital announced in 2014, and NBU in December of 2014 has attributed PSC Prominvestbank to the category of system banks.

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