

09.09.2014

Ratings of PJSC «Prominvestbank» are confirmed

September 9, 2014 at the meeting of the rating committee of RA «Expert-Rating» it was decided to confirm a long-term credit rating of PJSC «Prominvestbank» (00039002) and also the credit rating of the Bank's bonds, which are in circulation, at the level uaAA+ according to the Ukrainian national scale. The borrower or the separate bond instrument with rating uaAA+ is characterized by a very high solvency compared to other Ukrainian borrowers or bond instruments. Confirming the ratings, the Agency was guided by the results of the Bank's activity in the H1 of 2014.

1. Analysis of key balance sheet indicators of the Bank for the first half of 2014 has enabled to make conclusions on the following changes:

- The Bank has increased its shareholders' equity by 16,57%;
- Liabilities of the Bank have increased by 31,07% (for the first quarter by 24,12%). Funds of banks in liabilities have still been growing with the greatest rates (for the first half this item of the balance sheet has grown by 56,48%, and for the first quarter – by 47,18%). Funds of legal entities have grown by 22,33% (in the first quarter by 3,57%), and funds of individuals in hryvnia equivalent have slightly decreased;
- In the first half customer credits and debt including reserves of the Bank in hryvnia equivalent have grown by 28,10% (in the first quarter by 22,15%).

As a whole, the Bank has continued the trends of the first quarter. The increase in assets has been observed against the background of the increase in shareholders' equity and liabilities of the Bank in hryvnia equivalent. In the structure of the Bank's resource base the decrease in funds of individuals has been still compensated by the increase in funds of legal entities with a great reserve.

Table 1. **Key balance sheet indicators of PJSC «Prominvestbank» in the H1 of 2014**, th. UAH, %, p.p.

Indicators	01.07.2014	01.01.2014	Change	Growth rate, %
Shareholders' equity	6267972	5377144	890828	16,57%
Authorized capital	8217092	8199297	17795	0,22%
Shareholders' equity/Assets ratio, %	12,22%	13,53%	-1,31 p.p.	-
Total liabilities	45031859	34357256	10674603	31,07%
<i>Including liabilities in foreign currency</i>	<i>34425396</i>	<i>23180894</i>	<i>11244502</i>	<i>48,51%</i>
Funds of banks	25625730	16376358	9249372	56,48%
Funds of individuals	7987760	8105549	-117789	-1,45%
Funds of legal entities	7085893	5792375	1293518	22,33%
Total assets	51299831	39734400	11565431	29,11%
Liquid assets (Cash and cash equivalents + Funds of mandatory reserves in NBU + Trading securities + Funds in other banks)	4734037	4125690	608347	14,75%
Customer credits and debt, including reserves	39225662	30620654	8605008	28,10%
<i>Loan provisions</i>	<i>1126466</i>	<i>2224754</i>	<i>-1098288</i>	<i>-49,37%</i>
<i>Loan provisions/ customer credits and debt ratio, %</i>	<i>2,87%</i>	<i>7,27%</i>	<i>-4,39 p.p.</i>	<i>-</i>
Securities for sale	3783975	2845221	938754	32,99%
Securities for sale provisions	88728	90053	-1325	-1,47%
Liquid assets/Liabilities ratio, %	10,51%	12,01%	-1,50 p.p.	-

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

2. For the first half of 2014 PJSC «Prominvestbank» has increased the regulatory capital (N1) by 20,13% (in the first quarter N1 has grown by 19,62%). The ratio of regulatory capital to total assets (N3) has decreased by 0,50 p.p., and the regulatory capital adequacy (N2) has decreased by 0,87 p.p. that has also continued the trends of the first quarter and has corresponded to the general trends on the banking system. At the same time, N2 and N3 on the banking system have decreased faster than the Bank's ones. Despite a continuing decrease in N2 and N3 the Bank has complied with these norms with a reserve with respect to the limit value, set by NBU.

On 01.07.2014 the Bank has continued maintaining a very high level of liquidity. Instant (N4) and

current (N5) liquidity have been complied not only with a great reserve with respect to the norms, set by NBU, but also have noticeably exceeded the average of these normative indicators on the banking system. The norm of the Bank's short-term liquidity (N6) on 01.07.2014 has been lower than the average on the system, but has exceeded by 13,99 p.p. the value, set by NBU.

In the Agency's opinion, PJSC «Prominvestbank» has entered the second half of 2014 with an excellent reserve of liquidity, which is more than sufficient in order to resist to negative processes in the real sector of economics.

Table 2. Key norms of PJSC «Prominvestbank» in the H1 of 2014, th. UAH, %, p.p.

Norms	The norm set by NBU	01.07.2014		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.	6312445	-	5254825	-	1057620
Regulatory capital adequacy (N2), %	Not less 10%	12,81%	15,87%	13,68%	18,26%	-0,87 p.p.
Regulatory capital/Total assets ratio (N3), %	Not less 9%	12,04%	12,56%	12,54%	13,98%	-0,50 p.p.
Instant liquidity (N4), %	Not less 20%	76,08%	48,50%	76,14%	56,99%	-0,06 p.p.
Current liquidity (N5), %	Not less 40%	104,45%	78,71%	67,50%	80,86%	36,95 p.p.
Short-term liquidity (N6), %	Not less 60%	73,99%	85,16%	75,79%	89,11%	-1,80 p.p.
Norm of large loan risks (N8), %	Not more 800%	453,54%	243,58%	429,37%	172,05%	24,17 p.p.
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders (N10), %	Not more 30%	0,05%	1,54%	0,06%	1,63%	-0,01 p.p.

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

3. In the first half, as well as in the first quarter of 2014 key indicators of PJSC «Prominvestbank» revenues have demonstrated a noticeable increase. Net interest income of the Bank for the H1 of 2014 has grown by 33,24% (in the first quarter by 25,83%). For the same period net commission income has grown by 17,82% (in the first quarter by 6,15%), and the result from operations with foreign currency has increased in 11,95 times.

The Bank has finished the first half of 2014 with net profit of UAH 874,62 mln (in the first quarter UAH 549,58 mln). In 2014 the Bank has moved away from the unprofitable activity and has demonstrated the ability to generate great volumes of profit that has positively affected the level of its financial stability.

Table 3. Separate indicators of income and expenses of PJSC «Prominvestbank» in the H1 of 2014

th. UAH, %, p.p.

Indicators	H1 of 2014	H1 of 2013	Change	Growth rate, %
Net interest income	790514	593311	197203	33,24%
Net commission income	194888	165418	29470	17,82%
Net commission income/ Net interest income ratio	24,65%	27,88%	-3,23 p.p.	-
Result from operations with foreign currency	885136	74037	811099	1095,53%
Administrative and other operating expenses	678110	597129	80981	13,56%
Net profit	874621	-2661029	-	-
ROE, %	13,95%	-49,49%	-	-

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

4. The Agency also reminds that July 30, 2014 PJSC «Prominvestbank» has fully and in time fulfilled its obligations on the repayment of bonds of Series F. Bonds of Series F were placed by the issuer in the stock exchange PJSC «SE «Perspectiva» in the third quarter of 2012. The volume issue of the securities of this Series amounted to 500 th., par value of each bond – UAH 1000. In February of 2014 the Bank registered a new issue of bonds (Series G, H, I) with the total volume of UAH 1 bn, the bonds are issued with the aim to attract resources to increase the loan-investment portfolio of the Bank. The Agency positively assesses the fact of the Bank's meeting its obligations on bonds of Series F in time and in full in the difficult economic period that will positively affect the credit history of the Bank in the bond market.

The Agency reminds that the key shareholder of PJSC «Prominvestbank» is the Russian state corporation «Vnesheconombank» and the tension in Russian-Ukrainian relations still can affect the Bank's activity. But in the first half of 2014 the Bank has noticeably improved its key indicators and has shown an excellent financial result.

Therefore, in the first half of 2014 PJSC «Prominvestbank» has continued the main positive trends of the first quarter:

- Has increased its regulatory capital by 20,13%;
- Has formed a very significant reserve of instant and current liquidity, as well as a good reserve of short-term liquidity;
- Has received a record net profit in the amount of UAH 874,62 mln.

The Agency appreciates the work results of PJSC «Prominvestbank» in the first half of 2014 and notes that the only tension in Russian-Ukrainian relations is still a risk factor that constrains the credit ratings of PJSC «Prominvestbank» and its bonds from the highest level according to the national scale.

Analytical service of RA «Expert-Rating»