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(Translation from Russian)

The credit rating of PJSC «PROFIN BANK» is confirmed at the level uaAA

September 06, 2012 RA «Expert-Rating» has decided to confirm the credit rating of **PJSC «PROFIN BANK»** at the level **uaAA** according to the national scale. The borrower with rating **uaAA** is characterized by a very high solvency in comparison with other Ukrainian borrowers. Making decision about confirming the credit rating according to the national scale, the Agency was guided by key results of the Bank's activity in the 1 half of 2012.

Table 1

Key balance sheet indicators of PJSC «PROFIN BANK» in the I half of 2012, th. UAH, %, p.p.

Indicators	01.07.2012	01.01.2012	Change	Growth rate, %
Shareholders' equity	**183 438**	**183 358**	**80**	**0,04%**
Authorized capital	157 717	96 250	61 467	63,86%
Shareholders' equity/Assets ratio, %	40,53%	54,66%	-14,13 p.p.	-
Total liabilities	**269 125**	**152 080**	**117 045**	**76,96%**
Including liabilities in foreign currency	18 551	16 298	2 253	13,82%
Funds of banks	43 968	49 892	-5 924	-11,87%
Funds of individuals	101 336	56 619	44 717	78,98%
Funds of legal entities	108 227	28 375	79 852	281,42%
Total assets	**452 563**	**335 438**	**117 125**	**34,92%**
Liquid assets (Cash and cash equivalents + Trading securities + Funds in other banks)	170 633	75 579	95 054	125,77%
Customer credits and debt	**220 547**	**192 314**	**28 233**	**14,68%**
Including customer credits and debt in foreign currency	5 192	6 294	-1 102	-17,51%
Loan provisions	(22 271)	(16 811)	5 460	32,48%
Loan provisions/ customer credits and debt ratio, %	10,10%	8,74%	1,36 p.p.	-
Liquid assets/Liabilities ratio, %	**63,40%**	**49,70%**	**13,71 p.p.**	**-**

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

1. In the I half of 2012 PJSC «PROFIN BANK» has demonstrated dynamic rates of development. The Bank's assets have increased by 34,92% or by UAH 117,1 mln up to UAH 452,6 mln during the period from 01.01.2012 to 01.07.2012, while the average growth rate of total assets of the Ukrainian banks has been at the level 4,75%. The shareholders' equity of the Bank has increased by 0,04% and has amounted to UAH 183,4 mln as of 01.07.2012. Liabilities of PJSC «PROFIN BANK» have grown by 76,96% or by UAH 117mln up to UAH 269,1 mln, while the average growth rate of this indicator on the banking system of Ukraine has amounted to 4,65%. The loan portfolio of the Bank has increased by 14,68% or by UAH 28,2 mln during this period and has amounted to UAH 220,5 mln as of the beginning of the II half of current year.

2. In the I half of 2012 PJSC «PROFIN BANK» has successfully raised resources from individuals and legal entities. During the 6 months of 2012 the funds of individuals, raised by the Bank, have grown by 78,98% or by UAH 44,7 mln up to UAH 101,3 mln. The average on the system increase in total funds, raised by the Ukrainian banks from individuals, has amounted to 10,47% in the same period. Funds of legal entities have also demonstrated high growth rate: in the period from 01.01.2012 to 01.07.2012 its amount has increased in 3,8 times (by 281,42% or by UAH 79,9 mln) up to UAH 108,2 mln. At the same time, funds raised from other banks have decreased by 11,87% or by UAH 5,9 mln and have amounted to UAH 43,9 mln as of 01.07.2012. Therefore, as of 01.07.2012 the key components of the Bank's liabilities have accounted for the following proportions: funds of individuals have occupied 37,65% (as of 01.01.2012 – 37,23%), funds of

legal entities have amounted to 40,21% (as of 01.01.2012 – 18,66%), the proportion of funds of other banks has accounted for 16,34% (as of 01.01.2012 – 32,81%). As a whole, the Agency appreciates the changes, occurred in the structure of the resource base of PJSC «PROFIN BANK», including due to the reason of its direction at a decrease in the Bank's dependence on the market of interbanking lending.

3. Despite the high growth rates of assets and the related to it some decrease in capital adequacy indicators, the considerable increase in the authorized capital in 2011 has enabled PJSC «PROFIN BANK» to stably maintain the norms N1, N2 and N3 at the excessively high levels. Thus, as of 01.07.2012, compared to 01.07.2011 the regulatory capital (N1) has increased by 40,8% up to UAH 186,2 mln, the norm of the regulatory capital adequacy (N2) has decreased from 71,44% down to 50,56% (the limit indicator – not less 10% and the average indicator on the banking system of Ukraine – 17,98%); the norm of the ratio of regulatory capital to total assets (N3) has decreased by 12,54 p.p.: from 52,10% down to 39,56% (the norm – not less 9%, the average on the system – 14,58%).

Table 2

Key norms of PJSC «PROFIN BANK» in the I half of 2012

Norms	The norm set by NBU	01.07.2012		01.07.2011		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 UAH 120 000 th.**	186 212	-	132 250	-	53 962
Regulatory capital adequacy **(N2)**, %	**Not less 10%**	50,56%	17,98%	71,44%	19,20%	-20,88 p.p.
Regulatory capital/Total assets ratio **(N3)**, %	**Not less 9%**	39,56%	14,58%	52,10%	14,65%	-12,54 p.p.
Instant liquidity **(N4)**, %	**Not less 20%**	75,99%	52,75%	116,82%	54,30%	-40,83 p.p.
Current liquidity **(N5)**, %	**Not less 40%**	139,19%	70,75%	125,57%	73,02%	13,62 p.p.
Short-term liquidity **(N6)**, %	**Not less 60%**	115,02%	94,46%	113,44%	89,34%	1,58 p.p.
Norm of large loan risks **(N8)**, %	**Not more 800%**	34,91%	178,68%	0,00%	148,37%	34,91 p.p.
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders **(N10)**, %	**Not more 30%**	0,38%	2,99%	6,13%	2,36%	-5,75 p.p.

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

4. As of 01.07.2012 the liquidity indicators of PJSC «PROFIN BANK» have been at the excessively high level, significantly increasing the minimal requirements of the regulator as well as the averages on the banking system of Ukraine. Thus, at the given date the norm of instant liquidity (N4) has amounted to 75,99% (the limit norm – not less 20% and the average indicator on the system – 52,75%), the norm of current liquidity (N5) has been at the level 139,19% (the required indicator – not less 40% and the average on the system – 70,75%), the norm of short-term liquidity (N6) has amounted to 115,02% (the norm – not less 60%, the average market indicator – 94,46%).

5. The asset quality of PJSC «PROFIN BANK» has been at a rather good level. As of 01.07.2012 the loan provisions, formed by the Bank, have amounted to UAH 22,3 mln that is by 32,48% or by UAH 5,460 mln more, than as of 01.01.2012. The ratio of loan provisions to loan portfolio of the Bank has also increased by 1,36 p.p. in the period from 01.01.2012 to 01.07.2012 and has amounted to 10,10%, while this level has remained to be much lower, than the average market indicator (20,54%). As of 01.07.2012 the loan portfolio has occupied 48,73% of total assets of the Bank, the liquid assets have occupied 37,7%. The 99,9% of the loan portfolio of the Bank has consisted of credits and debt of individuals. August 4, 2012 at the extraordinary General meeting of shareholders of PJSC «PROFIN BANK» there have been considered and approved terms and conditions of a considerable sale of the loan portfolio to another bank – PJSC «ALFA-BANK», as well as of the sale of the part of loan portfolio of «CREDIT INITIATIVES», LLC. Besides, the General shareholders meeting of PJSC «PROFIN BANK» has decided to suspend the Bank's activities in consumer lending, except the area related to the maintenance or prolongation of existing contracts with clients and counteragents, also the Supervisory Board has been charged to take measures to decrease costs. Therefore, in the short term the Agency expects the fundamental change in the Bank's specialization and due to that the development of new direction of resource allocation. The Bank minimizes the activity in the most risky, but the most profitable market segment – lending individuals that potentially reduces the credit risks of the bank.

Table 3

Indicators of income and expenses of PJSC «PROFIN BANK» in the I half of 2011-2012, th. UAH, %, p.p.

Indicators	I half of 2012	I half of 2011	Change	Growth rate, %
Net interest income	13 090	5 909	7 181	121,53%
Net commission income	4 099	2 662	1 437	53,98%
Net commission income/ Net interest income ratio	31,31%	45,05%	-13,74 p.p.	-
Result from operations with securities in the trading portfolio of the bank	-	2	-	-
Result from operations with foreign currency	204	112	92	82,14%
Deductions into provisions from impairment of loans and funds in other banks	(5 763)	(665)	5 098	766,62%
Administrative and other operating expenses	(30 600)	(27 212)	3 388	12,45%
Net profit	**80**	**363**	-283	-77,96%
ROE, %	0,04%	0,20%	-0,15 p.p.	-

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

6. According to the results of 2012 the activity of PJSC «PROFIN BANK» has remained profitable. Net profit of the Bank has amounted to UAH 80 th. in the given period, that is by 77,96% less, than according to the results of the I half of 2011. The decrease in profit has been considerably caused by the increase in the Bank's deductions into provisions from impairment of loans and funds in other banks (by 766,62% or by UAH 5,098 mln), as well as by the growth of administrative and other operating expenses by 12,45% or by UAH 3,388 mln. At the same time, the Agency appreciates the high growth rates of net interest and net commission income, which have been achieved by the Bank according to the results of the I half of 2012, compared to the same period of 2011. Thus, net interest income of the Bank has increased by 121,53% or by UAH 7,181 mln up to UAH 13,090 mln in the given period, and net commission income has grown by 53,98% or by UAH 1,437 mln up to UAH 4,099 mln.

7. The shareholder of PJSC «PROFIN BANK» – the international financial group Societe Generale Group has demonstrated a number of positive results, following the second quarter. Thus, the group has increased its capital adequacy of Tier I by 51 basis points up to 9,9%, operating costs have been also decreased by 6%, and net cost of risk has decreased by 16,43% from EUR 2,063 bn down to EUR 1,724 bn. At the same time, in the I half of 2012 the net profit of Societe Generale Group has amounted to EUR 1,169 bn that is by 30% less, than in the same period of previous year. The results of one of the largest banking groups in the EU have been impacted by an economic slowdown of the eurozone countries, however, the period of the growth slowdown has been used by Societe Generale to strengthen its capital adequacy and to improve the asset quality, while the consolidated result of the group has remained positive over the first 6 months.

Therefore, key performance indicators of PJSC «PROFIN BANK» have demonstrated positive trends of its development according to the results of the I half of 2012. The growth dynamics of assets and liabilities has exceeded the average market indicators. The asset quality of PJSC «PROFIN BANK» has been at a rather good level. The Bank continues to generate profit and demonstrates a high growth rate of net interest income. Indicators of the Bank's capitalization and liquidity stably are at the excessively high levels, which is a guarantee of timely performing all its obligations by the Bank.

Analytical service of RA «Expert-Rating»