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Updated long-term credit rating of JSC "PIRAEUS BANK ICB"

By the decision of the rating committee of the Rating Agency "Standard-Rating" the long-term credit rating of the Joint-Stock Company "PIRAEUS BANK ICB" (USREOU code 20034231) was updated on a national scale at the level of uaAA. A bank or individual debt instrument with a rating of uaAA is characterized by very high creditworthiness compared to other Ukrainian borrowers or debt instruments. The decision to update the credit rating of PIRAEUS BANK ICB JSC was made on the basis of the analysis of the Bank's results for the first half of 2020, as well as the Bank's statistical reporting data for January-July 2020.

1. Following the results of the first half of 2020, the key balance sheet indicators of PIRAEUS BANK ICB JSC demonstrated divergent dynamics:

- assets grew to 7.05% up to UAH 3.197 billion.;
- volume of loans and advances to customers decreased by 3.40% and amounted to UAH 1.333 billion.;
- cash and cash equivalents increased by 56.25% to UAH 992.665 million;
- investments in securities decreased by 13.27% to 665,705 UAH million;
- liabilities increased by 8.72% up to UAH 2.552 billion.;
- equity grew by 0.94% and amounted to UAH 644.444 million.

Despite the quarantine measures, in the first half of 2020 the Bank continued to increase its resource base by attracting funds from individuals and legal entities. Thus, for the period from 01.01.2020 to 01.07.2020 the funds of individuals in the liabilities of JSC "PIRAEUS BANK ICB" increased by UAH 138.134 million. or on 12.98%, and the amount of funds of legal entities increased by UAH 54.574 million. or 5.92%. As of 01.07.2020 compared to 01.01.2020 in the structure of liabilities of the Bank the share of funds of individuals increased by 1.97 percentage points. (from 35.65% to 37.62%), and the share of funds of legal entities decreased by 0.33 percentage points. (from 30.88% to 30.55%).

Table 1

Main balance sheet indicators of PIRAEUS BANK ICB JSC UAH ths, %

Indicator	07/01/2020		01/01/2020		Growth rate, %
	thousand UAH	%	thousand UAH	%	
Funds of legal entities	976 594	30,55%	922 020	30,88%	5.92%
Funds of individuals	1 202 616	37,62%	1,064,482	35,65%	12.98%
Commitment to everything	2 552 470	79,84%	2 347 830	78,62%	8.72%
Bank stock	2 531 347	79,18%	2 531 347	84,77%	-
Bank equity	644 444	20,16%	638 413	21,38%	0.94%
Cash and cash equivalents	992 665	31,05%	635 291	21,27%	56,25%
Loans and advances to customers	1 332 511	41,68%	1 379 409	46,19%	-3.40%
Fixed assets and intangible assets	87 582	2,74%	83 760	2,80%	4.56%
Use rights assets	31 853	1,00%	39 612	1,33%	-19.59%
Securities	665 705	20,82%	767 604	25,70%	-13.27%
Other assets	19 597	0,61%	19 535	0,65%	0.32%
Total assets:	3 196 914	100.00%	2 986 243	100.00%	7.05%

Source: financial statements of the Bank

For the period from 01.01.2020 to 01.07.2020 in the structure of assets PIRAEUS BANK ICB JSC the following changes took place:

- share of loans and advances to customers decreased by 4.51 percentage points: z 46,19% to 41,68%;

- the share of cash and cash equivalents increased by 9.78 percentage points: c 21.27% to 31.05%;
- the share of investments in securities decreased by 4.88 percentage points: c 25.70% to 20.82%.

Also The agency emphasizes that as of 01.07.2020 the securities portfolio PIRAEUS BANK ICB JSC It was 100% formed from government bonds of Ukraine and NBU certificates of deposit, ie from the highest quality assets, which are characterized by a low level of risk.

Thus, in the first half of 2020, the key balance sheet indicators of PIRAEUS BANK ICB JSC showed different dynamics: the Bank increased its assets, liabilities and equity against the background of a decrease in the loan portfolio and investments in securities. At the same time, the Agency draws attention to the increase in the amount of funds of individuals and legal entities in the resource base of JSC "PIRAEUS BANK ICB", which will increase the credit activity of the Bank.

The Agency reminds that the business strategy of PIRAEUS BANK ICB JSC is focused on expanding lending to small and medium-sized enterprises (SMEs), which is facilitated by the Bank's cooperation with the German-Ukrainian Fund and European Bank for Reconstruction and Development (EBRD). PIRAEUS BANK ICB JSC expanded the framework of cooperation with the EBRD by signing on February 7, 2020 two cooperation agreements aimed at supporting SMEs. Bank has been a member of the EBRD's Trade Facilitation Program for a long time.

2. The regulatory capital of JSC "PIRAEUS BANK ICB" (H1) as of 01.07.2020 compared to 01.01.2020 decreased by 2.86% and amounted to 607,421 million, which is more than three times exceeded the limit set by the NBU for this standard at the level of UAH 200 million. The regulatory capital adequacy ratio of the Bank (H2) for the period from 01.01.2020 to 01.07.2020 decreased by 1.66 points: from 37.72% to 36.06%. Despite the decline, H2 Bank 3.6 times exceeded the limit set by the NBU, and was by 14.15 percentage points. higher than the average value of this standard in the banking system of Ukraine. Fixed capital adequacy ratio PIRAEUS BANK ICB JSC (H3) as of 01.07.2020 compared to 01.01.2020 increased at 0.19 pp to 35.71%, which was 28.71 percentage points. above the limit value set by the regulator, and by 19.96 percentage points. more than the market average.

In addition, the Agency draws attention to the fact that as of 03.08.2020 H1 of the Bank amounted to UAH 601.124 million, H2 of the Bank was at the level of 32.26%, and H3 was 31.94%. So, JSC "PIRAEUS BANK ICB" continues to maintain capital ratios at a high level, which has a positive effect on its credit rating.

Table 2

Basic standards of JSC "PIRAEUS BANK ICB", UAH ths, %

Indicator	Normative value	07/01/2020		01/01/2020	
		on the system	The bank	on the system	The bank
Regulatory capital (H1)	> 200 million	-	607 421	-	625 298
Regulatory capital adequacy ratio (H2)	> 10%	21.91%	36,06%	19.66%	37,72%
Fixed capital adequacy ratio (H3)	> 7%	15.75%	35,71%	13.50%	35,52%
Short-term liquidity ratio (H6)	> 60%	88,15%	109.17%	94.35%	112,33%
Liquidity coverage ratio for all currencies (LCR _v)	> 100%	-	259,45%	-	293,11%
Foreign currency liquidity coverage ratio (LCRs)	> 100%	-	250,49%	-	303,49%
Maximum credit risk ratio per counterparty (H7)	<25%	19.15%	12.98%	17.61%	13.00%
High credit risk ratio (H8)	<800%	90,11%	48,23%	105.00%	46,46%

Source: NBU data and the Bank's statistical reporting

Note: in the absence of calculation of the standard on the 1st of each month, the Agency provides data for the next working day

Liquidity ratios of PIRAEUS BANK ICB JSC as of 01.07.2020 compared to 01.01.2020 showed a decrease in indicators:

- the short-term liquidity ratio (H6) decreased by 3.16 percentage points. to 109.17%;
- liquidity coverage ratio for all currencies (LCR_v) decreased by 33.66 percentage points and amounted to 259,45%;

- foreign currency liquidity coverage ratio (LCRs) decreased by 53.00 percentage points to 250.49%.

Despite the decrease, as of 01.07.2020, all three liquidity ratios of the Bank with a significant margin exceeded the limits set by the NBU: the short-term liquidity ratio (H6) was 49.17 percentage points. more than the limit value set by the regulator, the ratio of liquidity coverage ratio for all currencies (LCR_v) was 2.6 times higher than the limit value set by the NBU, and the ratio of liquidity coverage ratio in foreign currency (LCRs) was 2.5 times higher than the normative value. In addition, H6 Bank at 21.02 percentage points. exceeded the average of this standard for the banking system of Ukraine. Additionally, the Agency draws attention to the fact that as of 01.08.2020 the Bank's H6 was 107.82%, LCRs were at the level of 247.81%, and LCRs were 245.00%.

Thus, as of the beginning of August 2020, PIRAEUS BANK ICB JSC supported Indexes liquidity ratios (H6, LCRs and LCRs) at a sufficiently high level. The agency once again reminds that highvalue LCR_v and LCR standards indicate that the Bank has a significant liquidity reserve to cover the outflow of customer funds for 30 days in a crisis.

3. Following the results of the first half of 2020 JSC PIRAEUS BANK ICB showed a profit in the amount of 48 thousand UAH, which is 99.75% less than the amount of profit received by the Bank in the first half of 2019. The decrease in the Bank's profit was due to a reduction in its volume key income. Thus, in the first half of 2020 compared to the same period in 2019 The Bank's net interest income decreased by 7.55% to UAH 102.328 million, and net commission income decreased by 11.14% to UAH 42.966 million.

Table 3

Data on key items of income and expenses of PIRAEUS BANK ICB JSC UAH ths,%

Indicator	For the first half of 2020	For the first half of 2019	Change	Growth rate,%
Interest income	142 744	146 984	-4 240	-2.88%
Interest expenses	40 416	36 301	4 115	11.34%
Net interest income	102 328	110 683	-8 355	-7.55%
Commission income	55 465	61 129	-5 664	-9.27%
Commission expenses	12 499	12 777	-278	-2.18%
Net commission income	42 966	48 352	-5 386	-11.14%
Administrative and other operating expenses	145 504	144 786	718	0.50%
Profit / (loss)	48	19 246	-19 198	-99.75%

Source: financial statements of the Bank

Thus, in the first half of 2020, the dynamics of key balance sheet indicators of JSC "PIRAEUS BANK ICB" was multidirectional: The Bank increased its assets, liabilities and equity against the background of declining loan portfolio and investments in securities. At the same time, the Agency draws attention to the increase in the funds of individuals and legal entities in the resource base of JSC "PIRAEUS BANK ICB", which will further increase the credit activity of the Bank. Following the results of the first half of 2020 in comparison with the similar period of 2019 the profit of JSC PIRAEUS BANK ICB decreased by 99.75% to 48 thousand UAH, which is expected given the impact of quarantine restrictions. At the same time, JSC "PIRAEUS BANK ICB" continued to maintain at a high level the indicators of capital ratios (H1, H2 and H3) and liquidity ratios (H6, LCRs and LCRs). Relevant factors, as well as the fact that PIRAEUS BANK ICB JSC is a bank of Piraeus Bank Group, one of the largest European systemic banks, allowed the Agency to update the credit rating of PIRAEUS BANK ICB Joint Stock Company at such a high level.

Standard Rating Agency (Ukraine)