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The uaAA credit rating of JSC “PIRAEUS BANK ICB” was confirmed

August 4, 2020 By the decision of the rating committee of the Rating Agency "Standard-Rating" (the Agency) 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 JSC “PIRAEUS BANK ICB” was made on the basis of the analysis of the Bank's results for the first quarter of 2020, as well as the data of the Bank's statistical reporting for January-May 2020.

1. Key balance indicators of JSC “PIRAEUS BANK ICB” for the period from 01.01.2020 to 01.04.2020 showed different dynamics:

- assets grew by 10.34% up to UAH 3.295 billion.;
- volume of loans and customer debt increased by 4.80% and amounted to 1.446 billion UAH;
- cash and cash equivalents increased by 57.99% to 1.004 billion UAH;
- investments in securities decreased by 17.51% to 633,228 UAH million;
- liabilities increased by 13.22% to 2.658 billion UAH.;
- net equity decreased by 0.26% and amounted to 636.743 UAH million.

Following the results of the first quarter of 2020, the Bank showed good growth rates of deposits from individuals and legal entities. Thus, as of 01.04.2020, compared to 01.01.2020, the funds of individuals in the liabilities of JSC “PIRAEUS BANK ICB” increased by UAH 181.101 million or 17.01%, and the amount of funds of legal entities increased by UAH 112.654 million or 12.22%. During this period, the share of individuals' funds in the Bank's liabilities structure increased by 2.15 percentage points (from 35.65% to 37.80%), and the share of funds of legal entities by 0.52 percentage points (from 30.88% to 31.40%).

Table 1

Main balance sheet indicators of JSC “PIRAEUS BANK ICB” UAH thousand,%

Indicator	04/01/2020		01/01/2020		Growth rate,%
	thousand UAH	%	thousand UAH	%	
Funds of legal entities	1 034 674	31.40%	922 020	30,88%	12.22%
Funds of individuals	1 245 583	37,80%	1,064,482	35,65%	17.01%
Total liabilities	2 658 140	80,67%	2 347 830	78,62%	13.22%
Bank stock	2 531 347	76,83%	2 531 347	84,77%	-
Bank equity	636 743	19.33%	638 413	21.38%	-0.26%
Cash and cash equivalents	1 003 666	30,46%	635 291	21.27%	57,99%
Loans to customers	1 445 603	43,87%	1 379 409	46,19%	4.80%
Fixed assets	82 127	2.49%	83 760	2.80%	-1.95%
Leased assets	33 322	1.01%	39 612	1.33%	-15.88%
Securities	633 228	19.22%	767 604	25.70%	-17.51%
Other assets	26 064	0.79%	19 535	0.65%	33,42%
Total assets	3 294 883	100.00%	2 986 243	100.00%	10.34%

Source: NBU data

As of 01.04.2020 compared to 01.01.2020 structure of assets JSC “PIRAEUS BANK ICB” has undergone the following changes:

- share of loans and customer debt decreased by 2.32 percentage points: from 46,19% to 43,87%;
- the share of cash and cash equivalents increased by 9.19 percentage points: from 21.27% to 30.46%;

- the share of investments in securities decreased by 6.48 percentage points: from 25.70% to 19.22%.

In addition, The Agency emphasizes that as of April 1, 2020, the Bank's securities portfolio was 100% formed from securities refinanced by the NBU, i.e. from the highest quality assets, which are characterized by a low level of risk.

Thus, following the results of the first quarter of 2020, the dynamics of key balance sheet indicators of JSC "PIRAEUS BANK ICB" were multidirectional. At the same time, the Bank showed good growth rates of funds of individuals and legal entities, as well as growth of the loan portfolio.

The Agency also is reminding that the business strategy of JSC "PIRAEUS BANK ICB" is focused on expanding lending to small and medium-sized enterprises (SMEs), which is facilitated by the Bank's cooperation with the European Bank for Reconstruction and Development (EBRD) as well as with other supranational institutions. In particular, JSC "PIRAEUS BANK ICB" expanded the framework of cooperation with the EBRD by signing on February 7, 2020 two cooperation agreements aimed at supporting SMEs. JSC "PIRAEUS BANK ICB" has been a member of the EBRD's Trade Facilitation Program for a long time. The first contract signed between JSC "PIRAEUS BANK ICB" and EBRD (with a limit of 10 million euros) is an agreement on risk participation. Under this agreement, the EBRD may participate in loans provided by the Bank to specific customers. The second agreement concerns the provision of financing to the Bank up to the equivalent of 5 million US dollars in Hryvnia, for lending to small and medium enterprises.

2. During the period from 01.01.2020 to 01.04.2020 the regulatory capital of JSC "PIRAEUS BANK ICB" (N1) decreased by 2.35% and amounted to 610,581 million UAH that is 3.1 times higher than the normative value set by the NBU at the level of UAH 200 million. The regulatory capital adequacy ratio of the Bank (N2) as of 01.04.2020 compared to 01.01.2020 decreased by 3.05 percentage points and amounted to 34.67%, which exceeds the limit set by the NBU by 3.5 times, and was 15.38 percentage points higher than the average ratio of the banking sector of Ukraine. Tier 1 capital adequacy ratio JSC "PIRAEUS BANK ICB" (N3) for the specified period of analysis decreased by 2.07 percentage points to 33.45%, which was 26.45 percentage points above the limit set by the NBU, and by 20.44 percentage points more than the market average.

In addition, the Agency notes that as of 01.06.2020, N1 of the Bank amounted to UAH 607.999 million, N2 of the Bank was at the level of 36.57%, and N3 was 35.34%. High indicators of capital ratios of JSC "PIRAEUS BANK ICB" have a positive effect on its credit rating.

Table 2

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

Indicator	Normative value	04/01/2020		01/01/2020	
		on the system	bank	on the system	bank
Regulatory capital (N1)	> 200 million	-	610 581	-	625 298
Regulatory capital adequacy ratio (N2)	> 10%	19.29%	34,67%	19.66%	37,72%
Tier 1 capital adequacy ratio (N3)	> 7%	13.01%	33,45%	13.50%	35,52%
Short-term liquidity ratio (N6)	> 60%	92,56%	108.66%	94.35%	112,33%
Liquidity coverage ratio for all currencies (LCRvv)	> 100%	-	288,16%	-	293,11%
Foreign currency liquidity coverage ratio (LCR)	> 100%	-	365,94%	-	303,49%
Maximum credit risk ratio per counterparty (N7)	<25%	18.44%	15.22%	17.61%	13.00%
High credit risk ratio (N8)	<800%	112,08%	53,48%	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

During the period from 01.01.2020 to 01.04.2020 the Bank's liquidity ratios showed different dynamics:

- the short-term liquidity ratio (N6) decreased by 3.67 percentage points to 108.66%;
- liquidity coverage ratio for all currencies (LCRvv) decreased by 4.95 percentage points and amounted to 288.16%;
- foreign exchange liquidity coverage ratio (LCRs) ratio increased by 62.45 percentage points to 365.94%.

As of 01.04.2020, all three liquidity ratios of JSC "PIRAEUS BANK ICB" with a large margin exceeded the limits set by the NBU: the short-term liquidity ratio (N6) was 48.66 percentage points more than the limit mark set by the regulator, the ratio of liquidity coverage ratio for all currencies (LCRvv) was 2.9 times higher than the limit set by the NBU, and the ratio of liquidity coverage ratio in foreign currency (LCRs) was 3.7 times higher than the normative value. In addition, N6 exceeded the average of this standard for the banking system of Ukraine at 16.10 percentage points higher. Additionally, the Agency draws attention to the fact that as of 01.06.2020, N6 of the Bank increased to 109.94%, LCRvv was at the level of 275.19%, and LCRs amounted to 279.75%. The Agency reminds that the high indicators of LCRbv and LCR standards indicate that the Bank has a significant liquidity reserve to cover the outflow of customers within 30 days, taking into account the stress scenario.

Thus, as of the beginning of June 2020, JSC "PIRAEUS BANK ICB" maintained a high level of liquidity, which is indicated by the values of the relevant standards of the Bank.

3. Following the results of the first quarter of 2020, JSC "PIRAEUS BANK ICB" received profit in the amount of 1,185 th UAH, which is 89.12% less than the amount of profit received by the Bank in the first quarter of 2019. Key revenue items PIRAEUS BANK ICB JSC also showed a decrease in performance. Thus, in the first quarter of 2020 compared to the same period in 2019 the Bank's net interest income decreased by 8.24% and amounted to 50,647 th UAH, and net commission income decreased by 4.03% to 22,768 th UAH.

Table 3

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

Indicator	1Q2020	1Q 2019	Change	Growth rate,%
Interest income	74 334	72 609	1 725	2.38%
Interest expenses	23 687	17 415	6 272	36,01%
Net interest income	50 647	55 194	-4 547	-8.24%
Commission income	29 277	29 800	-523	-1.76%
Commission expenses	6 509	6 075	434	7.14%
Net commission income	22 768	23 725	-957	-4.03%
Administrative and other operating expenses	72 895	68 559	4 336	6.32%
Profit/(loss)	1 185	10 894	-9 709	-89.12%

Source: NBU data

Thus, in the first quarter of 2020, JSC "PIRAEUS BANK ICB" demonstrated the divergent dynamics of key balance sheet indicators. The Agency notes good growth rates of funds of individuals and legal entities, as well as growth of the Bank's loan portfolio. Following the results of the first quarter of 2020 the profit of JSC "PIRAEUS BANK ICB" was 1,185 th UAH, which is 89.12% less than the amount of profit received by the Bank in the first quarter of 2019. At the same time, JSC "PIRAEUS BANK ICB" maintained a high level the indicators of capital ratios (N1, N2 and N3) and liquidity ratios (N6, LCRs and LCRs). Relevant factors, as well as the fact that JSC "PIRAEUS BANK ICB" 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.

Rating Agency "Standard-Rating" (Ukraine)