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# Banking Sector Insight

## **Riding choppy waters**



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# Executive summary

The Ukrainian corporate sector has yet to figure out from where it will receive funding in the future. Meanwhile, Ukrainian banks are not only reluctant but unable to provide large-scale loans to the corporate sector as a whole.

**Financial resources are still scarce to the corporate sector as a whole**

**Still unclear who will lend to corporations.** The largest growth of the corporate loan portfolio (+UAH12.9% or 9.4% QoQ) was observed among the small and medium-sized Ukrainian banks, which tend to finance related parties rather than offer loans to the corporate sector as a whole. Combined with banks belonging to the large business groups, which likewise tend to provide friendly loans but to a lesser extent, they account for 77.8% of the total increase in the gross corporate portfolio. Thus credit resources available to the corporate sector as a whole remain scarce and very expensive.

**While consumer loans are the only profitable activity on the market, it seen as a problem from economic and moral viewpoint**

**Consumer lending is growing.** While consumer loans are the only lending segment to have truly expanded in 3Q13, the gross household loan portfolio increased just 1.5% QoQ or UAH3.0bn. The relatively short lifespan of the typical consumer loan is the reason for this slow growth. Moreover, we expect slowdown in 2014 owing to increased competition, the saturation of the market and the possible introduction of regulatory measures.

The current growth of the consumer loans segment is providing little stimulus for overall economic growth since the bulk of the goods purchased in this way are imported. Therefore the large volume of issued consumer loans is having an indirect negative impact on the current account deficit.

We expect the National Bank of Ukraine (NBU) to impose regulatory constraints on the consumer lending sector in order to limit the negative impact on the economy and bring down what are very high effective interest rates, which many see as immoral.

**Banking sector is unlikely to neither benefit nor struggle from the Russian loans**

**International factors to have limited impact.** In our view, the recent significant deal whereby the Russian Federation is to provide Ukraine with US\$15bn will have only a marginal impact on the availability of credit resources to the Ukrainian private sector. We believe that most of those funds will be used to repay foreign debt, finance the budget deficit and pay for energy resources.

Meanwhile, the NBU has issued a new regulation that allows banks to secure refinancing in excess of 50% of their regulatory capital in order to boost liquidity.

Following the announcement of the above-mentioned deal with the Russian Federation, the credit resources of banks with Russian capital are likely to increase. Those funds could be used for several large construction projects, including the expansion of the Kyiv underground and the construction of the Kerch Strait bridge. Such lending is likely to support economic activity in Ukraine, calm the local financial market and help bring down extremely high interest rates.

**European banks are “warming up engines” and are ready to leave**

**Information about European banks to leave Ukraine substantiated by semi-official statements.** In 3Q13 the managements of Italy's UniCredit Bank and Austria's Raiffeisen Bank Group announced they are seriously considering the sale of their Ukrainian subsidiaries. In our view, problems in their domestic markets are the main reason for European banks to consider leaving Ukraine since such plans were being made long before the escalation of the Ukrainian political conflict.

At the same time, foreign banks can decrease their exposure to the Ukrainian market through other ways than selling subsidiaries. Those banks have reduced the total volume of loans provided to their subsidiaries by US\$1.6bn during the first six months of 2013.

*Ukrainian banks are unable to continue providing loans to the government sector in the existing volume due to the lack of available foreign resources*

**Banks stopped to hoard securities on their balance sheets.** The total amount of securities, has declined 5.4% QoQ in 3Q13 following the sharp rise in 1Q13 (28.2%). While the absolute majority of the securities on the balance sheet of Ukrainian banks are presented by the government or government-related bonds, such a slowdown suggests that banks have little available resources to continue financing the state due to the absence of significant direct or indirect funding from foreign counterparties.

**Real profits are yet to come for most banks.** We have to admit that the vast majority of Ukraine's largest 35 banks are not profitable. While many of those institutions report a symbolic amount of positive net income, we consider this to be the result of adjusting the numbers rather than a true reflection of financial performance. In our view, many banks have underestimated the level of their loan reserves – recognising only the amount that the total operating income allows them to do without going beyond the break-even point – in order to avoid the one-time loss that will occur if they recognise the real level.

# Overview of the banking sector

Economic stagnation posed a major risk for the Ukrainian banking sector in 3Q13 but is likely to be mitigated in the coming quarters by the significant financial support from the Russian Federation.

## Factors shaping the banking sector in 3Q13

*Economic turbulence had a negative, though moderate impact on banking sector*

**Adverse macroeconomic situation.** Confrontations with Russia, one of the largest trading partners of Ukraine, created negative expectations about the ability of companies that export goods to Russia to repay their loans. At the same time, banks with Russian capital were expected to halt providing credit facilities to Ukrainian companies.

While we have not observed any sudden decline in the loan portfolios, some banks did feel the impact of the trade war. Credit Dnipro Bank – which is closely connected to Interpipe, the supplier of metal products to Russia – saw its gross corporate loan portfolio decrease by 31.2% YoY to UAH3.8bn.

Meanwhile, Russian banks have increased their gross loan portfolio by just 0.5% YoY to UAH94.7bn.

**FX rate risk.** Ukrainian banks are extremely vulnerable to the possible devaluation of the domestic currency against the USD. The net FX position of most banks is short and the decline of the UAH will inevitably have a negative impact on their profits. However, the currency revaluation effect is calculated based on the official exchange rate, which is around 2.3% lower than the market rate. Therefore the real amount of losses incurred through revaluation can be “hidden” through accounting tricks.

At the same time, there is the behavioural risk of households too closely monitoring the USD/UAH exchange rate. Owing to the high level of the dollarisation of the Ukrainian economy, even an insignificant rise in the exchange rate can trigger panic and depositor runs.

*Some banks are cleaning up their portfolios to look more attractive for the investors*

**Portfolios are being cleaned up.** The asset quality of some banks improved significantly in 3Q13 owing to write-offs of bad debt. According to our estimates, in 3Q13 Ukrspotsbank wrote off some UAH1.1bn in overdue loans, Alfa Bank UAH0.7bn and VTB Bank UAH0.4bn; the total amount of written-off assets was UAH8.4bn. As a result, the average loan loss reserves (LLR) rate fell from 15.3% in 2Q13 to 14.5% in 3Q13, while overall provisioning expenses decreased 29.3% QoQ to UAH5.4bn.

**Net loan-to-deposit ratio stabilised at 1.1x.** This result follows a decline in the ratio in consecutive previous quarters. The total gross loan portfolio increased by UAH50.9bn or 6.2% YoY, while total deposits rose by UAH116.0bn or 20.6% YoY. We assume that this tendency will continue in the coming quarters, although deposits are likely to grow at a slightly slower rate and the growth of gross loans to be subdued. Therefore we expect the net loan-to-deposit ratio to reach 1.0x rather than bounce back.

**Capitalisation declines slightly.** The level of capitalisation of the Ukrainian banking sector has been a major issue in the post-crisis period. We believe that the loan quality has been overestimated and hence the real level of capitalisation is significantly lower. The reported total regulatory capital adequacy ratio (CAR) has declined by 0.1ppt to 17.9%.

Despite the increase in aggregate unconsolidated share capital of UAH1.9bn or 1.0% QoQ in 3Q13, the total equity-to-assets ratio declined by 0.2ppt to 14.5%.

## Lending

*Most of the gross loan increase is due to banks that are known for financing “friendly” companies*

**Small signs of a lending revival.** Total gross loans increased by UAH26.2bn or 3.1 QoQ in 3Q13, which is the largest quarterly increase in the last two years. The corporate sector accounted for most of this growth – UAH23.2bn. (The consumer lending portfolio has a short lifespan: loans in the “old” portfolio are paid off one by one and substituted with newly issued loans.)

The largest increase in the gross loan portfolio – UAH12.9bn – was observed among the small and medium-sized banks with local capital that do not have owners belonging to the largest business groups; most of that increase was in the corporate sector. In particular, Real Bank, which officially belongs to several individuals, increased its net loan portfolio by UAH3.0bn or 242% QoQ. According to our understanding, such banks conduct somewhat opaque operational activities and provide lending primarily to related parties. Therefore it is hard for entities not related to them to obtain funding.

Banks belonging to the largest business groups (the so-called “Big Guy” banks), the state banks and the Russian banks saw their gross loan portfolios grow by 2%, 4% and 26% QoQ in 3Q13, respectively, while the portfolios of European banks fell 0.9% during the same period.

On average, the LLR ratio declined for the 10th consecutive quarter owing to moderate growth of the loan portfolios and write-offs of existing loans.

*Consumer lending is growing but has yet to reach saturation point*

**Consumer lending** remains the only lending segment in Ukraine that is truly expanding. While mortgage lending continues to be subdued and very few banks are offering auto loans, households have increasingly turned to collateral free loans. We acknowledge that the aggressive marketing strategies of many Ukrainian banks, including Privatbank, Platinum Bank and Delta Bank, have tempted customers to enter into high-interest loan agreements with those banks. In addition, although personal real incomes are not growing, households are unwilling to give up the level of consumption to which they have become accustomed.

No less than 74.1% of total gross loans are concentrated in the “Big Guy” and European banks. However, the latter are ceding their position as the total portfolio has shrunk by 20.4% YoY. The largest absolute growth of the net household loan portfolio has been observed at Delta Bank (UAH2.0bn), followed by Privatbank (UAH1.4bn), OTP Bank (UAH0.8bn), First Ukrainian Independent Bank (UAH0.5bn) and Platinum Bank (UAH0.5bn).

Of major concern is the moral issue raised by consumer loans owing to the very high effective interest rates associated with them. Collateral-free loans are conventionally considered very risky and therefore demand higher returns. However, the average effective rates on consumer loans offered by most Ukrainian banks start at 60% if the numerous commissions and penalties imposed are taken into account; meanwhile, those loans are marketed as being much cheaper. As regards the situation in neighbouring countries, Russia has comparable levels of interest rates, while Polish, Slovak and Hungarian regulators report rates of 25-35% on similar loan products. The high cost of funding is one of the major obstacles to lower interest rates.

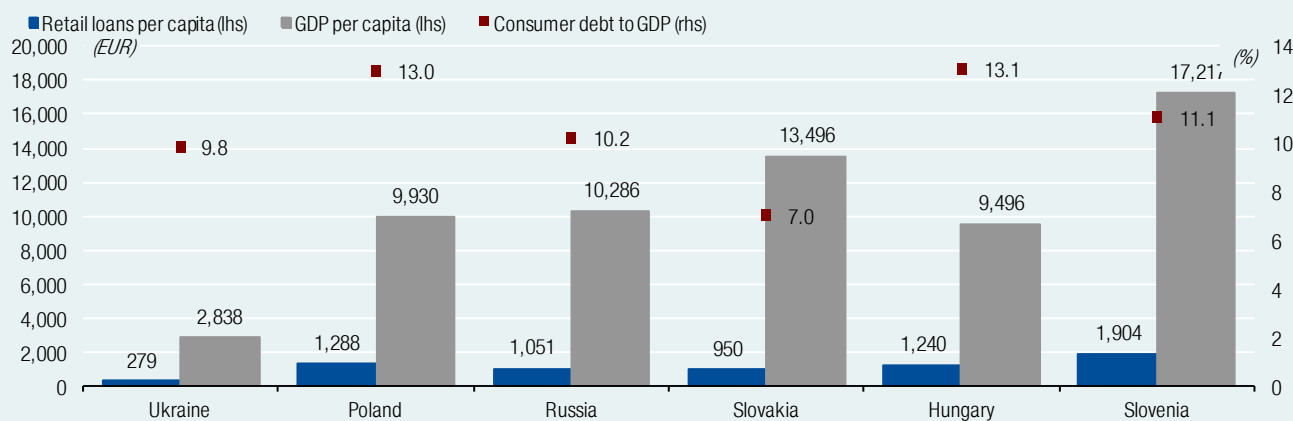
At the same time, Ukraine's consumer loan market has yet to reach saturation point and most of its banks are still trying to "discover" a new market. Since there is little room for development and growth in other segments, many banks turn to consumer lending as the opportunity to earn income in a market that is falling. Thus banks with little experience of consumer lending are expanding fast in order to grab their share of the market, and it is inevitable that they will have a high share of non-performing loans.

**Penetration of the consumer loans is high but not critical**

**Penetration of consumer loans.** While the Ukrainian consumer loan market is rapidly developing, it is far from reaching a critical level. We compared the per capita indebtedness in Ukraine with that of several other CEE countries, taking into account only non-mortgage loans to households (see Chart 1). We concluded that in Ukraine, overall consumer debt is equal to 9.8% of official nominal GDP. This level is somewhat lower than in neighbouring countries, but not much lower.

**Chart 1. Consumer loans penetration**

*Includes all consumer loans except mortgages, last available data*



Source: Investment Capital Ukraine LLC.

At the same time, 9.8% penetration is a rather worrying figure owing to the low absolute value of GDP per capita compared with that of peer countries. Low-income individuals, who are the banks' target group for consumer loans, are likely to receive funds that they will later struggle to repay. Since we do not expect significant growth of personal real incomes in Ukraine in 2014, households will need to part with some of their disposable income for the purpose of debt repayment. As regards satisfying basic needs, it is easier for individuals in countries with higher income per capita to repay around 10% of their total income.

**Potential actions by the regulator.** We believe that consumer lending is indirectly contributing to the growth of the current account deficit, which itself is a major issue for the health of the Ukrainian economy. Imported electronics and appliance are the goods most commonly purchased on credit.

**We expect NBU to impose new regulations related to consumer lending**

We believe that the NBU will impose additional regulations on risky consumer lending activities in order to slow down the pace of consumer credit growth. In our opinion, it could introduce measures already implemented by the regulators of neighbouring countries.

**Poland.** Monthly instalments on consumer loans are capped at 50% of the total proven income of the borrower. Such a micro-level approach would be difficult to implement in Ukraine owing to the significant share of undocumented income.

**Russia.** Banks are required to provide additional capital for consumer loans. Such assets are multiplied by a coefficient of 1.5 for the purpose of risk-weighting. In our view, this approach is the easiest to implement in terms of administrative cost, but some banks may need to attract additional capital in order to remain above the minimum required level.

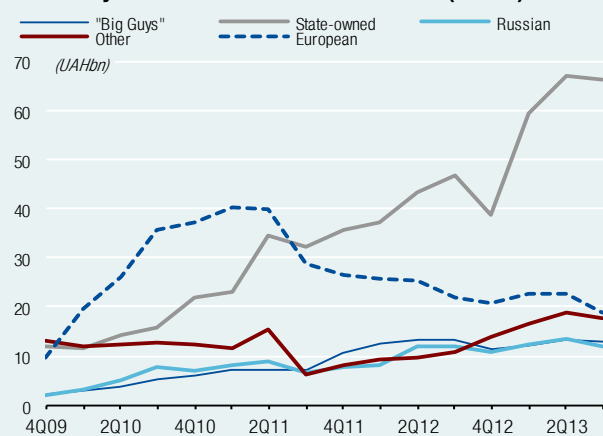
**Turkey.** Banks are obliged to set a maximum credit card limit of TLY1,000 (EUR358) for customers without a proven source of income. While this is especially important for a country that has 76m residents and 54m credit cards in circulation, such a cap could be implemented for all types of consumer loan in Ukraine.

## Investments in securities

*Banks have stopped rapidly accumulating securities on their balance sheets*

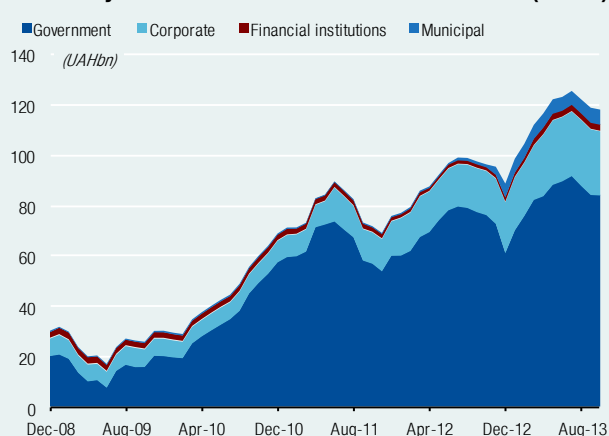
**Slowdown in the accumulation of bonds.** Ukrainian banks have stopped hoarding securities on their balance sheets. The total amount of securities declined 5.4% QoQ in 3Q13 following the sharp rise in 1Q13 (28.2% QoQ growth) and the more modest increase in 2Q13 (9.8% QoQ). According to our previous estimates, government bonds, municipal bonds and securities issued by state-owned entities account for around 85% of the total. We believe that some banks – namely, Oschadbank and Ukreximbank – have used the proceeds from international bond placements and other funds attracted indirectly through foreign investments to purchase government bonds. They have been unable to continue such operations owing to the adverse market conditions and for this reason have discontinued accumulating government bonds on their balance sheets (see Chart 2).

Chart 2. Dynamics of investment in securities (UAHbn)



Sources: National Bank of Ukraine, Investment Capital Ukraine

Chart 3. Dynamics of investment in securities – bonds (UAHbn)



Sources: National Bank of Ukraine, Investment Capital Ukraine

European and Russian banks have reported the largest reductions in the amount of investments in securities held by them: 16.2% and 10.9% QoQ, respectively. State-owned banks, which account for 52.0% of the total investment in securities among Ukrainian banks, have reduced their holdings only marginally – by 1.2% QoQ.

## Deposits

*Attracted by high interest rates, households continue to increase deposits, despite the risks*

**Households are eager to take the risk.** Several banks with European capital, including Raiffeisenbank Aval, Ukrsotsbank and UkrSibbank, have substantially lowered their interest rates on household deposits in 2013. In our view, these banks have no plans for loan portfolio expansion and hence do not need to attract funds at “any price”. However, this has not led to a significant fall in interest rates as most banks have only marginally lowered rates in order to avoid losing clients.

We believe that depositors continue to view banks warily and for that reason are still demanding a very high risk premium for their investments. A significant number of depositors who were disappointed by the steep fall in rates offered by European banks have transferred their funds to banks that we consider riskier (see Chart 4).

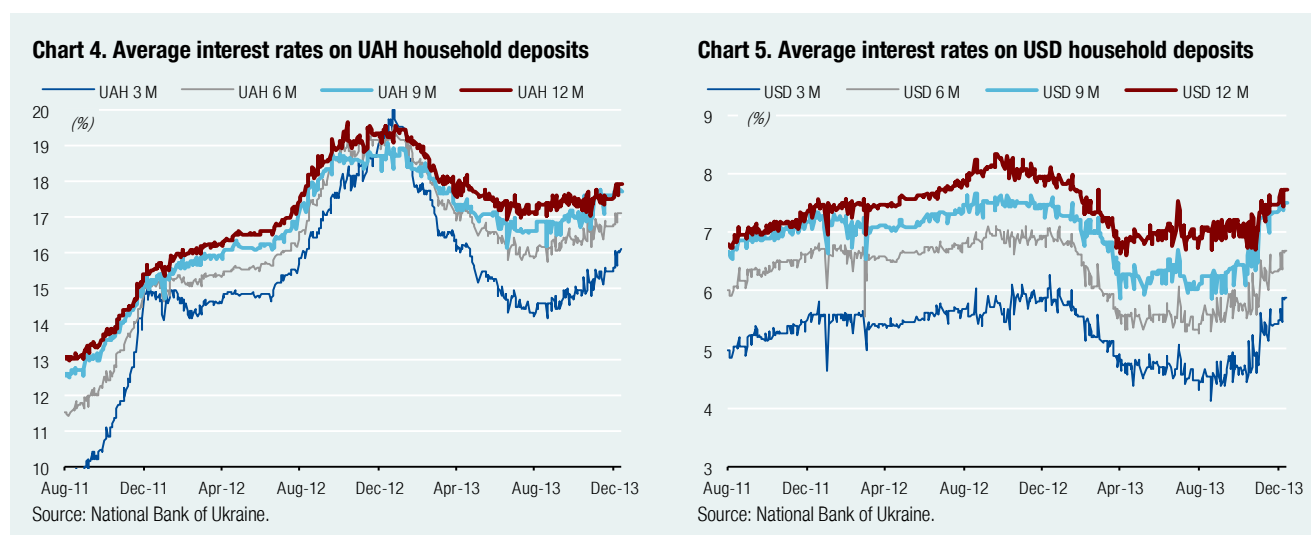
Table 1. Impact of the interest rate change on the term households deposits in local currency (1Q13-3Q13), selected banks

|                        | % rate offered |        | Households deposits |        | Change |        |
|------------------------|----------------|--------|---------------------|--------|--------|--------|
|                        | 1Q13           | 3Q13   | 1Q13                | 3Q13   | UAHm   | %      |
| Raiffeisenbank Aval    | 15.25%         | 10.75% | 9,971               | 9,052  | -919   | -9.2%  |
| UkrSibbank             | 16.50%         | 12.00% | 5,577               | 4,998  | -579   | -10.4% |
| Alfa Bank              | 22.50%         | 18.75% | 8,231               | 7,494  | -737   | -9.0%  |
| Credi Agricole Bank    | 18.00%         | 16.00% | 3,365               | 3,250  | -115   | -3.4%  |
| Russian Standard Bank  | 20.50%         | 20.50% | 1,272               | 1,491  | 219    | 17.2%  |
| Platinum Bank          | 19.50%         | 18.00% | 2,111               | 3,166  | 1,055  | 50.0%  |
| VAB Bank               | 23.50%         | 21.00% | 6,140               | 8,056  | 1,916  | 31.2%  |
| Delta + Kredytprombank | 21.50%         | 19.50% | 17,412              | 19,495 | 2,083  | 12.0%  |
| Privatbank             | 18.00%         | 18.00% | 72,066              | 83,728 | 11,661 | 16.2%  |

Notes: Based on UAS quarterly data. Unconsolidated, except for Delta Bank and Kredytprombank

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Such behaviour, in our view, contributes to persistent high interest rates. Given the recent political turnover, average rates are unlikely to fall in the short to medium term.



**Implications of the political crisis.** The Ukrainian banking sector is very dependent on household deposits, which account for 40.8-44.0% of total liabilities. The NBU is likely to introduce limitations similar to those introduced in 2004-05 if there is a strong possibility of depositor runs. It could take the following measures, either individually or combined:

- Limit for a specified period the right of depositors to an early termination of the deposit agreement
- Limit interbank foreign exchange currency trade to avoid speculation on the exchange rate
- Limit cash withdrawals.

## Foreign banks

*European banks have decided to leave but are waiting for the good opportunity*

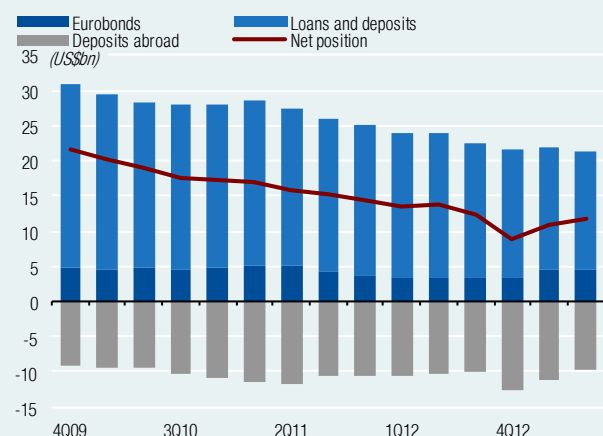
**European capital is leaving Ukraine.** European banks are likely to continue departing en masse from the Ukrainian market, regardless of the resolution of the political and economic crisis. The managements of UniCredit Bank and Raiffeisen Bank Group have announced that they are considering the sale of their Ukrainian subsidiaries, and we expect those deals to take place in 2014. It is very likely that next year will witness the largest exodus to date of Western banks from Ukraine; as a result, there will be very few such

banks remaining in the country by the end of 2014. Moreover, the list of the top 20 banks in Ukraine is unlikely to include any European banks one year from now.

Selling subsidiaries is just one way that European banks can reduce their exposure to the precarious Ukrainian market. Nearly all of those banks have slashed the amount of so-called “quasi-equity” – that is, long-term interbank loans and subordinated debt – they hold (see Chart 7). Debt instruments allow the parent banks to “repatriate” the invested funds much easier and more quickly than by selling a subsidiary.

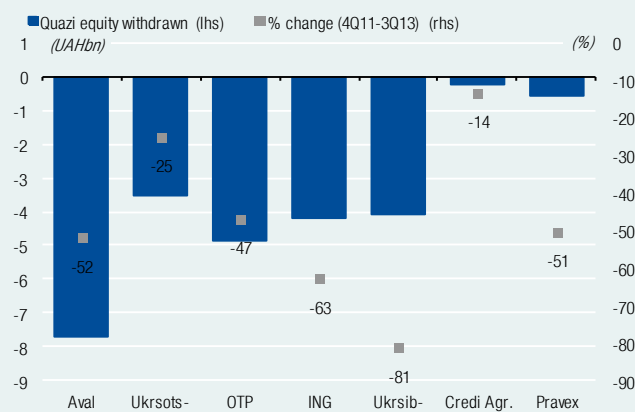
The net investments of the banking sector as a whole declined by 14.6% YoY in 2Q13 to US\$11.7bn. Loans and deposits from foreign banks decreased by US\$4.0bn or 19.4% YoY, while deposits abroad fell by US\$0.8bn or 7.5% (see Chart 6). Eurobonds issued earlier this year improved the balance; however, we believe that investments will continue to shrink in the coming quarters.

**Chart 6. International investments position (banks only)**



Source: National Bank of Ukraine.

**Chart 7. Funds withdrawn by the largest European banks in 2012-13**



Sources: bank data, Investment Capital Ukraine LLC.

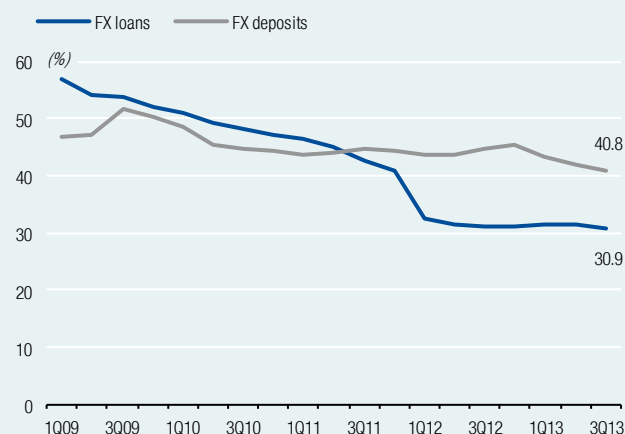
## FX position

**Most Ukrainian banks have a short position on the USD, which could result in substantial losses**

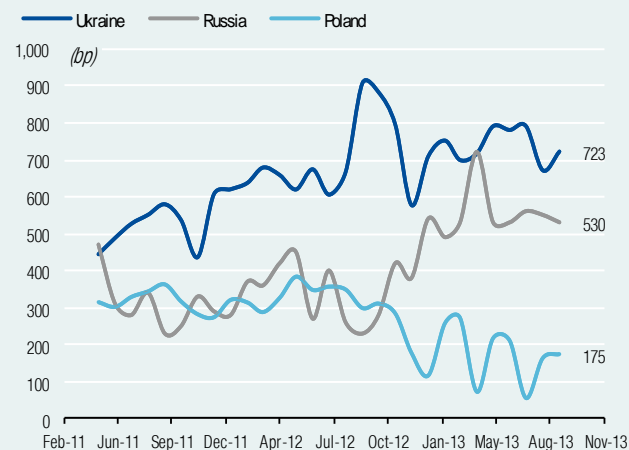
**Most banks are worried about UAH devaluation.** The Ukrainian banking sector traditionally has a high share of foreign currency-denominated loans and deposits. A sharp increase in the UAH/USD exchange rate would have a very big impact on Ukrainian banks, most of which have a short position, given that FX-denominated assets have been in constant decline while the share of FX deposits has remained relatively constant. Since the introduction of anti-crisis measures, the regulator has significantly limited the scope for banks to grant FX-denominated loans to entities that do not have sufficient foreign-currency revenues.

At the same time, the NBU has stipulated that banks treat all loans included in LLR as UAH-denominated when calculating their FX position. Thus the total amount of FX assets is overestimated owing to the amount of LLR formed by assets that do not exist in practice. The main goal of this regulation is to limit demand for foreign-currency purchases among banks.

The IMF has repeatedly recommended that the regulator revoke this stipulation as it is materially deteriorating the real FX position. Indeed, it is for this reason that it is hard to estimate the impact of a potential change in the exchange rate on the banks' financial results.

**Chart 8. Share of FX loans and deposits***Based on unconsolidated quarterly UAS data*

Source: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 9. Spread between rates on FX and local currency loans**

Source: National bank data, Investment Capital Ukraine LLC.

Current NBU methodology violates International Financial Reporting Standards (IFRS) practice, resulting in a number of discrepancies. For example, in its 2012 IFRS report, OTP Bank (Ukraine) reports its net USD position as negative UAH1.3bn (35.3% of total equity). However, the bank has to comply with the NBU stipulation for calculating its FX position, according to which it has a significant positive net USD position against which it has to hedge by taking a short position on derivatives (UAH0.5bn). In our opinion, the NBU creates additional risks for the Ukrainian banking system through this approach.

According to our rough estimates, the real USD position of the Ukrainian banking sector (unconsolidated) is short and amounts to US\$3.9bn.

Some banks, including Privatbank, include FX compensation mechanisms to be used in the event of a UAH devaluation against foreign currencies. Such loans are reported as UAH-denominated but are, in fact, FX assets.

## Financial results

**Struggling to make a profit.** We believe that most Ukrainian banks are still struggling to make a profit as they have underestimated the real amount of LLR and are trying to avoid the large provisioning expenses that will be incurred immediately if they recognise an adequate level of reserves.

Only 14 out of the top 35 banks have reported material profits for the first nine months of 2013; the remainder reported either negligible net earnings or losses. We believe that the latter have not yet recognised the real amount of LLR and have increased provisioning expenses to the same level as the operating profit in order to avoid reporting negative earnings.

We believe that those banks will continue to use that strategy in the coming quarters as it allows them to avoid sudden losses and the subsequent need to increase the regulatory capital.

**Interest margin shrinks.** The average net interest margin for the sector as a whole declined for the 11th consecutive quarter – by 0.2ppt to 5.7%. European banks traditionally have the largest average NIM – 8.8% in 3Q13 – owing to the relatively cheap cost of borrowing. The median value for banks belonging to large business groups was just 4.1% owing to the reportedly low interest rates on loans to “friendly” corporations.

Table 2. Key financial figures and ratios of selected Ukrainian banks

| Balance sheet figures (UAHm)               | Privat-bank | Oschad-bank | Ukrexim-bank | Delta Bank | Aval   | PIB    | Ukrrots-bank | FUIB   | SBRF   | Nadra  | VTB-Bank | Alfa-Bank | Ukrsib-bank | VAB Bank | Brokbusi-nessbank | Platinum Bank | RSB   |
|--|-------------|-------------|--------------|------------|--------|--------|--------------|--------|--------|--------|----------|-----------|-------------|----------|-------------------|---------------|-------|
| Assets                                     | 202,551     | 92,320      | 91,098       | 54,041     | 44,804 | 40,237 | 37,329       | 34,959 | 33,572 | 29,346 | 29,089   | 28,496    | 26,415      | 18,580   | 17,691            | 5,035         | 3,538 |
| Net loans                                  | 129,183     | 52,143      | 39,632       | 33,701     | 26,348 | 28,074 | 24,396       | 18,613 | 23,841 | 24,115 | 20,615   | 19,095    | 14,691      | 9,962    | 14,066            | 3,869         | 2,795 |
| Deposits                                   | 123,995     | 44,120      | 43,114       | 33,834     | 28,735 | 14,012 | 19,117       | 22,528 | 18,482 | 10,763 | 12,277   | 14,365    | 18,121      | 11,091   | 11,954            | 4,145         | 1,860 |
| Total equity                               | 20,109      | 18,566      | 18,003       | 3,256      | 7,216  | 5,322  | 7,732        | 4,531  | 3,557  | 4,031  | 3,779    | 4,184     | 2,612       | 1,901    | 2,966             | 406           | 312   |
| <b>Quarterly P&amp;L (UAHm)</b>            |             |             |              |            |        |        |              |        |        |        |          |           |             |          |                   |               |       |
| Net interest income                        | 1,985       | 1,402       | 976          | -22        | 1,047  | 327    | 553          | 530    | 483    | 27     | 450      | 412       | 284         | 82       | 38                | 265           | 196   |
| Net commission income                      | 722         | 292         | 136          | 746        | 402    | 120    | 188          | 131    | 75     | 66     | 131      | 126       | 168         | 38       | 49                | -3            | 31    |
| Operating income (before LLP)              | 2,931       | 2,033       | 995          | 900        | 1,614  | 525    | 760          | 681    | 636    | 161    | 624      | 525       | 483         | 135      | 106               | 378           | 252   |
| Operating expenses                         | -1,772      | -861        | -315         | -405       | -807   | -365   | -497         | -242   | -306   | -267   | -263     | -354      | -451        | -99      | -116              | -204          | -139  |
| Loan loss provisions (LLP)                 | -684        | -1,017      | -605         | -425       | -521   | -130   | -251         | -260   | -142   | 111    | -221     | -161      | -64         | -35      | 11                | -160          | -84   |
| Net income                                 | 349         | 187         | 52           | 71         | 216    | 30     | 2            | 143    | 167    | 1      | 139      | 2         | -33         | 0        | 1                 | 4             | 23    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |             |             |              |            |        |        |              |        |        |        |          |           |             |          |                   |               |       |
| Net interest income                        | 8,070       | 5,370       | 3,776        | -382       | 3,834  | 1,234  | 1,989        | 1,684  | 1,641  | 197    | 1,800    | 1,600     | 1,226       | 137      | 252               | 884           | 736   |
| Net commission income                      | 2,464       | 1,127       | 518          | 2,569      | 1,488  | 355    | 683          | 446    | 291    | 229    | 457      | 499       | 603         | 185      | 187               | 8             | 80    |
| Operating income (before LLP)              | 10,830      | 6,188       | 4,485        | 2,520      | 5,805  | 2,158  | 2,708        | 2,465  | 2,288  | 777    | 2,432    | 2,317     | 2,128       | 448      | 417               | 1,293         | 864   |
| Operating expenses                         | -6,260      | -3,408      | -1,273       | -1,196     | -3,468 | -1,420 | -1,823       | -994   | -1,132 | -951   | -1,403   | -1,401    | -2,002      | -395     | -475              | -809          | -500  |
| Loan loss provisions (LLP)                 | -1,969      | -2,012      | -2,789       | -1,033     | -1,362 | -3,550 | -810         | -952   | -479   | 191    | -393     | -852      | -169        | 167      | 61                | -450          | -302  |
| Net income                                 | 2,274       | 636         | 227          | 243        | 703    | -2,395 | 10           | 379    | 559    | 2      | 636      | 16        | -9          | 147      | 3                 | 24            | 45    |
| <b>Growth rates (%YoY)</b>                 |             |             |              |            |        |        |              |        |        |        |          |           |             |          |                   |               |       |
| Assets                                     | 23.1        | 6.8         | 15.8         | 70.9       | -5.5   | -3.8   | -7.5         | 10.7   | 47.9   | 16.0   | -15.7    | 3.8       | -9.2        | 45.6     | 0.5               | 47.1          | 71.1  |
| Gross loans                                | 13.3        | 6.6         | -1.2         | 87.4       | -5.1   | -0.6   | -13.9        | 10.9   | 33.9   | 17.1   | -18.4    | 0.5       | -11.4       | 15.3     | -1.0              | 70.8          | 73.9  |
| Deposits                                   | 20.2        | 18.8        | 26.5         | 125.2      | 4.0    | 1.4    | 11.0         | 28.0   | 60.7   | 59.3   | 7.0      | -0.5      | -3.5        | 42.5     | -1.1              | 60.9          | 193.0 |
| Total equity                               | 13.3        | 3.9         | 1.4          | 10.7       | 14.0   | 5.5    | 18.9         | 9.3    | 19.5   | 0.0    | -0.3     | 2.5       | -0.3        | 80.4     | 2.0               | 6.9           | 88.1  |
| <b>Key ratios (%)</b>                      |             |             |              |            |        |        |              |        |        |        |          |           |             |          |                   |               |       |
| Capital adequacy ratio (R2 by NBU)         | 13.0        | 28.8        | 29.6         | 10.7       | 20.6   | 13.2   | 14.7         | 15.0   | 11.5   | 13.5   | 12.5     | 17.9      | 20.8        | 11.5     | 16.1              | 12.7          | 15.3  |
| Equity/assets                              | 9.9         | 20.1        | 19.8         | 6.0        | 16.1   | 13.2   | 20.7         | 13.0   | 10.6   | 13.7   | 13.0     | 14.7      | 9.9         | 10.2     | 16.8              | 8.1           | 8.8   |
| Cash & cash equivalents/liabilities        | 18.6        | 8.9         | 9.4          | 18.2       | 19.3   | 8.1    | 12.6         | 25.2   | 11.5   | 5.2    | 10.9     | 18.6      | 25.1        | 14.8     | 5.1               | 5.3           | 15.1  |
| Net loans/deposits                         | 104.2       | 118.2       | 91.9         | 99.6       | 91.7   | 200.4  | 127.6        | 82.6   | 129.0  | 224.1  | 167.9    | 132.9     | 81.1        | 89.8     | 117.7             | 93.3          | 150.3 |
| Cost-to-income ratio                       | 57.8        | 55.1        | 28.4         | 47.5       | 59.7   | 65.8   | 67.3         | 40.3   | 49.5   | 122.3  | 57.7     | 60.5      | 94.1        | 88.1     | 113.9             | 62.6          | 57.9  |
| Net interest margin                        | 6.3         | 7.2         | 5.3          | -1.3       | 11.0   | 3.8    | 7.1          | 7.3    | 6.3    | 0.8    | 7.3      | 7.4       | 7.5         | 1.4      | 1.7               | 23.7          | 27.5  |
| ROAA                                       | 1.2         | 0.7         | 0.3          | 0.6        | 1.5    | -6.0   | 0.0          | 1.2    | 1.8    | 0.0    | 2.0      | 0.1       | -0.0        | 0.9      | 0.0               | 0.6           | 1.4   |
| ROAE                                       | 11.8        | 3.5         | 1.3          | 7.7        | 10.3   | -45.9  | 0.1          | 8.7    | 16.9   | 0.0    | 17.0     | 0.4       | -0.3        | 9.2      | 0.1               | 6.1           | 16.9  |
| NII/operating income                       | 74.5        | 86.8        | 84.2         | -15.1      | 66.0   | 57.2   | 73.4         | 68.3   | 71.7   | 25.4   | 74.0     | 69.1      | 57.6        | 30.5     | 60.3              | 68.4          | 85.2  |
| Core income/operating expenses             | 168.3       | 190.6       | 337.4        | 183.0      | 153.5  | 111.9  | 146.5        | 214.2  | 170.6  | 44.9   | 160.9    | 149.8     | 91.4        | 81.4     | 92.3              | 110.3         | 163.0 |

Notes: Based on banks' 2Q13 UAS financial statements.

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

## Bank pages

This part of the report provides credit analysis of selected banks. We provide a snapshot summary of our view on each bank and a historical perspective of its key financial data and ratios as of 3Q13.

Country

**Ukraine**

# Privatbank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

Caa2/ NR /B- PRBANK

Ticker(s) in Bloomberg

**Privatbank's assets grew by UAH11.6bn or 6.1% in 3Q13. However, its net loan portfolio increased by only UAH3.4bn or 2.7% QoQ; most of this growth was generated by foreign currency receivables, which are classified as "other" financial assets.**

**Loan portfolio grows, bad debt decreases.** Total gross household loans declined by UAH1.5bn or 5.0% QoQ in 3Q13 owing to increased credit card financing and consumer loans. The corporate gross portfolio grew by 1.8% QoQ (UAH2.2bn). The loan loss reserves (LLR) ratio dropped 0.2ppt to 16.3% as the amount of bad and doubtful debt declined by 11.9% QoQ in 3Q13.

**Largest increase in household deposits among Ukrainian banks.** Privatbank remains the biggest bank in terms of household deposits in Ukraine. Following the steep fall in interest rates offered by major European banks, it increased the amount of household term deposits by UAH6.6bn, while the total increase for all other Ukrainian banks was UAH9.4bn.

**Capitalisation improves without external help.** The regulatory capital adequacy ratio (CAR) increased by 1.0ppt in 3Q13, while equity rose by 1.9%QoQ to UAH20.1bn. Privatbank traditionally uses internally generated sources, such as retained earnings, rather than external inflows to maintain an adequate level of capitalisation.

**Private placement of UAH bonds.** Privatbank has obtained a licence to issue local bonds worth UAH3.0bn with a coupon rate of 16.0%. In 3Q13 it attracted UAH1.2bn. This placement matures in 2016.

**Profits decline but remain significant.** Privatbank reported net earnings of UAH349m in 3Q13, which is down 12.8% YoY. LLP expenses increased by 160.3% QoQ to UAH684m, while approximately UAH390m of bad debt was written off during this quarter.

The net interest margin dropped from 7.1% in 2Q13 to 6.3% in 3Q13. However, it remains strong, which is unusual for a bank reported to be heavily involved in related party financing.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011<br>IFRS | 2012<br>IFRS | 2012<br>UAS | 3Q12<br>UAS |
|--------------------------|--------------|--------------|-------------|-------------|
| <b>Financials (UAHm)</b> |              |              |             |             |
| Assets                   | 140,931      | 166,237      | 190,924     | 202,551     |
| Loans                    | 107,430      | 119,417      | 150,537     | 129,183     |
| Deposits                 | 104,209      | 124,574      | 120,750     | 123,995     |
| Equity                   | 19,185       | 21,405       | 19,734      | 20,109      |
| Net % income             | 10,079       | 8,938        | 8,698       | 8,070       |
| Net com income           | 2,729        | 3,274        | 2,263       | 2,464       |
| Operating income         | 13,500       | 13,819       | 11,167      | 10,830      |
| PPI                      | 7,180        | 6,961        | 5,144       | 4,570       |
| LLP                      | -5,641       | -5,429       | -2,544      | -1,969      |
| Net income               | 1,493        | 1,439        | 2,325       | 2,274       |
| <b>Ratios (%)</b>        |              |              |             |             |
| Tier 1 ratio             | 14.7         | 13.8         | N/a         | N/a         |
| CAR                      | 16.1         | 15.0         | 12.0        | 13.0        |
| Equity-to-assets         | 13.6         | 12.9         | 10.3        | 9.9         |
| Net loan-to-deposit      | 103.1        | 95.9         | 104.2       | 104.2       |
| Cash-to-liabilities      | 17.5         | 20.1         | 18.8        | 18.6        |
| ROAA                     | 1.1          | 0.9          | 1.3         | 1.2         |
| ROAE                     | 9.0          | 7.1          | 12.4        | 11.8        |
| Net % margin             | 9.6          | 7.4          | 7.1         | 6.3         |
| NII-to-op income         | 74.7         | 64.7         | 77.9        | 74.5        |
| Cost-to-income           | 46.8         | 49.6         | 53.9        | 57.8        |
| LLR                      | 12.9         | 14.2         | 16.5        | 16.3        |
| NPLs                     | 4.3          | 6.1          | N/a         | N/a         |
| NPL coverage             | 301.4        | 231.9        | N/a         | N/a         |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
Sources: Bank data, ICU.

## Privatbank: Key quarterly UAS financials and ratios

Table 3. Key financials and ratios derived from the bank's UAS financials

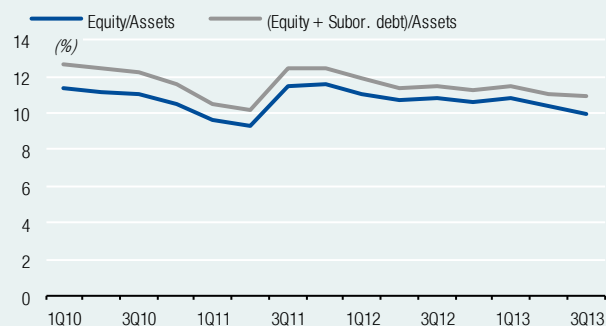
|  | 3Q11    | 4Q11    | 1Q12    | 2Q12    | 3Q12    | 4Q12    | 1Q13    | 2Q13    | 3Q13    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Balance sheet figures (UAHm)</b>        |         |         |         |         |         |         |         |         |         |
| Assets                                     | 141,363 | 145,118 | 153,655 | 161,740 | 164,563 | 172,429 | 174,930 | 190,924 | 202,551 |
| Cash and cash equivalents                  | 20,315  | 21,771  | 22,189  | 28,028  | 26,024  | 28,196  | 22,500  | 32,194  | 33,970  |
| Gross loans                                | 123,697 | 122,922 | 128,162 | 131,761 | 136,195 | 138,961 | 146,054 | 150,537 | 154,249 |
| Gross business loans                       | 97,539  | 96,702  | 102,045 | 105,359 | 109,125 | 111,446 | 117,581 | 120,810 | 123,025 |
| Gross household loans                      | 26,158  | 26,221  | 26,117  | 26,402  | 27,070  | 27,514  | 28,473  | 29,726  | 31,224  |
| Loan loss reserves (LLR)                   | -20,928 | -22,130 | -22,226 | -23,366 | -24,595 | -25,235 | -25,032 | -24,775 | -25,066 |
| Deposits                                   | 92,096  | 91,842  | 99,832  | 102,413 | 103,150 | 106,342 | 108,495 | 120,750 | 123,995 |
| Business deposits                          | 23,246  | 21,593  | 23,730  | 24,065  | 20,641  | 20,477  | 21,173  | 25,387  | 22,991  |
| Household deposits                         | 68,849  | 70,249  | 76,102  | 78,348  | 82,508  | 85,865  | 87,322  | 95,363  | 101,004 |
| Total equity                               | 16,288  | 16,747  | 17,006  | 17,260  | 17,754  | 18,301  | 18,959  | 19,734  | 20,109  |
| <b>Quarterly P&amp;L (UAHm)</b>            |         |         |         |         |         |         |         |         |         |
| Net interest income                        | 2,253   | 2,659   | 1,828   | 1,789   | 2,613   | 1,819   | 1,893   | 2,373   | 1,985   |
| Net commission income                      | 1,055   | 1,019   | 953     | 1,059   | 522     | 739     | 663     | 339     | 722     |
| Operating income (before LLP)              | 3,666   | 3,987   | 3,306   | 3,011   | 3,269   | 2,704   | 2,482   | 2,712   | 2,931   |
| Operating expenses                         | -1,317  | -1,512  | -1,204  | -1,312  | -1,535  | -1,536  | -1,330  | -1,622  | -1,772  |
| Loan loss provisions (LLP)                 | -2,128  | -1,922  | -1,772  | -1,321  | -1,259  | -557    | -465    | -263    | -684    |
| Net income                                 | 197     | 446     | 267     | 323     | 401     | 542     | 624     | 758     | 349     |
| <b>Last 12-month period P&amp;L (UAHm)</b> |         |         |         |         |         |         |         |         |         |
| Net interest income                        | 7,155   | 7,941   | 8,541   | 8,529   | 8,889   | 8,049   | 8,114   | 8,698   | 8,070   |
| Net commission income                      | 3,705   | 3,840   | 4,013   | 4,086   | 3,553   | 3,273   | 2,983   | 2,263   | 2,464   |
| Operating income (before LLP)              | 11,901  | 12,840  | 13,963  | 13,970  | 13,573  | 12,290  | 11,466  | 11,167  | 10,830  |
| Operating expenses                         | -4,705  | -5,081  | -5,202  | -5,345  | -5,563  | -5,587  | -5,713  | -6,023  | -6,260  |
| Loan loss provisions (LLP)                 | -5,754  | -6,185  | -7,258  | -7,143  | -6,274  | -4,909  | -3,602  | -2,544  | -1,969  |
| Net income                                 | 1,357   | 1,426   | 1,258   | 1,233   | 1,437   | 1,533   | 1,890   | 2,325   | 2,274   |
| <b>Growth rates (%YoY)</b>                 |         |         |         |         |         |         |         |         |         |
| Assets                                     | 35.4    | 27.9    | 19.7    | 19.2    | 16.4    | 18.8    | 13.8    | 18.0    | 23.1    |
| Gross loans                                | 36.0    | 20.7    | 15.0    | 11.7    | 10.1    | 13.0    | 14.0    | 14.3    | 13.3    |
| Deposits (by businesses)                   | 27.5    | 5.8     | 16.8    | 7.9     | -11.2   | -5.2    | -10.8   | 5.5     | 11.4    |
| Deposits (by households)                   | 39.0    | 28.3    | 24.3    | 16.6    | 19.8    | 22.2    | 14.7    | 21.7    | 22.4    |
| Deposits (total)                           | 35.9    | 22.2    | 22.4    | 14.4    | 12.0    | 15.8    | 8.7     | 17.9    | 20.2    |
| Total equity                               | 41.6    | 41.0    | 38.0    | 36.1    | 9.0     | 9.3     | 11.5    | 14.3    | 13.3    |
| <b>Key ratios (%)</b>                      |         |         |         |         |         |         |         |         |         |
| Capital adequacy ratio (R2 by NBU)         | 12.0    | 11.7    | 11.3    | 11.4    | 11.0    | 10.9    | 11.7    | 12.0    | 13.0    |
| Equity/assets                              | 11.5    | 11.5    | 11.1    | 10.7    | 10.8    | 10.6    | 10.8    | 10.3    | 9.9     |
| (Equity + sub-debt)/assets                 | 12.4    | 12.4    | 11.9    | 11.4    | 11.5    | 11.3    | 11.5    | 11.0    | 10.9    |
| Cash & cash equivalents/liabilities        | 16.2    | 17.0    | 16.2    | 19.4    | 17.7    | 18.3    | 14.4    | 18.8    | 18.6    |
| Current liquidity (R5 by NBU)              | 52.7    | 77.1    | 58.9    | 58.4    | 60.8    | 54.7    | 76.7    | 74.4    | 97.2    |
| Gross loans/deposits                       | 134     | 134     | 128     | 129     | 132     | 131     | 135     | 125     | 124.4   |
| Net loans/deposits                         | 111.6   | 109.7   | 106.1   | 105.8   | 108.2   | 106.9   | 111.5   | 104.2   | 104.2   |
| Cost-to-income ratio                       | 39.5    | 39.6    | 37.3    | 38.3    | 41.0    | 45.5    | 49.8    | 53.9    | 57.8    |
| Net interest margin                        | 7.3     | 7.9     | 8.2     | 8.0     | 8.2     | 7.2     | 6.9     | 7.1     | 6.3     |
| ROAA                                       | 1.0     | 1.0     | 0.9     | 0.8     | 0.9     | 0.9     | 1.1     | 1.3     | 1.2     |
| ROAE                                       | 10.2    | 9.8     | 8.0     | 7.3     | 8.4     | 8.7     | 10.5    | 12.4    | 11.8    |
| NII/operating income                       | 60.1    | 61.8    | 61.2    | 61.1    | 65.5    | 65.5    | 70.8    | 77.9    | 74.5    |
| Core income/operating expenses             | 230.8   | 231.9   | 241.3   | 236.0   | 223.7   | 202.6   | 194.2   | 182.0   | 168.3   |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

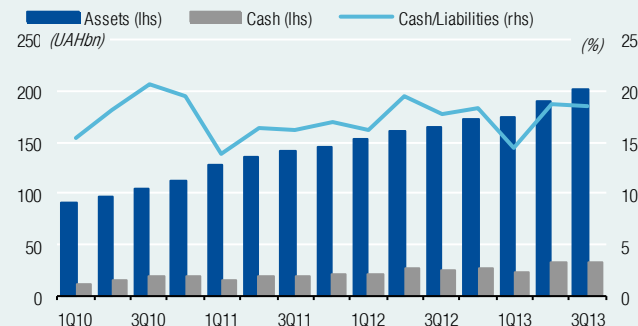
## Privatbank: Key credit metrics

Chart 10. Capitalisation



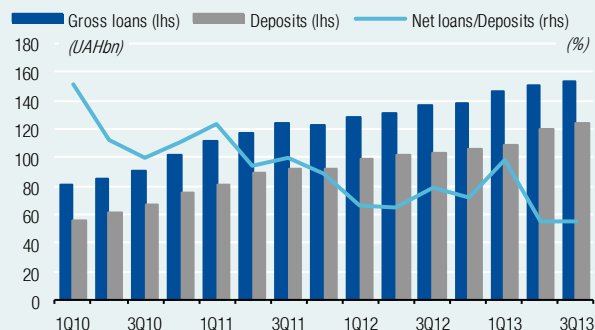
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 11. Liquidity



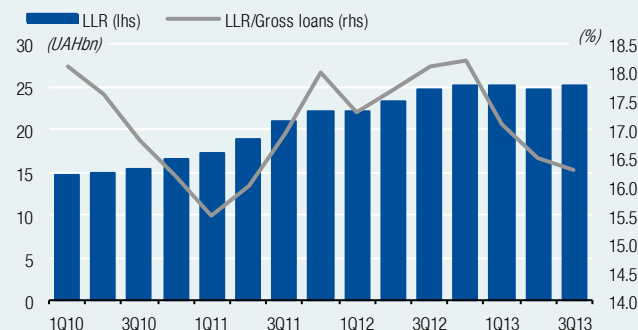
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 12. Loans and deposits



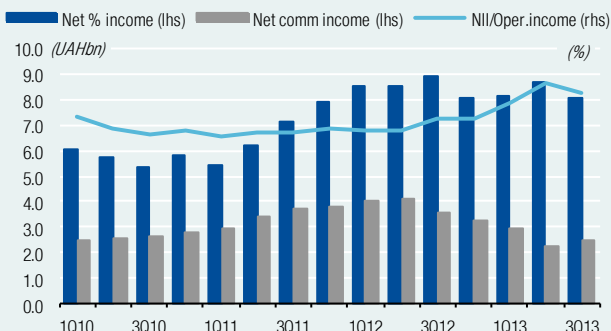
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 13. Loan loss reserves history



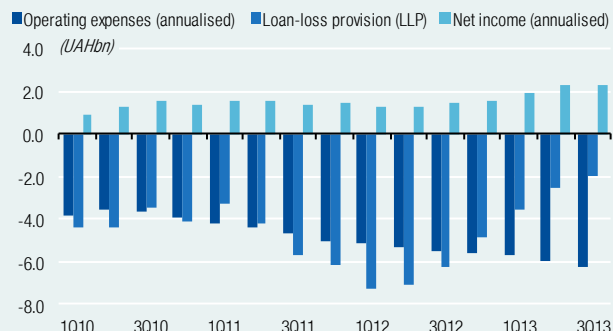
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 14. Income structure (annualised basis)



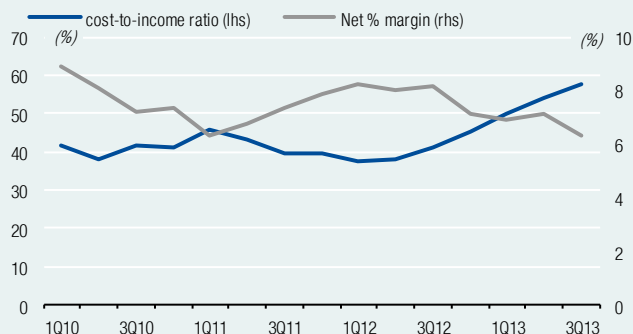
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 15. Expense and net income (annualised basis)



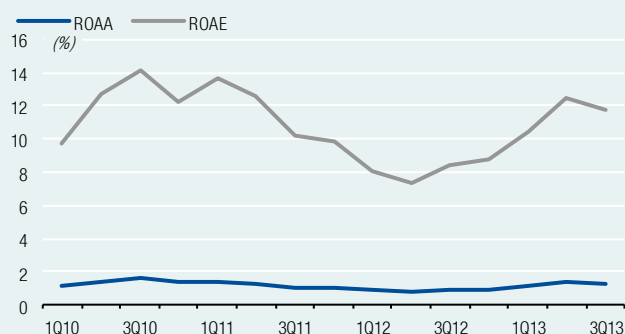
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 16. Financial performance ratios



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 17. Financial performance ratios



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# Oschadbank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch

Caa2/ NR /B- OSCHAD

Ticker(s) in Bloomberg

**Oschadbank grew both its corporate and retail loan portfolios in 3Q13, while the increase in investment in securities observed in 1H13 slowed.**

**Its bad debt reserves increased following the downgrade of Ukraine's sovereign rating followed by that of quasi-sovereign corporations such as Naftogaz, which accounts for one-third of the bank's total loan portfolio.**

**Capitalisation stable.** The regulatory CAR declined by 0.6ppt in 3Q13 as total risk-weighted assets grew by 2.0% QoQ. The level of capitalisation was unchanged in 3Q13; however, it remains the second-largest among the bigger Ukrainian banks.

**Increased retail lending.** The gross loan portfolio grew by 4.0% QoQ in 3Q13 or by UAH2.5bn. Loans to households increased by 7.9% QoQ or UAH 354m. This is the largest quarterly increase in the retail portfolio in the last four years.

**LLR ratio rises.** In 3Q13 the LLR ratio increased by 0.9ppt to 19.0%. This was the ninth consecutive quarterly rise, which we believe reflects the management's increasingly pessimistic view of the quality of the corporate portfolio.

**Investment in securities stabilised.** Investment in securities increased by UAH976m in 3Q13 or by just 4.0% QoQ, following 87.7% growth in 1H13. Nonetheless, such investments constituted 25.6% of the bank's 3Q13 total assets.

**Household deposits rise, while the corporate sector shrinks.** Customer deposits rose by 2.5% QoQ in 3Q13, while the share of household deposits in total deposits grew from 78.4% in 3Q12 to 81.8%. The bank remained the second-largest in Ukraine in terms of absolute gains in retail term deposits: UAH1.6bn in 3Q13.

**Earnings remain strong despite high provision expenses.** Net income amounted to UAH187m in 3Q13, which is a 2.4% increase YoY. Loan provision expenses grew 32.9% YoY to UAH1.0bn during the same period.

Despite falling 0.3ppt in 3Q13, the net interest margin remains strong – at 7.2%.

## Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

### Financials (UAHm)

Assets

Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LLP

Net income

Ratios (%)

Tier 1 ratio 25.1% 24.1% 27.9% 26.6%  
 figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
 Sources: Bank data, ICU.

Equity-to-assets

Net loan-to-deposit

Cash-to-liabilities

ROAA

ROAE

Net % margin

NII-to-op income

## Oschadbank: Key quarterly UAS financials and ratios

Table 4. Key financials and ratios derived from the bank's UAS financials

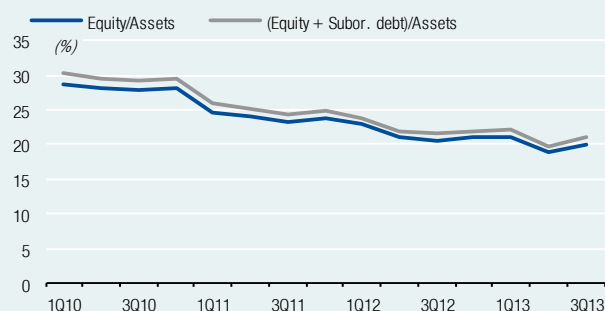
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12    | 1Q13    | 2Q13    | 2Q13    |
|--|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |         |         |         |         |
| Assets                                     | 75,349 | 73,968 | 78,418 | 84,733 | 86,474 | 85,996  | 86,226  | 95,624  | 92,320  |
| Cash and cash equivalents                  | 8,253  | 5,554  | 7,962  | 6,995  | 7,605  | 15,489  | 9,587   | 7,394   | 6,539   |
| Gross loans                                | 57,384 | 58,838 | 57,678 | 59,957 | 60,382 | 61,348  | 60,520  | 61,871  | 64,356  |
| Gross business loans                       | 52,801 | 54,369 | 53,260 | 55,557 | 55,859 | 56,783  | 56,023  | 57,406  | 59,537  |
| Gross household loans                      | 4,583  | 4,469  | 4,418  | 4,399  | 4,524  | 4,565   | 4,497   | 4,465   | 4,819   |
| Loan loss reserves (LLR)                   | -7,562 | -8,354 | -8,642 | -9,333 | -9,985 | -10,161 | -10,849 | -11,194 | -12,213 |
| Deposits                                   | 38,255 | 38,585 | 35,120 | 37,061 | 37,143 | 39,399  | 40,021  | 43,040  | 44,120  |
| Business deposits                          | 13,736 | 13,357 | 8,081  | 8,052  | 8,017  | 9,545   | 7,435   | 8,115   | 8,010   |
| Household deposits                         | 24,520 | 25,229 | 27,039 | 29,009 | 29,127 | 29,854  | 32,587  | 34,926  | 36,110  |
| Total equity                               | 17,534 | 17,647 | 17,951 | 17,796 | 17,874 | 18,118  | 18,276  | 18,069  | 18,566  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |         |         |         |         |
| Net interest income                        | 1,184  | 1,282  | 1,205  | 1,172  | 1,277  | 1,275   | 1,348   | 1,344   | 1,402   |
| Net commission income                      | 230    | 239    | 262    | 245    | 252    | 281     | 281     | 274     | 292     |
| Operating income (before LLP)              | 1,514  | 1,619  | 1,564  | 1,560  | 1,733  | 894     | 1,839   | 1,421   | 2,033   |
| Operating expenses                         | -633   | -769   | -696   | -778   | -786   | -943    | -805    | -799    | -861    |
| Loan loss provisions (LLP)                 | -743   | -801   | -664   | -705   | -765   | 166     | -847    | -314    | -1,017  |
| Net income                                 | 138    | 146    | 178    | 50     | 183    | 155     | 137     | 157     | 187     |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |         |         |         |         |
| Net interest income                        | 4,297  | 4,522  | 4,713  | 4,843  | 4,935  | 4,928   | 5,072   | 5,245   | 5,370   |
| Net commission income                      | 946    | 936    | 958    | 976    | 998    | 1,040   | 1,059   | 1,087   | 1,127   |
| Operating income (before LLP)              | 5,662  | 5,861  | 6,095  | 6,257  | 6,477  | 5,752   | 6,027   | 5,888   | 6,188   |
| Operating expenses                         | -2,362 | -2,579 | -2,712 | -2,876 | -3,029 | -3,203  | -3,312  | -3,332  | -3,408  |
| Loan loss provisions (LLP)                 | -2,648 | -2,794 | -2,829 | -2,913 | -2,935 | -1,969  | -2,152  | -1,761  | -2,012  |
| Net income                                 | 414    | 531    | 583    | 512    | 557    | 566     | 525     | 631     | 636     |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |         |         |         |         |
| Assets                                     | 26.6   | 25.3   | 15.2   | 17.0   | 14.8   | 16.3    | 10.0    | 12.9    | 6.8     |
| Gross loans                                | 27.4   | 31.4   | 28.1   | 21.2   | 5.2    | 4.3     | 4.9     | 3.2     | 6.6     |
| Deposits (by businesses)                   | 204.5  | 170.4  | -34.9  | -37.4  | -41.6  | -28.5   | -8.0    | 0.8     | -0.1    |
| Deposits (by households)                   | 34.4   | 29.5   | 30.5   | 22.3   | 18.8   | 18.3    | 20.5    | 20.4    | 24.0    |
| Deposits (total)                           | 68.1   | 58.0   | 6.0    | 1.3    | -2.9   | 2.1     | 14.0    | 16.1    | 18.8    |
| Total equity                               | 5.5    | 6.1    | 6.6    | 2.3    | 1.9    | 2.7     | 1.8     | 1.5     | 3.9     |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |         |         |         |         |
| Capital adequacy ratio (R2 by NBU)         | 34.7   | 30.5   | 28.6   | 25.6   | 24.6   | 25.4    | 32.8    | 29.4    | 28.8    |
| Equity/assets                              | 23.3   | 23.9   | 22.9   | 21.0   | 20.7   | 21.1    | 21.2    | 18.9    | 20.1    |
| (Equity + sub-debt)/assets                 | 24.3   | 25.0   | 23.9   | 22.0   | 21.6   | 22.0    | 22.1    | 19.7    | 21.0    |
| Cash & cash equivalents/liabilities        | 14.3   | 9.9    | 13.2   | 10.4   | 11.1   | 22.8    | 14.1    | 9.5     | 8.9     |
| Current liquidity (R5 by NBU)              | 77.4   | 73.3   | 83.7   | 66.0   | 70.1   | 60.2    | 124.5   | 132.9   | 109.3   |
| Gross loans/deposits                       | 150.0  | 152.5  | 164.2  | 161.8  | 162.6  | 155.7   | 151.2   | 143.8   | 145.9   |
| Net loans/deposits                         | 130.2  | 130.8  | 139.6  | 136.6  | 135.7  | 129.9   | 124.1   | 117.7   | 118.2   |
| Cost-to-income ratio                       | 41.7   | 44.0   | 44.5   | 46.0   | 46.8   | 55.7    | 54.9    | 56.6    | 55.1    |
| Net interest margin                        | 7.6    | 7.5    | 7.4    | 7.3    | 7.2    | 7.2     | 7.2     | 7.3     | 7.2     |
| ROAA                                       | 0.6    | 0.7    | 0.8    | 0.7    | 0.7    | 0.7     | 0.6     | 0.7     | 0.7     |
| ROAE                                       | 2.4    | 3.1    | 3.3    | 2.9    | 3.1    | 3.2     | 2.9     | 3.5     | 3.5     |
| NII/operating income                       | 75.9   | 77.2   | 77.3   | 77.4   | 76.2   | 85.7    | 84.2    | 89.1    | 86.8    |
| Core income/operating expenses             | 221.9  | 211.6  | 209.1  | 202.3  | 195.9  | 186.4   | 185.1   | 190.0   | 190.6   |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

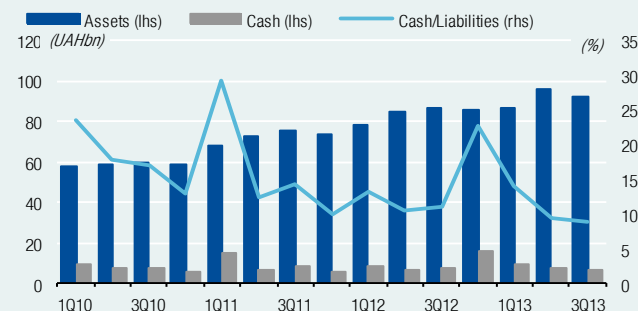
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

## Oschadbank: Key credit metrics

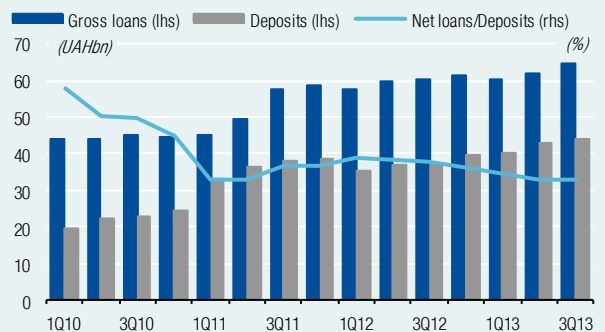
**Chart 18. Capitalisation**



**Chart 19. Liquidity**



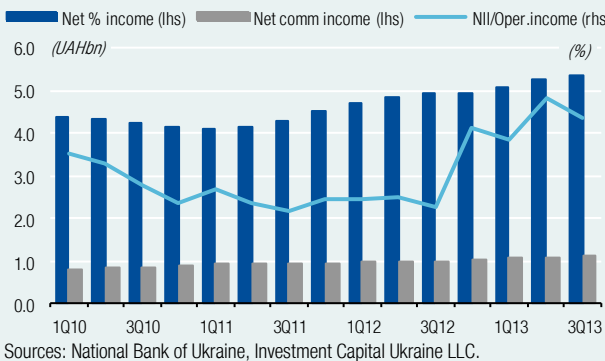
**Chart 20. Loans and deposits**



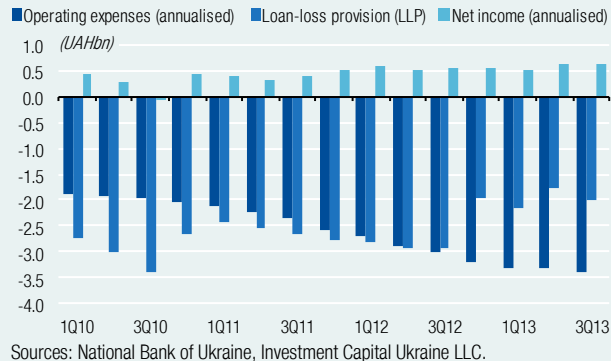
**Chart 21. Loan loss reserves history**



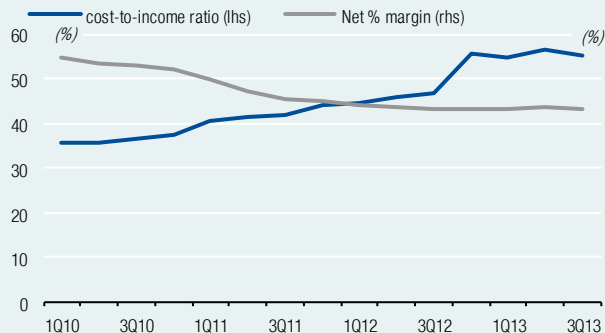
**Chart 22. Income structure (annualised basis)**



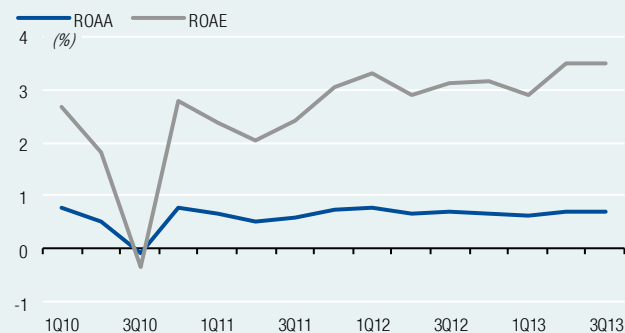
**Chart 23. Expense and net income(annualised basis)**



**Chart 24. Financial performance ratios**



**Chart 25. Financial performance ratios**



Country

**Ukraine**

# Ukreximbank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

**Caa2/ NR / B-**

Ticker(s) in Bloomberg

**EXIMUK**

**3Q13 was a rather quiet period for Ukreximbank: it increased its gross loan portfolio by just 0.2% QoQ. At the same time, investment in securities decreased by 3.3% QoQ owing to the absence of new external funding.**

**Liquidity decreases as deposits decline.** The cash-to-liabilities ratio fell from 11.2% in 2Q13 to 9.4% in 3Q13, reportedly owing to the outflow of customer deposits, the total value of which decreased by 1.3% QoQ. We believe that the bank's largest depositor spent part of the funds it had placed at the bank, as the amount of business deposits declined by UAH1.0bn. At the same time, household deposits grew 2.8% QoQ to UAH16.7bn.

**LLR ratio falls owing to write-offs.** The LLR ratio fell from 20.7% in 2Q13 to 18.7% in 3Q13, while loan loss provision (LLP) expenses amounted to UAH605m, down 22.0% QoQ. The bank's loan portfolio continues to deteriorate: the share of bad debts increased 0.8ppt in 3Q13 to 19.4%. The bank appears to have written off UAH1.4bn in bad debt in 3Q13.

At the same time, the total amount of bad debt increased by UAH791m or 6.8% QoQ. We therefore expect LLR to increase in 4Q13, which will impact negatively on the bank's profits.

**Purchase of government bonds halted.** After nearly doubling in 1H13, investment in securities decreased by 3.3% QoQ to UAH35.4bn. According to our estimates, government and municipal bonds constitute at least 80% of the total. At the same time, the share of securities in total assets decreased by 1.1ppt but remains high, at 38.9%.

We believe that the bank's decision to stop growing its securities portfolio stems from the absence of external inflows, such as proceeds from Eurobonds.

**Profits increase slightly.** Ukreximbank reported a net profit of UAH52m in 3Q13, an 11.5% increase over 2Q13. However, profitability is still considered low owing to large LLP expenses – nearly 60.8% of pre-provision income (PPI).

The net interest margin declined by 0.1ppt to 5.3% in 3Q13. However, the cost-to-income ratio is very low – just 28.4%.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011   | 2012   | 2012   | 3Q13   |
|--------------------------|--------|--------|--------|--------|
|                          | IFRS   | IFRS   | UAS    | UAS    |
| <b>Financials (UAHm)</b> |        |        |        |        |
| Assets                   | 74,525 | 87,206 | 91,627 | 91,000 |
| Loans                    | 41,855 | 39,366 | 38,593 | 39,600 |
| Deposits                 | 29,678 | 42,834 | 43,677 | 43,100 |
| Equity                   | 17,258 | 17,380 | 17,984 | 18,000 |
| Net % income             | 3,155  | 3,558  | 3,683  | 3,700  |
| Net com income           | 367    | 384    | 515    | 500    |
| Operating income         | 4,069  | 4,567  | 4,628  | 4,400  |
| PPI                      | 3,068  | 3,352  | 3,378  | 3,200  |
| LLP                      | -2,878 | -3,091 | -3,001 | -2,700 |
| Net income               | 131    | 137    | 203    | 200    |
| <b>Ratios (%)</b>        |        |        |        |        |
| Tier 1 ratio             | N/a    | N/a    |        |        |
| CAR                      | 31.0   | 28.0   | 29.5   | 29     |
| Equity-to-assets         | 23.2   | 19.9   | 19.6   | 19     |
| Net loan-to-deposit      | 141.0  | 91.9   | 88     | 91     |
| Cash-to-liabilities      | 18.6   | 28.3   | 11.2   | 9      |
| ROAA                     | 0.2    | 0.2    | 0.2    | 0      |
| ROAE                     | 0.8    | 0.8    | 1.1    | 1      |
| Net % margin             | 5.5    | 6.0    | 5.4    | 5      |
| NII-to-op income         | 77.5   | 77.9   | 79.6   | 84     |
| Cost-to-income           | 24.6   | 26.6   | 27.0   | 28     |
| LLR                      | 18.5   | 18.8   | 20.7   | 18     |
| NPLs                     | 30.2   | 23.6   | N/a    | N      |
| NPL coverage             | 61.1   | 79.9   | N/a    | N      |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## Ukreximbank: Key quarterly UAS financials and ratios

Table 5. Key financials and ratios derived from the bank's UAS financials

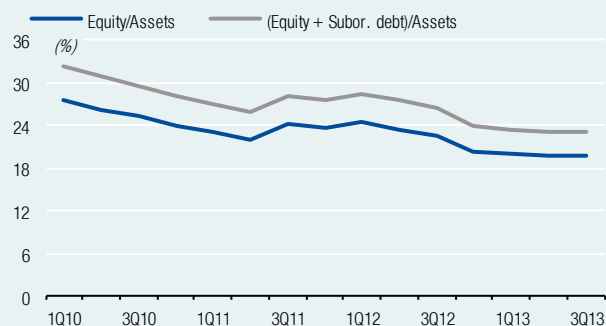
|  | 3Q11   | 4Q11   | 1Q12    | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13    | 3Q13   |
|--|--------|--------|---------|--------|--------|--------|--------|---------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |         |        |        |        |        |         |        |
| Assets                                     | 73,072 | 75,103 | 72,851  | 75,543 | 78,674 | 87,949 | 89,672 | 91,627  | 91,098 |
| Cash and cash equivalents                  | 6,709  | 8,632  | 7,454   | 6,842  | 8,155  | 19,078 | 11,895 | 8,274   | 6,863  |
| Gross loans                                | 54,152 | 52,753 | 52,914  | 51,148 | 49,308 | 49,806 | 47,000 | 48,637  | 48,725 |
| Gross business loans                       | 53,135 | 51,756 | 51,956  | 50,250 | 48,417 | 48,897 | 46,155 | 47,851  | 47,929 |
| Gross household loans                      | 1,016  | 996    | 958     | 898    | 892    | 909    | 845    | 786     | 796    |
| Loan loss reserves (LLR)                   | -8,808 | -9,834 | -10,680 | -8,750 | -8,815 | -9,384 | -9,488 | -10,044 | -9,093 |
| Deposits                                   | 32,279 | 31,682 | 31,672  | 31,909 | 34,069 | 44,841 | 44,062 | 43,677  | 43,114 |
| Business deposits                          | 19,036 | 18,158 | 17,714  | 17,721 | 18,905 | 29,038 | 28,055 | 27,480  | 26,458 |
| Household deposits                         | 13,243 | 13,523 | 13,958  | 14,188 | 15,164 | 15,803 | 16,007 | 16,197  | 16,656 |
| Total equity                               | 17,644 | 17,729 | 17,742  | 17,728 | 17,746 | 17,856 | 17,928 | 17,984  | 18,003 |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |         |        |        |        |        |         |        |
| Net interest income                        | 880    | 977    | 881     | 843    | 883    | 882    | 913    | 1,005   | 976    |
| Net commission income                      | 131    | 146    | 116     | 124    | 132    | 138    | 115    | 130     | 136    |
| Operating income (before LLP)              | 900    | 1,457  | 1,098   | 1,110  | 1,137  | 1,234  | 1,078  | 1,179   | 995    |
| Operating expenses                         | -252   | -314   | -264    | -312   | -292   | -358   | -265   | -335    | -315   |
| Loan loss provisions (LLP)                 | -617   | -1,083 | -805    | -763   | -816   | -676   | -733   | -776    | -605   |
| Net income                                 | 22     | 29     | 20      | 24     | 27     | 88     | 41     | 47      | 52     |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |         |        |        |        |        |         |        |
| Net interest income                        | 3,418  | 3,463  | 3,492   | 3,581  | 3,584  | 3,489  | 3,521  | 3,683   | 3,776  |
| Net commission income                      | 509    | 517    | 520     | 517    | 518    | 510    | 509    | 515     | 518    |
| Operating income (before LLP)              | 4,083  | 4,397  | 4,421   | 4,565  | 4,802  | 4,579  | 4,559  | 4,628   | 4,485  |
| Operating expenses                         | -971   | -1,020 | -1,083  | -1,142 | -1,182 | -1,226 | -1,227 | -1,250  | -1,273 |
| Loan loss provisions (LLP)                 | -2,933 | -3,231 | -3,189  | -3,268 | -3,467 | -3,060 | -2,988 | -3,001  | -2,789 |
| Net income                                 | 76     | 88     | 91      | 95     | 100    | 159    | 180    | 203     | 227    |
| <b>Growth rates (%YoY)</b>                 |        |        |         |        |        |        |        |         |        |
| Assets                                     | 5.9    | 2.6    | -4.5    | -5.6   | 7.7    | 17.1   | 23.1   | 21.3    | 15.8   |
| Gross loans                                | 4.2    | 1.3    | 1.1     | -3.3   | -8.9   | -5.6   | -11.2  | -4.9    | -1.2   |
| Deposits (by businesses)                   | 42.4   | 21.4   | -2.5    | -18.0  | -0.7   | 59.9   | 58.4   | 55.1    | 40.0   |
| Deposits (by households)                   | 15.2   | 9.3    | 5.0     | 4.4    | 14.5   | 16.9   | 14.7   | 14.2    | 9.8    |
| Deposits (total)                           | 29.8   | 15.9   | 0.7     | -9.4   | 5.5    | 41.5   | 39.1   | 36.9    | 26.5   |
| Total equity                               | 1.2    | 1.6    | 0.8     | 0.6    | 0.6    | 0.7    | 1.0    | 1.4     | 1.4    |
| <b>Key ratios (%)</b>                      |        |        |         |        |        |        |        |         |        |
| Capital adequacy ratio (R2 by NBU)         | 22.9   | 31.2   | 32.2    | 31.9   | 31.9   | 29.2   | 30.2   | 29.5    | 29.6   |
| Equity/assets                              | 24.1   | 23.6   | 24.4    | 23.5   | 22.6   | 20.3   | 20.0   | 19.6    | 19.8   |
| (Equity + sub-debt)/assets                 | 28.1   | 27.6   | 28.4    | 27.5   | 26.3   | 23.8   | 23.3   | 23.0    | 23.0   |
| Cash & cash equivalents/liabilities        | 12.1   | 15.0   | 13.5    | 11.8   | 13.4   | 27.2   | 16.6   | 11.2    | 9.4    |
| Current liquidity (R5 by NBU)              | 94.1   | 49.0   | 53.6    | 83.6   | 131.6  | 90.7   | 132.3  | 106.6   | 109.2  |
| Gross loans/deposits                       | 167.8  | 166.5  | 167.1   | 160.3  | 144.7  | 111.1  | 106.7  | 111.4   | 113.0  |
| Net loans/deposits                         | 140.5  | 135.5  | 133.3   | 132.9  | 118.9  | 90.1   | 85.1   | 88.4    | 91.9   |
| Cost-to-income ratio                       | 23.8   | 23.2   | 24.5    | 25.0   | 24.6   | 26.8   | 26.9   | 27.0    | 28.4   |
| Net interest margin                        | 5.8    | 5.8    | 5.8     | 5.9    | 5.9    | 5.7    | 5.5    | 5.4     | 5.3    |
| ROAA                                       | 0.1    | 0.1    | 0.1     | 0.1    | 0.1    | 0.2    | 0.2    | 0.2     | 0.3    |
| ROAE                                       | 0.4    | 0.5    | 0.5     | 0.5    | 0.6    | 0.9    | 1.0    | 1.1     | 1.3    |
| NII/operating income                       | 83.7   | 78.8   | 79.0    | 78.4   | 74.6   | 76.2   | 77.2   | 79.6    | 84.2   |
| Core income/operating expenses             | 404.4  | 390.2  | 370.5   | 358.8  | 347.0  | 326.2  | 328.4  | 335.8   | 337.4  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

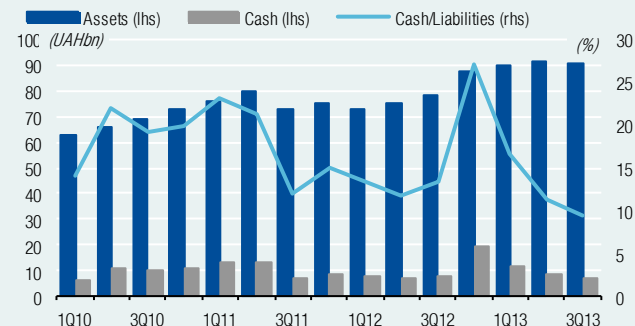
## Ukreximbank: Key credit metrics

**Chart 26. Capitalisation**



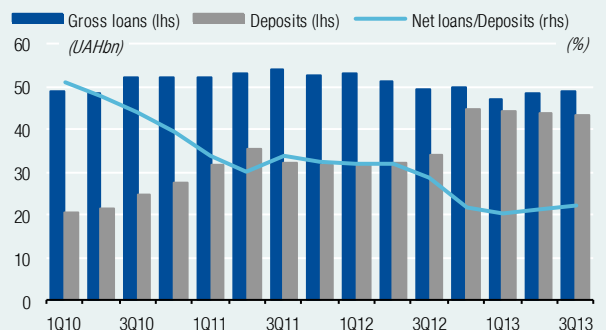
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 27. Liquidity**



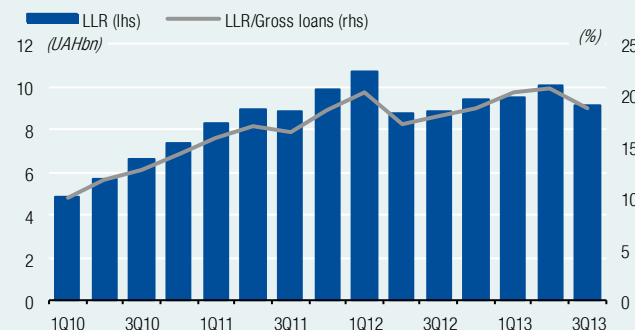
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 28. Loans and deposits**



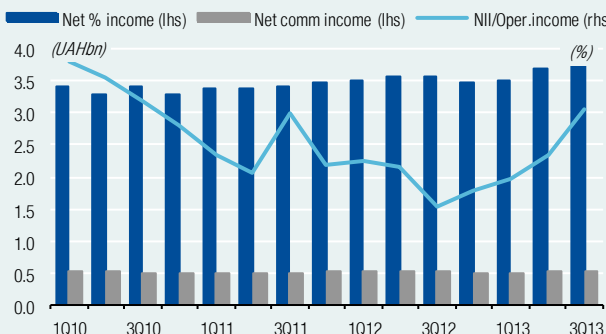
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 29. Loan loss reserves history**



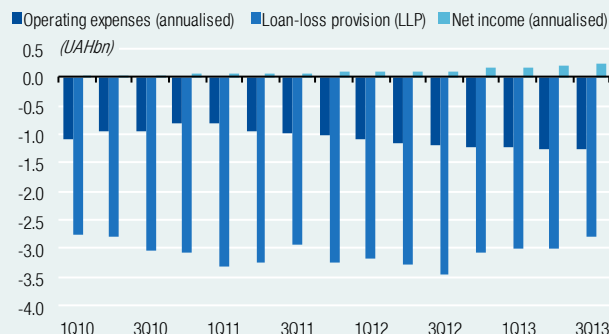
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 30. Income structure (annualised basis)**



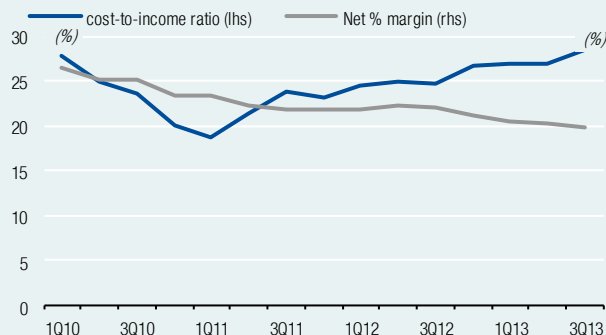
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 31. Expense and net income (annualised basis)**



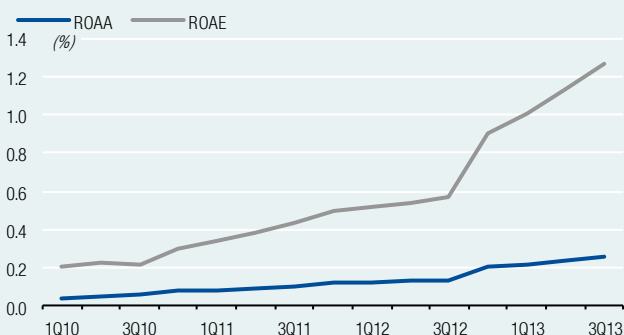
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 32. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 33. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

**Ukraine**

# Delta Bank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

**NR/NR/NR**

Ticker(s) in Bloomberg

**DELBK**

**Delta Bank has shown one of the largest assets growth in 3Q13 – 13.5% QoQ. The volume of bad debt has increased by 52.4% QoQ during the 3Q13, to UAH6.2bn. However, we believe that it is rather the purchase of NPL loans from Kredytprombank rather than existing loans going bad. LLR rate has further dropped from 8.6% in 2Q13 to 8.2% 3Q13 as the bank has reduced reserves for retail loans by 0.8ppt to 11.5%.**

**Capitalisation remains weak.** Regulatory capital of the bank is struggling to keep up with the pace of the assets growth of Delta Bank. During the 3Q13 RCAR ratio has fallen by 0.3ppt, to 10.7%, which is only 0.7ppt above the regulatory minimum. We continue to expect the inflow of the share capital in the bank or issue of the subordinated debt in order to boost the capitalization in the near future.

## Loan portfolio growth both organically and by acquisitions.

Gross corporate loan portfolio of the bank has increased by UAH3.8bn or 26.2% QOQ in 3Q13. In our view, this growth has been provided primarily by the acquisition of the existing loan portfolio of Kredytprombank. At the same time, growth of the retail gross portfolio by 13.3% QoQ to UAH18.2bn, in our view, was internally generated as bank has leading position in consumer lending sector.

**Customer deposits are still growing.** Delta Bank is among the top banks by the volume of the deposit base increase in 3Q13, which amounted to UAH33.9bn or 13.2% QoQ. The interest rates offered by the bank are above the market average, which in our view facilitates the flow of customers' funds from other banks into Delta Bank.

**Profits are scaling up.** Net interest margin of Delta Bank remains negative as it recognizes loan-related fees as commission income. The overall operating income before LLP has increased by 34.8% YoY in 3Q13 to UAH900m. Net income of the bank amounted to UAH71m (83.4% QoQ increase). Despite substantial rise of the offices by 76.2% during the 9 month of 2013, to 229, cost-to-income ratio remains low – only 47.5%. Acquisition of the existing and functioning branches is the main reason of such efficiency.

**Outstanding litigation.** Delta Bank is involved in the litigation process regarding the deposit of AMC Praktika to Kredytprombank in the amount of UAH217m. Plaintiff claims that Delta Bank is trying to get Kredytprombank to go bankrupt by purchasing its assets. Currently court has ruled out that the assets sale has been legal, however further appeals may take place.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011   | 2012   | 2Q12   | 3Q1   |
|--------------------------|--------|--------|--------|-------|
|                          | IFRS   | IFRS   | UAS    | UA    |
| <b>Financials (UAHm)</b> |        |        |        |       |
| Assets                   | 21,760 | 29,647 | 47,616 | 54,04 |
| Loans                    | 13,661 | 18,695 | 28,095 | 33,70 |
| Deposits                 | 10,425 | 17,329 | 29,892 | 33,83 |
| Equity                   | 4,460  | 5,920  | 3,175  | 3,25  |
| Net % income             | 2,635  | 571    | -181   | -38   |
| Net com income           | 696    | 1,646  | 2,257  | 2,56  |
| Operating income         | 4,964  | 2,366  | 3,397  | 2,52  |
| PPI                      | 1,825  | 1,347  | 2,995  | 1,32  |
| LLP                      | -1,255 | -1,238 | -671   | -1,03 |
| Net income               | 348    | 92     | 58     | 24    |
| <b>Ratios (%)</b>        |        |        |        |       |
| Tier 1 ratio             | 11.4   | 11.5   | N/a    | N     |
| CARUkreximbank           | 11.0   | 10.7   |        |       |
| Equity-to-assets         | 20.5   | 20.0   | 6.7    | 6.    |
| Net loan-to-deposit      | 131.0  | 107.9  | 94     | 99.   |
| Cash-to-liabilities      | 14.9   | 21.5   | 24.1   | 18.   |
| ROAA                     | 2.0    | 0.4    | 0.2    | 0.    |
| ROAE                     | 10.8   | 1.8    | 1.9    | 7.    |
| Net % margin             | 20.1   | 2.9    | -0.7   | -1.   |
| NII-to-op income         | 53.1   | 24.1   | -5.3   | -15.  |
| Cost-to-income           | 63.2   | 43.1   | 11.8   | 47.   |
| LLR                      | 23.2   | 15.0   | 8.6    | 8.    |
| NPLs                     | 22.8   | 14.3   | N/a    | N     |
| NPL coverage             | 101.6  | 105.1  | N/a    | N     |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
Sources: Bank data, ICU.

## Delta Bank: Key quarterly UAS financials and ratios

Table 6. Key financials and ratios derived from the bank's UAS financials

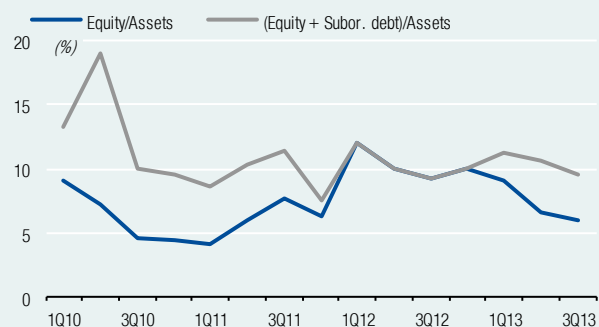
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 3Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 18,856 | 23,216 | 24,528 | 29,044 | 31,612 | 29,842 | 34,746 | 47,616 | 54,041 |
| Cash and cash equivalents                  | 1,529  | 2,167  | 2,960  | 3,892  | 3,832  | 4,906  | 7,711  | 10,725 | 9,267  |
| Gross loans                                | 14,784 | 18,052 | 18,804 | 20,426 | 19,599 | 21,265 | 24,744 | 30,751 | 36,720 |
| Gross business loans                       | 8,328  | 10,110 | 9,988  | 10,897 | 9,432  | 10,016 | 11,262 | 14,645 | 18,478 |
| Gross household loans                      | 6,457  | 7,942  | 8,816  | 9,530  | 10,167 | 11,250 | 13,482 | 16,105 | 18,242 |
| Loan loss reserves (LLR)                   | -3,437 | -4,229 | -4,373 | -4,510 | -2,746 | -3,244 | -3,395 | -2,655 | -3,019 |
| Deposits                                   | 9,462  | 10,353 | 11,909 | 13,375 | 15,026 | 17,198 | 22,628 | 29,892 | 33,834 |
| Business deposits                          | 2,000  | 2,193  | 2,790  | 3,029  | 3,574  | 3,846  | 6,518  | 8,475  | 10,048 |
| Household deposits                         | 7,461  | 8,160  | 9,119  | 10,346 | 11,452 | 13,352 | 16,110 | 21,417 | 23,786 |
| Total equity                               | 1,442  | 1,450  | 2,939  | 2,924  | 2,940  | 3,010  | 3,160  | 3,175  | 3,256  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 7      | 803    | 314    | 662    | 436    | 140    | 362    | 229    | -22    |
| Net commission income                      | 211    | 110    | 347    | 358    | 433    | 507    | 649    | 668    | 746    |
| Operating income (before LLP)              | 1,102  | 1,239  | 490    | 820    | 668    | 386    | 593    | 641    | 900    |
| Operating expenses                         | -164   | -204   | -182   | -530   | -307   | 1      | -377   | -414   | -405   |
| Loan loss provisions (LLP)                 | -325   | -854   | -296   | -263   | -366   | -305   | -118   | -186   | -425   |
| Net income                                 | 479    | -50    | 12     | 26     | 24     | 36     | 98     | 38     | 71     |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 2,499  | 2,635  | 1,243  | 1,786  | 2,215  | 1,552  | 1,600  | 1,167  | -382   |
| Net commission income                      | 720    | 696    | 882    | 1,026  | 1,248  | 1,645  | 1,947  | 2,257  | 2,569  |
| Operating income (before LLP)              | 4,540  | 4,963  | 3,567  | 3,651  | 3,217  | 2,364  | 2,467  | 2,288  | 2,520  |
| Operating expenses                         | -3,072 | -3,148 | -692   | -1,080 | -1,223 | -1,018 | -1,213 | -1,097 | -1,196 |
| Loan loss provisions (LLP)                 | -941   | -1,122 | -2,038 | -1,738 | -1,779 | -1,230 | -1,052 | -975   | -1,033 |
| Net income                                 | 530    | 468    | 471    | 467    | 12     | 98     | 184    | 196    | 243    |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 44.3   | 68.3   | 60.0   | 77.4   | 67.6   | 28.5   | 41.7   | 63.9   | 70.9   |
| Gross loans                                | 39.5   | 46.6   | 64.7   | 50.1   | 32.6   | 17.8   | 31.6   | 50.5   | 87.4   |
| Deposits (by businesses)                   | 73.5   | 93.2   | 118.3  | 98.5   | 78.7   | 75.4   | 133.6  | 179.8  | 181.1  |
| Deposits (by households)                   | 66.8   | 45.9   | 39.2   | 43.3   | 53.5   | 63.6   | 76.7   | 107.0  | 107.7  |
| Deposits (total)                           | 68.2   | 53.9   | 52.2   | 52.9   | 58.8   | 66.1   | 90.0   | 123.5  | 125.2  |
| Total equity                               | 142.4  | 138.9  | 373.3  | 199.3  | 103.9  | 107.6  | 7.5    | 8.6    | 10.7   |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 12.1   | 11.5   | 11.3   | 10.3   | 11.4   | 11.4   | 10.4   | 11.0   | 10.7   |
| Equity/assets                              | 7.6    | 6.2    | 12.0   | 10.1   | 9.3    | 10.1   | 9.1    | 6.7    | 6.0    |
| (Equity + sub-debt)/assets                 | 11.5   | 7.5    | 12.0   | 10.1   | 9.3    | 10.1   | 11.3   | 10.7   | 9.6    |
| Cash & cash equivalents/liabilities        | 8.8    | 10.0   | 13.7   | 14.9   | 13.4   | 18.3   | 24.4   | 24.1   | 18.2   |
| Current liquidity (R5 by NBU)              | 52.1   | 61.6   | 53.9   | 63.6   | 72.2   | 66.3   | 79.5   | 81.6   | 52.1   |
| Gross loans/deposits                       | 156.2  | 174.4  | 157.9  | 152.7  | 130.4  | 123.6  | 109.4  | 102.9  | 108.5  |
| Net loans/deposits                         | 119.9  | 133.5  | 121.2  | 119.0  | 112.2  | 104.8  | 94.4   | 94.0   | 99.6   |
| Cost-to-income ratio                       | 67.7   | 63.4   | 19.4   | 29.6   | 38.0   | 43.1   | 49.2   | 47.9   | 47.5   |
| Net interest margin                        | 21.1   | 18.6   | 7.7    | 9.6    | 10.7   | 7.2    | 7.0    | 4.5    | -1.3   |
| ROAA                                       | 3.3    | 2.5    | 2.3    | 2.0    | 0.0    | 0.3    | 0.6    | 0.5    | 0.6    |
| ROAE                                       | 58.1   | 41.7   | 27.7   | 21.3   | 0.5    | 3.3    | 6.1    | 6.4    | 7.7    |
| NI/operating income                        | 55.0   | 53.1   | 29.1   | 37.4   | 47.8   | 24.2   | 17.9   | -7.9   | -15.1  |
| Core income/operating expenses             | 104.8  | 105.8  | 277.2  | 221.6  | 227.8  | 217.6  | 196.8  | 189.1  | 183.0  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NI – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

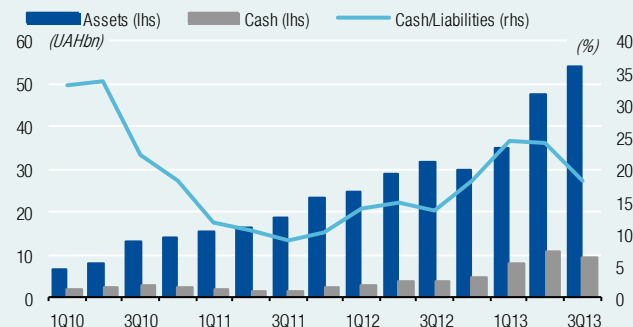
## Delta Bank: Key credit metrics

**Chart 34. Capitalisation**



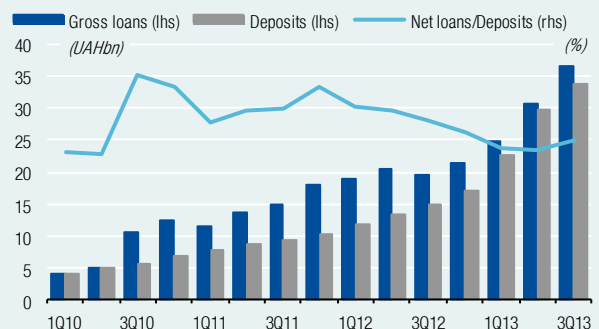
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 35. Liquidity**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 36. Loans and deposits**



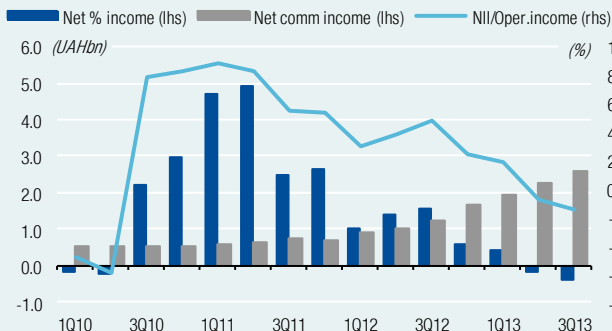
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 37. Loan loss reserves history**



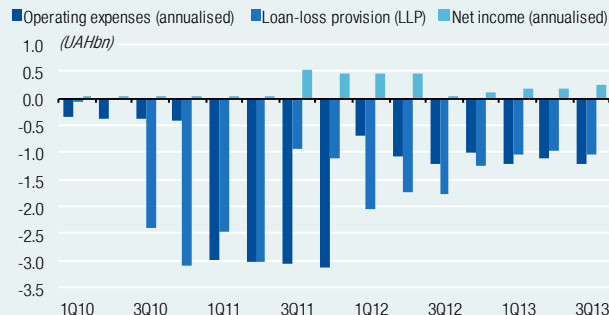
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 38. Income structure (annualised basis)**



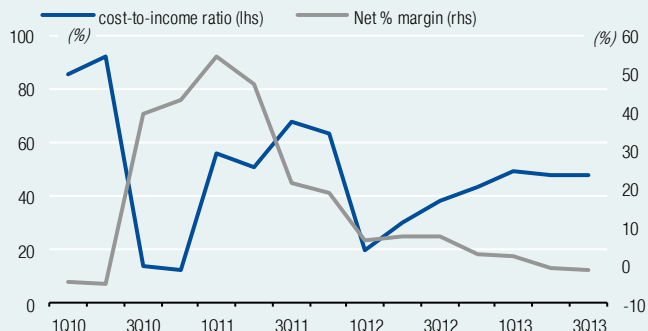
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 39. Expense and net income (annualised basis)**



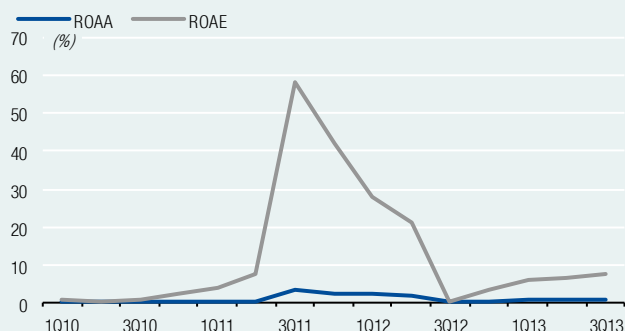
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 40. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 41. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# Raiffeisen Bank Aval

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch

Caa2/ NR /NR AVAL

Ticker(s) in Bloomberg

**The Raiffeisen Bank Group announced plans to sell its Ukrainian subsidiary (Aval) in order to raise funds to repay government loans and meet new capital requirements. Aval reported net earnings of UAH738m for the first nine months of 2013, while the total loan portfolio continued to decline in 3Q13 – down 5.1% YoY.**

## Capitalisation increases owing to the decline in total assets.

The regulatory CAR increased by 1.6ppt in 3Q13 as the total amount of risk-weighted assets declined by 1.6% QoQ. Net equity amounted to US\$880m, while outstanding government loans total US\$2.7bn.

The bank's liquidity increased significantly in 3Q13, by 4.6ppt to 19.3%. Cash equivalents and interbank loans totalled UAH7.4bn, while the loan from parent group, according to our estimates, amounts to around UAH5.0bn.

**Partial clean-up of the loan portfolio.** The bank's gross loan portfolio decreased by UAH791m in 3Q13 or 2.2% QoQ. We believe that Aval has written down and/or sold loans worth UAH0.7-1.0bn. It increased its loan provision expenses from UAH247m in 2Q13 to UAH521m in 3Q13, while the LLR ratio declined from 26.2% to 25.3% during the same period. In our opinion, the bank formed additional reserves before writing off bad loans worth around UAH1.0bn.

**Low interest rates leave depositors unhappy.** The bank's interest rates on customer deposits are now the lowest in the market. It is therefore not surprising that household deposits shrank by 6.7% QoQ in 3Q13. It appears that a significant number of customers transferred their deposit accounts to banks offering higher rates just as soon as those accounts matured. Aval managed to offset this outflow by attracting more business deposits, which increased 9.1% QoQ in 3Q13. At the same time, the share of current accounts rose from 52.7% of total deposits in 3Q12 to 60.2% in 3Q13.

**Profitability improves.** Raiffeisenbank Aval reported net profit of UAH216m in 3Q13, down 50% on 2Q13, but nonetheless respectable given the 29.1% share of bad debt in 3Q13. The net interest margin improved from 10.8% in 2Q13 to 11.0% in 3Q13, significantly higher than the 2Q13 market average of 5.9%. Meanwhile, interest expenses declined 15.3% in 3Q13, while interest income rose 1.7%, despite the decrease in the gross loan portfolio.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011         | 2012   | 2Q12   | 3Q13   |
|--------------------------|--------------|--------|--------|--------|
|                          | IFRS         | IFRS   | UAS    | UAS    |
| <b>Financials (UAHm)</b> |              |        |        |        |
| Assets                   | 52,740       | 49,808 | 44,929 | 44,804 |
| Loans                    | 32,185       | 28,359 | 36,054 | 26,348 |
| Deposits                 | 28,241       | 28,554 | 28,761 | 28,735 |
| Equity                   | 7,925        | 8,221  | 7,038  | 7,216  |
| Net % income             | 3,804        | 3,516  | 3,790  | 3,834  |
| Net com income           | 1,218        | 1,322  | 1,471  | 1,488  |
| Operating income         | 5,002        | 4,790  | 5,625  | 5,808  |
| PPI                      | 1,978        | 1,650  | 2,136  | 2,337  |
| LLP                      | -1,178       | -1,103 | -1,338 | -1,362 |
| Net income               | 583          | 319    | 540    | 708    |
| <b>Ratios (%)</b>        |              |        |        |        |
| Tier 1 ratio             | Delta Bank.3 | N/a    | N/a    |        |
| CAR                      | 22.9         | 30.9   | 19.3   | 20.6   |
| Equity-to-assets         | 15.0         | 16.5   | 15.7   | 16.1   |
| Net loan-to-deposit      | 114.0        | 99.3   | 92.5   | 91.7   |
| Cash-to-liabilities      | 17.0         | 24.8   | 14.7   | 19.3   |
| ROAA                     | 1.1          | 0.6    | 1.2    | 1.5    |
| ROAE                     | 7.6          | 4.0    | 8.2    | 10.3   |
| Net % margin             | 9.0          | 9.2    | 10.8   | 11.0   |
| NII-to-op income         | 76.1         | 73.4   | 67.4   | 66.0   |
| Cost-to-income           | 60.5         | 65.6   | 62.0   | 59.7   |
| LLR                      | 23.1         | 23.9   | 26.2   | 25.3   |
| NPLs                     | 34.6         | 34.3   | N/a    | N/a    |
| NPL coverage             | 66.7         | 69.7   | N/a    | N/a    |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
Sources: Bank data, ICU.

## Raiffeisen Bank Aval: Key quarterly UAS financials and ratios

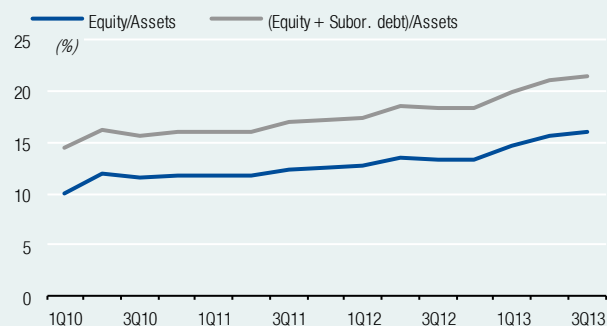
**Table 7. Key financials and ratios derived from the bank's UAS financials**

|  | 3Q11    | 4Q11    | 1Q12    | 2Q12    | 3Q12    | 4Q12   | 1Q13    | 2Q13   | 3Q13   |
|--|---------|---------|---------|---------|---------|--------|---------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |         |         |         |         |         |        |         |        |        |
| Assets                                     | 53,168  | 51,347  | 50,803  | 47,478  | 47,434  | 47,694 | 45,977  | 44,929 | 44,804 |
| Cash and cash equivalents                  | 7,260   | 7,165   | 8,288   | 6,804   | 8,364   | 9,797  | 6,184   | 5,559  | 7,243  |
| Gross loans                                | 45,111  | 42,725  | 39,249  | 37,566  | 37,145  | 35,987 | 36,059  | 36,054 | 35,263 |
| Gross business loans                       | 23,895  | 23,131  | 22,568  | 21,202  | 21,043  | 20,374 | 20,573  | 21,312 | 20,913 |
| Gross household loans                      | 21,216  | 19,594  | 16,681  | 16,364  | 16,102  | 15,613 | 15,486  | 14,742 | 14,349 |
| Loan loss reserves (LLR)                   | -13,624 | -12,289 | -10,068 | -10,093 | -10,444 | -9,916 | -10,193 | -9,436 | -8,914 |
| Deposits                                   | 28,179  | 27,635  | 28,286  | 27,513  | 27,624  | 27,804 | 28,973  | 28,761 | 28,735 |
| Business deposits                          | 12,914  | 12,609  | 12,865  | 11,751  | 12,394  | 12,369 | 12,574  | 11,992 | 13,083 |
| Household deposits                         | 15,266  | 15,026  | 15,422  | 15,762  | 15,229  | 15,436 | 16,399  | 16,768 | 15,653 |
| Total equity                               | 6,601   | 6,472   | 6,421   | 6,378   | 6,330   | 6,346  | 6,747   | 7,038  | 7,216  |
| <b>Quarterly P&amp;L (UAHm)</b>            |         |         |         |         |         |        |         |        |        |
| Net interest income                        | 1,219   | 1,186   | 1,079   | 976     | 1,003   | 988    | 857     | 942    | 1,047  |
| Net commission income                      | 351     | 362     | 311     | 341     | 384     | 395    | 330     | 362    | 402    |
| Operating income (before LLP)              | 1,634   | 1,539   | 1,445   | 1,339   | 1,435   | 1,436  | 1,240   | 1,514  | 1,614  |
| Operating expenses                         | -844    | -880    | -766    | -882    | -829    | -1,081 | -813    | -766   | -807   |
| Loan loss provisions (LLP)                 | -747    | -591    | -657    | -416    | -498    | -283   | -310    | -247   | -521   |
| Net income                                 | 9       | 6       | 11      | 5       | 53      | -35    | 84      | 438    | 216    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |         |         |         |         |         |        |         |        |        |
| Net interest income                        | 4,421   | 4,541   | 4,574   | 4,460   | 4,244   | 4,046  | 3,824   | 3,790  | 3,834  |
| Net commission income                      | 1,268   | 1,295   | 1,335   | 1,365   | 1,398   | 1,431  | 1,450   | 1,471  | 1,488  |
| Operating income (before LLP)              | 5,896   | 5,996   | 6,063   | 5,957   | 5,758   | 5,655  | 5,450   | 5,625  | 5,805  |
| Operating expenses                         | -3,188  | -3,270  | -3,325  | -3,372  | -3,357  | -3,558 | -3,605  | -3,489 | -3,468 |
| Loan loss provisions (LLP)                 | -2,604  | -2,554  | -2,553  | -2,411  | -2,162  | -1,854 | -1,507  | -1,338 | -1,362 |
| Net income                                 | -10     | 30      | 39      | 31      | 75      | 34     | 107     | 540    | 703    |
| <b>Growth rates (%YoY)</b>                 |         |         |         |         |         |        |         |        |        |
| Assets                                     | -4.9    | -6.8    | -7.4    | -13.8   | -10.8   | -7.1   | -9.5    | -5.4   | -5.5   |
| Gross loans                                | 0.4     | -2.6    | -10.3   | -15.0   | -17.7   | -15.8  | -8.1    | -4.0   | -5.1   |
| Deposits (by businesses)                   | 12.8    | 12.6    | 9.6     | -12.0   | -4.0    | -1.9   | -2.3    | 2.1    | 5.6    |
| Deposits (by households)                   | -10.4   | -12.4   | -6.0    | -3.9    | -0.2    | 2.7    | 6.3     | 6.4    | 2.8    |
| Deposits (total)                           | -1.1    | -2.5    | 0.5     | -7.5    | -2.0    | 0.6    | 2.4     | 4.5    | 4.0    |
| Total equity                               | 2.8     | 0.5     | -0.5    | -1.0    | -4.1    | -1.9   | 5.1     | 10.3   | 14.0   |
| <b>Key ratios (%)</b>                      |         |         |         |         |         |        |         |        |        |
| Capital adequacy ratio (R2 by NBU)         | 16.3    | 16.2    | 16.5    | 18.1    | 19.0    | 18.8   | 18.1    | 19.3   | 20.6   |
| Equity/assets                              | 12.4    | 12.6    | 12.6    | 13.4    | 13.3    | 13.3   | 14.7    | 15.7   | 16.1   |
| (Equity + sub-debt)/assets                 | 16.9    | 17.2    | 17.4    | 18.5    | 18.4    | 18.3   | 19.9    | 21.0   | 21.4   |
| Cash & cash equivalents/liabilities        | 15.6    | 16.0    | 18.7    | 16.6    | 20.3    | 23.7   | 15.8    | 14.7   | 19.3   |
| Current liquidity (R5 by NBU)              | 47.5    | 45.3    | 60.9    | 58.8    | 77.7    | 80.0   | 77.0    | 93.2   | 94.7   |
| Gross loans/deposits                       | 160.1   | 154.6   | 138.8   | 136.5   | 134.5   | 129.4  | 124.5   | 125.4  | 122.7  |
| Net loans/deposits                         | 111.7   | 110.1   | 103.2   | 99.9    | 96.7    | 93.8   | 89.3    | 92.5   | 91.7   |
| Cost-to-income ratio                       | 54.1    | 54.5    | 54.8    | 56.6    | 58.3    | 62.9   | 66.1    | 62.0   | 59.7   |
| Net interest margin                        | 10.3    | 10.9    | 11.3    | 11.5    | 11.4    | 11.3   | 10.8    | 10.8   | 11.0   |
| ROAA                                       | -0.0    | 0.1     | 0.1     | 0.1     | 0.2     | 0.1    | 0.2     | 1.2    | 1.5    |
| ROAE                                       | -0.2    | 0.5     | 0.6     | 0.5     | 1.2     | 0.5    | 1.7     | 8.2    | 10.3   |
| NII/operating income                       | 75.0    | 75.7    | 75.4    | 74.9    | 73.7    | 71.5   | 70.2    | 67.4   | 66.0   |
| Core income/operating expenses             | 178.5   | 178.5   | 177.7   | 172.7   | 168.1   | 153.9  | 146.3   | 150.8  | 153.5  |

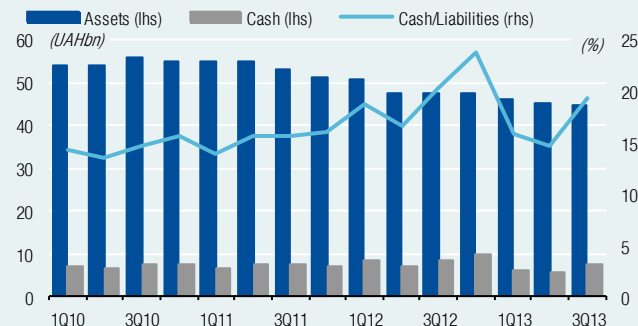
Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

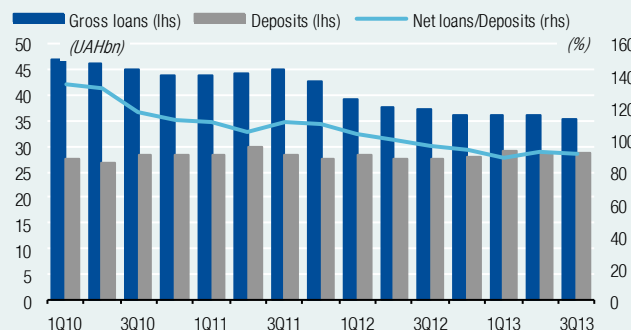
## Raiffeisen Bank Aval: Key credit metrics

**Chart 42. Capitalisation**


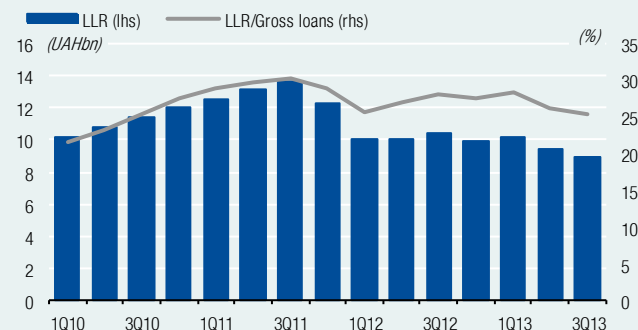
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 43. Liquidity**


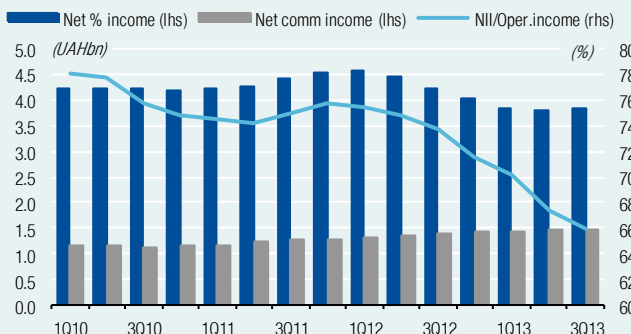
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 44. Loans and deposits**


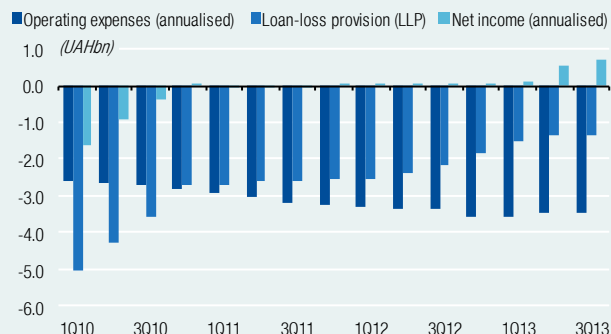
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 45. Loan loss reserves history**


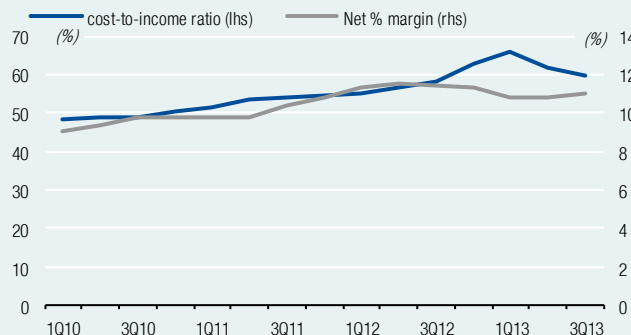
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 46. Income structure (annualised basis)**


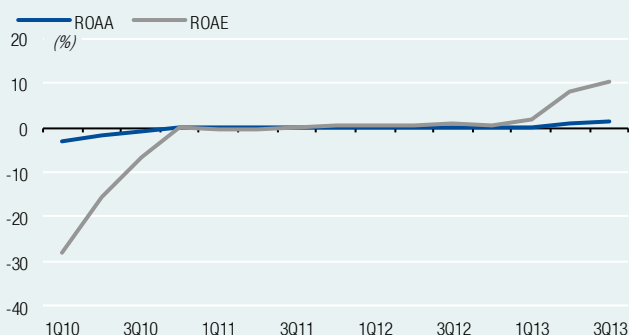
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 47. Expense and net income (annualised basis)**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 48. Financial performance ratios**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 49. Financial performance ratios**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

**Ukraine**

# Prominvestbank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

Ticker(s) in Bloomberg

**Caa2/ NR /NR VEBBNK**

**After losses totalling a massive UAH2.7bn 2Q13, Prominvestbank posted modest net income of UAH30m in 3Q13. Both its loan portfolio and the share of bad debt grew. Despite the increased focus on the corporate segment, the bank continues to hold significant retail deposit funds without offering above-market average interest rates.**

**Liquidity improves slightly.** The regulatory CAR decreased by 0.9ppt in 3Q13 as risk-weighted assets rose by 9.4%. At the same time, liquidity increased by 1.5ppt, however it remains low – at 8.1%.

**Corporate loan portfolio grows significantly.** Gross corporate loans increased by 6.7% QoQ in 3Q13, while household loans remain a marginal segment of the bank's business. Despite the large share of bad debts (18.5% in 3Q13), Prominvestbank has so far avoided significant write-offs in 2013. Instead, it has relied on internal debt collection and negotiations with potentially solvent borrowers to prevent larger losses.

The absolute amount of bad debt has increased by UAH26m or 0.6% QoQ. For this reason, we forecast a moderate deterioration of the quality of the loan portfolio.

**Deposit base rises despite shift in focus.** Despite the reduced importance of the retail segment, household deposits increased by 0.8% QoQ to UAH8.0bn and accounted for 23.0% of total liabilities in 3Q13. Existing clients involved in payroll programmes are now the main focus of the retail business.

We believe that the bank has begun servicing the current accounts of new borrowers and has acquired new important clients: in particular, business deposits rose by UAH917m or 18.1%.

**Profits are in the offing.** Net income totalled UAH30m in 3Q13, following the huge UAH2.7bn loss in the previous quarter.

Net interest income increased 4.4% as interest expenses declined 2.9%. We believe that the shift from household deposit funding to corporate deposit funding has had a positive impact on the net interest margin of the bank, which in 3Q13 increased 0.1ppt to 3.8%.

## Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

|                          | 2011                 | 20           |
|--------------------------|----------------------|--------------|
|                          | IFRS                 | IF           |
| <b>Financials (UAHm)</b> |                      |              |
| Assets                   | 36,636               | 38,1         |
| Loans                    | 26,316               | 26,6         |
| Deposits                 | 16,663               | 14,5         |
| Equity                   | 3,725                | 5,0          |
| Net % income             | 1,532                | 1,2          |
| Net com income           | 227                  | 2            |
| Operating income         | 2,037                | 1,6          |
| PPI                      | 455                  | 2            |
| LLP                      | -1,611               | -2,0         |
| Net incom                | Raiffeisen Bank Aval | 2,427 -2,395 |
| <b>Ratios (%)</b>        |                      |              |
| Tier 1 ratio             | 5.9                  | 8            |
| CAR                      | 11.8                 | 17           |
| Equity-to-assets         | 10.2                 | 13           |
| Net loan-to-deposit      | 157.9                | 186          |
| Cash-to-liabilities      | 13.0                 | 13           |
| ROAA                     | -2.9                 | -4           |
| ROAE                     | -24.4                | -41          |
| Net % margin             | 5.8                  | 4            |
| NII-to-op income         | 75.2                 | 79           |
| Cost-to-income           | 77.7                 | 81           |
| LLR                      | 12.4                 | 14           |
| NPLs                     | 15.6                 | 12           |
| NPL coverage             | 79.0                 | 115          |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI - pre-provision income LLP – loan loss provision; ROAA and ROAE - return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## Prominvestbank: Key quarterly UAS financials and ratios

Table 8. Key financials and ratios derived from the bank's UAS financials

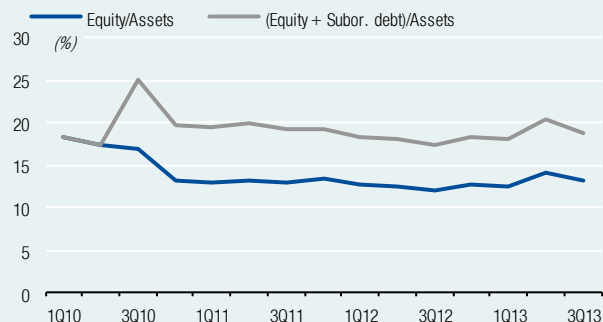
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 2Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 35,279 | 38,161 | 40,463 | 40,998 | 41,824 | 41,318 | 40,796 | 37,337 | 40,237 |
| Cash and cash equivalents                  | 3,148  | 3,438  | 2,224  | 2,719  | 1,631  | 3,111  | 2,608  | 2,131  | 2,834  |
| Gross loans                                | 28,974 | 29,227 | 32,014 | 32,646 | 33,245 | 31,300 | 31,436 | 30,982 | 33,037 |
| Gross business loans                       | 28,005 | 28,428 | 31,264 | 31,963 | 32,613 | 31,173 | 31,306 | 30,847 | 32,904 |
| Gross household loans                      | 969    | 799    | 750    | 683    | 632    | 127    | 130    | 135    | 133    |
| Loan loss reserves (LLR)                   | -3,003 | -2,191 | -2,388 | -2,059 | -2,175 | -1,813 | -1,975 | -4,850 | -4,963 |
| Deposits                                   | 16,140 | 16,507 | 15,454 | 14,865 | 13,814 | 13,986 | 13,272 | 13,032 | 14,012 |
| Business deposits                          | 6,526  | 7,513  | 6,789  | 6,345  | 5,891  | 5,937  | 5,405  | 5,080  | 5,997  |
| Household deposits                         | 9,614  | 8,994  | 8,665  | 8,520  | 7,923  | 8,049  | 7,867  | 7,951  | 8,015  |
| Total equity                               | 4,569  | 5,082  | 5,132  | 5,086  | 5,045  | 5,273  | 5,061  | 5,238  | 5,322  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 398    | 344    | 273    | 387    | 340    | 314    | 280    | 313    | 327    |
| Net commission income                      | 96     | 61     | 56     | 70     | 72     | 69     | 76     | 89     | 120    |
| Operating income (before LLP)              | 578    | 795    | 458    | 394    | 406    | 752    | 409    | 471    | 525    |
| Operating expenses                         | -329   | -713   | -285   | -314   | -328   | -458   | -276   | -321   | -365   |
| Loan loss provisions (LLP)                 | -247   | -57    | -169   | -93    | -79    | -474   | -121   | -2,826 | -130   |
| Net income                                 | 2      | 25     | 4      | -13    | -1     | 236    | 14     | -2,675 | 30     |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 1,703  | 1,491  | 1,410  | 1,402  | 1,344  | 1,314  | 1,320  | 1,247  | 1,234  |
| Net commission income                      | 345    | 317    | 290    | 282    | 259    | 268    | 288    | 307    | 355    |
| Operating income (before LLP)              | 2,220  | 2,303  | 2,255  | 2,225  | 2,052  | 2,010  | 1,961  | 2,039  | 2,158  |
| Operating expenses                         | -1,356 | -1,538 | -1,550 | -1,642 | -1,640 | -1,385 | -1,376 | -1,382 | -1,420 |
| Loan loss provisions (LLP)                 | -1,110 | -734   | -622   | -565   | -398   | -815   | -767   | -3,500 | -3,550 |
| Net income                                 | -246   | 31     | 83     | 18     | 14     | 225    | 235    | -2,427 | -2,395 |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 22.0   | 10.3   | 15.8   | 18.5   | 18.6   | 8.3    | 0.8    | -8.9   | -3.8   |
| Gross loans                                | 6.7    | 13.7   | 16.9   | 20.2   | 14.7   | 7.1    | -1.8   | -5.1   | -0.6   |
| Deposits (by businesses)                   | 16.4   | -10.3  | -14.6  | -21.3  | -9.7   | -21.0  | -20.4  | -19.9  | 1.8    |
| Deposits (by households)                   | -15.5  | -19.0  | -19.8  | -18.2  | -17.6  | -10.5  | -9.2   | -6.7   | 1.2    |
| Deposits (total)                           | -5.0   | -15.3  | -17.6  | -19.6  | -14.4  | -15.3  | -14.1  | -12.3  | 1.4    |
| Total equity                               | -5.9   | 10.7   | 13.1   | 10.7   | 10.4   | 3.8    | -1.4   | 3.0    | 5.5    |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 13.9   | 13.2   | 12.0   | 12.1   | 11.9   | 14.0   | 12.7   | 14.3   | 13.2   |
| Equity/assets                              | 13.0   | 13.3   | 12.7   | 12.4   | 12.1   | 12.8   | 12.4   | 14.0   | 13.2   |
| (Equity + sub-debt)/assets                 | 19.2   | 19.2   | 18.3   | 18.1   | 17.4   | 18.2   | 18.0   | 20.3   | 18.8   |
| Cash & cash equivalents/liabilities        | 10.3   | 10.4   | 6.3    | 7.6    | 4.4    | 8.6    | 7.3    | 6.6    | 8.1    |
| Current liquidity (R5 by NBU)              | 49.5   | 55.0   | 50.1   | 61.1   | 76.1   | 88.0   | 99.8   | 77.6   | 71.9   |
| Gross loans/deposits                       | 179.5  | 177.1  | 207.2  | 219.6  | 240.7  | 223.8  | 236.9  | 237.7  | 236    |
| Net loans/deposits                         | 160.9  | 163.8  | 191.7  | 205.8  | 224.9  | 210.8  | 222.0  | 200.5  | 200.4  |
| Cost-to-income ratio                       | 61.1   | 66.8   | 68.7   | 73.8   | 79.9   | 68.9   | 70.1   | 67.8   | 65.8   |
| Net interest margin                        | 6.1    | 5.2    | 4.6    | 4.3    | 3.9    | 3.8    | 3.8    | 3.7    | 3.8    |
| ROAA                                       | -0.7   | 0.1    | 0.2    | 0.0    | 0.0    | 0.5    | 0.6    | -6.0   | -6.0   |
| ROAE                                       | -5.4   | 0.7    | 1.7    | 0.4    | 0.3    | 4.4    | 4.6    | -47.1  | -45.9  |
| NII/operating income                       | 76.7   | 64.7   | 62.5   | 63.0   | 65.5   | 65.4   | 67.3   | 61.2   | 57.2   |
| Core income/operating expenses             | 151.1  | 117.6  | 109.7  | 102.6  | 97.8   | 114.2  | 116.9  | 112.4  | 111.9  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

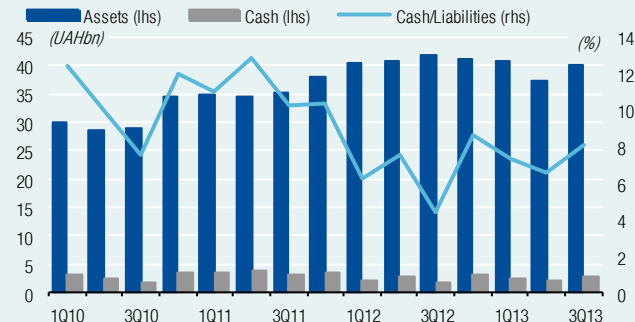
## Prominvestbank: Key credit metrics

**Chart 50. Capitalisation**



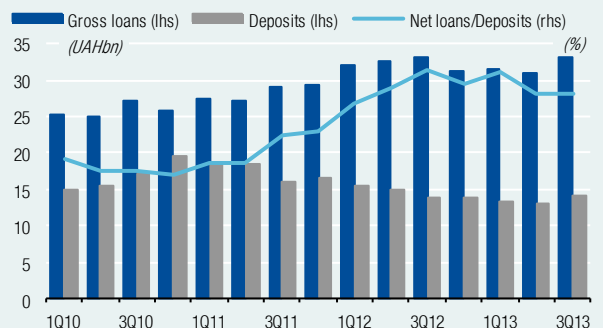
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 51. Liquidity**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 52. Loans and deposits**



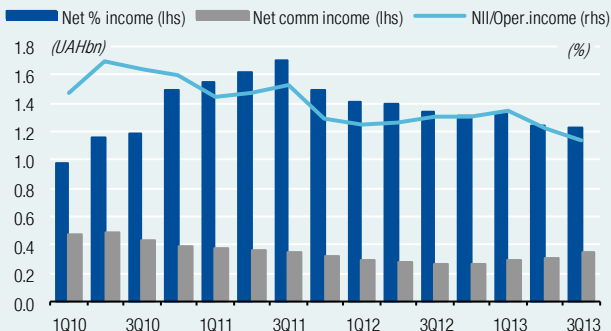
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 53. Loan loss reserves history**



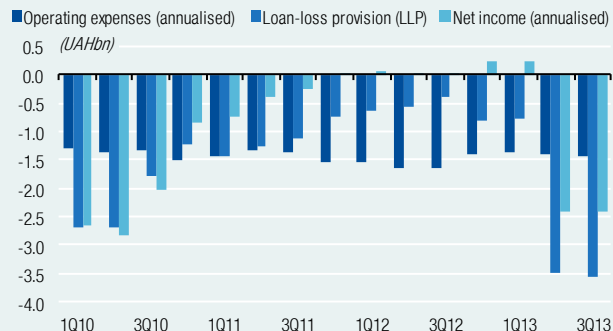
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 54. Income structure (annualised basis)**



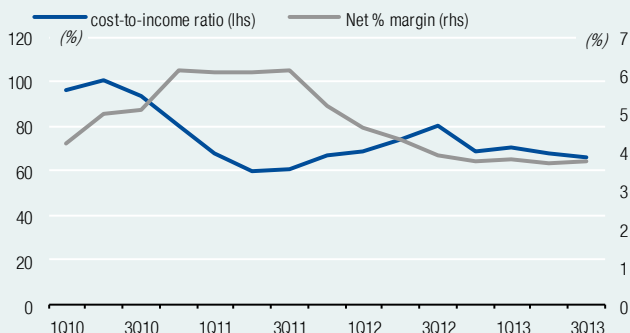
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 55. Expense and net income (annualised basis)**



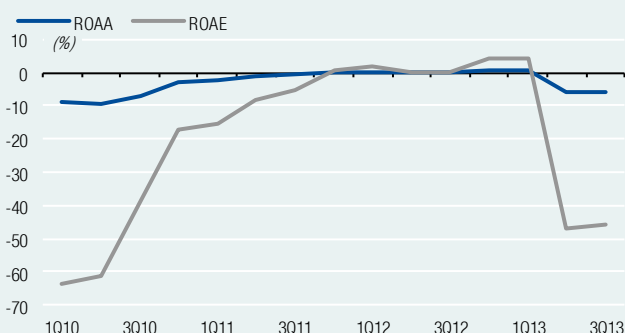
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 56. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 57. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# Ukrsotsbank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch Ticker(s) in Bloomberg

NR/NR/B USCB

**3Q13 was the last quarter in which UniCredit Group was represented in Ukraine by two separate banks: Ukrsotsbank and UniCredit Bank Ukraine are due to merge in December. The group's balance sheet quality has improved as bad debts have been written off. At the same time, Ukrsotsbank has not issued new loans.**

**Adequate capitalisation.** Ukrsotsbank's capitalisation decreased by 0.2ppt owing to a 1.5% increase QoQ in total risk-weighted assets. However, we do not expect its capitalisation to deteriorate after the merger with UniCredit Bank Ukraine as the latter has a high level of capitalisation: its Tier 1 capital ratio is 37.2%.

The combined net equity of the merged banks is expected to total around US\$1.2-1.3bn.

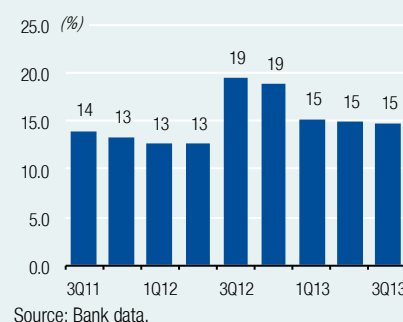
**Clean-up of the loan portfolio.** The gross loan portfolio declined by 1.3% QoQ in 3Q13 to UAH31.7bn, despite the transfer of part of UniCredit Bank Ukraine's loan portfolio. We believe that Ukrsotsbank wrote off bad loans totalling UAH1.1bn in 3Q13. The total amount of bad and doubtful loans decreased by 6.6% QoQ to UAH15.0bn.

**Deposits grew owing to the corporate segment.** The total deposit base of the bank increased by 2.0% to UAH19.1bn in 3Q13. During the same period corporate deposits grew by UAH451mn or 6.9% QoQ, while household deposits declined by UAH80mn or 0.7%. Overall, in 3Q13 UniCredit Group saw its retail deposits shrink by UAH261m or 2.0% owing to the lower interest rates offered by it.

The share of demand deposits in Ukrsotsbank's total deposits grew by 1.2ppt to 74.6%, suggesting increased transaction activity.

**Profits still almost non-existent.** Ukrsotsbank finished 3Q13 with a very modest net income of UAH2mn, compared with cumulative earnings of UAH8mn during the first nine months of 2013. Net interest income rose for the second consecutive quarter, up 7.0% in 3Q13, which resulted in a healthy net interest margin of 7.1% in 3Q13. Meanwhile, in 3Q13 LLP increased by 27% QoQ.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011<br>IFRS | 2012<br>IFRS   | 2  |
|--------------------------|--------------|----------------|----|
| <b>Financials (UAHm)</b> |              |                |    |
| Assets                   | 40,359       | 40,335         | 38 |
| Loans                    | 29,471       | 25,440         | 24 |
| Deposits                 | 17,969       | 18,265         | 18 |
| Equity                   | 6,878        | 9,164          | 7  |
| Net % income             | 2,404        | 2,100          | 2  |
| Net com income           | 519          | 607            |    |
| Operating income         | 3,000        | 2,877          | 2  |
| PPI                      | 1,592        | 1,413          | 1  |
| LLP                      | -1,102       | -1,459         | -1 |
| Net income               | 347          | 15             |    |
| <b>Ratios (%)</b>        |              |                |    |
| Tier 1 ratio             | N/a          | N/a            |    |
| CAR                      | N/a          | Prominvestbank |    |
| Equity-to-assets         | 17.0         | 22.7           |    |
| Net loan-to-deposit      | 164.0        | 139.3          |    |
| Cash-to-liabilities      | 13.0         | 19.1           |    |
| ROAA                     | 0.8          | -              |    |
| ROAE                     | 5.2          | 0.2            |    |
| Net % margin             | 7.5          | 7.0            |    |
| NII-to-op income         | 80.1         | 73.0           |    |
| Cost-to-income           | 46.9         | 50.9           |    |
| LLR                      | 18.2         | 18.4           |    |
| NPLs                     | 45.0         | 45.3           |    |
| NPL coverage             | 40.5         | 40.7           |    |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## Ukrasotsbank: Key quarterly UAS financials and ratios

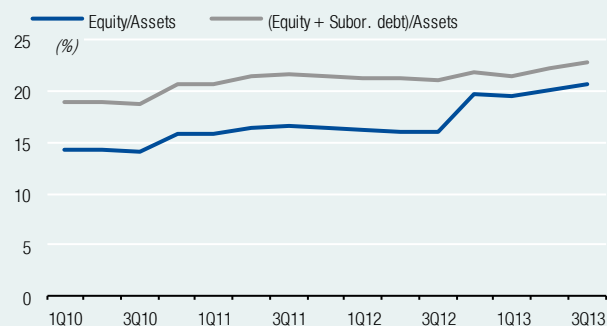
Table 9. Key financials and ratios derived from the bank's UAS financials

|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 2Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 39,619 | 40,207 | 40,393 | 39,994 | 40,349 | 38,830 | 39,420 | 38,345 | 37,329 |
| Cash and cash equivalents                  | 4,372  | 4,439  | 4,184  | 3,877  | 4,134  | 5,949  | 5,269  | 3,933  | 3,735  |
| Gross loans                                | 37,387 | 37,251 | 37,542 | 37,125 | 36,866 | 32,094 | 31,919 | 32,146 | 31,724 |
| Gross business loans                       | 18,683 | 18,744 | 19,288 | 18,889 | 18,648 | 14,185 | 14,250 | 14,489 | 14,724 |
| Gross household loans                      | 18,703 | 18,507 | 18,254 | 18,236 | 18,218 | 17,909 | 17,669 | 17,658 | 17,000 |
| Loan loss reserves (LLR)                   | -8,029 | -8,186 | -8,330 | -8,574 | -9,025 | -8,405 | -7,939 | -8,116 | -7,328 |
| Deposits                                   | 18,205 | 17,708 | 17,442 | 16,921 | 17,219 | 18,370 | 18,560 | 18,746 | 19,117 |
| Business deposits                          | 7,946  | 7,025  | 6,345  | 5,905  | 6,189  | 6,726  | 6,229  | 6,513  | 6,963  |
| Household deposits                         | 10,260 | 10,683 | 11,096 | 11,015 | 11,030 | 11,645 | 12,331 | 12,234 | 12,154 |
| Total equity                               | 6,570  | 6,608  | 6,586  | 6,430  | 6,502  | 7,657  | 7,683  | 7,698  | 7,732  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 719    | 729    | 658    | 650    | 610    | 491    | 427    | 517    | 553    |
| Net commission income                      | 147    | 167    | 133    | 159    | 168    | 187    | 149    | 159    | 188    |
| Operating income (before LLP)              | 859    | 923    | 832    | 844    | 876    | 692    | 576    | 680    | 760    |
| Operating expenses                         | -313   | -468   | -344   | -532   | -357   | -465   | -418   | -444   | -497   |
| Loan loss provisions (LLP)                 | -545   | -444   | -477   | -297   | -503   | -219   | -143   | -197   | -251   |
| Net income                                 | 1      | 9      | 3      | 2      | 2      | 2      | 4      | 2      | 2      |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 2,908  | 2,886  | 2,824  | 2,756  | 2,647  | 2,409  | 2,178  | 2,045  | 1,989  |
| Net commission income                      | 519    | 547    | 566    | 606    | 627    | 647    | 663    | 663    | 683    |
| Operating income (before LLP)              | 3,608  | 3,587  | 3,505  | 3,459  | 3,476  | 3,245  | 2,988  | 2,824  | 2,708  |
| Operating expenses                         | -1,341 | -1,433 | -1,452 | -1,658 | -1,701 | -1,698 | -1,772 | -1,683 | -1,823 |
| Loan loss provisions (LLP)                 | -2,130 | -2,084 | -1,997 | -1,763 | -1,721 | -1,496 | -1,161 | -1,061 | -810   |
| Net income                                 | 11     | 15     | 16     | 14     | 15     | 8      | 10     | 10     | 10     |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | -7.8   | -3.4   | -3.2   | 0.1    | 1.8    | -3.4   | -2.4   | -4.1   | -7.5   |
| Gross loans                                | -1.7   | -0.6   | 1.0    | -1.5   | -1.4   | -13.8  | -15.0  | -13.4  | -13.9  |
| Deposits (by businesses)                   | 53.0   | 29.1   | 29.5   | 9.5    | -22.1  | -4.3   | -1.8   | 10.3   | 12.5   |
| Deposits (by households)                   | 7.6    | 8.0    | 10.9   | 6.6    | 7.5    | 9.0    | 11.1   | 11.1   | 10.2   |
| Deposits (total)                           | 23.6   | 15.5   | 17.0   | 7.6    | -5.4   | 3.7    | 6.4    | 10.8   | 11.0   |
| Total equity                               | 8.3    | 0.6    | -0.1   | -2.3   | -1.0   | 15.9   | 16.7   | 19.7   | 18.9   |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 14.0   | 13.3   | 12.6   | 12.6   | 19.4   | 18.8   | 15.2   | 14.9   | 14.7   |
| Equity/assets                              | 16.6   | 16.4   | 16.3   | 16.1   | 16.1   | 19.7   | 19.5   | 20.1   | 20.7   |
| (Equity + sub-debt)/assets                 | 21.6   | 21.5   | 21.3   | 21.2   | 21.1   | 21.9   | 21.5   | 22.2   | 22.9   |
| Cash & cash equivalents/liabilities        | 13.2   | 13.2   | 12.4   | 11.6   | 12.2   | 19.1   | 16.6   | 12.8   | 12.6   |
| Current liquidity (R5 by NBU)              | 57.8   | 61.5   | 68.3   | 68.6   | 70.8   | 85.8   | 84.4   | 77.4   | 73.1   |
| Gross loans/deposits                       | 205.4  | 210.4  | 215.2  | 219.4  | 214.1  | 174.7  | 172.0  | 171.5  | 165.9  |
| Net loans/deposits                         | 161.3  | 164.1  | 167.5  | 168.7  | 161.7  | 129.0  | 129.2  | 128.2  | 127.6  |
| Cost-to-income ratio                       | 37.2   | 39.9   | 41.4   | 47.9   | 48.9   | 52.3   | 59.3   | 59.6   | 67.3   |
| Net interest margin                        | 8.9    | 9.0    | 8.8    | 8.7    | 8.4    | 7.9    | 7.3    | 7.1    | 7.1    |
| ROAA                                       | 0.03   | 0.04   | 0.04   | 0.04   | 0.04   | 0.02   | 0.02   | 0.03   | 0.0    |
| ROAE                                       | 0.2    | 0.2    | 0.2    | 0.2    | 0.2    | 0.1    | 0.1    | 0.1    | 0.1    |
| NII/operating income                       | 80.6   | 80.4   | 80.6   | 79.7   | 76.2   | 74.2   | 72.9   | 72.4   | 73.4   |
| Core income/operating expenses             | 255.6  | 239.5  | 233.4  | 202.8  | 192.4  | 180.0  | 160.4  | 160.9  | 146.5  |

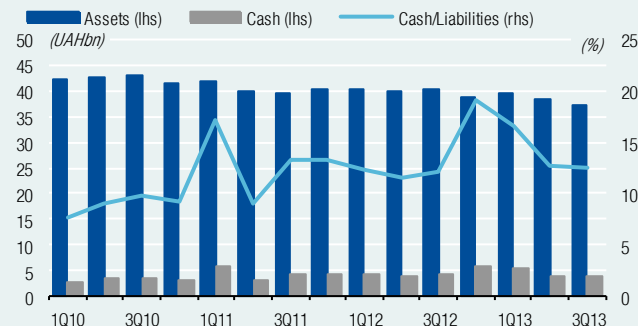
Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

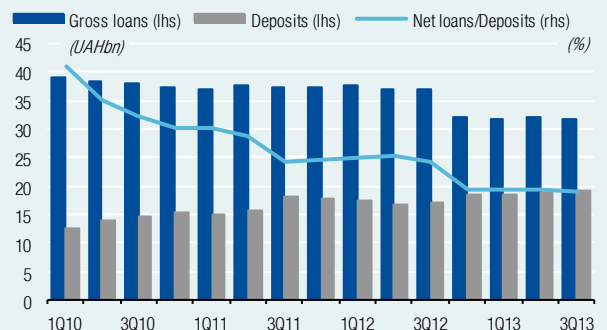
## Ukrsotsbank: Key credit metrics

**Chart 58. Capitalisation**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 59. Liquidity**


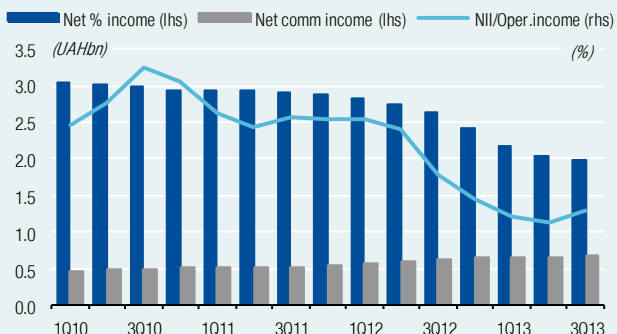
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 60. Loans and deposits**


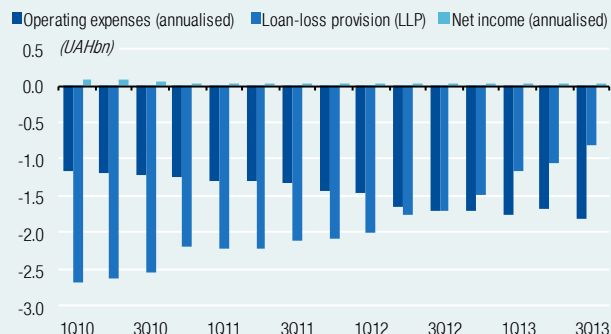
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 61. Loan loss reserves history**

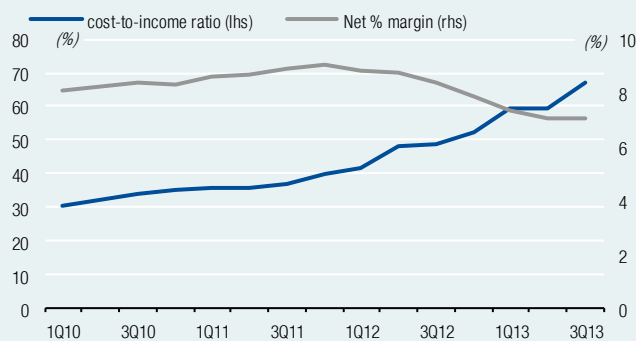

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 62. Income structure (annualised basis)**


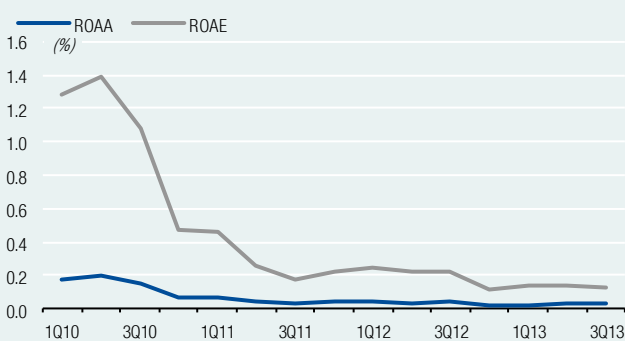
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 63. Expense and net income (annualised basis)**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 64. Financial performance ratios**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 65. Financial performance ratios**


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

**Ukraine**

# First Ukrainian International Bank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

**Caa2/ NR /NR PUMBUZ**

Ticker(s) in Bloomberg

**First Ukrainian International Bank (FUIB) has seen some improvement of its gross loan portfolio, which has showed by 6.1% QoQ. The bank improved its liquidity position by increasing the amount of available cash to UAH7.7bn. Meanwhile, its investments in securities declined by UAH1.2 bn and its deposit base rose by UAH2.9bn, while the increase in gross loans was moderate – UAH1.3bn.**

**Capitalisation remains strong.** Regulatory capital adequacy ratio dropped 0.7ppt in 3Q13 and amounts to 15.0%, which in our view is relatively high value. At the same time, the liquidity stays strong as the cash-to-liabilities ratio rose by 9.5ppt to 25.2%, while the cash and equivalents grew by 73.0% or UAH3.1bn.

**Loan portfolio growth while the payment discipline gets better.** Nonperforming loans declined by UAH648m or 12.6% in 3Q13, while the write-off of the bad debts amounted to UAH210m. Therefore, we believe that the loan quality has picked up. Loan loss reserves were 17.3% of total loans in 3Q13, down 1ppt down from 3Q12.

The overall gross loan portfolio has increased by UAH1.3bn or 6.1% QoQ, which the largest growth in the last two years. Corporate portfolio rose by 7.3% QoQ, to UAH16.9bn, while the retail portfolio grew by 2.7% QoQ, to UAH5.7bn. Bank has decided to originate consumer loans at its own facilities rather than purchase loan portfolios from the related Renaissance Capital.

**Significant increase of the corporate deposits.** Despite the slightly below average interest rates offered by FUIB, deposits continue to rise. Total deposits grew UAH2.9bn in 3Q13, or 14.5% QoQ, primarily due to the increase of business deposits while household deposits remained unchanged. However, as a result of rapid deposit growth, the gross loans-to-deposits ratio fell from 115.3% to 99.9% over the last 12 months.

**Net interest rises.** Net interest income has increased for the third consecutive quarter as the net interest margin increased from 6.5% in 3Q12 to 7.3% in 3Q13. The gross loan portfolio of the bank increased UAH2.2bn over the last 12 months (10.9%YoY), as the corporate portfolio increased 11.5% YoY and household portfolio rose 8.9% YoY.

## Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

### Financials (UAHm)

Assets

Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LLP

Net income

### Ratios -%

Tier 1 ratio

CAR 25.3 23.5 15.0 15.0 15.0. Ukrsootsbanko-assets 211

12-month annualised

basis; CAR – capital adequacy ratio -Basel IFRS accounts and NBU R2 UAS accounts; PPI - pre-provision income LLP – loan loss provision; ROAA and ROAE - return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans -&gt;90 days overdue.

Sources: Bank data, ICU.

Net loan-to-deposit

Cash-to-liabilities

ROAA

ROAE

Net % margin

NII-to-op income

Cost-to-income

LLR

## FUIB: Key quarterly UAS financials and ratios

**Table 10. Key financials and ratios derived from the bank's UAS financials**

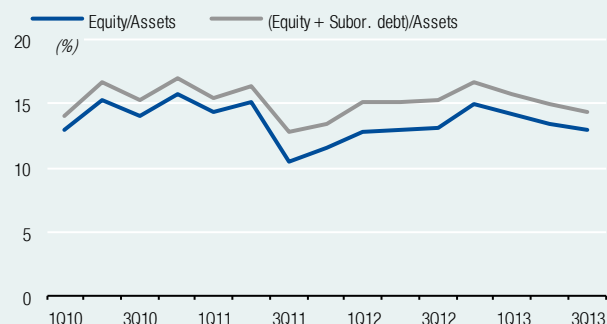
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 2Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 29,278 | 34,866 | 31,639 | 31,459 | 31,592 | 28,230 | 30,330 | 32,442 | 34,959 |
| Cash and cash equivalents                  | 5,992  | 7,029  | 3,197  | 3,946  | 5,008  | 4,402  | 4,526  | 4,400  | 7,654  |
| Gross loans                                | 18,666 | 19,695 | 19,889 | 19,641 | 20,306 | 20,767 | 20,886 | 21,221 | 22,511 |
| Gross business loans                       | 14,123 | 14,543 | 14,516 | 14,777 | 15,132 | 15,410 | 15,450 | 15,730 | 16,874 |
| Gross household loans                      | 4,543  | 5,152  | 5,373  | 4,865  | 5,174  | 5,357  | 5,435  | 5,491  | 5,637  |
| Loan loss reserves (LLR)                   | -4,038 | -4,121 | -4,220 | -3,489 | -3,535 | -3,767 | -3,975 | -3,857 | -3,898 |
| Deposits                                   | 16,235 | 20,094 | 16,070 | 16,650 | 17,604 | 17,465 | 19,108 | 19,678 | 22,528 |
| Business deposits                          | 7,868  | 11,464 | 7,019  | 7,113  | 7,827  | 7,324  | 8,266  | 8,116  | 11,010 |
| Household deposits                         | 8,366  | 8,629  | 9,052  | 9,537  | 9,777  | 10,141 | 10,842 | 11,562 | 11,518 |
| Total equity                               | 3,056  | 4,030  | 4,076  | 4,094  | 4,144  | 4,215  | 4,316  | 4,385  | 4,531  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 589    | 393    | 376    | 398    | 416    | 323    | 388    | 443    | 530    |
| Net commission income                      | 118    | 84     | 78     | 88     | 104    | 95     | 106    | 114    | 131    |
| Operating income (before LLP)              | 747    | 468    | 489    | 482    | 472    | 621    | 528    | 636    | 681    |
| Operating expenses                         | -256   | -260   | -347   | -235   | -235   | -287   | -225   | -240   | -242   |
| Loan loss provisions (LLP)                 | -416   | -85    | -91    | -131   | -148   | -197   | -188   | -308   | -260   |
| Net income                                 | 60     | 107    | 39     | 89     | 67     | 76     | 89     | 70     | 143    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 1,341  | 1,476  | 1,612  | 1,756  | 1,583  | 1,513  | 1,525  | 1,570  | 1,684  |
| Net commission income                      | 291    | 313    | 339    | 368    | 354    | 365    | 393    | 419    | 446    |
| Operating income (before LLP)              | 1,735  | 1,869  | 2,039  | 2,186  | 1,911  | 2,064  | 2,103  | 2,257  | 2,465  |
| Operating expenses                         | -728   | -824   | -1,028 | -1,098 | -1,077 | -1,104 | -982   | -987   | -994   |
| Loan loss provisions (LLP)                 | -688   | -712   | -638   | -723   | -455   | -567   | -664   | -841   | -952   |
| Net income                                 | 320    | 267    | 298    | 295    | 302    | 271    | 321    | 302    | 379    |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 56.2   | 92.7   | 58.2   | 61.3   | 7.9    | -19.0  | -4.1   | 3.1    | 10.7   |
| Gross loans                                | 41.0   | 44.6   | 41.0   | 35.7   | 8.8    | 5.4    | 5.0    | 8.0    | 10.9   |
| Deposits (by businesses)                   | 127.8  | 295.9  | 168.6  | 105.4  | -0.5   | -36.1  | 17.8   | 14.1   | 40.7   |
| Deposits (by households)                   | 73.9   | 69.0   | 64.5   | 68.4   | 16.9   | 17.5   | 19.8   | 21.2   | 17.8   |
| Deposits (total)                           | 96.4   | 151.1  | 98.0   | 82.4   | 8.4    | -13.1  | 18.9   | 18.2   | 28.0   |
| Total equity                               | 15.5   | 41.4   | 41.5   | 37.9   | 35.6   | 4.6    | 5.9    | 7.1    | 9.3    |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 16.6   | 15.9   | 15.1   | 15.5   | 16.6   | 17.6   | 15.5   | 15.7   | 15.0   |
| Equity/assets                              | 10.4   | 11.6   | 12.9   | 13.0   | 13.1   | 14.9   | 14.2   | 13.5   | 13.0   |
| (Equity + sub-debt)/assets                 | 12.8   | 13.5   | 15.1   | 15.2   | 15.3   | 16.7   | 15.8   | 15.0   | 14.4   |
| Cash & cash equivalents/liabilities        | 22.9   | 22.8   | 11.6   | 14.4   | 18.2   | 18.3   | 17.4   | 15.7   | 25.2   |
| Current liquidity (R5 by NBU)              | 58.2   | 68.3   | 47.9   | 53.5   | 79.7   | 70.2   | 82.7   | 78.1   | 76.8   |
| Gross loans/deposits                       | 115    | 98     | 124    | 118    | 115    | 119    | 109    | 108    | 99.9   |
| Net loans/deposits                         | 90.1   | 77.5   | 97.5   | 97.0   | 95.3   | 97.3   | 88.5   | 88.2   | 82.6   |
| Cost-to-income ratio                       | 42.0   | 44.1   | 50.4   | 50.2   | 56.4   | 53.5   | 46.7   | 43.7   | 40.3   |
| Net interest margin                        | 8.5    | 7.9    | 7.6    | 7.5    | 6.5    | 6.5    | 6.6    | 6.8    | 7.3    |
| ROAA                                       | 1.5    | 1.0    | 1.0    | 0.9    | 0.9    | 0.9    | 1.1    | 1.0    | 1.2    |
| ROAE                                       | 10.9   | 8.3    | 8.4    | 7.7    | 7.4    | 6.6    | 7.7    | 7.1    | 8.7    |
| NII/operating income                       | 77.3   | 79.0   | 79.1   | 80.3   | 82.8   | 73.3   | 72.5   | 69.6   | 68.3   |
| Core income/operating expenses             | 224.2  | 217.1  | 189.8  | 193.4  | 179.9  | 170.1  | 195.3  | 201.5  | 214.2  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

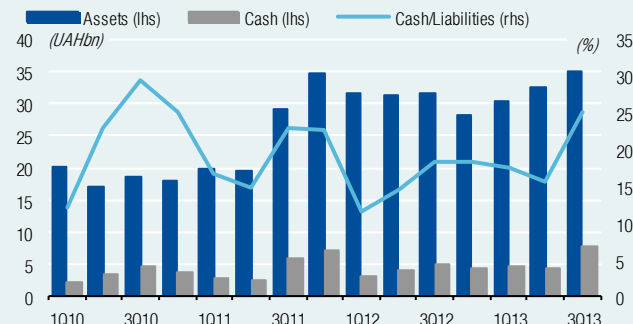
## FUIB: Key credit metrics

**Chart 66. Capitalisation**



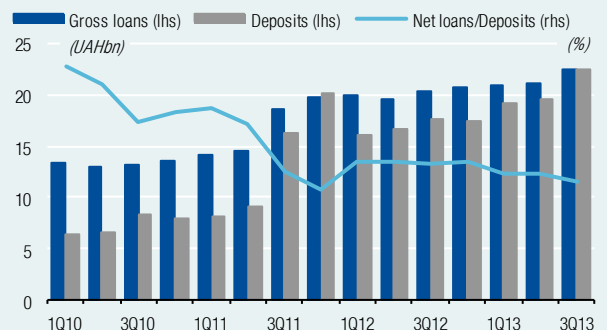
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 67. Liquidity**



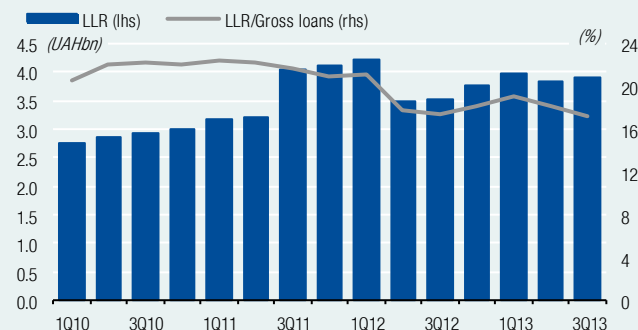
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 68. Loans and deposits**



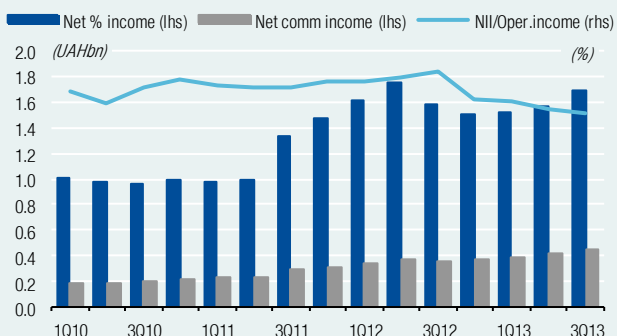
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 69. Loan loss reserves history**



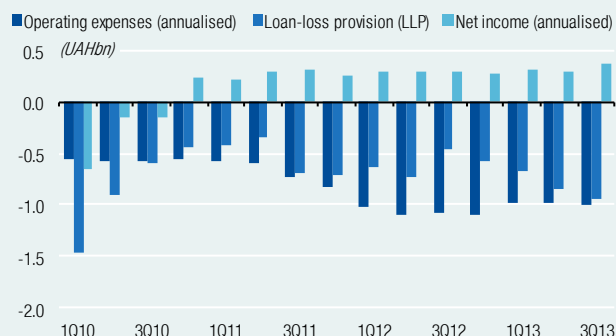
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 70. Income structure (annualised basis)**



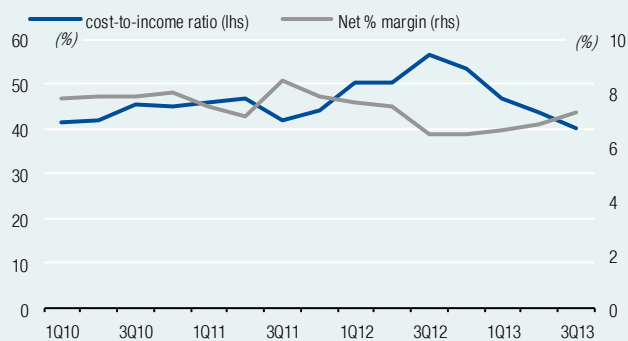
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 71. Expense and net income (annualised basis)**



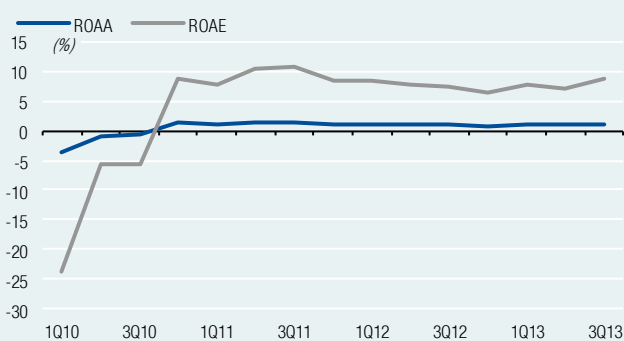
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 72. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 73. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

## Ukraine

# Subsidiary Bank Sberbank of Russia

Sector

## Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch    Ticker(s) in Bloomberg

**Caa2/NR/NR SBUA**

**The Ukrainian subsidiary of Sberbank of Russia has increased its gross loan portfolio in both the corporate and the retail segment. Its total assets grew by UAH850m or 2.6% QoQ.**

**Liquidity improves significantly.** The cash-to-liabilities ratio increased from 8.6% in 2Q13 to 11.5% in 3Q13 primarily owing to the growth of the household deposits. The regulatory CAR remains at 11.5%, despite the UAH1.5bn (4.8% QoQ) increase in total risk-weighted assets.

**Loan portfolio expands moderately.** The gross loan portfolio increased by UAH896m, up 3.7%QoQ, while reserves remained unchanged, at 5.5%. The bank has been actively developing its retail business: gross loans to households increased by UAH226m or 24.7%QoQ. However, loans to households account for just 4.5% of the total gross loan portfolio.

The share of bad debt increased from 7.5% in 2Q13 to 7.9% in 3Q13 and now totals UAH2.5bn. The bank has written off approximately UAH0.1bn during the first nine months of 2013.

**Share of FX loans remains high.** The total amount of FX-denominated loans remained unchanged in 3Q13 – at UAH19.9bn. However the share of such loans in the total loan portfolio fell by 0.8ppt to 74.7%. Only 4.4% of household loans are FX-denominated.

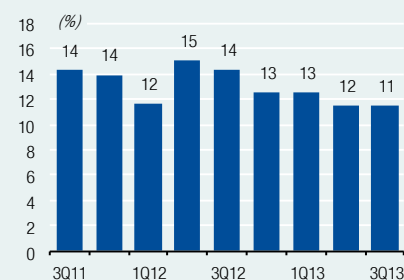
**Household deposits on the rise.** The total amount of household deposits increased by 10.6% QoQ to UAH13.3bn, while that of corporate deposits, which account for 27.85% of total deposits, remained unchanged.

The share of household deposits continues to rise: in 3Q13 it reached a record (for the bank) of 72.2% of total deposits.

Sberbank reported 3Q13 net earnings of UAH167m, up 34.5% QoQ versus 2Q12. Interest expenses fell by 6.8% QoQ, while interest income rose 10.4%, which resulted in a healthy net interest margin of 6.3%.

The cost-to-income ratio increased by 0.6ppt, to 49.5% in 3Q13, which remains low compared with the sector average of 66.7%.

Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

### Financials (UAHm)

Assets

## Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LIP

Net income

**Ratios (%)**

Tier 1 ratio 13.2% 14.5% N/A First Ukrainian Int  
income

Net loan-to-deposit

Cash-to-liabilities

ROAA  $\frac{27.621.921}{22.621.921}$ . **Subsidiary Bank Sberbank**  
basis; CAR – capital adequacy ratio (Basel IFRS accounts and  
NBU R2 UAS accounts); PPI – pre-provision income LLP – loan  
loss provision; ROAA and ROAE – return on average assets and  
equity, respectively; NII – net interest income; LLR – loan loss  
reserves; NPL – non-performing loans (>90 days overdue).  
Sources: Bank data, ICU.

**Table 11. Key financials and ratios derived from the bank's UAS financials**

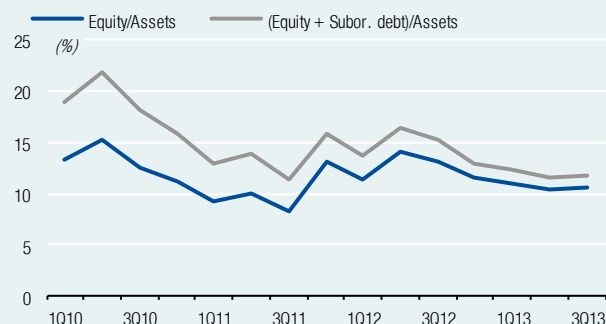
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 2Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 15,118 | 16,933 | 20,206 | 20,253 | 22,705 | 27,026 | 29,520 | 32,722 | 33,572 |
| Cash and cash equivalents                  | 1,000  | 1,687  | 1,334  | 1,456  | 1,894  | 2,304  | 2,383  | 2,516  | 3,455  |
| Gross loans                                | 12,754 | 15,360 | 17,360 | 16,505 | 18,904 | 21,408 | 21,574 | 24,423 | 25,319 |
| Gross business loans                       | 11,431 | 13,973 | 15,953 | 15,751 | 18,106 | 20,628 | 20,650 | 23,509 | 24,178 |
| Gross household loans                      | 1,323  | 1,387  | 1,407  | 754    | 798    | 781    | 924    | 915    | 1,141  |
| Loan loss reserves (LLR)                   | -2,661 | -2,708 | -2,796 | -1,484 | -1,618 | -1,273 | -1,431 | -1,452 | -1,478 |
| Deposits                                   | 6,758  | 7,593  | 8,745  | 9,112  | 11,497 | 13,280 | 15,862 | 17,197 | 18,482 |
| Business deposits                          | 2,786  | 3,236  | 3,540  | 2,953  | 3,903  | 4,230  | 5,042  | 5,142  | 5,146  |
| Household deposits                         | 3,972  | 4,356  | 5,205  | 6,160  | 7,595  | 9,050  | 10,820 | 12,055 | 13,336 |
| Total equity                               | 1,254  | 2,215  | 2,288  | 2,872  | 2,976  | 3,101  | 3,235  | 3,379  | 3,557  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 221    | 249    | 281    | 290    | 305    | 366    | 368    | 424    | 483    |
| Net commission income                      | 48     | 48     | 50     | 57     | 77     | 95     | 82     | 39     | 75     |
| Operating income (before LLP)              | 282    | 351    | 352    | 361    | 490    | 606    | 495    | 553    | 636    |
| Operating expenses                         | -165   | -208   | -197   | -211   | -221   | -264   | -259   | -303   | -306   |
| Loan loss provisions (LLP)                 | -98    | -47    | -77    | -16    | -144   | -147   | -93    | -96    | -142   |
| Net income                                 | 52     | 111    | 78     | 97     | 110    | 126    | 141    | 124    | 167    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 837    | 885    | 953    | 1,041  | 1,125  | 1,242  | 1,329  | 1,463  | 1,641  |
| Net commission income                      | 138    | 158    | 180    | 203    | 232    | 279    | 311    | 293    | 291    |
| Operating income (before LLP)              | 1,040  | 1,130  | 1,224  | 1,346  | 1,554  | 1,809  | 1,952  | 2,144  | 2,288  |
| Operating expenses                         | -553   | -650   | -719   | -781   | -837   | -893   | -955   | -1,047 | -1,132 |
| Loan loss provisions (LLP)                 | -392   | -274   | -278   | -238   | -284   | -384   | -400   | -480   | -479   |
| Net income                                 | 164    | 257    | 278    | 338    | 396    | 411    | 474    | 501    | 559    |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 80.1   | 70.6   | 61.9   | 71.1   | 50.2   | 59.6   | 46.1   | 61.6   | 47.9   |
| Gross loans                                | 70.0   | 71.2   | 78.1   | 65.3   | 48.2   | 39.4   | 24.3   | 48.0   | 33.9   |
| Deposits (by businesses)                   | 44.0   | 89.1   | 33.0   | 4.9    | 40.1   | 30.7   | 42.4   | 74.1   | 31.9   |
| Deposits (by households)                   | 77.1   | 69.6   | 63.3   | 72.8   | 91.2   | 107.8  | 107.9  | 95.7   | 75.6   |
| Deposits (total)                           | 61.8   | 77.4   | 49.5   | 42.8   | 70.1   | 74.9   | 81.4   | 88.7   | 60.7   |
| Total equity                               | 19.0   | 100.5  | 100.4  | 143.8  | 137.3  | 40.0   | 41.4   | 17.7   | 19.5   |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 14.3   | 13.9   | 11.7   | 15.0   | 14.3   | 12.6   | 12.6   | 11.5   | 11.5   |
| Equity/assets                              | 8.3    | 13.1   | 11.3   | 14.2   | 13.1   | 11.5   | 11.0   | 10.3   | 10.6   |
| (Equity + sub-debt)/assets                 | 11.4   | 15.9   | 13.7   | 16.5   | 15.2   | 13.0   | 12.4   | 21.0   | 11.8   |
| Cash & cash equivalents/liabilities        | 7.2    | 11.5   | 7.4    | 8.4    | 9.6    | 9.6    | 9.1    | 14.7   | 11.5   |
| Current liquidity (R5 by NBU)              | 59.2   | 67.5   | 52.8   | 61.9   | 55.1   | 78.1   | 67.4   | 93.2   | 66.7   |
| Gross loans/deposits                       | 188.7  | 202.3  | 198.5  | 181.1  | 164.4  | 161.2  | 136.0  | 142.0  | 137.0  |
| Net loans/deposits                         | 149.4  | 166.6  | 166.5  | 164.8  | 150.3  | 151.6  | 127.0  | 133.6  | 129.0  |
| Cost-to-income ratio                       | 53.2   | 57.6   | 58.8   | 58.1   | 53.9   | 49.4   | 49.0   | 48.9   | 49.5   |
| Net interest margin                        | 8.0    | 7.4    | 6.9    | 6.7    | 6.5    | 6.4    | 6.3    | 6.2    | 6.3    |
| ROAA                                       | 1.3    | 1.8    | 1.7    | 1.9    | 2.0    | 1.8    | 1.9    | 1.8    | 1.8    |
| ROAE                                       | 14.1   | 17.8   | 16.0   | 15.6   | 15.3   | 14.6   | 15.6   | 15.8   | 16.9   |
| Nil/operating income                       | 80.5   | 78.3   | 77.9   | 77.3   | 72.4   | 68.6   | 68.1   | 68.3   | 71.7   |
| Core income/operating expenses             | 176.3  | 160.4  | 157.5  | 159.2  | 162.1  | 170.2  | 171.7  | 167.6  | 170.6  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; Nil – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

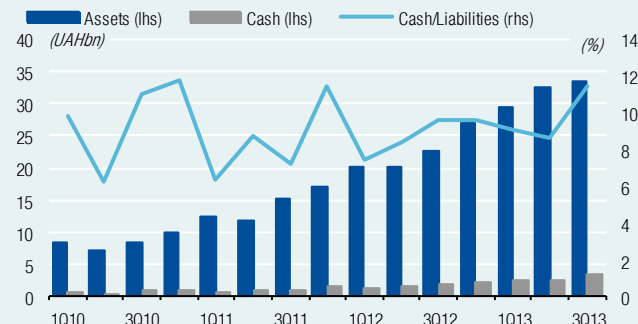
## Sberbank: Key credit metrics

**Chart 74. Capitalisation**



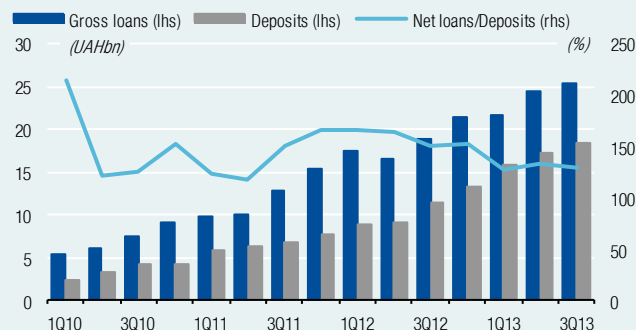
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 75. Liquidity**



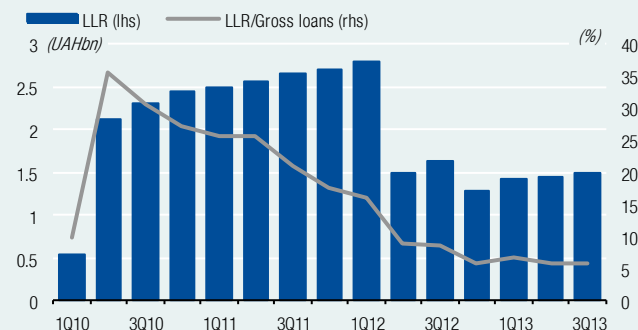
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 76. Loans and deposits**



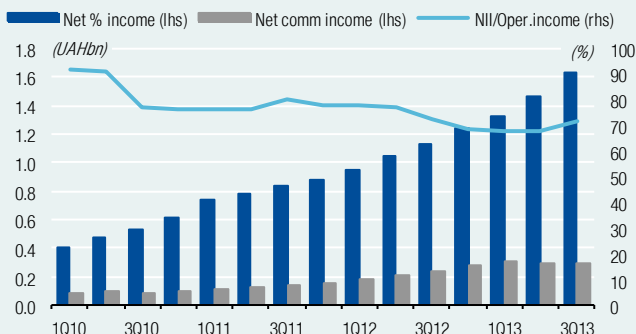
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 77. Loan loss reserves history**



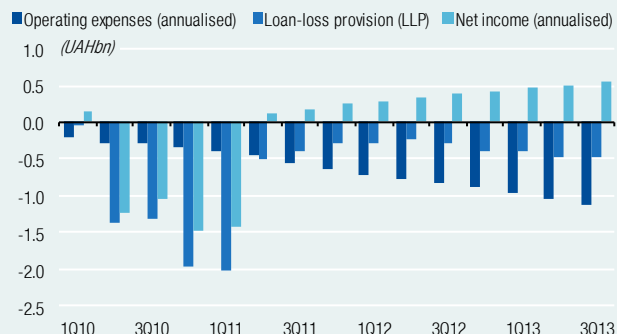
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 78. Income structure (annualised basis)**



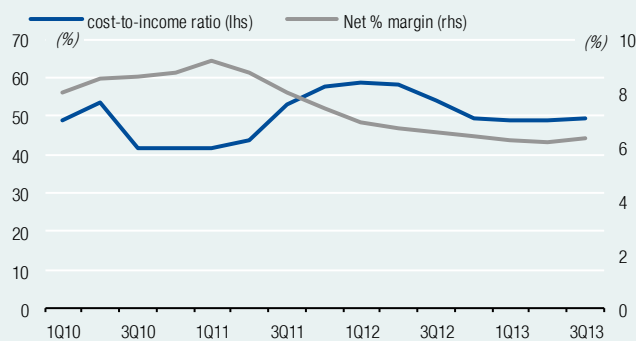
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 79. Expense and net income (annualised basis)**



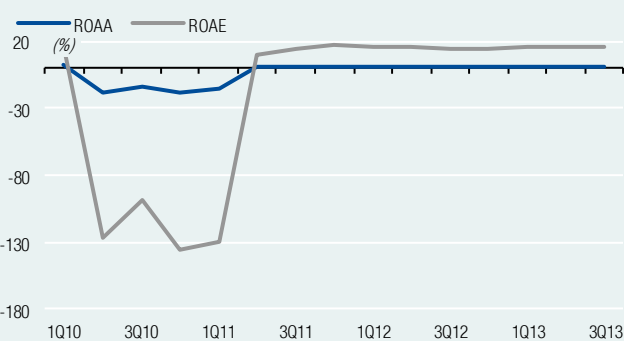
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 80. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 81. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# Nadra Bank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch

Ticker(s) in Bloomberg

NR / NR /NR NADRA

**Nadra Bank reported improved capitalisation and a decrease in the total amount of bad debt in 3Q13. Depositors have positively assessed the recent changes at the bank, as evidenced by the 8.3% increase QoQ in the deposit base. However, we remain sceptical about the reported share of bad debt, while the cost-to-income ratio is 122.3%.**

**Capitalisation improved owing to subordinated debt.** Nadra Bank attracted UAH0.6bn in subordinated debt in 3Q13. The regulatory CAR increased from 11.8% in 2Q13 to 13.5% in 3Q13. However, given the very high share of problematic assets, we believe that capitalisation remains low because the bank has not properly recognised the amount of reserves.

**Loan portfolio is opaque.** Gross corporate loans increased by UAH1.2bn or 8.0% QoQ in 3Q13, while the gross retail portfolio shrank by UAH0.1bn or 0.6 QoQ. The LLR ratio dropped from 15.8% in 2Q13 to 14.9% in 3Q13, while recognised bad debt declined by UAH717m or 12.7%. We believe that Nadra Bank may have sold part of its problematic loan portfolio to third parties.

We also believe that the bank is very keen to keep its net earnings above zero and for this reason may have tampered with its LLR estimates figures. Nadra Bank has reported income from the release of loan reserves at UAH0.2bn for the first nine months of 2013 – just enough to balance operating expenses and post a very modest net income of UAH1m for that period.

We are not very optimistic about the prospects for a sudden improvement in the quality of the bank's loan portfolio: according to the bank's 2012 IFRS report, no less than 91.8% of that portfolio comprises impaired or overdue loans.

**Household deposits grow significantly.** The total amount of household deposits increased by UAH984m or by 21.8% QoQ in 3Q13 and 11.6% YoY. High interest rates, especially on USD deposit accounts, and aggressive marketing are the main drivers of that growth. However, corporate deposits declined by 3.0% QoQ for the second consecutive quarter.

**Still no profit.** There is little reason to expect a quick return to profitability given the high share of problematic assets. Meanwhile, operating income continues to decline: in 3Q13 it fell by 24.0% QoQ to UAH161m, while operating expenses increased 2.0% QoQ to UAH267m.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011<br>IFRS | 2012<br>IFRS | 2Q12<br>UAS | 2Q12<br>UAS |
|--------------------------|--------------|--------------|-------------|-------------|
| <b>Financials (UAHm)</b> |              |              |             |             |
| Assets                   | 24,051       | 24,004       | 27,860      | 29,346      |
| Loans                    | 18,545       | 19,670       | 22,963      | 24,115      |
| Deposits                 | 8,000        | 8,092        | 9,942       | 10,763      |
| Equity                   | 1,969        | 2,127        | 4,031       | 4,031       |
| Net % income             | 1,266        | 395          | 75          | 197         |
| Net com income           | 99           | 133          | 203         | 229         |
| Operating income         | 2,213        | 841          | 607         | 777         |
| PPI                      | 1,416        | 94           | -283        | -173        |
| LLP                      | 297          | 78           | 162         | 191         |
| Net income               | 1,647        | 157          | 1           | 2           |
| <b>Ratios (%)</b>        |              |              |             |             |
| Tier 1 ratio             | 7.1          | 8.1          | N/a         | N/a         |
| CAR                      | 8.1          | 10.2         | 11.8        | 13.5        |
| Equity-to-assets         | 8.2          | 8.9          | 14.5        | 13.7        |
| Net loan-to-deposit      | 231.8        | 243.1        | 231.0       | 224.1       |
| Cash-to-liabilities      | 15.6         | 10.1         | 5.0         | 5.2         |
| ROAA                     | 13.7         | 0.7          | 0.0         | 0.0         |
| ROAE                     | 167.2        | 7.7          | 0.0         | 0.0         |
| Net % margin             | 13.2         | 2.0          | 0.3         | 0.8         |
| NII-to-op income         | 57.2         | 47.0         | 12.4        | 25.4        |
| Cost-to-income           | 36.0         | 88.8         | 146.6       | 122.3       |
| LLR                      | 27.7         | 25.6         | 15.8        | 14.9        |
| NPLs                     | N/a          | N/a          | N/a         | N/a         |
| NPL coverage             | N/a          | N/a          | N/a         | N/a         |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## Nadra Bank: Key quarterly UAS financials and ratios

Table 12. Key financials and ratios derived from the bank's UAS financials

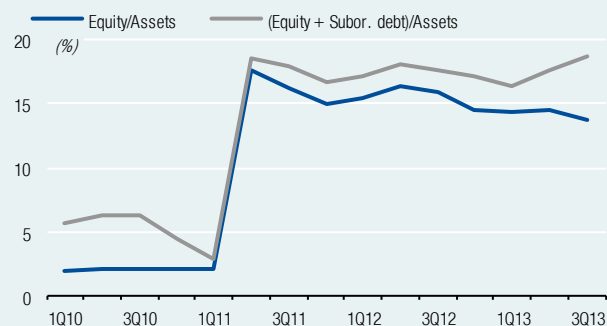
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12    | 4Q12   | 1Q13   | 2Q13   | 2Q13   |
|--|--------|--------|--------|--------|---------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |         |        |        |        |        |
| Assets                                     | 24,566 | 26,739 | 25,951 | 24,544 | 25,308  | 27,684 | 27,906 | 27,860 | 29,346 |
| Cash and cash equivalents                  | 3,198  | 3,169  | 1,710  | 1,395  | 1,152   | 2,079  | 1,453  | 1,200  | 1,320  |
| Gross loans                                | 24,329 | 25,184 | 24,867 | 23,960 | 24,205  | 25,790 | 27,528 | 27,274 | 28,347 |
| Gross business loans                       | 9,969  | 11,139 | 10,949 | 10,711 | 11,057  | 12,554 | 14,592 | 14,449 | 15,602 |
| Gross household loans                      | 14,360 | 14,045 | 13,918 | 13,249 | 13,148  | 13,235 | 12,936 | 12,824 | 12,745 |
| Loan loss reserves (LLR)                   | -6,049 | -4,920 | -4,947 | -4,400 | -4,371  | -4,427 | -4,375 | -4,311 | -4,232 |
| Deposits                                   | 7,449  | 8,667  | 7,764  | 6,595  | 6,755   | 8,741  | 10,463 | 9,942  | 10,763 |
| Business deposits                          | 4,277  | 6,078  | 5,125  | 4,006  | 4,154   | 5,645  | 6,730  | 5,421  | 5,258  |
| Household deposits                         | 3,172  | 2,589  | 2,639  | 2,589  | 2,601   | 3,096  | 3,733  | 4,520  | 5,505  |
| Total equity                               | 3,980  | 4,029  | 4,029  | 4,029  | 4,030   | 4,030  | 4,030  | 4,031  | 4,031  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |         |        |        |        |        |
| Net interest income                        | 277    | -961   | 175    | 120    | -95     | 62     | 43     | 65     | 27     |
| Net commission income                      | 41     | 37     | 31     | 33     | 40      | 50     | 58     | 55     | 66     |
| Operating income (before LLP)              | 267    | -871   | 221    | 752    | -9      | 240    | 165    | 211    | 161    |
| Operating expenses                         | -189   | -256   | -172   | -1,251 | -206    | -224   | -198   | -262   | -267   |
| Loan loss provisions (LLP)                 | -78    | 1,126  | -48    | 500    | 82      | -8     | 34     | 54     | 111    |
| Net income                                 | 0      | 1      | 0      | 0      | 0       | 0      | 0      | 0      | 1      |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |         |        |        |        |        |
| Net interest income                        | 955    | -338   | -256   | -390   | -762    | 262    | 130    | 75     | 197    |
| Net commission income                      | 57     | 82     | 137    | 141    | 140     | 153    | 180    | 203    | 229    |
| Operating income (before LLP)              | 2,129  | 389    | -77    | 369    | 92      | 1,203  | 1,148  | 607    | 777    |
| Operating expenses                         | -762   | -759   | -767   | -1,868 | -1,885  | -1,854 | -1,879 | -889   | -951   |
| Loan loss provisions (LLP)                 | -1,364 | 372    | 845    | 1,500  | 1,660   | 526    | 608    | 162    | 191    |
| Net income                                 | 1      | 2      | 2      | 2      | 2       | 1      | 1      | 1      | 2      |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |         |        |        |        |        |
| Assets                                     | 6.4    | 16.7   | 15.6   | 9.2    | 3.0     | 3.5    | 7.5    | 13.5   | 16.0   |
| Gross loans                                | 1.0    | 2.6    | -0.5   | -4.6   | -0.5    | 2.4    | 10.7   | 13.8   | 17.1   |
| Deposits (by businesses)                   | 100.0  | 103.4  | 85.0   | 104.7  | -2.9    | -7.1   | 31.3   | 35.3   | 26.6   |
| Deposits (by households)                   | -40.5  | -46.0  | -37.8  | -34.1  | -18.0   | 19.6   | 41.4   | 74.6   | 111.6  |
| Deposits (total)                           | -0.3   | 11.4   | 10.7   | 12.0   | -9.3    | 0.9    | 34.8   | 50.7   | 59.3   |
| Total equity                               | 730.3  | 740.3  | 740.2  | 1.2    | 1.2     | 0.0    | 0.0    | 0.0    | 0.0    |
| <b>Key ratios (%)</b>                      |        |        |        |        |         |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 11.0   | 11.2   | 10.3   | 11.1   | 10.9    | 11.7   | 10.9   | 11.8   | 13.5   |
| Equity/assets                              | 16.2   | 15.1   | 15.5   | 16.4   | 15.9    | 14.6   | 14.4   | 14.5   | 13.7   |
| (Equity + sub-debt)/assets                 | 17.9   | 16.7   | 17.2   | 18.1   | 17.6    | 17.2   | 16.4   | 17.6   | 18.7   |
| Cash & cash equivalents/liabilities        | 15.5   | 14.0   | 7.8    | 6.8    | 5.4     | 8.8    | 6.1    | 5.0    | 5.2    |
| Current liquidity (R5 by NBU)              | 98.2   | 72.5   | 50.2   | 42.7   | 57.9    | 83.6   | 57.9   | 72.1   | 65.4   |
| Gross loans/deposits                       | 327    | 291    | 320    | 363    | 358     | 295    | 263    | 274    | 263.4  |
| Net loans/deposits                         | 245.4  | 233.8  | 256.6  | 296.6  | 293.6   | 244.4  | 221.3  | 231.0  | 224.1  |
| Cost-to-income ratio                       | 35.8   | 195.4  | -990.4 | 506.7  | 2,044.0 | 154.1  | 163.7  | 146.4  | 122.3  |
| Net interest margin                        | 4.8    | -1.7   | -1.2   | -1.8   | -3.6    | 1.2    | 0.6    | 0.3    | 0.8    |
| ROAA                                       | 0.0    | 0.0    | 0.0    | 0.0    | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    |
| ROAE                                       | 0.0    | 0.1    | 0.1    | 0.1    | 0.1     | 0.0    | 0.0    | 0.0    | 0.0    |
| NII/operating income                       | 44.8   | -87.1  | 330.3  | -105.8 | -826.0  | 21.7   | 11.3   | 12.4   | 25.4   |
| Core income/operating expenses             | 132.8  | -33.7  | -15.5  | -13.3  | -33.0   | 22.4   | 16.5   | 31.2   | 44.9   |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

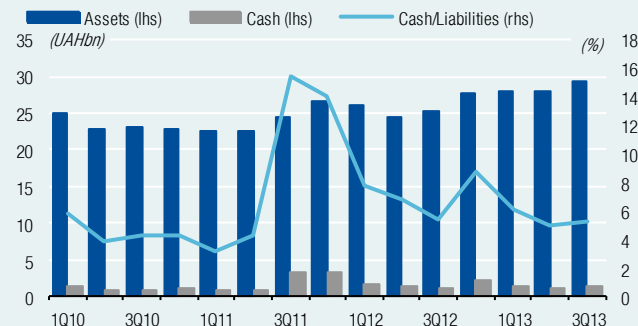
## Nadra Bank: Key credit metrics

**Chart 82. Capitalisation**



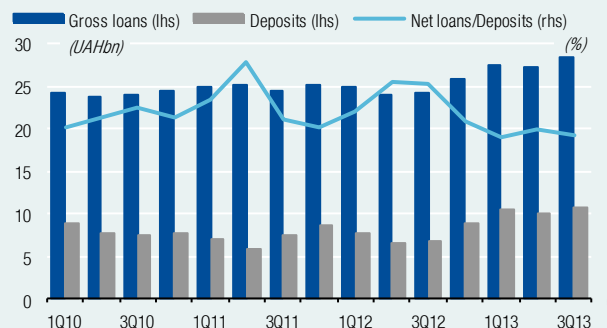
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 83. Liquidity**



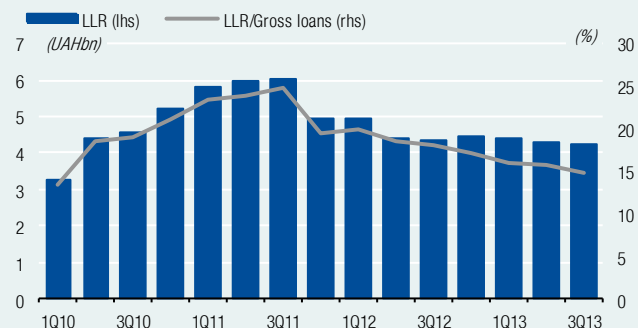
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 84. Loans and deposits**



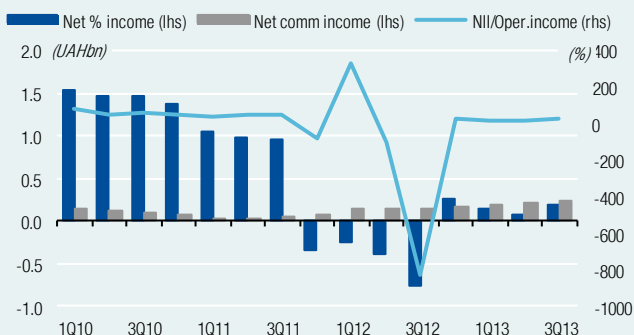
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 85. Loan loss reserves history**



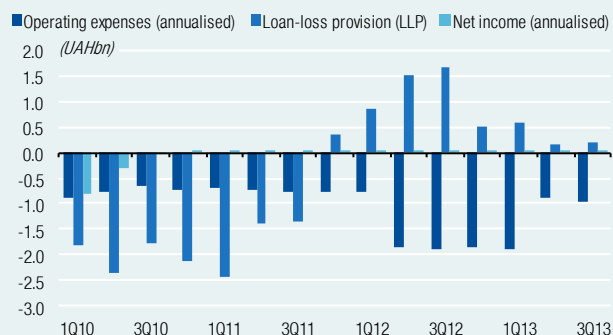
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 86. Income structure (annualised basis)**



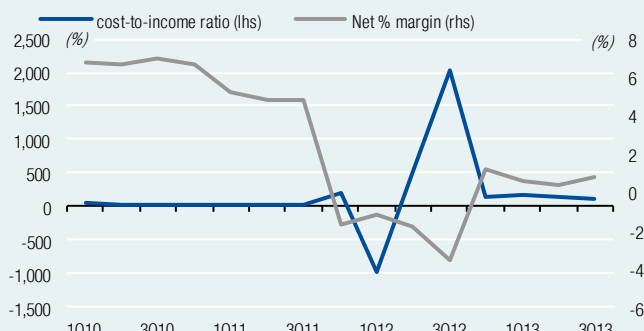
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 87. Expense and net income (annualised basis)**



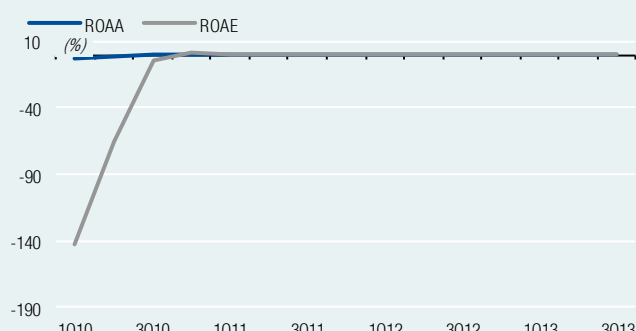
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 88. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 89. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

**Ukraine**

# VTB Bank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch Ticker(s) in Bloomberg

**NR / NR / B VTB**

**VTB Bank reported modest results in 3Q13: total assets declined by 1.5% QoQ, while the major items on the balance sheet – including deposits, gross loans and investment in securities shrank. At the same time, asset quality has improved, primarily owing to write-offs.**

**Capitalisation grows amid balance sheet decline.** The regulatory CAR rose 0.1ppt in 3Q13 to 12.5% as the total amount of risk-weighted assets declined by UAH112m or 0.4% QoQ.

The cash-to-liabilities ratio increased from 9.7% in 2Q13 to 10.9% as the bank's correspondent account with the NBU grew by 33.1%.

**Loan portfolio shrinks owing to write-offs.** Gross loans declined by UAH617m or 2.4% QoQ owing to the decline in both the corporate loan portfolio (by UAH298m or 1.4% QoQ) and the retail loan portfolio (by UAH319m or 7.4%).

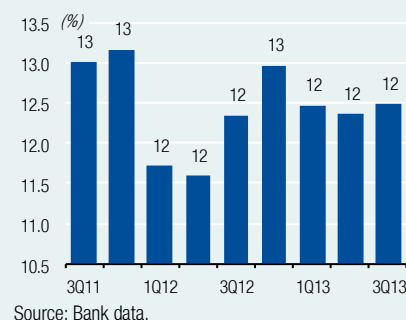
The bank's policy for the past two years has been to reduce the gross loan portfolio; and it is not expected to expand lending in the coming quarters.

VTB Bank wrote off around UAH0.4bn of bad debt in 3Q13. However, the total amount of bad debt fell by just UAH148m or 2.5% QoQ.

**Deposits base declined by 1.7% QoQ.** Corporate deposits have decreased by UAH61m or 1.2% QoQ while household deposits fell more significantly – by UAH152m or 2.0%. The share of demand accounts rose from 31.6% in 2Q13 to 36.1% in 3Q13. The decline of the deposit base and changes in its composition resulted in the decline of the interest expenses by 8.5% QoQ in 3Q13, to UAH457m.

**Operating income shrinks.** Interest income of the bank decreased significantly - by UAH159m or 14.9% QoQ due to the decline of the gross loan portfolio and increase of the low interest assets such as corresponding accounts with other banks. The operating income in 3Q13 amounted to UAH263m or 10.8% less than previous quarter result.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

### Financials (UAHm)

Assets

Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LLP

Net income

### Ratios (%)

Tier 1 ratio

CAR 12.5% 12.4% 12.3% 12.5% 12.5%  
 ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
 Sources: Bank data, ICU.

Net loan-to-deposit

Cash-to-liabilities

ROAA

ROAE

Net % margin

NII-to-op income

Cost-to-income

LLR

## VTB: Key quarterly UAS financials and ratios

**Table 13. Key financials and ratios derived from the bank's UAS financials**

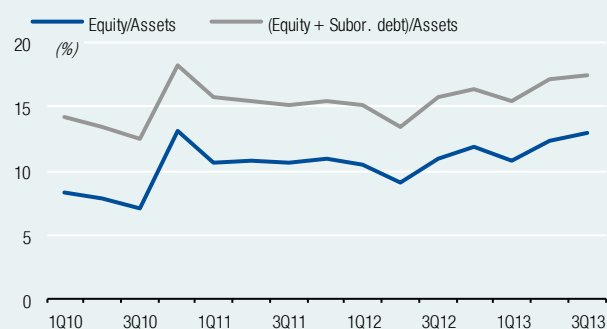
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 3Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 36 661 | 37 067 | 35 394 | 38 170 | 34 489 | 34 212 | 32 118 | 29,523 | 29,089 |
| Cash and cash equivalents                  | 2 908  | 3 691  | 3 025  | 3 619  | 2 161  | 3 987  | 4 156  | 2,504  | 2,751  |
| Gross loans                                | 33 194 | 33 140 | 32 967 | 31 052 | 30 307 | 29 048 | 27 295 | 25,355 | 24,738 |
| Gross business loans                       | 29 762 | 29 360 | 28 926 | 26 374 | 25 469 | 24 394 | 22 873 | 21,021 | 20,723 |
| Gross household loans                      | 3 433  | 3 781  | 4 041  | 4 678  | 4 838  | 4 654  | 4 421  | 4,334  | 4,015  |
| Loan loss reserves (LLR)                   | -5 526 | -5 345 | -6 305 | -6 065 | -5 773 | -5 516 | -5 173 | -4,312 | -4,123 |
| Deposits                                   | 9 987  | 11 936 | 11 238 | 11 135 | 11 472 | 12 120 | 12 878 | 12,490 | 12,277 |
| Business deposits                          | 5 183  | 6 507  | 5 831  | 5 541  | 5 980  | 5 898  | 5 884  | 5,009  | 4,948  |
| Household deposits                         | 4 804  | 5 429  | 5 408  | 5 595  | 5 492  | 6 223  | 6 994  | 7,481  | 7,330  |
| Total equity                               | 3 877  | 4 057  | 3 717  | 3 493  | 3 790  | 4 051  | 3 481  | 3,641  | 3,779  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 592    | 490    | 453    | 501    | 487    | 415    | 368    | 567    | 450    |
| Net commission income                      | 96     | 131    | 106    | 158    | 161    | 137    | 89     | 100    | 131    |
| Operating income (before LLP)              | 756    | 616    | 573    | 739    | 696    | 563    | 561    | 684    | 624    |
| Operating expenses                         | -335   | -443   | -288   | -296   | -390   | -567   | -277   | -295   | -263   |
| Loan loss provisions (LLP)                 | -394   | 9      | 300    | -645   | 15     | 262    | -205   | -228   | -221   |
| Net income                                 | 27     | 182    | 585    | -202   | 311    | 258    | 79     | 160    | 139    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 2 196  | 2 200  | 2 116  | 2 036  | 1 931  | 1 856  | 1 771  | 1,837  | 1,800  |
| Net commission income                      | 305    | 376    | 417    | 491    | 556    | 562    | 545    | 487    | 457    |
| Operating income (before LLP)              | 2 532  | 2 625  | 2 612  | 2 684  | 2 624  | 2 571  | 2 559  | 2,503  | 2,432  |
| Operating expenses                         | -1 206 | -1 349 | -1 365 | -1 362 | -1 417 | -1 541 | -1 530 | -1,530 | -1,403 |
| Loan loss provisions (LLP)                 | -1 282 | -694   | -197   | -730   | -321   | -68    | -573   | -157   | -393   |
| Net income                                 | 47     | 582    | 1 050  | 592    | 876    | 952    | 446    | 808    | 636    |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 18,9   | 11,8   | 5,4    | 6,4    | -5,9   | -7,7   | -9,3   | -22,7  | -15,7  |
| Gross loans                                | 26,7   | 8,6    | 7,8    | -3,8   | -8,7   | -12,3  | -17,2  | -18,3  | -18,4  |
| Deposits (by businesses)                   | 12,8   | 100,2  | 24,3   | -4,6   | 15,4   | -9,4   | 0,9    | -9,6   | -17,3  |
| Deposits (by households)                   | -2,4   | 12,3   | 26,0   | 22,3   | 14,3   | 14,6   | 29,3   | 33,7   | 33,5   |
| Deposits (total)                           | 4,9    | 47,6   | 25,1   | 7,2    | 14,9   | 1,5    | 14,6   | 12,2   | 7,0    |
| Total equity                               | 77,6   | -6,6   | 3,3    | -9,8   | -2,2   | -0,1   | -6,3   | 4,2    | -0,3   |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 13,0   | 13,2   | 11,7   | 11,6   | 12,4   | 13,0   | 12,5   | 12,4   | 12,5   |
| Equity/assets                              | 10,6   | 10,9   | 10,5   | 9,2    | 11,0   | 11,8   | 10,8   | 12,3   | 13,0   |
| (Equity + sub-debt)/assets                 | 15,2   | 15,4   | 15,2   | 13,4   | 15,7   | 16,4   | 15,5   | 17,1   | 17,5   |
| Cash & cash equivalents/liabilities        | 8,9    | 11,2   | 9,6    | 10,4   | 7,0    | 13,2   | 14,5   | 9,7    | 10,9   |
| Current liquidity (R5 by NBU)              | 72,0   | 57,1   | 52,4   | 94,7   | 83,5   | 73,3   | 80,0   | 53,6   | 56,8   |
| Gross loans/deposits                       | 332    | 278    | 293    | 279    | 264    | 240    | 212    | 203    | 201,5  |
| Net loans/deposits                         | 277,0  | 232,9  | 237,2  | 224,4  | 213,9  | 194,2  | 171,8  | 168,5  | 167,9  |
| Cost-to-income ratio                       | 47,6   | 51,4   | 52,3   | 50,7   | 54,0   | 59,9   | 59,8   | 61,1   | 57,7   |
| Net interest margin                        | 7,5    | 7,4    | 7,1    | 6,7    | 6,4    | 6,3    | 6,3    | 7,0    | 7,3    |
| ROAA                                       | 0,1    | 1,6    | 2,9    | 1,6    | 2,4    | 2,7    | 1,3    | 2,5    | 2,0    |
| ROAE                                       | 1,2    | 15,1   | 27,1   | 15,6   | 23,3   | 25,3   | 12,0   | 21,6   | 17,0   |
| NII/operating income                       | 86,7   | 83,8   | 81,0   | 75,9   | 73,6   | 72,2   | 69,2   | 73,4   | 74,0   |
| Core income/operating expenses             | 207,4  | 191,0  | 185,6  | 185,5  | 175,5  | 156,9  | 151,4  | 151,9  | 160,9  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

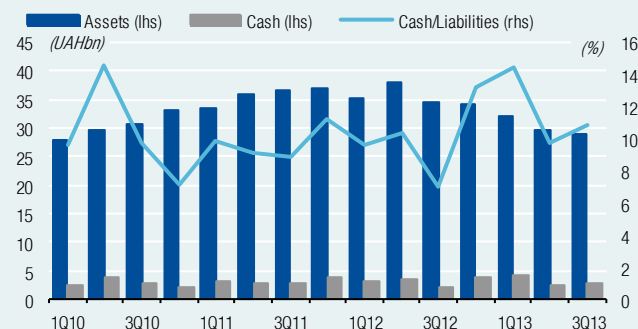
## VTB: Key credit metrics

**Chart 90. Capitalisation**



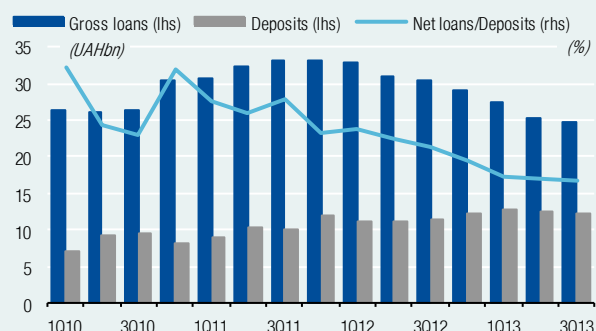
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 91. Liquidity**



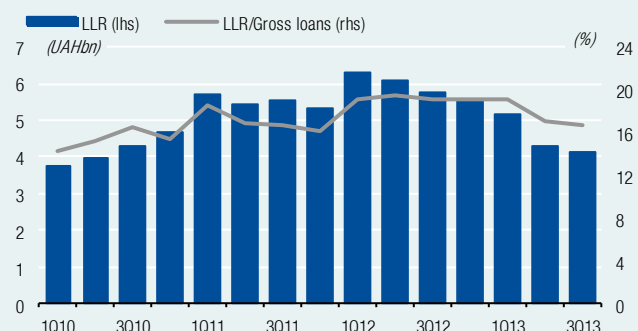
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 92. Loans and deposits**



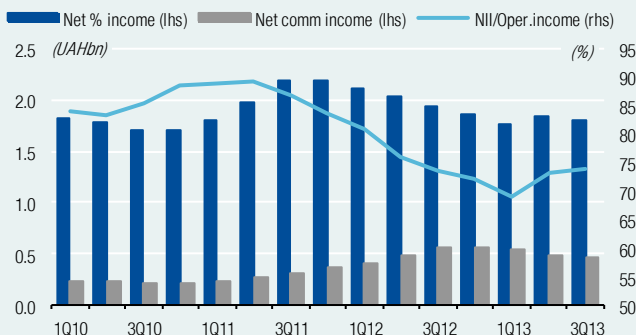
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 93. Loan loss reserves history**



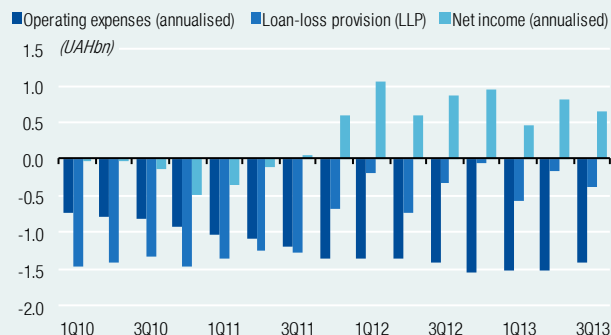
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 94. Income structure (annualised basis)**



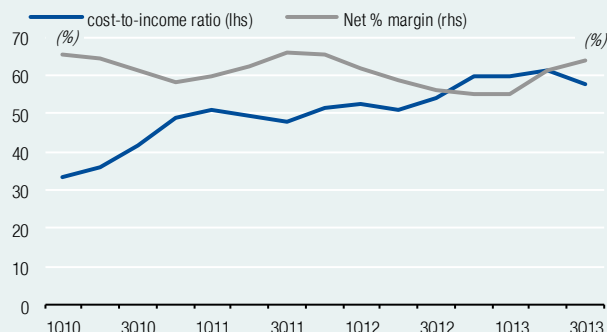
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 95. Expense and net income (annualised basis)**



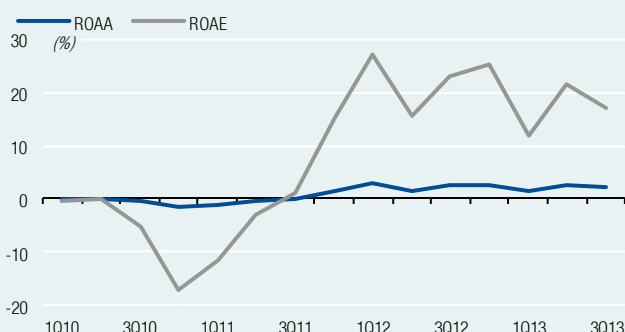
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 96. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 97. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# Alfa Bank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch Ticker(s) in Bloomberg

NR /B-/ B- N/A

**Alfa Bank reported very modest 3Q13 earnings of UAH2m, while the share of NPLs in its total loan portfolio decreased from 15.3% in 2Q13 to 13.8% in 3Q13. The bank has not been actively issuing new loans, as evidenced by the 2.3% decrease QoQ in the total portfolio. At the same time, its deposit base shrank by 8.9%.**

**Capitalisation remains strong.** The regulatory CAR remained very strong in 3Q13, at 17.9%, which is unchanged YOY. The bank reported good liquidity: the cash-to-liabilities ratio was 18.6% in 3Q13.

**Loan portfolio shrinks as a result of write-offs.** The gross portfolio decreased by 2.3% in 3Q13, possibly as a result of what we estimate to be write-offs totalling UAH0.7bn. These caused the LLR ratio to fall from 16.6% to 9.5% over the last 12 months. The decline in loans was observed in both the corporate and the retail sector in 3Q13 – 1.5% and 4.1% QoQ

Meanwhile, Alfa Bank's investment in securities decreased by 28.6% QoQ to UAH2.3bn.

**Sharp decline in deposits.** Customer accounts declined by 8.9% QoQ in 3Q13. Corporate deposits were down UAH0.9bn (14.4% QoQ) while household deposits shrank by UAH0.5bn (5.2% QoQ) as customers transferred accounts to competing banks after Alfa significantly lowered its interest rate on deposit accounts – from example, from 22.5% in 1Q13 to 18.75% in 3Q13 on its 12-month UAH deposit account.

However, the lower interest rates should have a positive effect on net interest income, which declined for the fourth consecutive quarter in 3Q13.

**Profits still modest.** Quarterly net income was yet again marginal, at UAH2m, in 3Q13. We believe that the reported level of bad debt is still underestimated as Alfa Bank's ability to build up its LLR is limited by insufficient operating income, which it is unwilling to supplement because it wants to avoid reporting losses.

The net interest margin fell by 0.8ppt to 7.4% in 3Q13, which, in our view, is still a very healthy level. Operating expenses declined by 5.5% QoQ, but the cost-to-income ratio rose by 5.4ppt to 60.5% owing to the 15.6% decrease QoQ in PPI.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011<br>IFRS | 2012<br>IFRS | 2Q12<br>UAS | 3Q12<br>UAS |
|--------------------------|--------------|--------------|-------------|-------------|
| <b>Financials (UAHm)</b> |              |              |             |             |
| Assets                   | 25,980       | 25,578       | 29,634      | 28,496      |
| Loans                    | 17,943       | 17,199       | 19,004      | 19,095      |
| Deposits                 | 12,178       | 14,376       | 15,761      | 14,365      |
| Equity                   | 4,082        | 4,102        | 4,184       | 4,184       |
| Net % income             | 1,228        | 1,649        | 1,726       | 1,600       |
| Net com income           | 168          | 355          | 454         | 499         |
| Operating income         | 1,553        | 2,068        | 2,431       | 2,317       |
| PPI                      | 580          | 863          | 1,092       | 916         |
| LLP                      | -588         | -800         | -1,032      | -852        |
| Net income               | 24           | 34           | 19          | 16          |
| <b>Ratios (%)</b>        |              |              |             |             |
| Tier 1 ratio             | N/A          | N/A          | N/A         | N/A         |
| CARVTB BankA             | 18.0         | 17.9         |             |             |
| Equity-to-assets         | 15.7         | 16.0         | 14.1        | 14.7        |
| Net loan-to-deposit      | 147.3        | 119.6        | 121         | 132.9       |
| Cash-to-liabilities      | 27.2         | 27.2         | 19.4        | 18.6        |
| ROAA                     | 0.1          | 0.1          | 0.1         | 0.1         |
| ROAE                     | 0.7          | 0.8          | 0.5         | 0.4         |
| Net % margin             | 6.3          | 8.6          | 8.2         | 7.4         |
| NII-to-op income         | 79.0         | 79.7         | 71.0        | 69.1        |
| Cost-to-income           | 62.6         | 58.3         | 55.1        | 60.5        |
| LLR                      | 22.0         | 12.9         | 12.0        | 9.5         |
| NPLs                     | 14.9         | 15.7         | N/A         | N/A         |
| NPL coverage             | 147.3        | 82.3         | N/A         | N/A         |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
Sources: Bank data, ICU.

## Alfa Bank: Key quarterly UAS financials and ratios

**Table 14. Key financials and ratios derived from the bank's UAS financials**

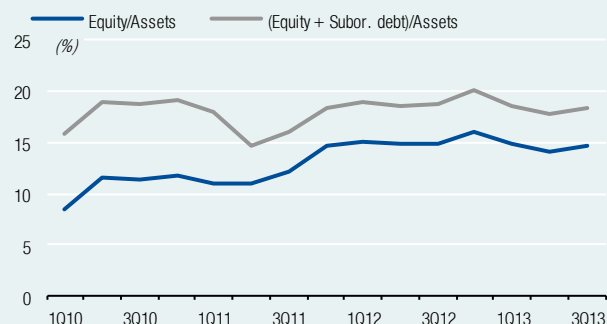
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 3Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 26,157 | 27,965 | 27,646 | 27,942 | 27,457 | 25,589 | 27,954 | 29,634 | 28,496 |
| Cash and cash equivalents                  | 4,870  | 5,968  | 4,793  | 4,576  | 5,827  | 5,833  | 5,184  | 4,941  | 4,523  |
| Gross loans                                | 23,928 | 23,399 | 22,904 | 22,575 | 20,984 | 19,923 | 21,650 | 21,584 | 21,091 |
| Gross business loans                       | 18,667 | 17,925 | 17,327 | 16,255 | 14,571 | 13,481 | 15,282 | 15,052 | 14,829 |
| Gross household loans                      | 5,261  | 5,474  | 5,578  | 6,321  | 6,413  | 6,443  | 6,368  | 6,532  | 6,261  |
| Loan loss reserves (LLR)                   | -6,369 | -5,494 | -5,235 | -4,713 | -3,491 | -2,712 | -2,964 | -2,580 | -1,996 |
| Deposits                                   | 10,815 | 12,174 | 12,588 | 12,852 | 14,435 | 14,376 | 15,927 | 15,761 | 14,365 |
| Business deposits                          | 5,049  | 5,628  | 5,398  | 5,257  | 5,739  | 5,612  | 6,174  | 6,231  | 5,334  |
| Household deposits                         | 5,766  | 6,546  | 7,190  | 7,595  | 8,697  | 8,765  | 9,753  | 9,530  | 9,032  |
| Total equity                               | 3,158  | 4,075  | 4,170  | 4,148  | 4,082  | 4,100  | 4,129  | 4,184  | 4,184  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 447    | 389    | 418    | 449    | 538    | 418    | 338    | 432    | 412    |
| Net commission income                      | 40     | 48     | 51     | 72     | 82     | 150    | 115    | 107    | 126    |
| Operating income (before LLP)              | 498    | 495    | 511    | 568    | 639    | 584    | 587    | 621    | 525    |
| Operating expenses                         | -273   | -342   | -751   | -287   | -292   | -372   | -300   | -375   | -354   |
| Loan loss provisions (LLP)                 | -221   | -180   | 255    | -270   | -341   | -178   | -278   | -235   | -161   |
| Net income                                 | 5      | 5      | 15     | 10     | 5      | 5      | 5      | 4      | 2      |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 1,634  | 1,621  | 1,667  | 1,703  | 1,794  | 1,823  | 1,743  | 1,726  | 1,600  |
| Net commission income                      | 157    | 169    | 190    | 211    | 253    | 355    | 419    | 454    | 499    |
| Operating income (before LLP)              | 1,938  | 1,930  | 1,991  | 2,072  | 2,213  | 2,302  | 2,378  | 2,431  | 2,317  |
| Operating expenses                         | -1,037 | -1,119 | -1,672 | -1,653 | -1,672 | -1,702 | -1,251 | -1,339 | -1,401 |
| Loan loss provisions (LLP)                 | -889   | -827   | -323   | -416   | -536   | -534   | -1,067 | -1,032 | -852   |
| Net income                                 | 12     | 17     | 30     | 35     | 35     | 35     | 25     | 19     | 16     |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | -3.6   | 5.2    | -2.9   | -2.9   | 5.0    | -8.5   | 1.1    | 6.1    | 3.8    |
| Gross loans                                | -4.1   | 2.1    | -4.1   | -7.6   | -12.3  | -14.9  | -5.5   | -4.4   | 0.5    |
| Deposits (by businesses)                   | 4.9    | 24.0   | 1.5    | -10.5  | 13.7   | -0.3   | 14.4   | 18.5   | -7.1   |
| Deposits (by households)                   | 30.5   | 28.0   | 26.5   | 32.6   | 50.8   | 33.9   | 35.6   | 25.5   | 3.9    |
| Deposits (total)                           | 17.1   | 26.1   | 14.4   | 10.8   | 33.5   | 18.1   | 26.5   | 22.6   | -0.5   |
| Total equity                               | 1.8    | 30.6   | 33.0   | 30.7   | 29.3   | 0.6    | -1.0   | 0.9    | 2.5    |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 18.6   | 18.2   | 17.6   | 17.0   | 17.9   | 18.5   | 18.0   | 18.0   | 17.9   |
| Equity/assets                              | 12.1   | 14.6   | 15.1   | 14.8   | 14.9   | 16.0   | 14.8   | 14.1   | 14.7   |
| (Equity + sub-debt)/assets                 | 16.1   | 18.3   | 18.9   | 18.6   | 18.7   | 20.1   | 18.5   | 17.7   | 18.4   |
| Cash & cash equivalents/liabilities        | 21.2   | 25.0   | 20.4   | 19.2   | 24.9   | 27.1   | 21.8   | 19.4   | 18.6   |
| Current liquidity (R5 by NBU)              | 81.8   | 108.8  | 100.6  | 96.0   | 110.0  | 105.9  | 126.2  | 174.0  | 135.8  |
| Gross loans/deposits                       | 221.2  | 192.2  | 182.0  | 175.7  | 145.4  | 138.6  | 135.9  | 136.9  | 146.8  |
| Net loans/deposits                         | 162.4  | 147.1  | 140.4  | 139.0  | 121.2  | 119.7  | 117.3  | 120.6  | 132.9  |
| Cost-to-income ratio                       | 53.5   | 58.0   | 84.0   | 79.8   | 75.6   | 73.9   | 52.6   | 55.1   | 60.5   |
| Net interest margin                        | 7.6    | 7.5    | 7.6    | 8.2    | 8.6    | 8.9    | 8.4    | 8.2    | 7.4    |
| ROAA                                       | 0.0    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    |
| ROAE                                       | 0.4    | 0.5    | 0.8    | 0.9    | 0.8    | 0.8    | 0.6    | 0.5    | 0.4    |
| NII/operating income                       | 84.3   | 84.0   | 83.7   | 82.2   | 81.1   | 79.2   | 73.3   | 71.0   | 69.1   |
| Core income/operating expenses             | 172.7  | 160.0  | 111.1  | 115.8  | 122.4  | 128.0  | 172.8  | 162.8  | 149.8  |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

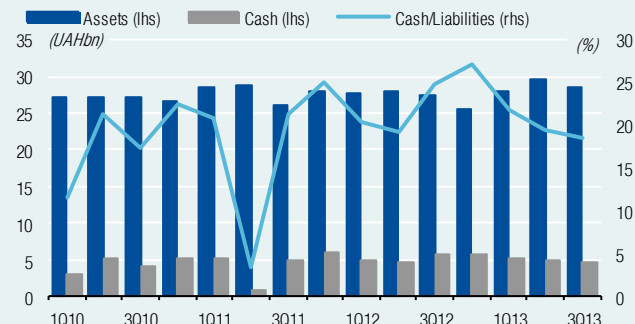
## Alfa Bank: Key credit metrics

**Chart 98. Capitalisation**



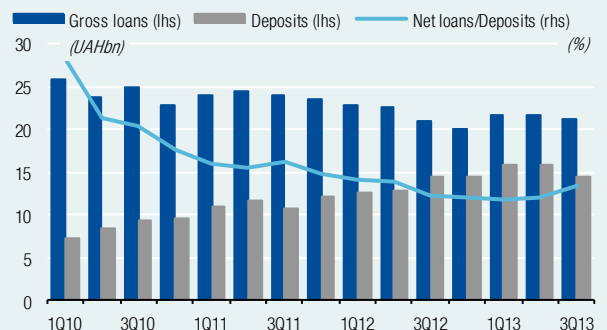
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 99. Liquidity**



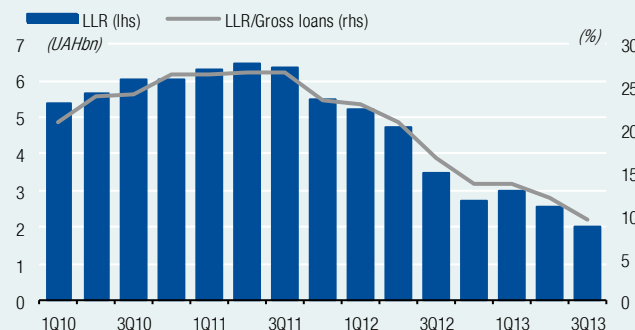
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 100. Loans and deposits**



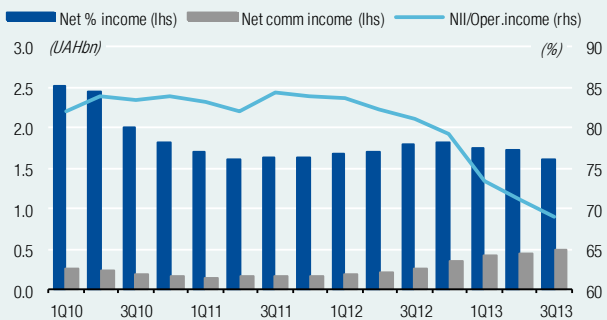
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 101. Loan loss reserves history**



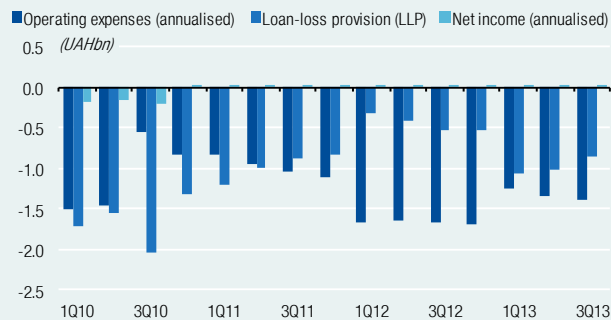
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 102. Income structure (annualised basis)**



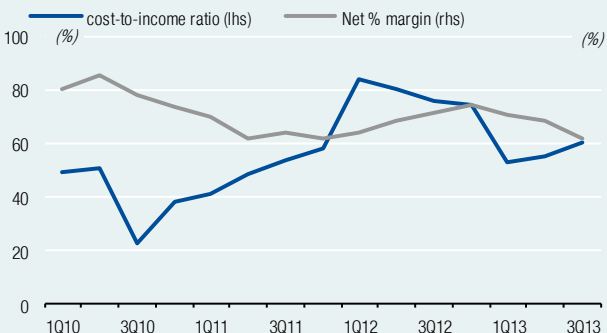
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 103. Expense and net income (annualised basis)**



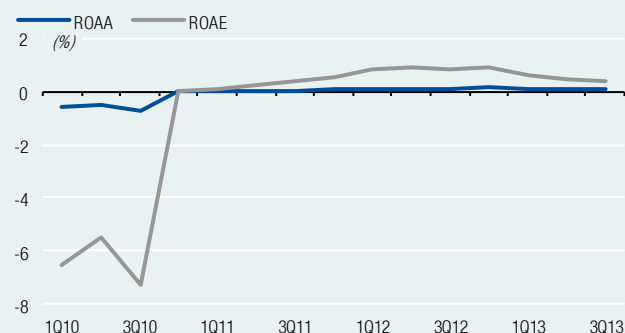
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 104. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 105. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# UkrSibbank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch

NR/NR/B UKRSIB

Ticker(s) in Bloomberg

**UkrSibbank's corporate loan portfolio increased by 8.1% QoQ, which is the largest increase reported by the bank in the post-crisis period. Its strategy is to lower interest costs by partly replacing more expensive household deposits with corporate demand deposits as the main source of funding.**

**Capitalisation remains high.** UkrSibbank made a scheduled repayment of subordinated debt worth UAH0.8bn in 3Q13, decreasing the total amount of such debt it owes by 22.7% QoQ. This had only a marginal effect on the regulatory CAR, which declined by just 0.1ppt to 20.8% but nonetheless remains among the highest in the Ukrainian banking sector.

**Modest growth of the corporate lending segment.** The gross loan portfolio increased by a modest 1.2% QoQ to UAH15.8bn in 3Q13. However, the bank decreased its exposure to retail clients by UAH428m or 5.3% QoQ, while gross corporate loans increased UAH614m or 8.1% QoQ. The LLR ratio declined 0.6ppt to 6.9% in 3Q13, while the share of bad debt declined from 17.5% in 2Q13 to 12.5%. According to our estimates, the bank wrote off a negligible UAH0.1bn in NPLs in 3Q13.

**Corporate current accounts replace retail term deposits.** The share of household deposits fell from 59.3% in 2Q13 to 55.1% in 3Q13 and will continue to decline as the bank offers significantly lower than average interest rates on deposit accounts. Total deposits increased 1.3% QoQ in 3Q13, while the bank increased its reliance on current deposits for funding.

Households deposits decreased by UAH625m or 5.9% QoQ while corporate deposit demonstrated UAH863m or 11.9% QoQ growth.

**Profits fell owing to non-core activities.** The net interest margin remained strong in 3Q13, at 7.5%, and is not expected to decline significantly as the cost of borrowing remains low compared with that of most other Ukrainian banks. Unlike in the previous quarter, UkrSibbank reported a net loss of UAH33m in 3Q13 owing to a UAH64m increase in LLP expenses and large operating expenses. It also reported losses on the revaluation of derivatives totalling UAH35m and a decrease in other operating income, which includes repayment of previously written-off debts.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

|                          | 2011<br>IFRS | 2012<br>IFRS | 2012<br>UAS |    |
|--------------------------|--------------|--------------|-------------|----|
| <b>Financials (UAHm)</b> |              |              |             |    |
| Assets                   | 31,231       | 25,346       | 27,375      | 26 |
| Loans                    | 18,546       | 15,369       | 14,432      | 14 |
| Deposits                 | 20,958       | 17,450       | 17,882      | 18 |
| Equity                   | 2,446        | 2,779        | 2,645       | 2  |
| Net % income             | 1,416        | 1,239        | 1,264       | 1  |
| Net com income           | 565          | 544          | 586         |    |
| Operating income         | 2,189        | 2,123        | 2,175       | 2  |
| PPI                      | 181          | 261          | 81          |    |
| LLP                      | -1,128       | -34          | -74         |    |
| Net income               | -813         | 21           | 31          |    |
| <b>Ratios (%)</b>        |              |              |             |    |
| Tier 1 ratio             | N/a          | N/a          | N/a         |    |
| CAR                      | N/a          | Alfa Bank    | 20.8        |    |
| Equity-to-assets         | 7.8          | 11.0         | 9.7         |    |
| Net loan-to-deposit      | 88.5         | 88.1         | 80.7        |    |
| Cash-to-liabilities      | 25.9         | 22.5         | 24.7        |    |
| ROAA                     | -5.2         | 0.1          | 0.1         |    |
| ROAE                     | -66.5        | 0.8          | 1.2         |    |
| Net % margin             | 13.9         | 6.7          | 7.5         |    |
| NII-to-op income         | 64.7         | 58.3         | 58.1        |    |
| Cost-to-income           | 91.7         | 87.7         | 96.3        |    |
| LLR                      | 26.2         | 11.0         | 7.5         |    |
| NPLs                     | 29.8         | 19.0         | N/a         |    |
| NPL coverage             | 87.7         | 58.0         | N/a         |    |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## UkrSibbank: Key quarterly UAS financials and ratios

**Table 15. Key financials and ratios derived from the bank's UAS financials**

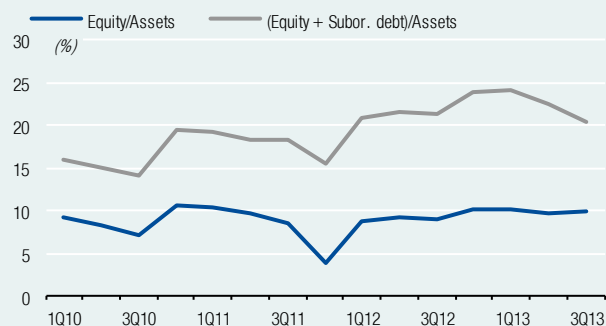
|  | 3Q11  | 4Q11  | 1Q12    | 2Q12  | 3Q12  | 4Q12  | 1Q13  | 2Q13  | 2Q13   |
|--|-------|-------|---------|-------|-------|-------|-------|-------|--------|
| <b>Balance sheet figures (UAHm)</b>        |       |       |         |       |       |       |       |       |        |
| Assets                                     | 1,022 | 1,454 | 1,497   | 1,715 | 2,069 | 2,729 | 3,222 | 3,616 | 26,415 |
| Cash and cash equivalents                  | 148   | 201   | 260     | 163   | 203   | 315   | 418   | 572   | 5,976  |
| Gross loans                                | 720   | 1,123 | 1,242   | 1,514 | 1,857 | 2,477 | 2,817 | 3,095 | 15,784 |
| Gross business loans                       | 58    | 52    | 51      | 62    | 61    | 87    | 79    | 78    | 8,200  |
| Gross household loans                      | 662   | 1,071 | 1,191   | 1,452 | 1,796 | 2,390 | 2,738 | 3,017 | 7,584  |
| Loan loss reserves (LLR)                   | -42   | -60   | -80     | -106  | -151  | -179  | -253  | -354  | -1,093 |
| Deposits                                   | 133   | 223   | 483     | 551   | 635   | 918   | 1,511 | 1,859 | 18,121 |
| Business deposits                          | 30    | 37    | 30      | 71    | 86    | 182   | 63    | 68    | 8,134  |
| Household deposits                         | 103   | 186   | 454     | 480   | 549   | 736   | 1,448 | 1,791 | 9,987  |
| Total equity                               | 113   | 113   | 163     | 164   | 166   | 178   | 286   | 288   | 2,612  |
| <b>Quarterly P&amp;L (UAHm)</b>            |       |       |         |       |       |       |       |       |        |
| Net interest income                        | 8     | 2     | 8       | 22    | 30    | 204   | 165   | 171   | 284    |
| Net commission income                      | 40    | 67    | 61      | 75    | 96    | -22   | 29    | 41    | 168    |
| Operating income (before LLP)              | 105   | 85    | 88      | 107   | 136   | 176   | 203   | 233   | 483    |
| Operating expenses                         | -80   | -71   | -69     | -80   | -89   | -120  | -115  | -126  | -451   |
| Loan loss provisions (LLP)                 | -24   | -14   | -19     | -26   | -45   | -37   | -78   | -103  | -64    |
| Net income                                 | -     | -     | -       | 1     | 2     | 12    | 7     | 2     | -33    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |       |       |         |       |       |       |       |       |        |
| Net interest income                        | 15    | 15    | 22      | 40    | 62    | 264   | 421   | 570   | 1,226  |
| Net commission income                      | 122   | 159   | 195     | 243   | 299   | 210   | 178   | 144   | 603    |
| Operating income (before LLP)              | 199   | 251   | 311     | 385   | 416   | 507   | 622   | 748   | 2,128  |
| Operating expenses                         | -156  | -205  | -249    | -300  | -309  | -358  | -404  | -450  | -2,002 |
| Loan loss provisions (LLP)                 | -34   | -45   | -61     | -83   | -104  | -127  | -186  | -263  | -169   |
| Net income                                 | 8     | -     | -       | 1     | 3     | 15    | 22    | 23    | -9     |
| <b>Growth rates (%YoY)</b>                 |       |       |         |       |       |       |       |       |        |
| Assets                                     | 304.0 | 186.2 | 161.3   | 192.7 | 102.4 | 87.7  | 115.2 | 110.8 | -9.2   |
| Gross loans                                | 309.1 | 256.5 | 267.5   | 255.4 | 157.9 | 120.6 | 126.8 | 104.4 | -11.4  |
| Deposits (by businesses)                   | 50.0  | 76.2  | 42.9    | 208.7 | 186.7 | 391.9 | 110.0 | -4.2  | 2.3    |
| Deposits (by households)                   | 930.0 | 878.9 | 1,127.0 | 772.7 | 433.0 | 295.7 | 218.9 | 273.1 | -7.8   |
| Deposits (total)                           | 343.3 | 457.5 | 732.8   | 606.4 | 377.4 | 311.7 | 212.8 | 237.4 | -3.5   |
| Total equity                               | 8.7   | 0.9   | 45.5    | 46.4  | 46.9  | 57.5  | 75.5  | 75.6  | -0.3   |
| <b>Key ratios (%)</b>                      |       |       |         |       |       |       |       |       |        |
| Capital adequacy ratio (R2 by NBU)         | 12.6  | 15.9  | 20.0    | 15.6  | 13.3  | 11.8  | 17.1  | 15.0  | 20.8   |
| Equity/assets                              | 11.1  | 7.8   | 10.9    | 9.6   | 8.0   | 6.5   | 8.9   | 8.0   | 9.9    |
| (Equity + sub-debt)/assets                 | 15.2  | 10.8  | 17.2    | 15.2  | 12.8  | 14.5  | 15.8  | 14.2  | 20.3   |
| Cash & cash equivalents/liabilities        | 16.2  | 15.0  | 19.5    | 10.5  | 10.7  | 12.4  | 14.2  | 17.2  | 25.1   |
| Current liquidity (R5 by NBU)              | 56.9  | 162.1 | 172.5   | 101.2 | 69.1  | 69.1  | 224.9 | 238.0 | 75.5   |
| Gross loans/deposits                       | 541.4 | 503.6 | 257.1   | 274.8 | 292.4 | 269.8 | 186.4 | 166.5 | 87.1   |
| Net loans/deposits                         | 509.8 | 477.1 | 240.6   | 255.5 | 268.7 | 250.4 | 169.7 | 147.4 | 81.1   |
| Cost-to-income ratio                       | 78.4  | 81.7  | 80.1    | 77.9  | 74.3  | 70.6  | 65.0  | 60.2  | 94.1   |
| Net interest margin                        | 3.1   | 2.2   | 2.4     | 3.5   | 4.4   | 15.7  | 20.5  | 23.7  | 7.5    |
| ROAA                                       | 1.2   | -     | -       | 0.1   | 0.2   | 0.7   | 0.9   | 0.8   | -0.0   |
| ROAE                                       | 7.1   | -     | -       | 0.7   | 2.0   | 8.9   | 11.1  | 10.0  | -0.3   |
| NII/operating income                       | 7.5   | 6.0   | 7.1     | 10.4  | 14.9  | 52.1  | 67.7  | 76.2  | 57.6   |
| Core income/operating expenses             | 87.8  | 84.9  | 87.1    | 94.3  | 116.8 | 132.4 | 148.3 | 158.7 | 91.4   |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

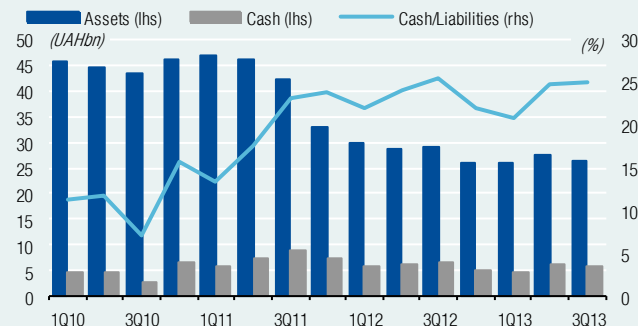
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

## UkrSibbank: Key credit metrics

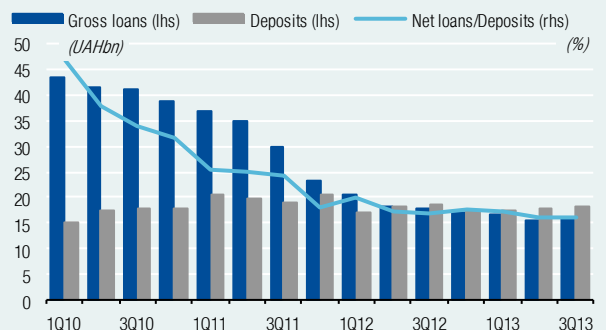
**Chart 106. Capitalisation**



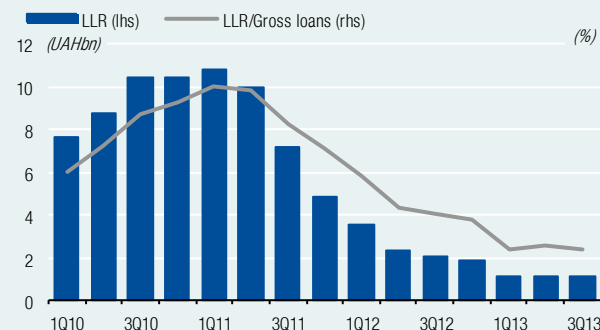
**Chart 107. Liquidity**



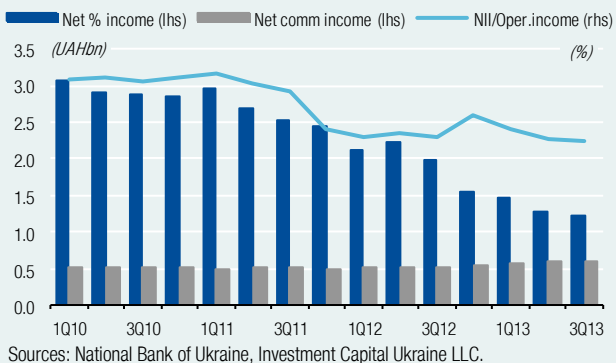
**Chart 108. Loans and deposits**



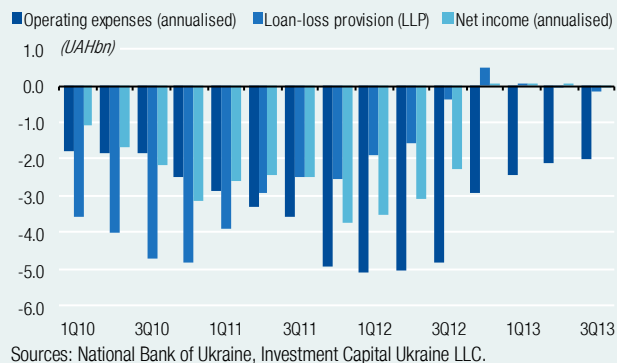
**Chart 109. Loan loss reserves history**



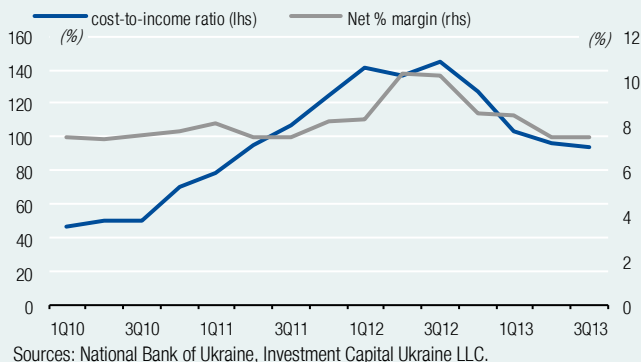
**Chart 110. Income structure (annualised basis)**



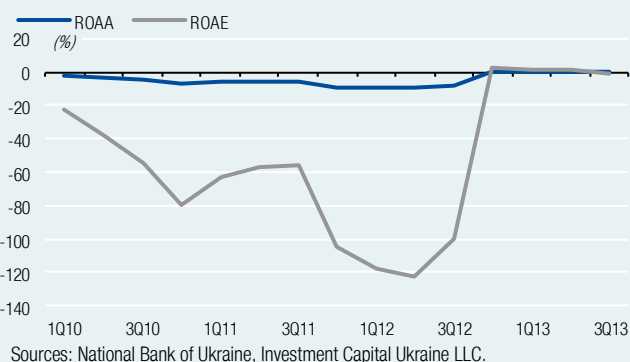
**Chart 111. Expense and net income (annualised basis)**



**Chart 112. Financial performance ratios**



**Chart 113. Financial performance ratios**



Country

**Ukraine**

# VAB Bank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch Ticker(s) in Bloomberg

**Caa2/ NR /NR VABBANK**

**VAB Bank has been actively increasing household deposits, which is its main source of funding, through high interest rates. It has failed to report a profit so far in 2013 as the process of recognising the real amount of LLR is ongoing.**

**Low capitalisation decreases even further.** The regulatory CAR declined 0.9ppt to 11.5% in 3Q13. We remain sceptical about the reported amount of LLR and believe that the real level of capitalisation is lower.

Liquidity improved as the cash-to-liabilities ratio increased from 11.6% in 2Q13 to 14.8% in 3Q13 as a result of the uninterrupted inflow of new deposits.

**Loan portfolio is growing.** The gross business loan portfolio increased UAH673m or 7.4% QoQ in 3Q13, while the gross household loan portfolio declined 7.0%. Exposure to the largest borrower increased 15.9% to UAH354m.

Despite the fact that bad debt grew by UAH118m or 6.2% QoQ, the LLR ratio remained unchanged, at 6.7%. According to our estimates, VAB Bank has not yet written off any significant amounts of bad debt.

**Deposit growth owing to high interest rates.** Household deposits increased by 14.4% QoQ in 3Q13. We believe that the above-average interest rates offered by VAB Bank encouraged the transfer of funds from its competitors. Corporate deposits rose by UAH86m or 4.9% QoQ and accounted for just 16.5% of total deposits. We estimate that the real share of household deposits now stands at 64.3% of total equity and liabilities and will continue to grow.

**Profits still non-existent.** Net income remained negligible for the third consecutive quarter. However, PPI doubled in 3Q13 to UAH135m, while interest income increased by UAH11m or 26.4% QoQ.

The net interest margin increased by 0.2ppt in 3Q13 to 1.4% but remains very low compared with that of other banks. We suggest that VAB Bank has a very high share of related party loans, whose interest rates are easy to adjust. Therefore, quarterly interest income is very volatile and does not correspond with changes in the gross loan portfolio.

## Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

### Financials (UAHm)

Assets

Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LLP

Net income

### Ratios (%)

Tier 1 ratio

CAR

Equity-to-assets 8.67% 11.1%  
 basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
 Sources: Bank data, ICU.

Cash-to-liabilities

ROAA

ROAE

Net % margin

NII-to-op income

Cost-to-income

LLR

NPLs

NPL coverage

Notes: P&amp;L figures and ratios are on a 12-month annualised

## VAB Bank: Key quarterly UAS financials and ratios

**Table 16. Key financials and ratios derived from the bank's UAS financials**

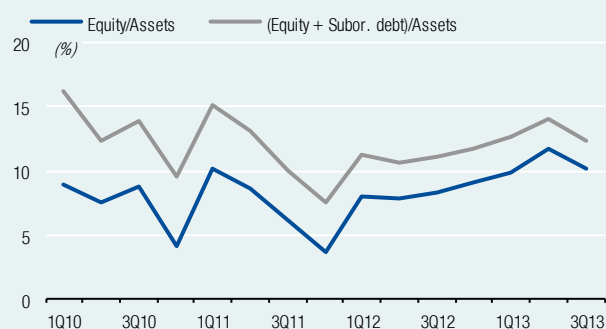
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 2Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 8,698  | 9,128  | 11,311 | 13,244 | 12,761 | 13,283 | 14,098 | 16,209 | 18,580 |
| Cash and cash equivalents                  | 1,128  | 1,179  | 852    | 1,059  | 1,237  | 1,147  | 1,264  | 1,660  | 2,472  |
| Gross loans                                | 6,660  | 6,433  | 7,668  | 8,708  | 9,260  | 9,042  | 9,322  | 10,072 | 10,675 |
| Gross business loans                       | 4,701  | 4,538  | 5,825  | 6,991  | 7,638  | 7,576  | 8,156  | 9,059  | 9,731  |
| Gross household loans                      | 1,959  | 1,896  | 1,843  | 1,716  | 1,622  | 1,467  | 1,166  | 1,014  | 943    |
| Loan loss reserves (LLR)                   | -1,435 | -1,494 | -1,477 | -1,964 | -2,062 | -1,408 | -1,012 | -678   | -713   |
| Deposits                                   | 5,442  | 5,436  | 6,891  | 8,401  | 7,783  | 8,038  | 8,790  | 9,841  | 11,091 |
| Business deposits                          | 1,239  | 1,087  | 1,623  | 2,570  | 1,631  | 1,628  | 1,741  | 1,744  | 1,830  |
| Household deposits                         | 4,203  | 4,349  | 5,268  | 5,831  | 6,152  | 6,410  | 7,049  | 8,097  | 9,261  |
| Total equity                               | 528    | 332    | 912    | 1,048  | 1,054  | 1,200  | 1,400  | 1,900  | 1,901  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 24     | 22     | 4      | 41     | 57     | 14     | 20     | 20     | 82     |
| Net commission income                      | 58     | 60     | 63     | 67     | 61     | 60     | 45     | 41     | 38     |
| Operating income (before LLP)              | 93     | 63     | 84     | 114    | 194    | 90     | 156    | 67     | 135    |
| Operating expenses                         | -157   | -124   | -99    | -100   | -105   | -116   | -87    | -93    | -99    |
| Loan loss provisions (LLP)                 | -99    | -115   | -30    | -450   | -95    | 178    | -2     | 26     | -35    |
| Net income                                 | -144   | -195   | -20    | -364   | 5      | 146    | 0      | 0      | 0      |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 111    | 117    | 96     | 92     | 125    | 117    | 133    | 112    | 137    |
| Net commission income                      | 155    | 189    | 225    | 248    | 251    | 251    | 234    | 208    | 185    |
| Operating income (before LLP)              | 325    | 337    | 336    | 355    | 456    | 482    | 555    | 508    | 448    |
| Operating expenses                         | -647   | -544   | -525   | -480   | -428   | -420   | -408   | -401   | -395   |
| Loan loss provisions (LLP)                 | -429   | -338   | -292   | -694   | -690   | -396   | -369   | 107    | 167    |
| Net income                                 | -624   | -497   | -435   | -723   | -574   | -232   | -212   | 152    | 147    |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 28.2   | 37.0   | 55.1   | 71.2   | 46.7   | 45.5   | 24.6   | 22.4   | 45.6   |
| Gross loans                                | 12.4   | 17.6   | 25.3   | 37.3   | 39.0   | 40.6   | 21.6   | 15.7   | 15.3   |
| Deposits (by businesses)                   | 22.7   | -13.8  | 24.9   | 87.8   | 31.6   | 49.7   | 7.3    | -32.1  | 12.2   |
| Deposits (by households)                   | 48.8   | 40.5   | 59.1   | 58.8   | 46.4   | 47.4   | 33.8   | 38.9   | 50.5   |
| Deposits (total)                           | 41.9   | 24.8   | 49.5   | 66.6   | 43.0   | 47.9   | 27.6   | 17.1   | 42.5   |
| Total equity                               | -11.3  | 18.8   | 22.0   | 56.1   | 99.6   | 261.0  | 53.5   | 81.3   | 80.4   |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 16.0   | 12.8   | 10.3   | 11.4   | 10.8   | 10.5   | 11.0   | 12.4   | 11.5   |
| Equity/assets                              | 6.1    | 3.6    | 8.1    | 7.9    | 8.3    | 9.0    | 9.9    | 11.7   | 10.2   |
| (Equity + sub-debt)/assets                 | 10.1   | 7.5    | 11.2   | 10.6   | 11.1   | 11.8   | 12.6   | 14.0   | 12.3   |
| Cash & cash equivalents/liabilities        | 13.8   | 13.4   | 8.2    | 8.7    | 10.6   | 9.5    | 10.0   | 11.6   | 14.8   |
| Current liquidity (R5 by NBU)              | 64.7   | 73.4   | 63.6   | 58.1   | 40.7   | 58.1   | 87.8   | 104.9  | 105.0  |
| Gross loans/deposits                       | 122    | 118    | 111    | 104    | 119    | 113    | 106    | 102    | 96.2   |
| Net loans/deposits                         | 96.0   | 90.9   | 89.8   | 80.3   | 92.5   | 95.0   | 94.5   | 95.5   | 89.8   |
| Cost-to-income ratio                       | 199.0  | 161.5  | 156.2  | 135.5  | 93.9   | 87.1   | 73.5   | 79.0   | 88.1   |
| Net interest margin                        | 2.0    | 1.9    | 1.4    | 1.2    | 1.5    | 1.4    | 1.5    | 1.2    | 1.4    |
| ROAA                                       | -8.2   | -6.1   | -4.7   | -6.8   | -4.9   | -1.8   | -1.6   | 1.1    | 0.9    |
| ROAE                                       | -112.0 | -87.3  | -71.3  | -102.5 | -68.7  | -22.1  | -18.0  | 10.9   | 9.2    |
| NII/operating income                       | 34.2   | 34.6   | 28.6   | 25.9   | 27.3   | 24.2   | 24.0   | 22.0   | 30.5   |
| Core income/operating expenses             | 41.2   | 56.3   | 61.1   | 70.7   | 87.8   | 87.7   | 89.9   | 79.7   | 81.4   |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

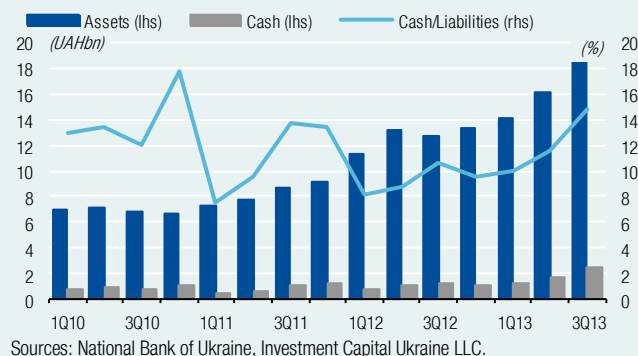
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

## VAB Bank: Key credit metrics

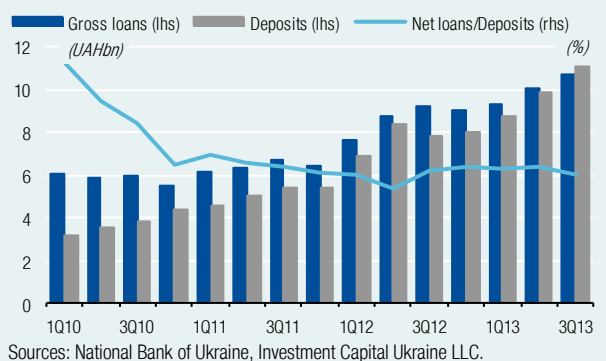
**Chart 114. Capitalisation**



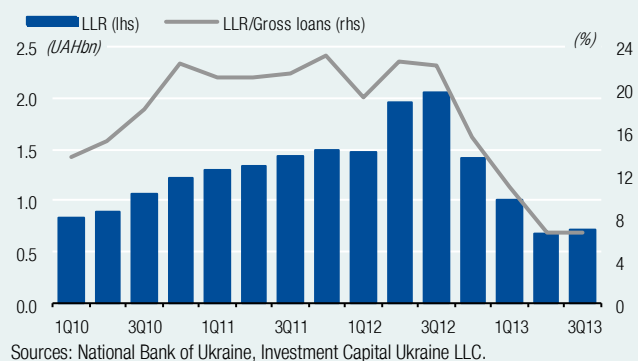
**Chart 115. Liquidity**



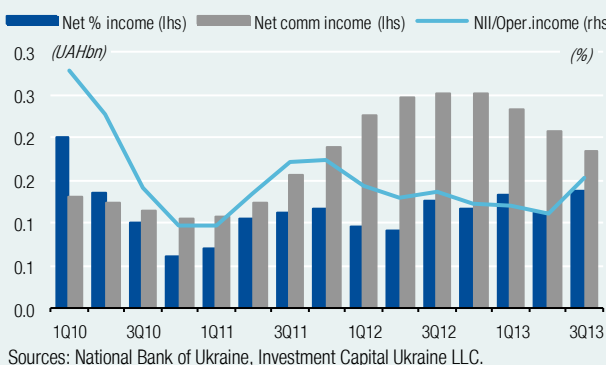
**Chart 116. Loans and deposits**



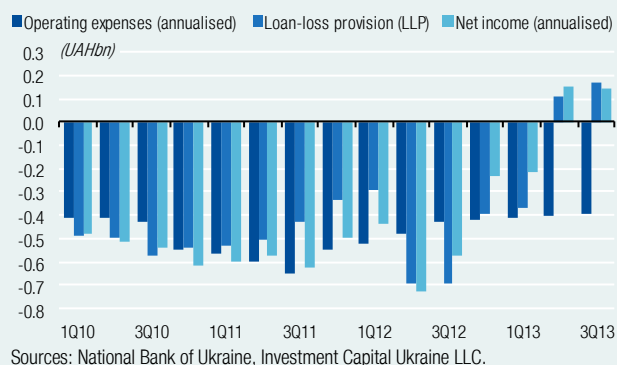
**Chart 117. Loan loss reserves history**



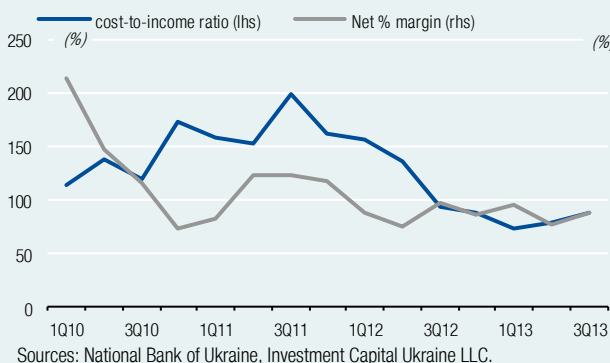
**Chart 118. Income structure (annualised basis)**



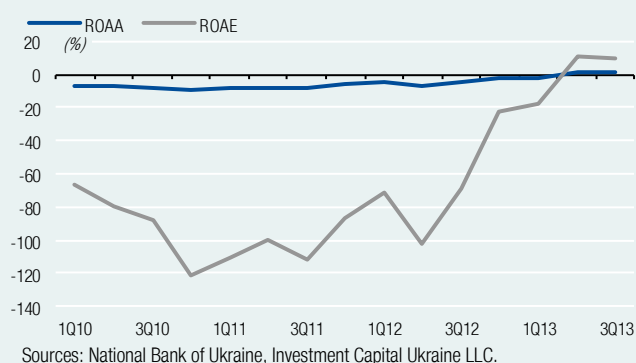
**Chart 119. Expense and net income (annualised basis)**



**Chart 120. Financial performance ratios**



**Chart 121. Financial performance ratios**



Country

Ukraine

# Brokbusinessbank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch

Ticker(s) in Bloomberg

NR / NR /NR N/A

**Brokbusinessbank, whose key shareholder has changed in 2013, is experiencing major problems with the quality of its loan portfolio.**

**Capitalisation issues.** The regulatory CAR was reported at 16.1% in 3Q13. In our view, however, this is an overestimate as the current LLR ratio is far from being adequate. Liquidity remains low as the cash-to-liabilities ratio declined 0.3ppt to 5.1%.

**Modest increase in the loan portfolio.** The net loan portfolio totalled UAH14.1bn in 3Q13, while FX-denominated loans accounted for just 20.6% of the total. Gross household loans remained unchanged in 3Q13 at UAH2.9bn; consumer loans guaranteed by borrower deposits accounted for UAH2.2bn of this amount. The LLR ratio was just 3.6% in 3Q13.

**Real loan portfolio quality is questionable.** The bank reported UAH1.2bn of bad debt or 7.5% of its total credit exposure. We believe that the share of overdue loans is significantly underestimated as the total gross loan portfolio comprises 15.4% (UAH2.2bn) of accrued but not paid interest.

**Corporate deposit growth compensates for decline in retail segment.** Household deposits declined by 11.8% QoQ to UAH6.7bn, of which 88.0% were term deposits. Business deposits, which account for 43.5% of the total, increased by UAH986m or 23.4% QoQ. 36.6% of total deposits are FX-denominated.

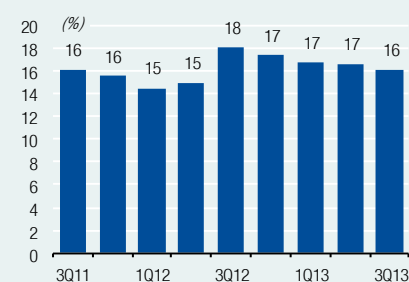
The NBU loan accounts for another UAH1.0bn of funding. Brokbusinessbank has no outstanding subordinated debt, nor has it issued bonds as of 3Q13.

**Earnings are not forthcoming.** Net income for the first nine months of 2013 totalled just UAH5m. We believe the bank is adjusting its LLR figures in order to remain above the profitability level. Brokbusinessbank has recognised income from LLR release totalling UAH11m, which, in our view, is not credible, given the high share of bad debts.

The cost-to-income ratio was reported to be as high as 113.9% in 3Q13. But according to our estimates, the bank did not sell significant parts of its loan portfolio and, therefore, did not recognise associated losses in 3Q13.

We believe that the bank will significantly “clean up” its loan portfolio in the coming quarters and that it will likely increase its regulatory capital in order to accommodate future losses.

## Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

|                          | 2011<br>IFRS | 2012<br>IFRS | 2013<br>UAS |
|--------------------------|--------------|--------------|-------------|
| <b>Financials (UAHm)</b> |              |              |             |
| Assets                   | 18,942       | 16,932       | 18,055      |
| Loans                    | 12,782       | 13,874       | 13,758      |
| Deposits                 | 11,591       | 12,340       | 11,871      |
| Equity                   | 2,428        | 2,920        | 2,932       |
| Net % income             | 199          | -73          | 196         |
| Net com income           | 204          | 199          | 188         |
| Operating income         | 327          | 306          | 358         |
| PPI                      | -98          | -148         | -112        |
| LLP                      | 126          | 152          | 115         |
| Net income               | 23           | 1            | 2           |
| <b>Ratios (%)</b>        |              |              |             |
| Tier 1 ratio             | N/a          | N/a          | N/a         |
| CAR                      | N/a          | N/a          | 16.6        |
| Equity-to-assets         | 12.8         | 17.2         | 18.0        |
| Net loan-to-deposit      | 110.3        | 112.4        | 115.9       |
| Cash-to-liabilities      | 4.0          | 5.9          | 5.4         |
| ROAA                     | 0.1          | -            | 0.0         |
| ROAE                     | 1.0          | 0.1          | 0.1         |
| Net % margin             | 1.4          | -0.5         | 1.3         |
| Nil-to-op income         | 60.8         | -24.0        | 54.8        |
| Cost-to-income           | 129.9        | 148.4        | 131.3       |
| LLR                      | 5.4          | 3.7          | 3.8         |
| NPLs                     | 5.7          | 6.5          | N/a         |
| NPL coverage             | 58.4         | 35.1         | N/a         |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; Nil – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## Brokbusinessbank: Key quarterly UAS financials and ratios

Table 17. Key financials and ratios derived from the bank's UAS financials

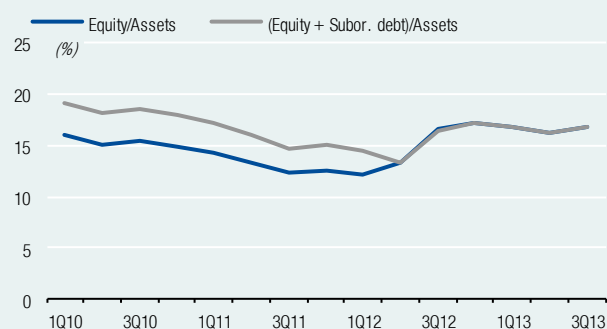
|  | 3Q11   | 4Q11   | 1Q12   | 2Q12   | 3Q12   | 4Q12   | 1Q13   | 2Q13   | 3Q13   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet figures (UAHm)</b>        |        |        |        |        |        |        |        |        |        |
| Assets                                     | 19,398 | 18,940 | 20,201 | 21,930 | 17,599 | 16,928 | 17,402 | 18,055 | 17,691 |
| Cash and cash equivalents                  | 2,670  | 1,856  | 1,683  | 2,646  | 1,000  | 925    | 879    | 819    | 756    |
| Gross loans                                | 12,971 | 13,510 | 13,954 | 14,816 | 14,737 | 14,400 | 14,794 | 14,308 | 14,596 |
| Gross business loans                       | 10,068 | 10,555 | 11,029 | 11,885 | 11,873 | 11,572 | 11,950 | 11,434 | 11,722 |
| Gross household loans                      | 2,902  | 2,956  | 2,926  | 2,931  | 2,864  | 2,827  | 2,844  | 2,873  | 2,874  |
| Loan loss reserves (LLR)                   | -852   | -728   | -823   | -715   | -656   | -530   | -530   | -550   | -530   |
| Deposits                                   | 11,278 | 11,591 | 13,174 | 12,563 | 12,085 | 12,340 | 12,547 | 11,871 | 11,954 |
| Business deposits                          | 3,970  | 4,263  | 4,368  | 4,451  | 4,365  | 4,428  | 4,730  | 4,219  | 5,205  |
| Household deposits                         | 7,308  | 7,328  | 8,806  | 8,111  | 7,721  | 7,912  | 7,817  | 7,652  | 6,749  |
| Total equity                               | 2,392  | 2,382  | 2,442  | 2,916  | 2,909  | 2,919  | 2,922  | 2,932  | 2,966  |
| <b>Quarterly P&amp;L (UAHm)</b>            |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 52     | 8      | -40    | -1     | -17    | -15    | 139    | 89     | 38     |
| Net commission income                      | 54     | 53     | 47     | 52     | 50     | 50     | 43     | 44     | 49     |
| Operating income (before LLP)              | 87     | -7     | 210    | 7      | 47     | 41     | 128    | 142    | 106    |
| Operating expenses                         | -112   | -106   | -106   | -112   | -111   | -122   | -116   | -121   | -116   |
| Loan loss provisions (LLP)                 | 27     | 111    | -102   | 107    | 64     | 79     | -9     | -19    | 11     |
| Net income                                 | 1      | -3     | 2      | 1      | -1     | -2     | 3      | 2      | 1      |
| <b>Last 12-month period P&amp;L (UAHm)</b> |        |        |        |        |        |        |        |        |        |
| Net interest income                        | 285    | 199    | 84     | 20     | -50    | -73    | 106    | 196    | 252    |
| Net commission income                      | 203    | 204    | 203    | 205    | 202    | 199    | 196    | 188    | 187    |
| Operating income (before LLP)              | 493    | 327    | 410    | 297    | 258    | 307    | 224    | 358    | 417    |
| Operating expenses                         | -424   | -425   | -427   | -435   | -435   | -451   | -462   | -471   | -475   |
| Loan loss provisions (LLP)                 | -33    | 126    | 35     | 142    | 180    | 148    | 241    | 115    | 61     |
| Net income                                 | 29     | 23     | 12     | 2      | 0      | 1      | 1      | 2      | 3      |
| <b>Growth rates (%YoY)</b>                 |        |        |        |        |        |        |        |        |        |
| Assets                                     | 27.3   | 19.7   | 21.7   | 22.9   | -9.3   | -10.6  | -13.9  | -17.7  | 0.5    |
| Gross loans                                | 8.1    | 8.2    | 12.5   | 18.0   | 13.6   | 6.6    | 6.0    | -3.4   | -1.0   |
| Deposits (by businesses)                   | 24.4   | 34.5   | 22.2   | 12.5   | 9.9    | 3.9    | 8.3    | -5.2   | 19.3   |
| Deposits (by households)                   | 26.5   | 22.1   | 35.0   | 16.0   | 5.6    | 8.0    | -11.2  | -5.7   | -12.6  |
| Deposits (total)                           | 25.8   | 26.4   | 30.5   | 14.7   | 7.2    | 6.5    | -4.8   | -5.5   | -1.1   |
| Total equity                               | 1.4    | 0.6    | 2.6    | 22.0   | 21.6   | 22.6   | 19.7   | 0.5    | 2.0    |
| <b>Key ratios (%)</b>                      |        |        |        |        |        |        |        |        |        |
| Capital adequacy ratio (R2 by NBU)         | 16.1   | 15.5   | 14.5   | 15.0   | 18.1   | 17.4   | 16.7   | 16.6   | 16.1   |
| Equity/assets                              | 12.3   | 12.6   | 12.1   | 13.3   | 16.5   | 17.2   | 16.8   | 16.2   | 16.8   |
| (Equity + sub-debt)/assets                 | 14.7   | 15.0   | 14.4   | 13.3   | 16.5   | 17.2   | 16.8   | 16.2   | 16.8   |
| Cash & cash equivalents/liabilities        | 15.7   | 11.2   | 9.5    | 13.9   | 6.8    | 6.6    | 6.1    | 5.4    | 5.1    |
| Current liquidity (R5 by NBU)              | 93.7   | 77.0   | 58.8   | 79.4   | 74.1   | 52.7   | 77.6   | 94.5   | 155.4  |
| Gross loans/deposits                       | 115.0  | 116.6  | 105.9  | 117.9  | 121.9  | 116.7  | 117.9  | 120.5  | 122.1  |
| Net loans/deposits                         | 107.5  | 110.3  | 99.7   | 112.2  | 116.5  | 112.4  | 113.7  | 115.9  | 117.7  |
| Cost-to-income ratio                       | 85.9   | 129.8  | 104.0  | 146.4  | 168.5  | 147.2  | 205.8  | 131.3  | 113.9  |
| Net interest margin                        | 2.2    | 1.5    | 0.6    | 0.1    | -0.3   | -0.5   | 0.7    | 1.3    | 1.7    |
| ROAA                                       | 0.2    | 0.1    | 0.1    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| ROAE                                       | 1.2    | 1.0    | 0.5    | 0.1    | 0.0    | 0.0    | 0.0    | 0.1    | 0.1    |
| NII/operating income                       | 57.8   | 60.8   | 20.4   | 6.6    | -19.3  | -23.9  | 47.3   | 54.8   | 60.3   |
| Core income/operating expenses             | 115.1  | 94.8   | 67.2   | 51.6   | 35.0   | 27.9   | 65.3   | 81.7   | 92.3   |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

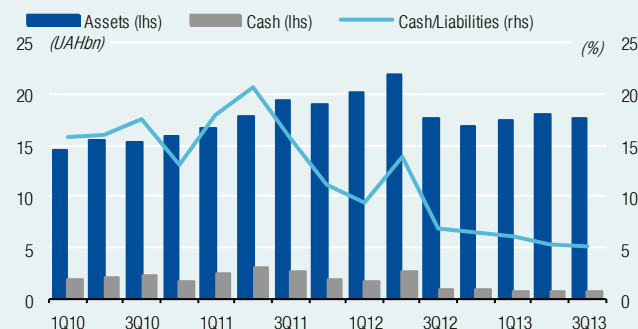
## Brokbusinessbank: Key credit metrics

**Chart 122. Capitalisation**



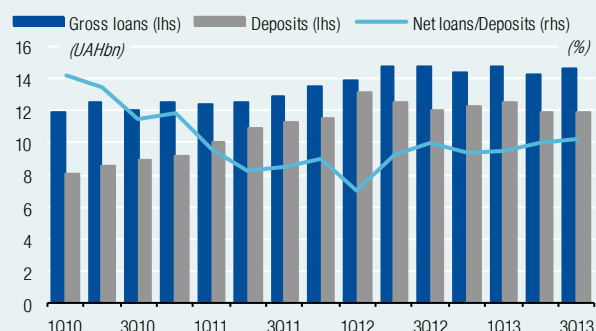
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 123. Liquidity**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 124. Loans and deposits**



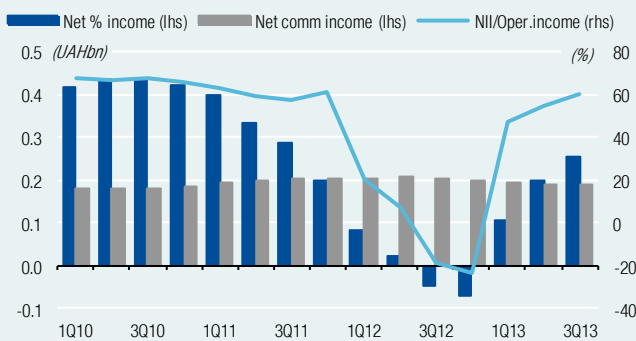
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 125. Loan loss reserves history**



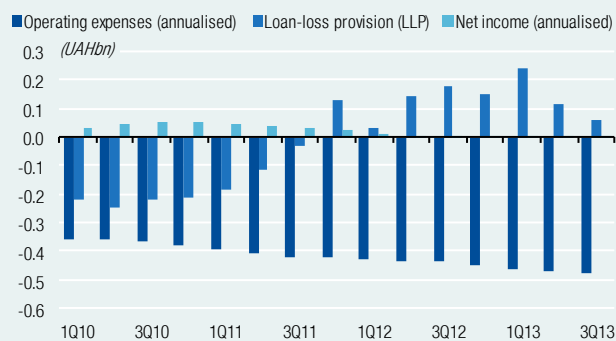
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 126. Income structure (annualised basis)**



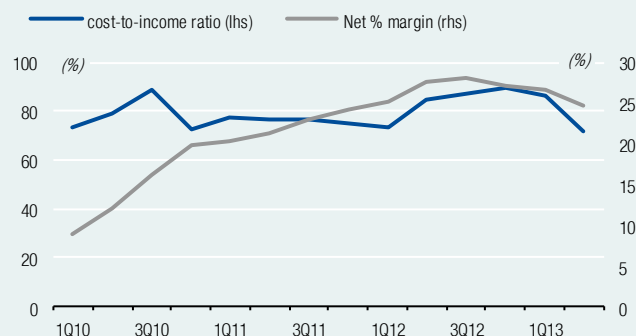
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 127. Expense and net income (annualised basis)**



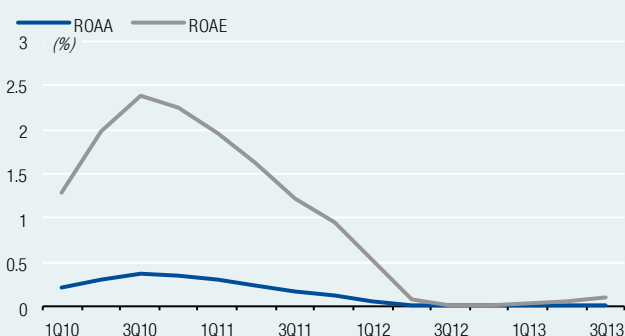
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 128. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 129. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

**Ukraine**

# Platinum Bank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

Ticker(s) in Bloomberg

**NR / NR /NR N/A**

**Platinum Bank has announced that its main shareholder has changed; however, key managers remain in place and the bank will continue its consumer lending orientation. Thanks to Platinum Bank's strong market position, its gross loan portfolio grew by UAH638m in 3Q13 or 16.1%QoQ; however, the quality of the portfolio is worsening.**

**Capitalisation expected to increase.** We believe that Platinum Bank will increase its regulatory capital in 2014 as the regulatory CAR fell from 14.6% in 2Q13 to 12.7% in 3Q13 owing to the current pace of growth.

**LLR ratio increases as asset quality deteriorates.** The loan portfolio grew by 70.8% YoY to UAH4.6bn in 3Q13. Platinum Bank is one of the most successful among Ukrainian banks in terms of issuing consumer loans owing to its large network of points of sale. At the same time, payment discipline is deteriorating owing to aggressive marketing and the weak Ukrainian economy.

The LLR ratio rose from 14.4% in 2Q13 to 16.0% in 3Q13, presumably owing to an increase in the share of overdue debt in the total loan portfolio. A large part of that debt became overdue for more than 90 days – the share of such debt increased by 47.8% QoQ to UAH436m in 3Q13.

**Deposits grow amid high interest rates.** Customer deposits are currently the primary source of funding for the bank, accounting for 89.5% of 3Q13 total liabilities. In order to ensure that the growth of the deposit base keeps pace with that of the loan portfolio, Platinum Bank is offering interest rates above the market average. As a result, total deposits grew by 60.9% YoY to UAH4.1bn.

**Profits weak owing to provision expenses.** Net earnings were up UAH4m in 3Q13, following the UAH16m loss in 2Q13. However, downward pressure on profits remain, as evidenced by the increase in the LLR ratio.

Agent fees for insurance sold with loans are an important source of income for Platinum Bank, earning it UAH240m in 2012. We estimate that the bank will be able to earnings from this source by 15% YoY in 2013.

The net interest margin declined from 24.8% in 2Q13 to 23.7% in 3Q13. In our view, the bank is facing tougher competition from peer banks, which is inevitably bringing down loan interest rates.

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

### Financials (UAHm)

Assets

Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LLP

Net income

### Ratios (%)

Tier 1 ratio

CAR

Equity-to-assets 12.6% 16.5%  
 annualised  
 basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
 Sources: Bank data, ICU.

Cash-to-liabilities

ROAA

ROAE

Net % margin

NII-to-op income

Cost-to-income

LLR

NPLs

NPL coverage

Notes: P&amp;L figures and ratios are on a 12-month annualised

## Platinum Bank: Key quarterly UAS financials and ratios

**Table 18. Key financials and ratios derived from the bank's UAS financials**

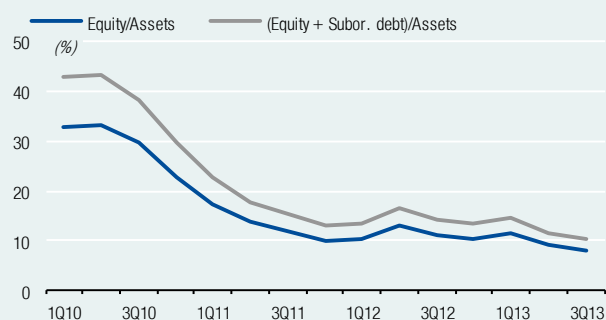
|  | 3Q11  | 4Q11  | 1Q12  | 2Q12  | 3Q12  | 4Q12   | 1Q13   | 2Q13  | 3Q13  |
|--|-------|-------|-------|-------|-------|--------|--------|-------|-------|
| <b>Balance sheet figures (UAHm)</b>        |       |       |       |       |       |        |        |       |       |
| Assets                                     | 3,215 | 3,755 | 3,651 | 3,189 | 3,422 | 3,697  | 3,632  | 4,446 | 5,035 |
| Cash and cash equivalents                  | 683   | 402   | 169   | 161   | 137   | 165    | 187    | 191   | 244   |
| Gross loans                                | 2,186 | 2,516 | 2,812 | 2,647 | 2,698 | 3,106  | 3,344  | 3,971 | 4,609 |
| Gross business loans                       | 58    | 32    | 28    | 26    | 20    | 19     | 17     | 17    | 16    |
| Gross household loans                      | 2,128 | 2,484 | 2,784 | 2,620 | 2,678 | 3,087  | 3,327  | 3,954 | 4,592 |
| Loan loss reserves (LLR)                   | -315  | -337  | -424  | -334  | -338  | -378   | -493   | -573  | -740  |
| Deposits                                   | 1,552 | 2,841 | 2,756 | 2,319 | 2,576 | 2,968  | 2,856  | 3,606 | 4,145 |
| Business deposits                          | 208   | 665   | 609   | 304   | 353   | 424    | 534    | 699   | 738   |
| Household deposits                         | 1,344 | 2,176 | 2,147 | 2,015 | 2,224 | 2,544  | 2,323  | 2,907 | 3,407 |
| Total equity                               | 379   | 375   | 378   | 411   | 380   | 383    | 418    | 402   | 406   |
| <b>Quarterly P&amp;L (UAHm)</b>            |       |       |       |       |       |        |        |       |       |
| Net interest income                        | 144   | 192   | 207   | 235   | 214   | 176    | 190    | 253   | 265   |
| Net commission income                      | -     | 4     | 3     | 3     | 7     | 15     | 19     | -23   | -3    |
| Operating income (before LLP)              | 224   | 261   | 264   | 315   | 287   | 299    | 276    | 341   | 378   |
| Operating expenses                         | -176  | -199  | -182  | -343  | -261  | -253   | -159   | -193  | -204  |
| Loan loss provisions (LLP)                 | -41   | -53   | -81   | 64    | -45   | -42    | -84    | -164  | -160  |
| Net income                                 | 7     | -4    | 1     | 33    | -31   | 3      | 33     | -16   | 4     |
| <b>Last 12-month period P&amp;L (UAHm)</b> |       |       |       |       |       |        |        |       |       |
| Net interest income                        | 406   | 527   | 652   | 778   | 848   | 832    | 815    | 833   | 884   |
| Net commission income                      | -1    | 3     | 6     | 10    | 17    | 28     | 44     | 18    | 8     |
| Operating income (before LLP)              | 575   | 738   | 896   | 1,064 | 1,127 | 1,165  | 1,177  | 1,203 | 1,293 |
| Operating expenses                         | -441  | -552  | -654  | -900  | -985  | -1,039 | -1,016 | -866  | -809  |
| Loan loss provisions (LLP)                 | -131  | -170  | -227  | -111  | -115  | -104   | -107   | -335  | -450  |
| Net income                                 | -2    | 4     | 2     | 37    | -1    | 6      | 38     | -11   | 24    |
| <b>Growth rates (%YoY)</b>                 |       |       |       |       |       |        |        |       |       |
| Assets                                     | 149.0 | 130.2 | 69.8  | 16.7  | 6.4   | -1.5   | -0.5   | 39.4  | 47.1  |
| Gross loans                                | 99.3  | 106.9 | 104.5 | 59.7  | 23.4  | 23.4   | 18.9   | 50.0  | 70.8  |
| Deposits (by businesses)                   | 85.7  | 265.4 | 278.3 | 71.8  | 69.7  | -36.2  | -12.3  | 129.9 | 109.2 |
| Deposits (by households)                   | 709.6 | 455.1 | 216.7 | 68.8  | 65.5  | 16.9   | 8.2    | 44.3  | 53.2  |
| Deposits (total)                           | 460.3 | 394.9 | 228.5 | 69.1  | 66.0  | 4.5    | 3.6    | 55.5  | 60.9  |
| Total equity                               | -0.8  | 0.8   | 0.8   | 10.2  | 0.3   | 2.1    | 10.6   | -2.2  | 6.9   |
| <b>Key ratios (%)</b>                      |       |       |       |       |       |        |        |       |       |
| Capital adequacy ratio (R2 by NBU)         | 13.3  | 12.6  | 13.8  | 15.8  | 13.3  | 13.9   | 16.9   | 14.6  | 12.7  |
| Equity/assets                              | 11.8  | 10.0  | 10.4  | 12.9  | 11.1  | 10.4   | 11.5   | 9.0   | 8.1   |
| (Equity + sub-debt)/assets                 | 15.3  | 13.0  | 13.4  | 16.4  | 14.3  | 13.4   | 14.6   | 11.5  | 10.3  |
| Cash & cash equivalents/liabilities        | 24.1  | 11.9  | 5.2   | 5.8   | 4.5   | 5.0    | 5.8    | 4.7   | 5.3   |
| Current liquidity (R5 by NBU)              | 55.3  | 176.9 | 130.4 | 139.0 | 55.3  | 161.7  | 95.6   | 135.7 | 133.6 |
| Gross loans/deposits                       | 140.9 | 88.6  | 102.0 | 114.1 | 104.7 | 104.6  | 117.1  | 110.1 | 111.2 |
| Net loans/deposits                         | 120.6 | 76.7  | 86.7  | 99.7  | 91.6  | 91.9   | 99.8   | 94.2  | 93.3  |
| Cost-to-income ratio                       | 76.7  | 74.8  | 73.0  | 84.6  | 87.4  | 89.2   | 86.3   | 72.0  | 62.6  |
| Net interest margin                        | 23.0  | 24.2  | 25.1  | 27.7  | 28.1  | 27.1   | 26.7   | 24.8  | 23.7  |
| ROAA                                       | -0.1  | 0.1   | 0.1   | 1.1   | -0.0  | 0.2    | 1.1    | -0.3  | 0.6   |
| ROAE                                       | -0.5  | 1.1   | 0.5   | 9.6   | -0.3  | 1.5    | 9.6    | -2.8  | 6.1   |
| Nil/operating income                       | 70.6  | 71.4  | 72.8  | 73.1  | 75.2  | 71.4   | 69.2   | 69.2  | 68.4  |
| Core income/operating expenses             | 91.8  | 96.0  | 100.6 | 87.6  | 87.8  | 82.8   | 84.5   | 98.3  | 110.3 |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; Nil – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

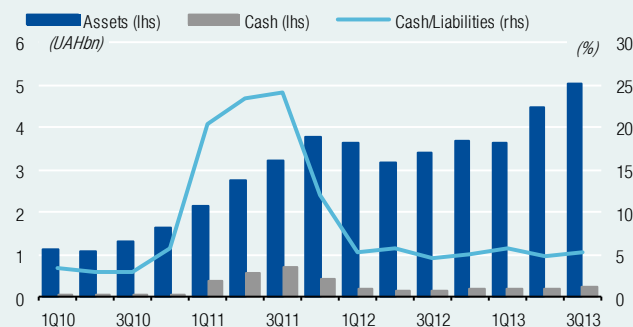
## Platinum Bank: Key credit metrics

**Chart 130. Capitalisation**



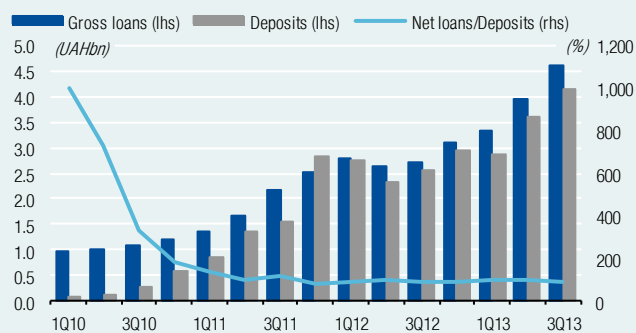
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 131. Liquidity**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 132. Loans and deposits**



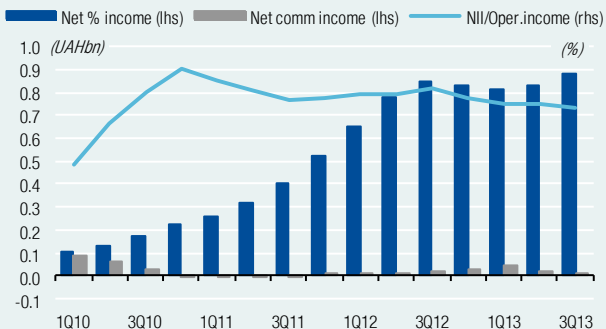
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 133. Loan loss reserves history**



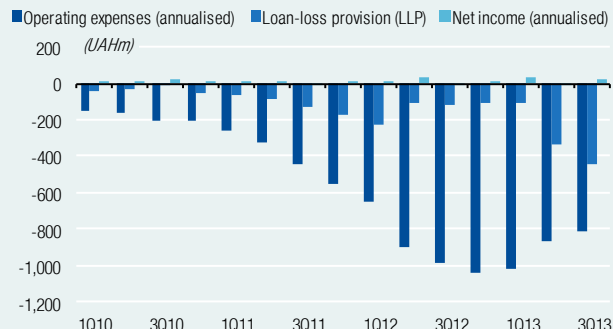
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 134. Income structure (annualised basis)**



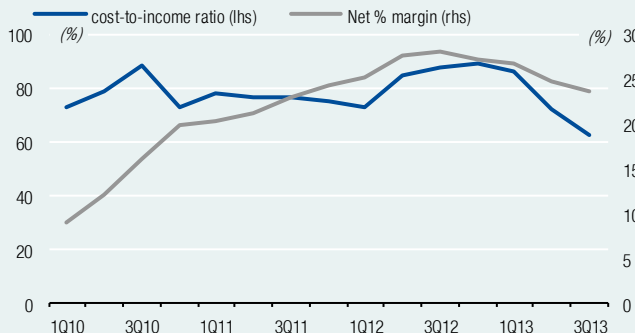
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 135. Expense and net income (annualised basis)**



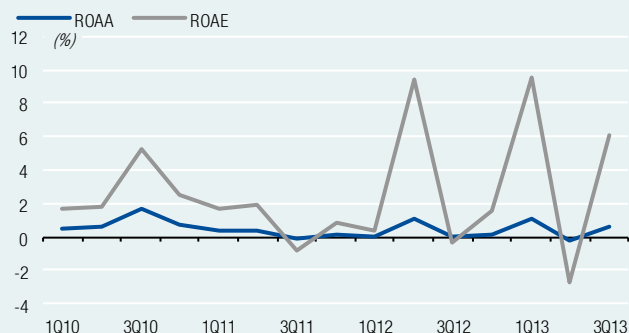
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 136. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 137. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

Ukraine

# Russian Standard Bank

Sector

Banks: Commercial banking

Credit ratings by Moody's/S&amp;P/Fitch

NR/ NR/NR N/A

Ticker(s) in Bloomberg

**Russian Standard Bank (RSB), which specialises in consumer lending, has witnessed its growth pace slow owing to the deteriorating quality of its loan portfolio and the fact that its deposit base remained unchanged.**

**Quarterly growth slows to single digits.** The gross loan portfolio grew by UAH135m or 4.4% QoQ in 3Q13, compared with 13.7% QoQ in 1Q13 and 9.9% in 2Q13. At the same time, the LLR ratio rose dramatically from 8.1% in 3Q12 to 13.5% in 3Q13. As the bank issues only collateral-free loans to households, the level of reserves depends heavily on repayment discipline. We therefore assume that there was a significant increase in overdue loans in 3Q13, as a result of the rapid growth of the portfolio in the previous quarters.

**Deposit base unchanged.** Household deposits decreased by 0.4% QoQ in 3Q13 but were up 224.9% YoY owing to the very strong figures reported in the previous quarters, which can be explained in part by RSB offering interest rates above the market average. In our view, the slowdown in the growth of its deposit base is temporary as the increased rates on deposit accounts at peer banks towards the end of the year is a seasonal factor.

**Decrease in funding from other banks.** The total amount of funds borrowed from other banks declined by UAH483m or 24.9% YoY. Meanwhile, the share of FX-denominated loans attracted so far in 2013 has fallen from 20.3% to 0%.

**Liquidity decreases but remains strong.** The cash-to-liabilities ratio fell from 17.2% in 2Q13 to 15.1% in 3Q13 as a result of the outflow of lending from other banks and the fact that the deposit base remained unchanged.

**Net income soars.** RSB reported net earnings of UAH23m in 3Q13, compared with UAH2m in 2Q13. Net interest income was the key driver of profits, increasing by 14.4% QoQ. The cost-to-income ratio fell further in 3Q13 by 2.3ppt to 57.9%.

## Regulatory capital adequacy ratio (UAS)



Source: Bank data.

## Key financials and ratios

|                          | 2011  | 2012  | 2012  |   |
|--------------------------|-------|-------|-------|---|
|                          | IFRS  | IFRS  | UAS   |   |
| <b>Financials (UAHm)</b> |       |       |       |   |
| Assets                   | 1,362 | 2,756 | 3,616 | 3 |
| Loans                    | 1,088 | 2,324 | 2,741 | 2 |
| Deposits                 | 226   | 923   | 1,859 | 1 |
| Equity                   | 188   | 205   | 288   |   |
| Net % income             | 180   | 410   | 570   |   |
| Net com income           | 14    | 65    | 144   |   |
| Operating income         | 189   | 499   | 748   |   |
| PPI                      | -18   | 142   | 298   |   |
| LLP                      | -25   | -127  | -263  |   |
| Net income               | -42   | 9     | 23    |   |
| <b>Ratios (%)</b>        |       |       |       |   |
| Tier 1 ratio             | 12.2  | 5.9   | N/a   |   |
| CAR                      | 15.9  | 11.8  | 15.0  |   |
| Equity-to-assets         | 13.8  | 7.4   | 8.0   |   |
| Net IPlatinum Bank       | 481.9 | 252.0 | 147   |   |
| Cash-to-liabilities      | 16.3  | 12.0  | 17.2  |   |
| ROAA                     | -6.2  | 0.5   | 0.8   |   |
| ROAE                     | -44.8 | 4.8   | 10.0  |   |
| Net % margin             | 33.1  | 24.0  | 23.7  |   |
| NII-to-op income         | 95.4  | 82.1  | 76.2  |   |
| Cost-to-income           | 109.3 | 71.6  | 60.2  |   |
| LLR                      | 2.9   | 6.2   | 11.4  |   |
| NPLs                     | 1.9   | 4.7   | N/a   |   |
| NPL coverage             | 151.9 | 130.3 | N/a   |   |

Notes: P&L figures and ratios are on a 12-month annualised basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue). Sources: Bank data, ICU.

## Russian Standard Bank: Key quarterly UAS financials and ratios

**Table 19. Key financials and ratios derived from the bank's UAS financials**

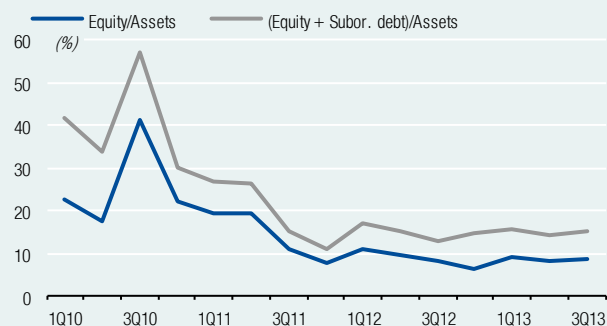
|  | 3Q11  | 4Q11  | 1Q12    | 2Q12  | 3Q12  | 4Q12  | 1Q13  | 2Q13  | 2Q13  |
|--|-------|-------|---------|-------|-------|-------|-------|-------|-------|
| <b>Balance sheet figures (UAHm)</b>        |       |       |         |       |       |       |       |       |       |
| Assets                                     | 1,022 | 1,454 | 1,497   | 1,715 | 2,069 | 2,729 | 3,222 | 3,616 | 3,538 |
| Cash and cash equivalents                  | 148   | 201   | 260     | 163   | 203   | 315   | 418   | 572   | 488   |
| Gross loans                                | 720   | 1,123 | 1,242   | 1,514 | 1,857 | 2,477 | 2,817 | 3,095 | 3,230 |
| Gross business loans                       | 58    | 52    | 51      | 62    | 61    | 87    | 79    | 78    | 64    |
| Gross household loans                      | 662   | 1,071 | 1,191   | 1,452 | 1,796 | 2,390 | 2,738 | 3,017 | 3,166 |
| Loan loss reserves (LLR)                   | -42   | -60   | -80     | -106  | -151  | -179  | -253  | -354  | -435  |
| Deposits                                   | 133   | 223   | 483     | 551   | 635   | 918   | 1,511 | 1,859 | 1,860 |
| Business deposits                          | 30    | 37    | 30      | 71    | 86    | 182   | 63    | 68    | 77    |
| Household deposits                         | 103   | 186   | 454     | 480   | 549   | 736   | 1,448 | 1,791 | 1,783 |
| Total equity                               | 113   | 113   | 163     | 164   | 166   | 178   | 286   | 288   | 312   |
| <b>Quarterly P&amp;L (UAHm)</b>            |       |       |         |       |       |       |       |       |       |
| Net interest income                        | 8     | 2     | 8       | 22    | 30    | 204   | 165   | 171   | 196   |
| Net commission income                      | 40    | 67    | 61      | 75    | 96    | -22   | 29    | 41    | 31    |
| Operating income (before LLP)              | 105   | 85    | 88      | 107   | 136   | 176   | 203   | 233   | 252   |
| Operating expenses                         | -80   | -71   | -69     | -80   | -89   | -120  | -115  | -126  | -139  |
| Loan loss provisions (LLP)                 | -24   | -14   | -19     | -26   | -45   | -37   | -78   | -103  | -84   |
| Net income                                 | -     | -     | -       | 1     | 2     | 12    | 7     | 2     | 23    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |       |       |         |       |       |       |       |       |       |
| Net interest income                        | 15    | 15    | 22      | 40    | 62    | 264   | 421   | 570   | 736   |
| Net commission income                      | 122   | 159   | 195     | 243   | 299   | 210   | 178   | 144   | 80    |
| Operating income (before LLP)              | 199   | 251   | 311     | 385   | 416   | 507   | 622   | 748   | 864   |
| Operating expenses                         | -156  | -205  | -249    | -300  | -309  | -358  | -404  | -450  | -500  |
| Loan loss provisions (LLP)                 | -34   | -45   | -61     | -83   | -104  | -127  | -186  | -263  | -302  |
| Net income                                 | 8     | -     | -       | 1     | 3     | 15    | 22    | 23    | 45    |
| <b>Growth rates (%YoY)</b>                 |       |       |         |       |       |       |       |       |       |
| Assets                                     | 304.0 | 186.2 | 161.3   | 192.7 | 102.4 | 87.7  | 115.2 | 110.8 | 71.1  |
| Gross loans                                | 309.1 | 256.5 | 267.5   | 255.4 | 157.9 | 120.6 | 126.8 | 104.4 | 73.9  |
| Deposits (by businesses)                   | 50.0  | 76.2  | 42.9    | 208.7 | 186.7 | 391.9 | 110.0 | -4.2  | -10.1 |
| Deposits (by households)                   | 930.0 | 878.9 | 1,127.0 | 772.7 | 433.0 | 295.7 | 218.9 | 273.1 | 224.9 |
| Deposits (total)                           | 343.3 | 457.5 | 732.8   | 606.4 | 377.4 | 311.7 | 212.8 | 237.4 | 193.0 |
| Total equity                               | 8.7   | 0.9   | 45.5    | 46.4  | 46.9  | 57.5  | 75.5  | 75.6  | 88.1  |
| <b>Key ratios (%)</b>                      |       |       |         |       |       |       |       |       |       |
| Capital adequacy ratio (R2 by NBU)         | 12.6  | 15.9  | 20.0    | 15.6  | 13.3  | 11.8  | 17.1  | 15.0  | 15.3  |
| Equity/assets                              | 11.1  | 7.8   | 10.9    | 9.6   | 8.0   | 6.5   | 8.9   | 8.0   | 8.8   |
| (Equity + sub-debt)/assets                 | 15.2  | 10.8  | 17.2    | 15.2  | 12.8  | 14.5  | 15.8  | 14.2  | 15.3  |
| Cash & cash equivalents/liabilities        | 16.2  | 15.0  | 19.5    | 10.5  | 10.7  | 12.4  | 14.2  | 17.2  | 15.1  |
| Current liquidity (R5 by NBU)              | 56.9  | 162.1 | 172.5   | 101.2 | 69.1  | 69.1  | 224.9 | 238.0 | 120.8 |
| Gross loans/deposits                       | 541.4 | 503.6 | 257.1   | 274.8 | 292.4 | 269.8 | 186.4 | 166.5 | 174   |
| Net loans/deposits                         | 509.8 | 477.1 | 240.6   | 255.5 | 268.7 | 250.4 | 169.7 | 147.4 | 150.3 |
| Cost-to-income ratio                       | 78.4  | 81.7  | 80.1    | 77.9  | 74.3  | 70.6  | 65.0  | 60.2  | 57.9  |
| Net interest margin                        | 3.1   | 2.2   | 2.4     | 3.5   | 4.4   | 15.7  | 20.5  | 23.7  | 27.5  |
| ROAA                                       | 1.2   | -     | -       | 0.1   | 0.2   | 0.7   | 0.9   | 0.8   | 1.4   |
| ROAE                                       | 7.1   | -     | -       | 0.7   | 2.0   | 8.9   | 11.1  | 10.0  | 16.9  |
| NII/operating income                       | 7.5   | 6.0   | 7.1     | 10.4  | 14.9  | 52.1  | 67.7  | 76.2  | 85.2  |
| Core income/operating expenses             | 87.8  | 84.9  | 87.1    | 94.3  | 116.8 | 132.4 | 148.3 | 158.7 | 163.0 |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROAE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

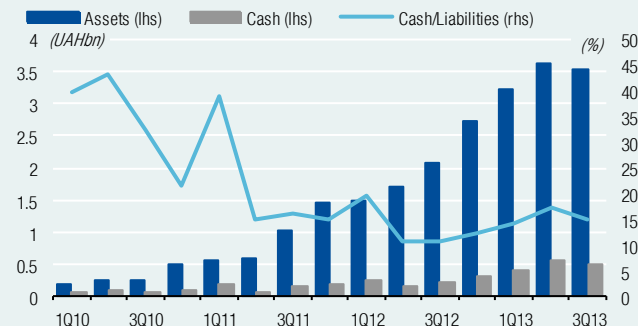
## Russian Standard Bank: Key credit metrics

**Chart 138. Capitalisation**



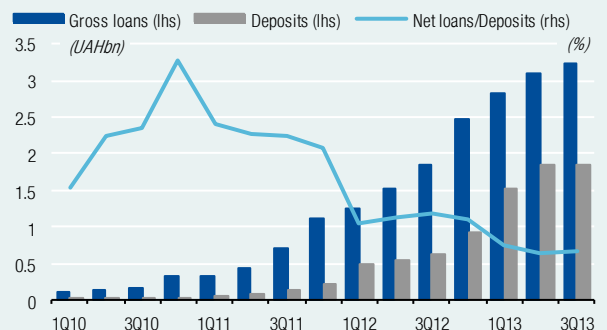
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 139. Liquidity**



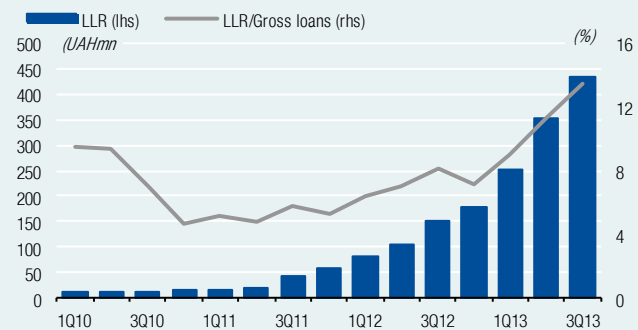
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 140. Loans and deposits**



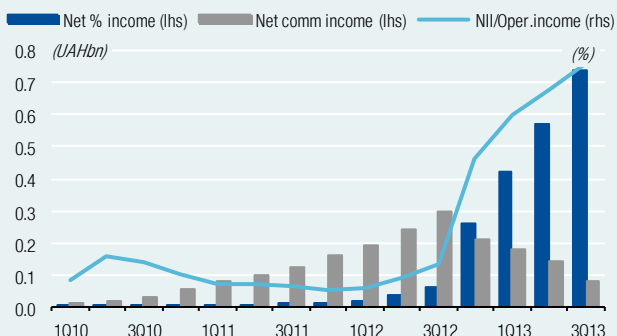
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 141. Loan loss reserves history**



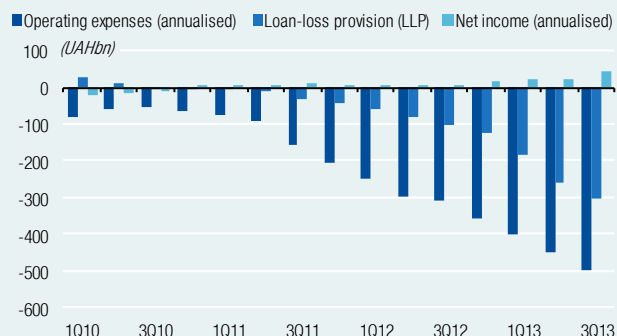
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 142. Income structure (annualised basis)**



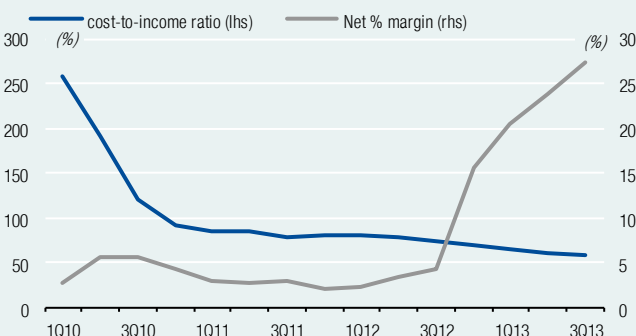
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 143. Expense and net income (annualised basis)**



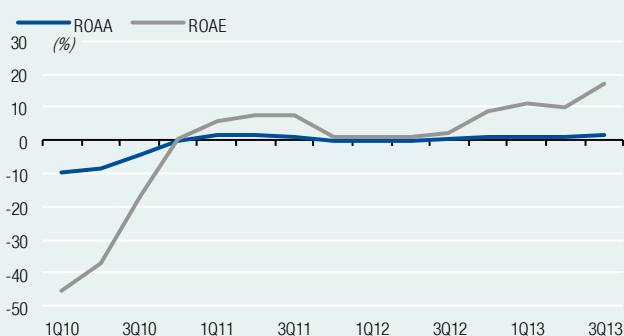
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 144. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 145. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Country

**Ukraine**

# ProCredit Bank

Sector

**Banks: Commercial banking**

Credit ratings by Moody's/S&amp;P/Fitch

**NR/NR/B- N/A**

Ticker(s) in Bloomberg

**ProCredit Bank has a conservative approach towards the Ukrainian market: it focuses on SMEs. The bank's strategy is to concentrate on a particular client segment that generates moderate but steady net income and ensures a relatively low share of non-performing assets.**

**Capitalisation remains adequate.** The regulatory CAR increased by 0.1ppt to 15.7% in 3Q13. For the past three years net earnings have been the bank's only source of boosting capital; this means that no inflows of external funds have been needed for this purpose. Liquidity remains strong as the cash-to-liabilities ratio increased from 17.8% in 3Q12 to 18.4% in 3Q13.

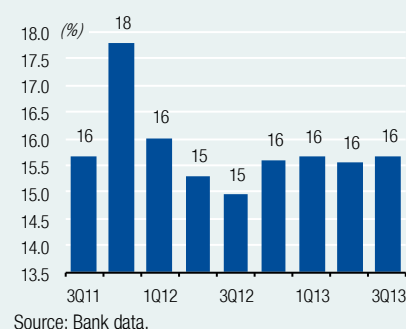
**Moderate growth of the loan portfolio.** The gross loan portfolio increased by 3.0% QoQ to UAH1.8bn, while the LLR ratio declined from 4.9% in 2Q13 to 4.5% in 3Q13. The bank has not written off any material amounts of bad debt, which declined by UAH11m or 7.8% QoQ. The share of FX-denominated loans continues to decline, accounting for 34.8% of the total in 3Q13.

**Deposit base remains stable.** The bank neither employs aggressive marketing nor offers above-average interest rates in order to boost its deposit based, which totalled UAH1.9bn in 3Q13. The share of demand deposits declined from 54.3% in 2Q13 to 56.7% in 3Q13, which had a positive impact on the cost of funding.

In order to mitigate FX risks, ProCredit Bank has reduced the share of FX deposits from 44.5% in 3Q12 to 32.9% in 3Q13 by offering below-average interest rates on such accounts.

**Net earnings do not disappoint.** Net interest income increased by 11.9% QoQ to UAH61m in 3Q13 owing to the growth of the gross loan portfolio and lower interest rates on deposit accounts. The cost-to-income ratio declined by 1.0ppt to 81.6%, which, in our view, is high and can be explained by the significant administrative costs of servicing a large number of relatively small loans

## Regulatory capital adequacy ratio (UAS)



## Key financials and ratios

### Financials (UAHm)

Assets

Loans

Deposits

Equity

Net % income

Net com income

Operating income

PPI

LLP

Net income

### Ratios (%)

Tier 1 ratio

CAR

Equity-to-assets annualised  
 basis; CAR – capital adequacy ratio (Basel IFRS accounts and NBU R2 UAS accounts); PPI – pre-provision income LLP – loan loss provision; ROAA and ROAE – return on average assets and equity, respectively; NII – net interest income; LLR – loan loss reserves; NPL – non-performing loans (>90 days overdue).  
 Sources: Bank data, ICU.

Cash-to-liabilities

ROAA

ROAE

Net % margin

NII-to-op income

Cost-to-income

LLR

## ProCredit Bank: Key quarterly UAS financials and ratios

Table 20. Key financials and ratios derived from the bank's UAS financials

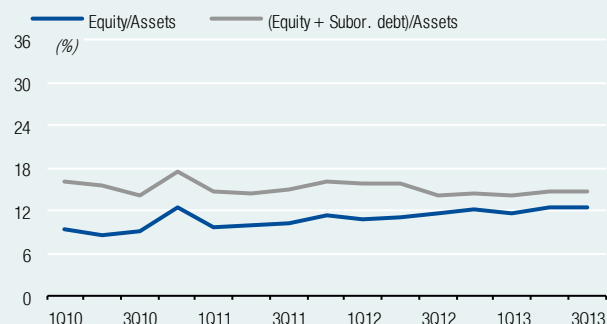
|  | 3Q11  | 4Q11  | 1Q12  | 2Q12  | 3Q12  | 4Q12  | 1Q13  | 2Q13  | 3Q13  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Balance sheet figures (UAHm)</b>        |       |       |       |       |       |       |       |       |       |
| Assets                                     | 2,573 | 2,405 | 2,453 | 2,411 | 2,369 | 2,278 | 2,426 | 2,413 | 2,507 |
| Cash and cash equivalents                  | 369   | 330   | 320   | 294   | 372   | 405   | 380   | 388   | 403   |
| Gross loans                                | 2,009 | 1,757 | 1,749 | 1,799 | 1,721 | 1,629 | 1,694 | 1,784 | 1,837 |
| Gross business loans                       | 1,068 | 955   | 1,027 | 1,091 | 1,039 | 996   | 1,087 | 1,191 | 1,238 |
| Gross household loans                      | 942   | 802   | 723   | 708   | 682   | 633   | 607   | 593   | 598   |
| Loan loss reserves (LLR)                   | -188  | -109  | -101  | -98   | -109  | -85   | -90   | -88   | -82   |
| Deposits                                   | 1,510 | 1,531 | 1,592 | 1,574 | 1,587 | 1,571 | 1,653 | 1,798 | 1,872 |
| Business deposits                          | 437   | 417   | 448   | 429   | 477   | 452   | 430   | 467   | 526   |
| Household deposits                         | 1,073 | 1,114 | 1,144 | 1,144 | 1,111 | 1,119 | 1,223 | 1,331 | 1,345 |
| Total equity                               | 262   | 271   | 266   | 265   | 276   | 278   | 285   | 298   | 313   |
| <b>Quarterly P&amp;L (UAHm)</b>            |       |       |       |       |       |       |       |       |       |
| Net interest income                        | 63    | 62    | 56    | 59    | 61    | 61    | 53    | 55    | 61    |
| Net commission income                      | 19    | 19    | 16    | 19    | 20    | 20    | 17    | 19    | 21    |
| Operating income (before LLP)              | 88    | 88    | 77    | 84    | 86    | 87    | 76    | 79    | 88    |
| Operating expense                          | -58   | -65   | -65   | -64   | -68   | -70   | -63   | -68   | -66   |
| Loan loss provisions (LLP)                 | -22   | -11   | -5    | -21   | -3    | 30    | 0     | 9     | 3     |
| Net income                                 | 6     | 10    | 5     | -1    | 11    | 32    | 8     | 14    | 15    |
| <b>Last 12-month period P&amp;L (UAHm)</b> |       |       |       |       |       |       |       |       |       |
| Net interest income                        | 250   | 252   | 247   | 240   | 238   | 236   | 233   | 229   | 229   |
| Net commission income                      | 68    | 70    | 72    | 74    | 75    | 76    | 77    | 76    | 78    |
| Operating income (before LLP)              | 336   | 342   | 340   | 337   | 335   | 334   | 332   | 327   | 329   |
| Operating expense                          | -232  | -237  | -246  | -251  | -261  | -267  | -266  | -270  | -269  |
| Loan loss provisions (LLP)                 | -80   | -75   | -47   | -60   | -40   | 1     | 6     | 36    | 41    |
| Net income                                 | 14    | 22    | 35    | 20    | 25    | 48    | 51    | 65    | 69    |
| <b>Growth rates (%YoY)</b>                 |       |       |       |       |       |       |       |       |       |
| Assets                                     | 3.1   | 0.0   | -0.9  | -6.9  | -7.9  | -5.3  | -1.1  | 0.0   | 5.8   |
| Gross loans                                | -6.9  | -14.4 | -19.3 | -17.0 | -14.3 | -7.3  | -3.1  | -0.9  | 6.7   |
| Deposits (by businesses)                   | 46.4  | 21.5  | 27.5  | 14.9  | 9.1   | 8.4   | -4.1  | 8.8   | 10.4  |
| Deposits (by households)                   | -3.8  | 4.8   | 4.2   | 2.9   | 3.6   | 0.4   | 6.9   | 16.3  | 21.1  |
| Deposits (total)                           | 6.8   | 8.8   | 9.8   | 5.9   | 5.1   | 2.6   | 3.8   | 14.2  | 17.9  |
| Total Equity                               | 14.4  | -9.9  | 10.2  | 3.4   | 5.4   | 2.5   | 7.1   | 12.6  | 13.5  |
| <b>Key ratios (%)</b>                      |       |       |       |       |       |       |       |       |       |
| Capital adequacy ratio (R2 by NBU)         | 15.7  | 17.8  | 16.0  | 15.3  | 15.0  | 15.6  | 15.7  | 15.6  | 15.7  |
| Equity/assets                              | 10.2  | 11.3  | 10.8  | 11.0  | 11.6  | 12.2  | 11.7  | 12.4  | 12.5  |
| (Equity + Subor. debt)/Assets              | 14.9  | 16.2  | 15.7  | 15.9  | 14.0  | 14.5  | 14.0  | 14.6  | 14.7  |
| Cash & cash equivalents/Liabilities        | 16.0  | 15.4  | 14.6  | 13.7  | 17.8  | 20.2  | 17.7  | 18.3  | 18.4  |
| Current liquidity (R5 by NBU)              | 51.3  | 62.2  | 64.2  | 53.9  | 57.6  | 66.9  | 69.0  | 57.3  | 55.9  |
| Gross loans/Deposits                       | 133.1 | 114.8 | 109.9 | 114.3 | 108.4 | 103.7 | 102.5 | 99.2  | 98.1  |
| Net loans/Deposits                         | 120.7 | 107.6 | 103.6 | 108.1 | 101.6 | 98.3  | 97.1  | 94.3  | 93.8  |
| Cost-to-income ratio                       | 69.0  | 69.2  | 72.2  | 74.5  | 77.9  | 80.0  | 80.0  | 82.6  | 81.6  |
| Net interest margin                        | 12.5  | 12.8  | 12.6  | 12.3  | 12.4  | 12.5  | 12.4  | 12.3  | 12.2  |
| ROAA                                       | 0.5   | 0.9   | 1.4   | 0.8   | 1.0   | 2.0   | 2.1   | 2.8   | 2.9   |
| ROAE                                       | 5.1   | 8.7   | 13.4  | 7.4   | 9.4   | 17.7  | 18.4  | 23.0  | 23.5  |
| NII/Operating income                       | 74.4  | 73.6  | 72.5  | 71.2  | 70.9  | 70.7  | 70.1  | 69.8  | 69.7  |
| Core income/Operating expense              | 137.0 | 136.0 | 129.6 | 125.0 | 119.6 | 116.8 | 116.5 | 112.9 | 114.3 |

Notes: P&L ratios are on a 12-month annualised basis; ROAE – Return on average assets; ROE – Return on average equity; NII – Net interest income; Core income includes net interest income and commission income. LLP – loan loss provision; LLR – loan loss reserves;

Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

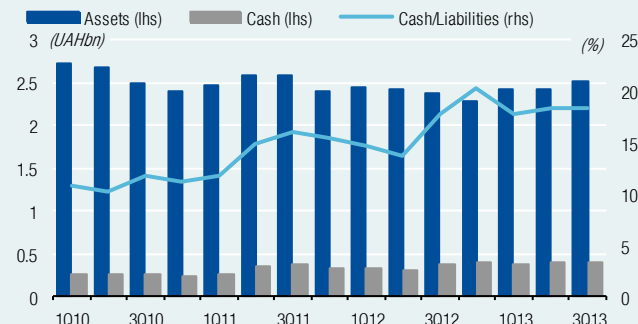
## ProCredit Bank: Key credit metrics

**Chart 146. Capitalisation**



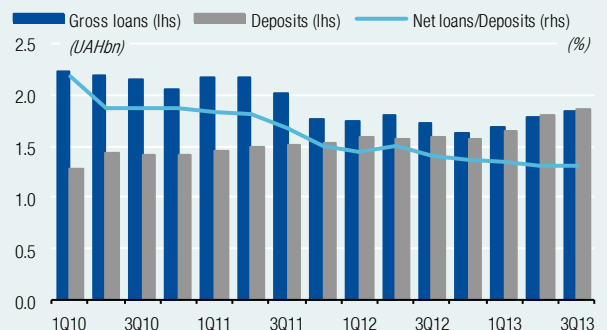
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 147. Liquidity**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 148. Loans and deposits**



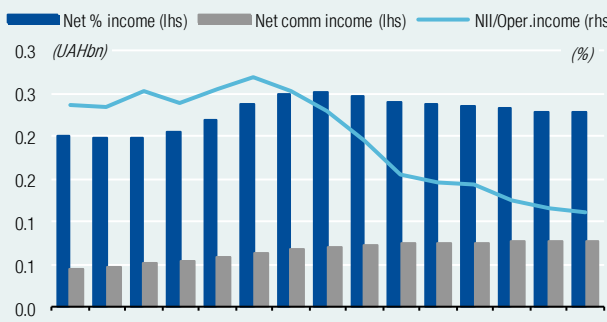
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 149. Loan loss reserves history**



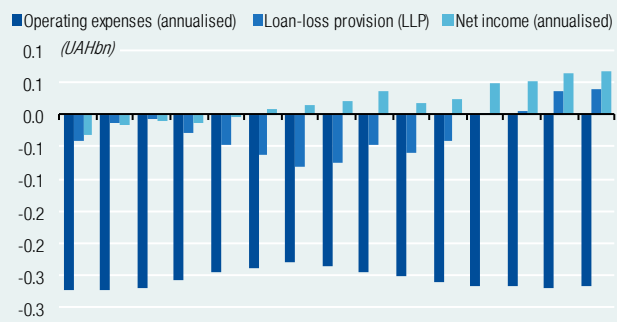
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 150. Income structure (annualised basis)**



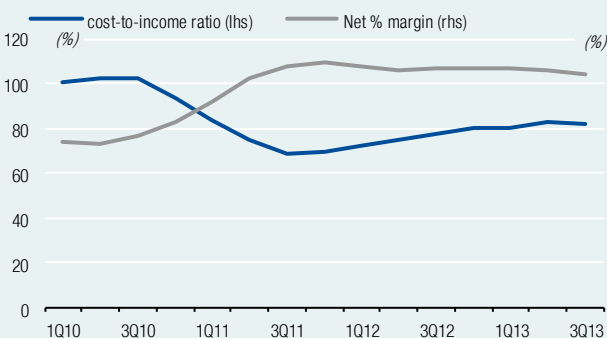
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 151. Expense and net income (annualised basis)**



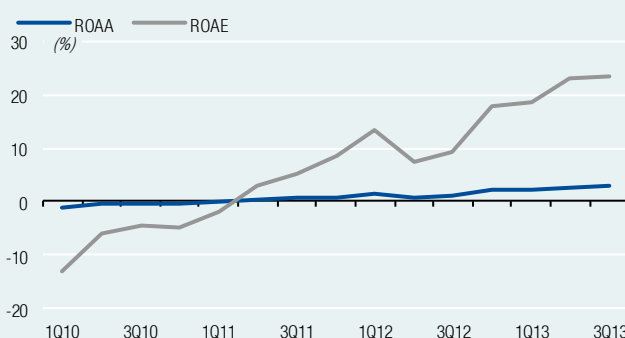
Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 152. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 153. Financial performance ratios**



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

# Disclosures

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