



Report on the rating research

Customer:	PUBLIC JOINT STOCK COMPANY "BANK "NATIONAL INVESTMENTS"
Incorporation date:	09.11.1993
USREOU code:	20017340
Bank address (city, postal code, street):	54, Vladimirska str., Kiev, 01601
Top executive, title:	Kryschuk Alexandr , Chairman of Board
Telephone/fax:	+38 (044) 490-81-41
Web-site:	www.jsbni.kiev.ua
Rating type:	Bank credit ratings, deposit rating
Rating revision period:	Quarterly
Date of rating:	01.11.2013
Long-term Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	uaBBB+ (stable) The bank with the rating uaBBB+ has sufficient credit status as compared with other Ukrainian banks. Credit status level depends on the influence of adverse commercial, financial and economic conditions
Short-term Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale:	uaK3+ (stable) A bank or its debt instrument is characterized by sufficient credit status in comparison with other Ukrainian Banks. The financial condition of such Bank is satisfactory and enabling to prevent predictable risks in the short-term period
Deposit rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale:	ua.3+ The deposit with such rating has an acceptable level of strength
The correlation of Ukrainian scale ratings and the international scale ratings reflecting the rating in the countries of Agency operations is set by GPRC "Standard-Rating" Rating Committee.	
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The report on rating research has no restrictions to distribution. When using materials contained in the report, the reference on RA "Standard Rating" (Ukraine) is mandatory. The Agency considers true all information contained in the report on rating research.	
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All the ratings by the Agency are not recommendations for purchase of securities, use of services or taking any economic decisions. The ratings irrespectively of the scale have to be perceived solely as opinions of Agency analysts on rating object and subject.	

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1. Market share and business activity

According to NBU as of 01.07.2013 the assets of JSC BANK NATIONAL INVESTMENTS amounted to UAH 2,809 billion, the Bank occupied 63rd position in the overall NBU ranking on the size of assets, and 4th position in the ranking on the size of assets within the fourth group under NBU classification.

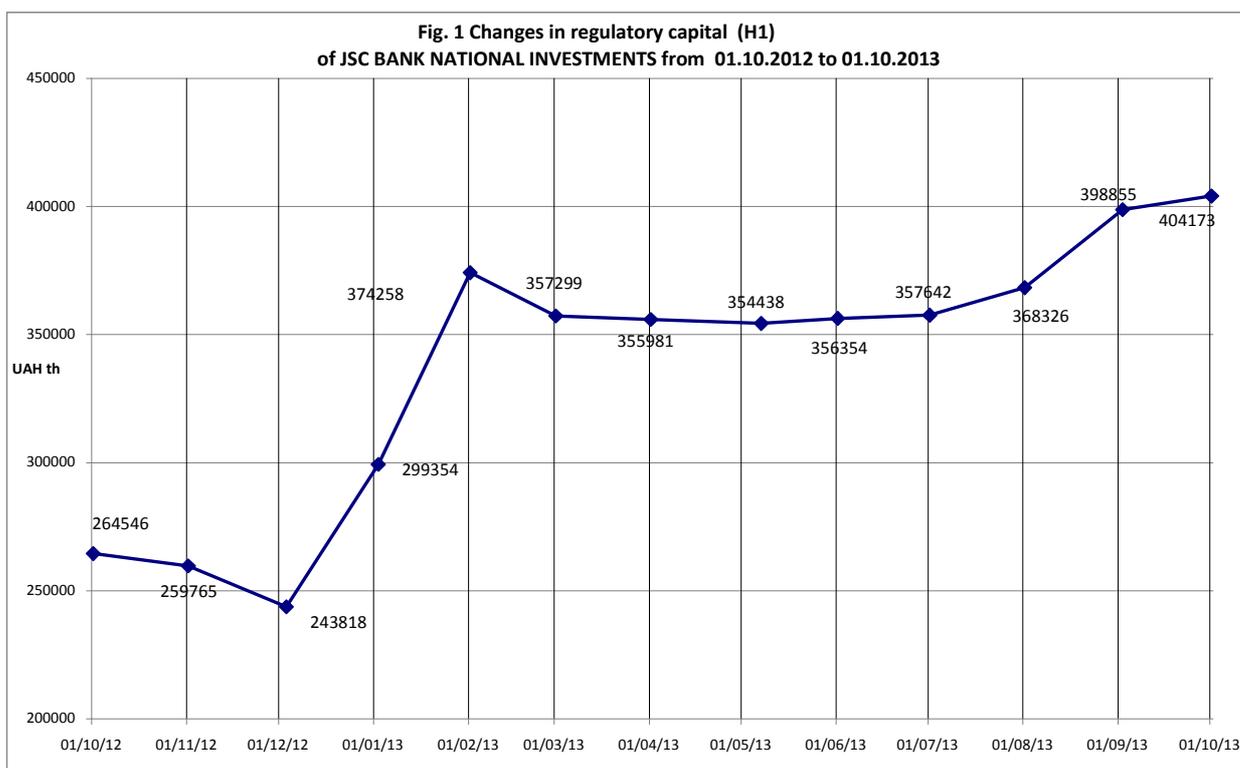
According to Agency estimates, the share of assets of JSC BANK NATIONAL INVESTMENTS as of 01.07.2013 corresponded to 0,2352% of bank system assets and to 0,3469% of funds of clients. As of the beginning of Q3 2013 the BANK NATIONAL INVESTMENTS belonged to the category of small banks, however has closely approached the point of passing to the third banking group under NBU classification.

2. Capital adequacy and shareholder's support

As of 01.10.2013, the Bank had one major shareholder — the President of Bank **Ogorodnik Natalia Anatolyevna** who directly owned 33,5683% of stocks. 4,9689% of Bank stocks belonged to LTD VIADUC, which is by 100% controlled by **Biloshkap Alexander Vladimirovich**. Biloshkap A.V. was related person of Ogorodnik N.A., since he was her husband. In total, the family Biloshkap-Ogorodnik controlled 38,53% of JSC BANK NATIONAL INVESTMENTS stocks.

Analysis of Bank shareholders history structure has shown that Ogorodnik Natalia Anatolyevna is major shareholder of JSC BANK NATIONAL INVESTMENTS for a long time (more than 3 years).

The agency identifies the level of Bank external support by shareholders as uncertain. Traditionally such level of support is identified in all banks with major shareholders being physical persons. However the Agency pays attention to that JSC BANK NATIONAL INVESTMENTS repeatedly increased the authorised capital under the current shareholder's composition that proves to the capacity of Bank shareholders to provide the Bank with financial support when needed.



As of 01.10.2013, Bank shareholders' equity constituted 6,36% of liabilities. At the same time Bank equity has been formed by 72,51% at the expense of the authorized capital and by 23,77% at the expense of reserve and other funds of Bank (see table 1).

Table 1

**Data on shareholders' equity of
JSC BANK NATIONAL INVESTMENTS for 9 months 2013**

Indicators	01/10/2013	01/01/2013	Change	Growth rate, %
Bank statutory capital	161 000	161 000	-	-
Unappropriated balance	8 277	7 629	648	8,49%
Reserve funds and other funds	52 783	45 154	7 629	16,90%
Revaluation reserve	(24)	17	-	-
Shareholders' equity, total	222 036	213 800	8 236	3,85%
Total liabilities:	3 345 766	2 644 867	700 899	26,50%

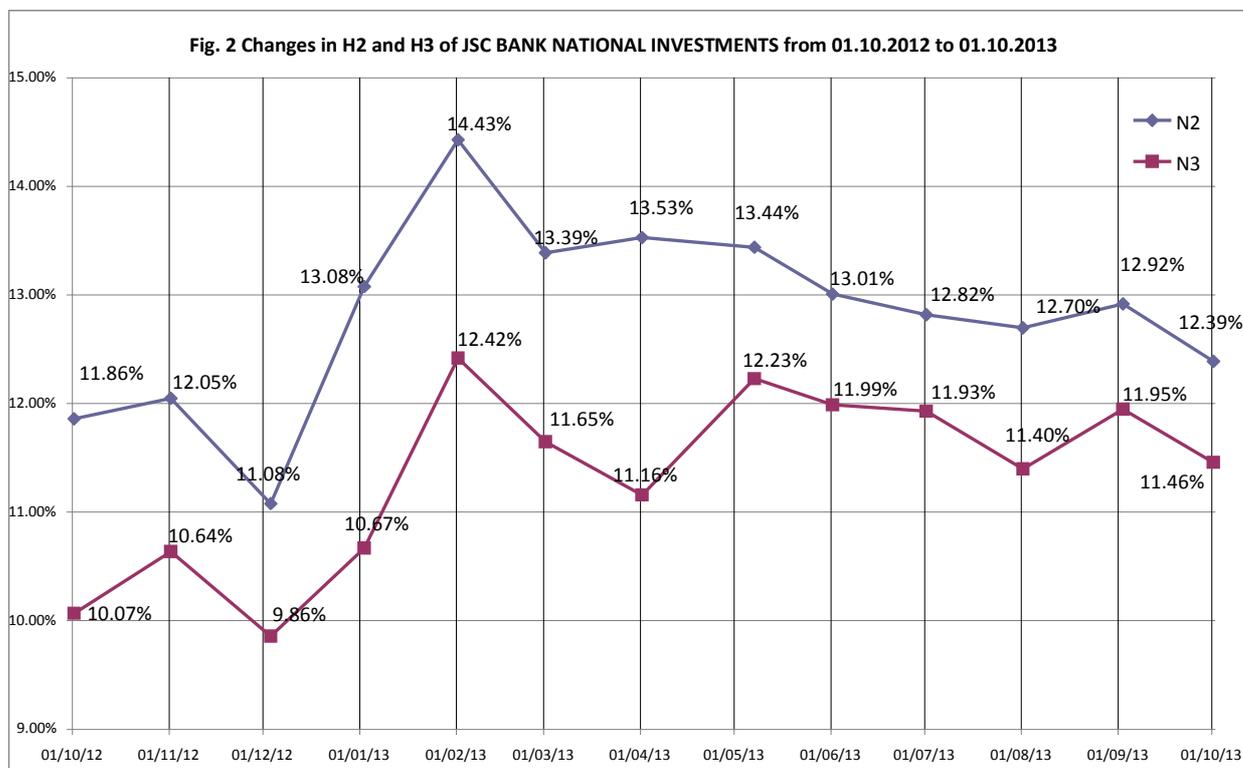
The data on capital normative requirements also prove to the availability of significant reserve of regulatory capital (N1) compared to the standard value. From 01.01.2013 to 01.10.2013 the Bank ensured regulatory capital growth of 35%.

From the beginning of 2013 the correction of regulatory capital adequacy (H2) and regulatory capital ratio to total assets (N3) was directed oppositely. So, from the beginning of 2013 the N2 decreased on 0,69 p.p., and N3 has on the contrary grown on 0,79 p.p. As a whole, N2 and N3 have been adhered to with significant reserve compared to the minimum acceptable value established by NBU (tab. 2).

Table 2

**The data on the changes of capital normatives in
JSC BANK NATIONAL INVESTMENTS for 9 months 2013**

Indicator	Standard normative value	01/10/2013		01/01/2013	
		Bank value	System value	Bank value	System value
Regulatory capital (N1)	>120 m.	404 173	-	299 354	-
Regulatory capital adequacy normative (N2)	>10%	12,39%	17,92%	13,08%	18,06%
Normative ratio regulatory capital/total assets (N3)	>9%	11,46%	13,87%	10,67%	14,89%



Capital normatives prove to the existence of certain reserve of regulatory capital of Bank which provides it significant reserve of sustainability. Nevertheless, the values of N2 and N3 norms of JSC BANK NATIONAL INVESTMENTS could not be named redundant.

3. Quality of assets

From 01.01.2013 to 01.10.2013 JSC BANK NATIONAL INVESTMENTS showed excellent indicators of key asset items dynamics:

- cash and cash equivalents have grown by 55,14%;
- funds and indebtedness of clients have grown on 23,17%;
- total amount of assets has grown on 26,5%.

The mentioned indicators essentially exceeded the dynamics shown by the bank system of Ukraine for the first 9 months of 2013.

As of 01.10.2013, loans and indebtedness of bank customers constituted almost 85 % of the size of total assets. Loans were the basic component of the earning assets of Bank.

In spite of the fact that the Bank has been working in Ukraine since [RA Standard-Rating \(Ukraine\)](#)

1993, the Agency has not found in the credit portfolio of the Bank any signs of troubled debt. So, as of 01.01.2013 loan impairment reserve/clients credits and indebtedness ratio constituted only 6,91%, and as of 01.10.2013 reduced to 6,36%.

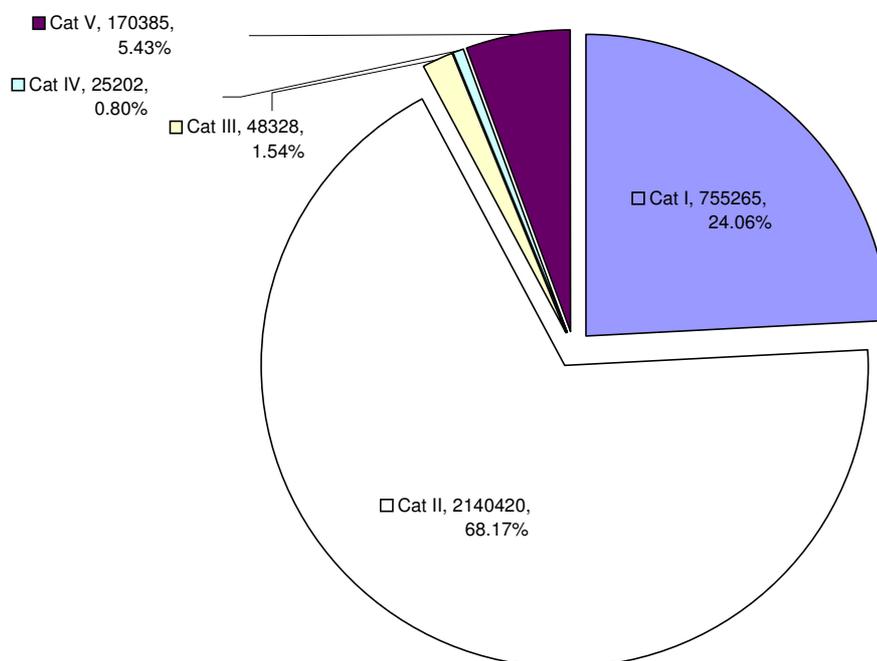
Table 3

**Assets of JSC BANK NATIONAL INVESTMENTS
for 9 months of 2013**

Indicators	01/10/2013	01/01/2013	Change	Growth rate, %
Cash and cash equivalents	170 098	109 639	60 459	55,14%
Reserve funds in NBU	25 741	18 547	7 194	38,79%
Funds in other banks	90 096	42 898	47 198	110,02%
Loans and debt of clients, incl:	2 842 004	2 307 398	534 606	23,17%
- loans and debts of legal entities	2 311 891	1 818 996	492 895	27,10%
- loans and debts of individuals	530 113	488 402	41 711	8,54%
Loan loss and clients debt provision	180 829	159 461	21 368	13,40%
Portfolio securities for sale	170 487	133 050	37 437	28,14%
Portfolio securities to redeem	-	-	-	-
Fixed capital and intangible assets	2 916	1 259	1 657	131,61%
Other financial assets	40 680	28 361	12 319	43,44%
Total assets:	3 345 766	2 644 867	700 899	26,50%

The analysis of quality structure of JSC BANK NATIONAL INVESTMENTS credit portfolio according to NBU classification found that credits of first and second category make 92,23% of the issued credits, and the negatively classified credits — only 5,43% of the portfolio (fig 3).

Fig. 3 The structure of JSC BANK NATIONAL INVESTMENTS loan portfolio split per quality categories as of 01.10.2013



Therefore, the Agency established that credits are the main category of earning assets of JSC BANK NATIONAL INVESTMENTS. As of 01.10.2013 only 5,43 % of credit portfolio could be referred to as negatively classified assets, that is below the average value of the banking system of Ukraine.

4. Liquidity

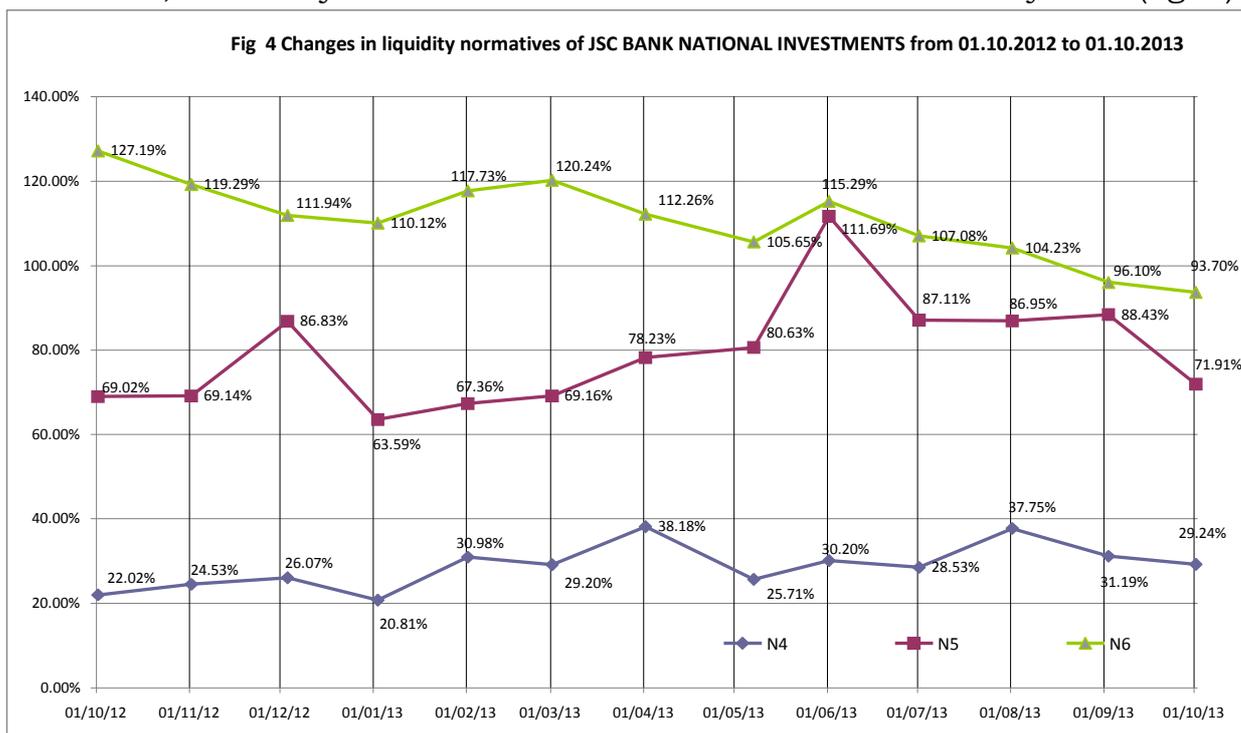
The analysis of liquidity normatives of JSC BANK NATIONAL INVESTMENTS has shown that the Bank selectively observed redundant liquidity. So, as of 01.10.2013 the norm of instant liquidity was by 9,24 p.p. higher the boundary level established by NBU and by 27,03 p.p. lower the average value of this requirement in the system. The degree of redundant value of current and short-term liquidity normatives in regard of the boundary value established by NBU was significantly higher (tab. 4).

Table 4

**Data on changes in liquidity normatives of
JSC BANK NATIONAL INVESTMENTS for 9 months 2013**

Indicator	Standard normative value	01/10/2013		01/01/2013	
		Bank value	System value	Bank value	System value
Instant liquidity normative (N4)	>20%	29,24%	56,27%	20,81%	69,26%
Current liquidity normative (N5)	>40%	71,91%	87,95%	63,59%	79,09%
Short term liquidity normative (N6)	>60%	93,70%	88,27%	110,12%	90,28%

The changes in N4, N5 and N6 prove to that the Bank for the last 12 months pursued the policy of reducing the excess of short-term liquidity, and tried to maintain instant and current liquidity approximately at one and the same level, but always in excess of standard values established by NBU (fig. 4).



Therefore, the JSC BANK NATIONAL INVESTMENTS as of 01.10.2013 had significant reserve of instant liquidity and a noticeable reserve of current and short-term liquidity.

5. Bank income and expenses

Net interest income decrease for 9 months of 2013 by 17,14% compared to the same period of 2012, and essential growth (by 49,92%) of administrative costs for the same period should be regarded as negative tendency.

However, despite negative tendencies in the dynamics of key income and expenses items, the net profit of JSC BANK NATIONAL INVESTMENTS for 9 months of 2013 was by 2,43% higher, than for the same period of 2012 (see tab. 5).

Table 5

Data on the changes in separate income and expenses items and net profit of JSC BANK NATIONAL INVESTMENTS for 9 months of 2013

Indicators	9M 2013	9M 2012	Change	Growth rate, %
Net interest income	64 216	77 497	-13 281	-17,14%
Net fee and commission income	14 572	14 171	401	2,83%
Foreign currency transactions	(384)	2 334	-	-
Administrative and other operative costs	40 152	26 782	13 370	49,92%
Net profit	8 277	8 081	196	2,43%

Therefore, throughout the first three quarters of 2013 the activity of JSC BANK NATIONAL INVESTMENTS remained not only profitable, but also Bank net profit has grown on 2,43% compared to the same period of 2012.

6. Relations with the authorities

The chairman and the members of Board of JSC BANK NATIONAL INVESTMENTS haven't been brought to trial; neither have they previous convictions for mercenary office crimes.

The results of audits by NBU and tax authorities do not bear significant risks for the activity of JSC BANK NATIONAL INVESTMENTS and, according to the Agency, cannot render essential influence on the result of work of the Bank.

7. Summary of rating components.

Having generalized all components of credit risk beard by the liabilities of JSC BANK NATIONAL INVESTMENTS, the Agency decided to award the Bank with credit rating at the national scale at the level **uaBBB+**. The bank with the rating uaBBB+ is characterized by sufficient credit status in comparison with other Ukrainian banks. Credit status level depends on the influence of adverse commercial, financial and economic conditions.

Also RA "Standard-rating" awards ratings to the deposits of JSC BANK NATIONAL INVESTMENTS at the level **ua.3+** and a short-term credit rating at the level **uaK3+**. The bank or the separate debt instrument with the rating uaK3 is characterized by sufficient credit status in comparison with other

Ukrainian Banks. The bank is able to prevent predictable risks in the short-term period.

When taking the decision on credit rating of JSC BANK NATIONAL INVESTMENTS (USREOU code 20017340), the Agency was guided by the following conclusions:

1. The share of assets of JSC BANK NATIONAL INVESTMENTS as of 01.07.2013 corresponded to 0,2352% of bank system assets and to 0,3469% of funds of clients. As of the beginning of Q3 2013 the BANK NATIONAL INVESTMENTS belonged to small banks, taking 63rd position in the ranking of NBU on the size of assets. However to the beginning of Q3 2013 the BANK «NATIONAL INVESTMENTS» has closely approached to the point of passing to the third banking group according to NBU classification.

2. The capital normatives of JSC BANK NATIONAL INVESTMENTS prove to certain reserve of regulatory capital of Bank which provides an appreciable reserve of stability. The N2 and N3 values of the Bank couldn't be named redundant, however they were observed with a small reserve as to the boundary values established by NBU.

3. The agency established that credits are the main categories of earning assets of JSC BANK NATIONAL INVESTMENTS. As of 01.10.2013 only 5,43% of credit portfolio could be referred to as negatively classified assets that is significantly below the average value in the bank system of Ukraine.

4. The analysis of liquidity requirements of JSC BANK NATIONAL INVESTMENTS has shown that the Bank selectively observed redundant liquidity. Whereas as of 01.10.2013 the norm of instant liquidity (N4) was close to the boundary value, established by NBU, the normative of current liquidity (N5) was observed with the margin of 31,91 p.p. above the boundary value, and current liquidity normative (N6) was even on 5,43 p.p. higher the average value in the system.

5. Throughout the first three quarters of 2013 the activity of JSC BANK NATIONAL INVESTMENTS remained profitable. Bank net profit for the first 9 months 2013 has constituted UAH 8,277 million, that is by 2,43% higher than in the similar period of 2012.

Rating scale for estimation of banks credit rating

National rating scale adapted by
RA 'Standard Rating' (Ukraine) for the assessment
of credit risks of Ukrainian banks

Rating	Contents of banks credit rating according to the national scale
Investment grade levels of rating	
uaAAA	The bank or the debt instrument with the rating uaAAA is characterized by high credit status in comparison with other Ukrainian banks or debt instruments
uaAA	The bank or the debt instrument with the rating uaAA is characterized by very high credit status in comparison with other Ukrainian banks or debt instruments
uaA	The bank or the debt instrument with the rating uaA is characterized by high credit status in comparison with other Ukrainian banks or debt instruments Credit status level is sensitive to the influence of adverse commercial, financial and economic conditions.
uaBBB	The bank or the debt instrument with the rating uaBBB is characterized by sufficient credit status in comparison with other Ukrainian banks or debt instruments Credit status level depends upon the influence of adverse commercial, financial and economic conditions.
Speculative grade levels of rating	
uaBB	The bank or the debt instrument with the rating uaBB is characterized by lower than sufficient credit status in comparison with other Ukrainian banks or debt instruments. Credit status level is strongly dependent upon the influence of adverse commercial, financial and economic conditions.
uaB	The bank or the debt instrument with the rating uaB is characterized by low credit status in comparison with other Ukrainian banks or debt instruments. Credit status level is very strongly dependent upon the influence of adverse commercial, financial and economic conditions.
uaCCC	The bank or the debt instrument with the rating uaCCC is characterized by very low credit status in comparison with other Ukrainian banks or debt instruments. There is potential probability of default
uaCC	The bank or the debt instrument with the rating uaCC is characterized by high probability of default
uaC	The Bank is expecting default of liabilities.
uaD	The Bank defaulted. The payout of principal amount and interests on debt obligations has been suspended without reaching an agreement with creditors on restructuring the debt upon maturity.

- or + are intermediate rating categories within the major categories.

The national scale of credit rating for Ukrainian banks has been approved by the resolution of the Cabinet of Ukraine no. 665 of April, 26th, 2007 'On approval of national rating scale'.