

Russia
Credit Analysis

Promsvyazbank

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	B+
Short-Term IDR	B
Individual	
Support Rating	D
Support Rating Floor	4 B
Sovereign Risk	
Foreign Long-Term IDR	BBB+
Local Long-Term IDR	BBB+
Country Ceiling	A-

Outlook

Foreign Long-Term IDR	Positive
Sovereign Foreign Long-Term	Stable

Financial Data

Promsvyazbank	31 Dec 07	31 Dec 06
Total assets (USDm)	11,946.7	6,856.4
Total assets (RUBm)	293,245.4	180,536.9
Total equity (RUBm)	27,682.2	18,375.8
Operating profit (RUBm)	5,019.9	3,457.6
Published net income (RUBm)	3,704.5	2,595.5
Comprehensive income (RUBm)	5,232.3	2,595.5
Operating ROAA (%)	2.12	2.37
Operating ROAE (%)	21.80	22.87
Internal capital generation (%)	22.72	17.17
Eligible capital/Regulatory weighted risks	9.41	11.10
Tier 1 ratio (%)	9.41	11.10

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Related Research

- [Russian Banking System and Prudential Regulations](#)
- [Russian Bank Liquidity: CBR Support is Positive, but More May be Needed](#)

Rating Rationale

- The ratings of Promsvyazbank (PSB) are constrained by pressure on capital levels resulting from rapid growth and concentrations risks. However, the ratings also take into account the ongoing strengthening of the bank's customer franchise and regional expansion, coupled with gradually improving prospects for Russia's major privately-owned banks in a broadly supportive operating environment. The bank's position is also supported by healthy profitability, balanced funding structure and adequate liquidity.
- The bottom-line results have been sound in recent years, supported by growing core earnings.
- The loan book continued to grow rapidly in 2007, driven primarily by corporate clients. However, household loans grew at a faster pace from a low base, reaching 14% of the loan book at end-2007. The loan concentration levels remain substantial by international standards, however are expected to decline moderately. Although asset quality remained reasonable, arrears may increase as the retail/SME book continues to grow and season; in addition, Fitch is concerned by the performance of one of the bank's new, large loan exposures.
- The funding structure is balanced (prime sources are corporate customer balances and wholesale international funding), near-term refinancing risk is moderate and the liquidity position is adequate (albeit somewhat tighter than in the past due to a larger asset allocation to the loan book). Market risk appetite is moderate and the bank intends to control its exposures fairly tightly.
- Capital was supported by a RUB4.3bn new equity in May 2008, but the current capital level is viewed by Fitch as only adequate, given pressure arising from loan concentrations and continued rapid growth.

Support

- The Support Rating and Support Rating Floor reflect the growing franchise and national coverage of the bank, and indicate a limited probability of support being forthcoming from the Russian authorities, in case of need. Support from the major shareholders can not be relied upon at all times.

What Could Trigger an Upgrade?

- If PSB is able to maintain a satisfactory capital position to support its rapid expansion plans and adequate asset quality in its loan book, then an upgrade may be forthcoming. However, should there be deterioration in these areas, the Outlook may revert to Stable.

Profile

PSB is one of the largest Russian privately held banks (12th-largest in Russia at end-Q108 in terms of assets). It is majority-owned by the Ananiev brothers. Germany's Commerzbank AG ('A'/Outlook Stable) currently holds a 15% stake in the bank, but is not involved in strategic or operational management and there are no plans to increase its stake.

PSB mainly serves large and mid-sized corporate clients. It operates about 270 points of sale across Russia to facilitate ongoing regional diversification and franchise expansion into the retail and SME segments.