

**Rating action:** Update of a long-term credit rating according to the national scale, assignment of rating to the bank's deposits according to the agency's scale

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**The issuer:** PJSC «ALFA-BANK»

USREOU code of the issuer: 23494714

Web-site of the issuer: <http://www.alfabank.ua/>



[www.expert-rating.com](http://www.expert-rating.com)

## Long-term credit rating of PJSC «ALFA-BANK» is affirmed

On August 19, 2015 at the meeting of the Rating committee of RA «Expert-Rating» it was decided to affirm the long-term national Ukrainian scale rating of PJSC «ALFA-BANK» (23494714) at the level uaAAA. Bank or separate bond instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian borrowers or bond instruments. At the same time, at the meeting of the Rating committee it was decided to affirm a long-term credit rating to the bonds of PJSC «ALFA-BANK» Series M, N, O, P at the level uaAAA. Making decision to affirm the rating, the Agency was guided by the results of the Bank's activity in the I half of 2015, as well as by the conclusions drawn from the analysis of financial and statistical statements of the Bank in the I half and July of 2015.

### Equity and capital adequacy

Dynamics of the Bank's capitalization was in line with general dynamics on the banking system.

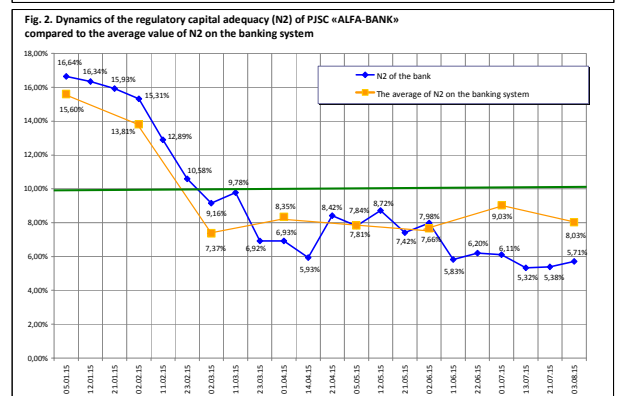
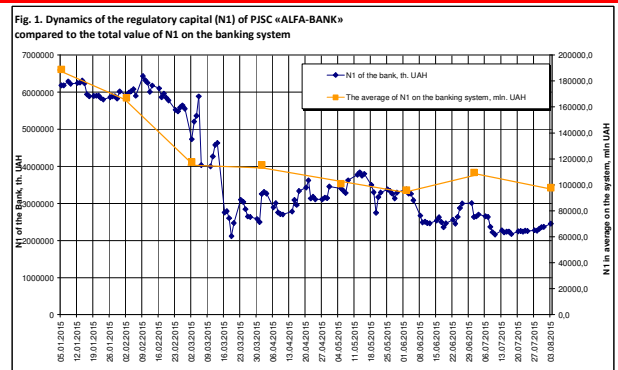
In the first 7 months of 2015, the regulatory capital of PJSC «ALFA-BANK» (N1) decreased by 60.31%, the total value of N1 for the banking system for the same period decreased by 48.25%. In general, dynamics of the Bank's N1 and the total value of N1 for the banking system were identical (Figure 1).

Regulatory capital adequacy of PJSC «ALFA-BANK» (N2) in the first 7 months of 2015 decreased by 10.93 p.p. and on 03.08.2015 amounted to 5.71% that was by 4.29 p.p. lower than the normative standard, set by NBU, at the same time remained within the limits set forth pursuant to the Resolution of the Management Board of NBU #129 «On some issues of banks' activities» from 24.02.2015 (hereinafter – Resolution #129).

Assessing the data on dynamics of N2 of PJSC «ALFA-BANK» during the first seven months of 2015, attention should be paid to following two aspects:

1. The Agency reminds that according to the Resolution #129 the sanctions for the violation of a number of economic normative standards, including N2, are not applied to banks.
2. 100% of the Bank's shares belong to the company ABH Ukraine Limited (Cyprus), which, if necessary, can provide a very high level of external support to its subsidiary bank in Ukraine.

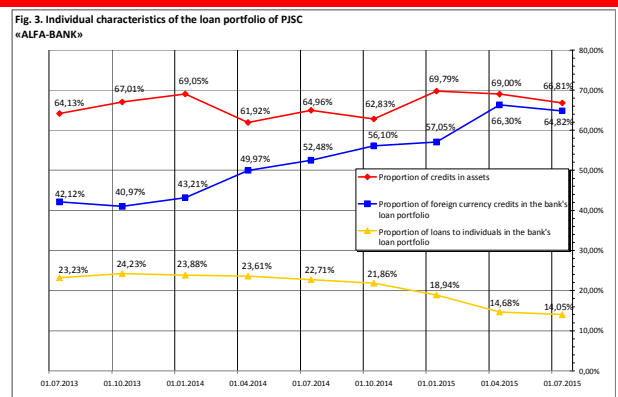
Therefore, according to the Agency, a formally decreasing level of N2 of PJSC «ALFA-BANK» carries: neither NBU sanctions for the Bank, nor threat for depositors and other creditors of the Bank.



### Asset structure and quality

In the first half of 2015, the Bank's assets grew by 11.96%, loans and advances to customers of the Bank grew by 6.72%. For the period from 01.07.2013 to 01.07.2015 the share of loans in the Bank's assets grew from 64.13% up to 66.81%, the share of foreign currency loans in the Bank's loan portfolio grew from 42.12% up to 64.82%. For the same period, the share of individuals in the Bank's loan portfolio reduced from 23.23% down to 14.05%.

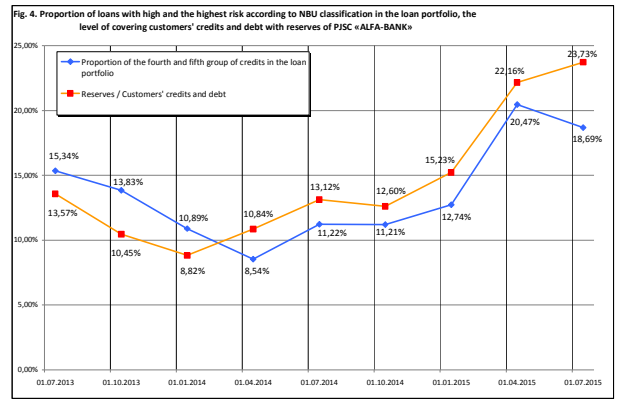
The growth of the share of foreign currency loans may mean for the Bank higher dependence of the loan portfolio quality on processes of hryvnia depreciation to the main world currencies. The decrease in the share of retail loans in the Bank's loan portfolio on the back of a significant



slowdown of in the business activity in Ukraine and a reduction of the population employment level can be considered as a positive factor for the Bank.

During the period from 01.07.2013 to 01.07.2015, the share of high and the highest risk loans according to the NBU classification in the loan portfolio of PJSC "ALFA-BANK" grew from 15.34% up to 18.69%. This tendency was in line with the general market trend. In general, the Bank's loan portfolio quality can be characterized as close to high.

At the same time, the Bank has compensated potential losses from deterioration of the asset quality via charging additional loan impairment provisions at the sufficient level.



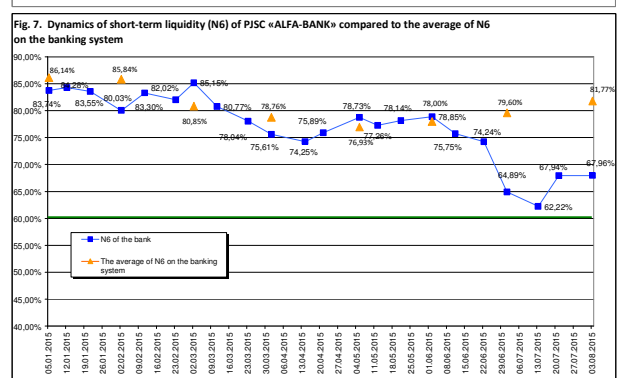
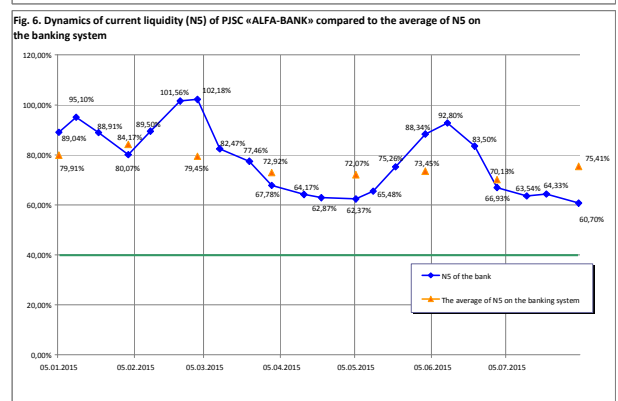
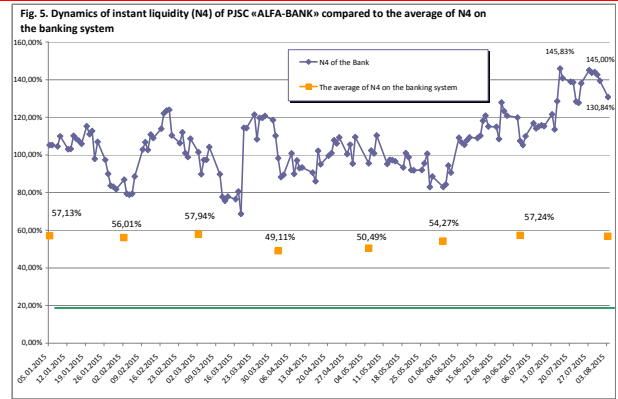
## Liquidity

In the first 7 months of 2015, the normative standard of instant liquidity (N4) of PJSC "ALFA-BANK" on 16.07.2015 reached the historical maximum at the level of 145.83%. As at 03.08.2015 the Bank's N4 stood at 130.84%, with the reserve to the limit value, set by NBU, totaling 110.84 p.p., and to the average value of the normative standard for the banking system – 74.04 p.p. Therefore, PJSC "ALFA-BANK" during all the 7 months of 2015 held an unprecedented great reserve of N4 that on the back of exchange rate instability and a number of defaults in the Ukrainian banking sector deserves a positive assessment and is one of the most rational management decisions that ensure the stable activity of the Bank.

During the first seven months of 2015, the current liquidity ratio normative standard of the Bank (N5) was in compliance with a great reserve to the limit value, set by NBU. As at 03.08.2015 the Bank's N5 stood at 60.7% that was by 20.07 p.p. higher than the limit value, set by NBU, and by 14.71 p.p. lower than the average of N5 for the banking system at the beginning of August.

In the seven months of 2015, PJSC "ALFA-BANK" complied with the short-term liquidity ratio normative standard (N6) with a reserve to the limit value, set by NBU. As at 03.08.2015 the Bank's N6 stood at 67.96% that was by 7.96 p.p. higher than the limit value, set by NBU, and by 13.81 p.p. lower than the average value of N6 on the banking system at the beginning of August.

According to the Agency, during the first seven months of 2015, PJSC "ALFA-BANK" was very well cushioned with liquidity, with a focus on creation of a considerable reserve of instant liquidity ratio normative standard (N4) that on the back of the banking crisis and the limited regulatory capital adequacy remains one of the effective management decisions.

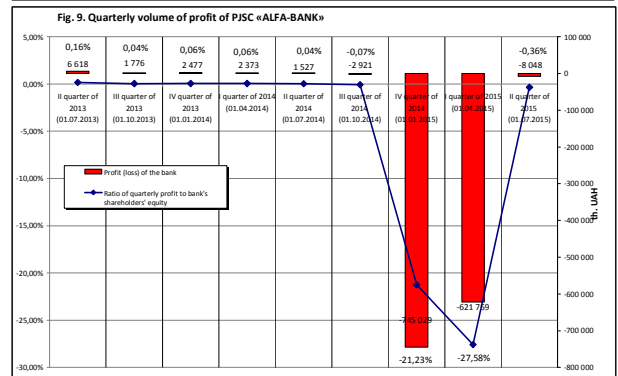
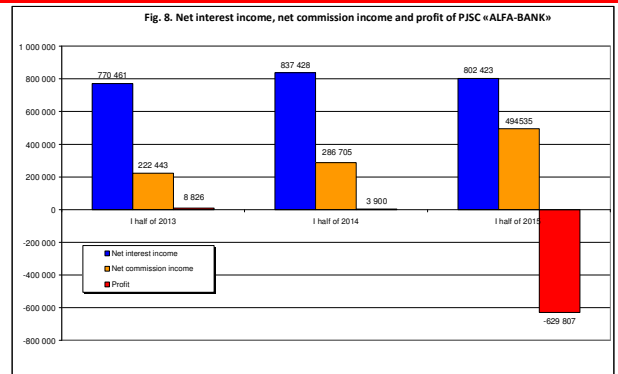


## Profitability of operations

PJSC "ALFA-BANK" finished the first half of 2015 with a loss of UAH 629.807 mln compared to a profit of UAH 3.9 mln in the first half of 2014. The Bank's loss was caused by the need to additionally charge the loan impairment provision, since the beginning of the year the Bank's loan impairment provisions increased by 49.21% or by UAH 2.107 bn.

Meanwhile, the analysis showed that in the second quarter of 2015 the Bank received operating income exceeding UAH 300 mln. Net interest income of the Bank in the first half of 2015 decreased by only 4.18% or by UAH 35 mln compared to the first half of 2014. During the same period, net fee and commission income of the Bank grew by 72.49% or by UAH 207.83 mln. The ratio of the net fee and commission income of the Bank to its net interest income grew by 27.39 p.p. up to 61.63%. The above statistics shows that in the first half of 2015 the Bank not just didn't lose, but improved its income generation capacity.

According to the Agency, a loss-making activity of the Bank in the fourth quarter of 2014 and in the first quarter of 2015 had a negative impact on the Bank's normative standards, however on the back of improving the ability of PJSC "ALFA-BANK" to generate a total net interest and net fee and commission income, a loss-making activity in the first half of 2015 won't have a significant impact on a long-term rating of the Bank.



## Other factors

Files from the public databases of the State Fiscal Service reveal that PJSC "ALFA-BANK" was registered in the SFS authority, as of 14.08.2015 the Bank as a taxpayer had no tax indebtedness.

## Generalization

As at 03.08.2015 PJSC "ALFA-BANK" fulfilled its obligations to customers and lenders according to the current legislation and wasn't referred by NBU to the category of problem banks.

At the same time, PJSC "ALFA-BANK" complied with the NBU normative standards within the limits set forth pursuant to the Resolution #129. The policy of PJSC "ALFA-BANK" in the field of compliance with the regulatory capital adequacy normative standard also was in line with the normative standards set forth pursuant to the Resolution #129. The Bank's shareholder ABH Ukraine Limited (Cyprus), if necessary, can provide a very high level of external support to the Bank.

As of 01.07.2015 loans and advances to customers of the Bank stood at 66.81% of its assets, foreign currency loans accounted for 64.82% of the Bank's loan portfolio. For the period from 01.07.2013 to 01.07.2015 the share of loans with high and the highest levels of risks according to NBU classification in the loan portfolio of PJSC "ALFA-BANK" grew from 15.34% up to 18.69%. This tendency was in line with the general market trend. The Bank's loan portfolio quality can be characterized as close to high.

According to the Agency, during the first seven months of 2015 PJSC "ALFA-BANK" was very well cushioned with liquidity, with a focus on creation of a considerable reserve on instant liquidity ratio normative standard (N4) that on the back of the banking crisis and the limited regulatory capital adequacy remains one of the effective management decisions.

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