

08.08.2014

## PRESS-RELEASE

(Translation from Russian)

### The credit rating of PJSC «ALFA-BANK» is confirmed

**August 8, 2014** at the meeting of the Rating committee it has been decided to confirm a long-term credit rating of PJSC «ALFA-BANK» (23494714) at the level uaAA+ according to the national Ukrainian scale. Bank or separate bond instrument with rating uaAA+ is characterized by a very high solvency compared to other Ukrainian borrowers or bond instruments. Summarizing the results of the Bank's activities in the first half of 2014, the Agency was guided by the following key conclusions:

1. According to the results of the H1 of 2014 key balance sheet indicators of PJSC «ALFA-BANK» have demonstrated positive dynamics:

- Shareholders' equity of the Bank has increased by 0.03% and has amounted to UAH 4.2 bn;
- Liabilities of PJSC «ALFA-BANK» have grown by 23.73% or by UAH 5.96 bn;
- Assets of the Bank have grown by 20.33% or by 5.96 bn and have amounted to UAH 35.26 bn;
- Gross loans and advances to customers of the Bank have grown by 17.73% or by UAH 3.9 bn – up to UAH 25.9 bn.

Table 1

#### Key balance sheet indicators of PJSC «ALFA-BANK» according to the results of the H1 of 2014

UAH ths, %, p.p.

Indicators	01.07.2014	01.01.2014	Change	Growth rate, %
<b>Shareholders' equity</b>	<b>4,199,863</b>	<b>4,198,789</b>	<b>1,074</b>	<b>0.03%</b>
Share capital	4,639,121	4,639,121	0	-
Shareholders' equity/Assets ratio, %	11.91%	14.33%	-2.42 p.p.	-
<b>Total liabilities</b>	<b>31,059,674</b>	<b>25,103,457</b>	<b>5,956,217</b>	<b>23.73%</b>
<i>Including liabilities in foreign currency</i>	<i>21,580,949</i>	<i>16,342,938</i>	<i>5,238,011</i>	<i>32.05%</i>
Due to banks	5,416,607	4,607,800	808,807	17.55%
Due to individuals	10,093,325	9,258,256	835,069	9.02%
Due to legal entities	6,752,858	6,579,432	173,426	2.64%
<b>Total assets</b>	<b>35,259,537</b>	<b>29,302,246</b>	<b>5,957,291</b>	<b>20.33%</b>
Liquid assets (Cash and cash equivalents + Mandatory reserves with NBU + Due from other banks)	7,951,869	6,184,819	1,767,050	28.57%
<b>Gross loans and advances to customers</b>	<b>25,910,557</b>	<b>22,008,944</b>	<b>3,901,613</b>	<b>17.73%</b>
Provision for loan impairment	3,005,190	1,784,135	1,221,055	68.44%
Provision for loan impairment/Gross loans and advances to customers ratio, %	11.60%	8.11%	3.49 p.p.	-
Securities available for sale	1,273,919	990,955	282,964	28.55%
<b>Liquid assets/Liabilities ratio, %</b>	<b>25.60%</b>	<b>24.64%</b>	<b>0.96 p.p.</b>	<b>-</b>

Source: data of PJSC «ALFA-BANK», calculations by RA «Expert-Rating»

Key components of the resource base of PJSC «ALFA-BANK» in the period from 01.01.2014 to 01.07.2014 have shown the following values:

- Due to individuals has increased by 9.02% (whereas across the whole banking system it has decreased by 3.03%);
- Due to legal entities has grown by 2.64% (whereas across the whole banking system it has increased by 0.42%);
- Due to banks has increased by 17.55%.

The above mentioned statistics indicate that in the first half of 2014 PJSC «ALFA-BANK» has not been affected by the tendency of the outflow of the retail customer accounts in hryvnia equivalent.

2. In the period from 01.01.2014 to 01.07.2014 the equity normative indicators of PJSC «ALFA-BANK» (N1, N2 and N3) have demonstrated a multidirectional dynamics:

- The regulatory capital of the Bank (N1) has increased by 14.92% (in the first quarter the growth rate was fixed at 6.35%);
- The normative value of the regulatory capital adequacy ratio (N2) has decreased by 1.59 p.p. (in the first quarter it decreased by 0.66 p.p.);
- The normative value of the regulatory capital to total assets ratio (N3) has reduced by 1.15 p.p. (in the first quarter it decreased by 2.19 p.p.), i.e. in the second quarter the value of N3 improved.

Despite the decrease of N2 and N3, their values complied not only with a great reserve with respect to the limits set by NBU, but also were higher than the averages of these normative indicators across the banking system.

Table 2

**Key normative indicators of PJSC «ALFA-BANK» according to the results of the H1 of 2014**

UAH ths, %, p.p.

Normative indicators	The normative value limit set by NBU	01.07.2014		01.01.2014		Change, UAH ths, p.p.
		The Bank's normative value	The average of the system	The Bank's normative value	The average of the system	
Regulatory capital (N1), UAH ths	Not less than UAH 120,000 ths	5,885,284	-	5,121,222	-	764,062
Regulatory capital adequacy ratio (N2), %	Not less 10%	17.42%	15.87%	19.01%	18.26%	-1.59 p.p.
Regulatory capital/Total assets ratio (N3), %	Not less 9%	15.36%	12.56%	16.51%	13.98%	-1.15 p.p.
Instant liquidity ratio (N4), %	Not less 20%	168.89%	48.50%	177.92%	56.99%	-9.03 p.p.
Current liquidity ratio (N5), %	Not less 40%	164.13%	78.71%	148.70%	80.86%	15.43 p.p.
Short-term liquidity ratio (N6), %	Not less 60%	85.14%	85.16%	79.89%	89.11%	5.25 p.p.
Normative indicator of large loan risks (N8), %	Not more 800%	207.58%	243.58%	219.64%	172.05%	-12.06 p.p.
Normative indicator of the maximum amount of loans, guarantees and sureties issued to the insiders (N10), %	Not more 30%	0.56%	1.54%	1.78%	1.63%	-1.22 p.p.

Source: data of PJSC «ALFA-BANK», NBU, calculations by RA «Expert-Rating»

The liquidity normative indicators of PJSC «ALFA-BANK» in the first half of 2014 have shown a multidirectional dynamics, but they have remained above the banking system's averages:

- Instant liquidity ratio normative indicator of the Bank (N4) has decreased by 9.03 p.p. down to 168.89% with the average value 48.5% on the system;
- Current liquidity ratio normative indicator (N5) continued growing and has increased by 15.43 p.p. up to 164.13% with the average value 78.71% on the system;
- Short-term liquidity ratio normative indicator of the Bank (N6) has grown by 5.25 p.p. up to 85.14% with the average value 85.16% on the system.

Therefore, on 01.07.2014 PJSC «ALFA-BANK» has formed a sufficient reserve of instant, current and short-term liquidity, and N4 and N5 of the Bank have exceeded the averages by several times. At the same time, N6 of the Bank has been approaching the average market level.

3. In the H1 of 2014 PJSC «ALFA-BANK» has received a net profit in the amount of UAH 3.9 mln that is by 55.81% less than in the same period of 2013. The Agency gives a positive assessment to the fact of the Bank's profitability in the difficult period for the economy of Ukraine.

Table 3

**Selected indicators of income and expenses of PJSC «ALFA-BANK»**

UAH ths, %, p.p.

Indicators	H1 of 2014	H1 of 2013	Change	Growth rate, %
Net interest income	837,428	770,461	66,967	8.69%
Net fee and commission income	286,705	222,443	64,262	28.89%
Net fee and commission income/Net interest income ratio	34.24%	28.87%	5.37 p.p.	-
Gains less losses from operations with securities in the trading portfolio of the bank	457,460	251	457,209	-
Gains less losses from operations with foreign currency	19,243	44,142	-24,899	-56.41%
Administrative and other operating expenses	824,699	674,698	150,001	22.23%
<b>Net profit</b>	<b>3,900</b>	<b>8,826</b>	<b>-4,926</b>	<b>-55.81%</b>
<b>ROE, %</b>	<b>0.09%</b>	<b>0.21%</b>	<b>-0.12 p.p.</b>	<b>-</b>

Source: data of PJSC «ALFA-BANK», calculations by RA «Expert-Rating»

The Agency also draws attention that in the H1 of 2014 the Bank has increased provision for impairment of loans and due from other banks by UAH 1.33 bn and has decreased the gains less losses from operations with foreign currency by UAH 24.9 mln compared to the same period of 2013. Probably, these factors have caused the decrease in net profit of the Bank in the Q1 of 2014. We should pay attention to the increase in the net interest income of PJSC «ALFA-BANK» by UAH 66.97 mln or by 8.69% in the H1 of 2014, as well as the increase in the net fee and commission income by UAH 64.26 mln or by 28.89%. Such positive dynamics indicates a growing potential of profitability of the Bank's operations under favorable market conditions.

Therefore, PJSC «ALFA-BANK» has entered the second half of 2014 with a sufficient reserve of equity and liquidity, while its activities remained profitable. At the same time, in the first half of 2014 the growth rate of due to legal entities of the Bank in hryvnia equivalent have been higher than at the banking system of Ukraine, and the due to individuals of the Bank in hryvnia equivalent grew on the back of their outflow from the banking system. These factors have provided the basis for the Agency's decision to confirm the long-term credit rating of the Bank at a very high level.

*Analytical service of RA «Expert-Rating»*