

**Rating action:** Update of a long-term credit rating according to the national scale

Date of rating action: 21.09.2016

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**The issuer:** PJSC "CREDIT AGRICOLE BANK"

USREOU code of the issuer: 14361575

Web-site of the issuer: [www.credit-agricole.ua](http://www.credit-agricole.ua)



## Rating of PJSC "CREDIT AGRICOLE BANK" is updated

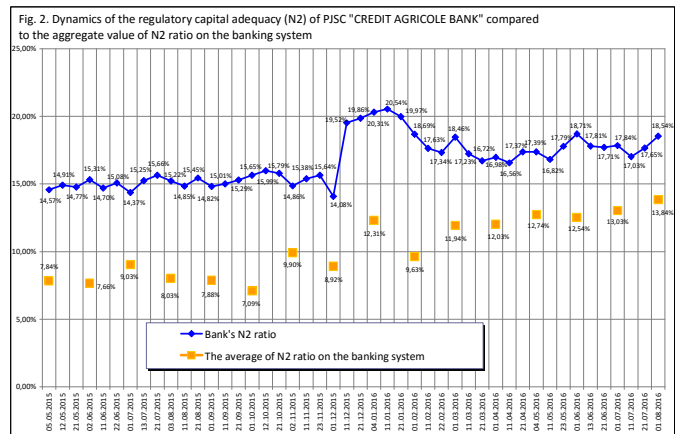
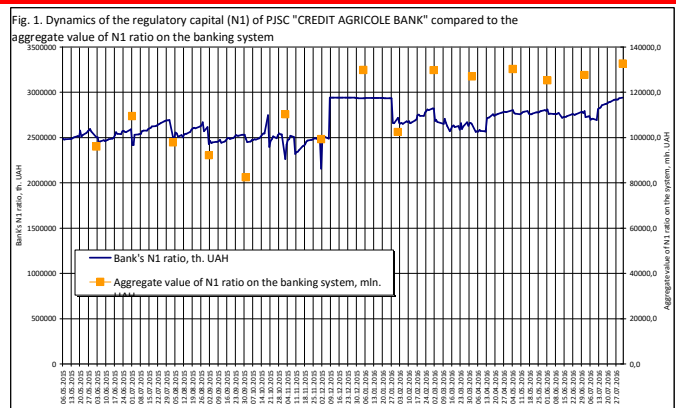
**September 21, 2016** The rating committee of RA "Expert-Rating" has decided to update the credit rating of PJSC "CREDIT AGRICOLE BANK" (14361575) at the level *uaAAA* according to the national scale. The borrower with rating *uaAAA* is characterized by the highest solvency compared to other Ukrainian borrowers. Making decision to update the credit rating according to the national scale, the Agency was guided by the results of the Bank's activity for the first half of 2016, as well as by the specific forms of the Bank's statistical statements for July of 2016.

### Equity and capital adequacy

Regulatory capital of PJSC "CREDIT AGRICOLE BANK" (N1) for the period from 04.01.2016 to 01.08.2016 has grown by 0.26% (from UAH 2.933 bn up to UAH 2.941 bn), while a total value of N1 ratio on the banking system of Ukraine has grown by 2.21%. Throughout the first seven months of 2016 the Bank's regulatory capital (N1) has fluctuated in the ranges from UAH 2.569 bn up to 2.941 bn.

Regulatory capital adequacy normative of PJSC "CREDIT AGRICOLE BANK" (N2) as of 01.08.2016 has amounted to 18.54% that is by 1.77 p.p. less than as of 04.01.2016. For the same period the average value of N2 ratio on the system of the Ukrainian banks has grown by 1.53 p.p., from 12.31% as of 04.01.2016 up to 13.84% as of 01.08.2016.

Throughout the first seven months of 2016 PJSC "CREDIT AGRICOLE BANK" has been very well provided with regulatory capital, has maintained the value of the bank's regulatory capital adequacy normative (N2) with reserve with respect to the normative value, set by NBU, as well as with reserve to the average of N2 ratio on the banking system.

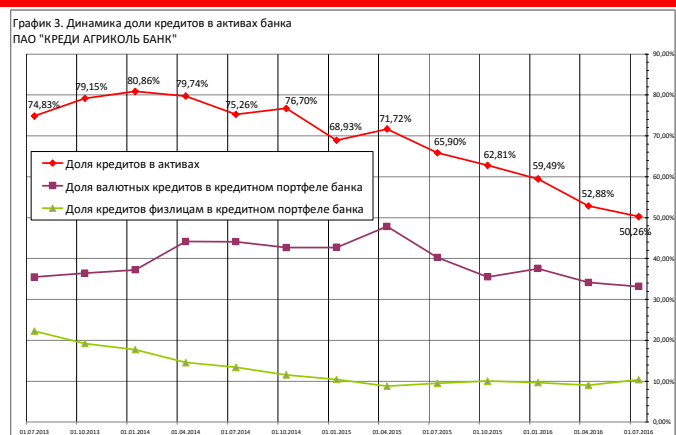


### Asset structure and quality

For the first half of 2016 assets of PJSC "CREDIT AGRICOLE BANK" have grown in hryvnia equivalent by 18.98% and as of 01.07.2016 have amounted to UAH 27.649 bn. At the same time, the volume of customer credits and debt of the Bank has shown the increase by 0.52% – up to UAH 13.896 bn.

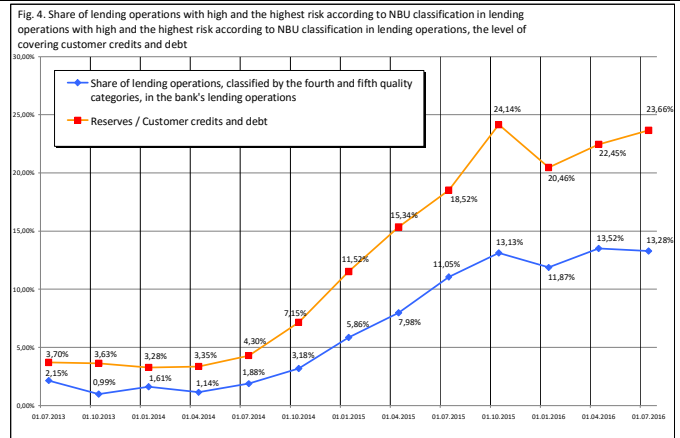
The Agency also draws attention that the share of the loan portfolio in assets of PJSC "CREDIT AGRICOLE BANK" has continued to demonstrate a downward trend: as of 01.07.2016 compared to 01.01.2016 it has decreased by 9.23 p.p. from 59.49% down to 50.26%.

Dynamics of the share of currency loans in the



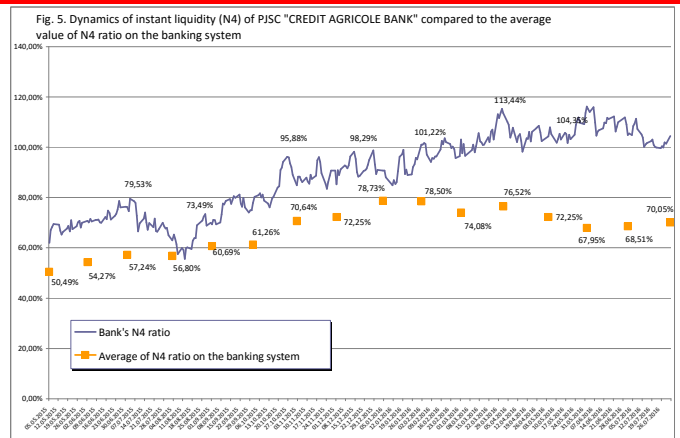
Bank's portfolio for the last 12 quarters has stabilized in the range 30-40%, and on 01.07.2016 this indicator has amounted to 33.16%.

The share of lending operations, classified by the fourth and fifth quality categories, in the Bank's lending operations throughout the three quarters, has demonstrated its growth, on 01.07.2016 it has amounted to 23.66%. The ratio between loan reserves and customer credits and debt since the beginning of 2016 has grown from 11.87% up to 13.28%. Statistics has reflected a moderate deterioration of the loan portfolio's quality that has corresponded to trends on the banking system.

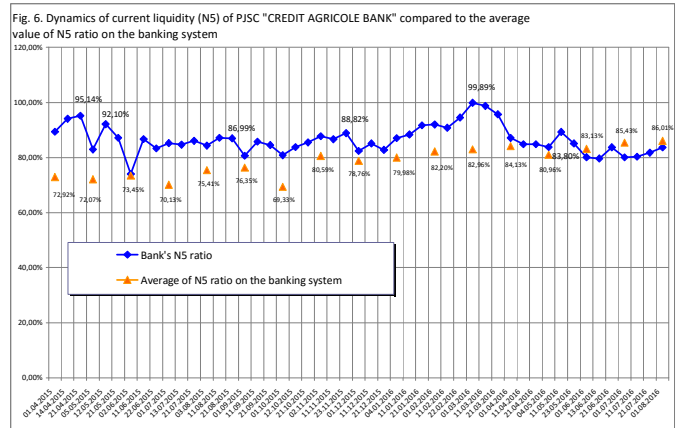


## Liquidity

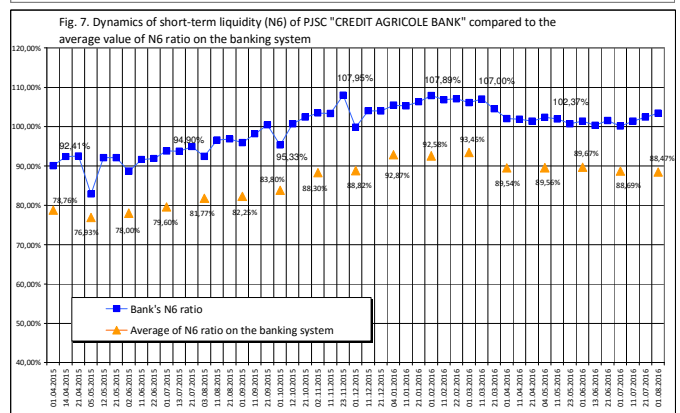
Throughout the first 7 months of 2016 the normative of the Bank's instant liquidity (N4) has fluctuated in the range from 84.92% up to 116.22%. As at the beginning of the second half of 2016 the Bank's N4 ratio with a great reserve has exceeded the limit, set by NBU, and the average of this normative on the banking system of Ukraine. As of 01.08.2016 the Bank's N4 ratio has amounted to 104.47% with the average value on the banking system 70.05%.



Current liquidity normative of the Bank (N5) for the first 7 months of 2016 has fluctuated in the range from 79.62% to 99.89%. That also has been higher than the normative value, set by NBU, as well as the average of the normative on the system. As of 01.08.2016 the Bank's N5 ratio has amounted to 83.66%, with the average value of N5 ratio on the system 86.01%.



Short-term liquidity normative of PJSC "CREDIT AGRICOLE BANK" (N6) throughout the first 7 months of 2016 has fluctuated in the range from 100.32% to 107.89%. As of 01.08.2016 the Bank's N6 ratio has amounted to 104.43%, with the average value of N6 ratio on the system 88.47%.



As at the beginning of May of 2016 all the three liquidity ratios of the Bank (N4, N5 and N6) with a noticeable reserve have exceeded the limits, set by NBU. The Bank's N4 and N6 ratios on a regular basis during all the monitoring period have exceeded the averages of these norms on the banking system, and the Bank's N5 ratio has been maximally close to the average value of the normative on the banking system.

Therefore, PJSC "CREDIT AGRICOLE BANK" on a regular basis has maintained a very great reserve on all the three liquidity ratios that indicate a high level of the Bank's provision with liquidity.

## Profitability of operations

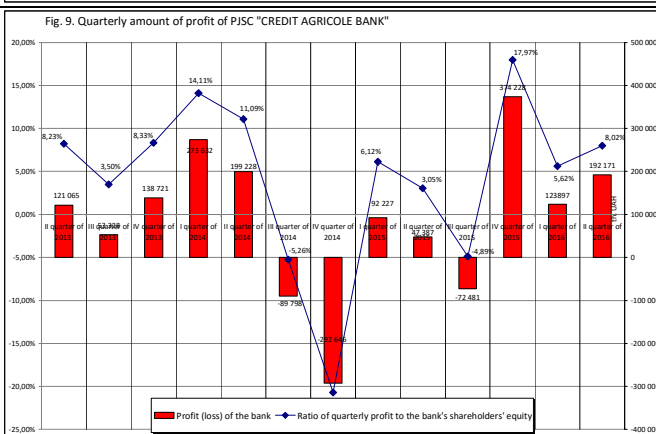
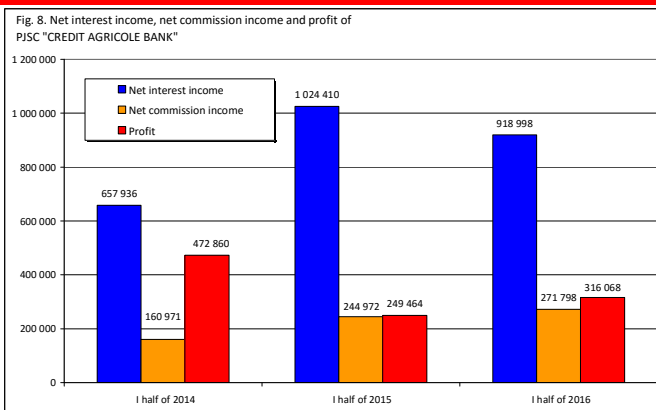
According to the results of the first half of 2016 PJSC “CREDIT AGRICOLE BANK” has received profit in the amount of UAH 316.068 mln, that is by 26.69% more than for the first half of 2015.

The Agency draws attention to the fact that Net interest income of the Bank for the first half of 2016 has been by 10.29% less than for the first half of 2015. At the same time, the Bank on net commission income has reached the reverse trend: for the same period the Bank’s NCI has grown by 10.95%.

Under conditions of excessive liquidity and fall of interest rates the substitution strategy of NII with commission income and income from trading operations provides good results.

From the last 12 quarters only the three ones have been unprofitable for the Bank. For the first quarter of 2016 the Bank’s profit has amounted to UAH 123.897 mln, for the second quarter – already UAH 192.171 mln.

The Agency highly estimates the Bank’s financial result according to the results of the first half of current year against the unprofitability of the Ukrainian banking system, as well as difficulties with conducting banking business in Ukraine.



## Other factors

As at the moment of updating the rating, according to the databases of the State Fiscal Service of Ukraine PJSC “CREDIT AGRICOLE BANK” didn’t have a tax debt to the SFS bodies.

Analysis of the unified state court register of Ukraine has shown that since the beginning of the year in respect of the Bank, there have been no court decisions, which could have an impact on its financial condition or hinder the activity in Ukraine.

Crédit Agricole Group finished the first half of 2016 with revenues in the amount of EUR 8.537 bn. At the same time, gross operating income of the Group has amounted to EUR 2.547 bn, and net income – EUR 1.425 bn. According to the results of the first half the Group remained one of the most capitalized banking groups in Europe, overall capital adequacy of the first level (Common Equity Tier 1 ratio) amounted to 14.2% at the end of the second quarter. The work results of Crédit Agricole Group indicate that the Group can provide an external support of its business in Ukraine. However, as shown by the analysis, at the beginning of August PJSC “CREDIT AGRICOLE BANK” didn’t need that, the Bank was well provided with equity and liquidity, and in the first half of 2016 its activity remained profitable.

## Generalization

PJSC “CREDIT AGRICOLE BANK” has entered the second half of 2016 with a good reserve of regulatory capital and liquidity, its activity has remained profitable. Throughout July of 2016 the Bank has also demonstrated a good reserve of equity and liquidity norms. The Bank didn’t have debt to tax authorities. The results of Crédit Agricole Group activity for the first half of 2016 show the availability of an unprecedented high level of external support for PJSC “CREDIT AGRICOLE BANK”.

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