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(Translation from Russian)

Credit rating is assigned to Alfa-Bank

At the meeting of the Rating committee it was decided to assign the credit rating at the level **uaAA+** according to the national scale to PJSC «ALFA-BANK» (23494714) (Alfa-Bank). The Bank or separate bond instrument with rating uaAA+ is characterized by a very high solvency compared to other Ukrainian borrowers or bonds.

Summarizing the results of the rating and assigning such a high level of long-term credit rating, the Agency was guided by the following key conclusions:

1. Alfa-Bank is a universal commercial bank, which is a part of the international Alfa Group Consortium. The Bank holds leading positions in key segments of the banking market of Ukraine. According to the ranking of NBU by asset volume, Alfa-Bank enters the group of the largest banks of the country in terms of assets.

2. The calculated share of Alfa-Bank in assets and liabilities as at 01.10.2013 has amounted to approximately 2.31% of the banking system of Ukraine. The Agency estimates the market share of the Bank in the banking system as above the calculated one. According to the Agency, the market share of the Bank in assets of the banking system amounts to approximately 3%. The Agency also draws attention that during 5 years there were the objective reasons according to which the Bank could minimize its exposure to certain segments of the market, avoiding unprofitable activities or unreasonable risks.

3. At the beginning of 2014, the regulatory capital of Alfa-Bank has repeatedly exceeded the norm, set by NBU. The norm of the regulatory capital adequacy (N2) and the norm of the ratio of the regulatory capital to total assets (N3) have exceeded not only the limits, set by NBU, but also the values of these norms attributed to the system.

4. The consolidated financial indicators of Alfa Group Consortium, confirmed by the auditing company PricewaterhouseCoopers, characterize significant size of the Group and the ability to support the Bank by the shareholders at a high level. At the beginning of 2013, assets of Alfa Group Consortium have amounted to USD 82.6 bn, and cash and its equivalents — USD 6.7 bn. The scale of the consortium shows that the key shareholder of Alfa-Bank is able to provide the Bank with an unprecedented high level of external financial and corporative support.

5. In its analysis of the Bank's assets the Agency has proceeded from the fact that the main component of profitable assets of Alfa-Bank has been the balance sheet entry "customer credits and debt", which has accounted for 69.05% of the total amount of assets. As of 01.01.2014, 11% of the volume of the loan operations of the Bank belongs to the fourth and fifth categories of risk, which are attributed by the Agency to the problem categories. Such proportion is insignificant in the Agency's opinion.

6. The situation with the liquidity's provision of Alfa-Bank can be characterized as sustainable. As of 01.10.2014, instant liquidity of the Bank (N4) has exceeded the norm by 157.92 p.p., N5 has been complied with reserve of 108.70 p.p. to the norm, and N6 has been by 19.89 p.p. higher than the norm.

7. The activity of Alfa-Bank according to the results of 2013 has been profitable. Net profit of the Bank has amounted to UAH 13.08 mln in 2013 that is by 63.92% less than in 2012. The decrease in net profit of the Bank matches the general trend on the banking system of Ukraine. The Agency considers a significant liquidity cushion of the Bank as reserve for increasing profitability when placing these resources in the loan market.

Full justification of the rating of RA "Expert-Rating" is contained in the rating report.

Analytical service of RA «Expert-Rating»