

**Rating action:** Update of a long-term credit rating according to the national scale  
 Date of rating action: 04.10.2018  
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**The issuer:** JSC «ALFA-BANK»  
 USREOU code of the issuer: 23494714  
 Web-site of the issuer: [www.alfabank.ua](http://www.alfabank.ua)



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

**October 4, 2018** at the meeting of the Rating committee of RA «Expert-Rating» it was decided to affirm the long-term national Ukrainian scale rating of JSC «ALFA-BANK» (23494714) (The Bank) 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 of the bonds of the Bank in circulation at the level uaAAA. Making this decision, the Agency was guided by the results of the Bank's activity for the II quarter of 2018, as well as by the conclusions drawn from the analysis of financial and statistical statements of the Bank for January–August of 2018.

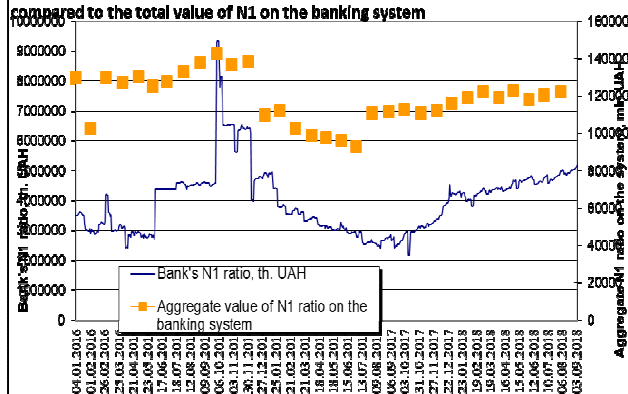
### Equity and capital adequacy

During the 12 months of 2017 and January-August of 2018, the Bank's regulatory capital ratio (N1) fluctuated in the range UAH 2.157–5.177 bln. The Bank's N1 economic standard demonstrated multidirectional dynamics with prominent upward trends from 10.10.2017 to 03.09.2018. The Bank's N1 indicator as of 03.09.2018 amounted to UAH 5.177 bln, which significantly exceeded the normative threshold value of N1 normative standard set by NBU at the level of UAH 200 mln.

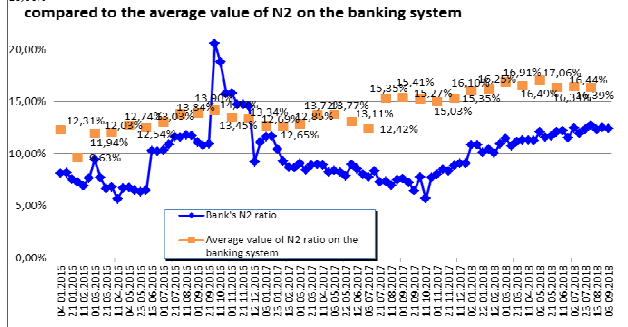
In 2017, the normative ratio of the regulatory capital adequacy of JSC «ALFA-BANK» was slightly lower than the normative threshold value of N2 ratio, set by the NBU Resolution № 368 from 28.08.2001 (hereinafter – the Resolution №368;  $N2 > 10\%$ ). At the same time, the normative ratio N2 remained within the normative threshold values, set by the NBU Resolution № 260 from 15.04.2015 “On conducting a diagnostic examination of banks” (hereinafter – the Resolution №260). Since the beginning of 2018, the regulatory capital adequacy ratio demonstrated an upward trend and since 02.01.2018 exceeded the normative threshold level of 10% on a regular basis. During the first 8 months of 2018, the Bank has increased the reserve to the N2 normative ratio and as of 03.09.2018 the Bank's N2 ratio amounted to 12.42%.

Therefore, in the Agency's opinion, at the beginning of June, 2018 the Bank was well provided with regulatory capital.

**Fig. 1. Dynamics of the regulatory capital (N1) of PJSC «ALFA-BANK» compared to the total value of N1 on the banking system**



**Fig. 2. Dynamics of the regulatory capital adequacy (N2) of PJSC «ALFA-BANK» compared to the average value of N2 on the banking system**



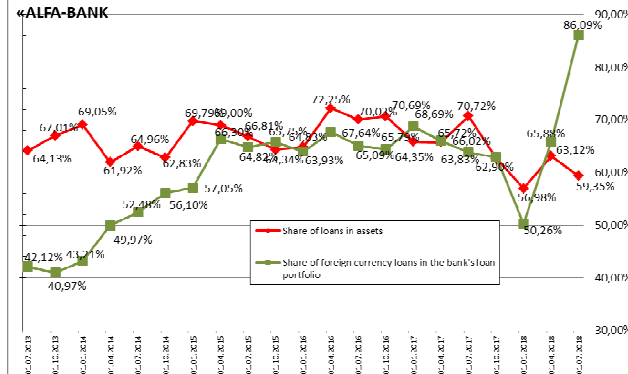
### Asset structure and quality

For the last 21 quarters, the loan portfolio of the Bank was characterized by the following:

- The share of loans in the Bank's assets (in hryvnia equivalent) fluctuated in the range 56.48–72.25%;
- The share of currency loans (in hryvnia equivalent) in the Bank's loan portfolio fluctuated in the range 40.97%–68.69%.

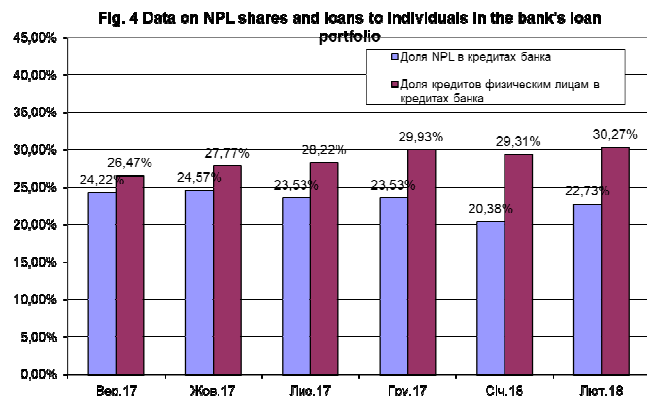
Besides that, one should note that in the period from 01.09.2017 to 01.08.2018 the share of loans to individuals in the Bank's loans fluctuated in the range 26.47%–34.54%. At the same period, the share of NPLs, calculated by the Agency as the sum of the fifth class for

**Fig. 3. Individual characteristics of the loan portfolio of PJSC «ALFA-BANK»**



the loans to individuals and the tenth class for the loans to legal entities, fluctuated in the range 20.38%–26.31%. (Data on the figure 4 is calculated before provision).

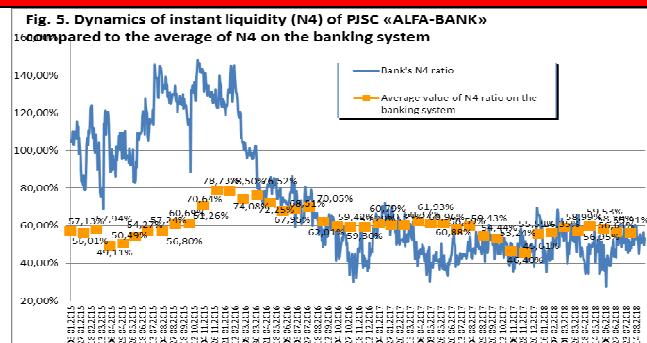
As of 01.08.2018, the share of NPLs in the Bank's loans amounted to 23.17%. This indicator implies the conclusion about a very good quality of the loan portfolio of JSC «ALFA-BANK». The average value of NPL share on the banking system as of 01.06.2018 exceeded 56%. Therefore, in the Agency's opinion, the share of the Bank's NPLs in loans was considerably lower than the average market level.



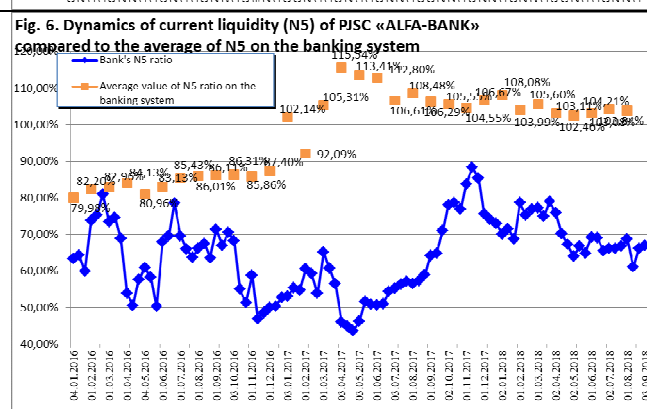
## Liquidity

During 2017 and the first 8 months of 2018, JSC «ALFA-BANK» had a good liquidity cushion with a noticeable reserve to the ratios set by NBU, as revealed by the analysis of the Bank's liquidity ratios.

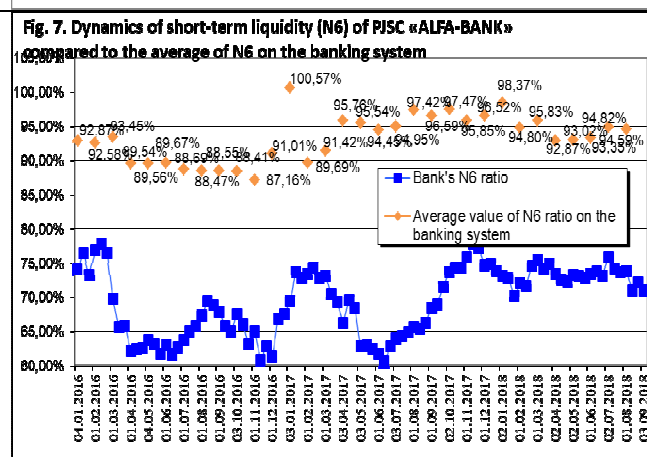
Thus, the Bank's instant liquidity normative standard since the beginning of 2017 and up to September of 2018 was periodically exceeding the average value of the Bank's N4 ratio on the banking system. During the entire analyzed period, the Bank's N4 ratio was significantly higher than the minimum accepted value, set by NBU (20%). As of 03.09.2018, the Bank's N4 ratio amounted to 53.32% that was by 33.32 p.p. higher than the normative threshold value of N4 ratio, set by NBU.



During the 12 months of 2017, as well as January-August of 2018 the current liquidity normative standard (N5) of JSC «ALFA-BANK» was kept above the normative threshold value, set by NBU, but below the banking system average. Since May 2017, the Bank created a significant reserve to the N5 ratio with respect to the normative threshold value, set by NBU. On 03.09.2018, the Bank's N5 ratio amounted to 66.90%, which by 46.9 p.p. exceeded the normative threshold value, set by NBU.



During the 12 months of 2017 as well as January-August of 2018, the short-term liquidity normative standard (N6) of JSC «ALFA-BANK» was kept above the normative threshold value, set by NBU, but below the banking system average. As of 03.09.2018, the Bank's N6 ratio amounted to 70.97% that was by 10.97 p.p. higher than the normative threshold value of NBU, set for this normative standard.



Assessing the dynamics of the Bank's liquidity ratios, it should be definitely taken into consideration that in 2017 and during the first 8 months of 2018, the Bank maintained a noticeable reserve to the N4, N5 and N6 ratios with respect to the normative threshold values, set by NBU, and this reserve as of 03.09.2018 was significant.

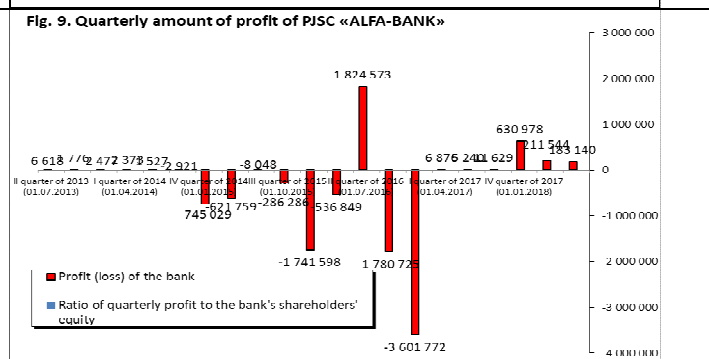
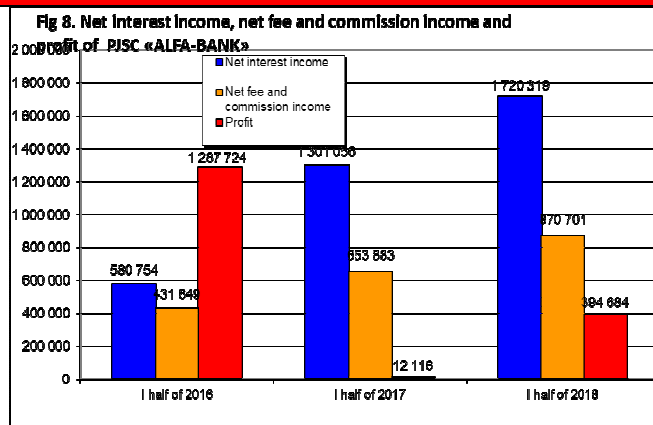
Due to significant liquidity, generated by the state banks, the banking system liquidity ratios averages stopped to be demonstrative and to indicate the relative degree of banks' provision with liquidity. Due to favorable macroeconomic conditions, the Agency still gives a positive assessment to the processes of liquidity reserve optimization and increase in the Bank's loan activity, which already positively affects its interest income.

## Profitability of operations

The Agency reminds that according to the results of 2017 the Bank's net profit amounted to UAH 654.723 mln. JSC «ALFA-BANK» finished the first half of 2017 with the profit of UAH 12.116 mln, and the first half of 2018 – with the profit of UAH 394.684 mln.

A significant increase of the Bank's profit was accompanied by an increase in the net interest and net fee and commission income. For the six consecutive quarters, JSC «ALFA-BANK» remained profitable. JSC «ALFA-BANK» confidently demonstrates the ability to increase key income components.

The Agency still appreciates the Bank's return to the practice of profitable activities, so far on a systematic basis. The Agency still expects that in the future the Bank's activities will remain profitable. The Bank enjoys, though weak, but economic growth, as well as the market oriented business model, which on the back of the good quality of its loan portfolio, proved itself well in the Ukrainian crisis conditions.



## Other factors

Verification on public databases of the State Fiscal Service revealed that JSC «ALFA-BANK» was registered in the files of the SFS. At the moment of rating update, the Bank as a taxpayer didn't have a tax debt.

In May 2018, JSC «ALFA-BANK» was included into the 34 banks, authorized by the Ministry of Finance of Ukraine to pay pensions, cash aid and salaries to the employees of budget organizations.

## Summary

At the moment of rating update, JSC «ALFA-BANK» fulfilled its commitments to customers and creditors according to current legislation and wasn't referred by NBU to the category of problem banks.

JSC «ALFA-BANK» finished the first quarter of 2018 with the profit of UAH 211.544 mln, for the first half of 2018 the Bank's profit amounted to UAH 394.684 mln. During the six consecutive quarters, the Bank's activities remained profitable. Besides that, in the first half of 2018 the Bank still enjoyed a noticeable increase in the net interest and net fee and commission income.

In the Agency's opinion, JSC «ALFA-BANK» had a good liquidity cushion, at the same time the level of the Bank's provision with instant liquidity was increased in January-August of 2018. The Bank on a constant basis maintained a noticeable reserve to all the liquidity ratios with respect to the normative threshold value, set by NBU. Furthermore, since the beginning of 2018 JSC «ALFA-BANK» demonstrated progress in creating the reserve to the regulatory capital adequacy. As of 03.09.2018 the Bank's N2 ratio equaled to 12.42%.

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