

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

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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



www.expert-rating.com

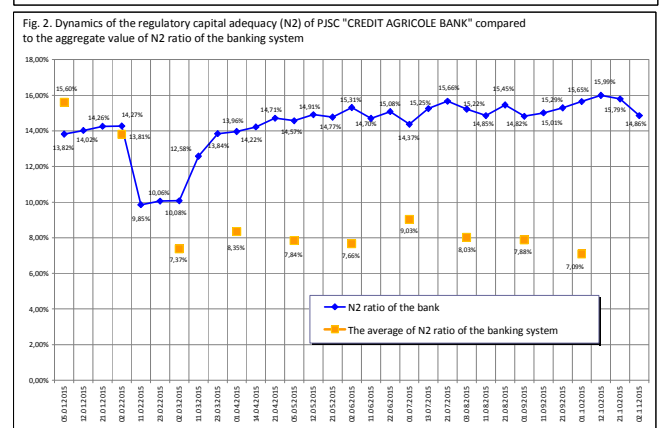
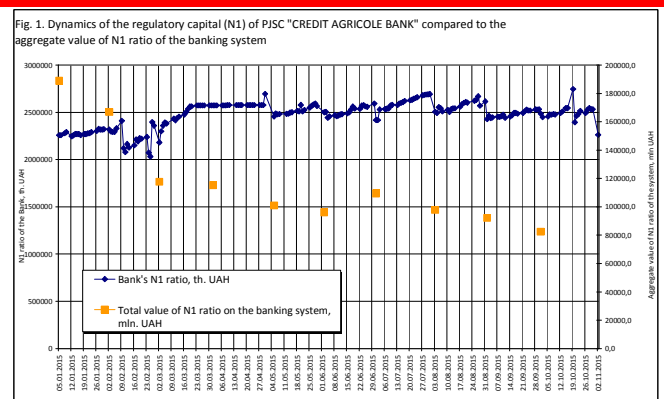
Credit ratings of PJSC "CREDIT AGRICOLE BANK" are confirmed

November 25, 2015 the rating committee of RA "Expert-Rating" has decided to confirm the credit rating of PJSC "CREDIT AGRICOLE BANK" (14361575) and the Bank's bonds 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 confirm the credit rating according to the national scale, the Agency was guided by the key results of the Bank's activity for the 9 months of 2015, as well as by the specific and regular information of the Bank as an issuer of securities and separate forms of statistical statements of the Bank.

Equity and capital adequacy

As of 02.11.2015 the regulatory capital of PJSC "CREDIT AGRICOLE BANK" (N1) amounted to UAH 2,262 bn that was by 0,15% more than as at the beginning of 2015 (on 05.01.2015). For the period from 05.01.2015 to 01.10.2015 a total value of N1 ratio on the banking system of Ukraine decreased by 56,37%. During the third quarter of 2015 (in the period from 01.07.2015 to 01.10.2015) the Bank's regulatory capital (N1) fluctuated in the range from UAH 2,417 bn. up to UAH 2,693 bn.

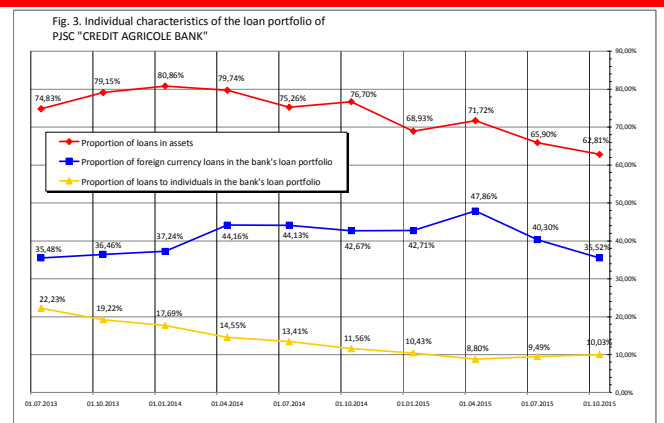
The normative of the regulatory capital adequacy of PJSC "CREDIT AGRICOLE BANK" (N2) as of 02.11.2015 amounted to 14,86% that was by 1,04 p.p. more than as of 05.01.2015. At the same time, the average of N2 ratio on the banking system of Ukraine demonstrated a noticeable decrease: from 15,60% as of 05.01.2015 down to 7,09% as of 01.10.2015, i.e. by 8,51 p.p. Dynamics of the normative of the Bank's regulatory capital adequacy (N2) in the third quarter of this year was noticeably better than dynamics of the average of N2 ratio on the banking system of Ukraine. During the third quarter of 2015 the Bank's N2 ratio fluctuated in the range from 14,37% up to 15,66%, i.e. PJSC "CREDIT AGRICOLE BANK" maintained N2 ratio with a noticeable reserve and with respect to the minimum, set by the regulator, as well as with respect to the average of this normative on the banking system.



Structure and quality of assets

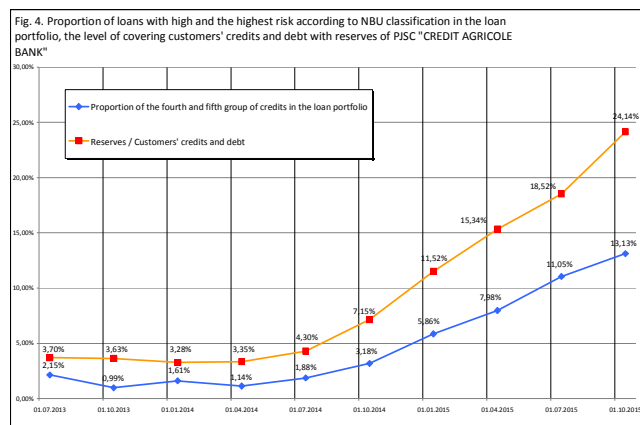
For the 9 months of 2015 assets of PJSC "CREDIT AGRICOLE BANK" in hryvnia equivalent increased by 3,81% (for the first half of 2015 assets showed an increase by 2,45%), while customer credits and debt of the Bank decreased by 5,40% (for the first half the loan portfolio increased by 2,05%). In the third quarter of this year the Bank continued to increase loan provisions: for the period from 01.01.2015 to 01.10.2015 its volume grew almost in twice (by 98,20%), and for the first half of this year the increase in reserves amounted to 57,38%.

In the structure of the loan portfolio of PJSC "CREDIT AGRICOLE BANK" for the period from 01.01.2015 to 01.10.2015 there were the following changes:



- the proportion of currency loans decreased by 7,19 p.p.: from 42,71% down to 35,52% (at the same time, it should be noted a rise of the proportion of currency loans as of 01.04.2015 up to the level 47,86% that was a reflection of a sharp volatility of hryvnia exchange rate);
 - the proportion of credits and debt of individuals decreased by 0,40 p.p.: from 10,43% down to 10,03%.

For the 9 months of 2015 the proportion of lending operations, classified by the fourth and fifth categories of quality (that is with the high and the highest risk), in the Bank's lending operations grew from 5,86% up to 13,13%, i.e. by 7,27 p.p.



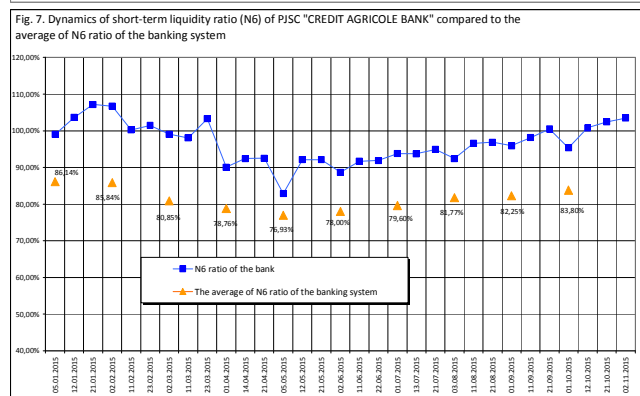
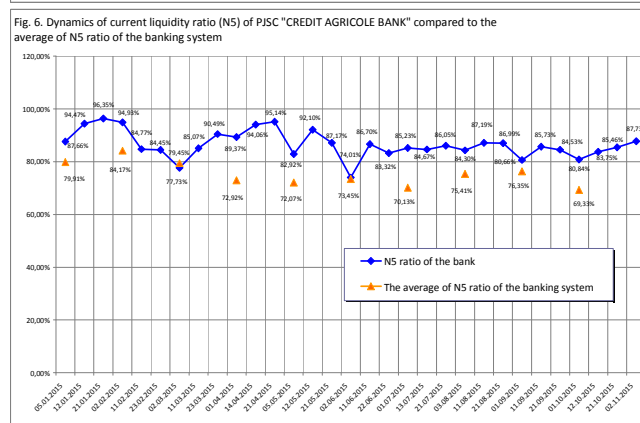
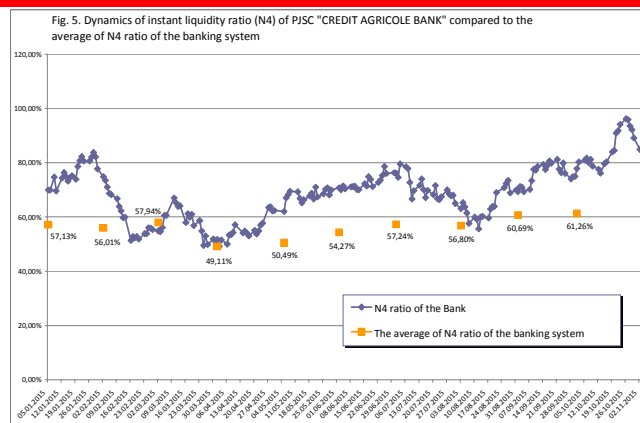
Liquidity

The normative of instant liquidity ratio of PJSC "CREDIT AGRICOLE BANK" (N4) for the period from 05.01.2015 to 02.11.2015 grew by 14,99 p.p. and amounted to 84,92%, with the limit value – not less 20%. During the third quarter of this year the normative of the Bank's instant liquidity ratio (N4) fluctuated in the range from 55,61% up to 81,20%. As at the beginning of the fourth quarter of 2015 the Bank's N4 ratio exceeded the limit, set by NBU, and the average of this normative on the banking system of Ukraine (by 57,85 p.p. and 16,59 p.p., respectively).

The normative of current liquidity ratio of PJSC "CREDIT AGRICOLE BANK" (N5) in the third quarter of 2015 fluctuated in the range from 80,66% up to 87,19%. During the entire third quarter the Bank's N5 ratio were by several percentage points higher than the average indicators of this normative on the banking system of Ukraine (the excess of the Bank's N5 ratio over the market averages of N5 ratio fluctuated in the range from 4,31 p.p. up to 15,10 p.p.). As of 02.11.2015 compared to 05.01.2015 the normative of current liquidity ratio of the Bank (N5) increased by 0,07 p.p. and amounted to 87,73%, with the limit level, set by the regulator – not less than 40%.

The normative of short-term liquidity ratio of PJSC "CREDIT AGRICOLE BANK" (N6) during the third quarter of this year fluctuated in the range from 92,43% up to 100,45%. During the first 10 months of 2015 the Bank's N6 ratio exceeded the average of N6 ratio on the banking system of Ukraine, in the third quarter such excess was at the level 10,66-14,20 p.p. As of 02.11.2015 compared to 05.01.2015 the normative of the Bank's short-term liquidity ratio (N6) grew by 4,48 p.p. and amounted to 103,47%, with the limit value of this normative, set by NBU, at the level of not less 60%.

Therefore, at the beginning of the fourth quarter of 2015 all the three liquidity ratios of PJSC "CREDIT AGRICOLE BANK" (N4, N5 and N6) with a significant reserve exceeded not only the limits, set by NBU, but also the average indicators of these ratios on the banking system of Ukraine that indicated a high level of the Bank's provision with liquidity.



Profitability of operations

According to the results of the 9 months of 2015 the profit of PJSC “CREDIT AGRICOLE BANK” amounted to UAH 67,132 mln that is by 82,47% less than for the same period of 2014. The key factors of the decrease in the Bank’s profit became: the increase in deductions to loan provisions and funds in other banks in 1,9 times, the decrease of the result from operations with foreign currency by 63,57% and a negative result from the revaluation of foreign currency in the amount of UAH 71,075 mln.

At the same time, the Agency draws attention to high indicators of the increase in key items of revenues of PJSC “CREDIT AGRICOLE BANK”. Thus, according to the results of the 9 months of this year compared to the same period of last year net interest income of the Bank increased by 61,61% or by UAH 619,186 mln, and net commission income grew by 39,91% or by UAH 106,122 mln. As well, the Agency notes the reduction of the Bank’s administrative and other operating costs by 0,16%

The Agency reminds that the first two quarters of 2015 were profitable for PJSC “CREDIT AGRICOLE BANK” (in the first quarter the Bank’s profit amounted to UAH 92,227 mln, and in the second – UAH 47,387 mln.). However, in the third quarter of this year the Bank received a loss in the amount of UAH 72,481 mln. Under conditions of a complicated economic situation such financial result of the Bank can be considered predictable. At the same time, the Agency highly assesses the Bank’s ability to generate and increase revenues, as well as the fact that according to the 9 months of 2015 PJSC “CREDIT AGRICOLE BANK” showed profit, while a total financial result of the Ukrainian banks for this period was negative.

Fig. 8. Net interest income, net commission income and profit of PJSC “CREDIT AGRICOLE BANK”

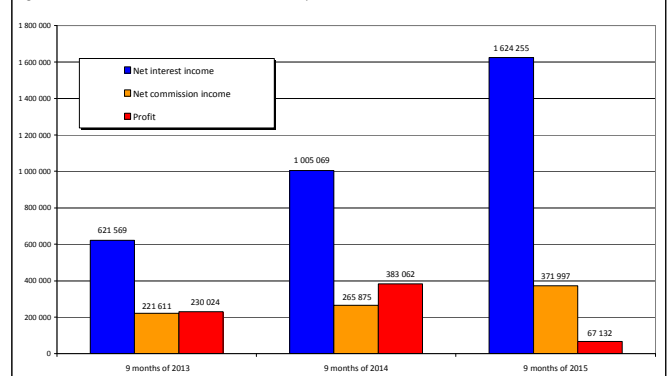
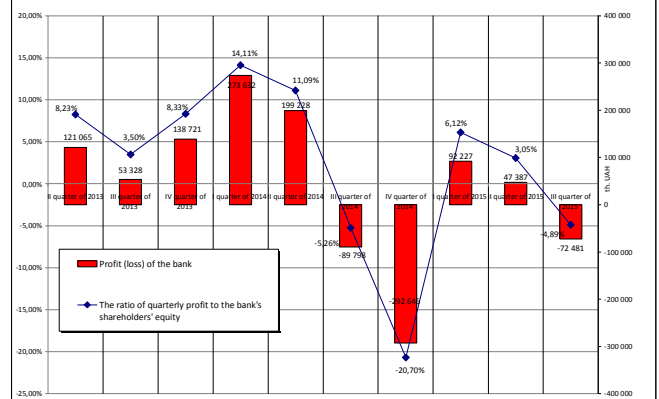


Fig. 9. Quarterly volume of profit of PJSC “CREDIT AGRICOLE BANK”



Other factors

Verification on public databases of the State Fiscal Service showed that with respect to the Bank there are no court decisions which would have a significant impact on its stability or the results of its work

Generalization

PJSC “CREDIT AGRICOLE BANK” entered the fourth quarter of 2015 with a good reserve of regulatory capital: as of 01.10.2015 the normative of the regulatory capital adequacy of the Bank (N2) exceeded the limit, set by NBU, by 5,65 p.p. and was by 8,56 p.p. higher than the average of N2 ratio on the banking system of Ukraine. As of 02.11.2015 the Bank’s N2 ratio amounted to 14,86% with the limit – not less 10%.

As of 01.10.2015 the proportion of currency loans in the loan portfolio of PJSC “CREDIT AGRICOLE BANK” amounted to 35,52%, and the proportion of credits and debt of individuals – 10,03%. For the period from 01.01.2015 to 01.10.2015 the proportion of lending operations, classified by IV and V categories of quality (i.e. with high and the highest risk) in the Bank’s lending operations grew by 7,27 p.p.: from 5,86% up to 13,13%.

As at the beginning of the fourth quarter of 2015 all the three liquidity ratios of PJSC “CREDIT AGRICOLE BANK” (N4, N5 and N6) with a significant reserve exceeded not only the limits, set by NBU, but also the average indicators of these ratios on the banking system of Ukraine that indicated a high level of the Bank’s provision with liquidity.

According to the results of the 9 months of 2015 the profit of PJSC “CREDIT AGRICOLE BANK” amounted to UAH 67,132 mln that is by 82,47% less than for the same period of 2014. The first two quarters of 2015 were profitable for PJSC “CREDIT AGRICOLE BANK”, however, in the third quarter the Bank received a loss that under conditions of a complicated economic situation can be considered predictable.

At the same time, the Agency highly assesses the Bank’s ability to generate and increase revenues, as well as the fact that according to the 9 months of 2015 PJSC “CREDIT AGRICOLE BANK” showed profit, while a total financial result of the Ukrainian banks still demonstrates a high level of loss.

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