

**The rating report**  
(version for publication)  
(on basis of the Agreement no. 67/RA of June 22, 2011)



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|---|--|
| Credit rating of the Bank according to Ukrainian national scale | <b>uaAA+</b>   |
| Interpretation of rating according to the national scale:       | The Bank is characterized by very high credit capacity in comparison with other Ukrainian banks.<br>(The Rating is defined according to the rating scale approved by the Resolution of the Cabinet of Ministers of Ukraine No. 665 of April, 26th, 2007) |
| Rating date:  | <b>July 11, 2011</b>   |



**Public Joint Stock Company**  
**'CREDIT AGRICOLE BANK'**  
(Full name of the Bank)

42/4, Pushkinska str., 01004, Kiev, Ukraine  
(legal address of the Bank)

42/4, Pushkinska str., 01004, Kiev, Ukraine  
(de facto address of the Bank)

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|---------------------------|---|
| Incorporation date:       | February 10, 1993   |
| Former names of the Bank: | 10.02.93 – Commercial bank 'Golden lion'; 10.05.94 – Joint-stock company Commercial bank 'Golden lion'; 28.10.96 - Joint-stock company 'INDUSTRIAL EXPORT BANK'; 22.09.2009 – Public Joint-stock company 'INDUSTRIAL EXPORT BANK'; 21.03.2011 - Public Joint-stock company 'CREDIT AGRICOLE BANK' |
| USREOU code:              | 14361575  |
| Auditors                  | Ernst & Young; Audit Company 'APIK'   |
| Phone                     | +38 (044) 393-76-37   |
| Fax                       | +38 (044) 581-07-66   |
| Chairman of Board         | <b>Yevgeniya Chemerys</b> , acting Chairman of the Board  |
| Contact persons:          | Volokhina Viktoriia, Correspondent Relations Manager, Department of Treasury and Financial Institutions, (044)-581-07-66, <a href="mailto:Viktoriya.VOLOKHINA@credit-agricole.com.ua">Viktoriya.VOLOKHINA@credit-agricole.com.ua</a>  |
| Web address:              | <a href="http://www.credit-agricole.com.ua">www.credit-agricole.com.ua</a>  |

**List of licenses issued to the Bank:** Bank License no. 99 of 01.04.2011 authorizing banking operations specified by part 1 and items 5-11 of part two of the article 47 of the Law of Ukraine 'On banks and banking activity' with the permit and addition to the permit. **State Committee on Securities and Stock Market:** License of series AB, no 581129, authorizing professional activity on stock market – activity on trading in securities: Broker activity. Date of issue: 23.10.2009 Validity period 23.10.2009–23.10.2014. License of series AB, no. 581130 authorizing professional activity on stock market – activity on trading in securities: Dealer activity. Date of issue: 23.10.2009. Validity period 23.10.2009–23.10.2014. License of series AB no. 581131 authorizing professional activity on stock market – activity on trading in securities: Underwriting. Date of issue: 23.10.2009. Validity period 23.10.2009–23.10.2014. License of series AB no. 581132 authorizing professional activity on stock market – depository activity: Depository activity of the depository. Date of issue: 23.10.2009 Validity period 23.10.2009–23.10.2014. License of series AB. no. 581135 authorizing professional activity on stock market – depository activity on maintenance of own registry of registered securities holders. Date of issue: 29.10.2009 Validity period 29.10.2009–29.10.2014.

*The present report is the rating research expressing opinion of Expert Rating RA analysts.  
The report is a substantiation of the rating assigned being also an opinion of Expert Rating RA analysts.  
See the last page of the report for use limitations*

## 1. Overview of the Bank

PJSC 'CREDIT AGRICOLE BANK' is a universal bank operating in the Ukrainian financial market for already 17 years. The bank provides full range of modern banking services to all categories of corporate and private customers all over the territory of Ukraine. PJSC 'CREDIT AGRICOLE BANK' has been founded on February, 10, 1993 in Lvov as private bank, and registered under the name Commercial Bank 'Golden Lion'. In November, 1993 it has been reorganized into joint-stock company of open type. During the period from 1993 to 1996 the Bank has considerably expanded and acquired goodwill in the Western Ukraine. Since 1996 development of nationwide regional network begun.

On October, 28th, 1996 the Bank has changed the name to Joint-stock company 'INDUSTRIAL-EXPORT BANK'. Bank development, growth of its financial indicators and entrance into the national market lead to the decision on transfer of head office from Lvov to Kiev.

In April, 2000 the Bank was one of the first in the market of banking services in Ukraine to launch the project 'Car loans' and up to now is one of the most active banks engaged in car crediting. In 2007 the Bank became partner of the first in Ukraine car crediting program jointly with car producer - Renault Finance, later - also of Nissan Finance program, with manufacturers of Renault and Nissan and their official importers. Besides, presently the Bank works within the limits of partnership programs with official dealers of: Toyota, Mazda, Suzuki, Subaru. This list is continuously expanding.

Along various types of credits for legal and natural persons the Bank since July, 2002 began crediting the enterprises of agrarian sector within the limits of new projects 'Tractor loan'; and 'Harvester loan'.

In 2001 the Bank obtained the right to render services on payment of pensions and pecuniary aids. In December, 2010 the Interdepartmental Tendering Committee decided on prolongation of cooperation agreement with the Bank till January, 1st, 2012 with the right of further prolongation. In May, 2011 the Bank has once again won the tender and has almost expanded the list of localities and regions wherein it is authorized to serve receivers of pensions and pecuniary aids paid out through the Pension Fund of Ukraine, in such way having almost completely covered the territory of the country.

In February, 2002 the Bank became an associated member of the international payment system Visa International, and in July of the same year begun servicing the microprocessor cards of the Russian payment system 'Golden Crown'. In October, 2003 it became affiliate member of the international payment system MasterCard and got the license for issue of MasterCard Gold, Standard and Maestro cards.

On August, 31st, 2006 the large international financial group with parent company in France – 'Crédit Agricole Group' became owner of 99,967% of PJSC 'CREDIT AGRICOLE BANK' stock in accordance to a purchase agreement. After PJSC 'CREDIT AGRICOLE BANK' entered Crédit Agricole Group a new prominent stage of its development begun, demonstrated by improvement of all processes and services in accordance to the international standards. The majority stockholder of bank - Crédit Agricole Group is an acknowledged leader in the international market of financial services. Crédit Agricole Group is the largest bank holding of EU on the level of return from retail banking services, it occupies 28% of retail services market in France.

Following the results of 2010, Crédit Agricole Group has entered the top 10 list of largest banks of the world on shareholder equity size and occupied third place on total assets sizes. Group net profit in 2010 was Euro 3,6 billion. The international agencies support high-grade long-term ratings of Crédit Agricole Group which reflect strong financial condition of the Group:

- AA1 (Moody's);
- AA - (Standard and Poor's);
- AA - (Fitch).

The strategic objective of PJSC 'CREDIT AGRICOLE BANK' is to use considerable available potential of the Bank and of Crédit Agricole Group to create a really universal and highly technological bank. Presently Crédit Agricole Group regards the Ukrainian market as perspective one and plans to further on invest in Bank development by increasing its capitalization, to ensure profitable activity. In 2010 the authorized capital of PJSC 'CREDIT AGRICOLE BANK' has been increased to UAH 1,050 b at the expense of monetary contributions by shareholders in the amount of UAH 500 m.

In 2010 PJSC 'CREDIT AGRICOLE BANK' completed recovery phase, which has coincided with the global economic crisis. Now the Bank is confidently achieving the break-even activity, is promoting the strategy of development of various operations and expansion of banking services list, performs renovation of product range for the customers and increased sales of profitable products, optimization of the existing network of Bank, optimization of production processes and strengthening of expenses control. The bank plans to further essentially invest into IT, Bank brand and improvement of the format of branches.

On March, 21st, 2011 the new official name of Bank has taken effect: Public joint-stock company 'CREDIT AGRICOLE BANK'. By taking the name of the parent company Crédit Agricole, the Bank got additional benefit in form of strong international goodwill, which along with stability, focus on the customer, professionalism and practical knowledge of the Ukrainian market ensures its continuous development.

As of today the regional network PJSC 'CREDIT AGRICOLE BANK' totals 206 points of sales. All bank branches are off-balance ones which, according to Agency, is one of considerable competitive advantages in the segment of bank retail. The bank serves nearly 370 thousand private and more than 25 thousand business clients.

Also PJSC 'CREDIT AGRICOLE BANK' is:

- principal member of VISA International;
- principal member of Master Card International Incorporated;
- member of the Ukrainian Interbank Association of Payment Systems Members 'EMA';
- agent of international money transfer payment systems UNISStream, MoneyGram;
- member of the Russian payment system 'Golden Crown';
- member of Deposit Guarantee Fund;
- member of the Ukrainian Interbank Currency Exchange (UICE);
- participant of the JSC 'Inter-regional securities union' (IRSU);
- member of FCPS and Co (Forum on Card Payments and Operations Security).

PJSC 'CREDIT AGRICOLE BANK' maintains correspondent relations with Standard Chartered Bank NY Branch (New York), Commerzbank AG (Frankfurt am Main), Crédit Agricole S.A. (Paris), JSC Promsvyazbank (Moscow), Deutsche Bank Trust Company Americas (New York), Deutsche Bank AG (Frankfurt am Main), largest Ukrainian banks: PJSC Raiffeisen Bank Aval, PJSC 'State Export-Import Bank of Ukraine', PJSC 'State Savings Bank of Ukraine', PJSC 'Erste Bank.

As the analysis proves, the recent 5 years of Bank development have been representative. In 2006-2010 the assets of PJSC 'CREDIT AGRICOLE BANK' have grown more than twice, credit portfolio - in 2,74 times, shareholder equity - almost in 4 times (*see tab. 1*). The bank has safely survived the 2008-2009 financial crisis and now is quickly recovering after the crisis.

Table 1

**Key Performance Indicators of PJSC 'CREDIT AGRICOLE BANK', UAH thousand, %**

| Indicators  | 01.04.2011 | 01.04.2010 | Growth rate<br>01.04.11/<br>01.04.10 | 2010<br>(01.01.2011) | 2009<br>(01.01.2010) | 2008<br>(01.01.2009) | 2007<br>(01.01.2008) | 2006<br>(01.01.2007) | Growth rate<br>2006/2010 | Growth rate<br>2009/2010 |
|---|------------|------------|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------------|--------------------------|
| Total assets  | 5904456    | 5982273    | -1,30%                               | 5938925              | 6315396              | 5001257              | 3306267              | 2847359              | 108,58%                  | -5,96%                   |
| Reserves under asset transactions/assets ratio                | 10,07%     | 12,02%     | -                                    | 10,21%               | 10,76%               | 9,82%                | 9,18%                | 4,37%                | -                        | -                        |
| Net assets (assets minus reserves under active transactions)  | 5309904    | 5263227    | 0,89%                                | 5332316              | 5636061              | 4510125              | 3002900              | 2722967              | 95,83%                   | -5,39%                   |
| Client loans (excluding interbank)                            | 4686036    | 3465762    | 35,21%                               | 4366395              | 3366280              | 3906933              | 1657456              | 1588854              | 174,81%                  | 29,71%                   |
| Loan impairment provisions (excluding interbank)              | (586545)   | (708800)   | -17,25%                              | (598722)             | (661669)             | (483155)             | (295411)             | (105740)             | 466,22%                  | -9,51%                   |
| Loan impairment provisions/loans ratio                        | 12,52%     | 20,45%     | -                                    | 13,71%               | 19,66%               | 12,37%               | 17,82%               | 6,66%                | -                        | -                        |
| Share of troubled loans (non-prime, problem and bad loans), % | 14,97%     | 17,61%     | -                                    | 15,35%               | 15,88%               | 17,69%               | 13,80%               | 13,16%               | -                        | -                        |
| Shareholder equity  | 732314     | 474997     | 54,17%                               | 722163               | 245608               | 398529               | 395921               | 183277               | 294,03%                  | 194,03%                  |
| Shareholder equity/Net assets ratio                           | 12,40%     | 7,94%      | -                                    | 12,16%               | 3,89%                | 7,97%                | 11,97%               | 6,44%                | -                        | -                        |
| Authorized capital (paid-in)                                  | 1050000    | 850000     | 23,53%                               | 1050000              | 550000               | 400000               | 400000               | 200000               | 425,00%                  | 90,91%                   |
| Deposits of individuals                                       | 2032971    | 1567693    | 29,68%                               | 2017617              | 1558256              | 1640570              | 1189401              | 1467521              | 37,48%                   | 29,48%                   |
| Received interbank loans                                      | 1296116    | 2124839    | -39,00%                              | 1370726              | 2683205              | 1506450              | 711309               | 14263                | 9510,36%                 | -48,91%                  |
| Deposits of legal persons                                     | 900058     | 599593     | 50,11%                               | 897884               | 524867               | 489998               | 502657               | 558593               | 60,74%                   | 71,07%                   |
| Subordinate debt  | 252683     | 251564     | 0,44%                                | 251752               | 252554               | 244828               | 100158               | 179825               | 40,00%                   | -0,32%                   |
| Net profit  | 9356       | -71249     | -                                    | -23388               | -300560              | 2386                 | 13704                | -54161               | -                        | -                        |
| ROE   | 1,28%      | -15,00%    | -                                    | -3,24%               | -122,37%             | 0,60%                | 3,46%                | -29,55%              | -                        | -                        |
| Capital adequacy ratio (H2)                                   | 16,76%     | 14,92%     | -                                    | 16,91%               | 17,60%               | 11,91%               | 18,00%               | 11,45%               | -                        | -                        |

Source: Bank data, calculations by RA Expert Rating

Note: \* - perceiving the given indicator of profitability for the first quarter of 2010 and 2011, it should be understood that it is calculated on basis of the quarter.

The data on Bank work in Q1 2011 prove to reliable recovery of PJSC 'CREDIT AGRICOLE BANK' positions. So, as of 01.04.2011 in comparison with 01.04.2010 the ratio between provisions under transactions and assets decreased from 12,02 to 10,07 %, Bank credit portfolio has grown on 35,21 %, and the ratio between reserves on credit operations and credits has decreased from 20,5 to 12,52 %; assets of individuals have increased by 30 %, those of legal persons by 50 %. The bank has been both actively expanding its presence in the credit market, and increasing the funds base.

## 2. Market share and business activity

The list of Crédit Agricole group competitors in the Ukrainian market varies depending on products and services, since not all banks offer the clients such extensive range of products and services as CREDIT AGRICOLE BANK does.

For example, among competitors on depositary products the such banks belonging to international groups could be mentioned, as Pravex Bank, Forum, UkrSotsbank, Universal Bank, and also banks with Russian capital, such as Alfa-Bank or VTB.

Such banks as Pravex Bank, RaiffeisenBank Aval, Astra bank, Erstebank, Ukrsotsbank, Alfa-Bank, Bank of Cyprus and Platinum bank compete with PJSC CREDIT AGRICOLE BANK on credit products.

Competitors of PJSC 'CREDIT AGRICOLE BANK' on card products are: Ukrsotsbank, OTP, Delta-bank, Alfa-bank, PrivatBank, RaiffeisenBank Aval, VTB and Universal Bank, and on complex servicing of corporate clients – RaiffeisenBank Aval, UkrSibbank, Ukrsotsbank and PravexBank.

By Agency calculations, PJSC 'CREDIT AGRICOLE BANK' on Q2 2011 beginning held 0,53 % of the assets of system, 0,53% of cumulative credit portfolio of the Ukrainian banks and 0,62 % of funds of legal and natural persons (see table 2).

Table 2

**The analysis of PJSC 'CREDIT AGRICOLE BANK' market share in the Ukrainian market (UAH thousand, %)**

| Indicators  | 01.04.2011   | 01.01.2011   | 01.01.2010   | Change<br>01.01.11-<br>01.04.11 | Growth rate,<br>01.01.11-<br>01.04.11 | Change,<br>01.01.10-<br>01.01.11 | Growth rate,<br>01.01.10-<br>01.01.11 |
|---|--------------|--------------|--------------|---------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
| Bank net assets   | 5309904      | 5332316      | 5636061      | -22412                          | -0,42%                                | -303745                          | -5,39%                                |
| System net assets   | 995033185    | 942083994    | 873449574    | 52949191                        | 5,62%                                 | 68634420                         | 7,86%                                 |
| <b>Share of Bank in system assets</b>                           | <b>0,53%</b> | <b>0,57%</b> | <b>0,65%</b> | <b>-0,04 p.p.</b>               | -                                     | <b>-0,08 p.p.</b>                | -                                     |
| Loans to individuals and legal persons (excl. interbank)        | 4099491      | 3767673      | 2704611      | 331818                          | 8,81%                                 | 1063062                          | 39,31%                                |
| System loans  | 768065850    | 750536379    | 726295788    | 17529471                        | 2,34%                                 | 24240591                         | 3,34%                                 |
| <b>Bank share in system loan portfolio</b>                      | <b>0,53%</b> | <b>0,50%</b> | <b>0,37%</b> | <b>0,03 p.p.</b>                | -                                     | <b>0,13 p.p.</b>                 | -                                     |
| Funds of individuals and legal persons (excl. interbank)        | 2933029      | 2915501      | 2083123      | 17528                           | 0,60%                                 | 832378                           | 39,96%                                |
| System deposits   | 473264275    | 439446227    | 349635984    | 33818048                        | 7,70%                                 | 89810243                         | 25,69%                                |
| <b>Bank share in the funds of individuals and legal persons</b> | <b>0,62%</b> | <b>0,66%</b> | <b>0,60%</b> | <b>-0,04 p.p.</b>               | -                                     | <b>0,06 p.p.</b>                 | -                                     |

Source: Bank data, calculations by RA Expert Rating

According to Agency, the share of PJSC 'CREDIT AGRICOLE BANK' at 0,53-0,62 % is nominal, it does not reflect accurately neither Groups' potential, nor real volume of Crédit Agricole market share in Ukraine. It should be understood that in 2011 PJSC 'CREDIT AGRICOLE BANK' was not implementing in full its entire potential in the credit market of Ukraine. The allocation limit of parent company Crédit Agricole S.A. for PJSC 'CREDIT AGRICOLE BANK' constitutes USD 210 m. As of 01.04.2011, this limit has been used by 66% only.

Estimating prospects of growth of PJSC 'CREDIT AGRICOLE BANK' share in Ukraine it should be mentioned that the international group Crédit Agricole is presented in Ukraine not only by PJSC 'CREDIT AGRICOLE BANK', but also by the bank PJSC 'Crédit Agricole Corporate and Investment Bank'. The PJSC 'Crédit Agricole CIB' as of 01.04.2011 was on 37th position in NBU net wealth ranking. Bank net wealth on 01.04.2011 constituted UAH 4,9 b, that represented 0,49 % of system assets.

The Agency regards as most successful products, enabling PJSC 'CREDIT AGRICOLE BANK' to retain market share, the following ones:

1. Credits to agrarian sector: for replenishment of current assets and investment purposes.
2. Car loans to individuals. The bank is the leader of this area for many years and has a big number of partnership programs.
3. Cash loan 'Freedom', suitable for different segments of consumers.
4. VIP-package for the most significant bank customers.
5. The deposit 'Perspective' with monthly growing interest rate etc.

### 3. Capital adequacy, profitability and external support

As analysis by RA Expert Rating has shown, PJSC 'CREDIT AGRICOLE BANK' adhered with redundancy to NBU established specifications of capital adequacy. So, at standard H2 value of not less than 10%, the value H2 of Bank on 01.04.2011 constituted 16,76 %, i.e. was observed with redundant 6,76 percentage points. The H3 at NBU specification of 9 % and average system value of 15 % constituted 16,76% at PJSC 'CREDIT AGRICOLE BANK'. Also the growth of H2 and H3 in comparison to 01.04.2010 should be regarded as positive (see table 3).

Table 3

**The analysis of PJSC 'CREDIT AGRICOLE BANK' capital adequacy (UAH thousand, %)**

| Indicators                                  | 01.04.2011     | 01.04.2010     | Change            | Growth rate, % | 01.01.2011     | 01.01.2010     | Change           | Growth rate, % |
|---|----------------|----------------|-------------------|----------------|----------------|----------------|------------------|----------------|
| Assets                                      | 5309904        | 5263227        | 46677             | 0,89%          | 5332316        | 5636061        | -303745          | -5,39%         |
| Shareholder equity                          | 732314         | 474997         | 257317            | 54,17%         | 722163         | 245608         | 476555           | 194,03%        |
| Authorized capital                          | 1050000        | 850000         | 200000            | 23,53%         | 1050000        | 550000         | 500000           | 90,91%         |
| Authorized capital/Shareholder equity ratio | 143,38%        | 178,95%        | -35,57 p.p.       | -              | 145,40%        | 223,93%        | -78,53 p.p.      | -              |
| Shareholder equity/assets ratio             | 13,79%         | 9,02%          | 4,77 p.p.         | -              | 13,54%         | 4,36%          | 9,18 p.p.        | -              |
| Regulatory capital adequacy ratio H2        | 16,76%         | 14,92%         | 1,84 p.p.         | -              | 16,91%         | 17,60%         | -0,69 p.p.       | -              |
| <b>System average value H2</b>              | <b>20,02%</b>  | <b>20,80%</b>  | <b>-0,78 p.p.</b> | <b>-</b>       | <b>20,83%</b>  | <b>18,08%</b>  | <b>2,75 p.p.</b> | <b>-</b>       |
| <b>Normative value H2</b>                   | <b>&gt;10%</b> | <b>&gt;10%</b> | <b>-</b>          | <b>-</b>       | <b>&gt;10%</b> | <b>&gt;10%</b> | <b>-</b>         | <b>-</b>       |
| H3, regulatory capital/ total assets ratio  | 16,76%         | 11,79%         | 4,97 p.p.         | -              | 16,36%         | 12,50%         | 3,86 p.p.        | -              |
| <b>System average value H3</b>              | <b>14,98%</b>  | <b>14,19%</b>  | <b>0,79 p.p.</b>  | <b>-</b>       | <b>14,57%</b>  | <b>13,91%</b>  | <b>0,66 p.p.</b> | <b>-</b>       |
| <b>Normative value H3</b>                   | <b>&gt;9%</b>  | <b>&gt;9%</b>  | <b>-</b>          | <b>-</b>       | <b>&gt;9%</b>  | <b>&gt;9%</b>  | <b>-</b>         | <b>-</b>       |

Source: Bank data, calculations by RA Expert Rating

One of the specific features of PJSC 'CREDIT AGRICOLE BANK' is excess of authorized capital over shareholder equity, as of 01.04.2011 equal to 43,4 %. Crédit Agricole has supported the Bank at the moment of crisis, covering a part of losses at the expense of authorized capital increase. The given factor, on the one hand, is assessed as negative because the incurred losses prove to that the Bank could not cope with them independently. On the other hand, it clearly illustrates the unprecedented high external support by the parent structure. In the near future repetition of such situation is hardly expectable: it should be reminded that in Q1 2011 the Bank recovered the profitability of operation.

The tendency of prior years' losses also affected the structure of PJSC 'CREDIT AGRICOLE BANK' shareholder equity, the losses of previous years at 48,7 % of shareholder equity as of 01.04.2011 (see table 4)

Table 4

**Structure of PJSC 'CREDIT AGRICOLE BANK' shareholder equity (UAH thousand, %)**

| Indicator                | 01.04.2011 |        | 01.04.2010 |        | Structure change | Growth rate | 01.01.2011 |        | 01.01.2010 |         | Structure change | Growth rate |
|--------------------------|------------|--------|------------|--------|------------------|-------------|------------|--------|------------|---------|------------------|-------------|
|                          | UAH th.    | %      | UAH th.    | %      |                  |             | UAH th.    | %      | UAH th.    | %       |                  |             |
| Authorized capital       | 1050000    | 143,4% | 850000     | 178,9% | -35,50 p.p.      | 23,53%      | 1050000    | 145,4% | 550000     | 223,9%  | -78,50 p.p.      | 90,91%      |
| Profit of previous years | -356526    | -48,7% | -333138    | -70,1% | 21,40 p.p.       | -7,02%      | -333138    | -46,1% | -32578     | -13,3%  | -32,80 p.p.      | -922,59%    |
| Profit of current year   | 9366       | 1,3%   | -71249     | -15,0% | 16,30 p.p.       | -113,13%    | -23388     | -3,2%  | -300560    | -122,4% | 119,20 p.p.      | 92,22%      |
| Other                    | 29484      | 4,0%   | 29384      | 6,2%   | -2,20 p.p.       | 0,34%       | 28689      | 4,0%   | 28746      | 11,7%   | -7,70 p.p.       | -0,20%      |
| Shareholder equity       | 732314     | 100,0% | 474997     | 100,0% | -                | 54,17%      | 722163     | 100,0% | 245608     | 100,0%  | -                | 194,03%     |

Source: Bank data, calculations by RA Expert Rating

According to Agency, recovery of profitable work in Q1 2011 is the key achievement of PJSC 'CREDIT AGRICOLE BANK'. The Agency marks an insignificant level of ROA, ROE and ROS, however the fact of return to profitable work shows that the Bank has started to regain market positions and is ready to support its work in Ukraine independently without participation of the parent group (see table 5).

Table 5

**Analysis of PJSC 'CREDIT AGRICOLE BANK' profitability indicators (UAH thousand, %)**

| Indicators                | Q1 2011 | Q1 2010 | Change in Q1 | 2010   | 2009    | 2008   | 2007  | 2006   | Change 2009-2010 | Change 2006-2010 |
|---------------------------|---------|---------|--------------|--------|---------|--------|-------|--------|------------------|------------------|
| Net spread                | 1,4%    | 2,1%    | -0,70 p.p.   | 5,4%   | 9,6%    | 3,3%   | 5,1%  | 9,6%   | -4,20 p.p.       | -4,20 p.p.       |
| Net interest income (NII) | 74601   | 57054   | 17547        | 261259 | 267188  | 162936 | 98634 | 73241  | -5929            | 188018           |
| ROS                       | 7,0%    | -63,4%  | 70,40 p.p.   | -4,4%  | -39,4%  | 0,3%   | 2,7%  | -31,8% | 35,00 p.p.       | 27,40 p.p.       |
| ROA                       | 0,2%    | -1,4%   | 1,60 p.p.    | -0,4%  | -5,3%   | 0,1%   | 0,5%  | -2,0%  | 4,90 p.p.        | 1,60 p.p.        |
| ROE                       | 1,3%    | -15,0%  | 16,30 p.p.   | -3,2%  | -122,4% | 0,6%   | 3,5%  | -29,6% | 119,20 p.p.      | 26,40 p.p.       |

Source: Bank data, calculations by RA Expert Rating

It can be predicted with a large degree of probability that after the merge of two banks of Crédit Agricole in Ukraine the resulting bank will have higher profitability, than PJSC 'CREDIT AGRICOLE BANK', due to that the corporate and investment business of group Crédit Agricole in Ukraine has been traditionally more profitable, than retail business, even throughout the crisis period.

*External support.* The major shareholder of PJSC 'CREDIT AGRICOLE BANK' is Crédit Agricole S.A., Paris France (91-93 Boulevard Pasteur, 75015 Paris, France), with the share of 99,9955 %. The owner of Crédit Agricole S.A. is SAS Rue La Boetie France, of which 54,1% of shares in turn belong to 41 regional banks (Caisses Regionales). Minority shareholders of PJSC 'CREDIT AGRICOLE BANK' (11 legal and 35 natural persons) are owners of 0,0045%

of Bank shares and their interests are not represented in Bank management bodies. All the members of the Supervisory Board do represent the interests of Crédit Agricole S.A.

Crédit Agricole provides the external support for PJSC 'CREDIT AGRICOLE BANK' through the following tools:

1. Regular increase of authorized capital stock at the expense of funds of shareholders with account for development and needs of the Bank.
2. Subordinate capital financing.
3. Regular allocations by the parent company of the funds used for crediting and, when necessary, maintenance of bank liquidity.

For the recent 3 crisis years Crédit Agricole Group managed to avoid global perturbations. During the period from 2008 to 2010 the net profit of Group banking segment grew on 20,21 %, the gross operating income - on 62 %, net profit - on 39,1 %. Rates of balance sheet indicators growth have been also essential compared to competitors. So, credit portfolio of Crédit Agricole Group has grown on 11,5 %, customer deposits - on 10,84 %, shareholder capital - on 12,17% (see table 6).

Table 6

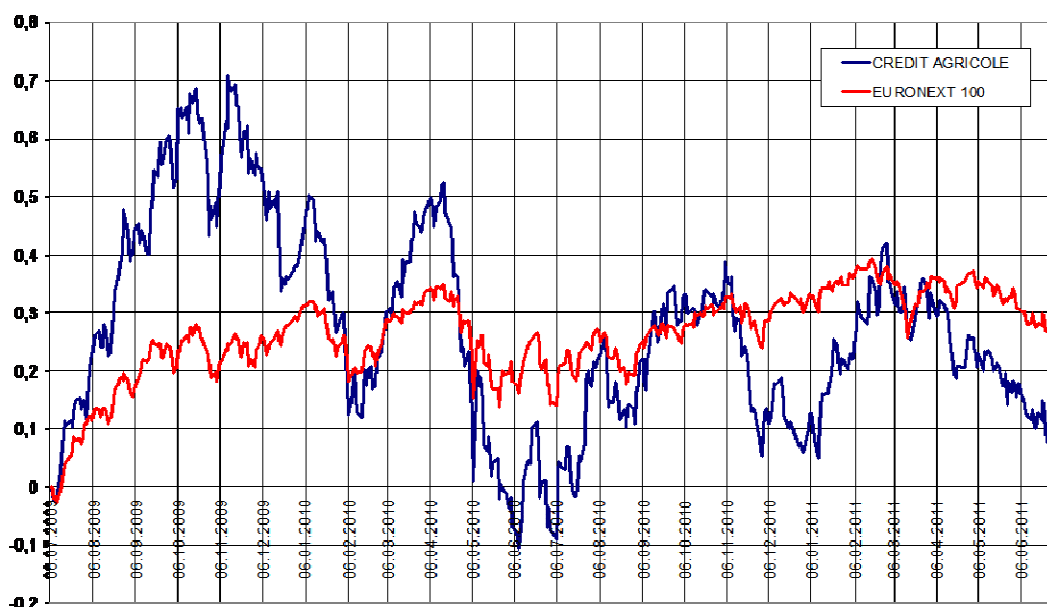
Key performance indicators of Crédit Agricole Group, Euro b.

| Indicators             | 2010    | 2009    | 2008    | Growth rate<br>2009-2010 | Growth rate<br>2008-2010 |
|------------------------|---------|---------|---------|--------------------------|--------------------------|
| Net banking income     | 34,206  | 31,305  | 28,455  | 9,27%                    | 20,21%                   |
| Gross operating income | 13,357  | 11,652  | 8,263   | 14,63%                   | 61,65%                   |
| Cost of risk           | (5,191) | (6,482) | (4,600) | -19,92%                  | 12,85%                   |
| Net income             | 4,091   | 3,069   | 2,941   | 33,30%                   | 39,10%                   |
| Total assets           | 1731,0  | 1694,0  | 1784,0  | 2,18%                    | -2,97%                   |
| Gross loans            | 882,0   | 828,1   | 791,0   | 6,51%                    | 11,50%                   |
| Customer deposits      | 811,8   | 774,0   | 732,4   | 4,88%                    | 10,84%                   |
| Equity                 | 77,4    | 74,7    | 69,0    | 3,61%                    | 12,17%                   |
| EPS – Euro             | 0,54    | 0,50    | 0,51    | 8,00%                    | 5,88%                    |
| Book value, Euro       | 18,56   | 19,32   | 18,74   | -3,93%                   | -0,96%                   |
| Net dividends          | 0,45    | 0,45    | 0,45    | 0,00%                    | 0,00%                    |

Source: Financial Review 2010 of Crédit Agricole Group, — page 8; calculations by RA Expert Rating

Crédit Agricole Group escaped the fate of American Citigroup, Italian UniCredit or German Commerzbank which could not overcome the mortgage crisis without government aid and government participation in the capital. The strong positions of Crédit Agricole in the countries of continental Europe - 11500 points of sales in 70 countries and 160 000 employees imparted global character to the business of Crédit Agricole. As a result the Group entered the year 2010 with EURO 1,731 trillion of assets, EURO 882 b of credit portfolio and EURO 811,8 b of customer deposits.

Fig. 1 Dynamics of Credit Agricole S.A. stocks and of Euronext-100 index on NYSE Euronext during 06.07.2009 - 01.07.2011



For comparison, - cumulative assets of Ukrainian banks on 01.01.2011 constituted approximately, Euro 86 billion, i.e. in 20 times less than the consolidated assets of Group Crédit Agricole. Such difference in operations scales gave the Group a chance to render guaranteed and unprecedentedly high level of external support to the affiliated banks

in Ukraine. This support was enhanced by both good financial condition of the Group, and by ratings from international rating agencies. However one of the main advantages of Crédit Agricole has been the availability of open stock market, through which bank holding was able to attract additional capital at any moment. Main stock market of Crédit Agricole was located on trading platform of exchange holding NYSE Euronext in Paris. As of the end of trading day on July, 7th, market capitalization of Crédit Agricole S.A. constituted Euro 24,657 b. For the last 2 years the stocks of Crédit Agricole S.A. grew approximately on 20%, its consecutive growth was closely intertwined with dynamics of one of the main stock indexes of the Eurozone - Euronext-100 (*see fig.1*). The stability of key stock performance indicators can be regarded as main success of Crédit Agricole. During the last three years net dividends remained invariably at the rate of 0,45 euros per share, EPS had steady but growing dynamics, stock book value reduced by 0,96 % only.

The Agency assesses the external support by Group Crédit Agricole of the business in Ukraine as unprecedentedly high and ensuring reliability of PJSC 'CREDIT AGRICOLE BANK' and stable dynamics of its development.

#### 4. Quality of assets

Bank policy on management of assets and liabilities consists in complex of measures directed on maximization of net profits of Bank at acceptable risk level. In PJSC 'CREDIT AGRICOLE BANK' they do believe that the policy on management of assets and liabilities should ensure net interest income and its uniform growth, high level of ROE at acceptable level of capital and liquidity, adequate to the needs of depositors and borrowers and with use of possibilities on reception of higher income. It is performed through implementation of planning and control of Bank financial management processes. Main concept of management consists in coordinated and simultaneous management of both assets and liabilities of the Bank.

In the policy of funds base forming the Bank recognizes the local monetary market and the capital market as priority sources. Concrete sources and volumes of funding are determined by Bank budget or decisions of Supervisory Board of Bank. The funding in the international market of the capital is performed exclusively with consent and interaction of the Group Credit Agricole and according to the approved budget of the Bank, or to separate decisions of the Supervisory Board of Bank.

A special role in the process of Bank assets management is played by security service. Bank security service performs: pre-crediting check of customers, and also work on collection of problem indebtedness at hard stage, in case when total indebtedness of the customer makes the equivalent of USD 100 000 dollars and more. Bank Security service works mainly on corporate clients credits. The Bank uses scoring models for the credits of population. When necessary the Bank performs sale of bad assets to the factoring organizations. Throughout 2009-2010 the Bank co-operated with 'AUZ Factoring' Ltd, having sold it a portfolio of more than 36 thousand credits. 'AUZ Factoring' Ltd also has credit rating from RA Expert Rating.

In the period from 01.04.2010 to 01.04.2011 Bank credit portfolio has grown on 55,71 %. These are considerable rates of growth, partially secured by the resources of parent Group. For the same period the credits to legal persons have grown on 63 %, to individuals - on 10 % (*see table 7*).

Table 7

**Credits and debts of PJSC 'CREDIT AGRICOLE BANK' customers, (UAH thousand)**

| Indicators   | 01.04.2011     |                | 01.04.2010     |                | Growth rate   | 01.01.2011     |                | 01.01.2010     |                | Growth rate   |
|--|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|---------------|
|  | UAH th.        | %              | UAH th.        | %              |               | UAH th.        | %              | UAH th.        | %              |               |
| Interbank credits and deposits placed                            | 132112         | 2,07%          | 49277          | 1,20%          | 168,10%       | 286222         | 4,73%          | 279671         | 6,62%          | 2,34%         |
| Total provision for funds impairment in other banks              | (2051)         | (0,03%)        | (4040)         | -0,10%         | -49,23%       | (3659)         | -0,06%         | (2424)         | -0,06%         | 50,95%        |
| Loans to legal persons (exl. Interbank and financial leasing )   | 2687937        | 42,03%         | 1649042        | 40,15%         | 63,00%        | 2371470        | 39,22%         | 1485776        | 35,16%         | 59,61%        |
| Loans to natural persons   | 1998099        | 31,25%         | 1816720        | 44,24%         | 9,98%         | 1994925        | 32,99%         | 1880504        | 44,50%         | 6,08%         |
| Total provision for loan impairment                              | (586545)       | (9,17%)        | (708800)       | (17,26%)       | -17,25%       | (598722)       | (9,90%)        | (661669)       | (15,66%)       | -9,51%        |
| Financial leasing to individuals                                 | 3730           | 0,06%          | 6507           | 0,16%          | -42,68%       | 4027           | 0,07%          | 6987           | 0,17%          | -42,36%       |
| Provision for financial leasing impairment                       | (2634)         | (0,04%)        | (3753)         | (0,09%)        | -29,82%       | (2646)         | (0,04%)        | (3703)         | (0,09%)        | -28,54%       |
| (nonprime) loans in the portfolio, %                             | 2046982        | 32,01%         | 1956960        | 47,65%         | 4,60%         | 1963818        | 32,48%         | 1874084        | 44,35%         | 4,79%         |
| Troubled loans in the portfolio (non-prime, problem and bad ), % | 883764         | 13,82%         | 1053842        | 25,66%         | -16,14%       | 911772,8       | 15,08%         | 1002751        | 23,73%         | -9,07%        |
| Bad loans in the portfolio, %                                    | 423337         | 6,62%          | 471888,1       | 11,49%         | -10,29%       | 408121,1       | 6,75%          | 431018,1       | 10,20%         | -5,31%        |
| Warranties issued by the bank (in total)                         | 345530         | 5,40%          | 232368         | 5,66%          | 48,70%        | 356288         | 5,89%          | 208011         | 4,92%          | 71,28%        |
| Off-balance financing arrangements issued to the customers       | 1227411        | 19,19%         | 353032         | 8,60%          | 247,68%       | 1033307        | 17,09%         | 364719         | 8,63%          | 183,32%       |
| <b>Total loans:</b>  | <b>6394819</b> | <b>100,00%</b> | <b>4106946</b> | <b>100,00%</b> | <b>55,71%</b> | <b>6046239</b> | <b>100,00%</b> | <b>4225668</b> | <b>100,00%</b> | <b>43,08%</b> |

Source: Bank data, calculations by RA Expert Rating

Following the results of Q1 2011, RA Expert Rating marks decrease of the share of non-prime, problem and bad loans in the portfolio. So, the share of non-prime loans dropped from 48 to 32 %, share of problem loans – from 25,66 to 13,82%, and the share of bad loans – from 11,5 to 6,62 %. Drastic improvement of credit portfolio quality is obvious. Main reasons of improvement, according to the Agency, have been: sale of part of problem credits to the third parties, essential growth of credit portfolio of Bank, and also change of credit portfolio structure in favor of credits to legal persons.

Also the Agency positively estimates branch diversification of PJSC 'CREDIT AGRICOLE BANK' credit portfolio. As of 01.04.2011, 24 % of credits corresponded to trading companies, being one of the most liquid industry, 16 % to production area, and only 10,24 % - to agriculture (see table 8).

Table 8

### Structure of PJSC 'CREDIT AGRICOLE BANK' credit portfolio per types of economic activities

| Indicators                                | 01.01.2011     |               | 01.01.2010     |               | Growth rate | Change of branch structure |
|---|----------------|---------------|----------------|---------------|-------------|----------------------------|
|   | UAH th.        | %             | UAH th.        | %             |             |                            |
| <b>Loans to legal entities, in total:</b> | <b>2371470</b> | <b>54,31%</b> | <b>1485776</b> | <b>44,14%</b> | 59,61%      | 10,17 p.p.                 |
| - production                              | 699295         | 16,02%        | 435221         | 12,93%        | 60,68%      | 3,09 p.p.                  |
| - real estate                             | 44597          | 1,02%         | 62484          | 1,86%         | -28,63%     | -0,84 p.p.                 |
| - trade                                   | 1085122        | 24,85%        | 708355         | 21,04%        | 53,19%      | 3,81 p.p.                  |
| - agriculture                             | 447113         | 10,24%        | 220009         | 6,54%         | 103,22%     | 3,70 p.p.                  |
| - other                                   | 95343          | 2,18%         | 59707          | 1,77%         | 59,68%      | 0,41 p.p.                  |
| <b>Loans to individuals, in total:</b>    | <b>1994925</b> | <b>45,69%</b> | <b>1880504</b> | <b>55,86%</b> | 6,08%       | -10,17 p.p.                |
| - mortgage                                | 448304         | 10,27%        | 489775         | 14,55%        | -8,47%      | -4,28 p.p.                 |
| - car loans                               | 992128         | 22,72%        | 855401         | 25,41%        | 15,98%      | -2,69 p.p.                 |
| - consumer loans                          | 554011         | 12,69%        | 530939         | 15,77%        | 4,35%       | -3,08 p.p.                 |
| - other types of loans to individuals     | 482            | 0,01%         | 4389           | 0,13%         | -89,02%     | -0,12 p.p.                 |

Source: Bank data, calculations by RA Expert Rating

In 2010 the share of credits to individuals decreased from 55,86 to 45,69 %. The Agency assesses positively the given tendency and believes that until acceleration of recovery of the economy of Ukraine the increase of share of credits to legal persons in Bank portfolio will facilitate improvement of assets quality.

The analysis of specifications of 'large credit risks' of Bank has shown that all established NBU specifications are observed by the bank. Moreover, each of normative values of the given group of PJSC 'CREDIT AGRICOLE BANK' is better than average system normative values (see table 9).

Table 9

### Main normative values of risk characterizing loan portfolio of PJSC 'CREDIT AGRICOLE BANK'

| Norm  | Value  | 01.04.2011 | 01.01.2011 | 01.01.2010 | Change 01.01.11 - 01.04.11 | Change 01.01.10 - 01.01.11 |
|---|--------|------------|------------|------------|----------------------------|----------------------------|
| H7 Average of the system  | < 25%  | 21,76%     | 21,04%     | 21,56%     | 0,72 p.p.                  | -0,52 p.p.                 |
| H7 (Maximal size of loan risk per counteragent)                                     |        | 19,28%     | 20,53%     | 14,67%     | -1,25 p.p.                 | 5,86 p.p.                  |
| H8 Average of the system  | < 800% | 173,82%    | 161,20%    | 169,21%    | 12,62 p.p.                 | -8,01 p.p.                 |
| H8 (Normative value for big loan risks)   |        | 76,25%     | 73,33%     | 35,36%     | 2,92 p.p.                  | 37,97 p.p.                 |
| H9 Average of the system  | < 5%   | 0,9%       | 0,81%      | 0,93%      | 0,09 p.p.                  | -0,12 p.p.                 |
| H9 (Norm of maximal amount of loans, warranties and sureties issued to one insider) |        | 0,22%      | 0,31%      | 0,43%      | -0,09 p.p.                 | -0,12 p.p.                 |
| H10 Average of the system   | < 30%  | 2,38%      | 2,25%      | 2,66%      | 0,13 p.p.                  | -0,41 p.p.                 |
| H10 (Norm of maximal amount of loans, warranties and sureties issued to insiders)   |        | 0,75%      | 0,92%      | 1,57%      | -0,17 p.p.                 | -0,65 p.p.                 |

Source: Bank data, calculations by RA Expert Rating

Redundant observance by the Bank of the norm on 'large credit risks' both compared to NBU established specifications, and to average values in the system suggest the Agency a substantial level of PJSC 'CREDIT AGRICOLE BANK' credit portfolio customer diversification.

## 5. Diversification of activity and liquidity

*Diversification.* To increase diversification of business PJSC 'CREDIT AGRICOLE BANK' undertook the following steps throughout several years:

- The Bank continued to develop as universal financial institution, paying attention to development both of retail business, and of the segment of small and medium and corporate business;
- along with credit products strong attention has been paid to servicing quality improvement in all the sectors;
- a number of new products has been offered to clients in corporate and SME businesses: crediting of agrarian sector for replenishment of current assets, for investment purposes, factoring, bank guarantee to distributors, business development loan, financing of car purchase etc.

Also it should be noted that there are no strongly pronounced branch risks in PJSC 'CREDIT AGRICOLE BANK'. The bank approaches branch risks reasonably, constantly performing the analysis of various sectors of the national economy. The Bank was traditionally not active in such industries as construction, metallurgy, chemical industry. It allowed to avoid the losses connected with freezing of many construction objects and fall of global demand for metallurgy products during the 2008-2009 crisis, and also with dependence of chemical products cost, and consequently, of price and demand for this goods, from gas prices fluctuation.

As we saw at the analysis of credit portfolio diversification, the Bank relied on such liquid industries as trade and agriculture. Among the largest borrowers of PJSC 'CREDIT AGRICOLE BANK' there are such known agricultural producers as: Group of companies 'Mriya', JV 'NIBULON' Ltd, Astarta Group etc.



Among the largest investors of PJSC 'CREDIT AGRICOLE BANK' there are insurance company, enterprise for palm-oil processing, producer of drinks. The largest deposit in the bank occupied about 3 % of total amount of legal persons deposit portfolio. The funds base of Bank has been thoroughly diversified.

*Liquidity.* There are several departments exercising the administration of liquidity in the Bank:

**The department of assets and liabilities management** carries out monitoring of the balance in part of: estimation of changes in balance, liquidity and interest risk analysis, computation of statistically non reducible balance remainder of liabilities held at the call. Also it is one of the key departments in charge of: stress-testing, development of proposals for assets and liabilities management committee, realization of long-term planning of liquidity, planning of obligatory norms.

**Permanent control and market risks department** conducts estimation of liquidity risks, and also is engaged in the development of liquidity risks assessment and management tools.

**Treasury and financial institutions department** exercises direct administration of instant and short-term liquidity, follows the observance of economic norms, performs funding in both local and international monetary and capital markets.

As liquidity norms are influenced by operations with the customers which business activity has seasonal fluctuation, it affects to some extent the values of PJSC 'CREDIT AGRICOLE BANK' normative liquidity.

As Agency analysis has shown, PJSC 'CREDIT AGRICOLE BANK' redundantly adheres to all liquidity norms. For example, as of 01.04.2011 the norm H4 has been at the level of 29,4% at the specification of not less than 20%, H5 - at the level of 44,35 % at the specification of not less than 40 %, H6 at the level of 70 % at the specification of not less than 60%. As positive tendency should be regarded that fact that all three norms of liquidity have been lower than their average values in bank system. That is the condition of PJSC 'CREDIT AGRICOLE BANK' liquidity on Q1 2011 beginning could be characterized as optimum. The bank was not affected by the unhealthy tendency of redundant liquidity, which affected the system (*see table 10*).

Table 10

**Main liquidity norms of PJSC 'CREDIT AGRICOLE BANK'**

| Norm                                      | Threshold restriction | 01.04.2011 | 01.01.2011 | 01.01.2010 | Change 01.01.11 - 01.04.11 | Change 01.01.10 - 01.01.11 |
|---|-----------------------|------------|------------|------------|----------------------------|----------------------------|
| H4 An average of the system               | > 20%                 | 57,33%     | 58,80%     | 64,45%     | -1,47 p.p.                 | -5,65 p.p.                 |
| H4 (Norm of bank instantaneous liquidity) |                       | 29,39%     | 49,96%     | 282,01%    | -20,57 p.p.                | -232,05 p.p.               |
| H5 An average of the system               | > 40%                 | 79,66%     | 77,33%     | 72,90%     | 2,33 p.p.                  | 4,43 p.p.                  |
| H5 (Norm of bank current liquidity)       |                       | 44,35%     | 56,32%     | 96,29%     | -11,97 p.p.                | -39,97 p.p.                |
| H6 An average of the system*              | > 60%                 | 90,94%     | 91,19%     | 35,88%     | -0,25 p.p.                 | 55,31 p.p.                 |
| H6 (Norm of bank short term liquidity)    |                       | 69,97%     | 69,96%     | 69,82%     | 0,01 p.p.                  | 0,14 p.p.                  |

Source: Bank data, calculations by RA Expert Rating

Optimum liquidity level, accurate observance of NBU specifications, and excellent diversification of customer funds base and credit portfolio characterized the policy of PJSC 'CREDIT AGRICOLE BANK' in the area of liquidity management as effective one.

## 6. Other factors considered at rating

*Interaction with government authorities.* For the last 24 months nearly 50 inspections have been performed by: National Bank, Tax Inspection and Tax Police, Deposit Guarantee Fund and Pension Fund. The total sum of penalties, fees, fines paid following the inspections by state regulators for the last 12 months made up UAH 255,4 thousand. Such amount of penalties can be regarded as insignificant for PJSC 'CREDIT AGRICOLE BANK' nor entailing threat for its credit risk.

PJSC 'CREDIT AGRICOLE BANK' withstands money-laundering. According to the current legislation an AML/terrorism financing prevention system has been created in the Bank. The Chairman of Board of Management is responsible for observance of legislation requirements on this issue. When at carrying out financial operation there are sufficient grounds to suspect that according to requirements of the legislation and internal documents such financial operation is subject to financial monitoring, is connected to, concerning or intended for financing of terrorist activity, acts of terrorism terrorist organizations and organizations or persons to which international sanctions have been applied, the following actions shall be undertaken:

- Input of information on the operation into the special register according to the established procedure.
- Provision of information on this financial operation and on the persons participating in it to the specialized authority (Statefinmonitoring) .
- Provision of the information on such financial operation to law enforcement body (on the operation connected to, concerning or intended for financing of terrorist activity, acts of terrorism or terrorist organizations and organizations or persons to which international sanctions have been applied).

According to the legislation, the Bank provides additional information on the operations subject to financial monitoring following the relevant inquiries of Statefinmonitoring. In the year 2010 information upon requests of Statefinmonitoring has been provided on 381 operations.

From 01.07.2010 to 01.07.2011 the Bank initiated 58 court suits for a total amount of UAH 166182348,04, the decision has been issued on 33 cases for total amount of UAH 115 m, all court cases have been won by the Bank. From 01.07.2010 to 01.07.2011, 53 suits have been raised against the Bank for a total amount of USD 2320643,00 and UAH 3106218,7. The decisions has been issued on 28 cases, among them:

- The decision in favor of the Bank on 23 cases for the total amount of UAH 2231226,23 and USD 2291831,00;
- The decision in favor of the customer on six cases for the total amount of UAH 682088,18.

According to the Agency, the current judicial proceedings do not entail threat to credit risk of PJSC 'CREDIT AGRICOLE BANK', and the Bank is successful in defending its interests in courts.

*The personnel and the top management.* For the last 2 years during the period from 01.01.2009 to 01.04.2011 the number of bank employees reduced from 3063 to 2834 persons, i.e. approximately by 7,5 %. Such indicator could be considered more than modest, especially considering the losses incurred during the crisis period. It can be asserted that in 2009-2010 the PJSC 'CREDIT AGRICOLE BANK' managed to keep personnel potential and avoided outflow of human resources.

All top managers of the Bank have considerable working experience both in Ukraine, and in the international and local specific markets.

**Guidez Philippe Etienne Henri** - Chairman of Board of PJSC 'CREDIT AGRICOLE BANK' Management Board. In 1978 graduated from the Institute of bankers of Société Générale, has an extensive working experience all over the world:

- 1) 1973-1979 — Auditor, Head Bank SOCIÉTÉ GÉNÉRALE, Paris.
- 2) 1979-1982 — Corporate Relations Manager, SOCIÉTÉ GÉNÉRALE, Rheims.
- 3) 1982-1983 — Head Inspector, SOCIÉTÉ GÉNÉRALE, Senegal.
- 4) 1983-1986 — Director of Commercial Network Department, SOCIÉTÉ GÉNÉRALE, Senegal.
- 5) 1986-1989 — Head of Management, SOCIÉTÉ GÉNÉRALE, Senegal.
- 6) 1989-1993 — Head of Management, SOCIÉTÉ GÉNÉRALE, Amsterdam.
- 7) 1993-1995 — Head of Management, UNITED ARAB BANK, Abu Dhabi.
- 8) 1995-2000 — Chairman of the Board, NATIONAL SOCIÉTÉ GÉNÉRALE BANK, Egypt.
- 9) 2000-2003 — Vice-Head of Board of Directors, 'SOCIÉTÉ GÉNÉRALE EXPRESSBANK', Bulgaria.
- 10) 2003-2008 — Chairman of Board, 'SOCIÉTÉ GÉNÉRALE BANKA SRBIJA'.
- 11) From 18.07.2008 – to the present — Chairman of Board, PJSC 'CREDIT AGRICOLE BANK'.

**Chemeris Evgenia** — Deputy Chairman of Board of PJSC 'CREDIT AGRICOLE BANK'. In 1976 graduated from the Kiev State University T.G. Shevchenko with the specialty 'mathematician.'. In 2003 graduated from the Institute of International Business Relations (Neustadt, Germany), has received international MBA degree. Has considerable experience of work in Ukraine in banks with participation of foreign capital:

- 1) 21.10.1993-30.06.1995 — specialist of accounting department, JSC 'Bank Credit Lyonnaise Ukraine'.
- 2) 01.07.1995-08.08.1996 — Head of Accounting and Reporting Department, JSC 'Bank Credit Lyonnaise Ukraine'.
- 3) 09.08.1996-20.04.1997 — Head Accountant, JSC 'Bank Credit Lyonnaise Ukraine'.
- 4) 21.04.1997-05.10.1999 — Member of Board, JSC 'Bank Credit Lyonnaise Ukraine'.
- 5) 06.10.1999-31.05.2001 – Deputy Chairman of Board, JSC 'Bank Credit Lyonnaise Ukraine'.
- 6) 01.06.2001-30.09.2006 — Chief Financial Officer, JSC Calyon Bank Ukraine.
- 7) 02.10.2006-26.09.2008 — Deputy Chairman of Board, Chief Financial Officer, JSC 'INDEX-BANK'.
- 8) With 27.09.2008 – to the present — Deputy Chairman of Board, acting Chairman of Board, PJSC 'CREDIT AGRICOLE BANK'. At the moment of rating report publication was executing duties of the Chairman of Board of Bank.

**Lefevre Regis Christianne Morice** — Member of Board, Chief Financial Officer of PJSC 'CREDIT AGRICOLE BANK'. In 1990 graduated from the Montpellier higher school of commerce and management of enterprises (France), obtained master diploma in the specialty 'commerce, management and finance'. In 1991 graduated from the university of Cayenne (France), obtained master diploma in the specialty 'law and economics of financial operations'. Has considerable experience of work in Crédit Agricole:

- 1) July 1992 - August 1995 — Treasurer, Regional Bank of Crédit Agricole (Calvados, France).
- 2) September 1995 - December 2002 — Head Trader, National Bank of Crédit Agricole S.A. (France).

- 3) January 2003 - August 2006 — Director of Treasury Department, member of executive committee on functional line, CALYON Bank (France).
- 4) September 2006 - April 2010 — Financial Manager of the Department of International Bank Business, Crédit Agricole S.A. (France).
- 5) 13.04.2010-21.11.2010 — Deputy CFO, PJSC 'INDEX-BANK'.
- 6) From 22.11.2010 — to the present, Member of Board, PJSC 'CREDIT AGRICOLE BANK'.

## 7. Summary of rating results and rating visualisation

During the period from July, 5 till July, 11th, 2011, RA Expert Rating performed credit rating assessment of PJSC 'CREDIT AGRICOLE BANK' (USREOU code 14361575). Having in details studied the activity of PJSC 'CREDIT AGRICOLE BANK', Rating Committee of RA Expert Rating on July, 11th, 2011 took the decision on assignment to the Bank of credit rating at national scale at level **uaAA+** (The Bank is characterized by very high credit capacity in comparison with other Ukrainian banks. (The Rating is defined according to the rating scale approved by the Resolution of the Cabinet of Ministers of Ukraine No. 665 of April, 26th, 2007) When assigning investment grade of rating, the Rating Committee was guided by the following conclusions of the analytical service:

1. One of major factors which influenced Bank rating, is unprecedentedly high and guaranteed level of external support of CREDIT AGRICOLE BANK PJSC by the parent group Crédit Agricole Group. Good financial condition of Crédit Agricole, defined by ratings of international agencies Moody's, Standard and Poor's and Fitch, was supplemented by considerable scale of work of the Group. Crédit Agricole has entered the year 2011 with EURO 1,731 trillion of assets, EURO 882 b of credit portfolio and EURO 812 b of customer deposits. Such indicators of work allowed Crédit Agricole to be a largest bank holding of the world and the European Union.

2. In Q1 2011 PJSC 'CREDIT AGRICOLE BANK' has recovered credit activity. From 01.04.2010 to 01.04.2011 Bank credit portfolio has grown on 55,71 %. The loans to legal persons have grown on 63 %, to individuals - on 10%. The share of non-prime credits in the portfolio fell from 48 to 32 %, the share of problem ones – from 25,66 to 13,82 %, share of bas credits – from 11,5 to 6,62 %. Cardinal improvement of credit portfolio quality was obvious. Major improvement factors, according to Agency, have been: sale of part of problem credits to the third parties, essential growth of credit portfolio of Bank, and also change of credit portfolio structure in favor of growth of share of credits to legal persons.

3. PJSC 'CREDIT AGRICOLE BANK' demonstrated excellent level of business diversification. So, the maximum amount of credit risk per one counteragent (H7) on 01.04.2011 constituted 19,28 % at average system value level of 21,76 %, and normative NBU value of not more than 25%. The specification of large credit risks (H8) on 01.04.2011 constituted 76,25 % at average system value of 176 % and normative value of not more than 800 %. The largest deposit in the Bank made up approximately 3% of the portfolio of deposits of legal persons or, approximately, 1% of the total depositary portfolio of Bank.

4. The Bank adhered to optimal values of main norms of liquidity. So, on 01.04.2011, the instant liquidity norm (H4) of the Bank constituted 29,4 % at average system value of 57,33 % and standard value of not less than 20%. The current liquidity specification (H5) constituted 44,35 %, at the average system - 79,66 % at the norm value of more than 40%. The norm of short-term bank liquidity (H6) constituted 70%, at average system value of 91% and standard value of not less than 60%. PJSC 'CREDIT AGRICOLE BANK' did not surrendered to the general tendency through the system and did not supported redundant liquidity in considerable volumes that in the future without fail will have a positive impact on its incomes. In Q1 2011 the Bank has already recovered profitable work. Net profit of PJSC 'CREDIT AGRICOLE BANK' in Q1 made up UAH 9,4 m.

5. By Agency calculations, PJSC 'CREDIT AGRICOLE BANK' as of Q2 2011 beginning occupied 0,53% of the assets of system, 0,53 % of cumulative credit portfolio of the Ukrainian banks and 0,62 % of legal and physical persons funds. It should be understood that in 2011 PJSC 'CREDIT AGRICOLE BANK' did not fully implemented its potential in the credit market of Ukraine. The limit of allocation of parent company Crédit Agricole S.A. for PJSC 'CREDIT AGRICOLE BANK' makes USD 210 m. As of 01.04.2011, this limit has been used only by 66%

*See the rating report for full substantiation of rating by RA Expert Rating .*

Fig. 2 Visualization of rating of PJSC 'Credit Agricole Bank'

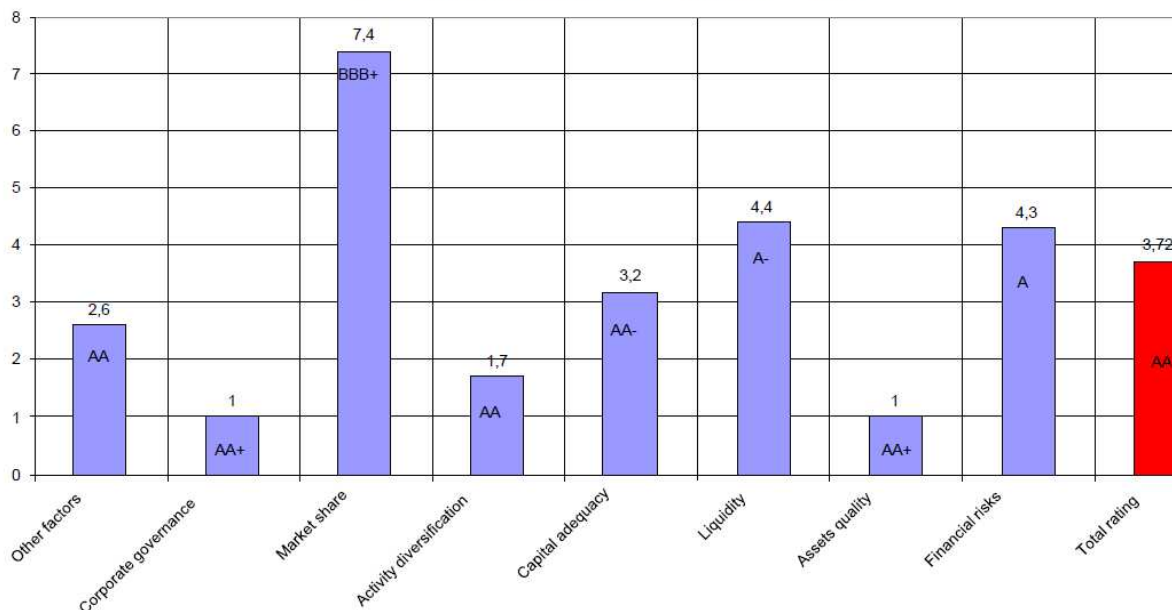


Table 11

## Summary of rating results of PJSC 'CREDIT AGRICOLE BANK' following Q1 2011

| Name of indicator   | aa  | a   | bbb  | bb   | b  |
|---|---|---|--|--|--|
|   | 1   | 3   | 6  | 9  | 12   |
| Period of bank actual operation   | Over 60 m.  | Over 36 m.  | Over 24 m.   | Over 12 m.   | Up to 12 m.  |
| Settled and non-settled claims of bank clients and regulators/ authorized capital ratio   | 0%  | 10%   | 15%  | 20%  | 25%  |
| Personnel turnover rate (employees dismissed / annual average number of employees)  | Up to 5%  | Up to 10%   | Up to 20%  | Up to 30%  | Over 30%   |
| Set of factors (1 K)  | No conflicts with minority shareholders, the complete set of reporting in the system of information disclosure        | No conflicts with minority shareholders, partial availability of set of reporting in the system of information disclosure | No conflicts with minority shareholders, no reporting, no exact information on shareholders, available in the system of information disclosure | Conflicts with minority shareholders in the past, no reporting in the system of information disclosure | Conflicts between the shareholders, no clear information on shareholders structure, no regular information in SMIDA for the previous years |
| Norm of maximal amount of loans, warranties and sureties issued to one insider (H9)   | Not higher than 1%  | Not higher than 2%  | Not higher than 3%   | Not higher than 4%   | Not higher than 5%   |
| Norm of maximal overall amount of loans, warranties and sureties issued to insiders (H10)   | Not higher than 5%  | Not higher than 10%   | Not higher than 15%  | Not higher than 20%  | Not higher than 30%  |
| Market share (Bank net assets / Total net assets of the banking system)   | Over 5%   | 3-5%  | 2-3%   | 1-2%   | Below 1%   |
| Market share ratio (customer deposits (excluding interbank) / Average amount of banking system deposits (excluding interbank))          | Over 2 times  | 2,-1,5  | 1,5-1  | 1-0,8  | 0,8-0,5  |
| Set of factors 2 (D)  | Presence of external loans, support by IFO and foreign shareholders from non-offshore jurisdictions, or state support | Presence of external loans, support by IFO, state support   | Presence of external loans or support by IFO   | Previous external loans or previous support by IFO   | No external loans nor support by IFO in the past   |
| H 7   | Not higher than 17%   | Not higher than 20%   | Not higher than 23%  | Not higher than 24%  | Not higher than 25%  |
| H 8   | Not higher than 1,5 X RK  | Not higher than 2,0 X CR  | Not higher than 4,0 X CR   | Not higher than 6,0 X CR   | Not higher than 8 X CR   |
| H 11  | Not higher than 1,0%  | Not higher than 1,5%  | Not higher than 2,5%   | Not higher than 5%   | Not higher than 15%  |
| Share of large clients deposits ((Amount of deposits of customers exceeding 5% of total customer deposits) / (Total customer deposits)) | Not higher than 17%   | Not higher than 20%   | Not higher than 23%  | Not higher than 24%  | Over 25%   |
| Net interest margin in the operational income (Net interest margin / Operational income)  | Not higher than 60%   | 60-70%  | 70-80%   | 80-90%   | Over 90%   |
| H 2   | Over 14%  | 12-14%  | 10-12%   | 8-10%  | 6-8%   |
| H 3   | Over 8%   | 6-8%  | 4-6%   | 3-4%   | 2-3%   |
| ROE (net income/shareholders equity)  | Over 20%  | 15-20%  | 10-15%   | 5-10%  | 0-5%   |
| H 4   | Over 35%  | 30-35%  | 25-30%   | 20-25%   | Below 20%  |
| H 5   | Over 55%  | 50-55%  | 45-50%   | 40-45%   | Below 40%  |
| H 6   | Over 35%  | 30-35%  | 25-30%   | 20-25%   | Below 20%  |
| Asset quality level ((Negatively classified assets) / Total bank assets)  | Below 5%  | 5-8%  | 8-10%  | 10-20%   | 20-30%   |
| Л13-1 (not more than 20%)   | Up to 5%  | Up to 10%   | Up to 20%  | Up to 30%  | Over 30%   |

|  |          |           |           |           |          |
|--|----------|-----------|-----------|-----------|----------|
| Л13-2 (not more than 10%)  | Up to 5% | Up to 10% | Up to 20% | Up to 30% | Over 30% |
| GAP index (deviation from 100%, Assets sensitive to interest rates change / Liabilities, sensitive to interest rates change) | 0-5%     | Up to 10% | Up to 20% | Up to 30% | Over 30% |

## Appendix A

### Use limitations of the rating report

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Perceiving results of estimation of the level of credit rating of bank, it should be understood that:

1. At rating some factors are taken into attention which can positively or negatively affect the stability of the bank. Therefore, RA Expert Rating Ltd estimates the level of bank resistibility to adverse factors of influence. The estimation is made for banks according to the international scale of RA Expert Rating Ltd (table A) and the national scale of Agency which is defined according to the scale approved by the Resolution of the Cabinet of Ukraine of April 26, 2007 no. 665. The parity between the international scale and the national scale is determined by the Agency independently.

2. The information provided in the rating report which source are the rated Bank and the National Bank of Ukraine, can slightly differ because of distinctions in system of account or methodology of calculation of indicators.

3. The information provided in the given report on foreign shareholders of financial institution is given in that currency in which the official annual report of the company-shareholder is made. Comparing such financial information with the data of Bank or of the similar foreign companies it is necessary to take care of difference in the systems of account and accounting policy.

Table A

**International rating scale for credit ratings used by RA Expert Rating**

| Rating | Stability level | Interpretation of stability level  |
|--------|-----------------|--|
| aaa    | Highest         | There is highest probability of that the company will withstand the influence of adverse factors.<br>The company corresponds to <b>aa</b> level but its obligations are additionally <b>guaranteed</b> by the foreign shareholders or the state. |
| aa     | Very high       | There is very high probability of that the company will withstand the influence of adverse factors.  |
| a      | High            | There is high probability of that the company will withstand the influence of adverse factors.   |
| bbb    | Good            | There is normal probability of that the company will withstand the influence of adverse factors.   |
| bb     | Acceptable      | There is acceptable probability of that the company will withstand the influence of adverse factors.   |
| b      | Satisfactory    | There is satisfactory probability of that the company will withstand the influence of adverse factors.   |
| ccc    | Alerting        | There is alerting probability of that the company will withstand the influence of adverse factors.   |
| cc     | Low             | There is low probability of that the company will withstand the influence of adverse factors. The company is usually removed from rating process   |

Every type of letter corresponds to three kinds of outlook:

Positive (+);  
Neutral ( );  
Negative (-).

This appendix is an integral part of any rating report.