
14.11.2011

Rating conclusion

Substantiation of bond rating of PJSC “CREDIT AGRICOLE BANK” of series A and B

In September of 2011 PJSC “CREDIT AGRICOLE BANK” has made a decision about the issue of bonds nominated in UAH. The bank implies the placement of issue in two series: A and B at UAH 250 m each one. In October of 2011 the issue prospectus has been registered in SSMSC according to the requirements of current legislation. During the special meeting of rating committee of 11.11.2011 it was decided to assign credit rating to the planned issue of bonds of series A and B at the level **uaAA+** according to the national scale. When assigning credit rating to the bonds of series A and B, the Agency was guided by the following conclusions:

- The parent company Crédit Agricole S.A. remained to provide the unprecedented high level of external support for PJSC “CREDIT AGRICOLE BANK”: according to the results of 9 months of 2011 total revenues of Crédit Agricole S.A. constituted EUR 16,1 bn., net profit – EUR 1,597 bn.
- The total volume of issues, which were assigned with the credit rating, made UAH 500 m, that was equal to 8,5% of liabilities of PJSC “CREDIT AGRICOLE BANK” as of 01.10.2011. When taking into consideration the Bank adhered the standards of capital adequacy with reserves, the growth of its liabilities just by 8,5% can't considerably influence the debt burden of the financial institution.
- The expiration date of bond circulation of series A is 11.11.2013, the expiration date of bond circulation of series B is 31.01.2014. After successfully placing the bonds of series A and B, PJSC “CRÉDIT AGRICOLE BANK” will increase the urgency of its resource base in national currency that will positively influence the quality of bank resource potential formed in national currency.

When making the decision about assigning the high credit rating to the bonds, the Agency was also based on the analysis of results of PJSC “CREDIT AGRICOLE BANK” and Crédit Agricole S.A. for 9 months of 2011:

1. The group Crédit Agricole has continued the expansion in Ukraine. As of 01.10.2011 the Bank's assets have constituted UAH 6,6 bn., that is by UAH 1,55 bn. or by 30,68% more than according to the results of the same period of 2010. The volume of liquid assets has increased by 41,09% and as of 01.10.2011 has constituted UAH 1,05 bn, that correspond to 15,84% of total assets. The Bank loan portfolio has grown by 22,22% for the period from 01.10.2010 to 01.10.2011, while in average for the banking system of Ukraine the growth rate of this indicator has made only 9,57%. At the same time the volume of loans provisions has decreased by 27,52%, and as of 01.10.2011 loans provisions/ loan portfolio ratio has constituted 9,59% at an average of the system – 19,04%.

2. Total liabilities of the Bank have increased by UAH 1,3 bn. or by 28,67% for the period from 01.10.2010 to 01.10.2011 and as of the reporting date have constituted UAH 5,8 bn. In the structure of Bank liabilities funds of legal entities have shown the greatest growth rates of 68,08% or UAH 595 m, the growth rate of due to other banks has constituted 49,51% or UAH 618 m, and funds of individuals have increased by 11,29% or by UAH 213 m. The Agency positively estimates the funds in the structure of Bank's resource base, which reduced the portion of expensive resources in total liabilities.

3. The Bank Crédit Agricole in Ukraine went away from the practice of loss-making work. So, PJSC "CREDIT AGRICOLE BANK" has completed the Q3 of 2011 with net profit of UAH 38,9 m, due to that ROE has constituted 5,09%. The growth of net interest income has reached 33,57%. Such figures particularly stand out against the average performance indicators of Ukrainian banks, which still demonstrate losses and, correspondingly, negative ROE.

4. The Bank Crédit Agricole in Ukraine has continued increasing equity capital. Equity capital has increased almost 1,5 times (by 48,42%) or by UAH 249 m for the period from 01.10.2010 to 01.10.2011 and has constituted UAH 764 m. While in the banking system the growth rate of this indicator has made 14,36% for the same period. The additional infusion of funds into the capital of the Bank has also resulted in the increase of capital adequacy from 10,19% as of 01.10.2010 to 11,57% as of 01.10.2011.

5. Despite the expected default in Greece, the obvious problems in the markets of state debts of Italy and Spain, Crédit Agricole continued to demonstrate profitable operation. Revenues of the group Crédit Agricole S.A. have grown by 5,57% for the 9 months of 2011 in comparison to the same period of the previous year, the amount of operating income and net profit have increased only by 0,5%. One of the largest banking holdings in EU has lost approximately EUR 637 m in the Q3 because of the Greek default. Despite that, the activity of Crédit Agricole S.A. has remained profitable: net profit of Crédit Agricole S.A. has constituted EUR 258 m for the Q3 of 2011. That is about 2 times less than forecasts, but sufficient in order to conclude that price reduction of securities of Greek government has not had a significant impact on the financial condition of Crédit Agricole.

Analytical department of RA «Expert-Rating»