

**Credit rating conclusion
(rating report)**

№ALINC-КРП-009-ОН

under the contract №17/02/01-КРП-01 dated February 2, 2017

I. Object of rating:	JSC «BANK ALLIANCE»
Type of rating	NSR long-term credit rating
Date of assignment	February 13, 2017
Date of update	January 11, 2021
Rating action	confirmation
Category of rating	investment
Grade of rating	uaAAA
Rating outlook	stable

**Інформація про об'єкт
рейтингування:**

Full name	JOINT STOCK COMPANY «BANK ALLIANCE»
Address	50, Sichovykh Striltsiv st., Kyiv, Ukraine, 04053
State registration date	March 10, 1992
Banking license	№97 dated November 17, 2011
State registration code	14360506
Bank code	300119
Head (position):	Frolova Yuliia Mykolaiivna (Chairman of the Board)
tel. / fax	+38 (044) 224-66-70
website	bankalliance.ua
e-mail	alliancebank@alliancebank.org.ua

№	date	rating	outlook
1	13.02.17	uaA-	stable
2	14.08.17	uaA-	stable
3	24.01.18	uaAA	stable
4	24.07.18	uaAA	stable
5	24.01.19	uaAA	positive
6	09.07.19	uaAAA	stable
7	09.01.20	uaAAA	stable
8	09.07.20	uaAAA	stable
9	11.01.21	uaAAA	stable

According to the National Scale of Rating approved by the resolution of the Cabinet of Ministers of Ukraine №665 dated 26 April, 2007, a borrower or a separate debt instrument with a **uaAAA** rating is characterized with the strongest ability to meet financial commitments compared to other Ukrainian borrowers and debt instruments.

Outlook "**stable**" indicates that the rating is unlikely to be changed in the near future.

On January 11, 2021, "Rurik" National Rating Agency confirmed the **uaAAA** NSR long-term credit rating of JOINT STOCK COMPANY «BANK ALLIANCE», outlook "**stable**".

The symbol "ua" indicates that the credit rating is assigned and updated under the National Scale of Rating. The National Scale of Rating allows to measure credit risk distribution in the economy of Ukraine excluding sovereign risk and is used on the domestic financial market of Ukraine.

The credit rating can be changed, suspended or withdrawn in case new significant information appears, in case of lack of necessary information to update the rating or for other reasons, which the agency will consider sufficient for taking such actions.

The credit rating is not an absolute measure of credit risk, but an opinion of the rating agency concerning the ability of the object of rating to meet financial commitments compared to other objects.

The credit rating is assigned and updated based on the specially developed methods considering requirements of the legislation of Ukraine and international standards. By no means is the assigned credit rating a recommendation concerning any forms of crediting the object of rating, either selling or buying its securities.

"Rurik" NRA is not a guarantor and shall not be liable for any debts of the object of rating.

"Rurik" NRA does not conduct audit or other inspections of information and can, if necessary, rely on unaudited financial information provided by the customer.

The rating grade depends on the quality, homogeneity and fullness of information at the disposal of the agency.

In order to assign the credit rating, "Rurik" NRA used the internal information and financial statements for 2013 – 9m 2020 inclusive provided by the Bank as well as public information and its own databases.

While assigning the credit rating the most considerable factors affecting the grade of the credit rating were generalized.

Positive factors:

- Strong support of the owner. In the 2nd quarter of 2020, the authorized capital of the Bank was raised to UAH 365 M.
- Acceptable concentration of the Bank's active operations. Sufficient diversification of the Bank's customer loan portfolio by the biggest borrowers reduces its sensitivity to credit risk.
- High quality of the customer loan portfolio. As of October 1, 2020, the share of 1-6 class corporate loans equaled 87 per cent of the Bank's customer loan portfolio.
- Acceptable diversification of the Bank's passive operations. Sufficient diversification of the Bank's portfolio of customer funds by the biggest depositors reduces its sensitivity to liquidity risk.
- Acceptable currency structure of the Bank's customer loan portfolio. As of October 1, 2020, 66 per cent of total loans were issued in the national currency, which reduces the Bank's sensitivity to credit risk connected with devaluation of Hryvnia and an increase in debt load of borrowers.
- A well-designed complex development strategy providing for cooperation with international financial organizations and the Ministry of Agrarian Policy and Food of Ukraine for crediting agricultural producers using agrarian receipts.
- High level of financial transparency and information openness of the Bank expressed with detailed and complex disclosure of information, necessary to assign the credit rating. This allowed decreasing the level of uncertainty in assessing the ability to meet financial commitments and analysis of the Banks's activity.

Negative factors:

- Like the other Ukrainian banks without strategic foreign investments, the Bank's activity is sensitive to the influence of political, legislative, regional and macroeconomic sources of risk immanent to Ukraine.

Therefore, having performed complex rating analysis of JSC «BANK ALLIANCE»,

considering all sufficient factors affecting the rating grade,

guided by the principles of objectivity, independence and open-mindedness,

adhering to the rating norms established by the legislation of Ukraine,

“Rurik” National Rating Agency confirmed the uaAAA NSR long-term credit rating of JOINT STOCK COMPANY «BANK ALLIANCE», outlook “stable”.

Annex. Main financial and economic indices of JSC «BANK ALLIANCE»

№	I. Absolute indices	01.07.20		01.10.20		Increase	Rate of increase	Increase in the share
		thsd. hrn.	%	thsd. hrn.	%			
1	Total assets	4 422 878	100,00%	5 149 876	100,00%	726 998	16,4%	-
1.1	Highly liquid assets (including government bonds and deposit certificates of the NBU)	1 281 351	28,97%	1 958 294	38,03%	676 943	52,8%	9,06
1.2	Credit and investment portfolio	3 033 341	68,58%	3 185 901	61,86%	152 560	5,0%	-6,72
1.2.1	Funds in other banks	66 857	1,51%	70 882	1,38%	4 024	6,0%	-0,14
1.2.2	Credits and debts of clients	2 939 136	66,45%	3 087 671	59,96%	148 536	5,1%	-6,50
1.2.2.1	Corporate credits and debts	2 914 712	65,90%	3 062 756	59,47%	148 044	5,1%	-6,43
1.2.2.2	Individual credits and debts	24 424	0,55%	24 915	0,48%	492	2,0%	-0,07
1.2.3	Provisions for credit losses	-150 293	-3,40%	-188 645	-	-38 352	25,5%	-
1.2.4	Securities (excluding government bonds and deposit certificates of the NBU)	27 348	0,62%	27 348	0,53%	0	0,0%	-0,09
1.3	Fixed and intangible assets	67 249	1,52%	65 306	1,27%	-1 944	-2,9%	-0,25
1.3.1	including investment properties	0	0,00%	0	0,00%	0	-	0,00
2	Total liabilities	3 902 659	100,00%	4 594 389	100,00%	691 730	17,7%	-
2.1	Other banks' funds	341	0,01%	722 505	15,73%	722 163	211642,4%	15,72
2.2	Corporate funds	2 347 502	60,15%	2 408 347	52,42%	60 844	2,6%	-7,73
2.3	Individual funds	1 415 635	36,27%	1 298 246	28,26%	-117 389	-8,3%	-8,02
2.4	Bank's debt securities	0	0,00%	0	0,00%	0	-	0,00
2.5	Subordinated debt	26 487	0,68%	56 486	1,23%	29 999	113,3%	0,55
3	Total equity	520 219	100,00%	555 486	100,00%	35 267	6,8%	-
3.1	Authorized capital	365 120	70,19%	365 120	65,73%	0	0,0%	-4,46
3.2	Reserve and other Bank's funds	35 404	6,81%	40 231	7,24%	4827	13,6%	0,44
3.3	Revaluation reserves	0	0,00%	0	0,00%	0	-	0,00
3.4	Unappropriated retained earnings (losses)	22 632	4,35%	57 900	10,42%	35267	155,8%	6,07
№	II. Relative indices	01.07.20		01.10.20		Rate of increase		
1	Income-earning assets / Total assets	72,47%		83,32%		10,85		
2	Time deposits of clients / Total deposits of clients	55,53%		53,58%		-1,94		
3	Loans capital coverage ratio	5,65		5,56		-9,13		
4	Deposits capital coverage ratio	7,23		6,67		-56,11		
5	Financial stability ratio, %	11,76%		10,79%		-0,98		
№	III. Relative financial result indices	01.07.20		01.10.20		Rate of increase		
1	ROA	0,57%		1,35%		0,77		
2	ROE	4,45%		11,00%		6,55		
3	Return on the authorized capital	7,24%		18,52%		11,28		
4	Return on costs	6,10%		10,32%		4,22		
5	Commission incomes / Interest incomes	51,51%		57,67%		6,16		
6	Risk free income coverage ratio	39,16%		46,52%		7,36		
7	Effectiveness of using funds raised	11,48%		16,40%		4,92		
8	Net interest margin	2,58%		3,77%		1,19		