JCR-ER JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR

Corporate Credit Rating

☐New ☒Update

Sector: Bank

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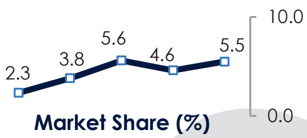
RATINGS

			Long Term	Short Term
International	Foreign Currency		BB	B
	Local Currency		BB	B
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
National	**Local Rating**		**AA(Ukr)**	**A-1+(Ukr)**
	Outlook		**Positive**	**Stable**
Sponsor Support			2	-
Stand-Alone			AB	-
Sovereign*	Foreign Currency		B	C
	Local Currency		B	C
	Outlook	FC	Stable	Stable
		LC	Stable	Stable

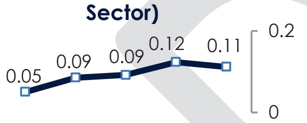
***Assigned by JCR on July 14, 2020**

RATIOS

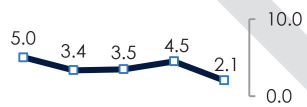
NIM (%)



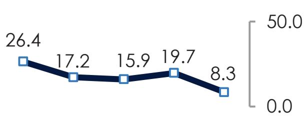
Market Share (%) (Ukrainian Banking Sector)



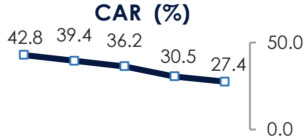
ROAA (%)



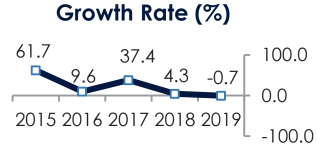
ROAE (%)



CAR (%)



Growth Rate (%)



JSC – West Finance and Credit Bank

JCR Eurasia Rating has affirmed the ratings of JSC – West Finance and Credit Bank at '**AA (Ukr)**' on the Long-Term National Scale with "**Positive**" outlook and '**A-1+ (Ukr)**' on the Short-Term National Scale with "**Stable**" outlook. On the other hand, JCR Eurasia has also upgraded the Long-Term International Foreign and Local Currency ratings as '**BB'** positioned above the country ceiling.

JSC – West Finance and Credit Bank (referred to as **'the Bank**') was founded in Ukraine in 2007 by the ownership of Altınbaş Holding A.Ş. from Turkey. The Bank has maintained its activities with primary focus on corporate and commercial borrowers with increasing share of earning assets within its balance sheet structure while recording robust growth rates above the averages of the banking sector.

Altınbaş Holding A.Ş. had become the major shareholder of the Bank owning 100% of the Bank's shares following the share transfer of the former shareholders in March, 2015, namely 'Creditwest Factoring Hizmetleri A.Ş.' and 'Onsa Mücevherat Imalatı ve Dış Tic. A.Ş.'. On the other hand, the ultimate major shareholder of all of the group companies has remained to be the Altınbaş Family, which has established one of the largest conglomerates in Turkey operating in several diverse fields ranging from finance and energy to jewelry.

Strengths	Constraints
• Thanks to strong capitalization level supporting sustainability and providing capacity to absorb incidental losses, • Earnings power with core indicators converging to acceptable boundaries, • Ongoing improvement of core banking income components particularly share of NII. • Asset quality maintained regarding highly-below-the- sector NPL ratios & high coverage level, • Maintenance of loan-driven moderate growth strategy accompanied by defending margins, • Sticking to selective lending to well-reputed clientele and maintaining focus on industries with strong metrics, • Continuation of strong shareholder support abating needs for external long-term funding.	• Historically high sector NPLs deteriorating lending expansion, • Impeding potential advantages of franchise strength and exerting pressure on OPEX, • Ongoing credit risk concentration among the top customers and industries together with high level of concentration of deposit customers, • High level of volatility and recessionary pressures exerted by the ongoing Covid-19 pandemic and vulnerability of the Ukrainian economy to external financial shock.

Considering the mentioned drivers, the Bank's the Long-Term National Rating has been affirmed as "**AA (Trk)**". The Bank was affirmed a "**Positive**" outlook on the Long-Term National Scale particularly regarding: (i) the Bank's upward trend in the rankings within the sector and expected improvement therein, (ii) the Bank's guidance figures for FY2020, which have been evaluated to be in line with the recent improvements in its financial statements, (iii) Measures taken by the National Bank of Ukraine (NBU) during the Covid-19 pandemic and (iv) qualified and experienced management team.

On the other hand, continuation of currently observed compliance level with the NBU's recapitalization plans increasing minimum regulatory capital requirements for the banks in Ukraine to UAH500 mn by July, 2024 on a phased basis; sustenance and further improvement of profitability items particularly through enhancement in core banking revenues to the extent of generating internal equity; and level and direction of non-performing loans both in sectoral and the Bank level will be the monitoring issues in the following periods.

JCR Eurasia Rating has upgraded the Long Term Foreign and Local Currency Sovereign Ratings of Ukraine to "**B**" from **'B- '**and affirmed with "**Stable**" outlooks as of July 14,2020. West Finance and Credit Bank's Long Term International Foreign and Local Currency ratings have been upgraded to "**BB**" from **"BB-"** in this regard. The Bank's international notes were placed above the country ceiling by taking into consideration the Bank's main shareholder with business activities in several diverse fields in Turkey (Turkey's sovereign rated as '**BB+**' by JCR) in the shareholder structure, well-capitalized funding mix of the Bank and the magnitude of the Bank's assets ranking relatively low with regard to that of the Group together with considering the sustained exceptional immunity of the Bank to the ongoing countrywide banking crisis as evidenced by its further improved main financial indicators.

The willingness of the shareholders to provide funds to the Bank and their history of doing so in previous years and the continuing expectation of financial support to the sector to a certain extent by the local authorities in the case of emergence of systemic risks, the 'Sponsor Support' grade of the Bank has been affirmed at (**2**). The current senior management's ability and competent and stable managerial practices together with its moderate risk profile to administer the risks undertaken to absorb possible adversities given the capacity of the Bank's strong equity base and capitalization level corresponds to the affirmed level of (**AB**) in 'Stand Alone' category under JCR Eurasia's notation system.