
Fitch ratings assigns rating 'BB' forecast 'Stable' Akba-Credit

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YEREVAN, January 11. /ARKA/. Fitch Ratings international ratings agency gave Armenia's 'AKBA-Credit Agricole Bank' long-term issuer default rating 'BB' forecast 'Stable', short-term issuer default rating 'B', individual rating 'D' and support rating '3', reports the official site of 'Fitch Ratings'.

According to the report, the ratings of the Armenian bank reflect moderate probability of receiving support, if needed, from the biggest shareholder Credit Agricole S.A. French group (with long-term issuer default rating 'AA', forecast 'Stable').

According to Fitch, even through the Credit Agricole S.A. group owns the smaller package of the Armenia bank's shares (28%), still it can provide support to 'AKBA-Credit Agricole Bank' if needed bearing in mind associating the brands, and active involvement of the group in creating and monitoring of the bank that has not much grown yet. Yet, Fitch stress that the minor package of the group and low priority of the Armenian market may reduce the probability of receiving support.

The agency also pointed out a limited probability of receiving support from the Armenian authorities if needed as the bank controls considerable segment in agricultural lending (Armenia has long-term 'BB-', 'positive' forecast issuer default ratings both in foreign and national currency).

Individual rating reflects small scale of 'AKBA-Credit Agricole Bank' as per the international standards, high risks of operation environment, rapid growth of the bank's assets and large share of lending in foreign currency. At the same time, Fitch says, the rating takes into account good quality of AKBA management, considerable client database in Armenia, high profitability from the main activities, traditionally good quality of assets, strong capitalization and adequate liquidity position. According to the Fitch report, the potential for improving the bank's long-term issuer default rating is limited and is possible only if the share of the Credit Agricole S.A. group in the Armenian bank is increased and/or if the group gives respective assurance of its willingness to support the bank if needed.

Raising the country ceiling of Armenia from the current 'BB' level would also be a requirement for improving the long-term issuer default rating of 'AKBA Credit-Agricole Bank', Fitch says. The long-term issuer default rating may be downgraded if Fitch changes its opinion on the willingness of Credit Agricole S.A. group to support 'AKBA-Credit Agricole Bank' or if Armenia's country ceiling is lowered (which is not expected taking into account the current 'Positive' forecast by sovereign ratings).

The potential for improving the individual rating of 'AKBA-Credit Agricole Bank' is currently limited due to small size of the bank and high operation risks in Armenia. Yet, according to the rating agency, further successful expansion of the client database, along with maintaining the quality of assets and adequate capitalization, may be a positive factor in the credit rating.

According to Fitch, considerable losses in credits may be a potential reason for lowering the rating, but currently the bank has considerable 'reserve' of own means to absorb such losses.

`AKBA-Credit Agricole Bank' closed joint stock company is the third biggest bank of Armenia in value of assets and lending volume. As of the end of the 3rd quarter of 2007 the bank's share on these indicators was 10% and 12% respectively. Apart from that, the bank was the leader in the rural lending segment (70% of the market). AKBA has 21 branches in Armenia; the number of the branches is expected to reach 47 by the end of 2009.

`AKBA-Credit Agricole Bank' closed joint stock company (former Farmer Mutual Support Bank of Armenia) was founded in 1995 and was registered on March 29 1996. The bank was founded within the EU TACIS program. In September 2006 Credit Agricole French banking group purchased 28% of the bank's shares. The remaining shares belong to 10 associations of farmer mutual support involving over 45,000 farmers.

According to the official information, as of the end of September 2007, the total capital of `AKBA-Credit Agricole Bank' was 20.4bln Drams, total assets were 68.9bln Drams, balance sheet profit - 3.7bln Drams and profit was 2.3bln Drams by the end of January-September 2007 period. (\$1=307.15Drams).
