

## The rating report

(version for publication)

(on basis of the Agreement No. 38/PA of 21.07.2010, revision as of 15.09.2011 )



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|--|--|
| Credit rating of the Bank according to Ukrainian national scale                | <b>uaBBB</b>   |
| Interpretation of rating according to the national scale:                      | The Bank is characterized by sufficient credit capacity in comparison with other Ukrainian banks. Level of credit capacity depends on the influence of adverse commercial, financial and economic conditions<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) |
| Credit rating of the Bank according to international scale of RA Expert-Rating | <b>B</b><br>(adequate level of stability)  |
| Rating report updating date  | September 15, 2011   |
| Rating date:   | July 30, 2010  |



## PUBLIC JOINT STOCK COMPANY 'COMMERCIAL BANK 'GLOBUS''

(Full name of the bank)

19 / 5, Kurenevsky lane, 04073, Kiev, Ukraine  
(Company legal address)

19 / 5, Kurenevsky lane, 04073, Kiev, Ukraine  
(Company de facto address)

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|------------------------------------|--|
| Incorporation date                 | November 29, 2007  |
| National enterprises register code | 35591059   |
| Auditors                           | LLC Audit Company 'United Audit Company', LLC 'Inter-Audit',<br>Audit Company 'Fincom-Audit'                                       |
| Registrar                          | Private JSC 'AUSD'   |
| Phone                              | +38 (044)585-70-91   |
| Fax                                | +38 (044)585-70-91   |
| Chairman of Board                  | Kurilenko Serghei Borisovych   |
| Contact persons                    | Alexeyenko Viktoriya Yuryevna, Head of Analysis, Planning and Risks<br>Department, phone 585-70-84, VAlekseyenko@globusbank.com.ua |
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| Web address                        | <a href="http://www.globusbank.com.ua">http://www.globusbank.com.ua</a>  |

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*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. General overview of the bank

PJSC CB GLOBUS was registered by National Bank of Ukraine on November 29, 2007, registration certificate No. 320. Licence No. 240 was issued by National Bank of Ukraine on 29.01.2008. Since first months of work the Bank started to actively develop settlement infrastructure. So, in December, 2008 the PJSC CB GLOBUS was accepted into the Association 'Ukrainian National Group of SWIFT Members and Users 'UkrSWIFT'. In February of 2009 Bank BIC code GLIBUA22 was activated in the international payment system SWIFT.

The 03.01.2011 on the General Meeting of JSC CB "Globus" shareholders a decision was taken to rename OJSC CB "GLOBUS" for PJSC "GLOBUS" (hereinafter – Bank).

For extension of range of services and optimization of cash settlements, the Bank established partnership relations with Deutsche Bank Group. As a result, the Bank has opened direct correspondent accounts in USD in Deutsche Bank Trust Company Americas (USA) and in EUR - in Deutsche Bank AG (Germany). Since September of 2009 the Bank has begun to carry out international money transfers in the systems Anelik and Western Union, and also connected to the international system of momentary money transfer AVERS.

PJSC "CB GLOBUS" also has Licenses of the Securities and Stock Market National Commission (previously - SSMSC) on professional activity in the stock market: securities trading - dealer and broker activity, underwriting, and also custody activity as custodian. Since 2010 the Bank has become official partner of All-Ukrainian securities depository (AUSD) on the issues of securities dematerialization. And from second half of 2010 the Bank performs functions of the handing agent for value added tax (VAT) refund with domestic government loan bonds.

At the moment the Bank actively expands its branch network in Ukraine. As of 01.08.2011 there have been 11 branches functioning in the Bank. Within the framework of strategic branch network development program in all regions of Ukraine the Bank launched 2 new offices in Luhansk and Nikolaev. Expansion of branch network to the national scale within next several years stays in plans of the Bank. Till the end of 2011 the Bank plans to open several new branches. All branches are off-balance. Thus, asset management is coordinated from the Head Office.

Since 13.02.2008 the PJSC CB "GLOBUS" is the participant of the Fund for guaranteeing deposits of natural persons (Certificate No. 193). Also, PJSC CB "GLOBUS" is:

- active member of Association of Ukrainian banks (AUB);
- member of Professional Association Of Registrars and Depositories;
- active member of PFTS Stock Exchange;
- active member of East European Stock Exchange;
- member of Society for Worldwide Interbank Financial Telecommunication S.W.I.F.T.;
- member of 'Ukrainian Fund Dealers' Association;
- participant of Private Joint-Stock Company 'All Ukrainian Securities Depository';
- client of National Depository of Ukraine.

Table 1

### Key Performance Indicators of PJSC CB GLOBUS (UAH thousands by the end of the year)

| Indicators   | 01.07.2011 | 01.07.2010 | 2010<br>(01.01.2011) | 2009<br>(01.01.2010) | 2008<br>(01.01.2009) | Growth rate<br>01.07.2010 -<br>01.07.2011 | Growth rate<br>2009-2010 | Growth rate<br>2008-2010 |
|--|------------|------------|----------------------|----------------------|----------------------|---|--------------------------|--------------------------|
| Total assets   | 1 694 460  | 766 905    | 1 179 855            | 635 816              | 636 391              | 120,95%                                   | 85,57%                   | 85,40%                   |
| Net assets (assets – reserves under active transactions) | 1 609 059  | 714 032    | 1 113 409            | 597 583              | 629 576              | 125,35%                                   | 86,32%                   | 76,85%                   |
| Loans and debt of clients                                | 409425     | 397617     | 345 714              | 412 091              | 372 396              | 2,97%                                     | -16,11%                  | -7,17%                   |
| Share of troubled loans                                  | 0,52%      | 0,76%      | 0,88%                | 0,75%                | 0                    |   |                          |                          |
| Shareholders equity                                      | 189 966    | 181 417    | 184 646              | 177 173              | 165 930              | 4,71%                                     | 4,22%                    | 11,28%                   |
| Authorized capital                                       | 160 000    | 160 000    | 160 000              | 160 000              | 160 000              | -   | -                        | -                        |
| Deposits of physical persons                             | 271 602    | 164226     | 188 112              | 146 806              | 74 537               | 65,38%                                    |                          | 152,37%                  |
| Deposits of legal persons                                | 72 235     | 148 233    | 52 825               | 135 925              | 113 965              | -51,27%                                   | 28,14%                   | -53,65%                  |
| Net Profit   | 6 058      | 3 189      | 8 236                | 11 220               | 5 930                | 89,97%                                    | -26,60%                  | 38,89%                   |
| Capital adequacy ratio (H2)                              | 17,54%     | 27,28%     | 23,00%               | 32,96%               | 29,07%               | -   | -                        | -                        |

Source: CB GLOBUS data, NBU data, calculations by RA Expert-Rating

As of 01.07.2011 compared to 01.07.2010 the assets of the Bank grew by 2,2 times. The Bank showed significant dynamics of growth, despite of the prolonged post-crisis period and very slow recovery of Ukrainian economy. The share of troubled loans in loan portfolio has decreased due to growth of the latter. As earlier, even after several years of work the share of problem credits in bank credit portfolio remained at the level of 0,52 %, these are record low volumes proving to the high quality of assets, no common for most Ukrainian banks.

The regulatory capital adequacy ratio has somewhat decreased due to the growth of Bank active transactions amounts. As of 01.07.2011 it was 17,54% i. e., and on 01.07.2010 – 27,28% at the standard norm of not less than 10%.

On the other hand, it should be noted that during the period from 01.07.2010 to 01.07.2011 household deposits in the Bank increased by 65,38% and reached the size of UAH 271,6 m. Essential rates of the growth of deposits of the population became possible thanks to active marketing strategy of bank, growth of number of departments and increase of bank transparency.

It should be reminded that PJSC CB "GLOBUS" is issuer of bonds. Debut issue of Bank bonds in the amount of UAH 75 million has been registered on March, 17th, 2008. Maturity of bonds is 23 of March, 2013, type of placement is private. The whole issue was placed on April, 24th, 2008. In February 2011 the Bank announced that the interest rate on issued bonds for 7th and 8th interest periods is 15 % per annum.

As a whole, PJSC CB GLOBUS may be described as young but very dynamically developing bank carrying out in practice moderately conservative financial policy, developing actively the branch network and focusing on individual work with clients.

## 2. Market share and business activity

The bank GLOBUS belongs to the 4th group of banks according to NBU classification. At the beginning of Q3 2011 the Bank ranked no. 75 in NBU ranking of assets amount, and at the beginning of Q2 2010 the Bank ranked no. 106 in this ranking. The analysis of the bank GLOBUS share in the market of banking services revealed that the Bank does not occupy an essential share in the market as a whole nor in separate segments of the market of banking services and products, however for the last 12 months its share has promptly grown (see table 2).

Table 2

**The analysis of PJSC CB GLOBUS share in the Ukrainian market (UAH thousand, %)**

| Indicators  | 01.07.2011 | 2010<br>(01.01.2011) | 2009<br>(01.01.2010) | 2008<br>(01.01.2009) | Change for<br>2008-2010<br>UAH th., p.p. | Growth rate in<br>2008-2010 % |
|---|------------|----------------------|----------------------|----------------------|--|-------------------------------|
| (Net) Assets  | 1 609 059  | 1 113 409            | 597 583              | 629 576              | 483 833                                  | 76,85%                        |
| Loans to individuals and legal persons                                | 409 425    | 345 714              | 412 091              | 372 396              | -26 682                                  | -7,17%                        |
| Funds of individuals and legal persons                                | 343 837    | 240 937              | 282 731              | 188 502              | 52 435                                   | 27,82%                        |
| Share of PJSC CB GLOBUS in system assets                              | 0,1578%    | 0,1182%              | 0,0684%              | 0,0680%              | 0,0502 p.p.                              | -                             |
| Share of PJSC CB GLOBUS in system loan portfolio                      | 0,0519%    | 0,0461%              | 0,0567%              | 0,0502%              | -0,0041 p.p.                             | -                             |
| Share of PJSC CB GLOBUS in the funds of individuals and legal persons | 0,0325%    | 0,0548%              | 0,0809%              | 0,0432%              | 0,0116 p.p.                              | -                             |

Source: NBU data, calculations by RA Expert-Rating

As of 01.07.2011 GLOBUS Bank occupied in the assets of the system as little as 0,1578%, one year earlier - 0,1182%, in the loan portfolio of the system - 0,0519%, one year earlier - 0,0461%. And though it is already proven in practice in Ukraine that larger share in the market is not a guarantee against default, the banks of the 4th group have more difficult access to Ukrainian Interbank Foreign Exchange Market, are less assisted by the Government and easier liquidated through the Fund for Guaranteeing Deposits of Natural Persons. Namely this factor raises the risk of default of the banks of 4th group.

Main competitors of PJSC CB GLOBUS are: JSC ASTRA BANK, Platinum Bank, JSC Delta Bank, PJSC Megabank. The bank GLOBUS has created for the clients a line of products having special competitive characteristics:

- settlement and cash services (custom-tailored approaches);
- foreign-currency purchase and sale in the Ukrainian Interbank Foreign Exchange Market;
- depositary lines (competitive depositary interest rates);
- custody of securities.

It is difficult for PJSC CB GLOBUS to compete with large banks; it is just in prospect to form branch network, to create stable corporative and customer base. The circumstance that the top management of the Bank has wide working experience in banking sector, inclusive in the NBU, gives it access to attractive corporate clients, however, this does not guarantee 100 % of success in increasing sales of banking products.

In spite of insignificant volumes of business, as of 01.07.2011 the Bank showed relatively good indicators of customer base diversification. For instance, deposits of top three legal persons in the Bank portfolio of legal person's deposits made up just 4,2 %. Such level of diversification may be considered as very high.

As a result, small scale of work and insignificant period of existence do still negatively affect the credit rating of the bank GLOBUS. At the same time, these factors have a hypothetic impact, and their use is only caused by a stochastic nature of the rating. That is, at high capital adequacy, redundant liquidity and high quality of assets the negative impact of these factors may be leveled. Let's remind that in H1 of 2011 RA Expert-Rating, considering dynamical growth of PJSC CB GLOBUS raised its credit rating on a national scale from uaBBB- to uaBBB. Growth of

market share, profitableness of operations, at invariable high quality of assets and moderate capital adequacy opens prospects for further increase of the credit rating of Bank.

### 3. Capital adequacy and external support

For three years and a half shareholder equity of PJSC CB GLOBUS grew by 14,54 %. As of 01.07.2011, shareholder equity of the Bank was by 84% created at the expense of authorized fund. Also, the Agency notes the decrease in regulatory capital adequacy ratio H2 from 29 to 17,54%. In spite of the fact that shareholders equity of the Bank for the last 2 years grew by smaller rates than the assets, and the H2 of the Bank gradually decreased, its level remained high enough. As of 01.07.2011, value of H2 was by 7,54 p.p. higher than limit value of the norm established by NBU, but already by 1,66 p.p. lower than averagely in the system (see table 3).

Table 3

#### Analysis of PJSC CB GLOBUS shareholder equity adequacy (UAH thousand, %)

| Indicators                                   | 01.07.2011 | 2010<br>(01.01.2011) | 2009<br>(01.01.2010) | 2008<br>(01.01.2009) | Change in<br>2008-2010, UAH th. | Growth rate in<br>2008-2010, % |
|--|------------|----------------------|----------------------|----------------------|---------------------------------|--------------------------------|
| (Net) assets                                 | 1 609 059  | 1 113 409            | 597 583              | 629 576              | 483 833                         | 76,85%                         |
| Shareholders equity                          | 189 966    | 184 646              | 177 173              | 165 930              | 18 716                          | 11,28%                         |
| Authorized capital                           | 160 000    | 160 000              | 160 000              | 160 000              | -                               | -                              |
| Authorized capital/Shareholders equity ratio | 84,23%     | 86,65%               | 90,31%               | 96,43%               | -9,78 p.p.                      | -                              |
| Shareholders equity/assets ratio             | 11,81%     | 16,58%               | 29,65%               | 26,36%               | -9,78 p.p.                      | -                              |
| Regulatory capital adequacy ratio H2         | 17,54%     | 23,00%               | 32,96%               | 29,07%               | -                               | -                              |
| System average value H2                      | 19,20%     | 19,97%               | 15,41%               | 13,49%               | 6,48 p.p.                       | -                              |
| Normative value H2                           | >10%       | >10%                 | >10%                 | >10%                 | -                               | -                              |
| H3, regulatory capital/ total assets ratio   | 12,3%      | 16,06%               | 28,00%               | 26,00%               | -9,94%                          | -                              |
| System average value H3                      | 14,65%     | 14,32%               | 13,06%               | 11,83%               | 2,49 p.p.                       | -                              |
| Normative value H3                           | >9%        | >9%                  | >9%                  | >9%                  | -                               | -                              |

Source: NBU data, PJSC CB GLOBUS data, calculations by RA Expert-Rating

The similar tendency was observed also for normative ratio regulatory capital/total assets (H3). The Bank GLOBUS redundantly adhered to this normative in regard of NBU requirements but it was already lower than average value in the system. In Agency's opinion, redundant values of H2 and H3 proved to conservative financial policy of the Bank in the area of use of attracted funds. On the other hand, the circumstance that the Bank has started its activity just in 2008 should be taken into account, and small new banks (with period of work up to 5 years) are frequently characterized by redundant capital adequacy.

In the eye of analytical service of the Agency, in the nearest year or half-year the management of the Bank GLOBUS may well maintain the normative values of H2 and H3 at the level of average values in the market, certainly upon condition of persistently high quality of assets and redundant liquidity.

Analysis of the PJSC CB GLOBUS shareholders equity structure revealed that as of 01.07.2011 the shareholders equity is composed by 88,2% at the expense of authorized capital, and by 6,9% - due to profit of previous years. The analysis performed by the Agency has not revealed traces of equity swap transactions with other banks or schemes involving companies of nonfinancial sector, intended for artificial raising of the authorized capital. Nor did PJSC CB GLOBUS have subordinated debts (Table 4).

Table 4

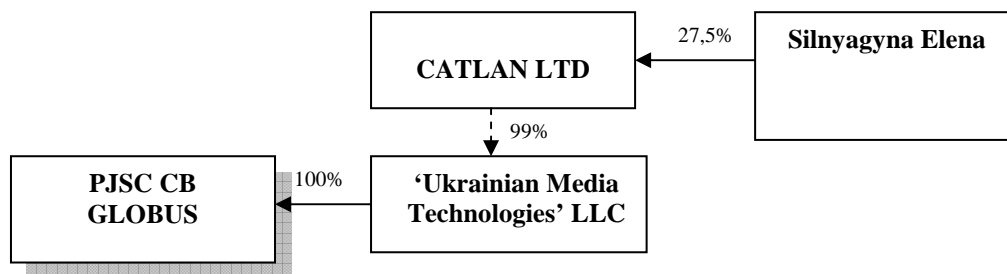
#### PJSC CB GLOBUS shareholders equity structure in 2009-2011 (UAH thousand, %)

| Indicator                        | 01.07.2011 |         | 2010<br>(01.01.2011) |         | 2009<br>(01.01.2010) |         | 2008<br>(01.01.2009) |         | Change in<br>2008-2010,<br>p.p. | Growth rate<br>in 2008-2010<br>% |
|----------------------------------|------------|---------|----------------------|---------|----------------------|---------|----------------------|---------|---------------------------------|----------------------------------|
|                                  | UAH th.    | %       | UAH th.              | %       | UAH th.              | %       | UAH th.              | %       |                                 |                                  |
| Authorized capital               | 160 000    | 84,23%  | 160 000              | 86,65%  | 160 000              | 90,31%  | 160 000              | 96,43%  | -9,78 p.p.                      | 0,00%                            |
| Issue profit/loss                | 0          | 0,00%   | 0                    | 0,00%   | 0                    | 0,00%   | 0                    | 0,00%   | -                               | -                                |
| Fixed assets revaluation reserve | 0          | 0,00%   | 0                    | 0,00%   | 0                    | 0,00%   | 0                    | 0,00%   | -                               | -                                |
| Profit of previous years         | 20 463     | 10,77%  | 12 524               | 6,78%   | 2 942                | 1,66%   | 0                    | 0,00%   | 6,78 p.p.                       | -                                |
| Other                            | 9 503      | 5,00%   | 12 122               | 6,57%   | 14 231               | 8,03%   | 5930                 | 3,57%   | 3,00 p.p.                       | 104,42%                          |
| Shareholder equity               | 189 966    | 100,00% | 184 646              | 100,00% | 177 173              | 100,00% | 165 930              | 100,00% | -                               | 11,28%                           |

Source: NBU data, PJSC CB GLOBUS data, calculations by RA Expert-Rating

In the rating report framework the PJSC CB GLOBUS discovers the ultimate beneficiaries, i. e., the persons who actually own the Bank. All beneficiaries of the Bank are resident individuals of Ukraine (fig. 1).

Let's remind that according to NBU data, 100 % of PJSC CB GLOBUS shares belong to 'Ukrainian media technologies' LLC. The Agency positively assesses the present structure of membership of main Bank beneficiaries. On the other hand, the Agency cannot determine or disprove presence of external support of the Bank by the beneficiaries. According to the data of the PJSC CB GLOBUS itself, its shareholders are ready to increase the authorized capital of the Bank when necessary. However, such readiness is determined by the property status of beneficiaries, and also by their wish to do the business jointly and by relations between them. So far as individual persons are concerned, it appears not possible to calculate the level of external support.



**Fig. 1. Structure of PJSC CB GLOBUS shareholders as of 01.09.2011**

As a whole, the Agency assesses capital adequacy of PJSC CB GLOBUS as redundant, and the level of external support from shareholders – as yet still indeterminate. For the time being the level of external support has no significant influence on the rating because in the conditions of redundant capital adequacy the Bank does not need assistance from side of shareholders.

#### 4. Asset quality

Hierarchical asset management system is developed in PJSC CB GLOBUS: depending on asset class, its management is carried out by a relevant department. For example, treasury is engaged in management of interbank credits portfolio, crediting department is managing the portfolio of legal and individual persons, securities department - securities portfolio, etc. Certain control over asset quality is additionally carried out by Bank's security service. In particular, security service of the Bank takes part in crediting process both at the stage of client documents and reputation examination before issuing the credit, and in case of overdue appearance on current credit agreements on the interest and on the principal.

Absence of approved programs (rules of procedure) for loan scoring system in the bank GLOBUS should be considered as positive factor.

Loans to legal persons covering 99,7 % of Bank loan portfolio is the main form of assets allocation for the Bank GLOBUS. It significantly reduces credit risks beard by the Bank, and makes cheaper the credit process itself (see table 5).

*Table 5*

**Loans and clients debt in PJSC CB GLOBUS in 2009–2011 (UAH thousand)**

| Indicators                            | 01.07.2011     |             | 2010<br>(01.01.2011) |             | 2009<br>(01.01.2010) |             | 2008<br>(01.01.2009) |             | Changes<br>2008-2010<br>UAH th. | Growth<br>rate<br>2008-2010,<br>% |
|---------------------------------------|----------------|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|---------------------------------|-----------------------------------|
|                                       | UAH th.        | %           | UAH th.              | %           | UAH th.              | %           | UAH th.              | %           |                                 |                                   |
| Loans to legal persons                | 396 767        | 96,9%       | 336 954              | 97,47%      | 409 916              | 99,47%      | 376 067              | 99,69%      | -39 113                         | -2,22%                            |
| Loans to individual entrepreneurs     | 416            | 0,1%        | -                    | -           | -                    | -           | -                    | -           | -                               | -                                 |
| Mortgage loans to individuals         | 488            | 0,12%       | -                    | -           | -                    | -           | -                    | -           | -                               | -                                 |
| Other loans to individuals            | 11 755         | 2,87%       | 8 760                | 2,53%       | 2 175                | 0,53%       | 1 176                | 0,31%       | 7 584                           | 2,22%                             |
| provisions against loan impairment    | (71 899)       | 17,56%      | (62 809)             | (18,17%)    | (37 752)             | (9,16%)     | (6 690)              | (1,77%)     | 56 119                          | 16,4%                             |
| Total loans minus provisions          | 337 527        | 82,44%      | 282 905              | 81,83%      | 374 339              | 90,84%      | 370 553              | 98,23%      | -87 648                         | -16,4%                            |
| <b>Total loans:(provisions incl.)</b> | <b>409 426</b> | <b>100%</b> | <b>345 714</b>       | <b>100%</b> | <b>412 091</b>       | <b>100%</b> | <b>377 243</b>       | <b>100%</b> | <b>-31 529</b>                  |                                   |

Source: NBU data, PJSC CB GLOBUS data, calculations by RA Expert-Rating

The analysis of branch diversification has revealed a number of alarming trends in the credit portfolio. So, as of 01.07.2011 the 28,75% of credit portfolio was formed by loans for nonbank companies of financial sector. The evident bias of the portfolio towards crediting only one branch was neutralized only by the fact that the Bank does not issue long-term loans, and the branch structure of its portfolio is dynamical, and the concentration on single branch is decreasing. For example, as of 01.01.2010, the loans to nonbanking financial companies made up 64% of all issued loans, i.e., for year and a half their share decreased, in particular, due to appearance of borrowers in the sectors of real estate and retail business (Table 6).

**PJSC CB GLOBUS loan portfolio structure per kinds of economic activities in 2009–2011 (th. UAH, %)**

| Indicators  | 01.07.2011     |               | 2010<br>(01.01.2011) |                | 2009<br>(01.01.2010) |                | 2008<br>(01.01.2009) |                | Changes of branch structure in 2008-2010 UAH th., p.p. | Growth rate 2008-2010, % |
|---|----------------|---------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|--|--------------------------|
|   | UAH th.        | %             | UAH th.              | %              | UAH th.              | %              | UAH th.              | %              |  |                          |
| Petroleum products trade  | 11 115         | 2,77%         | 0                    | 0              | 16000,00             | 3,9%           | 0,00                 | 0,0%           | -16 000  | -3,9%                    |
| Real estate   | 23 597         | 5,89%         | 18 358               | 5,49%          | 36000,00             | 8,9%           | 25 330,00            | 6,8%           | -6 972   | -1,31%                   |
| Retail business   | 38 157         | 9,52%         | 38 172               | 11,42%         | -                    | -              | -                    | -              | 38 172   | 11,42%                   |
| Loans to nonbanking financial institutions (securities dealers, insurers, etc.) | 115 225        | 28,75%        | 86 456               | 25,87%         | 262105,00            | 64,6%          | 216 504,0            | 58,2%          | -130 048   | -32,33%                  |
| Loans to individuals  | 11 930         | 2,98%         | 8 565                | 2,56%          | 2 152,00             | 0,5%           | 1 162,00             | 0,3%           | 7 403  | 2,26%                    |
| Other branches  | 200 725        | 50,09%        | 182 677              | 54,66%         | 89 611,00            | 22,1%          | 129 220,0            | 34,7%          | -53 457  | -19,96%                  |
| <b>In total</b>   | <b>400 749</b> | <b>100,0%</b> | <b>334 228</b>       | <b>100,00%</b> | <b>405868,00</b>     | <b>100,00%</b> | <b>372 216,0</b>     | <b>100,00%</b> | <b>-37 988</b>   | <b>0</b>                 |

Source: PJSC CB GLOBUS data, calculations by RA Expert-Rating

It should be realized that the most part of the loans issued by the Bank is going for service of short-term transactions, trading transactions, part of which has speculative nature. It adds certain risk to the portfolio as a whole, however, the portfolio remains dynamical in its characteristics, and an insignificant horizon period of the portfolio provides good level of Bank liquidity.

The Bank GLOBUS has fully adhered to all norms of credit risk, prescribed by NBU (Table 7)

Table 7

**Main normative values of risk characterizing PJSC CB GLOBUS loan portfolio in 2009–2011**

| Norm   | Norm value | 01.07.2011 | 2010    | 2009    | 2008    | Change in 2008-2010 p.p. |
|--|------------|------------|---------|---------|---------|--------------------------|
| H7 Average of the system   | < 25%      | 22,25%     | 22,22%  | 22,10%  | 22,29%  | -0,07 p.p.               |
| H7, Maximal size of loan risk per counteragent                                     |            | 21,24%     | 24,42%  | 22,35%  | 23,59%  | 0,83 p.p.                |
| H8 Average of the system   | < 800%     | 148,37%    | 158,28% | 172,71% | 158,34% | -0,06 p.p.               |
| H8, Normative value for large loan risks   |            | 586,01%    | 437,22% | 270,35% | 270,43% | 166,79 p.p.              |
| H9 Average of the system   | < 5%       | 0,77%      | 0,86%   | 1,34%   | 1,94%   | -1,08 p.p.               |
| H9, Norm of maximal amount of loans, warranties and sureties issued to one insider |            | 0,18%      | 0,00%   | 0,00%   | 0,00%   | 0,00                     |
| H10 Average of the system  | < 30%      | 2,36%      | 2,82%   | 4,73%   | 6,60%   | -3,78 p.p.               |
| H10, Norm of maximal amount of loans, warranties and sureties issued to insiders   |            | 0,26%      | 0,00%   | 0,00%   | 0,00%   | 0,00                     |

Source: PJSC CB GLOBUS data, calculations by RA Expert-Rating

At the same time, the study of Bank client loan portfolio has allowed to draw conclusion on satisfactory level of diversification of such portfolio. In particular, as of 01.07.2011, the debt to the Bank to the largest borrower made up approximately 10% of total amount of loan portfolio. The share of three largest borrowers made up 28 % of the portfolio. At high quality of the portfolio, demonstrated by the Bank the current level of concentration may be considered as acceptable.

As bad loan debt makes up about 1% of total loan portfolio of the Bank, and the reserves accrued for credit transactions cover 17,6 % of the portfolio, as a whole the Agency assesses Bank assets quality as good and also focuses attention on satisfactory level of branch and client diversification of loan portfolio.

Special attention should be focused to the fact that PJSC CB GLOBUS has in place the system of interest rate and currency risks management. The treasury is responsible for day-to-day management of Bank foreign exchange position:

- providing of sufficient resources for carrying out active transactions and complying with norms and limits of foreign exchange position by performing transactions in the monetary market;
- calculation of foreign exchange position norms prescribed by NBU.

At solving tasks of current management for providing timely and adequate measures on minimization of losses from foreign currency transactions, assessment and monitoring of currency risk according to internal methodology is performed. This function is assigned to the Department of analysis, planning and reporting, which used such methods as coefficient method, VaR, stress testing, back testing, GAP analysis and others.

Almost all credits of PJSC CB GLOBUS are issued in Hryvna, and at that as of 01.07.2011 about 55% of client deposits attracted by the Bank have been in domestic currency. Foreign exchange position of the Bank is balanced at the expense of interbank resources swap.

## 5. Liquidity

The Board of Directors and the Asset and Liability Committee (ALC) are responsible for liquidity situation in PJSC CB GLOBUS. The ALC takes decision on transactions significantly affecting short-term, medium-term and long-term liquidity. Management of instant and short-term liquidity is performed by the Treasury of the Bank. Management of medium-term and long-term liquidity – by the Department of analysis, planning and reporting.

Asset and liability management is carried out for the purpose of:

- Prices caps of external resources market;
- Cash flow management;
- Determination and minimization of final risk if under the terms of contract or at client activity strategic change in terms of particular asset or obligation (early repayment of debt, earlier withdrawal of deposit or transfer of client funds to other bank) can happen.

Cooperation between ALC and other departments of the Bank is regulated on the ground of requests for purchase or allocation of resources. The decision on restrictions of interest margin is taken by ALC.

The ALC approves the plan of resources allocation in terms of resources availability for such allocation and time periods of their attraction. In case of necessity, the plan of active transactions upon presence of final risk, and also the level of interest rates upon targeted funds attraction under certain program of allocation can be reconsidered.

RA Expert-Rating has conducted liquidity analysis of CB GLOBUS in accordance to specific norms established by NBU for obligatory observance by all Ukrainian banks (see table 8).

Table 8

**Main liquidity norms characterizing  
PJSC CB GLOBUS loan portfolio in 2009–2011**

| Norm                                 | Norm restriction           | 01.07.2011 | 2010    | 2009   | 2008   | Change in 2008-2010 p.p. |
|--------------------------------------|----------------------------|------------|---------|--------|--------|--------------------------|
| H4 An average of the system          | > 20%                      | 54,30%     | 63,38%  | 65,17% | 53,79% | 9,59 p.p.                |
| H4 (Norm of instantaneous liquidity) |                            | 36,67%     | 66,12%  | 42,53% | 65,30% | 23,59 p.p.               |
| H5 An average of the system          | > 40%                      | 73,02%     | 76,73%  | 73,11% | 74,61% | 2,12 p.p.                |
| H5 (Norm of current liquidity)       |                            | 67,87%     | 68,07%  | 87,58% | 62,42% | -5,65 p.p.               |
| H6 An average of the system*         | > 60%<br>(from 01.03.2010) | 89,34%     | 87,22%  | 32,31% | 37,02% | 50,20 p.p.               |
| H6 (Norm of short term liquidity)    |                            | 81,86%     | 140,47% | 39,00% | 40,95% |                          |

Source: PJSC CB GLOBUS data, NBU data, calculations by RA Expert-Rating

\* - in 2009 NBU changed norm restriction for norm H6 raising it from 20% to 60%.

PJSC CB GLOBUS adhered to the norms of instant, current and short term liquidity. As of 01.07.2011, all norms were observed in full, at that, norms H4, H5 were less than an average of the system, and H6 was more than an average of the system. Difference of H4 and H5 from average values of the system may be considered as positive fact, as the summer of 2011 was characterized by redundant liquidity for the banking system of Ukraine.

As a whole, the Agency positively evaluates PJSC CB GLOBUS liquidity indicators and characterizes current liquidity level as moderately redundant.

## 6. Other factors considered at rating estimation

### *Interaction with state authorities.*

For the last 2 years of activity the PJSC CB GLOBUS underwent three audits by NBU, five audits by Pension Fund and one audit by STA of Ukraine, by Fund for guaranteeing deposits of natural persons, and by Social Insurance Fund. Within the last 12 months UAH 92 559,16 of penalties have been charged to the Bank by NBU and STA. In 2009 the Bank won a suit against one of the troubled borrowers. There have been no unsettled claims from Bank customers through the last 12 months.

### *Management.*

RA Expert-Rating positively estimates management team of PJSC CB GLOBUS. Large working experience of key top managers in the banking sector provides the Bank an adequate safety level and the understanding by shareholders and key managers of basic business processes and banking risks.

**Kurilenko Sergey Borisovich**, Chairman of Board since 2011, during the period since 2008 on 2011 he was the Deputy Chairman Board, the trustee of Bank. More than 15 years of experience in bank system, including in the National Bank of Ukraine, from those more than 5 years in the structure of bank management organs. Education: Moscow applied-physics institute (speciality - applied mathematics and physics, degree of economic and computing sciences master). Institute of High Education “University of modern knowledge” (Speciality - Finance).

**Didenko Victor Viktorovich**, Deputy Chairman of Board, trustee since 2011, during the period from 2009 to 2011 - the Adviser of the Chairman of Board on legal issues. More than 14 years of experience of legal work in corporations, commercial banks, judicial system, from them 9 years on administering posts. Education: Chernovtsy State University by Yu. Fedkovych (speciality - jurisprudence).

**Kotsupatry Sergey Mikhayloyvich**, Deputy Chairman of Board, trustee since 2011, the trustee since 2011. More than 8 years of experience in bank sphere on administering posts, including in JSCB “Ukrgazbank”, including JSCB “PIRAEUS BNAK ICB” and the Bank “TAVRIKA”. Education: Kiev National Economic University. Speciality - international economy.

*The personnel.*

Personnel policy of PJSC CB GLOBUS provides an effective use of personnel and, simultaneously, prevention of its number overgrowth. Maintenance of insignificant number of personnel at initial stage of the Bank growth has allowed dynamical development of Bank at the present time. At the same time, implementation of business processes automation strategy allowed normal load level with relatively small number of personnel. Financial motivation of personnel is achieved by a sufficient level of salary. In addition to material reward, the following non-financial motivation methods are used: in-company trainings by external trainers, paid by the Bank attendance by the personnel of external workshops, corporate events, health insurance.

As of 01.07.2011, Bank’s staff number made up 125 persons, among them – 90 persons with higher education.

## 7. Summary of estimation results and rating visualization

In the period from 01 to 12 September, 2011 RA Expert-Rating conducted planned update of PJSC CB GLOBUS (National enterprises register code 35591059) rating report. On September, 12th, 2011 the Rating Committee of RA Expert Rating has made the decision to approve new revision of the rating report confirming the rating at the level **uaBBB** (The Bank is characterized by sufficient credit capacity in comparison with other Ukrainian banks. Level of credit capacity depends on influence of adverse commercial, financial and economic conditions. The estimation is assigned according to the national scale approved by the Resolution of the Cabinet of Ministers of Ukraine No. 665 of April, 26th, 2007).

See in the rating report the detailed substantiation of rating estimation by Expert-Rating RA. When assigning investment level rating, the Rating Committee was guided by the following:

1. The agency has highly estimated quality of assets and liquidity of PJSC CB GLOBUS, the Bank has received on the given parameters the highest possible rating. Nevertheless, the loan portfolio of the Bank comprises a number of potential risks, still has a weakened level of branch and client diversification. If the Bank would maintain the quality of loans at present level till the end of 2011, it may serve as a precedent for raising its credit rating.

2. PJSC CB GLOBUS maintained redundant adequacy of capital. And though in dynamics the capital adequacy gradually decreased, its current level has been very far from limit norms. Redundant adequacy of regulatory capital (H2) at the level of 17,54% with norm of 10 % added to the Bank certain strength reserve which looked even more impressive against high assets quality and redundant liquidity.

3. We assessed diversification of PJSC CB GLOBUS activity as adequate. At rather good diversification of funding base, the client and branch diversification of loan portfolio has a lot to be improved. The Agency expects that in proportion to expansion of Bank activity, including due to growth of branch network, the level of high profile customers concentration in the loan portfolio of the Bank will decrease to an optimal value.

4. PJSC CB GLOBUS does not have a sufficient share of the market and does not perform large-scale activities. Its share in the banking system of Ukraine was estimated for 01.07.2010 at the level of less than 1 %, at that at the beginning of Q3 2011 Bank GLOBUS ranked No. 75 in NBU ranking of assets size. According to the Agency, the small size of the Bank and the place in the 4th group of banks according to NBU classification have limited for the Bank an access to some segments of monetary market and market of banking services, and also had negative impact on some competitive characteristics of its products. According to the Agency, for example, the Bank used to compensate absence of extensive branch network by a more flexible tariff policy.

5. The Agency focuses attention on high transparency level of PJSC CB GLOBUS, its readiness to disclose information about beneficiaries at the level of individual persons, presence of considerable volume of open information on Bank activity, including its aggregate financial reporting.



Fig. 2 Visualization of PJSC CB GLOBUS rating as of 01.07.2011

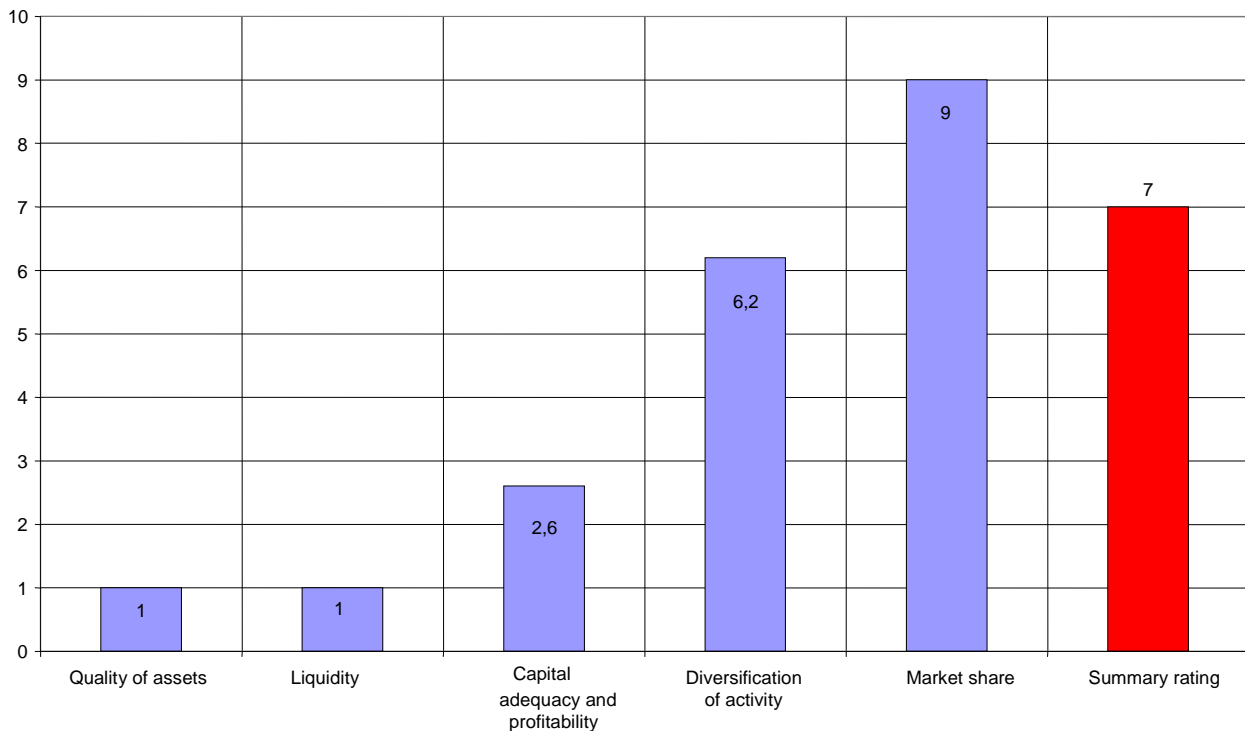


Table 9

## Summary of rating assessment indicators

| Name of indicator  | Aa  | a   | bbb  | bb   | b  |
|--|---|---|--|--|--|
|  | 1   | 3   | 6  | 9  | 12   |
| Period of bank actual work   | Over 60 m.  | Over 36 m.  | Over 24 m.   | Over 12 m.   | Up to 12 m.  |
| Ratio of settled and non settled claims of bank clients and regulators to its regulatory capital                               | 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, incl. 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 exact 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  | 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 PK  | Not higher than 2,0 X PK  | Not higher than 4,0 X PK   | Not higher than 6,0 X PK   | Not higher than 8 X PK   |

|   |                      |                      |                      |                     |                     |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|
| 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 (relation between net income and 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%              |
| H13   | Up to 5%             | Up to 10%            | Up to 20%            | Up to 30%           | Over 30%            |
| GAP index (deviation from 100%, interest rate sensitive assets / interest rate sensitive liabilities)                                   | 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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Depositors, insurers, investors, when using the given rating report, do automatically agree that the contents of the given rating report are the opinion of analysts of Rating Agency Expert Rating on the credit capacity of the financial entity.

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 guaranteed 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.