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PRESS RELEASE

Expert-rating RA confirms the credit rating of VAB Bank at the level uaAA following Q1 2011 results

On May, 20th, 2011 RA Expert Rating has confirmed credit rating of VAB Bank on the national scale (USREOU code 19017842) at level **uaAA**. This level of rating means very high reliability of the bank in the long-term period.

The table

Key performance indicators of VAB Bank (UAH th, %)

Indicator	01.04.2011	01.04.2010	Change UAH th., p.p.	Growth rate %
Total assets, UAH th	7 293 719	7 006 922	286 797	4,09
Cash and cash equivalents, UAH th	490 338	822 519	(332 181)	**(40,39)**
Loans and debts of clients, UAH th	6 117 797	6 087 650	30 147	0,50
Provisions under loans impairment, UAH th	**(1 299 096)**	**(831 613)**	467 483	**56,21**
Total liabilities, UAH th	6 546 357	6 376 313	170 044	2,67
Liabilities to other banks, UAH th	786 080	1 421 552	(635 472)	**(44,70)**
Legal entities assets, UAH th	1 298 689	962 051	336 638	**34,99**
Physical persons assets, UAH th	3 311 087	2 164 407	1 146 680	**52,98**
Shareholders equity, UAH th	747 362	630 609	116 753	**18,51**
Net interest income, UAH th	24 818	16 760	8 058	**48,08**
Net profit (loss), UAH th	**(82 414)**	**(106 700)**	(24 286)	**(22,76)**
Cash and cash equivalents/ liabilities, %	7,49%	12,90%	5,41 p.p.	-
Provisions under loans/credit portfolio, %	21,23%	13,66%	7,57 p.p.	-
Shareholders equity/assets %	10,25%	9,00%	1,25 p.p.	-
ROE, %	(11,03%)	(16,92%)	(5,89) p.p.	-

Source: NBU data, calculations by 'Expert Rating' RA

Confirming the rating of VAB Bank following the Q1 2010 the Rating Agency was guided by the following conclusions:

1. In the first quarter 2011 in comparison with the same period of 2010 VAB Bank has shown improvement of some key financial indicators. So, as of 4/1/2011 the volume of Bank assets has reached the amount of UAH 7,3 b, that is on 4,09 % higher than in the same period of last year. Renewal of credit activity of the Bank, that begun in 2010, was translated into its credit portfolio increase, which as of 4/1/2011 was by UAH 30,1 m higher, in comparison with portfolio volume 12 months ago. In particular, in Q1 of the current year the volume of consumer credits issued by the Bank increased in 3 times compared vs. Q4 2010. For example, only in March, 2011 more than 15 thousand individual clients applied to the Bank with the purpose of obtaining credit for current needs. At the same time it should be understood that the process of banking crediting volumes escalation in Ukraine occurs in parallel to the process of repayment by the clients of existing credit indebtedness, and thus in post-crisis macroeconomic conditions of activity, - therefore the indicator of Bank portfolio growth rate appears modestly enough as of yet.

2. Along with Bank assets growth the total volume of its liabilities has increased by 2,67 %. During the analyzed period means of physical persons attracted by the Bank have been increasing with greatest rates, - by 52,98 % or on UAH 1,15 bn. Growth rate of legal entities means constituted 34,99%, at the same time liabilities of VAB Bank to other banks reduced by 44,7 %. Thus, as of 4/1/2011 the share of the means attracted by VAB Bank in the interbank market reduced in the total amount of its resource base to 12 % whereas as of 4/1/2010 their specific weight was equal to 22,3 %, and as of 4/1/2009 - to 37 %. Thus it should be noticed that volume of reduction of highly liquid Bank assets by 40,39 % in Q1 2011 in comparison with

Q1 2010 is connected, according to Agency, with crediting process reactivation in the Bank and in the future should positively influence on its profitability indicators.

3. In spite of the fact that during the specified period the volume of provisions generated by the Bank under loans impairment has increased by 56,21 %, the level of the losses. fixed by the Bank in the same period nevertheless has decreased by 22,76 % and as of 4/1/2011 made UAH 82,4 m. Such reduction of Bank losses looks even more impressive against the losses of 2010 in the amount of UAH 621,3 m. For the compensation of the losses shown in the reporting and increase of solvency level, the shareholders of Bank in January, 2011 have increased its authorized capital by another UAH 550 m. Thereby an external support has been provided to the Bank, which was previously securing its high credit rating according to the national scale. As result, in the Q1 2011 in comparison with the same period of last year the shareholders equity of Bank has increased by 18,51 % or on UAH 116,8 m, and the ratio between the capital and assets of Bank as of 4/1/2011 has made 10,25 %. Besides, an obviously positive moment in the dynamics of Bank development is the increase of net interest income by 48,08 % or by UAH 8,1 m .

Therefore, the results of VAB Bank activity in the first quarter 2011 have proved to its further adherence to maintenance of sufficient solvency level, and to confident advancement to the set goal of profitability recovery by gradual escalation of asset operations.

Analytical service of RA ‘Expert-rating’