

23.05.2012

PRESS-RELEASE

(Translation from Russian)

The credit rating of PJSC «MEGABANK» has been improved up to the level uaA

May 23, 2012 RA «Expert-Rating» has decided to improve the credit rating of PJSC «MEGABANK» and the bank bonds of Series G, H, I up to the level **uaA** according to the national scale. The borrower with rating **uaA** is characterized by a high solvency in comparison with other Ukrainian borrowers. Making decision about assigning the credit rating according to the national scale, the Agency was guided by the key results of the Bank's activity in the Q1 of 2012.

Table 1

Key indicators of PJSC «MEGABANK», th. UAH, p.p.,%

Indicators	I quarter of 2012 (01.04.2012)	I quarter of 2011 (01.04.2011)	Change	Growth rate
Shareholders' equity	658 217	637 353	20 864	3,27%
Authorized capital	500 000	500 000	0	0,00%
Regulatory capital (N1)	739 230	771 255	-32 025	-4,15%
Shareholders' equity/assets ratio, %	14,37%	18,26%	-3,89 p.p.	-
Adequacy of regulatory capital (N2), %	18,90%	31,22%	-12,32 p.p.	-
Regulatory capital/total assets ratio (N3)	15,16%	21,19%	-6,03 p.p.	-
Total liabilities	4 015 269	2 853 354	1 161 915	40,72%
<i>Including liabilities in foreign currency</i>	<i>2 311 053</i>	<i>1 524 706</i>	<i>786 347</i>	<i>51,57%</i>
Funds of banks	668 031	439 204	228 827	52,10%
Funds of individuals	1 446 475	1 058 149	388 326	36,70%
Funds of legal entities	1 041 955	766 576	275 379	35,92%
Total assets	4 673 486	3 490 707	1 182 779	33,88%
Liquid assets (Cash and cash equivalents + Trading securities + Funds in other banks)	695 806	447 084	248 722	55,63%
Customer credits and debt	3 387 575	2 769 328	618 247	22,32%
<i>including customer credits and debt in foreign currency</i>	<i>1 653 072</i>	<i>1 205 215</i>	<i>447 857</i>	<i>37,16%</i>
Loan provisions	203 177	147 676	55 501	37,58%
Loan provisions/customer credits and debt	6,00%	5,33%	0,67 p.p.	-
Norm of large credit risks (N8)	189,18%	89,93%	99,25 p.p.	-
Norm of the maximum total amount of loans, guarantees and sureties issued to insiders (N10)	9,53%	6,92%	2,61 p.p.	-
Liquid assets/liabilities ratio	17,33%	15,67%	1,66 p.p.	-
Instant liquidity (N4)	45,57%	42,36%	3,21 p.p.	-
Current liquidity (N5)	72,23%	89,43%	-17,20 p.p.	-
Short-term liquidity (N6)	105,18%	115,74%	-10,56 p.p.	-
ROE	0,29%	0,10%	0,19 p.p.	-
ROA	0,04%	0,02%	0,02 p.p.	-
Net interest income	28 549	29 250	-701	-2,40%
Net commission income	33 525	29 431	4 094	13,91%
Net commission income/net interest income ratio	117,43%	100,62%	16,81 p.p.	-
Net profit	1 922	645	1 277	197,98%

Source: Data of PJSC «MEGABANK», calculations by RA «Expert-Rating»

1. In the period from 01.04.2011 to 01.04.2012 the bank's assets have increased by 33,88%, liabilities – by 40,72%, shareholders' equity – by 3,27%. At the same time, the average growth rates of assets and liabilities of the Ukrainian banking system have exceeded 10% in the same period. The loan portfolio of the bank has increased by 22,32% and as of 01.04.2012 it has amounted to UAH 3,388 bn, while the total loan portfolio of the Ukrainian banks has reduced by 12,77% in the same period. In the Agency's opinion, the growth rates of key performance indicators, demonstrated by the bank in the given period, have enabled it to strengthen its positions in the banking system of Ukraine – particularly, MEGABANK has risen by 5 steps up in the general ranking of banks according to NBU.

2. The bank has actively increased its resource base during the analyzed period. Thus, funds of individuals have increased by 36,70% and as of 01.04.2012 have amounted to UAH 1,042 bn, funds of banks have increased by 52,10% having amounted to UAH 668 mln. Excess capitalization and need to increase the efficiency of shareholders' equity use

have enabled the bank to increase assets by the higher paces, which has resulted in a slight decrease of capital adequacy indicators. At the same time, the capital norms of the bank are in the ranges set by NBU and exceed the market average indicators. In the period from 01.04.2011 to 01.04.2012 the bank's norm of regulatory capital adequacy (N2) has reduced by 12,32 p.p. (from 31,22% down to 18,90%, with the market average – «17,9%»), the norm of the ratio of regulatory capital to assets (N3) has decreased by 6,03 p.p. (from 21,19% down to 15,16%, with the average of the system – «14,5%»).

3. A low indicator of the ratio of loan provisions to customer debt, which has amounted to 6% as of 01.04.2012 (while the average of the banking system – 21,45%), indirectly indicates that the level of the portfolio loan risks remains relatively low. The Agency also emphasizes the bank's excess performing the norm of large credit risks (N8) and the norm of maximum amount of loans, guarantees and sureties issued to insiders (N10): as of 01.04.2012 N8 has amounted to 189,18% (the required indicator – «not more 800%»), and N10 has amounted to 9,53% (the required indicator – «not more 30%»). Excess performance of N8 indicates a good diversification level of the bank's loan portfolio.

4. Liquidity indicators of the bank are at a high level. Thus, as of 01.04.2012 the norm of instant liquidity (N4) has amounted to 45,57% (the requiring indicator is «not less 20%»), the norm of current liquidity (N5) has amounted to 72,23% (the minimal indicator is «not less 40%»), and the norm of short-term liquidity (N6) has reached 105,18% (the needed indicator is «not less 60%»). As of 01.04.2012 liquid assets have amounted to UAH 696 mln that is by 55,63% more, than as of 01.04.2011. At the same time, net profit of the bank has increased almost in 3 times and has reached UAH 1,9 mln in the Q1 of 2012 in comparison with the same period of 2011. One of the key factors, influenced the increase in the bank's profit, has become the increase in net commission profit by 13,91% in the Q1 of 2012 compared to the same period of previous year. At the same time, the larger part of income is generated by the bank due to commission payments, as indicated, in particular, by the ratio between net commission income and net interest income, which has amounted to 117,43% following the results of the Q1.

Therefore, the analysis of key performance indicators of PJSC «MEGABANK» has demonstrated a good dynamics of its development following the results of the Q1 of 2012. The growth rates of the bank's assets and liabilities have significantly exceeded the market average indicators. The result of the increase in income assets and the relatively low level of the portfolio loan risks has become a considerable increase in the bank's profit. At the same time, the bank performs all the liquidity and solvency norms set by the regulator with excess that enables it to fully meet its liabilities to depositors and other counterparties.

Analytical service of RA «Expert-Rating»