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PRESS-RELEASE

(Translation from Russian)

RA «Expert-Rating» confirms the credit rating of PJSC JSB «Ukrgasbank» at the level uaBBB+ following the results of 2011

March 30, 2012 RA «Expert-Rating» confirms the credit rating of PJSC JSB «Ukrgasbank» and of the Bank's bonds of Series C. D and E at the level **uaBBB+** according to the national scale. Confirming the credit rating, the Agency was guided by the results of the Bank's activity in 2011 (see table).

Table

Key performance indicators of PJSC JSB «Ukrgasbank» (th. UAH, %)

Indicator	2011 (01.01.2012)	2010 (01.01.2011)	Change, th. UAH, p.p.	Growth rate, %
Total assets	18 157 477	13 836 982	4 320 495	**31,22**
Cash and cash equivalents	2 225 548	1 334 653	890 895	**66,75**
Clients' credits and debts	16 213 336	10 540 133	5 673 203	**53,82**
Loan provisions	**(7 930 111)**	**(4 919 889)**	3 010 222	**61,18**
Total liabilities	15 353 373	11 845 727	3 507 646	**29,61**
Commitments to other banks	8 754 362	5 398 965	3 355 397	**62,15**
Funds of legal entities	1 231 042	842 804	388 238	**46,07**
Funds of individuals	4 383 998	4 392 309	(8 311)	(0,19)
Shareholders' equity	2 804 104	1 991 255	812 849	**40,82**
Net interest income	826 784	1 126 192	(299 408)	**(26,59)**
Net profit	**(3 613 984)**	**10 058**	-	-
Loan provisions / loan portfolio ratio	48,91%	46,68%	2,23 p.p.	-
Equity / Assets ratio	15,44%	14,39%	1,05 p.p.	-
ROE	**(128,88%)**	**0,51%**	-	-

Source: NBU data, calculations by RA «Expert-Rating»

Confirming the rating, the Agency was based on the following conclusions:

1. In 2011 Bank's assets have increased more than by one third (by 31,22% or by UAH 4,3 bn) and as of 01.01.2012 have amounted to UAH 18,2 bn. Liquid assets have increased by 66,75% or by UAH 890,9 mln and have amounted to UAH 2,2 bn according to the results of 2011, that corresponds to 12,3% of Bank's assets. In 2011 the Bank have actively increased its loan portfolio, which has equaled to UAH 16,2 bn as of 01.01.2012. Growth rates of lending, demonstrated by the Bank following the results of 2011 comparing to the same period of 2010, have reached 53,82% (or UAH 5,7 bn) that is by several times higher than the average growth of the total loan portfolio of the Ukrainian banking system, which has amounted to 8,44% for the same period. At the same time, the Bank has continued to form significant loan provisions: its volume has increased by 61,18% or by UAH 3,01 bn in 2011 comparing to the 2010, and as of 01.01.2012 it has amounted to UAH 7,9 bn that covers 48,91% of the Bank's loan portfolio.

2. As of 01.01.2012 Bank's liabilities have amounted to UAH 15,4 bn that is by 29,61% or by UAH 3,5 bn more, than on 01.01.2011. Funds raised from other banks have demonstrated the greatest growth – by 62,15% or by UAH 3,4 bn, which have reached UAH 8,8 bn following the results of 2011. Funds of legal entities have also increased by 46,07% or by UAH 388,2 mln, and as of 01.01.2012 have amounted to UAH 1,2 bn. At the same time, funds of individuals have insignificantly reduced by 0,19% or by UAH 8,3 mln and have amounted to UAH 4,4 bn. As of 01.01.2012 the greatest proportion in the structure of the Bank's resource base has belonged to funds of other banks, which have accounted for 57% of Bank's liabilities, and the proportions of individuals and legal entities have equaled to 29% and 8% respectively. As a whole, the Agency estimates the existing diversification level of the Bank's resource base as satisfactory.

3. The Bank has showed the loss of UAH 3,6 bn following the results of 2011, while a year before the Bank's financial result was positive. The key factor, which influenced the final financial result of the Bank's activity in 2011, has become the formation of reserves. The Bank has shown the operating income excluding the formation of reserves of UAH 378,9 mln. In 2011 costs for forming the loan provisions have grown by 61,18% or by UAH 3,1 bn.

4. In 2011 Bank's shareholders' equity has significantly increased. Thus, as of 01.01.2012 it has reached UAH 2,8 bn that is by 40,82% or by UAH 812,8 bn more than as of 01.01.2011. As a result, the capital adequacy has increased: from 14,39% as of 01.01.2011 up to 15,44% as of 01.01.2012. The Agency positively estimates the conduct of the Bank's additional capitalization, carried out in 2011, which has resulted in the increase in the share of Ministry of Finance of Ukraine up to 92,99%.

Therefore, the analysis of key performance indicators of PJSC JSB «Ukrgasbank» demonstrates that in 2011 the Bank has managed to get the good paces of development – the dynamics of assets growth, including the growth of loan portfolio, and Bank's liabilities have exceeded the market averages. At the same time, at the present moment the level of lending risks still remains significant that has enabled the Bank to achieve a positive financial result following the results of 2011. It's important to note that the Bank adequately assesses the existing risks and possesses the necessary volume of resources in order to cover possible losses from its realization. And the government participation in equity of PJSC JSB «Ukrgasbank» is additional guarantee of its stability and solvency, because it provides the Bank with the high level of external support.

Analytical service of RA «Expert-Rating»