

22.08.2012

PRESS-RELEASE

(Translation from Russian)

The rating of PJSC JSB «UkrGasbank» is improved up to uaA-

August 22, 2012 the rating committee of RA «Expert-Rating» has decided to improve the credit rating of JSB «UkrGasbank» and the rating of the Bank's bonds of Series *D* and *E* up to the level **uaA-**. The borrower with rating **uaA-** is characterized by a high solvency in comparison with other Ukrainian borrowers. Making decision about improving the credit rating according to the national scale, the Agency was guided by the results of the Bank's activity in the I half of 2012.

Table 1

Key indicators of JSB «UkrGasbank», th. UAH, p.p., %

Indicators	I half of 2012 (30.06.2012)	I half of 2011 (30.06.2011)	Change	Growth rate
Shareholders' equity	2921011	1970533	950478	48,23%
Authorized capital	10000000	5700000	4300000	75,44%
Regulatory capital (N1)	2889258	6289302	-3400044	-54,06%
Shareholders' equity/Assets ratio, %	13,98%	11,45%	2,53 p.p.	-
Regulatory capital adequacy (N2), %	18,20%	49,40%	-31,20 p.p.	-
Regulatory capital/Total assets ratio (N3), %	10,68%	27,92%	-17,24 p.p.	-
Total liabilities	17976542	15242911	2733631	17,93%
<i>Including liabilities in foreign currency</i>	5701727	3824336	1877391	49,09%
Funds of banks	9132321	4334723	4797598	110,68%
Funds of individuals	4809722	4432650	377072	8,51%
Funds of legal entities	1970735	1231344	739391	60,05%
Total assets	20897553	17213444	3684109	21,40%
Liquid assets (Cash and cash equivalents + Trading securities + Funds in other banks)	5175266	2241311	2933955	130,90%
Customer credits and debt	7088149	7374412	-286263	-3,88%
<i>Including customer credits and debt in foreign currency</i>	881633	805552	76081	9,44%
<i>Loan provisions</i>	7263133	5083012	2180121	42,89%
<i>Loan provisions/ customer credits and debt ratio, %</i>	50,61%	40,80%	9,81 p.p.	-
Norm of large loan risks (N8), %	282,52%	19,40%	263,12 p.p.	-
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders (N10), %	0,08%	0,56%	-0,48 p.p.	-
Securities (Securities for sale + Securities for redemption)	5841490	6637875	-796385	-12,00%
<i>Securities provision (for sale + for redemption)</i>	429322	303856	125466	41,29%
Liquid assets/Liabilities ratio, %	28,79%	14,7%	14,09 p.p.	-
Instant liquidity (N4), %	30,54%	32,30%	-1,76 p.p.	-
Current liquidity (N5), %	83,83%	74,25%	9,63 p.p.	-
Short-term liquidity (N6), %	86,99%	83,27%	3,72 p.p.	-
ROE	6,25%	0,3384%	5,91 p.p.	-
ROA	0,8732%	0,0387%	0,8345 p.p.	-
Net interest income	367415	411579	-44164	-10,73%
Net commission income	50490	49347	1143	2,32%
Net commission income/ Net interest income ratio	13,74%	11,99%	1,75 p.p.	-
Net profit	182482	6670	175812	2635,86%

Source: data of JSB «UkrGasbank», calculations by RA «Expert-Rating»

Note: Data in the I half of 2011 are corrected by the bank in accordance with the requirements of the instruction «On the order of making and publication of the financial statements of the Ukrainian banks», adopted by the NBU Board Resolution №373 from 24.10.2011

1. In the period from 30.06.2011 to 30.06.2012 the Bank's assets have grown by 21,4%, liabilities – by 17,93%, shareholders' equity – by 48,23%. Despite a reduction of the norm of the regulatory capital adequacy during the last 12 months, it still has been higher than in the average on the system. The norm

N2 of JSB «UkrGasbank» has been at the level 18,2%, while the norm in the average on the banking system, according to NBU, has amounted to 17,98%. The Bank has consciously gone from the situation, when during the first months after recapitalization the bank has maintained the excessive indicator of capital adequacy. The improvement of the asset quality against the background of the increase in liabilities was intended to increase the efficiency of the Bank's activity. In the Agency's opinion, this strategy of TOP-management has yielded positive results. Thus, JSB «UkrGasbank» has finished the I half of 2012 with net profit of UAH 182,482 mln that is in 27,36 times more, than in the same period of 2011. According to the results of the I half of 2012 the Agency has also fixed the ROE at the level 6,25%, ROA – at the level 0,87% that is higher than the average indicators on the system.

2. The Agency notes a slight correction of instant liquidity (N4), as well as the growth of current (N5) and short-term liquidity (N6). The comparison of the norms N4, N5, N6 of the Bank with the average indicators of the banking system has shown that at the beginning of the third quarter of 2012 the N4 has been by 22,21 p.p. lower, than the average on the system, but by 10,54 p.p., higher than the limit norm, set by NBU. The N5 (current liquidity) of the Bank has been by 13,08 p.p. higher than the average on the system, and the N6 (short-term liquidity) – by 7,46 p.p. lower, than the average on the system and, at the same time, by 27 p.p. higher, than the limit norm, set by NBU. The Agency considers that the Bank has managed to improve the situation with its liquidity as a whole during the last 12 months. The Bank follows the liquidity norms with a large margin regarding the boundary norms, set by the NBU. The norms N4 and N6 are a little lower, than the average on the system, as JSB «UkrGasbank» belongs to the group of large banks, which have a good diversification level of the loan and deposit portfolios and traditionally maintains the lower level of liquidity, than the average on the system.

3. During the last 12 months, in the period from 30.06.2011 to 30.06.2012 customer loans and debt of JSB «UkrGasbank» (before excluding reserves) have increased from UAH 12,457 bn up to UAH 14,351 bn, while the reserves have increased by UAH 2,180 bn. The main amount of additional forming the reserves is related to problem debt, which occurred before 01.07.2009 and was formed in August of 2011. In the Agency's opinion, the Bank continues to conduct a conservative lending policy. The Bank has also a significant amount of liquid assets in order to enhance lending. The Agency expects JSB «UkrGasbank» to activate lending processes in the corporate segment in the 3Q of 2012.

4. The Agency refers the timely repayment of the large syndicated loan and the bond issue of Series «C» to the category of positive factors, which improve the credit history of JSB «UkrGasbank».

July 31, 2012 JSB «UkrGasbank» has repaid the syndicated loan of USD 23 mln, provided by the group of international bank-lenders on 5 August of 2008. The organizers of syndicated loan and book runners have been the banks ING Bank N.V. and Standard Bank Plc. 14 banks from 9 countries have taken part in lending. The interest rate on the loan was LIBOR+3,25% per annum. June 12, 2008 JSB «UkrGasbank» has repaid the previous international loan of USD 46 mln, which was raised in June of 2007 at the rate of LIBOR +2,7%.

At the beginning of the 3Q JSB «UkrGasbank» has performed the repayment of bonds of Series «C» and of the interest income for the 20th interest period on the sum of UAH 62,03 th., which amounts to UAH 39,89 per one bond.

Therefore, in the I half of 2012 JSB «UkrGasbank» has continued to increase its business activity indicators, has demonstrated a sharp growth of operation profitability, the level of which was comparable to the market indicators, has conducted a moderate conservative policy and has partially improved the liquidity indicators. The Bank has also met all the undertaken obligations in time, including those in foreign currency to lenders-non residents. The above factors have caused the decision to improve the credit rating of the Bank.

Analytical service of RA «Expert-Rating»