

The rating report

(version for publication)

(On basis of the Agreement no. 05/RA of 05.08.2011)



Credit rating of the Bank according to Ukrainian national scale	uaBBB+
Credit rating of debt instrument: C, D and E series:	uaBBB+
Interpretation of rating according to the national scale:	A borrower or a debt instrument with the rating uaBBB+ has sufficient credit status compared with other Ukrainian borrowers or debt instruments. Credit status level depends upon influence of adverse commercial, financial and economic factors
Rating date:	November 01, 2011



PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK "UKRGASBANK"

(full name of the bank)

1, Yerevanskaya str., Kyiv, 03087, Ukraine
(legal address of the Bank)

39, Chervonoarmiyska Str. (Velika Vasilkivska) Kyiv, 01004, Ukraine
(de facto address of the Bank)

Incorporation date	July 21, 1993
USREOU code	23697280
Auditors	PrJSC "KPMG audit" Ernst & Young Audit Services LLC AF PKF Audit Finances LLC
Phone	+38 (044) 594-11-04
Fax	+38 (044) 594-11-04
Chairman of Board	Mamedov Sergey Gennadyevich
Contact persons	Sebeshuk Sergey Aleksandrovich Deputy Director of Risk Management Department , ph. (044) 239-28-31
E-mail	ssebeshuk@ukrgasbank.com
Web-site	www.ukrgasbank.com

List of licenses issued to the Bank: NBU license authorizing banking operations no. 123 of 22.06.2009; NBU written permission no.123-4 of 22.09.2009 (unlimited validity); State Committee on Securities and Stock Market license of 10.02.2009 (valid until 10.02.2015) authorizing professional activity on stock market: Series AB no. 520288 - activity on trading in securities: Broker activity; Series AB no 520289 - activity on trading in securities: Dealer activity; Series AB no 520291 - activity on trading in securities: securities management; Series AB no 520292 - Depository activity of the depository.

*The present report is the rating research expressing opinion of Expert Rating RA analysts.
The report is a substantiation of the rating assigned, also being an opinion of Expert Rating RA analysts.
See the last page of the report for use limitations*

Additional information for investors and depositors

Information on emission of interest bonds by the Bank: A Series (Redeemed).

RA "Expert Rating" did not assign a credit rating to this emission of bonds

No	Explication	Place for filling
1	Type of placement	Open
2	Face value, currency	UAH 1 000,00
3	Issue amount	UAH 100 000 000,00
4	ISIN code	UA100571AA05
5	Start of placement date	20.07.2006
6	End of placement date	14.06.2011
7	Coupon rate,%	12,75% per annum from 20.07.2006 to 16.07.2008; 16% per annum from 17.07.2008 to 13.07.2011
8	Coupon period	Quarterly
9	Payment date	20.07.2006
10	Maturity date	14.07.2011
11	Conditions of preterm redemption	<p>At will, the owner of bonds has the right to submit the bonds to the Emitter, and the Emitter undertakes to accept them for preterm redemption. The redemption is performed by the Emitter to the address: 1, Yerevanska str, Kyiv, 03087</p> <p>The preterm redemption of bonds is performed by the Emitter after the termination of 4th (19.07.07), 8th (17.07.08), 12th (16.07.09), 16th (15.07.10) coupon periods.</p> <p>Also the preschedule redemption of bonds is performed by the Emitter in case of change by the Emitter of interest rate for 7-8, 11-12, 15-16, 19-20 coupon periods.</p> <p>If the day of preschedule redemption falls on non-business day, established by the current legislation of Ukraine, the preschedule redemption is performed starting from the business day that follows the non-business day (day off).</p> <p>Thus the price of the preschedule redemption of bonds equals their face-value.</p> <p>Payment of means under the bonds which owner is the non-resident, is made to the accounts of non-resident standing representation or of the resident who works on behalf of the non-resident, for the expense and upon instructions of such non-resident and who bears responsibility for complete and timely charge and contribution to the budget of the taxes withheld at payment of incomes to the non-resident. In case when the Declaration does not contain information on standing representation or on the authorised resident, than the preschedule redemption of bonds from the non-resident is conducted exclusively after the non-resident would submit to the Emitter the documents certifying acquisition of the rights for bonds, and the documents necessary for charge of taxes on the income received by the non-resident.</p> <p>See emission Prospectus of the Bank for more details on the conditions of preschedule redemption</p>
12	Agent on bonds placement	Independently
13	Trading platform	<p>The bonds are listed in PFTS 3rd level list (listing) on 20.07.2006.</p> <p>The bonds are listed in PFTS 2nd level list by(listing) on 29.10.2007</p> <p>The bonds have been excluded (delisting) from PFTS 2nd level list on 12.01.2010, trade in bonds on PFTS stopped</p>
14	Is there a guarantor on bonds?	<p>The bonds are secured with all the property belonging to the Emitter according to the current legislation of Ukraine. The bonds have partial security. The Emitter concluded the agreement no. 75-0101-0006 of April, 28th, 2006 with JSC IC "Ukrainian insurance group" on insurance of risks of Emitter repayment of the principal sum of debt and of non-payment of incomes under the bonds for the total amount of UAH 165 000 000,00. The agreement has been concluded for the benefit of bondholders.</p> <p>The Insurer: Joint-Stock Company Insurance Company "Ukrainian Insurance Group".</p> <p>USREOU code: 30859524.</p> <p>Incorporation certificate: no. 18737 issued by Solomenska district state administration in Kiev on 02.08.2002.</p> <p>Legal address: 1, Yerevanska str., Kyiv, 03087, Ukraine.</p> <p>De-facto address: 16-A, Ivan Lepse bld., Kyiv, 03065, Ukraine</p> <p>Phone, fax: (044) 206-65-45, 206-36-42, 206-36-44.</p> <p>E-mail: office@ukringroup.com.ua</p>
15	Guarantor USREOU code	30859524
16	Conditions of emission restricting the rights of creditors	Not available
17	Main buyers of bonds	At bonds placement the Bank was focused on the buyers legal and natural persons

Information on emission of interest bonds by the Bank: **C Series (in circulation)**.

RA "Expert Rating" assigned debt instrument credit rating (DIR) at the level of **uaBBB+**

No	Explication	Place for filling
1	Type of placement	Closed
2	Face value, currency	UAH 1 000,00
3	Issue amount	UAH 300 000 000,00
4	ISIN code	UA4000016935
5	Start of placement date	06.08.2007
6	End of placement date	01.10.2007
7	Coupon rate	12% per annum from 06.08.2007 to 02.08.2009; 16% per annum from 03.08.2009 to 29.07.2012
8	Coupon period	Quarterly
9	Payment date	06.08.2007
10	Maturity date	30.07.2012
11	Conditions of preterm buyout	<p>At will, the owner of bonds has the right to submit the bonds to the Emitter for preterm redemption. The redemption of C series bonds was made on 03.08.2009</p> <p>To redeem the bonds pre-terminally the bond holder or his duly authorized representative (hereinafter – Seller) has to submit to the Emitter the declaration of intent for such redemption (hereinafter – the Declaration).</p> <p>The Declaration of Seller - legal person should contain:</p> <ul style="list-style-type: none"> • Full or abbreviated (when available) name of the Seller according to constituent documents; • Surname, name, patronymic (in full) of Seller's authorised person who signed the Declaration on behalf of the Seller; • Data of the document based on which the authorised person of the Seller is acting (enterprise charter, letter of attorney etc.); • Legal address and de-facto address of the Seller with indication of the phone number; • Data on the bonds offered to the Emitter for redemption (Series and number of bonds); • Seller payment address details (Seller current account no, name of bank entity, MFO (sort code) of the bank etc.); • Seller securities account details (securities account no., name of Depository, Depository account number in the Depository); • Identification code; • Consent on the conditions of preterm redemption stated in the decision on emission of bonds. <p>Sellers' declaration on preterm redemption has been accepted by the Emitter during the period from 14.07.2009 to 21.07.2009.</p> <p>The submission of the Declarations is performed in writing personally by the Seller or at mail address: 1, Yerevanska str, Kyiv, 03087. The investor should on request of the Emitter provide identifying documents according to the requirements of the current legislation of Ukraine on AML.</p> <p>The Declarations which have been received by the Emitter before or after the specified periods are deemed invalid.</p> <p>If the deadline for Declaration submission falls on non-business (day off, holiday) day established by the current legislation of Ukraine, than the closing date for submission is transferred to the first business day after the non-business (day off, holiday) day.</p> <p>Within 3 (three) business days foregoing the date of beginning of the preterm redemption, the Emitter concludes agreements on purchase and sale of bonds with Sellers who have duly submitted Declarations on preterm redemption of bonds.</p> <p>At the date of preterm redemption of bonds the Seller transfers the bonds in the amount specified in the Declaration, onto the account of the Emitter in the Depository, after which the Emitter within 1 (one) business day pays to the Seller money funds according to the requirements of the current legislation of Ukraine.</p> <p>The price of the preterm redemption of bonds equals their face-value, that is UAH 1000,00 (One thousand), kopecks 00.</p>
12	Agent on bonds placement	Independently
13	Trading platform	The bonds are admitted for circulation with inclusion into PFTS list (out of listing) — 07.08.07
14	Is there a guarantor on bonds?	<p>The Emitter concluded the agreement no. 75-0101-0014 of July, 20th, 2007 with JSC IC "Ukrainian insurance group" on insurance of risks of Emitter repayment of the principal sum of debt and of non-payment of incomes under the bonds for the total amount of UAH 479 520 000,00. The liability limit on income payment for one bond is UAH 598,40. If the new income interest rate under the bonds will exceed 12 % per annum, than in case of insured event occurrence the indemnity will cover the face-value and a part of interest income – UAH 594,40 per one bond. The agreement has been concluded for the benefit of bondholders.</p> <p>The Insurer: Joint-Stock Company Insurance Company "Ukrainian Insurance Group". USREOU code: 30859524. USREOU code of the Client Service Department Branch: 34540244 Incorporation certificate: no. 18737 issued by Solomenskaya district state administration in Kiev on 02.08.2002. Legal address: 32a, I. Fedorova str., Kyiv, 03038, Ukraine. Mailing address: 32a, I. Fedorova str., Kyiv, 03038, Ukraine. Phone, fax: (044) 206-65-45, 206-36-42, 206-36-44.</p>

		<p>E-mail: office@ukringroup.com.ua The certificate on the state registration of Joint-Stock Company IC Ukrainian Insurance Group no. 1073 120 0000 000766 of 02.08.2002, issued by Solomenskaya DSA in Kyiv. Date of indemnity payment to JSC "Ukrasbank" according to the specified Agreement is on 25.07.2007</p> <p>Order of execution of the Agreement: the Insurer undertakes against the payment stipulated in the Agreement (insurance payment) at approach of the event (insured event) stipulated by the Agreement to compensate the Suffered third party (Sufferer), the losses incurred as a result of this event (to pay out the indemnity) within the limits of insurance sum stipulated by the Agreement, liability limit on conditions and in time, specified by the Agreement. The insured event is the fact of approach of the civil liability of the Insured, according to the current legislation of Ukraine, for the losses incurred to property interests of the third party in consequence of default by the Insurer of the obligations to the third parties - Bondholders – concerning non repayment by the Insurer of the principal sum of debt and non-payment of incomes under such bonds. For the purpose of this Agreement under the "bonds" should be understood the bonds issued according to the Decision on closed (private) placement of bonds by the Insured (JSC JSB Ukrasbank) taken on July, 20th, 2007 at Insured Board Meeting, Protocol no. 31; under the term „Bondholders” - the third parties (physical or legal persons) who have acquired Bonds of the Insurer according to the current legislation. Insured event is considered occurred, when the liability of the Insured for the loss inflicted to the third party, is recognised by the court (with its corresponding decision), according to the current legislation of Ukraine.</p>
15	Guarantor USREOU code	30859524
16	Conditions of emission restricting the rights of creditors.	The right to buy and sell bonds only within certain circle of persons stipulated by the decision on the closed placement of bonds
17	Main buyers of bonds	At bonds placement the Bank was focused on the buyers - both legal and natural persons, list of which is referred in the decision on the closed placement of bonds

Information on emission of interest bonds by the Bank: D Series (in circulation).

RA "Expert Rating" assigned debt instrument credit rating (DIR) at the level of **uaBBB+**

No	Explication	Place for filling															
1	Type of placement	Open															
2	Face value, currency	UAH 1 000,00															
3	Issue amount	UAH 100 000 000,00															
4	ISIN code	UA4000019384															
5	Start of placement date	25.09.2007															
6	End of placement date	24.09.2008															
7	Coupon rate	13% per annum from 25.09.2007 to 22.09.2008; 16% per annum from 23.09.2008 to 17.09.2012															
8	Coupon period	Quarterly															
9	Payment date	25.09.2007															
10	Maturity date	18.09.2012															
11	Conditions of preterm redemption	<p>The Issuer performs obligatory redemption of series "D" bonds based on the relevant declarations of bondholders on the redemption of bonds, which are submitted by bondholders at their will to the Issuer. The obligatory redemption of series "D" bonds is performed by the Issuer to the address: 1, Yerevanska str, Kyiv, 03087.</p> <p>The redemption of series "D" bonds is performed in the following terms:</p> <table border="1"> <thead> <tr> <th>Date of beginning of bonds redemption declaration reception</th> <th>Date of end of bonds redemption declaration reception</th> <th>Redemption date</th> </tr> </thead> <tbody> <tr> <td>04.09.2008</td> <td>13.09.2008</td> <td>23.09.2008</td> </tr> <tr> <td>03.09.2009</td> <td>12.09.2009</td> <td>22.09.2009</td> </tr> <tr> <td>02.09.2010</td> <td>11.09.2010</td> <td>21.09.2010</td> </tr> <tr> <td>01.09.2011</td> <td>10.09.2011</td> <td>20.09.2011</td> </tr> </tbody> </table> <p>The obligatory redemption of bonds is performed by the Issuer at face-value. The obligatory redemption of bonds is performed by the Issuer in the domestic currency of Ukraine in accordance with the acting legislation of Ukraine. If the day of preschedule redemption falls on non-business day, established by the current legislation of Ukraine, the preschedule redemption is performed starting from the business day that follows the non-business day (day off). To perform obligatory redemption of bonds the bondholders have to submit to the Issuer the Declaration in written.</p> <p>The declaration of Seller - legal person should contain:</p> <ul style="list-style-type: none"> • Full name of bondholder according to constituent documents; surname, name, patronymic (in full) of bondholder's authorised person who signed the Application and the data of the document certifying the powers of authorized person for submission of Application (enterprise charter, letter of attorney etc.); • Identification code; • Legal address and de-facto address of bondholder with indication of the contact phone number; 	Date of beginning of bonds redemption declaration reception	Date of end of bonds redemption declaration reception	Redemption date	04.09.2008	13.09.2008	23.09.2008	03.09.2009	12.09.2009	22.09.2009	02.09.2010	11.09.2010	21.09.2010	01.09.2011	10.09.2011	20.09.2011
Date of beginning of bonds redemption declaration reception	Date of end of bonds redemption declaration reception	Redemption date															
04.09.2008	13.09.2008	23.09.2008															
03.09.2009	12.09.2009	22.09.2009															
02.09.2010	11.09.2010	21.09.2010															
01.09.2011	10.09.2011	20.09.2011															

		<ul style="list-style-type: none"> • Number of bonds provided for redemption; • Details of bondholder securities account at Depository; • The commitment to transfer the bonds to the account of the Issuer at JSC MFS before the 01:00 p.m. of the date of redemption; <p>The Declaration of bond holder – natural person should contain:</p> <ul style="list-style-type: none"> • Surname, name, patronymic (in full) of the bondholder; • data of the document authorizing the person of the bondholder; • Identification code; • Residential address of the bondholder; • Number of bonds provided for redemption; • Details of bondholder securities account at Depository; • The commitment to transfer the bonds to the account of the Issuer at JSC MFS before the 01:00 p.m. of the date of redemption; <p>The submission of the Declarations on redemption is performed by the bondholders via registered letter or in person at the address: 1, Yerevanska str., Kiev, 3087.</p> <p>The Declarations which have been received by the Issuer before or after the specified periods are deemed invalid.</p> <p>Within 3 (three) business days foregoing the date of beginning of the preterm redemption, the Issuer concludes agreements on purchase and sale of bonds with bondholders who have duly submitted the relevant Declarations.</p> <p>For provision of the bonds for obligatory redemption the bondholder before 01:00 p.m. of redemption date transfers the bonds in the amount specified in the Declaration, onto the account of the Issuer in the Depository JSC MFS. At redemption date, but not earlier than the date of transfer of bonds into the account of the Issuer the latter performs transfer of the means belonging to bondholders by results of redemption of bonds onto the current accounts specified in the contracts of purchase and sale.</p>
12	Agent on bonds placement	Independently
13	Trading platform	<p>The bonds admitted to circulation with inclusion into PFTS list (out of listing) on 19.10.07</p> <p>The bonds have been included into PFTS quotation list of 2 level (listing) on 31.03.08</p> <p>The bonds have been excluded from PFTS quotation list of 2 (second) level with transfer to the list of out of listing securities of the Stock List (delisting) on 03.11.2010</p> <p>The bonds have been included into PFTS quotation list of 2 (second) level (listing) on 30.11.2010</p>
14	Is there a guarantor on bonds?	<p>The Issuer concluded the agreement no. 75-0101-0015 of July, 27th, 2007 with JSC IC "Ukrainian insurance group", - an Agreement of voluntary insurance of third party liability on Issuer repayment of the principal sum of debt and of non-payment of incomes under the bonds for the total amount of UAH 329 640 000,00. The liability limit on income payment for one bond is UAH 648,20.</p> <p>If the new income interest rate under the bonds will exceed 13 % per annum, than in case of insured event occurrence the indemnity will cover the face-value and part of interest income – UAH 648,20 per one bond. The agreement has been concluded for the benefit of bondholders.</p> <p>The Insurer: Joint-Stock Company Insurance Company "Ukrainian Insurance Group". USREOU code: 30859524, USREOU code of the Client Service Department Branch: 34540244 Incorporation certificate: no. 18737 issued by Solomenska district state administration in Kiev on 02.08.2002. Legal address: 32a, I. Fedorova str., Kyiv, 03038, Ukraine. Mailing address: 32a, I. Fedorova str., Kyiv, 03038, Ukraine. Phone, fax: (044) 206-65-45, 206-36-42, 206-36-44. E-mail: office@ukringroup.com.ua</p> <p>The certificate on state registration of Joint-Stock Company IC Ukrainian Insurance Group no. 1073 120 0000 000766 of 02.08.2002, issued by Solomenskaya DSA in Kyiv. Date of indemnity payment to JSC "Ukrasbank" according to the specified Agreement is 27.07.2007</p> <p>Order of execution of the Agreement: the Insurer undertakes for the payment stipulated in the Agreement (insurance payment) at approach of the event (insured event) stipulated by the Agreement to compensate to the Suffered third party (the Sufferer) the losses incurred in result of this event (to pay out the indemnity) within the limits of insurance sum stipulated by the Agreement, liability limit, on conditions and in time, specified by the Agreement.</p> <p>The insured event is the fact of approach of the civil liability of the Insured, according to the current legislation of Ukraine, for the losses incurred to property interests of the third party in consequence of default by the Insurer of the obligations to the third parties - Bondholders – as regards repayment by the Insurer of the principal sum of debt and non-payment of incomes under such bonds.</p> <p>For the purpose of this Agreement under the "bonds" should be understood the bonds issued according to the Decision on closed (private) placement of bonds by the Insured (JSC JSB Ukrasbank) taken on July, 20th, 2007 at Insured Board Meeting, Protocol no. 32; under the term „Bondholders” - the third parties (physical or legal persons) who have acquired Bonds of the Insurer according to the current legislation. Insured event is considered occurred when the liability of the Insurer for the damage inflicted to the third party is recognised by the court (with its corresponding decision), according to the current legislation of Ukraine.</p>
15	Guarantor USREOU code	30859524
16	Conditions of emission restricting the rights of creditors?	Not available
17	Main buyers of bonds	At bonds placement the Bank was focused on the buyers both legal and natural persons

Information on emission of interest bonds by the Bank: E Series (in circulation).

RA "Expert Rating" assigned debt instrument credit rating (DIR) at the level of **uaBBB+**

No	Explication	Place for filling															
1	Type of placement	Open															
2	Face value, currency	UAH 1 000,00															
3	Issue amount	UAH 100 000 000,00															
4	ISIN code	UA4000019392															
5	Start of placement date	25.12.2007															
6	End of placement date	24.12.2008															
7	Coupon rate,%	13% per annum from 25.12.2007 to 22.12.2008; 16% per annum from 23.12.2008 to 19.12.2011; from 20.12.2011 to 17.12.2012 - to be established by a separate decision of the Board															
8	Coupon period	Quarterly															
9	Payment date	25.12.2007															
10	Maturity date	18.12.2012															
11	Conditions of preterm redemption	<p>The Emitter performs obligatory redemption of series "E" bonds based on the relevant declarations of bondholders on the redemption of bonds, which are submitted by bondholders at their will to the Emitter. The obligatory redemption of series "E" bonds is performed by the Emitter to the address: 1, Yevianska str, Kyiv, 03087</p> <p style="text-align: center;">The redemption of series "E" bonds is performed in the following terms:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Date of beginning of bonds redemption declaration reception</th> <th style="text-align: center;">Date of end of bonds redemption declaration reception</th> <th style="text-align: center;">Redemption date</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">04.12.2008</td> <td style="text-align: center;">13.12.2008</td> <td style="text-align: center;">23.12.2008</td> </tr> <tr> <td style="text-align: center;">03.12.2009</td> <td style="text-align: center;">12.12.2009</td> <td style="text-align: center;">22.12.2009</td> </tr> <tr> <td style="text-align: center;">02.12.2010</td> <td style="text-align: center;">11.12.2010</td> <td style="text-align: center;">21.12.2010</td> </tr> <tr> <td style="text-align: center;">01.12.2011</td> <td style="text-align: center;">10.12.2011</td> <td style="text-align: center;">20.12.2011</td> </tr> </tbody> </table> <p>The obligatory redemption of bonds is performed by the Emitter at face-value. The obligatory redemption of bonds is performed by the Emitter in the domestic currency of Ukraine in accordance with the acting legislation of Ukraine. If the day of preschedule redemption falls on non-business day, established by the current legislation of Ukraine, the preschedule redemption is performed starting from the business day that follows the non-business day (day off). To perform obligatory redemption of bonds the bondholders have to submit to the Emitter the Declaration in written.</p> <p>The declaration of bondholder - legal person should contain:</p> <ul style="list-style-type: none"> • Full name of bondholder according to constituent documents; surname, name, patronymic (in full) of bondholder's authorised person who signed the Application and the data of the document confirming the powers of authorized person to submit the Application (enterprise charter, letter of attorney etc.); • Identification code; • Legal address and de-facto address of bondholder with indication of contact phone number; • Number of bonds provided for redemption; • Details of bondholder securities account at Depository; • The commitment to transfer the bonds to the account of the Emitter at JSC MFS before 01:00 p.m. of the date of bonds redemption; <p>The declaration of bondholder - natural person should contain:</p> <ul style="list-style-type: none"> • Surname, name, patronymic (in full) of the bondholder; • Data of the document authorizing the person of the bondholder; • Identification code; • Residential address of the bondholder; • Number of bonds provided for redemption; • Details of bondholder securities account at Depository; • The commitment to transfer the bonds to the account of the Emitter at JSC MFS before the 01:00 p.m. of the date of redemption; <p>The submission of the Declarations on redemption is performed by the bondholders via registered letter or in person at the address: 1, Yevianska str., Kiev, 3087. The Declarations which have been received by the Emitter before or after the specified periods are deemed invalid. Within 3 (three) banking days foregoing the date of beginning of the preterm redemption, the Emitter concludes agreements on purchase and sale of bonds with bondholders who have duly submitted the relevant Declarations. For provision of the bonds for obligatory redemption the bondholder before 01:00 p.m. of the date of redemption transfers the bonds in the amount specified in the Declaration, onto the account of the Emitter in the Depository JSC MFS. At redemption date, but not earlier than date of transfer of bonds into the account of the Emitter the latter performs transfer of the means belonging to bondholder in result of redemption of bonds, onto the current accounts specified in the contracts of purchase and sale.</p>	Date of beginning of bonds redemption declaration reception	Date of end of bonds redemption declaration reception	Redemption date	04.12.2008	13.12.2008	23.12.2008	03.12.2009	12.12.2009	22.12.2009	02.12.2010	11.12.2010	21.12.2010	01.12.2011	10.12.2011	20.12.2011
Date of beginning of bonds redemption declaration reception	Date of end of bonds redemption declaration reception	Redemption date															
04.12.2008	13.12.2008	23.12.2008															
03.12.2009	12.12.2009	22.12.2009															
02.12.2010	11.12.2010	21.12.2010															
01.12.2011	10.12.2011	20.12.2011															
12	Agent on bonds placement	Independently															

13	Trading platform	The bonds are admitted to circulation with inclusion into PFTS list (out the listing) on 26.12.07 The bonds have been included into PFTS quotation list of 2 level (listing) on 31.03.08 The bonds have been excluded from PFTS quotation list of 2 (second) level (delisting) on 12.01.2010, the trade in bonds on PFS stopped.
14	Is there a guarantor on bonds?	The Issuer concluded the agreement no. 75-0101-0015 of July, 27th, 2007 with JSC IC "Ukrainian insurance group", - an Agreement on voluntary insurance of third party liability on Issuer repayment of the principal sum of debt and of non payment of incomes under the bonds for the total amount of UAH 329 640 000,00. The liability limit on income payment for one bond is UAH 648,20. If the new income interest rate under the bonds will exceed 13 % per annum, than in case of insured event occurrence the indemnity will cover the face-value and part of interest income – UAH 648,20 per one bond. The agreement has been concluded for the benefit of bondholders. The Insurer: Joint-Stock Company Insurance Company "Ukrainian Insurance Group". USREOU code: 30859524, USREOU code of the Client Service Department Branch: 34540244 Incorporation certificate: no. 18737 issued by Solomenska district state administration in Kiev on 02.08.2002. Legal address: 32a, I. Fedorova str., Kyiv, 03038, Ukraine. Mailing address: 32a, I. Fedorova str., Kyiv, 03038, Ukraine. Phone, fax: (044) 206-65-45, 206-36-42, 206-36-44. E-mail: office@ukringroup.com.ua The certificate on the state registration of Joint-Stock Company IC Ukrainian Insurance Group no. 1073 120 0000 000766 of 02.08.2002, issued by Solomenskaya DSA in Kyiv. Date of indemnity payment to JSC "Ukrasbank" according to the specified Agreement - 27.07.2007 Order of execution of the Agreement: the Insurer undertakes for the payment stipulated in the Agreement (insurance payment) at approach of the event (insured event) stipulated by the Agreement to compensate to the Suffered third party (Sufferer), the losses incurred in result of this event (to pay out the indemnity) within the limits of insurance sum stipulated by the Agreement, liability limit, on conditions and in time, specified by the Agreement. The insured event is the fact of approach of the civil liability of the Insured, according to the current legislation of Ukraine, for the losses incurred to property interests of the third party in consequence of default by the Insurer of the obligations to the third parties - Bondholders – as regards non repayment by the Insurer of the principal sum of debt and non-payment of incomes under such bonds. For the purpose of this Agreement under the "bonds" should be understood the bonds issued according to the Decision on closed (private) placement of bonds by the Insured (JSC JSB "Ukrasbank") taken on July, 27th, 2007 at Insured Board of Management Meeting, Protocol no. 32; under the term „Bondholders" - the third parties (physical or legal persons) who have acquired Bonds of the Insurer according to the current legislation. Insured event is considered occurred, when the liability of the Insured for the losses inflicted to the third party is recognised by the court (with its corresponding decision), according to the current legislation of Ukraine.
15	Guarantor USREOU code	30859524
16	Conditions of emission restricting the rights of creditors	Not available
17	Main buyers of bonds	At bonds placement the Bank was focused on the buyers both legal and natural persons

Information on emission of mortgage bonds by the Bank: **B Series (redeemed).**

RA "Expert Rating" did not assign a credit rating to this emission of bonds

No	Explication	Place for filling
1	Type of placement	Open
2	Face value, currency	UAH 1 000,00
3	Issue amount	UAH 50 000 000,00
4	ISIN code	UA4000004154
5	Start of placement date	01.03.2007
6	End of placement date	29.02.2008
7	Coupon rate,%	10,5% per annum
8	Coupon period	Quarterly
9	Payment date	01.03.2007
10	Maturity date	25.02.2010
11	Conditions of preterm redemption	No preterm redemption
12	Agent on bonds placement	Independently
13	Trading platform	The bonds have been included into PFTS List on 01.03.07 The bonds have been included into PFTS quotation list of 3 level (listing) on 22.03.2007 The bonds have been included into PFTS quotation list of 2 level (listing) on 29.10.2007 The bonds have been excluded from PFTS quotation list of 2 level of listing (delisting) and transferred to the category of admitted to circulation "without nclusion into the exchange register" on 19.03.2008 The bonds have been included into PFTS quotation list of 2 level (listing) on 22.05.08 The bonds have been excluded from PFTS quotation list of 2 level (delisting) on 12.01.2010

14	Is there a guarantor on bonds?	The bonds are secured with mortgage collateral
15	Guarantor USREOU code	-
16	Conditions of emission restricting the rights of creditors	Not available
17	Main buyers of bonds	At bonds placement the Bank was focused on the buyers both legal and natural persons

Rating history of the Bank:

Rating agency name	Fitch Ratings	Moody's Investors Service, Inc.	Credit Rating Ltd
Ratings	<p>1. Long term Emitter default rating — CCC, outlook — Negative</p> <p>2. Short term Emitter default rating - C.</p> <p>3. Individual rating — E.</p> <p>4. Support rating confirmed at the level 5.</p> <p>5. Support level of the long term Emitter default rating confirmed as 'no support level available'.</p> <p>6. National long term rating — BB(Ukr), outlook — Negative</p>	<p>1. Long term rating of bank deposits in domestic and foreign currency — B3.</p> <p>2. Non senior short term rating of bank deposits in domestic and foreign currency — B3.</p> <p>3. Financial stability rating — E+. outlook — Stable.</p> <p>4. National deposit rating (domestic currency) — Baa3.ua</p>	<p>1. Borrower rating— uaBBB Stable (Rating date:16.01.07).</p> <p>2. Debt instrument rating (Interest bonds of D, E series for the sum of UAH 200 000 000 with circulation period until 18.12.12) — uaBBB Stable (Rating date 16.08.07).</p> <p>3. Debt instrument rating (Interest bonds of A series for the sum of UAH 100 000 000 with circulation period until 14.07.11) — uaBBB Stable (Rating date: 23.06.06).</p>
Last rating revision date	January 27, 2009.	December 30, 2008	Last rating updating date for all ratings 11.03.2011
Rating recall date	March 20, 2009	December 1, 2010	—
Reason for recall	<p>In the first half of March, 2009 JSB UkrGasbank announced the decision to suspend cooperation with the international rating agencies Moody's Investors Service and Fitch. The bank explained that in the conditions of general recession of economy of Ukraine the decrease of the overall country indicator and of separate entities of financial and banking sectors is unavoidable. Thus the selective rating estimation of the condition of 10-15 credit institutes among more than 180 subjects of banking activity leads to that in the present conditions the lowering of ratings of this insignificant number of banks is inevitable, that creates a bias of public opinion on them and leads to unreasonable outflow of means from the banking system. Simultaneously UkrGasbank has declared its readiness to stay maximally open for experts, analysts, investors and clients, and in the future will continue cooperation with rating agencies.</p>	<p>On December, 1st, 2010, according to the official press release from Moody's Investors Service, Inc., ratings of JSB "UkrGasbank" have been withdrawn due to business reasons at the initiative of the Bank. The withdrawal of rating does not display any changes in bank solvency.</p> <p>Till December, 1st, 2010 the ratings of JSB "UkrGasbank" within the entire 2010 remained at the same level, as of withdrawal date. After carrying out recapitalization the Bank Board plans to restore the process of rating by international rating agencies and realisation of external audit under the international standards for the purpose of restoration of the lost positions in foreign markets which the bank had during the pre-crisis period.</p>	—

1. Overview of the Bank

In 1993 the Closed Joint Stock Company - Joint-Stock Commercial Bank "Hadjibel" has been registered, being legal successor of JSC JSB "Ukrigasbank". The bank also is legal successor of JSCB "Service", the Ukrainian commercial bank of oil and gas complex development "Ukrnaftogazbank" and JSCB "National Bank" according to the agreements on the conditions of their reorganization by joining JSB Ukrigasbank as subsidiaries.

In 1996 the Bank changes the name on JSB "Intergazbank", obtains NBU licence for the operations with currency values and joins the international system REUTERS which allows to perform all kinds of international financial settlements in the shortest terms and to develop vigorous activity in the currency market of Ukraine.

In 1997 the Bank has been reorganised into Joint Stock Bank "Ukrigasbank" in the form of Closed Joint-Stock Company. The bank has been actively integrating into gas complex of Ukraine: powerful gas suppliers – SJSHC Ukrigas, Joint-Stock Company Intergaz, etc. become its clients; the Bank acquired general license for banking activities. The bank becomes full member of the Ukrainian interbank currency stock exchange.

In 1998 the Bank steps up capitalisation by second issue of shares of joint-stock company. In the same year the Bank becomes member of the Association of Ukrainian banks.

In 1999 the Bank performs third issue of shares, increasing the authorized capital from UAH 6,90 m to UAH 13,95 m. For realisation of development strategic plan the Bank expands the license with the right for attraction and placement of foreign currency in the international markets.

In 2000 within the concept of banking services universalization the Bank emitted local payment cards "ENERGY™" with which help salary projects for big clients of JSB Ukrigasbank have been implemented. In the same year the Bank became a principal member of the international association Europay International.

In 2001 the Bank has been reorganized into Open Joint-Stock Company Joint Stock Bank "Ukrigasbank". For the purpose of active advancement of banking services into regions, the Bank increased the amount of regional branches in Ukraine to 40 organizations. In the same year the Bank received the status of financial manager and agent on attraction of financial investments of JSC "Eurocar".

In 2002 the Bank expands its presence in the market. At the end of the year 17 branches and 34 out of balance departments of the Bank worked in 13 oblasts of Ukraine. Considering the dynamics of the volume of active and passive operations of the Bank, the Commission on affairs of supervision and regulation of activity of banks by its decision has included the JSC JSB Ukrigasbank into the group of major banks of Ukraine.

In 2003 JSC JSB Ukrigasbank emitted own payment card MPS VISA. At the end of July the amount of cards issued has constituted more than 88 thousand pieces. In the same year JSC JSB Ukrigasbank has won the tender of World Bank for servicing accounts for placement of World Bank means directed on financing of the project "Private sector development". The number of monetary institutions of the Bank has increased: on the end of 2003 18 branches and 45 out of balance departments qualitatively served clients in 17 regions of the country.

In 2004 JSC JSB Ukrigasbank increased authorized capital to UAH 120 m. and entered the top twenty of banks of Ukraine. Issue of payment cards of Bank has considerably grown. The leading companies of the country, large state structures, budgetary organizations and educational institutions have begun realization of salary projects with the Bank. Thus 268 salary projects have been implemented in one year only.

In 2005 the Bank has implemented new system of biometric identification of clients in the depositary – MUST IPRA "Depositary". The bank has passed certification of the terminal equipment (POS-terminals and ATMs) in the international payment system MasterCard WorldWide and begun the acquiring of chip cards of this payment system. The volume of issue of the international payment cards has exceeded 260 thousand pieces, from them more than ten thousand cards being of chip type. The network of subsidiaries and branches of the Bank has increased. On the end of the year the Bank had 120 representations almost in all the regions of the country.

In 2006 JSC JSB Ukrigasbank has been confirmed as pilot bank in the project of International Financial Corporation (IFC) "Corporate governance in the bank sector of Ukraine". In July, 2006 the international rating agency Moody's Investors Service awarded the Bank with a long-term depositary rating in foreign exchange B2 and the rating of financial stability E + , that promoted the attraction of debut syndicated loan from foreign banks for the amount of USD 16 m. In H2 the Bank emitted and placed corporate bonds for the amount of UAH 100 m.

In 2007 JSC JSB Ukrigasbank considerably raised performance indicators and increased the statutory fund to UAH 500 m. In 2007 the Bank has obtained the second syndicated loan for the amount of USD 46 m and a club loan for the amount of USD 20 m. In 2007 the Bank began reorganization of sales network management system by transition to "single balance". So, 4 subsidiaries of the Kiev region have been reorganized into the Kiev Regional Direction. Within the limits of "MasterCard" competition "Bank of the Year" JSB Ukrigasbank became one of the winners in the nomination "Most reliable bank of 2007".

In 2008 JSC JSB Ukrigasbank entered the group of large domestic CFO and increased the authorized capital to UAH 700 m. In 2008 JSC JSB Ukrigasbank has been recognised on the securities market an absolute leader in trading corporate bonds of C Series, the volume of the trade has reached UAH 1,26 b. On the size of depositary portfolio of physical persons JSC JSB Ukrigasbank entered the top ten domestic monetary entities.

By results of 30 largest banks information transparency level research conducted in 2008 by the Agency of Financial Initiatives jointly with S&P's Corporate Governance Services Department, JSC JSB Ukrgasbank has won first place in the rating with transparency indicator 71,2 %, that is the best indicator in the history of such researches in Ukraine.

In 2009 Ukrgasbank preserved the status of the most transparent monetary entity concerning timeliness and completeness of disclosure of public information for clients. Ukrgasbank became the winner of competition of annual accounts and web sites of the Ukrainian banks in 2009, administered by KPMG in Ukraine. Also the Bank entered the top three leaders in transparency rating by results of research of level of information transparency of 30 largest banks, conducted in 2009 by the Agency of Financial Initiatives jointly with S&P's Corporate Governance Services Department.

In the conditions of financial crisis the Bank carried out moderated policy of sales network development and has performed optimization of the existing network for the purpose of administrative expenses reduction. As of the end of 2009, Bank network consisted of the Head Office of the Bank, the Kiev Regional Direction, the Volyn Regional Direction, Podol Regional Direction, 13 branches and 263 departments.

In 2010 JSB Ukrgasbank designed a new strategy of development and achieved considerable growth of financial performance indicators and crediting restoration. The Ministry of Finance of Ukraine has included JSB Ukrgasbank in the list of commercial banks performing functions of agents on execution of VAT reward by the bonds of domestic state loan.

The Governmental Resolution no. 1160 of December, 29th, 2010 authorized the JSB Ukrgasbank to service special mode current accounts of guaranteed suppliers (gas supplying companies) and of their structural divisions, and also of the enterprises which sell natural gas to gas supplying enterprises.

In the end of May, 2011 the Program of financial rehabilitation of JSB Ukrgasbank has been approved in a new wording with the changes adopted by the Board of Management and the Supervisory Board, agreed by the NBU Commission on the affairs of surveillance and regulation of the activity of banks.

In Q2 2011 recapitalization of JSB Ukrgasbank was performed. Thus, the state share in the authorized capital of JSB Ukrgasbank has constituted 92,9998 %.

As of today JSB Ukrgasbank is member of the following organisations:

- Association of Ukrainian Banks.
- Association "Ukrainian credit-bank union".
- Deposit Guarantee Fund.
- Association "Stock Partnership".
- Association "Ukrainian Stock Dealers".
- PJSC "Ukrainian Depository of Securities".
- PJSC "National depository of Ukraine"
- PJSC "PFTS Stock exchange".
- PJSC Ukrainian Interbank Currency Exchange
- PJSC "Ukrainian Stock Exchange".
- PJSC "Stock Exchange Perspective".
- PJSC "Ukrainian Exchange"
- International payment systems: MasterCard WorldWide, VISA International.
- International money transfer systems: Unistream, CONTACT, Western Union, MoneyGram.
- International money transfers LEADER, "Golden Crown - Money Transfers", RIA Financial Services (RIA Money Transfer), AVERS JSC "Bank Finance and Credit"

The analysis of Bank development history has shown that during the entire period of activity Ukrgasbank showed steady dynamics of growth which has allowed it to ensure presence in all the segments of the market of banking services of Ukraine, and also entrance to the top twenty largest banks of the country. Namely, in 2006-2010 the assets of JSB Ukrgasbank increased in 4,3 times, loan portfolio - in 4,4 times, shareholder capital - in 4 times, and population deposits - in 2,4 times (see table 1).

Table 1

Key performance indicators of JSB "Ukrgasbank"(UAH th., %)

Indicators	01.07.2011	01.07.2010	Growth rate	2010 (01.01.2011)	2009 (01.01.2010)	2008 (01.01.2009)	2007 (01.01.2008)	2006 (01.01.2007)	Growth rate 2006-2010	Growth rate 2009-2010
Total assets	23 1246 48	19 411 661	19,13%	19 641 365	17 134 497	15 282 803	10 531 542	4 561 006	330,64%	14,63%
Net assets (assets minus reserves under active transactions)	17 213 444	13 996 162	22,99%	13 836 982	12 090 432	14 803 319	10 313 827	4 460 833	210,19%	14,45%
Client loans (excluding interbank)	9 973 490	8 580 743	16,23%	9 552 893	8 724 047	9 269 088	4 861 670	2 164 449	341,35%	9,50%
Shareholder equity	6 289 302	1 951 998	222,20%	1 965 697	3 257 283	1 452 997	929 308	476 670	312,38%	-39,65%
Authorized capital (paid-in)	5 700 000	5 700 000	-	5 700 000	3 800 000	700 000	500 000	300 000	1800,00%	50,00%
Deposits of natural persons	4 329 657	3 952 186	9,55%	4 139 840	3 104 085	5 481 644	3 068 905	1 722 974	140,27%	33,37%
Received interbank loans	348 778	1 383 007	-74,78%	834 033	750 291	1 340 936	2 684 960	451 730	84,63%	11,16%
Subordinated loan	50 000	50 000	-	50 000	50 000	50 000	50 000	50 000	-	-
NBU loans	3 836 600	3 836 600	-	3 836 600	3 836 600	1 484 000	0	0	-	-
IFO loans	0	0	-	0	2 990	5 757	34 049	105367	-	-
Funds of legal persons	1 226 776	865 231	41,79%	1 907 904	842 419	2 338 090	2 074 864	858060	122,35%	126,48%
Net profit	6 670	6 187	7,81%	10 058	(4 415 600)	204 242	100 352	30 774	(67,32%)	-
Capital adequacy ratio (H2)	49,40%	23,01%	-	19,91%	30,29%	10,92%	12,62%	12,52%	-	-

Source: Ukrgasbank data, calculations by RA Expert Rating

In 2009 Ukrgasbank has undergone a number of changes. Considering the 2009 financial situation in the country, shareholders of Ukrgasbank decided on recapitalisation of the financial organization and appealed to the Government with the request for participation of the state in the authorized capital stock of Bank by its recapitalization. Already in July the Cabinet of Ukraine approved increase of the authorised capital stock of Ukrgasbank by the amount of UAH 3,1 b. Therefore at the end of 2009 Bank authorized capital stock constituted UAH 3,8 b, and 81,58 % of its shares belonged to the state on behalf of the Ministry of Finance of Ukraine. On June, 4th, 2011 the Cabinet adopted the Resolution no. 342 on recapitalization of Ukrgasbank. As a result, Bank capital has been increased by UAH 4,3 b and as of the time of rating report preparation the Ministry of Finance of Ukraine possessed 92,9998 % of the shares of Bank.

It, in turn, has promoted maintenance of positive dynamics of key performance indicators of Bank. So, in H1 2011 compared with the same period of 2010 the growth of all key financial positions of Bank has been noted: shareholder equity has increased by 222,2 %, assets - on 19,13 %, loan portfolio - on 16,23 %, funds of physical persons - on 9,55 %, funds of legal persons - on 41,79 %, net profit - on 7,81 %, and capital adequacy level (H2) has constituted the record value of 49,4 %.

2. Share market and business activity

As competitors of JSB Ukrgasbank can be considered all the banks matching the following criteria:

- 1) presence in the top 30 banks of Ukraine on the size of assets and shareholder equity;
- 2) being close to JSB Ukrgasbank on volumes of loan and deposit portfolios;
- 3) branched geographical coverage (banks with developed network of subsidiaries and branches);
- 4) the status of universal bank serving both physical and legal persons.

Thus, the list of banks-competitors in 2011 can be made up by: PJSC "Bank Forum", JSC "Finance and Credit", PUMB, JSC BROKBUSINESSBANK", PJSC "Kreditprombank", PJSC "Swedbank", JSC "OTP Bank", JSB "Pivdenny", PJSC JSB "NADRA" JSC "Sberbank of Russia", JSC "Delta Bank", PJSC "VAB Bank".

According to the Bank, the major factors ensuring competitiveness of its offers in the market are:

- Wide experience of work in banking market of Ukraine (more than 18 years) both in servicing population as well as in comprehensive servicing of business.
- Presence in group of banks with largest assets (belongs to the I banking group according to NBU classification), the status of transparent bank with considerable share of public capital (92,9998 %) provide for an overall positive image of the Bank.
- Powerful positions of bank in the market of funds attracted from the population and rather considerable volumes of financing of corporate clients among which there are many governmental entities, promote the popularization of bank brand and increase the level of confidence to bank services.
- The branched regional network of bank provides possibility of comprehensive servicing of both corporate and retail clients in the entire territory of Ukraine.
- Constant development of product range, adaptation of existing products and services to market conditions promote qualitative servicing and expansion of client base.
- Application of flexible tariff policy depending on target groups of clients for preserving competitive advantages of bank products in the market and ensuring profitability of operations.
- Introduction and execution of servicing quality standards at the expense of realization of processes and technologies directed on prompt provision of services to clients, maintenance of conformity of points of sales to corporate standards of servicing and provision of feedback from clients.
- Flexible individual approach to corporate clients, that promotes long mutually advantageous cooperation and maximum satisfaction of the requests of the client.
- Completion of structural reorganisation of sales network by creation of non-balance directions in every oblast centre and cities of republican subordination of Ukraine that will allow improving banking business processes.

As of 01.07.2011, Ukrgasbank occupied 15th position in the first group of largest domestic banks on the size of assets. The analysis of JSB Ukrgasbank market position has shown that on the beginning of H2 2011 Bank share in system assets constituted 1,69 %, in loan portfolio - 1,58 %, and in the total volume of the assets of physical and legal persons - 1,13 %. Thus the data of table 2 show the tendency of consistent growth of Bank share in overall system assets and in the market of banking crediting in particular. At the same time some reduction of Bank share in the total amount of liabilities attracted from physical and legal persons has been noted.

Table 2

The analysis of JSB Ukrgasbank market share in the Ukrainian market (thousand UAH., %)

Indicators	01.07.2011	01.01.2011	01.01.2010	Change (01.01.2010- 01.07.2011)	Growth rate, % (01.01.2010- 01.07.2011)
Bank assets	17 213 444	13 836 982	12 090 432	5 123 012	42,37%
Banking system assets	1 019 811 043	942 083 994	873 449 574	146 361 469	16,76%
Loans to natural and legal persons (excl. interbank)	12 457 424	10 540 133	9 741 306	2 716 118	27,88%
Loans to natural and legal persons of the banking system	789 549 434	750 536 379	726 295 788	63 253 646	8,71%
Funds of natural and legal persons (excl. interbank)	5 663 994	5 235 113	4 040 069	1 623 925	40,20%
Funds of natural and legal persons (excl. interbank) of the banking system	499 826 744	439 446 227	349 635 984	150 190 760	42,96%
Share of Bank in system assets	1,6879%	1,4688%	1,3842%	0,3037 p.p.	-
Bank share in system loan portfolio	1,5778%	1,4043%	1,3412%	0,2366 p.p.	-
Bank share in the funds of individuals and legal persons	1,1332%	1,1913%	1,1555%	-0,0223 p.p.	-

Source: Ukrgasbank data, calculations by RA Expert Rating

One of priority directions in the development of Ukrgasbank is the work with small and medium businesses, and also work with physical persons. The national network of the Bank, as of 01.01.2011, is presented by 280 points of sales serving more than 24 000 legal and 800 000 physical persons.

Due to that the Resolution of the Cabinet of Ukraine no. 922 of 03.09.2009 gave the right to the banks in which recapitalization the state has taken part, to attract temporarily available assets of local budgets, the JSB Ukrgasbank developed the Deposit "Budgetary".

Introduction of new product - the deposit "Weekly" became one of the measures directed on Bank deposit portfolio volume growth. Short terms of placement, possibility of prolongation and continuous increase of interest rate made this deposit extremely attractive to clients in the financial instability of 2009.

Attraction of new clients also was promoted by periodic introduction of promotional programs on settlement cash servicing ("Easy start with Ukrgasbank!", "Easy start +", "Start in a new way", "Celebrate together with Ukrgasbank!" etc.) and promotional programs on servicing of salary-card projects (the campaign "Salary drive", "Let's work together!").

To provide clients the possibility of operatively managing circulating assets without termination of agreement and loss of bank interests the deposit 'Fast move' has been implemented in the Bank.

JSB Ukrgasbank offers the clients - legal persons and physical persons-businessmen engaged in foreign trade activities, a blank overdraft "Advanced payment in UAH" which gives possibility, when there is a foreign currency to be sold on the current account, to use UAH money funds before reception of UAH from sale of that foreign currency.

To celebrate its 18th anniversary JSB Ukrgasbank within the limits of promotional event "Celebrate together with Ukrgasbank!" launched the deposit "Fast growth" which gives clients the possibility to increase the incomes depending on the term of placement of means on the deposit account.

Within the limits of socially focused credit policy JSB Ukrgasbank constantly improves crediting conditions for the population, by making them more transparent and qualitative, with account for market conditions and requirements of clients. The most successful credit products of JSB Ukrgasbank with indication of their competitive advantages are shown in the table 3.

Table 3

Competitive advantages of some credit products of JSB Ukrgasbank

No	Name of the program of target retail crediting	Description	Client segment	Competitive advantages of the programs
1	"Home on credit" (secondary market)	Target of the credit - for acquisition of residential real estate (apartments, houses, housing estates, etc.) in the secondary market (including together with land plots)	Physical persons receiving incomes as hired workers and physical persons, receiving incomes from own business (as businessmen), but credited as physical persons	<ul style="list-style-type: none"> - Fixed interest rates for the entire crediting period; - The longest crediting periods in the market (without account for the credits issued under SMI Standards); - Expanded client segment (including the possibility of crediting physical persons, who receive incomes of own business (as businessmen)); - Possibility of choice of credit indebtedness repayment scheme (according to classical schedule or in equal installments); - Considerable size of the credit compared to collateral cost
2	"Mortgage loan" (For consumer purposes, secured by real estate)	Target orientation of the credit - consumer purposes secured by real estate	Physical persons receiving incomes as hired workers and physical persons, receiving incomes from own business (as businessmen), but credited as physical persons	<ul style="list-style-type: none"> - Fixed interest rates for the entire crediting period; - No control of target use of loan; - Significant terms of crediting; - Expanded client segment (including the possibility of crediting physical persons, who receive incomes of own business (as businessmen)); - Possibility of choice of credit indebtedness repayment scheme (according a classical schedule, in equal installments as non-revolving credit line); - Considerable size of the credit compared to collateral cost
3	"Car loan" (new cars)	Target orientation of the credit - for acquisition of new cars, for use in the personal and family purposes	Physical persons receiving incomes as hired workers and physical persons, receiving incomes from own business (as businessmen), but credited as physical persons	<ul style="list-style-type: none"> - Fixed interest rates for the entire crediting period; - The longest crediting periods in the market - Expanded client segment (including the possibility of crediting physical persons, who receive incomes of own business (as businessmen)); - Possibility of choice of credit indebtedness repayment scheme (according classical schedule or in equal

				installments); - Considerable size of the credit compared to collateral cost; - The combined offer - together with a car loan a loan for additional options can be arranged (for payment of HULL INSURANCE, installation of compressed gas equipment, etc.)
--	--	--	--	---

The Bank has several programs of overdraft crediting for different segments of population (for employees of salary projects and their heads, for pensioners, for retail clients, for VIP-persons) with advantages for clients, for example, low interest rate for use of overdraft, as compared with banks-competitors, possibility of prolongation.

The bank is proud of its deposit card product "ProZapas" which allows for free withdrawal and replenishment of money funds by physical persons, charge of raised interest rate on the card account balance. Constantly growing balances on card accounts of private clients throughout two years prove to the high popularity of the product "ProZapas" among bank customers.

The Bank offers for the pensioners opening of current accounts for transfer of pensions with high interests charged on the balance, commensurable with deposit rates of the Bank.

Bank customers can pay utility bills without commission or at reduced tariff.

Along with high level of safety the Bank offers competitive tariffs for use of individual safes.

As a whole, the Agency estimates the share of JSB UkrGasbank in the Ukrainian market of banking services at the range of 1,2-1,7 %. Thus the Bank constantly develops the range of services and products, improving the quality of services to the clients, which in turn increases its competitiveness in the banking market of Ukraine.

3. Capital adequacy, profitability and external support

Capital adequacy. The analysis of JSB UkrGasbank capital adequacy norms' dynamics for the last one and a half year shows the bidirectional movement of figures - both decrease and essential growth of H2 and H3, caused by large injections of public funds into authorized capital of Bank. So, as of 01.01.2011, compared to 01.01.2010, H2 decreased by 10,38 p.p. (from 30,29 % to 19,91 %), and the drop of H3 has constituted 8,97 points (from 19,46 % to 10,49 %). The recapitalization, conducted in Q2 2011 and increase of shareholder equity of Bank, following the results of H1 2011 compared with the same period of 2010 raised indicators of capital adequacy more than in 3 times and brought them to the levels essentially exceeding average system indicators: as of 01.07.2011 H2 indicator constituted 49,4 % (whereas the average system - 20,02 %), and H3 - 27,92 % (average system - 14,98 %) (see table 4).

Table 4

Analysis of JSB UkrGasbank shareholder equity adequacy (UAH thousand, %)

Indicators	01.07.2011	01.07.2010	Change	Growth rate, %	01.01.2011	01.01.2010	Change	Growth rate, %
Net assets	23 124 648	19 411 661	3 712 987	19,13%	19 641 365	17 134 497	2 506 868	14,63%
Shareholder equity	6 289 302	1 951 998	4 337 304	222,20%	1 965 697	3 257 283	-1 291 586	-39,65%
Authorized capital	5 700 000	5 700 000	0	-	5 700 000	3 800 000	1 900 000	50,00%
Authorized capital/Shareholder equity ratio	90,63%	292,01%	-201,38 p.p.	-	289,97%	116,66%	173,31 p.p.	-
Shareholder equity/assets ratio	27,20%	10,05%	17,15 p.p.	-	10,01%	19,01%	-9,00 p.p.	-
Regulatory capital adequacy ratio H2	49,40%	23,01%	26,39 p.p.	-	19,91%	30,29%	-10,38 p.p.	-
System average value H2	20,02%	20,80%	-0,78 p.p.	-	20,83%	18,08%	2,75 p.p.	-
Normative value H2	>10%	>10%	-	-	>10%	>10%	-	-
H3, regulatory capital/ total assets ratio	27,92%	10,71%	17,21 p.p.	-	10,49%	19,46%	-8,97 p.p.	-
System average value H3	14,98%	14,19%	0,79 p.p.	-	14,57%	13,91%	0,66 p.p.	-
Normative value H3	>9%	>9%	-	-	>9%	>9%	-	-

Sources: UkrGasbank data, calculations by UkrGasbank and RA Expert Rating

The analysis of the structure of UkrGasbank shareholder equity shows its qualitative improvement as of 01.07.2011 in comparison with the previous considered periods. So, following the results of H1 2011 the structure of Bank equity has not been burdened by huge uncovered losses leading to decrease of its volume, as observed following the results of activity as of the three analyzed dates. Thus, as of 01.07.2011, the greatest share in Bank equity - 90,63 %, is occupied by its statutory fund, 2,16% - by issue profit/loss, and 3,04 % - by reserves of fixed assets revaluation - (see table 5).

Structure of shareholder equity of JSB Ukrgasbank (UAH thousand, %)

Indicator	01.07.2011		01.07.2010		Structure change	01.01.2011		01.01.2010		Structure change
	Uah th.	%	Uah th.	%		Uah th.	%	Uah th.	%	
Authorized capital	5 700 000	90,63	5 700 000	292,01	-201,38 p.p.	5 700 000	289,97	3 800 000	116,70	173,27 p.p.
issue profit/loss	135 942	2,16	135 942	6,96	-4,80 p.p.	135 942	6,92	135 942	4,17	2,75 p.p.
Fixed assets revaluation reserve	191 124	3,04	186 182	9,54	-6,50 p.p.	186 173	9,47	233 870	7,18	2,29 p.p.
Retained earnings of previous years	26	0,00	1 794	0,09	-0,09 p.p.	11	0,00	1 794	0,06	-0,06 p.p.
Other	262 210	4,17	(4 071 920)	(208,60)	-	(4 056 428)	(206,36)	(914 323)	(28,07)	178,29 p.p.
Shareholder equity	6 289 302	100,00	1 951 998	100,00	-	1 965 697	100,00	3 257 283	100,00	-

Sources: Ukrgasbank data, calculations by RA Expert Rating

Profitability. The analysis of Bank profitability indicators for the last five years shows that before the crisis their values have been high enough and showed good dynamics. So, before 2009 the ROE fluctuated in the range of 6-14 %, the ROS was at the level of 14-22 %, but substantial losses of 2009 have instantly annulled the achieved results. In 2010 the process of recovery of Bank profitability indicators has begun, net interest income increased considerably (compared to 2009), and ROE, ROS and ROA values have returned to the positive plane (see table 6).

Table 6

Analysis of JSB Ukrgasbank profitability indicators (thousand UAH %)

Indicators	H1 2011	H1 2010	2010 01.01.2011	2009 01.01.2010	2008 01.01.2009	2007 01.01.2008	2006 01.01.2007	Change 2009-2010	Change 2006-2010
Net spread	2,26%	3,71%	6,65%	4,47%	4,03%	2,21%	2,82%	2,18%	3,84%
Net interest income	411 579	548 471	1 126 192	560 174	465 755	258 210	118 719	566 018	1 007 473
ROS	2,81%	2,03%	0,80%	-695,81%	20,87%	22,09%	14,76%	696,60%	-13,96%
ROA	0,08%	0,09%	0,07%	-36,52%	1,38%	0,97%	0,69%	36,59%	-0,62%
ROE	0,68%	0,64%	0,51%	-4627,30%	14,06%	10,80%	6,46%	4627,80%	-5,95%

Sources: Ukrgasbank, RA Expert Rating

Note:

Net spread is calculated as: (Interest income on loan operations / Loan portfolio (including Interbank)) - (Interest expenses under deposits and other instruments / Interest liabilities).

Return on sales is calculated as: (Net profit / (Net interest income + net commission income + Results from securities trading operations + result from foreign currency trade)).

Thus in H1 2011 compared to H1 2010 the decrease of Bank net interest income by UAH 136,9 m has been noted. Such decrease has been caused by considerable decrease in interest incomes of Bank (on UAH 254,2 m). In turn, main reason of Bank interest income reduction is the termination of charging interest on problem credits (as of 01.07.2011 charge of interests on problem credits by face-value of UAH 3 160 m has been terminated). At the same time, growth of Bank commission incomes has been noted, which for the considered period have grown on UAH 5,4 m at the expense of clearing and settlement operations.

Support by shareholders.

The only shareholder of the Bank owning more than 5 % of its shares is the state on behalf of the Ministry of Finance of Ukraine. It possesses 92,9998 % of Bank shares.

Main minority shareholders which interests are not presented in Bank management bodies are:

- **Gorbali Vasyl Mikhaylovich** owning 3,46 % of authorised capital of bank (0,18 % personally and 3,28 % indirectly through "Financial and Investment Alliance" Ltd (2,81 %) and "Ukrainian Venture Capital" Ltd (0,47 %);
- **Omelyanenko Alexey Anatolyevich** owning 2,43 % of authorised capital stock of Bank (0,006 % personally and 2,42 % indirectly through "Company Ukrgasinvest plus" Ltd (1,34 %), "Investanalytic" Ltd (0,55 %) and "Ukrainian company of projects development" LLC (0,53 %)).

Therefore, as of the moment of rating report preparation, the Agency positively estimates both capital adequacy level of the Bank, and the level of external support by shareholders in view of that the state on behalf of the Ministry of Finance of Ukraine supports the state and recapitalized banks. Let it be reminded that on June, 4th, 2011 the Cabinet adopted the Resolution no. 342 on recapitalization of Ukrgasbank. As result, Bank capital increased by UAH 4,3 b. According to Agency, the recapitalization of Ukrgasbank is by today one of few positive examples of state participation in the capital of private banks in the post-crisis period.

4. Quality of assets

Assets and Liabilities Management Committee (ALMC) is the collegiate body, which purpose is identification and introduction of tools for effective management and control of passive and active operations, determination and monitoring of observance of interest rates on active and passive operations, monitoring of cost of liabilities and profitability of assets, determination of interest margin policy.

Basic components of Bank assets and liabilities management policy are:

1. Determination of resource policy priorities.

2. Determination of resource regulation parameters (cost of liabilities attraction, assets and/or interest spread placement split per currencies, terms, bank products and market segments, etc.).
3. Management of assets and liabilities balance.
4. Banking policy on liquidity and bank risks management.
5. Calculation, approval and control of standard NBU requirements and internal limits of the Bank: limits of resource gaps, limits of cash balance/bank metals in cash vaults and ATMs, limits on corresponding accounts balances, limits of the maximum size of state debt securities and corporate securities portfolio, lending limit on terms and per currencies, limits on foreign exchange exposure, on position types and so forth.
6. Forecasted simulation of parameters and indicators of active and passive operations.
7. Analysis and assessment (comparative, factorial and optimization) of Bank liabilities and assets costs data.
8. Establishment and monitoring of the plans on attraction of resources.
9. Development of procedures and recommendations on activities of subunits, officers and officials of Bank in case of liquidity crisis occurrence.

Key parameters of Bank development as regards volumes, terms and cost of Bank portfolios on active and passive operations are determined by Bank development strategy, business plan and Bank budget. Business divisions of the Bank based on the analysis of market tendencies and strategic/tactical objectives and tasks of the Bank submit proposals concerning terms, volumes and costs of attraction of resources/placement of assets. In turn, by results of the analysis of resource gaps, condition and dynamics of NBU norms, dynamics of break-even rate and indicators of net interest spread and Bank margin the ALMC takes decision on establishment of main benchmarks on resource misbalance split per currencies and terms, on volumes of active/passive operations, on costs of liabilities attraction, assets placement, and so forth.

As of 01.07.2011, the structure of Ukrgasbank credit portfolio looked as follows: credits to legal persons constituted 70,07 %, consumer loans to physical persons occupied 22,02 %, and interbank credits corresponded to 7,68 %. The share of bad credits in Bank portfolio as of 01.07.2011 was 59,81 % that is on 10,29 points less than as of 01.01.2010.

The volume of reserves under credits impairment has constituted 33,94 % of credit portfolio that, however, is on 4,25 points less, than as of the beginning of 2010. The share of bad credits of Bank still remains high - 22,19 % (see table 7).

Table 7

Loans and debts of JSB Ukrgasbank clients
(Without interests and reserves under accrued incomes), UAH thousand, %

Indicators	01.07.2011		01.07.2010		01.01.2011		01.01.2010		Change (01.01.2010- 01.07.2011)	Growth rate, % (01.01.2010- 01.07.2011)
	UAH th.	%	UAH th.	%	UAH th.	%	UAH th.	%		
Interbank credits	835 419,97	7,68%	1 722 670,54	16,60%	1 790 721,36	17,32%	1 327 478,00	13,12%	-492 058,10	-37,07%
Loans to legal persons (excl. Interbank)	7 622 251,26	70,07%	5 946 696,20	57,29%	5 921 474,08	57,27%	5 863 553,84	57,97%	1 758 697,5	29,99%
Loans to natural persons	2 395 949,96	22,02%	2 655 249,13	25,58%	2 517 639,25	24,35%	2 861 921,01	28,29%	-465 971,95	-16,28%
Total provisions under loan impairment	3 691 878,04	33,94%	3 678 739,17	35,44%	3 760 309,27	36,37%	3 862 636,21	38,19%	-170 758,20	-4,42%
Share of substandard loans in the portfolio, %	84,26%		80,08%		75,89%		80,77%		3,49 p.p.	-
Troubled loans in the portfolio (non-prime, problem and bad), %	59,81%		67,43%		64,75%		70,10%		-10,29 p.p.	-
Bad loans in the portfolio, %	22,19%		20,09%		21,67%		22,22%		-0,03 p.p.	
Warranties issued by the bank (in total)	42 110,57	0,23%	55 595,77	0,54	110 576,83	1,07	61 984,93	0,61	-19 874,36	-32,06%
Total loans:	10 878 600,97	100,00%	10 380 211,64	100,00%	10 340 411,51	100,00%	10 114 937,78	100,00%	763 663,19	7,55%

Sources: Ukrgasbank, RA Expert Rating

In the structure of portfolio of loans issued by the Bank to legal persons, as of 01.07.2011, the greatest shares correspond to the following types of activity: real estate operations, rent, engineering and provision of services to the enterprises - 36,97 %; trade, repair of cars, household and personal use items- 21,29 %; agriculture and forestry - 10,57 %; building - 8,38 %, financial activity - 6,84 %.

The portfolio of loans to physical persons is allocated as follows: 55,9 % correspond to consumer loans; 28,2 % - to mortgage loans; 13,0 % to car loans; 2,9 % to other categories of loans (see table 8). An insignificant share of mortgage in the portfolio of physical persons is positively assessed by the Agency.

**Structure of JSB Ukrgasbank credit portfolio
per types of economic activities (UAH thousands, %)**

Indicators	01.07.2011		01.01.2011		01.01.2010		Industry structure change (01.01.2010-01.07.2011)	Growth rate (01.01.2010-01.07.2011)
	UAH th	%	UAH th	%	UAH th	%		
Total loans to legal persons:	7 577 855,62	100,00%	5 892 751,11	100,00%	5 863 258,20	100,00%	-	
Agriculture, hunting and forestry	800 665,89	10,57%	699 635,45	11,87%	779 551,51	13,30%	-2,73 p.p.	2,71%
Fishery	7 256,67	0,10%	0,00	0,00%	0,00	0,00%	0,10 p.p.	100,00%
Extracting industry	219 529,75	2,90%	60 574,14	1,03%	29 149,15	0,50%	2,40 p.p.	653,13%
Processing industry	351 058,85	4,63%	308 842,89	5,24%	381 419,29	6,51%	-1,87 p.p.	-7,96%
Power, gas and water production and distribution	302 644,85	3,99%	424 897,99	7,21%	26 147,17	0,45%	3,55 p.p.	1057,47%
Building	634 831,14	8,38%	622 685,88	10,57%	530 597,63	9,05%	-0,67 p.p.	19,64%
Trade, repair of cars, household and personal use items	1 613 298,47	21,29%	1 288 450,93	21,87%	1 260 964,50	21,51%	-0,22 p.p.	27,94%
Hotels and restaurants industry	12 502,84	0,16%	14 992,70	0,25%	15 365,14	0,26%	-0,10 p.p.	-18,63%
Transport and communications	244 577,98	3,23%	340 472,76	5,78%	500 408,80	8,53%	-5,31 p.p.	-51,12%
Financial activity	518 520,36	6,84%	517 612,97	8,78%	555 104,46	9,47%	-2,62 p.p.	-6,59%
Real estate operations, rent, engineering and provision of services to the enterprises	2 801 347,15	36,97%	1 535 685,41	26,06%	1 440 913,92	24,58%	12,39 p.p.	94,41%
State governance	0,00	0,00%	121,81	0,00%	1 837,05	0,03%	-0,03 p.p.	-100,00%
Education	1 172,95	0,02%	1 171,49	0,02%	0,00	0,00%	0,02%	100,00%
Health care and medical aid provision	780,86	0,01%	1 297,96	0,02%	4 146,88	0,07%	-0,06 p.p.	-81,17%
Provision of municipal and individual services; culture and sports	2 983,61	0,04%	9 077,52	0,15%	12 755,42	0,22%	-0,18 p.p.	-76,61%
Non determined	66 684,25	0,88%	67 231,21	1,14%	324 897,29	5,54%	-4,66 p.p.	-79,48%
Total loans to individuals:	2 395 949,96	100,0%	2 517 639,25	100,0%	2 861 921,01	100,0%	-	-16,3%
- mortgage loans	676 529,87	28,2%	753 645,10	29,9%	821 851,17	28,7%	-0,5 p.p.	-17,7%
- car loans	310 869,22	13,0%	358 102,31	14,2%	484 389,40	16,9%	-3,9 p.p.	-35,8%
- consumer loans	1 339 558,56	55,9%	1 337 677,51	53,1%	1 482 631,62	51,8%	4,1 p.p.	-9,6%
- other types of loans to individuals	68 992,32	2,9%	68 214,33	2,7%	73 048,83	2,6%	0,3 p.p.	-5,6%

Source: Ukrgasbank

The analysis of credit risks norms of Ukrgasbank shows that as a whole for the analyzed period the Bank did not infringe the limits established by NBU. The only exception was the norm prescribed for maximum size of credits, guarantees and sureties issued to one insider (H9) which value (8,68 %) as of 01.01.2010 exceeded NBU established threshold of 5 % (see table 9).

Table 9

**Main norms of risk characterizing
JSB Ukrgasbank loan portfolio in 2010-2011**

Norm	Value	01.07.2011	01.01.2011	01.01.2010	Change (01.01.2010-01.07.2011)
H7 Average of the system	< 25%	21,76%	21,04%	21,56%	0,20 p.p.
H7 (Maximal size of loan risk per counteragent)		19,40%	24,59%	11,91%	7,49 p.p.
H8 Average of the system	< 800%	173,82%	161,20%	169,21%	4,61 p.p.
H8 (Normative value for big loan risks)		19,40%	315,30%	54,22%	-34,82 p.p.
H9 Average of the system	< 5%	0,90%	0,81%	0,93%	-0,03 p.p.
H9 (Norm of maximal amount of loans, warranties and sureties issued to one insider)		0,22%	0,22%	8,68%	-8,46 p.p.
H10 Average of the system	< 30%	2,38%	2,25%	2,66%	-0,28 p.p.
H10 (Norm of maximal amount of loans, warranties and sureties issued to insiders)		0,56%	0,57%	9,89%	-9,33 p.p.

Source: Ukrgasbank, calculations by RA Expert Rating

Therefore, the analysis of Bank assets quality, on the one hand, proves to high level of credit risks which are shown in the significant share of bad and problem credits in Bank credit portfolio and by considerable concentration of issued resources on such risky segment of crediting as real estate operations, and on the other hand, shows stable dynamics of decrease in the share of problem credits that, obviously, is a positive signal of gradual improvement of the given monetary entity.

5. Liquidity and activity diversification

Liquidity. Daily management of liquidity is performed by Bank Treasury, based on correspondent accounts balances as of the beginning of day, data of payment schedule on cash in- and outflow, plans of Bank head office subunits and branches on daily operations, information on cash flow on accounts of clients.

Structural divisions and committees managing current liquidity of Bank are the following: assets and liabilities management committee (ALMC), risk-management department, Bank treasury, structural subunits of Bank Head Office.

Management of long-term liquidity is performed by ALMC, risk-management department and Bank treasury.

As show the data of table 10, during the analyzed periods Ukrgasbank did not allow for infringements of liquidity norms - all specifications have been adhered in excess of NBU established requirements.

Table 10

Main liquidity norms of JSB Ukrgasbank in 2010-2011

Norm	Threshold value	01.07.2011	01.01.2011	01.01.2010	Change
H4 An average of the system	> 20%	57,33%	58,80%	64,45%	-7,12 p.p.
H4 (Norm of instantaneous liquidity)		32,30	83,93	123,04	90,74 p.p.
H5 An average of the system	> 40%	79,66%	77,33%	72,90%	6,76 p.p.
H5 (Norm of current liquidity)		74,25	78,60	43,66	30,59 p.p.
H6 An average of the system*	> 60%	90,94%	91,19%	35,88%	55,06 p.p.
H6 (Norm of short term liquidity)		83,27	69,24	30,16	53,11 p.p.

Source: Ukrgasbank, calculations by RA Expert Rating

* - in 2009 NBU has changed standard threshold for H6, having raised it from 20 to 60 %

It should be noted that as of 01.07.2011 all bank liquidity norms had a little lower indicators than average system ones. Partially it can be explained by that the Bank has renewed crediting process.

As a whole, the Agency characterizes the current level of Ukrgasbank liquidity as acceptable.

Activity diversification. For the purpose of credit portfolio quality improvement, to support borrowers legal persons and physical persons-businessmen who suffered owing to financial crisis, within 2009 a number of credit debts re-structuring programs has been developed which provide, in particular, conversion of credit debt in FX into domestic exchange ("Choose UAH!"), prolongation of credit facilities use terms, change of debt repayment schedules etc.

The Resolutions of the Cabinet of Ukraine no. 1127 of 23.09.2009 and no. 247 determined JSB Ukrgasbank as authorised bank for servicing current accounts with special mode of use of the enterprises of power system and natural gas suppliers. The bank developed tariff plans "Warm winter" and "Phoenix" for the clients of this segment.

For clients of fuel and power complex of Ukraine the tariff plan on settlement-cash servicing "Prometheus" have been developed and implemented.

For physical persons-businessmen the tariff plan on settlement-cash servicing "Businessman" has been implemented.

To provide the clients the possibility of acquisition of new cargo and passenger vehicles produced by JSC "Boryspyl Autoplant" JSB Ukrgasbank enacted a special credit program within the limits of cooperation with the mentioned autoplant.

Branch programs of overdraft crediting and crediting of operational cycle of legal entities - state forestry enterprises have been developed. Crediting is performed under security of forestry products. Also overdraft crediting can be made without securitization.

In the nearest future introduction of credit programs for agrarian enterprises is planned.

In the last three years the Bank created a wide line of deposit products satisfying any wishes of our investors: charge of deposit interests monthly or in the end of the term, replenishment of deposits during the entire term of their validity; the possibility has been implemented to prolong validity period of the deposit serving as provision under the credit, that allows to avoid preschedule termination of deposits and to increase credit portfolio of Bank; and many other. To increase deposit portfolio and the terms of the deposits attracted the bank adds various premiums to interest rates for long term placement of the deposit, for placement of large amounts, for deposit renewal for new term, for the holders of pension card accounts, etc.

Introduction of deposit card product "ProZapas" allowed to create the source of bank liabilities alternative to term deposits: the product is intended for the clients for whom possibility of deposit removal/replenishment at any moment is important. The retail clients are issued cards of various classes best complying with their needs: debit cards (Cirrus/Maestro, Visa Electron), standard cards (Visa Classic, MasterCard Standard), golden cards (Visa Gold, MasterCard Gold), platinum cards (Visa Platinum, MasterCard Platinum), elite cards (Visa Infinite). The clients can use special types of cards: the virtual card (for settlements in the Internet), the card with customized personified design, instant issue card, gift card. Various tariff plans on servicing of cardholders depending on the segment of clients are acting: Standard, for holders of salary, social, pension cards, investors, VIP-clients.

Card credit programs for various segments are implemented: several overdraft programs for employees of salary projects: with renewable overdraft, with non-renewable overdraft, for new employees, with low interest rate, for the managers of organizations; the program for pensioners; the program for retail clients; the program for VIP-clients.

For the purpose of diversification of risks connected with crediting of physical persons, JSB Ukrgasbank undertook following measures on reduction of possible negative consequences in this sub-segment of retail business:

1) for diversification of credit portfolio product range:

- Planned targets split per collaterals are set;
- Limits of POS powers for independent decision-making on crediting split per types of credit programs are established;

- 2) for diversification of credit portfolio currency risks:
- At re-structuring of credit debt in foreign exchange the currency of crediting is changed to domestic one;
 - It is forbidden to perform credit operations with physical persons in foreign currency;
- 3) for diversification of credit portfolio as regards credit sizes:
- Limits on one credit split per crediting programs are established;
 - Limits of maximum amount depending on collateral are established.

Various methods of payments are implemented for the population: via Bank cash desk, mobile phone, self-service booths, bank web-site. New SW set for acceptance of payments from the population that allowed performing data exchange with organizations (for example, MDPC) has been installed. Throughout the last three years the list of partners has been significantly expanded for the purpose of satisfying population needs in various utilities payments.

JSB Ukrgasbank became participant of another four international money transfer systems: Unistream, Gold Crown - Money transfers, RIA Financial Services (RIA Money Transfer), AVERS of JSC Bank "Finance and Credit".

The Bank has concentrated corporate credit portfolio in the nominal area "State monopolies". The "State monopolies" have essential priority in the economic activities that is connected with no "pressure" from competitors, consumers and price dumping. The monopolistic component has an individual basis for increasing efficiency of activity of the enterprises of the given industry with gradual profit growth. For decreasing this concentration the Bank on a monthly basis performs revision of crediting limits established for the industries of the economy. When conducting credit portfolio diversification, the Bank reduces potential industry risks. The nature of risks is connected with economic condition of each of the industries, degree of changes both inside the industry, and compared to other industries.

6. Other factors considered at rating

Interaction with power state structures.

From 01.09.2009 to 01.09.2011, 984 inspections of JSB Ukrgasbank have been performed by the following inspection bodies: National Bank of Ukraine, State Commission on Securities and Stock Market, STA of Ukraine (including tax inspection), AMC of Ukraine, Pension Fund, Social Insurance Fund for Temporary Disability, Deposit Guarantee Fund and other bodies. In total RA Expert Rating has counted up to 50 episodes of application of penal sanctions to JSB Ukrgasbank, the amount of penal sanctions to bank was insignificant.

By results of inspections by supervising bodies from 01.09.2009 to 01.09.2011 JSB Ukrgasbank has paid UAH 23,9 thousand of penalties.

The State Commission on Securities and Stock Market performed two audits of JSB Ukrgasbank activity as issuer of bonds (from 24.09.2009 to 06.10.2009 and from 16.10.2010 to 27.10.2009). No infringements of current legislation on securities market have been revealed.

Deposits Guarantee Fund performed one inspection of JSB Ukrgasbank activity from 05.07.2010 to 16.07.2010. No infringements of current legislation requirements have been revealed.

AML system. For the purpose of due functioning of intrabank AML system and minimization of risks of application to bank as subject of primary financial monitoring of rigid penal sanctions, restriction, termination or annulment of licenses, application of administrative responsibility against the head of bank, loss of reputation among corresponding banks and partners, etc., an independent structural division - Financial Monitoring Service has been created in the bank.

Over the last 5 years (01.01.2007 - 01.09.2011) 165 inquiries came from the State Committee on Financial Monitoring, including 6 inquiries in 2007, 85 inquiries in 2008, 30 inquiries in 2009, 23 inquiries in 2010 and 21 inquiries in 2011.

The number of cases brought in under the claim of bank been on consideration of courts of all instances during the period from 01.07.2010 to 01.07.2011, was 2346. The total amount of claims in UAH (at NBU exchange rate as of 01.07.2011) was 7 771 157 991,70.

The number of cases on which a ruling has been made during the period from 01.07.2010 to 01.07.2011 is 1273. The total amount in UAH (at NBU rate as of 01.07.2011) makes 4 038 713 980,13.

The number of non-resolved cases from 01.07.2010 to 01.07.2011 was 1005. The total UAH amount (at the rate of NBU as of 01.07.2011) is 3 693 925 659,63.

The number of cases brought in under the claims to the bank been on consideration of courts of all instances during the period from 01.07.2010 to 01.07.2011, was 380. The total amount of claims (at the rate of NBU as of 01.07.2011) – was 341 413 151,91 UAH.

The number of cases on which a ruling has been made during the period from 01.07.2010 to 01.07.2011 is 196. The Total UAH amount (at the rate of NBU as of 01.07.2011) is 58 718 557,37.

The number of non-resolved cases from 01.07.2010 to 01.07.2011 was 182. The Total UAH amount (at the rate of NBU as of 01.07.2011) was 228 128 729,82.

Personnel and management.

As of 01.04.2011, the number of JSB Ukrgasbank regular employees constituted 3927 persons (see table 11).

Table 11

Number of JSB Ukrgasbank regular employees		
#	Date	Number of employees
1	01.01.2009	5035
2	01.01.2010	3626
3	01.01.2011	3915
4	01.04.2011	3927

The Management

Last changes in JSB Ukrgasbank management occurred during May, 30th - June, 20th 2011.

Chairman of Board: MAMEDOV Sergey Gennadyevich.

Date of birth: December, 22nd, 1975, Kiev.

Education: 1997 – graduated from Kiev State Economic University with the speciality “Finance and Credit”, has received MBA qualification.

Working experience:

- **Since May, 2011** - Chairman of Board of JSB Ukrgasbank;
- December 2010 - May 2011 - Adviser on strategic development of Chairman of Board of JSC CB “Globus”;
- December 2006 - October 2010 – Deputy Chairman of Board of JSC JSB Ukrgasbank;
- August 2005 - December 2006 - Chairman of Board of CB “Financial Initiative”;
- November 2003 - August 2005 - Director of Treasury, Member of Board of JSC JSB Ukrgasbank;
- April 2003 - December 2003 - Head of Investment Banking Department of JSPPB “Aval”;
- September 2002 - April 2003 – Deputy Head of Kiev Central Branch of APPB “Aval”;
- February 1998 - September 2002 - leading economist with Bank Planning and Budget Unit of Finance Department, Head of Dealing Operations, Deputy Head of Treasury, Head of Treasury of JSB Etalon, Deputy Chairman of Board – Head of Treasury of JSB Etalon;
- December 1996 – May 1997 – Economist of Dealing Operations Control and Accounting with Treasury of JSPPB Aval;
- August 1996 – December 1996 – economist of Branch Coordination Unit with Credit Management of JSPPB Aval.

First Deputy Chairman of Board: Shlapak Stanislav Valeryevich.

Date of birth: December, 18th, 1978, city of Karaganda.

Education: 2001 - graduated from Loughborough University, UK, Master of Banking and Finance;

2000 - graduated from Ostroh Academy National University, Degree in Economics, Entrepreneurship and Finance.

Professional experience:

September 2009 — Deputy Chairman of Board with Ukrgasbank;

- March 2009 - September 2009 - Head of Securities Trade Department in Phoenix Capital Ltd;
- January 2009 - March 2009 – Head of Department for Market of Debt Capital and Fixed Income Instruments of JSC “Altana Capital”;
- May 2008 - November 2008 – senior adviser on economic issues of Troika-Dialog Ltd;
- June 2007 — Banker with the EBRD,
- February 2007 — June 2007 - Head of Strategic Development Department with JSC Oschadbank , Kyiv;
- February 2007 - Banker with the EBRD;
- September 2002 — June 2005 – financial analyst with World Bank representation on Ukraine.
- June 1999 - November 1999 – information expert of “Sheena” Ltd;
- October 1998 - June 1999 - commercial adviser of BF “Sprint”;
- August 1997 - September 1998 - security guard of PE “Rosech”;
- July 1995 - August 1997 - security guard of universal firm “Sprint”.

The agency highlights that top managers of the Bank have long bank experience, and also long-term experience of direct work in JSB Ukrgasbank.

7. Summary of rating results and rating visualization

During the period from 05.09.2011 to 31.10.2011 the analytical service of RA Expert Rating conducted rating research of the activity of JSB Ukrgasbank. The Rating Committee of RA ‘Expert Rating’ on the 01.11.2011 made the decision on assignment of borrower credit rating to JSB Ukrgasbank at the level **uaBBB +**, and also of debt instrument rating to the bonds of JSB Ukrgasbank of series C, D and E at the level **uaBBB +**.

See full substantiation of RA Expert Rating in the rating report. When assigning investment grade rating, the Rating Committee was guided by the following conclusions:

1. The analysis of Bank development history has shown that during the entire period of Ukrgasbank activity it showed steady dynamics of growth that allowed it to ensure presence in all segments of the national market of banking services, and also to enter top twenty largest banks of the country. The national sales network of the Bank as of the beginning of 2011 has been presented by 280 points of sales serving more than 24 000 legal and 800 000 physical persons. The agency assesses the share of JSB Ukrgasbank in the Ukrainian market of banking services in the range of 1,2-1,7 %.

2. In 2009 Ukrgasbank has undergone a number of changes. Considering the financial situation developed in the country in 2009, the shareholders of Ukrgasbank decided on the need for recapitalization of financial entity and appealed to the Government. At the moment of rating assignment the Ministry of Finance of Ukraine possesses 92,998 % of the shares of Bank. In opinion of RA Expert Rating the shareholders are capable to render to the Bank high level of external support and when necessary to provide the bank with UAH liquidity in required amounts.

3. Injection of considerable volume of resources into the capital of Bank by major shareholder, in turn, has promoted maintenance of positive dynamics of key performance indicators. So, in H1 2011 in comparison with the same period of 2010 growth of all key financial positions of Bank has been noted: shareholders equity has increased by 222,2 %, assets - on 19,13 %, credit portfolio - on 16,23 %, funds of physical persons - on 9,55 %, funds of legal entities - on 41,79%, net profit - on 7,81 %, and capital adequacy (H2) has constituted the record 49,4 %.

4. The analysis of assets quality of the Bank, on the one hand, proves to high level of credit risks which is revealed in essential share of bad (22,19%) and trouble credits (59,81 %) in Bank credit portfolio, and also in considerable concentration of portfolio of credits to legal persons (36,97 %) in such risky segment for today, as crediting of real estate operations. On the other hand, it proves stable dynamics of trouble credits share decrease that, obviously, is a positive signal of gradual improvement of this monetary entity.

5. The analysis of Bank profitability indicators for last five years shows that before crisis they were at high enough level and showed good dynamics. So, before the 2009 ROE fluctuated in the range of 6-14 %, ROS was at the level of 14-22 %, but substantial losses of 2009 have annulled the achieved positions. In 2010 the process of Bank profitability indicators recovery has begun; ROE, ROS and ROA returned to the positive plane.

6. At the moment of credit rating assignment three series of JSB Ukrgasbank bonds - C, D and E have been in circulation for total amount of UAH 500 m. At UAH 6,289 b of shareholders equity of bank as of 01.07.2011 and redundant liquidity and capital adequacy norms of Bank, such volumes of emission do not bear any essential debt burden, that provides them investment grade level.

Presently the credit rating of the Bank and of its bonds being in circulation is constrained by macroeconomic risks which the main shareholder of Bank is depending upon, and also by limited quality of assets which is still shown in JSB Ukrgasbank as consequence of the past crisis. The credit rating of JSB Ukrgasbank can be raised under condition of profitable work and in line with decrease in share of troubled assets.

Summary of JSB Ukrgasbank rating
(following H1 2011)

Name of indicator	aa	a	bbb	bb	b
	1	3	6	9	12
Period of bank actual operation	Over 60 m.	Over 36 m.	Over 24 m.	Over 12 m.	Up to 12 m.
Settled and non-settled claims of bank clients and regulators/ authorized capital ratio	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, no 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 clear 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 times	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 CR	Not higher than 2,0 X CR	Not higher than 4,0 X CR	Not higher than 6,0 X CR	Not higher than 8 X CR
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 (net income/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%, Assets sensitive to interest rates change / Liabilities sensitive to interest rates change)	0-5%	Up to 10%	Up to 20%	Up to 30%	Over 30%

Appendix A

Use limitations of the rating report

The present report is an intellectual property of Expert Rating RA ltd. All intellectual property rights owned by Expert Rating RA ltd are protected in conformity with the legislation of Ukraine. No part of this report may be sold, reproduced or distributed by third parties without previous written approval of Expert Rating RA ltd. All information contained in the present report, had been obtained by Expert Rating RA ltd from sources which Expert Rating RA ltd considers as reliable. Due to the possibility of human or technical error, and other factors, Expert Rating RA ltd does not guarantee the absolute reliability of the provided information. The credit rating of the Bank, and any part of the information contained in the report, should be regarded exclusively as an opinion on the degree of withstanding by the financial entity to adverse factors and not as recommendation about purchase or sale of securities or recommendation about use of bank services. Expert Rating RA ltd does not bear responsibility for any consequences of credit, investment or economic decisions of third parties taken solely based on information on ratings, awarded by Expert Rating RA ltd.

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. The company corresponds to aa level however its liabilities 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.