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18.06.2012

PRESS-RELEASE

(Translation from Russian)

The credit rating of VAB Bank is confirmed at the level uaAA

June 18, 2012 RA «Expert-Rating» has decided to confirm the credit rating of VAB Bank at the level **uaAA** according to the national scale. The borrower with rating **uaAA** is characterized by a very high solvency compared to other Ukrainian borrowers. Making decision of confirming the credit rating according to the national scale, the Agency was guided by key results of the Bank's activity in the Q1 of 2012.

Table 1

Key indicators of VAB Bank, th. UAH, p.p.,%

Indicators	I quarter of 2012 (01.04.2012)	I quarter of 2011 (01.04.2011)	Change	Growth rate
Shareholders' equity	**912 015**	**747 362**	**164 653**	**22,03%**
Authorized capital	1 848 619	1 248 619	600 000	48,05%
Regulatory capital **(N1)**	1 084 679	935 958	148 721	15,89%
Shareholders' equity/assets ratio, %	8,06%	10,25%	-2,19 p.p.	-
Adequacy of regulatory capital **(N2)**, %	10,34%	14,97%	-4,63 p.p.	-
Regulatory capital/total assets ratio **(N3)**	9,10%	11,00%	-1,90 p.p.	-
Total liabilities	**10 399 095**	**6 546 357**	**3 852 738**	**58,85%**
Including liabilities in foreign currency	5 271 518	3 581 573	1 689 945	47,18%
Funds of banks	1 236 483	786 080	450 403	57,30%
Funds of individuals	5 268 078	3 311 087	1 956 991	59,10%
Funds of legal entities	1 622 708	1 298 689	324 019	24,95%
Total assets	**11 311 110**	**7 293 719**	**4 017 391**	**55,08%**
Liquid assets (Cash and cash equivalents + Trading securities + Funds in other banks)	2 765 194	1 424 653	1 340 541	94,10%
Customer credits and debt	**6 190 771**	**6 117 797**	**72 974**	**1,19%**
including customer credits and debt in foreign currency	1 744 189	2 659 085	-914 896	-34,41%
Loan provisions	1 477 163	1 299 096	178 067	13,71%
Loan provisions/customer credits and debt ratio	19,26%	17,51%	1,75 p.p.	-
Norm of large credit risks **(N8)**	388,91%	179,03%	209,88 p.p.	-
Norm of the maximum total amount of loans, guarantees and sureties issued to insiders **(N10)**	2,35%	0,12%	2,23 p.p.	-
Liquid assets/liabilities ratio	**26,59%**	**21,76%**	**4,83 p.p.**	-
Instant liquidity **(N4)**	44,22%	33,47%	10,75 p.p.	-
Current liquidity **(N5)**	63,57%	51,69%	11,88 p.p.	-
Short-term liquidity **(N6)**	75,98%	63,77%	12,21 p.p.	-
ROE	**(2,24%)**	**(11,03%)**	**8,79 p.p.**	**-**
ROA	(0,18%)	(1,13%)	0,95 p.p.	-
Net interest income	4 117	24 818	-20 701	-83,41%
Net commission income	63 114	27 644	35 470	128,31%
Net commission income/net interest income ratio	1533,01%	111,39%	1421,62 p.p.	-
Net profit (loss)	**(20 400)**	**(82 414)**	**62 014**	**-75,25%**

Source: data of VAB Bank, calculations by RA «Expert-Rating»

1. In the period from 01.04.2011 to 01.04.2012 the Bank's assets have increased in 1,55 times (by 55,08% or by UAH 4,017 bn) and have amounted to UAH 11,311 bn as of 01.04.2012, liabilities have grown in 1,59 times (by 58,85% or by UAH 3,853 bn) and have amounted to UAH 10,399 bn, shareholders' equity has increased by 22,03% or by UAH 164,7 mln and has reached to UAH 912 mln. At the same time, during the analyzed period the Bank has conducted a moderate loan policy. The loan portfolio of the Bank has increased by 3,38% (or by UAH 251 mln) and has amounted to UAH 7,668 bn as of 01.04.2012. And among the components of the Bank's assets the liquid assets have increased most rapidly, amounting to UAH 2,765 bn following the results of the Q1 of 2012 that is by 94,1% or by UAH 1,341 bn more, than at the end of the Q1 of 2011.

2. In the period from 01.04.2011 to 01.04.2012 VAB Bank has successfully attracted the resources in the domestic market, as indicated, in particular, by the growth rates of the Bank's liabilities, which have significantly exceeded the average market dynamics. Thus, funds of individuals have increased by UAH 1,957 bn or by 59,10% (the average of the system – by 13,7%) in the indicated period and have amounted to UAH

5,268 bn as of 01.04.2012. Funds of legal entities have increased by UAH 324 mln or by 24,95% (with the average rate of increase of the system at the level 11,9%) and have amounted to UAH 1,623 bn, funds raised from other banks have grown by 57,30% or by UAH 450,4 mln and have amounted to UAH 1,236 bn as of the beginning of the Q2 of 2012. The Agency positively estimates the structure of the Bank's liabilities, where the proportion of liabilities of individuals is about 46,49%.

3. Let's remind, that during the analyzed period there has been a considerable increase of the Bank's authorized capital, which has increased by UAH 600 mln (by 48,05%) and has reached to UAH 1,849 bn as of 01.04.2012. The regulatory capital has grown by 15,89% (or by UAH 148,7 mln) in the same period. Some decrease in the Bank's capital adequacy has occurred due to the outpacing growth rates of assets compared to the increase of capital. Thus, the norm of regulatory capital adequacy (N2) has decreased by 4,63 p.p. and has amounted to 10,34% as of 01.04.2012 (with the required norm – not less than 10%), the norm of the ratio of regulatory capital to assets (N3) has decreased by 1,90 p.p. and has amounted to 9,10% (with the minimal norm – not less than 9%). The Agency reminds that the general shareholders' meeting of VAB Bank, which has been held on March 30 of 2012, has decided to increase the authorized capital due to the additional issue of common inscribed shares totaling UAH 500 mln, i.e. more than by 27% – up to UAH 2,349 bn. June 13, the general meeting of shareholders has adopted the results of the stated additional issue. The increase of the Bank's authorized capital will have a positive impact on the level of capital adequacy and will increase the norms N2 and N3. Making decision of increasing the authorized capital, the Bank's shareholders clearly confirm its interest in the active development of the Bank and willingness to provide the support to the financial institution, expanding the opportunities for an effective realization of its strategy and for achieving high results by current plans. A high level of the shareholders' support is one of the reasons for a high credit rating of the Bank.

4. The result of a moderate growth of customer credits and debt has become a reduction in the proportion of the loan portfolio in the Bank's total assets by 29,15 p.p. (from 83,88% as of 01.04.2011 down to 54,73% as of 01.04.2012) that, in its turn, has influenced the decline in the overall sensitivity of the Bank to loan risks. Loans provisions have increased by 13,71% or by UAH 178,1 mln in the period from 01.04.2011 to 01.04.2012 and have amounted to UAH 1,477 bn. Accordingly, the ratio of loans provisions to customer credits and debt has increased by 1,75 p.p. (from 17,51% up to 19,26%) that, in general, has reflected the common trend of the Ukrainian banking system, the average of the same indicator of the Ukrainian banks has increased by 2,43 p.p.: from 19,02% up to 21,45% in the given period. The Agency also notes the decrease of the currency risks level of the Bank's loan portfolio: customer credits and debt in foreign currency have decreased by UAH 914,9 mln or by 34,41%, and its proportion in the total loan portfolio of the Bank has decreased by 15,29 p.p.: from 43,46% as of 01.04.2011 down to 28,17% as of 01.04.2012. The norms analysis of loan risks (N8 and N10) indicates the Bank's compliance with the NBU's requirements with large reserve, indicating a moderate concentration of large loans and operations with insiders in the Bank's portfolio.

5. Liquid assets of the Bank have increased by 94,10% and have amounted to UAH 2,765 bn as of 01.04.2012. The ratio of liquid assets to liabilities has grown by 4,83 p.p. and has amounted to 26,59%, the norm of the Bank's instant liquidity (N4) has increased by 10,75 p.p. and has amounted to 44,22% as of 01.04.2012 (with the minimal indicator – not less than 20%), the norm of current liquidity (N5) has increased by 11,88 p.p. and has amounted to 63,57% (with the minimal norm – not less than 40%), the norm of short-term liquidity (N6) has amounted to 75,98% (with the norm – not less than 60%) that is by 12,21 p.p. more, than as of 01.04.2011. According to the results of the Q1 of 2012 the Bank has still shown a loss of 20,4 mln, which has reduced by 75,25% or by UAH 62 mln compared to the results of the Q1 of 2011. At the same time, key source of the Bank's income – net commission income has increased in 2,28 times (by 128,31% or by UAH 35,5 mln), which has amounted to UAH 63,1 mln following the results of the Q1 of 2012.

Therefore, VAB Bank has continued to dynamically develop: in the period from 01.04.2011 to 01.04.2012 the Bank's assets have grown by 55,08% that has enabled the bank to take the third place in the group of the large banks of Ukraine by the assets volume according to the NBU classification. Besides, the Bank has continued to operate in excess liquidity, and after the next increase in the authorized capital, the Bank has significantly increased its reserve of capital adequacy.

Analytical service of RA «Expert-Rating»