

28.04.2012

## PRESS-RELEASE

(Translation from Russian)

### The credit rating of PJSC “Ukrainian Bank of Development” is confirmed at the level **uaA-**

**April 28, 2012** RA «Expert-Rating» has decided to confirm the credit rating of PJSC “Ukrainian bank of development” at the level **uaA-** according to the national scale. The borrower with rating **uaA-** is characterized by a high solvency in comparison with other Ukrainian borrowers. Making a decision about confirmation of credit rating according to the national scale, the Agency was guided by the key results of the Bank’s activity in the Q1 of 2012.

Table 1

**Key indicators of PJSC «Ukrainian bank of development», th. UAH, p.p.,%**

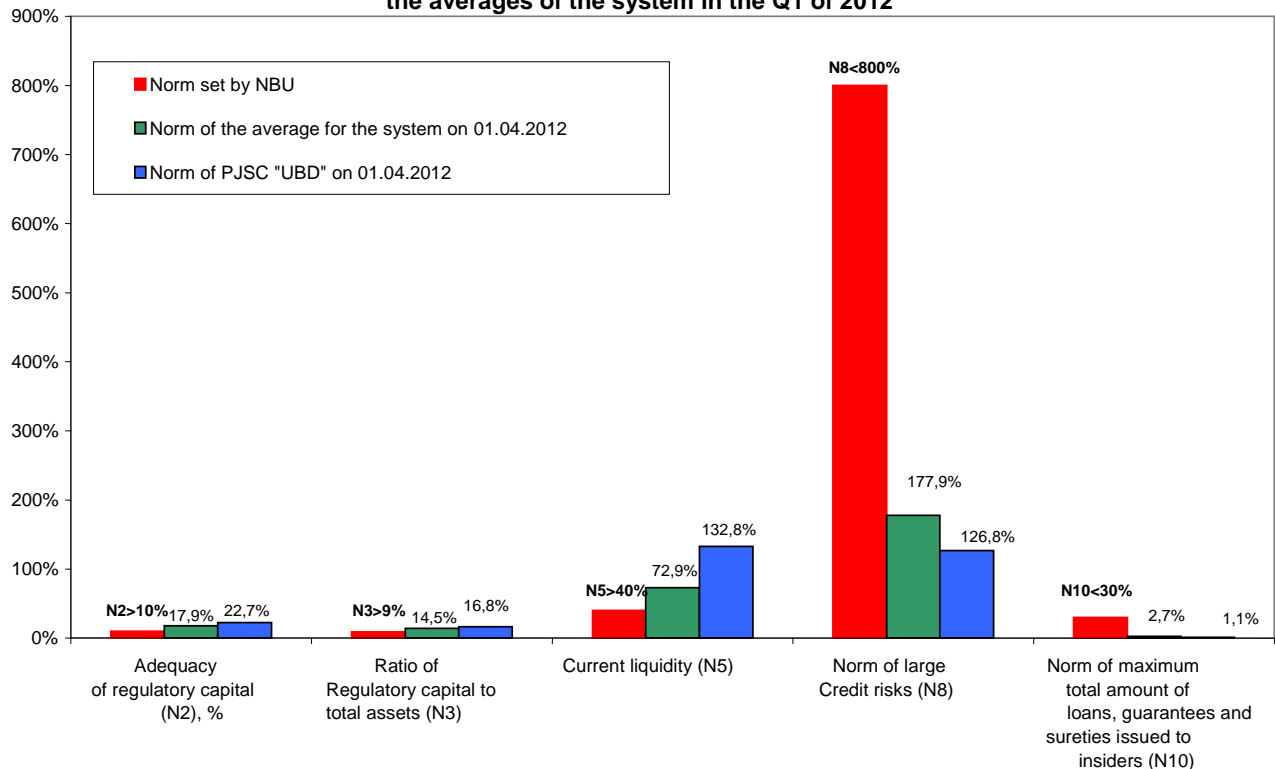
Indicators	I quarter of 2012 (31.03.2012)	I quarter of 2011 (31.03.2011)	Change	Growth rate
<b>Shareholders' equity</b>	<b>334942</b>	<b>212131</b>	<b>122811</b>	<b>57,89%</b>
Authorized capital	310000	210000	100000	47,62%
Regulatory capital (N1)	332148	350942	-18794	-5,36%
Shareholders' equity/assets ratio, %	17,03%	31,90%	-14,87 p.p.	-
Adequacy of regulatory capital (N2), %	22,74%	79,50%	-56,76 p.p.	-
Regulatory capital/total assets ratio (N3)	16,80%	52,79%	-35,99 p.p.	-
<b>Total liabilities</b>	<b>1631376</b>	<b>452937</b>	<b>1178439</b>	<b>260,18%</b>
<i>Including liabilities in foreign currency</i>	<i>531117</i>	<i>99589</i>	<i>431528</i>	<i>433,31%</i>
Funds of banks	99999	19901	80098	402,48%
Funds of individuals	<b>568 503</b>	157867	410636	260,12%
Funds of legal entities	<b>953 713</b>	133092	820621	616,58%
<b>Total assets</b>	<b>1966318</b>	<b>665068</b>	<b>1301250</b>	<b>195,66%</b>
Liquid assets (Cash and cash equivalents + Trading securities + Funds in other banks)	688361	176520	511841	289,96%
<b>Customer credits and debt</b>	<b>1176074</b>	<b>437289</b>	<b>738785</b>	<b>168,95%</b>
<i>including customer credits and debt in foreign currency</i>	<i>36505</i>	<i>37241</i>	<i>-736</i>	<i>-1,98%</i>
<i>Loan provisions/customer credits and debt</i>	<i>0,87%</i>	<i>0,28%</i>	<i>0,59 p.p.</i>	<i>-</i>
Dubious and bad loans	71806	506	71300	14090,91%
<i>Proportion of dubious and bad loans in the loan portfolio</i>	<i>6,11%</i>	<i>0,12%</i>	<i>5,99 p.p.</i>	<i>-</i>
Norm of large credit risks (N8)	126,75%	11,63%	115,12 p.p.	-
Norm of the maximum total amount of loans, guarantees and sureties issued to insiders (N10)	1,06%	0,81%	0,25 p.p.	-
<b>Liquid assets/liabilities ratio</b>	<b>42,20%</b>	<b>38,97%</b>	<b>3,23 p.p.</b>	<b>-</b>
Current liquidity (N5)	132,79%	718,61%	-585,82 p.p.	-
<b>ROE</b>	<b>0,82%</b>	<b>0,20%</b>	<b>0,62 p.p.</b>	<b>-</b>
ROA	0,14%	0,06%	0,08 p.p.	-
Net interest income	24967	7822	17145	219,19%
Net commission income/net interest income ratio	18,46%	24,33%	-5,87 p.p.	-
Result from operations in foreign currency/net interest income ratio	28,58%	48,36%	-19,78 p.p.	-
Net profit	2734	430	2304	535,81%

Source: Data of PJSC «Ukrainian bank of development», calculations by RA «Expert-Rating»

1. PJSC “UBD” has continued its intensive development in the Q1 of 2012. In the period from 31.03.2011 to 31.03.2012 Bank’s assets have grown in 2,95 times, liabilities – in 3,6 times, shareholders’ equity – almost by 58%. The Bank has actively increased its loan portfolio, which has grown in 2,69 times during the last 12 months, as of 31.03.2012 customer credits and debt to the Bank have amounted to UAH 1,176 bn. As of 31.03.2012 assets of PJSC “UBD” have amounted to UAH 1,966 bn that has enabled the Bank to enter the fourth group of the largest banks according to the NBU classification.

2. The intensive attraction of resources has resulted in an increase in deposits of legal entities in 7,16 times over the last 12 months, deposits of individuals – in 3,6 times, funds of banks have grown more than in 5 times. Since Bank's assets and liabilities have been increasing with the faster rates, than shareholders' equity, the Agency notes the reduction in the adequacy of regulatory capital (N2) by 56,76 p.p. and in the ratio of regulatory capital to assets (N3) by 35,99 p.p. Such a reduction has been predictable and related to the implementation of Bank's plans for development. On 31.03.2012 the norm N2 of PJSC "UBD" has amounted to 22,7% with the normative indicator of "more than 10%" and with the average 17,9% of the system. N3 has also been respected by the Bank above the normative requirement established by NBU, besides this indicator has exceeded the average of the norm of the banking system by 2,3 p.p. (see Fig).

**Fig. Dynamics of key norms of PJSC "Ukrainian bank of development" in comparison with the averages of the system in the Q1 of 2012**



3. Despite the increase in debt of dubious and bad loans up to UAH 71,8 mln, risks of the loan portfolio of PJSC "UBD" have remained at a rather low level. On 31.03.2012 the loan provisions/clients' debt ratio has amounted to 0,87%, and the proportion of bad and dubious loans in the portfolio has been fixed at 6,11%. Both indicators of the quality of the loan portfolio have been better in several times than the average of the system. The increase in dubious and bad loans in the loan portfolio of PJSC "UBD" relates to the processes predicted earlier by the Agency and has already been included in the confirmed rating. Let's remind that the peak of loan activity of PJSC "UBD" took place in 2010 and 2011, to the extent of the "aging of loan portfolio" the Bank's loan risks begin to appear in the form of the increase in problem debt. However, these processes take place at slower paces than the Agency predicted earlier that can become one of the main reasons for the further improvement of the Bank's credit rating according to the national and international scale of the Agency in future. Additionally, the Agency draws attention to the Bank's excessive compliance to the norm of large credit risks (N8) and to the norm of the maximum amount of loans, guarantees, surities issued to the insiders (N10) even in comparison with its averages of the system. Excessive compliance to N8 and N10 means that the Bank's loan portfolio is well diversified, and the Bank's insiders are hardly involved into the loan processes.

4. The norm of current liquidity (N5) of PJSC "UBD" has been fixed at 132,8% as of 31.03.2012 with the average of the system at 72,9% and with the norm of "not less than 40%". The ratio of liquid assets to liabilities has amounted to 42,2% on 31.03.2012, this indicator has grown by

3,23 p.p. in comparison with 31.03.2011. At the beginning of the Q2 the Bank has maintained the redundant liquidity, which should be considered as a reserve for the increase in loan activity till the end of 2012. Despite the obvious redundant liquidity net interest income of the Bank has grown in 3,19 times, up to UAH 24,967 mln in the Q1 of 2012 comparing to the same period of 2011. At the same time, the net commission income/net interest income ratio has amounted to 18,46%, and the ratio of the result from operations with foreign currency to net interest income has amounted to 28,58%. These indicators have decreased because of the increase in the loan portfolio and liabilities of the Bank, which inevitably should have to increase net income from operations with interest assets. However, the level of the Bank's dependence on the operations with interest assets remains rather low that indicates a positive impact on its credit rating.

Therefore, in the Q1 of 2012 PJSC "UBD" has continued its strategy of intensive development. The management has brought indicators of capital adequacy to the levels close to the averages of these norms of the system, while the Bank has maintained its redundant liquidity. Significant increase in operations of attraction and allocation of resources will result in a further increase in profitability of operations performed by PJSC "UBD", which will positively impact on the Bank's credit rating.

*Analytical service of RA «Expert-Rating»*