Україна, 04073, м. Київ, пров.
Куренівський, 15, офіс 29
тел.: +38 (044) 227-60-74
general@expert-rating.com
www.expert-rating.com

RATING AGENCY EXPERT RATING

Office. 29, 15 Kurenivs'kyi Ln.,
Kyiv, 04073, Ukraine
Tel.: +38 (044) 227-60-74
general@expert-rating.com
www.expert-rating.com

07.08.2012

PRESS-RELEASE

(Translation from Russian)

The credit rating of PJSC «Ukrainian bank of development» is improved up to the level uaA

August 7, 2012 the rating committee of RA «Expert-Rating» has decided to improve the credit rating of PJSC «Ukrainian bank of development» up to 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 decision about improving the credit rating according to the national scale, the Agency was guided by the results of the Bank's activity in the 1 half of 2012.

Table

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

Indicators	I half of 2012 (30.06.2012)	I half of 2011 (30.06.2011)	Change	Growth rate
Shareholders' equity	**338044**	**321084**	16960	5,28%
Authorized capital	310000	310000	0	0,00%
Regulatory capital **(N1)**	332796	319152	13644	4,27%
Shareholders' equity/Assets ratio, %	13,20%	36,85%	-23,65 p.p.	-
Regulatory capital adequacy **(N2)**, %	18,57%	45,32%	-26,75 p.p.	-
Regulatory capital/Total assets ratio **(N3)**, %	12,92%	36,56%	-23,64 p.p.	-
Total liabilities	**2222898**	**550070**	1672828	304,11%
Including liabilities in foreign currency	511124	169826	341298	200,97%
Funds of banks	159436	0	159436	-
Funds of individuals	**890615**	360392	530223	147,12%
Funds of legal entities	**1161090**	186837	974253	521,45%
Total assets	**2560942**	**871154**	1689788	193,97%
Liquid assets (Cash and cash equivalents + Trading securities + Funds in other banks)	832444	227060	605384	266,62%
Customer credits and debt	**1623485**	**581032**	1042453	179,41%
Including customer credits and debt in foreign currency	49273	35403	13870	39,18%
Loan provisions/ customer credits and debt ratio, %	1,20%	0,66%	0,54 p.p.	-
Norm of large loan risks **(N8)**, %	247,94%	38,51%	209,43 p.p.	-
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders **(N10)**, %	1,14%	0,19%	0,95 p.p.	-
Liquid assets/Liabilities ratio, %	**37,45%**	**41,27%**	-3,82 p.p.	-
Current liquidity **(H5)**	194,79%	242,25%	-47,46 p.p.	-
ROE	**1,73%**	**2,92%**	-1,19 p.p.	-
ROA	0,23%	1,08%	-0,85 p.p.	-
Net interest income	59410	25805	33605	130,23%
Net commission income/ Net interest income ratio	17,92%	22,64%	-4,72 p.p.	-
Result from operations with foreign currency/ Net interest income ratio	28,15%	48,52%	-20,37 p.p.	-
Net profit	5836	9383	-3547	-37,80%

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

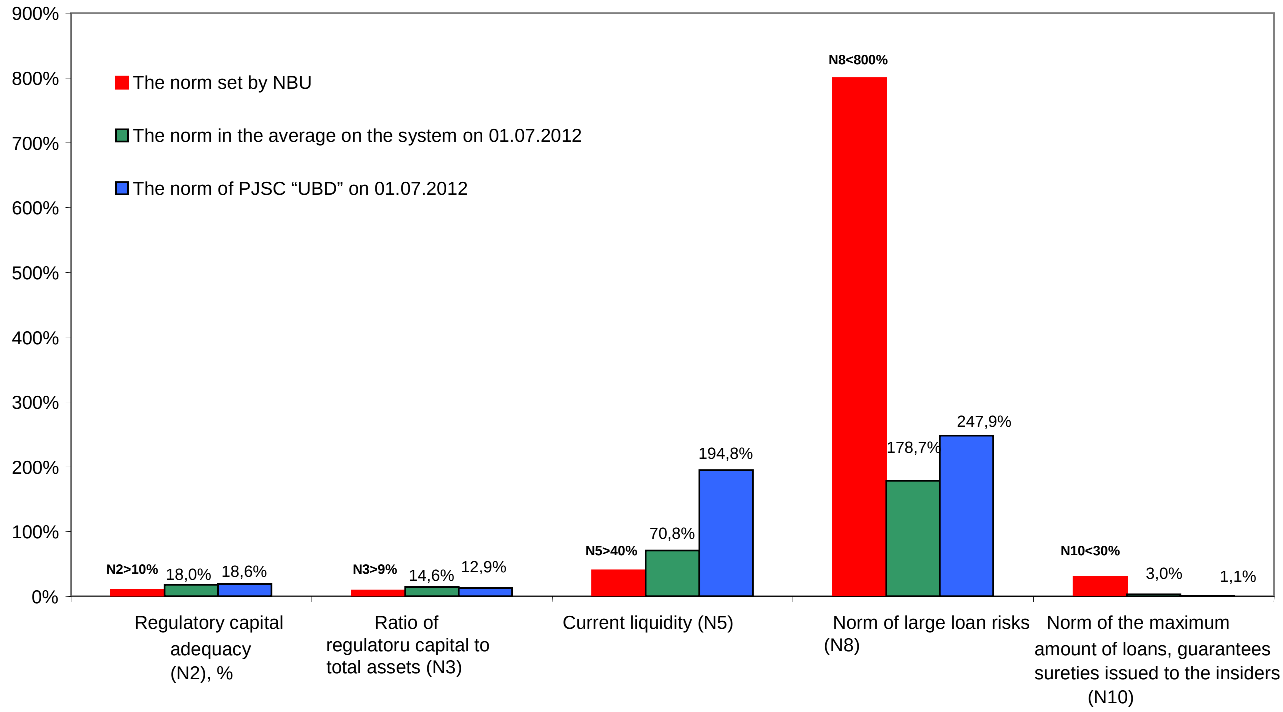
1. In the 1 half of 2012 PJSC «Ukrainian bank of development» (PJSC «UBD») has continued to increase the level of its business activity at a significant pace. In the period from 30.06.2011 to 30.06.2012 the Bank's assets have grown up to UAH 2,56 bn or by 194%, while as a whole on the system the banks' assets have grown by 8,31%. Since the beginning of 2012 the growth rate of assets of PJSC «Ukrainian bank of development» has amounted to 77,6%. The Bank's activity in the loan market has exceeded the loan activity as a whole in the banking system of Ukraine. In the period from 30.06.2011 to 30.06.2012 the customer credits and debt to PJSC «UBD» have grown up to UAH 1,623 bn or by 179,41%. Since the beginning of 2012 the customer credits and debt to PJSC

«UBD» have grown by 77,18%, as a whole on the system since the beginning of 2012 the loan portfolio of banks has grown by about 1%.

2. In the period from 30.06.2011 to 30.06.2012 the resource base of PJSC «UBD» has also shown good dynamics of growth. The Bank's liabilities have grown in 4 times over the 12 months, while funds of individuals have increased in 2,5 times, funds of legal entities – in 6,21 times. Due to the faster increase in funds of legal entities, than funds of individuals, the structure of the resource base of UBD has changed towards increasing the proportion of funds of legal entities in the Bank's liabilities. As of 30.06.2012 funds of legal entities have occupied 52% of liabilities of UBD, funds of individuals – 40%. The Agency appreciates the changes, which have occurred in the structure of the resource base of UBD over the last 12 months. The increase in the proportion of deposits of legal entities in the structure of the Bank's liabilities will contribute to stabilizing the cost of this resource base and its volume, and also the profitability growth of operations of UBD.

3. Due to the significant growth rates of assets and liabilities of the Bank since the beginning of 2012, the norm of regulatory capital adequacy (N2) has decreased from 30,82% down to 18,6%. At the same time, as of 30.06.2012 the norm N2 of PJSC «UBD» has been by 0,6 p.p. higher than the average of the system. The decrease in the regulatory capital adequacy of PJSC «UBD» in the 1 half of 2012 has been a consequence of the further realization of the expansion strategy of the Bank in the Ukrainian market. Increasing the liabilities, the Bank has decreased the abnormally high indicator of the regulatory capital adequacy to the acceptable level, which allows to efficiently managing the resources at the disposal of PJSC «UBD».

Рис. Dynamics of key norms of PJSC "Ukrainian bank of development" compared to the average on the system in the 1 half of 2012



At the end of the second quarter of PJSC «UBD» has maintained the excessive norm of current liquidity (N5) against the background of the normalization of the capital adequacy. On 30.06.2012 current liquidity of the Bank has amounted to 194,8% at the norm of not less 40% and at the average of 70,8% on the system. The conservative strategy of managing liquidity of PJSC «UBD» has provided the Bank with the additional level of stability.

4. The quality of the loan portfolio of PJSC «UBD» has remained rather high according to the formal criteria. The ratio of loan provisions to customer credits and debt has amounted to 1,2% on

30.07.2012. In the financial statement of the Q2 PJSC «UBD» has reported that the Bank has classified the credit operations in the second quarter as «standard» of the amount UAH 640,345 mln and as «under the control» of the amount UAH 1106,545 mln. That is, the large proportion of the loan portfolio of the Bank has been classified as loans with high quality. Taking into account that only since the beginning of 2012 PJSC «UBD» has increased its loan portfolio by 77,18%, the Agency expects the normalization of key indicators of the loan risk in the portfolio of PJSC «UBD» only after the stabilization of growth rates of the Bank's assets at the level of the average on the system. However, in the Agency's opinion, even after the stabilization of the increase in assets, the loan portfolio of PJSC «UBD» won't carry significant loan risks:

- *firstly*, the Bank didn't have a distinct specialization in lending the population, it is the market was «the supplier» of problem debt in the banking sector in the past. Credit debt of individuals to PJSC «UBD» has amounted to 21,56% of the total portfolio on 30.06.2012;
- *secondly*, in the 1 half of 2012 PJSC «UBD» has actively been involved into lending the railway companies, which are characterized by a good credit history in the past and are controlled by the state.

5. In the 1 half of 2012 the activity of the Bank has remained profitable. Profit of PJSC «UBD» in the 1 half of 2012 has reduced by 37,8% in comparison with the same period of 2011. The Bank has earned UAH 5,836 mln in the 1 half. The decrease in net profit has been caused by the intensive paces of development of PJSC «UBD». In 2012 the Bank has launched a number of new loan products for the corporative clients: factoring with recourse, multi-tranche loan line, the loan line for lending the construction objects etc. In the 1 half of 2012 PJSC «UBD» has continued the development of its regional network, the new departments in Donetsk and Sevastopol have been opened.

Therefore, PJSC «UBD» has once again demonstrated an intensive dynamics of development, aimed at the increase of its share in the banking sector of Ukraine. High activity of PJSC «UBD» against the background of the conservative policy of managing liquidity and the high quality of assets have been the major factors, by which the rating committee has been guided, making decision of the improvement of the bank's credit rating up to the level **uaA**.

Analytical service of RA «Expert-Rating»