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Rating Agency ‘Expert Rating’
March, 31 of 2010
Quarterly rating updating

RA Expert Rating confirms the credit rating of VAB Bank (national ID code 19017842) at the level uaAA by results of 12 months of 2009

As of March, 31st, 2010 Rating Agency Expert Rating confirms the credit rating of VAB Bank at level **uaAA** according to the national scale. The given level means very high reliability of the bank in the long-term period.

Table

Key performance indicators of VAB Bank in 2009 (th. UAH, %)

Indicator	2009* (01.01.2010)	2008** (01.01.2009)	Absolute divergence (th. UAH, p.p.)	Growth rate (%)
Total assets, th. UAH	7258175	7748569	-490394	-6.33%
Cash and cash equivalents, th. UAH	676105	672492	3613	0.54%
Loans and debts of customers, th. UAH.	6157958	6284449	-126491	-2.01%
Loans impairment reserves, th. UAH.	751770	303620	448150	147.60%
Total liabilities, th. UAH	6585985	6845140	-259155	-3.79%
Due to other banks, th. UAH	2653590	2097309	556281	26.52%
Funds of legal persons, th. UAH	997 885	1579976	-582091	-36.84%
Funds of physical persons, th. UAH	1932568	2223622	-291054	-13.09%
Shareholders equity, th. UAH	672190	903429	-231239	-25.60%
Net interest, th. UAH.	299593	314547	-14954	-4.75%
Net income, th. UAH.	-381738	3571	-385309	-
Loans impairment reserves/ loan portfolio, %	12.21%	4.83%	7.38 п.п.	-
Equity/Assets, %	9.26%	11.66%	-2.40 п.п.	-
ROE, %	-56.79%	0.40%	-57.19 п.п.	-

Source: NBU data, calculations by RA Expert Rating
Note:
* — data for 2009 from bank quarterly accounts;
** — data for 2009 from bank annual account, approved by the Auditors.

Confirming VAB Bank rating, the Agency was guided by the following conclusions:

1. Reserves under loans of the bank in 2009 have grown by 2.48 times and on 01.01.2010 made 751.77 mln UAH, or 12.21% of the amount of issued loans. Because of considerable growth of provisioning VAB Bank has ended 2009 with 381.738 mln UAH of loss. This loss has led to decrease by 25.6% of bank’s equity in 2009 (without sub debt). It should be taken into account that VAB Bank’s loss in 2009 due to provisioning has rather accounting character and means just execution by the bank of NBU requirements to provisioning of active operations.

2. Analytical service of RA Expert Rating also draws your attention to that equity/assets parity of VAB Bank for the beginning of 2010 made 9.26 %, VAB Bank met the authorized capital adequacy norm. Account indicators testify to that VAB Bank continuously maintains certain safety margin, also at the expense of high level of external support by shareholders.

3. Presence of long-term agreements between banks shareholders on increasing capitalization of bank in the future became the main positive news for the creditors of bank. For today the share of Israeli-Netherlands investment group Kardan which controls VAB Bank through TBIF Financial Services BV, makes 63.01 %. Kardan Financial Services N.V. has

publicly stated readiness to continue investing in the development of financial business in Ukraine. RA 'Expert Rating' estimates positively the given position of the foreign shareholder of bank and expresses confidence that it will make the raise the external support of the bank to unprecedently high level.

4. According to the Agency, external creditors already had time to estimate the increased level of bank's external support. The overwhelming majority of VAB Bank holders of Eurobonds due on June, 14th, 2010 have agreed with restructuring conditions offered by bank. The according decision was passed at the meeting of holders of Eurobonds on March, 22nd. Earlier it was informed that VAB Bank within the limits of restructuring proposed the creditors prolongation of term of circulation of Eurobonds for four years, increase of coupon rate from 10.125% to 10.5%, transition from semi-annual to quarter coupon payments. The investors, who agreed with the proposed conditions, will receive 10% of money debt at the due date, on June, 14th, 2010. It should be reminded that in May, 2007 VAB Bank placed three-years Eurobonds for the amount of $125 mln due in June, 2010 and 0.125% annual coupon.

Analytical service of RA Expert Rating