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

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(Translation from Russian)

The credit rating of PJSC JSB «Ukrgasbank» is improved

March 29, 2013 the rating committee of RA «Expert-Rating» has decided to improve the credit rating of JSB «Ukrgasbank» (23697280) 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 key results of the Bank's activity in 2012.

1. Shareholders' equity of JSB «Ukrgasbank» has grown by 36,03% in 2012 and has reached to UAH 3,814 bn, liabilities of the Bank have grown by 11,91%, assets – by 15,64%, loan portfolio including reserves has reduced by 12,82%, and loan portfolio without including reserves has grown by 4,73%. This statistics indicates a confident growth of scales of the Bank's activity, as well as the strengthening of the level of providing the Bank with equity.

JSB «Ukrgasbank» has performed the correction process of the resource base structure. Funds of banks in liabilities have decreased by 3,25%, funds of legal entities have grown by 40,32%, and funds of individuals have increased by 20,81%. JSB «Ukrgasbank» has reduced the proportion of funds of banks in liabilities from 57% down to 49,29% in 2012.

Table 1

Key balance sheet indicators of JSB «Ukrgasbank» according to the results of 2012

th. UAH, %, p.p.

Indicators	31.12.2012	31.12.2011	Change	Growth rate, %
Shareholders' equity	**3 814 550**	**2 804 104**	**1 010 446**	**36,03%**
Authorized capital	10 000 000	10 000 000	0	-
Shareholders' equity/Assets ratio, %	18,17%	15,44%	2,72 p.p.	-
Total liabilities	**17 182 688**	**15 353 373**	**1 829 315**	**11,91%**
Including liabilities in foreign currency	5 867 323	4 982 970	884 353	17,75%
Funds of banks	8 469 434	8 754 362	-284 928	-3,25%
Funds of individuals	5 296 278	4 383 998	912 280	20,81%
Funds of legal entities	1 727 340	1 231 042	496 298	40,32%
Total assets	**20 997 238**	**18 157 477**	**2 839 761**	**15,64%**
Liquid assets (Cash and cash equivalents + Funds of obligatory reserves in NBU + Funds in other banks)	4 234 747	4 413 130	-178 383	-4,04%
Customer credits and debt including reserves	**14 141 436**	**16 221 758**	**-2 080 322**	**-12,82%**
Customer credits and debt without including reserves	8 675 121	8 283 219	391902	4,73%
Loan provisions	5 466 315	7 938 539	-2 472 224	-31,14%
Loan provisions/ customer credits and debt ratio, %	38,65%	48,94%	-10,28 p.p.	-
Securities (Securities for sale + Securities for redemption)	4 152 289	3 764 318	387 971	10,31%
Securities provisions (for sale + for redemption)	286 707	427 796	-141 089	-32,98%
Liquid assets/Liabilities ratio, %	**24,65%**	**28,74%**	**-4,10 p.p.**	-

Source: data of JSB «Ukrgasbank», calculations by RA «Expert-Rating»

2. Dynamics of key balance sheet indicators has reflected in the change of key norms of JSB «Ukrgasbank». Thus, the regulatory capital of the Bank has grown by UAH 859,638 mln or by 29,15% in 2012, the capital adequacy (N2) has exceeded the average on the system on 31.12.2012 and has amounted to 22,73% that is by 12,73 p.p. more than the limit level set by NBU.

Indicators of current, instant and short-term liquidity have also been complied by the Bank with reserve in respect to the limit indicators set by NBU. At the same time, the norm of current

liquidity has reduced by 77,38 p.p., and the norm of short-term liquidity – by 62,22 p.p. In the Agency's opinion, the Bank has optimized liquidity in such a way by lowering its excess that also deserves a positive assessment against the background of the growth of the regulatory capital provision.

Table 2

Key norms of JSB «Ukrgasbank» according to the results of 2012

th. UAH, %, p.p.

Norms	The norm set by NBU	31.12.2012		31.12.2011		Change, th. UAH, p.p.
		The Bank's norm	The average of the system	The Bank's norm	The average of the system	
Regulatory capital **(N1)**, th. UAH	**Not less than UAH 120 000 th.**	3 808 077	-	2 948 439	-	859 638
Regulatory capital adequacy **(N2)**, %	**Not less 10%**	22,73%	18,06%	22,59%	18,90%	3,83 p.p.
Regulatory capital/Total assets ratio **(N3)**, %	**Not less 9%**	14,71%	14,89%	10,84%	14,96%	3,87 p.p.
Instant liquidity **(N4)**, %	**Not less 20%**	46,35%	69,26%	33,52%	58,48%	12,83 p.p.
Current liquidity **(N5)**, %	**Not less 40%**	52,51%	79,09%	129,89%	70,53%	-77,38 p.p.
Short-term liquidity **(N6)**, %	**Not less 60%**	72,22%	90,28%	134,44%	94,73%	-62,22 p.p.
Norm of large loan risks **(N8)**, %	**Not more 800%**	164,19%	172,91%	347,07%	164,46%	-182,88 p.p.
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders **(N10)**, %	**Not more 30%**	0,25%	0,37%	0,23%	2,51%	0,02 p.p.

Source: data of JSB «Ukrgasbank», NBU, calculations by RA «Expert-Rating»

3. JSB «Ukrgasbank» has finished the 2012 year with the record net profit of UAH 1,100 bn against a loss of UAH 3,614 bn in 2011. The record net profit of the Bank has been reached due to the quality improvement of the part of assets and the decrease in reserves, particularly, in reserves on funds of other banks. The Agency also draws attention to the increase in net commission income by 10,86% in 2012 compared to 2011 and to the increase in the result from operations with foreign currency by 38,44%.

Table 3

Separate indicators of income and expenses of JSB «Ukrgasbank» in 2011-2012

th. UAH, %, p.p.

Indicators	2012	2011	Change	Growth rate, %
Net interest income	804 445	826 784	-22 339	-2,70%
Net commission income	115 384	104 082	11 302	10,86%
Net commission income/ Net interest income ratio	14,34%	12,59%	1,75 p.p.	-
Result from operations with securities in the trading portfolio of the bank	943	10 632	-9 689	-91,13%
Result from operations with foreign currency	80 763	58 336	22 427	38,44%
Administrative and other operating expenses	722 220	589 723	132 497	22,47%
Profit	**1 100 254**	**-3 613 985**	-	-
ROE, %	28,84%	-128,88%	-	-

Source: data of JSB «Ukrgasbank», calculations by RA «Expert-Rating»

Therefore, the decision of improving the rating of JSB «Ukrgasbank» has been caused by: the considerable increase in shareholders' equity and regulatory capital of the Bank, the improvement of the norm of the regulatory capital adequacy, the correction of the resource base structure and the optimization of the liquidity norms, as well as the significant net profit in 2012.

Analytical service of RA «Expert-Rating»