Rating Agency 'Expert Rating' Ltd

(www.expert-rating.com, e-mail: general@expert-rating.com, tel./fax +38 044 207 08 81)

The rating report

(version for publication)

(on basis of the Agreement no. 83/RA)

Credit rating of the bank **according to the Ukrainian national scale**	**uaBBB+**
Interpretation of rating according to the national scale:	A borrower or a debt instrument with the rating uaBBB has sufficient credit status compared with other Ukrainian borrowers or debt instruments.
Rating date:	December 22, 2011

PUBLIC JOINT STOCK COMPANY "UKRAINIAN PROFESSIONAL BANK"

(full name of the bank)

15, Marina Raskova str., 02660, Kiev, Ukraine

(legal address of the Bank)

15, Marina Raskova str., 02660, Kiev, Ukraine

(de facto address of the Bank)

Incorporation date	30 of January, 1992
USREOU code	19019775
Auditors	PrJSC "Deloitte and Touche USC", International Finance Audit Ltd
Phone	+38 (044) 461-82-60
Fax	+38 (044) 461-82-60
Chairman of Board	Likhochas Andrey
Contact persons	Myrochinskiy Vitaliy, Deputy Chairman of Borad, Reutova Larisa, Deputy CFO
E-mail	VMirochinskiy@upb.com.ua, LReutova@upb.com.ua
Web-site	www.upb.ua

List of licenses issued to the Bank: NBU license authorizing banking operations no. 132 of 18.10.2011, NBU general license for exchange operations no 132 of 18.10.2011. Licences by Securities and Stock Market State Committee authorizing professional activity on stock market of **25.10.2010** (valid until **28.10.2014**): Series АГ no. 399375 activity on trading in securities: Broker activity; Series АГ no 399383 activity on trading in securities: Dealer activity; Series АГ no 399378 activity on trading in securities, securities management; Series АГ № 399379 Depository activity of the depositary, Series АГ no 399380 depository activity on keeping the registry of registered securities holders; Series АГ no 399377 activity on trading in securities: Underwriting. Licences by Ukrainian National Payment Card JSC of 29.11.2000 (prolonged by default): Series LI no 00001 - emission of payment cards with UkrCard trademark; Series La no. 00001 - acquiring in UkrCard payment system.

The present report is the rating research expressing opinion of Expert Rating RA analysts.
The report is a substantiation of the rating awarded being also an opinion of Expert Rating RA analysts.
See the last page of the report for use limitations

Additional information for investors and depositors

Information on emission of bonds by the Bank

<table>
<tr><th>#</th><th>Explication</th><th>To be filled in</th></tr>
<tr><td>1</td><td>Type of placement</td><td>Open (public)</td></tr>
<tr><td>2</td><td>Face value, currency</td><td>1 000,00 UAH</td></tr>
<tr><td>3</td><td>Issue amount</td><td>100 000 pcs</td></tr>
<tr><td>4</td><td>ISIN code</td><td>UA4000121990</td></tr>
<tr><td>5</td><td>Start of placement date</td><td>30 of June 2011</td></tr>
<tr><td>6</td><td>End of placement date</td><td>08 of July 2011</td></tr>
<tr><td>7</td><td>Coupon rate</td><td>15%</td></tr>
<tr><td>8</td><td>Coupon period</td><td>Quarterly</td></tr>
<tr><td>9</td><td>Payment starting date</td><td>30 of June 2011</td></tr>
<tr><td>10</td><td>Maturity date</td><td>23 of June 2016</td></tr>
<tr><td>11</td><td>Conditions of preterm buyout</td><td>The emitter has right to redeem bonds in the secondary market at negotiated price, to perform further sale of the acquired bonds, to conclude civil-law transactions on the redeemed bonds, to keep bonds on securities account until repayment of the emission and to perform with the bonds other actions, compliant with the current legislation of Ukraine.
At will the owner of bonds can provide the bonds to the Emitter for redemption. The redemption of bonds of E series is performed during the fourth, eighth, twelfth and sixteenth periods of interest payment in the following terms:
<table>
<tr><th>Interest period</th><th>Starting date of redemption</th><th>Redemption closing date</th></tr>
<tr><td>4</td><td>28/06/2012</td><td>04/07/2012</td></tr>
<tr><td>8</td><td>27/06/2013</td><td>03/07/2013</td></tr>
<tr><td>12</td><td>26/06/2014</td><td>02/07/2014</td></tr>
<tr><td>16</td><td>25/06/2015</td><td>01/07/2015</td></tr>
</table>
When redemption or repayment closing date falls on non-business day (day off, holiday) established by the current legislation of Ukraine, the redemption closing date is transferred to the first working day after the non-business (day off, holiday) day.
The redemption and /or repayment of series E bonds are performed by the Emitter exclusively in domestic currency of Ukraine according to the current legislation of Ukraine on the basis of consolidated register generated by the Depository upon termination of the operational day previous to the day of bonds redemption and/or repayment beginning. The consolidated register is provided to the Emitter by the Depository.
Before 12 a.m. of redemption beginning day the Seller has to transfer the bonds in the amount specified in the Notice, to the account of the Emitter with the Depository, thereafter the Emitter during the period specified in this prospectus of emission pays to the Seller the money funds according to the requirements of the current legislation of Ukraine.
The redemption price of the bond is equal to its face-value, i.e. UAH 1 000,00 (One thousand UAH 00 kopecks).
For redemption of bonds the owner of bonds or the person by him properly authorized (hereinafter - the Seller) shall submit to the Emitter the Notice of Intent to perform such redemption (hereinafter - the Notice).
The notice of the Seller - legal person should contain:
- Full and abbreviated (when available) name of the seller according to its constituent documents;
- Full name of the authorized person of the Seller who on behalf of the seller signs the Notice;
- Data on the document empowering the authorized person (company charter, power of attorney, etc.);
- The legal address and the de-facto address of the Seller with indication of phone numbers;
- Data on the bonds proposed to the Emitter for redemption (series and quantity of bonds);
- Payment requisites of the Seller (Seller current account number, name of bank entity, bank sorting code, etc.);
- Details of securities account of the Seller (securities account number, name of account holder, holder account number in the Depository);
- Identification code;
- Consent with conditions of redemption stated in the decision on emission of bonds.
The Notice of Sellers on the redemption of E series bonds are accepted by the Emitter in the following terms:
<table>
<tr><th>Interest period</th><th>Starting date of Redemption notice submission</th><th>Closing date of Redemption notice submission</th></tr>
<tr><td>4</td><td>19/06/2012</td><td>24/06/2012</td></tr>
<tr><td>8</td><td>18/06/2013</td><td>23/06/2013</td></tr>
<tr><td>12</td><td>17/06/2014</td><td>22/06/2014</td></tr>
<tr><td>16</td><td>16/06/2015</td><td>21/06/2015</td></tr>
</table>
Submission of Notices is performed in writing personally by the Seller or by post letter to the location address of the Emitter: 15, M. Raskova str., 02660, Kiev, Ukraine.
At the request of the Emitter the Seller should provide Seller's identification documents, according to the requirements of the current AML legislation of Ukraine.
The notices received by the Emitter before or after the specified periods, are deemed void.
When notice submission closing date falls on non-business day (day off, holiday) established by the current legislation of Ukraine, the closing date for submission is transferred to the first working day after the non-business (day off, holiday) day.</td></tr>
<tr><td>12</td><td>Agent on bonds placement</td><td>No underwriter was attracted for the placement</td></tr>
<tr><td>13</td><td>Trading platform</td><td>PFTS</td></tr>
<tr><td>14</td><td>Guarantor</td><td>No guarantor</td></tr>
<tr><td>15</td><td>Guarantor USREOU code</td><td>-</td></tr>
</table>

History of bank ratings:

PJSC UPB was awarded a credit rating by the credit agency Credit Rating Ltd on May, 22, 2007. Since rating awarding 10 rating actions were performed, 2 from which have been upgrades. The rating by Expert-Rating RA has been awarded on December, 22, 2011.

Action	Date	Rating	Outlook
Confirmation	02.09.2011	uaBBB+	Stable
Upgrade	14.03.2011	uaBBB+	Stable
Confirmation	21.09.2010	uaBBB	Stable
Confirmation	15.04.2010	uaBBB	Stable
Confirmation	28.08.2009	uaBBB	Stable
Confirmation	24.03.2009	uaBBB	Stable
Confirmation	26.08.2008	uaBBB	Stable
Confirmation	27.03.2008	uaBBB	Stable
Confirmation	11.10.2007	uaBBB	Stable
Upgrade	21.06.2007	uaBBB	Stable
Rating awarding	22.05.2007	uaBBB-	Stable

1. Overview of the bank.

The Ukrainian Professional Bank (UPB) has been founded in 1992 as a specialized bank for development of forestry and woodworking industry and has passed a way of transformation from a small field-specific bank to national scale bank. The retrospective development of Public joint-stock company “Ukrainian Professional Bank’ (PJSC UPB) is summarized in the table 1.

Table 1

History of Bank development and milestones of activity

Year	Key events
1992	Incorporation under the name “Mebelprombank”
1994	Reorganization of “Mebelprombank” and renaming to “Mebelbank”
1997	Reorganization: the Bank has got the name “Ukrainian Professional Bank”, being its name up to date
1998	The Bank successfully coped with 1998 financial crisis and accelerated own development, growth of capital and assets
2001	The Joint Stock Bank “Ukrainian Professional Bank” has been reorganized into Joint-Stock Company “Ukrainian Professional Bank”; The Bank starts to open departments.
2002	UIFA Ltd becomes majority shareholder of the Bank, Bank capital doubles; The bank becomes a member of UkrCard payment system; The bank concludes an agreement with Pension fund on servicing pensioners and recipients of categorical aids
2003	UPB becomes member of “Visa International” payment system and SWIFT system; The bank changes the organizational structure from product-focused to client-focused
2005	JSC “UPB” is authorized for payment of salaries to the employees of budgetary organizations
2006	Development and start of implementation of Bank new marketing strategy till 2012; Next doubling of authorized capital
2007	The bank successfully fulfills the 2007 plan of strategic development, increases the assets almost in 2,5 times and enters into the group of midsized banks of Ukraine per size of assets
2008	The bank increases authorized capital by UAH 200 m; Uniform “Customer servicing standards” and “CRM system” are introduced; The departments of bank cover all the regions of Ukraine
2009	The Ukrainian Professional Bank became one of the banks which at request of pensioners and categorical aid recipients can open accounts for payment of pensions and pecuniary aids almost all over the territory of Ukraine; A decision is taken on next increase of authorized capital by UAH 120 m. The rating agency “Credit-rating” has confirmed UPB long-term credit rating uaBBB
2010	The authorized capital was increased to UAH 500 m at the expense of twelfth emission; The annual profits grew more than in 3 times to UAH 53 m; The Bank changed the name to Public joint-stock company “Ukrainian Professional Bank” (PJSC UPB); RA “Expert-rating” awarded to UPB the highest (pi) - rating A, based on public information

2011	UPB opens Schastlivskoye department; UPB launches new program of small and medium business crediting; UPB serves pensioners in all the regional departments; UPB signs cooperation agreement with German-Ukrainian Fund; UPB opens new departments in Zhitomir and Sevastopol; UPB opens the Second Donetsk department; The new department in Kiev receives the first clients to the address: 10, Panas Mirny str.; UPB department opened in Ternopol

The Ukrainian Professional Bank is a bank with 100% Ukrainian capital which did not conduct active policy of external loans and active expansion to retail banking. UPB is one of few Ukrainian banks having NBU license for all banking activities: no. 132 of 18.10.2011. The financial indicators of the Bank are confirmed by the International audit company “Deloitte” which is permanent auditor of the Bank since 2002. More than 90,8 % of bank shares belong to UIFA Ltd, a company controlled by the Chairman of UPB Supervisory Board Balushka E.M.

The Ukrainian Professional Bank is present in all the regions of Ukraine: the Bank network consists of Head office and 35 departments, and according to Strategy of development till the end of 2012, the Bank plans to increase the number of departments to 50. UPB is member of the Association of Ukrainian Banks (since 1992), member of the Kiev Credit-Bank Union (since 1994), permanent participant of Deposit Guarantee Fund (since 2000), clearing bank of “UkrCard” PS, participant of Kiev international stock exchange (since 2001), of Professional Association of Registrars and Deposit Takers, the Authorized bank of the Pension fund for payment of pensions and categorical aids, associated member of “VISA International” PS, member of SWIFT group of users, user of Reuter. See in the *table 2* the detailed list of associative entities wherein the Bank pertains.

Table 2

List of associations, wherein PJSC UPB is a member (participant)

#	Name	Type of participation	Requirements to members/participants
1	Association of Ukrainian banks	Member of association	Timely payment of membership fees and other payments
2	Association “Ukrainian Credit-Bank Union”	Member of association	Timely payment of membership fees and other payments
3	Deposit Guarantee Fund	Permanent Participant	Adherence to Fund requirements (incl. timely charging and transfer of regular fee)
4	National Mortgage Agency	Partner bank	Adherence to NBU norms
5	Professional association of registrars and depositories (PARD)	Member of association	Timely payment of membership fees and adherence to PARD rules
6	Private joint-stock company “The First Credit Bureau of Ukraine”	Participant and one of founding banks	Timely payment of membership fees and other payments
7	ASSOCIATION “UKRAINIAN STOCK TRADERS”	Member (according to regulative documents of the association and to the certificate of participant)	Timely payment of membership fees and other payments and adherence to current legislation requirements and association rules
8	ASSOCIATION “Stock Partnership”	member	Timely payment of membership fees and other payments and adherence to current legislation requirements and association rules
9	PJSC “Stock Exchange PFTS”	Member	Availability of SSMSC license and adherence to current legislation requirements and stock exchange rules
10	PrJSC "National Depository of Securities"	emitter/member	Availability of SSMSC license
11	PJSC “Kiev International Stock Exchange”	Shareholder	
12	PJSC “Ukrainian Stock Exchange”	Shareholder	Timely payment of exchange fees and adherence to requirements of current legislation and SSMSC normative documents
13	PJSC “National Depository of Ukraine”	client/holder	Timely payment of services and execution of depository regulations
14	Association “Ukrainian National Group of SWIFTt Members and Users „UkrSWIFT”	Member	Application and membership fee payment
15	S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication)	member	Application and access to SWIFT network
16	German-Ukrainian Fund	Partner bank	Adherence to partnership agreement requirements

The Ukrainian Professional Bank is the associated member of Visa international payment system and the principal member of “UkrCard” international payment system.

Since April, 2002 PJSC UPB successfully functions as clearing bank of “UkrCard” payment system.

The Ukrainian Professional Bank has concluded the following contracts on money transfer systems:

- SOFT - Agency Contract
- Leader - Agency Contract.
- Unistream - Agency Contract.
- Money Gram – Subagency Contract.
- Western Union - Subagency Contract.
- Lastochka - PJSC UPB internal bank system of money transfers.

The analysis of PJSC UPB key performance indicators for the last five years proves to stable and dynamical development of the Bank. So, in 2006 - 2010 the assets of UPB grew in 4 times, credit portfolio - in 5 times, shareholder equity - in 3 times, and deposits of physical persons - in 4,75 times (*see table 3*).

Table 3

Key Performance Indicators of PJSC UPB (UAH m, %)

Indicators	01.10.2011	01.10.2010	Growth rate	2010 (01.01.2011)	2009 (01.01.2010)	2008 (01.01.2009)	2007 (01.01.2008)	2006 (01.01.2007)	Growth rate 2006-2010	Growth rate 2009-2010
Total assets	3030725	2525151	20,02%	2579506	2208270	1813192	1516800	626514	311,72%	16,81%
Reserves under active transactions	(124117)	(119850)	3,56%	-128052	-105531	-62505	-28116	-17416	635,25%	21,34%
Net assets (assets minus reserves under active transactions)	2906608	2405301	20,84%	2451454	2102739	1750687	1488684	609098	302,47%	16,58%
Loans to clients (excluding interbank)	2136638	1836628	16,33%	1902014	1530244	1374663	894703	375516	406,51%	24,29%
Troubled loans in bank portfolio (substandard, impaired and bad)%	20,81%	25,31%	-	33,71%	22,82%	31,35%	33,86%	47,00%	-	-
Shareholder equity	622160	583813	6,57%	598419	460426	443179	213652	201974	196,29%	29,97%
(Paid in) authorized capital	500000	500000	0,00%	380000	380000	380000	180000	180000	111,11%	0,00%
Assets of natural persons	1095858	927382	18,17%	964063	680759	656296	417045	202643	375,74%	41,62%
Received interbank loans	408583	197075	107,32%	50068	248416	124177	193786	25000	100,27%	-79,85%
Subordinated debt	0	0	-	0	0	0	0	0	-	-
NBU loans	27000	114000	-76,32%	97500	209000	140500	0	0	-	-53,35%
Loans by IFOs	0	0	-	0	0	0	0	0	-	-
Assets of legal persons	601600	483140	24,52%	609812	311588	335708	423952	168082	262,81%	95,71%
Net profit	72639	39881	82,14%	52834	17247	42826	15779	6457	718,24%	206,34%
Capital adequacy ratio (H2)	20,34%	28,12%	-	26,09%	22,72%	25,10%	15,78%	38,49%	-	-

Source: PJSC UPB data, calculations by RA Expert Rating

Following the 9 months of 2011 the assets of Bank have reached UAH 3,031 bn., that is on 20,02 % higher than as of October, 1, 2010. As a whole, comparison of Bank KPI dynamics in the period from 01.10.2010 to 01.10.2011 shows positive growth trends, namely: shareholder equity grew by 6,57 %, credit portfolio – by 16,33 %, assets of natural persons – by 18,17 %, assets of legal persons - by 24,52 %, net profit – by 82,14 %, and capital adequacy (H2) has constituted 20,34 %, at the same time the share of troubled credits in Bank portfolio decreased by 4,5 p.p. (from 25,31 to 20,81 %).

Therefore, PJSC UPB KPIs prove to confident and stable development of Bank allowing it to take good positions in bank sector of Ukraine. So, thanks to high rates of assets growth the Bank managed to pass from the IV group (banks with small size assets) of NBU ranking to the III group of midsized banks. Even in the conditions of crisis the Bank has never incurred in losses, and for one year of activity (from 01.10.2010 to 01.10.2011) managed to increase the profit almost in 2 times (by 82,14 %) thus that the general financial result of bank system of Ukraine still is negative. High value of capital adequacy norm (20,34 %) provides to it good level of stability and solvency.

2. Market share and business activity

On the size of assets in NBU ranking the Ukrainian Professional Bank belongs to third banking group (midsized banks) in which as of 01.10.2011 it takes 15th place. Its place among all the 175 banks of Ukraine is 53rd.

Presently the Ukrainian Professional Bank is present in main regions of Ukraine, constantly increases assets and attracts additional resources both from the economic entities, and the population of Ukraine. As of 01.10.2011, the Bank has the following share in main segments of the market: in system assets - 0,29 %, in credit portfolio - 0,26 % and in the total volume of assets of natural and legal persons - 0,33 %. Thus Bank share in all mentioned positions is steadily gaining weight that *(see table 4)* obviously proves to good dynamics of its development.

Table 4

The analysis of PJSC UPB market share in the Ukrainian market of banking services (thousand UAH., %)

Indicators	01.10.2011	01.01.2011	01.01.2010	Change (01.01.2010-01.10.2011)	Growth rate,% (01.01.2010-01.10.2011)
Assets	3 030 725	2 579 506	2 208 270	822 455	37,24%
Bank system assets	**1 029 162 518**	**942 083 994**	**873 449 574**	155 712 944	17,83%
Loans to individuals and legal persons (excl. interbank)	2 136 638	1 902 014	1 530 244	606 394	39,63%
Loans to bank system individuals and legal persons	**815 319 860**	**750 536 379**	**726 295 788**	89 024 072	12,26%
Funds of individuals and legal persons (excl. interbank)	1 697 458	1 573 875	992 347	705 111	71,05%
Funds of bank system individuals and legal persons (excl. interbank)	**506 879 480**	**439 446 227**	**349 635 984**	157 243 496	44,97%
Share of Bank in system assets	0,29%	0,27%	0,25%	0,04 p.p.	-
Bank share in system loan portfolio	0,26%	0,25%	0,21%	0,05 p.p.	-
Bank share in the funds of individuals and legal persons	0,33%	0,36%	0,28%	0,05 p.p.	-

Sources: PJSC UPB, NBU, calculations by RA Expert Rating

As a whole, the Agency estimates the share of PJSC UPB in the Ukrainian market of banking services at 0,3-0,35%. Ukrainian Professional Bank identified the main competitors: Megabank, Yuzhkombank, Ukrinbank, Industrialbank, Bank “Clearing house”, Express bank, Aktabank, Aktiv-bank, Evrogazbank, SEB Bank, Volskbank, Procreditbank, Diamantbank and Expobank.

Main competitive advantages of the Ukrainian Professional Bank are:

- Conduction of transparent business that is confirmed by international audit passed within last 10 years;
- The entire range of all possible banking operations that allows to comprehensively serve the clients (UPB is one of few banks having the license for the full list of operations envisaged by the current legislation);
- Efficiency in decision-making and promptness of response to market changes, ensured by the relevant organizational structure and decision-making in Ukraine;
- Attractive scale of tariffs and possibility of providing individual conditions of service;

The work of UPB individual business is based not only on skilled employees, effective information interchange, additional services for clients and capability to make fast and correct decisions. It also grows out of Bank aspiration to simplification of the transaction for the sake of clients’ convenience.

In the work with legal entities the Bank shows individual approach, flexibility in servicing and comprehensiveness of solutions. That is why almost all companies after beginning cooperation with UPB become its regular customers. As the capital of the Ukrainian Professional Bank is domestic by 100%, the Bank can take operative decisions without having to coordinate with parent structures. It is a considerable advantage for the majority of corporate clients.

The Bank permanently develops the line of services and products, improves the quality of servicing. To confirm the above said, a new credit program for the Ukrainian business, offered by the Ukrainian Professional Bank should be mentioned. Within the limits of the given program the client within 5 days after submission of complete packet of documents can obtain up to UAH 20 m for the development of its company. Besides, special tariffs exist in UPB for the enterprises which allow making Bank products especially attractive and competitive in the market:

- Free of charge opening of current accounts;
- No user charge for settlement-cash servicing;
- The connection to Internet-Client-Bank system and servicing within the first month are free of charge;
- Free opening of corporate card account;
- Free issuance of corporate payment card.

The expansion of the range of services offered by the Bank is also facilitated by its cooperation with the German-Ukrainian Fund. On July, 18th, 2011 the German-Ukrainian Fund signed Agreements on Partnership with banks-partners, incl. with PJSC "Ukrainian Professional Bank" according to which the banks have possibility to take part in all current and perspective Programs and Projects of the German-Ukrainian Fund under condition of adherence to all relevant requirements and criteria of the Fund. One of such programs and projects of the German-Ukrainian Fund is the Microcrediting Program (which purpose is crediting of micro, small and medium private enterprises) and the Project "Program on refinancing measures for support of credit granting system in countryside".

All the above listed provides the Bank with dynamical growth and facilitates expansion of its activity by permanently increasing its competitiveness level in the banking market of Ukraine.

3. Capital adequacy, profitability and external support

Capital adequacy. As of 01.10.2011, shareholder equity of the Bank constituted UAH 622,2 m, that is on UAH 38,4 m or on 6,57% higher than in the same period of last year. An essential capital injection has been performed by the shareholders of the Bank in 2010 when the volume of its authorized capital has been added with UAH 120 m and made up UAH 500 m. Thanks to it the Bank manages to maintain indicators of capital sufficiency at high level. So, as of 01.10.2011 the value of regulatory capital adequacy (H2) has constituted 20,34 % (at average value on system of 18,65%), and regulatory capital/total assets ratio (H3) norm constituted 19,61% (at system average of 14,87 %) *(see table 5).* Thus, Bank capital sufficiency indicators do redundantly exceed both average bank system values, and standard NBU requirements.

Table 5

The analysis of PJSC UP shareholder equity adequacy (thousand UAH, %)

Indicators	01.10.2011	01.10.2010	Change	Growth rate, %	01.01.2011	01.01.2010	Change	Growth rate, %
Assets (totally)	3030725	2525151	505574	20,02%	2579506	2208270	371236	16,81%
Shareholder equity	622160	583813	38347	6,57%	598419	460426	137993	29,97%
Authorized capital	500000	500000	0	0	500000	380000	120000	31,58%
Authorized capital/Shareholder equity ratio	80%	86%	-6 p.p.	-	84%	83%	1 p.p.	-
Shareholder equity/assets ratio	21%	23%	-2 p.p.	-	23%	21%	2 p.p.	-
Regulatory capital adequacy ratio H2	20,34%	28,12%	-7,78%	-	26,09%	22,72%	3,37 p.p.	-
System average value H2	18,65%	20,80%	-2,15%	-	20,83%	18,08%	2,75 p.p.	-
Normative value H2	**>10%**	**>10%**	**-**	**-**	**>10%**	**>10%**	**-**	**-**
H3, regulatory capital/ total assets ratio	19,61%	22,05%	-2,44%	-	21,98%	20,28%	1,70 p.p.	-
System average value H3	14,87%	14,19%	0,68 p.p.	-	14,57%	13,91%	0,66 p.p.	-
Normative value H3	**>9%**	**>9%**	**-**	**-**	**>9%**	**>9%**	**-**	**-**

Sources: PJSC UPB, calculations by RA Expert Rating

The analysis of UPB shareholder equity structure in 2010-2011 proves to its relative stability throughout the given period. So, the greatest share in the structure of Bank capital is made by authorized fund which as of 01.10.2011 constitutes 80,37 %, issue profit/loss - 1,53 %, the remaining 18,1% of the capital is made by other constituents *(tab. 6).* Thus, existing distribution of Bank capital structure proves to the good level of its quality, warranting the capability of the Bank to support the needed solvency.

Table 6

Structure of PJSC UPB shareholder equity (thousand UAH., %)

Indicators	01.10.2011		01.10.2010		Structure change	01.01.2011		01.01.2010		Structure change
	UAH th.	%	UAH th.	%		UAH th.	%	UAH th.	%	
Authorized capital	500000	80,37%	500000	85,64%	-5,27 p.p.	500000	83,55%	380000	82,53%	1,02 p.p.
Issue profit/loss	9540	1,53%	9540	1,63%	-0,10 p.p.	9540	1,59%	9540	2,07%	-0,48 p.p.
Fixed assets revaluation reserve	0	0,00%	0	0,00%	-	0	0,00%	0	0,00%	-
Profit of previous years	0	0,00%	0	0,00%	-	1	0,00%	20987	4,56%	-4,56 p.p.
Other	112620	18,10%	74273	12,72%	5,38 p.p.	88878	14,85%	49899	10,84%	4,01 p.p.
Shareholder equity	622160	100,00%	583813	100,00%	-	598419	100,00%	460426	100,00%	-

Sources: PJSC UPB, calculations by RA Expert Rating

Profitability. The analysis of Bank profitability indicators for the last five years proves to high efficiency of its activity. Thus the lowest indicators during the specified period have been fixed following the results of 2009, except for indicators of net interest income and net spread. Following the results of Q3 2011 the indicators of Bank profitability reached record values: net spread constituted 4,45 %, ROE - 16,97 %, ROA - 3,43 %, ROS - 45,39 % (*tab. 7*). Such indicators especially contrast against the corresponding average indicators in bank systems which still are negative.

Table 7

The analysis of PJSC UPB profitability indicators (thousand UAH.,%)

Indicators	9 months 2011	9 months 2010	2010 01.01.2011	2009 01.01.2010	2008 01.01.2009	2007 01.01.2008	2006 01.01.2007	Change 2009-2010	Change 2006-2010
Net spread	4,45%	4,00%	3,72%	3,73%	3,09%	3,49%	2,43%	-0,01 p.p.	1,29 p.p.
Net interest income	138 855	108 575	147 681	124 035	97 354	44 626	19 802	23 646	127 879
ROS	45,39%	32,61%	31,68%	12,12%	30,15%	24,17%	18,97%	19,56 p.p.	12,71 p.p.
ROA	3,43%	2,33%	2,24%	0,9%	2,43%	1,65%	1,34%	1,34 p.p.	0,90 p.p.
ROE	16,97%	11,35%	10,24%	3,83%	10,71%	7,71%	5,35%	6,41 p.p.	4,89 p.p.

Sources: PJSC UPB data, calculations by RA Expert Rating

For the last 12 months the following factors majorly influenced the profitableness of Bank operations:

- The monetary policy conducted by the National Bank of Ukraine which within last 12 months has led to gradual reduction in price of funding base. So, the weighted average interest rate on term deposits of physical persons in PJSC UPB decreased from 16,38% (as of 01.10.2010) to 12,76 % (as of 01.10.2011). The decrease in weighted mean interest rates on liabilities occurred in all currencies. The most indicative: under deposits of physical persons in UAH (from 20,31 % to 15,77 %) and in USD (from 11,62 % to 8,27 %). Due to that price of assets did not essentially change; the Bank obtained an additional profit every month. But, already in Q4 2011 the toughening of monetary policy of National Bank led to restriction of foreign currency use and resulted in the deficit of UAH which caused growth of interest rates;
- Instability in the international markets changed the sensitivity of the Bank to currency risk, that has affected the price of some products of the Bank;
- Within the last twelve months improvement of financial condition of many borrowers took place which reduced the size of deductions for special reserves, compared with the previous periods.

Support by shareholders.

The “Ukrainian investment and financial alliance” Ltd is the main shareholder of PJSC UPB. As of 01.10.2011 its share constituted 90,84 %. The director of “Ukrainian investment and financial alliance” Ltd **Balushka Evgheniy** is the ultimate beneficiary of the Bank.

The public company “Production association Kievpribor”, Joint-Stock Company “Fanera y plyty” and “Ukrainian guarantee agency” Ltd are the basic minority shareholders whose interests are not presented in management organs of the Bank.

The external support by the shareholders, proven during the crisis time, is expressed in direct participation in taking key administrative decisions. Shareholders participate in planning and ensuring implementation of Bank development strategy, facilitate provision of additional guarantees to the investors of Bank through partner arrangements with large corporate clients and private persons, and are capable to provide timely increase of authorized capital in case of need, to provide financial support of the Bank by personal means (deposits).

The performed analysis of Bank capital proves to that as of today the indicators of its quality are at high level, capital adequacy norms in two times exceed the requirements of the National Bank of Ukraine that allows drawing conclusion on that the Bank possesses essential solvency reserve. High indicators of profitability achieved by the Bank prove to good internal reserves of shareholder equity replenishment. Thus in the next 4 years the Bank has a task of “development” of the capital. During this period essential payments of dividends are expected which, in turn, can become another source for increase of capital stock.

4. Quality of assets

Management of Bank assets and liabilities is performed by the Department of Risk Management, Treasury, Financial service, assets and liabilities management committee (ALCO) and the Board. Also the Bank has a sector on work with troubled debt.

The Bank has no programs on population crediting in cash: mortgage lending and car crediting are the basic credit bank products for the population. The decision-making system on these types of credits is similar to scoring models, however the main focus is made on estimation of adequacy of officially confirmed incomes of borrowers, and therefore such tools cannot be referred to as classical scoring.

The security service ensures the safety of Bank activity and is directed on protection of economic, commercial and financial interests of the Bank, its partners and clients. The security service ensures safety of operational activity of structural divisions, conducts identification of partners, clients and borrowers, - both legal and physical persons. It collects, accumulates and analyzes the information on financial position and solvency of all clients, their business activity, credit history, prepares necessarily analytical or information documents for the management of Bank, Credit Committee, and if necessary, also for other divisions. Employees of security service check availability of any kind of pledge, its assessment and liquidity, conduct scheduled and not scheduled inspections, do work with bad borrowers on repayment, when necessary – on sales of pledged property.

Since 2009 the Bank pursues a policy of support of the borrowers who have got to difficult financial situation which envisages:

- granting of possibility to transfer the credit debt from foreign currency into UAH;

- deferring of repayment;
- re-structuring the defaulting debt, and extending crediting period.

During the 2009-2010 the Bank did not apply penal sanctions to the borrowers with defaulting debt.

Management of resources in the network of departments.

As of 01.10.2011, the regional network of Bank totals 35 non-accounting departments (there are no branches). The departments cover almost all the regions of Ukraine and include 9 Kiev departments. The management of current activity of each department is provided by the head of this non-accounting department, according to job instruction and the power of attorney issued. The heads of non-accounting departments are directly subordinated to the Chairman of Board of Bank or on his behalf to one of Deputy Chairmen of Board of Bank who performs general management of departments and of the Bank network as a whole. Besides, heads of departments are subordinated to the departments of corporate and individual businesses, to the treasury, and also to the direction of network administration and development within their powers.

The independence of non-accounting departments in decision-making is specified by the power of attorney issued to every head of non-accounting departments and by other standard documents of Bank. In case when a question falls outside the limits of independent decision-making, the following algorithm is used:

- The head of non-accounting department prepares a proposal on the arisen question or offer;
- Then he submits the given proposal for consideration to the corresponding department or unit within his powers or to the Chairman of Board of Bank. In view of that the credit committees are conducted in Bank not less often than twice a week, decision-making term on what-ever complicated issue does not exceed 2-3 days. As a whole, decision-making on any question or proposal from non-accounting department occurs in the day of submission thanks to which flexibility in decision-making is achieved and the time of issue or proposal consideration is minimized.

Network resource management is performed centrally by Bank Treasury. The cash limit for every non-accounting departments is established individually depending on the needs.

As of 01.10.2011 the structure of UPB credit portfolio appeared as follows: 68,56% - loans to legal persons, 6,7 % - to natural persons, 21,5 % - interbank credits. The share of problem credits in Bank portfolio as of 01.10.2011 made 16,94 % that is on 6,18 p.p. lower than as of 01.10.2010. The share of bad credits of Bank throughout 2010-2011 was low, and as of 01.10.2011 constituted 1,93 %. The ratio reserves under loans impairment/loan portfolio as of 01.10.2011 constituted 4,05 % and throughout the analyzed period also was at low level with a trend for reduction (*table 8*).

Table 8

Credits and debt of PJSC UPB clients
(without interests and reserves under accrued incomes), thousand UAH., %

Indicators	01.10.2011		01.10.2010		01.01.2011		01.01.2010		Change (01.01.2010-01.10.2011)	Growth rate % (01.01.2010-01.10.2011)
	UAH th	%	UAH th	%	UAH th	%	UAH th	%		
Interbank credits	605654	21,50%	247671	11,74%	314246	13,70%	203913	11,61%	401741	197,02%
Loans to legal persons (excl. interbank)	1931682	68,56%	1617880	76,69%	1744754	76,07%	1350008	76,89%	581674	43,09%
Loans to natural persons	188767	6,70%	189717	8,99%	134006	5,84%	158357	9,02%	30410	19,20%
Total provisions against loan impairment	114015	4,05%	103127	4,89%	111924	4,88%	92859	5,29%	21156	22,78%
Non prime loans and their share in the portfolio , %	2202429	78,17%	1962419	93,02%	2259294	98,50%	1548303	88,18%	654126	42,25%
Troubled loans (substandard, impaired and bad) and their share in the portfolio, %	477364	16,94%	487787	23,12%	669008	29,17%	362352	20,64%	115012	31,74%
Bad loans and their share in the portfolio, %	54240	1,93%	32138	1,52%	57114	2,49%	27840	1,59%	26400	94,83%
Warranties issued by the bank (totally)	50554	1,79%	23134	1,10%	45552	1,99%	5563	0,32%	44991	808,75%
Total loans (incl. non-balance liabilities)	**2817555**	**100,00%**	**2109613**	**100,00%**	**2293612**	**100,00%**	**1755838**	**100,00%**	1061717	60,47%

Sources: PJSC UPB, calculations by RA Expert Rating

In the structure of Bank credit portfolio split per kinds of economic activities as of 01.10.2011 the most essential shares belonged to such areas: wholesale trade and brokerage - 19,11 %; monetary and financial intermediation - 17,46 %; operations with real estate - 7,97 %; production of foods and beverages - 6,98 %; activity in accounting, engineering and granting of services to businessmen - 6,46 %; building - 6,21 %, retail trade, repair of household items and private use articles - 5,69 %; consumer loans to natural persons - 5,17 %. Crediting of other types of activity corresponded to less than 5 % of Bank credit portfolio. Therefore, it is possible to draw a conclusion that the structure of Bank loan portfolio is well diversified and does not bear risks of excessive concentration on separate industries *(tab. 9).*

Table 9

Structure of credit portfolio PJSC UPB per economic activities kinds (thousand UAH., %)

Type (code) of economic activity		01.10.2011		01.01.2010		01.01.2009		Industry structure change (01.01.2009-01.10.2011)	Growth rate (01.01.2009-01.10.2011)
		UAH th.	%	UAH th.	%	UAH th.	%		
15	Production of foods and beverages	177 046	6,98	225 543	11,86	135 430	8,68	-1,7 p.p.	30,73%
45	Construction	157 570	6,21	99 603	5,24	258 123	16.55	-10,34 p.p.	-38,96%
51	Wholesale trade and brokerage	484 759	19,11	607 639	31,95	414 167	26,54	-7,43 p.p.	17,04%
52	Retail trade; repair of household items and private use articles	144 335	5,69	6 087	0,32	3	0,00	5,69 p.p.	4811066,67 %
65	Monetary and financial brokerage	442 876	17,46	68 507	3,6	15 411	0,99	16,47 p.p.	2773,77%
70	Real estate operations	202 346	7,97	236 241	12,42	156 976	10,06	-2,09 p.p.	28,90%
74	Activity in legal services; accounting; engineering and granting of services to businessmen	163 896	6,46	206 024	10,83	101 222	6,49	-0,03 p.p.	61,92%
00	**Loans to natural persons incl.:**	165 453	6,52	141903	7,46	195731	12,54	-6,02 p.p.	-15,47%
00	Consumer loans	131 267	5,17	110448	5,80	168231	10,78	-5,61 p.p.	-21,97%
Loans for other types of economic activities		**598 903**	**23,60**	**310 468**	**16,32**	**283 459**	**18,15**	5,45 p.p.	111,28%
Total loans		**2 537 184**	**100,00**	**1 902 015**	**100,00**	**1 560 522**	**100,00**	-	62,59%

Sources: PJSC UPB data, calculations by RA Expert Rating

The analysis of PJSC UPB adherence to credit risks norms as of the considered dates proves to no infringements by the Bank. Indicators of all norms (H7, H8, H9 and H10) did not exceeded the NBU established values (*see table 10*).

Table 10

Main normative values of risk characterizing loan portfolio of PJSC UPB in 2010–2011.

Norm	Normative value	01.10.2011	01.01.2011	01.01.2010	Change (01.01.2010-01.10.2011)
H7 Average of the system	< 25%	21,85%	21,04%	21,56%	0,29 p.p.
H7 (Maximal size of loan risk per counteragent)		21,79%	23,79%	22,47%	-0,68 p.p.
H8 Average of the system	< 800%	160,31%	161,20%	169,21%	-8,90 p.p.
H8 (Normative value for large credit risks)		268,50%	245,62%	264,47%	4,03 p.p.
H9 Average of the system	< 5%	0,86%	0,81%	0,93%	-0,07 p.p.
H9 (Norm of maximal amount of loans, warranties and sureties issued to one insider)		3,01%	3,00%	3,95%	-0,94 p.p.
H10 Average of the system	< 30%	2,34%	2,25%	2,66%	-0,32 p.p.
H10 (Norm of maximal amount of loans, warranties and sureties issued to insiders)		3,95%	3,91%	5,19%	-1,24 p.p.

Sources: PJSC UPB data, calculations by RA Expert Rating

Summing up the analysis of Bank assets quality, the following conclusions can be drawn: the Bank has an adequate asset management system in place, allowing to effectively identify and estimate current risks and to manage them; the Bank credit portfolio is well diversified, and the indicators of its quality prove to rather low level of credit risks, especially against the background of condition of a number of domestic banks (the share of bad credits in Bank credit portfolio makes 1,93 %, the share of troubled credits (credits with risk category substandard, doubtful and bad) - 16,94 %, reserves under loan impairment/credit portfolio ration- 4,05 %).

5. Liquidity and activity diversification

Liquidity.

Management of bank liquidity is performed by forces of the Treasury, risk management department and Financial Service. Decision-making on bank liquidity management is made by collegiate bodies: the Board, the ALCO.

The analysis of observance by the Bank of liquidity norms as of the dates specified in the table 11 proves to the absence of infringements by the Bank of NBU established limiting values. Thus it is necessary to notice that if as of 01.01.2010 and 01.01.2011 the values of bank liquidity exceeded both NBU requirements and average indicators on bank system, as of 01.10.2011 the norm of Bank instant liquidity (H4) has closely approached the threshold value and was 24,5 %. Current liquidity norm (H5) is 53,57 % (at required level of not less than 40 %). Average indictors of liquidity for 9 months of 2011 made: H4 - 42,06 %, H5 - 88,97 %, H6 - 129,02 %

Table 11

Main liquidity norms of PJSC UPB in 2010-2011

Norm	Norm threshold	01.10.2011	01.01.2011	01.01.2010	Change
H4 An average of the system	> 20%	52,68%	58,80%	64,45%	-11,77 p.p.
H4 (Norm of bank instantaneous liquidity)		24,50%	67,87%	87,26%	-62,76 p.p.
H5 An average of the system	> 40%	67,46%	77,33%	72,90%	-5,44 p.p.
H5 (Norm of bank current liquidity)		53,57%	171,36%	93,81%	-40,24 p.p.
H6 An average of the system*	> 60%	91,71%	91,19%	35,88%	55,83 p.p.
H6 (Norm of bank short term liquidity)		122,28%	144,34%	45,00%	77,28 p.p.

Sources: PJSC UPB, NBU, calculations by RA Expert Rating

* — in 2009 NBU changed the threshold value of H6 norm, by raising it from 20 to 60%.

The dynamics of instant, current and short-term bank liquidity norms was influenced by such factors:

- Requirements of National Bank of Ukraine on creation of mandatory reserves at the correspondent account in the National bank;
- Decrease of bank system liquidity;
- Fluctuations of balances volumes on current account of clients.

The Agency believes that decrease in values of instant and current liquidity norms of Bank as of 01.10.2011 vs. 01.01.2011 is temporary and is caused by objective reasons independent from the Bank. As a whole the Agency characterizes the current level of its liquidity as sufficient one.

Activity diversification.

For diversification of activity PJSC UPB started crediting primary market of real estate. So, the Bank created Construction Financing Fund in the city of Mirhorod. In 2010 the construction has been successfully completed. The Bank credited both the individuals and the developer within this construction. Since 2008 the Bank works on crediting individuals for real estate acquisition in the city Schastlivoye of Kiev oblast. Special crediting program has been developed for this purpose.

Besides, such events facilitated expansion of Bank activity diversification:

- In 2010 PJSC UPB has registered with NBU the “Lastochka” internal system of transfers without opening of accounts;
- In 2010-2011 20 payment kiosks have been put in operation;
- In 2011 the Bank became partner of the German-Ukrainian Fund and was enabled to credit the small and medium businesses at the expense of Fund resources;
- In 2009-2011 the Bank expanded the presence at various industries of economy and geographical regions of Ukraine;
- In 2011 long-term bonds of Bank for the purpose of attraction of additional funds from new sources (from new investors) have been issued;
- The Bank has acquired the bonds of domestic public loan issued for financing Euro-2012.

Thus the Bank has no essential dependence form the conditions of separate industries of the national economy, and accordingly, the level of industry risks is insignificant.

6. Other factors considered at rating assessment

Interaction with governmental authorities.

Throughout the last 24 months the Bank has been inspected 47 times. National Bank of Ukraine inspected UPB 10 times (4 scheduled audits to assess the observation of obligations on credit contracts with National bank; 5 inspections of cash desks of the departments; 1 inspection on observance of requirements to technical condition and organization of security of premises of banks of Ukraine) – no infringements have been established; 1 audit by STA of Ukraine, the Specialized STI in Kiev for work with large taxpayers – remote documentary audit on observance of tax legislation requirements on timely payment of self-defined monetary obligation amount of VAT for February, 2011; 1 audit of Social Insurance Fund against temporary loss of working capacity (audit of the means of Social Insurance Fund against temporary loss of working capacity) - administrative sanctions. 35 inspections have been conducted by Pension Fund departments at the location of bank departments on observance of the order of payment of pensions and categorical aids through UPB accounts upon consent of pensioners and aids recipients – no infringements have been established.

The information on the total sum of penalties, fines, forfeits paid by the Bank following the results of state regulators audits for the last 12 months is shown in the *table 12*.

Table 12

Information on the penalties paid by PJSC UPB from 01.10.2010 to 30.09.2011

Date	Payee	Type of infringement	Amount
02.12.2010	Treasury office of Dneprovsky district	Penalty for violation of currency legislation (NBU Resolution no 265-БТ of 26.11.2010 for Kiev and Kiev oblast)	1700.00
10.03.2011	State budget of Oktyabrsky district in the city of Zaporozhye	Penalty according to Resolution no. 9 of 22.02.2011 for infringement in town building area	32016.00
16.03.2011	Local budget of Staropetrovsky village council	Penalty on land tax according to tax notice-decision of P form on 15.03.2011 no. 5013050144	170.00
01.06.2011	Treasury office of Kremenchug city	Penalty for law infringement in town building area according to the Resolution no. K-13/2011 of 23.05.2011 State Architecture and Construction Inspection	4382.00
22.06.2011	Treasury office in Poltava oblast	Penalty for law infringement in town building area according to the Resolution no. П.20-11-Ю of 06.06.2011 State Architecture and Construction Inspection	11070.00
28.07.2011	Treasury office of Dneprovsky district	Penalty for violation of currency legislation according to NBU Resolution no. 167-БТ,168-БТ of 21.07.2011 and to NBU Letter no. 09-303/12730 БТ of 22.07.2011 for Kiev and Kiev oblast	3400.00
Total			**52738.00**

AML system.

In PJSC UPB according to the Law of Ukraine “About the Prevention and Counteraction of Legalization (Laundering) of the Incomes Received in the Criminal Way, or to Financing of Terrorism” are developed and observed the Rules of PJSC UPB internal financial monitoring, are carried out the Program of identification and examinations of clients, the Program of financial monitoring execution, the Provision on the procedure for registration by PJSC UPB of financial operations subject to financial monitoring, the Program of financial monitoring execution on separate types of bank activities on servicing the clients, the Program of training and improvement of professional skill of workers on issues of prevention of legalization (laundering) of incomes received in criminal way.

In cases and in the order, stipulated by the legislation notification of the Authorized body is made on the transactions of the clients.

A department of financial monitoring has been created in PJSC UPB which performs measures envisaged by the current legislation of Ukraine and internal bank documents which are directed on counteraction to legalization of the funds received in the criminal way. A responsible officer, independent in his activity, being the member of Board, is appointed in the Bank.

The Bank uses the software which ensures identification and blocking of transactions performed in favor or on behalf of bank customer directly before their execution, if their participant or beneficiary is the person included in the list of persons, connected with terroristic activity, .

For restriction of criminal structures access to Bank services for the purpose of money-laundering the following measures are performed:

- The Bank does not open and does not maintain anonymous accounts;
- At opening of accounts personal visiting of Bank by the managers of the client is necessary;
- According to the current legislation identification of bank customers is performed;
- At opening of accounts by the person who acts on behalf of the client, the authorized officer of Bank checks his powers and his identification is performed;
- The control over carrying out of transactions in foreign currency is conducted according to current legislation requirements. According to the established procedures, the bank checks the presence and conformity of the external economic contract according to which transfer of currency for the benefit of the non-resident is performed, checks the standard terms of actual reception of goods, works, services stipulated by the contract;
- The Bank does not enter in correspondent relations with shell banks (the banks which do not have physical presence at any country) which have no permanent administration bodies in the territories of the states wherein they are registered, with the banks registered in the states (in territories) which do not participate in the international cooperation on AML (FATF).

All internal documents regulating the activity of the Bank in the area of counteraction to legalization of incomes (money laundering), received in the criminal way, correspond to the current legislation of Ukraine and to general international standards.

The number of requests received by the bank from side of Gosfinmonitoring: 2008 - 58; 2009 - 103; 2010 - 62; 2011 - 106.

Personnel and management.

As of 01.10.2011 546 persons worked in PJSC UPB. The agency draws attention to the growth of the number of regular employees of bank (see *table 13*).

Table 13

Number of PJSC UPB regular employees

#	Date	Number of personnel
1	01.01.2009	425
2	01.01.2010	438
3	01.01.2011	473
4	01.04.2011	511
5	01.10.2011	546

Management. Changes in the Executive Board of Bank occurred in December, 2009 when on 04.12.2009 **Ostapenko L.N.,** member of Board has left. Changes in the Supervisory Board of Bank have been registered in February, 2008 when on 12.02.2008 two new members: **Jacob Hartmut** and **Kyrilyuk Igor** have been introduced into the Supervisory Board.

The changes have been performed according to the requirements of NBU Resolution of 28.03.2007 # 98 “On approval of methodic recommendations on improvement of corporate governance in the banks of Ukraine” which prescribed the minimum recommended quantity of supervisory board members (5 persons). Jacob Hartmut and Victor Kyrilyuk have been introduced into the Board for corporate governance improvement with the purpose to add the Supervisory Board with independent members.

Chairman of Board: *Lihochas Andrey*.
Date of birth: March 10, 1970.
Education: Kharkov Engineering Economic Institute, qualification of engineering economist.
Working background:

- 06.1993-04.1994 - the economist of credit department; head of department of international settlements and correspondent accounts in foreign currency of JSB INCO Zholty Vody branch ;
- 05.1994 02.1997 – head of department of correspondent accounts of FEA department; deputy head of the department of international settlements and correspondent accounts of FEA department; deputy head of foreign economic activities department of JSB INCO Dnepropetrovsk branch;
- 02.1997-09.1997 - Deputy Director on currency control of Ekaterinoslav department of JSCB “Novy”;
- 09.1997-08.2000 – Deputy Chairman of Board of JSC “Promeconombank”;
- 08.2000 – up to date – Deputy Chairman of Board, First Deputy Chairman of Board, Chairman of Board of PJSC UPB.

Deputy Chairman of Board: *Medvedeva Natalya*
Date of birth: May 10, 1961.
Education: Kiev State University by T.G.Shevchenko, qualification of lawyer. Interregional Academy of Personnel Management. Scientific degree of professor at administrative law chair; full member (academician) of the International Personnel Academy.
Working background:
- 07.1978-10.1978 - the secretary-typist of Irpen security department under DIA of the executive committee of Irpen city soviet in Kiev oblast;
- 11.1978 03.1984 - Inspector of Ukrbeerindustry of Food Industry Ministry of USSR;
- 04.1984-11.1993 - legal adviser, senior arbitrator, leading arbitrator of Ukoopsoyuz;
- 11.1993 – up to date - legal adviser of 1st category, leading legal adviser, Head of Legal Department; Deputy Chairman of Board on Legal Issues and Development – Head of Legal Department; Deputy Chairman of Board – Head of Legal Department; Deputy Chairman of Board of PJSC UPB.

Deputy Chairman of Board: *Danilyuk Vasily Ivanovych*.
Date of birth: May 30, 1956.
Education: Ukrainian Agricultural Academy, qualification of forestry engineer; Kiev National Economic University, qualification of master on accounting and audit in management of banks.
Working background:
- 03.1976-04.1977 - technician-assistant of afforestation inspector of the Complex expedition of the Ukrainian forest management enterprise “Lesproject”;
- 06.1979-04.1989 - technician-assistant of afforestation inspector, senior technician, engineer of Complex expedition of the Ukrainian forest management enterprise “Lesproject”;
- 04.1989-08.1991 - leading engineer of the department for forestry food products; engineer of 1st category of the Department of personnel and social development of the Ministry of forest industry of UkrSSR;
- 09.1991-06.1992 - engineer of 1st category of the Department for professional training and special work of the State Committee of Ukraine on woodworking industry;
- 06.1992 – up to date – Head of Administration Department; Deputy Chairman of Board on administrative issues; Deputy Chairman of Board of PJSC UPB.

Deputy Chairman of Board: *Mirochinsky Vitaly*.
Date of birth: February 19, 1971.
Education: Zhitomir engineering and technology institute, qualification of electrical engineer. Kiev National University of Trade and Economics, qualification: banking business master, economist-financier.
- 09.1992-10.1996 - credit inspector; head of factoring and corresponding accounts sector; head of department of active operations; head of currency department; head of department on operations in foreign exchange of JSB INCO Polessky regional direction ;
- 10.1996-12.2000 - director of department of currency transactions of Zhitomir branch of CB “Zapadinkombank”;
- 12.2000 – up to date – Head of Finance Department; Head of Treasury; Deputy Chairman of Board of PJSC UPB.

Chief accountant, member of Board: *Tarasenko Tamila*.
Date of birth: January 1, 1948.
Education: Odessa institute of national economy, qualification: economist.
- 08.1969-01.1970 - inspector, senior accountant, senior inspector of follow-up control of City Direction of Kiev Oblast Office of Stroybank of USSR;
- 01.1970-01.1988 - senior economist of central accounting department; auditor, senior auditor of controlling and auditing department; Deputy Head of controlling and auditing administration of Ukrainian republican office of Stroybank of USSR;
- 01.1988-06.1992 - Deputy Head of controlling and auditing administration; leading economist of the sector of organization of book-keeping and cost accounting of the Accounting and Reporting Department; Chief economist of the sector of organisation of accounting of the Accounting and Reporting Department of the Republican Ukrainian bank of Promstroybank of USSR;
- 06.1992 – up to date - Deputy Chief Accountant; Deputy Head of Department of Accounting and Finance – Head of the department of settlement operations; Deputy Head of the Accounting and Reporting Department – Head of Operational Department; Deputy Chief Accountant – Head of Operational Department; Deputy Chief Accountant - Head of Accounting and Reporting Department; Chief Accountant of PJSC UPB.

The Agency highlights that UPB top management has considerable experience of work in banking sector, including during the crises of 1998-1999 and 2008-2009.

7. Summary of rating

See the full substantiation of rating by RA "Expert-rating" in the rating report. When awarding investment level of rating to PJSC UPB and to its *E series* bonds, the Rating committee was guided by the following conclusions:

1. The Agency has positively estimated the quality of PJSC UPB assets. The Bank has an adequate asset management system in place allowing to effectively identify and assess the existing risks and to manage them. Bank Credit portfolio is well diversified, and the indicators of its quality prove to rather low level of credit risks (the share of bad credits in the Bank credit portfolio constitutes 1,93 %, share of troubled credits (credits with risk category substandard, impaired and bad) - 16,94 %, reserves under depreciation of credits/credit portfolio ratio is 4,05 % that it is especially worth underscoring, considering the current conditions of business in banking sector.

2. The analysis of Bank profitability indicators for the last five years proves to high efficiency of its activity. Even in the conditions of crisis the Bank did not show losses. And following the results of Q3 2011 the indicators of profitability of Bank have reached record values: net spread has constituted 4,45 %, ROE - 16,97 %, ROA - 3,43 %, ROS - 45,39 %. Such numbers especially contrast against corresponding indicators on the average in bank system, which still show negative values.

3. The analysis of Bank adherence to liquidity norms proves to absence of infringements by the Bank of the NBU established threshold values. Thus it should be noted that if as of 01.01.2010 and 01.01.2011 the values of bank liquidity exceeded both NBU requirements and average indexes on bank system, as of 01.10.2011 the norm of Bank instant liquidity (H4) has closely approached the threshold value and was 24,5 %, and the norm of current liquidity (H5) – 53,57% (at the required level of not less than 40 %). As a whole, the Agency considers that decrease in Bank values of instant and current liquidity norms as of 01.10.2011 vs. 01.01.2011 is temporary and is caused by objective reasons independent of Bank. The Agency as a whole characterize the current level of Bank liquidity as sufficient.

4. In the year 2010 the shareholders of PJSC UPB added UAH 120 m to the authorized capital of Bank, thanks to which its volume has reached UAH 0,5 bn. and the volume of shareholder equity as of 01.10.2011 has constituted UAH 622,2 m. Thus, the Bank has once again showed its adherence to maintenance of high level of supply of capital: as of 01.10.2011 the norms of capital adequacy in two times exceeded the requirements of the National Bank of Ukraine: H2 constituted 20,34 % (at average value on system - 18,65 %), H3 - 19,61 % (at the average on system - 14,87 %) that allows to draw a conclusion that the Bank possesses an essential reserve of solvency. High values of profitability indicators, achieved by the Bank prove to substantial internal reserves of shareholder equity replenishment in the future.

5. As a whole, key performance indicators of PJSC UPB activity prove to confident and stable development of the Bank allowing it to take good positions in banking sector of Ukraine. So, thanks to high rates of assets growth the Bank managed to pass from IV group of banks (small on the size of assets) of NBU ranking to the III group of midsized banks. Even in the conditions of crisis the Bank has never had losses, and for one year of activity (from 01.10.2010 to 01.10.2011) the volume of its profit has increased practically in 2 times (by 82,14 %) thus at the fact that the general financial result of bank system of Ukraine still is negative. And the high values of capital sufficiency allow PJSC UPB to maintain good level of solvency.

Table 14

Summary of PJSC UPB rating
(Following the results of 9 months of 2011)

Name of indicator	aa	a	bbb	bb	b
	1	*3*	*6*	*9*	*12*
Period of bank actual operation	Over 60 m.	Over 36 m.	Over 24 m.	Over 12 m.	Up to 12 m.
Settled and non-settled claims of bank clients and regulators/ authorized capital ration	0%	10%	15%	20%	25%
Personnel turnover rate (employees dismissed / annual average number of employees)	Under 5%	Up to 10%	Up to 20%	Up to 30%	Over 30%
Set of factors (1 K)	No conflicts with minority shareholders, the complete set of reporting in the system of information disclosure	No conflicts with minority shareholders, partial availability of set of reporting in the system of information disclosure	No conflicts with minority shareholders, no reporting, no exact information on shareholders, available in the system of information disclosure	Conflicts with minority shareholders in the past, no reporting in the system of information disclosure	Conflicts between the shareholders, no clear information on shareholders structure, no regular information in SMIDA for the previous years
Norm of maximal amount of loans, warranties and sureties issued to one insider (H9)	Not higher than 1%	Not higher than 2%	Not higher than 3%	Not higher than 4%	Not higher than 5%
Norm of maximal overall amount of loans, warranties and sureties issued to insiders (H10)	Not higher than 5%	Not higher than 10%	Not higher than 15%	Not higher than 20%	Not higher than 30%
Market share (Bank net assets / Total net assets of the banking system)	Over 5%	3-5%	2-3%	1-2%	Under 1%
Market share ratio (customer deposits (excluding interbank) / Average amount of banking system deposits (excluding interbank))	More than in 2 times	2,-1,5	1,5-1	1-0,8	0,8-0,5
Set of factors 2 (D)	Presence of external loans, support by IFO and foreign shareholders from non-offshore jurisdictions, or state support	Presence of external loans, support by IFO, state support	Presence of external loans or support by IFO	Previous external loans or previous support by IFO	No external loans nor support by IFO in the past
H 7	Not higher than 17%	Not higher than 20%	Not higher than 23%	Not higher than 24%	Not higher than 25%
H 8	Not higher than 1,5 X R	Not higher than 2,0 X CR	Not higher than 4,0 X CR	Not higher than 6,0 X CR	Not higher than 8 X CR
H 11	Not higher than 1,0%	Not higher than 1,5%	Not higher than 2,5%	Not higher than 5%	Not higher than 15%
Share of large clients deposits ((Amount of deposits of customers exceeding 5% of total customer deposits) / (Total customer deposits))	Not higher than 17%	Not higher than 20%	Not higher than 23%	Not higher than 24%	Over 25%
Net interest margin in the operational income (Net interest margin / Operational income)	Not higher than 60%	60-70%	70-80%	80-90%	Over 90%
H 2	Over 14%	12-14%	10-12%	8-10%	6-8%
H 3	Over 8%	6-8%	4-6%	3-4%	2-3%
ROE (net income/shareholders equity)	Over 20%	15-20%	10-15%	5-10%	0-5%
H 4	Over 35%	30-35%	25-30%	20-25%	Below 20%
H 5	Over 55%	50-55%	45-50%	40-45%	Below 40%
H 6	Over 35%	30-35%	25-30%	20-25%	Below 20%
Asset quality level ((Negatively classified assets) / Total bank assets)	Below 5%	5-8%	8-10%	10-20%	20-30%
H13	Up to 5%	Up to 10%	Up to 20%	Up to 30%	Over 30%
GAP index (deviation from 100%, interest rate sensitive assets / interest rate sensitive liabilities)*	0-5%	Up to 10%	Up to 20%	Up to 30%	Over 30%

** — Note: UPB provides a policy directed on zeroing the interest risks*

Appendix A

Use limitations of the rating report

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Perceiving results of estimation of the level of credit rating of bank, it should be understood that:

1. At rating some factors are taken into attention which can positively or negatively affect the stability of the bank. Therefore, RA Expert Rating Ltd estimates the level of bank resistibility to adverse factors of influence. The estimation is made for banks according to the international scale of RA Expert Rating Ltd (table A) and the national scale of Agency which is defined according to the scale approved by the Resolution of the Cabinet of Ukraine of April 26, 2007 no. 665. The parity between the international scale and the national scale is determined by the Agency independently.
2. The information provided in the rating report which source are the rated Bank and the National Bank of Ukraine, can slightly differ because of distinctions in system of account or methodology of calculation of indicators.
3. The information provided in the given report on foreign shareholders of financial entity is given in that currency in which the official annual report of the company-shareholder is made. Comparing such financial information with the data of Bank or of the similar foreign companies it is necessary to take care of difference in the systems of account and accounting policy.

Table A

International rating scale for credit ratings used by RA Expert Rating

Rating	Stability level	Interpretation of stability level
aaa	Highest	There is highest probability of that the company will withstand the influence of adverse factors. The company corresponds to **aa** level but its obligations are additionally guaranteed by the foreign shareholders or the state.
aa	Very high	There is very high probability of that the company will withstand the influence of adverse factors.
a	High	There is high probability of that the company will withstand the influence of adverse factors.
bbb	Good	There is normal probability of that the company will withstand the influence of adverse factors.
bb	Acceptable	There is acceptable probability of that the company will withstand the influence of adverse factors.
b	Satisfactory	There is satisfactory probability of that the company will withstand the influence of adverse factors.
ccc	Alerting	There is alerting probability of that the company will withstand the influence of adverse factors.
cc	Low	There is low probability of that the company will withstand the influence of adverse factors. The company is usually removed from rating process

Every type of letter corresponds to three kinds of outlook:

Positive (+);
Neutral ( );
Negative (–).

This appendix is an integral part of any rating report.