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## PRESS-RELEASE

(Translation from Russian)

### The credit rating of VAB Bank is updated

**August 23, 2013** RA «Expert-Rating» has decided to confirm the credit rating of VAB Bank (19017842) at the level **uaAA** according to the national scale. The borrower with rating **uaAA** is characterized by a very high solvency compared to other Ukrainian borrowers. Making decision to confirm the credit rating according to the national scale, the Agency was guided by key results of the Bank's activity in the first half of 2013.

1. The Agency gives a positive assessment to the change of key balance sheet indicators of VAB Bank in the H1 of 2013. Thus, in the period from 01.01.2013 to 01.07.2013 the shareholders' equity of VAB Bank has grown by 58,36%, liabilities – by 18,42%, funds of individuals – by 26,31%, assets – by 22,03%, and customer credits and debt, including reserves – by 11,39% (table 1).

Table 1

#### Key balance sheet indicators of VAB Bank according to the results of the H1 of 2013

th. UAH, %, p.p.

Indicators	01.07.2013	01.01.2013	Change	Growth rate, %
<b>Shareholders' equity</b>	<b>1900389</b>	<b>1200011</b>	<b>700378</b>	<b>58.36%</b>
Authorized capital	2348619	2348619	0	0.00%
Shareholders' equity/Assets ratio, %	11.72%	9.03%	2.69 p.p.	-
<b>Total liabilities</b>	<b>14308516</b>	<b>12082635</b>	<b>2225881</b>	<b>18.42%</b>
<i>Including liabilities in foreign currency</i>	7511890	7032984	478906	6.81%
Funds of banks	152968	330702	-177734	-53.74%
Funds of individuals	8096759	6410252	1686507	26.31%
Funds of legal entities	1743888	1628218	115670	7.10%
<b>Total assets</b>	<b>16208905</b>	<b>13282646</b>	<b>2926259</b>	<b>22.03%</b>
Liquid assets (Cash and cash equivalents + Funds of mandatory reserves in NBU + Trading securities + Funds in other banks)	2342464	1918064	424400	22.13%
<b>Customer credits and debt</b>	<b>10072425</b>	<b>9042385</b>	<b>1030040</b>	<b>11.39%</b>
<i>Loan provisions</i>	677863	1408089	-730226	-51.86%
<i>Loan provisions/ customer credits and debt ratio, %</i>	6.73%	15.57%	-8.84 p.p.	-
Securities for sale	2353	2363	-10	-0.42%
<b>Liquid assets/Liabilities ratio, %</b>	<b>16.37%</b>	<b>15.87%</b>	<b>0.50 p.p.</b>	-

Source: data of VAB Bank, calculations by RA «Expert-Rating»

The growth of key balance sheet indicators of VAB Bank provides opportunity to conclude about a significant growth of the deposit base of the Bank, an improvement of the Bank's provision with the shareholders' equity, as well as about a growth of volume of active operations.

2. Changes in key balance sheet indicators of VAB Bank have reflected in dynamics of norms set by NBU. Thus, in the period from 01.01.2013 to 01.07.2013 the regulatory capital of the Bank (N1) has grown by UAH 519,75 mln or by 43,24% and on 01.07.2013 has amounted to UAH 1,721 bn. In the same period, the norm of the regulatory capital adequacy has grown by 1,88 p.p. up to 12,38%, i.e. on 01.07.2013 this norm has complied with significant reserve to the limit, set by NBU. The norm of the ratio of the regulatory capital to assets has grown by 0,31 p.p. that on 01.07.2013 has provided the reserve to the limit of the norm, set by NBU, in size of 1,2 p.p.

All the liquidity norms of VAB Bank in the H1 of 2013 have demonstrated a confident growth. Instant liquidity (N4) has grown by 46,84 p.p., current liquidity (N5) – by 46,65 p.p., short-term liquidity (N6) – by

4,98 p.p. All the liquidity norms of VAB Bank on 01.07.2013 have exceeded not only the limit, set by NBU, but also the average of these norms on the banking system of Ukraine (table 2).

Table 2

**Key norms of VAB Bank according to the results of the H1 of 2013**

th. UAH, %, p.p.

Norms	The norm set by NBU	01.07.2013		01.01.2013		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.	1721731	-	1201981	-	519750
Regulatory capital adequacy (N2), %	Not less 10%	12.38%	17.99%	10.50%	18.06%	1.88 p.p.
Regulatory capital/Total assets ratio (N3), %	Not less 9%	10.32%	14.01%	9.35%	14.89%	0.97 p.p.
Instant liquidity (N4), %	Not less 20%	110.91%	55.97%	64.07%	69.26%	46.84 p.p.
Current liquidity (N5), %	Not less 40%	104.92%	88.64%	58.27%	79.09%	46.65 p.p.
Short-term liquidity (N6), %	Not less 60%	94.04%	90.28%	89.06%	90.28%	4.98 p.p.
Norm of large loan risks (N8), %	Not more 800%	350.16%	179.42%	317.14%	172.91%	33.02 p.p.
Norm of the maximum amount of loans, guarantees and sureties, issued to the insiders (N10), %	Not more 30%	1.10%	1.93%	1.64%	2.41%	-0.54 p.p.

Source: data of VAB Bank, NBU, calculations by RA «Expert-Rating»

3. In the H1 of 2013 net interest income of VAB Bank has amounted to UAH 40,455 mln that is by 10,91% less than in the same period of 2012. Net commission income has decreased by 33,5% in the same period. However, the Bank has managed to considerably reduce administrative and other expenses, which have decreased by UAH 18,854 mln in the H1 of 2013 compared to the H1 of 2012. As a result of effective reduction of expenses VAB Bank has finished the first half of 2013 with net profit of UAH 378 th. against the loss of UAH 383,99 mln in the first half of 2012.

Table 3

**Separate indicators of income and expenses of VAB Bank in the H1 of 2012–2013**

th. UAH, %, p.p.

Indicators	H1 of 2013	H1 of 2012	Change	Growth rate, %
Net interest income	40455	45411	-4956	-10.91%
Net commission income	86398	129925	-43527	-33.50%
Net commission income/ Net interest income ratio	213.57%	286.11%	-72.54 p.p.	-
Result from operations with securities in the trading portfolio of the bank	4993	22147	-17154	-77.46%
Result from operations with foreign currency	733	-39566	40299	-
Administrative and other operating expenses	179767	198621	18854	9.49%
<b>Net profit</b>	<b>378</b>	<b>-383990</b>	<b>384368</b>	-
ROE, %	0.02%	-36.63%	-	-

Source: data of VAB Bank, calculations by RA «Expert-Rating»

Therefore, VAB Bank has entered the third quarter of 2013 with a number of such positive trends:

- excess of the growth rates of shareholders' equity over liabilities;
- growing credit activity;
- improvement of the regulatory capital adequacy;
- forming a considerable reserve on all the liquidity norms.

The Agency again gives a positive assessment to the efforts of the Bank's management due to which the Bank has returned to the profitable activity in 2012. The Agency reminds that the activity of VAB Bank in the third and fourth quarter of 2012, as well as in the first quarter of 2013, was profitable.

*Analytical service of RA «Expert-Rating»*