

The rating report

(version for publication)

(on basis of the Agreement No.)



Credit rating of the company end bonds according to the Ukrainian national scale:

uaBBB+

Rating interpretation 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. Credit status level depends upon influence of adverse commercial, financial and economic factors.

Rating date:

December 30, 2011



Limited Liability Company

VAB Leasing

(Full name of the emitter)

21-G, Degtyaryovskaya str., Kiev 04119, Ukraine
(legal address of the company)

21-G, Degtyaryovskaya str., Kiev 04119, Ukraine
(de facto address of the company)

Explanation:

Company full name in Russian:
Company ownership type:
USREOU code:
Manager name and title:
Manager citizenship:
Incorporation date:
Date of start of operations in Ukrainian market:
Name of auditing company, servicing during 3 last years:
Phone:
Fax:
E-mail address:
Company WEB site:

Place for filling in

ООО «ВиЭйБи Лизинг»
Limited Liability Company
33880354
Zolotaryova Lyudmila, Director General
Ukraine
15.12.2005
15.12.2005
Audit Company 'PKF Audit –Finance'
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leasing@vab.ua
http://www.vableasing.com.ua

Licenses and permits empowering the company: Certificate of series ФЛ no 272 of 24.01.2006 on the registration of the legal entity as entitled to provide finance leasing services, issued by the State Commission on Regulation of Financial Services of Ukraine

*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

General information on bonds issue

#	Explanation	Place for filling in
1	Warrantor (name, USREOU code, address):	-
2	Face-value:	UAH 1 000,00
3	Emission amount, UAH:	UAH 75 000 000,00
4	Number of bonds in the emission:	75 000 pcs.
5	Underwriter (name, USREOU code):	PJSC VAB Bank , 19017842
6	Placement period	from 17.10.2011 to 16.10.2012
7	Maturity date:	10.10.2016
8	Coupon period:	91 days
9	Number of coupon periods:	20
10	International identification number:	UA 4000129134
11	Interest rate:	First to fourth coupon period– 18% Fifth to twentieth coupon period – established by the Director General but not lower than 4%
12	Dates of preschedule obligations redemption by the emitter:	15.10.2012 14.10.2013 13.10.2014 12.10.2015
13	Subscription type:	See Prospectus
14	Emission type:	Undocumented
15	Depository:	PrJSC 'Ukrainian Depository of Securities'

1. Overview of the Company

LLC VAB Leasing is the universal leasing company, rendering services of lease of transport, special purpose and agricultural machinery and equipment. The company specializes on the services of both finance and operating leasing. Legal (93 %) and physical persons (7 %) are the clients of the Company.

The Company VAB Leasing has been created in November, 2005 by the company TBIF Financial Services B.V. (Amsterdam, the Netherlands).

In January, 2006 the Company had been registered in SCRFMSU and obtained the right to render services of finance leasing (Resolution no. 5280). VAB Bank joined the structure of Company founders in the summer of 2006. In the same year the authorized capital stock of the Company has been increased to UAH 15 m. In September, 2006 the Company became the member of Kiev Chamber of Commerce and Industry and the Chamber of Commerce and Industry of Ukraine (the certificate # 32-133).

In 2007 the Company became member of the Association “Ukrainian Union of Lessors”.

In 2008 TBIF Financial Services B.V. becomes 100% owner of the Company; the authorized capital stock increases to UAH 35,35 m. In the same year the Company enters the top 10 leasing companies of Ukraine.

In the year 2010 the activity of LLC VAB Leasing was highlighted by such key events and results: the Company becomes exclusive partner of RCI Bank on the program “RENAULT LEASING”; a complex tax audit has been passed (the audit included up to H1 2010); the Company took 8% of the market by number of contracts concluded in a year, and 2,6% by value of contracts. In 2010 the Company occupied 9th place among the leading leasing companies in Ukraine.

In 2011 VAB Bank becomes 100% owner of the Company. In the same year the Company becomes exclusive partner of RCI Bank on the program “NISSAN LEASING”.

As of today the largest corporate clients of the Company are: DATA GROUP, agropromholding Astarta-Kiev, Vinnitsa industrial group, the enterprises of Sigma Bleyzer group and others.

JSC RENAULT Ukraine, RCI Financial Services Ukraine, AIS Group of Companies, Winner Automotive, UkrAvto Corporation, Donsnab Company and others are Company partners.

As of 30.09.2011 Company assets made up UAH 160,239 m, that is on 23,37 % less than at the similar period of 2010. The volume of Company liabilities from 30.09.2010 to 30.09.2011 also decreased by 35,63 % and as of reporting date has constituted UAH 98,681 m. At the same time the shareholder equity of the Company VAB Leasing for the same period grew by 10,34 % or by UAH 5,771 m and made up UAH 61,558 m, and the volume of gross debt has constituted UAH 89,578 m, that is on 28,05 % or on UAH 19,620 m more than as of 30.09.2010 (*see table 1*).

Key performance indicators of LLC VAB Leasing (UAH th.,%)

Indicators	Data of the last accounting period, current year (30.09.2011)	Data of the last accounting period, last year (30.09.2010)	Change	Growth rate
Balance sheet figures:				
Assets	160 239	209 099	-48 860	-23,37%
Book value of capital assets	5 717	1 896	3 821	201,53%
Liability	98 681	153 312	-54 631	-35,63%
Gross debt (all interest bearing liabilities)	89 578	69 958	19 620	28,05%
Shareholder equity	61 558	55 787	5 771	10,34%
Authorized capital	35 350	35 350	0	0,00%
Net investment in lease	194 875	194 461	414	0,21%
Financial results:				
Net income from lease	31 817	34 670	-2 853	-8,23%
Operating incomes from equipment suppliers	-	-	-	-
Value of leased equipment	83 182	52 696	30 486	57,85%
Operating cost of suppliers servicing	-	-	-	-
Operating results	18 927	17 714	1 213	6,85%
Financial incomes	34 123	34 548	-425	-1,23%
Financial expenses	16 198	6 549	9 649	147,34%
Profit or loss from operating and financial activities before tax	5 671	6 790	-1 119	-16,48%
Net income	5 581	6 711	-1 130	-16,84%
Ratios:				
ROE	9,07%	12,03%	-2,96 p.p.	-
ROA	3,48%	3,21%	0,27 p.p.	-
EBIT	21 839	13 302	8 537	64,18%
EBITDA	22 715	14 090	8 625	61,21%
Average value of financing	12,0%	10,0%	2,0 p.p.	-

Source: Company data, calculations by RA 'Expert-rating'

The indicators of Company financial results during the analyzed period have changed as follows: the net profit from leasing decreased by 8,23 % and has constituted UAH 31,817 m, the result of operating activity, at the contrary increased by 6,85 % and has constituted UAH 18,927, and net profit volume has constituted UAH 5,581 m, that is by 16,84% less than one year before. Thus profitability indicators of both capital, and assets of the Company are at high level: as of 30.09.2011 ROE constituted 9,07 %, and ROA - 3,48 %.

Company market position. The share of VAB Leasing in the value of concluded lease contracts for 9 months of 2011, calculated based on the data by SCRFMSMU constitutes 2,5 %, in the quantity of the concluded contracts for the same period - 7 %. The mentioned data include indicators of public (non-market) lease companies' work, and of the companies specializing on large corporate transactions' segment, that is why such market share appears. According to the data of the Association "Ukrainian Union of Lessors", VAB Leasing occupies 6th place by results of Q3 2011 on the value of assets leased and 11th place on the size of lease portfolio among the leading actively working market companies.

'VAB Leasing' takes a leading place in the segment of medium and small businesses and natural persons. There are no direct statistical data which would highlight the given segment of the market, however the share of the leasing company in the number of concluded contracts is an indirect confirmation of such statement (7% for the 9 months of 2011), and also the size of an average transaction - as a whole on the market for the specified period the average transaction has constituted UAH 1150 th., while similar indicator at VAB Leasing is UAH 420 thousand (includes the total amount of leasing payments under the concluded lease contracts). Such specialization of the leasing company is due to the strategy of its development envisaging high portfolio diversification and low concentration of risks, provision of high return on portfolio and financial soundness of the company.

2. Lease portfolio of the company

During its existence the Company VAB Leasing has gained precious experience of servicing clients which has helped it to consolidate confidently its position in the market of leasing services of Ukraine. Programs and products matching the up-to-date needs of the market and taking into account the needs of various groups of clients have been developed in the Company, which, in turn, helps to maintain lease portfolio diversification at a good level.

For today the key programs (products) of lease provided by the Company VAB Leasing are: “Fast leasing”, “Easy start” “Standard Leasing” “Individual leasing” and “Economy Leasing” and “Leasing-Agro” (see table 2).

Table 2

Characteristic of main lease programs (products) of LLC VAB Leasing

Name of lease program	Leases	Conditions	Advantages
Fast leasing	- cars; - commercial cars.	<ol style="list-style-type: none"> 1. Advance payment - from 40% of lease value. 2. Lease term - from 1 to 4 years. 3. The advanced payment covers only the cost of the car; all expenses on registration, insurance, operation are included into the monthly leasing payments. 4. The standard lease package includes: payment for financing, registration, payment of transport tax, Pension fund charge, passage of TI in the SAI (for motor transport), administration of insured events, unlimited mileage/motor operating time. 	<ol style="list-style-type: none"> 1. No certificate of income, no financial reports needed. 2. Interest free installment plan on car insurance payment for the entire lease period. 3. The advanced payment covers only the cost of the car; all expenses on registration, insurance, operation are included into the monthly leasing payments. 4. Flexibility finance leasing conditions. 5. Promptness of decision-making - 1 day. 6. Comprehensive servicing. <p>Possibility of maintenance costs optimization by inclusion of maintenance costs into monthly payments.</p> <ol style="list-style-type: none"> 7. VAB Service - service support on the road.
Easy start	Passenger cars	<ol style="list-style-type: none"> 1. Advance payment makes from 25 % of lease value (depending on manufacturing country). 2. Lease term - from 1 to 4 years. 3. The advanced payment covers only the cost of the car; all expenses on registration, insurance, operation are included into the monthly leasing payments. 4. The standard lease package includes: payment for financing, registration, payment of transport tax, Pension fund charge, passage of TI in the SAI (for motor transport), administration of insured events, unlimited mileage/motor operating time. 	<ol style="list-style-type: none"> 1. Possibility to acquire the car with minimal one-time expenses. 2. Interest free installment plan on car insurance payment for the entire lease period. 3. The advanced payment covers only the cost of the car; all expenses on registration, insurance, operation are included into the monthly leasing payments. 4. Flexibility of finance lease conditions. 5. Promptness of decision-making – up to 5 days. 6. Comprehensive servicing 7. Possibility of maintenance costs optimization by inclusion of maintenance costs into monthly payments. 8. VAB Service - service support on the road.
Standard Leasing	- passenger cars; - commercial cars and trucks; - special purpose equipment; - equipment	<ol style="list-style-type: none"> 1. Advance payment makes from 30 % of lease cost 2. Lease term — from 1 to 5 years depending upon the lease. 3. The advanced payment covers only the cost of the lease; all expenses on registration, insurance, operation are included into the monthly leasing payments. 4. The standard lease package includes: payment for financing, registration, payment of transport tax, Pension fund charge, passage of TI in the SAI (for motor transport), administration of insured events, unlimited mileage/motor operating time. 	<ol style="list-style-type: none"> 1. Flexibility of conditions of finance lease. 2. The advanced payment covers only the cost of the car; all expenses on registration, insurance, operation are included into the monthly leasing payments. 3. Interest free installment plan on car insurance payment for the entire lease period. 4. Promptness of decision-making. 5. Comprehensive servicing 6. Possibility of maintenance costs optimization by inclusion of maintenance costs into monthly payments 7. VAB Service - service support on the road.
Individual leasing (for private clients)		<p>Individual conditions of finance leasing are generated based on:</p> <ul style="list-style-type: none"> • results of solvency analysis; • item of lease; • availability of additional guarantees of obligations' execution (guarantee of the third parties, liquid pledge, etc.). <p>Possibility of granting finance lease services on individual conditions is determined for each specific client.</p>	<ol style="list-style-type: none"> 1. Personal choice of the best conditions for finance lease. 2. Interest free installment plan on car insurance payment for the entire lease period. 3. VAB Service - service support on the road.
Economy Lease	- passenger cars; - commercial cars; - special purpose equipment; equipment	<ol style="list-style-type: none"> 1. Advance payment - from 20 % of lease cost (depending upon the country of manufacture and the leased item). 2. Lease term - from 12 to 60 months. 3. The advanced payment covers only the cost of the lease; all expenses on registration, insurance, operation are included into the monthly leasing payments. 4. No registration cost 	<ol style="list-style-type: none"> 1. No registration expenses!!! 2. The possibility to get lease with no need for certificate of income, nor financial reports. 3. The advanced payment covers only the cost of the lease; all expenses on registration, insurance, operation are included into the monthly leasing payments; 4. Interest free installment plan on car insurance payment for the entire lease period. 5. Flexibility of conditions of finance lease. 6. Promptness of decision-making 3–5 days. 7. Comprehensive servicing 8. VAB Service - service support on the road..
		<ol style="list-style-type: none"> 1. Who can become client? - Legal entities (all kinds of ownership) eligible to program conditions. 2. Type of financing - finance leasing. 3. Financing currency – UAH, USD, EURO. 4. Cost of lease – the cost of 1st lease up to USD 400 000. 5. Advance payment - from 25 % of the original cost. <p>At collateral security (availability of pledge) decrease of advanced payment is possible.</p> <ol style="list-style-type: none"> 6. Leasing term: - up to 60 months for acquisition of: Mobile agricultural machinery of foreign production (except for CIS countries and China). 	<ol style="list-style-type: none"> 1. 100 liters of diesel fuel presented at equipment purchase on lease to each Client! 2. An alternative to crediting. Possibility of agricultural equipment reception in use. Loyal requirements to the financial condition of the Lessee. 3. The minimum monthly load at the expense of written down value extraction; 4. Operative reception of the equipment in use. Decision-making on the possibility of signing the agreement in only 5 working days. 5. Financial planning. Possibility of inclusion of service works into monthly leasing payments.

Leasing Agro		- Up to 36 months for acquisition of: Mobile agricultural machinery manufactured in Ukraine, CIS countries, China. In separate case the term may be prolonged to 72 months. 7. Repayment schedule - monthly repayment of the principal cost of property by equal installments (classical scheme of repayment). Arrangement of seasonal schedule of payments is possible.	
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The considerable growth of lease contracts number proves to the dynamical development of the Company for the last year of activity. So, the number of lease contracts submitted for the period, has increased by 69,62 % (or by 204) and as of 30.09.2011 made up 497, and their value grew in 3 times or by 202,94 % and has made UAH 208,751 m. At the same time the volume of leasing payments for the reporting period reduced by 3,78 % and made up UAH 137,543 m (See table 3).

Table 3

General characteristics of LLC VAB Leasing lease portfolio (UAH th., %)

Indicators	Last accounting period data, current year (30.09.2011)	Last accounting period data, last year (30.09.2010)	Change	Growth rate
Number of lease contracts, submitted for the period (pcs)	497	293	204	69,62%
Number of lease contracts at the end of the period (pcs)	1191	1171	20	1,71%
Value of lease contracts, submitted for the period	208751	68908	139843	202,94%
Value of lease contracts at the end of the period	553224	468302	84922	18,13%
Total lease payments for the accounting period, including:	137543	142952	-5409	-3,78%
Amount compensating part of lease item value	-	-	-	-
Compensation paid to Lessor for the property leased	93601	84817	8784	10,36%
Credit interests repayment	20882	24315	-3433	-14,12%
Payments compensating for other expenses of the Lessor stipulated by lease contracts	16822	14869	1953	13,13%
Effective rate on lease portfolio	6239	18951	-12712	-67,08%

Source: Company data, calculations by RA 'Expert-rating'

As of 30.09.2011 the structure of LLC VAB Leasing lease portfolio on the terms remaining before the end of contracts, looked as follows: less than 1 year - 35,98 % (UAH 199,032 m), from 1 to 2 years - 16,03 % (UAH 88,67 m), from 2 to 3 years - 18,31 % (UAH 101,304 m), from 3 to 5 years - 29,68 % (UAH 164,218 m) (see table 4).

Table 4

Time structure of LLC VAB Leasing lease portfolio (UAH th., %)

Indicators	Last accounting period data, current year (30.09.2011)	Last accounting period data, last year (30.09.2010)	Change	Growth rate
Total value of lease contracts, including those with maturity due in:	553 224	468 302	84 921	18,13%
Less than 1 year	199 032	222 011	-22979	-10,35%
from 1 to 2 years	88 670	79 875	8794	11,01%
from 2 to 3 years	101 304	98 828	2476	2,51%
from 3 to 5 years	164 218	67 588	96630	142,97%
from 5 to 10 years	0	0	0	0
Over 10 years	0	0	0	0

Source: Company data, calculations by RA 'Expert-rating'

The analysis of lease portfolio sectoral structure proves to wide enough range of services and products offered by the Company to the clients. The major part of the portfolio corresponds to the indebtedness of legal entities - 90,06 %, wherein the greatest shares are occupied by such industries: building - 18,49 % (UAH 32,443 m), agriculture - 29,66 % (UAH 52,057 m) and services - 22,73 % (UAH 39,894 m) (*see table 5*).

Table 5

Sectoral structure of LLC VAB Leasing lease portfolio (UAH th., %)

Indicators	Last accounting period data, current year (30.09.2011)		Last accounting period data, last year (30.09.2010)		Change	Growth rate
	Volume	%	Volume	%		
Natural persons, in total	19 378	-	13 288	-	6 090	45,83%
Legal entities (in total), incl.	175 497	100,00%	181 173	100,00%	-5 676	-3,13%
Building	32 443	18,49%	45 730	25,24%	-13 287	-29,06%
Extracting industry	6 395	3,64%	3 706	2,05%	2 689	72,56%
Other sectors	38 773	22,09%	65 448	36,12%	-26 675	-40,76%
Light industry	893	0,51%	77	0,04%	816	1059,74%
Machine building	156	0,09%	96	0,05%	60	62,50%
Metallurgy	372	0,21%	1 136	0,63%	-764	-67,25%
Science and technics	59	0,03%	75	0,04%	-16	-21,33%
Agriculture	52 057	29,66%	32 290	17,82%	19 767	61,22%
Services	39 894	22,73%	23 257	12,84%	16 637	71,54%
Transport	630	0,36%	3 669	2,03%	-3 039	-82,83%
Food processing industry	3 529	2,01%	5 386	2,97%	-1 857	-34,48%
Chemical industry	296	0,17%	305	0,17%	-9	-2,95%

Source: Company data, calculations by RA 'Expert-rating'

As a whole, the analysis of Company lease portfolio sectoral structure as of 30.09.2010 and of 30.09.2011 proves to good level of its diversification with a tendency of increase in share of agricultural industry and services. Thus in the short term before the completion of Euro-2012 large demand will be preserved on building equipment, as well as on leasing of transport in view of SMB segment growth and renovation of corporate clients car fleet (in Europe 70% of cars are acquired through leasing whereas in Ukraine - 3,1 %, according to the estimates as of 30.06.2011). Also an increase of demand for agricultural machinery in view of active development of agribusiness segment is expected.

In 2007-2008 a prompt growth of leasing services market had been observed, thereafter in 2009 there was a sharp recession under the influence of financial crisis (volumes of leasing operations have fallen more than in 3 times compared to 2008; throughout the 2010-2011 the market was adding volumes and already by results of 2011 will reach the level of 2008). As VAB Leasing Company entered the market of leasing services in 2005, by the time of 2008 crisis the volume of its client portfolio became already substantial enough that in turn, has affected volumes of problem indebtedness due to the Company. So, as of 30.09.2011 the total volume of delayed due payments constituted UAH 20,995 m, of which most part corresponded to payments delayed over 91 days (group C). Thus a tendency should be noted of considerable reduction of delayed payments volume as of 30.09.2011 compared to 30.09.2010 on all the three groups (A, B and C). For the purpose of lease portfolio impairment losses compensation the Company provisioned UAH 10,421 m, that makes 5,35 % of lease portfolio (*see table 6*).

Table 6

Data on the quality of LLC VAB Leasing lease portfolio (UAH th., %)

Group (payment delay in days)	Last accounting period data, current year (30.09.2011)	Last accounting period data, last year (30.09.2010)	Change	Growth rate
A, from 1 to 30 days	484	752	-268	-35,64%
B, from 31 to 90 days	1726	5061	-3335	-65,90%
C, over 91 days	18785	33781	-14996	-44,39%
Total provisions for losses from lease portfolio impairment	10421	18896	-8475	-44,85%
Value of property confiscated from troubled lessees during the period	11269	20462	-9193	-44,93%
Value of property sold after confiscated from troubled lessees during the period	25848	29389	-3541	-12,05%

Source: Company data, calculations by RA 'Expert-rating'

It should be noted that for the purpose of setting an effective risk management system the Company developed certain methods and procedures aimed to minimize potential and existing risks, and also negative factors of portfolio impairment.

So, initially a risk strategy development takes place, which than passes a number of consecutive stages among which there are:

1. Identification of the factors increasing or reducing specific type of risk at realization of certain operations.
2. Analysis of the factors identified as regards their risk impact force.
3. Assessment of specific type of risk.
4. Establishment of optimum risk level.
5. Analysis of separate operations as regards conformity to acceptable risk level.
6. Development of measures on risk reduction.

Thus the following main types of risks faced by the Company have been separated out:

- risk connected with execution by the supplier of lease item delivery treaty provisions;
- risk of default by the lessee of treaty provisions;
- currency risk connected with currencies fluctuations. The company is exposed to such risk, as it obtains the credit in foreign exchange;
- interest risk - risk of price increase of the resources attracted by the leasing company for financing of leasing transactions;
- risks connected with damage or loss of leased items.

Main methods, to some extent used by the Company, of reduction of the above mentioned risks and other kinds of risks, are:

- Lease of only those kinds of motorcar transport which liquidity in the secondary market is high enough, so that at any stage of lease contract execution in case of lessee default to execute treaty provisions and withdrawal of leased item all expenses of the leasing company (including on repayment of bank loan and interests) could be covered at the expense of means obtained from sale of leased item at its market price (the dynamics of lessee outstanding indebtedness and of leased item market price are presented in the schedule);
- differentiated approach to the minimum size of advanced payment by the lessee and to the terms of lease depending upon the leased item;
- use of collateral security under leasing contracts (guarantee and pledge);
- establishment by the agreement of delivery of an order of payments envisaging advance payment only within the limits of the first payment under the lease contract, obtained from lessee, or use of the letter of credit for settlements, additional pledge for the period up to the moment of transfer of rights of property on the cars to the leasing company;
- use in the lease contract of currency clauses envisaging recalculation of the amount of lease payments in case of increase of exchange rate of credit currency;
- use in the lease contract of provisions envisaging adjustment of lease payments in case of increase of rates of attraction of resources in the market;
- insurance of the leased item for the entire period of the contract validity, support of all insured events and constant control of technical condition and service conditions of the leased item (observance of operation rules and passage of checkup in the terms specified by the manufacturer are stipulated by lease contract - infringement of these conditions is a reason for contract termination).

Besides that, VAB Leasing created a department on work with troubled assets, developed and implemented standards of work with defaulting debt (since the first day of delay), envisaging claim related work, withdrawal of leased items and re-structuring of indebtedness in case of availability of clear prospects of repayment and business management by the clients. The experience has shown that the work with troubled assets is most effectively performed by the forces of an own department (main part of troubled debts is repaid at the expense of withdrawal and sale of lease items and indebtedness collection through courts and enforcement service); as of today the collection companies and sales of troubled indebtedness are not used as methods of settlement.

Therefore, the analysis of LLC VAB leasing lease portfolio proves to positive dynamics of Company development, allowing it not only to support, but also to confidently build up the positions in the Ukrainian market of lease services. The marketing policy of the Company is directed on constant expansion and improvement of the range of offered programs and products which are developed taking into account modern trends of the market and needs of clients. Thanks to such approach the Company portfolio is well diversified and covers a wide range of industries. Thus the Company did not become an exception and has felt the influence of 2008 crisis which resulted in appearance of problem indebtedness in the portfolio and defaults by some clients. At the same time dynamics of lease portfolio quality indicators prove to its gradual improvement. The Company developed mechanisms of risks and problem indebtedness management which are successfully put into practice, and also the company provisioned for lease portfolio impairment losses compensation.

3. Credit history of the company

The top 9 largest creditors on interest-bearing liabilities of VAB Leasing LLC are presented in the *table 7*.

Table 7

The top 9 largest creditors on LLC VAB Leasing interest-bearing liabilities

#	Creditor (Name)	Creditor USREOU code	Date of liability beginning	Maturity date	Type of borrowing*	Credit currency	Principal debt amount as of 01.12.2011, equivalent in UAH th.	Total debt with %, penalties, forfeits
1	TBIF Financial Services B.V.	-	22.08.2007	09.06.2012	Loan	USD	24146	-
2	TBIF Financial Services B.V.	-	11.07.2008	09.06.2012	Loan	USD	17224	-
3	PJSC VAB Bank	19017842	19.04.2011	19.04.2016	Credit line	USD, UAH	3529	-
4	PJSC Universal Bank	21133352	21.09.2007	21.09.2012	Loan	USD	1080	-
5	JSC OTP Bank	21685166	14.08.2007	14.01.2013	Credit line	USD	400	-
6	PJSC Universal Bank	21133352	23.05.2008	31.03.2013	Loan	USD	695	-
7	PJSC Universal Bank	21133352	23.05.2008	31.03.2012	Loan	USD	142	-
8	PJSC Alfa Bank	23494714	13.10.2011	25.09.2014	Credit line	UAH	3933	-
9	PJSC VAB Bank	19017842	29.10.2010	09.04.2013	Bonds	UAH	41080	-
	In total:	X	X	X	X	X	92227	

Source: Company data, calculations by RA 'Expert-rating'

* - bank loans, interest-bearing indebtedness before founders, bonded debts, bills, other interest-bearing liabilities.

The Company had no defaults to creditors. The *table 8* shows the facts of successful repayments by the Company of the interest-bearing liabilities for the last 4 years.

Table 8

Key parameters of successfully repaid interest-bearing liabilities of LLC VAB Leasing

Creditor name	Credit contract	Borrowing type	Credit limit	Date of issue	Maturity date as per contract	Actual repayment date
TBIF Financial Services B.V.	of 31.07.2006	loan	1 000 000 EUR	27.09.2006	14.03.2007	14.03.2007
TBIF Financial Services B.V.	of 5.02.2007	loan	6 500 000 USD	07.03.2007	05.02.2010	05.02.2010
PJSC VAB Bank	# 33 of 14.03.2006	revolving line of credit	1 780 000 USD	15.03.2006-02.10.2008	28.12.2011	28.08.2011
PJSC VAB Bank	# 8 of 18.02.2008	revolving line of credit	2 011 000 UAH	05.09.2008, 10.09.2008	16.02.2018	28.11.2009
JSC Ukrsibbank	# 11103915000 of 22.12.2006	non- revolving line of credit	200 164 USD	22.12.2006	22.12.2011	13.01.2011
JSC Ukrsibbank	# 11140101000 of 10.04.2008	loan	877 496 UAH	10.04.2007	10.04.2009	10.04.2009
PJSC FUIB	# 13/06 of 13.06.2007	loan	263 300 USD	13.06.2007, 20.06.2007	11.06.2010	20.10.2009
PJSC Universal Bank	# 82/08 of 07.02.2008	loan	555 000 USD	14.02.2008	01.03.2010	10.02.2010
PJSC Universal Bank	# 138/08 of 12.05.2008	loan	978 500 USD	23.05.2008	31.03.2009	31.03.2009
PJSC Universal Bank	# 190/08 of 15.09.2008	loan	294 652 USD	26.09.2008	31.07.2009	31.07.2009
JSCB Forum	# 0008/07/01-KLI of 22.02.2007	loan	30 000 USD	28.02.2007	21.02.2008	21.02.2008
JSB Tavrika	# 38-07-K of 24.07.2007	loan	1 500 000 UAH	25.07.2007	21.03.2008	23.08.2007

LLC VAB Leasing debts repayment schedule for the next 12 months is presented in the *table 9*.

LLC VAB Leasing debts repayment schedule for the next 12 (UAH th)

	12. 2011	01. 2012	02. 2012	03. 2012	04. 2012	05. 2012	06. 2012	07. 2012	08. 2012	09. 2012	10. 2012	11. 2012
Principal amount repayment (bonds excluded)	2 644	2 644	2 644	2 644	2 608	2 608	29 097	401	401	401	182	182
Interests repayment (bonds excluded)	421	400	379	358	337	317	296	96	90	85	79	77
Repayment of interests on bonds issues	787	787	787	787	787	787	787	787	787	787	787	787
Repayment of principal amount on bonds issues *	0	0	0	0	0	0	0	0	0	0	0	0
In total:	3 852	3 831	3 811	3 790	3 733	3 713	30 181	1 284	1 278	1 273	1 049	1 046
Offer	1411	1411	1411	1411	1411	1676	1676	1676	1676	1676	1676	1676

Source: Company data

* - at the calculation of the given indicator the payments under the bonds repaid at the moment of circulation term expiry are considered

4. Shareholders of the company and external support

VAB Bank is 100% owner of LLC VAB Leasing. VAB bank has a credit rating from RA Expert-rating since October, 2009. Despite change of shareholders and 2008-2009 crisis, this finance entity possesses certain reserve of stability, sufficient for maintenance of credit rating at the level uaAA. However, the analysis of VAB Bank shareholder credit history in bond market in 2008-2010 indicates on that in the past the bank was taking certain administrative decisions aimed on reduction of funding base price at the expense of carrying out re-structuring of bonds issue. The propensity to such decisions in the past, according to Agency, reduces the level of external support for the bonds of LLC VAB Leasing.

5. General characteristic of the guarantor

There is no guarantor.

6. Other factors considered at rating

The Company management has neither cancelled nor outstanding convictions.

Conclusions

On December, 29 at special session of RA Expert-rating rating committee the decision was taken on awarding to the company LLC VAB Leasing (USREOU code 33880354) end the emission of bonds issue of the of **uaBBB +** rating according to the national scale. The separate debt instrument with a rating uaBBB + is characterized by sufficient credit status in comparison with other Ukrainian borrowers or debt instruments. Credit status level depends on the influence of adverse commercial, financial and economic conditions. When awarding investment grade credit rating to the company end the emission of bonds, the Agency was guided by the following conclusions:

1. LLC VAB Leasing has a long history of development. At the same time during the last 12 months the Company has endured the period of assets and liabilities decrease. So, as of 30.09.2011 the assets of LLC VAB Leasing have constituted UAH 160,239 m, that is on 23,37 % less than at the similar period of 2010. The volume of Company liabilities during 30.09.2010-30.09.2011 also decreased by 35,63 % and as of reporting date has constituted UAH 98,681 m. The Agency draws attention to that reduction of assets and liabilities occurred due to such factors as decrease in volumes of overdue portfolio and non-earning assets that positively influenced solvency level of the Company. Thus shareholder equity of LLC VAB Leasing for the same period has increased by 10,34 % or by UAH 5,771 m. If on 30.09.2010 the shareholders equity/liabilities ratio of the company obligations constituted 36%, on 30.09.2011 this ratio has been registered at the level of 62,37 %.

2. The EBITDA at the level of UAH 22,7 m, shown by the company following the results of 9 months 2011 covers almost the entire schedule of debts payment together with interest load, except for June, 2012 when UAH 30,181 m were due to payment. It should be considered that a part of resources attracted by placement of bonds may be directed on repayment of debts to creditors. In the 2012 the company will have a possibility to partially perform debt displacement if it will be needed.

3. The analysis of Company lease portfolio diversification level has allowed drawing positive conclusions on the portfolio diversification level. So, the structure of LLC VAB Leasing lease portfolio per times remaining to expire of contracts, looked as follows: less than 1 year - 35,98 % (UAH 199,032 m), from 1 to 2 years - 16,03 % (UAH 88,67 m), from 2 to 3 years - 18,31% (UAH 101,304 m), from 3 to 5 years - 29,68 % (UAH 164,218 m).

4. The analysis of lease portfolio sectoral structure proves to wide enough range of services and products offered by the Company to the clients. The major portfolio part corresponds to indebtedness of legal entities - 90,06%, largest shares in which are occupied by the following industries: building - 18,49 % (UAH 32,443 m), agriculture - 29,66 % (UAH 52,057 m) and the services - 22,73 % (UAH 39,894 m).

5. The analysis of Company lease portfolio quality has shown satisfactory level of such quality. So, as of 30.09.2011 the total portfolio volume with defaulting debt has constituted UAH 20,995 m, most part of which corresponded to the portfolio with maximum delay of payment over 91 days. However it should be highlighted the trend of considerable reducing of portfolio volume with defaulting debt as of 30.09.2011 vs. as of 30.09.2010. To compensate for lease portfolio impairment loss the Company provisioned UAH 10,421 m, that corresponds to 5,35 % of lease portfolio.

6. LLC VAB Leasing has a positive credit history. Since 2005 the issuer repaid 12 credits. Not only the parent bank and minority shareholder of bank have been the creditors of the issuer, but also UkrSibbank BNP Paribas Group, the First Ukrainian International Bank, Universal Bank (being a part of international bank group Eurobank EFG Group), BANK FORUM (a member of international bank group Commerzbank) and other banks. The Company did not have default episodes to creditors in the past.

Appendix A

Use limitations of the rating report

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Perceiving the results of estimation of the level of credit rating of the company or the security, it should be understood that:

1. At rating some factors are taken into attention which can positively or negatively affect the stability of the company. Therefore, RA Expert Rating Ltd estimates the level of company resistibility to adverse factors of influence. The estimation is made for the companies according to 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, the rating according to the international scale will be awarded exclusively at the request of the client.

2. The information provided in the rating report source of which is the customer itself or the regulator, may slightly differ because of distinctions in system of accounting for or methodology of calculation of indicators.

3. The information provided in the given report on foreign shareholders of the company is given in the currency in which the official annual report of the company-shareholder is made. Comparing such financial information with Company data or with the data of the similar foreign companies the difference in the systems of accounts and accounting policies should be considered.

Table A

The national rating scale. Long-term (over one year) credit ratings *

uaAAA	The borrower or a debt instrument with uaAAA rating is characterized by exclusively high credit status compared to other Ukrainian borrowers or debt instruments
uaAA	The borrower or a debt instrument with uaAA rating is characterized by very high credit status compared to other Ukrainian borrowers or debt instruments
uaA	The borrower or a debt instrument with uaA rating is characterized by high credit status compared to other Ukrainian borrowers or debt instruments Credit status level is sensitive to influence of adverse commercial, financial and economic factors
uaBBB	The borrower or a debt instrument with uaBBB rating is characterized by sufficient credit status compared to other Ukrainian borrowers or debt instruments. Credit status level depends upon influence of adverse commercial, financial and economic factors
uaBB	The borrower or a debt instrument with uaBB rating is characterized by credit status lower than sufficient one compared to other Ukrainian borrowers or debt instruments. There is high dependence of status level upon influence of adverse commercial, financial and economic factors.
uaB	The borrower or a debt instrument with uaB rating is characterized by low credit status compared to other Ukrainian borrowers or debt instruments. There is very high dependence of credit status level upon influence of adverse commercial, financial and economic factors.
uaCCC	The borrower or a debt instrument with uaCCC rating is characterized by very low credit status compared to other Ukrainian borrowers or debt instruments. Potential default is probable.
uaCC	The borrower or a debt instrument with uaCC rating is characterized by high default probability
uaC	The borrower is approaching default
uaD	Default status. Payment of interest and of principal amount under borrower's liabilities has been suspended without reaching agreement with creditors concerning debt re-structuring before maturity date.

"-" or "+" are intermediate categories of rating related to main categories.

* — according to the scale approved by the Resolution of the Cabinet of Ukraine no 665 of April 26, 2007

The present appendix is an integral part of the rating report