

'Expert-rating' rating agency
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 Quarterly rating actualization

PRESS RELEASE

**'Expert-rating' RA confirms the credit rating of
 VAB Bank at level uaAA following Q1 2010¹ results**

Following the results of Q1 2010 'Expert-rating' rating agency has confirmed the credit rating of VAB Bank at the level **uaAA** on national scale. The given level of rating means very high stability of the bank in the long-term period.

- As of 01.04.2010 deposit portfolio of VAB Bank clients made up UAH 3.126 bn, household deposits have grown by 22.3% over a period from 01.04.2009 till 01.04.2010.
- Liabilities of VAB Bank to other banks decreased by 38.06 %, and coverage rate of the bank liabilities by liquid assets has grown from 6.9 to 12.9% (over a period from 01.04.2009 till 01.04.2010).
- As of 01.04.2010 credit portfolio of VAB Bank clients made up UAH 6.087 bn, with 1.57% growth rate compared to the same period of 2009.

Table

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

Indicator	01.04.2010	01.04.2009	Absolute deviation (th. UAH, g.p.)	Growth rate, %
Total assets, th. UAH	7006922	7103763	-96841	-1.36%
Cash and cash equivalents, th. UAH	822519	427502	395017	92.40%
Loans and debts of clients, th. UAH	6087650	5993602	94048	1.57%
Reserves for possible losses, th. UAH	831613	357325	474288	132.73%
Total liabilities, th. UAH	6376313	6208293	168020	2.71%
Liabilities to other banks, th. UAH	1421552	2295152	-873600	-38.06%
Legal entities assets, th. UAH	962051	1168684	-206633	-17.68%
Physical persons assets, th. UAH	2164407	1770705	393702	22.23%
Shareholders equity, th. UAH	630609	895469	-264860	-29.58%
Net interest income, th. UAH	16760	115048	-98288	-85.43%
Net profit (loss), th. UAH	-106700	-6758	-99942	-
Cash and cash equivalents/ liabilities, %	12.90%	6.89%	6.01 g.p.	-
Reserves for possible losses/ credit portfolio, %	13.66%	5.96%	7.70 g.p.	-
Shareholders equity/assets %	9.00%	12.61%	-3.61 g.p.	-
ROE, %	-16.92%	-0.75%	-16.17 g.p.	-

Source: NBU data, calculations by 'Expert Rating' RA

Confirming the rating of VAB Bank following the Q1 2010 the Agency was guided by the following conclusions:

1. Positive changes occurred in VAB Bank funding base. Volume of interbank credits decreased by 38.06%. At the beginning of the Q2 2010 the share of VAB Bank liabilities to other

¹ The data are compared with the similar period of last year

banks in the structure of funding base decreased to 22.3%. Let it be reminded that as of 01.04.2009 the share of interbank resources in VAB Bank liabilities constituted 37%. In the meantime the Agency pays attention to the growth of household deposits in VAB Bank by 22.23% as of 01.04.2010 in comparison with similar indicators as of 01.04.2009. In the eye of the Agency analytical service, in proportion to stabilisation of money market and lowering of interest rates VAB Bank continued to change structure of funding base increasing share of household deposits in the structure of liabilities by substituting with them refunding and interbank credits. Though stabilisation of bank funding base by increasing household deposits share remains an expensive solution, the positive growth rate of household deposits shows growth of trust of the population to the bank and the evident efficiency (of the chosen strategy). According to NBU official data, household deposits in banks of Ukraine have grown by 15% over a period from 01.04.2009 till 01.04.2010.

2. The growth of VAB Bank basic indicators of liquidity also should be regarded as a positive tendency. Over a period from 01.04.2009 till 01.04.2010 cash and cash equivalents in the balance sheet of VAB Bank have grown by 92% and made up UAH 822.5 mln. The ration of liquid assets and liabilities of the bank for the same period has grown from 6.9 to 12.9%. According to Agency, considerable strengthening of VAB Bank liquidity is connected with not less considerable growth of credit operations provisioning. For a year (from 01.04.2009 till 01.04.2010 r.) credit provisions have grown by 133% and as of 01.04.2010 constituted UAH 831.6 mln, and a year before — UAH 357 mln. Namely because of provisions growth VAB Bank has shown UAH 106.7 mln loss following Q1 2010. In the eye of the 'Expert-rating' RA analytical service, the stated loss amount is not substantial for VAB Bank and does not entail danger for the banks' solvency.

3. The decision of Shareholders' Assembly of April, 28th, 2010 to raise authorised capital is a positive signal for VAB Bank investors. According to the given decision, the bank carries out private placing of shares by total nominal value of UAH 385 mln. As per bank official notice, the placing should come to end on July, 30th, 2010. Additional investment of shareholder's money into equity capital of VAB Bank is aiming to strengthen capitalization of financial institution and shows high level of external support of the bank by shareholders on which the Agency has earlier already been focusing attention of investors and creditors of the bank. By the Agency estimations, the stated volume of issue will result growth of shareholders equity of the bank approximately to UAH 1 bn., which will provide redundant level of capital assets adequacy for VAB Bank and will strengthen its solvency margin. Let it be reminded that in April, 2010 VAB Bank became one of the first banks of the country resuming issuance of credits to the population. Also in April of this year the bank increased crediting activity in corporate segment by granting credits of: USD 6.5 mln to 'Sumy Frunze Machine-Building Science-and-Production Association' (JSC Sumy Frunze NPO) and UAH 20.7 mln to private agricultural enterprise 'Caïssa' (Kherson region).

Analytical service of 'Expert-rating' RA