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According to 2Q2008 results Credit-Rating agency does not note significant changes in performance of banking institutions rated by the agency. In the framework of quarterly monitoring Credit-Rating publishes results of analysis of performance in 2Q2008 of rated banking institutions. There have been analyzed 65 banking institutions, with 2 of them pertaining to the 1st group, 7 - to the 2nd, 19 - to the 3rd, 37 - to the 4th group. The assets of the banks analyzed comprise 21% of net assets of the banking system as of Jul. 1, 2008. In order to prepare this report the agency`s experts considered both inside information furnished by the banks during rating procedures and public information. The 2Q2008 saw insignificant increase (by 6.3%) in the capitals of the said banks. The principal growth-drivers were additional shareholder contributions; reserve funds replenished with profit from previous years; and other net profit. The specific gravity of results from reevaluation in the capital declined by 0.9 p.p. to 9.64%, accompanied by growth in other items. This led to the fact that the specific gravity of the 1st tier capital elements (statutory and reserve funds) in the balance capital increased by 2.7 p.p. to 85%, which indicates enhancements in the capital quality. Thereat, the securitization of loan and investment operations with the equity remain on quite a low level of 17.28%, especially for the banks in 2nd group (15.94%), which may be explained by aggressive credit policy of these banks in 2007. We expect increase in capitalization of the banks due to additional injections by the shareholders coupled with moderate growth in the loan portfolios. The assets of the banks analyzed rose by 9.4% over the quarter (in the previous quarter the growth rates of assets made up 7.4%). The low growth rates were primarily prompted by resource deficiency and limited capacity for increase in active operations caused by stock market slump and toughened requirements to borrower`s solvency. In the assets structure the share of high liquid assets has significantly decreased (by 0.25 p.p), as well as that of inter-bank loans and deposits (by 0.31 p.p) and securities (by 0.24 p.p.). The share of banks` loan portfolios grew (by 0.85%), yet the rates of lending continue to decline. The changes in other elements of assets are insignificant. The growth in share of operating assets fueled by the banks will have no significant impact on liquidity of the institutions. Although the specific gravity of high liquid assets remains insignificant (10.99%), the level of their coverage of the customers` funds is still quite high. This is mainly underpinned by plunge in the share of current assets of legal entities in banks` liabilities. We do not anticipate significant changes in liquidity in the near future: in the volatile environment of the inter-bank market the banks, as earlier, will maintain a so-called `reserve of liquidity` at the expense of funds placed in correspondent accounts in the National Bank of Ukraine and in other banks. The loan portfolios of the analyzed banks grew by 10.8% over the quarter (by 13% over the previous quarter) with their structure remained almost unchanged. The majority of the analyzed banks tend to

corporate lending, and only in 9 banks the share of loans to individuals exceeded 50% of the loan portfolios. The quality of the banks' loan portfolios has eroded a little, coupled with further deceleration in their growth rates, which was primarily prompted by difficulties with refinancing of previously granted loans. Over the quarter the doubtful debts of legal entities increased by UAH117m and of individuals by UAH54.56m and accounted for 1.26% and 1.67% of the portfolios respectively. The average specific gravity of overdue and doubtful debts remains moderate (1.37% of the loan portfolio, with the growth over the quarter being 0.04 p.p.), thereat the number of banks with specific gravity of NPLs over 3% grew to 14 from 12. The average level of coverage of overdue and doubtful debts with reserves recorded in 1H2008 made up 258%. Thereat, in 7 banks the formed reserves have not covered in full the overdue and doubtful loans, which may weigh on the capital of these banks in future. The eroded quality of the loan portfolios coupled with growth in cost of resources may negatively affect the banks' performance, since the costs for reserves forming may increase too. The banks' liabilities increased by 9.97% over the quarter, including the customers' funds by 9.01% (the last quarter saw increases of 6.7% and 3.01% respectively), with the share of the NBU's (National Bank of Ukraine) funds in their structure increased by 0.06 p.p., the share of other banks by 1.23 p.p. and the share of funds of international financial institutions by 0.13 p.p. The specific gravity of other elements has decreased. The changes in the structure of liabilities were primarily prompted by more active raise of resources from the inter-bank market after its stabilization and decline in cost of inter-bank loans, which occurred at quarter-end; by increase in the volume of refinancing by the NBU in order to maintain the system's liquidity; and by additional attraction of funds from international and other financial institutions by large banks. The indebtedness of the analyzed banks towards international and other financial institutions has increased over April-June by the amount equal to UAH316m, with UAH206m of them raised by 2 banks from the 1st group, which indicates limited utilization of this leverage by small banks. The customer funds form almost 60% of the liabilities of the banks analyzed. The growth rates of individuals' funds (10%) exceeded the growth rates of deposits portfolios of economic entities (8%) which resulted in insignificant growth of 0.4% (to 54.4%) in the specific gravity of individuals' deposits over this period. At the same time the specific gravity of term resources in the customer funds rose by 1.4 p.p. to 75.3% over the quarter. This situation was prompted by banks' active attraction of individuals' funds to the deposits accompanied by retained deficiency in resources from legal entities. Such policy regarding the resource base should narrow gaps in due terms of assets and liabilities and enhance the diversification of resource base. After the operating activities decreased significantly in the 1st quarter of the current year (by 17 p.p.), this indicator has stabilized at 150% in the 2nd quarter, which was fueled by balanced growth of operating profit and administrative expenses. Among the banks analyzed, 5 banking institutions encountered operating loss (7 at the beginning of the quarter); one banking institution recorded net loss in the year-half, which was prompted by poor quality of its loan portfolio. The deceleration in growth rates of banks' operating assets, coupled with rise in cost of resources may entail slight decline in performance indicators accompanied by limited capacity for decrease in administrative expenses.

Overall, the situation in the financial market stabilized in 2Q2008. The further development of the banks in the course of the year is contingent upon general economic environment in the country, situation in global financial markets and the regulator`s policy. As earlier, the agency anticipates deceleration in growth rates of the banks` assets, the growth in NPLs and slight decrease in efficiency from the principal activity. Credit-Rating agency currently renders services on assignment and revision of credit ratings to 71 Ukrainian banks. The majority of the ratings is investment-grade and carry stable outlooks. As of Aug. 22, 2008 the agency maintains monitoring of 66 credit ratings of banking institutions and of 49 ratings assigned to their debt obligations, with 81% of the ratings being investment-grade. In 1Q2008 the agency has upgraded 2 ratings, downgraded 2 ratings and revised outlooks on 10 ratings.