



## Report on rating research

Client:	PUBLIC JOINT-STOCK COMPANY «RAIFFEISEN BANK AVAL»
Registration date:	27.03.1992
USREOU code:	14305909
Bank address (city, postal code, street):	9, Leskova str., Kiev city, 01011
Top executive, title:	<b>Vladymyr Lavrenchuk</b> , Chairman of the Board
Deputy:	<b>Gerhard Biosh</b> , First Deputy Chairman of the Board
Telephone/fax:	(044) 490-88-88; 0 (800) 500-500
Web-site:	www.aval.ua
Rating type:	Credit ratings of the bank, deposit rating
Rating revision period:	Quarterly
Date of rating assignment:	29/05/2014
Long-term Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	<b>uaAA+</b>
Short-term Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale:	<b>uaK1</b>
Deposit rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale:	<b>ua1</b>
The correlation of Ukrainian scale ratings and the international scale ratings reflecting the rating in the countries of Agency operations is set by GPRC "Standard-Rating" Rating Committee.	
<b>Information use restrictions:</b>	
The report on rating research has no restrictions to distribution. When using materials contained in the report, the reference on RA "Standard Rating" (Ukraine) is mandatory. The Agency considers true all information contained in the report on rating research.	
<b>Ratings use limitations:</b>	
All the ratings by the Agency are not recommendations for purchase of securities, use of services or taking any economic decisions. The ratings irrespectively of the scale have to be perceived solely as opinions of Agency analysts on rating object and subject.	

## Report contents:

#	Title	Page
1.	Market share and business activity	2
2.	Capital adequacy and support by shareholders	3
3.	Asset quality	7
4.	Liquidity	8
5.	Income and expenses of the bank	10
6.	Summary of rating components	11

### 1. Market share and business activity

February 27, 1992 the Meeting of the founders approve the establishment of Joint-Stock Commercial Bank "Aval". 27<sup>th</sup> March of the same year Joint-Stock Commercial Bank "Aval" was registered by the National Bank of Ukraine in the form of open joint-stock company.

In 1992-2005 the Bank went through a long way of development from a small regional bank to a leader of the market of banking services of Ukraine. In August of 2005 the majority shareholders of the bank "Aval" decided to sell 93.5% of the shares, which were in their ownership, to the group Raiffeisen International (Austria, Vienna).

In October of 2005 it was finished the process of purchase of 93,5% of the Bank's shares by the group Raiffeisen International. Sum of the transaction became record for the Ukrainian banking sector and CIS countries and amounted to USD 1,028 bn. After the transaction the authorized capital of the bank "Aval" was increased by UAH 500 mln – up to UAH 1,5 bn. Overall amount of resources raised by the bank "Aval" in 2005 from the international financial organizations and foreign banks exceeded USD 500 mln that became the largest indicator among the Ukrainian banks.

JSC "Raiffeisen Bank Aval" refers to the group of the largest banks in Ukraine in terms of assets. As at 01.04.2014 "Raiffeisen Bank Aval" took the 7<sup>th</sup> place from among the 181 ones in the ranking of banks in terms of assets, published by NBU. Assets of JSC "Raiffeisen Bank Aval" on 01.04.2014 amounted to UAH 44,987 bn. In the group of the largest banks of Ukraine, which consists of the 15 institutions, Raiffeisen Bank Aval also took the 7<sup>th</sup> place.

According to the Agency's estimations as at 01.04.2014 the proportion of assets of JSC "Raiffeisen Bank Aval" in assets of the banking system of Ukraine amounted to 3,42%, the proportion of the Bank in the loan portfolio of the system was at the level 3,37%, and in funds of clients (individuals and legal entities), attracted to the accounts by the Ukrainian banks the proportion of JSC "Raiffeisen Bank Aval" amounted to 3,34%.

In the Agency's opinion, the market position of JSC "Raiffeisen Bank Aval" in the banking system of Ukraine was noticeable. The Bank had all the

attributes of a universal financial institution, which enabled it to affect the Ukrainian market:

- Significant work scale;
- Widespread branch network;
- Long history of development in Ukraine;
- Developed range of services and products.

## 2. Capital adequacy and support by shareholders

As at 01.04.2014 the authorized capital of JSC "Raiffeisen Bank Aval" amounted to UAH 3,003 bn, the shareholders' equity of the Bank amounted to UAH 6,789 bn. The decrease in the shareholders' equity of the Bank, which was noted in the Q1 of 2014, became a result of a significant growth of uncovered loss whose volume in the period from 01.01.2014 to 01.04.2014 increased by UAH 937,208 mln or in 11,6 times and amounted to UAH 1,025 bn. Partially the pressure of loss on the equity was compensated due to the increase in revaluation reserves: from UAH 1,008 bn up to UAH 1,498 bn, i.e. by 48,54% or by UAH 489,448 mln (*table 1*).

*Table 1*

Data on shareholders' equity of JSC "Raiffeisen Bank Aval", th. UAH, %

Indicators	01.04.2014	01.01.2014	Change	Growth rate, %
Authorized capital	3 002 775	3 002 775	-	-
Issuance differences	3 033 306	3 033 306	-	-
Retained earnings (uncovered loss)	(1 025 240)	(88 032)	937 208	1064,62%
Reserve funds and other funds of the bank	280 318	280 318	-	-
Revaluation reserves	1 497 819	1 008 371	489 448	48,54%
<b>Shareholders' equity, total</b>	<b>6 788 978</b>	<b>7 236 738</b>	<b>-447 760</b>	<b>-6,19%</b>
<b>Total liabilities</b>	<b>44 986 700</b>	<b>43 460 101</b>	<b>1 526 599</b>	<b>3,51%</b>

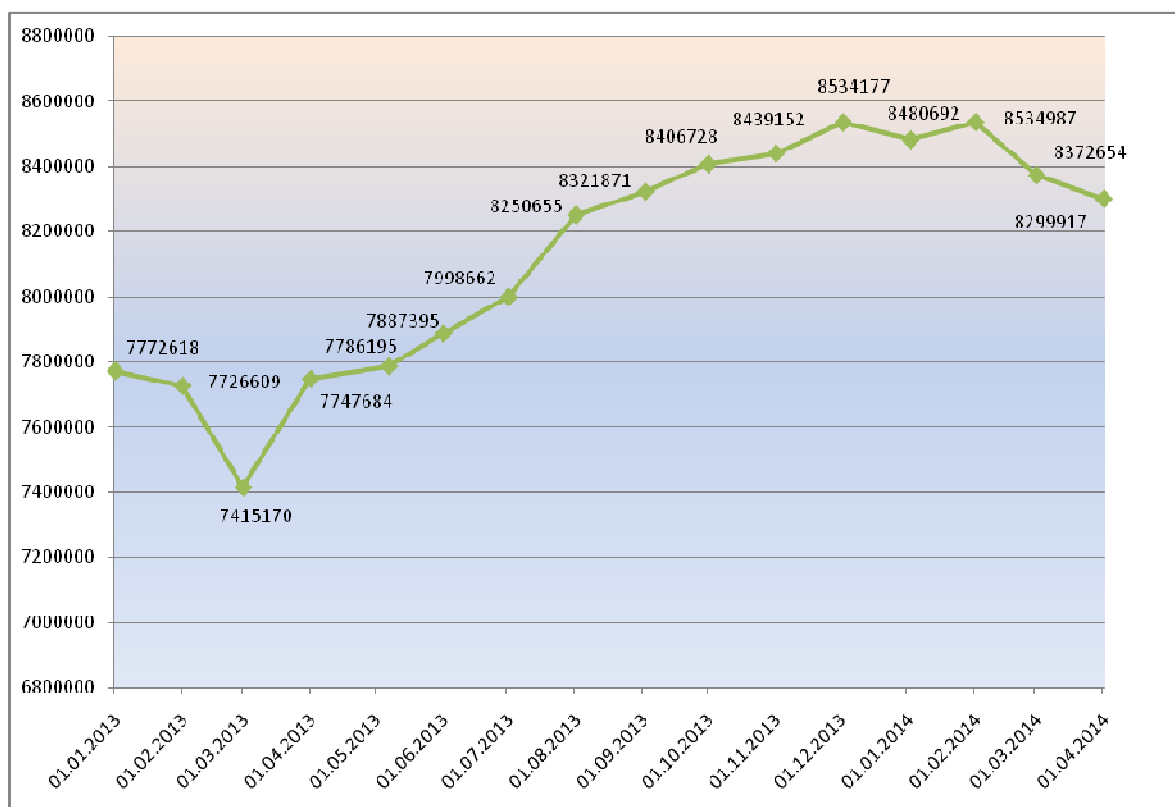
As of 01.04.2014 the main share in the shareholders' equity structure of JSC "Raiffeisen Bank Aval" was occupied by the authorized capital and emission differences, and the proportion of reserves (reserve and other funds of the Bank, as well as revaluation reserves) accounted for about 26%.

Regulatory capital (N1) of JSC "Raiffeisen Bank Aval" as at 01.04.2014 amounted to UAH 8,300 bn. As shown by the analysis of dynamics of the regulatory capital in the period from 01.01.2013 to 01.04.2014 in the monthly format, as a whole the Bank followed a strategy of the systematic increase in the level of equity provision. As seen in *Figure 1*, during the 2013 the regulatory capital demonstrated mostly upward trend. The decrease in N1 was noted at the beginning of 2013, namely: in the period from 01.01.2013 to 01.03.2013.

Starting from March of 2013 and right up December of 2013 the regulatory capital of the Bank demonstrated a confident growth. As a whole, the increase in the regulatory capital of JSC "Raiffeisen Bank Aval" in 2013 (in the period from 01.01.2013 to 01.01.2014) amounted to UAH 708,074 mln or 9,11%.

Upward trend N1, marked in the period from 01.03.2013 to 01.12.2013, broke in early 2014. At the same time, according to the results of January of 2014 it was again fixed an increase in the Bank's regulatory capital, but since February its dynamics demonstrates again the decrease. As a whole, according to the results of the Q1 of 2014 the regulatory capital of JSC "Raiffeisen Bank Aval" decreased by UAH 180,775 mln or by 2,13%: from UAH 8,481 bn as at 01.01.2014 down to UAH 8,300 bn as at 01.04.2014. The revealed trends correspond to the general trend on the banking system of Ukraine.

**Fig. 1. Dynamics of the regulatory capital (N1) of JSC "Raiffeisen Bank Aval" from 01.01.2013 to 01.04.2014**



Dynamics of the norm of the regulatory capital adequacy of the Bank (N2) and the norm of the ratio of the regulatory capital to total assets of the Bank (N3) in the period from 01.01.2014 to 01.04.2014 corresponded to the trends in the banking system of Ukraine and demonstrated downward trend. At the same time, the values of norms N2 and N3 of JSC "Raiffeisen Bank Aval" with a noticeable reserve exceeded the NBU requirements with respect to its limits and indicators of these norms in average on the banking system. Thus, in the period from 01.01.2014 to 01.04.2014:

- The norm of the regulatory capital adequacy of the Bank (N2) decreased by 2,02 p.p. amounted to 18,60% (with the indicator required by NBU «not less 10%» and the average indicator on the banking system at the level 14,80%);
- The norm of the ratio of regulatory capital to total assets (N3) reduced by 1,51 p.p. – down to 14,88% (with the normative indicator «not less 9%» and the average on the system of Ukrainian banks 12,84%) (table 2).

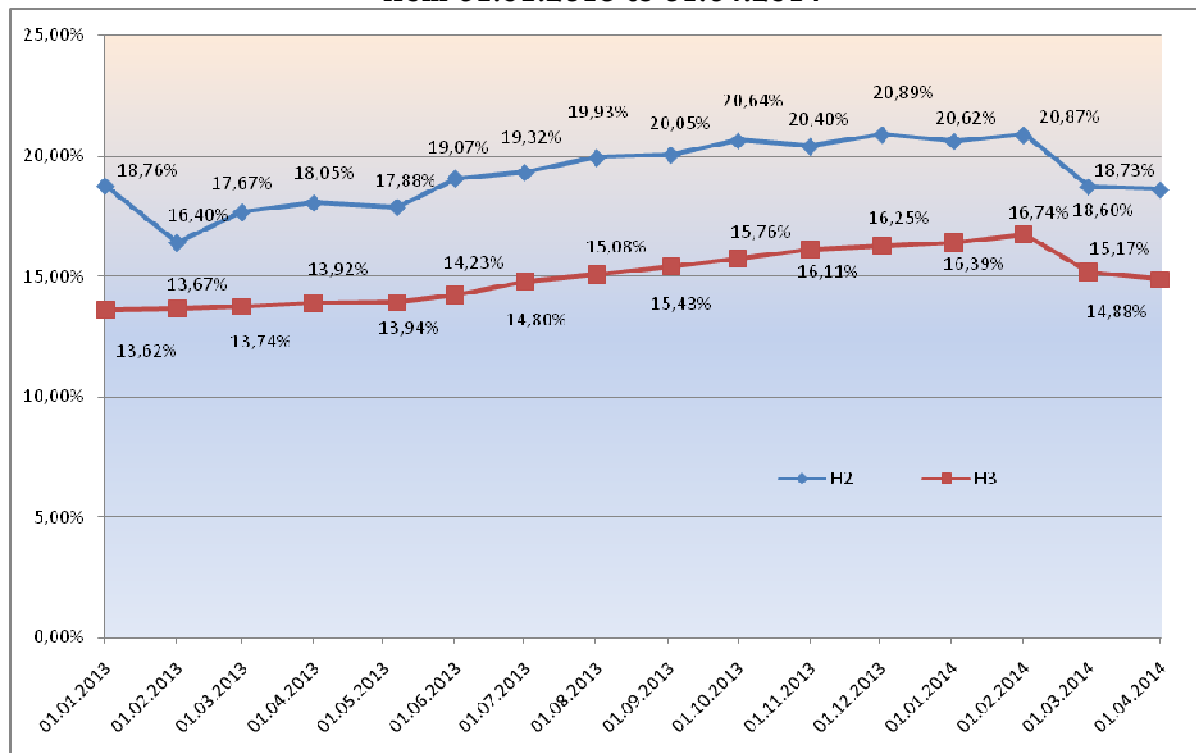
Table 2

Data on dynamics of the equity norms of JSC "Raiffeisen Bank Aval"

Indicator	The norm	01.04.2014		01.01.2014	
		Bank's value	Value on the system	Bank's value	Value on the system
Regulatory capital (N1), th. UAH	>120 mln	8 299 917	-	8 480 692	-
Norm of the regulatory capital adequacy (N2)	>10%	18,60%	14,80%	20,62%	18,26%
Norm of the ratio of regulatory capital to total assets (N3)	>9%	14,88%	12,84%	16,39%	13,98%

Analysis of the monthly dynamics of the equity norms of JSC "Raiffeisen Bank Aval" (N2 and N3) in the period from 01.01.2013 to 01.04.2014 demonstrates a confident upward trend N2 (up to 01.02.2014), and on N3 there were multidirectional trends of growth (up to 01.02.2014) (fig. 2).

**Fig. 2. Dynamics of the equity norms N2 and N3 of JSC "Raiffeisen Bank Aval" from 01.01.2013 to 01.04.2014**



#### Shareholders' support

According to the data of the National bank of Ukraine as at April 01, 2014 the 96,44% of shares of JSC "Raiffeisen Bank Aval" belonged to Raiffeisen Bank International AG (Austria, Vienna city). Control of the direct owner (Raiffeisen Bank International AG) in JSC "Raiffeisen Bank Aval" is provided by Raiffeisen-Landesbanken-Holding GmbH.

As at today JSC "Raiffeisen Bank Aval" is a subsidiary bank of Raiffeisen Bank International AG, which considers Central and Eastern Europe (including Austria) as its internal market. Raiffeisen Bank International AG works in Central and Eastern Europe (CEE) region for already 25 years and today

manages a wide network of subsidiary banks, leasing companies and organizations, which provide specialized financial services in the markets of 17 countries.

As a universal bank, Raiffeisen Bank International AG enters a number of the leading banks of the region. A significant role, which the bank achieved, is supported by the brand Raiffeisen, one of the most recognizable brands in the region. After the change of the strategy in 2010 Raiffeisen Bank International AG is now positioning itself as a fully integrated banking group in the field of corporate and retail business in the CEE.

In 2013 the consolidated profit of Raiffeisen Bank International AG amounted to EUR 0,577 bn. Assets of Raiffeisen Bank International AG on 31/12/2013 amounted to EUR 130,640 bn, and in total Raiffeisen Bank International AG hired 57901 persons (*table 2a*).

*Table 2a*

Key indicators of Raiffeisen Bank International AG, bn. EUR, %

Indicators	2013 (31/12/2013)	2012 (31/12/2012)	Change	Growth rate, %
Net interest income	3,729	3,472	0,257	7.40%
Consolidated profit	0,577	0,730	-0.153	-20.96%
Equity	10,364	10,873	-0,509	-4.68%
Total assets	130,640	136,116	-5,476	-4.02%
Capital adequacy tier 1	11.2%	11.2%	-	-
Net interest margin	3.11%	2.66%	0.45 p.p.	-
EPS	1,83	2,72	-0.89	-32.72%
Quantity of employees, persons	57901	60084	-2183	-3.63%

Source: Ad-hoc Release. Raiffeisen Bank International: Full Year Results 2013

Work scale of Raiffeisen Bank International AG and current income of the group, according to the Agency's estimations, are sufficient to provide JSC "Raiffeisen Bank Aval" with any necessary level of external support. Besides, shares of Raiffeisen Bank International AG are traded at the Vienna stock exchange with free float 39,3%.

60,7% shares of Raiffeisen Bank International AG belong to the Raiffeisen Zentralbank Österreich Aktiengesellschaft. Both banks are the backbone of RZB Group. As at 31/03/2014 assets of RZB Group amounted to EUR 147,324 bn, shareholders' equity – EUR 11,788 bn, customer deposits – EUR 75,660 bn. Two-stage ownership structure of "Raiffeisen Bank Aval", when the controlling owner, shareholder of the bank is also the bank, only increases the likelihood of external support.

Therefore, the Agency estimates the possibility of external support of JSC "Raiffeisen Bank Aval" on the part of shareholder as very high.

### 3. Asset quality

Assets of JSC "Raiffeisen Bank Aval" grew by UAH 1,527 bn or by 3,51% in the Q1 of 2014 and on 01.04.2014 reached UAH 44,987 bn. In the Bank's assets in the period from 01.01.2014 to 01.04.2014 a positive dynamics was demonstrated by trading securities (+8,20% or UAH 17,267 mln.), funds in other banks (+185,90% or UAH 97,989 mln.), customer credits and debt (+9,69% or by UAH 2,620 bn.), as well as by loan provisions (+30,05% or UAH 2,659 bn.).

Table 3

Assets of JSC "Raiffeisen Bank Aval", th. UAH, %

Indicator	01.04.2014	01.01.2014	Change	Growth rate, %
Cash and cash equivalents	5 022 642	5 266 801	-244 159	-4,64%
Reserve funds in NBU	213 711	577 002	-363 291	-62,96%
Trading securities	227 889	210 622	17 267	8,20%
Funds in other banks	150 700	52 711	97 989	185,90%
Credits and debt of clients, including:	29 666 837	27 046 847	2 619 990	9,69%
- credits and debts of legal entities	21 176 286	19 237 500	1 938 786	10,08%
- credits and debts of individuals	8 490 551	7 809 347	681 204	8,72%
Customer credits and debt provisions	11 508 125	8 848 884	2 659 241	30,05%
Portfolio securities for sale	4 963 429	5 150 515	-187 086	-3,63%
Portfolio securities to redeem	343 820	538 629	-194 809	-36,17%
Fixed capital and intangible assets	2 663 880	2 741 360	-77 480	-2,83%
Other financial assets	329 783	559 103	-229 320	-41,02%
<b>Total assets:</b>	<b>44 986 700</b>	<b>43 460 101</b>	<b>1 526 599</b>	<b>3,51%</b>

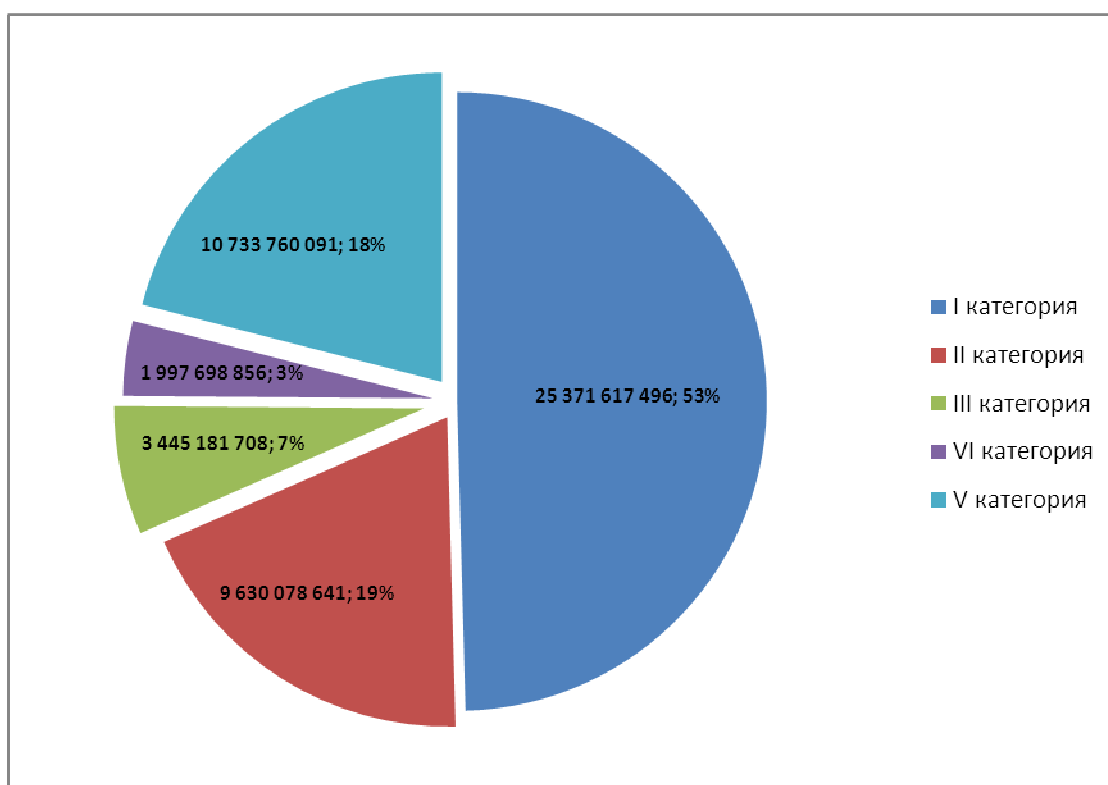
The key income asset of JSC "Raiffeisen Bank Aval" is a loan portfolio whose volume according to the results of the Q1 of 2014 amounted to UAH 29,667 bn. As at 01.04.2014 the proportion of customer credits and debt of the Bank in assets amounted to 65,95%, while as at 01.01.2014 this indicator was at the level 62,23%. A noticeable share in the Bank's assets was also occupied by securities for sale – 11,03% (UAH 4,963 bn.).

Analysis of quality of the loan portfolio of JSC "Raiffeisen Bank Aval" was conducted by the Agency on the basis of the Bank's data on classification of credit operations on quality categories (risk) (fig. 3).

As at 01.04.2014 the 68% of credit operations of JSC "Raiffeisen Bank Aval" were attributed to the first and second categories of quality, i.e. they differed by the minimal and moderate levels of risk. The proportion of non-performing assets of the Bank (attributed to the fourth and fifth categories of quality) as at 01.04.2014 amounted to 21,9%, while as at 01.01.2014 its proportion was at the level 18,5%.



**Fig. 3. Loan portfolio structure of JSC "Raiffeisen Bank Aval" by categories of quality as at 01.04.2014**



It should be noted that JSC "Raiffeisen Bank Aval" formed a significant volume of customer credits and debt provisions, which on 01.04.2014 amounted to UAH 11,508 bn, and indicator of the ratio of loan provisions to customer credits and debt of the Bank on the appointed date amounted to 27,95%.

#### 4. Liquidity

Analysis of liquidity norms of JSC "Raiffeisen Bank Aval" indicates that the Bank maintains its values with reserve with respect to the limit levels set by the regulator. According to the results of the Q1 of 2014 (in the period from 01.01.2014 to 01.04.2014) JSC "Raiffeisen Bank Aval" demonstrated a positive dynamics of the norms of instant (N4) and current (N5) liquidity, while in the average on the banking system of Ukraine there was noted a synchronous decrease in all the three norms of liquidity (N4, N5 and N6).

As of 01.04.2014 compared to 01.01.2014 the liquidity norms of JSC "Raiffeisen Bank Aval" have undergone the following changes:

- Norm of instant liquidity (N4) increased by 2,33 p.p. and amounted to 32,73%. Therefore, N4 exceeded by 12,73 p.p. the normative indicator, set by the regulator, but was by 16,08 p.p. lower than in average on the banking system;
- Norm of current liquidity (N5) grew by 8,12 p.p. – up to 81,91%. As a result, N5 was higher by 41,91 p.p. than the limit value, as well as exceeded the average market indicator of this norm by 2,28 p.p.;



- Norm of short-term liquidity (N6) decreased by 3,02 p.p. and amounted to 80,09% that resulted in the fact that N6 exceeded the limit value, set by NBU, by 20,09 p.p., but at the same time, N6 was by 3,14 p.p. lower than the average indicator on the banking system (*table 4*).

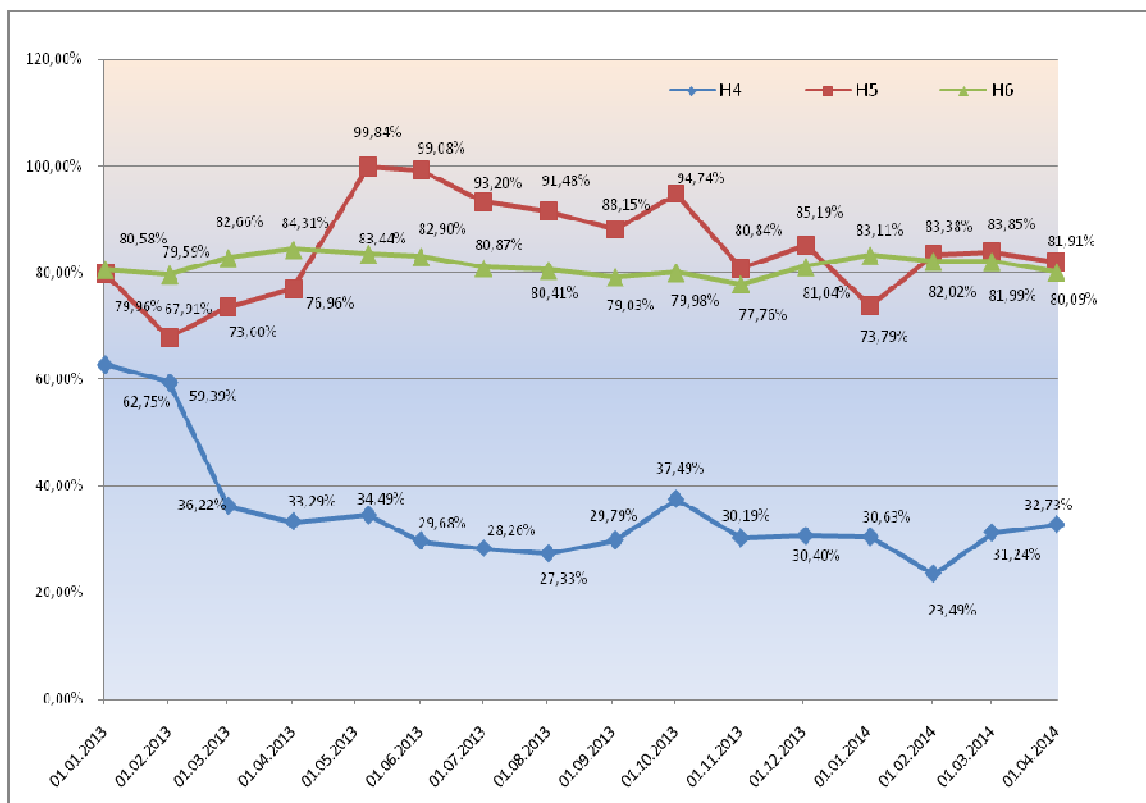
Table 4

Data on the dynamics of the liquidity ratios of JSC "Raiffeisen Bank Aval"

Indicator	Normative value	01.04.2014		01.01.2014	
		Bank's value	Value on the system	Bank's value	Value on the system
Instant liquidity ratio (N4)	>20%	32,73%	48,81%	30,40%	56,99%
Current liquidity ratio (N5)	>40%	81,91%	79,63%	73,79%	80,86%
Short-term liquidity ratio (N6)	>60%	80,09%	83,23%	83,11%	89,11%

A monthly dynamics of the liquidity norms of JSC "Raiffeisen Bank Aval" in the period from 01.01.2013 to 01.04.2014 is represented in *fig. 4*.

**Рис. 4. Dynamics of liquidity ratios N4, N5 and N6 of JSC «Raiffeisen Bank Aval» from 01.01.2013 to 01.04.2014**



As seen from *fig. 4*, the liquidity ratios of the Bank showed multidirectional dynamics. Thus, the short-term liquidity norm of the Bank (N6) demonstrated a uniform trend, and its values changed in a small range around the level of 80%. Ratios of instant (N4) and current (N5) liquidity of the Bank showed a more diverse dynamics. Thus, as at the beginning of 2013 N4 was at the level 62,75%, but already on 01.03.2013 its value decreased approximately in twice (down to 36,22%) and up to 01.04.2014 the ratio N4 fluctuated around the level of 30%. At the same time, sharp jumps of N4 were noted as of 01.10.2013 (37,49%) and on 01.02.2014 (23,49%).

Therefore, in 2013 JSC "Raiffeisen Bank Aval" decreased the surplus of the normative of instant liquidity (N4) and optimized the ratios of current (N5) and short-term (N6) liquidity that subsequently had a positive impact on the dynamics of its main income.

## 5. Income and expenses of the bank

According to the Q1 of 2014 compared to the Q1 of 2013 JSC "Raiffeisen Bank Aval" showed a good increase in key items of income, namely:

- Net interest income of the Bank increased by UAH 296,187 mln or by 34,55% and amounted to UAH 1,154 bn;
- Net commission income grew by UAH 15,222 mln or by 4,62% – up to UAH 345,037 mln.;
- Result from operations with foreign currency increased in more than 4 times (by UAH 81,571 mln or by 322,84%): from UAH 25,267 mln up to UAH 106,838 mln (*table 5*).

*Table 5*

Data on dynamics of certain items of income, costs and net profit of JSC "Raiffeisen Bank Aval", th. UAH, %

Indicator	QI of 2014	QI of 2013	Change	Growth rate, %
Net interest income	1 153 531	857 344	296 187	34,55%
Net commission income	345 037	329 815	15 222	4,62%
Result from operations with foreign currency	106 838	25 267	81 571	322,84%
Administrative and other operative costs	(736 236)	(813 095)	-76 859	-9,45%
Result from revaluation of foreign currency	(1 012 893)	(4 910)	1 007 983	20529,19%
Deductions to loan and funds in other banks provisions	(868 130)	(303 919)	564 211	185,65%
<b>Profit/(loss)</b>	<b>(943 069)</b>	<b>83 936</b>	-	-

A positive moment is also a decrease in administrative and other operating costs of JSC "Raiffeisen Bank Aval" by UAH 76,859 mln or by 9,45%, which was demonstrated by the Bank according to the results of the first quarter of current year compared to the same period of last year.

Despite a number of positive trends, JSC "Raiffeisen Bank Aval" finished the Q1 of 2014 with loss of UAH 943,069 mln against profit of UAH 83,936 mln according to the results of the Q1 of 2013. Key factors, which provided the most weighty pressure on the Bank's financial result, became a considerable growth of negative result from revaluation of foreign currency (in 206 times or by UAH 1,008 bn – up to UAH 1,013 bn), as well as an increase in the Bank's deductions to loan and funds in other banks provisions (by 185,65% or by UAH 564,211 mln – up to UAH 868,130 mln). Therefore, JSC "Raiffeisen Bank Aval" fully felt the negative impact of the devaluation of the hryvnia. It should be noted that according to the results of the Q1 of 2014 the banking system of Ukraine also showed a loss (in the amount of UAH 1,993 bn). At the same time, it should be emphasized that according to the results of the Q1 of 2013 JSC "Raiffeisen Bank Aval" generated a record amount of profit in the sum of UAH 730,045 mln.

Unprofitable activity of the Bank in the Q1 of 2014 restricts its credit rating, but isn't a definitive factor, affecting the Bank's ratings, which reflects its reliability. The Agency identifies a loss, received by the Bank in the Q1 of 2014, as situational.

## **6. Summary of rating components**

According to the results of research the rating committee of RA "Standard-Rating" decided to assign a long-term credit rating at the level uaAA+ to JSC "Raiffeisen Bank Aval". Bank or separate bond instrument with rating uaAA+ is characterized by a very high solvency compared to other Ukrainian borrowers or bond instruments. It was also decided to assign a short-term credit rating at the level uaK1 and the highest rating of deposits ua.1 to the Bank.

In its decision the Agency was based on the following conclusions:

1. JSC "Raiffeisen Bank Aval" refers to the group of the largest banks of Ukraine in terms of asset volume. As at 01.04.2014 assets of JSC "Raiffeisen Bank Aval" amounted to UAH 44,987 bn. Among the 181 banks JSC "Raiffeisen Bank Aval" occupied the 7<sup>th</sup> position in the NBU ranking of Ukrainian banks in terms of assets. According to the Agency's assessments as at 01.04.2014 the proportion of assets of JSC "Raiffeisen Bank Aval" in assets of the banking system of Ukraine amounted to 3,42%, the proportion of the Bank in the loan portfolio of the system was at the level 3,37%, and the proportion of JSC "Raiffeisen Bank Aval" in funds of clients, raised by Ukrainian banks, amounted to 3,34%.

2. JSC "Raiffeisen Bank Aval" conducts its history in the Ukrainian market of banking services since 1992. As at today JSC "Raiffeisen Bank Aval" is a subsidiary bank of Raiffeisen Bank International AG (Austria, Vienna), which has already worked for about 25 years in the region of Central and Eastern Europe and manages a wide network of subsidiary banks, leasing companies and organizations, which provide specialized financial services in the markets of 17 countries of the world. As a universal bank Raiffeisen Bank International AG is one of the leading banks of the region. The Agency estimates the possibility of external support of JSC "Raiffeisen Bank Aval" on the part of the shareholder as very high.

3. JSC "Raiffeisen Bank Aval" entered the Q2 of 2014 with a good reserve of equity norms. As at 01.04.2014 the regulatory capital of the Bank (N1) amounted to UAH 8,300 bn, the norm of the regulatory capital adequacy (N2) amounted to 18,60%, and the norm of the ratio of the regulatory capital to total assets (N3) was at the level 14,88%. The values of norms N2 and N3 of JSC "Raiffeisen Bank Aval" exceeded the NBU requirements in relation to its limits and the indicators of these norms in average on the banking system of Ukraine.

4. The key income asset of JSC "Raiffeisen Bank Aval" is a loan portfolio the amount of which according to the results of the Q1 of 2014 amounted to UAH 29,667 bn. As at 01.04.2014 the proportion of clients' credits and debt amounted to 65,95% in assets of the Bank. As at 01.04.2014 68% of the loan operations of JSC "Raiffeisen Bank Aval" were attributed to the first and second categories of quality, i.e. differed by minimal and moderate level of risks. The

proportion of NPL (non-performing loans) of the Bank amounted to 25%. At the same time, JSC "Raiffeisen Bank Aval" formed a significant volume of loan provisions and clients' debt, which on 01.04.2014 amounted to UAH 11,508 bn, and the indicator of the ratio of loan provisions to credits and debt of the Bank's clients (including reserves) at the appointed date amounted to 27,95%.

5. Liquidity norms (N4, N5 and N6) of JSC "Raiffeisen Bank Aval" exceed with reserve the limits set by the regulator. Thus, as at 01.04.2014 N4 amounted to 32,73%, N5 was at the level 81,91%, and N6 amounted to 80,09%. In the period from 01.01.2014 to 01.04.2014 JSC "Raiffeisen Bank Aval" demonstrated a positive dynamics of the norms of instant (N4) and current (N5) liquidity, while in average on the banking system of Ukraine it was noted a synchronous decrease in all the three norms of liquidity (N4, N5 and N6). It should be also noted that in 2013 JSC "Raiffeisen Bank Aval" decreased the excess of the norm of instant liquidity (N4) and optimized the norms of current (N5) and short-term (N6) liquidity that subsequently positively affected the dynamics of its key incomes.

6. According to the results of the Q1 of 2014 compared to the Q1 of 2013 JSC "Raiffeisen Bank Aval" showed a good increase in key items of income: net interest income (+34,55%), net commission income (+4,62%) and result from operations with foreign currency (+322,84%). At the same time, the Bank reduced administrative and other operational costs by 9,45%. But, despite the above positive trends, according to the results of the Q1 of 2014 JSC "Raiffeisen Bank Aval" received a loss of UAH 943,069 mln. The most significant pressure on the financial result of the Bank was made by a considerable growth of a negative result from the revaluation of foreign currency and by the increase in the Bank's deductions for loan provisions and funds in other banks. At the same time, it is necessary to emphasize that according to the results of 2013 JSC "Raiffeisen Bank Aval" generated a record volume of profit in the amount of UAH 730,045 mln.

An unprofitable activity of the Bank in the Q of 2014 restricts its credit rating, but isn't a determinative factor influencing the Bank's ratings, which reflect its reliability. A good reserve of liquidity, equity adequacy, a high level of external support on the part of the shareholder are the main factors, which influenced the Bank's credit rating and rating of its deposits.

## Rating scale for estimation of the banks' credit rating

National rating scale adapted by  
RA 'Standard-Rating' (Ukraine) for the estimation  
of credit risks of Ukrainian banks

Rating	Contents of banks credit rating according to the national scale
<b>Investment grade levels of rating</b>	
<b>uaAAA</b>	The bank or the debt instrument with the rating uaAAA is characterized by high credit status in comparison with other Ukrainian banks or debt instruments
<b>uaAA</b>	The bank or the debt instrument with the rating uaAA is characterized by very high credit status in comparison with other Ukrainian banks or debt instruments
<b>uaA</b>	The bank or the debt instrument with the rating uaA is characterized by high credit status in comparison with other Ukrainian banks or debt instruments Credit status level is sensitive to the influence of adverse commercial, financial and economic conditions.
<b>uaBBB</b>	The bank or the debt instrument with the rating uaBBB is characterized by sufficient credit status in comparison with other Ukrainian banks or debt instruments Credit status level depends upon the influence of adverse commercial, financial and economic conditions.
<b>Speculative grade levels of rating</b>	
<b>uaBB</b>	The bank or the debt instrument with the rating uaBB is characterized by lower than sufficient credit status in comparison with other Ukrainian banks or debt instruments. Credit status level is strongly dependent upon the influence of adverse commercial, financial and economic conditions.
<b>uaB</b>	The bank or the debt instrument with the rating uaB is characterized by low credit status in comparison with other Ukrainian banks or debt instruments. Credit status level is very strongly dependent upon the influence of adverse commercial, financial and economic conditions.
<b>uaCCC</b>	The bank or the debt instrument with the rating uaCCC is characterized by very low credit status in comparison with other Ukrainian banks or debt instruments. There is potential probability of default
<b>uaCC</b>	The bank or the debt instrument with the rating uaCC is characterized by high probability of default
<b>uaC</b>	The Bank is expecting default of liabilities.
<b>uaD</b>	The Bank defaulted. The payout of principal amount and interests on debt obligations has been suspended without reaching an agreement with creditors on restructuring the debt upon maturity.

«-» or «+» are intermediate rating categories within the major categories

The national scale of credit rating for Ukrainian banks has been approved by the resolution of the Cabinet of Ukraine no. 665 of April, 26th, 2007 'On approval of national rating scale'.