

**Rating Action: VAB Bank****Moody's concludes ratings review of five Ukrainian banks**

Moscow, September 08, 2009 -- Moody's Investors Service has today taken rating actions on five Ukrainian banks, as follows: the Bank Financial Strength Ratings (BFSRs) of OTP Bank Ukraine, Raiffeisenbank Aval, UkrSibbank and UkrSotsbank were downgraded by one notch with a negative outlook, whilst debt, deposit and National Scale Ratings (NSRs) of these banks were affirmed. The BFSR of VAB Bank was downgraded by one notch with a stable outlook, whilst its local currency deposit and foreign currency debt ratings have been downgraded by two notches and foreign currency deposit rating was downgraded by one notch with a negative outlook. These rating actions conclude a rating review initiated by Moody's on 2 April 2009.

The following ratings have been downgraded:

- OTP Bank Ukraine: BFSR to D- from D
- Raiffeisen Bank Aval: BFSR to D- from D
- UkrSibbank: BFSR to D- from D
- UkrSotsbank: BFSR to D- from D
- VAB Bank: BFSR to E from E+, local currency deposit rating to Caa1 from B2, senior unsecured debt rating to Caa1 from B2 and national scale rating (NSR) to Ba2.ua from A3.ua.

Today's rating actions do not affect the following ratings of the aforementioned issuers:

- OTP Bank Ukraine: Long-term local currency deposit rating of Ba1, foreign currency deposit rating of B3, short-term Not Prime deposit and debt ratings and NSR of Aa1.ua.
- Raiffeisen Bank Aval: Long-term local currency deposit rating of Ba1, foreign currency deposit rating of B3, local currency debt rating of Ba1, short-term Not Prime deposit and debt ratings, national scale debt rating of Aaa.ua and national scale deposit rating of Aa1.ua.
- UkrSibbank: Long-term local currency deposit rating of Ba1, foreign currency deposit rating of B3, foreign currency debt rating of B1, short-term Not Prime deposit and debt ratings and NSR of Aa1.ua.
- UkrSotsbank: Long-term local currency deposit rating of Ba1, foreign currency deposit rating of B3, local currency debt rating of Ba1, foreign currency debt rating of B1, short-term Not Prime deposit and debt ratings and NSR of Aa1.ua.
- VAB Bank: Short-term Not Prime deposit rating.

Today's rating action concludes the review for possible downgrade initiated by the rating agency on 2 April 2009. The review was driven by Moody's concerns about the potential impact of the enduring economic downturn in Ukraine on these banks' asset quality and financial performance, putting a further negative pressure on the banks'

capital levels.

When concluding the review, Moody's applied a number of scenarios (base-case and stressed) to the banks' loan books to assess the impact of currently reported as well as anticipated deterioration of asset quality on the banks' capitalisation and profitability. The application of these scenarios has revealed that the asset quality deterioration experienced by Ukrainian banks was mostly in line with Moody's previous expectations for the base-case scenario, although for some asset classes (in particular, foreign-currency-denominated mortgages and car loans) the level of delinquencies is approaching stressed scenario levels as detailed in Moody's Special Comment "Estimating Bank Credit Losses for Financial Institutions in the CIS" published in July 2009. The on-going de-leveraging pursued by these banks is also reducing the banks' ability to generate earnings and absorb future credit losses.

Moody's further notes that an additional factor contributing to the rating agency's expectation of asset quality deterioration is denomination of significant amounts of loans (varies from 54% to 91%, depending on a bank) and liabilities (varies from 65% to 92%, depending on a bank) of these banks in foreign currencies, mainly in US dollars, whereby the notable weakening of the Ukrainian hryvnia has materially impacted the ability of these banks' borrowers to repay their foreign currency loans, contributing to further substantial increase in non-performing loans (NPLs) and loan loss provisioning charges by the affected banks.

Based on these developments, Moody's anticipates that even after taking into account already announced and accomplished capital injections by these Ukrainian banks in 2009, the capital position of these banks has been weakened and is unlikely to be restored to the previous level in the short-to-medium term, thus weakening the banks' stand-alone credit risk profiles and thus necessitating the downgrades of these banks' BFSRs.

Moody's further commented that it has affirmed debt and deposit ratings of OTP Bank Ukraine, Raiffeisenbank Aval, UkrSibbank and UkrSotsbank, as these ratings continue to be underpinned by parental support provided to these banks by their parent banks, all being large EU banking groups. Moody's believe that parental support is likely to be forthcoming for these Ukrainian banks due to the reputational risk considerations by the respective parent banks and due to continued strategic fit of these bank's operations into their parent bank strategies.

The last rating actions for OTP Bank Ukraine and VAB Bank was on 12 May 2009 when the long-term global foreign currency deposit ratings of the these banks were downgraded to B3 from B2 with a negative outlook following Moody's rating action on the sovereign ceiling for foreign currency bank deposits for Ukraine.

The last rating actions for UkrSotsbank was on 12 May 2009 when the long-term global foreign currency deposit rating was downgraded to B3 from B2 with a negative outlook, the long-term foreign currency debt rating was downgraded to B1 (from Ba3) with a negative outlook, and the local currency debt rating was downgraded to Ba1 from Baa3, following Moody's rating action on the sovereign ceiling for foreign currency bank deposits and foreign and local bonds for Ukraine.

The last rating actions for UkrSibbank was on 12 May 2009 when the long-term global foreign currency deposit rating was downgraded to B3 from B2 with a negative outlook, and the long-term foreign currency debt rating was downgraded to B1 (from Ba3) with a negative outlook, following Moody's rating action on the sovereign ceiling for foreign currency bank deposits and bonds for Ukraine.

The last rating actions for Raiffeisen Aval was on 12 May 2009 when the long-term global foreign currency deposit rating was downgraded to B3 from B2 with a negative outlook, the local currency debt rating was downgraded to Ba1 from Baa3, and the national scale rating was downgraded to Aa1.ua from Aaa.ua, following Moody's rating action on the sovereign ceiling for foreign currency bank deposits and foreign and local bonds for Ukraine.

The principal methodologies used in rating the issuers --OTP Bank Ukraine, Raiffeisen Bank Aval, UkrSibbank, UkrSotsbank, VAB Bank -- are "Bank Financial Strength Ratings: Global Methodology", published in February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published in March 2007 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer

can also be found in the Rating Methodologies sub-directory on Moody's website.

Headquartered in Kiev, Ukraine, OTP Bank Ukraine's assets, as reported under IFRS, amounted to US\$4.5 billion as of year-end 2008.

Headquartered in Kiev, Ukraine, Raiffeisenbank Aval reported IFRS total assets of US\$8.8 billion at the year-end of 2008.

Headquartered in Kiev, Ukraine, UkrSibbank reported IFRS total assets of US\$7 billion at year-end 2008.

Headquartered in Kiev, Ukraine, UkrSotsbank reported IFRS total assets of US\$6.4 billion at year-end 2008.

Headquartered in Kiev, Ukraine, VAB Bank reported -- under local accounting standards -- total assets of US\$1 billion as at year-end 2008.

London
Reynold R. Leegerstee
Managing Director
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moscow
Yaroslav Sovgyra
VP - Senior Credit Officer
Financial Institutions Group
Moody's Eastern Europe LLC
Telephone: +7 495 228 6060
Facsimile: +7 495 228 6091

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