

Rating action: Update of a long-term credit rating according to the national scale

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The issuer: JSC “UkrSibbank”

EDRPOU code of the issuer: 09807750

Web-site of the issuer: www.ukrsibbank.com



Long-Term Credit Rating of JSC “UkrSibbank” is Confirmed

On May 31, 2016 the Rating Committee of RA “Expert-Rating” decided to confirm a long-term credit rating of JSC “UkrSibbank” (09807750) at the uaAAA level according to the national scale. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 dated April 26, 2007, the uaAAA-rated bank or separate debt instrument is characterized by the highest solvency compared to other Ukrainian banks or debt instruments. Taking decision to confirm the rating, the Agency took into consideration the results of the Bank’s activities for the first quarter of 2016, as well as statistical statements of the Bank for April 2016.

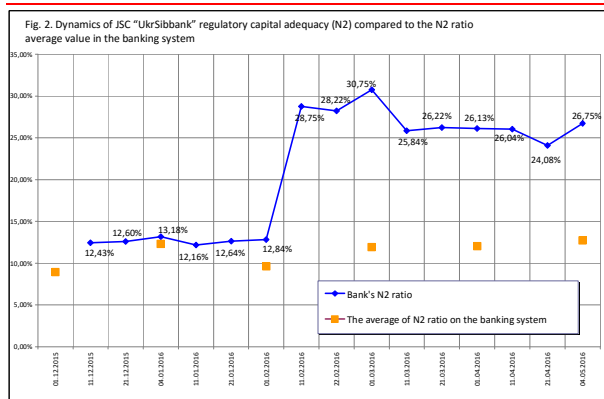
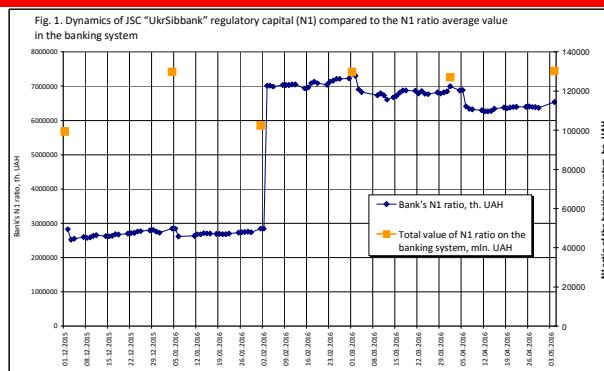
Equity and Capital Adequacy

Up to February 03, 2016 the level of the Bank’s provision with regulatory capital approximately corresponded to the dynamics in the banking system. However, on February 3 the Bank’s regulatory capital adequacy normative (N1) grew from UAH 2.84 bn up to UAH 7.01 bn. The increase resulted from additional capitalization of the Bank by the Bank’s shareholders (EBRD and BNP Paribas) by UAH 3.29 bn.

After additional capitalization of JSC “UkrSibbank” the share of EBRD in the Bank’s equity increased from 15% up to 40%. Nevertheless, BNP Paribas remains the Bank’s key shareholder with the participation share of about 60%. The Agency considers the decrease in the share of BNP Paribas to be an indicator of support of operations by EBRD, the leading international financial group.

The growth of N1 ratio positively affected the Bank’s regulatory capital adequacy normative (N2). After additional capitalization, the N2 ratio of JSC “UkrSibbank” grew up to 28.75%, and at the beginning of May 2016 amounted to 26.75%, with the normative value of 10% and the average value of 12.74% in the banking system

According to the Agency, JSC “UkrSibbank” was greatly provided with the regulatory capital, since the Bank’s shareholders supported the Bank in the first quarter of 2016 at the level exceeding its needs.

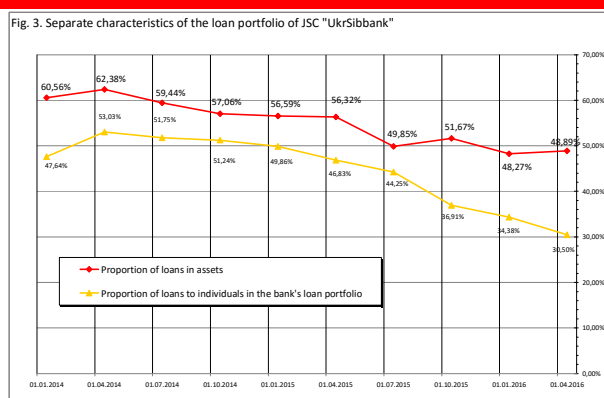


Asset Structure

The same trends in the dynamics of the asset structure of JSC “UkrSibbank”, as observed during 2015, namely, the decrease in the share of loans against the decrease in the proportion of individuals in the Bank’s loan portfolio, continued in the first quarter of 2016.

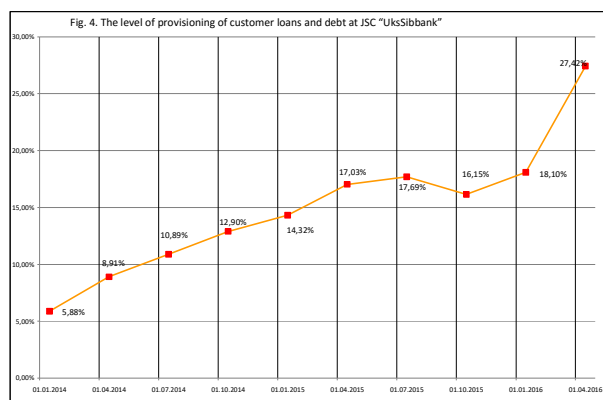
In the midst of the business activity reduction fall of employment rate and revenues of the population, the trends revealed should be referred to the positive ones and characterized as an indirect confirmation of the conservative loan policy of the Bank, aimed at the correction and control over loan risks.

The Agency also noted that according to the results of the first quarter of 2016 the proportion of loan operations on the loans of the fourth and fifth group according to the NBU classification amounted to 19.28% in JSC “UkrSibbank”, with



the average value of 28.73% for solvent banks. At the beginning of the second quarter, the level of the ratio of provisions to customer credits and debt amounted to 27.42%.

Therefore, the dynamics of the Bank's asset structure corresponded to the trends in the banking system, and the quality of the Bank's loan portfolio was higher than in average in the banking system.



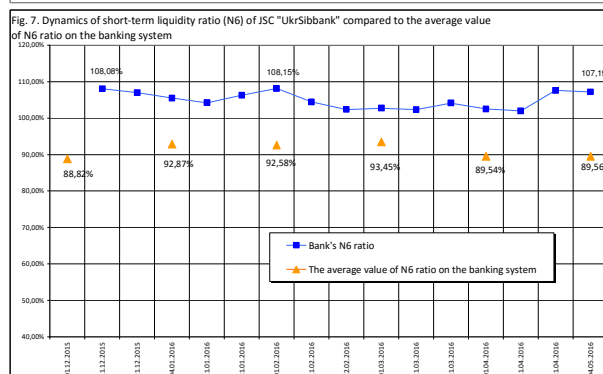
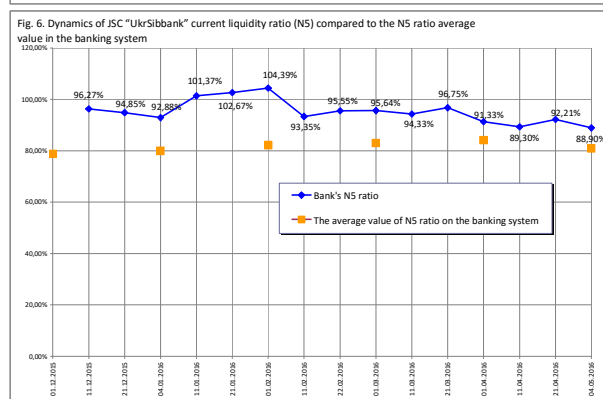
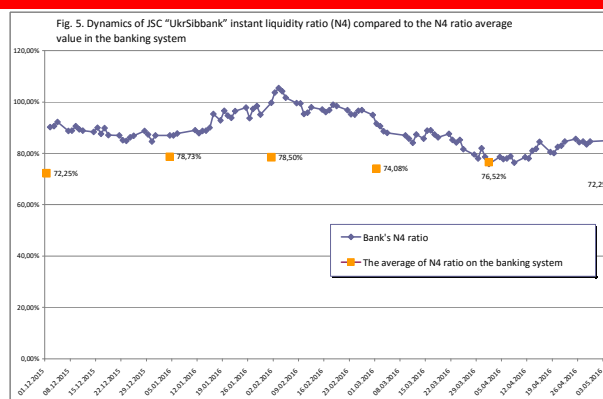
Liquidity

Since the beginning of 2016 JSC "UkrSibbank" was very well provided with liquidity. All the liquidity ratios of the Bank from January 1, 2016 till May 4, 2016 were higher than the average standards in the banking system:

- Instant liquidity ratio of the Bank (N4) at May 4, 2016 amounted to 84.98% with the limit value not less 20% and the average value of 72.25% in the banking system
- Current liquidity ratio of the Bank (N5) at May, 4, 2016 amounted to 88.9% with the limit value not less 40% and the average value of in the banking system
- Short-term liquidity ratio of the Bank (N6) at May4, 2016 amounted to 107.19% with the limit value not less 60% and the average value of 89.56% in the banking system.

The Agency also notes that for the period from January 1, 2016 till May 4, 2016 JSC "UkrSibbank" stably maintained a provision for all the liquidity ratios with respect to the average of N4, N5 and N6 ratios in the banking system. However, it should be taken into consideration that during this period the banking system was in a state of excessive liquidity, which is why the availability of a provision for the liquidity ratios at JSC "UkrSibbank" with respect to the average normative values in the banking system indicates that the Bank has a substantial provision for N4, N5 and N6 ratios.

The availability of the substantial liquidity provision at JSC "UkrSibbank" characterizes the Bank's liquidity management policy as very conservative that corresponds to the situation in the banking sector, as well as to the trends in the Ukrainian economy in the first quarter of 2016.



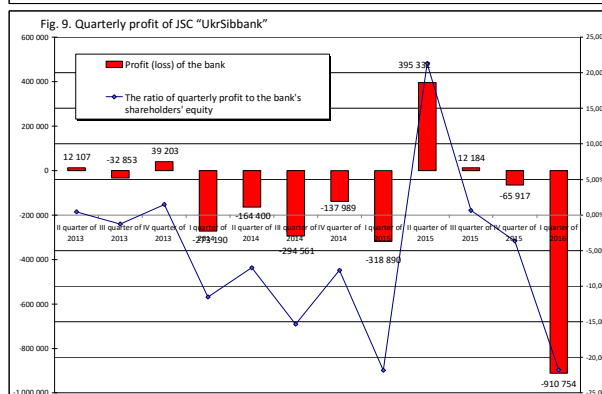
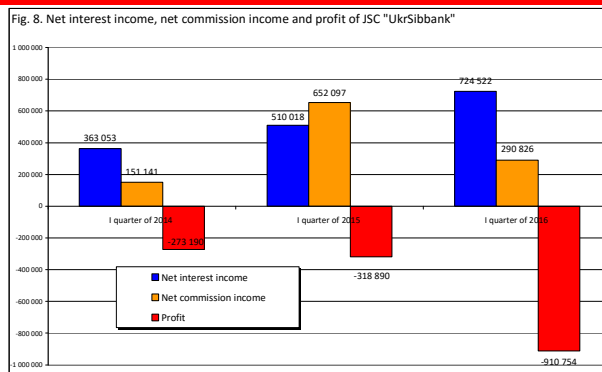
Profitability of Operations

JSC “UkrSibbank” finished the first quarter of 2016 with a loss of UAH 0.911 bn. The Agency reminds that the Bank finished the first quarter of 2015 with a loss of UAH 0.319 bn, the first quarter of 2014 – with a loss of UAH 0.273 bn.

At the same time, the Agency draws attention that during the last three years JSC “UkrSibbank” managed to achieve a noticeable increase in net interest income. The Bank’s NII amounted to UAH 0.363 bn for the first quarter of 2014, to UAH 0.510 bn for the first quarter of 2015 and to UAH 0.725 bn for the first quarter of 2016.

The Agency also reminds that the Bank finished year 2015 with profit after taxation in the amount of UAH 22.709 mil., although the first quarter of 2015 was also unprofitable for the Bank.

Such loss at JSC “UkrSibbank” in the first quarter of 2016, in the Agency’s opinion, won’t considerably affect the Bank’s stability, especially with growing NII, a very high level of the Bank’s provision with liquidity and regulatory capital.



Other Factors

Verification under public databases of the State Fiscal Service showed that JSC “UkrSibbank” was registered with the SFS authorities. At the time, the Bank didn’t have any tax debt.

Generalization

At May 30, 2016 the Bank fulfilled its commitments to clients and lenders according to the applicable legislation and wasn’t referred by the NBU to the category of problem banks.

The Bank was very well provided with the regulatory capital and liquidity, maintained a reserve of key ratios with respect to its averages in the banking system.

The drop of the loans’ share in the Bank’s assets and the share of loans to individuals in the loan portfolio of JSC “UkrSibbank” corresponds to the market trends and is a display of the Bank’s conservative capital and liquidity management policy, which is an adequate response of the Bank to the situation in the banking sector of Ukraine.

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