

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

Date of rating action: 31.05.2017

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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

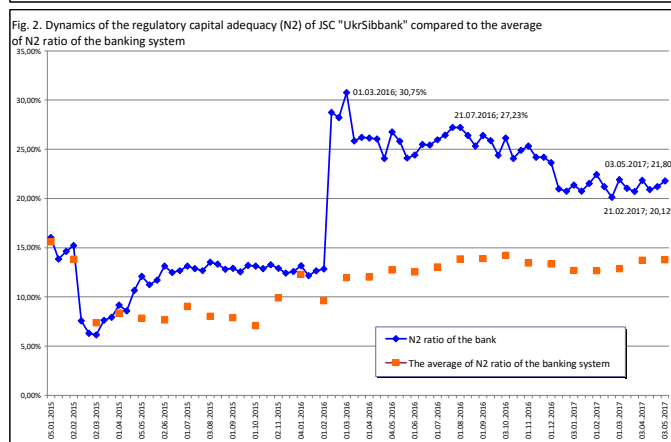
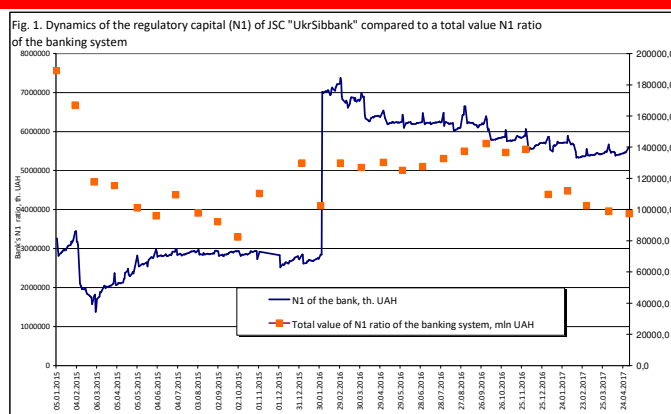
On May 31, 2017 during the meeting of the Rating Committee of RA "Expert-Rating" it was decided to confirm a long-term credit rating of JSC "UkrSibbank" (EDRPOU code 09807750) at the uaAAA level according to the national scale. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 dated 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 2016, as well as statistical statements of the Bank for January – April 2017.

Equity and Capital Adequacy

Since January 2016 the regulatory capital ratio of JSC "UkrSibbank" fluctuated in the range UAH 5.334–5.867 bn with the limit value, set by the NBU, in the amount of not less UAH 120 mln.

Starting from February 11, 2016 the regulatory capital ratio (N2) didn't drop below 20.12%. The Bank's N2 ratio reached its maximum on 01.03.2016 in the amount of 30.75%. Since March, 2016 the Bank's N2 ratio reached its minimum on 21.02.2017 – 20.12%. As of 03.05.2017 the Bank's N2 ratio amounted to 21.8% that exceeded the average value on the system and the limit value, set by the NBU (not less 10%).

According to the Agency, JSC "UkrSibbank" was significantly provided with regulatory capital, since the Bank's shareholders in the first quarter of 2016 provided it with support. In the foreseeable future, the Bank's risk of non-compliance with H1 and H2 ratios is reduced to absolute zero. And although during February 2016 – April 2017 we still see a trend towards a gradual decline in the Bank's N2 ratio, the Agency estimates this process as optimization of equity management, since the reserve of the Bank's regulatory capital remains very significant.

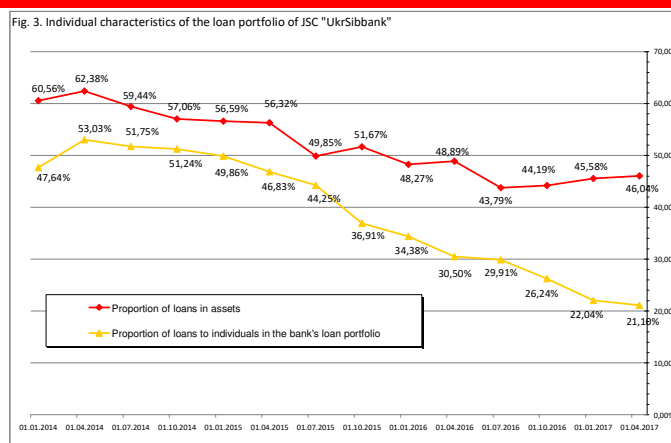


Asset Structure

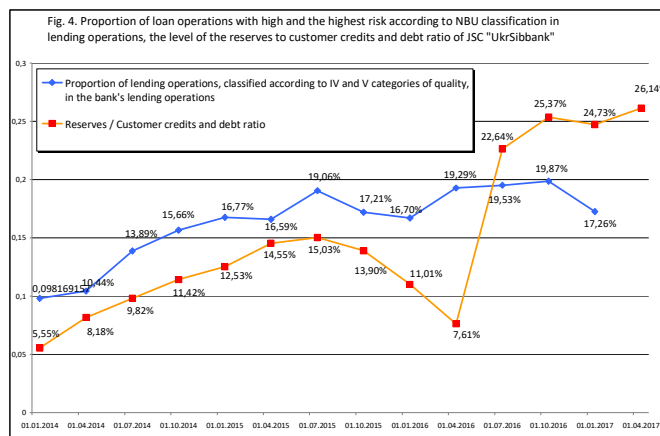
In the first quarter of 2017 the Agency notes the growth of loans in the Bank's assets: from 45.58% to 46.04%. At the same time, throughout the last 15 quarters the proportion of loans to individuals in the Bank's loan portfolio kept decreasing. Thus, for the first quarter of 2017 it decreased from 22.04% down to 21.18%.

On the background of a weak growth of business activity, as well as a fall of employment and population's revenues, the revealed trends should be classified as positive and characterized as an indirect confirmation of the conservative loan policy of the Bank, aimed at control over the loan risks.

Dynamics of the quality of the Bank's loan



portfolio did not deviate significantly from the trends that the banking system showed on average in 2016 and the first quarter of 2017. In the first quarter of 2017 JSC “UkrSibbank” insignificantly reduced provisions (by 0.01%). Such dynamics resulted in a slight growth of the ratio between provisions and customer gross loans and debt, including reserves by 1.41 p.p.



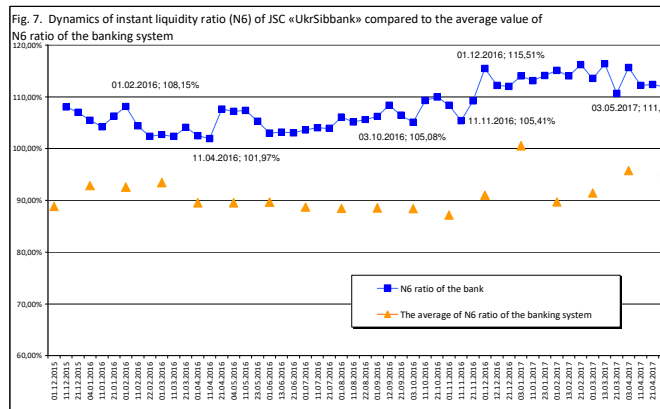
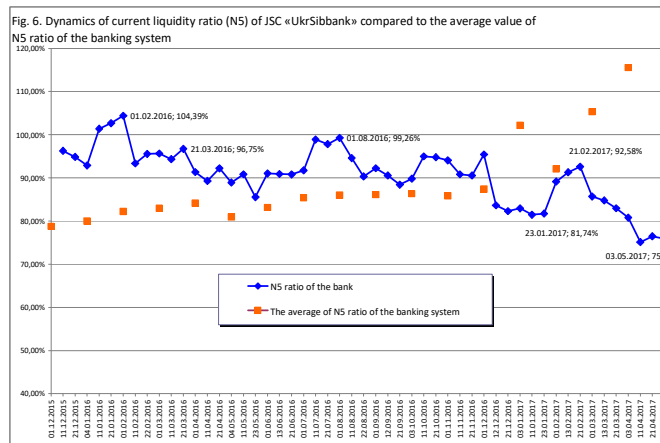
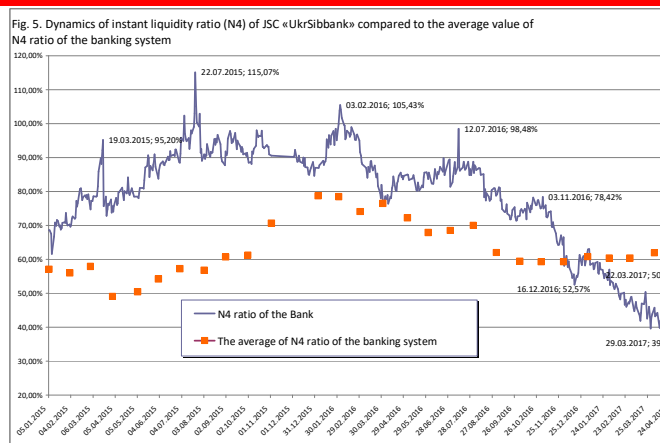
Liquidity

Since the beginning of 2016 JSC “UkrSibbank” was very well provided with liquidity. All the liquidity ratios of the Bank from 01.01.2016 to 01.01.2017 were stably higher than the average standards in the banking system and maximally closed to them, but since the beginning of 2017 the Bank’s N4 and N5 ratios were lower, and the N6 ratio was stably higher than the averages of these standards on the banking system:

- Instant liquidity ratio of the Bank (N4) on 03.05.2017 amounted to 44.37% with the limit value not less 20% and the average value of 60.96% in the banking system;
- Current liquidity ratio of the Bank (N5) on 03.05.2017 amounted to 75.89% with the limit value not less 40% and the average value of 113.41% in the banking system;
- Short-term liquidity ratio of the Bank (N6) on 03.05.2017 amounted to 111.9% with the limit value not less 60% and the average value of 95.54% in the banking system.

The Agency also notes that for the period from 01.01.2016 to 03.05.2017 JSC “UkrSibbank” stably maintained a provision for all the liquidity ratios with respect to the limit values of N4, N5 and N6 ratios, set by NBU.

As well, it should be taken into consideration that during January – April 2017 the banking system was still in a state of excessive liquidity, which is why the deviations of the Bank’s N4 and N5 ratios from the average market values can be perceived as optimization processes in the management of bank liquidity, especially given that the Bank continues to maintain a large reserve of N4 and N5 ratios with respect to the limit values, set by NBU.

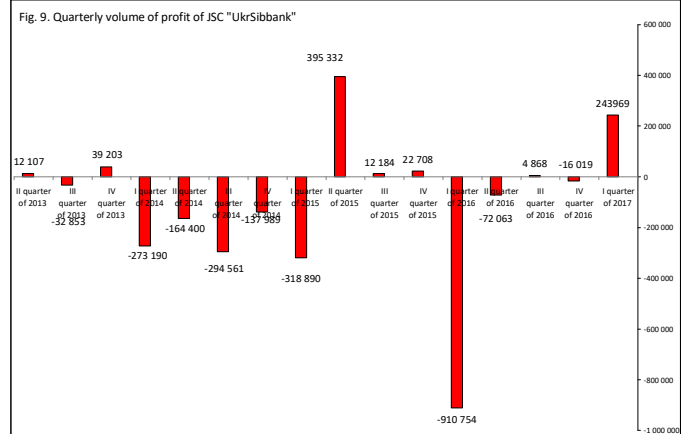
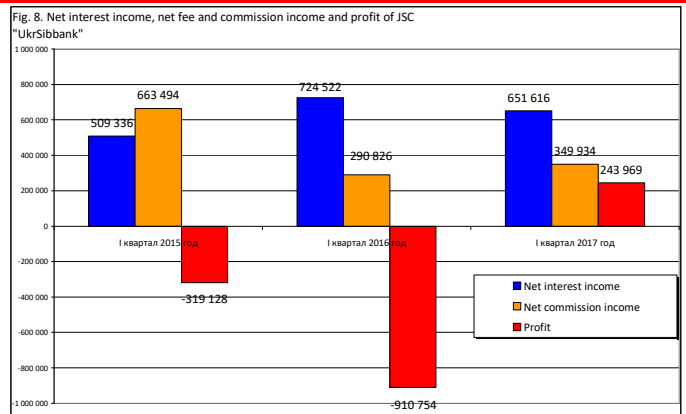


Profitability of Operations

The Agency reminds that JSC “UkrSibbank” finished 2016 with a loss of UAH 0.994 bn. However, according to the results of the first quarter of 2017 the Bank received profit in the amount of UAH 243.969 mln, against a loss for the same period of 2016 in the amount of UAH 910.754 mln. The Agency highly assesses the return of JSC “UkrSibbank” to the profitable activity in 2017. According to the data published by NBU for the last 16 quarters the Bank’s profit in the first quarter of 2017 was less only than profit, received in the second quarter of 2015.

Additionally the Agency draws attention that during the last three years JSC “UkrSibbank” managed to achieve a stabilization of net interest income. For the first quarter of 2015 the Bank’s NII amounted to 509.336 mln, for the first quarter of 2016 – UAH 724.522 mln and for the first quarter of 2017 – UAH 651.616 mln.

The availability of profit at JSC “UkrSibbank” according to the first quarter of 2017 with the relatively stable amount of the loan portfolio provisions, in the Agency’s opinion, can indicate the prospects for the resumption of the Bank’s profitable work throughout the entire 2017 year.



Other factors

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

On May 2, 2017 BNP Paribas Group announced the results of its work in the first quarter of 2017. As well as in 2016, the Group showed an increase in revenues. Net income of the Group for the first quarter of 2017 amounted to EUR 1.894 bn that is by 4.4% (or by 13.2% in comparable terms) more than for the first quarter of 2016. The Group’s CET1 Ratio improved from 11.5 to 11.6%.

Generalization

At the moment of updating the rating 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 while optimizing instant and current liquidity ratios for the current market situation.

JSC “UkrSibbank” returned to the practice of profitable activity in the first quarter of 2017 that deserves a positive assessment.

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