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Confirmed Credit Rating of JSC “UkrSibbank”

On May 29, 2015 Rating Committee of the “Expert-Rating” RA confirmed the **uaAAA** (national Ukrainian scale) credit rating of JSC “UkrSibbank” (hereinafter – the Bank) (EDRPOU 09807750).

Pursuant to the Resolution of the Cabinet of Ministers of Ukraine No.665 of April 26, 2007, the borrower or a separate bond instrument with **uaAAA** rating has the highest solvency compared to other Ukrainian borrowers or debt instruments.

Confirming such a high credit rating, the Agency relied on the results of the Bank’s performance in Q1 of 2015, financial statements and statistical data as well as information relating to the Bank’s activity as an issuer.

Table 1

JSC “UkrSibbank” key balance sheet indicators
according to the performance in Q1 of 2015, in kUAH, p.p., %

Indicators	01.04.2015	01.01.2015	Change	Growth rate, %
Own equity	1 461 494	1 780 587	-319 093	-17.92%
Authorized capital	1 774 333	1 774 333	0	0.00%
Equity to assets ratio, %	4.21%	6.76%	-2.55 p.p.	-
Commitments, total	33 235 909	24 556 188	8 679 721	35.35%
<i>Including commitments in foreign currency</i>	<i>19 075 420</i>	<i>12 918 272</i>	<i>6 157 148</i>	<i>47.66%</i>
Banks' funds	284 266	160 545	123 721	77.06%
Individuals' funds	10 664 935	8 973 333	1 691 602	18.85%
Legal entities' funds	12 735 428	8 451 031	4 284 397	50.70%
Assets, total	34 697 403	26 336 775	8 360 628	31.75%
Liquid assets (Cash and cash equivalents + Funds of mandatory provisions of the bank in the NBU + Trade securities + Funds in other banks)	11 395 644	6 056 338	5 339 306	88.16%
Customer loans and debt with account for provisions	22 867 803	17 039 729	5 828 074	34.20%
Loan provisions	3 327 630	2 134 952	1 192 678	55.86%
Loan provisions for customer loans and debt ratio, %	14.55%	12.53%	2.02 p.p.	-
Securities for sale	884 010	2 466 811	-1 582 801	-64.16%
Liquid assets to commitments ratio, %	34.29%	24.66%	9.62 p.p.	-

Source: data of JSC “UkrSibbank”, calculations by the “Expert-Rating” RA

1. The following balance-sheet changes were observed in Q1 of 2015:

- Own equity decreased by 17.92% (in 2014 own equity decreased by 32.82%);
- Volume of commitments increased by 35.35% (in 2014 commitments increased by 9.23%);
- Volume of credits and debt of Clients of the Bank including reserves in hryvnia equivalent increased by 34.2% (in 2014 these indicators increased by 10.22%).

Dynamics of the key components of the resource base of JSC “UkrSibbank” in hryvnia equivalent in Q1 of 2015 was as follows:

- Legal entities' funds increased by 50.70% (in 2014 – by 13.14%);
- Individuals' funds increased by 18.85% (in 2014 reduced by 2.06%);
- Banks' funds grew by 77.06% (in 2014 decreased by 19.45%).

In Q1 of 2015 JSC “UkrSibbank” continued to increase the volumes of operations in hryvnia equivalent on the Ukrainian market.

The Agency underlines that the most noticeable increase was achieved by the Bank in the segment of attracting funds of legal entities – only within one quarter the volume of funds grew by UAH 4.28 bln. or 50.7%. Given such growth rate, it may be assumed that JSC “UkrSibbank” during the sharp phase of banking crisis in Ukraine became a “safe haven” for corporate sector, suffering from bank defaults.

2. In the Q1 of 2015 the regulatory capital (N1) of the Bank decreased by 27.02% or by UAH 878.88 mln. (in 2014 the decrease amounted to 30.48% or UAH 1.43 bln.). Moreover, in Q1 of 2015 the regulatory capital adequacy of the Bank (N2) decreased from 16.03% to 9.18%. As of 01.04.2015, the value of the Bank's N2 ratio was lower by 0.82 p.p than the limit that was allowed by the NBU but higher than the average of N2 ratio by 0.83 p.p. of the banking system. The latter indicates that in the Q1 of 2015 the Bank had N2 ratio better than the average N2 of the banking system of Ukraine.

In the Q1 of 2015 all the liquidity ratios of the Bank increased; as of 01.04.2015, instant, current and short-term liquidity of the Bank considerably exceeded not only the normative values of the NBU, but also the average N4, N5 and N6 ratios of the market.

Therefore, in the first quarter of 2015 the Bank, under the impact of general trends in the banking system of Ukraine, decreased the regulatory capital adequacy, but at the same time created a very good reserve of liquidity ratios. According to the Agency, such tendency remains the only one possible for the large bank in complicated economic environment.

Table 2

JSC “UkrSibbank” key ratios dynamics, in kUAH, p.p., %

Indicator	NBU requirement	01.04.2015		01.01.2015		Change, kUAH, p.p.
		Bank value	Average system value	Bank value	Average system value	
Regulatory capital (N1), kUAH	not less than kUAH 120,000	2 373 193	-	3 252 069	-	-878 876
Regulatory capital adequacy ratio (N2), %	not less than 10%	9.18%	8.35%	16.03%	15.60%	-6.85 p.p.
Instant liquidity ratio (N4), %	not less than 20%	75.65%	49.11%	68.62%	57.13%	7.03 p.p.
Current liquidity ratio (N5), %	not less than 40%	91.78%	72.92%	87.31%	79.91%	4.47 p.p.
Short-term liquidity ratio (N6), %	not less than 60%	96.58%	78.76%	93.64%	86.14%	2.94 p.p.
Significant credit risk ratio (N8), %	not more than 800%	294.95%	651.32%	60.48%	250.04%	234.47 p.p.
Maximum aggregate loans, guarantees and warranties issued to insiders ratio (N10), %	not more than 30%	2.82%	1.08%	2.21%	1.37%	0.61 p.p.

Source: data of JSC “UkrSibbank”, NBU, calculations by the “Expert-Rating” RA

3. The Bank finished the Q1 of 2015 with a loss of UAH 318.89 mln. that was more by UAH 45.7 mln. than in the Q1 of 2014. According to the Agency's estimations, this loss is not large for the Bank and cannot affect its stability. The Agency would like to remind that JSC “UkrSibbank” finished the 2014 with operating profit in the amount of UAH 939 mln. The Agency also draws attention to the fact that in the Q1 of 2015 net interest income of the Bank grew by 40.48% compared to the Q1 of 2014, and net commission income of the Bank for the same period increased by 331.45%.

Table 3

Key items of income and expenses of JSC “UkrSibbank”, in kUAH, p.p., %

Indicator	Q1, 2015	Q1, 2014	Change	Growth rate, %
Net interest income	510 018	363 053	146 965	40.48%
Net commission income	652 097	151 141	500 956	331.45%
Net commission income to net interest income ratio	127.86%	41.63%	86.23 p.p.	-
Result from operations with foreign currency	-257 682	16 206	-273 888	-1 690.04%
Administrative and other operating expenses	523 223	477 909	45 314	9.48%
Net profit / (loss)	-318 890	-273 190	-45 700	-
ROE, %	-21.82%	-15.34%	-6.48 p.p.	-

Source: data of JSC “UkrSibbank”, calculations by the “Expert-Rating” RA

4. The Agency has additionally studied the Bank standards compliance report for April 2015. As of 05.05.2015, the key standards of JSC “UkrSibbank” had the following values:

- regulatory capital adequacy 12.1%;
- instant liquidity 78.51%;
- current liquidity 92.49%;
- short-term liquidity 96.38%.

In view of the above statistics, it is obvious that the Bank went away from the practice of maintaining the decreased value of N2 ratio and even created a reserve to the standard value, set by the NBU at the level 2.1 p.p. The Bank also improved the indicators of instant and current liquidity compared to the beginning of April 2015.

5. The Agency underlines that JSC “UkrSibbank” has a high level of external support from the shareholders: international financial group BNP Paribas Group (France) and the European Bank for Reconstruction and Development (EBRD). 85% of JSC “UkrSibbank” share belong to BNP Paribas SA and 15% of shares belong to EBRD.

On April 30, 2015 BNP Paribas Group announced the performance results in the Q1 of 2015. According to the group’s results, net profit of BNP Paribas in the Q1 of 2015 amounted to EUR 1.648 bln. that was by 17.46% more than for the same quarter of 2014. Noticeable increase could be observed in all the key income items of BNP Paribas (*table 4*).

Table 4

BNP Paribas key income indicators

bln. EUR, %, p.p.

Indicator	Q1, 2015	Q1, 2014	Change	Growth rate, %
Revenues	11.065	9.911	1.154	11.64%
Gross operating income	3.257	3.118	0.139	4.46%
Operating income	2.213	2.034	0.179	8.80%
Pre-Tax Income	2.552	2.130	0.422	19.81%
Net Income Attributable to Equity Holders	1.648	1.403	0.245	17.46%

Source: Results as of March 31, 2015, p.13 / BNP Paribas, calculations by the “Expert-Rating” RA

BNP Paribas also points out good results in the internal (European) market due to demand recovery for credits and positive impact of mergers, performed in 2014.

Therefore, JSC “UkrSibbank” has entered the Q2 of 2015 with a very good reserve of liquidity, but a decreasing level of the regulatory capital adequacy ratio, which by May 5, 2015 was already formed with a reserve of 2.1 p.p. to the ratio. In addition, in Q1 of 2015 JSC “UkrSibbank” demonstrated a significant increase in net interest income and net commission income against the background of a noticeable increase of the resource base in the hryvnia equivalent.

The Agency underlines that JSC “UkrSibbank” has a high level of external support from the key shareholder – BNP Paribas – the international financial group. As of March 31, 2015 assets of BNP Paribas amounted to EUR 2.392 trillion, customers’ credits and debt – EUR 696.737 bln.

Analytic service of the “Expert-Rating” Rating Agency