

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



www.expert-rating.com

Confirmed Long-term Credit Rating of JSC “UkrSibbank”

August 31, 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 Bank or a separate debt instrument with uaAAA rating has the highest solvency compared to other Ukrainian banks or debt instruments. Confirming such a high credit rating, the Agency took into consideration the results of the Bank’s performance in H1 of 2015, financial statements and statistical data in H1 and July of 2015.

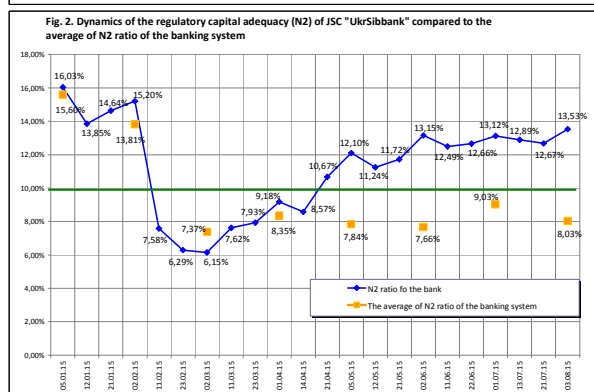
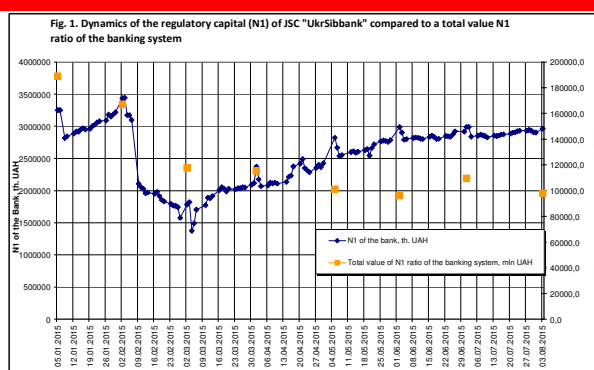
Equity and capital adequacy

By the end of Q1 2015 the dynamics of the Bank’s capitalization on N1 and N2 ratios corresponded to N1 ratio and the average N2 ratio of the banking system.

In Q2 the situation changed: if N1 ratio of the banking system during April-July 2015 remained unchanged, then N1 ratio of the Bank demonstrated a growth. For the period from 31.03.2015 to 03.08.2015 the Bank’s N1 ratio grew by 40%, and N1 ratio of the banking system decreased by 15.2%. For the same period the Bank’s N2 ratio grew from 9.18% to 13.53%, N2 ratio of the banking system decreased from 8.35% to 8.03%.

The above statistics clearly shows that the Bank was very well provided with regulatory capital, at the same time, in Q2 and in July 2015 the Bank complied with N1 and N2 ratios, as well as maintained a noticeable reserve of N1 and N2 ratios with respect to the limit values set by the NBU.

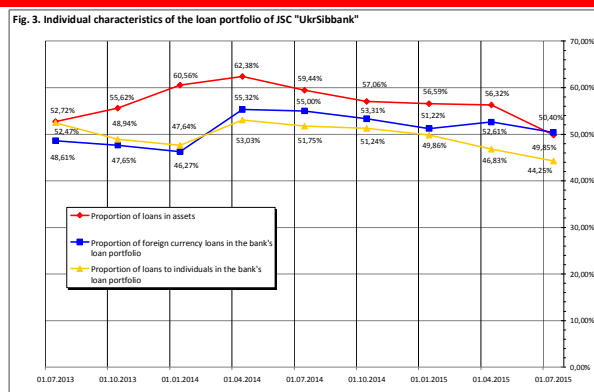
The Agency considers that these trends indicate that the Bank went through the most complicated stage of the banking crisis in Ukraine and at the beginning of August 2015 didn’t need any external support of shareholders, although such support could have been provided if necessary.



Asset structure and quality

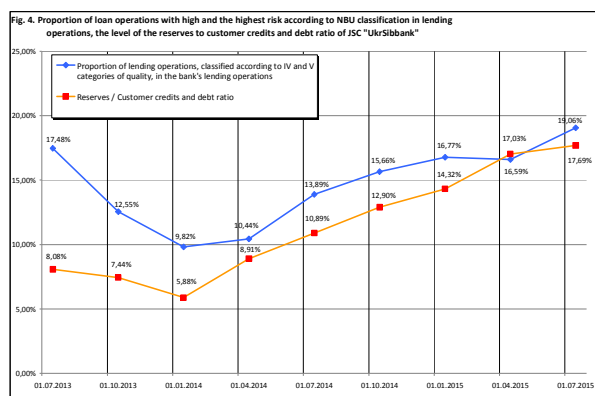
In H1 2015 the Bank’s assets in hryvnia equivalent grew by 35.55%, credits and debt of Clients of the Bank grew by 19.40%. In the period from 01.07.2013 to 01.07.2015 the proportion of loans in Bank’s assets decreased from 52.72% to 49.85%, and the proportion of currency loans in the Bank’s loan portfolio grew from 48.61% to 50.40%. For the same period the proportion of individuals in the Bank’s loan portfolio reduced from 52.47% to 44.25%.

A large proportion of foreign currency loans in the Bank’s portfolio may mean the increase in dependence of the loan portfolio quality on processes of hryvnia devaluation to major world currencies. The decrease in loans provided to population in the Bank’s loan portfolio against a significant decrease in the level of business activity in Ukraine and a fall of the employment rate may be considered as a positive factor for the Bank.



In the period from 01.07.2013 to 01.07.2015 the proportion of loans with high and the highest risk according to the NBU classification in the Bank's loan portfolio grew from 17.48% to 19.06%. This trend corresponded to the market trend.

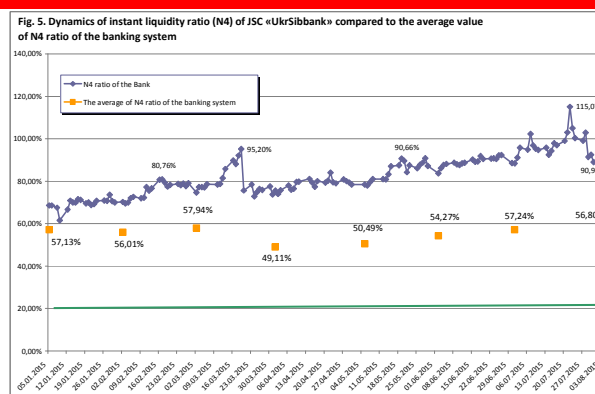
In general, the quality of the loan portfolio of the Bank can be characterized as close to high.



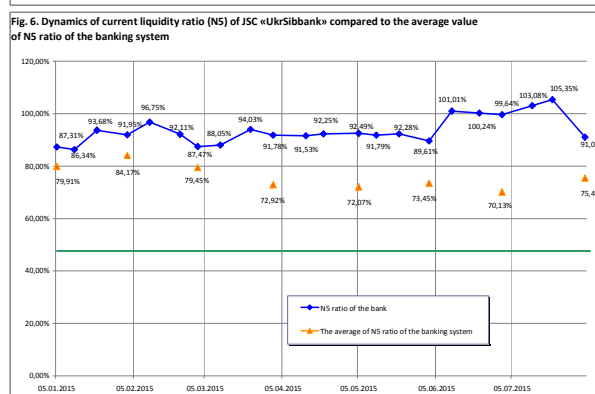
Liquidity

Throughout the first seven months of 2015 JSC "UkrSibbank" was very well provided with liquidity.

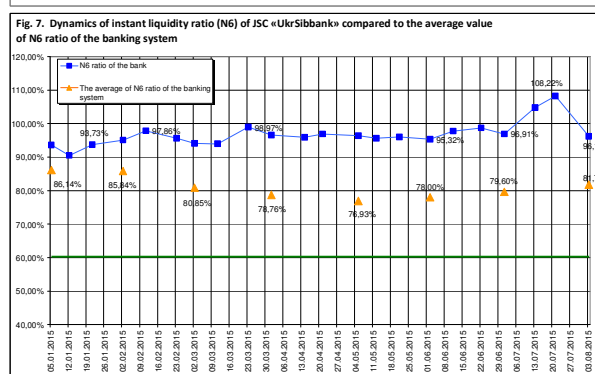
In the period from 01.01.2015 to 03.08.2015 instant liquidity ratio of the Bank (N4) was not only higher than the limit standards, set by the NBU, but also higher than the averages of these indicators of the banking system of Ukraine. From January 12, 2015 N4 ratio of the Bank didn't drop below 60% (with the normative ratio not less 20%), the indicator reached the record value on 22.07.2015 – 115.07%.



In the period from 01.01.2015 to 03.08.2015 current liquidity ratio of the Bank (N5) was also higher than the averages of N5 ratio on the banking system and the limit standards, set by the NBU. Throughout the whole period of analysis the Bank's N5 ratio didn't decrease below 86% (with the normative not less 40%). The Bank's N5 ratio in the analysis period reached its maximum on 21.07.2015 – 105.35%.



In the period from 01.01.2015 to 03.08.2015 short-term liquidity ratio of the Bank (N6) (as well as N4 and N5 ratios) was higher than the averages of N6 ratio of the banking system, as well as the limit standards, set by the NBU. Throughout the whole period of analysis the Bank's N6 ratio didn't fall below 90% (with the normative not less 60%). The Bank's N6 ratio in the analysis period reached its maximum on 21.07.2015 – 108.22%.



Therefore, the reserve of the Bank's N4 ratio on individual dates exceeded more than 5 times the limit value, set by the NBU, N5 ratio – more than twice, N6 ratio – more than 1.5 times.

Maintenance of a very large reserve of the Bank's liquidity in a period difficult for Ukrainian economics characterizes a policy of managing the Bank's liquidity as conservative.

Profitability of operations

The Bank finished the first half of 2015 with profit of UAH 76.44 mln, in contrast to the first half of 2014, when the bank showed a loss equal to UAH 437.59 mln.

The Agency appreciates the Bank's return to profitable activity in the second quarter of 2015. The Agency also draws attention to the fact that the Bank provided a consistent increase in net interest income (NII). In the first half of 2014 NII of the Bank was by 5.48% more, than for the same period of 2013. In the first half of 2015 NII of the Bank was by 50.96% more than for the same period of 2014. The ability to provide the increase in NII in complicated economic conditions indicates a very high level of the Bank's resistance to crisis.

An analysis of quarterly dynamics of the Bank's profit showed that all the four quarters of 2014 and the first quarter of 2015 were unprofitable for the Bank. The breakthrough became the second quarter of 2015, when the Bank's profit amounted to UAH 395.33 mln that enabled the Bank to become profitable according to the results of the first half.

Considering a very high level of external support of key shareholders of the Bank – BNP Paribas and EBRD, the Bank's unprofitable activity can't have a negative impact on its long-term credit rating. Nevertheless, the fact of the Bank's return to profitable activity in the second quarter of 2015 and the Bank's ability to increase the NII in a difficult period emphasizes the strengths of its business-model.

Fig. 8. Net interest income, net commission income and profit of JSC "UkrSibbank"

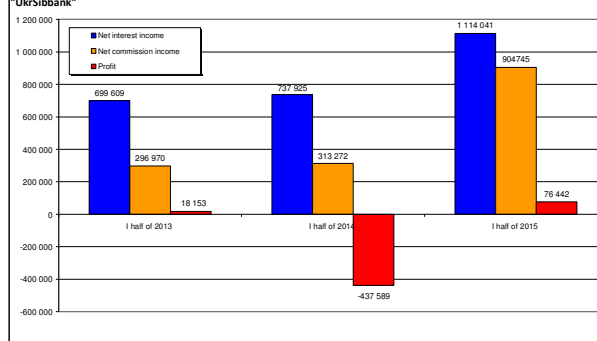
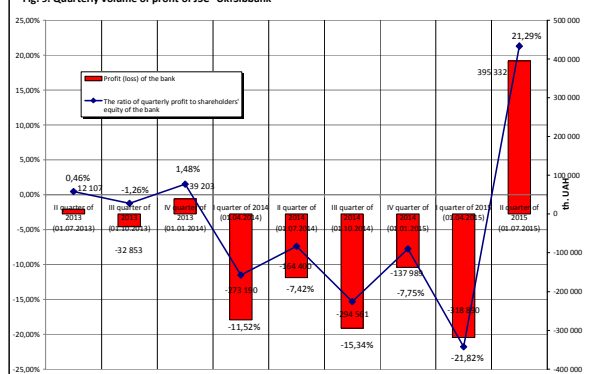


Fig. 9. Quarterly volume of profit of JSC "UkrSibbank"



Other factors

Verification on public databases of the State Fiscal Service showed that JSC "UkrSibbank" was registered in authorities of the SFS. As of 26.08.2015 the Bank as a taxpayer had no tax debt.

Generalization

As of 26.08.2015 the Bank performed its commitments to clients and lenders according to the current legislation and wasn't referred by the NBU to the category of problem banks.

The Bank was very well provided with regulatory capital. In the period from 31.03.2015 to 03.08.2015 the Bank's N1 ratio grew by 40%, while N1 ratio of the banking system decreased by 15.2%. For the same period the Bank's N2 ratio grew from 9.18% to 13.53%, and N2 ratio of the banking system decreased from 8.35% to 8.03%.

In the period from 01.07.2013 to 01.07.2015 the proportion of loans with high and the highest risk according to the NBU classification in the Bank's loan portfolio grew from 17.48% to 19.06%. This tendency corresponded to the market one. In general, the quality of the Bank's loan portfolio can be characterized as close to high.

The Bank's instant liquidity ratio (N4) on individual dates exceeded more than 5 times the limit value, set by the NBU, N5 ratio (current liquidity) – more than twice, N6 ratio (short-term liquidity) – more than 1.5 times. Maintenance of a very large reserve of the Bank's liquidity in a period difficult for Ukrainian economics characterizes a policy of managing the Bank's liquidity as conservative.

Considering a very high level of external support of key shareholders of the Bank – BNP Paribas and the EBRD, the Bank's unprofitable activity can't have a negative impact on its long-term credit rating. At the same time, the fact of the Bank's return to profitable activity in the second quarter of 2015 and the Bank's ability to increase the NII in a difficult period emphasizes the strengths of its business-model.

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