

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

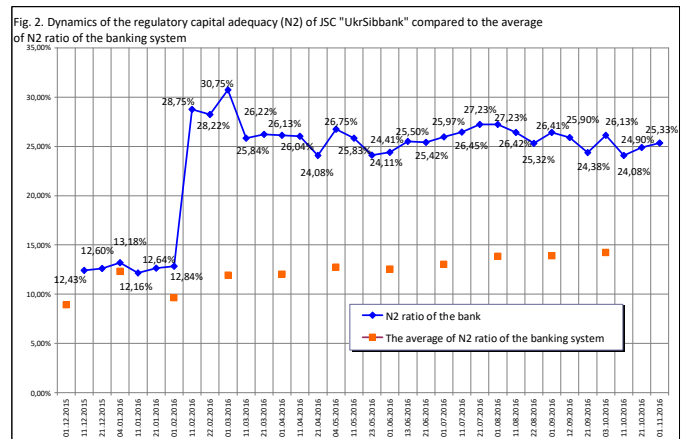
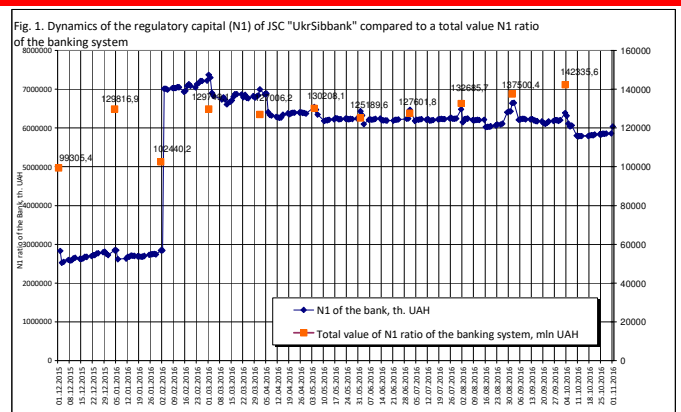
November 30, 2016 at the meeting of the Rating Committee of RA "Expert-Rating" it was decided to confirm a long-term credit rating of JSC "UkrSibbank" (09807750) at the uaAAA level according to the national scale. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 dated April 26, 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 9 months of 2016, as well as statistical statements of the Bank for October 2016.

Equity and Capital Adequacy

Since February 2016 the regulatory capital normative of JSC "UkrSibbank" fluctuated in the range UAH 5.79–7.301 bn with the limit value, set by the NBU, in the amount of UAH 120 mln.

Starting from February 11, 2016 the regulatory capital normative (N2) did not drop below 24.08%. The Bank's N2 ratio reached its maximum on 01.03.2016 in the amount of 30.75%. From February 11 till October 3 the N2 ratio of JSC "UkrSibbank" was stably higher than the average normative within the banking system. As of October 3, 2016 the Bank's N2 ratio amounted to 26.13% which was by 16.13 p.p. higher than the limit value set by the NBU, and by 11.91 p.p. higher than the average value within the banking system. As of 01.11.2016 the Bank's N2 ratio amounted to 25.33%.

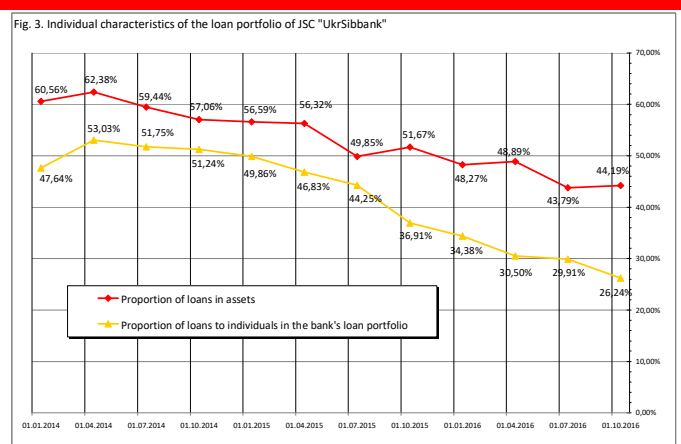
According to the Agency, JSC "UkrSibbank" was excellently provided with regulatory capital, since the Bank's shareholders in the first quarter of 2016 provided it with support. In the foreseeable future, the risk of the Bank's non-compliance with the N1 and N2 ratios is reduced to an absolute minimum.



Asset Structure

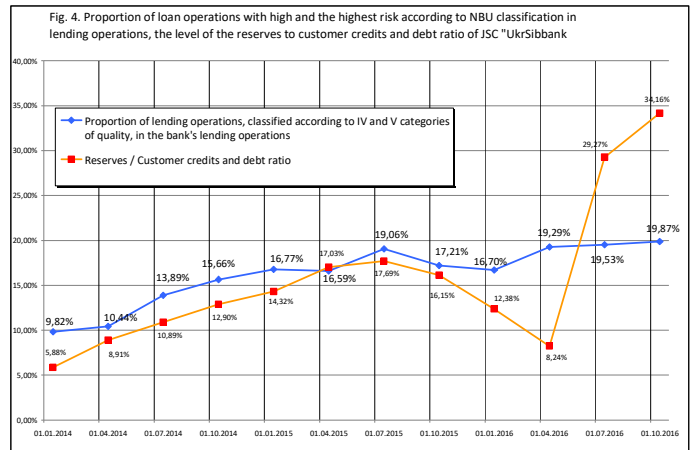
Throughout the 9 months of 2016 in the asset structure dynamics there were observed the same trends, which were observed throughout the year 2015, namely – a steadily decrease in the proportion of loans against the background of decrease in the proportion of individuals in the Bank's loan portfolio. On 01.10.2016 the proportion of customer loans and debts in the Bank's assets amounted to 44.19%, and the proportion of loans to individuals in the loan portfolio was at the level of 26.24%.

Against the background of a decline in business activity and employment and a reduction of 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 loan risks.

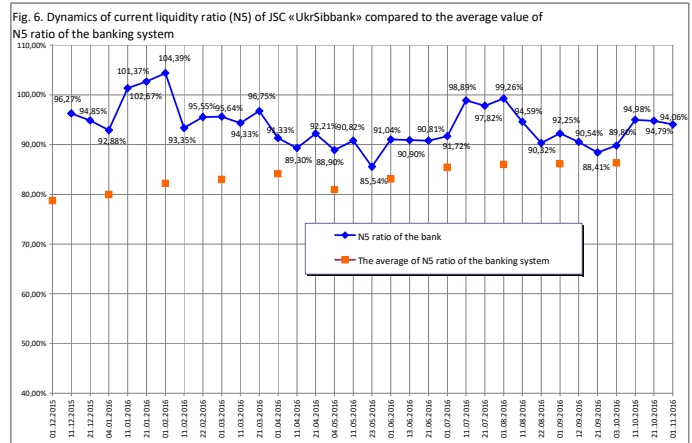
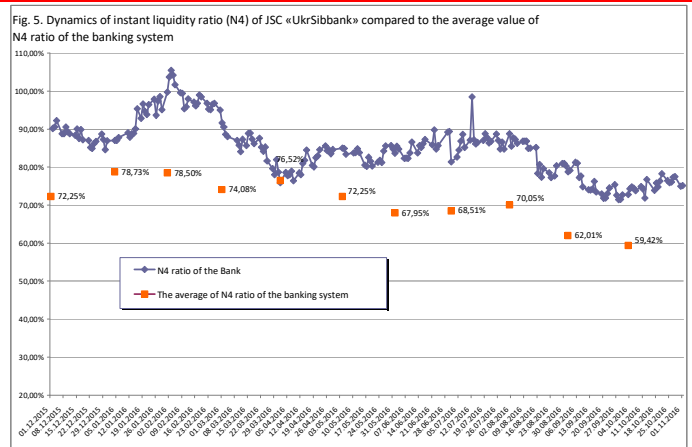
The Agency also found out that according to the results of the 9 months of 2016 the proportion of loan operations under the 4th and 5th group loans, according to NBU classification, amounted to 19.87% in JSC “UkrSibbank”. As of the beginning of the third quarter the level of coverage of customer loans and debts by provisions grew up to 34.16%. Dynamics of the Bank’s loan portfolio quality did not deviate significantly from the trends that in average were demonstrated by the banking system.



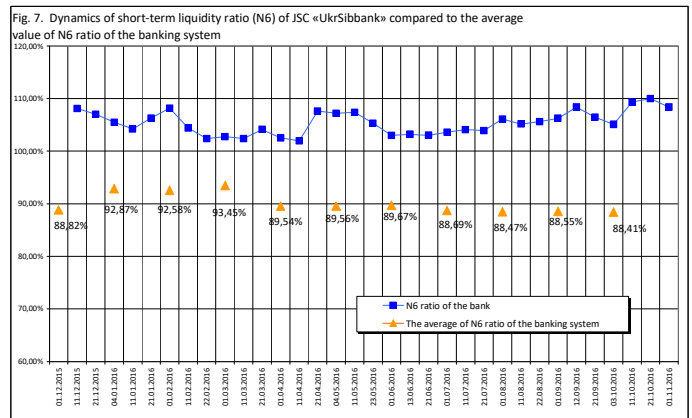
Liquidity

Since the beginning of 2016 JSC “UkrSibbank” was very well provided with liquidity. All the liquidity ratios of the Bank from 01.01.2016 to 01.10.2016 were stably higher than the average standards in the banking system:

- Instant liquidity ratio of the Bank (N4) on 03.10.2016 amounted to 72.81% with the limit value of not less than 20% and the average value of 59.42% in the banking system. As of 01.11.2016 the Bank’s N4 ratio amounted to 75.14%;
- Current liquidity ratio of the Bank (N5) on 03.10.2016 amounted to 89.80% with the limit value of not less than 40% and the average value of 86.31% in the banking system. As of 01.11.2016 the Bank’s N5 ratio amounted to 94.06%;
- Short-term liquidity ratio of the Bank (N6) on 03.10.2016 amounted to 105.08% with the limit value of not less than 60% and the average value of 88.41% in the banking system. As of 01.11.2016 the Bank’s N6 ratio amounted to 94.06%.



The Agency also notes that over period from 01.01.2016 to 03.11.2016 JSC “UkrSibbank” stably maintained provisions for all the liquidity ratios with respect to the averages of N4, N5 and N6 ratios in the banking system. Over October 2016 the Bank’s N4 and N5 ratios increased.



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 provisions for the liquidity ratios at JSC “UkrSibbank” with respect to the average normative values in the banking system indicates that the Bank has substantial provisions for N4, N5 and N6 ratios.

The availability of substantial liquidity provisions at JSC “UkrSibbank” characterizes the Bank’s liquidity management policy as very conservative.

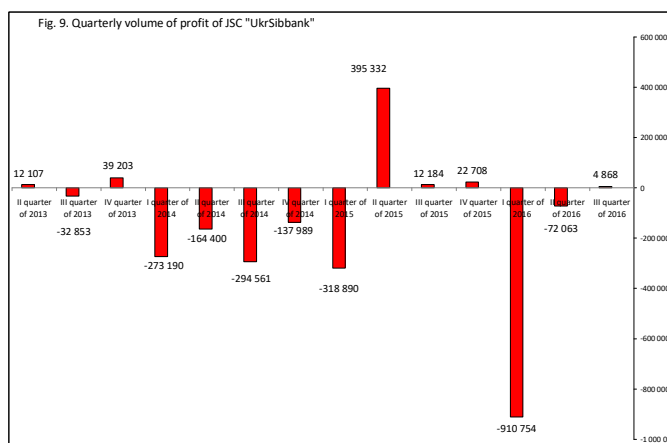
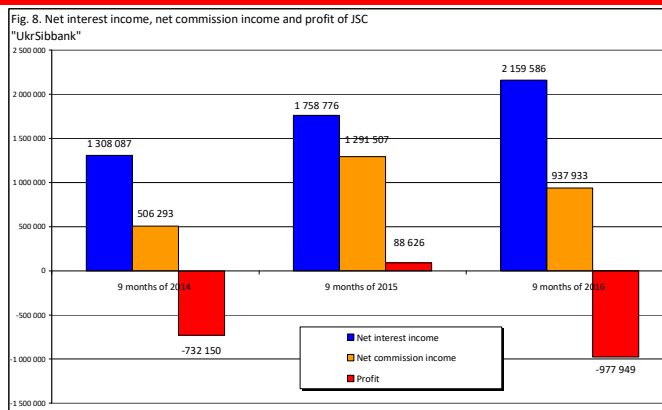
Profitability of Operations

JSC “UkrSibbank” finished the 9 months of 2016 with a loss of UAH 0.978 bn. The Agency reminds that the Bank finished the first quarter of 2016 with a loss of UAH 0.911 bn, i.e. the main sum of a loss was formed in the first quarter of 2016. However, in the third quarter of 2016 JSC “UkrSibbank” restored its profitability – the Bank’s profit amounted to UAH 4.868 mln.

At the same time, the Agency notes that during the last three years JSC “UkrSibbank” managed to achieve a noticeable increase in net interest income (NII). The Bank’s NII amounted to 1.308 bn for the 9 months of 2014, to UAH 1.759 bn for the 9 months of 2015 and to UAH 2.160 bn for the 9 months of 2016. The Agency also reminds that the Bank had the same increase within the first quarter and the first half of 2014–2016.

The losses of JSC “UkrSibbank” in the first quarter of 2016, in the Agency’s opinion, will not considerably affect the Bank’s stability, especially against the background of:

- growing net interest income;
- a very high level of the Bank’s provision with liquidity and regulatory capital;
- JSC “UkrSibbank” restoring its profitability in the third quarter, as well as with the availability of external support from shareholders.



Other factors

Verifications in the public databases of the State Fiscal Service (SFS) showed that JSC “UkrSibbank” was registered with the SFS authorities. At the time of its rating update, the Bank did not have any tax debt.

Generalization

As of the moment of its rating update, the Bank fulfilled its commitments in regard to clients and lenders according to the applicable legislation and was not referred by the NBU to the category of problem banks.

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

In the third quarter of 2016 JSC “UkrSibbank” resumed its practice of profitable activity. Out of the last 14 quarters the Bank showed profit in 6 quarters.

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