

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

Date of rating action: 29.03.2017

Date of publication: 29.03.2017

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

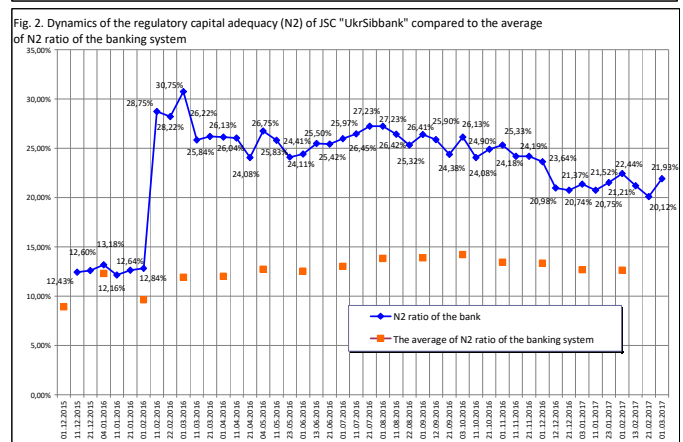
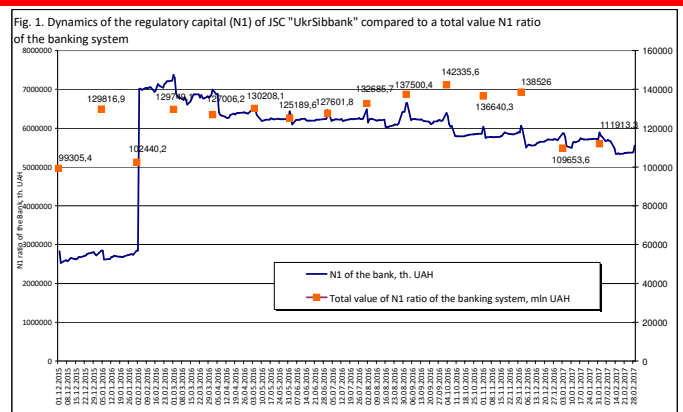
On March 29, 2017 at the meeting of the Rating Committee of RA "Expert-Rating" it was decided to confirm a long-term credit rating of JSC "UkrSibbank" (EDRPOU code 09807750) at the uaAAA level according to the national scale. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 dated 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 2016, as well as statistical statements of the Bank for January-February 2017.

Equity and Capital Adequacy

Since February 2016 the regulatory capital ratio of JSC "UkrSibbank" fluctuated in the range UAH 5.34 – 7.372 bn with the limit value, set by the NBU, in the amount of UAH 120 mln.

Starting from February 11, 2016 the regulatory capital ratio (N2) hasn't dropped 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 has reached its minimum on 21.02.2017 – 20.12%. As of 01.03.2017 the Bank's N2 ratio amounted to 21.93% that exceeded the average value on the system and the limit value, set by the NBU (not less 10%).

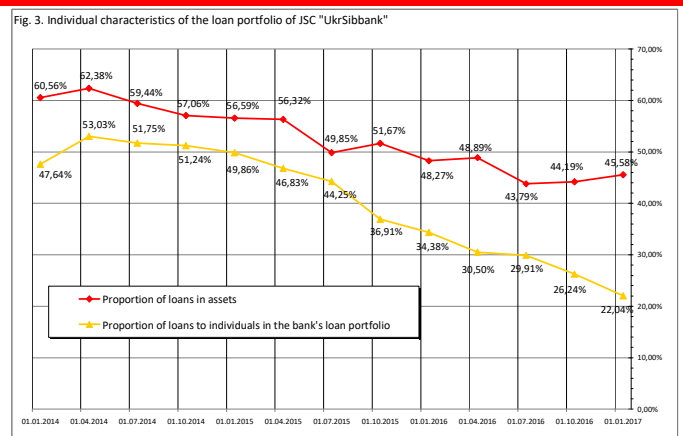
According to the Agency, JSC "UkrSibbank" was excellently provided with regulatory capital, since the Bank's shareholders in the first quarter of 2016 provided it with support. In the near future, the Bank's risk of non-compliance with H1 and H2 ratios is reduced to absolute zero. And although during February 2016 – February 2017 we 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 regulatory capital, which the shareholders helped the Bank to form in the first quarter of 2016, was very significant.



Asset Structure

In the fourth quarter of 2016 the Agency notes the growth of loans in the Bank's assets: from 44.19% up to 45.58%. At the same time, throughout the last 14 quarters the proportion of loans to individuals in the Bank's loan portfolio kept decreasing. Thus, for the fourth quarter of 2016 it decreased from 26.24% down to 22.04%.

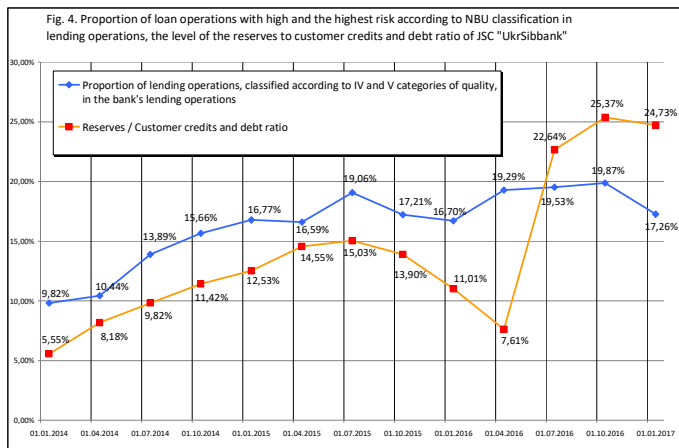
On the background of a weak growth of business activity, as well as a decrease of employment and population's revenues, the revealed trends should be classified as positive and characterized as an indirect confirmation of the conservative loan policy of the Bank, aimed at control over the loan risks.



The Agency also established that according to the

results of the 2016 the proportion of loan operations on loans of the fourth and fifth group, according to NBU classification, amounted to 17.26% in JSC "UkrSibbank". For the 2016 the level of the ratio of provisions to customer gross loans and debt with reserves grew up to 24.73%, but in the fourth quarter of 2016 one could observe the decrease of this indicator from 25.37% down to 24.73%.

Dynamics of the quality of the Bank's loan portfolio did not deviate significantly from the trends that the banking system showed on average, but in the fourth quarter of 2016 it was possible to note some improvement in the quality of the Bank's loan portfolio.



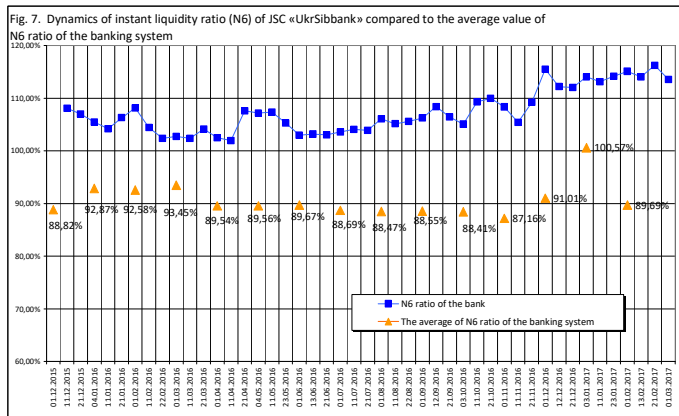
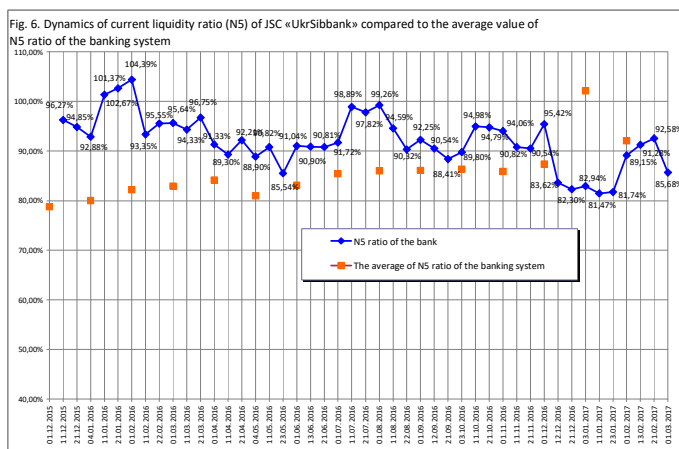
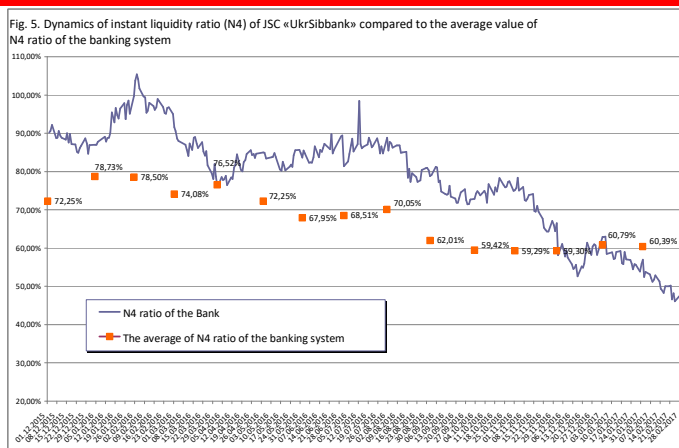
Liquidity

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:

- Instant liquidity ratio of the Bank (N4) on 03.01.2017 amounted to 62.93% with the limit value not less 20% and the average value of 60.79% in the banking system. On 01.03.2017 the Bank's N4 ratio amounted to 47.67%;
- Current liquidity ratio of the Bank (N5) on 03.01.2017 amounted to 82.94% with the limit value not less 40% and the average value of 102.14% in the banking system. As of 01.03.2017 the Bank's N5 ratio amounted to 85.68%;
- Short-term liquidity ratio of the Bank (N6) on 03.01.2017 amounted to 114.04% with the limit value not less 60% and the average value of 100.57% in the banking system as of 01.03.2017 the Bank's N6 ratio amounted to 113.54%.

The Agency also notes that for the period from 01.01.2016 to 01.03.2017 JSC "UkrSibbank" stably maintained a provision for all the liquidity ratios with respect to the averages of N4, N5 and N6 ratios in the banking system. The exclusion for the N4, N5 and N6 ratios was only the beginning of 2017. However, the reserve of liquidity ratios, formed by the Bank, was very significant.

As well, it should be taken into consideration that during the entire analysis period of the banking system was still 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 ratio values in the banking system indicates that the Bank has a substantial provision for N4, N5 and N6 ratios, and short-term periods, when N4 and N5 ratios of the Bank were below the average values on the system, should be perceived as an optimization of liquidity management.



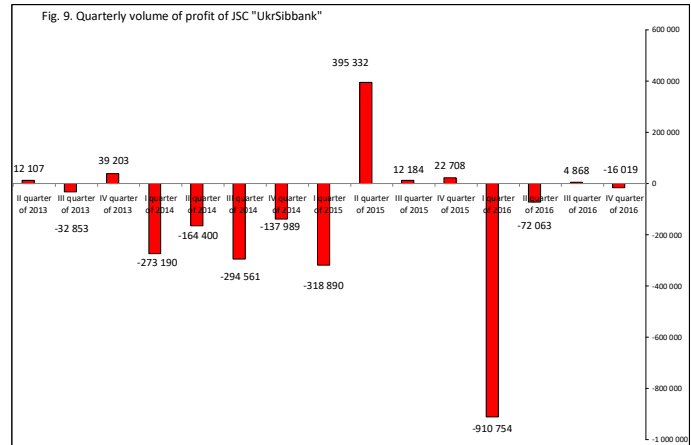
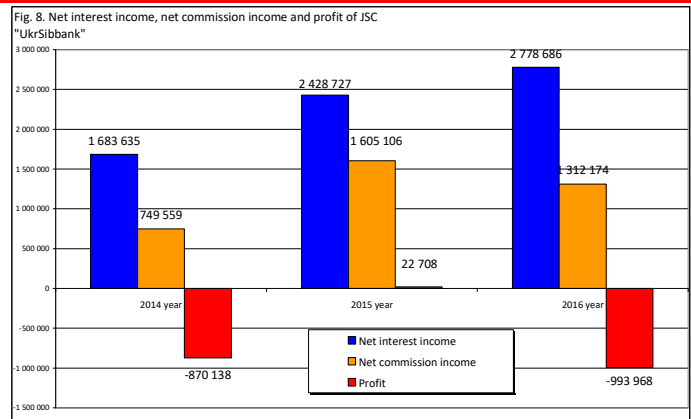
Profitability of Operations

JSC “UkrSibbank” finished the 2016 year with a loss of UAH 0.994 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 amount of a loss was formed in the first quarter of 2016. And in the third quarter of 2016 JSC “UkrSibbank” returned to the profitable activity: the Bank’s profit amounted to UAH 4.868 mln. The fourth quarter was again unprofitable, but the amount of loss was insignificant.

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 1.372 bn for the 2014, to UAH 2.429 bn for the 2015 and to UAH 2.779 bn for the first half of 2016. The Agency also reminds that the Bank had the same increase within the first quarter, the first half and the 9 months of 2014–2016.

The availability of loss at JSC “UkrSibbank” according to the 2016, in the Agency’s opinion, won’t considerably affect the Bank’s stability, especially on the background of:

- growing NII;
- a very high level of the Bank’s provision with liquidity and regulatory capital;
- the availability of a very high level of external support from shareholders.



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 February 7, 2017 BNP Paribas Group announced the results of its work in 2016. Despite the prolonged period of low interest rates in Europe, the Group showed an increase in revenues of 1.1% compared to 2015, while the Group's gross operating income increased by 2.6% and the Group's net income increased by 15.1%. The good completion of 2016 positively affected the level of capital adequacy of BNP Paribas Group.

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.

JSC “UkrSibbank” returned to the practice of profitable activity in the third quarter of 2016, but the fourth quarter of 2016 was unprofitable. At the same time, the amount of loss for the 2016 isn’t considerable and can’t negatively affect the Bank’s financial stability.

Disclaimer: Credit ratings of “Expert-Rating” RA is an opinion that reflects the ability of an issuer (an issue of securities) to comply with financial commitments. Credit ratings are of probabilistic nature, therefore cannot be a recommendation to buy or sell securities or to use the services of the issuer. When assigning and maintaining the ratings and outlooks on ratings, “Expert-Rating” RA relies on factual information which the Agency receives from issuers and underwriters and from other sources that the Agency considers reliable. The issuer, its auditor and underwriter, as well as other consultants are responsible for the accuracy of the information they provide to “Expert-Rating” RA and publish according to current normative requirements.