

17.03.2015

## Credit Rating of JSC “UkrSibbank” Confirmed

On **March 17, 2015** Rating committee of RA «Expert-Rating» affirmed the **uaAAA** (national Ukrainian scale) credit rating of JSC “UkrSibbank” (hereinafter – the Bank) (09807750). According to the classification of RA “Expert-Rating” (hereinafter – the Agency) the borrower or a separate bond instrument with **uaAAA** rating has the highest solvency compared to other Ukrainian borrowers or bond instruments.

The Agency’s affirmation of such a high credit rating is based on the analysis of the Bank’s performance in 2014, review of financial statements and statistical data of the Bank as well as information relating to the Bank’s activity as an issuer.

Table 1

**Key balance sheet indicators of JSC “UkrSibbank” according to the performance in 2014, in kUAH, p.p., %**

Indicators	01.01.2015	01.01.2014	Change	Growth rate, %
<b>Own equity</b>	<b>1,780,587</b>	<b>2,650,275</b>	<b>-869,688</b>	<b>-32.82%</b>
Authorized capital	1,774,333	1,774,333	0	-
Equity to assets ratio, %	6.76%	10.99%	-4.23 p.p.	-
<b>Commitments, total</b>	<b>24,556,188</b>	<b>21,461,467</b>	<b>3,094,721</b>	<b>14.42%</b>
<i>Including commitments in foreign currencies</i>	<i>12,918,272</i>	<i>10,706,632</i>	<i>2,211,640</i>	<i>20.66%</i>
Banks’ funds	160,545	199,318	-38,773	-19.45%
Individuals’ funds	8,973,333	9,162,533	-189,200	-2.06%
Legal entities’ funds	8,451,031	7,469,697	981,334	13.14%
<b>Assets, total</b>	<b>26,336,775</b>	<b>24,111,742</b>	<b>2,225,033</b>	<b>9.23%</b>
Liquid assets (Cash and cash equivalents + Funds of mandatory provisions of the bank in the NBU + Trade securities + Funds in other banks)	6,056,338	4,534,215	1,522,123	33.57%
<b>Customer loans and debt with account for provisions</b>	<b>17,039,729</b>	<b>15,460,290</b>	<b>1,579,439</b>	<b>10.22%</b>
<i>Loan provisions</i>	<i>(2,134,952)</i>	<i>(858,572)</i>	<i>1,276,380</i>	<i>148.66%</i>
<i>Loan provisions for customer loans and debt ratio, %</i>	<i>12.53%</i>	<i>5.55%</i>	<i>6.98 p.p.</i>	<i>-</i>
Securities for sale	2,466,811	911,123	1,555,688	170.74%
Provisions for securities for sale	0	5,328	-5,328	-
<b>Liquid assets to commitments ratio, %</b>	<b>24.66%</b>	<b>21.13%</b>	<b>3.54 p.p.</b>	<b>-</b>

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

1. The following balance-sheet changes took place during in 2014:

- Own equity decreased by 32.82%;
- Commitments grew by 14.42%, assets increased by 9.23%;
- Outstanding loans and debt of the clients with account for provisions of the Bank in hryvnia equivalent increased by 10.22%;
- Liquid assets grew by 33.57%.

Dynamics of key components of the resource base of JSC “UkrSibbank” in hryvnia equivalent in 2014:

- Legal entities’ funds increased by 13.14%;
- Individuals’ funds decreased by 2.06%;
- Banks’ funds shrunk by 19.45%.

Dynamics of key balance sheet indicators of the Bank in hryvnia equivalent show that the Bank conducted a balanced financial policy in 2014, namely:

- having decreased its own equity by 32.82% (or by UAH 869.69 mln), the Bank increased liquid assets by 33.57% (or by UAH 1.52 bn);
- having decreased banks’ funds in liabilities by 19.45% (or by UAH 38.77 mln), the Bank increased legal entities’ funds by 13.14% (or by UAH 981.33 mln).

According to the Agency, such strategy allowed to retain a significant market share in spite of adverse market environment and deteriorating business climate in Ukraine in 2014.

2. Dynamics of the balance sheet indicators of JSC “UkrSibbank” impacted the equity and liquidity ratios of the Bank.

In 2014 the regulatory capital of the Bank (N1) decreased by 30.48% or by UAH 1.43 bn. The regulatory capital adequacy of the Bank (N2) decreased by 6.98 p.p. down to 16.03%. But despite a noticeable decrease, N2 ratio of the Bank as of 01.01.2015 was by 0.43 p.p. higher than the average of the banking system. It also should be noted that average N2 ratio of the banking system in 2014 decreased by 2.66 p.p.

Therefore, in spite of a noticeable decrease of N1 and N2 ratios of the Bank and in view of general dynamics of these ratios in the banking system, the Bank has entered the 2015 with adequate regulatory capital.

In 2014 instant liquidity ratio (N4) of the Bank grew by 29.83 p.p., current liquidity ratio (N5) increased by 16.6 p.p., short-term liquidity ratio (N6) grew by 17.54 p.p. All the three liquidity ratios were significantly higher than the average ratios in the banking system.

Therefore, in 2014 the Bank had high liquidity with account of the adverse economic situation in the country.

Table 2

**Dynamics of key ratios of JSC “UkrSibbank”, in kUAH, p.p., %**

Indicator	NBU requirement	01.01.2015		01.01.2014		Change, kUAH, p.p.
		Bank value	Average system value	Bank value	Average system value	
Regulatory capital (N1), kUAH	not less than kUAH 120,000	3,252,069	-	4,678,442	-	-1,426,373
Regulatory capital adequacy normative (N2), %	not less than 10%	16.03%	15.60%	23.01%	18.26%	-6.98 p.p.
Instant liquidity ratio (N4), %	not less than 20%	68.62%	57.13%	38.79%	56.99%	29.83 p.p.
Current liquidity ratio (N5), %	not less than 40%	87.31%	79.91%	70.71%	80.86%	16.60 p.p.
Short-term liquidity ratio (N6), %	not less than 60%	93.64%	86.14%	76.10%	89.11%	17.54 p.p.
Significant credit risk ratio (N8), %	not more than 800%	60.48%	250.04%	8.37%	172.05%	52.11 p.p.
Maximum aggregate loans, guarantees and warranties issued to insiders ratio (N10), %	not more than 30%	2.21%	1.37%	5.58%	1.63%	-3.37 p.p.

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

3. In 2014 JSC “UkrSibbank” posted UAH 939 mln in operating profit, however due to UAH 1.808 bn in provisions for credit operations the total loss made up UAH 870.14 mln. According to the Agency, this loss is of technical nature and was caused by additional loan provisions. In 2014 such provisions increased by UAH 1.276 bn.

Operating activity of the Bank in 2014 remained profitable: net interest income grew by 25.57%, net fee income rose by 17.46%, income from FX operations increased by 138.76%.

Table 3

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

Indicators	2014	2013	Change	Growth rate, %
Net interest income	1,683,635	1,340,760	342,875	25.57%
Net commission income	749,559	638,151	111,408	17.46%
Net commission income to net interest income ratio	44.52%	47.60%	-3.08%	-6.46%
Result from operations with securities in the bank's portfolio	0	-27,917	-	-
Result from operations with foreign currency	305,401	127,910	177,491	138.76%
Administrative and other operating expenses	2,052,883	1,968,334	84,549	4.30%
<b>Net profit / (loss)</b>	<b>-870,139</b>	<b>24,503</b>	<b>-</b>	<b>-</b>
<b>ROE, %</b>	<b>-48.87%</b>	<b>0.92%</b>	<b>-</b>	<b>-</b>

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

4. The Agency would like to remind that JSC “UkrSibbank” enjoys high level of external support on part of its shareholders BNP Paribas Group (France), a large financial group, and the European Bank for Reconstruction and Development (EBRD). 84.99% of JSC “UkrSibbank” shares belong to BNP Paribas Group and 15% of shares belong to the EBRD.

In 2014 BNP Paribas Group positive overall results:

- The Group's income amounted to EUR 39.17 bn, having increased by 2% compared to 2013.
- Gross operating revenue of the Group (including one-time expenses) amounted to EUR 12.64 bn, 1.6% more than in 2013.
- Net income to be distributed among shareholders made up EUR 157 mln. Excluding one-off expenditure items, net income available for distribution to shareholders amounted to EUR 7.05 bn.

The Group's cost of risk decreased by 2.5% provisions amounting to EUR 3.705 bn, which testifies to a good control over the Group's risks. These expenses include a EUR 100 mln one-time amount provisioned due to tensions in Eastern Europe.

In 2014 the Group strengthened its presence in Europe: in 2014 the Group purchased 50% stake of LaSer, 100% of the Polish Bank Gospodarski Zynnosciowe (BGZ) and the German bank DAB Bank.

Summarizing, we can make the following conclusions: JSC "UkrSibbank" has entered the 2015 with adequate regulatory capital and liquidity. In 2014 JSC "UkrSibbank" conducted a balanced financial policy and retained a significant share of the Ukrainian banking market. Also, in 2014 the Bank enjoyed an unprecedented external support of its main shareholder BNP Paribas Group, the international financial group, which, in its turn, in 2014 showed positive results and increased its presence in Europe.

All the above factors have enabled the Agency to affirm the long-term credit rating of JSC "UkrSibbank" at the highest possible level.

*Analytic service of Rating Agency "Expert-Rating"*