

**Rating action:** Update of a long-term credit rating according to the national scale  
 Date of rating action: 31.08.2018  
 Date of publication: 10.09.2018

**The issuer:** JSC "UkrSibbank"  
 EDRPOU code of the issuer: 09807750  
 Web-site of the issuer: [www.ukrsibbank.com](http://www.ukrsibbank.com)



## Rating of JSC "UkrSibbank" is confirmed

**September 10, 2018** at the meeting of the Rating Committee of RA "Expert-Rating" it was decided to confirm a long-term 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 as of 26.04.2007, 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 considered the results of the Bank's activity for the 12 months of 2017 and for the first half of 2018, as well as the Bank's statistical reporting for 2017 and January-July, 2018.

### Equity and Capital Adequacy

Since January 2017 the regulatory capital ratio of JSC "UkrSibbank" has been fluctuating in the range of UAH 5.33–6.67 bn. As of 01.08.2018 the Bank's regulatory capital ratio amounted to UAH 6.19 bn, with the normative set by NBU, that is not less than UAH 200 mln. Dynamics of the N1 ratio reflected in the fluctuations of the Bank's regulatory capital adequacy (N2).

After the historical maximum on 01.03.2016 at the level of 30.75%, the Bank's N2 ratio has gradually decreased and on 01.07.2018 amounted to 22.46%. As a result, multidirectional dynamics of this normative has been observed. On 01.08.2018 the Bank's N2 ratio amounted to 22.81%. Throughout the entire analysis period the Bank's N2 ratio was higher than the minimum set by NBU (10%) and the average value of N2 ratio on the banking system.

According to the Agency, JSC "UkrSibbank" has been still excellently ensured with regulatory capital. In the long-term run, under other equal conditions, the Bank's risk of non-compliance with N1 and N2 ratios has been reduced to zero.

Fig. 1. Dynamics of the regulatory capital (N1) of JSC "UkrSibbank" compared to a total value N1 ratio of the banking system

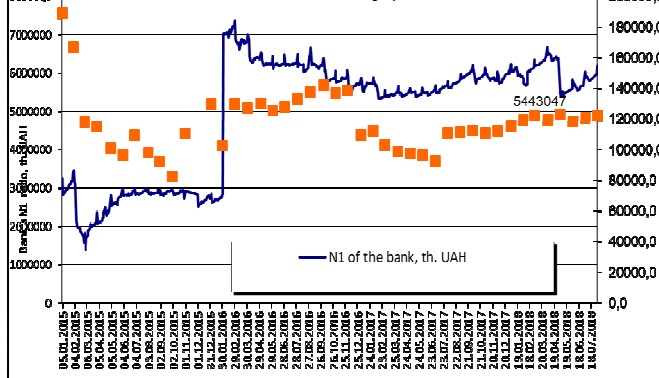
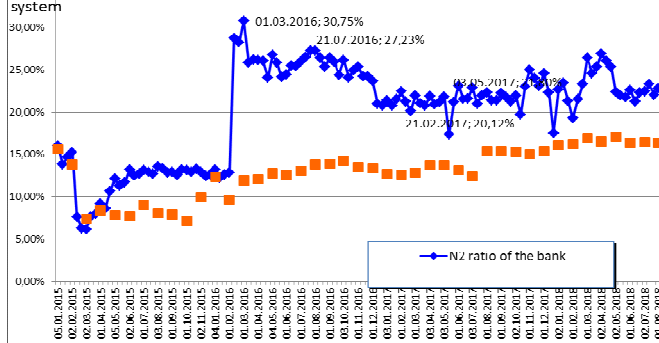


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC "UkrSibbank" compared to the average of N2 ratio of the banking system



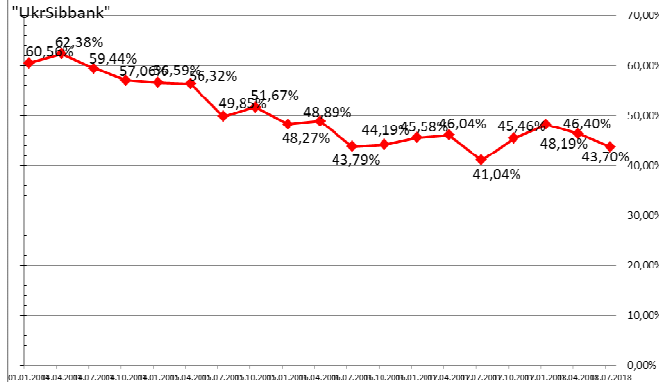
### Asset structure and quality

Throughout the last 19 quarters the Agency notes a gradual, but significant decrease in the proportion of loans in the Bank's assets (from 60.56% down to 43.7%).

On the background of a slight growth of business activity, the revealed trend 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.

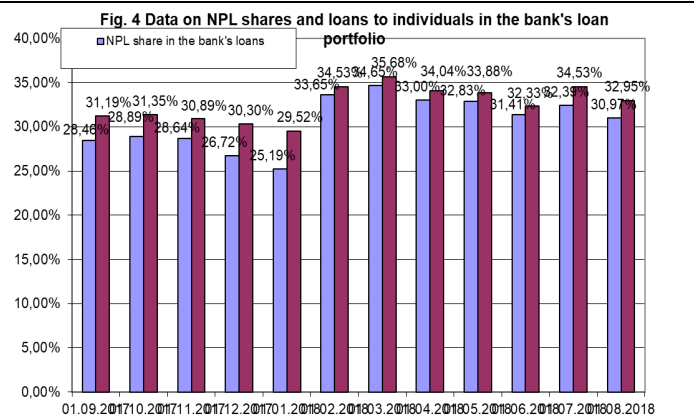
On 01.07.2018, according to NBU data, JSC

Fig. 3. Individual characteristics of the loan portfolio of JSC "UkrSibbank"



“UkrSibbank” maintained the balance sheet item “cash and its equivalents” in the amount of UAH 4.132 bn and “bonds of domestic government loan” in the amount of UAH 0.915 bn that in total amounted to 11.1% of the Bank’s net assets.

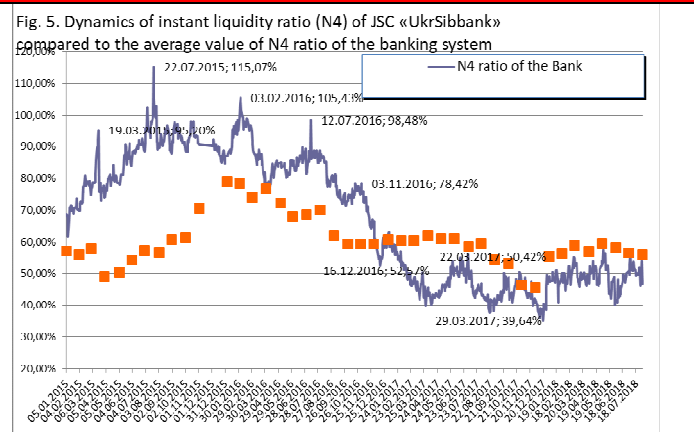
As of 01.08.2018 30.97% of the Bank’s loans referred to the NPL, which the Agency calculates as the proportion of the fifth class on loans to individuals and the tenth class on loans of legal entities in the Bank’s loan portfolio. The average proportion of NPL on the banking system exceeded 55%.



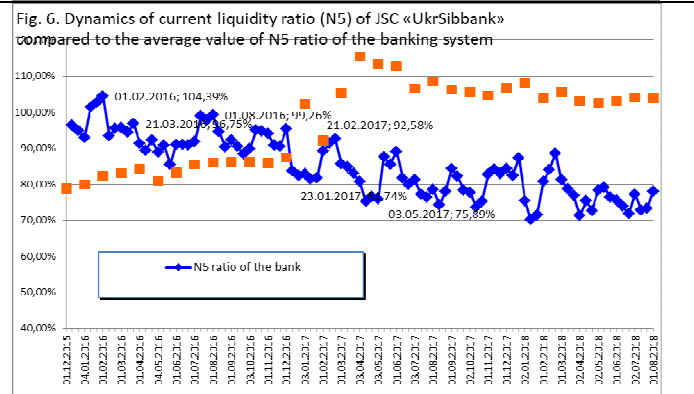
## Liquidity

Throughout the entire year of 2017 and January-July, 2018 JSC “UkrSibbank” has been ensured with the liquidity very well. The Bank has continued optimization of reserves on liquidity ratios.

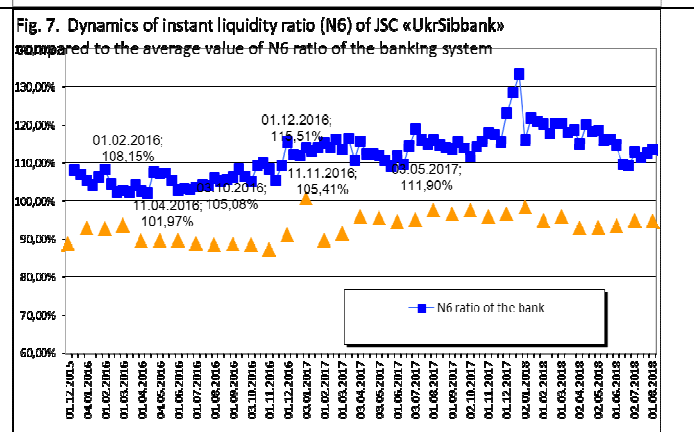
Throughout the year of 2017 and January-July, 2018 the Bank’s N4 ratio has fluctuated in the range of 35.12%–62.93%. Throughout the entire analysis period the Bank’s N4 ratio has been significantly higher than the limit value set by NBU. As of 01.08.2018 the Bank’s instant liquidity ratio has amounted to 48.02% that is by 28.02 p.p. more than the limit value set by NBU.



Throughout the year of 2017 and January-July, 2018 the Bank’s N5 ratio has fluctuated in the range of 70.25–92.58%. Throughout the entire analysis period the Bank’s N5 ratio all the time has been significantly higher than the limit value, set by NBU. As of 01.08.2018 the Bank’s current liquidity ratio has amounted to 78.04% that is by 38.04 p.p. more than the limit value set by NBU.



Throughout the year of 2017 and January-July, 2018 the Bank’s N6 ratio has fluctuated in the range of 109.16–133.33%. Throughout the entire analysis period the Bank’s N6 ratio all the time has been higher than the limit value set by NBU and the average value on the banking system. As of 01.08.2018 the Bank’s short-term liquidity ratio has amounted to 113.51% that is by 53.51 p.p. more than the limit value set by NBU.



Throughout the year of 2017 and January-July of 2018 the banking system of Ukraine, according to the Agency’s assessments, was still experiencing excessive liquidity, that is why the deviations of the Bank’s N4 and N5 ratios from the average market values can be perceived as optimization processes in the management of bank liquidity at JSC “UkrSibbank”. To the Agency’s opinion, optimization of liquidity reserve at JSC “UkrSibbank” will positively affect the Bank’s profitability of transactions that is already confirmed by data on profitability.

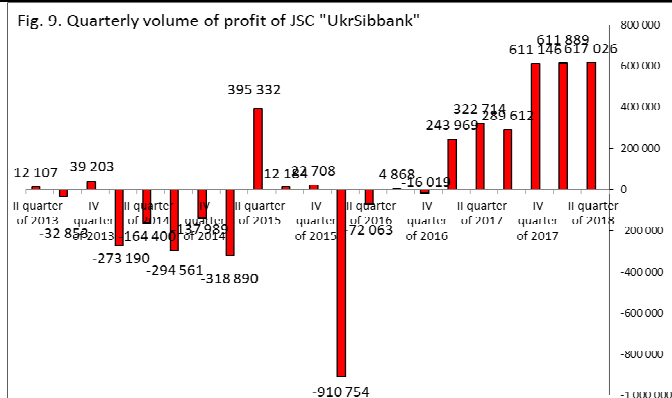
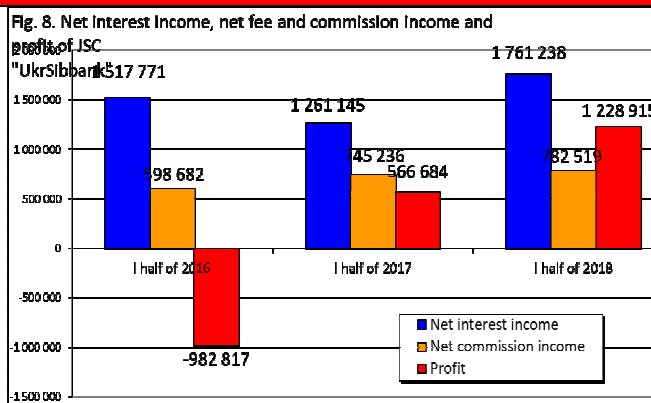
## Profitability of Transactions

The Agency reminds that JSC “UkrSibbank” finished the year of 2016 with the loss of UAH 0.994 bn., according to the results of the 12 months of 2017 the profit amounted to UAH 1.467 bn.

JSC “UkrSibbank” has finished the first half of 2018 with profit of UAH 1.229 bn., which is by 2.17 times more, than for the first half of 2017. For the same period the Bank has noticeably increased net interest income and net commission income.

The Agency highly assesses the return of JSC “UkrSibbank” to the profitable activity on a systematic basis. According to the data published by NBU for the last 20 quarters the Bank’s activity has been profitable in the eleven quarters. The last 6 quarters has been profitable for the Bank.

The availability of profit according to the last six quarters and the acceleration of the profit growth in the first quarter of 2018 refers to the factors which positively affect the Bank’s credit rating.



## 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.

JSC “UkrSibbank” still has an unprecedented high level of external support from its shareholders: BNP Paribas and EBRD.

## Generalization

At the moment of updating the rating the Bank has fulfilled its commitments to clients and lenders according to the applicable legislation and has not been referred by the NBU to the category of problem banks.

The Bank has been very well ensured with the regulatory capital and liquidity, has maintained a reserve of key ratios with respect to its averages in the banking system while optimizing instant and current liquidity ratios for the current market situation. The quality of the Bank’s loan portfolio can be characterized as: better than in average on the market.

Throughout the last six quarters the activity of JSC “UkrSibbank” has remained profitable, while the growth of profit has accelerated in the first half of 2018.

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