

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

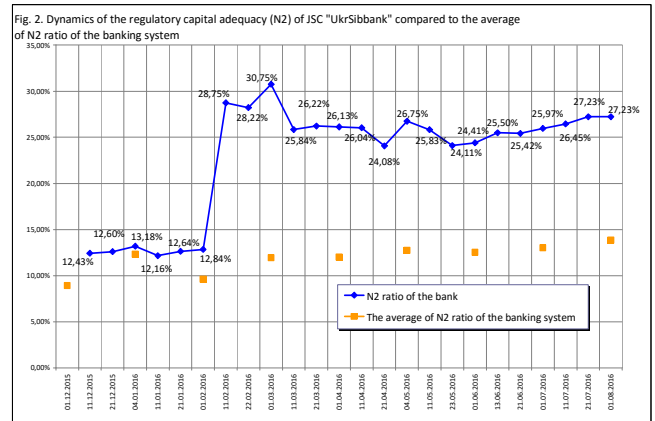
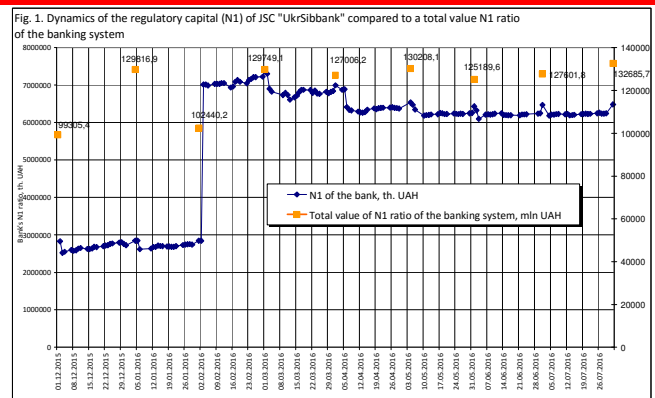
On August 30, 2016 at the meeting of the Rating Committee of RA "Expert-Rating" it was decided to confirm a long-term credit rating of JSC "UkrSibbank" (EDRPOU code 09807750) at the uaAAA level according to the national scale. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 dated 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 the first half of 2016, as well as statistical statements of the Bank for July 2016.

Equity and Capital Adequacy

Since February 2016 the regulatory capital ratio of JSC "UkrSibbank" fluctuated in the range UAH 6.099–7.301 bn with the limit value, set by the NBU, in the amount of UAH 120 mln.

Starting from February 11, 2016 the regulatory capital ratio (N2) didn't 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 August 1 the N2 ratio of JSC "UkrSibbank" was stably higher than the averages of the ratio on the banking system, and from May 23 JSC "UkrSibbank" provided a stable increase of the N2 ratio. As of August 1, 2016 the Bank's N2 ratio amounted to 27.23% that was by 17.23 p.p. higher than the limit value, set by the NBU, and by 13.39 p.p. higher than the average value on the banking system.

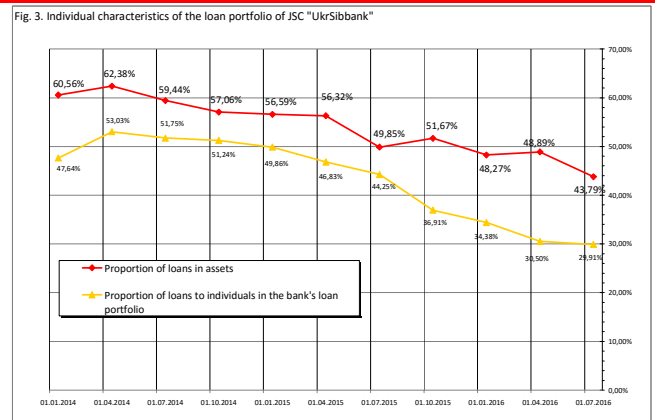
According to the Agency, JSC "UkrSibbank" was excellently provided with regulatory capital, since the Bank's shareholders in the first quarter of 2016 provided it with support at the level higher than it was required. Additionally, the Agency draws attention to the fact that from the end of May till the beginning of August JSC "UkrSibbank" provided a small, but relatively constant growth of N2 ratio, without basing on the financial support from shareholders.



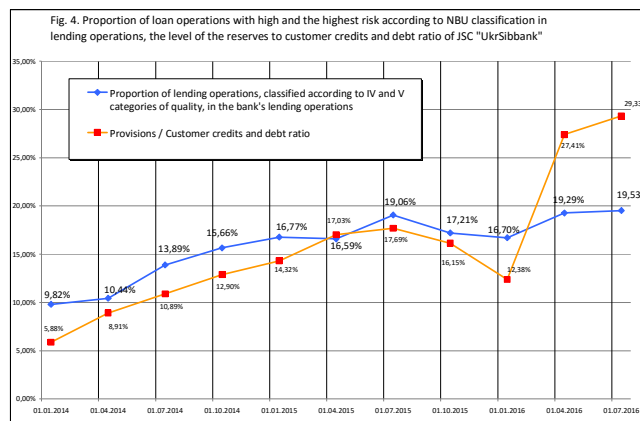
Asset Structure

In the first half of 2016 the asset structure dynamics showed the same trends, which were observed throughout the 2015, namely – a steadily decrease in the proportion of loans against the background of the decrease in the proportion of individuals in the Bank's loan portfolio. On 01.07.2016 the proportion of customer loans and debt in the Bank's assets amounted to 43.79%, and the proportion of loans to individuals in the loan portfolio – 29.91%.

On the background of a steady reduction 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 correction and control over the loan risks.



The Agency also established that according to the results of the first half of 2016 the proportion of loan operations on loans of the fourth and fifth group, according to NBU classification, amounted to 19.53% in JSC “UkrSibbank”. At the beginning of the third quarter the level of the ratio of provisions to customer loans and debt amounted to 29.34%.



Liquidity

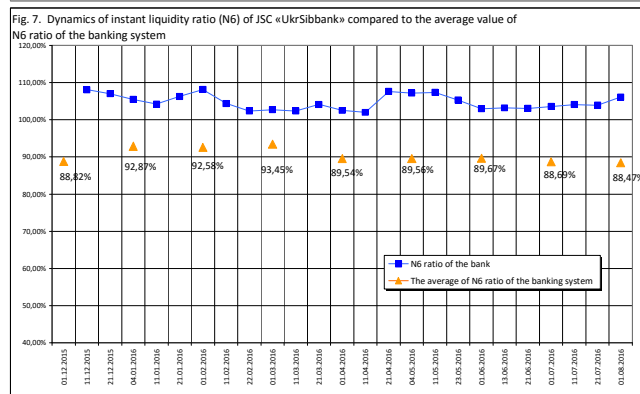
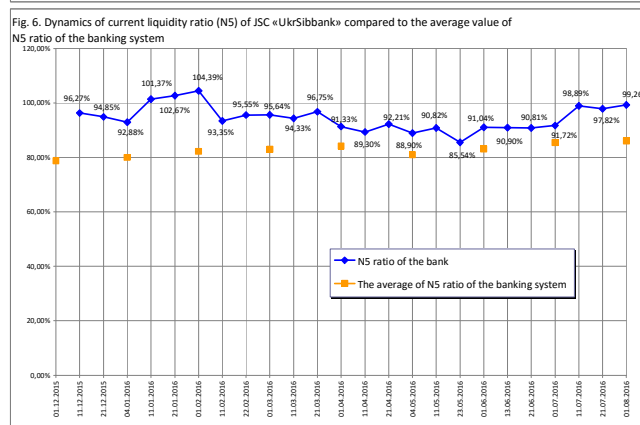
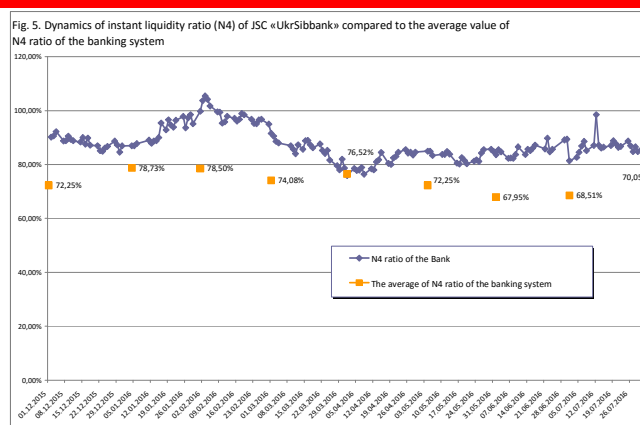
Since the beginning of 2016 JSC “UkrSibbank” was very well provided with liquidity. All the liquidity ratios of the Bank from 01.01.2016 to 01.08.2016 were stably higher than the average standards in the banking system:

- Instant liquidity ratio of the Bank (N4) on 01.08.2016 amounted to 88.79% with the limit value not less 20% and the average value of 70.05% in the banking system;
- Current liquidity ratio of the Bank (N5) on 01.08.2016 amounted to 99.26% with the limit value not less 40% and the average value of 86.01% in the banking system;
- Short-term liquidity ratio of the Bank (N6) on 01.08.2016 amounted to 106.10% with the limit value not less 60% and the average value of 88.47% in the banking system.

The Agency also notes that for the period from 01.01.2016 to 01.08.2016 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.

However, 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 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.

The availability of the substantial liquidity provision at JSC “UkrSibbank” characterizes the Bank’s liquidity management policy as very conservative that corresponds to the situation in the banking sector, as well as to the trends in the Ukrainian economy in the first quarter of 2016.

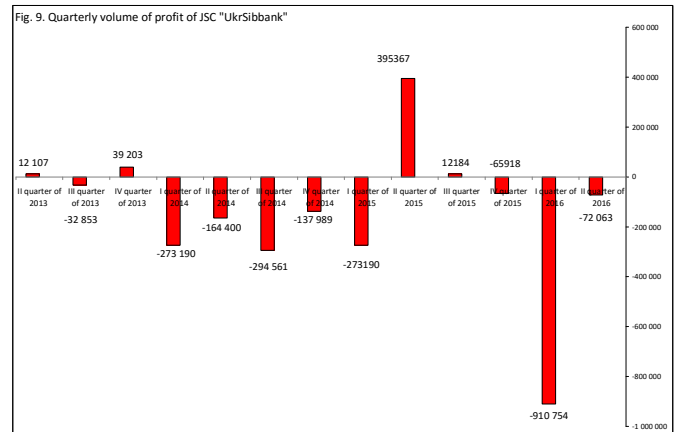
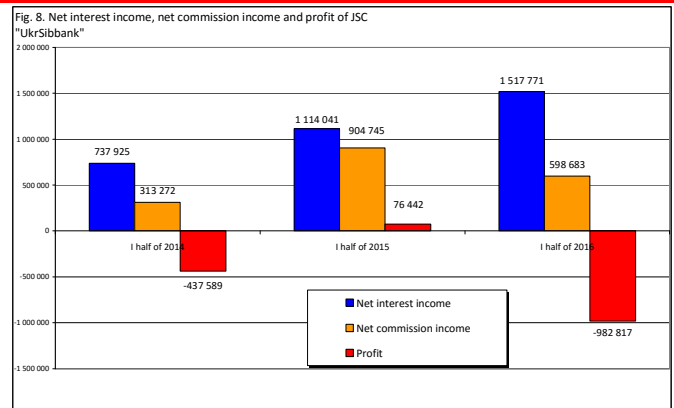


Profitability of Operations

JSC “UkrSibbank” finished the first half of 2016 with a loss of UAH 0.983 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.

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 0.738 bn for the first half of 2014, to UAH 1.114 bn for the first half of 2015 and to UAH 1.518 bn for the first half of 2016. The Agency also reminds that the Bank had the same increase within the first quarter of 2014–2016.

The availability of loss at JSC “UkrSibbank” in the first quarter of 2016, in the Agency’s opinion, won’t considerably affect the Bank’s stability, especially with growing NII, a very high level of the Bank’s provision with liquidity and regulatory capital, as well as with the availability 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, the Bank didn’t have any tax debt.

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.

The drop of the loans’ share in the Bank’s assets and the share of loans to individuals in the loan portfolio of JSC “UkrSibbank” corresponds to the market trends and is a display of the Bank’s conservative capital and liquidity management policy, which is an adequate response of the Bank to the situation in the banking sector of Ukraine.

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