

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" Has Been Confirmed

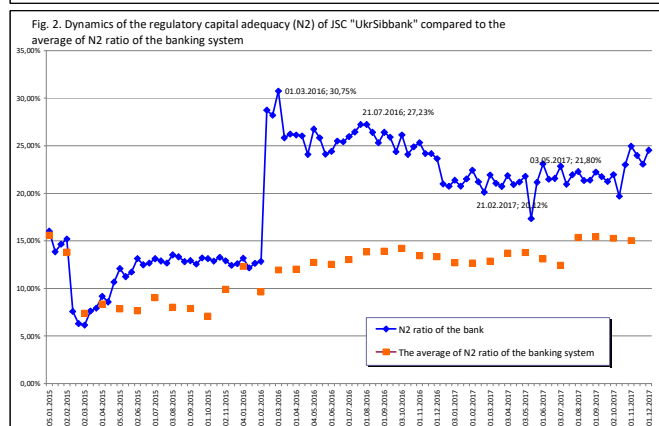
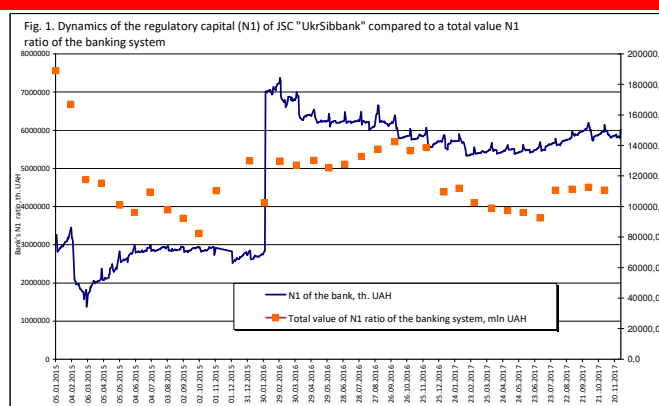
December 18, 2017 at the meeting of the Rating Committee of RA "Expert-Rating" it was decided to confirm a long-term credit rating of JSC "UkrSibbank" (EDRPOU code 09807750) at the uaAAA level according to the national scale. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 as of 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 in 2016 and 9 months of 2017, as well as the Bank's statistical reporting in January–November, 2017.

Equity and Capital Adequacy

Since January 2017 the regulatory capital ratio of JSC "UkrSibbank" has been fluctuating in the range of UAH 5.33-6.199 bn. Starting from March 2016 the Bank's N1 ratio has demonstrated a gradual trend to a smooth decline, but this trend was broken in summer 2017. As of 01.12.2017 the Bank's regulatory capital ratio amounted to UAH 6.025 bn, with the normative set by NBU, that is not less than UAH 200 mln.

Dynamics of the regulatory capital adequacy ratio (N2) mostly repeated the dynamics of the Bank's regulatory capital ratio. After the historical maximum on 01.03.2016 at the level of 30.75%, the Bank's N2 ratio has gradually decreased and on 01.08.2017 amounted to 22.29%. As a result, the trend has changed to a gradual growth of N2 ratio. On 01.12.2017 the Bank's N2 ratio amounted to 24.54%. 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, the Bank's risk of non-compliance with N1 and N2 ratios has been reduced to zero.

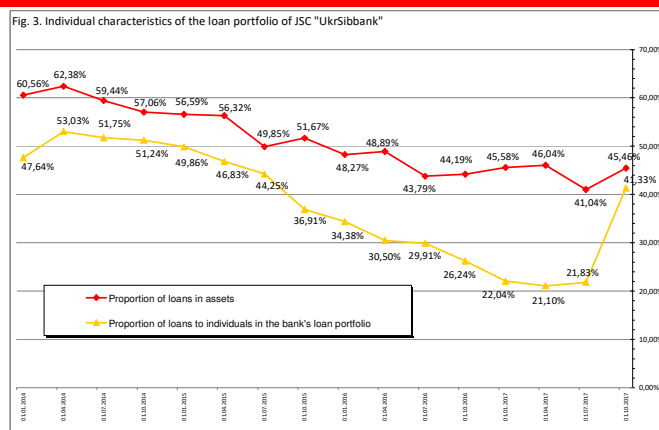


Asset Structure

Throughout the last 16 quarters the Agency notes a gradual, but significant decrease in the proportion of loans in the Bank's assets (from 60.56% down to 45.46%), and also the proportion of loans to individuals in the Bank's loan portfolio (from 47.64% down to 31%).

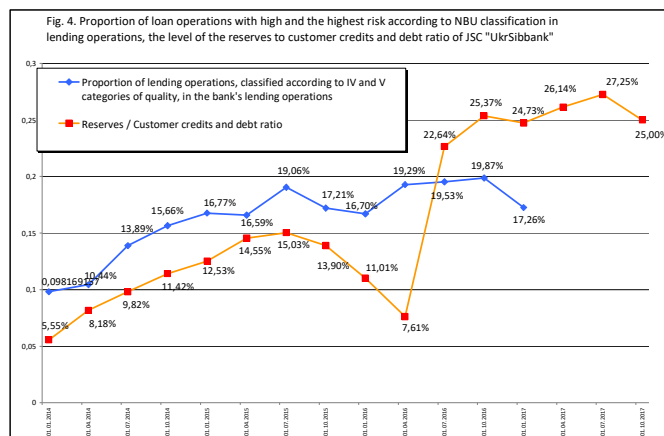
On the background of a weak growth of business activity, as well as employment and population's revenues fall, the revealed trends should be classified as positive and characterized as an indirect confirmation of the conservative loan policy of the Bank aimed at control over the loan risks.

The ratio between provisions and loans and debts of customers was growing in the fourth quarter of 2016 –



the second quarter of 2017, but in the third quarter of 2017 this ratio decreased to 25%. For the 9 months of 2017 the volume of provisions on customer loans has decreased by UAH 280.086 mln or by 4.12%, and the volume of customer loans and debts with provisions exclusive has decreased by UAH 1.14 bn or by 5.51% to UAH 19.538 bn, at the same time for the third quarter this indicator has grown by 12.5%.

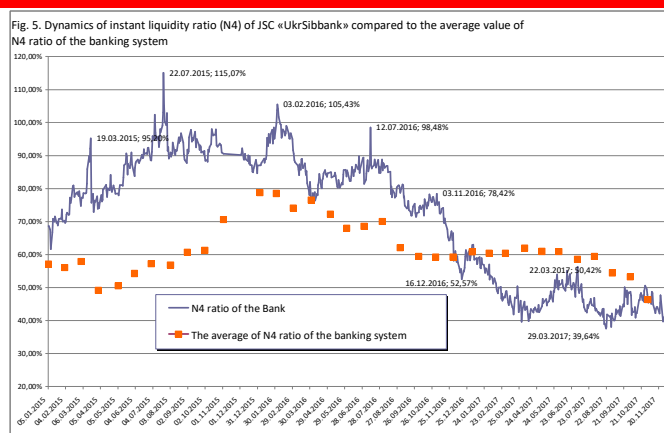
As of 01.11.2017, according to NBU data, only 26.83% of the Bank's loans to legal entities belonged to the 8-10 class of borrowers, while the average value on the system amounted to 64%.



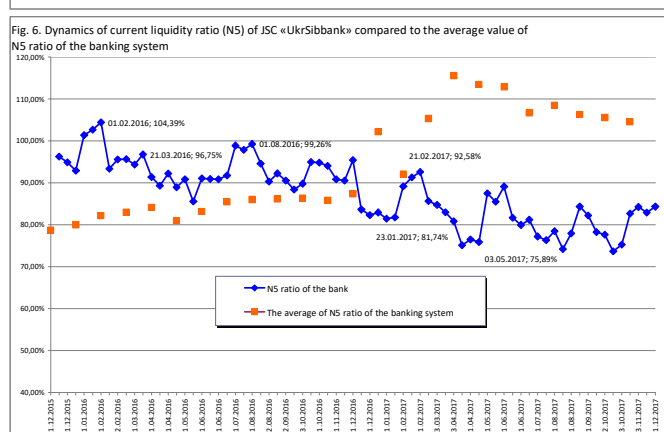
Liquidity

Throughout the entire year of 2016 and 11 months of 2017 JSC "UkrSibbank" has been ensured with the liquidity very well. For the first 9 months of 2017 the Bank has continued optimization of reserves on liquidity ratios.

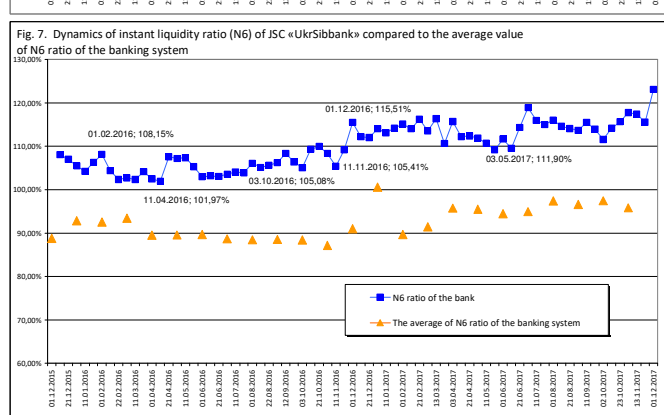
Throughout the 11 months of 2017 the Bank's N4 ratio has fluctuated in the range of 37.54%-62.93%. Throughout the entire analysis period the Bank's N4 ratio has been significantly higher than the limit value set by NBU. As of 01.12.2017 the Bank's instant liquidity ratio has amounted to 42.14% that is by 22.14 p.p. more than the limit value set by NBU.



Throughout the 11 months of 2017 the Bank's N5 ratio has fluctuated in the range of 73.67-92.58%. Throughout the entire analysis period the Bank's N5 ratio has been significantly higher than the limit value, set by NBU. As of 01.12.2017 the Bank's current liquidity ratio has amounted to 84.32% that is by 44.32 p.p. more than the limit value set by NBU.



Throughout the 11 months of 2017 the Bank's N6 ratio has fluctuated in the range of 109.16-123.13%. Throughout the entire analysis period the Bank's N6 ratio has been higher than the limit value set by NBU and the average value on the banking system. As of 01.12.2017 the Bank's short-term liquidity ratio has amounted to 123.13% that is by 63.13 p.p. more than the limit value set by NBU.



Throughout January-November, 2017 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 in the future.

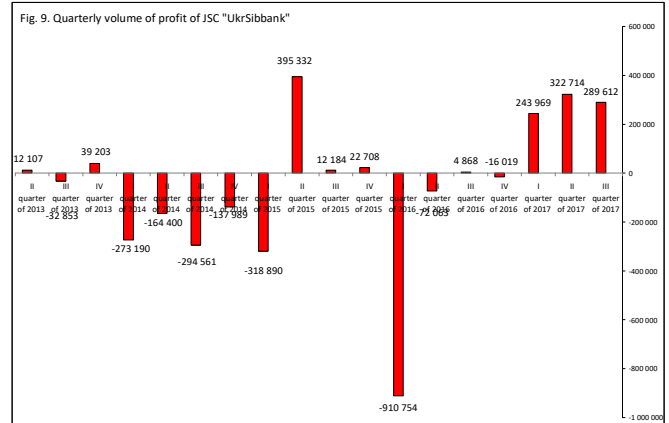
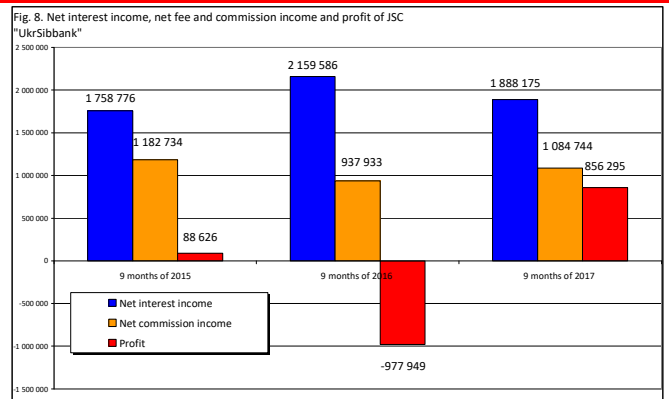
Profitability of Transactions

The Agency reminds that JSC “UkrSibbank” has finished the year of 2016 with the loss of UAH 0.994 bn. However, according to the results of the first quarter of 2017 the Bank has received profit in the amount of UAH 243.969 mln. According to the results of the first half of 2017 the Bank’s profit has amounted to UAH 566.683 mln, and according to the results of the 9 months of 2017 it has grown to UAH 856.295 mln.

The Agency highly assesses the return of JSC “UkrSibbank” to the profitable activity in 2017. According to the data published by NBU for the last 18 quarters the Bank’s activity was profitable in the first, second and third quarters of 2017.

Additionally the Agency draws attention that during the last three years JSC “UkrSibbank” managed to achieve a stabilization of net interest income for the 9 months of 2017, which didn’t drop below UAH 1.76 bn.

The availability of profit according to the first, second and third quarters of 2017 against the background of a stable amount of net interest and net fee and commission income indicate a great probability of the Bank’s return to the profitable activity on a systematic basis already according to the results of 2017.



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.

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 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 was better, than the average on the banking system.

JSC “UkrSibbank” returned to the practice of profitable activity in the first, second and third quarters of 2017 that deserves a positive assessment.

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