

## Rating report

(version for publication)



Credit rating of the Bank according to Ukrainian national scale:	<b>uaAAA</b>
Interpretation of rating according to the national scale:	Borrower or separate bond instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian borrowers or bond instruments
Rating assignment date:	July 08, 2014

## PUBLIC JOINT-STOCK COMPANY “UKRSIBBANK”

(full name of the bank)

60, Moskovsky ave., Kharkov, 61001, Ukraine  
(bank address)

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Registration date	October 28, 1991
USREOU code	09807750
Chairman of the Board	Philippe Joannier
Phone	0 800 505 800
E-mail	info@ukrsibbank.com
Web-site	www.ukrsibbank.com

**List of bank's licenses:** Banking license of NBU № 75 from 05.10.2011 to provide banking services. General license of NBU № 75 from 05.10.2011 to carry out currency operations. License of NSMSC from 12.01.2010 to carry out professional activities in the stock market – securities trade: Series AB № 507197 – brokerage activity, Series AB № 507198 – dealer activity; Series AB № 507199 – underwriting; Series AB № 507201 – depositary activity of securities custodian. Permission № 61 from 09.08.1994 to carry out activities as a depositary of investment fund or investment company, issued by the Ministry of Finance of Ukraine. License of the Administration of State Service for Special Communication and Information Protection of Ukraine Series AB №368596 from 12.05.2008

*The present report is the rating research expressing an opinion of RA Expert-Rating analysts.  
The report is a substantiation of the rating assigned, which is also an opinion of RA Expert-Rating analysts.  
See the last page of the report for usage limitations*

## 1. General trends in development

UkrSibbank was established in 1990 in the City of Kharkiv as a regional bank providing services to large corporate clients.

In 1996, UkrSibbank starts opening branches in other regions of Ukraine which resulted in creation of an efficient retail network by 2000 and transformation of the Bank into a market leader. Active cooperation with individuals and legal entities enables UkrSibbank to constantly expand the range of banking services and products, gaining new markets and clients.

Since 2000 UkrSibbank has held a leading position in investment business, repeatedly winning the title of the best investment bank in the country.

In 2003, UkrSibbank is considered as a national leader, the one in the top ten banks in Ukraine.

In December 2005, BNP Paribas, one of the world's largest financial groups, acquired 51% shares of UkrSibbank, which had joined by then the top 3 banks of Ukraine, and by April 2006 became the Bank's strategic investor. In 2009, the stake of BNP Paribas increased to 81.42% and in 2010 to 99.99%. The transaction on purchase of the 15% of shares of UkrSibbank by the European Bank for Reconstruction and Development (EBRD) was completed in August of 2011. As a result, the stake of BNP Paribas decreased to 84.99%.

BNP Paribas is the world leader of the financial services market, the largest international financial group with about two centuries of history, which carries out activities in about 80 countries of the world.

Integration into BNP Paribas Group opened new opportunities for UkrSibbank: involvement in global brand, use of the best world practices and transition to new management standards. Over the course of the strategic partnership with BNP Paribas, UkrSibbank has reached a new level of service and opened new areas of business.

Today, UkrSibbank is a universal bank operating in both retail and corporate businesses. UkrSibbank provides services to more than 2.2 million retail customers, 255,000 small and medium enterprises and 4,000 large companies. Bank's regional network includes about 500 branches throughout Ukraine and ATM network of over 1,300 ATMs.

UkrSibbank is a pioneer of the Private Banking in Ukraine. UkrSibbank has been among the leaders of this segment for about 10 years thanks to more than a century-long experience of BNP Paribas Group. In 2013, the number of Private Banking customers of UkrSibbank increased by 6%. The growth accompanies the Bank's development in all segments of the Ukrainian banking market.

UkrSibbank BNP Paribas Group follows a long-term plan to expand its presence in the stock market of Ukraine, in particular in the market of asset management of institutional investors. The Bank founded an asset management company – the administrator of private pension funds - “Ukrsib Capital Management” at the beginning of 2014 in order to increase transparency, efficiency and quality of services.

UkrSibbank is a member of the following stock exchanges and Associations: First Stock Trading System, Stock Exchange “Perspective”, Association of Ukrainian Banks, Ukrainian public organization “Association of Taxpayers of Ukraine”, Visa International Services Association, Ukrainian Interbank Payment Systems Member Association “EMA”, Ukrainian National Mortgage Association, European Business Association, Association “Ukrainian National Group of Members and Users of SWIFT “UkrSWIFT”.

Furthermore, UkrSibbank is a member of: S.W.I.F.T.s.c., REUTERS: 85, The Thomas Cook Group Ltd., American Express Services Europe Limited, MasterCard Europe, Western Union Financial Services Inc., OJSC "Interregional Stock Union", Ukrainian Interbank Currency Exchange, Crimean Interbank Currency Exchange, Kharkov Banking Union, Ukrainian Credit-Banking Union, Individual Deposit Guarantee Fund, American Chamber of Commerce in Ukraine, Kiev Commercial and Industrial Chamber, French Business Community in Ukraine, First Ukrainian Credit History Bureau.

Since its foundation, UkrSibbank has evolved from a regional bank to a national leader, one of the most dynamically developing universal banks in the Ukrainian financial market and a member of the BNP Paribas Group, one of the largest European banking groups.

## 2. Market share and business activity

According to the ranking of the National Bank of Ukraine, UkrSibbank is among the largest Ukrainian banks in terms of assets. As of 01.04.2014, the assets of JSC "UkrSibbank" amounted to UAH 23.373 bln., the Bank occupies the 14<sup>th</sup> place in the general ranking of the NBU (consisting of 181 banks).

According to the NBU statistics, as of 01.04.2014 the proportion of JSC "UkrSibbank" in assets of the banking system of Ukraine amounted to 1.78%, and to 1.85% in liabilities (*table 1*).

Dynamics of the share of UkrSibbank in terms of assets and liabilities for the period from 01.01.2011 to 01.04.2014 showed downward trends. The volume of assets and liabilities decreased by about a half: reduction of assets amounted to 49.33% or UAH 22.756 bln., liabilities shrank 49.12% or UAH 20.272 bln. Respectively, the Bank's proportion in assets and liabilities of the banking system of Ukraine also decreased. It should be noted that UkrSibbank, being a large systemic bank and possessing significant portfolio of retail loans, took a significant hit during the crisis of 2008-2009. In subsequent years, UkrSibbank made significant efforts to neutralize the consequences of the crisis and tried to minimize the proportion of non-performing loans in the loan portfolio. In addition, during the recession, UkrSibbank decreased its portfolios of assets and liabilities and downsized its activities in certain segments in order to avoid accumulation of unreasonable risks and, hence, the losses.

The agency also would like to mention that it is quite difficult to estimate dynamics of the real market share of the Bank as during the last five years the banking system of Ukraine has seen significant fluctuations in non-performing assets due to changes in accounting and reporting systems. At the same time, the Agency warns against an outright negative assessment of the decrease in assets the Bank reported since 2011. The Agency believes that the management of the Bank reduced operations in line with inherent risks of the Ukrainian economy, which affected the dynamics of both assets and liabilities of the Bank.

Table 1

### Assets and liabilities of JSC «UkrSibbank» vs. indicators of the banking system of Ukraine

(mln. UAH, %)

Indicators	01.04.2014	01.01.2014	01.01.2013	01.01.2012	01.01.2011	Change	Growth rate, %
Bank's Assets	23372.537	24111.742	25888.703	32868.231	46128.187	-22755.650	-49.33%
Assets of the banking system	1315834.993	1277508.651	1127179.379	1054272.287	942083.994	373750.999	39.67%
<b>Bank's share in assets of the system</b>	<b>1.78%</b>	<b>1.89%</b>	<b>2.30%</b>	<b>3.12%</b>	<b>4.90%</b>	<b>-3.12 p.p.</b>	-
Bank's Liabilities	21000.903	21461.467	23259.607	31609.304	41272.744	-20271.841	-49.12%
Liabilities of the banking system	1133325.846	1084909.687	956983.118	898785.345	804358.877	328966.969	40.90%
<b>Bank's share in liabilities of the system</b>	<b>1.85%</b>	<b>1.98%</b>	<b>2.43%</b>	<b>3.52%</b>	<b>5.13%</b>	<b>-3,28 p.p.</b>	-
NBU's ranking in terms of assets	14	14	12	9	5	-	-

Source: Data of the NBU, calculations by RA "Expert-Rating".

Note: analyzing data in table 1, the changes in methodology of accounting and public statements, which were undertaken by the NBU in the period 2010-2013, should be taken into account.

### 3. Capital adequacy and external support

As of 01.04.2014, authorized capital of JSC "UkrSibbank" amounted to UAH 1.774 bln., own equity made up UAH 2.372 bln. According to the Q1 results, the Bank's own equity decreased by 10.51% or UAH 278.641 mln as compared to the beginning of 2014. Such dynamics was caused by considerable uncovered losses (in the amount of UAH 248.108 mln.) in the Bank's balance-sheet, which resulted in the decrease of the Bank's own equity. It should be noted that at the end of 2013 own equity of JSC "UkrSibbank" was replenished by injections of retained earnings in the amount of UAH 24.976 mln. (table 2).

Table 2

#### Own equity of JSC "UkrSibbank"

(kUAH, %)

Indicators	01.04.2014	01.01.2014	Change	Growth rate, %
Authorized capital	1 774 333	1 774 333	-	-
Emission differences	811 260	811 260	-	-
Undistributed profit (uncovered loss)	(248 108)	24 976	-	-
Reserve funds and other funds of the bank	33 010	33 010	-	-
Revaluation reserves	1 139	6 696	-5 557	-82,99%
<b>Total own equity</b>	<b>2 371 634</b>	<b>2 650 275</b>	<b>-278 641</b>	<b>-10,51%</b>
<b>Total liabilities</b>	<b>23 372 537</b>	<b>24 111 742</b>	<b>-739 205</b>	<b>-3,07%</b>

Source: Data of JSC "UkrSibbank", calculations by RA "Expert-Rating"

Regulatory capital of JSC "UkrSibbank" (N1) as of 01.04.2014 amounted to UAH 4.606 bln. exceeding the NBU threshold by 38 times (not less UAH 120 mln.). During the period from 01.01.2014 to 01.04.2014, the Bank's equity ratios (N1, N2, N3) showed a slight decrease, however, the resulting ratios considerably exceed not only the regulator's threshold, but also the average regulatory capital of Ukrainian banks. As of 01.04.2014, the regulatory capital adequacy ratio (N2) made up 22.60% (the NBU requires the ratio of at least 10% and the average on the market is around 14.80%) and the regulatory capital to total assets ratio (N3) amounted to 18.60% (while mandatory threshold is set at 9% and the average ratio makes up 12.84%) (table 3).

Table 3

#### Dynamics of equity normative indicators of JSC "UkrSibbank"

(kUAH, %)

Indicator	Normative	01.04.2014		01.01.2014	
		Bank value	Value on the system	Bank value	Value on the system
Regulatory capital (N1)	>120 mln	4 605 896	-	4 678 442	-
Regulatory capital adequacy normative (N2)	>10%	22.60%	14.80%	23.01%	18.26%
Regulatory capital/total assets normative ratio (N3)	>9%	18.60%	12.84%	18.70%	13.98%

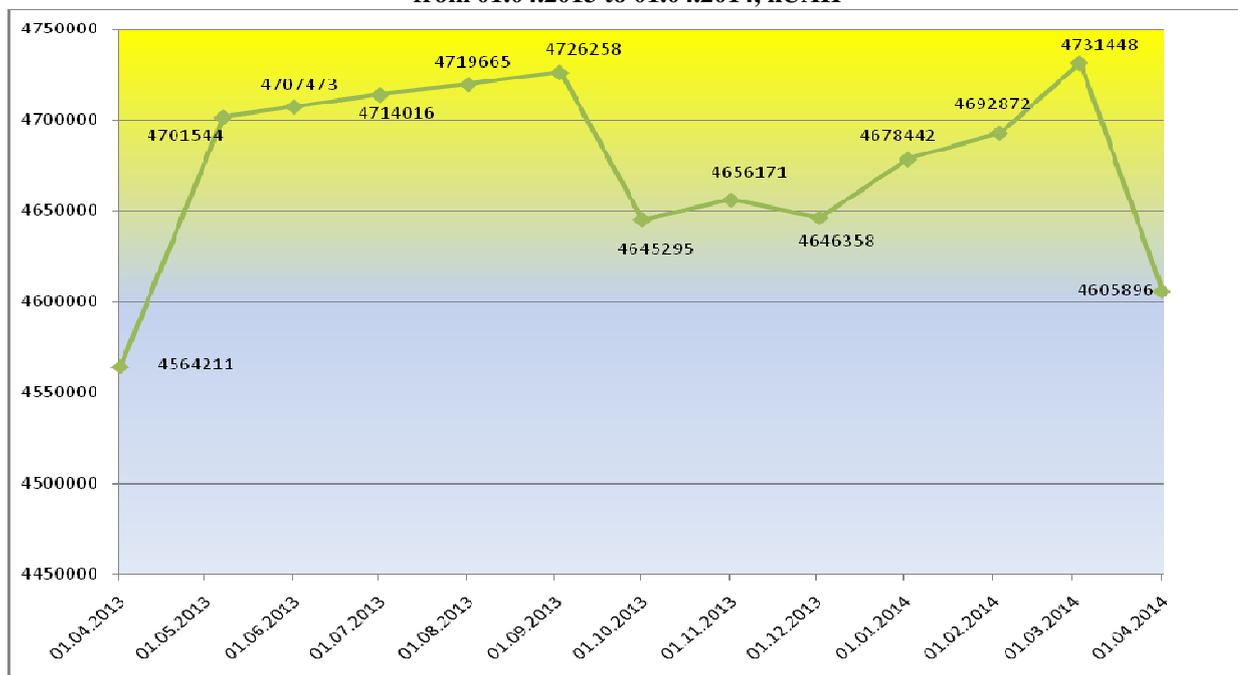
Source: Data of JSC "UkrSibbank", NBU, calculations by RA "Expert-Rating"

Monthly dynamics of JSC "UkrSibbank" ratios (N1, N2, N3) from 01.04.2013 to 01.04.2014 are given in Figures 1 and 2.

As is shown in fig. 1, dynamics of the regulatory capital of JSC "UkrSibbank" (N1) from 01.04.2013 to 01.04.2014 was uneven and was multidirectional. During the above period, the minimum amount of regulatory capital (UAH 4,564 bln.) was reported on 01.04.2013 and the maximum amount (UAH 4.731 bln.) was shown on 01.03.2014. N1 increased by UAH 137.333 mln. or by 3.01% up to UAH 4.702 bln. in the second quarter of 2013 and from

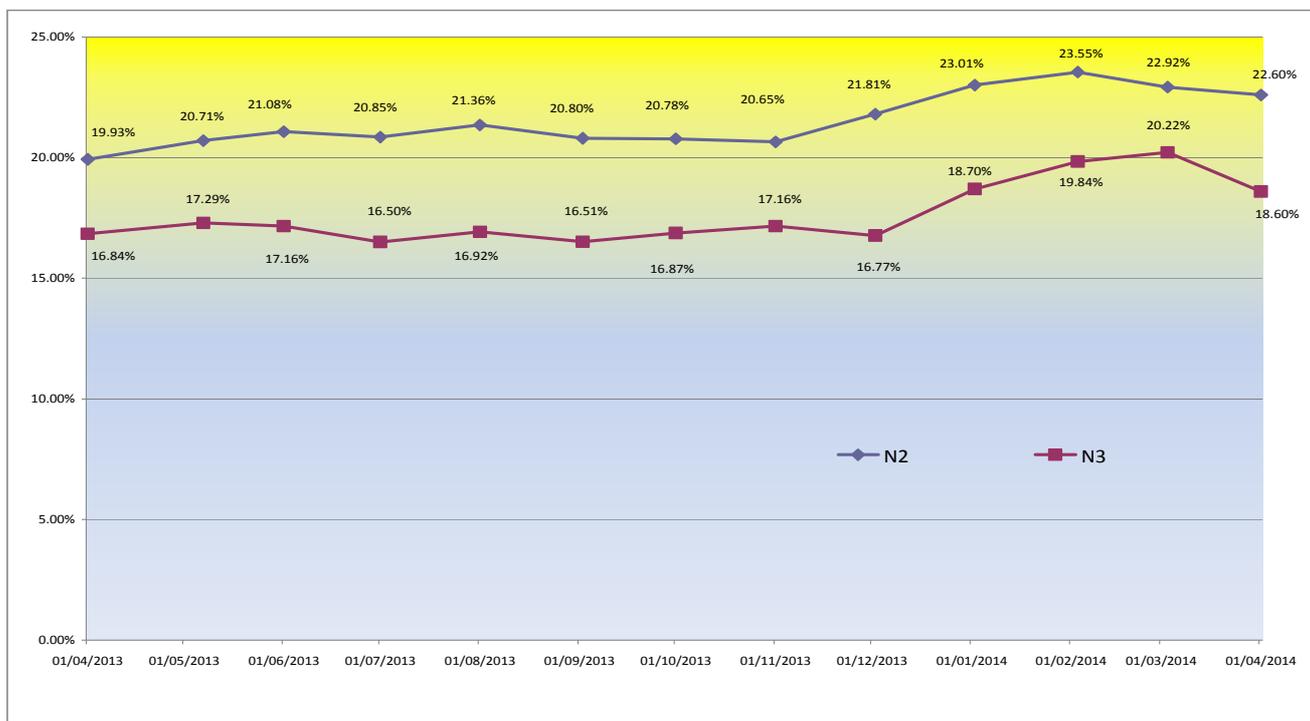
01.05.2013 to 01.09.2013 N1 demonstrated a steady growth. Afterwards, dynamics of the Bank's regulatory capital showed decrease and increase. As a whole, for the year (as of 01.04.2014 compared to 01.04.2013) N1 increased by UAH 41.685 mln. or by 0.91% (fig. 1).

**Fig. 1. Dynamics of the regulatory capital of JSC "UkrSibbank" (N1) from 01.04.2013 to 01.04.2014, kUAH**



Dynamics of the Bank's regulatory capital adequacy ratios (N2) and the regulatory capital to total assets ratio (N3) was also multidirectional, but at the same time it was more gradual than dynamics of N1. From 01.04.2013 to 01.04.2014, N2 increased by 2.67 p.p. and N3 grew by 1.76 p.p. (fig. 2).

**Fig. 2. Dynamics of equity N2 and N3 ratios of JSC "UkrSibbank" from 01.04.2013 to 01.04.2014, %**



As a whole, dynamics of N1, N2 and N3 ratios indicates that the level of the regulatory capital is rather high, the Bank maintains a noticeable "reserve" of the regulatory capital adequacy and regulatory capital to total assets ratios.

### Shareholders' support

At the moment of preparing the rating report, UkrSibbank had the following shareholder structure:

- BNP Paribas (France) — 84.9996%;
- the European Bank for Reconstruction and Development (EBRD) — 15%.

The Agency estimates the probability of JSC “UkrSibbank” receiving support from its shareholders as very high.

BNP Paribas is the European leader in international banking and financial services and one of the six largest banks in the world according to Standard & Poor's.

BNP Paribas is present in about 80 countries around the world, has one of the largest international networks and about 180,000 employees. BNP Paribas holds key positions in three main activities: Retail Banking, Investment Solutions and Corporate & Investment Banking. In the retail banking, the Group has four domestic markets: Belgium, France, Italy and Luxembourg. The Bank develops an integrated business model of retail business in Eastern Europe, Mediterranean, Turkey, and also has an extensive network in the U.S. West. In corporate and investment banking and investment solutions, BNP Paribas also holds leading positions in Europe, has a strong position in North and South Americas, as well as stable dynamic business in Asia.

According to the Q1 2014 results, total assets of BNP Paribas Group amounted to EUR 1.883 trillion, total consolidated equity amounted to EUR 93.574 bln., revenue amounted to EUR 9.913 bln., net income attributable to equity holders amounted to EUR 1.668 bln.

BNP Paribas has announced a three-year development plan for 2014-2016. Universal model has already proved its stability throughout the entire economic cycle; moreover, this model offers significant advantages in the new market conditions. BNP Paribas has set five strategic goals:

- Further improvement of service quality and development of new services.
- Streamlining and improvement of the Group's organizational structure.
- Increase of operational efficiency.
- Quick adaptation to new regulations.
- Active development in different regions of the world on the basis of the global expertise of BNP Paribas.

The key goal of BNP Paribas Group for 2016 is to achieve 10% and more return on equity as well as double digit earnings per share.

## 4. Asset quality

According to Q1 2014 results, assets of JSC “UkrSibbank” amounted to UAH 23.373 bln decreasing by 3.07% or UAH 739.205 mln as compared to the beginning of 2014. Dynamics of the Bank's assets in the period from 01.01.2014 to 01.04.2014 was as follows:

- JSC “UkrSibbank” outstanding loan portfolio decreased by 0.15% or by UAH 21.868 mln. and amounted to UAH 14.580 bln. The Bank's loan portfolio saw multidirectional dynamics: the loan portfolio of legal entities decreased by 10.07% or by UAH 746.738 mln. to UAH 7.412 bln., at the same time individuals' outstanding increased by 13.76% or by UAH 1 165 mln. to UAH 8.465 bln.;
- Cash and equivalents decreased by 19.49% and on 01.04.2014 amounted to UAH 3.195 bln., their share in the Bank's assets amounted to 13.67%;
- Funds placed by UkrSibbank with other banks decreased by 91.54%: from UAH 207.105 mln. down to UAH 17.529 mln.
- Portfolio of securities for sale grew by 2.5 times (by 151.04% or by UAH 1.376 bln.) and reached UAH 2.287 bln. and its share in the Bank's assets increased by 6.01 p.p.: from 3.78% to 9.79% (table 4).

Table 4

Assets of JSC «UkrSibbank»

(kUAH, %)

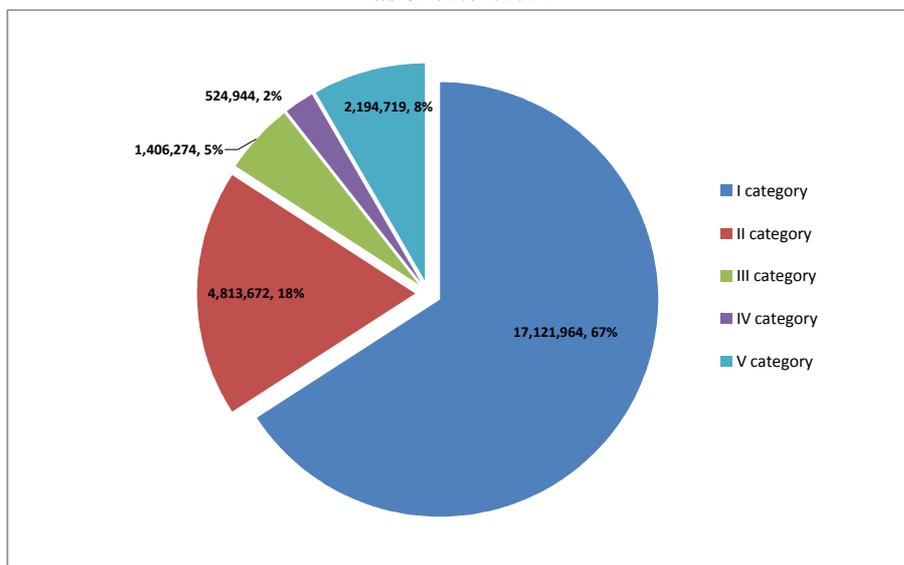
Indicator	01.04.2014	01.01.2014	Change	Growth rate, %
Cash and cash equivalents	3 195 158	3 968 692	-773 534	-19.49%
Funds of mandatory reserves of the bank in NBU	160 541	358 418	-197 877	-55.21%
Other financial assets taken into account at fair value through profit or loss	41 259	1 954	39 305	2011.51%
Funds in other banks	17 529	207 105	-189 576	-91.54%
Customer loans and debt, including:	14 579 850	14 601 718	-21 868	-0.15%
- loans and debt of legal entities	7 412 676	8 159 414	-746 738	-10.07%
- loans and debt of individuals	8 465 951	7 300 876	1 165 075	13.76%
- loan provisions	(1 298 777)	(858 572)	440 205	51.27%
Securities in the bank's portfolio for sale	2 287 312	911 123	1 376 189	151.04%
Investments in associates and subsidiaries	346 658	346 658	-	-
Investment real estate	65 373	60 193	5 180	8.61%
Deferred tax asset	1 127 401	1 127 401	-	-
Fixed capital and intangible assets	1 172 942	1 202 177	-29 235	-2.43%
Other financial assets	324 089	1 253 699	-929 610	-74.15%
<b>Other assets</b>	54 425	72 605	-18 180	-25.04%
<b>Total assets:</b>	<b>23 372 537</b>	<b>24 111 742</b>	<b>-739 205</b>	<b>-3.07%</b>

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

As of 01.04.2014, customer loans and debt made up the most significant share in the asset structure of JSC “UkrSibbank” reaching 62.38%. Therefore, the loan portfolio (individuals and legal entities) is the largest item in the income-generating assets of the Bank.

The Agency analyzed the Bank’s assets on the premise that the balance sheet item “customer credits and debt” was the key item of the income assets of JSC “UkrSibbank”. Analyzing the asset quality, the Agency examined the structure of lending operations of JSC “UkrSibbank” by quality categories (i.e. risk) (fig. 3).

**Fig. 3. Structure of lending operations of JSC “UkrSibbank” by quality categories as of 01.04.2014**



According to Q1 2014 financial statements of JSC “UkrSibbank”, as of 01.04.2014, 85% of lending operations of the Bank were attributed to the first and second quality categories, i.e. minimal (first category of quality) and moderate (second category of quality) levels of risk. For the period from 01.01.2014 to 01.04.2014, the share of the above lending operations grew by 13 p.p.: from 72% up to 85%. The Agency positively evaluates the increase in loans with minimal and moderate levels of risk in the structure of lending operations of the Bank.

As of 01.04.2014, the share of non-performing loans of the Bank (attributed to the fourth and fifth categories of quality) amounted to 10%, while as of 01.01.2014 this indicator made up 8%. In Q1 of 2014, UkrSibbank increased provisions for loan losses and debts by UAH 440.205 mln. or by 51.27% up to UAH 1.299 bln.

## 5. Liquidity

Liquidity ratios of JSC “UkrSibbank” for the period from 01.01.2014 to 01.04.2014 demonstrated the following changes:

- Instant liquidity ratio of the Bank (N4) decreased by 3.28 p.p. and amounted to 35.51% (the NBU requires that the ratio make up no less than 20%, average ratio in the banking system of Ukraine makes up 48.81%);
- Current liquidity ratio (N5) grew by 4.91 p.p. to 75.62% (the NBU requires that the ratio make up no less than 40%, average ratio in the banking system of Ukraine makes up 79.63%);
- Short-term liquidity ratio (N6) increased by 2.54 p.p. to 78.64% (mandatory requirement makes up no less than 60% and the market average amounts to 83.23%) (table 5).

Table 5

**Dynamics of liquidity ratios of JSC “UkrSibbank”**

(%)

Ratio	Required ratio	01.04.2014		01.01.2014	
		Bank ratio	Average ratio in the system	Bank ratio	Average ratio in the system
Instant liquidity ratio (N4)	>20%	35.51%	48.81%	38.79%	56.99%
Current liquidity ratio (N5)	>40%	75.62%	79.63%	70.71%	80.86%
Short-term liquidity ratio (N6)	>60%	78.64%	83.23%	76.10%	89.11%

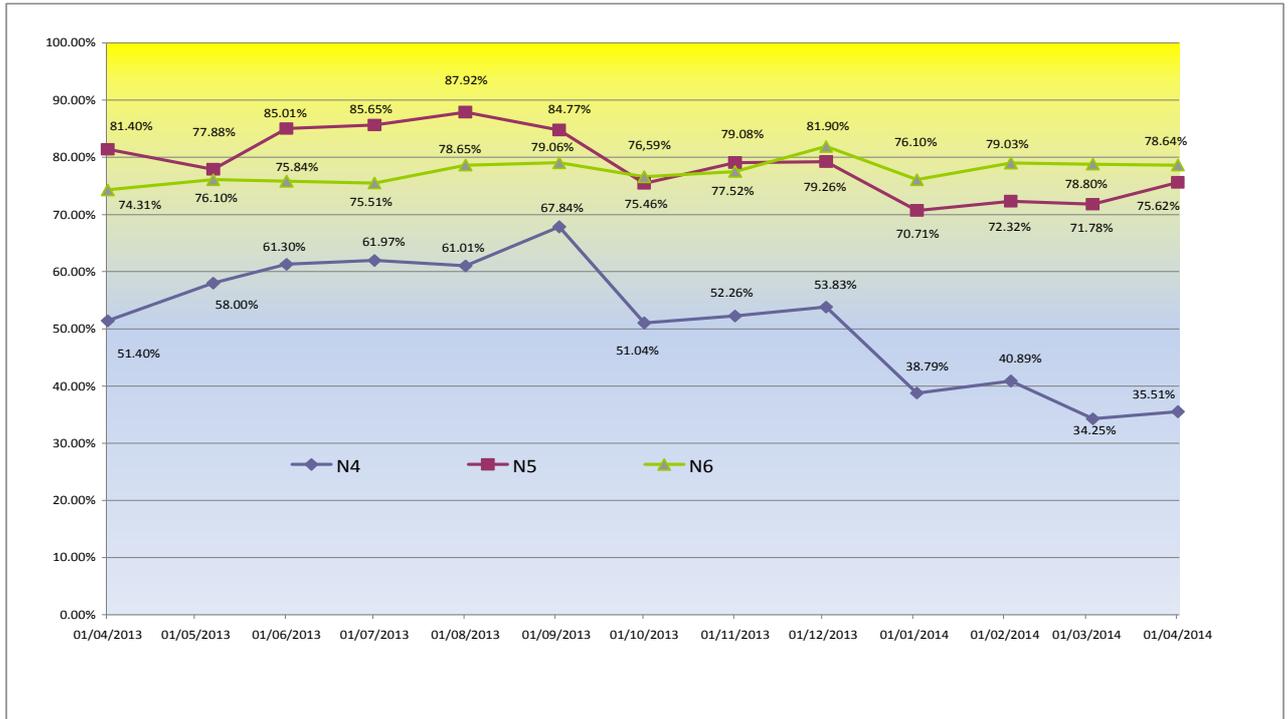
Source: Data of JSC “UkrSibbank”, NBU, calculations by RA “Expert-Rating”

Monthly dynamics of liquidity ratios of JSC “UkrSibbank” during the last year (in the period from 01.04.2013 to 01.04.2014) was multidirectional and saw both the increase and the decrease. Thus, in the period from 01.04.2013 to 01.09.2013 the Bank noticeably increased the instant liquidity reserves, N4 demonstrated upward trend, which, starting

from 01.09.2013, began to move downward. Dynamics of required current (N5) and short-term (N6) liquidity ratios was also uneven, but demonstrated more stable trends, avoiding sudden changes in either direction (fig. 4).

Therefore, JSC “UkrSibbank” liquidity ratios are by far exceeding the required ratios set by the regulator. In particular, as of 01.04.2014 the instant liquidity ratio of the Bank (N4) exceeded the NBU threshold by 15.51 p.p., the current liquidity ratio (N5) exceeded the threshold set by the regulator by 35.62 p.p., and the short-term liquidity ratio (N6) exceeded the NBU threshold by 18.64 p.p. The liquidity ratios of JSC “UkrSibbank” (N4, N5 and N6) did not exceed respective averages in the banking system of Ukraine. At the same time, it is necessary to note a positive dynamics of the current (N5) and short-term (N6) liquidity ratios of the Bank in the period from 01.01.2014 to 01.04.2014, while the average ratios on the market saw a simultaneous decrease of all the three ratios (N4, N5 and N6) due to increased turbulence and significant outflow of resources from the banking system of Ukraine, which peaked in the first quarter of 2014.

**Fig. 4. Dynamics of liquidity ratios N4, N5, N6 of JSC “UkrSibbank” from 01.04.2013 to 01.04.2014, %**



## 6. Income, expenses and profit of the Bank

Dynamics of certain key items of income of JSC “UkrSibbank” according to the results of the Q1 of 2014 compared to the Q1 of 2013 was as follows:

- Net interest income of the Bank decreased by 11.56% down to UAH 363.053 mln.;
- Net commission income grew by 0.20% and amounted to UAH 151.141 mln.;
- Result from operations with foreign currency reduced by 1.49% down to UAH 16.206 mln.;
- Other operating income decreased by 61.71% amounting to UAH 48.690 mln. (table 6).

Table 6

**Dynamics of certain items of income, expenses and net profit of JSC “UkrSibbank”**

(kUAH, %)

Indicator	Q1 of 2014	Q1 of 2013	Change	Growth rate, %
Net interest income	363 053	410 499	-47 446	-11.56%
Net commission income	151 141	150 843	298	0.20%
Result from revaluation of other financial instruments considered at fair value with recognition of the revaluation result through profit or loss	229 095	(11 501)	-	-
Result from operations with foreign currency	16 206	16 451	-245	-1.49%
Result from revaluation of foreign currency	(188 586)	(2 280)	186 306	8171.32%
Result from operations with securities	(26 285)	(10 866)	-	-
Other operating income	48 690	127 155	-78 465	-61.71%
Deductions to loan provisions and funds in other banks provisions	(378 990)	(149 977)	229 013	152.70%
Deductions to other reserves	(8 514)	3 045	-	-
Administrative and other operating expenses	(477 909)	(521 179)	-43 270	-8.30%
Profit/(loss) before taxation	(272 099)	12 190	-	-
Expenses for income tax	(1 091)	(6 144)	-5 053	-82.24%
<b>Profit/(loss)</b>	<b>(273 190)</b>	<b>6 046</b>	-	-

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

Significant devaluation of hryvnia in the first quarter of 2014 resulted in a considerable growth (by 82.7 times) of the negative result of the Bank due to the revaluation of foreign currency: by UAH 186.306 mln. or by 8171.32% to UAH 188.586 mln. At the same time, JSC "UkrSibbank" showed a considerable positive result (UAH 229.095 mln.) from the revaluation of other financial instruments considered at fair value with recognition of the result of revaluation through profit or loss that enabled to neutralize a negative result from FX operations.

The decrease in administrative and other operating expenses of the Bank by UAH 43.270 mln or by 8.30% should be also considered as a positive trend. The Bank's provisions for loans and funds with other banks grew considerably (by 2.5 times) by UAH 229.013 mln. or by 152.70%, which impacted the financial result of the Bank. According to the results of the Q1 of 2014, JSC "UkrSibbank" posted UAH 273.190 mln. in losses, while in the same period of the previous year the Bank posted UAH 6.046 mln. in profit and the overall profit in 2013 amounted to UAH 24.503 mln. In this context, it should be noted that the first quarter of the current year was very difficult for the Ukrainian banking system and impacted the banks' performance and financial results. In the first quarter of 2014, the Ukrainian banking system posted UAH 1.993 bln in losses.

## 7. Other factors taken into account in the rating assessment

RA "Expert-Rating" reviewed the Bank's involvement in legal disputes via the Unified State Register of Court Decisions. The Bank acts as a party in numerous legal proceedings aimed at protecting its interests as a creditor.

The agency did not reveal any significant disputes of the Bank with the executive bodies of state authorities of Ukraine. The Bank operates in accordance with Ukrainian legislation.

The bank's management has immaculate reputation and considerable expertise in banking in Ukraine and all over the world.

### Philippe Joannier

Chairman of the Management Board.

Born: October 12, 1951, Tananarive (Madagascar).

Education: Diploma of University "Higher Business School" (1973).

Career:

From January of 2011 till present — BNP Paribas Country Head for Ukraine, Chairman of the Management Board of UkrSibbank BNP Paribas Group.

2006–2010 — BNP Paribas Country Head for Egypt.

2000–2006 — BNP Paribas Country Head for Argentina.

1998–2000 — Deputy Head of Group Human Resources of BNP Paribas in Paris.

1994–1998 — BNP Paribas Country Head for Greece.

1992–1994 — Responsible for the geographical area of the International Management of BNP Paribas.

1988–1992 — BNP Paribas Country Head for Norway.

1986–1988 — Chief Operating Officer of BNP Paribas in Hong Kong.

1975–1986 — went all the way from a trainee at the BNP Paribas Group to the Head of Mission, General Inspection, BNP Paribas in Paris.

The Bank's management also includes eight Deputy Chairmen of the Management Board responsible for various activities who have extensive work experience in the banking sector and immaculate reputation.

## 8. Summary of rating results

1. Since its foundation, UkrSibbank has evolved from a regional bank to a national leader, one of the most dynamic universal banks in the Ukrainian financial market and a member of BNP Paribas, one of the largest European banking groups. Today, UkrSibbank harmoniously develops in both retail and corporate businesses. The Bank provides services to more than 2 million retail customers, 255 thousand small and medium enterprises and 4 thousand large companies. UkrSibbank is a pioneer of the Private Banking in Ukraine and an important player on the stock market, actively managing assets of institutional investors.

2. According to the ranking of the National Bank of Ukraine in terms of assets, UkrSibbank is among the largest Ukrainian banks. As of 01.04.2014, the assets of JSC "UkrSibbank" amounted to UAH 23.373 bln., the Bank occupies the 14<sup>th</sup> position in the general ranking of the NBU (comprising 181 banks) and belongs to the group of the largest banks of Ukraine. According to the Agency, as of 01.04.2014 the estimated share of JSC "UkrSibbank" amounted to 1.78% in assets and 1.85% in liabilities of the banking system of Ukraine.

3. The regulatory capital adequacy (N2) and regulatory capital to total assets (N3) ratios are on a high level and considerably exceed the mandatory requirements. As of 01.04.2014, the regulatory capital of JSC "UkrSibbank" (N1) amounted to UAH 4.606 bln. (exceeding by 38 times the threshold set by the NBU), N2 amounted to 22.60% (the NBU requires 10% and the market average makes up 14.80%) and N3 amounted to 18.60% (threshold is 9% and the market average is 12.84%). Therefore, the Bank's equity ratios significantly exceed not only the thresholds set by the regulator, but the market average ratios as well.

4. UkrSibbank has the following shareholder structure: BNP Paribas (France) – 84.9996%, European Bank for Reconstruction and Development (EBRD) — 15%. The Agency estimates the probability of JSC “UkrSibbank” receiving support from its shareholders as very high. BNP Paribas is the European leader in international banking and financial services and one of the six largest banks in the world. BNP Paribas is present in about 80 countries around the world, has one of the largest international networks. According to the Q1 2014 results, total assets of BNP Paribas Group amounted to EUR 1.883 trillion, total consolidated equity amounted to EUR 93.574 bln., revenue amounted to EUR 9.913 bln., net income attributable to equity holders amounted to EUR 1.668 bln.

5. As of 01.04.2014, customer loans and debt made up the most significant share in the asset structure of JSC “UkrSibbank”, reaching 62.38%. Therefore, the loan portfolio is the largest item in the income-generating assets of the Bank. As of 01.04.2014, 85% of lending operations of the Bank were attributed to the first and second quality categories, i.e. minimal and moderate levels of risk. For the period from 01.01.2014 to 01.04.2014, the share of the above lending operations grew by 13 p.p.: from 72% up to 85%. The Agency positively evaluates the increase in loans with minimal and moderate levels of risk in the structure of lending operations of the Bank.

6. Therefore, JSC “UkrSibbank” by far exceeds liquidity requirements set by the regulator. In particular, as of 01.04.2014 the instant liquidity ratio of the Bank (N4) exceeded the NBU threshold by 15.51 p.p., the current liquidity ratio (N5) exceeded the threshold set by the regulator by 35.62 p.p. and the short-term liquidity ratio (N6) exceeded the NBU threshold by 18.64 p.p. The liquidity ratios of JSC “UkrSibbank” (N4, N5 and N6) did not exceed respective averages in the banking system of Ukraine. At the same time, it is necessary to note a positive dynamics of the current (N5) and short-term (N6) liquidity ratios of the Bank in the period from 01.01.2014 to 01.04.2014, while the average ratios on the market saw a simultaneous decrease of all the three ratios (N4, N5 and N6) due to increased turbulence and significant outflow of resources from the banking system of Ukraine, which peaked in the first quarter of 2014.

7. Significant devaluation of hryvnia in the first quarter of 2014 resulted in a considerable growth (by 82.7 times) of the negative result of the Bank due to the revaluation of foreign currency. Furthermore, the Bank’s provisions for loans and funds with other banks grew by 2.5 times, which impacted the financial result of the Bank. According to the results of Q1 of 2014, JSC “UkrSibbank” posted UAH 273.190 mln. in losses, while in the same period of the previous year the Bank posted UAH 6.046 mln. in profit and the overall profit in 2013 amounted to UAH 24.503 mln. In this context, it should be noted that the first quarter of the current year was very difficult for the Ukrainian banking system and impacted the banks’ performance and financial results. In Q1 of 2014, the Ukrainian banking system posted UAH 1.993 bln in losses.

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1. At rating some factors are taken into attention which can positively or negatively affect the stability of the bank. Therefore, RA Expert-Rating Ltd estimates the level of bank resistance to adverse factors of influence. The estimation is made for banks according to the international scale of RA Expert-Rating Ltd (table A) and the national scale of Agency which is defined according to the scale approved by the Resolution of the Cabinet of Ukraine of April 26, 2007 no. 665. The parity between the international scale and the national scale is determined by the Agency independently.

2. The information provided in the rating report which source are the rated Bank and the National Bank of Ukraine, can slightly differ because of distinctions in system of account or methodology of calculation of indicators.

3. The information provided in the given report on foreign shareholders of financial entity is given in that currency in which the official annual report of the company-shareholder is made. Comparing such financial information with the data of Bank or of the similar foreign companies the difference in the systems of account and accounting policy should be considered.

Table A

**Rating scale of credit ratings of RA «Expert-Rating»**

Rating	Stability level	Interpretation of stability level
aaa	Highest	Highest probability that the bank will resist the influence of unfavorable factors. Bank corresponds to the level <b>aa</b> , but additionally its commitments are guaranteed by foreign shareholders or the state.
aa	Very high	Very high probability that the bank will resist the influence of unfavorable factors.
a	High	High probability that the bank will resist the influence of unfavorable factors.
bbb	Good	Normal probability that the bank will resist the influence of unfavorable factors.
bb	Acceptable	Acceptable probability that the bank will resist the influence of unfavorable factors.
b	Satisfactory	Satisfactory probability that the bank will resist the influence of unfavorable factors.
ccc	Signal	Signal probability that the bank will resist the influence of unfavorable factors.
cc	Low	Low probability that the bank will resist the influence of unfavorable factors.

Every type of letter corresponds to three kinds of outlook:

- Positive ;
- Neutral;
- Negative.

"-" or "+" are intermediate categories of rating related to main categories

This appendix makes integral part of any rating report.