Rating action: Updated National Scale Long-Term Credit Rating
Date of rating action: 23.06.2023
Date of publication: 23.06.2023

Issuer: JSC «UKRSIBBANK»
EDRPOU code of the issuer: 09807750
Web-site of the issuer: www.ukrsibbank.com

RATING AGENCY EXPERT RATING
www.expert-rating.com

Rating of JSC "UKRSIBBANK" is updated

June 23, 2023 at the Rating Committee meeting of RA "Expert-Rating" the National Scale Long-Term Rating of JSC «UKRSIBBANK» (EDRPOU code 09807750) was updated at **uaAAA** 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. When taking the decision to update the rating, the Agency considered the Bank's performance for the first quarter of 2023 year, as well as the Bank's statistical reporting for the 2022 year and January-May, 2023.

Equity and Capital Adequacy

Throughout 2022 and January-May 2023, JSC «UKRSIBBANK»'s regulatory capital (N1) fluctuated between UAH 8.519 bn. and 15.647 bn., by demonstrating a stable upward trend. Since the beginning of 2023, the Bank's regulatory capital (N1) has grown by 22.87% and as of June 1, 2023, amounted to UAH 15.647 bn.

In the period from January, 4, 2021, to June 1, 2023, JSC «UKRSIBBANK»'s regulatory capital adequacy ratio (N2) fluctuated between 19.02% and 53.22%. Throughout the given period, the Bank's N2 ratios constantly and significantly exceeded the NBU limit level while being higher than Ukraine's banking system averages of this normative. As of June 1, 2023, the Bank's N2 ratio grew to 53.22%, exceeding the regulator's threshold of 10% in 5,32 times, as well as was in 2,33 times more than the average of N2 ratio on the Ukrainian banking system.

JSC «UKRSIBBANK»'s fixed capital adequacy ratio (N3) throughout 2022 and January-May of 2023 fluctuated between 15.95% and 32.10%, and constantly and significantly exceeded the NBU threshold while being significantly higher than its market averages of this normative. As of June 1, 2023, the Bank's N3 ratio was at 29.95%, exceeding both the regulator's threshold of 7% in 4,28 times and in 2,1 times higher than the average market N3 ratio.

Therefore, as at early June, 2023, JSC «UKRSIBBANK» was very well provided with the regulatory and fixed capital. In particular, the Bank's N1 ratio more than in 78 times exceeded a minimal required value for this normative, and the Bank's N2 and N3 ratios both in times exceeded the NBU thresholds and were significantly higher than the averages of these normative indicators on the Ukrainian banking system.

Fig. 1. Dynamics of the regulatory capital (N1) of JSC "UKRSIBBANK" compared to the aggregate value N1 ratio of the banking system

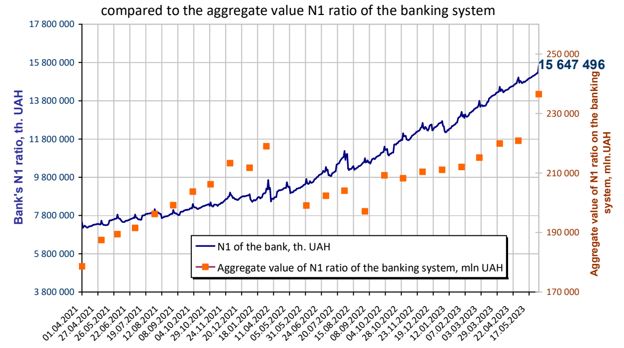


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC "UKRSIBBANK" compared to the average of N2 ratio of the banking system

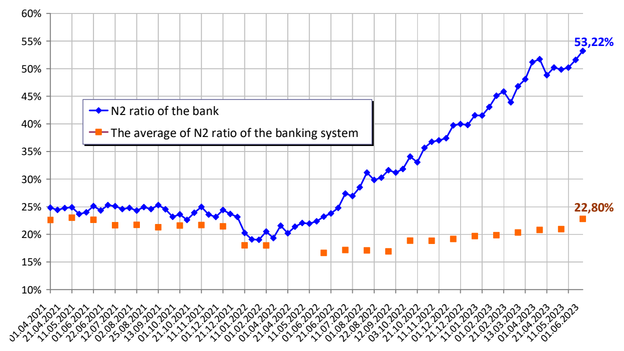
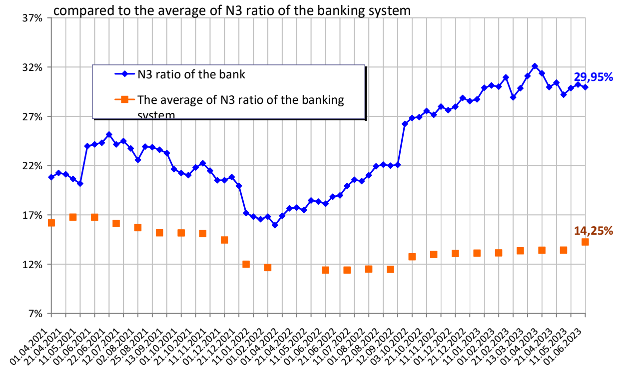


Fig. 3. Dynamics of the fixed capital adequacy (N3) of JSC "UKRSIBBANK" compared to the average of N3 ratio of the banking system



Asset structure and quality

For the first quarter of 2023 JSC «UKRSIBBANK»'s total assets grew by 5.86% and amounted to UAH 114.809 bn., while the Bank's loan portfolio decreased by 4.83% down to UAH 14.035 bn., whereas its proportion in assets of JSC «UKRSIBBANK» decreased by 1.38 p.p. (from 13.60% down to 12.22%).

High liquid instruments, as before, continued to account for a significant part of the Bank's asset structure. In particular, as of April 1, 2023 compared to January 1, 2023 cash and funds in NBU grew by 4.18% to UAH 39.323 bn., accounting for 34.25% of JSC «UKRSIBBANK»'s assets, and the Bank's portfolio of securities decreased by 6.46% to UAH 42.744 bn, accounting for 37.23% of its assets. The Agency notes that as at the beginning of the second quarter of 2023 the 99.32% of the securities portfolio of JSC «UKRSIBBANK» were represented by liquid instruments with a low credit risk, namely: NBU deposit certificates, ISLBs, as well as debt securities issued by international financial organizations and foreign state authorities.

In the period from January 1, 2022 to April 1, 2023 JSC «UKRSIBBANK»'s loan portfolio NPL share fluctuated in the range from 2.07% to 16.29%. For the first quarter of 2023 the Bank's NPL share grew by 0.83 p.p. and as of April 1, 2023 amounted to 15.93% (the Agency calculates NPL as the proportion of the fifth class on loans to individuals and the tenth class on loans to legal entities in the Bank's loan portfolio). At the same time, the national NPL average increased by 1.41 p.p. to 41.63% for the same period. Thus, as at the beginning of the second quarter of 2023, the Bank's NPL share was 2.61 times lower than the market average.

Fig 4. Proportion of customer credits and debt in assets of JSC "UKRSIBBANK"

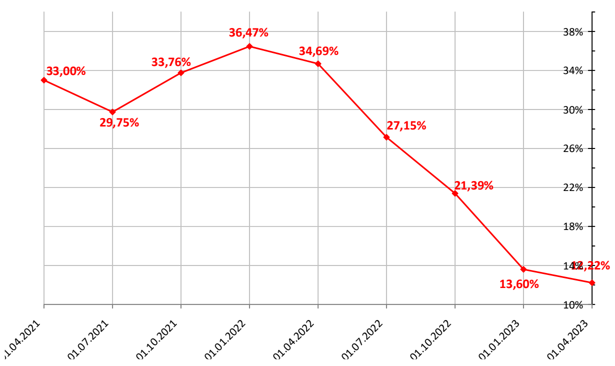
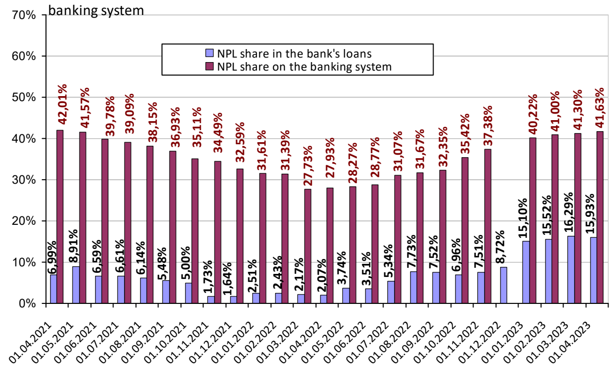


Fig. 5 Data on NPL share in the loan portfolio of JSC "UKRSIBBANK" and in the banking system



Liquidity

Throughout the period from January 1, 2022 to June 1, 2023 Net Stable Financing Ratio (NSFR) of JSC «UKRSIBBANK» fluctuated in the range from 153.10% to 359.79% and constantly and significantly exceeded the threshold. As of June 1, 2023 the Bank's NSFR amounted to 343.99% that in 3,44 times exceeded the limit value, set by NBU (from April 1, 2023 – not less 100%).

Liquidity Coverage Ratio on all currencies (LCRac) of JSC «UKRSIBBANK» between January, 1, 2022, and June 1, 2023, ranged between 230.12 and 614.93% and constantly in times exceeded the NBU thresholds. As of June 1, 2023, the Bank's LCRac amounted to 610.76%, exceeding the regulator's threshold in 6.11 times.

Liquidity Coverage Ratio in foreign currency (LCRfc) of JSC «UKRSIBBANK» throughout 2022 and January-May 2023 ranged between 198.43% and 427.92%, significantly exceeding the NBU thresholds. As of June 1, 2023, the Bank's LCRfc amounted to 427.92%, which was 4.23 times higher than the NBU statutory value.

Therefore, in the Agency's opinion, as at early June 2023, JSC «UKRSIBBANK» was very well provided with liquidity, as indicated by the Bank's ratios NSFR, LCRac and LCRfc, which in times exceeded the regulator's thresholds.

Fig 6. Dynamics of Net Stable Financing Ratio (NSFR) of JSC «UKRSIBBANK»

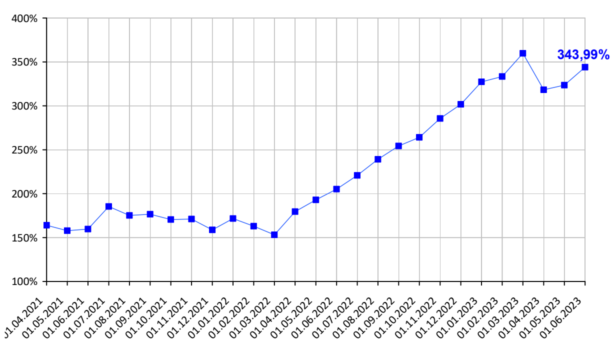
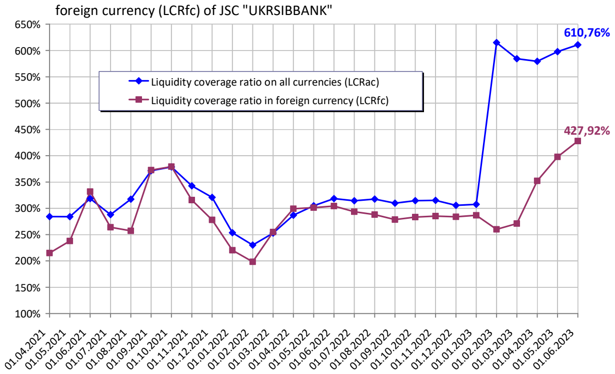


Fig 7. Dynamics of Liquidity Coverage Ratios on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "UKRSIBBANK"



Profitability of Transactions

According to the 2023 1Q results compared to the 2022 1Q there was a significant increase of net interest income of JSC «UKRSIBBANK», which grew in 2.22 times and amounted to UAH 2.874 bln. At the same time, the Bank's net fee and commission income increased by 13.93% up to UAH 425.740 mln. High growth rates and a significant amount of net interest income of JSC «UKRSIBBANK» caused the Bank's significant amounts of profit. In particular, the profit of JSC «UKRSIBBANK» grew up to UAH 1.747 bln for the first quarter of 2023 that is the highest quarterly result for the last 9 quarters.

Therefore, under the ongoing military aggression of Russia JSC «UKRSIBBANK» confirmed its ability to generate significant amounts of revenues and profit. The Agency draws attention to the existing steady upward trend of the Bank's quarterly profit volume in recent years, which is clearly visible from graph 9. The Agency notes that the Bank's profitable activity constantly (except for the first quarter of 2022 year) indicates a high efficiency of its operational activity. The Bank's loss in the first quarter of 2022 is, among other things, related to the increase in deductions to provisions, which, in particular, is caused by the increase in risks due to the attack of russia and the introduction of martial law.

Fig. 8. Net interest income, net fee and commission income and profit of JSC "UKRSIBBANK"

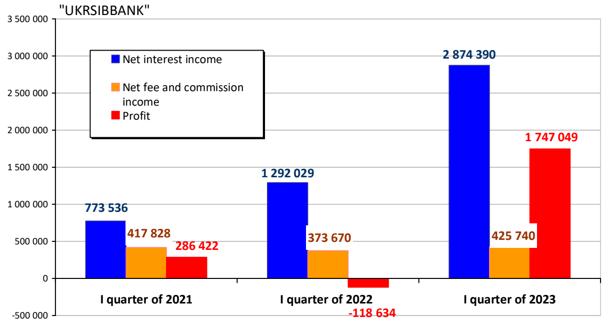
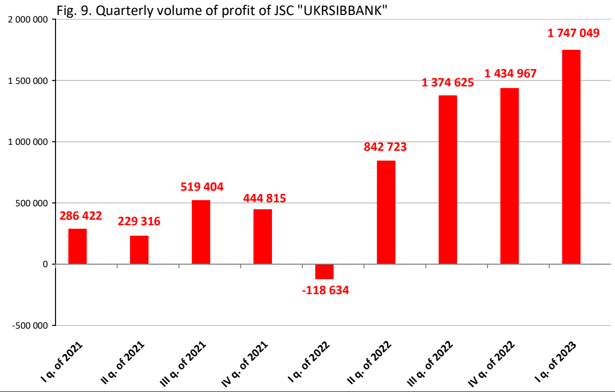


Fig. 9. Quarterly volume of profit of JSC "UKRSIBBANK"



Other factors

The Agency notes that JSC «UKRSIBBANK» has an unprecedented high level of external support from its shareholders: BNP Paribas and the EBRD.

Summary

At the time of the update, JSC «UKRSIBBANK» fulfilled its commitments to clients and lenders in line with the applicable legislation and was not classified by the NBU as a failing bank.

As at early June, 2023 JSC «UKRSIBBANK» was very well provided with regulatory and fixed equity: the Bank's N1 ratio more than in 78 times exceeded a minimal required value for this normative, the Bank's N2 and N3 ratios both in times exceeded the NBU thresholds and during the entire analysis period were considerably higher than the average market indicators. As well, JSC «UKRSIBBANK» was very well provided with liquidity: as at early June 2023, the Bank's ratios NSFR, LCRac and LCRfc in times exceeded the regulator's thresholds.

As at April 1, 2023 the assets of JSC «UKRSIBBANK», as before, were characterized by a high share of high liquid instruments and were well diversified that decreased the impact of the portfolio risks on the Bank's activity. The Bank's loan portfolio was characterized by a high quality: as at April 1, 2023, the Bank's NPL share was 2.61 times lower than the market average. According to the first quarter of 2023 the profit of JSC «UKRSIBBANK» amounted to UAH 1.747 bln that is the highest quarter indicator for the last 9 quarters. At the same time, according to the first quarter of 2023 compared to the first quarter of 2022 the Bank considerably increased net interest income (in 2.22 times up to UAH 2.874 bln) and net fee and commission income by 13.93% up to UAH 425.740 mln. The Bank has constantly been generating significant amounts of profit over the recent nine consecutive quarters (except for the first quarter of 2022 year) that indicates a high efficiency of its operational activity.

The Agency repeatedly reminds that JSC «UKRSIBBANK» has an unprecedented high level of external support from its shareholders: BNP Paribas and the EBRD.

The agency notes that the current rating level determines the probability of default in the case of bank operations under normal circumstances and does not take into account force majeure circumstances, as well as the effect of other force majeure circumstances.