

Rating action: Updated National Scale Long-Term Credit Rating

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Issuer: JSC «UKRSIBBANK»

EDRPOU code of the issuer: 09807750

Web-site of the issuer: www.ukrsibbank.com



www.expert-rating.com

Rating of JSC “UKRSIBBANK” is updated

November 21, 2022 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 nine months of 2022 year, as well as the Bank’s statistical reporting for the 2021 year and January-October, 2022.

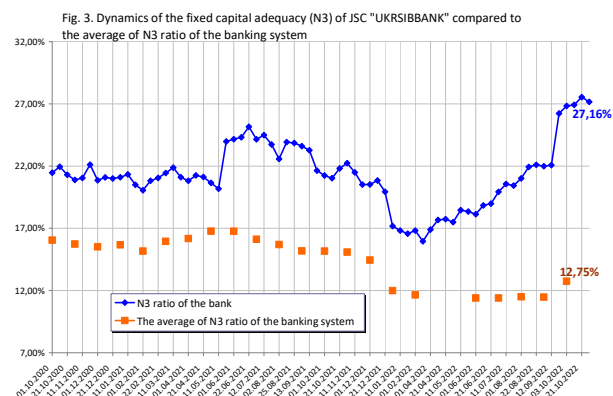
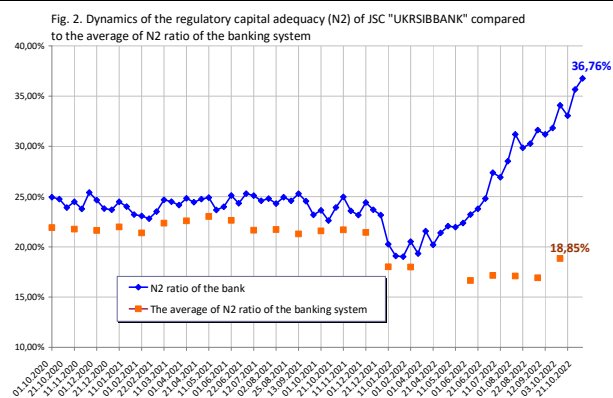
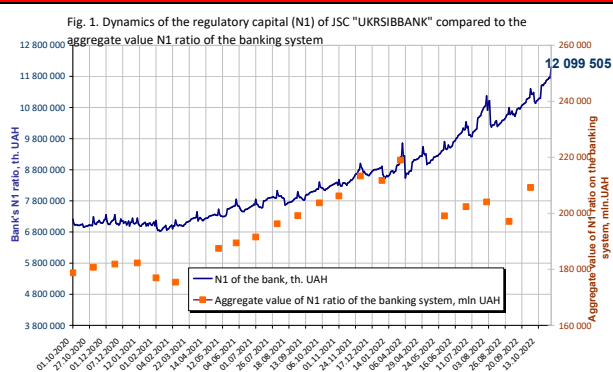
Equity and Capital Adequacy

Throughout 2021 and January-October 2022, JSC «UKRSIBBANK»’s regulatory capital (N1) fluctuated between UAH 6.826 bn. and 12.100 bn., by demonstrating a stable upward trend. Since the beginning of 2022, the Bank’s regulatory capital (N1) has grown by 35.78% and as of November 1, 2022, amounted to UAH 12.100 bn.

In the period from January, 4, 2021, to November 1, 2022, JSC «UKRSIBBANK»’s regulatory capital adequacy ratio (N2) fluctuated between 19.02% and 36.76%. At the same time, 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 November 1, 2022, the Bank’s N2 ratio grew to 36.76%, exceeding the regulator’s threshold of 10% in 3,68 times.

JSC «UKRSIBBANK»’s fixed capital adequacy ratio (N3) throughout 2021 and January-October of 2022 fluctuated between 15.95% and 27.54%, and constantly and significantly exceeded the NBU threshold while being significantly higher than its market averages of this normative. As of November 1, 2022, the Bank’s N3 ratio was at 27.16%, exceeding the regulator’s threshold of 7% in 3,88 times.

Therefore, as at early November, 2022, JSC «UKRSIBBANK» was very well provided with the regulatory and fixed capital. In particular, 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.



Asset structure and quality

For the period from January 1, 2022 to October 1, 2022 JSC «UKRSIBBANK»'s total assets grew by 24.32% and amounted to UAH 97.017 bn., while the Bank's loan portfolio decreased by 27.09% down to UAH 20.751 bn., whereas its proportion in assets of JSC «UKRSIBBANK» decreased by 15.08 p.p. (from 36.47% down to 21.39%).

High liquid instruments, as before, continued to account for a significant part of the Bank's asset structure. In particular, as of October 1, 2022 cash and funds in NBU grew to UAH 6.042 bn., accounting for 6.23% of JSC «UKRSIBBANK»'s assets, and the Bank's portfolio of securities increased to UAH 35.394 bn, accounting for 36.48% of its assets. The Agency notes that the 99.35% 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.

JSC «UKRSIBBANK» is an active player in the interbank market: as of October 1, 2022, the Bank's funds with other financial institutions amounted to UAH 32.048 bn. amounting to 33.03% of assets of JSC «UKRSIBBANK». Therefore, as at the beginning of the fourth quarter of 2022, the Bank's assets, as before, remained well diversified.

In the period from January 1, 2022 to October 1, 2022 JSC «UKRSIBBANK»'s loan portfolio NPL share grew by 4.45 p.p. to 6.96% (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), while the national NPL average increased to 35.42% as of October 1, 2022. Thus, as at early October 2022, the Bank's NPL share was 5.09 times lower than the market average.

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

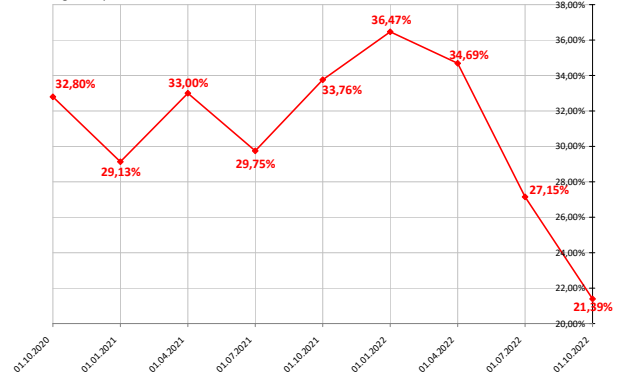
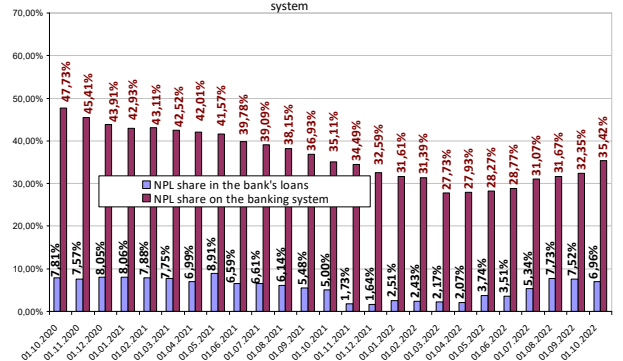


Fig. 5 Data on NPL share in the loan portfolio of JSC "UKRSIBBANK" and in the banking system



Liquidity

Throughout the period from April 1, 2021 to November 1, 2022 Net Stable Financing Ratio (NSFR) of JSC «UKRSIBBANK» fluctuated in the range from 153.10% to 285.55% and constantly and significantly exceeded the threshold. As of November 1, 2022 the Bank's NSFR amounted to 285.55% that in 2.86 times exceeded the limit value, set by NBU (not less 90%).

Liquidity Coverage Ratio on all currencies (LCRac) of JSC «UKRSIBBANK» between January 1, 2021, and November 1, 2022, ranged between 230.12 and 378.66% and constantly in times exceeded the NBU thresholds. As of November 1, 2022, the Bank's LCRac amounted to 315.15%, exceeding the regulator's threshold in 3.15 times.

Liquidity Coverage Ratio in foreign currency (LCRfc) of JSC «UKRSIBBANK» throughout 2021 and January-October 2022 ranged between 161.61% and 379.22%, significantly exceeding the NBU thresholds. As of November 1, 2022, the Bank's LCRfc amounted to 285.18%, which was 2.85 times higher than the NBU statutory value.

Therefore, in the Agency's opinion, as at early November 2022, JSC «UKRSIBBANK» was very well provided with liquidity, as indicated by the Bank's ratios NSFR, LCRac and LCRfc, which significantly exceeded the regulator's thresholds.

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

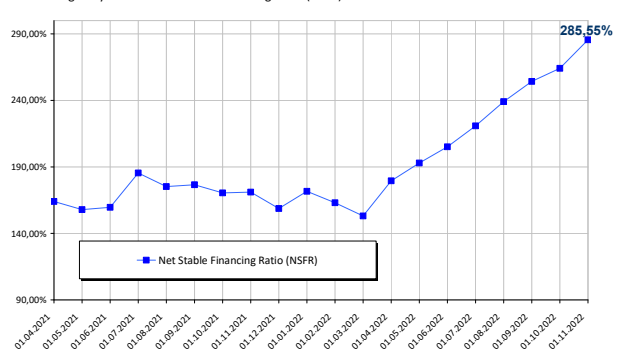
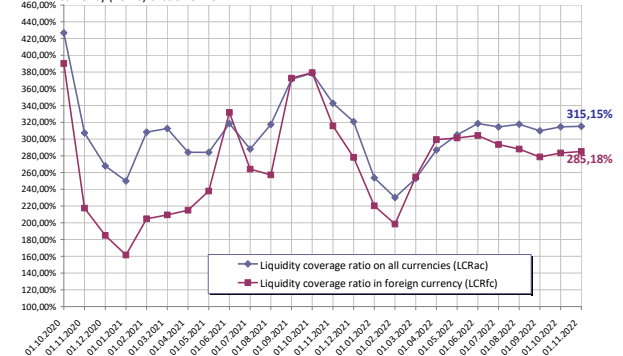


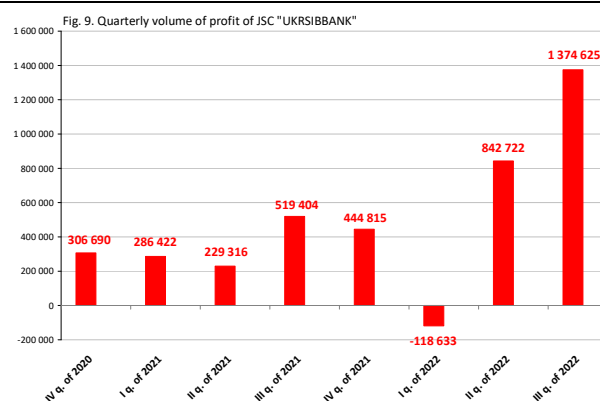
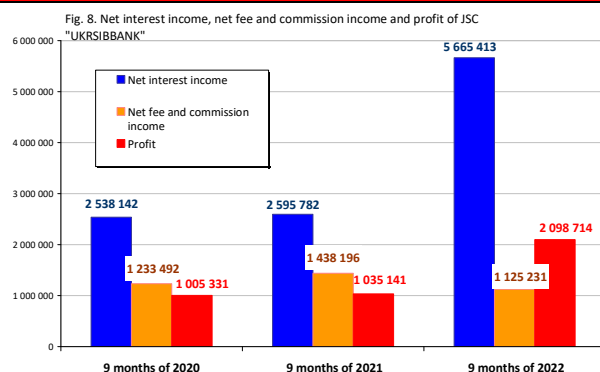
Fig 7. Dynamics of Liquidity Coverage Ratios on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "UKRSIBBANK"



Profitability of Transactions

The 2022 9M results compared to the same period of 2021 showed JSC «UKRSIBBANK» significantly increased net interest income and profit. In particular, the Bank's profit grew to UAH 2.099 bln that was in 2.03 times more than for the nine months of 2021 year. One of the factors of the increase in profit of JSC «UKRSIBBANK» became a high growth rate of the Bank's net interest income, which for the nine months of 2022 year compared to the same period of 2021 year increased in 2.18 times up to UAH 5.665 bln. Net fee and commission income of JSC «UKRSIBBANK» decreased by 21.76% and amounted to UAH 1.125 bln in the analyzed period.

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 that the Bank's profitable activity constantly (except for the first quarter of 2022 year) indicates a high efficiency of its operational activity. Besides, the loss-making activity of the Bank 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.



Other Drivers

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 November, 2022 JSC «UKRSIBBANK» was very well provided with regulatory and fixed equity: the Bank's N2 and N3 ratios in times exceeded the NBU thresholds, and during the entire analysis period were considerably higher than the average market indicators of the respective normative indicators. As well, JSC «UKRSIBBANK» was very well provided with liquidity: as at early November 2022, the Bank's ratios NSFR, LCRac and LCRfc significantly exceeded the regulator's thresholds.

As at October 1, 2022 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 October 1, 2022, the Bank's NPL share was 5.09 times lower than the market average. The 2022 9M results compared to the same period of 2021 showed JSC «UKRSIBBANK» significantly increased profit (in 2.03 times up to UAH 2.099 bln) and net interest income (in 2.18 times up to UAH 5.665 bln). The Bank has constantly been generating significant amounts of profit over the recent eight 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.

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