

**Rating action:** Update of a National Scale Long-Term Credit Rating

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**The issuer:** JSC «UKRSIBBANK»

EDRPOU code of the issuer: 09807750

Web-site of the issuer: [www.ukrsibbank.com](http://www.ukrsibbank.com)



www.expert-rating.com

## Rating of JSC “UKRSIBBANK” is updated

At the meeting held on September 8, 2020, the Rating Committee of RA “Expert-Rating” took the decision to update a National Scale Long-Term Rating of JSC «UKRSIBBANK» (EDRPOU code 09807750) at the **uaAAA** level. 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. The Agency considered the Bank’s performance for the first half of 2020 year, as well as the Bank’s statistical reporting for 2019 and January-July, 2020 when taking the decision to update the rating.

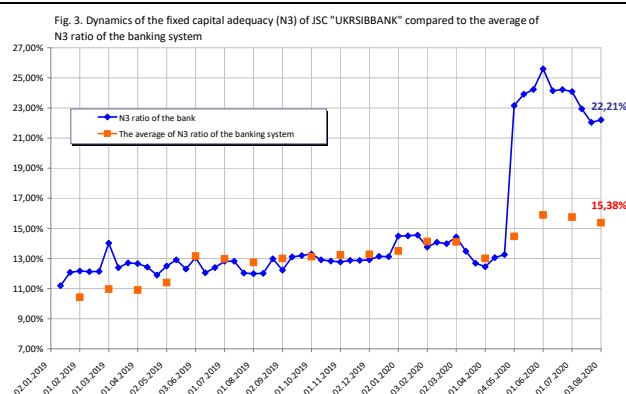
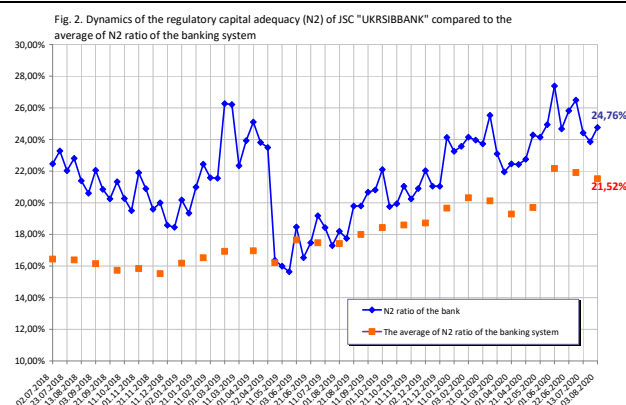
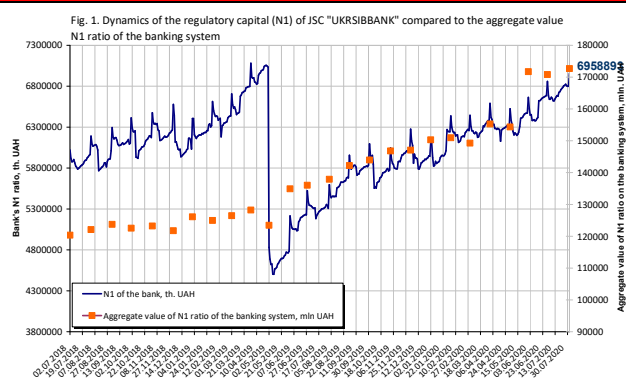
### Equity and Capital Adequacy

Throughout the 2019 year and January-July, 2020 the regulatory capital of JSC UKRSIBBANK» (N1) has been fluctuating from UAH 4.502 to 7.081 bn, Despite a multidirectional dynamics, starting from June, 2019, the Bank’s N1 ratio has demonstrated a confident upward trend. As of 03.08.2020 compared to 02.01.2020 the Bank’s regulatory capital (N1) grew by 13.92% and amounted to UAH 6.959 bn.

In the period from 02.01.2019 to 03.08.2020 the regulatory capital adequacy normative of JSC UKRSIBBANK» (N2) fluctuated within 15.64–27.38%. Throughout the given analysis period the dynamics of the Bank’s N2 ratio was uneven, but at the same time its values on a constant basis with a noticeable reserve exceeded the limit value, set by the NBU, and also were noticeably higher than the averages of this normative on the Ukrainian banking system. As of 03.08.2020 the Bank’s N2 ratio amounted to 24.76% that by 14.76 p.p. exceeded the limit value, set by the regulator, and also was by 3.24 p.p. more than the average-market indicator.

The fixed capital adequacy of JSC UKRSIBBANK» (N3) during the 2019 and January-July of 2020 fluctuated in the ranges from 11.19% to 25.60% and demonstrated a multidirectional dynamics. At the same time, the Bank’s N3 ratio on a constant basis with a noticeable reserve exceeded the limit value, set by NBU and also was periodically higher than the average-market indicators of this normative. As of 03.08.2020 the Bank’s N3 ratio amounted to 22.21% that by 15.21 p.p. exceeded the limit value, set by NBU, and also was by 6.83 p.p. more than the average of N3 ratio on the banking system of Ukraine.

Therefore, as at the beginning of August, 2020 JSC UKRSIBBANK» was very well provided with fixed and regulatory capital: the Bank’s N2 and N3 ratios with a significant reserve exceeded the limit values, set by NBU, and also were noticeably higher than the averages of these normative values on the Ukrainian banking system.



## Asset structure and quality

For the period from 01.01.2020 to 01.07.2020 the net assets of JSC UKRSIBBANK» grew by 18.12% (from UAH 53.197 bn. up to UAH 62.837 bn.), the volume of the Bank's loan portfolio decreased by 12.17% (from UAH 21.371 bn. down to UAH 18.770 bn), and its proportion in the Bank's assets reduced by 10.30 p.p. (from 40.17% down to 29.87%).

In the asset structure of JSC UKRSIBBANK» a noticeable share still belongs to high liquid instruments. Thus, as of 01.07.2020 the balance sheet item "cash and its equivalents" amounted to UAH 2.944 bn, funds in NBU and the Bank's mandatory provisions amounted to UAH 3.050 bn., and the portfolio of securities and investments into associated and subsidiary enterprises amounted to UAH 13.738 bn, i.e. 31.40% of the Bank's assets were formed by high liquid instruments. Besides, JSC UKRSIBBANK» remains to be an active participant of the interbank market: as of 01.07.2020 the Bank's funds in other financial organizations amounted to UAH 21.019 bn. or 33.45% of assets of JSC UKRSIBBANK». Therefore, as of 01.07.2020 the asset portfolio of JSC UKRSIBBANK», as before, was well diversified that positively affected its quality characteristics.

As of 01.08.2020 the NPL share in the loan portfolio of JSC UKRSIBBANK» amounted to 9.13% (the Agency calculates NPL as the proportion of the fifth class on loans to individuals and the tenth class on loans of legal entities in the Bank's loan portfolio), while as of 01.07.2020 the average indicator of NPL on the banking system of Ukraine amounted to 50.21%.

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

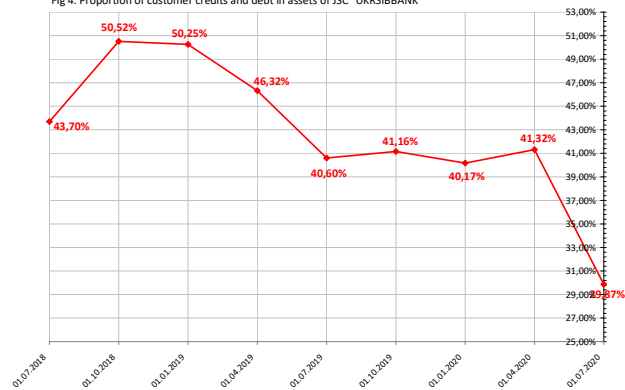
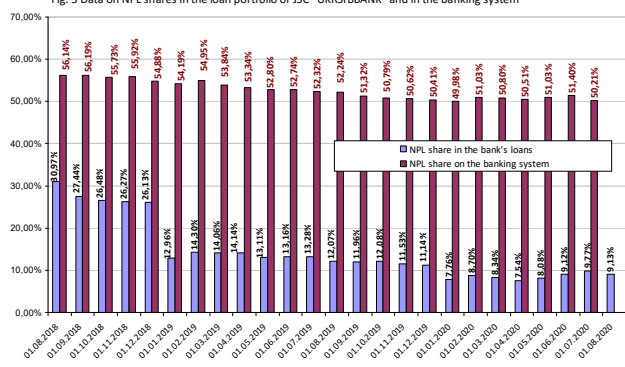


Fig 5. Data on NPL shares in the loan portfolio of JSC "UKRSIBBANK" and in the banking system



## Liquidity

Throughout the 2019 year and January-July, 2020, the short-term liquidity ratio of JSC «UKRSIBBANK» (N6) fluctuated in the ranges between 96.51 to 118.60%. The dynamics of the Bank's N6 ratio was uneven, while its values on a constant basis with a noticeable reserve exceeded the limit value, set by the NBU, and also were noticeably higher than the averages of this normative on the banking system of Ukraine. As of 03.08.2020 the Bank's N6 ratio amounted to 102.76% that by 42.76 p.p. exceeded the limit value, set by the regulator, and also was by 13.97 p.p. more than the average-market indicator.

Liquidity Coverage Ratio on all currencies (LCRac) of the Bank in the period from 01.01.2019 to 01.08.2020 fluctuated in the range 245.88-432.25%, in times exceeding the limit values, set by NBU, for this normative. As of 01.08.2020 the Bank's LCRac amounted to 382.41%, that in 3.82 times exceeded the limit value, set by NBU, for this ratio at the level 100%.

Liquidity Coverage Ratio in foreign currency (LCRfc) of JSC «UKRSIBBANK» throughout the 2019 year and January-July, 2020 fluctuated in the ranges from 191.08% to 418.99%, and advantageously in times exceeded the limit values, set by NBU, for this ratio. As of 01.08.2020 the Bank's LCRfc amounted to 270.81%, that in 2.71 times exceeded the normative value, set by NBU, at the level 100%.

Therefore, in the Agency's opinion, as at the beginning of August, 2020, JSC «UKRSIBBANK» was

Fig 6. Dynamics of short-term liquidity ratio (N6) of JSC «UKRSIBBANK» compared to the average value of N6 ratio of the banking system

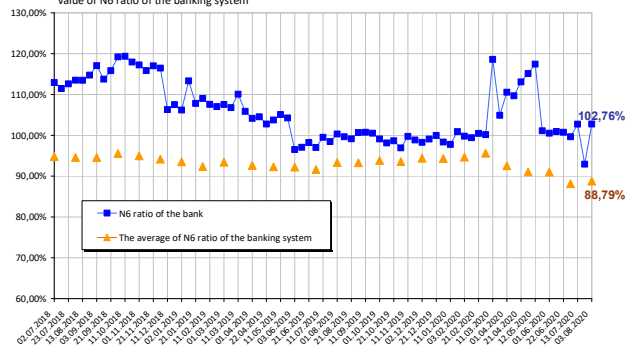


Fig 7. Dynamics of Liquidity Coverage Ratios on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "UKRSIBBANK"



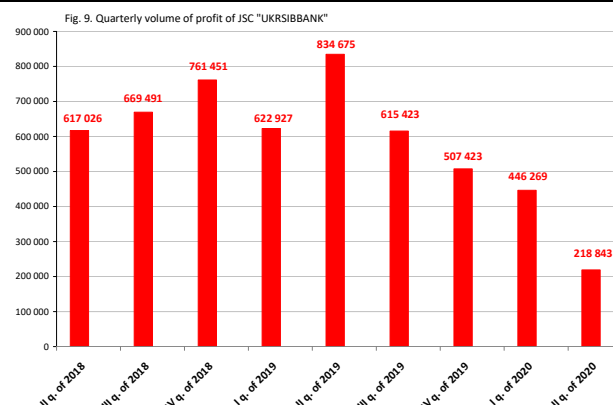
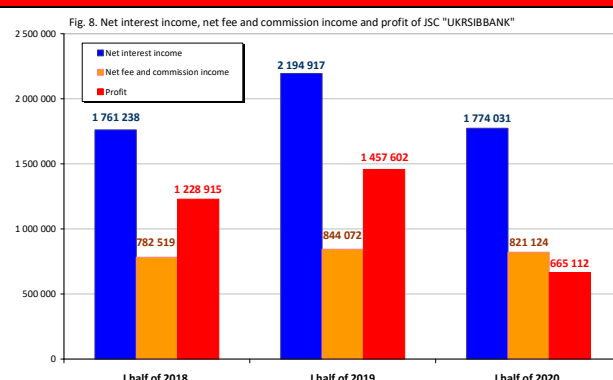
very well provided with liquidity, as indicated by the Bank's respective norms (N6, LCRac and LCRfc). The Agency repeatedly reminds that high indicators of LCRac and LCRfc indicate the Bank's availability of a sustainable liquidity reserve for covering the outflow of customer funds during 30 days under crisis conditions.

### Profitability of Transactions

According to the results of the first half of 2020 year, JSC «UKRSIBBANK» received profit of UAH 665.112 mln. that was by 54.37% less than the Bank's profit for the first half of 2019 year.

For the given period the Bank's key items of revenues demonstrated a downward dynamics. Thus, according to the results of the first half of 2020 year compared to the first half of 2019 year net interest income of JSC «UKRSIBBANK» decreased by 19.18% and amounted to UAH 1.774 bln., and the Bank's net fee and commission income reduced by 2.72% down to UAH 821.124 mln.

Therefore, according to the results of the first half of 2020 year JSC «UKRSIBBANK» generated significant volumes of revenues and profit that under the impact of quarantine measures is positively assessed by the Agency. As well, the Agency emphasizes that during the last 9 consecutive quarters JSC «UKRSIBBANK» demonstrated high financial results, that positively affects its credit rating.



### Other factors

Verification according to public databases of the State Fiscal Service (SFS) showed that JSC «UKRSIBBANK» was registered with the SFS authorities and didn't have any tax debt as at the rating update date.

JSC «UKRSIBBANK» has an unprecedented high level of external support from its shareholders: BNP Paribas and EBRD. According to the results of the first half of 2020 year, revenues of BNP Paribas Group amounted to EUR 22.563 bn, and net income attributable to equity holders amounted to EUR 3.581 bn.

### Summary

As of the moment of rating 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 problem bank.

As at the beginning of August, 2020, JSC «UKRSIBBANK» was very well ensured with equity (the fixed and regulatory capital) and liquidity as indicated by the Bank's respective normative indicators. The Bank's asset portfolio was well diversified that positively affected its quality characteristics. According to the results of the first half of 2020 year JSC «UKRSIBBANK» received profit of UAH 665.112 mln. that was by 54.37% less than the Bank's profit according to the results of the first half of 2019. At the same time, the Agency draws attention that a downward trend of profit was general for the Ukrainian banking system. The Agency also emphasizes that during the last 9 consecutive quarters JSC «UKRSIBBANK» demonstrated high financial results. The Agency highly estimates the ability of JSC «UKRSIBBANK» to generate significant volumes of revenues and profit under difficult macroeconomic conditions that positively affects its credit rating.

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