

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

Rating

Date of rating action: September 3, 2019

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The 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

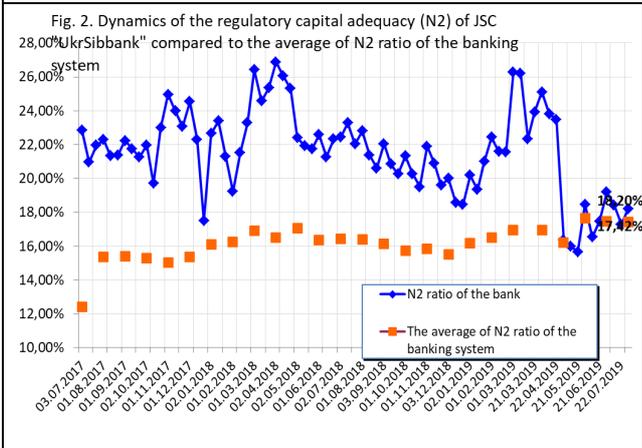
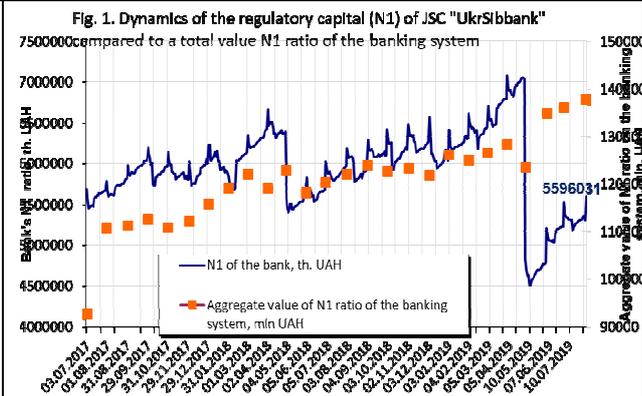
At the meeting held on September 3, 2019, the Rating Committee of RA «Expert-Rating» took the decision to update a National Scale Long-Term Rating of JSC «UKRSIBBANK» (EDRPOU code 09807750) at the **uaAAA** level. According to Resolution of the Cabinet of Ministers of Ukraine No. 665 dated April 26, 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 2019, as well as the Bank's statistical reporting for 2018 and January-July of 2019 when taking the decision to update the rating.

Equity and Capital Adequacy

Throughout the 2018 year and January-July of 2019, the regulatory capital of JSC «UKRSIBBANK» has been fluctuating between UAH 4.502–7.081 bn. and has shown uneven dynamics. As of August 1, 2019, the Bank's regulatory capital (N1) amounted to UAH 5.596 bn., which exceeds by 28 times the limit, set for this ratio.

Between January 2 of 2018 and August 1 of 2019, the regulatory capital adequacy ratio (N2) of JSC «UKRSIBBANK» fluctuated within 15.64–26.87% and showed a multidirectional dynamics, which matched with the dynamics of the Bank's N1 ratio starting from May, 2019. Throughout the given reporting period, the Bank's N2 ratio regularly and with a noticeable reserve exceeded not only the limit value, set by the NBU, but also the averages of these ratio in the Ukrainian banking system. As of August 01, 2019, the regulatory capital adequacy ratio (N2) of JSC «UKRSIBBANK» amounted to 18.20% which exceeded the limit value, set by the NBU, by 8.20 p.p. and was by 0.78 p.p. higher than the average N2 ratio of the Ukrainian banking system.

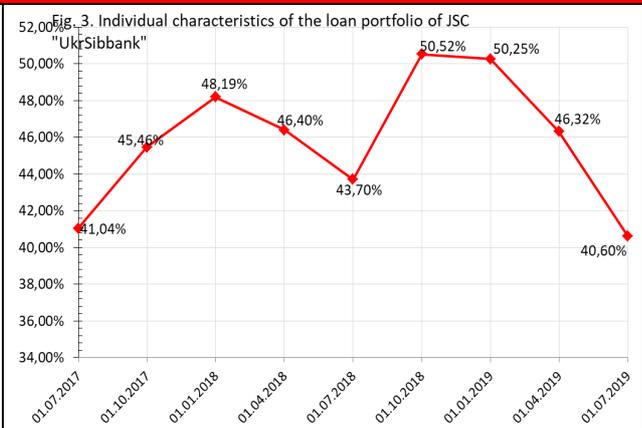
Therefore, the level of JSC «UKRSIBBANK» provision with regulatory capital is rather high: as of the beginning of August, 2019, the Bank's equity ratios (N1 and N2) exceeded the limit values, set by NBU, with a noticeable reserve, while the N2 ratio exceeded the average value of this ratio of the Ukrainian banking system.



Asset structure and quality

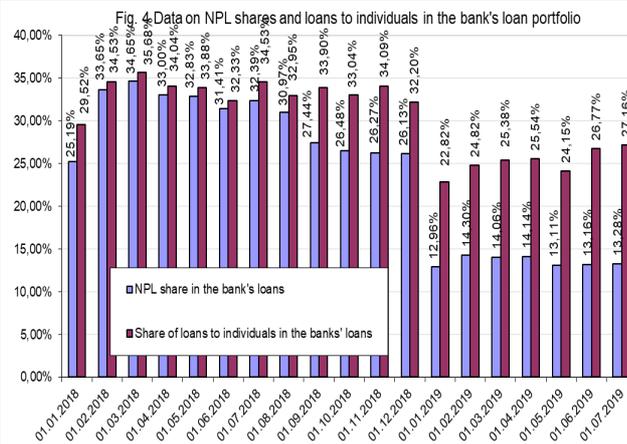
As of July 1 of 2019, the net assets of JSC «UKRSIBBANK» amounted to UAH 52.078 bn., the volume of customer loans and debts amounted to UAH 21.143 bn., while its proportion in the Bank's assets was at the level 40.60%.

High liquid instruments accounted for a significant proportion in the asset structure of JSC «UKRSIBBANK». Indeed, as of July 1 of 2019, the balance sheet item “cash” amounted to UAH 1.857 bn., “funds in NBU and mandatory provisions” amounted to UAH 2.482 bn., NBU deposit certificates – UAH 5.009 bn., “portfolio of Domestic government loan bonds” (OVDPs) – UAH 1.440 bn., and the balance sheet item “debt securities issued by international financial organizations” amounted to UAH



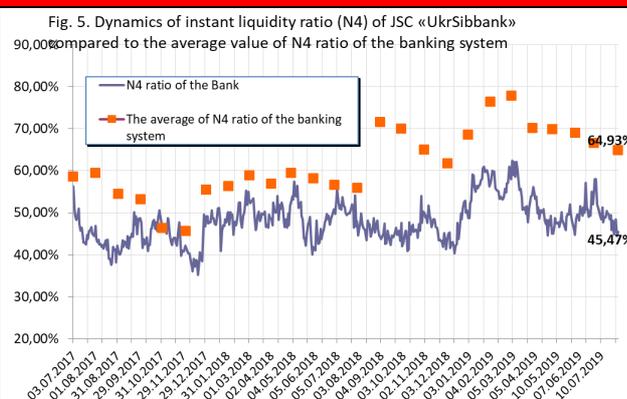
1.301 bn. Therefore, 23.21% of the Bank's assets was formed by high liquid instruments. In addition, JSC «UKRSIBBANK» continues to be an active player in the interbank lending market. Indeed, as of July 1 of 2019, the balance sheet item "funds in other financial institutions at amortized value" amounted to UAH 15.788 bn. or 30.32% of the Bank's assets. The proportion of loans to individuals in the loan portfolio of JSC «UKRSIBBANK» (not including reserves) accounted for 27.16%. Therefore, the Bank's assets portfolio was well diversified which contributed to its quality.

As of July 1 of 2019, the NPL share in the Bank's loan portfolio amounted to 13.28% (the Agency calculates NPL as the proportion of the fifth category loans to individuals and the tenth category loans to legal entities in the Bank's loan portfolio), which was in 3.9 times less than the average NPL ratio of the banking system (52.31%).

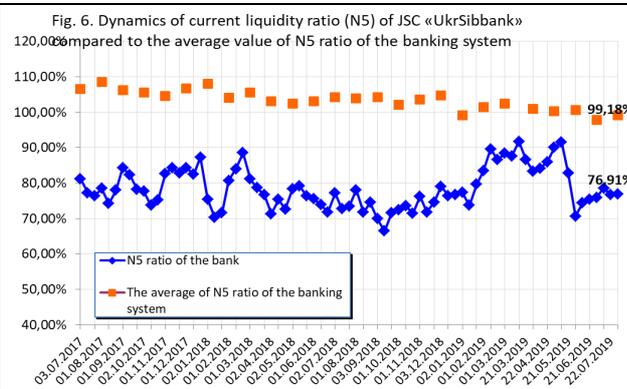


Liquidity

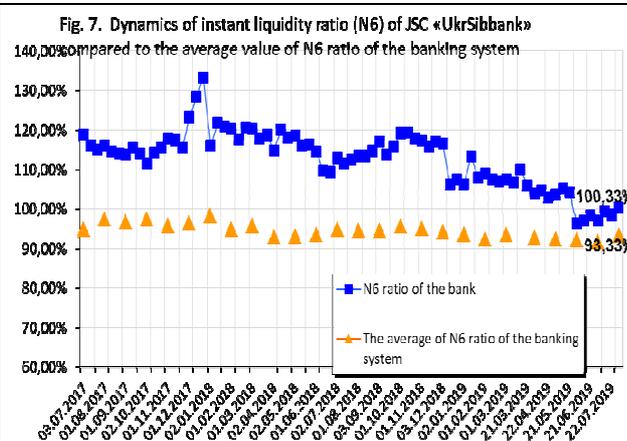
Throughout the 2018 and January-July of 2019, the instant liquidity ratio of JSC «UKRSIBBANK» (N4) fluctuated in the range of 39.97–62.40% and showed a multidirectional dynamics. Throughout the given analysis period, the Bank's N4 ratio regularly exceeded the limit value, set by the NBU, however, being lower than average indicators of this ratio of the banking system of Ukraine. As of August 1 of 2019, the Bank's N4 ratio amounted to 45.47% exceeding the limit value, set by the NBU, by 25.47 p.p., however, being by 19.46 p.p. less than the average market indicator.



Between January 2 of 2018 and August 1 of 2019, the Bank's current liquidity ratio (N5) fluctuated in the range of 66.42–91.75%. Throughout the entire analysis period, the Bank's N5 ratio significantly exceeded its limit value, set by the NBU, however, was lower than average indicators of this ratio of the banking system of Ukraine. As of August 1 of 2019, the Bank's N5 ratio amounted to 76.91% that was by 36.91 p.p. higher than the minimum value, set by the NBU, but by 22.27 p.p. less than the average market indicator.



Throughout the 2018 and January-July of 2019, the short-term liquidity ratio of JSC «UKRSIBBANK» (N6) fluctuated in the range of 96.51–121.77%. During the given period, the Bank's N6 ratio regularly exceeded both the limit value, set by the NBU, and the average value of this ratio of the banking system of Ukraine. As of August 1, 2019, the Bank's N6 ratio amounted to 100.33% which exceeded the limit value, set by the NBU, by 40.33 p.p., and was by 7.00 p.p. higher than the average market indicator.



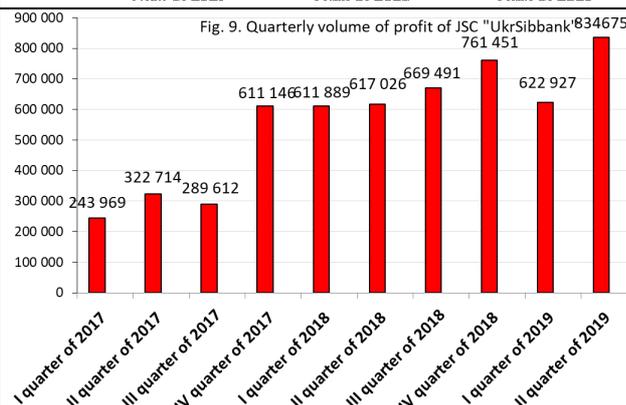
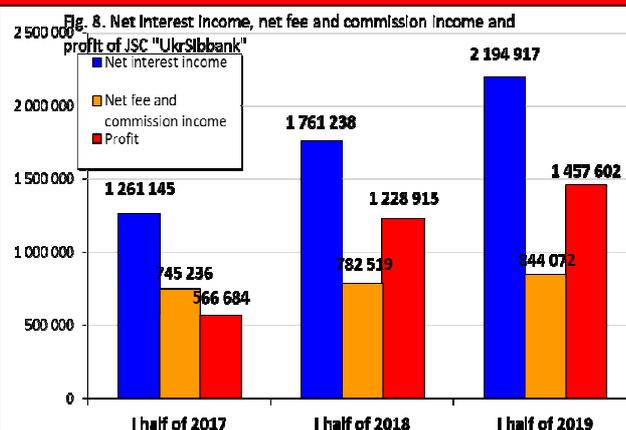
Therefore, throughout the 2018 and January-July of 2019, JSC «UKRSIBBANK» was well provided with liquidity. In the Agency's opinion, the Bank follows the optimal liquidity management strategy, which matches the scales of its activity while having a positive effect on its profitability ratios.

Profitability of Transactions

According to the results of the first half of 2019, the profit of JSC «UKRSIBBANK» amounted to UAH 1.458 bn. which was by 18.61% more compared to the Bank's profit for the same period of 2018. At the same time, the Agency notes that the Bank's profit for the first quarter of 2019 amounted to UAH 622.927 mln.

A noticeable volume and significant increase in the Bank's profit was driven by good growth rates of net interest income and net fee and commission income. Indeed, according to the results of the first half of 2019 the Bank's net interest income grew by 24.62% and amounted to UAH 2.195 bn., and net fee and commission income increased by 7.87% to reach UAH 844.072 mln., as compared to the first half of 2018.

The Agency highly estimates the financial performance results of JSC «UKRSIBBANK», such as the Bank's ability to generate noticeable profit and primary income demonstrated by the Bank for 10 consecutive quarters that has a positive effect on its credit rating.



Other drivers

Verification against 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. As of June 30 of 2019, total assets of BNP Paribas amounted to EUR 2.373 trillion, while its total equity amounted to EUR 108.482 bn.

Summary

As of the moment of the rating update, JSC «UKRSIBBANK» has fulfilled its commitments to clients and lenders in line with the applicable legislation and has not been classified by the NBU as a problem bank.

As of the beginning of August, 2019, the level of JSC «UKRSIBBANK» provision with regulatory capital has been sufficiently high: the Bank's equity ratios (N1 and N2) exceeded the limit values, set by NBU, with a noticeable reserve, while the N2 ratio exceeded its average in the banking system of Ukraine. The Bank has been well ensured with liquidity and has maintained an optimal strategy for managing it, which corresponds to the scales of its activity. According to the results of the first half of 2019, the profit of JSC «UKRSIBBANK» amounted to UAH 1.458 bn. and was by 18.61% more than the Bank's profit for the same period of 2018. The share of non-performing loans (NPL) in the Bank's loan portfolio was in 3.9 times lower than its market average market. The Bank's assets portfolio was well diversified that had a positive effect on its quality.

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