

Rating action: Update of a long-term credit rating according to the national scale

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The issuer: JSC "CITIBANK"

USREOU code of the issuer: 21685485

Web-site of the issuer: <http://www.citigroup.com/citi/ukraine>



www.expert-rating.com

Rating of JSC "CITIBANK" is updated

June 19, 2019 the rating committee of RA "Expert-Rating" made decision to update a credit rating of JSC "CITIBANK" (USREOU code 21685485) at the level **uaAAA** according to the national scale. The bank or separate bond instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or bond instruments. Making decision to update the credit rating according to the national scale, the Agency was guided by the results of the analysis of financial and statistical statements of the Bank according to the results of the first quarter of 2019, as well as separate forms of statistical reports of the Bank for the 2018 year and January-April, 2019.

Equity and capital adequacy

Throughout the 2018 year and January-April, 2019 the regulatory capital of JSC "CITIBANK" (N1) has fluctuated in the range UAH 1.135-1.727 bln. As at the beginning of May, 2019 the Bank's N1 ratio has amounted to UAH 1.135 bln and with a great reserve has exceeded the limit value of UAH 200 mln, set by NBU.

Dynamics of the regulatory capital of JSC "CITIBANK" (N1) has reflected in the dynamics of the Bank's regulatory capital adequacy normative (N2). Throughout the 2018 year and January-April, 2019 the Bank's N2 ratio has fluctuated in the range 20.75-45.20% and with a noticeable reserve has exceeded the limit values, set by NBU, as well as the averages of this normative on the Ukrainian banking system. As of 02.05.2019 the Bank's N2 ratio has amounted to 24.27%, that by 14.27 p.p. has exceeded the limit value, set by NBU, and by 8.06 p.p. has exceeded the average market indicator.

Therefore, in the Agency's opinion, JSC "CITIBANK" was very well provided with regulatory capital throughout the 2018 year and January-April, 2019 as indicated by the respective normative values.

Fig. 1. Dynamics of the regulatory capital (N1) of JSC «CITIBANK» compared to the aggregate value of N1 ratio on the banking system

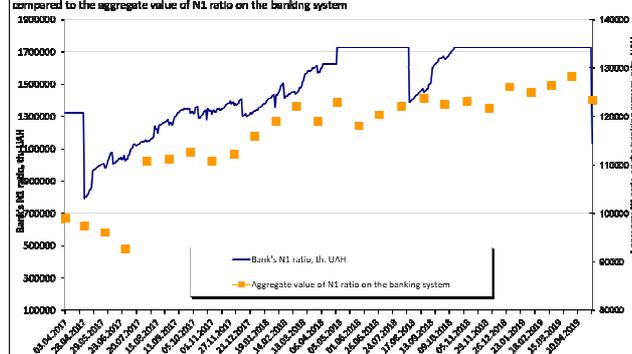
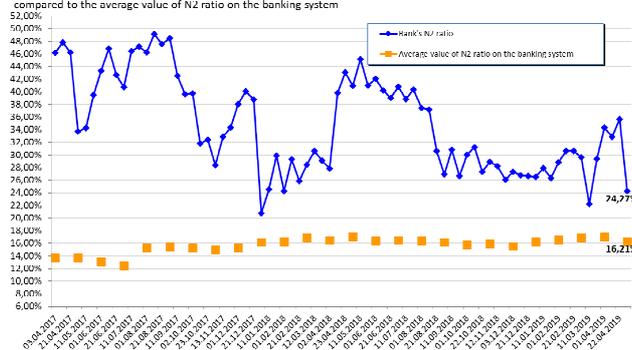


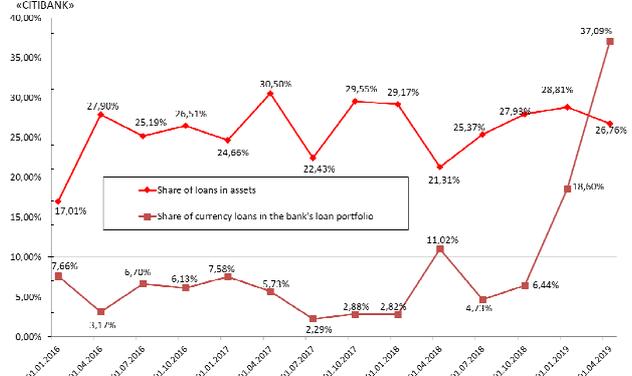
Fig. 7. Dynamics of the regulatory capital adequacy (N2) of JSC «CITIBANK» compared to the average value of N2 ratio on the banking system



Asset structure and quality

The Agency draws attention that the quality of JSC "CITIBANK" assets is defined by the specifics of its operations. In the period from 01.01.2019 to 01.04.2019 the share of loan portfolio in the Bank's assets has decreased by 2.05 p.p.: from 28.81% down to 26.76% (calculation on the figure 3 is provided on loans and assets without provisions). As of 01.04.2019 in the Bank's asset structure cash and its equivalents has amounted to 27.18%, trading assets (fully represented by internal state loan bonds) have amounted to 5.94%, and NBU deposit certificates and investments into the ISLB have occupied the shares of 28.28% and 11.07%, respectively. Therefore,

Fig. 3. Separate characteristics of the loan portfolio of JSC «CITIBANK»

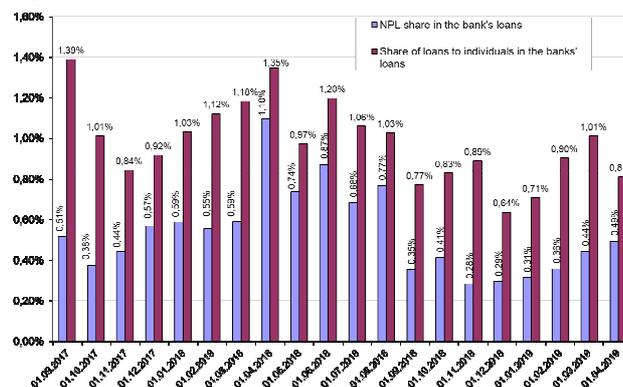


72,47% of JSC “CITIBANK” assets were formed due to liquid instruments with a minimal level of credit risk.

The Bank’s loan portfolio is characterized by a very high quality, as indicated by a low share of non-performing loans or NPL (which is calculated by the Agency as a sum of loans of the fifth class to individuals and loans of the tenth class to legal entities). As of 01.04.2019 the share of the Bank’s NPL has amounted to 0.49%, while the average NPL indicator on the Ukrainian banking system has amounted to 53.34%.

Therefore, the asset quality of JSC “CITIBANK” remains high, as indicated by a great proportion of high liquid instruments and a very low NPL indicator in the Bank’s loans.

Fig. 4 Data on NPL share and loans to Individuals in the bank's loan portfolio



Liquidity

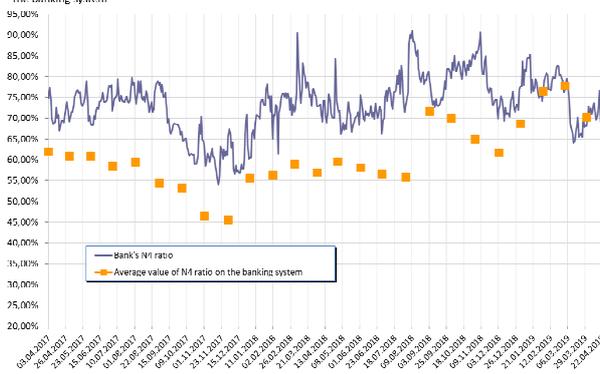
Instant liquidity ratio of JSC “CITIBANK” (N4) throughout the 2018 year and January-April, 2019 fluctuated within 60.56-91.12%. At the same time, throughout the 2018 year the Bank’s N4 ratio on a constant basis exceeded the average market values of this normative. As of 02.05.2019 the Bank’s N4 ratio amounted to 64.67% that by 44.67 p.p. more than the limit value, set by NBU.

In the period from 02.01.2018 to 02.05.2019 current liquidity ratio of JSC “CITIBANK” (N5) fluctuated within 92.17%-115.01%. Throughout the given analysis period the Bank’s N5 ratio almost on a constant basis exceeded the average of N5 ratio on the Ukrainian banking system. As of 02.05.2019 the Bank’s N5 ratio amounted to 103.12% that by 63.12 p.p. more than the limit value, set by NBU, and also by 2.87 p.p. more than the average of N5 ratio on the Ukrainian banking system.

Short-term liquidity ratio of JSC “CITIBANK” (N6) throughout the 2018 year and January-April, 2019 fluctuated within 100.65-116.31%. Throughout the given period the Bank’s N6 ratio on a constant basis exceeded the average of N6 ratio on the Ukrainian banking system. As of 02.05.2019 the Bank’s N6 ratio amounted to 103.32% that was by 43.32 p.p. more than the limit value, set by NBU, for this normative, and by 11.03 p.p. exceeded the average of N6 ratio on the banking system.

Therefore, JSC “CITIBANK” formed and continues to maintain a good liquidity provision. As at the beginning of May, 2019 all the liquidity ratios of the Bank significantly exceeded the limit values, set by NBU, and the Bank’s N5 and N6 ratios as well were higher than the averages of these normative values on the Ukrainian banking system.

Fig. 5. Dynamics of instant liquidity (N4) of JSC «CITIBANK» compared to the average of N4 ratio on the banking system



Profitability of operations

According to the results of the first quarter of 2019 JSC “CITIBANK” received profit of UAH 409.658 mln. that by 41.42% exceeded the Bank’s profit according to the results of the first quarter of 2018. The Agency reminds that for the 2018 year the Bank’s profit amounted to UAH 1.408 bln, for the 2017 year – UAH 1.024 bln, and for the 2016 year – UAH 1.418 bln.

The key item of the Bank’s revenues remains net interest income, the volume of which grew by 53.16%: from UAH 311.620 mln according to the first quarter of 2018 up to UAH 477.285 mln according to the first quarter of 2019. Net fee and commission income for the same period grew by 82.40%: from UAH 32.899 mln up to UAH 60.009 mln.

Therefore, in the first quarter of 2019 JSC “CITIBANK” again demonstrated the ability to generate and increase significant volumes of revenues and profit that confirms a high efficiency and success of the Bank’s management strategy, for which a highly profitable activity is already a common practice and a key factor of a high credit rating.

Fig. 8. Net interest income, net fee and commission income and profit of JSC “CITIBANK”

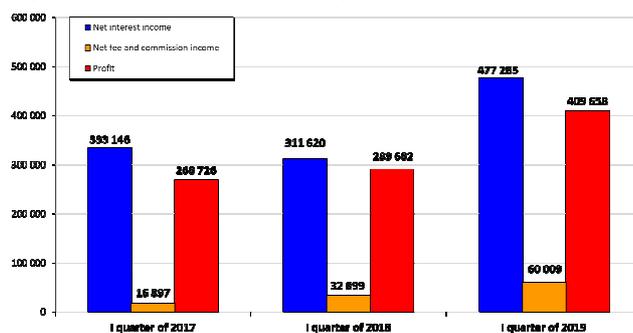
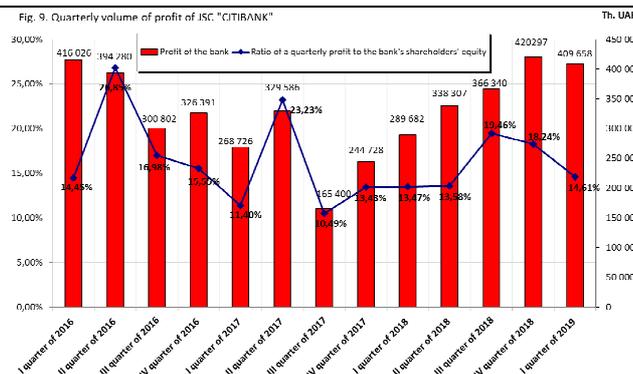


Fig. 9. Quarterly volume of profit of JSC “CITIBANK”



Other factors

Verification on public databases of the State Fiscal Service showed that the Bank was registered in authorities of the SFS and didn’t have any tax debt.

JSC “CITIBANK” has support from the international financial group Citigroup. As of 31.03.2019 total assets of Citigroup were valued in USD 1.958 trillion, and net income of Citigroup for the first quarter of 2019 amounted to USD 4.710 bn. Therefore, work scale, results of activity and current long-term credit ratings of Citigroup and Citibank N.A. indicate the fact that the Group can, if necessary, provide JSC “CITIBANK” with any required amount of support. The Agency repeatedly pays attention that a general level of external support at JSC “CITIBANK” is unprecedented high.

Generalization

Thus, in the first quarter of 2019 JSC “CITIBANK” again demonstrated the ability to generate and increase considerable volumes of revenues and profit that confirm a high efficiency and success of the Bank’s management strategy. The asset quality of JSC “CITIBANK” remains high, as indicated by a great proportion of highliquid instruments and a very low NPL indicator in the Bank’s loans. Throughout the 2018 year and January-April, 2019 JSC “CITIBANK” was very well provided with regulatory capital, also formed and continues to maintain a good liquidity provision, as indicated by the respective normative values.

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