

Rating action: Update of a long-term credit rating according to the national scale
 Date of rating action: 05.10.2018
 Date of publication: 05.10.2018

The issuer: PJSC "CITIBANK"
 USREOU code of the issuer: 21685485
 Web-site of the issuer: <http://www.citigroup.com/citi/ukraine>



Rating of JSC "CITIBANK" is confirmed

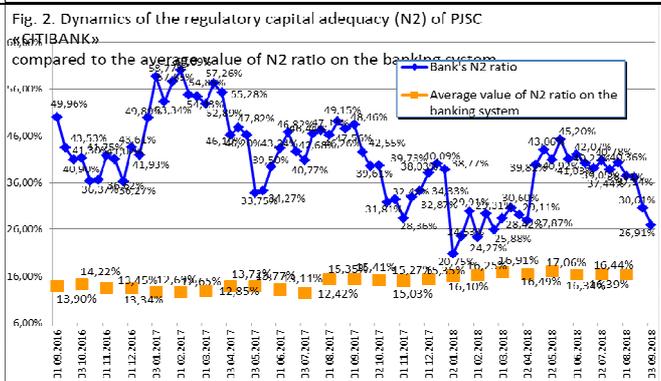
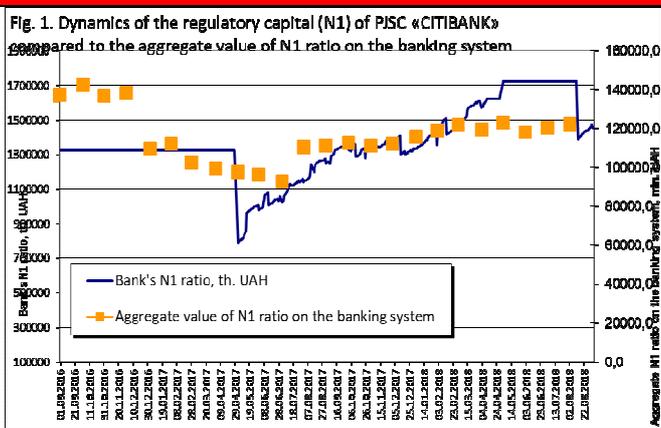
October, 5 2018 the rating committee of RA "Expert-Rating" made decision to confirm a credit rating of PJSC "CITIBANK" (USREOU code 21685485) at the level uaAAA according to the national scale. The bank or separate bond instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or bond instruments. Making decision to confirm 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 12 months of 2017 and the first half of 2018, as well as separate forms of statistical reports of the Bank for the 2017 year and January-August, 2018.

Equity and capital adequacy

As of 03.09.2018 the regulatory capital of JSC "CITIBANK" (N1) has amounted to UAH 1.51 bn that is by 9.86% more than as of 03.01.2017. The regulatory capital of JSC "CITIBANK" has considerably exceeded the limit value, set by NBU.

As of 03.09.2018 the regulatory capital adequacy normative of JSC "CITIBANK" (N2) has amounted to 26.91%, that is by 16.91 p.p. more than the limit value, set by NBU. For the entire analysis period, despite significant fluctuations of the Bank's N2 ratio, it considerably exceeded the averages on the banking system. Thus, the Bank formed a very great reserve of N2 ratio.

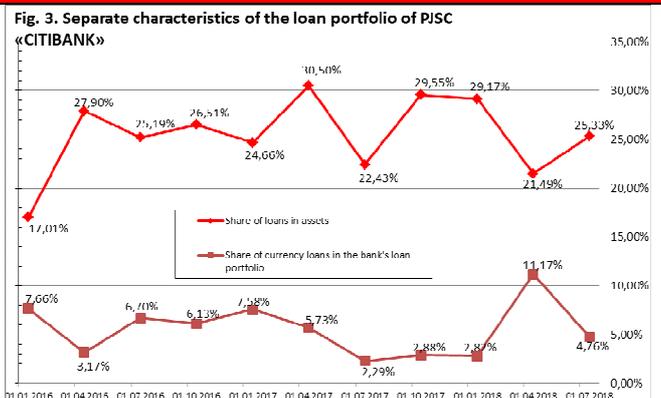
Therefore, in the Agency's opinion, JSC "CITIBANK" was very well provided with regulatory capital on 03.09.2018 and during the entire analysis period. The reserve of the regulatory capital on the Bank's N1 and N2 ratios was very great that reduced to zero the risk of the Bank's non-compliance with equity ratios of NBU and the risk of need of additional capitalization.



Asset structure and quality

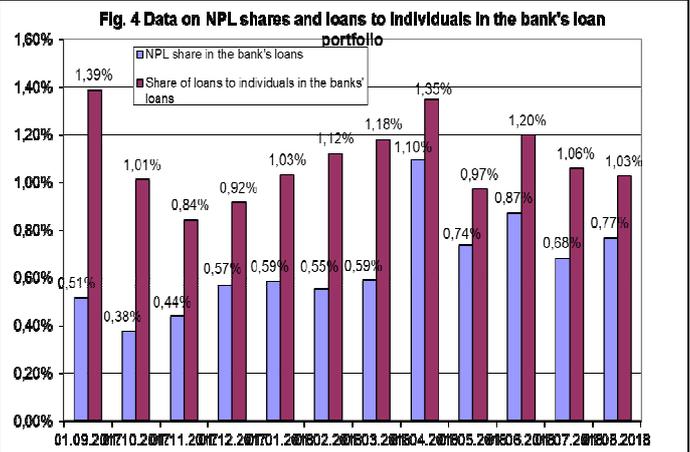
Perceiving the data on the quality of the Bank's assets, one should take into account the specifics of operations of PJSC "CITIBANK", on the balance of which the high liquid assets prevail, and loans occupy a small proportion. Thus, as of 01.04.2018 the Bank's loans amounted to 21.31% of assets, as of 01.07.2018 amounted to 25.37% and during the last 11 quarters its share fluctuated in the range 17.01–30.5%. Calculation on the figure 3 is provided on loans and assets without provisions.

Additionally, the Agency draws attention that the share of currency loans in the Bank's loan portfolio was insignificant and during the analysis period



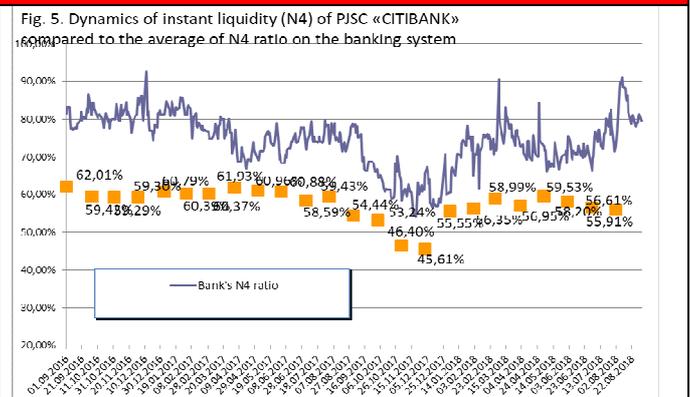
fluctuated in the range 3.17-11.17%. Besides, the Bank maintained a very high quality of the loan portfolio. As of 01.08.2018 the NPL share (which is calculated as a sum of loans of the fifth class to individuals and loans of the tenth class to legal entities) in the Bank's loan portfolio amounted to, according to NBU data, 0.77%. For comparison, the NPL share exceeded 55% in the loan portfolio of the Ukrainian banking system on 01.08.2018.

Thus, on the one hand, the most share of assets of JSC "CITIBANK" included the high liquid assets, and on the other hand, the available loan portfolio was of a very high quality that enabled to make conclusion about a very high quality of assets of JSC "CITIBANK" on August 1, 2018 and throughout the entire analysis period.

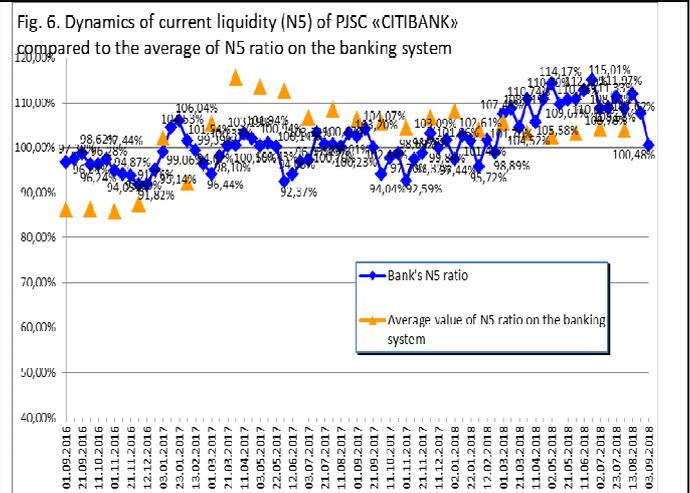


Liquidity

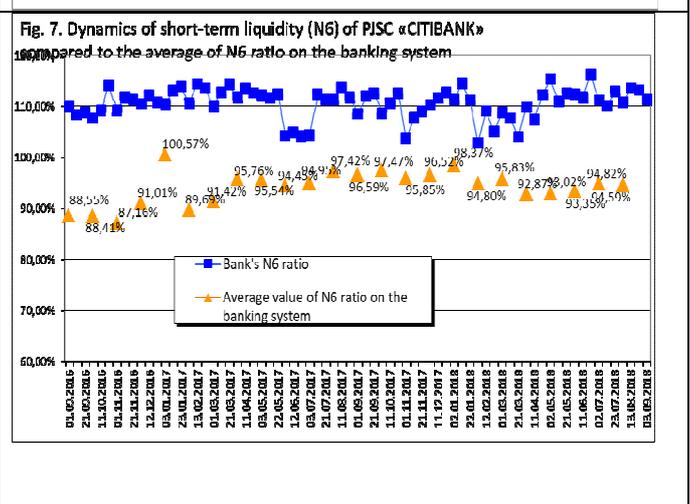
Instant liquidity ratio of PJSC "CITIBANK" (N4) as of 03.09.2018 amounted to 79.56% that was by 59.56 p.p. more than the limit value, set by NBU, and by 23.65 p.p. more than the average value of this normative on the Ukrainian banking system. During the entire analysis period (from April, 2016 to August, 2018) the Bank's N4 ratio exceeded the limit value of N4 ratio, set by NBU, and the average value of N4 ratio on the banking system.



Current liquidity ratio of JSC "CITIBANK" (N5) as of 03.09.2018 was fixed at the level 100.48% that was by 60.48 p.p. higher than the limit value, set by NBU. During the entire analysis period (from April, 2016 to August, 2018) the Bank's N5 ratio was higher than the limit value of N5 ratio, set by NBU, and fluctuated near the average value of this normative on the banking system of Ukraine.



Short-term liquidity ratio of JSC "CITIBANK" (N6) as of 03.09.2018 amounted to 111.4% that by 51.4 p.p. exceeded the limit value, set by NBU. During the entire analysis period (i.e. from April, 2016 till August, 2018) the N6 ratio of JSC "CITIBANK" exceeded the limit value of this normative, set by NBU, as well as its average on the banking system.



A general trend was observed on the N4 and N6 ratios of JSC "CITIBANK", when they on a systematic basis were higher than the average on the banking system and the limit value, set by NBU. The Bank's N5 ratio fluctuated approximately at the level of the average on the banking system. Taking into consideration the fact that a significant reserve of liquidity was generated in the Ukrainian banking system, the Agency believes that JSC "CITIBANK" was very well provided with liquidity on all the three liquidity ratios. Moreover, the Bank conducted a rather conservative policy of liquidity management. This approach is a precondition of a very high asset quality of the Bank

Profitability of operations

The Agency reminds that according to the results of 2015 profit of PJSC "CITIBANK" reached to UAH 1.63 bn. In the 2016 the Bank's profit amounted to UAH 1.42 bn. According to the results of 2017 the Bank received profit of over UAH 1 bn that was by 28.17% lower than the indicator of 2016.

The decrease in the Bank's profit was predetermined by the objective market conditions. However, in the first half of 2018 profit of PJSC "CITIBANK" reached to UAH 627.989 mln, that is by UAH 29.676 mln or by 4.96% more than in the first half of 2017.

Additionally, the Agency draws attention to the fact that for the last ten quarters JSC "CITIBANK" on a regular basis operated profitably. Therefore, the profitable activity was an ordinary practice for the Bank that also positively affected the Bank's credit rating.

Fig. 8. Net interest income, net fee and commission income and profit of PJSC "CITIBANK"

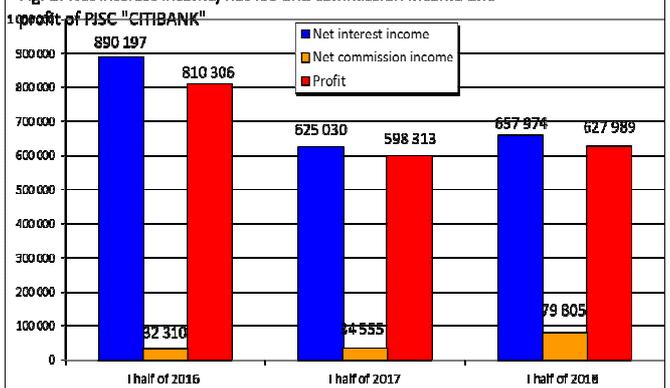
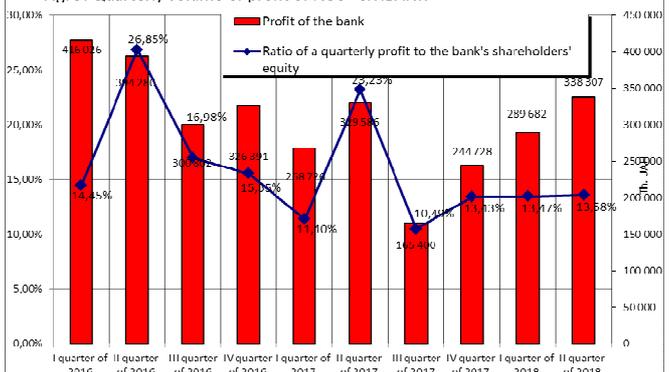


Fig. 9. Quarterly volume of profit of PJSC "CITIBANK"



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" had support from the international financial group Citigroup whose assets as of 30.06.2018 were valued in USD 1.912 trillion and net income for the first half of 2018 amounted to USD 9.11 bn. Work scale, results of activity and current long-term credit ratings of Citigroup and Citibank N.A. indicated the fact that the Group can, if necessary, provide JSC "CITIBANK" with any required amount of support. General level of external support at JSC "CITIBANK" is identified as unprecedented high.

Generalization

Therefore, PJSC "CITIBANK" at the beginning of September, 2018:

- Was very well provided with regulatory capital;
- Formed and maintained a significant reserve of instant, current and short-term liquidity ratios;
- Provided a very high quality of assets, including the loan portfolio;
- Bank's activity was profitable during the entire analysis period.

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