

Rating action: Update of a long-term credit rating according to the national scale
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The issuer: JSC "DEUTSCHE BANK DBU"
 USREOU code of the issuer: 36520434
 Web-site of the issuer: <https://www.db.com/ukraine/>



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Rating of JSC "DEUTSCHE BANK DBU" is updated

September 5, 2024 the rating committee of RA "Expert-Rating" has decided to update the credit rating of JSC "DEUTSCHE BANK DBU" (36520434) at the level **uaAAA** according to the national scale. The Bank or the separate debt instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or debt instruments. Making decision to update the credit rating according to the national scale, the Agency was guided by the analysis results of the Bank's financial statements for the first half of 2024 year, as well as by particular forms of statistical statements of the Bank for the 2023 year and for January-July, 2024.

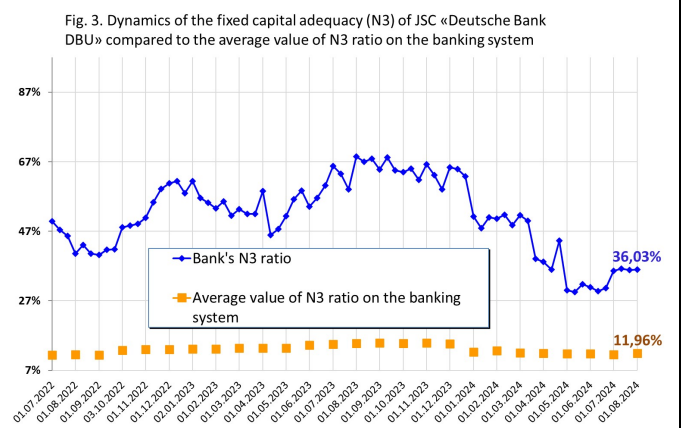
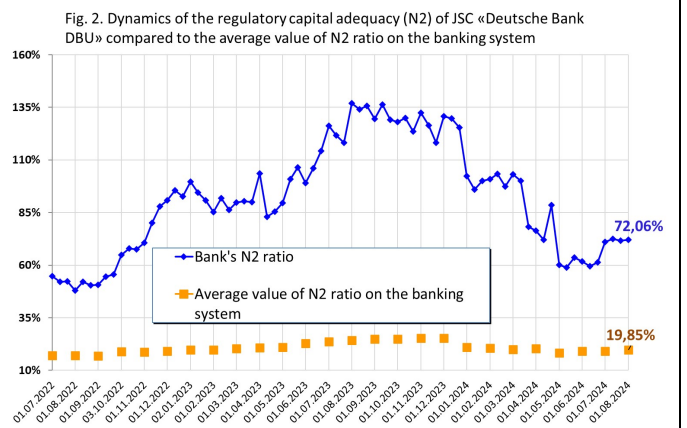
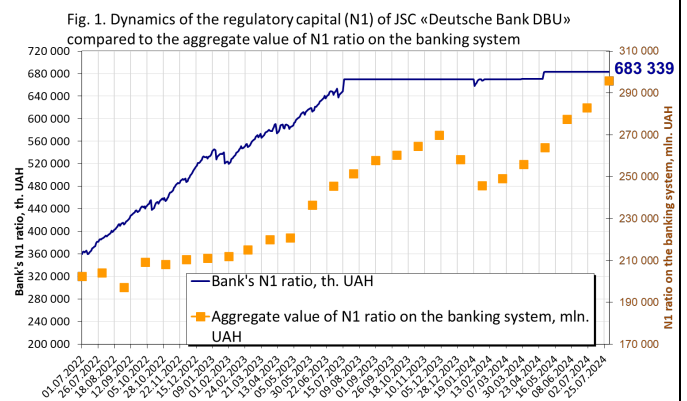
Equity and capital adequacy

Throughout the 2023 year and January-July of 2024 year the regulatory capital of JSC "DEUTSCHE BANK DBU" (N1) fluctuated in the range UAH 519.739 mln to UAH 683.339 mln, by demonstrating an upward trend. Since the beginning of 2024 year the Bank's regulatory capital (N1) grew by 2.02% and as of 01.08.2024 the Bank's N1 ratio amounted to UAH 683.339 mln that in 3.42 times exceeded the limit value, set by NBU, for this normative at the level UAH 200 mln.

The regulatory capital adequacy normative of JSC "DEUTSCHE BANK DBU" (N2) in the period from 02.01.2023 to 01.08.2024 fluctuated in the range 59.97%-136.90%. At the same time, the Bank's N2 ratio on a constant basis in times exceeded the limit level, set by the regulator, as well as the averages of this normative on the Ukrainian banking system. As of 01.08.2024 the Bank's N2 ratio amounted to 72.06% that in 7.21 times exceeded the limit level set by the regulator, as well as was in 3.63 times more than the average N3 ratio on the Ukrainian banking system.

The fixed capital adequacy of JSC "DEUTSCHE BANK DBU" (N3) during the 2023 year and January-July of 2024 year fluctuated in the ranges 29.48%-68.45% and on a constant basis in several times exceeded the limit value, set by NBU, as well as the averages of this normative on the Ukrainian banking system. As of 01.08.2024 the fixed capital adequacy normative of JSC "DEUTSCHE BANK DBU" (N3) amounted to 36.03% that in 5.15 times exceeded the limit value set by the regulator, and in 3.01 times exceeded the average market indicator.

Therefore, throughout the entire analysis period and as at the beginning of August, 2024 JSC "DEUTSCHE BANK DBU" was very well provided with the regulatory and fixed capital, as indicated by the Bank's respective ratios (N2 and N3), which in times exceeded both the limit values, set by NBU, and the average market indicators of the respective normative indicators on the Ukrainian banking system.



Asset structure and quality

For the period from 01.01.2024 to 01.07.2024 the assets of JSC "DEUTSCHE BANK DBU" grew by 21.11% up to UAH 7.923 bn. At the same time, there were the following changes in the Bank's asset structure:

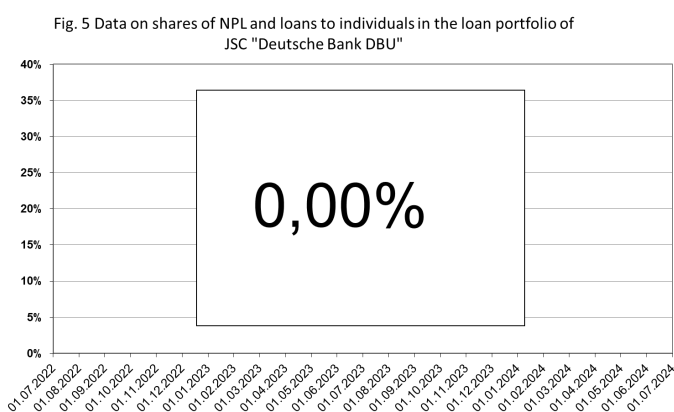
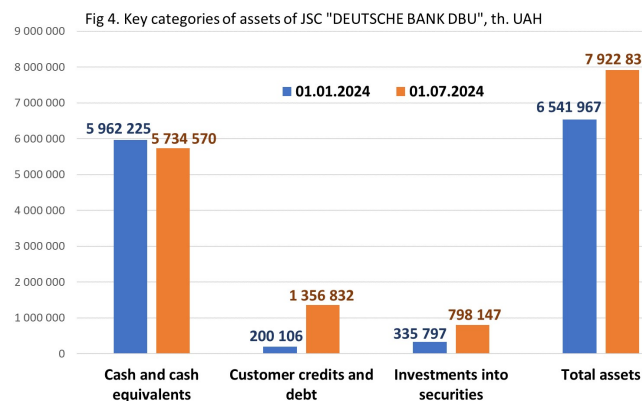
- Cash and cash equivalents decreased by 3.82% down to UAH 5.735 bln, and its proportion in assets decreased by 18.76 p.p. and amounted to 72.38%;

- Bank's loan portfolio grew in 6.78 times up to UAH 1.357 bln, and its share in assets increased by 14.07 p.p. up to 17.13%. At the same time, as of 01.07.2024, as before, in the Bank's loan portfolio there were no loans to individuals;

- Portfolio of investments into securities, which consisted of investments into ISLBs and bond securities of the states of USA and Germany, grew in 2.38 times up to UAH 798.147 mln, and its share in assets increased by 4.94 p.p. up to 10.07%.

Thus, as at the beginning of the second half of 2024 year the 82.45% of assets of JSC "DEUTSCHE BANK DBU" were represented by liquidity instruments with a low credit risk, namely: cash and cash equivalents and bond state securities.

The Agency emphasizes that the quality of the Bank's loan portfolio remains to be at the highest level: as of 01.07.2024 in the loan portfolio of JSC "DEUTSCHE BANK DBU", there were no non-performing loans (NPL), while the average of NPL indicator on the Ukrainian banking system amounted to 34.57%.



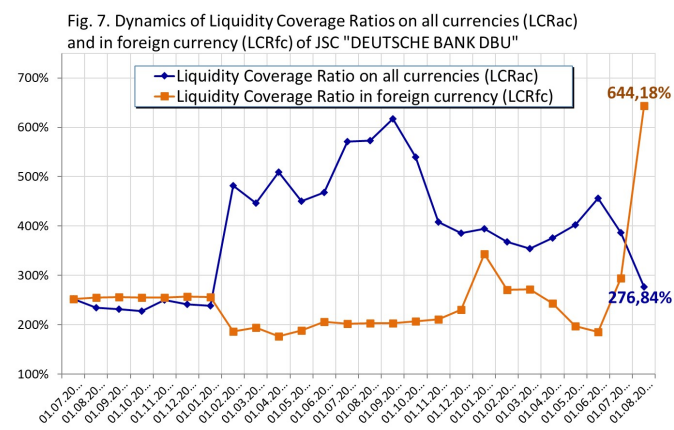
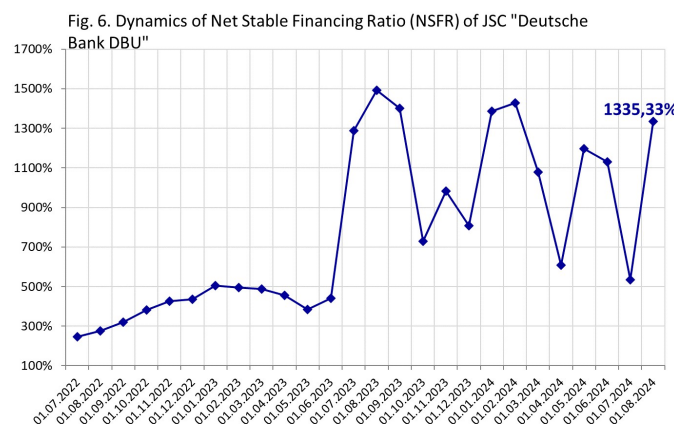
Liquidity

Throughout the period from 01.01.2023 to 01.08.2024 Net Stable Financing Ratio (NSFR) of JSC "DEUTSCHE BANK DBU", which is a long-term liquidity ratio, fluctuated in the range from 383.17% to 1492.85%. As of 01.08.2024 the Bank's NSFR amounted to 1335.33% that in 13.35 times exceeded the limit value for this normative.

Liquidity coverage ratio on all currencies (LCRac) of JSC "DEUTSCHE BANK DBU" in the period from 01.01.2023 to 01.08.2024 fluctuated in the range from 238.19% to 617.49%, on a constant basis in times exceeding the limit values, set by NBU. As of 01.08.2024 LCRac of the Bank amounted to 276.84% that in 2.77 times exceeded the normative value, set by the regulator.

Liquidity coverage ratio in foreign currency (LCRfc) of JSC "DEUTSCHE BANK DBU" throughout the period from 01.01.2023 to 01.08.2024 fluctuated in the range from 176.45%-644.18% and on a constant basis significantly exceeded the limit level, set by NBU. As of 01.08.2024 LCRfc of the Bank amounted to 644.18% that in 6.44 times exceeded the normative value, set by the regulator.

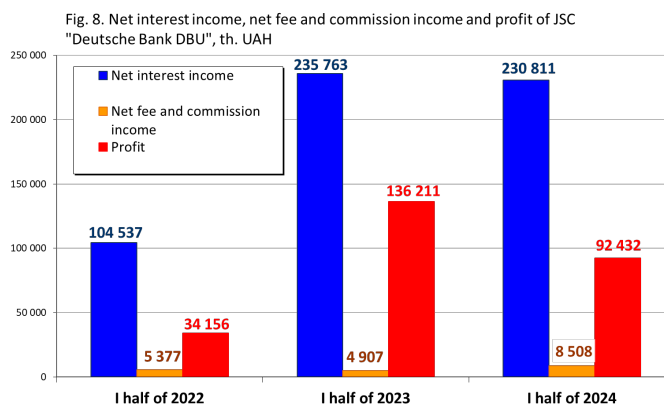
Thus, throughout the entire analysis period and as at the beginning of August, 2024 JSC "DEUTSCHE BANK DBU" maintained a very high provision of liquidity, as indicated by the Bank's respective ratios (LCRac, LCRfc and NSFR), which in times exceeded the limit values, set by NBU.



Profitability of operations

For the first half of 2024 year profit of JSC “DEUTSCHE BANK DBU” amounted to UAH 92.432 mln that was by 32.14% less than for the same period of 2023 year. At the same time, the Bank’s key items of revenues showed multidirectional dynamics in the analyzed period. In particular, net interest income of JSC “DEUTSCHE BANK DBU” according to the results of the first half of 2024 year compared to the first half of 2023 year decreased by 2.10% down to UAH 230.811 mln., and net fee and commission income increased by 73.38% up to UAH 8.508 mln.

The Agency highly assesses a profitable activity and significant amounts of profit and net interest income demonstrated by JSC “DEUTSCHE BANK DBU” in the analyzed period.



Other factors

The Agency reminds that JSC “DEUTSCHE BANK DBU” has a very high level of external support from its shareholder – Deutsche Bank, which (besides a traditional external support of its subsidiary structure, which is based on the contributions to the authorized capital, on liquidity provision and is stimulated by the reputation risks) declares the guarantees of JSC “DEUTSCHE BANK DBU” meeting its agreement liabilities. The availability of “firm guarantee” of Deutsche Bank, which is public, is a considerable positive factor, which affects a long-term credit rating and strengthens the competitive advantages of Deutsche Bank in Ukraine.

Summary

Therefore, as at the beginning of August, 2024 and throughout the entire analysis period JSC “DEUTSCHE BANK DBU” was very well provided with the regulatory and fixed capital: in particular, the Bank’s ratios N2 and N3 in times exceeded both the limit values, set by NBU, and the averages of these norms on the Ukrainian banking system. As well, JSC “DEUTSCHE BANK DBU” continued to maintain a very good provision of liquidity, as indicated by the Bank’s ratios LCRac, LCRfc and NSFR, which in times exceeded the limit values, set by the regulator.

The loan portfolio of JSC “DEUTSCHE BANK DBU”, as before, was characterized by the highest quality: as of 01.07.2024 in the Bank’s loan portfolio there were no non-performing loans (NPL). At the same time, the 82.45% of assets of JSC “DEUTSCHE BANK DBU” were represented by liquidity instruments with a low credit risk, namely: cash and cash equivalents, ISLBs and bond securities of the states USA and Germany.

According to the results of the first half of 2024 year compared to the same period of 2023 year the profit of JSC “DEUTSCHE BANK DBU” decreased by 32.14% and amounted to UAH 92.432 mln, the Bank’s net interest income decreased by 2.10% down to UAH 230.11 mln., net fee and commission income grew by 73.38% up to UAH 8.508 mln. Therefore, according to the results of the first half of 2024 year JSC “DEUTSCHE BANK DBU”, as in the previous periods was characterized by profitable activity and significant key items of revenues and profit while being highly appreciated by the Agency.

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.

Disclaimer: Credit ratings of RA “Expert-Rating” is an opinion that reflects the ability of an issuer (an issue of securities) to comply with financial commitments. Credit ratings are of probabilistic nature, therefore cannot be a recommendation to buy or sell securities or to use the services of the issuer. When assigning and maintaining the ratings and outlooks on ratings, RA “Expert-rating” relies on factual information which the Agency receives from issuers and underwriters and from other sources that the Agency considers reliable. The issuer, its auditor and underwriter, as well as other consultants are responsible for the accuracy of the information they provide to RA “Expert-Rating” or publish according to current normative requirements.