

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

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The issuer: PJSC "DEUTSCHE BANK DBU"

USREOU code of the issuer: 36520434

Web-site of the issuer: www.db.com/ukraine/



Rating of PJSC "DEUTSCHE BANK DBU" is confirmed

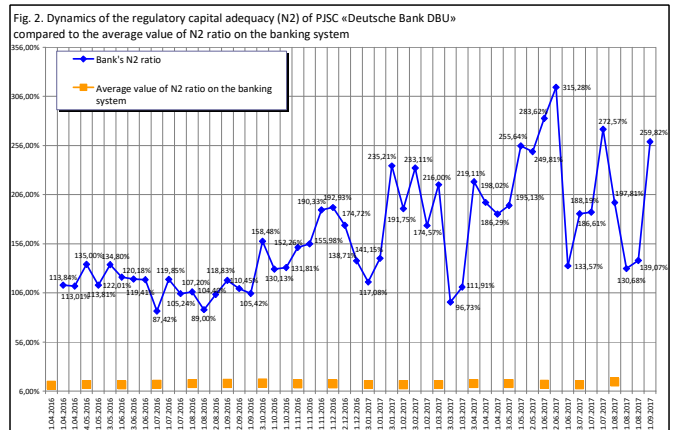
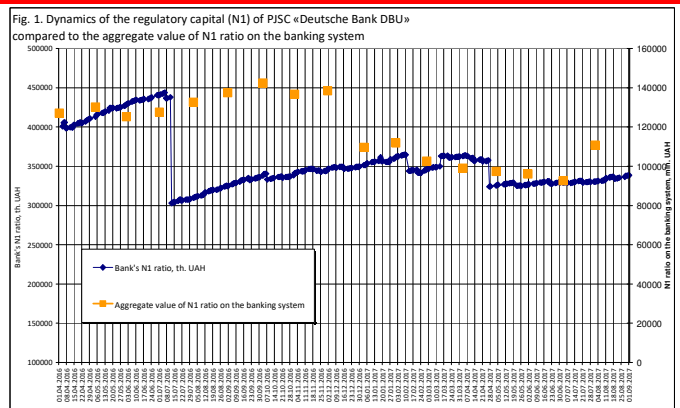
September 25, 2017 the rating committee of RA "Expert-Rating" has decided to confirm the credit rating of PJSC "DEUTSCHE BANK DBU" (35591059) at the level uaAAA according to the national scale. The Bank with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or debt instruments. Making decision to confirm the credit rating according to the national scale, the Agency was guided by the key analysis results of the Bank's financial and statistical statements for January–August of 2017.

Equity and capital adequacy

As of 01.09.2017 the regulatory capital of PJSC "DEUTSCHE BANK DBU" (N1) has amounted to UAH 338.542 mln that is by 3.66% lower than as of 03.01.2017. The decrease in the regulatory capital of PJSC "Deutsche Bank DBU" was insignificant and the value of the Bank's N1 ratio considerably exceeded the limit value, set by NBU.

As of 01.09.2017 the regulatory capital adequacy normative of PJSC "Deutsche Bank DBU" (N2) amounted to 259.82%, that was by 142.74 p.p. more than as at the beginning of 2017. 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 an unprecedented high reserve of N2 ratio not only with respect to the normative value, set by NBU, but also to the average value of N2 ratio on the banking system.

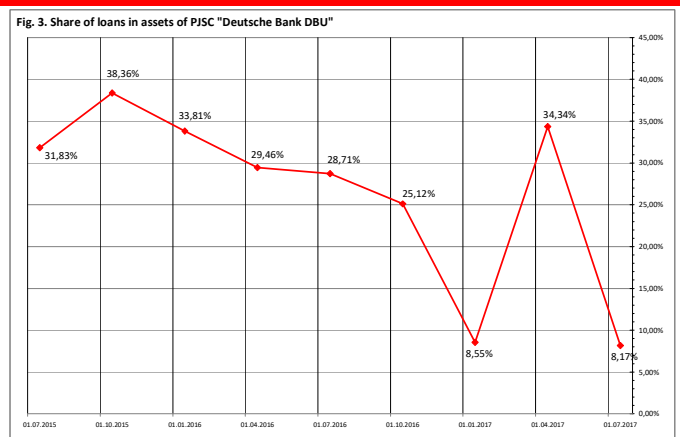
Therefore, in the Agency's opinion, PJSC "Deutsche Bank DBU" was very well provided with regulatory capital on 01.09.2017 and during the entire analysis period. The reserve of the regulatory capital on the Bank's N1 and N2 ratios was very great that significantly decreased the risk of the Bank's non-compliance with equity ratios of NBU.



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 "Deutsche Bank DBU", on the balance of which the highliquid assets prevail. Thus, as of 30.06.2017 the Bank's assets amounted to UAH 1.959 bn., 70.95% of which were presented by cash and funds in NBU. As of 30.06.2017 67% or UAH 1.319 bn. of the Bank's assets were placed in deposit certificates of NBU. Therefore, at the beginning of the second half of 2017 over 70% of the Bank's assets were referred to the category of the highliquid assets with the highest quality, which can be in Ukraine.

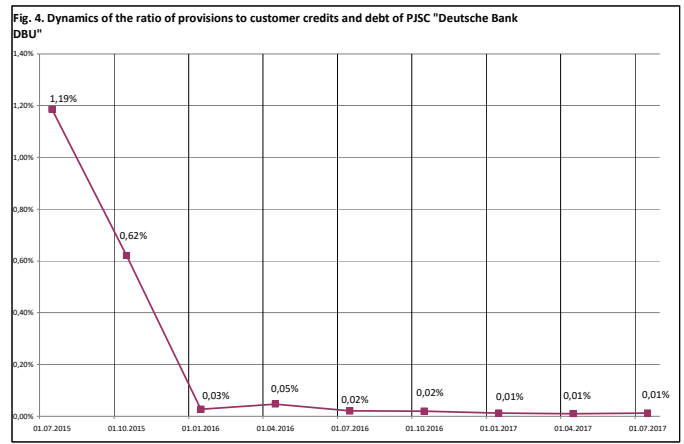
Studying the data on the loan portfolio of PJSC



“Deutsche Bank DBU”, the Agency pays attention to its specifics:

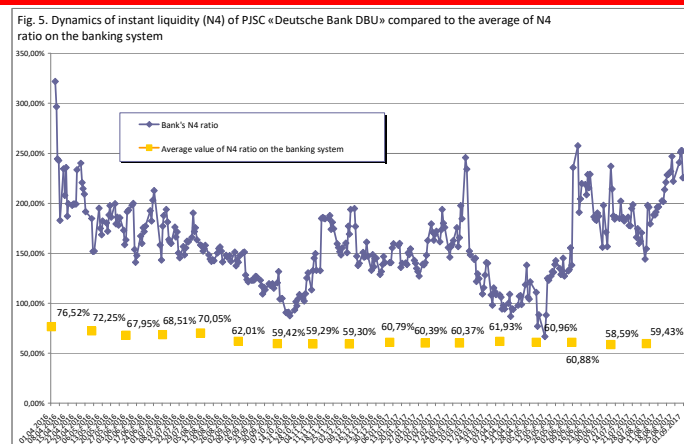
- Share of the Bank’s loans in assets during the last 9 quarters fluctuated in the range 8.17–38.36%;
- Provisions, which were formed by the Bank on the loan portfolio, in fact indicate a high quality of the portfolio; the ratio of provisions to the loan portfolio fluctuated at the level 0.01–1.19%.

Therefore, over 70% of the Bank’s assets were presented by liquid assets and had the highest quality, the Bank’s loan portfolio also differed by the high quality.

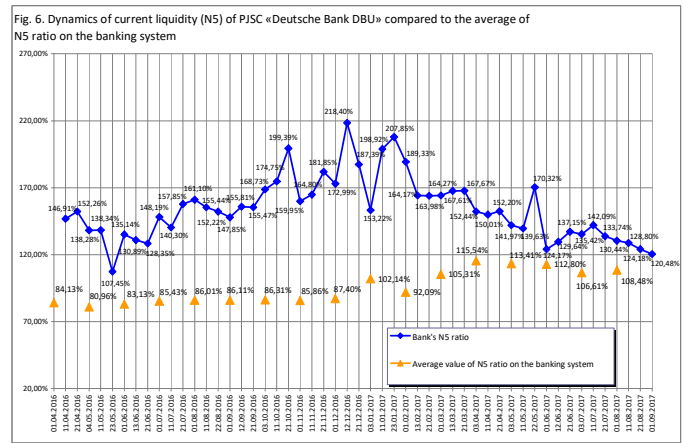


Liquidity

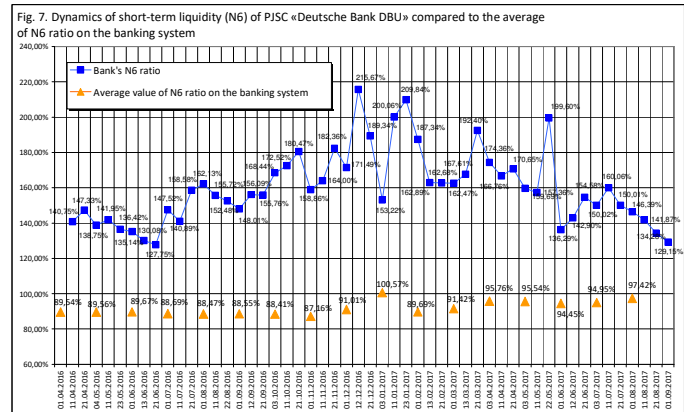
Instant liquidity ratio of PJSC “Deutsche Bank DBU” (N4) as of 01.09.2017 amounted to 225.8% that was by 205.8 p.p. more than the limit value, set by NBU, but lower than the average value of this normative on the banking system. During the entire analysis period from April, 2016 to August, 2017 the Bank’s N4 ratio was higher than the limit value of N4 ratio, set by NBU, and the average on the banking system.



Current liquidity ratio of PJSC “Deutsche Bank DBU” (N5) as of 01.09.2017 was at the level 120.48% that was by 80.48 p.p. higher than the limit value of N5 ratio, set by NBU, and the average on the banking system.



Short-term liquidity ratio of PJSC “Deutsche Bank DBU” (N6) as of 01.09.2017 amounted to 129.15% that by 89.15 p.p. exceeded the limit value, set by NBU. During the entire analysis period (i.e. from April, 2016 till August, 2017) the Bank’s N6 ratio exceeded the limit value of this normative, set by NBU, as well as its average on the banking system.



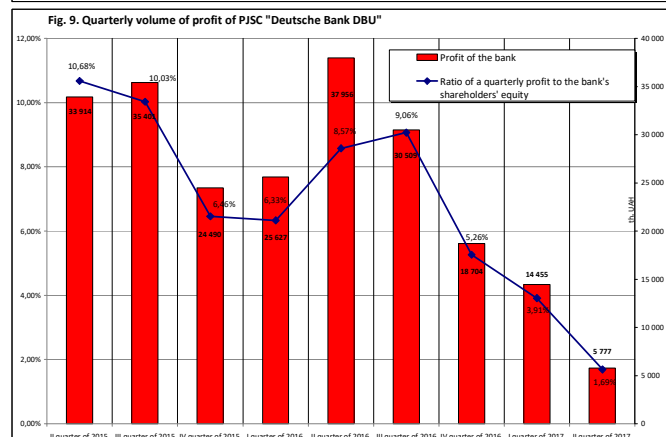
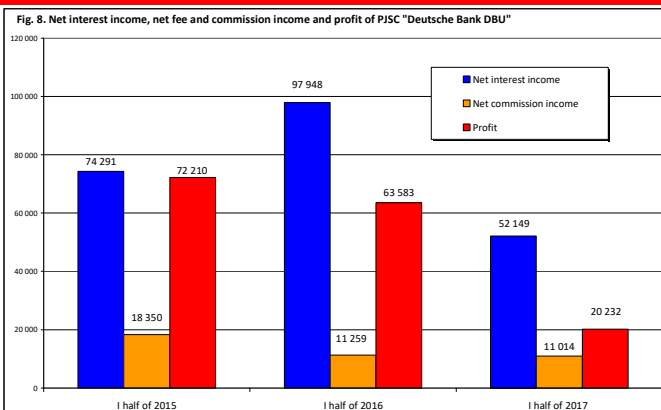
The Agency emphasizes that on all the three ratios of the Bank there was a similar picture: during the entire analysis period the Bank formed a good reserve of liquidity ratios with respect to the normative values of NBU and to the averages on the banking system. Reserve of liquidity ratios, formed by PJSC “Deutsche Bank DBU” on 01.09.2017, was very great that indicated a conservative approach of the Bank to asset management. But this approach is a precondition of a very high asset quality of the Bank even with the implementation of very adverse scenarios in the Ukrainian market.

Profitability of operations

The Agency reminds that according to the 2016 profit of PJSC “Deutsche Bank DBU” amounted to UAH 112.796 mln. In the first half of 2017 the Bank’s profit amounted to UAH 20.232 mln. that was by 68,18% lower than for the same period of 2016.

The decrease in the Bank’s profit was predetermined by the objective market conditions, first of all, by lowering rates in the Ukrainian market. Additionally, the Agency draws attention to reducing the net interest income of the Bank (from UAH 97.948 mln down to UAH 52.149 mln.) and to a relatively stable level of net commission income of the Bank.

One should also pay attention to the fact that for the last nine quarters PJSC “Deutsche Bank DBU” operated profitably, therefore, the profitable activity was an ordinary practice for the Bank that also positively affected the Bank’s credit rating.



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.

PJSC “Deutsche Bank DBU” used a very high level of external support from its shareholder – Deutsche Bank. The second quarter of 2017 for the group Deutsche Bank was rather successful: the Group finished the second quarter of 2017 with profit of EUR 466 mln, against profit of EUR 20 mln for the same period of last year. CET1 increased from 10.8% (on 30.07.2016) up to 14.1% on 30.07.2017, and a total volume of the Group’s assets for the same period grew from EUR 1.415 trillion up to EUR 1.443 trillion. These indicators confirmed that the external support of the bank in Ukraine by the group Deutsche Bank is unlimited. Additionally, the Agency reminds that Deutsche Bank is the only bank from the international ones in Ukraine, 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 PJSC “DEUTSCHE BANK DBU” performance of its agreement liabilities. At the moment of the rating assignment such guarantees were owned by the 32 subsidiary banks of Deutsche Bank, which include PJSC “DEUTSCHE BANK DBU”. The availability of “firm guarantee” of Deutsche Bank, which is public, is a very considerable positive factor, which affects a long-term credit rating and strengthens competition advantages of Deutsche Bank in Ukraine. The list of institutions, which have guarantees of Deutsche Bank, is updated on the Bank's website in the section "Declaration of Backing".

Generalization

Therefore, PJSC “Deutsche Bank DBU” at the beginning of September, 2017 was very well provided with equity, formed and maintained a significant reserve of liquidity ratios and provided a very high quality of assets. The Bank’s activity during the analysis period was profitable.

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