

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

Date of rating action: 30.03.2018

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**The issuer:** PJSC "DEUTSCHE BANK DBU"

USREOU code of the issuer: 36520434

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



## Rating of PJSC "DEUTSCHE BANK DBU" is confirmed

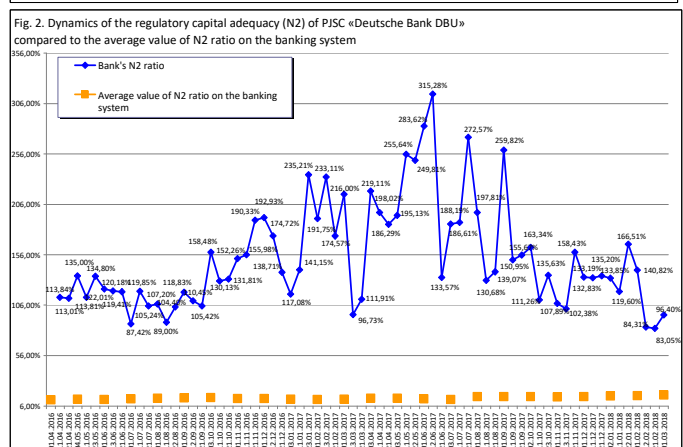
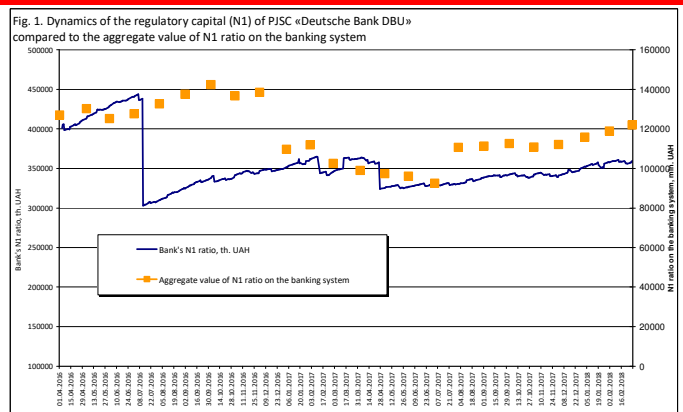
**March 30, 2018** the rating committee of RA "Expert-Rating" has decided to confirm the credit rating of PJSC "DEUTSCHE BANK DBU" (35591059) at the level uaAAA according to the national scale. The Bank with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or debt 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 according to the results of the 12 months of 2017, as well as by particular forms of statistical statements of the Bank for the 2017 year and January-February of 2018.

### Equity and capital adequacy

As of 01.03.2018 the regulatory capital of PJSC "DEUTSCHE BANK DBU" (N1) has amounted to UAH 359,543 mln that is by 2,32% more than as of 03.01.2017. The regulatory capital of PJSC "Deutsche Bank DBU" has considerably exceeded not only the limit value, set by NBU, and the average of N1 ratio on the banking system.

As of 01.03.2018 the regulatory capital adequacy normative of PJSC "Deutsche Bank DBU" (N2) amounted to 96,40%, that was by 20,68 p.p. less than as at the beginning of 2017, by 86,40 p.p. more than the limit value, set by NBU, and by 79,49 p.p. more than the average value on the banking system. 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.

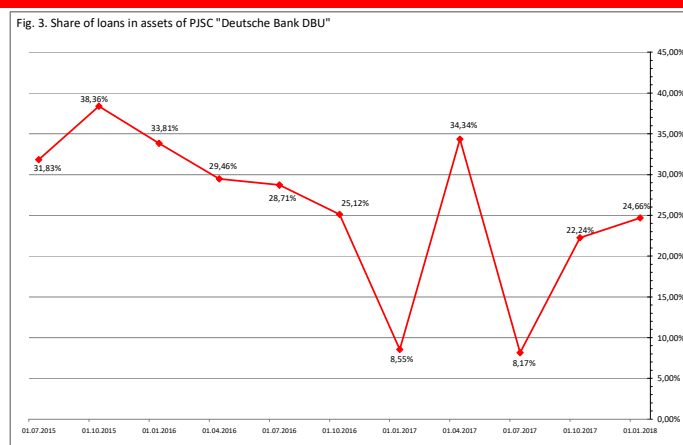
Therefore, in the Agency's opinion, PJSC "Deutsche Bank DBU" was very well provided with regulatory capital on 01.03.2018 and during the entire analysis period. The reserve of the regulatory capital on the Bank's N1 and N2 ratios was very great that reduced to zero the risk of the Bank's non-compliance 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 "Deutsche Bank DBU", on the balance of which the highliquid assets prevail. Thus, as of 31.12.2017 the Bank's assets amounted to UAH 2,088 bn., 54,51% of which were represented by cash and funds in NBU. As of 31.12.2017 53,1% or UAH 1,109 bn. of the Bank's assets were placed in deposit certificates of NBU. Therefore, at the beginning of the first quarter of 2018 over 55% 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 11 quarters fluctuated in the range 8,17-38,36%;
- There were no loans to individuals and currency loans in the Bank's loan portfolio.

Besides, PJSC "Deutsche Bank DBU" doesn't have non-performing loans (NPL), which is calculated as a sum of the fifth class of borrowers-individuals and the tenth class of borrowers-legal entities.

Therefore, over 55% of the Bank's assets were represented by liquid assets and had the highest quality. The Bank's loan portfolio also differed by a very high quality.

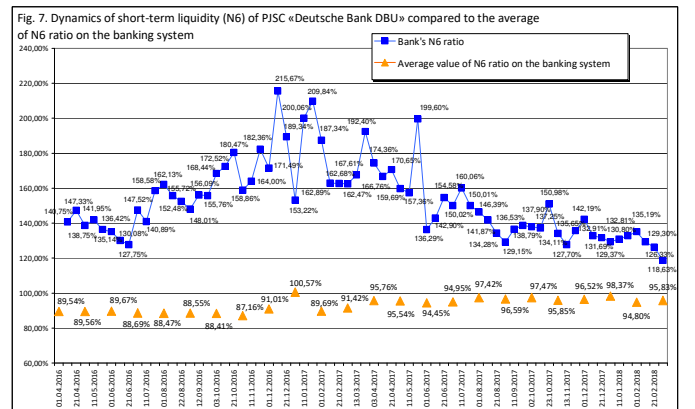
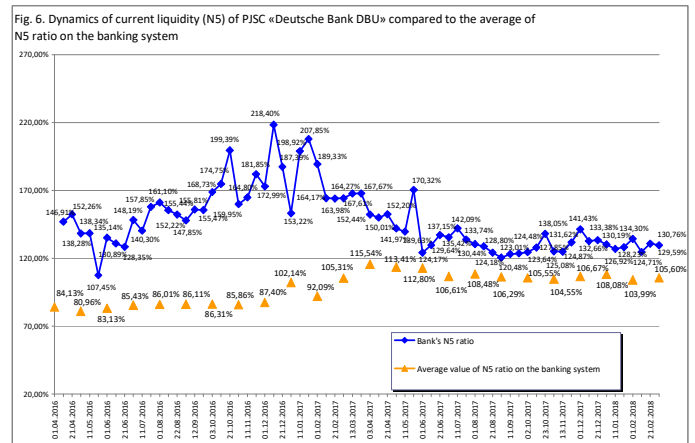
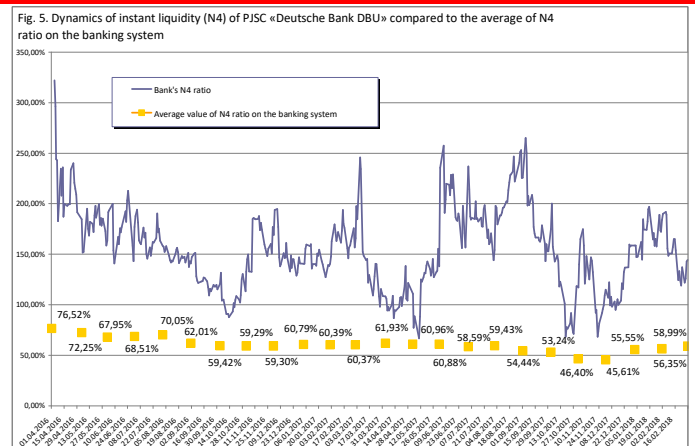
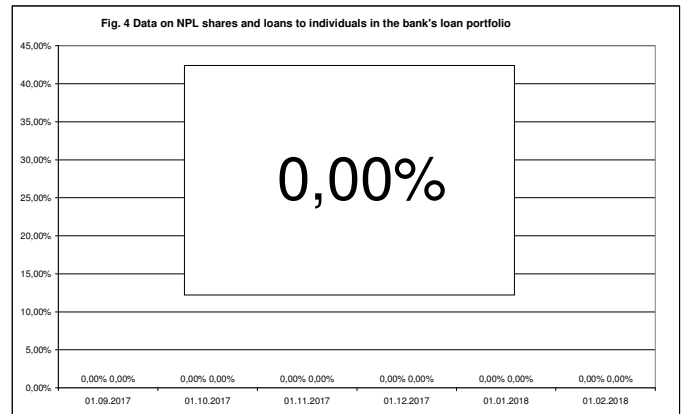
## Liquidity

Instant liquidity ratio of PJSC "Deutsche Bank DBU" (N4) as of 01.03.2018 amounted to 144,26% that was by 124,26 p.p. more than the limit value, set by NBU, and by 85,27 p.p. more than the average value of this normative on the banking system. During the entire analysis period (from April, 2016 to February, 2018) the Bank's N4 ratio exceeded the limit value of N4 ratio, set by NBU, and the average of the normative on the banking system.

Current liquidity ratio of PJSC "Deutsche Bank DBU" (N5) as of 01.03.2018 was at the level 129,59% that was by 89,59 p.p. higher than the limit value, set by NBU. During the entire analysis period (from April, 2016 to February, 2018) the Bank's N5 ratio was higher than the limit value of N5 ratio, set by NBU, and the average on the banking system.

Short-term liquidity ratio of the Bank (N6) as of 01.03.2018 amounted to 118,63% that by 58,63 p.p. exceeded the limit value, set by NBU. During the entire analysis period (i.e. from April, 2016 till February, 2018) 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 01.03.2018, 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.

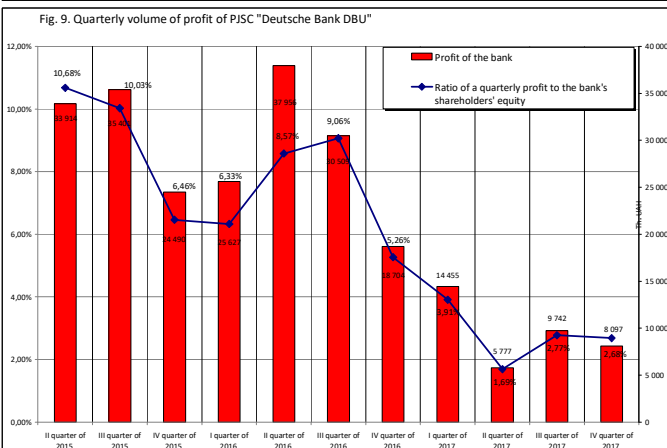
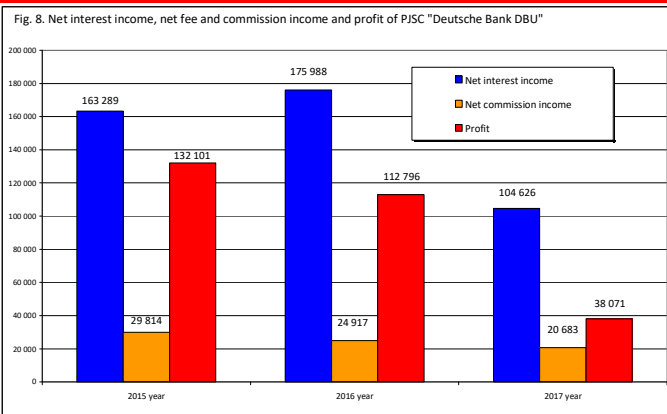


## Profitability of operations

The Agency reminds that according to the results of 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., and for the 9 months of 2017 the Bank’s profit amounted to UAH 29,974 mln. According to the results of 2017 the Bank received profit of UAH 38,071 mln that was by 66,25% lower than the indicator of 2016.

The decrease in the Bank’s profit was predetermined by the objective market conditions. Additionally, the Agency draws attention to reducing the net interest income of the Bank (from UAH 175,988 mln down to UAH 104,626 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 eleven quarters PJSC “Deutsche Bank DBU” on a constant basis 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 group Deutsche Bank finished the 12 months of 2017 with profit before taxation of EUR 1,228 bln, against loss of EUR 810 mln for the same period of last year. CET1 increased from 11,8% (on 31.12.2016) up to 14,0% on 31.12.2017, and a total volume of the Group’s assets for the same period decreased from EUR 1,591 trillion up to EUR 1,475 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 March, 2018 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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