

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/>



Rating of PJSC "DEUTSCHE BANK DBU" is confirmed

April 9, 2019 the rating committee of RA "Expert-Rating" has decided to confirm the credit rating of JSC "DEUTSCHE BANK DBU" (36520434) at the level uaAAA according to the national scale. The Bank or separate debt instrument 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 analysis results of the Bank's financial and statistical statements according to the results of the 12 months of 2018, as well as by particular forms of statistical statements of the Bank for the 2018 year and January–February of 2019.

Equity and capital adequacy

The regulatory capital of JSC "DEUTSCHE BANK DBU" (N1) in the period from 02.01.2018 to 01.03.2019 has fluctuated in the range UAH 273.799-361.696 mln. As of 01.03.2019 the Bank's N1 ratio has amounted to UAH 296.002 mln with the indicator, set by NBU, at the level of UAH 200 mln. That is, the regulatory capital of JSC "Deutsche Bank DBU" has exceeded the limit value, set by NBU, with a reserve.

Throughout the 2018 year and January-February, 2019 the regulatory capital adequacy normative of JSC "Deutsche Bank DBU" (N2) has fluctuated between 57.90% and 166.51%. For the specified analysis period the Bank's N2 ratio has significantly exceeded not only the limit value of 10%, set by NBU, but also the average on the Ukrainian banking system. As of 01.03.2019 the regulatory capital adequacy normative of JSC "Deutsche Bank DBU" (N2) has amounted to 62.06% that is by 52.06 p.p. more than the limit value, set by NBU, and by 45.13 p.p. more than the average of N2 ratio on the Ukrainian banking system. Thus, the Bank had an unprecedented high reserve of N2 ratio.

Therefore, in the Agency's opinion, JSC "Deutsche Bank DBU" throughout the 2018 year and January-February, 2019 was very well provided with regulatory capital as indicated by the values of ratios, which with a great reserve exceeded the limit values of NBU, and the Bank's N2 ratio also considerably exceeded the average market indicators.

Fig. 1. Dynamics of the regulatory capital (N1) of PJSC «Deutsche Bank DBU» compared to the aggregate value of N1 ratio on the banking system

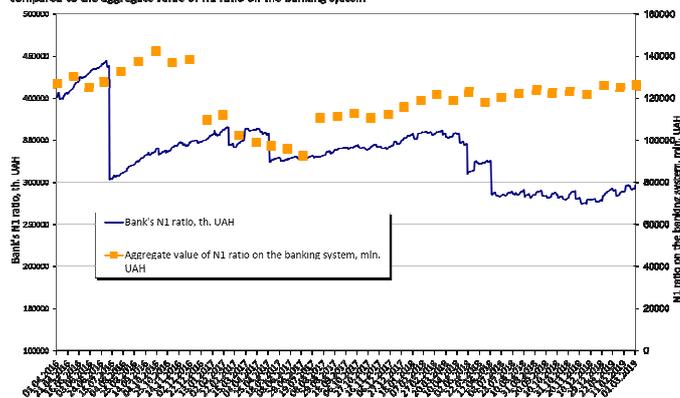
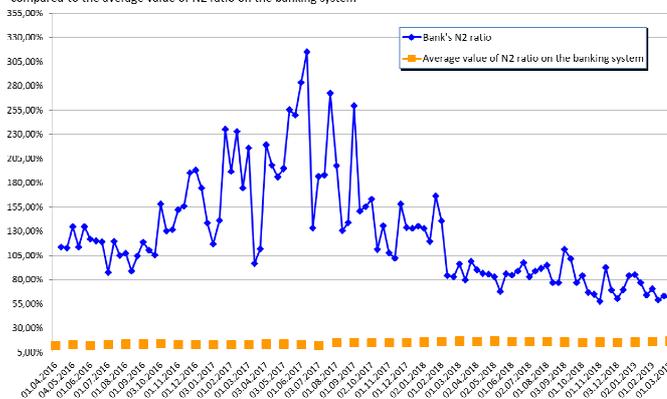


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of PJSC «Deutsche Bank DBU» compared to the average value of N2 ratio on the banking system

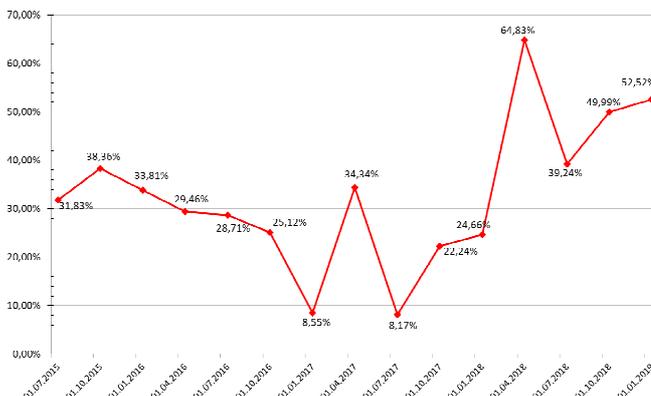


Asset structure and quality

Perceiving the data on the quality of the Bank's assets, one should take into account the specifics of operations of JSC "Deutsche Bank DBU", the proportion of loans in assets fluctuates from quarter to quarter. Thus, in the period from 01.01.2018 to 01.01.2019 the proportion of customers' credits and debt fluctuated in the range from 24.66% to 64.83%.

As of 01.01.2019 the Bank's assets amounted to UAH 3.520 bn, the proportion of loan portfolio in the Bank's assets amounted to 52.52%, cash and its equivalents amounted to 2.85%, funds in other banks – 26.38%, NBU deposit certificates – 17.78%. Therefore, at the beginning of 2019 around 47.01% of the Bank's assets were referred to the category of

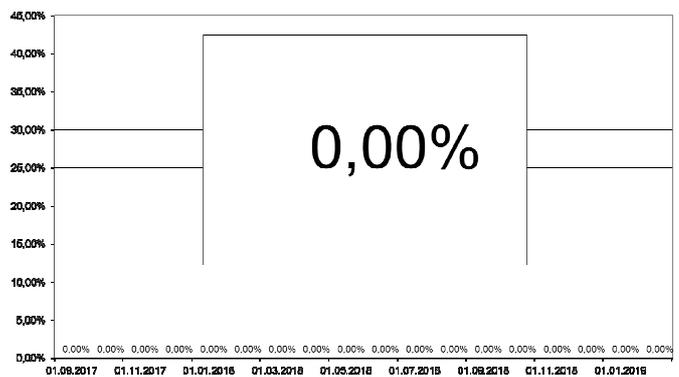
Fig. 3. Share of loans in assets of PJSC "Deutsche Bank DBU"



the highliquid assets.

In the Bank's loan portfolio, as before, there were no loans to individuals and loans in foreign currency. Besides, JSC "Deutsche Bank DBU" doesn't have any non-performing loans (NPL) (which are calculated as a sum of the fifth class of borrowers-individuals and the tenth class of borrowers-legal entities), while the average NPL indicator on the Ukrainian banking system amounted to 54.95% as of 01.02.2019. Thus, the loan portfolio of JSC "Deutsche Bank DBU" can be characterized as one with a very high quality.

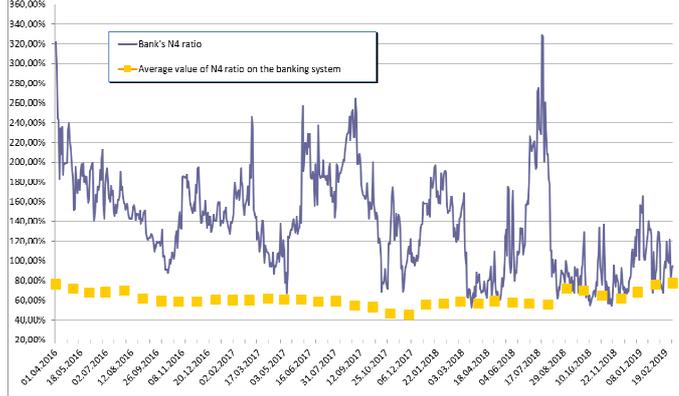
Fig. 4 Data on NPL shares and loans to individuals in the bank's loan portfolio



Liquidity

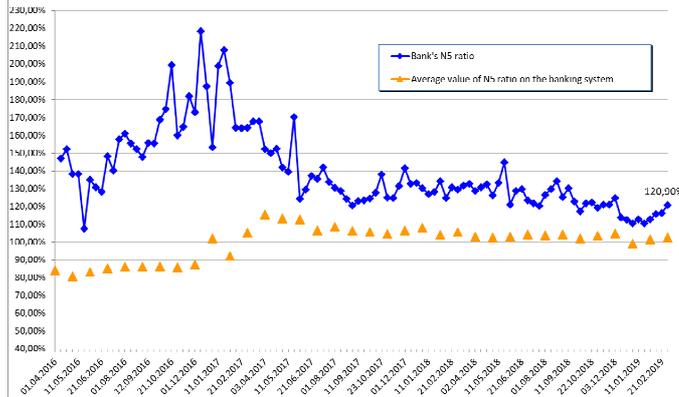
Instant liquidity ratio of JSC "Deutsche Bank DBU" (N4) as of 01.03.2019 amounted to 94.62% that was by 74.62 p.p. more than the limit value, set by NBU, and by 16.77 p.p. more than the average value of this normative on the Ukrainian banking system. Throughout the 2018 year and January-February, 2019 the Bank's N4 ratio fluctuated in the range 52.71-328.49%. Therefore, the Bank's instant liquidity normative exceeded the limit value of N4 ratio, set by NBU, and the average of the normative on the banking system.

Fig. 5. Dynamics of instant liquidity (N4) of PISC «Deutsche Bank DBU» compared to the average of N4 ratio on the banking system



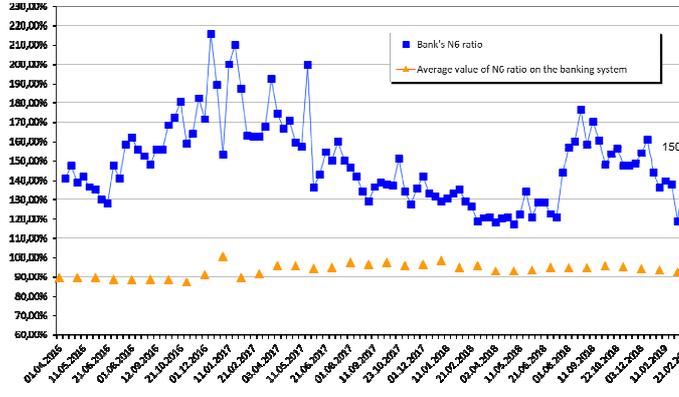
Current liquidity ratio of JSC "Deutsche Bank DBU" (N5) as of 01.03.2019 was at the level 120.90% that was by 80.90 p.p. higher than the limit value, set by NBU, and by 18.44 p.p. more than the average of this normative on the banking system. During the period from 02.01.2018 to 01.03.2019 the Bank's N5 ratio fluctuated in the range from 110,52% to 144,81%, thus was higher than the limit value, set by NBU, and the average value of this normative on the banking system.

Fig. 6. Dynamics of current liquidity (N5) of PISC «Deutsche Bank DBU» compared to the average of N5 ratio on the banking system



Short-term liquidity ratio of the Bank (N6) as of 01.03.2019 amounted to 150.79% that by 90.79 p.p. exceeded the limit value, set by NBU. Throughout the 2018 year and January-February, 2019 the Bank's N6 ratio fluctuated in the range 117.19-176.29%. That is, throughout a specified analysis period the Bank's N6 ratio exceeded the limit value of this normative, set by NBU, as well as its average on the banking system.

Fig. 7. Dynamics of short-term liquidity (N6) of PISC «Deutsche Bank DBU» compared to the average of N6 ratio on the banking system



Therefore, throughout the 2018 year and January-February, 2019 all the three liquidity ratios of the Bank with a great reserve exceeded the limits, set by NBU, and also on a constant basis were higher than the averages of these norms on the Ukrainian banking system. As of the beginning of March, 2019 the Bank's liquidity ratios were high that is a reflection of the Bank's respective liquidity management policy, as well as assets and liabilities.

Profitability of operations

According to the results of 2018 the profit of JSC “Deutsche Bank DBU” amounted to UAH 43.016 mln that is by 12.99% more than the Bank’s profit according to the results of 2017. At the same time, the Agency reminds that for the 2016 year the Bank’s profit reached UAH 112.796 mln.

Key income item of the growth of the Bank’s profit became net interest income, the volume of which grew by 30.37%: from UAH 104.626 mln. according to the results of 2017 up to UAH 136.402 mln. according to the results of 2018. At the same time, net commission income of the Bank for a specified period reduced by 13%: from UAH 20.683 mln. down to UAH 17.994 mln.

The Agency repeatedly draws attention to the fact that PJSC “Deutsche Bank DBU” on a regular basis operated profitably, as indicated by the data for the last 15 quarters. The Bank’s profitable activity under difficult macroeconomic conditions of managing banking business in Ukraine deserves a high assessment and positively affects the Bank’s credit rating.

Fig. 8. Net interest income, net fee and commission income and profit of PJSC “Deutsche Bank DBU”

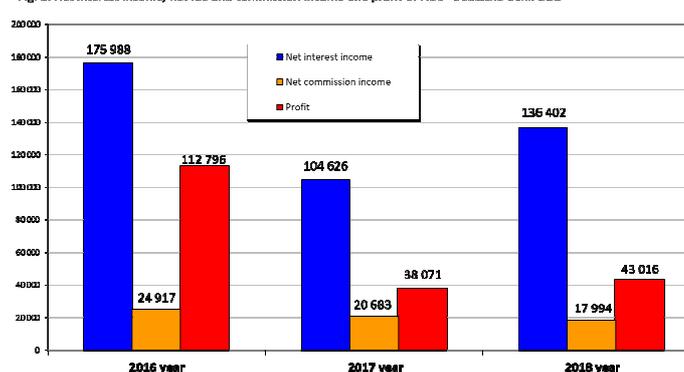
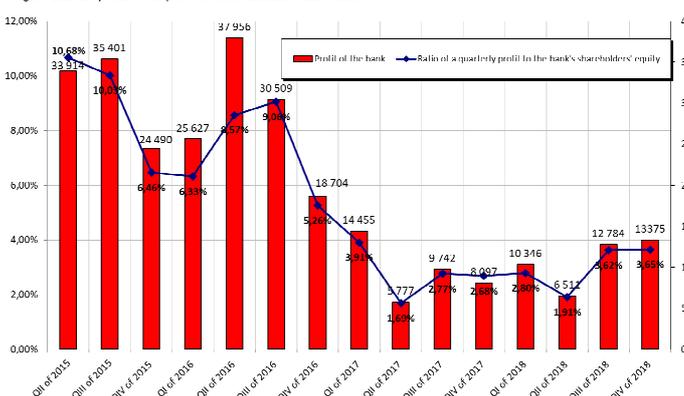


Fig. 9. Quarterly volume of profit of PJSC “Deutsche Bank DBU”



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 2018 year with total net revenues of EUR 25.316 bln, and total volume of the Group’s assets amounted to EUR 1.348 trillion on 31.12.2018. The above indicators confirm that an external support of its 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 JSC “DEUTSCHE BANK DBU” performance of its agreement liabilities. At the moment of the rating update such guarantees were owned by the 26 subsidiary banks of Deutsche Bank, which include JSC “DEUTSCHE BANK DBU”. 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 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”.

Summary

Therefore, JSC “Deutsche Bank DBU” throughout the 2018 year and January-February, 2019 was very well provided with regulatory capital. The Bank’s liquidity ratios with a significant reserve exceeded the limits, set by NBU, and on a constant basis were higher than the averages of these norms on the Ukrainian banking system. The loan portfolio of JSC “Deutsche Bank DBU” was characterized by a very high quality. According to the results of 2018 the Bank increased profit that under difficult macroeconomic conditions of managing banking business in Ukraine deserves a high assessment.

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