Rating action: Update of a credit rating according to the national scale Date of rating action: 29.06.2023 Date of publication: 29.06.2023 **The issuer: JSC "CITIBANK"** USREOU code of the issuer: 21685485 Web-site of the issuer: www.citi.com/icg/sa/emea/ukraine	RATING AGENCY EXPERT RATING **www.expert-rating.com**

Rating of JSC “CITIBANK” is updated

June 29, 2023 the rating committee of RA “Expert-Rating” made decision to update a credit rating of **JSC “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 update 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 first quarter of 2023 year, as well as separate forms of statistical reports of the Bank for the 2022 year and January-May, 2023.

Equity and capital adequacy

Throughout the 2022 year and January-May, 2023 the regulatory capital of JSC “CITIBANK” (N1) fluctuated in the range from UAH 2.062 bln to UAH 2.067 bln. As of 01.06.2023 compared to 02.01.2023 the regulatory capital of JSC “CITIBANK” (N1) decreased by 0,08% and amounted to UAH 2.063 bln that in 10.32 times exceeded the limit value, set by NBU for this normative at the level UAH 200 mln.

The regulatory capital adequacy normative of JSC “CITIBANK” (N2) in the period from 04.01.2022 to 01.06.2023 fluctuated in the range from 28.12% to 40.61%. Throughout the analysis period the Bank’s N2 ratio on a constant basis in times exceeded the limit level, set by NBU, as well as was considerably higher than the averages of this normative on the Ukrainian banking system. As of 01.06.2023 the Bank’s N2 ratio amounted to 38.14% that in 3.81 times exceeded the limit value, set by the regulator for this normative at the level 10%, as well as by 15.34 p.p. was higher than the average level of this normative on the Ukrainian banking system.

The fixed capital adequacy normative of JSC “CITIBANK” (N3) throughout the 2022 year and January-May, 2023 fluctuated in the ranges from 14.06% to 20.30%, and on a constant basis in times exceeded the limit level, set by NBU, and also was higher than the averages of this normative on the Ukrainian banking system. As of 01.06.2023 the Bank’s N3 ratio amounted to 19.07%, that in 2.72 times exceeded the limit value, set by the regulator at the level 7%, and also was by 4.82 p.p. higher than the average market indicator.

Therefore, as at the beginning of June, 2023 and throughout the entire analysis period JSC “CITIBANK” was very well provided with regulatory and fixed equity. At the same time, throughout the analysis period the Bank’s N2 and N3 norms both in times exceeded the limit values, set by NBU, and were significantly higher than the average market indicators.

Fig. 1. Dynamics of the regulatory capital (N1) of JSC «CITIBANK» compared to the aggregate value of N1 ratio on the banking system

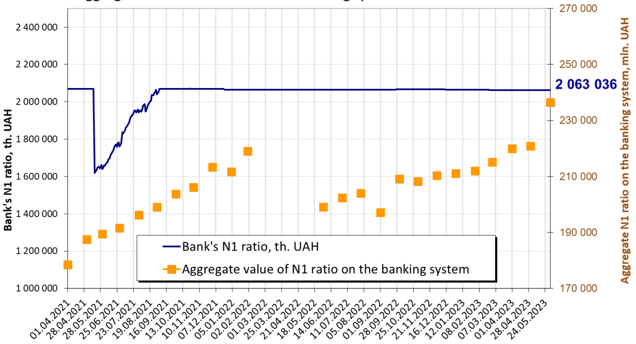


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC «CITIBANK» compared to the average value of N2 ratio on the banking system

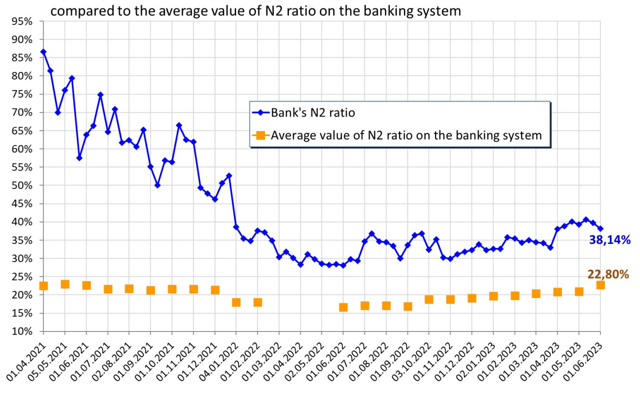
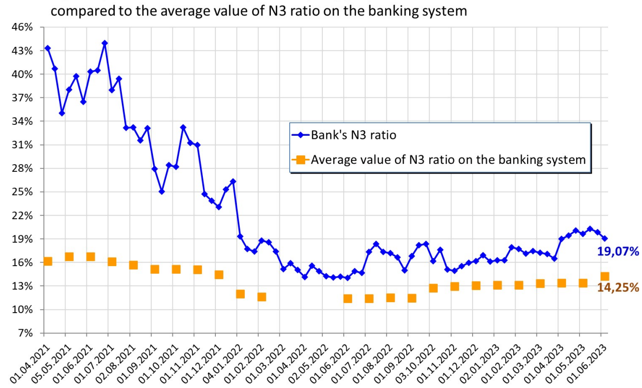


Fig. 3. Dynamics of the fixed capital adequacy (N3) of JSC «CITIBANK» compared to the average value of N3 ratio on the banking system



Asset structure and quality

For the period from 01.01.2023 to 01.04.2023 the assets of JSC "CITIBANK" grew by 15.21% (from UAH 51.422 bln. to UAH 59.245 bln), the Bank's customer loans and debt decreased by 39.81% (from UAH 6.904 bln. to UAH 4.156 bln), and the proportion of loans in the assets of JSC "CITIBANK" decreased by 6.42 p.p. (from 13.43% down to 7.01%) (calculation on fig. 4 is shown for loans and assets without provisions).

The Agency draws attention to the specifics of the Bank's operations, most of which are concentrated on high liquidity instruments. In particular, as of 01.04.2023 in the asset structure of JSC "CITIBANK" the share of cash and cash equivalents amounted to 23.59%, NBU deposit certificates, investments into internal government loan bonds and US Government debt securities occupied the shares of 62.49%, 3.48% та 3.09%, respectively. Therefore, as of 01.04.2023 the 92.65% of the Bank's assets were represented by high quality liquidity instruments, which were characterized by a minimal credit risk level.

Throughout the period from 01.01.2022 to 01.04.2023 the share of non-performing loans (NPLs) in the loan portfolio of JSC "CITIBANK", which is calculated by the Agency as a sum of loans of the 10th class to legal entities and loans of the 5th class to individuals fluctuated in the range from 0.21% to 35.29%. As of 01.04.2023 the Bank's NPL indicator amounted to 35.29% that was by 6.34 p.p. lower than the average NPL indicator on the Ukrainian banking system, which amounted to 41.63%.

Therefore, JSC "CITIBANK" maintained a very high quality of assets, as indicated by a high share of high quality liquidity instruments in the Bank's asset structure and a NPL level, which was less than the average-market one.

Fig. 4. Separate characteristics of the loan portfolio of JSC «CITIBANK»

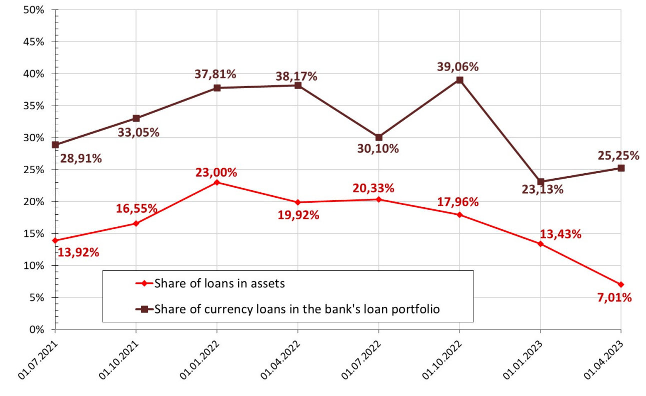
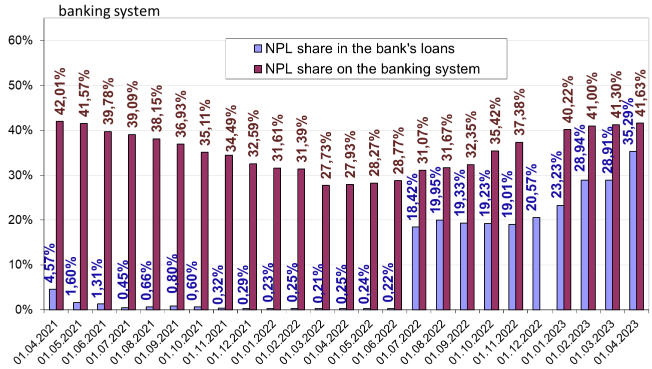


Fig. 5 Data on NPL share in the loan portfolio of JSC "CITIBANK" and in the banking system



Liquidity

Throughout the period from 01.01.2022 to 01.06.2023 Net Stable Financing Ratio (NSFR) of JSC "CITIBANK" fluctuated in the range from 280.32% to 692.36%. As of 01.06.2023 the Bank's NSFR amounted to 691.10% that in 6.91 times exceeded the limit value, set by NBU, which from April 1, 2023 was set at the level not less 100%.

Liquidity Coverage Ratio on all currencies (LCRac) of JSC "CITIBANK" throughout the 2022 year and January-May, 2023 fluctuated in the range from 177.78% to 497.21%, according to the indicators as at the end of each month advantageously in times exceeding the limit value, set by the regulator. As of 01.06.2023 the Bank's LCRac amounted to 285.87% that in 2.86 times exceeded the normative indicator.

Liquidity Coverage Ratio in foreign currencies (LCRfc) of JSC "CITIBANK" throughout the period from 01.01.2022 to 01.06.2023 fluctuated in the ranges 175.49-567.37%, according to the indicators as at the end of each month considerably exceeding the limit level, set by the regulator. As of 01.06.2023 the Bank's LCRfc amounted to 567.37% that in 5.67 times exceeded the normative value, set by NBU.

Thus, in the Agency's opinion, as at the beginning of June, 2023 and throughout the analysis period JSC "CITIBANK" was very well provided with liquidity, as confirmed by the Bank's high ratios NSFR, LCRac and LCRfc, which in several times exceeded the limit values, set by NBU.

Fig. 6. Dynamics of net stable financing ratio (NSFR) of JSC «CITIBANK»

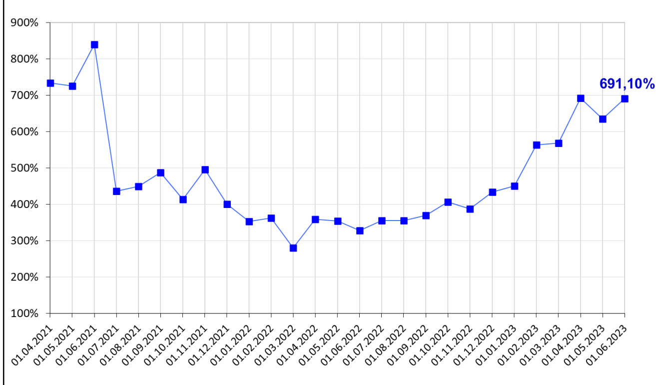
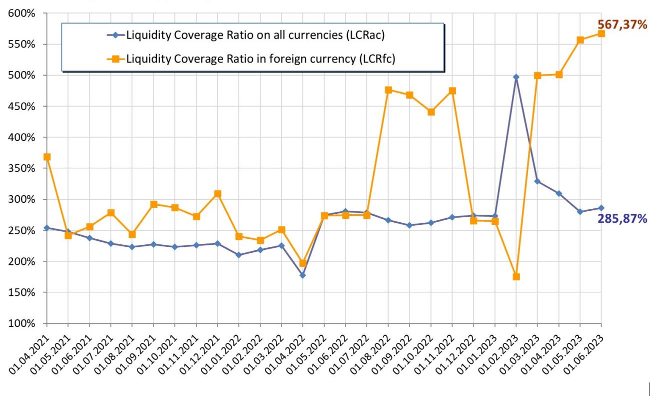


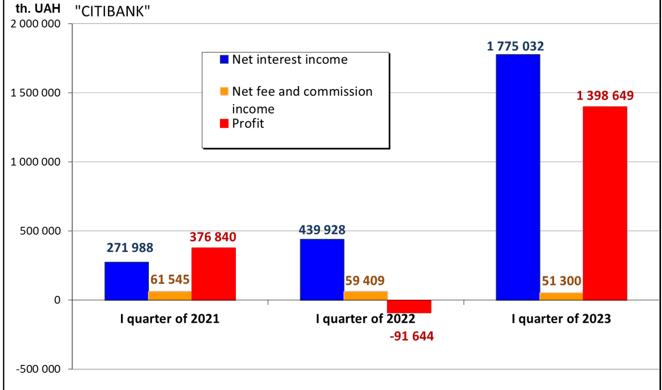
Fig. 7. Dynamics of Liquidity Coverage ratio on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "CITIBANK"



Profitability of operations

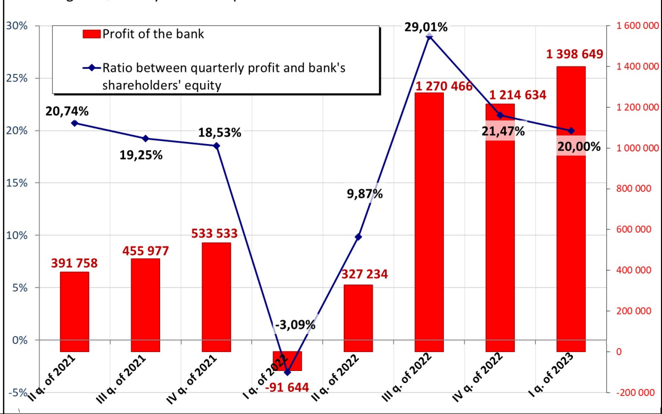
According to the results of the first quarter of 2023 year the profit of JSC "CITIBANK" amounted to UAH 1.399 bln., while according to the results of the first quarter of 2022 year the Bank received a loss. The key factor of receiving significant profit volumes by the Bank in the first quarter of 2023 year became high growth rates of net interest income, which compared to the first quarter of 2022 year increased in 4.03 times up to UAH 1.775 bln, and decrease of deductions to provisions. In its turn, net fee and commission income of JSC "CITIBANK" amounted to UAH 51.3 mln fo rht efirst quarter of 2023 year that by 13.65% less than for the same period of 2022 year.

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



The Agency appreciates a considerable increase and significant volumes of net interest income of JSC "CITIBANK" according to the results of the first quarter of 2023 year, as well as significant profit received by the Bank. The Agency draws attention that throughout a long period of time (except the first quarter of 2022 year) the Bank traditionally showed significant volumes of profit and high ratios between quarterly profit and shareholders' equity.

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



Other factors

JSC "CITIBANK" has support from the international financial group Citigroup. As of 31.03.2023 total assets of Citigroup amounted to USD 2.455 trillion, and net income of Citigroup according to the results of the first quarter of 2023 year amounted to USD 4.606 bn. Work scale, performance results and also long-term credit ratings of Citigroup and Citibank N.A. indicate the fact that the Group can, if necessary, provide JSC "CITIBANK" with any required amount of support. The Agency repeatedly emphasizes that a general level of external support at JSC "CITIBANK" is unprecedented high.

Summary

Therefore, as at the beginning of June, 2023 JSC "CITIBANK" was very well provided with equity (regulatory and fixed): the Bank's N1 ratio in 10.32 times exceeded the normative value, and the Bank's N2 and N3 ratios were significantly higher than the average market indicators. As well, JSC "CITIBANK" maintained a very good liquidity provision, as indicated by high values of indicators NSFR, LCRac and LCRfc, which in times exceeded the limit values, set by NBU. The assets of JSC "CITIBANK" were characterized by a high quality in the analyzed period, as indicated by a very high proportion of high quality liquidity instruments in the Bank's asset structure (89.56%) and a NPL share in the Bank's loan portfolio less than the average market indicator (by 6,34 p.p.). Profit of JSC "CITIBANK" for the first quarter of 2023 year grew up to UAH 1.399 bln, which is the highest quarter indicator for the last 8 quarters, and the Bank's net fee and commission income increased in 4.03 times up to UAH 1.775 bln. The Agency appreciates significant volumes and high growth rates of the Bank's profit and net interest income under conditions of the ongoing war with russia. As well, the Agency emphasizes an unprecedented high level of external support of JSC "CITIBANK" from the international financial group Citigroup.

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.