Rating action: Update of a credit rating according to the national scale
Date of rating action: 10.01.2024
Date of publication: 10.01.2024

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

January 10, 2024 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 nine months of 2023 year, as well as separate forms of statistical reports of the Bank for the 2022 year and January-November, 2023.

Equity and capital adequacy

Throughout the 2022 year and January-November, 2022 the regulatory capital of JSC "CITIBANK" (N1) fluctuated in the range from UAH 2.061 bln to UAH 2.067 bln. As of 01.12.2023 compared to 02.01.2023 the regulatory capital of JSC "CITIBANK" (N1) decreased by 0,17% and amounted to UAH 2.061 bln that in 10.31 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 01.12.2023 fluctuated in the range from 28.12% to 42.11%. 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 01.12.2023 the Bank's N2 ratio amounted to 39.51% that in 3.95 times exceeded the limit value, set by the regulator for this normative at the level 10%, as well as was by 14.10 p.p. 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-November, 2023 fluctuated in the ranges from 14.06% to 21.05%, 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 01.12.2023 the Bank's N3 ratio amounted to 19.75%, that in 2.82 times exceeded the limit value, set by the regulator at the level 7%, and also was by 5.08 p.p. higher than the average market indicator.

Therefore, as at the beginning of December, 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 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

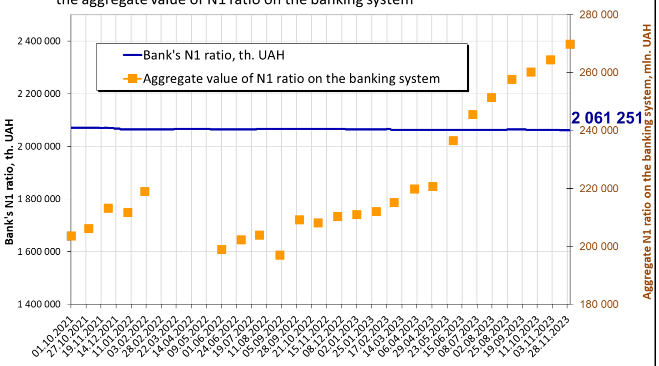


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC «CITIBANK» compared to the average value of N2 ratio on the banking system

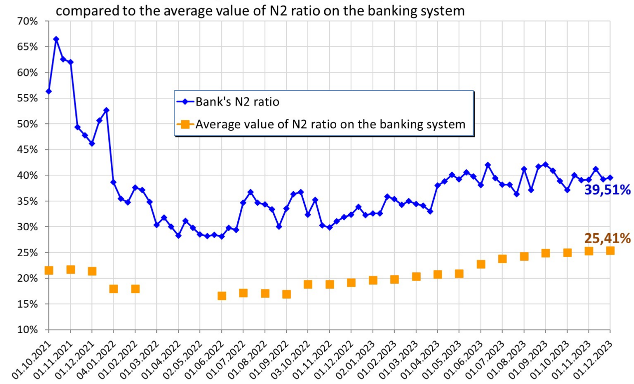
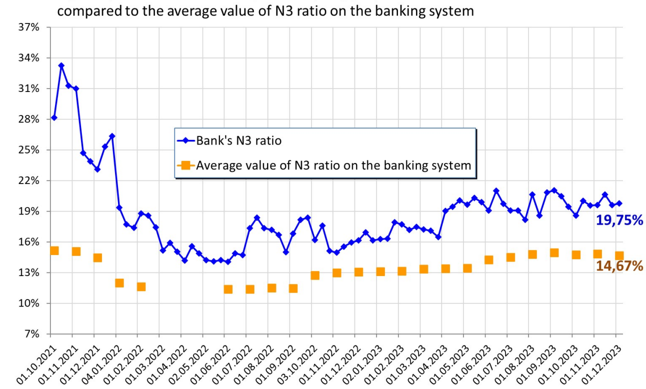


Fig. 3. Dynamics of the fixed capital adequacy (N3) of JSC «CITIBANK» compared to the average value of N3 ratio on the banking system



Asset structure and quality

For the period from 01.01.2023 to 01.10.2023 the assets of JSC “CITIBANK” grew by 33.04% (up to UAH 68.410 bln.), the Bank’s customer loans and debt decreased by 51.05% (down to UAH 3.380 bln.), and the proportion of loans in the assets of JSC “CITIBANK” decreased by 8.49 p.p. (down to 4.94%) (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 liquid instruments. In particular, as of 01.10.2023 in the asset structure of JSC “CITIBANK” the share of cash and cash equivalents amounted to 24.64%, and NBU deposit certificates and investments into internal government loan bonds and US Government debt securities occupied the shares of 57.79%, 10.16% and 1.05%, respectively. Therefore, as of 01.10.2023 the 94.79% of the Bank’s assets consisted of high quality liquid instruments, which were characterized by a minimal credit risk level.

Throughout the period from 01.01.2023 to 01.10.2023 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 (for loans to legal entities, except for banks, budgetary institutions and special purpose companies) and loans of the 5th class (for loans to all other borrowers) decreased by 21.97 p.p. down to 1.13%. Thus, as of 01.10.2023 the Bank’s NPL indicator was 33.38 times lower than the average NPL indicator on the Ukrainian banking system, which amounted to 37.87%.

Therefore, JSC “CITIBANK” maintained a very high quality of assets, as indicated by a very high proportion of high quality liquidity instruments in the Bank’s asset structure and a very low NPL level.

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

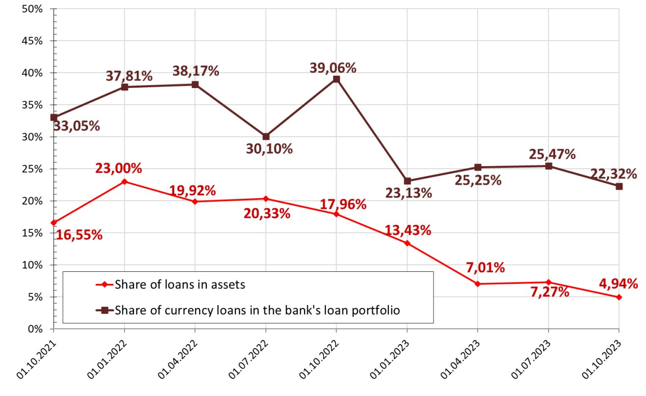
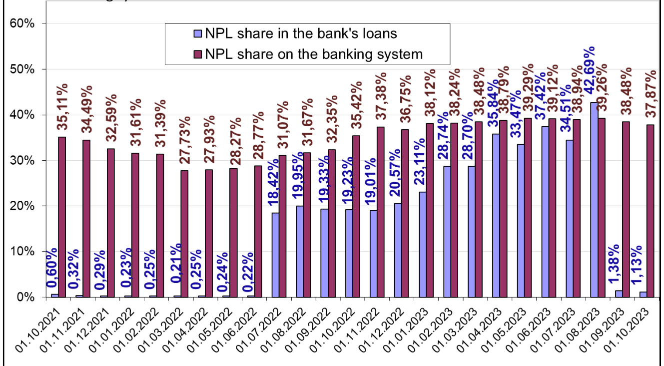


Fig. 5 Data on NPL share in the loan portfolio of JSC "CITIBANK" and in the banking system



Liquidity

Throughout the period from 01.01.2022 to 01.12.2023 Net Stable Financing Ratio (NSFR) of JSC “CITIBANK” fluctuated in the range from 280.32% to 1114.99%. As of 01.12.2023 the Bank’s NSFR amounted to 1114.99% that in 11.15 times exceeded the limit value, set by NBU.

Liquidity Coverage Ratio on all currencies (LCRac) of JSC “CITIBANK” throughout the 2022 year and January-November, 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 01.12.2023 the Bank’s LCRac amounted to 388.03% that in 3.88 times exceeded the normative indicator.

Liquidity Coverage Ratio in foreign currencies (LCRfc) of JSC “CITIBANK” throughout the period from 01.01.2022 to 01.12.2023 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 01.12.2023 the Bank’s LCRfc amounted to 250.80% that in 2.51 times exceeded the normative value, set by NBU.

Thus, in the Agency’s opinion, as at the beginning of December, 2023 JSC “CITIBANK” was very well provided with liquidity, as confirmed by the Bank’s high ratios NSFR, LCRac and LCRfc.

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

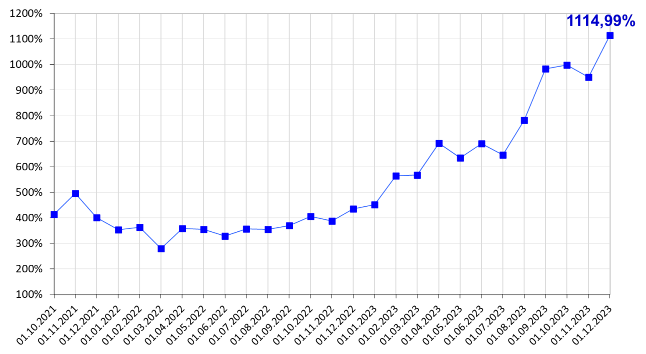
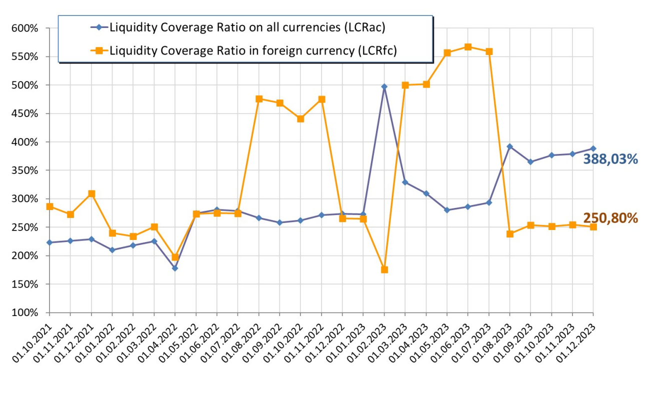


Fig. 7. Dynamics of Liquidity Coverage ratio on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "CITIBANK"



Profitability of operations

According to the results of the nine months of 2023 year the profit of JSC "CITIBANK" grew up to UAH 4.227 bln. that in 2.81 times exceeded the Bank's profit for the nine months of 2022 year. The growth of the Bank's profit in the analyzed period was facilitated by the high rates of growth of its key items of revenues, as well as the availability of net profit from the restoration of the provision for expected credit losses, while according to the results of the nine months of 2022, losses from the increase in the provision amounted to UAH 769.527 mln. For the nine months of 2023 year compared to the same period of 2022 year the net interest income of JSC "CITIBANK" increased in 2.19 times up to UAH 5.398 bln, and its net fee and commission income grew by 15.31% up to UAH 162.083 mln.

The Agency appreciates a considerable increase and significant volumes of net interest income of JSC "CITIBANK" according to the results of the nine months 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. 8. Net interest income, net fee and commission income and profit of JSC "CITIBANK"

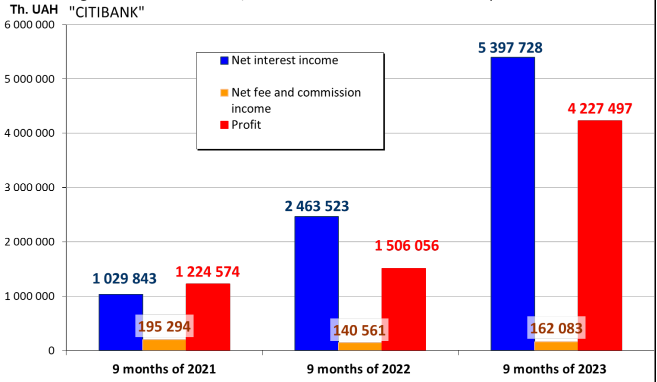
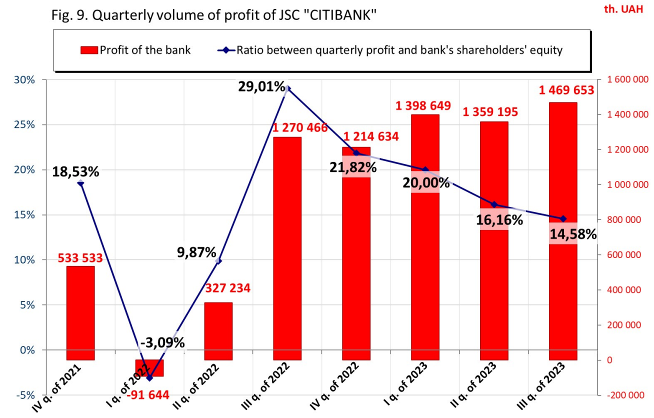


Fig. 9. Quarterly volume of profit of JSC "CITIBANK"



Other factors

JSC "CITIBANK" has support from the international financial group Citigroup. As of 30.09.2023 total assets of Citigroup amounted to USD 2.368 trillion, and net income of Citigroup according to the results of the nine months of 2023 year amounted to USD 11.067 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 December, 2023 JSC "CITIBANK" was very well provided with equity (regulatory and fixed): the Bank's N1 ratio in 10.31 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 as of October 01, 2023, as indicated by a very high proportion of high quality liquidity instruments in the Bank's asset structure (94.79%) and a very low NPL share in the Bank's portfolio at the level 1.13% that in 33.38 times lower than the average NPL level on the Ukrainian banking system, which amounted to 37.87% as of October 01, 2023. Profit of JSC "CITIBANK" for the nine months of 2023 year compared to the indicator for the nine months of 2022 year increased in 2.81 times up to UAH 4.227 bln, the Bank's net interest income grew in 2.19 times up to UAH 5.398 bln and its net fee and commission income increased by 15.31% up to UAH 162.083 mln. 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.