Rating action: Update of a long-term credit rating according to the national scale Date of rating action: 08.05.2023 Date of publication: 08.05.2023 **The issuer: JSC "DEUTSCHE BANK DBU"** USREOU code of the issuer: 36520434 Web-site of the issuer: https://www.db.com/ukraine/	RATING AGENCY EXPERT RATING **www.expert-rating.com**

Rating of JSC “DEUTSCHE BANK DBU” is updated

May 8, 2023 the rating committee of RA “Expert-Rating” has decided to update the credit rating of JSC “DEUTSCHE BANK DBU” (36520434) at the level **uaAAA** according to the national scale. The Bank or the separate debt instrument with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or debt instruments. Making decision to update the credit rating according to the national scale, the Agency was guided by the analysis results of the Bank’s financial statements for the first quarter of 2023 year, as well as by particular forms of statistical statements of the Bank for the 2022 year and for January-April, 2023.

Equity and capital adequacy

Throughout the 2022 year and January-April of 2022 year the regulatory capital of JSC “DEUTSCHE BANK DBU” (N1) fluctuated in the range UAH 316.838-590.642 mln, by demonstrating a steady upward trend. Since the beginning of 2023 year the Bank’s regulatory capital (N1) grew by 10.42% and as of 01.05.2023 the Bank’s N1 ratio amounted to UAH 584.839 mln that in 2.92 times exceeded the limit value, set by NBU, for this normative at the level UAH 200 mln.

The regulatory capital adequacy normative of JSC “DEUTSCHE BANK DBU” (N2) in the period from 04.01.2022 to 01.05.2023 fluctuated in the range 35.81%-103.68%. At the same time, the Bank’s N2 ratio on a constant basis in times exceeded the limit level, set by the regulator, as well as the averages of this normative on the Ukrainian banking system. As of 01.05.2023 the Bank’s N2 ratio amounted to 89.52% that almost in 9 times exceeded the limit level set by the regulator.

The fixed capital adequacy of JSC “DEUTSCHE BANK DBU” (N3) during the 2022 year and January-April of 2023 year fluctuated in the ranges 35.81-61.44% and on a constant basis in several times exceeded the limit value, set by NBU, as well as the averages of this normative on the Ukrainian banking system. As of 01.05.2023 the fixed capital adequacy normative of JSC “DEUTSCHE BANK DBU” (N3) amounted to 51.34% that in 7.33 times exceeded the limit value set by the regulator.

Therefore, throughout the analysis period and as at the beginning of May, 2023 JSC “DEUTSCHE BANK DBU” was very well provided with the regulatory and fixed capital, as indicated by the Bank’s respective ratios (N2 and N3), which in times exceeded both the limit values, set by NBU, and the average market indicators of the respective normative indicators on the Ukrainian banking system.

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

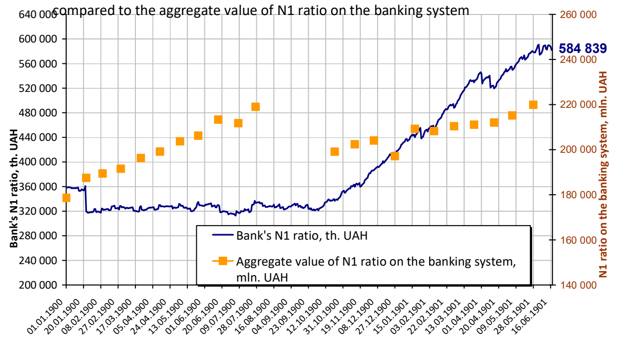


Fig. 2. Dynamics of the regulatory capital adequacy (N2) of JSC «Deutsche Bank DBU» compared to the average value of N2 ratio on the banking system

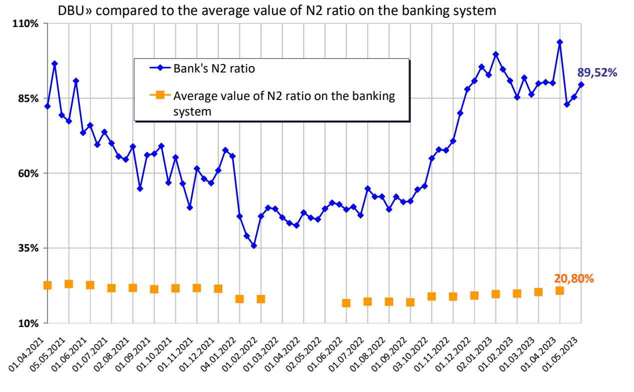
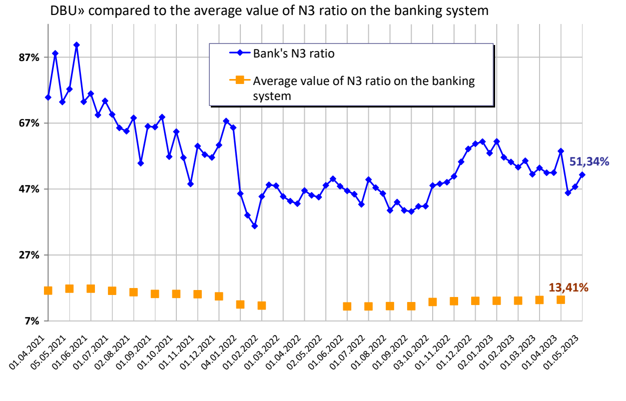


Fig. 3. Dynamics of the fixed capital adequacy (N3) of JSC «Deutsche Bank DBU» compared to the average value of N3 ratio on the banking system



Asset structure and quality

As of 01.04.2023 compared to 01.01.2023 the assets of JSC "DEUTSCHE BANK DBU" increased by 6.66% and amounted to UAH 5.668 bn. For the first quarter of 2023 year the Bank's loan portfolio grew by 42.19% up to UAH 992.972 mln, and its share in assets increased by 4.38 p.p. up to 17.52%.

The Agency notes that a significant fluctuation of the share of loans in assets of JSC "DEUTSCHE BANK DBU", that was observed throughout the analysis period, is related to the specifics of the Bank's operations. In general, in the period from 01.04.2021 to 01.04.2023 the proportion of customer loans and debt in the assets of JSC "DEUTSCHE BANK DBU" fluctuated in the range from 5.64% to 37.14%. The Agency notes that as of 01.04.2023 in the Bank's loan portfolio, as before, there were no loans to individuals.

As at the beginning of the second quarter of 2023 year the 82.13% of assets of JSC "DEUTSCHE BANK DBU" may be referred to the category of high liquidity assets, which in particular consisted of: cash and cash equivalents (UAH 3.474 bln), as well as funds in other banks (UAH 1.182 bln.).

The Agency emphasizes that the quality of the Bank's loan portfolio remains to be at the highest level: as of 01.04.2023 in the loan portfolio of JSC "DEUTSCHE BANK DBU", there were no 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 of NPL indicator on the Ukrainian banking system amounted to 41.63%.

Fig. 4. Share of loans in assets of JSC "Deutsche Bank DBU"

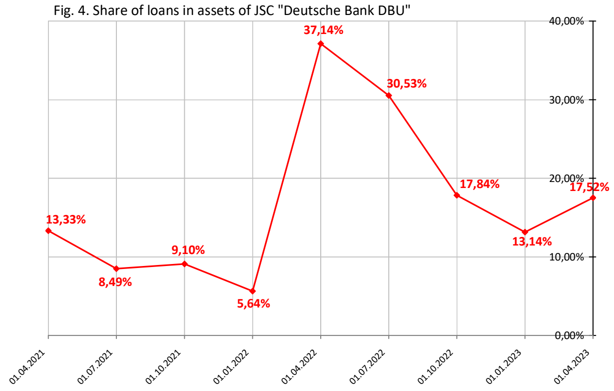
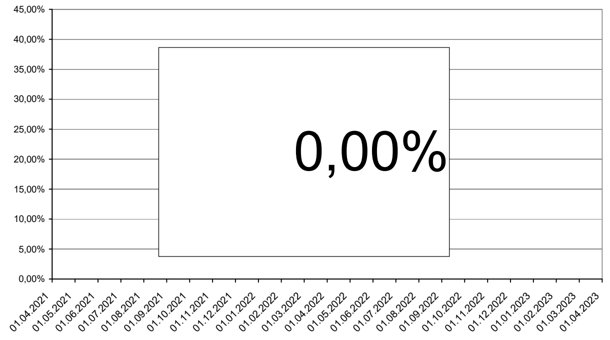


Fig. 5 Data on shares of NPL and loans to individuals in the loan portfolio of JSC "Deutsche Bank DBU"



Liquidity

Throughout the period from 01.01.2022 to 01.05.2023 Net Stable Financing Ratio (NSFR) of JSC "DEUTSCHE BANK DBU", which is a long-term liquidity ratio, fluctuated in the range from 213.10% to 708.92%. As of 01.05.2023 the Bank's NSFR amounted to 383.17% that in 3.83 times exceeded the limit value, set by NBU for this normative, which was set by NBU at the level not less 100% from April 1, 2023.

Liquidity coverage ratio on all currencies (LCRac) of JSC "DEUTSCHE BANK DBU" in the period from 01.01.2022 to 01.05.2023 fluctuated in the range from 227.65% to 509.24% and on a constant basis in times exceeded the limit values, set by NBU. As of 01.05.2023 LCRac of the Bank amounted to 450.56% that in 4.51 times exceeded the normative value, set by the regulator.

Liquidity coverage ratio in foreign currency (LCRfc) of JSC "DEUTSCHE BANK DBU" throughout the period from 01.01.2022 to 01.05.2023 fluctuated in the ranges 176.45-291.53% and on a constant basis significantly exceeded the limit level, set by NBU. As of 01.05.2023 LCRfc of the Bank amounted to 188.28% that in 1.9 times exceeded the normative value, set by the regulator.

Thus, throughout the entire analysis period and as at the beginning of May, 2023 JSC "DEUTSCHE BANK DBU" maintained a good provision of liquidity, as indicated by the Bank's respective ratios (LCRac, LCRfc and NSFR), which in times exceeded the limit values, set by NBU.

Fig. 6. Dynamics of Net Stable Financing Ratio (NSFR) of JSC "Deutsche Bank DBU"

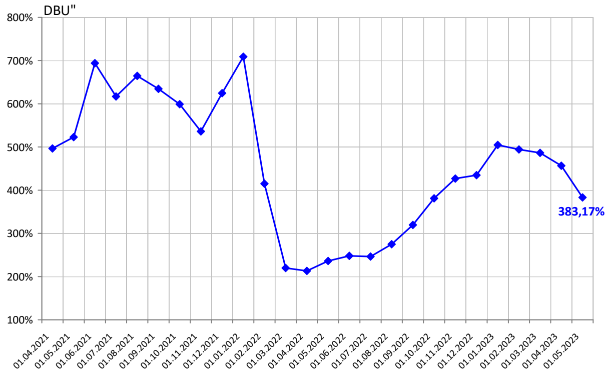
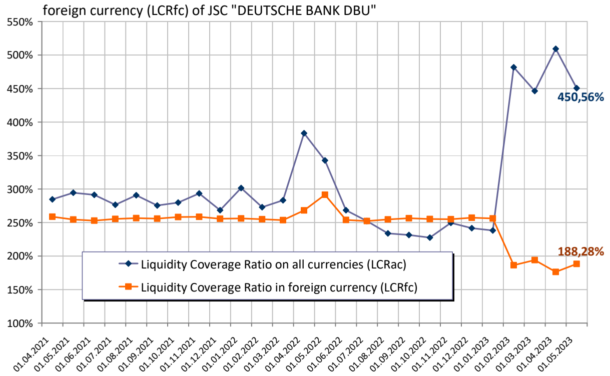


Fig. 7. Dynamics of Liquidity Coverage Ratios on all currencies (LCRac) and in foreign currency (LCRfc) of JSC "DEUTSCHE BANK DBU"



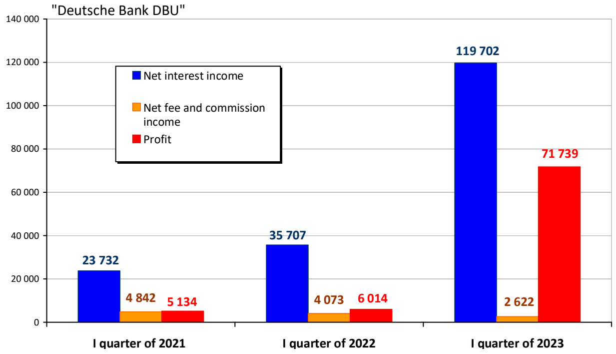
Profitability of operations

The activity of JSC “DEUTSCHE BANK DBU” was profitable in the analyzed period, and its net interest income and profit demonstrated a significant increase in 2023 year. In particular, the Bank’s profit for the first quarter of 2023 year compared to the first quarter of 2022 year grew almost in 12 times up to UAH 71.739 mln.

High growth rates of JSC “DEUTSCHE BANK DBU” profit, among others, were caused by a high growth rate of the Bank’s net interest income, which according to the results of the first quarter of 2023 year compared to the first quarter of 2022 year grew in 3.35 times and amounted to UAH 119.702 mln. At the same time, net fee and commission income of JSC “DEUTSCHE BANK DBU” reduced by 35.62% down to UAH 2.622 mln in the analyzed period.

The Agency highly assesses a profitable activity, significant amounts and growth rates of net interest income and profit demonstrated by JSC “DEUTSCHE BANK DBU” in the analyzed period.

Fig. 8. Net interest income, net fee and commission income and profit of JSC "Deutsche Bank DBU"



Other factors

The Agency reminds that JSC “DEUTSCHE BANK DBU” has a very high level of external support from its shareholder – Deutsche Bank, 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” meeting its agreement liabilities. 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 the competition advantages of Deutsche Bank in Ukraine.

Summary

Therefore, as at the beginning of May, 2023 and throughout the entire analysis period JSC “DEUTSCHE BANK DBU” was very well provided with the regulatory and fixed capital, as indicated by the Bank’s respective ratios (N2 and N3), which in times exceeded both the limit values, set by NBU, and the averages of these norms on the Ukrainian banking system. As well, JSC “DEUTSCHE BANK DBU” continued to maintain a very good provision of liquidity, as indicated by the Bank’s respective ratios (LCRac, LCRfc and NSFR), which in times exceeded the limit values, set by the regulator.

The loan portfolio of JSC “DEUTSCHE BANK DBU”, as before, was characterized by the highest quality: as of 01.04.2023 in the Bank’s loan portfolio there were no non-performing loans (NPL). At the same time, the 82.13% of assets of JSC “DEUTSCHE BANK DBU” may be referred to the category of high liquidity assets, which in particular consisted of cash and cash equivalents, as well as funds in other banks.

According to the results of the first quarter of 2023 compared to the same period of 2022 year the profit of JSC “DEUTSCHE BANK DBU” grew almost in 12 times and amounted to UAH 71.739 mln, and the Bank’s net interest income grew in 3.35 times up to UAH 119.702 mln. Therefore, in the first quarter of 2023 year, as in the previous periods, JSC “DEUTSCHE BANK DBU” was profitable and was characterized by significant growth rates of profit and net interest income that is highly appreciated by the Agency.

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.