

**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/>



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## Rating of JSC "DEUTSCHE BANK DBU" is updated

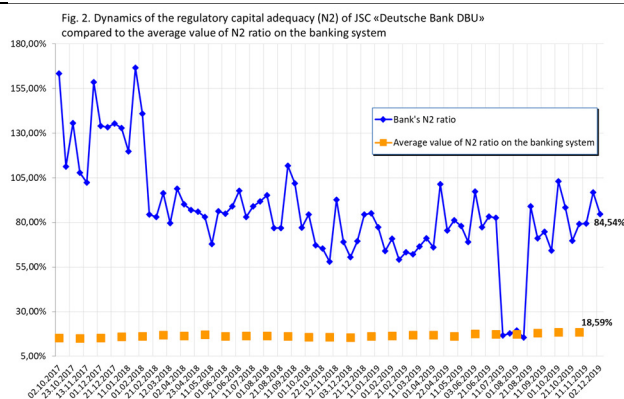
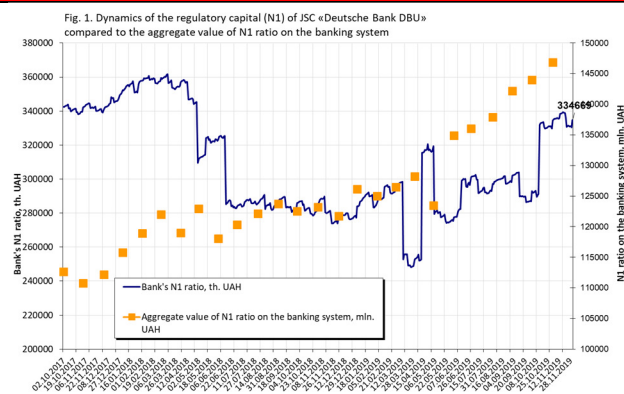
**December 10, 2019** the rating committee of RA "Expert-Rating" has decided to update the credit rating of JSC "DEUTSCHE BANK DBU" (36520434) at the level **uaAAA** according to the national scale. The Bank or the separate debt instrument with rating uaAAA is characterized by the highest solvency compared 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 and statistical statements according to the results of the 9 months of 2019, as well as by particular forms of statistical statements of the Bank for the 2018 year and January-November of 2019.

### Equity and capital adequacy

The regulatory capital of JSC "DEUTSCHE BANK DBU" (N1) in the period from 02.01.2018 to 02.12.2019 has fluctuated in the range UAH 248.129-361.696 mln. As of 02.12.2019 compared to 02.01.2019 the Bank's N1 ratio has grown by 17,86% and has amounted to UAH 334.669 mln that by UAH 134.669 mln has exceeded the limit value of UAH 200 mln., set by NBU.

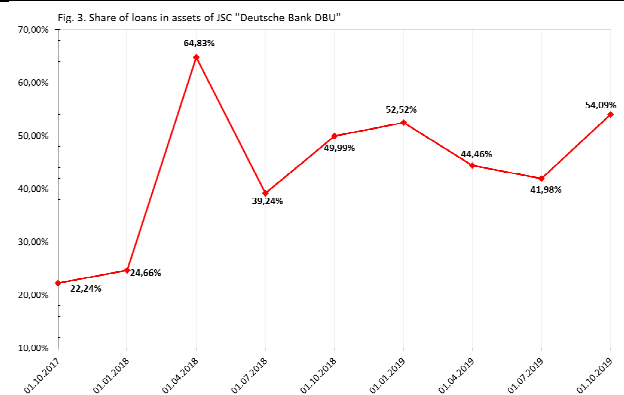
Throughout the 2018 year and January-November of 2019 the regulatory capital adequacy normative of JSC "Deutsche Bank DBU" (N2) has fluctuated within 15.51% up to 166.51%. During the given period the dynamics of the Bank's N2 ratio has been uneven, but its value almost on a constant basis with a very great reserve has exceeded not only the limit value, set by NBU, but also the averages of this normative on the Ukrainian banking system. As of 02.12.2019 the Bank's N2 ratio has amounted to 84,54% that in 8.5 times exceeded the limit value of 10%, set by NBU.

Therefore, as at the beginning of December, 2019 JSC "DEUTSCHE BANK DBU" was very well provided with the regulatory capital, as indicated by the Bank's N2 ratio, which in 8.5 times exceeded the limit value, set by NBU.



### Asset structure and quality

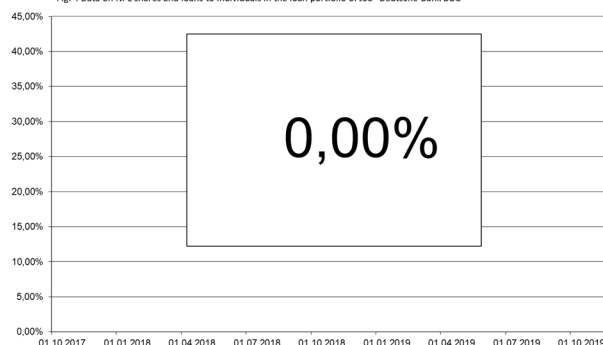
In the period from 01.01.2019 to 01.10.2019 the assets of JSC "DEUTSCHE BANK DBU" have decreased by 37.55% and have amounted to UAH 2,198 bln., the volume of the loan portfolio has decreased by 35.69% and has amounted to UAH 1.189 bln., and its share in the Bank's assets has grown by 1.57 p.p. up to 54.09%. As of 01.10.2019 cash and funds of NBU have amounted to 22.35% of the Bank's assets, and funds in other banks have amounted to 21.52%, thus, 43.87% of assets of JSC "DEUTSCHE BANK DBU" could be referred to the category of highliquid assets.



The Agency also reminds that 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 share of loans in the assets of which considerably changes from quarter to quarter. Thus, in the period from 01.01.2018 to 01.10.2019 the proportion of customer credits and debt in the Bank's assets has fluctuated from 24.66% to 64.83%. As of 01.10.2019 in the Bank's loan portfolio there were no loans to individuals and loans in foreign currency.

The quality of the loan portfolio of JSC "DEUTSCHE BANK DBU" continues to remain at a very high level: as of 01.11.2019 in the Bank's loan portfolio, as before, 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 50.62%.

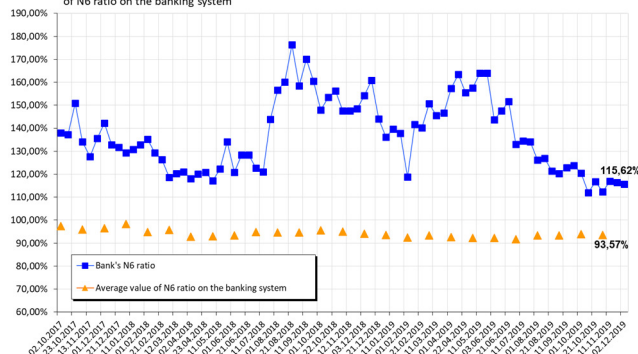
Fig. 4 Data on NPL shares and loans to individuals in the loan portfolio of JSC "Deutsche Bank DBU"



## Liquidity

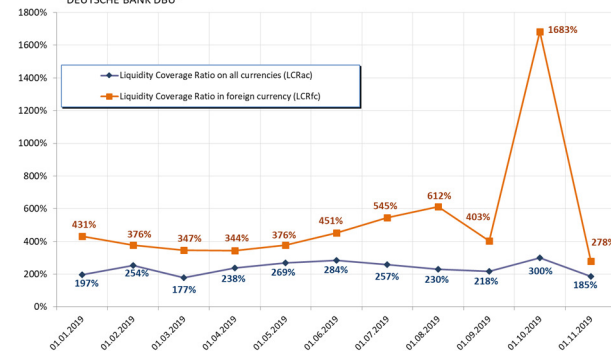
Short-term liquidity ratio of JSC "DEUTSCHE BANK DBU" (N6) throughout the 2018 year and January-November of 2019 has fluctuated within 111.93-176.29%. Throughout the given period the Bank's N6 ratio has demonstrated uneven dynamics, but it with a great reserve has exceeded the limit value, set by NBU, and the averages of this normative on the Ukrainian banking system. As of 02.12.2019 the Bank's N6 ratio has amounted to 115.62% that by 55.62 p.p. exceeded the limit value of 60%, set by NBU.

Fig. 5. Dynamics of short-term liquidity (N6) of JSC «Deutsche Bank DBU» compared to the average of N6 ratio on the banking system



Liquidity coverage ratio on all currencies (LCRac) of JSC "DEUTSCHE BANK DBU" in the period from 01.01.2019 to 01.11.2019 has fluctuated within 177-300%, and in times has exceeded the limit values, set by NBU for this normative, which throughout the given period changed from 80% (starting from 31.12.2018) up to 90% (starting from 01.06.2019). As of 01.11.2019 LCRac of the Bank has amounted to 185% that more than in twice exceeded the normative value of 90%, set by NBU.

Fig. 6. Dynamics of Liquidity Coverage Ratios on all currencies and in foreign currency of JSC "DEUTSCHE BANK DBU"



Liquidity coverage ratio in foreign currency (LCRfc) of the Bank throughout the period from 01.01.2019 to 01.11.2019 has fluctuated in the range from 278% up to 1683%, and on a constant basis in several times has exceeded the limit values, set by NBU for this ratio, which during the given period varied from 50% (starting from 31.12.2018) up to 90% (starting from 01.06.2019). As of 01.11.2019 LCRfc of the Bank has amounted to 278% that more than in thrice exceeded the normative value of 90%, set by NBU.

Therefore, as at the beginning of November, 2019 JSC "DEUTSCHE BANK DBU" was very well provided with liquidity: all the three liquidity ratios of the Bank (N6, LCRac and LCRfc) with a great reserve exceeded the limit values, set by NBU. High indicators of LCRac and LCRfc of JSC "DEUTSCHE BANK DBU" indicate that the Bank is resistible to the short-term liquidity shocks.

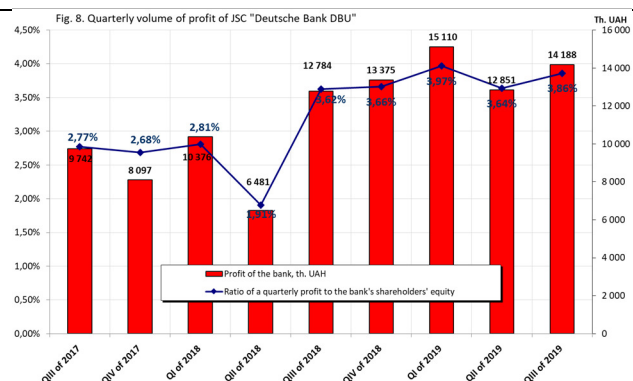
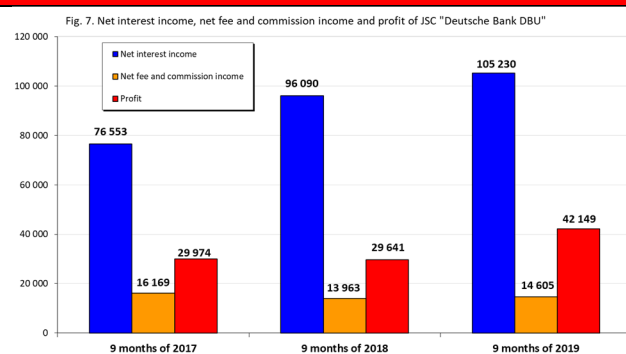
## Profitability of operations

According to the results of the 9 months of 2019 JSC “DEUTSCHE BANK DBU” has received profit of UAH 42.149 mln., that by 42.20% has exceeded the Bank’s profit according to the results of the 9 months of 2018.

The key items of revenues of JSC “DEUTSCHE BANK DBU” have also demonstrated the increase. Thus, according to the results of the 9 months of 2019 compared to the same period of 2018 net interest income of the Bank has grown by 9.51% and has amounted to UAH 105.230 mln., and net fee and commission income has increased by 4.60% up to UAH 14.605 mln.

The Agency also emphasizes that JSC “DEUTSCHE BANK DBU” maintains profitable activity on a constant basis. Besides, the Bank’s profit for the third quarter of 2019 has amounted to UAH 14.188 mln., that by 10.40% has exceeded the Bank’s profit for the second quarter of current year.

The ability of JSC “DEUTSCHE BANK DBU” to generate and increase significant volumes of revenues and profit positively affects its 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.

The Agency emphasizes that JSC “DEUTSCHE BANK DBU” has a very high level of external support from its shareholder – Deutsche Bank. The group Deutsche Bank according to the results of the 9 months of 2019 received total net revenues of EUR 17.816 bln (for the 2018 its volume amounted to EUR 25.316 bln), that indicated the external support of the bank in Ukraine by the group Deutsche Bank is unlimited.

As well, 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, as at the beginning of December, 2019 JSC “DEUTSCHE BANK DBU” was very well provided with regulatory capital, as indicated by the Bank’s N2 ratio, which in 8.5 times exceeded the limit value, set by NBU. All the three liquidity ratios of the Bank ((N6, LCRac and LCRfc) with a great reserve exceeded the limit values, set by NBU, that indicates that JSC “DEUTSCHE BANK DBU” was very well provided with liquidity. The Bank continued to generate and increase significant volumes of revenues and profit, as well as to maintain the quality of the loan portfolio at the highest possible level.

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