

Rating action: Update of a long-term credit rating according to the national scale
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The issuer: PJSC "DEUTSCHE BANK DBU"
 USREOU code of the issuer: 36520434
 Web-site of the issuer: www.db.com/ukraine



Rating of PJSC "DEUTSCHE BANK DBU" is confirmed

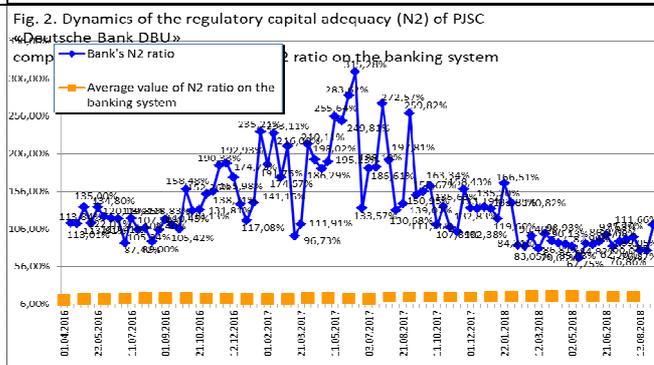
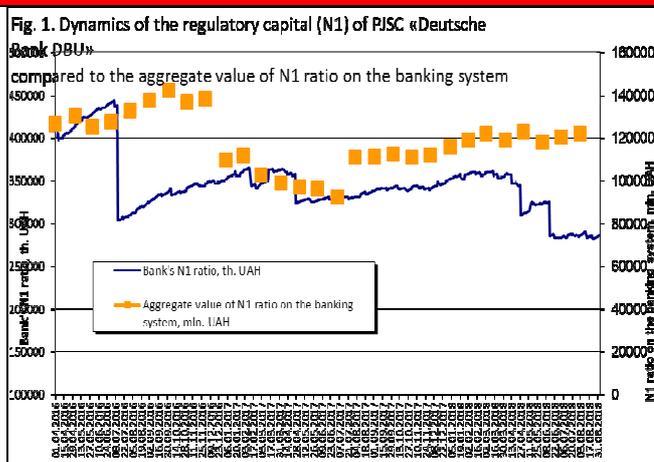
October 3, 2018 the rating committee of RA "Expert-Rating" has decided to confirm the credit rating of PJSC "DEUTSCHE BANK DBU" (36520434) at the level uaAAA according to the national scale. The Bank with rating uaAAA is characterized by the highest solvency compared to other Ukrainian banks or debt 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 2017 and the first half of 2018, as well as by particular forms of statistical statements of the Bank for the 2017 year and January–August of 2018.

Equity and capital adequacy

As of 03.09.2018 the regulatory capital of PJSC "DEUTSCHE BANK DBU" (N1) has amounted to UAH 286.884 mln that is by 18.57% less than as of 03.01.2018. The regulatory capital of PJSC "Deutsche Bank DBU" has considerably exceeded the limit value, set by NBU.

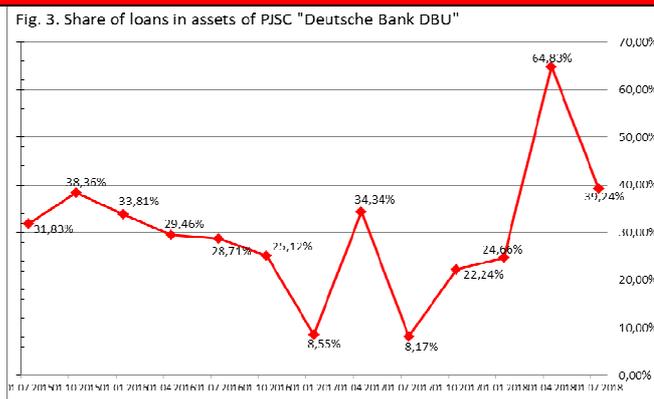
As of 03.09.2018 the regulatory capital adequacy normative of PJSC "Deutsche Bank DBU" (N2) amounted to 111.66%, that was by 21.17 p.p. less than as at the beginning of 2018, but by 101.66 p.p. more than the limit value, set by NBU, and by 95.27 p.p. more than the average value on the banking system. For the entire analysis period, despite significant fluctuations of the Bank's N2 ratio, this normative of the Bank considerably exceeded the average on the banking system. Thus, the Bank formed an unprecedented high reserve of N2 ratio.

Therefore, in the Agency's opinion, PJSC "Deutsche Bank DBU" was very well provided with regulatory capital at the beginning of September and during the entire analysis period. The reserve of the regulatory capital on the Bank's N1 and N2 ratios was very great that reduced to zero the risk of the Bank's non-compliance with equity ratios of NBU and the risk of need of additional capitalization.



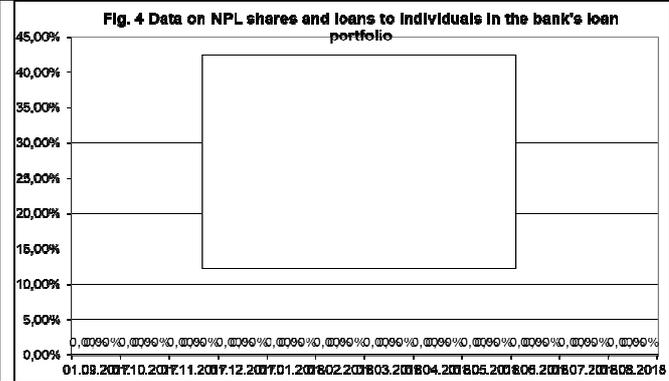
Asset structure and quality

Perceiving the data on the quality of the Bank's assets, one should take into account the specifics of operations of PJSC "Deutsche Bank DBU", on the balance of which the highliquid assets prevail. Thus, as of 31.12.2017 the Bank's assets amounted to UAH 2.088 bn, 54.51% of which were represented by cash and funds in NBU. As of 31.12.2017 53.1% or UAH 1.109 bn. of the Bank's assets were placed in deposit certificates of NBU. Therefore, at the beginning of the first quarter of 2018 around 55% of the Bank's assets were referred to the category of the highliquid assets with the highest quality, which can be in Ukraine. On



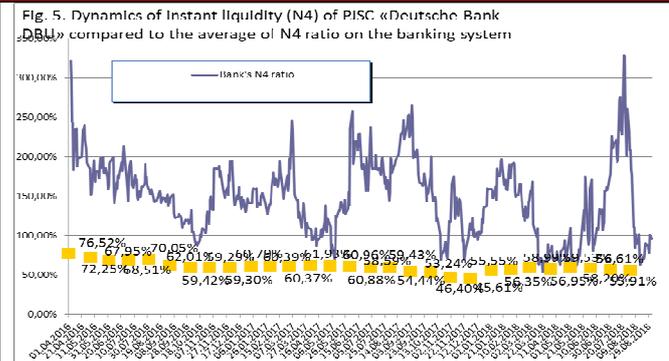
01.07.2018 the trend changed: customer credits and debt of the Bank grew up to UAH 1.074 bn, and its share in the Bank's assets amounted to 39.24%. In the Bank's loan portfolio there were no loans to individuals and loans in foreign currency.

The Agency reminds that PJSC "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.

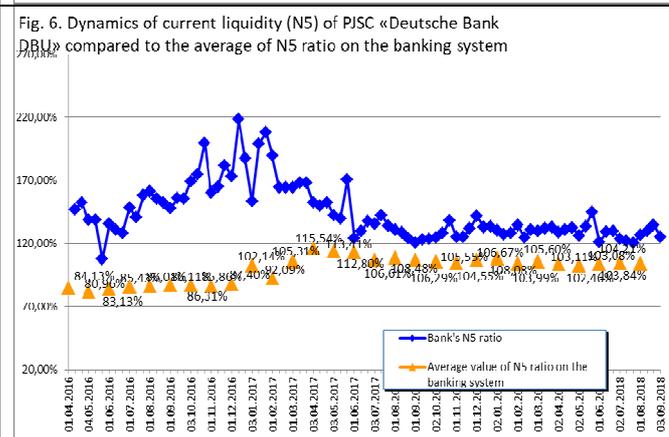


Liquidity

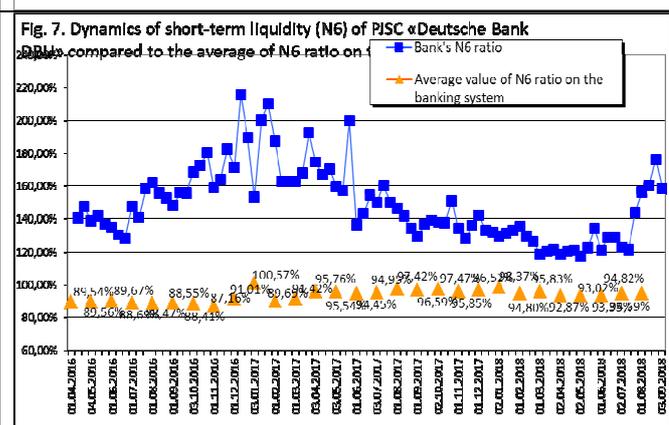
Instant liquidity ratio of PJSC "Deutsche Bank DBU" (N4) as of 03.09.2018 amounted to 96.16% that was by 76.16 p.p. more than the limit value, set by NBU, and by 40.25 p.p. more than the average value of this normative on the Ukrainian banking system. During the entire analysis period (from April, 2016 to August, 2018) the Bank's N4 ratio exceeded the limit value of N4 ratio, set by NBU, and the average of the normative on the banking system.



Current liquidity ratio of PJSC "Deutsche Bank DBU" (N5) as of 03.09.2018 was at the level 125.23% that was by 85.23 p.p. higher than the limit value, set by NBU. During the entire analysis period (from April, 2016 to August, 2018) the Bank's N5 ratio was higher than the limit value of N5 ratio, set by NBU, and the average of this normative on the banking system.



Short-term liquidity ratio of the Bank (N6) as of 03.09.2018 amounted to 158.53% that by 98.53 p.p. exceeded the limit value, set by NBU. During the entire analysis period (i.e. from April, 2016 till August, 2018) the Bank's N6 ratio exceeded the limit value of this normative, set by NBU, as well as its average on the banking system.



On all the three ratios of the Bank there was a similar picture: during the entire analysis period the Bank formed a noticeable reserve of liquidity ratios with respect to the normative values of NBU and to the averages on the banking system. Reserve of liquidity ratios, formed by PJSC "Deutsche Bank DBU" on 03.09.2018, was very great that indicated a conservative approach of the Bank to asset management. But this approach is a precondition of a very high asset quality of the Bank and is able to provide a stable work of the Bank even with the implementation of very adverse scenarios in the Ukrainian market.

Profitability of operations

The Agency reminds that according to the results of 2016 profit of PJSC “Deutsche Bank DBU” amounted to UAH 112.796 mln. According to the results of 2017 the Bank received profit of UAH 38.071 mln that was by 66.25% lower than the indicator of 2016. For the first half of 2018 the Bank’s profit amounted to UAH 16.857 mln, that was by 16.68% less than for the first half of 2017. However, the decrease in the Bank’s profit didn’t affect the level of its loan risk.

One should also pay attention to the fact that for the last 21 quarter PJSC “Deutsche Bank DBU” on a regular basis operated profitably. Therefore, the profitable activity was an ordinary practice for the Bank that also positively affected the Bank’s credit rating.

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

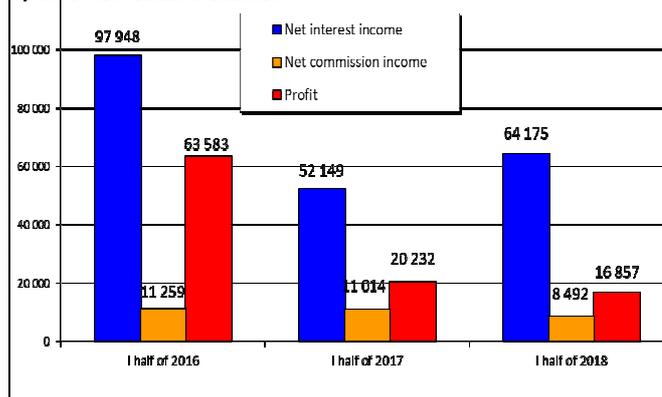
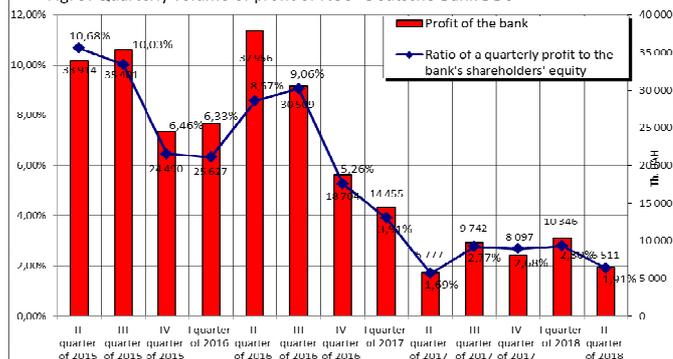


Fig. 9. Quarterly volume of profit of PJSC “Deutsche Bank DBU”



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 second quarter of 2018 with total net income of EUR 6.590 bln, and total volume of the Group’s assets amounted to EUR 1.421 trillion on 30.06.2018.

These indicators confirm that the external support of the 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 PJSC “DEUTSCHE BANK DBU” performance of its agreement liabilities. At the moment of the rating assignment such guarantees were owned by the 32 subsidiary banks of Deutsche Bank, which include PJSC “DEUTSCHE BANK DBU”. The availability of “firm guarantee” of Deutsche Bank, which is public, is a very 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, PJSC “Deutsche Bank DBU” in the third quarter of 2018 was very well provided with equity, formed and maintained a significant reserve of liquidity ratios and provided a very high quality of assets. The Bank’s activity during the analysis period was profitable.

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