

Rating action: Update of a long-term credit rating according to the national scale

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The issuer: PJSC "VTB BANK"

USREOU code of the issuer: 14359319

Web-site of the issuer: www.vtb.ua



Ratings of PJSC "VTB BANK" are confirmed

May 17, 2016 the rating committee of RA "Expert-Rating" has decided to confirm a long-term credit rating of PJSC "VTB BANK" (14359319) and the Bank's bonds that are in circulation at the level uaAA+ according to the national scale. The Agency also confirms the rating of the Bank's deposits at the level ua1. The Bank with rating uaAA+ is characterized by a high solvency compared to other Ukrainian banks.

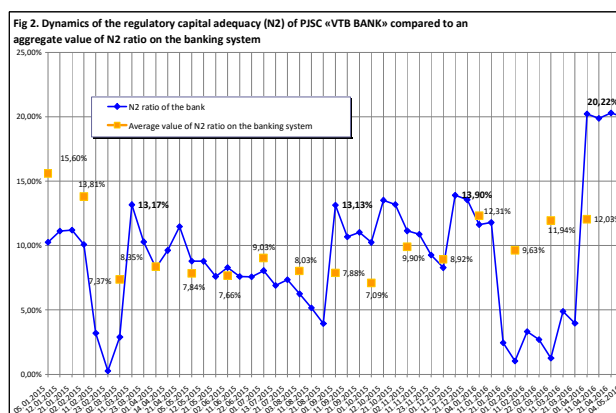
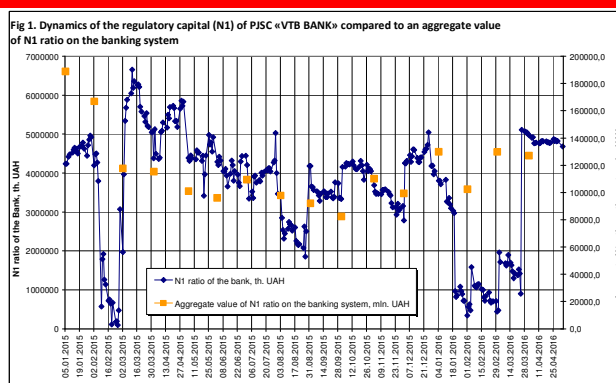
Making decision to confirm the credit rating according to the national scale, the Agency was guided by the key results of the Bank's activity for the first quarter of 2016, its financial, statistical statements for the first quarter of 2016 and April of 2016, as well as particular and regular information of the Bank as an issuer of securities.

Equity and capital adequacy

From 01.01.2016 to 01.05.2016 the Bank's N1 ratio has reached its minimum value on 01.02.2016. The Bank's N1 ratio on March 23, 2016 has reached the maximum value (UAH 5.114 bn) for the 4 months of 2016. A significant growth of the Bank's N1 ratio in March of 2016 has been caused by the planned increase in the Bank's authorized capital.

Analysis of the N2 ratio dynamics of PJSC "VTB BANK" shows a significant fall of the N2 ratio in January of 2016 and a sharp growth of the Bank's N2 ratio up to 20.22% in March-April of 2016, which has been replaced by a sideways trend around the 20% mark. Since the end of January of 2016 on 01.04.2016 the Bank's N2 ratio has been lower than the average on the system, however on 01.04.2016 the Bank's N2 ratio has exceeded the average value on the banking system by 8.19 p.p.

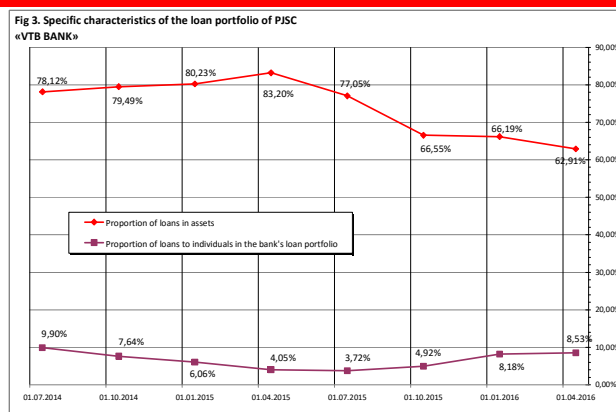
Therefore, PJSC "VTB BANK" at the beginning of the second quarter of 2016 has formed a very great reserve on the regulatory capital adequacy normative N2. The revealed trends enable the Agency to conclude that the Bank has been very well provided with regulatory capital. The Agency also draws attention to the fact that in March of 2016 the Bank's key shareholder has performed a support of PJSC "VTB BANK" in the planned volume.



Asset structure

For the last 8 quarters the proportion of loans in the Bank's assets has decreased from 78.12% down to 62.91%. For the first quarter of 2016 the proportion of loans in assets has decreased from 66.19% down to 62.91%. The revealed trend has corresponded to the general trend on the banking system.

The Bank's loan portfolio was still aimed at business segment. As of 01.04.2016 8.53% of the Bank's loan portfolio has been represented by loans to individuals. Under conditions of the decline of business activity, the fall of employment and revenues of population such trend deserves a positive assessment.



For the last 8 quarters the ratio between reserves and the volume of loan portfolio has grown from 14.9% up to 63.99%. Such dynamics has also corresponded to the general trend on the banking system and has been caused by the changed in approaches to forming reserves, as well as by the deterioration of the banking asset quality due to unfavorable processes in Ukrainian economics.

Availability of a significant volume of PJSC “VTB BANK” reserves for covering loan risks, although has provided a negative pressure on the financial result of the Bank at their formation, indirectly indicates an adequate policy of the Bank on forming reserves.

Liquidity

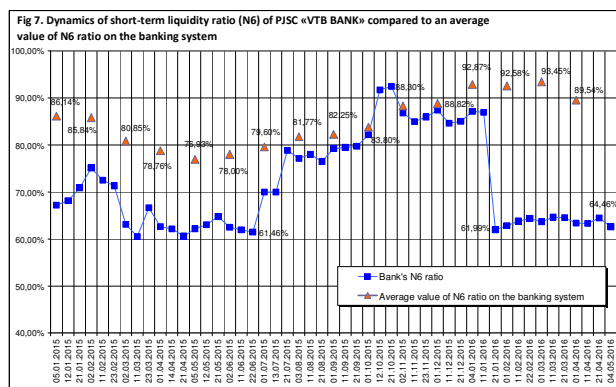
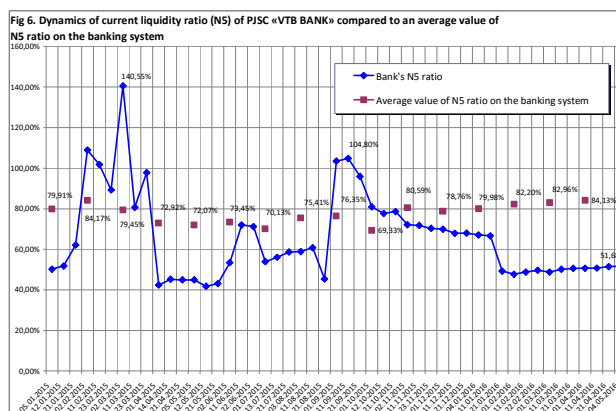
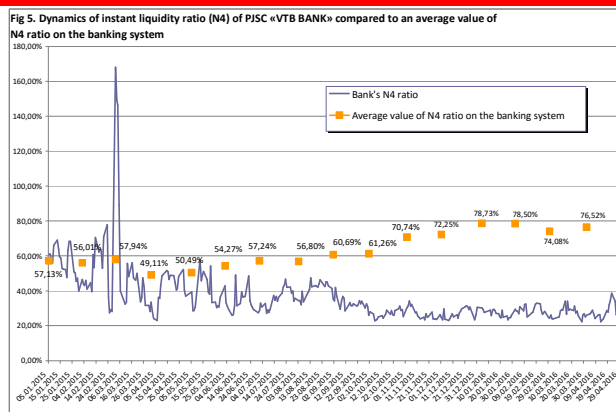
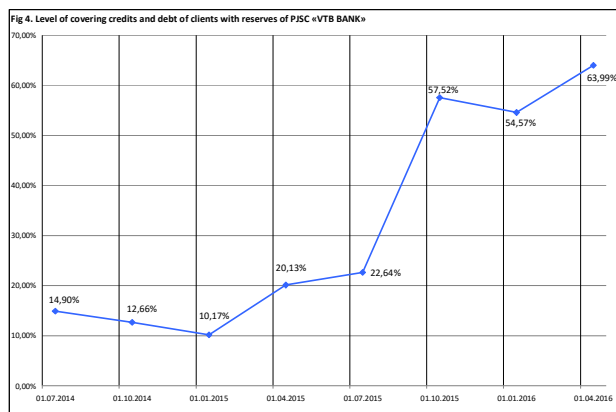
During the first four months of 2016 PJSC “VTB BANK” has been well provided with liquidity. The Bank has formed the reserve of instant, current and short-term liquidity ratios (N4, N5 and N6) with respect to the limit value, set by NBU. Such conclusion can be made after a comparative analysis of the dynamics of the Bank’s N4, N5 and N6 ratios.

Starting from 21.05.2015 the normative of the Bank’s instant liquidity ratio hasn’t exceeded the average of N4 ratio on the banking system of Ukraine. From 03.09.2015 to 04.05.2016 the Bank’s N4 ratio has fluctuated in the range 20-40%. Throughout the whole period of analysis the Bank’s N4 ratio hasn’t declined lower 22.37%, with the normative not less 20%.

Starting from 21.10.2015 the normative of the Bank’s current liquidity N5 ratio has been less than the average value on the banking system, but more than the limit value, set by NBU. As of 04.05.2016 the Bank’s N5 ratio has amounted to 51.68% that is by 11.68 p.p. higher than the limit value, set by NBU.

Starting from 01.12.2015 the normative of the Bank’s short-term liquidity N6 ratio has been less than the average value on the banking system, but more than the limit value, set by NBU. As of 04.05.2016 the Bank’s N6 ratio has amounted to 62.61% that by 2.61 p.p. exceeds the limit value, set by NBU.

Interpreting the data analysis results, it should be necessarily taken into consideration that starting from Autumn of 2015 the banking system of Ukraine has entered the period of excessive liquidity. The maintenance of a great liquidity excess at the large banks with a high level of external support from shareholders can negatively affect the interest revenues of the further periods. Therefore, the Agency considers the policy of liquidity management optimal, and the Bank within the limits of the established ratios – well provided with liquidity.

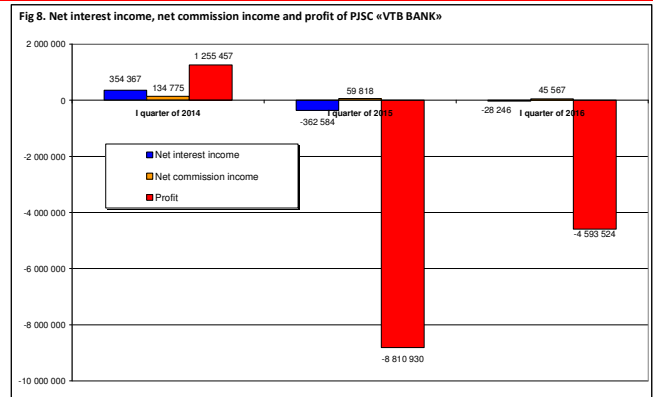


Profitability of operations

PJSC “VTB BANK” has finished the first quarter of 2016 with a loss of UAH 4,594 bn. In comparison with a loss of the first quarter of 2015 PJSC “VTB BANK” has managed to reduce the amount of loss by 47.87%.

Additionally, the Agency draws attention that for PJSC “VTB BANK” the first quarter throughout the second year provides losses. Besides the costs to form reserves, the Bank in the first quarter of the second year in a row fixes a negative net interest income.

A significant reduction in the Bank's loss in conditions, when the Bank's shareholder provides a financial support through the increase in the authorized capital, doesn't assume significant risks for the Bank's activity in Ukraine.



Other factors

Verification on the Unified State Register of court decisions showed that with respect to the Bank there are no court decisions which had a significant impact on its stability or the results of its work.

Generalization

As of 16.05.2015 PJSC “VTB BANK” performed its commitments to clients and lenders according to the current legislation.

In view of the performed Bank's additional capitalization from the shareholder, PJSC “VTB BANK” has been well provided with regulatory capital.

The Bank has been well provided with liquidity and has maintained a reserve to the limit values on all the three liquidity ratios, set by NBU.

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