

Rating Action: Moody's takes rating actions on 12 Ukrainian banks and one leasing company

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Actions follow downgrade of Ukraine's government bond rating to Caa2

Moscow, February 05, 2014 -- Moody's Investors Service has today taken the following rating actions:

- (1) lowered the baseline credit assessments (BCAs) of 10 Ukrainian banks
- (2) downgraded the local-currency deposit ratings and local and foreign-currency debt ratings of six Ukrainian banks;
- (3) confirmed the local-currency deposit ratings and local and foreign-currency debt ratings of five banks and one leasing company in Ukraine; and
- (4) downgraded the National Scale Ratings (NSR) of five banks and confirmed the NSRs of four banks and one leasing company in Ukraine.

At the same time, the rating agency has downgraded the foreign-currency deposit rating of 12 Ukrainian banks due to the lowering of the country ceiling on foreign-currency deposit ratings.

Negative outlooks have been assigned to all affected banks' ratings.

Today's actions follow Moody's recent downgrade on 31 January 2014 of the Ukrainian government bond rating to Caa2 (negative) from Caa1 (on review for downgrade); and the related adjustments to the foreign-currency deposit ceiling to Caa3 from Caa2. The other country ceilings remained unchanged, namely (1) the local-currency bank deposit and bond ceiling at Caa1; and (2) the foreign-currency bond ceiling at Caa1. These ceilings cap the maximum ratings that can be assigned to banks and other issuers domiciled in the country. For further information please refer to Moody's press release: https://www.moodys.com/research/Moodys-downgrades-Ukraines-sovereign-rating-to-Caa2-assigns-negative-outlook--PR_291276

RATINGS RATIONALE

--- BCAs

Moody's says the downward revision of the BCAs of ten of the 11 Ukrainian banks takes into account (1) their direct or indirect exposures to domestic sovereign debt relative to their capital cushions; (2) the degree to which their businesses depend on the domestic macroeconomic and financial environment; and (3) the extent of their reliance on market-based funding, which is typically more confidence-sensitive.

Due to these factors, Moody's lowered the BCAs of these banks by one notch to caa2 from caa1. These banks' BCAs are now in line with Ukraine's government debt rating, reflecting Moody's view that the banks' creditworthiness -- for the three factors listed above -- is highly correlated to that of their national government.

Privatbank's BCA remains unchanged at caa1, which is one notch higher than Ukraine's government rating. Moody's says that this exception reflects factors that help mitigate the credit risk correlations with the domestic government, including the bank's low exposure to sovereign debt, limited reliance on market funding and a moderate level of business diversification outside of Ukraine.

--- FOREIGN-CURRENCY DEBT AND LOCAL CURRENCY DEPOSIT AND DEBT RATINGS

The local-currency deposit and debt ratings, as well as foreign-currency debt ratings of six of the nine Ukrainian banks (whose BCAs were lowered) were consequently downgraded by one notch, in line with the downgrade of their BCAs. Five more banks' local-currency debt and deposit and foreign-currency debt ratings -- which receive notching uplift from parental support or for which the BCA is higher than the sovereign rating -- were confirmed at Caa1 level. All of these banks' local-currency deposits and debt as well as their foreign-currency debt ratings

carry a negative outlook, in line with the sovereign rating outlook.

--- FOREIGN-CURRENCY DEPOSIT RATINGS

The lowering of Ukraine's foreign-currency deposit ceiling to Caa3 led to the downgrade of 12 banks' foreign-currency deposit ratings to the same level. All the banks' foreign-currency deposit ratings carry a negative outlook, in line with the sovereign rating outlook.

WHAT COULD MOVE THE RATINGS UP/DOWN

Moody's considers that upward rating pressure is unlikely in the near term, because the key drivers of today's actions are related to the downgrade of the government rating to Caa2, which carries a negative outlook. In the long term, a combination of an improving operating environment, declining sovereign-risk exposures and increasing cross-border diversification may exert upward pressure on the Ukrainian banks' ratings. An improvement in Ukraine's credit-risk profile could also have positive rating implications. Conversely, deterioration in the banks' operating environments, further deterioration in Ukraine's credit risk profile and/or a weakening of the banks' standalone financial fundamentals could exert downward pressure on the ratings.

NATIONAL SCALE RATINGS

Moody's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".ua" for Ukraine. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Methodology published in October 2012 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

LIST OF RATING ACTIONS

The following rating actions were taken:

PRIVATBANK

- BFSR of E affirmed with the equivalent to a caa1 BCA
- Long-term local-currency deposit rating of Caa1 confirmed
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency senior unsecured debt rating of Caa1 and long-term foreign-currency subordinated debt rating of Caa2 confirmed
- Stable outlook maintained on the BFSR; all the other long-term global-scale ratings carry a negative outlook

OTP BANK (UKRAINE)

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating of Caa1 confirmed
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- NSR of Ba3.ua confirmed
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

UKREXIMBANK

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2

- Long-term foreign-currency senior unsecured debt rating downgraded to Caa2 from Caa1
- Long-term foreign-currency subordinated debt rating downgraded to Caa3 from Caa2
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

RAIFFEISEN BANK AVAL

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating of Caa1 confirmed
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- NSR of Ba3.ua confirmed
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

SUBSIDIARY BANK SBERBANK OF RUSSIA

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating of Caa1 confirmed
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- NSR of Ba3.ua confirmed
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

FIRST UKRAINIAN INTERNATIONAL BANK, PJSC

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa2 from Caa1
- NSR downgraded to B3.ua from Ba3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

PIVDENNYI BANK, JSCB

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- Long-term local-currency senior unsecured debt rating downgraded to (P)Caa2 from (P)Caa1
- NSR Deposit rating and MTN program downgraded to B3.ua from Ba3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

SAVINGS BANK OF UKRAINE

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2

- Long-term local-currency senior unsecured debt rating downgraded to Caa2 from Caa1
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa2 from Caa1
- NSR downgraded to B3.ua from Ba3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

CREDIT DNEPR BANK

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- NSR downgraded to B3.ua from Ba3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

PROMINVESTBANK

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating of Caa1 confirmed
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- Long-term local-currency senior unsecured debt rating of Caa1 confirmed
- NSR of Ba3.ua confirmed
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

VAB BANK

- BFSR of E affirmed, now equivalent to a caa2 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency debt rating downgraded to Caa2 from Caa1
- NSR downgraded to B3.ua from Ba3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings carry a negative outlook

BANK FINANCE AND CREDIT JSC

- BFSR of E with equivalent to a ca BCA unaffected
- Long-term local-currency deposit rating of Caa2 (on review for downgrade) unaffected
- Long-term foreign-currency deposit rating downgraded to Caa3 from Caa2
- NSR of B3.ua unaffected
- The BFSR carries a stable outlook; the long-term foreign currency deposit ratings carries a negative outlook, all the other long-term global-scale ratings and NSR remain on review for downgrade

RAIFFEISEN LEASING AVAL

- Long-term national scale issuer rating of Ba3.ua confirmed
- Long-term national scale corporate family rating of Ba3.ua confirmed

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Global Banks published in May 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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