

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

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Global Credit Research - 09 Apr 2014

**Actions follow downgrade of Ukraine's government bond rating to Caa3**

London, 09 April 2014 -- Moody's Investors Service has today taken rating actions on 12 Ukrainian banks and one leasing company following the weakening of Ukraine's credit profile reflected in Moody's downgrade on 4 April 2014 of the Ukrainian government bond rating to Caa3 (negative) from Caa2 (negative). Today's rating actions also follow the related adjustments to the foreign-currency deposit ceiling to Ca from Caa3 and to the foreign-currency bond ceiling to Caa2 from Caa1. Moody's has assigned negative outlooks to all affected banks' ratings. Specifically, Moody's has:

- (1) lowered the baseline credit assessments (BCAs) of 11 Ukrainian banks;
- (2) downgraded the local-currency deposit ratings and local and foreign-currency debt ratings of 10 banks and one leasing company in Ukraine;
- (3) affirmed the local-currency deposit ratings and local and foreign-currency debt ratings and the NSRs of two Ukrainian banks;
- (4) downgraded the National Scale Ratings (NSR) of eight Ukrainian banks and one leasing company.

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

Moody's adds that the local-currency bank deposit and bond ceiling of Caa1 remain unchanged. These ceilings cap the maximum ratings that can be assigned to banks and other issuers domiciled in the country. For further information on the sovereign downgrade, please refer to Moody's press release:

[https://www.moodys.com/research/Moodys-downgrades-Ukraines-government-bond-rating-to-Caa3-negative-outlook--PR\\_294199](https://www.moodys.com/research/Moodys-downgrades-Ukraines-government-bond-rating-to-Caa3-negative-outlook--PR_294199)

**RATINGS RATIONALE**

**--- BCAs**

Moody's says the downward revision of the BCAs of 11 Ukrainian banks is driven by the high dependence of their businesses on the domestic macroeconomic and financial environment.

Consequently, Moody's lowered the BCAs of 10 banks by one notch to caa3 from caa2 and one bank's BCA by two notches to caa3 from caa1. These banks' BCAs are now in line with Ukraine's government debt rating, reflecting Moody's view that the banks' creditworthiness is highly correlated to that of their national government due to their holdings of government debt and/or the shared exposure of their financial health to the country's macroeconomic environment.

**--- 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 eight of the 12 Ukrainian banks (whose BCAs were lowered) were consequently downgraded by one or two notches, in line with the downgrade of their BCAs. Two more banks' local-currency debt and deposit and foreign-currency debt ratings -- which receive notching uplift from parental support -- were affirmed at Caa1 level, while ratings of two more banks (incorporating parental support considerations) were downgraded to Caa2 from Caa1. 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 Ca 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 Caa3, which carries a negative outlook. In the long term, an improving operating environment 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 environment, 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.

#### LIST OF RATING ACTIONS

The following rating actions were taken:

##### PRIVATBANK

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa1)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa1
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa3 from Caa1
- Long-term foreign-currency subordinated debt rating downgraded to Ca from Caa2
- The BFSR carries no specific outlook; all the other long-term global-scale ratings carry a negative outlook

##### OTP BANK (UKRAINE)

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating of Caa1 affirmed
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- NSR of Ba3.ua affirmed
- The BFSR and the NSR carry no specific outlook; all the other long-term global-scale ratings carry a negative outlook

##### UKREXIMBANK

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa3 from Caa2
- Long-term foreign-currency subordinated debt rating downgraded to Ca from Caa3
- The BFSR carries no specific outlook; all the long-term global-scale ratings carry a negative outlook

##### RAIFFEISEN BANK AVAL

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3

- NSR downgraded to B3.ua from of Ba3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### SUBSIDIARY BANK SBERBANK OF RUSSIA

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating of Caa1 affirmed
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- NSR of Ba3.ua affirmed
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### FIRST UKRAINIAN INTERNATIONAL BANK, PJSC

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa3 from Caa2
- NSR downgraded to Caa3.ua from B3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### PIVDENNYI BANK, JSCB

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term local-currency senior unsecured debt rating downgraded to (P)Caa3 from (P)Caa2
- NSR Deposit rating and MTN program downgraded to Caa3.ua from B3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### SAVINGS BANK OF UKRAINE

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term local-currency senior unsecured debt rating downgraded to Caa3 from Caa2
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa3 from Caa2
- NSR Deposit and senior unsecured debt downgraded to Caa3.ua from of B3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### CREDIT DNEPR BANK

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa2

- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- NSR downgraded to Caa3.ua from B3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### PROMINVESTBANK

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term local-currency senior unsecured debt rating downgraded to Caa2 from Caa1
- NSR Deposit and senior unsecured debt downgraded to B3.ua from of Ba3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### VAB BANK

- BFSR of E affirmed, now equivalent to a caa3 BCA (formerly caa2)
- Long-term local-currency deposit rating downgraded to Caa3 from Caa2
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- Long-term foreign-currency debt rating downgraded to Caa3 from Caa2
- NSR downgraded to Caa3.ua from B3.ua
- The BFSR and the NSR carry no specific outlook; all the 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 downgraded to Caa3 from Caa2
- Long-term foreign-currency deposit rating downgraded to Ca from Caa3
- NSR downgraded to Caa3.ua from B3.ua
- The BFSR and the NSR carry no specific outlook; all the long-term global-scale ratings carry a negative outlook

#### RAIFFEISEN LEASING AVAL

- Long-term national scale issuer rating downgraded to B3.ua from Ba3.ua
- Long-term national scale corporate family rating downgraded to B3.ua from Ba3.ua
- The NSR carries no specific outlook

Moody's National Scale Credit 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 credit 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 ".mx" for Mexico. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in October 2012 entitled "Mapping Moody's National Scale Credit Ratings to Global Scale Credit Ratings".

The principal methodology used in these ratings was Global Banks published in May 2013. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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