

Rating Action: Moody's downgrades Ukrainian financial institutions; ratings on review for further downgrade

Global Credit Research - 25 Sep 2013

Actions follow weakening of Ukraine's credit profile

London, 25 September 2013 -- Moody's Investors Service has today lowered the baseline credit assessments (BCAs) of 10 banks, and downgraded the debt and deposits ratings -- as well as National Scale Ratings (NSRs) -- of 11 banks and one leasing company in Ukraine.

At the same time, Moody's placed on review for further downgrade the deposit and debt ratings, and NSRs, of 13 banks (2 banks' deposit ratings were at Caa1 level already) and one leasing company.

Please refer to the end of this press release for a list of affected ratings.

RATING RATIONALE

All rating actions announced today were prompted by the weakening of Ukraine's credit profile, as reflected by Moody's downgrade on 20 September 2013 of Ukraine's government bond rating to Caa1 from B3 and the related adjustments to the country's ceilings, mainly (1) the foreign-currency bank deposit ceiling lowered to Caa2 from Caa1; (2) the local-currency bank deposit and bond ceiling lowered to Caa1 from B2; and (3) the foreign-currency bond ceiling lowered to Caa1 from B3.

These ceilings cap the maximum ratings that can be assigned to banks and other issuers domiciled in the country, thereby prompting the downgrades of the 11 financial institutions and one leasing company. The sovereign ratings were also placed on review for further downgrade, which informs our decision to place the financial institutions' debt and deposit ratings on review for further downgrade. Please refer to Moody's press release for further information: https://www.moody's.com/research/Moody's-downgrades-Ukraines-government-bond-rating-to-Caa1-from-B3--PR_282707

WHAT COULD MOVE THE RATINGS UP/DOWN

Today's actions follow the weakening of Ukraine's credit profile, as reflected by downgrades of the sovereign ratings and country ceilings. A confirmation of the sovereign ratings would lead to a confirmation of the financial institution ratings currently placed on review. Conversely, a further downgrade of the sovereign ratings would lead to a downgrade of the financial institution ratings.

LIST OF RATING ACTIONS

The following rating actions were taken:

PRIVATBANK

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b2)
- Long-term local-currency deposit rating downgraded to Caa1 from B2
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa1 from B3
- Long-term foreign-currency subordinated debt rating downgraded to Caa2 from B3
- National Scale Rating (NSR) downgraded to Ba3.ua from A3.ua
- Stable outlook maintained on the BFSR; all the other long-term global-scale ratings and NSR were placed on review for downgrade

SAVINGS BANK OF UKRAINE

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term local-currency senior unsecured debt rating downgraded to Caa1 from B3
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa1 from B3
- NSR downgraded to Ba3.ua from Baa3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings were placed on review for downgrade

UKREXIMBANK

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term local-currency senior unsecured debt rating downgraded to Caa1 from B3
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa1 from B3
- Long-term foreign-currency subordinated debt rating downgraded to Caa2 from Caa1
- The BFSR carries a stable outlook; all the other long-term global-scale ratings were placed on review for downgrade

RAIFFEISEN BANK AVAL

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B2
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- NSR downgraded to Ba3.ua from A3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

PROMINVESTBANK

- BFSR unchanged at E, equivalent to a caa1 BCA
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term local-currency senior unsecured debt rating downgraded to Caa1 from B3
- NSR downgraded to Ba3.ua from Baa3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

SUBSIDIARY BANK SBERBANK OF RUSSIA

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)

- Long-term local-currency deposit rating downgraded to Caa1 from B2
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- NSR downgraded to Ba3.ua from A3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

FIRST UKRAINIAN INTERNATIONAL BANK

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency senior unsecured debt rating downgraded to Caa1 from B3
- NSR downgraded to Ba3.ua from Baa3.ua

The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

BANK FINANCE AND CREDIT

Bank Finance and Credit's debt and deposit ratings were placed on review for downgrade in line with Ukraine's Caa1 sovereign ratings.

- BFSR unchanged at E, equivalent to a caa1 BCA
- Long-term local-currency deposit rating unchanged at Caa1, placed on review for downgrade
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term foreign-currency debt rating unchanged at Caa1, placed on review for downgrade
- NSR downgraded to Ba3.ua from Ba2.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

OTP BANK (UKRAINE)

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B2
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- NSR downgraded to Ba3.ua from A3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

VAB BANK

VAB Bank's debt and deposit ratings were placed on review for downgrade in line with Ukraine's Caa1 sovereign ratings.

- BFSR unchanged at E, equivalent to a caa1 BCA
- Long-term local-currency deposit rating unchanged at Caa1, placed on review for downgrade
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1

- Long-term foreign-currency debt rating unchanged at Caa1, placed on review for downgrade
- NSR downgraded to Ba3.ua from Ba1.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

PIVDENNYI BANK

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- Long-term local-currency senior unsecured debt rating downgraded to (P)Caa1 from B3(P)
- NSR downgraded to Ba3.ua from Baa3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

CREDIT DNEPR BANK

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- NSR downgraded to Ba3.ua from Baa3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

UKRINBANK

- BFSR downgraded to E from E+, now equivalent to a caa1 BCA (formerly b3)
- Long-term local-currency deposit rating downgraded to Caa1 from B3
- Long-term foreign-currency deposit rating downgraded to Caa2 from Caa1
- NSR downgraded to Ba3.ua from Baa3.ua
- The BFSR carries a stable outlook; all the other long-term global-scale ratings and NSR were placed on review for downgrade

RAIFFEISEN LEASING AVAL

The rating action on Raiffeisen Leasing Aval's supported national scale ratings was triggered by a downgrade of the deposit ratings of its parent Raiffeisen Bank Aval.

- Long-term national scale issuer rating downgraded to Ba3.ua from Baa3.ua
- Long-term national scale corporate family rating downgraded to Ba3.ua from Baa3.ua
- NSRs were placed on review for downgrade

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.

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".

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