

## ACRA AFFIRMS A+(RU) TO “CUB” JSC, OUTLOOK STABLE

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The credit rating of “CUB” JSC (hereinafter, CUB, Credit Ural Bank, or the Bank) is based on the moderate assessment of the business profile, strong capital adequacy, satisfactory risk profile, and the adequate funding and liquidity position. In addition, ACRA takes into account the possibility of the Bank receiving extraordinary support from its shareholder (hereinafter, the Supporting Entity, or the SE), which is expressed in the addition of four notches to the Bank’s standalone creditworthiness assessment (SCA) for support.

Credit Ural Bank is a universal regional bank with medium positions in the Russian banking sector. The Bank operates primarily in Magnitogorsk, a city in the Chelyabinsk Region. Its activities are focused on consumer lending (mainly mortgages and consumer loans), financing and providing guarantees to corporate borrowers, and securities transactions, which are performed mainly by raising funds from clients (usually retail clients). In addition, CUB is actively developing its transactions business.

### KEY ASSESSMENT FACTORS

**High likelihood of Credit Ural Bank receiving extraordinary support from the Supporting Entity.**

The SE’s interest in providing support to CUB is determined by the presence of reputational (including due to the similarity of brands and logos) and economic risks for the SE in the event of the Bank’s default. The Supporting Entity exercises complete shareholder control over Credit Ural Bank, actively participates in its management, and coordinates its development strategy. The Bank’s activities are complementary to the goals and objectives of the Supporting Entity, although, if necessary, the functions of Credit Ural Bank can be carried out by the SE itself. The Supporting Entity leaves a significant part of profits for the further development of CUB’s business and, if necessary, is ready to provide it with support in the form of capital and liquidity, as well as by providing guarantees.

ACRA assesses the Supporting Entity’s creditworthiness as strong, and the level of dependence of the Bank and the SE on homogenous risk factors as medium.

Taking into account the above, ACRA’s opinion on the level of support from the Supporting Entity is expressed in the addition of four notches to CUB’s SCA.

**The Bank’s moderate (bb+) business profile assessment** is based primarily on its market positions in the Russian banking services market and concentration of activities on the main region of presence. At the same time, due to the universal nature of Credit Ural Bank’s business model, the assessment of diversification of its operating income remains high. The quality of corporate governance is assessed as adequate. The quality of corporate governance is assessed as adequate. The Bank’s strategy involves developing existing areas of business and views servicing key groups of clients as a priority.

**The strong capital adequacy assessment** is confirmed by adequate capital adequacy ratios, which allows Credit Ural Bank to withstand an increase in the cost of risk by more than 500 bps. At the same time, the Bank's ability to generate capital, which is influenced by regular dividend payments carried out by Credit Ural Bank, is assessed as satisfactory. CTI (cost to income) and NIM (net interest margin) calculated by ACRA for the past three years are at the same level as those of peer banks.

**Satisfactory risk profile.** As of June 30, 2022, the quality of the loan portfolio, which does not exceed half of the Bank's assets, was assessed as adequate, taking into account the acceptable concentration of the portfolio on the ten largest groups of borrowers, as well as the low level of problem and potential problem debt. The share of unsecured loans is moderate, and the portfolio's concentration on high-risk assets is low. At the same time, the level of market risk remains heightened.

**Adequate funding and liquidity position.** Credit Ural Bank is able to withstand an outflow of client funds under both the base case and stress scenarios of ACRA (taking into account data as of September 30, 2022). The concentration of the Bank's resource base is assessed as high, which is due to the significant share of both funds from the population, as well as the largest group of clients. At the same time, the Bank seeks to allocate the principal amount of attracted resources as closely as possible to the borrowing period. In addition, the securities portfolio is currently not used in repo transactions, and therefore can serve as an additional source of liquidity.

## KEY ASSUMPTIONS

- Maintaining the current business model over the next 12 to 18 months;
- Maintaining a comfortable capital adequacy ratio (N1.2) over the next 12 to 18 months.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

### A positive rating action may be prompted by:

- Stronger market positions;
- Sustainable decline of the share of problem loans and maintaining the portfolio's moderate concentration on the largest groups of borrowers;
- Significant decline of the volume of accepted market risk.

### A negative rating action may be prompted by:

- Decline of capital adequacy ratios and/or ability to generate capital;
- Higher problem debt in the portfolio and/or higher concentration on the largest groups of borrowers;
- Deterioration of liquidity position and/or funding in terms of higher concentration of the resource base on the largest sources of financing.

## RATING COMPONENTS

SCA: **bbb**.

Adjustments: none.

Support: SCA + 4 notches.

## ISSUE RATINGS

There are no outstanding issues.

## REGULATORY DISCLOSURE

The credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Banks and Bank Groups under the National Scale for the Russian Federation](#), [Methodology for Analyzing Rated Entities Associated with a State or a Group](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of “CUB” JSC was published by ACRA for the first time on December 28, 2021. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by “CUB” JSC, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the IFRS financial statements of “CUB” JSC and the financial statements of “CUB” JSC drawn up in compliance with Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit rating is solicited and “CUB” JSC participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which were, in ACRA’s opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to “CUB” JSC. No conflicts of interest were discovered in the course of credit rating assignment.

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