

ACRA AFFIRMS BB-(RU) TO “NK BANK”, CHANGES OUTLOOK TO POSITIVE

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The credit rating of “NK Bank” (hereinafter, NK Bank or the Bank) is based on the Bank’s limited business profile assessment, adequate capital adequacy, critical risk profile assessment, and adequate funding and liquidity position.

The outlook has been changed from Stable to Positive due to a possible upgrade of the capital adequacy assessment in view of the expected improvement of the Bank’s ability to generate capital.

KEY ASSESSMENT FACTORS

The limited business profile assessment (bb) primarily reflects the Bank’s relatively low share in the Russian market. NK Bank offers services to corporate and retail clients. The Bank’s main business lines are corporate lending and private banking services. NK Bank is among Russia’s second hundred largest banks in terms of equity and assets. The Agency notes a certain decrease in the Bank’s business diversification amid growth of the share of income from interbank lending (which currently dominates) in the structure of operating income. The specified income item is followed in terms of volume by interest income from loans to legal entities, investments in securities and loans to individuals, as well as commission income.

NK Bank’s strategy envisages maintaining positions in the corporate segment and servicing high net worth individuals.

Adequate capital adequacy assessment. As of November 1, 2024, the Bank’s Tier 1 capital adequacy ratio (N1.2) was 30.3%, which allows the Bank to withstand an increase in the cost of risk above 500 bps without violating this standard, even if it is forced to significantly increase loan portfolio reserves. Taking into account forecasted profit for 2024, ACRA expects the averaged capital generation ratio (ACGR) to be positive (more than 100 bps) in the near future. The Agency notes the stable decline of the cost-to-income ratio, which evidences an improvement of the Bank’s operational efficiency.

Critical risk profile assessment. The share of non-performing and potential non-performing loans in the Bank’s loan portfolio remains high. Besides this, the loan portfolio concentration is still high.

As of October 1, 2024, the quality of the most assets outside the loan portfolio was high. The volume of non-core assets on the Bank’s balance sheet is low compared to equity, while operational and market risks are low as well.

Adequate funding and liquidity assessment. As of October 1, 2024, the Bank had a short-term liquidity surplus in ACRA’s base case and stress scenarios. Long-term liquidity is strong.

The increased concentration of funding on the funds of the largest group and the 10 largest groups of depositors remains a constraining factor for the overall funding and liquidity assessment. The share of the largest group of depositors is 17.5% of total liabilities, while the share of top ten groups is 70%. At the same time, the diversification by funding source is still acceptable.

KEY ASSUMPTIONS

- Maintaining the current strategy and business model in the next 12–18 months;
- Maintaining the capital adequacy ratio (N1.2) at no lower than 12% in the next 12–18 months;
- Positive net profits in 2024–2025.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Positive outlook** assumes that the rating will highly likely be upgraded within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Improved ability to generate capital;
- Lower share of problem and potential problem loans;
- Significantly lower concentration of the loan portfolio.

A negative rating action may be prompted by:

- N1.2 declining below 12%;
- Stable decline of business diversification;
- Significant growth of the share of retail clients in the funding structure coupled with a continued heightened concentration on the largest group and/or 10 largest groups of depositors.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **bb-**

Adjustments: none.

Support: none.

ISSUE RATINGS

There are no outstanding issues.

REGULATORY DISCLOSURE

The credit rating has been assigned to “NK Bank” under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Banks and Bank Groups under the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of “NK Bank” was published by ACRA for the first time on January 22, 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 “NK Bank”, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the IFRS financial statements of “NK Bank” and the financial statements of “NK Bank” drawn up in compliance with the requirements of the Bank of Russia. The credit rating is solicited and “NK Bank” 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 additional services to “NK Bank”. No conflicts of interest were discovered in the course of credit rating assignment.

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