

## ACRA ASSIGNS BB-(RU) TO CMRBANK (LLC), OUTLOOK STABLE

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The credit rating of **CMRBank (LLC)** (hereinafter, CMRBank, or the Bank) is based on its relatively low business profile assessment, strong capital position, weak risk profile assessment, and adequate funding and liquidity position.

CMRBank is a small financial institution that lends to corporate clients and individuals, and places funds in the interbank market and securities market. Funds from legal entities account for most of the Bank's funding.

### KEY ASSESSMENT FACTORS

**The relatively low business profile (b+)** reflects the Bank's small share in the Russian banking system. ACRA notes the low diversification of sources of operating income — this income is mainly generated by depositing funds with the Bank of Russia and interest income from securities and corporate lending. The Agency also notes the high risk of regional concentration. The quality of corporate governance is assessed as adequate. CMRBank's strategy involves growing its portfolio of loans to legal entities (primarily SMEs) and individuals (in terms of loans to employees that are part of the Bank's payroll programs), and placing free liquidity in interbank loans and the bond portfolio (mainly OFZs). Funding is carried out at the expense of legal entities and individuals, however, current changes to the operating environment may affect the implementation of the Bank's strategy.

**Strong capital position.** Regulatory standards are met with a large margin (including the N1.2 ratio, which was 39.89% as of October 1, 2023), which enables CMRBank to withstand growth in the cost of risk by more than 500 bps. ACRA assesses the Bank's ability to generate capital and the level of its operating efficiency under the influence of one-time factors and a time-limited development history as neutral.

**The weak risk profile assessment** reflects the high concentration on the ten largest groups of borrowers and the high level of non-performing loans in the loan portfolio coupled with a satisfactory assessment of the quality of risk management. When assessing the impact of market risk, ACRA also takes into account the high credit quality of the bond portfolio. Interbank loans are mainly placements with the Bank of Russia. At the same time, as a factor that puts pressure on the risk profile, the Agency notes the increased level of operational risk due to the regions where the Bank does business, which is partly hedged by insurance.

**Adequate funding and liquidity position.** CMRBank has surplus short-term liquidity in ACRA's base case and stress scenarios. The long-term liquidity shortage indicator corresponds to a strong assessment.

The funding sub-factor is assessed taking into account the high concentration on the funds of the largest group of lenders and the ten largest lenders (groups of lenders) in the Bank's liabilities. As of June 30, 2023, CMRBank's resource base was mainly made up of funds of legal entities, which indicates low diversification of the structure of liabilities. In ACRA's opinion, these

risks are actually already factored into the assessment of concentration on the funds of the largest groups of creditors, and therefore the Agency has not reduced its assessment of the funding sub-factor for this part.

### KEY ASSUMPTIONS

- Maintaining the current business model over the next 12–18 months;
- No deterioration of loan portfolio quality.

### 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:

- Considerable decline in the volume of non-performing loans and/or concentration on the ten largest groups of borrowers in the loan portfolio;
- Significant decline in the concentration on the largest source of the resource base or on the funds of the largest group of borrowers or the ten largest lenders (groups on lenders) in the Bank's liabilities.

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

- Growth in non-performing loans in the loan portfolio;
- Deteriorating of the quality of the securities portfolio;
- Growth in the volume of accepted market risk on the Bank's balance sheet.

### RATING COMPONENTS

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

Adjustments: none.

Support: none.

### ISSUE RATINGS

No outstanding issues have been rated.

### 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](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

A credit rating has been assigned to CMRBank (LLC) for the first time. 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 CMRBank (LLC), information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS financial statements of CMRBank (LLC) and the financial statements of CMRBank (LLC) drawn up in compliance with Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit rating is solicited and CMRBank (LLC) 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 CMRBank (LLC). No conflicts of interest were discovered in the course of credit rating assignment.

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