

ACRA AFFIRMS BB-(RU) TO LLC CB «GT BANK», OUTLOOK STABLE

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The credit rating of LLC CB «GT BANK» (hereinafter, GT Bank, or the Bank) is based on the Bank's moderately low business profile, strong capital adequacy, critical risk profile, and adequate liquidity and funding position.

GT Bank is a small credit institution that operates mainly in the Krasnodar Krai. The Bank's core activities are corporate lending, in particular to companies providing utilities services, and raising funds from individuals.

KEY ASSESSMENT FACTORS

The moderately low business profile assessment (bb-) reflects the Bank's relatively low share in the Russian financial services market. At the regional level, however, the Bank holds adequate market positions and has a stable base of borrowers and depositors.

The Bank's operating income diversification is assessed as medium. By the end-2023, the Herfindahl–Hirschman Index amounted to 0.27. The main sources of income, in almost equal shares, are interest incomes from funds held in credit institutions and from funds lent to corporate borrowers.

GT Bank's strategy provides for growth of its loan portfolio, resource base, and capital. In terms of active operations, the Bank aims at retaining the focus on corporate lending. The Bank also intends to develop its line of commission products for legal entities in order to increase non-interest revenues and further diversify the structure of its liabilities.

ACRA assesses the Bank's capital adequacy as strong. GT Bank has sufficient funds to withstand an increase in the cost of risk over 500 bps without violating the N1.2 ratio. The Bank has continued to demonstrate a stably positive financial result, so that the averaged capital generation ratio (ACGR) calculated over the past five years has remained strong. The Bank's operational efficiency shows positive dynamics and, given the financial performance of the Bank in 2023, its metrics are comparable with those demonstrated by peers.

The risk profile assessment is critical. In 2023, on the back of interest rate hikes, the Bank reduced the volume of new loans and multiplied the volume of its portfolio of guarantees. As a result, the share of the loan book amounted to 30% of assets by the end-2023. The Agency notes the Bank's efforts aimed at reducing the volume of non-performing and potentially non-performing loans, although their share remains high. The diversification of loan portfolio risks is still low: the share of the ten largest groups of associated borrowers in the Bank's total loan book exceeded 60% in 2023. The presence of non-core assets on the balance sheet received by the Bank as compensation from borrowers has a certain negative impact on the risk profile assessment. The Bank is selling those assets, but their share is still significant. ACRA assesses the risk management quality as satisfactory.

Adequate funding and liquidity position. The Bank has a sufficient buffer of liquid assets allowing it to withstand a substantial outflow of client funds both in ACRA's base case and stress scenarios on the 90-day horizon. The long-term liquidity shortage indicator (LTLSI) corresponds to the strong assessment.

The funding source diversification is assessed as moderate. The Bank's main funding source is funds from individuals, so that the concentration on individual client groups is insignificant.

KEY ASSUMPTIONS

- Maintaining the current strategy and business model within the 12 to 18-month horizon.
- Maintaining N1.2 above 12% within the 12 to 18-month horizon.
- Cost of credit risk at 2–4%.

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:

- Declining level of problem loans;
- Lower concentration of the loan portfolio on the ten largest groups of borrowers;
- Lower dependence on the main source of funding and maintaining the low concentration of the resource base.

A negative rating action may be prompted by:

- N1.2 falling below 12%;
- Deterioration in liquidity position;
- Increased dependence on funds from the largest creditors (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 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](#).

The credit rating of LLC CB «GT BANK» was published by ACRA for the first time on May 17, 2019. 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 LLC CB «GT BANK», information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS financial statements of LLC CB «GT BANK» and the financial statements of LLC CB «GT BANK» drawn up in compliance with Bank of Russia Ordinance No. 6406-U dated April 10, 2023. The credit rating is solicited, and LLC CB «GT 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 LLC CB «GT BANK». No conflicts of interest were discovered in the course of credit rating assignment.

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