

ACRA AFFIRMS BB-(RU) TO ROSDORBANK, OUTLOOK STABLE, AND B-(RU) TO BOND ISSUE

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The credit rating of **RosDorBank** (hereinafter, RDB, or the Bank) is determined by the limited business profile assessment, adequate capital adequacy assessment, critical risk profile, and adequate funding and liquidity position.

RDB is a small (in terms of assets) Moscow-based bank that focuses on servicing corporate clients in the SME segment.

KEY ASSESSMENT FACTORS

The limited business profile assessment (bb) stems from the Bank's limited share in the Russian banking system, coupled with relatively poorly diversified operating income. The assessment also takes into account the Bank's risk appetite, which the Agency believes is relatively high. The assessment of RDB's corporate governance system is in line with that of other regional banks.

As previously, RDB's strategy for the current year focuses on SMEs, including those operating in the construction industry, where the Bank boasts extensive experience and deep expertise in various construction industry segments (including road construction), the transportation sector, and related machine-building industry segments. The Bank also intends to develop leasing, factoring, and B2B2B products. In addition to the above competencies, RDB's development model involves active use of business relationships and connections of its multiple shareholders, which greatly contributes to client loyalty.

Adequate assessment of capital adequacy. Regulatory ratios are satisfied with a margin, while the Bank regularly pays dividends and periodically receives capital injections from owners. The averaged capital generation ratio (ACGR) for 2017–2021 exceeded 50 bps.

The Agency notes that the assessment of the Bank's operational efficiency has improved due to a lower average CTI (cost-to-income) ratio, while the NIM (net interest margin) is comparable to the NIM of peer banks.

Critical risk profile assessment. ACRA notes that according to IFRS reporting, Stage 3 loans have grown in RDB's portfolio, while total reserves for these loans amounted to around 40% of debt. The risk profile is further pressured by the Bank's rapid growth strategy, as well as lending to the construction and real estate sector, which, in the Agency's opinion, is sensitive to external shocks and has structurally high credit risks.

The share of the ten largest groups of borrowers accounts for about a third of the Bank's loan portfolio, which has a moderate level of concentration compared to Russian peers.

The quality of the portfolio of securities and interbank lending is acceptable.

Adequate funding and liquidity assessment. The Bank has a short-term liquidity surplus in ACRA's base case scenario and a small deficit in its stress scenario. The Bank's long-term liquidity shortage ratio is assessed as adequate. The Agency notes the heightened share of the largest creditor compared to last year, however, its total share in liabilities continues to be relatively small. Funding sources are diversified.

KEY ASSUMPTIONS

- Maintaining the current business model within the next 12 months;
- Maintaining the N1.2 ratio above 9% within the next 12 month thanks to, among other things, capital inflows from the Bank's shareholders;
- Maintaining the five-year ACGR above 50 bps.

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:

- Significant improvement of the risk profile, including a decline of the share of potentially non-performing loans and volumes of high-risk loans.

A negative rating action may be prompted by:

- Sustainable decline and stabilization of N1.2 at below 9% over the 12-month horizon;
- Actual or expected decline of the five-year ACGR below 50 bps;
- Actual or expected three-year average cost-to-income ratio exceeding 75%;
- Materialization of credit risk due to deterioration of the quality of the guarantee portfolio.

RATING COMPONENTS

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

Adjustments: none.

Support: none.

ISSUE RATINGS

RosDorBank, series 02 (RU000A0ZZZ25), maturity date: December 12, 2024, issue volume: RUB 300 mln — **B-(RU)**.

Rationale. The credit rating of the series 02 bond issue (ISIN RU000A0ZZZ25) has been affirmed at B-(RU) based on the affirmation of the issuer's credit rating. The issue is a Tier 2 capital instrument, which implies a significant level of subordination with respect to senior unsecured creditors and determines its rating three notches below the credit rating of RDB.

REGULATORY DISCLOSURE

The credit ratings have been assigned to RosDorBank and the bond issue of RosDorBank 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 [Methodology for Assigning Credit Ratings to Financial Instruments under the National Scale for the Russian Federation](#) was also applied to assign the credit rating to the above issue.

The credit ratings of RosDorBank and the bond issue (ISIN RU000A0ZZZ25) of RosDorBank were published by ACRA for the first time on April 10, 2018 and December 21, 2018, respectively. The credit rating of RosDorBank and its outlook and the credit rating of the bond issue (ISIN RU000A0ZZZ25) of RosDorBank are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on data provided by RosDorBank, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the consolidated IFRS financial statements of RosDorBank and the financial statements of RosDorBank drawn up in compliance with Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit ratings are solicited and RosDorBank participated in their assignment.

In assigning the credit ratings, 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 RosDorBank. No conflicts of interest were discovered in the course of credit rating assignment.

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