

August 22, 2019

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## Key rating assessment factors

# ACRA changes the status on the B(RU) credit rating of JSC Bank VENETS to “Rating under revision: developing”

The status on the B(RU) credit rating of [JSC Bank VENETS](#) (hereinafter, the Bank) has been changed from “Rating under revision: negative” to “Rating under revision: developing” to reflect the signs of stabilization in the N1.2 common capital adequacy ratio that ranged from 9.6% to 9.9% in June 01, 2019 – August 1, 2019. The stabilization was conditioned by the inclusion of the audited portion of the current-year profit (RUB 192.2 mln out of RUB 352.8 mln earned in 1H2019) into the Tier 1 capital. On the other hand, ACRA notes that the Bank's total capital was at its historic low of RUB 862 mln as of August 1, 2019, following the loan loss provisions of RUB 166 mln allocated in July 2019 to secure a non-performing loan. This loss was almost entirely absorbed by the unaudited portion of the current-year profit accounted for within the Tier 2 capital of the Bank.

The Bank's B(RU) credit rating is based on relatively low assessment of its business profile, satisfactory position on capital and adequate assessment of liquidity and funding. At the same time, ACRA notes that the risk profile assessment negatively affects the final credit rating.

If the Bank's total capital remains below RUB 1 bln, the Bank will be obliged to migrate from its current universal banking license to the base banking license, which may impair the Bank's business profile and, consequently, its standalone creditworthiness assessment (SCA) due to a transformation in the business model and a significant reduction in the loan portfolio. At the same time, in ACRA's opinion, the Bank's management is taking measures to increase the total capital.

The Agency is monitoring the situation and will review the credit rating status in the next 90 days.

## Key assumptions

- Compliance with the capital adequacy and liquidity ratios set forth by the Bank of Russia and other regulatory standards.

## Potential outlook or rating change factors

The status **Rating under revision: developing** assumes possible change in the rating within the short-term 90-day horizon.

### Removal of the credit rating status may be prompted by:

- Clarification of the matters relating to the universal banking license of the Bank.

## Rating components

**SCA:** b.

**Adjustments:** none.

**Support:** none.

## Issue ratings

No outstanding issues have been rated.

## Regulatory disclosure

The credit rating and the credit rating status were 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 Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of JSC Bank VENETS was first published by ACRA on November 6, 2018. The credit rating is expected to be revised no later than November 5, 2019.

The credit rating and the credit rating status are based on the data provided by JSC Bank VENETS, information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the IFRS financial statements of JSC Bank VENETS

and the financial statements of JSC Bank VENETS composed in compliance with the Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit rating is solicited, and JSC Bank VENETS participated in the assignment of the credit rating and the credit rating status.

No material discrepancies between the provided data and the data officially disclosed by JSC Bank VENETS in its financial statements have been discovered.

ACRA provided no additional services to JSC Bank VENETS. No conflicts of interest were discovered in the course of credit rating and the credit rating status assignment.

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