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**Key rating assessment factors**

**Key assumptions**

**Potential outlook or rating change factors**

**Rating components**

**Issue ratings**

## ACRA affirms B-(RU) to «BaikallInvestBank» JSC, with the status “Rating under revision: developing”

The affirmed credit rating of [«BaikallInvestBank» JSC](#) (hereinafter, BaikallInvestBank, or the Bank) at B-(RU) with the status “Rating under revision: developing” reflects ACRA’s opinion on the future development of the credit institution and the possible change in its standalone creditworthiness assessment (SCA) in the near future. The “Rating under revision: developing” status is due to the Bank’s expected acquisition of [JSC “BANK REALIST” \(hereinafter, Bank “Realist” \(B\(RU\), status “Rating under revision: developing”\)\)](#).

BaikallInvestBank is a minor credit institution operating primarily in the Irkutsk Region and Moscow. The Bank’s operations include corporate loans, consumer lending (loans to purchase construction machinery), bank guarantees, transactions in gold bullions, and foreign exchange transactions. As of January 1, 2019, BaikallInvestBank ranked 166<sup>th</sup> in capital and 185<sup>th</sup> in assets in the Russian banking system. The Bank’s key shareholders are Oleg Karchev, Vladislav Mangutov, and Alexey Abramov, who also co-own Bank “Realist” and the MERLION group of companies. The Bank is expected to close the acquisition of Bank “Realist” within the next three months.

ACRA is maintaining the credit rating of BaikallInvestBank at B-(RU) due to the Bank’s weak business profile in combination with its adequate capital adequacy, adequate liquidity position, neutral risk profile assessment, as well as its satisfactory funding structure.

ACRA plans to revise the Bank’s status within the next 90 days, as information becomes available on the final parameters of the acquisition, as well as current information on the financial condition and strategic plans of Bank “Realist.”

- Maintaining the current business model;
- N1.1 above 9%, N1.2 above 9% in the next 12-18 months;
- Cost of risk no higher than 3.5%;
- Net interest margin (NIM) no lower than 5%;
- Maintaining the current funding profile.

**A positive rating action may be prompted by:**

- A decrease of non-performing and uncollectible loans;
- Higher competitive position in key segments;
- Lower concentration of funding sources.

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

- Declining capital adequacy ratios;
- Deteriorating loan portfolio quality;
- Deteriorating liquidity position.

**Removal of the “Rating under revision” status may be prompted by:**

- Provision of data material to update the standalone creditworthiness assessment and the final credit rating of the Bank following its reorganization.

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

**Adjustments:** none.

**Support:** none.

No outstanding issues have been rated.

## Regulatory disclosure

The credit rating was assigned under the national scale for the Russian Federation and is 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 assigned to «BaikallInvestBank» JSC was first published by ACRA on November 30, 2017. The credit rating and its outlook are expected to be revised within 90 days following the publication date of this press release.

The assigned credit rating is based on the data provided by «BaikallInvestBank» JSC, information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using IFRS consolidated statements of «BaikallInvestBank» JSC and statements of «BaikallInvestBank» JSC composed in compliance with the Bank of Russia Ordinance № 4927-U dated October 8, 2018. The credit rating is solicited, and «BaikallInvestBank» JSC participated in its assignment.

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

ACRA provided no additional services to «BaikallInvestBank» JSC. No conflicts of interest were discovered in the course of credit rating assignment.

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