

Corporate Credit & Issue Rating

New Update

Sector: Banking

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Analyst(s)

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RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Stable	Stable
		LC Stable	Stable
	Issue Rating	BBB-	A-3
National	Local Rating	A- (Crt)	A-1 (Crt)
	Outlook	Stable	Stable
	Issue Rating	A- (Crt)	A-1 (Crt)
Sponsor Support		2	-
Stand-Alone		B	-
Sovereign*	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Stable	-
		LC Stable	-

*Assigned by JCR-ER on October 25, 2018

KentBank d.d.

Company Overview

Financial Data	2Q2018**	2017*	2016*	2015*	2014*
Total Assets (000 HRK)	2,202,204	2,078,596	2,129,355	1,354,826	1,173,993
Total Assets (000 EUR)	298,419	276,630	281,735	177,449	153,243
Equity (000 EUR)	31,391	30,658	27,865	26,301	21,445
Loans (000 EUR)	197,306	155,771	134,717	97,876	78,066
Deposits (000 EUR)	264,873	223,467	230,433	147,200	129,139
Net Profit (000 EUR)	699	697	1,076	513	-1436
Market Share (%) **	0.56	0.52	0.54	0.34	0.29
ROAA (%)	n.a	0.25	0.47	0.31	-1.07
ROAE (%)	n.a	2.38	3.97	2.15	-7.37
Equity/Assets (%)	10.52	11.08	9.89	14.82	13.99
CAR - Capital Adequacy Ratio (%) **	17.34	18.92	15.90	21.46	22.93
Asset Growth Rate (Annual) (%)	n.a	-1.81	58.77	15.80	32.78

* Audited financial statements ** Based on CNB Reporting

KentBank d.d. (referred to as “the Bank” or “KentBank”) was initially founded as Stedionica Brod in 1998, later took form of Banka Brod d.d. in 2002. The Bank was later acquired by Süzer Holding A.S. in 2012 and recapitalized considerably. Currently fully owned by Süzer Holding, KentBank serves its retail and corporate clients as a deposit collecting credit institution.

The Bank is positioned in the small-asset size cohort of the considerably fragmented Croatian Banking Sector and is adequately capitalized. The Bank’s superior asset quality, compared to the Sector and its peer group, supports its operating capabilities, is enhanced by the parent Holding’s financial and management support. KentBank’s margins are healthy and sufficient, even though the operating expenses indicate room for better economies of scale due to asset size.

KentBank operates in the Republic of Croatia through 15 branches. The Bank’s total workforce is approximately 200.

Strengths

- Widespread and core deposit base, supporting the liquidity profile and enlarging the funding pool
- Net interest margin wide enough to generate a reasonable foundation to support internal resource generation
- Lower NPL ratios and better asset quality compared to the peers, accompanied with higher provision coverage ratios and absence of material asset sales
- Loan/deposit ratios accommodating room for further growth
- Prudent underwriting procedures and reasonable risk management
- Demonstrated support from the parent Holding

Constraints

- Low market share and constrained business position necessitating additional equity injection so as to capture a greater market share
- Challenging operating environment due to unemployment, emigration trend and wage growth dynamics
- High operating expenses stemming from current business structure and limited economies of scale in the market
- Limited returns on assets and equity
- Market risk stemming from sizable share of treasury bonds & bills portfolio, inducing susceptibility to interest rates and engendering hedging requirements, despite reducing share in the recent periods

