

Corporate Credit & Issue Rating

New Update

Sector: Banking

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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 to Republic of Croatia by JCR-ER on July 16, 2019

KentBank d.d.

Company Overview

Financial Data	2Q2019**	2018	2017*	2016*	2015*
Total Assets (000 HRK)	2,379,580	2,424,078	2,078,596	2,129,355	1,354,826
Total Assets (000 EUR)	321,842	326,801	276,630	281,735	177,449
Equity (000 EUR)	35,353	31,557	30,658	27,865	26,301
Loans (000 EUR)	217,376	191,053	155,771	134,717	97,876
Deposits (000 EUR)	281,593	258,164	223,467	230,433	147,200
Net Profit (000 EUR)	1,898	1,016	697	1,076	513
Market Share (%) **	0.58	0.59	0.52	0.54	0.34
ROAA (%)	0.71	0.34	0.25	0.47	0.31
ROAE (%)	6.64	3.27	2.38	3.97	2.15
Equity/Assets (%)	10.98	9.66	11.08	9.89	14.82
CAR - Capital Adequacy Ratio (%) **	18.1	16.37	18.92	15.9	21.46
Asset Growth Rate (Annual) (%)	7.85	18.14	-1.81	58.77	15.8

* Audited financial statements ** Based on CNB Reporting, composition may differ for loans and deposits

KentBank d.d. (referred to as “the Bank” or “KentBank”) is a retail bank owned by Turkey-based conglomerate Süzer holding. The Bank was initially founded as Stedionica Brod in 1998, later took form of Banka Brod d.d. in 2002. Currently fully owned by Süzer Holding and significantly capitalized following the acquisition, KentBank serves its retail and corporate clients as a deposit collecting credit institution.

In the highly skewed market structure of the Croatian Banking Sector, KentBank is positioned in the small-asset size segment. In recent periods, the Bank improved its net interest margin, maintained its asset quality and reduced the funding costs via greater access to demand deposits. The operating and provision expenses, along with the structural challenges in the Sector continue to pose as challenges looking forward.

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

Strengths

- Wide net interest margin supporting internal resource generation
- Stable deposit base with low cost accounts supporting profitability
- Notable loanbook growth and asset transition to higher yielding loans from investment securities
- Comfortable loan to deposit ratio, allowing for future growth
- Prudent underwriting procedures and reasonable risk management
- Demonstrated support from the parent Holding

Constraints

- Competitive and skewed market structure with a notable concentration among the largest banks
- Relatively lower capital base considering the fragmented market structure with high capitalization at the top-end, despite confirming with regulations,
- Challenging operating environment due to unemployment, emigration trend and wage growth dynamics
- Limited returns on assets and equity
- Considerable provision expenses and asset quality issues in the Sector

