

## ACRA ASSIGNS AAA(RU) TO SOCIETE GENERALE STRAKHOVANIE LLC, OUTLOOK STABLE

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The credit rating of **SOCIETE GENERALE Strakhovanie LLC** (hereinafter, the Company) is based on the very high likelihood of extraordinary support being provided by the parent company, which has high creditworthiness, should this be necessary. The Company has a sufficiently high standalone creditworthiness assessment (SCA), moderate business profile, strong financial profile, and adequate corporate governance.

SOCIETE GENERALE Strakhovanie LLC is part of the international financial group Societe Generale (hereinafter, the Group). SOGECAP, which consolidates the Group's insurance business, holds an 81% share in SOCIETE GENERALE Strakhovanie LLC. The remaining 19% is owned by ROSBANK PJSC (ACRA rating **AAA(RU)**, **outlook Stable**; hereinafter, ROSBANK). The Bank is also controlled by the Group, which owns 99.97% of its equity. Ultimate control over SOCIETE GENERALE Strakhovanie LLC is exercised by Societe Generale S.A., which ACRA determines as the supporting entity (hereinafter, the Supporting Entity, or the SE) in accordance with the **Methodology for Analyzing Rated Entities Associated with a State or a Group**.

SOCIETE GENERALE Strakhovanie LLC provides retail clients services for insuring mortgages, property, and financial risks, as well as healthcare insurance. A Russia-based sister company, SOCIETE GENERALE Strakhovanie Zhizni LLC, provides life insurance services. Both companies operate under the Rosbank Insurance brand.

### KEY ASSESSMENT FACTORS

**Moderate business profile.** For 9M 2021, the Company's market share was insignificant. The Company's strongest position is in the personal property insurance segment (market share of 0.75%), while its main competitive advantage is its partnership with ROSBANK.

The diversification of the Company's client base is limited due to the high concentration of clients in Moscow. Sales channels are very highly concentrated — around 95% of premiums are received via ROSBANK offices. At the same time, ACRA considers this channel to be quite stable, since it is unlikely that ROSBANK, being an affiliate of the Company, will reject cooperation.

The Company offers a limited range of products to clients. The main share is occupied by insurance services related to lending and banking services. The Company does not operate in the auto insurance segment and offers limited coverage for medical risks.

A strong aspect of the Company's business is its high operational efficiency. The combined ratio for 2020 and 9M 2021 is lower than 0.8, which corresponds to a high assessment of business

efficiency. At the same time, the Agency assumes that in the medium term, the rate of growth of the Company's insurance premium will be no lower than the market average. The Company plans to expand its product line and channels for promoting its services. Growth will also be driven by the presence of ROSBANK as a strong partner and the use of its brand.

**The strong financial profile** is based on high capital adequacy, the high quality of assets, and strong liquidity. This is related to the Company's conservative policy with regard to insuring risks and asset-related risks.

The ratio of available capital and capital at risk assessed according to ACRA's methodology is very high. Along with the Company's consistent access to sources of capital, this determines the high capital adequacy.

Strong liquidity stems from the high assessments of liquidity ratios — as of December 31, 2020, the short-term and long-term liquidity ratios of the Company stood at 1.8x.

The Company has a conservative investment policy, which is determined by its governance bodies, and invests in assets with high credit quality — bonds of the Russian Ministry of Finance and liabilities of banks with high credit ratings. The high concentration of assets puts certain pressure on the assessment of their credit quality. As of September 30, 2021, liabilities of ROSBANK related to the Company accounted for 20% of assets, or 42% of internal funds.

**Quality of governance** is assessed as adequate since ACRA highly assesses the Company's corporate governance practices and its strategic planning, and also expects further development of risk management functions in line with the Company's plans.

**Very high likelihood of extraordinary support from the parent company.** In ACRA's opinion, if necessary the Supporting Entity will provide the Bank with sufficient short-term and long-term funding and capital injections in view of the following:

- The Russian market is significant for the Societe Generale group;
- Deep operational integration between the Company and the Group (the Company's management, strategic planning, and internal control standards are determined in line with the Group's approaches);
- A potential default of the Company will result in significant operational and financial risks for the Supporting Entity;
- The Group is ready to provide additional support in the form of liquidity or capital if necessary;
- ROSBANK, which is part of the Group, is a systemically important credit institution, which in ACRA's opinion can also serve as a source of support.

Taking into account the above factors, the Company's credit rating is set at AAA(RU).

## KEY ASSUMPTIONS

- The Group maintaining shareholder and operational control;
- Maintaining the Company's strategy in the Russian market.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

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

- Loss of shareholder or operational control by the Group, as well as reduced propensity of the SE to support the Company;
- Reduced strategic importance of the Company for the Group;
- Significant decline in the level of the SE’s creditworthiness.

**RATING COMPONENTS**

SCA: a.

Support: ACRA assumes that the Supporting Entity will provide extraordinary support to the Company in the form of capital injections and/or liquidity if necessary. Taking this into account, the Company’s rating is set at AAA(RU).

**ISSUE RATINGS**

There are no outstanding issues.

**REGULATORY DISCLOSURE**

The credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Insurance Organizations on the National Scale for the Russian Federation](#), [Methodology for Analyzing Rated Entities Associated with a State or a Group](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

A credit rating has been assigned to SOCIETE GENERALE Strakhovanie LLC for the first time. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by SOCIETE GENERALE Strakhovanie LLC, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the GAAP financial statements of SOCIETE GENERALE Strakhovanie LLC. The credit rating is solicited, and SOCIETE GENERALE Strakhovanie LLC participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which was, in ACRA’s opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to SOCIETE GENERALE Strakhovanie LLC. No conflicts of interest were discovered in the course of credit rating assignment.

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