

ACRA ASSIGNS A(RU) TO LIMITED LIABILITY COMPANY RNCB INSURANCE, OUTLOOK STABLE

ALEXEY BREDIKHIN

Director, Financial Institutions Ratings Group

+7 (495) 139 04 83

alexey.bredikhin@acra-ratings.ru

VALERIY PIVEN

Senior Director — Head of Financial Institutions Ratings Group

+7 (495) 139 04 93

valeriy.piven@acra-ratings.ru

The credit rating of Limited liability company **RNCB Insurance** (hereinafter, the Company) is based on the very high likelihood of extraordinary support, if needed, to the Company from the parent entity with high creditworthiness. The Company's standalone creditworthiness assessment (SCA) is based on moderately strong business profile, medium financial profile, and adequate corporate governance quality.

The Company is part of a banking group headed by a major Russian bank (hereinafter, the Supporting Entity, or the SE). The Company was established in early 2021. Currently, it offers a range of insurance products including accident insurance, property insurance for individuals and corporates, and medical insurance.

KEY ASSESSMENT FACTORS

Very high likelihood of extraordinary support from the Supporting Entity. In ACRA's opinion, the Supporting Entity will provide the Company with sufficient long-term and short-term financing and capital injections, if needed. This opinion is based on the following:

- The insurance market is important for the SE since its growth potential is high;
- There is a deep operational integration between the Company and the SE (the Company's standards of management, strategic planning and internal control are established in line with the Supporting Entity's approaches);
- Potential default of the Company may pose substantial operational and financial risks for the SE;
- The Company has been funded by the SE to develop its business, and the SE would also provide additional support in the form of liquidity or capital, if needed.

Given the above factors, ACRA has determined the Company's credit rating one notch below the credit rating of the Supporting entity.

Moderately strong business profile. In the first nine months of 2022, the Company's market share was insignificant. The main competitive advantage is partnership with the Supporting Entity.

The diversification of the Company's customer base is limited due to the high concentration of customers in certain regions. Sales channels are strongly concentrated: about 95% of premiums come through the SE's offices. At the same time, ACRA considers this channel to be quite stable, since the Supporting Entity, being the owner of the Company, is unlikely to dissolve this partnership.

The range of products offered to customers is limited, with the major share occupied by insurance services related to lending and banking services. The Company does not operate in the motor insurance segment and offers limited coverage of medical risks.

A strength of the Company's business is high operational efficiency. The combined loss ratio is expected to be about 0.9 by the end of 2022. At the same time, the Agency believes that in the medium term the Company is able to maintain business efficiency at a high level. In addition, the growth rate of the Company's insurance premium is expected to be higher than the market average. The Company plans to expand its product range and channels for promoting its services. The presence of a strong partner (the Supporting Entity) will also contribute to the growth.

The medium assessment of the financial profile is determined by capital adequacy metrics and asset quality. The liquidity assessment is at a higher level and does not affect the financial profile.

The ratio of available capital to capital at risk, estimated in line with ACRA's methodology, is below medium. Given the Company's access to capital sources, the capital adequacy assessment is medium.

The Company follows a conservative investment policy established by its management bodies and invests in assets of high credit quality: bonds of the Ministry of Finance of the Russian Federation and the obligations of the Supporting Entity. Significant pressure on the asset quality assessment is exerted by high asset concentration. As of September 30, 2022, investments in the SE's obligations accounted for 57% of assets, or 78% of equity.

Strong liquidity is based on high scores for liquidity ratios: as of September 30, 2022, the Company's short-term and long-term liquidity ratios were much higher than the relevant thresholds.

The quality of corporate governance is assessed as adequate, since ACRA positively assesses management's experience and corporate governance practices of the Company.

KEY ASSUMPTIONS

- Maintaining the SE's shareholder and operational control over the Company.
- Maintaining the Company's strategy in the Russian insurance market.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

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

A positive rating action may be prompted by:

- Growth of the Supporting Entity's creditworthiness;
- Significant increase in the Company's SCA.

A negative rating action may be prompted by:

- Loss of shareholder or operational control by the SE, and lower propensity of the SE to support the Company.
- Decline in the Supporting Entity's creditworthiness.

RATING COMPONENTS

SCA: a-

Support: SCA plus one notch.

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](#), the [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 Limited liability company RNCB Insurance 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 Limited liability company RNCB Insurance, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the ISAP financial statements of Limited liability company RNCB Insurance. The credit rating is solicited, and Limited liability company RNCB Insurance participated in its assignment.

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

ACRA provided no additional services to Limited liability company RNCB Insurance. No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2022

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.ru

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bln. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website — www.acra-ratings.com/criteria.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website — www.acra-ratings.com. Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by legislation of the Russian Federation.