

November 1, 2016

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Key rating assessment factors

Key assumptions

Potential outlook or rating change factors

ACRA assigns AAA(RU) to Bank NCC (JSC), outlook Stable

The credit rating of [Bank NCC \(JSC\)](#) (hereinafter – NCC) is based on its strong and stable business profile, exceptional liquidity position and high capital adequacy, with the latter compensating for the risk profile. The rating is additionally supported by NCC's critical systemic importance for the Russian financial market.

As a subsidiary of Moscow Exchange Group, NCC performs functions of a clearing organization and central counterparty on the Russian financial market.

Strong business profile, which is reflected in NCC's key role as a clearing organization and central counterparty, with almost monopolist market position. The business profile assessment is also supported by high corporate governance standards implemented in Moscow Exchange Group.

Strong capital adequacy position, which is achieved due to NCC's ability to generate a steady volume of new capital (on average, in the range of 250–350 bps), with moderate dividend payout.

Significant amount of assets exposed to market risk (2.5x the volume of Tier-1 capital) exerts pressure on the aggregate risk profile of NCC, but is compensated in the rating structure by practically minimal credit risk as a result of counterparty defaults. This is achieved through a well-structured system of risk management, central counterparty default waterfall (including dedicated capital) and default localization principles in place.

NCC's critical systemic importance for the Russian financial market. In our opinion, a default (termination of activities) of NCC may lead to a systemic crisis in most of Russian financial market segments, which in turn might have a significant negative impact on financial stability and economic condition of the entire country.

- NCC retains the role of key clearing organization and central counterparty in Russia;
- Cost of credit risk is within 50 bps;
- Capital adequacy is above 11% within the 12 to 18-month horizon;
- No material financial obligations (debt);
- Use of NCC's resources for supporting other companies within Moscow Exchange Group is not expected.

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:

- A significant deterioration of the NCC's capital adequacy as a result of profitability decline or aggressive dividend policy;
- Deterioration of the liquidity position related to a thinning highly liquid asset cushion on the NCC balance.

Rating components

Standalone creditworthiness assessment (SCA): aa.

Adjustment: systemic importance, 3 notches up.

Issue ratings

No outstanding issues have been rated.

Regulatory disclosure

The credit rating has been 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 has been assigned to Bank NCC (JSC) for the first time. The credit rating and its outlook are expected to be revised within one year following the rating action (October 31, 2016).

The assigned credit rating is based on the data provided by Bank NCC (JSC), information from publicly available sources, as well as ACRA's own databases.

The credit rating is solicited and Bank NCC (JSC) participated in its assignment.

No material discrepancies between the provided data and the data officially disclosed by Bank NCC (JSC) in its financial report have been discovered.

ACRA provided no additional services to Bank NCC (JSC). No conflicts of interest were discovered in the course of credit rating assignment.

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