

December 27, 2017

Lead analysts:

Alexander Proklov, Director
+7 (495) 139-0343
alexander.proklov@acra-ratings.ru

Mikhail Doronkin, Senior Analyst
+7 (495) 139-0484
mikhail.doronkin@acra-ratings.ru

Key rating assessment
factors

ACRA assigns A-(RU) to “SOLLERS-FINANCE”, LLC, outlook Stable

The credit rating of [“SOLLERS-FINANCE”, LLC](#) (hereinafter — SOLLERS FINANCE, or the Company) is based on adequate business profile and capital adequacy assessment, strong risk profile, satisfactory funding and liquidity assessment as well as support from shareholders). The Company has a moderately high creditworthiness as compared to other issuers in the Russian Federation.

“SOLLERS-FINANCE”, LLC is a Russian leasing company with a primary specialization in providing financial lease services with respect to motor vehicles: cargo and passenger vehicles, buses and minibuses.

Adequate business profile assessment is based on a strong position of SOLLERS FINANCE among medium-size leasing companies specializing in financial lease of motor vehicles, primarily in the cargo segment. Liquidity of vehicles in this segment is assessed as high, which allows the Company to be flexible in responding to worsening economic environment.

The Company’s development strategy involves business expansion in the key segments for it, and primarily in leasing cargo vehicles, buses and minibuses. Further development of SOLLERS FINANCE involves cooperation with the automotive lending business of one of the owners. Corporate governance and risk management system is assessed as adequate in the context of the Company’s size and the business niche that SOLLERS FINANCE is in.

Capital adequacy of SOLLERS FINANCE is assessed as strong supported by the Company’s profitable activities over a number of years. As at the end of September 2017, capital adequacy ratio (CAR) stood at around 22%. ACRA expects the averaged capital generation ratio (ACGR) to equal 354 bps as at year-end 2017. Capital adequacy levels allow the Company to absorb potential losses if overdue loans in the leasing portfolio increase substantially following a substantial decline in the economy.

Company’s risk profile is assessed as adequate. The share of lease contracts with payments overdue for more than 90 days is 0.2% of the total portfolio. There is a proven and tested method for direct debit of payments, if necessary, with respect to lease contracts with lessees of low credit quality (as defined in the ACRA methodology). The Agency also points to a high liquidity of automotive equipment, control over, and allowed prompt seizure of, leased items as well as the established process for selling vehicles in case of lease contracts termination.

The Company strategy assumes a rapid growth of the aggregate leasing portfolio; therefore, within the 1 to 2-year horizon, any possible growth of overdue debt would have no effect on the risk profile. In addition, the leasing portfolio of SOLLERS FINANCE would primarily grow in the automotive equipment lease segment, which would allow maintaining high liquidity of equipment. However, in a longer term, the Company’s ability to maintain low share of overdue lease payments would depend on risk management quality.

Low diversification of the funding structure coupled with adequate liquidity position. Current funding structure in terms of sources is assessed as highly concentrated: debt securities now provide the bulk of funding. As at October 1, 2017, the Company’s bond issue accounts for 61% of liabilities, while bank financing accounts for 7.1%. According to ACRA estimates based on the Company’s strategy analysis, bonds would continue dominating the funding structure in the next 12-18 months.

The liquidity management policy of SOLLERS FINANCE incorporates its business specifics, which requires no significant cushion of high-liquid assets to be maintained in view of high liquidity of leased equipment and highly diversified leasing portfolio in terms of clients. The liquidity management policy is based on a potentially fast reduction of new lease sales in case of a projected liquidity deficit. In addition, the Company maintains credit lines from several large Russian banks, which also represents an additional liquidity source in a base case scenario.

Limited likelihood of extraordinary support from the parent entity. In ACRA’s opinion, one of the Company’s two shareholders, can act as a Supporting Institution (SI) capable of providing SOLLERS FINANCE with both short-term and long-term financing (liquidity as may be required) and of making capital injections based on the following factors:

- Availability of significant legal and operational interrelations between one of the banking owners and SOLLERS FINANCE;
- The Company is regarded as a member of the banking group in its strategy for automotive lending and leasing.

The rating assigned by ACRA to Supporting Institution is A(RU), outlook Stable. The level of connection between the Supporting Institution and the Company is assessed by ACRA as moderate. ACRA therefore added one notch to the Company’s SCA.

Key assumptions

- Maintaining the accepted business model of the Company within the 12 to 18-month horizon;
- The capital adequacy ratio (CAR) of at least 12% within the 12 to 18-month horizon;
- Share of leasing contracts with overdue payments is below 5%.

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 positive rating action may be prompted by:

- A successful implementation of the strategy to increase the market share, while retaining sustainable business profitability and low share of overdue lease payments;
- A substantially increased diversification of the funding structure;
- Further integration of the Company into activities of the one of the owner’s banking group, which could motivate an increase of the shareholder support assessment.

A negative rating action may be prompted by:

- A lower willingness of shareholders to support the Company, or a substantial decline in creditworthiness of the SI;
- A substantial CAR decrease due to active business growth of the Company or increase in the cost of risk;
- A significantly deteriorating quality of the leasing portfolio;
- A substantially worse liquidity position.

Rating components

Standalone creditworthiness assessment (SCA): bbb+.

Adjustments: no.

Support: +1 notch.

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 Leasing Companies Under the National Scale for the Russian Federation, [Methodology for Analyzing Member Company Relationships within Corporate Groups](#), 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 «SOLLERS-FINANCE», LLC for the first time. The credit rating and credit rating outlook are expected to be revised within one year following the rating action (December 25, 2017).

The assigned credit rating is based on the data provided by «SOLLERS-FINANCE», LLC, information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using IFRS consolidated statements of «SOLLERS-FINANCE», LLC and statements of «SOLLERS-FINANCE», LLC composed in compliance with RAS. The credit rating is solicited, and «SOLLERS-FINANCE», LLC participated in its assignment.

No material discrepancies between the provided data and the data officially disclosed by «SOLLERS-FINANCE», LLC in its financial statements have been discovered.

ACRA provided no additional services to «SOLLERS-FINANCE», LLC. No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2017

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

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 bn. 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 the 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 a 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 the 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 the legislation of the Russian Federation.