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Key rating assessment  
factors

## ACRA affirms BBB-(RU) to CB “Renaissance Credit” (LLC), outlook Positive

The credit rating assigned to [CB “Renaissance Credit” \(LLC\)](#) (hereinafter, the Bank) is based on the Bank’s moderate business profile, adequate capital adequacy, weak risk profile, and adequate funding and liquidity position. The Positive outlook is based on ACRA’s expectation that the Bank’s rating factors will improve after the COVID-19 crisis. The volatility of asset quality and profit indicators resulting from the specifics of the Bank’s business model and the impact of the pandemic limits standalone creditworthiness assessment (SCA). The SCA is also limited by the very high concentration of funding on consumer funds. The credit rating is supported by the high probability of shareholder support.

The Bank’s ownership structure is transparent. The largest ultimate beneficiary of the Bank is Mikhail Prokhorov. Shareholding control over the Bank is exercised through the ONEXIM Group, whose representatives take an active part in developing the Bank’s strategy and reviewing its operating performance.

**The Bank’s business profile reflects its medium position** in the Russian banking sector. As of August 1, 2020, the Bank ranked 35<sup>th</sup> in capital and 46<sup>th</sup> in assets. The Bank’s business is focused on unsecured general-purpose consumer lending, purpose loans to purchase goods and services, and credit cards, equaling 67.7%, 23.5%, and 8.8% of the total portfolio, respectively, as of January 1, 2020.

However, the business profile is limited by the mono-line business model of the Bank. In 2019, the Herfindahl–Hirschman Index used by ACRA to assess the diversification of operating income stood at 0.53. ACRA also takes into account the risks related to the Bank’s strategy and the high sensitivity of unsecured consumer lending business to economic cycles.

**ACRA assesses the Bank’s capital adequacy as adequate.** As of July 1, 2020, the Tier-1 capital adequacy ratio calculated according to Basel standards was 20.6%. However, the Bank’s equity according to RAS (N1.2) as of the same date was 11.0%. The average capital generation ratio calculated for 2015–2019 stands at 117 bps. According to ACRA’s methodology, this would limit the primary capital adequacy assessment. According to ACRA’s stress test, the Bank is able to withstand a 300-500 bps increase in the cost of risk even if the quality of the loan portfolio significantly deteriorates within the 12-month horizon.

**The risk profile assessment is limited** by non-performing loan dynamics as well as high risks in the unsecured lending segment (especially considering a possible second wave of COVID-19). ACRA notes an increase in NPL90+ (loans overdue for more than 90 days) to 8.9% of the total loan portfolio as of July 1, 2020 (4.9% a year earlier). Taking into account restructured loans, the share of problem and potentially problem debt in the Bank’s loan portfolio exceeds 10%.

**The liquidity and funding factor is assessed as adequate.** This assessment is based on the Bank’s surplus short-term liquidity position in the base case scenario and a slight deficit in the stress scenario. In addition, ACRA takes into account the Bank’s business model specifics, which are based on short-term funding using consumer deposits and assume potentially high risks of the substantial outflow of funds. The assessment is limited by the very high funding concentration on consumer funds (91% as of July 1, 2020).

**ACRA has also made an upward adjustment to the Bank's SCA considering the likelihood of shareholder support.** The adjustment takes into account the historic record of the Bank's support by its key beneficiary and/or its companies. In compliance with the [Methodology for Analyzing Member Company Relationships within Corporate Groups](#), ACRA has added one notch to the SCA.

### Key assumptions

- Moderate growth of non-performing loans;
- Tier-1 capital adequacy ratio (N1.2) remaining above 8.5%.

### Potential outlook or rating change factors

The **Positive outlook** assumes that the rating will most likely be upgraded within the 12 to 18-month horizon.

#### **A positive rating action may be prompted by:**

- Profitability remaining at the current level;
- NPL90+ remaining below 5% amid slower growth of the loan portfolio.

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

- Substantial growth in the share of problem loans in the loan portfolio;
- Significant decrease in profitability or capital adequacy;
- Lower probability of support from the Bank's controlling shareholder.

### Rating components

**SCA:** bb+.

**Adjustments:** support from shareholders: +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 based on the [Methodology for Credit Ratings Assignment to Banks and Bank Groups Under the National Scale for the Russian Federation](#), the [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](#).

The credit rating assigned to CB "Renaissance Credit" (LLC) was first published by ACRA on October 2, 2017. 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 the data provided by CB "Renaissance Credit" (LLC), information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the IFRS statements of CB "Renaissance Credit" (LLC) and the financial statements of CB "Renaissance Credit" (LLC) drawn up in compliance with Bank of Russia Ordinance No. 4927-U of October 8, 2018. The credit rating is solicited, and CB "Renaissance Credit" (LLC) participated in its assignment.

No material discrepancies between the provided information and the data officially disclosed by CB "Renaissance Credit" (LLC) in its financial statements have been discovered.

ACRA provided no additional services to CB "Renaissance Credit" (LLC). No conflicts of interest were discovered in the course of credit rating assignment.

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