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Key rating assessment factors

ACRA affirms AAA(RU) to RN Bank, outlook Stable, and AAA(RU) to bond issues

The credit rating of [JSC «RN Bank»](#) (hereinafter, the Bank) reflects the Bank's standalone creditworthiness assessment (SCA) at a+, and the high probability of the Bank receiving necessary shareholder support. The Bank's SCA is based on strong capital adequacy and risk profile, and adequate liquidity and funding position.

The Bank is a medium-sized credit institution fully owned by foreign shareholders, including [AO UniCredit Bank \(AAA\(RU\), outlook Stable\)](#), a subsidiary of UniCredit S.p.A., with a 40% share, the French automobile manufacturer Renault S.A. (30% via its subsidiary RCI Banque S.A.), and the Japanese company Nissan Motor Co., Ltd. (30%). The Bank is a captive finance company of the Renault-Nissan-Mitsubishi Alliance (the Alliance), and therefore its business profile is focused on car loans and factoring receivables for car dealerships. The Bank has no proprietary branch network, but it issues secured loans through car showrooms (spread out nationwide, but concentrated mostly in the Central Federal District of Russia). In contrast, factoring deals are made in the Bank's headquarters only.

The high likelihood of extraordinary support from Supporting Organizations (SOs). ACRA believes that if necessary, RCI Banque S.A., Nissan Motor Co., Ltd., and Unicredit S.p.A. will provide the Bank with long-term and short-term financing as well as replenish its capital. ACRA considers the abovementioned entities to be the Bank's SOs, as AO UniCredit Bank, in particular, coordinates all strategic decisions concerning the Bank with Unicredit S.p.A. ACRA believes the SOs are ready to provide extraordinary support based on the following factors:

- Strategic importance of the Russian market for the Alliance;
- Potentially high reputational risks in the event of the Bank's bankruptcy.

ACRA assesses the final country risk of the foreign SOs' jurisdictions of presence (compared to Russia's country risk) and the Bank's relationships with its shareholders as strong. ACRA assesses the SOs' overall creditworthiness as moderately strong. Therefore, the Bank's SCA is upgraded by five notches. ACRA notes that further deterioration in the financial situation of Nissan Motor Co., Ltd. and Renault S.A. may downgrade the overall SO creditworthiness and lead to a decrease in the number of support notches applied by ACRA.

The adequate business profile. Regardless poorly diversified business profile of the Bank due to its specific business niche, the Bank's operating income before provisions has grown steadily over the past five years due to rapid development in both the Bank's core business and ancillary services (financial services supplementing retail lending performed by the Bank). Since the actual launch of operations in August 2013 after acquiring and rebranding Bank Sibir, the Bank has significantly built up its operating efficiency, which ACRA now assesses as high. In 2021, the Bank will pursue a strategy generally in line with current macroeconomic trends and is viewed by ACRA as a realistic approach.

The Bank's strong capital adequacy assessment is based on consistently adequate capital adequacy ratios. As of December 1, 2020, N1.2 equaled 16.8%, allowing the Bank to withstand a credit risk increase over 500 bps without a breach of capital adequacy ratios or the need for financial assistance from shareholders. The current averaged capital generation ratio is tending to grow (168 bps over the past five years).

The risk profile assessment has been upgraded to strong to reflect better estimate of the influence of the loan portfolio growth trend on the sustainability of the Bank. In 2020, the Bank saw a substantial decrease in factoring transactions with car dealers, which resulted in a shrink in the loan portfolio instead of the expected active growth. The Agency expects that in the next 12–18 months, the Bank's risk appetite will remain at the level showed by peer banks.

The quality of the Bank's risk management system is strong, based on independent internal decision-making processes, supervised by the Bank's shareholders, and characterized by the high underwriting standards, transparent and streamlined risk management procedures, and regularly updated risk management solutions. This is confirmed by, among other things, the high quality of the loan portfolio. A certain decline in the economic situation in Russia caused by the pandemic has led to an increase in the volume and share of IFRS 9 Stage 3 loans. However, in ACRA's opinion, the share of such loans in the portfolio is relatively low (1.7% as of June 30, 2020). The Bank's receivables include car loans (about 74% of the portfolio) and factored receivables. The portfolio shows no concentration on high-risk industries or related parties, and the concentration on the largest borrowers has declined to about 9.5% of the portfolio.

The adequate liquidity and funding assessment. The Bank is very capable of fulfilling its obligations within the 90-day horizon given its substantial short-term liquidity surplus demonstrated in both the base case scenario (about RUB 24 bln) and the stress scenario (25% of liabilities), as well as the option for immediately raising significant amounts of short-term ruble liquidity from shareholders. The average short-time liquidity indicator significantly exceeded 100% in 2020. ACRA notes no imbalances within longer periods, as the long-term liquidity shortage indicator is high.

At the same time, the Bank's concentration on top lenders has remained high (the top ten lenders account for about 46% of the funding base, including shareholders for 26%). Active bond issuance over the past years has increased the diversification of the Bank's resource base, and the share of the largest source (issued bonds) amounted to 45.7% as of mid-2020. The Bank has raised no funds from the regulator.

Key assumptions

- Maintaining the current business model within the 12 to 18-month horizon;
- No significant changes in shareholder structure within the 12 to 18-month horizon;
- Net interest margin within 5–6%;
- Capital adequacy ratio (N1.2) above 13% within the 12 to 18-month horizon;
- UniCredit S.p.A. retaining its shareholder, strategic, and operational control over AO UniCredit Bank as a shareholder of the Bank.

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:

- Deterioration of shareholder financial condition and/or negative trends in the management of Alliance structures;
- Decline in shareholder willingness to support the Bank;
- Aggressive expansion of the Bank's loan portfolio and increase in the volume of problem loans.

Rating components

SCA: a+.

Adjustments: none.

Support: SCA + 5 notches.

Issue ratings

[Bond issued by JSC «RN Bank», series BO-001R-03 \(RU000A0ZZUK5\)](#), maturity date: November 22, 2021, issue volume: RUB 5 bln — **AAA(RU)**

[Bond issued by JSC «RN Bank», series BO-001R-04 \(RU000A1003Q0\)](#), maturity date: February 16, 2022, issue volume: RUB 5 bln — **AAA(RU)**

[Bond issued by JSC «RN Bank», series BO-001R-05 \(RU000A100A90\)](#), maturity date: April 25, 2022, issue volume: RUB 8 bln — **AAA(RU)**

[Bond issued by JSC «RN Bank», series BO-001R-06 \(RU000A100UU0\)](#), maturity date: September 26, 2022, issue volume: RUB 7 bln — **AAA(RU)**

[Bond issued by JSC «RN Bank», series BO-001R-07 \(RU000A102960\)](#), maturity date: October 24, 2020, issue volume: RUB 8 bln — **AAA(RU)**

Rationale. In ACRA's opinion, the bonds listed above are senior unsecured debt instruments, the credit ratings of which correspond to the credit rating of [JSC «RN Bank»](#) – **AAA(RU)**.

Regulatory disclosure

The credit ratings were assigned to JSC «RN Bank» and the bonds (RU000A0ZZUK5, RU000A1003Q0, RU000A100A90, RU000A100UU0, RU000A102960) issued by JSC «RN Bank» 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 Relationships Between Rated Entities and Supporting Organizations Registered Outside the Russian Federation](#), and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#). To assign credit ratings to the bond issues above, ACRA also used the Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale of the Russian Federation.

The credit rating assigned to JSC «RN Bank» and the credit ratings assigned to the bonds (RU000A0ZZUK5, RU000A1003Q0, RU000A100A90, RU000A100UU0, RU000A102960) issued by JSC «RN Bank» were first published by ACRA on March 2, 2017, November 19, 2018, February 13, 2019, April 22, 2019, September 23, 2019, and October 21, 2020, respectively. The credit rating of JSC «RN Bank» and its outlook, as well as the credit ratings of the bonds (RU000A0ZZUK5, RU000A1003Q0, RU000A100A90, RU000A100UU0, RU000A102960) issued by JSC «RN Bank» are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on the data provided by JSC «RN Bank», information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the IFRS financial statements of JSC «RN Bank» and the financial statements of JSC «RN Bank» composed in compliance with Bank of Russia Ordinance No. 4927-U, dated October 8, 2018. The credit ratings are solicited, and JSC «RN Bank» participated in the rating process.

No material discrepancies between the provided data and the data officially disclosed by JSC «RN Bank» in its financial statements have been discovered.

ACRA provided no additional services to JSC «RN Bank». No conflicts of interest were discovered in the course of credit rating process.

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