

ACRA AFFIRMS AA(RU) TO JSC “AUTO FINANCE BANK”, CHANGES OUTLOOK TO POSITIVE, AND AFFIRMS AA(RU) TO BOND ISSUES

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The credit rating of JSC “Auto Finance Bank” (hereinafter, Auto Finance Bank, or the Bank) is determined by the Bank’s stable business profile, strong capital adequacy and risk profile assessments, and the adequate position in funding and liquidity. The moderate influence of external support on the Bank’s credit rating reflects, on the one hand, the creditworthiness of the entity that may serve the source of support and, on the other hand, the degree of integration between the Bank and such entity and the role the Bank plays in the implementation of its strategy.

The change in the credit rating outlook to Positive reflects ACRA’s opinion that further growth of the Bank’s business will help strengthen its competitive position, including through operational partnership between Auto Finance Bank and the largest national automaker, which will be a factor positively affecting the Bank’s creditworthiness.

Auto Finance Bank is a medium-sized bank in terms of capital and assets. The Bank’s business is focused on retail car loans and financing carmakers and dealers of a number of car brands.

KEY ASSESSMENT FACTORS

The business profile is assessed as stable. As part of the implementation of the development strategy, in 2024 the Bank has been actively increasing its portfolio of loans to both corporates and individuals, so that the portfolio’s volume exceeded that at the beginning of 2022. Further development plans provide for stronger ties with Russian automakers and the overall growth of the core business. Operating income is still assessed as fairly stable; however, the concentration on certain sources of such income is somewhat increased. In the Agency’s opinion, the Bank’s organizational structure and the experience of its management team ensure efficient operation of the Bank and match the risks taken by the Bank.

The strong capital adequacy assessment is based on the fact that adequacy ratios are maintained at much higher than the regulatory minimums (the N1.2 capital adequacy ratio was 25.234% as of September 1, 2024). This allows the Bank to withstand a significant credit risk increase without breaching capital adequacy ratios as shown by ACRA’s stress test. The Bank maintains a consistently high capital generation capacity and high operational efficiency. Despite the expected increase in the loan portfolio in the coming years, ACRA believes that the Bank’s capitalization will remain high.

The risk profile is assessed as strong. Auto Finance Bank’s high-quality risk management system is based on independent internal decision-making processes and supervised by the Bank’s shareholder. The system is also characterized by high underwriting standards, transparent and streamlined risk management procedures, and regularly updated risk management solutions. ACRA notes the stable quality of the Bank’s loan portfolio (the share of IFRS 9 Stage 3 loans does not exceed 5%), but at the same time draws attention to some growth in the volume of Stage 2 loans. The Agency notes that the loan portfolio’s volume has surged since the previous rating action, which is associated with the recovery of the Bank’s business. However, ACRA expects

that in the next 12 months, the growth rate of the car lending market will decline. The bulk of loans issued by the Bank are car loans to individuals, the rest are used to finance car dealers. The Bank's strategy involves growing the retail lending portfolio. The concentration on the 10 largest borrowers is assessed as low.

Adequate funding and liquidity position. Auto Finance Bank has a strong capability to fulfil its obligations within the 90-day horizon given its substantial short-term liquidity surplus demonstrated in both the base case scenario and the stress scenario of the Agency. ACRA notes no imbalances within longer periods, as the long-term liquidity shortage indicator is assessed as strong. All the Bank's liquidity-related ratios exceed regulatory minimums: as of September 1, 2024, the instant liquidity (N2) and current liquidity (N3) ratios were 326.838% and 153.775%, respectively.

ACRA notes an increase in the volume of funds raised from corporate clients, which drove up the concentration on the largest creditors (depositors), however, this increase pushes down the concentration on certain sources of the resource base. In view of the above, the Bank's diversification by funding source is still assessed as satisfactory.

The moderate influence of potential support on the Bank's credit rating stems from, on the one hand, the creditworthiness of the entity that may act as the source of support, and on the other hand, the degree of integration between the Bank and such entity and the role the Bank plays in the implementation of its strategy.

KEY ASSUMPTIONS

- Maintaining the shareholder structure and corporate governance system.
- Further adapting the Bank's business model to the changing operating environment, as well as development in line with the approved new strategy.
- Stronger positions of the Bank as a major provider of auto loans for the purchase of new cars.
- Strong capital adequacy over the next 12 to 18 months.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

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

A positive rating action may be prompted by:

- Significant strengthening of the Bank's market position as a result of a sustainable increase in the scale of activities with adequate and successful implementation of the strategic plans along with the risk profile remaining unchanged;
- Considerable strengthening of the Bank's role in terms of developing the company that is the potential source of extraordinary support.

A negative rating action may be prompted by:

- Increased volume and/or share of non-performing loans in the Bank's loan portfolio;
- Significant growth in concentration on creditors and/or sources of funding;
- Considerable deterioration of capital adequacy indicators (N1.2 ratio falling below 12%);
- Lower ability to provide extraordinary support to the Bank by the company that is the potential source of this support.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **a+**.

Adjustments: none.

Support: SCA plus two notches.

ISSUE RATINGS

Exchange-traded interest-bearing non-convertible uncertificated bonds of JSC “Auto Finance Bank” subject to centralized title registration, series BO-001P-10 (RU000A105HN1), maturity date: December 1, 2025, issue volume: RUB 7 bln — **AA(RU)**.

Exchange-traded interest-bearing non-convertible uncertificated bonds of JSC “Auto Finance Bank” subject to centralized title registration, series BO-001P-11 (RU000A107HR8), maturity date: December 24, 2026, issue volume: RUB 7 bln — **AA(RU)**.

Exchange-traded interest-bearing non-convertible uncertificated bonds of JSC “Auto Finance Bank” subject to centralized title registration, series BO-001P-12 (RU000A108RP9), maturity date: June 18, 2027, issue volume: RUB 10 bln — **AA(RU)**.

Exchange-traded interest-bearing non-convertible uncertificated bonds of JSC “Auto Finance Bank” subject to centralized title registration, series BO-001P-13 (RU000A109KY4), maturity date: September 17, 2027, issue volume: RUB 10 bln — **AA(RU)**.

Rationale. In the Agency’s opinion, the Bank’s bond issues are senior unsecured debt instruments, the credit ratings of which correspond to the credit rating of JSC “Auto Finance Bank” — **AA(RU)**.

REGULATORY DISCLOSURE

The credit ratings have been assigned to JSC “Auto Finance Bank” and the bond issues (ISIN RU000A105HN1, RU000A107HR8, RU000A108RP9, RU000A109KY4) of JSC “Auto Finance 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](#), [Methodology for Assigning Credit Ratings with External Support](#), and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#). The [Methodology for Assigning Credit Ratings to Financial Instruments under the National Scale for the Russian Federation](#) was also applied to assign credit ratings to the above issues.

The credit rating of JSC “Auto Finance Bank” and the credit ratings of the bond issues (ISIN RU000A105HN1, RU000A107HR8, RU000A108RP9, RU000A109KY4) of JSC “Auto Finance Bank” were published by ACRA for the first time on March 2, 2017, November 28, 2022, December 28, 2023, September 20, 2024, respectively. The credit rating of JSC “Auto Finance Bank” and its outlook, as well as the credit ratings of the bond issues (ISIN RU000A105HN1, RU000A107HR8, RU000A108RP9, RU000A109KY4) of JSC “Auto Finance Bank” are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on data provided by JSC “Auto Finance Bank”, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the IFRS financial statements of JSC “Auto Finance Bank” and the financial statements of JSC “Auto Finance Bank” drawn up in compliance with the Bank of Russia’s requirements. The credit ratings are solicited and JSC “Auto Finance Bank” participated in their assignment.

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

The decision to affirm the credit rating of JSC “Auto Finance Bank” at **AA(RU)** and change the outlook on the Bank’s credit rating to Positive, as well as to affirm the credit ratings of the Bank’s bond issues at **AA(RU)** was made at a second meeting of the rating committee, taking into account the consideration by ACRA of the rated entity’s reasoned appeal to the decision of the

rating committee on the affirmation of the credit rating of JSC “Auto Finance Bank” at AA(RU) and the change in the outlook on the Bank’s credit rating to Positive, as well as on the affirmation of the credit ratings of the Bank’s bond issues at AA(RU). The Bank’s credit rating credit rating outlook and the credit rating of the Bank’s bonds have not changed following the consideration of the reasoned appeal.

ACRA provided additional services to JSC “Auto Finance Bank”. No conflicts of interest were discovered in the course of credit rating assignment.

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