

Renaissance Insurance Group Announces Results for Full-Year 2021

Renaissance Insurance Group (MOEX: RENI, hereinafter the “Group”), a digital leader in the Russian insurance market, announces its financial results in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2021.

Unless stated otherwise, all figures below refer to performance in 2021 and all comparisons are with the previous year.

Key Financial Highlights For 2021:

- Gross insurance premiums rose by 26% to RUB 104.3 billion, driven by a strong demand for insurance services in both life and non-life segments.
- Adjusted net profit¹ was up 4% to RUB 4.6 billion. Net profit margin decreased to 4.4% from 5.3% due to a lower margin on several insurance products because of COVID and despite falling administrative expenses ratio.
- The investment portfolio was up 34% to RUB 146.5 billion as of 31 December 2021.

The solvency ratio stood at 267% as of 31 December 2021, up 127 percentage points.

Financial performance, RUB bn	2021	2020	Change	4Q 2021	4Q 2020	Change
Gross insurance premium	104.3	82.8	+26.0%	29.9	24.0	+24.6%
Investment income ²	9.1	7.9	+14.5%	1.6	4.3	-62.4%
Investment portfolio ³	146.5	109.0	+34.4%	-	-	-
Administrative expenses ratio, % ⁴	7.4%	8.3%	-0.8 pps	10.3%	9.5%	+0.8 pps
Adjusted net profit ¹	4.6	4.4	+4.5%	1.1	1.3	-15.4%
Solvency ratio, % ⁵	267%	141%	+127 pps	-	-	-

Yulia Gadliba, CEO of Renaissance Insurance, said:

“Last year was very successful for our key business lines. We are proud of the fact that we outgrew the market and increased our share in many segments of the insurance business. Our investments in business digitalisation are paying off as a significant part of the sales growth came via our own digital distribution channels, which is a cost-efficient way of new customer acquisition. I believe our business model is resilient to economic downturns and we are well-prepared to navigate current challenging operating environment. In any situation our customers, their interests and needs come first for us”.

¹ Adjusted Net Profit reflect Profit for the period excluding financial result of NSPF “Renaissance Pensions”. Amounts for 2021 are also adjusted for one-off expenses associated with share-based management incentive program, IPO expenses, and one-off commission payment under five-year contract with one of the core bancassurance partners.

² The sum of net gains from financial assets at fair value through profit or loss and net other income from investing activities

³ Continuing operations as of December 2021.

⁴ Calculated as administrative expenses divided by net premium earned. Amounts for 2021 are also adjusted for one-off expenses associated with share-based management incentive program and IPO expenses.

⁵ For calculating the Group ratio, the simple sum of the respective values from standalone financial statements of life and non-life were used. The ratio is adjusted for investment assets of RenPrime JSC (RIG subsidiary). Dynamics is shown to 01-Jul-2021. The ratio as of 01-Jul-2021 was adjusted for proceeds from the sale of NSPF “Renaissance Pensions”.



KEY BUSINESS LINES

Gross Insurance Premiums by key business line, RUB bn	2021	2020	y-o-y change	4Q 2021	4Q 2020	y-o-y change
Non-life insurance	46.7	37.1	+25.7%	13.8	10.0	+37.2%
Motor insurance	28.3	21.1	+34.4%	8.6	6.1	+41.1%
Voluntary medical insurance	7.9	6.5	+22.2%	2.2	1.5	+48.0%
Other non-life insurance	10.4	9.6	+9.0%	3.0	2.4	+21.0%
Life insurance	57.6	45.7	+26.2%	16.1	13.9	+15.6%
Endowment life insurance	11.1	7.7	+43.2%	3.6	2.6	+34.9%
Investment life insurance	19.3	24.6	-21.6%	5.4	7.2	-25.5%
Credit and risk life insurance	27.2	13.3	+104.9%	7.1	4.1	+76.3%
Total	104.3	82.8	+26.0%	29.9	24.0	+24.6%

NON-LIFE INSURANCE

Non-life gross insurance premiums were up 26% to RUB 46.7 billion. This growth was achieved due to both growth in insurance services and a sector-wide rise in the average policy premium. Overall market growth was 16% for the year.

Motor insurance

Motor insurance premium increased to RUB 28.3 billion, up 34%, compared to a 4.3% rise in new car sales in 2021. Rapid expansion of direct sales was a key driver of this growth, while rising online sales via partners (agents, dealers, leasing) also contributed to the result.

Voluntary medical insurance

Voluntary medical insurance (VMI) gross insurance premiums were up 22% to RUB 7.9 billion. The total market growth was 13%. New product launches continued development of digital solutions such and an online personal health management tool helped to drive the Group's continued expansion in this segment.

Other non-life insurance

Other non-life insurance premiums were up 9% to RUB10.4 billion. Mortgage and cargo insurances were the main contributors to the growth.

The combined ratio in the non-life segment for FY 2021 was 100.1%⁶, which is 2.2 percentage points higher year-on-year. The rise in the ratio was due to the impact of the pandemic as in 2020 the Group took measures to retain profitable customers. In 2021, scoring models were improved and pricing was updated (mainly in motor insurance), which enabled faster-than-market growth, laying the foundation for improving the combined ratio in the future.

LIFE INSURANCE

Life gross insurance premium for the reporting period totalled RUB 57.6 billion, rising by 26% during 2021 while the market grew by 22% during the same period.

Endowment life insurance

Endowment life insurance premiums rose by 43% to RUB 11.1 billion and were predominantly driven by direct sales channels, of which 49% came from digital sales channels. The whole market grew at a rate of 15% in 2021.

⁶ Calculated as the sum of net claims incurred plus net acquisition costs plus administrative expenses plus allowance for impairment of insurance and reinsurance receivables plus other operating income plus other operating expense divided by net premium earned. 2021 value is adjusted for expenses associated with IPO and management incentive program implementation



Investment life insurance

Investment life insurance premiums contracted by 22% to RUB 19.3 billion. The Group expects sales to return to growth after the interest rate stabilization.

Credit and Risk life insurance

Insurance premiums from credit and risk life insurance more than doubled in 2021 to RUB 27.2 billion, expanding significantly faster than the overall market growth of 39%. The growth was driven by new partnerships with car dealers and an overall rise in bank lending.

The operating margin in life insurance⁷ decreased to 7.9% in 2021 from 9.0% in 2020 due to a declined return on the investment portfolio in the last quarter of the year.

BUDU RESULTS

The Group owns a 49% stake in Budu, a medtech service for health management that combines a telemedicine digital platform, specialist medical expertise and offline clinic services.

The company reports the following operating results for 2021:

- The number of monthly active users of BUDU and other Group's health apps in the reporting period exceeded 127 thousand customers.
- The number of online consultations grew 2.3 times in 2021.
- The total number of online consultations exceeded 113 thousand.

INVESTMENT PORTFOLIO

The investment portfolio related to continuing operations (on a like-for-like basis, excluding the assets of NSPF Renaissance Pensions) grew by 34% over the reporting period and reached RUB 146.5 billion. The change in the investment portfolio was mainly due to the IPO proceeds of RUB 17.7 billion and transfer of assets following the sale of NSPF Renaissance Pensions, which was completed in July 2021.

The share of government bonds in the asset structure of the investment portfolio declined, while the share of corporate bonds, equities and bank deposits increased.

Asset, RUB bn.	31-Dec-21		31-Dec-20	
Corporate bonds	61.8	42%	44.9	34%
Government bonds	10.2	7%	38.7	29%
Equities	26.2	18%	14.1	11%
Bank deposits	34.1	23%	19.1	14%
Cash	7.4	5%	13.9	10%
Investment property	2.0	1%	1.9	1%
Others	4.7	3%	1.2	1%
TOTAL	146.5	100%	133.7	100%

The return on the investment portfolio in 2021 was at 7.1%⁸.

⁷ Calculated as underwriting result from life insurance divided by life gross insurance premium.

⁸ Relates to the assets of continuing operations.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME,
thousands of Russian rubles

Continuing operations	2021	2020
Gross insurance premiums	104 257 197	82 765 924
Gross change in unearned premium reserve	(4 759 940)	365 855
Premium ceded	(2 744 529)	(2 699 263)
Change in reinsurers' share of unearned premium reserve	46 737	59 593
Net premium earned	96 799 465	80 492 109
Insurance benefits and claims paid	(39 068 322)	(23 671 807)
Reinsurers' share of insurance benefits and claims paid	841 850	621 322
Gross change in claims reserve	(12 256 422)	(23 357 961)
Change in reinsurers' share of claims reserve	31 363	385 127
Net claims incurred	(50 451 531)	(46 023 319)
Net acquisition costs	(42 480 054)	(29 712 534)
Allowance for impairment of insurance and reinsurance receivables	(125 544)	(123 402)
Amortization of value of business in force	-	(43 708)
Result of insurance operations	3 742 336	4 589 146
Administrative expenses	(7 839 476)	(6 647 896)
Gains from financial assets at fair value through profit or loss, net	4 939 427	5 548 722
Other income from investing activities, net	4 123 543	2 362 413
Interest expense	(463 046)	(366 541)
Foreign exchange (losses)/ gains	20 795	767 674
Other operating income	262 955	353 107
Other operating expense	(1 320 970)	(1 133 665)
Other expenses less income	(276 772)	883 814
Profit before tax	3 465 564	5 472 960
Income tax expenses	(299 861)	(1 028 307)
Profit for the period from continuing operations	3 165 703	4 444 653
Discontinued operations		
(Loss)/ profit for the period from discontinued operations	425 190	234 906
Net profit for the period	3 590 893	4 679 559
Other comprehensive income to be subsequently reclassified to profit or loss when specific conditions are met		
Net change in the fair value of available-for-sale financial assets	(61 518)	(4 740)
Reclassification of cumulative gains on disposal of debt instruments at fair value through other comprehensive income to the income statement	(6 966)	(3 417)
Foreign exchange differences	(17 873)	-
Other comprehensive income/ (loss), net of tax	(86 357)	(8 157)
Total comprehensive income for the period	3 504 536	4 671 402



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
thousands of Russian rubles

	<i>31 December 2021</i>	<i>31 December 2020</i>
Assets		
Cash and cash equivalents	7 408 400	13 851 983
Amounts due from credit institutions	34 135 484	19 124 447
Financial assets at fair value through profit or loss	99 217 996	96 228 786
Loans and other receivables	3 418 303	36 775
Available-for-sale financial assets	290 353	2 064 730
Investment in associates	400 167	-
Financial assets held to maturity	-	566 078
Insurance and reinsurance receivables	6 582 684	6 111 768
Reinsurers' share of insurance contract liabilities	2 445 384	2 367 284
Current tax assets	187 142	138 694
Deferred tax assets	587 168	635 497
Deferred acquisition costs	10 163 234	8 640 151
Property and equipment	915 508	1 121 169
Investment property	1 984 467	1 859 500
Intangible assets	1 884 049	1 423 268
Goodwill	8 210 021	8 335 019
Other assets	898 822	1 168 689
Total assets	178 729 182	163 673 838
Liabilities		
Insurance contract liabilities	114 372 806	97 356 444
Pension liabilities	-	22 578 168
Other insurance liabilities	6 468 555	5 936 299
Deferred commission income on ceded reinsurance	35 772	34 772
Debt securities issued	-	3 050 844
Borrowings and other payables	4 321 146	739 485
Current tax liabilities	101 933	211 555
Deferred tax liabilities	978 422	1 565 571
Other liabilities	2 197 618	1 957 049
Total liabilities	128 476 252	133 430 187
Equity		
Share capital	5 806 395	4 351 340
Additional capital	30 210 926	14 652 342
Treasury shares	(665 986)	-
Revaluation reserve for available-for-sale financial assets	(56 899)	11 585
Other reserves	276 845	-
Translation differences	-	17 873
Insurance reserve of NSPF	-	901 994
Retained earnings	14 681 649	10 308 517
Total equity	50 252 930	30 243 651
Total equity and liabilities	178 729 182	163 673 838

