

ACRA AFFIRMS AAA(RU) TO JSC “DOM.RF”, OUTLOOK STABLE, AND AAA(RU) TO BOND ISSUES

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ACRA has affirmed the credit rating of JSC “DOM.RF” (hereinafter, DOM.RF, or the Company) at AAA(RU), outlook Stable, and the credit ratings of the Company’s bond issues (BO-05, BO-06, BO-07, BO-08, BO-10, 001P-01R, 001P-02R, 001P-03R, 001P-04R, 001P-05R, 001P-06R, 001P-07R, 001P-08R, 001P-09R, 001P-10R) at AAA(RU).

DOM.RF’s credit rating is based on the very high likelihood of extraordinary support from the supporting entity (hereinafter, the SE) due to the Company’s exclusive importance for the Russian economy and the determining influence that the shareholder has on the Company’s creditworthiness. DOM.RF is characterized by its sufficiently high standalone creditworthiness. The active development of the Company’s business assumed in the strategy adopted until 2030 will require a further capital increase.

In accordance with the law, DOM.RF performs the unique role of a unified housing sector development institution, the key areas of which include developing the mortgage-backed securities (MBS) market, financing housing construction and creating a specialized credit institution/authorized bank in the housing sphere (hereinafter, the Bank, or the Subsidiary Bank), providing guarantees on loans to developers, developing the construction of infrastructure, involvement in the turnover and provision of federally owned land plots for housing construction, developing the rental housing market using collective investment, and developing a unified information system for housing construction.

ACRA expects that under a systemic economic stress scenario and/or if the Company’s standalone creditworthiness significantly deteriorates, the SE will provide the Company with extraordinary support in the form of capital or liquidity injections sufficient to meet creditors’ claims. This opinion is based on the factors listed below.

KEY ASSESSMENT FACTORS

Very high likelihood of extraordinary support being provided to the Company by the shareholder. DOM.RF is a development institution which, according to its legal mandate, performs the unique function of developing and supporting the housing market in Russia. The Company is a strategically important institution. Improving housing conditions and developing housing construction are specified as priority development goals of the Russian Federation, and DOM.RF plays a key role in implementing these tasks. The shareholder participates in determining the Company’s development strategy and supervises its operating activities. Other factors that confirm the social importance and exclusive role that the Company plays in the economy include:

- A significant volume of issued MBSs guaranteed by the Company, the default on which and on its own obligations, would mean significant financial and reputational losses for the SE;

- DOM.RF carries out social tasks in the housing sector, including acting as an operator of mortgage borrower support programs, and obtains direct funding from the SE for this purpose in the form of subsidies;
- The securing of part of the bonds issued DOM.RF by irrevocable guarantees provided by the SE;
- Integration of the Subsidiary Bank and developing it to create an authorized bank in the housing sphere, which engages in mortgage lending and project financing of residential construction.

ACRA also notes the following factors that confirm the strong ties between the Company and the SE and the very high level of support: (1) the Company's legal immunity against bankruptcy procedures; (2) the possibility and multiple examples of legally established extraordinary support from the SE (including in 2022); (3) the implementation of current support in various forms (special-purpose loans, income from selling and renting out federal land plots).

The Company's own creditworthiness is currently assessed at a sufficiently high level, but there are risks of it declining in the medium term while maintaining the current growth of the scope of business. The Agency notes that DOM.RF has a sufficient capital cushion according to the Company's IFRS reporting. The N1 capital adequacy ratio as of the date of analysis (April 1, 2022) was at a comfortable level and exceeded the minimum value (11.5%) established for DOM.RF. In order to keep the Company's capital adequacy ratios at acceptable levels, its capital should be increased further in view of the active growth of the Company in its main areas of business.

The liquidity cushion maintained by the Company is assessed as sufficient, taking into account the significant possibilities for raising funding if necessary. DOM.RF consistently demonstrates positive financial results; NIM for 2021 was largely unchanged and CTI improved. The share of problem assets on the Company's balance sheet declined in 2021. The bulk of these assets is old problem loans on the balance sheet of the Subsidiary Bank.

DOM.RF complies with financial stability standards (capital adequacy, the maximum amount of risk per borrower or group of related borrowers, and financial leverage), for which calculation methods and compliance procedures were established by the Russian Government in October 2020.

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In ACRA's opinion, the deterioration of DOM.RF's financial condition and the need for additional shareholder support could be caused by significant growth in the Company's operations within the current development strategy. This is due to the following:

- Implementing the plan to increase the volume of mortgages on the balance sheet via the 'MBS Factory' while increasing the volume of issued mortgage bonds guaranteed by DOM.RF;
- Increased lending from the Bank to construction companies;
- Promotion of financing the construction/reconstruction of infrastructure facilities via project finance notes issued by SPVs and guaranteed by DOM.RF;
- Provision of DOM.RF guarantees on housing construction project finance loans using escrow accounts.

These risks do not currently affect the Company's credit rating given ACRA's opinion on the very high likelihood of support being provided by the SE to the Company if required.

KEY ASSUMPTIONS

- Maintaining the shareholder and operational control structure;
- Implementing DOM.RF's strategy.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

A negative rating action may be prompted by:

- Significant decline in the Company's systemic importance for the Russian economy;
- Loss of shareholder and operational control by the shareholder;
- Significant decline in the Company's standalone creditworthiness if the SE's propensity to provide regular and extraordinary support decreases.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): none.

Adjustments: none.

Support: on par with the RF.

ISSUE RATINGS

JSC "DOM.RF", BO-05 (ISIN RU000A0JX2R1); maturity date: December 22, 2049, issue volume: RUB 5 bln — **AAA(RU)**.

JSC "DOM.RF", BO-06 (ISIN RU000A0ZYF20); maturity date: November 7, 2050, issue volume: RUB 5 bln — **AAA(RU)**.

JSC "DOM.RF", BO-07 (ISIN RU000A0ZYF38); maturity date: November 7, 2050, issue volume: RUB 5 bln — **AAA(RU)**.

JSC "DOM.RF", BO-08 (ISIN RU000A0ZYFM5); maturity date: November 13, 2050, issue volume: RUB 5 bln — **AAA(RU)**.

JSC "DOM.RF", BO-10 (ISIN RU000A0ZYFN3); maturity date: November 13, 2050, issue volume: RUB 10 bln — **AAA(RU)**.

JSC "DOM.RF", 001P-01R (ISIN RU000A0ZYL6); maturity date: December 13, 2027, issue volume: RUB 15 bln — **AAA(RU)**.

JSC "DOM.RF", 001P-02R (ISIN RU000A0ZYQU5); maturity date: January 21, 2028, issue volume: RUB 15 bln — **AAA(RU)**.

JSC "DOM.RF", 001P-03R (ISIN RU000A0ZZ1N0); maturity date: March 24, 2028, issue volume: RUB 15 bln — **AAA(RU)**.

JSC "DOM.RF", 001P-04R (ISIN RU000A0ZZ7C0); maturity date: May 10, 2028, issue volume: RUB 25 bln — **AAA(RU)**.

JSC "DOM.RF", 001P-05R (ISIN RU000A1004W6); maturity date: February 16, 2029, issue volume: RUB 10 bln — **AAA(RU)**.

JSC “DOM.RF”, 001P-06R (ISIN RU000A100ET6); maturity date: May 12, 2039, issue volume: RUB 25 bln — **AAA(RU)**.

JSC “DOM.RF”, 001P-07R (ISIN RU000A101590); maturity date: November 11, 2039, issue volume: RUB 20 bln — **AAA(RU)**.

JSC “DOM.RF”, 001P-08R (ISIN RU000A101SQ0); maturity date: June 7, 2023, issue volume: RUB 15 bln — **AAA(RU)**.

JSC “DOM.RF”, 001P-09R (ISIN RU000A104123); maturity date: November 15, 2022, issue volume: RUB 15 bln — **AAA(RU)**.

JSC “DOM.RF”, 001P-10R (ISIN RU000A104ZA3); maturity date: July 20, 2023, issue volume: RUB 20 bln — **AAA(RU)**.

Rationale. In ACRA’s opinion, the bonds listed above are senior unsecured debt instruments of JSC “DOM.RF”. Due to the absence of either structural or contractual subordination of the issues, ACRA regards them as *pari passu* to other existing and future unsecured and unsubordinated debt obligations of JSC “DOM.RF” in terms of priority. According to ACRA’s methodology, the credit ratings of the issues correspond to the credit rating of JSC “DOM.RF”.

REGULATORY DISCLOSURE

The credit ratings have been assigned to JSC “DOM.RF” and bonds issued by JSC “DOM.RF” under the national scale for the Russian Federation based on the [Methodology for Analyzing Rated Entities Associated with the State or a Group](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). Provisions of the [Methodology for Credit Ratings Assignment to Banks and Bank Groups under the National Scale for the Russian Federation](#) were applied to assess certain factors of standalone creditworthiness. The [Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale for the Russian Federation](#) was also applied to assign credit ratings to the above issues.

The credit ratings of JSC “DOM.RF” and the bonds issued by JSC “DOM.RF” (ISIN RU000A0JX2R1, RU000A0ZYF20, RU000A0ZYF38, RU000A0ZYFM5, RU000A0ZYFN3, RU000A0ZYLU6, RU000A0ZYQU5, RU000A0ZZ1N0, RU000A0ZZ7C0, RU000A1004W6, RU000A100ET6, RU000A101590, RU000A101SQ0, RU000A104123, RU000A104ZA3) were published by ACRA for the first time on December 29, 2016, January 18, 2017, October 31, 2017, October 31, 2017, November 9, 2017, November 9, 2017, December 25, 2017, February 1, 2018, April 5, 2018, May 17, 2018, February 28, 2019, June 5, 2019, December 24, 2019, June 10, 2020, November 16, 2021, and July 21, 2022, respectively.

The credit rating of JSC “DOM.RF” and its outlook, as well as the credit ratings of the bonds issued by JSC “DOM.RF”, 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 “DOM.RF”, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the consolidated IFRS financial statements of JSC “DOM.RF” and the management reports of JSC “DOM.RF”. The credit ratings of JSC “DOM.RF” and its bonds (BO-05, BO-06, BO-07, BO-08, BO-10, 001P-01R, 001P-02R, 001P-03R, 001P-04R, 001P-05R, 001P-06R, 001P-07R, 001P-08R, 001P-09R, 001P-10R) are solicited, and JSC “DOM.RF” 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.

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

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