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

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PRESS RELEASE

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) at AAA(RU).

The Company's credit rating is based on the very high likelihood of extraordinary state support due to the Company's utter importance for the Russian economy and the determining influence that the state has on the Company's creditworthiness. The Company is characterized by its sufficiently high standalone creditworthiness. In the long term, the active development of the Company's business assumed in the strategy adopted up to 2030 will require further capital increase.

The sole shareholder of DOM.RF is the state represented by the Federal Agency for Managing State Properties (Rosimushchestvo). In accordance with the law, the Company 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 (JSC "Bank DOM.RF", ACRA rating A+(RU), outlook Positive), 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 Russian government 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 following factors.

KEY ASSESSMENT FACTORS

Very high likelihood of extraordinary support to the Company by authorities. The Company is a development institution that according to its legal mandate performs the unique function of developing and supporting the housing market in Russia. The Company is included on the list of strategically important institutions. The Russian government participates in managing such institutions in order to provide for strategic interests, defense and national security, as well as ensure the protection of the rights and interests of Russian citizens. Improving housing conditions and developing housing construction are some of the main development goals of the Russian Federation, and the Company participates in these tasks. Other factors that confirm the social importance and exclusive role the Company plays in the economy include:

- Default on MBSs guaranteed by the Company and on its own obligations would mean significant financial and reputational losses for the state;

- The Company carries out social tasks in the housing sector to support mortgage borrowers and obtains direct funding from the state for this purpose in the form of subsidies and contributions to authorized capital;
- At the end of March 2021, Company bonds in the amount of RUB 53.7 bln (including bonds owned by JSC "Bank DOM.RF") were secured by irrevocable state guarantees;
- Integrating 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.

The state has the power to determine the Company's strategy and supervise its operating activities. The Company's board of directors, which is approved by the Russian government, includes representatives of Russian federal authorities and the largest systemically important credit institutions. In addition, a joint working group created by the Bank of Russia constantly monitors the Company's financial status.

ACRA also notes the following factors that confirm the strong ties between the Company and the government and the high level of support: (1) the Company's legal immunity against bankruptcy procedures; (2) the possibility and multiple examples of legally established extraordinary state support using budgeting mechanisms; (3) the implementation of current support in various forms (special-purpose loans by VEB in the amounts of RUB 40 bln and RUB 14 bln, income from selling and renting out federal land plots).

The Company's own creditworthiness is currently at a fairly high level, but there are risks of its deterioration in the long term. The Agency notes that DOM.RF has sufficient capital cushion (according to the Company's IFRS reporting, at the end of March 2021, the ratio of equity to assets was 11.0%). The N1 capital adequacy ratio established for DOM.RF as of April 1, 2021 was 24%, with a regulatory minimum of 11.5%. The Company's capitalization has declined since October 1, 2020 following the transfer of some movable and immovable property to Rosimushchestvo. 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. The Company records positive financial results; NIM is 2.0% for 2020. The CTI for 2020 did not change significantly and amounted to 45.8%. The share of debt overdue for more than 90 days amounted to 5.1% of the loan portfolio as of March 31, 2021. The bulk of these loans is old problem loans on the balance sheet of the subsidiary bank.

In accordance with the laws, the Company must comply 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.

In ACRA's opinion, the deterioration of the Company's financial condition in the long term and the need for additional state 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 the Company;
- Increased lending from Bank DOM.RF to construction companies;
- Provision of DOM.RF guarantees on housing construction project finance loans using escrow accounts;
- Promotion of financing construction / reconstruction of infrastructure facilities via project finance notes issued by SPVs and guaranteed by DOM.RF.

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

KEY ASSUMPTIONS

- Maintaining shareholder and operational control by the state;
- Implementing the Company's strategy.

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:

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

RATING COMPONENTS

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 RU000A0ZYLU6); 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).

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”, i.e. AAA(RU).

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. Relevant provisions of the Methodology for Credit Ratings Assignment to Banks and Bank Groups under the National Scale for the Russian Federation have been applied to assess certain factors of the standalone creditworthiness of JSC “DOM.RF”. 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” (RU000A0JX2R1, RU000A0ZYF20, RU000A0ZYF38, RU000A0ZYFM5, RU000A0ZYFN3, RU000A0ZYLU6, RU000A0ZYQU5, RU000A0ZZ1N0, RU000A0ZZ7C0, RU000A1004W6, RU000A100ET6, RU000A101590, RU000A101SQ0) 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, and June 10, 2020, 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 the data provided by JSC “DOM.RF”, information from publicly available sources, as well as 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 the bonds issued by the Company (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) are unsolicited, and JSC “DOM.RF” participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which was, 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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