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Lead analysts:

Alexey Bredikhin, Director
+7 (495) 139-0483
alexey.bredikhin@acra-ratings.ru

Valeriy Piven, Associate Director
+7 (495) 139-0493
valeriy.piven@acra-ratings.ru

Key rating assessment
factors

ACRA affirms AAA(RU) to JSC Russian National Reinsurance Company, outlook Stable

ACRA affirms AAA(RU), outlook Stable, to [JSC Russian National Reinsurance Company](#) (hereinafter, the Company, or RNRC).

The credit rating is based on the Company's very strong business and financial profiles along with its high-quality management. The support factor from the Bank of Russia is assessed as relatively strong; however, it does not affect the Company's resulting credit rating, as the standalone creditworthiness assessment (SCA) of the Company is the highest possible (aaa).

The Company is a specialized reinsurance company established in accordance Article 13.1 of the Federal Law, dated November 27, 1992, "On insurance business in the Russian Federation." With its sole shareholder being the Bank of Russia, the Company was established to provide additional protection to proprietary interests under international sanctions. In accordance with the law, the Company may act as a party in outgoing reinsurance contracts made by Russian insurance companies (mandatory cession).

The Company's very strong business profile is premised upon its stable market position and very strong operating performance expected in the short and medium-terms. According to ACRA's criteria, the Company's customer base diversification is average. The diversification assessment takes into account the limited client base, which is to some extent offset by the obligation of insurance companies to transfer part of the reinsurance premium to the Company. ACRA assesses the Company's product range quality as high, as RNRC possesses underwriting expertise across almost all significant types of insurance and reinsurance. Sales channels pertaining to insurance products are not diversified, with more than 90% of premiums coming in the form of mandatory cession and sanction business. Nevertheless, this sales channel is practically devoid of risks, so the Company's service distribution system is extremely reliable.

The operating efficiency of RNRC is assessed as high, with the combined loss ratio expected to be much lower than 1 in the mid-term and growth rates anticipated to be no lower than the market average in 2019-2021.

The Companies very strong financial profile rests on high capital adequacy, high asset quality, and strong liquidity.

The ratio of available capital and capital at risk, calculated according to ACRA's methodology, stands at 2.5, which, combined with assessments of other indicators, defines the Company's capital adequacy as high.

The high assessment of the Company's assets is supported by the Company investing mainly in low-risk assets while maintaining its capital-to-assets ratio at an exceptionally high level (0.6 at the end of 2018).

The Company's strong liquidity is premised upon assessments of short and long-term liquidity ratios of 2.1 and 2.4, respectively (end of 2018).

The Company's Management quality is regarded as high, based on positive assessments of all factor components.

High likelihood of extraordinary support from the Bank of Russia. A very high degree of state influence on the Company is manifested in the government's shareholder and operational control over the Company, participation of the Company in government projects, and the Bank of Russia's commitment to capitalize the Company for losses (if any) arising out of sanctions risks. The Company's systemic importance to date is assessed

as medium. Taken together, those factors entail a three-notch upward adjustment of the Company's SCA in accordance with ACRA's methodology.

Key assumptions

- Retaining the key legislative provisions defining the Company's status within the 3-year horizon;
- The Bank of Russia remaining the controlling shareholder within the 3-year horizon;
- Sustaining the current policies governing risk management, investments, and underwriting (i.e. retaining the Company's business model) within the 3-year horizon.

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:

- A downgrade in the Company's financial profile assessment coupled with a decline in the likelihood of extraordinary support from the Bank of Russia.

Rating components

SCA: aaa.

Adjustments: none.

Issue ratings

No outstanding issues have been rated.

Regulatory disclosure

The credit rating has been assigned to JSC Russian National Reinsurance Company under the national scale for the Russian Federation based on the Methodology for Credit Ratings Assignment to Insurance Companies Under the National Scale for the Russian Federation, the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#), and the [Methodology for Analyzing Relationships Between Rated Entities and the State](#).

The credit rating assigned to JSC Russian National Reinsurance Company was first published on May 02, 2017. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The assigned credit rating is based on the data provided by JSC Russian National Reinsurance Company, information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the IFRS and RAS statements of JSC Russian National Reinsurance Company. The credit rating is solicited, and JSC Russian National Reinsurance Company participated in its assignment.

No material discrepancies between the provided information and the data officially disclosed by JSC Russian National Reinsurance Company in its financial statements have been discovered.

ACRA provided additional services JSC Russian National Reinsurance Company. No conflicts of interest were discovered in the course of credit rating assignment.

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Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

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