

May 17, 2019

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ACRA affirms the credit rating of the senior RMBS tranche issued by «MA Metallinvest-2» LLC

Senior tranche issued in this static RMBS transaction is affirmed at AAA(ru.sf) by ACRA due to collateral portfolio quality and the range of endogenous credit support features.

Ratings

- The credit rating assigned to Residential Mortgage-Backed Fixed Rate Notes due **March 28, 2046** (the current balance: RUB 1,561m) has been affirmed at **AAA(ru.sf)**.

The Junior Subordinated Loan was not rated by ACRA.

Transaction

As part of the previous rating action (May 17, 2018), [ACRA assigned definitive credit rating AAA\(ru.sf\) to the senior tranche of RMBS issued by "MA Metallinvest-2 LLC](#). In compliance with the standard procedures, ACRA has reviewed the credit rating within one year after the rating assignment date.

[«MA Metallinvest-2» LLC](#) ("the Issuer") issued the notes secured by the portfolio of residential mortgage loans granted by [PJSC SCB "Metallinvestbank" \(BBB+\(RU\), outlook Stable\)](#) (hereinafter, Metallinvestbank, or the Bank).

The Issuer issued ruble denominated fixed rate notes. Proceeds from the issuance were used to purchase the portfolio of mortgage loans originated by Metallinvestbank. Mortgage receivables acquired by the Issuer form part of the mortgage collateral for the notes. The main source of payments on the rated notes includes repayments from the underlying mortgage borrowers.

The transaction is the second securitization transaction concerning mortgage loans granted by Metallinvestbank, also Bank's first independent mortgage securitization transaction that does not involve support provided by [DOM.RF \(AAA\(RU\), outlook Stable\)](#), a legal successor of AHML (hereinafter, DOM.RF), and Bank's first structured finance transaction that received a definitive credit rating. The securitized mortgage portfolio comprises ruble denominated Russian residential mortgage loans serviced by the Bank. [DeltaCredit Bank JSC \(AAA\(RU\), outlook Stable\)](#) acts as a backup servicer, ready to perform the role in case of untimely or poor performance by Metallinvestbank, its bankruptcy or withdrawal of its banking license. The transaction is static: no new loans will be introduced into the securitized portfolio during the life of the transaction.

The transaction is not part of the RMBS Factory program of DOM.RF; it is not based on principles of self-certification or minimization of independent analysis as part of STS securitization standards, and it sets forth no coverage of any losses at the expense of the government budget and / or external guarantees from third parties.

Issuer

The Issuer is a Mortgage Agent, a statutory defined bankruptcy remote special purpose vehicle incorporated as a limited liability company in compliance with the statutory requirements outlined in Federal Law No.152 "On Mortgage Backed Securities." The Issuer's only two purposes are the acquisition of receivables arising from the mortgage loan backed by residential real estate and the issuance of mortgage backed securities.

Rating components

The credit rating reflects ACRA's opinion on the expected losses posed to investors by the notes' legal final maturity. In accordance with the "Methodology for Assigning Credit Ratings to Structured Finance Instruments and Obligations on the National Scale for the Russian Federation," ACRA conducted its analysis in two stages. At the first stage, ACRA estimated that the expected loss of the mortgage loan portfolio is equal to 2.40% and the GRASP AAA Expected Loss (EL) is equal to 14.20%. At the second stage, the portfolio metrics were used as input parameters in modeling the structure of the Issuer's obligations and determining the expected losses on the rated notes, taking into account the impact of credit enhancement mechanisms, expected prepayments and other factors impacting cash flow distribution in the transaction.

Mortgage portfolio

The most significant rating-relevant factors include:

- Low weighted average loan-to-value ratio (51.54%);
- Strong performance demonstrated by the securitized portfolio: since the rating assignment date, the cumulative default rate reached 0.77% of the portfolio principal as of the transaction closing date;
- Positive credit history for most borrowers: 79% of loans have never been in arrears for more than 30 days, and 99.8% of loans have never been in arrears for more than 90 days.

Issue

The rated notes benefit from subordination, i.e. the priority of note payments is determined by their seniority against other obligations of the Issuer. The subordination to the rated notes is provided by the subordinated loan granted by Metallinvestbank to the Issuer. As of the rating affirmation date, the subordination level is 13%; the subordination level has increased from 9% to 13% due to the partial early repayment of the rated notes. The notes benefit from additional credit enhancement in the form of the Special Purpose Reserve Fund (SPRF) (3.9% of the portfolio as of the rating affirmation date). The SPRF is drawn down in proportion to the par value of the rated notes, subject to the floor amount equal to RUB 40 mln and provided that the draw down criteria are met. During the entire life of the transaction, the SPRF is an additional source of liquidity mitigating short-term delinquencies in interest proceeds available to cover Issuer's senior expenses, payments under the PDL mechanism as well as senior note interest payments. In certain situations, the SPRF may also be a source of credit support for the notes, i.e. in some scenarios, the SPRF forms part of the collateral available to compensate principal losses. In particular, in case of early repayment of the notes at the request of noteholders, the SPRF can be used to compensate insufficient principal proceeds in order to fully repay the rated notes.

According to the transaction's priority of payments, the cash flows is distributed via a simple sequential waterfall of payments. The principal proceeds from the mortgage loans are used to repay principal due on the notes. Other obligations of the Issuer are not repaid until the rated notes are fully repaid. In ACRA's opinion, such arrangement allows for timely payment of interest and ultimate payment of principal on the notes until their legal final maturity.

Potential outlook or rating change factors

A negative rating action may be prompted by developments that include the following:

- Deterioration of the macroeconomic conditions beyond the stress scenarios used in the rating analysis;
- Increase in the short term payment delinquencies and losses in the portfolio, at the levels exceeding those modelled as part of the analysis;
- Legislative changes negatively affecting the transaction;
- Inability to replace Issuer's Account Bank upon its downgrade.

Regulatory disclosure

The principal methodology used to assign the credit rating was the "ACRA Methodology for Assigning Credit Ratings to Structured Finance Instruments and Obligations on the National Scale for the Russian Federation."

The credit rating assigned to the mortgage-backed notes issued by «MA Metallinvest-2» LLC was first published on May 18, 2018. The credit rating is expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on the data provided by PJSC SCB "Metallinvestbank," information from publicly available sources, as well as ACRA's own databases. The credit rating is solicited, and PJSC SCB "Metallinvestbank" participated in the rating process.

No material discrepancies between the provided information and the data officially disclosed by PJSC SCB "Metallinvestbank" in its financial statements have been discovered.

ACRA provided no additional services to PJSC SCB "Metallinvestbank" and «MA Metallinvest-2» LLC. No conflicts of interest were identified in the course of the credit rating process.

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