

May 3, 2017

Lead analysts:

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

Evgeniy Sharapov,  
Associate Director  
+7 (495) 139-0495  
[evgeniy.sharapov@acra-ratings.ru](mailto:evgeniy.sharapov@acra-ratings.ru)

Key rating assessment  
factors

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

The credit rating of JSC Russian National Reinsurance Company (hereinafter – RNRC, or the Company) is based on its very strong business and financial profiles coupled with high-quality management. The factor of support by the Bank of Russia has been defined as relatively strong, however it will have no impact on the Company's final credit rating, as the latter already boasts the maximum possible standalone creditworthiness assessment.

RNRC is a specialized reinsurance company incepted in accordance with Article 13.1 of the Federal Law "On insurance business in the Russian Federation." With its sole shareholder being the Bank of Russia, the company was incepted for providing additional protection of policyholders' property interests in the environment of international sanctions.

**Very strong business profile** of the Company is premised upon its stable market position and very strong operating performance expected in the short and medium term. By ACRA's criteria, the Company's customer base diversification is below average due to a high proportion of individual customers in the reinsurance portfolio. This is partially mitigated by companies being bound to transfer to RNRC part of reinsurance premium. ACRA assesses the Company's product range quality as high, as RNRC possesses underwriting competence across almost all important insurance and reinsurance types. Sales channels pertaining to insurance products are non-diversified, with more than 90% of premiums coming in the form of mandatory cession. Nevertheless, this sales channel is practically devoid of risks, so the Company's service distribution system as exceptionally reliable.

Operating efficiency of RNRC is assessed as high, with the combined ratio expected to fetch 0.6 by year-end 2017 and growth rates anticipated to significantly exceed the market average in 2017-2019.

**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 the ACRA methodology, stands at 2.3, which, combined with assessments of other indicators, defines the Company's capital adequacy as high.

A high assessment of RNRC'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 (0.99 at end-2016 and 0.83 expected at end-2017).

Strong liquidity is premised upon assessments of short and long term liquidity ratios that are forecasted to fare 4.9 and 5.6 respectively by end-2017.

**Management quality** of the Company is regarded as high based on positive assessments of all factor components.

**High probability of RNRC receiving extraordinary support from the Bank of Russia if needed.** A very high degree of state influence on the Company is manifested through the government exercising shareholder and operational control over it, RNRC's participation in government projects, and via an expected provision of an option to purchase additional shares in case of partial forfeiture of charter capital due to losses related to sanctions risks. That said, the Company's systemic importance to date is assessed as medium. In combination, these assessments may entail a three-notch upward adjustment of the Company's standalone creditworthiness assessment, in accordance with the ACRA methodology.

**Key assumptions**

- Retaining the key legislative provisions defining RNRC'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 of the Company's financial profile assessment coupled with a decline in probability of extraordinary support provision by the Bank of Russia.

**Rating components**

**Standalone creditworthiness assessment (SCA):** aaa.

**Adjustments:** none.

**Issue ratings**

No outstanding issues have been rated.

**Regulatory disclosure**

The credit rating has been assigned under the national scale for the Russian Federation and is 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](#).

A credit rating has been assigned to JSC Russian National Reinsurance Company for the first time. The credit rating and its outlook are expected to be revised within one year following the rating action (April 28, 2017).

Disclosure of deviations from approved methodologies. The modified Herfindahl-Hirschman index used for assessing diversification of sales channels was calculated with a zero coefficient for the "Mandatory Cession" sales channel in view of the letter's legislatively defined character.

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

(C) 2017

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)  
75, Sadovnicheskaya embankment, Moscow, Russia

[www.acra-ratings.com](http://www.acra-ratings.com)

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bn. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with the Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without a prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – [www.acra-ratings.com/criteria](http://www.acra-ratings.com/criteria).

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – [www.acra-ratings.com](http://www.acra-ratings.com). Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by the legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by the legislation of the Russian Federation.