



April 11, 2019
VIII Cbonds Emerging Markets Bond Conference
Hong Kong

Analytical Credit Rating Agency

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Cooperation with the Chinese Credit Rating Agency Golden Credit



On November 2, 2017, ACRA signed a memorandum of cooperation with the Chinese credit rating agency **Golden Credit Rating International** (<http://www.dfratings.com/>)



Cooperation between ACRA and Golden Credit

- ✓ Internships
- ✓ Joint research (2019 – series of studies on Russian and Chinese debt markets)
- ✓ Single-window system
- ✓ Collaboration on methodology
- ✓ Joint efforts on developing potential BRICS agency

Golden Credit Rating International

- ✓ is among the top five credit rating agencies in China
- ✓ possesses a complete range of licenses required to provide rating services
- ✓ key shareholder is the state managing company China Orient Asset Management, established by the Ministry of Finance of the PRC

Inquiries on cooperation

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The 2018 measures established uniform and normative standards for panda bonds

Highlights of the Interim Measures for the Administration of Bond Issuance of Foreign Institutions in China's Interbank Bond Market

APPROVAL

Bond issuance of foreign financial institutions in China's interbank bond market should be approved by PBoC.

REGISTRATION

For foreign governmental institutions, international development institutions, or foreign non-financial corporates issuing bonds in China's interbank bond market, the issuers shall apply for registration with NAFMII.

CONDITIONS

For foreign financial institutions, the issuers should conform to the following conditions, e.g., the paid-in capital is no less than RMB 10 billion or other currencies equivalent, having a solid balance sheet, good credit standing, and a record of profitability over the latest three consecutive years, etc.

FINANCIAL REPORT

As for bond issuance of foreign financial institutions and non-financial corporates, if the financial reports disclosed are not compiled according to ASBE or equivalent accounting standards, additional information which should be provided simultaneously are, major differences between the accounting standards applied in the financial reports and ASBE, information on the adjustment of the differences in accordance with ASBE, stating the amount of money that would be affected by the differences in accounting standards in all the major items of the issuer's financial report.

LANGUAGE

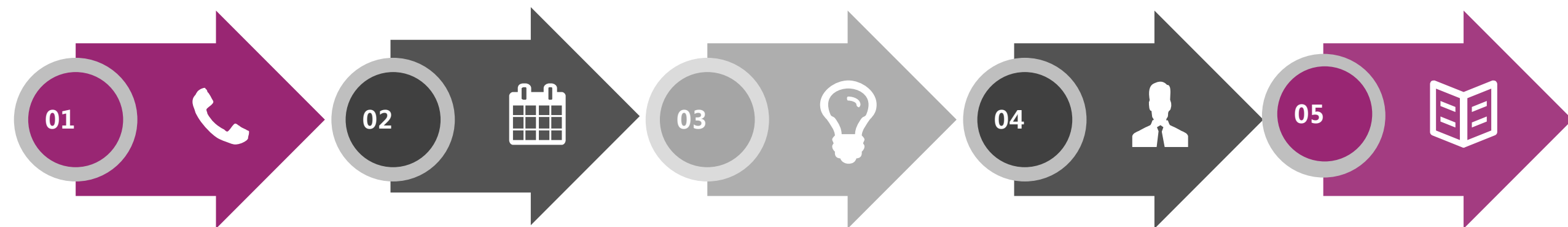
Issuance documents disclosed publicly by foreign institutions should be in simplified Chinese or a simplified Chinese translation shall be provided.

Abbreviations:

PBOC - People's Bank of China

NAFMII - China's National Association of Financial Market Institutional Investors

ASBE - Chinese Accounting Standards for Business Enterprises



Preliminary communication with regulators, prepare documents.

Delegate the application to Exchange/NAFMII.

Based on regulators' pre-appraisal and feedback, submit supplementary materials asap.

The issuer would communicate with investors in parallel with registration process, or after regulators sign the approval.

Wait for time windows to issue Panda Bond after receiving notification of acceptance of registration.

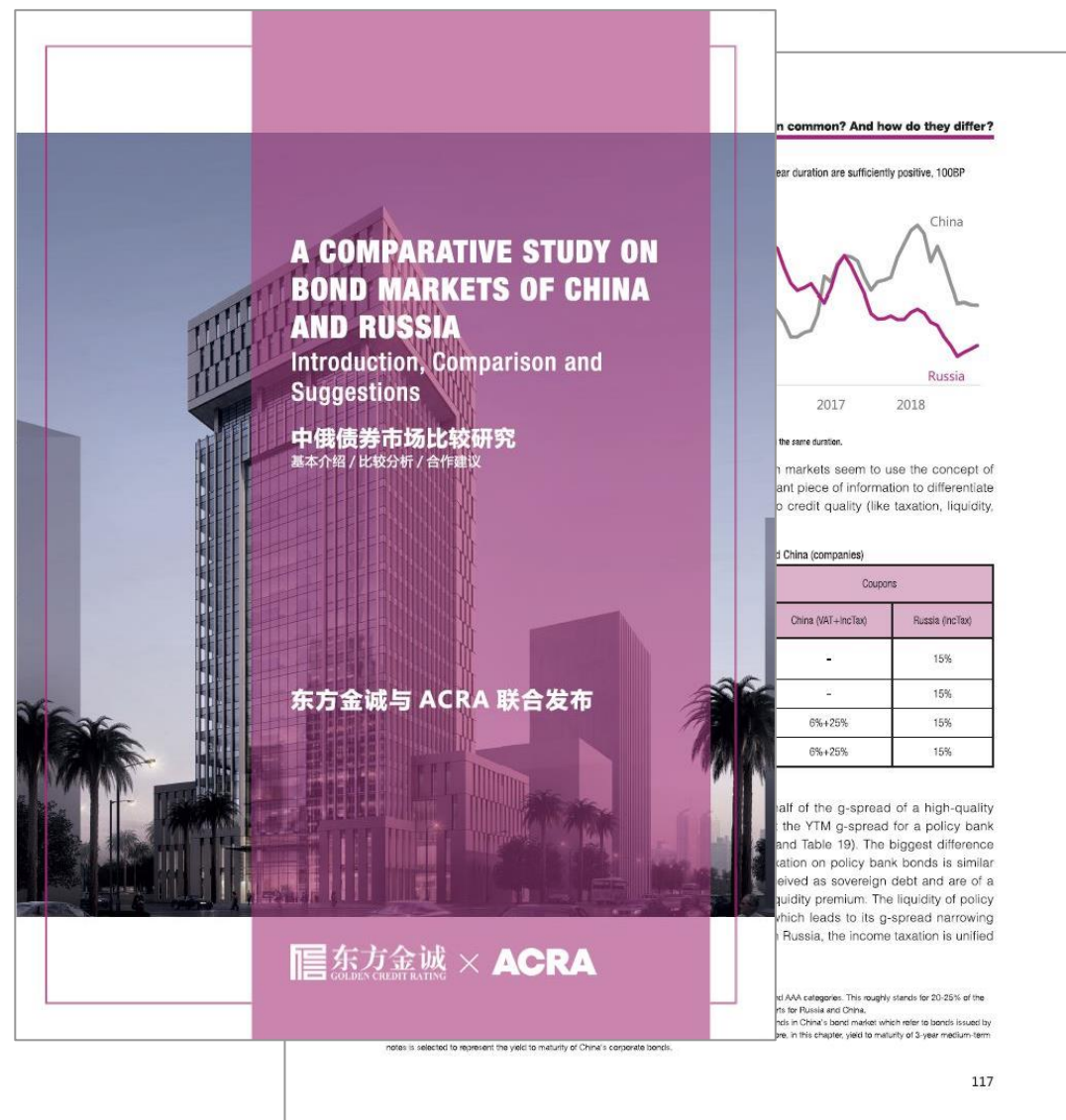
Accomplished:

Bond markets comparison (free access on our websites):

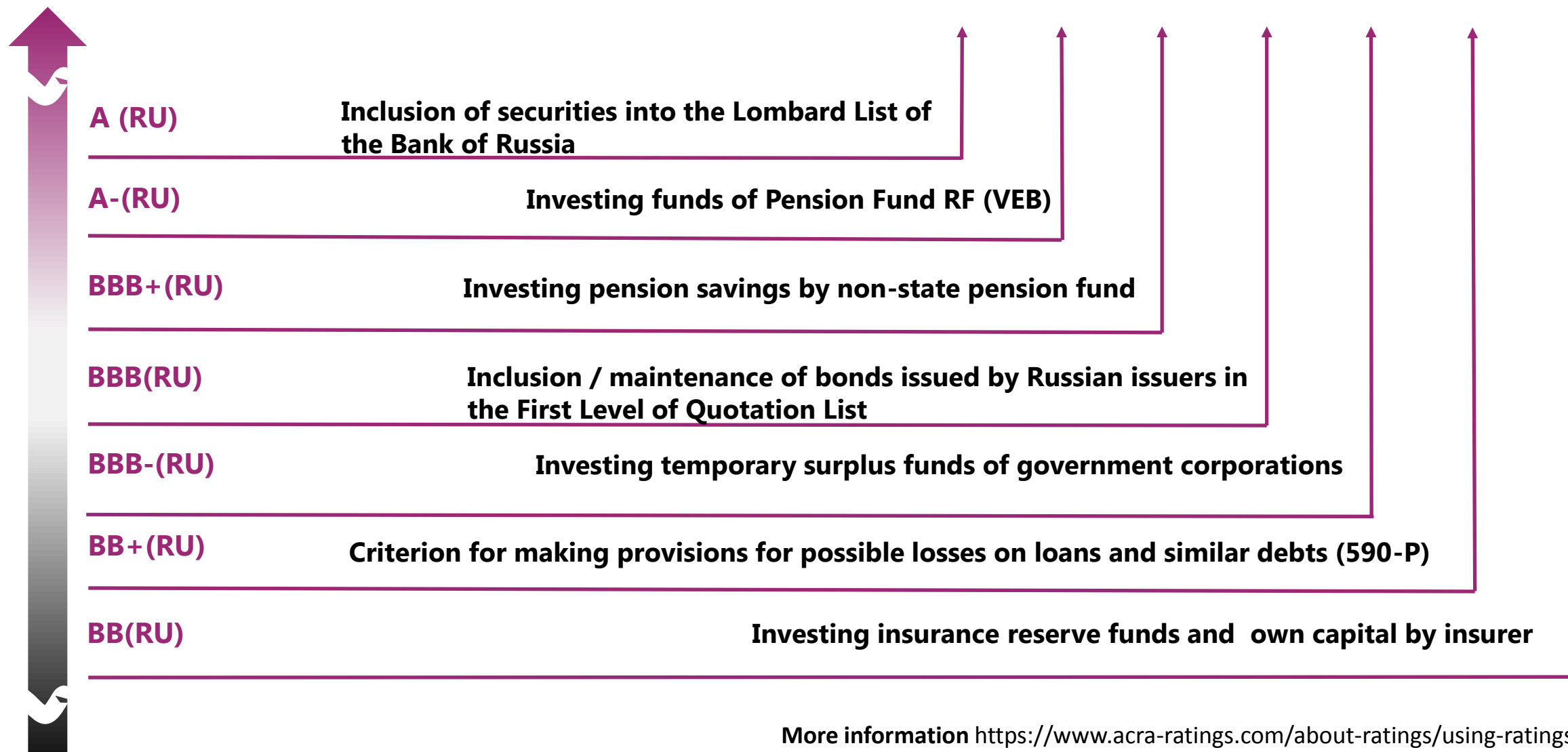
- Issuers and issuance
- Holders and taxes
- Regulation
- Development stages etc.

Ongoing research:

1. Financial stress indices for Russia, China and other countries
2. Potential for mutual investments and trade
3. Structural debt relations maps
4. Possibility of rating recognition

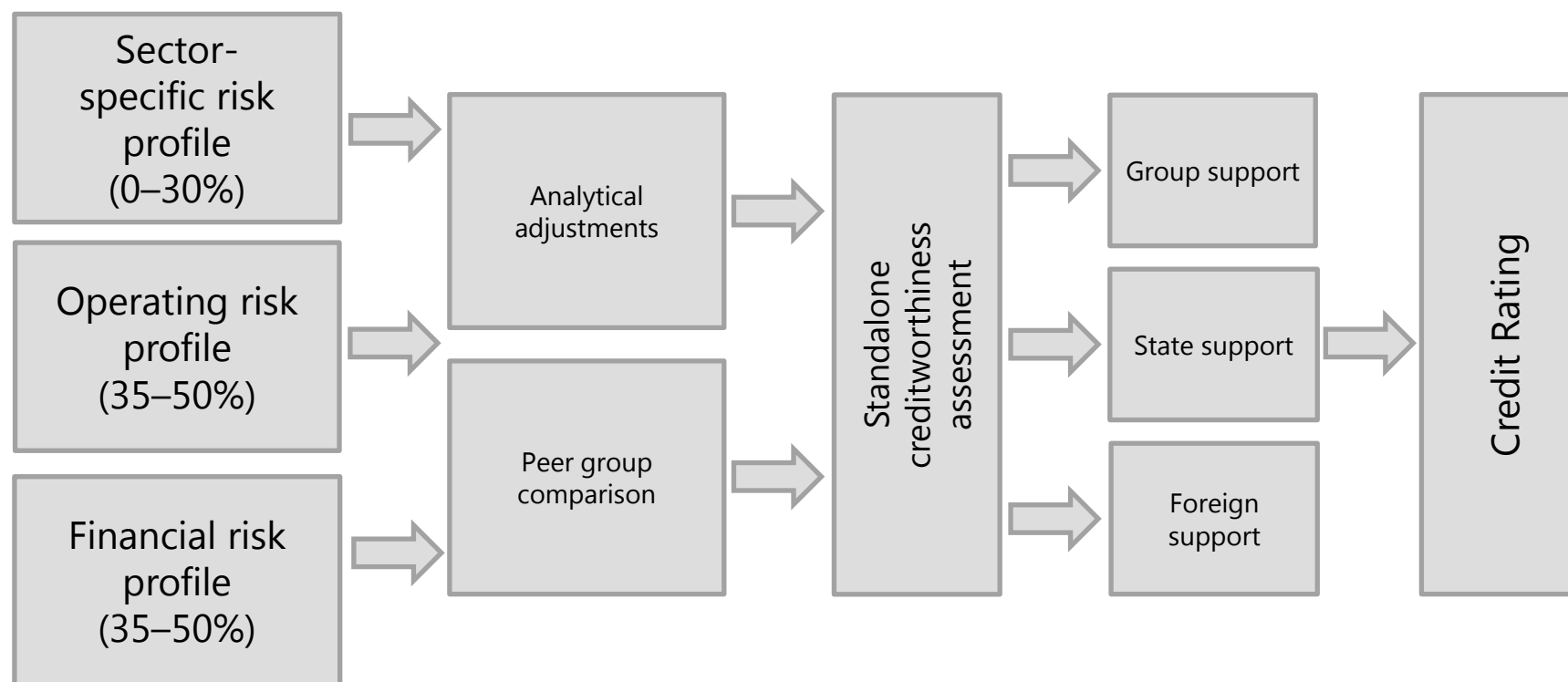


Application for regulatory purposes in Russia



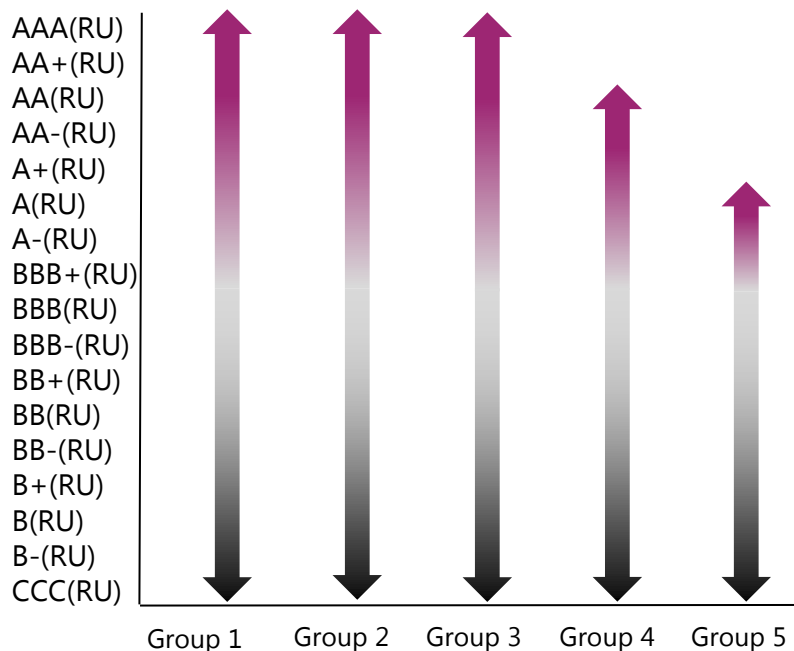
Rating analysis structure

- The main stages of defining the rated entity's SCA include assessment of its sector-specific, operating and financial profile quality, which can then be adjusted to define final Credit rating
- Methodology is sector-specific and factors, weights and ranges can vary depending on the industry.



Industry-specific risk profile

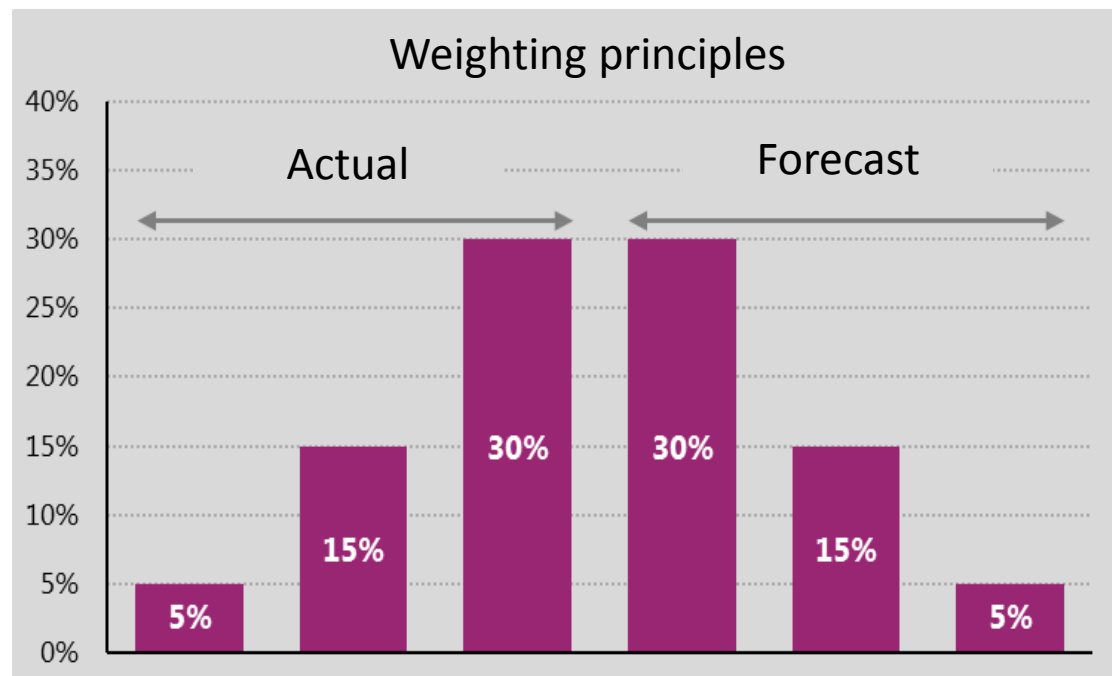
- ACRA has broken down all sectors into five groups depending on their cyclical, entry barriers, industry risk statistics, as well as development trends and prospects (in Russia).
- The weight of the industry risk profile factor is set individually for each group depending on the credit risk level. This creates a certain rating ceiling for companies from high-risk sectors and at the same time provides a slight premium to industries with lower risk.



Group	Weight	Sector		
Group 1 (credit risk is way below average)	10%	Utilities	Transport infrastructure	Telecommunications
Group 2 (credit risk is below average)	5%	Oil & Gas and Chemicals	Metals	Power generation
Group 3 (credit risk level is neutral)	0%	Defense sector	Machinery	Mining
		Transportation	Retail trade	Agriculture
		Packaged food and beverages	Healthcare	IT & media
Group 4 (credit risk is above average)	15%	Real estate	Paper and forest products	Oilfield services
Group 5 (credit risk is way above average)	30%	Infrastructure construction	Residential construction	Wholesale trade

Use of weighted values

- ACRA assesses forecast data using a financial model prepared by the Agency for every rated entity based on Analyst's assumptions on future operational and financial results. Industry forecasts are built in accordance with ACRA's proprietary document on general principles of macroeconomic indicators forecasting.
- As a rule, when assessing the financial profile factors, the weight of actual figures for the past three years corresponds to the weight of numbers predicted by ACRA for the next three years, with the greatest weight assigned to the recent actual year and the first forecast year. However, in certain cases more weight may be assigned to forecasted values.



Forthcoming trainings

- ✓ **Fundamentals of credit analysis of insurance companies**
(April 4-5, 2019)
- ✓ **Fundamentals of sovereign risk credit analysis**
(April 24, 2019)
- ✓ **Forecasting in credit analysis. Course 1: macroeconomic and industry forecasting fundamentals**
(May 14-15, 2019)
- ✓ **Fundamentals of credit analysis of regional and municipal authorities**
(May 16-17, 2019)
- ✓ **Fundamentals of structured finance deals analysis**
(May 21-22, 2019)
- ✓ **Fundamentals of credit analysis of banks and non-banking credit institutions**
(June 6-7, 2019)
- ✓ **Forecasting in credit analysis. Course 2: practical aspects of economic modeling**
(September 17-18, 2019)
- ✓ **Advanced analysis of structured finance deals**
(October 8-9, 2019)
- ✓ **Corporate credit analysis fundamentals**
(October 29–30, 2019)

- ✓ ACRA sees its mission in **developing best practices** that provide the **Russian financial market** with basis for sustainable performance
- ✓ ACRA's expertise is **unique in terms of its competences** and profound understanding of credit risk
- ✓ ACRA trainings are aimed at **enhancing qualifications** of financial market participants and **building up efficiency** of managerial and investment decision making

**For more information and enrollment,
please contact**

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