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## ACRA assigns an expected credit rating to structured notes to be issued by SPV Transport infrastructure LLC

***The expected credit rating of the structured notes planned for issue under the project finance debt securitization transaction is eAA(RU) due to the relatively high level of predictability of the cash flow for the Underlying Asset, high level of recovery in the event of default of the Underlying Asset, and the relatively high credit quality of the transaction participants.***

**An expected eAA (RU) credit rating** has been assigned to the planned issue of collateralized structured notes with the possibility of early redemption at the request of their holders and partial early redemption at the discretion of [SPV Transport infrastructure LLC](#) (hereinafter, the Issuer).

### Rating

On September 16, 2016, LLC Road Construction Corporation (hereinafter, the Concessionaire; [A-\(RU\), outlook Stable](#)) and the Russian Federation represented by the State Company "Russian Highways" (hereinafter, the Concessor; [AA\(RU\), outlook Stable](#)) entered into a concession agreement on the financing, construction and operation on a paid basis of the Central Ring Road of the Moscow Region and Start-up Complex No. 3 (hereinafter, the Concession Agreement). As of the assignment of the expected credit rating, the construction phase of the project had been completed and the object of the Concession Agreement had been put into operation.

### Transaction

The Concessionaire was provided debt financing to carry out the project, including via a syndicate of banks — Bank GPB (JSC) (hereinafter, the Originator, or Gazprombank; [AA+\(RU\), outlook Stable](#)), Sberbank ([AAA\(RU\), outlook Stable](#)), and Eurasian Development Bank (hereinafter, EADB; [AAA\(RU\), outlook Stable](#)), which provided the Concessionaire with a total credit limit of RUB 38.5 bln (hereinafter, the Syndicated Loan). The Originator's share in the Syndicated Loan was RUB 14.25 bln. The participants of LLC Road Construction Corporation are DSK Avtoban JSC ([A-\(RU\), outlook Stable](#)) and EADB (hereinafter, the Sponsors).

This transaction is a planned issue of structured notes by the Issuer as part of the securitization of rights of claim to part of the Syndicated Loan provided to the Concessionaire by Gazprombank. The aforementioned rights of claim are the sole Underlying Asset in the transaction. The collateral for the planned issue of structured notes is the rights of claim to the part of the Syndicated Loan issued by Gazprombank and transferred to the Issuer through the actual sale, as well as the rights under the agreement on the collateral account at Gazprombank, in which the received funds are accumulated until they are paid to the note holders. The primary source of funds for the Underlying Asset is cash received as a return on borrowed investments in the form of fees from the Concessor under the Concession Agreement.

### Issuer

The Issuer is a bankruptcy-remote special purpose vehicle operating in accordance with the requirements of Federal Law No. 379-FZ, dated December 21, 2013, "On amending certain legislative acts of the Russian Federation." The subject of the Issuer's activity is the acquisition of rights of claim to the Underlying Asset, as well as the issue of structured notes.

### Rating components

The expected credit rating reflects ACRA's opinion on the potential expected losses for investors by the notes' legal maturity. ACRA carried out the analysis in two stages. In the first stage, in accordance with the Methodology for Assigning Credit Ratings to Project Finance Instruments and Obligations on the National Scale for the Russian Federation, ACRA applied the scoring model for assessing the factors of the project's operating activities and, taking into account the influence of compensatory mechanisms in the event of a default event, assigned an aa rating score to the Underlying Asset. In the second

stage, the Issuer's planned structural note issue was assigned a definitive expected credit rating of **eAA(RU)** based on the rating score of the Underlying Asset and in accordance with the [Methodology for Credit Ratings Assignment to Repackaging Transactions](#).

## Underlying Asset

### The most significant factors that determined the rating score of the Underlying Asset are:

- The Concessor's credit rating, which set the upper boundary for the assessment of the Underlying Asset due to the probability (limited by the Concessor's rating) of full payment of compensation in the event of default of the Underlying Asset.
- A relatively high level of predictability of the cash flow at the expense of the Concessor's fee.
- Relatively high key financial metrics.
- Limited possibility of support from the Sponsors. Despite their high ratings (EADB — [AAA\(RU\), outlook Stable](#); DSK Avtoban JSC — [A-\(RU\), outlook Stable](#)), the Agency assesses their level of involvement as low.
- A relatively high level of qualification and creditworthiness of the Operator represented by Avtoban-Operation LLC ([A-\(RU\), outlook Stable](#)). The Agency notes the Operator's stable market position and its significant experience in road construction.
- Strong industrial logic and consistency of economic interests of the key parties to the transaction due to the strict regulation of operational processes under the Concession Agreement.

## Issue structure

The structured notes include bonded loans, payments on which may be made depending on the occurrence or non-occurrence of a credit event. A credit event means the occurrence of predetermined circumstances. In particular, the structure of the current transaction provides for a credit event, which includes the occurrence of a payment or non-payment default under the Loan Agreement.

A credit event triggered by a payment default arises from a default on debt service obligations with regard to the Underlying Asset. In particular, a payment default event occurs on the date of default by the Borrower on its obligations in the form of repayment of the principal or other amount payable under the Loan Agreement.

An event of non-payment of default, which is not related to credit risk, means the occurrence of an insolvency event or the implementation of other events specified in the issuance documentation with any of the key participants, as a result of which creditors have the right to demand early repayment of the debt.

The debt obligation under this issue of structured notes planned for issue is represented by a single tranche, i.e., the structure of the this bond issue will not use subordination mechanisms (tranching), which form additional credit support for noteholders.

Amortization of the notes is carried out at the expense of funds credited to the Issuer's account as payment for the obligations to repay the principal on the Underlying Asset, which is part of the notes' collateral. In ACRA's opinion, the structure of the transaction provides for timely and full payment of coupons and redemption of the nominal value of the notes during their entire life until their legal maturity. There is no risk of confiscation or re-qualification of the Underlying Asset.

The Agency carried out an analysis of counterparty risk and protection against bankruptcy. As a result it was decided to assign the expected credit rating at the level of the Underlying Asset without applying adjustments to the planned issue of structured notes, since the only counterparty capable of exerting a limiting effect on the expected rating of the issue is the Account Bank represented by Bank GPB (JSC), whose rating is higher than the Underlying Asset.

**Potential rating change factors****A positive or negative rating action may be prompted by the following events:**

- The credit rating of the Concessor falling below AA(RU);
- Deterioration of macroeconomic conditions not envisaged by the baseline assumptions used in the rating analysis;
- Legislative amendments that may significantly impact the transaction;
- Downgrading of the Account Bank's long-term credit rating, provided that it cannot be replaced.

**Impact of COVID-19 on the rating**

The COVID-19 pandemic and subsequent drop in oil prices have exacerbated the state of the Russian economy and negatively affected both the financial stability of banks and the macroeconomic situation in the Russian Federation.

ACRA took into account the potential impact of the macroeconomic decline on the debt service indicators for the Underlying Asset and the current transaction structure by applying adjustments to the yield vector for the Underlying Asset and the floating coupon for the rated structured notes planned to be issued.

**Regulatory disclosure**

The expected credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Non-Financial Corporations Under the National Scale for the Russian Federation](#), Methodology for Assigning Credit Ratings to Project Finance Instruments and Obligations on the National Scale for the Russian Federation, [Methodology for Credit Ratings Assignment to Repackaging Transactions](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

An expected credit rating has been assigned to the structured notes planned for issue by SPV Transport infrastructure LLC for the first time. ACRA expects to assign the definitive credit rating within 180 days following the publication date of this press release.

The expected credit rating has been assigned based on the data provided by Bank GPB (JSC), information from publicly available sources, as well as ACRA's own databases. The expected credit rating is solicited, and Bank GPB (JSC) participated in the rating process.

No material discrepancies between the provided data and the data officially disclosed by Bank GPB (JSC) in its financial statements have been discovered.

ACRA provided additional services to Bank GPB (JSC). ACRA provided no additional services to SPV Transport infrastructure LLC. No conflicts of interest were discovered in the course of expected credit rating assignment.

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