

**Rating Action: Moody's confirms ratings of 26 Russian financial institutions**

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Global Credit Research - 26 Apr 2016

**Action follows the confirmation of Russia's Ba1 sovereign rating with a negative outlook**

London, 26 April 2016 -- Moody's Investors Service has today confirmed the ratings of 26 financial institutions domiciled in Russia. Following Moody's confirmation on April 22, 2016 of the Ba1 rating on Russia, the agency's Macro Profile for Russia remains Weak+, reflecting its view that the further impact of the decline in oil prices on the operating environment will be limited. The baseline credit assessments (BCAs) of 15 banks and their long-term ratings were confirmed, given Moody's expectation of the resilience of these banks' credit profiles to the anticipated deterioration in the economy.

The long-term ratings of 10 banks incorporating uplift from potential government support were confirmed.

For one subsidiary bank, the ratings have been confirmed following Moody's confirmation of the ratings on its parent bank. For three subsidiary banks, Moody's has downgraded the adjusted BCAs to the same level as their standalone BCAs with a corresponding increase in government support, leading to a confirmation of the long-term ratings.

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_189309](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_189309) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

This rating action concludes the reviews initiated on March 9, 2016

**RATINGS RATIONALE**

**STANDALONE BANK CREDIT PROFILES**

The key driver of today's confirmation of the BCAs of 15 Russian banks relates to Moody's view that the Russian economy has exhibited resilience to the further drop in oil prices early this year. Oil price volatility is not expected to lead to an additional durable, material impact on the economy, inflation or financial stability, and the slowdown in growth will be relatively mild and brief.

Given this, Moody's has maintained its Macro Profile for Russia at "Weak+". Consequently, the rating agency considers that the current level of BCAs adequately reflects the capacity of these financial institutions to absorb the anticipated deterioration in asset quality and slowdown in growth. The agency forecasts a second consecutive year of recession with a GDP contraction of 1.5% and consequent reduction in the creditworthiness of bank customers with a detrimental effect on asset quality and post-provision profitability. Nevertheless, this pressure will be partly offset by improvements in the system's capitalization, due to balance sheet shrinkage as well as a RUR1 trillion government capital injection programme extended to 26 eligible financial institutions. Moody's expects that the need for additional capital is now limited, given very low growth expectations and a reduction in risk-weighted assets in the banking system.

Moody's also expects a gradual improvement in system-wide funding costs, given lower domestic interest rates than in 2015, enabling some recovery in net interest margins and earnings capacity. The banking system's refinancing risk remains contained, with less than US\$20 billion external liabilities falling due in 2016, representing approximately 2% of the system's liabilities.

**GOVERNMENT SUPPORT ASSUMPTIONS**

The confirmation of Russia's government rating at Ba1 with a negative outlook has led to the confirmation of the long-term ratings of 10 financial institutions whose ratings benefit from potential government support. This reflects Moody's view that the capacity and willingness of the Russian government to assist its systemically important banks in the event of need remain substantially unchanged.

The negative outlook on the long-term ratings of these financial institutions reflects the negative outlook on the sovereign rating.

Confirmation of the Russian sovereign rating at Ba1 and no change in associated country foreign and local currency deposit ceilings has led to the confirmation of corresponding ratings of six Russian financial institutions.

#### SUBSIDIARY BANKS

Moody's has downgraded the adjusted BCAs of three subsidiary banks by several notches. This aligns their adjusted BCAs with those of their parent banks. At the same time, the long-term ratings of these banks were confirmed, with uplift from potential support from the Russian government now incorporated directly rather than indirectly via their parents.

The long-term ratings of two subsidiary banks were confirmed following the confirmation of the parents ratings and assumptions regarding the probability of affiliate support.

#### WHAT COULD MOVE RATINGS UP OR DOWN

Outlooks on the ratings of banks in Russia are predominantly negative indicating little potential for upgrades currently, due to a combination of the continued difficult operating environment and the negative outlook on Russia's sovereign rating.

For banks with weaker credit profiles within their standalone rating range, Moody's could downgrade the ratings if it considers that the deterioration in the macro environment will lead to a meaningful weakening in asset quality, undermining revenue generation capacity and/or the existing capital buffers of these banks.

For banks whose long-term ratings benefit from government or affiliate support, the ratings could be downgraded if the capacity and/or willingness of the government or the banks' parents to provide such support are materially affected by the weakening environment.

#### LIST OF AFFECTED ENTITIES

The BCAs of the following entities were confirmed:

Sberbank

Eximbank of Russia

Alfa-Bank

AO RAIFFEISENBANK

DeltaCredit Bank

Absolut Bank

Bank Saint-Petersburg PJSC

Vozrozhdenie Bank

Center-Invest Bank

NBD Bank

Transkapitalbank

RGS Bank

Commercial Bank Agropromcredit

Metallinvestbank JSCB

International Financial Club

The long-term ratings of the following entities were confirmed:

Sberbank

Bank VTB JSC  
VTB24  
Vnesheconombank  
SME Bank  
Eximbank of Russia  
Agency for Housing Mortgage Lending JSC  
Alfa-Bank  
AO RAIFFEISENBANK  
DeltaCredit Bank  
Absolut Bank  
Bank Saint-Petersburg PJSC  
Vozrozhdenie Bank  
Center-Invest Bank  
NBD Bank  
Transkapitalbank  
RGS Bank  
Commercial Bank Agropromcredit  
Metallinvestbank JSCB  
International Financial Club

The Adjusted BCAs of the following entities were downgraded and the long-term ratings confirmed:

VTB24  
SME Bank  
Eximbank of Russia

The foreign currency deposit ratings of the following institutions were confirmed due to the no change in the country ceilings

Russian Agricultural Bank  
Gazprombank  
ING Bank Eurasia  
Natixis Bank JSC  
JSB Rosbank  
Rusfinance Bank

The principal methodology used in rating Sberbank, Bank VTB, JSC, VTB24, SME Bank, Eximbank of Russia, Russian Agricultural Bank, Gazprombank, Alfa-Bank, AO RAIFFEISENBANK, ING Bank Eurasia, Natixis Bank JSC, JSB Rosbank, DeltaCredit Bank, Rusfinance Bank, Absolut Bank, Bank Saint-Petersburg PJSC, Vozrozhdenie Bank, Center-Invest Bank, NBD Bank, Transkapitalbank, RGS Bank, Commercial Bank Agropromcredit, Metallinvestbank JSCB and International Financial Club was Banks published in January

2016.

The principal methodologies used in rating Vnesheconombank and Agency for Housing Mortgage Lending JSC were Banks published in January 2016, and Government-Related Issuers published in October 2014.

Please see the Ratings Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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Please click on this link [[link to From-To list](#)] for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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- Person Approving the Credit Rating

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