

Various Positive Actions Taken On 14 Russian Banks And Several Related Entities On System's Reduced Economic Risks

October 13, 2021

- More-positive-than-expected economic developments and a faster recovery have limited the deterioration of Russian banks' asset quality and supported a rebound in profitability. The banking system remains adequately capitalized and liquid.
- We believe that the prolonged correction phase in the sector has ended, and now perceive the system to be in an expansionary phase.
- We are therefore revising our Banking Industry Country Risk Assessment on Russia to '7' from '8', resulting in an upward revision of our anchor for banks operating predominantly in Russia to 'bb' from 'bb-'.
- We view the trends on economic and industry risks for Russian banks as stable, which reflects broadly balanced risks over the next 12-18 months.
- As a result, we have taken various positive actions on 14 Russian banks and several related financial institutions.

MOSCOW (S&P Global Ratings) Oct. 13, 2021--S&P Global Ratings today said it took various actions on Russian banks:

- We raised our long-term issuer credit ratings (ICR) on Bank Soyuz to 'BB-' from 'B+'. The outlook is stable;
- Raised our long- and short-term ICRs on Gazprombank JSC and its two core subsidiaries, Gazprombank (Switzerland) Ltd., and Bank GPB International S.A., to 'BBB-/A-3' from 'BB+/B'. The outlooks remain stable;
- Raised our long- and short-term ICRs on Alfa-Bank to 'BBB-/A-3' from 'BB+/B'. We raised our long-term ICRs on its holding company, ABH Financial Holding Ltd., to 'BB+' from 'BB-' and affirmed our 'B' short-term ICR on the bank. The outlooks are stable;
- Raised our long-term ICR on Rossium to 'B+' from 'B', and affirmed long- and short-term ICRs on Credit Bank of Moscow (MKB) at 'BB/B'. The outlooks are stable;
- Raised our long-term ICR on CentroCredit Bank to 'B+' from 'B' and affirmed our 'B' short-term rating on the bank. The outlook is stable;
- Raised our long-term ICR on Ural Bank for Reconstruction and Development (UBRD) to 'B' from 'B-' and affirmed our 'B' short-term rating on the bank. The outlook is stable;

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- Revised our outlook to positive from stable and affirmed our 'B+/B' long- and short-term ICRs on CB Renaissance Credit LLC;
- Revised our outlook to positive from stable and affirmed our 'B/B' long- and short-term ICRs on Russian Standard Bank;
- Revised outlook to positive from stable and affirmed our 'BB/B' long- and short-term ICRs on Promsvyazbank;
- Affirmed our 'BBB-/A-3' long- and short-term ICRs on VTB Bank. The outlook remains stable. We raised our issue rating on the bank's subordinated debt to 'B' from 'B-';
- Affirmed our 'BB/B' long- and short-term ICRs on Sovcombank. The outlook remains positive;
- Affirmed our 'BBB-/A-3' long- and short-term ICRs on Raiffeisenbank AO. The outlook is stable;
- Affirmed our 'BBB-/A-3' long- and short-term ICRs on UniCredit Bank AO. The outlook is stable; and
- Affirmed our 'BB+/B' long- and short-term ICRs on RN Bank JSC at. The outlook is stable.

Our revised view of lower economic risks faced by the Russian banking industry reflect in part the stronger recovery and more selective pandemic-related restrictions, with limited use of nationwide lockdowns. Our view is also supported by the structure of the Russian economy, which has a large public sector and a relatively modest exposure to sectors with a difficult postpandemic outlook such as services and tourism. These factors have supported relatively rapid credit growth including long-term lending demand from corporate segments.

We believe that the prolonged correction phase's impact on Russian banks has substantially moderated, with banks now benefiting from the recovery. We have recently raised our 2021 GDP growth forecast to 4.0% from 3.7%, mostly because of stronger exports. We expect growth to soften to 2.6% in 2022 as domestic demand moderates amid a tighter monetary policy. Geopolitical uncertainty and the subsequent risk of potential tighter sanctions continue to be the main constraining risks for Russia.

We now forecast the banking sector's average net income for 2021 could reach Russian ruble (RUB) 2.0 trillion-RUB2.2 trillion (about \$30 billion) if there are no material economic or geopolitical shocks, which is about 30% higher than our earlier expectations. These projections reflect frontloaded monetary policy normalization in 2021 coupled with faster credit growth, supported by economic recovery. Over the past 18 months, corporate credit growth in Russia has accelerated, resulting in 23% growth in corporate loan books by September 2021. We project total average annual credit growth to outpace economic growth, and could reach about 10% in 2021-2022. We expect retail loan growth, especially in uncollateralized consumer loans, to moderate to 15%-20% by end-2021 due to less favorable interest rates, corrective measures from the central bank in July and October 2021, and potential further tightening. We anticipate that the overall nonperforming loan (NPL) ratio in the retail lending segment could stabilize at 4.3%-4.5% in 2021-2022.

Due to strong growth, mortgage loans are likely to become Russian banks' main retail product. What's more, they will remain the most resilient segment in terms of growth and asset quality, helping banks balance credit costs and margins. Historically in Russia, mortgage lending has been characterized by prudent underwriting. With average approval rates of about 60%, we don't see that underwriting standards are about to be relaxed, despite fast-growing dynamics before.

Despite the growth in the mortgage market in the past four years, at an average of 20% a year, we currently don't see the formation of an asset bubble. Total mortgage debt as a share of Russia's

GDP is moderate at about 10%, on par with that of Turkey (5%), but much lower than for other middle-income countries like Poland (23%) and South Africa (25%). Indeed, this moderate share and the profile of Russia's mortgage debt indicate potential for further growth in mortgage volumes, while mortgage NPL levels remain below 1%.

We assume that NPLs (measured as Stage 3 loans under IFRS) are likely to stabilize at about 7.0% in 2021, compared with 7.5% reported Stage 3 loans for the largest banks as of end-2019. The 14 largest Russian banks in our sample together account for about 80% of system assets and therefore provide a good indication of the major trends in the whole banking sector. As of mid-2021, Stage 3 loans for these banks constituted about 6.7%, while the Stage 2 bucket stood at 8.1%, compared with 7.3% and 9.7% at end-2020, respectively. At the same time, provision coverage of Stage 3 loans increased somewhat, to 67% (weighted by the amortized loan books of the 14 largest banks).

In our base-case scenario, we anticipate that Russian banks could recognize credit costs of up to 1.0% of their average amortized loan books in 2021, and 0.6%-0.8% afterward. In first-half 2021, the 14 largest Russian banks reported credit costs of about 59 basis points (bps; annualized, weighted by average amortized loan books) under IFRS. We positively note that most largest Russian banks frontloaded provisions in first-quarter 2020.

Banking regulation in Russia has been steadily improving and is now viewed as broadly in line with international standards. We also now believe that Russian regulator has made significant progress in enhancing transparency in the system.

VTB Bank JSC

Primary analyst: Dmitry Nazarov

We affirmed our 'BBB-/A-3' ratings on VTB Bank JSC. At the same time, we revised VTB's stand-alone credit profile (SACP) to 'bb' from 'bb-' and raised our issue rating on its subordinated debt to 'B' from 'B-'.

We think that VTB benefits from the improving economic risks in Russia, and, in particular, from the economic recovery we observe in 2021, which supports better profitability and successful strategy implementation. Despite the improving risk-adjusted capital ratio (RAC), we view the bank's capital position as weak due to high share of hybrids in its capital and its high sensitivity to valuation of its noncore assets and investment activity. Although VTB demonstrates slightly worse asset quality compared with that of other Russian large banks, with Stage 3 at 8.0% as of mid-2021, we expect that it will gradually converge to the system average with cost-or-risk around 100 bps over the next two years.

Outlook

The stable outlook reflects S&P Global Ratings' view that, over the next 18-24 months, VTB will broadly maintain its credit profile, supported by improving earning capacity and asset quality, and benefiting from strong ties with the Russian government.

Upside scenario: A positive rating action is unlikely in the next 18-24 months and would be contingent on a positive rating action on Russia.

Downside scenario: A negative rating action appears unlikely because it would require a multiple-notch deterioration in the bank's stand-alone creditworthiness or downgrade to Russia.

Bank Soyuz

Primary analyst: Ekaterina Marushkevich

We raised our long-term ICR on Bank Soyuz to 'BB-' from 'B+' and revised our SACP on it to 'b+' from 'b' indicating our expectation that the bank will benefit from the improved operating environment, which will lead to improved earnings with lower cost of risk from gradually improving asset quality and a higher net interest margin. We revised our capital and earnings assessment on the bank to adequate because we now expect that Bank Soyuz will sustain its comfortable capital buffers despite moderate pressure from the expected growth of risk-weighted assets as the bank proceeds with its business expansion strategy in cooperation with parent Ingosstrakh, one of the leaders in Russian P/C insurance. We also expect the parent's support to continue.

Outlook

The stable outlook reflects our expectation that Bank Soyuz will maintain its market position in the next 12 months while gradually proceeding with its updated business development strategy in cooperation with Ingosstrakh.

Upside scenario: We consider a positive rating action on the bank unlikely in the next 12 months. However, it could happen beyond then if the bank's importance for the group strengthened; or its asset-quality indicators improved materially.

Downside scenario: We could lower the rating in the next 12 months in case we observed one of the following:

- The bank's asset quality weakened and credit costs increased materially; or
- A weaker link between the bank and its parent company results in decreasing ongoing and lower chance of potential extraordinary support.

Sovcombank

Primary analyst: Roman Rybalkin

The affirmation reflects our view that the bank's stand-alone creditworthiness has improved owing to a more stable economy. We revised our SACP on the bank to 'bb' from 'bb-'. While Sovcombank is expanding its lending activities faster than most its peers in the country, we believe that this growth is well managed. The retail portfolio remains well-priced relative to risk, and corporate book growth has mostly focused on government-related entities and market leaders. Our ratings on Sovcombank no longer reflect any notching for support from the state. This is because the gap between the bank's intrinsic creditworthiness and that of the government is now too narrow to assign any notches of support.

Outlook

The positive outlook indicates our view that Sovcombank can strengthen its business position and outperform peers in the 'BB' category should it further expand its buy-now-pay-later card business and maintain higher-than-average earnings capacity backed by robust asset quality.

Upside scenario: We may raise the ratings if Sovcombank diversifies and improves revenue stability by expanding its retail business, including its new flagship brand Halva, while maintaining a low cost of risk in its established corporate business and stable capitalization.

Downside scenario: We could revise the outlook to stable if Sovcombank fails to maintain better-than-average earnings capacity or its strategic initiatives do not strengthen its business profile, for example due to intense competition or unfavorable market conditions.

Gazprombank JSC (GPB)

Primary analyst: Natalia Yalovskaya

We raised our ICRs on the bank to 'BBB-/A-3' on the upward SACP revision to 'bb'. We base this on our assessment of improved economic risks for banks operating in Russia as well as GPB's well-established positions and strong franchise in corporate business, resulting in very strong asset quality performance of its loan book despite pandemic-related stress. We expect that the bank's efforts to expand its retail business to complement its corporate franchise will continue supporting its margin and financial results over the next two years. At the same time, we consider that high corporate loan book concentration will continue being a risk in case of an unfavorable economic shock, and the bank's capitalization continues to be a rating weakness. We continue to view the bank as a government-related entity (GRE) and incorporate two notches of uplift into our long-term rating to reflect the high likelihood of government support.

We continue to classify Gazprombank (Switzerland) Ltd. and Bank GPB International S.A. as core subsidiaries, so we equalize our ratings on these entities with those on GPB. The core status reflects the subsidiaries' close integration with the parent, Gazprombank's full ownership, and our expectation that the parent will provide ongoing and extraordinary support when needed.

Outlook

The stable outlook reflects S&P Global Ratings' view that GPB's financial risk profile will likely be broadly stable in the next 18-24 months, in light of a more positive economy supportive to new business and asset quality recovery in the Russian banking sector.

Downside scenario: We would consider lowering the ratings over the next 18-24 months if the bank's earnings generation worsens substantially more than we expect, resulting in our RAC ratio falling below 3%. We could also lower the ratings if the bank's asset quality indicators deteriorated significantly. This could happen if GPB's credit losses increase materially and provisions are higher than what we expect for the sector. Also, a negative action on the sovereign will result in a similar rating action on GPB.

Upside scenario: An upgrade would require both an upgrade to the sovereign and upward revision to the SACP on the bank, for instance because its capital buffer improved substantially.

The outlooks on Gazprombank (Switzerland) Ltd. and Bank GPB International S.A. mirror that on GPB because we expect our ratings on those entities to move in tandem with those on the parent.

Raiffeisenbank AO

Primary analyst: Sergey Voronenko

We affirmed our 'BBB-' ratings and revised our SACP on Raiffeisenbank to 'bbb' from 'bbb-', reflecting our view that the bank is more resilient than domestic peers to the volatile market environment through the economic cycle in Russia. Raiffeisenbank has a well-balanced and diversified business model, cautious business growth strategy, and stronger risk management than domestic peers. Although not immune to systemwide risk in Russia, the bank has one of the strongest financial risk profiles in Russia, in our view. We reflect this in our SACP of 'bbb', three notches higher than the average level in the system. The economic and industry risks of operating in a given country are incorporated into our anchor and SACP, except for a sovereign default scenario, which is only incorporated into the issuer credit ratings. Therefore, the ratings on Raiffeisenbank do not exceed those on Russia.

Outlook

The stable outlook mirrors the outlook on Russia and reflects S&P Global Ratings' expectation that Raiffeisenbank's business risk and financial risk profiles will likely be stable in the next 18-24 months.

Upside scenario: A positive rating action on the sovereign could prompt changes to our ratings on Raiffeisenbank. Under our criteria, we typically do not rate banks higher than the foreign currency sovereign rating.

Downside scenario: We view a downgrade as a remote scenario during our outlook horizon. However, if we downgraded the sovereign, it would trigger a similar rating action on Raiffeisenbank.

Credit Bank of Moscow (MKB) And Holding Company Rossium

Primary analyst: Sergey Voronenko

The affirmation reflects our view that MKB's SACP has improved to 'bb' from 'bb-' owing to a more stable economy. Our ratings no longer reflect any notching of support from the state. This is because the gap between the bank's intrinsic creditworthiness and the state's creditworthiness is now too narrow to assign any notches of support.

We raised our ratings on MKB's non-operating holding company (NOHC) Rossium to 'B+' from 'B', driven by the MKB's SACP revision. There is a two-notch difference between our long-term rating on Rossium and our 'bb' assessment of the consolidated group SACP, which is on par with MKB's SACP. This reflects our view of structural subordination for NOHCs.

Outlook

The stable outlook on MKB reflects our view that the bank will maintain adequate capitalization with asset quality metrics in line with the sector average over the next 12-18 months.

The stable outlook on Rossium mirrors that on MKB, and we do not factor any material potential changes to the group's structure or investment profile in our assessment. We expect the rating will likely move in tandem with MKB's SACP, assuming double leverage does not increase substantially and MKB's dividend policy maintains adequate capitalization.

Downside scenario: A negative rating action appears unlikely because it would require a multiple-notch change in the bank's stand-alone creditworthiness.

Upside scenario: A positive rating action on MKB is unlikely in the next 12 months due to the risks stemming from the still-high concentration of loans on the bank's balance sheet, and its concentrated funding profile. We might consider a positive rating action if we upgraded Russia, resulting in wider gap between the bank and the sovereign creditworthiness and therefore an additional notch of potential government support for this systemically important bank.

Alfa-Bank And Holding Company ABH Financial Holdings Ltd.

Primary analyst: Irina Velieva

We have raised our ratings on Alfa-Bank to 'BBB-/A-3', and revised the SACP on it to 'bbb-' from 'bb+'. This reflects the bank's consistently good operating performance, stable asset quality metrics, and solid track record of navigating through turbulence. In first-half 2021, the bank's annualized return on assets reached 2.8% with a cost-to-income ratio of 37%, which compares favorably with those of the bank's Russian and international peers. We raised our ratings on ABH Financial Holdings Ltd. (ABHF) to 'BB+/B'.

Outlook

The stable outlook on ABHF and Alfa-Bank reflects S&P Global Ratings' expectation that Alfa-Bank will maintain its profitability and capitalization levels, and that the bank's creditworthiness will not change materially over the next 18-24 months.

Upside scenario: A positive rating action on Alfa-Bank is unlikely because it would require a positive rating action on the sovereign and an improved SACP.

Downside scenario: We may take a negative rating action in the next 18-24 months in case of a negative rating action on Russia, or if the bank's asset quality or capitalization metrics deteriorate materially due to unexpected high provisioning needs. Also, a negative rating action on ABHF could follow if the bank's ability to upstream the dividends at the level of the Cyprus-based holding deteriorates.

UniCredit Bank AO

Primary analyst: Irina Velieva

We affirmed our 'BBB-/A-3' ratings on UniCredit Bank AO (UniCredit Bank) and revised our SACP on the bank to 'bbb-' from 'bb+'. UniCredit Bank has a well-established market position in Russia, especially in the corporate lending segment, and sustainable earnings capacity. The bank plans to maintain its market position, with no aggressive business expansion in the next 12-18 months. We anticipate that its NPL ratio and credit costs will be below the system average. UniCredit Bank's funding concentrations are broadly in line with the system and balanced by sound liquidity management.

Outlook

The stable outlook on UniCredit Bank mirrors that on its parent UniCredit SpA, and reflects our view that the bank's SACP and importance to the parent will continue over the next 18-24 months. Even if UniCredit Bank's stand-alone creditworthiness deteriorates, we don't expect the rating to change due to potential notches of uplift stemming from group support.

Downside scenario: A negative rating action on UniCredit Bank could follow those on the bank's parent or Russia.

Upside scenario: A positive rating action is unlikely over the next 18-24 months, because it would depend on positive rating actions on both Russia and the parent.

CB Renaissance Credit LLC

Primary analyst: Roman Rybalkin

We revised our outlook to positive from stable and affirmed our 'B+/B' ratings on CB Renaissance Credit. The outlook revision balances our more-benign view on Russia's economy and challenges the bank is facing. Our SACP on the bank is 'bb-', up from 'b+', but we apply a negative peer adjustment notch. A possible further revision from regulatory risk weights on loans to retail clients, along with a more conservative regulatory debt service ratio calculation, could create pressure for Renaissance Credit, which is still in the early stages of its shift toward better-quality customers and low-margin, low-risk business.

Outlook

The positive outlook reflects our view that Renaissance Credit will gradually transform toward a more digital business model with a focus on more creditworthy clients over the next 12-18 months, while maintaining strong capitalization and stable asset quality.

Upside scenario: A positive rating action could follow if Renaissance Credit successfully implements its strategy and moves toward digital channels, the settlement business, and customers with stronger creditworthiness and away from its traditional point-of-sale-driven model. Strong capitalization, as measured by our RAC ratio comfortably above 10%, and stable

asset quality would be prerequisites for an upgrade.

Downside scenario: We could revise the outlook to stable if rapid lending growth or relaxation of the risk-management practices led to significant deterioration of the bank's key asset quality metrics with credit losses rising beyond our expectations and beyond those of peers. Similarly, we could revise the outlook to stable should regulatory initiatives hamper Renaissance Credit's business model or should the bank fail to transform toward a more-digital model. Finally, a deterioration of the capital assessment, with our RAC ratio below 10%, could result in a negative rating action, although this appears to be less plausible given our more benign view on the Russian economy.

Promsvyazbank

Primary analyst: Roman Rybalkin

We revised our outlook to positive from stable and affirmed our 'BB/B' ratings on Promsvyazbank. We have also revised our SACP on the bank to 'b+' from 'b' because we believe that better economic prospects supports its performance. The outlook revision reflects our view that the bank has achieved material progress with respect to the turnaround of its business model and has succeeded in its strategy of combining military-related and civilian activities. It has been steadily capturing market share (2.9% in mid-2021 by assets) and so far kept cost of risk under control despite pronounced growth.

Outlook

The positive outlook on Promsvyazbank reflects our expectation that its rapid loan book expansion (both organic and non-organic) will not create additional risks to its business model's sustainability.

Upside scenario: We may raise the ratings over the next 12-18 months if we see the bank building its business in both military and civilian segments while keeping cost of risk on the new business (adjusted for recoveries of legacy problem assets) under control. A positive rating action would require stable capital adequacy with risk-adjusted capital ratio of above 5%.

Downside scenario: A negative rating action appears unlikely because it would require a multiple-notch downward change in the bank's SACP.

RN Bank JSC

Primary analyst: Sergey Voronenko

We affirmed our 'BB+/B' ratings on RN Bank and revised our SACP on the bank to 'bb-' from 'b+', considering RN Bank's risk profile as balancing the low-risk nature of its exposure with its high concentration on car financing. Although strong profitability and solid capital buffer provide a significant cushion to absorb losses, we believe the bank's risk profile is more concentrated comparing with that of many peers with similar assessment of economic risks. Geographic concentration solely on Russia makes the performance sensitive to the economic fundamentals and operating environment of one country, which jeopardizes the potential impact on the bank's

credit profile in case of material stress. Therefore, we have revised our assessment of RN Bank's risk position to moderate from adequate. At the same time, we revised our capital and earnings assessment on the bank to very strong from strong.

Outlook

The stable outlook reflects our view that RN Bank can maintain a robust financial profile in the next 12-18 months. We believe the bank will continue benefiting from ongoing financial and management support from its shareholders. We also expect capitalization to remain solid at least in the next two years, supported by sound earnings, a modest risk appetite, and good loan portfolio quality.

Upside scenario: Although RN maintains solid capital cushion, we see that the upside scenario for RN Bank in the next 12-18 months will require substantial improvement in one of shareholders' creditworthiness. We do not consider it very likely, given our ratings on the key shareholders (RCI Banque [BBB-/Stable/A-3] and Nissan Motor Co. Ltd. [BBB-/Negative/A-3]).

Downside scenario: A negative rating action appears unlikely because it would require a multiple-notch downward change in the bank's SACP. We could downgrade RN Bank if the shareholders' ability to provide support weakens.

Ural Bank for Reconstruction and Development (UBRD)

Primary analyst: Sergey Voronenko

We raised our long-term ICR on UBRD to 'B' from 'B-' and revised our SACP on the bank to 'b' from 'b-' because we believe better economic prospects could support UBRD's performance. We still believe that the bank's business model remains unsustainable, because UBRD cannot support its capital growth through earnings amid intensifying pressure on the net interest margin and overall competition among large state-owned players. Therefore, we revised our view on the bank's business position to weak from moderate. At the same time, we see UBRD's capitalization is gradually improving with our RAC ratio likely staying at 3.8%-4.0% over the next 12 months, reflecting a recent capital injection and stabilizing earnings capacity, being supported by economic recovery. Therefore, we have revised our assessment of the bank's capital and earnings to weak from very weak.

Outlook

The stable outlook on UBRD reflects S&P Global Ratings' view that, over at least the next 12 months, the bank will maintain its established market share and customer base in the Ural region, and a stable funding and liquidity profile, while asset quality metrics would not be worse than system-wide average.

Downside scenario: We could lower the ratings over the next 12 months if UBRD's asset quality unexpectedly deteriorates, leading to significant credit losses and putting its regulatory capital adequacy ratios at risk. Excessive funding volatility that threatens the bank's liquidity position could also prompt us to lower our ratings.

Upside scenario: If we believed that if UBRD's capitalization strengthens further, with our forecast RAC ratio sustainably above 5.25%, we could consider upside potential. Material improvement in the bank's earnings capacity and geographic diversification may also support a positive rating action, although we do not expect the latter over our one-year outlook horizon.

Russian Standard Bank

Primary analyst: Dmitry Nazarov

We revised our outlook to positive from stable and affirmed our 'B/B' ratings on Russian Standard. The outlook revision reflects our view that the bank's credit profile might strengthen on improving economic risks in case Russian Standard substantially reduces its exposure to related parties. Therefore, we assess the bank's SACP at 'b+', but apply a negative peer adjustment notch to reflect a relatively high exposure to related parties in the form of loans and investments in associate companies, which together exceeded 0.6x of the bank's equity as of midyear 2021. Despite significant reduction over the past three years, we think that these exposures still represent a risk for the bank and differentiates the bank from higher-rated consumer finance banks.

Outlook

The positive outlook reflects our view that, over the next 12-18 months, Russian Standard's creditworthiness might improve if the bank materially reduces its related parties' exposure, bringing its risk profile closer to other consumer finance peers and potentially leading to a stronger capital position. We also expect that the bank will maintain stable asset quality, benefiting from improving economic risks in Russia, with credit losses and delinquency rates staying at least on par with those of other retail banks in Russia over that period.

Upside scenario: We could consider a positive rating action if Russian Standard materially reduces risks associated with loans to and investments in related parties, making us improve our holistic view on the bank's credit profile. A positive rating action might also follow an improvement in Russian Standard's capital position, with our forecast RAC ratio sustainably above 10%.

Downside scenario: We could revise outlook to stable if the bank does not demonstrate further progress with reducing its related parties' exposure. We could also take a negative rating action if accelerated consumer finance lending growth leads to higher credit losses than we expect, putting pressure on Russian Standard's profitability and capital position. An unexpected increase in exposure to related parties, or aggressive asset growth with our forecast RAC ratio falling below 5.0%, could also lead to a negative rating action.

CentroCredit Bank

Primary analyst: Annette Ess

We raised our long-term ratings on CentroCredit Bank to 'B+' from 'B' and revised our SACP on the bank to 'b+' from 'b', reflecting our expectation that CentroCredit will benefit from the economic recovery in Russia, which will lead to good growth prospects for clients and higher earnings for the

bank. We believe that CentroCredit will maintain its solid capital buffer over the next 12 months. This largely mitigates the risks related to the high exposure to market risk associated with the bank's large security portfolio and high single-name concentration in the lending book. CentroCredit maintains a large share of its assets in securities, mainly Russian government bonds and equities of Russian blue-chip companies with high dividend yields. We believe that good economic growth prospects and recovered Russian capital markets will support CentroCredit's earnings, which are largely influenced by the revaluation of its securities portfolio.

Outlook

The stable outlook reflects our view that the bank will maintain strong capitalization and a sufficient regulatory capital adequacy ratio, with the RAC ratio sustainably above 10%; and that its NPLs will not increase materially in the next 12 months. We also expect that its funding and liquidity position will remain stable, reflecting the recovery in debt and equity in the Russian and global capital markets, which should be favorable for CentroCredit's collateralized funding.

Downside scenario: We could take a negative rating action over the next 12 months if the bank's capitalization weakens, with the forecast RAC ratio falling below 10% due to a material rise in market risk from increasing investments in equities or high revaluation losses from the bank's securities portfolio. A material increase in NPLs or a material decrease in provisioning levels could also lead to a negative rating action. We could also view weakening funding and liquidity metrics negatively. This is not in our base-case scenario, however.

Upside scenario: We consider a positive rating action unlikely over the next 12 months because it would require a significant strengthening of the bank's business position, or a material change in its risk profile and risk appetite as well as stable economic conditions.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 20, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment

Methodology And Assumptions, Nov. 9, 2011

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

BICRA Score Snapshot

Russia

	To	From
BICRA group	7	8
Bank anchor	bb	bb-
Economic risk	7	8
Economic resilience	Very high risk	Very high risk
Economic imbalances	Intermediate	High risk
Credit risk in the economy	Very high risk	Very high risk
Trend	Stable	Stable
Industry risk	7	7
Institutional framework	High risk	Very high risk
Competitive dynamics	High risk	High risk
Systemwide funding	High risk	High risk
Trend	Stable	Stable

*Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). For more details on our BICRA scores on banking industries across the globe, please see "Banking Industry Country Risk Assessment Update," published monthly on RatingsDirect.

Ratings List

***** ABH Financial Ltd. *****

Upgraded

	To	From
Alfa-Bank JSC		
Commercial Paper	A-3	B
ABH Financial Ltd.		
Senior Unsecured	BB+	BB-
Alfa Holding Issuance PLC		
Senior Unsecured	BB+	BB-

Various Positive Actions Taken On 14 Russian Banks And Several Related Entities On System's Reduced Economic Risks

Upgraded; Outlook Action

	To	From
Alfa-Bank JSC		
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B

Upgraded; Outlook Action; Ratings Affirmed

	To	From
ABH Financial Ltd.		
Issuer Credit Rating	BB+/Stable/B	BB-/Positive/B

***** CB Renaissance Credit LLC *****

Ratings Affirmed; Outlook Action

	To	From
CB Renaissance Credit LLC		
Issuer Credit Rating	B+/Positive/B	B+/Stable/B

***** CentroCredit Bank JSC *****

Upgraded; Ratings Affirmed

	To	From
CentroCredit Bank JSC		
Issuer Credit Rating	B+/Stable/B	B/Stable/B

***** Concern Rossium LLC *****

Ratings Affirmed

Credit Bank of Moscow		
Issuer Credit Rating	BB/Stable/B	

CBOM Finance PLC

Senior Unsecured	BB	
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Upgraded; Ratings Affirmed

	To	From
Concern Rossium LLC		
Issuer Credit Rating	B+/Stable/B	B/Stable/B

***** Gazprombank JSC *****

Upgraded

	To	From
Gazprombank JSC		

Gazprombank (Switzerland) Ltd.

Bank GPB International S.A.		
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Stable/B

Gazprombank JSC

Senior Unsecured	BBB-	BB+
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GPB Finance PLC

Commercial Paper	A-3	B
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Various Positive Actions Taken On 14 Russian Banks And Several Related Entities On System's Reduced Economic Risks

***** Bank SOYUZ *****

Upgraded; Ratings Affirmed

	To	From
Bank SOYUZ		
Issuer Credit Rating	BB-/Stable/B	B+/Stable/B

***** Promsvyazbank PJSC *****

Ratings Affirmed; Outlook Action

	To	From
Promsvyazbank PJSC		
Issuer Credit Rating	BB/Positive/B	BB/Stable/B

***** RN Bank JSC *****

Ratings Affirmed

RN Bank JSC		
Issuer Credit Rating	BB+/Stable/B	

***** Raiffeisen Bank International AG *****

Ratings Affirmed

Raiffeisenbank AO		
Issuer Credit Rating	BBB-/Stable/A-3	

***** Russian Standard Bank JSC *****

Ratings Affirmed; Outlook Action

	To	From
Russian Standard Bank JSC		
Issuer Credit Rating	B/Positive/B	B/Stable/B

***** Sovcombank PJSC *****

Ratings Affirmed

Sovcombank PJSC		
Issuer Credit Rating	BB/Positive/B	

***** UniCredit SpA *****

Ratings Affirmed

UniCredit Bank AO		
Issuer Credit Rating	BBB-/Stable/A-3	

***** Ural Bank for Reconstruction and Development *****

Upgraded; Ratings Affirmed

	To	From
Ural Bank for Reconstruction and Development		
Issuer Credit Rating	B/Stable/B	B-/Stable/B

Various Positive Actions Taken On 14 Russian Banks And Several Related Entities On System's Reduced Economic Risks

***** VTB Bank JSC *****

Ratings Affirmed

VTB Bank JSC

Issuer Credit Rating	BBB-/Stable/A-3
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VTB Bank JSC

Senior Unsecured	BBB-
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VTB Capital S.A.

Senior Unsecured	BBB-
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Upgraded

	To	From
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VTB Bank JSC

VTB Capital S.A.

Subordinated	B	B-
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