

RatingsDirect®

Various Negative Rating Actions Taken On Russian Banks and Government-Related Entities Following Sovereign Downgrade

Primary Credit Analysts:

Irina Velieva, Moscow (7) 495-783-4071; irina.velieva@standardandpoors.com
Sergey Voronenko, Moscow (7) 495-783-4003; sergey.voronenko@standardandpoors.com
Victor Nikolskiy, Moscow (7) 495-783-4010; victor.nikolskiy@standardandpoors.com
Natalia Yalovskaya, London 44 (0)207 176 3407; natalia.yalovskaya@standardandpoors.com
Ekaterina Marushkevich, CFA, Moscow (7) 495-783-4135;
ekaterina.marushkevich@standardandpoors.com

Secondary Contacts:

Roman Rybalkin, CFA, Moscow (7) 495-783-4094; roman.rybalkin@standardandpoors.com
Boris Kopeykin, Moscow (7) 495-783-4062; boris.kopeykin@standardandpoors.com
Pierre Gautier, Paris (33) 1-4420-6711; pierre.gautier@standardandpoors.com

- On Jan. 26, 2015, we lowered our foreign currency sovereign credit ratings on the Russian Federation to 'BB+/B' from 'BBB-/A-3' and our local currency sovereign credit ratings to 'BBB-/A-3' from 'BBB/A-2', and the outlook is negative.
- We believe that the Russian government's financial capacity to provide extraordinary support to government-related entities (GRES) and systemically important private sector banks might gradually weaken.
- Moreover, foreign groups operating in Russia are affected by increasing operating environment risks.
- We are therefore lowering our ratings on 22 Russia-related financial institutions: GRES, members of GRE groups, banks that have high systemic importance, or members of foreign groups operating in Russia.
- The outlooks are negative, given our view of the increasing risk associated with operating in Russia, as well as the risk of weaker capacity of financial support from the government.
- We are also revising the outlook to negative from stable on two Russian banks which we consider to have moderate systemic importance and for which our ratings incorporate a likelihood of extraordinary government

Various Negative Rating Actions Taken On Russian Banks and Government-Related Entities Following Sovereign Downgrade

support.

MOSCOW (Standard & Poor's) Feb. 4, 2015--Standard & Poor's Ratings Services said today that it had taken various negative rating actions on 20 Russia-related financial institutions and four Russia-related privately-owned entities. See the ratings list below for the specific rating actions.

GOVERNMENT-RELATED ENTITIES

We downgraded the following government-related entities (GRES) and members of GRE groups. The downgrades reflect the government's decreasing capacity to provide timely and sufficient extraordinary support to these GRES, as well as possible pressures on their financial profiles owing to the worsening operating and economic environment in Russia.

We downgraded VTB Bank JSC, a GRE with very high likelihood of support, to 'BB+/B' and 'ruAA+'. The ratings on the following core group members are equalized with those on VTB Bank JSC:

- Bank of Moscow OJSC
- VTB-Leasing
- VTB-Leasing Finance
- VTB Capital PLC
- VTB Insurance Ltd.

The following have high strategic importance to the VTB group, and the ratings on these group members are one notch below those on VTB Bank JSC:

- VTB Bank (Kazakhstan)
- VTB Bank (Austria) AG
- VTB Bank (France) SA

We downgraded Gazprombank, a GRE with high likelihood of support, and its core group member Gazprombank (Switzerland) Ltd. to 'BB+/B'.

We downgraded VEB-leasing OJSC, a core member of the Vnesheconombank group, to 'BB+/B'.

We downgraded TENEX-Service, a member of Atomic Energy Power group with high strategic importance), to 'BB/B', following the downgrade of the parent Atomic Energy Power Corp. JSC on Jan. 29, 2015 (see "Russian Nuclear Energy Monopoly AtomEnergoProm Lowered To 'BB+/B', 'ruAA+' After Sovereign Downgrade; Outlook Negative").

The outlooks on all these entities are negative, mirroring the outlook on either the sovereign or the parent, and indicating the risk of lower capacity from the government to support banks. The outlook on Gazprombank also reflects increasing pressure on the entity's financial profile, notably on its capital position.

Various Negative Rating Actions Taken On Russian Banks and Government-Related Entities Following Sovereign Downgrade

MEMBERS OF LARGE FOREIGN GROUPS OPERATING IN RUSSIA

We downgraded the following members of large foreign groups operating in Russia because of our view of the increasing operating environment risks in Russia and the fact that these entities do not meet our criteria for being rated higher than Russia (see "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013), given that they are predominantly exposed to the Russian market, remain vulnerable to economic and operating conditions in Russia and transfer and convertibility risk, and are considered to be either "highly strategic" or "strategic" rather than "core" subsidiaries of their respective parents. We therefore cap the long- and short-term ratings on the following entities at the level of our foreign currency sovereign ratings on Russia:

- Raiffeisenbank ZAO
- BNP Paribas ZAO
- ZAO Bank of Tokyo-Mitsubishi UFJ (Eurasia)
- JSC Sumitomo Mitsui Rus Bank
- ZAO UniCredit Bank
- ZAO INDUSTRIAL AND COMMERCIAL BANK OF CHINA
- Rusfinance Bank

The outlooks on all these entities are negative, mirroring the outlook on the sovereign, and indicating the increasing challenges of the Russian operating environment.

PRIVATELY OWNED BANKS

Although we acknowledge that the government is taking extensive measures to support large and midsize public and private banks through additional liquidity and capital injections, we believe that the government's capacity to provide timely and sufficient extraordinary support to banks might diminish further in the future if public finances continue to deteriorate. We therefore have lowered the ratings on the following private banks, which we consider to have high systemic importance:

- We downgraded JSC Alfa-Bank to 'BB/B'. We no longer incorporate any notches for timely and sufficient extraordinary government support into our ratings of Alfa-Bank.
- We downgraded ABH Financial Ltd., the Cyprus-based nonoperating holding company that owns Alfa-Bank, to 'B+/B'. The two-notch rating differential is due to structural subordination.

The outlooks on these two entities are negative, reflecting the possibility of a further downgrade in the next 12-24 months if we see that the bank's financial profile is significantly deteriorating due to tougher operating conditions, notably its asset quality. We note at the same time that Alfa-Bank has so far proven more resilient to the deteriorating environment than peers, and we expect this trend to continue in 2015.

We revised our outlooks on two privately owned Russian banks that we consider

Various Negative Rating Actions Taken On Russian Banks and Government-Related Entities Following Sovereign Downgrade

to have moderate systemic importance to negative from stable:

- CREDIT BANK OF MOSCOW
- Promsvyazbank OJSC

The negative outlook on these two entities reflects the high chance of a downgrade because of reducing extraordinary government support in the case of another sovereign downgrade. We are affirming the ratings on these two entities.

RELATED CRITERIA AND RESEARCH

- Nonbank Financial Institutions Rating Methodology, Dec. 9, 2014
- Standard & Poor's National And Regional Scale Mapping Tables, Sept. 30, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Sept. 18, 2014
- Group Rating Methodology, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

RATINGS LIST

Downgraded; CreditWatch Action

	To	From
VTB Bank JSC Counterparty Credit Rating Russia National Scale	BB+/Negative/B ruAA+	BBB-/Watch Neg/A-3 ruAAA/Watch Neg/--
Bank of Moscow OJSC VTB-Leasing Counterparty Credit Rating Russia National Scale	BB+/Negative/B ruAA+	BBB-/Watch Neg/A-3 ruAAA/Watch Neg/--
VTB-Leasing Finance		

Various Negative Rating Actions Taken On Russian Banks and Government-Related Entities Following Sovereign Downgrade

Counterparty Credit Rating Russia National Scale	BB+/Negative/B ruAA+	BBB-/Watch Neg/A-3 ruAAA/Watch Neg/--
VTB Capital PLC Counterparty Credit Rating	BB+/Negative/B	BBB-/Watch Neg/A-3
VTB Insurance Ltd. Counterparty Credit Rating Local currency Financial Strength Rating Local currency Russia National Scale	BB+/Negative/-- BB+/Negative/-- ruAA+	BBB-/Watch Neg/-- BBB-/Watch Neg/-- ruAAA/Watch Neg/--
VTB Bank (Kazakhstan) Counterparty Credit Rating Kazakhstan National Scale	BB/Negative/B kzA+	BB+/Watch Neg/B kzAA-/Watch Neg/--
VTB Bank (Austria) AG VTB Bank (France) SA Counterparty Credit Rating	BB/Negative/B	BB+/Watch Neg/B
Gazprombank Counterparty Credit Rating Russia National Scale	BB+/Negative/B ruAA+	BBB-/Watch Neg/A-3 ruAAA/Watch Neg/--
Gazprombank (Switzerland) Ltd. Counterparty Credit Rating	BB+/Negative/B	BBB-/Watch Neg/A-3
VEB-leasing OJSC Counterparty Credit Rating Foreign Currency Local Currency Russia National Scale	BB+/Negative/B BBB-/Negative/A-3 ruAAA	BBB-/Watch Neg/A-3 BBB/Watch Neg/A-2 ruAAA
TENEX-Service Counterparty Credit Rating Russia National Scale	BB/Negative/B ruAA	BB+/Watch Neg/B ruAA+/Watch Neg/--
Raiffeisenbank ZAO Counterparty Credit Rating Russia National Scale	BB+/Negative/B ruAA+	BBB-/Watch Neg/A-3 ruAAA/Watch Neg/--
BNP Paribas ZAO Counterparty Credit Rating Russia National Scale	BB+/Negative/B ruAA+	BBB-/Watch Neg/A-3 ruAAA/Watch Neg/--
ZAO Bank of Tokyo-Mitsubishi UFJ (Eurasia) JSC Sumitomo Mitsui Rus Bank Counterparty Credit Rating	BB+/Negative/B	BBB-/Watch Neg/A-3

Various Negative Rating Actions Taken On Russian Banks and Government-Related Entities Following Sovereign Downgrade

Russia National Scale	ruAA+	ruAAA/Watch Neg/--
ZAO UniCredit Bank Counterparty Credit Rating	BB+/Negative/B	BBB-/Watch Neg/A-3
ZAO INDUSTRIAL AND COMMERCIAL BANK OF CHINA Counterparty Credit Rating	BB+/Negative/B	BBB-/Watch Neg/A-3
Russia National Scale	ruAA+	ruAAA/Watch Neg/--
Rusfinance Bank Counterparty Credit Rating	BB+/Negative/B	BBB-/Watch Neg/A-3
Russia National Scale	ruAA+	ruAAA/Watch Neg/--
JSC Alfa-Bank Counterparty Credit Rating	BB/Negative/B	BB+/Watch Neg/B
Russia National Scale	ruAA	ruAA+/Watch Neg/--
ABH Financial Ltd. Counterparty Credit Rating	B+/Negative/B	BB-/Watch Neg/B

Ratings Affirmed; Outlook Action

CREDIT BANK OF MOSCOW Promsvyazbank OJSC Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
---	----------------	--------------

Note: This list does not include all the ratings affected.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.