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Ratings On 14 Russian Banks And Several Related Entities Affirmed Under Revised Criteria For Financial Institutions

MOSCOW (S&P Global Ratings) Jan. 26, 2022--S&P Global Ratings today said that it has affirmed its issuer credit and issue ratings on 14 Russian banks and related entities (see Ratings List). Additionally, the outlooks remain unchanged. This follows a revision to our criteria for rating banks and nonbank financial institutions and for determining a Banking Industry Country Risk Assessment (BICRA) (see "**Financial Institutions Rating Methodology**," and "**Banking Industry Country Risk Assessment Methodology And Assumptions**," both published Dec. 9, 2021).

The affirmations include:

- Alfa-Bank JSC (BBB-/Stable/A-3) and its holding company ABH Financial Ltd. (BB+/Stable/B);
- CB Renaissance Credit LLC (B+/Positive/B);
- CentroCredit Bank JSC (B+/Stable/B);
- Credit Bank of Moscow (BB/Stable/B) and its holding company Concern Rossium LLC (B+/Stable/B);
- Gazprombank JSC (BBB-/Stable/A-3) and its subsidiaries Gazprombank (Switzerland) Ltd. (BBB-/Stable/A-3), and Bank GPB International S.A. (BBB-/Stable/A-3);
- Bank Soyuz (BB-/Stable/B);
- Promsvyazbank PJSC (BB/Positive/B);
- RN Bank JSC (BB+/Stable/B);
- Raiffeisenbank AO (BBB-/Stable/A-3);
- Russian Standard Bank JSC (B/Positive/B);
- Sovcombank PJSC (BB/Positive/B);
- UniCredit Bank AO (BBB-/Stable/A-3);
- Ural Bank for Reconstruction and Development (B/Stable/B); and

VTB Bank JSC (BBB-/Stable/A-3) and its subsidiary VTB Capital PLC (BB+/Stable/B).

Our assessments of economic risk and industry risk in Russia are at '7' and '7', respectively (see "**Banking Industry Country Risk Assessment: Russia**," published on Nov. 17, 2021). These scores determine the BICRA and the anchor, or starting point, for our ratings on financial institutions that operate primarily in that country. The trends we see for both economic and industry risks as stable.

Our base-case scenario remains that the Russian economy and financial system could absorb shocks associated with some moderate tightening of sanctions, for example, against selected corporates and nonsystemic financial institutions. One of the main arguments in favor of this scenario is Russia's tested commitment to prudent macroeconomic management and its exceptionally strong external and public balance sheets. The shape, likelihood, and timing of additional restrictions are uncertain, since they stem from Russia's foreign policy actions and developments in the U.S. political landscape, both of which are difficult to predict (see "**Full Analysis: Russia**," published on Jan. 17, 2022). The Russian banking sector has accumulated capital buffers, which we view as sufficient to withstand moderate volatility on the markets and absorb associated losses.

The recent rapid spread of the omicron variant highlights the inherent uncertainties of the pandemic but also the importance and benefits of vaccines. While the risk of new, more severe variants displacing omicron and evading existing immunity cannot be ruled out, our current base-case assumes that existing vaccines can continue to provide significant protection against severe illness. Furthermore, many governments, businesses and households around the world are tailoring policies to limit the adverse economic impact of recurring COVID-19 waves. Consequently, we do not expect a repeat of the sharp global economic contraction seen in second-quarter 2020. Meanwhile, we continue to assess how well individual issuers adapt to new waves in their geography or industry.

Alfa-Bank And Holding Company ABH Financial Holdings Ltd.

Primary analyst: Irina Velieva

We affirmed the ratings on Alfa-Bank at 'BBB-/A-3' and the ratings on its parent nonoperating holding company ABH Financial Holdings Ltd. (ABHF) at 'BB+/B'. The affirmation reflects the bank's consistently good operating performance, stable asset quality metrics, and solid track record of navigating through turbulence. The bank's return on assets and cost-to-income metrics continue to compare favorably with those of the bank's Russian and international peers. The ratings on Alfa-Bank incorporate our view of the bank's longstanding leading competitive position among private-sector banks in Russia. We view positively Alfa-Bank's efficient risk-management framework as well as its very swift reaction to collateral foreclosure, which support asset-quality management, even in downturns.

Alfa-Bank benefits from a stable funding base and sufficient liquidity coverage and has better access to capital markets than local peers. We consider the bank to have high systemic importance in Russia and believe there is a moderately high likelihood that the Russian government would provide extraordinary support to Alfa-Bank if needed. We assess the bank's stand-alone credit profile (SACP) at 'bbb-'.

Outlook

The stable outlooks on ABHF and Alfa-Bank reflect our 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.

Downside scenario:We may take a negative rating action in the next 18-24 months in case of a negative rating action on Russia (foreign currency BBB-/Stable/A-3), 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 dividends at the level of the Cyprus-based holding deteriorates.

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.

Ratings Score Snapshot

Issuer credit rating: BBB-/Stable/A-3

Bank holding company rating: BB+/Stable/B

Stand-alone credit profile: bbb-

- Anchor: bb
- Business position: Strong (+1)
- Capital and earnings: Adequate (0)

Risk position: Strong (+1)

Funding and liquidity: Adequate and adequate (0)

Comparable ratings analysis: 0

Support: 0

Additional loss-absorbing capacity (ALAC) support: 0

Government-related entity (GRE) support: 0

Group support: 0

Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-2

CB Renaissance Credit LLC

Primary analyst: Roman Rybalkin

We affirmed our 'B+/B' ratings on Renaissance Credit, while we revised downward our assessment of the bank's SACP to 'b+' from 'bb-' through a comparative ratings adjustment, which was previously captured solely at the level of the issuer credit rating. The adjustment reflects our view that a possible further revision of 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 a lower-margin, lower-risk business. This might be a constraining factor for our rating on the bank. Positively, we continue to expect that the bank's capital adequacy will remain strong, with a risk-adjusted capital (RAC) ratio over 10%. Renaissance Credit remains retail-funded with most funds covered by deposit insurance scheme adding stability.

Outlook

The positive outlook reflects our view that Renaissance Credit will gradually adopt a more digital business model with a focus on more creditworthy clients over the next 12-18 months. We believe it will do so while maintaining strong capitalization, with a RAC ratio of above 10% and stable asset quality, which would be a prerequisite 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 if the bank fails to adopt a more digital model. Finally, deterioration of the capital assessment, with our RAC ratio below 10%, could result in a negative rating action.

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.

Ratings Score Snapshot

Issuer credit rating: B+/Positive/B

Stand-alone credit profile: b+

- Anchor: bb
- Business position: Moderate (-1)
- Capital and earnings: Strong (+1)
- Risk position: Moderate (-1)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: -1

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

CentroCredit Bank JSC

Primary analyst: Annette Ess

We affirmed our 'B+/B' ratings on CentroCredit Bank. In our view, CentroCredit will maintain its solid capital buffers over the next 12 months. This, to a large extent, mitigates the risks related to the high exposure to market risk associated with the bank's large security portfolio and high single-name concentrations in the lending book. We expect CentroCredit will continue to report high earnings volatility, largely influenced by the revaluation of its securities portfolio. This reflects the focus of its business model on substantial investment in securities; thus, the bank's performance is more volatile than the average Russian bank's. Conservative coverage by provisions and capital buffers mitigate high single-name lending concentrations. We expect the bank will maintain sufficient liquidity buffers in view of possible volatile capital markets and its collateralized funding.

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 nonperforming loans (NPLs) will not increase materially in the next 12 months. We also expect that its funding and liquidity will remain stable, despite possible increased volatility in the Russian capital markets, in view of its collateralized funding.

Downside scenario:We could take a negative rating action on CentroCredit over the next 12 months if the bank's capitalization weakens, with the forecast RAC ratio falling below 10% due to 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.

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

Ratings Score Snapshot

Issuer credit rating: B+/Stable/B

Stand-alone credit profile: b+

- Anchor: bb
- Business position: Constrained (-2)
- Capital and earnings: Strong (+1)
- Risk position: Moderate (-1)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

Credit Bank of Moscow (MKB) And Holding Company Rossium

Primary analyst: Sergey Voronenko

We affirmed our 'BB/B' ratings on Credit Bank of Moscow (MKB). The ratings reflect our assessment of MKB's SACP at 'bb'. This is underpinned by its sizable market share in lending and deposits, resulting in a moderate likelihood of extraordinary support from the Russian government in case of need. Our stand-alone assessment factors in the bank's especially strong brand recognition and established franchise in the Moscow region. Our ratings also reflect the bank's ability to raise money via capital markets and the ability of its major shareholder to provide support in case of need. Our assessment also balances good asset quality with risks stemming from the single-name concentration of its loan portfolio. We believe the bank has a solid corporate deposit franchise and large deposits have been relatively stable. Our ratings on MKB don't reflect any notches of uplift for support from the state. This is because the gap between the bank's intrinsic creditworthiness and the state's creditworthiness is now too narrow.

There is a two-notch difference between our long-term rating on nonoperating holding company (NOHC) 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 supports adequate capitalization.

Downside scenario: A negative rating action appears unlikely.

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 in creditworthiness between the bank and the sovereign. In this scenario, we could incorporate an additional notch of uplift for potential government support for this systemically important bank.

Ratings Score Snapshot

Issuer credit rating: BB/Stable/B

Bank holding company rating: B+/Stable/B

Stand-alone credit profile: bb

- Anchor: bb
- Business position: Adequate (0)
- Capital and earnings: Adequate (0)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

Gazprombank JSC And Core Subsidiaries

Primary analyst: Natalia Yalovskaya

We affirmed our issuer credit ratings on the bank at 'BBB-/A-3'. This reflects 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. The bank also has a diverse and stable funding base, which is supported by its established franchise with cash-rich corporate businesses and wealthy individuals. 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 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 GPB, 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 on GPB reflects our 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 that is supportive of new business and asset quality recovery in the Russian banking sector.

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 that on the parent.

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.

Upside scenario: An upgrade would require both an upgrade of the sovereign and an upward revision of the bank's SACP, for instance if its capital buffer improved substantially.

Ratings Score Snapshot

Issuer credit rating (ICR) on Gazprombank JSC: BBB-/Stable/A-3

ICR on Gazprombank (Switzerland) Ltd.: BBB-/Stable/A-3

ICR on Bank GPB International S.A.: BBB-/Stable/A-3

Stand-alone credit profile: bb

- Anchor: bb
- Business position: Strong (+1)
- Capital and earnings: Constrained (-1)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: +2

- ALAC support: 0
- GRE support: +2
- Group support: 0
- Sovereign support: 0

Additional Factors: 0

ESG Credit Indicators: E-2, S-2, G-3

Bank Soyuz

Primary analyst: Ekaterina Marushkevich

We affirmed our 'BB-/B' ratings on Bank Soyuz. The ratings reflect our assessment of the bank's SACP at 'b+' and one notch of uplift due to the probability of extraordinary support from the strong shareholder Ingosstrakh Insurance Co. (BBB/Stable/--), one of the largest players on the property/casualty insurance market in Russia. We consider that Bank Soyuz has a moderately strategic group status for Ingosstrakh. We take into account the relatively small size of Bank Soyuz in the highly competitive Russian banking sector, on the one hand, and reasonable business development strategy supported by Ingosstrakh, on the other hand. The bank benefits from a sizable capital buffer, which has been supported by several capital injections from Ingosstrakh over the past few years. Although the bank has significantly cleaned up its loan book, its asset quality is still somewhat weaker than the local banking sector average. The bank's funding base is concentrated on single names but we expect it to remain stable due to well-established relationships with key depositors. We believe that Bank Soyuz's liquidity will be sufficient to cover its obligations in case of stress.

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.

Downside scenario: We could lower the rating in the next 12 months if 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 support and lower chance of potential extraordinary support.

Upside scenario: We could take a positive rating action on Bank Soyuz in the next 12 months if its importance for the group strengthened or its asset quality indicators improved materially.

Ratings Score Snapshot

Issuer credit rating: BB-/Stable/B

Stand-alone credit profile: b+

Anchor: bb

Business position: Moderate (-1)

Capital and earnings: Adequate (0)

Risk position: Moderate (-1)

Funding and liquidity: Adequate and adequate (0)

Comparable ratings analysis: 0

Support: +1

ALAC support: 0

GRE support: 0

Group support: +1

Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

Promsvyazbank PJSC

Primary analyst: Roman Rybalkin

We affirmed our 'BB/B' ratings on Promsvyazbank. We believe 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 (3.2% on Sept. 30, 2021, by assets) and so far kept cost of risk under control despite pronounced growth. Also capital injections from the government balance the bank's high growth rates, and we expect its RAC ratio will stay above 6% over the next 12-18 months. Promsvyazbank's funding profile remains concentrated on the government and GREs; we consider these funds to be stable.

Our ratings on Promsvyazbank benefit from two notches of GRE support owing to the bank's policy role as the key institution for the state defense sector.

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.

Downside scenario: A negative rating action appears unlikely because it would require a multiple-notch downward revision of the bank's SACP. However, we may revise the outlook to stable should capital adequacy deteriorate, with the RAC ratio below 5%, or should we see the bank's rapid growth result in a deterioration of asset quality.

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 a RAC ratio of above 5%.

Ratings Score Snapshot

Issuer credit rating: BB/Positive/B

Stand-alone credit profile: b+

- Anchor: bb
- Business position: Moderate (-1)
- Capital and earnings: Moderate (0)
- Risk position: Moderate (-1)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: +2

- ALAC support: 0

GRE support: +2

Group support: 0

Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

RN Bank JSC

Primary analyst: Sergey Voronenko

We affirmed our 'BB+/B' ratings on RN Bank and maintained our assessment of its SACP at 'bb-', given our view that RN Bank's risk profile balances its high concentration in car financing with the low-risk nature of its exposures compare with peers'. Although strong profitability and a solid capital buffer provide a significant cushion to absorb losses, we believe the bank's risk profile is more concentrated than many peers' with similar assessments of economic risk. RN Bank's predominantly wholesale-funded profile is a weakness, in our view. This is in line with that of most monoliners we rate. Therefore, we have revised our assessment of RN Bank's funding profile to moderate from adequate. At the same time, we still believe that RN Bank's risk profile compares well relative to those of its peers, therefore we believe the bank's SACP remains unchanged. We continue consider RN Bank a strategically important subsidiary for RCI Banque and Nissan Motor Co., because RN Bank functions as a financing vehicle, supporting the sales of the Renault-Nissan-Mitsubishi Alliance's production in Russia and thus supporting customers' loyalty to these brands. Therefore, our ratings on RN Bank incorporate two notches of parental support above the SACP.

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.

Downside scenario: We could downgrade RN Bank if its shareholders' ability to provide support weakens.

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

Ratings Score Snapshot

Issuer credit rating: BB+/Stable/B

Stand-alone credit profile: bb-

- Anchor: bb
- Business position: Constrained (-2)
- Capital and earnings: Very Strong (+2)
- Risk position: Moderate (-1)
- Funding and liquidity: Moderate and adequate (-1)
- Comparable ratings analysis: +1

Support: +2

- ALAC support: 0
- GRE support: 0
- Group support: +2
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-2

Raiffeisenbank AO

Primary analyst: Sergey Voronenko

We affirmed our 'BBB-/A-3' ratings on Raiffeisenbank AO. We consider 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 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. We note positively the bank's ability to generate sustainable income and maintain good capital buffers. In our view, Raiffeisenbank AO possesses a strong and stable retail deposit franchise in Russia. We consider Raiffeisenbank AO's financial flexibility and funding profile are above the market average, thanks to its established and solid customer franchise, conservative asset-liability management, and adequate balance-sheet liquidity. The economic and industry risks of operating in Russia are incorporated into our anchor and SACP, except for a sovereign default scenario, which is only incorporated into the issuer credit ratings. Under our criteria, we typically do not rate banks higher than the foreign currency sovereign rating. Therefore, the ratings on Raiffeisenbank do not exceed those on Russia.

Outlook

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

Downside scenario: If we downgraded the sovereign, it would trigger a similar rating action on Raiffeisenbank.

Upside scenario: A positive rating action on the sovereign could prompt changes to our ratings on Raiffeisenbank.

Ratings Score Snapshot

Issuer credit rating: BBB-/Stable/A-3

Stand-alone credit profile: bbb

- Anchor: bb
- Business position: Strong (+1)
- Capital and earnings: Adequate (0)
- Risk position: Strong (+1)
- Funding and liquidity: Strong and strong (+1)
- Comparable ratings analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: -1

ESG Credit Indicators: E-2, S-2, G-2

Russian Standard Bank JSC

Primary analyst: Dmitry Nazarov

We have affirmed 'B/'B' ratings on Russian Standard Bank JSC. At the same time, we revised downward the bank's SACP to 'b' from 'b+', because we now incorporate risks stemming from the bank's relatively high exposure to related parties in the form of loans and investments in associate companies into our assessment of its stand-alone creditworthiness. Previously it was captured solely at the level of the issuer credit rating. As of Sept. 30, 2021, the net exposure to related parties represented about 0.6x of the bank's equity. We think that these exposures still represent a risk for the bank and differentiate the bank from higher-rated consumer finance banks.

Although, the bank benefits from its wide branch network across Russia and good brand recognition, we think that the bank's performance and business volume are more vulnerable to downcycles than universal banks, because of its exclusive focus on unsecured retail lending. We expect that the bank's capital position will continue to gradually strengthen with our forecast RAC ratio coming closer to 10% by mid-2023. In our view, the bank's exclusive focus on unsecured retail lending weakens its risk position and leads to elevated credit losses through the economic cycle compared with universal banks with sizable mortgage portfolios. Russian Standard Bank's funding profile is in line with its peers' and is primarily dominated by stable and granular retail deposits, which comprised about 69% of total liabilities as of Sept. 30, 2021. RSB demonstrates prudent liquidity management with a liquidity cushion of about RUB18.3 billion (or about 9% of its total liabilities) as of Sept. 30, 2021, in the form of cash and cash equivalents and interbank placements.

Outlook

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

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 Bank'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.

Upside scenario: We could consider a positive rating action if Russian Standard Bank 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 the bank's capital position, with our forecast RAC ratio sustainably above 10%.

Ratings Score Snapshot

Issuer credit rating: B/Positive/B

Stand-alone credit profile: b

Anchor: bb

Business position: Moderate (-1)

Capital and earnings: Adequate (0)

Risk position: Moderate (-1)

Funding and liquidity: Adequate and adequate (0)

Comparable ratings analysis: -1

Support: 0

ALAC support: 0

GRE support: 0

Group support: 0

Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-4

Sovcombank PJSC

Primary analyst: Roman Rybalkin

We affirmed our 'BB/B' ratings on Sovcombank. 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. The bank's capital buffers are modest given rapid growth, with projected RAC ratios of 5.0%-5.5%, although this is offset by strong earnings capacity with a return on assets of over 3%. The funding and liquidity profile of Sovcombank benefit from its designation as systemically important bank by the Russian central bank. The perceived safety helps the bank to further diversify its funding base, while tighter liquidity requirements necessitate wider buffers. Its net broad liquid assets covered over 30% short-term customer deposits as of Sept. 30, 2021, and the stable funding ratio stays above 110%. Sovcombank is one of the few Russian banks with healthy access to international capital markets.

While we consider Sovcombank to be a systemically important institution in a domestic context, the ratings reflect only the bank's own strength due to a narrow gap between sovereign creditworthiness and that of the bank.

Outlook

The positive outlook indicates our view that Sovcombank can outperform peers in the 'BB' category should it further expand its operations and maintain higher-than-average earnings capacity backed by robust asset quality.

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 unfavourable market conditions.

Upside scenario: We may raise the ratings if Sovcombank diversifies and improves revenue stability by expanding its retail business while maintaining a low cost of risk in its established corporate business and stable capitalization. Successful integration of acquired entities is a prerequisite for an upgrade.

Ratings Score Snapshot

Issuer credit rating: BB/Positive/B

Stand-alone credit profile: bb

- Anchor: bb
- Business position: Adequate (0)
- Capital and earnings: Moderate (0)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: 0

ALAC support: 0

GRE support: 0

Group support: 0

Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

UniCredit Bank AO

Primary analyst: Irina Velieva

We affirmed our 'BBB-/A-3' ratings on Unicredit Bank AO. Our ratings reflect the bank's high strategic importance to its parent, Italy-based UniCredit SpA. We believe that the group, which owns 100% of UniCredit Bank AO, is committed to maintaining a presence in the Russian market and would provide financial support to the subsidiary if needed. UniCredit Bank AO has a well-established market position in Russia and sustainable earnings generation capacity. The bank is adequately capitalized, and we expect it to retain its capital adequacy levels on the back of moderate organic expansion in the next 12-18 months. Due to its superior asset quality metrics, we forecast its NPLs and credit costs will be below the system average. UniCredit Bank's funding concentrations are broadly in line with the system. We assess UniCredit Bank's SACP at 'bbb-'.

Outlook

The stable outlook on UniCredit Bank mirrors that on its parent UniCredit SpA, and reflects our view that the bank's importance to the parent will not change 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.

Ratings Score Snapshot

Issuer credit rating: BBB-/Stable/A-3

Stand-alone credit profile: bbb-

- Anchor: bb
- Business position: Strong (+1)
- Capital and earnings: Adequate (0)
- Risk position: Strong (+1)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-2

Ural Bank for Reconstruction and Development

Primary analyst: Sergey Voronenko

We affirmed our 'B/B' ratings on Ural Bank for Reconstruction and Development (UBRD) and continue to assess its SACP at 'b'. We still believe that the bank's ability to withstand competition from larger market players remains questionable during challenging operating conditions, 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. At the same time, we see that UBRD's capitalization is gradually improving, with our RAC ratio likely staying at about 3.8% over the next 12 months, reflecting a recent capital injection and stabilizing earnings capacity, which is supported by economic recovery. In our risk position assessment, we take into account the bank's good credit quality metrics in its loan portfolio, modest appetite for lending growth, and the gradual improvement of single-name concentrations. In our view, UBRD has a large share of relatively stable and long-term sources of funding in its funding mix, as well as good liquidity buffers that are sufficient to cover all liquidity needs in the next 12-18 months.

Outlook

The stable outlook on UBRD reflects our 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 the system-wide average.

Downside scenario: We could lower the ratings over the next 12 months if UBRD's asset quality 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 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.

Ratings Score Snapshot

Issuer credit rating: B/Stable/B

Stand-alone credit profile: b

- Anchor: bb
- Business position: Constrained (-2)
- Capital and earnings: Constrained (-1)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and adequate (0)
- Comparable rating analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

VTB Bank JSC And VTB Capital PLC

Primary analyst: Dmitry Nazarov

We affirmed our 'BBB-/A-3' ratings on VTB Bank JSC (VTB) and its subsidiary VTB Capital PLC at 'BB+/B'. We think that VTB benefited from the economic recovery we observed in Russia in 2021, which supported the bank's profitability and successful strategy implementation. Despite its improving RAC ratio, we view the bank's capital position as weak due to a 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 than that of other Russian large banks, with Stage 3 at 7.4% as of Sept. 30, 2021, we expect that it will gradually converge to the system average with cost-of-risk at about 90-100 basis points over the next two years. In our view, the group's funding benefits from its strong and stable retail deposit franchise in Russia. Customer funds continue to dominate the bank's funding profile, representing about 82% of total liabilities, with close to 60% of customer funds coming from corporate clients as of Nov. 30, 2021. In our view, the bank demonstrates prudent liquidity management with broad liquid assets covering about 26% of total customer deposits and by 1.9x exceeding short-term wholesale funding. Our long-term rating on VTB is two notches higher than its SACP, to reflect a very high likelihood of receiving extraordinary government support if needed. This, in turn, reflects the bank's very strong link with the Russian government and very important role for the Russian economy.

We continue to view VTB Capital PLC as a Highly Strategic important subsidiary for VTB operating in capital markets predominantly, with close links to group business operations, brand, reputation and management. We expect that the parent will provide extraordinary support to the subsidiary in almost all circumstances.

Outlook

The stable outlook on VTB reflects our 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.

The stable outlook on VTB Capital reflects our view that it will remain an integral part of the group.

Downside scenario: We would take a negative rating action on VTB if we downgrade Russia.

Upside scenario: A positive rating action is contingent on a positive rating action on Russia.

Ratings Score Snapshot

Issuer credit rating (ICR) on VTB Bank JSC: BBB-/Stable/A-3

ICR on VTB Capital PLC: BB+/Stable/B

Stand-alone credit profile: bb

- Anchor: bb
- Business position: Strong (+1)
- Capital and earnings: Constrained (-1)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and adequate (0)
- Comparable ratings analysis: 0

Support: +2

- ALAC support: 0
- GRE support: +2
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG Credit Indicators: E-2, S-2, G-3

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- 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. 19, 2013

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

Related Research

Certain Financial Institution Issuer And Issue Ratings Placed Under Criteria Observation Following Criteria Update, Dec. 9, 2021

RFC Process Summary: Financial Institutions Rating Methodology, Dec. 9, 2021

RFC Process Summary: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021

Financial Institutions And BICRA Criteria Published, Dec. 9, 2021

ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022

Ratings List

RATINGS AFFIRMED	
ALFA-BANK JSC	
Issuer Credit Rating	BBB-/Stable/A-3
ABH FINANCIAL LTD.	

Issuer Credit Rating	BB+/Stable/B

RATINGS AFFIRMED

CB RENAISSANCE CREDIT LLC

Issuer Credit Rating	B+/Positive/B

RATINGS AFFIRMED

CENTROCREDIT BANK JSC

Issuer Credit Rating	B+/Stable/B

RATINGS AFFIRMED

CONCERN ROSSIUM LLC

Issuer Credit Rating	B+/Stable/B

CREDIT BANK OF MOSCOW

Issuer Credit Rating	BB/Stable/B

RATINGS AFFIRMED

GAZPROMBANK JSC

GAZPROMBANK (SWITZERLAND) LTD.

BANK GPB INTERNATIONAL S.A.

Issuer Credit Rating	BBB-/Stable/A-3

RATINGS AFFIRMED

BANK SOYUZ

Issuer Credit Rating	BB-/Stable/B

RATINGS AFFIRMED

PROMSVYAZBANK PJSC	
Issuer Credit Rating	BB/Positive/B
RATINGS AFFIRMED	
RN BANK JSC	
Issuer Credit Rating	BB+/Stable/B
RATINGS AFFIRMED	
RAIFFEISENBANK AO	
Issuer Credit Rating	BBB-/Stable/A-3
RATINGS AFFIRMED	
RUSSIAN STANDARD BANK JSC	
Issuer Credit Rating	B/Positive/B
RATINGS AFFIRMED	
SOVCOMBANK PJSC	
Issuer Credit Rating	BB/Positive/B
RATINGS AFFIRMED	
UNICREDIT BANK AO	
Issuer Credit Rating	BBB-/Stable/A-3
RATINGS AFFIRMED	
URAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	
Issuer Credit Rating	B/Stable/B
RATINGS AFFIRMED	

VTB BANK JSC	
Issuer Credit Rating	BBB-/Stable/A-3
VTB CAPITAL PLC	
Issuer Credit Rating	BB+/Stable/B

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings 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.

Regulatory Disclosures For Each Credit Rating Including Ratings List Table

Disclosures include requirements relating to press releases or reports published in accordance with Article 10(1), 10(2), and 10(5), and Annex I, Section D, I, 1, 2, 2a, 4, and 5. These requirements are available by rating via the link titled "Regulatory Disclosure" and include, but are not limited to:

Key Elements Underlying The Credit Rating

ESG Credit Factors

Solicited Or Unsolicited Status

Analysts Primarily Responsible For The Credit Rating

Office Responsible For The Credit Rating

Materials Used In The Credit Rating Process

Criteria Applied

Models Applied, Loss, And Cash Flow Analysis Performed

Scenario Analysis

Sensitivity Analysis

Risk Warning, Understanding Credit Rating Categorizations, And Criteria

Rated Entity Notification

Ancillary And Additional Services

Attributes And Limitations Of The Credit Rating

Information Specific To Structured Finance And Securitization Instruments