

Rating Action: Moody's upgrades Vozrozhdenie Bank's ratings, outlook positive

03 Oct 2018

London, 03 October 2018 -- Moody's Investors Service ("Moody's") today upgraded Vozrozhdenie Bank's long-term local and foreign currency deposit ratings to Ba2 from B3; its baseline credit assessment (BCA) to b2 from b3; its adjusted BCA to b1 from b3; its long-term Counterparty Risk Assessment (CRA) to Ba2(cr) from B2(cr) and its long-term Counterparty Risk Ratings (CRRs) to Ba2 from B2. The bank's short-term deposit ratings and CRRs of Not Prime as well as short-term CRA of Not Prime(cr) were not affected by this action. The outlook on the long-term local and foreign currency deposit ratings was changed to positive and stable, respectively, from ratings under review.

This action completes the review process that Moody's initiated on 23 August 2018, following the announcement by Bank VTB, PJSC (Bank VTB; Ba1 positive, b1) that it intends to acquire a controlling stake in Vozrozhdenie Bank. Today's upgrade of Vozrozhdenie Bank's ratings follows the announcement on 2 October 2018 by Bank VTB that it has acquired a controlling stake (85%) of Vozrozhdenie Bank, aiming to increase its stake to 100% over the next 12-18 months and legally merge with Vozrozhdenie Bank in 2020.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

The upgrade of Vozrozhdenie Bank's BCA reflects Moody's view that the acquisition by Bank VTB improves Vozrozhdenie Bank's credit profile, as it removes prolonged uncertainties regarding Vozrozhdenie Bank's development prospects and its ownership.

As a member of VTB group, Vozrozhdenie Bank will also benefit from (1) Bank VTB's larger scale and stronger credit profile, and (2) potential access to support from the Government of Russia (Ba1 positive), which is Bank VTB's controlling shareholder. These considerations are reflected in the upgrade of the Vozrozhdenie Bank's deposit ratings, which now benefit from affiliate support and government support.

OUTLOOK

The outlook on the long-term local currency deposit rating is now positive, which reflects Moody's expectations that in the next 18-24 months the bank will be merged into Bank VTB, whose local currency deposit rating is currently higher.

WHAT COULD MOVE RATINGS UP/DOWN

Vozrozhdenie Bank's ratings would be upgraded if the bank were merged with Bank VTB.

Given the positive outlook on the local currency deposit ratings, the downside risk for Vozrozhdenie Bank's deposit ratings is currently limited. However, the outlook could be changed to stable if Bank VTB's plans with respect to the legal merger in 2020 changed. Also, Vozrozhdenie Bank's BCA could be downgraded if the bank's asset quality and capitalization worsen beyond what Moody's currently expects.

LIST OF AFFECTED RATINGS

Issuer: Vozrozhdenie Bank

Upgrades:

...Adjusted Baseline Credit Assessment, Upgraded to b1 from b3

...Baseline Credit Assessment, Upgraded to b2 from b3

...Local Currency LT Bank Deposits, Upgraded to Ba2 from B3, Outlook Changed To Positive From Rating Under Review

...Foreign Currency LT Bank Deposits, Upgraded to Ba2 from B3, Outlook Changed To Stable From Rating Under Review

...LT Counterparty Risk Assessment, Upgraded to Ba2(cr) from B2(cr)

...LT Counterparty Risk Rating, Upgraded to Ba2 from B2

Outlook Action:

...Outlook changed to Positive(m) from Rating Under Review

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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