

Rating Action: Moody's takes rating actions on the foreign subsidiaries of two Russian financial institutions

Global Credit Research - 29 Dec 2014

Actions follow review of parent banks' ratings

London, 29 December 2014 -- Moody's Investors Service has today placed on review for downgrade the supported senior deposit ratings of SB Sberbank JSC, Denizbank A.S., BPS-Sberbank, VTB Bank (Austria) AG, VTB Bank (Deutschland) AG and VTB Capital plc. The first three entities are subsidiaries of Sberbank (Baa2 on review for downgrade); the last three are subsidiaries of Bank VTB, JSC (Baa3 on review for downgrade). Today's rating actions follow Moody's placement on review for downgrade of the ratings of the respective Russian parents on 23 December 2014. For additional information, please refer to the related announcement:

https://www.moodys.com/research/--PR_295924

The subsidiary banks' affected ratings benefit from the uplift that Moody's assigns from its assessment of parental support.

At the same time, the standalone BFSRs of three subsidiaries of VTB group were also placed on review for downgrade in line with the review of their ultimate parent's standalone BFSR and reflecting the close linkages the franchises share with the group.

Please click the following link to access the full List of Affected Credit Ratings, which is an integral part of this Press Release and identifies each affected issuer: http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_178370

RATINGS RATIONALE

-- SUPPORTED SENIOR UNSECURED DEBT AND DEPOSIT RATINGS

Today's rating actions on the subsidiaries' supported ratings, which incorporate Moody's parental support assumptions, were prompted by the review for downgrade of the parental senior ratings and standalone BFSRs. Moody's will conclude the review of the subsidiary banks' ratings following (1) the conclusion of the review of the parents' ratings; and (2) Moody's assessment of the capacity and willingness of the parent banks to provide assistance to their international subsidiaries in the context of ongoing volatility in Russia's operating environment, in case of need. The supported ratings of the affected subsidiaries currently benefit from two to three notches of uplift from their standalone BCAs.

-- REVIEW OF THE STANDALONE BFSRS OF VTB GROUP'S SUBSIDIARIES

The standalone BFSRs of VTB group's three fully-owned international subsidiaries, VTB Bank (Austria) AG, VTB Bank (Deutschland) AG and VTB Capital plc, were also placed on review for downgrade reflecting a similar rating action on the parent's standalone BFSR. The standalone BFSRs of these subsidiaries are rated at the same level as the parent bank -- Bank VTB, JSC. Moody's views that the franchise and credit profiles of these subsidiaries are closely linked with that of the parent group as they represent an integral part for its corporate and investment banking activities abroad.

Although these subsidiaries are domiciled in Western Europe and regulated by respective regulators, a large part of their client base and franchise is linked with the parent group. As such, their standalone credit profiles are likely to be driven, to some extent, by the pressures on the parent's credit profile. Therefore, the review of these ratings will focus on these parental linkages, profitability drivers and the independent risk absorption capacity of the subsidiaries.

WHAT COULD MOVE THE RATINGS UP/DOWN

Moody's considers that upward pressure on long-term ratings of the foreign subsidiaries is unlikely in the near term, because the key drivers of today's actions relate to the review for downgrade of the parents' ratings. The

review of the subsidiary banks' ratings will conclude shortly after the conclusion of the review on the parents' long-term ratings.

The principal methodology used in these ratings was Global Banks published in July 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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The rated entity BPS-Sberbank or related third parties did not participate in the rating process. Moody's was not provided, for purposes of the rating, access to books, records and other relevant internal documents of the rated entity or related third party.

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