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## ACRA affirms A-(RU) to Joint Stock West Siberian Commercial Bank and its bond issue, changes outlook to Positive

ACRA affirms the credit rating of [Joint Stock West Siberian Commercial Bank](#) (hereinafter Zapsibkombank, or the Bank) at A-(RU), changing its outlook from Stable to Positive. Simultaneously, ACRA affirms the credit rating assigned to the Bank's bond issue (ISIN RU000A0ZZ8T2) at A-(RU).

The credit rating assigned to Zapsibkombank is based on a stable business profile, strong capital adequacy position, adequate risk profile, and the Bank's funding and liquidity factor assessment. The Bank's standalone creditworthiness assessment (SCA) is under certain pressure from the substantial dependence of its resource base on funds from individuals.

The change in outlook to Positive is due to the agreement reached between PJSC VTB Bank (hereinafter, VTB) and the shareholders of Zapsibkombank on VTB's acquisition of 70% of the Bank's shares (the deal is expected to be closed by the end of this year). The change in outlook also reflects ACRA's opinion on the probable increase in the Bank's credit rating due to the possibility of receiving extraordinary support from VTB. The final integration of the banks is planned to be completed in 2020.

Zapsibkombank is a universal bank with Tyumen and the Tyumen Region being its key areas of operations, where it boasts a leading market position. The Bank specializes in mortgage and consumer lending (8% share in the consumer lending market in the Tyumen Region), cash settlement, corporate lending, as well as investments into securities and interbank market operations. In addition, the Bank lends to regional authorities and entities owned by municipalities, issues bank guarantees, and provides other services to the above clients (cash settlement services, payroll programs, etc.).

The Bank's owners include a number of individuals and legal entities. Management and members of the Bank's board of directors own over 37% of shares. D.Y. Goritsky, a Tyumen Regional Duma member, has significant influence on the Bank, controlling a total of 17% of the Bank's shares.

### Key assumptions

- Change in the Bank's shareholder group;
- Maintaining the Bank's current business model and market position within the 12 to 18-month horizon;
- Level of problem loans no higher than 8-9% within the 12 to 18-month horizon;
- Tier one capital adequacy (N1.2) higher than 10% within the 12 to 18-month horizon.

### Potential outlook or rating change factors

**The Positive outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

**A positive rating action may be prompted by:**

- Closing of VTB's acquisition of Zapsibkombank;
- Reduction in the concentration on the largest source and growth of diversification of the resource base;
- Significant reduction in the level of problem loans.

**A negative rating action may be prompted by:**

- Reduction in the credit quality of the loan portfolio;
- Reduction in the capital adequacy ratio
- Reduction in the effectiveness indicator;
- Deterioration in liquidity position;
- Reduction in competitive positions in key regions and industries.

**Rating components****Standalone creditworthiness assessment (SCA):** a-.**Adjustments:** none.**Support:** none.**Issue ratings**[Joint Stock West Siberian Commercial Bank, BO-P01 series \(RU000A0ZZ8T2\)](#), maturity date – June 15, 2021 – RUB 2 bln – **A-(RU)**.

**Credit rating rationale.** The following bond issue represents senior unsecured debt of Zapsibkombank. Due to the absence of either structural or contractual subordination of the issue, ACRA regards it as equal to other existing and future unsecured and unsubordinated debt obligations of the Bank in terms of priority. According to ACRA's methodology, the credit rating of the issue is equivalent to that of [Joint Stock West Siberian Commercial Bank – A-\(RU\)](#).

**Regulatory disclosure**

The credit ratings of Joint Stock West Siberian Commercial Bank and the bond issued by Joint Stock West Siberian Commercial Bank (ISIN RU000A0ZZ8T2) have been assigned under the national scale for the Russian Federation and are based on the [Methodology for Credit Ratings Assignment to Banks and Bank Groups Under the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). The Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments Under the National Scale of the Russian Federation was also used in the credit rating assignment of the specified issue.

The credit ratings of Joint Stock West Siberian Commercial Bank and the bond issued by Joint Stock West Siberian Commercial Bank (ISIN RU000A0ZZ8T2) were first published by ACRA on March 30, 2018 and June 5, 2018, respectively. The credit rating and outlook of Joint Stock West Siberian Commercial Bank and credit rating of the bond issued by Joint Stock West Siberian Commercial Bank (ISIN RU000A0ZZ8T2) are expected to be revised within one year following the rating action date (November 23, 2018).

The credit rating was assigned based on the data provided by Joint Stock West Siberian Commercial Bank, information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the consolidated IFRS statements of Joint Stock West Siberian Commercial Bank and the standalone financial statements of Joint Stock West Siberian Commercial Bank drawn up in compliance with Bank of Russia ordinance № 4212-U, dated November 24, 2016. The credit rating is solicited, and Joint Stock West Siberian Commercial Bank participated in its assignment.

No material discrepancies between the provided data and the data officially disclosed by Joint Stock West Siberian Commercial Bank in its financial statements have been discovered.

ACRA provided additional services to Joint Stock West Siberian Commercial Bank. No conflicts of interest were discovered in the course of credit rating assignment.

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