

December 6, 2018

Lead analysts:

Valeriy Piven, Associate Director  
+7 (495) 139-0493  
valeriy.piven@acra-ratings.ru

Irina Nosova, Associate Director  
+7 (495) 139 04 81  
irina.nosova@acra-ratings.ru

**Key rating assessment factors**

## ACRA affirms AA(RU) to Bank GPB (JSC), outlook Positive, and AA(RU) to bond issues

The credit rating of [Bank GPB \(JSC\)](#) (hereinafter, Gazprombank or the Bank) is based on its strong and stable business profile, adequate capital position, satisfactory liquidity and funding positions, and neutral risk profile assessment. The rating is supported by Gazprombank's critical systemic importance for the Russian financial market.

Gazprombank is one of Russia's largest universal financial institutions that specializes in lending and other banking services to large businesses. The largest shareholders of the Bank are PJSC Gazprom and NPF GAZFOND.

**Strong business profile** of Gazprombank rests upon its sustainable franchise, primarily in the area of lending to large businesses. ACRA is of the opinion that one of the Gazprombank's strongest competitive advantages is its close operational and strategic alliance with PJSC Gazprom. The Bank is a banking industry leader in terms of capital and assets. Its business profile assessment is further supported by the high quality of its corporate governance and adequate development strategy.

**Adequate capital adequacy assessment.** According to ACRA estimates, Gazprombank has managed to maintain Tier-1 and N1.2 capital adequacy ratios high (10.3% as of June 30, 2018 and 8.87% as of October 01, 2018, respectively). The Agency notes that the Bank's ability to generate new capital is low. The current loss absorption buffer enables Gazprombank to withstand a significant increase in the cost of risk and to maintain its N1.2 ratio within the regulatory requirements.

**Neutral risk profile assessment.** The Agency notes that the Bank's asset quality has improved. The share of stage 3 loans and impaired loans as per IFRS 9 has declined to 7.2% within 12 months preceding June 30, 2018, while the share of NPL90+ amounted to 2.5% as of late June 2018. At the same time, the Agency notes that the volatility of certain factors (the volume of loans to, and other receivables due from, related parties, the market risk level) within the Bank's risk profile has been growing since the last rating action date.

**Adequate liquidity management policy.** The Bank's liquidity position is assessed as sufficiently comfortable: under the ACRA base case and stress scenarios, the Bank can withstand a significant outflow of customer funds. According to ACRA estimates, the major repayments expected in the next 12–18 months will not impair the Bank's liquidity. The current funding profile is concentrated on the largest lenders, of which the most significant is the Gazprom Group (over 15% of total liabilities as of late 1H2018). ACRA notes that the Bank's relationships with the Group are stable and predictable. The Agency sees that the Bank's dependence on corporate funds has grown, as the share of corporates has exceeded 60% of the total liabilities in 2018. In 2019, the Bank is expected to repay over RUB 179 bln under various bond issues. In ACRA's opinion, the Bank will not experience any problems in repaying such amount.

**Critical systemic importance of Gazprombank for the Russian financial market.** In our opinion, Gazprombank's default may trigger a systemic crisis in certain segments of the Russian banking market and a number of industries, which will have a negative impact on the financial stability of the Russian economy. We should point out the critical importance of the Bank's uninterrupted operations for PJSC Gazprom and a number of national economic leader companies. The Bank of Russia categorizes Gazprombank as a systemically important credit institution.

**Key assumptions**

- Competitive positions in key business segments will remain strong;
- Cost of credit risk will be within 1%;
- Net interest margin will be within 2–3%;
- Common capital adequacy ratios (Tier-1/N1.2) will be above 8% within the 12 to 18-month horizon;
- Moderate growth of diversification of loan portfolio and sources of income;
- Funding structure will become more stable.

**Potential outlook or rating change factors**

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

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

- Better risk profile factors (further improvement of assets quality, lower volume of target loans and direct investments);
- Adequate market risk and ratio of related-party loans to Tier-1 capital in the next 12 months;
- Growing capital generation capacity of the Bank.

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

- Material decline in the core capital adequacy caused by outrunning growth of assets under risk or significant losses (increasing cost of risk);
- Deteriorating quality of the loan portfolio;
- Growing dependence on corporate funding sources.

**Rating components**

**Standalone creditworthiness assessment (SCA):** a.

**Adjustment:** systemic importance, 3 notches up to SCA.

**Support:** no.

**Issue ratings**

**Credit rating rationale.** The below bond issues represent senior unsecured debt of [Bank GPB \(JSC\)](#). Due to the absence of either structural or contractual subordination of the issues, ACRA regards them as equal to other existing and future unsecured and unsubordinated debt obligations of the Bank in terms of priority. According to the ACRA methodology, the credit rating of the issue is equivalent to that of Bank GPB (JSC), i.e. AA(RU).

[Bank GPB \(JSC\), exchange-regulated bond, series BO-15 \(RU000A0ZYHK5\)](#), maturity date: 01.12.2020, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-12 \(RU000A0JX0P9\)](#), maturity date: 02.12.2019, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-25 \(RU000A0ZYM05\)](#), maturity date: 26.12.2020, issue volume: RUB 5 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-22 \(RU000A0JWE56\)](#), maturity date: 21.04.2019, issue volume: RUB 5 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-21 \(RU000A0JW9R7\)](#), maturity date: 18.03.2019, issue volume: RUB 5 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-11 \(RU000A0JWTK8\)](#), maturity date: 22.09.2019, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-10 \(RU000A0JUV08\)](#), maturity date: 26.09.2024, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-09 \(RU000A0JUQ39\)](#), maturity

date: 27.06.2024, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-08 \(RU000A0JUMH3\)](#), maturity date: 23.05.2024, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-07 \(RU000A0JU7Y9\)](#), maturity date: 22.10.2023, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), certified interest-bearing bearer bond, series 12 \(RU000A0JT6J5\)](#), maturity date: 06.10.2022, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), certified interest-bearing bearer bond, series 11 \(RU000A0JT6G1\)](#), maturity date: 10.10.2019, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-18 \(RU000A0ZYRX7\)](#), maturity date: 12.02.2023, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-19 \(RU000A0ZYRY5\)](#), maturity date: 12.02.2023, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-23 \(RU000A0JXHQ8\)](#), maturity date: 20.02.2020, issue volume: RUB 5 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-16 \(RU000A0JXP45\)](#), maturity date: 18.04.2024, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-13 \(RU000A0JXTF6\)](#), maturity date: 14.06.2020, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-14 \(RU000A0ZYAE3\)](#), maturity date: 19.09.2020, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-17 \(RU000A0ZYEE5\)](#), maturity date: 30.10.2024, issue volume: RUB 10 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series BO-24 \(RU000A0ZYB73\)](#), maturity date: 26.09.2020, issue volume: RUB 5 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series 001P-01P \(RU000A0ZZQU2\)](#), maturity date: 26.10.2023, issue volume: RUB 8 bln, — **AA(RU)**.

[Bank GPB \(JSC\), exchange-regulated bond, series 001P-02P \(RU000A0ZZUL3\)](#), maturity date: 20.11.2023, issue volume: RUB 10 bln, — **AA(RU)**.

## Regulatory disclosure

The credit ratings were assigned to Bank GPB (JSC) and the bonds (ISIN RU000A0ZYHK5, RU000A0JX0P9, RU000A0ZYM05, RU000A0JWE56, RU000A0JW9R7, RU000A0JWTK8, RU000A0JUV08, RU000A0JUQ39, RU000A0JUMH3, RU000A0JU7Y9, RU000A0JT6J5, RU000A0JT6G1, RU000A0ZYRX7, RU000A0ZYRY5, RU000A0JXHQ8, RU000A0JXP45, RU000A0JXTF6, RU000A0ZYAE3, RU000A0ZYEE5, RU000A0ZYB73, RU000A0ZZQU2, RU000A0ZZUL3) issued by Bank GPB (JSC) under the national scale for the Russian Federation and 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 to assign credit rating to the above bond issues.

The credit rating assigned to Bank GPB (JSC) was first published by ACRA on November 24, 2016. Credit rating assigned to bond issue (ISIN RU000A0ZYHK5) was first published by ACRA on December 01, 2017, to bond issue (ISIN RU000A0JX0P9) — on December 07, 2016, to bond issue (ISIN RU000A0ZYM05) — on December 25, 2017, to bond issues

(ISIN RU000A0JWE56, RU000A0JW9R7, RU000A0JWTK8, RU000A0JUV08, RU000A0JUQ39, RU000A0JUMH3, RU000A0JU7Y9, RU000A0JT6J5, RU000A0JT6G1) — on December 28, 2017, to bond issues (ISIN RU000A0ZYRX7, RU000A0ZYRY5) — on February 09, 2018, to bond issue (ISIN RU000A0JXHQ8) — on February 28, 2017, to bond issue (ISIN RU000A0JXP45) — on April 24, 2017, to bond issue (ISIN RU000A0JXTF6) — on June 16, 2017, to bond issue (ISIN RU000A0ZYAE3) — on September 19, 2017, to bond issue (ISIN RU000A0ZYEE5) — on October 30, 2017, to bond issue (ISIN RU000A0ZYB73) — on September 25, 2017, to bond issue (ISIN RU000A0ZZQU2) — on October 25, 2018, to bond issue (ISIN RU000A0ZZUL3) — on November 19, 2018. The credit rating and credit rating outlook for Bank GPB (JSC) and the credit ratings of bonds issued by Bank GPB (JSC) (ISIN RU000A0ZYHK5, RU000A0JXOP9, RU000A0ZYM05, RU000A0JWE56, RU000A0JW9R7, RU000A0JWTK8, RU000A0JUV08, RU000A0JUQ39, RU000A0JUMH3, RU000A0JU7Y9, RU000A0JT6J5, RU000A0JT6G1, RU000A0ZYRX7, RU000A0ZYRY5, RU000A0JXHQ8, RU000A0JXP45, RU000A0JXTF6, RU000A0ZYAE3, RU000A0ZYEE5, RU000A0ZYB73, RU000A0ZZQU2, RU000A0ZZUL3) are expected to be revised within one year following the rating action date (December 4, 2018).

The assigned credit ratings are based on the data provided by Bank GPB (JSC), information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the consolidated IFRS statements of the Gazprombank Group and the statements of Bank GPB (JSC) drawn up in compliance with the Bank of Russia Ordinance No. 4212-U of November 24, 2016. The credit rating is solicited, and Bank GPB (JSC) participated in its assignment.

No material discrepancies between the provided information and the data officially disclosed by Bank GPB (JSC) in its financial statements have been discovered.

ACRA provided additional services to Bank GPB (JSC). No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2018

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)  
75, Sadovnicheskaya embankment, Moscow, Russia  
www.acra-ratings.com

Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bn. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with the Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without a prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – [www.acra-ratings.com/criteria](http://www.acra-ratings.com/criteria).

No credit rating and/or credit rating outlook is regulated by the Central Bank of the Russian Federation, unless distributed so that such credit rating and/or credit rating outlook is in the public domain.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – [www.acra-ratings.com](http://www.acra-ratings.com). Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by the legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by the legislation of the Russian Federation.