

Announcement: Moody's changes to negative the outlook on DeltaCredit's Baa3 deposit ratings

Global Credit Research - 06 Dec 2012

London, 06 December 2012 -- Moody's Investors Service has today changed to negative from stable the outlook on the standalone D bank financial strength rating (BFSR, equivalent to a standalone credit assessment of ba2) and Baa3 long-term local- and foreign-currency deposit ratings of DeltaCredit Bank ("DeltaCredit"). The bank's Prime-3 short-term foreign-currency deposit rating was affirmed.

At the same time, Moody's affirmed DeltaCredit's Baa2 local-currency senior secured debt rating (with stable outlook), which benefits from an explicit and irrevocable guarantee issued by the bank's ultimate parent, Société Générale (SocGen, A2 stable; C- /baa2 stable). SocGen holds an 82.4% stake in Russia-based Rosbank which, in turn, owns 100% of DeltaCredit.

RATINGS RATIONALE -- STANDALONE RATINGS

Moody's says that today's rating action on DeltaCredit reflects some concerns that this mortgage lender could be increasingly challenged to maintain its market shares and financial fundamentals amidst the current volatile operating environment. Competition in the mortgage market from larger state-owned Russian banks is intensifying, which could lead to margin erosion and loss of market share for DeltaCredit. Moody's notes that DeltaCredit pursues a challenging task of diversifying its funding base away from parental resources, which could be difficult and more costly in the current environment. In addition, the rating agency sees some pressure on DeltaCredit's capitalisation due to potential regular dividend payouts to Rosbank, DeltaCredit's immediate parent since 2011.

The rating agency noted that in the first nine months of 2012, the stock of gross mortgage loans on DeltaCredit's consolidated balance sheet grew by 10%, whereas the growth of the mortgage market in Russia exceeded 20% over the same period, according to the Central Bank of Russia (CBR). Moody's believes that this slowdown is partly because of the need for DeltaCredit to substitute the previously cheap and readily available financing from SocGen with market funding sources which are in short supply and/or more expensive. Due to the gradual diversification away from parental funding, the share of SocGen/Rosbank funding in DeltaCredit's total liabilities declined to 60% at 30 September 2012, from 84% as at year-end 2010. However, the cost of the newly attracted financing is rising, which will likely suppress the bank's net interest margin in the medium term, despite the fact that some of the increase in funding costs can be passed onto borrowers.

Moody's added that the dividend policy pursued by DeltaCredit's immediate parent, Rosbank, represents another risk because the latter is likely to withdraw dividends from its mortgage subsidiary going forward. A recent example is a RUB1 billion dividend that DeltaCredit paid to Rosbank in mid-2012, representing 45% of DeltaCredit's net income for 2011. The rating agency acknowledges that DeltaCredit's capital buffer is currently high, with the bank reporting a Basel I total capital adequacy ratio of 29.92% as at 30 September 2012. However, the bank's lending growth coupled with the regular dividend payouts may erode this capital cushion over time.

Moody's notes positively the consistently superior quality of DeltaCredit's mortgage portfolio: loans overdue by more than 90 days accounted for just 0.72% of total gross loans as of 30 September 2012. This is a strong metric compared to the market average indicators of around 3% (according to the CBR), and this continues to underpin DeltaCredit's standalone credit profile.

RATINGS RATIONALE -- SUPPORTED RATINGS

Moody's further explained that DeltaCredit's Baa3 long-term global local and foreign currency deposit ratings continue to incorporate an assessment of a high probability of support to DeltaCredit from its ultimate shareholder, SocGen. This support assessment results in a two-notch rating uplift from DeltaCredit's ba2 standalone credit profile. The negative outlook assigned on DeltaCredit's Baa3 long-term deposit ratings reflects the negative outlook assigned on its D BFSR.

DELTACREDIT'S LOCAL-CURRENCY SENIOR SECURED DEBT

The Baa2 long-term rating (with stable outlook) assigned to DeltaCredit's local-currency senior secured debt, which benefits from an explicit and irrevocable guarantee issued by SocGen, is at the same level and carries the same outlook as the ba2 standalone credit assessment of its guarantor.

WHAT COULD MOVE THE RATINGS DOWN/UP

DeltaCredit's ratings are underpinned by the bank's currently strong capitalisation and profitability, robust asset quality, and the financial and operational backing from SocGen. At the same time, the bank's ratings are constrained by its modest market franchise and the high dependence of its business model on parental funding. DeltaCredit's standalone ratings might be downgraded if the bank faces material funding constraints that potentially impose limits on its business expansion or contribute to a decline in profitability metrics. A downgrade might also be caused by deterioration of DeltaCredit's asset quality, especially if not compensated by adequate capital levels. Any weakening capacity of SocGen to provide support may exert downwards pressure on DeltaCredit's debt and deposit ratings, as could potential shifts in the parent bank's willingness to provide such support. Upwards pressure on DeltaCredit's ratings is limited given the negative outlook.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Moody's Consolidated Global Bank Rating Methodology, published in June 2012. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Domiciled in Moscow, Russia, DeltaCredit reported -- under unaudited IFRS -- total assets of \$2.5 billion and total shareholders' equity of \$374 million as at 30 September 2012. Net IFRS profits for the first nine months of 2012 stood at \$46.7 million.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare the rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the two years preceding the credit rating action. Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's EU credit rating agencies" on the ratings disclosure page on our website www.moody.com for further information.

Please see the ratings disclosure page on www.moody.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moody.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO

and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moody's.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moody's.com for the last rating action and the rating history. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody's.com for further information.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Olga G Ulyanova
Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service Limited, Russian Branch
7th floor, Four Winds Plaza
21 1st Tverskaya-Yamskaya St.
Moscow 125047
Russia

Yves J Lemay
MD - Banking
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



© 2012 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND

DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned

credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.