



Moody's Investors Service

Rating Action: **Moody's takes rating actions on Societe Generale's Russian subsidiaries**

Global Credit Research - 26 Feb 2010

Rating actions taken on Rosbank, BSGV, DeltaCredit and Rusfinance

Moscow, February 26, 2010 -- Moody's Investors Service has today taken a number of rating actions on four Russian subsidiaries of Societe Generale Group (rated Aa2/Prime-1/C+ with negative outlook) following the parent bank's announcement on 18 February 2010 of its integration plan for its Russian business units. The rating actions are as follows:

- Rosbank: The bank financial strength rating (BFSR) of D was confirmed, the bank's long-term and short-term global local and foreign currency deposit ratings of Baa3/Prime-3 and its local currency senior unsecured debt rating of Baa3 were also confirmed. The BFSR carries a stable outlook, while the outlook on the bank's long-term deposit and debt ratings is now positive. Concurrently, Moody's Interfax Rating Agency confirmed Rosbank's Aaa.ru long-term national scale rating (NSR) and the Aaa.ru NSR of the bank's local currency senior unsecured debt. The NSR carries no specific outlook.

- Bank Societe Generale Vostok (BSGV): The outlook on the bank's D- BFSR was changed to positive from stable, the bank's long-term and short-term global local and foreign currency deposit ratings of Baa2/Prime-2 were affirmed with stable outlook. Concurrently, Moody's Interfax Rating Agency affirmed BSGV's Aaa.ru long-term NSR. The NSR carries no specific outlook.

- Bank DeltaCredit (DeltaCredit): The BFSR of D and the Baa2/Prime-2 long-term and short-term local and foreign currency deposit ratings remained unchanged; however, Moody's changed to negative from stable the outlook on the bank's Baa2 long-term local and foreign currency deposit ratings. The bank's Aaa.ru NSR remains unchanged. The NSR carries no specific outlook.

- Rusfinance: The BFSR of E+ remains unchanged, the bank's long-term and short-term global local and foreign currency deposit ratings of Baa3/Prime-3 were affirmed. The outlook on BFSR and long-term global scale ratings remains stable. Concurrently, Moody's Interfax Rating Agency affirmed Rusfinance's Aaa.ru long-term NSR. The NSR carries no specific outlook.

According to Moody's, these rating actions have been driven by the following considerations.

Rosbank

With regard to Rosbank's stand-alone strength, Moody's notes that the integration plan envisages a material capital injection to the bank scheduled for completion in the coming months, which aims to boost the bank's capitalisation cushion and will enable the entity resulting from the merger of Rosbank and BSGV to become a 100% parent of two other subsidiaries of Societe Generale in Russia -- Rusfinance and DeltaCredit. We believe that the consolidation of Rusfinance and DeltaCredit, as well as the merger with BSGV, will help to improve Rosbank's market franchise and enhance operating efficiency.

From the parental support perspective, Moody's believes the announcement and the role dedicated to Rosbank in this process underlines the strategic fit of Rosbank with its majority shareholder - Societe Generale Group -- and therefore the rating agency notes that the probability of support from Societe Generale to Rosbank, as defined in accordance with Moody's Joint-Default Analysis Methodology, is likely to increase in the coming twelve to eighteen months as the integration process develops. Based on these considerations, Moody's assigns a positive outlook on Rosbank's supported deposit and debt ratings.

Moody's previous rating action on Rosbank was on 19 November 2009 when the rating agency placed on review for possible downgrade the bank's D BFSR, its Baa3/Prime-3 long-term and short-term global local and foreign currency deposit ratings and Baa3 local currency senior unsecured debt rating. Concurrently, Moody's Interfax Rating Agency placed on review for possible downgrade Rosbank's Aaa.ru long-term national scale issuer rating (NSR) and the Aaa.ru NSR of the bank's local currency senior unsecured debt.

BSGV

The change in outlook of BSGV's BFSR to positive from stable reflects Moody's expectations of additional benefits BSGV will receive on a stand-alone basis following the merger with Rosbank -- reflected in improving operating efficiency, decrease of single-name client concentrations and access to wider office coverage and clientele. At the same time, the announcement does not trigger reassessment of the high level of support currently incorporated into the global scale deposit ratings of BSGV in accordance with Moody's Joint-Default Analysis Methodology.

Moody's previous rating action on BSGV was on 14 April 2009 when the rating agency left unchanged BSGV's D-BFSR. The global local-currency deposit ratings were not affected at Baa2/Prime-2; the foreign currency deposit ratings were also not affected at Baa2/Prime-2. The NSR was affirmed at Aaa.ru. The outlook on all of the bank's global scale ratings remained stable.

DeltaCredit

For DeltaCredit, Moody's notes that the integration process is unlikely to have any material effect on DeltaCredit's stand-alone credit strength, therefore, DeltaCredit's BFSR remains unchanged. At the same time, this integration is likely to change the support uplift applied by Moody's in arriving at DeltaCredit's deposit ratings in accordance with the rating agency's Joint-Default Analysis Methodology because the support will potentially stem from the new entity resulting from the merger of Rosbank and BSGV, as opposed to direct support from Societe Generale currently. This change of DeltaCredit's shareholder structure will pressure the bank's supported deposit ratings when the merger process is finalised. Although Moody's believes that parental support will continue to stem from Societe Generale Group going forward, the rating agency notes that after the integration this support will most likely be provided by the new parent, which potentially will be financially weaker than Societe Generale. Therefore, the rating agency assigns a negative outlook on DeltaCredit's long-term deposit ratings.

Moody's previous rating action on DeltaCredit was on 14 April 2009 when the rating agency downgraded the bank's global long-term local and foreign currency deposit ratings to Baa2 from Baa1. DeltaCredit's D BFSR, Prime-2 short-term foreign currency deposit rating and Aaa.ru long-term NSR were not affected by that rating action. Moody's had assigned a stable outlook on all of the bank's global scale ratings.

Rusfinance

For Rusfinance, Moody's notes that the integration process is unlikely to have any material effect on Rusfinance's stand-alone credit strength, therefore, Rusfinance's BFSR of E+ remains unchanged. Concurrently, this integration is likely to have no impact on the bank's Baa3/Prime-3 global scale and Aaa.ru NSR. Moody's believes that parental support will continue to stem from Societe Generale Group going forward, while also understanding that after the integration this support will most likely be provided by the new entity resulting from the merger of Rosbank and BSGV, which potentially will be financially weaker than Societe Generale. However, in accordance with Moody's Joint-Default Analysis Methodology, global scale ratings of Rusfinance have low sensitivity to the change of the support provider from Societe Generale to Rosbank.

Moody's previous rating action on Rusfinance was on 14 April 2009 when the rating agency downgraded the bank's global local and foreign currency deposit ratings to Baa3/Prime-3 from Baa2/Prime-2. Rusfinance's E+ BFSR and Aaa.ru long-term NSR were not affected by that rating action. Moody's had assigned a stable outlook on all of the bank's global scale ratings.

The principal methodologies used in rating these financial institutions are Moody's "Bank Financial Strength Ratings: Global Methodology", published in February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published in March 2007, which are available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Headquartered in Moscow, Russia, Rosbank reported -- at 30 June 2009 -- total consolidated assets of USD15.9 billion, total shareholders' equity of USD1.291 billion and a net loss of USD254.5 million for the first six months of 2009.

Headquartered in Moscow, Russia, BSGV reported -- at 30 September 2009 -- unaudited total assets of USD5.6 billion, total shareholders' equity of USD537 million, and unaudited IFRS net loss of USD12 million for the first nine months of 2009.

Headquartered in Moscow, Russia, DeltaCredit reported -- at 30 September 2009 -- total assets of USD1.839 billion, total shareholders' equity of USD204 million, and net income of USD44 million for the first nine months of 2009.

Headquartered in Samara, Russia, Rusfinance reported -- at 31 December 2009 -- unaudited total assets of USD2.5 billion, total shareholders' equity of USD530 million, and unaudited IFRS net income of USD63 million in 2009.

National Scale Ratings

Moody's Interfax Rating Agency's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs in Russia are designated by the ".ru" suffix. NSRs differ from global scale ratings, as assigned by Moody's Investors Service, in that they are not globally comparable to the full universe of Moody's rated entities, but only with other rated entities within the same country.

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