

**Announcement: Moody's changes outlook on E+ BFSR of Gazprombank (Russia) to positive from stable**

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**Other ratings are affirmed with a stable outlook**

Moscow, November 29, 2010 -- Moody's Investors Service has today changed to positive from stable the outlook on the E+ bank financial strength rating (BFSR) of Gazprombank, and raised its Baseline Credit Assessment (BCA) to B1 from B2. Long-term local and foreign currency debt and deposit ratings of Baa3 were affirmed with a stable outlook, and short-term foreign currency bank deposit rating of Prime-3 was also affirmed. Concurrently, Moody's Interfax Rating Agency (which is majority owned by Moody's) has affirmed Gazprombank's long-term National Scale Rating (NSR) of Aaa.ru. The NSR carries no specific outlook.

**RATINGS RATIONALE**

Moody's said that change of outlook to positive reflects the improved capital position of Gazprombank which restored its Tier 1 and Total capital ratios to 9.6% and 14.8%, respectively, at year-end 2009 (year-end 2008: 7.8% and 9.2%) according to audited IFRS financial statements. In H1 2010, the capital ratios improved further (Tier 1: 10.8%; Total: 16.6%) thanks to strong recurring income as well as reversal of former accounting losses on derivatives transactions incurred in 2008.

The change of outlook and the upward adjustment of the BCA to B1 also take into account significant improvements in Gazprombank's standalone risk profile as a result of decreased appetite for market risks whereby derivatives transactions are significantly restricted, as well as the stricter limits of speculative operations on securities markets -- although Moody's cautions that the track record of operating under the lowered market risk appetite is still limited. Furthermore, the bank's funding profile has improved significantly following substitution of substantial Central Bank of Russia (CBR) funding with customer deposits.

Moody's also observes that Gazprombank's asset quality remained better-than-average for the banking system, with NPLs accounting for only 3.3% of the total loan portfolio at end-H1 2010 -- much better than system average -- thanks to (i) lower involvement in lending to higher-risk segments (e.g. construction and real estate), (ii) the dominance of large corporates in the corporate loan book and (iii) the significant presence of employees of corporate customers in the retail portfolio.

According to Moody's, in order for the positive outlook to translate into upgrade of the bank's BFSR, Gazprombank's total capitalisation and quality of capital should improve on a consistent basis, as a result of: (i) continuing strong income generation and (ii) improvement in asset quality as reflected in decrease in provisions. The positive outlook also incorporates Moody's expectations of an improved track record of capital management and the bank's ability to maintain adequate capital positions against unexpected losses from credit and market risks. Sustainability of reduced market risk appetite -- with no significant rise in credit risks and evidence of improvement in asset quality -- is also likely to lead to an upgrade of Gazprombank's BFSR to the D- level.

Concurrently, Moody's has also reconsidered support positions from Gazprombank's parent, state-controlled energy conglomerate Gazprom, to "moderate" from "very high". Such considerations reflect Moody's view that Gazprom's ability to provide ongoing Tier 1 equity is reduced as it needs resources to develop its primary investment projects. Although shareholders provided RUB40 billion (US\$1.3 billion) of Tier 2 equity during Q4 2008-2009, the Tier 1 equity requirement was covered only via internal capital generation, and support from Gazprom was not correspondent to the needs of Gazprombank whereby, during this period, the state had to step in as a first layer of support.

At the same time, Gazprombank is the main settlement centre of Gazprom group (servicing over 90% of all group cash flows) and the holder of salary accounts of Gazprom group employees (with branch networks in the locations where Gazprom's operations are present). Therefore, Moody's observes potential for extraordinary support (if state support is absent) remains, as was reflected in the Tier 2 capital contribution and over 50% increase in balances to the bank compared to pre-crisis levels.

Moody's notes that the outlook on Gazprombank's long-term ratings is stable because positive pressure on the bank's BFSR will not be sufficient to drive the long-term rating upwards.

The previous rating action on Gazprombank was on 21 September 2009, when Moody's downgraded the following ratings: bank financial strength rating (BFSR) to E+ from D-, long-term foreign and local currency deposit and debt ratings to Baa3 from Baa2, as well as the short-term foreign currency bank deposit rating to Prime-3 from Prime-2.

The principal methodologies used in rating Gazprombank are "Bank Financial Strength Ratings: Global Methodology", published February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published March 2007. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

Headquartered in Moscow, Russian Federation, Gazprombank -- the country's third-largest bank -- reported total assets of US\$56.0 billion, equity of US\$7.3 billion and profit of US\$1.1 billion under (unaudited) IFRS at end-H1 2010. The parent, Gazprom, is a monopoly in the natural resources sector, controlled by the government of Russia. Gazprombank is the main settlement vehicle within Gazprom Group, and handles over 90% of the group's settlements. In addition, the bank actively participates in Gazprom's investment projects, and a large share of its deposits (ca. 20% at end-H1 2010) is related to the group. Gazprombank is an important payroll agent for the group, and its branch network is in suitable locations in order to best conduct these operations.

Moscow  
Vladlen Kuznetsov  
Asst Vice President - Analyst  
Financial Institutions Group  
Moody's Eastern Europe LLC

Telephone: +7 495 228 6060  
Facsimile: +7 495 228 6091

London  
Yves Lemay  
MD - Banking  
Financial Institutions Group  
Moody's Investors Service Ltd.  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Moody's Eastern Europe LLC  
7th floor, Four Winds Plaza  
21 1st Tverskaya-Yamskaya St.  
Moscow 125047  
Russia



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