FITCH REVISES JOINT STOCK COMPANY RN BANK'S OUTLOOK TO POSITIVE; AFFIRMS AT 'BB+'

Fitch Ratings-Moscow-14 November 2016: Fitch Ratings has revised Joint Stock Company RN Bank's (RNB) Outlook to Positive from Stable, while affirming the Long-Term Issuer Default Rating (IDR) at 'BB+'. The agency has also assigned RNB's fixed-rate RUB-denominated bond a Long-term rating of 'BB+'. A full list of rating actions is available at the end of this commentary.

KEY RATING DRIVERS
The Outlook change reflects a similar rating action on Renault SA (BBB-/Positive), one of RNB's shareholders (see 'Fitch Revises Outlook on Renault to Positive; Affirms at 'BBB-' dated 4 November 2016 at www.fitchratings.com).

RNB's IDRs, National Rating and Support Rating reflect the potential support the bank may receive, if needed, from the bank's foreign shareholders. The bank is owned by UniCredit S.p.A. (BBB+/Negative) with a 40% stake; by Renault SA (BBB-/Positive) through its subsidiary RCI Banque with a 30% stake, and by Nissan Motor Co., Ltd. (BBB+/Stable) with a 30% stake.

In assessing the probability of support, Fitch views positively (i) the strategic importance of the Russian market for Renault and Nissan and the important role of RNB in supporting the two auto companies' business; (ii) the track record of support, and in particular the predominance of shareholder funding in RNB's liabilities; and (iii) RNB's small size relative to the owners, limiting the cost of potential support.

At the same time, RNB's Long-Term IDRs are notched down from those of the bank's shareholders due to (i) each individual owner being a minority shareholder, which may reduce their propensity to provide support; and (ii) Fitch's view that reputational risks for the owners would probably be containable in case of RNB's default.

The senior unsecured debt (RUB-denominated local bonds) is rated in line with the Long-Term IDR, according to Fitch's criteria for rating such instruments.

RATING SENSITIVITIES
An upgrade of Renault's IDR would most likely result in an upgrade of RNB's support-driven ratings provided that the Russian market remains strategically important for the Renault-Nissan Alliance and RNB's parental funding is not significantly replaced by third-party funding.

A weakening of the credit profiles of RNB's shareholders, undermining their ability to support the Russian bank, could lead to a downgrade of RNB's ratings, as could a reduction in the importance of RNB for the development of business of Renault and Nissan in Russia.

A marked increase in the share of third-party funding of RNB without recourse to the bank's shareholders could also, in Fitch's view, somewhat erode the owners' propensity to support RNB and could result in a downgrade of its ratings.

The senior unsecured debt rating is sensitive to changes in the bank's IDR.

The rating actions are as follows:
Long-Term Foreign and Local Currency IDRs: affirmed at 'BB+'; Outlook revised to Positive from Stable

Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term rating: affirmed at 'AA+(rus)'; Outlook revised to Positive from Stable
Support Rating: affirmed at '3'
Senior debt long-term Rating: assigned at 'BB+'

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Applicable Criteria
Global Bank Rating Criteria (pub. 15 Jul 2016)
https://www.fitchratings.com/site/re/884135

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