

Credit Rating Notice

**Esteemed Joint-Stock Company Commercial
Bank “Solidarnost”,**

Upon the comprehensive assessment and evaluation by rating committee, Golden Credit Rating International Co., Ltd. assigns BB- credit rating to JSC CB “Solidarnost”, stable outlook.

Golden Credit Rating International Co., Ltd.

11th June, 2021



Disclaimer of Credit Rating Report

Golden Credit Rating International Co., Ltd. and its analysts have no any affiliation to affect the independence, objectivity, and impartiality of rating actions.

Golden Credit Rating International Co., Ltd. and its analysts are sufficient qualified for this rating action, due diligence and fiduciary duty have been fulfilled, this credit rating report has followed the principle of facticity, objectivity, and impartiality.

The credit rating result is only based on reliable internal rating procedure and standard, the independence of rating has not been affected by JSC CB “Solidarnost” or other related parties and individuals.

The effectiveness of this rating result is from 11th June 2021 to 10th June 2022. Golden Credit Rating International Co., Ltd. will conduct the follow up rating on regular and irregular basis, and the rating result is subject to adjustment due to risks evaluation and changes.

Please do read the page of disclaimer.

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11th June, 2021



JSC CB “Solidarnost”

Corporate Rating Report (2021)

Corporate Rating	Outlook	Rating Date	Team Leader	Analyst
BB-	Stable	2021/6/11	LI Qian	ZHU Pingping

Company Overview

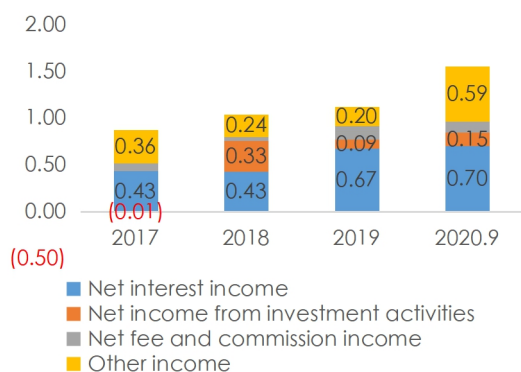
Joint-Stock Company Commercial Bank “Solidarnost” is one of the nationwide large commercial banks in Russian Federation, the Bank mainly operates in the areas of Samara region, Moscow and the Moscow region, Saint-Petersburg, Irkutsk, Vladivostok, Ekaterinburg, Blagoveshchensk and Naberezhnye Chelny.

Rating Rationale

Bank “Solidarnost” has strong competitive position in Samara region, it has a strong impact on the stability of the local financial system. The approved Financial Rehabilitation Plan (hereinafter, the FRP) received support from the Bank of Russia and State Corporation Deposit Insurance Agency (hereinafter, SC DIA). Bank “Solidarnost” has notably grown the business scale and strengthened capital buffers, following the merger with Joint-Stock Company Commercial Bank “Moscow Mortgage Agency” (MMA) in August 2020. However, the Bank is constrained by its weak asset quality in the course of rehabilitations procedures and profitability in the period 2017-2020, as well as rising potential credit and market risks on sizeable loan from aviation and real estate sectors, which are heavily impacted by Covid-19 pandemic. Golden Credit believes that Bank “Solidarnost” has relatively weak solvency and relatively high default risk.

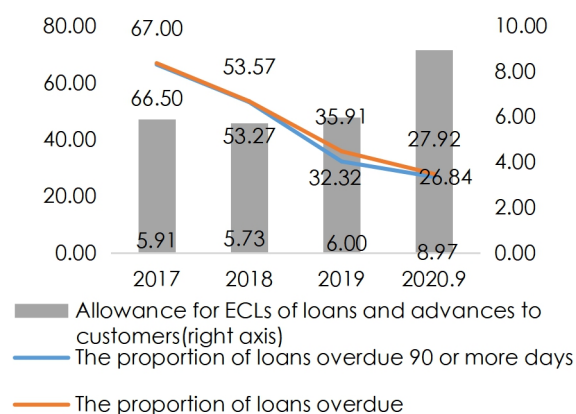
Key Indicators

Income (CNY 100 mn)



CNY 100mn	2017	2018	2019	2020.9
Total Asset	16.64	21.72	28.34	42.70
Total Deposit	9.73	15.89	22.83	28.99
Total Loan	10.05	11.23	17.68	29.87

Asset (%)



%	2017	2018	2019	2020.9
ROE	21.48	0.06	-19.68	-
Loans overdue 90 or more days	66.50	53.27	32.32	26.84
Loan Loss Reserves	58.85	51.01	33.97	30.03

Equity	5.55	5.53	4.65	12.19	Current Ratio	66.70	90.10	103.48	125.60
Revenue	0.87	1.04	1.12	1.55	Capital Adequacy ratio	45.66	40.69	28.94	30.56
Net Profit	0.52	0.00	-1.00	0.07	Tier 1 capital adequacy ratio	30.49	28.14	20.78	26.19

Note: CNY shall be the functional currency in the full text, calculated based on the closing price of 11.57:1 CNY against the Russian ruble on March 31, 2021.

Credit Strengths

- Bank “Solidarnost” has strong competitive position in Samara region, it has a strong impact on the stability of the local financial system.
- The approved Financial Rehabilitation Plan received support from the Bank of Russia and State Corporation Deposit Insurance Agency. Following the merger with Joint-Stock Company Commercial Bank “Moscow Mortgage Agency” (MMA) in August 2020, the Moscow’s government currently holds a significant indirect stake in Bank “Solidarnost” of 49.72%, which indicates a favorable support from local and Moscow’s government.
- The scale of deposit achieves notable growth, the individuals saving and term deposits account 88.29% and 80.28% of total amount, respectively, which indicates the stability of deposit account.
- Bank “Solidarnost” has sufficient Capital Adequacy Ratio, the capital buffer strengthened significantly following the merger with MMA. The CAR and Tier1 CAR in accordance with Russian regulatory requirements reached 30.56%和 26.19% by Sept 2020, respectively, which provides support for business development.

Credit Challenges

- Russia’s economy is currently under pressure in short-term growth, the financial sector is at slow developing phase, credit-risk of assets is rising, which reflects a deteriorative operating environment to the Bank.
- Bank “Solidarnost” has high borrower concentration with decreasing trend. By Sept 2020, the maximum credit risk ratio for loans and / or groups of related borrowers’ loans is over 20%, and the 10 largest groups of borrowers account for 36% of total loans, respectively.
- The proportion of loans overdue 90 or more days exceeds 26%, as well as rising potential credit and market risks on sizeable loan from aviation and real estate sectors, which are heavily impacted by Covid-19 pandemic. The pressure might be exerted on the Bank’s asset.
- Bank “Solidarnost” suffered CNY 100mn loss in 2019 due to rising operating cost and stress of higher provision for impairment. The bank is under significant pressure of achieving recurring profitability in the stress of decreasing loan interest and deteriorating assets quality.
- Bank “Solidarnost” investments are mainly in debt securities, in which the proportion of speculative grade bond is relatively high, in addition with some bonds of abroad issuers (SPV-companies established by Russian large-scaled companies mostly). It may exert additional pressure on Bank’s credit risk management.

Rating Outlook

The outlook on Bank “Solidarnost” ratings is stable, which reflects Golden Credit’s view that the elevated risks stemming from stress of high loan loss reserves, will be counter-balanced by Bank’s ample capital position and expanding business scale. Thus, a likelihood of any rating changes for the Bank in the next 12 to 18 months is limited.

Rating Methodology and Model

Golden Credit International Rating Methodology and Model-Commercial Bank (RTFF001202004)

Historical Rating Information

Corporate Rating	Bond Rating	Date	Project Team	Rating Methodology and Model	Rating Report
-	-	-	-	-	-