

Rating Action: Moody's assigns Ba3 to Bank of Khanty-Mansiysk's senior unsecured debt

Global Credit Research - 19 Oct 2010

Outlook stable

Moscow, October 19, 2010 -- Moody's Investors Service has today assigned a Ba3 long-term global local-currency debt rating to Bank of Khanty-Mansiysk's (BKHM) senior unsecured debt. The rating carries a stable outlook. Any subsequent senior debt issuance by BKHM will be rated at the same rating subject to there being no material change in BKHM's overall credit rating.

The rating of Ba3 was assigned to the following debt instruments:

Issuer: Bank of Khanty-Mansiysk, JSC

Ru. Ruble 3,000M Senior Unsecured Regular Bond Due 2011

Ru. Ruble 3,000M Senior Unsecured Regular Bond Due 2013

RATINGS RATIONALE

Moody's notes that the assigned rating is in line with BKHM's global local-currency deposit rating of Ba3, which in turn incorporates: (i) the BCA of B2, which is derived from the bank's financial strength rating (BFSR) and (ii) a moderate probability of support in case of need from Khanty-Mansiysk Autonomous Region (KhMAO, Baa3, stable), which is one of BKHM's controlling shareholder. As a result, the GLC deposit rating enjoys a two-notch uplift from the BCA of B2. The bank's BFSR and deposit ratings all carry a stable outlook.

Moody's says that the BFSR is constrained by a large number of customer concentrations on both sides of the bank's balance sheet, high volumes of related-party exposures that undermine economic capital as well as vulnerable to changes in securities prices financial performance which somewhat recovered in 2009 and the risks associated with an adverse credit environment in Russia. The rating is partially offset by the bank's strongly positioned franchise in its home region of KhMAO, its sound regional expertise, established connections with a number of large corporates and a strategy to diversify its business outside of its core region.

BKHM's Ba3 global local currency (GLC) deposit rating is based on Moody's assessment of a moderate probability of support from KhMAO authorities in the event of need, based on BKHM's social and economic importance in KhMAO, which owns a 44.2% stake in the bank.

The principal methodologies used in rating Bank of Khanty-Mansiysk were 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. 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 Khanty-Mansiysk, Russia, BKHM reported total consolidated IFRS assets of RUB131 billion (US\$4.3 billion) and consolidated net income of RUB596 million (US\$19.7 million) as at 31 December 2009.

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Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Investors Service's information.

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