

Issuer Comment: Moody's: Ownership change in Bank of Khanty-Mansiysk is ratings neutral (Russia)

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Moody's Investors Service has today said that the proposed change in the ownership of Bank of Khanty-Mansiysk (BKHM) is ratings neutral. Khanty-Mansiysk Autonomous Okrug (KhMAO, sub-sovereign, Baa3) -- BKHM's second-largest shareholder -- has recently announced that it intends to sell its 44.2% stake in BKHM by the end of 2011.

Moody's views the transaction as ratings neutral for BKHM, because currently, BKHM's Ba3 deposit ratings do not incorporate regional support uplift from KhMAO (Baa3/Stable) due to the limited operational control that the region exerts over BKHM.

"KhMAO has approved its exit strategy from non-core banking assets and is in process of preparing an open tender to sell its stake, which it expects will be finalised by the end of 2011," says Elena Redko, a Moody's Assistant Vice President and lead analyst for BKHM. "However, we believe there is a likelihood that the auction might be postponed due to the currently adverse operating environment," adds Ms. Redko.

According to Nomos Bank (Ba3/NP/D-), BKHM's key controlling shareholder with a consolidating 51.3% stake, it currently has no plans to increase its stake in BKHM. Instead, Nomos Bank anticipates that Group ICT, Nomos Bank's major shareholder, will secure full, ultimate control over BKHM by acquiring the share held by the region. Moody's expects that Nomos Bank will, in the long-term, consolidate its stake in BKHM, due to its clear strategic interest in BKHM and its aim of insulating the entity from potential conflicts of interest. Therefore, if Group ICT acquired KhMAO's 44.2% stake, Moody's considers that the stake would likely be transferred to Nomos Bank, subject to availability of additional capital that Nomos is targeting to attract on the market through an SPO, in the medium term.

As of point of reference, BKHM's deposit ratings of Ba3/Not Prime already benefit from high probability of support from Nomos Bank, which provides a one-notch uplift for BKHM's long-term deposit ratings from its B1 standalone credit strength. Moody's considers BKHM to be a strategic material subsidiary of Nomos Bank, which consolidates the operations of BKHM and has operational and managerial control over the bank.

As of 30 June 2011, Nomos bank reported unaudited consolidated (including BKHM) IFRS total assets of RUB572 billion, total shareholders' equity of RUB70 billion and net income of RUB3.2 billion, for the six months then ended.

As of 20 June 2011, BKHM reported total unaudited consolidated IFRS assets of RUB210 billion, total shareholders' equity of RUB23 billion and net income of RUB1.7 billion, for the six months then ended.

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