STANDARD & POOR'S

RATINGSDIRECT®

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B&N Bank

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B&N Bank

Major rating factors

Counterparty Credit Rating
B-/Negative/C
Russia National Scale Rating *ruBBB-/--/--*

Strengths:

- Good regional coverage with wide branch network
- Loan loss provision level favorably compared to peers
- Limited debt repayment burden
- Currently adequate capitalization

Weaknesses:

- High system risks, related to the worsening operating environment in Russia
- Deteriorating asset quality indicators, particularly in the retail loan book
- High single-name and real estate sector concentrations in the loan portfolio
- Significant maturity mismatches due to prevailing long-term loans and short-term confidence-sensitive customer deposits

Rationale

The ratings on Russia-based B&N Bank reflect accelerating systemic risks in the Russian economy, and their negative impact on the bank's credit profile. B&N Bank has recently reported a heightening deterioration in asset quality indicators and significant exposure to the volatile Russian real estate sector. This vulnerability is exacerbated by a large concentration of single-name exposures on the bank's loan book, as well as significant maturity mismatches because of its preference for financing long-term loans with short-term confidence-sensitive customer deposits.

B&N Bank's sizable customer franchise, with its wide regional branch network, partly offsets these concerns. A growing level of loan-loss provisioning, which in percentage terms is better than that of many peers; a nonmaterial short-term debt repayment burden; and currently adequate capitalization also help mitigate the negative rating factors.

The ratings reflect B&N Bank's stand-alone creditworthiness and do not include any uplift for shareholder support. Mikhail Shishkhanov, a Russian businessman, is the beneficiary owner of the bank, with a 99.22% stake on Dec. 31, 2008.

B&N Bank is a midsize commercial bank ranking among Russia's top 40 banks, with total assets of Russian ruble (RUR) 72.4 billion ($2.5 billion) as of Dec. 31, 2008. The bank serves corporate and retail clients through a wide regional branch network of 120 offices. In November 2008, under the recovery program of the Deposit Insurance Agency (DIA), B&N Bank acquired a 76% stake of distressed Ufa-based Bashinvestbank. B&N Bank anticipates that the acquisition will improve its business franchise in one of Russia's more wealthy regions. In Standard & Poor's Ratings Services' opinion, Bashinvestbank, which accounted for 3% of B&N Bank's assets and 30% of the total equity as of year-end 2008, is a challenging financial issue for B&N Bank's management, given

Bashinvestbank's asset quality problems and negative capitalization.

B&N Bank's risk profile is dominated by high credit risk stemming from its large exposure to the volatile Russian real estate sector, which accounted for a significant 33% of total loans on April 1, 2009, up from 19% on Dec. 31, 2007. Concentration on the top 20 borrowers comprised a high 242% of adjusted total equity (ATE) on April 1, 2009, fuelled mainly by an increase in the corporate loan book and a contraction in retail lending.

Asset quality indicators have escalated in the worsening operating environment, with nonperforming loans (NPLs) reaching 7.3% of the total loan book as of April 1, 2009 (4.5% on Dec. 31, 2008). We expect these indicators to deteriorate further. Particularly worrying is the performance of the retail loan book, with NPLs climbing to 17.2% as of April 1, 2009.

The bank bears substantial maturity mismatches, due to the majority of short-term customer deposits and long-term loans. The deposit base has an increased share of retail deposits (55% of total liabilities) and is, like that of many privately-owned Russian banks, fragile and prone to confidence sensitivity.

On a positive note, B&N Bank's short-term repayment burden is limited because of the recent redemption of its $100 million Eurobond, a $27 million syndicated loan due in August 2009, and only moderate repayments until the end 2010.

B&N bank's financial results deteriorated in 2008, mainly influenced by an increase in the provisioning burden, with a drop in the return on assets (ROA) to 0.31%. We view B&N Bank's capitalization to be just adequate, given its high risk profile, with ATE to total assets at 11.6% at Dec 31, 2008, which may come under pressure as credit losses rise.

Outlook

The negative outlook reflects our opinion that asset quality is likely to deteriorate further, putting pressure on the B&N Bank's financial performance, which may weaken profitability and increase pressure on capital.

The ratings could be lowered should the deterioration in asset quality prove to be higher than we currently anticipate, and thus materially constrain profitability and capitalization, or if there is a liquidity shortage and deposit run on the bank.

The possibility of an upgrade or outlook revision to stable hinges on a substantial improvement in the operating environment and B&N Bank's financial performance. In particular, it would require a decrease in the bank's concentration on real estate, improvement in asset quality indicators, and a demonstrated ability to generate sustainable profits.

Profile: Midsize Commercial Bank With Developed Regional Network

B&N Bank is a midsize commercial bank ranking among Russia's top 40 banks, with total assets of RUR72.4 billion as of Dec. 31, 2008. The bank provides a range of services to corporate and retail clients through a branch network with a wide regional presence. On Dec. 31, 2008, the bank's entire network consisted of 120 offices, including 28 branches, 20 Moscow subbranches, 54 regional subbranches, and nine representative offices.

In November 2008, under the recovery program of the DIA, B&N Bank acquired a 76% stake in the financially distressed Bashinvestbank, located in Ufa in the Republic of Bashkortostan (BB+/Stable/--). It was rescued with the help of DIA, which granted B&N Bank a subsidized loan of RUR2 billion for five years. B&N Bank anticipates that it will benefit from Bashinvestbank's market position within the region and good customer franchise, serviced through 13 operating outlets. The acquisition comprised 3% of B&N Bank's assets and 30% of the total equity at year-end 2008. We consider the acquisition to be a challenging financial issue for B&N Bank's management, given Bashinvestbank's asset quality problems and negative capitalization. Bashinvestbank has been consolidated into B&N Bank's financials since Dec. 31, 2008, along with Kirov-based Vyatka-Bank, which has been consolidated since Jan. 1, 2003.

Support And Ownership: Neutral Rating Factor

The ratings on B&N Bank reflect its stand-alone creditworthiness and do not include additional uplift for shareholder support. The bank's ultimate shareholder is Russian businessman Mr. Shishkhanov, who is also the bank's CEO. Mr. Shishkhanov increased his stake in the bank to 99.22% as of Dec. 31, 2008, from 87% on Dec. 31, 2007. He continues to be the beneficiary owner of the bank after lengthy negotiations to sell his shares to another Russian businessman, Vadim Moshkovich, fell though in May 2008. Mr. Shishkhanov has affirmed his commitment to maintain a majority shareholding in the bank for the medium term. He doesn't intend to sell the bank. He provided $100 million in subordinated debt in June 2008 to support the bank's Tier II capital, which we view positively, although we do not incorporate the new capital in our assessment of adjusted total equity.

Strategy: Goals Readjusted Following The Global Macroeconomic Trend.

B&N Bank's main strategy is to become a diversified commercial bank in Russia. Although the main direction of the bank's strategy was affirmed, the bank's strategic goals were reassessed in the context of the deteriorating Russian market environment. The bank plans to strengthen regional coverage and sustain its current market position, focusing more on asset quality issues and developing a more diversified fee and commission-type business.

In the pursuit of widening its regional presence, the bank doesn't rule out the possibility of another bailout of one or more problematic banks at a minimal initial price. The most appealing targets are institutions with less than RUR500 million in capital and networks of 10 branches or more in attractive regions of Russia.

The bank plans moderate asset growth of not more than 10% in 2009. It has already halted its retail lending programs and optimized staff expenses by reducing personnel by 10% and cutting remuneration by 13% for all employees. The bank is focusing on developing its commission business as a less risky source of revenues, targeting small and midsize enterprises (SMEs) and housing and communal services companies.

The failed sale of the bank led to some managerial uncertainties, but business relationships and management have since stabilized. Former members of the management board Grigory Guselnikov and Maxim Morozov, and CEO of Vyatka Bank Oleg Kazakovtsev resigned. However, Mr. Guselnikov and Mr Morozov remain affiliated with the bank. Mr. Guselnikov is a member of B&N Bank's board of directors and Mr. Morozov is the chairman of Vyatka-Bank's management board.

Risk Profile And Management

B&N Bank's risk profile is dominated by high credit risk stemming from high exposure to the construction and real estate sectors and deteriorating asset quality, particularly for the retail lending portfolio. The bank also bears substantial maturity mismatches due to the short-term nature of deposits financing long-term loans. B&N Bank's repayment burden is limited with the recent redemption of its $100 million Eurobond and moderate maturities until the end of 2010. It accumulated a sufficient liquidity cushion and navigated the turmoil and redemption quite successfully.

Enterprise risk management: Further improvements needed

We consider B&N Bank's risk management to be weak by international standards, in common with many other Russian banks. This assessment is largely in line with that on rated peers, reflecting the general immaturity of Russian risk management practices. B&N Bank has recently restructured its risk management department and appointed a new chief risk management officer. The credit underwriting process is centralized now and branches no longer have their own credit limit. In our view, this initiative could help streamline the underwriting process and decrease the risk of fraud. However, the credit expertise functions now performed by the commercial business unit undermine the independence of risk management.

Although the bank has relatively well-developed risk management policies with an existing set of limits, stress testing, and gap analysis, its risk management lacks independence and stature within the bank. B&N Bank's risk management function is mostly reactive, with its functions focused on recommendations rather than decision making.

The bank is working to improve its credit risk management procedures with tighter underwriting, frequent monitoring of existing clients, developing a new more-effective scoring model for retail loans, and strengthening soft and hard collection systems. Operational risk management is insufficient and needs further improvement, with the framework in the process of implementation.

We consider the bank's enhancement and regular upgrades of its risk management to be important. Especially amid the current financial crisis, strengthening risk management's independence and weight within the firm are essential areas for development, in our opinion.

Credit risk: High exposure to real estate sector and deteriorating asset quality indicators

B&N Bank's credit risk is heightened by increased exposure to the real estate sector, high single-name concentrations, and growing NPLs, particularly in the retail loan book.

The bank has significant exposure to the real estate and construction sector, which accounted for 33% of total gross loans for first-quarter 2009, up from 26% at year-end 2008 (19% at year-end 2007). This high level of exposure elevates the bank's risk profile due to volatile real estate prices and a worsening operating environment. Concentration on the top 20 borrowers was a high 242% of ATE on April 1, 2009, fuelled mainly by an increase in the corporate loan book and a contraction in retail lending. Loans to individuals, which have ceased since second-quarter 2008, amounted to 32% of total loans at year-end 2008.

Asset quality indicators have escalated. NPLs comprised 7.3% of the total loan book on April 1, 2009 (4.5% on

Dec. 31, 2008). We expect asset quality indicators to deteriorate further in the face of worsening business conditions, falling revenues of companies and individuals, and rising unemployment. Restructured loans comprised 5.9% of the loan portfolio as of April 1, 2009. The corporate loan book demonstrates better performance than the retail one, with NPLs amounting to 3.2% for corporate and 17.2% for retail, respectively, on April 1, 2009. This better performance is partly due to a reduction in lending to individuals. Particularly worrying is the asset quality for personal and car loans. These have the potentially highest level of NPLs. Mortgages are also expected to deteriorate, as they mature.

The bank recognizes its accelerating credit risks and is taking measures to mitigate them. These measures include a conservative lending growth policy, stricter underwriting, frequent monitoring of all existing loans, increased provisioning, and more austere collateral requirements. The bank is working out a new scoring model for retail loans, implementing restructuring programs, and improving its debt collection process. Compared with its Russian peers, B&N Bank has a more conservative reserve policy, with loan-loss reserves accounting for 8.2% of gross loans at year-end 2008, up from 4.5% at year-end 2007. It plans to increase provisions to 11%-12% by year-end 2009 to absorb growing asset quality problems.

Market risk: Securities portfolio used mainly for liquidity management

B&N Bank justifies its market risk exposure by its goal to maintain a high proportion of liquid assets. The bank's securities portfolio comprised 12.45% of total assets, two-thirds of which were attributable to U.S. Treasury bonds (RUR6.2 billion), as of Dec. 31, 2008. Most of the portfolio is used for liquidity management. The bank is gradually decreasing its exposure to securities, having cut it to 7.2% of assets as of April 1, 2009. A portion of U.S. Treasuries has been sold, with RUR1.3 billion remaining as of May 20, 2009. The bank's other securities investments consist of domestic sovereign and municipal fixed-income instruments, and blue-chip corporate bonds, which still bear revaluation risks.

Funding and liquidity risk: Manageable debt repayment burden

B&N Bank's funding base is mainly comprised of customer deposits (78% of nonequity liabilities as of Dec. 31, 2008), with corporate and retail accounts accounting for 22% and 55% of liabilities, respectively. The deposit base with an increased share of retail deposits is, like that of many privately-owned Russian banks, fragile and prone to confidence sensitivity. Continued expansion into the retail sector contributes to the bank's high cost of funding, but has helped reduce single-name concentration in funding to a relatively modest level. The 20 largest customers represented only 5% of total liabilities on Dec. 31, 2008, down from 19% of total liabilities on Dec. 31, 2007.

Although customer deposits provide a stable funding base in favorable market conditions, in negative market conditions the bank is susceptible to a potential run on deposits. The bank suffered a 10%-15% deposit outflow in October 2008, but has since recovered, and now shows a positive deposit trend due to competitive pricing.

B&N Bank's short-term repayment burden is limited with the recent redemption of its $100 million Eurobond, a $27 million syndicated loan due in August 2009, and moderate additional debt payments until the end of 2010. The bank has accumulated a liquidity cushion and navigated the turmoil and redemption adequately. It has access to RUR11 million uncollateralized funding from Russia's central bank, which it has so far drawn upon to a limited extent.

We are concerned about B&N Bank's exposure to substantial maturity mismatches. The liquidity gap ranges from one to five years due to the prevailing short-term nature of deposits and long-term loans. The bank then has to raise long-term funding and decrease the terms of granted loans. The bank plans to continue enlarging its retail deposit base through its wide customer franchise, and hopes to post a 20% increase by the end of 2009.

Profitability: Constrained By Increasing Provisioning Costs

B&N Bank's 2008 financial results have deteriorated significantly compared with 2007, with reported negative net income after minority interest. ROA has decreased to 0.31% from 1.92%. This was mainly influenced by an increase in the provisioning burden, which rose sixfold compared with year-end 2007. The bank's profitability also suffered from trading losses of RUR117 million on securities operations and impairment of goodwill in the amount of RUR102 million attributable to the purchase of Bashinvestbank. Operating expenses remained relatively stable, at a high 68% of operating revenues, despite business optimization and reduction of staff expenses.

The bank's net interest margin remained a relatively healthy 6.97% at year-end 2008. However, this may decrease, in the future due to intensifying competition and increased funding costs. The bank plans to widen its commission and fee income, which accounted for 21% of revenues on April 1, 2009 (up from 18.3% at year-end 2007), targeting SME clientele and housing and communal services companies.

Capital: Adequate Capitalization Could Face Pressure From Deteriorating Asset Quality

We consider B&N Bank's current capitalization to be just adequate. The level of ATE to adjusted assets accounted for an ample 11.6% at year-end 2008 (declining from 13% at year-end 2007), amid the growth in assets in 2008. B&N Bank's capitalization could be pressured as credit losses rise due to the recession in Russia.

On a positive note, Mr. Shishkhanov provided Tier II capital support through a subordinated loan of $100 million, which increased the regulatory capital ratio. However, we treat this as subordinated long-term debt, rather than capital, and this injection doesn't improve our estimate of B&N Bank's capitalization.

Table 1

B&N Bank Balance Sheet Statistics

	--Fiscal year ended Dec. 31--					Breakdown as a % of assets (adj.)				
(Mil. RUR)	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
Assets										
Cash and money market instruments	7,148	7,916	8,736	7,648	3,943	9.86	12.30	15.32	20.22	17.28
Securities	9,029	9,501	1,847	884	1,196	12.45	14.77	3.24	2.34	5.24
Trading securities (marked to market)	9,027	9,456	1,847	873	1,185	12.45	14.70	3.24	2.31	5.19
Nontrading securities	3	45	0	11	11	0.00	0.07	0.00	0.03	0.05
Loans to banks (net)	12,679	6,608	7,088	5,603	1,060	17.49	10.27	12.43	14.81	4.64
Customer loans (gross)	44,836	40,687	40,209	24,373	17,109	61.85	63.23	70.52	64.43	74.98
Public sector/government	25	N.A.	N.A.	435	144	0.03	N.A.	N.A.	1.15	0.63
Other consumer loans	14,484	12,688	5,685	1,924	464	19.98	19.72	9.97	5.09	2.03

Table 1

B&N Bank Balance Sheet Statistics (cont.)										
Total real estate loans	7,611	4,206	N.A.	N.A.	N.A.	10.50	6.54	N.A.	N.A.	N.A.
Commercial real estate loans	5,094	4,656	17,712	9,837	8,146	7.03	7.24	31.06	26.01	35.70
Commercial/corporate loans	16,609	18,907	16,812	12,079	8,262	22.91	29.38	29.49	31.93	36.21
All other loans	1,013	230	0	98	92	1.40	0.36	0.00	0.26	0.40
Loan loss reserves	3,659	1,850	1,598	1,024	785	5.05	2.88	2.80	2.71	3.44
Customer loans (net)	41,177	38,838	38,612	23,349	16,323	56.80	60.36	67.72	61.73	71.53
Earning assets	68,080	60,289	52,784	35,145	19,673	93.91	93.70	92.57	92.91	86.21
Inv. in unconsolidated subsidiaries (financial co.)	79	N.A.	N.A.	N.A.	N.A.	0.11	N.A.	N.A.	N.A.	N.A.
Fixed assets	1,618	1,092	601	262	248	2.23	1.70	1.05	0.69	1.09
Accrued receivables	0	0	0	63	14	0.00	0.00	0.00	0.17	0.06
All other assets	766	390	135	19	35	1.06	0.61	0.24	0.05	0.15
Total reported assets	72,497	64,344	57,018	37,827	22,819	100.00	100.00	100.00	100.00	100.00
Adjusted assets	72,497	64,344	57,018	37,827	22,819	100.00	100.00	100.00	100.00	100.00
						Breakdown as a % of liabilities + equity				
	2008	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
Liabilities										
Total deposits	55,178	50,758	40,945	28,439	17,168	76.11	78.88	71.81	75.18	75.24
Noncore deposits	5,498	3,515	3,616	1,366	1,257	7.58	5.46	6.34	3.61	5.51
Core/customer deposits	49,680	47,243	37,329	27,072	15,911	68.53	73.42	65.47	71.57	69.73
Repurchase agreements	N.A.	3	14	N.A.	N.A.	N.A.	0.00	0.02	N.A.	N.A.
Other borrowings	8,604	4,885	8,831	2,581	1,812	11.87	7.59	15.49	6.82	7.94
Other liabilities	224	263	76	28	62	0.31	0.41	0.13	0.07	0.27
Total liabilities	64,006	55,908	49,867	31,048	19,042	88.29	86.89	87.46	82.08	83.45
Total shareholders' equity	8,490	8,436	7,152	6,779	3,777	11.71	13.11	12.54	17.92	16.55
Minority interest-equity	704	623	451	384	379	0.97	0.97	0.79	1.01	1.66
Common shareholders' equity (reported)	7,787	7,813	6,701	6,396	3,397	10.74	12.14	11.75	16.91	14.89
Share capital and surplus	7,460	7,460	7,460	7,460	4,710	10.29	11.59	13.08	19.72	20.64
Retained profits	327	354	(759)	(1,064)	(1,312)	0.45	0.55	(1.33)	(2.81)	(5.75)
Memo: Dividends (not yet distributed)	0	(40)	0	N.A.	N.A.				N.A.	N.A.
Total liabilities and equity	72,497	64,344	57,018	37,827	22,819	100.00	100.00	100.00	100.00	100.00
Equity Reconciliation Table										
Common shareholders' equity (reported)	7,787	7,813	6,701	6,396	3,397					
+ Minority Interest (equity)	704	623	451	384	379					
- Dividends (not yet distributed)	0	(40)	0	0	0					
Adjusted common equity	8,490	8,396	7,152	6,779	3,777					
- Equity in Unconsolidated Subsidiaries	(79)	N.A.	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	N.A.
Adjusted total equity	8,411	8,396	7,152	6,779	3,777					

Note: Data as of fiscal year end and audited under International Financial Reporting Standards. RUR--Russian ruble. N.A.--Not available.

Table 2

B&N Bank Profit And Loss Statement Statistics

	--Fiscal year ended Dec. 31--					Adj. avg. assets (%)				
(Mil. RUR)	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
Profitability										
Interest income	8,577	7,905	5,327	3,878	2,322	12.54	13.03	11.23	12.79	11.41
Interest expense	4,106	4,168	3,039	2,534	1,141	6.00	6.87	6.41	8.36	5.61
Net interest income	4,471	3,736	2,288	1,344	1,181	6.53	6.16	4.82	4.43	5.80
Operating noninterest income	1,430	2,050	1,201	853	511	2.09	3.38	2.53	2.81	2.51
Fees and commissions	1,037	1,060	850	421	267	1.52	1.75	1.79	1.39	1.31
Equity in earnings of unconsolidated subsidiaries	0	0	27	0	0	0.00	0.00	0.06	0.00	0.00
Trading gains	344	929	284	385	207	0.50	1.53	0.60	1.27	1.02
Other noninterest income	48	61	40	47	37	0.07	0.10	0.08	0.15	0.18
Operating revenues	5,900	5,787	3,489	2,197	1,692	8.62	9.54	7.36	7.25	8.31
Noninterest expenses	4,037	3,954	2,663	1,753	1,300	5.90	6.52	5.62	5.78	6.39
Personnel expenses	1,921	2,052	1,206	708	501	2.81	3.38	2.54	2.34	2.46
Other general and administrative expense	1,964	1,753	1,353	967	741	2.87	2.89	2.85	3.19	3.64
Depreciation	152	149	104	77	58	0.22	0.25	0.22	0.26	0.29
Net operating income before loss provisions	1,863	1,832	825	444	392	2.72	3.02	1.74	1.47	1.93
Credit loss provisions (net new)	1,550	258	583	216	177	2.26	0.43	1.23	0.71	0.87
Net operating income after loss provisions	314	1,574	242	228	215	0.46	2.59	0.51	0.75	1.06
Nonrecurring/special income	0	148	309	140	150	0.00	0.24	0.65	0.46	0.73
Nonrecurring/special expense	21	0	0	0	34	0.03	0.00	0.00	0.00	0.17
Pretax profit	190	1,718	551	368	331	0.28	2.83	1.16	1.21	1.62
Tax expense/credit	94	450	161	102	50	0.14	0.74	0.34	0.34	0.25
Net income before minority interest	96	1,269	390	266	281	0.14	2.09	0.82	0.88	1.38
Minority interest in consolidated subsidiaries	121	156	84	18	0	0.18	0.26	0.18	0.06	0.00
Net income before extraordinaries	(26)	1,112	306	248	281	(0.04)	1.83	0.64	0.82	1.38
Extraordinary Income	0	0	0	0	(19)	0.00	0.00	0.00	0.00	(0.09)
Net income after extraordinaries	(26)	1,112	306	248	262	(0.04)	1.83	0.64	0.82	1.29
Core Earnings Reconciliation										
Net Income (before Minority Interest)	96	1,269	390	266	281					
- Nonrecurring/Special Income	0	(148)	(309)	(140)	(150)					
+ Nonrecurring/Special Expense	21	0	0	0	34					
+/- Tax Impact of Adjustments	(10)	39	90	39	17					
+ Amortization/ Impairment of Goodwill/ Intangibles	103	3	0	0	0					
Core earnings	210	1,163	171	165	183	0.31	1.92	0.36	0.54	0.90
	2008	**2007**	**2006**	**2005**	**2004**					
Asset Quality										
Nonperforming assets	1,680	650	117	58	76					
Nonaccrual loans	1,680	650	117	58	76					
Net charge-offs	239	N.A.	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	N.A.

Table 2

B&N Bank Profit And Loss Statement Statistics (cont.)					
Average balance sheet					
Average customer loans	40,007	38,725	30,980	19,836	14,614
Average earning assets	64,185	56,537	43,965	27,409	17,080
Average assets	68,421	60,681	47,423	30,323	20,358
Average total deposits	52,968	45,851	34,692	22,803	14,936
Average interest-bearing liabilities	59,714	52,718	40,405	25,000	16,611
Average common equity	7,800	7,257	6,548	4,897	3,265
Average adjusted assets	68,421	60,681	47,423	30,323	20,358
Other data					
Number of employees (end of period, actual)	3,297	3,157	2,174	1,836	1,567
Number of branches	120	118	36	18	14
Off-balance-sheet credit equivalents	11,748	16,170	9,264	6,075	5,851

Note: Data as of fiscal year end and audited under International Financial Reporting Standards. RUR--Russian ruble. N.A.--Not available.

Table 3

B&N Bank Ratio Analysis					
	--Fiscal year ended Dec. 31--				
	2008	**2007**	**2006**	**2005**	**2004**
ANNUAL GROWTH (%)					
Customer loans (gross)	10.20	1.19	64.98	42.46	26.67
Loss reserves	97.78	15.79	56.08	30.37	30.63
Adjusted assets	12.67	12.85	50.73	65.77	27.50
Customer deposits	5.16	26.56	37.88	70.15	28.88
Total equity	0.64	17.96	5.50	79.51	19.04
Operating revenues	1.96	65.88	58.78	29.82	84.56
Noninterest expense	2.08	48.47	51.96	34.80	51.48
Net operating income before provisions	1.70	122.06	85.69	13.32	569.04
Loan loss provisions	500.63	(55.73)	169.58	22.34	N.M.
Net operating income after provisions	(80.07)	549.76	6.20	5.92	146.60
Pretax profit	(88.94)	211.86	49.62	11.32	357.05
Net income	(92.42)	225.58	46.43	(5.21)	799.53
	2008	**2007**	**2006**	**2005**	**2004**
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	6.97	6.61	5.20	4.90	6.92
Net interest spread	6.49	6.07	4.60	4.01	6.73
Interest income (taxable equiv.)/avg. earning assets	13.36	13.98	12.12	14.15	13.60
Interest income on loans/avg. total loans	14.40	15.77	12.79	13.59	16.21
Interest expense/avg. interest-bearing liabilities	6.88	7.91	7.52	10.13	6.87
Interest expense on deposits/avg. deposits	6.44	6.87	6.25	5.29	5.71

Table 3

B&N Bank Ratio Analysis (cont.)

Revenue Analysis					
Net interest income/revenues	75.77	64.57	65.59	61.17	69.80
Fee income/revenues	17.58	18.32	24.36	19.16	15.77
Market-sensitive income/revenues	5.84	16.05	8.14	17.54	12.25
Noninterest income/revenues	24.23	35.43	34.41	38.83	30.20
Personnel expense/revenues	32.56	35.47	34.56	32.24	29.58
Noninterest expense/revenues	68.42	68.34	76.35	79.78	76.83
Noninterest expense/revenues less investment gains	68.42	68.34	76.35	79.78	76.83
Net operating income before provision/revenues	31.58	31.66	23.65	20.23	23.17
Net operating income after provisions/revenues	5.32	27.20	6.95	10.38	12.73
New loan loss provisions/revenues	26.26	4.46	16.71	9.84	10.44
Net nonrecurring/abnormal income/revenues	(0.35)	2.55	8.85	6.38	6.82
Pretax profit/revenues	3.22	29.70	15.79	16.76	19.55
Tax/pretax profit	49.38	26.17	29.28	27.74	15.14
Core Earnings/Revenues	3.55	20.10	4.91	7.50	10.80
	2008	**2007**	**2006**	**2005**	**2004**
Other Returns					
Pretax profit/avg. risk assets (%)	0.32	5.29	0.00	0.00	0.00
Revenues/avg. risk assets (%)	9.90	17.82	N.A.	N.A.	N.A.
Net operating income before LLP/LLP	120.25	710.15	141.57	205.52	221.88
Net operating income before loss provisions/avg. risk assets (%)	3.13	5.64	N.A.	N.A.	N.A.
Net operating income after loss provisions/avg. risk assets (%)	0.53	4.85	N.A.	N.A.	N.A.
Net income before minority interest/avg. adjusted assets	0.14	2.09	0.82	0.88	1.38
Net income/employee (RUR)	29,819	475,959	194,349	156,400	187,218
Non-interest expenses/average adjusted assets	5.90	6.52	5.62	5.78	6.39
Personnel expense/employee (RUR)	595,274	770,020	601,382	416,316	333,850
Core earnings/average risk-weighted assets	0.35	3.58	N.A.	N.A.	N.A.
Core earnings/average adjusted assets	0.31	1.92	0.36	0.54	0.90
Core earnings/ Average ACE (ROE)	2.48	14.96	2.46	3.12	5.26
	2008	**2007**	**2006**	**2005**	**2004**
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	77.89	84.90	74.97	87.27	83.83
Total loans/customer deposits	115.77	100.11	126.71	110.72	114.19
Total loans/customer deposits + long-term funds	89.79	81.05	93.88	88.55	92.28
Customer loans (net)/assets (adj.)	56.80	60.36	67.72	61.73	71.53
Parent Only Analysis					
	2008	**2007**	**2006**	**2005**	**2004**
CAPITALIZATION (%)					
Adjusted common equity/risk assets	13.83	14.52	100.00	N.A.	N.A.
Internal capital generation/prior year's equity	(0.34)	16.00	4.78	6.80	8.54
Tier 1 capital ratio	14.40	14.50	15.40	23.50	17.70

Table 3

B&N Bank Ratio Analysis (cont.)					
Regulatory total capital ratio	19.30	14.50	15.40	23.50	17.70
Adjusted total equity/adjusted assets	11.60	13.05	12.54	17.92	16.55
Adjusted total equity/adjusted assets + securitizations	11.60	13.05	12.54	17.92	16.55
Adjusted total equity/risk assets	13.70	14.52	100.00	N.A.	N.A.
Adjusted total equity plus LLR (specific)/customer loans (gross)	26.92	25.18	21.76	32.02	26.66
Common dividend payout ratio	0.00	3.60	0.00	6.88	4.73
	2008	**2007**	**2006**	**2005**	**2004**
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	3.87	0.67	1.88	1.09	1.21
Net charge-offs/avg. customer loans (net)	0.60	N.A.	N.A.	N.A.	N.A.
Loan loss reserves/customer loans (gross)	8.16	4.55	3.97	4.20	4.59
Credit-loss reserves/risk assets	5.96	3.20	22.34	N.A.	N.A.
Nonperforming assets (NPA)/customer loans + ORE	3.75	1.60	0.29	0.24	0.45
NPA (excl. delinquencies)/customer loans + ORE	3.75	1.60	0.29	0.24	0.45
Net NPA/customer loans (net) + ORE	(4.81)	(3.09)	(3.84)	(4.14)	(4.34)
NPA (net specifics)/customer loans (net specifics)	(4.81)	(3.09)	(3.84)	(4.14)	(4.34)
Loan loss reserves/NPA (gross)	217.78	284.60	1,370.14	1,767.82	1,028.85

Note: Data as of fiscal year end and audited under International Financial Reporting Standards. RUR--Russian ruble. N.A.--Not available. N.M.--Not meaningful.

Ratings Detail (As Of June 15, 2009)*		
B&N Bank		
Counterparty Credit Rating		B-/Negative/C
Russia National Scale Rating		ruBBB-/--/--
Certificate Of Deposit		B-/C
Senior Unsecured (1 Issue)		B-
Short-Term Debt (1 Issue)		C
Counterparty Credit Ratings History		
28-May-2009		B-/Negative/C
10-Oct-2008		B/Negative/C
11-Aug-2008		B/Stable/C
07-Nov-2005		B-/Stable/C
29-Oct-2004		CCC+/Stable/C
28-May-2009	*Russia National Scale Rating*	ruBBB-/--/--
11-Aug-2008		ruBBB/--/--
07-Nov-2005		ruBBB-/--/--
29-Oct-2004		ruBB/--/--
Sovereign Rating		
Russian Federation		
Foreign Currency		BBB/Negative/A-3
Local Currency		BBB+/Negative/A-2
Russia National Scale Rating		ruAAA/--/--

Ratings Detail (As Of June 15, 2009)***(cont.)**	
Related Entities	
B.I.N. LPN (Cyprus) Ltd.	
Senior Unsecured (1 Issue)	B-
Short-Term Debt (1 Issue)	C

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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