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# 13 Russian FI Outlooks Revised To Negative On Tougher And Volatile Macro Operating Environment

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PARIS (Standard & Poor's) Oct. 10, 2008--Standard & Poor's Ratings Services said today that it revised its outlooks on the long-term ratings on 13 Russian financial institutions to negative from stable. In addition, the long-term ratings on all the banks and financial companies were affirmed, and the Russia national scale ratings on four of the affected entities were lowered. We also affirmed the ratings on 14 other entities, on which the outlooks remain stable (see Ratings List below).

"The outlook revisions reflect our growing concerns about the adverse impact of the ongoing domestic and international market turbulence with regard to the financial and commercial fundamentals of many domestic financial institutions," said Standard & Poor's credit analyst Ekaterina Trofimova. These relate to growing credit risks; tighter liquidity; pressured refinancing and weaker short-term growth prospects; and reduced profitability, namely due to trading losses.

A positive development is that the Russian government seems increasingly willing to pursue orthodox measures to address the financial market turmoil. Key support measures include plans to provide banks with up to \$38 billion in long-term subordinated loans, direct uncollateralized lending from the central

bank to about 100 banks, a \$50 billion package to refinance corporate and banks' foreign borrowings, and a substantial increase in borrowing limits from the Ministry of Finance. However, the continued tough and volatile macro environment and institutional weakness in Russia make their outcome unpredictable, particularly in respect of domestically owned private sector banks.

"We expect that higher funding costs and reduced access to the debt markets will continue to put pressure on banks, especially the small and midsize ones and those which have sizable amounts of debt maturing in the coming months," said Ms. Trofimova. Credit is likely to become scarcer, which will have a negative impact on the asset quality of borrowers and growth dynamics of the Russian economy. On the funding side, corporate depositors will use their cash to repay debt coming due while retail depositors might consider a flight to quality. However, with the interbank market being closed for many small banks, and with lines being cut by their larger peers and higher interest rates, there could be a dash for cash and more banks may experience liquidity problems. This is likely to be exacerbated by the extreme risk aversion of the international debt markets, particularly as sizable debt refinancing needs to take place during the coming 12 months. As a knock-on impact, asset quality may then start to suffer as a credit squeeze will prevent corporate borrowers financing their own projects and investments.

For a more in-depth analysis on the impact of the ongoing liquidity squeeze and stock market turbulence in Russia's banking sector, please see the article "Financial Turbulence Tests Resilience Of Russian Banks And State Support For Banking Sector," published on RatingsDirect on Sept. 22, 2008.

We maintain a stable outlook on several state and foreign-owned banks that are less vulnerable to the difficult operating environment due to positive ownership factors. These include the state-owned Bank VTB and Gazprombank and foreign-owned Raiffeisenbank ZAO, CJSC Unicredit Bank (Russia), Rosbank OJSC, and Rusfinance Bank. In addition, we maintain stable outlooks on banks with very low ratings, which already incorporate a high degree of vulnerability to an adverse operating environment.

Standard & Poor's lowering of the Russia national scale ratings on four Russian financial institutions reflects the more granulated credit rating approach under our national ratings scale.

#### RATINGS LIST

	To	From
Troika Dialog Group Ltd.		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
Russia National Scale	ruAA-	ruAA-
Bank URALSIB (OJSC)		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
Promsvyazbank OJSC		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B

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Bank Vozrozhdenie		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
Russia National Scale	ruAA-	ruAA-
OJSC Alfa-Bank.		
Counterparty Credit Rating	BB/Negative/B	BB/Stable/B
Russia National Scale	ruAA	ruAA
MDM Bank		
Counterparty Credit Rating	BB/Negative/B	BB/Stable/B
Home Credit and Finance Bank LLC		
Counterparty Credit Rating	B+/Negative/B	B+/Stable/B
Commercial Bank Petrocommerce (OJSC)		
Counterparty Credit Rating	B+/Negative/B	B+/Stable/B
Russia National Scale	ruA	ruA+
National Factoring Company		
Counterparty Credit Rating	B-/Negative/C	B-/Stable/C
Russia National Scale	ruBBB-	ruBBB
Investment Company Veles Capital LLC		
Counterparty Credit Rating	B-/Negative/C	B-/Stable/C
Russia National Scale	ruBBB-	ruBBB
CentroCredit Bank JSC		
Counterparty Credit Rating	B-/Negative/C	B-/Stable/C
Russia National Scale	ruBBB-	ruBBB-
West Siberian Commercial Bank		
Counterparty Credit Rating	B/Negative/C	B/Stable/C
Russia National Scale	ruBBB+	ruA-
B.I.N.BANK		
Counterparty Credit Rating	B/Negative/C	B/Stable/C
Russia National Scale	ruBBB	ruBBB

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Ratings Affirmed

Aljba Alliance

Counterparty Credit Rating B-/Stable/C

Bank of Khanty-Mansiysk (JSC)

Counterparty Credit Rating BB-/Stable/B

Russia National Scale ruAA-

JSC VTB Bank

Counterparty Credit Rating BBB+/Stable/A-2

Russia National Scale ruAAA

Bank VTB 24

Counterparty Credit Rating BBB+/Stable/A-2

Russia National Scale ruAAA

VTB-Leasing

Counterparty Credit Rating BBB+/Stable/A-2

Russia National Scale ruAAA

Gazprombank

Counterparty Credit Rating BBB-/Stable/A-3

Russia National Scale ruAA+

International Industrial Bank

Counterparty Credit Rating BB-/Stable/B

Krayinvestbank

Counterparty Credit Rating B/Stable/C

Russia National Scale ruA-

Raiffeisenbank ZAO

Counterparty Credit Rating BBB+/Stable/A-2

Russia National Scale ruAAA

Rosbank OJSC

Counterparty Credit Rating BB+/Stable/B

Rusfinance Bank

Counterparty Credit Rating BB+/Stable/B

Surgutneftegasbank

Counterparty Credit Rating B+/Stable/B

TransCreditBank

Counterparty Credit Rating BB/Stable/B

Russia National Scale ruAA

CJSC Unicredit Bank (Russia)

Counterparty Credit Rating BBB+/Stable/A-2

N.B.--This list does not include all ratings affected.

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