



RUSI

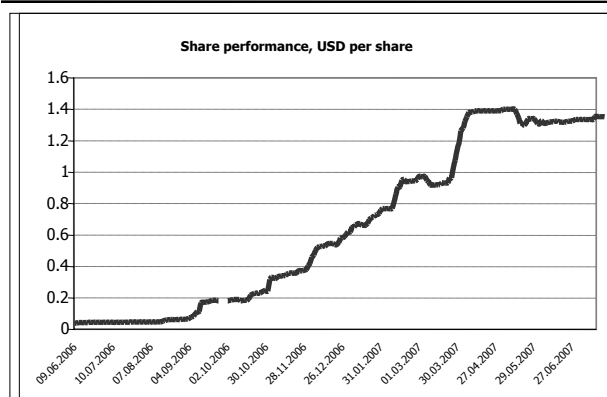
OJSC IC RUSS-INVEST

- OJSC Investment Company IC RUSS-INVEST is a fast growing company of the Russian financial sector. OJSC IC RUSS-INVEST has the AA- rating (very high reliability category, third level) of the National Rating Agency (NRA). On 30 November, 2005, the international rating agency Fitch Ratings assigned ratings to OJSC Investment Company IC RUSS-INVEST (IC RUSS-INVEST) as follows: long-term – B; national long-term – BBB- (BBB minus). The prediction is that the long-term rating will remain Stable. In the early 2006, the rating was approved by the agency.
- Main activity of the company is the trading of RUB-denominated equities and bonds. All the assets and obligations of the company located on the territory of the Russian Federation.
- The main objective of the investment policy is an increase of own capital of the company and company's share at the securities market. Besides dealing operations on the Russian stock market. the company will plan to improve its activity in providing brokerage and financial services, including corporate financing, financial consulting and asset management services.
- IC RUSS-INVEST has maintained the leading position among the Russian investment companies and took stable place in top three biggest investment companies of Russia by the volume of the equity.
- Business-model of the company based on the asset management operations on the Russian stock market. Operating income of the company consists of the interest income (16%) and net gain from operations with financial instruments available-for-sale (75%).
- We calculate the fair value of the company's share by using the market valuation method (method of transactions). Our valuation of the total company amounted to USD553 mln. We used 30% discount for the minority stake. Taking into account a discount for lack of control, fair value of the company amounted to USD387.1 mln. or USD3.55 per 1 share. This implements an upside potential of 152% to the current market offer price.

Ticker:	RUSI
Target price	3.33\$
Recommendation	
Upside, %	152%
Bid price, USD	1.36
Offer price, USD	1.41
Last price, USD	1.34
Midmarket, USD	1.38
Min 52-week, USD	0.04
Max 52-week, USD	1.40
Upside to Max, %	5%
Mcap, mln. USD	150 692.50

	2004	2005	2006
Accounting standards	IFRS		
Book Value	108 388.25	125 742.91	160 529.91
EBIT	23 233.33	34 854.60	42 084.46
ROAE	16.6%	19.9%	19.1%
ROA	16.48%	19.02%	19.00%
ROIC	0.0%	0.0%	0.0%
Investments/Assets	69.3%	60.3%	93.3%
Net Income	16 451.11	23 394.41	27 484.77

Multipliers	2004	2005	2006
P/BV	1.390	1.198	0.939
P/E	9.16	6.44	5.48



The company

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In February, 2006, OJSC Russ-Invest took the 1st place in Frankfurt-am-Main among the European companies of small/medium capitalization in the category of corporate management in the rating of IR Global Rankings. Currently, the company is a shareholder of CJSC Securities Exchange RTS and a member of CJSC Securities Exchange MICEX.

History

OJSC IC RUSS-INVEST was established on 3 December, 1992 and initially registered as a voucher investment fund. On 29 January, 1993, the State Property Committee of the Russian Federation issued the license No. 58 enabling to operate at the securities market as an investment fund.

On 30 December, 1999, the Federal Commission on Securities Market (FCSM) of the Russian Federation issued the 3 year license No. 000-02275-110000 of the professional securities market participant for conducting broking and dealing operations.

In December, 2002, the company obtained non-expiry broking and dealing licenses and a 3 year depository license.

In March, 2004, FCSM granted the company a right to act as a financial adviser.

In December, 2005, the company obtained unrestricted licenses for conducting depository activities and a 3 year securities management license. In November, 2006, the company obtained the license to act as an exchange agent for making futures and option transactions.

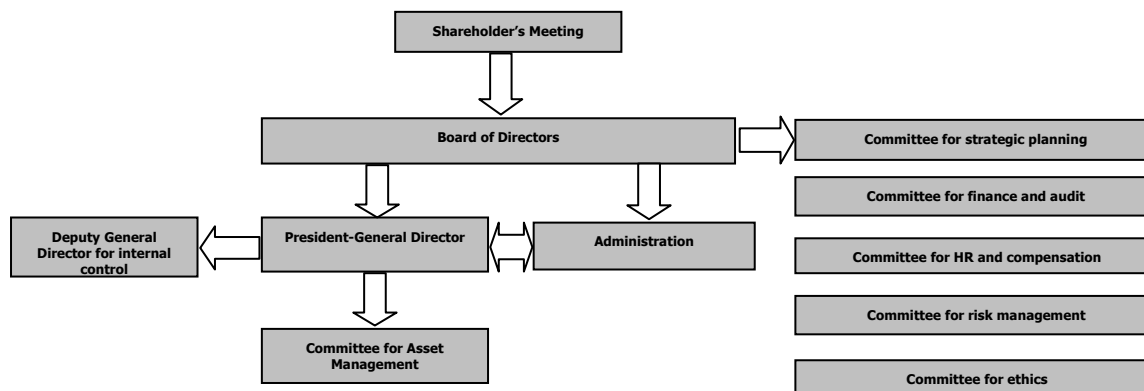
OJSC Investment Company IC RUSS-INVEST *is also*:

- a member of National Association of the Stock Market Participants;
- a member of The Russian Union of Industrialists and Entrepreneurs /RSPP/ ;
- a member of The Russian Chamber of Commerce and Industry;
- a member of Association of the European Business (AEB);
- a member of The Russo-British Chamber of Commerce (RBCC);
- a member of The Russian Managers Association (RMA);
- a member of The Investor Protection Association (IPA).

Auditors of OJSC IC RUSS-INVEST :

- Baker Tilly RUSAUDIT LLC (RAS);
- CJSC KPMG RUSSIA (IFRS)

COMPANY ORGANIZATIONAL STRUCTURE



Board of Directors of OJSC IC RUSS-INVEST

The Chairman of the Board of Directors – Porokhovskiy Anatoly Alexandrovich (born in 1943). He graduated from the Department of Economics of the Moscow State University. Currently, he is a professor, Doctor of Economics, and the Head of the Political Economy unit of the Department of Economics of the Moscow State University.

The Deputy Chairman of the Board of Directors – Sumin Georgiy Alexandrovich (born in 1961). He graduated from the Moscow Institute of Economics and Statistics, and is currently the executive director of CJSC PRTs.

Members of the Board of Directors:

Arutyunyan Alexander Telmanovich (born in 1959). He graduated from the Department of Economics of the Moscow State University and has a degree of the Candidate of Economics and Master of Business Administration (the Eastern College, the USA). Currently, he is the First Vice-President – Deputy General Director and the head of the Securities Market Department of OJSC IC RUSS-INVEST.

Babko Elena Nikolayevna (born in 1955). She graduated from the All-Union Correspondence Institute of Technologies. Currently, she is the leader of the shareholders relations team of CJSC PRTs).

Bychkov Alexander Petrovich (born in 1961). He graduated from the Department of Economics of the Moscow State University and has the degrees of doctor of economics and Master of Business Administration (the University of Chicago Graduate School of Business, the USA). Currently, he is the President – General Director of OJSC IC RUSS-INVEST).

Goncharenko Lyubov Ivanovna (born in 1957). She graduated from the Moscow Finance Institute. Currently, she is a professor, candidate of economics and the Head of Taxation unit of the Finance Academy under the RF Government).

Kapranova Lidiya Fedorovna (born in 1953). She graduated from the Moscow State Law Academy. Currently, Lidia is a lawyer and she is a lawyer of the Moscow College of Lawyers a member of the Moscow Board of Lawyers.

Tepliyashina Svetlana Mikhailovna (born in 1971). She graduated from the Moscow Engineering and Construction Institute and Finance Academy under the RF Government. Currently, she is the Senior Vice-President – Deputy General Director, Head of the back office of OJSC IC RUSS-INVEST.

Tipunina Tatyana Mikhailovna (born in 1947). She, finished graduated from the Moscow Aviation University. Currently, she is a deputy general manager of "Berezka v Luzhnikah" Public Corporation.

President – Director General OJSC IC RUSS-INVEST

Bychkov Alexander Petrovich (born in 1961). He graduated from the Department of Economics of the Moscow State University and has the degrees of Doctor of Economics and Master of Business Administration (the University of Chicago Graduate School of Business, the USA).

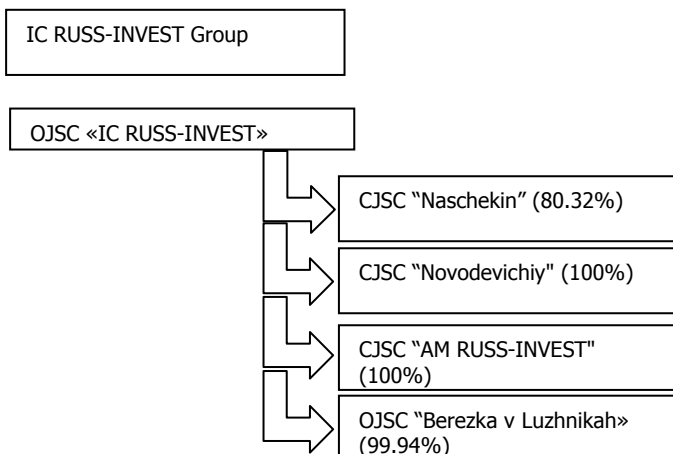
Management Board of OJSC IC RUSS-INVEST

Bychkov Alexander Petrovich

Arutyunyan Alexander Telmanovich

Vladimir Yurievich Alenichev (born in 1973, graduated from the Moscow Lenin Polytechnical State University and the GSIB of the Academy of National Economy under the Government of the Russian Federation, has a degree of master of business administration and currently is the Vice-President – Deputy General Director and Head of the Corporate Finance Department of OJSC "IC RUSS-INVEST").

Group structure



IC RUSS-INVEST. Main activity of the company is the trading of RUB-denominated equities and bonds. All the assets and obligations of the company located on the territory of the Russian Federation.

Naschekin. It was founded in 2000 as CJSC. Major activity is the real estate rent.

Novodevichiy. It was founded in 2003. Major activity is the financial services and investments in equities and bonds.

ASSET MANAGEMENT COMPANY RUSS-INVEST It was founded in 2004. Major activity is financial services. The funds under its management include 5 funds: Open Mutual Fund "RUSS-INVEST MUTUAL FUND OF SHARES", Open Mutual Fund of Mixed Investments «RUSS-INVEST MUTUAL FUND OF SHARES AND BONDS», Closed Mutual Fund "RUSS-INVEST High Technology Fund", Open Mutual Fund "RUSS-INVEST MICEX Index Fund", Closed Mutual Fund "RUSS-INVEST Preferred Shares Fund"

OJSC «Beriozka v Luzhnikakh» was acquired in September 2004. Major activities are the real estate rent and retail business.

Strategic plan for 2005-2007

The main objective of the investment policy is an increase of own capital of the company and company's share at the securities market. Besides dealing operations on the Russian stock market, the company will plan to improve its activity in providing brokerage and financial services, including corporate financing, financial consulting and asset management services.

Dividend policy

According to the Provision on Dividend Policy of OJSC IC RUSS-INVEST, dividends are paid to shareholders if the company has a net profit. The company is a stable dividend's payer.

For the last 7 years (2000-2006) the company did not paid dividends only in 2001. To stimulate shareholders BoD made decision to allocate for dividends at least 15% of annual net profit.

IR and corporate governance

The Company pays significant attention to the work with its shareholders. The Company web site www.russ-invest.ru which contains information about the Company activities is regularly updated in order to provide shareholders with current information about the work results and significant corporate events. In October 2006 the consortium of the Russian Institute of Directors and the rating agency "Expert RA" – "RID – Expert RA" improve the rating of corporate governance of OJSC Investment Company RUSS-INVEST from «B+» to «B++» by the scale of the National Rating of Corporate Governance. According to opinion of these leading organizations in the sphere of corporate governance, corporate governance practice in IC RUSS-INVEST has a progress in dividend policy, positive improving of the management activity of the Committees at BoD and information transparency progress.

	2000	2001	2002	2003	2004	2005
Dividends (RUR)	1.51	0,00	3.50	1.75	1,00	1.5

Rank of the company in the industry

IC RUSS-INVEST has maintained the leading position among the Russian investment companies and took stable place in top three biggest investment companies of Russia by the volume of the equity.

Ranking of the Russian investment companies by the criteria of the volume of own capital, RUR '000

#	Companies	City	Own Capital (RUR '000)
1	Kaptal Group	Moscow	10 026 972
2	IC RUSS-INVEST	Moscow	4 010 202
3	INTRUST	Moscow	2 604 847
4	Gazprominvestholding	Moscow	2 223 320
5	IC Gardarika	Moscow	1 661 951
6	Invest-Center	Moscow	1 053 250
7	Troyka Dialog	Moscow	1 028 075

Source: RBC

Ranking of the Russian investment companies by the criteria of the volume of assets, RUR '000

#	Companies	City	Assets (RUR '000)
1	Troyka Dialog	Moscow	37 899 256
2	Region	Moscow	25 256 064
3	Kapital Group	Moscow	20 817 613
15	IC Veles Capital	Moscow	5 715 124
16	Finam	Moscow	5 018 574
17	IC RUSS-INVEST	Moscow	4 806 321
18	Renaissance Group	Moscow	4 748 638
19	BH Otkritie	Moscow	3 879 030
20	RINCO	Kaliningrad	3 831 185
21	IC AK BARS Finance	Moscow	3 435 021

Source: RBC

Ranking of the Russian investment companies by the criteria of the volume of trading turnover, RUR '000

#	Companies	Total turnover in 2006 (RUR '000)	Stocks turnover (RUR '000)	Bonds turnover (RUR '000)	T-bills turnover (RUR '000)	PIF's unit turnover (RUR '000)	Futures turnover (RUR '000)	Options turnover (RUR '000)*
25	UNIVER	175 322 402.32	158 263 972.95	12 730 953.39	4 115 911.09	210 991.23	0	573.66
26	BFA	137 260 236.09	62 930 171.52	59 011 980.47	317 576.57	461 581.19	14 487 790.61	51 135.73
27	Megatrustoil	122 555 453.09	59 823 318.76	49 974 490.74	12 732 643.59	25 000.00	0	0
28	OEMK-INVEST	118 313 693.87	25 914 752.62	932 721.79	86 569 345.67	2 590 273.79	0	0
29	CIG	112 352 727.00	108 348 333.00	3 677 756.00	0	21 105.00	304 718.00	815
30	IC RUSS-INVEST	104 816 622.62	93 989 885.77	10 766 736.85	0	60 000.00	0	0
31	Invest-Center	87 140 410.00	2 890 435.00	8 803 143.00	75 446 832.00	0	0	0
32	BARREL	86 436 820.00	85 602 451.00	44 530.00	480 335.00	13 613.00	295 891.00	0
33	AK BARS Finance	80 155 147.00	67 951 029.00	10 717 351.00	0	1 478 204.00	0	8 563.00
34	Oktan-Broker	74 603 699.00	74 567 498.00	34 556.00	0	1 645.00	0	0
35	Perm brokerage company	66 701 081.10	64 793 116.90	1 907 964.20	0	0	0	0
36	Interfin trade	64 908 676.00	39 277 209.00	11 041 947.00	6 434 600.00	140 001.00	7 412 071.00	11 226.00
37	IKSI	64 072 794.02	62 855 143.47	1 198 050.55	19 600.00	0	0	0

Source: RBC

Business-model of the company

Business-model of the company based on the asset management operations on the Russian stock market. Operating income of the company consists of the interest income (16%) and net gain from operations with financial instruments available-for-sale (75%).

Operating income of IC RUSS-INVEST reached USD42.084 mln. in accordance with IFRS statements for 2006. This figure includes net gain from operations with financial instruments available-for-sale which amounted to USD31.95 mln. or 75.9% of operating income.

Operating income CAGR03-06 amounted to 19.2%. At the same time growth rate of the trading gain has exceeded growth rate of operating income and reached 25.1%. So the company performs long-term growth of financial results.

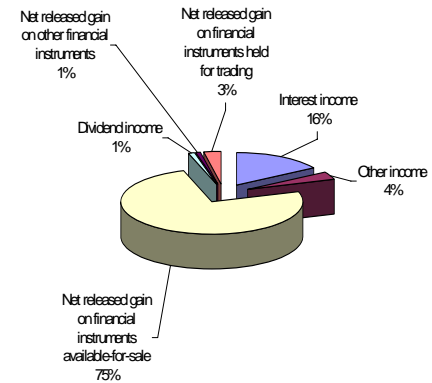
Balance Sheet

The structure of the balance sheet of the company clearly reflects its main business activity. As of the end 2006 total assets of the company amounted to USD187 mln. This figure includes financial instruments available-for-sale amounted to USD169 mln. or 90.6% of the tradable securities.

	2005	2006
Cash and cash equivalents	16.40%	4.12%
Financial instruments held for trading	56.89%	90.59%
Placements with banks and other financial institutions	11.57%	0.00%
Financial instruments available-for-sale	1.88%	1.25%
Accounts receivable	9.46%	0.00%
Investment in associate	0.00%	0.59%
Other assets	0.40%	0.79%
Property and equipment	3.40%	2.66%
Deferred tax asset	0.00%	0.00%
Total assets	100.00%	100.00%

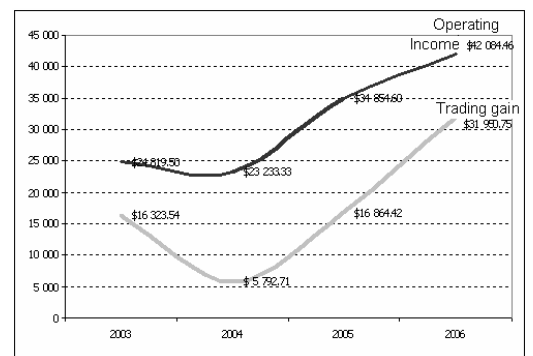
Since 2003 the share of tradable securities grew from 57% to 70.42% by 2006. The other part of assets was allocated mainly in cash and cash equivalents (4.12% of the total assets of the company).

Income structure of IC RUSS-INVEST in 2006



Source: IC RUSS-INVEST's data

Financial results of IC RUSS-INVEST, USD '000



Source: IC RUSS-INVEST's data

IC Russ-Invest's assets are almost fully equity financed. It has no public debt or bank finance, never has done and has no intention of raising any at this stage. Its equity/assets ratio was 86% at end-2006, a ratio that is likely to remain high given the company's intention not to raise any debt. IC Russ-Invest's main liabilities at end-2004 were accumulated dividends it had declared to its shareholders that had yet to be claimed. Some shareholders may be unaware that they are entitled to them, although the company regularly makes the necessary company announcements in a national newspaper, as required by federal law. Even the dividend liability was equivalent to just 9% of the company's consolidated liabilities (including equity) and was easily covered by cash on deposit. Lack of debt is the main reason of high credit rating of the company. In February 2007 Fitch Ratings has affirmed OJSC "IC Russ-Invest" ratings at Issuer Default 'B', Short-term 'B' and National Long-term 'BBB-(BBB minus)(rus)'. The Outlooks for the Issuer Default and Long-term ratings are Stable.

In press-release of Fitch is stressed, that ratings of OJSC Investment Company IC Russ-Invest ("IC Russ-Invest") reflect the absence of any debt or other (e.g. bank or repo) external finance. Fitch Ratings understands that this situation is likely to continue at least for the medium term. They also reflect the company's small size, its exceptionally high exposure to and appetite for Russian market risk – and, consequently, its potential earnings volatility – and certain governance concerns, including reliance on a few key members of staff.

Credit risk has been well managed. The credit risk profile of most of the issuers and counterparties to which IC Russ-Invest is exposed is probably a little lower than that of most Russian banks of IC Russ-Invest's size.

Operating expenses

Operating expenses of IC RUSS-INVEST includes the general administrative expenses and the charges to impairment losses. The general administrative expenses has reached USD5.6 mln. in 2006 and grew by 37.4% y-o-y. The employee compensation amounted to 46% of the general administrative expenses. Depreciation and taxes are the other significant parts of the administrative expenses. At the same time expanses on advertising, Taxes and Brokerage and depositary services have grown strongly. Fixed costs (as a salary expense) grew at a lower rate (by 30%) at expense of growth of the employees' number from 76 to 85 persons and the growth of the average wage from 26 to 30.5K USD per annum.

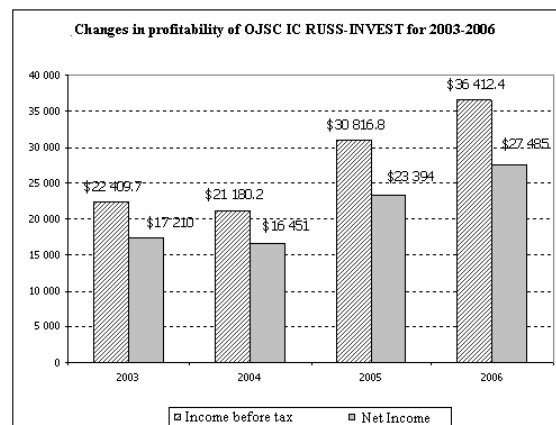
LIABILITIES AND SHAREHOLDERS' EQUITY	2005	2006
Dividends payable	7.56%	7.16%
Other liabilities	1.64%	1.42%
Deferred tax liability	3.56%	5.34%
Total Liabilities	12.76%	13.92%
Minority interest	0.33%	0.41%
Shareholder's Equity	0.00%	0.00%
Share capital	35.32%	30.27%
Revaluation surplus	0.20%	0.17%
Retained earnings	51.38%	55.23%
Total equity attributable to equity holders of the parent	86.91%	85.67%
Total Shareholders' Equity	87.24%	86.08%
Total Liabilities and Shareholders' Equity	100.00%	100.00%

Operating expenses, USD '000

	2005	2006	Growth %
Employee compensation	1 979.8	2 589.0	30.8%
Depreciation	436.1	466.5	7.0%
Advertising	298.5	662.4	121.9%
Taxes other than income tax	185.9	491.2	164.2%
Professional services	172.8	188.1	8.8%
Rent	140.4	170.0	21.1%
C&I services	118.4	129.5	9.4%
Travel and representation services	86.4	135.7	57.1%
Security	60.4	57.4	-5.1%
Brokerage and depositary services	51.0	161.4	216.7%
Shareholders' meeting expenses	50.3	27.3	-45.6%
Other	547.4	592.5	8.2%
Total	4127.33	5670.98	37.4%

Financial results

For the period of 2003-2006 the company performed stable growth of the financial results. CAGR of income before tax amounted to 17.56%, and CAGR of net income reached 16.89%. Earnings before tax, depreciation and amortization (EBITDA) in 2006 amounted to USD36.4 mln., and net income reached USD27.4 mln. At the same time effective tax rate reached 24.5% in 2006, that reflects a lack of using tax optimization scheme. During our meeting with management of the company we were assured that there is no any optimization scheme in accounting practice of the company. We think this fact is an advantage of the company in compare with the other Russian investment companies.



Profitability ratios

Profitability ratios of IC RUSS-INVEST performed strong financial position of the company.

In particular, Return on assets (ROA) grew since 14.8% in 2003 to 16.6% in 2004, and return on equity (ROE) was up from 16.6% to 21.8%.

The ratios per employee showed the most impressive results. So, net income per employee grew from 307K USD in 2005 to 323K USD in 2006. If to compare an operating income per employee to the average wage, an efficiency per employee in IC RUSS-INVEST amounted to fantastic 625%.

Ratios		2004	2005	2006
ROE	%	18.3%	21.5%	21.8%
ROAE	%	16.6%	19.9%	19.1%
ROA	%	16.5%	19.0%	19.0%
ROAA	%	14.8%	17.5%	16.6%
Investments/Assets	%	69.3%	60.3%	93.3%
Non-current assets/Total assets	%	21.6%	20.2%	7.6%
ROI	%	16.8%	27.3%	19.5%
Net income per employee	'000		307.8	323.4
Operating income per employee	'000		458.6	495.1
Operating income per employee/Average wage	%		1760.51%	1625.49%

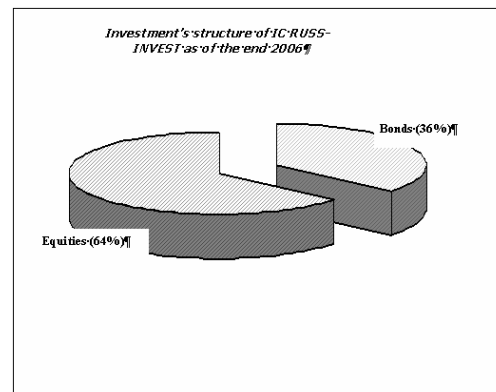
Asset's structure of the company: high diversification and low risk

IC RUSS-INVEST's portfolio was invested in rub-denominated equities and bonds.

As of the end 2006 about 62% of the portfolio was represented by the equities (USD 108.4 mln.) and 36% of the portfolio consisted of the rub-denominated bonds (USD 61. 346 mln.)

The stock's portfolio represented mainly by «blue chips», and the second tier's stocks did not exceeded 10% of the portfolio volume.

In our opinion, the portfolio structure of IC RUSS-INVEST is well diversified to minimize market risk.



Debt and other fixed-income instruments	%
MLK-Finance	7.7%
LOMO	7.3%
Marta-Finance	6.7%
Promtraktor-Finance	6.3%
Sinergia	4.7%
AIF-MediaPress-Finance	4.6%
LMZ Svobodniy Sokol	4.2%
Mariyskiy NPZ Finance	3.9%
ZAO GP OST	3.6%
NOK	3.2%
Zhilsocipoteka-Finance	3.2%
Terna-Finance	3.2%
Saharnaya Compania	3.1%
Atlant-M	3.1%
Moskovskiy zalogoviy bank	3.1%
Energomash-Finance	3.1%
Parnas-M	3.1%
Sahatransneftegaz	3.1%
NITOL-Group	3.1%
KARAT	3.1%
Agrocom	3.0%
Motorstroitel-Finance	3.0%
Nutrinvestholding	1.8%
Medved-Finance	1.7%
Ugtranzitservis	1.6%
Dalsvyaz	1.3%
Tattelekom	0.9%
UTK	0.7%
Baikalvestcom	0.6%
Finanskontrakt	0.4%
Total	100.0%

Equity investments	%
NK Rosneft	38.9%
GMK Norilsk Nickel	10.2%
Gazprom	9.2%
LUKOIL	7.9%
Surgutneftegaz	7.7%
Tatneft	4.8%
Severstal	4.5%
Surgutneftegaz (pref)	3.1%
Tranzneft (pref)	2.1%
MTS	1.9%
Russ Invest open unit fund Micex Index	1.4%
GazpromNeft	1.3%
Polus Gold	1.1%
Mechel	1.0%
Slavneft-Megionneftegaz	0.8%
Aeroflot	0.6%
Ashinskiy Metzavod	0.5%
Uralkaliy	0.5%
Lebedyanskiy	0.2%
PSB	0.2%
Mosenergo	0.2%
NOVATEK	0.1%
Sberbank (pref)	0.1%
Uralsvyazinform (pref)	0.1%
North-West Telecom	0.1%
Rostelecom	0.1%
Bank of Moscow	0.1%
UES of Russia (pref)	0.1%
Others	1.3%

Bond's part of the portfolio is represented mainly by the second tier's financial instruments. In our opinion, the bond's part of the portfolio is also well diversified and provides optimal return to risk level.

Risk management in IC RUSS-INVEST

In order to reduce the existing risks of the company, the Risk Management Committee was established in the Board of Directors. The Risk Management Committee develops a risk management system and determines the risk management procedure. The Risk Management Committee operates based on the Provision on Risk Management and Internal Risk Management Schedule, which defines the authorities of the Committee in more detail and establishes the procedures for eliminating deviations of risks from specified values. At its meetings, the Committee considers the compliance of the company's risks with specified values in the accounting period, and their changes, and discusses proposals of the Committee members on improving the risk control and management and generates recommendations for the management of the company.

In case of symptoms of the economic recession, the company shall, first of all, change the structure of its securities portfolio. In that case, the company will decrease investments in stocks and bonds of the Russian companies and increase the investments in short-term state securities (with the maturity period up to one year) and short-term deposits. To prevent losses which may arise from the failure of corporate borrowers to redeem their bonds in due time, the company shall establish a borrowing limit for each borrower. In case of the worsened market situation, OJSC IC RUSS-INVEST shall revise the limits and decrease the share of investments in corporate bonds and take all necessary steps to claim bad debts, including suing insolvent debtors. In order to control settlement and operation risks, the company believe it is necessary to revise limits for the counterparties every quarter. In case of reasoned doubts regarding the financial position of a counterparty, the company shall close the respective limit and stop dealing with that counterparty. In case of increased currency risks and accelerated devaluation of ruble, the company shall change the structure of assets and increase the share of foreign currencies and currency tools in order to prevent its assets from depreciating. The company shall also take steps to hedge its assets. In case of nominal and real strengthening of ruble, the company shall take reverse steps and decrease the share of foreign currency assets in its portfolio.

VaR calculation

The increased volatility of the securities market required strengthening the control over risks of current operations. To do this, since 2005, the company has been using the risk assessment method based on Value-at-Risk (VaR) for the portfolio of liquid shares. VaR value relative to an asset or portfolio means the maximal loss value (expressed in rubles or as a percentage of the asset or portfolio value), which can be obtained with a certain probability for a given liquidity level of a tool (asset or portfolio holding period) and known pattern of market situation. VaR of an asset is calculated based on the quotation history of an asset for a certain period (depth of calculation period). That indicator is used to optimize the structure of the trading portfolio from the viewpoint of profitability for a given risk level; it shows the potential losses in case of an adverse change in the market situation.

VaR is calculated for the portfolio of the most liquid shares (blue chips), the limits for which amount to about 55-60% value of assets of OJSC IC RUSS-INVEST. The VaR risk management method accounts for the recommendations of the Basle Committee (Basle II).

Based on the 2006 results, the average value of VaR (maximum possible loss value) of the trading portfolio with the set limits for blue chips per 1 operation day with the probability of 99% (confidence interval) and the observation period of 1 year (250 operation days) amounted to 4.18% value of the portfolio, as compared to the 2005 risk level equal to 3.185% value of the portfolio. The range of VaR in 2006 varied from 1.77% to 8.46% value of the portfolio

Changes in VaR for the portfolio of blue chips of OJSC IC RUSS-INVEST in 2006 (%)



Other business activities

Broking and depositary operations

OJSC IC RUSS-INVEST provides its clients with brokerage services, thus ensuring the access to all key Russian stock exchange.

Based on the results of 2006, the total turnover of transactions conducted in order to execute the broking services contracts at the securities market increased by seven times (RUR4723.5 mln.), which accounted for about 4.7% of the total turnover of the company.

In 2006, clients were offered a number of new services which significantly enlarge the investment prospects at the securities market:

- Forward market;
- Training center;
- Investment client portfolio;
- Analytical workshops;
- Internet sales using the website of the company.

The company intends to further extend the range of services in order to attract new clients (entering foreign markets, marginal crediting and one-account trading).

Corporate financing and financial consulting

The company continued its successful operations in the area of corporate financing and financial consulting. In 2006, OJSC IC RUSS-INVEST contributed to the placement of 28 issues of corporate ruble bonds in the total amount of 34.8 bln RUB at the securities market MICEX together with the leading Russian banks and investment companies during the initial placement of securities. Moreover, OJSC IC RUSS-INVEST served as the joint lead manager for the ruble bonds issues of such companies as Amurmetall, AiF – Media Pressa – Finance and ZhilSotsGarantiya. In 2006, OJSC IC RUSS-INVEST won a tender for arranging, placing and trading of the first issue of corporate bonds of CJSC Moscow Leasing Company. In July, 2006, that issue was successfully placed with the support of the members of the investment syndicate organized by OJSC IC RUSS-INVEST in the Securities Market Section of MICEX.

The Corporate Finance and Financial Consulting Departments arranged the whole IPO process of bonds, including the following:

- Advising to clients and forming the structure of the issue;
- Organization of bridge financing;
- Organization of the initial placement of the issuer's securities at MICEX followed by the circulation at secondary trading sessions;
- Sales of securities and establishment of a syndicate;
- The support of the bond issue in the course of secondary circulation, including financing bond holders on pledge of the issuer's securities.

Asset management services and mutual funds

In order to extend the range of services, OJSC IC RUSS-INVEST established CJSC Asset Management Company RUSS-INVEST in 2004. The key objective of the asset management company consists in managing Mutual Investment Funds and providing clients with the asset management services.

Based on the 2006 results, Asset Management Company RUSS-INVEST achieved good financial results, thanks to the positive changes at the Russian securities market and active work of the company's employees.

In 2006, the profitability of investment shares of the RUSS-INVEST funds established two years ago amounted to:

- 47.9% per annum in the Open Mutual Investment Fund of Shares RUSS-INVEST – Mutual Fund of Shares,
- 33.6 % per annum in the Open Mutual Investment Fund of Mixed Investments RUSS-INVEST – Mutual Fund of Shares and Bonds.

The asset management company RUSS-INVEST aims at creating a set of services most fully meeting the investment needs of clients. This is why new funds were established in 2006 which have different profitability and risk levels:

1. Open index Mutual Investment Fund RUSS-INVEST – MICEX Index;
2. Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares;
3. Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies.

Valuation

We calculate the fair value of the company's share by using the market valuation method (method of transactions). Our valuation of the total company amounted to USD553 mln. We used 30% discount for the minority stake. Taking into account a discount for lack of control, fair value of the company amounted to USD387.1 mln. or USD3.55 per 1 share. This implements an upside potential of 152% to the current market offer price.

<i>M&A in Russian banking sector</i>					
<i>An object of transaction (share)</i>	<i>Buyer</i>	<i>Date</i>	<i>Amount of transaction. USD mln.</i>	<i>P/BV Ratio</i>	<i>Enterprise Value, USD mln.</i>
<i>ATON-Broker and Aton International Ltd. (100%)</i>	<i>Bank Austria Creditanstalt AG</i>	<i>12.2006</i>	<i>424</i>	<i>4.00</i>	<i>424</i>
<i>Rosbank(20% + option on 30%)</i>	<i>Societe General</i>	<i>09.2006</i>	<i>2337</i>	<i>3.55</i>	<i>4769</i>
<i>UFG (60%)</i>	<i>Deutsche Bank</i>	<i>02.2006</i>	<i>420</i>	<i>3.50</i>	<i>700</i>
<i>IMPEX (100%)</i>	<i>Raiffeisenbank</i>	<i>01.2006</i>	<i>550</i>	<i>3.44</i>	<i>550</i>
<i>Average</i>				<i>3.62</i>	
<i>Fair value of the share of OJSC IC RUSS-INVEST</i>					
<i>Issuer</i>	<i>Fair value of 1 share (USD)</i>	<i>Shares outstanding (mln.)</i>	<i>Net Assets (USD mln.)</i>	<i>P/BV Ratio Target</i>	<i>Enterprise Value, USD mln.</i>
<i>IC RUSS-INVEST</i>	<i>5.75</i>	<i>109</i>	<i>160</i>	<i>3.62</i>	<i>553.86</i>

Financial statements

	2003	2004	2005	2006
Interest income	3 332.06	4 699.10	5 866.73	6 747.25
Net released gain on other financial instruments at fair value through profit or loss	16 323.54	5 792.71	16 864.42	31 950.75
Net released gain on financial instruments available-for-sale	4 980.31	10 460.03	446.40	1 219.57
Net foreign exchange loss	-331.90	-68.82	-128.97	-14.43
Dividend income	403.35	1 038.75	646.17	240.38
Other income	112.14	1 311.56	693.24	1 501.17
Operating income	24 819.50	23 233.33	34 854.60	42 084.46
Charge to impairment losses	-258.85	1 217.26	89.54	-1.07
General administrative expense	-2 150.98	-3 270.38	-4 127.33	-5 670.98
Operating expense	-2 409.83	-2 053.13	-4 037.79	-5 672.04
Income before income tax	22 409.67	21 180.21	30 816.81	36 412.42
Income tax expense	-5 199.90	-4 721.32	-7 422.40	-8 927.65
Effective income tax rate	-23.20%	-22.29%	-24.09%	-24.52%
Minority interest		-7.78	10.25	18.92
Net income	17 209.77	16 451.11	23 394.41	27 484.77
Earnings per share attributable to equity holders of the parent company (RUR per share)	0.00	0.00		
Balance Sheet	2 003	2 004	2 005	2 006
Cash	19 628.56	17 460.00	23 725.19	7 711.96
Financial instruments available-for sale	70 282.11	79 729.55	82 316.89	169 752.74
Financial instruments at fair value through profit or loss	0.00	6 829.30	16 746.21	0.00
Financial instruments held for trading	6 094.63	9 904.68	2 713.38	2 336.39
Accounts receivable	0.00	0.00	13 692.88	0.00
Investment in associate	0.00	0.00	0.00	1 103.84
Other assets	1 237.22	3 607.10	577.94	1 487.83
Property and equipment	2 535.04	5 485.62	4 912.82	4 986.64
Deferred tax asset	25.03	10.63	0.00	1.06
Total Assets	99 802.58	123 026.88	144 685.30	187 380.46
Liabilities and shareholders' equity				
Dividends payable	7 156.06	10 504.90	10 936.62	13 424.80
Other liabilities	790.02	933.44	2 378.49	2 656.82
Deferred tax liability	1 937.08	2 742.09	5 148.78	10 002.24
Total liabilities	9 883.16	14 180.43	18 463.90	26 083.87
Minority interest	0.00	458.20	479.64	766.68
Equity				
Share capital	49 350.25	52 373.51	51 107.09	56 726.86
Revaluation surplus	0.00	300.32	289.58	316.78
Retained earnings	40 569.17	55 714.41	74 346.25	103 486.26
Total equity attributable to equity holders of the parent	89 919.42	108 388.25	125 742.91	160 529.91
Total Shareholders' Equity	89 919.42	108 846.45	126 222.55	161 296.60
Total Liabilities and Shareholders' Equity	99 802.58	123 026.88	144 686.45	187 380.46

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