

# FINANCE COMPANY CREDIT REPORT

## National Factoring Company

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**National Factoring Company**

Counterparty Credit Rating B-/Stable/C  
**Russia National Scale Rating** ruBBB/—/—  
Senior Unsecured  
**Russia National Scale Rating** ruBBB

**Counterparty Credit Ratings History**

21-Dec-2005 B-/Stable/C  
21-Dec-2005  
**Russia National Scale Rating** ruBBB/—/—

**Sovereign Rating**

Russian Federation (The)

**Foreign Currency** BBB+/Stable/A-2  
**Local Currency** A-/Stable/A-2  
**Russia National Scale Rating** ruAAA/—/—

**Related Entities**

**Bank URALSIB (OJSC)**

Issuer Credit Rating B+/Positive/B  
Certificate Of Deposit B+/B

**Bashkortostan (Republic of)**

Issuer Credit Rating BB/Stable/—  
Senior Unsecured  
**Local Currency** BB

**Major Rating Factors**

**Strengths:**

- Solid market position in Russia's factoring business
- Focused strategy and committed, experienced management team
- High capitalization and adequate profitability
- Affiliated with a large diversified financial group

**Weaknesses:**

- Fairly high single-name concentrations by international standards—although below the average for local financial institutions—highlighting still-limited customer diversification
- Relatively small in asset size in both Russian and global context
- Concentrated funding base
- Risky operating environment in Russia

## ***Rationale***

The ratings on Russian National Factoring Company (NFC) reflect the company's fairly high single-name concentrations highlighting still-limited customer diversification, relatively small in asset size in both Russian and global context; concentrated funding base; and the generally risky operating environment in Russia. The ratings benefit from NFC's solid market position in Russia's fast-growing factoring business, focused strategy and committed, experienced management team, high capitalization and adequate profitability, and affiliation with large diversified financial group.

NFC is a specialized monoline factoring company with a strong position in Russia's fast-growing factoring market. (The Russian factoring market is, however, still small and underdeveloped.) Affiliated with URALSIB Financial Corp. (URALSIB FC; not rated), NFC represented less than 2% of URALSIB FC's consolidated assets at Sept. 30, 2006. During 2006, NFC switched its funding focus to syndicated loans and bond markets, away from URALSIB FC funding. At Sept. 30, 2006, related-party funding—most coming from the group's flagship entity, Bank URALSIB (OJSC) (B+/Positive/B)—fell to 3% of liabilities, compared with 98% at mid-year 2005. Standard & Poor's Ratings Services views NFC's ability to substantially decrease the share of related-party funding as positive, although the new funding base is concentrated and more confidence sensitive. The group and Bank URALSIB have been supportive of NFC; however, we do not consider NFC to be strategically important to the group.

NFC's high capitalization—with adjusted common equity (ACE) to assets of 37% at Sept. 30, 2006—is expected to decline in the medium term due to continued business expansion, but should remain adequate. The small absolute amount of capital (about \$70 million at Sept. 30, 2006) could limit expansion opportunities and leave the company exposed to major unexpected credit and operational shocks. NFC reports a relatively high level of single-name credit concentrations, albeit lower than that of most Russian financial institutions. Credit risk is mitigated to some extent because NFC's business is dominated by recourse factoring, which allows the company to reclaim its advance from the product supplier if the end buyer does not pay. Earnings are currently adequate, with ROA of 5% at Sept. 30, 2006, but remain concentrated by counterparty and are consequently potentially volatile. Profitability may also be pressured by a likely, rapid near-term narrowing of the interest margin.

## ***Outlook***

The stable outlook reflects our opinion that NFC will expand its business in line with strategic objectives, while further diversifying its funding profile and reducing concentration risks. The ratings already incorporate funding and customer diversification in the medium term; hence, any potential upgrade depends on NFC's ability to strengthen its stand-alone credit profile and establish a track record of adequate capitalization and profitability. If NFC is unable to grow and diversify its customer base, or if its financial and credit profiles markedly deteriorate, the ratings could be lowered or the outlook revised to negative. The ratings or outlook could also come under pressure if macroeconomic conditions worsen, leading to a decline in core performance and an accumulation of risks in the factoring portfolio.

## ***Profile: A Leading Factoring Company In Russia***

NFC was founded in 2003, when the factoring department of Bank IBG NIKoil (merged with Bank URALSIB in 2005) was isolated as a separate company. The separation of the factoring business from Bank IBG NIKoil was completed only in the first half of 2005, however. Although NFC has operated as a stand-alone company only since 2003, its operational history has been

tracked since 1999, when a specialized factoring department was created in Bank IBG NIKoil. That bank pioneered factoring services in Russia in the late 1990s, and NFC currently handles more than 20% of all domestic factoring. The company's factoring customers (suppliers of products) increased to more than 700 by year-end 2006, from about 250 in 2002.

Mainly focused on simple debt factoring, NFC is actively developing a range of complimentary services to help the company cement market share and diversify business, as well as enhance fee income revenues. Servicing mostly Russian trade and production companies outside of the commodities sectors, NFC focuses on Russia's regions, where 75% of its clients are located. According to NFC estimates, regional business accounts for about 60% of revenues, while Moscow-based clients account for the rest. The company currently has a small regional network (18 offices in major Russian cities), and had a staff of more than 300 at Dec. 31, 2006.

NFC's asset growth has been rapid in 2004 and 2005; however, its business expansion in the first nine months of 2006 was slow. This can be explained in part by seasonality (most of the client's sales are made in the fourth quarter, which is confirmed by preliminary IFRS data for full-year 2006), and to an extent by changes in risk management procedures implemented during 2006 (see the Risk Profile And Management section below). In line with the market, NFC's asset growth is expected to continue in the medium term, with likely annual growth of 30% to 40%.

NFC has two foreign operations offices in ex-soviet republics of Moldova and Armenia, to which client financing outstanding is less than 5% of total.

Since its founding in 2003, NFC has prepared its financial statements according to IFRS, which are audited by Ernst & Young. The gradual transfer of business to NFC from Bank IBG NIKoil between 2003 and mid-year 2005 distorted the company's financials, however. NFC's accounts for the first three quarters of 2006 have been reviewed by Ernst & Young. The level of disclosure is satisfactory and is in line with that of peers.

### ***Ownership And Legal Status: Member Of A Large Diversified Financial Group***

NFC is affiliated with URALSIB FC, and is 100% controlled by URALSIB FC's president, Nikolay Tsvetkov, who actively participates in the management of URALSIB FC and its member companies and banks. At Sept. 30, 2006, NFC represented less than 2% of the group's consolidated assets.

Although URALSIB FC and Bank URALSIB are supportive of NFC in terms of funding, credit lines (about \$50 million at year-end 2006), and managerial support, the company acts as an independent entity, and is governed by its own board of directors, independently of URALSIB FC. Standard & Poor's does not view the company as being strategically important for the group, and classifies NFC as a nonstrategic subsidiary. The sale of NFC would not cause significant disruption to the group's development. In the second half of 2005, Bank URALSIB opened a new factoring department, largely assisted by NFC in the areas of IT and product development. The scale of this department's operations was small, however.

In early 2006, the company moved its headquarters to a separate location, away from its location in the same office building as a branch of Bank URALSIB. To differentiate itself from the group, NFC changed its name from NFC URALSIB-NIKoil in November 2005.

Although factoring companies are not required to have a banking license in Russia, NFC is registered as a bank, and regulated and supervised by Russia's central bank, giving the bank access to the interbank market and facilitating settlements.

### ***Strategy: Active Development And Product Line Expansion***

With its strong foothold in Russia's factoring market and a committed, experienced management team, NFC is well positioned to benefit from sector growth and remain a major player, despite toughening competition. Factoring turnover in Russia is estimated at approximately \$8 billion in 2006 (less than 1% of GDP). Nevertheless, the market is still in its embryonic stage—despite triple-digit annual growth rates.

The company's medium-term goal is to expand its business, mainly by organic growth. Small acquisitions in Russia's regions are included, as NFC is increasingly tapping regional markets. Indeed, regional expansion is a key element of NFC's development strategy, as the factoring market in Moscow is becoming increasingly competitive and less profitable. Priority areas for NFC's business expansion include Russia's wealthiest regions—in the Urals and around the Volga River.

In order to strengthen its competitive advantage and improve revenues, NFC is actively developing new products, and is focusing on three major service lines: debt receivables management, credit risk management, and debt collection. In addition to competing with specialized factoring companies, NFC faces significant competition from local commercial banks with factoring departments. The Russian credit market is becoming increasingly sophisticated, and companies are beginning to offer quasifactoring services, such as loans collateralized by goods in turnover. Consequently, NFC is investing into brand recognition in Russia, and promoting itself as a business partner for foreign factoring companies. The company is also putting efforts into customer education, which NFC sees as one of the major drivers of its business growth and client diversification. Additionally, to upgrade its infrastructure, in 2006 the company made significant new investments in staff, offices, and IT.

NFC is keen to develop good relations with the global financial community and enhance its name recognition outside of Russia, as well. The company is a member of the world's oldest factoring association, International Factors Group (IFG), which elected NFC's chairman, Mikhail Treyvish, to its board in 2004 (he is the first representative of an emerging market country to that body). Mr. Treyvish also heads the Eastern European IFG Chapter. NFC is a member of two other international associations: Factors Chain International and East European Factoring Association.

### ***Risk Profile And Management: Adequate, But Requires Improvement As Business Matures***

NFC's asset risk mainly stems from its factoring business, as other investments—including securities and fixed assets—are limited. As in previous years, recourse factoring contracts represented the majority of the company's factoring advances in 2006, and we expect the trend to continue in the foreseeable future. Currently, 95% of all factoring advances relate to recourse factoring, with nonrecourse factoring likely to grow gradually. This will require adaptation of credit risk management techniques and greater attention to operational risk. NFC's off-balance-sheet exposures are minimal, as credit risk coverage products are still underdeveloped in Russia.

#### ***Enterprise risk management***

NFC's risk management is adequate in the Russian context, with recently enhanced systems and procedures to process more sophisticated products and growing business volumes. These enhancements led to business disruptions and negatively affected asset growth in the first nine months of 2006, however. Major risk management changes adopted by NFC are outlined below:

- Stricter approach to underwriting advances;

- Increased frequency of credit monitoring procedures on both the debtor and supplier side;
- Main focus of financial analysis and monitoring switched to debtors from suppliers of goods, a positive allowing NFC to analyze risk at the source;
- Credit limits on debtors and industries, rather than on suppliers; and
- Collection department established.

Almost 25% of the approximately 300 company employees are involved in risk management and credit monitoring. Credit approval systems and guidelines are fairly prudent, with decisions based on internal rating models and committee reviews.

### ***Credit risk***

Although fairly high by international standards, single-name concentrations in the company's factoring advances are below the domestic market average. Current concentration levels remain similar to those of 2005—the 20 largest suppliers of goods represented almost 54% of NFC's total factoring advances (or 110% of ACE) at Sept. 30, 2006. At the same date, the 20 largest debtors (buyers of delivered goods) accounted for 25% of its total factoring advances.

We expect that NFC's single-name credit concentrations would trend downward in the medium term, supported by its increasing customer diversification, especially among midsize companies. The industry breakdown by suppliers in NFC's factoring advances demonstrates moderate concentrations, with the food and beverage sector representing 23% of total advances, and computers and consumer electronics accounting for another 21% at Sept. 30, 2006.

Problem factoring advances (that is, advances past due for more than 90 days and exposures to suppliers or debtors having major financial or operational difficulties) accounted for a fairly low 0.5% of total factoring advances and were more than 100% covered by provisions at Sept. 30, 2006. In 2006, NFC revised its provisioning policy, leading to an increase in loan loss reserves to 5.2% of gross loans at Sept. 30, 2006, from 3.7% at Dec. 31, 2006. NPL ratios could deteriorate rapidly, however, given substantial single-party credit concentrations and the company's expansion plans. The legal framework for the factoring business in Russia, namely in the areas of invoice sales and the transfer of claim rights, is adequate. Nevertheless, the Russian court system is still inefficient and often arbitrary, which makes problem debt workouts for NFC and other Russian financial institutions very challenging.

### ***Funding risk***

During 2005 and 2006, NFC made significant progress in diversifying its funding base and reducing its dependence on bank loans from URALSIB FC. This led to a stronger funding base for NFC, although it remains concentrated and sensitive to market sentiment. That said, as a non-deposit-taking entity, NFC will continue to be entirely wholesale funded, consequently implying unevenness of the liabilities profile and rollover risk.

The share of related-party funding in total liabilities fell dramatically to 3% at Sept. 30, 2006, from 98% at mid-year 2005. This achievement came from a syndicated loan (\$50 million, 50% of liabilities) attracted from foreign banks, a domestic bond (30% of liabilities), and loans from Russian and foreign banks (20%). An additional Eurobond is planned for the first quarter of 2007, followed by a possible securitization of factoring advances.

We view as positive that NFC was able to substantially decrease the share of related-party funding, although the new funding base is concentrated and more confidence sensitive. In our opinion, this is a clear indicator that the bank has entered a more mature stage of development and can now fund its business growth independently without tying up group resources.

***Market risk***

Exposure to market risk is insignificant as NFC is not involved in securities trading. The securities portfolio is less than 1% of assets, and is entirely composed of Russian sovereign bonds.

Although currency mismatches are mitigated by a natural hedge (the value of currency-denominated assets matches the value of liabilities), NFC's balance sheet is exposed to a significant maturity mismatch. This risk, characteristic for the entire Russian banking system, is expected to remain in the medium term.

***Profitability: Adequate, But Volatility Not Ruled Out***

Because of reporting deficiencies in 2003-2005 and a limited track record covering only positive macroeconomic conditions in Russia, NFC's profitability indicators are barely reflective of future performance. NFC's profitability is likely to remain good in 2007, supported by the company's growing business volumes and the positive macroeconomic situation in Russia. Profitability should also be supported by a growing share of more complex, higher yield factoring services on NFC's books. At the same time, the company's substantial revenue and credit concentrations, growing competition and risks stemming from business expansion might lead to performance volatility. Customer diversification and expansion should smooth potential volatility somewhat. Financial performance for the first nine months of 2006, although adequate with a ROA of 5%, was negatively affected by low asset growth. NFC's revenues were mostly driven by interest income gained on factoring advances and on servicing its clients' accounts receivable. Although interest income posted a growth of nearly 30% in year-on-year terms, interest expense was severely affected by more expensive nongroup funding costs. Staff costs grew by 38% in year-on-year terms within the first three quarters of 2006, negatively affecting the cost-to-income ratio—which deteriorated to 39% at Sept. 30, 2006, from 30% at the same date in 2005.

The company remains vulnerable to continually shrinking interest margins, which are adversely affected by fierce competition and the company's growing funding costs. Due to substantial client concentrations, NFC's profitability is also exposed to potential client departures, consequently limiting the company's pricing power.

The average size of large credit exposures at the company is substantial compared with its net operating income before loan loss provisions, representing 21% in the first nine months of 2006. Although this is an improvement versus 25% at the same date in 2005, this still exposes NFC's performance to high single-party concentration risk. If one of the company's largest exposures becomes nonperforming, NFC's credit costs would increase sharply, negatively affecting its profitability. In light of pressured margins, profitability prospects will be dependent on increased volumes and resulting economies of scale, as well as sustained fee generation.

***Capital: High, To Deteriorate In Medium Term***

Current capitalization ratios are high, with ACE to assets of 37% at Sept. 30, 2006. Nevertheless, deterioration to about 30% is likely at year-end 2006, due to rapid asset growth in the fourth quarter. Capitalization ratios could go down in the medium term if rapid projected business expansion takes place, but should remain above the barely adequate level of 10%. The small absolute capital amount (about \$70 million at Sept. 30, 2006) could limit expansion opportunities, however, and leaves the bank exposed to potential credit and operational shocks.

On a positive note, no dividend payouts have been made in the past three years, and none are expected for 2006—which has positively affected capitalization levels. In the next couple of years, capital growth is expected to come primarily from earnings retention. While no new Tier I capital

is expected in the medium term, NFC might use Tier II instruments to strengthen its regulatory capital.

Table 1

<b>National Factoring Company Balance Sheet Statistics</b>								
<i>(Mil. RUR)</i>	—Year ended Dec. 31—				<i>Breakdown as a % of assets (adj.)</i>			
	2006*	2005	2004	2003	2006*	2005	2004	2003
<b>ASSETS</b>								
Cash and money market instruments	945	1,163	900	456	17.42	20.78	24.17	100.00
Securities	21	21	0	0	0.38	0.37	0	0
Trading securities (marked to market)	21	21	0	0	0.38	0.37	0	0
Customer loans (gross)	4,655	4,538	2,888	0	85.75	81.07	77.56	0
All other loans	4,655	4,538	2,888	0	85.75	81.07	77.56	0
Loan loss reserves	243	167	82	0	4.48	2.98	2.20	0
Customer loans (net)	4,412	4,371	2,807	0	81.27	78.10	75.37	0
Earning assets	5,309	5,105	3,721	156	97.80	91.22	99.91	34.20
Fixed assets	11	5	2	N.A.	0.21	0.09	0.05	N.A.
Accrued receivables	36	26	0	0	0.67	0.46	0	0
All other assets	3	12	16	0	0.06	0.21	0.42	0
Total reported assets	5,428	5,597	3,724	456	100	100	100	100
Adjusted assets	5,428	5,597	3,724	456	100	100	100	100
<i>Breakdown as a % of liabilities + equity</i>								
	2006*	2005	2004	2003	2006*	2005	2004	2003
<b>LIABILITIES</b>								
Total deposits	2,287	3,652	2,194	0	42.14	65.26	58.91	0
Noncore deposits	2,287	3,622	2,194	0	42.14	64.71	58.91	0
Core/customer deposits	0	31	0	0	0	0.55	0	0
Other borrowings	1,009	0	0	0	18.58	0	0	0
Other liabilities	100	120	72	0	1.84	2.15	1.93	0.01
Total liabilities	3,396	3,773	2,266	0	62.56	67.41	60.84	0.01
Total shareholders' equity	2,033	1,824	1,458	456	37.44	32.59	39.16	99.99
Common shareholders' equity (reported)	2,033	1,824	1,458	456	37.44	32.59	39.16	99.99
Share capital and surplus	1,456	1,456	1,458	456	26.82	26.01	39.16	99.99
Retained profits	577	368	N.A.	N.A.	10.62	6.58	N.A.	N.A.
Total liabilities and equity	5,428	5,597	3,724	456	100	100	100	100
Tangible total equity	2,033	1,824	1,458	456				
Tangible common equity	2,033	1,824	1,458	456				
Adjusted common equity	2,033	1,824	1,458	456				
Adjusted total equity	2,033	1,824	1,458	456				

Year-end financial statements are audited, consolidated, and prepared according to IFRS. \*Data as of Sept. 30, 2006. Ratios annualized where appropriate. RUR—Russian ruble. N.A.—Not available.

Table 2

<b>National Factoring Company Profit And Loss Statement Statistics</b>								
<i>(Mil. RUR)</i>	—Year ended Dec. 31—				<i>Adj. avg. assets (%)</i>			
	2006*	2005	2004	2003	2006*	2005	2004	2003
<b>PROFITABILITY</b>								

Table 2

<b>National Factoring Company Profit And Loss Statement Statistics</b>								
	—Year ended Dec. 31—				Adj. avg. assets (%)			
<i>(Mil. RUR)</i>	2006*	2005	2004	2003	2006*	2005	2004	2003
Interest income	730	881	150	0	17.60	18.91	7.19	N.A.
Interest expense	145	77	9	0	3.50	1.65	0.42	N.A.
Net interest income	584	805	142	0	14.10	17.26	6.77	N.A.
Operating noninterest income	1	(1)	0	0	0.02	(0.01)	0	N.A.
Fees and commissions	(3)	(1)	0	0	(0.06)	(0.01)	0	N.A.
Trading gains	(2)	(0)	0	0	(0.04)	0	0	N.A.
Other market-sensitive income	5	(0)	N.A.	N.A.	0.11	(0.01)	N.A.	N.A.
Other noninterest income	1	0	0	0	0.01	0.01	0	N.A.
Operating revenues	585	804	142	0	14.12	17.25	6.77	N.A.
Noninterest expenses	230	238	57	0	5.54	5.10	2.70	N.A.
Personnel expenses	135	153	38	0	3.27	3.28	1.83	N.A.
Other general and administrative expense	92	84	18	0	2.23	1.80	0.87	N.A.
Depreciation and amortization-other	2	1	0	0	0.04	0.02	0	N.A.
Net operating income before loss provisions	356	566	85	0	8.58	12.14	4.07	N.A.
Credit loss provisions (net new)	76	85	82	0	1.84	1.82	3.91	N.A.
Net operating income after loss provisions	279	481	3	0	6.74	10.32	0.16	N.A.
Pretax profit	279	481	3	0	6.74	10.32	0.16	N.A.
Tax expense/credit	71	115	1	0	1.71	2.47	0.05	N.A.
Net income before minority interest	208	366	2	0	5.03	7.85	0.11	N.A.
Net income before extraordinary	208	366	2	0	5.03	7.85	0.11	N.A.
Net income after extraordinary	208	366	2	0	5.03	7.85	0.11	N.A.
Core earnings	208	366	2	0	5.03	7.85	0.11	N.A.
	2006*	2005	2004	2003				
<b>ASSET QUALITY</b>								
Nonperforming assets	182	167	11	0				
Nonaccrual loans	182	167	11	N.A.				
<b>AVERAGE BALANCE SHEET</b>								
Average customer loans	4,391	3,589	N.A.	N.A.				
Average earning assets	5,207	4,413	1,938	N.A.				
Average assets	5,513	4,660	2,090	N.A.				
Average total deposits	2,970	2,923	N.A.	N.A.				
Average interest-bearing liabilities	3,474	2,923	1,097	N.A.				
Average common equity	1,928	1,641	957	N.A.				
Average adjusted assets	5,513	4,660	2,090	N.A.				
<b>OTHER DATA</b>								
Number of employees (end of period)	264	210	85	2				
Number of branches	19	19	0	N.A.				

Year-end financial statements are audited, consolidated, and prepared according to IFRS. \*Data as of Sept. 30, 2006. Ratios annualized where appropriate. RUR—Russian ruble. N.A.—Not available.

Table 3

## National Factoring Company Ratio Analysis

—Year ended Dec. 31—

	2006*	2005	2004	2003
<b>ANNUAL GROWTH (%)</b>				
Customer loans (gross)	3.43	57.10	N.M.	N.A.
Loss reserves	60.98	103.90	N.M.	N.A.
Adjusted assets	(4.01)	50.30	716.41	N.A.
Customer deposits	(133.00)	N.M.	N.M.	N.A.
Tangible common equity	15.19	25.09	219.74	N.A.
Total equity	15.19	25.09	219.74	N.A.
Operating revenues	(3.18)	467.72	79 003,35	N.A.
Noninterest expense	28.37	320.95	125 493,33	N.A.
Net operating income before provisions	(16.43)	565.22	63 391,04	N.A.
Loan loss provisions	19.67	3.90	N.M.	N.A.
Net operating income after provisions	(22.81)	14 314,98	2 390,30	N.A.
Pretax profit	(22.81)	14 314,98	2 390,30	N.A.
Net income	(24.29)	16 418,92	2 137,37	N.A.
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>PROFITABILITY (%)</b>				
<b>Interest margin analysis</b>				
Net interest income (taxable equiv.)/avg. earning assets	14.93	18.23	7.31	N.A.
Net interest spread	13.08	17.34	6.96	N.A.
Interest income (taxable equiv.)/avg. earning assets	18.63	19.97	7.75	N.A.
Interest expense/avg. interest-bearing liabilities	5.55	2.63	0.79	N.A.
<b>Revenue analysis</b>				
Net interest income/revenues	99.88	100.08	100.00	100.00
Fee income/revenues	(0.46)	(0.07)	0	0
Market-sensitive income/revenues	0.49	(0.06)	0	0
Noninterest income/revenues	0.12	(0.08)	0	0
Personnel expense/revenues	23.15	19.04	27.06	17.88
Noninterest expense/revenues	39.24	29.60	39.91	25.14
Noninterest expense/revenues less investment gains	39.55	29.59	39.91	25.14
Expense less amortization of intangibles/revenues	39.24	29.60	39.91	25.14
Expense less all amortizations/revenues	38.92	29.48	39.91	25.14
Net operating income before provision/revenues	60.76	70.40	60.09	74.86
Net operating income after provisions/revenues	47.71	59.84	2.36	74.86
New loan loss provisions/revenues	13.06	10.57	57.73	0
Pretax profit/revenues	47.71	59.84	2.36	74.86
Net income/revenues	35.59	45.52	1.56	55.31
Tax/pretax profit	25.39	23.94	33.62	26.12
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Other returns</b>				
Net income before minority interest/avg. adjusted assets	5.03	7.85	0.11	N.M.
Net income/avg. assets + securitized assets	5.03	7.85	0.11	N.A.

Table 3

<b>National Factoring Company Ratio Analysis</b>				
	—Year ended Dec. 31—			
	2006*	2005	2004	2003
Net income/employee (RUR)	1,144,778	2,090,823	49,222	N.A.
Personnel expense/employee (RUR)	744,635	874,720	851,533	N.A.
Personnel expense/branch (mil. RUR)	9.48	16.11	N.A.	N.A.
Noninterest expense/branch (mil. RUR)	16.07	25.04	N.A.	N.A.
Cash earnings/avg. tang. common equity (ROE) (%)	14.49	22.35	0.23	N.A.
Core earnings/avg. tang. common equity (ROE) (%)	14.37	22.29	0.23	N.A.
	2006*	2005	2004	2003
<b>FUNDING AND LIQUIDITY (%)</b>				
Customer deposits/funding base	0	0.85	0	N.M.
Total loans/customer deposits	N.M.	14670.57	N.M.	N.M.
Total loans/customer deposits + long-term funds	229.01	244.60	198.06	0
Customer loans (net)/assets (adj.)	81.27	78.10	75.37	0.00
	2006*	2005	2004	2003
<b>CAPITALIZATION (%)</b>				
Adjusted common equity/adjusted assets	37.44	32.59	39.16	99.99
Adjusted common equity/adjusted assets + securitization	37.44	32.59	39.16	99.99
Adjusted common equity/customer loans (net)	46.07	41.73	51.96	N.M.
Internal capital generation/prior year's equity	15.19	25.09	0.49	N.A.
Regulatory total capital ratio	N.A.	N.A.	45.60	N.A.
Adjusted total equity/adjusted assets	37.44	32.59	39.16	99.99
Adjusted total equity/adjusted assets + securitizations	37.44	32.59	39.16	99.99
Adjusted total equity plus LLR (specific)/customer loans (gross)	48.89	43.88	53.32	N.M.
	2006*	2005	2004	2003
<b>ASSET QUALITY (%)</b>				
New loan loss provisions/avg. customer loans (net)	2.31	2.37	N.A.	N.A.
Loan loss reserves/customer loans (gross)	5.22	3.67	2.83	N.M.
Nonperforming assets (NPA)/customer loans + ORE	3.91	3.67	0.39	N.M.
NPA (excl. delinquencies)/customer loans + ORE	3.91	3.67	0.39	N.M.
Net NPA/customer loans (net) + ORE	(1.38)	0.00	(2.51)	N.M.
NPA (net specifics)/customer loans (net specifics)	(1.38)	0	(2.51)	N.M.
Loan loss reserves/NPA (gross)	133.44	100.00	718.54	N.M.

Year-end financial statements are audited, consolidated, and prepared according to IFRS. \*Data as of Sept. 30, 2006. Ratios annualized where appropriate. RUR—Russian ruble. N.A.—Not available. N.M.—Not meaningful.

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