

SpreadMonitor Russia

3Q 2003

This issue of SpreadMonitor Russia reports on activity in the third quarter of 2003. The SpreadMonitor Russia portfolio has been selected to provide insights into the bond market by presenting indicative spread data in combination with credit research and ratings. Spread data have been obtained from sources that Standard & Poor's believes are reliable, but that it cannot verify and guarantee as accurate. However, even if distorted by limited sample size, market liquidity, features of the securities or data problems, reported indicative spreads provide market context for Standard & Poor's credit research and ratings.

The still nascent, rapidly growing and evolving nature of the Russian ruble bond market presents particular challenges in calculating spreads. Consistent with ruble bond market convention, spreads are indicated relative to the most comparable Russian Federation ruble-denominated bonds and are not adjusted to maturity. These spreads are not directly comparable to the eurobond spreads over the respective swap curve. Where short duration, lack of liquidity, or specific characteristics of the securities (floating coupon rate, convertibility) do not allow for adequate spread calculations and comparisons, Standard & Poor's may not include such securities in the sample portfolio. The sample portfolio may change over time and might not give a full representation of the bond spreads of rated Russian issuers. Please note that each selected bond for each credit is the benchmark product and, to avoid confusion due to different durations, Standard & Poor's has labeled the maturity on eurobonds and the historic number of the issue on ruble bonds. Ratings indicated in graphs and tables are as of September 30, 2003.

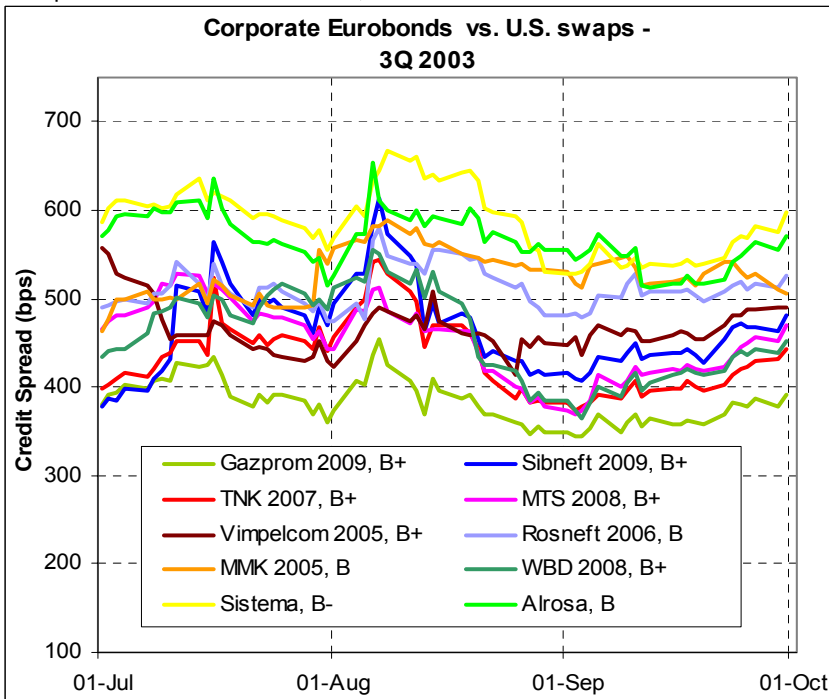
Third Quarter 2003 Overview and Research

In the international market, spreads on eurobonds of Russia-domiciled issuers showed volatility, primarily in July and August. However, on balance, third quarter spread changes were less significant than in the first and second quarter of the year. In the local bond market, interest rates continued to increase after a sharp decline in the first five months of the year. Liquidity and trading activity in the local bond market declined substantially, undermining the credibility of market data.

During April-June 2003, there were no downward rating actions, while Standard & Poor's upgraded thirteen issuers, revised two rating outlooks to 'Positive', and changed one rating outlook to 'Developing'. During this period, Standard & Poor's also assigned four new global scale and five national scale issuer credit ratings (please see the end of this report for a full list of ratings and recent research).

Industrials

Standard & Poor's has published ratings on 27 Russian industrials. As of the end of the third quarter, 11 of these companies had traded eurobonds, and 17 had traded ruble bonds.



Source: Bloomberg LP

Reacting to major developments in the Russian oil and gas sector in the third quarter of 2003, Standard & Poor's assigned its 'B+' rating to **Gazprom's** \$5.0 billion notes program, affirmed ratings on **Sibneft (B+/CreditWatch Positive/-)**, **Yukos (BB/Stable/-)**, and **Rosneft (B/Negative/-)**, and raised its local currency rating on **Transneft** to 'BB+'.

On Sept. 11, Standard & Poor's assigned its 'B+' rating to the \$5.0 billion notes program under which Gaz Capital S.A. (unrated), a Luxembourg-based finance company, will issue senior unsecured loan participation notes for the sole purpose of financing loans with matching terms and conditions to Russia-based **OAO Gazprom (B+/Positive/-)**, the world's largest gas company. Noteholders will be relying solely on the credit and financial standing of Gazprom for servicing of the notes.

The rating on Gazprom remains constrained by the continued strongly adverse pricing regime in Russia, as well as by the company's high financial leverage and short-term debt, dependence on Ukraine for access to export markets, and expected major capital expenditure requirements to maintain production and the export-pipeline infrastructure. During the third quarter of 2003, the credit spread on Gazprom US\$ 700 million 2009 bonds widened two basis points (bps) to 391 bps over the U.S. swaps.

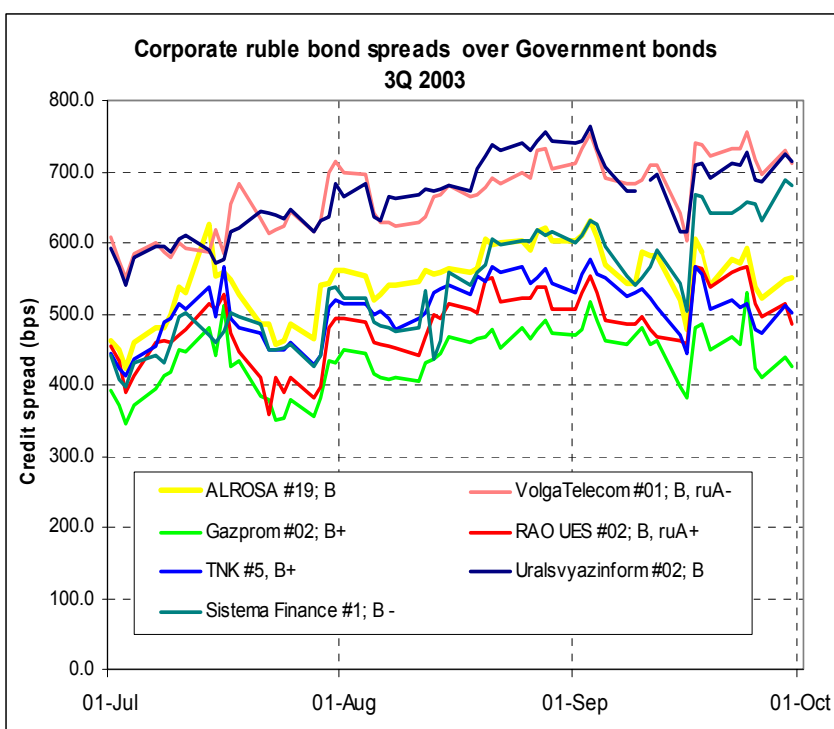
On July 28, Standard & Poor's said it had kept its 'B+' long-term corporate credit and senior unsecured debt ratings on **Sibneft (B+/CreditWatch Positive/--)** on CreditWatch with positive implications, following the company's board of directors' recommendation of a \$1 billion intermediate dividend (subject to shareholder approval). The ratings on Sibneft continue to be driven by its forthcoming merger with Yukos. Standard & Poor's expects that Sibneft's strong profitability and cash flow generation under an exceptionally favorable 2003 pricing environment will help it to keep its pre-merger leverage so that the total debt of the merged entity, to be named YukosSibneft, will be no more than \$7.0 billion by the end of 2003. During July-September, the spread on Sibneft US\$ 500 million 2009 bonds widened 90 bps to 480 bps over the U.S. swaps.

Earlier, on July 7, Standard & Poor's said its ratings and outlook on **Yukos (BB/Stable/--)** were not affected by the company's announced share buyback of up to 10% (224 million) of Yukos shares for a total consideration of up to \$3.7 billion. The buyback is part of Yukos' merger process with Sibneft. The ratings on Yukos already anticipated significant distributions to shareholders before the merger with Sibneft is finalized.

On July 4, Standard & Poor's affirmed its 'B' long-term corporate credit and senior unsecured debt ratings on **Rosneft (B/Negative/--)**, following the company's successful renegotiation of covenants on its bank debt. The outlook is negative. Standard & Poor's ratings and outlook on Rosneft already incorporated the expectation that the company would be able to avoid technical default on its financial obligations. Beyond the covenant renegotiation, the ratings continue largely to reflect the company's aggressive investment and financial policy. Rosneft is increasing its debt and making significant capital expenditures and mergers and acquisitions at a time when oil prices are at abnormally high levels, and the company might face difficulties repaying debt when oil prices decrease, as Standard & Poor's expects. The spread on US\$150 million 2006 Rosneft bonds widened 46 bps to 525 bps during the second quarter of 2003.

On July 28, Standard & Poor's raised its local currency long-term corporate credit rating on OAO AK Transneft (**local currency BB+/Stable/--, foreign currency BB**), the Russian government-owned monopoly oil pipeline operator, to 'BB+' from 'BB', following continued improvement in the company's financial profile. In addition, the 'BB' foreign currency long-term corporate credit rating on Transneft was affirmed. The outlook is stable. The upgrade reflects the further improvement of Transneft's financial profile in 2002, despite heavy investments; the company's very conservative financial policy; and the improving economic environment in Russia. The upgrade also reflects Transneft's successful capacity expansion with the Baltic pipeline system becoming the company's third key export transportation route, independent from land transit via other countries. Standard & Poor's expects Russian government regulations to remain supportive in terms of tariffs, investments, dividend policy, and debt. Although Transneft's debt burden might increase in order to finance new projects, the ratings assume the company will maintain its conservative financial policy and keep a strong financial profile with total debt no higher than \$1 billion. Transneft has plans to issue up to RUR 10-12 billion worth of local bonds, although exact timing is unclear so far.

In July, Standard & Poor's twice commented on major regulatory developments in the Russian telecom sector, saying that neither the new Law on Communications nor the Ministry for Antimonopoly Policy rules on Integral Settlement Rate will have an immediate impact on its ratings on Russian fixed-line and mobile telecom operators.



Source: Cbonds, MICEX, Standard & Poor's

Three rated fixed-line telecom operators have scheduled their ruble bond issues for September-October 2003.

On Aug. 6, Standard & Poor's assigned its 'ruBBB' Russia national scale rating to **Southern Telecommunications Co. (Southern Telecom) (B-/Stable/--, ruBBB)**. At the same time, Standard & Poor's assigned its 'ruBBB' rating to Southern Telecom's proposed Russian ruble (RUR) 1.5 billion (\$49.5 million) senior unsecured bond issue due 2006. The ratings on Southern Telecom remain constrained by the company's relatively weak liquidity; unbalanced structure of regulated tariffs, which puts the company's core revenue streams under pressure; and continuing need for capital expenditure. The ratings continue to be supported, however, by Southern Telecom's dominant market share as the main provider of essential telecoms services in the southern region of the Russian Federation and progress in enabling the provision of a wider range of higher-quality services.

Also on Aug. 5, Standard & Poor's assigned its 'ruBBB' long-term Russia national scale senior unsecured debt rating to the proposed RUR1.5 billion (\$49.5 million) senior unsecured bond issue of Russia-based telecommunications operator **North-West Telecom (NWTelecom) (B-/Stable/--, ruBBB)**. The bonds are due 2007 with one put option in two years from the placement date. The proceeds from the bond will be used to finance the company's moderate capital expenditures (which represent less than 20% of sales) and partly replace its short-term bank debt. NWTelecom's total debt maturities in 2003 are about RUR2 billion. Total debt to EBITDA of less than 1.0x in 2002 was good for the rating level, but is expected to weaken as a result of the company's continuing need for capital expenditures to upgrade and modernize its network infrastructure, while little incremental cash will be generated from this investment. The ratings on NWTelecom continue to reflect the company's incumbent position in the fixed-line telecoms market in the Northwest of Russia, which is being challenged by growing competition from alternative operators and the company's unbalanced structure of regulated tariffs for local and long-distance services. In addition, the ratings are constrained by the risks linked to consolidating operations following the merger with eight local fixed-line incumbents in 2002.

On Aug. 5, Standard & Poor's assigned its 'ruBB+' long-term Russia national scale rating to Russia-based telecommunications operator **Central Telecommunications Co. (CTC) (CCC+/Stable/--, ruBB+)**. At the same time, Standard & Poor's also assigned its 'ruBB+' senior unsecured debt ratings to CTC's proposed RUR 2 billion (\$66 million) senior unsecured bond issue due 2006 and to two existing RUR600 million senior unsecured bond issues, maturing in November 2003 and April 2005, respectively. The ratings on CTC are constrained by its aggressive investment policy and growing debt burden. In addition, CTC's credit quality remains exposed to continued refinancing risk and inefficiencies related to unbalanced regulated tariffs. The company's investment policy assumes large capital expenditures, which are needed to upgrade its network and prepare for the provision of new services. Moreover, CTC recently announced an ambitious initiative to consolidate its fragmented mobile assets to develop a CDMA-450 standard mobile network, which might require further debt funding.

On Sept. 5, Standard & Poor's revised its outlook on **RAO UES of Russia (B/Positive/--, ruA+)** to positive from stable. The outlook revision reflects the expected benefits of an improved regulatory environment and further economic improvement in the Russian Federation (foreign currency BB/Stable/B; local currency BB+/Stable/B). At the same time, the 'B' corporate credit and 'ruA+' Russia national scale ratings on RAO UES were affirmed. The ratings on RAO UES are constrained by still politicized tariff regulation and risks associated with the restructuring of the group and the Russian electricity sector as a whole. Mitigating factors include the company's solid operating cash flow and very low debt leverage. Standard & Poor's considers RAO UES's ability to service its short-term debt to be stronger than that indicated by the long-term ratings. According to the restructuring plan approved by parliament in March 2003, most of RAO UES's subsidiaries and parent company assets will be spun off within the next three to six years. Standard & Poor's will therefore increasingly analyze RAO UES as a holding company rather than a consolidated group.

On Sept. 4, Standard & Poor's affirmed its 'B' long-term corporate credit rating on Russian steel company **OA O Magnitogorsk Metallurgical Kombinat (MMK) (B/Positive/--, ruA+)**, following the company's strong first-half 2003 financial results. The outlook is positive. The ratings on MMK reflect the strong financial performance it displayed during the period of high steel prices in the first half of 2003. The privatization of the Russian government's 23.76% stake in MMK, however--which is scheduled for 2003--remains the key uncertainty in the short term. MMK's management currently controls a 62% stake in the company and is expected to seek control of the government stake. The effect of the privatization process on the company's credit quality is still uncertain and will depend on the identity of the successful buyer, the price to be paid, and the structure of the transaction. Standard & Poor's believes that MMK's current strengths are likely to warrant a one-notch upgrade if the privatization does not significantly drain MMK's financial resources or threaten to alter its demonstrated strategy of measured investment in modernization. During the third quarter, credit spread on MMK EU€ 100 million 2005 bonds widened 40 bps to 505 bps over the U.S. swaps.

Financial Institutions

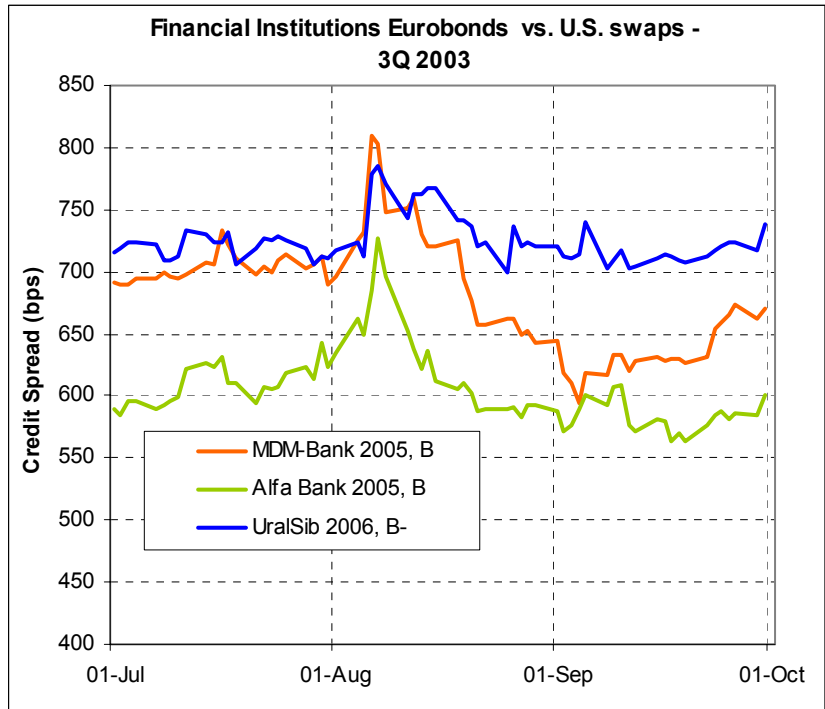
Standard & Poor's rates a total of 20 financial institutions in Russia. Three banks have traded eurobonds, and five banks have traded ruble bonds.

On September 2, Standard & Poor's took positive rating actions on 11 Russian banks, reflecting improvements in the economic and operating environment in Russia (for details please see table at the end of this report). These actions reflect improvements in the economic and operating environment in Russia, and the consequent improvement in the credit quality of the loan and security portfolios of Russian banks.

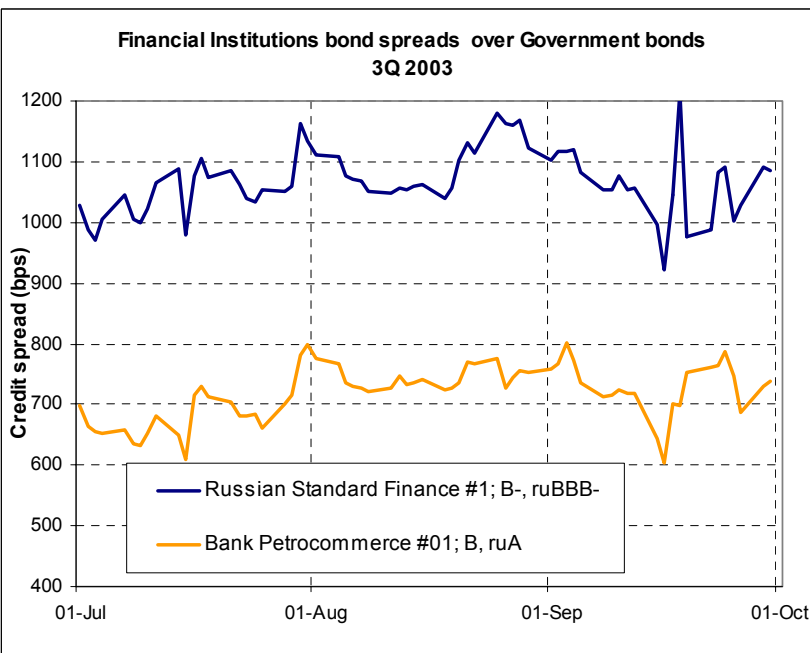
As part of this set of rating actions, Standard & Poor's raised its long-term counterparty credit ratings on **Alfa Bank**, **MDM-Bank**, and **Bank Petrocommerce** to 'B' from 'B-'. At the same time, it raised its national scale rating on Bank Petrocommerce to 'ruA' from 'ruBBB+'. The outlook on all above listed entities is stable.

The ratings on **Alfa Bank (B/Stable/C)** reflect the bank's good business franchise and the improved diversity of its business lines. They are offset by the bank's large single-party concentrations, including other Alfa Group members, and the still high level of operating risk for all banks operating in Russia. During the past three years, Alfa Bank has expanded its commercial network, widened its financial services offerings, and hired new staff in key areas such as retail and investment banking, information technology, and risk management. These changes have positioned the bank well to develop its banking business across the expanding Russian economy. During July-September, the credit spread on Alfa Bank \$175 million 2005 bonds widened 14 bps to 601 bps over the U.S. swaps.

The ratings on **MDM Bank (B/Stable/C)** reflect its improved commercial and financial position, offset by its significant dependence on securities trading as a source of income, its high single-party concentrations in loans and deposits, and the potential risks stemming from the expansion strategy of the MDM Financial Group, of which MDM Bank is the lead operating entity. MDM Bank's exposure to corporate entities related to the group has increased, which makes the bank more vulnerable to the credit standing of its owners and the commercial success of their corporate investments. During the third quarter of 2003, the credit spread on MDM Bank \$125 million 10.75% 2005 bond narrowed 14 bps to 671 bps.



Source: Bloomberg LP



Source: Cbonds, MICEX, Standard & Poor's

Also on Sept. 2, Standard & Poor's revised its outlook on Russia-based **Ural - Siberian Bank (URALSIB) (B-/Positive/C)** to positive from stable. At the same time, the 'B-' long-term and 'C' short-term counterparty credit ratings on the bank were affirmed.

The ratings on URALSIB reflect the bank's dominant commercial position in the Republic of Bashkortostan (B+/Stable/--) and close relationship with the regional government, the bank's majority owner. These positive factors are offset by URALSIB's high level of concentration in loans and deposits and by its weak profitability. Continued expansion outside of its home region will reduce the bank's dependence on the republic, but will also challenge the bank's credit risk management and operating efficiency. During the third quarter of 2003, the credit spread on URALSIB US\$ 140 million 2006 bonds widened 26 bps to 739 bps over the U.S. swaps.

On Sept. 29, Standard & Poor's published its report on the Russian banking sector, "**Search for Sustainable Profits Key for Russia's Banks.**" According to the report, despite brighter economic and commercial prospects, Russian banks continue to face the challenge of generating more sustainable revenue, adopting to shrinking margins, and pursuing business expansion without losing control of costs. The report, which is based on an extensive survey of Russia's top 30 banks, reveals that a significant number of banks suffer from a lack of sustainable core revenues, shrinking margins, and high cost structures. Russia's largest banks also continue to depend on their positions within financial/industrial groups (FIGs), limiting their ability to source independent revenues. Moreover, structural imbalances within the domestic banking industry, typified by the dominance of state-controlled Sberbank, and the absence of banking sector reform will also continue to impede the development of the banking system and upward movement in banks' credit ratings. According to the report, consolidation within the domestic banking sector would create more robust banks that would be better able to counterbalance the bargaining power of large corporate clients, which currently skews pricing in favor of the customer. This would require a change of heart among bank shareholders and management, who find security in their traditional positions within financial-industrial groups.

Sovereign and Public Finance

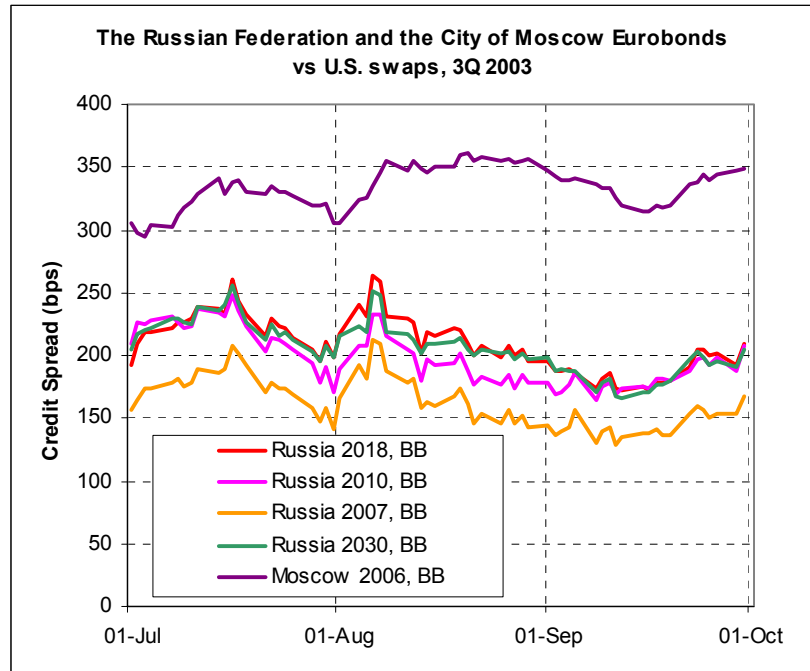
Standard & Poor's rates the central government of the Russian Federation and 14 sub-federal and municipal administrations. Apart from the sovereign, only the City of Moscow has traded eurobonds. Six regional administrations have traded ruble bonds.

In the third quarter of 2003, Russian sub-federal administrations were among the most resilient to the bond market shake-up, and unlike corporate issuers, were reluctant to postpone their bond issues, despite increased interest rates. In July-September, large bond volumes were issued by the Moscow Oblast, Samara Oblast, and Yamal-Nenets Autonomous Okrug.

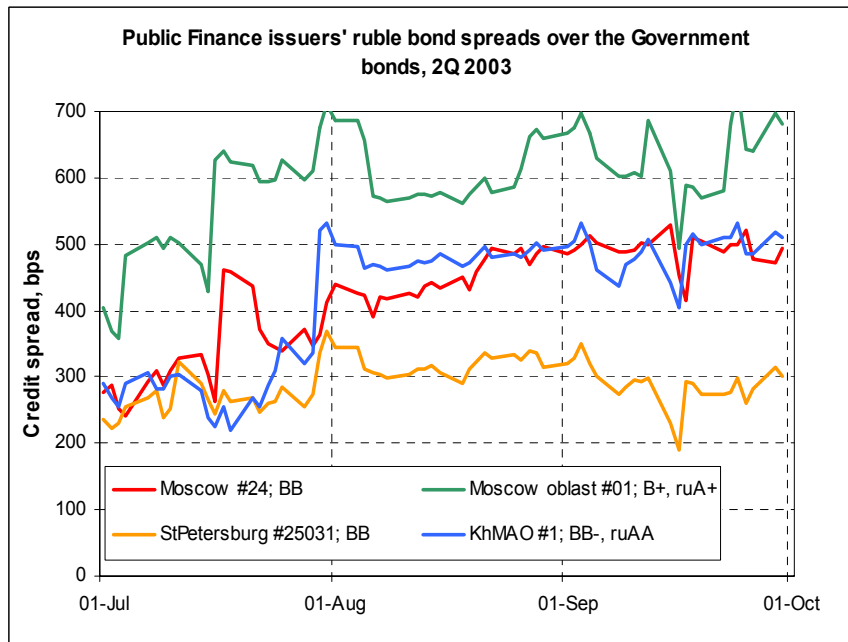
On Aug.18, Standard & Poor's raised its long-term issuer credit rating on the **Moscow Oblast (B+/Stable/--, ruA+)** to 'B+' from 'B'. The outlook is stable. At the same time, Standard & Poor's raised its Russia national scale rating on the oblast to 'ruA+' from 'ruA'.

Standard & Poor's also assigned its 'ruA+' Russia national scale rating to the oblast's planned RUR 4 billion (\$131 million) senior unsecured bond issue, which was placed by the Moscow Oblast in August 2003.

The rating actions reflect economic growth much higher than the Russian average, at 8.9% in 2002, with a similar rate expected in the coming years, and significant improvements in debt management. The ratings on the oblast are constrained by its relatively weak financial performance, resulting from significant transport infrastructure financing needs. On the other hand, the Moscow Oblast benefits from its proximity to the City of Moscow (foreign currency BB/Stable/--), which results in fast economic growth in the food industry and trade and recreation sectors.



Source: Bloomberg LP



Source: Cbonds, MICEX, Standard & Poor's

On July 1, Standard & Poor's assigned its 'ruAA-' Russia national scale senior unsecured debt rating to the **Samara Oblast's (B+/Positive/--; ruAA-)** proposed RUR 2.37 billion (\$78 million) fixed-coupon domestic bond issue.

The issue is placed in two equal tranches, on July 8 and October 7, 2003, and will have 12 coupon payments at 12% per year. The bonds will mature in 2006. The rating on the bond is equalized with the national scale rating on the oblast.

On July 30, Standard & Poor's assigned its 'ruA' Russia national scale rating to the proposed RUR 1.8 billion (\$59.2 million) fixed-coupon senior unsecured domestic bond issue by **Yamal-Nenets Autonomous Okrug (B/Positive/--; ruA)**. The issue was placed on Aug. 5, 2003, and will have 10 coupon payments and a five-year maturity. The rating on the bond is equalized with the national scale rating on the okrug.

The ratings on Yamal-Nenets are constrained by the concentration of the economy and its exposure to natural gas and oil extraction; the risk of revenue redistribution stemming from federal reforms; the limited flexibility of finances owing to the federal government's control of tax rates, types, and shares and borrowing; and a continuing need to improve the transparency of management systems, exacerbated by the extreme seasonality of expenditures. Factors supporting the

rating include the okrug's sound financial performance, comparatively wealthy economy, improved debt structure, and low debt burden. The okrug's operating surplus has been increasing over the last three years and amounted to more than 30% of operating revenues in 2002. Balances after capital expenditure average 3.9% of total revenues. Direct debt was 5% of operating revenues in 2002, and the overall debt burden is expected to remain below a manageable 30% in the medium term.

On Aug. 14, Standard & Poor's assigned its 'ruA-' Russia national scale credit rating to the **Tomsk Oblast**. The oblast is one of the most developed industrial regions in west Siberia in the Russian Federation (local currency BB+/Stable/B; foreign currency BB/Stable/B; Russia national scale ruAA+). The rating on it is constrained by its growing economic concentration, as the oblast is highly dependent on its largest taxpayer, oil company TomskNeft, a subsidiary of one of the major Russian oil companies. Diversification prospects are limited by the Oblast's remote location. Comparatively high debt service and a risky debt profile are also constraining factors. Tax-supported debt is expected to exceed 30% at the end of 2003. Debt maturities will remain relatively short, and refinancing risk at the end of 2003 is high. There is the weak financial performance in the Russian context, with three-year average operating surpluses only at 8.6%. Deficits after capital expenditure were manageable at 2.4%, however. Low revenue flexibility and predictability are also constraints, as the federal government controls tax rates, types, and shares. The oblast, like other Russian oil regions, is particularly exposed to possible changes in the distribution of the Natural Resources Extraction Tax between the levels of the budget system. The ratings on the Tomsk Oblast are supported by continuous economic growth in the region: the oblast's gross regional product growth rates have averaged 8.5% since 1999. Rapid growth is expected to continue in the medium term. Also, competent management has meant that information transparency and management sophistication are higher than the Russian average. A good credit history indicates that the oblast enjoys effective debt management. It was timely in servicing its debts (except inter-budgetary debts) throughout the 1998 Russian economic crisis.

On Sept. 10, Standard & Poor's published a report, entitled "**Rated Russian LRGs May Suffer Under Proposed Tax and Budget Reforms**". According to the report, the impact of the Russian government's proposed new steps in its ongoing interbudgetary and local self-government reforms may be strongly negative for some of the wealthier rated local and regional governments (LRGs) in the Russian Federation. The proposed package of amendments, if adopted in its current form, would create stronger equalization among Russian regions and introduce more pronounced centralized control mechanisms. It would therefore affect the autonomy and financial position of many wealthier rated regions.

The Standard & Poor's commentary article, entitled "**The Framework of Fiscal Federalism in Russia: Objectives, Scope, Institutions, and Instruments**," was published on Sept. 25. It reports that, although Russia is legally a federation, the existing system of political and fiscal relations between the federal and the regional and local governments has experienced serious problems. Unfortunately, fiscal decentralization policies set in the government's "Russian Budgetary Federalism Development Program for the Period Until 2005," remain indecisive and ambiguous. "The existing weak political and fiscal federalism model constrains efficient economic and political development and undermines the enforcement and fairness of various structural reforms that are currently being legislated," according to Standard & Poor's credit analyst Helena Hessel. "Russia still faces a serious challenge to modernize its federal system to ensure that the plethora of proposed laws and policies is effectively implemented across the entire country." The strength of political and public institutions--the legal system, civil service, legislature, federal system, and executive branch of government--is one of the most important factors in sovereign rating assessment. Several recent initiatives could herald a further strengthening of Russian institutions in the coming years, consolidating the country's creditworthiness. It is the current weakness of the federal system that concerns Standard & Poor's.

Standard & Poor's 3Q 2003 Russia research available on RatingsDirect.com and www.standardandpoors.ru

Corporates

- Summary and full analysis: Mosenergo (AO) 23 Sep
- Russian Gas Giant OAO Gazprom's \$5.0 Billion Notes Program Assigned 'B+' Rating 11 Sep
- Summary and full analysis: North-Western Telecom 10 Sep
- RAO UES of Russia Outlook Revised to Positive; 'B' and 'ruA+' Ratings Affirmed 5 Sep
- Russian Steel Company MMK 'B' Ratings Affirmed On Strong First-Half 2003 Results; Outlook Pos 4 Sep
- Golden Telecom Acquisition of Comincom From Telenor Already Factored in Ratings 21 Aug
- Southern Telecom and Proposed Russian Ruble 1.5 Bil Bond Assigned 'ruBBB' National Scale Rtg 6 Aug
- NWTelecom Proposed Russian Ruble 1.5 Billion Bond Issue Assigned 'ruBBB' Rating 5 Aug
- JSC Central Telecom and Proposed Russian Ruble 2 Bil Bond Assigned 'ruBB+' National Scale Rtg 5 Aug
- Russian Antimonopoly Ministry Rules on Settlement Rates For Russian Telecoms 30 Jul
- Sibneft 'B+' Ratings Remain on Watch Pos After Board Recommends \$1 Bil Intermediate Dividend 28 Jul
- Transneft Local Currency Rating Raised to 'BB+' on Better Financial Profile; Outlook Stable 28 Jul
- Summary: Mobile TeleSystems OJSC 17 Jul
- Summary: LUKoil OAO 11 Jul
- New Law on Communications Unlikely To Impair Financial Profiles of Russian Telecom Companies 8 Jul
- Bulletin: Russian Oil Company Yukos Proposes 10% Share Buyback for Up To \$3.7 Billion 7 Jul
- Summary: JSC Vimpel-Communications 4 Jul
- Russian Oil Company Rosneft 'B' Ratings Affirmed After Renegotiation of Covenants; Outlook Neg 4 Jul

Financial Institutions

- Search for Sustainable Profits Key for Russia's Banks 29 Sep
- Bank Ingosstrakh-Soyuz Assigned 'CCC/C' Ratings; Outlook Stable 24 Sep
- Summary and full analysis: Alba Alliance 24 Sep
- Russia-Based European Trust Bank Assigned 'CCC/C', 'ruB' Ratings; Outlook Stable 23 Sep
- Summary and full analysis: Commercial Bank Petrocommerce 22 Sep
- International Bank of Saint-Petersburg Rated 'CCC/C'; Outlook Stable 12 Sep
- Ratings on Russian Banks Raised on Improved Economic and Operating Environment 2 Sep
- Summary: MDM Bank 2 Sep
- Summary: Menatep St. Petersburg 2 Sep
- Summary: Surgutneftegazbank 2 Sep
- Summary: Impex Bank 2 Sep
- Summary: DeltaCredit Bank 2 Sep
- Summary: Ural - Siberian Bank OJSC 2 Sep
- Summary: International Moscow Bank 2 Sep
- Summary: International Industrial Bank 2 Sep
- Summary: Alfa Bank 2 Sep
- Summary and full analysis: Bank of Khanty-Mansiysk (JSC) 28 Aug
- Summary and full analysis: TransCreditBank 29 Jul
- TransCreditBank Long-Term CCR Raised to 'CCC+'; Short-Term Rating Affirmed; Outlook Stable 21 Jul

Public Finance

- The Framework of Fiscal Federalism in Russia: Objectives, Scope, Institutions, and Instruments 26 Sep
- Republic of Tatarstan Foreign Currency Rating Raised to 'B-'; Outlook Stable 22 Sep
- Rated Russian LRGs May Suffer Under Proposed Tax and Budget Reforms 10 Sep
- Klin Rayon in Russia Assigned 'B-' Foreign Currency, 'ruBBB-' National Scale Ratings 2 Sep
- Moscow Oblast Ratings Raised to 'B+' and 'ruA+'; Outlook Stable; RUR4 Bil. Bond Rated 'ruA+' 18 Aug
- Tomsk Oblast Assigned 'ruA-' Russia National Scale Rating 14 Aug
- Yamal-Nenets Autonomous Okrug Proposed RUR1.8 Bil. Issue Assigned 'ruA' National Scale Rating 30 Jul
- Russian City of Cherepovets National Scale Rating Withdrawn 2 Jul
- Samara Oblast Proposed RUR2.37 Billion Bond Issue Assigned 'ruAA-' National Scale Rating 1 Jul

SpreadMonitor - Russia portfolio

To get a general sector overview, we monitor a selected sample portfolio of credit products below. Please note that the spread for eurobonds is used over the respective swaps curve. The spread for ruble-denominated bonds is used over the Russian Government Bonds with comparable maturity*.

Corporates

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Gazprom	US\$ 700 million 10.5% 2009	B+/Positive/--	391	+2
Sibneft	US\$ 500 million 10.75% 2009	B+/CreditWatch Positive/--, ruAA -	480	+90
Tyumen Oil (TNK)	US\$ 400 million 11% 2007	B+/CreditWatch Positive	444	+35
Rosneft	US\$ 150 million 12.75% 2006	B/Negative/--	525	+46
Mobile TeleSystems (MTS)	US\$ 400 million 9.75% 2008	B+/Stable/--	470	-11
Vimpelcom	US\$ 250 million 10.45% 2005	B+/Sable/--	489	-96
MMK (Magnitogorsk Metallurgical Kombinat)	EU€ 100 million 10% 2005	B/Positive/--, ruA +	505	+40
Wimm-Bill-Dann (WBD)	US\$ 150 million 8.5% 2008	B+/Stable/--, ruA+	451	+1
AFK Sistema	US\$ 350 million 10.25% 2008	B-/Stable/--	598	+9
ALROSA	US\$ 500 million 8.125% 2008	B/Stable/--	570	0
Ruble bond Issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
ALROSA	# 19 RUR 3 billion Oct 2005	B/Stable/--	550	+97
RAO UES	# 02 RUR 3 billion Oct 2005	B/Positive --, ruA+	486	+34
Gazprom	# 02 RUR 5 billion Nov 2005	B+/Positive/--	427	+104
TNK	# 05 RUR 3 billion Nov 2006	B+/CreditWatch Positive/--	500	+67
Uralsvyazinform	# 02 RUR 1 billion Aug 2005	B/Stable/--	714	+129
Sistema Finance	# 01 RUR 500 million Aug 2005	B-/Stable/--	681	+222
Volga Telecom	# 01 RUR 1 billion Feb 2006	B/Stable/--, ruA -	712	+125

Financial Institutions

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
MDM-Bank	US\$ 200 million 10.75% 2005	B /Stable/C	671	-14
Alfa-Bank	US\$ 175 million 10.75% 2005	B /Positive/C	601	+14
Ural-Siberian Bank	US\$ 140 million 8.875% 2006	B-/ Positive /C	739	+26
Ruble bond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Russian Standard Finance	# 01 RUR 500 million Aug 2005	B-/Stable/C, ruBBB-	1085	+47
Bank Petocommerce	# 01 RUR 1 billion Mar 2006	B /Stable/C, ruA	738	+112

Public Finance

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Russian Federation	US \$ 1.84 billion 5% 2030	BB/Stable/B	204	-7
Russian Federation	US\$ 3.5 billion 11% 2018	BB/Stable/B	210	+12
Russian Federation	US\$ 2.8 billion 8.25% 2010	BB/Stable/B	208	-4
Russian Federation	US\$ 2.4 billion 10% 2007	BB/Stable/B	167	+9
The City of Moscow	EU€ 400 million 10.95% 2006	BB/Stable/--	349	+51
Ruble bond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
The City of Moscow	# 24 RUR 3 billion Sept 2005	BB/Stable/--	479	+201
The City of StPetersburg	# 25031 RUR 350 million Nov 2005	BB/Stable/--	300	n/a
Moscow Oblast	# 2 RUR 1 billion June 2005	B+ /Stable/--, ruA+	680	+284
Khanty-Mansiysk Autonomous Okrug	#1 RUR 1 billion Dec 2005	BB-/Stable/--, ruAA	511	+241

Source: Bloomberg LP, MICEX, Cbonds, Standard & Poor's

*The spread on ruble denominated bonds is calculated as a difference between a given bond yield to maturity (YTM) and a weighted average YTM on a portfolio of Federal Government bonds with comparable maturity. The presented ruble bond spreads are therefore indicative estimates subject to error and variance.

** Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

Full list of Standard & Poor's ratings in Russia (as of June 30, 2003)

Issuer name	Date of most recent rating change	Foreign Currency Corporate Credit Rating	Local Currency Corporate Credit Rating	Russia National Scale Rating
Sovereign				
The Russian Federation	5.12.2002	BB/Stable	BB+/Stable	ruAA+

Corporate finance				
AFK Sistema	17.03.2003	B-/Stable	B-/Stable	-
Alrosa	14.03.2003	B/Stable	B/Stable	-
CenterTelecom	03.04.2003	CCC+/Stable	CCC+/Stable	ruBB+
Gazprom	06.12.2002	B+/Positive	B+/Positive	-
Golden Telecom	04.03.2003	BB-/Stable	BB-/Stable	-
Irkutskenergo	03.02.2003	B-/Stable	B-/Stable	-
LUKOIL	06.12.2002	BB-/Stable	BB-/Stable	ruAA
MGTS	30.09.2002	B-/Stable	-	ruBBB+
MMK	04.09.2003	B/Positive	B/Positive	ruA+
Mobile TeleSystems (MTS)	21.12.2001	B+/Stable	B+/Stable	-
Mosenergo	28.08.2002	B-/Positive	B-/Positive	-
North-West Telecom	02.04.2003	B-/Stable	B-/Stable	ruBBB
RAO UES of Russia	05.09.2003	B/Positive	B/Positive	ruA+
Rosneft	07.04.2003	B/Negative	B/Negative	-
Rostelecom	30.04.2002	B-/Stable	B-/Stable	-
Sibneft	24.03.2003	B+/CreditWatch Positive	B+/CreditWatch Positive	ruAA-
Southern Telecom Company (UTK)	02.04.2003	B-/Stable	B-/Stable	ruBBB
Tatneft	07.10.2002	B-/Positive	B-/Positive	-
Transneft	28.07.2003	BB/Stable	BB+/Stable	-
Tyumen Oil Company (TNK)	11.02.2003	B+/CreditWatch Positive	B+/CreditWatch Positive	-
United Heavy Machinery (OMZ)	11.06.2003	CCC+/Positive	CCC+/Positive	ruBBB-
Uralsviazinform	02.04.2003	B/Stable	B/Stable	-
Vimpelcom	17.04.2003	B+/Stable	B+/Stable	-
VolgaTelecom	12.02.2003	B/Stable	B/Stable	ruA-
Wimm-Bill-Dann	30.04.2003	B+/Stable	B+/Stable	ruA+
YUKOS	22.04.2003	BB/Stable	BB/Stable	ruAA+
Concern Kalina	04.02.2003	-	-	ruBBB+

** Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

Financial Institutions				
Alfa Bank	02.09.2003	B/Stable	B/Stable	-
Aijba Alliance	02.09.2003	CCC/Stable	CCC/Stable	-
Bank Ingosstrakh-Soyuz	24.09.2003	CCC/Stable	CCC/Stable	-
Bank Menatep St. Petersburg	02.09.2003	CCC+/Developing	CCC+/Developing	-
Bank of Khanty-Mansiysk	18.06.2003	B-/Stable	B-/Stable	ruBBB-
DeltaCredit Bank	02.09.2003	B-/Stable	B-/Stable	ruBBB
European Trust Bank	23.09.2003	CCC/Stable	CCC/Stable	ruB
Impexbank	02.09.2003	CCC+/Stable	CCC+/Stable	-
International Bank of Saint-Petersburg	12.09.2003	CCC/Stable	CCC/Stable	-
International Industrial Bank	02.09.2003	B-/Stable	B-/Stable	-
International Moscow Bank	02.09.2003	B+/Stable	B+/Stable	-
Investment Banking Corporation	23.04.2002	D/--	D/--	-
MDM-Bank	02.09.2003	B/Stable	B/Stable	-
Petrocommerce	02.09.2003	B/Stable	B/Stable	ruA
SurgutNeftegazBank	02.09.2003	B-/Stable	B-/Stable	-
TransCreditBank	21.07.2003	CCC+/Stable	CCC+/Stable	-
Ural-Siberian Bank	02.09.2003	B-/Positive	B-/Positive	-
Russian Standard Bank	02.06.2003	B-/Stable	-	ruBBB-
Renaissance Capital	02.04.2003	B-/Stable	B-/Stable	-
AIG Russia	13.02.2003	-	-	ruAAA

** Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

Public Finance				
City of Moscow	14.05.2003	BB/Stable	-	-
City of St. Petersburg	14.05.2003	BB/Stable	BB/Stable	-
City of Surgut	20.12.2002	B/Stable	B/Stable	ruA-
Irkutsk Oblast	04.10.2002	B-/Positive	-	-
Khanty-Mansiysk AO	20.12.2002	BB-/Stable	-	ruAA
Kliin Rayon	02.09.2003	B-/Stable	-	ruBBB-
Moscow Oblast	24.01.2003	B+/Stable	-	ruA+
Rep. of Bashkortostan	25.04.2003	B+/Stable	-	-
Rep. of Tatarstan	22.09.2003	B-/Stable	-	-
Samara Oblast	25.04.2003	B+/Positive	-	ruAA-
Sverdlovsk Oblast	14.11.2002	B-/Positive	B-/Positive	-
Tomsk Oblast	14.08.2003	-	-	ruA-
Vologda Oblast	04.02.2003	B/Stable	-	ruA-
Yamalo-Nenets AO	22.10.2002	B/Positive	-	ruA

** Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

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