

Approved by the Index Committee of
LLC URALSIB Capital – Financial Services
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**Calculation Parameters for the
URALSIB Industry Indices**

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Calculation Principles for the URALSIB Industry Indices

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1. General Provisions

1.1. The present parameters used in the industry index calculations (hereafter the Parameters) determine the calculation method for the industry indices listed under point 2.2. These calculations are based on information on deals involving securities issued by Russian companies or by foreign firms conducting their business mainly in Russia. Moreover, the parameters also determine the deals taken into account during the index calculations.

1.2. The indices are calculated based on share prices weighted by the number of securities in issue of the relevant common shares, or depository receipts representing common shares (hereafter Tickers), traded on organized stock trading floors (hereafter Exchanges) in Russia or abroad.

1.3. Dividend payout is not included in index calculations.

1.4. The Parameters, as well as all amendments and additions, are approved by the Index committee of URALSIB Capital – Financial Services (hereafter Index Committee). The membership of the Index Committee is approved once a year and includes both URALSIB employees and independent members.

2. List of industry indices, initial calculation date, initial index values

2.1. According to the Parameters, the industry indices are calculated based on information about securities issued by Russian companies or foreign firms conducting business mainly in Russia in a particular sector of the economy.

2.2. The URALSIB indices consist of the following:

2.2.1. URALSIB Power Index, or USIB PWR

2.2.2. URALSIB Telecom Index, or USIB TLC

2.2.3. URALSIB Consumer Goods & Retail Index, or USIB CG&R;

2.2.4. URALSIB Oil and Gas Index, or USIB O&G;

2.2.5. URALSIB Metals & Mining Index or USIB M&M

2.2.6 URALSIB Financial Index or USIB FNC

2.3. Full and short names of the indices both in English and Russian are registered as trademarks in the Russian Federation. The copyright holder is LLC URALSIB Capital – Financial Services.

2.4. The industry indices are calculated starting from 1 July, 2007. The initial value of each industry index was set at 1,000 points as of this date.

3. Data for calculating index composition, defining parameters for index calculation

3.1. To create the index composition, determine the parameters for calculating the index and calculate index values, we use data from the following Exchanges:

- CJSC Micex Stock Exchange;
- OJSC Stock Exchange Russian Trading System;
- London Stock Exchange plc;
- NYSE Euronext;
- NASDAQ;

3.2. To calculate the index, we use the last price for each Ticker (hereafter Prices, Closing Prices). The Prices are quoted in US dollars.

3.2.1. Prices quoted in other currencies are converted to US dollars using the Central Bank of Russia's prevailing currency rate on the date of the deal.

3.2.2. If on a certain date there is no quote for a Ticker included in the Index calculation, the missing value is taken to be the price of the last registered deal.

3.3. The index calculation and calculation parameters take account of the number of issued and traded shares and depository receipts of an issuer, reflected as a proportion of the overall issue volume (hereafter the free-float).

3.3.1. The free float is determined based on expert opinion by excluding the following securities from the share capital of the issuer:

- Shares and depository receipts held by the state;
- Shares and depository receipts held by strategic shareholders.

3.3.2. The free-float is calculated based on information from the following sources:

- issuers' quarterly reports;
- information agencies.

3.3.3. The free-float multiple is calculated to two decimal places.

3.4. The index calculation is based on information on the core businesses of an issuer. The core business of an issuer is determined by the following procedure:

3.4.1. each business line is analyzed by its share in the issuer's total revenues based on information in the latest available quarterly report;

3.4.2. business lines are ranked in descending order according to their share in total revenues;

3.4.3. the top three business lines ranked as described in clauses 3.4.1 and 3.4.2. are discussed by the Index Committee, which then decides on the issuer's business profile.

4. Creating a basis for the index calculation

4.1. Prices for deals involving the Tickers in a sector index form the basis for the calculation of that particular index.

4.2. The calculation includes only Prices for common shares and depository receipts representing the underlying common shares.

4.3. Tickers are included in the calculation of a sector index α according to the following procedure:

4.3.1. From the issuers whose shares are listed on the Exchanges listed in Clause 3.1. and whose free-float is above 5%, the Committee selects Russian and global Tickers (with operations mostly in Russia) with a business profile corresponding to the sector index α .

4.3.2. From those Tickers selected under Clause 4.3.1., the Committee picks those that during the last quarter saw trading volumes reach no less than a level, V_0 , established by the Index Committee. The previous quarterly turnover for a Ticker traded on a particular Exchange is calculated as a sum of the USD-denominated closing price multiplied by the number of securities sold on the Exchange during all days in the quarter.

4.3.3. From the list of Tickers meeting the requirements of Clauses 4.3.1. and 4.3.2., the Committee selects those that over the previous quarter were traded for no less than a minimum number of trading days D_0 , specified by the Index Committee.

4.3.4. The Committee establishes the basis for the sector index α calculation with the list of Tickers compiled according to Clauses 4.3.1., 4.3.2. and 4.3.3.

5. Parameters used in calculating the indices

5.1. The values of the indices are calculated using the following:

- Liquidity ratios of the Tickers forming the basis for the index calculation;
- The number of issuers' securities used for the index calculation.

5.2. To account for the relative liquidity of Tickers traded on different Exchanges, for each Ticker in the sector index, a liquidity ratio is found.

5.2.1. The liquidity ratio for Tickers is calculated using the following formula:

$$l_{j,i} = \frac{V_{j,i}}{\sum_{j=1}^m V_{j,i}}$$

where:

$l_{j,i}$ is the liquidity ratio of Ticker "i" traded on Exchange "j" and included in the sector index calculation;

$V_{j,i}$ is the trading volume in Ticker "i" traded on Exchange "j" and included in the sector index calculation as per Clause 4.3.2.

m is the number of Exchanges on which Ticker "i" is traded.

5.2.2. The liquidity ratios are calculated to four decimal places.

5.3. To reduce the potential dominance of a single issuer on the index, the weighting of any Ticker is capped at 25%. To limit the weighting of a Ticker, the number of securities used to calculate the capitalization of a Ticker is limited using the following algorithm:

5.3.1. We determine a weighting for each Ticker included in the index using the following formula:

$$W_i = \frac{P_i^A(t) \cdot Q_i^M}{\sum_{i=1}^N P_i^A(t) \cdot Q_i^M}$$

Where $Q_i^M = Q_i \cdot FF_i$ (2.1) and $P_i^A(t) = \sum_j l_{j,i} \cdot P_{j,i}(t)$ (2.2).

W_i is the weight of Ticker "i" vs the overall capitalization of the Ticker;

$P_i^A(t)$ is the average Price of Ticker "i" fixed at a date "t" (prior to the date when the index calculation parameters were established);

Q_i^M is the number of shares under Ticker "i" that constitute the free-float;

Q_i is the issue volume of Ticker "i" expressed as a number of shares;

FF_i is the free-float multiple of Ticker “i”;

$P_{j,i}(t)$ is the closing price of the Ticker quoted on Exchange “j” or deducted according to a DR/share ratio from the depository receipt price for Ticker “i” at date “t”;

$l_{j,i}$ is the liquidity ratio of Ticker “i” traded on Exchange “j” and included in the sector index calculation, determined according to Clause 5.2.;

5.3.2. If the capitalization weighting of a Ticker (or Tickers) exceeds 25%, the weighting for this Ticker is capped at 25%, while the capitalization weightings for other Tickers are determined according to the following formula:

$$W'_i = W_i + k \cdot \tilde{W}_i,$$

$$\text{In which } k = \sum_{j=1}^r W_j^e - r \cdot 0,25 \quad (3.1) \text{ and } \tilde{W}_i = \frac{W_i}{1 - \sum_{j=1}^r W_j^e} \quad (3.2),$$

where:

W'_i is the capitalization weighting for Ticker “i” vs the overall capitalization of all index Tickers, resulting from the redistribution of excessive weightings;

W_i is the capitalization weighting for Ticker “i”;

W_j^e is the capped capitalization weighting for Ticker “j” vs the overall capitalization of Tickers in the index;

r is the number of Tickers in the index whose capitalization weighting vs the overall capitalization of the included Tickers exceeds 25%;

This algorithm is re-applied until the capitalization weighting for all Tickers in the index are equal to or less than 25%.

5.3.3. The number of Tickers used in the index calculation corresponds to the following formula:

$$Q_i^I = W_i' \cdot \frac{\sum_{i=1}^N P_i^A(t) \cdot Q_i^M}{P_i^A(t)} \cdot \frac{\min_1^N \{W_j\}}{\min_1^N \{W_j'\}}$$

where:

Q_i^I is the number of shares under Ticker “i”;

W_i', W_j' is the capitalization weighting of Tickers “i” and “j” vs the overall capitalization of Tickers in the index resulting from the redistribution of excessive weightings;

$\min_1^N \{W_i\}, \min_1^N \{W_j'\}$ is the smallest of the capitalization weightings vs the overall capitalization of the Tickers in the index, found respectively before and after the redistribution of excessive weightings;

$P_i^A(t)$ is the average share price for Ticker “i” on date “t”;

Q_i^M is the number of shares under Ticker “i” constituting the free-float.

6. Index calculation formula

6.1. The index values at date “t” are calculated according to the following formula:

$$I(t) = I(t_0) \cdot \frac{\sum_{i=1}^N P_i^A(t) \cdot Q_i^I}{\sum_{i=1}^N P_i^A(t_0) \cdot Q_i^I},$$

$$\text{in which } P_i^A(t) = P_i^A(t_0) \cdot \sum_j \left(l_{j,i} \cdot \frac{P_{j,i}(t)}{P_{j,i}(t_0)} \right) \quad (5.1),$$

where:

$I(t_0)$ is the index value at date “t₀”;

$P_i^A(t_0)$ is the average Price of Ticker “i” on date “t₀”;

Q_i^I is the number of shares under Ticker “I”;

$P_{j,i}(t)$ is the closing price of a Ticker, quoted on Exchange “j”, or deducted according to the DR/share ratio from the depository receipt price of Ticker “i” on date “t”;

$l_{j,i}$ is the liquidity ratio for Ticker “i”;

t_0 is the date prior to the date when the index composition and calculation parameters were introduced.

7.7. Frequency and accuracy of index value calculations

7.1. Sector indices are calculated once a day after information on closing prices on the stock exchanges listed in 3.1 becomes available.

7.2. The index calculation result is carried out to two decimal places.

8. Introduction of changes to the index composition and calculation parameters

8.1. The index composition and calculation parameters are approved by the Index Committee on a quarterly basis on the fifth day of the first month of every quarter. If that day is a non-working day, then the index composition and index calculation parameters are approved on the first working day following it. Any other date can be set by the Index Committee.

8.2. The index composition and calculation parameters come into force on a quarterly basis on the 20th day of the first month of every quarter. If that day is a non-working day then the changes become effective on the first working day following it. Any other date can be set by the Index Committee.

8.3. Extraordinary changes in the composition of an index and calculation parameters can occur in the following cases:

- If trading in a Ticker included in the index is suspended;
- If the issue terms for the Ticker change;

- If the free-float multiple of the Ticker changes dramatically.

8.4. Extraordinary changes to the index composition and calculation formulas require approval by the Index Committee.

8.5. The introduction of extraordinary changes to the index composition and calculation formulas come into force on the day immediately following the date of approval by the Index Committee. If that days falls for a non-working day, the new index composition and calculation formulas become effective on the first working day after the approval date.

8.6. When introducing extraordinary changes to the index composition and calculation formulas, the Committee is relying on Prices information on the Tickers as of the last trading date prior to the approval date for the extraordinary changes.

Appendix 1

Index Committee Regulations

1. The structure of the Index Committee is approved by the CEO of URALSIB Capital LLC;
2. Employees of URALSIB Financial Corporation and independent members form the Committee membership;
3. The Committee's duties involve:
 - a. Setting minimal quarterly trading volumes on global tickers for their inclusion in the index calculation;
 - b. Setting the minimum trading sessions in a quarter for global tickers for their inclusion in the index calculation;
 - c. Setting a free-float multiple for each global ticker;
 - d. Approving the parameters for the index calculation on a quarterly basis;
 - e. Incorporating changes and additions to the **Parameters**.
4. The Index Committee's decision-making process stipulates that personal or absentee voting decisions are approved by a simple majority vote.
5. An ordinary meeting of the Index Committee has to be held at least once a year.