

## **IMPORTANT NOTICE**

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THESE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this base prospectus or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing this base prospectus, you shall be deemed to have represented to us that you are not a U.S. person; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of such base prospectus by electronic transmission.

You are reminded that this base prospectus has been delivered to you on the basis that you are a person into whose possession this base prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this base prospectus to any other person.

This base prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Barclays Bank PLC and Citigroup Global Markets Limited (together, the "Arrangers and Permanent Dealers") or any affiliate of the Arrangers and Permanent Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers and Permanent Dealers or such affiliate on behalf of the GPB Eurobond Finance PLC in such jurisdiction.

Under no circumstances shall this base prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this base prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in this base prospectus. This base prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

This base prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers and Permanent Dealers or any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the base prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers and Permanent Dealers.



U.S.\$10,000,000,000

## Programme for the Issuance of Loan Participation Notes

*to be issued by, but with limited recourse to,*

## GPB EUROBOND FINANCE PLC

for the purpose of financing loans to

**Gazprombank (Open Joint-stock Company)(formerly Joint-stock Bank of the  
Gas Industry Gazprombank (Closed Joint-stock Company))**

Under the Programme for the Issuance of Loan Participation Notes (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”), GPB Eurobond Finance PLC (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue loan participation notes (the “**Notes**”) on the terms set out herein, as supplemented by a final terms supplement (each such final terms supplement “**Final Terms**”) setting out the specific terms of each issue. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$10,000,000,000 (or the equivalent in other currencies). Notes will be issued in Series (as defined in “*Overview of the Programme*”) and the sole purpose of issuing each Series will be to finance either a senior loan (a “**Senior Loan**”) or a subordinated loan (a “**Subordinated Loan**”) and, together with a Senior Loan, the “**Loans**” and each a “**Loan**”) to Gazprombank (Open Joint-stock Company)(formerly Joint-stock Bank of the Gas Industry Gazprombank (Closed Joint-stock Company)) (“**Gazprombank**”, “**we**” or the “**Borrower**”) as borrower, on the terms of either: (i) in relation to a Senior Loan, a facility agreement between the Issuer and Gazprombank dated 14 September 2007 (the “**Facility Agreement**”), as amended and supplemented by a loan supplement to be entered into in respect of each Loan on or before each issue date (“**Issue Date**”) of the relevant Series (each a “**Loan Supplement**”) and, together with the Facility Agreement, the “**Senior Loan Agreement**”), or (ii) in relation to a Subordinated Loan, a subordinated loan agreement between the Issuer and Gazprombank to be dated on or before the Issue Date of the relevant Series (the “**Subordinated Loan Agreement**”). In this Base Prospectus, “**Loan Agreement**” shall mean either (i) a Senior Loan Agreement (in respect of a Senior Loan) or (ii) a Subordinated Loan Agreement (in respect of a Subordinated Loan), as applicable. The relevant Final Terms in respect of the issue of any Series of Notes will specify whether a Loan being financed by such Series of Notes is a Senior Loan (such Series of Notes being a “**Senior Series**”) or a Subordinated Loan (such Series of Notes being a “**Subordinated Series**”). Subject as provided in the Trust Deed (as defined herein) the Issuer will (a) charge, in favour of Citicorp Trustee Company Limited as trustee (the “**Trustee**”), by way of a first fixed charge as security for its payment obligations in respect of each Series of Notes and under the Trust Deed, certain of its rights and interests under the relevant Loan Agreement and the relevant Account (as defined in the relevant Loan Supplement or the Subordinated Loan Agreement, as the case may be), but excluding any Reserved Rights (as defined in the Trust Deed), and (b) assign, in favour of the Trustee, certain of its other rights under the relevant Loan Agreement but excluding any Reserved Rights, in each case for the benefit of the holders of the corresponding Series of Notes (the “**Noteholders**”), all as more fully described under “*Overview of the Programme*”.

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of a Series of Notes, the obligation of the Issuer to make any such payment constitutes an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of such Series of Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained (net of tax) from Gazprombank by or for the account of the Issuer pursuant to the relevant Loan Agreement, less any amounts in respect of the Reserved Rights. The Issuer will have no other financial obligation under the Notes. **Noteholders will be deemed to have accepted and agreed that they will be relying solely on the credit and financial standing of Gazprombank in respect of the payment obligations of the Issuer under the Notes.**

This Base Prospectus supersedes and replaces the Base Prospectus dated 14 September 2007.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE “**RISK FACTORS**” BEGINNING ON PAGE 9.

THE NOTES AND THE CORRESPONDING LOANS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), AS AMENDED AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)). THE NOTES MAY BE OFFERED AND SOLD TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (THE “**REGULATION S NOTES**”). THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS, SEE “**SUBSCRIPTION AND SALE**” AND “**TRANSFER RESTRICTIONS**”.

Under Russian law, the Notes are securities of a foreign issuer. The Notes are not eligible for initial offering and circulation in the Russian Federation. Neither the issue of the Notes nor a securities prospectus in respect of the Notes has been, or is intended to be, registered with the Federal Service for Financial Markets of the Russian Federation (the “**FSFM**”). The information provided in this Base Prospectus is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the Notes in the Russian Federation or to, or for the benefit of any, Russian person or entity.

Application has been made to the Irish Financial Services Regulatory Authority (the “**Financial Regulator**”) as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”) for this Base Prospectus to be approved. Application has been made to the Irish Stock Exchange Limited (the “**Irish Stock Exchange**”) for Notes issued under the Programme within 12 months of the date of approval of this Base Prospectus to be admitted to the Official List (the “**Official List**”) of the Irish Stock Exchange and to trading on its regulated market (the “**Market**”). The Market is a regulated market for the purposes of Directive 2004/39/EC. Such approval relates only to the Series of Notes which are to be admitted to trading on the Market or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Unlisted Notes may also be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Irish Stock Exchange (or any other stock exchange) and admitted to trading on the Market (or any other market).

Notes of each Series will initially be represented by interests in a global unrestricted Note in registered form, without interest coupons, which will be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on its Issue Date. Beneficial interests in a Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. See “*Summary of the Provisions Relating to the Notes in Global Form*”. Individual definitive Notes in registered form will only be available in certain limited circumstances as described herein.

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, Gazprombank and the relevant Dealer at the time of issue in accordance with prevailing market conditions. The minimum denomination of any Notes issued under the Programme shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

*Arrangers and Permanent Dealers*

**Barclays Capital**

**Citi**

The date of this Base Prospectus is 18 June 2008

This Base Prospectus comprises a base prospectus for the purposes of Article 5 of Directive 2003/71/EC and for the purpose of giving information with regard to the Issuer, Gazprombank and its subsidiaries taken as a whole (the “**Group**”) which, according to the particular nature of the Issuer, Gazprombank, the Group, the Notes and the relevant Loan, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, Gazprombank and the Group. Each of the Issuer and Gazprombank accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Issuer and Gazprombank (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In addition, Gazprombank, having made all reasonable enquiries, confirms that (i) this Base Prospectus contains all information with respect to Gazprombank, the Group, the relevant Loans and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Base Prospectus relating to Gazprombank and the Group are in every material particular true and accurate and not misleading; (iii) the opinions, expectations and intentions expressed in this Base Prospectus with regard to Gazprombank and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to Gazprombank, the Group, the relevant Loans or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Base Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made by Gazprombank to ascertain such facts and to verify the accuracy of all such information and statements. Accordingly, save as set out in the immediately preceding sentence and below, Gazprombank accepts responsibility for the information contained in this Base Prospectus. Gazprombank’s legal name is Gazprombank (Open Joint-stock Company) and the address of its registered office and its head office (the “**Head Office**”) is 16 Block 1, Nametkina St., Moscow 117420, the Russian Federation. The telephone number of the registered office and head office is +7 495 913 74 74. The Issuer’s legal name is GPB Eurobond Finance PLC, registered as a public company with limited liability under the Companies Act 1963-2005 of Ireland under number 406153, and its registered address is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland. The Issuer may be reached by telephone at +353 1 680 6000.

Information under the heading “*Banking Sector and Banking Regulation in the Russian Federation*” and information relating to OAO Gazprom (“**Gazprom**”) and its subsidiaries taken as a whole (the “**Gazprom Group**”) includes extracts from information and data publicly released by official and other sources (including, *inter alia*, the Central Bank of the Russian Federation (the “**CBR**”). The Issuer and Gazprombank accept responsibility for accurately reproducing such information and data, but accept no further responsibility in respect of such information and data. So far as the Issuer and Gazprombank are able to ascertain from this publicly available information, no facts have been omitted which would render the reproduced information misleading or inaccurate.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, Gazprombank, the Group, the Trustee, the Dealers or the Arrangers (each as defined under “*Overview of the Programme*”) to subscribe for or purchase any of the Notes.

The distribution of this Base Prospectus and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, Gazprombank, the Group, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Base Prospectus is set out under “*Subscription and Sale*”.

No person is authorised to provide any information or make any representation not contained in this Base Prospectus and any information or representation not contained in this Base Prospectus and any information or representation so contained must not be relied upon as having been authorised by or on behalf of the Issuer, Gazprombank, the Group, the Trustee, any of the Dealers or the Arrangers. The delivery of this Base Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. The websites of Gazprombank and other members of the Group do not form any part of the contents of this Base Prospectus.

Neither the delivery of this Base Prospectus nor the offer, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, Gazprombank or the Group since the date of this Base Prospectus.

None of the Issuer, Gazprombank, the Trustee, the Group, the Arrangers or the Dealers or any of the respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained. Gazprombank, the Group, the Issuer, the Arrangers and the Dealers are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether or the extent to which any Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions. Such investors should consult their legal advisers regarding such matters.

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

**In connection with the issue of any Series of Notes, one of the Dealers (or persons acting on its behalf), if any, will act as the stabilising manager (the “Stabilising Manager”), as disclosed in the relevant Final Terms. Such Stabilising Manager (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that such Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of a Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of such Series of Notes and 60 days after the date of allotment of such Series of Notes. Any stabilisation action or over-allotment must be conducted by such Stabilising Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.**

Copies of this Base Prospectus have been filed with and approved by the Financial Regulator as required by the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the “**Prospectus Regulations**”). Upon approval of this Base Prospectus by the Financial Regulator, this Base Prospectus will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

The Issuer is not and will not be regulated by the Financial Regulator as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Financial Regulator.

THE DEALERS AND ARRANGERS HAVE NOT SEPARATELY VERIFIED THE INFORMATION CONTAINED IN THIS BASE PROSPECTUS. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE DEALERS OR THE ARRANGERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DOCUMENT, AND NOTHING CONTAINED IN THIS DOCUMENT IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE DEALERS OR THE ARRANGERS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS BASE PROSPECTUS.

EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN ANY NOTES ISSUED UNDER THIS PROGRAMME FROM TIME TO TIME MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF GAZPROMBANK AND THE ISSUER AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

## **ENFORCEABILITY OF CIVIL LIABILITIES IN RUSSIA**

Gazprombank is an open joint-stock company incorporated under the laws of the Russian Federation. All of our assets are currently located outside the United Kingdom. In addition, all of our directors and executive officers of Gazprombank are residents of countries other than the United Kingdom. As a result, it may not be possible for investors to:

- effect service of process within the United Kingdom upon any of our directors or executive officers named in this Base Prospectus; or
- enforce, in courts located within the United Kingdom, judgments obtained in courts in jurisdictions located outside the United Kingdom against us or any of their respective directors or executive officers in any action.

In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom, liabilities predicated upon English law.

Judgments rendered by a court in any jurisdiction outside the Russian Federation will be recognised by courts in Russia only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered. No such treaty exists between the United Kingdom and the Russian Federation for the reciprocal enforcement of foreign court judgments.

The relevant Loan Agreements will be governed by English law and provide for disputes, controversies and causes of action brought by any party thereto against us to be settled by the courts of England or by arbitration in accordance with the Rules of the London Court of International Arbitration. The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards. However, it may be difficult to enforce arbitral awards in the Russian Federation due to the relative inexperience of the Russian courts in international commercial transactions and political resistance to the enforcement of awards against Russian companies in favour of foreign investors.



## **SUPPLEMENTAL BASE PROSPECTUS**

Gazprombank will, in connection with the listing of the Notes on the Irish Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Irish Stock Exchange.

The Issuer and Gazprombank may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the Terms and Conditions herein, in which event a supplemental Base Prospectus, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Notes.

The Issuer and Gazprombank may agree with any Dealer the form of any future Subordinated Loan Agreement, in which event a series prospectus will be published for use in connection with any subsequent issue of any Subordinated Series to be listed on the Irish Stock Exchange.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Base Prospectus includes audited consolidated financial statements of the Group as at and for the years ended 31 December 2006 and 2007 and an independent auditors' report of Deloitte & Touche (“**Deloitte & Touche**”) on the consolidated financial statements of the Group as at and for the years ended 31 December 2006 and 2007. Deloitte & Touche have expressed an unqualified opinion on the statements for the years ended 31 December 2006 and 2007, as stated in their report appearing herein. The address of Deloitte & Touche in Russia is 4/7-2 Vozdvizhenka St., Moscow 125009, Russian Federation.

The audited consolidated financial statements of the Group contained in this Base Prospectus have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as promulgated by the International Accounting Standards Board (“**IASB**”).

The audited financial statements of the Issuer from the date of its incorporation until 31 August 2006 and as at and for the year ended 31 August 2007 and the relevant independent auditors' reports of Deloitte & Touche which have been filed with the Irish Stock Exchange, shall be deemed to be incorporated in, and form part of, this Base Prospectus. See “*Documents Incorporated by Reference*”. Deloitte & Touche have expressed an unqualified opinion on the statements of the Issuer incorporated by reference herein, as stated in the relevant reports. The address of Deloitte & Touche in Ireland is Earlsfort Terrace, Dublin 2, Ireland. The audited financial statements of the Issuer incorporated by reference into this Base Prospectus have been prepared in accordance with Irish Generally Accepted Accounting Principles (“**Irish GAAP**”).

In this Base Prospectus, references to “**roubles**” and “**RUB**” are to the lawful currency for the time being of the Russian Federation, references to “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency for the time being of the United States of America, references to “**£**” are to the lawful currency for the time being of the United Kingdom, and references to “**euro**”, “**€**” and “**EUR**” are to the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Community, as amended from time to time.

This Base Prospectus contains conversions of certain amounts relating to particular transactions from the currency in which the transaction was effected into U.S. dollars. These conversions were effected at the relevant foreign currency to the U.S. dollar rate in effect as at the date of the transaction unless otherwise stated. The rouble/U.S. dollar exchange rate, published by the CBR and expressed as a number of roubles per U.S.\$1.00, was RUB24.55 and RUB26.33 at 31 December 2007 and 2006, respectively. As at the close of business on 13 June 2008 (being the last practicable date prior to the finalisation of this Base Prospectus), the rouble/U.S. dollar exchange rate was RUB23.7825 = U.S.\$1.00. No representation is made that the rouble or U.S. dollar amounts referred to herein could have been or could be converted into roubles or U.S. dollars, as the case may be, at these rates, at any particular rate or at all.

The Group's functional currency is the Russian rouble. Nevertheless, for convenience of users of the consolidated financial statements contained in this Base Prospectus, the U.S. dollar remains the presentation currency of the consolidated financial statements. See further Note 2 of the Notes to our consolidated financial statements for the year ended 31 December 2007.

In this Base Prospectus, references to “**net loans**” mean the principal amount of the relevant loans less allowances for applicable loan loss impairment. Unless otherwise specified herein, references to loans are to gross loans, without deduction for applicable loan loss impairment.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.



## FORWARD-LOOKING STATEMENTS

This Base Prospectus contains “forward-looking statements” that relate to, without limitation, our plans, objectives, goals, strategies, future operations and performance. These forward-looking statements are characterised by words such as “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “may”, “will”, “should” and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause circumstances or our actual results, performance or achievements to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such forward-looking statements are inherently based on numerous assumptions regarding, among other things:

- the performance of the Russian economy;
- our ability to remain competitive in the banking industry;
- the effects of changes in laws, regulations, taxation or accounting standards or practices;
- our ability to comply with CBR mandatory economic ratio requirements and continue to participate in the system of mandatory insurance of retail bank deposits in Russia;
- our ability to continue to diversify our customer base beyond the Gazprom Group and the gas industry;
- the impact of the growth of our loan portfolio on our revenue potential and overall asset quality;
- the impact of exchange rate fluctuations; and
- our ability to meet our funding obligations and develop and maintain additional sources of financing.

We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Accordingly, prospective purchasers of the Notes should not rely on these forward-looking statements. The important factors that could cause our actual results, performance or achievements to differ materially from those in these forward-looking statements include, but are not limited to, those discussed in “*Risk Factors*” and “*Business*”. These forward-looking statements speak only as at the date of this Base Prospectus. We expressly disclaim any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectation with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based, unless required to do so by applicable law.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The audited financial statements of the Issuer from the date of its incorporation until 31 August 2006 and as at and for the year ended 31 August 2007 and the independent auditors' reports of Deloitte & Touche which have been filed with the Irish Stock Exchange, shall be deemed to be incorporated in, and to form part of, this Base Prospectus.

All amendments and supplements to this Base Prospectus prepared by the Issuer from time to time shall be deemed to read in conjunction with this Base Prospectus, provided, however, that any statement contained in this Base Prospectus or in any of the documents incorporated by reference herein and forming part of this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any subsequent document read in conjunction with this Base Prospectus (in the appropriate manner) modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and at the offices of the Paying Agents.

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## OVERVIEW OF GAZPROMBANK

*The following summary should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information and our consolidated financial statements and notes thereto included elsewhere in this Base Prospectus. Investing in the Notes involves risks. The information set forth under “Risk Factors” should be carefully considered. Certain statements in this Base Prospectus include forward looking statements that also involve risks and uncertainties as described under “Forward-Looking Statements”.*

We were the third largest bank in the Russian Federation in terms of total assets and equity as at 31 March 2008, according to the Russian Interfax News Agency.

Our principal activities comprise corporate banking, investment banking and retail banking. We also generate income from trade finance, deposit taking, foreign exchange, securities trading, plastic card services, depositary and custodian services, money transfer and clearing operations and settlement services. We provide a broad array of commercial banking services to many of Russia’s leading corporations, including, in particular, Gazprom and other members of the Gazprom Group. We have a network of 36 branch offices and over 159 banking outlets located throughout the Russian Federation. See “*Business—Regional Network*”. Our network extends to the principal regions where gas is extracted, produced and transported and to many of the largest financial and industrial centres in the Russian Federation.

We also have equity interests in four Russian banks and in two foreign banks, Belgazprombank (located in Belarus) and Areximbank (located in Armenia), as well as investments in a handful of companies that operate in non-banking related industries, such as SIBUR Holding and Gazprom Media Group.

We were founded by Gazprom in 1990 to improve the quality and effectiveness of financial services provided to the Gazprom Group and the Russian gas industry. We have a long and close relationship with the Gazprom Group; since 1998, we have been its preferred bank for servicing the gas industry.

Until December 2006, we were, directly and indirectly, wholly owned by Gazprom. In December 2006, Gazprom divested 45.76 per cent. of its shareholding as a result of a sale of shares and an issue of new shares. As at 6 June 2008, our shareholders and their respective holdings comprise Gazprom (41.73 per cent.), non-state pension fund Gazfond (“**Gazfond**”) (50 per cent. plus one share, of which 7.11 per cent. is held directly by Gazfond, 17.15 per cent. is held through a subsidiary of ZAO “Leader” called OAO “GAZ-servis”, 17.17 per cent. is held through a subsidiary of ZAO “Leader” called OAO “GAZKON” and 8.57 per cent. is held on the basis of fiduciary management (*doveritelnoye upravlenie*) by the asset management company for Gazfond, closed joint stock company ZAO “Leader”), our wholly-owned subsidiary OOO “Novye Finansovye Technologii” (6.27 per cent.) and employees of Gazprombank (2 per cent.).

Historically, we have been reliant on the Gazprom Group. While we have been diversifying our asset and risk base and aim to further diversify our asset and risk base, we remain committed to servicing the banking requirements of the Gazprom Group and retaining our strategic partnership with Gazprom so that we can continue to benefit from Gazprom’s vast resources as the world’s largest natural gas company and the world’s largest publicly traded hydrocarbons company in terms of reserves, production and transportation.

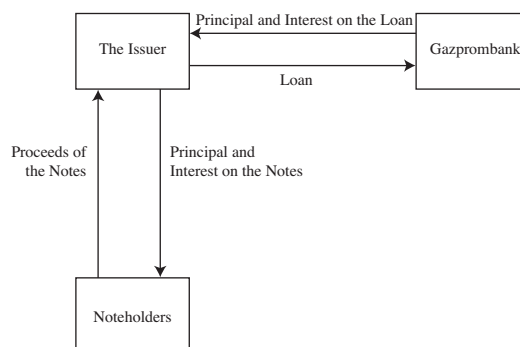
## OVERVIEW OF THE PROGRAMME

*The following overview contains basic information about the Notes and the relevant Loans and should be read in conjunction with, and is qualified in its entirety by, the information set forth under “Terms and Conditions of the Notes” and “Facility Agreement” appearing elsewhere in this Base Prospectus. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document and, (i) in relation to the terms and conditions of any particular Series of Notes, the applicable Final Terms and (ii) in relation to a Subordinated Series of Notes, the relevant Subordinated Loan Agreement. Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this summary. The Issuer and Gazprombank may agree with any Dealer that Notes may be issued in a form other than that contemplated in “Terms and Conditions of the Notes”, in which event either a supplement to this Base Prospectus or a prospectus, if appropriate, will be made available that will describe the effect of the agreement reached in relation to such Notes.*

Each transaction will be structured as a Loan by the Issuer to Gazprombank of a sum equivalent to the gross proceeds of an issue of a Series of Notes. The Issuer will issue Notes to Noteholders for the sole purpose of funding such Loan. Each Series of Notes will be constituted by a principal trust deed as supplemented and amended in respect of such Series of Notes by a Supplemental Trust Deed (together, the “**Trust Deed**”), each entered into between the Issuer and the Trustee (as defined below). Pursuant to the Trust Deed the Issuer will (i) charge to the Trustee by way of a first fixed charge as security for a Series of Notes (a) all rights to principal, interest and other amounts payable by Gazprombank under the relevant Loan Agreement, (b) the right to receive all sums which may be payable by Gazprombank under any claim, award or judgement relating to the relevant Loan Agreement and (c) all rights, title and interest in and to all sums of money now or in the future deposited in an account established for the relevant Series of Notes with the Paying Agent in the name of the Issuer (the “**Account**”) including interest from time to time earned thereon and (ii) assign certain of its rights under the relevant Loan Agreement (but, in each case, excluding any Reserved Rights (as defined in the Trust Deed)), to the Trustee for the benefit of the holders of the corresponding Series of Notes. Gazprombank will be obliged to make payments under each Loan to the Issuer in accordance with the terms of the relevant Loan Agreement. Gazprombank will be obliged under the terms of the relevant Loan Agreement to make payments in respect of principal, interest and additional amounts (if any) to the Issuer to the Account. The Issuer will agree in the Trust Deed not to make or consent to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of any Loan Agreement, unless the Trustee has given its prior written consent. The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to each Loan Agreement. Any material amendments, modifications, waivers or authorisations made with the Trustee’s consent shall be notified to the Noteholders in accordance with, and as more fully described in “*Terms and Conditions of the Notes-14, Notices*” and shall be binding on the Noteholders. Formal notice of the security interests created by any Trust Deed will be given to Gazprombank and the Paying Agent, who will each be required to acknowledge the same.

The Issuer will have no other financial obligations under the relevant Series of Notes and no other assets of the Issuer (including the Issuer’s rights with respect to any Loan relating to any other Series of Notes) will be available to Noteholders. Accordingly, all payments to be made by the Issuer under each Series of Notes will be made only from and to the extent of such sums received or recovered and retained (net of tax) by or on behalf of the Issuer or the Trustee from the assets securing such Series. Noteholders shall look solely to such sums for payments to be made by the Issuer under such Notes, the obligation of the Issuer to make payments in respect of such Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer’s other assets in respect thereof. In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received or recovered and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

Set out below is a diagrammatic representation of the structure:



## Notes to be issued under the Programme

<b>Issuer</b>	GPB Eurobond Finance PLC.
<b>Gazprombank (as Borrower)</b>	Gazprombank (Open Joint-stock Company) with its registered office at 16 Block 1, Nametkina St., Moscow 117420, Russian Federation.
<b>Description</b>	Programme for the Issuance of Loan Participation Notes pursuant to which the Issuer may issue Notes.
<b>Programme Size</b>	Up to U.S.\$10,000,000,000 (or its equivalent in other currencies at the date of issue) in aggregate principal amount of Notes outstanding at any one time. Gazprombank may increase the amount of the Programme in accordance with the Dealer Agreement (as defined herein). In this respect, for the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
<b>Arrangers</b>	Barclays Bank PLC and Citigroup Global Markets Limited.
<b>Dealers</b>	Barclays Bank PLC and Citigroup Global Markets Limited. Pursuant to the terms of the Dealer Agreement, the Issuer, on Gazprombank's instructions, may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Series of Notes or in respect of the whole Programme. References in this Base Prospectus to " <b>Permanent Dealers</b> " are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to " <b>Dealers</b> " are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Series of Notes.
<b>Trustee</b>	Citicorp Trustee Company Limited.
<b>Registrar</b>	Citibank N.A., London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that an alternative registrar is appointed in respect of that Series. References in this Base Prospectus to " <b>Registrar</b> " are to Citibank N.A., London Branch or such alternative Registrar, as the case may be.
<b>Paying Agent</b>	Citibank N.A., London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another paying agent is appointed in respect of that Series. References in this Base Prospectus to " <b>Paying Agent</b> " are to Citibank N.A. London Branch or such alternative paying agent, as the case may be.



<b>Transfer Agent</b>	Citibank N.A., London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another transfer agent is appointed in respect of that Series. References in this Base Prospectus to “ <b>Transfer Agent</b> ” are to Citibank N.A., London Branch or such alternative transfer agent, as the case may be.
<b>Calculation Agent</b>	Citibank N.A., London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another calculation agent is appointed in respect of that Series. References in this Base Prospectus to “Calculation Agent” are to Citibank N.A., London Branch or such alternative calculation agent, as the case may be.
<b>Method of Issue</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ <b>Series</b> ” or “ <b>Series of Notes</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. The specific terms of each Series will be set out in a Final Terms supplement to this Base Prospectus which shall supplement the Terms and Conditions of the Notes.
<b>Issue Price of Notes</b>	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
<b>Status</b>	Each Series of Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the corresponding Loan and to account to the Noteholders for amounts equivalent to sums of principal and interest or increased principal and interest, as the case may be, and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the corresponding Loan, all as more fully described in “ <i>Terms and Conditions of the Notes—1. Status</i> ”.
<b>Security</b>	<p>The Issuer’s payment obligations in respect of each Series of Notes will be secured by a first fixed charge on:</p> <ul style="list-style-type: none"> <li>(a) all of the Issuer’s rights to principal, interest and other amounts paid and payable under the relevant Loan Agreement and its right to receive all sums paid and payable under any claim, award or judgment relating to such Loan Agreement (save for any Reserved Rights (as defined in the Trust Deed)); and</li> <li>(b) all the rights, title and interest in and to all sums of money held from time to time in an account for the particular Series specified in the relevant Loan Agreement, together with the debt represented thereby (including interest from time to time) pursuant to the Trust Deed.</li> </ul>
<b>Assignment of Rights</b>	The Issuer will assign its rights under the relevant Loan Agreement (save for any Reserved Rights and those rights charged above), to the Trustee upon the closing of the offering of the corresponding Series of Notes.
<b>Form</b>	Each Series of Notes will be issued in registered form. The Notes will be represented by a Global Note without interest coupons. The Global Note will be exchangeable for Definitive Notes without interest coupons in the limited circumstances specified in the Global Note.
<b>Clearing Systems</b>	Euroclear and Clearstream, Luxembourg and such other clearing system as may be agreed between the Issuer, Gazprombank, the Paying Agent, the Trustee and the relevant Dealer(s).

<b>Initial Delivery of Notes</b>	On or before the issue date for each Series, the Global Note will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. The Notes will be registered in the name of a nominee of Euroclear and Clearstream, Luxembourg. A Global Note may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, Gazprombank, the Paying Agent, the Trustee and the relevant Dealer(s). Notes that are to be credited to one or more clearing systems on issue will be registered in the name of a nominee or nominees for such clearing systems.
<b>Currencies</b>	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, Gazprombank and the relevant Dealer(s).
<b>Maturities</b>	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, Gazprombank and the relevant Dealer(s) provided that such maturity shall not be less than one year.
<b>Denomination</b>	Notes will be in such denominations as may be specified in the relevant Final Terms, save that unless otherwise permitted by then current laws and regulations the minimum denomination of any Note shall be €50,000 (or its equivalent in any other currency as at the issue date of the relevant Notes).
<b>Rate of Interest</b>	The Notes may be issued on a fixed rate or a floating rate basis.
<b>Fixed Rate Notes</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Notes</b>	<p>Floating Rate Notes will bear interest determined separately for each Series and corresponding Loan as follows:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</li> <li>(b) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.</li> </ul>
<b>Interest Periods and Interest Rates</b>	The length of the interest periods for the Notes and the applicable interest rate may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
<b>Redemption</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations.
<b>Issuer's Restrictions and Covenants</b>	So long as any Note remains outstanding, the Issuer will not, without the consent of the Trustee, <i>inter alia</i> , incur any other indebtedness, open accounts, issue shares, have any employees, consolidate or merge, dispose of property or engage in any business (other than transactions contemplated herein or as permitted by the Trust Deed). Furthermore, the Issuer will agree in the Trust Deed not to make or consent to any amendment or modification or waiver of, or authorise any breach or proposed breach of the terms of, the corresponding Loan Agreement unless the Trustee has given consent.

<b>Redemption by the Issuer at the Option of Gazprombank</b>	In the case of a Senior Series only, the Issuer will redeem the Notes in whole, but not in part, at 100 per cent. of their aggregate principal amount plus accrued and unpaid interest or increased aggregate principal amount plus accrued and unpaid interest, as the case may be, and all additional amounts, if any, if Gazprombank elects to repay any Loan in the event it is required to pay increased and/or additional amounts on account of Russian or Irish withholding taxes in respect of certain payments under the corresponding Loan or payments under the corresponding Notes or in the event that Gazprombank is required to pay additional amounts on account of certain costs incurred by the Issuer pursuant to the relevant Senior Loan Agreement.
<b>Mandatory Redemption</b>	In the case of a Senior Series only and in limited circumstances as more fully described in the relevant Loan Agreement, the Notes may be redeemed by the Issuer in whole, but not in part, on any Interest Payment Date in the case of Floating Rate Notes or, at any time, in the case of Fixed Rate Notes, upon giving notice to the Trustee, at the principal amount thereof, together with accrued and unpaid interest or increased principal and interest, as the case may be, and all additional amounts, if any, to the date of redemption in the event that it becomes unlawful for (i) the Issuer to allow the relevant Notes to remain outstanding or (ii) the Issuer or Gazprombank to allow the relevant Loan to remain outstanding under the relevant Loan Agreement. In either case, the relevant Loan would be repaid in full.
<b>Relevant Events</b>	In the case of a Relevant Event (as defined in the Trust Deed), the Trustee may, subject as provided in the Trust Deed, enforce the security created in the Trust Deed in favour of the Noteholders.
<b>Withholding Tax</b>	All payments of principal and interest to be made by the Issuer in respect of each Series of Notes will be made in full without set-off or counterclaim and free and clear of and without deduction for or on account of all taxes, which are or will be imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation or Ireland, or any taxing authority thereof or therein, other than as required by law. If any such taxes, duties and other charges are payable, the sum payable by Gazprombank to the Issuer under the relevant Loan Agreement will (subject to certain exceptions) be required to be increased to the extent necessary to ensure that the Noteholders receive the net sum which they would have received free from any liability in respect of any such deduction or withholding had no such deduction or withholding been made or required to be made. The sole obligation of the Issuer in this respect will be to pay to the Noteholders sums equivalent to the sums received and retained from Gazprombank.
<b>Further Issues</b>	The Issuer may from time to time issue further Notes of any Series on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series. In the event of such further issuance, the relevant Loan will be correspondingly increased.
<b>Listing</b>	Application will be made, where specified in the relevant Final Terms, for a Series of Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on the Market or to be listed on such other stock exchange and traded on such other market as shall be specified in the relevant Final Terms or the Series of Notes will remain unlisted.

<b>Rating</b>	<p>The Programme has been assigned preliminary ratings by Standard &amp; Poor's Ratings Services as follows, depending on the type of issue: senior long-term loan participation notes, "BBB-"; senior short-term loan participation notes, "A3"; subordinated loan participation notes, "BB+". Moody's Ratings has assigned the Programme expected ratings of senior unsecured debt (long-term foreign currency), "A3". Series of Notes issued under this Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme.</p> <p><i>Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or Gazprombank could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.</i></p>
<b>Governing Law</b>	The Notes will be governed by English law.
<b>Selling Restrictions</b>	United States, United Kingdom, Russian Federation, Italy, Ireland and any other jurisdiction relevant to any Series. See " <i>Subscription and Sale</i> ".
<b>The Senior Loan corresponding to each Senior Series of Notes</b>	
<b>Lender</b>	GPB Eurobond Finance PLC.
<b>Borrower</b>	Gazprombank (Open Joint-stock Company).
<b>Security and Ranking</b>	No Senior Loan will be secured by any collateral. Obligations under the Senior Loan will rank at least <i>pari passu</i> with all other unsecured and unsubordinated financial indebtedness of Gazprombank.
<b>Interest Basis</b>	Interest will be payable on a fixed or floating rate basis as specified in the relevant Loan Supplement.
<b>Redemption at the Option of Gazprombank</b>	Each Senior Loan may be prepaid at Gazprombank's option in whole, but not in part, on any Interest Payment Date in the case of Floating Rate Loans or, at any time, in the case of Fixed Rate Loans at the principal amount thereof, together with accrued and unpaid interest or increased principal and interest, as the case may be, and additional amounts, if any, for certain tax reasons or by reason of certain increased costs.
<b>Mandatory Repayments</b>	In the event that it becomes unlawful for the Issuer or Gazprombank to fund any Senior Loan or allow such Senior Loan to remain outstanding under the relevant Senior Loan Agreement or allow the corresponding Senior Series of Notes to remain outstanding, Gazprombank may be required to repay the corresponding Senior Loan in full.
<b>Certain Restrictions and Covenants</b>	The Issuer will have the benefit of certain covenants made by Gazprombank all as more fully described in the relevant Senior Loan Agreement.

<b>Events of Default</b>	In the case of an Event of Default (as defined in the relevant Senior Loan Agreement), the Trustee may, subject as provided in the Trust Deed, cause the Issuer to declare all amounts payable under the relevant Senior Loan Agreement to be due and payable.
<b>Use of Proceeds of the Notes</b>	The Issuer will apply the gross proceeds of the offering of each Series of Notes to fund the corresponding Senior Loan to Gazprombank. In connection with the receipt of such Senior Loan, Gazprombank will pay an arrangement fee, as reflected in the relevant Loan Agreement.
<b>Withholding Tax</b>	All payments of principal and interest under each Senior Loan will be made in full without set-off or counterclaim and free and clear and without deduction for or on account of all taxes which are or will be imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation or Ireland, other than as required by law. If any such taxes, duties or other charges are payable in respect of the Senior Loan, the sum payable by Gazprombank under the corresponding Senior Loan will (subject to certain conditions) be required to be increased to the extent necessary to ensure that the Issuer receives and retains the net sum which it would have received and retained free from any liability in respect of any such deduction or withholding had no such deduction or withholding been made or required to be made.
<b>Governing Law</b>	Each Senior Loan will be governed by English law.
<b>The Subordinated Loan Corresponding to each Subordinated Series of Notes</b>	
The terms of any Subordinated Loan will be as set out in the relevant Subordinated Loan Agreement and as agreed with the CBR. A series prospectus containing the form of the Subordinated Loan Agreement will, if required, be published for use in connection with any subsequent issue of any Subordinated Series to be listed on the Irish Stock Exchange.	

## RISK FACTORS

*An investment in the Notes involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this document, before you decide to buy the Notes. Any of the following risk factors could cause our business, financial condition or results of operations to be adversely affected. In that case, the value of the Notes could decline and you could lose all or part of your investment.*

*We describe below the risks and uncertainties relating to us and an investment in the Notes that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those we currently do not know of or deem immaterial, may also have a material adverse effect on our business, financial condition or results of operations that could result in a decline in the value of the Notes and/or a loss of all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### ***The interests of our significant shareholders may conflict with those of the Noteholders***

Until December 2006, we were wholly owned by Gazprom. As at 6 June 2008 our shareholders and their respective holdings comprise Gazprom (41.73 per cent.), Gazfond (50 per cent. plus one share, of which 7.11 per cent. is held directly by Gazfond, 17.15 per cent. is held through a subsidiary of ZAO “Leader” called OAO “GAZ-servis”, 17.17 per cent. is held through a subsidiary of ZAO “Leader” called OAO “GAZKON” and 8.57 per cent. is held on the basis of fiduciary management (*doveritelnoye upravlenie*) by ZAO “Leader”), our wholly-owned subsidiary OOO “Novye Finansovye Technologii” (6.27 per cent.) and employees of Gazprombank (2.00 per cent.).

Historically, Gazprom and (indirectly) the Russian Federation have exerted significant control over our strategy, policies and operations. Currently, of the eleven members of our Board of Directors, seven were appointed by Gazprom. Our next general shareholders’ meeting to elect the Board of Directors will be held on 24 June 2008. Gazprom has nominated only five individuals out of eleven available seats to serve as its representatives on the Board of Directors for the coming year and therefore will no longer control the Board.

Notwithstanding the reduction in Gazprom’s shareholding, and the anticipated reduction in direct board representation, it and the Russian Federation have continued, and are expected to continue, to exert influence over our business, including, among other things, the election and removal of members of the Board of Directors and the Management Board, the declaration of dividends, acquisitions, investments and disposals and loans.

In addition, Gazfond and ZAO “Leader” (acting on the instructions of Gazfond) have substantial voting power at shareholders’ meetings and oversight of, and decision-making power with respect to, our management and general operations. Together, for example they can influence any vote on any proposed amendment to our charter, sale or acquisition of substantial assets or other major corporate transaction. Consequently, our shareholders have substantial oversight of, and decision-making power with respect to, our management and general operations.

The interests of our shareholders may, in some circumstances, conflict with the interests of Noteholders and they may require us to take actions that may adversely affect the Noteholders’ investment. Any such action or conflict could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

#### ***We face a number of risks relating to our relationship with the Gazprom Group and our exposure to the natural gas sector***

- ***We rely on the Gazprom Group both as a significant customer of our banking services and as a significant provider of our funding***

The Gazprom Group is our largest customer and we have historically been its preferred bank in the natural gas sector. As at 31 December 2007, the Gazprom Group accounted (directly and indirectly) for 9 per cent. of our gross loan portfolio and 8 per cent. of our gross exposure (gross loans due from credit institutions, securities at fair value through profit or loss and gross loans to customers).

Gazprom has also been a significant source of our funding. As at 31 December 2007, 34 per cent. of our outstanding total customer deposits were held for the benefit of, and 22 per cent. of our funding



base (including current accounts and time deposits of banks, corporate customers and individuals, Eurobonds and certificates of deposit issued by the Group, but excluding bearer promissory notes issued) was due to, members of the Gazprom Group.

In January 2007, we signed a Cooperation Agreement with Gazprom for the period to 2015, reinforcing the current relationship between us and envisaging further development of our strategic partnership. However, Gazprom has no obligation to contribute funds or otherwise provide financial support to us in the future. Furthermore, Gazprom is not providing any guarantees in connection with the Notes or any relevant Loan.

We cannot assure you that we will remain the Gazprom Group's preferred bank in the natural gas sector in the future. The loss of such position could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

- ***We are susceptible to a downturn in the natural gas sector***

Since our loan portfolio and gross exposures are heavily concentrated on the Gazprom Group and the natural gas sector, if there is a downturn in the Russian economy and/or that particular sector it could impair the ability of the Gazprom Group and other natural gas sector companies to service their loans, which could have a material adverse effect on our business, financial condition and results of operations.

- ***We are vulnerable to a restructuring of Gazprom***

The possibility that Gazprom may be reorganised into several smaller and less powerful production and transportation companies, or that certain of its operations may be re-allocated to other entities, has been the subject of domestic and international press speculation. Although Government officials and senior members of Gazprom's management have stated that the reorganisation or division of Gazprom is not currently planned, and moreover the Federal Law No. 69 FZ, dated March 31, 1999 "On Gas Supply in the Russian Federation" provides that the transfer of ownership to the Unified Gas Supply System of Russia may only be effected by federal law, Gazprom is not fully protected against the risks of a state-led restructuring. Any such restructuring could result in a loss of Gazprom as a significant source of our funding and the loss of our position as Gazprom's preferred bank in the natural gas sector. This could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

- ***Gazprom's continued investment in Gazprombank cannot be assured***

There can be no assurance that Gazprom will continue to invest in us in the future. As our primary activity is banking, our core business is not aligned with the core business of Gazprom. Any divestiture by Gazprom of its investment in us or change in its relationship with us could have a significant impact on the form and nature of our business, including our key customer base. Any such occurrence could consequently have a material adverse effect on our financial condition and results of operations.

***We face a number of risks relating to the diversification of our equity investments portfolio and our acquisition and/or disposition of equity, including our contemplated disposition of a portion of SIBUR Holding, in companies operating in non-banking related industries***

Whilst a wholly-owned subsidiary of Gazprom, we effected certain transactions, including acquiring interests in a range of companies which operate in non-banking related industries. We currently control just under 70 per cent. of SIBUR Holding ("**SIBUR Holding**"), a Russian petrochemical holding company and 100 per cent. of the Gazprom Media Group (see "*Business—Investment Banking Activities—Equity Investments—SIBUR Holding*" and "*—Gazprom Media Group*", respectively). We intend to dispose of 50 per cent. plus 1 share of SIBUR Holding's issued share capital (the "**SIBUR Disposal**") after which (if the transaction is completed) we will continue to own just under 20 per cent. of SIBUR Holding. See "*Business—Recent Developments—Acquisitions and Disposals of Non-Banking Assets*". We also hold various stakes in other companies including a 51 per cent. stake in Sibneftegas, a Russian gas company.

Some of these investments have contributed substantially to our revenues, assets and net profits. For example, as at and for the year ended 31 December 2007, SIBUR Holding accounted for U.S.\$4.9 billion (13 per cent.) of our total assets and U.S.\$880 million (60 per cent.) of our net profit and the Gazprom Media Group accounted for U.S.\$1.7 billion (4 per cent.) of our total assets and U.S.\$151 million

(10 per cent.) of our net profit. A notable adverse change in their performance, or their disposal (including the SIBUR Disposal), would result in a significant reduction in our assets and revenues and would also affect our margins.

There are specific risks unique to each of these companies that could lead to an adverse change in their respective performance and thus the value of our investments:

- The petrochemical, oil and gas industries are cyclical in nature. We could be reaching the peak of the current cycle which means that, with the passing of time, the performance of SIBUR Holding and/or Sibneftegas could decline in step with those industries as a whole.
- The shares of some of the Gazprom Media Group companies are not listed on any exchange and it might be difficult for us to sell them at fair value should we decide to do so. In addition, terrestrial and pay-TV services are strictly regulated. Consequently, the value of our media businesses could be adversely affected by changes in regulation. Also, the evolution in the Russian market of new distribution technologies and aggregation models for video materials could further increase competition in the media sector thus decreasing the value of our media investments.
- If the SIBUR Disposal is completed, we will own a minority stake in SIBUR Holding. We may in the future make partial disposals of other non-banking related companies in which we currently are the majority shareholder. Where we take a minority stake in any company, we cannot control the operations or assets of such company or direct major decisions made by such company. This constrains our ability to cause such company to take actions that we consider to be in its best interests or to refrain from taking actions that would be adverse to such company or to us as a minority shareholder.

In addition, we acquired these companies for the purpose of making medium-term investments intending to realise gains through their disposal. The strategic decisions as to when, how and on what terms we exit these investments will be taken in conjunction with our shareholders. There are no restrictions in any Loan Agreement or the Notes on our ability to dispose of these investments, although we are seeking waivers with respect to the SIBUR Disposal from certain lenders in respect of bilateral and syndicated loans. We may, for example, exit these investments through strategic sales to third parties, as in the case of the SIBUR Disposal, or an initial public offering (an “IPO”). We cannot assure you that the SIBUR Disposal will be successful, or that we will be successful in disposing of any other investments on fair market terms or at all or that any such disposal will be in the best interests of the Noteholders. Any deterioration in the value of any of the investments in these companies or failure to dispose of any investment on fair market terms could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***Our historical consolidated financial statements may not be representative of our future results in particular, if the SIBUR Disposal is completed***

Our consolidated financial statements and the other financial information we have included in this Base Prospectus do not necessarily indicate what our results of operations, financial condition or cash flows will be in the future. In particular, our financial statements currently consolidate SIBUR Holding, which means that 100 per cent. of SIBUR Holding’s assets, liabilities, revenues and profits are included in our consolidated financial statements. A separate minority interest line item is included in the calculation of equity and in net profit, respectively, which discloses the portion of equity and net profit attributable to minority shareholders. SIBUR Holding accounts for U.S.\$4.9 billion (13 per cent.) of our total assets and U.S.\$880 million (60 per cent.) of our net profit on a consolidated basis. If the SIBUR Disposal is completed, SIBUR Holding will be an associate company accounted for under the equity method and our total assets, revenues and net profit would decrease proportionately.

***Adverse price fluctuations of the securities in our equity portfolio could substantially harm our results of operations and financial condition***

We have a substantial equity investment portfolio that includes equity securities of Gazprom and other Russian issuers. As at 31 December 2007, our equity investment portfolio amounted to U.S.\$2.1 billion and accounted for 5.3 per cent. of our total assets. The Russian stock market has experienced significant volatility in recent years. A fall in the price of Russian or global equity securities generally could substantially reduce the value of our equity portfolio and the amount of our non-interest income attributable to profits resulting from fair value adjustments of our holdings and our dealings in shares in these and other companies.

In addition, we hold equity securities in our portfolio that are classified as available-for-sale or trading securities. Because these securities are marked-to-market, we may record gains or losses with respect to market price movements in such securities even if we do not sell such securities. For example, our available for sale investments decreased from U.S.\$2.5 billion as at 31 December 2006 to U.S.\$2.1 billion as at 31 December 2007, of which 6 per cent. is attributable to changes in the market prices of the securities that we hold. If there is substantial downward movement in the market prices of our equity securities, this will be immediately reflected in our valuation of our equity portfolio, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***We face significant and increasing competition***

We operate in an increasingly competitive market. Our primary competitors in corporate banking are currently Sberbank, Vneshtorgbank, Alfa Bank and, to a lesser extent, URALSIB Bank, Bank of Moscow, MDM-Bank and Rosbank. The Russian state-owned banks, Sberbank and Vneshtorgbank have larger banking operations than we do. In addition, larger, better capitalised foreign banks have entered the Russian banking market and are often able to offer a broader array of financial products at lower rates than we can. We also face strong competition in the retail business. Our main competitors are Sberbank (which inherited a retail branch network of approximately 20,000 branches from the Russian government), Alfa Bank, Bank of Moscow, MDM-Bank, VTB-24, Russian Standard Bank, Raiffeisen Bank, URALSIB Bank, Rosbank, Impexbank, HCF Bank, Russian Agricultural Bank, URSA Bank and Western banks operating in Russia. If we are not able to compete successfully with our main competitors, this could affect our profit margins and we could lose market share. Our net interest rate margins are periodically difficult to maintain due to increasing competition in the Russian banking market and the ability of large corporate customers to access alternative sources of funding, such as the international debt markets. See “*Business—Competition in the Russian Banking Industry*”.

***The industry and borrower concentrations in our loan portfolio make us vulnerable to downturns in certain sectors***

Our loan portfolio has relatively high industry concentrations. As at 31 December 2007, the natural gas, investment and finance, and manufacturing sectors accounted for 8 per cent., 14 per cent. and 14 per cent., respectively, of our gross loan portfolio. As at that date, total loans to our 10 largest borrowers amounted to U.S.\$3.9 billion, representing 23 per cent. of our gross loan portfolio. Our financial condition is sensitive to downturns in the above industry sectors and the financial condition of our largest borrowers. Although we continue to take measures to diversify our loan portfolio there can be no assurance that we will be able to achieve or maintain a greater level of diversification in our loan portfolio, and a failure to do so could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***The increase in the value of our loan portfolio and corresponding diversification of our customer base may result in a decrease in the overall quality of our loan portfolio. This could have a material adverse effect on our business if a significant number of our new customers fail to repay their loans***

Our gross loan portfolio increased to U.S.\$16.9 billion as at 31 December 2007 from U.S.\$12.1 billion as at 31 December 2006. A significant portion of this increase reflects our strategy of diversifying our customer base in industries other than the gas sector. In offering credit to a wider range of customers, we necessarily grant credit to customers that do not have extensive credit histories with us and with respect to whom limited credit information is available. We cannot fully predict potential loan impairment or assure you that our loan loss impairment and supporting collateral will be adequate in the future. If a significant number of our new customers fail to repay their loans, this could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes, especially if we continue growing our loan portfolio at the current pace.

***If our loan portfolio becomes inadequately collateralised, we could suffer losses***

We obtain collateral for most of the loans that we make, except where the exposure is to a Gazprom Group company and funded by Gazprom Group deposits with us. The main types of collateral or credit support we take are guarantees from the Gazprom Group, third party bank guarantees, liquid promissory notes, shares in Russian blue-chip companies and liens over inventory, real property and other similar monetary assets. A major change in the Russian property market or adverse economic developments, particularly in the gas and banking industries, could result in the deterioration in the value of this collateral. If our customers default on our loans and the value of the collateral supporting the loans does

not exceed the value of the associated loan or if the underlying collateral cannot be sold at an acceptable return or on a timely basis, for example, due to deficiencies in enforcement procedures, we could suffer losses.

***The continued expansion of our loan portfolio depends upon our ability to obtain adequate funding, principally from the international capital markets***

As at 31 December 2007, we had Eurobonds in the principal amount of U.S.\$3.72 billion outstanding. Access to the international bond markets has become an important source of funding for us, and is central to our strategy of increasing our U.S. dollar loan portfolio. We cannot, however, assure you that we will be able to continue to access the international capital markets to issue new debt or refinance our existing Eurobonds on favourable terms or at all. See “—*We may face liquidity risks and may fail to mitigate these risks*”. If we are unable to do so, we may be unable to increase the size of our loan portfolio, which could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***Our trading activities are inherently risky and could result in substantial losses***

We trade various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives as both agent and principal, and we derive a significant proportion of our non-interest income from dealing profits. We are exposed to a number of heightened risks related to the movement of market prices in the underlying instruments, including the risk of unfavourable market price movements relative to our long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that instruments that we choose to hedge certain positions with, do not track the market value of those positions. If we incur substantial losses from these exposures, it could substantially reduce our dealing profits or cause us to suffer losses from dealing activities, either of which could materially and adversely affect our business, financial conditions, results of operations and prospects and the value of the Notes.

***Unfavourable conditions in the credit markets could affect the value and growth of our loan portfolio and we may face liquidity risks and may fail to mitigate these risks***

The disruptions recently experienced in the global inter-bank and capital markets have led, generally, to reduced liquidity and increased cost of funding. Borrowers, generally, have experienced a reduction in available financing both in the inter-bank and short term funding market, as well as in longer term capital markets and bank finance instruments, otherwise termed the “Credit Squeeze”. The lack of supply of funds has resulted in significant increases in the costs of financing across these markets, for both investment grade and non-investment grade borrowers.

The availability of credit to emerging markets borrowers is also significantly influenced by investor confidence in such markets as a whole. Consequently, any factors that impact market confidence – for example, a decrease in credit ratings or state or central bank intervention in one market – could affect the price or availability of funding for entities within all emerging markets. Accordingly, any decrease in investor confidence within the emerging markets could have a negative effect on the price or availability of funding within such markets.

While we currently hold significant liquid assets, if the Credit Squeeze were to continue or if there were a decrease in market confidence in the emerging markets, our customers’ ability to repay or refinance their loans and our ability to raise funds in the international capital and bank finance markets could be adversely affected. Any decrease in the value or quality of our loan portfolio due to adverse market conditions could have an adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

In addition, persistently adverse market conditions could affect the continued expansion of our loan portfolio.

The Group’s ability to receive funding in the domestic and international capital, syndicated loan, interbank and special-purpose financing markets in the amounts sufficient to meet the Group’s liquidity needs could be adversely affected by a number of factors, including Russian and international economic conditions, including the current Credit Squeeze, and the state of the Russian financial and market systems.



Furthermore, Russian companies have significant liquidity requirements and, as a result, they often withdraw their deposits and are not in a position to place significant funds with the Group on a long-term basis. In addition, the Russian Civil Code (the “**Civil Code**”) entitles retail depositors to withdraw deposits, including term deposits, at any time. As such, unanticipated decreases in corporate client deposits and/or unexpected withdrawals of retail deposits may result in liquidity gaps that the Group may not be able to cover. In addition, the Group may also be exposed to maturity mismatches between its assets and liabilities, which may lead to a lack of liquidity at certain times. See “*Business—Asset, Liability and Risk Management—Risk Management Organisation—Liquidity Risk*”.

A deterioration of liquidity of Russian companies, or of the Russian and international capital, syndicated loan, interbank and special-purpose financing markets, significant withdrawals of corporate or retail deposits or maturity mismatches between the Group’s assets and liabilities could, together or separately, negatively impact our ability to implement our growth strategy and could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects and the value of the Notes. See “*Business—Asset, Liability and Risk Management—Risk Management Organisation—Liquidity Risk*”.

***We may be unable to adequately assess the credit risk of potential borrowers, which could have a material adverse effect on our business***

It is difficult for us to make an accurate assessment of default risk on loans and other instruments due to the unpredictability of the effect of economic conditions on our customers, especially in Russia. The financial statements of most of our corporate clients are not prepared in accordance with United States Generally Accepted Accounting Principles (“**U.S. GAAP**”) or IFRS and are not audited in accordance with United States Generally Accepted Auditing Standards or International Standards on Auditing. Even though we require regular disclosure of our clients’ financial information, such financial information may not always present a complete and comparable picture of each client’s financial condition. Therefore, in spite of the credit risk determination procedures that we have in place, we may be unable to evaluate correctly the current economic condition of each prospective borrower and to determine their long-term economic prospects. If we fail to assess correctly the credit risk of potential borrowers, this could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***We are exposed to interest rate sensitivity***

As is the case with other commercial banks, we are exposed to risks due to mismatches of our interest-earning assets, which are principally loans due from credit institutions and customers, and debt trading securities, and our interest-bearing liabilities, which include customer deposits, bank borrowings, certificated debt and Eurobonds. Depending upon the relative percentages of our total interest-bearing assets comprised of fixed rate and floating rate assets and the relative percentages of our total interest-bearing liabilities comprised of fixed rate and floating rate liabilities at any given time, our interest rate spreads could be negatively affected by general increases or decreases in interest rates.

***Our interest rate margins are narrowing***

In recent years we have experienced falling interest rate margins as a result of a decline in average interest rates charged on our loans to customers which have not been fully matched by decreases in the average interest rates we pay to our funding sources. Between 2003 and 2007, our effective interest rates on rouble loans to customers fell from 15.3 per cent. to 11.5 per cent., in contrast to the average interest rates paid on customer rouble deposits, which rose from 3.1 per cent. to 3.3 per cent. We expect such margins to continue their general decline in the future, principally as a result of increasing competition in the Russian banking market. While we expect that growth in lending will continue to generate increased interest income and thus offset any decline in our interest margins, the pace of loan portfolio growth may be constrained by our ability to increase lending volumes to customers that meet our credit quality standards. A significant fall in our average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on our funding sources could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***We are affected by fluctuations in global markets for oil, gas, minerals, precious metals and other raw materials***

Many of our large company clients engage in production and/or export of oil, gas, iron ore, metals and other raw materials. The financial condition of each such client depends on the prices of the relevant

commodities. A decrease in the prices of these commodities or an increase in production costs not offset by a corresponding price increase could negatively affect the financial condition of each such client and could result, among other things, in a decrease in the funds that they hold on deposit with us, a reduction in the volume of foreign currency and/or foreign trade operations in which they engage through us, a need for increased reserves, or a default on their obligations to us. Any of these occurrences could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***We face inflation and foreign exchange rate risks***

A significant portion of our income is denominated in U.S. dollars, while most of our costs are denominated in roubles. Our operating margins are generally adversely affected by the real appreciation of the rouble against the U.S. dollar (i.e., by an inflation rate that is higher than the rate at which the rouble is depreciating against the U.S. dollar). Assuming that we continue to derive a similar portion of our income in U.S. dollars, if the rouble continues to appreciate in real terms against the U.S. dollar, this could cause our costs to increase relative to our income, which could materially adversely affect our business, financial condition, results of operations and prospects and the value of the Notes.

***Our risk management strategies and techniques could leave us exposed to unidentified or unanticipated risks***

Although we invest substantial time and effort in our risk management strategies and techniques, they could nonetheless fail under some circumstances, particularly when confronted with risks that we do not identify or anticipate. If circumstances arise that we did not identify or anticipate in developing our statistical models, our losses could be greater than we expect. If our measures to assess and mitigate risk prove insufficient, we could experience material unexpected losses. Many of our more sophisticated trading and investment transactions are designed to profit from price movements and differences between prices. If prices move in a way that our risk modelling has not anticipated, we could experience significant losses. Assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that we calculate using mathematical models. Monitoring the deterioration of assets like these can be difficult and could lead to losses we have not anticipated.

***We are vulnerable to the risk that our employees may not adhere to our compliance procedures and risk management thresholds***

We run the risk that our employees may not adhere to our compliance procedures and limits on risk-related activities. The precautions we take to prevent and detect these forms of misconduct may not always be effective. Misconduct by existing employees could include binding us to transactions that exceed authorised limits or present unacceptable risks, or concealing from us unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information that could result in regulatory and legal sanctions and significant reputational or financial harm. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***We may be unable to further expand our corporate customer base, which could restrict our growth strategy***

One of the key aspects of our growth strategy is to continue to expand our corporate customer base beyond the Gazprom Group. Many of Russia's largest corporations have established in-house banking entities through which they conduct substantially all of their banking activities. Therefore there may be a limited number of high credit quality corporate customers to whom we may provide banking services. If we are unable to further expand our corporate customer base, our growth in lending may not generate significant interest income to offset any decline in our interest margins, which could materially adversely affect our growth objectives and our business, financial condition, results of operations and prospects and the value of the Notes.

***We are a highly regulated entity***

We are subject to extensive regulation in the Russian Federation by governmental organisations, particularly the CBR. The requirements, including capital adequacy requirements, imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties with whom we deal. These requirements are not necessarily designed to protect holders of



the Notes. Consequently, these regulations could limit our activities, including our lending to the Gazprom Group, and could increase our costs of doing business. In addition, a breach of regulatory guidelines in the Russian Federation could expose us to potential liability and other sanctions, including the loss of our general banking licence.

Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities and the regulatory structure governing our operations is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change and new laws or regulations could be adopted. If existing or future regulations were imposed on us, this could have an adverse effect on our business, financial condition and results of operations and prospects and the value of the Notes.

***If our derivative transactions were ruled to be unenforceable in Russia, this could have an adverse effect on our business***

From time to time, we enter into transactions with derivative instruments, including foreign currency options, although to date the volume of such transactions has been relatively low. Russian law does not specifically prohibit derivative transactions and derivative transactions are generally unregulated. There are therefore doubts as to the enforceability of certain derivative arrangements under Russian law. In the event our derivative contracts are found to be unenforceable in Russia by a Russian court, this could have an adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***Revocation of our existing banking licence by the CBR would have a material adverse effect on our business***

Currently, all banking and various related operations in Russia require a banking licence from the CBR. We have obtained the required licence in connection with our banking activities. Depending on the scale of the breach of applicable legislation, the CBR may, *inter alia*, suspend certain of our banking operations or revoke our banking licence. If our general banking licence were to be revoked, this would result in our inability to perform any banking operations or in a winding-up of our business.

***Failure to obtain necessary interested party transaction approval could result in the invalidation of certain transactions and adversely affect our business***

Russian law provisions governing interested party transactions may be interpreted to imply that special approval procedures should apply, *inter alia*, to the transactions between companies within a consolidated group, even if such companies are directly or indirectly wholly owned by the parent of the consolidated group. This means that every transaction entered into between the companies within the Group requires an approval of a majority vote of “independent disinterested directors” or “disinterested shareholders” of each of such companies. In addition, the concept of “interested parties” is defined with reference to the concepts of “affiliated persons” and “group of persons”, which are subject to many different interpretations under Russian law.

Moreover, the provisions of Russian law defining which transactions must be approved as “interested party” transactions are subject to different interpretations. No consolidated group can be certain that its compliance with these concepts will not be subject to challenge. There is a possibility that the Russian courts, should the matter ever come before them, may conclude that the requisite approvals have not been obtained every time that the companies within the Group entered into transactions between each other. The failure to obtain the necessary approvals for such transactions could result in their invalidation and adversely affect the business of the Group.

***We may not be able to remain competitive and implement our strategy if we cannot retain and hire experienced and/or qualified personnel***

We are dependent on our senior management for the implementation of our strategy and operation of our day-to-day activities. In addition, the personal connections and relationships of members of senior management are important to the conduct of our business. We cannot assure you that our management will continue to make their services available to us.

In addition, our success in growing our business will depend, in part, on our ability to continue to attract, retain and motivate qualified personnel. Competition in the Russian banking industry for personnel with relevant expertise is intense. If we fail to successfully manage our personnel needs, this would have a

material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

***Transaction processing failures expose us to legal and reputational risks, which could have a material adverse effect on our financial results***

In common with other commercial banking groups, our business activities require us to record and process a very large number of transactions accurately on a daily basis. Our recording and processing of transactions are potentially subject to human and technological errors or a breakdown in our internal controls relating to the due authorisation of transactions, either centrally or within the branch network itself. Any failure or delay in recording or processing transactions, or other material breakdown in internal controls, could subject us to claims for losses and regulatory fines and penalties. If we suffer reputational or financial harm, this could have a material adverse effect on our financial condition, results of operations and prospects and the value of the Notes.

***Our potential vulnerability to a failure of our information technology systems and our reliance on certain software companies could have an adverse effect on our business***

We, our regional branch network, our automated teller machine (“ATM”) systems and our risk management systems rely on the proper functioning and continuity of our information technology systems. Any significant interruption, deterioration, failure or lack of capacity of our information technology systems or any other systems in our branch network, clearing operations or elsewhere may cause us to fail to complete transactions, to fail to adhere to risk management procedures or to fail to verify critical information on a timely basis, which could have an adverse effect on our business and results of operations.

Furthermore, we are reliant to a large extent on Diasoft, Hewlett-Packard, Siemens, Accenture and IBM for the informational technology services required for our banking, trust and customer information systems, and for continued reliability, upgradeability and safety of the software provided by these companies. If Diasoft, Hewlett-Packard, Siemens, Accenture or IBM were to experience delays in providing their services or were to cease producing or servicing the relevant software altogether, this could have an adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes.

## **RISKS RELATING TO THE RUSSIAN FEDERATION**

***Political and Governmental instability could adversely affect the value of investments in Russia and the value of the Notes***

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a pluralist democracy with a market-oriented economy. Political conditions in the Russian Federation were highly volatile in the 1990s, as evidenced by the frequent conflicts amongst executive, legislative and judicial authorities which negatively impacted the business and investment climate in the Russian Federation. Over the past two decades the course of political and other reforms has in some respects been uneven and the composition of the Russian government has at times been unstable. As a result of the sweeping nature of the reforms, and the failure of some of them, the Russian political system remains vulnerable to popular dissatisfaction, as well as to opposition by particular social and ethnic groups. Significant political instability could have a material adverse effect on the value of foreign investments in Russia, including the value of the Notes.

Current and future changes in the composition of the Russian government, major policy shifts or lack of consensus between the President, the Russian government, Russia’s parliament and powerful economic groups could negatively affect the economic and political environment or disrupt or reverse economic and regulatory reforms or lead to political instability, which could have a material adverse effect on the value of investments in Russia generally and on Gazprombank in particular.

***Conflict between federal and regional authorities and other conflicts could create an uncertain operating environment that would hinder our long-term planning ability and could adversely affect the value of investments in Russia, including the value of the Notes***

The Russian Federation is a federation of republics, territories, regions, cities of federal importance and autonomous areas. The delineation of authority among the members of the Russian Federation and the federal governmental authorities is often uncertain and sometimes contested. Lack of consensus between the federal government and local or regional authorities has resulted in the enactment of conflicting

legislation at various levels, and may result in political instability. This problem has been mitigated to some extent by the increasing power that the federal government has exerted over the various subdivisions of the Russian Federation. Nonetheless, this lack of consensus hinders our long-term planning efforts and creates uncertainties in our operating environment.

Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions, and in certain cases, to military conflict. Russian military forces have been engaged in Chechnya in the past and are occasionally involved in operations there. Violence and attacks related to this conflict have also spread to other parts of Russia, and a number of fatal terrorist attacks have been carried out by Chechen terrorists in Moscow and other Russian cities. The further intensification of violence, including terrorist attacks and suicide bombings, or its continued spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all of the Russian Federation. These events could have a material adverse effect on the value of investments in Russia, including the value of the Notes.

***Terrorist activity could adversely affect the Russian economy and our business***

Recent terrorist activity in Russia and the recent armed conflicts in the Middle East region have had a significant effect on international and domestic financial and commodity markets. In recent years Russia has suffered a number of terrorist attacks resulting in significant loss of life and damage to property. Any future acts of terrorism or armed conflicts in the Russian Federation or internationally could have an adverse effect on the financial and commodities markets and the global economy. Because the Russian Federation produces and exports large amounts of crude oil and gas, any acts of terrorism or armed conflicts causing disruptions of Russian oil and gas exports could negatively affect the Russian economy and our business, particularly in light of our exposure to the Gazprom Group.

***Social instability could renew support for a centralised authority, nationalism or violence, and thus materially adversely affect our ability to conduct our business effectively***

The failure of the Russian Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest could have political, social and economic consequences, which could negatively affect both our customers and our business.

**Economic Risks**

***Emerging markets such as Russia are subject to greater risks than more developed markets, and financial turmoil in any emerging market could have an adverse effect on the value of investments in Russia, including the value of the Notes***

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. You should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Base Prospectus may become outdated within a relatively short period. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in stocks and prices for debt securities for all emerging markets as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, companies in emerging markets can face severe liquidity constraints as foreign funding resources are withdrawn. Thus, even if the Russian economy remains relatively stable, financial turmoil in any emerging market country could seriously disrupt our business and have a material adverse effect on the Notes.

***Economic instability in Russia could adversely affect demand for our banking services***

Since the dissolution of the Soviet Union, the Russian economy has experienced:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high government debt relative to gross domestic product;

- a weak banking system providing limited liquidity to Russian enterprises;
- high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- widespread tax evasion;
- growth of “black” and “grey” market economies;
- high levels of corruption and the penetration of organised crime into the economy;
- pervasive capital flight;
- significant increases in unemployment and underemployment; and
- high poverty levels among the Russian population.

The Russian economy has been subject to abrupt downturns. In particular, on 17 August 1998, in the face of a rapidly deteriorating economic situation, the Russian government defaulted on its rouble-denominated securities, the CBR stopped its support of the rouble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the rouble and a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities and an inability of Russian issuers to raise funds in the international capital markets.

These problems were aggravated by the near collapse of the Russian banking sector after the events of 17 August 1998, as evidenced by the revocation of the banking licences of a number of major Russian banks. This further impaired the ability of the banking sector to act as a consistent source of liquidity to Russian companies, and resulted in the losses of bank deposits in some cases.

Concurrently with the implementation of political reforms, the Russian government has been attempting to carry out economic reforms and stabilise the economy. These policies have involved removing pricing restrictions, reducing defence expenditures and subsidies, privatising state-owned enterprises, reforming the tax and bankruptcy systems, and introducing legal structures designed to facilitate private, market-based activities, foreign trade and investment.

There can be no assurance that recent trends in the Russian economy, such as the increase in the gross domestic product, a relatively stable rouble and a reduced rate of inflation will continue or will not be abruptly reversed. Moreover, fluctuations in international oil and gas prices, the strengthening of the rouble in real terms relative to the U.S. dollar and the consequences of a relaxation in monetary policy in Russia, or other factors, could adversely affect Russia’s economy and our business in the future.

***The instability in the Russian banking market could have an adverse effect on our business***

The Russian banking sector experienced instability and a liquidity deficit in 2004 resulting from the actions taken by the CBR and a crisis of confidence among Russian banking customers. During May 2004 to July 2004, the CBR revoked the banking licences of a number of Russian banks, and the resulting uncertainty in the Russian banking system led to the virtual collapse of the interbank lending market and to liquidity pressures for many Russian banks. The collapse of a number of Russian banks caused panic among depositors, and even reliable, larger banks experienced depositor withdrawals. Although the Russian banking market has since stabilised to a significant degree, similar actions taken in the future by the CBR could undermine depositors’ trust in the Russian banking system and create overall instability in the market, which could have a negative effect on our performance and financial results.

**RISKS RELATING TO THE RUSSIAN LEGAL SYSTEM**

***Weaknesses relating to the Russian legal system create an uncertain environment for investment and for business activity***

Russia is still developing the legal framework required by a market economy. Several laws fundamental to the development of a successful market economy have only recently become effective in Russia. The recent nature of much of Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. Among the risks of the current Russian legal system are:

- that since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the 1993 Federal Constitution, the Civil Code, by other federal laws, and by decrees, orders and regulations issued by the president, the government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. In addition, certain important bills remain to be adopted in Russia;
- the lack of any consensus concerning the scope, content and pace of Russian legal reforms;
- the relative inexperience of judges and courts in interpreting Russian legislation;
- the lack of judicial and administrative guidance on interpreting legislation and the limited value of judicial precedents;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities that could be exercised in an unpredictable way and the possible unavailability of an effective appeals process; and
- that bankruptcy procedures are not well developed and may be subject to abuse.

All of these weaknesses could affect our ability to enforce our rights under contracts, or to defend ourselves against claims by others. Furthermore, we cannot assure you that Russian regulators or judicial authorities or third parties will not challenge our compliance with applicable laws, decrees and regulations.

***Arbitrary or selective decisions of state authorities may have an adverse effect on the Group's business***

State authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without due process or prior notice. Arbitrary or unilateral state actions could include the withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities could also use common defects in matters surrounding share issuances and registration as a basis for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often to further interests different from the formal substance of the claims. Standard & Poor's, a provider of independent credit ratings, has expressed concerns that "Russian companies and their investors can be subject to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups". Such state action, if directed at the Group, could have a material adverse effect on the Group's business, and on the value of the Notes.

In addition, since 2003, the Ministry for Taxes and Levies (now succeeded by the Federal Tax Service) has begun to challenge certain Russian companies' use of tax-optimisation schemes. The press has reported significant claims for back taxes and related penalties against crude oil companies, telecommunications companies and other major companies. Although we believe that we are currently in material compliance with all of our tax obligations, there can be no assurance that state actions, if directed at the Group or its clients, would not have a material adverse effect on the Group's business and on the value of the Notes.

***Lack of independence and the inexperience of the judiciary, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent us from obtaining effective redress in a court proceeding***

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remains largely untested. The court system is untested and under-funded. Judges and courts are relatively inexperienced in the areas of business and corporate law. Russia is a civil law jurisdiction and judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding, and the Russian judicial system can be slow. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often reported to be used to further political claims. Furthermore, court decisions are not always enforced or followed by law enforcement agencies. There is no guarantee that proposed judicial reform aimed at balancing the rights of private parties and governmental authorities in courts and reducing grounds for repeat litigation of previously decided cases will be implemented and succeed in building a reliable and independent judicial system.



### ***It may be difficult for us to enforce security under Russian law***

We enter into security and/or guarantee arrangements for loans made to individuals and legal entities. Under Russian law, security (which includes pledges and mortgages) and guarantees (other than bank guarantees) are considered secondary obligations, which automatically terminate if the secured or guaranteed obligation becomes void. Furthermore, foreclosure under Russian law generally requires a court order and a public sale of the collateral. A court may delay such public sale for a period of up to a year upon a pledgor's application. A mortgage under Russian law is a pledge over real property, such as land and buildings, which requires state registration to be valid. Such state registration may be difficult to obtain, especially for real property under construction. Russian law has no pledge perfection system for collateral other than mortgages and certain securities, which may lead to unexpected and/or conflicting claims of secured creditors over the pledged property. Therefore, we may have difficulty foreclosing on collateral or enforcing other security when customers default on their loans, which could adversely affect our business.

### ***Foreign judgments may not be enforceable against us***

Judgments rendered by a court in any jurisdiction outside Russia are likely to be recognised by courts in Russia only if (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered and/or (ii) a federal law of Russia providing for the recognition and enforcement of foreign court judgments is adopted. No such federal law has been passed and no such treaty exists between the United States and Russia or the United Kingdom and Russia for the reciprocal enforcement of foreign court judgments in civil matters.

In 2006, the Federal Commercial Court of the Moscow Region upheld the decisions of the lower Moscow Commercial Courts to recognise and enforce a judgment of the High Court of England and Wales on the territory of Russia. However, experts doubt the legal basis of this decision and believe that it may have been politically motivated. There have been no other Russian court decisions by which foreign judgments, in the absence of a statutory basis in Russian federal law or a treaty between Russia and the respective state where the foreign judgment was rendered, have been recognised and enforced on the territory of Russia. It may be said that as a general rule the court judgments rendered against us in the United States, the United Kingdom or elsewhere remain uncertain and it may be impossible to enforce in Russia, unless their recognition and enforcement are permitted by an international treaty or Russian legislation.

The relevant Loan Agreement provides that controversies, claims and causes of action brought by any party thereto may be settled by arbitration. The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958. However, it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including a lack of experience of Russian courts in international commercial transactions, official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors, the Russian courts' inability to enforce such orders, and corruption.

Furthermore, enforcement of any arbitral award pursuant to arbitration proceedings held in accordance with the Rules of the London Court of International Arbitration and the application of English law to the relevant Loan Agreement may be limited by the application of mandatory Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies and credit organisations, in particular.

## **RISKS RELATING TO SPECIFIC RUSSIAN LEGISLATION AND GOVERNMENT REGULATIONS**

### ***Changes in the Russian taxation system could materially adversely affect an investment in the Notes***

Generally, taxes payable by Russian companies are substantial and numerous. These taxes include, among others:

- income taxes;
- value-added tax;
- payroll taxes; and
- property taxes.

The tax environment in Russia historically has been complicated by the fact that various authorities have often issued contradictory pieces of tax legislation. This uncertainty potentially exposes us to significant



finances and penalties and enforcement measures despite our best efforts at compliance, and could result in a greater than expected tax burden and the suspension or termination of our licences.

Because of the political changes which have occurred in Russia over the past several years, there have recently been significant changes to the Russian taxation system. Complex tax reforms commenced in 1999 with the introduction of Part One of the Tax Code of the Russian Federation, or the Tax Code, which sets general taxation guidelines. Since then, Russia has been in the process of replacing legislation regulating the application of major taxes, including corporate income tax, VAT and property tax, with new chapters of the Tax Code.

In practice, the Russian tax authorities generally interpret the tax laws in ways that rarely favour taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretations of the legislation and assessments. Differing interpretations of tax regulations exist both among and within government ministries and organisations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Generally, taxpayers are subject to a tax audit with respect to the three calendar years which immediately precede the tax year in which the audit is carried out. Previous audits do not completely exclude subsequent claims relating to the audited period because Russian tax law authorises upper-level tax inspectorates to review the results of tax audits conducted by subordinate tax inspectorates. In addition, on 14 July 2005 the Russian Constitutional Court issued a decision that allows the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that a taxpayer has obstructed or hindered a tax inspection. Because none of the relevant terms are defined, tax authorities may have broad discretion to argue that a taxpayer has “obstructed” or “hindered” an inspection and ultimately seek penalties beyond the three-year term.

On 12 October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued recommendations to courts to apply a concept of “unjustified tax benefit”, which is defined mainly by reference to specific examples of such tax benefits (such as absence of business purpose) that could lead to disallowance thereof for tax purposes. There is no further specific guidance on interpretation of this new concept by the tax authorities or courts and the Russian tax authorities may seek a broad application of the concept to contest the correctness of a taxpayer’s tax assessment. Furthermore, the Resolution of Plenum of Supreme Court No. 64 of 28 December 2006 “About practice of the application of the responsibility for the tax crimes” is indicative of the trend to broaden the application of the criminal responsibility for tax violations.

Transfer pricing legislation became effective in the Russian Federation on 1 January 1999. This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all “controlled” transactions, provided that the transaction price differs from the market price by more than 20 per cent. “Controlled” transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with significant price fluctuations (i.e. if the price of such transactions differs from the prices on similar transactions by more than 20 per cent. within a short period of time). In addition, transfer pricing rules are also applicable to all transactions with securities and derivatives and these rules, in certain cases, may be even more restrictive and complex than for other types of transactions. There has been no formal guidance (although some court practice is already available) as to how these rules will be applied. Subject to certain exceptions, loan interest may be deducted from taxes on profits if the amount of interest incurred in respect of a debt obligation does not deviate by more than 20 per cent. from the average level of interest charged on similar debt obligations issued in the same reporting period under comparable conditions. If there are no such comparable conditions, we may deduct payments of interest in respect to non-rouble-denominated debt obligations up to a rate of 15 per cent. and in respect of rouble-denominated debt obligations up to a rate not exceeding the refinancing rate of the CBR on a relevant date multiplied by 1.1.

If the tax authorities were to impose significant additional tax liabilities or penalties for any of the reasons discussed above, it could have a material adverse impact on our business, financial condition, results of operations or prospects.

***The legislative framework governing bankruptcy in the Russian Federation differs substantially from that of the United States or Western European countries, which could adversely affect the value of the Notes in the event of our insolvency***

Russian bankruptcy law often differs from comparable law in the United States or Western European countries and is subject to varying interpretations. There is little precedent to predict how claims on behalf of the Noteholders against us would be resolved in case of our bankruptcy. Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and business activity and thus could have a material adverse effect on an investment in the Notes.

In addition, under Russian law, our obligations under the Notes would be subordinated to the following obligations:

- costs related to bankruptcy litigation;
- claims of retail depositors and of individuals who have accounts with us;
- personal injury and “moral harm” obligations;
- severance pay, employment-related obligations and copyright royalty obligations;
- secured obligations; and
- tax and other payment obligations to the government.

In the event of our insolvency, this subordination may substantially decrease the amounts available for repayment of the Notes.

***Our failure to comply with the requirements for the membership in the system of mandatory insurance of individuals’ bank deposits could have an adverse effect on our business***

On 5 April 2005, the Russian government and the CBR issued their joint “Strategy for the Development of the Banking Sector of the Russian Federation until 2008” (the “**Strategy**”). The Strategy replaces the five-year “*Strategy for the Development of the Banking Sector in the Russian Federation*” issued in December 2001 and sets out an action plan for the facilitation of the development of the Russian banking sector in the medium term (2005-2008).

As part of the ongoing Russian banking reform, the Law on the Insurance of Individuals’ Bank Deposits in the Russian Federation (the “**New Deposit Law**”) came into force in December 2003 introducing a system of mandatory insurance of deposits held by individuals in Russian banks (the “**System**”). The New Deposit Law, with its ensuing CBR regulations (the “**New Deposit Regime**”), has introduced new requirements for banks in Russia wishing to participate in the System.

In particular, under the New Deposit Regime, banks are required to meet certain standards on the accuracy of their financial reports, compliance with the CBR prudential requirements (including the CBR mandatory economic ratios) and financial stability. The adequacy of a bank’s financial stability is assessed on, *inter alia*, certain transparency criteria, such as the transparency of the bank’s shareholding structure, the transparency of the parties exercising a material influence (direct or indirect) on the management of the bank, and the significance of the influence of off-shore entities on the management of the bank.

All banks wishing to continue to accept individuals’ deposits in Russia and participate in the System were required to apply to the CBR for a certificate confirming compliance with the New Deposit Regime prior to 27 June 2004. We submitted our application to join the System on 24 June 2004, and were accepted into the System on 10 February 2005. Being a member of the System, we must comply with the relevant requirements on a continuous basis. Failure to meet these requirements may in certain instances lead to the expulsion of us from the System and revocation of our retail banking licence. This would cause us to lose our current individual client base and would have an adverse effect on our business.

In April 2005, the CBR revised its system of mandatory economic ratios that Russian banks are required to observe. One of these ratios – current liquidity ratio N3 – requires that the liquid assets of a bank (including any financial assets realisable or receivable within 30 days) should be no less than 50 per cent. of the aggregate amount of such bank’s liabilities to its customers on demand. Although this requirement is aimed at guarding against a lack of short-term liquidity in the Russian banking market, it also restricts the income-generating capacity of banks operating in Russia.

### ***Changes in International Guidelines on Capital Adequacy***

In June 2004, the Basel Committee on Banking Supervision published a report entitled “*International Convergence of Capital Measurement and Capital Standards: a Revised Framework*”, which sets out a new capital adequacy framework (commonly referred to as the “**Basel II Framework**”) to replace the Basel Capital Accord issued in 1988. Implementation of the new framework within the 25 EU Member States began on 1 January 2007, although implementation of some aspects (the “advanced” Basel II approaches) will only commence on 1 January 2008 and individual member countries will determine their own actual implementation schedules. The Basel Committee members have encouraged authorities in other jurisdictions to consider the readiness of their supervisory structures for the Basel II Framework and recommended that they proceed at their own pace, based upon their own priorities.

Among other changes implemented by the Basel II Framework is the use, in certain cases, of external credit assessments for determining risk weightings. It is expected that the Basel II Framework will be implemented in Russia in 2008 and 2009. There can be no assurance that when such guidelines are adopted they will not require us to hold additional capital in order to maintain the requisite asset base or cause our cost of funding to increase, which could adversely affect our business and financial condition.

### ***The rights of our shareholders, the public reporting requirements and the Russian accounting regulations which Gazprombank is subject to differ significantly from those applicable to comparable companies in other jurisdictions***

Our corporate affairs are governed by our charter, internal regulations and by the laws governing Russian banks and companies incorporated in Russia. The rights of shareholders and the responsibilities of members of our board of directors (the “**Board of Directors**”) and management board (the “**Management Board**”) under Russian law are different from, and may be subject to certain requirements not generally applicable to, companies organised in the United Kingdom, the United States or other jurisdictions. The Federal Law No. 395-1 “On Banks and Banking Activities” of 2 December 1990 (the “**Banking Law**”) contains certain periodic disclosure requirements including the requirement to publish annual financial statements in accordance with Russian accounting regulations. Due to the fact that our systems and processes are tailored for Russian statutory requirements, it takes us longer than most Western companies to prepare consolidated IFRS annual and interim financial reports and consolidated IFRS periodic internal accounts.

In accordance with the Banking Law, we are required to publish certain RAS accounting reports quarterly, including a balance sheet, income statement and information on our assets, capital reserves and allowances for non-performing loans. Such publications do not contain all of the information contained in our IFRS consolidated financial statements and are not prepared in accordance with IFRS. We have regularly published and filed such reports and have complied with the relevant reporting requirements.

In accordance with Russian legislation applicable to securities issuers, we are required to file quarterly reports with the CBR. These reports include certain information about us, our management, subsidiaries, affiliates and selected financial and business information (such as events of litigation, quarterly statutory accounting reports prepared in accordance with RAS, etc.).

Despite recent initiatives to improve corporate transparency in Russia, there is nonetheless less publicly available information about corporations in Russia, including the Group, than there is available for comparable banks in, for example, the United Kingdom or the United States.

## **RISK FACTORS RELATED TO THE NOTES AND THE TRADING MARKET**

### ***Your right to receive payments in respect of the Notes will be limited to payments received by the Issuer under the relevant Loan Agreement***

The Issuer is only obliged to make payments under the Notes to the Noteholders in an amount equivalent to sums of principal, interest and/or additional amounts (if any) actually received by or for the account of the Issuer under the relevant Loan Agreement, less any amount in respect of the Reserved Rights. Consequently, if we fail to fully satisfy our obligations under the relevant Loan Agreement, you will receive less than the scheduled amount of principal, interest and/or additional amounts (if any) on the relevant due date.

***We may not have sufficient funds to satisfy our obligations under the relevant Loan Agreement and our contractual obligations may prevent us from repaying the relevant Loan at maturity***

At maturity, we may not have the funds to fulfil our obligations under the relevant Loan Agreement and may not be able to arrange for additional financing. If the maturity date of the relevant Loan occurs at a time when other arrangements prohibit us from repaying the relevant Loan, we would try to obtain waivers of such prohibitions from the lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. However, we cannot assure you that we would be able to obtain such waivers or refinance these borrowings. If we do not have the funds to fulfil our obligations under the relevant Loan Agreement, we would be unable to repay the relevant Loan.

***As a Noteholder, you have no direct recourse to us***

Except as otherwise disclosed in “*Terms and Conditions of the Notes*” and in the Trust Deed, no proprietary or other direct interest in the Issuer’s rights under or in respect of the relevant Loan Agreement or the relevant Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the relevant Loan Agreement or have direct recourse to us, except through action by the Trustee under the Security Interests (as defined under “*Terms and Conditions of the Notes*”). Neither the Issuer nor the Trustee under the Assigned Rights (as defined under “*Terms and Conditions of the Notes*”) shall be required to monitor our financial performance or status or to enter into proceedings to enforce payment under the relevant Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

Payments of principal and/or interest by us under the relevant Loan Agreement to, or to the order of, the Trustee or the Paying Agent will satisfy the Issuer’s obligations in respect of the Notes. Consequently, Noteholders will have no further recourse against the Issuer or us after such payment is made.

***There are risks associated with the newness of debt instruments that are both denominated and settled in roubles and the inexperience of both the Clearing Systems and the Russian and international banking systems in dealing with them***

The Issuer may issue series of Notes under the Programme which are denominated and settled in roubles. Offerings of debt instruments that are both denominated and settled in roubles are a relatively new phenomenon in the international capital markets. This, coupled with the relative inexperience of both Euroclear and Clearstream, Luxembourg (the “**Clearing Systems**”) and the Russian and international banking systems in dealing with rouble payments and rouble accounts, could lead to unforeseen difficulties, which may have an adverse effect on the liquidity, marketability or trading price of such Notes.

In particular:

- Debt instruments that are both denominated and settled in roubles only became accepted by Clearstream, Luxembourg and Euroclear in early 2007. Due to the lack of experience of the Clearing Systems with settling, clearing and trading debt instruments that are both denominated and settled in roubles, there can be no guarantee that such clearing, settlement and trading procedures will progress smoothly or in a way which is comparable to procedures carried out with respect to instruments denominated in more conventionally settled currencies, such as U.S. dollars or euros.

- Russian law previously prohibited or otherwise severely restricted the transfer and holding of roubles offshore and their repatriation onshore. Although these restrictions have now been lifted for non-residents (save for some restrictions which apply to the regime of residents' accounts held outside of Russia), there is still no specific tested framework under Russian law for transferring or holding roubles in offshore rouble accounts. As with much recent Russian legislation, there is extremely limited or non-existent regulatory or court practice in interpreting these regulations (see *"Risks relating to the Russian Legal System"*). If restrictions or prohibitions were placed on the transfer and holding of roubles offshore or if such legislation was reinterpreted by the Russian regulators or courts to the effect that restrictions were still deemed to apply to the transfer and holding of roubles offshore, this would severely hinder Noteholders' ability to receive payments of principal or interest under the relevant Notes or proceeds from the sale of such Notes.
- Payments of principal and interest under the relevant Notes and proceeds from the sale of such Notes will be made in roubles. All payments of roubles to, from, or between rouble accounts located outside Russia will be made via onshore correspondent accounts within the Russian banking system. The Russian banking system is less developed than many of its Western counterparts and at present has little experience in dealing with payments relating to eurobonds or similar international debt instruments. Consequently there is a risk that payments of both principal and interest under the relevant Loan and the relevant Notes and proceeds from the sale of such Notes, which need to pass through the Russian banking system, will be subject to delays and disruptions which may not exist in more mature banking markets.
- In order for Noteholders to remove roubles received from payments of principal and interest on the relevant Notes and proceeds from the sale of such Notes from the Clearing Systems, they will need to hold a bank account denominated in roubles. The administrative difficulties associated with opening rouble accounts outside Russia are significant. Non-resident Noteholders may also encounter considerable procedural difficulties with opening rouble accounts onshore in Russia. There can therefore be no guarantee that Noteholders will be able to successfully open up a rouble bank account either offshore or in Russia or transfer rouble payments made under the relevant Notes out of the Clearing Systems.

***Upon the occurrence of certain circumstances described in the relevant Loan Agreement, we may prepay the relevant Loan***

Under the terms of the relevant Loan Agreement, we may, subject to certain conditions, prepay the relevant Loan if we are required to increase our payments for tax reasons regardless of whether the increased payment obligation results from any change in the applicable tax laws or treaties or from the change in application of existing tax laws or treaties or from enforcement of the security provided for in connection with the Notes. We may also prepay the relevant Loan if we are required to indemnify the Issuer in respect of certain increased costs to the Issuer (as set out in the relevant Loan Agreement). In the event that it becomes unlawful for the Issuer to allow the relevant Loan to remain outstanding under the relevant Loan Agreement, to maintain or give effect to any of its obligations under the relevant Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the relevant Loan, we may be required by the Issuer to repay the relevant Loan in full. In case of any prepayment, all outstanding Notes would be redeemable at par with accrued interest or as otherwise specified in the relevant Loan Agreement.

***The lack of a public market for the Notes could reduce the value of your investment***

The Notes are expected to be listed on the Irish Stock Exchange. However, there can be no assurance that a liquid market for any series of Notes will be maintained. If an active trading market for any of the Notes is not maintained, the market price and liquidity of Notes may be adversely affected.

The market for securities issued by Russian issuers is influenced by economic and market conditions in other Eastern European countries and other emerging markets. Although international markets have stabilised since the Asian economic crisis in 1997 and the devaluation of the rouble in August 1998, there can be no assurance as to the development or liquidity of any market for the Notes.

***Payments we make under the relevant Loan may be subject to Russian withholding tax***

In general, interest or other income payments on borrowed funds made by a Russian entity to a non-resident are subject to Russian withholding tax at a rate of 20 per cent. for legal entities and 30 per cent. for individuals, unless tax is reduced or eliminated pursuant to the terms of an applicable



double taxation treaty. Based on professional advice we have received from our tax counsel, we believe that interest payments on the relevant Loan made to the Issuer should not be subject to withholding tax under the terms of the double taxation treaty between the Russian Federation and Ireland. However, there can be no assurance that such double taxation treaty relief will be available or will continue to be available throughout the term of the relevant Loan. In particular, the double tax treaty in Art. 11(1) provides relief to a recipient that has “the actual rights to the interest”. In absence of the definition of such term both in the treaty and domestic tax legislation of Russia, there exists a risk that the Russian tax authorities may treat the Noteholders as ultimate recipients of the interest and therefore disallow the application of the double tax treaty by the Issuer.

If payments under the relevant Loan are subject to any withholding tax, we will be obliged to increase the amounts payable as may be necessary to ensure that the Issuer receives a net amount that will not be less than the amount it would have received in the absence of such withholding taxes. In addition, payments in respect of the Notes will, except in certain limited circumstances, be made without deduction or withholding for or on account of Irish taxes except as required by law. In such event, the Issuer will only be required to pay additional amounts to the extent that it receives corresponding amounts from us under the relevant Loan Agreement. The relevant Loan Agreement provides for us to pay such corresponding amounts in these circumstances. There are some doubts as to whether the gross-up clauses contained in the relevant Loan Agreement are enforceable under Russian law.

Due to the limited recourse nature of the Notes, if we fail to pay any such gross-up amounts, the amounts payable by the Issuer under the relevant Loan Agreement will be correspondingly reduced. Any failure by us to pay such amounts would constitute an Event of Default under the relevant Loan Agreement. In certain circumstances (including following enforcement of the security upon a Relevant Event as defined in the relevant Loan Agreement), in the event that we are obliged to increase the amounts payable, we may prepay the principal of the relevant Loan together with accrued interest, and all outstanding Notes would be redeemed by the Issuer (to the extent that it has actually received the relevant funds from us).

***The Issuer is subject to risks, including the location of its COMI, the appointment of examiners, claims of preferred creditors and floating charges***

***COMI***

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest (“**COMI**”) is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice (“**ECJ**”) in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings, that the place of a company’s registered office is presumed to be the company’s COMI and stated that the presumption can only be rebutted if “factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect”. As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer’s COMI is not located in Ireland, and is held to be in a different jurisdiction within the European Union, Irish insolvency proceedings would not be applicable to the Issuer.

***Examinership***

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the “**1990 Act**”) to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company both before and after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his announcement.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when (i) a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals



and (ii) the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and (iii) the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

- (i) the Trustee, acting on behalf of Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- (ii) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

#### *Preferred Creditors*

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- (i) under the terms of the Trust Deed, the Issuer will charge to the Trustee on behalf of Noteholders by way of first fixed charge (the "Charge") as security for its payment obligations in respect of the Notes certain rights under the relevant Loan Agreement and to the relevant Account. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE and VAT;
- (ii) under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge, such as the Charge, may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and
- (iii) in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

***If the Trustee enforces the security under the Trust Deed, payments under the Trust Deed will no longer have the benefit of the Russian/Irish double taxation treaty. If this occurs, payments of principal and interest would be subject to withholding tax and we may not be required to gross up payments***

The Issuer has granted security over certain of its rights under the Trust Deed to the Trustee in respect of its obligations under the Notes. The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as further described in "*Terms and Conditions of the Notes*". In these circumstances, payments under the relevant Loan Agreement (other than in respect of Reserved Rights) would be required to be made to, or to the order of, the Trustee. Under Russian tax law, payments of interest and other payments made by us to the Trustee will in general be subject to Russian income tax withholding at a rate of an actual applicable rate of (i) 20 per cent. in cases where the Noteholder is a legal entity or an organisation, non-Russian tax resident, or (ii) 30 per cent. in cases where the Noteholder is an individual non-Russian tax resident. It is not expected that the Trustee will, or will be able to, benefit from a withholding tax exemption under any double taxation treaty. In addition, while it may be possible for some Noteholders who are eligible for an exemption from Russian withholding tax under double taxation treaties to claim a refund of tax withheld, there could be considerable difficulties in obtaining any such refund. As indicated above, it is currently unclear whether the provisions obliging us to gross-up payments will be enforceable in Russia. If a Russian court does not rule in favour of the Issuer or the Trustee and Noteholders, there is a risk that gross-up for withholding tax will not take place and that payment made by us under the relevant Loan Agreement will be reduced by Russian income tax withheld by us at a rate of 20 per cent. or 30 per cent. with respect to individual Non-resident Noteholders. See also "*Terms and Conditions of the Notes—8. Taxation*", "*The Facility Agreement—Repayment and Prepayment*" and "*Taxation*".

***Tax might be withheld on dispositions of the Notes in Russia, reducing their value***

If a non-resident Noteholder that is a legal entity or organisation sells Notes and receives proceeds from a source within Russia, there is a risk that the part of the payment, if any, representing accrued interest may be subject to a 20 per cent. Russian withholding tax. Proceeds from disposition of the Notes in Russia that are received by an individual non-resident Noteholder may be subject to tax at a rate of 30 per cent. applied to gross proceeds (including accrued interest) less any available qualifying cost deduction. The imposition or possibility of imposition of withholding tax could adversely affect the value of the Notes. See “*Taxation*”.

***The trading price for the Notes could be adversely affected by changes in certain credit ratings***

The Russian Federation has received a long-term credit rating of Baa2 (outlook stable) from Moody’s and BBB+ (outlook stable) from Standard and Poor’s. Gazprom has received a long-term credit rating of A3 (outlook stable) from Moody’s and BBB (outlook stable) from Standard and Poor’s. We have received a long-term credit rating of Baa2 (outlook stable) from Moody’s and BBB– (outlook stable) from Standard & Poor’s. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any negative change in the credit rating of either us, Gazprom or the Russian Federation could adversely affect the trading price for the Notes.

**OTHER RISKS**

***We have not independently verified information regarding our competitors, nor have we independently verified official data from government agencies; uncertainties about the availability and reliability of statistical information makes business planning inherently uncertain***

We have derived substantially all of the information contained in this document concerning our competitors from publicly available information, including press releases, and we have relied on the accuracy of this information without independent verification. In addition, some of the information (including that set out under “*Banking Sector and Banking Regulation in the Russian Federation*”) contained in this document has been derived from official data of government agencies, such as the CBR and other agencies of the Russian Federation, and we accept responsibility for accurately reproducing such information but accept no further responsibility in respect of such information.

The official data published by Russian federal, regional and local governments are substantially less complete or researched than those of Western countries. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia in this document (including information set out under “*Banking Sector and Banking Regulation in the Russian Federation*”) must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

The veracity of some official data released by the Russian government may be questionable. No assurance can be given that official data and statistics released in the future will be accurate and not misleading.

Due to the unavailability of alternative reliable sources of country-specific data, Russian companies necessarily rely to some extent on this statistical data in their business planning. As a result, assumptions made by Russian companies in their business plans may prove to be incorrect. The lack of accurate statistical data for use in business planning may contribute to the overall volatility of the Russian economy and may adversely affect the profitability of many of our corporate customers, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

## **USE OF PROCEEDS**

The proceeds from each offering of a Series of Notes will be used by the Issuer for the sole purpose of financing the corresponding Loan to Gazprombank. The proceeds of such Loan will be used by Gazprombank for general corporate purposes, including financing the expansion of our loan portfolio (unless otherwise specified in the relevant Loan Agreement). In connection with the receipt of such Loan, Gazprombank will pay an arrangement fee, as reflected in the relevant Final Terms.

## CAPITALISATION OF GAZPROMBANK

The following table shows our actual consolidated total liabilities and capitalisation as at 31 December 2007. This information should be read in conjunction with our consolidated financial statements contained elsewhere in this Base Prospectus.

	<b>As at 31 December 2007</b>
	<i>U.S.\$ thousands</i>
<b>Liabilities</b>	
Amounts owed to credit institutions.....	4,250,807
Amounts owed to customers.....	15,944,679
Subordinated deposits.....	560,790
Financial liabilities held-for-trading .....	330,873
Eurobonds issued .....	3,716,436
Certificated debts .....	3,046,600
Other liabilities.....	2,553,221
<b>Total liabilities .....</b>	<b>30,403,406</b>
<b>Equity</b>	
Share capital.....	1,160,857
Additional paid-in-capital .....	1,095,028
Treasury stock.....	(83,521)
Foreign currency translation reserve.....	794,591
Fair value reserve.....	416,243
Retained earnings.....	4,032,235
<b>Total equity attributable to the Group shareholders .....</b>	<b>7,415,433</b>
Minority interest.....	953,981
<b>Total equity .....</b>	<b>8,369,414</b>
<b>Total liabilities and equity .....</b>	<b>38,772,820</b>

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

*The summary balance sheet data and summary profit and loss data set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements included elsewhere in this Base Prospectus. You should read the summary balance sheet and profit and loss data below, together with our consolidated financial statements, which appear elsewhere in this Base Prospectus.*

### Consolidated Balance Sheet Data

	As at 31 December	
	2007	2006
	U.S.\$ thousands	
<b>Assets</b>		
Cash and due from the CBR.....	2,067,904	2,907,450
Due from credit institutions, net .....	6,031,181	7,237,682
Securities at fair value through profit or loss .....	4,427,673	2,429,133
Loans to customers, net .....	16,345,041	11,583,990
Available-for-sale investments, net and investments in associates.....	2,050,554	2,496,550
Trade receivables, net.....	976,540	540,846
Inventories, net.....	1,138,052	672,894
Property, equipment and intangibles, net .....	3,235,825	2,161,788
Goodwill .....	812,554	619,333
Intangible assets, net.....	390,114	285,611
Other assets, net .....	1,297,382	733,191
<b>Total assets</b> .....	<b>38,772,820</b>	<b>31,668,467</b>
<b>Liabilities</b>		
Amounts owed to credit institutions.....	4,250,807	2,979,652
Amounts owed to customers .....	15,944,679	11,447,091
Subordinated deposits.....	560,790	688,832
Eurobonds issued .....	3,716,436	2,613,738
Certificated debts .....	3,046,600	5,454,543
Financial liabilities held-for-trading .....	330,873	137,484
Other liabilities .....	2,553,221	1,656,989
<b>Total liabilities</b> .....	<b>30,403,406</b>	<b>25,018,329</b>
<b>Equity</b>		
Share capital.....	1,160,857	1,160,857
Additional paid-in-capital .....	1,095,028	1,061,899
Treasury stock.....	(83,521)	(84,343)
Foreign currency translation reserve.....	794,591	297,283
Fair value reserve.....	416,243	549,417
Retained earnings.....	4,032,235	2,929,985
<b>Total equity attributable to the Group's shareholders</b> .....	<b>7,415,433</b>	<b>5,915,098</b>
Minority interest.....	953,981	735,040
<b>Total equity</b> .....	<b>8,369,414</b>	<b>6,650,138</b>
<b>Total liabilities and equity</b> .....	<b>38,772,820</b>	<b>31,668,467</b>

## Supplemental Balance Sheet Data

	As at 31 December	
	2007	2006
<b>Balance sheet ratios:</b>		
Amounts owed to customers/total liabilities.....	54.3%	48.5%
Net loans to customers/total assets <sup>(1)</sup> .....	42.2%	36.6%
Net loans to customers/amounts owed to customers and subordinated deposits.....	99%	95.5%
Equity/total assets .....	21.6%	21.0%
Tier 1 capital adequacy ratio (BIS) <sup>(2)</sup> .....	21.7%	24.9%
Total capital adequacy ratio (BIS) <sup>(3)</sup> .....	22.6%	26.9%
CBR capital adequacy ratio <sup>(4)</sup> .....	11.4%	15.2%
<b>Asset quality:</b>		
Non-performing loans to gross loans to customers <sup>(5)</sup> .....	1.0%	0.4%
Allowances for impairment to gross loans to customers .....	3.3%	3.9%

Notes:

(1) Includes loans to customers less specific provisions.

(2) Tier 1 capital adequacy ratio calculated in accordance with the Bank for International Settlements (“BIS”) methodology, as presented in “*Business—Capital Adequacy*.”

(3) Total capital ratio calculated in accordance with BIS methodology, as presented in “*Business—Capital Adequacy*”.

(4) Calculated in accordance with CBR requirements. See “*Banking Sector and Banking Regulation in the Russian Federation—Mandatory Economic Ratios*”.

(5) Loans are considered “non-performing” when a borrower fails to make a scheduled payment of principal or interest for more than 90 days from the date stated in the loan contract.



## Consolidated Profit and Loss Data

	Year ended 31 December	
	2007	2006
	<i>U.S.\$ thousands except percentages</i>	
Interest income .....	2,540,655	1,260,360
Interest expense .....	(1,602,503)	(811,978)
<b>Net interest income</b> .....	<b>938,152</b>	<b>448,382</b>
Provision for impairment losses of interest-earning assets .....	(45,718)	(128,175)
<b>Net interest income after provision for impairment of interest-earning assets</b> .....	<b>892,434</b>	<b>320,207</b>
Petrochemical business operating revenues .....	5,582,867	4,493,632
Media business operating revenues .....	1,273,286	883,151
Profit from available-for-sale investments, net .....	429,459	205,276
Fees and commissions income .....	361,545	278,716
Gains from financial assets/liabilities held-for-trading .....	239,192	494,442
Profits from derivative contracts with foreign currency, net .....	208,494	47,832
Profit (Loss) from foreign exchange, net .....	(149,941)	114,737
Dividend income .....	19,601	21,415
Other operating income .....	116,564	70,571
<b>Non-interest income</b> .....	<b>8,081,067</b>	<b>6,609,772</b>
Petrochemical business operating expenses .....	(4,464,231)	(3,476,145)
Media business operating expenses .....	(1,024,364)	(685,150)
Salaries and employment benefits .....	(804,826)	(403,325)
Administrative and other expenses .....	(435,064)	(269,714)
Fees and commissions expense .....	(181,897)	(41,050)
(Other provisions)/recovery of other provisions .....	(24,923)	(40,886)
<b>Non-interest expense</b> .....	<b>(6,935,305)</b>	<b>(4,916,270)</b>
<b>Profit from operations</b> .....	<b>2,038,196</b>	<b>2,013,709</b>
Income from associates .....	20,372	60,967
<b>Profit before income tax and minority interests</b> .....	<b>2,058,568</b>	<b>2,074,676</b>
Income tax expense .....	(598,235)	(517,013)
<b>Net profit</b> .....	<b>1,460,333</b>	<b>1,557,663</b>
<b>Attributable to:</b>		
Group's shareholders .....	1,224,365	1,330,775
Minority interest .....	235,968	226,888
	<b>1,460,333</b>	<b>1,557,663</b>
<b>Supplemental Profit and Loss Data</b>		
Net interest to average total assets <sup>(1)</sup> .....	2.7%	1.8%
Return on average assets <sup>(2)</sup> .....	4.1%	6.3%
Return on average shareholders' funds <sup>(3)(4)</sup> .....	19.4%	37.8%

### Notes:

(1) Average total assets is calculated as the arithmetic mean between the beginning of the period balance and the period-end balance.

(2) Return on average assets is calculated by dividing net profits by average total assets.

(3) Average shareholders' funds is calculated as the arithmetic mean between the beginning and end of the relevant period. For the purpose of calculation of ROAE for the year 2006 the Group's equity as of 31 December 2006 excludes additional share issue commenced and completed in December 2006.

(4) Return on average shareholders' funds is calculated by dividing net profit by average shareholders' funds.

Our gross loan portfolio grew by 40 per cent. from 31 December 2006 to 31 December 2007. As a result of the growth of the loan portfolio, we recorded significantly higher charges for provisions for loan impairment for the year ended 31 December 2007 than for 2006. However, provisioning levels as a percentage of our total loans decreased from 3.9 per cent. to 3.3 per cent.

### **Banking Business**

Our banking business activities contributed U.S.\$938.2 million of net interest income and U.S.\$179.6 million of net fees and commissions income to the total profit from operations for the year ended 31 December 2007.

### **Non-Banking Business**

As a consequence of our holdings in Gazprom Media Group and SIBUR Holding, we recorded over U.S.\$1.4 billion of non-banking revenues from our petrochemicals and media businesses in 2007. As at and for the twelve months ended 31 December 2007, SIBUR Holding accounted for U.S.\$4.9 billion (13.0 per cent.) of our total assets and U.S.\$880 million (60 per cent.) of our net profit and the Gazprom Media Group accounted for U.S.\$1.7 billion (4 per cent.) of our total assets and U.S.\$151 million (10 per cent.) of our net profit. See “*Business—Recent Developments—Acquisitions and Disposals of Non-Banking Assets*” and “*Risk Factors—Our historical consolidated financial statements may not be representative of our future results, in particular, if the SIBUR Disposal is completed*”.

## BUSINESS

### Overview

We were the third largest bank in the Russian Federation in terms of total assets and equity as at 31 March 2008, according to the Russian Interfax News Agency. As at 31 December 2007, based on IFRS, we had total assets of U.S.\$38.8 billion, gross loans to customers of U.S.\$16.9 billion, total amounts owed to customers of U.S.\$16.5 billion and equity of U.S.\$8.4 billion.

Our principal activities comprise corporate banking, investment banking and retail banking. We also generate income from trade finance, deposit taking, foreign exchange and securities trading, plastic card services, depositary and custodian services, money transfer and clearing operations and settlement services. We provide a broad array of commercial banking services to many of Russia's leading corporations, including, Gazprom and other members of the Gazprom Group. We have a network of 36 branches and over 159 banking outlets located throughout the Russian Federation. See "*—Regional Network*". Our network extends to the principal regions where gas is extracted, produced and transported and to many of the largest financial and industrial centres in the Russian Federation. We also have equity interests in four Russian banks and in two foreign banks, Belgazprombank (located in Belarus) and Areximbank (located in Armenia).

In addition, as part of our investment banking activity, we hold interests in a range of companies which operate in non-banking related industries, such as SIBUR Holding and the Gazprom Media Group companies. To date, we believe that we have successfully managed these companies and have realised considerable profits from them, however, we consider these companies to be short- to medium-term investments as well as non-banking assets as the nature of their undertakings are substantially different from our banking operations.

We are registered and exist under the laws of the Russian Federation. Our registered office is located at 16 Block 1, Nametkina St., Moscow 117420, Russian Federation, and our head office is located at 63, Novocheremushkinskaya St., Moscow 117418, Russian Federation.

We hold a general banking licence No. 354 issued by the CBR, a licence to carry out operations with precious metals and licences to perform brokerage, dealer and depositary activities and to act as a trust manager of securities.

### History and Relationship with the Gazprom Group

We were founded by Gazprom in 1990 to improve the quality and effectiveness of financial services provided to the Gazprom Group and the Russian gas industry. On 31 July 1990, we were registered with the CBR as a limited partnership. In 1996, we were granted a general banking licence by the CBR and became a limited liability company. On 13 November 2001, we were re-registered by the CBR as a closed joint-stock company, established for an indefinite period of time. On 3 October 2007, we were transformed from a closed joint-stock company to an open joint-stock company. These changes were approved by, and registered with, the CBR.

We have a long and close relationship with the Gazprom Group. Since 1998, we have been the Gazprom Group's preferred bank for servicing the gas industry. Among other things, we have traditionally customised our banking products and systems to better service Gazprom's operational needs as well as the needs of the Russian gas industry. Products and services we offer to the Gazprom Group include project finance and working capital facilities, trade finance, depositary, brokerage and trust services, payroll services and consultancy services. We have also developed sophisticated cash management instruments, trust management services and structured finance instruments to assist the Gazprom Group.

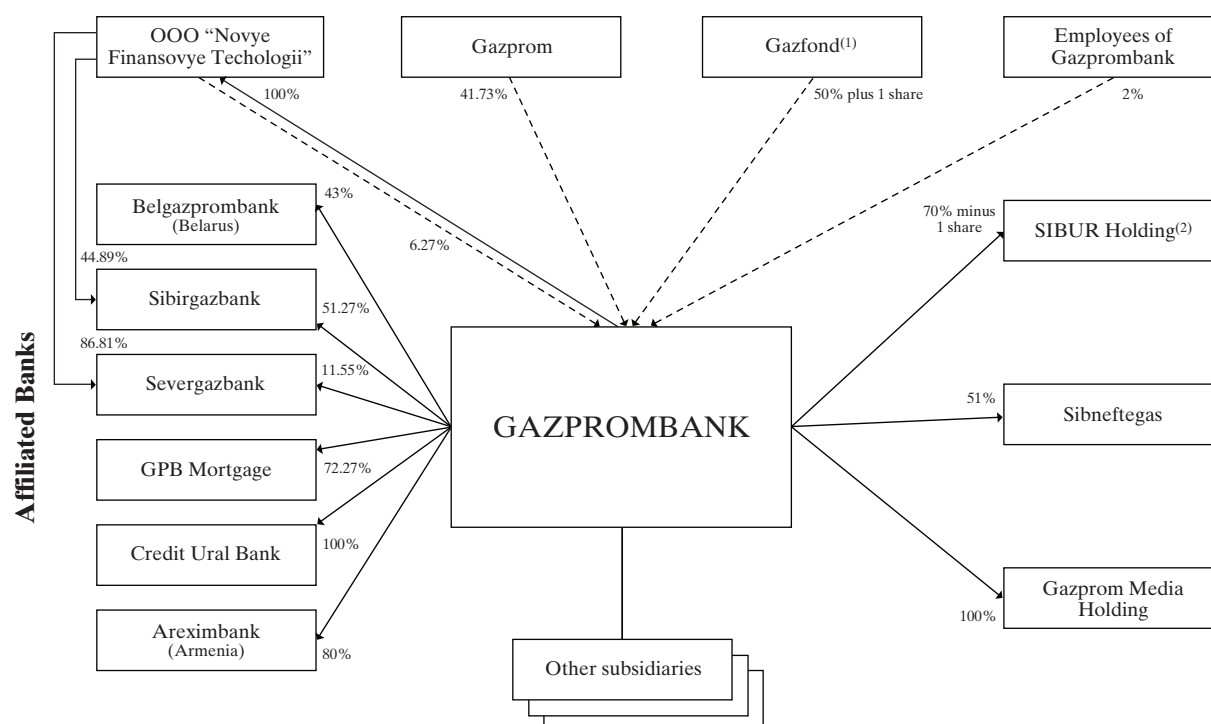
Until December 2006, we were, directly and indirectly, wholly owned by Gazprom. In December 2006, Gazprom divested 45.76 per cent. of its shareholding as a result of a sale of shares and an issue of new shares. As at 6 June 2008, our shareholders and their respective holdings comprise Gazprom (41.73 per cent.), non-state pension fund Gazfond (50 per cent. plus one share, of which 7.11 per cent. is held directly by Gazfond, 17.15 per cent. is held through a subsidiary of ZAO "Leader" called OAO "GAZ-servis", 17.17 per cent. is held through a subsidiary of ZAO "Leader" called OAO "GAZKON" and 8.57 per cent. is held on the basis of fiduciary management (*doveritelnoye upravlenie*) by the asset management company for Gazfond, closed joint stock company ZAO "Leader"), our wholly-owned subsidiary OOO "Novye Finansovye Technologii" (6.27 per cent.) and employees of Gazprombank (2 per cent.).

Historically, we have been reliant to a significant extent on our relationship with the Gazprom Group. While, we continue to enjoy a strong relationship with the Gazprom Group, we have been diversifying, and aim to further, diversify our asset and risk base by increasing business with non-Gazprom clients in different industries. As at 31 December 2007, transactions with members of the Gazprom Group accounted for U.S.\$4.9 billion, or 10 per cent. of our gross exposure (including assets and off-balance sheet commitments) and U.S.\$6.5 billion, or 21 per cent. of our total liabilities. As at 31 December 2007, our loan exposure to the Gazprom Group comprised 9 per cent. of our gross loan portfolio, as compared to 23 per cent. as at 31 December 2006. We have also expanded our network in large part to service the regions where Gazprom's principal operations are located. See *"Risk Factors—Risks Relating to Our Business and Industry—We face a number of risks relating to our relationship with the Gazprom Group and over exposure to the natural gas sector"*.

While we have been diversifying our asset and risk base and aim to further diversify our asset and risk base, we remain committed to servicing the banking requirements of the Gazprom Group and retaining our strategic partnership with Gazprom. In January 2007, we signed a Cooperation Agreement with Gazprom for the period to 2015, reinforcing our current relationship with Gazprom and envisaging further development of our strategic partnership. Priority areas of cooperation include commercial banking products, investment projects in the gas industry, asset management, financing of innovative projects, regional network development, the gas industry's settlement and depository infrastructure and implementation of Gazprom's corporate housing programme.

Gazprom is the world's largest natural gas company and the world's largest publicly-traded hydrocarbons company in terms of reserves, production and transportation. Gazprom supplies substantially all of the natural gas consumed in Russia, approximately 50 per cent. of the natural gas consumed in Belarus, Estonia, Latvia, Georgia, Lithuania, Moldova and Ukraine, and approximately 27 per cent. of the natural gas consumed in Europe. For the nine months ended 30 September 2007, Gazprom reported (under IFRS) sales of RUB1.6 trillion (U.S.\$61.8 billion) and operating profit of RUB496.8 billion (U.S.\$19.2 billion). As at 30 September 2007, Gazprom reported total assets of RUB6.8 trillion (U.S.\$272.6 billion) and total shareholders' equity of RUB4.06 trillion (U.S.\$162.7 billion).

The following chart illustrates certain companies in the Group and the relationship of Gazprombank with its shareholders as at 6 June 2008:



Notes:

- (1) Gazfond holds 50 per cent. plus one share, of which 7.11 per cent. is held directly by Gazfond, 17.15 per cent. is held through OAO "GAZ-servis", 17.17 per cent. is held through OAO "GAZKON" and 8.57 per cent. is held on the basis of fiduciary management (*doveritelnoye upravlenie*) by ZAO "Leader". OAO "GAZ-servis" and OAO "GAZKON" are subsidiaries of ZAO "Leader".
- (2) The Group intends to sell 50 per cent. plus one share in SIBUR Holding, leaving the Group with just under 20 per cent. interest in SIBUR Holding.

## Strategy

Our Management Board is implementing a medium-term strategy up to 2010. The strategy sets out key objectives that seek to ensure the development of our business. Its main objective is to increase shareholders' value by diversifying our business, becoming a universal bank and implementing our client-oriented business model. Our principal aims in the medium term are to (i) continue to develop as a full-service bank, (ii) diversify our loan portfolio and funding sources while continuing to maintain our relationship with Gazprom and the gas industry, (iii) enhance our investment banking and retail banking activities, and (iv) improve our internal control and management systems to better meet our business needs and bring us up to world class international banking standards.

In implementing the above strategic goal, in December 2005 our Board of Directors also approved the "Main Directions of the Equity Capital Development Programme". This Programme envisaged a 50 per cent. increase in our charter capital and our transformation from a closed joint-stock company into an open joint-stock company (both of which have been successfully completed) and an IPO of Gazprombank in the Russian and international capital markets in the short to medium term.

Our key objectives include the following:

### ***Continue to develop as a full-service bank***

Our mission is to continue to develop as a full-service bank through the following initiatives:

- become a more dynamic, competitive and market-oriented bank by extending our services and banking activities to customers outside of the gas industry. We believe this will allow us to continue to lessen our dependence on Gazprom;
- diversify our activities geographically and further develop our regional network of branches and affiliated banks within the Russian Federation and abroad; and
- expand our product and service portfolio.

*Diversification of customer base.* We plan to continue to diversify and expand our customer base by further developing our business activities with large Russian corporate customers in key sectors which we believe offer good opportunities for further growth, including the Russian oil production and refining, chemical and petrochemical, nuclear power, machine building, food, energy, manufacturing, insurance, telecommunications, trade, defence, gold mining and transportation sectors. As part of this strategy, we are seeking to expand our cooperation with large Russian state-owned companies and private companies such as RAO UES, OJSC Svyazinvest ("Svyazinvest") (the Russian State Telecommunications Company), the Russian Railways, the Russian State Post Office, Rosneft, Rosenergoatom, Russian Aluminium and Norilsk Nickel. To further implement this strategy, we intend to increase our medium- and long-term funding to large Russian project finance and corporate customers to meet the perceived current shortage of such funding in the Russian bank financing market.

As at 31 December 2007, 92 per cent. of our gross loan portfolio consisted of loans to borrowers outside of the gas industry (although some of these borrowers were members of the Gazprom Group).

One priority goal of our development is to offer appealing banking services to medium-sized corporate clients in dynamic and upcoming key sectors by expanding our range of high-quality banking services and standardising banking products and internal business processes. We believe that developing business with this target client segment has significant potential for us.

*Focused growth of a regional network.* One of our priorities is to further develop our commercial banking network in regions that are of strategic interest to our corporate customers. We believe that having banking operations where our clients do business will help us deepen our relationship with them and will help make us their commercial bank of choice. We are evaluating potential acquisitions of banking assets in Russia and abroad in areas of strategic interest. We are also considering the possibility of acquiring majority interests in regional banks and some of our affiliated banks to enhance the strength of our regional network. At the same time, we are continually aiming to improve the products and services offered to our customers throughout our regional network.

*Expansion of product range.* We currently offer our corporate clients a full range of loan and deposit products. We have recently extended our offerings to include investment banking products which provide opportunities to further grow our client base, generate new sources of fee income and increase our market share. We also intend to expand our trade finance operations to include a broader range of performance guarantee, letter of credit and other trade finance products. In addition, we are focusing on



extending mortgage and consumer loans to Gazprom Group employees and seek to expand the plastic card services that we offer to the employees of our corporate customers. We are also developing a product and service range that can be tailored to the demands of target customer segments in the regions. Our retail banking service will seek to expand services such as consumer and mortgage lending, motor vehicle finance, debit cards, ATM access to accounts and Internet banking related services.

#### ***Expand investment banking activities***

We plan to expand our investment banking activities as part of our efforts to sustain strong returns on our equity and assets. With regard to debt capital markets operations, according to Bloomberg, in 2006 and 2007 we maintained one of the leading positions in underwriting and arranging rouble-denominated bonds in the Russian Federation. With regard to equity investments, in 2005 we acquired stakes in SIBUR Holding and Gazprom Media Group. These acquisitions were made as medium-term investments and with the intention of realising gains ultimately through their disposal. We intend to dispose of our majority stake in SIBUR Holding this year. See “*Business—Recent Developments—Acquisitions and Disposals of Non-Banking Assets*”. The strategic decisions as to when, how and on what terms we make new equity investments, increase our holdings in existing investments or exit existing investments will be taken in conjunction with our shareholders. We may, for example, exit these investments through a combination of asset swaps with the Gazprom Group, strategic sales to third parties or IPOs. See “*—Investment Banking Activities—Equity Investments*”. We also plan to expand our asset management, brokerage, structured and corporate finance operations and to develop our capital markets operations.

#### ***Selectively expand our retail banking operations***

We already have significant retail banking operations in Russia that are principally based on providing services to employees of our corporate customers. On 10 February 2005, we were admitted to the Russian mandatory deposit insurance system. According to *The Profile* magazine, as at 1 April 2008, we were the fifth largest bank in Russia in the retail banking market in terms of total retail deposits.

We plan to expand the services we offer to the retail banking sector by continuing to develop our retail product range and broadening our retail office networks which are focused on serving the needs of the employees of our corporate customers. See “*—Retail Banking Activities*” and “*—Regional Network*”. We also plan to expand the provision of consumer, vehicle and mortgage loans to individuals and to further develop our cooperation with providers of retail services (such as department stores and car dealerships) to provide them with a variety of financial services, such as branded debit and payment cards.

#### ***Diversify our funding***

We have historically used short- and medium-term domestic rouble-based funding and capital contributions and loans from Gazprom to meet our funding requirements. Beginning in 2001, we began accessing the international capital markets and loan markets through the issuance of longer-term euro- and U.S. dollar-denominated debt securities and loans to diversify and lower the cost of our funding. We plan to continue to access the domestic and international capital markets through issues of short-, medium- and long-term debt securities as a principal means of supporting the growth of our assets. We also plan to seek additional funding and reduce our credit exposure concentration by syndicating part of our existing loan portfolio.

In addition to accessing the domestic and international capital markets and loan markets, we will seek to attract deposits from a wider range of corporate and retail customers. By widening our customer and deposit base, we expect to achieve a more diversified and stable funding base.

#### ***Further develop our strategic position within the gas and associated industries***

We are currently the leading bank for the Gazprom Group and the leading settlement agent for market participants in the Russian gas industry. We aim to broaden our strategic cooperation with Russian gas and associated industries by continuing to develop our business in line with the interests of the Gazprom Group. In view of our established position within the Russian gas industry, we believe we are well placed to develop our operations in other gas-related and associated industries, both within Russia and abroad, including financing gas investment projects in Europe and Asia.

As part of our gas industry-focused development programme, we aim to create a bank service system that is operational 24 hours a day (and thus would be able to meet our clients’ needs in different time zones), expand our settlement and depositary operations and improve the quality of servicing Gazprom’s syndicated loans and project financings. We are seeking to expand our branch network and affiliated bank



franchises in those regions that have a high concentration of gas-industry customers. Furthermore, we intend to expand our retail services to the gas and associated industries, including extending mortgage and consumer loans to Gazprom Group employees.

In January 2007, we signed a Cooperation Agreement with Gazprom for the period to 2015, reinforcing our current relationship with Gazprom and envisaging further development of our strategic partnership. Priority areas of cooperation include commercial banking products, investment projects in the gas industry, asset management, financing of innovative projects, regional network development, the gas industry's settlement and depositary infrastructure and implementation of Gazprom's corporate housing programme.

### ***Improve operational efficiency***

We plan to continue to improve our internal operational efficiency and the competitiveness of our banking operations within an increasingly competitive Russian banking sector by implementing enhanced and more transparent internal management systems and controls. We believe that our ongoing process of improving our risk management system will increase our ability to achieve controlled growth of our business within an appropriate risk profile for the Group. We also consider information technology to be an integral component of our daily operations and are committed to continued investment in information technology to support the efficient growth of our operations in the future. See “—*Information Technology*”. We will continue to focus on building a more effective internal control and corporate governance system to achieve higher levels of transparency and operational efficiency.

## **Recent Developments**

### ***Acquisitions and Disposals of Non-Banking Assets***

We currently control approximately 70 per cent. of the ordinary shares issued by SIBUR Holding. Out of this 70 per cent. 19 per cent. is held directly by Gazprombank with the remaining 51 per cent. held by a number of Gazprombank's subsidiaries and controlled entities. In April 2008, our Board of Directors agreed to sell a 50 per cent. plus one share (the “**Stake**”) in the charter capital of SIBUR Holding, within a proposal by SIBUR Holding of a management buyout of SIBUR Holding by Hidron Holdings Limited (the “**Purchaser**”), a Cypriot company. The Purchaser is a wholly-owned subsidiary of a Bahamian company controlled by five individuals who are senior management executives at SIBUR Holding. Although a definitive purchase agreement has not been signed, the Group intends to sell the Stake for the total consideration of approximately U.S.\$2.25 billion (the “**Purchase Price**”), which will be received in cash in several instalments. The proceeds, which are expected to be either deferred or financed by Gazprombank loan facilities in the total amount of approximately U.S.\$1.55 billion, will bear market interest rates and will have a contractual maturity from three months to three years. The Group will hold a pledge of the Stake until the loan facilities are paid in full. The Group will also hold a put option whereby the Purchaser will be required to purchase the remainder of the Group's interest in SIBUR Holding after three years following the date of the completion of the sale and at the same price per share as the price per share determined by the Purchase Price. During the second quarter of 2008, the Group will receive dividends accounting for a 70 per cent. stake in SIBUR Holding and amounting to U.S.\$163 million.

In February 2008, we, in the course of our private equity operations acquired several controlling stakes in industrial companies, including a 100 per cent. interest in Cryogenmash Group (Russia), which provides a complete range of services in the field of air separation, including research and design, equipment production, supply of industrial gases and after sale service, and an 85 per cent. interest in Glazovskiy zavod “Khim mash” (Russia), which produces machinery and equipment for chemical production plants and refineries. The total consideration paid by us for the acquisition of the assets mentioned above was U.S.\$290 million.

### ***Borrowings***

In March 2008, SIBUR Holding registered rouble-denominated redeemable non-convertible documentary bonds of RUB120,000 million (approximately U.S.\$5.1 billion) maturing in 2015. The coupon is paid semi-annually and the rate is set as the prevailing market rate at the beginning of each coupon period.

In March 2008, we entered into a U.S.\$450.0 million dual tranche term loan facility with a syndicate of banks. The facility consists of two tranches, a U.S.\$150.0 million tranche with a tenor of one year and a U.S.\$300.0 million tranche with a tenor of three years, both with a bullet repayment. The

U.S.\$150.0 million tranche carries a margin of forty-five basis points over three months LIBOR per annum and the U.S.\$300.0 million tranche carries a margin of sixty-five basis points over three months LIBOR per annum. The proceeds of the facility were used to refinance existing indebtedness and for general corporate purposes, including the financing of trade contracts.

### **Corporate Banking Activities**

Our principal activities comprise corporate lending, project finance, trade finance and corporate deposit taking. As the Russian banking market begins to mature and interest margins narrow, we are seeking to offer our corporate clients other more sophisticated products which generate fees and commissions and other forms of non-interest revenue.

### **Customers**

We service more than 42,500 corporate customers, including approximately 1,000 enterprises and organisations within the Gazprom Group. Although we believe that Gazprom will always be a core customer, diversification of our corporate customer base is one of our strategic priorities. The number of our corporate customers including members of the Gazprom Group has increased by approximately 17.8 per cent. over the last three years, primarily as a result of the growth in the number of customers operating in the oil extraction, oil refining, chemical, petrochemical, nuclear power, machine building, ferrous and non-ferrous metallurgy, transportation, telecommunications, metal processing, energy, food and power industries, as well as retail networks and large financial and insurance corporations.

We aim to attract and retain as customers leading Russian companies in these industrial sectors as well as some Russian state controlled entities. For example, we have established, and hope to develop further, relationships with RAO UES, WGC-3, WGC-5, FGC UES, HydroWGC, Svyazinvest, the Russian Railways, North-Western Shipping Company, Aeroflot, UTAAir, Transaero, Novoship, the Russian Post, Transneft, LUKOIL, Gazprom Neft, United Oil Group, SIBUR Holding, Salavatnefteorgsintez, Taif, Rosneft, Rosenergoatom, TENEX, Russian Corporation of Nanotechnologies (RCNT), United Company Rusal, Mechel, MMK, NLMK, Norilsk Nickel, Obyedinenniye Mashinostroitelniye Zavody, URALVAGONZAVOD, Vyborg Shipyard, Shipbuilding plant Severnaya verf, Silovye mashiny, Magnet, MVideo and Cherkizovo Group.

We provide tailored corporate banking services depending on the particular requirements and needs of the client. For example, we provide sophisticated deposit-taking services for wholesale generating companies who, having raised substantial cash from IPOs, therefore have less need for our lending services and provide cash management services such as National Cash Pooling for our holding structured clients.

### **Corporate Lending**

We undertake corporate lending in foreign currencies and roubles. As at 31 December 2007, we had a total of U.S.\$11.8 billion, or 70 per cent. of our gross loan portfolio, in gross loans outstanding to commercial customers (of which U.S.\$0.8 billion (5 per cent. of gross loans) related to the Gazprom Group), but which excluded our project financing, which accounted for 14 per cent. of our gross loan portfolio.

Our corporate lending activities comprise lending to a range of companies in different sectors of the Russian economy, including the gas industry, the construction industry, export trade and commerce.

We provide our priority corporate clients with tailored loan products covering a broad range of fixed and floating interest rate solutions and other financing alternatives. We also provide certain loan products that were developed based on the demand of a core group of our top corporate clients. For example, our brokerage department provides a bank information dealing system through which qualified corporate customers can access the interbank market to receive overnight loan financing and currency conversion services at market rates.

We plan to increase the number of loans we issue through our regional branches. As at 31 December 2007, the share of loans issued by our regional branches to corporate clients amounted to 26.5 per cent. of our gross loan portfolio.

### **Trade Finance**

We support our customers' trade finance activities through the issuance of guarantees and letters of credit. Our trade finance services include pre-export financing, short- and long-term import financing and

structured financing with a focus on trade financings outside the Russian Federation. As at 31 December 2007, we had a total of U.S.\$3.4 billion in outstanding guarantees and letters of credit, of which 44 per cent. was attributable to the Gazprom Group. Total commission income generated from trade finance activities for the year ended 31 December 2007 amounted to U.S.\$25.6 million.

We routinely engage in trade financing transactions involving international credit export agencies such as Eximbank (United States), Eximbank (Republic of China), NEXI (Japan), EDC (Canada), Hermes (Germany), KUKE (Poland), EGAP (Czech Republic), MEHIB (Hungary), COFACE (France), SACE (Italy), Eximbank (Korea), OeKB (Austria) and others.

### ***Corporate Deposit Taking***

The major source of funds for our corporate deposit-taking business are current and time deposits from corporate customers and banks. For a description of our deposit base, see “—Funding”. As at 31 December 2007, we had over 42,500 corporate customers and a total of U.S.\$16.3 billion in current accounts, deposits and subordinated deposits from corporate customers, U.S.\$5.6 billion, or 35 per cent., of which were due to Gazprom Group companies, and U.S.\$4.3 billion in deposits and balances from banks and other financial institutions. For the year ended 31 December 2007, our corporate deposits, including corporate deposits from the Gazprom Group, increased by 36 per cent. from the prior year.

Our corporate deposit products include, among other things, current and time deposits and certificated debt. Certificated debt instruments, which are tradable in the secondary market, offer customers a more liquid investment alternative to time deposits but typically offer lower yields than time deposits. Furthermore, we provide specialised deposit products at the request of our corporate clients. We have, for instance, developed an electronic settlement system through which clients can access and manage all their accounts held at our regional branches from our head office. At present, approximately 50 of our corporate clients use our bank account management service.

### ***Investment Banking Activities***

We started to actively expand our investment banking business in 2005. In line with our strategy to develop our investment banking business, we have assembled an experienced investment banking team.

We serve a diverse Russian client base that includes corporations, financial institutions and municipalities. We provide our clients with a broad range of investment banking services which include capital raising in debt and capital markets, project finance, corporate finance consulting, mergers and acquisitions financing and advisory services, brokerage services, research services and asset management, among others.

According to Bloomberg, in 2006 and 2007 we maintained one of the leading positions in both the underwriting and arranging of rouble-denominated bonds in the Russian Federation.

As at 31 December 2007, with more than U.S.\$1.2 billion under management, Gazprombank Asset Management is one of the largest asset managers in Russia. We manage mutual funds, banking trusts, pension funds and international investment funds as well as money of high net worth individuals and institutions.

### ***Project Finance Activities***

In addition to providing our corporate customers with an array of standard loan products, we also provide loans to finance the projects of our customers. Our project finance activities include financing projects principally in the gas, petrochemical, gold mining, food, timber, aviation, telecommunications, transportation, ferrous metallurgy, coal extraction, agriculture and agriproduct processing and construction industries. As at 31 December 2007, our project financings amounted to U.S.\$2.4 billion, or 14 per cent. of our gross loan portfolio.

Our management believes that project finance is a strategic growth area that is expected to develop significantly in coming years. Among other things, because of the nature of project finance, where the transactions are typically structured with non-recourse credit support, our project finance capabilities allow us to arrange significant financing packages for new clients to whom we might not otherwise extend credit. Given our substantial experience in financing large projects, particularly in the gas sector, we believe that we will continue to attract growing numbers of new project finance customers and business in the Russian Federation and abroad as demand for our products and expertise in this area grows. Furthermore, as part of our strategy to offer more sophisticated products to our corporate clients, we are

also focusing on generating non-interest revenue by, for example, structuring project finance transactions on a fee basis.

### ***Equity Investments***

We have a significant portfolio of equity investments in various Russian companies that we manage separately from our securities at fair value through profit or loss. We have acquired these companies for the purpose of making medium-term investments, with the intention of realising gains through their disposal. The strategic decisions as to when, how and on what terms we exit these investments (or possibly increase our holding in the short term) will be taken in conjunction with our shareholders. We may, for example, exit these investments through strategic sales to third parties or IPOs.

### ***SIBUR Holding***

SIBUR Holding is a vertically integrated Russian petrochemical holding company involved in the refining, processing and distribution of petrochemical products as well as the production and distribution of tyres, primarily in the Russian Federation. As at 31 December 2007, the total assets of SIBUR Holding were U.S.\$4.9 billion and net profit earned for the year ended 31 December 2007 was U.S.\$880 million.

We currently control just under 70 per cent. of SIBUR Holding and intend to dispose of 50 per cent. plus one share of SIBUR Holdings's issued share capital after which we will continue to own just under 20 per cent. of SIBUR Holding. See "*Business—Recent Developments—Acquisitions and Disposals of Non-Banking Assets*".

### ***Gazprom Media Group***

We own a 100 per cent. interest in all major "Gazprom Media Group" companies, (consisting of NTV TV Company ("NTV"), TNT Television Company ("TNT") and leading national pay-TV operator NTV-Plus).

Gazprom-Media was established on 21 January 1998 as a holding company to manage the interests held by Gazprom and its affiliates in the media sector. Gazprom-Media's key assets include two major Russian terrestrial television companies (NTV and TNT), five radio stations, two publishing houses, two newspapers, a cinema multiplex and a film and serials production company. NTV was established in 1993 as a television channel featuring information and entertainment programmes. TNT was established on 1 January 1998 as an entertainment television channel. NTV and TNT are two of the most popular terrestrial television networks in the Russian Federation.

In 2007, the Gazprom Media Group finalised an equity restructuring plan. As a result, on 23 October 2007 the new holding company, Gazprom-Media Holding, was established. Gazprom-Media Holding was formed by the Group's contribution of the minority stakes in various subsidiaries of Gazprom Media Group, a 100 per cent. interest in Gazprom-Media and debts of the Gazprom Media Group's subsidiaries held by the Group. The Group owns a 100 per cent. interest in Gazprom-Media Holding. Gazprom-Media Holding is the accounting successor of Gazprom-Media, which retained control over Gazprom Media Group's assets.

### ***Sibneftegas***

In December 2006 we acquired a 51 per cent. interest in OAO Sibneftegas, a Russian oil and gas company for RUB3.41 billion (U.S.\$130.0 million). We intend to continue to hold this investment in the medium term.

OAO Sibneftegas was established on 24 May 1994 for oil and gas exploration and production operations in the Yamal-Nenetsky Autonomous District of the Russian Federation. The company holds four subsoil licences for the right to explore, develop and produce hydrocarbons within four licence areas, namely Beregovoi, Pyreyny, Zapadno-Zapolyarny and Khadyryakhinsky. At the beginning of April 2007, Sibneftegas started commercial gas production in the Beregovoi field, which contains 80 per cent. of the company's gas reserves.

Our strategy in relation to the business of Sibneftegas is in line with the upstream strategy of the Gazprom Group.

### *Mosenergo*

Beginning in 2003, we began to purchase stakes in Mosenergo, Russia's largest regional utility company and the principal supplier of electricity and heat to the Moscow region, through a number of stock-exchange and over-the-counter transactions. We disposed of all of our holdings in Mosenergo in 2007. However we continue to own stakes in certain of Mosenergo's subsidiaries that were spun-off in 2005 as part of a reorganisation. See further note 18 of the Notes to our consolidated statements for the year ended 31 December 2007 for our current holdings in Mosenergo's successor companies.

### *Atomstroyexport*

In two transactions in 2004 and 2005, we acquired a 53.9 per cent. stake in Atomstroyexport, by law the sole exporter of nuclear power technology from Russia, which is involved in the construction of nuclear power stations. We disposed of our interest in Atomstroyexport in a series of transactions beginning in 2006, the final being a sale of our 30.8 per cent. remaining stake for a total consideration of RUB466.5 million in March 2008.

## **Retail Banking Activities**

According to *The Profile* magazine, as at 1 April 2008, we were the fifth largest bank in Russia by total retail deposits. Despite the significance of our retail operations, we have not historically been active in marketing our retail services to the broader market. Rather, our retail banking services have focused principally on cross-selling opportunities originating from our corporate customers and have been targeted at employees of those corporate customers. The retail banking sector in Russia is currently less competitive than the commercial sector and generally provides us with better interest rate margins than the commercial sector. On 10 February 2005, we were admitted to the Russian system of mandatory deposit insurance with respect to deposits of individuals.

Our bank has adopted a strategy to develop and expand our retail business in particular the services provided to small and medium sized businesses. We plan to selectively expand our retail branch network both in size and geographic location to serve the needs of the employees of our corporate customers through both organic growth and acquisitions. Our retail banking services are provided primarily through our regional branch network. We are planning to open approximately 120 new offices in Moscow, St Petersburg and throughout other cities in Russia in the next two to three years. We may also increase investment in affiliate banks or seek to acquire other regional banks as part of our investment strategy.

As part of our strategy, we plan to increase the number of retail accounts (both for deposits and plastic cards), grow our mortgage lending business through our dedicated mortgage lending subsidiary, JSB "GPB Mortgage" (CJSC) (formerly known as Sovfintrade), introduce co-branded payment cards for our corporate retail clients (such as department stores and sport clubs) and enhance savings by establishing ATMs (from which our customers can make withdrawals) and automated offices (from which our customers can make withdrawals, transfers and payments into and out of their accounts) rather than by opening expensive full service offices.

## **Customers**

As at 31 March 2008, we had over 2.0 million retail customers, the majority of whom comprised the management and employees of Gazprom Group and of our corporate customers. Although we do not actively target "walk-in customers", we do benefit from a widespread regional branch network with a good brand name and credit history which, we believe, makes us an attractive choice for high net worth consumers who wish to obtain retail banking services from a reliable bank. Our key retail customers are the employees of Gazprom Group companies and our corporate clients.

## **Retail Lending**

Retail lending represents a small but increasing part of our aggregate loan portfolio. We undertake retail lending in foreign currencies and roubles. As at 31 December 2007, we had a total of U.S.\$2.8 billion in gross loans outstanding to retail customers, including the mortgage portfolio of our subsidiary bank JSB "GPB Mortgage" (CJSC), 18.0 per cent. of which were denominated in a foreign currency, predominantly U.S. dollars. Historically, our retail focus has been targeted at employees of our corporate clients, primarily from the gas industry. Recently we have been involved in greater lending activity in the Russian mortgage, motor vehicle and consumer goods finance sectors. We only offer retail customers loans secured by collateral and, in the case of employees of our corporate customers, loans guaranteed by such corporate customers.



In addition to originating mortgages for our retail customers, in the beginning of 2005, as a part of our strategy to develop our retail lending activity, we repositioned GPB Mortgage as a dedicated entity focused exclusively on originating mortgages in the Russian secondary residential mortgage market. The strategic objectives of GPB Mortgage are to create a structure which will allow the purchase, refinancing and servicing of mortgage loans across all regions of the Russian Federation according to unified standards and to become one of the largest specialised mortgage lending banks in the Russian Federation. As at 31 December 2006, GPB Mortgage had a mortgage portfolio of U.S.\$624.4 million which increased to U.S.\$1.1 billion by 31 December 2007.

In December 2006, GPB Mortgage securitised RUB8.7 billion (U.S.\$332.0 million) of its residential mortgage portfolio by means of a local residential mortgage backed securities (“**RMBS**”) issue in the amount of RUB3.0 billion and a cross-border RMBS issue in the amount of about EUR166.0 million. The local RMBS issue was the first-ever structured public cross-border securitisation of RUB-denominated mortgages and was placed in the Russian market. The cross-border RMBS issue was placed in the international debt capital markets. In June 2007, JSB “GPB Mortgage” (CJSC) securitised RUB6.9 billion of its mortgage portfolio by means of a repeat cross-border RMBS issuance. As of December 2007, GPB Mortgage had publicly securitised an aggregate amount of RUB15.0 billion of mortgage assets.

### ***Retail Deposit Taking***

We offer our retail customers a wide variety of deposit services, including rouble and foreign currency deposits, current and time deposits. For a description of our deposit base, see “—*Funding*”. As at 31 December 2007, we had a total of U.S.\$4.3 billion in deposits from retail customers, which represented an increase of 51.0 per cent. from the prior year, and 26 per cent. of our total customer deposits.

### ***Card Services***

Since 1997, we have been a principal member of the international payment systems VISA International<sup>TM</sup> and MasterCard International<sup>TM</sup>, and until 2005 we distributed American Express<sup>TM</sup> cards. This allows us to offer debit and credit card services at all of our branches and subsidiaries.

As at 31 March 2008, we had issued more than 2.3 million plastic cards of international and domestic payment systems. For the years ended 31 December 2007 and 2006, we generated U.S.\$100.8 million and U.S.\$63.5 million in fees and commissions income from our plastic card services, respectively. The majority of these cards are debit rather than credit cards.

### ***ATM Services***

As at 31 March 2008, we had 2,193 ATMs throughout the Russian Federation and we plan on further expansion of our ATM network. Our ATM network provides our customers with banking services 24 hours a day and provides us with greater cost savings than we could otherwise achieve through new fully staffed offices. In 1997, we developed and created an electronic service centre, which enables our customers to receive account balance information and make certain payments (telephone and cable bills as well as internet and public utilities bills) by using our plastic cards at our ATMs or automated offices.

We use modern types of automatic devices, such as data terminals, ATMs with a currency exchange function, and others, which make it possible to serve larger numbers of individual clients both with the use of banking cards and with the acceptance of cash for payments.

## **Securities and Foreign Exchange Operations**

### ***Foreign Exchange Trading***

We are active in the foreign exchange market. Foreign exchange trading generates significant income for us, amounting to U.S.\$58.6 million for the year ended 31 December 2007. We service the majority of the Gazprom Group’s hard currency gas export proceeds and also develop relationships with Russia’s largest corporate entities. We are now a leading market-maker in the domestic Russian foreign exchange market.

We also trade currency options to hedge foreign exchange risks. To conduct these transactions we have established relationships with banking counterparties in the international currency market.



## Securities Trading and Services

We trade various types of state, municipal and corporate securities using our customers' and our own funds. We are one of the top 10 market-makers in Russian eurobonds (both sovereign and corporate) and rouble-denominated debt instruments. In the Russian equity market, our principal trading activities are in respect of Gazprom shares.

Only a portion of our total securities at fair value through profit or loss is utilised by our Treasury Department for day-to-day trading purposes. Since 2002, our Treasury Department has operated within a set of risk parameters and standards determined by our Risk Management Department, which sets a limit on the maximum amount of open positions in different instruments. See “—*Asset, Liability and Risk Management*”. The remainder of our securities at fair value through profit or loss comprises holdings that we deem to be strategic, longer-term equity investments.

As at 31 December 2007, our total securities at fair value through profit or loss amounted to U.S.\$4.1 billion, of which 12.4 per cent. were Gazprom shares. The following table shows the carrying value in our consolidated financial statements of our total securities at fair value through profit or loss as at 31 December 2007 and 2006.

	As at 31 December			
	2007	%	2006	%
	<i>U.S.\$ thousands, except percentages</i>			
Gazprom shares.....	512,525	12.4	1,031,557	44
Corporate bonds.....	2,253,693	54.6	635,435	27.1
Promissory notes.....	494,776	12	285,754	12.2
Russian Federation rouble bonds (GKO <sup>(1)</sup> OFZ <sup>(2)</sup> ).....	465,938	11.3	195,520	8.3
Equity securities <sup>(3)</sup> .....	327,691	7.9	129,491	5.5
Russian Federation municipal bonds.....	76,074	1.8	57,341	2.4
Russian Federation foreign (OVVZ) <sup>(4)</sup> currency bonds.....	1,570	0	2,193	0.1
Russian Federation Eurobonds.....	—	—	9,134	0.4
<b>Total</b> .....	<b>4,140,242</b>	<b>100</b>	<b>2,346,425</b>	<b>100</b>

Notes:

(1) Federal short-term bonds (“GKO”).

(2) Federal loan bonds.

(3) Excluding Gazprom shares.

(4) Federal currency bonds.

For the year ended 31 December 2007, we recorded net dealing profits of U.S.\$239.2 million, most of which related to trading in shares of Gazprom and other Russian “blue-chip” companies, as well as fair value adjustments of our holdings in Gazprom.

Services offered to customers in the securities market include providing brokerage services, consulting and information services for trading activities and managing customers' funds on the Russian securities market, the Eurobond market and the international currency market. In addition to providing traditional brokerage services, in 2002 we introduced the “I-trade” online brokerage trading system. This system provides our clients with real-time securities trading via secured Internet connections. For the year ended 2007, our gross brokerage turnover exceeded U.S.\$7.9 billion. We service around 11,000 customers.

## Other Activities

**Settlement Services.** We have established an internal settlement centre to facilitate a wide range of financial services relating to the management of rouble and foreign currency accounts and their settlement. Operating a network of hundreds of correspondent accounts opened with Russian and foreign banks and involving all of our branches, the Settlement Centre aims to provide efficient and effective settlement of transactions for our customers. Our Settlement Centre operates 24 hours a day, thereby allowing transaction participants to accelerate settlements within the Russian Federation's regions, despite being located in different time zones. In 2007, we estimate that we, together with our regional

offices, and our subsidiary and affiliated banks, collectively settled approximately 75 per cent. of all Gazprom Group payments.

*Depository Services.* We estimate that we are the leading Russian depository by market value of securities in custody. We have an extensive security depository network in Russia in terms of the value of deposited securities, extending to approximately 87 regions throughout the Russian Federation. Our depository service provides a comprehensive service for Gazprom's shareholders and also holds securities issued by over 450 companies in the Russian Federation.

*Banking and Trading Services Available via the Internet.* We regularly introduce and upgrade banking products available to our customers via the Internet. A Banking Information and Dealing System, which combines the advantages of banking with Internet technologies and gives our customers the opportunity to enter into and manage a wide variety of banking transactions online and to receive online account information and support. In 2002, we introduced the "I-trade" online brokerage trading system. This system allows our corporate clients to execute timely and secure transactions via the Internet.

*Agency Services to the Gazprom Group.* In our capacity as agent for Gazprom, we actively participate in international credit lending programmes. Since 1997, we have been involved in performing various functions (such as acting as trustee and as an agent bank, effecting settlements on behalf of Gazprom, monitoring payments and establishing and maintaining escrow accounts) in connection with large syndicated loans provided to the Gazprom Group by a number of foreign banks and financial institutions.

*Precious Metals Operations.* We obtained a licence to trade precious metals from the CBR in August 1999 and conduct a range of operations in the Russian and international markets, including financing mining organisations, conducting various export operations with precious metals and trading in precious metals.

*Emissions Trading.* Carbon Trade & Finance SICAR S.A., Luxembourg provides emission credit and trading services to clients in the European Union. See further "*—Recent Developments—Joint Ventures*".

*Asset Management.* GPB Asset Management S.A. serves the Group, as well as providing services to third parties. Services include investment advisory, brokering and asset management services to third parties. See further "*—Recent Developments—Other Events*".

## Loan Portfolio

Our loans to customers (excluding banks) portfolio is comprised almost equally of rouble and of foreign currency (mostly U.S. dollar and euro denominated), loans to commercial and retail customers. As at 31 December 2007, we had a total of U.S.\$16.9 billion in gross loans outstanding, 32 per cent. of which were denominated in a foreign currency. The following table shows our loan portfolio by currency and maturity as at 31 December 2007 and 2006.

	As at 31 December			
	2007	%	2006	%
	U.S.\$ thousands, except percentages			
<b>Gross due from customers by currency:</b>				
RUB .....	11,534,029	68.1%	6,237,489	51.7%
Foreign currencies.....	5,362,139	31.9%	5,816,945	48.3%
<b>Total gross due .....</b>	<b>16,896,168</b>	<b>100.0%</b>	<b>12,054,434</b>	<b>100.0%</b>
Provisions.....	(551,127)	—	(470,444)	—
<b>Total net due.....</b>	<b>16,345,041</b>	<b>—</b>	<b>11,583,990</b>	<b>—</b>
<b>Net due from customers by maturity:</b>				
Up to 1 year.....	8,863,327	54.2%	7,334,643	63.0%
1 to 5 years.....	4,923,935	30.1%	2,971,912	26.0%
Over 5 years.....	2,557,779	15.7%	1,277,435	11.0%
<b>Total net due.....</b>	<b>16,345,041</b>	<b>100.0%</b>	<b>11,583,990</b>	<b>100.0%</b>

We have loan concentrations in certain sectors of the economy, in particular in leasing and finance, natural gas and manufacturing. The following table shows our gross exposure by principal economic sector as at 31 December 2007.

<b>As at 31 December 2007</b>						
	<b>Loans</b>	<b>Undrawn Loan Commitments</b>	<b>Guarantees</b>	<b>Letters of Credit</b>	<b>Total Gross Exposures</b>	<b>%</b>
<i>U.S.\$ thousands, except percentages</i>						
Leasing and finance and insurance .....	2,828,845	246,056	1,332,160	1,853	4,408,914	18%
Individuals .....	2,791,636	1,998	–	578	2,794,212	11%
Manufacturing.....	2,397,338	1,035,631	146,831	247,290	3,827,090	16%
Real estate construction .....	1,562,315	58,910	36,291	–	1,657,516	7%
Trading enterprises ..	1,553,332	963,845	49,472	75,284	2,641,933	11%
Gas extraction, transportation and sale enterprises.....	1,262,328	69,420	357,513	135,100	1,824,361	7%
Nuclear and chemical industry.....	1,067,599	166,154	578,038	26,287	1,838,078	7%
Metal mining.....	749,179	70,461	4	36,146	855,790	3%
Oil extraction, transportation, sale enterprises and petrochemical industries.....	622,444	294,753	129,285	–	1,046,482	4%
Electric Power Industry .....	597,088	559,243	26,208	1,570	1,184,109	5%
Transport .....	336,506	84,934	22,467	75	443,982	2%
Telecommunications .	261,069	24,364	28,417	-	313,850	1%
Agriculture .....	166,921	100,227	–	-	267,148	1%
Entrepreneur.....	127,154	13,728	1,728	-	142,610	1%
Other .....	572,414	718,621	61,746	71,290	1,424,071	6%
	<b>16,896,168</b>	<b>4,408,345</b>	<b>2,770,160</b>	<b>595,473</b>	<b>24,670,146</b>	<b>100%</b>

As at 31 December 2007, 9 per cent. of our gross loans to customers were lent directly to, or in favour of, Gazprom or other members of the Gazprom Group. See “*Risk Factors—Risks Relating to Our Business and Industry—We face a number of risks relating to our relationship with the Gazprom Group and our exposure to the natural gas sector*”.

The overall size of our loan portfolio has continued to grow and in recent years we have been reducing our exposure to the Gazprom Group as a proportion of our gross loan portfolio relative to the amount and size of gross loans to Russian or foreign companies unrelated to the Gazprom Group.

As at 31 December 2007, U.S.\$1.4 billion, or 7 per cent., of our gross loans and guarantees were made to, or on behalf of, state-controlled companies (excluding the Gazprom Group) and U.S.\$2.8 billion, or 14 per cent., were made to, or on behalf of, individuals.

The following table shows our 10 principal non-bank customers (by exposure) as at 31 December 2007, which together accounted for 16 per cent. of our total exposure at such date. 23 per cent. of the 10 largest exposures by value were to, or comprised guarantees in favour of, members of the Gazprom Group. The figures in this table represent gross exposure including commercial loans, undrawn loan commitments, guarantees and open letters of credit.

**As at 31 December 2007**

	<b>Loans</b>	<b>Guarantees</b>	<b>Letters of Credit</b>	<b>Undrawn Loan Commitments</b>	<b>Total Gross Exposures</b>	<b>%</b>
<i>U.S.\$ thousands, except percentages</i>						
<b>Customers</b>						
Inteko .....	731,950	—	—	—	731,950	19%
UK DAR .....	463,531	—	—	—	463,531	12%
RosUkrEnergo AG...	450,000	—	—	—	450,000	11%
Aragon .....	448,312	—	—	55	448,367	11%
Bodella Holding Ltd.	416,810	—	—	11,148	427,958	11%
Tekchsnabexport .....	348,757	—	—	22,034	370,791	9%
Stroygazkonsalting ....	320,385	1,403	—	—	321,788	8%
Rosenergoatom .....	246,084	—	—	14,591	260,675	7%
UGMK-Holding .....	230,078	—	—	19,139	249,217	6%
NLMK .....	203,933	3,055	—	—	206,988	6%
<b>Total .....</b>	<b>3,859,840</b>	<b>4,458</b>	<b>—</b>	<b>66,967</b>	<b>3,931,265</b>	<b>100%</b>

**Loan Impairment**

For the purposes of IFRS financial reporting, a credit risk allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The loan loss impairment also covers losses where there is objective evidence that losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component and the credit ratings allocated to borrowers and reflecting the current economic conditions in which the borrowers operate.

Loans are classified by the Group as “non-performing” if either: (i) the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection; or (ii) the loan is not yet 90 days past due, but in the judgement of management it is probable that all contractual payments of interest and principal will not be collected.

The following table provides a breakdown of our Loans, including our non-performing Loans, and related allowances for the years ended 31 December 2007 and 2006.

	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
<i>U.S.\$ thousands, except percentages</i>		
<b>Allowances for impairment losses .....</b>	551,127	470,444
Loans to customers, gross .....	16,896,168	12,054,434
Allowances for impairment to gross loans to customers .....	3.3%	3.9%
Non-performing loans .....	166,214	47,436
Non-performing loans to gross loans to customers .....	1.0%	0.4%
Allowances for impairment to non-performing loans .....	331.6%	991.8%

**Provisions for off-balance sheet exposure**

Provisions for off-balance sheet exposure are recognised when the Group has a present legal or contingent obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The following table provides a breakdown of our off-balance sheet exposure and the related provisions as at 31 December 2007 and 2006.

	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S.\$ thousands, except percentages</i>	
<b>Provisions</b> .....	32,984	15,397
Total off-balance sheet exposure .....	7,773,978 <sup>(1)</sup>	4,494,151 <sup>(2)</sup>
Provision to total exposure .....	0.42%	0.34%

Notes:

(1) Of which, undrawn loan commitments were U.S.\$4,408.3 million, letters of credit were U.S.\$595.5 million and guarantees were U.S.\$2,770.2 million.

(2) Of which, undrawn loan commitments were U.S.\$3,425.1 million, letters of credit were U.S.\$446.0 million and guarantees were U.S.\$623.1 million.

## **Lending Policies and Procedures**

### ***General Lending Guidelines***

Our general lending guidelines provide the basic rules for our lending business.

We follow a number of internal rules and regulations in relation to transactions involving credit risk. These rules and regulations are set out in the form of the following general guidelines:

- we review the creditworthiness of each borrower and consider factors such as the quality of the management of the borrower, the main business activities of the borrower, its geographical location, suppliers, customers and outstanding borrowings;
- we evaluate various financial factors relating to each borrower, including its financial stability, turnover and the likely return on the loan;
- we consider the legitimacy and economic feasibility of each credit transaction with a view to ensuring the preservation of our business reputation;
- we base our lending business on the best possible balance of maturities, amounts, currencies and other terms of the loans in our loan portfolio;
- we have strict lending requirements, in particular, we look to the proceeds from the principal activity and cash flow from project implementation of each borrower as the primary source of fulfilment of such borrower's obligations to us over secondary sources, such as property-based and other security;
- we divide our borrower base by branches, regions and countries;
- we set specific terms and conditions for different types of loan products;
- we optimise our internal procedures for making decisions, granting and monitoring loans; and
- we comply with lending limits set by our head office credit committee (the "CC") and investment committee (the "IC"), which are both appointed and monitored by our Management Board.

### ***Loan Approval***

Our loan approval process is conducted in compliance with the following general policies:

- joint lending decision-making across departments with respect to each lending transaction;
- proper distribution and delegation of authority in relation to the decision-making process based on the level of acceptable credit risk and integrated analysis of credit and other risks arising in the course of lending transactions;
- proper systematic assessment and management of credit risks given the volume and complexity of the transactions including an independent expert assessment of credit risks and internal ratings; and
- proper management of the loan portfolio based on its continuous monitoring.

We require all loan applications to be submitted on standard forms, together with a set of supporting documents, and registered in our central register of applications. The initial review of applications in our head office (including, where appropriate, financial analysis, feasibility study, examination of financial standing, reputation and past history of the applicant) is initially conducted by one of the following six



lending departments: (i) the Credit Department, (ii) the SMES Crediting Department, (iii) the Project Finance Department, (iv) the Retail Customers Department, (v) the Trade Markets Department or (vi) the Factoring Department. A separate and independent specialised risk management unit within the Risk Management Department also participates in reviewing all loan applications at the initial stage and prepares an independent report for the CC or IC (depending on the loan amount) assessing the effect that each potential loan may have on risk concentration across our loan portfolio.

Following the review of a loan application by one of the lending departments and the independent risk management unit, the loan application is then submitted together with the reports prepared by the relevant department and units for approval by the CC or the IC, as applicable. The CC, when making a loan decision, is also provided with opinions from our Legal Department and the Security Department.

Credit committees operating in branches are authorised to approve loan applications submitted to them within their respective approval limits. All loan applications submitted to branches beyond their approval limits are reviewed by the independent risk management unit and finally approved by the relevant committee of the head office.

The IC's responsibilities include the approval of project financing transactions, the purchase of equity securities, mergers and acquisitions and underwriting of securities (other than debt securities not convertible into shares). Also, the IC considers investment lending transactions if the transaction amount exceeds U.S.\$7.0 million and/or the transaction leads to a substantial change in the market position of the investee company. Lending transactions, including those with financial organisations, also fall under the remit of the IC, if the aggregate risk accepted for the counterparty exceeds the equivalent of U.S.\$50.0 million as of the decision date or if the borrower is simultaneously a party to the then-current investment transaction.

The CC's responsibilities include the decision-making on lending transactions that do not fall under the IC's remit, mainly the setting of limits for insurance risks for insurance companies, the approval of and amendments to lists of accredited appraisers, and matters related to the setting of personal limits for standard products and retail (personal) lending.

The IC mainly comprises the Deputy Chairmen of the Management Board and members of the Management Board of Gazprombank. The CC includes members of the Management Board and heads of the departments of Gazprombank. The head of the Risk Management Department is a member of both committees and has a casting vote. The limits for the CC and the IC are set by the Management Board.

The Board of Directors is responsible for the general direction of our lending business, approval of major and interested party transactions and adoption of decisions on the writing-off of irrecoverable loans which are, by virtue of their value, beyond the powers of the Management Board to adopt. The Management Board is responsible for the approval of our credit policy, targets, values and parameters for our loan portfolio, reports on compliance with our credit policy (reports on the condition of problem loans and major risks) and internal regulatory documents relating to strategic directions in the development of lending operations, the delegation of lending decision-making authority to the IC, the CC and to our officers. The Internal Control Department is responsible for monitoring the efficient operation of our credit risk management and assessment system, including our related party transactions and compliance with the regulatory documents governing the lending process, including assessment of the credit risk level in our major and related party transactions and/or high risk transactions in accordance with the criteria established by the CBR.

### ***Lending Limits***

As a key tool of credit risk management, we use a hierarchy of lending limits, including an aggregate limit of credit risk acceptance per client or group of related clients, and a system of limits for particular types of transactions. These limits may include several sub-limits, which are established depending on the type of transaction or lending purposes (e.g., current financing, investment financing or project financing). To limit our credit risk exposure, we have limits on the powers to take decisions on different types of loan products, limits on the total value of the loan investment, counterparty limits, loan investment concentration limits and loss limitation limits.

The limits for credit committees operating in branches are approved by the CC. Where the amount of a loan exceeds the limit set for the credit committees of the branches, the credit must be approved by the CC. Where the amount of a loan exceeds the limit set for the CC, the loan must be approved by the IC. Where the amount of a loan exceeds the limit set for the IC, the loan must be approved by the Management Board. In addition, in accordance with recommendations of the CC, our Management

Board has approved personal limits for a number of our officers including the Chairman of our Management Board and his deputies. Lending limits are reviewed on a regular basis by our managing bodies.

The CC is currently authorised to make loan decisions up to U.S.\$50.0 million. Each branch office is assessed individually on various criteria including managerial experience, bad debt history, regional needs and number of customers. Maximum limits for loans extended by branch offices currently amount to U.S.\$3.86 million per borrower and up to RUB2.0 billion (approximately U.S.\$77.2 million) per branch in aggregate outstanding at any time. Loans extended through branch offices comprised 26.5 per cent. of total exposures as at 31 December 2007 and 21.7 per cent. as at 31 December 2006.

Related party loans are extended to our affiliated companies at rates set out by our Asset and Liability Management Committee (the “**ALM Committee**”) and within the limits established by the CC or IC, and are provided on market terms and at market rates. We assess credit risks in transactions with related parties in accordance with the following policies:

- in order to promptly identify credit risks in related party transactions, a duly authorised internal department approves the criteria for the identification of related parties, including parties related to us;
- credit risks with respect to related borrowers are assessed on a consolidated basis and credit risk limits are approved with due regard for the established criteria of relatedness;
- credit risks in transactions with related and other parties are assessed based on uniform methodological principles and credit risk assessment standards; and
- the principal parameters of our related party transactions are identified based on the principles applied to all categories of borrowers and an evaluation of the transaction’s terms in relation to the level of acceptable credit risk, the credit product type, as well as due regard to the competitiveness of the respective credit product in the banking market.

While we make decisions on lending matters in related party transactions based on our internal credit policy, decisions on lending matters involving parties related to us or our affiliates are made by duly authorised officers and departments; in each case these decisions are made strictly in accordance with the procedures set out by the Russian Federal Law No. 208-FZ “On Joint-Stock Companies” of 26 December 1995, as amended (“**JSC Law**”) and our Charter. See also “*Principal Shareholder and Related Party Transactions*”. Interested parties are excluded from the decision-making process when we make decisions on lending matters in transactions with insiders and other parties related to us.

### ***Loan Terms and Conditions***

The relevant committee which approves the loan sets the terms and conditions of the loan, including the amount, the principal repayment date, the interest rate and the type of collateral required. As a rule, interest rates under loan agreements are set on the basis of the minimum rates approved by our ALM Committee.

Our internal regulations provide for, *inter alia*, the prioritisation of certain clients – with respect to current and investment financing business we give priority to the transactions with clients operating in sectors of strategic importance to us and/or clients that have a high internal credit rating; with respect to transactions with individuals, we usually give priority to transactions with clients who are employees of our corporate clients; with respect to our retail business, priority is given to retail lending for the acquisition of real estate; with respect to transactions with local state authorities, priority is given to the transactions made for a term not exceeding the budget planning term of the respective state authority.

Strategic clients and related parties may receive better loan terms (which we nonetheless believe are in accordance with market rates) including lower interest rates, less strict collateral requirements and longer maturities. Lower interest rates are determined and approved by our ALM Committee and in doing so the ALM Committee is guided by our in-house methodology.

We are in the process of developing our pricing system and related techniques with the view to enhancing the system for determining acceptable credit risk, expected and unexpected losses, and target profitability of our equity.

### ***Collateral***

It is our policy to seek collateral for most of our exposures. We prefer collateral in the form of a pledge of property, or a surety or guarantee from a solvent party. The pledged value of property or the amount of the surety or guarantee should be sufficient to compensate us for the principal amount under the loan agreement and, as a rule, the commission and interest for the entire lending term and any possible expenses involved in the sale of the pledged property, unless otherwise provided for by the decision of relevant lending departments.

Where collateral is taken, the relevant lending department assesses both its value, its legality and enforceability and any costs associated in connection with the realisation of such collateral. The main types of collateral or credit support taken are guarantees from the Gazprom Group, third party bank guarantees, liquid promissory notes such as our and Gazprom promissory notes, shares in Russian blue-chip companies (including Gazprom) and liens over inventory, real property and other similar monetary assets. Our lending policy contains a description of preferred and non-acceptable types of collateral and sets out the criteria for determining whether the proposed collateral is of sufficient value. Up to 80 per cent. of our loans are collateralised. The value of collateral should be sufficient to compensate us for the principal amount and accrued interest due, as well as for all possible expenses and commissions that we may incur when foreclosing on the collateral.

The CBR does not regulate the type of collateral required, although the amount of provisioning under CBR guidelines will depend in part on the collateral received. The frequency of a collateral review will depend on the type of collateral taken. Collateral with respect to which there are published market price quotations, such as shares, is reviewed daily. The sufficiency of other collateral is generally reviewed on a monthly basis. In normal circumstances, we can realise liquid collateral, such as shares, promissory notes and bonds, within a few days and other collateral within 180 days. However, the realisation of certain collateral, such as state-owned property, may take longer.

### ***Loan Monitoring***

Lending transactions are monitored and maintained continuously from the time the loan is extended to the time when the client discharges all of its obligations to us under the respective loan documentation. The purpose of such monitoring is to promptly identify and assess changes in the level of credit risk of the borrower and to take preventive measures to mitigate increased credit risk.

Once a loan has been extended, the monitoring of the loan and the financial standing of the borrower is conducted from within our head office. In accordance with the CBR requirements, Russian banks must monitor their borrowers' financial position and exposures on a quarterly basis. We monitor the financial position and exposures in relation to each borrower on a regular basis, at least as often as the CBR. We also conduct site visits to corporate borrowers at least once a quarter to monitor the borrowers' business activities and to audit the collateral. We evaluate on a regular basis the net liquidation value of the collateral. A separate Internal Control Department and Back Office, which is overseen by our Chief Accountant, monitors the timely payment of interest and other amounts payable by corporate borrowers. In addition, our lending departments monitor borrowers' ongoing creditworthiness and the value of the collateral. They produce monthly reports on each loan. A report on any loan exposure where repayment is doubtful is submitted to the relevant committee and this exposure is monitored closely. We continuously update and refine the quality of our loan monitoring with the aid of technological systems in an effort to improve the speed of decision-making and the quality of information available for identifying and assessing potential risks.

We are currently installing a centralized system for the monitoring and maintenance of lending transactions which will provide for the centralization of functions of independent control in a single structural unit.

## Overdue Loans

The following table sets forth information on our overdue gross loans as at 31 December 2007 and 2006.

	As at 31 December			
	2007		2006	
	Amount	% of total	Amount	% of total
	<i>U.S.\$ thousands, except percentages</i>			
Performing loans .....	16,690,890	98.8	11,908,276	98.8
Contractually overdue loans.....	205,278	1.2	146,158	1.2
<b>Total loans.....</b>	<b>16,896,168</b>	<b>100</b>	<b>12,054,434</b>	<b>100</b>

Loans are considered overdue when a borrower fails to make a scheduled payment of principal or interest for more than five days from the date stated in the loan agreement. An overdue loan is restored to performing loan status when the overdue principal or interest amount has been paid to us.

## Funding

The major sources of funds for our lending and investment activities are current accounts, time deposits, the issuance of debt instruments in the form of eurobonds and local rouble-denominated bonds, promissory notes and certificates of deposit, bank deposits, cash flow from interest payments, fees and commissions from securities trading, and bank lending.

The availability of deposits in our funding base is influenced by such factors as prevailing interest rates, market conditions and the level of competition. We may compensate for reductions in the availability of funds from deposits or other sources by borrowing on the interbank market. Gazprom Group companies have historically provided a significant proportion of our funding, accounting for 21 per cent. of our total liabilities as at 31 December 2007, compared to 19 per cent. and 29 per cent. of our liabilities as at 31 December 2006 and 2005, respectively.

The following table shows our sources of funding as at 31 December 2007 and 2006.

	As at 31 December			
	2007	%	2006	%
	<i>U.S.\$ thousands, except percentages</i>			
<b>Due to banks and other financial institutions:</b>				
Time deposits.....	4,168,083	98.1	2,934,659	98.5
Current accounts <sup>(1)</sup> .....	82,724	1.9	44,993	1.5
<b>Total .....</b>	<b>4,250,807</b>	<b>100</b>	<b>2,979,652</b>	<b>100.0</b>
Certificated debt.....	3,046,600	45.0	5,454,543	67.6
Eurobonds issued .....	3,716,436	55.0	2,613,738	32.4
<b>Total .....</b>	<b>6,763,036</b>	<b>100</b>	<b>8,068,281</b>	<b>100</b>
<b>Customer accounts and subordinated deposits:</b>				
Current accounts .....	9,520,066	57.7	5,772,896	47.6
Time deposits.....	6,985,403	42.3	6,363,027	52.4
<b>Total .....</b>	<b>16,505,469</b>	<b>100</b>	<b>12,135,923</b>	<b>100</b>
<b>Total .....</b>	<b>27,519,312</b>		<b>23,183,856</b>	

Note:

(1) Current accounts are accounts we hold on behalf of other banks.

The residual maturity breakdown of our funding as at 31 December 2007 and 2006 was as follows:

	As at 31 December			
	2007	%	2006	%
	<i>U.S.\$ thousands, except percentages</i>			
Funding				
Less than 3 months .....	15,603,024	56.7	12,907,209	55.7
3 to 6 months .....	2,118,438	7.7	2,464,247	10.6
6 to 12 months .....	2,684,772	9.8	2,261,111	9.8
12 to 60 months .....	5,122,843	18.6	3,678,971	15.9
Over 60 months .....	1,990,235	7.2	1,872,318	8.1
<b>Total .....</b>	<b>27,519,312</b>	<b>100</b>	<b>23,183,856</b>	<b>100</b>

#### *Current Accounts and Time Deposits*

As at 31 December 2007, current accounts and time deposits comprised 54 per cent. of our total liabilities. Current deposits comprise the largest type of deposits, accounting for 58 per cent. of total customer deposits as at 31 December 2007. As at 31 December 2007, deposits and balances from banks and other financial institutions comprised 14 per cent. of our total liabilities.

#### *Debt Issuance*

We have issued both domestic debt, or certificated debt, consisting of certificates of deposit, promissory notes and local rouble-denominated bonds, and international debt, consisting of Eurobonds.

#### *Certificates of Deposit, Rouble-denominated Domestic Bonds Issued and Promissory Notes*

The issuance of certificates of deposit, rouble-denominated domestic bonds issued and promissory notes is a significant source of our funding. As at 31 December 2007, outstanding certificates of deposit, rouble-denominated domestic bonds issued and promissory notes totalled U.S.\$3.0 billion. The average effective interest rate for 2007 was 7.0 per cent. (compared with 7.1 per cent. for 2006) for certificates of deposit, rouble-denominated domestic bonds and promissory notes issued in roubles and 5.2 per cent. (compared with 5.3 per cent. for 2006) for certificates of deposit and promissory notes issued in foreign currencies.

#### *Rouble-denominated Domestic Bonds*

In February 2006, we issued our first rouble-denominated domestic bonds in an aggregate amount of RUB5.0 billion (U.S.\$184.6 million) due 2011. The coupon for the issue was 7.1 per cent.

In November 2006, we issued rouble-denominated domestic bonds in an aggregate amount of RUB5.0 billion (U.S.\$184.6 million) due 2013. The coupon for the issue was 6.5 per cent.

In November 2007, we issued two rouble-denominated domestic bonds in an aggregate amount of RUB20.0 billion (U.S.\$814.79 million) each due 2012. The coupon for both issues was 7.4 per cent.

#### *Eurobond Issuance*

In October 2003, GazInvest Luxembourg S.A. issued U.S.\$750.0 million 7.25 per cent. Loan Participation Notes due October 2008. The proceeds of the issue were used to increase our loan portfolio and to purchase additional amounts of debt securities issued by the Russian Federation and Russian corporate issuers.

In January 2004, GazInvest Luxembourg S.A. issued an additional U.S.\$300.0 million notes on the same terms as, and fully fungible with, the October 2003 issuance. The notes were priced at 101 per cent. giving an effective yield of 7 per cent.

In September 2005, GPB Eurobond Finance PLC issued U.S.\$1.0 billion 6.5 per cent. Loan Participation Notes due 2015. The proceeds of the issue have been or will be used for general corporate purposes, including financing the expansion of our loan portfolio.

In February 2007, GPB Eurobond Finance PLC issued RUB10.0 billion 7.25 per cent. Loan Participation Notes due 2010 for the sole purpose of financing a loan to us. The issue was the first international bond



offering by a Russian corporate to be denominated and settled in roubles through Euroclear and Clearstream, Luxembourg. The proceeds of the issue have been or are to be used for general corporate purposes as well as to finance the expansion of our loan portfolio.

In April 2007, GPB Eurobond Finance PLC issued U.S.\$700.0 million Floating Rate Loan Participation Notes due 2010 for the sole purpose of financing a loan to us with a floating interest rate of three month U.S. dollar LIBOR plus 0.9 per cent. The proceeds of the issue have been or will be used for general corporate purposes, including financing the expansion of our loan portfolio.

None of our Eurobonds or other outstanding securities are convertible into our equity.

The conditions and covenants applicable to our Eurobond issues include negative pledge provisions. These provisions limit our ability to create security over any indebtedness which is (i) represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is listed, quoted or traded on any stock exchange or traded in any securities market (including, without limitation, any over-the-counter market), (ii) denominated, payable or optionally payable in a currency other than roubles (except in relation to the GPB Eurobond Finance PLC issuances of February 2007 and April 2007 (as described above), where such limitations shall also apply to indebtedness which is denominated, payable or optionally payable in roubles), and (iii) initially offered and distributed primarily outside the Russian Federation. The conditions applicable to our existing Eurobond issues do not preclude us from issuing other types of debt and do not impose any financial covenants on us.

#### *Syndicated Loans*

In April 2006, we entered into a three-year U.S.\$500.0 million term loan facility with a syndicate of banks which bears interest at six months LIBOR plus 0.5 per cent. The loan provides for repayment in three equal instalments in 24, 30 and 36 months starting from 11 April 2008. We used the proceeds of the facility to repay the previous syndicated loan made in April 2005 in the amount of U.S.\$650.0 million.

In March 2008, we entered into a U.S.\$450.0 million dual tranche term loan facility with a syndicate of banks. The facility consists of two tranches, a U.S.\$150.0 million tranche with a tenor of one year and a U.S.\$300.0 million tranche with a tenor of three years, both with a bullet repayment. The U.S.\$150.0 million tranche carries a margin of forty-five basis points over three months LIBOR per annum and the U.S.\$300.0 million tranche carries a margin of sixty-five basis points over three months LIBOR per annum. The proceeds of the facility were used to refinance existing indebtedness and for general corporate purposes, including the financing of trade contracts.

Each of the loan facility agreements contain provisions that, we believe, are standard in connection with transactions of this type, including, among other things, negative pledge undertakings, restrictions on asset disposals and certain financial covenants. So long as funds under either facility remain outstanding, the negative pledge provisions in the relevant agreement do not allow us, except in limited circumstances, to create any security interest with respect to our assets or income to secure any of our financial indebtedness or to incur any higher-ranking borrowing. The agreements do not preclude us from raising other types of funding. Pursuant to the financial covenants contained in the agreements, we are required to (i) maintain our capital adequacy ratio, as measured in accordance with the BIS methodology, at a minimum of 10 per cent. at all times and (ii) maintain our ratio of loan loss impairment to non-performing loans at a minimum of 140 per cent. at all times. In addition, under the loan facility agreement of April 2006, we are required to maintain our tangible net worth according to IFRS at not less than U.S.\$875.0 million. Under the loan facility agreement of March 2008, we are required to maintain our tangible net worth according to IFRS at not less than U.S.\$5.0 billion.

The issuance of the Notes and the receipt of the loan will not cause us to be in breach of any of the covenants of the syndicated loan facility agreements.



## Financial Commitments and Contingencies

The following table sets forth a breakdown of our credit-related financial commitments as at 31 December 2007 and 2006:

	As at 31 December	
	2007	2006
Undrawn loan commitments .....	4,408,345	3,425,063
Letters of credit .....	595,473	445,985
Guarantees given .....	2,770,160	623,103
<b>Total .....</b>	<b>7,773,978</b>	<b>4,494,151</b>

In the normal course of business, we also enter into operating lease agreements relating to office equipment and branch facilities. Our future minimum payments under non-cancellable operating leases as at 31 December 2007 and 2006 were as follows:

	As at 31 December	
	2007	2006
Not later than 1 year .....	7,375	5,371
Later than 1 year and not later than 5 years .....	109,085	10,285
Later than 5 years .....	26,936	18,676
<b>Total .....</b>	<b>143,396</b>	<b>34,332</b>

## Capital Expenditures

Our capital expenditures on property, equipment and intangibles (including software and assets under construction) were U.S.\$2.1 billion and U.S.\$1.9 billion for the years ended 31 December 2007 and 2006, respectively.

## Dividends

Pursuant to the resolution of our shareholders, since 2000, we have made dividend payments in the amount of 30 per cent. of our net profit as calculated in accordance with Russian Accounting Regulations (“**RAR**”). In accordance with this practice, we made dividend payments for the years ended 31 December 2007 and 2006 in the amounts of U.S.\$88.6 million and U.S.\$65.4 million, respectively.

## Asset, Liability and Risk Management

We believe that our assessment and control of risk represent key elements of our success. We identify, measure, monitor and manage the risks arising from our operations. Our system of risk control and risk management has been in place for several years, and it is fully integrated into our internal systems for planning, management and control.

### *Risk Management Principles*

We manage our business risks through a framework of risk principles, organisational structures and risk measurement and monitoring processes that are closely aligned with the activities of our business divisions. The following key principles guide our approach to risk management:

- our Board of Directors reviews risk management systems and policies on an annual basis;
- our Management Board provides overall risk management oversight for our operations as a whole;
- the risk policies determined by our Management Board are implemented through a Risk Management Department that is charged with oversight of specific risks that we face;
- we enforce a clear division between our business origination and risk management activities;
- we manage credit, market, liquidity, operational and settlement risk in a coordinated manner at all levels of our operations; and

- in our branch operations, we delegate local decision-making authority to local/decentralised risk management units within the framework of our centralised risk management policies.

### ***Risk Management Organisation***

Our Management Board approves our general principles of risk control and management, our limits for all relevant risks and the procedures that we apply in controlling and managing our risks.

In determining our risk policy, our Management Board is supported by three risk control and management committees and our Risk Management Department. The committees are comprised of the CC, IC and the ALM Committee, all of which are appointed and monitored by our Management Board. These committees meet weekly and report regularly to our Management Board.

The CC and the IC are responsible for approving operations that carry a credit risk. The separate responsibility of each committee is based on the parameters of a given transaction; in particular the IC is responsible for approving investment deals of over U.S.\$50.0 million, and all other transactions fall to the CC.

The primary objective of our ALM Committee is to satisfy the dual requirements of controlling exposure to liquidity and market risks while maximising profitability by the appropriate holding of assets and liabilities. With this objective in mind, we aim to maintain a structure of assets and liabilities which optimises both long- and short-term financial income while minimising the income volatility within the constraints of general market conditions.

In addition to the three committees, the Risk Management Department, established in March 2002, sets overarching risk management standards, models and parameters. The Risk Management Department reports directly to our Management Board. The main objectives of the Risk Management Department are coordinating the establishment and development of our risk management system, integrating the risk management system in the various departments and assessing and analysing the risks associated with new products, business processes and key performance indicators.

Our risk management and control system addresses four distinct types of banking risk:

- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

### ***Credit Risk***

Credit risk relates to probability of incurring a financial loss resulting from a borrower or counterparty's inability to meet its obligations or a credit rating decline. It is one of the largest single risks we face. We manage credit risk on a methodological basis following the principles specified in our credit policy and risk management policy that take into account recommendations of the Basel Committee on Banking Supervision and that have been approved by our Management Board.

### **Main principles**

The main objective of credit risk management is timely credit risk identification, assessment and minimisation. We use basic principles of credit risk assessment and management, including the following:

- the construction of a credit risk management system in compliance with CBR requirements, principles and methods as recommended by the Basel Committee on Banking Supervision and our internal policies;
- the use of a unified methodological approach in the framework of an integrated system of risk analysis, management and control, including qualitative (expert) and quantitative (statistical) credit risk assessment;
- the observance of integration principles for credit risk assessment results by credit decision-making, administration, credit risk monitoring and provisioning; and
- the application of credit risk assessment on each credit exposure (involving an examination of each separate transaction) and on a portfolio basis (involving an assessment of risk concentration).

### **Credit risk decision-making**

Decision-making on acceptable credit risk levels fall within the competence of various departments, such as the IC and the CC. The coordination of the risk management system is carried out by the Risk Management Department that reports directly to the Chairman of the Management Board.

All transactions that are considered by the CC or the IC are subjected to independent qualitative assessments by the Risk Management Department. We place limits on the amount of risk accepted in relation to one borrower or a group of borrowers. These limits are monitored on a regular basis.

### **Qualitative assessment**

Our credit risk management system consists of both qualitative and quantitative assessments of credit risk related to each credit exposure and portfolio.

The fundamental component of credit risk management is qualitative assessment. We consider, for example, the quality of the management of the borrower, the main business activities of the borrower, its geographical location, suppliers, customers and outstanding borrowings, as well as various financial factors relating to each borrower, including its financial stability, turnover and the likely return on the loan. We use results of qualitative assessment to determine acceptable transaction parameters and measures of risk minimisation that we believe are appropriate for the borrower.

Qualitative credit risk assessment is undertaken within the framework of the following business segments: project finance, corporate finance, retail banking, financial institution transactions, sovereign and municipal body transactions and debt market transactions.

The number of financial ratios used, the method of their calculation and the threshold value and appropriate total score are determined depending on the counterparty's industry and the nature of the transaction.

### **Quantitative assessment**

Qualitative assessment is supplemented by quantitative assessment and reveals the risk quantification on each credit exposure and credit portfolio as a whole.

For all types of clients a unified internal rating scale is implemented with ten grades (from "AAA" to "D"). For the purpose of a rating assessment all of our clients are separated into nine general segments.

For the purpose of rating procedure documentation, we have an internal database, where we collect, accumulate and analyse both quantitative and qualitative credit risk characteristics.

Small and standard credit risk exposure and all customer transactions are measured on a portfolio basis. For each retail credit product, risk indicators are worked out, which aim to avoid the incurrence of significant losses to our retail operations.

The results of the rating assessment are used to determine the appropriate credit rating, to identify and monitor problem assets, for provisioning according to RAS and IAS standards and to calculate the probability of default and expected loss assessment.

Also within the framework of quantitative assessment, we are working out and using VAR and stress testing models to reveal unexpected loss of value of our credit portfolio and maximum value of our possible loss in case of a crisis situation. The assessment of credit risk components, which is executed by the Risk Management Department, is currently used only for analytical purposes and interpretation on a qualitative level.

Credit risk is managed through regular review of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Credit risk is also managed by obtaining collateral and corporate guarantees.

### ***Market Risk***

Market risk arises from the exposure to a change in the value of some market variable, such as interest rates or foreign exchange rates, equity or commodity prices, or the correlations among them and their levels of volatility. We assume market risk in both our trading and our non-trading activities. We assume risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities, as well as in interest rate, equity, foreign exchange, and commodity derivatives.

We use a range of modern quantitative tools and metrics for measuring and managing market risk.

Some of these tools are used for a number of market risk categories, while others are tailored to the unique features of a specific market risk. In particular, we rely on VAR and stress testing to measure and manage market risk. We use the concept of VAR to derive quantitative measures for market risks under normal market conditions. Our VAR figures are used in internal reporting. The notion of VAR can be used for different types of financial instruments and portfolios, from a single financial instrument to the whole structure of assets and liabilities.

VAR is determined on the basis of statistically expected changes in market parameters for a given holding period at a specified level of probability. For a given portfolio, VAR measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The VAR for a portfolio represents a measure of our aggregated market risk (aggregated using pre-determined correlations) in that portfolio. For calculating aggregated market risk we use a correlation matrix with approximately 150 risk factors (broken down into 70 equity, 50 interest rates and 30 foreign exchange rate factors).

Risk aggregation can be made both in the network of one financial instrument (including different kinds of risks), and in the network of the portfolio (including one or many kinds of risks).

New risk aggregation methodology allows us to measure aggregated VAR, to carry an aggregated risk stress test, economical default probability and economic capital volatility. Economic default probability is a formal model based on the assumption that economic default arises from aggregated risk loss when economic capital equals zero.

The VAR measure enables us to apply a constant and uniform measure across all of our businesses and products. It also facilitates comparisons of our market risk estimated both over time and against our actual daily results.

Since 1 July 2003, we have calculated VAR for internal reporting using a 95 per cent. confidence level. For internal reporting purposes, we use a holding period of one day. Thus, if the portfolio is held without change for one day, there is a 5 per cent. chance that the portfolio's market value would decline by an amount greater than the VAR figure.

In our model, the nonlinear effects capture risks specific to derivatives. The statistical parameters required for the VAR calculation are based on a 250 trading day history.

We calculate VAR using different methods, including:

- Monte Carlo simulation;
- variance-covariance method;
- sensitivity technique, based on the notions of duration and delta (for options); and
- historical simulation.

A Monte Carlo simulation is a model that calculates profit/loss ratios for a large number of different market scenarios, which are generated by assuming a joint logarithmic normal distribution of market prices based on the observed statistical behaviour of the simulated risk factors.

In the variance-covariance method, we derive the estimate of the potential change in market prices from the variance-covariance matrix of the risk factors under consideration.

Sensitivity models are used to calculate VAR:

- of a bond, including callable/puttable bond, portfolio (duration is used); and
- of an option portfolio (delta is used).

While the method of historical simulation is the easiest to apply, it offers certain restrictions which should be taken into account. All of the VAR measures are exposed to back testing in order to choose more accurate methods. The above procedures for calculating VAR have been approved by the ALM Committee.

To measure potential losses under extreme market conditions, we complement our VAR calculations by stress-loss methodologies to identify the potential impact of extreme market scenarios on the value of our portfolios. In addition, we examine the credit equivalent of risk to assess current and potential exposure to counterparties' claims which may arise due to possible changes in the market value of liabilities on investment and banking transactions. Under this approach we select a set of market moves for certain

major market parameters and then subject the current portfolio to those moves, measuring the simulated change in portfolio value.

A set of market moves is determined based on long-term historical data (five or more years) and/or expert opinions.

Procedures for stress testing are approved by the ALM Committee and stress testing, as a rule, is performed simultaneously with calculations of VAR.

To measure interest rate risk apart from VAR and stress test methodology we use gap and scenario analysis.

Estimation of the equity and aggregated market risk requires a different kind of risk measure: economic default probability (the probability of economic capital losses arising from equity/aggregated market risk).

Our strategy for managing market risk includes recognising, measuring and monitoring market risks that affect our banking business. The market risk management function is centralised and is run by the market risk division of the Risk Management Department.

Limit values for market risk are set by the ALM Committee.

The ALM Committee sets separate limits for the “investment” and “treasury” positions of our securities at fair value through profit or loss. See “—*Securities and Foreign Exchange Operations*”.

The “investment” securities portfolio comprises the main part of our overall securities at fair value through profit or loss and represents our strategic investments for the purposes of longer-term appreciation in value or for resale to strategic investors. The ALM Committee manages our “investment” position of trading securities and approves, within pre-determined limits, all transactions that would reduce or increase our bond or equity holdings. Transactions beyond the applicable limits must be approved by the Management Board.

The “treasury” portion of trading securities, which is a minor part of our overall portfolio, is managed by the Treasury Department within the limits set by the ALM Committee and is used for day-to-day dealing operations and for the purposes of treasury management. The Treasury Department has prescribed limits and stop loss levels for each of our dealers, our chief dealer(s) and our Head of the Treasury Department. Also, market risk monitoring is undertaken on a day-to-day basis by an independent department, the Back-Office, which reports to a Deputy Chairman of the Management Board who supervises the Back-Office. See “*Management and Employees—Management—Organisational Chart*”.

### *Liquidity Risk*

We manage our liquidity position to ensure that sufficient liquidity is available to meet our commitments to our customers, with respect to both the demand for loans and the repayment of deposits, and to satisfy our own cash flow needs.

We use a standard approach based on gap analysis. To determine liquidity risks, we have mapped all funding relevant assets and liabilities into time buckets corresponding to their maturities. Given that trading assets are typically more liquid than their contractual maturities suggest, we have divided them into liquids (assigned to the time bucket one year and under) and illiquids (assigned in equal instalments to time buckets two to five years). We have modelled assets and liabilities from the retail operations (e.g. mortgage loans and retail deposits) on the basis of historic behaviour and patterns that illustrate them being renewed or prolonged regardless of capital market conditions and assigned them to time buckets accordingly. Wholesale banking products are bucketed based on their contractual maturities. We use the expected holding period to assign corporate investments to a time bucket.

The gap analysis shows the excess or shortfall of assets over liabilities in each time bucket and thus allows us to identify and manage open liquidity exposures. We have also developed a cumulative mismatch vector, which enables us to predict whether any excess or shortfall will grow, decline or switch over time. The gap analysis forms the basis for our annual capital market issuance plan, which, upon approval by our ALM Committee, establishes issuing targets for securities by tenor, volume and instrument.

Since the beginning of 2005 we have calculated liquidity VAR – the risk of losses arising from the exposure to a change in the value of transfer interest rates (taking into account a bank’s credit risk spread).



Increasing a bank's credit risk spread should raise the cost of funds for us. Actually, liquidity VAR is equivalent to the interest rate VAR plus the risk of the credit risk spread increase (for example, by means of the rating deterioration).

Our liquidity policy is reviewed and approved by the Management Board. The ALM Committee determines the policies for asset and liability management, the aims of which are to match the maturity of assets and liabilities and to maintain strict controls over permitted variances. Assets are managed by setting limits on sums and dates to maturity of the extended credits, investments in securities and in the interbank market. Liabilities are managed by the ALM Committee by setting limits on the volume and the interest rates of liabilities and the refinancing of assets. Long-term liquidity (over one year) is managed by the ALM Committee on a quarterly basis. In connection with its ongoing review, the ALM Committee considers such factors as the size and maturity of the loan portfolio and securities at fair value through profit or loss, size and maturity of demand and time deposits, our net foreign currency position, operational ratios established by the CBR and exchange rates and other economic data. The Treasury Department, which also covers trading activities, carries out day-to-day liquidity management. The Treasury Department manages short-term liquidity (up to one week) on a real-time basis and medium-term liquidity (up to one year) on a weekly basis. In carrying out its liquidity management function, the Treasury Department conducts transactions in foreign currency, funds and equities to regulate our liquidity positions and to timely respond to market fluctuations, subject to set limitations.

In addition, the Treasury Department continually monitors the liquidity position of the branch offices. The head office provides refinancing facilities to the branches which are also subject to limits set by the ALM Committee. Since 1999, the branch network has been a net creditor of the head office.

Management believes that our asset and liability management is adequate. Since our establishment we have never, even during the 1998 crisis, deferred customer payments or liabilities.

### *Operational Risk*

In line with the proposed Basel II banking regulatory reforms, we define operational risk as the risk of loss resulting from inadequate or ineffective internal processes, people and systems or from external events. This definition partially includes legal risk, but excludes strategic and reputational risk. Examples of events that are included under this definition of operational risk are losses from fraud, computer system failures, settlement errors, model errors or natural disasters. An effective monitoring process is essential for adequately managing operational risk. Regular monitoring activities can offer the advantage of quickly detecting and correcting deficiencies in the policies, processes and procedures for managing operational risk. Promptly detecting and addressing these deficiencies can substantially reduce the potential frequency and/or severity of a loss event. We are focused on implementing a process to regularly monitor our operational risk profiles and material exposures to operational losses. Our systems calling for the regular reporting of information to senior management and the Management Board will also support the proactive management of operational risk, as required by the Basel Committee in its "sound practices" paper.

An international risk insurance policy, a "banker's blanket bond", obtained in 2002 and renewed in 2007 until 15 November 2008, covers our professional activities and insures us against:

- employees' unlawful actions;
- forgery;
- electronic and computer crimes; and
- third party loss caused by negligence;

In order to keep pace with the development of our business, in 2007 the policy coverage was extended from U.S.\$15.0 million to U.S.\$25.0 million. We believe that the current level of coverage is adequate for our present needs. Nonetheless, we are considering extending the policy coverage as our operations continue to develop. We cannot, however, assure you that our insurance coverage will be sufficient to cover all of our potential losses.

Our policy in Operational Risk Management was approved in June 2006. The system of operational risk management, which is provided in the policy, includes such elements as:

- operational risk register maintenance;
- risk audit;



- self assessment of operational risks by our departments;
- operational loss data collection;
- operational risk assessment;
- integration of operational risk framework into decision-making processes; and
- establishing business continuity and disaster recovery planning.

Since the implementation of this policy we have established the basic principles and methodology of:

- operational loss data collection;
- disaster recovery planning; and
- identification and qualitative risk assessment of operational risks.

We have also started investigations and preparations aimed at the future implementation of quantitative tools and metrics for measuring and managing operational risk. We plan to start using VAR calculations of operational risk with the loss distribution approach as soon as the necessary operational loss data is available.

In 2007 we launched an IT project for the automation of our operational risk management framework. The scope of this project is focused on automating the most essential processes of operational risk management, including the following:

- operational loss data collection;
- collection of risks in operational risk registry;
- KRI data collecting; and
- quantitative assessment of operational risk.

We intend to build our operational risk framework on a planned basis and sequentially apply its components to all of our operations.

### **Capital Adequacy**

We are required to comply with the capital adequacy requirements established by the CBR for Russian banks and banking groups. For the purposes of calculating our capital adequacy ratio in accordance with the CBR requirements, the principal components of our capital are core capital (Tier 1), which consists mainly of share capital and non-distributable funds, and additional capital (Tier 2), which includes general provisions, subordinated loans and certain other funds not included in Tier 1 capital. In addition, our assets are divided into five categories with different risk weightings. The minimum capital adequacy ratio required by the CBR and currently applicable to us is 10.0 per cent. (the “**N1 ratio**”). For purposes of the CBR requirements, our capital adequacy ratio was 11.4 per cent. as at 31 December 2007 (on a stand-alone basis). We are currently in compliance with all CBR ratios.

We also meet international standards with respect to capital adequacy. The table below sets forth our capital adequacy as at and 31 December 2007 and 2006, calculated in accordance with Basel Guidelines:

	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S.\$ thousands, except percentages</i>	
Paid-up share capital .....	1,160,857	1,160,857
Additional paid-in-capital .....	1,095,028	1,061,899
Applicable reserves.....	4,346,994	3,073,009
Minority interest.....	953,981	735,040
Tier 1 Capital.....	7,556,860	6,030,805
Tier 2 Capital <sup>(1)</sup> .....	305,998	542,267
Total Capital .....	7,862,858	6,573,072
Adjustments .....	(8,107)	(72,467)
Net available capital .....	7,854,751	6,500,605
Risk weighted assets .....	34,769,937	24,190,677
<b>Capital adequacy ratios:</b>		
Tier 1 ratio (%).....	21.70%	24.9%
Total capital ratio (%) <sup>(2)</sup> .....	22.60%	26.9%

Notes:

(1) Tier 2 Capital less investment in unconsolidated banking/financial subsidiary and subordinated loans granted.

(2) Net available capital as a percentage of risk weighted assets.

### Other CBR Mandatory Economic Ratios

In addition to the capital adequacy ratio, the CBR has also established requirements for a number of similar ratios, including risk diversification ratios. For additional information regarding the mandatory CBR ratios, see “*Banking Sector and Banking Regulation in the Russian Federation*”. The following table sets forth information regarding our compliance with certain important CBR mandatory economic ratio requirements based on RAR, as at 31 December 2007 and 2006. See “*Banking Sector and Banking Regulation in the Russian Federation—Regulation—Mandatory Economic Ratios*” for a more detailed discussion of these mandatory ratio requirements.

	<b>CBR</b>	<b>As at 31 December</b>	
	<b>Maximum/Minimum</b>	<b>2007</b>	<b>2006</b>
	<b>Mandatory Economic</b>		
	<b>Ratio Requirements</b>		
		<i>% of capital base</i>	<i>%</i>
<b>Mandatory Economic Ratios<sup>(1)</sup></b>			
Instant liquidity ratio (N2) .....	Minimum 15	47.6	43.1
Current liquidity ratio (N3).....	Minimum 50	81.2	134.1
Long-term liquidity ratio (N4) .....	Maximum 120	69.1	65.2
Maximum exposure to single borrower or groups of related borrowers (N6).....	Maximum 25	21.0	17.7
Maximum amount of major credit risks (N7).....	Maximum 800	480.7	348.0

Note:

(1) For a general description of each of these economic ratios, see “*Banking Sector and Banking Regulation in the Russian Federation – Mandatory Economic Ratios*”.

Three economic ratios (N2 through N4) are designed to control the liquidity of banks and present the ratio of assets to liabilities in different maturity intervals. Maximum exposure to a single borrower or a group of related borrowers (N6) limits a bank’s exposure to a single borrower or group of related borrowers to 25 per cent. of the bank’s capital base. The maximum amount of major credit risks (N7) sets forth a ratio of sum of loans exceeding 5 per cent. of the bank’s equity.

## Competition in the Russian Banking Industry

As at 31 December 2007, the CBR reported that there were 1,136 credit organisations operating in the Russian Federation, including Russian banks and Russian subsidiaries of foreign banks. Of these banks, a small number of Moscow-based banks dominate the Russian banking industry. According to figures from the CBR, as at 31 December 2007, Russia's ten largest banks accounted for 52 per cent. of total bank assets, and the top five of those banks accounted for 42 per cent. of total bank assets.

As a result of increased competition in the Russian banking industry, our interest margins have been gradually declining over the past few years. To compensate for the decline in our interest margins, we have been focusing on increasing our lending volumes. See *“Risk Factors—Risks Relating to Our Business and Industry—We face significant and increasing competition”* and *“Risk Factors—Risks Relating to Our Business and Industry—The increase in the value of our loan portfolio and corresponding diversification of our customer base may result in a decrease in the overall quality of our loan portfolio. This could have a material adverse effect on our business if a significant number of our new customers fail to repay their loans.”*

We have also faced increasing competition over the past three years as we actively enter new customer markets in different industries. In corporate banking, we compete directly with Sberbank and Vneshtorgbank, each of which aims to attract and serve major Russian enterprises and organisations in industries that we target, including the oil, machinery, telecommunications, energy and chemicals industries. In addition, we compete with Alfa Bank and, to a lesser extent, URALSIB Bank, Bank of Moscow, MDM-Bank and Rosbank. We also face strong competition in the retail business. Our main competitors are Sberbank (which inherited a retail branch network of approximately 20,000 branches from the Russian government), Alfa Bank, Bank of Moscow, MDM-Bank, VTB-24, Russian Standard Bank, Raiffeisen Bank, URALSIB Bank, Rosbank, HCF Bank, Russian Agricultural Bank, URSA Bank and Impexbank. Some of our competitors, such as Sberbank, have networks of branches in cities and regions within the Russian Federation other than Moscow and the Moscow region, so that we compete with these banks not only in particular industries, but also on a regional basis.

In addition, in the Russian medium-term commercial loan market, we face increasing competition from major Western banks, which are aggressively expanding into the Russian lending market and which are able to offer prospective borrowers low interest rates due to their lower cost of funding.

Although we have begun to successfully diversify our customer base, our business continues to be heavily concentrated on the Gazprom Group. As a consequence, any bank which could provide the Gazprom Group with equivalent financial services is a potential threat to us. There are several state-owned banks which either separately or together could provide the products and regional coverage necessary to compete for the position of the Gazprom Group's preferred bank. In addition, we face increased competition from large Western banks, which are often able to offer Gazprom cheaper funding in foreign currencies.

Despite increased competition from other Russian banks and, increasingly, large Western banks, we believe we have a number of competitive advantages over our competitors, including:

- our broad branch and depository networks in many significant regions of the Russian Federation;
- a large and stable corporate customer base;
- our strong and established business relationship with our parent, Gazprom;
- our significant experience in international trade and investment projects;
- a relatively long and stable credit and rating history;
- our broad corporate and retail banking project range;
- our ability to adapt quickly to changing conditions in the market, enabling us to develop and market in-demand banking products more effectively;
- our implementation and application of advanced, modern banking technology and software; and
- our effective and efficient internal management, risk assessment and compliance systems.

## Regional Network

Our network of branches and banking offices spans 38 out of 89 regions of the Russian Federation. Our strategy is aimed at constant advancement and strategic expansion of our presence in key industrial and

financial regions in the Russian Federation that are complimentary to our principal commercial client base. We have a network of 36 branch offices and over 159 regional points of service, including 133 additional offices (“*dopolnitelny office*”), one representative office (“*predstavitelstvo*”), 11 credit and teller offices (“*kreditno-kassovy office*”), one operational office (“*operatsyonny office*”) and 14 stand-alone teller desks (“*operatsionnaya kassa vne kassovogo uzla*”), located throughout the Russian Federation. While the additional and operational offices of a Russian bank may carry out the same range of operations as a head office, its credit and teller offices may only service individuals and small and medium-sized enterprises (except for making non-cash transfers), and its stand-alone teller desks may only service individuals (except for deposit taking and granting of credits). Our regional branches have introduced modern banking technologies and new methods of customer service, which offer our regional customers teller services, with the objective of continuing to grow their customer base.

Our regional branches are able to extend loans to retail or commercial clients, receive deposits from retail and commercial clients, issue credit/debit cards to customers and give guarantees in favour of clients. Our regional network allows us to offer banking services to our corporate and retail clients that match the full range of services provided by our head office.

Our regional branches actively operate within the limits set by our head office. Our head office implements a centralised system of control over our regional branches that includes setting maximum and minimum rates for receiving deposits from and extending loans to our regional clients, banking standards and banking procedures for our regional branches. See “—*Loan Portfolio*”.

### **Information Technology**

We have developed our information technology systems in order to meet and exceed our business needs. In relation to our banking operations, we have created a centralised operations system to which most of our businesses and regional branches have access and which allows our head office to exercise control over regional decisions. We have upgraded our information technology systems to facilitate our securities, lending, retail, trust and remote operations.

Our core management information system consists of an integrated banking and accounting system developed by Diasoft, one of the leading Russian developers of banking and financial software. Currently, we outsource the majority of our software development requirements to Hewlett-Packard, Siemens, Accenture and IBM. We have also developed a data warehouse system which we use to generate our management information reports.

We have made significant investments to maintain the security of our customer information, including the development of an enterprise-wide virus protection system. We use duplicated servers and communication links with servers located at different sites. Our data storage system makes daily back-ups of our data which protects the integrity of our management information systems in the event data is destroyed or lost in an emergency. Our computer network has a continuous and guaranteed power feed making the users independent of and immune to outside brownouts or blackouts.

Our capital expenditures on information technology for 2006 and 2007 were U.S.\$17.7 million and U.S.\$19.4 million, respectively, which, among other things, we used for computer hardware, software, maintenance and communications. The increase in our IT expenditures in 2007 is related to our IT modernisation programme which is devoted to meeting our strategic goals, including the establishment of modern banking data centre infrastructure.

In 2008, we expect our capital expenditure to be around U.S.\$33.31 million, which we intend to use in similar areas.

### **Property**

We own our headquarters office building, as well as a number of other properties in Moscow and the regions where our branches are located. The majority of our branches are subject to lease arrangements. The following tables set forth certain information about our ownership and tenancy of property as at 31 March 2008.

### *Private ownership in Moscow*

<b>Address</b>	<b>Type</b>	<b>Area, square metres</b>
63 Novocheremushkinskaya St., Moscow, Russia .....	Office area	22,496.1
45 block 1 Varshavskoe Highway, Moscow, Russia .....	Office area	942.6
40 Mikluho-Maklay St., Moscow, Russia .....	Office area	1,332.9
30 Kahovka, Moscow, Russia.....	Garage	803.9
55 Moskovskaya St., Kirov town, Russia .....	Building	2,178
39 Yakimanka St., Moscow, Russia .....	Office area	2,959.7
10 block 3 the Second Golutvinski Side-street, Moscow, Russia .....	Office area	5,406.1
<b>Total</b> .....		<b>36,119.3</b>

### *Tenancy in Moscow*

<b>Address</b>	<b>Type</b>	<b>Area, square metres</b>
9 block 2 the Second Verhne-Mihailovsky passage, Moscow, Russia .....	Office area	2,026.7
16 block 1 Nametkina St., Moscow, Russia .....	Office area	2,846
27 block 2 Obrucheva St., Moscow, Russia .....	Office area	1,221
3 Red Square, Moscow, Russia.....	Office area	13.6
16 Raushskaya bund, Moscow, Russia.....	Office area	8,892.6
23 Novoslobodskaya St., Moscow, Russia.....	Office area	433.5
38 block 1 Pokrovka St., Moscow, Russia.....	Office area	8.1
36 Tverskaya-Yamskaya St., Moscow, Russia .....	Office area	497.3
36 Garibaldi St., Moscow, Russia .....	Office area	374.9
41 building 1 Vernadskogo avenue, Moscow, Russia.....	Office area	1,646.6
58 Novocheremushkinskaya St., Moscow, Russia .....	Office area	766.3
Gazoprovod, Moscow region, Russia.....	Office area	30.1
12 Koroleva St., Moscow, Russia .....	Office area	368.7
7 Balchug St., Moscow, Russia .....	Office area	6,780.7
24 Arbat St., Moscow, Russia .....	Office area	231.4
15 Lomonosovskiy avenue, Moscow, Russia .....	Office area	251.2
11, 3d Krutitskiy Side-street, Moscow, Russia.....	Office area	343.5
18 block 1 Rublevskoe Highway, Moscow, Russia.....	Office area	200.6
<b>Total</b> .....		<b>26,932.8</b>

### *Branches' private ownership and tenancy throughout Russia*

	<b>Private Ownership</b>		<b>Tenancy</b>	
	<b>Numbers</b>	<b>Area, square metres</b>	<b>Number</b>	<b>Area, square metres</b>
Buildings/Office areas .....	27	24,983,37	166	48,285,15
Garages .....	25	2,965.1	8	358.79
Flats .....	2	102.9	0	0
Archives, Storehouses, Utility rooms.....	7	646.9	7	464.3
<b>Total</b> .....	<b>61</b>	<b>28,698,27</b>	<b>181</b>	<b>49,108,24</b>

### **Litigation and Contingent Liabilities**

Except as disclosed below, we are party to legal proceedings in the ordinary course of our business operations, none of which, either individually or in the aggregate, is expected to have a material adverse

effect on our financial condition or results of operations. We are fully insured against any third party losses which may arise from the third party claims listed below.

### ***Claims relating to our depository services***

#### ***Theft of 1,925,000 Gazprom shares***

The Nevsky Federal District Court of St-Petersburg, Russian Federation is currently considering a claim against Gazprombank filed by two individual borrowers for 1,925,000 shares in Gazprom and dividends totalling RUB5.65 million. The claimants allege that in 2000, without their knowledge, unnamed employees of Gazprombank used falsified documents containing the claimants' forged signatures to unlawfully execute compensation agreements and used the 1,925,000 shares to repay the claimants' loans (as well as those of 11 other individual borrowers) which were secured by pledges of the 1,925,000 shares. We have been named as the defendant in this action because we were the lender under such loans and a party to the compensation agreements under which the 1,925,000 shares were transferred to us to discharge the borrowers' obligations under the loans.

In addition to civil proceedings against us, criminal proceedings were also initiated in respect of this matter against our unnamed employees and the criminal court found the claimants to be affected parties. Handwriting analysis was performed in the course of the criminal investigation and expert witnesses provided opinions stating that the signatures had indeed been forged.

We filed a counter-claim against all of the borrowers for the amount of the relevant Loans, interest thereon and penalties calculated as of the date of the ruling. Seven court sessions relating to this matter have been held since December 2005. By a decision of the Nevsky Federal District Court of St-Petersburg given on 8 February 2008, all of the claims and counter claims were rejected in full.

#### ***Theft of 1,165,500 Gazprom shares***

The Republican (Federal) Fund of Public Social Support (the "**Fund**") filed a claim against us with the Moscow City Commercial Court to recover 1,165,500 Gazprom shares. Under an assignment agreement, the Fund acquired a right of claim to the 1,165,500 shares from V.G. Babanov (who held the shares for the benefit of the patients of Tver Oblast Psychiatric Hospital No. 1 in his capacity as chief physician) under a depo account agreement with DTK Korona Plus ("**DTK**"). DTK's employees are alleged to have stolen the 1,165,500 shares in 1996. We have been named as the defendant in this action because at the time of the theft DTK was acting as our agent under a trust deed between the two parties.

In criminal proceedings in respect of the same matter, the Moscow District Court of Tver City found Y.I. Brichenko, A.S. Alexeyev and DTK guilty of stealing the 1,165,500 shares from the depo accounts and V.G. Babanov was found to be an injured party.

On 13 September 2007, the State health institution 'Litvinov's regional clinical psychiatry hospital # 1' (the "**Hospital**"), filed a claim with the Moscow City Commercial Court against us to recover damages in the amount of RUB345,279,570, comprising RUB339,183,810, being the market price of 1,165,500 Gazprom shares as at 12 September 2007, and RUB6,095,565, being the total amount of allegedly unpaid dividends for the period of 2004 to 2006. The Hospital's claim is founded upon an alleged assignment of rights by V.G. Babanov to recover damages from us arising from the loss (theft) of the 1,165,500 Gazprom shares held on a depository account kept by us. By a decision of the Moscow City Commercial Court, announced on 3 April 2008, we were ordered to pay RUB345,279,570, and we have transferred the judgment amount to the account of the court. Our appeal was rejected by the Ninth Commercial Court of Appeal of 21 May 2008. We intend to file a cassation claim.

#### ***Alleged losses relating to 1,600,000 Gazprom shares***

OA O Krypton Invest ("**Krypton**") filed a claim with the Moscow City Commercial Court to recover jointly from us and ZAO Investment Company Troika-Dialog ("**Troika**") damages in the amount of RUB574,000,000 for losses relating to the sale of 1,600,000 Gazprom shares. The shares were sold on the instruction of the then general director of Krypton, E.A. Khuraskin. As part of its claim, Krypton is relying on the decision of the Moscow City Commercial Court, dated 21 June 2006 under which the appointment of E.A. Khuraskin as Krypton's general director was declared null and void. We, as well as Troika were named as defendants in this action because at the time of the theft Troika was acting as one of the account trustees and we, as depository for the shares, reviewed and approved the documentation presented by Krypton before the transaction was effected.

On 1 June 2007, Krypton's claim was rejected in full by the Moscow City Commercial Court.



On 15 October 2007, a decision by the Ninth Commercial Court of Appeal repealed the decision of the Moscow City Commercial Court of 1 June 2007, and we were ordered to pay to Krypton RUB484,720,000. We have transferred the judgment amount to the account of the court and we filed a cassation and on 31 October 2007, the Federal Commercial Court of the Moscow Region ordered that the execution of the Ninth Commercial Court of Appeal be stayed until the cassation is heard. On 4 February 2008, a decision of the Moscow Region Commercial Court was announced that the decision of the Ninth Commercial Court of Appeal be repealed and the decision of the Moscow City Commercial Court of 1 June 2007 be upheld.

*Claim to invalidate the sale of 2,047,600 Gazprom shares*

On 22 March 2007, we received a copy of a claim (the “**second claim**”) by a certain Mr. Dzhililov (the “**plaintiff**”) seeking to invalidate the sale by us of 2,047,600 shares of Gazprom. The shares had been held by us under a brokerage agreement with the plaintiff. The plaintiff alleges that we debited these shares from the plaintiff’s depo account illegally and has demanded that the shares be returned to the plaintiff. The court hearing is scheduled for 13 September 2007.

The same plaintiff had previously served proceedings against us during 2005 and 2007 (the “first claim”) alleging that we had breached the terms of the brokerage agreement by purchasing and selling such shares based on verbal instructions from the plaintiff and by using his funds over a period of several days. The plaintiff, considering the brokerage charges to be unacceptable, had instructed us to return the money stating that he did not give us written orders for the purchase of shares and terminated the brokerage agreement. We sold the shares, which had been purchased for the plaintiff under the brokerage agreement, and returned the proceeds (together with all brokerage payments paid to us under the agreement) to the plaintiff. Although successful at first instance, the first claim was reversed on appeal; subsequently, the High Arbitration Court of the Russian Federation has refused to reconsider decisions of the lower courts and the plaintiff has no further right of appeal in the Russian courts.

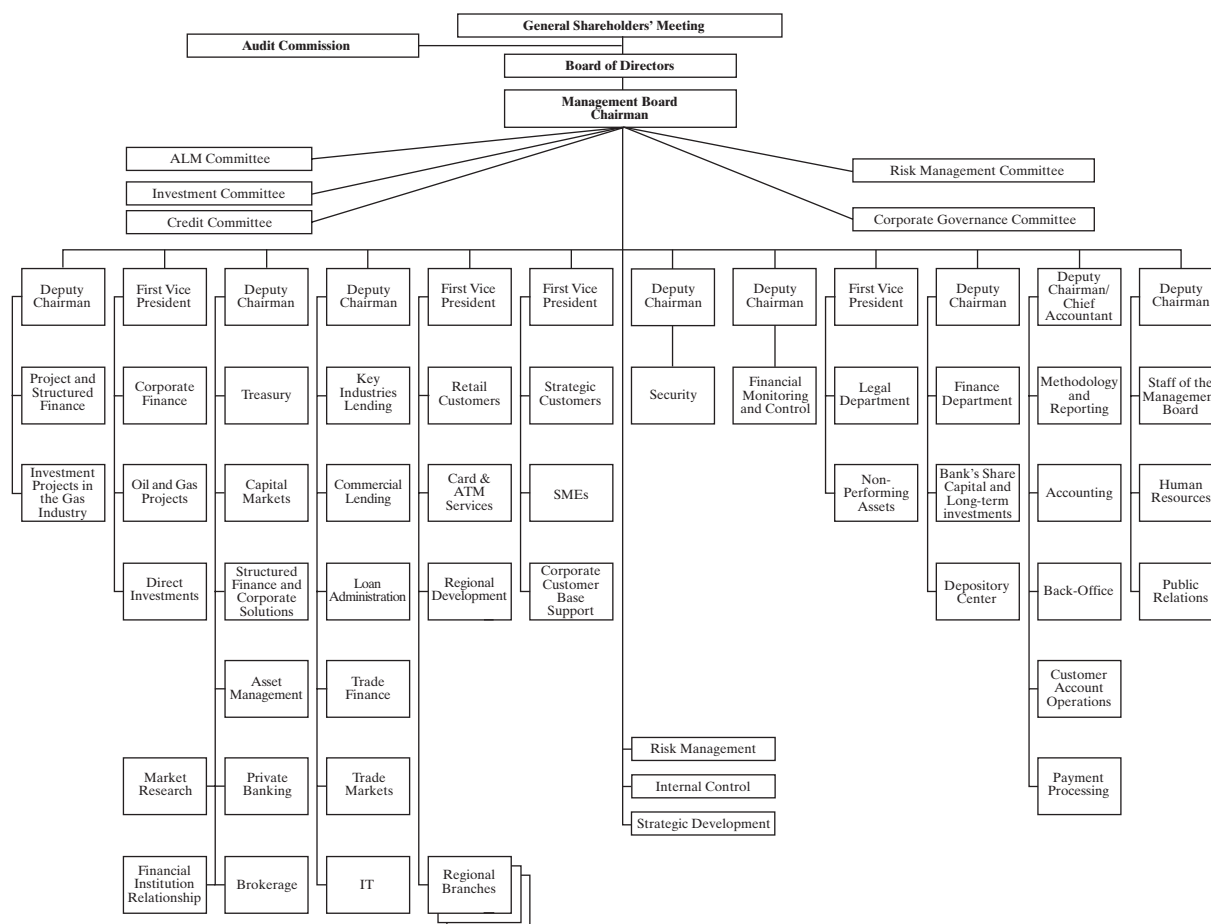
On 23 October 2007, the plaintiff’s claim was rejected in full. On 5 February 2008, the plaintiff’s appeal was also rejected in full. On 14 May 2008 the plaintiff’s cassation claim was also rejected in full.

## MANAGEMENT AND EMPLOYEES

### Management

#### Organisational Chart

The following chart illustrates our principal management reporting lines.



#### Management Bodies

According to our Charter, our principal management bodies are the General Shareholders' Meeting, the Board of Directors, the Management Board and the Chairman of the Management Board.

We observe the principles of corporate governance set forth in the September 1999 Basel Committee Recommendations on Enhancing Corporate Governance for Banking Organisations (recommended by the CBR for use by Russian lending organisations) and the Code of Corporate Governance (approved by the Russian Government in November 2001 and recommended for use by Russian joint-stock companies in their day-to-day activities). In addition, we have established a Corporate Governance Committee which is responsible for the supervision of our compliance with international and Russian principles of corporate governance, including transparency and management responsibility and accountability.

#### General Shareholders' Meeting

The General Shareholders' Meeting is our highest management body. The General Shareholders' Meeting has the exclusive power to carry out the following matters:

- alterations of our Charter and the size of our charter capital;
- election of members of the Board of Directors, the appointment of the Chairman of the Management Board and the early termination of their respective authorities;
- approval of our annual reports and financial statements and the distribution of our profits;
- approval of certain types of transactions (such as certain related party and major transactions);

- decisions as to our reorganisation or liquidation; and
- election of the Audit Commission.

Decisions of the General Shareholders' Meeting are adopted by a simple majority of votes. On issues such as changes to the size of our charter capital, our reorganisation and liquidation, a three-quarter majority of votes of those present at the General Shareholders' Meeting is required.

### ***Board of Directors***

Our Board of Directors supervises our Management Board, approves the agendas for our General Shareholders' Meeting, has the power to elect and dismiss the members of our Management Board, approves various regulations for the operation of our various management bodies and approves the annual plan of our operations.

Members of the Board of Directors are elected by the shareholders by a majority of votes for a one-year term. Persons elected to the Board of Directors may be re-elected an unlimited number of times.

As at 6 June 2008, the members of the Board of Directors were:

A.B. Miller	Chairman of the Management Board of Gazprom, Chairman of the Board of Directors
M.L. Sereda	Chief of Staff of the Management Board of Gazprom, Deputy Chairman of the Board of Directors
A.I. Akimov	Chairman of the Management Board of Gazprombank, Deputy Chairman of the Board of Directors
A.G. Ananenko	Deputy Chairman of the Management Board of Gazprom
Y.A. Vasilyeva	Deputy Chairman of the Management Board of Gazprom, Chief Accountant of Gazprom
A.V. Krasnenkov	General Director of OOO Baltiyskiy Szhizhenniy Gaz
A.V. Kruglov	Deputy Chairman of the Management Board of Gazprom, Head of the Corporate Finance Department of Gazprom
A.I. Medvedev	Deputy Chairman of the Management Board of Gazprom
O.P. Pavlova	Member of the Management Board of Gazprom, Head of the Property Management and Corporate Relation Department of Gazprom
Yu.N. Shamalov	President of Gazfond, Deputy Chairman of the Board of Directors
A.A. Gavrilenko	General Director of ZAO "Leader"

The business address of the above members of the Board of Directors is 63 Novocheremushkinskaya St., Moscow 117418, the Russian Federation.

Our next General Shareholders' Meeting will be held on 24 June 2008. The board of directors for the coming year will be comprised of eleven members. Twelve members have been nominated to election at the meeting, of which five have been nominated by Gazprom, five have been nominated by Gazfond and ZAO "Leader" and two have been nominated by OOO "Novye Finansovye Technologii".

### ***Management Board***

The Management Board is our collective executive body. The Management Board is formed by the Board of Directors which determines its size and elects its members. Those elected to the Management Board may be re-elected an unlimited number of times. The Management Board is headed by a Chairman, the single-person executive body of Gazprombank. The Management Board and its Chairman manage our day-to-day operations and report to the General Shareholders' Meeting and our Board of Directors. In November 2002, an extraordinary general meeting of shareholders elected A.I. Akimov as Chairman of our Management Board. In October 2007, an extraordinary general meeting of shareholders re-elected A.I. Akimov as Chairman of our Management Board for the next five years. The Management Board consists of 15 people. The address of our Management Board is 63, Novocheremushkinskaya St., Moscow, 117418, the Russian Federation.

As at 6 June 2008, the members of the Management Board were:

**A.I. Akimov** (age 54), Chairman of the Management Board, graduated from the Moscow Institute of Finance in 1975. From 1974 to 1990, he worked with the USSR Vneshtorgbank. In 1985, Mr. Akimov was appointed deputy general manager of the Zurich branch of the USSR Vneshtorgbank. In 1987 he was made Chairman of the Management Board/Director General of Donau Bank (Vienna), a banking

subsidiary of the USSR Vneshtorgbank. From 1991 to 2003, he served as managing director of IMAG Investment Management & Advisory Group GmbH (Austria). Mr. Akimov supervises our day-to-day activities and performs other supervisory functions pursuant to our Charter. He has been in his current position since 2003.

**I.V. Eliseev** (age 42), Deputy Chairman of the Management Board, graduated from the Leningrad State University, majoring in Jurisprudence in 1987, and obtained a Candidate Degree in Jurisprudence in 2001. Previously, he served as professor of civil law and as vice-president of Saint Petersburg State University. He has been in his current position since 2005 and supervises the work of our Legal Department.

**S.S. Ivanov** (age 27), First Vice-President, graduated from the Moscow State Institute for International Relations, majoring in Finance and Credit in 2002. Previously, he served as an analyst for the Investment Department of the State Investment Corporation, as a chief expert of International Projects Department of Gazprom, and as Vice-President of Gazprombank. He has been in his current position since 2008.

**F.M. Kanzerov** (age 58), Deputy Chairman of the Management Board, graduated in 1971 from the High Army Command School, qualifying as an Army Commander, and in 1985 from the High KGB School, qualifying as a lawyer, and thereafter he served on the bodies of internal affairs and bodies of state security in the Armed Forces. He then occupied the position of deputy general director, director for internal affairs of OOO Gazpromenergo-sbit, and adviser of the Chairman of the Management Board of Gazprom. He has been in his current position since 2007.

**O.A. Kazanskaya** (age 52), First Vice-President, graduated from the Leningrad State University, majoring in political economy in 1987, and obtained a Candidate Degree in Economics. Previously, she served as a Deputy Chairman of the Management Board for International Relations, an Executive Vice-President and a Chairman of the Management Board of Baltiskiy Bank, a Chairman of the Management Board of OAO Promishlenno-Stroitel'nyy Bank, a Chairman of the Management Board of OAO MDM Bank Saint Petersburg and as advisor to the Chairman of the Management Board of Gazprombank. She has been in her current position since 2007.

**V.A. Komanov** (age 34), First Vice-President, graduated in 1995 from the Russian Academy of Economics, majoring in Finance and Credit. Previously he occupied the position of Head of Corporate Clients sector of Menatep Bank, analyst of the Corporate Finance Department of AKB YSB CJSC, Deputy Director of Investment Banking operations Department of CJSC Fleming YSB, Deputy Head of Corporate Clients and Capital Markets Department of KB J.P. Morgan Bank International (OOO), Head of Foreign Business Development Department of Lukoil Overseas Services Ltd. representative office in Moscow, adviser of the Management Board of Gazprombank and Head of Corporate Finance Department – Executive Director of Gazprombank. He has been in his current position since 2007.

**V.B. Korytov** (age 51), Deputy Chairman of the Management Board, graduated from the Leningrad Institute of Rail Transport Engineers in 1979. Previously, he served as security director with ZAO Petersburg Fuel Company, as deputy director general and as director general of ZAO OBIP and as advisor to the director general of OAO St. Petersburg Seaport. He has been in his current position since 2003 and supervises the work of our Security Department.

**N.G. Korenev** (age 55), Deputy Chairman of the Management Board, graduated from the Moscow State University, majoring in History in 1980, and he obtained a Candidate Degree in Economics from the All-Union Distance Institute of Finance and Economics, majoring in Finance and Credit in 1990. Previously, he served as Head of the Human Resources and Finance Educational Institutions Department of the Ministry of Finance of the USSR, First Deputy Chairman of the Management Board—Member of the Management Board of the Russian State Insurance Company (Rosgosstrah), Head of the Department of Regional Development of the Administration of the Russian Government and First Vice-President of Gazprombank. He has been in his current position since 2006.

**S.Y. Malyuseva** (age 56), Deputy Chairman of the Management Board – Chief Accountant, graduated from the Leningrad Institute of Finance and Economics, majoring in Finance and Credit, in 1974. Previously, she served as chief accountant at the Petrodvoretz Branch of the USSR State Bank as chief accountant, Vice-President for Economics, First Deputy Chairman of the Management Board of St. Petersburg Bank and Vice-President of OAO St. Petersburg International Bank and as Chief Accountant of Gazprombank since 2002. She has been in her current position since 2006 and supervises the work of our Accounting Department and back-office.

**A.A. Matveyev** (age 44), Deputy Chairman of the Management Board, graduated from the Moscow Institute of Finance, majoring in International Economic Relations, in 1986. Previously, he served as chief expert of the finance loans section of the USSR Vnesheconombank, chief of the financial loans section of the Currency and Conversion Transactions and International Correspondent Relations of the International Moscow Bank, as executive Vice-President of the Interindustry Commercial Bank for Wholesale Trade Development, as Vice-President of Credit Suisse (Moscow) AO, as Advisor to the Chairman of the Management Board of AKB East European Investment Bank, as head of the Investment Banking Operations Department of ZAO Fleming UCB and as managing director of ZAO Troika Dialog Investment Company. He has been in his current position since 2003 and supervises, through an Executive Vice President, our corporate, project and investment finance activities.

**A. Yu. Muranov** (age 49), Deputy Chairman of the Management Board, graduated from the Lvov Polytechnic Institute in 1980, majoring in Semiconductor and Microelectronic Devices. Previously, he served as Deputy Director of a branch of AKB Gradobank, Head of the Correspondent Relations Department, Deputy Chairman of the Management Board, and First Deputy Chairman of the Management Board of KB Unibest, and Vice-President, Director of Treasury, First Vice-President, and President of KB Russian Industrial Bank. He has been in his current position since 2005.

**A.A. Obozintsev** (age 43), Deputy Chairman of the Management Board, graduated from the Moscow State Institute for International Relations, majoring in International Economic Relations, in 1986. Previously, he served as an adviser to the International Bank for Economic Cooperation, as director general of the Currency Transactions Department of the Interindustry Commercial Bank for 73 Wholesale Trade Development, as Deputy Chairman of the Management Board of Mosbusinessbank, as advisor to the Chairman of the Management Board of AKB Forepost, as Adviser to the President and first deputy Chairman of the Management Board of AKB Avangard, as Vice-President of OAO Vneshtorgbank and as Executive Vice-President of Gazprombank since 2003. He has been in his current position since 2004 and supervises our treasury, asset management and brokerage activities, debt capital markets projects, as well as our work with financial institutions and market research.

**A.O. Shmidt** (age 38), First Vice-President, graduated from the Moscow State University, majoring in Jurisprudence in 1993. Previously, he served as a general director of Stock Department of Inter-republican Legal Association, and also as a senior legal adviser, a member of a Board of Directors of AKB SBS-AGRO and is currently a Vice-President of Gazprombank. He has been in his current position since 2004.

**A.I. Sobol** (age 38), Deputy Chairman of the Management Board, graduated from the Moscow Aviation Institute, majoring in Engineering, Economics, and Management, in 1991 and obtained a Candidate Degree in Economics in 2003. Previously, he served as chief of the finance section, chief of the economic planning department, Vice-President and Deputy Chairman of the Management Board of the Russian National Commercial Bank and as adviser to the Chairman of the Management Board and deputy chief of our strategic development and resource planning. He has been in his current position since 1999 and supervises the work of our Finance Department, Depository Centre, our long-term investment activities and oversees the activity of the Chief Accountant.

**P.V. Utkin** (age 49), Deputy Chairman of the Management Board, graduated from the Moscow Institute of Finance, majoring in Finance and Credit, in 1980. Previously, he served as chief of the financial planning sector at the Chief Directorate of the State Customs Committee under the USSR Council of Ministers, chief of our external economic operation directorate and chief of our currency transactions directorate. He has been in his current position since 1998. Mr. Utkin supervises our customer account operations and payment processing activities.

### ***Supervisory Bodies***

In addition to the above managerial bodies and committees, we also have other supervisory bodies to assist us in enhancing our managerial control. These bodies are the Audit Commission, the Internal Control Department and our independent auditor.

### ***Audit Commission***

The Audit Commission is a supervisory body established pursuant to the requirements of the JSC Law and our Charter, which facilitates the control of our shareholders over our financial and business activities, as well as our management. As a rule, such control is limited to the annual review of the results



of our activities. A positive opinion of the Audit Commission is required for our annual General Shareholders' Meeting to approve our balance sheet and profit and loss statement.

The Audit Commission is governed by the Regulations of the Audit Commission adopted by the General Shareholders' Meeting. The Audit Commission consists of three members and is re-elected annually by the annual General Shareholders' Meeting. The members of the Audit Commission are independent in their activities and report only to our shareholders. They may not simultaneously be members of the Board of Directors or hold any other position within Gazprombank.

### ***Internal Control***

Internal control is a process performed by our Board of Directors, our management and other of our employees designed to provide reasonable assurance regarding the reliability of financial reporting, safeguarding of assets, effectiveness and efficiency of operations, and compliance with applicable laws, regulations and internal policies and procedures.

The key element of our internal control system is the Internal Control Department, which carries out an internal audit function, identifies risks and makes relevant recommendations to improve control procedures and reduce risks to an acceptable level.

### ***No Potential Conflicts of Interest***

There are no potential conflicts of interest between any duties of the members of our administrative, management or supervisory bodies owed to us and their own private interests and/or other duties.

### ***Independent Auditor***

The independent auditor is appointed or reappointed, as appropriate, annually by tender process by the annual General Shareholders' Meeting.

The consolidated financial statements for the years ended 31 December 2007 and 2006 included in this Base Prospectus have been audited by Deloitte & Touche (whose registered address is at 4/7-2 Vozdvizhenka St., Moscow 125009, the Russian Federation), as stated in their report appearing herein.

Deloitte & Touche is a member of the institute of professional accountants and auditors of Russia.

### ***Management Remuneration and Loans***

In accordance with our Charter, the remuneration of our management is regulated by the Management Board and the Board of Directors. For the years ended 31 December 2007 and 2006, the total remuneration of members of our Management Board and Board of Directors amounted to U.S.\$50.0 million and U.S.\$41.1 million, respectively.

Furthermore, in 2005 the Group's shareholders adopted a formal procedure for determining the amount of annual remuneration payable to the Board of Directors. As a result, in 2005 the Group started to recognise the remuneration of the Board of Directors on an accrual basis (i.e. in proportion to the rendering of services). U.S.\$21.6 million relates to the accrued remuneration for 2007 to be paid in 2008.

In June and November 2006, the Board of Directors approved two management incentive share programmes for our top and middle management, which span over three years and are performance-based. The programmes were conditional upon us being converted into an open joint-stock company (which occurred on 3 October 2007) and will be settled in our shares or, in the case of members of the Management Board, in cash at their option. The programmes will comprise a maximum of 5 per cent. of our share capital. We have reserved 1,000,000 existing shares for the programmes and these are shown as part of the treasury stock in the Group's financial statements. See further Note 12 of the Notes to our consolidated financial statements for the year ended 31 December 2007.



### **Management Loans**

The following table sets out the principal amounts of loans and guarantees outstanding to members of our Management Board and Board of Directors as at 31 March 2008.

	<b>As at 31 March 2008</b>
	<i>U.S.\$ thousands</i>
On demand.....	336.1
30-91 days.....	175.0
92-365 days.....	175.0
1-3 years.....	3,904.1
Over 3 years.....	477.1
<b>Total amount.....</b>	<b>5,067.3</b>

As at 31 March 2008, the total amount of outstanding loans to members of our Management Board, Board of Directors and other insiders (including, among others, managers with credit decision-making power, directors and executives of Gazprom, subsidiaries of Gazprombank and family members of members of our Management Board, Board of Directors and other insiders) amounted to U.S.\$20.3 million, or 0.5 per cent., of our total equity, which is below the 3 per cent. limit set by the CBR. There are no other outstanding loans or guarantees granted by us to, nor did we have any other contingent liabilities in relation to, any member of our Management Board or Board of Directors.

### **Employees**

As of 31 March 2008, we had a staff of 6,752 employees (excluding SIBUR Holding and Gazprom Media), including 4,191 branch workers. Higher professional education degrees have been obtained by 82 per cent. of our employees. In December 2000, a labour union of our employees was established, totalling 1,600 members as at 31 March 2008. At an employee conference on 2 June 2005, our labour union committee entered into a collective bargaining agreement with our management covering the period from 2005-2008. The collective bargaining agreement is based on principles of social partnership between the labour union committee and our management.

We maintain a number of corporate social programmes for our employees, including medical insurance, non-public pension plans and consumer and mortgage loans.

We have never faced any significant labour conflicts with our employees and we believe that our relationship with our employees is good.

## PRINCIPAL SHAREHOLDER AND RELATED PARTY TRANSACTIONS

### Principal Shareholders

The following table sets out our shareholding structure as at 6 June 2008.

	<b>As at 6 June 2008</b>	
	<b>(%)</b>	<b>Number of shares</b>
Non-state pension fund Gazfond <sup>(1)</sup> .....	50.00	9,998,889
OAQ Gazprom.....	41.73	8,344,112
OOO “Novye Finansovye Technologii” <sup>(2)</sup> .....	6.27	1,247,465
Employees of Gazprombank .....	2.00	407,311

Notes:

(1) 17.15 per cent. is held through OAQ “GAZ-servis”, 17.17 per cent. is held through OAQ “GAZKON”, 8.57 per cent. is held by ZAO “Leader” on the basis of fiduciary management of Gazfond’s pension assets and the remaining 7.11 per cent. is held by Gazfond directly. OAQ “GAZ-servis” and OAQ “GAZKON” are subsidiaries of ZAO “Leader”.

(2) OOO “Novye Finansovye Technologii” is our wholly owned subsidiary.

### Related Party Transactions

We enter into a variety of banking transactions with various related parties, including our shareholders, Gazprom Group members, our subsidiaries, affiliates and managers. See Note 34 to our consolidated financial statements.

Historically, our business has been closely connected to the business requirements of Gazprom and other members of the Gazprom Group. Initially, the pricing of our services to the Gazprom Group was determined in conjunction with Gazprom with the objective of achieving optimal pricing arrangements for the Gazprom Group as a whole. However, as a result of a change in our policy in July 2003, we now enter into related party transactions on market terms.

## BANKING SECTOR AND BANKING REGULATION IN THE RUSSIAN FEDERATION

### History of the Russian Banking Sector and Banking Statistics

Under the Soviet regime, the former State Bank of the USSR, or Gosbank, (the predecessor of the CBR) allocated resources from the Russian Government's budget according to the prevailing economic plan, and was in effect the only bank in existence. In 1987, with the relaxation of controls over companies and interbank settlements, a small group of dependent, specialised banks developed to conduct business relating to savings, foreign trade, construction, industry, agriculture and small enterprises.

In 1988 and 1989, during the second phase of the reform, regional commercial banks (primarily in the form of cooperatives or joint-stock companies) began to rapidly emerge (with initial capital between RUB500,000 and RUB300 million). By the start of 1992, 1,500 licences had been granted to banks.

In 1991, three of the specialised state-dependent banks were transformed into joint-stock companies and some regional branches became independent from their head offices through management buy-outs.

The CBR assumed all the functions of Gosbank in November 1991 and Gosbank was liquidated in December of that year.

Between 1991 and 1998 the Russian banking sector experienced rapid growth. The number of commercial banks in Russia increased from 358 in 1990 to 2,538 in 1996. On 17 August 1998, the Russian financial market suffered a serious crisis, causing major concerns over the liquidity and solvency of the market as a whole. Many banks went into bankruptcy or fell under the administration of the Agency for Restructuring of Credit Organisations (“**ARCO**”). However, due to the stabilisation of the Russian banking sector, the importance of ARCO as the administrator of credit organisations undergoing financial restructuring has decreased. On 18 October 2003, the last of such credit organisations was withdrawn from ARCO's administration, and pursuant to Federal Law No. 87-FZ of 28 July 2004, ARCO itself was liquidated. Pursuant to the New Deposit Law, the assets of ARCO were transferred to the Agency of Insurance and Deposits.

Since the 1998 financial crisis the number of credit organisations operating in Russia has fallen to 1,281 as at 1 July 2005. The 1998 financial crisis revealed the lack of proper controls in the banking sector and increased public concerns over the integrity of the banking system, in particular, concerns regarding misleading advertising, money laundering, corruption, and criminal elements.

Further, the Russian banking sector experienced instability and a liquidity deficit in 2004 resulting from the actions taken by the CBR and a crisis of confidence among Russian banking customers. From May to July 2004, the CBR revoked the banking licences of a number of Russian banks, and the resulting uncertainty in the Russian banking system led to the virtual collapse of the interbank lending market and to liquidity pressures for many Russian banks. The collapse of a number of Russian banks caused panic among depositors, and even the more reliable, larger banks experienced depositor withdrawals.

The CBR took effective steps to reverse the trend. The rate of mandatory reserves that banks were required to deposit with the CBR was temporarily reduced from 7 per cent. to 3.5 per cent. To implement these measures, the CBR permitted banks to immediately reduce their mandatory reserves. Accordingly, banks' borrowing costs have been reduced. In addition, legislation was passed to combat the crisis and to minimise potential losses of private depositors. In accordance with amendments to the Federal Law No. 86-FZ “On the Central Bank of the Russian Federation (Bank of Russia)” of 10 July 2002 (the “**Central Bank Law**”) enacted in 2004, the CBR is required to make payments to private depositors of insolvent Russian banks if such banks have been admitted to the system of private deposit insurance prior to their bankruptcy. The CBR is also able to impose, for the term of one year, a limit on the interest rates on deposits paid by banks to private depositors. In addition, banks are required to disclose certain information related to the interest rates on deposits, banks' liabilities in respect of deposits and amounts of cash withdrawals by private depositors. Furthermore, as of 1 July 2007, Russian banks are obliged to disclose the effective interest rate with respect to consumer lending.

Currently, the banking sector mostly offers services related to short-term and mid-term financing due to the historical instability of the Russian lending market and the difficulty borrowers face in providing adequate collateral.

According to the CBR, as of 1 March 2008, the total assets of the Russian banking sector were valued at approximately RUB20,724.8 billion which represented a 30.1 per cent. growth compared to 1 March 2007, with its own assets valued at approximately RUB2,858.8 billion as of 1 April 2008. As

of 1 May 2008, the total charter capital of Russian credit organisations was RUB775.8 billion, which represented a 0.003 per cent. growth, as compared to RUB773.3 billion as of 1 April 2008.

As at 1 March 2008, the total amount of individuals' deposits with Russian banks amounted to RUB5,224.5 billion (of which deposits in roubles amounted to RUB4,528.5 billion and deposits in foreign currencies totalled RUB696.1 billion), as compared to RUB3,913.6 billion as at 1 March 2007. Corporate deposits with Russian banks in March 2008 amounted to RUB3,583.7 billion (of which deposits in roubles amounted to RUB2,122.1 billion and deposits in foreign currencies totalled RUB1,461.6 billion), as compared to RUB1,558.2 billion as at 1 March 2007.

The remaining sources of growth of the banking sector's resource base are the increasing volumes of debt security issues (primarily promissory notes) and interbank credit operations, amounting to RUB1,176.1 billion and RUB2,807.4-billion as at 1 January 2008, respectively, as compared to RUB1,018.1 billion and RUB1,730.5 billion in as at 1 January 2007, respectively. The amount of funds attracted from individuals and corporate entities through the issue of promissory notes and bank acceptances totalled RUB822.2 billion as at 1 January 2008.

As at 1 March 2008, the total amount of loans in roubles provided by Russian banks to their customers increased to approximately RUB11,055.8 billion (of which loans in the amount of RUB2,691.8 billion were provided to individuals and loans in the amount of RUB7,724.4 billion were provided to corporate customers) as compared to RUB6,805.6 billion as at 1 March 2007. The total amount of loans provided by Russian banks in foreign currencies amounted to RUB4,059.1 billion as at 1 March 2008 (of which loans in the amount of RUB400 billion were provided to individuals and loans in the amount of RUB2,504.1 billion were provided to corporate customers) as compared to RUB2,515.2 billion as at 1 March 2007.

### **Structure of the Russian Banking Sector**

The Russian banking sector consists of the CBR, credit organisations and branches and representative offices of the foreign banks. Credit organisations, in turn, consist of banks, which provide a wide range of banking services, and non-banking credit organisations, which provide only limited banking services, such as maintaining accounts and making payments. As at 1 May 2008, the number of credit organisations operating in the Russian Federation amounted to 1,129. However, poor corporate governance, risk management, transparency and weak management remain widespread among many Russian banks.

State-owned banks continue to play a key role in the development of the Russian banking sector. State-owned banks offering retail banking services include Sberbank and VTB. Other state-owned banks focus primarily on operations with budgetary funds and participate in the realisation of governmental programmes (for example, Rosselkhozbank (Russian Agricultural Bank) and Rosximbank (Russian Export Import Bank)).

Although it is not possible for foreign banks to directly conduct business on the Russian financial market, many major foreign banks have subsidiary banks in the Russian Federation. The presence of foreign-owned banks in the Russian market is relatively limited as their activities have been restricted in order to protect the nascent Russian banks. Foreign-owned banks must satisfy additional requirements in connection with obtaining a licence, for example, there must be a degree of reciprocity in the home country of the foreign bank. The aggregate level of participation of foreign capital within the Russian banking system is determined by federal law as proposed by the Russian Government in conjunction with the CBR. At the moment, however, such law has not been yet adopted. As at 1 May 2008, the number of credit organisations operating in Russia with a 100 per cent. foreign participation amounted to 63, and with a foreign participation in the amount from 50 to 100 per cent. amounted to 27.

### **Role of the CBR**

Until 2002, the CBR had been operating under the general terms of reference of the Federal Law "On the Central Bank of the Russian Federation (the Bank of Russia)" of 2 December 1990 as amended on 26 April 1995. In 2002, this law was superseded by the Central Bank Law. According to the Central Bank Law, the State cannot be liable for the CBR's obligations, nor can the CBR be liable for the State's obligations unless the relevant liability has been undertaken or is required by law. The CBR's property is under federal ownership.

The CBR is legally and financially independent of the Russian Government. The CBR's governing bodies are the Board of Directors and the National Banking Council, a collective management body carrying out certain governing functions, which were solely vested in the Board of Directors prior to adoption of the Central Bank Law (including, among other things, making decisions on maximum capital expenditures of

the CBR, distribution of profits gained by the CBR, appointment of the CBR's chief auditor, approval of the CBR's accounting rules and requirements). The structure of the CBR comprises the Moscow Head Office, a number of regional branches in constituent entities of the Russian Federation (in some of the Russian republics the CBR's regional branches are called National Banks) and local branches. The Chairman of the CBR's Board of Directors is appointed for a fixed term of four years by the State Duma (the chamber of the Russian Parliament), on the recommendation of the President, can be replaced under the same procedure, and has the right to participate in meetings of the Russian Government (Cabinet). The Ministers (or Deputy Ministers, as the case may be) of Finance and of Economic Development and Trade have the right to participate in meetings of the CBR's Board of Directors with consultative voting rights. The members of the National Banking Council are appointed by the Council of Federation (the chamber of the Russian Parliament), the State Duma, the President and the Government of the Russian Federation. The Chairman of the CBR is a member of the National Banking Council *ex officio*.

Under the Central Bank Law, the Banking Law and Federal Law No. 173-FZ "On Currency Regulation and Currency Control" of 10 December 2003 (the "**Currency Control Law**"), the CBR is authorised to adopt implementing regulations on various banking and currency control issues. The CBR has actively used this authorisation in recent years, creating a detailed and extensive body of regulations.

Under current legislation the CBR has the following major functions:

<b>Function</b>	<b>Summary</b>
Issue of money and regulation of circulation	The CBR is the sole issuer of Russian rouble banknotes and regulates their circulation. The CBR plans and arranges for the printing of banknotes and the engraving of coins, establishes the rules for their transportation and storage and regulates over-the-counter operations with cash. However, the CBR is prohibited from issuing money for purposes of budget deficit financing.
Financing/Monetary policy	Refinancing of banks by way of granting credits; fixing reserve requirements for the banks; setting capital adequacy and other mandatory economic ratio requirements for banks. The CBR is prohibited from extending credits to the government for the purposes of budget deficit financing.
Transactions and deals with banks	Rendering decisions on the state registration of banks, registering securities issued by banks; extending credit to banks; maintaining correspondent accounts of banks in roubles; providing banks with guarantees; purchase and sale of Russian state securities, CBR bonds, certificates of deposit, precious metals and natural gems and holding them in depositary accounts; purchase and sale of foreign currencies and payment documents in foreign currencies issued by Russian and foreign banks. Unless otherwise directly provided in federal laws, the CBR is not permitted to participate in the charter capital of banks.
Federal budget implementation and external debt service	Extending credits to the Ministry of Finance; acting as a placement agent with respect to government securities issued by the Ministry of Finance; budget accounts administration.
Exchange control	Regulation of dealing and settlements in roubles; regulation of foreign currency operations; administration of the gold and currency reserves; establishment of regimes for rouble and foreign currency accounts of residents and non-residents in Russia.
Licensing	Issuance, suspension and revocation of banking licences to banks.
Control and supervision	Bank supervision (compliance with mandatory economic ratios and reserves requirements, sanctions for violations, overseeing banking operations); defining format requirements for accounting and statistical reports; fixing reporting schedules; appointment of temporary administration to banks; control over acquisition (and/or a trust management) of significant (more than 1 per cent.) stakes in banks; assessment of financial standing of banks' founders (shareholders/ participants).



## **Regulation**

Banking activities in Russia are broadly governed by the Banking Law and the Currency Control Law. The CBR supervises banks in various aspects (as outlined below) and a number of other institutions have an indirect influence over Russian banks. The FSFM issues licences to banking institutions acting as professional participants of the Russian securities market. In accordance with the new Federal Law No. 135-FZ “On Competition Protection” of 26 July 2006 which came into effect at the end of October 2006, the Federal Antimonopoly Service of the Russian Federation (the “**FAS**”) shall regulate mergers and acquisitions of stakes in excess of 25, 50 and 75 per cent. of the total voting shares in credit organisations established in the form of joint-stock companies, participation interests representing one third, half and two thirds of the charter capital of credit organisations established in the form of limited liability companies and acquisitions of certain shares of credit organisations’ assets or rights to determine conditions relating to their activities. In addition, CBR approval is required for the acquisition of a trust management establishment over stakes in excess of 20 per cent. of total voting shares in Russian credit organisation. Tax authorities supervise tax assessments of banks. Other governmental authorities are largely inactive in relation to banks. The Association of Russian Banks, comprising, as at 3 June 2008, 766 members, including 581 member credit organisations, was established pursuant to the provisions of the Banking Law as a non-commercial self-regulatory organisation. It offers various types of technical support to its members and lobbies the interests of banks in all branches of power.

Set out below are some of the principal features of the regulatory regime governing banks in Russia.

## **Licensing**

A licence must be obtained from the CBR for any “banking activity” as defined in the Banking Law. Applicants must be incorporated within the Russian Federation and submit an application for the state registration with an attached feasibility report and detailed information on the suitability of the management together with certain other information. Under the CBR regulations a bank can be created in the form of a joint-stock company, a limited liability company or a company with additional liability. The latter form is not used in banking practice. A licence may be denied if the legal documents are not in order, if the financial or banking records of the founders are unsatisfactory or if the proposed candidates for executive positions and for the position of chief accountant do not meet the qualification requirements.

## **Mandatory Economic Ratios**

The CBR is authorised to introduce various capital adequacy and liquidity requirements applicable to banks and, as the case may be, to banking groups. Such requirements currently exist in the form of the relevant mandatory economic ratios described in CBR Instruction No. 110-I “On the Banks’ Mandatory Economic Ratios”- of 16 January 2004. Set out below is the system of the mandatory economic ratios which banks are required to observe on a daily basis.<sup>(1)</sup>

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<sup>(1)</sup> Banks covered by the New Deposit Regime are required to comply with additional requirements under the Mandatory Economic Ratios in accordance with Directive No. 1375-U of 16 January 2004 of the CBR.

<b>Mandatory Economic Ratios</b>	<b>Description of Mandatory Economic Ratio</b>	<b>CBR Maximum/Minimum Mandatory Economic Ratios Requirements</b>
Capital adequacy ratio (N1)	This ratio is intended to limit the risk of a bank's insolvency and sets requirements for the minimum size of the bank's capital base necessary to cover credit and market risks. It is formulated as a ratio of the size of a bank's capital base to the amount of its risk-weighted assets.	Minimum 11 per cent. (where a bank's capital base is below EUR 5 million) and minimum 10 per cent. (where a bank's capital base is equal to or more than EUR 5 million).
Instant liquidity ratio (N2)	This ratio is intended to limit the risk of a bank's liquidity loss within one operational day. It is formulated as the minimum ratio of a bank's highly-liquid assets to the amount of the bank's liabilities payable on demand.	Minimum 15 per cent.
Current liquidity ratio (N3)	This ratio is intended to limit the risk of a bank's liquidity loss within 30 calendar days preceding the date of the calculation of this ratio. It is formulated as the minimum ratio of the bank's liquid assets to the amount of the bank's liabilities due in less than 30 calendar days.	Minimum 50 per cent.
Long-term liquidity ratio (N4)	This ratio is intended to limit the risk of loss by a bank with respect to its liquidity as a result of the placement of funds into long-term assets. It is formulated as the maximum permitted ratio of a bank's credit claims maturing in more than one year, to a bank's capital base and liabilities maturing in more than one year.	Maximum 120 per cent.
Maximum exposure to single borrower or a group of related borrowers (N6)	This ratio is intended to limit the credit exposure of a bank to one borrower or a group of related borrowers. It is formulated as the maximum ratio of the aggregate amount of a bank's claims to a borrower or a group of related borrowers to a bank's capital base.	Maximum 25 per cent.

<b>Mandatory Economic Ratios</b>	<b>Description of Mandatory Economic Ratio</b>	<b>CBR Maximum/Minimum Mandatory Economic Ratios Requirements</b>
Maximum amount of major credit risks (N7)	This ratio is intended to limit the aggregate amount of a bank's major credit risks. It is formulated as the maximum ratio of the aggregate amount of major credit risks to the size of a bank's capital base.	Maximum 800 per cent.
Maximum amount of loans, bank guarantees and sureties extended by the bank to its participants (shareholders) (N9.1)	This ratio is intended to limit a bank's credit exposure to the bank's shareholders. It is formulated as the maximum ratio of the amount of loans, bank guarantees and sureties extended by the bank to its shareholders, to the bank's capital base.	Maximum 50 per cent.
Aggregate exposure to the bank's insiders (N10.1)	This ratio is intended to limit the aggregate credit exposure of a bank to its insiders (i.e. individuals capable of influencing the bank's credit decisions). It is formulated as the maximum ratio of the aggregate amount of the bank's credit claims to its insiders, to the bank's capital base.	Maximum 3 per cent.
Ratio for the use of a bank's capital base to acquire shares (participation interest) in other legal entities (N12)	This ratio is intended to limit the aggregate risk of a bank's investments in shares (participation interests) of other legal entities. It is formulated as the maximum ratio of a bank's investments in shares (participation interest) of other legal entities, to a bank's capital base.	Maximum 25 per cent.

The capital base of a bank is defined in CBR regulations as the aggregate amount of its fixed capital (including, *inter alia*, its charter, paid-in capital, certain reserve funds and approved profits) and additional capital (including, *inter alia*, revaluation surpluses, subordinated loans and preferred shares) decreased by certain mandatory reserves and other amounts.

Also, in accordance with CBR Instruction No. 112-I of 31 March 2004, banks issuing mortgage-backed bonds are required to additionally comply with the following mandatory economic ratios: (i) a minimum ratio of issued mortgage loans to a bank's capital base (N17, minimum 10 per cent.); (ii) a minimum ratio of the amount of the "mortgage coverage" to the amount of issued mortgage-backed bonds (N18, minimum 100 per cent.); and (iii) a maximum ratio of the aggregate amount of a bank's liabilities to creditors having a priority right to satisfy their claims, to the bank's capital base (N19, maximum 50 per cent.).

The CBR has recently changed the method of calculation of certain elements comprising N2 and N3 mandatory economic ratios. Also, methods of calculating the following mandatory economic ratios were changed: N6, N7, N9.1, N10.1 and N12.

### **Charter Capital Requirements**

The minimum equity (charter capital) requirements for banks are set out under the Banking Law. Under CBR Directive No. 1755-U of 11 December 2006, the rouble equivalent of the minimum capital requirement is set quarterly by the CBR based on the euro exchange rate. On 2 April 2008, the CBR issued Letter No. 37-T “On Rouble Equivalents of Rates in Accordance with Directive of Bank of Russia No. 1755-U of 11 December 2006” establishing the rouble equivalent of the minimum charter capital of credit organisations for the second quarter of 2008. The minimum charter capital for newly established Russian banks and minimum amount of own funds (capital) of the bank applying for a general banking licence is RUB185,338,000. However, if the application for state registration and the issuance of a banking licence also contemplates the issuance of a licence for taking deposits from individuals in roubles or a licence for taking deposits from individuals in roubles and foreign currencies, the minimum charter capital for a newly established Russian bank is set in the amount of RUB3,706,760,000.

Those banks whose charter capital exceeds their capital base are required to adjust their capital base (or, if impossible, their charter capital) accordingly. The procedure for reducing a bank’s charter capital to adjust the amount of its capital base is established by Directive of the CBR No. 1260-U of 24 March 2003. In accordance with the amendments to the Banking Law, as of 1 January 2007, own funds of every bank are to be no less than EUR 5 million. If this is not the case, the bank will be able to continue its activities only if its own capital does not decrease below the level it had achieved on 1 January 2007.

### **Reporting Requirements**

Russian banks must regularly submit balance sheets to the CBR, together with financial statements showing their actual respective financial positions. They must also inform the CBR in respect of providing large loans (exceeding 5 per cent. of a bank’s capital). Banking groups (i.e. alliances of banks in which one bank directly or indirectly controls decisions of the governing bodies of other banks within the alliance) and consolidated groups (i.e. alliances of legal entities in which one bank, directly or indirectly, controls decisions of the governing bodies of the other legal entities and non-lending organisations within the alliance) must regularly submit consolidated accounts to the CBR. The CBR may at any time carry out full or selective checks of a bank’s submissions, and may inspect all books and records of the bank. In addition, annual audits must be carried out by a licensed audit company. Banks must file audited IFRS consolidated and standalone annual accounts with the CBR on an annual basis.

### **Mandatory Reserve Deposit Requirements**

To cover loan losses and currency, interest and financial risks, banks are required to comply with the CBR requirements for the formation of mandatory reserve deposits. Particular reserve requirements are set by the Board of Directors of the CBR from time to time. Banks are currently required to post compulsory reserves to be held on non-interest bearing accounts with the CBR in the amount equal to 4.5 per cent. in respect of funds in roubles attracted from individuals, 5 per cent. in respect of other funds in roubles and in foreign currency and 5.5 per cent. in respect of short-term funds in roubles and foreign currency attracted from non-resident banks. Starting from 1 July 2008 banks will be required to post compulsory reserves in the amount equal to 5 per cent. in respect of funds in roubles attracted from individuals, 5.5 per cent. in respect of other funds in roubles and in foreign currency and 7 per cent. in respect of short-term funds in roubles and foreign currency attracted from non-resident banks.

From July 2004, the mandatory reserves are calculated by banks in accordance with CBR Regulation No. 255-P of 29 March 2004 (the “**Reserves Regulation**”). The Reserves Regulation requires the banks to promptly report to the CBR and its regional units at the end of each calendar month with calculation of reserves and to promptly post additional reserves, if necessary. The CBR and its regional units have a right to conduct unscheduled audits of credit organisations to monitor their compliance with the reserve rules. The Reserves Regulation does not require the creation of reserves for certain long-term borrowings, although it requires posting of reserves for obligations to non-resident banks. In addition, credit organisations with good reserves and credit history will be offered a new mechanism that will allow posting of reserves in accordance with certain calculated averages.

### **Provisioning**

The CBR established certain rules concerning the creation of loan impairment provisions for loans extended by banks. Since 1 August 2004, Russian credit organisations are required to calculate and establish their loan impairment provisions in accordance with Regulation No. 254-P “On the Procedure for the Establishment by Credit Organisations of the Reserves for Possible Losses from Loans, Loan Debts and those Equated to them” of 26 March 2004. This Regulation has introduced a number of new

rules which purport to make loan impairment provisioning compliant with the BIS requirements. In particular, it requires credit organisations to rank their loans into five categories. The range of loans that must be provided for has been extended to include assigned rights under contracts, financial leasing operations, mortgages acquired in the secondary market, rights under repo contracts (if the securities transferred under such repo transactions are unlisted) and various other operations. It has been established that loans classified as Category I loans (standard loans) do not need to comply with the provisions. In addition, credit organisations will be required to classify their loan security into two groups on the basis of its quality.

The CBR also established rules concerning creation of provisions for loans other than loan impairment, which may include losses from investments in securities, funds held in correspondent accounts of other banks, contingent liabilities, forward contracts and other transactions. CBR Instruction No. 283-P of 20 March 2006 requires banks to rank such assets and operations into five categories of quality reflecting the following situations: (i) no real or potential threat of losses; (ii) moderate potential threat of losses; (iii) serious potential or moderate real threat of losses; (iv) simultaneous potential and moderate real threat of losses or material real threat of losses; and (v) value of particular type of asset or operation is going to be lost completely. Banks are then required to provide for each type of asset or operation in the amounts corresponding to the amounts of possible losses but within the following framework established by the CBR for each risk group indicated above, respectively: (i) 0 per cent.; (ii) 1 per cent. to 20 per cent.; (iii) 21 per cent. to 50 per cent.; (iv) 51 per cent. to 100 per cent.; and (v) 100 per cent. Banks must report to the CBR within ten days following the reporting month on the amount of non-loan impairment provisions it had created that month. The CBR and its regional units are responsible for monitoring bank compliance with these rules.

Mandatory provisions are also created for operations with residents of off shore areas in the amount of up to the higher of (a) 100 per cent. held on the bank's balance sheet accounts, and (b) average daily turnover with residents of off shore zones during the previous month.

### **Regulation of Currency Exposure**

In CBR Instruction No. 124-I "On the Establishment of the Amounts (Limits) of the Open Currency Positions, on the Methods of their Calculation and Particularities of Lending Organisations' Control and Compliance therewith" of 15 July 2005, the CBR established rules regarding exposure of banks to foreign currency and precious metals (collectively, "currency exposure"), as well as controls over such exposure. Currency exposure is calculated with respect to net amounts of balance sheet positions, spot market positions, forward positions, option positions and positions under guarantees. Open currency position is calculated as the sum of all these net amounts. Such exposure is calculated for each currency and each precious metal, and then recalculated into roubles in accordance with the official exchange rates and CBR's prices for precious metals.

The CBR established that at the end of each operation day the total amount of all long or short currency positions should not exceed 20 per cent. of a bank's capital base. At the same time, at the end of each operation day the long or short positions with respect to one particular currency or precious metal should not exceed 10 per cent. of a bank's capital base.

Depending on whether a bank has branches and other reporting entities it is required to report to the CBR about its open currency positions once a decade, a month, a quarter, and/or a year. Lending organisations are required to meet the following requirements on a daily basis:

- the total amount of all long (short) open currency positions for currencies and precious metals may not exceed 20 per cent. of the net worth (capital); and
- any long (short) open currency positions for currencies and precious metals, as well as the balancing position in roubles, must not exceed 10 per cent. of the net worth (capital).

### **Accounting Practices**

The CBR has established a standard format for the presentation of a bank's accounts and instructions on how transactions are recorded within the accounts. It requires the preparation of financial statements and other accounts in accordance with Directive of the CBR No. 1375-u "On the Rules for the Preparation and Submission of Reports to the CBR by Credit Organisations" of 16 January 2004. Despite certain differences, such financial statements represent a close approximation to IFRS.

Annual financial statements may be published only after their certification by an independent auditor. Quarterly financial statements may be published without such certification by an independent auditor.

Starting from 1 January 2004, all credit organisations are required to prepare their accounting reports in accordance with IFRS.

### **Bankruptcy (Insolvency) and Other Related Issues**

Bankruptcy of credit organisations in Russia is governed by the Federal Law “On Insolvency (Bankruptcy)” of 26 October 2002 (the “**Bankruptcy Law**”) and the Federal Law “On Insolvency (Bankruptcy) of Credit Organisations” of 25 February 1999, as amended (the “**Bank Insolvency Law**”).

#### **Bankruptcy**

Bankruptcy proceedings against a Russian bank may be initiated only after the revocation by the CBR of its banking licence. Following the revocation of the bank’s licence, *inter alia*, all obligations of the bank are deemed to have fallen due and the bank is prohibited from entering into transactions and performing its obligations, except for a limited number of current and settlement transactions and operations listed in the Banking Law, until the liquidator or the competition manager is appointed.

Bankruptcy proceedings may be initiated against a Russian bank provided that its business has “signs” of insolvency, as described in the Bank Insolvency Law; the overall amount of the outstanding obligations is not less than 1,000 times the statutory minimum wage amount (currently RUB100,000 or approximately U.S.\$4,211 as of 3 June 2008); the bank has failed to perform such obligations within 14 days of their due date; or after the revocation of the bank’s licence its total assets do not cover all of its outstanding obligations.

Prior to the institution of bankruptcy proceedings, the CBR, on its own initiative or upon the application of the authorised body of the bank, has the right to take action aimed at preventing the bank’s bankruptcy. Such action may include (i) financial rehabilitation of the bank (for example, financial support, changing the structure of assets and liabilities or organisational structure of the bank), (ii) appointment of a temporary administration to the bank or (iii) reorganisation.

#### **Temporary Administration**

The Bank Insolvency Law provides for a special pre-bankruptcy procedure called “temporary administration”, which is aimed at the financial rehabilitation of a bank. Technically, temporary administration precedes, and does not necessarily result in, the commencement of bankruptcy proceedings. Temporary administration may be imposed by the CBR in certain negative financial circumstances set out in Article 17 of the Bank Insolvency Law. The grounds for the appointment of a temporary administration include, among other things, breach of certain financial and regulatory capital ratios and a bank’s failure to perform its payment obligations to some of its creditors for a period greater than seven days due to insufficient funds in its correspondent accounts.

The introduction of a temporary administration may entail a limitation or suspension of the powers of the executive bodies of a bank. The temporary administration can manage a bank and is further entitled to request that the CBR impose a three-month moratorium on all payments of a bank to counterparties and creditors. The temporary administration may also refuse performance of agreements or challenge transactions under Articles 27 and 28 of the Bank Insolvency Law.

#### **Priority of Claims**

Under Russian bankruptcy law, claims of unsecured creditors against Russian banks are generally subordinated to the claims of individual clients arising out of deposit and bank account agreements, certain claims of creditors arising after the initiation of the bankruptcy proceedings and certain other ongoing payments, workplace injury and moral damages obligations, severance pay, employment-related obligations and royalties. There is also a small risk that claims of unsecured creditors may be further subordinated to claims under certain tax and mandatory payment obligations to the Russian Government. Furthermore, unsecured claims are also effectively subordinated to claims secured by a Russian law pledge. Under the Bankruptcy Law, claims of creditors secured by a Russian law pledge are settled with the money received from the sale of pledged assets. Claims of creditors secured by a Russian law pledge will be subordinated to the following obligations: (i) injury obligations and moral damages obligations; and (ii) severance pay, employment-related obligations and royalties, if such obligations arose prior to the creation of the pledge. Claims of creditors secured by a Russian law pledge remaining unsatisfied upon the sale of pledged assets would be ranked as claims of unsecured creditors after the obligations mentioned above, irrespective of the time of the creation of such claims.



## **Liquidation and Revocation of the Banking Licence**

### **Mandatory Liquidation**

The procedure for the revocation of banking licences and liquidation of banks is regulated by the Banking Law. Article 20 of the Banking Law lists a number of grounds on which the CBR can or must revoke the banking licence of a Russian bank. Among other things, these grounds include: (i) material inaccuracy of reporting statements; (ii) a delay of more than 15 days in the submission of monthly financial statements; (iii) effecting transactions that are not covered by its banking licence; (iv) persistent failure to comply with federal laws governing banking activities and CBR regulations and persistent breach of reporting, client identification and various internal control requirements of anti-money laundering legislation; (v) certain breaches of capital adequacy and regulatory capital ratios; and (vi) inability to discharge creditors' claims within one month of their due date where such claims exceed 1,000 times the statutory minimum wage amount (currently, RUB100,000 or approximately U.S.\$4,211 as of 3 June 2008).

Upon the revocation of its licence, a bank must be liquidated either under mandatory solvent liquidation procedures set out in the Banking Law or under bankruptcy procedures set out in the Bank Insolvency Law.

Article 20 of the Banking Law establishes the consequences of the revocation of the banking licence, including that the CBR must impose a "temporary administration" on the relevant bank, that all obligations of the bank are deemed to have fallen due, that enforcement of execution documents issued on the basis of court judgments, with certain exceptions, is suspended and that entering into transactions and performance by the bank of its obligations is prohibited until the liquidator or the competition manager is appointed.

The CBR must make a public announcement of the revocation of the banking licence within one week of resolving to revoke such a licence.

### **Voluntary Liquidation**

In the case of voluntary liquidation of a bank, the shareholders (founders), upon the adoption of the relevant decision, must apply to the CBR for cancellation of the banking licence and, upon its cancellation, the liquidation should be carried out in accordance with the liquidation rules and applicable CBR regulations. In particular, shareholders will appoint the liquidation commission to oversee the liquidation process.

### **Banking and Other Relevant Reforms**

Following the 1998 financial crisis, Russian banks took important steps towards developing more transparent business practices and more diversified portfolios of assets. In recent years, confidence in local banks has gradually improved, as evidenced by the substantial growth in the volume of private deposits in Russian banks.

On 5 April 2005, the Russian Government and the CBR issued their joint Strategy. The Strategy replaces the five-year Strategy for the Development of the Banking Sector in the Russian Federation issued in December 2001, and sets out an action plan for the facilitation of the development of the Russian banking sector in the medium term (2005-2008).

Among other things, the Strategy outlines the targets for the reform of the Russian banking sector, the forecast of the results of such reform and the analysis of the current condition of the Russian banking sector. The Strategy also lists measures which should be implemented to achieve these targets.

Pursuant to the Strategy, the main objective of the development of the Russian banking sector is to increase the stability of the banking system and the effectiveness of banking activities. Among the main goals set forth by the Strategy are:

- improving the protection of the interests of depositors and creditors of banks;
- increasing the effectiveness of deposit-taking and lending activities of banks;
- increasing the competitiveness of Russian credit organisations;
- ensuring the transparency of banking activities;
- preventing the use of credit organisations for unlawful purposes (such as money laundering); and
- strengthening investors', depositors' and creditors' trust in the Russian banking sector.

The Strategy lists the main measures which should be implemented by the Russian Government and the CBR, among which are:

- improving the legislative regulation of banking activities;
- facilitating banks' role as financial intermediaries;
- increasing the efficiency of banking regulation and supervision;
- strengthening market discipline in the banking sector and ensuring equal competitive conditions for all credit organisations;
- upgrading corporate governance rules in credit organisations; and
- developing a banking infrastructure.

As part of the improvement of legislative regulation of banking activities, the Strategy outlines, *inter alia*, the following steps:

- improving the protection of creditors' rights (in particular, those secured by collateral);
- improving the procedures for the liquidation of credit organisations whose banking licences have been revoked;
- simplifying the procedures for mergers and acquisitions of credit organisations;
- facilitating an efficient system of depositing and use of credit history data; and
- continuing the improvement of the taxation regime of credit organisations.

Among other priority tasks, the Strategy envisages the following measures:

- increasing the minimum amount of bank charter capital to five million euros (commencing 2007);
- increasing the minimum amount of a bank's net worth (capital) to 10 per cent. (mandatory economic ratio N1), irrespective of the type of credit organisation and the value of its net worth (starting 2007);
- easing procedures for the participation of non-residents in the capital of Russian banks (albeit without lifting the restrictions on the opening of branches in Russia by foreign banks); and
- introducing a simplified procedure for the assignment of bank loans.

Pursuant to the Strategy, the recommendations of the International Monetary Fund and the World Bank, as set forth in the 2002–2003 Russian Financial Sector Assessment Programme, will be taken into account in the course of the implementation of the Strategy. Following the achievement of the targets set forth above in the Strategy, the next action plan (2009–2015) will be to position the Russian banking sector on the international financial market.

The system of the insurance of private deposits was introduced in 2003. According to the New Deposit Law, banks holding a CBR licence for attracting deposits from individuals and opening and administering individuals' accounts qualify for such activities. Subject to a bank's compliance with certain regulatory requirements, it enters the system of the insurance of individuals' deposits and thus qualifies to receive deposits and open accounts for individuals. If a bank fails to comply with the applicable requirements or chooses not to participate in the insurance system, it will be precluded from receiving deposits and opening accounts for individuals. Banks accepting private deposits and opening accounts for individuals are required to make quarterly payments to a newly established insurance fund in the amount of up to 0.15 per cent. of the average account balances calculated under the new law.

Under the New Deposit Law, the protection for each client is limited to RUB400,000 per bank and banks are required to make quarterly payments into a deposit insurance fund. The insurance payment from the deposit insurance fund will be payable to depositors if a bank's licence has been revoked or if the CBR has imposed a moratorium on payments by the bank. The basis of the deposit insurance contribution is the quarterly average of daily balances of retail deposits. Standard contribution premiums cannot exceed 0.15 per cent. of the contribution basis. In certain circumstances, the premium can be increased up to 0.3 per cent. of the contribution basis, but not for more than two quarters in every 18 months. When the size of the insurance fund reaches 5 per cent. of total retail deposits of all Russian banks, all succeeding contribution premiums cannot exceed 0.05 per cent. of the contribution basis, and when the size of the insurance fund exceeds 10 per cent. of all Russian banks' retail deposits, no contributions need to be made, but they resume once the insurance fund falls below the 10 per cent. threshold.

On 30 December 2004, the President signed Federal Law No. 218-FZ “On Credit Histories” (the “**Credit Histories Law**”). Most of the provisions of the Credit Histories Law came into force on 1 June 2005. Pursuant to the Credit Histories Law, the “credit history” of a borrower (whether an individual or a legal entity) consists of certain data, as defined by the Credit Histories Law, which describe the borrower’s performance under loan or credit arrangements and which are stored with a “credit history bureau” (a Russian legal entity included in the State Register of Credit History Bureaus, whose principal activity is to collect, process and store credit history data and issue “reports”, as defined in the Credit Histories Law). As of 3 June 2008, the FSFM had registered 31 credit history bureaus.

The Credit Histories Law defines the procedures for the submission of data to credit history bureaus, disclosure by bureaus of such data to authorised users, and the rights and obligations of borrowers and bureaus. It also sets out the procedures for the registration of credit history bureaus and the transfer of credit history data upon their liquidation.

Credit history bureaus may disclose credit history data only to:

- a borrower itself;
- banks or other legal entities which are users of such data (with the borrower’s consent);
- courts and, with the consent of a prosecutor general, certain enforcement agencies; and
- the Central Credit History Catalogue administered by the CBR to allow the centralised search of all credit history data.

Credit organisations are obliged to make their activities compliant with the Credit Histories Law within nine months of the date of its entry into force. Since 1 September 2005, banks have been required to enter into agreements with at least one credit history bureau and provide it, subject to the borrowers’ consent, with the relevant information relating to the borrowers.

In connection with the entry into force of the Credit Histories Law, amendments to the Banking Law, the Civil Code and to the Code of Administrative Offences were introduced in order to make them compliant with the Credit Histories Law. Specifically, these amendments address issues concerning bank secrecy, liability for unauthorised access to, and disclosure of, credit history data, and violation of the procedure for the collection, storage and processing of such data.

In addition to the Credit Histories Law and as part of the development of consumer lending legislation, the Federal Law No. 152-FZ “On Mortgage-Backed Securities” and amendments to the Civil Code, Tax Code and the Federal Law No. 102-FZ “On Mortgage” were enacted in 2003-2004. By means of these laws, Russian legislators attempted to make mortgage lending attractive to banks and affordable to individuals by simplifying the applicable procedures and making them more transparent and less costly. Another intention of this new legislation is to introduce improved regulation of mortgage-backed securities in order to make them more attractive for investors.

As a step towards establishing an effective domestic system for combating money laundering, in July 2001, Russia adopted the Federal Law No. 115-FZ “On Combating of the Legalisation of Illegal Earnings (Money Laundering) and Terrorism Financing”. In October 2002, Russia was removed from the “black list” of non-cooperative countries and territories in the fight against money laundering maintained by the Financial Action Task Force on Money Laundering. The CBR monitors Russian banks’ compliance with the anti-money laundering requirements by issuing regulations and inspecting banks’ activities. In particular, Russian banks are required to comply with various customer identification, reporting and other related procedures. In line with the development of the anti-money laundering system, the CBR introduced certain restrictions relating to banks’ operations involving foreign entities and individuals registered (residing) in off-shore areas. The CBR has compiled a list of such off-shore areas. In particular, the CBR restrictions apply to the establishment by Russian banks of correspondent relationships with foreign banks registered in these off-shore areas.

On 18 June 2004, the Currency Control Law came into force, replacing the former Federal Law “On Currency Regulation and Currency Control” of 1992 almost in its entirety. The Currency Control Law is generally aimed at the gradual liberalisation of Russian currency control regulations. Pursuant to the Currency Control Law, the CBR had the power to regulate certain currency operations (including non-banking operations performed by Russian banks) by introducing a “special account requirement”. As of 1 January 2007, the major remaining restrictions envisaged in the Currency Control Law (including the “special account requirement”) have been abolished.

As part of implementing legislation contemplated by the Currency Control Law, the CBR passed Directive No. 1425-U of 28 April 2004, which came into force on 18 June 2004. Directive No. 1425-U confirms that no currency control limitations will apply to bank operations between authorised banks and sets forth a list of non-banking transactions between authorised banks that are exempt from currency control restrictions. Directive No. 1425-U specifically provides that all other non-banking transactions of authorised banks will fall under the general currency control regime applicable to resident legal entities.

## THE ISSUER

### Introduction

GPB Eurobond Finance PLC was incorporated in Ireland on 3 August 2005, with registered number 406153 as a public company with limited liability under the Companies Acts 1963-2005 of Ireland (the “**Companies Acts**”). The registered office of the Issuer is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland and the phone number is +3531 680 6000.

### Principal Activities

The principal objects of the Issuer are set out in Article 3 of its memorandum of association (as currently in effect) and permit the Issuer, amongst other things, to lend money and give credit, secured or unsecured, to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by issuing debt securities and to use an amount equal to the proceeds of each such issuance and drawing to make the loans to Gazprombank.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Acts, the issue on 23 September 2005 of U.S.\$1,000,000,000 6.5 per cent. loan participation notes due 2015 (the “**2005 LPN**”), the issue on 19 February 2007 of RUB10,000,000,000 7.25 per cent. loan participation notes due 2010 (the “**RUB LPN**”), the issue on 3 April 2007 of U.S.\$700,000,000 floating rate loan participation notes due 2010 (the “**2007 LPN**”), the authorisation of the establishment of the Programme and the matters contemplated in this Base Prospectus, the authorisation of the other documents relating to the 2005 LPN, the RUB LPN, the 2007 LPN and the Programme and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

### Directors and Secretary

The directors and secretary of the Issuer and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Conor Blake	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Director
Michael Whelan	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Director
Deutsche International Corporate Services (Ireland) Limited	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Secretary

### Corporate Services Agreement

The corporate services provider is Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, Dublin 1, Ireland (the “**Corporate Services Provider**”). Pursuant to the terms of a corporate services agreement dated 20 September 2005 between the Issuer and the Corporate Services Provider (the “**Corporate Services Agreement**”), the Corporate Services Provider has nominated two Irish resident directors as directors of the Issuer and the Corporate Services Provider will also provide other corporate services to the Issuer in consideration for the payment by the Issuer of an annual fee to the Corporate Services Provider.

The Corporate Services Provider’s appointment may be terminated by either the Issuer or the Corporate Services Provider upon not less than 180 days’ written notice to the other party.

In the event of termination of the Corporate Services Agreement by the Corporate Services Provider in this way, the Corporate Services Provider shall immediately take all steps necessary to appoint a replacement corporate services provider (the choice of whom shall be approved by the Issuer).

The appointment of the Corporate Services Provider may also be terminated in the event of a breach of any provision of the Corporate Services Agreement by the Issuer or the Corporate Services Provider.

The authorised share capital of the Issuer is €40,000 divided into 40,000 ordinary shares of par value €1 each (the “**Shares**”). The Issuer has issued 40,000 Shares, all of which are fully paid and are held on trust by Deutsche International Finance (Ireland) Limited (the “**Share Trustee**”) under the terms of a declaration of trust (the “**Declaration of Trust**”) dated 20 September 2005 under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

The Issuer produces annual audited financial statements with a financial year ending on 31 August. As the Issuer has no subsidiaries, such accounts will be non-consolidated. The most recent financial period of the Issuer was for the year ended 31 August 2007 and the financial statements in respect of this period, together with the financial statements of the Issuer from the date of its incorporation until 31 August 2006, have been deemed to be incorporated in, and form a part of, this Base Prospectus. See “*Documents Incorporated by Reference*”.

The Issuer’s auditors are Deloitte & Touche, Earlsfort Terrace, Dublin 2, Ireland, who are chartered accountants, members of the Institute of Chartered Accountants in Ireland and registered auditors qualified to practise in Ireland.

Save as disclosed herein, the Issuer does not have any material borrowings and/or indebtedness and/or contingent liabilities and no outstanding guarantees or unsecured loan capital. None of the Issuer’s indebtedness, including loan capital, is guaranteed.



## FACILITY AGREEMENT

*The following is the text of the Facility Agreement entered into between Gazprombank and the Issuer. In the context of each Loan, the Facility Agreement should be read in conjunction with, and is qualified in its entirety by, the relevant Loan Supplement for such Loan.*

**This Facility Agreement** is made on 14 September 2007 **between:**

- (1) **JOINT-STOCK BANK OF THE GAS INDUSTRY GAZPROMBANK (CLOSED JOINT-STOCK COMPANY)**, a closed joint-stock company established under the laws of the Russian Federation whose registered office is 16 Block 1, Nametkina St., Moscow 117420 (“**Gazprombank**”); and
- (2) **GPB EUROBOND FINANCE PLC**, a public limited company established under the laws of Ireland, whose registered office is at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the “**Lender**”).

**Whereas**, the Lender has at the request of Gazprombank agreed, pursuant, *inter alia*, to this Agreement, to make available to Gazprombank a loan facility in the maximum amount of the Programme Limit (as defined below) on the terms and subject to the conditions of this Agreement, as amended and supplemented in relation to each Loan by a Loan Supplement dated the Closing Date substantially in the form set out in the Schedule hereto (each, a “**Loan Supplement**”); and

**Whereas**, it is intended that, concurrently with the extension of any Loan under this loan facility the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Loan.

**Now it is hereby agreed** as follows:

### **1 Definitions and Interpretation**

#### **1.1. Definitions**

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

“**Account**” means an account in the name of the Lender as specified in the relevant Loan Supplement.

“**Advance**” means any advance to be made under any Loan Agreement.

“**Affiliates**” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect control by such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agency Agreement**” means the paying agency agreement relating to the Programme dated 14 September 2007, as it may be amended or supplemented from time to time between, the Lender, Gazprombank, the Trustee and the agents named therein.

“**Arrangers**” means Barclays Bank PLC and Citigroup Global Markets Limited or any additional or replacement arranger appointed, and excluding any Arranger whose appointment has terminated pursuant to the Dealer Agreement.

“**Base Prospectus**” means the base prospectus dated 14 September 2007, as amended, supplemented or replaced, relating to the Programme.

“**Bilateral Contract**” means any Currency Protection Agreement or Interest Rate Protection Agreement.

“**Business Day**” means (save in relation to Clause 4) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating.

**“Calculation Agent”** means, in relation to a Loan, Citibank, N.A., London Branch or any person named as such in the relevant Loan Supplement or any successor thereto.

**“Closing Date”** means the date specified as such in the relevant Loan Supplement.

**“Currency Protection Agreement”** means any foreign exchange contract, currency swap agreement, currency option or similar agreement or arrangement designed to protect against fluctuations in currency exchange rates, whether or not arising in the ordinary course of business or in connection with any Indebtedness.

**“Day Count Fraction”** has the meaning specified in Clause 4 as supplemented by the relevant Loan Supplement.

**“Dealer Agreement”** means the dealer agreement relating to the Programme dated 14 September 2007 between the Lender, Gazprombank, the Arrangers and the other dealers appointed pursuant to it, as it may be amended or supplemented from time to time.

**“Dollars”, “\$” and “U.S.\$”** means the lawful currency of the United States of America.

**“euro” or “€”** means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome, as amended.

**“Event of Default”** has the meaning assigned to such term in sub-Clause 11.1 hereof.

**“Fixed Rate Loan”** means a Loan specified as such in the relevant Loan Supplement.

**“Floating Rate Loan”** means a Loan specified as such in the relevant Loan Supplement.

**“Gazprombank Account”** means an account in the name of Gazprombank as specified in the relevant Loan Supplement for receipt of Loan funds.

**“Gazprombank Agreements”** means this Agreement, the Agency Agreement, the Dealer Agreement and together with, in relation to each Loan, the relevant Subscription Agreement and Loan Supplement.

**“Group”** means Gazprombank and its Subsidiaries taken as a whole.

**“Guarantee”** means, in relation to any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness.

**“ICMA”** means the International Capital Market Association.

**“IFRS”** means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (as amended, supplemented or re-issued from time to time).

**“Indebtedness”** means any indebtedness of any person for or in respect of:

- (i) moneys borrowed or raised;
- (ii) amounts raised by acceptance under any acceptance credit facility;
- (iii) amounts raised under any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments;
- (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 30 days; or

- (vi) amounts raised under any other transaction (including, without limitation, under any Repurchase Agreement, any forward sale and any purchase agreement) having the commercial effect of a borrowing,

but, for the avoidance of doubt, does not include any Bilateral Contract.

**“Interest Payment Date”** means the dates specified as such in the relevant Loan Supplement, or, in the event of a prepayment in whole or in part in accordance with sub-Clause 5.4, the date set for such redemption in respect of the part of the Loan to be redeemed.

**“Interest Rate Protection Agreement”** means any interest rate swap agreement, interest rate option agreement, interest rate cap agreement, interest rate collar agreement, interest rate floor agreement or other similar agreement or arrangement designed to protect against fluctuations in interest rates, whether or not arising in the ordinary course of business or in connection with any Indebtedness.

**“Lead Manager(s)”** means the Relevant Dealer(s) specified as such in the relevant Subscription Agreement.

**“Lender Agreements”** means the Dealer Agreement, this Agreement, the Agency Agreement and the Principal Trust Deed together with, in relation to each Loan, the relevant Subscription Agreement, Loan Supplement and Supplemental Trust Deed.

**“Loan”** means each loan to be made pursuant to, and on the terms specified in this Agreement and the relevant Loan Supplement and includes each Fixed Rate Loan and Floating Rate Loan.

**“Loan Agreement”** means this Agreement and (unless the context requires otherwise), in relation to a Loan means this Agreement as amended and supplemented by the relevant Loan Supplement.

**“Margin”** shall have the meaning given to such term in the Conditions of the relevant Series of Notes.

**“Material Adverse Effect”** means a material adverse effect on (a) the financial condition or operations of Gazprombank or its Material Subsidiaries or (b) Gazprombank’s ability to perform its obligations under a Loan Agreement or (c) the validity, legality or enforceability of a Loan Agreement or the rights or remedies of the Lender under a Loan Agreement.

**“Material Subsidiary”** at any time means a Subsidiary of Gazprombank:

- (i) where Gazprombank’s and its other Subsidiaries’ investments in and advances to such Subsidiary exceed 10 per cent. of the consolidated total assets of Gazprombank all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited IFRS consolidated accounts of Gazprombank; or
- (ii) whose profit before tax attributable to Gazprombank (which, for the avoidance of doubt, is not limited to profits before tax derived only from any activities between such Subsidiary and Gazprombank and which shall be consolidated in the case of a Subsidiary which itself has Subsidiaries) represents not less than 10 per cent. of the consolidated profit before tax of Gazprombank, as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited IFRS consolidated accounts of Gazprombank; or
- (iii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated total assets of Gazprombank, as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited IFRS consolidated accounts of Gazprombank; or
- (iv) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of Gazprombank which immediately before the transfer was a Material Subsidiary.

**“Maximum Rate of Interest”** shall have the meaning given to such term in the Conditions of the relevant Series of Notes.

**“Minimum Rate of Interest”** shall have the meaning given to such term in the Conditions of the relevant Series of Notes.

“**Noteholder**” means, in relation to a Note, the person in whose name such Note is registered in the register of the noteholders (or in the case of joint holders, the first named holder thereof).

“**Notes**” means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Loan and relating to a Loan as defined in the relevant Loan Supplement.

“**Officer’s Certificate**” means a certificate signed by an officer of Gazprombank who shall be the principal executive officer, principal accounting officer or principal financial officer of Gazprombank.

“**Opinion of Counsel**” means a written opinion from international legal counsel who is acceptable to the Lender.

“**Payment Time**” means the time specified as such in the relevant Loan Supplement.

“**Permitted Security Interest**” means, in relation to Gazprombank or any of its Material Subsidiaries:

- (i) any Security Interest in existence on the date of this Agreement;
- (ii) any Security Interest arising by operation of law;
- (iii) any Security Interest existing on any property, income or assets prior to the acquisition thereof by Gazprombank or a Material Subsidiary and not created in contemplation of such acquisition, *provided that* such Security Interest shall not extend to any other property, income or assets and further *provided that* the principal, capital or nominal amount secured by any such Security Interest and outstanding at the time of acquisition may not increase except in accordance with its original terms;
- (iv) any Security Interest existing on any property, income or assets of any corporation at the time such corporation is merged or consolidated with or into Gazprombank or a Material Subsidiary and not created in contemplation of such event, *provided that* such Security Interest shall not extend to any other property, income or assets and further *provided that* the principal, capital or nominal amount secured by any such Security Interest and outstanding at the time of merger or consolidation may not increase except in accordance with its original terms;
- (v) any Security Interest created on any property or assets acquired by Gazprombank or a Material Subsidiary (otherwise than from each other) securing Indebtedness of Gazprombank or a Material Subsidiary incurred or assumed for the purpose of financing all or part of the cost of acquiring such property or assets, *provided that* such Security Interest shall not extend to any other property or assets and such Security Interest attaches to such property or assets concurrently with or within 90 days after the acquisition thereof and further *provided that* the principal, capital or nominal amount secured by such Security Interest and outstanding at the time of acquisition may not increase except in accordance with its original terms;
- (vi) any Security Interest securing Indebtedness incurred in connection with a Project Financing if the Security Interest is created by Gazprombank or a Material Subsidiary solely on the property, income, assets or revenues of the project for which the financing was incurred, *provided that* the principal amount secured by such Security Interest and outstanding at the time the financing was incurred may not increase except in accordance with its original terms; and
- (vii) any Security Interest upon, or with respect to, any present or future property, loans, income, receivables or other assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed or similar financing *provided that* the amount of the Indebtedness incurred in connection with any such financing and secured by such Security Interest does not at the time it is incurred, when aggregated with any outstanding Indebtedness raised pursuant to other such securitisations, asset-backed or similar financings, exceed 30 per cent. of the consolidated total assets of Gazprombank, as determined at any time by reference to the most recent consolidated balance sheet of Gazprombank prepared in accordance with IFRS.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other legal entity, whether or not having a separate legal personality.

**“Potential Event of Default”** means any event which, after notice or passage of time or both, would be an Event of Default.

**“Principal Trust Deed”** means the principal trust deed dated 14 September 2007 between the Lender and the Trustee, as it may be amended or supplemented from time to time.

**“Programme”** means the programme for the issuance of Notes by the Lender for the purpose of financing Loans.

**“Programme Limit”** means U.S.\$10,000,050,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement.

**“Project Financing”** means any financing of all or part of the costs of the acquisition, construction or development of any project if the person or persons providing such financing (i) expressly agree to limit their recourse to the project financed and the revenues derived from such as the principal source of repayment for the moneys advanced and (ii) have been provided with a feasibility study prepared by competent independent experts on the basis of which it is reasonable to conclude that such project would generate sufficient operating income to service substantially all Indebtedness incurred in connection with such project.

**“Put Option”** means the put option granted to Noteholders pursuant to the Conditions of a Series of Notes.

**“Rate of Interest”** has the meaning assigned to such term in the relevant Loan Supplement.

**“Relevant Indebtedness”** means any Indebtedness which (a) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is intended by the issuer to be, or is (subsequent to its creation) listed, quoted or traded on any stock exchange or traded in any securities market (including, without limitation, any over-the-counter market); and (b) was initially offered and distributed primarily outside the Russian Federation, but for the avoidance of doubt does not include (i) any Indebtedness in the form of a loan, loan note, transferable loan certificate or other loan instrument unless it is, or is intended by the issuer to be, or is (subsequent to its issue), listed or quoted on any stock exchange or (ii) any indebtedness denominated in roubles and documented under Russian law unless it is cleared and settled through an international securities clearing system.

**“Relevant Time”** means, in relation to a payment in a Specified Currency, the time in the principal financial centre of such Specified Currency and, in relation to a payment in euro, Brussels time.

**“Repayment Date”** means the date specified as such in the relevant Loan Supplement.

**“Repayment Time”** means the time specified as such in the Loan Supplement.

**“Repurchase Agreement”** means any repurchase agreement, buy/sell back agreement, reverse repurchase agreement or stock loan with respect to any securities, whether or not arising in the ordinary course of business.

**“Roubles”** means the lawful currency of the Russian Federation.

**“Same-Day Funds”** means funds for payment, in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby.

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

**“Series”** means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.

**“Specified Currency”** means the currency specified as such in the relevant Loan Supplement.

**“Subscription Agreement”** means the agreement specified as such in the relevant Loan Supplement.



“**Subsidiary**” means, in relation to any person (the “**first person**”) at any particular time, any other person (the “**second person**”): (i) whose affairs and policies the first person controls or has the power to control by virtue of its power to appoint or remove members of the governing body of the second person; or (ii) of whose share capital the first person directly or indirectly owns more than half.

“**Supplemental Trust Deed**” means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 9 of the Principal Trust Deed).

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof.

“**Taxes**” means any taxes (including interest or penalties thereon) which are now or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation, Ireland or any taxing authority thereof or therein *provided, however, that* for the purposes of this definition the references to Ireland shall, upon the occurrence of the Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term “**Taxation**” shall be construed accordingly.

“**Trust Deed**” means the Principal Trust Deed as supplemented by the relevant Supplemental Trust Deed (and as supplemented or amended from time to time) and specified as such in the relevant Loan Supplement.

“**Trustee**” means Citicorp Trustee Company Limited, as trustee under the Trust Deed and any successor thereto as provided thereunder.

“**Warranty Date**” means the date hereof, the date of each Loan Supplement, each Closing Date, each date on which the Base Prospectus or any of the Lender Agreements is amended, supplemented or replaced and each date on which the Programme Limit is increased.

## **1.2 Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the Notes, the Agency Agreement, the Dealer Agreement or the relevant Loan Supplement shall have the meanings assigned to such terms therein.

## **1.3 Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

- 1.3.1 All references to “Clause” or “sub-Clause” are references to a Clause or sub-Clause of this Agreement.
- 1.3.2 The terms “hereof”, “herein” and “hereunder” and other words of similar import shall mean the relevant Loan Agreement as a whole and not any particular part hereof.
- 1.3.3 Words importing the singular number include the plural and vice versa.
- 1.3.4 All references to “taxes” include all present or future taxes, levies, imposts and duties of any nature and the terms “tax” and “taxation” shall be construed accordingly.
- 1.3.5 The table of contents and the headings are for convenience only and shall not affect the construction hereof.
- 1.3.6 All references to “this Agreement” or “this Facility Agreement” are references to this Facility Agreement dated 14 September 2007.

## **2 Loans**

### **2.1 Loans**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, the Lender hereby agrees to make available to Gazprombank Loans in principal



amounts which, when aggregated with the principal amounts advanced under any subordinated loan agreement, will not exceed the total aggregate amount equal to the Programme Limit.

## **2.2 Purpose**

The proceeds of each Loan will be used for general corporate purposes (unless otherwise specified in the relevant Loan Agreement), but the Lender shall not be concerned with the application thereof.

## **2.3 Separate Loans**

It is agreed that with respect to each Loan, all the provisions of this Facility Agreement and the Loan Supplement shall apply *mutatis mutandis* separately and independently to each such Loan and the expressions “**Account**”, “**Closing Date**”, “**Day Count Fraction**”, “**Interest Payment Date**”, “**Loan Agreement**”, “**Notes**”, “**Rate of Interest**”, “**Repayment Date**”, “**Specified Currency**”, “**Subscription Agreement**” and “**Trust Deed**”, together with all other terms that relate to such a Loan shall be construed as referring to those of the particular Loan in question and not of all Loans unless expressly so provided, so that each such Loan shall be made pursuant to this Facility Agreement and the relevant Loan Supplement, together comprising the Loan Agreement in respect of such Loan and that, unless expressly provided, events affecting one Loan shall not affect any other.

## **3 Drawdown**

### **3.1 Drawdown**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on the Closing Date thereof the Lender shall make a Loan to Gazprombank and Gazprombank shall make a single drawing in the full amount of such Loan.

### **3.2 Loan Arrangement Fee**

In consideration of the Lender’s undertaking to make a Loan available to Gazprombank, Gazprombank hereby agrees that it shall, two Business Days before each Closing Date, pay to the Lender to an account nominated by it, in Same-Day Funds, an arrangement fee in connection with the financing of such Loan, including negotiation, preparation and execution of all related documents and other costs connected with and necessary for the extension of the Loan (the “**Arrangement Fee**”). The Arrangement Fee shall be calculated taking into account the front-end commissions, fees and costs of the Lender in connection with financing such Loan. The total amount of the Arrangement Fee is to be as specified in the relevant Loan Supplement.

### **3.3 Disbursement**

Subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on each Closing Date the Lender shall transfer the amount of the relevant Loan to the Gazprombank Account specified in the relevant Loan Supplement.

### **3.4 Ongoing Fees and Expenses**

In consideration of the Lender agreeing to make Loans to Gazprombank and making available the facility hereunder, Gazprombank shall pay within 15 Business Days of written demand to the Lender each year an amount equating to all ongoing fees, commissions, taxes and reasonable costs incurred by the Lender (including, without limitation, listing fees and expenses, audit fees and expenses, taxes and corporate service provider fees) as set forth to Gazprombank in an invoice (together with the relevant supporting documents) from the Lender.

## **4 Interest**

### **4.1 Rate of Interest for Fixed Rate Loans**

Each Fixed Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest. The amount of interest payable shall be determined in accordance with Clause 4.6.

## 4.2 Payment of Interest for Fixed Rate Loans

Interest at the Rate of Interest shall accrue on each Fixed Rate Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date and shall be paid by Gazprombank to the Lender in arrear not later than the Payment Time.

## 4.3 Interest for Floating Rate Loans

4.3.1 *Interest Payment Dates:* Each Floating Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, such interest shall be paid by Gazprombank to the Lender in arrear not later than the Payment Time. The amount of interest payable shall be determined in accordance with Clause 4.6. Such Interest Payment Date(s) is/are either shown in the relevant Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention:* If any date referred to in the relevant Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Loans:* The Rate of Interest in respect of Floating Rate Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Loan Supplement.

### (i) ISDA Determination for Floating Rate Loans

Where ISDA Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the relevant Loan Supplement;
- (b) the Designated Maturity is a period specified in the relevant Loan Supplement; and
- (c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Loan Supplement.

For the purposes of this sub-paragraph (i), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Loans

Where Screen Rate Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (a) the offered quotation; or
- (b) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Loans is specified in the relevant Loan Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Loans will be determined as provided in the relevant Loan Supplement.

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (ii)(a) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (ii)(b) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent;
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Lender (with the consent of the Trustee) suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference

Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, *provided that*, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

#### **4.4 Accrual of Interest**

Interest shall cease to accrue on each Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the applicable Rate of Interest to but excluding the date on which payment in full of the principal and accrued interest thereof is made.

#### **4.5 Margin, Maximum/Minimum Rates of Interest and Rounding**

4.5.1 If any Margin is specified in the relevant Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with sub-Clause 4.3 above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

4.5.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.5.3 For the purposes of any calculations required pursuant to a Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

#### **4.6 Calculations**

The amount of interest payable per Calculation Amount in respect of any Loan for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Loan Supplement and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable in respect of such Calculation Amount for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the Interest Amounts payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

#### **4.7 Determination and Notification of Rates of Interest and Interest Amounts**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of such Floating Rate Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date to be notified to Gazprombank, the Trustee, the Lender, the Paying Agents and any other Calculation Agent appointed in respect of such Floating Rate Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or

Interest Period Date is subject to adjustment pursuant to sub-Clause 4.3.2, the Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of Gazprombank and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Loan becomes due and payable under Clause 11, the accrued interest and the Rate of Interest payable in respect of such Floating Rate Loan shall nevertheless continue to be calculated as previously in accordance with this Clause. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

#### 4.8 Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount in relation to a Floating Rate Loan, each of the Lender and Gazprombank agrees that such determination or calculation may be made by or at the direction of the Trustee and shall be deemed to have been made by the Calculation Agent. The Trustee shall incur no liability in respect of such determination or calculation.

#### 4.9 Definitions

In this Clause 4, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Broken Amount**” means the broken interest amount specified in the relevant Loan Supplement.

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Calculation Amount**” means the amount of the Loan as specified in the relevant Loan Supplement.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Loan for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$



where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

- (v) if “30E/360” or “Eurobond Basis” is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;



(vii) if “**Actual/Actual-ICMA**” is specified in the relevant Loan Supplement:

- (a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
  - (I) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
  - (II) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“**Determination Date**” means the date specified in the relevant Loan Supplement or, if none is so specified, the Interest Payment Date.

“**Fixed Amount**” means the fixed amount of interest as specified in the relevant Loan Supplement.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of a Fixed Rate Loan, and unless otherwise specified, shall mean the Fixed Amount or Broken Amount specified as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Closing Date or such other date as may be specified in the relevant Loan Supplement.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London and the Business Centre for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means each period beginning on (and including) an Interest Payment Date or, in the case of the first Interest Period, the Interest Commencement Date, and ending on (but excluding) the next Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified in the relevant Loan Supplement.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Loan Supplement.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination

of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Loan Supplement.

“**Reference Rate**” means the rate specified as such in the relevant Loan Supplement.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Loan Supplement.

#### **4.10 Calculation Agent**

The Lender shall procure that there shall at all times be specified one or more Calculation Agents if provision is made for them hereon and for so long as any amount remains outstanding under a Loan Agreement. The Calculation Agent’s appointment may be terminated by either the Issuer or the Calculation Agent upon not less than 180 days’ written notice to the other party. Where more than one Calculation Agent is appointed in respect of a Loan, references in the relevant Loan Agreement to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the relevant Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement, the Lender shall (with the prior approval of Gazprombank) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Both Gazprombank and the Lender agree that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to each particular Series.

### **5 Repayment and Prepayment**

#### **5.1 Repayment**

Except as otherwise provided herein and in the applicable Loan Supplement, Gazprombank shall repay each Loan not later than the Repayment Time.

#### **5.2 Special Prepayment for Tax Reasons or Change in Circumstances**

If, (a) as a result of the application of or any amendments to, or change in the double tax treaty between the Russian Federation and Ireland or the laws or regulations of the Russian Federation or Ireland or of any political sub-division thereof or any authority having power to tax therein or (including as a result of a judgment of a court of competent jurisdiction or a change in the application or official interpretation of such law and regulations which change or amendment becomes effective on or after the date of this Agreement, (b) as a result of the enforcement of the security provided in the Trust Deed, Gazprombank would thereby be required to make or increase any payment due pursuant to any Loan Agreement as provided in sub-Clauses 6.2 or 6.3 (other than, in each case, where the increase in payment is in respect of any amounts due or paid pursuant to Clauses 3 and 13) if (for whatever reason) Gazprombank would have to or has been required to pay additional amounts pursuant to Clause 8, then Gazprombank may (without premium or penalty), upon giving not less than 30 days’ notice to the Lender (which notice shall be irrevocable), prepay the relevant Loan in whole (but not in part) on any Interest Payment Date, in the case of a Floating Rate Loan, or at any time, in the case of a Fixed Rate Loan.

#### **5.3 Illegality**

If, at any time after the date of the relevant Loan Supplement, by reason of the introduction of, or any change in, any applicable law or regulation or regulatory requirement or directive of any agency of any state the Lender reasonably determines (setting out in reasonable detail the nature and extent of the relevant circumstances) (following receipt of such determination Gazprombank may request from the Lender an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by Gazprombank) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the relevant Loan or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Loan Agreement and/or to

charge or receive or to be paid interest at the rate then applicable to such Loan, then upon notice by the Lender to Gazprombank in writing, Gazprombank and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; *provided, however, that* the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified Gazprombank. If such a basis has not been determined within the 30 days, then upon notice by the Lender to Gazprombank in writing, Gazprombank shall prepay such Loan in whole (but not in part) on the next Interest Payment Date therefor, in the case of a Floating Rate Loan, or, in the case of a Fixed Rate Loan, on such date as the Lender shall certify to be necessary to comply with such requirements.

#### **5.4 Reduction of a Loan Upon Redemption and Cancellation of Notes**

Gazprombank or any Subsidiary of Gazprombank may from time to time, in accordance with the Conditions of the Notes, purchase Notes in the open market or by tender or by a private agreement at any price. In the event that an amount of Notes has been surrendered to the Lender (as issuer of such Notes) for cancellation by Gazprombank or any of Gazprombank's Subsidiaries and cancelled, the relevant Loan shall be deemed to have been prepaid by Gazprombank in an amount corresponding to the aggregate principal amount of the Notes surrendered to the Lender for cancellation, together with accrued interest and other amounts (if any) thereon and no further payment shall be made or required to be made by Gazprombank in respect of such amounts.

#### **5.5 Payment of Other Amounts**

If a Loan is to be prepaid by Gazprombank pursuant to any of the provisions of sub-Clauses 5.2, 5.3, 5.4 or pursuant to the terms of the relevant Loan Agreement, Gazprombank shall, simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual receipt of payment by the Lender and all other sums payable by Gazprombank pursuant to the relevant Loan Agreement.

#### **5.6 Provisions Exclusive**

Gazprombank may not voluntarily prepay any Loan except in accordance with the express terms of the relevant Loan Agreement. Any amount prepaid may not be reborrowed under such Loan Agreement.

### **6 Payments**

#### **6.1 Making of Payments**

All payments of principal and interest to be made by Gazprombank under each Loan Agreement shall be made to the relevant Account of the Lender not later than the Payment Time or the Repayment Time prior to each Interest Payment Date or the Repayment Date (as the case may be) in Same-Day Funds. The Lender agrees with Gazprombank that it will not deposit any other monies into such Account and will not withdraw any amounts from such Account other than as provided for and in accordance with the Trust Deed and the Agency Agreement.

#### **6.2 No Set-Off, Counterclaim or Withholding; Gross-Up**

All payments to be made by Gazprombank under each Loan Agreement shall be (i) made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes and (ii) made only from the Russian Federation, Ireland or such other jurisdiction which would not require any deductions or withholding from any such payment. If Gazprombank shall be required by applicable law to make any deduction or withholding from any payment under a Loan Agreement for or on account of any Taxes, it shall increase any payment due under such Loan Agreement to such amount as may be necessary to ensure that the Lender receives a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes, and shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of such Taxes, including penalties or interest, Gazprombank shall reimburse the Lender in the Specified Currency for such payment on demand. For the avoidance of doubt, this sub-Clause 6.2 is without prejudice to the obligations of the Lender pursuant to sub-Clause 6.6.

### **6.3 Withholding on Notes**

If the Lender notifies Gazprombank (setting out in reasonable detail the nature and extent of the obligation and providing, upon the request of Gazprombank, an Opinion of Counsel in respect of the existence of such obligation, with the cost of such Opinion of Counsel to be borne solely by Gazprombank) that it has become obliged to make any withholding or deduction for or on account of any present or future taxes, assessments or governmental charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax from any payment which it is obliged to make, or would otherwise be obliged to make but for the imposition of such withholding or deduction for or on account of any such taxes under or in respect of the Notes, Gazprombank agrees to pay into the Account for the benefit of the Lender, not later than 11:30 am (New York time) one Business Day prior to the date on which payment from the Lender is due in Same-Day Funds, such additional amounts as are equal to the said additional amounts which the Lender would be required to pay in order that the net amounts received by the Noteholders after such withholding or deduction will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; *provided, however, that* the Lender shall immediately upon receipt from the Paying Agent of the reimbursement of any sums paid pursuant to this provision, to the extent that the Noteholders, as the case may be, are not entitled to such additional amounts pursuant to the terms and conditions of the Notes, pay such additional amounts to Gazprombank (it being understood that neither the Lender, nor the Paying Agent shall have any obligation to determine whether any Noteholder is entitled to such additional amounts).

### **6.4 Reimbursement**

To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which Gazprombank has made a payment pursuant to this Clause 6 or obtains any other reimbursement in connection therewith, it shall pay to Gazprombank so much of the benefit received as will leave the Lender in substantially the same position as it would have been had no additional amount been required to be paid by Gazprombank pursuant to this Clause 6; *provided, however, that* the question of whether any such benefit has been received, and accordingly, whether any payment should be made to Gazprombank, the amount of any such payment and the timing of any such payment, shall be determined in the reasonable judgment of the Lender, *provided that* the Lender shall notify Gazprombank promptly upon determination that it has received any such benefits.

### **6.5 Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of Gazprombank to make any deduction, withholding or payment as described in sub-Clauses 6.2 or 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or Gazprombank's obligations, under such Clauses, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstances. Gazprombank agrees to reimburse the Lender for all properly incurred costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this Clause.

### **6.6 Tax Treaty Relief**

6.6.1 At the request of Gazprombank, the Lender shall once in each calendar year, prior to the first Interest Payment Date in such calendar year, provide Gazprombank no later than five Business Days prior to such Interest Payment Date (but in any event not before 31 January in each year) with a tax residency certificate issued or certified by (as applicable) the competent authorities of Ireland confirming that the Lender is resident for tax purposes in Ireland at such time. At the cost of Gazprombank, the residency certificate shall be apostilled at the Irish Department of Foreign Affairs and shall be translated into Russian and that translation shall be notarised under Russian law. The Lender shall not be responsible for any failure to provide, or any delays in providing, such tax residency certificate as a result of any action or

inaction of any authority of Ireland, but shall notify Gazprombank as soon as practicable about any such failure or delay with an indication of the actions taken by the Lender to obtain such tax residency certificate.

6.6.2 If Russian legislation regulating the procedures for obtaining an exemption from Russian withholding tax on income changes, the Lender shall use its reasonable and timely efforts to assist Gazprombank to obtain relief from such tax pursuant to the double taxation treaty between the Russian Federation and Ireland.

## **7 Conditions Precedent**

### **7.1 Documents to be Delivered**

The obligation of the Lender to make each Loan shall be subject to the receipt by the Lender on or prior to the relevant Closing Date of evidence that the persons mentioned in sub-Clauses 13.11.1 and 13.11.2 hereof have agreed to receive process in the manner specified therein.

### **7.2 Further Conditions**

The obligation of the Lender to make each Loan shall be subject to the further conditions precedent that as of the relevant Closing Date (a) the representations and warranties made and given by Gazprombank in Clause 9.1 shall be true and accurate as if made and given on such Closing Date with respect to the facts and circumstances then existing, (b) no event shall have occurred and be continuing that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, an Event of Default, (c) Gazprombank shall not be in breach of any of the terms, conditions and provisions of the relevant Loan Agreement, (d) the relevant Subscription Agreement, Trust Deed and the Agency Agreement shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to such Subscription Agreement and (e) the Lender shall have received in full the amount referred to in sub-Clauses 3.2, if due and payable, above, as specified in the relevant Loan Supplement.

## **8 Change in Law or Banking Practices: Increase in Cost**

### **8.1 Compensation**

In the event that after the date of a Loan Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof and/or any compliance by the Lender in respect of any Loan with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observances of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) from or of any central bank or other fiscal, monetary or other authority, agency or any official of any such authority, which:

8.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on such Loan or any other amount payable under such Loan Agreement; or

8.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on such Loan or any other amount payable under such Loan Agreement; or

8.1.3 imposes or will impose on the Lender any other condition affecting such Loan Agreement or such Loan,

and if as a result of any of the foregoing:

- (i) the cost to the Lender of making, funding or maintaining such Loan is increased; or
- (ii) the amount of principal, interest or other amount payable to or received by the Lender under such Loan Agreement is reduced; or
- (iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from Gazprombank hereunder or makes any payment or foregoes any interest or other return on or



calculated by reference to the gross amount of such Loan, then subject to the following, and in each such case:

- (a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to Gazprombank, together with a certificate signed by the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and providing all relevant reasonable supporting documents evidencing the matters set out in such certificates; and
- (b) Gazprombank, in the case of clauses (i) and (iii) above, shall on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return, *provided, however*, the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion thereof which is directly attributable to this Agreement,

*provided that* this sub-Clause 8.1 will not apply to or in respect of any matter for which the Lender has already been compensated under sub-Clauses 6.2 or 6.3.

## **8.2 Mitigation**

In the event that the Lender becomes entitled to make a claim pursuant to sub-Clause 8.1, the Lender shall consult in good faith with Gazprombank and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, Gazprombank's obligations to pay any additional amount pursuant to such sub-Clause, except that nothing in this sub-Clause 8.2 shall obligate the Lender to incur any costs or expenses in taking any action which, in the reasonable opinion of the Lender is prejudicial to its interests.

## **9 Representations and Warranties**

### **9.1 Gazprombank's Representations and Warranties**

Gazprombank does, and on each Warranty Date (unless expressly stated otherwise) shall be deemed to, represent and warrant to the Lender as follows, to the intent that such shall form the basis of each Loan Agreement:

- 9.1.1 Gazprombank is duly organised and incorporated and validly existing under the laws of the Russian Federation and has the power and legal right to own its property, to conduct its business as currently conducted and to enter into and to perform its obligations under each Loan Agreement and to borrow Loans; Gazprombank has taken all necessary corporate, legal and other action required to authorise the borrowing of Loans on the terms and subject to the conditions of each Loan Agreement and to authorise the execution and delivery of each Loan Agreement and all other documents to be executed and delivered by it in connection with each Loan Agreement, and the performance of each of each Loan Agreement in accordance with its terms.
- 9.1.2 Each Loan Agreement, including each Loan Supplement in relation thereto, has been duly executed and delivered by Gazprombank and constitutes a legal, valid and binding obligation of Gazprombank enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) with respect to the enforceability of a judgment whether there is a treaty in force relating to the mutual recognition of foreign judgments; and (iii) to the fact that certain gross-up provisions may not be enforceable under Russian law.



- 9.1.3 The execution, delivery and performance of each Loan Agreement, by Gazprombank will not conflict with or result in any breach or violation of (i) any law or regulation or any order of any governmental, judicial or public body or authority in the Russian Federation, (ii) the constitutive documents, rules and regulations of Gazprombank or (iii) any agreement or other undertaking or instrument to which Gazprombank is a party or which is binding upon Gazprombank or any of its assets, nor result in the creation or imposition of any Security Interest on any of its assets pursuant to the provisions of any such agreement or other undertaking or instrument.
- 9.1.4 All consents, authorisations or approvals of, or filings with, any governmental, judicial and public bodies and authorities of the Russian Federation required by Gazprombank in connection with the execution, delivery, performance, legality, validity, enforceability, and, admissibility in evidence of each Loan Agreement have been obtained or effected and are in full force and effect.
- 9.1.5 No Potential Event of Default, Event of Default or a default (where, in the case of a default only, such would have a Material Adverse Effect) under any agreement or instrument evidencing any Indebtedness of Gazprombank has occurred, and no such event will occur upon the making of the relevant Loan.
- 9.1.6 Save as disclosed in the Base Prospectus, there are no judicial, arbitral or administrative actions, proceedings or claims pending or, to the knowledge of Gazprombank, threatened, against Gazprombank or any of its Material Subsidiaries, the adverse determination of which could have a Material Adverse Effect.
- 9.1.7 Gazprombank and each of its Material Subsidiaries has the right of ownership (as that expression is defined under the laws of the Russian Federation) to its property free and clear of all Security Interests which if created could have a Material Adverse Effect and Gazprombank's obligations under the Loans will rank at least *pari passu* with all its other unsecured and unsubordinated Indebtedness (apart from any obligations mandatorily preferred by law).
- 9.1.8 The most recent audited consolidated financial statements and unaudited interim consolidated financial statements of Gazprombank:
- (i) were prepared in accordance with IFRS, as consistently applied; and
  - (ii) present fairly in all material respects the assets and liabilities as at their respective dates and the results of operations of the Group during the relevant financial year or six month period (as the case may be).
- 9.1.9 There has been no material adverse change since the date of the last audited consolidated financial statements of Gazprombank in the financial condition, results of business operations or prospects of Gazprombank or the Group taken as a whole.
- 9.1.10 The execution, delivery and enforceability of each Loan Agreement is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any political subdivision or taxing authority thereof or therein.
- 9.1.11 Neither Gazprombank nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to each Loan Agreement.
- 9.1.12 Gazprombank is in compliance in all material respects with all applicable provisions of law except where failure to be so in compliance would not have a Material Adverse Effect.
- 9.1.13 Neither Gazprombank, nor any of its Material Subsidiaries, has taken any corporate action nor, to the best of the knowledge and belief of Gazprombank, have any other steps been taken or legal proceedings started or threatened in writing against Gazprombank or any of its Material Subsidiaries for its or their bankruptcy, winding-up, dissolution, reorganisation (save for any solvent reorganisation directly connected with the transformation of Gazprombank from a closed joint-stock company to an open joint-stock company) or external administration (in each case whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of its or of any or all of its assets or revenues.

- 9.1.14 There are no strikes or other employment disputes against Gazprombank which are pending or, to Gazprombank's knowledge, threatened in writing which could have a Material Adverse Effect.
- 9.1.15 Save as disclosed in the Base Prospectus, in any proceedings taken in the Russian Federation in relation to each Loan Agreement, the choice of English law as the governing law of each Loan Agreement and any arbitration award obtained in England in relation to each Loan Agreement will be recognised and enforced in the Russian Federation after compliance with the applicable procedural rules and all other legal requirements in Russia.
- 9.1.16 Under the laws of the Russian Federation, it will not, subject to Clause 6.6, be required to make any deduction or withholding from any payment it may make hereunder.
- 9.1.17 Gazprombank has no overdue tax liabilities which could have a Material Adverse Effect other than those which it has disclosed to the Lender prior to the date of the relevant Loan or which it is contesting in good faith.
- 9.1.18 All licences, consents, examinations, clearances, filings, registrations and authorisations which are or may be necessary to enable Gazprombank and any of its Material Subsidiaries to own its assets and carry on its business are in full force and effect, the absence of which could have a Material Adverse Effect.

## **9.2 Lender's Representations and Warranties**

The Lender represents and warrants to Gazprombank as follows:

- 9.2.1 The Lender is duly incorporated under the laws of and is resident in Ireland and subject to taxation in Ireland not merely on the basis of the source of its income or location of its property but on the basis of its registration as a legal entity, location of its management body or other similar criteria. The Lender does not have and will not have a permanent establishment or presence in Russia, save as may be caused as a result of the Lender entering into this Agreement or any other loan agreement with Gazprombank or by the performance of its obligations hereunder. The Lender has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same.
- 9.2.2 The Loans and the Notes will be included in the Lender's balance sheet for the purpose of Irish GAAP.
- 9.2.3 The execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of Ireland or the constitutive documents of the Lender.
- 9.2.4 The Lender Agreements constitute legal, valid and binding obligations of the Lender subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity.
- 9.2.5 All authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements, the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect.
- 9.2.6 The Lender does not own, either directly or indirectly, any shares of Gazprombank.
- 9.2.7 The Loan Agreements have been duly executed by the Lender.
- 9.2.8 The Lender has taken no action (other than entering into loan arrangements with Gazprombank) which would cause it to become registered in Russia for VAT purposes.
- 9.2.9 There is no reference to the territory of Russia as the actual place of the Lender's activity in the memorandum or articles of association of the Issuer.
- 9.2.10 The board of directors of the Lender is located in Ireland.

## **10 Covenants**

So long as any amount remains outstanding under a Loan Agreement:

### **10.1 Negative Pledge**

Gazprombank shall not, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto, securing its obligations hereunder equally and rateably therewith or (b) providing such other security as may be approved by the Lender.

### **10.2 Reports**

- 10.2.1 Gazprombank will furnish to the Lender commencing with the year ending 31 December 2007, within 6 months of the relevant period (i) year-end, audited annual financial statements prepared in accordance with IFRS as consistently applied, including a report thereon by Gazprombank's certified independent accountants and (ii) 6 month interim, unaudited financial statements prepared in accordance with IFRS as consistently applied.
- 10.2.2 Semi-annually on 20 January and 20 June in each year and within 14 days of any request, Gazprombank shall deliver to the Lender a written notice in the form of an Officer's Certificate stating whether any Event of Default or Potential Event of Default has occurred and, if it has occurred and shall be continuing, what action Gazprombank is taking or proposes to take with respect thereto.
- 10.2.3 Gazprombank will on reasonable request of the Lender provide the Lender with such further information, other than information which Gazprombank determines in good faith to be confidential, about the business and financial condition of Gazprombank and its Subsidiaries as the Lender may require (including information deliverable pursuant to Clause 14.6 of the Trust Deed and an Officer's Certificate identifying, as at a date no more than 14 days before the date of the certificate, those Subsidiaries which are Material Subsidiaries). Where the request relates to Gazprombank or its Material Subsidiaries, the further information will be provided within 15 Business Days, and where the request relates to a Subsidiary which is not a Material Subsidiary, that information or further information will be provided within one calendar month.

### **10.3 Assistance**

Gazprombank shall give to the Lender all the assistance it reasonably requests to ensure the Lender's relief from Russian withholding tax in respect of payments under the Loan Agreements.

## **11 Events of Default**

### **11.1 Events of Default**

If one or more of the following events of default (each, an "**Event of Default**") shall occur and be continuing, the Lender shall be entitled to the remedies set forth in sub-Clause 11.3:

- 11.1.1 Gazprombank fails to pay any amount under a Loan Agreement other than interest in respect of the Advance by no later than the seventh day after the due date for payment thereof or fails to pay any amount of interest in respect of the Advance by no later than the fifteenth day after the due date for payment thereof; or
- 11.1.2 Gazprombank defaults in the performance or observance of any of its other obligations under a Loan Agreement and (except for any obligation pursuant to Clause 11.2) such default remains unremedied for 30 days after written notice thereof, addressed to Gazprombank by the Lender, has been delivered to Gazprombank; or
- 11.1.3 (i) any Indebtedness of Gazprombank or any of Gazprombank's Material Subsidiaries is not paid when due or payable (as the case may be) within any originally applicable grace period; or  
(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of Gazprombank or (as the case may be) at the option of a Material

Subsidiary of Gazprombank or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

- (iii) Gazprombank or any of Gazprombank's Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

*provided that* the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.\$45,000,000 (or its equivalent in any other currency or currencies); and further *provided that* in determining the amount of any Indebtedness for this purpose, Indebtedness arising under a Repurchase Agreement shall be deemed to be the net amount (if any) payable to a third party pursuant to such agreement to discharge all obligations thereunder; or

- 11.1.4 a judgment or order or arbitration award for the payment of an aggregate amount in excess of U.S.\$45,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against Gazprombank or any of Gazprombank's Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date thereof or, if later, the date therein specified for payment; or
- 11.1.5 a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of Gazprombank or any of Gazprombank's Material Subsidiaries having a fair market value in excess of U.S.\$45,000,000 (or its equivalent in any other currency or currencies); or
- 11.1.6 (i) Gazprombank or any of Gazprombank's Material Subsidiaries becomes insolvent or is unable to pay its debts generally as they fall due, (ii) one or more administrator(s) or a liquidator of Gazprombank or any of Gazprombank's Material Subsidiaries is appointed (other than by the CBR) over the whole or substantially the whole or any material part of the undertaking, assets or revenues of Gazprombank or any of Gazprombank's Material Subsidiaries, (iii) Gazprombank or any of Gazprombank's Material Subsidiaries makes a general assignment to, or a general arrangement or general composition with or for the benefit of, all or substantially all of its creditors (*provided that*, with respect to the Material Subsidiaries, such actions must be likely to have a Material Adverse Effect) or declares a moratorium in respect of all or substantially all of its Indebtedness and Guarantees, (iv) Gazprombank or any of Gazprombank's Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Material Subsidiary of Gazprombank, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (v) the CBR initiates reorganisation or appoints a temporary administration of Gazprombank, but only, in the latter case, if the CBR does so on account of failure of Gazprombank to pay its debts as they fall due or to comply with any applicable mandatory economic ratio prescribed by Russian legislation, or (vi) the banking licence of Gazprombank is revoked; or
- 11.1.7 an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of Gazprombank or any of Gazprombank's Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of Gazprombank, for the purposes of or pursuant to an amalgamation, reorganisation (save for any solvent reorganisation directly connected with the transformation of Gazprombank from a closed joint-stock company to an open joint-stock company) or restructuring whilst solvent); or
- 11.1.8 any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable Gazprombank lawfully to enter into and perform and comply with its obligations under and in respect of this Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make admissible in evidence in an arbitration court in London is not taken, fulfilled or done; or
- 11.1.9 (i) all or any substantial part of the undertaking, assets and revenues of Gazprombank or any of Gazprombank's Material Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) Gazprombank or any of Gazprombank's Material Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues *provided that* with respect to the Material Subsidiaries the occurrence of (i) or (ii) above must be likely to have Material Adverse Effect; or

- 11.1.10 at any time it is or becomes unlawful for Gazprombank to perform or comply with any or all of its obligations under this Agreement or any of such obligations (subject as provided in sub-Clause 9.1.2) are not, or cease to be, legal, valid, binding and enforceable and such unlawfulness or cessation could have a Material Adverse Effect; or
- 11.1.11 any event occurs which under the laws of any relevant jurisdiction has an effect analogous to any of the events referred to in any of the foregoing paragraphs.

## **11.2 Notice of Default**

Gazprombank shall deliver to the Lender and the Trustee, within 30 days after becoming aware thereof, written notice of any event which is an Event of Default, its status and what action Gazprombank is taking or proposes to take with respect thereto.

## **11.3 Default Remedies**

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to Gazprombank, (a) declare the obligations of the Lender under the relevant Loan Agreement to be immediately terminated, whereupon such obligations shall terminate, and (b) declare all amounts payable under such Loan Agreement by Gazprombank that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are all expressly waived by Gazprombank; *provided, however, that* if any event of any kind referred to in sub-Clauses 11.1.6 or 11.1.7 occurs, the obligations of the Lender under such Loan Agreement shall immediately terminate, and all amounts payable under such Loan Agreement by Gazprombank that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are all especially waived by Gazprombank.

## **11.4 Rights Not Exclusive**

The rights provided for in each Loan Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

## **12 Indemnity**

### **12.1 Indemnification**

Gazprombank undertakes to the Lender, that if the Lender or any director, officer, employee or agent of the Lender and each person controlling the Lender (each an “**indemnified party**”) incurs any loss, liability, claim, demand or damage, charge or expense (including without limitation taxes and properly incurred legal fees, costs and expenses) (a “**Loss**”) as a result of or in connection with any Senior Loan, the Loan Agreement (or enforcement thereof) (excluding a Loss that is the subject of the undertakings contained in Clauses 6.2, 6.3, 8 and 13.6 of this Agreement (it being understood that the Lender may not recover twice in respect of the same Loss)), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding, Gazprombank shall pay to the Lender on demand an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred unless such Loss was either caused by such indemnified party’s negligence or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained in Schedule A to the Dealer Agreement. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other Person for any amounts paid to it under this Clause.

If and to the extent the Lender finally and irrevocably recovers from any person other than Gazprombank any damages in connection with, or arising out of, any litigation or arbitration in respect of the Notes, and has previously been indemnified by Gazprombank pursuant to this Clause 12.1 in respect of the Loss corresponding to such damages, the Lender shall pay to Gazprombank the amount of such damages less any applicable fees, cost and expenses including, but not limited to, the cost of such litigation or arbitration that have not been otherwise finally and irrevocably recovered. Notwithstanding the foregoing, in no event shall the Lender be obliged to seek recovery of damages from third parties before it requires indemnification pursuant to this



Clause 12.1 or if it has previously been indemnified by Gazprombank with respect to the corresponding Loss.

## **12.2 Independent Obligation**

Sub-Clause 12.1 constitutes a separate and independent obligation of Gazprombank from its other obligations under or in connection with each Loan Agreement and shall not affect, or be construed to affect, any other provision of a Loan Agreement.

## **12.3 Evidence of Loss**

A certificate of the Lender, setting forth the amount of Loss described in sub-Clause 12.1 and specifying in full detail the basis therefor shall be *prima facie* evidence of the amount of such losses, expenses and liabilities.

## **12.4 Survival**

The obligations of Gazprombank pursuant to sub-Clauses 6.2, 6.3, 12.1, 13.2 and 13.6 shall survive the execution and delivery of each Loan Agreement and the drawdown and repayment of the relevant Loan, in each case by Gazprombank.

# **13 General**

## **13.1 Evidence of Debt**

The entries made by the Lender in the accounts maintained by the Lender in accordance with its usual practice and evidencing the amounts from time to time lent by and owing to it hereunder shall, in the absence of manifest error, constitute *prima facie* evidence of the existence and amounts of Gazprombank's obligations recorded therein.

## **13.2 Stamp Duties**

13.2.1 Gazprombank shall pay all stamp, registration and documentary taxes, duties or similar charges (if any) imposed on Gazprombank by any person in the United Kingdom, Russian Federation or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and shall indemnify and reimburse the Lender against any and all costs, expenses or penalties which may be incurred or suffered by the Lender with respect to, or resulting from, any delay or failure by Gazprombank to pay such taxes or similar charges upon presentation by the Lender to Gazprombank of documentary evidence of such costs and expenses..

13.2.2 Gazprombank agrees that if the Lender incurs a liability to pay any stamp, registration and documentary taxes or similar charges (if any) imposed by any person in the United Kingdom, Russian Federation or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and any documents related thereto as well as Notes of corresponding Series and any documents related thereto, Gazprombank shall repay the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by Gazprombank to procure the payment of such taxes or similar charges.

## **13.3 Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or Gazprombank, any right, power or privilege under any Loan Agreement and no course of dealing between Gazprombank and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

## **13.4 Notices**

All notices, requests, demands or other communications to or upon the respective parties to each Loan Agreement shall be given or made in the English language by SWIFT, telex, fax, electronic



mail or otherwise in writing and shall be deemed to have been duly given or made at the time of delivery, if delivered by hand or courier or if sent by facsimile transmission, electronic mail or by airmail to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Loan Agreement addressed as follows:

13.4.1 if to Gazprombank:

Joint-stock Bank of the Gas Industry  
Gazprombank (Closed Joint-stock Company)  
16 Block 1, Nametkina Street  
117420 Moscow  
Russian Federation  
E-mail: olga.kozlova@gazprombank.ru  
(Copy to be delivered to Dobryshina Eugenia at  
eugeny.dobryshina@gazprombank.ru)

Fax: + 7(095)332-77-83  
Attention: Olga Kozlova

SWIFT: GAZPRUMM  
Telex: 114907 GAZ RU

13.4.2 if to the Lender:

GPB Eurobond Finance PLC  
5 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

Fax: + 353 1 680 6050  
Attention: The Directors

or to such other address, telex, Swift or fax number as any party may hereafter specify in writing to the other.

### 13.5 Assignment

13.5.1 Subject to Clause 13.5.2, each Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under such Loan Agreement. Any reference in a Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions or the making of any determination by the Lender, shall include references to the exercise of such rights or discretions, or the making or such determinations by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by the Lender or any discussions between the Lender and Gazprombank or any agreements of the Lender or Gazprombank pursuant to sub-Clauses 6.4, 6.5 or 8.2.

13.5.2 Gazprombank shall not assign or transfer all or any part of its rights or obligations hereunder to any other party.

13.5.3 Subject to the provisions of Clause 25 of the Principal Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits under any Loan Agreement other than the Reserved Rights except that the Lender may charge by way of fixed first charge in favour of the Trustee (as Trustee) certain of the Lender's rights and benefits under each Loan Agreement and assign absolutely to the Trustee certain rights, interest and benefits under any Loan Agreement, in each case as set out in Clause 6.2 of the Supplemental Trust Deed.

### 13.6 Currency Indemnity

To the fullest extent permitted by law, the obligation of Gazprombank in respect of any amount due in the Specified Currency (or such other currency as contemplated by such obligation) under a Loan Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Specified Currency

(or such other currency as contemplated by such obligation) that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in the Specified Currency (or such other currency as contemplated by such obligation) that may be so purchased for any reason falls short of the amount originally due (the “**Due Amount**”), Gazprombank hereby agrees to indemnify and hold harmless the Lender against any deficiency in the Specified Currency. Any obligation of Gazprombank not discharged by payment in the Specified Currency (or such other currency as contemplated by such obligation) shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided the relevant Loan Agreement, shall continue in full force and effect. If the amount in the Specified Currency (or such other currency as contemplated by such obligation) that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to Gazprombank.

### **13.7 Prescription**

In the event that the Notes become void pursuant to Condition 11 of the Notes, the Lender shall forthwith repay to Gazprombank the principal amount of such Note subject to the Lender having previously received from Gazprombank, and being in possession of, a corresponding amount in respect of principal pursuant to this Agreement..

### **13.8 Contracts (Rights of Third Parties) Act 1999**

A person who is not a party to a Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Loan Agreement.

### **13.9 Choice of Law**

Each Loan Agreement shall be governed by, and construed in accordance with, the laws of England.

### **13.10 Jurisdiction**

The parties irrevocably agree that any dispute arising out of or connected with this Agreement, including a dispute as to the validity, existence or termination of this Agreement or the consequences of its nullity and/or this Clause (a “**Dispute**”), shall be resolved:

13.10.1 subject to sub-Clause 13.10.2 below, by arbitration in London, England, conducted in the English language by three arbitrators, in accordance with the LCIA Rules, which rules are deemed to be incorporated by reference into this clause, save that, Article 56 of the LCIA Rules shall be amended as follows: unless the parties agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If he is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, he shall be chosen by the LCIA. Save as provided in clause 13.10.2, the parties agree to exclude the jurisdiction of the English courts under section 45 and 69 of the Arbitration Act 1996; or

13.10.2 at the sole option of the Lender, by proceedings brought in the courts of England, which courts are to have exclusive jurisdiction. If the Lender is in the position of a Respondent and the Lender wishes to exercise this option, it must do so by notice to the other parties to the Dispute within 30 days of service on it of the request for arbitration.

For the avoidance of doubt, sub-clause 13.10.2 is for the benefit of the Lender alone and shall not limit the right of the Lender to bring proceedings in any other court of competent jurisdiction.

### **13.11 Process Agents**

#### **13.11.1 Lender's Process agent**

The Lender agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to the attention of Aquila International Services Limited of 2nd Floor, Berkeley Square House, Berkeley Square, London, W1J 6BD or, if different, its registered office for the time being or at any address of the Lender in Great Britain at which process may be served on such person in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If such person is not or ceases to be effectively appointed to accept service of process on the Lender's behalf, the Lender shall, on

the written demand of any Lead Manager, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Lead Manager shall be entitled to appoint such a person by written notice to the Lender. Nothing in this sub-Clause shall affect the right of the Lead Managers to serve process in any other manner permitted by law.

#### 13.11.2 Gazprombank's Process agent

Gazprombank agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Aquila International Services Limited of 2nd Floor, Berkeley Square House, Berkeley Square, London, W1J 6BD or its other principal place of business in England for the time being or at any other address for the time being at which process may be served on such person in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If such person is not or ceases to be effectively appointed to accept service of process on Gazprombank's behalf, Gazprombank shall, on the written demand of any Lead Manager, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Lead Manager shall be entitled to appoint such a person by written notice to Gazprombank. Nothing in this sub-Clause shall affect the right of the Lead Managers to serve process in any other manner permitted by law.

#### 13.12 Counterparts

Each Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

#### 13.13 Language

The language which governs the interpretation of each Loan Agreement is the English language.

#### 13.14 Amendments

Except as otherwise provided by its terms, each Loan Agreement may not be varied except by an agreement in writing signed by the parties.

#### 13.15 Partial Invalidity

The illegality, invalidity or unenforceability to any extent of any provision of any Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

#### 13.16 Limited Recourse

Gazprombank hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received by or for the account of the Lender pursuant to this Agreement (the "**Lender Assets**"), subject always to (i) the Security Interests (as defined in the Trust Deed) and (ii) to the fact that any claims of the Dealers (as defined in the Subscription Agreement) shall rank in priority to claims of Gazprombank hereunder, and that any such claim by the Dealers or Gazprombank shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. The Trustee having realised the same, neither Gazprombank nor any person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to such person in respect of any such further sum. In particular, neither Gazprombank nor any other person acting on behalf of any of them shall be entitled at any time to institute against the Lender, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) against the Lender.

#### 13.17 Non Petition

None of the parties to this Agreement nor any other person acting on their behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings

under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

It is expressly agreed and understood that the entry into this Agreement constitutes a corporate obligation only of the Lender. No personal liability shall attach to or be incurred by any shareholder, member, equity holder, officer, agent, employee or director of the Lender in his capacity as such, under or by reason of any of the obligations, covenants or agreements of such party as a result of entry into this Agreement or implied therefrom and any and all personal liability of every such shareholder, member, equity holder, officer, agent, employee or director for breaches by the Lender of any such obligations, covenants or agreements, either at law or by statute or constitution, is hereby expressly waived by Gazprombank as a condition of and in consideration for the execution of this Agreement except to the extent that any such person acts in bad faith or is negligent in the context of its obligations.

**SCHEDULE  
FORM OF LOAN SUPPLEMENT**

[DATE]

**JOINT-STOCK BANK OF THE GAS INDUSTRY GAZPROMBANK  
(CLOSED JOINT-STOCK COMPANY)**

and

**GPB EUROBOND FINANCE PLC**

**LOAN SUPPLEMENT**

to be read in conjunction with a Facility Agreement dated 14 September 2007

in respect of  
a Loan of [●]

Series [●]

This Loan Supplement is made on [SIGNING DATE] between:

- (1) **GPB EUROBOND FINANCE PLC**, a public limited company established under the laws of Ireland with limited liability, whose registered office is at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the “**Lender**”); and
- (2) **JOINT-STOCK BANK OF THE GAS INDUSTRY GAZPROMBANK (CLOSED JOINT-STOCK COMPANY)**, a closed joint-stock company established under the laws of the Russian Federation whose registered office is 16 Block 1, Nametkina St., Moscow 117420 (“**Gazprombank**”).

**Whereas:**

- (A) Gazprombank has entered into a facility agreement dated 14 September 2007 (such amended and restated facility agreement, as may be amended or supplemented from time to time, the “**Facility Agreement**”) with the Lender in respect of Gazprombank’s U.S.\$10,000,000,000 Programme for the Issuance of loan participation notes by the Lender (the “**Programme**”).
- (B) Gazprombank proposes to borrow [●] (the “**Loan**”) and the Lender wishes to make such Loan on the terms set out in the Facility Agreement and this Loan Supplement.

**It is agreed** as follows:

**1 Definitions**

Capitalised terms used but not defined in this Loan Supplement shall have the meaning given to them in the Facility Agreement save to the extent supplemented or modified herein.

**2 Additional Definitions**

For the purpose of this Loan Supplement, the following expressions used in the Facility Agreement shall have the following meanings:

“**Account**” means the account in the name of the Lender (account number [●], [●]);

[“**Calculation Agent**” means [Citibank, N.A., London Branch;]]

“**Closing Date**” means [●];

“**Gazprombank Account**” means the account in the name of Gazprombank (account number [●]);

“**Loan Agreement**” means the Facility Agreement as amended and supplemented by this Loan Supplement;

“**Notes**” means [●] [[●] per cent.][Floating Rate] Loan Participation Notes due [●] issued by the Lender as Series [●] under the Programme;

“**Payment Time**” means [●] [am/pm] [Specify relevant city/country] [●] Business Day[s] prior to each Interest Payment Date; **[NOTE: 2 DAYS PREFUNDING REQUIRED FOR ROUBLE-DENOMINATED LOANS]**

“**Repayment Date**” means [●] [*amend as required for Floating Rate Notes*];

“**Repayment Time**” means [●] [am/pm] [Specify relevant city/country] [●] Business Day[s] prior to the Repayment Date;

“**Specified Currency**” means [●];

“**Subscription Agreement**” means an agreement between the Lender, Gazprombank and [MANAGERS] dated [●] relating to the Notes; and

“**Trust Deed**” means the Principal Trust Deed between the Lender and the Trustee dated 14 September 2007 (as may be amended or supplemented from time to time) as amended and supplemented by a **Supplemental** Trust Deed dated [●] constituting and securing the Notes.

### 3 Incorporation by Reference

Except as otherwise provided, the terms of the Facility Agreement shall apply to this Loan Supplement as if they were set out herein and the Facility Agreement shall be read and construed, only in relation to the Loan constituted hereby, as one document with this Loan Supplement.

## 4 The Loan

### 4.1 Drawdown

Subject to the terms and conditions of the Loan Agreement, the Lender agrees to make the Loan on the Closing Date to Gazprombank and Gazprombank shall make a single drawing in the full amount of the Loan.

### 4.2 Interest

The Loan is a [Fixed Rate][Floating Rate] Loan. Interest shall be calculated, and the following terms used in the Facility Agreement shall have the meanings, as set out below:

#### 4.2.1 Fixed Rate Loan Provisions

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

[●]

(i) Interest Commencement Date:

(ii) Rate[(s)] of Interest:

[●] per cent. per annum [payable [annually/semi-annually] in arrear

(iii) Interest Payment Date(s):

[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”*]/not adjusted]

(iv) [Fixed Amount[(s)]:

[●] per [●] in principal amount  
[●]

(v) [Calculation Amount]:

(vi) Broken Amount:

*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount [(s)] and the Interest Payment Date(s) to which they relate]*

(vii) Day Count Fraction (Clause 4.9):

[●]  
*(Day count fraction should be Actual/Actual-ICMA for all fixed rate loans other than those denominated in U.S. dollars, unless specified)*



- (viii) Determination Date(s) (Clause 4.9): [●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last interest period]\**
- (ix) Other terms relating to the method of calculating interest for Fixed Rate Loans: [Not Applicable/give details]

#### 4.2.2 Floating Rate Loan Provisions

- [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Calculation Amount [●]
- (ii) Interest Commencement Date [●]
- (iii) Interest Period(s): [●]
- (iv) Specified Interest Payment Dates: [●]
- (v) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (vi) Business Centre(s) (Clause 4.9): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ ISDA Determination/other (give details)]
- (viii) Interest Period Date(s): [Not Applicable/specify dates]
- (ix) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (x) Screen Rate Determination (Clause 4.3.3):
- Relevant Time: [●]
- Determination Date: [[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
- Relevant Screen Page/Primary Source for Floating Rate: [Specify relevant screen page or “Reference Banks”]
- Reference Banks (if Primary Source is “Reference Banks”): [Specify four]
- Relevant Financial Centre: [The financial centre most closely connected to the Reference rate- specify if not London]
- Reference Rate: [LIBOR, EURIBOR or other reference rate]
- Representative Amount: [Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]
- Effective Date: [Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]
- Specified Duration: [Specify period for quotation if not duration of Interest Accrual Period]

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\*Only to be completed for a loan where Day Count Fraction is Actual/Actual-ICMA.

- (xi) ISDA Determination (Clause 4.3.8):
- Floating Rate Option: ☐
- Designated Maturity: ☐
- Reset Date: ☐
- ISDA Definitions: (if different from those set out in the Conditions) ☐
- (xii) Margin(s): ☐ +/- ☐ per cent. per annum
- (xiii) Minimum Rate of Interest: ☐ per cent. per annum
- (xiv) Maximum Rate of Interest: ☐ per cent. per annum
- (xv) Day Count Fraction (Clause 4.6): ☐
- (xvi) Rate Multiplier: ☐
- (xvii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Loans, if different from those set out in the Facility Agreement: ☐

## **5 Fees and Expenses**

Pursuant to sub-clause 3.2 of the Facility Agreement and in consideration of the Lender making the Loan to Gazprombank, Gazprombank hereby agrees that it shall, two Business Days before the Closing Date, pay to the Lender, in Same-Day Funds, the arrangement fee calculated taking into account the front-end fees, commissions and costs of the Lender in connection with financing the Loan in the total amount of ☐ to the following account ☐.

## **6 Governing Law**

This Loan Supplement shall be governed by and construed in accordance with English law.

## **7 Non Petition**

The provisions of Clauses 13.16 and 13.17 of the Facility Agreement shall apply to the parties to this Agreement as if specifically incorporated herein.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes, which contain summaries of certain provisions of the Trust Deed, and which (subject to completion and amendment in accordance with the provisions of Part A of the relevant Final Terms) will be attached to the Notes in definitive form, if issued, and (subject to the provisions thereof) apply to the Global Notes representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Part A of the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed and Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by, are subject to, and have the benefit of, a supplemental trust deed dated the Issue Date specified hereon (the “Supplemental Trust Deed”) supplemental to a principal trust deed dated 14 September 2007, as may be amended or supplemented from time to time (the “Principal Trust Deed”), each made between GPB Eurobond Finance PLC (the “Issuer”) and Citicorp Trustee Company Limited (the “Trustee”, which expression shall include any trustee or trustees for the time being under the Trust Deed) as trustee and successors thereof for the holders of the Notes (the “Noteholders”). The Principal Trust Deed and the Supplemental Trust Deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, are together referred to as the “Trust Deed”.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing either a Senior Loan (if the status of the Loan is specified as “Senior” thereon) or a Subordinated Loan (if the status of the Loan is specified as “Subordinated” hereon and together with a Senior Loan, the “Loans”, and any one of them a “Loan”) to Joint-stock Bank of the Gas Industry Gazprombank (Closed Joint-stock Company) (“Gazprombank”) subject to, and in accordance with, either (i) in relation to a Senior Loan, a facility agreement between the Issuer and Gazprombank dated 14 September 2007 (such facility agreement, the “Facility Agreement”) as amended and supplemented by a loan supplement to be dated the Trade Date (the “Loan Supplement” and, together with the Facility Agreement, the “Senior Loan Agreement”), or (ii) in relation to a Subordinated Loan, a subordinated loan agreement between the Issuer and Gazprombank to be entered into on the Trade Date (the “Subordinated Loan Agreement”). In these Terms and Conditions, “Loan Agreement” shall mean either (i) a Senior Loan Agreement (in respect of a Senior Loan) or (ii) a Subordinated Loan Agreement (in respect of a Subordinated Loan), as applicable.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and increased and/or additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer from Gazprombank pursuant to the Loan Agreement less any amount in respect of Reserved Rights (as defined in the Trust Deed).

The Issuer has charged by way of first fixed charge in favour of the Trustee certain of its rights and interests as lender under the Loan Agreement as security for its payment obligations in respect of the Notes and under the Trust Deed (the “Charge”), and has assigned absolutely to the Trustee certain other rights under the Loan Agreement (in each case other than the Reserved Rights) (together with the Charge, the “Security Interests”). In certain circumstances, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

The Notes have the benefit of, and payments in respect of the Notes will be made (subject to the receipt of the relevant funds from Gazprombank) pursuant to, a paying agency agreement dated 14 September 2007 (as may be amended or supplemented from time to time, the “Agency Agreement”), and made between the Issuer, Citibank, N.A., London Branch as paying agent, registrar, transfer agent and calculation agent (the “Paying Agent”, the “Registrar”, the “Transfer Agent” and the Calculation Agent”), Gazprombank and the Trustee. References herein to principal paying agent, registrar, paying

agent or transfer agent, shall include any additional or successor principal paying agent, registrar, paying agent or transfer agent.

Copies of the Trust Deed, the Loan Agreement, the Agency Agreement and the Final Terms are available for inspection at the principal office of the Trustee and at the specified office of the Principal Paying Agent.

The statements contained in these Terms and Conditions include summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement, the Final Terms, the Loan Supplement (where applicable) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions thereof. Expressions used but not defined in these Terms and Conditions shall, if defined in the Trust Deed or the relevant Loan Agreement, have the meanings given to them there.

## **1 Status**

The Notes constitute secured, limited recourse obligations of the Issuer. The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and increased and/or additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of Reserved Rights.

The Trust Deed provides that, notwithstanding the other provisions hereof, payments in respect of the Notes equal to the sums actually received by or for the account of the Issuer (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of such sum or in respect of the Notes and for which the Issuer has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Issuer in respect thereof pursuant to the Loan Agreement)) by way of principal, interest or increased and/or additional amounts (if any) pursuant to the Loan Agreement, less any amounts in respect of Reserved Rights, will be made *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. Neither the Issuer nor the Trustee shall be under any obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and Gazprombank.

Noteholders have notice of, and have accepted, these Terms and Conditions, the Final Terms and the contents of the Trust Deed and the Loan Agreement, and have hereby accepted that:

- 1.1 neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed or in paragraph 1.6 below, liability or obligation in respect of the performance and observance by Gazprombank of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest or any increased and/or additional amounts due or to become due from Gazprombank under the Loan Agreement;
- 1.2 neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the financial condition, creditworthiness, affairs, status or nature of Gazprombank;
- 1.3 neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of Gazprombank under or in respect of the Loan Agreement;
- 1.4 neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Paying Agent, the Registrar or Transfer Agent of their respective obligations under the Agency Agreement;
- 1.5 the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by Gazprombank of its obligations under the Loan Agreement and its covenant to make payments under the Loan Agreement and its credit and financial standing. Gazprombank has represented and warranted to the Issuer that the Loan Agreement constitutes a legal, valid and binding obligation of Gazprombank;

- 1.6 the Issuer and the Trustee shall be entitled to rely on (i) Officer's Certificates (as defined in the Loan Agreement) and/or other certificate (whether or not addressed to the Issuer or the Trustee) from Gazprombank or procured by Gazprombank as to whether or not an Event of Default or Potential Event of Default (each as defined in the relevant Loan Agreement) has occurred and (ii) Officer's Certificates specifying the Material Subsidiaries (as defined in the Loan Agreement) of Gazprombank and shall not otherwise be required to or responsible for investigating any aspect of Gazprombank's performance in relation thereto and, subject as further provided in the Trust Deed, neither the Issuer as Lender under the Loan Agreement nor the Trustee will be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the Security Interests and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the assigned property whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee has no responsibility for the value of such security; and
- 1.7 the Issuer will not be liable for any withholding or deduction or for any payment on account of tax (not being a tax imposed on the Issuer's net income) required to be made by the Issuer on or in relation to any sum received by it under the relevant Loan Agreement which will or may affect payments made or to be made by Gazprombank under the relevant Loan Agreement save to the extent that it has actually received additional amounts under the Loan Agreement in respect of such withholding or deduction or payment and the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deduction or withholding or payment, other than those set out in Clause 8.1 and Clause 8.2 of the Facility Agreement or in the equivalent provisions, if any, of the Subordinated Loan Agreement.

The obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In respect of a Note issued under a Subordinated Series (as defined in the Trust Deed) only, the claims of the Issuer under the Loan Agreement constitute the direct, unconditional and unsecured subordinated obligations of Gazprombank and will rank at least *pari passu* with claims of other subordinated creditors of Gazprombank as more fully set out in the relevant Subordinated Loan Agreement.

In the event that the payments under the Loan Agreement are made by Gazprombank to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement, the Loan, the Account or the Charged Property (as defined in the Trust Deed) exist for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to Gazprombank except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction.

The obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equal to each sum actually received by or for the account of the Issuer from Gazprombank in respect of principal, interest or, as the case may be, other amounts relating to the Loan pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights), the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer or the Trustee (following a Relevant Event or (if applicable) an Event of Default). Noteholders shall look solely to such sums for payment to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. In the event that the amount due and payable by the Issuer under the Notes exceeds



the sums so received or recovered, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

None of the Noteholders or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors for so long as the Notes are outstanding, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except to the extent that any such person acts in bad faith or is negligent in the context of its obligations.

## **2 Form, Denomination and Title**

The Notes will be issued in fully registered form, and in the Specified Denomination shown hereon or integral multiples thereof, without interest coupons, *provided that* the minimum Specified Denomination of any Notes shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

A Note issued under the Principal Trust Deed may be a Fixed Rate Note, a Floating Rate Note, a combination of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis specified hereon.

## **3 Register, Title and Transfers**

The Registrar will maintain a register (the “Register”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions the “holder” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “Noteholder” shall be construed accordingly. A Note will be issued to each Noteholder in respect of its registered holding.

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such holder.

A Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of a Transfer Agent, together with such evidence as the Registrar or such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Note will be issued to the transferor.

Subject to the last paragraph of this Condition, within five business days of the surrender of a Note in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Note to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, “business day” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office.

The transfer of a Note will be effected without charge but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.



#### 4 Restrictive Covenants

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not (and will not consent to any request of Gazprombank to), without the prior written consent of the Trustee and, in each preceding case, in respect of a Note issued under a Subordinated Series only (a "Subordinated Note"), the consent of the Central Bank of Russia if applicable (the "CBR"), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14.

#### 5 Interest

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified thereon which shall be equal to the rate per annum at which interest under the Loan accrues. Accordingly, on each Interest Payment Date or as soon thereafter as the same shall be received by the Issuer, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer under the Loan Agreement.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

- (b) **Interest on Floating Rate Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified hereon, which shall be equal to the rate per annum at which interest under the Loan accrues, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Accordingly, on each such date or as soon thereafter as the same shall be received by the Issuer, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.
- (ii) *Business Day Convention:* If any date referred to in these Terms and Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and as set out in the Loan Agreement.

- (c) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (d) **Calculations:** Notwithstanding the fact that payments of any nature shall be made in the manner provided in Condition 1, the amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (e) **Publication of Rates of Interest and Interest Amounts:** The Calculation Agent shall, as soon as practicable after calculating or determining the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date as set out in the Loan Agreement, cause such Rate of Interest and Interest Amounts to be notified to the Trustee, the Issuer, Gazprombank, the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable as a consequence of amounts under the Loan Agreement becoming due and payable prior to the Repayment Date (as defined in the Loan Agreement), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (f) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount pursuant to the Loan Agreement, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. The Trustee shall incur no liability in respect of such determination or calculation.

## **6 Redemption, Deferred Rights and Purchase**

- (a) **Final Redemption:** Unless a Loan is previously prepaid or repaid pursuant to Clauses 5.2 or 5.3 of the Facility Agreement in the case of a Senior Series of Notes or pursuant to the terms of the relevant Subordinated Loan Agreement in the case of a Subordinated Series of Notes, Gazprombank will be required to repay the Loan on the Repayment Date and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will be redeemed or repaid by the Issuer in the relevant Specified Currency on the Repayment

Date specified hereon at their Final Redemption Amount (which, unless otherwise specified hereon, is 100 per cent. of the principal amount thereof).

- (b) Early Redemption: If the Loan should become repayable in full (and be repaid in full) pursuant to the terms and conditions of the Loan Agreement prior to its Repayment Date, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at their Early Redemption Amount (which, unless otherwise specified hereon is par together with interest accrued to the date of redemption) and the Issuer will endeavour to give not less than eight days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14.

To the extent that the Issuer receives amounts of principal, interest or other amounts (other than amounts in respect of the Reserved Rights) following acceleration and/or enforcement of the Loan (as the case may be), the Issuer shall pay an amount equal to and in the same currency as such amounts on the business day following receipt of such amounts, subject as provided in Condition 7.

- (c) Deferral Rights: To the extent that the relevant Subordinated Loan Agreement in respect of Notes under a Subordinated Series contains provisions providing for the deferral by the CBR of the payment of the principal of and/or interest which is due and payable by Gazprombank under the relevant Loan and pursuant to such provision the principal or interest is at any time up to and including the Repayment Date so deferred then any payment under such Notes in respect of such deferred principal and/or interest shall also be deferred until such time as the deferral of such amounts ceases under the relevant Subordinated Loan Agreement and payments in respect thereof are actually received by or for the account of the Issuer pursuant to the relevant Subordinated Loan Agreement.
- (d) Purchase: The Facility Agreement provides that Gazprombank or any wholly-owned Subsidiary of Gazprombank may, among other things, purchase Notes of a Senior Series (as defined in the Trust Deed) from time to time in the open market or by tender or by private agreement at any price and may deliver to the Issuer such Notes, having an aggregate principal value of at least U.S.\$1,000,000 (or the equivalent in other currencies) together with a request for the Issuer to redeem and hereafter cancel such Notes, whereupon the Issuer shall, pursuant to the Agency Agreement, instruct the Paying Agent to cancel such Notes. This Condition 6(d) will not apply to Notes issued under a Subordinated Series.

## **7 Payments and Agents**

Payments of principal shall be made against presentation and surrender of the relevant Notes at the specified office of the Paying Agent or at the specified office of any Transfer Agent or of the Registrar and in the manner provided in the paragraph below.

Interest shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest shall be made in the Specified Currency by cheque drawn on a bank in the principal financial centre for the Specified Currency or, in the case of euro, in a city in which banks have access to the TARGET System (a "Bank") and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank, or by transfer to an account in the Specified Currency maintained by the payee with, a Bank in the principal financial centre of such Specified Currency or in the case of euro, a Bank specified by the payee or at the option of the payee, by a euro-cheque and (in the case of interest payable on redemption) upon surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If the due date for payments of interest or principal is not a business day, a Noteholder shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange

markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” hereon, and (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in euro) which is a business day on which the TARGET system is operating.

The names of the initial Paying Agent and its initial specified offices are set out below. The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, vary or terminate the appointment of the Paying Agent, and appoint additional or other paying agents *provided that* (i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will be a Paying Agent and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority and (ii) there will be a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to or any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000. Any such variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days’ and not less than 30 days’ notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified hereon shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

Save as otherwise directed by the Trustee at any time after any of the Security Interests created in the Trust Deed becomes enforceable, the Issuer will, pursuant to Clause 7 of the Agency Agreement require Gazprombank to make all payments of principal and interest to be made pursuant to the Loan Agreement to the Paying Agent to an account in the name of the Issuer (the “Account”). Under the Charge, the Issuer will charge by way of first fixed charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of the Noteholders.

## **8 Taxation**

All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Russian Federation or Ireland or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law.

In such event, the Issuer shall pay such additional payments (“additional amounts”) as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required but only to the extent and only at such time as the Issuer receives an equivalent amount from Gazprombank under the Loan Agreement. To the extent that the Issuer receives a lesser amount from Gazprombank, the Issuer will account to each Noteholder for an additional amount equivalent to a *pro rata* proportion of such amount (if any) as is actually received (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of the Notes) by, or for the account of, the Issuer pursuant to the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such amount to the Issuer *provided that* no such additional amount will be payable in respect of any Note:

- 8.1 to a Noteholder who (a) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (b) is liable for such taxes or duties by reason of his having some connection with the Russian Federation or Ireland other than the mere holding of such Note or the receipt of payments in respect thereof;
- 8.2 in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day;

- 8.3 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- 8.4 in respect of a Note presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used herein, “Relevant Date” (i) means the date on which any payment under the Loan Agreement first becomes due but (ii) if the full amount payable by Gazprombank has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **9 Enforcement**

Subject to the non-petition covenant contained herein, the Trust Deed provides that only the Trustee may pursue the remedies under general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

At any time after the occurrence of an Event of Default ((i) in the case of an Event of Default in respect of a Senior Note, as defined in the Facility Agreement; and (ii) in the case of an Acceleration Event in respect of a Subordinated Note, as defined in the Subordinated Loan Agreement) or of a Relevant Event (as defined in the Trust Deed), the Trustee may, at its discretion and without notice and shall, if requested to do so by Noteholders owning 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, (i) (in the case of an Event of Default in respect of a Senior Note only) declare all amounts payable under the relevant Loan Agreement by Gazprombank to be due and payable, (ii) (in the case of an Acceleration Event in respect of a Subordinated Note only) take the action permitted to be taken by the Issuer under the relevant Loan Agreement, or (iii) (in the case of a Relevant Event) exercise any rights under the Security Interests created in the Trust Deed in favour of the Trustee. Upon repayment of the Loan following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

## **10 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer; Appointment/Removal of Trustees**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will vote according to the principal amount of their Notes. Special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and the currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes, the Trust Deed and the Loan Agreement which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Noteholders.



The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Terms and Conditions of the Notes or the Trust Deed or by Gazprombank of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be promptly notified to the Noteholders.

The Trust Deed contains provisions to the effect that the Issuer may, having obtained the consent of Gazprombank (if such substitution is not to be made at the request of Gazprombank) and the Trustee (which latter consent may be given without the consent of the Noteholders) and having complied with such reasonable requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed and as party to the Loan Agreement, subject to the relevant provisions of the Trust Deed and the substitute's rights under the Loan Agreement being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

The Trust Deed contains provision for the appointment or removal of a Trustee by a meeting of Noteholders passing an extraordinary resolution, *provided that*, in the case of the removal of a Trustee, at all times there remains a trustee in office after such removal. Any appointment or removal of a Trustee shall be notified to the Noteholders in accordance with Condition 14. The Trustee may also resign such appointment by giving not less than three months' notice to the Noteholders *provided that* such retirement shall not become effective unless there remains a trustee in office after such retirement.

## **11 Prescription**

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

## **12 Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into contracts or transactions with the Issuer and/or Gazprombank and any entity related to the Issuer and/or Gazprombank without accounting for any profit, fees, corresponding interest, discounts or share of brokerage earned, arising or resulting from any such contract or transactions.

There are existing issues of notes being (i) U.S.\$1,000,000,000 6.5 per cent. Loan Participation Notes due 2015 constituted by a trust deed dated 23 September 2005 (the "2005 Trust Deed") between the Issuer and the Trustee; (ii) RUB10,000,000,000 7.25 per cent. Loan Participation Notes due 2010 constituted by a trust deed dated 21 February 2007 (the "February 2007 Trust Deed") between the Issuer and the Trustee and (iii) U.S.\$700,000,000 Floating Rate Loan Participation Notes due 2010 constituted by a trust deed dated 3 April 2007 (the "April 2007 Trust Deed") between the Issuer and the Trustee (the "Existing Notes"). In the Trust Deed, the Trustee has agreed in its capacity as Trustee of the Notes with itself in each of its capacities as trustee of the Existing Notes, that the Trustee of the Notes will not take any action or bring any proceedings to challenge the validity, enforceability or effectiveness of the Existing Notes and matters relating thereto as set out in the 2005 Trust Deed, February 2007 Trust Deed and April 2007 Trust Deed, or to challenge the validity, enforceability or effectiveness of provisions of the Notes and the Trust Deed that limit the rights of the Trustee and the Noteholders to receive payments from the Issuer only insofar as the same are received from Gazprombank under the Loan Agreement.



The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or for the performance by Gazprombank of its obligations under or in respect of the Loan Agreement. The Trustee has no liability to Noteholders for any shortfall arising from the Trustee being subject to tax as a result of the Trustee holding or realising the Security Interests.

### **13 Replacement of Notes**

If any Note shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and stock exchange requirements, be replaced at the specified office of the Registrar on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Notes must be surrendered before replacements will be issued.

The Trustee is entitled to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed on behalf of the Issuer or Gazprombank by a director or an authorised signatory of the Issuer or Gazprombank as to any fact or matter upon which the Trustee may, in the exercise of any of its trusts, duties, powers, authorities, rights and discretions under the Trust Deed, require to be satisfied or have information, or to the effect that in the opinion of the person so certifying any particular transaction or thing is expedient, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Trustee acting on such certificate.

### **14 Notices**

All notices to the Noteholders shall be deemed to have been duly given if (i) posted to such holders at their respective addresses as are shown on the Register and (ii) so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, published in a daily newspaper of general circulation in Ireland approved by the Trustee, currently expected to be the *Irish Times*. Any such notice shall be deemed to have been given on the first date on which both conditions shall have been met.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder.

### **15 Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the date of the first payment of interest) so as to be consolidated and form a single series with the Notes or upon such other terms as the Issuer may determine at the time of their issue. Such further Notes which form a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed between the Issuer and the Trustee. The Trust Deed contains provisions for convening a single meeting of Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides. In relation to any further issue which is to be consolidated and form a single series with the Notes, (i) the Issuer will enter into a loan agreement supplemental to the Loan Agreement with Gazprombank on substantially the same terms as the Loan Agreement (or in all respects except for the amount and the date of the first payment of interest on the further Loan) or amend and restate the Loan Agreement and (ii) the Security Interests granted in respect of the Notes will be amended or supplemented so as to secure amounts due in respect of such further Notes also and/or the Issuer will provide a further fixed charge in favour of the Trustee in respect of certain of its rights and interests under any further Loan Agreement as so supplemented or amended and restated and will assign absolutely certain of its rights under such further Loan Agreement as supplemented or amended and restated to secure amounts due on the Notes and such further Notes.

### **16 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **17 Governing Law**

The Notes, the Agency Agreement and the Trust Deed are governed by, and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the jurisdiction of the courts of England and has appointed an agent for the service of process in England.

## SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

### The Global Notes

Each Series of Notes will be evidenced on issue of a Global Note deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg.

Beneficial interests in a Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. By acquisition of a beneficial interest in a Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified (the “**distribution compliance period**”), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See “*Transfer Restrictions*”.

Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the “**Definitive Notes**”). The Notes are not issuable in bearer form.

### Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

- *Payments*

Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Paying Agent. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

- *Notices*

So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of such Notes *provided that* for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, notices will also be published in a leading newspaper having general circulation in Ireland (which is expected to be the *Irish Times*).

- *Meetings*

The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.

- *Trustee's Powers*

In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

- *Cancellation*

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

## **Exchange for Definitive Notes**

### ***Exchange***

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form (i) if Euroclear or Clearstream, Luxembourg, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or the Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or the Transfer Agent and the Noteholders, of its intention to exchange the relevant Global Note for Definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or the Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

“Exchange Date” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

### ***Delivery***

In such circumstances, the relevant Global Note shall be exchanged in full for definitive Notes and the Issuer will, at the cost of Gazprombank (but against such indemnity as the Registrar or the Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes.

### ***Transfers***

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or the Transfer Agent, together with the completed form of transfer thereon.

## ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect**

**Participants**” and, together with Direct Participants, **“Participants”**) through organisations which are accountholders therein.

### **Book-Entry Ownership**

#### ***Euroclear and Clearstream, Luxembourg***

The Global Note representing Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

#### ***Relationship of Participants with Clearing Systems***

Each of the persons shown in the records of Euroclear and / or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note must look solely to Euroclear and/or Clearstream, Luxembourg for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the rules and procedures of Euroclear and / or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

#### ***Settlement and Transfer of Notes***

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the **“Beneficial Owner”**) will in turn be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited.

***Trading between Euroclear and/or Clearstream, Luxembourg Participants***

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.



## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a Dealer Agreement dated 14 September 2007 (the “**Dealer Agreement**”) between the Issuer, Gazprombank, the Permanent Dealers and the Arrangers, the Notes will be offered from time to time by the Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

Each of the Issuer and Gazprombank has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### *United States*

The Notes and the corresponding Loans have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a manager that is not participating in the offering may violate the registration requirements of the Securities Act.

**The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason.**

#### *United Kingdom*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Russian Federation***

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent and agree, with the Issuer, Gazprombank and each other Dealer that it has not offered or sold and will not offer or sell or otherwise transfer as part of its initial distribution or at any time thereafter any Notes to or for the benefit of any person (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law. Information provided in this Base Prospectus is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

Since no Russian issue prospectus has been registered or is intended to be registered with the Federal Service for Financial Markets of the Russian Federation with respect to the Notes, no person should at any time carry out any activities in breach of the restrictions set out above.

### ***Republic of Italy***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offer of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) (the Italian Securities and Exchange Commission) pursuant to Italian securities legislation and, accordingly, Notes may not be offered, sold or delivered, nor may copies of this document or of any other document relating to the Notes be distributed in the Republic of Italy in an offer to the public of financial products within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) unless an exemption applies. Accordingly, in the Republic of Italy, the Notes:

- (a) shall only be offered, sold or delivered to qualified investors, pursuant to Article 100 of the Financial Services Act and Article 2.1(e)(i) to (iii) of the Prospectus Directive; or
- (b) in circumstances which are exempted from the rules on offers to the public pursuant to Article 100 of the Financial Services Act and Article 33 of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Notes or distribution of copies of this document or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”), CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws and regulations; and
- (ii) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing such Notes in any offering is solely responsible for ensuring that any offer or resale of the Notes it purchases in this offering occurs in compliance with applicable laws and regulations.

### ***Ireland***

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith and the provisions of the Investor Compensation Act 1998;

- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Act 1942–1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Financial Regulator; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Financial Regulator.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has, to the best of its knowledge and belief, complied and will comply with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Base Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or Gazprombank.

Other than the approval of this Base Prospectus by the Financial Regulator, no action has or will be taken in any jurisdiction by the Issuer, Gazprombank or any of the Dealers that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, each Dealer has undertaken to the Issuer and Gazprombank that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, Gazprombank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

The Arrangers, the Dealers and their respective affiliates have engaged in transactions with Gazprombank and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Arrangers and the Dealers performed various investment banking, financial advisory and other services for Gazprombank, for which they received customary fees, and the Arrangers, the Dealers and their respective affiliates may provide such services in the future.

## TAXATION

*The following is a general description of certain tax laws relating to the Notes and does not purport to be a comprehensive discussion of the tax treatment of every Series of Notes. Prospective purchasers of any Series of Notes are advised to consult their own tax advisors as to the consequences of the purchase, ownership and disposition of any Series of Notes in light of their particular circumstances, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of any Series of Notes.*

### Russian Federation

#### General

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposition of any Series of Notes as well as the taxation of interest payments on any corresponding Loan. The summary is based on the laws of Russia in effect on the date of this Base Prospectus. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia, nor does the summary seek to address the availability of double tax treaty relief in respect of any Series of Notes, or practical difficulties involved in claiming such double tax treaty relief.

Prospective investors should consult their own tax advisors regarding the tax consequences of investing in the Notes in their own particular circumstances. No representation with respect to the Russian tax consequences to any particular Noteholder is made hereby.

Many aspects of Russian tax law are subject to significant uncertainty. Further, the substantive provisions of Russian tax law applicable to financial instruments and the interpretation and application of those provisions by Russian tax authorities may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets and tax systems.

For the purposes of this summary, a “Non-Resident Noteholder” means:

- an individual Noteholder present in Russia for an aggregate period of less than 183 calendar days (Russian days exclude days of arrival into Russia but include days of departure from Russia) in any 12 month rolling period (“**Non-Resident Noteholder-Individual**”); or
- a legal entity or organisation in each case not organised under Russian law which holds and/or disposes of the Notes otherwise than through a permanent establishment in Russia.

A Resident Noteholder means any holder of the Notes (including any individual and any legal entity) not qualifying as a Non-Resident Noteholder.

The residency rules may be affected by the applicable double tax treaty.

The Russian tax treatment of interest payments made by Gazprombank to the Issuer or to the Trustee, as the case may be, under any Loan Agreement may affect the holders of the Notes. See “Taxation of Interest on the relevant Loan” below.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may result in the imposition of conditions, requirements or restrictions not stated by the law. Similarly, in the absence of binding precedents court rulings on tax or related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

### Taxation of the Notes

#### Non-Resident Noteholders

A Non-Resident Noteholder should not be subject to any Russian taxes in respect of payments of interest and repayment of principal on the Notes received from the Issuer.

A Non-Resident Noteholder also generally should not be subject to any Russian taxes in respect of any gain or other income realised on redemption, sale or other disposition of the Notes outside Russia, *provided that* the proceeds of such disposition are not received from a Russian source.

In the event that proceeds from a disposition of Notes are received from a source within Russia, a Non-Resident Noteholder that is a legal entity or an organisation should not be subject to Russian tax on any gain on sale or other disposition of the Notes, although there is some residual uncertainty regarding the treatment of the portion of the proceeds, if any, from disposition of the Notes that is attributable to accrued interest on the Notes. Subject to reduction or elimination under provisions of an applicable

double tax treaty that are related to interest income, proceeds attributable to accrued interest may be taxed at a rate of 20 per cent., even if the disposal results in a capital loss.

Proceeds on a disposition of the Notes in Russia by a Non-resident individual Noteholder are likely to be treated as Russian source income that will be subject to Russian personal income tax, subject to any available tax treaty relief, at a rate of 30 per cent. on the gross proceeds received including accrued interest less any available qualifying cost deduction (including the original acquisition value). In certain circumstances if the disposal proceeds are paid by a licensed broker or an asset manager that is a Russian legal entity or organisation, or any other person, including a foreign company with a permanent establishment or arguably any registered presence in Russia and an individual entrepreneur located in Russia, which carries out operations under an agency agreement, a commission agreement or another similar agreement for the benefit of the Non-Resident Noteholder-Individual, the applicable personal income tax at the rate of 30 per cent. should be withheld at source. If tax is not withheld at source or a sale is made to other parties and withholding is not required the Non-Resident Noteholder-Individual may be liable to file a tax return, reporting income received and pay tax on the basis of the tax return. There is some uncertainty regarding the treatment of the portion of the proceeds, if any, from a disposition of the Notes that is attributable to accrued interest on the Notes. Subject to reduction or elimination under provisions of an applicable tax treaty that is related to interest income, proceeds attributable to accrued interest may be taxed at a rate of 30 per cent., even if the disposal results in a capital loss.

There is also a risk that any gain may be affected by changes in the exchange rate between the currency of acquisition of the Notes, the currency of disposition and roubles.

### ***Tax Treaty Relief***

#### ***Advance Treaty Relief***

The Russian Federation has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These tax treaties may contain provisions that reduce or eliminate Russian tax due with respect to income received from a source within Russia by a Non-Resident Noteholder on a disposition of Notes. To obtain the benefit of such tax treaty provisions, the Noteholder must comply with the certification and information requirements in force in Russia. Currently a Non-Resident Noteholder would need to provide the payer of income with a certificate of tax residence issued by the competent tax authority of the relevant treaty country. In order to enjoy the treaty benefits a Non-resident Noteholder-Individual is required to submit to the tax authorities a tax return on application together with documents substantiating the treaty relief, which include, in particular, documents that foreign tax on income, with respect to which treaty benefit is claimed, was paid by the individual. Because of uncertainties regarding the form and procedures for providing such documentary proof, Non-Resident Noteholder-Individuals in practice would be unlikely to be able to obtain advance treaty relief on receipt of proceeds from a source within Russia, while obtaining a refund of the taxes withheld can be extremely difficult, if not impossible.

Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures for obtaining such relief with respect to any Russian taxes imposed in respect of proceeds received on a disposition of Notes.

For a non-resident Noteholder that is a legal entity or organization and for that double tax treaty relief is available, if Russian withholding tax on income was withheld by the payer of income, a claim for refund of such tax can be filed within three years from the end of the tax period in which the tax was withheld. For a non-resident Noteholder that is an individual and for which double tax treaty relief is available, if Russian tax on income was withheld by the payer of income, a claim and supporting documentation for treaty relief should be filed within one year after the end of the year to which the treaty benefit relates. Application for the refund of tax withheld may be filed within three years from the end of the tax period in which the tax was withheld.

In order to obtain a refund, the non-resident Noteholder would need to file with the Russian tax authorities a certificate of tax residence issued by the competent tax authority of the relevant double tax treaty country as well as documents confirming receipt of income and withholding of Russian tax. In addition, a non-resident Noteholder who is an individual would need to provide appropriate documentary proof of tax payments made outside of Russia on income with respect to which tax refund is claimed. The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the



Russian Tax Code. Obtaining a refund of Russian tax withheld may be a time-consuming process and can involve considerable practicable difficulties.

### ***Resident Noteholders***

A Resident Noteholder will be subject to all applicable Russian taxes in respect of gains from a disposition of the Notes and interest received on the Notes.

### ***Taxation of Interest on the relevant Loan***

In general, payments of interest on borrowed funds by a Russian entity to a Non-Resident legal entity are subject to Russian withholding tax at the rate of 20 per cent., subject to reduction or elimination pursuant to the terms of an applicable double tax treaty. Based on professional advice it has received, Gazprombank believes that payments of interest to the Issuer on each Loan should not be subject to withholding tax under the terms of the double tax treaty between Russia and Ireland. However, there can be no assurance that treaty relief will continue to be available in the future.

If interest under the relevant Loan becomes payable to the Trustee pursuant to the Trust Deed, any benefit of the double tax treaty between Russia and Ireland will cease and payments of interest may be subject to Russian withholding tax at the rate of 20 per cent. or, potentially, at a rate of 30 per cent. with respect to individual Noteholders. In such cases, there can be no assurance that Non-Resident Noteholders will be able to obtain reduction of withholding tax under double taxation treaties entered into between their countries of residence and Russia, where such treaties exist and to the extent they are applicable.

If payments under any Loan are subject to any withholding of Russian tax (as a result of which the Issuer would reduce payments under the corresponding Series of Notes in the amount of such withholding), Gazprombank is obliged (subject to certain conditions) to increase payments as may be necessary so that the net payments received and retained by the Noteholders will be equal to the amounts they would have received in the absence of such withholding. It should be noted, however, that the tax gross-up provisions may not be enforceable under Russian law. In the event that Gazprombank fails to make increased payments, such failure would constitute an Event of Default pursuant to the relevant Loan Agreement. If Gazprombank is obliged to increase payments, it may (without premium or penalty), subject to certain conditions, prepay such Loan in full. In such case, all outstanding Notes of the corresponding Series would each be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of redemption.

No value added tax will be payable in Russia in respect of interest and principal payments under each Loan.

## **Ireland**

### ***Introduction***

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes thereon as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

## **TAXATION OF NOTEHOLDERS**

### ***Withholding Tax***

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where certain exemptions apply, in particular, so long as the interest paid on the relevant Note falls within one of the following categories:

- (a) **Interest Paid on a Quoted Eurobond:** A quoted Eurobond is a security which is issued by a company (such as the Issuer), is listed on a recognised stock exchange (such as the Irish or



Luxembourg Stock Exchanges) and carries a right to interest. *Provided that* the Notes are interest bearing and are listed on a recognised stock exchange (such as the Irish Stock Exchange), interest paid on them can be paid free of withholding tax provided:

- (i) the person by or through whom the payment is made is not in Ireland; or
- (ii) the payment is made by or through a person in Ireland and either:
  - (A) the Note is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are so recognised); or
  - (B) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form.

So long as the Notes continue to be quoted on the Irish Stock Exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Paying Agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland.

- (b) **Interest paid to a relevant person:** If, for any reason, the quoted Eurobond exemption referred to above ceases to apply, interest payments may still be made free of withholding tax *provided that*:
  - (A) the Issuer remains a “qualifying company” as defined in section 110 of the TCA and the recipient is a person which is resident in a relevant territory. A relevant territory is a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation agreement in force at the time of payment (“**Relevant Territory**”), or
  - (B) the interest is paid in the ordinary course of the Issuer’s business and the recipient is a company which is resident in a Relevant Territory and the recipient is not a company which receives the interest in connection with a trade or business carried on by it through a branch or agency in Ireland.

The Issuer must be satisfied that the respective terms of the exemptions are satisfied. The test of residence in each case is determined by reference to the law of the Relevant Territory in which the recipient claims to be resident. For other holders of Notes, interest may be paid free of withholding tax if the Noteholder is resident in a double tax treaty country and under the provisions of the relevant treaty with Ireland such Noteholder is exempt from Irish tax on the interest and clearance in the prescribed form has been received by the Issuer before the interest is paid.

### ***Encashment Tax***

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

### ***Income Tax***

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax which may apply to Noteholders. First, any interest which can be paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from Irish income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory. In addition, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of section 110 of the TCA, the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. In addition, interest payments made by the Issuer in the ordinary course of its business are exempt provided the recipient is not resident in Ireland and is a company resident in a Relevant Territory. For

these purposes, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions may be within the charge to Irish income tax. However, it is understood that the Irish Revenue Commissioners have, in the past, operated a practice not to take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of any Noteholder.

### ***Capital Gains Tax***

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

### ***Capital Acquisitions Tax***

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 20 per cent.) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

### ***Stamp Duty***

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) to the Irish Stamp Duties Consolidation Act, 1999 assuming the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

### ***EU Directive on the Taxation of Savings Income***

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the "European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)". Ireland has implemented the directive into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer or certain other persons shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer or any other person to the relevant tax authorities.

## TRANSFER RESTRICTIONS

Each purchaser of Regulation S Notes outside the United States, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, Gazprombank or a person acting on behalf of such an affiliate.
- (2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that Notes of a Series will be evidenced by a Global Note.
- (4) It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that at the time of its purchase and throughout the period it holds such Notes or any interest therein (a) it is not an employee benefit plan as described in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and subject to the provisions of Title I of ERISA, a plan described in Section 4975(e)(1) of the Code, or an entity whose underlying assets include plan assets by reason of a plan’s investment in the entity and (b) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining these same foregoing representations and warranties from that person.
- (5) It acknowledges that the Issuer, Gazprombank, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, Gazprombank and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

## FORM OF FINAL TERMS

*The form of Final Terms that will be issued in respect of each Series, subject only to the deletion of non-applicable provisions, is set out below.*

Final Terms dated [●]

GAZPROMBANK (OPEN JOINT-STOCK) (FORMERLY JOINT-STOCK BANK OF GAS  
INDUSTRY GAZPROMBANK (CLOSED JOINT-STOCK COMPANY)) Issue of [Aggregate  
Principal Amount of Series] [Title of Loan Participation Notes]  
by GPB EUROBOND FINANCE PLC  
for the purpose of financing a Loan to JOINT-STOCK BANK OF GAS INDUSTRY  
GAZPROMBANK (CLOSED JOINT-STOCK COMPANY) (“GAZPROMBANK”)  
under a U.S.\$10,000,000,000 Programme for the Issuance of Loan Participation Notes

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2008 [and the supplemental Prospectus dated [●]<sup>1</sup> which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/ EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and Gazprombank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

*The following alternative language applies if the first issue of a Series which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in Schedule 3 of the Principal Trust Deed dated [original date] [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 14 September [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 14 September [and the supplemental Prospectus dated [●]] and are attached hereto. Full information on the Issuer and Gazprombank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [●] 2008 and [current date] [and the supplemental Prospectuses dated [●] and [●]]. [The Base Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]<sup>2</sup>

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Notes:

- 1 Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all future issues under the Programme.
- 2 Article 14.2 of the Prospectus Directive provides that a Base Prospectus is deemed available to the public when, inter alia, made available (i) in printed form free of charge at the offices of the market on which securities are being admitted to trading; OR (ii) at the registered office of the Issuer and at the offices of the Paying Agents; OR (iii) in an electronic form on the Issuer's website. Article 16 of the Prospectus Directive requires that the same arrangements are applied to supplemental Prospectuses.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

- |           |   |  |
|-----------|---|--|
| <b>1</b>  | Issuer:   | GPB Eurobond Finance PLC   |
| <b>2</b>  | Series Number:  | [●]  |
| <b>3</b>  | Specified Currency:   | [●]  |
| <b>4</b>  | Aggregate Nominal Amount of Notes admitted to Trading:      | [●]  |
| <b>5</b>  | Issue Price:  | [●] per cent. of the aggregate principal amount of the Notes [plus accrued interest from <i>[insert date]</i> (if applicable)]   |
| <b>6</b>  | (i) Specified Denominations:                                | [●]  |
|           | (ii) Calculation Amount                                     | [●]  |
| <b>7</b>  | (i) Trade Date  | [●]  |
|           | (ii) Issue Date:  | [●]  |
|           | (iii) Interest Commencement Date:                           | [●]  |
| <b>8</b>  | Maturity Date:  | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>3</sup></i>  |
| <b>9</b>  | Interest Basis:   | [[●] per cent. Fixed Rate] [subject to interest rate step-up as specified below ( <i>in the case of a Subordinated Series</i> )]<br><br>[[specify reference rate] +/- 1● per cent. Floating Rate] [subject to margin step-up as specified below ( <i>in the case of a Subordinated Series</i> )] [(further particulars specified below)] |
| <b>10</b> | Redemption/Payment Basis:                                   | Redemption at par  |
| <b>11</b> | Change of Interest or Redemption/Payment Basis:             | <i>[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]</i>   |
| <b>12</b> | (i) Status of the Notes:                                    | Senior   |
|           | (ii) Status of the Loan                                     | [Senior/Subordinated] [in the case of Subordinated Loan, provide further details of level of subordination, interest deferral etc.] [●] [and [●] respectively]]  |
|           | [(iii) Date [Board] approval for issuance of Notes obtained | [●] <i>[N.B. Only relevant where Board (or similar) authorisation is required for the particular Series of Notes]</i>  |
| <b>13</b> | Method of distribution:                                     | [Syndicated/Non-syndicated]  |
| <b>14</b> | Financial Centres (Condition 7):                            | [●]  |

<sup>3</sup> The minimum Maturity Date for any Series of Notes issued under the Programme is 365 days.

## PROVISIONS RELATING TO INTEREST PAYABLE UNDER THE LOAN

- 15 Fixed Rate Note Provisions:** [Applicable/Not Applicable]  
*(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate [(s)] of Interest: [[●] per cent. per annum payable [annually/semi-annually] in arrear *(in the case of a Senior Series)*]  
[DETAILS OF INITIAL INTEREST RATE AND INTEREST RATE STEP-UP] *(in the case of a Subordinated Series)*
- (ii) Interest Payment Date(s): [●] in each year
- (iii) First Interest Payment Date: [●]
- (iv) Fixed Coupon Amount [(s)]: [●] per [●] in principal amount
- (v) Broken Amount: *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]*
- (vi) Day Count Fraction (Condition 5): [●]  
*[Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars]'*
- (vii) Determination Date(s) (Condition 5): [●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon](4)*
- (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 16 Floating Rate Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): ..... [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Interest Period Date: [●]
- (v) Business Day Convention:..... [Floating Rate Business Day Convention/  
Following Business Day Convention/Modified  
Following Business Day Convention/ Preceding  
Business Day Convention/other *(give details)*]
- (vi) Business Centre(s): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA  
Determination/other *(give details)*]
- (viii) Interest Period Date(s): [Not Applicable/specify dates]
- (ix) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (x) Screen Rate Determination: As set out in the attached Loan Supplement
- (xi) ISDA Determination: As set out in the attached Loan Supplement



- (xii) Margin(s): [[+/-] [●] per cent. per annum (*in the case of a Senior Series*)]
- [DETAILS OF INITIAL MARGIN TO BE SPECIFIED] (*in the case of a Subordinated Series*)
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum
- (xv) Day Count Fraction (Condition 5): [●]
- (xvi) Rate Multiplier: [●]

#### **PROVISIONS RELATING TO REDEMPTION**

- 17** Final Redemption Amount of each Note: [Principal Amount/other]
- 18** Early Redemption Amount(s) of each Note payable if the Loan should become repayable under the Loan Agreement prior to the Maturity Date: [Principal amount/other]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 19** Form of the Notes: Registered Notes
- 20** Other final terms: [Not Applicable/give details]
- (When adding any other final terms, consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)*

#### **DISTRIBUTION**

- 21** (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising (if any): [Not Applicable/give names]
- 22** If non-syndicated, name of Dealer: [No[Not Applicable/give names]t Applicable/give names]
- 23** Additional selling restrictions:

#### **GENERAL**

- 24** Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 10: [Not Applicable/give details]
- 25** The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars): [Not Applicable/U.S.\$[●]]

#### **[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$10,000,000,000 Programme for the Issuance of Loan Participation Notes of GPB Eurobond Finance PLC for the purpose of financing loans to Gazprombank.]

## RESPONSIBILITY

The Issuer and Gazprombank accept responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. Each of the Issuer and Gazprombank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed by a duly authorised attorney of the Issuer: Signed on behalf of Gazprombank:

By.....

Duly authorised

By:.....

Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Listing: [Irish Stock Exchange/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]  
[Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [[Other]: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

### 3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

If applicable, a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest is to be included. This may be satisfied by the inclusion of the following statement:

“Save as discussed in “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”<sup>4</sup>

### 4 [REASONS FOR THE OFFER, ESTIMATED PROCEEDS AND TOTAL EXPENSES]

- [(i)] Reasons for the offer: [●]
- (See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here)*
- [(ii)] Estimated proceeds: [●]
- (If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*
- [(iii)] Estimated total expenses: [●] [Include breakdown of expenses]

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<sup>4</sup> If there are material interests, but they are not discussed in “Subscription and Sale”, insert the section name where they are discussed instead. If there are no material interests, delete the whole of paragraph 3

## 5 [Fixed Rate Notes only – YIELD]

Indication of yield:

[[●]]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield (*in the case of a Senior Series*)

[[●]]

The yield is calculated at the Issue Date on the basis of the Issue Price and in respect of the Initial Interest Term (as defined in the Subordinated Loan Agreement). Calculation of the yield beyond that period is subject to the interest rate step-up mechanism at the end of such period (*in the case of a Subordinated Series*)

## 6 OPERATIONAL INFORMATION

ISIN:

[●]

Common Code:

[●]

[CUSIP number:

[●]]

Any clearing system(s) other than Euroclear Bank S.A./N.V. [,] [and] Clearstream Banking société anonyme [and DTC] and the relevant identification number(s):

[Not Applicable/give name(s) and number(s) [and addresses]]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[●]

## 7 GENERAL

\* [THE FINAL FORM OF LOAN SUPPLEMENT (IN THE CASE OF A SENIOR SERIES) OR THE SUBORDINATED LOAN AGREEMENT (IN THE CASE OF A SUBORDINATED SERIES) WILL BE ATTACHED]

## GENERAL INFORMATION

- (1) Gazprombank has obtained or will obtain all necessary consents, approvals and authorisations in Russia and Ireland in connection with any Loan and the issue and performance of the corresponding Series of Notes. The establishment of the Programme was authorised by the Board of Directors of the Issuer on 14 September 2007. The receipt of Loans from the Issuer was authorised by the Management Board of Gazprombank on 12 September 2007. The issue of this Base Prospectus was authorised by the Board of Directors of the Issuer on 12 June 2008.
- (2) The admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that admission of this Base Prospectus will be granted on or before 16 June 2008. Prior to official listing, however, dealings will be permitted by the Irish Stock Exchange. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be issued pursuant to the Programme which will not be listed on any stock exchange. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.
- (3) No consents, approvals, authorisations or orders of any regulatory authorities are required by the Issuer under the laws of Ireland for the issue and performance of the Notes under the Programme.
- (4) There has been no significant change in the financial or trading position or prospects of Gazprombank or the Group since 31 December 2007 and no material adverse change in the financial or trading position or prospects of Gazprombank or the Group since 31 December 2007. There has been no significant change and/or material adverse change in the financial or trading position or prospects of the Issuer since 31 August 2007. The Issuer has no subsidiaries.
- (5) Neither Gazprombank or any of its subsidiaries is involved in, or has been involved in, any governmental, legal or arbitration proceedings that may have had in the twelve months before the date of this Base Prospectus, a significant effect on the financial position or profitability of Gazprombank or the Group, nor, so far as Gazprombank is aware, are any such proceedings pending or threatened.
- (6) The Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings that may have had, in the twelve months before the date of this Base Prospectus, a significant effect on the Issuer's financial position or profitability, nor, so far as the Issuer is aware, are any such proceedings pending or threatened.
- (7) For so long as the Programme is in existence, copies (and English translations where the documents in question are not in English) of the following documents may be obtained free of charge in physical form at the specified offices of the Trustee and the Paying Agent in London during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) the latest audited consolidated financial statements of Gazprombank and the Issuer.
- (8) Copies of the following documents will be available for inspection in physical form at the specified offices of the Trustee and the Paying Agent in London and the registered office of the Issuer during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):
  - the charter of Gazprombank and the Articles of Incorporation of the Issuer;
  - the Trust Deed in respect of the Notes (including the forms of the Global Notes and definitive Notes);
  - the Agency Agreement;
  - the Facility Agreement (in relation to any Senior Series) and any executed Subordinated Loan Agreement (in relation to any Subordinated Series);
  - each Final Terms for Notes which are listed on the Irish Stock Exchange or any other stock exchange (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must

produce evidence satisfactory to the Issuer, Gazprombank and the Paying Agent as to its holding of Notes and identity);

- a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus; and
- copies of any transfer notice papers or voting papers relating to the Notes.

- (10) Gazprombank does not prepare financial statements in accordance with U.S. GAAP.
- (11) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.
- (12) As of the date of this Base Prospectus, Gazprombank is in compliance with applicable Russian law corporate governance requirements in all material respects.
- (13) Neither Gazprombank nor the Issuer intends to provide any post-issuance transaction information regarding any Series of Notes or Loans.



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# **GAZPROMBANK GROUP**

## **Consolidated Financial Statements**

Years Ended 31 December 2007 and 2006

## INDEPENDENT AUDITORS' REPORT

To the shareholders and the Board of Directors of Gazprombank (Open Joint – Stock Company):

We have audited the accompanying consolidated financial statements of Gazprombank (Open Joint – Stock Company) and its subsidiaries (the “Group”) which comprise the consolidated balance sheet as of 31 December 2007 and 2006 and the consolidated profit and loss accounts, statements of changes in equity and cash flow statements (the “consolidated financial statements”) for the two years then ended, and a summary of significant accounting policies and other explanatory notes.

### Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as of 31 December 2007 and 2006, and its consolidated financial performance and its cash flows for the two years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, reading "Deloitte J. Roche". The signature is written in a cursive, flowing style.

30 May 2008  
Moscow

## SHAREHOLDING OF THE BANK

	<u>31.12.2007</u>
ZAO "Leader"* (on behalf of "Gazfond")	42.89%
OAo "Gazprom"	41.73%
Non-State Pension Fund "Gazfond"	7.11%
Treasury stock	8.27%
	<u><u>100.00%</u></u>

## COUNCIL OF THE BANK

Miller A.B.	Chairman of the Council, Chairman of OAo "Gazprom" Board
Ananenko A.G.	Deputy Chairman of OAo "Gazprom" Board
Akimov A.I.	Chairman of the Management Board, Deputy Chairman of the Council
Vasilieva E.A.	Deputy Chairman of OAo "Gazprom" Board, Chief Accountant of OAo "Gazprom"
Gavrilenko A.A.	CEO of ZAO "Leader"
Krasnenkov A.V.	CEO of OAo "Baltyisky szhizheny gas"
Kruglov A.V.	Deputy Chairman of OAo "Gazprom" Board, Member of OAo "Gazprom" Board
Medvedev A.I.	Deputy Chairman of OAo "Gazprom" Board
Pavlova O.P.	Member of OAo "Gazprom" Board, Head of OAo "Gazprom" Department of Asset Management and Corporate Relations
Sereda M.L.	Deputy Chairman of the Council, Member of OAo "Gazprom" Board
Shamalov U.N.	Deputy Chairman of the Council, President of NPF "Gazfund"

## MANAGEMENT BOARD

Akimov A.I.	Chairman of the Board
Eliseev I.V.	Deputy Chairman of the Board
Kancerov F.M.	Deputy Chairman of the Board
Kazanskaya O.A.	First Vice-President
Komanov V.A.	First Vice-President
Korenev N.G.	Deputy Chairman of the Board
Korytov V.B.	Deputy Chairman of the Board
Maluseva S.E.	Deputy Chairman of the Board, Chief Accountant
Matveev A.A.	Deputy Chairman of the Board
Muranov A.U.	Deputy Chairman of the Board
Obozintsev A.A.	Deputy Chairman of the Board
Sobol A.I.	Deputy Chairman of the Board
Shmidt A.O.	First Vice-President
Utkin P.V.	Deputy Chairman of the Board

## INDEPENDENT AUDITORS

**ZAO Deloitte & Touche CIS**

\* - ZAO "Leader" is an asset management company of Non-State Pension Fund "Gazfond".




**Consolidated profit and loss accounts**  
**for the years ended 31 December 2007 and 2006**  
**(thousands of U.S. Dollars,**  
**except for earnings per share amounts which are in U.S. Dollars)**

	Notes	2007	2006
Interest income		2,540,655	1,260,360
Interest expense		(1,602,503)	(811,978)
<b>Net interest income</b>	5	<b>938,152</b>	<b>448,382</b>
Provision for impairment of interest-earning assets	6	(45,718)	(128,175)
<b>Net interest income after provision for impairment of interest-earning assets</b>		<b>892,434</b>	<b>320,207</b>
Petrochemical business operating revenues	7	5,582,867	4,493,632
Media business operating revenues	8	1,273,286	883,151
Profit from available-for-sale investments, net	18	429,459	205,276
Fees and commissions income	10	361,545	278,716
Non-interest gain from financial assets and liabilities held-for-trading, net	9	239,192	494,442
Profit from derivative contracts with foreign currency, net		208,494	47,832
(Loss)/gain from foreign exchange, net		(149,941)	114,737
Other operating income	11	136,165	91,986
<b>Non interest income</b>		<b>8,081,067</b>	<b>6,609,772</b>
Petrochemical business operating expenses	7	(4,464,231)	(3,476,145)
Media business operating expenses	8	(1,024,364)	(685,150)
Salaries and employment benefits	12	(804,826)	(403,325)
Administrative and other expenses	12	(435,064)	(269,714)
Fees and commissions expense	10	(181,897)	(41,050)
Other provisions and impairment assets	6, 18	(24,923)	(40,886)
<b>Non interest expense</b>		<b>(6,935,305)</b>	<b>(4,916,270)</b>
<b>Profit from operations</b>		<b>2,038,196</b>	<b>2,013,709</b>
Income from associates	18	20,372	60,967
<b>Profit before income tax and minority interest</b>		<b>2,058,568</b>	<b>2,074,676</b>
Income tax expense	13	(598,235)	(517,013)
<b>Net profit</b>		<b>1,460,333</b>	<b>1,557,663</b>
<b>Attributable to:</b>			
Group's shareholders		1,224,365	1,330,775
Minority interest		235,968	226,888
		<b>1,460,333</b>	<b>1,557,663</b>
<b>Basic earnings per share (US Dollars)</b>	30	<b>66.8</b>	<b>111.5</b>
<b>Diluted earnings per share (US Dollars)</b>	30	<b>64.3</b>	<b>111.4</b>

Signed on behalf of the Management Board:

Andrey I. Akimov  
*Chairman of the Board*

30 May 2007

  
 Alexander I. Sobol  
*Deputy Chairman of the Board*

*The accompanying notes are an integral part of these consolidated financial statements.*

**Consolidated balance sheets  
as of 31 December 2007 and 2006  
(thousands of U.S. Dollars)**

	Notes	31 December 2007	31 December 2006
<b>Assets</b>			
Cash and due from the Central Bank of the Russian Federation	14	2,067,904	2,907,450
Due from credit institutions, net	15	6,031,181	7,237,682
Financial assets held-for-trading	16	4,427,673	2,429,133
Loans to customers, net	17	16,345,041	11,583,990
Investments available-for-sale, net and investments in associates	18	2,050,554	2,496,549
Trade receivables, net	19	976,540	540,846
Inventories, net	20	1,138,052	672,894
Income tax assets	13	341,365	83,209
Property, plant and equipment, net	21	3,235,825	2,161,788
Goodwill	22	812,554	619,333
Intangible assets, net	23	390,114	285,611
Other assets, net	24	956,017	649,982
<b>Total assets</b>		<b>38,772,820</b>	<b>31,668,467</b>
<b>Liabilities</b>			
Amounts owed to credit institutions	25	4,250,807	2,979,652
Amounts owed to customers	26	15,944,679	11,447,091
Subordinated deposits	26	560,790	688,832
Financial liabilities held-for-trading	31	330,873	137,484
Eurobonds issued	27	3,716,436	2,613,738
Certificated debts	27	3,046,600	5,454,543
Income tax liabilities	13	410,928	345,358
Other liabilities	28	2,142,293	1,351,631
<b>Total liabilities</b>		<b>30,403,406</b>	<b>25,018,329</b>
<b>Equity</b>			
Share capital	29	1,160,857	1,160,857
Additional paid-in-capital	29	1,095,028	1,061,899
Treasury stock	29	(83,521)	(84,343)
Foreign currency translation reserve	3 (c)	794,591	297,283
Fair value reserve	3 (h)	416,243	549,417
Retained earnings	30	4,032,235	2,929,985
<b>Total equity attributable to the Group's shareholders</b>		<b>7,415,433</b>	<b>5,915,098</b>
Minority interest		953,981	735,040
<b>Total equity</b>		<b>8,369,414</b>	<b>6,650,138</b>
<b>Total liabilities and equity</b>		<b>38,772,820</b>	<b>31,668,467</b>

Signed on behalf of the Management Board:

Andrey I. Akimov  
Chairman of the Board

Alexander I. Sobol  
Deputy Chairman of the Board

30 May 2007

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of changes in equity  
for the years ended 31 December 2007 and 2006  
(thousands of U.S. Dollars )**


	Share capital	Additional paid-in capital	Treasury stock	Foreign currency translation reserve	Fair value reserve	Retained earnings	Equity attributable to the Group's shareholders	Minority interest	Total equity
<b>31 December 2005</b>	<b>907,057</b>	<b>-</b>	<b>(84,343)</b>	<b>(32,300)</b>	<b>162,581</b>	<b>1,368,648</b>	<b>2,321,643</b>	<b>595,296</b>	<b>2,916,939</b>
Acquisitions of subsidiaries	-	-	-	-	-	(71,881)	(71,881)	(68,429)	(140,310)
Net profit	-	-	-	-	-	1,330,775	1,330,775	226,888	1,557,663
Share capital issue	253,800	1,061,899	-	-	-	-	1,315,699	-	1,315,699
Fair value adjustment of available-for-sale investments	-	-	-	-	447,637	-	447,637	-	447,637
Disposal of available-for-sale investment	-	-	-	-	(60,801)	-	(60,801)	-	(60,801)
One-off income from the parent company (Note 29)	-	-	-	-	-	367,806	367,806	-	367,806
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(18,715)	(18,715)
Dividends paid	-	-	-	-	-	(65,363)	(65,363)	-	(65,363)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	-	-	-	329,583	-	-	329,583	-	329,583
<b>31 December 2006</b>	<b>1,160,857</b>	<b>1,061,899</b>	<b>(84,343)</b>	<b>297,283</b>	<b>549,417</b>	<b>2,929,985</b>	<b>5,915,098</b>	<b>735,040</b>	<b>6,650,138</b>
Acquisitions of subsidiaries	-	-	-	-	-	(33,536)	(33,536)	25,738	(7,798)
Net profit	-	-	-	-	-	1,224,365	1,224,365	235,968	1,460,333
Employee share-option plan equity component (Note 12)	-	31,272	-	-	-	-	31,272	-	31,272
Fair value adjustment of available-for-sale investments	-	-	-	-	144,804	-	144,804	-	144,804
Disposal of available-for-sale investment	-	-	-	-	(277,978)	-	(277,978)	-	(277,978)
Disposal of treasury stock (Note 29)	-	1,857	822	-	-	-	2,679	-	2,679
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(42,765)	(42,765)
Dividends paid (Note 30)	-	-	-	-	-	(88,579)	(88,579)	-	(88,579)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	-	-	-	497,308	-	-	497,308	-	497,308
<b>31 December 2007</b>	<b>1,160,857</b>	<b>1,095,028</b>	<b>(83,521)</b>	<b>794,591</b>	<b>416,243</b>	<b>4,032,235</b>	<b>7,415,433</b>	<b>953,981</b>	<b>8,369,414</b>

Fair value reserve on available-for-sale investments as of 31 December 2007 has been shown net of deferred tax liability of USD 131,445 thousand (31 December 2006 has been shown net of deferred tax liability of USD 173,500 thousand, 31 December 2005 – net of deferred tax liability of USD 51,341 thousand).

Signed on behalf of the Management Board:

Andrey I. Akimov  
Chairman of the Board

30 May 2007

  
Alexander I. Sobol  
Deputy Chairman of the Board

*The accompanying notes are an integral part of these consolidated financial statements.*

**Consolidated cash flow statements**  
**For the years ended 31 December 2007 and 2006**  
(thousands of U.S. Dollars)

	Notes	2007	2006
<b>Cash flows from operating activities</b>			
Interest received		2,548,440	1,130,897
Fees and commissions received		318,831	243,652
Interest paid		(1,644,744)	(739,447)
Fees and commissions paid		(181,897)	(37,858)
Non-interest (loss)/gain from financial assets and liabilities held-for-trading, net		(26,939)	352,327
Profit from derivative contracts with foreign currency, net		77,222	12,197
Foreign exchange gain, net		19,183	102,087
Media business operating profit, net		756,811	534,598
Petrochemical business operating profit, net		1,248,612	692,989
Other operating income		112,739	304,907
Salaries and employment benefits		(439,120)	(355,459)
Administrative expenses and other operating expenses		(393,112)	(240,867)
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>		<i>2,396,026</i>	<i>2,000,023</i>
<b>(Increase)/ decrease in operating assets</b>			
Obligatory reserve with the Central Bank of the Russian Federation		24,596	(88,192)
Due from credit institutions		3,008,233	(2,318,208)
Financial assets held-for-trading		(1,336,029)	(395,461)
Loans to customers		(3,422,502)	(3,500,160)
Other assets		(630,371)	(96,459)
<b>Increase/ (decrease) in operating liabilities</b>			
Amounts owed to credit institutions		1,253,205	679,493
Amounts owed to customers		3,090,200	3,436,062
Financial liabilities held-for-trading		176,176	49,779
Other liabilities		(760,447)	(236,304)
<i>Net cash flows from operating activities before profit taxes</i>		<i>3,799,087</i>	<i>(469,427)</i>
Profit taxes paid		(820,516)	(593,379)
<i>Net cash flows from operating activities</i>		<i>2,978,571</i>	<i>(1,062,806)</i>
<b>Cash flows from investing activities</b>			
Available-for-sale investments purchased		(2,266,719)	(2,452,049)
Available-for-sale investments sold		2,978,166	1,861,626
Property, equipment and intangibles purchased		(1,594,948)	(737,824)
Property, equipment and intangibles sold		287,574	199,954
Net cash acquired from acquisition of subsidiaries		76,614	-
Dividends received – affiliated undertakings		19,600	18,658
<i>Net cash flows from investing activities</i>		<i>(499,713)</i>	<i>(1,109,635)</i>

(continued on page 8)

**Consolidated cash flow statements**  
**For the years ended 31 December 2007 and 2006**  
(thousands of U.S. Dollars)  
*(continued)*

	Notes	2007	2006
<b>Cash flows from financing activities</b>			
Share capital issue		-	253,800
Share premium		-	1,061,899
Treasury stock sold		2,679	-
Certificated debts redeemed		(2,779,792)	3,586,928
Eurobonds issued		1,539,642	528,690
Eurobonds redeemed		(290,868)	-
Syndicated loans	25	-	52,554
Subordinated deposits	26	(138,289)	48,555
Dividends paid		(131,344)	(84,078)
<b>Net cash flows from financing activities</b>		<b>(1,797,972)</b>	<b>5,448,348</b>
<b>Effect of change in exchange rates on cash and cash equivalents</b>		<b>(59,685)</b>	<b>(113,358)</b>
Foreign exchange difference from translation to presentation currency	3(c)	298,770	404,882
<b>Change in cash and cash equivalents</b>		<b>919,971</b>	<b>3,567,431</b>
<b>Cash and cash equivalents, beginning of the period</b>	32	<b>6,508,355</b>	<b>2,940,924</b>
<b>Cash and cash equivalents, end of the period</b>	32	<b>7,428,326</b>	<b>6,508,355</b>

Signed on behalf of the Management Board:

Andrey I. Akinov  
Chairman of the Board

30 May 2007

Alexander I. Sobol  
Deputy Chairman of the Board

*The accompanying notes are an integral part of these consolidated financial statements.*

**Notes to Consolidated financial statements  
for the years ended 31 December 2007 and 2006  
(thousands of U.S. Dollars, unless otherwise stated)**

**NOTE 1 – PRINCIPAL ACTIVITIES AND ORGANIZATION*****a) Activities, organization and restructuring***

The Gazprombank Group (the “Group”) primarily consists of:

- the parent company – Open Joint-Stock Company “Gazprombank” (the “Bank”),
- the group of companies owned by OAO “SIBUR Holding” (SIBUR Holding Group – the “SHG”),
- the group of companies owned by OOO “Gazprom-Media Holding” (Gazprom Media Group – the “GMG”),
- other smaller companies and banks, including Severgazbank, Sibirgazbank, GPB-Mortgage (former Sovfintrade), Credit Ural Bank and Areximbank.

The parent company of the Group – the Bank was established as a limited liability partnership in 1990. In November 2001 the Bank changed its legal form to a closed joint-stock company, which in October 2007 was further transformed to an open joint-stock company. The Bank possesses a general banking license and a license for operations with precious metals from the Central Bank of the Russian Federation (the “CBR”), and licenses for securities operations and custody services from the Federal Stock Market Commission.

The Bank is the third bank in the Russian Federation in terms of assets and equity, providing a broad array of predominantly commercial banking services to many of Russia’s leading corporations and government entities including, in particular, OAO “Gazprom” and the OAO “Gazprom” Group. The Bank’s principal activities comprise commercial lending, project finance, trade finance, deposit taking, foreign exchange and securities trading, precious metals operations, settlement services for interregional payments for gas supplies, debit/credit card services, depositary and custodian services, fund management services, Internet-powered brokerage and trading services. As the fifth largest retail bank in the Russian Federation (source: *Interfax Information Agency, March 2008*), the Bank also provides a range of retail services, principally to the employees of its’ corporate clients. The Bank’s legal address is: Nametkina Str., 16, Bld.1, Moscow, 117420, Russian Federation.

**SIBUR Holding Group** (the “SHG”) is a vertically integrated Russian petrochemical group of companies involved in the following principal activities primarily undertaken in the Russian Federation: refining, processing and distribution of petrochemical products and production and distribution of tires. The Group obtained control over 75% minus one share of SHG in November – December 2005 as a result of the acquisition of the newly issued OAO “SIBUR Holding” ordinary shares from other Gazprom Group companies. As of 31 December 2007 the Group owns 70% minus one share of SHG outstanding stock.

**Gazprom Media Group** (the “GMG”) is a Russian media group of companies, the principal activities of which are: TV and radio broadcasting, advertising, publishing, film production and distribution primarily undertaken in the Russian Federation. The Group has purchased from OAO “Gazprom” and some of its subsidiary companies the controlling interests in two holding companies – OAO “Gazprom-Media” and ZAO “PRT-1” (together with its subsidiaries known as the Gazprom Media Group (GMG)) and minor interests in OAO “NTV” and OAO “TNT” in July 2005. In 2006 the Group further acquired minor stakes in major operating companies of GMG from third parties consolidating its’ majority interest in GMG.

In 2007 the GMG has finalized its’ equity restructuring plan. As a result, in October 2007 the new holding company was established - OOO “Gazprom-Media Holding”. A new holding company was formed by the Group’s contribution of: the minority stakes in various GMG’s subsidiaries, including OAO “NTV”, OAO “NTV Plus” and OAO “TNT”; a 100% interest in OAO “Gazprom-Media” (former holding company); and debts of the GMG’s subsidiaries held by the Group. As of 31 December 2007 the Group owns 100% interest in OOO “Gazprom-Media Holding” which is the accounting successor of OAO “Gazprom-Media”.

These consolidated financial statements were authorized for issue by the Management Board of the Bank on 30 May 2008.



**b) Acquisitions**

During the year ended 31 December 2007 the Group made acquisition of additional stake in consolidated subsidiary of SHG AK Sibur from minority shareholders. Also, the Group commenced several business combinations by acquiring controlling stakes in various companies, including 100% interest in Russian commercial bank “Credit Ural Bank” (the “CUB”), which currently operates in the Magnitogorsk region, and 80% interest in Areximbank (Yerevan) - a small commercial bank in Armenia.

Goodwill on these acquisitions was determined provisionally and may be subject to further adjustment within 12 months period since acquisition dates.

Details of material acquisitions and their effect on the consolidated cash flows and equity are as follows.

Subsidiary	% acquired in the share capital	Consideration given	Carrying value of minority interest	Share in net assets acquired	Retained earnings	Goodwill/ Excess of fair value over cost of investment
OAo Mineralnye Udobrenia (SHG)	51,0%	187,414	-	90,680		96,734
AK Sibur (SHG)	50,6%	114,787	29,324	-	85,463	-
CreditUralBank	100,0%	106,608	-	70,957		35,651
ZAO Areximbank	80,1%	19,333	-	8,988		10,345
OOO Tele-Media (GMG)	100,0%	6,238	-	4,343		1,895
OOO Antonovo Razvitie (GMG)	100,0%	6,196	-	6,196		-
OOO Media-Service (GMG)	100,0%	5,935	-	4,243		1,692
OOO Company Art-Video (GMG)	100,0%	2,615	-	2,278		337
OOO Orglot	50,1%	2,453	-	2,453		-
OOO Media Holding ATN (GMG)	100,0%	2,429	-	2,429		-
OOO Ritor (GMG)	100,0%	1,201	-	1,201		-
OOO TNT-Krasnodar (GMG)	49,0%	1,190	-	381		809
		<b>456,399</b>	<b>29,324</b>	<b>194,149</b>	<b>85,463</b>	<b>147,463</b>

Additionally in January and June 2007 the Group acquired 100% of additional share issues of subsidiary banks “Severgazbank” and “GPB-Mortgage” for total consideration of USD 66,931 thousand which resulted in the further dilution of share of minority shareholders in the Group’s equity. As of 31 December 2007 the Group owned 98.5% of Severgazbank’s stock and 85.8% of GPB-Mortgage.

**c) Economic dependence**

As of 31 December 2007, OAO “Gazprom” owned 41.73% of the outstanding shares of the Group and controlled the majority of seats in the Council of the Bank. A substantial portion of the Group’s funding is from, the OAO “Gazprom” Group. As such the Group is economically dependent on the OAO “Gazprom” Group. Some of the Group’s transactions are linked with the requirements of the OAO “Gazprom” Group and determination of pricing of transactions with the OAO “Gazprom” Group is undertaken in conjunction with other OAO “Gazprom” Group companies. See also Note 34.

**NOTE 2 – BASIS OF PRESENTATION*****a) General***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and are presented in thousands of U.S. Dollars.

The Bank, SHG, GMG and other subsidiaries domiciled in the Russian Federation maintain their books of account and prepare statements for regulatory purposes in accordance with Russian accounting and banking legislation and instructions (RAL). Foreign subsidiaries of the Group prepare their financial statements in accordance with International Financial Reporting Standards (IFRS). The accompanying consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention. At each reporting date Group members make appropriate adjustments and reclassifications to their unconsolidated statutory financial statements for the purpose of fair presentation in accordance with IFRS. The accompanying consolidated financial statements have been prepared based on those financial statements.

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as of the reporting date, the results of its operations, cash flows and changes in equity for the reported periods in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- assets that are measured at amortized cost or cost less allowance for impairment losses. These include due from credit institutions, loans to customers, available-for-sale investments and other assets. The estimation of allowance for impairment losses involves an exercise of judgment and is based on internal credit risk rating systems and statistical data. Further information on the approaches used by management to measure credit risk is disclosed in Note 33(a).
- liability and expenses estimated on share based payments to employees under requirements of IFRS 2 *Share based payments*. The carrying value of liability and the amount of expenses that were recognized in 2007 and that are expected to be recognized during 2008 are based on management estimation of the fair value of the Bank's shares at the current balance sheet date and at future dates. Since the Bank's shares are currently not traded on an active market, an appraisal of independent professional company was used. Further details on the relation between the estimate of the fair value of the Bank's shares and the amount of liability and expenses recognized is provided in Note 12.

It is impracticable to assess the extent of the possible effects of key assumptions or other sources of estimation uncertainty at the balance sheet date. It is reasonably possible that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

***b) Functional and presentation currency***

The functional currency of the Group is the Russian Ruble ("RUR") as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Group.

For the purposes of these consolidated financial statements, the US Dollar ("USD") has been chosen as the presentation currency for the convenience of users of these financial statements. The consolidated financial statements are presented in thousands of USD, unless otherwise stated. See Note 3 (c) for details of currency translation techniques.

***c) Accounting for the effects of hyperinflation***

Until 1 January 2003 the Russian Federation met the criteria of a hyperinflationary economy as defined by IAS 29 “*Financial Reporting in Hyperinflationary Economies*” (IAS 29). As a result, until that date the subsidiaries of the Group, that used the Russian Ruble as the functional currency of their financial statements (the companies named in Note 1(b)), applied the provisions of IAS 29. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in the financial statements of these subsidiaries.

**NOTE 3 – PRINCIPAL ACCOUNTING POLICIES*****a) Principles of consolidation and accounting for associates***

The consolidated financial statements of the Group include the Bank and the companies that it controls (subsidiaries). This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The purchase method of accounting is used for acquired businesses unless they are classified as assets held-for-sale. Companies acquired or disposed of during the year ended 31 December 2007 are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Intercompany balances and transactions, including intercompany profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The portion of the net assets and the post acquisition profit or loss of a subsidiary attributable to equity interests that are not owned, directly or indirectly, by the Group is presented as minority interest in the consolidated financial statements of the Group. In the case of purchase of previously recorded minority interests in consolidated subsidiaries the difference, if any, between the carrying amount of a minority interest and the amount paid to acquire it is recorded in the equity. Dividends paid to minority shareholders decrease the carrying amount of minority interests recorded in the equity.

Investments in associated companies (generally investments of between 20% to 50% in a company's equity) where the Group exercises a significant influence are accounted for by using the equity method unless they are classified as assets-held-for sale. When the investee incurs losses the Group recognizes its share of losses until the carrying amount of the investment is reduced to nil. Recognition of further losses is discontinued.

***b) Acquisition of subsidiaries from a parent or entities under common control***

Acquisitions of subsidiaries from a parent or entities under common control are accounted for by using the predecessor cost accounting method. The assets and liabilities of a subsidiary purchased from a parent or entities under common control are consolidated into the Group's financial statements using their carrying amounts in the IFRS financial statements of predecessor owner, i.e. using their “predecessor cost”. As a result, when the Group purchases a group of entities, the goodwill arising from the original acquisitions of entities that are parts of the purchased group is included in the Group's consolidated financial statements as an asset. Any difference between the nominal amount of consideration paid by the Group and the predecessor cost of the Group's share of net assets purchased (including the predecessor entity's goodwill) is accounted as an adjustment of the Group's equity.

***c) Foreign currency translation***

Income and expenses, and non-monetary items included in the balance sheet at period end, denominated in currencies other than the functional currency (the Russian Ruble – see Note 2(b)), are recorded by applying the exchange rate prevailing on the date of the transaction. Non-Ruble denominated monetary items included in the period end balance sheet are translated at the exchange rate prevailing at the period end.

Exchange differences resulting from translation of balance sheet and profit and loss items, denominated in currencies other than the functional currency (unrealized profits and losses), as well as profit or loss from foreign exchange dealing (realized profits and losses) are recognized in the consolidated profit and loss account as profit or loss from foreign exchange. Net profits from foreign exchange dealing include both the currency spread realized in the transaction and the built-in foreign exchange trading commission.

If foreign subsidiaries or foreign associates, whose operations are not considered integral to the operations of the Group, have functional currencies that are different from the functional currency of the Group (the Russian Ruble), the resulting exchange differences arising from translation to Rubles of their financial statements (in the case of a subsidiary) or of their net assets (in the case of an associate) are included directly in equity in the Foreign currency translation reserve.

The Group's results and financial position are translated into the presentation currency (U.S. Dollar - see Note 2(b)) using the following procedures: assets and liabilities are translated at the closing rate at the date of the balance sheet; income and expenses for each profit and loss account are translated at exchange rates prevailing on the date of the transactions; all resulting exchange differences are recognized in Foreign currency translation reserve in the Group's equity.

The U.S. Dollar/Ruble exchange rate in the Russian Federation ranged from 26.33 Rubles per U.S. Dollar at 31 December 2006 to 24.55 Rubles per U.S. Dollar at 31 December 2007. The Russian Ruble is not freely convertible currency in the majority of countries outside of the Russian Federation; furthermore, certain limitations for currency exchange and currency control procedures exist in the Russian Federation.

#### ***d) Income and expense recognition***

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interests earned on assets at fair value are classified within interest income.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated income statement when the syndication has been completed. All other commissions are recognized when services are provided.

The Group recognizes advertising revenue net of value added tax (VAT) and discounts when broadcasting or publishing of the related advertisement occurs. Revenue from selling of programming rights is recognized net of VAT and discounts when all of the following conditions are met: sale of the related rights can be confirmed; programs are complete and delivered to clients or ready for delivering; license agreement period has started and clients may use the airtime; and revenue can be reliably measured.

Sales of petrochemicals and tires are recognized when products are delivered to customers and title passes and are stated net of VAT, excise taxes and other similar compulsory payments. Related revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

***e) Recognition and de-recognition of financial instruments***

The Group recognizes securities at fair value through profit or loss, available-for-sale investments and investments in associates on the date it commits to purchase the assets (trade date). Held-to-maturity instruments and originated loans and receivables are recognized on the day they are transferred to or originated by the Group (settlement date).

A financial instrument is derecognized when the Group loses control over contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished – that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Available-for-sale investments and securities at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as of the date the Group non-recourse commits to sell the asset (trade date). Held-to-maturity instruments and originated loans and receivables are derecognized on the day they are transferred by the Group or repaid (settlement date).

***f) Due from credit institutions***

In the normal course of business, the Group lends or deposits funds for various periods with other credit institutions. Such amounts are categorized as loans originated by the Group and are carried at amortized cost. As these placements of funds are typically unsecured extensions of credit, some of the assets may be impaired. The principles used to create allowance for loan impairment on amounts due from credit institutions are the same as for loans to customers (see below).

***g) Financial assets and liabilities held-for-trading***

Securities which were either acquired for the purpose of selling them in the near term, or included in a portfolio of identified financial instruments that are managed together and in which a pattern of short-term profit-taking exists are classified as financial assets held-for-trading:

The classification of investments in securities as financial assets held-for-trading is determined by management at the time of the purchase.

All securities are initially recognized at fair value, which is normally the transaction price (i.e. the fair value of the consideration given for them). Subsequently securities held-for-trading are measured at fair value based on quoted bid prices. All related realized and unrealized gains and losses are included in gain/(loss) from financial assets/liabilities held-for-trading in the profit and loss account; Interest earned while holding securities is reported as interest income. Dividends receivable are included in dividend income when a dividend is declared.

All purchases and sales of securities held-for-trading that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs (see below).

The Group enters into derivative contracts for trading purposes. The Group classifies these financial instruments as financial assets or liabilities held-for-trading. Derivatives are initially recognized at fair value, which is normally the transaction price (i.e. the fair value of the consideration given or received for them), and subsequently are measured at their fair value. Fair values are obtained from quoted market prices (if available) or are estimated using appropriate valuation models and available market prices.

The realized trading profits from derivatives and unrealized changes in the fair value of derivative contracts, except for derivative contracts with foreign currency, are included in the profit and loss account as gains/(losses) from financial assets/liabilities held-for-trading.

***h) Available-for-sale investments***

Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale investments.

Available-for-sale investments are initially recognized at fair value, which is normally the transaction price (i.e. the fair value of the consideration given for them). Available-for-sale investments and investments in associates are subsequently measured at fair value based on quoted bid prices or present value of future cash flows. Unrealized gains and losses arising from changes in the fair value are recognized directly in equity, except for impairment losses and foreign exchange gains and losses. Realized gains and losses arising from the sale of available-for-sale investments are recognized as profit or loss from available-for-sale investments in the consolidated profit and loss account. If fair value of available-for-sale investments is not determinable they are accounted for at cost or amortized cost less impairment incurred.

Interest earned while holding available-for-sale investments is reported as interest income. Dividends receivable are included in dividend income when a dividend is declared.

All purchases and sales of securities classified as available-for-sale investments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs (see "Derivatives").

***i) Promissory notes***

In the normal course of business the Group acquires promissory notes of third parties. These notes generally have short-term to medium-term maturity. Promissory notes are categorized as securities at fair value through profit or loss or amount due from credit institutions or loans to customers depending on their economic substance. Promissory notes are measured by the Group according to the appropriate accounting policies for the respective assets.

***j) Repo agreements and reverse repo agreements***

The Group, as an element of its treasury management and trading business, utilizes repo agreements and reverse repo agreements with securities. Repo agreements are accounted for as financing transactions. As such, the related securities are recorded in the Group's accounts and the related payable is included as an amount due to credit institutions (regardless of whether the counterparty is a credit institution or other financial organization). Any related expense arising from the pricing spreads for the underlying securities is recognized as interest expense and accrued over the period that the related transactions are open using the effective yield method. Securities under repo agreements are also included in the financial statements.

Reverse repo agreements are accounted for as due from credit institutions. Any related income arising from the pricing spreads for the underlying securities is recognized as interest income over the period that the related transactions are open using the effective yield method. Securities under reverse repo agreements are not recognized in the financial statements.

***k) Loans to customers***

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets. Loans to customers includes loans granted by the Group by providing money directly to the borrower and loans purchased from other financial institutions where the Group intends to hold these to their original maturity or to sell them in the normal course of business. They are initially recognized at fair value plus transaction costs that are directly attributable to the granting or purchase of the loan and are subsequently measured at amortized cost. Expenses incurred in securing a loan, such as legal fees, are treated as part of the cost of the transaction, which is added to a loan amount and amortized over the loan life. All loans and advances are recognized when cash is advanced to borrowers.



Allowance for impairment losses is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The allowance for impairment losses also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to borrowers and reflecting the current economic conditions in which the borrowers operate. When a loan is uncollectable, it is written off against the related allowance for impairment losses. Subsequent recoveries are credited to the provision for impairment losses in the consolidated profit and loss account.

If the amount of the impairment losses subsequently decreases due to an event occurring after the write-down, the release of the allowance is credited to the provision for impairment losses in the consolidated profit and loss account.

Loans are regarded as “non-performing” if either the loan has been in default as to payment of principal or interest for 90 days or more. Loans are considered “contractually overdue” when a borrower fails to make a scheduled payment of principal or interest for more than five days from the date stated in the loan agreement.

#### ***l) Trade receivables/payables***

Trade receivable/payables are initially recognized at cost, which is the fair value of the consideration given/received, and are subsequently measured at amortized cost. A provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of the receivables.

#### ***m) Assets held-for-sale***

A non-current asset is classified as held-for-sale if it is highly probable that the asset’s carrying amount will be recovered through a sale transaction rather than through continuing use. Such sale transaction shall be principally completed within one year from the date of classification of an asset as held-for-sale.

Assets held-for-sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held-for-sale is lower than its carrying amount, an impairment loss is recognized in the profit and loss account as loss from assets held-for-sale. Any subsequent increase in an asset’s fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

#### ***n) Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### ***o) Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Any excess of the Group’s share of the net identifiable assets over the cost of an acquisition is recognized immediately in profit and loss account.

**p) Fair value of financial instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies, as described in accounting policies for the financial instruments that are carried at fair value as prescribed by IAS 39 *“Financial instruments: recognition and measurement”*. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation exhibits signs of an emerging market and has a relatively small volume of activity in its financial markets. While management has used available market information in estimating the fair value of financial instruments, the market information may not be fully indicative of the value that could be realized in the current circumstances.

According to IAS 32 *“Financial instruments: disclosure and presentation”* the Group is required to disclose estimates of fair value of financial instruments even if they are carried at amortized cost as prescribed by IAS 39. Such instruments include: loans and advances to banks and customers, time deposits and certificated debt, which are not currently traded in the Russian financial markets. As a result, an objective estimate of the fair value of such instruments may be not possible. Management estimates their fair value by applying valuation techniques, which are based on discounting future projected cash flows of such instruments using current market rates for respective financial instruments. Also, the fair value of assets and liabilities maturing within one year are deemed to be approximated by their amortized cost. The estimated fair values of financial instruments carried at amortized cost are disclosed in the respective notes of these financial statements.

**q) Property, equipment and intangibles**

Property, equipment and intangibles are recorded at historical cost less accumulated depreciation (amortization) and any accumulated impairment losses. Furthermore, the historical cost of property, equipment and intangibles of the subsidiaries, that used the Russian Ruble as the functional currency of their financial statements during the period when the Russian Federation met the criteria of a hyperinflationary economy (see Note 2(c)), is restated to the equivalent purchasing power of the Russian Ruble at 31 December 2002 for assets acquired prior to that date. Depreciation (amortization) is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The economic lives are as follows:

	<b>Years</b>
Buildings	20-100
Office equipment	3-20
Leasehold improvements	Over expected life of the lease
Programming rights	See below
Software and other intangible assets	3-10

Programming rights include licenses for broadcasting of films and TV programs owned by the Group. Programming rights are amortized dependent on the number of contracted airings as follows.

<b>Number of airings</b>	<b>Amortization rate</b>
1 airing	100%
2 airings	65% – at the first; 35% – at the second
3 airings	50% – at the first; 30% – at the second; 20% – at the third

Assets under construction are not depreciated. Depreciation of these assets will begin when the related assets are ready to be placed in service.

Repairs and maintenance are charged to the profit and loss account on the date the services are provided.

At each reporting date the management assess whether there is any indication of impairment of property, equipment and intangibles. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss account. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

***r) Bullion in vault***

The Group enters into operations with bullion for trading purposes. Bullion in vault is measured at fair value based on the USD/ounce of precious metals quotations of the London Bullion Market Association fixing rates.

***s) Inventories***

The Group regards non-financial assets (property) that are held for sale in the ordinary course of business as inventories. Inventories are measured at the lower of cost and net realizable value. The cost of inventories held by the Group comprises all costs of purchase including purchase price, duties and other taxes, transportation and other costs directly attributable to acquisition. The Group recognizes the amount of any write-down of inventories to net realizable value and all losses of inventories as an expense in the period the write-down or loss occurs.

***t) Investment property***

Investment property is property held by the Group to earn rentals or for capital appreciation, or both, rather than for use for administrative purposes or sale in the ordinary course of business. Investment properties are stated at cost, less accumulated depreciation and provision for impairment. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less cost to sell.

***u) Operating leases***

The Group enters into operating lease agreements as a lessee. The total payments made under operating leases are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

***v) Finance leases***

The Group also enters into finance lease agreements as a lessor. Assets held under finance lease in the balance sheet of the Group are presented as a receivable at an amount equal to the net investment in the lease. Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the lessor, and thus the lease payment receivable is treated by the lessor as repayment of principal and finance income to reimburse and reward the lessor for its investments and services.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principle and unearned finance income.

***w) Fiduciary activities***

The Group provides trustee services to its customers. Also the Group provides depository services to its customers, which include transactions with securities on their "depo" accounts. Assets and liabilities incurred under the trustee and depository activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, and the Group's customers bear the credit and market risks associated with such operations.

***x) Amounts owed to credit institutions and to customers***

Amounts owed to credit institutions and to customers are initially recognized at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently amounts due are stated at amortized cost and any difference between the carrying amount and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective yield method. If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in net interest income.

**y) *Certificated debts and Eurobonds issued***

Certificated debts represent promissory notes, certificates of deposit and bonds issued by the Group to domestic customers. Eurobonds represent internationally traded Euro Medium Term Notes and Loan Participation Notes issued by the Group. They are accounted for according to the same principles used for amounts owed to credit institutions and to customers.

**z) *Dividends, treasury stock and Additional paid-in capital***

Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends for the year, which are declared after the balance sheet date, are treated as a subsequent event under IAS 10 "Events after the balance sheet date".

The Bank's shares that are reacquired by the Bank or its subsidiaries are referred to as treasury stock shown as a deduction from total equity. Gains and losses on sales of own shares are charged or credited to the treasury stock account in equity.

Amount received on the issuance of the Bank's shares that is the excess over their par value is referred to as Additional paid-in capital and is accounted as part of the equity.

**aa) *Provisions***

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**bb) *Taxation***

The taxation charge is calculated in accordance with the regulations of the Russian Federation and other jurisdictions in which the Bank has offices and branches or where its subsidiaries are located and is based on the results reported in the profit and loss accounts of the Bank and its subsidiaries prepared under statutory tax legislation. Deferred income taxes are provided on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Tax assets and liabilities are offset only if the Group has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Russian Federation also has various other taxes, which are assessed on the Group's activities. These taxes (except value added tax) are included as a component of administrative expenses in the profit and loss account.

**cc) *Value added tax***

Value added tax related to sales of products and services is payable to tax authorities upon collection of receivables from customers. Input VAT is reclaimable against sales VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (VAT recoverable and deferred VAT payable) is recognized on a gross basis and disclosed separately as other asset and other liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

**dd) *Cash and cash equivalents***

The Group considers cash, current account with the Central Bank of the Russian Federation and amounts due from credit institutions with maturity of three months or less when originated to be cash equivalents.

Cash balances with contractual limitations on immediate disposal and overdue amounts are excluded from cash and cash equivalents

*ee) Financial guarantees*

Financial guarantees issued by the Group represent obligation to pay certain amount to a beneficiary as a compensation of loss, incurred as a result of the payer's failure to make payment in specified period in accordance with the original or modified terms of the financial instrument. Such guarantees are initially recognized at fair value. Subsequently they are measured at the higher of created allowance and initial cost less, where applicable, accumulated amortization of commission income, received under the financial guarantee.

*ff) Share-based payments*

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a market quotation or an independent appraisal if the equity instrument is not traded. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 11.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the services received is recognized at the current fair value determined at each balance sheet date.

Share-based payment transactions with cash alternative are structured so that the employee has the right to choose whether the transaction is settled in equity instruments or in cash-settled share appreciation rights and on the day of settlement the fair value of one settlement alternative is the same as the other. As a result, such transactions are accounted for in the same way as cash-settled share-based payments. At the date of settlement the liability is re-measured to its fair value. If the employee chooses settlement in equity instruments, the liability is transferred directly to equity.

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**ab) Reclassifications**

Following reclassifications have been made to the balance sheet as of 31 December 2006 to conform to the presentation as of 31 December 2007:

<b>Financial statements caption before reclassifications</b>	<b>Financial statements caption after reclassification</b>	<b>Amount of reclassification</b>	<b>Description of reclassification</b>
Other assets, net	Financial assets held-for-trading	82,708	Reclassification of derivative financial assets
Property, equipment and intangibles, net	Intangible assets, net	285,611	Change in the presentation
Other liabilities	Financial liabilities held-for-trading	137,484	Reclassification of derivative financial liabilities
Foreign exchange gains (losses), net	Profits/ (losses) from derivative contracts with foreign currency, net	47,832	Change in the presentation (IFRS 7)
Foreign exchange gains (losses), net	Gains from financial assets and liabilities held-for-trading, net	(182)	Change in the presentation (IFRS 7)
Other assets, net	Income tax assets	83,209	Change in the presentation

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## NOTE 4 – SEGMENT REPORTING

The Group's risks and rates of return are affected predominantly by differences in the products and services it produces; hence the Group's primary format for reporting segment information are business segments. Following the acquisitions described in Note 1 of these financial statements the Group as of 31 December 2007 distinguishes the following three business segments according to IAS 14 "Segment Reporting": banking, petrochemicals and tires, and media. For additional disclosures on types of products and services included in each business segment see Notes 1, 7 and 8. The regional breakdown of the Group's assets and liabilities is presented in Note 33.

The Group's segment information for the primary business segments as of 31 December 2007 and 2006 and for the years then ended is as follows:

	Banking	Petrochemicals and tires	Media	Eliminations	Consolidated
<b>Year ended 31 December 2007</b>					
<b>Profit and loss information</b>					
Net interest income after provision for losses					
– external	896,967	(748)	(3,785)	-	892,434
Inter-segment net interest income	3,690	2,470	(6,958)	798	-
Non interest income – external	1,199,236	5,633,115	1,248,716	-	8,081,067
Inter-segment non interest income	993	1,163	-	(2,156)	-
Non interest expense – external	(1,450,475)	(4,467,236)	(1,017,594)	-	(6,935,305)
Inter-segment non interest expense	-	-	(1,358)	1,358	-
<b>Profit from operations</b>	<b>650,411</b>	<b>1,168,764</b>	<b>219,021</b>	<b>-</b>	<b>2,038,196</b>
Income from associate	(3,266)	23,638	-	-	20,372
Income tax expense	(217,516)	(312,798)	(67,921)	-	(598,235)
<b>Net profit</b>	<b>429,629</b>	<b>879,604</b>	<b>151,100</b>	<b>-</b>	<b>1,460,333</b>
Capital expenditure	337,602	780,657	476,689	-	1,594,948
Depreciation and amortization expense	31,316	168,992	359,780	-	560,088
<b>Balance sheet</b>					
Cash and due from the CBR and credit institutions, net	7,980,488	30,238	88,359	-	8,099,085
Financial assets held-for-trading	4,423,681	3,727	265	-	4,427,673
Loans to customers, gross	16,747,527	129,593	19,048	-	16,896,168
Allowance for impairment losses – loans to customers	(543,575)	(7,552)	-	-	(551,127)
Investments available-for-sale, net and investments in associates	1,838,166	180,934	31,454	-	2,050,554
Trade receivables, gross	183,145	588,989	288,803	-	1,060,937
Allowances for impairment losses – trade receivables	-	(72,594)	(11,803)	-	(84,397)
Inventories, gross	465,371	684,912	6,468	-	1,156,751
Allowances for impairment losses – inventories	-	(18,699)	-	-	(18,699)
Property, plant and equipment, gross	458,689	4,806,887	233,937	-	5,499,513
Depreciation of PPE	(138,348)	(1,997,212)	(128,128)	-	(2,263,688)
Goodwill	47,881	100,696	663,977	-	812,554
Intangible assets, gross	32,886	1,263	913,311	-	947,460
Amortization of intangible assets	(15,288)	-	(542,058)	-	(557,346)
All other assets, net	690,069	499,100	108,213	-	1,297,382
<b>Total segment assets</b>	<b>32,170,692</b>	<b>4,930,282</b>	<b>1,671,846</b>	<b>-</b>	<b>38,772,820</b>
Amounts owed to credit institutions	(3,661,645)	(589,082)	(80)	-	(4,250,807)
Amounts owed to customers	(15,840,782)	(101,506)	(2,391)	-	(15,944,679)
Subordinated deposits	(560,790)	-	-	-	(560,790)
Financial liabilities held-for-trading	(330,873)	-	-	-	(330,873)

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	<b>Banking</b>	<b>Petrochemicals and tires</b>	<b>Media</b>	<b>Eliminations</b>	<b>Consolidated</b>
Eurobonds issued	(3,657,059)	-	(59,377)	-	(3,716,436)
Certificated debts	(2,985,441)	(59,623)	(1,536)	-	(3,046,600)
All other liabilities	(1,613,938)	(698,580)	(240,703)	-	(2,553,221)
<b>Total segment liabilities</b>	<b>(28,650,528)</b>	<b>(1,448,791)</b>	<b>(304,087)</b>	<b>-</b>	<b>(30,403,406)</b>

	<b>Banking</b>	<b>Petrochemicals and tires</b>	<b>Media</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Year ended 31 December 2006</b>					
<b>Profit and loss information</b>					
Net interest income after provision for losses					
– external	320,843	(12,631)	11,995	-	320,207
Inter-segment net interest income	12,453	(2,541)	(9,912)	-	-
Non interest income – external	1,202,840	4,519,005	887,927	-	6,609,772
Inter-segment non interest income	1,084	-	-	(1,084)	-
Non interest expense – external	(729,312)	(3,480,212)	(706,746)	-	(4,916,270)
Inter-segment non interest expense	-	-	(1,084)	1,084	-
<b>Profit from operations</b>	<b>807,908</b>	<b>1,023,621</b>	<b>182,180</b>	<b>-</b>	<b>2,013,709</b>
Income from associate	37,418	23,549	-	-	60,967
Income tax expense	(207,753)	(256,536)	(52,724)	-	(517,013)
<b>Net profit</b>	<b>637,573</b>	<b>790,634</b>	<b>129,456</b>	<b>-</b>	<b>1,557,663</b>
Capital expenditure	70,941	304,203	385,195	-	760,339
Depreciation and amortization expense	19,318	132,082	262,625	-	414,025
<b>Balance sheet</b>					
Cash and due from the CBR and credit institutions, net	9,948,507	162,238	34,387	-	10,145,132
Financial assets held-for-trading	2,399,534	91	29,508	-	2,429,133
Loans to customers, gross	12,025,312	18,157	10,965	-	12,054,434
Allowance for impairment losses – loans to customers	(463,327)	(7,117)	-	-	(470,444)
Investments available-for-sale, net and investments in associates	2,411,045	64,331	21,173	-	2,496,549
Trade receivables, gross	35,658	383,772	210,847	-	630,277
Allowances for impairment losses – trade receivables	-	(71,133)	(18,298)	-	(89,431)
Inventories, gross	158,524	524,223	4,460	-	687,207
Allowances for impairment losses – inventories	-	(14,313)	-	-	(14,313)
Property, plant and equipment, gross	296,719	3,189,764	270,979	-	3,757,462
Depreciation of PPE	(101,617)	(1,380,573)	(113,484)	-	(1,595,674)
Goodwill	-	-	619,333	-	619,333
Intangible assets, gross	17,277	-	587,336	-	604,613
Amortization of intangible assets	(11,210)	-	(307,792)	-	(319,002)
All other assets, net	181,569	486,240	65,382	-	733,191
<b>Total segment assets</b>	<b>26,897,991</b>	<b>3,355,680</b>	<b>1,414,796</b>	<b>-</b>	<b>31,668,467</b>
Amounts owed to credit institutions	2,766,945	212,701	6	-	2,979,652
Amounts owed to customers	11,370,411	60,188	16,492	-	11,447,091
Subordinated deposits	688,832	-	-	-	688,832
Financial liabilities held-for-trading	137,484	-	-	-	137,484
Eurobonds issued	2,552,909	-	60,829	-	2,613,738
Certificated debts	5,389,819	63,225	1,499	-	5,454,543
All other liabilities	1,014,223	461,573	221,193	-	1,696,989
<b>Total segment liabilities</b>	<b>23,920,623</b>	<b>797,687</b>	<b>300,019</b>	<b>-</b>	<b>25,018,329</b>

## NOTE 5 – NET INTEREST INCOME

Net interest income for the years ended 31 December 2007 and 2006 comprises:

	2007	2006
<b>Interest income</b>		
<i>Interest income on financial assets at amortized cost:</i>		
Loans to customers:		
– Loans to legal entities	1,350,541	795,705
– Loans to individuals	284,227	139,693
Due from credit institutions	646,872	217,658
Financial leasing	26,434	-
<i>Interest income on financial assets held-for-trading:</i>		
Debt securities	232,581	107,304
	<b>2,540,655</b>	<b>1,260,360</b>
<b>Interest expense</b>		
<i>Interest expense on financial liabilities at amortized cost:</i>		
Amounts owed to customers:		
– Amounts owed to legal entities	716,993	208,690
– Amounts owed to individuals	163,135	96,258
Amounts owed to credit institutions	245,507	143,988
Certificated debts	242,357	210,066
Eurobonds issued	234,511	152,976
	<b>1,602,503</b>	<b>811,978</b>
<b>Net interest income</b>	<b>938,152</b>	<b>448,382</b>

Included in interest income from credit institutions for the year ended 31 December 2007 is an amount of USD 243,450 thousand that represents income from short-term deposits with the Central Bank of the Russian Federation (year ended 31 December 2006 – USD 5,267 thousand).

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## NOTE 6 – PROVISIONS FOR IMPAIRMENT LOSSES

Provisions for impairment losses in the consolidated profit and loss account represent the charge required in the current period to establish total allowance for losses carried forward in accordance with IFRS.

The movement in the allowances for impairment losses on interest-earning assets during the years ended 31 December 2007 and 2006 was:

	Due from credit institutions	Loans to customers	Total allowances
<b>31 December 2005</b>	<b>9,011</b>	<b>420,393</b>	<b>429,404</b>
Provisions charged to profit	1,029	127,146	128,175
Amounts written off	-	(116,556)	(116,556)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	871	39,461	40,332
<b>31 December 2006</b>	<b>10,911</b>	<b>470,444</b>	<b>481,355</b>
Effect of consolidation of subsidiaries	-	(6,888)	(6,888)
Provisions charged to profit	10	45,708	45,718
Amounts written off	-	(11,232)	(11,232)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	793	53,095	53,888
<b>31 December 2007</b>	<b>11,714</b>	<b>551,127</b>	<b>562,841</b>

The movement in the allowances and provisions for other risks during the years ended 31 December 2007 and 2006 was:

	Trade receivables	Inventories	Other assets	Other risks	Total allowances
<b>31 December 2005</b>	<b>175,725</b>	<b>12,121</b>	<b>474</b>	<b>9,219</b>	<b>197,539</b>
Provisions /(recoveries of provisions) charged to profit	(3,270)	1,402	(122)	10,403	8,413
Amounts written off	(94,284)	(370)	(56)	-	(94,710)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	11,260	1,160	39	1,175	13,634
<b>31 December 2006</b>	<b>89,431</b>	<b>14,313</b>	<b>335</b>	<b>20,797</b>	<b>124,876</b>
Effect of consolidation of subsidiaries	9,240	-	1	12	9,253
Provisions /(recoveries of provisions) charged to profit	(8,579)	3,277	11,701	10,289	16,688
Amounts written off	(12,025)	(64)	(11,321)	(47)	(23,457)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	6,330	1,173	40	1,933	9,476
<b>31 December 2007</b>	<b>84,397</b>	<b>18,699</b>	<b>756</b>	<b>32,984</b>	<b>136,836</b>

As of 31 December 2007 the Group has estimated recoverable amounts of its' available-for-sale investments accounted for at cost (see Note 18). As a result their carrying values were impaired by USD 8,235 thousand recognized in the profit and loss account for the year ended 31 December 2007 (for the year ended 31 December 2006 – USD 32,473 thousand).

Allowances for losses on assets are deducted from the related asset. Provisions for other risks are recorded in liabilities (see Note 28). In accordance with the statutory legislation, loans may only be written off with the approval of the Council of the Bank and, in certain cases, with the respective decision of the Court.

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**NOTE 7 – PETROCHEMICAL BUSINESS OPERATING REVENUES AND EXPENSES**

Petrochemical business operating revenues and expenses attributable to the Group for the years ended 31 December 2007 and 2006 comprise:

	Notes	2007	2006
<b>Petrochemical business operating revenues, net</b>			
Rubbers and other polymers		1,454,158	1,315,736
Other refined products		1,079,973	1,212,879
Tires		930,550	699,807
Products of organic synthesis		900,688	556,890
Liquefied hydrocarbon and dry gas		745,003	390,461
Other		573,546	375,571
Less - Compulsory duties		(101,051)	(57,712)
		<b>5,582,867</b>	<b>4,493,632</b>
<b>Petrochemical business operating expenses</b>			
Materials		1,970,995	1,431,677
Salaries and other employment benefits		928,515	697,780
Electricity		516,916	465,420
Depreciation	21	168,992	132,082
Rent expenses		88,957	36,374
Repairs and maintenance		88,331	73,485
Expedition costs		81,326	67,036
Gas for own needs		78,821	87,342
Processing services of third parties		74,359	94,787
Purchased refinery products		62,658	78,498
Operating taxes		56,239	33,979
Security expenses		54,126	36,153
Transit and storage costs		51,543	37,775
Other expenses		242,453	203,757
		<b>4,464,231</b>	<b>3,476,145</b>
<b>Petrochemical business operating profit</b>		<b>1,118,636</b>	<b>1,017,487</b>

Operating revenues are presented net of VAT and other compulsory duties including excise tax and custom duties. Operating taxes include property, land and taxes other than on income.

**NOTE 8 – MEDIA BUSINESS OPERATING REVENUES AND EXPENSES**

Media business operating revenues and expenses attributable to the Group for the years ended 31 December 2007 and 2006 comprises:

	Notes	2007	2006
<b>Media business operating revenues</b>			
Advertising		925,144	632,754
Broadcasting		222,210	173,316
Programming rights		50,982	30,925
Publishing activities		39,932	25,810
Other revenues		35,018	20,346
		<b>1,273,286</b>	<b>883,151</b>
<b>Media business operating expenses</b>			
Depreciation and amortization	21	359,780	262,625
Salaries and other employment benefits		218,144	157,338
Broadcasting services		192,649	88,652
Other costs to sell		84,226	65,202
Publishing expenses		57,693	33,167
Administrative expenses		39,609	30,677
Cost of goods sold		20,299	13,713
Other expenses		51,964	33,776
		<b>1,024,364</b>	<b>685,150</b>
<b>Media business operating profit</b>		<b>248,922</b>	<b>198,001</b>

**NOTE 9 – NON-INTEREST GAIN FROM FINANCIAL ASSETS AND LIABILITIES HELD-FOR-TRADING, NET**

Net gains from financial assets and liabilities held-for-trading for the years ended 31 December 2007 and 2006 comprise:

	2007	2006
Corporate shares	215,847	494,825
Corporate bonds	64,491	(6,428)
Russian and Moscow government bonds	(90,680)	(7,763)
Derivative contracts with:		
- Securities	49,504	13,808
- Bullion	30	-
<b>Gains from financial assets and liabilities held-for-trading, net</b>	<b>239,192</b>	<b>494,442</b>

**NOTE 10 – FEES AND COMMISSIONS INCOME AND EXPENSE**

Fees and commissions income for the years ended 31 December 2007 and 2006 comprise:

	2007	2006
Debit/credit cards	100,822	63,504
Depository and custodian operations	71,743	83,747
Settlements operations	55,071	32,566
Arrangement fees and other financial services	46,572	32,460
Cash operations	27,504	28,292
Trade finance	25,578	14,902
Asset management	21,366	7,748
Other	12,889	15,497
<b>Fees and commissions income</b>	<b>361,545</b>	<b>278,716</b>

Commissions on debit/credit cards represent commissions received from the Group's clients on issue and processing of debit/credit cards and from other financial institutions on acquiring services. Settlements commissions represent commissions received for transfer of customers' funds and on other operations with clients' accounts.

Commission income from depository and custodian services for the year ended 31 December 2007 includes USD 58,101 thousand that represents commission for the processing of dividend payments via the Group's depository network (2006 – USD 34,001 thousand).

Fees and commissions expense for the years ended 31 December 2007 and 2006 comprise:

	2007	2006
Arrangement fees and other financial services	105,484	7,093
Debit/credit cards	28,316	12,816
Settlements operations	22,428	3,632
Depository and custodian services	10,157	9,441
Brokerage operations	3,502	2,146
Cash related services	2,830	3,400
Trade finance	1,482	1,902
Other	7,698	620
<b>Fees and commissions expense</b>	<b>181,897</b>	<b>41,050</b>

Arrangement fees for the year ended 31 December 2007 include USD 98,148 thousand that represent a one-off fee for arrangement and servicing of holding structure for shares of OAO "Sibur Holding" owned by the Group.

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**NOTE 11 – OTHER OPERATING INCOME**

Other operating income for the years ended 31 December 2007 and 2006 comprise the following.

	<b>2007</b>	<b>2006</b>
Disposal of property held for resale (inventories)	79,294	31,768
Disposal of assets held-for-sale	20,767	8,733
Dividend income	19,601	21,415
Disposal of subsidiary	-	17,470
Other income	16,503	12,600
	<b>136,165</b>	<b>91,986</b>

**NOTE 12 – SALARIES AND EMPLOYMENT BENEFITS, ADMINISTRATIVE AND OTHER EXPENSES**

Salaries and administrative expenses for the years ended 31 December 2007 and 2006 comprise:

	<b>2007</b>	<b>2006</b>
Salaries	457,649	365,542
Employee share-option plan accrued expenses	287,482	-
Social security costs	46,113	27,659
Defined contribution plan	13,582	10,124
<b>Salaries and employment benefits</b>	<b>804,826</b>	<b>403,325</b>
Operating taxes	73,717	38,079
Business development	62,563	26,934
Occupancy	57,576	33,461
Rent	49,422	33,423
Professional services	35,211	31,307
Depreciation and amortization	31,316	19,318
Charges to the State Deposit Insurance System	19,734	14,850
Charity expenses	15,990	7,032
Communications	15,983	13,110
Insurance expenses	10,201	5,036
Other	63,351	47,164
<b>Administrative and other expenses</b>	<b>435,064</b>	<b>269,714</b>

Included in salaries expenses for the year ended 31 December 2007 is an amount of USD 28,403 thousand that relates to bonus payments to the members of the Management Board based on the financial performance of the Group in 2006 (year ended 31 December 2006 – bonus for 2005 of USD 17,840 thousand).

Included in salaries for the year ended 31 December 2007 is the amount of USD 21,594 thousand that relates to the accrued remuneration of the Council of the Bank (2006 – USD 23,297 thousand).

The Group has pension arrangements under the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense, included in social security costs, is charged to the consolidated profit and loss account in the period the related compensation is earned by an employee. Also, in 2005 the Bank has set out a defined contribution pension plan for its employees. The Bank has recognized USD 13,582 thousand as an expense for defined contribution plan attributable to services provided by employees to the Bank in 2007 (2006 – USD 10,124 thousand).

The operating taxes include property tax, VAT, transport tax and other minor taxes paid according to Russian tax legislation.

**Employee share-option plans**

In June and November 2006 the Council of the Bank approved two share ownership-based compensation plans for the Bank's top and middle management, which were launched on 25 December 2006. The plans span over 2007-2009 and are based on performance of the managers. The parameters of the plans follow:

Plan	Qualifying employees	Number of shares	Grant date	Service period covered	Vesting date	Method of settlement	Exercise price per share (RUR)	Fair value per share at grant date (RUR)
1(a)	Members of Management Board	200,000	25.12.2006	01.01.2007 to 31.12.2007	15.02.2008	equities or cash	5,184	11,248
1(b)	Members of Management Board	200,000	25.12.2006	01.01.2008 to 31.12.2008	15.02.2009	equities or cash	5,184	11,248
1(c)	Members of Management Board	200,000	25.12.2006	01.01.2009 to 31.12.2009	15.02.2010	equities or cash	5,184	11,248
2	Middle managers	400,000	25.12.2006	01.01.2007 to 31.12.2009	31.12.2009	equities	5,184	11,248

During 2007 the Bank accrued total expenses of USD 287,482 thousand under Plans 1 and 2. A description of each plan and a breakdown of accrued expenses follow.

**Plan 1**

The plan is set up for the members of the Bank's Management Board. In accordance with the provisions of the plan, at grant date the managers purchased a series of three call options on the Bank's shares, each covering a one-year period during the next three years. Vesting conditions include the Bank's financial performance according to IFRS financial statements during the measurement period (a year).

Options may be exercised on vesting date only. The options may be settled in equities or in cash by choice of the manager. The exercise price amounts to RUR 5,184 per share. Total premium paid by the recipients for the options is not refundable whether the vesting conditions are met or not. The options carry neither rights to dividends nor voting rights.

The Bank reserved 600,000 shares that are currently held by the Group (and are shown as part of treasury stock in these financial statements) for Plan 1.

According to IFRS 2 "*Share-based payments*", transactions with cash alternative (where the employee has the right to choose whether the transaction is settled in equity instruments or in cash-settled share appreciation rights) are initially accounted for in the same way as cash-settled share-based payments, i.e. a liability equal to the portion of the services received is recognized at the current fair value determined at each balance sheet date. At 31 December 2007 the estimated fair value of the Bank's shares was RUR 24,879 per share. The estimation of the fair value of the Bank's shares was based on independent appraisal, which was used because the Bank's equities are currently not traded. The appraisal techniques involved both market multiples and net asset value approaches.

Expenses relating to all three options under Plan 1 are accrued starting from grant date through to vesting dates regardless of the service period covered by each option. Below is a breakdown of the expenses that were recognised under Plan 1 during 2007 and that will be accrued during 2008-2010 (provided that vesting conditions for each year are met and that the estimated fair value of the Bank's shares remains the same as at 31 December 2007).

Plan	Number of shares	Accrual period (from grant date to vesting date)	Service period covered	Exercise price per share (RUR)	Fair value per share (RUR)	Total expenses, USD thousand	Accrued in 2007	Projected accrual in 2008	Projected accrual in 2009	Projected accrual in 2010
1(a)	200,000	25.12.2006 to 15.02.2008	01.01.2007 to 31.12.2007	5,184	24,879	154,159	135,029	19,130	-	-
1(b)	200,000	25.12.2006 to 15.02.2009	01.01.2008 to 31.12.2008	5,184	24,879	154,159	71,981	71,981	10,197	-
1(c)	200,000	25.12.2006 to 15.02.2010	01.01.2009 to 31.12.2009	5,184	24,879	154,159	49,200	49,200	49,200	6,559
						<b>462,477</b>	<b>256,210</b>	<b>140,311</b>	<b>59,397</b>	<b>6,559</b>

No cash payments were made during 2007. Subsequently, the vending conditions under option 1(a) were successfully satisfied. In May 2008 the Group made a cash payment equivalent to USD 144,908 thousand to the option holders who chose cash payment to settle its liability on option 1(a). USD 9,251 thousand was transferred from liability to equity because some holders exercised the options and purchased shares.

### Plan 2

The plan is set up for more than 160 middle managers of the Bank, including regional managers. The vesting conditions include remaining in the Bank's employ for the three years after the grant date. According to the plan, at grant date the managers agreed to purchase the Bank's shares at a price of RUR 5,184 per share and simultaneously issue put options on the shares to the Group with the same exercise price. The options expire in three years and are exercisable only in equities. The shares carry both the rights to dividends and the voting rights during the three-year period.

As a result of the plan, after the Bank had changed its legal form into an open joint-stock company in October 2007, the employees purchased from the Group 395,311 shares. The Group recorded the cash received from employees as prepayment; its carrying value at 31 December 2007 amounted to USD 71,123 thousand. The transfer of ownership of shares is not recognized until 31 December 2009, which is the vesting date of Plan 2.

Because Plan 2 is an equity-settled share-based transaction, the expenses are measured at the fair value of the shares at the grant date and are accrued evenly over the vesting period. Below is a breakdown of the expenses that were recognised under Plan 2 during 2007 and that will be accrued during 2008-2009 (provided that all the participants remain in the Bank's employ until the end of the vesting period).

Plan	Number of shares	Accrual period (from vesting date to vesting date)	Service period covered	Exercise price per share (RUR)	Fair value per share at grant date (RUR)	Total expenses, USD thousand	Accrued in 2007	Projected accrual in 2008	Projected accrual in 2009
2	395,311	25.12.2006 to 31.12.2009	25.12.2006 to 31.12.2009	5,184	11,248	93,817	31,272	31,272	31,272

## NOTE 13 – INCOME TAX

The provision for income taxes for the years ended 31 December 2007 and 2006 comprises:

	2007	2006
Current tax charge	695,726	569,065
Deferred tax recovery	(185,272)	(71,252)
Transfer of deferred tax previously recorded directly in equity	87,781	19,200
<b>Income tax expense</b>	<b>598,235</b>	<b>517,013</b>

Russian legal entities must individually report taxable income and remit income taxes thereon to the appropriate authorities.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax provision based on the statutory rate with the actual income tax provision follows:

	2007	2006
<b>Income before taxation and minority interest</b>	<b>2,058,568</b>	<b>2,074,676</b>
Statutory tax rate	24%	24%
<b>Theoretical income tax charge at statutory rate</b>	<b>494,056</b>	<b>497,922</b>
Tax concession of subsidiary	(15,903)	(18,209)
Unrecognized tax losses carried forward for the year	46,731	1,997
Income and expenses taxed at different rates	(216,521)	(6,899)
Tax losses carried forward utilized during the year	1,909	-
Tax effect of non-temporary differences	287,963	42,202
<b>Income tax expense</b>	<b>598,235</b>	<b>517,013</b>

As of 31 December 2007 and 2006 the Group's income tax assets comprise:

	31 December 2007	31 December 2006
Current income tax assets	58,836	51,613
Deferred income tax assets	282,529	31,596
<b>Income tax assets</b>	<b>341,365</b>	<b>83,209</b>

The current income tax asset arises from advance payments of income tax by the Group due to the statutory advance tax payments system and is usually realized either by off-setting with the Group's income tax liabilities in subsequent periods or upon repayment by the tax authorities. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: (i) deductible temporary differences; (ii) the carry forward of unused tax losses; and (iii) the carry forward of unused tax credits.

As of 31 December 2007 and 2006 the Group's income tax liability comprises:

	31 December 2007	31 December 2006
Current income tax liabilities	74,110	25,054
Deferred income tax liabilities	336,818	320,304
<b>Income tax liabilities</b>	<b>410,928</b>	<b>345,358</b>

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

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The following represents an analysis of the deferred tax balance sheet position as of 31 December 2007 and 2006, respectively:

	31 December 2007	31 December 2006
<b>Tax effect of taxable temporary differences</b>		
Due from credit institutions, net	12,405	1,948
Financial assets and liabilities held-for-trading	94,549	2,544
Loans to customers, net	33,296	2,577
Available-for-sale investments, net	234,360	7,261
Property, plant and equipment, net	(6,750)	1,228
Intangible assets, net	29,440	20,162
Other assets, net	43,613	80,584
Amounts owed to credit institutions	570	1,329
Amounts owed to customers	10,184	719
Certificated debts	772	6,920
Eurobonds issued	18,042	39
Other liabilities	36,190	21,129
<b>Deferred tax asset</b>	<b>506,671</b>	<b>146,440</b>
Off-set with deferred tax liabilities	(224,142)	(114,844)
<b>Deferred tax asset, net</b>	<b>282,529</b>	<b>31,596</b>
<b>Tax effect of deductible temporary differences</b>		
Due from credit institutions, net	(973)	-
Financial assets and liabilities held-for-trading	(27,679)	(9,809)
Loans to customers, net	(59,122)	(4,563)
Available-for-sale investments, net	(315,261)	(212,139)
Property, plant and equipment, net	(198,632)	(159,357)
Intangible assets, net	(22,151)	(25,284)
Other assets, net	53,204	(2,107)
Amounts owed to credit institutions	(20,308)	-
Amounts owed to customers	(859)	(148)
Certificated debts	(5,020)	(353)
Other liabilities	35,841	(21,388)
<b>Deferred tax liability</b>	<b>(560,960)</b>	<b>(435,148)</b>
Off-set with deferred tax assets	224,142	114,844
<b>Deferred tax liability, net</b>	<b>(336,818)</b>	<b>(320,304)</b>
<b>Deferred income tax liability, net</b>	<b>(54,289)</b>	<b>(288,708)</b>

A reconciliation of changes in the net balance sheet deferred income tax position during the years ended 31 December 2007 and 2006 follows:

<b>Net deferred income tax liability as of 31 December 2005</b>	<b>187,313</b>
Effect of consolidation of subsidiaries	8,199
Net deferred tax charge to the profit and loss account	(71,252)
Change in deferred tax recorded directly to equity	142,941
Foreign exchange difference from translation to presentation currency (Note 3 (c))	21,507
<b>Net deferred income tax liability as of 31 December 2006</b>	<b>288,708</b>
Effect of consolidation of subsidiaries	48,163
Net deferred tax charge to the profit and loss account	(185,272)
Change in deferred tax recorded directly to equity	38,551
Transfer to deferred tax assets	(146,801)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	10,940
<b>Net deferred income tax liability as of 31 December 2007</b>	<b>54,289</b>

**NOTE 14 – CASH AND DUE FROM THE CENTRAL BANK OF THE RUSSIAN FEDERATION**

Cash and due from the Central Bank of the Russian Federation comprise:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Cash on hand	536,179	459,220
Current accounts	1,150,726	948,910
Time deposits	12,249	1,139,337
Obligatory reserve	368,750	359,983
<b>Cash and due from the Central Bank of the Russian Federation</b>	<b>2,067,904</b>	<b>2,907,450</b>

The Central Bank of the Russian Federation requires credit institutions to maintain a non-interest earning cash deposit (obligatory reserve) with the Central Bank of the Russian Federation, the amount of which depends on the level of funds attracted by a credit institution from individuals. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

**NOTE 15 – DUE FROM CREDIT INSTITUTIONS**

Due from credit institutions comprise:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Current accounts	1,469,370	1,287,494
Time deposits	1,742,990	4,968,803
Repurchase agreements	2,830,535	992,296
	<b>6,042,895</b>	<b>7,248,593</b>
Less – Allowances for impairment losses	(11,714)	(10,911)
<b>Due from credit institutions, net</b>	<b>6,031,181</b>	<b>7,237,682</b>

As of 31 December 2007 18% of the gross amounts due from credit institutions in the amount of USD 1,103,915 thousand relate to placements with Commerzbank (Germany) and BNP-Paribas (France). As of 31 December 2006 38% (USD 2,722,486 thousand) of the gross amounts due from credit institutions relate to placements with Vnesheconombank (Russian Federation), International Investment Bank (Russian Federation) and Sberbank (Russian Federation).

As of 31 December 2007 time deposits included the U.S. Dollar denominated subordinated loan granted to Belgazprombank (Belorussia) in the amount of USD 5,000 thousand bearing interest of 12 months USD LIBOR plus 6.0 percent. As of 31 December 2006 was an amount of USD 70,155 thousand granted by the Group as U.S. Dollar denominated subordinated loans.

In the event of bankruptcy, subordinated loans are to be repaid by a borrowing bank only after the settlement of all other liabilities.

As of 31 December 2007 the Bank had USD 15,819 thousand placed on time deposits with foreign banks that represent amounts transferred under letters of credit opened with the Group (31 December 2006 – USD 30,473 thousand). These placements are covered by customer funds blocked on their time deposit accounts.

Reverse repo agreements represent short-term funding granted by the Group with securities received as collateral. Securities received by the Group under reverse repo agreement are not recognized in the Group's financial statements and are regarded as collateral by substance of transaction. According to the regular way of such deals, securities received under reverse repo agreement may be sold or re-pledged by the Group in the absence of default by the owner of these securities (counterparty). However, according to the terms of reverse repo agreements the Group has an obligation to return the same amount of securities to the counterparty when the transaction is settled. As of 31 December 2007 and 2006 the Group had the following securities received as collateral under reverse repo agreements.



	31 December 2007		31 December 2006	
	Fair value of securities received under reverse repo agreement	Fair value of securities received under reverse repo agreement sold or re-pledged	Fair value of securities received under reverse repo agreement	Fair value of securities received under reverse repo agreement sold or re-pledged
Corporate shares	2,116,490	40,417	837,623	63,390
Corporate bonds	365,007	-	328,585	4,555
Russian and Moscow government bonds	67,147	-	35,730	-
Promissory notes	295,544	-	30,043	-
	<b>2,844,188</b>	<b>40,417</b>	<b>1,231,981</b>	<b>67,945</b>

**NOTE 16 – FINANCIAL ASSETS HELD-FOR-TRADING**

Financial assets classified by the Group as held-for-trading comprise:

	31 December 2007	31 December 2006
Corporate bonds	2,253,693	635,435
Corporate shares	848,191	1,161,048
Russian and Moscow government bonds	543,582	264,188
Promissory notes	494,776	285,754
Derivative financial assets		
- foreign exchange contracts	283,226	70,019
- securities contracts	4,205	12,621
- bullion contracts	-	68
	<b>4,427,673</b>	<b>2,429,133</b>

As of 31 December 2007 corporate shares included USD 512,525 thousand of OAO “Gazprom” ordinary shares (31 December 2006 – USD 1,031,557 thousand). The market quotations of OAO “Gazprom” ordinary shares increased from USD 11.5 per share at year-end 2006 to USD 14.0 as of 31 December 2007. Other Russian “blue-chip” companies’ corporate shares represent the rest of the corporate shares portfolio.

As of 31 December 2007 corporate bonds consist of USD 14,122 thousand of OAO “Gazprom” bonds (31 December 2006 – USD 1,020 thousand). The remaining balance comprises corporate bonds of Russian “blue-chip” enterprises. The annual nominal coupon rates on these bonds range from 7 % to 14 %.

Russian and Moscow government bonds comprise Ruble and foreign currency denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation (OFZ, Vnesheconombank (VEB) bonds), and municipal bonds issued and guaranteed by the government of the City of Moscow.

The promissory notes portfolio is represented by liquid promissory notes of Russian “blue-chip” banks.

As of 31 December 2007 and 2006 the Group had the following securities pledged as collateral under repo agreements (see Note 25). Securities are stated at their estimated fair values as of the reporting dates.

	31 December 2007	31 December 2006
Corporate shares	2,070	1,638,091
Corporate bonds	-	8,685
	<b>2,070</b>	<b>1,646,776</b>

Corporate shares pledged as collateral under repo agreements include both, shares owned by the Group and shares received by the Group as collateral.

Securities are measured on last quoted bid prices. It should be noted that because of the relative illiquidity in the Russian securities markets, the market quotations used in valuing the Group's securities may not be reflective of their net realizable value in an exchange between a willing buyer and a willing seller due to the volume of the Group's holdings.

The Group's position and fair value of derivative financial assets outstanding as of 31 December 2007 were as follows:

	Notional principal equivalent	Fair value of derivative contracts
<b>Derivative assets</b>		
<b>Foreign exchange contracts</b>		
<i>Forward contracts</i>		
Assets foreign	8,415,663	199,191
Assets domestic	3,088,000	75,919
<b>Securities contracts</b>		
<i>Forward contracts</i>		
Assets foreign	122,564	90
Assets domestic	161,966	4,115
<b>Currency swap</b>		
Assets foreign	206,264	8,116
<b>Total derivative assets</b>	<b>11,994,457</b>	<b>287,431</b>

The Group's position and fair value of derivative assets outstanding as of 31 December 2006 were as follows:

	Notional principal equivalent	Fair value of derivative contracts
<b>Derivative assets</b>		
<b>Foreign exchange contracts</b>		
<i>Forward contracts</i>		
Assets foreign	2,590,430	47,481
Assets domestic	1,580,500	22,538
<b>Bullion contracts</b>		
<i>Forward contracts</i>		
Assets domestic	5,137	68
<b>Securities contracts</b>		
<i>Option contracts</i>		
Call options held - foreign	167,644	9,439
Call options held - domestic	55,163	3,160
<i>Forward contracts</i>		
Assets domestic	34,839	22
<b>Total derivative assets</b>	<b>4,433,713</b>	<b>82,708</b>

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## NOTE 17 – LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2007	%	31 December 2006	%
Individuals	2,791,636	16.5%	1,585,999	13.2%
Finance and investment companies	2,281,443	13.5%	2,011,443	16.7%
Metal manufacture	1,585,163	9.4%	858,819	7.1%
Real estate construction	1,562,315	9.2%	763,242	6.3%
Trading enterprises	1,553,332	9.2%	1,007,950	8.4%
Gas extraction, transportation and sale enterprises	1,262,328	7.5%	1,627,867	13.5%
Nuclear industry	869,119	5.1%	628,298	5.2%
Machine building	741,557	4.4%	462,809	3.8%
Oil extraction, transportation, sale enterprises and petrochemical industries	622,444	3.7%	725,210	6.0%
Electric power industry	597,088	3.5%	416,134	3.5%
Leasing	547,402	3.2%	302,952	2.5%
Mining	355,587	2.1%	294,733	2.4%
Food industry	336,827	2.0%	294,464	2.4%
Transport	336,506	2.0%	83,608	0.7%
Telecommunications	261,069	1.5%	210,657	1.7%
Chemical industry	198,480	1.2%	178,748	1.5%
Agriculture	166,921	1.0%	97,046	0.8%
Entrepreneurs	127,154	0.8%	97,775	0.8%
Timber industry	81,615	0.5%	79,689	0.7%
Shipbuilding	63,899	0.4%	49,397	0.4%
Insurance	44,608	0.3%	36,449	0.3%
Other	509,675	3.0%	241,145	2.0%
	<b>16,896,168</b>	100%	<b>12,054,434</b>	100.0%
Less – Allowances for impairment losses	(551,127)		(470,444)	
<b>Loans to customers, net</b>	<b>16,345,041</b>		<b>11,583,990</b>	

The Group has significant loan exposures to the OAO “Gazprom” Group. As of 31 December 2007 such exposures accounted for 9% (USD 1,518,238 thousand) of the gross loan portfolio (31 December 2006 – 23% or USD 2,765,930 thousand).

As of 31 December 2007 the ten largest loan exposures accounted for USD 3,870,684 thousand or 23% of the gross loan portfolio (31 December 2006 – USD 3,186,589 thousand or 26%).

As of 31 December 2007 USD 488,936 thousand (31 December 2006 – USD 48,800 thousand) of loans to customers were originated by the Group by purchasing borrowers’ promissory notes.

The Group’s loan portfolio has been extended to the following types of enterprises within the Russian Federation and abroad:

	31 December 2007	31 December 2006
Private companies, gross	11,622,447	7,765,885
Less – Allowances for impairment losses	(455,695)	(365,610)
<b>Private companies, net</b>	<b>11,166,752</b>	<b>7,400,275</b>
State controlled companies, gross	2,354,931	2,604,775
Less – Allowances for impairment losses	(60,648)	(79,349)
<b>State controlled companies, net</b>	<b>2,294,283</b>	<b>2,525,426</b>
Individuals and entrepreneurs, gross	2,918,790	1,683,774
Less – Allowances for impairment losses	(34,784)	(25,485)
<b>Individuals and entrepreneurs, net</b>	<b>2,884,006</b>	<b>1,658,289</b>
<b>Loans to customers, net</b>	<b>16,345,041</b>	<b>11,583,990</b>

Loans to individuals have been extended within the Russian Federation and comprise the following.

	31 December 2007	31 December 2006
Mortgage loans originated, gross	1,159,242	262,803
Less – Allowances for impairment losses	(12,357)	(4,950)
<b>Mortgage loans granted, net</b>	<b>1,146,885</b>	<b>257,853</b>
Mortgage loans purchased, gross	699,527	664,677
Less – Allowances for impairment losses	(3,945)	(4,566)
<b>Mortgage loans acquired, net</b>	<b>695,582</b>	<b>660,111</b>
Consumer loans, gross	577,810	499,333
Less – Allowances for impairment losses	(9,103)	(12,287)
<b>Consumer loans, net</b>	<b>568,707</b>	<b>487,046</b>
Car purchase loans, gross	354,875	159,127
Less – Allowances for impairment losses	(4,764)	(3,682)
<b>Car purchase loans, net</b>	<b>350,111</b>	<b>155,445</b>
Credit cards and overdrafts, gross	182	59
Less – Allowances for impairment losses	(2)	(1)
<b>Credit cards and overdrafts, net</b>	<b>180</b>	<b>58</b>
<b>Loans to individuals, net</b>	<b>2,761,465</b>	<b>1,560,513</b>

As of 31 December 2007 USD 609,100 thousand of the mortgage loan portfolio was securitized by the Group by means of several issues of mortgage-backed securities. See Note 27 for details.

The components of net investment in finance lease as of 31 December 2007 are as follows:

	31 December 2007
Minimum lease payments	289,718
Less – Unearned finance income	(51,085)
<b>Net investment in finance lease</b>	<b>238,633</b>
Current portion	112,701
Long-term portion	125,932
<b>Net investment in finance lease</b>	<b>238,633</b>

The residual maturity of future minimum lease payments due from customers under finance lease is as follows.

	31 December 2007
Not later than one year	112,701
From one year to five years	125,932
	<b>238,633</b>

The Group's finance lease operations are maintained through a subsidiary company "Gazprombank-Leasing" which is consolidated in the Group's financial statements since 1 January 2007; hence no comparative information as of 31 December 2006 is presented.

As of 31 December 2007 the amount of contractually overdue loans was USD 205,278 thousand (31 December 2006 – USD 146,158 thousand). As of 31 December 2007 the amount of non-performing loans was USD 166,214 thousand (31 December 2006 – USD 47,436 thousand). See Note 3(j) for accounting policy on non-performing loans.

As of 31 December 2007 the fair value of loans to customers estimated based on the valuation techniques described in Note 3 (n) lies in the range from USD 15,753,394 thousand to USD 16,345,041 thousand (31 December 2006 – from USD 11,563,606 thousand to USD 11,583,990 thousand).

## NOTE 18 – INVESTMENTS AVAILABLE-FOR-SALE, NET AND INVESTMENTS IN ASSOCIATES

Available-for-sale investments comprise:

	31 December 2007	31 December 2006
Available-for-sale investments accounted for at fair value	1,505,880	2,082,986
Investments in associates accounted for under the equity method	321,276	226,686
Available-for-sale investments accounted for at cost:		
- Unconsolidated subsidiaries	18,780	5,064
- Associates accounted for at cost	23,248	16,565
- Other investments accounted for at cost	181,370	165,248
<b>Available-for-sale investments, net and investments in associates</b>	<b>2,050,554</b>	<b>2,496,549</b>

a) *Investments accounted for at fair value*

Investments accounted for at fair value comprise:

	31 December 2007	31 December 2006
Corporate shares and ADRs	1,105,750	1,386,521
Tradable CLNs	207,379	103,369
Funds participation shares	192,751	83,907
U.S. Treasury bills	-	509,189
	<b>1,505,880</b>	<b>2,082,986</b>

As of 31 December 2007 included in corporate shares and ADRs are investments of the Group in subsidiaries of OJSC “Mosenergo” (“Mosenergo”), Russia’s largest regional utility company and the principal supplier of electricity and heat to the Moscow region, which were spun-off from Mosenergo on 1 April 2005 as a result of its reorganization. A list of these investments and their fair values follows:

	Group’s holding, %	31 December 2007	Group’s holding, %	31 December 2006
Zagorskaya GAES	22.6%	280,140	12.6%	61,064
Moskovskaya Oblastnaya Electrosetevaya Kompanya	9.6%	229,765	9.6%	227,572
Moskovskaya Gorodskaya Electrosetevaya Kompanya	9.6%	189,525	9.6%	150,655
OGK-1 (GRES-4)	2.1%	108,207	2.1%	80,011
Moskovskaya Teplosetevaya Kompanya	9.6%	91,474	9.6%	58,702
Mosenergosbit	12.6%	70,344	11.3%	57,550
OGK-6 (GRES-24)	0.6%	20,072	0.6%	18,463
OGK-4 (GRES-5)	-	-	1.1%	41,227
Mosenergo	-	-	10.0%	562,573
		<b>989,527</b>		<b>1,257,817</b>

The available-for-sale investments above, except for investments in Mosenergo and Mosenergo companies, are measured at fair value based on last quoted bid prices. Investments in Mosenergo and Mosenergo companies are measured at the weighted average price for the period. It should be noted that because of the relative illiquidity in the Russian securities markets, the market quotations used in valuing the Group’s securities may not be reflective of their net realizable value in an exchange between a willing buyer and a willing seller due to the volume of the Group’s holdings.

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**b) Investments in associates accounted for under the equity method**

As of 31 December 2007 and 2006 available-for-sale investments accounted for under the equity method comprise:

Name	Principal activity	Country	31 December 2007		31 December 2006	
			Group's holding, %	Carrying value	Group's holding, %	Carrying value
Banking segment						
Sibneftegas	Oil and gas	Russia	51.0%	116,025	51.0%	129,620
Yamal SPG	Oil and gas	Russia	25.1%	9,140	25.1%	-
Gaztekhleasing	Leasing	Russia	-	-	100.0%	35,815
Other				19,097		-
Petrochemicals and tires segment						
Sibmetakhim	Methanol production	Russia	50.0%	79,928	66.7%	43,743
Rusvinil	Polyvinylchloride production	Russia	50.0%	57,031	-	-
	Terephthalic acid and mylar					
National Polymers	production	Russia	50.0%	24,588	-	-
SP Matador-Omskshina	Tires production	Russia	50.0%	14,395	50.0%	11,963
	Associated petroleum gaz					
Yuzhno-Priobskiy GPZ	processing	Russia	50.0%	1,031	-	-
NIPI Gazpererabotka	Research activity	Russia	-	-	38.0%	5,545
Other				41		-
				321,276		226,686

As of 31 December 2007 summarized financial information on the Group's available-for-sale investments accounted for under the equity method is as follows:

Name	Assets	Liabilities	Profit /(loss) <sup>1</sup>
Sibneftegas	824,983	731,075	(43,362)
Sibmetakhim	163,284	11,978	77,725
OOO Rusvinil	114,112	41	78
National Polymers	692,694	760,811	(34,127)
SP Matador-Omskshina	53,451	24,689	3,014
Yamal SPG	70,969	59,574	16,271
Yuzhno-Priobskiy GPZ	2,078	-	-

As of 31 December 2006, Yamal SPG was accounted for as associate carried at cost. The cost of investment amounted to USD 4,557 thousand, with 100% impairment loss charged on it, carrying value being nil. As of 31 December 2007 the investment was accounted for under the equity method.

The ownership of controlling stake in OAO "Sibneftegas" by virtue of charter agreements does not constitute control over operations of the company, although it does constitute a right of significant influence. Hence the Group regards OAO "Sibneftegas" as associate company accounted for under the equity method.

In December 2007 the Group signed an agreement for sale of its share in OOO "Gaztekhleasing". The investment was immediately reclassified as asset held-for-sale under IFRS 5; as of 31 December 2007 this investment is accounted at fair value less costs to sell (see note 24).

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<sup>1</sup> – Profit/ (loss) is disclosed from the date of acquisition till 31 December 2007 or for the year then ended



c) *Unconsolidated subsidiaries accounted for at cost*

As of 31 December 2007 and 2006, the Group had investments in the following unconsolidated subsidiaries:

Name	Principal activity	Country	31 December 2007			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
<b>Banking segment</b>						
Morion	Manufacturing	Russia	86.3%	18,449	(6,157)	12,292
Raschetno-Depositarnaya Kompanya	Clearing & Custody	Russia	55.0%	1,404	(702)	702
Strategicheskije aktivi	Asset Management	Russia	100.0%	1,222	-	1,222
Gamma	Trading enterprises	Russia	50.0%	1,051	(1,051)	-
Other minor subsidiaries				3,030	(1,599)	1,431
				<b>25,156</b>	<b>(9,509)</b>	<b>15,647</b>
<b>Petrochemicals and tires segment</b>						
Permskii GPZ	Manufacturing	Russia	50.1%	5,440	(5,432)	8
Pansionat Samara	Service	Russia	75.4%	1,535	(1,535)	-
Other minor subsidiaries				2,098	(321)	1,777
				<b>9,073</b>	<b>(7,288)</b>	<b>1,785</b>
<b>Media segment</b>						
Other minor subsidiaries				1,378	(30)	1,348
				<b>1,378</b>	<b>(30)</b>	<b>1,348</b>
				<b>35,607</b>	<b>(16,827)</b>	<b>18,780</b>

Name	Principal activity	Country	31 December 2006			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
<b>Banking segment</b>						
Raschetno-Depositarnaya Kompanya	Clearing & Custody	Russia	55.0%	1,308	(654)	654
Strategicheskije aktivi	Asset Management	Russia	100.0%	1,139	-	1,139
Other minor subsidiaries				1,888	(1,479)	409
				<b>4,335</b>	<b>(2,133)</b>	<b>2,202</b>
<b>Petrochemicals and tires segment</b>						
Permskii GPZ	Manufacturing	Russia	50.1%	5,072	(5,064)	8
Pansionat Samara	Service	Russia	75.4%	1,431	(1,431)	-
Sibur-international Ltd	Petrochemical	Russia	100.0%	1,100	(1,100)	-
Other minor subsidiaries				2,406	(757)	1,649
				<b>10,009</b>	<b>(8,352)</b>	<b>1,657</b>
<b>Media segment</b>						
Other minor subsidiaries				1,271	(66)	1,205
				<b>1,271</b>	<b>(66)</b>	<b>1,205</b>
				<b>15,615</b>	<b>(10,551)</b>	<b>5,064</b>

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**d) Associates accounted for at cost**

As of 31 December 2007 and 2006, the Group has investments in the following associates accounted for at cost:

Name	Principal activity	Country	31 December 2007			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
<b>Banking segment</b>						
FK Zenit	Sport	Russia	51.0%	42,503	(42,503)	-
Belgazprombank	Banking	Belarus	42.7%	18,281	(4,013)	14,268
Mezhregionteploenergo	Energy	Russia	40.8%	5,424	-	5,424
Tambeyneftegaz	Oil & gas	Russia	25.1%	4,889	(4,235)	654
Sportsroyresurs	Construction	Russia	25.0%	2,037	-	2,037
Other				1,607	(806)	801
				<b>74,741</b>	<b>(51,557)</b>	<b>23,184</b>
<b>Petrochemicals and tires segment</b>						
DK Tolyatti	Entertainment	Russia	50.0%	4,077	(4,077)	-
Sibgaztrans	Oil & gas	Russia	49.6%	1,874	(1,874)	-
FK Zenit	Sport	Russia	9.0%	8,916	(8,916)	-
Other				45	(45)	-
				<b>14,912</b>	<b>(14,912)</b>	<b>-</b>
<b>Media segment</b>						
Other minor associates				111	(47)	64
				<b>111</b>	<b>(47)</b>	<b>64</b>
				<b>89,764</b>	<b>(66,516)</b>	<b>23,248</b>

Name	Principal activity	Country	31 December 2006			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
<b>Banking segment</b>						
FK Zenit	Sport	Russia	51.0%	39,621	(39,621)	-
Belgazprombank	Banking	Belarus	33.9%	10,233	(3,741)	6,492
Mezhregionteploenergo	Utilities	Russia	40.8%	5,057	-	5,057
Tambeyneftegaz	Oil & gas	Russia	25.1%	4,557	(2,418)	2,139
Sportsroyresurs	Construction	Russia	25.0%	1,899	-	1,899
Other				2,578	(1,708)	870
				<b>63,945</b>	<b>(47,488)</b>	<b>16,457</b>
<b>Petrochemicals and tires segment</b>						
DK Tolyatti	Entertainment	Russia	50.0%	3,801	(3,801)	-
Sibgaztrans	Oil & gas	Russia	49.6%	1,747	(1,747)	-
Other				279	(275)	4
				<b>5,827</b>	<b>(5,823)</b>	<b>4</b>
<b>Media segment</b>						
Other minor associates				104	-	104
				<b>104</b>	<b>-</b>	<b>104</b>
				<b>69,876</b>	<b>(53,311)</b>	<b>16,565</b>

Unconsolidated subsidiaries and associates have not been consolidated with the results of the Group nor accounted for under the equity method as either the Group does not execute control or significant influence over some of the subsidiaries and associates, or the effect would not materially alter the financial position of the Group as of 31 December 2007 and 2006 or the results of its operations or cash flows of the Group for years ended 31 December 2007 and 2006.

**d) Other investments accounted for at cost**

Included in other investments accounted for at cost as of 31 December 2007 is an amount of USD 24,253 thousand representing investments in two Mosenergo companies (31 December 2006 – USD 14,949 thousand representing investments in five Mosenergo companies). The shares of the two Mosenergo companies are currently not quoted in an active market. As a result, the Group accounts for the investments in these companies at cost being the fair value assigned to each company as of 1 April 2005 - the date of Mosenergo restructuring. When the five Mosenergo companies become listed on the Russian stock-exchange market they will be re-measured to fair value because their share quotations will become representative. See also Note 18 (a) “Available-for-sale investments accounted for at fair value”.

Other investments accounted for at cost also include minor stakes in various Russian companies.

The equity instruments disclosed above (other than those accounted for at fair value) are carried at cost, because they do not have a quoted market price in an active market and other methods of reasonably estimating fair value are unworkable due to the lack of reliable information for discounted cash flow analysis and the absence of comparable quoted companies. It is also currently impossible to calculate the range of estimates within which fair value of the equity investments is highly likely to lie.

As of 31 December 2007 allowances for impairment losses of USD 96,539 thousand are set up against the investments carried at cost (31 December 2006 – USD 82,789 thousand).

The movements of available-for-sale investments and investments in associates during the years ended 31 December 2007 and 2006 were as follows:

<b>31 December 2005</b>	<b>1,090,514</b>
Net effect of adjustments to fair value	588,996
Available-for-sale investments purchased	2,531,979
Available-for-sale investments disposed	(1,728,841)
Effect of consolidation of subsidiaries	(97,341)
Rights issue of subsidiaries	1,206
Impairment of investments	(32,473)
Amounts written off	(21,697)
Transfer to assets held for sale	(11,901)
Transfer to financial assets held-for-trading	(8,624)
Income from associates	60,967
Dividends from associates	(3,200)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	126,964
<b>31 December 2006</b>	<b>2,496,549</b>
Net effect of adjustments to fair value	190,532
Available-for sale investments purchased	1,825,396
Available-for sale investments disposed	(2,548,707)
Effect of consolidation of subsidiaries	(6,607)
Rights issue of subsidiaries	2,599
Impairment of investments	(8,235)
Amounts written off	1,321
Transfer to assets held for sale	(49,155)
Income from associates	20,372
Dividends from associates	(1,382)
Foreign exchange difference from translation to presentation currency (Note 3 (c))	127,871
<b>31 December 2007</b>	<b>2,050,554</b>

Net profit from available-for-sale investments for the year ended 31 December 2007 in the amount of USD 429,459 thousand (2006 – USD 205,276 thousand) represents realized gains on disposal of (1) part of the stakes in Mosenergo and Mosenergo companies owned by the Group – USD 396,314 thousand; (2) OGK-5 – USD 23,213 thousand; (3) other available-for-sale investments – USD 9,932 thousand.

**NOTE 19 – TRADE RECEIVABLES, NET**

As of 31 December 2007 and 2006 trade receivables comprise the following:

	31 December 2007	31 December 2006
Trade receivables	663,926	294,541
Prepayments and advances	344,241	256,714
Other receivables	52,770	79,022
	<b>1,060,937</b>	<b>630,277</b>
Less – Allowance for impairment losses	(84,397)	(89,431)
<b>Trade receivables, net</b>	<b>976,540</b>	<b>540,846</b>

Trade receivables and prepayments primarily consist of prepayments under raw materials purchase agreements and short- and medium-term receivables for petrochemical products marketed and processing services rendered by petrochemical and tires business segment of the Group. As of 31 December 2007 the amount of such receivables and prepayments amounted to USD 589,086 thousand (31 December 2006 – USD 383,772 thousand). As of 31 December 2007 the allowance for impairment associated with these assets was USD 72,594 thousand (31 December 2006 – USD 71,133 thousand).

**NOTE 20 – INVENTORIES, NET**

As of 31 December 2007 and 2006 inventories comprise the following:

	31 December 2007	31 December 2006
Refined products	523,747	386,471
Property and goods for resale	471,604	191,470
Materials and supplies	155,082	87,796
Other finished goods	6,318	21,470
	<b>1,156,751</b>	<b>687,207</b>
Less – Allowance for impairment losses	(18,699)	(14,313)
<b>Inventories, net</b>	<b>1,138,052</b>	<b>672,894</b>

Inventory of petrochemicals and tires segment pledged, as security for loans received was USD nil thousand and USD 55,275 thousand at the end of 2007 and 2006, respectively.

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## NOTE 21 – PROPERTY, PLANT AND EQUIPMENT, NET

The movements of property, plant and equipment during the years ended 31 December 2007 and 2006 were as follows:

	Land, buildings and facilities	Machinery, transport and equipment	Other	Assets under construction	Total
<b>Cost of acquisition</b>					
<b>31 December 2005</b>	<b>1,396,593</b>	<b>1,366,763</b>	<b>41,351</b>	<b>311,479</b>	<b>3,116,186</b>
Transfer	2,361	(2,361)	-	-	-
Additions	90,790	311,282	4,422	56,613	463,107
Disposals	(24,675)	(21,356)	(2,034)	(70,302)	(118,367)
Translation to presentation currency (Note 3(c))	132,268	133,584	3,921	26,763	296,536
<b>31 December 2006</b>	<b>1,597,337</b>	<b>1,787,912</b>	<b>47,660</b>	<b>324,553</b>	<b>3,757,462</b>
Transfer	70,741	210,662	8,138	(289,541)	-
Effect of consolidation and acquisition of subsidiaries	157,258	196,204	30,560	3,260	387,282
Additions	72,741	425,166	48,412	696,398	1,242,717
Disposals	(13,246)	(27,695)	(1,633)	(92,019)	(134,593)
Reclass to investment property	(89,706)	-	-	-	(89,706)
Translation to presentation currency (Note 3(c))	123,010	168,668	7,939	36,734	336,351
<b>31 December 2007</b>	<b>1,918,135</b>	<b>2,760,917</b>	<b>141,076</b>	<b>679,385</b>	<b>5,499,513</b>
<b>Accumulated depreciation</b>					
<b>31 December 2005</b>	<b>436,589</b>	<b>848,976</b>	<b>25,582</b>	<b>-</b>	<b>1,311,147</b>
Transfer	400	(400)	-	-	-
Charge for the period	15,455	147,595	4,440	-	167,490
Disposals	(575)	(8,407)	(884)	-	(9,866)
Translation to presentation currency (Note 3(c))	41,146	83,267	2,490	-	126,903
<b>31 December 2006</b>	<b>493,015</b>	<b>1,071,031</b>	<b>31,628</b>	<b>-</b>	<b>1,595,674</b>
Effect of consolidation and acquisition of subsidiaries	28,755	283,787	24,485	-	337,027
Charge for the period	49,275	163,223	4,500	-	216,998
Disposals	(1,677)	(24,112)	(725)	-	(26,514)
Translation to presentation currency (Note 3(c))	36,517	99,749	4,237	-	140,503
<b>31 December 2007</b>	<b>605,885</b>	<b>1,593,678</b>	<b>64,125</b>	<b>-</b>	<b>2,263,688</b>
<b>Net book value</b>					
<b>31 December 2006</b>	<b>1,104,322</b>	<b>716,881</b>	<b>16,032</b>	<b>324,553</b>	<b>2,161,788</b>
<b>31 December 2007</b>	<b>1,312,250</b>	<b>1,167,239</b>	<b>76,951</b>	<b>679,385</b>	<b>3,235,825</b>

Machinery, transport and equipment consist of office equipment, plant machinery, television and broadcasting equipment and vehicles.

Included within machinery, transport and equipment are assets held under finance leases with a carrying value of USD 49,898 thousand and USD 43,438 thousand as of 31 December 2007 and 2006, respectively.

Included in depreciation charge for the year ended 31 December 2007 is an amount of USD 216,998 thousand (31 December 2006 – USD 167,769 thousand) that relates to depreciation charges included in the petrochemical business operating expenses and in the media business operating expenses (see Notes 7, 8).

As of 31 December 2007 the gross carrying amount of fully depreciated property and equipment that is still in use by the Group was USD 25,307 thousand (31 December 2006 – USD 14,553 thousand).

As of 31 December 2007 net book value of fixed assets pledged as security for loans received by the Group was 7,781 (31 December 2006 – nil).

## NOTE 22 – GOODWILL

The movement of goodwill for the years ended 31 December 2007 and 2006 is as follows:

<b>1 January 2006</b>	<b>552,651</b>
Business combination (Note 1 (b))	15,652
Foreign exchange difference from translation to presentation currency (Note 3 (c))	51,030
<b>31 December 2006</b>	<b>619,333</b>
Business combination (Note 1 (b))	147,463
Foreign exchange difference from translation to presentation currency (Note 3 (c))	45,758
<b>31 December 2007</b>	<b>812,554</b>

Following the application of the predecessor cost accounting method (see Note 3(b)), as of 31 December 2005 the Group recognized goodwill in the amount of USD 552,651 thousand arising from acquisitions by the predecessor owner of subsidiaries that are currently part of the Gazprom Media Group (the “GMG”).

As of 31 December 2005 the amount of goodwill is shown net of impairment loss of USD 236,917 thousand. The impairment occurred prior to the acquisition of GMG by the Group in July 2005. As of 31 December 2007 and 2006 no indication exists that further impairment provision for the goodwill recognized is necessary.

## NOTE 23 – INTANGIBLE ASSETS, NET

As of 31 December 2007 and 2006 intangible assets comprise the following:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Programming rights (GMG)	371,254	279,495
Software and other intangibles	18,860	6,116
<b>Intangible assets, net</b>	<b>390,114</b>	<b>285,611</b>

Amortisation charge provided on intangible assets for the year 2007 amounted to USD 343,090 thousand (2006 – USD 246,535 thousand).

## NOTE 24 – OTHER ASSETS, NET

As of 31 December 2007 and 2006 other assets comprise the following:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Settlements with budget for taxes	467,623	394,475
Receivable on securities operations	176,229	78,353
Assets held-for-sale	70,891	28,605
Investment property	60,185	-
Commissions receivable	48,446	30,904
Bullion in vault	12,230	5,336
Other	121,169	112,644
	<b>956,773</b>	<b>650,317</b>
Less – Allowance for impairment losses	(756)	(335)
<b>Other assets, net</b>	<b>956,017</b>	<b>649,982</b>



Included in settlements with budget for other taxes is an amount of USD 393,471 thousand that represents short-term recoverable VAT primarily relating to activities of petrochemical and tires business segment of the Group (31 December 2006 – USD 326,303 thousand).

Included in assets held for sale as of 31 December 2007 is an amount of USD 51,169 thousand that represents the carrying value of investment in OOO “Gaztekhleasing” which was sold subsequently to the balance sheet date to a related party.

## NOTE 25 – AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions comprise:

	31 December 2007	31 December 2006
Current accounts	82,724	44,993
Time deposits	3,183,703	1,184,923
Syndicated loans	683,429	700,491
Repo agreements	300,951	1,049,245
<b>Amounts owed to credit institutions</b>	<b>4,250,807</b>	<b>2,979,652</b>

In April 2006 the Group received a three-year committed loan in the amount of USD 500,000 thousand from a syndicate of foreign banks. The loan bears interest at USD 6-month LIBOR plus 0.5%. Included in syndicated loans as of 31 December 2007 is the amount of USD 502,140 thousand that relates to the amounts owed to credit institutions under this agreement.

In June 2006, the SIBUR Holding Group (SHG) signed a USD 200,000 thousand syndicated credit facility with ABN AMRO Bank N.V. and Citibank N.A. The facility bears interest at 3 months USD LIBOR plus 1.6 percent. As of 31 December 2007, the amount of USD 181,288 thousand under this agreement is outstanding due.

As of 31 December 2007 19% (USD 795,821 thousand) of amounts owed to credit institutions relate to VneshEconBank (Russia). As of 31 December 2006 43% (USD 1,289,049 thousand) of amounts owed to credit institutions relate to Dresdner Bank AG (Germany).

Repo agreements represent short-term funding received by the Group with securities pledged as collateral to credit institutions (see Note 15).

As of 31 December 2007 the fair value of amounts owed to credit institutions estimated based on the valuation techniques described in Note 3(n) lies in the range from USD 4,250,807 thousand to USD 4,298,108 thousand (31 December 2006 – from USD 2,979,652 thousand to USD 3,063,412 thousand).

## NOTE 26 – AMOUNTS OWED TO CUSTOMERS AND SUBORDINATED DEPOSITS

Amounts owed to customers comprise:

	31 December 2007	31 December 2006
<b>Current accounts:</b>		
- State controlled companies	4,092,940	3,079,732
- Private companies	3,658,682	1,418,075
- Individuals	1,768,444	1,275,089
	<b>9,520,066</b>	<b>5,772,896</b>
<b>Time deposits:</b>		
- State controlled companies	1,889,879	1,542,693
- Private companies	1,954,284	2,524,050
- Individuals	2,580,450	1,607,452
	<b>6,424,613</b>	<b>5,674,195</b>
<b>Amounts owed to customers</b>	<b>15,944,679</b>	<b>11,447,091</b>

As of 31 December 2007 current accounts and time deposits of OAO “Gazprom” Group composed 34% (USD 5,378,023 thousand) of the Group’s total amounts owed to customers (31 December 2006 – 32% or USD 3,694,321 thousand).

Included in time deposits as of 31 December 2007 is an amount of USD 212,433 thousand that represent coverage under letters of credit opened by the Bank. (31 December 2006 - USD 138,878 thousand) (see Note 35).

As of 31 December 2007 and 2006 subordinated deposits comprise:

	31 December 2007	31 December 2006
State controlled companies	260,790	280,595
Private companies	300,000	408,237
<b>Subordinated deposits</b>	<b>560,790</b>	<b>688,832</b>

Subordinated deposits of the Group represent time deposits that were placed by customers according to agreements that include the following terms: (i) original maturity is not less than 5 years; (ii) customers have no right to claim the deposits before maturity; and (iii) in the event of the Bank’s bankruptcy or default, subordinated deposits are to be repaid only after the settlement of all other liabilities. At the same time, the classification of deposits as subordinated for the purpose of compliance to Russian statutory legislation (for the calculation of statutory capital adequacy) also needs formal approval of the terms of each deposit agreement by the Central Bank of the Russian Federation (the “registration” of deposit agreements). As of 31 December 2007 subordinated deposits in amount of USD 519,864 thousand represent agreements registered by the Central Bank of the Russian Federation (31 December 2006 – USD 625,492 thousand).

As of 31 December 2007 included in subordinated deposits is an amount of USD 260,790 thousand that relates to deposits of the OAO Gazprom Group (31 December 2006 – USD 280,595 thousand). Interest rates on the OAO Gazprom Group deposits are floating and are linked to LIBOR. The rest of Ruble-denominated subordinated deposits bear fixed Ruble interest rates up to 6.5%.

In June 2006 the Group received a 5-year subordinated deposit from an international institution in the amount of USD 300,000 thousand at a fixed rate of 7.97% per annum with interest paid semi-annually.

Subordinated deposits mature between 2007 and 2016.

As of 31 December 2007 the fair value of customer and subordinated deposits estimated based on the valuation techniques described in Note 3(n) lies in the range from USD 16,498,515 thousand to USD 16,505,469 thousand (31 December 2006 – from USD 12,033,015 thousand to USD 12,135,923 thousand).

## NOTE 27 – CERTIFICATED DEBTS AND EUROBONDS ISSUED

Certificated debts issued comprise:

	31 December 2007	31 December 2006
Promissory notes issued	1,450,446	4,852,677
Ruble domestic bonds issued	1,484,934	440,576
Domestic residential mortgage backed securities issued	94,028	91,468
Certificates of deposit issued	17,192	69,822
<b>Certificated debts</b>	<b>3,046,600</b>	<b>5,454,543</b>

In November 2006, the SIBUR Holding Group issued USD 61,109 thousand of Ruble-denominated redeemable non-convertible documentary bonds each with a nominal value of RUR 1,000 maturing in 2012.

The issue bears a nominal 7.7 percent coupon paid semi-annually and was placed at 99.85 percent of par value. The issue is to be redeemed in November 2009.

For further details on the maturity profile of the certificated debts portfolio as well as the information on effective interest rates see Note 33.

As of 31 December 2007 the fair value of certificated debts issued by the Group estimated based on the valuation techniques described in Note 3(n) and market quotations lies in the range from USD 2,710,900 thousand to USD 3,046,600 thousand (31 December 2006 – from USD 5,418,096 thousand to USD 5,454,543 thousand).

As of 31 December 2007 and 2006 Eurobonds issued internationally comprise:

	%	Maturity date	31 December 2007	31 December 2006
USD loan participation notes	7.25%	October 2008	1,061,268	1,059,500
USD euro medium term notes	6.50%	September 2015	1,009,051	1,008,585
	3-month			
USD loan participation notes	LIBOR+0.9%	April 2010	698,466	-
Ruble medium term notes	7.25%	February 2010	416,310	-
	1-month			
Euro cross-border residential mortgage backed securities	EURIBOR+1.3%	December 2046	358,924	185,831
Ruble cross-border residential mortgage backed securities	8%-11%	December 2046	113,040	8,125
USD Secured Limited Resource Notes	9.25%	December 2010	59,377	60,829
	6.29%-6.39%			
USD Euro commercial papers		February 2007- September 2007	-	171,355
Euro commercial papers	4.67%	June 2007	-	119,513
<b>Eurobonds</b>			<b>3,716,436</b>	<b>2,613,738</b>

In December 2006, in June 2007 and December 2007 the Group securitized RUR 14.95 billion (USD 609,100 thousand) of its mortgage loan portfolio by means of: (1) domestic Ruble-denominated residential mortgage backed securities (“RMBS”) issue in the amount of USD 94,028 thousand and (2) both Euro- and Ruble-denominated cross-border RMBS issue in the amount of USD 492,091 thousand. As of 31 December 2007 USD 94,028 thousand of domestic RMBS and USD 471,964 thousand of cross-border RMBS were placed by the Group with the third parties.

As of 31 December 2007 included in Eurobonds issued is an amount of USD 59,377 thousand that represents U.S. Dollar-denominated Secured Limited Resource Notes issued internationally in December 2006 by one of the subsidiaries of GMG.

As of 31 December 2007 the fair value of Eurobonds issued by the Group estimated based on the market quotations was USD 3,654,942 thousand (31 December 2006 – USD 2,655,353 thousand).

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**NOTE 28 – OTHER LIABILITIES**

Other liabilities comprise:

	Notes	31 December 2007	31 December 2006
Payables on operations with securities		758,842	660,548
Settlements with suppliers		482,999	220,041
Payable under employee share-option plan (Note 12)		337,616	-
Payable to employees		187,775	99,140
Operating taxes payable		113,487	109,076
Provision for other risks	6, 35	32,984	20,797
Other		228,590	242,029
<b>Other liabilities</b>		<b>2,142,293</b>	<b>1,351,631</b>

Included in payables on operations with securities is an amount of USD 694,599 thousand that represents a deferred nominal payment to OAO “Gazprom” for controlling stake in GMG and the related debts of GMG due in September 2008 (31 December 2006 – USD 636,859 thousand).

**NOTE 29 – SHARE CAPITAL**

The authorized share capital of the Bank comprises 23,331,851 ordinary shares; issued share capital comprises 19,997,777 ordinary shares as of 31 December 2007 and 13,331,851 ordinary shares as of 31 December 2006. All shares have a par value of 1,000 Rubles. The holders of ordinary shares are entitled to receive dividends as annually declared and are entitled to one vote per share at annual and other general meetings of the Bank’s shareholders.

In April 2007 the subsidiary of the Group – OOO “Novye Finansovye Technologii” sold 13,332 shares of the Bank (0.07% of the Bank’s total stock) to NPF “Gazfond” which brought the cumulative share of NPF “Gazfond” in the Group’s stock to 50% plus 1 share.

As of 31 December 2007 the Group held 1,654,776 of the Bank’s shares as treasury stock (31 December 2006 – 1,668,108 shares).

**NOTE 30 – RETAINED EARNINGS AND EARNINGS PER SHARE**

Dividends payable by the Group are restricted to the maximum distributable reserves, which are determined by the amount of reserves as disclosed in the accounts of the Bank prepared in accordance with statutory legislation. As of 31 December 2007, the statutory accounts of the Bank disclosed distributable reserves of USD 1,955,103 thousand and non-distributable reserves of USD 106,972 thousand (31 December 2006 – distributable reserves of USD 1,355,172 thousand and non-distributable reserves USD 76,122 thousand). The major part of statutory non-distributable reserves are general reserves, which represent amounts set aside, as required by the regulations of the Russian Federation, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

In June 2007 the general meeting of shareholders of the Bank approved a dividend payout for 2006 in amount of USD 88,579 thousand (dividend payout for 2005 paid in 2006 was USD 65,363 thousand). Also, included in the movement of equity is an amount of USD 42,765 thousand that represents dividends for 2006 declared or paid by subsidiary banks Severgazbank, Sibirgazbank, various subsidiaries of GMG and OAO “SIBUR Holding” to their minority shareholders.

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As of 31 December 2007 the basic earnings per share of the Group were diluted with contingently saleable shares held as treasury stock ordinary shares as a result of employee share-option plans launched by the Group in December 2006 (see Note 12 for details). As of 31 December 2007 and 2006 the basic and diluted earnings per share were as follows:

	2007	2006
<b>Basic earnings per share, USD:</b>		
Net profit for the period, USD	1,224,365,000	1,330,775,000
Weighted-average number of ordinary shares outstanding during the period	18,339,093	11,937,685
<b>Earnings per share, USD</b>	<b>66.8</b>	<b>111.5</b>
<b>Diluted earnings per share, USD:</b>		
Net profit for the period, USD	1,224,365,000	1,330,775,000
Weighted-average number of ordinary shares outstanding during the period	19,052,105	11,945,070
<b>Earnings per share, USD</b>	<b>64.3</b>	<b>111.4</b>

#### NOTE 31 – FINANCIAL LIABILITIES HELD-FOR-TRADING

The Group's position and fair value of derivative financial liabilities outstanding as of 31 December 2007 were as follows:

	Notional principal equivalent	Fair value of derivative contracts
<b><u>Derivative liabilities</u></b>		
<b>Foreign exchange contracts</b>		
<i>Option contracts</i>		
Call options written - foreign	(254,644)	(22,699)
Put options written - foreign	(22,509)	(51)
<i>Forward contracts</i>		
Liabilities foreign	(2,898,161)	(40,831)
Liabilities domestic	(3,699,266)	(61,389)
<b>Bullion contracts</b>		
<i>Forward contracts</i>		
Liabilities foreign	(2,117)	(170)
<b>Securities contracts</b>		
<i>Option contracts</i>		
Call options written - foreign	-	-
Put options written - foreign	(1,668,993)	(190,093)
<i>Forward contracts</i>		
Liabilities foreign	(60,000)	(15,200)
Liabilities domestic	(140,266)	(440)
<b>Interest swaps</b>		
Liabilities foreign	(510,388)	-
<b>Total derivative liabilities</b>	<b>(9,256,344)</b>	<b>(330,873)</b>

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The Group's position and fair value of derivatives outstanding as of 31 December 2006 were as follows:

	Notional principal equivalent	Fair value of derivative contracts
<b>Derivative liabilities</b>		
<b>Foreign exchange contracts</b>		
<i>Option contracts</i>		
Call options written - foreign	(38,790)	(920)
Put options written - foreign	(37,350)	(6)
<i>Forward contracts</i>		
Liabilities foreign	(1,676,058)	(14,506)
Liabilities domestic	(1,706,565)	(13,387)
<b>Bullion contracts</b>		
<i>Forward contracts</i>		
Liabilities foreign	(4,950)	(255)
<b>Securities contracts</b>		
<i>Option contracts</i>		
Call options written - foreign	(236,869)	(12,588)
Put options written - foreign	(610,434)	(95,669)
<i>Forward contracts</i>		
Liabilities domestic	(24,629)	(153)
<b>Total derivative liabilities</b>	<b>(4,335,645)</b>	<b>(137,484)</b>

Included in derivative liabilities under securities contracts - put option written-foreign as of 31 December 2007 is an amount of USD 130,730 thousand that represents the fair value of European put option contracts written to a foreign institution for 50 million ordinary shares of OAO "Gazprom" (31 December 2006 – USD 95,669 thousand for 46 million ordinary shares of OAO "Gazprom").

#### NOTE 32 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2007 and 2006 as shown in the consolidated cash flow statements comprised:

	31 December 2007	31 December 2006
Cash on hand	536,179	459,220
Current account with the Central Bank of the Russian Federation	1,150,726	948,910
Time deposit with the Central Bank of the Russian Federation	12,249	1,139,337
Due from credit institutions:		
– Current accounts	1,469,370	1,287,494
– Time deposits with a maturity of three months or less when originated	4,259,802	2,673,394
<b>Cash and cash equivalents</b>	<b>7,428,326</b>	<b>6,508,355</b>

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**NOTE 33 – RISK MANAGEMENT POLICIES**

The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates, securities and commodity prices and foreign exchange rates. These risks are managed by the Bank and each of its primary subsidiaries – SHG, GMG and subsidiary banks – independently though some of the risk management functions are coordinated on the Group's level.

For example, the risk management of SHG and GMG is carried out by central finance function of these companies. Companies' treasury departments identify, evaluate and hedge market risks in accordance with the policies approved by the governing bodies of the companies. Treasury departments also manage credit risks in relation to transactions with financial institutions. Credit and liquidity risks in relation to the operating transactions are managed by business units in accordance with written policies established by the companies. Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The Bank's Management considers risk management and risk controls to be vitally important aspects of its business operations and management activities, establishing and integrating these functions into corporate organization in the form of continuous process. The Bank has set internal standards of risk transparency as the basis for controlling, limiting and managing risks. The Bank has established a Risk Management Department, which directly reports to the Management Board. Asset and Liability Management Committee (the "ALM Committee"), Credit and Investment Committees of the Bank are responsible for developing methods used to measure market and credit risks and for independently measuring and monitoring risks on an ongoing basis. The Bank considers economic dependence on OAO "Gazprom" (see Note 1 (c)) within the framework of its risk management policies.

In addition to that, the Bank has an Internal Control Department, one of the activities of which is aimed specifically at preventing losses for the Bank and its customers. Management believes that all the regulatory requirements of the Central Bank of the Russian Federation regarding an internal audit function are fully satisfied.

Risk management procedures in subsidiary banks are similar (with some feature due to nature of subsidiary bank's specialization) to the Bank.

A description of the Groups' risk management policies in relation to market and credit risks follows:

**a) Credit risk**

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay in full amounts when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to a quarterly or more frequent review.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures set by the Credit Committee or the Investment Committee, each called once a week. Actual exposures against limits are monitored daily.

All deals bearing credit risk (except for deals under personal limits and limits set for the Bank's branches) are subject to independent assessment, conducted by the Risk Management Department. Such assessment includes qualitative and quantitative approaches, specified by the Credit and Risk management Policy of the Group.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations, by regular monitoring of internal ratings migration and by changing the lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk exposure on derivatives is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.



Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore bear remote credit risk.

The Group's Credit policy is approved and periodically reviewed by the Management Board. The latest release of the document was in March 2008.

### Geographical concentration of assets and liabilities

The geographical concentration of assets and liabilities as of 31 December 2007 and 2006 follows:

	31 December 2007			
	Russia	OECD	Other non-OECD	Total
<b>Assets</b>				
Cash and due from the CBR	2,067,904	-	-	2,067,904
Due from credit institutions, net	3,414,392	2,555,804	60,985	6,031,181
Financial assets held-for-trading	4,224,004	203,669	-	4,427,673
Loans to customers, net	15,275,188	303,994	765,859	16,345,041
Investments available-for-sale, net and investments in associates	1,706,317	314,094	30,143	2,050,554
Trade receivables, net	812,840	135,876	27,824	976,540
Inventories, net	1,138,052	-	-	1,138,052
Income tax assets	341,365	-	-	341,365
Property, plant and equipment, net	3,235,825	-	-	3,235,825
Goodwill	812,554	-	-	812,554
Intangible assets, net	390,114	-	-	390,114
Other assets, net	956,017	-	-	956,017
	<b>34,374,572</b>	<b>3,513,437</b>	<b>884,811</b>	<b>38,772,820</b>
<b>Liabilities</b>				
Amounts owed to credit institutions	1,813,731	2,430,622	6,454	4,250,807
Amounts owed to customers	15,206,895	347,606	390,178	15,944,679
Subordinated deposits	260,790	300,000	-	560,790
Financial liabilities held-for-trading	-	330,873	-	330,873
Eurobonds issued	-	3,657,059	59,377	3,716,436
Certificated debts	2,802,114	242,904	1,582	3,046,600
Income tax liabilities	410,928	-	-	410,928
Other liabilities	2,140,998	-	1,295	2,142,293
	<b>22,635,456</b>	<b>7,309,064</b>	<b>458,886</b>	<b>30,403,406</b>
<b>Net balance sheet position</b>	<b>11,739,116</b>	<b>(3,795,627)</b>	<b>425,925</b>	<b>8,369,414</b>

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31 December 2006				
	Russia	OECD	Other non-OECD	Total
<b>Assets</b>				
Cash and due from the CBR	2,907,450	-	-	2,907,450
Due from credit institutions, net	4,390,542	2,553,643	293,497	7,237,682
Financial assets held-for-trading	2,429,133	-	-	2,429,133
Loans to customers, net	10,139,767	214,828	1,229,395	11,583,990
Investments available-for-sale, net and investments in associates	1,807,747	668,021	20,781	2,496,549
Trade receivables, net	540,846	-	-	540,846
Inventories, net	672,894	-	-	672,894
Income tax assets	83,209	-	-	83,209
Property, plant and equipment, net	2,161,788	-	-	2,161,788
Goodwill	619,333	-	-	619,333
Intangible assets, net	285,611	-	-	285,611
Other assets, net	534,713	59,216	56,053	649,982
	<b>26,573,033</b>	<b>3,495,708</b>	<b>1,599,726</b>	<b>31,668,467</b>
<b>Liabilities</b>				
Amounts owed to credit institutions	191,312	2,516,671	271,669	2,979,652
Amounts owed to customers	11,201,540	33,219	212,332	11,447,091
Subordinated deposits	388,832	300,000	-	688,832
Financial liabilities held-for-trading	137,484	-	-	137,484
Eurobonds issued	-	2,613,738	-	2,613,738
Certificated debts	5,174,212	276,617	3,714	5,454,543
Income tax liabilities	345,358	-	-	345,358
Other liabilities	1,226,512	124,450	669	1,351,631
	<b>18,665,250</b>	<b>5,864,695</b>	<b>488,384</b>	<b>25,018,329</b>
<b>Net balance sheet position</b>	<b>7,907,783</b>	<b>(2,368,987)</b>	<b>1,111,342</b>	<b>6,650,138</b>

### Maximum credit risk exposure on financial instruments

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

31 December 2007				
	Maximum credit risk, gross	Allowance for impairment	Fair value of collateral	Maximum credit risk, net
Due from credit institutions	6,042,895	(11,714)	2,827,941	3,203,240
Debt securities	3,292,051	-	-	3,292,051
Loans to customers	16,896,168	(551,127)	4,711,320	11,633,721
Available-for-sale investments	207,379	-	-	207,379
Trade receivables and other assets	1,285,612	(85,153)	-	1,200,459
Financial guarantees and other commitments	3,365,633	(32,984)	1,668,283	1,664,366
	<b>31,089,738</b>	<b>(680,978)</b>	<b>9,207,544</b>	<b>21,201,216</b>

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## 31 December 2006

	Maximum credit risk, gross	Allowance for impairment	Nominal value of collateral*	Maximum credit risk, net
Due from credit institutions	7,248,593	(10,911)	992,296	6,245,386
Debt securities	1,185,377	-	-	1,185,377
Loans to customers	12,054,434	(470,444)	18,460,967	(6,876,977)
Available-for-sale investments	612,558	-	-	612,558
Trade receivables and other assets	739,534	(89,766)	-	649,768
Financial guarantees and other commitments	1,069,088	(15,397)	629,055	424,636
	<b>22,909,584</b>	<b>(586,518)</b>	<b>20,082,318</b>	<b>2,240,748</b>

## Internal credit rating of financial assets

The Bank is in the process of implementation of a more sophisticated credit risk rating system, which includes evaluating of counterparties on operations bearing credit risk. This system is managed, monitored and updated by the Risk Management Department of the Bank. Individual rating methodologies are implemented for each type of clients, set up by the Credit policy of the Bank. For the rating assessment purpose all corporate clients are divided into the following segments: a) large corporate clients segment (annual sales more than USD 100 million); b) medium corporate clients segment (annual sales less than USD 100 million); c) clients under project finance deals; d) small-business clients and individual entrepreneurs; e) retail clients. Small-business clients and retail clients are included in asset groups monitored on portfolio basis (without rating assessment). The internal rating system includes nine non-default grades (from AAA to C) and covers all loans and commitments to corporate clients and banks.

The Bank's classification of financial assets according to internal credit rating system as of 31 December 2007 is represented below.

## 31 December 2007

	AAA-A	BBB-B	CCC-C	D	Not rated	Total
Due from credit institutions, gross	2,594,391	556,472	-	-	2,892,032	6,042,895
Less - Allowance for impairment	-	(666)	-	-	(11,048)	(11,714)
Debt securities	835,763	233,494	-	-	2,222,794	3,292,051
Loans to corporate customers, gross	4,419,512	2,984,311	1,394,113	164,821	5,141,775	14,104,532
Less - Allowance for impairment	-	(97,794)	(129,452)	(136,309)	(157,400)	(520,955)
Loans to individuals, gross	-	-	-	-	2,791,636	2,791,636
Less - Allowance for impairment	-	-	-	-	(30,172)	(30,172)
Available-for-sale investments accounted for at fair value	166,837	-	-	-	40,542	207,379
Trade receivables and other assets, gross	-	-	-	-	1,285,613	1,285,613
Less - Allowance for impairment	-	-	-	-	(85,153)	(85,153)
Financial guarantees and other commitments	1,272,896	1,088,638	263,277	52,472	688,350	3,365,633
Less - Allowance for impairment	-	(23,730)	(1,752)	-	(7,502)	(32,984)
	<b>9,289,399</b>	<b>4,740,725</b>	<b>1,526,186</b>	<b>80,984</b>	<b>14,771,467</b>	<b>30,408,761</b>

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\* - as no comparative data on the fair value of collateral obtained by the Group exists for 2006 the amounts of related collateral are stated at their nominal (contractual) values.

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The Group introduced the above-mentioned internal credit rating system only recently. Before 2007 the Group used different credit risk classifications of assets, which is presented below.

<b>31 December 2006</b>						
	<b>Good</b>	<b>Special mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Bad</b>	<b>Total</b>
Due from credit institutions, gross	7,237,682	-	-	-	10,911	7,248,593
Less - Allowance for impairment	-	-	-	-	(10,911)	(10,911)
Debt securities	1,185,377	-	-	-	-	1,185,377
Loans to corporate customers, gross	5,107,319	4,837,917	309,378	69,044	144,777	10,468,435
Less - Allowance for impairment	(75,138)	(175,080)	(23,129)	(28,555)	(143,056)	(444,958)
Loans to individuals, gross	1,585,999	-	-	-	-	1,585,999
Less - Allowance for impairment	(25,486)	-	-	-	-	(25,486)
Available-for-sale investments accounted for at fair value	612,558	-	-	-	-	612,558
Trade receivables and other assets, gross	649,545	-	-	-	89,988	739,533
Less - Allowance for impairment	-	-	-	-	(89,766)	(89,766)
Financial guarantees and other commitments	767,486	299,977	-	-	1,625	1,069,088
Less - Allowance for impairment	(5,100)	(8,950)	-	-	(1,347)	(15,397)
	<b>17,040,242</b>	<b>4,953,864</b>	<b>286,249</b>	<b>40,489</b>	<b>2,221</b>	<b>22,323,065</b>

**Ananlysis of impaired financial assets**

Analysis of impaired financial assets as of 31 December 2007 and 2006 is presented in the tables below.

<b>31 December 2007</b>				
	<b>Not impaired assets</b>	<b>Individually determined impairment</b>	<b>Collectively determined impairment</b>	<b>Total</b>
Due from credit institutions, gross	5,998,011	44,884	-	6,042,895
Less - Allowance for impairment	-	(11,714)	-	(11,714)
Financial assets held-for-trading	3,292,051	-	-	3,292,051
Loans to corporate customers, gross	5,921,011	7,356,294	827,227	14,104,532
Less - Allowance for impairment	-	(486,683)	(34,272)	(520,955)
Loans to individuals, gross	-	-	2,791,636	2,791,636
Less - Allowance for impairment	-	-	(30,172)	(30,172)
Available-for-sale investments accounted for at fair value	207,379	-	-	207,379
Trade receivables and other assets, gross	1,200,291	85,322	-	1,285,613
Less-Allowance for impairment	-	(85,153)	-	(85,153)
Financial guarantees and other commitments	3,303,123	49,670	12,840	3,365,633
Less-Allowance for impairment	(29,838)	(2,555)	(591)	(32,984)
	<b>19,892,028</b>	<b>6,950,065</b>	<b>3,566,668</b>	<b>30,408,761</b>

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31 December 2006				
	Not impaired assets	Individually determined impairment	Collectively determined impairment	Total
Due from credit institutions, gross	7,237,682	10,911	-	7,248,593
Less - Allowance for impairment	-	(10,911)	-	(10,911)
Financial assets held-for-trading	1,185,377	-	-	1,185,377
Loans to corporate customers, gross	1,078,549	6,295,923	3,093,963	10,468,435
Less - Allowance for impairment	(7,111)	(344,227)	(93,620)	(444,958)
Loans to individuals, gross	-	-	1,585,999	1,585,999
Less - Allowance for impairment	-	-	(25,486)	(25,486)
Available-for-sale investments accounted for at fair value	612,558	-	-	612,558
Trade receivables and other assets, gross	649,546	89,987	-	739,533
Less-Allowance for impairment	-	(89,766)	-	(89,766)
Financial guarantees and other commitments	725,224	301,603	42,261	1,069,088
Less-Allowance for impairment	(5,100)	(9,762)	(536)	(15,398)
	<b>11,476,725</b>	<b>6,243,758</b>	<b>4,602,581</b>	<b>22,323,064</b>

According to its' Credit policy the Group should not have financial assets that would be technically past due but not impaired for more than 5 days. As of 31 December 2007 and 2006 the amounts of past due but not impaired assets are immaterial for reporting purposes.

#### Analysis of collateralized financial assets

The Group according to its' credit policies holds financial and non-financial assets which were received as credit enhancements (e.g. financial guarantees) or collateral as security for the Groups' credit exposures. Analysis of financial assets securitised by collateral or guarantees as of 31 December 2007 and 2006 follow.

31 December 2007						
	Due from credit institutions, gross	Loans to individuals, gross	Loans to corporate customers, gross	Trade receivables and other assets, gross	Financial guarantees and other commitments	Total
Secured by collateral or other credit enhancement	2,827,941	2,753,155	13,297,680	-	1,444,436	20,323,212
Not secured	3,214,954	38,481	806,852	1,285,613	1,921,197	7,267,097
	<b>6,042,895</b>	<b>2,791,636</b>	<b>14,104,532</b>	<b>1,285,613</b>	<b>3,365,633</b>	<b>27,590,309</b>

31 December 2006						
	Due from credit institutions, gross	Loans to individuals, gross	Loans to corporate customers, gross	Trade receivables and other assets, gross	Financial guarantees and other commitments	Total
Secured by collateral or other credit enhancement	992,296	1,585,999	8,300,596	-	459,530	11,338,421
Not secured	6,256,297	-	2,167,839	739,534	609,558	9,773,228
	<b>7,248,593</b>	<b>1,585,999</b>	<b>10,468,435</b>	<b>739,534</b>	<b>1,069,088</b>	<b>21,111,649</b>

**b) Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or ineffective internal processes, personnel and systems or external events. Examples of events that are included, but not limited to, under the definition of operational risk are losses from fraud, computer system failures, settlement errors, model errors or natural disasters.

By their nature, these risks are difficult to measure or quantify than other types of risk and therefore an effective monitoring process is essential for adequately managing operational risk. Regular monitoring activities can offer the advantage of quickly detecting and correcting deficiencies in the policies, processes and procedures for managing operational risk. Promptly detecting and addressing these deficiencies can substantially reduce the potential frequency and/or severity of a loss event. We are focused on implementing a process to regularly monitor our operational risk profiles and material exposures to operational losses.

**c) Liquidity risk**

The Group is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs, guarantees and from margin and other derivatives settled by cash. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The Management Board approves the liquidity management policy, while the ALM Committee determines policy for asset and liability management and liquidity metrics (methodology). The Risk Management Department is responsible for the evaluation of liquidity risk (using gap analysis and liquidity VAR) and is reporting to the ALM Committee on a regular basis.

The Bank's Treasury on a real-time basis, conducting necessary transactions to regulate liquidity gaps, carries day-to-day liquidity management. The Treasury reports to the ALM Committee on a regular basis.

The ALM Committee sets limits on the minimum proportion of maturing funds available to cover cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Volume and contractual maturity of assets and liabilities are limited both on individual transaction/contract and portfolio basis. For instance, the Bank employs a credit portfolio funding procedure, limiting net growth of credit portfolio to predefined, weekly revised volume.

**Contractual maturity of assets and liabilities**

The remaining contractual maturities of assets and liabilities as of 31 December 2007 and 2006 follow. The amounts disclosed are the contractual discounted cash flows (amortized cost) or fair value of the appropriate assets and liabilities as at the reporting dates.

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**31 December 2007**

	<b>On demand</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>							
Cash and due from the CBR	1,917,709	76,206	17,843	45,878	8,319	1,949	2,067,904
Due from credit institutions, net	1,463,283	4,291,049	13,948	250,901	12,000	-	6,031,181
Financial assets held-for- trading	3,761,719	410,396	27,818	131,715	96,025	-	4,427,673
Loans to customers, net	878,324	1,048,960	2,175,684	4,760,358	4,923,935	2,557,780	16,345,041
Investments available-for- sale, net and investments in associates	-	-	-	-	1,620,182	430,372	2,050,554
Trade receivables, net	33,354	219,426	248,581	375,620	99,519	40	976,540
Inventories, net	-	-	-	465,370	672,682	-	1,138,052
Income tax assets	-	-	341,365	-	-	-	341,365
Property, plant and equipment, net	-	-	-	-	2,298,282	937,543	3,235,825
Goodwill	-	-	-	-	-	812,554	812,554
Intangible assets, net	-	-	-	-	-	390,114	390,114
Other assets, net	7,466	43,877	375,705	413,190	60,376	55,403	956,017
	<b>8,061,855</b>	<b>6,089,914</b>	<b>3,200,944</b>	<b>6,443,032</b>	<b>9,791,320</b>	<b>5,185,755</b>	<b>38,772,820</b>
<b>Liabilities</b>							
Amounts owed to credit institutions	82,724	1,508,248	234,481	904,727	1,379,991	140,636	4,250,807
Amounts owed to customers	9,520,066	3,108,389	762,605	2,001,625	378,729	173,265	15,944,679
Subordinated deposits	-	3,033	-	22,926	463,841	70,990	560,790
Financial liabilities held- for-trading	-	52,624	50,077	37,393	190,779	-	330,873
Eurobonds issued	-	-	-	1,061,268	1,174,153	1,481,015	3,716,436
Certificated debts	153,871	128,626	100,981	812,664	1,726,129	124,329	3,046,600
Income tax liabilities	-	18,740	-	255,354	107,831	29,003	410,928
Other liabilities	31,276	514,289	397,955	483,192	707,633	7,948	2,142,293
	<b>9,787,937</b>	<b>5,333,949</b>	<b>1,546,099</b>	<b>5,579,149</b>	<b>6,129,086</b>	<b>2,027,186</b>	<b>30,403,406</b>
<b>Net balance sheet position</b>	<b>(1,726,082)</b>	<b>755,965</b>	<b>1,654,845</b>	<b>863,883</b>	<b>3,662,234</b>	<b>3,158,569</b>	<b>8,369,414</b>
<b>Accumulated gap</b>	<b>(1,726,082)</b>	<b>(970,117)</b>	<b>684,728</b>	<b>1,548,611</b>	<b>5,210,845</b>	<b>8,369,414</b>	

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31 December 2006							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>Assets</b>							
Cash and due from the CBR	2,751,048	47,840	65,864	35,270	5,763	1,665	2,907,450
Due from credit institutions, net	1,287,897	2,740,284	207,295	2,969,680	27,513	5,013	7,237,682
Financial assets held-for-trading	710,219	1,663,778	26,153	10,981	18,002	-	2,429,133
Loans to customers, net	559,439	1,039,594	1,666,558	3,878,268	3,138,964	1,301,167	11,583,990
Investments available-for-sale, net and investments in associates	-	-	-	509,188	1,800,483	186,878	2,496,549
Trade receivables, net	-	540,846	-	-	-	-	540,846
Inventories, net	-	-	-	672,894	-	-	672,894
Income tax assets	-	-	-	83,209	-	-	83,209
Property, plant and equipment, net	-	-	-	-	1,343,077	818,711	2,161,788
Goodwill	-	-	-	-	-	619,333	619,333
Intangible assets, net	-	-	-	-	-	285,611	285,611
Other assets, net	-	134,353	67,715	447,914	-	-	649,982
	<b>5,308,603</b>	<b>6,166,695</b>	<b>2,033,584</b>	<b>8,607,405</b>	<b>6,333,802</b>	<b>3,218,378</b>	<b>31,668,467</b>
<b>Liabilities</b>							
Amounts owed to credit institutions	56,574	371,875	1,185,773	10,118	1,255,766	99,546	2,979,652
Amounts owed to customers	5,772,896	2,222,055	2,094,401	1,121,535	183,267	52,937	11,447,091
Subordinated deposits	-	-	4,133	12,776	565,744	106,179	688,832
Financial liabilities held-for-trading	-	8,677	18,431	110,246	-	130	137,484
Eurobonds issued	-	-	59,681	231,186	1,120,329	1,202,542	2,613,738
Certificated debts	194,410	144,392	801,019	3,349,743	553,865	411,114	5,454,543
Income tax liabilities	-	-	-	345,358	-	-	345,358
Other liabilities	114	156,129	48,788	494,634	651,966	-	1,351,631
	<b>6,023,994</b>	<b>2,903,128</b>	<b>4,212,226</b>	<b>5,675,596</b>	<b>4,330,937</b>	<b>1,872,448</b>	<b>25,018,329</b>
<b>Net balance sheet position</b>	<b>(715,391)</b>	<b>3,263,567</b>	<b>(2,178,642)</b>	<b>2,931,809</b>	<b>2,002,865</b>	<b>1,345,930</b>	<b>6,650,138</b>
<b>Accumulated gap</b>	<b>(715,391)</b>	<b>2,548,176</b>	<b>369,534</b>	<b>3,301,343</b>	<b>5,304,208</b>	<b>6,650,138</b>	

Management regards securities at fair value through profit or loss, except for those pledged under repurchase agreements, as liquid assets available for immediate disposal as they are stated at fair value at the report date. Maturities of available-for-sale investments are stated based on the Management plans as to their realization.

The maturity of the obligatory reserve with the Central Bank of the Russian Federation is based on the maturities of respective amounts owed to customers, that determine the amount of the obligatory reserve.

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Contractual remaining maturity analysis for financial liabilities based on undiscounted cash flows of each financial instrument as of 31 December 2007 and 2006 was as follows:

31 December 2007							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to credit institutions	82,724	1,510,849	236,100	1,055,792	1,410,736	204,402	4,500,603
Amounts owed to customers	9,450,362	3,184,726	763,822	2,054,218	941,113	336,032	16,730,273
Subordinated deposits	-	3,045	-	23,794	487,010	82,215	596,064
Financial liabilities held-for-trading	-	50,273	32,713	23,297	11,813	-	118,096
Eurobonds issued	-	-	47,957	121,001	2,571,402	1,768,547	4,508,907
Certificated debts	139,002	128,908	102,380	874,028	2,358,810	178,714	3,781,842
Income tax liabilities	-	18,740	-	255,354	107,831	29,003	410,928
Other liabilities	31,276	514,289	397,955	483,192	707,633	7,948	2,142,293
<b>Total liabilities position (undiscounted)</b>	<b>9,703,364</b>	<b>5,410,830</b>	<b>1,580,927</b>	<b>4,890,676</b>	<b>8,596,348</b>	<b>2,606,861</b>	<b>32,789,006</b>

31 December 2006							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to credit institutions	56,574	367,228	1,187,617	10,346	1,243,422	115,744	2,980,931
Amounts owed to customers	6,810,813	1,397,484	2,074,371	1,094,964	122,863	97,426	11,597,921
Subordinated deposits	-	-	4,150	13,144	677,685	150,074	845,053
Financial liabilities held-for-trading	-	8,505	5,631	16,856	-	-	30,992
Eurobonds issued	-	-	32,681	110,405	1,391,185	1,263,792	2,798,063
Certificated debts	238,029	132,599	786,125	3,286,402	748,366	707,956	5,899,477
Income tax liabilities	-	-	-	345,358	-	-	345,358
Other liabilities	114	164,806	67,219	604,880	651,966	130	1,489,115
<b>Total liabilities position (undiscounted)</b>	<b>7,105,530</b>	<b>2,070,622</b>	<b>4,157,794</b>	<b>5,482,355</b>	<b>4,835,487</b>	<b>2,335,122</b>	<b>25,986,910</b>

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

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**d) Interest rate risk**

The Group is exposed to the effects of fluctuations in the levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits, specified by the Group's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities. To minimize interest rate risk, duration of the assets is brought into sync with duration of the liabilities.

The Group's interest rate policy is reviewed regularly and approved by the ALM Committee. Risk Management Department reports on a regular basis to the ALM Committee on the levels of interest rate gap, VAR and results of stress testing.

**Sensitivity analysis for interest-earning financial assets and interest-bearing liabilities**

A sensitivity analysis showing how the Groups' profit and loss and equity for the reporting periods would have been affected by changes in the relevant interest rates of financial instruments with variable contractual interest rates owned or issued by the Group as of 31 December 2007 and 2006 is disclosed in the table below.

The management estimation of possible changes in the interest rates is based on the post balance sheet date statistical data and projected forecasts for at least one future interim reporting period. The effect on profit and loss and equity is stated before profit tax.

	31 December 2007			31 December 2006		
	Financial assets/(liabilities) at floating rate	100 bps change	(100 bps) change	Financial assets/(liabilities) at floating rate	100 bps change	(100 bps) change
<b>Interest-earning assets</b>						
Due from credit institutions, net	18,428	184	(184)	76,873	769	(769)
Loans to customers, net	98,876	989	(989)	122,863	1,229	(1,229)
	<b>117,304</b>	<b>1,173</b>	<b>(1,173)</b>	<b>199,736</b>	<b>1,998</b>	<b>(1,998)</b>
<b>Interest-bearing liabilities</b>						
Amounts owed to credit institutions	(1,747,301)	(17,473)	17,473	(532,123)	(5,321)	5,321
Subordinated deposits	(560,790)	(5,608)	5,608	(688,832)	(6,888)	6,888
Eurobonds issued	(1,057,390)	(10,574)	10,574	(185,831)	(1,858)	1,858
	<b>(3,365,481)</b>	<b>(33,655)</b>	<b>33,655</b>	<b>(1,406,786)</b>	<b>(14,067)</b>	<b>14,067</b>
<b>Net effect on profit and loss and equity</b>	<b>(3,248,177)</b>	<b>(32,482)</b>	<b>32,482</b>	<b>(1,207,050)</b>	<b>(12,069)</b>	<b>12,069</b>

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The Group's average effective interest rates for the periods ended 31 December 2007 and 2006 for monetary financial instruments follow.

	31 December 2007				31 December 2006			
	Rubles		Foreign currencies		Rubles		Foreign currencies	
	Average volume	% %	Average volume	% %	Average volume	% %	Average volume	% %
<b>Interest-earning assets</b>								
Credit institutions								
- current accounts	398,300	0.2%	812,061	1.0%	247,066	0.2%	657,548	0.9%
- term deposits	4,203,077	7.0%	1,202,641	3.3%	2,180,259	6.8%	1,303,848	4.3%
Debt securities	1,886,903	10.8%	174,664	15.8%	836,813	9.0%	131,516	10.3%
Loans to customers								
- individuals	1,798,853	13.5%	443,247	8.8%	871,178	11.0%	257,107	9.1%
- legal entities	8,097,066	11.1%	4,944,118	9.4%	4,527,067	9.0%	4,396,650	8.0%
<b>Interest-bearing liabilities</b>								
Credit institutions								
- current accounts	44,890	1.0%	14,052	0.9%	42,504	3.1%	12,016	1.0%
- term deposits	882,505	7.5%	2,232,169	5.8%	680,920	1.3%	1,723,802	5.4%
Customers								
- current accounts	13,772,847	1.9%	1,342,381	1.7%	3,665,879	0.8%	1,667,922	2.3%
- term deposits	4,083,761	8.0%	779,572	7.8%	2,754,031	7.0%	1,503,663	5.6%
Certificated debts	3,361,722	7.0%	425,386	5.2%	2,551,246	7.1%	376,653	5.3%
Eurobonds issued	529,351	6.1%	3,089,062	7.1%	8,125	9.5%	2,245,974	6.4%

#### e) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. The Group's financial position and cash flows are exposed to the effects of fluctuations in the precious metals and foreign currency exchange rates.

The currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The Bank's ALM Committee sets limits on the level of exposure by currency. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The Group applies improved methodology based on Monte-Carlo techniques to set limits on some types of foreign exchange derivatives.

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The Group's exposure to foreign currency exchange rate risk as of 31 December 2007 and 2006 follows:

	31 December 2007				
	Rubles	U.S. Dollars	Euro	Other	Total
<b>Assets</b>					
Cash and due from the CBR	2,022,026	29,332	15,740	806	2,067,904
Due from credit institutions, net	3,315,055	1,685,222	813,823	217,081	6,031,181
Financial assets held-for-trading	4,309,534	76,653	8,115	33,371	4,427,673
Loans to customers, net	11,271,650	3,305,548	1,681,666	86,177	16,345,041
Investments available-for-sale, net and investments in associates	1,548,719	474,641	27,067	127	2,050,554
Trade receivables, net	748,027	201,609	24,045	2,859	976,540
Inventories, net	1,138,052	-	-	-	1,138,052
Income tax assets	341,365	-	-	-	341,365
Property, plant and equipment, net	3,235,825	-	-	-	3,235,825
Goodwill	812,554	-	-	-	812,554
Intangible assets, net	390,114	-	-	-	390,114
Other assets, net	807,800	142,001	5,972	244	956,017
	<b>29,940,721</b>	<b>5,915,006</b>	<b>2,576,428</b>	<b>340,665</b>	<b>38,772,820</b>
<b>Liabilities</b>					
Amounts owed to credit institutions	2,031,064	1,668,704	538,997	12,042	4,250,807
Amounts owed to customers	12,967,222	1,251,887	1,358,278	367,292	15,944,679
Subordinated deposits	8,148	492,785	59,857	-	560,790
Financial liabilities held-for-trading	93,722	212,486	-	24,665	330,873
Eurobonds issued	529,351	3,187,085	-	-	3,716,436
Certificated debts	2,731,122	299,218	16,260	-	3,046,600
Income tax liabilities	410,928	-	-	-	410,928
Other liabilities	2,000,345	105,742	32,017	4,189	2,142,293
	<b>20,771,902</b>	<b>7,217,907</b>	<b>2,005,409</b>	<b>408,188</b>	<b>30,403,406</b>
<b>Net balance sheet position</b>	<b>9,168,819</b>	<b>(1,302,901)</b>	<b>571,019</b>	<b>(67,523)</b>	<b>8,369,414</b>
Spot-deals	(2,650,601)	3,159,358	(527,663)	(137)	(19,043)
Derivative financial instruments	(5,080,801)	(1,919,217)	(119,451)	192,824	(6,926,645)
<b>Net off-balance sheet position</b>	<b>(7,731,402)</b>	<b>1,240,141</b>	<b>(647,114)</b>	<b>192,687</b>	<b>(6,945,688)</b>
<b>Net position</b>	<b>1,437,417</b>	<b>(62,760)</b>	<b>(76,095)</b>	<b>125,164</b>	<b>1,423,726</b>

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	31 December 2006				
	Rubles	U.S. Dollars	Euro	Other	Total
<b>Assets</b>					
Cash and due from the CBR	2,845,349	42,992	18,121	988	2,907,450
Due from credit institutions, net	4,543,035	2,096,761	174,088	423,798	7,237,682
Financial assets held-for-trading	2,277,109	119,782	-	32,242	2,429,133
Loans to customers, net	5,973,946	4,260,248	1,293,243	56,553	11,583,990
Investments available-for-sale, net and investments in associates	1,807,745	671,567	17,127	110	2,496,549
Trade receivables, net	540,303	543	-	-	540,846
Inventories, net	672,894	-	-	-	672,894
Income tax assets	83,209	-	-	-	83,209
Property, equipment and intangibles, net	2,161,788	-	-	-	2,161,788
Goodwill	619,333	-	-	-	619,333
Intangible assets, net	285,611	-	-	-	285,611
Other assets, net	612,398	31,796	-	5,788	649,982
	<b>22,422,720</b>	<b>7,223,689</b>	<b>1,502,579</b>	<b>519,479</b>	<b>31,668,467</b>
<b>Liabilities</b>					
Amounts owed to credit institutions	1,135,804	1,276,596	364,089	203,163	2,979,652
Amounts owed to customers	9,269,803	1,460,773	536,037	180,478	11,447,091
Subordinated deposits	115,833	532,150	40,849	-	688,832
Financial liabilities held-for-trading	6,751	120,214	-	10,519	137,484
Eurobonds issued	8,125	2,300,269	305,344	-	2,613,738
Certificated debts	4,617,549	825,384	11,610	-	5,454,543
Income tax liabilities	345,358	-	-	-	345,358
Other liabilities	1,340,839	5,557	5,235	-	1,351,631
	<b>16,840,062</b>	<b>6,520,943</b>	<b>1,263,164</b>	<b>394,160</b>	<b>25,018,329</b>
<b>Net balance sheet position</b>	<b>5,582,658</b>	<b>702,746</b>	<b>239,415</b>	<b>125,319</b>	<b>6,650,138</b>
Spot-deals	885,037	(407,361)	(389,694)	(93,163)	(5,181)
Derivative financial instruments	(1,781,808)	(703,120)	-	241,792	(2,243,136)
<b>Net off-balance sheet position</b>	<b>(896,771)</b>	<b>(1,110,481)</b>	<b>(389,694)</b>	<b>148,629</b>	<b>(2,248,317)</b>
<b>Net position</b>	<b>4,685,887</b>	<b>(407,735)</b>	<b>(150,279)</b>	<b>273,948</b>	<b>4,401,821</b>

A sensitivity “as-if” analysis showing the effect on the Groups’ profit and loss and equity for the reporting periods of estimated possible changes in the rates of foreign currencies other than the Group’s functional currency in which the Group has significant exposures – U.S. Dollar and Euro – is disclosed in the table below.

The management estimation of possible changes in the currency exchange rates – USD/Rouble and Euro/Rouble - is based on the post balance sheet date statistical data and projected forecasts for at least one future reporting period. The effect on profit and loss and equity is stated before profit tax.

	31 December 2007		31 December 2006	
	USD/Rouble 4% lower	Euro/Rouble 3% higher	USD/Rouble 4% lower	Euro/Rouble 3% higher
<b>Assets</b>				
Cash and due from the CBR	(1,173)	472	(1,720)	544
Due from credit institutions, net	(67,409)	24,415	(83,870)	5,223
Financial assets held-for-trading	(3,066)	243	(4,791)	-
Loans to customers, net	(132,222)	50,450	(170,410)	38,797
Investments available-for-sale, net and investments in associates	(18,986)	812	(26,863)	513
Trade receivables, net	(8,064)	721	(22)	-
Other assets, net	(5,680)	180	(1,272)	-
	<b>(236,600)</b>	<b>77,293</b>	<b>(288,948)</b>	<b>45,077</b>
<b>Liabilities</b>	-	-	-	-
Amounts owed to credit institutions	66,748	(16,170)	51,064	(10,923)
Amounts owed to customers	50,075	(40,748)	58,431	(16,081)
Subordinated deposits	19,711	(1,796)	21,286	(1,225)
Eurobonds issued	11,969	(488)	33,015	(348)
Certificated debts	127,483	-	92,011	(9,160)
Financial liabilities held-for-trading	8,499	-	4,809	-
Other liabilities	4,232	(960)	221	(158)
	<b>288,717</b>	<b>(60,162)</b>	<b>260,837</b>	<b>(37,895)</b>
<b>Net effect on profit and loss and equity</b>	<b>(525,317)</b>	<b>137,455</b>	<b>(549,785)</b>	<b>82,972</b>

#### f) Other price risks

The Group has significant investments in marketable securities, which represent both short-term trading positions and medium or long-term strategic investments. Also, the Group enters into derivatives with securities for trading purposes. The Group's financial position and cash flows are exposed to the effects of fluctuations in the market prices of the mentioned above securities.

The Bank's Asset and Liability Management Committee sets limits on the level of exposure by issuer of each instrument – debt or equity. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

A sensitivity analysis showing how the Groups' profit and loss and equity for the reporting periods would have been affected by changes in the relevant securities prices owned by the Group as of 31 December 2007 and 2006 is disclosed in the table below.

	31 December 2007	31 December 2006
	20% change in securities prices	20% change in securities prices
Financial assets held-for-trading	730,990	442,103
Available-for-sale investments accounted for at fair value	215,148	297,469



**NOTE 34 – RELATED PARTIES**

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, represent:

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives them significant influence over the Bank; and that have joint control over the Group;
- (b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Group is a venturer;
- (d) Members of key management personnel of the Group or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);
- (f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

The Group distinguishes between the following categories of related parties: the parent company – OAO “Gazprom”, entities with joint control - OAO “Gazprom” subsidiary companies, subsidiaries and associates of the Group and key management personnel of the Group, including members of the Management Board and the Bank’s Council. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with the defined categories of related parties:

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	31 December 2007		31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Due from credit institutions, gross:</b>				
- entities with joint control	-		-	
- unconsolidated subsidiaries and associates	27,157		27,095	
- state controlled companies	422,571		2,244,483	
<b>Total due from credit institutions, gross</b>	<b>449,728</b>	<b>6,042,895</b>	<b>2,271,578</b>	<b>7,248,593</b>
Allowances for losses, due from credit institutions	-	(11,714)	-	(10,911)
<b>Financial assets held-for-trading:</b>				
- parent	526,647		1,032,577	
- unconsolidated subsidiaries and associates	103,185		6,720	
- state controlled companies	1,679,128		429,555	
<b>Total financial assets held-for-trading:</b>	<b>2,308,960</b>	<b>4,427,673</b>	<b>1,468,852</b>	<b>2,429,133</b>
<b>Loans to customers, gross:</b>				
- entities with joint control	978,166		2,238,917	
- unconsolidated subsidiaries and associates	355,213		245,760	
- state controlled companies	1,375,523		885,795	
- key management personnel	3,360		9,036	
<b>Total loans to customers, gross</b>	<b>2,712,262</b>	<b>16,896,168</b>	<b>3,379,508</b>	<b>12,054,434</b>
Allowances for losses, loans to customers	(172,059)	(551,127)	(152,325)	(470,444)
<b>Investments available-for-sale, net and investments in associates</b>				
- entities with joint control	1,164,478		1,392,135	
- unconsolidated subsidiaries and associates	183,141		109,355	
- state controlled companies	-		49,446	
<b>Total investments available-for-sale, net and investments in associates</b>	<b>1,347,619</b>	<b>2,050,554</b>	<b>1,550,936</b>	<b>2,496,549</b>
<b>Trade receivables, gross</b>				
- parent	43,868		25,787	
- entities with joint control	170,667		127,158	
- unconsolidated subsidiaries and associates	-		2,647	
- state controlled companies	374		32,775	
<b>Total trade receivables, gross</b>	<b>214,909</b>	<b>1,060,937</b>	<b>188,367</b>	<b>630,277</b>
Allowances for losses, trade receivables	(15,033)	(84,397)	(18,002)	(89,431)
<b>Income tax assets</b>				
- state controlled companies	341,365		83,209	
<b>Total income tax assets</b>	<b>341,365</b>	<b>341,365</b>	<b>83,209</b>	<b>83,209</b>
<b>Other assets</b>				
- unconsolidated subsidiaries and associates	49,567		28,605	
- state controlled companies	72,392		477,684	
<b>Total other assets, gross</b>	<b>121,959</b>	<b>956,773</b>	<b>506,289</b>	<b>650,317</b>
Allowances for impairment losses, other assets		(756)	-	(335)
<b>Amounts owed to credit institutions:</b>				
- entities with joint control	4,666		164	
- unconsolidated subsidiaries and associates	6,284		5,840	
- state controlled companies	874,354		79,453	
<b>Total amounts owed to credit institutions</b>	<b>885,304</b>	<b>4,250,807</b>	<b>85,457</b>	<b>2,979,652</b>

	31 December 2007		31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Amounts owed to customers:</b>				
- parent	2,180,755		1,275,153	
- entities with joint control	3,197,268		2,419,168	
- unconsolidated subsidiaries and associates	2,042		50,899	
- state controlled companies	604,795		928,103	
- key management personnel	210,190		90,157	
<b>Total amounts owed to customers</b>	<b>6,195,050</b>	<b>15,944,679</b>	<b>4,763,480</b>	<b>11,447,091</b>
<b>Subordinated deposits:</b>				
- parent	199,261		224,150	
- entities with joint control	61,529		56,445	
<b>Total subordinated deposits</b>	<b>260,790</b>	<b>560,790</b>	<b>280,595</b>	<b>688,832</b>
<b>Income tax liabilities:</b>				
- state controlled companies	410,928		345,358	
<b>Total income tax liabilities</b>	<b>410,928</b>	<b>410,928</b>	<b>345,358</b>	<b>345,358</b>
<b>Other liabilities:</b>				
- parent	713,498		665,128	
- entities with joint control	144,833		51,998	
- unconsolidated subsidiaries and associates	-		179	
- state controlled companies	38,383		6,152	
- key management personnel	102,863		33,420	
<b>Total other liabilities</b>	<b>999,577</b>	<b>2,142,293</b>	<b>756,877</b>	<b>1,351,631</b>
<b>Undrawn loan commitments:</b>				
- entities with joint control	404,957		415,187	
- unconsolidated subsidiaries and associates	611		47,588	
- state controlled companies	509,684		427,856	
<b>Total undrawn loan commitments</b>	<b>915,252</b>	<b>4,408,345</b>	<b>890,631</b>	<b>3,425,063</b>
<b>Guarantees given:</b>				
- parent	675,252		1,899	
- entities with joint control	638,667		352,989	
- unconsolidated subsidiaries and associates	241,742		26,461	
- state controlled companies	11,295		3,379	
- key management personnel	915		950	
<b>Total guarantees given</b>	<b>1,567,871</b>	<b>2,770,160</b>	<b>385,678</b>	<b>623,103</b>
Allowances for impairment losses, guarantees given	(20,039)	(28,721)	(4,097)	(8,269)
<b>Letters of credit:</b>				
- parent	22,879		40,376	
- entities with joint control	144,464		149,418	
- unconsolidated subsidiaries and associates	47,665		5,450	
- state controlled companies	1,570		44,739	
<b>Total letters of credit</b>	<b>216,578</b>	<b>595,473</b>	<b>239,983</b>	<b>445,985</b>
Allowances for impairment losses, letters of credit	-	(4,263)	(2,745)	(7,128)
<b>Fiduciary activities</b>				
- key management personnel	209,907		268,054	
<b>Total fiduciary activities</b>	<b>209,907</b>	<b>930,871</b>	<b>268,054</b>	<b>1,840,284</b>

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Also, as of 31 December 2007 the Group had USD 540,072 thousand (31 December 2006 – USD 527,013 thousand) of loans extended to third parties on transactions executed on behalf of related parties of the Group.

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Interest income, loans to customers:</b>				
- parent		-	959	
- entities with joint control	29,096		61,007	
- unconsolidated subsidiaries and associates	20,803		24,314	
- state controlled companies	49,399		72,146	
<b>Total interest income, loans to customers</b>	<b>99,298</b>	<b>1,634,768</b>	<b>158,426</b>	<b>935,398</b>
<b>Petrochemical business operating revenues</b>				
- entities with joint control	129,464		134,920	
- state controlled companies	48,255		32,320	
<b>Total petrochemical business operating revenues</b>	<b>177,719</b>	<b>5,582,867</b>	<b>167,240</b>	<b>4,493,632</b>
<b>Media business operating revenues</b>				
- parent	24,069		13,754	
- entities with joint control	757		334	
- unconsolidated subsidiaries and associates	235		138	
- state controlled companies	16,589		6,482	
<b>Total media business operating revenues</b>	<b>41,650</b>	<b>1,273,286</b>	<b>20,708</b>	<b>883,151</b>
<b>Non-interest gain from financial assets and liabilities held-for-trading, net</b>				
- entities with joint control	20,842		20,719	
- key management personnel	-		(20,013)	
<b>Total gains from financial assets and liabilities held-for-trading, net</b>	<b>20,842</b>	<b>239,192</b>	<b>706</b>	<b>494,442</b>
<b>Fees and commissions income:</b>				
- parent	3,923		17,883	
- entities with joint control	13,717		32,562	
- unconsolidated subsidiaries and associates	126		1,306	
- state controlled companies	2,147		8,468	
<b>Total fees and commissions income</b>	<b>19,913</b>	<b>361,545</b>	<b>60,219</b>	<b>278,716</b>
<b>Dividend income:</b>				
- parent	2,388		9,463	
- entities with joint control	11,262		4,497	
- unconsolidated subsidiaries and associates	676		313	
- state controlled companies	1,033		3,344	
<b>Total dividend income</b>	<b>15,359</b>	<b>19,601</b>	<b>17,617</b>	<b>21,415</b>
<b>Interest expense, amounts owed to customers:</b>				
- parent	86,508		68,280	
- entities with joint control	32,148		40,091	
- unconsolidated subsidiaries and associates	21,528		2,067	
- state controlled companies	36,448		6,488	
<b>Total interest expense, amounts owed to customers</b>	<b>176,632</b>	<b>880,128</b>	<b>116,926</b>	<b>304,948</b>

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Petrochemical business operating expenses</b>				
- parent	20,665		184,230	
- entities with joint control	429,954		249,902	
- state controlled companies	816,662		723,983	
<b>Total petrochemical business operating expenses</b>	<b>1,267,281</b>	<b>4,464,231</b>	<b>1,158,115</b>	<b>3,476,145</b>
<b>Media business operating expenses</b>				
- parent	9			
- entities with joint control	1,066		2,891	
- unconsolidated subsidiaries and associates	1,502		1,813	
- state controlled companies	18,672		28,024	
<b>Total media business operating expenses</b>	<b>21,249</b>	<b>1,024,364</b>	<b>32,728</b>	<b>685,150</b>
<b>Salaries and employment benefits</b>				
-short-term employee benefits	52,246		83,153	
-termination benefits	6,708			
-post-employment benefits	350			
-share-based payment	256,210			
<b>Total salaries and employment benefits</b>	<b>315,514</b>	<b>804,826</b>	<b>83,153</b>	<b>403,325</b>

For pricing considerations of related party transactions see Note 1(c).

#### NOTE 35 – FINANCIAL COMMITMENTS AND CONTINGENCIES

##### *a) Credit related financial commitments*

The credit related financial commitments as of 31 December 2007 and 2006 comprise:

	31 December 2007	31 December 2006
Undrawn loan commitments	4,408,345	3,425,063
Guarantees given	2,770,160	623,103
Letters of credit	595,473	445,985
	<b>7,773,978</b>	<b>4,494,151</b>

The Group's management evaluated the likelihood of probable losses arising from credit related commitments and concluded that a provision of USD 32,984 thousand was necessary as of 31 December 2007 (31 December 2006 – USD 15,397 thousand) (see Note 28).

As of 31 December 2007 USD 212,433 thousand (31 December 2006 – USD 138,878 thousand) of letters of credit was covered by customers' funds (see Note 26).

##### *b) Operating lease obligations*

In the normal course of business, the Group enters into operating lease agreements for office equipment and branch facilities. Future minimum payments under non-cancelable operating leases are as follows:

	31 December 2007	31 December 2006
Not later than 1 year	7,375	5,371
Later than 1 year and not later than 5 years	109,085	10,285
Later than 5 years	26,936	18,676
	<b>143,396</b>	<b>34,332</b>

**c) Fiduciary activities**

In the normal course of its business the Group enters into agreements with clients to manage their assets with limited right on decision making in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds and securities plus/minus any unrealized gain/loss on the clients' position. In the judgment of management, as of 31 December 2007 and 2006 the maximum potential financial risk on funds accepted by the Group on behalf of its clients does not exceed USD 562,545 thousand and USD 684,171 thousand, respectively. As of the above dates the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed USD 368,326 thousand and USD 1,156,113 thousand, respectively. Assets accepted and liabilities incurred under the trustee and depository activities are not included in the Group's financial statements.

**d) Capital commitments**

In the normal course of business, the Group enters into various contracts for purchase of programming rights, property and equipment, construction and repair works of the Group's buildings, with suppliers of consulting systems and other services. As of 31 December 2007 and 2006 the future contracted liabilities with respect to these contracts were budgeted by the Group as follows.

	31 December 2007	31 December 2006
Programming rights	427,824	55,596
Property, plant and equipment	1,669,047	1,855,223
	<b>2,096,871</b>	<b>1,910,819</b>

**e) Environmental matters**

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group (the petrochemicals and tires business segment as affected by environmental regulation) periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be reasonably estimated. Under the current levels of enforcement of existing legislation, Management believes that there are no probable liabilities for environmental damage, which would have a materially adverse effect on the financial position or the operating results of the Group.

**f) Social commitments**

The Group (the petrochemicals and tires business segment as affected by social commitments) contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees in the areas of its production operations, including contributions towards the construction, development and maintenance of housing, hospitals, transportation services, recreation and other social needs. Such funding is expensed as incurred.

**g) Legal**

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. As of 31 December 2007 the Group's estimated probable losses in conjunction with the lawsuits in action were nil (31 December 2006 – USD 5,400 thousand).

***h) Insurance***

The Bank has obtained an international comprehensive banking risk insurance policy (“BBB” – Bankers Blanket Bond) covering professional activities and crimes, including electronic and computer crimes. The amount of total insurance indemnity is limited to USD 5,000 thousand. However, the Group does not have full insurance coverage. There is a risk that, until it obtains adequate coverage, the loss or destruction of certain assets could have a material adverse effect on the Group’s operations and its financial position.

***i) Operating environment***

The economic conditions in the Russian Federation are characterized by the real GDP growth of over 8%, trade and current account surpluses, growing budget revenues, and rising foreign currency reserves. The economy’s dependence on the oil and gas sector has been slightly decreasing while the domestic manufacturing and especially construction industries show substantial growth.

The government external debt fell down to the comfortable level of 3.5% of GDP. The use of substantial oil revenues to repay external debt and build up a reserve fund will help to safeguard the public finances in the event of a possible drop in the oil prices. The improved situation has resulted in upgrades to the Russian Federation investment grade status by all the major international credit rating agencies.

However, high inflation, which soared to 11.9% during 2007 remains the main problem for the Central Bank of the Russian Federation and supposes further tightening of its monetary policy. Operations in Russia still involve risks that are not typical for developed economies. Significant concerns remain that the government is moving too slowly in reforming the economy and legal institutions. In the longer term, the economic stability is dependent on the pace of reforms to boost the real sector of the Russian economy. An acceleration of the structural reforms, including support for small and medium-sized businesses, further development of the banking sector and financial market, and administrative reform should improve the long-term growth prospects of Russia.

***j) Taxation***

Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Russian tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Russian tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of “unjustified tax benefit”, “primary commercial goal of transaction” and the criteria of “commercial purpose (substance) of transaction”.

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

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**NOTE 36 – CAPITAL ADEQUACY**

The Central Bank of the Russian Federation requires banks to maintain a statutory capital adequacy ratio of 10% of risk-weighted assets, computed based on RAL. As of 31 December 2007 and 2006 the Bank's statutory capital adequacy ratio calculated on this basis exceeded the statutory minimum and amounted to 11.4% and 15.2% accordingly.

The Group also meets international standards with respect to capital adequacy, which recommend the minimum ratio of 8% set by the Basel Accord. The table below sets forth the Group's capital adequacy as at 31 December 2007 and 2006, calculated in accordance with Basel I Guidelines.

	31 December 2007	31 December 2006
Paid in share capital	1,160,857	1,160,857
Share premium	1,095,028	1,061,899
Applicable reserves less goodwill	4,346,994	3,073,009
Minority interest	953,981	735,040
Tier I Capital	7,556,860	6,030,805
Tier II Capital	305,998	542,267
Total Capital	7,862,858	6,573,072
Adjustments to Tier II Capital	(8,107)	(72,467)
Net available capital	7,854,751	6,500,605
Risk weighted assets	34,769,937	24,190,677
<b>Capital adequacy ratios:</b>		
Tier I ratio	21.7%	24.9%
Total capital ratio	22.6%	26.9%

Capital adequacy ratios calculated in accordance with Basel I Guidelines for the banking segment of the Group are as follows.

	31 December 2007	31 December 2006
Tier I ratio	17.5%	21.7%
Total capital ratio	18.5%	23.9%

**NOTE 37 – SUBSEQUENT EVENTS****Share capital**

In April 2008 the Group's formal shareholders structure has changed. NPF "Gazfond" has transferred a 34.36% interest in the Bank's share capital, which was previously held by ZAO "Leader" on behalf of NPF "Gazfond", to subsidiary companies of NPF "Gazfond" – OAO "GAZ-service" and OAO "GAZKON". NPF "Gazfond" retains control over the Group's assets owning directly or indirectly 50% share in the Bank's stock.

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**Acquisitions and disposal of assets**

In April 2008 the Council of the Bank has agreed to dispose of 50% plus one share interest in OAO “SIBUR Holding” (the “SHG”) in connection with a proposed management buyout for a total consideration of RUR 53,500 million (approx. USD 2,262,156 thousand). RUR 16,600 million (approx. USD 701,902 thousand) is to be received in cash on the date of sale; the rest of the proceeds will be paid by the acquirer in two installments: RUR 11,900 million (approx. USD 503,171 thousand) in 3 months after the date of sale; and RUR 25,000 million (approx. USD 1,057,082 thousand) – during 3 years. All amounts receivable will be interest earning. Also, the acquirer will enter into the irrevocable put option agreement with the Group to purchase the remaining SHG stake owned by the Group (19.9%) at the price of the transaction.

In February 2008 the Group in the course of its private equity operations has acquired controlling stakes in several companies, including 100% interest in Cryogenmash Group (Russia), which provides a full range of services in the field of air separation products: research and design, equipment production, supplying of industrial gases and after-sale service; and 85% interest in Glazovskiy zavod “Khim mash” (Russia) producing machinery and equipment for various chemical production and refinery. Total consideration given by the Group for the assets mentioned above was USD 290 million.

**Borrowings**

In March 2008, the OAO “SIBUR Holding” Group registered Ruble denominated redeemable non-convertible documentary bonds of RUR 120,000 million (approx. USD 5,106 million) maturing in 2015. The coupon is paid semi annually and the rate is set as prevailing market rate at the beginning of each coupon period.

In March 2008, the Group entered into USD 450 million dual tranche term loan facility with a syndicate of banks. The facility consists of the two following tranches: a tenor of one year and a tenor of three years, both with a bullet repayment. The USD 150 million tranche “A” carries a margin of forty-five basis points over three months LIBOR per annum and the USD 300 million tranche “B” carries a margin of sixty-five basis points, respectively.

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