

IMPORTANT NOTICE

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IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE. 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 UNITED STATES 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 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 Prospectus you 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 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 United States, 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 this Prospectus by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this 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 Prospectus to any other person.

This Prospectus does not constitute, and may not be used in connection with, an offer or solicitation.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy the securities discussed herein. This 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.

The Prospectus has been approved by the Irish Financial Services Regulatory Authority (the “**Financial Regulator**”), as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”). The Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The Issuer and Gazprombank having taken all reasonable care to ensure that such is the case, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Issuer and the Guarantor the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The contents of this Prospectus are not to be construed as, and should not be relied on as legal, business or tax advice.

No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the Notes, and if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, Gazprombank, the Agents or any of their directors, affiliates, advisers or agents. The delivery of this Prospectus does not imply that there has been no change in the business and affairs of the Issuer or Gazprombank since the date hereof or that the information herein is correct as at any time subsequent to its date.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes. The distribution of this Prospectus is restricted by law. This Prospectus may not be used for, or in connection with, and do not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance. Persons into whose possession this Prospectus may come are required by the Issuer, Gazprombank or the Agents to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other materials relating to the Notes is set out under “*Summary of the Provisions Relating to the Notes in Global Form*”.

This Prospectus constitutes a prospectus for the purpose of Article 5 of the Prospectus Directive and is being produced by the Issuer solely to obtain a listing of the Notes on the Official List. Accordingly, no offer or sale is contemplated by this Prospectus.

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.

All references herein to “**Russia**” are to the Russian Federation, all references to “**Ireland**” are to Ireland (exclusive of Northern Ireland) and all references to a “**Member State**” are to a Member State of the European Economic Area.



U.S.\$120,000,000

7.35 per cent. Guaranteed Notes due 2016

issued by, but with limited recourse to,

GPB FINANCE PUBLIC LIMITED COMPANY

**unconditionally and irrevocably guaranteed by
Gazprombank (Open Joint-stock Company)**

GPB Finance Public Limited Company (incorporated under the laws of Ireland) (the “**Issuer**”) issued an aggregate principal amount of U.S.\$120,000,000 7.35 per cent. Guaranteed Notes due 2016 (the “**Notes**”), described in this Prospectus (the “**Prospectus**”), which Notes are guaranteed by Gazprombank (Open Joint-stock Company) (“**Gazprombank**”, “**we**” or the “**Guarantor**”) pursuant to a deed of guarantee dated 8 May 2009 (the “**Deed of Guarantee**”). The Notes have been constituted by, and are subject to a deed of covenant of the Issuer dated 8 May 2009 (the “**Deed of Covenant**”) for the benefit of the holders of the Notes (the “**Noteholders**”). The Notes are the subject of a fiscal agency agreement dated 8 May 2009 (the “**Fiscal Agency Agreement**”) between the Issuer, Gazprombank, The Bank of New York Mellon (the “**Fiscal Agent**”), The Bank of New York Mellon as paying and transfer agent (the “**Paying and Transfer Agent**”) and The Bank of New York Mellon (Luxembourg) S.A., in its capacity as Registrar (the “**Registrar**”). The Fiscal Agent, Paying and Transfer Agent and Registrar, including any successor or (where applicable) additional fiscal agent, paying and transfer agent or registrar are, together, referred to herein as the “**Agents**”). Gazprombank has decided to procure the admission of the Notes to the regulated market of the Irish Stock Exchange Limited.

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the 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 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 a loan (the “**Loan**”) made under a loan agreement dated 8 May 2009 between the Issuer, as lender, and Gazprombank, as borrower (the “**Loan Agreement**”). 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 its capacity as Guarantor under the Deed of Guarantee, in respect of the payment obligations of the Issuer under the Notes.**

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE “RISK FACTORS” BEGINNING ON PAGE 5.

THE NOTES, THE CORRESPONDING LOAN AND THE DEED OF GUARANTEE 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. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS, SEE “TRANSFER RESTRICTIONS”.

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 information provided in this 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.

The Prospectus has been approved by the Irish Financial Services Regulatory Authority (the “**Financial Regulator**”), as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”). The Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the “**Irish Stock Exchange**”) for the Notes to be admitted to the Official List (the “**Official List**”) and trading on its regulated market (the “**Market**”). The Market is a regulated market for the purposes of Directive 2004/39/EC. This Prospectus constitutes a “prospectus” for the purposes of the Prospectus (Directive 2003/71) (EC) Regulations 2005 (the “**Prospectus Regulations**”) which implement the Prospectus Directive in Ireland. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the regulated market of the Irish Stock Exchange.

The Notes are in registered form in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof, without coupons. The Notes are represented by interests in a global Note in registered form (the “**Global Note**”), which was deposited with a common depository for, and registered in the name of, the Bank of New York Depository (Nominees) Limited as nominee of, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on its issue. 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 date of this Prospectus is 7 January 2010

Gazprombank's legal name is Gazprombank (Open Joint-stock Company), registered as an open Joint-Stock company under number 1027700167110 and the address of our registered office and our 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 Finance Public Limited Company, 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 Gazprombank and our subsidiaries taken as a whole (the "**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 confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from information published by official and other sources (including, *inter alia*, the CBR), no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus has been filed with and approved by the Financial Regulator as required by the Prospectus Regulations. This 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 Issuer and Gazprombank having taken all reasonable care to ensure that such is the case, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Issuer and Gazprombank the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorised to provide any information or make any representation not contained in this Prospectus and any information or representation not contained in this 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 or the Agents. The delivery of this 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 Prospectus.

The language of this 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.

Neither the delivery of this 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 Prospectus.

ENFORCEABILITY OF CIVIL LIABILITIES IN RUSSIA

Gazprombank is an open joint stock company incorporated under the laws of the Russian Federation. Substantially all of our assets are currently located outside the United Kingdom. In addition, all the 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 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 our 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.

Russian courts may not enforce any judgment obtained in a court established in a country other than the Russian Federation unless there is (a) a treaty in effect between such country and the Russian Federation providing for reciprocal recognition and enforcement of court judgments and (b) a federal law of the Russian Federation providing for recognition and enforcement of foreign judgments. No such treaty exists between the Russian Federation and the United Kingdom and no such federal law has been passed. If there is such a treaty and a federal law, Russian courts may nonetheless refuse to recognise and enforce a foreign court judgment on the grounds provided in such treaty and in Russian legislation in effect on the date on which such recognition and enforcement is sought. The Arbitrazh Procedural Code of the Russian Federation establishes the procedures for the recognition and enforcement of foreign court judgments and contains an extensive list of grounds for refusal of such recognition and enforcement in the future. Moreover, Russian procedural legislation may change and no assurance can be given that in the future no other ground for refusal of such recognition and enforcement may arise.

The Deed of Guarantee is governed by English law and provides 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Prospectus includes the audited consolidated financial statements of the Group as at and for the year ended 31 December 2008 (the “**2008 Group Financials**”) together with an independent auditors’ report of ZAO KPMG, the Group’s incumbent independent auditors. ZAO KPMG has expressed an unqualified opinion on the 2008 Group Financials as stated in its audit report appearing herein. The Prospectus also includes the audited consolidated financial statements of the Group as at and for the year ended 31 December 2007 (the “**2007 Group Financials**”) and together with the 2008 Group Financials, the “**Group Financials**”), together with an independent auditors’ report of ZAO “Deloitte & Touche CIS”. ZAO “Deloitte & Touche CIS” has expressed an unqualified opinion on the 2007 Group Financials as stated in its audit report appearing herein, which report includes an explanatory paragraph relating to the restatement of the financial statements (See note 38 to the 2007 Group Financials). The address of ZAO KPMG in Russia is Naberezhnaya Tower Complex, Block C, 10 Presnenskaya Naberezhnaya, Moscow, 123317, Russian Federation. The address of ZAO “Deloitte & Touche CIS” is 5 Lesnaya St., Moscow, 125047, Russian Federation. In addition, the Prospectus also includes the condensed interim consolidated financial information (unaudited) of the Group as at and for the six months ended 30 June 2009 (the “**Group Interim Financials**”), together with a review report of ZAO KPMG. ZAO KPMG has expressed a qualified opinion on the Group Interim Financials for the six months ended 30 June 2009 as the Group has not in all instances presented corresponding figures in its financials for this period as is required by IAS 34 *Interim Financial Reporting*.

The Group Financials and the Group Interim Financials contained in this Prospectus have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

At our General Shareholders’ Meeting held on 24 June 2008, following a statutory tender process, ZAO KPMG was appointed and replaced ZAO “Deloitte & Touche CIS” as independent auditors of the Group with respect to the financial year ended 31 December 2008.

The audited financial statements of the Issuer as at and for the years ended 31 December 2007 and 31 December 2008 and the relevant independent auditors’ reports of Deloitte & Touche, Chartered Accountants, Ireland covering both years have been included in this Prospectus. Deloitte & Touche, Chartered Accountants, Ireland have expressed an unqualified opinion on the audited financial statements of the Issuer included herein, as stated in the relevant reports. The address of Deloitte & Touche, Chartered Accountants, Ireland is Earlsfort Terrace, Dublin 2, Ireland. The audited financial statements of the Issuer included in this Prospectus have been prepared in accordance with Irish Generally Accepted Accounting Principles (“**Irish GAAP**”).

In this Prospectus, references to “**Roubles**” and “**RUR**” 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, references to “**CHF**” or “**Swiss Francs**” are to the lawful currency of Switzerland 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 Prospectus contains conversions of certain amounts relating to particular transactions from the currency in which the transaction was effected into Roubles or U.S. dollars, as the case may be. These conversions were effected at the relevant foreign currency to the Rouble or 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 RUR29.38 and RUR24.55 as at 31 December 2008 and 2007, respectively. As at the close of business on 1 January 2010 (being the last practicable date prior to the finalisation of this Prospectus), the Rouble/U.S. dollar exchange rate was RUR30.19 = 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 Rouble.

In this 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 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 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 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 Prospectus. We expressly disclaim any obligation or undertaking to disseminate after the date of this 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.

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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 the Group Financials and Group Interim Financials and notes thereto included elsewhere in the Prospectus. Investing in the Notes involves risks. The information set forth under “Risk Factors” should be carefully considered. Certain statements in this 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 the fourth largest bank in terms of equity as at 30 June 2009, 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, depository 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, OAO Gazprom (“**Gazprom**”) and other members of the Gazprom group. We have a network of 41 branch offices and over 175 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 five Russian banks and in three foreign banks, Belgazprombank (located in Belarus), Areximbank (located in Armenia) and the Russian Commercial Bank (located in Switzerland), as well as investments in a handful of companies that operate in non-banking related industries, such as SIBUR Holding, Gazprom Media Group and certain heavy machinery – production companies, such as OMZ (Uralmash-Izhora) Group, the Cryogenmash Group, Glazovski zavod “Khim mash”, the Uralkhim mash Group and Uralenergmontazhthe.

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 15 December 2009, our shareholders and their respective holdings comprised 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 company, OAO “GAZ-servis”, 17.17 per cent. is held through a subsidiary company 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” (5.81 per cent.) and employees of Gazprombank (2.46 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 NOTES

Issuer:	GPB Finance Public Limited Company.
Guarantor:	Gazprombank (Open Joint-Stock Company).
Fiscal Agent:	The Bank of New York Mellon.
Principal Paying and Transfer Agent:	The Bank of New York Mellon.
Registrar:	The Bank of New York Mellon (Luxembourg) S.A.
Listing Agent:	Arthur Cox Listing Services Limited.
Fiscal Agency Agreement:	The fiscal agency agreement between the Issuer, Fiscal Agent, the Principal Paying and Transfer Agent and the Registrar, dated 8 May 2009.
Deed of Covenant:	The deed of covenant dated 8 May 2009 made by the Issuer in favour of the accountholders as defined therein.
The Issue:	The U.S.\$120,000,000 7.35 per cent. Guaranteed Notes due 2016 by the Issuer, which Notes are guaranteed by the Guarantor under the Guarantee.
Issue Price:	100 per cent. of the principal amount of the Notes.
Issue Date:	8 May 2009.
Maturity Date:	8 May 2016.
Interest Rate:	The Notes bear interest at the rate of 7.35 per cent. per annum from and including 8 May 2009 to, but excluding, the Maturity Date.
Interest Payment Dates:	Interest will be payable annually in arrear on 8 May in each year, commencing on 8 May 2009, up to and including 8 May 2016.
Withholding Taxes:	All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within Ireland or the Russian Federation or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction has been required, subject to certain customary conditions as set out in Condition 10 (<i>Taxation and Withholding</i>) of the Terms and Conditions of the Notes.
Ranking of the Notes:	The Notes are limited recourse, unsecured obligations of the Issuer. The Notes constitute the obligation of the Issuer to account to the Noteholders for amounts actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement. See Condition 1 (<i>Status, Limited Recourse and Non-Petition</i>) of the Terms and Conditions of the Notes. The Notes rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer.
The Guarantee:	Gazprombank has, pursuant to a deed of guarantee dated 8 May 2009, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer or, but for the provisions of Condition 1 (<i>Status, Limited Recourse and Non-Petition</i>) would otherwise be payable by the Issuer, in respect of the Notes. The Guarantee constitutes a direct, general, unconditional, unsubordinated and unsecured obligation of Gazprombank which will at all times rank at least <i>pari passu</i> with all other present and future unsecured obligations of

	Gazprombank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Use of Proceeds:	The proceeds of the issue of the Notes have been used by the Issuer for the purpose of financing the Loan to Gazprombank. The proceeds of such Loan, less any commissions or expenses paid or payable by Gazprombank in common with the issue of the Notes have been and will be used by Gazprombank for general corporate purposes. Total fees and expenses relating to the admission to trading are expected to be approximately U.S.\$12,000 and will be paid by Gazprombank..
Form of the Notes:	The Notes will be issued in registered form in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be represented by a global note which was registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for and deposited with a common depositary for Euroclear and Clearstream, Luxembourg on the Issue Date. Except in the limited circumstances described in the global note, owners of interests in Notes represented by the global note will not be entitled to receive physical delivery of individual definitive Notes in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.
Listing and Clearing:	Application has been made to the Irish Stock Exchange (the “Irish Stock Exchange”) for the Notes to be admitted to the Official List (the “Official List”) and trading on its regulated market. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the following ISIN and Common Code : ISIN: XS0426517701 Common Code: 042651770
Loan:	The loan between the Issuer and Gazprombank, made pursuant to the Loan Agreement.
Loan Agreement:	The loan agreement dated 8 May 2009 between the Issuer, as lender and Gazprombank, as borrower, with respect to the Loan.
Governing Law:	The Notes are governed by, and are to be construed in accordance with, English law.
Ratings:	The Notes are rated Baa2 by Moody’s. 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.
Risk Factors:	Investing in the Notes involves a high degree of risk. See “ <i>Risk Factors</i> ” beginning on page 5.

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.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The instability of the global and the Russian economies and financial markets could have a material adverse effect on our business, liquidity and financial condition.

Dislocation of financial global credit markets

The financial markets, both globally and in Russia, have faced significant volatility, dislocation and liquidity constraints since the onset of the global financial crisis in the autumn of 2007. In 2007, dramatic declines began in the housing market in the United States, as well as in a number of other countries, and such declines have substantially worsened since September 2008. Falling house prices and increasing foreclosures and unemployment have adversely impacted the global credit markets, resulting in significant mark-to-market write-downs of asset values by financial institutions, including government-owned entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities, have spread to credit default swaps and other derivative securities and other financial instruments. This has caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased to provide, funding to borrowers, including other financial institutions which has significantly reduced the liquidity in the global financial system.

In response to the financial crisis affecting the global banking sector and financial markets, many of the largest countries in the world, including Russia, have announced, and in many cases begun to implement, significant rescue packages, which include, among other things, the recapitalisation of banks through the state purchase of common and preferred equity securities, the state guarantee of certain forms of bank debt, the purchase by the state of distressed assets from banks and other financial institutions and the provision by the state of guarantees of distressed assets held by banks and other financial institutions. Despite these programmes, the volatility and market disruption in the global banking sector has continued to a degree unprecedented in recent history and there can be no assurance as to when all of these programmes will be fully implemented and, when and if implemented, what impact they will have on the financial markets, nor whether further measures will be required in addition to those already implemented or announced. Furthermore, there can be no assurance that such measures will succeed in returning stability to the global banking sector and financial markets in the short term or beyond. Our business, liquidity and financial condition are likely to continue to be adversely affected by conditions on the global and Russian financial markets as long as they remain volatile and subject to disruption and uncertainty.

Impact on the Russian banking sector

As a result of the negative impact of the financial crisis on the Russian banking sector, Moody's changed its outlook on the Russian banking sector from "positive" to "stable" in the third quarter of 2008. In February 2009, Fitch downgraded its long-term issuer default rating for the Russian Federation from "BBB+" to "BBB" and downgraded Russia's country ceiling rating from "A-" to "BBB+". Additionally, S&P downgraded its long-term/short-term sovereign credit ratings for the Russian Federation from "BBB+/A-2" to "BBB/A-3", stating that should there be a deceleration in the growth of the Russian Federation, then the Russian Federation is at risk of recording a budget deficit in 2009.

In addition to anticipated slower asset growth in the Russian banking sector, the Russian Federation is facing increasing inflation, has experienced a significant decline in debt and equity prices and has suffered a substantial outflow of capital from the country. There have also been periodic suspensions of Russian stock market trading, extreme volatility in the Russian equity markets and sharp declines in the share prices of Russian financial institutions in particular in 2008 and early 2009. A combination of these factors has resulted, and may continue

to result, in a significant deterioration in the financial fundamentals of Russian banks, notably liquidity, asset quality and profitability, including those of Gazprombank.

Impact on liquidity

The disruptions in the global financial markets have had a severe impact on liquidity as well as the availability of credit and the terms and cost of funding in the Russian Federation. Russian banks, including us, have experienced a reduction in available financing in both the interbank and short-term funding market, as well as in the longer-term capital markets and through bank finance instruments. A number of financial institutions have suffered severe liquidity problems and, in certain cases, the majority shareholders have had to sell their shares to other Russian institutions. The Russian securitisation market has also been largely inaccessible as a result of the current financial crisis. The unavailability of funding to the banking sector in the Russian Federation has also negatively affected general economic conditions in the Russian Federation. See “—*The stabilisation measures of the Russian Government may fail to provide liquidity or support the Russian banking sector or our Group, which may have a material adverse effect on its business, liquidity and financial condition*”.

Impact on our business operations

The continued uncertainty in the international financial markets and any further tightening in credit conditions and continuing contraction of the economies in which we operate could adversely impact our business and operating results as a result of:

- decreases in our net interest income;
- significantly increased loan provision charges, loan losses and write-offs;
- goodwill impairment;
- increases in borrowing costs and reduced, or no, access to capital markets due to unfavourable market conditions; and
- decreases in fee and commission income due to a reduction in capital markets activity, as well as significant declines in market values of securities held in our trading portfolios.

Impact on our ratings

In early January 2009, as a result of the negative impact of the financial crisis on the Russian banking sector, S&P lowered our long-term and short-term counterparty ratings from BB+B/A-3 to BB+/B.

In February 2009, Moody's lowered our long-term bank deposits rating from Baa1 to Baa2 and our senior unsecured debt rating from A3 to Baa2 (outlook stable).

In September 2009, Moody's lowered our long-term bank deposits rating from Baa2 to Baa3 and our senior unsecured debt rating from Baa2 to Baa3 (outlook stable).

In October 2009, Standard & Poor's lowered our long-term counterparty credit rating from BB+ to BB. The national scale rating was lowered from ruAA+ to ruAA. At the same time the short-term credit rating was affirmed at B level. However, there can be no assurance that we, or the Russian Federation, will be able to maintain these credit ratings in the current environment. Any failure to do so could adversely affect our liquidity and competitive position, under confidence in us, increase our borrowing costs and limit our access to the capital markets.

Deteriorating economic conditions in Russia and the other markets in which we operate, together with the continued decline in the growth of Russia's banking sector, may continue to have an adverse effect on our business.

The majority of our profit is generated in Russia and we are particularly exposed to the deteriorating economic conditions in Russia. The Russian economy has been adversely affected by market downturns and economic slowdowns elsewhere in the world, which has also dampened foreign investment in Russia. As Russia produces and exports large volumes of oil and gas, dramatic falls in the prices of these commodities in the world market in the second half of 2008 and thereafter have resulted in sharp decreases in Government revenues and the revenues of privately held Russian companies operating in these sectors, which in turn has had a severely negative effect on the overall Russian economy. According to data published by the CBR, real GDP growth slowed from 8.1 per cent. in 2007 to 5.6 per cent. in 2008.

Until recently, the Russian banking sector had experienced steady growth, with total assets growing 36.6 per cent. in 2005, 44.1 per cent. in 2006 and 44.1 per cent. in 2007, according to the CBR. Similarly, we have experienced steady total asset growth due, to a certain extent, to growth in the overall Russian banking sector. The Russian banking sector's deposit and loan compound annual growth in 2008, however, declined to 10.1 per cent. and 17.5 per cent., respectively, primarily due to the impact of the global credit crisis and no assurance can be given that such a decline would not continue.

The deterioration of general economic conditions in Russia and the other markets in which we operate, and the declining growth of the Russian banking sector in particular, impacted our business adversely in 2008. These developments could also have a severe adverse effect on our business, financial condition and results of operations going forward.

The stabilisation measures of the Russian Government may fail to provide liquidity or support the Russian banking sector or the Group, which may have a material adverse effect on our business, liquidity and financial condition.

In an effort to support the liquidity of the Russian banking sector amidst the global and Russian financial crisis, the Russian Federation recently adopted a set of federal laws to facilitate credit to the Russian banking sector aimed at restoring investor confidence and supporting medium-term growth of the Russian economy. Under the federal laws, the CBR and Vnesheconombank (State Corporation Bank for Development and Foreign Economic Affairs) are required to issue up to RUR950 billion in subordinated loans to state owned and private banks, provided that certain financial and rating criteria are met. During 2008, we received significant funding from the CBR in the form of time deposits and amounts made available under repurchase agreements of which RUR519 billion (approximately U.S.\$17.9 billion) was outstanding as at 31 December 2008.

The Government has pledged additional funds to stabilise the financial markets, from which Vnesheconombank, through the National Welfare Fund, has already received up to RUR175 billion to implement measures to support the Russian financial markets. However, there can be no assurance that any such measures will succeed in materially improving the liquidity position of Russian state-owned or private banks, including our business, or that they do not result in an increased overall cost of funding.

We may face liquidity risks, which we may fail to mitigate if we are unable to raise sufficient funding.

Our traditional funding sources, which include customer deposits and funding from the domestic and international capital markets, are constrained due to the current economic environment. In 2008 and to date in 2009, a substantial portion of our funding was provided by the CBR pursuant to the above-mentioned Government programmes to provide liquidity in the Russian banking sector, resulting in a change in our funding mix. For example, as at 31 December 2007, customer deposits accounted for 52 per cent. of our funding sources, whereas customer deposits accounted for only 37 per cent. of our funding sources as at 31 December 2008. As at 31 December 2008, amounts due to the CBR accounted for 30 per cent. of our funding sources, compared to 31 December 2007 when we did not owe any amounts to the CBR.

This change in our funding mix demonstrates that during the current economic climate we are heavily reliant on Government programmes to meet our funding requirements as our traditional funding sources are less available.

Further, as at 31 December 2008 the funds we received from the CBR have short-term maturities, with 73 per cent. due in under 3 months and the remainder due in under 1 year. The short-term nature of this funding means that if we are unable to roll-over or replace this funding with additional Government funding, customer deposits or some other source, then we could experience a significant liquidity problem, resulting in a material and adverse effect on our results of operations and financial condition.

Additionally, Russian companies have significant liquidity requirements, which have been further increased by the lack of liquidity available from financial markets as a result of the global financial crisis. Accordingly, they often withdraw their deposits and are not in a position to place significant funds with us on a long-term basis. Retail depositors are allowed to withdraw deposits, including term deposits, at any time. As a result, unanticipated decreases in corporate customer deposits and/or unexpected withdrawals of retail deposits may result in liquidity gaps that we may not be able to cover.

The remainder of our funding is raised in the domestic and international capital, syndicated loan as well as interbank markets. The current market conditions have significantly reduced our access to funding from these markets at commercially justifiable costs. Our ability to raise funding from domestic and international markets in amounts sufficient to meet our liquidity needs could be further adversely affected by a number of factors, including in particular further deterioration in Russian and international economic conditions and the state of the Russian financial and market systems.

If the measures put in place and proposed by the Government fail to ameliorate our liquidity position, or other sources of short- and, in particular, long-term funding, including from international capital markets or inter-bank lending markets, are not available, our business, financial condition, results of operations, prospects and liquidity position, as well as the value of the Notes, could be materially adversely affected.

The size of our loan portfolio and the unpredictability in the economic conditions in Russia and abroad has increased our credit exposure, which may result in increased non-performing loans despite risk management strategies as a result of.

Our total gross loan portfolio increased from RUR401.2 billion (approximately U.S.\$16.9 billion) as of 31 December 2007 to RUR630.1 billion (approximately U.S.\$21.7 billion) as of 31 December 2008. Our credit exposure has increased significantly as a result. This increase will require continued and improved monitoring by management of credit quality and the adequacy of our provisioning levels.

We are subject to risks regarding the credit quality of, and the recovery on loans to and amounts due from, customers and market counterparties. Changes in the credit quality of our Russian and/or international customers and counterparties, or in their behaviour, or arising from systemic risks in the Russian and global financial system, have reduced the value of our assets, and increased our loan losses and allowances for loan impairment. For instance, recently the deterioration in global financial markets contributed to significant increases in our impairment provisions for interest earning assets, which increased with more than a 1000 per cent to RUR14 billion as at 31 December 2008 from RUR1.2 million as at 31 December 2007.

We may not be able to accurately assess default risk on loans provided to corporate customers due to the unpredictability of economic conditions in Russia and abroad. A significant portion of the increase in our gross loan portfolio 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 do not 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. In addition, the availability of accurate and comprehensive financial and general credit information on individuals and small businesses in Russia is even more limited than in the case of larger corporate customers, which makes it more difficult for us to accurately assess the credit risk associated with such lending. Therefore, in spite of our credit risk evaluation procedures, we may be unable to correctly evaluate the current financial condition of each prospective borrower and to accurately determine the ability of such corporate borrower to repay.

Although we have invested substantial time and effort in its risk management strategies when creating its existing portfolio and has sought to enhance those strategies in light of the current economic conditions, there can be no guarantee that such risk management strategies will protect us from increased levels of non-performing loans, particularly when confronted with risks that we did not identify or anticipate from our existing portfolio. 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.

The lack of reliable information about borrowers in Russia could result in us not becoming aware of events of default of its borrowers in a timely manner.

Due to lack of frequent and reliable information on borrowers in Russia, we historically have had to rely, to a large extent, on statutory financial statements of our borrowers to evaluate their financial performance and monitor credit quality. The limited scope of the assessment and monitoring procedures based on such statutory financial statements, together with insufficient internal coordination of the collection of information from borrowers and the analysis of such information by our relevant departments, have in the past resulted in us not being aware, in some cases, of events of default or potential events of default on a timely basis. This, together with the adverse developments in the general Russian economy in 2008, contributed to the increase in overdue loans and provisions for loan impairment in 2007 and 2008. We have taken, and continue to take, steps to coordinate and accelerate data collection and analysis to prevent such deficiencies in our internal procedures. However, the general limitations of frequent and reliable information about borrowers in Russia may result in us not becoming aware of events of default of our borrowers, which could have a material adverse effect on our financial condition and results of operations.

We do not monitor and control procedures relating to our loan and securities portfolios on a daily basis because the loan and securities portfolios cannot be accurately consolidated on a daily basis due to limitations in our operational reporting systems.

We monitor and control procedures relating to our loan and securities portfolios on a monthly basis rather than a daily basis. There are also no limits for Group-wide exposure to a single borrower or group of related borrowers on a consolidated basis. While most of our subsidiaries are instructed to promptly provide to us lists of their largest borrowers and impaired loans, certain of the non-Russian subsidiaries typically are unable to provide the names of such borrowers without their consent due to local market data protection regulations. Decisions regarding the extension of significant credit by our banking subsidiaries are made with our knowledge and information from our subsidiaries through the Credit Committee. However, our operational reporting IT systems do not enable us to monitor the loan and securities portfolios of our subsidiaries in the aggregate on a daily basis. There is therefore a risk of an incorrect assessment of credit exposure and concentration limits which may result in credit being extended to a single borrower or group of related borrowers without the Group entity that extends the credit or us knowing the extent to which we are already exposed to such borrower or group of related borrowers. This could result in us being unable to monitor our loan portfolio at a time when the rate of customers and counterparty failure may be increasing and, therefore, have a material adverse effect on our financial condition and results of operations.

Our trading activities expose us to a number of heightened risks which have resulted in significant losses for our business in the past and may do so again in future

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. As a result, 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.

In particular, during 2008 we entered into a number of foreign currency swap transactions which, for the year ended 31 December 2008, resulted in a loss of RUR47 million and an overall loss from derivative contracts with foreign currency for the period of RUR97 million. Although we have put in place limits for our trading securities portfolio, market price fluctuations, particularly affecting our Russian corporate and government debt securities and Russian equity securities, may adversely affect the value of our securities portfolio. We also trade in foreign currencies on behalf of our clients and for our own account and maintain open currency positions, which give rise to currency risks. We have put in place limits aimed at reducing currency risks and we adhere to the CBR limits on open currency positions. Future changes in currency exchange rates may adversely affect the Group's financial condition and results of operations.

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.

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

Until December 2006, we were wholly owned by Gazprom. As at 15 December 2009, our shareholders and their respective holdings comprised 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 company, OAO "GAZ servis", 17.17 per cent. is held through a subsidiary company 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 Tekhnologii" (5.81 per cent.) and employees of Gazprombank (2.46 per cent.).

Historically, Gazprom and (indirectly) the Russian Federation have exerted significant control over our strategy, policies and operations. However, since 2008, only five of the twelve members of our Board of Directors were appointed by Gazprom.

Notwithstanding the reduction in Gazprom's shareholding, and its 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 2008, the Group's loan exposures accounted for 6 per cent. (RUR38.2 million) of our gross loan portfolio (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 2008, 26.2 per cent. (RUR175.1 million) of our outstanding total customer deposits were held for the benefit of, and 27 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, a downturn in the Russian economy and/or that particular sector could impair the ability of the Gazprom Group and other natural gas sector companies to service their loans. See — "*The industry and borrower concentrations in our loan portfolio make us vulnerable to downturns in certain sectors*". Since the spread of the global financial crisis to Russia following the onset thereof in the autumn of 2007, fluctuations in global oil and gas prices have had a significant downward impact on Russia's oil and gas sector. A downturn in the Russian economy or its oil and gas sector, 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 31 March 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 could be negatively affected by the deterioration of the commercial soundness and/or the perceived soundness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties.

As a result of the lack of liquidity and high cost of funds in the interbank lending market, which is unprecedented in recent history, we have become increasingly subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial service institutions within and outside the Russian Federation.

We routinely execute a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients, resulting in a significant counterparty credit exposure. Counterparty risk is heightened as a result of recent financial institutional failures and nationalisations.

We will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the stability of, one or more financial service institutions could lead to further significant systematic liquidity problems, or losses or defaults by other financial institutions which could materially and adversely affect our ability to raise interbank or other funding, our business, results of operations, financial condition and prospects.

We face a number of risks relating to the diversification of our equity investments portfolio and our acquisition and/or disposition of equity

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*”, “*—Gazprom Media Group*” and “*—Heavy Machinery Production Companies*”, respectively). We also hold various stakes in other companies including a 51 per cent. stake in each of Sibneftegas and Sibgaztransit, as well as a 95 per cent. stake in Trancedo, all of which are Russian gas companies.

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 2008, SIBUR Holding accounted for RUR155.5 billion (8.4 per cent.) of our total assets and contributed RUR12 billion in profit to our net loss; Gazprom Media Group accounted for RUR40.8 billion (2.2 per cent.) of our total assets and contributed RUR7.4 billion in profit to our net loss; the Forepost Group accounted for RUR66.3 billion (3.6 per cent.) of our total assets and contributed RUR4.0 billion in profit to our net loss. A notable adverse change in their performance, or their 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, Sibneftegas, Sibgaztransit and/or Trancedo 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.

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. We may, for example, exit these investments through strategic sales to third parties or an initial public offering (an “**IPO**”). We cannot assure you 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.

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 2008, our equity investment portfolio amounted to RUR45 billion and accounted for 2.4 per cent. of our total assets. The Russian stock market has experienced significant volatility in recent years and Russia's financial markets, in particular, suffered a severe decline among major emerging markets as a result of the global economic crisis.

A fall in the price of Russian or global equity securities has had, and in future could again, 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 RUR50 billion as at 31 December 2007 to RUR45 billion as at 31 December 2008, of which 5 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 and, to a lesser extent, Bank of Moscow and Alfa Bank. Our main competitors are Russian state-owned banks, Sberbank (which inherited a retail branch network of approximately 20,000 branches from the Russian government) and Vneshtorgbank, which have larger banking operations and capital resources than we do. If we are not able to compete successfully with our main competitors, this could affect our profit margins and we could lose market share. 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 2008, the manufacturing, natural gas and investment and finance sectors accounted for 14.9 per cent., 11.5 per cent. and 10.8 per cent., respectively, of our gross loan portfolio. As at 30 June 2009, these were 16.1 per cent., 14.3 per cent. and 6.9 per cent., respectively. In addition, as at 30 June 2009, 8.2 per cent. and 7.8 per cent. of our total gross loans was concentrated in the oil and trading enterprises sectors, respectively.

Our loan portfolio is also heavily concentrated in single borrowers, with the ten largest customers accounting for 18 per cent. and 25 per cent. of our gross loan portfolio as at 31 December 2008 and 30 June 2009, respectively.

Further, under the Government's stabilisation measures, we received significant short and medium term financing from the CBR to help support liquidity in the Russian economy in the second half of 2008. As at 31 December 2008, the total amount of CBR financing outstanding was RUR519 billion, which amount equalled RUR410 billion as at 30 June 2009.

We have used the CBR funding to, among other things, extend loans and advances to customers at preferential interest rates to support operations of Russian companies in industries which the Government has identified as priority industries in its anti-crisis program for 2009.

While any customer loans and advances that we extend based on these or other Government funding sources are subject to our customary loan approval and credit risk management processes, the Government's choice of priority industries impacts the allocation of these loans and advances. This can result in increased exposures to particular industries and, ultimately, decrease the diversity of our overall loan portfolio. We may also be unable to fully pass on the increased cost of the funding from the Government's stabilisation measures to customer loans and advances, which may put pressure on our net interest margin.

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.

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 assets with monetary value. The recent downturns in many of these industries and the general deterioration of economic conditions in Russia has resulted, and may continue to result, in declines in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. The reduced collateral values may not be sufficient to cover uncollectible amounts on our secured loans which may require us to reclassify the relevant loans, establish additional allowances for loan impairment and increase reserve requirements. In addition, we may acquire controlling or minority stakes in defaulting companies which operate in sectors which are not core to our business and in respect of which we have no operational or management expertise. A failure to recover the expected value of collateral may expose us to loan losses, which may materially and adversely affect our financial condition and results of operations. 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 2008, we had eurobonds in the principal amount of RUR92 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, which we may fail to mitigate if we are unable to raise sufficient funding”. Moreover, companies located in countries in the emerging markets such as Russia may be particularly susceptible to disruptions in the global economy and reductions in the availability of credit or increases in financing costs, could result in them experiencing financial difficulty. See “—We may face liquidity risks, which we may fail to mitigate if we are unable to raise sufficient funding”.

In future, if we are unable to access the international capital markets, we may not be able 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.

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 2008, our effective interest rates on Rouble loans to

customers fell from 15.3 per cent. to 12.9 per cent., in contrast to the average interest rates paid on customer Rouble deposits, which rose from 3.1 per cent. to 6 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 appreciates 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. The U.S. dollar has appreciated steadily against the Rouble since October 2008, due in part to the recent significant fall in prices of oil and commodities that are the principal generators of Russia's export earnings. The Russian Rouble to U.S. dollar exchange rate was 24.58 as of 31 August 2008, while in April 2009 the rate rose above RUR34.0 to US\$1.00. However, on 22 January 2009, the CBR set the upper limit of the Rouble's trading band against the U.S. dollar/euro basket at RUR41 in order to help stabilise Russia's balance of foreign debt payments against its current reserves and to prevent a further decline of the Rouble against the U.S. dollar. The Russian Rouble to U.S. dollar exchange rate was 30.21 as of 12 December 2009.

We may fail to properly manage its growth or integrate our acquired businesses.

During 2008, in the course of our private equity operations, we acquired several controlling interests in certain industrial and media companies, including a 100 per cent. stake in the holding company, ZAO "Forpost Management" (involved in the production of heavy machinery), an 86 per cent. stake in the Cryogenmash Group (involved in the production of air separation products and supply of industrial gases) and a 77 per cent. stake in the Russia Uralkhimash Group (involved in the production of machinery for chemical production). We may also make significant acquisitions in the future. This growth has required and will continue to require significant allocation of capital and management resources, further development of our financial, internal controls and information technology systems, continued upgrading and streamlining of our risk management systems and additional training and recruitment of management and other key personnel. At the same time, we must maintain a consistent level of client services and current operations to avoid loss of business or damage to our reputation. There can be no assurance that we will be able to sustain our current levels of growth in the future. In addition, there can be no assurance that we will be able to fully integrate our acquired or newly established subsidiaries in line with our strategy. Future acquisitions could also give rise to similar integration risks, as well as financial risks.

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

General Business Risks

Emerging markets such as Russia are subject to greater risks than more developed markets, and financial turmoil in any emerging or developing market could disrupt our business, as well as cause the price of the Notes to suffer

Generally, investing in emerging and developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in, such markets. Investors should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging or developing market country tends to adversely affect prices in equity and debt markets of all emerging and developing market countries as investors move their money to more stable, developed markets. The Russian markets have been highly volatile during the global financial crisis beginning in 2008. Such volatility has caused market regulators to temporarily suspend trading on the MICEX and RTS stock exchanges multiple times. The MICEX and RTS stock exchanges have experienced significant overall declines since the beginning of the financial crisis in 2008. 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. For instance, terrorist activities in Russia, the recent war in Georgia and continuing armed conflicts in the Middle East region have had a significant effect on international and domestic financial and commodity markets. 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. Companies that operate in emerging or developing markets can face severe liquidity constraints as foreign funding sources are withdrawn as a result of this. Additionally, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so 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 any of these markets. See also “—*Economic Risks—Economic instability in Russia could adversely affect demand for our banking services.*” Financial turmoil in any emerging or developing market country could adversely affect our business, as well as result in a decrease in the price of the Notes.

Political Risks

Political and governmental instability or conflict could adversely affect the value of investments in Russia, including the Notes.

Since 1991, Russia has changed from a one-party state with a centrally-planned economy to a federal republic with democratic institutions and a market-oriented economy. However, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatisations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups. The course of political, economic and other reforms has in some respects been uneven, and the composition of the Russian government, including the prime minister and the other heads of federal ministries, has at times been unstable.

Future changes in the Government, State Duma or the presidency, major policy shifts or eventual lack of consensus between the president, the Government, Russia’s parliament and powerful economic groups could lead to political instability, which could have a material adverse effect on the value of investments in Russia generally and the Notes in particular and our prospects could be harmed if there is further governmental instability or if the course of reform policies does not continue.

Emerging markets such as Russia are also subject to heightened volatility based on economic, military and political conflicts. For example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia resulted in significant overall price declines in the Russian stock exchanges. The emergence of any new or escalated tensions in the region could negatively affect the economy of Russia and other countries that are involved. Such tensions or conflicts may lead to reduced liquidity, trading volatility and significant reductions in the price of listed Russian securities, with a resulting negative effect on the liquidity, stability and trading price of the Notes and our ability to raise debt or equity capital in the international capital markets.

Conflict between federal and regional authorities and other domestic political 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.

Russia is currently a federation of various sub-federal political units. Some of these political units exercise considerable autonomy over their internal affairs pursuant to agreements with the federal authorities. In practice, the division of authority between federal and regional authorities remains uncertain and contested. This uncertainty could hinder our long-term planning efforts and may create uncertainties in our operating environment, any of which may prevent us from effectively and efficiently carrying out our business strategy. However, the recent amendments to Russian legislation whereby heads of regions are nominated by the president and appointed by regional legislatures (instead of direct election by the population) are designed to minimise conflict between federal and regional authorities and secure stability across the Russian Federation.

In addition, ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict. The conflict in Chechnya, for example, brought normal economic activity within Chechnya to a halt for a period of time and disrupted the economies of neighbouring regions. Violence and attacks relating to this conflict also spread to other parts of Russia and resulted in terrorist attacks in Moscow. In the future, such tensions, military conflict or terrorist activities could have significant political consequences, including the imposition of a state of emergency in some or all of Russia or heightened security measures, which could disrupt normal economic activity in Russia and materially adversely affect our business and the value of the Notes.

Deterioration of Russia's relations with other countries could have an adverse effect on the Group's business, financial condition and results of operations and the value of the Notes.

Over the past several years, Russia has been involved in economic disputes and military conflicts, with other countries, including members of the CIS, some of which are current and potential future markets for the Group's services. On several occasions, this has resulted in the deterioration of Russia's relations with other members of the international community, including the United States and various countries in Europe. For example, a military conflict which commenced in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia has resulted in the deterioration of Russia's relations with certain other countries. On 26 August 2008, Russia recognised the independence of South Ossetia and Abkhazia and continues to maintain a military presence in both regions. As a result, the Russian stock exchanges experienced heightened volatility and significant overall price declines following such events. In addition, there has been a notable foreign capital outflow from Russia and the Rouble has been subject to downward exchange pressure. Published news reports have indicated that some countries are considering the imposition of economic sanctions in response to these events. The emergence of new or escalated tensions between Russia and other countries, including any escalation of such conflicts, or the imposition of economic or other sanctions in response to the tensions, could negatively affect economies in the region, including the Russian economy.

Moreover, the emergence of such tensions or conflicts could have a material adverse effect on the Group's business, financial condition and results of operations and may lead to reduced liquidity, trading volatility and significant falls in the price of listed Russian securities, including the Notes, with a resulting negative effect on the liquidity, stability and trading price of the Notes and the Group's ability to raise debt or equity capital in the international capital markets.

Economic Risks

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

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

- significant declines in gross domestic product;
- hyperinflation or high levels of inflation;
- an unstable currency;
- high levels of state and corporate debt relative to gross domestic product;
- crises in the banking system limiting the ability of banks to provide liquidity to Russian corporate and individual borrowers;
- a large number of loss-making enterprises that continue to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- the growth of "black" and "grey" market economies;
- high levels of capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of 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 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, which further impaired the ability of the banking sector to act as a reliable and consistent source of liquidity to Russian companies, and resulted in the loss of bank deposits in some cases.

In 2004, several Russian banks experienced a sharp reduction in liquidity, and the licenses of certain of them were withdrawn. 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.

In addition, Russia's financial market suffered a severe decline due to the global financial crisis in 2008. As Russia produces and exports large quantities of crude oil, natural gas and other commodities, the Russian economy is particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world market, which reached record high levels in the first half of 2008 and have since experienced significant decreases, particularly in the price of crude oil which decreased by approximately 70 per cent. in the second half of 2008. Russian banks, and the Russian economy generally, have been adversely affected by the global financial turmoil beginning in the second half of 2008. The Russian economy has recently been characterised by extreme volatility in debt and equity markets, reductions in foreign investment and sharp decreases in gross domestic product. In light of these recent developments, international rating agencies have downgraded Russia's sovereign credit rating, which reflects an assessment by such agencies that there is an increased credit risk that the Government may default on its obligations. These assessments may lead to a further reduction in foreign investment and an increased cost of borrowing for the Government. In late 2008, the Government announced plans to institute more than U.S.\$200 billion in emergency financial assistance measures in order to ease taxes, refinance foreign debt and encourage lending. Since the advent of the global financial crisis, the Government has made approximately U.S.\$75 billion available to the banking sector (by providing funds to financial institutions and directly to certain borrowers in the manufacturing and resource – sector) in an effort to stimulate new lending and keep financial institutions afloat. Although lately, Russia's financial markets, the stock market and the Russian Rouble have shown signs of improvement, there can be no assurance that these or other measures will result in a short-term recovery of the Russian economy.

The positive trends in the Russian economy in recent years, such as increases in gross domestic product, a relatively stable currency and a reduced level of inflation, have begun to reverse as a consequence of the current global financial and economic crisis. Moreover, due to the Russian economy's reliance on revenue from oil and other commodities, there have been reductions in state spending and a reduction in the state budget revenues and expenditures as a result of the decrease in oil prices and prices of other commodities, which, along with other factors, have contributed to a significant devaluation of the rouble against the U.S. dollar and euro in the second half of 2008 and the beginning of 2009. In addition, there has been some concern about the quality of banking sector credits as bad debts increase; with Standard and Poor's estimating that up to a third of Russian banks' assets may be classified as problem loans in future. If financial stimulus packages, policy and other measures prove to be insufficient, this may cause a renewed deterioration of the financial market crisis which could put renewed downward pressure on the price of oil, the key driver of the Russian economy. A continuing decline in the price of crude oil, natural gas or other commodities could therefore further disrupt the Russian economy and adversely affect our operating results and financial condition.

Social Risks

Social instability caused by weakening economic conditions and turmoil in the financial markets in Russia could increase support for renewed centralized authority, nationalism or violence and thus materially adversely affect our ability to conduct our business effectively.

Early in 2009, unemployment levels in Russia surpassed 10 per cent. More recent labour data has also become suspect as the Government stopped registering the unemployed. The weakening economic conditions and continuing turmoil in the financial markets in Russia may result in increased unemployment or the failure of state and private enterprises to pay full salaries on time and the failure of salaries and benefits generally to keep pace with the increasing cost of living. These conditions have already lead to a certain amount of labour and social unrest that may continue or escalate in the future. Such labour and social unrest may have widespread political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, including restrictions on foreign involvement in the economy of Russia, and increased

tension between the Government and its people. Any of these consequences could restrict our operations and lead to a loss of revenue, materially adversely affecting us.

RISKS RELATING TO THE RUSSIAN LEGAL SYSTEM

The Russian legal system and Russian legislation are at a developmental stage and this may create an uncertain environment for investment and for business activity.

Russia is still developing the legal framework required by a market economy. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the Constitution of the Russian Federation, including the Civil Code and other federal laws, as well as 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. Several fundamental Russian laws have only become effective within the past five to 10 years. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system impact the enforceability of laws and can result in ambiguities, inconsistencies in legal interpretations and other anomalies. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure. Among the possible risks of the current Russian legal system are:

inconsistencies among (1) federal laws, (2) decrees, orders and regulations issued by the president, the Government, federal ministries and regulatory authorities and (3) regional and local laws, rules and regulations;

- limited judicial and administrative guidance on interpreting Russian legislation;
- limited court personnel with the ability to interpret new principles of Russian legislation, particularly business and corporate law;
- gaps in the regulatory structure due to a delay in legislation being promulgated or the absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities; and
- the inadequacy of bankruptcy procedures and certain violations in bankruptcy proceedings.

All of these weaknesses could affect our ability to enforce our rights under contracts, or to defend ourselves against claims by others.

The difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent us or investors from obtaining effective redress in court proceedings.

The independence of the judicial system and its immunity from economic and political influences in Russia is also developing. The court system is understaffed and underfunded. Russia is a civil law jurisdiction and, as such, judicial precedents generally have no binding effect on subsequent decisions. Additionally, court claims are often used in furtherance of personal aims different from the formal substance of the claims. We may be subject to such claims, and courts may render decisions with respect to those claims that are adverse to us and our investors.

State authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licenses, 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. Such state action, if directed at us, could have a material adverse effect on the business of our Group, and on the value of the Notes.

There are also legal uncertainties relating to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that these protections may not be enforced in the event of an attempted nationalisation, or in the event our business is reorganised. Our failure to receive what we believe to be adequate compensation in the event of the nationalisation of any of our entities, their assets or portions thereof, or their break-up into separate companies, could have a material adverse effect on our operations and revenues, 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, retail 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.

It may be difficult for us or investors to enforce the Deed of Guarantee and other security under Russian law

Investors' rights of recourse under the Notes are limited to the Deed of Guarantee and certain limited recourse against the Issuer as disclosed in the "*Terms and Conditions of the Notes*". See also "*—Risk Factors related to the Notes and the trading market—As a Noteholder, you have no direct recourse to us.*" In addition, we enter into security and/or guarantee arrangements for loans made to our customers (including 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, Noteholders may have difficulty enforcing their rights under the Deed of Guarantee and otherwise as detailed in the "*Terms and Conditions of the Notes*" which may have a material adverse effect on an investment in the Notes and additionally, we may have difficulty foreclosing on collateral or enforcing other security when customers default on their loans, which could adversely affect our business. Moreover, we may acquire controlling or minority stakes in defaulting companies which operate in sectors which are not core to our business and in respect of which we have no operational or management expertise. Any failure or inability on our part to enforce any guarantees or assurance arrangements, may lead to losses, which can materially adversely affect our financial condition and results of operations.

Foreign judgments may not be enforceable against us

Russian courts may not enforce any judgment obtained in a court established in a country other than the Russian Federation unless there is a (i) treaty in effect between such country and the Russian Federation providing for reciprocal recognition and enforcement of court judgments and (ii) federal law of the Russian Federation providing for recognition and enforcement of foreign court judgments. No such treaty exists between the Russian Federation and the United Kingdom and no such federal law has been passed. Even in the event that there is such a treaty and a federal law, Russian courts may nonetheless refuse to recognise and enforce a foreign court judgment on the grounds provided in such treaty and in Russian legislation in effect on the date on which such recognition and enforcement is sought. The Arbitrazh Procedural Code of the Russian Federation establishes the procedures for the recognition and enforcement of foreign court judgments and contains an extensive list of grounds for refusal of such recognition and enforcement in the future. Moreover, Russian procedural legislation may change and no assurance can be given that in the future no other ground for refusal of such recognition and enforcement may arise.

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 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 Deed of Guarantee is governed by English law and provides 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.

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 Deed of Guarantee 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

Russian tax law and practice are not fully developed and are subject to frequent changes, which could have an adverse effect on us.

We are subject to a broad range of taxes and other compulsory payments imposed at federal, regional and local levels, including, but not limited to, profit tax, value added tax, property taxes, excise duties, payroll-related taxes and other taxes.

Tax laws, such as the Russian Tax Code, have been in force for a short period relative to tax laws in more developed market economies, and the implementation of these tax laws is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in continual changes to the interpretation of existing laws. Furthermore, the tax environment in Russia has been complicated by the fact that various authorities have often interpreted tax legislation inconsistently. Although the quality of Russian tax legislation has generally improved with the introduction of the first and second parts of the Russian Tax Code, the possibility exists that Russia may impose arbitrary or onerous taxes and penalties in the future, which could adversely affect our business. A large number of changes have been made to various chapters of the Russian Tax Code since their introduction.

Since Russian federal, regional and local tax laws and regulations are subject to frequent change and some of the sections of the Russian Tax Code are comparatively new, interpretation of these laws and regulations is often unclear or non-existent. Taxpayers and the Russian tax authorities often interpret tax laws differently. In some instances, Russian tax authorities have applied new interpretations of tax laws retroactively. Differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Furthermore, in the absence of binding precedent, court rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory. Taxpayers 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 assessments and their interpretation of legislation.

The Russian tax system still relies heavily on the judgments of local tax officials and fails to address many of the existing problems, and local tax officials have recently made several material tax claims against major Russian companies.

Tax returns together with related documentation are subject to review and investigation by the tax authorities, which are enabled by Russian law to impose severe fines and interest charges. Generally, tax returns remain open and subject to inspection by the tax authorities for a period of three years immediately preceding the year in which the decision to conduct a tax audit is adopted. The fact that a year has been reviewed by the tax authorities does not close that year, or any tax returns applicable to that year, from further review during the three-year period. In particular, a repeated tax audit may be conducted by a higher tax authority as a measure of control over the activities of lower tax authorities or in case of the reorganisation of the taxpayer. However, on 17 March 2009, the Constitutional Court of the Russian Federation issued a decision that disallows the Russian tax authorities to issue decisions in the course of subsequent tax audits for the same tax period as an initial audit if the court decision which was taken in respect of the tax dispute between the relevant taxpayer and the relevant tax authority and covered taxation matters raised during the initial tax audit has not been revised or discharged. Currently, it is unclear how this decision will be applied and followed in practice by the Russian tax authorities.

The statute of limitations for imposing tax fines is three years. However, on 14 July 2005, the Constitutional Court of the Russian Federation issued a decision that allows the statute of limitations for imposing tax fines to be extended beyond the three-year term set forth in the Tax Code if a court determines that a taxpayer has obstructed or hindered a tax audit. Moreover, amendments introduced to the first part of the Tax Code which came into effect on 1 January 2007, provide for the extension of the three year statute of limitations the imposition of tax fines if the actions of the taxpayer create insurmountable obstacles for the tax audit. Because the terms “obstructed”, “hindered” and “insurmountable obstacles” are not specifically defined in Russian law, the tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced in the course of their tax audit with obstruction by the taxpayer and use that as a basis to seek tax adjustments and penalties beyond the three-year term. Therefore, the statute of limitations for imposing tax fines is not entirely effective.

In some instances, changes in tax regulations have been given retroactive effect.

In its decision of 26 July 2001, the Constitutional Court also introduced the concept of “a taxpayer acting in bad faith” without clearly stipulating the criteria for it. Similarly, this concept is not defined in Russian tax law. Nonetheless, this concept has been used by the tax authorities to deny, for instance, the taxpayer’s right to rely on the literal interpretation of the tax legislation. The tax authorities and courts often exercise significant discretion in interpreting this concept in a manner that is unfavourable to taxpayers. These facts create tax risks in Russia that may be substantially more significant than typically found in countries with more developed tax systems.

On 12 October 2006, the Plenum of the Supreme Commercial Court of the Russian Federation issued ruling No. 53 which introduced a new concept of “unjustified tax benefit” which is defined mainly by reference to specific examples of such tax benefits (e.g. absence of business purpose) which may be disallowed. While the tax authorities and courts have provided only limited guidance on the interpretation of this new concept, the tax authorities nonetheless have actively sought to apply this concept when challenging tax positions taken by taxpayers. Although the intention of this ruling was to combat abuse of tax law, the tax authorities have started applying the “unjustified tax benefit” concept in a broader sense than may have been intended by the Supreme Commercial Court. To date, in the majority of cases where this concept has been applied, the courts have ruled in favour of taxpayers, but it is too early to determine whether the courts will follow these precedents in the future. Furthermore, Ruling No. 64 of the Plenum of the Supreme Court of the Russian Federation “Concerning the Practical Application by Courts of Criminal Legislation Concerning Liability for Tax Crimes” dated 28 December 2006 is indicative of the trend to broaden application of criminal liability for tax violations.

Transfer pricing legislation in Russia allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all “controlled” transactions (except for those conducted at state regulated prices and tariffs), sales and purchases, provided that the transaction price differs upwards or downwards 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 transaction differs from prices applied under similar transactions by more than 20 per cent. within a short period of time). Special transfer pricing rules apply to securities transactions and derivatives. The transfer pricing rules are vaguely drafted, generally leaving wide scope for interpretation by the tax authorities and courts. Moreover, in the event that a transfer pricing adjustment is assessed by the tax authorities, the transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction. There is a plan to introduce substantial amendments to the transfer pricing legislation. Such amendments, if adopted, are expected to result in stricter transfer pricing rules. At this point it cannot be predicted when this law will be enacted, if at all, and what the provisions or effect on taxpayers, including the Group, may be. If the tax authorities were to impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on our business, financial condition, results of operations or prospects.

It should also be noted that Russian law does not provide for a possibility of group relief or fiscal unity. Consequently, tax losses of any Russian legal entity of the Group may not be surrendered to reduce the tax liability of any other Russian legal entity of the Group.

The Russian Government in its Main Directions of Russian Tax Policy for 2009-2011 has proposed the introduction of consolidated tax reporting to enable the consolidation of the financial results of Russian taxpayers which are part of one group for corporate income tax purposes. At this stage, it is impossible to predict whether, when or how such consolidated tax reporting principles will be enacted.

Our Group operates in various jurisdictions and includes companies incorporated outside of Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies in Russia or operations of Russian companies abroad. It is possible that with the evolution of these rules or changes in the approach of the Russian tax authorities, we might be subject to additional taxation in Russia in respect of our operations outside Russia.

Russian tax legislation in effect as of the date of this Prospectus does not contain a concept of corporate tax residency. Russian companies are taxed on their worldwide income whilst foreign entities are taxed in Russia on income attributable to a permanent establishment and on Russian source income. The Russian Government in its Main Directions of Russian Tax Policy for 2009-2011 has proposed the introduction to the domestic tax law of a concept of tax residency for legal entities. According to the proposals, a company would be deemed a Russian tax resident based on the place of its effective management and control and/or based on the residence of its shareholders. No assurance can be currently given as to whether and when these amendments will be enacted, their exact nature, their potential interpretation by the tax authorities and the possible impact on our Group. We may not rule out that, as a result of the introduction of these changes to the Russian tax legislation, certain companies of the Group might be deemed to be Russian tax residents, subject to all applicable Russian taxes.

There can be no assurance that the Russian Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system. These factors, plus the potential for state budget deficits, raise the risk of the imposition of additional taxes on us. The introduction of new taxes or amendments to current taxation rules may have a substantial impact on the overall amount of our tax liabilities. There is no assurance that we would not be required to make substantially larger tax payments in the future, which may affect the financial results of our Group. In addition to creating a substantial tax burden, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing it and its Russian subsidiaries to significant fines and penalties and enforcement measures, and could adversely affect the Group's business, financial condition and results of operations.

The legislative framework governing bankruptcy in the Russian Federation differs substantially from that of 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 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). In early 2008, the Association of Regional Banks of Russia and Expert RA rating agency began to co-develop a new strategy for the period from 2009 through 2015 and this strategy has yet to be issued by the Government and the CBR. See "*The Banking Sector and Banking Regulation in the Russian Federation—Banking Reform*".

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

In particular, under the Deposit Insurance 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 Deposit Insurance 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 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 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. For instance, we are required to publish our annual unconsolidated financial statements in accordance with Russian Accounting Regulations, together with an independent auditor's report. The Group consists of a large number of companies with a wide geographical range of operations. A majority of the companies in the Group are governed by Russian law, including Russian accounting regulations. These factors, as well as the preparation of financial statements for each of our companies and our annual and interim consolidated accounting and financial reports, determine the time of the preparation of the reports. Therefore, we believe that it may take us more time than many western European companies to prepare and publish our financial reports.

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 such reports and generally comply with the 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.).

In addition, Russian law requires certain disclosures be made by open joint stock companies, such as the disclosure of annual reports, annual accounts (audited by an independent auditor and approved by shareholders), any material facts affecting the financial condition and the business of the relevant company, certain board of directors' resolutions and lists of affiliated companies. Nonetheless, despite these requirements and initiatives,

there is less publicly available information about us than there is available for comparable banks in, for example, the United Kingdom.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of our subsidiaries.

Russian legislation generally provides that shareholders in a Russian joint stock company or members in a Russian limited liability company are not liable for the obligations of the joint stock company or limited liability company and bear only the risk of loss of their investment. This may not be the case, however, when one company (the “**effective parent**”) is capable of making decisions for another company (the “**effective subsidiary**”). Under certain circumstances, the effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out such decisions. In addition, the effective parent is secondarily liable for the effective subsidiary’s debts if the effective subsidiary becomes insolvent or bankrupt as a result of the action or inaction of an effective parent. Accordingly, in our position as the effective parent of the subsidiaries in which we own more than 50 per cent. of the charter capital, we could be liable for their debts. This liability could have an adverse effect on us.

Some transactions conducted by us involving interested parties as defined under Russian law require the approval of disinterested directors or disinterested shareholders and our failure to obtain such approvals could have an adverse effect on us.

Russian law requires a company that enters into transactions that are referred to as “interested party transactions” to comply with special approval procedures by disinterested directors and/or shareholders. See “*Principal Shareholder and Related Party Transactions.*” If the approval procedures are not followed, a transaction could be declared invalid upon a claim by the company or any of its shareholders. However, a shareholder may have to prove actual damages to the company or the shareholder in order to bring such a claim. The interested party could be held liable for damages. Transactions between members of a consolidated corporate group may also, in certain circumstances, be considered to be interested party transactions, even when the companies involved are wholly-owned by the parent company. Our Russian subsidiaries are subject to the same (or similar) legal requirements regarding the approval of interested party transactions. Our failure to follow the required approval procedures for interested party transactions could adversely affect the Group’s business, financial condition and results of operations.

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 actually received by the Issuer under the Loan Agreement and recourse under the Deed of Guarantee

The obligation of the Issuer to make any payment of principal, interest or other amounts under the Notes shall be limited insofar as the Issuer shall only be obliged to pay Noteholders the amounts actually received and retained (net of tax) by or for the account of the Issuer from Gazprombank in respect of principal, interest or, as the case may be, other amounts paid by Gazprombank under the Loan pursuant to the Loan Agreement. Consequently, if Gazprombank fails to fully satisfy its obligations towards the Issuer under the Loan Agreement, you will receive less than the scheduled amount of principal, interest and/or additional amounts (if any) payable under the Notes on the relevant due date. The obligation of the Issuer to make payments in respect of the Notes will be limited to such sums that Gazprombank has paid to it under the Loan Agreement and you will have no further recourse to the Issuer or to any of the Issuer’s other assets in respect thereof. To the extent that there is any shortfall in respect of amounts due under the Notes, and given that the Issuer is a finance subsidiary within the Group without independent operations or revenues, you will have to rely solely and exclusively on the covenant of Gazprombank to pay under the Guarantee and on the credit and financial standing of Gazprombank. See also “*-As a Noteholder, you have no direct recourse to us.*”

As a Noteholder, you have no direct recourse to us

Except as otherwise disclosed in the “*Terms and Conditions of the Notes*”, no proprietary or other direct interest in the Issuer’s right under or in respect of the Loan Agreement, the Loan or the Account (as defined in the Loan Agreement) exists for the benefit of the Noteholders. The Noteholders will not have any entitlement to enforce the Loan Agreement or have direct recourse to Gazprombank under the Loan Agreement. This will in no way prejudice any rights you may have against Gazprombank under the Deed of Guarantee.

Modification, waivers and substitution

The Fiscal Agency Agreement and the Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all

Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive may impose tax withholding

The EU has adopted a Directive (2003/48/EC) regarding the taxation of savings income. From 1 July 2005 Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg instead may impose a withholding system for a transitional period unless during such period they elect otherwise. A number of countries and territories including Ireland have adopted similar measures.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying and Transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying and Transfer Agent, the Issuer will be required to maintain a Paying and Transfer Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

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 the Notes will be maintained. If an active trading market for the Notes is not maintained, the market price and liquidity of the 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 and developing markets. In view of disruptions recently experienced in the international and domestic capital markets, there can be no assurance as to the development or liquidity of any market for the Notes.

The Issuer is subject to risks, including the location of its COMI and the appointment of examiners

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 halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

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 a minimum of one class of

creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and 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 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 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.

Your have limited rights to claim from the Issuer pursuant to any bankruptcy or similar insolvency procedures.

No Noteholder or other creditor (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, 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.

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

If a non-resident holder that is a legal entity or organisation sells any Notes and receives (subject to applicable securities legislation) 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. There is also a risk that withholding tax at 20 per cent. might apply to capital gains realised by non-resident legal entities on the same exchange or other disposal of the Notes or on the entire amount of proceeds should the payor (either a Russian legal entity or a foreign legal entity or organisation carrying out activities in Russia through a permanent establishment) not have sufficient documentary evidence of the cost basis of the Notes to evidence the capital gain realised by the non-resident holder legal entity or organisation. Such tax may be reduced or eliminated under an applicable double tax treaty provided the treaty clearance formalities are fulfilled. However, no assurance can be given that such relief will be available in practice.

Where proceeds from a disposal of Notes (including accrued interest) are received (subject to applicable securities legislation) from a source within Russia by a non-resident individual, withholding tax would be charged at a rate of 30 per cent. on gross proceeds from such disposal of the Notes less any available documented cost deduction. As there is no definition of what should be considered to be a "sale in Russia," the Russian tax authorities have a certain amount of freedom to conclude whether transactions take place inside or outside of Russia. Furthermore, proceeds attributable to accrued interest, if deemed to be Russian source income, may be subject to withholding tax at a rate of 30 per cent., even if the disposal results in a capital loss. Although such tax may be reduced or eliminated under an applicable tax treaty subject to compliance with the treaty clearance formalities, in practice individuals would not be able to obtain advance treaty relief on receipt of proceeds from a source within Russia, and obtaining a refund of the taxes withheld can be extremely difficult, if not impossible. Furthermore, even though the Tax Code requires only a licensed Russian broker, trustee, or another person that meets the definition of a tax agent under Russian tax laws (including a foreign company with a registered presence in Russia and an individual entrepreneur located in Russia) to withhold the tax from payment to an individual associated with disposition of securities, there is no guarantee that other Russian companies or foreign companies with autonomous subdivisions in Russia or an individual entrepreneur located in Russia would not seek to withhold the tax. The imposition or possibility of imposition of this withholding tax could adversely affect the value of the Notes. See "Taxation".

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.

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

Moody's changed its outlook on the Russian banking sector from "positive" to "stable" in the third quarter of 2008. In February 2009, Fitch downgraded its long-term issuer default rating for the Russian Federation from

“BBB+” to “BBB” and downgraded Russia’s country ceiling rating from “A-” to “BBB+”. Additionally, S&P downgraded its long-term/short-term sovereign credit ratings for the Russian Federation from “BBB+/A-2” to “BBB/A-3”, stating that should there be a deceleration in the growth of the Russian Federation, then the Russian Federation is at risk of recording a budget deficit in 2009. 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 Gazprombank 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 of the issue of the Notes have been used by the Issuer for the purpose of financing the Loan to Gazprombank. The proceeds of such Loan less any commissions or expenses payable by in common with the issue of the Notes have been and will be used by Gazprombank for general corporate purposes. Total fees and expenses relating to the admission to trading are expected to be approximately U.S.\$12,000 and will be paid by Gazprombank.

CAPITALISATION OF GAZPROMBANK

The following table shows our actual consolidated total liabilities and capitalisation as at 31 December 2008. This information should be read in conjunction with our 2008 Group Financials contained elsewhere in this Prospectus.

	As at 31 December 2008
	<i>Millions of RURs</i>
Liabilities	
Amounts owed to the Central Bank of the Russian Federation.....	519,430
Amounts owed to credit institutions	118,814
Amounts owed to customers.....	642,566
Subordinated deposits.....	24,678
Financial liabilities held-for-trading	153,268
Eurobonds issued.....	92,496
Certificated debts.....	88,740
Profit tax liabilities.....	14,542
Other liabilities	69,753
Total liabilities	1,724,287
Equity	
Share capital	31,836 ⁽¹⁾
Additional paid-in-capital	29,731
Treasury stock.....	(2,372)
Foreign currency translation reserve.....	(712)
Fair value reserve.....	(603)
Retained earnings.....	30,256
Total equity attributable to the Group shareholders	88,136
Minority interest	39,744
Total equity	127,880
Total liabilities and equity	1,852,167

Notes:

(1) The authorized share capital of Gazprombank comprises 23,331,851 ordinary shares; issued share capital comprises 19,997,777 ordinary shares as of 31 December 2008 and 2007, out of which 1,642,776 were held by the Group as treasury shares (31 December 2007 – 1,654,776 shares). All shares have a par value of 1,000 Roubles. 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 Gazprombank's shareholders.

Subordinated deposits and government funding

In March 2009, we received a RUR15 billion subordinated deposit from Vneshekonombank (“**VEB**”) which bears interest at 8.0 per cent. per annum and matures in October 2019.

In August 2009, we received 30-year RUR-denominated subordinated deposits of RUR 25,000 million from one of our shareholders—NPF “Gazfond”. These deposits bear 10.5 per cent. annual interest and partially qualify as Tier I and Tier II capital according to the CBR capital regulations.

In October 2009, we received a RUR690 million subordinated deposit from VEB which bears interest at 8.0 per cent. per annum and matures in October 2019 and a RUR74.264 million subordinated deposit which bears interest at 9.5 per cent. per annum and matures in December 2020.

The deposits have been placed under the Government program to support the Russian banking system

Wholesale borrowings

In March 2009 we repaid a one-year committed loan in the nominal amount of U.S.\$150 million, which we received from a syndicate of foreign banks in March 2008.

In April 2009 we repaid a U.S.\$166.7 million final tranche of a syndicated loan in the total amount of U.S.\$500 million, which was received from a syndicate of foreign banks in April 2006.

In May 2009 we placed an aggregate of U.S.\$120 million Notes bearing interest at 7.35 per cent. per annum and maturing in May 2016 under a private transaction.

In June 2009 we repaid in advance a three-year committed loan in the total amount of U.S.\$300 million, which we received from a syndicate of foreign banks in March 2008.

Except as described, above, there have been no material changes to Gazprombank's capitalisation since 31 December 2008.

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 Group Financials included elsewhere in this Prospectus.

Consolidated Balance Sheet Data

	As at 31 December	
	2008	2007
	RURs millions	
Assets		
Cash and due from the CBR	84,911	50,759
Due from credit institutions, net	594,217	148,043
Financial assets held for trading	173,496	108,683
Loans to customers, net	630,083	401,209
Available-for-sale investments, net and investments in associates	45,155	50,333
Receivables and prepayment, net	58,238	40,964
Inventories, net	52,492	27,935
Property, equipment and intangibles, net	133,954	79,427
Goodwill	22,344	20,100
Intangible assets, net	16,047	9,576
Other assets, net	5,228	6,022
Total assets	1,852,167	948,523
Liabilities		
Amounts owed to the CBR	519,430	-
Amounts owed to credit institutions	118,814	104,341
Amounts owed to customers	642,566	391,381
Subordinated deposits	24,678	13,765
Financial liabilities held-for-trading	153,268	8,122
Eurobonds issued	92,496	91,224
Certificated debts	88,740	74,782
Profit tax liabilities	14,542	10,768
Other liabilities	69,753	52,587
Total liabilities	1,724,287	746,970
Equity		
Share capital	31,836	31,836
Additional paid-in-capital	29,731	28,737
Treasury stock	(2,372)	(2,395)
Foreign currency translation reserve	(712)	(388)
Fair value reserve	(603)	11,773
Retained earnings	30,256	105,312
Total equity attributable to the Group's shareholders	88,136	174,875
Minority interest	39,744	26,678
Total equity	127,880	201,553
Total liabilities and equity	1,852,167	948,523

Supplemental Balance Sheet Data

	As at 31 December	
	2008	2007
Balance sheet ratios:		
Amounts owed to customers/total liabilities	37.3%	54.3%
Net loans to customers/total assets ⁽¹⁾	34.0%	42.3%
Net loans to customers/amounts owed to customers and subordinated deposits	94.4%	99.0%
Equity/total assets	6.9%	21.6%
Tier 1 capital adequacy ratio (BIS) ⁽²⁾	7.8%	19.9%
Total capital adequacy ratio (BIS) ⁽³⁾	9.2%	22.1%
CBR capital adequacy ratio ⁽⁴⁾	10.4%	13.1%
Asset quality:		
Non-performing loans to gross loans to customers ⁽⁵⁾	1.5%	1.0%
Allowances for impairment to gross loans to customers	3.6%	3.3%

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	
	2008	2007
	<i>RURs millions except percentages</i>	
Interest income	75,971	64,918
Interest expense	(47,342)	(40,947)
Net interest income	28,629	23,971
Provision for impairment losses of interest-earning assets	(13,980)	(1,168)
Net interest income after provision for impairment of interest-earning assets	14,649	22,803
Non-banking operating profits	41,949	36,650
Non-interest (loss)/from financial assets and liabilities held for trading	(37,757)	6,112
Gain from available-for-sale investments	5,556	10,973
Fees and commissions income	9,187	9,238
Fees and commissions expense	(2,322)	(4,648)
(Loss)/gain from derivative contracts with foreign currency	(96,924)	5,327
Gain/(loss) from foreign exchange	21,166	(3,831)
Other operating income	3,893	1,774
Non-interest (loss)/income	(55,252)	61,595
Banking salaries and employment benefits	(13,477)	(20,565)
Banking administrative expenses	(11,835)	(11,117)
Impairment of assets and provisions for other risks	(13,309)	(637)
Impairment of goodwill	(4,140)	-
Non-interest expense	(42,761)	(32,319)
(Loss)/profit from operations	(83,364)	52,079
Result from acquisitions of subsidiaries and associates	6,152	-
Income from associates	1,183	521
(Loss)/profit before tax	(76,029)	52,600
Profit tax benefit/(expense)	7,795	(19,037)
Net (loss)/profit	(68,234)	33,563
Attributable to:		
Group's shareholders	(72,773)	27,534
Minority interest	4,539	6,029
	(68,234)	33,563
Supplemental Profit and Loss Data		
Net interest to average total assets ⁽¹⁾	1.8%	2.4%
Return on average assets ⁽²⁾	-	3.4%
Return on average shareholders' funds ⁽³⁾⁽⁴⁾	-	19.9%

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

Our gross loan portfolio grew by 57.7 per cent. from 31 December 2007 to 31 December 2008. 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 2008 than for 2007. Provisioning levels as a percentage of our total loans increased from 3.3 per cent. as at 31 December 2007 to 3.6 per cent. as at 31 December 2008.

Banking Business

Our banking business activities contributed RUR28.9 billion of net interest income and RUR6.9 billion of net fees and commissions income to the total profit from operations for the year ended 31 December 2008.

Non-Banking Business

As a consequence of our holdings in Gazprom Media Group, SIBUR Holding and the Forpost Group (including all recently acquired industrial companies which engage in heavy machinery production), we recorded over RUR41.9 billion of non-banking revenues from our petrochemicals, media and heavy machinery - production businesses in 2008. In 2007, non-banking revenues amounted to RUR36.7 billion. As at and for the twelve months ended 31 December 2008, SIBUR Holding accounted for RUR155.5 billion or 8.4 per cent. of our total assets and RUR12.0 billion in net profits, the Gazprom Media Group accounted for RUR40.8 billion or 2.2 per cent. of our total assets and RUR7.4 billion in net profits and the Forpost Group accounted for RUR66.3 billion or 3.6 per cent. of our total assets and RUR4.0 billion of net losses. See “*Business—Recent Developments—Acquisitions and Disposals of Non-Banking Assets*” and “*Risk Factors*”.

BUSINESS

Overview

We were the third largest bank in the Russian Federation in terms of total assets and the fourth largest bank in terms of equity as at 30 June 2009, according to the Russian Interfax News Agency. As at 31 December 2008, based on IFRS we had total assets of RUR1,852.2 billion, gross loans to customers of RUR653.9 billion, total amounts owed to customers of RUR642.6 billion and equity of RUR127.9 billion.

Our principal activities comprise corporate banking, investment banking and retail banking. We also generate income from trade finance, corporate 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 and investment services to many of Russia's leading corporations, including, Gazprom and other members of the Gazprom group, as well as to private clients. We have a network of 41 branches and over 175 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. In addition we have representative offices in Mongolia and China. We also have equity interests in five Russian banks and in three foreign banks, Belgazprombank (located in Belarus), Areximbank (located in Armenia) and the Russian Commercial Bank (located in Switzerland).

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, the Gazprom Media Group companies and the Forpost Group. 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 the nature of their undertakings are substantially different from our banking operations. Also, in 2008 we acquired the Forpost Group and OAO "OMZ" (Uralmash-Izhora), both which operate in the heavy machinery production-business. See "*—Equity Investments*".

We are registered under number 1027700167110 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 on 31 July 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.

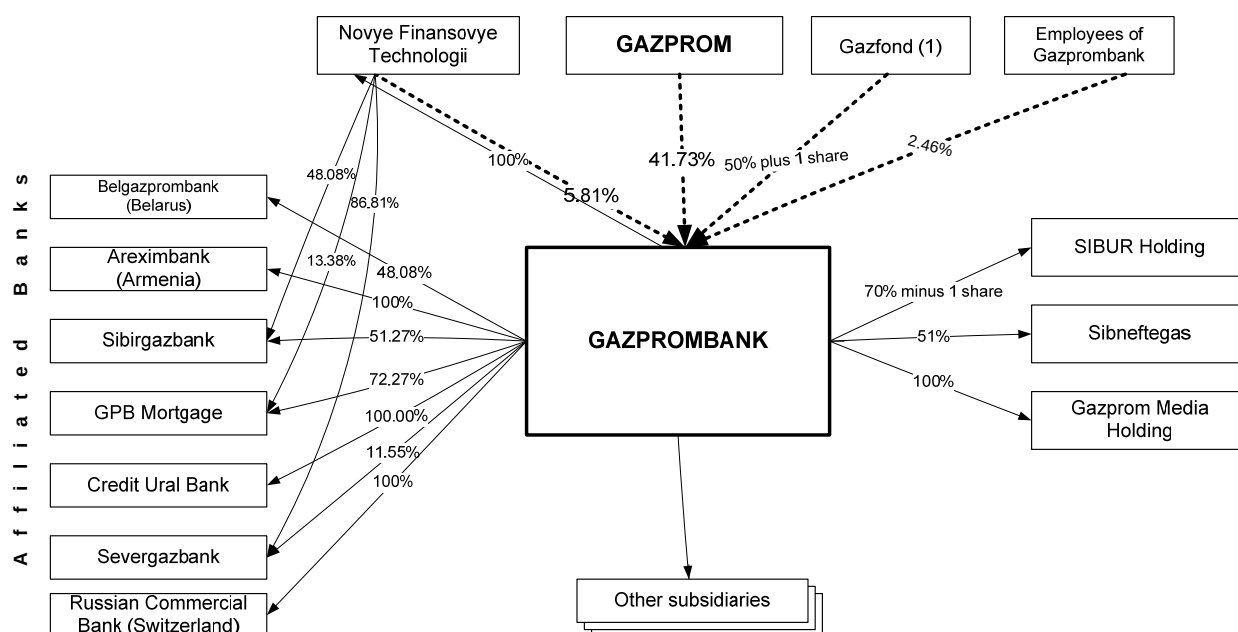
Until December 2006, we were, directly and indirectly, wholly owned by Gazprom. In December 2006, Gazprom divested 45.76 per cent. of its shareholding as a result of a sale of shares and an issue of new shares. As at 15 December 2009, our shareholders and their respective holdings comprised Gazprom (41.73 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 company OAO "GAZ-servis", 17.17 per cent. is held through a subsidiary company 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” (5.81 per cent.) and employees of Gazprombank (2.46 per cent.).

Historically, we have been reliant to a significant extent on our relationship with the Gazprom group. For the year ended 31 December 2008, net profit from transactions with members of the Gazprom group, before income tax, accounted for RUR8.5 billion. As at 31 December 2008, assets from members of the Gazprom group accounted for RUR73.5 billion, or 4.0 per cent., of our total risk exposure and liabilities to members of the Gazprom group amounted to RUR215.2 billion (including off-balance sheet commitments). This constituted 11.1 per cent. of total liabilities and off-balance sheet commitments. As at 31 December 2008, our loan exposure to the Gazprom group comprised 5.8 per cent. of our gross loan portfolio, as compared to 9.0 per cent. as at 31 December 2007. 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, the financing of innovative projects, regional network development, the gas industry’s settlement and depository infrastructure and the implementation of Gazprom’s corporate housing programme.

The following chart illustrates certain companies in the Group and the relationship of Gazprombank with its shareholders as at 15 December 2009:



(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”.

Recent Developments

During January to May 2009, we re-negotiated the terms of some of our “Total Return Swap” contracts (“**TRS contracts**”) with the relevant counterparties. As a result, unwinding conditions that were included in some of the TRS transactions were cancelled (refer to Note 15 of the 2008 Group Financials). At the same time, we provided additional credit enhancement to the counterparties in the form of cash deposits covering the credit exposure of the counterparties. The amounts deposited are periodically recalculated in response to the changes in the estimated levels of exposures to counterparties.

In June 2009 we acquired a 100 per cent. stake in the Russian Commercial Bank (located in Switzerland) for approximately U.S.\$91 million.

In June 2009 the general shareholders' meeting of Gazprombank approved a dividend pay out for 2008 in the amount of RUR65.5 per ordinary share.

See "*Capitalisation*" for a description of recent changes to Gazprombank's capitalisation.

Customers

We service more than 45,000 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 25 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. Generally, our corporate customers include dynamic and profitable companies with an annual turnover of more than U.S.\$100 million.

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 and Silovye mashiny.

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 2008, we had a total of RUR467.7 billion, or 71.5 per cent. of our gross loan portfolio, in gross loans outstanding to commercial customers but which excluded our project financing, which accounted for 13.7 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 oil and gas industries, the metallurgy 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 2008, the share of loans issued by our regional branches to corporate clients amounted to 24.9 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 2008, we had a total of RUR122.4 billion in outstanding guarantees and letters of credit, of which 11.6 per cent. was attributable to the Gazprom group. Total commission income generated from trade finance activities for the year ended 31 December 2008 amounted to RUR0.8 billion.

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), Sinasure (Republic of China), JBIC (Japan) and others.

Corporate Deposit Taking

The major sources 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 2008, we had over 45,000 corporate customers and a total of RUR534.7 billion in current accounts, deposits and subordinated deposits from corporate customers, RUR175.0 billion, or 32.7 per cent., of which were due to Gazprom group companies, and RUR118.8 billion in deposits and balances from banks and other financial institutions. For the year ended 31 December 2008, our corporate deposits, including corporate deposits from the Gazprom group, increased by 79.2 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.

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, during the last three years 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 2008, with more than U.S.\$900 million 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 2008, our project financings amounted to RUR89.6 billion, or 13.7 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 2008, the total assets of SIBUR Holding were RUR195.6 billion and net profits for the year ended 31 December 2008 was RUR15.5 billion.

We currently control 70 per cent. minus one share of SIBUR Holding.

Gazprom Media Group

We hold a 100 per cent. interest in all major “Gazprom Media Group” companies, (including 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), premium pay-TV operator NTV-Plus, six 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 a new holding company, Gazprom Media Holding, was established. Gazprom Media Holding subsequently assumed all rights and obligations of Gazprom Media, which retained control over Gazprom Media Group’s assets.

NTC

In June 2008 we also acquired a 8.3 per cent. interest in OAO NTC, the leading cable-TV operator in Moscow and St-Petersburg for U.S.\$125 million.

Heavy Machinery Production Companies

During 2008 we have acquired several controlling stakes in industrial companies such as OMZ (Uralsmash-Izhora) Group, Cryogenmash Group, Glazovskiy zavod “Khim mash”, Uralkhim mash Group, Uralenergmontazh Group and certain other industrial companies. OAO “OMZ” is the holding company of the OMZ (Uralsmash-Izhora) Group, which produces nuclear power plant equipment, speciality steels, machinery equipment, manufacturing and mining equipment. The OMZ (Uralsmash-Izhora) Group’s manufacturing facilities are based in the Russian Federation and the Czech Republic. We hold a 44.41 per cent. interest in the ordinary shares of OAO “OMZ” through our wholly owned subsidiary holding company, ZAO “Forpost Management”, which we acquired in December 2008. However, we have the ability to control more than half of the outstanding ordinary shares of OAO “OMZ” by virtue of certain voting rights we hold in addition to the interests held through ZAO “Forpost Management”.

Sibneftegas

In December 2006 we acquired a 51 per cent. interest in OAO Sibneftegas, a Russian oil and gas company for RUR3.41 billion (U.S.\$130.0 million), with a carrying value at 31 December 2008 of RUR1.8 billion. (As at 31 December 2007 this amounted to RUR1.7 billion). 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 entitling it 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. In April 2009 gas production also started at the Pyreyny gas field. Our strategy in relation to the business of Sibneftegas is in line with the upstream strategy of the Gazprom group.

Retail Banking Activities

According to the Interfax-100, as at 1 April 2009, 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. On 10 February 2005, we joined the Russian system of mandatory deposit insurance with respect to deposits made by individuals. Under this scheme retail deposits made by individuals to banks (which joined this scheme) are insured up to an amount of RUR700,000.

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 branch network as well as 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 December 2008, we had over two 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 2008, we had a total of RUR96.6 billion in gross loans outstanding to retail customers, including the mortgage portfolio of our subsidiary bank JSB “GPB Mortgage” (CJSC) which amounted to RUR31.5 billion. 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. As at 31 December 2008, GPB Mortgage had a mortgage portfolio of RUR31.5 billion.

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 2008, we had a total of RUR132.6 billion in deposits from retail customers, which represented an increase of 24.2 per cent. from the prior year, and 19.9 per cent. of our total customer deposits.

Card Services

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

As at 31 December 2008, we had issued more than 2.57 million plastic cards of international and domestic payment systems. For the years ended 31 December 2007 and 2008, we generated U.S.\$7.6 billion and U.S.\$10.6 billion in plastic cards turnover. The majority of these cards are debit rather than credit cards.

ATM Services

As at 31 December 2008, we had 2,422 ATMs throughout the Russian Federation and we plan on further expanding 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 service the majority of the Gazprom group's foreign 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.

However, due to the adverse market conditions resulting largely from the global financial crisis, we suffered significant revaluation losses amounting to RUR75.8 billion as at and for the year ended 31 December 2008. This was largely attributable to our exposure to market risks and decreases in the fair value of our foreign currency derivative contracts as the Rouble decreased sharply in 2008. See Note 15 of the 2008 Group Financials.

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 2008, our total securities at fair value through profit or loss amounted to RUR156.6 billion, of which 4.8 per cent. were Gazprom shares. The following table shows the carrying value in our Group Financials of our total securities at fair value through profit or loss as at 31 December 2008 and 2007.

	As at 31 December			
	2008	%	2007	%
	<i>Millions of RURs except percentages</i>			
Gazprom shares	7,515	4.8%	12,580	12.4%
Corporate bonds.....	61,717	39.4%	55,320	54.4%
Promissory notes.....	3,879	2.5%	12,145	12.0%
Russian Federation Rouble bonds (GKO ⁽¹⁾ OFZ ⁽²⁾)	4,111	2.6%	11,437	11.3%
Equity securities ⁽³⁾	5,391	3.4%	8,240	8.1%
Russian Federation municipal bonds	4,460	2.8%	1,867	1.8%
Russian Federation foreign (OVVZ) ⁽⁴⁾ currency bonds.....	50	-	39	-
Russian Federation Eurobonds	69,499	44.5%	-	-
Total	156,622	100.0%	101,628	100.0%

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 2008, we recorded a net loss of RUR37.8 billion, most of which related to trading in shares of Russian “blue-chip” companies, as well as fair value adjustments of our holdings in Gazprom.

Other Activities

Settlement Services. We have established an internal settlement centre (the “**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 2008, 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.

Loan Portfolio

Our loans to customers (excluding banks) - portfolio is comprised of Rouble and of foreign currency (mostly U.S. dollar and euro denominated), loans to commercial and retail customers. As at 31 December 2008, we had a total of RUR653.9 billion in gross loans outstanding, 33.9 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 2008 and 2007, respectively:

	As at 31 December			
	2008	%	2007	%
	<i>Millions of RURs except percentages</i>			
Gross due from customers by currency:				
RUR	432,223	66.1%	283,117	68.3%
Foreign currencies	221,643	33.9%	131,620	31.7%
Total gross due	653,866	100.0%	414,737	100.0%
Provisions	(23,783)	—	(13,528)	—
Total net due	630,083	—	401,209	—
Net due from customers by maturity:				
Up to 1 year	318,785	50.6%	217,561	54.2%
1 to 5 years	217,902	34.6%	120,864	30.1%
Over 5 years	93,396	14.8%	62,784	15.7%
Total net due	630,083	100.0%	401,209	100.0%

We have loan concentrations in certain sectors of the economy, in particular in metal manufacture, natural gas industry, finance and investment. The following table shows our gross exposure by principal economic sector as at 31 December 2008:

As at 31 December 2008

	Loans	Undrawn Loan Commitments	Guarantees	Letters of Credit	Total Gross Exposures	%
	<i>Millions of RURs except percentages</i>					
Metal manufacture	97,155	16,336	4,655	1,244	119,390	13.9%
Finance and investment companies	70,750	2,977	41,626	1,505	116,858	13.6%
Individuals	96,590	376	58	-	97,024	11.3%
Gas extraction, transportation and sale enterprises	75,405	3,843	11,759	5,047	96,054	11.2%
Electric power industry	40,091	17,156	4,150	1,153	62,550	7.3%
Nuclear industry	41,145	10,320	4,144	-	55,609	6.5%
Machine building	39,487	3,766	4,980	3,851	52,084	6.1%
Real estate construction	37,022	2,542	3,357	343	43,264	5.1%
Oil extraction, transportation, sale enterprises and petrochemical industries	22,843	1,571	18,310	19	42,743	5.0%
Trading enterprises	19,910	2,900	264	154	23,228	2.7%
Mining	21,382	272	-	-	21,654	2.5%
Telecommunications	19,395	600	-	-	19,995	2.3%
Agriculture	15,345	548	-	-	15,893	1.9%
Shipbuilding	4,557	-	6,743	216	11,516	1.3%
Transport	7,983	1,762	1,417	56	11,218	1.3%
Leasing	6,597	-	-	-	6,597	0.8%
Chemical industry	6,256	11	20	-	6,287	0.7%
Food industry	5,775	380	-	-	6,155	0.7%
Insurance	1,807	583	-	-	2,390	0.3%
Entrepreneurs	2,191	-	-	-	2,191	0.3%
Timber industry	1,202	650	-	-	1,852	0.2%
Other	20,978	14,348	6,771	607	42,704	5.0%
	653,866	80,941	108,254	14,195	857,256	100.0%

As at 31 December 2008, 5.8 per cent. of our gross loans to customers were made 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 2008, RUR57.4 billion, or 7.5 per cent., of our gross loans and guarantees were made to, or on behalf of, state-controlled companies (excluding the Gazprom group) and RUR96.7 billion, or 12.7 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 2008, which together accounted for 18.4 per cent. of our total exposure at such date. Out of our 10 largest exposures by value, 9.5 per cent. were made 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 2008						
	Loans	Guarantees	Letters of Credit	Undrawn Loan Commitments	Total Gross Exposures	%
	Millions of RURs, except percentages					
Customers						
Inteko	18,000	-	-	-	18,000	15.0%
MTS	12,432	-	-	-	12,432	10.3%
Bodella Holding Ltd.	12,341	-	-	-	12,341	10.3%
DAR	11,670	-	-	-	11,670	9.7%
Stroygazkonsalting	11,496	21	-	-	11,517	9.6%
Severneftegazprom	11,448	-	-	-	11,448	9.5%
UGMK-Holding	10,881	-	-	317	11,198	9.3%
Atomredmetzoloto	10,866	-	-	-	10,866	9.0%
Unitex	10,514	-	-	-	10,514	8.7%
Rosenergoatom	10,374	-	-	-	10,374	8.6%
Total	120,022	21	-	317	120,360	100.0%

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 judgment 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 2008 and 2007, respectively:

	As at 31 December	
	2008	2007
<i>Millions of RURs, except percentages</i>		
Allowances for impairment losses	23,783	13,528
Loans to customers, gross	653,866	414,737
Allowances for impairment to gross loans to customers	3.6%	3.3%
Non-performing loans	9,825	4,080
Non-performing loans to gross loans to customers	1.5%	1.0%
Allowances for impairment to non-performing loans	242.1%	331.6%

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 2008 and 2007.

	As at 31 December	
	2008	2007
	<i>Millions of RURs, except percentages</i>	
Provisions	1,587	810
Total off-balance sheet exposure	203,390 ⁽¹⁾	190,822
Provision to total exposure	0.78%	0.42%

Notes:

- (1) Of this amount, undrawn loan commitments amounted to RUR80,941 million, letters of credit amounted to RUR14,195 million and guarantees amounted to RUR108,254 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 those 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 head office's 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). 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 RUR1.2 billion 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 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 RUR1.2 billion. Each branch office is assessed individually on various criteria including managerial experience, bad debt history, regional needs and number of customers.

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.

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 45 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 they are provided by 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.

For the monitoring and maintenance of lending transactions we installed a centralised system which will provide for the centralisation 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 2008 and 2007, respectively:

	As at 31 December			
	2008		2007	
	Amount	% of total	Amount	% of total
	<i>Millions of RURs, except percentages</i>			
Performing loans	639,586	97.8%	409,698	98.8%
Contractually overdue loans	14,280	2.2%	5,039	1.2%
Total loans	653,866	100.0%	414,737	100.0%

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 deposits from the CBR, 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.

Since September 2008 the Government of the Russian Federation implemented certain measures to support the Russian banking system in the wake of the global financial crisis. As part of such measures, the Group received significant short- and medium-term funding from the CBR, which is partly unsecured or collateralised by pledge of commercial loans issued by the Group and corporate or state debt securities owned by the Group, or enhanced by guarantees issued by other top-tier Russian banks.

Due to significant amounts of short-term funding received from the CBR as of 31 December 2008 we are dependent upon the ability to refinance our short-term deposits with the CBR.

Gazprom group companies have historically provided a significant portion of our funding, accounting for 12.7 per cent. of our total funding base as at 31 December 2008, compared to 20.5 per cent. as at 31 December 2007.

The following table shows our sources of funding as at 31 December 2008 and 2007, respectively:

	As at 31 December			
	2008	%	2007	%
	<i>Millions of RURs, except percentages</i>			
Due to banks and other financial institutions:				
Time deposits - CBR.....	519,430	81.4%	-	-
Time deposits – other banks.....	102,465	16.1%	102,310	98.1%
Current accounts ⁽¹⁾ – other banks.....	16,349	2.5%	2,031	1.9%
Total.....	638,244	100.0%	104,341	100.0%
Certificated debt.....	88,740	49.0%	74,782	45.0%
Eurobonds issued.....	92,496	51.0%	91,224	55.0%
Total.....	181,236	100.0%	166,006	100.0%
Customer accounts and subordinated deposits:				
Current accounts.....	332,414	49.8%	233,682	57.7%
Time deposits.....	334,830	50.2%	171,464	42.3%
Total.....	667,244	100.0%	405,146	100.0%
TOTAL.....	1,486,724		675,493	

Note:

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

The residual maturity breakdown of our funding as at 31 December 2008 and 2007, respectively, was as follows:

	As at 31 December			
	2008	%	2007	%
	<i>Millions of RURs, except percentages</i>			
Funding				
Less than 3 months.....	980,247	65.9%	382,995	56.7%
3 to 12 months.....	276,473	18.6%	117,901	17.5%
12 to 60 months.....	160,268	10.8%	125,744	18.6%
Over 60 months.....	69,736	4.7%	48,853	7.2%
Total.....	1,486,724	100.0%	675,493	100.0%

Current Accounts and Time Deposits

As at 31 December 2008, current accounts and time deposits comprised 38.7 per cent. of our total liabilities. Time deposits account for 50.2 per cent. of total customer deposits as at 31 December 2008. As at 31 December 2008, deposits and balances from banks and other financial institutions comprised 37.0 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 2008, outstanding certificates of deposit, Rouble-denominated domestic bonds issued and promissory notes totalled RUR88.7 billion. The average effective interest rate for 2008 was 8.9 per cent. (compared with 7.0 per cent. for 2007) for certificates of deposit, Rouble-denominated domestic bonds and promissory notes issued in Roubles and 2.2 per cent. (compared with 5.2 per cent. for 2007) 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 RUR5.0 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 RUR5.0 billion (U.S.\$184.6 million) due 2013. The coupon for the issue was 6.5 per cent. In November 2007, a total number of 4,999,999 Notes were repurchased for the sum of RUR4,999,999,000 according to the offer.

In November 2007, we issued two Rouble-denominated domestic bonds in an aggregate amount of RUR20.0 billion (U.S.\$814.79 million) each of which is due in 2012.

In October 2008, we issued a Rouble-denominated domestic floating rate bond in an aggregate amount of RUR10 billion (U.S.\$407.4 million) due 2011.

Eurobond Issuance

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 RUR10.0 billion 7.25 per cent. Loan Participation Notes due 2010 for the sole purpose of financing a loan to Gazprombank. 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.

In June 2008, GPB Eurobond Finance PLC issued U.S.\$500 million 7.93 per cent. Loan Participation Notes due 2013. The proceeds of the issue have been or will be used for general corporate purposes, including financing the expansion of our loan portfolio.

In August 2008, GPB Eurobond Finance PLC issued CHF500 million 6.53 per cent. Loan Participation Notes due 2010 for the sole purpose of financing a Rouble-denominated loan to Gazprombank.

During the course of 2008 and 2009, we also repurchased (pursuant to a tender offer process and certain private repurchase transactions) and cancelled the following Notes:

Eurobond Description	U.S.\$700 million Floating Rate Loan Participation Notes due 2010	U.S.\$500 million 7.933 per cent. Loan Participation Notes due 2013	U.S.\$1 billion 6.5 per cent. Loan Participation Notes due 2015
ISIN	XS0294275853	XS0372523281	XS0230577941
Outstanding Principal Amount	U.S.\$700, 000, 000.00	U.S.\$500, 000, 000.00	U.S.\$1, 000, 000, 000.00
Cancellation Date (pursuant to Tender Offer repurchase)	06.02.2009	06.02.2009	06.02.2009
Cancellation Amount	U.S.\$42, 550, 000.00	-	U.S.\$39, 140, 000.00
New Outstanding Principal Amount	U.S.\$657, 450, 000.00	U.S.\$500, 000, 000.00	U.S.\$960, 860, 000.00
Cancellation Date (pursuant to private repurchase transactions)	19.06.2009	19.06.2009	19.06.2009
Cancellation Amount	U.S.\$78, 745, 000.00	U.S.\$56, 709, 000.00	U.S.\$12, 659, 000.00
New Outstanding Principal Amount	U.S.\$578, 705, 000.00	U.S.\$443, 291, 000.00	U.S.\$948, 201, 000.00

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. As at 31 December 2008 the amount of RUR4.9 billion (U.S.\$166 million) was outstanding under this facility, which amount (being the last instalment under this facility) was repaid on 11 April 2009.

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 balance 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. On 25 March 2009 we repaid the U.S.\$150.0 million tranche and on 30 June 2009, we prepaid the U.S.\$300.0 million tranche in full.

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 2008 and 2007, respectively:

	As at 31 December	
	2008	2007
	<i>Millions of RURs</i>	
Undrawn loan commitments.....	80,941	108,208
Letters of credit	14,195	14,617
Guarantees given	108,254	67,997
Total.....	203,390	190,822

Undrawn loan commitments do not represent unconditional commitments of the Group.

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 2008 and 2007, respectively, were as follows:

	As at 31 December	
	2008	2007
	<i>Millions of RUR</i>	
Not later than 1 year	421	181
Later than 1 year and not later than 5 years.....	1,755	2,678
Later than 5 years	1,159	661
Total.....	3,335	3,520

Capital Expenditures

Our capital expenditures on property, equipment and intangibles (including software and assets under construction) were RUR51.1 billion and RUR52.7 billion for the years ended 31 December 2008 and 2007, respectively.

Dividends

In accordance with this practice, we made dividend payments for the years ended 31 December 2008 and 2007 in the amounts of RUR2.2 billion and amounts of RUR2.3 billion, 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. To further enhance our risk management, the Management Board approved a project on the development of integrated risk management system. The project is executed by the Risk Management Department and supported by the international consulting company, PricewaterhouseCoopers. Principles of the system are in compliance with Basel II, COSO ERM and the documents which will establish key principles of the integrated risk management framework (including the Group risk policy and the regulation on organization of risk management system of the Group financial entities) are in the process of being finalised.

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 RUR1.2 billion, 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 financial loss as a result of counterparty's default on an obligation or a counterparty's internal rating decline. It is one of the single largest 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 CBR and 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 coordination of the risk management system is carried out by the Risk Management Department that reports directly to the Chairman of the Management Board;
- 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 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); and
- the observance of integration principles for credit risk assessment results by credit decision-making, administration, credit risk monitoring and provisioning.

Credit risk decision-making

Decision-making on acceptable credit risk levels fall within the competence of authorised bodies, such as the IC, the CC and 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 set 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.

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

Qualitative assessment

Qualitative assessment is a fundamental method of credit risk 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. The result of qualitative assessment is an expert opinion that determines acceptable transaction parameters and measures of risk minimisation that we believe are appropriate for the transaction. The expert opinion is a part of the documentation that is considered by the collegial bodies in their decision-making on acceptable credit risk levels.

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 with quantitative assessment and reveals the credit risk quantification on each credit exposure and credit portfolio as a whole.

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

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

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

The results of the rating assessment are used to determine the appropriate internal credit rating and counterparties credit risk limit, 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 determining and using VAR and stress testing models to reveal unexpected losses in the value of our credit portfolio under ordinary market conditions and the maximum value of our potential losses under a crisis situation. The adequacy of credit risk assessment models is verified by back testing procedures. We consider the monitoring of credit risk levels as an essential part of credit risk management under financial crisis conditions. The main instruments of credit risk monitoring include the system of credit risk limits, the control of additional and suspensive conditions of transactions and the regular review of counterparties financial position and other additional information received by obtaining collateral and corporate guarantees.

Market Risk

Market risk arises from our exposure to changes in the value of some market variables, 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 creating 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, Expected Shortfall 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 190 risk factors (broken down into 80 equity, 70 interest rates and 40 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 five days. Thus, if the portfolio is held without change for five days, there is a 5 per cent. chance that the portfolio's market value would decline by an amount greater than the VAR figure.

Since 1 September 2008, in considering financial crisis, we use both estimates of volatility: historical and EWMA (exponentially weighted moving average).

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-losses methodologies to identify the potential impact of extreme market scenarios on the value of our portfolios. Procedures for stress testing are approved by the ALM Committee.

The risk managing department is providing market risk estimations by means of stress-losses calculations on a continuing basis for some years. Stress testing relies on “The methodology of stress-losses measuring in Gazprombank”.

The results of stress estimations are regularly reported as a part of the financial risk reports to the ALM Committee with the largest risks being reported to the Board of Directors. The risk managing department also reveals stress test results to the regulators and auditors on demand. Stress analysis is also used to set/revise limits on dealings in securities. Stress estimations are appropriate for the current market situation which is significantly different from a normal market environment and are used together with standard risk measures.

As a rule, stress testing is performed in addition to the VAR-estimation. The stress-loss methodology is based on a parametric model of calculating VAR, using the “shock” parameter instead of market volatility. The “shock”-parameter is the stress changing of market risk factors. Among other things, we use the appreciation/depreciation of foreign exchange rates, equity price drops and the flattening/steepening of the yield curve as risk-factors. The ALM Committee adopted different “shock”-parameters for different types of risks.

The calculation of “shock” parameters is based on the maximum changes of an instrument’s value for a specific time period (e.g. for week, month, etc.) during a long historical horizon and also uses the expert opinion and forward rates.

Since the second half of 2008, the risk management of Gazprombank faced a number of challenges as a result of significant market volatility. As a result, we introduced a number of new measures to increase control over our operations. In 2008, we revised our “shock”- parameters (for all the types of market risks) several times and established different stress tests for different portfolios. “The methodology of stress-loss calculation in Gazprombank” was revised during the first quarter of 2009 and the following changes were made:

- approaches to the elaboration of stress scenarios were proposed;
- a new algorithm for “Expected Shortfall” was proposed; and
- a new algorithm for “shock” - parameters’ estimations for all types of financial risks was proposed including their actual value.

In addition to VAR and the stress test methodology, we use gap and scenario analysis to measure interest rate risk.

The estimation of equity and aggregated market risk, requires a different kind of risk measure, namely, economic default probability (the probability of economic capital losses arising from equity/aggregated market risk).

Our strategy for managing market risk includes the recognition, measurement and monitoring of 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.

The ALM Committee is responsible for establishing minimum/maximum market risk levels. The ALM Committee also establishes separate limitations 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*”.

As a result of the global financial crisis, we had to implement extraordinary measures to keep with financial operations requirements. For instance, we:

- significantly restricted the proprietary operations with complicated derivatives (excluding the hedging operations); in particular, selling of options was prohibited, a number of limitations on operations with debt securities denominated in soft currencies were closed;
- tried to hedge all client deals in the market, i.e. client operations were not taken onto open currency positions;
- tried to improve client relationships by introducing special conditions into our deals allowing them to claim marking-to-market in currency deals, pledging guarantee deposits, applying mutual Bermuda style options and so forth;
- stopped providing loans to retail customers which were collateralized by equities;
- increased the discounts applicable to loan collaterals and reverse REPO transactions;
- stopped operations with respect to a number of securities;
- restructured the system of limitation of security market operations;
- implemented risk estimators taking into account market liquidity measures; and
- widely used stress-testing methodology based on market conditions and modified these on a regular basis.

Liquidity Risk

We manage our liquidity position to ensure that sufficient liquidity is available to meet our commitments to customers, with respect to both the demand for loans and the repayment of deposits, and to satisfy our own cash flow needs. The liquidity risk management system comprises both qualitative and quantitative approaches to liquidity risk assessment and covers operations on a bank-wide basis, including head office and regional branches.

Unlike many other risks, our liquidity risk assessment includes planned operations (those yet to be conducted) along with operations already undertaken. A distinct document flow system is set up to ensure timely liquidity risk evaluation as business units update their operational plans, bank-wide planning procedures and long term programmes (e.g. capital market borrowing plans and so forth). Liquidity risk is qualified through a standard gap-based analysis. All funding-relevant assets and liabilities are mapped into time buckets corresponding to their maturities. Given that different types of assets and liabilities can be more or less liquid than their contractual maturities suggest, we alter the contractual maturities for analytical purposes in order to ensure economic realities prevail over contractual terms. Retail operations, securities portfolios and on-call liabilities behaviour are modelled on a historical basis and/or expected holding periods. Wholesale banking products are bucketed based on their contractual maturities.

The gap analysis estimates the excess or shortfall of assets over liabilities in each time bucket and thus allows to identify and manage open liquidity exposures. A cumulative mismatch vector (gap) enables us to predict whether any excess or shortfall will grow, decline or switch over time.

Liquidity risk is quantified through 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. In this way liquidity VAR is similar to the interest rate VAR plus the risk of the credit risk spread increase (for example, by means of the rating deterioration).

The liquidity risk assessment is scenario-based and includes an obligatory stress scenario, so stress-testing is performed on a regular basis each time. The limits and regular monitoring of the liquid assets cushion volume is established as an add-on to gap analysis to ensure we are ready for a range of liquidity stress scenarios.

The liquidity risk assessment aids the decision-making process on the deal/position, portfolio and bank-wide levels. Assets are managed by setting limits on sums and dates to maturity of the extended loans, securities positions, and interbank market operations. Liabilities are managed by setting limits on the volume and interest rates of liabilities and the refinancing of assets. Our liquidity policy is approved by the Management Board, so our liquidity risk tolerance is clearly articulated. On the executive level, liquidity risk is managed by the ALM Committee. The ALM Committee determines our policies for asset and liability management, which aim to build up a robust framework for matching the maturity of assets and liabilities, to maintain strict controls over permitted variances, and to provide effective diversification in funding sources.

The Risk Management Department conducts regular liquidity risk assessments and reports on risk status to the ALM Committee twice a month and to the Management Board, each quarter. Risk reporting includes qualitative and quantitative risk estimations, stress-testing results, and the evaluation of additional liquidity sources. The risk Management Department is also involved in "new product" and "major deal" approval to ensure correct liquidity risk identification and evaluation.

Day-to-day liquidity management is carried out by the Treasury Department, which manages short-term liquidity (up to three months) on a close-to-real-time 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.

Management believes that our asset and liability management is adequate for all identified risk challenges. Since our establishment we have never 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 2008 until 15 November 2009, covers our professional activities and insures us against:

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

In 2008 the policy was renewed with the limit of U.S.\$25.0 million (which was the same as in 2007), therefore the risk coverage of the new policy was broadened. 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 measures and metrics for measuring and managing operational risk. In 2009, we have started to design the system of “Key Risk Indicators” and VAR calculations of operational risk, using the loss distribution approach. (This has not yet implemented as not all 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.

At present, the vendor has already been selected and legal contracts for the implementation of the operational risk management framework have been signed. The first stage of the project implementation is expected to be finished at the end of 2009.

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 10.4 per cent. as at 31 December 2008 (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 2008 and 2007, calculated in accordance with Basel Guidelines:

As at 31 December

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 VTB, 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, Raiffeisen 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, VTB-24, Raiffeisen Bank, URALSIB Bank and Rosbank. 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.

Although we have begun to successfully diversify our customer base, our business continues to be 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 46 out of 83 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 41 branch offices and over 175 regional points of service, including 150 additional offices (“*dopolnitelny office*”), 3 representative offices (“*predstavitelstvo*”), 4 credit and teller offices (“*kreditno-kassovy office*”), 7 operational offices (“*operatsyonny office*”) and 11 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 certain information technology infrastructure and a banking platform capable of satisfying our current and future business needs. To support our banking operations, we have created a centralized core banking system to support our central office banking business and provide regional branches with centralised and controlled access. This allows our head office to manage and monitor branch business decisions and execution. In addition, we have recently upgraded our information technology systems to facilitate our securities, lending, retail, trust and retail banking operations.

At present, our core management information system consists of an integrated banking and accounting system developed by Diasoft and CFT - the leading Russian software vendors of core banking and financial software. Currently, we utilize mainly in-house software development process and outsource software integration and package customisation to the leading Russian and international IT service providers including Hewlett Packard, Oracle, Microsoft, SAS and IBM. In order to support our business, we have also developed a corporate data warehouse to generate our management and regulatory reports including main office and bank branches. During 2008 and 2009, we implemented an anti-money laundering (AML) system based on the SAS AML solution for corporate and retail operations.

We have made significant financial investments to maintain the security and reliability of our customer information data. This includes the development of an enterprise wide virus protection system, high-performance network upgrade, and improved firewall protection system. We utilise redundant servers and clusters for high availability, high performance communication channels with expanded bandwidth for our business operations and network units located at different remote sites to provide appropriate business continuity and disaster recovery. To provide reliable access to our corporate transactional and historical data, we use an enterprise backup system which creates daily data back-ups to protect the integrity and validity of bank information data and to prevent data being destroyed, getting corrupted or lost in case of an emergency. Bank IT infrastructure has redundant power supply which guarantees continuous business operations. In order to improve the reliability of our IT infrastructure operations, we recently completed a primary data centre using the IT infrastructure based on modern information technology development to run bank mission critical IT systems including core banking, corporate datawarehouse, corporate and IT infrastructure applications.

Our capital expenditure for information technology in 2008 amounted to RUR768,408. In 2009, our IT capital expenditure is budgeted at RUR701,862 which we plan to use for IT infrastructure expansion and to update our bank IT systems. Our main capital IT expenses in 2009 are related to the continuation of our IT modernisation program including the strengthening of our IT infrastructure by building a corporate integration platform for key IT systems. The main goal of our IT strategy is to improve our core banking IT operations, increase operational efficiency and reduce operational risks and transaction costs.

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 30 June 2009:

Private ownership in Moscow

Address	Type	Area, square metres
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
Total		36,119.3

Tenancy in Moscow

Address	Type	Area, square metres
9 block 2 the Second Verhne-Mihailovsky passage, Moscow, Russia.....	Office area	2,022.5
16 block 1 Nametkina St., Moscow, Russia.....	Office area	2,846
27 block 2 Obrucheva St., Moscow, Russia.....	Office area	1,221
16 Raushskaya bund, Moscow, Russia	Office area	8,892.6
23 Novoslobodskaya St., Moscow, Russia	Office area	433.5
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
75 block 1 Leningradskiy avenue, Moscow, Russia	Office area	259.7
22 Kutuzovskiy avenue, Moscow, Russia	Office area	478.2
108 Mira avenue, Moscow, Russia	Office area	555.2
21 Red Presny street, Moscow, Russia	Office area	203.7
9 Strastnoy boulevard Moscow, Russia	Office area	140.7
95 block 1 Varshavskoe Highway, Moscow, Russia	Office area	242.5
32/2 Kadashevskaya bund, Moscow, Russia	Office area	995.7
10 Frunzenskaya 2 street, Moscow, Russia	Office area	6.2
19 km M-1, Odincovo, Moscow region, Russia	Office area	67.7
Total		29,856.64

Branches' private ownership and tenancy throughout Russia

	Private Ownership		Tenancy	
	Numbers	Area, square metres	Number	Area, square metres
Buildings/Office areas	25	24,959.3	167	49,102.8
Garages	26	1,381.05	10	458.79
Flats	2	102.9	0	0
Archives, Storehouses, Utility rooms.....	7	646.9	8	494.3
Total	60	27,090.15	185	50,055.89

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.

OOO "Serebryanyi Gorod" filed a claim against us for the invalidation of a RUR53,000,000.00 credit agreement. On 23 June 2009, the Commercial Court of the Republic of Bashkortastan dismissed the claim. OOO "Serebryanyi Gorod" appealed the decision of the Commercial Court of the Republic of Bashkortastan, however, the appeal has also been dismissed.

Mr. V.I. Panfilov filed a claim against us for the recovery of unpaid income in the amount of RUR39,147,671.00 comprising (i) income from the management of certain property by us under the correspondent trust management agreement and (ii) the overpaid amount of individual income tax on material gain. According to the claimant, Gazprombank, as trustee, paid him less than the total amount of income used for income tax payment purposes by Gazprombank as tax agent. The hearing was originally scheduled for 9 July 2009, however, the court decided to suspend the trial due to the necessity to consult an expert.

The State health institution, "Litvinov's regional clinical psychiatry hospital #1" filed a claim against us (third parties being Mr. V.G Babanov and DTK "Korona Plus") for the recovery of damages amounting to RUR325,442,565.00 for the loss of Gazprom shares (1,165,500 shares) on the depository accounts of DTK "Korona Plus", which it considers to have been stolen. In accordance with the decision of the Commercial Court of Moscow of 3 April 2008, we were ordered to pay the amount claimed in full. Though we appealed this decision, on 21 May 2008, the Ninth Commercial Court of Appeal upheld the decision of the Commercial Court of Moscow and dismissed our appeal. We subsequently filed a cassation claim. On 11 August 2008, the Federal Commercial Court of the Moscow Region reversed the previous court decisions and submitted the case to the Commercial Court of Moscow for a new hearing. On 21 July 2009, the Commercial Court of Moscow satisfied ordered us to pay the amount claimed in full. Though we filed an appeal, the Ninth Commercial Court of Appeal upheld the decision of the Commercial Court of Moscow to recover RUR325,442,565.00 from Gazprombank in favour of the above State health institution. We have filed a further cassation claim and the court hearing that was scheduled for 28 December 2009.

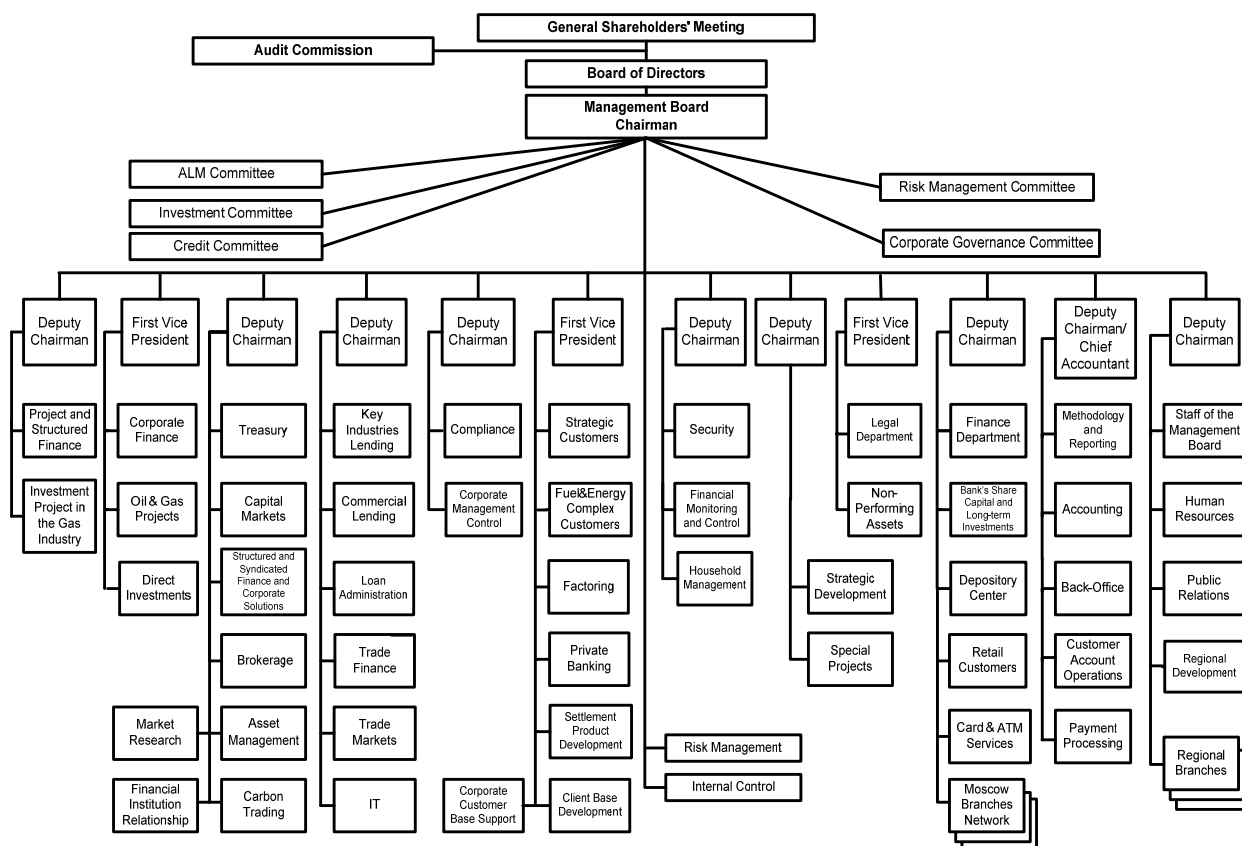
Moncrief Oil International filed a claim against Gazprom, Gazprombank, Gazprom Marketing & Trading USA, Inc., Pace Global Energy Services LLC, OOO Gazprom Export, Gazprom Marketing & Trading, Ltd. and CC Pace Resources, Inc. for the recovery of damages (initially there were three claims in the amount of U.S.\$110,000,000 each, but subsequently the claimant stated that the amount of damages, in his opinion, totals "several hundred million dollars"). On 18 September 2009, a U.S. court (Texas) satisfied our motion to terminate the proceedings against us due to the absence of the court's jurisdiction over Gazprombank. The claimant filed an appeal against this decision. We believe court proceedings may be completed by spring 2010. The claimant also filed a motion for reconsideration of the court decision in respect of (1) applications of the defendants, (2) objections of the claimant with respect to the defendants' affidavits and (3) refusal to satisfy the claimant's motion to call the relevant witnesses to testify under oath.

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, a reorganisation or 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 15 December 2009, 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	Deputy Chairman of the Management Board - 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
Y.A. Vasilyeva	Deputy Chairman of the Management Board of Gazprom, Chief Accountant of Gazprom
A.V. Krasnenkov	General Director of OOO Baltiyskiy Shzhzhenniy Gaz
A.V. Kruglov	Deputy Chairman of the Management Board of Gazprom, Head of the Corporate Finance Department 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"
I.V. Eliseev	Deputy Chairman of the Management Board of Gazprombank
N.Yu. Senkevich	Chief Executive Officer of OAO "Gazprom-Media"
V.E. Yanov	Chairman of the Management Board of OAO "SOGAZ"

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

Our General Shareholders' Meeting was held on 23 June 2009. The board of directors for 2010 will be comprised of twelve members 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 Tekhnologii".

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 15 December 2009, the members of the Management Board were:

A.I. Akimov (age 55), 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 43), 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.

S.S. Ivanov (age 28), 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 59), 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.

V.A. Komanov (age 35), 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 52), 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.

N.G. Korenev (age 56), 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 57), 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 Petrodvorets 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.

A.A. Matveyev (age 45), 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.

A. Yu. Muranov (age 50), 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.

F.K. Sadygov (age 41), Deputy Chairman of the Management Board, graduated from the State University of Management, majoring in Economics and Management in motor vehicle transport in 1993 and obtained a Candidate Degree in Economics. Previously, he served as a Deputy General Director of AOZT National Diamond Fund, Head of Forecasting and Modelling Department in National Tax Service (Gosnalogsluzhba), Deputy Head of Federal Road Service, Deputy Minister of Russian Federation for Taxes and Levies, Deputy Head of Federal Treasury. He has been in his current position since 2009.

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.

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.

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 2007 Group Financials for the year ended 31 December 2007 included in this Prospectus have been audited by ZAO "Deloitte & Touche CIS" (whose registered address in Russia is at 5 Lesnaya St., Moscow, 125047, Russian Federation), as stated in their report appearing herein. ZAO "Deloitte & Touche CIS" is a member of the Audit Chamber of Russia."

The 2008 Group Financials for the year ended 31 December 2008 included in this Prospectus have been audited by ZAO KPMG (whose registered address is at Naberezhnaya Tower Complex, Block C, 10 Presnenskaya Naberezhnaya, Moscow 123317, the Russian Federation), as stated in their report appearing herein. ZAO KPMG is a member of the Russian Chamber of Auditors (Auditorskaya Palata Rossii).

ZAO KPMG replaced ZAO "Deloitte & Touche CIS" as independent auditor of the firm with respect to the year ended 31 December 2008.

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 2008 and 2007, the total remuneration of members of our Management Board and Board of Directors amounted to RUR0.9 billion and RUR1.3 billion, respectively. The amount accrued in 2008 represents bonus payments to the members of the Management Board based on the financial performance of the Group in 2007. No accrued remuneration to the Council of the Bank was recognised for the year ended 31 December 2008.

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 which has been 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 comprise a maximum of 4.9 per cent. of our share capital. We have reserved 985,442 existing shares for the programmes and these are shown as part of the treasury stock in the Group Financials. See further Note 10 of the Notes to our 2008 Group Financials.

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 30 June 2009.

	As at 30 June 2009
	<i>RURs millions</i>
On demand.....	4.7
30-91 days.....	-
92-365 days.....	138.2
1-3 years	23.9
Over 3 years.....	5.8
Total amount	172.6

As at 30 June 2009, 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 RUR584.7 million, or 0.39 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 December 2008, we had a staff of 7757 employees (excluding SIBUR Holding and Gazprom Media), including 4826 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 1674 members as at 31 December 2008. At an employee conference on 14 August 2008, our labour union committee entered into a collective bargaining agreement with our management covering the period from 2008 to 2011. 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 15 December:

	As at 15 December 2009	
	(%)	Number of shares
Non-state pension fund Gazfond ⁽¹⁾	50.0	9,998,889
OA0 Gazprom	41.73	8,344,112
OOO "Novye Finansovye Tekhnologii" ⁽²⁾	5.81	1,162,569
Employees of Gazprombank	2.46	492,207

Notes:

(1) 17.15 per cent. is held through a subsidiary company OA0 "GAZ-servis", 17.17 per cent. is held through a subsidiary company OA0 "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.

(2) OOO "Novye Finansovye Tekhnologii" 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 31 to our 2008 Group Financials.

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 RUR500,000 and RUR300 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 Deposit Insurance Law, the assets of ARCO were transferred to the Deposit Insurance Agency.

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 October 2009, the total assets of the Russian banking sector were valued at approximately RUR28,181.8 billion which represented a 14.7 per cent. growth compared to 1 October 2008, with its own assets valued at approximately RUR4,466.4 billion as of 1 October 2009. As of 1 December 2009, the total charter capital of Russian credit organisations was RUR1,154.0 billion, which represented a 6.5 per cent. growth, as compared to RUR821.5 billion as of 1 December 2009.

As at 1 November 2009, the total amount of individuals' deposits with Russian banks amounted to RUR6,801.2 billion (of which deposits in Roubles amounted to RUR4,890.3 billion and deposits in foreign currencies totalled RUR1,910.9 billion), as compared to RUR5,535.6 billion as at 1 November 2008. Corporate deposits with Russian banks in November 2009 amounted to RUR5,284.1 billion (of which deposits in Roubles amounted to RUR3,099.1 billion and deposits in foreign currencies totalled RUR2,185.0 billion), as compared to RUR5,409.7 billion as at 1 November 2008.

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 RUR1,059.1 billion and RUR3,179.6 billion as at 1 November 2009, respectively, as compared to RUR1,159.0 billion and RUR3,785.2 billion in as at 1 November 2008, respectively. The amount of funds attracted from individuals and corporate entities through the issue of promissory notes and bank acceptances totalled RUR695.1 billion as at 1 November 2009.

As at 1 November 2009, the total amount of loans in Roubles provided by Russian banks to their customers increased to approximately RUR13,908.4 billion (of which loans in the amount of RUR3,190.2 billion were provided to individuals and loans in the amount of RUR10,425.1 billion were provided to corporate customers) as compared to RUR13,759.5 billion as at 1 November 2008. The total amount of loans provided by Russian banks in foreign currencies amounted to RUR5,908.0 billion as at 1 November 2009 (of which loans in the amount of RUR403.3 billion were provided to individuals and loans in the amount of RUR5,395.8 billion were provided to corporate customers) as compared to RUR5,771.1 billion as at 1 November 2008.

In accordance with Federal Law No. 175-FZ "On Additional Measures for Strengthening the Stability of the Banking System for the Period until 31 December 2011" dated 27 October 2008, as amended (the "**Banking System Stability Law**") and decisions taken in September and October 2008 prior to the effective date of this law, Russian authorities and the CBR introduced certain measures intended to prevent bankruptcy of credit organisations. The number of credit organisations subject to such measures increased from 7 (with assets of 576.2 billion roubles, or 2.3 per cent. of the total assets of Russian credit organisations) as of 1 November 2008 to 20 (with assets of 749.2 billion roubles, or 2.7 per cent. of the total assets of Russian credit organisations) as of 1 January 2009, but then decreased slightly to 18 (with assets of 677.9 billion roubles, or 2.4 per cent. of the total assets of Russian credit organisations) as of 1 April 2009.

The Banking System Stability Law envisages that the Deposit Insurance Agency will assist distressed banks through: (i) attracting investors for credit organisations which are experiencing financial difficulties; and (ii) liaising with the CBR regarding the provision of financial assistance to such credit organisations.

The Banking System Stability Law expands the list of bankruptcy prevention measures available for Russian credit organisations under the Bank Insolvency Law by introducing the following additional procedures:

- provision of financial assistance to private investors that have agreed to acquire a controlling stake in a credit organisation in distress;
- financial assistance to other credit organisations that have agreed to acquire certain assets and obligations of a credit organisation in distress;
- acquisition of a controlling stake in a credit organisation in distress directly by the Deposit Insurance Agency (if there is no investor willing to participate in rehabilitation proceedings);
- provision of financial assistance to a credit organisation in distress subject to acquisition of a controlling stake in such credit organisation by either a private investor or the Deposit Insurance Agency;
- making arrangements for public sale of the assets securing obligations of a credit organisation owed to its creditors, including the CBR; and
- appointment of the Deposit Insurance Agency by the CBR to act as temporary administrator in relation to a credit organisation.

The decision as to whether bankruptcy prevention measures should be launched in respect of a particular credit organisation rests with the CBR.

The analysis of the financial position of a credit organisation for the purpose of provision of state support to it will be performed by the CBR and the Deposit Insurance Agency. Based on the results of the analysis the Deposit Insurance Agency will develop a rehabilitation plan for that credit organisation which will then need to be approved by the CBR.

According to the Deposit Insurance Agency website, as of 12 December 2009 the CBR and the Deposit Insurance Agency have launched rehabilitation measures in respect of 18 organisations. For further information on legislative and governmental measures adopted in 2008 and 2009 in response to the global financial crisis, see *“Banking Sector and Banking Regulation in the Russian Federation - Measures to Support the Liquidity and Solvency of Russian Banks and Legal Entities since October 2008”*.

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 December 2009, the number of credit organisations operating in the Russian Federation amounted to 1,066. 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 Roseximbank (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 December 2009, the number of credit organisations operating in Russia with a 100 per cent. foreign participation amounted to 81, and with a foreign participation in the amount from 50 to 100 per cent. amounted to 26.

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:

Function	Summary

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 14 December 2009, 736 members, including 557 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.

Mandatory Economic Ratios	Description of Mandatory Economic Ratio	CBR Maximum/Minimum Mandatory Economic Ratios Requirements
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	Maximum 120 per cent.

Mandatory Economic Ratios	Description of Mandatory Economic Ratio	CBR Maximum/Minimum Mandatory Economic Ratios Requirements
	capital base and liabilities maturing in more than one year.	
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.
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.

Banks covered by the Deposit Insurance 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.

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.).

Charter Capital Requirements

Federal Law No. 28-FZ dated 28 February 2009 "On Introduction of Amendments to the Banking Law" sets out (i) the minimum charter capital for newly-established banks in the amount of RUR180 million and (ii) the minimum net worth (capital) for existing banks and non-banking credit organizations seeking to become banks in Roubles in the amount of RUR180 million.

Further, it increases the minimum net (worth) capital for banks applying for a general banking license to RUR900 million. It also requires the gradual increase of the net worth (capital) by banks that had a net worth (capital) of less than RUR180 million as of 1 January 2007 (such banks were allowed to continue their banking activities provided their net worth (capital) reached at that date would not further decrease). Their net worth (capital) must be at least (i) RUR90 million as of 1 January 2010, and (ii) RUR180 million as of 1 January 2012. Failure to comply with this requirement will result in revocation of the banking license.

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. To stabilise the situation on the local financial market and to support the liquidity of the Russian banking sector, the CBR decreased in October 2008 mandatory reserves for various obligations of credit organisations to 0.5 per cent. and successively increased them starting from 1 May 2009 to the current 2.50 per cent. for the banks' obligations of all types (i.e. those to non-resident banks in Roubles or foreign currency; those to individuals in Roubles; and other obligations in Roubles and foreign currency)..

From 1 November 2009, the mandatory reserves are calculated by banks in accordance with CBR Regulation No. 342-P dated 7 August 2009 and Regulation No. 2295-U dated 17 September 2009 (the "**Reserves Regulations**"). The Reserves Regulations require 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 Regulations do 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 (the "**Regulation No. 254-P**"). The Regulation No. 254-P 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.

On 31 December 2008 new rules on evaluation of debt servicing level of a borrower adopted by the CBR entered into force. The new rules override the provisions of Regulation No. 254-P and are temporarily introduced until 31 December 2009.

Under the new rules the debt servicing level of a loan to a legal entity is considered to be good if the aggregate loan or interest repayment arrear does not exceed 30 days for the last 180 calendar days (compared to 5 days aggregate loan or interest repayment arrear stipulated by Regulation No. 254-P). Similarly, the good debt servicing level of a loan to an individual was extended from 30 days to 60 days of aggregate repayment arrear occurred during the last 180 calendar days. Time periods for average and bad debt servicing levels were increased by 30 days each as well.

In addition, the new rules stipulate that a restructuring of a loan (including change of the loan nominal currency and time periods for repayment of the loan and interest) does not affect the debt servicing level.

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 RUR100,000 or approximately U.S.\$3,320 as of 15 December 2009); 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.

Recent amendments to the Bankruptcy Law provide that the proceeds from the sale of the pledged assets will be used as follows: (i) 70 per cent. (or 80 per cent. if the pledge secures a credit agreement) to satisfy secured

claims; (ii) 20 per cent. (or 15 per cent. if the pledge secures a credit agreement) to satisfy claims of creditors of the first and second priorities ((a) and (e) above), provided the debtor's other property is insufficient to satisfy such claims; and (iii) the remaining amount to cover court expenses, remuneration to a bankruptcy manager and related expenses. Any obligations of creditors secured by a pledge remaining unsatisfied following the sale of the pledged assets would be ranked as claims of unsecured creditors. No corresponding amendments have been introduced into the Bank Insolvency Law, so it is not clear, whether the recent amendments to the Bankruptcy Law will affect the priority of secured creditors' claims against Russian banks.

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, RUR100,000).

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.

Changes to Russian Insolvency Laws

The amendments to the Bankruptcy Law and the Bank Insolvency Law introduced by Federal Law No. 195-FZ dated 19 July 2009 (the "**Amendments**") significantly developed Russian law relating to insolvency in the following areas:

- clarifying the circumstances in which the management and shareholders of a bank must act to liquidate the bank;
- establishing tests for imposing liability on the management of a bank for the debts to its creditors; and
- expanding and clarifying the grounds for challenging transactions entered into by the debtor.

The Amendments significantly amend the provisions relating to the challenge by an arbitration manager in a court of transactions concluded by the debtor by expanding the grounds on which such transactions may be challenged and clarifying the lengths of the applicable hardening periods. The arbitration manager can challenge a transaction on its own initiative or on a request made by the creditors meeting or creditors committee.

The Amendments provide that the new rules for challenging transactions under the Bankruptcy Law also apply to bank debtors under the Bank Insolvency Law.

The Amendments provide that if in relation to a bank there is "evidence of insolvency" established in the law, the management and shareholders must liquidate the bank. The "workout" measures to restore the solvency of a bank, which are available under the Bank Insolvency Law, are not available at this stage.

If the chief executive officer, the members of the management board, the directors or the shareholders fail to initiate liquidation of the bank after the emergence of the "evidence of insolvency", the Amendments impose

joint and several secondary (subsidiary) liability for the debts of the bank that arise after the emergence of the evidence of insolvency.

In addition, under the Amendments, if the accounting and other reporting documentation of the bank debtor which must be maintained under Russian law has not been transferred to the temporary administration or a bankruptcy manager or it is fully or partially missing, the banks management which is under an obligation to secure the safekeeping of its documentation and property, bears secondary (subsidiary) liability for the debts of the bank debtor.

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.

Following the achievement of the targets set forth in the Strategy, the next action plan (2009–2015) will be to position the Russian banking sector on the international financial market. In early 2008, the Association of Regional Banks of Russian and Expert RA rating agency began to co-develop a new strategy for the period from 2009 through 2015 and this strategy has not yet to be issued by the Government and the CBR.

The system of the insurance of private deposits was introduced in 2003. According to the Deposit Insurance 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 Deposit Insurance Law, the protection for each client is limited to RUR700,000 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 12 December 2009, the FSFM had registered 33 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.

Measures to Support the Liquidity and Solvency of Russian Banks and Legal Entities since October 2008

Since October 2008, the Russian Government and the CBR have announced and, in many cases, fully implemented measures intended to support the liquidity and solvency of Russian banks and to increase the availability of credit to businesses, which have been seen as critical for restoring investor confidence and supporting the medium-term economic growth of the Russian economy. These measures were primarily introduced by Federal Law No. 173-FZ "On the Additional Measures to Support the Financial System of the Russian Federation" dated 13 October 2008, as amended (the "**Rescue Measures Law**"). According to the Rescue Measures Law, the following measures are being implemented:

- The Russian Government through the CBR and Vnesheconombank may provide up to RUB 950 billion in subordinated loans to state-owned and private banks under certain conditions. The RUB 950 billion state contribution to banking sector capital in the form of long-term subordinated loans with a term of at least five years is one of the key economic initiatives announced by the Russian Government to restore confidence in the Russian banking sector. State-owned banks such as Sberbank, VTB and Russian Agricultural Bank received RUR500 billion, RUR200 billion and RUR25 billion, accordingly, as part of this initiative. The remaining RUR225 billion have been distributed among privately-owned Russian banks subject to certain conditions.
- The CBR is authorised to enter into agreements with privately owned banks to partially compensate such banks for the losses suffered during the period from 14 October 2008 to 31 December 2009 as the result of operations on the interbank market with banks whose licences are revoked. Vnesheconombank had the right, until 31 December 2009, to originate foreign currency loans up to U.S.\$50 billion to Russian legal entities to repay and/or refinance the loans received from foreign lenders prior to 25 September 2008.

On 20 October 2008, the Supervisory Board of Vnesheconombank approved the “Procedure for realising by Vnesheconombank the measures set out in Articles 4 and 6 of the Rescue Measures Law” which details the measures implemented to finance Russian banks through Vnesheconombank (the “**Procedure**”).

The Procedure lists certain criteria that a Russian bank must meet to qualify for Vnesheconombank financing, including but not limited to, a minimum credit rating of “B-” for Fitch and S&P and “B3” for Moody's, no outstanding tax liabilities at the federal or regional level and no applicable CBR sanctions.

A set of federal laws and subordinated legislation complements the measures introduced by the Rescue Measures Law:

- The CBR established a new liquidity scheme to conduct uncollateralised lending covering a number of Russian banks. The maximum amounts that banks can raise under this facility were set by the CBR depending on the international credit rating, asset size and the level of capitalisation of the potential borrower under this arrangement.
- From 14 October 2008 until 31 December 2009, the CBR was granted the authority to guarantee interbank lending transactions for state-owned banks and, in an effort to encourage interbank lending in the short-term period, will partly compensate expenses to certain other banks for any future losses incurred during interbank lending operations with banks whose licences are revoked.
- Federal Law No. 317-FZ “On Amending Articles 46 and 76 of the Federal Law on Central Bank of Russian Federation (Bank of Russia)” dated 30 December 2008 vested the CBR with the right to appoint its authorised representatives to the banks and credit institutions which, *inter alia*, have received any foreign currency loans and/or subordinated loans under the Rescue Measures Law. The CBR Regulation No. 2182-U dated 9 February 2009 provides for the procedure for such authorised representatives appointment, their rights and obligations including, *inter alia*, the right to participate in the meetings of the management bodies of such banks and credit institutions and the right to request information on management remuneration and the issuance of loans to third parties.
- CBR Regulation No. 2092-U “On Determination of Mandatory Reserve Requirements of the Bank of Russia” dated 15 October 2008 temporarily decreased the reserve requirements for all types of financial obligations, namely funds in roubles and foreign currencies payable to non-resident banks, funds in roubles payable to individuals and other obligations, to 0.5 per cent. from 4.5 per cent., 1.5 per cent. and 2 per cent., respectively. However, the CBR Regulation No. 2295-U dated “On Determination of Mandatory Reserve Requirements of the Bank of Russia” 17 September 2009 provides for the gradual increase of the reserve requirements for all types of financial obligations to 2.5 per cent.
- The Retail Deposit Insurance Law has been amended to increase the amount of the secured deposits of individuals with Russian banks included to the state system of deposits insurance up to RUB 700,000.
- Government Decree No. 18 “On the Procedure of National Welfare Fund Assets Management” has been amended in 2008 and 2009 to increase the scope of financial instruments in which funds from the National Welfare Fund can be invested. The National Welfare Fund was established in 2008 using oil revenues, with a view to partially funding contributions to pensions of Russian citizens and to make up shortfalls in other contributions from the federal budget to federal pension funds. As a consequence, up to RUB 655 billion of such funds may be deposited in Vnesheconombank to support the Russian financial markets.

- Vnesheconombank commenced origination of foreign currency loans in the total amount of up to U.S.\$50 billion to Russian corporates, including credit organisations, for the refinancing of indebtedness incurred prior to 25 September 2008 from non-Russian lenders and sources. This refinancing option was available until 31 December 2009.
- The number of instruments eligible for the CBR's collateralised facility and for refinancing transactions with the CBR has been increased and the CBR may accept, among other things, the pledge of certain bonds and suretyships granted by certain Russian banks as collateral under its facilities to credit organisations.
- The Russian Government has pledged RUR500 billion to stabilise the financial markets, out of which Vnesheconombank, a state-owned bank, has already received RUR250 billion to implement measures to support the Russian financial markets. In November 2008, Vnesheconombank received a contribution of RUR75 billion to its charter capital to help stabilise the repo market. The remaining RUR175 billion was deposited with Vnesheconombank and partially used to support the Russian debt and equity markets.
- The provision of additional liquidity to the Russian banks by the Russian Government and the CBR has caused massive attacks on the Russian rouble and its significant devaluation against the U.S. dollar. The financial aid received by the banks in the end of 2008 and the beginning of 2009 did little to expand the access of Russian corporates or individuals to credit. At the end of January 2009, the CBR changed its policy and placed particular emphasis on stopping further devaluation of the rouble by turning to a tighter monetary policy and significantly limiting the access of Russian banks to liquidity.

THE ISSUER

Introduction

The Issuer is a special purpose vehicle established for the purpose of issuing debt securities and was incorporated in Ireland as a public limited company on 3 August 2005, registered number 406153 under name GPB Finance Public Limited Company, 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 phone number +353 1 680 6000.

The issued share capital of the Issuer is €200,000 divided into 200,000 ordinary shares of par value €1 each (the “**Shares**”). The Issuer has issued 200,000 Shares, which are fully paid and are directly or indirectly owned and controlled by Gazprombank. The rights of Gazprombank are contained in the articles of association of the Issuer (the “**Articles of Association**”) and the Issuer will be managed by its directors in accordance with the Articles of Association and the provisions of Irish law.

Principal Activities

The principal objects of the Issuer are set forth in clause 3 of its Memorandum of Association (as currently in effect) and permit the Issuer, inter alia, to lend money and give credit, secured or unsecured, to issue debentures and otherwise 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 the issue of the Notes and to use an amount equal to the proceeds of such issuance to advance the Loan to the Borrower on the terms of the Loan Agreement.

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 establishment of its U.S.\$1 billion Euro-Commercial Paper Programme on 9 February 2006 (the “**Programme**”) and the issue of Euro-Commercial Paper and the matters contemplated in this Prospectus and those related to the issue of the Notes. 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. The Issuer has no employees.

Directors and Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors. The directors and secretary of the Issuer and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Roddy Stafford	6 Winton Road Dublin 6 Ireland	Company Director
Ronnie Culliton	“Abhai-Lea”, Lea Potarlinton, Co-Laois Ireland	Company Director
Deutsche International Corporate Services (Ireland) Limited	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Secretary

Corporate Services Agreement

Deutsche International Corporate Services (Ireland) Limited (the “**Corporate Services Provider**”), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 9 February 2006 between the Issuer, the Corporate Services Provider and the Trustee (the “**Corporate Services Agreement**”), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. The Corporate Services Provider has nominated two Irish resident directors as directors of the Issuer. In consideration of the

foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party.

The Corporate Services Provider's principal office is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

Financial Statements

The Issuer produces annual audited financial statements with a financial year ending on 31 December. 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 December 2008 and the financial statements in respect of this period, together with the financial statements of the Issuer as at and for the year ended 31 December 2007, have been included in this Prospectus.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

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

DEED OF GUARANTEE

The following is the text of the Deed of Guarantee issued by Gazprombank on 8 May 2009.

THIS DEED OF GUARANTEE is made on 8 May 2009

BY:

GAZPROMBANK (OPEN JOINT STOCK COMPANY) as guarantor (the “**Guarantor**”)

IN FAVOUR OF:

- (1) THE HOLDERS for the time being and from time to time of the Notes referred to below (each a “**Noteholder**” and together the “**Noteholders**”); and
- (2) THE ACCOUNTHOLDERS (as defined below) (together with the Noteholders, the “**Beneficiaries**” and, each a “**Beneficiary**”).

WHEREAS:

- (A) GPB Finance Public Limited Company (the “**Issuer**”), as issuer, has authorised the creation and issue of U.S.\$120,000,000 7.35 per cent Guaranteed Notes due 2016 (the “**Notes**”) which are subject to, and have the benefit of, the terms and conditions attached to the Notes (the “**Conditions**”). The Notes are to be sold outside the United States to non U.S. persons pursuant to Regulation S of the United States Securities Act of 1933, as amended.
- (B) The Notes will be represented initially by a global note (the “**Global Note**”) which will be exchangeable for notes in definitive form only in the limited circumstances specified in the Global Note.
- (C) The Global Note will be delivered to a depositary or a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) or to a depositary for any other clearing system as may be agreed from time to time.
- (D) The Issuer has, in relation to the Notes, insofar as the Notes are represented by the Global Note, entered into a deed of covenant (as amended or supplemented from time to time, the “**Deed of Covenant**”) dated on or about the date hereof.
- (E) The Guarantor has agreed herein to guarantee the payment of all sums expressed to be payable from time to time by the Issuer or, but for the provisions of Condition 1 would otherwise be payable by the Issuer (i) to the Noteholders in respect of any Notes and (ii) to the Accountholders under the Deed of Covenant, and all amounts expressed to be payable from time to time by the Issuer under the Fiscal Agency Agreement.

THIS DEED OF GUARANTEE (THIS “DEED”) WITNESSES as follows:

1. **INTERPRETATION**

1.1 **In this Deed:**

“**Accountholder**” means any accountholder with a Clearing System which at the Relevant Date has credited to its securities account with such Clearing System one or more Entries in respect of the Global Note, except for any Clearing System in its capacity as an accountholder of another Clearing System;

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, Moscow, London and Dublin;

“**Clearing System**” means each of Euroclear, Clearstream, Luxembourg and/or any other recognised clearing system as may be agreed from time to time in relation to the Notes represented by a Global Note between the Issuer, the Guarantor and the Fiscal Agent;

“**Direct Rights**” means the rights referred to in Clause 2.1 of the Deed of Covenant;

“**Entry**” means any entry which is made in the securities account of any Accountholder with a Clearing System in respect of Notes represented by the Global Note;

“Fiscal Agency Agreement” means the fiscal agency agreement dated 8 May 2009, among the Issuer, the Guarantor, the Bank of New York Mellon as fiscal agent and paying and transfer agent (the **“Paying and Transfer Agent”**) and The Bank of New York (Luxembourg) S.A. as registrar, as such agreement may be amended or supplemented from time to time;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality, save the Guarantor shall not be a “Person”;

“Register” has the meaning ascribed to it in Condition 3 (*Registration*) of the Notes; and

“Relevant Date” means the date on which the Global Note becomes void in accordance with its terms.

1.2 Any reference in this Deed to a Clause is, unless otherwise stated, to a clause hereof.

1.3 Headings and sub headings are for ease of reference only and shall not affect the construction of this Deed.

2. GUARANTEE AND INDEMNITY

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

(a) to each Noteholder that if the Issuer does not pay any sum payable or, but for the provisions of Condition 1 of the Conditions (*Status, Limited Recourse and Non-Petition*) would otherwise be payable by the Issuer, in respect of the Notes (including principal, interest or any other amounts of whatever nature or additional amount which may become payable under the Notes) the Guarantor will pay that sum, to or to the order of such Noteholder, in the manner and currency prescribed in the Conditions for such payments under the Notes, before close of business on that date in the city to which payment is so to be made. For the avoidance of doubt, the guarantee provided by the Guarantor in this Clause 2.1 is an unconditional and irrevocable guarantee in favour of each Noteholder of all sums payable in respect of the Note by the Issuer or, but for the provisions of Condition 1 (*Status, Limited Recourse and Non-Petition*), would otherwise be payable by the Issuer without regard to any provision of limited recourse or non-recourse of the Issuer that may be contained in the Notes; and

(b) to each Accountholder that if the Issuer does not pay any sum payable or, but for the provisions of Condition 1 of the Conditions (*Status, Limited Recourse and Non-Petition*) would otherwise be payable by the Issuer, in respect of the Direct Rights (including principal, interest or any other amounts of whatever nature or additional amount which may become payable under the Direct Rights), the Guarantor will pay that sum, to or to the order of such Accountholder, in the manner and currency prescribed in the Conditions for such payments under the Notes, before close of business on that date in the city to which payment is so to be made. For the avoidance of doubt, the guarantee provided by the Guarantor in this Clause 2.1 is an unconditional and irrevocable guarantee in favour of each Accountholder of all sums payable in respect of the Direct Rights by the Issuer or, but for the provisions of Condition 1 (*Status, Limited Recourse and Non-Petition*), would otherwise be payable by the Issuer without regard to any provision of limited recourse or non-recourse of the Issuer that may be contained in the Notes or the Deed of Covenant.

2.2 As separate, independent and alternative stipulations, the Guarantor unconditionally and irrevocably agrees (1) that any sum that, although expressed to be payable by the Issuer under the Notes or the Deed of Covenant (or, but for the provisions of Condition 1 would otherwise be payable by the Issuer in respect of the Notes or the Direct Rights) or the Fiscal Agency Agreement, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor, the Noteholders or the Accountholders) not recoverable from the Guarantor on the basis of a guarantee shall nevertheless be recoverable from it as if it were the sole principal obligor and shall be paid by it and shall be payable (i) at such time and in the manner and currency as is provided for in such Note, Deed of Covenant or the Fiscal Agency Agreement and (ii) on demand in writing (which demand shall be accompanied by evidence of either the Noteholder’s or the Accountholder’s entitlement to make such demand) in respect of all other payments under this Deed or the Deed of Covenant and (2) as a primary obligation to indemnify each Noteholder and each Accountholder against any loss suffered by it as a result of any sum expressed to be payable by the Guarantor or the Issuer under this Deed, the Deed of Covenant or the Notes (or, but for the provisions of Condition 1 would otherwise be payable by the Issuer in respect of the Notes or the Direct Rights) or the Fiscal Agency Agreement not being paid on the date and otherwise in the manner specified in such Note, Deed of Covenant, the Fiscal Agency Agreement or this Deed (as the case may be) or any payment obligation of the Guarantor or the Issuer under this Deed, the Deed of Covenant or the Notes (or, but

for the provisions of Condition 1 (Status, Limited Recourse and Non-Petition) would otherwise be payable by the Issuer in respect of the Notes or the Direct Rights) or the Fiscal Agency Agreement being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to the Noteholder or the Accountholder), the amount of that loss being the amount expressed to be payable by the Issuer.

3. TAXES AND WITHHOLDING

3.1 All payments by the Guarantor in respect of the Notes or the Direct Rights under this Deed shall be made without set off, counterclaim, fees, liabilities or similar deduction, and free and clear of and without withholding of or deduction for or on account of any present or future taxes, levies, duties, assessments or governmental charges of whatsoever nature now or hereafter imposed, collected, withheld, assessed or levied by or on behalf of the Russian Federation or any political sub division thereof (each a “**Relevant Jurisdiction**”) or by any authority therein or thereof having power to tax, unless the Guarantor is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges. In that event, the Guarantor shall increase the amounts payable as shall be necessary in order that the net amounts receivable by the Noteholder and/or Accountholder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes and/or Direct Rights in the absence of such withholding or deduction, except that no such additional amount shall be payable to any Beneficiary in respect of any Note or Direct Rights:

- (a) presented for payment by or on behalf of a Beneficiary who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Direct Rights by reason of his having some connection with the Relevant Jurisdiction, other than the mere holding of the Note;
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate or evidence of Direct Rights is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Beneficiary would have been entitled to such additional amounts on surrendering such Note Certificate or evidence of Direct Rights for payment on the last day of such period of 30 days;
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate or evidence of Direct Rights is surrendered for payment by or on behalf of a Beneficiary who would have been able to avoid such withholding or deduction by surrendering the relevant Note Certificate or evidence of Direct Rights to another Paying and Transfer Agent in a Member State of the European Union

For purposes of this Clause 3 only, “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Paying and Transfer Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

4. PRESERVATION OF RIGHTS

4.1 As between the Guarantor and the Beneficiaries, but without affecting the Issuer’s obligations, the Guarantor will be liable hereunder as if it were the sole principal obligor and not merely a surety. Accordingly, the Guarantor shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal obligor, including:

- (a) the winding up, liquidation, bankruptcy, moratorium, dissolution, amalgamation, reconstruction or reorganisation of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or
- (b) the illegality, invalidity or unenforceability of or any defect in any provision of this Deed, the Deed of Covenant or the Notes or any of the Issuer’s obligations under any of them; or
- (c) any time, indulgence, waiver or consent at any time being granted or agreed to be granted to the Issuer or any other person; or

- (d) any amendment to any other provisions of this Deed, the Deed of Covenant or to the terms and conditions of the Notes or any security or other guarantee or indemnity; or
 - (e) the enforcement or absence of enforcement of this Deed, the Deed of Covenant, the Notes or of any security or other guarantee or indemnity; or
 - (f) the making or absence of any demand of the Issuer or any other person for payment; or
 - (g) any other act, event or omission which, but for this sub Clause 4.1, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries by this Deed or by law.
- 4.2 The Guarantor's obligations under this Deed are and will remain in full force and effect by way of continuing security until no sum remains payable under the Notes or the Direct Rights. Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security of other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or other guarantee or indemnity. Save for the written demands required pursuant to this Deed, the Guarantor irrevocably waives all notices and demands of any kind.
- 4.3(a) Any settlement or discharge between the Guarantor and the Beneficiaries shall be conditional upon no payment to the Beneficiaries by the Issuer or any other person on behalf of the Issuer being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- (b) The Beneficiaries may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.
- (c) The Guarantor shall on demand indemnify the Beneficiaries against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding up, dissolution, or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Issuer under this Deed, the Deed of Covenant or the Notes and shall in any event pay to it on demand the amount as refunded by it.
- 4.4 The Beneficiaries shall not be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed or by law:
- (a) to make any demand of the Issuer, other than the presentation of the relevant Note; or
 - (b) to take any action or obtain judgment in any court against the Issuer; or
 - (c) to make or file any claim or proof in a winding up or dissolution of the Issuer, and, save as provided elsewhere herein, the Guarantor hereby expressly waives presentment, demand, protest, and notice of dishonour in respect of each Note.
- 4.5 The Guarantor agrees that, so long as any sums are owed by any Issuer in respect of any Notes or Direct Rights issued by it, it shall not exercise any right which it may at any time have by reason of performance by it of its obligations hereunder:
- (a) to be indemnified by the Issuer; and/or
 - (b) to be subrogated to the rights of the Beneficiaries against the Issuer (including, but not limited to, taking the benefit of, or enforcing any security or other guarantee or indemnity) in respect of amounts paid by it under this Deed; and/or
 - (c) to claim, rank, prove or vote as a creditor of the Issuer or its estate in competition with the Beneficiaries (or any trustee or agent on its behalf); and/or
 - (d) to receive, claim or have the benefit of any payment, distribution or security from or on account of the Issuer, or exercise any right of set off as against the Issuer.
- 4.6 The Guarantor undertakes that its obligations hereunder will constitute direct, unconditional and unsecured obligations and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time.

- 4.7 The Guarantor represents and warrants to the Beneficiaries that all necessary governmental consents and authorisations for the giving and implementation of this Deed (if any) have been obtained.
- 4.8 Until all amounts which may be or become payable by the Issuer under or in connection with any Notes or any Direct Rights have been irrevocably paid in full, the Beneficiaries (or any trustee or agent on its behalf) may:
- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Beneficiaries (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise), and the Guarantor shall not be entitled to the benefit of the same; and
 - (b) hold in a suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Deed, without liability to pay interest on those moneys.

5. DEPOSIT OF GUARANTEE

This Deed shall be deposited with and held by the Paying and Transfer Agent until the date on which all the obligations of the Issuer and the Guarantor under or in respect of any Notes or Direct Rights issued by the Issuer have been discharged in full following which this Deed shall be promptly returned to the Guarantor. The Guarantor hereby acknowledges the right of the Beneficiaries to the production of a copy of this Deed.

6. STAMP DUTIES

The Guarantor shall pay all stamp, registration and other similar taxes and duties (including any interest and penalties thereon or in connection therewith) which may be payable on or in connection with the execution and performance of this Deed.

7. BENEFIT OF GUARANTEE

- 7.1 This Deed shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.
- 7.2 This Deed shall enure to the benefit of the Beneficiaries and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed against the Guarantor.
- 7.3 The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder, except with the consent of the Beneficiaries. The Beneficiaries shall be entitled to assign all of its rights and benefits hereunder.

8. PARTIAL INVALIDITY

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

9. NOTICES

- 9.1 All notices, demands under Clause 2 (*Guarantee and Indemnity*) and other communications hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantor at:

Address 16 Block 1, Nametkina St. Moscow 117420
Russia
Fax: +7 (495) 332 77 83
Contact: Olga Kozlova/Svetlana Mamontova

- 9.2 Any notice, demand or other communication sent in accordance with Clause 9.1 shall be effective upon receipt by the Guarantor, provided that any such notice, demand or other communication which would otherwise take effect on either a day which is not a business day or after 2.00 p.m. Moscow time on any day which is a business day shall not take effect until 10.00 a.m. on the immediately succeeding business day.

10. CURRENCY INDEMNITY

If, under any applicable law and whether pursuant to a judgment being made or registered against the Guarantor or in the liquidation, insolvency or analogous process of the Guarantor or for any other reason, any payment under or in connection with this Deed is made or fails to be satisfied in a currency (the "**other currency**") other than that in which the relevant payment is expressed to be due (the "**required currency**") under this Deed, then, to the extent that the payment (when converted into the

required currency at the rate of exchange on the date of payment or, if it is not practicable for the Beneficiaries to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the Beneficiaries falls short of the amount due under the terms of this Deed, the Guarantor undertakes that it shall, to the extent permitted by applicable law, as a separate and independent obligation, upon written demand, indemnify and hold harmless the Beneficiaries against the amount of such shortfall. For the purpose of this clause “**rate of exchange**” means the rate at which the Beneficiary is able on the London foreign exchange market on the relevant date to purchase the required currency with the other currency and shall take into account any premium and other reasonable costs of exchange.

11. THIRD PARTY RIGHTS

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed.

12. GOVERNING LAW AND JURISDICTION

12.1 Governing Law

This Deed is governed by, and shall be construed in accordance with, English law.

12.2 Arbitration

Any claim, dispute or difference of whatever nature arising under, out of or in connection with this Deed (including a claim, dispute or difference regarding the existence, termination or validity thereof or any non contractual obligations arising out of or in connection therewith) (a “**Dispute**”) may be brought by the Guarantor or any Beneficiary and shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration (“**LCIA**”) (the “**Rules**”) as at present in force and as modified by this sub Clause 12.2, which Rules shall be deemed incorporated into this sub Clause 12.2. The number of arbitrators shall be three, one of whom shall be nominated by the Guarantor, one by such Beneficiary and the third of whom, who shall act as Chairman, shall be nominated by the two party nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second party nominated arbitrator, such third arbitrator shall be appointed by the LCIA court. The parties may nominate and the LCIA court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

12.3 Beneficiary’s Option

At any time before a Beneficiary has nominated an arbitrator to resolve any Dispute(s) pursuant to sub Clause 12.2 (*Arbitration*), such Beneficiary, at its option, may elect by notice in writing to the Guarantor that such Dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction, as more particularly described in sub Clause 12.4 (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

12.4 Jurisdiction

In the event that a Beneficiary serves a written notice of election in respect of any Dispute(s) pursuant to sub Clause 12.3 (*Beneficiary’s Option*), the Guarantor agrees that the courts of England shall have non exclusive jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Subject to sub Clause 12.2 (*Arbitration*), nothing in this sub Clause 12.4 (*Jurisdiction*) shall (or shall be construed so as to) limit the right of such Beneficiary to bring proceedings (“**Proceedings**”) for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of proceedings by any other Beneficiary in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

12.5 Guarantor’s Process Agent

The Guarantor agrees that the process by which any Proceedings in England are begun pursuant to sub Clause 12.4 (*Jurisdiction*) or by which any proceedings are commenced in English courts in support of,

or in connection with, an arbitration commenced pursuant to sub Clause 12.2 (*Arbitration*) 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 its other principal place of business in England for the time being. If such person is not or ceases to be effectively appointed to accept service of process on the Guarantor's behalf, the Guarantor shall appoint a further person in England to accept service of process on its behalf. Nothing in this sub Clause 12.5 shall affect the right to serve process in any other manner permitted by law.

12.6 Consent to Enforcement etc.

The Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

12.7 Waiver of Immunity

To the extent the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Guarantor or its assets or revenues, the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

13. COUNTERPARTS

This Deed may be executed in any number of counterparts, each of which shall be deemed an original. The Guarantor may enter into this Deed by signing any such counterpart.

14. NON PETITION

Neither the Guarantor nor any other person acting on its behalf 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 this Deed, the Deed of Covenant, the Notes or otherwise owed to its creditors, 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.

This Clause 14 shall survive the termination of this Deed.

IN WITNESS whereof this Deed of Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

TERMS AND CONDITIONS OF THE NOTES

These terms and conditions of the Notes have been amended pursuant to a Deed of Amendment dated 23 July 2009 between the Issuer and the Guarantor and a written resolution dated 23 July 2009 by the Noteholders of the Notes as of such date in accordance with the provisions of the Fiscal Agency Agreement and terms and conditions of the Notes.

The following is the text of the terms and conditions of the Notes which will be endorsed on each Note Certificate with effect from 23 July 2009.

The U.S.\$120,000,000 7.35 per cent. Guaranteed Notes due 2016 (the “**Notes**”) of GPB Finance Public Limited Company (the “**Issuer**”) are the subject of a fiscal agency agreement dated 8 May 2009 (as amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) between the Issuer, Gazprombank (Open Joint-Stock Company) (the “**Gazprombank**”), The Bank of New York Mellon (the “**Fiscal Agent**”), The Bank of New York Mellon as paying and transfer agent (the “**Paying and Transfer Agent**”, which expression includes any successor paying and transfer agents appointed from time to time in connection with the Notes), and The Bank of New York (Luxembourg) S.A., in its capacity as Registrar (the “**Registrar**”), which expression shall include any successor registrar appointed from time to time in connection with the Notes.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a U.S.\$90,000,000 loan (the “**Loan**”) to Gazprombank. The terms of the Loan are recorded in a loan agreement (the “**Loan Agreement**”) dated 8 May 2009 between the Issuer and Gazprombank. The Notes have the benefit of the Guarantee (as defined below in Condition 5 (*Guarantee*)) pursuant to which Gazprombank unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable in respect of the Notes or which would otherwise be payable but for the limited recourse provisions that apply to the Issuer in these Conditions.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein to be payable in respect of the Notes, the obligations 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 equivalent to sums of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to the relevant sums actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer and to the extent that there is any shortfall in respect of amounts due under the Notes the Noteholders must therefore rely solely and exclusively on the covenant of Gazprombank to pay under the Guarantee and the credit and financial standing of Gazprombank.

The Issuer’s obligations to make payments in respect of the Notes will be made (subject to the receipt of the relevant funds from Gazprombank) pursuant to the terms of the Fiscal Agency Agreement.

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and are subject to its detailed provisions. Terms used but not defined herein shall have the meaning ascribed to them in the Fiscal Agency Agreement. The Noteholders are bound by, and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of the Paying and Transfer Agents. Copies are also available for inspection during normal business hours at the registered office for the time being of the Fiscal Agent, being at the date hereof The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom or at the registered office of the Issuer at 5 Harboursmaster Place, IFSC, Dublin 1, Ireland.

1. STATUS, LIMITED RECOURSE AND NON-PETITION

The Notes are limited recourse, unsecured 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 account to the Noteholders for amounts actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement.

In the event that the payments under the Loan Agreement are made by Gazprombank to the Paying and Transfer Agent, they will *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes.

No proprietary or other direct interest in the Issuer’s right under or in respect of the Loan Agreement, the Loan or the Account (as defined in the Loan Agreement) exists for the benefit of the Noteholders. The Noteholders will not have any entitlement to enforce the Loan Agreement or direct recourse to Gazprombank under the Loan Agreement.

The obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equal to each sum actually received and retained (net of tax) 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. 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 and retained (net of tax) or recovered by or on behalf of the Issuer. The Noteholders shall look solely to such sums for payments 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 the 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 and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums from the Issuer shall be extinguished, and the Noteholders may take no further action to recover such amounts from the Issuer. Nothing in this Condition shall prejudice any rights that the Noteholders may have against Gazprombank under the Guarantee to recover any amounts not paid under the Notes when due.

Neither the Noteholders nor any 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, 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.

The Noteholders shall have no 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.

2. FORM, DENOMINATION AND TITLE

2.1 Form and denomination

The Notes are in registered form, serially numbered.

The Notes will be issued in denominations of U.S.\$100,000 and in integral multiples of U.S.\$1,000 in excess thereof, without coupons attached.

2.2 Title

Title to the Notes will pass by transfer and registration as described in Conditions 3 (*Registration*) and 4 (*Transfer of Notes*). Each holder (as defined below) of a Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, “**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, “**Noteholder**” or “**holder**” means a Person in whose name a holding of the Notes is for the time being registered in the Register (as defined below). An individual definitive note certificate (each a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Note and each Note Certificate will have an identifying number which will be recorded on the relevant Note Certificate and in the Register (as defined in Condition 3 (*Registration*)).

Upon issue, the Notes will be represented by a registered note certificate (the “**Global Note Certificate**”), which will be registered in the name of, and deposited with the nominee of the common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”).

Except in the limited circumstances described in the Global Note Certificate, owners of interests in Notes represented by the Global Note Certificate will not be entitled to receive physical delivery of individual definitive Note Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

2.3 Third party rights

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. REGISTRATION

The Issuer will cause a register (the “**Register**”) to be kept at the Specified Office of the Registrar in which will be entered the name and address of each Noteholder and the particulars of the Notes so held and any transfer and redemption of the Notes.

4. TRANSFER OF NOTES

4.1 Transfer

The Notes may, subject to the terms of the Fiscal Agency Agreement and to Conditions 4.4 (*Closed Periods*) and 4.6 (*Regulations Concerning Transfer and Registration*), be transferred in whole or in part by lodging the relevant individual Note Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying and Transfer Agent. The Notes may be registered only in the name of, and transferred only to, a named person. No transfer of the Notes will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of Notes, register the transfer and deliver a new Note Certificate to the transferee (and, as the case may be, to the transferor in respect of any retained holding of Notes) at the Specified Office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

4.2 Transfer of Notes in Global Form

Transfers of interests in the Notes represented by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.

4.3 Formalities Free of Charge

Such transfer will be effected without charge subject to (a) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (c) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Fiscal Agent.

4.4 Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of the Notes during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.

4.5 Business Day

In these Conditions, “**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, Moscow, London and Dublin and, in the case of surrender of a Note Certificate, in the place of the Specified Office of the Registrar or relevant Paying and Transfer Agent, to whom the Note Certificate is surrendered.

4.6 Regulations Concerning Transfer and Registration

All transfers and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of the Noteholders with the prior approval of the Registrar and the Fiscal Agent. Except in the limited circumstances described in the Global Note Certificate, owners of interests in Notes represented by the Global Note Certificate will not be entitled to receive physical delivery of individual definitive Note Certificates.

5. GUARANTEE

Gazprombank has, pursuant to a deed of guarantee dated 8 May 2009, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer or, but for the provisions of Condition 1 (*Status, Limited Recourse and Non-Petition*) would otherwise be payable by the Issuer, in respect of the Notes. This guarantee (the “**Guarantee**”) constitutes a direct, general, unconditional, unsubordinated and unsecured obligation of Gazprombank which will at all times rank at least *pari passu* with all other present and future unsecured obligations of Gazprombank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. DEFINITIONS

For the purposes of these Conditions:

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

“**CBR**” means the Central Bank of the Russian Federation.

“**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.

“**Dollar**”, “**US Dollar**” or “**U.S.\$**” means the lawful currency of the United States of America.

“**indebtedness**” means any indebtedness of any Person for money borrowed, whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business.

“**Indebtedness for Borrowed Money**” means any indebtedness of any Person for or in respect of:

moneys borrowed or raised;

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments;
- (c) 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;
- (d) 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
- (e) 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 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.

“**Irish Stock Exchange**” means the Irish Stock Exchange Limited.

“**Material Adverse Effect**” means a material adverse effect on (a) the financial condition or operations of the Gazprombank or its Material Subsidiaries or (b) Gazprombank’s ability to perform its obligations under the Guarantee or the Loan Agreement or (c) the Issuer’s ability to perform its obligations under the Note or (d) the validity, legality or enforceability of the Notes, the Guarantee or the Loan Agreement or the rights or remedies of the Noteholders thereunder.

“**Material Subsidiary**” at any time means a Subsidiary of Gazprombank:

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

- (f) 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
- (g) 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

- (h) 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.

“**Other Guarantee**” means, in relation to any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

any obligation to purchase such Indebtedness;

- (i) 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;
- (j) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (k) any other agreement to be responsible for such Indebtedness.

“**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.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, company, firm, trust, organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

7. INTEREST

7.1 Interest Accrual

The Notes bear interest from 8 May 2009 (the “**Issue Date**”) at the rate of 7.35 per cent. per annum (the “**Rate of Interest**”) payable annually in arrear on 8 May in each year up to and including 8 May 2016 (each, an “**Interest Payment Date**”), subject as provided in Condition 8 (*Payments*).

7.2 Cessation of Interest

The Notes will cease to bear interest from the due date for final redemption unless, upon due surrender, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due up to that day are received by or on behalf of the Noteholders and (b) the day which is seven days after the Paying and Transfer Agent or Fiscal Agent has notified the Noteholders that it has received all sums due up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 14 (*Notices*).

7.3 Calculation of Interest

The amount of interest payable in respect of the Notes for any Interest Period shall be calculated by applying the Rate of Interest to the outstanding amount of the Notes and rounding to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

8. PAYMENTS

8.1 Principal

Payment of principal in respect of the Note and payment of interest due other than on an Interest Payment Date will be made to the person shown in the Register at the close of business on the Record Date (as defined below) and subject to the surrender of the Note Certificate at the Specified Office of the Registrar or of the Paying and Transfer Agents.

8.2 Interest and other Amounts

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at close of business on the Record Date.

8.3 Record Date

“**Record Date**” means the fifteenth day before the due date for the relevant payment.

8.4 Payments

Each payment in respect of the Notes pursuant to Conditions 8.1 (*Principal*) and 8.2 (*Interest and other Amounts*) will be made by US Dollar cheque drawn on a branch of a bank in New York City mailed to the holder of the relevant Note at his address appearing in the Register. However, upon application by the holder to the Specified Office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a US Dollar account maintained by the payee with a bank in New York City. In connection with such application, a holder may elect that, until further notice is made to the Specified Office of the Registrar or the Paying and Transfer Agent (provided such notice is not less than 15 days before the due date for such payment), to have all future payments in respect of a Note be made to the account designated in the initial application.

Where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of payments referred to in Condition 8.1 (*Principal*), if later, on the Business Day on which the relevant Note Certificate is surrendered (or endorsed as the case may be) as specified in Condition 8.1 (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

Where payment is to be made by transfer to a US Dollar account, payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated, in the case of principal, on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) and, in the case of interest and other amounts on the due date for payment.

8.5 Agents

The names of the initial Paying and Transfer Agents and Registrar and their Specified Offices are set out below. The Issuer and Gazprombank reserve the right under the Fiscal Agency Agreement by giving to the Fiscal Agent and any other Agent concerned at least 60 days' prior written notice, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes, to vary or terminate the appointment of/remove any Paying and Transfer Agent, the Fiscal Agent or the Registrar and to appoint successor or additional Paying and Transfer Agents or another Fiscal Agent or Registrar, provided that it will at all times maintain:

- (a) a Paying and Transfer Agent; and
- (b) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Paying and Transfer Agent or Registrar will be given to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable.

8.6 Payments subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation and Withholding*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

8.7 Delay in Payment

The Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a Business Day or (ii) a cheque mailed in accordance with this Condition 8 (*Payments*) arriving after the due date for payment or being lost in the mail.

9. REDEMPTION

9.1 Scheduled redemption

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its principal amount on 8 May 2016 (the "**Notes Final Principal Redemption Amount**") plus accrued interest as provided in Condition 7.1 (*Interest Accrual*), subject as provided in Condition 8 (*Payments*). Payment of the Notes Final Principal Redemption Amount will constitute full and final satisfaction of the obligation of the Issuer, subject to the provisions of Condition 1, to repay principal to a Noteholder and such payment will only be made against surrender of the relevant Note Certificate by such Noteholder to the Registrar at its Specified Office.

9.2 Purchase

The Issuer and the Guarantor or any of the Guarantor's Material Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (provided that such resale is outside the United States and is otherwise in

compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 9.3 (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Material Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13 (*Meetings of Noteholders*).

9.3 Cancellation of Notes

All Notes which are redeemed pursuant to Conditions 9.1 (*Scheduled redemption*) will be cancelled and may not be reissued or resold.

10. TAXATION AND WITHHOLDING

10.1 All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within Ireland or the Russian Federation or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Ireland or, in the case of payments made by the Guarantor, the Russian Federation, other than the mere holding of the Note;
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering such Note Certificate for payment on the last day of such period of 30 days;
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Note Certificate to another Paying and Transfer Agent in a Member State of the European Union.

10.2 If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdiction other than Ireland or the Russian Federation, respectively, references in this Condition 10 (*Taxation and Withholding*) to Ireland or the Russian Federation, respectively, shall be construed as references to Ireland or the Russian Federation, respectively, and/or such other jurisdiction.

“**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Paying and Transfer Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

11. EVENTS OF DEFAULT

If one or more of the following events of default (each, and “**Event of Default**”) shall occur and be continuing:

- 11.1 the Issuer fails to pay any amount under the Notes other than interest in respect of the Notes 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 Notes by no later than the fifteenth day after the due date for payment thereof; or
- 11.2 the Issuer or Gazprombank defaults in the performance or observance of any of its, as the case may be, other obligations under the Notes, the Guarantee or the Loan Agreement and (except for any obligation pursuant to Clause 11.2 (*Notice of Default*) of the Loan Agreement) such default remains unremedied

for 30 days after written notice thereof, addressed to the Issuer or Gazprombank, as the case may be, has been delivered to the Issuer or Gazprombank, as the case may be; or

- 11.3 (a) any Indebtedness for Borrowed Money of the Issuer, 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
- (b) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, 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 for Borrowed Money; or
- (c) the Issuer, Gazprombank or any of Gazprombank's Material Subsidiaries fails to pay when due any amount payable by it under any Other Guarantee of any Indebtedness for Borrowed Money;

provided that the amount of Indebtedness for Borrowed Money referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any Other Guarantee referred to in sub-paragraph (c) 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 Borrowed Money for this purpose, Indebtedness for Borrowed Money 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

- 11.4 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 the Issuer, 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
- 11.5 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 the Issuer, 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
- 11.6 (a) the Issuer, Gazprombank or any of Gazprombank's Material Subsidiaries becomes insolvent or is unable to pay its debts generally as they fall due, (b) one or more administrator(s) or a liquidator of the Issuer, 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 the Issuer, Gazprombank or any of Gazprombank's Material Subsidiaries, (c) the Issuer, 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 for Borrowed Money and Other Guarantees, (d) the Issuer, 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 the Issuer or a Material Subsidiary of Gazprombank, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (e) 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 (f) the banking licence of Gazprombank is revoked; or
- 11.7 an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, Gazprombank or any of Gazprombank's Material Subsidiaries (otherwise than, in the case of the Issuer or a Material Subsidiary of Gazprombank, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- 11.8 any action, condition or thing at any time required to be taken, fulfilled or done in order (a) to enable the Issuer or Gazprombank, as the case may be, lawfully to enter into and perform and comply with its obligations under and in respect of the Notes, the Guarantee or the Loan Agreement, (b) to ensure that those obligations are legal, valid, binding and enforceable and (c) to make admissible in evidence in an arbitration court in London is not taken, fulfilled or done; or

- 11.9 (a) all or any substantial part of the undertaking, assets and revenues of the Issuer, 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 (b) the Issuer, 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 (a) or (b) above must be likely to have Material Adverse Effect; or
- 11.10 at any time it is or becomes unlawful for the Issuer or Gazprombank, as the case may be, to perform or comply with any or all of its obligations under the Notes, the Guarantee or the Loan Agreement or any of such obligations are not, or cease to be, legal, valid, binding and enforceable (subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (a) to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (b) with respect to the enforceability of a judgment whether there is a treaty in force relating to the mutual recognition of foreign judgments; (c) to the fact that certain gross-up provisions may not be enforceable under Russian law and (d) to any mandatory enforcement requirements and procedures existing under Russian law) and such unlawfulness or cessation could have a Material Adverse Effect; or
- 11.11 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.

then any holder of a Note may, by written notice to the Issuer or Gazprombank, as the case may be, at the specified office of the Paying and Transfer Agent, effective upon the date of receipt thereof by the Paying and Transfer Agent, declare (a) an amount equal to the outstanding principal amount of the Notes and (b) an amount equal to all interest accrued on the Note up to but excluding the date of such notice, 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 expressly waived by the Issuer and Gazprombank.

To the extent that the Issuer receives amounts of principal, interest or other amounts following acceleration and/or enforcement of the Loan (as the case may be), the Issuer shall pay an amount equal to such amounts on the Business Day following receipt of such amounts. For the avoidance of doubt, in the event that such amounts paid by the Issuer, if any, do not equal the aggregate amount of principal, interest or other amounts due, then the Noteholders' recourse is to the Guarantor pursuant to the Guarantee described in Condition 5 (*Guarantee*) and the Noteholders shall have no further claims against the Issuer.

12. REPLACEMENT OF NOTES

If the Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Paying and Transfer Agent subject to all applicable laws or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and Gazprombank may require (provided that the requirement is reasonable in the light of prevailing market practice). A mutilated or defaced Note Certificate must be surrendered before a replacement will be issued.

13. MEETINGS OF NOTEHOLDERS

13.1 Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution (as such term is defined in the Fiscal Agency Agreement). Such a meeting may be convened by the Guarantor or the Issuer, or by the Fiscal Agent upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; provided, however, that certain proposals (including any proposal (a) to change any date fixed for payment of principal or interest in respect of the Notes, (b) to reduce or cancel the amount of principal or interest or other amounts payable on any date in respect of the Notes or to reduce the rate of interest on the Notes, (c) to change the currency of payment under the Notes, (d) to amend this proviso or (e) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**"))

may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

13.2 Written resolution

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Fiscal Agency Agreement or (b) if such Noteholders have been given at least 21 days' notice of such resolution, by or on behalf of persons holding three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

14. NOTICES

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will be valid, for so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of such exchange so require, when such notice is filed in the Companies Announcement Office of the Irish Stock Exchange.

So long as any of the Notes are represented by the Global Note, notices required to be published in accordance with this Condition 14 (*Notices*) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the Irish Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, by filing with the Companies Announcement Office of the Irish Stock Exchange.

15. GOVERNING LAW, JURISDICTION AND ARBITRATION

15.1 Governing law

The Fiscal Agency Agreement and the Notes are governed by, and shall be construed in accordance with, English law.

15.2 Arbitration

Any claim, dispute or difference of whatever nature arising under, out of or in connection with the Fiscal Agency Agreement or the Notes (including a claim, dispute or difference regarding the existence, termination or validity thereof or any non-contractual obligations arising out of or in connection therewith) (a "**Dispute**") may be brought by Gazprombank, the Issuer or any Noteholder and shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition 15.2 (*Arbitration*), which Rules shall be deemed incorporated into this Condition 15.2 (*Arbitration*). The number of arbitrators shall be three, one of whom shall be nominated by Gazprombank, one by such Noteholders and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA court. The parties may nominate and the LCIA court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

15.3 Noteholders' Option

At any time before a Noteholder has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 15.2 (*Arbitration*), such Noteholder, at its option, may elect by notice in writing to Gazprombank and the Issuer that such Dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction, as more particularly described in Condition 15.4 (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

15.4 Jurisdiction

In the event that a Noteholder serves a written notice of election in respect of any Dispute(s) pursuant to Condition 15.3 (*Noteholders' Option*), Gazprombank and the Issuer agree that the courts of England shall have non-exclusive jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Subject to Condition 15.2 (*Arbitration*), nothing in this Condition

15.4 (*Jurisdiction*) shall (or shall be construed so as to) limit the right of any Noteholder to bring proceedings (“**Proceedings**”) for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of proceedings by any Noteholder in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

15.5 Appropriate Forum

For the purposes of Condition 15.4 (*Jurisdiction*), the Issuer and Gazprombank has each irrevocably waived and the Noteholder irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agreed and agrees not to claim that any such court is not a convenient or appropriate forum.

15.6 Service of Process

The Issuer agrees that the process by which any Proceedings are commenced in England pursuant to Condition 15.4 (*Jurisdiction*) or by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 15.2 (*Arbitration*) may be served on it by being delivered to Aquila International Services Limited, 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall appoint a further person in England to accept service of process on its behalf. Nothing in this paragraph shall affect the right of the Noteholders to serve process in any other manner permitted by law.

Gazprombank agrees that the process by which any Proceedings are commenced in England pursuant to Condition 15.4 (*Jurisdiction*) or by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 15.2 (*Arbitration*) may be served on it by being delivered to Aquila International Services Limited, 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD. If such person is not or ceases to be effectively appointed to accept service of process on behalf of Gazprombank, Gazprombank shall appoint a further person in England to accept service of process on its behalf. Nothing in this paragraph shall affect the right of the Noteholders to serve process in any other manner permitted by law.

15.7 Waiver of Immunity

To the extent that Gazprombank may in respect of any Proceedings or Dispute be entitled to claim for itself or its assets immunity from jurisdiction, suit, execution, attachment (whether in aid of execution of a judgment, before judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), Gazprombank has irrevocably consented to the enforcement of any judgment or award, and agreed not to claim and irrevocably waived such immunity to the fullest extent permitted by the laws of the jurisdiction.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTE IN GLOBAL FORM

The Global Note

The Notes were 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.

Interests in a Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. By acquisition of an 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 the later of the commencement of the offering and the Issue Date (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 interests in Notes represented by the Global Note will not be entitled to receive physical delivery of individual definitive Notes (the “**Definitive Notes**”) in respect of their individual holdings of 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 represented by a Global Note shall be made against presentation for endorsement and if no further payment falls to be made in respect of the Notes, surrender of the Global Note to or to the order of the Fiscal Agent.
- *Notices*

So long as the applicable Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to Holders of Notes represented by such Global Note (“**Noteholders**”) may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System; provided, however, that, so long as the Notes are admitted to trading on the Irish Stock Exchange and its rules so require, notices will also be filed with the Company Announcements Office of the Irish Stock Exchange.
- *Meetings*

The Holder of each Global Note shall be treated at any Meeting of Noteholders as having one vote in respect of each U.S.\$100,000 principal amount of Notes for which the applicable Global Note may be exchanged.
- *Purchase and Cancellation*

Cancellation of any Note required by the Conditions to be cancelled following its purchase shall be effected by reduction in the principal amount of the applicable Global Note.

Exchange for Definitive Notes

Exchange

Each Global Note shall be exchangeable in whole (but not in part) free of charge to the Holder for duly authenticated and completed Definitive Note certificates (“**Definitive Note Certificates**”) if (i) Euroclear and/or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (ii) an Event of Default (as defined and set out in Condition 11 (*Events of Default*)) on the Notes occurs.

The Issuer shall notify the Holder of the occurrence of any of the events specified in (i) and (ii) as soon as practicable after an exchange.

Delivery

Whenever a Global Note is to be exchanged for Definitive Note Certificates, such Definitive Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of such Global Note within five business days of the delivery, by or on behalf of the Holder, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Definitive Note Certificates (including,

without limitation, the names and addresses of the persons in whose names the Definitive Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the applicable Global Note at the Specified Office (as defined in the Fiscal Agency Agreement) of the Registrar. Such exchange shall be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, 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 exchange. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

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 the Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository 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 depository 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 Fiscal Agent 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.

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 the Notes. Prospective purchasers of any Notes are advised to consult their own tax advisors as to the consequences of the purchase, ownership and disposition of any 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 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 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**”); The period of stay in Russia is not interrupted for an individual's short-term departures (less than 6 months) from Russia for medical treatment or education; 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. Based on the published comment of the Russian authorities, it is anticipated that the Russian tax residency rules applicable to legal entities may change in the future. See “*RISK FACTORS – RISKS RELATING TO SPECIFIC RUSSIAN LEGISLATION AND GOVERNMENT REGULATIONS - Russian tax law and practice are not fully developed and are subject to frequent changes, which could have an adverse effect on us*”.

The Russian tax treatment of interest payments made by Gazprombank to the Issuer 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 (subject to applicable Russian securities legislation) 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). While Russian tax law gives no clear indication as to how the sale of the Notes should be treated in this regard, a common practical approach is to consider the place of sale. For example, the sale, exchange or other disposition of the Notes outside of Russia by Non-Resident Holders Individuals should not be considered Russian source income and, therefore, should not be taxable in Russia. As of 2010, the Tax Code provides for corporate profit tax purposes that, if place of securities' sale outside of organized securities market cannot be determined, sale is deemed to be effected either at the location of the seller or at the location of the purchaser, as elected by taxpayer. However, as there is still no definition of what should be considered to be a "sale in Russia" for personal income tax purposes, the Russian tax authorities have a certain amount of freedom to conclude whether transactions take place inside or outside of Russia. Furthermore, proceeds attributable to accrued interest, if deemed to be Russian source income, may be subject to withholding tax at a rate of 30 per cent., even if the disposal results in a capital loss, subject to reduction or elimination under provisions of the applicable tax treaties. In certain circumstances if the disposal proceeds are paid (subject to applicable Russian securities legislation) by a licensed Russian broker, trustee, or another person that meets the definition of a tax agent under Russian tax laws (including a foreign company with a registered presence in Russia and an individual entrepreneur located in Russia), 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 would be liable to file a tax return, report income received and pay tax on the basis of the tax return.

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 the original or a notarised copy of a duly legalised (apostilled) and translated certificate of tax residence issued by the competent tax authority of the relevant treaty country. The tax residency confirmation needs to be renewed on an annual basis, and provided to the payer of income before the first payment of income in each calendar year. 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.

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 (Form 1012DT for dividends and interest and 1011DT for other income). 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 legal entity are subject to Russian withholding tax at a rate of (i) 30 per cent. where the recipient of interest is a non-resident individual or (ii) 20 per cent. where the recipient of interest is a non-resident legal entity or organisation, 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 in accordance with its terms, 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 case, 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, or that is signed and which will come into force once all ratification procedures have been completed, 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. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions, the health levy and the income levy in respect of interest they receive on the Notes. Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax and levies. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the health levy and the income levy in respect of interest they receive on the Notes. 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. Interest falling within the above exemptions is also exempt from the health levy and the income levy.

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, and in the case of Noteholders who are individuals, the charge to the health levy and the income levy. 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 25 per cent. if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor 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 Notes outside the United States pursuant to Regulation S and each subsequent purchaser of Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Notes are purchased will be, the beneficial owner of such 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 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 the Notes will be evidenced by a Global Note.
- (4) It acknowledges that the Issuer, Gazprombank and the Agents 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 and Gazprombank. 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 of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

GENERAL INFORMATION

- (1) Gazprombank has obtained all necessary consents, approvals and authorisations in Russia and Ireland in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by the Board of Directors of the Issuer on 27 April 2009. The issue of this Prospectus was authorised by the Board of Directors of the Issuer on 18 December 2009.
- (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 at their nominal amount. It is expected that approval of this Prospectus will be granted on or before 7 January 2010. Transactions will normally be effected for delivery on the third working day after the day of the transaction. 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.
- (4) There has been no significant change in the financial or trading position or prospects of Gazprombank or the Group since 31 December 2008 and no material adverse change in the financial or trading position or prospects of Gazprombank or the Group since 31 December 2008. There has been no significant change and/or material adverse change in the financial or trading position or prospects of the Issuer since 31 December 2008. 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 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 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) Copies (and English translations where the documents in question are not in English) of the Group Financials and Group Interim Financials of Gazprombank and the latest audited consolidated financial statements of the Issuer may be obtained free of charge in physical form at the specified offices of the Fiscal Agent and the Paying and Transfer Agent in London and the registered offices of the Issuer during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).
- (8) For as long as any of the Notes remain outstanding, copies of the following documents will be available for inspection in physical form at the specified offices of the Fiscal Agent and the Paying and Transfer 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 Fiscal Agency Agreement, including the Terms and Conditions of the Notes;
 - the Deed of Guarantee;
 - the Deed of Covenant;
 - a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;
 - the Group Financials, the Interim Group Financials and the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2007 and 2008; and
 - copies of any transfer notice papers or voting papers relating to the Notes.
- (9) The auditors of the Issuer are Deloitte & Touche, Chartered Accountants, Ireland, a member of the Institute of Chartered Accountants of Ireland, who have audited the Issuer's accounts, without qualification for the financial years ended 31 December 2008 and 2007, respectively. The incumbent auditor of the Gazprombank is ZAO KPMG, a member of the institution of professional accountants and auditors of Russia, who have audited the 2008 Group Financials without qualification. At Gazprombank's General Shareholder's Meeting held on 24 June 2008, following a statutory tender process, ZAO KPMG was appointed and replaced ZAO "Deloitte & Touche CIS" as independent auditor of the Group with respect to the financial year ended 31 December 2008. ZAO "Deloitte & Touche CIS" have audited the

2007 Group Financials without qualification. Gazprombank does not prepare financial statements in accordance with U.S. GAAP. Neither Deloitte & Touche, Chartered Accountants, Ireland nor ZAO KPMG have any material interest in the Issuer or Gazprombank, as the case may be.

- (10) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code of the Notes is 042651770 and the International Securities Identification Number (ISIN) of the Notes is XS0426517701.
- (11) As of the date of this Prospectus, Gazprombank is in compliance with applicable Russian law corporate governance requirements in all material respects.
- (12) Neither Gazprombank nor the Issuer intends to provide any post-issuance transaction information regarding the Notes and the Loan.
- (13) As at 8 May 2009 the Issuer, as lender, entered into a loan (the “**Loan**”) under a loan agreement with Gazprombank, as borrower, dated 8 May 2009 (the “**Loan Agreement**”). The proceeds of the Loan, in the amount of U.S.\$90 million, less any commissions and expenses paid by Gazprombank in common with the issue of the Notes, have been and will be used by Gazprombank for general corporate purposes.

Gazprombank shall repay the loan no later than one business day prior to the repayment date, being 8 May 2016. Express provisions apply with respect to any prepayment of the Loan, and any amount prepaid may not be reborrowed.

All and any payments under the Loan Agreement are made by Gazprombank in the basis that they will, *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes. No proprietary or other direct interest in the Issuer’s right under or in respect of the Loan Agreement, the Loan or the Account (as defined in the Loan Agreement) exists for the benefit of Noteholders. The Noteholders will not have any entitlement to enforce the Loan Agreement or have any direct recourse to Gazprombank under the Loan Agreement.

The Loan Agreement is governed by, and constituted in accordance with, the laws of England.

- (14) The Prospectus has been approved by the Financial Regulator, as competent authority under the Prospectus Directive. The Financial Regulator only approves this Prospectus as meeting the requirement imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of Irish Stock Exchange 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. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. 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 Market for the purposes of the Prospectus Directive.

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GAZPROMBANK GROUP

**Condensed Interim Consolidated
Financial Information (Unaudited)**
Six months ended 30 June 2009

SHAREHOLDING OF THE BANK

	30 June 2009
ZAO "Leader"* (on behalf of "Gazfond")	42.89%
OAo "Gazprom"	41.73%
Non-State Pension Fund "Gazfond"	7.11%
Treasury stock	7.64%
Individuals	0.63%
	100.00%

COUNCIL OF THE BANK

Miller A.B.	Chairman of the Council	Chairman of OAo "Gazprom" Board
Akimov A.I.	Deputy Chairman of the Council	Chairman of the Management Board
Sereda M.L.	Deputy Chairman of the Council	Deputy Chairman of OAo "Gazprom" Board
Shamalov U.N.	Deputy Chairman of the Council	President of Non-State Pension Fund "Gazfond"
Vasilieva E.A.	Member of the Council	Deputy Chairman of OAo "Gazprom" Board, Chief Accountant of OAo "Gazprom"
Gavrilenko A.A.	Member of the Council	Chief Executive Officer of ZAO "Leader"
Eliseev I.V.	Member of the Council	Deputy Chairman of the Management Board
Krasnenkov A.V.	Member of the Council	Chief Executive Officer of OOO "Baltyisky Szhizheny Gas"
Kruglov A.V.	Member of the Council	Deputy Chairman of OAo "Gazprom" Board
Pavlova O.P.	Member of the Council	Member of OAo "Gazprom" Board
Senkevich N.U.	Member of the Council	Chief Executive Officer of OAo "Gazprom-media"
Yanov V.E.	Member of the Council	Chairman of the Council of OAo "Sogaz"

MANAGEMENT BOARD

Akimov A.I.	Chairman of the Board
Eliseev I.V.	Deputy Chairman of the Board
Ivanov S.S.	First Vice-President
Kancerov F.M.	Deputy Chairman of the Board
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
Sadygov F.K.	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 KPMG

* - ZAO "Leader" is an asset management company of Non-State Pension Fund "Gazfond".

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Independent Auditors' Report

To the Shareholders and the Council of "Gazprombank" (Open Joint-Stock Company)

Report on Review of the Interim Consolidated Financial Information

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of "Gazprombank" (Open Joint-Stock Company) (the "Bank") and its subsidiaries ("the Group") as at 30 June 2009, and the related interim consolidated income statement, and statements of comprehensive income, changes in shareholders' equity and cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim consolidated financial information"). Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial information of the Group as at 30 June 2009 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG

16 October 2009

Condensed interim consolidated income statement
for the six months ended 30 June 2009 and 2008 (unaudited)
(millions of Russian Roubles, except for earnings per share amounts which are in Russian Roubles)

	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008
Interest income		74,420	30,617
Interest expense		(56,726)	(17,192)
Net interest income	4	17,694	13,425
Provision for impairment of interest-earning assets	5	(23,196)	(1,206)
Net interest income after provision for impairment of interest-earning assets		(5,502)	12,219
Non-banking operating profit, net		12,181	27,658
Non-interest gain from financial assets and liabilities held-for-trading	6	22,256	3,580
Profit from available-for-sale investments, net		7,426	9,246
Fee and commission income		4,608	3,768
Fee and commission expense		(2,184)	(601)
Loss from foreign currency derivative contracts, net	10	(33,061)	(1,846)
Gain from foreign exchange, net		39,342	59
Other operating income		4,704	1,898
Non-interest income		55,272	43,762
Banking salaries and employment benefits		(7,015)	(7,357)
Banking administrative expenses		(5,542)	(4,870)
Impairment of assets and provisions for other risks	5	(3,852)	(1,348)
Non-interest expense		(16,409)	(13,575)
Profit from operations		33,361	42,406
(Loss)/income from associates		(1,050)	1,640
Negative goodwill		-	1,020
Profit before profit tax		32,311	45,066
Profit tax expense	7	(7,866)	(13,077)
Net profit		24,445	31,989
Attributable to:			
Owners of the parent		22,443	27,388
Non-controlling interests		2,002	4,601
		24,445	31,989
Basic earnings per share (Russian Rubles)		1,218	1,493
Diluted earnings per share (Russian Rubles)		1,206	1,433

Andrey I. Akimov
Chairman of the Board

Alexander I. Sobol
Deputy Chairman of the Board

Condensed interim consolidated statement of financial position
as of 30 June 2009 (unaudited) and 31 December 2008
(millions of Russian Roubles)

	Notes	30 June 2009 (unaudited)	31 December 2008
Assets			
Cash and due from the Central Bank of the Russian Federation		31,331	84,911
Due from credit institutions, net	8	434,727	594,217
Financial assets held-for-trading	9	165,315	173,496
Loans to customers, net	11	825,568	630,083
Investments available-for-sale, net and investments in associates, net		43,551	45,155
Receivables and prepayments, net		70,740	58,238
Inventories, net		48,071	52,492
Profit tax assets	7	44,218	36,002
Property, plant and equipment, net		147,720	133,954
Goodwill		22,559	22,344
Intangibles, net		15,405	16,047
Other assets, net		6,138	5,228
Total assets		1,855,343	1,852,167
Liabilities			
Amounts owed to the Central Bank of the Russian Federation	12	410,108	519,430
Amounts owed to credit institutions	12	85,842	118,814
Amounts owed to customers	13	810,810	642,566
Subordinated deposits	14	40,271	24,678
Financial liabilities held-for-trading	9	121,886	153,268
Eurobonds issued	15	93,001	92,496
Certificated debts	15	63,368	88,740
Profit tax liabilities	7	10,626	14,542
Other liabilities		62,930	69,753
Total liabilities		1,698,842	1,724,287
Equity			
Share capital		31,836	31,836
Additional paid-in-capital		31,581	29,731
Treasury stock		(2,158)	(2,373)
Foreign currency translation reserve		(727)	(711)
Fair value reserve		2,833	(603)
Retained earnings		51,466	30,256
Total equity attributable to the owners of the parent		114,831	88,136
Non-controlling interests		41,670	39,744
Total equity		156,501	127,880
Total liabilities and equity		1,855,343	1,852,167

The accompanying notes are an integral part of this condensed interim consolidated financial information.

**Condensed interim consolidated statement of comprehensive income
for the six months ended 30 June 2009 and 2008 (unaudited)
(millions of Russian Roubles)**

	Gain/(loss) before tax	Tax (expense)/ recovery	Net of tax amount
Profit for the six months ended 30 June 2008	45,066	(13,077)	31,989
Other comprehensive income for the six months ended 30 June 2008:			
Available-for-sale investments:			
(Loss)/gain on adjustments to fair value	(10,639)	2,128	(8,511)
Reclassification adjustments for gains/(loss) included in profit and loss	(446)	89	(357)
Exchange differences on translating to presentation currency	(405)	81	(324)
Other comprehensive income for the six months ended 30 June 2008	(11,490)	2,298	(9,192)
Total comprehensive income for the six months ended 30 June 2008	33,576	(10,779)	22,797
Total comprehensive income for the six months ended 30 June 2008 attributable to:			
Owners of the parent			18,154
Non-controlling interests			4,643
			22,797
 Profit for the six months ended 30 June 2009	 32,311	 (7,866)	 24,445
Other comprehensive income for the six months ended 30 June 2009:			
Available-for-sale investments:			
Gain/(loss) on adjustments to fair value	4,532	(906)	3,626
Reclassification adjustments for (gains)/losses included in profit and loss	(237)	47	(190)
Exchange differences on translating to presentation currency	(20)	4	(16)
Other comprehensive income for the six months ended 30 June 2009	4,275	(855)	3,420
Total comprehensive income for the six months ended 30 June 2009	36,586	(8,721)	27,865
Total comprehensive income for the six months ended 30 June 2009 attributable to:			
Owners of the parent			25,863
Non-controlling interests			2,002
			27,865

The accompanying notes are an integral part of this condensed interim consolidated financial information.

**Condensed interim consolidated statement of changes in equity
for the six months ended 30 June 2009 and 2008 (unaudited)
(millions of Russian Roubles)**

	Share capital	Additional paid-in capital	Treasury stock	Foreign currency translation reserve	Fair value reserve	Retained earnings	Equity attributable to the owners of the parent	Non- controlling interests	Total equity
31 December 2007	31,836	28,737	(2,395)	(388)	11,773	105,339	174,902	26,784	201,686
Total comprehensive income for the period	-	-	-	279	(8,868)	26,743	18,154	4,643	22,797
Dilution of non-controlling interests	-	-	-	-	-	812	812	(812)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	1,142	1,142
Dividends declared	-	-	-	-	-	(2,160)	(2,160)	(1,546)	(3,706)
Employee share-option plan equity component	-	636	-	-	-	-	636	-	636
Disposal of treasury shares	-	39	22	-	-	-	61	-	61
30 June 2008	31,836	29,412	(2,373)	(109)	2,905	130,734	192,405	30,211	222,616
31 December 2008	31,836	29,731	(2,373)	(711)	(603)	30,256	88,136	39,744	127,880
Total comprehensive income for the period	-	-	-	(16)	3,436	22,443	25,863	2,002	27,865
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	(4)	(4)	17	13
Dividends declared	-	-	-	-	-	(1,229)	(1,229)	(93)	(1,322)
Employee share-option plan equity component	-	1,405	-	-	-	-	1,405	-	1,405
Disposal of treasury shares	-	445	215	-	-	-	660	-	660
30 June 2009	31,836	31,581	(2,158)	(727)	2,833	51,466	114,831	41,670	156,501

The accompanying notes are an integral part of this condensed interim consolidated financial information.

**Condensed interim consolidated cash flows statements
for the six months ended 30 June 2009 and 2008 (unaudited)
(millions of Russian Rubles)**

	Note 6 months ended 30 June 2009	6 months ended 30 June 2008
Net cash (used in)/from operating activities	(304,850)	59,258
Net cash used in investing activities	(17,230)	(55,968)
Net cash (used in)/from financing activities	(11,428)	24,458
Effect of exchange rate changes on cash and cash equivalents	21,667	(1,165)
Net (decrease)/increase in cash and cash equivalents	(311,841)	26,583
Cash and cash equivalents at the beginning of the period	598,900	182,337
Cash and cash equivalents at the end of the period	287,059	208,920

The accompanying notes are an integral part of this condensed interim consolidated financial information.

**Notes to condensed interim consolidated financial information
for the six months ended 30 June 2009 (unaudited)
(millions of Russian Roubles, unless otherwise stated)**

NOTE 1 – PRINCIPAL ACTIVITIES AND ORGANIZATION**a) Activities and organization**

The Gazprombank Group (the “Group”) primarily consists of:

- the parent company – Gazprombank (Open Joint-stock Company),
- the group of companies owned by OAO “SIBUR Holding” (SIBUR Holding Group),
- the group of companies owned by OOO “Gazprom-Media Holding” (Gazprom Media Group),
- the group of industrial companies (heavy machinery production), including OAO “OMZ” (Uralmash-Izhora Group),
- other smaller companies and banks, including Severgazbank, Sibirgazbank, GPB-Mortgage, Credit Ural Bank, Noyabrskneftecombank and Areximbank.

The parent company of the Group – Gazprombank (Open Joint-stock Company) (the “Bank”) was established in 1990. The Bank has 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 Service for Financial Markets. The Bank is a member of the state deposit insurance system in the Russian Federation.

The Bank is the third largest 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, among others, OAO “Gazprom” and its related parties. The Bank’s principal activities comprise commercial lending, project finance, trade finance, deposit taking, foreign exchange and securities trading, precious metals operations, settlement services, debit/credit card services, depositary and custodian services, fund management services and brokerage and trading services. The Bank also provides a range of retail services, principally to the employees of its corporate clients. The Bank’s legal address is: Bld.1, 16, Nametkina Str., Moscow, 117420, Russian Federation.

SIBUR Holding Group (“SHG”) is a vertically integrated Russian petrochemical group of companies involved in refining, processing and distribution of petrochemical products and production and distribution of tires primarily undertaken in the Russian Federation. As of 30 June 2009 the Group owns 70% minus one share of OAO “SIBUR Holding”, the holding company of SHG.

Gazprom Media Group (“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. As of 30 June 2009 the Group owns 100% interest in OOO “Gazprom-Media Holding”, the holding company of GMG.

The group of industrial companies (“UIG”) comprise OMZ (Uralmash-Izhora) Group, Cryogenmash Group, Glazovskiy zavod “Khim mash”, Uralkhim mash Group, Uralenergmontazh Group and certain other industrial assets, which the Group acquired in 2008. OAO “OMZ” is the holding company of the OMZ (Uralmash-Izhora) Group, which produces nuclear power plant equipment, speciality steels, machinery equipment, manufacturing and mining equipment. The OMZ Group manufacturing facilities are based in the Russian Federation and the Czech Republic. The Group through ZAO “Forpost Management”, its wholly owned subsidiary holding company acquired in December 2008, holds 44.41% of OAO “OMZ” ordinary stock. The Group has the power to control more than half of outstanding ordinary stock of OAO “OMZ” by possessing potential voting rights in addition to the stake owned by ZAO “Forpost Management”.

This condensed consolidated financial information for the six months ended 30 June 2009 was authorized for issue by the Management Board on 16 October 2009.

b) Acquisitions of subsidiaries and associates

In June 2009 the Group acquired a 100% stake in Russian Commercial Bank (Zurich) (RCB) from a third party. The fair value of consideration given for the stake in RCB was RUR 2,787 million, and the fair value of identifiable net asset was RUR 2,518 million. Goodwill recognised provisionally as of the date of acquisition was RUR 269 million. The principal activities of RCB are commercial lending and trade finance.

c) Economic dependence

As of 30 June 2009, OAO "Gazprom" owned 41.73% of the outstanding shares of the Group. 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.

NOTE 2 – BASIS OF PRESENTATION***a) General***

This condensed interim consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of operations for the interim period do not necessarily reflect a trend for the total year-end results. The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

Accounting policies, estimates, assumptions and methods of computations used in preparation of this condensed interim consolidated financial information are consistent with those used in preparation of the 2008 annual consolidated financial statements of the Group, except for the following.

Starting from 1 January 2009 the Group adopted IAS 1 "*Presentation of Financial Statements (Revised)*", which introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.

Starting from 1 January 2009 the Group adopted IFRS 8 "*Operating Segments (Revised)*", which introduces the "management approach" to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

Certain other improvements to IFRS became effective from 1 January 2009 and have been adopted by the Group since that date. These changes do not have a significant effect on the condensed interim consolidated financial information.

The condensed interim consolidated financial information provides an update of previously reported financial information and should be read in conjunction with the 2008 annual consolidated financial statements, which were authorized for issue on 30 June 2009.

The Bank, SHG, GMG, UIG and other subsidiaries domiciled in the Russian Federation maintain their accounting records and prepare financial statements for regulatory purposes in accordance with the Russian accounting and banking legislation and instructions (RAL). Foreign subsidiaries prepare their financial statements either in accordance with International Financial Reporting Standards (IFRS) or in accordance with the legislation of countries of their incorporation. The majority of foreign subsidiaries are considered to be foreign operations that are integral to the operations of the Bank. At each reporting date all 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 condensed interim consolidated financial information has been prepared based on those financial statements.

Management is responsible for the preparation of the condensed interim consolidated financial information in accordance with IFRS.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this condensed interim consolidated financial information the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2008.

b) Russian economic environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding access to capital and cost of capital for the Group and its counterparties, which could affect the financial position, results of operations and business prospects.

Also, the borrowers from the Group may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Group. To the extent that information is available, Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the results and financial position in a manner not currently determinable.

c) Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble ("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 them.

The condensed interim consolidated financial information is presented in millions of RUR, unless otherwise stated.

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GAZPROMBANK GROUP

Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

NOTE 3 – SEGMENT REPORTING

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. Based on the analysis of the requirements listed above Management determined that the Group has the following reportable operating segments according to IFRS 8 "Operating segments": banking, petrochemicals and tires (SHG), media (GMG) and heavy machinery. Other operations include the construction of real estate and project engineering in the power sector.

The segment profit and loss information for operating segments for the six months ended 30 June 2009 and 2008 is as follows:

Unaudited	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Elimina- tions	Consolidated
Profit and loss information							
Six months ended 30 June 2009							
Net interest income – external	19,613	234	70	(1,171)	(1,052)	-	17,694
Inter-segment net interest income	3,974	(2,653)	(1)	(491)	(829)	-	-
Provision for impairment of interest-earning assets	(23,042)	20	-	-	(174)	-	(23,196)
Non-interest income – external	44,117	9,307	1,679	128	41	-	55,272
Inter-segment non-interest income	-	-	6	27	25	(58)	-
Non-interest expense – external	(15,731)	288	(80)	(886)	-	-	(16,409)
Inter-segment non-interest expense	(47)	-	-	(11)	-	58	-
Profit/(loss) from operations	28,884	7,196	1,674	(2,404)	(1,989)	-	33,361
Income from associates	-	(116)	-	(508)	(426)	-	(1,050)
Profit/(loss) from operations before income tax	28,884	7,080	1,674	(2,912)	(2,415)	-	32,311
Profit tax expense	(6,943)	(1,108)	(468)	375	278	-	(7,866)
Net profit/(loss)	21,941	5,972	1,206	(2,537)	(2,137)	-	24,445
Attributable to:							
Owners of the parent	21,927	3,729	1,223	(2,301)	(2,135)	-	22,443
Non-controlling interests	14	2,243	(17)	(236)	(2)	-	2,002
Net profit/(loss)	21,941	5,972	1,206	(2,537)	(2,137)	-	24,445
Capital expenditure	721	13,111	6,707	1,185	-	-	21,724
Depreciation and amortization expense	563	3,027	5,874	490	16	-	9,970

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GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

Unaudited	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Elimina- tions	Consolidated
Profit and Loss information							
Six months ended 30 June 2008							
Net interest income – external	13,000	72	23	(20)	350	-	13,425
Inter-segment net interest income	1,295	(14)	30	(4)	(1,306)	(1)	-
Provision for impairment of interest-earning assets	(1,196)	186	(232)	-	36	-	(1,206)
Non-interest income – external	13,368	23,486	5,742	(226)	1,392	-	43,762
Inter-segment non-interest income	(1)	(1)	(12)	-	17	(3)	-
Non-interest expense – external	(11,869)	(509)	(23)	(67)	(1,107)	-	(13,575)
Inter-segment non-interest expense	(4)	-	-	-	-	4	-
Profit/(loss) from operations	14,593	23,220	5,528	(317)	(618)	-	42,406
Income from associates	175	624	-	-	841	-	1,640
Negative goodwill	1,020	-	-	-	-	-	1,020
Profit/(loss) from operations before income tax	15,788	23,844	5,528	(317)	223	-	45,066
Profit tax expense	(4,086)	(7,286)	(1,511)	28	(222)	-	(13,077)
Net profit/(loss)	11,702	16,558	4,017	(289)	1	-	31,989
Attributable to:							
Owners of the parent	11,733	11,961	3,954	(249)	(11)	-	27,388
Non-controlling interests	(31)	4,597	63	(40)	12	-	4,601
Net profit/(loss)	11,702	16,558	4,017	(289)	1	-	31,989
Capital expenditure	749	8,060	6,786	79	-	-	15,674
Depreciation and amortization expense	404	1,887	5,147	185	12	-	7,635

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GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

The segment statement of financial position information for operating segments as of 30 June 2009 (unaudited) and 31 December 2008 is as follows:

Unaudited	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Consolidated
Statement of financial position information						
30 June 2009						
Cash and due from the CBR and credit institutions, net	455,735	8,932	838	532	21	466,058
Financial assets held-for-trading	165,301	-	-	14	-	165,315
Loans to customers, gross	856,579	4,909	899	4,043	9,146	875,576
Provision for impairment losses – loans to customers	(48,915)	(13)	(848)	(44)	(188)	(50,008)
Investments available-for-sale, net and investments in associates, net	36,854	1,816	32	2,076	2,773	43,551
Trade receivables, gross	10,420	32,082	7,661	21,743	2,965	74,871
Provision for impairment losses – trade receivables	-	(1,908)	(365)	(1,858)	-	(4,131)
Inventories, gross	502	15,733	184	9,156	24,036	49,611
Provision for impairment losses – inventories	-	(717)	-	(823)	-	(1,540)
Property, plant and equipment, gross	13,961	152,561	6,840	33,975	582	207,919
Accumulated depreciation	(4,532)	(49,573)	(3,816)	(2,150)	(128)	(60,199)
Goodwill	6,374	-	16,185	-	-	22,559
All other assets, net	42,701	4,308	12,802	3,878	2,072	65,761
Total segment assets	1,534,980	168,130	40,412	70,542	41,279	1,855,343
Amounts owed to the CBR and other credit institutions	(479,477)	(7,734)	-	(5,042)	(3,697)	(495,950)
Amounts owed to customers	(799,832)	(7,731)	(164)	(2,127)	(956)	(810,810)
Subordinated deposits	(40,271)	-	-	-	-	(40,271)
Financial liabilities held-for-trading	(120,791)	(1,095)	-	-	-	(121,886)
Eurobonds issued	(93,001)	-	-	-	-	(93,001)
Certificated debts	(58,820)	(1,152)	-	(3,396)	-	(63,368)
All other liabilities	(13,084)	(25,930)	(6,037)	(23,763)	(4,742)	(73,556)
Total segment liabilities	(1,605,276)	(43,642)	(6,201)	(34,328)	(9,395)	(1,698,842)

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GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Consolidated
Statement of financial position information						
31 December 2008						
Cash and due from the CBR and credit institutions, net	674,746	2,839	565	934	44	679,128
Financial assets held-for-trading	173,496	-	-	-	-	173,496
Loans to customers, gross	636,523	5,014	898	2,847	8,584	653,866
Provision for impairment losses – loans to customers	(22,847)	(34)	(853)	(35)	(14)	(23,783)
Investments available-for-sale, net and investments in associates, net	33,315	4,758	33	2,838	4,211	45,155
Trade receivables, gross	5,147	27,613	8,543	17,154	2,989	61,446
Provision for impairment losses – trade receivables	-	(1,639)	(285)	(1,284)	-	(3,208)
Inventories, gross	501	21,426	150	9,498	23,154	54,729
Provision for impairment losses – inventories	-	(1,208)	-	(692)	(337)	(2,237)
Property, plant and equipment, gross	13,161	137,348	6,659	31,259	563	188,990
Accumulated depreciation	(4,053)	(46,545)	(3,573)	(765)	(100)	(55,036)
Goodwill	6,155	-	16,189	-	-	22,344
All other assets, net	32,214	5,954	12,515	4,548	2,046	57,277
Total segment assets	1,548,358	155,526	40,841	66,302	41,140	1,852,167
Amounts owed to the CBR and other credit institutions	(614,674)	(13,839)	(1)	(7,307)	(2,423)	(638,244)
Amounts owed to customers	(626,934)	(13,325)	(1,054)	(30)	(1,223)	(642,566)
Subordinated deposits	(24,678)	-	-	-	-	(24,678)
Financial liabilities held-for-trading	(148,334)	(4,934)	-	-	-	(153,268)
Eurobonds issued	(92,496)	-	-	-	-	(92,496)
Certificated debts	(82,830)	(1,193)	-	(4,717)	-	(88,740)
All other liabilities	(22,039)	(26,346)	(6,472)	(24,135)	(5,303)	(84,295)
Total segment liabilities	(1,611,985)	(59,637)	(7,527)	(36,189)	(8,949)	(1,724,287)

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GAZPROMBANK GROUP*Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)***NOTE 4 – NET INTEREST INCOME**

Net interest income for the six months ended 30 June 2009 and 2008 comprises:

Unaudited	Six months ended 30 June 2009	Six months ended 30 June 2008
Interest income		
<i>Interest income on financial assets at amortized cost:</i>		
Loans to customers:		
– Loans to legal entities	50,433	18,381
– Loans to individuals	6,467	4,949
Due from credit institutions	4,907	3,424
Debt securities	12,147	3,539
Financial leasing	466	324
	74,420	30,617
Interest expense		
<i>Interest expense on financial liabilities at amortized cost:</i>		
Amounts owed to customers:		
– Amounts owed to legal entities	13,755	5,468
– Amounts owed to individuals	4,234	3,488
Amounts owed to credit institutions	32,188	2,992
Certificated debts	4,054	2,255
Eurobonds issued	2,495	2,989
	56,726	17,192
Net interest income	17,694	13,425

Included in interest expense due to credit institutions for the six months ended 30 June 2009 is an amount of RUR 19,658 million related to time deposits that were placed with the Bank by the Central Bank of the Russian Federation (six months ended 30 June 2008 – nil).

NOTE 5 – IMPAIRMENT OF ASSETS AND PROVISIONS

The movements in provision for impairment losses on interest-earning assets during the six months ended 30 June 2009 and 2008 were:

Unaudited	Due from credit institutions	Loans to customers	Total provision
31 December 2007	287	13,528	13,815
Provisions charged to profit	180	1,026	1,206
Amounts written off	1	(33)	(32)
30 June 2008	468	14,521	14,989
31 December 2008	4,325	23,783	28,108
(Recoveries of provisions)/provisions charged to profit	(3,053)	26,249	23,196
Amounts written off	-	(24)	(24)
30 June 2009	1,272	50,008	51,280

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GAZPROMBANK GROUP**Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)**

During the six months ended 30 June 2009 the Group charged RUR 615 million of provisions for other assets and additionally charged RUR 813 million as provisions for other risks and credit commitments (30 June 2008 - 437).

Also, as of 30 June 2009 the Group impaired goodwill recognized previously on acquisitions of subsidiaries by RUR 50 million, which was recognized as impairment of assets and provisions for other risks in the condensed interim consolidated income statement for the six month ended 30 June 2009 (30 June 2008 - nil).

As of 30 June 2009 the Group estimated the recoverable amounts of its available-for-sale investments. The movement of impairment, which is recognized in the profit and loss account for the six months ended 30 June 2009, is as follows.

Unaudited	Available-for-sale investments accounted for at fair value	Available-for-sale investments accounted for at cost	Total impairment
31 December 2007	-	2,370	2,370
Effect of consolidation	-	29	29
Impairment of assets charged to profit	-	911	911
30 June 2008	-	3,310	3,310
31 December 2008	8,530	5,016	13,546
Impairment of assets charged to profit	2,330	44	2,374
Disposal of securities available-for-sale	(2,389)	-	(2,389)
30 June 2009	8,471	5,060	13,531

Previously recognised impairment of available-for-sale investments accounted for at fair value may be recovered through profit and loss only for investments in debt securities.

Provision for losses on assets and impairment losses are netted against the related assets. Provisions for other risks are recorded in other liabilities.

NOTE 6 – NON-INTEREST GAIN FROM FINANCIAL ASSETS AND LIABILITIES HELD-FOR-TRADING

Non-interest gain from financial assets and liabilities held-for-trading for the six months ended 30 June 2009 and 2008 comprise:

Unaudited	Six months ended 30 June 2009	Six months ended 30 June 2008
Corporate shares	6,650	894
Corporate bonds	4,032	61
Russian and Moscow government bonds	10,048	(74)
Promissory notes	71	-
Derivative contracts with:		
- Securities	510	2,425
- Interest swaps	886	-
- Bullion	78	(34)
- Commodity swaps	(19)	308
Non-interest gain from financial assets and liabilities held-for-trading	22,256	3,580

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GAZPROMBANK GROUP*Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)***NOTE 7 – PROFIT TAX**

The provision for profit tax for the six months ended 30 June 2009 and 2008 comprises:

Unaudited	Six months ended 30 June 2009	Six months ended 30 June 2008
Current profit tax charge	14,003	12,762
Deferred profit tax (benefit)/charge	(6,137)	315
Profit tax expense	7,866	13,077

As of 30 June 2009 and 31 December 2008 the Group's profit tax assets comprise:

	30 June 2009 (unaudited)	31 December 2008
Current profit tax assets	9,196	7,250
Deferred profit tax assets	35,022	28,752
Profit tax assets	44,218	36,002

As of 30 June 2009 and 31 December 2008 the Group's profit tax liability comprises:

	30 June 2009 (unaudited)	31 December 2008
Current profit tax liabilities	1,009	5,341
Deferred profit tax liabilities	9,617	9,201
Profit tax liabilities	10,626	14,542

NOTE 8 – DUE FROM CREDIT INSTITUTIONS, NET

Due from credit institutions comprise:

	30 June 2009 (unaudited)	31 December 2008
Time deposits	314,836	344,318
Current accounts	82,156	213,674
Reverse repurchase agreements	39,007	40,550
	435,999	598,542
Less provision for impairment losses	(1,272)	(4,325)
Due from credit institutions, net	434,727	594,217

The largest concentrations of amounts due from credit institutions as of 30 June 2009 and 31 December 2008 relate to the following financial institutions:

	30 June 2009 (unaudited)		31 December 2008
Commerzbank	83,649	KIT Finance	82,203
KIT Finance	81,945	J.P. Morgan Chase	80,726
Barclays Bank	40,908	Bank National Clearing Centre	55,155
The Royal Bank of Scotland	36,250	The Royal Bank of Scotland	47,423
BNP-PARIBAS SA	30,673	BARCLAYS BANK	42,318
	273,425		307,825

As of 30 June 2009 included in the total exposure of KIT-Finance is RUR 39,007 million that relates to reverse repurchase agreements collateralized by marketable equity securities, and RUR 37,422 million that is collateralized by mortgage loan portfolios of KIT-Finance. In May 2009 the Russian government approved a restructuring plan for KIT-Finance that provides for additional government support for KIT-Finance. Subsequently in September 2009 KIT Finance repaid the majority of amounts outstanding as of 30 June 2009.

GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)
NOTE 9 – FINANCIAL ASSETS AND LIABILITIES HELD-FOR-TRADING

Financial assets held-for-trading comprise:

	Note	30 June 2009 (unaudited)	31 December 2008
Russian and Moscow government bonds		40,688	78,120
Corporate bonds		89,699	61,717
Corporate shares		23,879	12,906
Promissory notes		3,155	3,879
Trading securities		157,421	156,622
Derivative financial assets:	10		
- foreign exchange contracts		7,803	16,388
- bullion contracts		84	37
- commodity contracts		7	449
Derivative financial assets		7,894	16,874
Financial assets held-for-trading		165,315	173,496

Financial liabilities classified as held-for-trading comprise:

	Note	30 June 2009 (unaudited)	31 December 2008
Liability under “short” sales		32	56
Derivative financial liabilities:	10		
- foreign exchange contracts		121,631	132,600
- securities contracts		207	20,144
- commodity contracts		7	427
- bullion contracts		9	41
Derivative financial liabilities		121,854	153,212
Financial liabilities held-for-trading		121,886	153,268

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NOTE 10 – DERIVATIVE ASSETS AND LIABILITIES

The exposure to market risks on derivative positions and the fair value of derivative financial assets and liabilities outstanding as of 30 June 2009 were as follows:

Unaudited	Derivative assets		Derivative liabilities	
	Market risk exposure	Fair value of derivative contracts	Market risk exposure	Fair value of derivative contracts
Foreign exchange contracts				
<i>Option contracts</i>				
- Foreign	3,438	93	424,533	(95,096)
- Domestic	-	-	1,741	(93)
<i>Forward contracts</i>				
- Foreign	2,010	59	110,231	(25,546)
- Domestic	16,835	2,427	8,826	(244)
<i>Swap contracts</i>				
- Foreign	19,088	5,224	10,000	(652)
Bullion contracts				
Forward contracts – foreign	97	4	108	(5)
Swap contracts – foreign	859	80	100	(4)
Securities contracts				
Option contracts – foreign	-	-	782	(207)
<i>Swap contracts</i>				
- Foreign	20	1	20	(6)
- Domestic	20	6	20	(1)
Total derivative assets/(liabilities)	42,367	7,894	556,361	(121,854)

The market risk exposure of certain types of financial instruments, e.g. derivative contracts, provides a basis for comparison with instruments recognized on the consolidated statement of financial position but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, does not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (positive fair value) or unfavourable (negative fair value) as a result of fluctuations in market rates relative to their terms. The aggregate market exposure of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

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GAZPROMBANK GROUP

Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

The exposure to risk on derivative positions and the fair value of derivative financial assets and liabilities outstanding as of 31 December 2008 were as follows:

	Derivative assets		Derivative liabilities	
	Market risk exposure	Fair value of derivative contracts	Market risk exposure	Fair value of derivative contracts
Foreign exchange contracts				
<i>Option contracts</i>				
- Foreign	7,124	1,538	504,310	(101,160)
- Domestic	69,089	3,203	1,484	(84)
<i>Forward contracts</i>				
- Foreign	15,644	3,009	129,528	(27,265)
- Domestic	60,349	3,344	12,373	(2,156)
<i>Swap contracts</i>				
- Foreign	19,320	5,294	11,500	(1,935)
Bullion contracts				
Forward contracts – foreign	33	-	1,081	(41)
Swap contracts – foreign	485	37	-	-
Securities contracts				
Option contracts – foreign	-	-	26,266	(20,115)
Forward contracts – foreign	-	-	567	(29)
Commodity contracts				
<i>Swap contracts</i>				
- Foreign	266	225	409	(204)
- Domestic	177	204	513	(223)
Option contracts – foreign	36	20	-	-
Total derivative assets/(liabilities)	172,523	16,874	688,031	(153,212)

Loss from foreign currency derivative contracts

The loss from foreign currency derivative contracts for the six months ended 30 June 2009 is as follows.

	Six months ended 30 June 2009 (unaudited)
Change in the fair value of derivatives	(2,685)
Realized losses for the period	(30,376)
Loss from foreign currency derivative contracts, net	(33,061)

Included in loss from foreign currency derivative contracts is a realized loss and a negative change in the fair value of Total Return Swap (TRS) agreements with a bi-currency basket (a composite index of RUR/USD and RUR/EUR rates set by the Central Bank of the Russian Federation) of RUR 25,548 million.

In the fourth quarter of 2008 the Group originated a number of financial instruments that form an open on-balance sheet currency position offsetting the off-balance sheet exposure arising from the TRS transactions. The on-balance sheet position substantially eliminates the foreign exchange risks inherent in the TRS transactions, assuming that this on-balance sheet position is held to maturity of the TRS agreements. Included in gain from foreign exchange for the six months ended 30 June 2009 is a translation gain of RUR 28,506 million from revaluation of the on-balance sheet position.

GAZPROMBANK GROUP*Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)*

The fair value of liabilities arising from the TRS transactions are measured using forward foreign exchange rates, while carrying amounts of off-setting on-balance sheet positions are measured using spot exchange rates. Due to changes in spreads between spot and forward exchange rates during the six months ended 30 June 2009 losses from re-measurement of the liabilities arising from the TRS transactions are different from gains from revaluation of the off-setting on-balance sheet positions. The net effect of these differences on profit for the six months ended 30 June 2009 is a net gain of RUR 2,958 million. This gain represents a partial reversal of RUR 33.3 billion losses recognized by the Group in 2008, resulting from the spreads between spot and forward exchange rates in 2008.

NOTE 11 – LOANS TO CUSTOMERS, NET

Loans to customers comprise:

	30 June 2009	%	31 December	%
	(unaudited)		2008	
Metal manufacture	140,641	16.1%	97,155	14.9%
Gas extraction, transportation and sale enterprises	125,406	14.3%	75,405	11.5%
Individuals	88,918	10.2%	96,590	14.8%
Oil extraction, transportation, sale enterprises and petrochemical industries	72,009	8.2%	22,843	3.5%
Trading enterprises	68,128	7.8%	19,910	3.0%
Finance and investment companies	60,327	6.9%	70,750	10.8%
Nuclear industry	54,699	6.2%	41,145	6.3%
Mining	53,231	6.1%	21,382	3.3%
Electric power industry	51,554	5.9%	40,091	6.1%
Machine building	40,785	4.7%	39,487	6.0%
Real estate construction	23,605	2.7%	37,022	5.7%
Telecommunications	19,811	2.3%	19,395	3.0%
Agriculture	17,207	2.0%	15,345	2.3%
Transport	8,945	1.0%	7,983	1.2%
Chemical industry	6,497	0.7%	6,256	1.0%
Leasing	5,467	0.6%	6,597	1.0%
Shipbuilding	3,924	0.4%	4,557	0.7%
Food industry	3,736	0.4%	5,775	0.9%
Entrepreneur	1,759	0.2%	2,191	0.3%
Timber industry	1,154	0.1%	1,202	0.2%
Insurance	170	0.0%	1,807	0.3%
Other	27,603	3.2%	20,978	3.2%
	875,576	100.0%	653,866	100.0%
Less – Reserves for loan losses	(50,008)		(23,783)	
Loans to customers, net	825,568		630,083	

As of 30 June 2009 loan exposures to the OAO “Gazprom” Group accounted for 6% (RUR 55,056 million) of the gross loan portfolio (31 December 2008 – 6% or RUR 38,187 million).

As of 30 June 2009 the ten largest loan exposures accounted for RUR 219,271 million or 25% of the gross loan portfolio (31 December 2008 – RUR 120,022 million or 18%).

As of 30 June 2009 RUR 17,122 million of loans to customers were past due for more than 90 days (non-performing loans) (31 December 2008 – RUR 9,825 million).

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NOTE 12 – AMOUNTS OWED TO THE CENTRAL BANK OF THE RUSSIAN FEDERATION AND OTHER CREDIT INSTITUTIONS

As of 30 June 2009 and 31 December 2008 the Group owed the following amounts to the Central Bank of the Russian Federation:

	30 June 2009 (unaudited)	31 December 2008
Time deposits	332,534	301,740
Repo agreements	77,574	217,690
Amounts owed to the CBR	410,108	519,430

Amounts owed to other credit institutions as of 30 June 2009 and 31 December 2008 comprise:

	30 June 2009 (unaudited)	31 December 2008
Current accounts	10,076	16,349
Time deposits	73,434	84,329
Syndicated loans	2,332	18,084
Repo agreements	-	52
Amounts owed to credit institutions	85,842	118,814

The largest concentrations of amounts owed to credit institutions as of 30 June 2009 and 31 December 2008 relate to the following financial institutions:

	30 June 2009 (unaudited)		31 December 2008
Deutsche Bank AG	6,771	VTB	11,337
Mizuho Corporate Bank	3,199	Russian Commercial Bank	10,120
Landesbank Berlin AG	3,046	NATIXIS	6,154
Bank Petrocommerz	2,412	Deutsche Bank AG	5,826
	15,428		33,437

NOTE 13 – AMOUNTS OWED TO CUSTOMERS

Amounts owed to customers comprise:

	30 June 2009 (unaudited)	31 December 2008
Current accounts:		
- State controlled companies	221,393	152,837
- Private companies	186,134	133,931
- Individuals	46,626	45,646
	454,153	332,414
Time deposits:		
- Private companies	204,928	177,304
- Individuals	103,062	86,945
- State controlled companies	48,667	45,903
	356,657	310,152
Amounts owed to customers	810,810	642,566

As of 30 June 2009 current accounts and time deposits of OAO “Gazprom” Group composed 26.3% (RUR 213,495 million) of total amounts owed to customers (31 December 2008 – 27% or RUR 175,042 million).

Included in current accounts as of 30 June 2009 is RUR 115,273 million of minimum balances that customers agreed to maintain over contractually specified periods of time (31 December 2008 – RUR 73,244 million).

GAZPROMBANK GROUP*Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)***NOTE 14 – SUBORDINATED DEPOSITS**

Subordinated deposits comprise:

	30 June 2009 (unaudited)	31 December 2008
State controlled companies	14,081	14,218
State controlled banks	14,996	-
Private companies	11,194	10,460
Subordinated deposits	40,271	24,678

For subsequent events see note 19.

NOTE 15 – CERTIFICATED DEBTS AND EUROBONDS ISSUED

Certificated debts issued domestically comprise:

	30 June 2009 (unaudited)	31 December 2008
Rouble domestic bonds issued	40,651	41,663
Promissory notes issued	21,305	45,499
Domestic residential mortgage backed securities issued	1,328	1,464
Certificates of deposit issued	84	114
Certificated debts	63,368	88,740

Eurobonds issued internationally comprise:

Issue	%	Final maturity date	30 June 2009 (unaudited)	31 December 2008
USD euro medium term notes	6.50%	September 2015	29,645	29,454
USD loan participation notes	LIBOR+0.9%	3-month April 2010	16,538	19,782
CHF loan participation notes	6.53%	August 2010	15,225	14,272
USD loan participation notes	7.93%	June 2013	13,835	12,544
Rouble medium term notes	7.25%	February 2010	9,793	9,988
Euro cross-border residential mortgage backed securities	1-month EURIBOR+1.3%	December 2046	7,602	4,887
Rouble cross-border residential mortgage backed securities	8%-11%	October 2040 - December 2046	363	1,569
Eurobonds			93,001	92,496

During the six months ended 30 June 2009 the Group re-purchased certain eurobonds. Details of issued eurobonds which were re-acquired in 2009 before their maturities are as follows.

Issue	Final maturity date	Notional value of bonds purchased in thousands of currency units	Total notional value of the issue in thousands of currency units
USD euro medium term notes	September 2015	15,159	1,000,000
USD loan participation notes	April 2010	134,995	700,000
Rouble medium term notes	February 2010	221,600	10,000,000
USD loan participation notes	June 2013	52,834	500,000
Euro cross-border residential mortgage backed securities	December 2046	7,000	288,050

Included in other operating income for the six months ended 30 June 2009 is RUR 1,854 million related to the repurchase of these eurobonds (six months ended 30 June 2008 – nil).

GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)
NOTE 16 – RELATED PARTIES

The Group had the following transactions outstanding with the defined categories of related parties:

	30 June 2009 (unaudited)		31 December 2008	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Due from credit institutions, gross				
- entities under common control or significant influence	-		11	
- unconsolidated subsidiaries and associates	2,030		3,025	
- state controlled companies	7,748		23,691	
Total due from credit institutions, gross	9,778	435,999	26,727	598,542
Provision for losses, due from credit institutions	-	(1,272)	(588)	(4,325)
Financial assets held-for-trading				
- entity with significant influence	19,323		8,535	
- entities under common control or significant influence	2,954		2,473	
- unconsolidated subsidiaries and associates	814		-	
- state controlled companies	125,038		132,765	
Total financial assets held-for-trading	148,129	165,315	143,773	173,496
Loans to customers, gross				
- entity with significant influence	26,449		7,508	
- entities under common control or significant influence	28,607		30,679	
- unconsolidated subsidiaries and associates	38,017		22,107	
- state controlled companies	40,729		54,078	
- key management	152		10	
Total loans to customers, gross	133,954	875,576	114,382	653,866
Provision for losses, loans to customers	(4,792)	(50,008)	(1,527)	(23,783)
Investments available-for-sale, net and investments in associates, net				
- entities under common control or significant influence	15,817		16,798	
- unconsolidated subsidiaries and associates	5,106		3,138	
- investments in associates accounted for under the equity method	5,076		9,960	
- state controlled companies	808		1,230	
Total investments available-for-sale, net and investments in associates, net	26,807	43,551	31,126	45,155
Trade receivables, gross				
- entity with significant influence	1,434		1,176	
- entities under common control or significant influence	8,746		6,340	
- unconsolidated subsidiaries and associates	1,890		106	
- state controlled companies	13,672		12,724	
Total trade receivables, gross	25,742	74,871	20,346	61,446
Provision for impairment losses, trade receivables	-	(4,131)	-	(3,208)

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Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

	30 June 2009 (unaudited)		31 December 2008	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Profit tax assets				
- state budget	44,218		36,002	
Total profit tax assets	44,218	44,218	36,002	36,002
Other assets				
- unconsolidated subsidiaries and associates	4,267		-	
- state controlled companies	-		410	
Total other assets, gross	4,267	6,366	410	5,403
Allowances for impairment losses, other assets	-	(228)	-	(175)
Amounts owed to the Central Bank of the Russian Federation				
- state controlled companies	410,108		519,430	
Total amounts owed to the Central Bank of the Russian Federation	410,108	410,108	519,430	519,430
Amounts owed to credit institutions				
- entities under common control or significant influence	210		365	
- unconsolidated subsidiaries and associates	24		43	
- state controlled companies	3,097		24,838	
Total amounts owed to credit institutions	3,331	85,842	25,246	118,814
Amounts owed to customers				
- parent company	15,393		19,781	
- entity with significant influence	86,421		56,983	
- entities under common control or significant influence	127,074		118,059	
- unconsolidated subsidiaries and associates	2,909		7,712	
- state controlled companies	56,565		29,678	
- key management	6,013		5,706	
Total amounts owed to customers	294,375	810,810	237,919	642,566
Subordinated deposits:				
- parent company	7,742		7,500	
- entity with significant influence	12,170		12,475	
- entities under common control or significant influence	1,910		1,720	
- state controlled companies	14,996		-	
Total subordinated deposits	36,818	40,271	21,695	24,678
Profit tax liabilities				
- state budget	10,626		14,542	
Total profit tax liabilities	10,626	10,626	14,542	14,542
Other liabilities				
- entity with significant influence	121		8	
- entities under common control or significant influence	1,147		6,127	
- unconsolidated subsidiaries and associates	2,144		43	
- state controlled companies	6,565		6,249	
- key management personnel	8,119		8,903	
Total other liabilities	18,096	62,930	21,330	69,753

GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

	Six months ended 30 June 2009 (unaudited)		Six months ended 30 June 2008 (unaudited)	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Interest income				
- entity with significant influence	298		-	
- entities under common control or significant influence	1,629		901	
- unconsolidated subsidiaries and associates	244		324	
- state controlled companies	2,092		1,395	
Total interest income	4,263	74,420	2,620	30,617
Non-interest gain/(loss) from financial assets and liabilities held-for-trading				
- parent company	165		-	
- entity with significant influence	-		-	
- entities under common control or significant influence	(75)		184	
- unconsolidated subsidiaries and associates	42		-	
- state controlled companies	-		-	
Total gain from financial assets and liabilities held-for-trading	132	22,256	184	3,580
Fee and commission income				
- parent company	20		-	
- entity with significant influence	80		74	
- entities under common control or significant influence	98		731	
- unconsolidated subsidiaries and associates	7		29	
- state controlled companies	230		14	
Total fee and commission income	435	4,608	848	3,768
Interest expense				
- parent company	580		-	
- entity with significant influence	859		1,071	
- entities under common control or significant influence	372		547	
- unconsolidated subsidiaries and associates	145		138	
- state controlled companies	21,904		1,447	
Total interest expense	23,860	56,726	3,203	17,192
Fee and commission expense				
- state controlled companies	1,209		-	
Fee and commission expense	1,209	2,184	-	601
Banking salaries and employment benefits				
- short-term employee benefits	82		878	
- termination benefits	266		162	
- post-employment benefits	5		7	
- share-based payment	(523)		909	
Total banking salaries and employment benefits	(170)	7,015	1,956	7,357

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GAZPROMBANK GROUP*Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)***NOTE 17 – CURRENCY AND MATURITY RISK ANALYSIS**

The Group has assets and liabilities denominated in several foreign currencies. 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 asset and liability management committee sets limits on the level of currency risk exposure by each foreign currency. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The Group applies a methodology based on Monte-Carlo techniques to set limits on some types of foreign exchange derivatives.

The exposure to foreign currency exchange rate risk as of 30 June 2009 and 31 December 2008 follows:

Unaudited	30 June 2009				
	Roubles	USD	Euros	Other	Total
Assets					
Cash and due from the Central Bank of the Russian Federation	27,503	1,588	2,196	44	31,331
Due from credit institutions, net	109,999	126,198	190,230	8,300	434,727
Financial assets held-for-trading less foreign exchange derivative assets	99,756	52,344	4,834	578	157,512
Loans to customers, net	388,525	293,680	136,404	6,959	825,568
Investments available-for-sale, net and investments in associates, net	30,996	9,792	2,682	81	43,551
All other assets, net	350,840	3,544	62	405	354,851
	1,007,619	487,146	336,408	16,367	1,847,540
Liabilities					
Amounts owed to the Central Bank of the Russian Federation	410,108	-	-	-	410,108
Amounts owed to credit institutions	27,756	31,772	23,750	2,564	85,842
Amounts owed to customers	500,904	172,976	125,678	11,252	810,810
Subordinated deposits	30,448	8,090	1,358	375	40,271
Financial liabilities held-for-trading less foreign exchange derivative liabilities	33	222	-	-	255
Eurobonds issued	10,156	60,019	7,602	15,224	93,001
Certificated debts	56,204	5,096	2,068	-	63,368
All other liabilities	70,850	1,312	831	563	73,556
	1,106,459	279,487	161,287	29,978	1,577,211
Net balance sheet position	(98,840)	207,659	175,121	(13,611)	270,329
Off-balance sheet assets					
- Forwards		43,682	1,315	-	
- Options		1,869	-	3,320	
- Swaps		-	4,423	15,220	
- Spot deals		61,040	40,923	156	
Off-balance sheet liabilities					
- Forwards		92,128	-	-	
- Options		220,639	207,540	1,524	
- Spot deals		53,491	38,048	255	
Net off-balance sheet position		(259,667)	(198,927)	16,917	
Net foreign currency position		(52,008)	(23,806)	3,306	

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Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

Unaudited	31 December 2008				
	Roubles	USD	Euros	Other	Total
Assets					
Cash and due from the Central Bank of the Russian Federation	52,717	30,695	1,252	247	84,911
Due from credit institutions, net	113,265	365,668	113,672	1,612	594,217
Financial assets held for trading less foreign exchange derivative assets	79,290	75,180	2,636	2	157,108
Loans to customers, net	416,117	152,446	56,233	5,287	630,083
Investments available-for-sale, net and investments in associates, net	32,839	10,655	1,658	3	45,155
All other assets, net	321,039	799	1,835	632	324,305
	1,015,267	635,443	177,286	7,783	1,835,779
Liabilities					
Amounts owed to the Central Bank of the Russian Federation	519,430	-	-	-	519,430
Amounts owed to credit institutions	36,463	55,374	22,484	4,493	118,814
Amounts owed to customers	368,068	178,566	92,964	2,968	642,566
Subordinated deposits	15,254	8,139	1,285	-	24,678
Financial liabilities held for trading less foreign exchange derivative liabilities	56	20,612	-	-	20,668
Eurobonds issued	11,558	61,779	4,887	14,272	92,496
Certificated debts	58,252	19,545	10,943	-	88,740
All other liabilities	69,096	6,693	3,978	4,528	84,295
	1,078,177	350,708	136,541	26,261	1,591,687
Net balance sheet position	(62,910)	284,735	40,745	(18,478)	244,092
<i>Off-balance sheet assets</i>					
- Forwards		74,031	11,396	1,232	
- Futures		6,464	-	-	
- Options		45,439	37,015	990	
- Swaps		-	5,050	14,270	
- Spot deals		39,494	183,584	-	
<i>Off-balance sheet liabilities</i>					
- Forwards		143,051	9,624	1,232	
- Futures		52,886	-	-	
- Options		256,559	242,811	10,662	
- Spot deals		17,123	-	8,302	
Net off-balance sheet position		(304,191)	(15,390)	(3,704)	
Net foreign currency position		(19,456)	25,355	(22,182)	

The following tables show the undiscounted cash flows on financial assets, liabilities and unrecognized loan commitments on the basis of their contractual maturity. The total gross amount (inflow)/outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment, which is therefore different from the carrying amount of a corresponding financial instrument. The expected cash flows on these financial assets, liabilities and unrecognized loan commitments may vary significantly from this analysis.

Financial assets held for trading are shown in the category "Less than 1 month", except for financial assets held for trading pledged under the REPO agreements, because Management believes that all of these financial assets held for trading could be liquidated within one month in the normal course of business. Financial assets held for trading pledged under the REPO agreements are presented by remaining contractual maturities of the corresponding REPO agreements.

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GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

The liquidity position of the Group as at 30 June 2009 was as follows:

Unaudited	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No maturity	Overdue	Total
Assets								
Cash and due from the Central Bank of the Russian Federation	30,193	509	284	321	24	-	-	31,331
Due from credit institutions	220,787	97,526	21,294	101,172	699	-	-	441,478
Financial assets held-for-trading less derivative assets, net	157,421	-	-	-	-	-	-	157,421
Loans to customers, net	42,620	125,159	301,325	391,859	66,395	-	6,988	934,346
Investments available-for-sale, net and investments in associates, net	14	860	380	2,371	-	40,944	-	44,569
All other assets	61,385	14,336	56,825	35,384	-	186,921	-	354,851
Total assets	512,420	238,390	380,108	531,107	67,118	227,865	6,988	1,963,996
Liabilities								
Amounts owed to the Central Bank of the Russian Federation	84,479	332,202	-	-	-	-	-	416,681
Amounts owed to credit institutions	28,591	10,046	10,413	36,658	8,117	-	-	93,825
Amounts owed to customers	559,544	116,323	64,795	73,328	5,585	-	-	819,575
Subordinated deposits	230	369	1,988	12,910	37,183	-	-	52,680
Financial liabilities held-for-trading less derivative liabilities	32	-	-	-	-	-	-	32
Eurobonds issued	95	2,480	30,832	37,442	40,575	-	-	111,424
Certificated debts	6,434	3,081	13,498	53,402	2,349	-	-	78,764
All other liabilities	39,894	15,729	7,100	10,833	-	-	-	73,556
Total liabilities	719,299	480,230	128,626	224,573	93,809	-	-	1,646,537
Net balance sheet position	(206,879)	(241,840)	251,482	306,534	(26,691)	227,865	6,988	317,459
<i>Accumulated gap</i>	<i>(206,879)</i>	<i>(448,719)</i>	<i>(197,237)</i>	<i>109,297</i>	<i>82,606</i>	<i>310,471</i>	<i>317,459</i>	
Off-balance sheet position								
Derivative assets	6,749	13,852	48,693	32,484	-	-	-	101,778
Derivative liabilities	(10,044)	(18,907)	(80,701)	(83,133)	-	-	-	(192,785)
Net off-balance sheet position	(3,295)	(5,055)	(32,008)	(50,649)	-	-	-	(91,007)
Net position	(210,174)	(246,895)	219,474	255,885	(26,691)	227,865	6,988	226,452
<i>Accumulated gap</i>	<i>(210,174)</i>	<i>(457,069)</i>	<i>(237,595)</i>	<i>18,290</i>	<i>(8,401)</i>	<i>219,464</i>	<i>226,452</i>	
Financial guarantees and other commitments	5,478	15,382	42,778	39,539	1,890	-	-	105,067

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GAZPROMBANK GROUP
Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)

The liquidity position of the Group as at 31 December 2008 was as follows:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No maturity	Overdue	Total
Assets								
Cash and due from the Central Bank of the Russian Federation	84,468	146	230	53	14	-	-	84,911
Due from credit institutions	436,232	88,819	48,930	26,179	18,717	-	-	618,877
Financial assets held for trading less derivative assets	156,622	-	-	-	-	-	-	156,622
Loans to customers, net	23,289	121,737	241,017	245,553	76,425	-	2,703	710,724
Investments available-for- sale, net and investments in associates, net	19	813	2,364	3,550	-	40,264	-	47,010
All other assets	13,120	39,707	18,686	29,906	-	226,095	-	327,514
Total assets	713,750	251,222	311,227	305,241	95,156	266,359	2,703	1,945,658
Liabilities								
Amounts owed to the Central Bank of the Russian Federation	221,263	167,056	142,114	-	-	-	-	530,433
Amounts owed to credit institutions	59,677	12,359	14,334	25,657	11,286	-	-	123,313
Amounts owed to customers	439,465	69,525	109,709	25,492	6,542	-	-	650,733
Subordinated deposits	195	86	1,000	10,825	35,262	-	-	47,368
Financial liabilities held for trading less derivative liabilities	56	-	-	-	-	-	-	56
Eurobonds issued	328	6,174	4,604	70,549	42,938	-	-	124,593
Certificated debts	5,020	29,537	17,673	52,470	2,882	-	-	107,582
Profit tax liabilities	-	5,341	-	9,201	-	-	-	14,542
All other liabilities	20,778	16,713	21,601	8,123	52	2,486	-	69,753
Total liabilities	746,782	306,791	311,035	202,317	98,962	2,486	-	1,668,373
Net balance sheet position	(33,032)	(55,569)	192	102,924	(3,806)	263,873	2,703	277,285
Accumulated gap	(33,032)	(88,601)	(88,409)	14,515	10,709	274,582	277,285	
Off-balance sheet position								
Derivative assets	78,977	26,524	38,894	38,641	-	-	-	183,036
Derivative liabilities	(83,551)	(28,953)	(77,241)	(82,205)	-	-	-	(271,950)
Net off-balance sheet position	(4,574)	(2,429)	(38,347)	(43,564)	-	-	-	(88,914)
Net position	(37,606)	(57,998)	(38,155)	59,360	(3,806)	263,873	2,703	188,371
Accumulated gap	(37,606)	(95,604)	(133,759)	(74,399)	(78,205)	185,668	188,371	
Financial guarantees and other commitments	3,342	11,324	71,098	34,833	1,850	2	-	122,449

Undiscounted cash flows on derivative financial assets and liabilities are presented in the table above based on spot foreign exchange rates as of 30 June 2009 and 31 December 2008.

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, which determine the amount of the obligatory reserve.

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GAZPROMBANK GROUP*Condensed interim consolidated financial information for the six months ended 30 June 2009 (unaudited)*

The Group estimates that the negative accumulated gap for the period of less than one year can be covered, if necessary, by borrowings from the Central Bank of the Russian Federation and other banks and by support of the shareholders.

According to the Bank's estimates, as of 30 June 2009 and 31 December 2008 the following amounts on "on demand" customer accounts will remain stable:

	30 June 2009 (unaudited)	31 December 2008
From 1 to 3 months	22,872	25,139
From 3 months to 1 year	87,715	122,942
	110,587	148,081

NOTE 18 – 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 Russian accounting and banking legislation and instructions. As of 30 June 2009 and 31 December 2008 the statutory capital adequacy ratio calculated on this basis exceeded the statutory minimum and amounted to 10.9% and 10.4%, accordingly.

The Group also aims to maintain a certain level of its capital to assets ratio in accordance with international standards or capital adequacy, which recommends the minimum ratio of 8%, set by the Basel Accord. The table below sets forth the Group's capital adequacy as at 31 December 2008 and 2007, calculated in accordance with Basel I guidelines.

	30 June 2009 (unaudited)	31 December 2008
Tier I ratio	8.56%	7.8%
Total capital ratio	10.77%	9.2%

NOTE 19 – SUBSEQUENT EVENTS

In August 2009 the Bank received 30-year RUR-denominated subordinated deposits of RUR 25,000 million from one of its shareholders, NPF "Gazfond". These deposits bear 10.5% annual interest and partially qualify as Tier I and Tier II capital according to the CBR capital regulations.

In July 2009 the Supervisory Board of Vnesheconombank has approved placement of RUR-denominated 11-year subordinated deposits with the Bank in the total amount of RUR 74.3 billion as part of the government program of support to the Russian banking system. Deposits will bear 9.5% annual interest. Management believes that the deposits will be placed with the Bank during the 4th quarter of 2009.

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GAZPROMBANK GROUP

Consolidated Financial Statements
Year Ended 31 December 2008

SHAREHOLDING OF THE BANK

31 December 2008

ZAO "Leader"* (on behalf of "Gazfond")	42.89%
OAo "Gazprom"	41.73%
Non-State Pension Fund "Gazfond"	7.11%
Treasury stock	8.21%
Individuals	0.06%
	100.00%

COUNCIL OF THE BANK

Miller A.B.	Chairman of the Council	Chairman of OAo "Gazprom" Board
Akimov A.I.	Deputy Chairman of the Council	Chairman of the Management Board
Sereda M.L.	Deputy Chairman of the Council	Deputy Chairman of OAo "Gazprom" Board
Shamalov U.N.	Deputy Chairman of the Council	President of Non-State Pension Fund "Gazfond"
Vasilieva E.A.	Member of the Council	Deputy Chairman of OAo "Gazprom" Board, Chief Accountant of OAo "Gazprom"
Gavrilenko A.A.	Member of the Council	Chief Executive Officer of ZAO "Leader"
Eliseev I.V.	Member of the Council	Deputy Chairman of the Management Board
Krasnenkov A.V.	Member of the Council	Chief Executive Officer of OOO "Baltyisky Szhizheny Gas"
Kruglov A.V.	Member of the Council	Deputy Chairman of OAo "Gazprom" Board
Pavlova O.P.	Member of the Council	Member of OAo "Gazprom" Board
Senkevich N.U.	Member of the Council	Chief Executive Officer of OAo "Gazprom-media"
Yanov V.E.	Member of the Council	Chairman of the Council of OAo "Sogaz"

MANAGEMENT BOARD

Akimov A.I.	Chairman of the Board
Eliseev I.V.	Deputy Chairman of the Board
Ivanov S.S.	First Vice-President
Kantserov F.M.	Deputy Chairman of the Board
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 KPMG

* - ZAO "Leader" is an asset management company of Non-State Pension Fund "Gazfond".

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Independent Auditors' Report

To the Shareholders and the Council of "Gazprombank" (Open Joint-Stock Company)

Report on the Consolidated Financial Statements

Introduction

We have audited the accompanying consolidated financial statements of "Gazprombank" (Open Joint-Stock Company) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 principles 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 opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG

30 June 2009

**Consolidated profit and loss account
for the year ended 31 December 2008**

(millions of Russian Roubles, except for earnings per share, which are in Russian Roubles)

	Notes	2008	2007 (restated)
Interest income		75,971	64,918
Interest expense		(47,342)	(40,947)
Net interest income	5	28,629	23,971
Provision for impairment of interest earning assets	6	(13,980)	(1,168)
Net interest income after provision for impairment of interest earning assets		14,649	22,803
Non-banking operating profits	7	41,949	36,650
Non-interest (loss)/gain from financial assets and liabilities held for trading	8	(37,757)	6,112
Gain from available-for-sale investments		5,556	10,973
Fees and commissions income	9	9,187	9,238
Fees and commissions expense	9	(2,322)	(4,648)
(Loss)/gain from derivative contracts with foreign currency	15	(96,924)	5,327
Gain/(loss) from foreign exchange		21,166	(3,831)
Other operating income		3,893	1,774
Non-interest (loss)/income		(55,252)	61,595
Banking salaries and employment benefits	10	(13,477)	(20,565)
Banking administrative expenses	10	(11,835)	(11,117)
Impairment of assets and provisions for other risks	6	(13,309)	(637)
Impairment of goodwill	21	(4,140)	-
Non-interest expense		(42,761)	(32,319)
(Loss)/profit from operations		(83,364)	52,079
Result from acquisitions of subsidiaries and associates	1	6,152	-
Income from associates		1,183	521
(Loss)/profit before profit tax		(76,029)	52,600
Profit tax benefit/(expense)	11	7,795	(19,037)
Net (loss)/profit		(68,234)	33,563
Attributable to:			
Group's shareholders		(72,773)	27,534
Minority interest		4,539	6,029
		(68,234)	33,563
Basic (loss)/earnings per share (Russian Roubles)	28	(3,965)	1,501
Diluted (loss)/earnings per share (Russian Roubles)	28	(3,761)	1,445

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Board

30 June 2009

Alexander I. Sobol
Deputy Chairman of the Board

The accompanying notes are an integral part of these consolidated financial statements

**Consolidated balance sheet
as of 31 December 2008
(millions of Russian Roubles)**

	Notes	31 December 2008	31 December 2007 (restated)
Assets			
Cash and due from the Central Bank of the Russian Federation	12	84,911	50,759
Due from credit institutions, net	13	594,217	148,043
Financial assets held for trading	14	173,496	108,683
Loans to customers, net	16	630,083	401,209
Investments available-for-sale, and investments in associates	17	45,155	50,333
Receivables and prepayments, net	18	58,238	40,964
Inventories, net	19	52,492	27,935
Profit tax assets	11	36,002	5,472
Property, plant and equipment, net	20	133,954	79,427
Goodwill	21	22,344	20,100
Intangibles, net	22	16,047	9,576
Other assets, net	22	5,228	6,022
Total assets		1,852,167	948,523
Liabilities			
Amounts owed to the Central Bank of the Russian Federation	23	519,430	-
Amounts owed to credit institutions	23	118,814	104,341
Amounts owed to customers	24	642,566	391,381
Subordinated deposits	24	24,678	13,765
Financial liabilities held for trading	14	153,268	8,122
Eurobonds issued	25	92,496	91,224
Certificated debts	25	88,740	74,782
Profit tax liabilities	11	14,542	10,768
Other liabilities	26	69,753	52,587
Total liabilities		1,724,287	746,970
Equity			
Share capital	27	31,836	31,836
Additional paid-in-capital	27	29,731	28,737
Treasury stock	27	(2,372)	(2,395)
Foreign currency translation reserve		(712)	(388)
Fair value reserve		(603)	11,773
Retained earnings	28	30,256	105,312
Total equity attributable to the Group's shareholders		88,136	174,875
Minority interest		39,744	26,678
Total equity		127,880	201,553
Total liabilities and equity		1,852,167	948,523

The accompanying notes are an integral part of these consolidated financial statements

**Consolidated statement of changes in equity
for the year ended 31 December 2008
(millions of Russian Roubles)**

	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
31 December 2006	31,836	27,890	(2,417)	240	15,176	81,454	154,179	20,926	175,105
Acquisition of subsidiaries	-	-	-	-	-	(857)	(857)	658	(199)
Net profit for the period	-	-	-	-	-	27,534	27,534	6,029	33,563
Change in revaluation reserve for available-for-sale investments (Note 17)	-	-	-	-	(3,403)	-	(3,403)	-	(3,403)
Translation to presentation currency	-	-	-	(628)	-	(503)	(1,131)	264	(867)
Total recognised income and expense for the year							22,143	6,951	29,094
Employee share-option plan equity component (Note 10)	-	799	-	-	-	-	799	-	799
Disposal of treasury shares (Note 27)	-	48	22	-	-	-	70	-	70
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(1,093)	(1,093)
Dividends paid (Note 28)	-	-	-	-	-	(2,289)	(2,289)	-	(2,289)
31 December 2007	31,836	28,737	(2,395)	(388)	11,773	105,339	174,902	26,784	201,686
Business combination provisional values correction	-	-	-	-	-	(27)	(27)	(106)	(133)
31 December 2007 after business combination provisional values correction	31,836	28,737	(2,395)	(388)	11,773	105,312	174,875	26,678	201,553
Net loss for the period	-	-	-	-	-	(72,773)	(72,773)	4,539	(68,234)
Change in revaluation reserve for available-for-sale investments (Note 17)	-	-	-	-	(12,376)	-	(12,376)	-	(12,376)
Translation to presentation currency	-	-	-	(324)	-	(235)	(559)	9	(550)
Total recognised income and expense for the year							(85,708)	4,548	(81,160)
Acquisition of minority interests	-	-	-	-	-	112	112	(303)	(191)
Acquisition of subsidiaries (Note 1)	-	-	-	-	-	-	-	12,908	12,908
Employee share-option plan equity component (Note 10)	-	954	-	-	-	-	954	-	954
Disposal of treasury shares (Note 27)	-	40	23	-	-	-	63	-	63
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(4,087)	(4,087)
Dividends paid (Note 28)	-	-	-	-	-	(2,160)	(2,160)	-	(2,160)
31 December 2008	31,836	29,731	(2,372)	(712)	(603)	30,256	88,136	39,744	127,880

Fair value reserve on available-for-sale investments as of 31 December 2008 has been shown net of deferred tax asset of RUR 151 million (31 December 2007: deferred tax liability of RUR 3,717 million).

The accompanying notes are an integral part of these consolidated financial statements

Consolidated cash flow statement
For the year ended 31 December 2008
(millions of Russian Roubles)

	Notes	2008	2007
Cash flows from operating activities			
Interest received		69,262	65,117
Fees and commissions received		8,968	8,147
Interest paid		(46,840)	(42,026)
Fees and commissions paid		(2,202)	(4,648)
Non-interest loss from financial assets and liabilities held for trading, net		(11,938)	(688)
Profit from derivative contracts with foreign currency, net		22,729	1,973
Foreign exchange (loss)/gain, net		(2,148)	490
Non-banking business operating revenues		226,379	258,146
Non-banking business operating expenses		(163,973)	(206,904)
Other operating income		3,056	2,881
Salaries and employment benefits		(16,459)	(11,220)
Administrative expenses and other operating expenses		(10,865)	(10,045)
Cash flows from operating activities before changes in operating assets and liabilities		75,969	61,223
(Increase)/decrease in operating assets			
Obligatory reserve with the Central Bank of the Russian Federation		7,687	628
Due from credit institutions		(66,429)	76,865
Financial assets held for trading		(67,470)	(29,636)
Loans to customers		(220,040)	(87,450)
Receivables and prepayments, inventories, and other assets		(44,130)	(16,107)
Increase/(decrease) in operating liabilities			
Amounts owed to the Central Bank of the Russian Federation		519,430	-
Amounts owed to credit institutions		9,888	32,021
Amounts owed to customers		239,380	78,959
Other liabilities		16,713	(19,431)
Net cash flows from operating activities before profit taxes		470,998	97,072
Profit taxes paid		(21,119)	(20,965)
Net cash flows from operating activities		449,879	76,107
Cash flows from investing activities			
Available-for-sale investments and associates purchased		(47,882)	(57,918)
Available-for-sale investments sold		42,766	76,097
Investments held-for-sale sold		2,500	-
Property, equipment and intangibles purchased		(52,722)	(40,754)
Property, equipment and intangibles sold		8,810	7,348
Acquisition of subsidiaries, net of cash acquired		(21,246)	1,958
Investment property		(1,074)	-
Dividends received – affiliated undertakings		242	501
Net cash flows used in investing activities		(68,606)	(12,768)
Cash flows from financing activities			
Treasury stock sold		63	70
Certificated debts issued/(redeemed)		13,957	(71,028)
Eurobonds issued		26,816	34,683
Eurobonds redeemed		(27,507)	(7,659)
Eurobonds repurchased		(5,360)	-
Syndicated loans received	23	1,308	-
Subordinated deposits received/(redeemed)	24	10,913	(3,533)
Dividends paid		(2,160)	(3,382)
Net cash flows from/(used in) financing activities		18,030	(50,849)
Effect of change in exchange rates on cash and cash equivalents		17,260	(1,525)
Change in cash and cash equivalents		416,563	10,965
Cash and cash equivalents, beginning of the period	29	182,337	171,372
Cash and cash equivalents, end of the period	29	598,900	182,337

The accompanying notes are an integral part of these consolidated financial statements

**Notes to Consolidated financial statements
for the year ended 31 December 2008
(millions of Russian Roubles, unless otherwise stated)**

NOTE 1 – PRINCIPAL ACTIVITIES AND ORGANIZATION

a) Activities and organization

The Gazprombank Group (the “Group”) primarily consists of:

- the parent company – Gazprombank (Open Joint-stock Company),
- the group of companies owned by OAO “SIBUR Holding” (SIBUR Holding Group),
- the group of companies owned by OOO “Gazprom-Media Holding” (Gazprom Media Group),
- the group of industrial companies (heavy machinery production) acquired during the year ended 31 December 2008 (refer to Note 1(b)),
- other smaller companies and banks, which are primarily part of the banking business, including Severgazbank, Sibirgazbank, GPB-Mortgage, Credit Ural Bank, Noyabrskneftekombank and Areximbank.

The parent company of the Group – Gazprombank (Open Joint-stock Company) was established in 1990. The Bank has 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 Service for Financial Markets.

The Bank is the third largest 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, among others, OAO “Gazprom” and its related parties. The Bank’s principal activities comprise commercial lending, project finance, trade finance, deposit taking, foreign exchange and securities trading, precious metals operations, settlement services, debit/credit card services, depositary and custodian services, fund management services and brokerage and trading services. The Bank also provides a range of retail services, principally to the employees of its corporate clients. The Bank’s legal address is: Bld.1, 16, Nametkina Str., 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. As of 31 December 2008 the Group owns 70% less one share of OAO “SIBUR Holding”, the holding company of the SHG.

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. As of 31 December 2008 the Group owns 100% interest in OOO “Gazprom-Media Holding”, the holding company of the GMG.

The group of industrial companies (heavy machinery production) comprise OMZ (Uralmash-Izhora) Group, Cryogenmash Group, Glazovskiy zavod “Khim mash”, Uralkhim mash Group, Uralenergmontazh Group and certain other industrial assets, which the Group acquired in 2008. OAO “OMZ” is the holding company of the OMZ (Uralmash-Izhora) Group, which produces nuclear power plant equipment, speciality steels, machinery equipment, manufacturing and mining equipment. The OMZ Group manufacturing facilities are based in the Russian Federation and the Czech Republic. The Group through ZAO “Forpost Management”, its wholly owned subsidiary holding company acquired in December 2008, holds 44.41% of OAO “OMZ” ordinary stock. The Group has the power to control more than half of outstanding ordinary stock of OAO “OMZ” by possessing of potential voting rights in addition to the stake owned by ZAO “Forpost Management”.

These consolidated financial statements were authorized for issue by the Management Board of the Bank on 30 June 2009.

b) Acquisitions of subsidiaries and associates

During 2008 the Group in the course of its private equity operations has acquired several controlling stakes in certain industrial and media companies. Details of major acquisitions are as follows.

Subsidiary	Principal activity	Date of acquisition	% acquired	Consideration given	Share in net assets acquired	Goodwill	Excess of the fair value of net assets acquired over the cost of acquisition
ZAO "Forpost Management"	Holding company	26 December 2008	100%	10,306	15,438	-	(5,132)
Cryogenmash Group (Russia)	Air separation products, supply of industrial gases	29 February 2008	86%	5,426	3,566	1,860	-
Uralskiy zavod "Khim mash" (Russia) (Uralkhim mash Group)	Production of machinery for oil and gas industry, power sector	14 July 2008	77%	3,217	2,489	728	-
Glazovski y zavod "Khim mash" (Russia)	Producing of machinery for chemical production	14 January 2008	100%	1,049	221	828	-
OA O "Yuzhni y Inzhener ni y Center Ener geti ki"	Project engineering in the power sector	19 June 2008	75% less 1 share	1,976	999	977	-
ZAO PO "Ural energo montazh" (Ural energo motazh Group)	Associative machining for power sector	15 July 2008	100%	972	376	596	-
Other acquisitions, net				1,605	718	887	-
				24,551	23,807	5,876	(5,132)

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Net assets of the largest subsidiaries acquired comprise of the following major classes of assets and liabilities as of the date of acquisition.

	ZAO "Forpost Management"	Cryogenmash Group (Russia)	Uralskiy zavod "Khimmarsh" (Russia) (Uralkhimmarsh Group)	Glazovskiy zavod "Khimmarsh" (Russia)	OAO "Yuzhniy Inzhenerniy Center Energetiki"	ZAO PO "Uralenerg omontazh" (Uralenerg omotazh Group)	Total
Cash and cash equivalents	2,055	340	13	6	54	47	2,515
Property, plant and equipment	17,733	5,415	3,483	451	127	596	27,805
Intangible assets	1,929	1,210	59	-	1,309	18	4,525
Inventories	7,461	628	1,158	55	7	121	9,430
Other assets	36,002	1,969	1,259	273	425	581	40,509
Amounts owed to credit institutions and other liabilities	(39,086)	(5,396)	(3,074)	(564)	(528)	(987)	(49,635)
Net identifiable assets as at the date of acquisition	26,094	4,166	2,898	221	1 394	376	35,149
Minority interest	(10,656)	(600)	(409)	-	(395)	-	(12,060)
Net identifiable assets acquired	15,438	3,566	2,489	221	999	376	23,089
Contribution to the Group's net profit/(loss) after the date of acquisition	-	(531)	(267)	21	109	91	(577)

The Group made provisional estimation of fair values of identifiable assets, liabilities and contingent liabilities at the date of acquisition for the purpose of consolidation of subsidiary companies acquired during 2008 into these consolidated financial statements. The Group has provisionally recognised negative goodwill of RUR 5,132 million arising from the acquisition, which is subject to further adjustments for changes in estimates of fair values of identifiable assets, liabilities and contingent liabilities at the date of acquisition. The Group expects to finalize accounting for the acquisitions in its consolidated financial statements for the year ended 31 December 2009.

In 2008 the Group obtained significant influence over certain utilities companies, investments in which previously were recognized as available-for-sale. The excess of fair value of the Group's share in net assets acquired over consideration given of RUR 1,020 million was recognized as income on acquisitions of associates in these consolidated financial statements (see Note 17).

c) Economic dependence

As of 31 December 2008, OAO "Gazprom" owned 41.73% of the outstanding shares of the Group. 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. See also Note 31 for details.

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NOTE 2 – BASIS OF PRESENTATION**a) General**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank, SHG, GMG, OMZ and other subsidiaries domiciled in the Russian Federation maintain their accounting records and prepare financial statements for regulatory purposes in accordance with the Russian accounting and banking legislation and instructions (RAL). Foreign subsidiaries prepare their financial statements either in accordance with IFRS or in accordance with the legislation of countries of their incorporation. The majority of foreign subsidiaries are considered to be foreign operations that are integral to the operations of the Bank. At each reporting date all Group members make appropriate adjustments and reclassifications to their 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 in accordance with the IFRS.

The preparation of consolidated financial statements in accordance 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 information and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. 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:

- estimation of provision for impairment losses for financial assets measured at amortised cost. These include mainly due from credit institutions, loans to customers, certain available-for-sale investments and other assets. The estimation of provision for impairment losses involves an exercise of judgment and is based on internal credit risk rating systems and statistical data;
- liability and expenses on share based payments to employees under requirements of IFRS 2 “Share-based Payments”. The carrying value of a liability and the amount of expenses that were recognized in 2008 are based on a management estimate of a fair value of the Bank's shares at the balance sheet date. Since the Bank's shares are currently not traded in an active market, the estimation of fair value of shares involves an exercise of judgment;
- valuation of complex and illiquid financial instruments. Valuation of complex and illiquid financial instruments involves an exercise of judgment and use of valuation models. In the absence of an active market management has to make assumptions in respect of appropriate inputs used in valuation models, some of which may not be based on observable market data;
- estimation of fair value of identifiable assets and liabilities acquired in business combinations. Estimation of fair value of identifiable assets and liabilities acquired in business combinations involves an exercise of judgement and use of valuation models, which among others include assumptions about future business performance and cash flows and appropriate discount rates;
- estimation of impairment losses for non-financial assets. Estimation of impairment losses for non-financial assets involves an exercise of judgement and use of valuation models, which among others include assumptions about future business performance, estimation of cash flows from assets assessed for impairment and estimation of appropriate discount rates.

(intentionally blank)

b) Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble ("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 them.

The consolidated financial statements are presented in millions of RUR, unless otherwise stated. Previously the Group presented its financial information using U.S. Dollar ("USD") as a presentation currency.

The official USD/Rouble exchange rates of the Central Bank of the Russian Federation were as follows (Roubles per 1 USD):

	2008	2007
Exchange rate as at 31 December	29.3804	24.5462
Average rate for the year ended 31 December	24.8561	25.5516

Russian Rouble is not a readily convertible currency outside of the Russian Federation and, accordingly, any conversion of Rouble to USD should not be construed as a representation that the Rouble amounts have been, could be, or will be in the future, convertible into USD at the exchange rates disclosed, or at any other exchange rates.

NOTE 3 – PRINCIPAL ACCOUNTING POLICIES**a) Restatement of comparative information, business combination provisional values correction and reclassification**

Comparative information as of 31 December 2007 and for the year then ended presented in these consolidated financial statements was restated due to an error identified in 2008 in the calculation of deferred tax asset recognition. Profit tax expense for the year ended 31 December 2007 was understated by RUR 3,751 million, deferred tax assets and retained earnings of the Group as of 31 December 2007 were overstated by RUR 3,751 million. Also, basic earnings per share for 2007 were overstated by RUR 205; diluted earnings per share were overstated by RUR 197.

Also, at 31 December 2008, SIBUR Holding has completed its fair value exercise in relation to OAO "Mineralnye Udobreniya" (Perm). Amounts relating to business combination provisional values were adjusted as follows (for the Group's share): retained earnings were decreased by RUR 27 million, minority interest was decreased by RUR 106 million; goodwill was increased by RUR 155 million, deferred tax liability was decreased by RUR 163 million, other assets were decreased by RUR 451 million.

Following reclassifications have been made to the balance sheet as of 31 December 2007 to conform to the presentation as of 31 December 2008:

Financial statements caption before reclassifications	Financial statements caption after reclassification	Amount of reclassification	Description of reclassification
Profit tax liabilities	Profit tax assets	844	Presentation of deferred tax asset as a separate item in the balance sheet
Other operating income	Non-banking operating profits	1,707	Presentation of non-banking profit and loss as a separate item in the profit and loss account
Other assets, net	Receivables and prepayments, net	16,994	Presentation of receivables and prepayments as a separate item in the balance sheet

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b) Changes in accounting policies

In October 2008 the IASB issued “*Reclassification of Financial Assets*” (Amendments to IAS 39 “*Financial Instruments: Recognition and Measurement*” and IFRS 7 “*Financial Instruments: Disclosures*”).

The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, would have met the definition of loans and receivables at initial recognition, and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in ‘rare circumstances’.

The amendment also permits an entity to transfer a non-derivative financial asset from the available-for-sale category to the loans and receivables category provided the non-derivative financial asset would have met the definition of loans and receivables and the entity has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective from 1 July 2008.

Following the provisions of amendments to IAS 39 and IFRS 7, in the second half of 2008 the Group has made certain reclassifications of its financial assets previously accounted for at fair value between different asset categories. Due to disruption, starting from August 2008, of active markets for some financial instruments in Russia and a dramatic contraction of capital markets in Russia, these financial assets were no longer held by the Group for the purpose of selling or repurchasing in the near term. Moreover, the Group has intention to hold those financial assets for the foreseeable future. For securities identified for reclassification, the Bank determined that the deterioration of the financial markets during the third quarter of 2008 constituted rare circumstances that permit reclassification out of the trading and available-for-sale categories. Details of reclassifications follow.

Category of financial assets before reclassifications	Category of financial assets after reclassifications	Reason for reclassification	Fair value/ carrying value as at the date of reclassification	Carrying value as of 31 December 2008	Effect on Group's equity from the date of reclassification, excluding interest income and tax effect:	
					Fair value reserve (equity)	Impairment loss (profit and loss accounts)
Financial assets held for trading - debt securities	Available-for-sale assets accounted for at fair value	Intention to hold for the foreseeable future until markets improve	1,810	1,415	(168)	(227)
Financial assets held for trading - equity securities	Available-for-sale assets accounted for at fair value		4,700	3,241	(316)	(1,143)
Financial assets held for trading - debt securities	Loans to customers	Intention to hold for foreseeable future due to disappearance of active markets	500	-	-	(500)
Available-for-sale assets accounted for at fair value - debt securities	Loans to customers		3,720	2,676	-	(1,044)
			10,730	7,332	(484)	(2,914)

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Due to the effects of a financial crisis, as of 31 December 2008, the Group has identified impairment of certain financial assets that were reclassified in the third quarter 2008 from financial assets held for trading to available-for-sale assets accounted for at fair value. As a result, the Group recognised a decrease in the fair value of the reclassified instruments of RUR 1,370 million as an impairment loss in the profit and loss account. The decrease in the fair value of reclassified assets which are not impaired as at 31 December 2008 of RUR 484 million was recorded in the fair value reserve in equity. Had these financial assets not been reclassified, a dealing loss of RUR 1,854 million would have been recognised in the profit and loss account.

As of 31 December 2008 provision for impairment in amount of RUR 1,544 million was recognised by the Group for loans to customers of RUR 4,220 million which were reclassified from available-for-sale financial assets accounted for at fair value category. The Group believes that the carrying amounts of these assets net of impairment losses approximate their fair values as at 31 December 2008. Had these financial assets not been reclassified, a dealing loss of RUR 1,544 million would have been recognised in the profit and loss account.

At the reclassification date the effective interest rates on debt securities reclassified to available-for-sale assets ranged from 6% to 12% with expected discounted recoverable cash flows of RUR 1,810 million.

At the reclassification date the effective interest rates on securities reclassified to loans to customers ranged from 7% to 14% with expected discounted recoverable cash flows of RUR 4,220 million.

c) Principles of consolidation and accounting for associates

The consolidated financial statements of the Group include the Bank and the companies that it controls (subsidiaries). Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. 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. Also, the Group has established a number of special purpose entities (SPEs) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. However, the SPEs are established under terms that impose strict limits on the decision-making powers of the SPEs' management over the operations of the SPE. In addition, the benefits related to their operations and net assets are presently attributable to the Group via a number of agreements. As a result, the Group controls such SPEs.

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 2008 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 unless there is evidence of impairment. Consolidated financial statements are prepared using uniform accounting policies for similar 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. The difference, if any, between the consideration paid to acquire minority interest and its carrying amount is recorded in 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 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.

d) 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 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.

e) Foreign currency translation

Income and expenses, and non-monetary items included in the consolidated balance sheet at period end, denominated in currencies other than the functional currency, are recorded by applying the exchange rate prevailing at the date of the transaction. Foreign currency denominated monetary items included in the period end consolidated 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 Bank (the Russian Rouble), the resulting exchange differences arising from translation to Russian Roubles 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 USD/Rouble exchange rate in the Russian Federation ranged from 24.55 Roubles per USD at 31 December 2007 to 29.38 Roubles per USD at 31 December 2008. The Russian Rouble 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.

f) 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 the 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.

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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 profit and loss account 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 profit and loss account on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated profit and loss account 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.

Revenues from sales of goods in the machinery segment are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Sales of services in the machinery segment are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

g) 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 at 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 commits to sell the asset (trade date) without recourse. Held to maturity instruments and originated loans and receivables are derecognized on the day they are transferred by the Group or repaid (settlement date).

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

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h) Impairment*a) Financial assets carried at amortized cost*

Financial assets carried at amortized cost consist principally of loans and other receivables (“loans and receivables”). The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

The provision for impairment losses also covers losses where there is objective evidence that incurred 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 provision for impairment losses. Subsequent recoveries are credited to the provision for impairment losses in the consolidated profit and loss account.

All impairment losses in respect of loans and receivables are recognized in the consolidated income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

If the amount of the impairment losses subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for impairment losses in the consolidated profit and loss account.

When a loan is uncollectable, it is written off against the related provision for loan impairment. The Group writes off a loan balance (and any related provision for loan losses) when the Group’s management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

b) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the consolidated income statement and can not be reversed.

c) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in the consolidated income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) 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 provision for loan impairment on amounts due from credit institutions are the same as for loans to customers.

j) 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 consolidated profit and loss account; Interest earned while holding securities is reported as interest income. Dividends receivable are included in dividend income when dividends are 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. Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments. 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 consolidated profit and loss accounts as gains/(losses) from financial assets/liabilities held for trading.

Although the Group trades in derivative instruments for risk hedging purposes, these transactions do not qualify for hedge accounting.

k) 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 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 dividends are 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").

l) 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, available-for-sale instruments or amounts 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.

m) 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 pledged as collateral under repo agreements are also included in the consolidated 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 received as collateral under reverse repo agreements are not recognized in the consolidated financial statements.

n) Securitisation

For securitised financial assets, the Bank considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Bank over the other entity.

When the Bank, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the Bank's consolidated balance sheet.

When the Bank has transferred financial assets to another entity, but has retained substantially all the risks and rewards relating to the transferred assets, the transferred assets are recognised in the Bank's consolidated balance sheet.

When the Bank transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognised from the Bank's consolidated balance sheet.

If the Bank neither transfers nor retains substantially all the risks and rewards relating to the transferred assets, the assets are derecognized if the Bank has not retained control over the assets.

o) 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 the loan amount and amortized over the loan life. All loans and advances are recognized when cash is advanced to borrowers.

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.

p) 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.

q) 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 consolidated 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.

r) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

s) 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 or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Any excess of the Group's share of the net identifiable assets over the cost of an acquisition is recognized immediately as income in the consolidated profit and loss account.

t) 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 relatively small volumes of activity in its financial markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. 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 IFRS 7 "*Financial Instruments: Disclosures*" 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, trade receivables, term deposits and certificated debt, which are not currently traded, and certain other financial assets. Management estimates their fair value by applying valuation techniques, which are based on discounting future projected cash flows from such instruments using current market rates for respective financial instruments. The estimated fair values of financial instruments carried at amortized cost are disclosed in the respective notes to these consolidated financial statements.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

u) 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 Rouble as the functional currency of their financial statements during the period when the Russian Federation met the criteria of a hyperinflationary economy, is restated to the equivalent purchasing power of the Russian Rouble 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:

	Years
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.

Number of airings	Amortization rate
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 consolidated profit and loss account at 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 consolidated 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 to the extent that it reverses a previous impairment loss recognised.

v) 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.

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w) Construction contracts

The Group also enters into construction contracts, which generally represent long-term contracts to manufacture design-build equipment, including nuclear power plant equipment, continuous casting machines, handling machinery and equipment for cryogen products.

Contract costs are recognized when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are probable of recovery. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Group uses the “percentage of completion method” to determine the appropriate amount of revenues to be recognized in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings. Progress billings not yet paid by customers are included within trade and other receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

x) 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.

y) 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.

z) 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.

aa) Finance leases

The Group also enters into finance lease agreements as a lessor. Assets held under finance lease in the consolidated 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 principal and unearned finance income.

bb) 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 consolidated 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.

cc) 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 consolidated balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in net interest income.

dd) Certificated debts and eurobonds issued

Certificated debts represent promissory notes, certificates of deposit and bonds issued by the Group to domestic customers. Eurobonds represent mainly 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.

ee) 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 exceeding their par value is referred to as additional paid-in capital and is accounted as a part of equity.

ff) 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.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

gg) Taxation

Profit tax comprises current and deferred tax. Profit tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current 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 profit 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 profit tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 relevant to the Group's activities. These taxes (except value added tax) are included as a component of administrative expenses in the consolidated profit and loss account.

hh) 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. 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.

ii) Cash and cash equivalents

The Group considers cash, current accounts 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.

jj) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees issued by the Group represent an 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 when due 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 provision and initial cost less, where applicable, accumulated amortization of commission income, received under the financial guarantee.

Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

kk) Share capital***a) Repurchase of share capital***

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

b) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

ll) 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 by the use of valuation techniques commonly used for valuation of such instruments if the equity instrument is not traded.

The fair value of the equity-settled share-based payments determined at the grant date 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 at 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.

mm) Implementation of new standards

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its consolidated financial statements.

Revised IAS 1 “*Presentation of Financial Statements*” (2007) which becomes effective from 1 January 2009 is expected to have a significant impact on the presentation of the consolidated financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.

IFRS 8 “*Operating Segments*”, which introduces the “management approach” to segment reporting and becomes mandatory for the Group’s 2009 consolidated financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see Note 4).

The amendment to IFRS 7 “*Financial Instruments: Disclosures*” which becomes effective from 1 January 2009, introduces additional disclosure requirements regarding fair value of financial instruments.

Various “*Improvements to IFRSs*” have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2009. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

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, the Group distinguishes the following business segments according to IAS 14 “*Segment Reporting*”: banking, petrochemicals and tires (SHG), media (GMG) and heavy machinery. Also, the Group has other minor businesses, e.g. real estate construction, mining and engineering, which are reported as “Other”. For additional disclosures on types of products and services included in each business segment refer to Note 7. The Group primarily operates in the Russian Federation. Operations of the Group’s subsidiaries domiciled in the foreign countries are immaterial comparing to the total volume of the Group’s operations.

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The Group's segment information for business segments as of 31 December 2008 and 2007 and for the years then ended is as follows:

	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Eliminations	Consolidated
Profit and loss information							
Year ended 31 December 2008							
Net interest income – external	28,850	(811)	123	(169)	636	-	28,629
Inter-segment net interest income	2,124	(511)	(76)	(32)	(1,476)	(29)	-
Provision for losses	(14,111)	77	-	-	54		(13,980)
Non-interest (loss)/income – external	(84,797)	24,559	10,576	(4,520)	(1,070)	-	(55,252)
Inter-segment non-interest income	874	(937)	(21)	55	94	(65)	-
Non-interest expense – external	(41,288)	(1,277)	(176)	-	(20)	-	(42,761)
Inter-segment non-interest expense	(50)	(44)	-	-	-	94	-
(Loss)/profit from operations	(108,398)	21,056	10,426	(4,666)	(1,782)	-	(83,364)
Result from acquisitions of subsidiaries and associates	6,152	-	-	-	-	-	6,152
Income from associates	(50)	192	-	-	1,041	-	1,183
Loss/(profit) from operations before profit tax	(102,296)	21,248	10,426	(4,666)	(741)	-	(76,029)
Profit tax expense	19,524	(9,256)	(3,012)	662	(123)	-	7,795
Net (loss)/profit	(82,772)	11,992	7,414	(4,004)	(864)	-	(68,234)
Attributable to:							
Group's shareholder	(82,754)	7,150	7,284	(3,656)	(797)	-	(72,773)
Minority interest	(18)	4,842	130	(348)	(67)	-	4,539
Net (loss)/profit	(82,772)	11,992	7,414	(4,004)	(864)	-	(68,234)
Capital expenditure	3,789	20,216	15,172	-	-	-	39,177
Depreciation and amortization expense	970	5,410	10,816	713	73	-	17,982

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GAZPROMBANK GROUP
Consolidated Financial Statements for the Year Ended 31 December 2008

	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Eliminations	Consolidated
Profit and loss information							
Year ended 31 December 2007							
Net interest income – external	23,922	(19)	(97)	-	165	-	23,971
Inter-segment net interest income	2,029	63	(178)	-	(1,934)	20	-
Provision for losses	(1,168)	-	-	-	-	-	(1,168)
Non-interest income – external	24,135	29,867	5,733	-	1,860	-	61,595
Inter-segment non-interest income	184	30	-	-	(159)	(55)	-
Non-interest expense – external	(31,720)	(77)	173	-	(695)	-	(32,319)
Inter-segment non-interest expense	-	-	(35)	-	-	35	-
Profit/(loss) from operations	17,382	29,864	5,596	-	(763)	-	52,079
Income from associates	17	604	-	-	(100)	-	521
Profit/(loss) from operations before profit tax	17,399	30,468	5,596	-	(863)	-	52,600
Profit tax expense	(9,418)	(7,992)	(1,736)	-	109	-	(19,037)
Net profit/(loss)	7,981	22,476	3,860	-	(754)	-	33,563
Attributable to:							
Group's shareholder	7,979	16,515	3,795	-	(755)	-	27,534
Minority interest	2	5,961	65	-	1	-	6,029
Net profit/(loss) attributable to Group's shareholders	7,981	22,476	3,860	-	(754)	-	33,563
Capital expenditure	8,626	19,947	12,180	-	-	-	40,753
Depreciation and amortization expense	800	4,318	9,193	-	-	-	14,311

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	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Consolidated
Balance sheet information						
31 December 2008						
Cash and due from the CBR and credit institutions, net	674,746	2,839	565	934	44	679,128
Financial assets held for trading	173,496	-	-	-	-	173,496
Loans to customers, gross	636,523	5,014	898	2,847	8,584	653,866
Provision for impairment losses – loans to customers	(22,847)	(34)	(853)	(35)	(14)	(23,783)
Investments available-for-sale, net, and investments in associates, net	33,315	4,758	33	2,838	4,211	45,155
Receivables and prepayments, gross	5,147	27,613	8,543	17,154	2,989	61,446
Provisions for impairment losses – trade receivables	-	(1,639)	(285)	(1,284)	-	(3,208)
Inventories, gross	501	21,426	150	9,498	23,154	54,729
Provisions for impairment losses – inventories	-	(1,208)	-	(692)	(337)	(2,237)
Property, plant and equipment, gross	13,161	137,348	6,659	31,259	563	188,990
Accumulated depreciation	(4,053)	(46,545)	(3,573)	(765)	(100)	(55,036)
Goodwill, net	6,155	-	16,189	-	-	22,344
All other assets, net	32,214	5,954	12,515	4,548	2,046	57,277
Total segment assets	1,548,358	155,526	40,841	66,302	41,140	1,852,167
Amounts owed to the CBR and credit institutions	(614,674)	(13,839)	(1)	(7,307)	(2,423)	(638,244)
Amounts owed to customers	(626,934)	(13,325)	(1,054)	(30)	(1,223)	(642,566)
Subordinated deposits	(24,678)	-	-	-	-	(24,678)
Financial liabilities held for trading	(148,334)	(4,934)	-	-	-	(153,268)
Eurobonds issued	(92,496)	-	-	-	-	(92,496)
Certificated debts	(82,830)	(1,193)	-	(4,717)	-	(88,740)
All other liabilities	(22,039)	(26,346)	(6,472)	(24,135)	(5,303)	(84,295)
Total segment liabilities	(1,611,985)	(59,637)	(7,527)	(36,189)	(8,949)	(1,724,287)

	Banking	Petrochemicals and tires	Media	Heavy machinery	Other	Consolidated
Balance sheet information						
31 December 2007						
Cash and due from the CBR and credit institutions, net	195,882	742	2,169	-	9	198,802
Financial assets held for trading	108,586	91	6	-	-	108,683
Loans to customers, gross	404,820	3,181	468	-	6,268	414,737
Provision for impairment losses – loans to customers	(13,091)	(185)	-	-	(252)	(13,528)
Investments available-for-sale, net, and investments in associates, net	41,773	4,441	772	-	3,347	50,333
Receivables and prepayments, gross	8,020	24,922	7,089	-	3,005	43,036
Provisions for impairment losses – trade receivables	-	(1,782)	(290)	-	-	(2,072)
Inventories, gross	476	16,812	159	-	10,947	28,394
Provisions for impairment losses – inventories	-	(459)	-	-	-	(459)
Property, plant and equipment, gross	10,697	117,991	5,742	-	562	134,992
Accumulated depreciation	(3,306)	(49,024)	(3,145)	-	(90)	(55,565)
Goodwill	3,802	-	16,298	-	-	20,100
All other assets, net	6,560	2,210	11,769	-	531	21,070
Total segment assets	764,219	118,940	41,037	-	24,327	948,523
Amounts owed to credit institutions	(89,169)	(14,460)	(2)	-	(710)	(104,341)
Amounts owed to customers	(388,000)	(2,492)	(59)	-	(830)	(391,381)
Subordinated deposits	(13,765)	-	-	-	-	(13,765)
Financial liabilities held for trading	(8,122)	-	-	-	-	(8,122)
Eurobonds issued	(89,767)	-	(1,457)	-	-	(91,224)
Certificated debts	(73,280)	(1,464)	(38)	-	-	(74,782)
All other liabilities	(39,262)	(17,828)	(5,908)	-	(357)	(63,355)
Total segment liabilities	(701,365)	(36,244)	(7,464)	-	(1,897)	(746,970)

NOTE 5 – NET INTEREST INCOME

Net interest income for the years ended 31 December 2008 and 2007 comprise:

	2008	2007
Interest income		
<i>Interest income on financial assets at amortized cost:</i>		
Loans to customers:		
– Loans to legal entities	46,246	34,508
– Loans to individuals	10,981	7,262
Due from credit institutions	8,266	16,529
Financial leasing	492	675
<i>Interest income on financial assets held for trading:</i>		
Debt securities	9,986	5,944
	75,971	64,918
Interest expense		
<i>Interest expense on financial liabilities at amortized cost:</i>		
Amounts owed to customers:		
– Amounts owed to legal entities	16,875	18,321
– Amounts owed to individuals	6,484	4,168
Amounts owed to credit institutions	10,831	6,273
Certificated debts	6,355	6,193
Eurobonds issued	6,797	5,992
	47,342	40,947
Net interest income	28,629	23,971

Included in interest expense on amounts owed to credit institutions for the year ended 31 December 2008 is RUR 2,603 million of interest expense under the time deposits received from the Central Bank of the Russian Federation (for 2007 – nil).

NOTE 6 – PROVISIONS AND IMPAIRMENT LOSSES

Provisions for impairment losses in the consolidated profit and loss account represent the charge required in the current period to establish total provision for losses carried forward in accordance with IFRS.

The movements in the provisions for impairment losses on interest earning assets during the years ended 31 December 2008 and 2007 were:

	Due from credit institutions	Loans to customers	Total provisions
31 December 2006	287	12,387	12,674
Effect of consolidation of subsidiaries	-	260	260
Provisions charged to profit	-	1,168	1,168
Amounts written off	-	(287)	(287)
31 December 2007	287	13,528	13,815
Effect of consolidation of subsidiaries	1	438	439
Provisions charged to profit	4,037	9,943	13,980
Amounts written off	-	(152)	(152)
Translation to presentation currency	-	26	26
31 December 2008	4,325	23,783	28,108

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The movements in the provisions for other assets and provisions for other risks during the years ended 31 December 2008 and 2007 were:

	Receivables	Inventories	Other assets	Other risks	Total provisions
31 December 2006	2,355	377	9	548	3,289
Effect of consolidation of subsidiaries	243	-	-	-	243
(Recoveries of provisions)/provisions charged to profit	(219)	84	299	263	427
Amounts written off	(307)	(2)	(289)	(1)	(599)
31 December 2007	2,072	459	19	810	3,360
Effect of consolidation of subsidiaries	1,304	666			1,970
Provisions charged to profit	94	1,112	156	779	2,141
Amounts written off	(246)	-	-	(1)	(247)
Translation to presentation currency	(16)	-	-	(1)	(17)
31 December 2008	3,208	2,237	175	1,587	7,207

Provisions for losses on assets are deducted from the related assets. Provisions for other risks are recorded in liabilities (see Note 26).

Impairment of available-for-sale investments

As of 31 December 2008 the Group has estimated recoverable amounts of its available-for-sale investments accounted for at cost (see Note 17). As a result, their carrying values were impaired by RUR 2,638 million, which was recognized in the consolidated profit and loss account for the year ended 31 December 2008 (for 2007 – RUR 210 million).

Also, in the second half of 2008 the Group has experienced a sharp decrease in the fair values of its available-for-sale investments, which was caused by disruption of the active markets or severe decline in market prices due to the ongoing financial crisis. Decrease in the fair values of some of the equity or debt securities accounted for at fair value as well as other indications of impairment related to the issuers of such instruments were regarded by the Management of the Group as evidence of impairment. As a result, the Group has recognized in the consolidated profit and loss account for the year ended 31 December 2008 impairment of available-for-sale equity and debt instruments carried at fair value of RUR 8,530 million.

The movement of cumulative impairment loss in respect of available-for-sale instruments recognized for the years ended 31 December 2008 and 2007 was as follows.

	Available-for-sale investments accounted for at fair value	Available-for-sale investments accounted for at cost	Total impairment
31 December 2006	-	2,168	2,168
Impairment of assets charged to profit	-	210	210
31 December 2007	-	2,378	2,378
Impairment of assets charged to profit	8,530	2,638	11,168
31 December 2008	8,530	5,016	13,546

Other impairment

As of 31 December 2008 the Group has estimated recoverable amounts of its property, plant and equipment items and intangible assets (refer to Notes 20 and 22). As a result, their carrying values were impaired by RUR 2,986 million and RUR 1,775 million, respectively, which was recognized as part of non-banking operating profits in the profit and loss account for the year ended 31 December 2008 (31 December 2007 - nil) (see Notes 7 and 20).

Also, as of 31 December 2008 the Group has impaired goodwill recognized previously on acquisition of subsidiaries by RUR 4,140 million, which was recognized as impairment of goodwill in the profit and loss account for the year ended 31 December 2008 (31 December 2007 - nil) (see Note 21).

NOTE 7 – NON-BANKING OPERATING PROFIT, NET

The composition of non-banking operating profit for the years ended 31 December 2008 and 2007 is as follows. For more information on non-banking segments of the Group see Notes 1 and 4.

	2008	2007
Petrochemical business operating profit	35,785	28,583
Media business operating profit	10,003	6,360
Heavy machinery business operating loss	(4,512)	-
Other businesses operating profit	673	1,707
Non-banking operating profit, net	41,949	36,650

The composition of non-banking revenues and expenses follows.

	2008	2007
Rubbers and other polymers	41,380	37,156
Other refined products	40,466	27,595
Liquefied hydrocarbon and dry gas	28,578	19,036
Tires	22,824	23,777
Products of organic synthesis	19,153	23,014
Other	26,177	14,655
Less - Compulsory duties	(4,878)	(2,582)
Petrochemical business operating revenues, net	173,700	142,651

Materials	53,826	50,362
Salaries and other employment benefits	29,968	23,725
Electricity	17,410	13,208
Auto and railway transportation costs	5,916	2,078
Depreciation and amortization	5,410	4,318
Production services received	3,265	1,900
Gas for own needs	2,910	2,014
Rent	2,871	2,273
Operating taxes	2,531	1,437
Repairs and maintenance	2,331	2,257
Purchased refinery products	1,945	1,601
Security expenses	1,568	1,383
Impairment of property, plant and equipment	1,123	-
Transit and storage costs	1,061	1,317
Other	5,780	6,195
Petrochemical business operating expenses	137,915	114,068

Petrochemical business operating profit	35,785	28,583

Advertising	30,780	23,639
Broadcasting	6,296	5,678
Programming rights	1,214	1,302
Publishing activities	1,055	1,020
Other	1,134	895
Media business operating revenues	40,479	32,534

Depreciation and amortization	10,816	9,193
Impairment of intangible assets	1,185	-
Salaries and other employment benefits	6,219	5,574
Broadcasting services	2,558	2,152
Distribution costs	3,421	4,922
Publishing	1,653	1,474
Administrative expenses	1,039	1,012
Cost of goods sold	3,387	519
Other	198	1,328
Media business operating expenses	30,476	26,174

Media business operating profit	10,003	6,360

	2008	2007
Equipment for cryogen products	2,645	-
Machinery for chemical production	1,144	-
Building and assembly workings	831	-
Thermal and other equipment	236	-
Heavy machinery business operating revenues	4,856	-
Materials	2,475	-
Impairment of property, plant and equipment and intangible assets	2,453	-
Salaries and other employment benefits	1,448	-
Other production expenses	759	-
Depreciation and amortization	713	-
Production services received	276	-
Distribution costs	57	-
Other	1,187	-
Heavy machinery business operating expenses	9,368	-
Heavy machinery business operating loss	(4,512)	-
Sale of gas	5,187	822
Sale of premises	1,139	4,387
Project engineering sales	1,018	-
Other businesses operating revenues	7,344	5,209
Cost of gas sold and other operating expenses	4,426	393
Cost of premises sold and other operating expenses	1,397	3,109
Project engineering expenses	848	-
Other businesses operating expenses	6,671	3,502
Other businesses operating profit	673	1,707

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NOTE 8 – NON-INTEREST (LOSS)/GAIN FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Net gains from financial assets and liabilities held for trading for the years ended 31 December 2008 and 2007 comprise:

	2008	2007
Corporate shares	(29,491)	5,515
Russian and Moscow government bonds	1,504	(2,317)
Corporate bonds	614	1,648
(Loss)/gain on securities held for trading	(27,373)	4,846
Derivative contracts with:		
- Securities	(7,409)	1,265
- Interest swaps	(1,841)	-
- Bullion	(7)	1
- Commodity swaps	(1,127)	-
(Loss)/gain on derivative contracts other than with foreign currency	(10,384)	1,266
(Loss)/gain from financial assets and liabilities held for trading	(37,757)	6,112

NOTE 9 – FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income for the years ended 31 December 2008 and 2007 comprise:

	2008	2007
Debit/credit cards	2,776	2,576
Cash operations	2,040	703
Depository and custodian operations	1,518	1,833
Trade finance	790	654
Settlements operations	571	1,407
Asset management	319	546
Other	1,173	1,519
Fees and commissions received	9,187	9,238

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 2008 includes RUR 926 million that represents commission for the processing of dividend payments via the Group's depository network (2007 – RUR 1,485 million).

Fees and commissions expense for the years ended 31 December 2008 and 2007 comprise:

	2008	2007
Debit/credit cards	552	724
Brokerage operations	314	89
Arrangement fees and other financial services	274	2,695
Settlements operations	267	573
Cash related services	234	72
Depository and custodian services	232	260
Trade finance	29	38
Other	420	197
Fees and commissions expense	2,322	4,648

NOTE 10 – BANKING SALARIES, EMPLOYMENT BENEFITS AND ADMINISTRATIVE EXPENSES

Banking salaries and administrative expenses for the years ended 31 December 2008 and 2007 comprise:

	2008	2007
Salaries	11,360	11,694
Employee share-option plan	548	7,346
Social security costs	1,181	1,178
Defined contribution plan	388	347
Salaries and employment benefits	13,477	20,565
Operating taxes	1,971	1,884
Business development	1,827	1,599
Office maintenance	1,723	1,471
Rent	1,656	1,263
Professional services	1,309	900
Depreciation and amortization	970	800
Charges to the State Deposit Insurance System	563	504
Charity	609	409
Communications	409	408
Insurance	213	261
Other	585	1,618
Administrative expenses	11,835	11,117

Included in salaries for the year ended 31 December 2008 is an amount of RUR 992 million that relates to bonus payments to the members of the Management Board based on the financial performance of the Group in 2007 (for 2007 – bonus for 2006 of RUR 726 million).

Included in salaries for the year ended 31 December 2007 is the amount of RUR 552 million that relates to the accrued remuneration of the Council of the Bank paid in 2008. No accrued remuneration to the Council of the Bank was recognized for the year ended 31 December 2008.

The Group has pension arrangements under the State pension system of the Russian Federation. The Russian Federation state pension 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 up a defined contribution pension plan for its employees. The Bank has recognized RUR 388 million as an expense for defined contribution plan attributable to services provided by employees to the Bank in 2008 (2007 – RUR 347 million).

The operating taxes include property tax, VAT, transport tax and other minor taxes paid according to Russian tax legislation.

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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 (Plans 1 and 2 below). The plans span over 2007-2009 and are based on performance of the managers. Also, in September 2008 the Group has launched another share-based compensation plan for the directors of a UK-based subsidiary company (Plan 3). 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 the grant date (RUR)
1(a)	Members of the 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 the 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 the 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 of the Bank	400,000	25.12.2006	01.01.2007 to 31.12.2009	31.12.2009	equities	5,184	11,248
3	Directors of the subsidiary	10,182	16.09.2008	16.09.2008 to 15.02.2010	15.02.2010	cash	1,000	20,098

During 2008 the Group accrued total expenses of RUR 527 million under Plans 1 and 2 (2007 - RUR 7,345 million) and RUR 21 million under Plan 3 (2007 – nil). A description of each plan and 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 the 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 the IFRS financial statements during the measurement period (a year).

Options may be exercised on a 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.

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 2008 the estimated fair value of the Bank's shares was RUR 12,869 per share (31 December 2007 – RUR 24,879). The estimation of the fair value of the Bank's share options was based on valuation techniques commonly used for valuation of such instruments using the results of an appraisal made by an independent appraisal company.

Expenses relating to all three options under the Plan 1 are accrued starting from the grant date through to vesting dates regardless of the service period covered by each option. Below is a breakdown of the expenses that were recognized under the Plan 1 during 2007-2008 and that will be accrued during 2009-2010 (provided that vesting conditions for 2009 are met and that the estimated fair value of the Bank's shares remains the same as at 31 December 2008).

Plan	Number of shares	Accrual period (from the grant date to the vesting date)	Service period covered	Exercise price per share (RUR)	Fair value per share (RUR)	Total expenses, RUR million	Expenses accrued in 2007	Expenses accrued in 2008	Projected inaccrual in 2009	Projected inaccrual in 2010
1(a)	199,998	25.12.2006 to 15.02.2008	01.01.2007 to 31.12.2007	5,184	24,879 ¹	3,939	3,450	489	-	-
1(b)	199,998	25.12.2006 to 15.02.2009	01.01.2008 to 31.12.2008	5,184	12,869 ²	1,537	1,839	(404)	102	-
1(c)	200,004	25.12.2006 to 15.02.2010	01.01.2009 to 31.12.2009	5,184	12,869 ²	1,537	1,257	(276)	491	65
						7,013	6,546	(191)	593	65

Cumulative liability at the period end under remaining plans

6,546 2,416

At 31 December 2008 the Group re-measured the fair value of the liability relating to the Plan 1(b) and the Plan 1(c) according to the change in the estimated fair value of the Bank's shares during 2008 (see above).

During 2008 the vesting conditions under the Plan 1(a) were successfully satisfied. In May 2008 the Group made a cash payment equivalent to RUR 3,703 million to the option holders who chose cash payment to settle its liability on options under the Plan 1(a). RUR 236 million was transferred from liability to equity because some holders exercised the options and purchased shares.

At 31 December 2008 400,000 shares were reserved for the Plan 1(b) and the Plan 1(c) and were held by the Group. They are shown as part of treasury stock in these financial statements.

Subsequently, the vesting conditions under the Plan 1(b) were successfully satisfied. In 2009 additional RUR 357 million was accrued under the plan. Some of option holders chose the cash option and in May 2009 the Group made a cash payment equivalent to RUR 759 million to them to settle its liability on options under the Plan 1(b). Those option holders who exercised their right to purchase shares paid to the Group RUR 591 million. As a result, RUR 1,135 million was transferred from liability to equity.

Plan 2

The plan is set up for more than 150 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 the grant date the managers agreed to purchase the Bank's shares at a price of RUR 5,184 per share and simultaneously issue call 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 2008 amounted to RUR 1,782 million (31 December 2007 – RUR 1,746 million). The transfer of ownership of shares is not recognized until 31 December 2009, which is the vesting date of Plan 2. Also, during 2008 the options with some employees were terminated and the Group re-purchased 32,651 shares. In 2008 12,600 shares were sold to new participants of the Plan 2.

As the 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 the Plan 2 during 2007-2008 and that will be accrued during 2009 (provided that all the participants remain in the Bank's employ until the end of the vesting period).

¹ fair value at the vesting date of Plan 1(a)

² fair value at 31 December 2008

Plan	Number of shares	Accrual period (from the grant date to the vesting date)	Service period covered	Exercise price per share (RUR)	Fair value per share at the grant date (RUR)	Total expenses, RUR million	Accrued in 2007	Accrued in 2008	Projected accrual in 2009
2	375,260	25.12.2006 to 31.12.2009	25.12.2006 to 31.12.2009	5,184	11,248	2,276	799	718	759

Plan 3

The plan is set up for the directors of a UK-based subsidiary. The participants are entitled to cash payment based on the fair value of the Bank's shares. The vesting conditions include remaining in the Group's employ until the vesting date. The options do not carry voting rights, however include the compensation to the participants of the dividends paid by the Bank during the vesting period. The Group has deposited USD 12.5 million on an escrow account with a trust company as security for the payment of future potential cash benefits of directors.

A breakdown of the expenses that were recognized under the Plan 3 during 2008 and that will be accrued during 2009 (provided that vesting conditions for the period are met and that the estimated fair value of the Bank's shares remains the same as at 31 December 2008).

Plan	Number of shares	Accrual period (from the grant date to the vesting date)	Service period covered	Exercise price per share (RUR)	Fair value per share (RUR)	Total expenses, RUR million	Accrued in 2008	Projected accrual in 2009	Projected accrual in 2010
3	10,182	16.09.2008 to 15.02.2010	16.09.2008 to 15.02.2010	1,000	12,869	121	21	85	15
						121	21	85	15

Cumulative liability at the period end

21**NOTE 11 – PROFIT TAX**

The provision for profit tax for the years ended 31 December 2008 and 2007 comprises:

	2008	2007
Current profit tax charge	19,087	17,777
Deferred profit tax benefit	(26,882)	1,260
Profit tax (benefit)/expense	(7,795)	19,037

Russian legal entities individually report taxable income and remit profit taxes thereon to the appropriate authorities. The statutory profit tax rate in the Russian Federation for the year 2008 was 24%. Effective from 1 January 2009 the tax rate was decreased to 20%; hence the deferred profit tax charge was assumed based on the new tax rate.

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The effective profit tax rate differs from the statutory profit tax rate. A reconciliation of the profit tax provision based on the statutory rate with the actual profit tax provision follows:

	2008	2007
(Loss)/profit before taxation and minority interest	(76,029)	52,600
Statutory profit tax rate	24%	24%
Theoretical profit tax (benefit)/charge at statutory rate	(18,247)	12,624
Tax concession of subsidiaries	101	(406)
Unrecognized tax losses carried forward for the year	105	1,194
Income and expenses taxed at different rates	(2,185)	(5,532)
Tax losses carried forward utilized during the year	-	49
Effect of a change in the statutory profit tax rate on deferred tax	3,752	-
Tax effect of other non-temporary differences	8,679	11,108
Profit tax (benefit)/expense	(7,795)	19,037

As of 31 December 2008 and 2007 the Group's profit tax assets comprise:

	31 December 2008	31 December 2007
Current profit tax assets	7,250	1,444
Deferred profit tax assets	28,752	4,028
Profit tax assets	36,002	5,472

The current profit tax assets arise from advance payments of profit tax by the Group due to the statutory advance tax payments system and is usually realized either by off-setting with the Group's profit tax liabilities in subsequent periods or upon repayment by the tax authorities. Deferred tax assets are the amounts of profit 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 2008 and 2007 the Group's profit tax liabilities comprise:

	31 December 2008	31 December 2007
Current profit tax liabilities	5,341	1,819
Deferred profit tax liabilities	9,201	8,949
Profit tax liabilities	14,542	10,768

Deferred tax liabilities are the amounts of profit 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 2008 and 2007, respectively:

	31 December 2008	31 December 2007
Tax effect of taxable temporary differences		
Due from credit institutions, net	1,077	304
Financial assets held for trading	6,041	2,321
Loans to customers, net	1,751	817
Available-for-sale investments, net and investments in associates	3,685	2,002
Receivables and prepayments, net	586	-
Inventories, net	84	-
Property, plant and equipment, net	1,463	(166)
Intangible assets, net	734	723
Other assets, net	1,295	1,915
Amounts owed to credit institutions	-	14
Amounts owed to customers	434	250
Financial liabilities held for trading	26,449	-
Certificated debts	35	19
Eurobonds issued	573	443
Tax loss carried forward	2,609	-
Other liabilities	1,530	888
Deferred tax assets	48,346	9,530
Off-set with deferred tax liabilities	(19,594)	(5,502)
Deferred tax assets, net	28,752	4,028
Tax effect of deductible temporary differences		
Due from credit institutions, net	(130)	(24)
Financial assets held for trading	(3,849)	(679)
Loans to customers, net	(8,551)	(1,451)
Available-for-sale investments, net	(2,896)	(7,575)
Receivables and prepayments, net	(175)	-
Inventories, net	(561)	-
Property, plant and equipment, net	(9,727)	(4,876)
Intangible assets, net	(639)	(544)
Other assets, net	(110)	1,306
Amounts owed to credit institutions	(807)	(498)
Amounts owed to customers	(800)	(21)
Financial liabilities held for trading	(172)	-
Certificated debts	(75)	(125)
Eurobonds issued	(69)	-
Other liabilities	(234)	36
Deferred tax liabilities	(28,795)	(14,451)
Off-set with deferred tax assets	19,594	5,502
Deferred tax liabilities, net	(9,201)	(8,949)
Deferred profit tax asset/(liability), net	19,551	(4,921)

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A reconciliation of changes in the net balance sheet deferred profit tax position during the years ended 31 December 2008 and 2007 follows:

Deferred tax liability as of 31 December 2006	7,602
Effect of acquisition of subsidiaries	(4 926)
Net deferred tax charge to the consolidated profit and loss account	1,260
Change in deferred tax recorded directly to equity	985
Deferred tax liability as of 31 December 2007, as restated	4,921
Effect of acquisition of subsidiaries	6,278
Net deferred tax charge to the consolidated profit and loss account	(26,882)
Change in deferred tax recorded directly to equity	(3,868)
Deferred tax asset as of 31 December 2008	(19,551)

NOTE 12 – CASH AND DUE FROM THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Cash and due from the Central Bank of the Russian Federation comprise:

	31 December 2008	31 December 2007
Cash on hand	19,315	13,161
Current accounts	64,232	28,246
Term deposits	-	301
Obligatory reserve	1,364	9,051
Cash and due from the Central Bank of the Russian Federation	84,911	50,759

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 its customers. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

NOTE 13 – DUE FROM CREDIT INSTITUTIONS, NET

Due from credit institutions comprise:

	31 December 2008	31 December 2007
Current accounts	213,674	36,067
Term deposits	344,318	42,846
Reverse repurchase agreements	40,550	69,417
	598,542	148,330
Less – Provisions for impairment losses	(4,325)	(287)
Due from credit institutions, net	594,217	148,043

The largest concentrations of gross amounts due from credit institutions as of 31 December 2008 and 2007 relate to the following financial institutions:

	31 December 2008		31 December 2007
KIT Finance	82,203	Commerzbank AG	15,802
J.P. Morgan Chase	80,726	BNP-Paribas	11,295
Bank "National Clearing Centre"	55,155	Bankers Trust	10,613
The Royal Bank of Scotland	47,423	Russian Commercial Bank	9,662
Barclays Bank	42,318	Banque Societe Generale	7,121
	307,825		54,493

As of 31 December 2008 included in the total exposure of KIT-Finance Group (“KIT-Finance”) is the amount of RUR 40,550 million that relates to reverse repurchase agreements with the Group collateralized by marketable equity securities; and the amount of RUR 41,259 million, which is collateralized by mortgage loan portfolios of KIT-Finance. In May 2009 the Russian government authorities approved a restructuring plan for KIT-Finance which provides for additional government support for this bank. In June 2009 KIT-Finance repaid approximately RUR 15,000 million of its borrowings from the Group. Management believes that KIT-Finance will repay the remaining part of its borrowings from the Group by the end of July 2009.

Reverse repo agreements represent short-term funding granted by the Group with securities received as collateral. Securities received by the Group under reverse repo agreements are not recognized in the Group’s consolidated financial statements and are regarded as collateral by substance of transaction. 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, the Group has an obligation to return the same amount of securities to the counterparty when the transaction is settled. As of 31 December 2008 and 2007 the Group had the following securities received as collateral under reverse repo agreements.

	31 December 2008		31 December 2007	
	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	47,982	-	51,952	992
Corporate bonds	823	56	8,960	-
Russian and Moscow government bonds	9,245	6,168	1,648	-
Promissory notes	-	-	7,254	-
	58,050	6,224	69,814	992

NOTE 14 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Financial assets classified by the Group as held for trading comprise:

	Note	31 December 2008	31 December 2007
Russian and Moscow government bonds		78,120	13,343
Corporate bonds		61,717	55,320
Corporate shares		12,906	20,820
Promissory notes		3,879	12,145
Trading securities		156,622	101,628
Derivative financial assets	15		
- foreign exchange contracts		16,388	6,952
- commodity contracts		449	-
- bullion contracts		37	-
- securities contracts		-	103
Derivative financial assets		16,874	7,055
Financial assets held for trading		173,496	108,683

As of 31 December 2008 corporate shares included RUR 7,515 million of OAO “Gazprom” ordinary shares (31 December 2007 – RUR 12,581 million). The market quotations of OAO “Gazprom” ordinary shares decreased from RUR 343 per share at of 31 December 2007 to RUR 108 as of 31 December 2008. Other Russian “blue-chip” companies’ corporate shares represent the rest of the corporate shares portfolio.

As of 31 December 2008 corporate bonds consist of RUR 1,020 million of OAO “Gazprom” bonds (31 December 2007 – RUR 347 million). The remaining balance comprises corporate bonds of Russian “blue-chip” enterprises. The annual nominal coupon rates on these bonds range from 3% to 16%.

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Russian and Moscow government bonds comprise Rouble and foreign currency denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation (OFZ), and municipal bonds issued and guaranteed by the government of the City of Moscow.

The promissory notes portfolio is represented by promissory notes of Russian top-tier banks.

As of 31 December 2008 and 2007 the Group had the following securities pledged as collateral under repo agreements (see also Note 23). Securities are stated at their estimated fair values as of the reporting dates.

	31 December 2008	31 December 2007
Government bonds	72,402	-
Corporate bonds	34,678	-
Corporate shares	304	51
	107,384	51

Financial liabilities classified by the Group as held for trading comprise:

	Note	31 December 2008	31 December 2007
Liability under short sales		56	-
Derivative financial liabilities	15		
- foreign exchange contracts		132,600	3,068
- securities contracts		20,144	5,050
- commodity contracts		427	-
- bullion contracts		41	4
Derivative financial liabilities		153,212	8,122
Financial liabilities held for trading		153,268	8,122

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NOTE 15 – DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group's exposure to market risks on derivative positions and fair value of derivative financial assets and liabilities outstanding as of 31 December 2008 were as follows:

	Derivative assets		Derivative liabilities	
	Market risk exposure	Fair value of derivative contracts	Market risk exposure	Fair value of derivative contracts
Foreign exchange contracts				
<i>Option contracts</i>				
- Foreign	7,124	1,538	504,310	(101,160)
- Domestic	69,089	3,203	1,484	(84)
<i>Forward contracts</i>				
- Foreign	15,644	3,009	129,528	(27,265)
- Domestic	60,349	3,344	12,373	(2,156)
<i>Swap contracts</i>				
- Foreign	19,320	5,294	11,500	(1,935)
Bullion contracts				
<i>Forward contracts</i>				
- Foreign	33	-	1,081	(41)
<i>Swap contracts</i>				
- Foreign	485	37	-	-
Securities contracts				
<i>Option contracts</i>				
- Foreign	-	-	26,266	(20,115)
<i>Forward contracts</i>				
- Foreign	-	-	567	(29)
Commodity contracts				
<i>Swap contracts</i>				
- Foreign	266	225	409	(204)
- Domestic	177	204	513	(223)
<i>Option contracts</i>				
- Foreign	36	20	-	-
Total derivative assets/(liabilities)	172,523	16,874	688,031	(153,212)

The market risk exposure of certain types of financial instruments, e.g. derivative contracts, provides a basis for comparison with instruments recognized on the consolidated balance sheet but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, does not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (positive fair value) or unfavourable (negative fair value) as a result of fluctuations in market rates relative to their terms. The aggregate market exposure of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

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The Group's exposure to risk on derivative positions and fair value of derivative financial assets and liabilities outstanding as of 31 December 2007 were as follows:

	Derivative assets		Derivative liabilities	
	Market risk exposure	Fair value of derivative contracts	Market risk exposure	Fair value of derivative contracts
Foreign exchange contracts				
<i>Option contracts</i>				
- Foreign	-	-	6,529	(557)
- Domestic	-	-	498	(1)
<i>Forward contracts</i>				
- Foreign	206,572	4,889	71,062	(1,002)
- Domestic	75,799	1,864	90,803	(1,508)
<i>Swap contracts</i>				
- Foreign	5,063	199	-	-
Bullion contracts				
<i>Forward contracts</i>				
- Foreign	-	-	52	(4)
Securities contracts				
<i>Forward contracts</i>				
- Foreign	3,008	2	3,443	(11)
- Domestic	3,976	101	1,473	(373)
<i>Option contracts</i>				
- Foreign	-	-	15,638	(4,666)
Commodity contracts				
<i>Swap contracts – domestic</i>				
- Foreign	-	-	12,528	-
Total derivative assets/(liabilities)	294,418	7,055	202,026	(8,122)

The Group's profit and loss earned on its foreign currency derivative contracts in 2008 and 2007 are as follows.

	2008	2007
Change in the fair value of derivatives	(119,653)	3,354
Realized gains for the period	22,729	1,973
(Loss)/profit from derivative contracts with foreign currency	(96,924)	5,327

Included in derivative liabilities on written put options with securities as of 31 December 2008 is an amount of RUR 18,717 million 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 2007 – RUR 3,209 million).

Included in derivative liabilities arising from foreign exchange option contracts are RUR 94,788 million of liabilities arising from total return swap transactions with large international banks. Included in derivative assets arising from foreign exchange option contracts are RUR 3,202 million of assets arising from total return swap transactions with large Russian corporates. Refer below for more details.

Also, the Group enters into transactions with currency futures RUR/USD on MICEX and security futures on RTS. Transactions are cleared by stock exchanges on a daily basis. As of 31 December 2008 and 2007 the net market risk exposures associated with these contracts were RUR 59,418 million and RUR 85,518 million, respectively.

Total Return Swap transactions

During 2008 the Group entered into a number of 'Total Return Swap' (TRS) transactions with foreign currency with large international banks under which:

- (a) the counterparty makes fixed rate payments to the Group based on the nominal value of a contract; and
- (b) the counterparty has the right to receive periodic payments from the Group based on the difference between the strike price of the underlying asset and its current market value.

Most of the TRS agreements have a composite index of RUR/USD and RUR/EUR rates set by the Central Bank of the Russian Federation (the 'bi-currency basket') as the underlying asset. The agreements provide for periodic (monthly or weekly) settlements that span up to August 2011. As such, these TRS agreements in substance represent a series of written FX options.

Some of the TRS transactions include unwinding clauses effective at certain dates during the life of the TRS contract. Such unwinding clauses provide the counterparties with the right to require unconditional settlement of the TRS transaction based on its market value at the date of unwinding, which is determined using market quotations of forward foreign exchange rates at that date. In 2009 the Group re-negotiated terms of the TRS contracts with its counterparties. As a result, such unwinding conditions were cancelled; and the Group provided additional credit enhancement to counterparties in respect of its obligations under the TRS contracts (refer also to Note 34).

At 31 December 2008 the Group's net (on- and off- balance-sheet) open positions in USD and EUROS were RUR 19,456 million and RUR 25,355 million, respectively (refer to Note 30(e)). Included in these positions are net foreign exchange off-balance sheet positions arising from the TRS transactions with the bi-currency basket of RUR 178,326 million and RUR 205,796 million for USD and EUROS, respectively. As at 31 December 2008, the Group also had a number of on-balance sheet instruments that formed an off-setting on-balance sheet position, which substantially eliminated the foreign exchange risks inherent in the TRS transactions, assuming that this on-balance sheet position is held to maturity of the TRS agreements. The Group considers that the existence of such an off-setting on-balance sheet position represents a form of delta-hedging of foreign exchange risks arising from the TRS transactions. However, such a delta-hedge arrangement does not qualify as a hedge relationship under IAS 39 "*Financial Instruments: Recognition and Measurement*". As a result the Group treated the TRS transactions and the financial instruments forming the delta-hedge position as separate financial instruments, which have different measurement bases.

The fair value of the TRS transactions recognized in the consolidated balance sheet was determined by the Group according to a valuation model that estimated discounted future cash flows from the TRS transactions based on the Group's estimates of forward exchange RUR/USD and RUR/EUR rates. The Group believed that there was no active forward foreign exchange market in Russia as at 31 December 2008 and therefore made estimates of forward foreign exchange rates based on prevailing market interest rates in Rouble, USD and EURO for relevant periods. Management estimates of Rouble interest rates were used in the model for periods (predominantly longer-term) where observable market Rouble interest rates were not available. The valuation model is sensitive to the assumptions used and different assumptions yield materially different values.

The carrying amount of foreign currency denominated financial instruments that comprised the off-setting on-balance sheet position forming the delta-hedge arrangement was translated into RUR using prevailing spot exchange rates as at 31 December 2008, i.e. the rates set by the Central Bank of the Russian Federation (see Note 3(e)).

At 31 December 2008 the fair value of the Group's net derivative liability related to the TRS transactions with the bi-currency basket was estimated by the Group as RUR 86,751 million. Foreign exchange translation gains related to revaluation of foreign currency denominated financial instruments comprising the off-setting delta-hedge arrangement, which was set up in the fourth quarter of 2008, as described above, amounted to RUR 40,296 million. Therefore, the loss for 2008 related to the TRS transactions with the bi-currency basket, net of the off-setting revaluation of the on-balance-sheet foreign currency position, comprises RUR 46,455 million.

As described above, management believes that the delta-hedge arrangement that was set up in the fourth quarter of 2008 eliminates future foreign exchange risk related to the TRS transactions arising from changes in exchange rates from the date when the delta-hedge arrangement was substantially completed. The Group estimated that the total difference between average exchange rates which were used to set up the off-setting delta-hedging position and the average break-even exchange rates under the TRS contracts (which are the rates at which the payments made by the Group to the counterparties are equal to fixed rate payments received by the Group from the counterparties) applied to the total exposure under the TRS transactions approximates RUR 13.2 billion. The Group believes that this amount approximates the total foreign exchange losses from the TRS transactions assuming that the Group will keep the delta-hedging arrangement described above over the remaining life of the TRS transaction, so that the residual open off-balance sheet position from the TRS transactions is exactly off-set by matching opposite on-balance sheet positions. This calculation does not consider the funding costs of maintaining the hedging on-balance sheet position.

In addition, as described above, the fair value of liabilities arising from the TRS transactions are measured using forward foreign exchange rates, while carrying amounts of off-setting on-balance sheet positions are measured using spot exchange rates. As a result, any change in spreads between spot and forward exchange rates from the date when the delta-hedging position was substantially completed to the reporting date results in differences in the amounts of gains and losses from re-measurement of the TRS transactions and gains or losses from translation of the off-setting on-balance sheet position, which will reverse as the TRS contracts mature. In this respect, foreign exchange losses recognized in 2008 of RUR 33.3 billion, which relate to the spreads between spot and forward exchange rates subsequent to the date that the delta-hedge arrangement described above was established, will reverse as foreign exchange gains over the remaining life of the TRS agreements assuming that on-balance sheet position is held to maturity of the TRS agreements. Although the Group's management believes that the approach which would match gains and losses from revaluation of the TRS transactions with gains less losses from translation of off-setting on-balance sheet position would better represent the substance of the delta-hedge arrangement achieved by the Group and would allow to remove volatility from the profit and loss account, the Group does not identify the possibility to apply such approach in compliance with IFRS.

NOTE 16 – LOANS TO CUSTOMERS, NET

Loans to customers comprise:

	31 December 2008	%	31 December 2007	%
Metal manufacture	97,155	14.9%	38,910	9.4%
Individuals	96,590	14.8%	68,524	16.5%
Gas extraction, transportation and sale enterprises	75,405	11.5%	30,985	7.5%
Finance and investment companies	70,750	10.8%	56,001	13.5%
Nuclear industry	41,145	6.3%	21,334	5.1%
Electric power industry	40,091	6.1%	14,656	3.5%
Machine building	39,487	6.0%	18,202	4.4%
Real estate construction	37,022	5.7%	38,349	9.2%
Oil extraction, transportation, sale enterprises and petrochemical industries	22,843	3.5%	15,279	3.7%
Mining	21,382	3.3%	8,728	2.1%
Trading enterprises	19,910	3.0%	38,128	9.2%
Telecommunications	19,395	3.0%	6,408	1.5%
Agriculture	15,345	2.3%	4,097	1.0%
Transport	7,983	1.2%	8,260	2.0%
Leasing	6,597	1.0%	13,437	3.2%
Chemical industry	6,256	1.0%	4,872	1.2%
Food industry	5,775	0.9%	8,268	2.0%
Shipbuilding	4,557	0.7%	1,569	0.4%
Entrepreneurs	2,191	0.3%	3,121	0.8%
Insurance	1,807	0.3%	1,095	0.3%
Timber industry	1,202	0.2%	2,003	0.5%
Other	20,978	3.2%	12,511	3.0%
	653,866	100.0%	414,737	100.0%
Less – Provision for impairment	(23,783)		(13,528)	
Loans to customers, net	630,083		401,209	

As of 31 December 2008 the Group's loan exposures to the OAO "Gazprom" Group accounted for 6% (RUR 38,187 million) of the gross loan portfolio (31 December 2007 – 9% or RUR 37,267 million).

As of 31 December 2008 the ten largest loan exposures accounted for RUR 120,022 million or 18% of the gross loan portfolio (31 December 2007 – RUR 95,011 million or 23%).

As of 31 December 2008 RUR 16,379 million (31 December 2007 – RUR 12,002 million) of loans to customers were originated by the Group by purchasing promissory notes of borrowers.

The Group's loan portfolio has been extended to the following types of enterprises within the Russian Federation and abroad:

	31 December 2008	31 December 2007
Private companies, gross	478,317	288,408
Less – Provision for impairment losses	(21,271)	(11,298)
Private companies, net	457,046	277,110
State controlled companies, gross	78,959	57,805
Less – Provision for impairment losses	(349)	(1,490)
State controlled companies, net	78,610	56,315
Individuals, gross	96,590	68,524
Less – Provision for impairment losses	(2,163)	(740)
Individuals, net	94,427	67,784
Loans to customers, net	630,083	401,209

Loans to individuals have been extended within the Russian Federation and comprise the following.

	31 December 2008	31 December 2007
Mortgage loans originated, gross	29,318	28,455
Less – Provision for impairment losses	(482)	(303)
Mortgage loans originated, net	28,836	28,152
Mortgage loans acquired, gross	37,186	17,171
Less – Provision for impairment losses	(1,014)	(97)
Mortgage loans acquired, net	36,172	17,074
Consumer loans, gross	15,291	14,183
Less – Provision for impairment losses	(172)	(223)
Consumer loans, net	15,119	13,960
Car purchase loans, gross	14,577	8,711
Less – Provision for impairment losses	(480)	(117)
Car purchase loans, net	14,097	8,594
Credit cards and overdrafts, gross	218	4
Less – Provision for impairment losses	(15)	-
Credit cards and overdrafts, net	203	4
Loans to individuals, net	94,427	67,784

As of 31 December 2008 RUR 17,881 million of the mortgage loan portfolio was securitized by means of issue of mortgage-backed securities (31 December 2007 – RUR 14,951 million). See Note 25 for details.

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Overdue analysis of loans to individuals as at 31 December 2008 is shown below.

	Mortgage loans	Consumer loans	Car purchase loans	Credit cards and overdrafts	Total
- Not past due	61,581	14,680	14,032	207	90,500
- Overdue less than 30 days	2,667	397	230	5	3,299
- Overdue 30-89 days	836	53	107	2	998
- Overdue 90-179 days	554	20	54	1	629
- Overdue more than 180 days	866	141	154	3	1,164
Total loans to individuals, gross	66,504	15,291	14,577	218	96,590
Provision for impairment losses	(1,496)	(172)	(480)	(15)	(2,163)
Loans to individuals, net	65,008	15,119	14,097	203	94,427
Provision for impairment to gross loans (%)	2.2	1.1	3.4	6.9	2.2

As of 31 December 2008 RUR 55,418 million of loans to corporate customers originated by the Group in the second half of 2008 were pledged as collateral for the funding received from the Central Bank of the Russian Federation. See Note 23 for further details.

The components of net investment in finance lease as of 31 December 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
Minimum lease payments	5,335	7,111
Less – Unearned finance income	(1,648)	(1,253)
Net investment in finance lease	3,687	5,858
Current portion – not later than 1 year	1,662	2,766
Long-term portion – from 1 to 5 years	2,025	3,092
Net investment in finance lease	3,687	5,858

As of 31 December 2008 RUR 9,825 million of loans to customers were past due for more than 90 days (non-performing loans) (31 December 2007 - RUR 4,080 million).

As of 31 December 2008 the fair value of loans to customers estimated using valuation techniques described in Note 3(t) lies in the range from RUR 602,084 million to RUR 630,083 million (31 December 2007 – from RUR 386,687 million to RUR 401,209 million).

For further details on the credit risk profile of the Groups' loan portfolio see Note 30(a).

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NOTE 17 – INVESTMENTS AVAILABLE-FOR-SALE, NET, AND INVESTMENTS IN ASSOCIATES, NET

Available-for-sale investments comprise:

	31 December 2008	31 December 2007
Available-for-sale investments accounted for at fair value	23,750	36,964
Investments in associates accounted for under the equity method	9,960	7,886
Available-for-sale investments accounted for at cost:		
- Unconsolidated subsidiaries accounted for at cost	1,120	461
- Associates accounted for at cost	2,018	571
- Other investments accounted for at cost	8,307	4,451
Available-for-sale investments, net, and investments in associates, net	45,155	50,333

a) Investments accounted for at fair value

Investments accounted for at fair value comprise:

	31 December 2008	31 December 2007
Corporate shares and ADRs	12,000	27,142
Funds participation shares	6,859	4,732
Corporate bonds and CLNs	4,891	5,090
	23,750	36,964

As of 31 December 2008 as a result of a financial crisis investments available-for-sale accounted for at fair value were impaired by RUR 8,530 million (refer to Note 6).

As of 31 December 2008 included in corporate shares and ADRs are investments of the Group in subsidiaries of OJSC “Mosenergo” (“Mosenergo”), Russian largest regional utility company and the principal supplier of electricity and heat to the Moscow region, and companies formed on the base of Mosenergo subsidiaries in the course of reorganization of the electric power industry in Russia (“Mosenergo companies”). A list of these investments and their fair values are as follows:

	Group's holding, %	31 December 2008	Group's holding, %	31 December 2007
Moskovskaya Oblastnaya Electrosetevaya Kompanya (MOESK)	7.62%	5,236	9.62%	5,640
RusGydro	0.91%	1,140	-	-
MosEnergoSbyt	12.63%	356	12.60%	1,727
OGK-1 (former GRES-4)	6.46%	332	2.10%	2,656
FSK UES (former MSK)	0.13%	82	-	-
OGK-6 (former GRES-24)	0.60%	44	0.60%	493
Zagorskaya GAES	-	-	22.60%	6,876
Moskovskaya Gorodskaya Electrosetevaya Kompanya (MGESK)	-	-	9.62%	4,652
Moskovskaya Teplosetevaya Kompanya	-	-	9.60%	2,245
		7,190		24,289

In January 2008 Group's investment in Zagorskaya GAES were converted into 0.91% stake in a newly formed OAO “RusGydro”.

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During 2008 the Group performed a number of transactions with shares of Moskovskaya Gorodskaya Electrosetevaya Kompanya ("MGESK") and Moskovskaya Oblastnaya Electrosetevaya Kompanya ("MOESK"), subsidiaries of OJSC "Mosenergo". In May 2008 the Group obtained significant influence over these companies. At the date of acquisition of significant influence the Group recognised the excess of the fair value of the Group's share in net assets of MOESK acquired over consideration given totalling RUR 1,020 million as income in the consolidated profit and loss account for the year ended 31 December 2008 (see Note 1(b)). The excess of consideration paid for the Group's share in the net assets of MGESK over the fair value of the Group's share in the net assets acquired totalling RUR 539 million was initially recognized as goodwill, which was then written off as impaired.

In July 2008 MGESK company was combined with MOESK. Later in 2008 the Group lost its significant influence over MOESK. As of 31 December 2008 the Group owned a 7.62% stake in MOESK. Included in profit from available-for-sale investments for the year ended 31 December 2008 is a gain of RUR 2,063 million relating to the transactions with MGESK and MOESK shares. Also, the Group has recognized a loss of RUR 57 million from associates in respect of its investments in MGESK and MOESK.

During 2008 the Group has also divested some other minor investments in Mosenergo companies, including Moskovskaya Teplosetevaya Kompanya, earning RUR 2,924 million of realized profit (profit derived by the Group from disposal of stakes in power sector companies in 2007 – RUR 10,720 million).

b) Investments in associates accounted for under the equity method

As of 31 December 2008 and 2007 investments in associates accounted for under the equity method comprise:

Name	Principal activity	Country	31 December 2008		31 December 2007	
			Group's holding, %	Carrying value	Group's holding, %	Carrying value
Petrochemicals and tires segment						
Sibmetakhim	Methanol production	Russia	50%	2,823	50%	1,962
Rusvinyl	Polyvinylchloride production	Russia	50%	1,372	50%	1,400
National Polymers	Terephtalic acid and mylar production	Russia	50%	-	50%	604
SP Matador-Omskshina	Tires production	Russia	50%	310	50%	353
Yuzhno-Priobskiy GPZ	Associated petroleum gas processing	Russia	50%	25	50%	25
Other				15	-	1
				4,545		4,345
Heavy machinery						
MK Uralmash	Machinery production	Russia	50%	1,204	-	-
				1,204		-
Other segment						
Sibneftegas	Oil and gas	Russia	51%	2,904	51%	2,848
Sibgaztranzit	Oil and gas	Russia	51%	308	-	-
Tancredo	Oil and gas	Russia	95%	298	-	-
Yamal SPG	Oil and gas	Russia	25%	193	25%	224
Other				508	-	469
				4,211		3,541
				9,960		7,886

The ownership of more than 50% stakes in OAO "Sibneftegas", OOO "Sibgaztransit", and OOO "Tancredo" by virtue of their charter agreements does not constitute control over operations of the companies, although it does constitute a right of significant influence. Hence the Group regards these companies as associate companies accounted for under the equity method.

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c) *Unconsolidated subsidiaries accounted for at cost*

As of 31 December 2008 and 2007, the Group had investments in the following unconsolidated subsidiaries:

Name	Principal activity	Country	31 December 2008			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
Banking segment						
Morion	Manufacturing	Russia	86.3%	453	(151)	302
FPM-Holding ZAO	Asset Management	Russia	100%	424	-	424
Raschetno-Depositarnaya Kompanya	Clearing & Custody	Russia	65.9%	221	(17)	204
Strategicheskije aktivi	Asset Management	Russia	100%	30	-	30
Gamma	Trading enterprises	Russia	50%	26	(26)	-
Other				95	(21)	74
				1,249	(215)	1,034
Petrochemicals and tires segment						
Permskii GPZ	Manufacturing	Russia	50.1%	134	(133)	1
Pansionat Samara	Service	Russia	75.4%	38	(38)	-
Other minor subsidiaries				61	(8)	53
				233	(179)	54
Media segment						
Other minor subsidiaries				34	(2)	32
				34	(2)	32
				1,516	(396)	1,120

Name	Principal activity	Country	31 December 2007			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
Banking segment						
Morion	Manufacturing	Russia	86.3%	453	(151)	302
Raschetno-Depositarnaya Kompanya	Clearing & Custody	Russia	55.0%	34	(17)	17
Strategicheskije aktivi	Asset Management	Russia	100.0%	30	-	30
Gamma	Trading enterprises	Russia	50.0%	26	(26)	-
Other minor subsidiaries				74	(39)	35
				617	(233)	384
Petrochemicals and tires segment						
Permskii GPZ	Manufacturing	Russia	50.1%	134	(133)	1
Pansionat Samara	Service	Russia	75.4%	38	(38)	-
Other minor subsidiaries				52	(8)	44
				224	(179)	45
Media segment						
Other minor subsidiaries				33	(1)	32
				33	(1)	32
				874	(413)	461

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d) Associates accounted for at cost

As of 31 December 2008 and 2007, the Group has investments in the following associates accounted for at cost:

Name	Principal activity	Country	31 December 2008			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
Banking segment						
FK Zenit	Sport	Russia	51.0%	1,300	(1,096)	204
Belgazprombank	Banking	Belarus	48.1%	1,340	(17)	1,323
Mezhregionteploenergo	Utility	Russia	40.8%	133	-	133
Sportstroyresurs	Construction	Russia	25.0%	50	(5)	45
Other				306	(7)	299
				3,129	(1,125)	2,004
Petrochemicals and tires segment						
DK Tolyatti	Entertainment	Russia	50.0%	100	(100)	-
Sibgaztrans	Oil & gas	Russia	49.6%	46	(46)	-
FK Zenit	Sport	Russia	9.0%	219	(219)	-
Other				40	(40)	-
				405	(405)	-
Media segment						
Other minor associates				1	(1)	-
				1	(1)	-
Heavy machinery segment						
Other minor associates				14	-	14
				14	-	14
				3,549	(1,531)	2,018

Name	Principal activity	Country	31 December 2007			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
Banking segment						
FK Zenit	Sport	Russia	51.0%	1,043	(1,043)	-
Mezhregionteploenergo	Energy	Russia	40.8%	133	-	133
Sportstroyresurs	Construction	Russia	25.0%	50	-	50
Other				608	(223)	385
				1,834	(1,266)	568
Petrochemicals and tires segment						
DK Tolyatti	Entertainment	Russia	50.0%	100	(100)	-
Sibgaztrans	Oil & gas	Russia	49.6%	46	(46)	-
FK Zenit	Sport	Russia	9.0%	219	(219)	-
Other				1	(1)	-
				366	(366)	-
Media segment						
Other minor associates				4	(1)	3
				4	(1)	3
				2,204	(1,633)	571

Unconsolidated subsidiaries and associates have not been consolidated with the results of the Group nor accounted for under the equity method as the effect of consolidation would not materially alter the financial position of the Group as of 31 December 2008 and 2007 or the results of its operations or cash flows of the Group for years ended 31 December 2008 and 2007.

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d) Other investments accounted for at cost

Other investments accounted for at cost include minor stakes in various Russian companies.

The equity instruments available-for-sale are carried at cost as they do not have a quoted market price in an active market and other methods of reasonably estimating fair value are not applicable due to the lack of reliable information for discounted cash flow analysis and the absence of comparable quoted companies. It is also currently impracticable to calculate the range of estimates within which fair value of these equity investments is highly likely to lie.

As of 31 December 2008 cumulative impairment loss of RUR 3,089 million was recognised in relation to other investments carried at cost (31 December 2007 - RUR 332 million).

The movements of available-for-sale investments and investments in associates during the years ended 31 December 2008 and 2007 were as follows:

31 December 2006	65,737
Net effect of adjustments to fair value	4,868
Available-for sale investments purchased	46,642
Available-for sale investments disposed	(65,124)
Effect of acquisition of subsidiaries	(169)
Rights issue of unconsolidated subsidiaries	66
Impairment of investments	(210)
Transfer to assets held for sale	(1,256)
Income from associates	520
Dividends from associates	(35)
Other	(706)
31 December 2007	50,333
Net effect of adjustments to fair value	(2,394)
Available-for-sale investments purchased	34,439
Available-for-sale investments disposed	(31,688)
Effect of acquisition of unconsolidated subsidiaries	2,717
Rights issue of unconsolidated subsidiaries	444
De-recognition of available-for-sale investments	(9,302)
Acquisition of associates	13,444
Recognition of investments in associates	8,825
Negative goodwill on recognition of associates	1,020
Income from associates	1,183
Dividends from associates	(567)
Recognition of available-for-sale investments accounted for at fair value	8,311
De-recognition of investment in associate	(22,693)
Impairment of available-for-sale investments accounted for at fair value	(8,530)
Impairment of available-for-sale investments at cost and investments in associates accounted for at cost	(3,177)
Reclassification from financial assets held for trading	6,510
Reclassification to loans to customers	(3,720)
31 December 2008	45,155

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Changes in the fair value reserve in the Group's equity for the years 2008 and 2007 in relation to available-for-sale investments accounted for at fair value were as follows.

	Amount of change, gross	Deferred tax charged to equity	Fair value reserve, net
31 December 2006	19,968	(4,792)	15,176
Fair value adjustment of available-for-sale investments	4,868	(1,168)	3,700
Disposal of available-for-sale investments accounted for at fair value	(9,346)	2,243	(7,103)
31 December 2007	15,490	(3,717)	11,773
Fair value adjustment of available-for-sale investments	(2,394)	479	(1,915)
Disposal of available-for-sale investments accounted for at fair value	(8,612)	2,067	(6,545)
De-recognition of available-for-sale investments other than disposal of available-for-sale investments	(5,788)	1,389	(4,399)
Recognition of available-for-sale investments accounted for at fair value	550	(110)	440
Change of statutory tax rate	-	43	43
31 December 2008	(754)	151	(603)

NOTE 18 – RECEIVABLES AND PREPAYMENTS, NET

As of 31 December 2008 and 2007 receivables and prepayments comprise the following:

	31 December 2008	31 December 2007
Trade receivables	42,551	16,297
Settlements with budget for other taxes	11,615	11,479
Prepayments and advances	3,268	8,450
Accounts due from customers for contract work	3,287	-
Receivable on securities operations	386	4,326
Commissions receivable	-	1,189
Other receivables	339	1,295
	61,446	43,036
Less – Provision for impairment losses	(3,208)	(2,072)
Trade receivables, net	58,238	40,964

Trade receivables and prepayments primarily consist of prepayments under raw materials purchase agreements and short- and medium-term receivables for industrial products marketed and processing services rendered by non-banking business segments of the Group.

Included in settlements with budget for other taxes is an amount of RUR 10,261 million that represents short-term recoverable VAT primarily relating to activities of petrochemical and tires and heavy machinery business segments of the Group (31 December 2007 – RUR 9,658 million).

NOTE 19 – INVENTORIES, NET

As of 31 December 2008 and 2007 inventories comprise the following:

	31 December 2008	31 December 2007
Refined products	19,602	12,856
Property and goods for resale	28,950	11,576
Materials and supplies	5,216	3,807
Other finished goods	961	155
	54,729	28,394
Less – Provision for impairment losses	(2,237)	(459)
Inventories, net	52,492	27,935

NOTE 20 – PROPERTY, PLANT AND EQUIPMENT, NET

The movements of property, plant and equipment during the years ended 31 December 2008 and 2007 were as follows:

	Land, buildings and facilities	Machinery, transport and equipment	Other	Assets under construction	Total
Cost of acquisition					
31 December 2006	42,060	47,078	1,255	8,546	98,939
Transfer	1,808	5,383	208	(7,399)	-
Effect of acquisition of subsidiaries	4,141	5,166	805	86	10,198
Additions	1,704	10,851	1,237	17,795	31,587
Disposals	(338)	(708)	(42)	(2,352)	(3,440)
Reclassification to investment property	(2,292)	-	-	-	(2,292)
31 December 2007	47,083	67,770	3,463	16,676	134,992
Transfer	6,477	(9,958)	4,016	(535)	-
Effect of acquisition of subsidiaries	18,850	10,558	512	3,859	33,779
Additions	1,048	10,611	1,927	23,095	36,681
Disposals	(1,128)	(8,830)	(1,213)	(2,305)	(13,476)
Impairment	(989)	(1,907)	(31)	(59)	(2,986)
31 December 2008	71,341	68,244	8,674	40,731	188,990
Accumulated depreciation					
31 December 2006	12,982	28,201	833	-	42,016
Transfer	20	(20)	-	-	-
Effect of acquisition of subsidiaries	757	7,472	645	-	8,874
Charge for the period	1,259	4,171	115	-	5,545
Disposals	(49)	(705)	(19)	-	(773)
Reclassification to investment property	(97)	-	-	-	(97)
31 December 2007	14,872	39,119	1,574	-	55,565
Transfer	4,291	(7,139)	2,848	-	-
Effect of consolidation and acquisition of subsidiaries	995	5	129	-	1,129
Charge for the period	1,773	4,770	894	-	7,437
Disposals	(488)	(7,544)	(1,063)	-	(9,095)
31 December 2008	21,443	29,211	4,382	-	55,036
Net book value					
31 December 2007	32,211	28,651	1,889	16,676	79,427
31 December 2008	49,898	39,033	4,292	40,731	133,954

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 RUR 759 million and RUR 1,225 million as of 31 December 2008 and 2007, respectively.

As of 31 December 2008 property, plant and equipment of the non-banking businesses were impaired by RUR 2,986 million which was recognized as part of non-banking operating profits in the profit and loss account for the year ended 31 December 2008 (31 December 2007 – nil) (see Note 6).

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NOTE 21 – GOODWILL

The movement of goodwill for the years ended 31 December 2008 and 2007 is as follows:

31 December 2007 as previously reported	19,945
Reallocation of goodwill recorded provisionally	155
31 December 2007 as restated	20,100
Business combination (Note 1(b))	6,415
Foreign exchange difference from translation to presentation currency (Note 3(c))	(31)
31 December 2008	26,484
Accumulated impairment	
31 December 2007	-
Impairment loss for the period	4,140
31 December 2008	4,140
Goodwill less accumulated impairment	
31 December 2007	20,100
31 December 2008	22,344

As of the year-end 2008 the Management of the Group has tested the goodwill acquired in business combinations for possible impairment. As a result at 31 December 2008 the Group has recognized a loss of RUR 4,140 million related to an impairment of goodwill, which was recognized as goodwill impairment loss in the profit and loss account for the year ended 31 December 2008. No goodwill impairment loss was recognized in 2007 (See Note 6).

NOTE 22 – OTHER ASSETS AND INTANGIBLES, NET

As of 31 December 2008 and 2007 other assets comprise the following:

	31 December 2008	31 December 2007
Investment property	1,257	1,477
Bullion in vault	320	300
Financial assets held to maturity	190	-
Assets held-for-sale	28	1,740
Other	3,608	2,524
	5,403	6,041
Less – Provision for impairment losses	(175)	(19)
Other assets, net	5,228	6,022

Included in assets held for sale as of 31 December 2007 is an amount of RUR 1,257 million that represents the carrying value of investment in OOO “Gaztekhleasing” which was sold in 2008.

As of 31 December 2008 and 2007 intangible assets comprise the following:

	31 December 2008	31 December 2007
Programming rights (GMG)	7,686	6,913
Intangible assets identified in business combinations	3,934	-
Software and other intangibles	4,427	2,663
Intangible assets, net	16,047	9,576

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The movement of intangible assets during the years ended 31 December 2008 and 2007 was as follows:

	Programming rights	Software and other intangibles	Customer- related assets	Technology- based assets	Total
Cost of acquisition					
31 December 2007	19,725	3,532	-	-	23,257
Effect of acquisition of subsidiaries	-	468	3,296	1,671	5 435
Additions	13,689	2,352	-	-	16,041
Disposals	(6,704)	(232)	-	-	(6,936)
31 December 2008	26,710	6,120	3,296	1,671	37,797
Accumulated depreciation and impairment					
31 December 2007	12,812	869	-	-	13,681
Effect of consolidation and acquisition	-	1	399	-	400
Charge for the period	9,973	528	16	28	10,545
Disposals	(4,644)	(7)	-	-	(4,651)
Impairment	883	302	590	-	1,775
31 December 2008	19,024	1,693	1,005	28	21,750
Net book value					
31 December 2007	6,913	2,663	-	-	9,576
31 December 2008	7,686	4,427	2,291	1,643	16,047

The impairment of intangible assets of RUR 1,775 million was recognized as part of non-banking operating profits in the profit and loss account for the year ended 31 December 2008 (31 December 2007 - nil) (see Notes 6 and 7).

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NOTE 23 – AMOUNTS OWED TO THE CENTRAL BANK OF THE RUSSIAN FEDERATION AND OTHER CREDIT INSTITUTIONS

Since September 2008 the Government of the Russian Federation implemented certain measures to support the Russian banking system. As part of such measures, the Group received significant short- and medium-term funding from the Central Bank of the Russian Federation (the “CBR”), which is partly unsecured or collateralised by pledge of commercial loans issued by the Group and corporate or state debt securities owned by the Group, or enhanced by guarantees issued by other top-tier Russian banks. As of 31 December 2008 the Group owed the following amounts to the CBR:

	31 December 2008
Time deposits	301,740
Repo agreements	217,690
Amounts owed to the CBR	519,430

Included in time deposits with the CBR is an amount of RUR 178,500 million that represents short-term deposits with the residual maturity ranging from 56 days to 5 months received by the Group in the course of money auctions organized by the CBR. Deposits bear 12,5% annual interest.

Also, as of 31 December 2008 the Group has deposits from the CBR of RUR 55,206 million with the residual maturity up to 9 months bearing 5,5% annual interest.

Included in time deposits with the CBR is an amount of RUR 31,000 million that represents short-term deposits with the residual maturity ranging from 5 to 6 months received by the Group under guarantees given by the top-tier Russian banks. Deposits bear annual interest of 12%.

Included in time deposits with the CBR is an amount of RUR 35,420 million that represents short-term deposits with the residual maturity of less than 1 year received by the Group, which are collateralised by the loans to customers originated by the Group in the amount of RUR 55,418 million. Deposits bear annual interest ranging from 9% to 12%.

Repo agreements with the CBR represent funding with residual maturity up to 11 days collateralised with securities of Russian corporate and state and municipal bonds. As of 31 December 2008 the following debt securities were pledged as collateral under repo agreements with the CBR. Securities are stated at their estimated fair values as of the reporting dates.

	31 December 2008
Corporate bonds	151,784
State and municipal bonds	78,420
	230,204

Included in corporate bonds pledged under repo transactions with the CBR is RUR 116,347 million of Rouble-denominated bonds issued by a subsidiary of SIBUR Holding Group, which were purchased by the Group. These securities were eliminated on consolidation and are not presented in these financial statements.

Amounts owed to other credit institutions as of 31 December 2008 and 2007 comprise:

	31 December 2008	31 December 2007
Current accounts	16,349	2,031
Term deposits	84,329	78,147
Syndicated loans	18,084	16,776
Repo agreements	52	7,387
Amounts owed to credit institutions	118,814	104,341

In April 2006 the Group received a three-year committed loan with the nominal amount of USD 500,000 thousand from a syndicate of foreign banks. The loan bears annual interest of USD 6-month LIBOR plus 0.5%. Included in syndicated loans as of 31 December 2008 is the amount of RUR 4,942 million (USD 166 million) that relates to the amounts owed to credit institutions under this agreement. USD 333 million was repaid by the Group during 2008.

Included in syndicated loans as of 31 December 2008 is an amount of RUR 4,381 million that represents a one-year committed loan with the nominal amount of USD 150,000 thousand received by the Group in March 2008 from a syndicate of foreign banks. The loan bears annual interest of USD 6-month LIBOR plus 0.45%.

Included in syndicated loans as of 31 December 2008 is an amount of RUR 8,761 million that represents a three-year committed loan with the nominal amount of USD 300,000 thousand received by the Group in March 2008 from a syndicate of foreign banks. The loan bears annual interest of USD 6-month LIBOR plus 0.65%.

The largest concentrations of amounts owed to credit institutions as of 31 December 2008 and 2007 relate to the following financial institutions:

	31 December 2008		31 December 2007
VTB	11,337	Vnesheconombank	19,534
Russian Commercial Bank	10,120	NATIXIS	10,871
NATIXIS	6,154	Barclays Bank Plc	7,401
Deutsche Bank AG	5,826	Sumitomo Mitsui Bank Corp.	7,171
	33,437		44,977

Repo agreements represent short-term funding received by the Group with securities pledged as collateral to credit institutions (see Note 13).

As of 31 December 2008 the fair value of amounts owed to credit institutions estimated based on the valuation techniques described in Note 3(t) lies in the range from RUR 632,284 million to RUR 638,244 million (31 December 2007 – from RUR 104,341 million to RUR 105,502 million).

Due to significant amounts of short-term funding received by the Group from the CBR as of 31 December 2008 the Group is dependent upon the ability of the Group to refinance its short-term deposits with the CBR.

NOTE 24 – AMOUNTS OWED TO CUSTOMERS AND SUBORDINATED DEPOSITS

Amounts owed to customers comprise:

	31 December 2008	31 December 2007
Current accounts:		
- State controlled companies	152,837	100,466
- Private companies	133,931	89,807
- Individuals	45,646	43,409
	332,414	233,682
Time deposits:		
- State controlled companies	45,903	46,389
- Private companies	177,304	47,970
- Individuals	86,945	63,340
	310,152	157,699
Amounts owed to customers	642,566	391,381

As of 31 December 2008 current accounts and time deposits of the OAO “Gazprom” Group composed 27% (RUR 175,042 million) of the Group’s total amounts owed to customers (31 December 2007 – 34% or RUR 132,010 million).

Included in current accounts as of 31 December 2008 is RUR 73,244 million of minimum balances that customers are required to maintain during contractually specified periods of time (31 December 2007 – RUR 85,936 million).

Included in time deposits as of 31 December 2008 is an amount of RUR 13,055 million that represents coverage under letters of credit opened by the Bank (31 December 2007 - RUR 5,214 million) (refer to Note 32).

As of 31 December 2008 and 2007 subordinated deposits comprise:

	31 December 2008	31 December 2007
State controlled companies	14,218	6,401
Private companies	10,460	7,364
Subordinated deposits	24,678	13,765

Subordinated deposits of the Group represent time deposits that were placed by customers with the Bank 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. The classification of deposits as subordinated for the purpose of compliance with the Russian statutory legislation (for the calculation of statutory capital adequacy ratio) also needs a formal approval of the terms of each deposit agreement by the CBR (the "registration" of deposit agreements). As of 31 December 2008 subordinated deposits of RUR 19,850 million were registered by the CBR (31 December 2007 – RUR 12,761 million).

As of 31 December 2008 included in subordinated deposits is an amount of RUR 14,218 million that relates to deposits of the OAO Gazprom Group (31 December 2007 – RUR 6,401 million). Interest rates on the OAO Gazprom Group deposits are floating and are linked to LIBOR. The rest of Rouble-denominated subordinated deposits bear fixed Rouble interest rates up to 8%.

In December 2008 the Group received RUR 15,000 million of subordinated deposits from its shareholders – NPF Gazfond and OAO "Gazprom". RUR-denominated deposits bear 8% annually and mature in 2019. Subsequently, in March 2009 the Group has received another RUR 15,000 million subordinated deposit from the State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" (the "VEB") on similar terms.

In June 2006 the Group received a 5-year subordinated deposit from an international institution in the amount of USD 300 million at a fixed rate of 7.97% per annum with interest paid semi-annually. As of the year-end 2008 the Group has repaid USD 200 million on this agreement ahead of schedule.

As of 31 December 2008 the fair value of customer and subordinated deposits estimated based on the valuation techniques described in Note 3(t) lies in the range from RUR 662,837 million to RUR 667,244 million (31 December 2007 – from RUR 404,976 million to RUR 405,146 million).

NOTE 25 – CERTIFICATED DEBTS AND EUROBONDS ISSUED

Certificated debts issued domestically comprise:

	31 December 2008	31 December 2007
Promissory notes issued	45,499	35,603
Rouble domestic bonds issued	41,663	36,449
Domestic residential mortgage backed securities issued	1,464	2,308
Certificates of deposit issued	114	422
Certificated debts	88,740	74,782

As of 31 December 2008 the fair value of certificated debts issued by the Group estimated based on the valuation techniques described in Note 3(t) lies in the range from RUR 86,086 million to RUR 88,740 million (31 December 2007 – from RUR 68,506 million to RUR 74,782 million).

As of 31 December 2008 and 2007 Eurobonds issued internationally comprise:

Issue	%	Final maturity date	31 December 2008	31 December 2007
USD euro medium term notes	6.50%	September 2015	29,454	24,768
USD loan participation notes	3-month LIBOR+0.9%	April 2010	19,782	17,145
CHF loan participation notes	6.53%	August 2010	14,272	-
USD loan participation notes	7.93%	June 2013	12,544	-
Rouble medium term notes	7.25%	February 2010	9,988	10,219
Euro cross-border residential mortgage backed securities	1-month EURIBOR+1.3%	December 2046	4,887	8,810
Rouble cross-border residential mortgage backed securities	8%-11%	October 2040 - December 2046	1,569	2,775
USD loan participation notes	7.25%	October 2008	-	26,050
USD secured limited recourse notes	9.25%	December 2010	-	1,457
Eurobonds			92,496	91,224

In June 2008 the Group issued on international markets USD 500 million 7.93% loan participation notes due in 2013. Also, in August 2008 the Group issued on international markets CHF 500 million 6.53% loan participation notes due in 2010.

As at 31 December 2008, mortgage loan portfolios of RUR 17,881 million was securitized through the issue of domestic Rouble-denominated residential mortgage backed securities (“RMBS”) in the amount of RUR 1,464 million and both Euro- and Rouble-denominated cross-border RMBS issue in the amount of RUR 15,736 million. As of 31 December 2008 RUR 1,464 million of domestic RMBS and RUR 6,456 million of cross-border RMBS were placed by the Group with third parties.

During the second half of 2008 the Group has re-purchased some of its eurobonds issued. Details of Eurobonds issued which were re-acquired before their maturities are as follows.

Issue	Final maturity date	Notional value of bonds purchased in currency units	Total notional value of the issue in currency units
USD euro medium term notes	September 2015	9,000	1,000,000
USD loan participation notes	April 2010	8,750	700,000
Rouble medium term notes	February 2010	217,200	10,000,000
USD loan participation notes	June 2013	3,875	500,000
Euro cross-border residential mortgage backed securities	December 2046	75,100	288,050
Rouble cross-border residential mortgage backed securities	December 2046	1,267,200	2,683,800

The Group has recognized RUR 2,085 million of income from repurchase of its own eurobonds issued at prices below the carrying amounts. This amount is included within other income in the profit and loss account for the year ended 31 December 2008.

As of 31 December 2008 the fair value of eurobonds issued by the Group estimated based on the market quotations was RUR 65,699 million (31 December 2007 – RUR 89,715 million).

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NOTE 26 – OTHER LIABILITIES

Other liabilities comprise:

	Notes	31 December 2008	31 December 2007
Settlements with suppliers		35,988	11,857
Operating taxes payable		6,288	2,786
Payable to employees		6,054	4,609
Payable on trading operations		4,264	19,094
Payable under employee share-option plan	10	4,219	8,287
Amounts due to customers under contract work		2,554	-
Dividends payable to minority interests		2,314	-
Provision for other risks	6	1,587	810
Other		6,485	5,144
Other liabilities		69,753	52,587

As of 31 December 2008 and 2007 settlements with suppliers primarily represents amounts payable for materials and products delivered and services rendered by non-banking business segments of the Group.

NOTE 27 – 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 2008 and 2007, out of which 1,642,776 were held by the Group as treasury shares (31 December 2007 – 1,654,776 shares). All shares have a par value of 1,000 Roubles. 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 2008 12,000 ordinary shares of the Bank were transferred to individuals who chose to purchase the Bank's shares as settlement for share-option plan 1(a) for RUR 63 million (see also Note 10).

NOTE 28 – RETAINED EARNINGS AND EARNINGS PER SHARE

Dividends payable by the Bank 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 the statutory legislation. As of 31 December 2008, the statutory accounts of the Bank disclosed distributable reserves of RUR 60,687 million and non-distributable reserves of RUR 3,000 million (31 December 2007 – distributable reserves of RUR 47,990 million and non-distributable reserves RUR 2,625 million).

In June 2008 the general shareholders meeting of the Bank approved a dividend payout for 2007 in amount of RUR 2,160 million (dividend payout for 2006 paid in 2007 was RUR 2,289 million).

Also, included in the consolidated statement of changes in equity is an amount of RUR 4,087 million that represents dividends for 2008 and 2007 declared or paid by subsidiary banks, OAO "SIBUR Holding" and various subsidiaries within GMG to their minority shareholders (2007 – RUR 1,093 million).

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As of 31 December 2008 the basic earnings per share of the Group were diluted with contingently saleable shares held as treasury stock ordinary shares as a result of the employee share-option plans launched by the Group in December 2006 (see Note 10). As of 31 December 2008 and 2007 the basic and diluted earnings per share were as follows:

	2008	2007
Basic (loss)/earnings per share, RUR:		
Net (loss)/profit for the period, RUR million	(72,773)	27,534
Weighted-average number of ordinary shares outstanding during the period	18,351,657	18,339,093
(Loss)/earnings per share, RUR	(3,965)	1,501
Diluted (loss)/earnings per share, RUR:		
Net (loss)/profit for the period, RUR million	(71,912)	27,534
Weighted-average number of ordinary shares outstanding during the period	19,117,960	19,052,105
(Loss)/earnings per share, RUR	(3,761)	1,445

NOTE 29 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2008 as shown in the consolidated cash flow statement comprised:

	31 December 2008	31 December 2007
Cash on hand	19,315	13,161
Current account with the Central Bank of the Russian Federation	64,232	28,246
Term deposit with the Central Bank of the Russian Federation	-	301
Due from credit institutions:		
– Current accounts	213,674	36,067
– Term deposits and repurchase agreements with a maturity of three months or less when originated	301,679	104,562
Cash and cash equivalents	598,900	182,337

NOTE 30 – 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 – SIBUR Holding Group (SHG), Gazprom Media Group (GMG), OMZ and other subsidiaries of the Heavy Machinery segment and the subsidiary banks and other Group subsidiaries – independently, although some of the risk management functions are coordinated at the Group's level.

For example, the risk management of SHG and GMG is carried out by central finance functions of these companies. The 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 relevant risk management policies established by the companies.

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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. The asset and Liability Management Committee (the "ALM Committee"), the Credit Committee and the Investment Committee of the Bank are responsible for developing methods used to measure market and credit risks and for independent measurement and monitoring of 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. The Bank also has the Internal Control Department. Activities of the Internal Control Department, among others, are aimed specifically at preventing losses for the Bank and its customers.

Risk management procedures in subsidiary banks are similar to those implemented in 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 of a financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. 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 the limits are monitored daily.

All deals bearing credit risk (except for deals under personal limits of the Bank's Management 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 analysis, specified by the Credit and Risk Management Policy of the Bank.

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 Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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 lower credit risk.

The Bank's Credit Policy is approved and periodically reviewed by the Management Board.

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Geographical concentration of assets and liabilities

The geographical concentration of assets and liabilities as of 31 December 2008 and 2007 follows:

31 December 2008				
	Russia	OECD	Other non-OECD	Total
Assets				
Cash and due from the CBR	84,911	-	-	84,911
Due from credit institutions, net	172,838	405,866	15,513	594,217
Financial assets held for trading	164,171	9,322	3	173,496
Loans to customers, net	576,660	22,449	30,974	630,083
Investments available-for-sale, net, and investments in associates, net	37,322	6,498	1,335	45,155
All other assets	321,624	-	2,681	324,305
	1,357,526	444,135	50,506	1,852,167
Liabilities				
Amounts owed to the CBR	519,430	-	-	519,430
Amounts owed to credit institutions	54,747	62,097	1,970	118,814
Amounts owed to customers	619,318	12,203	11,045	642,566
Subordinated deposits	21,750	2,928	-	24,678
Financial liabilities held for trading	2,518	150,750	-	153,268
Eurobonds issued	6,456	86,040	-	92,496
Certificated debts	88,713	-	27	88,740
Profit tax liabilities	14,542	-	-	14,542
Other liabilities	56,825	6,780	6,148	69,753
	1,384,299	320,798	19,190	1,724,287
Net balance sheet position	(26,773)	123,337	31,316	127,880

31 December 2007				
	Russia	OECD	Other non-OECD	Total
Assets				
Cash and due from the CBR	50,759	-	-	50,759
Due from credit institutions, net	83,811	62,735	1,497	148,043
Financial assets held for trading	103,684	4,999	-	108,683
Loans to customers, net	374,948	7,462	18,799	401,209
Investments available-for-sale, net, and investments in associates, net	41,883	7,710	740	50,333
All other assets	185,478	3,335	683	189,496
	840,563	86,241	21,719	948,523
Liabilities				
Amounts owed to credit institutions	44,549	59,663	129	104,341
Amounts owed to customers	373,272	8,532	9,577	391,381
Subordinated deposits	6,401	7,364	-	13,765
Financial liabilities held for trading	-	8,122	-	8,122
Eurobonds issued	-	89,767	1,457	91,224
Certificated debts	68,781	5,962	39	74,782
Profit tax liabilities	10,768	-	-	10,768
Other liabilities	52,555	-	32	52,587
	556,326	179,410	11,234	746,970
Net balance sheet position	284,237	(93,169)	10,485	201,553

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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, except that for mortgage-backed securities the mortgage loans pledged as collateral is the sole source of repayment of the debt and, therefore, the Group's exposure to credit risk in respect of such mortgage loans is limited to the mortgage-backed securities retained by the Group. 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 2008				
	Maximum credit risk, gross	Provision for impairment	Fair value of collateral	Maximum credit risk, net
Due from credit institutions	598,542	(4,325)	78,632	515,585
Debt securities held for trading	143,716	-	-	143,716
Debt securities available-for-sale	4,891	-	-	4,891
Loans to customers	653,866	(23,783)	178,143	451,940
Trade receivables and other assets	50,006	(3,383)	-	46,623
Financial guarantees and other commitments	122,449	(1,587)	36,856	84,006
	1,573,470	(33,078)	293,631	1,246,761

31 December 2007				
	Maximum credit risk, gross	Provision for impairment	Fair value of collateral	Maximum credit risk, net
Due from credit institutions	148,330	(287)	69,415	78,628
Debt securities held for trading	80,808	-	-	80,808
Debt securities available-for-sale	5,090	-	-	5,090
Loans to customers	414,737	(13,528)	115,645	285,564
Trade receivables and other assets	31,576	(2,091)	-	29,485
Financial guarantees and other commitments	82,614	(810)	35,456	46,348
	763,155	(16,716)	220,516	525,923

For derivative financial assets maximum credit risk is equal to their carrying amounts.

Internal credit rating of financial assets

The Bank implemented a 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:

- large corporate clients segment (annual sales more than USD 100 million);
- medium corporate clients segment (annual sales less than USD 100 million);
- clients under project finance deals;
- small-business clients and individual entrepreneurs;
- 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.

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GAZPROMBANK GROUP
Consolidated Financial Statements for the Year Ended 31 December 2008

The Bank's classification of financial assets according to the internal credit rating system as of 31 December 2008 is represented below.

31 December 2008

	AAA-A	BBB-B	CCC-C	D	Not rated	Total
Due from credit institutions, gross	313,970	121,040	97,239	50	66,243	598,542
Less - Provision for losses	(16)	(713)	(3,281)	(50)	(265)	(4,325)
Debt securities held for trading	130,784	2,210	82	-	10,640	143,716
Debt securities available-for-sale	2,048	1,940			903	4,891
Loans to corporate customers, gross	100,600	304,453	44,367	7,233	100,623	557,276
Less - Provision for losses	(269)	(7,280)	(887)	(7,145)	(6,039)	(21,620)
Loans to individuals, gross	-	-	-	-	96,590	96,590
Less - Provision for losses	-	-	-	-	(2,163)	(2,163)
Trade receivables and other assets, gross	-	-	-	-	50,006	50,006
Less - Provision for losses	-	-	-	-	(3,383)	(3,383)
Financial guarantees and other commitments	8,955	52,393	2	-	61,099	122,449
Less - Provision for losses	(7)	(629)	-	-	(951)	(1,587)
	556,065	473,414	137,522	88	373,303	1,540,392

31 December 2007

	AAA-A	BBB-B	CCC-C	D	Not rated	Total
Due from credit institutions, gross	63,683	13,659	-	-	70,988	148,330
Less - Provision for losses	-	(16)	-	-	(271)	(287)
Debt securities held for trading	20,515	5,731	-	-	54,562	80,808
Debt securities available-for-sale	4,095	-	-	-	995	5,090
Loans to corporate customers, gross	108,482	73,254	34,220	4,046	126,211	346,213
Less - Provision for losses	-	(2,400)	(3,177)	(3,346)	(3,865)	(12,788)
Loans to individuals, gross	-	-	-	-	68,524	68,524
Less - Provision for losses	-	-	-	-	(740)	(740)
Trade receivables and other assets, gross	-	-	-	-	31,576	31,576
Less - Provision for losses	-	-	-	-	(2,091)	(2,091)
Financial guarantees and other commitments, gross	31,245	26,722	6,463	1,288	16,896	82,614
Less - Provision for losses	-	(583)	(43)	-	(184)	(810)
	228,020	116,367	37,463	1,988	362,601	746,439

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Analysis of impaired financial assets

Analysis of impaired financial assets as of 31 December 2008 and 2007 is presented in the tables below.

31 December 2008				
	Not impaired assets	Impaired - individually determined	Impaired - collectively determined	Total
Due from credit institutions, gross	479,747	118,795	-	598,542
Less - Provision for losses	-	(4,325)	-	(4,325)
Debt securities	148,144	463	-	148,607
Loans to corporate customers, gross	93,206	34,559	429,511	557,276
Less - Provision for losses	-	(13,888)	(7,732)	(21,620)
Loans to individuals, gross	-	-	96,590	96,590
Less - Provision for losses	-	-	(2,163)	(2,163)
Trade receivables and other assets, gross	46,623	3,383	-	50,006
Less-Provision for losses	-	(3,383)	-	(3,383)
Financial guarantees and other commitments	9,123	-	113,326	122,449
Less-Provision for losses	-	-	(1,587)	(1,587)
	776,843	135,604	627,945	1,540,392

31 December 2007				
	Not impaired assets	Impaired: - individually determined	Impaired: - collectively determined	Total
Due from credit institutions, gross	147,228	1,102	-	148,330
Less - Provision for losses	-	(287)	-	(287)
Debt securities	85,898	-	-	85,898
Loans to corporate customers, gross	145,339	180,569	20,305	346,213
Less - Provision for losses	-	(11,946)	(842)	(12,788)
Loans to individuals, gross	-	-	68,524	68,524
Less - Provision for losses	-	-	(740)	(740)
Trade receivables and other assets, gross	29,463	2,113	-	31,576
Less-Provision for losses	-	(2,091)	-	(2,091)
Financial guarantees and other commitments	81,079	1,220	315	82,614
Less-Provision for losses	(732)	(63)	(15)	(810)
	488,275	170,617	87,547	746,439

For assets individually assessed for impairment, assets which are past due for more than five days are considered as assets with indications of impairment. As of 31 December 2008 and 2007 the amounts of past due but not impaired assets are immaterial for reporting purposes.

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The analysis of financial assets individually assessed for impairment as at 31 December 2008 is presented as follows:

31 December 2008

	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans (%)
Due from credit institutions:				
- Not past due	118,480	(4,010)	114,470	3.4%
- Overdue more than 1 year	315	(315)	-	100.0%
Due from credit institutions	118,795	(4,325)	114,770	3.6%
Loans to corporate customers:				
- Not past due	23,070	(3,112)	19,958	13.5%
- Overdue less than 1 year	8,085	(7,384)	701	91.3%
- Overdue more than 1 year	3,404	(3,392)	12	99.6%
Total loans to legal entities	34,559	(13,888)	20,671	40.2%

Analysis of collateralised 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 secured by collateral or guarantees as of 31 December 2008 and 2007 follow.

31 December 2008

	Due from credit institutions, net	Loans to individuals, net	Loans to corporate customers, net	Trade receivables and other assets, net	Financial guarantees and other commitments	Total
Secured by collateral or other credit enhancement	78,632	91,755	337,224	-	36,856	544,467
Not secured	515,585	2,672	198,432	46,623	84,006	847,318
	594,217	94,427	535,656	46,623	120,862	1,391,785

31 December 2007

	Due from credit institutions, net	Loans to individuals, net	Loans to corporate customers, net	Trade receivables and other assets, net	Financial guarantees and other commitments	Total
Secured by collateral or other credit enhancement	69,415	66,838	313,621	-	35,456	485,330
Not secured	78,628	946	19,804	29,485	46,348	175,211
	148,043	67,784	333,425	29,485	81,804	660,541

The amounts shown in the table above represent the carrying value of financial and non-financial assets, and do not necessarily represent the fair value of the collateral.

Amounts due from credit institutions are secured by securities and portfolios of mortgage loans pledged. Mortgage loans are secured by underlying housing real estate. Auto loans are secured by underlying cars. Credit card overdrafts and consumer loans are usually secured by guarantees of other individuals and pledge of assets. Collateral for loans to corporate customers can comprise securities, bank deposits, property and equipment pledged and other collateral.

The Bank estimates that the fair value of the collateral for overdue or impaired mortgage loans is at least equal to 95% of the mortgage balance. Management believes that it is impracticable to estimate fair value of collateral held in respect of other loans to individuals and impaired or overdue loans.

(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 resulting in operational losses. 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 compared to other types of risk and therefore an effective monitoring process is essential for adequate management of operational risk. Regular monitoring of operational activities provides the advantage of quick detection and correction of deficiencies in the policies, processes and procedures for managing operational risk. Prompt detection and addressing of these deficiencies can substantially reduce the potential frequency and/or severity of a loss event. The Group is focused on implementing a process to regularly monitor its operational risk profiles and material exposures to operational losses.

(c) Liquidity risk

The Bank 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 Bank 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 management (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 performs necessary transactions to regulate liquidity gaps, and provides 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 the net growth of the credit portfolio to predefined, weekly revised volume.

The following tables show the undiscounted cash flows on the Group's financial assets, liabilities and unrecognized loan commitments on the basis of their contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial asset, liability or commitment, which is therefore different from the carrying amount of a corresponding financial instrument. The Group's expected cash flows on these financial assets, liabilities and unrecognized loan commitments may vary significantly from this analysis.

Financial assets held for trading are shown in the category "Less than 1 month", excluding financial assets held for trading pledged under the REPO agreements, based on the fact that Management believes that all of these financial assets held for trading could be liquidated within one month in the normal course of business. Financial assets held for trading pledged under the REPO agreements are presented by remaining contractual maturities of corresponding REPO agreements.

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The position of the Group as at 31 December 2008 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No maturity	Overdue	Total
Assets									
Cash and due from the CBR	84,109	359	146	230	53	14	-	-	84,911
Due from credit institutions	213,674	222,558	88,819	48,930	26,179	18,717	-	-	618,877
Financial assets held for trading less derivative assets	-	156,622	-	-	-	-	-	-	156,622
Loans to customers, net	83	23,206	121,737	241,017	245,553	76,425	-	2,703	710,724
Investments available-for-sale, net, and investments in associates, net	-	19	813	2,364	3,550	-	40,264	-	47,010
All other assets	-	13,120	39,707	18,686	29,906	-	226,095	-	327,514
Total assets (undiscounted)	297,866	415,884	251,222	311,227	305,241	95,156	266,359	2,703	1,945,658
Liabilities									
Amounts owed to the CBR	-	221,263	167,056	142,114	-	-	-	-	530,433
Amounts owed to credit institutions	34,481	25,196	12,359	14,334	25,657	11,286	-	-	123,313
Amounts owed to customers	267,983	171,482	69,525	109,709	25,492	6,542	-	-	650,733
Subordinated deposits	-	195	86	1,000	10,825	35,262	-	-	47,368
Financial liabilities held for trading less derivative liabilities	-	56	-	-	-	-	-	-	56
Eurobonds issued	-	328	6,174	4,604	70,549	42,938	-	-	124,593
Certificated debts	2,777	2,243	29,537	17,673	52,470	2,882	-	-	107,582
Profit tax liabilities	-	-	5,341	-	9,201	-	-	-	14,542
All other liabilities	6,890	13,888	16,713	21,601	8,123	52	2,486	-	69,753
Total liabilities	312,131	434,651	306,791	311,035	202,317	98,962	2,486	-	1,668,373
Net balance sheet position (undiscounted)	(14,265)	(18,767)	(55,569)	192	102,924	(3,806)	263,873	2,703	277,285
<i>Off-balance sheet position:</i>									
Derivative assets	-	78,977	26,524	38,894	38,641	-	-	-	183,036
Derivative liabilities	-	(83,551)	(28,953)	(77,241)	(82,205)	-	-	-	(271,950)
Net off-balance sheet position	-	(4,574)	(2,429)	(38,347)	(43,564)	-	-	-	(88,914)
Net position	(14,265)	(23,341)	(57,998)	(38,155)	59,360	(3,806)	263,873	2,703	188,371
Accumulated gap	(14,265)	(37,606)	(95,604)	(133,759)	(74,399)	(78,205)	185,668	188,371	
Financial guarantees and other commitments	-	3,342	11,324	71,098	34,833	1,850	2	-	122,449

Undiscounted cash flows on derivative financial assets and liabilities are presented in the table above based on spot foreign exchange rates as of 31 December 2008 in accordance with the original contractual terms of the instruments, not taking into consideration unwinding provisions which were in place at 31 December 2008 and enabled the counterparty to require early settlement of the derivative. These provisions were cancelled in 2009 (refer to Notes 15 and 34).

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, which determine the amount of the obligatory reserve.

Most financial guarantees and other commitments are payable on demand. The total outstanding contractual amount of financial guarantees and other commitments does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

The position of the Group's liabilities as at 31 December 2007 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	2,031	37,086	5,795	25,916	34,628	5,017	110,473
Amounts owed to customers	146,034	149,237	27,191	56,854	23,101	8,248	410,665
Subordinated deposits	-	75	-	584	11,954	2,018	14,631
Financial liabilities held for trading	-	1,234	803	572	290	-	2,899
Eurobonds issued	-	-	1,177	2,970	63,118	43,412	110,677
Certificated debts	3,412	3,164	2,513	21,454	57,900	4,387	92,830
Profit tax liabilities	-	460	-	6,268	2,647	1 393	10,768
Other liabilities	768	12,622	9,769	11,860	17,370	198	52,587
Total liabilities position (undiscounted)	152,245	203,878	47,248	126,478	211,008	64,673	805,530
Financial guarantees and other commitments	-	2,283	6,198	45,067	24,658	4,408	82,614

Management believes that in spite of a substantial portion of deposits from customers being on demand (customer current/settlement accounts), diversification of these deposits by number and type of depositors, and the past experience of the Group, would indicate that these deposits provide a long-term and stable source of funding for the Group. The Group estimates that the negative accumulated gap for the period of less than one year can be covered, if necessary, by borrowings from the CBR and other banks and by support of the shareholders.

In accordance with the Russian legislation individuals have the right to withdraw their deposits, including time deposits, at any point of time before maturity, usually with a loss of accrued interest income.

According to the Bank's estimates, as of 31 December 2008 and 2007 withdrawals of the Bank's "on demand" customer accounts will occur in the following periods:

	2008	2007
From 1 to 3 months	25,139	16,936
From 3 months to 1 year	122,942	129,227
	148,081	146,163

d) Interest rate risk

The Bank 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 Bank'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 matched with duration of the liabilities.

The Bank'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 shows how the Groups' profit and loss and equity for the reporting periods would have been affected by changes in the relevant interest rates of 31 December 2008 and 2007.

An analysis of sensitivity of the Group's net loss for the year and equity to interest rate repricing risk based on a simplified scenario of a 200 basis points (bp) symmetrical fall or rise in all yield curves and positions of interest bearing assets and liabilities (except for current accounts and demand deposits which are considered to have negligible and stable interest rates) existing as at 31 December 2008 is as follows:

	31 December 2008
	Net loss/Equity
200 bp parallel rise	(1,765)
200 bp parallel fall	1,765

An analysis of sensitivity of the Group's net profit for the year and equity to interest rate repricing risk based on a simplified scenario of a 100 basis points (bp) symmetrical fall or rise in all yield curves and positions of interest bearing assets and liabilities (except for current accounts and demand deposits which are considered to have negligible and stable interest rates) existing as at 31 December 2007 is as follows:

	31 December 2007
	Net profit/Equity
100 bp parallel rise	213
100 bp parallel fall	(213)

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 currency risk exposure by each foreign currency. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The Group applies a 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 2008 and 2007 follows:

	31 December 2008				
	Roubles	USD	Euro	Other	Total
Assets					
Cash and due from the CBR	52,717	30,695	1,252	247	84,911
Due from credit institutions, net	113,265	365,668	113,672	1,612	594,217
Financial assets held for trading less foreign exchange derivative assets	79,290	75,180	2,636	2	157,108
Loans to customers, net	416,117	152,446	56,233	5,287	630,083
Investments available-for-sale, net, and investments in associates, net	32,839	10,655	1,658	3	45,155
All other assets, net	321,039	799	1,835	632	324,305
	1,015,267	635,443	177,286	7,783	1,835,779
Liabilities					
Amounts owed to CBR	519,430	-	-	-	519,430
Amounts owed to credit institutions	36,463	55,374	22,484	4,493	118,814
Amounts owed to customers	368,068	178,566	92,964	2,968	642,566
Subordinated deposits	15,254	8,139	1,285	-	24,678
Financial liabilities held for trading less foreign exchange derivative liabilities	56	20,612	-	-	20,668
Eurobonds issued	11,558	61,779	4,887	14,272	92,496
Certificated debts	58,252	19,545	10,943	-	88,740
All other liabilities	69,096	6,693	3,978	4,528	84,295
	1,078,177	350,708	136,541	26,261	1,591,687
Net balance sheet position	(62,910)	284,735	40,745	(18,478)	244,092
<i>Off-balance sheet assets</i>					
- Forwards		74,031	11,396	1,232	
- Futures		6,464	-	-	
- Options		45,439	37,015	990	
- Swaps		-	5,050	14,270	
- Spot deals		39,494	183,584	-	
<i>Off-balance sheet liabilities</i>					
- Forwards		143,051	9,624	1,232	
- Futures		52,886	-	-	
- Options		256,559	242,811	10,662	
- Swaps		-	-	-	
- Spot deals		17,123	-	8,302	
Net off-balance sheet position		(304,191)	(15,390)	(3,704)	
Net foreign currency position		(19,456)	25,355	(22,182)	

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31 December 2007					
	Roubles	USD	Euro	Other	Total
Assets					
Cash and due from the CBR	49,633	720	386	20	50,759
Due from credit institutions, net	81,372	41,366	19,976	5,329	148,043
Financial assets held for trading	105,783	1,882	199	819	108,683
Loans to customers, net	276,676	81,139	41,279	2,115	401,209
Investments available-for-sale, net and					
investments in associates, net	38,015	11,651	664	3	50,333
All other assets, net	180,248	8,435	737	76	189,496
	731,727	145,193	63,241	8,362	948,523
Liabilities					
Amounts owed to credit institutions	49,855	40,960	13,230	296	104,341
Amounts owed to customers	318,296	30,729	33,340	9,016	391,381
Subordinated deposits	200	12,096	1,469	-	13,765
Financial liabilities held for trading	2,301	5,216	-	605	8,122
Eurobonds issued	12,993	78,231	-	-	91,224
Certificated debts	67,038	7,345	399	-	74,782
Other liabilities	59,871	2,595	786	103	63,355
	510,554	177,172	49,224	10,020	746,970
Net balance sheet position	221,173	(31,979)	14,017	(1,658)	201,553
Derivative financial instruments		30,440	(15,884)	4,730	
Net position		(1,539)	(1,867)	3,072	

An analysis of sensitivity of the Group's net income/(loss) for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2008 and a simplified scenario of a 15% (31 December 2007 – 4% and 3%) change in USD and Euro to Russian Rouble exchange rates is as follows:

	31 December 2008		31 December 2007	
	Rouble/USD	Rouble/Euro	Rouble/USD	Rouble/Euro
	15% higher	15% higher	4% lower	3% higher
Assets	72,441	20,211	(4,414)	1,442
Liabilities	(39,981)	(15,566)	5,386	(1,122)
Off-balance sheet position	(34,678)	(1,754)	(926)	(363)
	(2,218)	2,891	46	(43)

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.

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An analysis of sensitivity of the Group's net income/(loss) for the year and equity to changes in prices of financial instruments measured at fair value based on positions existing as at 31 December 2008 and 31 December 2007 and a simplified scenario of a 20% (31 December 2007 – 5%) change in all securities prices is as follows:

	31 December 2008		31 December 2007	
	20% change in securities prices		5% change in securities prices	
	Net effect on profit and loss	Net effect on equity	Net effect on profit and loss	Net effect on equity
Financial assets held for trading	23,807	23,807	3,862	3,862
Available-for-sale investments accounted for at fair value	-	3,610	-	1,405

g) Changes in risk management due to the financial crisis

The deterioration of the global and Russian financial markets resulted in changes in the Group's risk management policies and procedures, including tightening of the underwriting procedures and establishing more strict requirements to the borrower's financial position as well as to the quality of the collateral, revision of limits on open positions in complex and structured financial instruments, as well as implementation of more thorough risk monitoring procedures. If negative factors such as deterioration of the borrower's financial position, impairment of collateral or negative trends in the borrower's industry are identified, the Bank negotiates with the borrower and insists on precautionary actions required to prevent the borrower's default. All such loans are included into the category "watch loans".

NOTE 31 – RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related Party Disclosures", represent:

- 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 Group; and that have joint control over the Group;
- Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- Joint ventures in which the Group is a venturer;
- Members of key management personnel of the Group or its parent;
- Close members of the family of any individuals referred to in (a) or (d);
- 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
- Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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The Group distinguishes between the following categories of related parties: the parent company - OAO "Gazfond", entity with significant influence – OAO "Gazprom", entities under common control or significant influence - OAO "Gazfond" and 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:

	31 December 2008		31 December 2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Due from credit institutions, gross				
- entities under common control or significant influence	11			
- unconsolidated subsidiaries and associates	3,025		667	
- state controlled companies	23,691		10,373	
Total due from credit institutions, gross	26,727	598,542	11,040	148,330
Provision for losses, due from credit institutions	(588)	(4,325)	-	(287)
Financial assets held for trading				
- entity with significant influence	8,535		12,927	
- entities under common control or significant influence	2,473		2,533	
- state controlled companies	132,765		41,216	
Total financial assets held for trading	143,773	173,496	56,676	108,683
Loans to customers, gross				
- entity with significant influence	7,508		-	
- entities under common control or significant influence	30,679		24,010	
- unconsolidated subsidiaries and associates	22,107		8,719	
- state controlled companies	54,078		33,764	
- top management	10		82	
Total loans to customers, gross	114,382	653,866	66,575	414,737
Provision for losses, loans to customers	(1,527)	(23,783)	(4,223)	(13,528)
Investments available-for-sale, net, and investments in associates, net				
- entities under common control or significant influence	16,798		28,584	
- investments in associates accounted for under the equity method	9,960		7,886	
- unconsolidated subsidiaries and associates	3,138		1,032	
- state controlled companies	1,230		-	
Total investments available-for-sale, net, and investments in associates, net	31,126	45,155	37,502	50,333
Trade receivables, gross				
- entity with significant influence	1,176		1,077	
- entities under common control or significant influence	6,340		4,189	
- unconsolidated subsidiaries and associates	106		-	
- state controlled companies	12,724		9	
Total trade receivables, gross	20,346	61,446	5,275	43,036
Provisions for impairment losses, trade receivables	-	(3,208)	(369)	(2,072)
Profit tax assets				
- state budget	36,002		5,472	
Total profit tax assets	36,002	36,002	5,472	5,472

	31 December 2008		31 December 2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Other assets				
- unconsolidated subsidiaries and associates	-		1,217	
- state controlled companies	410		1,777	
Total other assets, gross	410	5,403	2,994	6,041
Provisions for impairment losses, other assets	-	(175)	-	(19)
Amounts owed to the Central Bank of the Russian Federation				
- state controlled companies	519,430		-	
Total amounts owed to the Central Bank of the Russian Federation	519,430	519,430	-	-
Amounts owed to credit institutions				
- entities under common control or significant influence	365		115	
- unconsolidated subsidiaries and associates	43		154	
- state controlled companies	24,838		21,462	
Total amounts owed to credit institutions	25,246	118,814	21,731	104,341
Amounts owed to customers				
- parent company	19,781		-	
- entity with significant influence	56,983		53,529	
- entities under common control or significant influence	118,059		78,481	
- unconsolidated subsidiaries and associates	7,712		50	
- state controlled companies	29,678		14,845	
- top management	5,706		5,159	
Total amounts owed to customers	237,919	642,566	152,064	391,381
Subordinated deposits:				
- parent company	7,500		4,891	
- entity with significant influence	12,475		-	
- entities under common control or significant influence	1,720		1,510	
Total subordinated deposits	21,695	24,678	6,401	13,765
Profit tax liabilities				
- state budget	14,542		10,768	
Total profit tax liabilities	14,542	14,542	10,768	10,768
Other liabilities				
- entity with significant influence	8		17,514	
- entities under common control or significant influence	6,127		3,555	
- unconsolidated subsidiaries and associates	43		-	
- state controlled companies	6,249		942	
- key management personnel	8,903		2,525	
Total other liabilities	21,330	69,753	24,536	52,587
Undrawn loan commitments				
- entities under common control or significant influence	5,031		9,940	
- unconsolidated subsidiaries and associates	1,050		15	
- state controlled companies	14,025		12,511	
Total undrawn loan commitments	20,106	80,941	22,466	108,208

	31 December 2008		31 December 2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Letters of credit				
- entity with significant influence	650		562	
- entities under common significant influence	3,397		3,546	
- unconsolidated subsidiaries and associates	96		1,170	
- state controlled companies	28		39	
Letters of credit	4,171	14,195	5,317	14,617
Provisions for impairment losses under letters of credit	(3)	(318)	-	(105)
Guarantees				
- entity with significant influence	50		16,575	
- entities under common control or significant influence	10,043		15,677	
- unconsolidated subsidiaries and associates	12,808		5,934	
- state controlled companies	3,322		277	
- top management	24		22	
Guarantees	26,247	108,254	38,485	67,997
Provisions for impairment losses under guarantees given	(251)	(1,269)	(492)	(705)

Also, as of 31 December 2008 the Group had RUR 1,856 million (31 December 2007 - RUR 13,257 million) of loans extended to third parties on transactions executed on behalf of related parties of the Group.

All balances of the Group with related parties are carried at standard conditions applied by the Group.

	2008		2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income				
- entity with significant influence	8		-	
- entities under common control or significant influence	1,766		764	
- unconsolidated subsidiaries and associates	1,127		532	
- state controlled companies	2,739		7,789	
Total interest income	5,640	75,971	9,085	64,918
Profit from available-for-sale investments, net				
- entities under common control or significant influence	1,847		627	
- unconsolidated subsidiaries and associates	1,233		10,206	
Total profit from available-for-sale investments, net	3,080	5,556	10,833	10,973
Petrochemical business operating revenues				
- entities under common control or significant influence	4,086		3,308	
- state controlled companies	368		1,233	
Total petrochemical business operating revenues	4,454	173,700	4,541	142,651
Media business operating revenues				
- entity with significant influence	-		615	
- unconsolidated subsidiaries and associates	1,327		6	
- state controlled companies	-		424	
Total media business operating revenues	1,327	40,479	1,045	32,534

	2008		2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Non-interest gain/(loss) from financial assets and liabilities held for trading, net				
- parent company	(29)		-	
- entities under common control or significant influence	2,806		533	
- state controlled companies	(61)		-	
- key management personnel	-		-	
Total gain/(loss) from financial assets and liabilities held for trading, net	2,716	(37,757)	533	6,112
Fees and commissions income				
- parent company	63		-	
- entity with significant influence	570		100	
- entities under common control or significant influence	215		350	
- unconsolidated subsidiaries and associates	23		3	
- state controlled companies	151		55	
Fees and commissions income	1,022	9,187	508	9,238
Dividend income				
entity with significant influence	64		130	
- entities under common control or significant influence	11		154	
- unconsolidated subsidiaries and associates	20		17	
- state controlled companies	24		26	
Dividend income	119	242	327	501
Interest expense				
- parent company	129		-	
- entity with significant influence	1,821		2,210	
- entities under common control or significant influence	557		821	
- unconsolidated subsidiaries and associates	623		550	
- state controlled companies	4,848		931	
Interest expense	7,978	47,342	4,512	40,947
Petrochemical business operating expenses				
- entity with significant influence	-		528	
- entities under common control or significant influence	465		10,986	
- state controlled companies	23,879		20,867	
Total petrochemical business operating expenses	24,344	137,915	32,381	114,068
Media business operating expenses				
- entities under common control or significant influence	-		27	
- unconsolidated subsidiaries and associates	2,306		38	
- state controlled companies	-		477	
Total media business operating expenses	2,306	30,476	542	26,174
Salaries and employment benefits				
short-term employee benefits	972		1,343	
termination benefits	271		171	
post-employment benefits	12		9	
share-based payment	(191)		6,546	
Total salaries and employment benefits	1,064	13,477	8,069	20,565

NOTE 32 – FINANCIAL COMMITMENTS AND CONTINGENCIES**a) Credit related financial commitments**

The credit related financial commitments as of 31 December 2008 and 2007 comprise:

	31 December 2008	31 December 2007
Guarantees given	108,254	67,997
Undrawn loan commitments	80,941	108,208
Letters of credit	14,195	14,617
	203,390	190,822

The Group's management evaluated the likelihood of probable losses arising from credit related commitments – guarantees, letters of credit and other commitments - and concluded that a provision of RUR 1,587 million was necessary as of 31 December 2008 (31 December 2007 – RUR 810 million).

As of 31 December 2008 RUR 5,194 million (31 December 2007 – RUR 5,214 million) of letters of credit were covered by customers' funds.

Undrawn loan commitments do not represent unconditional commitments of the Group.

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-cancellable operating leases are as follows:

	31 December 2008	31 December 2007
Not later than 1 year	421	181
Later than 1 year and not later than 5 years	1,755	2,678
Later than 5 years	1,159	661
	3,335	3,520

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 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 2008 and 2007 the maximum potential financial risk on funds accepted by the Group on behalf of its clients does not exceed RUR 3,853 million and RUR 8,004 million, 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 RUR 15,995 million and RUR 13,808 million, respectively. Assets accepted and liabilities incurred under the trustee and depository activities are not included in the Group's financial statements.

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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 2008 and 2007 the future contracted liabilities with respect to these contracts were budgeted by the Group as follows.

	31 December 2008	31 December 2007
Programming rights	12,670	10,501
Property, plant and equipment	32,983	40,969
Construction agreements	5,402	1,252
	51,055	52,722

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 and heavy machinery business segments 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 petrochemicals and tires and heavy machinery business segments have social commitments, which require them to contribute 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 position or the operating results of the Group.

h) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

The Group 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.

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i) Operating environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

j) Taxation

The Group operates in a number of tax jurisdictions. In the normal course of business, Management must interpret and apply existing legislation to transactions with third parties and its own activities. Current Russian tax legislation is principally based on the form in which transactions are documented and the underlying accounting treatment as prescribed by Russian Accounting Rules. The interpretation of Russian tax legislation by the tax authorities and court practice, which are constantly changing, in the future may focus less on the form rather than on the substance of a transaction. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Tax years remain open to normal audit by the Russian tax authorities for three years; during such time any change in interpretation or practice, even if there is no change in Russian tax legislation, could be applied retroactively. The interpretation and practice in other jurisdictions in which the Group operates are also changing, sometimes with retroactive effect.

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 profit 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.

In Management's opinion, the Group is in substantial compliance with the tax and other laws governing its operations in Russia and in other tax jurisdictions. However, a risk remains that the relevant authorities could take different positions with regard to interpretative issues or that court practice could develop adversely to positions taken by the Group and the effect on the financial position of the Group, should the authorities succeed in asserting their positions, could be significant.

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NOTE 33 – 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 2008 and 2007 the Group's statutory capital adequacy ratio calculated on this basis exceeded the statutory minimum and amounted to 10.4% and 13.1% accordingly.

The Group also aims to maintain a certain level of its capital to assets ratio in accordance with international standards or 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 2008 and 2007, calculated in accordance with Basel I Guidelines.

	31 December 2008	31 December 2007 (restated)
Paid in share capital	31,836	31,836
Additional paid-in share capital	29,731	28,737
Applicable reserves less goodwill	4,828	82,611
Minority interest	39,744	26,678
Tier I Capital	106,139	169,862
Tier II Capital	19,207	19,284
Total Capital	125,346	189,146
Adjustments to Tier II Capital	(402)	(199)
Net available capital	124,944	188,947
Risk weighted assets	1,352,161	853,470
Capital adequacy ratios:		
Tier I ratio	7.8%	19.9%
Total capital ratio	9.2%	22.1%

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NOTE 34 – SUBSEQUENT EVENTS**Subordinated deposits and government funding**

1. In March 2009 the Bank received a RUR 15,000 million subordinated deposit from the VEB which bears interest of 8% per annum and matures in October 2019. The deposit is placed under the government program to support the Russian banking system and is related to the subordinated deposits that were received by the Bank from its major shareholders in December 2008 in the same amount and on similar terms (see Note 24).

2. In March 2009 the Group received a loan from the CBR under the guarantee of the VEB in the amount of RUR 162,000 million bearing the interest of 12.5% p.a. and maturing in September 2009. As a result, the Group reduced the amount of its short-term unsecured borrowings from the CBR that bear higher interest rates.

Wholesale borrowings

3. In March 2009 the Group repaid a one-year committed loan in the nominal amount of USD 150 million, which was received by the Group from a syndicate of foreign banks in March 2008.

4. In April 2009 the Group repaid a USD 166.7 million final tranche of a syndicated loan with the total amount of USD 500 million, which was received by the Group from a syndicate of foreign banks in April 2006.

5. In May 2009 the Group placed a Eurobond issue with the nominal amount of USD 120 million bearing 7.35% p.a. maturing in May 2016.

6. In June 2009 the Group repaid in advance a three-year committed loan with the total amount of USD 300 million, which was received by the Group from a syndicate of foreign banks in March 2008.

Other events

7. In January-May 2009 the Group re-negotiated the terms of some of the TRS contracts with its counterparties. As a result, unwinding conditions that were included in some of the TRS transactions were cancelled (refer to Note 15). At the same time the Group provided additional credit enhancement to the counterparties in the form of cash deposits covering the credit exposure of the counterparties. The amounts deposited are periodically recalculated in response to the changes in the estimated levels of exposures to counterparties. As of 30 June 2009 the total amount of such deposits was RUR 106,240 million.

8. In June 2009 the Group acquired a 100% stake in Russian Commercial Bank (Zurich) for approximately USD 91 million.

9. In June 2009 the general shareholders meeting of Bank has approved a dividend pay out for 2008 in the amount of RUR 65.5 per one ordinary share.

10. During the first half of 2009 the equity markets in Russia have shown considerable growth. The stock exchange index (MICEX) increased by 18% from 635 at 31 December 2008 to 752 at 30 June 2009.

(end)

GAZPROMBANK GROUP

Consolidated Financial Statements

Year Ended 31 December 2007

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>100.00%</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".

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 the consolidated profit and loss account, statement of changes in equity and cash flow statement (the "consolidated financial statements") for the year 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.

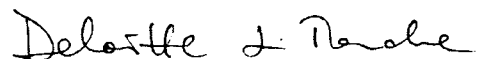
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As discussed in Note 2a to the consolidated financial statements, the accompanying 2007 consolidated financial statements have been restated to correct a misstatement.

A handwritten signature in cursive script, appearing to read "Deloitte J. Neche".

25 December 2009

Moscow

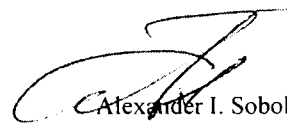
Consolidated profit and loss accounts
for the years ended 31 December 2007 and 2006
(thousands of U.S. Dollars,
except for earnings per share amounts which are in U.S. Dollars)

	Notes	2007 (restated)	2006
Interest income		2,540,655	1,260,360
Interest expense		(1,602,503)	(811,978)
Net interest income	5	938,152	448,382
Provision for impairment of interest-earning assets	6	(45,718)	(128,175)
Net interest income after provision for impairment of interest-earning assets		892,434	320,207
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
Non interest income		8,081,067	6,609,772
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)
Non interest expense		(6,935,305)	(4,916,270)
Profit from operations		2,038,196	2,013,709
Income from associates	18	20,372	60,967
Profit before income tax and minority interest		2,058,568	2,074,676
Income tax expense	13	(745,036)	(517,013)
Net profit		1,313,532	1,557,663
Attributable to:			
Group's shareholders		1,077,564	1,330,775
Minority interest		235,968	226,888
		1,313,532	1,557,663
Basic earnings per share (US Dollars)	30	58.8	111.5
Diluted earnings per share (US Dollars)	30	56.6	111.4

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Board

25 December 2009

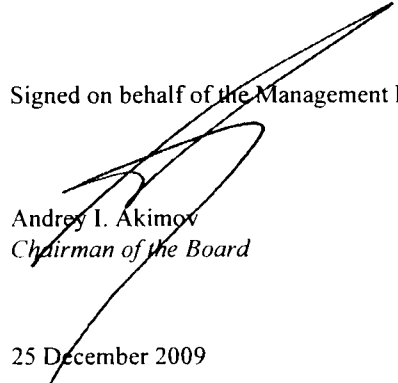

Alexander I. Sobol
Deputy Chairman of the Board

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 (restated)	31 December 2006
Assets			
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	188,551	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
Total assets		38,620,006	31,668,467
Liabilities			
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
Total liabilities		30,403,406	25,018,329
Equity			
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)	788,578	297,283
Fair value reserve	3 (h)	416,243	549,417
Retained earnings	30	3,885,434	2,929,985
Total equity attributable to the Group's shareholders		7,262,619	5,915,098
Minority interest		953,981	735,040
Total equity		8,216,600	6,650,138
Total liabilities and equity		38,620,006	31,668,467

Signed on behalf of the Management Board:



Andrey I. Akimov
Chairman of the Board



Alexander I. Sobol
Deputy Chairman of the Board

25 December 2009

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 (restated)	Equity attributable to the Group's shareholders	Minority interest	Total equity
31 December 2005	907,057	-	(84,343)	(32,300)	162,581	1,368,648	2,321,643	595,296	2,916,939
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 investments	-	-	-	-	(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
31 December 2006	1,160,857	1,061,899	(84,343)	297,283	549,417	2,929,985	5,915,098	735,040	6,650,138
Acquisitions of subsidiaries	-	-	-	-	-	(33,536)	(33,536)	25,738	(7,798)
Net profit (restated)	-	-	-	-	-	1,077,564	1,077,564	235,968	1,313,532
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 investments	-	-	-	-	(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))	-	-	-	491,295	-	-	491,295	-	491,295
31 December 2007 (restated)	1,160,857	1,095,028	(83,521)	788,578	416,243	3,885,434	7,262,619	953,981	8,216,600

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

25 December 2009

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
Cash flows from operating activities			
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>
(Increase)/ decrease in operating assets			
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)
Increase/ (decrease) in operating liabilities			
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>
Cash flows from investing activities			
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
Cash flows from financing activities			
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)
Net cash flows from financing activities		<u>(1,797,972)</u>	<u>5,448,348</u>
Effect of change in exchange rates on cash and cash equivalents		(59,685)	(113,358)
Foreign exchange difference from translation to presentation currency	3(c)	298,770	404,882
Change in cash and cash equivalents		919,971	3,567,431
Cash and cash equivalents, beginning of the period	32	<u>6,508,355</u>	<u>2,940,924</u>
Cash and cash equivalents, end of the period	32	<u><u>7,428,326</u></u>	<u><u>6,508,355</u></u>

Signed on behalf of the Management Board:

Andrey I. Alimov
Chairman of the Board

25 December 2009

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 year ended 31 December 2007
(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 14 December 2009.

GAZPROMBANK GROUP*Consolidated Financial Statements for the Year Ended 31 December 2007***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
		456,399	29,324	194,149	85,463	147,463

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) Restatement

The consolidated financial statements for the year ended 31 December 2007 have been restated as of and for the year ended 31 December 2007 due to an error identified by Management in the calculation and presentation of deferred tax assets. Details of restatement are as follows.

Financial statements caption	Amount before restatement	Understatement/ (overstatement)	Amount as restated
Income tax assets	341,365	(152,814)	188,551
Retained earnings	4,032,235	(146,801)	3,885,434
Profit tax expense	(598,235)	(146,801)	(745,036)
Basic earnings per share	66.8	(8.0)	58.8
Diluted earnings per share	64.3	(7.7)	56.6

b) 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.

c) 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.

d) 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.

n) 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.

o) 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:

	Years
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.

Number of airings	Amortization rate
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.

p) 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.

q) 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.

r) 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.

s) 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.

t) 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.

u) 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.

v) 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.

w) *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.

p) *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.

x) *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.

y) *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.

q) *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.

z) *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

aa) 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.

bb) 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:

Financial statements caption before reclassifications	Financial statements caption after reclassification	Amount of reclassification	Description of reclassification
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 (restated)	Petrochemicals and tires	Media	Eliminations	Consolidated (restated)
Year ended 31 December 2007					
Profit and loss information					
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	-
Profit from operations	650,411	1,168,764	219,021	-	2,038,196
Income from associate	(3,266)	23,638	-	-	20,372
Income tax expense (restated)	(364,317)	(312,798)	(67,921)	-	(745,036)
Net profit (restated)	282,828	879,604	151,100	-	1,313,532
Capital expenditure	337,602	780,657	476,689	-	1,594,948
Depreciation and amortization expense	31,316	168,992	359,780	-	560,088
Balance sheet					
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 (restated)	537,255	499,100	108,213	-	1,144,568
Total segment assets (restated)	32,017,878	4,930,282	1,671,846	-	38,620,006
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)
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)
Total segment liabilities	(28,650,528)	(1,448,791)	(304,087)	-	(30,403,406)

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	Banking	Petrochemicals and tires	Media	Eliminations	Consolidated
Year ended 31 December 2006					
Profit and loss information					
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	-
Profit from operations	807,908	1,023,621	182,180	-	2,013,709
Income from associate	37,418	23,549	-	-	60,967
Income tax expense	(207,753)	(256,536)	(52,724)	-	(517,013)
Net profit	637,573	790,634	129,456	-	1,557,663
Capital expenditure	70,941	304,203	385,195	-	760,339
Depreciation and amortization expense	19,318	132,082	262,625	-	414,025
Balance sheet					
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
Total segment assets	26,897,991	3,355,680	1,414,796	-	31,668,467
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
Total segment liabilities	23,920,623	797,687	300,019	-	25,018,329

NOTE 5 – NET INTEREST INCOME

Net interest income for the years ended 31 December 2007 and 2006 comprises:

	2007	2006
Interest income		
<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
	<u>2,540,655</u>	<u>1,260,360</u>
Interest expense		
<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
	<u>1,602,503</u>	<u>811,978</u>
Net interest income	<u>938,152</u>	<u>448,382</u>

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
31 December 2005	9,011	420,393	429,404
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
31 December 2006	10,911	470,444	481,355
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
31 December 2007	11,714	551,127	562,841

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
31 December 2005	175,725	12,121	474	9,219	197,539
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
31 December 2006	89,431	14,313	335	20,797	124,876
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
31 December 2007	84,397	18,699	756	32,984	136,836

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
Petrochemical business operating revenues, net			
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)
		5,582,867	4,493,632
Petrochemical business operating expenses			
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
		4,464,231	3,476,145
Petrochemical business operating profit		1,118,636	1,017,487

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
Media business operating revenues			
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
		1,273,286	883,151
Media business operating expenses			
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
		1,024,364	685,150
Media business operating profit		248,922	198,001

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	-
Gains from financial assets and liabilities held-for-trading, net	239,192	494,442

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
Fees and commissions income	361,545	278,716

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
Fees and commissions expense	181,897	41,050

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.

	2007	2006
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
	136,165	91,986

NOTE 12 – SALARIES AND EMPLOYMENT BENEFITS, ADMINISTRATIVE AND OTHER EXPENSES

Salaries and administrative expenses for the years ended 31 December 2007 and 2006 comprise:

	2007	2006
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
Salaries and employment benefits	804,826	403,325
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
Administrative and other expenses	435,064	269,714

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).

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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
						462,477	256,210	140,311	59,397	6,559

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 (SEE NOTE 2A)

The provision for income taxes for the years ended 31 December 2007 and 2006 comprises:

	2007 (restated)	2006
Current tax charge	695,726	569,065
Deferred tax recovery (restated)	(38,471)	(71,252)
Transfer of deferred tax previously recorded directly in equity	87,781	19,200
Income tax expense (restated)	745,036	517,013

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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 (restated)	2006
Income before taxation and minority interest	2,058,568	2,074,676
Statutory tax rate	24%	24%
Theoretical income tax charge at statutory rate	494,056	497,922
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 (restated)	434,764	42,202
Income tax expense (restated)	745,036	517,013

As of 31 December 2007 and 2006 the Group's income tax assets comprise:

	31 December 2007 (restated)	31 December 2006
Current income tax assets	58,836	51,613
Deferred income tax assets (restated)	129,715	31,596
Income tax assets (restated)	188,551	83,209

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
Income tax liabilities	410,928	345,358

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 (restated)	31 December 2006
Tax effect of taxable temporary differences		
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 (restated)	81,546	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
Deferred tax asset (restated)	353,857	146,440
Off-set with deferred tax liabilities	(224,142)	(114,844)
Deferred tax asset, net (restated)	129,715	31,596
Tax effect of deductible temporary differences		
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)
Deferred tax liability	(560,960)	(435,148)
Off-set with deferred tax assets	224,142	114,844
Deferred tax liability, net	(336,818)	(320,304)
Deferred income tax liability, net (restated)	(207,103)	(288,708)

A reconciliation of changes in the net balance sheet deferred income tax position during the years ended 31 December 2007 and 2006 follows:

Net deferred income tax liability as of 31 December 2005	187,313
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
Net deferred income tax liability as of 31 December 2006	288,708
Effect of consolidation of subsidiaries	48,163
Net deferred tax charge to the profit and loss account (restated)	(32,458)
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
Net deferred income tax liability as of 31 December 2007 (restated)	207,103

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:

	31 December 2007	31 December 2006
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
Cash and due from the Central Bank of the Russian Federation	2,067,904	2,907,450

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:

	31 December 2007	31 December 2006
Current accounts	1,469,370	1,287,494
Time deposits	1,742,990	4,968,803
Repurchase agreements	2,830,535	992,296
	6,042,895	7,248,593
Less – Allowances for impairment losses	(11,714)	(10,911)
Due from credit institutions, net	6,031,181	7,237,682

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 earning 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.

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	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	-
	2,844,188	40,417	1,231,981	67,945

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
	4,427,673	2,429,133

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
	2,070	1,646,776

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

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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
<u>Derivative assets</u>		
Foreign exchange contracts		
<i>Forward contracts</i>		
Assets foreign	8,415,663	199,191
Assets domestic	3,088,000	75,919
Securities contracts		
<i>Forward contracts</i>		
Assets foreign	122,564	90
Assets domestic	161,966	4,115
Currency swap		
Assets foreign	206,264	8,116
Total derivative assets	11,994,457	287,431

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
<u>Derivative assets</u>		
Foreign exchange contracts		
<i>Forward contracts</i>		
Assets foreign	2,590,430	47,481
Assets domestic	1,580,500	22,538
Bullion contracts		
<i>Forward contracts</i>		
Assets domestic	5,137	68
Securities contracts		
<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
Total derivative assets	4,433,713	82,708

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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%
	16,896,168	100%	12,054,434	100.0%
Less – Allowances for impairment losses	(551,127)		(470,444)	
Loans to customers, net	16,345,041		11,583,990	

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)
Private companies, net	11,166,752	7,400,275
State controlled companies, gross	2,354,931	2,604,775
Less – Allowances for impairment losses	(60,648)	(79,349)
State controlled companies, net	2,294,283	2,525,426
Individuals and entrepreneurs, gross	2,918,790	1,683,774
Less – Allowances for impairment losses	(34,784)	(25,485)
Individuals and entrepreneurs, net	2,884,006	1,658,289
Loans to customers, net	16,345,041	11,583,990

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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)
Mortgage loans granted, net	1,146,885	257,853
Mortgage loans purchased, gross	699,527	664,677
Less – Allowances for impairment losses	(3,945)	(4,566)
Mortgage loans acquired, net	695,582	660,111
Consumer loans, gross	577,810	499,333
Less – Allowances for impairment losses	(9,103)	(12,287)
Consumer loans, net	568,707	487,046
Car purchase loans, gross	354,875	159,127
Less – Allowances for impairment losses	(4,764)	(3,682)
Car purchase loans, net	350,111	155,445
Credit cards and overdrafts, gross	182	59
Less – Allowances for impairment losses	(2)	(1)
Credit cards and overdrafts, net	180	58
Loans to individuals, net	2,761,465	1,560,513

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)
Net investment in finance lease	238,633
Current portion	112,701
Long-term portion	125,932
Net investment in finance lease	238,633

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
	238,633

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
Available-for-sale investments, net and investments in associates	2,050,554	2,496,549

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
	1,505,880	2,082,986

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
		989,527		1,257,817

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 gas					
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) ¹
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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¹ – Profit/ (loss) is disclosed from the date of acquisition till 31 December 2007 or for the year then ended

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Consolidated Financial Statements for the Year Ended 31 December 2007
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
Banking segment						
Morion	Manufacturing	Russia	86.3%	18,449	(6,157)	12,292
Raschetno-Depositarnaya Kompanya	Clearing & Custody	Russia	55.0%	1,404	(702)	702
Strategicheskie 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
				25,156	(9,509)	15,647
Petrochemicals and tires segment						
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
				9,073	(7,288)	1,785
Media segment						
Other minor subsidiaries				1,378	(30)	1,348
				1,378	(30)	1,348
				35,607	(16,827)	18,780

Name	Principal activity	Country	31 December 2006			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
Banking segment						
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
				4,335	(2,133)	2,202
Petrochemicals and tires segment						
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
				10,009	(8,352)	1,657
Media segment						
Other minor subsidiaries				1,271	(66)	1,205
				1,271	(66)	1,205
				15,615	(10,551)	5,064

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Consolidated Financial Statements for the Year Ended 31 December 2007
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
Banking segment						
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
				74,741	(51,557)	23,184
Petrochemicals and tires segment						
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)	-
				14,912	(14,912)	-
Media segment						
Other minor associates				111	(47)	64
				111	(47)	64
				89,764	(66,516)	23,248

Name	Principal activity	Country	31 December 2006			
			Group's holding, %	Cost of investment	Impairment	Carrying value of investment
Banking segment						
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
				63,945	(47,488)	16,457
Petrochemicals and tires segment						
DK Tolyatti	Entertainment	Russia	50.0%	3,801	(3,801)	-
Sibgaztrans	Oil & gas	Russia	49.6%	1,747	(1,747)	-
Other				279	(275)	4
				5,827	(5,823)	4
Media segment						
Other minor associates				104	-	104
				104	-	104
				69,876	(53,311)	16,565

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 exercise 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:

31 December 2005	1,090,514
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
31 December 2006	2,496,549
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
31 December 2007	2,050,554

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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) OGC-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
	1,060,937	630,277
Less – Allowance for impairment losses	(84,397)	(89,431)
Trade receivables, net	976,540	540,846

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
	1,156,751	687,207
Less – Allowance for impairment losses	(18,699)	(14,313)
Inventories, net	1,138,052	672,894

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
Cost of acquisition					
31 December 2005	1,396,593	1,366,763	41,351	311,479	3,116,186
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
31 December 2006	1,597,337	1,787,912	47,660	324,553	3,757,462
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
31 December 2007	1,918,135	2,760,917	141,076	679,385	5,499,513
Accumulated depreciation					
31 December 2005	436,589	848,976	25,582	-	1,311,147
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
31 December 2006	493,015	1,071,031	31,628	-	1,595,674
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
31 December 2007	605,885	1,593,678	64,125	-	2,263,688
Net book value					
31 December 2006	1,104,322	716,881	16,032	324,553	2,161,788
31 December 2007	1,312,250	1,167,239	76,951	679,385	3,235,825

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 USD 7,781 thousand (31 December 2006 – nil).

NOTE 22 – GOODWILL

The movement of goodwill for the years ended 31 December 2007 and 2006 is as follows:

1 January 2006	552,651
Business combination (Note 1 (b))	15,652
Foreign exchange difference from translation to presentation currency (Note 3 (c))	51,030
31 December 2006	619,333
Business combination (Note 1 (b))	147,463
Foreign exchange difference from translation to presentation currency (Note 3 (c))	45,758
31 December 2007	812,554

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:

	31 December 2007	31 December 2006
Programming rights (GMG)	371,254	279,495
Software and other intangibles	18,860	6,116
Intangible assets, net	390,114	285,611

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:

	31 December 2007	31 December 2006
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
	956,773	650,317
Less – Allowance for impairment losses	(756)	(335)
Other assets, net	956,017	649,982

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
Amounts owed to credit institutions	4,250,807	2,979,652

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
Current accounts:		
- State controlled companies	4,092,940	3,079,732
- Private companies	3,658,682	1,418,075
- Individuals	1,768,444	1,275,089
	9,520,066	5,772,896
Time deposits:		
- State controlled companies	1,889,879	1,542,693
- Private companies	1,954,284	2,524,050
- Individuals	2,580,450	1,607,452
	6,424,613	5,674,195
Amounts owed to customers	15,944,679	11,447,091

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).

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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
Subordinated deposits	560,790	688,832

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
Certificated debts	3,046,600	5,454,543

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).

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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%	February 2007- September 2007	-	171,355
USD Euro commercial papers			-	119,513
Euro commercial papers	4.67%	June 2007	-	119,513
Eurobonds			3,716,436	2,613,738

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
Other liabilities		2,142,293	1,351,631

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 (restated)	2006
Basic earnings per share, USD:		
Net profit for the period, USD (restated)	1,077,564,000	1,330,775,000
Weighted-average number of ordinary shares outstanding during the period	18,339,093	11,937,685
Earnings per share, USD (restated)	58.8	111.5
Diluted earnings per share, USD:		
Net profit for the period, USD (restated)	1,077,564,000	1,330,775,000
Weighted-average number of ordinary shares outstanding during the period	19,052,105	11,945,070
Earnings per share, USD (restated)	56.6	111.4

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
<u>Derivative liabilities</u>		
Foreign exchange contracts		
<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)
Bullion contracts		
<i>Forward contracts</i>		
Liabilities foreign	(2,117)	(170)
Securities contracts		
<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)
Interest swaps		
Liabilities foreign	(510,388)	-
Total derivative liabilities	(9,256,344)	(330,873)

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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
Derivative liabilities		
Foreign exchange contracts		
<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)
Bullion contracts		
<i>Forward contracts</i>		
Liabilities foreign	(4,950)	(255)
Securities contracts		
<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)
Total derivative liabilities	(4,335,645)	(137,484)

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
Cash and cash equivalents	7,428,326	6,508,355

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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.

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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 (restated)	OECD	Other non-OECD	Total (restated)
Assets				
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 (restated)	188,551	-	-	188,551
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
	34,221,758	3,513,437	884,811	38,620,006
Liabilities				
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
	22,635,456	7,309,064	458,886	30,403,406
Net balance sheet position	11,586,302	(3,795,627)	425,925	8,216,600

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31 December 2006				
	Russia	OECD	Other non-OECD	Total
Assets				
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
	26,573,033	3,495,708	1,599,726	31,668,467
Liabilities				
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
	18,665,250	5,864,695	488,384	25,018,329
Net balance sheet position	7,907,783	(2,368,987)	1,111,342	6,650,138

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
	31,089,738	(680,978)	9,207,544	21,201,216

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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
	22,909,584	(586,518)	20,082,318	2,240,748

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)
	9,289,399	4,740,725	1,526,186	80,984	14,771,467	30,408,761

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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.

31 December 2006						
	Good	Special mention	Substandard	Doubtful	Bad	Total
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)
	17,040,242	4,953,864	286,249	40,489	2,221	22,323,065

Analysis of impaired financial assets

Analysis of impaired financial assets as of 31 December 2007 and 2006 is presented in the tables below.

31 December 2007				
	Not impaired assets	Individually determined impairment	Collectively determined impairment	Total
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)
	19,892,028	6,950,065	3,566,668	30,408,761

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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)
	11,476,725	6,243,758	4,602,581	22,323,064

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
	6,042,895	2,791,636	14,104,532	1,285,613	3,365,633	27,590,309

	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
	7,248,593	1,585,999	10,468,435	739,534	1,069,088	21,111,649

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.

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GAZPROMBANK GROUP**Consolidated Financial Statements for the Year Ended 31 December 2007****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.

	31 December 2007						
	On demand	Less than 1 month	1 to 3 months (restated)	3 months to 1 year	1 to 5 years	Over 5 years	Total (restated)
Assets							
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 (restated)	-	-	188,551	-	-	-	188,551
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
	8,061,855	6,089,914	3,048,130	6,443,032	9,791,320	5,185,755	38,620,006
Liabilities							
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
	9,787,937	5,333,949	1,546,099	5,579,149	6,129,086	2,027,186	30,403,406
Net balance sheet position	(1,726,082)	755,965	1,502,031	863,883	3,662,234	3,158,569	8,216,600
Accumulated gap	(1,726,082)	(970,117)	531,914	1,395,797	5,058,031	8,216,600	

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Consolidated Financial Statements for the Year Ended 31 December 2007

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
Assets							
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
	5,308,603	6,166,695	2,033,584	8,607,405	6,333,802	3,218,378	31,668,467
Liabilities							
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
	6,023,994	2,903,128	4,212,226	5,675,596	4,330,937	1,872,448	25,018,329
Net balance sheet position	(715,391)	3,263,567	(2,178,642)	2,931,809	2,002,865	1,345,930	6,650,138
Accumulated gap	(715,391)	2,548,176	369,534	3,301,343	5,304,208	6,650,138	

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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GAZPROMBANK GROUP
Consolidated Financial Statements for the Year Ended 31 December 2007

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
Total liabilities position (undiscounted)	9,703,364	5,410,830	1,580,927	4,890,676	8,596,348	2,606,861	32,789,006

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
Total liabilities position (undiscounted)	7,105,530	2,070,622	4,157,794	5,482,355	4,835,487	2,335,122	25,986,910

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
Interest-earning assets						
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)
	117,304	1,173	(1,173)	199,736	1,998	(1,998)
Interest-bearing liabilities						
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
	(3,365,481)	(33,655)	33,655	(1,406,786)	(14,067)	14,067
Net effect on profit and loss and equity	(3,248,177)	(32,482)	32,482	(1,207,050)	(12,069)	12,069

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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	%%
Interest-earning assets								
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%
Interest-bearing liabilities								
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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GAZPROMBANK GROUP**Consolidated Financial Statements for the Year Ended 31 December 2007**

The Group's exposure to foreign currency exchange rate risk as of 31 December 2007 and 2006 follows:

	31 December 2007				
	Rubles (restated)	U.S. Dollars	Euro	Other	Total (restated)
Assets					
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 (restated)	188,551	-	-	-	188,551
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
	29,787,907	5,915,006	2,576,428	340,665	38,620,006
Liabilities					
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
	20,771,902	7,217,907	2,005,409	408,188	30,403,406
Net balance sheet position	9,016,005	(1,302,901)	571,019	(67,523)	8,216,600
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)
Net off-balance sheet position	(7,731,402)	1,240,141	(647,114)	192,687	(6,945,688)
Net position	1,284,603	(62,760)	(76,095)	125,164	1,270,912

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Consolidated Financial Statements for the Year Ended 31 December 2007

31 December 2006					
	Rubles	U.S. Dollars	Euro	Other	Total
Assets					
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
	22,422,720	7,223,689	1,502,579	519,479	31,668,467
Liabilities					
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
	16,840,062	6,520,943	1,263,164	394,160	25,018,329
Net balance sheet position	5,582,658	702,746	239,415	125,319	6,650,138
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)
Net off-balance sheet position	(896,771)	(1,110,481)	(389,694)	148,629	(2,248,317)
Net position	4,685,887	(407,735)	(150,279)	273,948	4,401,821

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.

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	31 December 2007		31 December 2006	
	USD/Rouble 4% lower	Euro/Rouble 3% higher	USD/Rouble 4% lower	Euro/Rouble 3% higher
Assets				
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)	-
	(236,600)	77,293	(288,948)	45,077
Liabilities				
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)
	288,717	(60,162)	260,837	(37,895)
Net effect on profit and loss and equity	(525,317)	137,455	(549,785)	82,972

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 (restated)	Total category as per financial statements caption (restated)	Related party transactions	Total category as per financial statements caption
Due from credit institutions, gross:				
- entities with joint control	-		-	
- unconsolidated subsidiaries and associates	27,157		27,095	
- state controlled companies	422,571		2,244,483	
Total due from credit institutions, gross	449,728	6,042,895	2,271,578	7,248,593
Allowances for losses, due from credit institutions	-	(11,714)	-	(10,911)
Financial assets held-for-trading:				
- parent	526,647		1,032,577	
- unconsolidated subsidiaries and associates	103,185		6,720	
- state controlled companies	1,679,128		429,555	
Total financial assets held-for-trading:	2,308,960	4,427,673	1,468,852	2,429,133
Loans to customers, gross:				
- 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	
Total loans to customers, gross	2,712,262	16,896,168	3,379,508	12,054,434
Allowances for losses, loans to customers	(172,059)	(551,127)	(152,325)	(470,444)
Investments available-for-sale, net and investments in associates				
- entities with joint control	1,164,478		1,392,135	
- unconsolidated subsidiaries and associates	183,141		109,355	
- state controlled companies	-		49,446	
Total investments available-for-sale, net and investments in associates	1,347,619	2,050,554	1,550,936	2,496,549
Trade receivables, gross				
- 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	
Total trade receivables, gross	214,909	1,060,937	188,367	630,277
Allowances for losses, trade receivables	(15,033)	(84,397)	(18,002)	(89,431)
Income tax assets				
- state controlled companies (restated)	188,551		83,209	
Total income tax assets (restated)	188,551	188,551	83,209	83,209
Other assets				
- unconsolidated subsidiaries and associates	49,567		28,605	
- state controlled companies	72,392		477,684	
Total other assets, gross	121,959	956,773	506,289	650,317
Allowances for impairment losses, other assets		(756)	-	(335)
Amounts owed to credit institutions:				
- entities with joint control	4,666		164	
- unconsolidated subsidiaries and associates	6,284		5,840	
- state controlled companies	874,354		79,453	
Total amounts owed to credit institutions	885,304	4,250,807	85,457	2,979,652

GAZPROMBANK GROUP
Consolidated Financial Statements for the Year Ended 31 December 2007

	31 December 2007		31 December 2006	
	Related party transactions (restated)	Total category as per financial statements caption (restated)	Related party transactions	Total category as per financial statements caption
Amounts owed to customers:				
- 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	
Total amounts owed to customers	6,195,050	15,944,679	4,763,480	11,447,091
Subordinated deposits:				
- parent	199,261		224,150	
- entities with joint control	61,529		56,445	
Total subordinated deposits	260,790	560,790	280,595	688,832
Income tax liabilities:				
- state controlled companies	410,928		345,358	
Total income tax liabilities	410,928	410,928	345,358	345,358
Other liabilities:				
- 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	
Total other liabilities	999,577	2,142,293	756,877	1,351,631
Undrawn loan commitments:				
- entities with joint control	404,957		415,187	
- unconsolidated subsidiaries and associates	611		47,588	
- state controlled companies	509,684		427,856	
Total undrawn loan commitments	915,252	4,408,345	890,631	3,425,063
Guarantees given:				
- 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	
Total guarantees given	1,567,871	2,770,160	385,678	623,103
Allowances for impairment losses, guarantees given	(20,039)	(28,721)	(4,097)	(8,269)
Letters of credit:				
- 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	
Total letters of credit	216,578	595,473	239,983	445,985
Allowances for impairment losses, letters of credit	-	(4,263)	(2,745)	(7,128)
Fiduciary activities				
- key management personnel	209,907		268,054	
Total fiduciary activities	209,907	930,871	268,054	1,840,284

GAZPROMBANK GROUP
Consolidated Financial Statements for the Year Ended 31 December 2007

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
Interest income, loans to customers:				
- 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	
Total interest income, loans to customers	99,298	1,634,768	158,426	935,398
Petrochemical business operating revenues				
- entities with joint control	129,464		134,920	
- state controlled companies	48,255		32,320	
Total petrochemical business operating revenues	177,719	5,582,867	167,240	4,493,632
Media business operating revenues				
- parent	24,069		13,754	
- entities with joint control	757		334	
- unconsolidated subsidiaries and associates	235		138	
- state controlled companies	16,589		6,482	
Total media business operating revenues	41,650	1,273,286	20,708	883,151
Non-interest gain from financial assets and liabilities held-for-trading, net				
- entities with joint control	20,842		20,719	
- key management personnel	-		(20,013)	
Total gains from financial assets and liabilities held-for-trading, net	20,842	239,192	706	494,442
Fees and commissions income:				
- 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	
Total fees and commissions income	19,913	361,545	60,219	278,716
Dividend income:				
- 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	
Total dividend income	15,359	19,601	17,617	21,415
Interest expense, amounts owed to customers:				
- 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	
Total interest expense, amounts owed to customers	176,632	880,128	116,926	304,948
Petrochemical business operating expenses				

GAZPROMBANK GROUP
Consolidated Financial Statements for the Year Ended 31 December 2007

	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
- parent	20,665		184,230	
- entities with joint control	429,954		249,902	
- state controlled companies	816,662		723,983	
Total petrochemical business operating expenses	1,267,281	4,464,231	1,158,115	3,476,145
Media business operating expenses				
- 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	
Total media business operating expenses	21,249	1,024,364	32,728	685,150
Salaries and employment benefits				
-short-term employee benefits	52,246		83,153	
-termination benefits	6,708			
-post-employment benefits	350			
-share-based payment	256,210			
Total salaries and employment benefits	315,514	804,826	83,153	403,325

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
	7,773,978	4,494,151

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
	143,396	34,332

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
	2,096,871	1,910,819

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 (RESTATED)

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	4,194,180	3,073,009
Minority interest	953,981	735,040
Tier I Capital	7,404,046	6,030,805
Tier II Capital	297,891	542,267
Total Capital	7,701,937	6,573,072
Adjustments to Tier II Capital	(8,107)	(72,467)
Net available capital	7,693,830	6,500,605
Risk weighted assets	34,617,123	24,190,677
Capital adequacy ratios:		
Tier I ratio	21.4%	24.9%
Total capital ratio	22.2%	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	17.1%	21.7%
Total capital ratio	18.1%	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% plus 1 share in the Bank's ordinary stock.

Acquisitions of assets

In July 2008 the Group has acquired a 99% stake in a small-sized bank, OOO "NoyabrskNeftekomBank" for a total consideration of USD 20,556 thousand.

During 2008 the Group has acquired a group of industrial companies (heavy machinery production) which includes OMZ (Uralsmash-Izhora) Group, Cryogenmash Group, Glazovski zavod "Khimsmash", Uralkhimsmash Group, Uralenergmontazh Group and certain other industrial assets. OAO "OMZ" is the holding company of the OMZ (Uralsmash-Izhora) Group, which produces nuclear power plant equipment, speciality steels, machinery equipment, manufacturing and mining equipment. The OMZ Group manufacturing facilities are based in the Russian Federation and the Czech Republic. The Group through ZAO "Forpost Management", its wholly owned subsidiary holding company acquired in December 2008, holds 44.41% of OAO "OMZ" ordinary stock. The Group has the power to control more than half of outstanding ordinary stock of OAO "OMZ" by possessing

of currently exercisable potential voting rights in addition to the stake owned by ZAO "Forpost Management". The aggregate consideration given by the Group for the investments listed above was USD 843,656 thousand. The Group has recognised both, goodwill of USD 200,715 thousand and excess of the fair value of net assets acquired over the cost of acquisition of USD 206,468 thousand on the acquisition of heavy machinery companies. Subsequently, USD 132,845 thousand of goodwill was impaired.

In June 2009 the Group acquired a 100% stake in Russian Commercial Bank (Zurich) for approximately USD 91 million.

Wholesale borrowings

In June 2008 the Group issued loan participation notes with a nominal amount of USD 500 million at 7.97% p.a. due in 2013.

In August 2008 the Group issued loan participation notes with a nominal amount of CHF 500 million at 6.53% p.a. due in 2010.

In March 2009 the Group repaid a one-year committed loan in the nominal amount of USD 150 million, which was received by the Group from a syndicate of foreign banks in March 2008.

In April 2009 the Group repaid a USD 166.7 million final tranche of a syndicated loan with the total amount of USD 500 million, which was received by the Group from a syndicate of foreign banks in April 2006.

In May 2009 the Group placed a Eurobond issue with the nominal amount of USD 120 million bearing 7.35% p.a. maturing in May 2016.

In June 2009 the Group repaid in advance a three-year committed loan with the total amount of USD 300 million, which was received by the Group from a syndicate of foreign banks in March 2008.

Subordinated deposits

In December 2008 the Group has received subordinated deposits from its shareholders – OAO "Gazprom" and NPF "Gazfond" in the total amount of USD 533,126 thousand which mature in 2019 and bear 8% per annum.

In March 2009 the Bank received a USD 432,501 thousand subordinated deposit from the Vnesheconombank (VEB) which bears interest of 8% per annum and matures in October 2019. The deposit was placed under the government program to support the Russian banking system and is related to the subordinated deposits that were received by the Bank from its major shareholders in December 2008 in the same amount and on similar terms (see Note 24).

In August 2009 the Bank received 30-year RUR-denominated subordinated deposits of USD 790,401 thousand from one of its shareholders, NPF "Gazfond". These deposits bear 10.5% annual interest and partially qualify as Tier I capital according to the CBR capital adequacy regulations.

In November 2009 the Bank received RUR-denominated 11-year subordinated deposits from VEB in the total amount of USD 2,563,413 thousand as part of the government program of support to the Russian banking system. Deposits bear 9.5% annual interest.

Fair value of financial instruments during financial crisis

Starting from August 2008 there has been a significant worldwide decrease in securities and commodities markets and a general slowdown of economic development both in the emerging and developed countries. This resulted in significant deterioration of the value of financial instruments. In 2008 the Group recognised losses on operations with securities and foreign currency, most of which were unrealised revaluation losses on derivative financial instruments. This resulted in a decrease in the Group's equity. In 2009 the financial markets in Russia steadily recovered and the Group started recovering its capital position.

(end)

GPB Finance Plc

Directors' report and audited financial statements

For the year ended 31 December 2008

***Registered number* 406158**

GPB Finance Plc

Directors' report and financial statements

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Directors and other information

Directors	Ronnie Culliton Roddy Stafford
Registered office	5 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
Administrator	Deutsche International Corporate Services (Ireland) Limited 5 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
Principal Paying Agent	Deutsche Bank AG London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Auditors	Deloitte & Touche Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
Company Secretary	Deutsche International Corporate Services (Ireland) Limited 5 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
Solicitors	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland

Directors' report

The directors present the annual report and audited financial statements of GPB Finance Plc (the "Company") for the year ended 31 December 2008.

Principal activities and business review

The Company has entered into a transaction in connection with the Euro Commercial Paper Programme (the "Programme") under which it may issue and have outstanding at any time Euro Commercial Paper (the "Notes") up to a maximum aggregate amount of U.S \$ 1,000,000,000 or its equivalent in alternative currencies. The Programme amount may be increased from time to time in accordance with the Dealer Agreement.

There were four issuances of the Euro Commercial Paper Programme of nominal amounts of U.S\$40,260,000, U.S\$60,000,000, EUR€91,335,000 and U.S\$75,245,000. Proceeds of the Notes were U.S\$39,036,425, U.S\$58,955,596, EUR€89,268,036 and U.S\$ 71,845,509 in 2006. From the proceeds U.S\$39,030,000, U.S\$58,940,000, EUR€89,230,000 and U.S\$ 71,820,000 have been deposited with Gazprombank at 6.40%, 6.38%, 4.80 % and 6.40% respectively.

All the deposits were terminated in 2007 and consequently all the notes were redeemed. In 2008 the Company did not enter into any transactions.

Results and dividends for the year

The results for the year are set out on page 6. No dividends are recommended by the directors (2007:Nil).

Changes in directors and secretary

There were no changes in directors and secretary during the year.

Directors, secretary and their interests

The directors and secretary who held office on 31 December 2008 did not hold any shares in the Company at that date, or during the year.

Future developments

The directors are looking for new opportunities to develop the Company.

Post balance sheet events

There have been no significant events since the year end.

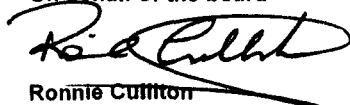
Books of account

The directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 5 Harbourmaster Place, International Financial Services Centre, Dublin 1.

Auditors

Deloitte & Touche, Chartered Accountants have signified their willingness to continue in office as auditors, in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board



Ronnie Culliton
Director



Roddy Stafford
Director

Date: 24/4/09

Statement of directors' responsibilities

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of GPB Finance Plc

We have audited the financial statements of GPB Finance Plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements, as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

**Independent auditor's report to the members of GPB Finance Plc
(continued)**

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the company as at 31 December 2008 and of the result for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte Touche

Chartered Accountants & Registered Auditors
Dublin

Date: 29/4/09

GPB Finance Plc

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**Profit and Loss Account
for the year ended 31 December 2008**

		Year ended 31-Dec-08 \$	Year ended 31-Dec-07 \$
Operating income	Notes		
Interest receivable and other income	2	119,253	6,727,866
Interest payable and other expenses	3	(119,253)	(6,723,750)
Profit on ordinary activities before taxation		<u>-</u>	<u>4,116</u>
Tax on profit on ordinary activities	4	-	(1,029)
Profit for the financial year		<u>-</u>	<u>3,087</u>

The Company had no recognised gains and losses in the financial year other than those dealt within the profit and loss account. All items dealt with in arriving at the result for the year ended 31 December 2008 related to continuing operations.

On behalf of the board


Ronnie Culliton
 Director

Date:

29/4/09



Roddy Stafford
 Director

GPB Finance Plc

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**Balance Sheet
As at 31 December 2008**

	Notes	31-Dec-08 \$	31-Dec-07 \$
Current assets			
Cash at bank	5	166,593	146,915
Debtors	6	163,813	150,269
		<u>330,406</u>	<u>297,184</u>
 Creditors - amounts falling due within one year			
Creditors and accruals	7	(82,969)	(49,747)
 Net assets		<u>247,437</u>	<u>247,437</u>
 Capital and reserves			
Called up share capital	8	241,380	241,380
Profit and loss account		6,057	6,057
 Shareholder's funds	9	<u>247,437</u>	<u>247,437</u>

On behalf of the board



Ronnie Culliton
Director

Date: 29/4/09



Roddy Stafford
Director

GPB Finance Plc
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Cash flow statement
for the year ended 31 December 2008

	Notes	Year ended 31-Dec-08 \$	Year ended 31-Dec-07 \$
Net cash inflow from operating activities	10	19,678	2,231,014
Capital expenditure and financial instruments			
Termination of deposit-Gazprombank		-	288,617,591
Cash inflow before financing activities		19,678	290,848,605
Financing activities			
Redemption of notes		-	(290,899,238)
Increase/ (Decrease) in cash and cash equivalents		<u>19,678</u>	<u>(50,633)</u>
Reconciliation of net cash flow to net debt for the year ended 31 December 2008			
Increase/ (Decrease) in cash and cash equivalents		19,678	(50,633)
Increase/ (Decrease) in total debt		-	-
Movement in net cash in the year		<u>19,678</u>	<u>(50,633)</u>
Net cash at the beginning of the year		146,915	197,548
Net cash at the end of the year	11	<u>166,593</u>	<u>146,915</u>

**Notes to the financial statements
for the year ended 31 December 2008**

1. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006.

Because of the nature of the Company's business and the type of transactions the Company is engaged in, the Directors have adapted the profit and loss account to suit the circumstances of the business in accordance with Section 4(13) of the Companies (Amendment) Act, 1986. The financial statements are expressed in USD (\$).

(b) Operating income and expenses

All income and expenses are accounted for on an accrual basis.

(c) Taxation

Corporation tax is provided on taxable profits at current rates applicable to the Company's activities.

(d) Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the date. Foreign currency differences arising on retranslation are recognised in the profit and loss.

(e) Functional and presentation currency

These financial statements are presented in USD(\$) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The issued share capital of the Company is denominated in Euro and debt securities issued were denominated in USD(\$). The Directors of the Company believe that USD(\$) most faithfully represents the economic effects of the underlying transactions, events and conditions.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, which are subject to insignificant risk of changes and are used by the Company in the management of its short term commitments.

**Notes to the financial statements
for the year ended 31 December 2008**

1. Significant accounting policies (continued)

(g) Use of estimates and judgements

The preparation of financial statements in conformity with Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(h) Financial assets

Financial assets consisted of deposits are recorded at amortised cost less any provision for impairment. The deposits were terminated in 2007.

(i) Notes issued

Notes and/or commercial paper issued are recorded at amortised cost. All the notes were redeemed in 2007.

2. Interest receivable and other income

	Year ended 31-Dec-08	Year ended 31-Dec-07
	\$	\$
Interest receivable on deposit	-	6,562,803
Other income	116,010	149,953
Bank interest	3,243	15,110
	<u>119,253</u>	<u>6,727,866</u>

3. Interest payable and other expenses

	Year ended 31-Dec-08	Year ended 31-Dec-07
	\$	\$
Amortisation of discount	-	(6,481,737)
Directors fees	(28,438)	(27,166)
Auditors fees	(16,905)	(33,525)
Administrative fees	(37,957)	(36,351)
Paying agent fees	-	(2,744)
Professional fees	(13,036)	(20,285)
Amortisation of issue costs	(20,088)	(34,103)
Bank charges	(191)	(209)
Corporation tax	(89)	-
Foreign exchange loss	(2,549)	(87,630)
	<u>(119,253)</u>	<u>(6,723,750)</u>

Notes to the financial statements (continued)
for the year ended 31 December 2008

4. Tax on profit on ordinary activities

	Year ended 31-Dec-08	Year ended 31-Dec-07
	\$	\$
Corporation tax	-	(1,029)

The Company is charged corporation tax at a rate of 25%.

5. Cash at bank

	31-Dec-08	31-Dec-07
	\$	\$
DB-Jersey USD	88,138	86,835
DB-Jersey EUR	52,690	53,353
BOI account	25,765	6,727
	<u>166,593</u>	<u>146,915</u>

6. Debtors

	31-Dec-08	31-Dec-07
	\$	\$
Issue costs	-	20,088
Other debtors	140,427	105,809
Prepayments	23,386	24,372
	<u>163,813</u>	<u>150,269</u>

7. Creditors-amounts falling due within one year

	31-Dec-08	31-Dec-07
	\$	\$
Accruals	(38,344)	(48,718)
Deferred income	(44,625)	-
Corporation tax	-	(1,029)
	<u>(82,969)</u>	<u>(49,747)</u>

8. Share Capital-equity

	31-Dec-08	31-Dec-07
	€	€
Authorised		
1,000,000 ordinary shares of €1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid		
200,000 ordinary shares of €1 each	<u>241,380</u>	<u>241,380</u>

Notes to the financial statements (continued)
for the year ended 31 December 2008

9. Reconciliation of movements in shareholders' funds	Year ended 31-Dec-08	Year ended 31-Dec-07
	\$	\$
Shareholders' funds at the beginning of the year	247,437	244,350
Total recognised gains and losses for the year	-	3,087
Shareholders' funds at the end of the year	<u>247,437</u>	<u>247,437</u>

10. Reconciliation of operating profit to net cash outflow from operating activities	Year ended 31-Dec-08	Year ended 31-Dec-07
	\$	\$
Operating profit	-	3,087
Increase in operating debtors	(13,544)	2,202,193
Increase in creditors-due within one year	33,222	25,734
Net cash outflow from operating activities	<u>19,678</u>	<u>2,231,014</u>

11. Analysis of changes in net debt	At beginning of year	Movements	At end of year
	\$	\$	\$
Cash at bank and in hand	146,915	19,678	166,593
Debt due within one year	-	-	-
	<u>146,915</u>	<u>19,678</u>	<u>166,593</u>

12. Ownership of the Company

The principal shareholder in the Company is Gazprombank (Open Joint-stock Company) holding 199,994 shares. In addition, Mr Kevin McEvoy, Ms Anne-Marie McLoughlin, Ms Eimir McGrath, Mr David McGuinness, Mr Eamonn Sherry and Mr Rhys Owens hold one share each in the Company. The shareholders act solely as share trustees and have no beneficial ownership in the Company. All shares are held on trust for a charity.

13. Comparative period

All comparative amounts are for the year ended 31 December 2007.

14. Post balance sheet events note.

There have been no significant events since the year end.

15. Approval of financial statements

The board of directors approved these financial statement on the 29th April 2009.

GPB Finance Plc

Directors' report and audited financial statements

For the year ended 31 December 2007

***Registered number* 406158**

GPB Finance Plc

Directors' report and financial statements

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Balance sheet	7
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GPB Finance Plc

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Directors and other information

Directors	Ronnie Culliton Roddy Stafford
Registered office	5 Harbourmaster Place International Financial Services Centre Dublin 1
Administrator	Deutsche International Corporate Services (Ireland) Limited 5 Harbourmaster Place International Financial Services Centre Dublin 1
Principal Paying Agent	Deutsche Bank AG London Branch Winchester House 1 Great Winchester Street London EC2N 2DB
Auditors	Deloitte & Touche Deloitte & Touche House Earlsfort Terrace Dublin 2
Company Secretary	Deutsche International Corporate Services (Ireland) Limited 5 Harbourmaster Place International Financial Services Centre Dublin 1
Solicitors	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 Dublin 1

Directors' report

The directors present the report and audited financial statements of GPB Finance Plc (the "Company") for the year ended 31 December 2007.

Principal activities, business review

The Company has entered into a transaction in connection with the euro commercial paper programme (the "Programme") under which it may issue and have outstanding at any time euro commercial paper (the "Notes") up to a maximum aggregate amount of U.S \$ 1,000,000,000 or its equivalent in alternative currencies. The Programme amount may be increased from time to time in accordance with the Dealer Agreement.

There were four issuances of the Euro Commercial Paper Programme of nominal amounts of U.S\$40,260,000, U.S\$60,000,000, EUR€91,335,000 and U.S\$75,245,000. Proceeds of the Notes were U.S\$39,036,425, U.S\$58,955,596, EUR€89,268,036 and U.S\$ 71,845,509 in 2006. From the proceeds U.S\$39,030,000, U.S\$58,940,000, EUR€89,230,000 and U.S\$ 71,820,000 have been deposited with Gazprombank at 6.40%, 6.38%, 4.80 % and 6.40% respectively.

All the deposits were terminated in 2007 and consequently all the notes were redeemed.

Results and dividends for the year

The results for the year are set out on page 6. No dividends are recommended by the directors.

Changes in directors and secretary

There were no changes in directors and secretary during the year.

Directors, secretary and their interests

The directors and secretary who held office on 31 December 2007 did not hold any shares in the Company at that date, or during the year.

Post balance sheet events

There have been no significant events since the year end.

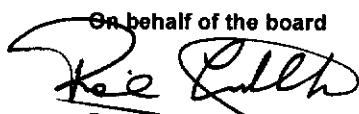
Accounting records

The directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 5 Harbourmaster Place, International Financial Services Centre, Dublin 1.

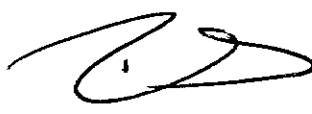
Auditors

Deloitte & Touche have signified their willingness to continue in office as auditors, in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board



Ronnie Culliton
Director



Roddy Stafford
Director

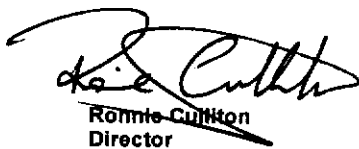
Date: 25 August 2008

Statement of directors' responsibilities

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Ronnie Culliton
Director

Date: 25 August 2008



Roddy Stafford
Director

Independent auditor's report to the members of GPB Finance Plc

We have audited the financial statements of GPB Finance Plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

**Independent auditor's report to the members of GPB Finance Plc
(continued)**

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the company as at 31 December 2007 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Deloitte & Touche
 Chartered Accountants
 Registered Auditors

Date: 25 August 2008

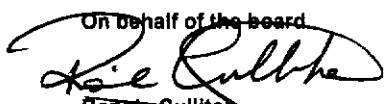
GPB Finance Plc

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**Profit and Loss Account
for the year ended 31 December 2007**

		Year ended 31-Dec-07 \$	Year ended 31-Dec-06 \$
Operating income - Continuing Operations	Notes		
Interest receivable and other income	2	6,727,866	2,074,709
Interest payable and other expenses	3	(6,723,750)	(2,070,749)
Profit on ordinary activities before taxation		<u>4,116</u>	<u>3,960</u>
Tax on profit on ordinary activities	4	(1,029)	(990)
Profit for the financial year		<u><u>3,087</u></u>	<u><u>2,970</u></u>

The Company had no recognised gains and losses in the financial year other than those dealt with the profit and loss account. All items dealt with in arriving at the profit for the year ended 31 December 2007 related to continuing operations.

On behalf of the board

Ronnie Gulliton
 Director


Roddy Stafford
 Director

Date: 25 August 2008

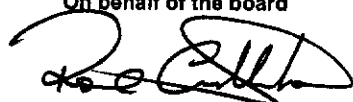
GPB Finance Plc

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**Balance Sheet
As at 31 December 2007**

	Notes	31-Dec-07 \$	31-Dec-06 \$
Financial assets			
Deposit-Gazprombank	5	-	288,617,591
Current assets			
Cash at bank	6	146,915	197,548
Debtors	7	150,269	2,352,462
		<u>297,184</u>	<u>2,550,010</u>
Creditors - amounts falling due within one year			
Creditors and accruals	8	(49,747)	(290,923,251)
Net assets		<u>247,437</u>	<u>244,350</u>
Capital and reserves			
Called up share capital	9	241,380	241,380
Profit and loss account		6,057	2,970
Shareholder's funds - equity	10	<u>247,437</u>	<u>244,350</u>

On behalf of the board



Ronnie Culliton
Director



Roddy Stafford
Director

Date: 25 August 2008

GPB Finance Plc
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**Cash flow statement
for the year ended 31 December 2007**

	Notes	Year ended 31-Dec-07 \$	Year ended 31-Dec-06 \$
Net cash inflow/(outflow) from operating activities	11	2,231,014	(2,297,093)
Capital expenditure and financial instruments			
Deposit-Gazprombank		-	(288,617,591)
Termination of deposit-Gazprombank		288,617,591	-
Cash inflow/(outflow) before financing activities		290,848,605	(290,914,684)
Financing activities			
Ordinary shares issued at par		-	-
Notes issued		-	290,899,238
Redemption of notes		(290,899,238)	-
Decrease in cash and cash equivalents		<u>(50,633)</u>	<u>(15,446)</u>
Reconciliation of net cash flow to net debt for the year ended 31 December 2007			
Decrease in cash and cash equivalent		(50,633)	(15,446)
Decrease in total debt		-	-
Movement in net cash in the year		<u>(50,633)</u>	<u>(15,446)</u>
Net cash at the beginning of the year		197,548	212,994
Net cash at the end of the year	12	<u>146,915</u>	<u>197,548</u>

**Notes to the financial statements
for the year ended 31 December 2007**

1. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006.

Because of the nature of the Company's business and the type of transactions the Company is engaged in, the Directors have adapted the profit and loss account to suit the circumstances of the business in accordance with Section 4(13) of the Companies (Amendment) Act, 1986. The financial statements are expressed in USD (\$).

(b) Operating income and expenses

All income and expenses are accounted for on an accrual basis.

(c) Taxation

Corporation tax is provided on taxable profits at current rates applicable to the Company's activities.

(d) Financial assets

Deposits are recorded at amortised cost less any provision for impairment.

(e) Notes issued

Notes and/or commercial paper issued are recorded at amortised cost.

2. Interest receivable and other income

	Year ended 31-Dec-07	Year ended 31-Dec-06
	\$	\$
Interest receivable on deposit	6,562,803	2,009,853
Other income	149,953	33,071
Bank interest	15,110	31,785
	<u>6,727,866</u>	<u>2,074,709</u>

3. Interest payable and other expenses

	Year ended 31-Dec-07	Year ended 31-Dec-06
	\$	\$
Amortisation of discount	(6,481,737)	(1,953,368)
Directors fees	(27,166)	(24,235)
Set up fees	-	(106)
Auditors fees	(33,525)	(8,616)
Administrative fees	(36,351)	(28,567)
Paying agent fees	(2,744)	(5,688)
Professional fees	(20,285)	(1,852)
Amortisation of issue costs	(34,103)	(48,117)
Bank charges	(209)	(200)
Foreign exchange loss	(87,630)	-
	<u>(6,723,750)</u>	<u>(2,070,749)</u>

GPB Finance Plc

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Notes to the financial statements (continued) for the year ended 31 December 2007

4. Tax on profit on ordinary activities

	Year ended 31-Dec-07	Year ended 31-Dec-06
	\$	\$
Corporation tax	(1,029)	(990)

The Company is charged corporation tax at a rate of 25%.

5. Financial assets

	31-Dec-07	31-Dec-06
	\$	\$
Deposit-Gazprombank	-	288,617,591

6. Cash at bank

	31-Dec-07	31-Dec-06
	\$	\$
DB-Jersey USD	86,835	68,156
DB-Jersey EUR	53,353	59,263
BOI account	6,727	70,129
	146,915	197,548

7. Debtors

	31-Dec-07	31-Dec-06
	\$	\$
Interest receivable	-	2,009,853
Issue costs	20,088	54,190
Other debtors	105,809	280,127
Prepayments	24,372	8,292
	150,269	2,352,462

8. Creditors-amounts falling due within one year

	31-Dec-07	31-Dec-06
	\$	\$
Notes	-	(290,899,238)
Accruals	(48,718)	(23,023)
Corporation tax	(1,029)	(990)
	(49,747)	(290,923,251)

There were four issuances of the Euro Commercial Paper Programme of nominal amounts of U.S\$40,260,000, U.S\$60,000,000, EUR€91,335,000 and U.S\$75,245,000. Proceeds of the Notes were U.S\$39,036,425, U.S\$58,955,596, EUR€89,268,036 and U.S\$71,845,509. The notes carry interest of 6.20%, 6.074%, 4.55% and 6.20% and the maturity dates were 19 April 2007, 01 February 2007, 05 June 2007 and 05 September 2007.

GPB Finance Plc

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Notes to the financial statements (continued) for the year ended 31 December 2007

9. Share Capital-equity	31-Dec-07	31-Dec-06
	€	€
Authorised		
1,000,000 ordinary shares of €1 each	1,000,000	1,000,000
Issued and fully paid	\$	\$
200,000 ordinary shares of €1 each	241,380	241,380

10. Reconciliation of movements in shareholders' funds	Year ended 31-Dec-07	Year ended 31-Dec-06
	\$	\$
Shareholders' funds at the beginning of the year	244,350	241,380
Total recognised gains and losses for the year	3,087	2,970
Shareholders' funds at the end of the year	247,437	244,350

11. Reconciliation of operating profit to net cash outflow from operating activities	Year ended 31-Dec-07	Year ended 31-Dec-06
	\$	\$
Operating profit	3,087	2,970
Increase in operating debtors	2,202,193	(2,309,994)
Increase in creditors-due within one year	25,734	9,931
Net cash outflow from operating activities	2,231,014	(2,297,093)

12. Analysis of changes in net debt	At beginning of year	Movements	At end of year
	\$	\$	\$
Cash at bank and in hand	197,548	50,633	146,915
Debt due within one year	(290,899,238)	290,899,238	-
	(290,701,690)	290,949,872	146,915

13. Ownership of the Company

The principal shareholder in the Company is GazInvest Finance BV (199,994 shares). In addition, Mr Kevin McEvoy, Ms Anne-Marie McLoughlin, Ms Eimir McGrath, Mr David McGuinness, Mr Eamonn Sherry and Mr Rhys Owens hold one share each in the Company. The shareholders act solely as share trustees and have no beneficial ownership in the Company. All shares are held on trust for a charity.

14. Comparative period

All comparative amounts are for the year ended 31 December 2006.

15. Approval of financial statements

The board of directors approved these financial statement on the 25th day of August 2008.

GUARANTOR

Gazprombank (Open Joint-stock Company)

16 Block 1, Nametkina St.

Moscow 117420

Russian Federation

ISSUER

GPB Finance Public Limited Company

5 Harbourmaster Place

IFSC Dublin 1

Ireland

**FISCAL AGENT AND PAYING AND
TRANSFER AGENT**

The Bank of New York Mellon

One Canada Square

London E14 5AL

United Kingdom

REGISTRAR

The Bank of New York (Luxembourg) S.A.

Aerogolf Center, 1A, Hoehenhof

L-1736 Sennihgerberg

Luxembourg

LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre

Earlsfort Terrace

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